



Colorado Legislative Council Staff

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MEMORANDUM

July 20, 2005

TO: Members of the Interim Committee on Economic Development

FROM: Legislative Council Staff, (303) 866-3521

SUBJECT: Factors Affecting Location Decisions; Business Climates; and State and Local Tax Treatments

This memorandum provides information on the factors influencing business location decisions. It also discusses studies ranking state and metro area business climates, as well as how Colorado's state and local tax treatment compares with other states.

Summary

The most important factor in a company's location decision is the availability and skill of the labor force. Other important factors include the cost and availability of land, the local infrastructure, the proximity to natural resources, the quality of life, and the proximity to universities or research institutions. Most studies found that, when deciding where to do business, businesses considered ease of incorporation, regulatory burdens, and tax burdens less important than those factors listed above.

Colorado and Denver generally ranked favorably in studies that have attempted to measure the general business climate and economic competitiveness of states and metro areas. On the tax treatment side, Colorado ranked 5th *lowest* in the nation in combined state and local tax collections in FY 2001-02. The state had the lowest state taxes in FY 2003-04. Colorado ranked 8th *lowest* for corporate income taxes and 20th *highest* for individual income taxes in FY 2003-04.

Important Factors Impacting Business Location Decisions

The following factors are consistently found in research to be considered the most important in business location decisions. The existence of a qualified labor force is often rated as the most important factor regarding location decisions. However, it is important to note that many small business location decisions are made based on personal experience and living preferences rather than business operating variables.

- **Labor.** This is the most important factor of production for most firms. Higher quality labor can increase productivity and lower a firm's operating costs significantly. Therefore, a location with an ample supply of qualified labor is a big draw for firms.
- **Land.** The cost and availability of land impact companies in different ways. Is enough land available? Is it close enough to highways, trains, and airports to meet transportation requirements? Is it close to customers and/or suppliers?
- **Local infrastructure.** What is the quality and efficiency of government-provided infrastructures such as roads, bridges, water and sewer systems, airport and cargo facilities, energy and telecommunications systems, and how is the government prepared to handle emergencies such as weather extremes?
- **Materials.** Can the company easily obtain the goods and materials it needs to produce its products or services? Firms need to be located close to the natural resources or sources of intermediate goods that they use in production.

The above factors are direct factors that influence firms' location decisions. There are other indirect factors that tend to consolidate the above factors in a particular way that are also important in the business location decision.

- **Industry clusters.** Firms can often realize a savings from locating near other like firms. Labor skilled for that industry will congregate in the area creating a large pool for businesses to access. They will also draw support services and suppliers to the area.
- **Quality of life.** A region with many quality amenities will attract a large skilled workforce. A large labor supply will drive down wages so that businesses can access skilled labor at relatively low costs.

- **Educational capacity.** Businesses require access to innovation and workers with updated skills. Therefore, businesses prefer to locate near universities or research institutions.¹

Taxes and tax incentives. Most studies researched by staff indicate that taxes are less important to most businesses in making their location decisions than many other factors. In fact, even one of the few studies that ranked taxes as a more important factor still ranked the availability and skill of the labor force as the most important factor.²

The Washington State Department of Revenue found that there was little correlation between job growth and the amount of tax benefit received from sales tax deferrals and job tax credits. They summarized that tax incentives are probably not a major factor influencing the business location process.³ Another report found that incentives and state marketing efforts were consistently ranked at the bottom of business relocation decisions.⁴

Many studies indicated that companies will make their location decision and then look into what tax breaks or benefits are available. At best, tax incentives appear to make the difference only in situations where two sites are equally desirable for other reasons and the tax situation is better on the margin at one location. For example, PriceWaterhouseCoopers states that:

Among those expanding, clearly the most important factors in location decisions are labor availability and productivity (cited by 60 percent) and favorable operating costs (58 percent). And, to a lesser degree, "Trendsetter" companies are motivated by: following customer or client opportunities (38 percent), transportation access (35 percent), physical viability of the site (33 percent), and infrastructure capacity (31 percent).⁵

Studies on State and Metro Area Competitiveness

Recent studies have attempted to measure the general business climate and economic competitiveness of states and metro areas. Colorado and Denver generally ranked favorably in each of these studies. A summary of each of these reports' ranking information on Colorado and/or Denver is provided below. The full texts of these studies are available upon request.

¹ The information on these factors came from a study completed by the city of Portland, Oregon: The Portland Development Commission, "Strategy for Economic Vitality Portland 2002," October, 2002.

² Hillyer, C. and I. Smolowitz, "What Top Firms Want From Municipalities", *EcDevJournal.com*, 2000.

³ "Tax Incentive Programs: An Evaluation of Selected Tax Deferrals, Exemptions and Credits for Manufacturers," *Washington State Department of Revenue*, October 1996.

⁴ Rondinelli, Dennis, Speech to the John Locke Foundation luncheon, November 18, 2002.

⁵ "Trendsetter Barometer," *PriceWaterhouseCoopers Barometer Surveys*, September 30, 2002.

Beacon Hill Institute study. The Beacon Hill Institute (BHI), a nonpartisan economic research organization located at Suffolk University, published a *Metro Area and State Competitiveness Report* in 2004 which estimated an index to measure the long-term competitiveness of the 50 states as well as 50 of the larger metro areas in the country. The study assessed competitiveness on whether an area had in place policies and conditions that could sustain a high level of per-capita income and economic growth. The report also evaluated whether an area could attract and incubate new businesses and ensure the growth of existing businesses.

