

THE IMPACT OF THE FEDERAL GOVERNMENT FACILITIES IN THE DENVER METRO REGION ON THE REGION AND ON THE STATE OF COLORADO

May 2007

Presented by

Denver Federal Executive Board

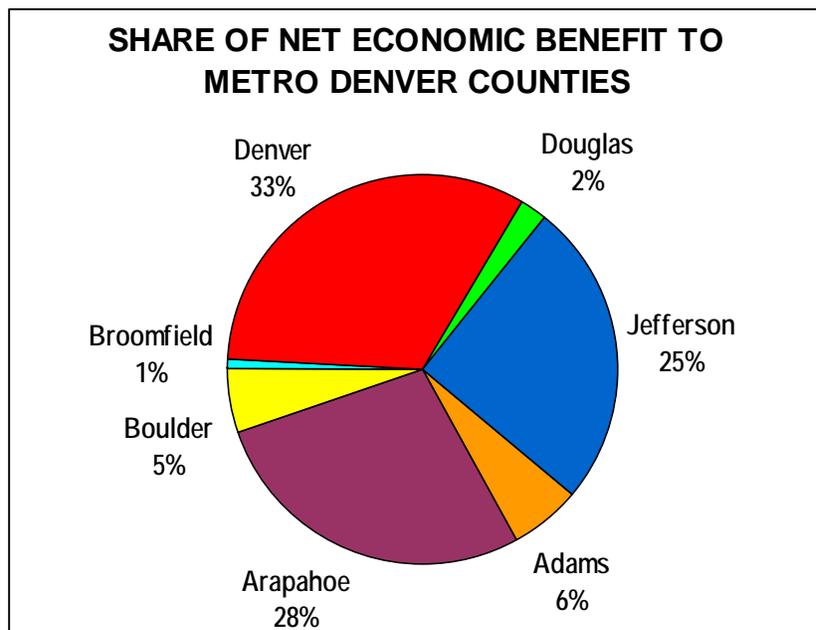


Purpose of the Study – As part of its mission to raise awareness about the strengths and diversity of the Denver Metro economy, the Denver Federal Executive Board (DFEB) commissioned the University of Colorado at Boulder’s Business Research Division to objectively review the economic and intangible benefits of the Denver Metro federal facilities to the state of Colorado, and Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties (the “Denver Metro” region). This summary of findings confirms that both the Denver Metro federal facilities and their employees make significant contributions to Colorado’s economy.

Federal Government Presence in the Denver Metro Region – In 2006, the Denver Metro region was home to 125 federal facilities, with some agencies having multiple offices. These 125 facilities employed 39,960 full-time, part-time, and contract personnel, and were located in the Denver Metro region, specifically Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson counties. These federal employees earned on average \$59,059 per year, excluding benefits. This salary was above average for Colorado, which reflects the education and skill base of the large number of engineers, financiers, researchers, and scientists who work in the labs.

Economic Benefits – For the purpose of this study, economic benefits refer to the dollars distributed and generated throughout the economy due to the existence of the federal facilities. They are the sum of economic benefits from construction, operations, off-site employee effects, indirect effects, and visitors. The net economic benefit is the total of economic benefits less the cost of providing government services to the facility and to the employees at the facility.

Federal facilities provide a strong positive net economic benefit to the Denver Metro counties and the state of Colorado. The net economic benefit to the state of Colorado (which includes the net economic benefit at the city and county levels) was estimated to total approximately \$8.4 billion in 2006. The net economic benefit to the Denver Metro region was estimated at nearly \$6.8 billion.



Federal facilities in the Denver Metro region had a significant net economic benefit to the specific regional counties in 2006, with the majority of the impact coming from the wages paid to workers at the facilities and indirect benefits derived from the multiplier effect. The net benefits to the seven counties were most pronounced in Denver (33%), Arapahoe (28%), and Jefferson (25%) counties.

Fiscal Contributions – Fiscal contributions focus on local taxes for real and personal property, local sales taxes, impact and other fees, occupation taxes, and visitor-related taxes. Fiscal

contributions are not included as part of the economic benefit, but are important to consider to help understand the direct impact of the federal facilities on local treasuries.

In 2006, the presence of federal facilities generated more than \$134.6 million in public revenues to Colorado state government. Denver Metro governments in the seven-county region received \$102.0 million, including school district mill levies. These revenues were predominantly from employee income tax, property tax, and sales tax. Federal employees generated an additional \$9.0 million in public revenue for RTD, the Scientific and Cultural Facilities District, and the Metropolitan Football Stadium District. Although federal facilities do not directly pay property taxes, lessors of leased facilities are assessed property tax, represented in the model as indirect revenues. The Department of the Interior makes payments in lieu of taxes for owned facilities.

