



People

Business

Place

2006 *Prosperity Index*

Measuring the Sacramento Region's Competitive Position

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What is the Prosperity Index?

The Sacramento Regional Research Institute (SRRI) developed the **PROSPERITY INDEX** to provide business and community leaders in the Sacramento Region a valuable tool to measure regional economic prosperity and track its performance against competitors in order to evaluate the competition, identify opportunities for improvement, and ultimately impact change in the Region. Along with the national average, ten competitor regions were chosen as benchmarks for this analysis based on feedback from economic development organizations regarding metropolitan areas that often compete with the Region for business location and expansion projects.

In the past, prosperity was primarily described by economic performance and a select number of demographic trends. This view emphasized elements such as job growth, unemployment, population growth, and income. Reflecting the results of economic restructuring and increased competition, contemporary views of prosperity provide a much broader accounting of assets that include all the traditional factors, but also embrace other important locational characteristics such as

education, workforce, environment, and investment.

Overall, regional economic prosperity includes three main components—**BUSINESS, PEOPLE,** and **PLACE**—that span characteristics of the local business climate, workforce, and quality of life.

The Business component relates to aspects that describe a region's economy and business climate. Elements that describe the people or workforce in a region are encompassed in the People component. Finally, features that describe a region's quality of life and environment are captured in the Place component. A balance of strong performance across all three components contributes to regional prosperity.

In order to create a quantitative measure for the Business, People, and Place components as well as overall regional prosperity, a select number of indicators were chosen. Each indicator was chosen for two main reasons. First, the indicator must act as a key characteristic in describing either Business, People, or Place overall. Second, comparative data must be available nationally from sources that provide consistent methodology across regions and over time. All indicators used in the project

Prosperity Index Indicators

BUSINESS

- Job Growth
- Office Vacancy Rate
- Payroll Growth
- Establishment Growth
- Unemployment Rate
- Venture Capital Investment



PEOPLE

- College Enrollment
- Population Growth
- Graduation Rate
- Educational Attainment
- Median Household Income
- Household Income Spread



PLACE

- Air Quality
- Commute Time
- Crime Rate
- Charitable Contributions
- Fair Market Rent Growth
- Housing Affordability



reflect a balance of historical, current, and future performance and relate to aspects that regional organizations can influence or directly affect.

Every indicator receives a score between 0 and 10 based on relative rankings. The best performing region scores a 10, the lowest receives a 0, and all other regions receive scores between 0 and 10 based on where they fall between these two extremes. The Business, People, and Place components are each created as a simple average of 6 indicators while the Prosperity Index is a simple average of all 18 indicators. The average scores are scaled as a percentage of the best performing region. The highest scoring region receives an index score of 10 and all others receive scores that depend on their performance as a percentage of the best-performing region. Changes in indicator and index scores over time reflect shifts in performance relative to the selected regions and the national average.

Competitive Regions



How is the Sacramento Region doing?

The Sacramento Region ranked eighth on the 2006 **PROSPERITY INDEX**, receiving a score of 7.1 out of a possible 10, as shown in Figure 1. Sacramento posted a high score on the People component, but fairly low scores on the Business and Place components, placing the Region in the middle of the list. Among the California competitor regions, Sacramento fell in the middle, behind the SF Bay Area and San Diego and ahead of the Inland Empire (Riverside/San Bernardino) and Los Angeles. Compared to its main competitors, the Sacramento Region presents economic prosperity that is slightly below average, giving it a moderate competitive position.

Displacing Salt Lake City and the Bay Area, Austin obtained the highest score, 10 out of 10, on the 2006 Prosperity Index, ranking it number one, due to strong performance on the People and Place components and a healthy score on the Business component. The best-performing regions in 2005 (Salt Lake City and the SF Bay Area) ranked second and fourth in the 2006 update. With a score of 6.3 out of a possible 10, the Inland Empire (Riverside/San Bernardino) placed last mainly because of its low score on the Place component. With the exception of the Inland Empire (Riverside/San Bernardino), all selected regions received scores above the national average, demonstrating the continued strength of this group of economies in

the western United States relative to the rest of the nation. As a result of declines in all three components from 2005, as shown in Figure 2, the Sacramento Region fell from fifth to eighth place overall and dropped from a score of 8.4 to 7.1. Sacramento was the only region to experience declines in all components since last year (11 of the total 18 indicators measured lower in 2006 than 2005). Four regions posted an increase in scores since 2005, allowing them all to rank higher on the Prosperity Index in the 2006 update—Austin, Phoenix, Portland, and Los Angeles. Phoenix saw the largest relative jump in its competitive position, moving from ninth to third place, while the Inland