In the report, Colorado had the fifth-best score among states, while Denver had the fifth-best score among the 50 metro areas. To rank the states and metro areas, BHI combined measurable variables into eight subindexes, including government and fiscal policy, security, infrastructure, human resources, technology, business incubation, openness, and environmental policy. Each of these subindexes contain variables that explain certain social and economic characteristics. The study's index for both Colorado and Denver are provided as Attachment A. These indexes show both Colorado's and Denver's rank for each of the variables that the study measured and identifies each area's competitive advantages and disadvantages.

Clemson University study. Another study, *Economic Freedom in America's 50 States*, published in 1999 by Clemson University, attempted to measure the economic freedom of each state. The authors defined economic freedom as "the right of individuals to pursue their own interests through voluntary exchange under a rule of law." The index is based on over 100 different individual measures, such as government spending, regulation, welfare, school choice, taxation, and the judicial system. In this study, Colorado had the 14th-best score among the 50 states. The study's overview for Colorado is provided as Attachment B.

Small Business Survival Committee study. The Small Business & Entrepreneurship Council (SBEC) is a nonpartisan, nonprofit small-business advocacy group that works to help create a favorable and productive environment for small businesses and entrepreneurship. SBEC publishes the *Small Business Survival Index* which attempts to measure and compare the burdens facing small businesses. The index ranks states according to 23 major government-imposed or related costs affecting investment, entrepreneurship, and business that the study identified, including taxes, health care costs, electricity costs, workers' compensation costs, crime rate, whether the state is a right to work state, the number of government employees, and the minimum wage of the state. According to the 2004 index, Colorado ranked 9th best among the 50 states (Attachment C).

Corporation for Enterprise Development Report Card. The Corporation for Enterprise Development (CFED) is a nonpartisan, nonprofit organization that promotes asset building and economic opportunity strategies primarily in low income and distressed communities. CFED publishes a *Development Report Card* which grades states on three indexes that measure different aspects of economic health. The performance index measures how well a state economy is providing opportunity for employment, income, and an improving quality of life. The business vitality index measures the vitality of the state's business climate, while the development capacity index measures the state's capacity for future economic development. The 2004 report gave Colorado a "C" in the performance index, an "A" in the business vitality index, and a "B" in the development capacity index. Colorado had received an A in each index from the 1998 through

the 2002 report card. The report also identifies the state's economic strengths and weaknesses. The report card for Colorado is provided as Attachment D.

State New Economy Index. The Progressive Policy Institute (PPI) is a nonprofit research institute affiliated with the Democratic Leadership Council. PPI's mission is to define and promote a new progressive politics for America in the 21st century. PPI has conducted a study evaluating 21 economic indicators to measure the degree to which state economies were structured and operated according to the tenets of the "new economy." The study defines the new economy as "a knowledge and idea-based economy where the keys to wealth and job creation are the extent to which ideas, innovation, and technology are embedded in all sectors of the economy." The report divided the 21 indicators into the following five categories: knowledge jobs (jobs that require at least a two-year degree); globalization; economic dynamism and competition; transformation to a digital economy; and technological innovation capacity. The study gave Colorado the fourth highest ranking among the 50 states, ranking highest in the knowledge jobs category and third highest in the innovation category. A summary of Colorado's rankings is provided as Attachment E.

The Tax Foundation study. The Tax Foundation, a nonpartisan, tax educational organization, created a state business tax climate study to help policy makers determine if their state tax system is economically efficient and whether it helps or hinders business competitiveness. The study mostly focused on state-level taxes, including the individual income tax, the corporate income tax, the sales and gross receipts tax, and the unemployment insurance tax. The study also looked at the state's fiscal structure overall. It is important to note that the study did not consider property taxes.

In the 2004 study, Colorado had the eighth best tax climate for businesses among the 50 states. The study indicated that Colorado ranks highly by keeping its taxes simple with at a low flat rate. According to the study, Colorado ranked well in corporate income taxes (5th) and individual income taxes (13th) and was in the middle for sales taxes (22nd) and unemployment insurance taxes (25th). Colorado ranked first in the fiscal balance index because the study noted that its tax collections per capita and as a percentage of personal income were low compared to other states.

Economic Freedom Index. The Pacific Research Institute, a nonprofit research institute that promotes the principles of individual freedom and personal responsibility by advancing free-market policy solutions, assessed 143 economic and social variables per state from 1995 to 2003. It ranked states based on five types of government intervention in the market, including fiscal, regulatory, judicial, size of government, and welfare. Colorado ranked 2nd in this 2004 study. The study's summary on Colorado is provided as Attachment F.

San Diego Regional Economic Development Corporation study. A nonprofit economic development organization in San Diego examined three broad categories to determine the competitiveness of 19 metro areas across the country. The three categories the study looked at were: the economy, the environment, and equity. The equity category includes income distribution, housing affordability, investment in public transportation, and congestion. Denver ranked 2nd in the study, ranking high for its business climate and ability to attract venture capital funding for start-up companies (Attachment G). Denver scored lower in congestion, air quality, and early childhood education.

The State and Local Tax Treatment of Businesses in Colorado vs. Other States

Table 1 shows Colorado's rank for various state and local tax burdens. The burdens are based on tax collections per \$1,000 of personal income. Colorado ranked 5th lowest in the nation in combined state and local tax collections in FY 2001-02 (FY 2001-02 is the latest data available for local taxes). Colorado ranked 8th lowest for corporate income taxes in FY 2003-04, collecting \$1.51 per \$1,000 of personal income, lower than the national average of \$3.34. The property tax is another tax important to businesses. Colorado is closer to the median for the property tax, collecting less property taxes per \$1,000 personal income than 29 states in FY 2001-02. Colorado's property taxes per \$1,000 personal income include the business personal property tax, which many businesses cite as being inefficient because it distorts business and consumer decision making processes. Meanwhile, Colorado ranked 29th for individual income taxes in FY 2003-04, collecting \$21.68 per \$1,000 personal income, a few cents more than the national average of \$21.11.

