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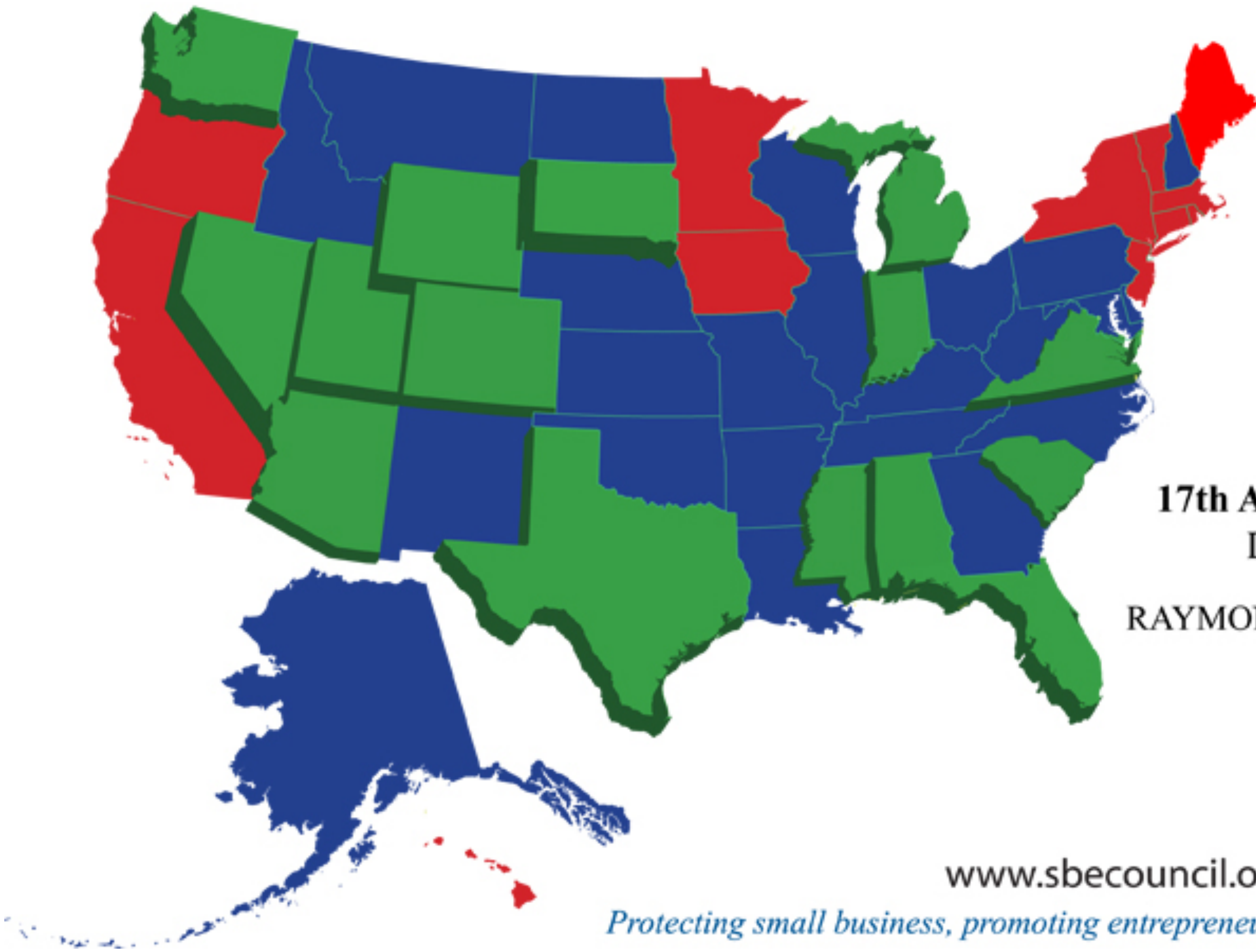
46 Policy Measurements

SMALL BUSINESS & ENTREPRENEURSHIP COUNCIL'S

U.S. Business Policy Index 2012:

Ranking the States on Policy Measures & Costs Impacting Small Business and Entrepreneurship



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Protecting small business, promoting entrepreneurship

U.S. Business Policy Index 2012: State Rankings
(Ranked from the Friendliest to the Least Friendly Policy Environments for Small Business and Entrepreneurship)