Figure 1: 2006 PROSPERITY INDEX

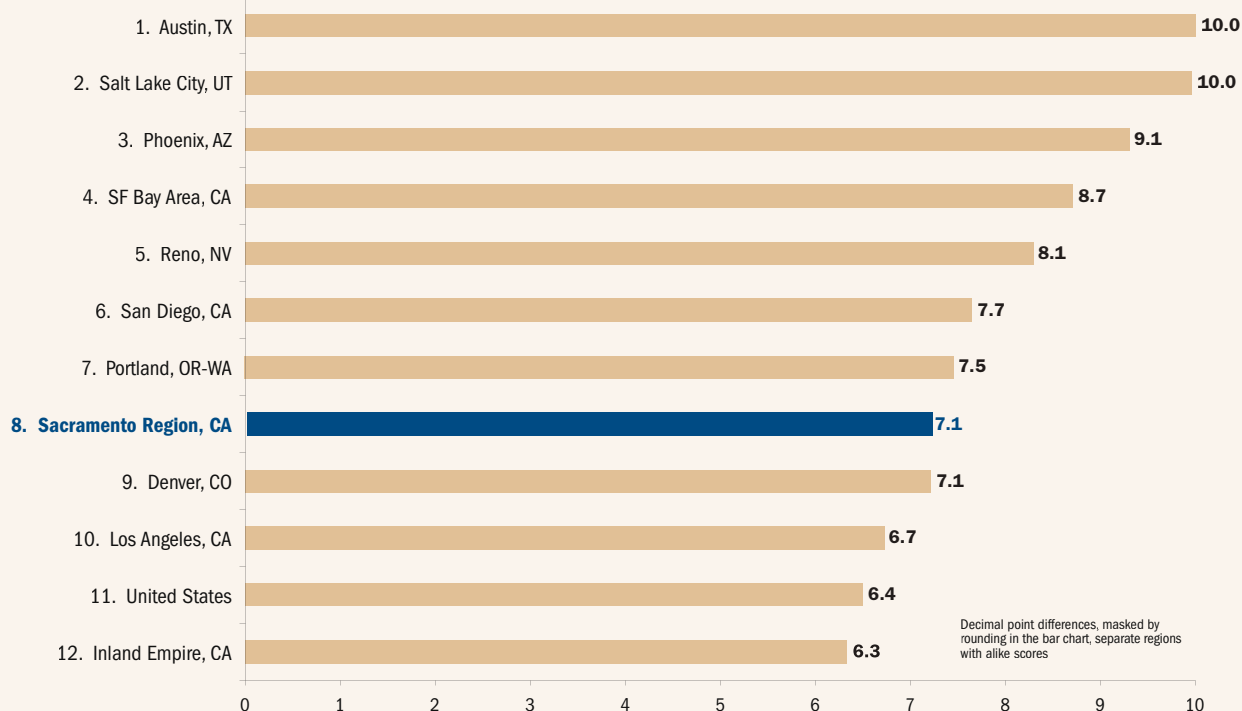
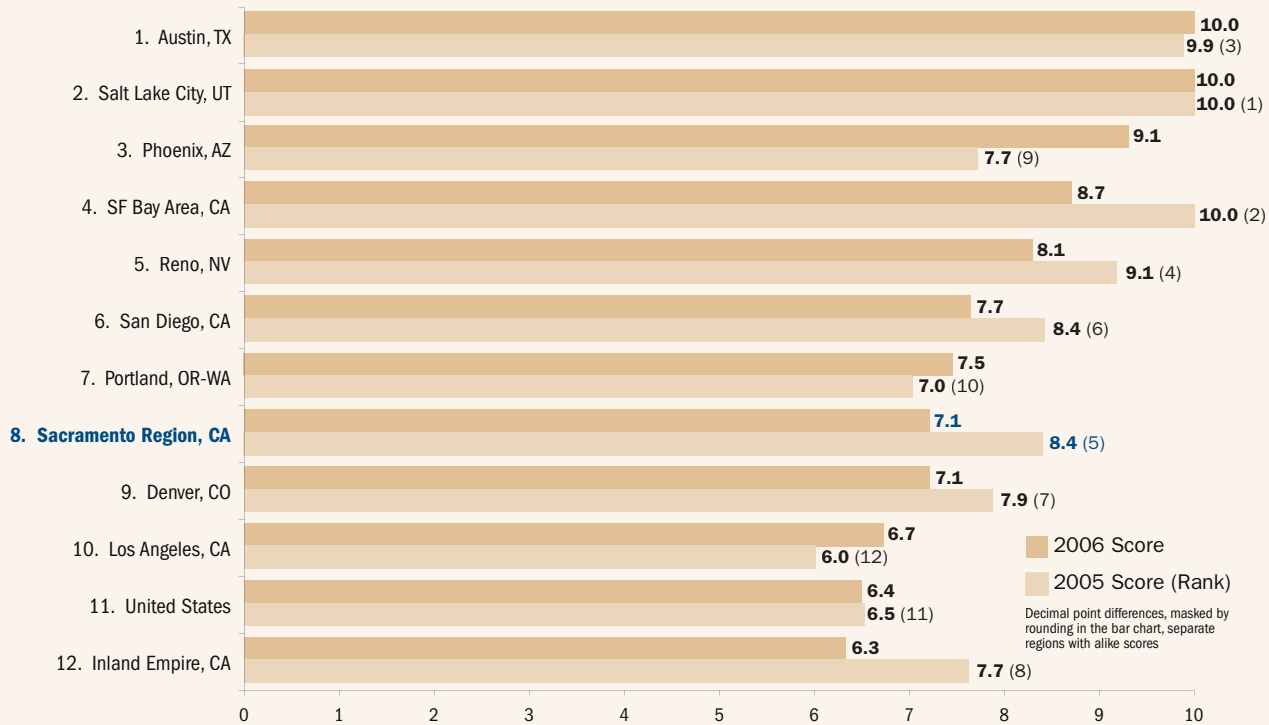


Figure 2: 2005/2006 PROSPERITY INDEX



Empire (Riverside/San Bernardino) experienced the greatest decline in its competitive position, dropping from eighth to twelfth place.



With a score of 4.6 out of a possible 10, the Sacramento Region placed tenth on the **BUSINESS** component, as shown in Figure 3. Even though Sacramento placed above the national average, it fell toward the bottom of the list and below all other California regions. As shown in Figure 4,

Sacramento received moderate scores for Establishment Growth and Payroll Growth, but relatively low scores for the remaining Business component indicators. Overall, relative to its main competitors, the Sacramento Region presents a fairly low competitive position in terms of business climate.

Phoenix received the full 10 points and ranked first due to strong scores in the majority of the Business component indicators. Last year's leader, the Inland Empire (Riverside/San Bernardino), placed third with a score of 7.8. Denver placed last with a score of 3.0 as a result of low scores in most indicators. Like the overall Prosperity Index, almost all selected regions ranked higher than the national average.