Colorado's governmental structure is decentralized. Broad tax authority is granted to counties and municipalities compared to other states. The *state* tax burden in Colorado is low, compared with tax burdens in other states. In fact, Colorado ranked the lowest for total state tax collections per \$1,000 income in FY 2003-04. With a rank of 12th highest in FY 2001-02, the *local* tax burden is high compared with other states. Colorado is one of 16 states that does not collect a statewide property tax.

Colorado's broad local tax authority causes varying sales and use tax burdens throughout the state. Colorado's sales tax structure is very decentralized, and the total sales tax rate can vary substantially even within municipalities or single zip codes. In addition, the tax rate can deviate on different goods at the same location. This has caused an administrative burden for many businesses in Colorado and also creates a barrier to fair and consistent taxation of goods sold outside of stores such as on the Internet.

Table 1
Colorado's Rank in Selected State and Local Taxes Per \$1,000 Personal Income

State Taxes - FY 2003-04	Colorado		National		
	Rank	Tax	High	Average	Low
Corporate Income	43	\$1.51	\$15.74	\$3.34	\$0.00
Individual Income	29	\$21.68	\$41.65	\$21.11	\$0.00
Occupation and Business	49	\$0.26	\$7.24	\$1.14	\$0.16
Sales/Use	44	\$12.11	\$49.40	\$21.23	\$0.00
Total State Taxes	50	\$44.57	\$100.07	\$63.52	\$44.57
Local Taxes - FY 2001-02					
Property	30	\$27.25	\$53.10	\$30.90	\$8.31
Sales/Use	2	\$16.60	\$24.97	\$7.07	\$0.00
Total Local Taxes	12	\$45.69	\$67.19	\$42.41	\$19.84

*Source: U.S. Census Bureau

COLORADO

Index Overall Rank
6.27 5

COMPETITIVE ADVANTAGES			COMPETITIVE DISADVANTAGES		
<i>Subindex/Variable</i>	<i>Index</i>	<i>Rank</i>	<i>Subindex/Variable</i>	<i>Index</i>	<i>Rank</i>
Government and fiscal policy subindex			Government and fiscal policy subindex		
State and local taxes per capita/income per capita (cur \$)	5.56	11	Workers' compensation premium rates	4.66	32
Full-time-equivalent state and local government employees per 100 residents	5.43	19	Bond rating: composite	4.10	37
			Budget surplus, % of GSP	5.00	34
			Average benefit per first payment for unemployed	4.12	40
Security subindex			Security subindex		
The BGA Integrity Index	5.61	16	Crime index, per 100,000 inhabitants	4.62	32
			Crime index change 2001-2002, %	3.88	45
Infrastructure subindex			Infrastructure subindex		
Households with installed phones, %	6.27	3	Average rent of 2 bedroom apartment	4.61	37
Air passengers per capita	5.92	5			
Electricity prices per million BTU	5.55	15			
Human resources subindex			Human resources subindex		
Percent of population that graduated from high school, persons 25 years and older	5.71	12	Percent of population without health insurance	4.28	36
Percent of students enrolled in degree-granting institutions per 1,000 residents	5.46	13	Unemployment rate	4.63	33
Percent of adults who are in the labor force	6.05	8			
Infant mortality rate, deaths per 1,000 live births	5.64	10			
Percentage of students at or above Proficient in mathematics, grade 4 public schools	5.37	17			
Technology subindex			Technology subindex		
NIH support to institutions per capita	5.14	15			
Patents per 100,000 inhabitants	5.88	9			
Number of S&E graduate students per 100,000 inhabitants	6.20	5			
S&E degrees awarded per 100,000 inhabitants	6.31	6			
Scientists and engineers/labor force	7.13	3			
Percentage of total wage and salary jobs in high technology industries	7.13	2			
Business incubation subindex			Business incubation subindex		
Venture capital investment per capita	6.24	4	Total deposits (commercial banks and savings institutions) per capita	4.70	35
Employer firm births per 100,000 inhabitants	6.97	3	Minimum wage	2.67	48
IPO	6.15	4			
Percent of labor force that is represented by unions	5.72	15			
Openness subindex			Openness subindex		
Percent of population born abroad	5.34	16	Exports per capita, dollars	4.38	36
			Incoming FDI per capita, dollars	4.70	34
Environmental policy subindex			Environmental policy subindex		
Toxic release inventory, on-site and off-site, total (new and original industries), pounds/1,000 sq. miles	5.90	7			
Greenhouse Gas Emissions (metric tons of carbon equivalent per 1,000 sq. miles)	5.69	15			