Additional Benefits – The presence of federal facilities contributes a number of intangible benefits to the state and local economies and communities. One of the most important benefits these facilities provide is employment stability. Historically, federal facilities have offered a steady source of employment in an ever-changing local economy. Federal facilities' intangible benefits also include volunteer work, training programs, customer education programs, grant studies, best-practices sharing, tuition reimbursement for employees, and an educated workforce. Specific intangible community impacts include the Adopt-A-School program, search and rescue assistance, Katrina relief assistance, blood drives, contributions to the Combined Federal Campaign (CFC), and holiday gift drives among others. Federal employees from Denver Metro facilities contributing to the CFC donated more than \$3.7 million in 2005, with average donor contributions 59.5% above the national average.

Often times, private industry clusters are supported by government facilities, and private firms are even spun-off from government organizations. For example, the presence of federal research labs such as NOAA, NIST, and NREL has contributed greatly to the intellectual capital, the R&D capabilities, and the high-tech industry clusters that exist in the Denver-Boulder metro area today. A 2002 study by the University of Colorado's Business Research Division identified 13 private companies that were off-shoots of the federal labs in Boulder County, including Boulder Metrics, Coherent Technologies, Colormetrics, and Materials Research. Total 2001 employment at these companies was estimated to be nearly 500. These agencies also frequently collaborate with universities (e.g., CU-Boulder's ties to NOAA and NIST, and the CU Health Science Center move to Fitzsimons after the Base Realignment and Closure).

The presence of government military, defense, and homeland security agencies have led to the development of very strong private clusters in aerospace, defense, and homeland security. Industry giants such as Lockheed Martin, Raytheon, Northrop Grumman, Boeing, and Ball Aerospace all have a major presence in the Denver region. The combination of government defense agencies and private defense contractors also supports a large number of small businesses that act as subcontractors and suppliers in the cluster.

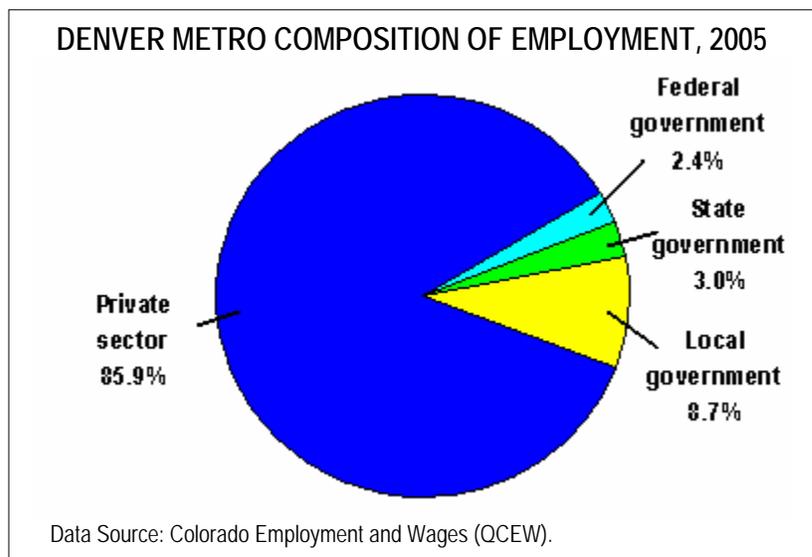
These private/public symbiotic relationships extend beyond the high-tech and defense industries. Federal government organizations like the National Park Service, the Bureau of Land Management, and the U.S. Fish and Wildlife Service contribute to the strength of Colorado's tourism and outdoor recreation industries.

Furthermore, federal facilities contribute greatly to the intellectual capacity of the state. Colorado is among the top states for educational attainment among residents, and the educational level of federal employees is above the state average. A majority of federal employees, 55%, hold a bachelor's degree, compared to 35.5% for the state and 18.1% for the nation. Additionally, 19% have a master's degree and 5% a doctorate, compared to 2005 national averages of 6.8% and 1.2%, respectively.