Since the 2005 Prosperity Index, the Sacramento Region dropped from ninth to tenth place on the Business component, declining from a score of 5.3 to 4.6 in 2006. Only one of Sacramento's indicator scores showed a relative improvement since 2005, Payroll Growth. Among the other indicators, Office Vacancy Rate posted the greatest decline in score over the past year. Four of the competitor regions experienced an increase in their Business component scores since 2005 including Phoenix, Salt Lake City, Austin, and Portland. Of these four, Phoenix, Salt Lake City, and Portland all made substantial jumps in competitive position on the 2006 Prosperity Index Business Component, ranking much higher in the update.

Figure 3: 2006 BUSINESS Component

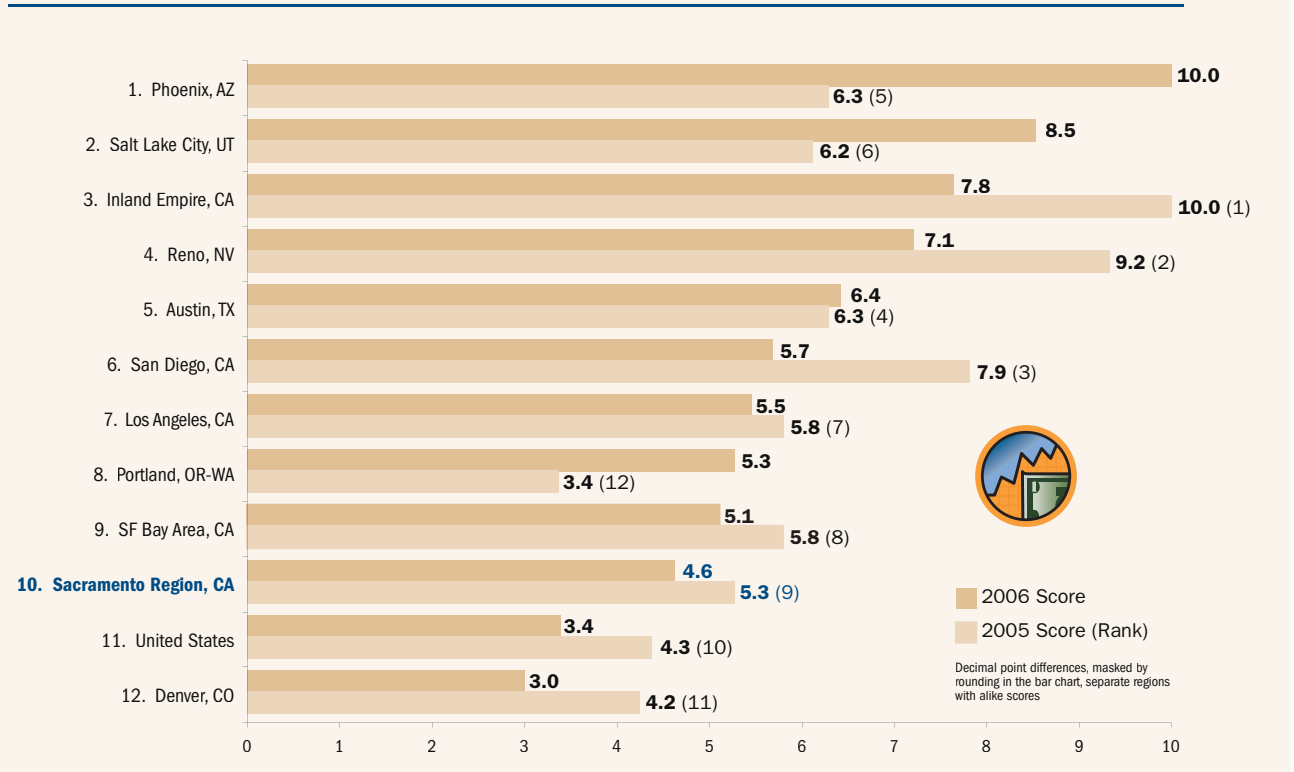
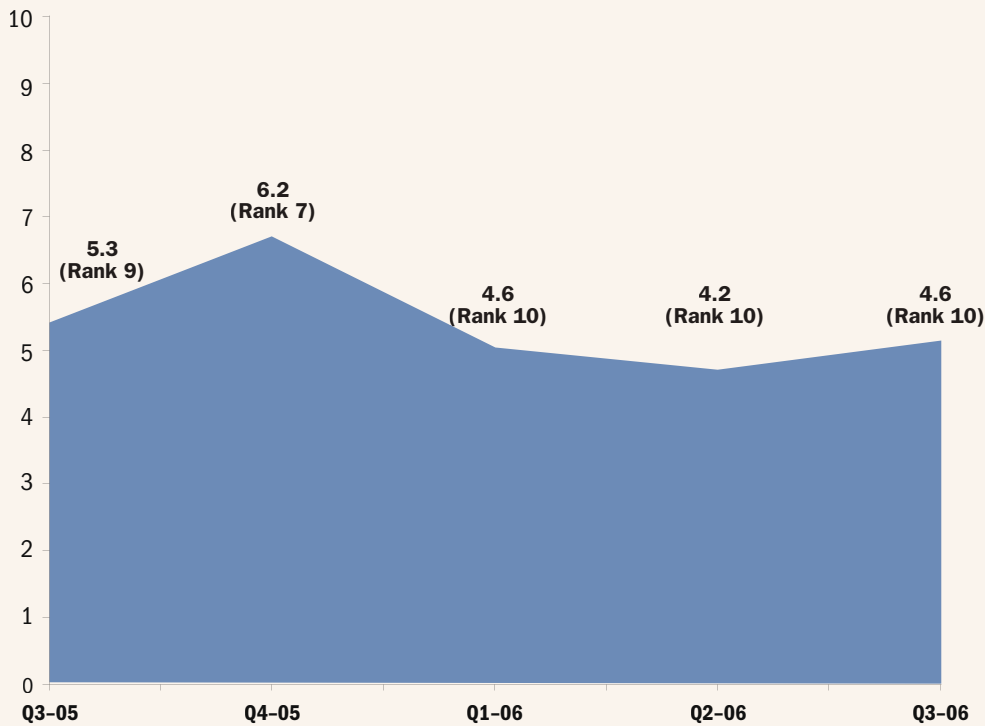