BHI

State Index

COMPETITIVE ADVANTAGES			COMPETITIVE DISADVANTAGES		
Subindex/Variable	Index	Rank	Subindex/Variable	Index	Rank
Government and fiscal policy subindex	5.09	31	Government and fiscal policy subindex	5.09	31
Bond rating: S&P/Moody's composite	5.84	10	Average benefit per first payment for unemployed	4.29	38
State and local taxes per capita/income per capita (cur \$)	5.69	13	State bond rating	4.31	40
Security subindex	5.16	20	Security subindex	5.16	20
Murders per 100,000 inhabitants	5.50	17	Crime index change 2001-2002, %	4.55	37
Violent crimes per 100,000 inhabitants	5.81	12			
Infrastructure subindex	5.32	6	Infrastructure subindex	5.32	6
Air passengers per capita	6.74	5	Travel time to work	4.83	32
Electricity prices per million BTU	5.75	9	Average 2 bedroom rent	4.55	38
Human resources subindex	5.29	14	Human resources subindex	5.29	14
Percent of population that graduated from high school, persons 25 years and older	6.09	5	Non-federal physicians per 100,000 inhabitants	4.65	34
Infant mortality rate, deaths per 1,000 live births	5.88	10	Percent of population without health insurance	4.64	36
Percent of students enrolled in degree-granting institutions per 1,000 residents	5.27	18			
Percent of adults in the labor force	5.29	19			
Unemployment rate	5.24	20			
Technology Subindex	5.53	9	Technology Subindex	5.53	9
Number of S&E graduate students per 100,000 inhabitants	6.25	7	New patents issued per 100,000 inhabitants	4.55	35
Percentage of computer and engineering jobs	6.13	7	NIH support to institutions per capita	4.41	40
IT employment	6.55	7			
Academic R&D per \$1,000 GSP	5.25	16			
Business incubation subindex	5.69	6	Business incubation subindex	5.69	6
Employer firm births per 100,000 inhabitants	7.28	2	Total deposits (commercial banks and savings institutions) per capita	4.55	37
New publicly traded companies	5.63	5			
Venture capital investment per capita	5.78	7			
Entrepreneurial Activity Index	6.09	7			
Percent of labor force that is represented by unions	5.62	17			
Openness subindex	4.55	37	Openness subindex	4.55	37
Percent of population born abroad	5.06	19	Exports per capita	4.04	46
Environmental policy subindex	6.06	10	Environmental policy subindex	6.06	10
Toxic release, pounds per sq. mile	5.34	9			
High ozone days	6.25	9			

Colorado

Colorado is located in the Mountain region of the Western United States. It occupies 104,100 square miles, making it the 8th largest state in the nation.

POPULATION

As of 1997, Colorado had a population of 3.9 million, which is 1.45% of the total U.S. population. From 1990 to 1997, the population grew 15.4%. Eighty-four percent of the population reside in metropolitan areas. The 1997 net domestic migration was 319,967 persons. There are approximately 38 persons per square mile of land. Colorado ranks 38th in the nation for population density.

PERSONAL INCOME PER CAPITA

1996 census surveys indicate that the personal income per capita in Colorado was \$25,084. Colorado's personal income per capita is the 13th highest in the nation and is 3.52% above the national average. Between 1990 and 1996, the personal income per capita in Colorado increased by 9.4%.

GROSS STATE PRODUCT

As of 1994, California had a gross state product of \$99.8 billion. This gross state product is 1.5% of the national total. Colorado has the 23rd largest gross state product of all the fifty states. The average annual percentage change in gross state product between 1987 and 1996 was 6.8%.

PUBLIC EMPLOYMENT

As of October 1995, there were 57,359 full-time government employed workers. That year, public employees were paid approximately \$2.19 billion in salaries and wages. There are approximately 153 public employees for every

OVERALL RANK 14

Sectors with High Levels of Freedom

Fiscal
Regulatory
Judicial
Welfare

Sectors with Low Levels of Freedom

None

10,000 Colorado residents.

EMPLOYMENT IN MAJOR BUSINESS SECTORS

When the 1994/1995 census was taken, there were 101,651 private sector firms operating in Colorado. These firms employed a total of 1,557,252 workers and all together paid out \$40.4 billion that year in salaries and wages. Number of firms, number of employees and annual payroll among the major sectors were reported as being the following:

	<i>Number of Firms</i>	<i>Number of Employees</i>	<i>Annual Payroll (Thousands)</i>
<i>Agricultural Services, Forestry, Fishing</i>	1,993	10,450	\$206,323
<i>Mining</i>	946	17,016	\$802,230
<i>Construction</i>	13,198	104,465	\$6,023,618
<i>Manufacturing</i>	5475	189,250	\$6,528,774
<i>Transportation & Utilities</i>	3,569	110,669	\$4,056,837
<i>Trades</i>	25,971	450,746	\$8,434,480
<i>Finance, Insurance, & Real Estate</i>	10,253	116,290	\$3,648,884
<i>Services</i>	40,141	556,821	\$13,621,456

UNEMPLOYMENT RATE

In 1996, 4.2 % of the civilian labor force was unemployed. This figure is 22% lower than the national average. Colorado has the 40th highest unemployment rate in the United States.