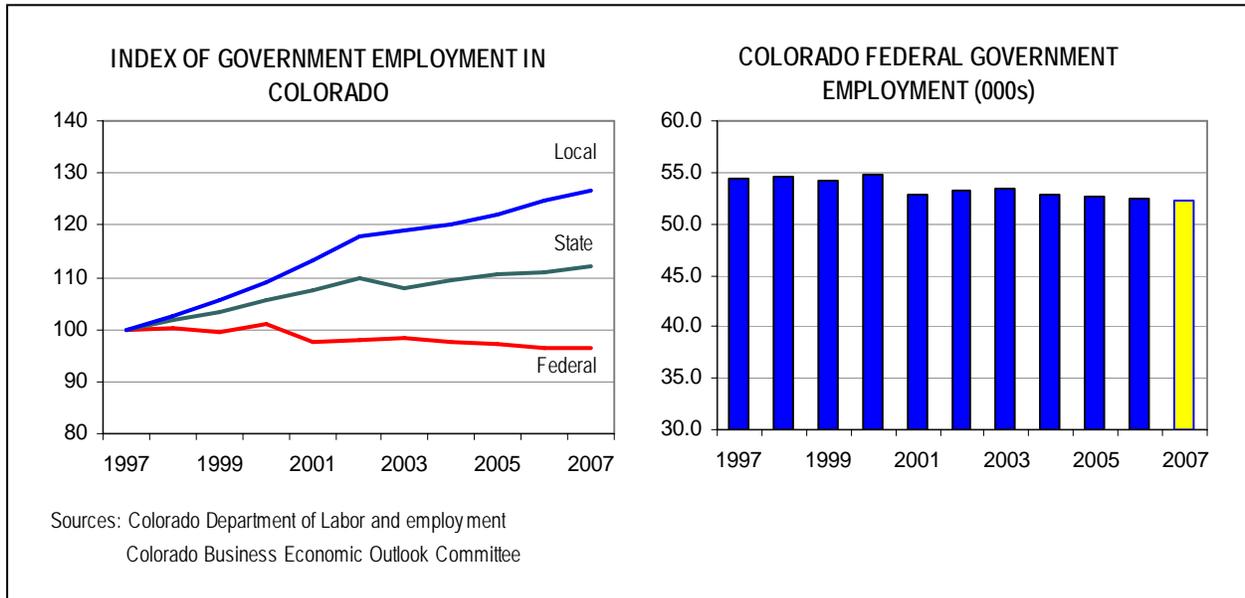
Economic/Demographic Overview of Area – For the purpose of this study, the Denver Metro area was defined as a seven-county region that comprises the following counties: Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas, and Jefferson. While this region makes up only 4.3% of the state's land area, roughly 56% of Colorado's population, 2.6 million people, resides in these seven counties. Within the region, the most heavily populated counties are Denver, Jefferson, and Arapahoe.

In 2005, more than 1.3 million workers were employed at over 94,000 companies in the seven-county Denver Metro region. This represents more than 60% of total Colorado employment. With an average of 14 employees, the firms in this region are generally larger than the state average (12.9 employees). These workers were paid a total of \$61.1 billion in wages (67.1% of total Colorado wages). This equates to an average annual wage exceeding \$46,400, substantially higher than the state average of \$41,600.

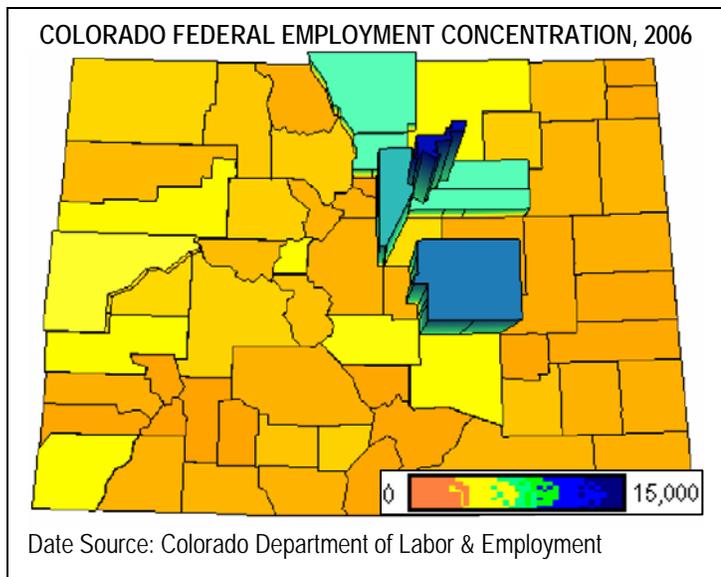
Colorado's Government Workforce – The Government Supersector contains government workforce in aggregate— federal, state, and local employment. Activities within this supersector include executive, legislative, and other governmental support; justice, public order, and safety activities; administration of human resources; education; administration of environmental quality programs; administration of housing programs; urban planning and community development; administration of economic programs; space research and technology; and national security and international affairs.