Figure 4: 2006 BUSINESS Component Indicator Scores

Region	Establishment Growth	Job Growth	Office Vacancy Rate	Payroll Growth	Unemployment Rate	Venture Capital Investment
Austin, TX	6.1	7.6	0.0	4.0	7.8	3.1
SF Bay Area, CA	0.0	0.0	4.8	3.1	4.7	10.0
Denver, CO	4.5	1.7	2.0	0.0	4.3	0.8
Inland Empire, CA	6.3	8.2	9.3	6.8	4.1	0.0
Los Angeles, CA	4.7	2.0	10.0	2.1	4.7	0.9
Phoenix, AZ	10.0	10.0	5.3	10.0	9.1	0.3
Portland, OR-WA	9.1	4.3	5.8	3.5	0.0	0.7
Reno, NV	9.1	3.3	5.3	4.0	10.0	0.0
Sacramento Region, CA	4.3(-)	3.1(-)	3.6(-)	5.7(+)	3.6(-)	0.1(-)
Salt Lake City, UT	9.5	5.6	5.1	8.6	9.2	0.2
San Diego, CA	2.8	0.7	8.9	2.5	8.5	2.0
United States	4.2	1.3	3.4	2.3	3.5	0.6

Note: + refers to improvement in score from 2005 and - represents decrease in score from 2005

Figure 5: Sacramento Region BUSINESS Component Trend



As illustrated in Figure 5, since the 2005 Prosperity Index, the Sacramento Region increased slightly to seventh place (with a score of 6.2) in the first quarterly update of the Business component (fourth quarter of 2005), but fell to tenth place by the first quarter of 2006 and has remained in that somewhat low competitive position since. Although on an individual basis, Sacramento has generally maintained healthy conditions over the past few quarters, relative to its main competitors, it has not performed tremendously well.



The Sacramento Region placed second on the **PEOPLE** component with a score of 8.9 out of 10, as demonstrated in Figure 6. Sacramento ranked above all other California regions. As shown in Figure 7, Sacramento posted strong scores in Graduation Rate and Household Income Spread along with moderate scores in all other People component indicators. In general, the Sacramento Region offers a strong competitive position in terms of its population and workforce.

Receiving all 10 points, Austin shifted into first place on the People component, replacing the Sacramento Region, last year's leader. Austin posted strong scores in nearly all indicators. Reno fell into last place with a score of 3.9 due to low scores in most People component indicators. Besides Reno, all selected regions placed above the national average, illustrating the relative attractiveness of these regions and the strong workforce they offer.

In the 2006 update, the Sacramento Region dropped from first to second place on the People component with its score declining from 10 to 8.9. Half of the indicator scores for the Sacramento Region increased from 2005 including Graduation Rate, Median Household Income, and Population Growth.

Among those indicators, Sacramento's Graduation Rate saw the largest increase in score since 2005 while College Enrollment posted the greatest decline. Only a handful of

the competitor regions experienced a decline in scores between 2005 and 2006—the Sacramento Region, Salt Lake City, and Reno. All other regions saw increases in scores.

Portland experienced the largest shift in competitive position in the 2006 update, moving from eleventh to seventh place.