Small Business Survival Index 2004
Appendix A: Ranked According to Index Score

Rank	State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corp. Income Tax Rate	S-Corp Rate	Ind. AMT	Corp. AMT	PIT Rate	Property Taxes	Gross Rec. Taxes	Excise Taxes	Death Taxes	Unemp. Tax	Health Care Costs	Elec. Util. Costs	Workers Comp.	Crime Rate	Right to Work	Berks. IL	Internet Access Tax	Gas Tax	State Min. Wage	State Liab. Ex.	State Reg. Ex.	SBSI
1	SD	0	0	0	0	0	0	0	3.26	3.93	0	1.86	0.97	0.87	1.61	2.28	1	5.55	0	1	0.22	0.00	1.5	0.5	24,590
2	NV	0	0	0	0	0	0	0	2.57	5.17	0	3.49	0.84	1.11	3.02	4.5	0	4.26	0	0	0.23	0.00	1.7	0	26,890
3	WY	0	0	0	0	0	0	0	4.47	3.98	0	4.17	0.9	0.66	1.97	3.58	0	8.25	1	0	0.14	0.00	1.4	1	31,520
4	WA	0	0	0	0	0	0	0	2.92	5.67	1	4.26	0.9	0.76	1.65	5.11	1	5.25	1	0	0.28	2.01	1.6	0.5	33,910
5	FL	0	0	0	0	0	0	0	3.17	4.14	0	1.16	1.08	1.1	4.5	5.42	0	4.72	0	0	0.143	0.00	1.9	0.5	34,333
6	MI	3.9	3.9	1.8	0	0	0	0	3.27	3.05	0	2.43	0.98	0.94	2.25	3.87	1	5.04	1	0	0.19	0.00	1.5	0	36,920
7	MS	5	0	5	0	0	0	0	2.55	4.39	0	1.42	0.92	0.92	2.21	4.16	0	6.39	0	0	0.18	0.00	3.2	0.5	37,840
8	AL	3.25	4.25	4.225	0	0	0	0	1.29	3.71	0	1.65	0.97	0.82	2.96	4.47	0	5.96	1	0	0.18	0.00	2.7	1	39,435
9	CO	4.63	4.63	4.63	0	0	0	0	2.74	3.12	0	1.77	0.89	0.93	2.73	4.35	1	5.32	0	0	0.22	0.00	1.4	0.5	39,860
10	IN	3.4	3.4	8.5	0	0	0	0	3.46	2.77	1	1.18	0.95	0.74	1.37	3.75	1	5.28	1	0	0.18	0.00	1.4	0.5	39,880
11	TX	0	0	4.5	0	0	0	0	3.88	4.09	0	2.05	0.9	1.01	3.29	5.19	0	5.73	1	0.2	0.00	2.2	0.5	40,040	
12	PA	3.07	3.07	9.99	0	0	0	0	2.84	2.49	1	1.38	1.11	1.08	2.57	2.84	1	4.49	1	0	0.273	0.00	1.8	0.5	40,503
13	SC	7	3.92	5	0	0	0	0	2.96	2.88	0	1.42	0.94	0.82	1.82	5.3	0	5.86	1	0	0.16	0.00	1.9	0	40,980
14	NH	0	0	8.5	0	0	0	0	5.01	1.12	0	1.44	1.02	1.33	2.85	2.22	1	5.17	1	0	0.18	0.00	1.4	0.5	41,440
15	VA	5.75	5.75	6	0	0	0	0	2.81	2.38	1	1.41	0.87	0.86	1.5	3.14	0	5.64	1	0	0.175	0.00	1.2	1	41,485
16	TN	0	0	6.5	0	0	0	0	2.16	4.16	1	2.15	1.01	0.83	2.3	5.02	0	5.28	1	1	0.2	0.00	1.6	1	41,710
17	AZ	5.04	5.04	6.968	0	0	0	0	2.97	4.50	0	1.11	0.82	0.99	1.63	6.39	0	4.77	0	0	0.17	0.00	1.9	0.5	42,808
18	MO	6	6	5.156	0	0	0	0	2.40	3.31	0	1.45	1	0.8	2.39	4.6	1	5.51	0	0	0.17	0.00	1.9	0.5	43,186
19	IL	3	3	7.3	0	0	0	0	3.82	2.96	1	2.12	1.01	0.9	2.73	4.02	1	5.1	1	0	0.19	0.35	2.1	0.5	43,600
20	AK	0	0	9.4	0	0	0	0	3.94	1.28	0	3.94	0.92	1.53	2.87	4.31	1	7.87	1	0	0.08	2.00	1.7	1	43,840
21	MD	4.75	4.75	7	0	0	0	0	2.74	2.16	1	1.62	1.02	0.88	1.84	4.75	1	5.23	1	0	0.235	0.00	1.5	0.5	43,975
22	GA	6	6	6	0	0	0	0	2.70	3.55	0	1.67	0.93	0.88	2.32	4.51	0	5.54	1	0	0.075	0.00	1.7	0.5	44,375
23	DE	5.95	5.95	8.7	0	0	0	0	1.54	0.84	0	1.76	1.13	0.94	3.38	3.94	1	5.77	0	0	0.23	1.00	0.9	0.5	44,530
24	AR	7.21	5.047	6.5	0	0	0	0	1.57	4.59	0	3.81	0.94	0.76	1.62	4.16	0	5.54	0	0	0.215	0.00	2	1	44,962
25	ID	7.8	3.12	7.6	0	0	0	0	2.80	2.69	0	5.29	0.81	0.67	2.37	3.17	0	5.77	1	0	0.25	0.00	1.3	1	45,640
26	ND	5.54	5.54	6.825	0	0	0	0	3.13	3.39	0	7.03	1.03	0.75	1.24	2.41	0	6.11	1	1	0.21	0.00	1.5	0	46,705
27	WI	6.75	2.7	7.9	0	0	0	0	3.96	2.90	1	3.15	1.02	0.92	2.22	3.25	1	5.3	1	1	0.321	0.00	1.4	0	46,791
28	UT	5.775	6.475	5	0	0	0	0	2.49	3.99	0	6.23	0.73	0.75	1.67	4.45	0	5.33	1	0	0.245	0.00	1.3	0.5	46,935
29	KY	6	6	8.25	0	0	0	0	1.90	3.34	1	2.59	0.99	0.6	2.87	2.9	1	5.62	1	0	0.15	0.00	1.8	0.5	47,510
30	OK	7	6	6	0	0	0	0	1.64	3.35	1	3.89	0.9	0.83	2.82	4.74	0	5.85	0	0	0.16	0.00	1.7	0	47,880
31	KS	6.45	6.45	7.35	0	0	0	0	3.22	3.43	1	1.92	0.99	0.84	1.84	4.09	0	6.4	1	0	0.24	0.00	1.4	1	48,620
32	LA	3.9	5.1	5.2	0	0	0	0	1.71	5.64	1	1.44	1	0.94	3.19	5.1	0	6.23	0	0	0.2	0.00	2.5	0.5	49,850
33	WV	6.5	6.5	9	0	0	0	0	2.10	3.91	0	2.38	1.08	1.08	2.53	2.52	1	5.17	1	0	0.205	0.00	2.9	0.5	50,005
34	CT	5	5	7.5	0	0	0	0	4.08	2.79	1	2.21	1.24	1.44	2.9	3	1	5.22	1	1	0.25	1.95	1.5	0	50,080
35	NE	6.84	6.84	7.81	0	0	0	0	3.47	3.00	1	1.28	0.96	0.74	1.93	4.26	0	6.39	1	0	0.248	0.00	1.2	1	50,168
36	NM	6.8	5.44	7.6	0	0	0	0	1.64	4.61	0	3.08	0.85	0.96	2.01	5.08	1	6.37	1	0	0.17	0.00	1.9	1	50,510
37	NC	8.25	8.25	6.9	0	0	0	0	2.35	2.88	1	2.82	0.94	0.93	2.17	4.72	0	5.69	1	0	0.17	0.00	1.5	0.5	51,156
38	MT	7.15	9.35	6.75	0	0	0	0	3.77	0.81	0	5.07	0.88	0.8	3.04	3.51	1	5.75	1	0	0.2775	0.00	2	1	52,158
39	OR	9	9	6.6	0	0	0	0	3.10	0.47	1	4.33	0.89	0.83	2.06	4.87	1	5.21	0	0	0.24	1.90	1.7	0.5	52,700

