



Memorandum

February 23, 2009

TO: Joint Select Committee on Job Creation and Economic Growth

Sen. Gail Schwartz, Chair
 Sen. Jennifer Veiga
 Sen. Rollie Heath
 Sen. Shawn Mitchell
 Sen. Mark Scheffel

Rep. Joe Rice, Vice Chair
 Rep. Buffie McFadyen
 Rep. Judy Solano
 Rep. David Balmer
 Rep. Larry Liston

From: Tom Clark, Executive Vice President, Metro Denver Economic Development Corporation

On behalf of our organization, I extend our thanks and appreciation for work the Joint Select Committee on Job Creation and Economic Growth undertook late last year. The bills introduced this session, reflecting the bipartisan nature of the Committee, have significantly improved Colorado's competitive position.

Thanks to your work Colorado has a "new story" to tell its existing companies and the rest of the world. Last year the General Assembly rewrote the income tax code, eliminating the penalty companies paid when they located facilities and payroll inside the State. Over 40,000 small businesses were relieved of the costly burden of tracking their business personal property tax liability through a key exemption passed by the General Assembly. Colorado bioscience firms once the easy target of out-of-state firms, now have the financial help from the State to remain in Colorado.

This year has been equally ambitious. Twenty five bills, stemming from your research were considered or are coursing through the General Assembly. For the first time in history Colorado can respond to job opportunities and resist efforts to move companies from Colorado on a level that is equal to most of our competitors.

Should the majority of the bills introduced by the Committee ultimately pass, Colorado will no longer find itself selling mountain views as incentives. While none of the bills will provide us with greater inducements than our competitors, we are now on par with them. We do not believe that the incentives of the magnitude of Southern States and Texas are either good economic policy or something Colorado should strive to imitate. But our traditional competitors such as Arizona, New Mexico, Utah, Oregon, Washington and, recently, Chicago and Atlanta cannot easily eliminate us from consideration based simply on the value of their inducements.

We track companies seeking to expand or relocate to in the nine county Metro Denver (seven metro counties, plus Larimer and Weld). In response to the Committee's actions we have reviewed our files in an effort to approximate the number of jobs that could have come to Colorado, but for various reasons chose not to do so.

In the past three years 44,847 jobs came through our offices; most of them from out-of-state. All of these were "primary jobs", which means that for each primary job 2.5-3.6 total jobs would be created if they chose Colorado. The magnitude of these "multipliers" are based on the salaries paid by the companies. Primary jobs typically pay higher wages than the jobs the "spin off".

Many of the Committee's bills are targeted specifically toward employment in certain "clusters." Most of these companies were also in our "clusters", employment sectors where Colorado has a distinct competitive advantage over other states and serve as "drivers" of the Colorado economy.

In other words, these companies represented, with multipliers added, between 112,118 and 161,449 total jobs.

Of the 44,847 primary jobs, 6,396 of those jobs are now in Colorado as a result of our joint efforts. The remainder chose to delay their decision or were lost to competitors. Of the remaining 38,451 jobs, 28,404 did nothing or were lost to competitors. We estimate that 17,042 chose to "do nothing," 11,362 located somewhere other than Colorado.

The primary reason for locating outside Colorado is labor costs. With its rank as #10 of the fifty states in per capita income, Colorado is an island of affluence among a sea of low cost competitors. Of the 11,362 jobs that were located outside Colorado, 2,781 jobs listed "incentives" as the only reason for choosing another state.

The 2,781 jobs that were driven by incentives represent 6953 total jobs when multipliers are added. Given our historic ability to win as many as 62% of these competitions we believe that 4,311 of those jobs would have come to Colorado.

Of the 11,362 primary jobs that located someplace other than Colorado we conservatively estimate that another 909 primary jobs (plus multipliers of 1,364) would have resulted in another 2,273 total jobs.

Adding the total jobs from the above two paragraphs bring our estimation of another 6,584 total jobs added to the economy. This increase would have increased our overall job creation by 1.75% over actual job growth over the three year period. In short, there would be a "marginal gain" in employment had these bills been in place over the past three years.

Finally, we sincerely appreciate the Committee's willingness to listen to our suggestions, our competitive challenges and our aspirations for Colorado's economy. Beyond your willingness has come action – legislation that increases our competitive position and provides Colorado with a whole new story to tell to companies seeking a great business climate and a place to grow new jobs.