Figure 6: 2006 PEOPLE Component

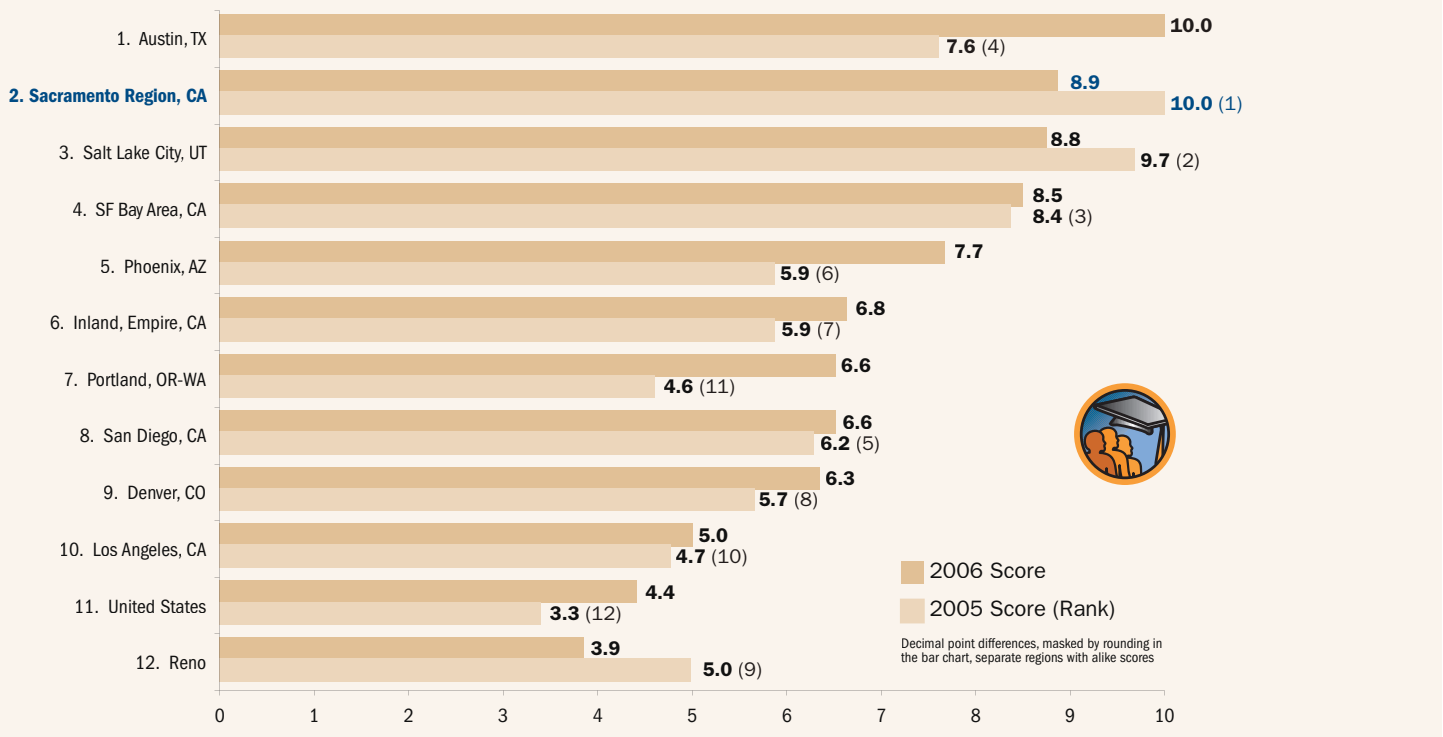


Figure 7: 2006 PEOPLE Component Indicator Scores

Region	College Enrollment	Educational Attainment	Graduation Rate	Median Household Income	Household Income Spread	Population Growth
Austin, TX	10.0	8.3	7.5	3.3	6.0	7.2
SF Bay Area, CA	7.0	10.0	7.9	10.0	0.0	1.1
Denver, CO	0.9	7.9	5.2	4.0	5.3	3.3
Inland Empire, CA	4.8	0.0	5.6	1.3	9.0	8.0
Los Angeles, CA	6.6	4.0	3.4	3.0	3.7	0.6
Phoenix, AZ	5.1	4.1	6.3	0.7	6.4	10.0
Portland, OR-WA	0.1	5.9	5.9	2.1	10.0	4.1
Reno, NV	0.0	3.4	0.0	1.3	5.7	6.2
Sacramento Region, CA	5.8(-)	5.2(-)	9.1(+)	4.0(+)	8.5(-)	5.2(+)
Salt Lake City, UT	6.8	4.4	10.0	2.0	9.8	4.2
San Diego, CA	6.9	5.6	6.7	3.0	5.8	0.0
United States	0.5	3.2	5.6	0.0	6.9	2.4

Note: + refers to improvement in score from 2005 and - represents decrease in score from 2005



For the **PLACE** component, Figure 8 shows the Sacramento Region placed near the bottom of the list, in eleventh place, with a score of 5 out of 10. As demonstrated in Figure 9, Sacramento received middle of the road scores for Air Quality, Crime Rate, and Fair Market Rent Growth, but weak marks on the other three Place component indicators. The Sacramento Region

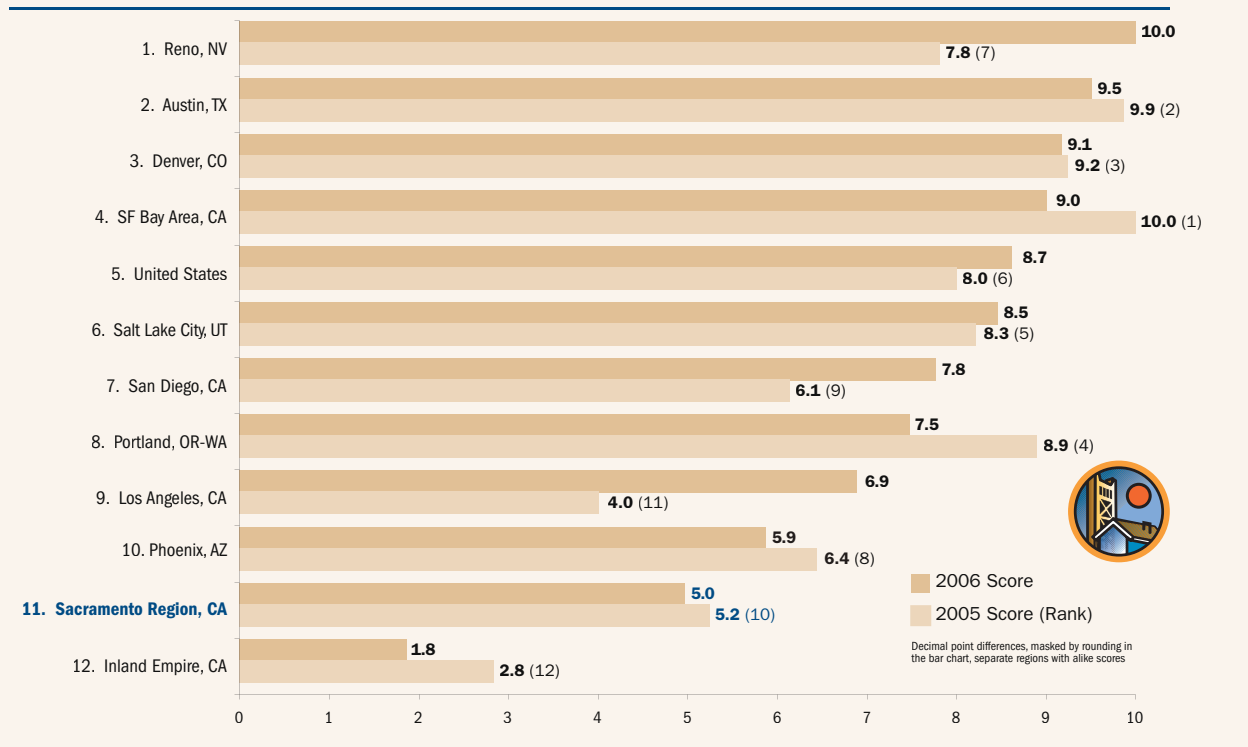
placed in front of only one of the other California regions, the Inland Empire (Riverside/San Bernardino). In terms of place characteristics, relative to its competitors, the Sacramento Region presents a fairly weak competitive position.

