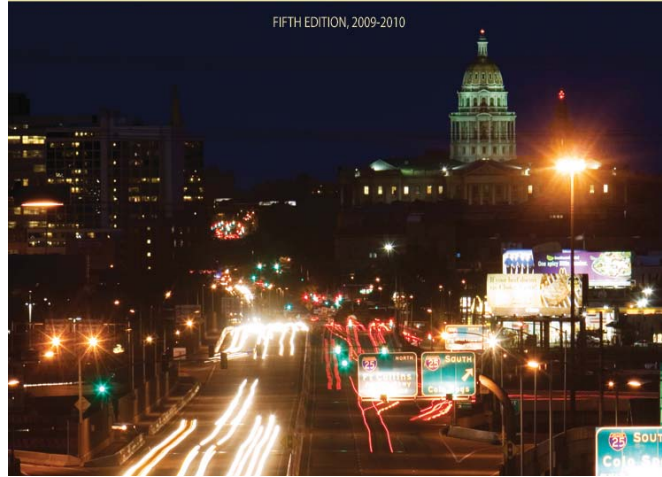




Toward a More Competitive Colorado



FIFTH EDITION, 2009-2010



“While Colorado’s short-term future remains bright, our long-term vision of our state will have to change.”

Toward a More Competitive Colorado Executive Summary on Competitiveness

First published in 2005, *Toward a More Competitive Colorado* is the centerpiece of the Metro Denver Economic Development Corporation’s (Metro Denver EDC) work to compare Colorado’s competitive position against the other 49 states.

After five years of compiling data for this report, we have reached some firm conclusions. While Colorado’s short-term future remains bright, our long-term vision of our state will have to change.

Here are key rankings that impressed us:

No. 1 Rankings

- Obesity – “leanest” state in the nation
- Highest ACT and SAT Scores per 1,000 High School Graduates

Top-10 Rankings

- Economic Outlook (2nd)
- Population 25+ with a Bachelor’s Degree or Higher (2nd)
- Residential Property Tax Rate in Largest City in Each State (2nd-lowest)
- Fewest Retail Prescriptions Filled Per Capita (2nd)
- Small Business Innovation Research Grants (SBIR) (3rd)
- State Technology and Science Index (3rd)
- High-Tech Employment per 1,000 Workers (3rd)
- Venture Capital Investments per \$1,000 of State GDP (3rd)
- Fewest Heart Disease Deaths per 100,000 Population (3rd)
- Lowest Total State Expenditures per Capita (3rd)



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- Lowest per Capita State and Local Expenditures for Public Welfare Programs (3rd)
- Percent of State Land Area Devoted to the National Forest System (3rd)
- Initial Public Offerings (4th)
- Total Solar Energy Installed Capacity (4th)
- Fewest Cancer Deaths per 100,000 Population (4th)
- Fewest Diabetes Deaths per 100,000 Population (4th)
- Cost of Doing Business: Tax Burden Index (4th)
- Number of New Companies per 1,000 Employees (5th)
- Annual Population Growth (5th)
- Average High-Tech Worker Wage (5th)
- State Sales Tax Rate (6th-lowest) (Five other states have no sales tax)
- Entrepreneurial Activity Index (7th)
- High-Tech Export Concentration (7th)
- Total Wind Energy Net Generation (8th)
- Advanced Placement Exams per 1,000 High School Juniors and Seniors (8th)
- Science and Engineering Doctorate Holders as a Percent of the Workforce (8th)
- Employment Growth (9th)
- New Economy Index (10th)
- Fewest Deaths per 100,000 Population (10th)
- Participation in Physical Activities (10th)

The list of rankings on our competitiveness is impressive. As Coloradoans, we should be proud of our state’s status nationally. We continue to be a competitive state in creating new jobs and better lives for our citizens.

We have tracked indices dating back to 2000 as a means of informing policy makers and the public on Colorado’s economic health and its prospects for the future.

As we now issue our fifth report, it is a good time to ask, “Are we increasingly competitive in a national and global economy?”

Our findings show that Colorado is not expanding its competitiveness. In fact, our citizens’ incomes are not keeping pace with the states we compete with daily for new jobs and investment. For example, Utah has shown significant gains in the past year while Texas has experienced declines similar to that of Colorado.

