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# Metro Denver EDC: Colorado high in innovation, but conflicting amendments hurt

Denver Business Journal by Ed Sealoover, Reporter

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Colorado ranks among the top states for innovation — but the state government’s fiscal imbalance, created by conflicting constitutional provisions, threatens to derail that success, concluded an annual competitiveness report released Wednesday by the Metro Denver Economic Development Corp.

This year’s version of “Toward a More Competitive Colorado” said the state ranks among the top 10 in categories such as high-tech employment (third), Small Business Innovation Research Grants (third), initial public offerings (fifth) and high-tech wages (seventh). In addition, Colorado is among the top five states in categories such as new companies per 1,000 employees and venture capital investments per \$1,000 of state gross domestic product, indicating small companies can create the jobs to help them move out of the recession.

But because of constitutional amendments (Taxpayer’s Bill of Rights) that limit overall tax revenue to the state while requiring a certain percentage of spending go to K-12 education (Amendment 23) and driving industrial property taxes up above the national median (Gallagher Amendment), that prosperity is tenuous, the report stated.

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> [SUMMARY of the report.](#)

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Budget cuts to non-K-12 services have left Colorado's per-capita public support for higher education 48th among states, while the percentage of family income needed to pay for a public four-year college education increased from 19.5 percent in 2000 to 30.3 percent in 2008.

"What remains is the question of political will; the will to confront the structural deficit that, if unattended, inevitably will squeeze out all funding for innovation and research and development at our state universities and drive the cost of a college education to such heights that our innovation economy will be compromised due to a lack of talent," the report states.

The seventh annual report reiterates themes that the Metro Denver EDC has emphasized in many of its previous studies.

In addition to being a center of innovation in industry, Colorado's workforce remains one of the most highly educated in the country — second in the number of residents with a bachelor's degree or higher. That's helped feed three growing high-tech industries that have greatly aided the economy — aerospace, energy and bioscience, the report stated.

Colorado also remains one of the nation's healthiest states, having the lowest obesity rate, the second-lowest rate of retail prescriptions and the third-lowest rate of heart disease deaths.

"Healthy employees are more productive and miss fewer days at work, which increases the profitability and success of Colorado's companies," wrote report author **Patty Silverstein**, chief economist for the EDC.

But public funding issues could lead to trouble, the report concluded.

Colorado has the lowest income tax rates of any state with a corporate income tax and the lowest sales tax of states that assess a sales tax, the report stated. That leaves the state with the 10th-lowest per-capita tax revenue, while its taxes at the local level are the seventh-highest in America.

Having a decentralized tax system leaves the state government unable to address economic pillars such as education and infrastructure, and to reposition itself during a recession, the report states. One consequence is that transportation funding makes up less than half the percentage of the state budget than it did 30 years ago, and the state's No. 34 highway performance ranking has dropped from No. 29 in 2005, the report noted.

"For a state to have greater capacity to advance its economy, this tax dumbbell must be more balanced," the report stated.

Ed Sealoover covers government, health care, tourism, airlines, hospitality and media for the Denver Business Journal and writes for the "Capitol Business" blog.