Reno ranked number one on the Place component, receiving a score of 10, as a result of its strong or moderate performance in all indicators except Housing Affordability. The Inland Empire (Riverside/San Bernardino) only received a score of 1.8 out of a possible 10, putting it in last place—it

received a comparatively healthy score in only the Crime Rate indicator. Unlike the Prosperity Index overall and the Business and People components, the United States ranked toward the top of the list on the Place component, showing that the competitive regions in the western United States may not offer as strong an advantage in terms of place characteristics.

The Sacramento Region dropped from tenth place in 2005 (with a score of 5.2) to eleventh place in 2006 (receiving a score of 5) on the Place component. Scores increased

Figure 8: 2006 PLACE Component



in Sacramento for half of the Place component indicators—Fair Market Rent Growth, Housing Affordability, and Charitable Contributions. Sacramento’s Fair Market Rent Growth saw the largest increase in score while Crime Rate experienced the greatest decline. Four of the selected regions along with the United States posted

stronger scores in 2006 compared to 2005 including Reno, Salt Lake City, San Diego, and Los Angeles. Reno made the most significant increase in competitive position since 2005 (from seventh to first place), and the SF Bay Area saw a substantial decline in competitive position (from best-performing to fourth) in terms of place characteristics.

Figure 9: 2006 PLACE Component Indicator Scores

Region	Air Quality	Charitable Contributions	Commute Time	Crime Rate	Fair Market Rent Growth	Housing Affordability
Austin, TX	10.0	0.9	4.5	5.5	10.0	10.0
SF Bay Area, CA	9.8	9.8	2.9	7.6	7.6	1.1
Denver, CO	9.9	3.6	5.1	5.0	6.3	9.3
Inland Empire, CA	0.0	0.0	0.0	7.0	0.0	0.8
Los Angeles, CA	4.6	8.8	1.3	10.0	4.8	0.0
Phoenix, AZ	6.8	0.5	5.7	0.0	8.2	4.2
Portland, OR-WA	9.6	2.6	5.7	3.0	6.1	5.2
Reno, NV	9.9	10.0	10.0	5.5	5.4	2.1
Sacramento Region, CA	5.7(-)	0.3(+)	3.8(-)	4.2(-)	6.6(+)	0.9(+)
Salt Lake City, UT	7.2	1.1	9.8	3.6	7.0	7.8
San Diego, CA	9.4	1.0	4.4	8.8	9.4	0.3
United States	8.3	3.5	5.5	7.9	5.9	6.4

Note: + refers to improvement in score from 2005 and – represents decrease in score from 2005

What data are behind the Sacramento Region's scores?



Business

■ Employment in the Sacramento Region grew 2.7 percent between the fourth quarters of 2004 and 2005, surpassing the national average job growth of 1.7 percent. This marks a slight increase for the Region from the same measure last year of 2.6 percent (fourth quarter of 2003 to 2004).

■ From the fourth quarter of 2004 to 2005, the Sacramento Region experienced a 2.7 percent increase in the number of business establishments, a growth rate similar to the national average. The Region saw a slight decline from the same measure last year of 2.9 percent (fourth quarter of 2003 to 2004).

■ The Sacramento Region's average unemployment rate for the 12 months ending June 2006 was 4.8 percent, which fell at the same level as the national average. This is an improvement for the Region over the same measure last year of 5.2 percent (12 months ending June 2005).

■ The Sacramento Region posted a 13.6 percent office vacancy rate for the second quarter of 2006, which was only slightly lower than the national average of 13.7 percent. The Region's

same measure last year was somewhat better at 12.7 percent (second quarter of 2005).

■ Total industry payroll in the Sacramento Region expanded by 5.5 percent between the fourth quarters of 2004 and 2005, which is notably higher than the national average of 3.3 percent. Last year, the same measure in the Region was somewhat higher at 7.4 percent (fourth quarter of 2003 to 2004).

■ Venture capital investment per employee in the Sacramento Region in the second quarter of 2006 equated to \$7.50, significantly lower than the measured investment per employee at the national level of \$47.50. The Region saw a decline from the same measure last year of \$26.40 per employee (second quarter of 2005).



People

■ About 38.9 percent of the Sacramento Region's population had an Associate Degree or higher in 2004, a level of educational attainment higher than the national average of 34.1 percent. This same measure last year in the Sacramento Region was slightly higher at 39.2 percent (2003).

■ At \$53,340, median household income in the Sacramento Region in 2004 surpassed the national average of \$44,684. The same measure last year showed the Region slightly lower at \$52,981 (2003).

■ Between 2004 and 2005, the Sacramento Region's population grew by 2.1 percent, a growth rate above the 0.9 percent national average. The Region posted a similar level of growth in the same measure last year (2003 to 2004).

■ In 2004, 7.3 percent of the Sacramento Region's population was enrolled in college or graduate school, while the national average was 6.2 percent. This shows a slight decline for the Region from the same measure last year of 7.9 percent (2003).

■ With a graduation rate of 80.4 percent in 2003, freshmen in the Sacramento Region were more likely to graduate from high school than their peers at the national level (74.3 percent). This marks a notable improvement in the Region from the same measure last year of 76.8 percent (2002).

■ With a divergence between median and average household income in 2004 of \$13,642, the Sacramento Region had a somewhat smaller income spread than the national average of \$15,386. This is a higher level of divergence for the Region than the same measure last year of \$10,923 (2003).