Our citizens are becoming poorer, less educated, and less productive; our long-term economic prospects are certainly dimming. While there are many bright spots in our analysis, it appears that we are now at the end of the investments we made in our state in the late 1980s after the oil shale bust and the Dot.com economic boom at the turn of the century when Colorado’s tax coffers benefited from a robust and growing economy.

Much of our regional economic development strategy is based on a set of economic assumptions. Our findings reflect both our research and the assumptions below.

The underpinnings of a strong economy are based on the following realities:

1. Educational attainment is the single-most important element in job and income growth;
2. Infrastructure investments are a key element of economic sustainability;
3. Innovation and job creation are spawned by research and development;
4. Expanding markets give more people greater access to wealth; and
5. Healthy workers are more productive and make greater contributions to the State Gross Domestic Product. For example, a worker is 34 percent more likely to miss work due to obesity-related diseases.

Colorado's challenges

As we examined this year's findings we have become increasingly concerned about where Colorado is headed. Here are some elements of concern:

- State and Local Public Higher Education Support per Full-Time Student (47th)
- Population 25+ Completing High School (17th, down from 9th in 2000)
- Pre-Kindergarten Expenditures per Child (35th of 38 states offering programs)
- Student/Teacher Ratio in Public Elementary and Secondary Education (47th)
- Public High School Graduation Rates (three successive declines from 27th to 29th since 2000)
- Total Research and Development Spending at Academic Institutions (three consecutive drops from 12th to 19th since 2000)
- Local Government Share of Total Tax Burden (8th-highest) while Colorado ranks 10th-Lowest in State Tax Revenue per Capita
- Residential Property Tax Rate in Largest City in Each State (2nd-lowest) (While a positive factor for homeowners, additional tax burden falls on business.)
- Percent of Family Income Needed to Pay for a Public Four-Year College (a drop in affordability from 15th to 33rd in four years)
- Gross Domestic Product (a measure of productivity)(down three consecutive times from 8th to 12th)
- Per Capita Personal Income (down three consecutive times from 8th to 13th)
- Export Dollars per Capita (down from 33rd to 45th)
- Federal Highway Funding per Capita (7th-lowest in the nation)

Some of these elements are covered in the “Stories behind the graphs” section of this report. “Stories” is our attempt to broaden the public’s understanding of the complexity of the Colorado economy and the public policies that either support or slow business formation and job growth. We hope this section will help readers understand some of the interplay among data. These measures, regardless of how they appear in a single chart, have interactions among one another.

Conclusion

For many years the Metro Denver region has sought to become a world-class city. This vision has spawned innovation, investment, and an alignment between tax policy and a common vision. We have kept taxes low, although sometimes out of balance with good economic policy. This common vision has kept special interest groups from taking less of the public dollar compared to states such as California. Nonetheless, there are numerous future initiatives that continue to pose a threat to the pillars of our economy – roads, education, care of the indigent, and public safety.

Economic recessions are appropriate times for a community to reassess the successes and failures of the past. It is a time to make changes, to reposition ourselves for the next, inevitable rebound. Fundamental change is difficult in a political environment. Nibbling at change is more often the desired route. But what is important to all of us is that this place we call home remains a place of economic opportunity for current residents and those to follow. *Toward a More Competitive Colorado* sets the table for the public discussion of where we are going and what we value.

As we have noted in our previous reports, Colorado’s problems are not insurmountable. But to overcome a number of these challenges and to increase our competitiveness in a fast-moving economy, we must understand that a



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Gordian Knot exists in Colorado’s Constitution that makes governing a challenge and reallocation of state funding virtually impossible. We must understand Dwight D. Eisenhower’s admonition that:

“Neither a wise man nor brave man lies down on the tracks of history to wait for the train of the future to run over him.”

We can also consider Senior Fellow at the Brookings Institution Bruce Katz’s comment following his organization’s glowing report on the potential exciting future of the Mountain states and Colorado in particular. When asked, “What should we most worry about?” He replied, “complacency.” The time for living off of our past achievements is over. Our future remains in our control, but action must now be taken that will provide future Coloradoans with a life such as we have enjoyed.

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