In 2006, total government employment in Colorado was estimated at 368,000 – 232,800 local, 82,800 state, and 52,400 federal employees. Government growth, while not profound, has proven to be quite stable from 1998 through 2006, increasing at an average rate of 1.7%. This indicates that the Government Supersector is more resilient than other supersectors to economic fluctuations. Sectors within the supersector (federal, state, and local government) also provide stability, although with slightly more variability. Federal and state employment experienced positive and negative growth fluctuations in Colorado from 1998 through 2006, with local government providing positive growth over the entire period.



Variability in Colorado’s federal sector is a result of a variety of events and shifts. A slight trend in declining federal employment in Colorado reversed in 2000 with the demands of the federal census. The state’s federal employment increased again in 2002 and 2003 due to the September 11 attacks requiring more security personnel. However, this trend again turned around, with federal employment contracting on average 0.4% from 1998 to 2006. The U.S. Postal Service, which employs more than 11,000 workers in Colorado, is a contributor to the decrease in employment, mostly due to efficiency and productivity gains that is consistent with national trends. The Department of Defense, with 10,300 workers in the state, is also reducing employment in Colorado due to the 2005 Base Realignment and Closure (BRAC) process.



Local government employment was the greatest contributor to government employment in Colorado, with 63% of the total government workforce in 2006. State employment accounts for 23% and federal government, 14%.