Place

- The average travel time to work in the Sacramento Region was 26.2 minutes in 2004, which was longer than the national average of 24.7 minutes. The Region's same measure last year showed the time somewhat shorter at 24.2 minutes (2003).
- With 4,918.2 crimes per 100,000 residents in 2004, the Sacramento Region's crime rate was higher than the national rate of 3,982.6 crimes per

100,000 residents. The same measure last year showed a lower rate in the Region of 4,700.5 crimes per 100,000 residents (2003).

- During the second quarter of 2006, only 7.7 percent of homes sold in the Sacramento Region were affordable to families earning the median income, significantly lower than the national average of 40.6 percent. This same measure for the Region was somewhat higher last year at 9.1 percent (2005).
- In 2005, the Sacramento Region posted a greater proportion of unhealthy air days than the national average with 13.0 percent of total measured days classified as unhealthy compared to the percentage of measured days at the national level of 5.6 percent. This marks a slight

increase for the Region compared to the same measure last year of 10.3 percent of days (2004).

- Private foundation revenues from charitable contributions in 2004 measured \$14.50 per capita in the Sacramento Region, which is considerably lower than the national average of \$90.90 per capita. The Region saw an increase from the same measure last year of \$7.50 per capita (2003).
- Between 2005 and 2006, Fair Market Rents declined by 0.7 percent in the Sacramento Region, while they increased nationally by 1.7 percent. Last year, the Region posted a 2.8 percent increase for the same measure (2004 to 2005).

How are indicators and regions defined?

Selection of Regions:

In addition to the national average, ten competitor regions were chosen as benchmarks based on feedback from economic development organizations in the Sacramento Region regarding metropolitan areas that often compete with the Region for business location and expansion projects. Half of the regions are located in California and the other half are located throughout the western United States.

Benchmark Regions

Sacramento Region, CA—El Dorado, Placer, Sacramento, Sutter, Yolo, and Yuba Counties

Austin, TX—Bastrop, Caldwell, Hays, Travis, and Williamson Counties

SF Bay Area, CA—Alameda, Contra Costa, Marin, San Benito, San Francisco, San Mateo, and Santa Clara Counties

Denver, CO—Adams, Arapahoe, Broomfield, Clear Creek, Denver, Douglas, Elbert, Gilpin, Jefferson, Park, and Boulder Counties

Inland Empire, CA—Riverside and San Bernardino Counties

Los Angeles, CA—Orange, Los Angeles, and Ventura Counties

Phoenix, AZ—Maricopa and Pinal Counties

Portland, OR-WA—Clackamas, Columbia, Multnomah, Washington, Yamhill Counties in Oregon and Clark and Skamania Counties in Washington

Reno, NV—Storey and Washoe Counties

Salt Lake City, UT—Salt Lake, Summit, Tooele, Davis, Morgan, and Weber Counties

San Diego, CA—San Diego County

United States—national average

Business Component Indicators

Job Growth accounts for the year-over-year percentage increase in average fourth quarter employment from 2004 to 2005. This measure is often viewed as an indicator of overall economic performance since employment is the primary source of income for residents and changes in the level of jobs reflect local business patterns. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

Establishment Growth measures the percentage increase in firms from the fourth quarter of 2004 to the same quarter of 2005. As an indicator of the overall business climate, this measure shows net changes in the number of businesses and captures firm births and deaths. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

Office Vacancy Rate calculates the percentage of the total net rentable area of office property that was unoccupied in the second quarter of 2006. High vacancies indicate a lack of demand and/or overdevelopment and can also be interpreted as signs of economic slowdown. Regions with high vacancy rates receive low scores on this indicator. The sources for this data are the CB Richard Ellis Office Vacancy Index and Market View reports and Colliers International Market Reports.

Payroll Growth measures the percentage increase in aggregate compensation over a one-year period (in this case, from the fourth quarter of 2004 to the fourth quarter of 2005).

Criteria for Indicators:

- Key characteristic in describing either Business, People or Place overall
- Comparative data available nationally from sources that provide consistent methodology across regions and over time
- Relate to aspects that regional organizations can influence or directly affect

This data provides insight into changes in total industry payrolls, pointing to general business performance and the level of available consumption and savings activity. The source for this data is the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

Unemployment Rate calculates a 12-month moving average (ending in June 2006) percentage of the labor force that was unemployed. Higher unemployment rates indicate signs of economic slowdowns, increased competition for jobs, and decreased ability to generate income while lower rates tend to signify growth and expansion. Regions with low unemployment rates receive higher scores on this indicator. The source for this data is the Bureau of Labor Statistics' Local Area Unemployment Statistics.

Venture Capital Investment accounts for total venture capital funds invested in local companies per employee in the second quarter of 2006. This indicator not only points to perceptions in the investment community about a region's innovation capacity and investment risk, but also has future implications since firms receiving venture capital use the funds in an attempt to innovate, develop products and services, and become more productive in the future. The sources for this data are Venture

Economics' Quarterly Statistics and the Bureau of Labor Statistics' Quarterly Census of Employment and Wages.

People Component Indicators

College Enrollment measures the percentage of the population (age 3 and above) enrolled in college or graduate school in 2004. This indicator points to the strength of higher education infrastructure in a region as well as potential future changes in educational attainment levels and the availability of a highly educated labor force. The source for this data is the Census Bureau's American Community Survey¹.

Educational Attainment captures the percentage of the population (age 25 and above) whose highest level of education was either an Associate, Bachelor's, Graduate, or Professional Degree in 2004. Higher levels of educational attainment reflect a higher-skilled labor force, which can attract businesses that demand higher skilled workers and pay higher salaries. The source for this data is the Census Bureau's American Community Survey¹.