Small Business Survival Index 2004 Appendix A: Ranked According to Index Score (continued)

Rank	State	Top Personal Income Tax Rate	Top Capital Gains Tax Rate	Top Corp. Income Tax Rate	S-Corp Rate	Ind. AMT	Corp. AMT	PIT Rate	Property Taxes	Gross Rec, Excise Taxes	Death Taxes	Unemp. Tax	Health Care Costs	Elec. Util. Costs	Workers Comp.	Crime Rate	Right to Work	Berks, TL	Internet Access Tax	Gas Tax	State Min. Wage	State Liab.	Reg. Flex.	SBSI
		Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Taxes	Taxes	Taxes	Tax	Costs	Costs	Comp.	Rate	Rate	Rate	Tax	Tax	Wage	Liab.	Flex.
40	OH	7.5	7.5	8.5	0	0	0	1	3.20	2.82	1	1.97	1	0.91	2.89	4.11	1	5.33	1	0.26	0.00	1.7	0.5	53.190
41	MA	5.3	5.3	9.5	4.5	0	0	0	3.47	1.87	1	3.41	1.28	1.41	1.98	3.09	1	5.1	1	0.235	1.60	1.7	0.5	53.245
42	VT	9.5	5.7	9.75	0	0	0	1	4.49	2.73	1	1.39	0.97	1.49	2.45	2.53	1	5.96	1	0.2	1.60	1.4	0.5	54.660
43	IA	5.837	7.633	9.9	0	1	1	1	3.49	3.08	1	5.31	1	0.84	1.74	3.45	0	5.93	1	0.205	0.00	1.2	0.5	55.115
44	NJ	8.97	8.97	9	0	0	0	1	4.74	2.45	1	2.9	1.12	1.33	2.25	3.02	1	5.64	1	0.145	0.00	1.6	0.5	56.635
45	NY	7.7	7.7	8.775	1.63	1	1	1	3.92	3.21	1	1.82	1.25	1.57	3.13	2.8	1	6.21	1	0.313	0.00	1.5	0	57.528
46	ME	8.5	8.5	8.93	0	1	1	0	5.27	2.89	1	2.18	1.07	1.28	2.3	2.66	1	5.7	1	0.252	1.10	1.4	0.5	57.532
47	MIN	7.85	7.85	9.8	0	1	1	0	3.11	3.16	1	6.32	1.06	0.82	2.6	3.54	1	5.56	1	0.2	0.00	1.4	0.5	58.770
48	RI	9.9	5	9	0	1	0	1	4.44	3.14	1	3.94	1.2	1.46	3.29	3.59	1	4.9	1	0.3	1.60	1.8	0.5	59.060
49	HI	8.25	7.25	6.4	0	0	0	1	1.66	5.67	0	5.12	1	2.05	3.48	6.04	1	5.66	1	0.16	1.10	1.8	0	59.640
50	CA	9.3	9.3	8.84	1.5	1	1	0	2.62	3.31	0	1.05	0.91	1.48	5.23	3.94	1	5.05	0	0.18	1.60	2.1	0.5	59.910
51	DC	9.3	9.3	9.975	9.975	0	0	1	3.02	3.38	1	1.09	1.77	0.95	2.86	8.02	1	7.71	1	0.2	1.00	*	1	73.550

* (Please note that the District of Columbia was not included in the study ranking the states according to their liability systems, so D.C.'s last place score actually is underestimated.)



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Colorado

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C	Performance	Employment	B
		Earnings and Job Quality	C
		Equity	C
		Quality of Life	C
		Resource Efficiency	C
A	Business Vitality	Competitiveness of Existing Bus.	A
		Entrepreneurial Energy	A
		Human Resources	C
		Financial Resources	A
B	Development Capacity	Infrastructure Resources	B
		Amenity Resources	D
		Innovation Assets	A

Description

For a second year, Colorado maintains a B in the Performance index. The state dropped one grade to a B in the Employment subindex but retains great potential with high long-term employment growth (4th) and relatively low mass layoffs (14th). Though the next three indexes (Earnings & Job Quality [B], Equity [C] and Quality of Life [C]) are consistent with last year's grades, there are several measures that are noteworthy. On average, workers in Colorado enjoy healthy annual pay (11th) and annual pay growth (11th). The state can also pat its back thanks to a low infant mortality rate (10th) and few deaths from heart disease (3rd). On the other hand, issues such as uninsured low-income children (48th), teen pregnancy (36th) and net migration (39th) pose a threat to the state's quality of life. The state could improve its Resource Efficiency which dropped to a C despite slight improvements in recycling (46th to 44th) and vehicle miles traveled (18th to 16th).