DENVER METRO FEDERAL FACILITIES

Administrative Office of the U.S. Court – U.S. District Court

U.S. Department of Homeland Security - Transportation Security Administration

Advisory Council on Historic Preservation - Independent National Agency	U.S. Department of Homeland Security - U.S. Secret Service
Congressional Office - Congresswoman DeGette	U.S. Department of Housing and Urban Development - Rocky Mountain Regional Office
Congressional Office - Representative Bob Beauprez	U.S. Department of Justice - Bureau of Alcohol, Tobacco, Firearms, and Explosives
Congressional Office - Representative Tancred	U.S. Department of Justice - Drug Enforcement Administration
Congressional Office - Representative Udall	U.S. Department of Justice - Federal Bureau of Investigation
Congressional Office - Senator Allard	U.S. Department of Justice - Federal Bureau of Prisons
Congressional Office - Senator Salazar	U.S. Department of Justice - U.S. Marshals Service
Consumer Product Safety Commission - Independent National Agency	U.S. Department of Justice - U.S. Trustee Program
Corporation for National Community Service - AmeriCorps and Senior Corps	U.S. Department of Labor - Bureau of Labor Statistics
Denver Federal Executive Board - Denver Metro Combined Federal Campaign	U.S. Department of Labor - Division of Energy Employment Occupational Illness Comp.
Equal Employment Opportunity Commission - Independent National Agency	U.S. Department of Labor - Employment and Training Administration
Farm Credit Administration – Independent National Agency	U.S. Department of Labor - Employment Standards Administration
Federal Communications Commission - Independent National Agency	U.S. Department of Labor - Mine Safety and Health Administration
Federal Labor Relations Authority - Independent National Agency	U.S. Department of Labor - Occupational Safety and Health Administration
Federal Mediation and Conciliation Service - Independent National Agency	U.S. Department of Labor - Office of Public Affairs
Federal Mine Safety and Health Review Commission - Independent National Agency	U.S. Department of Labor - Office of the Assistant Secretary for Administration and Mgmt
U.S. General Services Administration	U.S. Department of Labor - Office of the Inspector General
National Archives and Records Administration - Rocky Mountain Region	U.S. Department of Labor - Office of the Secretary
National Labor Relations Board - Region 27	U.S. Department of Labor - Office of the Secretary of Labor
National Science Foundation - Independent National Agency	U.S. Department of Labor - Office of the Solicitor
Selective Service System - Region III Headquarters	U.S. Department of Labor - Veterans Employment Training Service
U.S. Attorney's Office - District of Colorado	U.S. Department of Labor - Women's Bureau
U.S. Commission on Civil Rights - Independent National Agency	U.S. Department of the Interior - Bureau of Land Management
U.S. Department of Agriculture - Food and Nutrition Service	U.S. Department of the Interior - Bureau of Reclamation
U.S. Department of Agriculture - Food Safety and Inspection Service	U.S. Department of the Interior - Fish and Wildlife Service
U.S. Department of Agriculture - Forest Service	U.S. Department of the Interior - Minerals Management Service
U.S. Department of Agriculture - National Agricultural Statistics Service	U.S. Department of the Interior - National Park Service
U.S. Department of Agriculture - Natural Resources Conservation Services	U.S. Department of the Interior - Office of Surface Mining Reclamation and Enforcement
U.S. Department of Agriculture - Rural Development Office	U.S. Department of the Interior - Office of the Inspector General
U.S. Department of Commerce - Bureau of the Census	U.S. Department of the Interior - Office of the Secretary
U.S. Department of Commerce - Economic Development Administration	U.S. Department of the Interior - Office of the Solicitor
U.S. Department of Commerce - National Institute of Standards and Technology	U.S. Department of the Interior - U.S. Geological Survey
U.S. Department of Commerce - National Oceanic and Atmospheric Administration	U.S. Department of Transportation - Federal Aviation Administration
U.S. Department of Commerce - National Telecommunications and Information Administration	U.S. Department of Transportation - Federal Highway Administration, Central Fed. Lands
U.S. Department of Commerce - Office of the Inspector General	U.S. Department of Transportation - Federal Highway Administration, Colorado Division
U.S. Department of Defense - Buckley Air Force Base	U.S. Department of Transportation - Federal Railroad Administration
U.S. Department of Defense - Defense Audit Contract Agency	U.S. Department of Transportation - Federal Transit Administration
U.S. Department of Defense - Defense Contract Management Agency of Denver	U.S. Department of Transportation - National Highway Traffic Safety Administration
U.S. Department of Defense - Defense Finance and Accounting Service	U.S. Department of Transportation - Office of the Inspector General
U.S. Department of Defense - Defense Information Systems Agency	U.S. Department of Treasury - Internal Revenue Service
U.S. Department of Defense - Tri-care Management Activity	U.S. Department of Treasury - Treasury Inspector General for Tax Administration
U.S. Department of Education - Regional Office	U.S. Department of Treasury - U.S. Mint at Denver
U.S. Department of Energy - Golden Field Office	U.S. Department of Veterans Affairs - VA Denver Distribution Center
U.S. Department of Energy - National Renewable Energy Laboratory	U.S. Department of Veterans Affairs - VA Ft. Logan National Cemetery
U.S. Department of Energy - Rocky Flats Project Office	U.S. Department of Veterans Affairs - VA Medical Center
U.S. Department of Energy - Western Area Power Administration	U.S. Department of Veterans Affairs - VA Administrative Office
U.S. Department of Health and Human Services - Administration for Children and Families	U.S. Department of Veterans Affairs - Regional Office
U.S. Department of Health and Human Services - Administration on Aging	U.S. District Court - District of Colorado
U.S. Department of Health and Human Services - Assistant Secretary for Health	U.S. Environmental Protection Agency - Region 8 Laboratory
U.S. Department of Health and Human Services - Center for Disease Control and Prevention	U.S. Environmental Protection Agency - Region 8 Office
U.S. Department of Health and Human Services - Centers for Medicare and Medicaid Services	U.S. Government Accountability Office - Independent National Agency
U.S. Department of Health and Human Services - Food and Drug Administration	U.S. Government Printing Office - Regional Printing Procurement Office
U.S. Department of Health and Human Services - Health Resources and Service Admin.	U.S. Merit Systems Protection Board - Denver Field Office
U.S. Department of Health and Human Services - Office of the Secretary	U.S. Office of Personnel Management - Western Management Development Center
U.S. Department of Health and Human Services - Program Support Center	U.S. Peace Corps - Regional Office
U.S. Department of Health and Human Services - Rocky Mountain Regional CASU	U.S. Postal Service
U.S. Department of Health and Human Services - Toxic Substances and Disease Registry	U.S. Railroad Retirement Board - Denver District Office
U.S. Department of Homeland Security - Citizenship and Immigration Services	U.S. Securities and Exchange Commission - Central Regional Office
U.S. Department of Homeland Security - Customs and Border Protection	U.S. Small Business Administration - Denver Regional Office
U.S. Department of Homeland Security - Emergency Preparedness and Response	U.S. Social Security Administration - Local Offices
U.S. Department of Homeland Security - Immigration and Customs Enforcement	U.S. Social Security Administration - Regional Communications Office