Graduation Rate measures the probability that a freshman from a calculated cohort of students graduated on time. It is calculated as the number of high school graduates receiving a

regular diploma in 2003 divided by the average of the number of students enrolled in eighth grade five years earlier, ninth grade four years earlier, and tenth grade three years earlier. Because this rate tracks very closely to the actual on-time graduation rate, it provides a useful comparative measure of educational quality and retention between regions. A quality educational system enhances both the skill level of the labor force and the quality of life in a region. The source for this data is the National Center for Educational Statistics' Common Core Data².

Median Household Income represents the income level where half of all households in the region fall below the median income in 2004 and the other half fall above the median value. Measures of household income reflect both the potential consumption activity of a mid-level household and a region's general standard of living. The source for this data is the Census Bureau's American Community Survey¹.

Household Income Spread calculates the divergence between the average household income and median household income in 2004. The magnitude of this divergence measures household income inequality in a region—a low divergence indicates that there is a lower disparity between household income levels than in an area with a higher divergence. Lower inequality can create a more stabilized social and political climate in addition to a more competitive workforce and region overall. Regions with a low divergence receive higher scores on this indicator. The source for this data is the Census Bureau's American Community Survey¹.

Population Growth measures the percentage increase in residents over a one-year period (in this case, from July 1, 2004 to July 1, 2005). This indicator is important because it reflects the attractiveness of a region as well as many economic aspects including the size of the labor force, consumer base, and delivery of public services. The source for this data is the Census Bureau's Population Estimates.

Place Component Indicators

Air Quality accounts for the percentage of measured air quality days that were classified as “unhealthy for sensitive groups” and “unhealthy” in 2005. Due to its implications on public health and perception of the overall environmental quality, this factor is an important component of a region's quality of life. Regions with high percentages receive low scores on this indicator. The source for this data is the Environmental Protection Agency's AirData³.

Charitable Contributions captures private foundation revenue per capita from contributions, gifts, and grants in 2004. Private foundations generally act as grant-making organizations and channel funds to other community and non-profit organizations. This indicator has future impacts due to the fact that funds are given to other organizations so that they can provide future services and conduct ongoing activities. The sources for this data are the National Center for Charitable Statistics' Private Foundation Revenue Source data⁴ and the U.S. Census Bureau's Population Estimates.

Commute Time accounts for the average travel time to work in minutes in 2004 (for workers age 16 and above). Commute times function as an indicator of the level of crowding in a region, the quality of urban planning and transportation infrastructure, and the effects of urbanization and sprawl. Regions with shorter travel times receive higher scores on this indicator. The source for this data is the Census Bureau's American Community Survey¹.

Crime Rate measures the total number of reported violent and property crimes per 100,000 residents in 2004. This data can be used to assess the relative “safety” of one region to another based on the prevalence of reported criminal activity. Regions with low crime rates receive higher scores on this indicator. The source for this data is the Federal Bureau of Investigation's Uniform Crime Report⁵.

Fair Market Rent Growth captures the percentage increase in Fair Market Rent over a one year period (2005 to 2006 in this case). Since housing is a major component of many cost of living estimates, this indicator serves as a proxy for changes in cost of living over time. Regions with high growth rates receive low scores on this indicator. The source for this data is the Department of Housing and Urban Development's Fair Market Rents data.

Housing Affordability measures the share of homes sold in the second quarter of 2006 that would have been affordable to a family earning the median income. This indicator takes

into account behavior in both income levels and the regional housing market and provides a point-in-time insight into cost of living and perceptions of

regional affordability. The source for this data is the National Association of Home Builders-Wells Fargo Housing Opportunity Index.

Research Notes

1. Data for the following areas was not available from the Census Bureau's American Community Survey:
 - Sacramento Region—Yolo, Yuba, and Sutter Counties
 - SF Bay Area—San Benito County
 - Portland—Columbia, Yamhill, and Skamania Counties
 - Phoenix—Pinal County
 - Reno—Storey County
 - Denver—Broomfield, Clear Creek, Elbert, Gilpin, and Park Counties
 - Salt Lake City—Summit, Tooele, and Morgan Counties
2. Data for the following area was not available from the National Center for Educational Statistics' Common Core Data:
 - Denver—Broomfield County
3. Data for the following areas was not available from the Environmental Protection Agency's AirData:
 - Portland—Skamania County
 - Reno—Storey County
 - Denver—Broomfield, Elbert, Park, Gilpin, and Clear Creek Counties
 - Salt Lake City—Summit, Tooele, and Morgan Counties
4. Complete revenue data for private foundations in the following areas was not available from the National Center for Charitable Statistics' Private Foundation Revenue Source data and population from these areas were not included in the per capita calculations:
 - Denver—Clear Creek, Elbert, and Gilpin Counties
 - Salt Lake City—Morgan County
5. Data for the following area was not available from the Federal Bureau of Investigation's Uniform Crime Report:
 - Denver—Boulder County

Each of the indicators reflected in these data sources were deemed important in measuring economic prosperity and, despite incomplete data, the patterns presented are considered reasonable representations of the selected regions.

How often is the data updated?

SRRI updates the Prosperity Index and all related components annually. The Business component is updated quarterly through the *Quarterly Economic Report* in order to allow for more frequent evaluations of the local business climate. The *2006 Prosperity Index* is the second annual release of the Prosperity Index and the fifth quarterly measure of the Business component. Changes over time demonstrate how the Sacramento Region's economic prosperity has shifted relative to its main competitors.



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The Sacramento Regional Research Institute (SRRI), a joint venture of SACTO and California State University, Sacramento, provides a full range of objective economic and demographic research services to government entities, businesses, and non-profit organizations. For more information about the Institute or the Prosperity Index, visit www.srri.net or contact SRRI by mail at 400 Capitol Mall, Suite 2500, Sacramento, CA 95814; by telephone at (916) 491-0444; or by e-mail at srri@srri.net.