Since 1991 Colorado had maintained an A in Business Vitality and this year is no exception. Colorado has a small number of business closings (2nd) and tremendous industrial diversity (11th), maintaining its Competitiveness of Existing Businesses at an A. Colorado's Entrepreneurial Energy (A) also continues to excel. The state has many new companies (3rd) and a wealth of technology jobs (2nd), indicating that the Centennial State strongly supports entrepreneurship.

Development Capacity is down one letter grade to a B. Colorado did manage to improve its Human Resources grade (up to a C) with outstanding improvements in reading (44th to 5th) and math (41st to 17th) proficiency. Although Human Resources improved to a C, Amenity Resources & Natural Capital took a downward turn to a D. This score can be partly attributed to the poor ranking in continued use of cropland (41st) and the mediocre ranking of urban housing costs (35th). On the bright side, Colorado's Financial Resources (A) and Innovation Assets (A) are in great shape. The state has strong venture capital investments (6th), SBIC financing (17th) and loans to small businesses (17th). Overall, Colorado continues to thrive in part because of its willingness to be innovative using SBIR grants (3rd) and issuing patents (9th) to individuals for creative and potentially successful ideas.

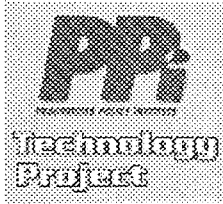
Strengths

Rank	Measure
2	Business Closings
2	Technology Industry Employment
2	SBIR Grants
3	Heart Disease
3	New Companies
4	Employment Growth: Long Term
4	Graduate Students in Science and Engineering
5	Basic Educational Skills Proficiency - Reading
5	Bridge Deficiency
6	College Attainment
6	Households with Computers
6	Venture Capital Investments
9	PhD Scientists and Engineers
9	Patents Issued
10	Infant Mortality

Weaknesses

Rank	Measure
41	Highway Performance
41	Conversion of Cropland to Other Uses
43	Income Distribution Change
44	Recycling Rate
44	K-12 Education Expenditures
46	High School Completion
47	Average Annual Pay Growth
48	Uninsured Low Income Children
48	Change in New Companies

All measures for which the state ranked in the top 10 nationally are displayed under Strengths, and all measures for which the state ranked in the bottom 10 nationally are displayed under Weaknesses.



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"Gazelle" Jobs

Job Churning

IPOs

PART IV: THE DIGITAL ECONOMY

Online Population

Commercial
Internet Domain
Names

Technology in
Schools

Digital

Indicator	Rank	Score
Overall*	4	84.33
Aggregated Knowledge Jobs	1	15.15
Information Technology Jobs <i>Employment in IT occupations in non-IT industries as a share of total jobs.</i>	1	3.3%
Managerial, Professional & Tech Jobs <i>Managers, professionals, and technicians as a share of the total workforce.</i>	8	28.3%
Workforce Education <i>A weighted measure of the educational attainment (advanced degrees, bachelor's degrees, associate degrees, or some college course work) of the workforce.</i>	2	59.6
Education Level of the Manufacturing Workforce <i>A weighted measure of the educational attainment of the manufacturing workforce.</i>	9	1.4
Aggregated Globalization Score	13	11.11
Export Focus Of Manufacturing <i>Manufacturing export sales per manufacturing worker.</i>	6	\$66,182
Foreign Direct Investment <i>The percentage of each state's workforce employed by foreign companies.</i>	23	4.3%
Aggregated Economic Dynamism Scores	4	14.08
"Gazelle" Jobs <i>Jobs in gazelle companies (companies with annual sales revenue that has grown 20 percent or more for four straight years) as a share of total employment.</i>	13	14.2%
Job Churning <i>The number of new start-ups and business failures, combined, as a share of all establishments in each state.</i>	6	22.1%
Initial Public Offerings <i>A weighted measure of the value and number of initial public stock offerings of companies as a share of gross state product.</i>	4	7.08
Aggregated Digital Economy Scores	7	12.43
Online Population <i>The percentage of adults with Internet access in each state.</i>	11	60.1%

Government
 Online Agriculture
 Online Manufacturers
 Broadband Telecommunications

 PART V:
 INNOVATION CAPACITY

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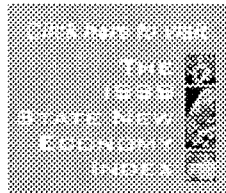
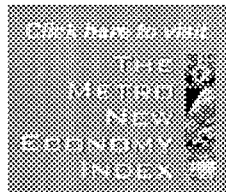
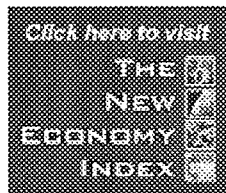
 Endnotes

 The Author

Commercial Internet Domain Names <i>The number of commercial Internet domain names (".com") per firm.</i>	13	1.04
Technology in Schools <i>A weighted measure of five factors measuring computer and internet use in schools.</i>	21	2.31
Digital Government <i>A measure of the utilization of digital technologies in state governments.</i>	35	2.79
Online Agriculture <i>A measure of the percentage of farmers with Internet access and who use computers for business.</i>	4	3.9
Online Manufacturers <i>The percentage of manufacturing establishments with Internet access.</i>	21	86.6%
Broadband Telecommunications <i>A measure of the use and deployment of broadband telecommunications infrastructure over telephone lines.</i>	15	3.47
Aggregated Innovation Capacity	3	17.14
High-Tech Jobs <i>Jobs in electronics manufacturing, software and computer-related services, telecommunications, and biomedical as a share of total employment.</i>	2	10.0%
Scientists and Engineers <i>Civilian scientists and engineers as a percentage of the workforce.</i>	8	0.63%
Patents <i>The number of patents issued to companies or individuals per 1,000 workers.</i>	4	1.21
Industry Investment in R&D <i>Industry investment in research and development as a percentage of Gross State Product (GSP).</i>	12	2.18%
Venture Capital <i>Venture capital invested as a percentage of GSP.</i>	3	3.0%

* Because of differences in methodology, changes in ranks between 1999 and 2002 cannot all be attributed to changes in actual economic conditions in the state.

