

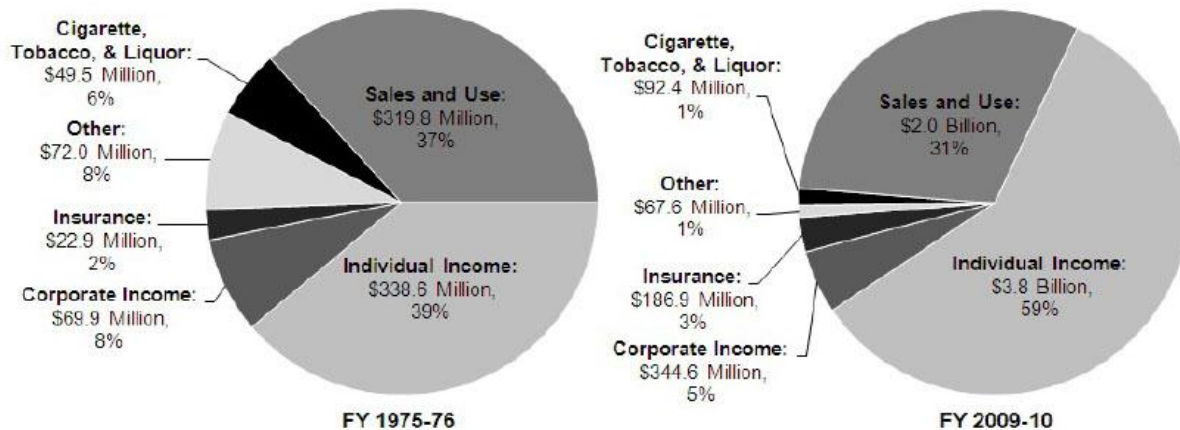
The Loss of Colorado's Prosperity

While the "Great Recession" has been devastating to the Colorado economy, erasing years of job growth, it has also been devastating to the nation as a whole. This white paper looks at the importance of high wage jobs to Colorado's economic foundation. It does this by focusing on job growth and Per Capita Income performance in relative terms. In other words, not just the performance of these indicators over time, but how they have performed in comparison to the rest of the nation. This analysis reflects the competitive performance of Colorado's economy.

Jobs

Colorado gets a large share of its income from earnings. In fact, it is tied at 6th with Utah for the state with highest percentage of its income from earnings.¹ Therefore, Colorado is disproportionately dependent on wages for the prosperity of residents. The State of Colorado is also highly dependent on higher wage jobs for its revenues. Individual income taxes now (2009-10) represent 59% of general fund revenue. This percentage of general fund revenue has also grown more than any other category of general fund taxes in the last 35 years (from 39% in 1975-76).

Figure 1: Comparison of General Fund Revenue, FY 1975-76 and FY 2009-10²



However, Colorado has been hampered in its ability to grow jobs over the last decade. After ranking in the top 6 states for job growth every year from 1992 until 2000, we have only broken the top 10 twice since 2001 (9th in 2007 and 2008), and have ranked below 25th five times in that period (including 2009 and 2010). Further, after experiencing job growth of 3% plus consistently for the period of 1992 through 2000, Colorado has experienced negative job growth 4 times in the last 9 years and has never broken 3% job growth during that time. Colorado's national rank in terms of average wages has also dropped, from 8th in 2000 to 11th in 2009.³ The reasons for this lack of job growth have included job losses from off-shoring (especially in high wage technical jobs), improvements in productivity (resulting in less job growth), industry consolidation, and increased competition from other states for high wage industry expansions and relocations (due primarily to higher incentive amounts).

¹ US Department of Commerce, Bureau of Economic Analysis, BEAR Facts

² Colorado's State Government – "Revenue Structure, Spending Limits, and General Fund Expenditures" Legislative Council Staff, Joint Budget Committee Staff, Legislative Legal Services

Per Capita Income

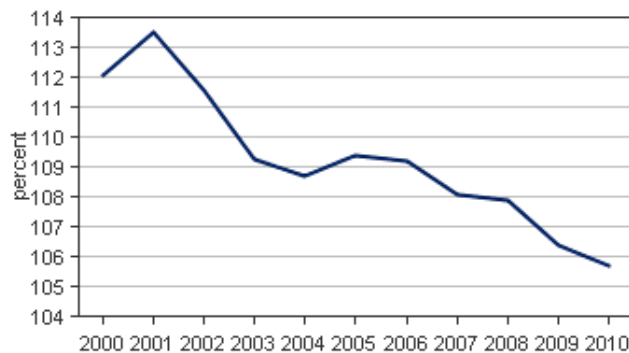
Per Capita Income (PCI) is perhaps the broadest measure of economic prosperity as it correlates total personal income to changes in population. Colorado's Total Personal Income rank (22nd) has remained relatively stable over the last 20 years, keeping approximate pace with our rank in population (22nd). PCI, however, has had very significant changes. In 1991, Colorado's PCI was ranked 17th in the nation. During the 1990's, Colorado's national rank improved more than any other state, to 6th by 2001. This was partly due to Colorado's dependence on earnings as the largest component of income. By 2000, Colorado got a bigger percentage of its income from earnings than any other state except Texas. Therefore, the growth of quality jobs during the "boom" years had a dramatic effect on PCI and our national rank.

Since the "tech bust" in the early years of the new century, our PCI performance has had the opposite effect. Since 2001, Colorado's rank in PCI has dropped from 6th (Colorado's high water mark) to 14th in 2010. In addition, our percentage of national PCI has dropped from nearly 114% in 2001 to 106% in 2010. We have lost most of the improvement we made in PCI during the 90's. Our national PCI rank is now the same as it was in 1994. In addition, rank in our PCI "growth" in recent years has been in the lower half of the states.⁴

**Table 1: Colorado Rank Nationally
Per Capita Income ⁵**

Year	Rank
2001	6 th
2002	7 th
2004	8 th
2006	9 th
2007	10 th
2009	12 th
2010	14 th

**Figure 2: Colorado's Percentage
of National PCI ⁶**



³ Bureau of Business and Economic Research, University of New Mexico, "Average Annual Wage/Salary per Job by State"

⁴ University of Colorado, Leeds School of Business, Business Research Division, "Business Economic Outlook Forum 2009 – 2012"

⁵ Bureau of Business and Economic Research, University of New Mexico, "Per Capita Personal Income by State"

⁶ US Department of Commerce, Bureau of Economic Analysis, BEAR Facts

Summary

Three interrelated facts are important about the performance of Colorado's economy and higher wage job creation. First, Coloradoans get a large share of their income from earnings. Second, high wage jobs are the reason we have more prosperity (higher PCI). And finally, the lion's share of general fund revenue comes from personal income taxes, increasing the importance of higher incomes (essentially wages) to Colorado state government.

Since 2001, our national rank in average wages has dropped from 8th to 11th while our rank in total job creation and higher wage jobs has dropped dramatically. The result has been a precipitous decline in our national rank in PCI and percentage of PCI above the national average. At the same time, we are faced with significant funding challenges in meeting the basic governmental needs of Colorado residents.

Growing high wage jobs is simply the best way to improve prosperity for Coloradans and increase revenues for the State of Colorado. The debate about how to improve Colorado's economic performance needs to crystalize around the need to grow higher wage jobs. Nothing else will have as much impact on improving income for Colorado residents or revenue for the State of Colorado.