 [Printer-friendly Rankings Chart \(Adobe PDF\)](#)



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COLORADO

Colorado is located in the Mountain region of the Western United States. It occupies 104,100 square miles, making it the eighth-largest state in the nation.

POPULATION

As of 2002, Colorado had a population of 4.51 million, 1.56 percent of the total U.S. population.

From 1990 to 2000, the population grew 30.6 percent.

Eighty-four percent of Coloradoans reside in metropolitan areas. The net domestic migration during 1995 to 2000 was 162,633 persons. There are approximately 41.5 persons per square mile. Colorado ranks 37th in population density.

PERSONAL INCOME PER CAPITA

The personal income per capita in Colorado was \$33,276. Colorado's personal income per capita is the ninth highest in the nation and 7.55 percent above the national average. Between 1996 and 2002, personal income per capita in Colorado increased by 30 percent.

GROSS STATE PRODUCT

As of 2001, Colorado had a gross state product of \$173.77 billion. This gross state product is 1.71 percent of the national total. Colorado has the 21st-largest gross state product of all the 50 states. The percentage change in gross state product between 1995 and 2001 was 43.21.

PUBLIC EMPLOYMENT

As of March 2001, there were 234,095 full-time government employed workers. That year, public employees were paid approximately \$765.11 million in salaries and wages. There are approximately 530 public employees for every 10,000 Colorado residents.

2004 Rank	2
Score	18.81
1999 Rank	14 ↑
Fiscal	☆☆☆☆
Regulatory	☆☆☆☆☆
Judicial	☆☆☆☆
Government Size	☆☆☆☆☆
Welfare	☆☆☆☆☆

EMPLOYMENT IN MAJOR BUSINESS SECTORS

In 2001, there were 139,225 private-sector firms operating in Colorado. These firms employed a total of 1,986,570 workers and paid out \$71.51 billion that year in salaries and wages. Number of firms, number of employees, and annual payroll among the major sectors were reported as the following:

	Number of Firms	Number of Employees	Annual Payroll (Thousands)
Forestry, Fishing, Hunting, and Agriculture Support	290	1,231	\$34,627
Mining	940	12,784	\$765,686
Construction	17,497	161,531	\$6,338,648
Manufacturing	5,449	162,364	\$6,568,625
Transportation and Warehousing	2,879	59,553	\$2,154,069
Wholesale Trade	7,352	99,349	\$5,014,332
Finance and Insurance	8,630	105,924	\$5,483,515
Other Services	11,957	91,473	\$2,501,543

UNEMPLOYMENT RATE

In 2003, 5.69 percent of the civilian labor force was unemployed. This figure is 5.8 percent higher than the national average. Colorado has the 20th-highest unemployment rate in the United States.

Table 1: 2005 Sustainable Competitiveness Index

Lower Score is Higher Ranking

By alphabetical order

Metropolitan Regions	2005 Sustainable Competitiveness Index					Balance Element	2001 Rank	01-05 Differential
	Score	Rank	Economic Element	Environment Element	Equity Element			
Atlanta-Sandy Springs-Marietta, GA	47	13	15	17	5	10	7	-6
Austin-Round Rock, TX	27	5	7	6	10	4	1	-4
Boston-Cambridge-Quincy, MA-NH	32	8	10	13	2	7	13	5
Dallas-Ft. Worth-Arlington, TX	44	12	13	14	11	6	n/a	n/a
Denver-Aurora, CO	19	2	3	4	9	3	4	2
Miami-Ft. Lauderdale-Miami Beach, FL	52	14	17	7	15	13	22	8
Minneapolis-St. Paul-Bloomington, MN	31	7	5	16	2	8	3	4
Orange Co., CA	61	18	12	19	19	11	6	-12
Phoenix-Mesa-Scottsdale, AZ	53	15	16	4	18	15	21	6
Portland-Vancouver-Beaverton, OR-WA	23	3	11	3	4	5	11	8
Raleigh-Cary, NC	23	3	6	8	7	2	2	-1
Sacramento-Arden-Arcade-Roseville, CA	59	16	18	9	13	19	19	3
Salt Lake City, UT	42	10	14	12	1	15	n/a	n/a
San Diego-Carlsbad-San Marcos, CA	37	9	9	1	16	11	9	0
San Francisco-Oakland-Fremont, CA	43	11	2	10	17	14	12	1
San Jose-Sunnyvale-Santa Clara, CA	30	6	1	14	7	8	9	3
Seattle-Tacoma-Bellevue, WA	11	1	3	1	6	1	5	4
Tampa-St. Petersburg-Clearwater, FL	59	16	18	11	13	17	19	3
Washington-Arlington-Alexandria, DC-VA-MD-WV	65	19	18	18	12	17	7	-12
United States	67	20	7	20	20	20	18	-2

Each element accounts for 25% of the Index score.

The Balance Element rank is the average of two factors:

- 1) the ranking of the coefficient of variation, or the variance, from the normalized scores of the Economic, Environment and Equity elements; and
- 2) the ranking of the raw normalized scores.