Rank	State	Rank	State
1	South Dakota	26	New Mexico
2	Nevada	27	Wisconsin
3	Texas	28	Kansas
4	Wyoming	29	Kentucky
5	Florida	30	West Virginia
6	Washington	31	Idaho
7	Alabama	32	Montana
8	Utah	33	Delaware
9	Colorado	34	Arkansas
10	Arizona	35	Illinois
11	Michigan	36	Maryland
12	Virginia	37	North Carolina
13	Indiana	38	Massachusetts
14	South Carolina	39	Nebraska
15	Mississippi	40	Minnesota
16	North Dakota	41	Rhode Island
17	Tennessee	42	Connecticut
18	Ohio	43	Oregon
19	Alaska	44	Iowa
20	New Hampshire	45	Hawaii
21	Georgia	46	Maine
22	Missouri	47	New York
23	Oklahoma	48	Vermont
24	Pennsylvania	49	New Jersey
25	Louisiana	50	California

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Introduction: Business Decisions and Policy Decisions

It's a straightforward fact of economic life. That is, tax, regulatory, spending and other assorted policies created and instituted by elected officials affect the economy, including serving as major influences over the incentives and resources available for starting up, building, operating and investing in businesses. Indeed, day-to-day and long-term strategic decisions within businesses are affected, such as decisions regarding capital expenditures, hiring and firing, hours worked, and where to locate.

Quite simply, policy decisions matter when it comes to making business and investment decisions.

Most business owners understand these realities. For example, the property tax burden could make setting up and running a business too costly in one locale, yet the same enterprise could thrive in a place with a far smaller property tax bill. Or, doing business in one state can mean higher health insurance costs for both the owner and his employees due in part to the costs of regulations and mandates, compared to a state with a far more reasonable regulatory climate.

It's safe to say that investors also grasp such economic facts. Investing in new or expanding businesses is a high-risk endeavor. Decisions on the policy front – such as tax rates and regulation – clearly impact decisions as to the level of investment, the type of investment, and where investment occurs. For example, a high capital gains tax rate can discourage, restrain and/or redirect business investment given the risks involved, as well as the costs for alternative uses of such resources.

Unfortunately, too many elected officials fail to grasp the straightforward relationship between the policy decisions they make and the decisions made by entrepreneurs and investors. When such a glaring disconnect exists, that spells serious trouble for an economy. History is strewn with examples of the political class ignoring the effects of their policy decisions. Of course, we see the fallout today as well.

Consider the mess in Europe, where economies have been ravaged by political decisions that have imposed heavy tax and regulatory burdens on businesses and investors, and with government spending sucking up half of GDP. It is no wonder that most of Europe slogs along under three economic scenarios, depending upon the period: recession, stagnation, or at best, slow growth.

U.S. federal policymakers have made decisions in recent years leading to a deep recession and a grossly under-performing recovery. Those policies include a vast increase in government spending, higher taxes and the threat of even heavier tax burdens, hyper-regulation, and loose monetary policy creating further uncertainty and risks for business and investors.

Of course, policy decisions in the states matter a great deal as well in terms of business and investment decisions. Too often, state and local elected officials are oblivious as to the impact of the policies they impose on entrepreneurship, business and investment, and therefore on their state's economy, competitiveness, income growth and employment levels. In fact, at the federal, state and local levels, the biggest obstacle to entrepreneurship and investment usually is public policy gone awry. Politicians usually speak glowingly about entrepreneurship and small businesses, but their actual policy decision too frequently raise costs, create uncertainty and diminish incentives for starting up, investing in and building businesses.

The "U.S. Business Policy Index" (formerly the "Small Business Survival Index") ranks the 50 states according to some of the major government-imposed or government-related costs affecting investment, entrepreneurship, and business. The Index ranks the states according to their public policy climates for small business and entrepreneurship.

The Measures: What's Included and Why

The "U.S. Business Policy Index 2012" (this is the seventeenth year for the SBE Council analysis, though previous year's results are not comparable to the current year due to revisions and expansion) ties together 46 major government-imposed or government-related costs impacting small businesses and entrepreneurs across a broad spectrum of industries and types of businesses:

• **Personal Income Tax.** State personal income tax rates affect individual economic decision-making in important ways. A high personal income tax rate raises the costs of working, saving, investing, and risk taking. Personal income tax rates vary among states, therefore affecting crucial economic decisions and activities. In fact, the personal income tax influences business far more than generally assumed because more than 92 percent of businesses file taxes as individuals (e.g., sole proprietorship, partnerships and S-Corps.), and therefore pay personal income taxes rather than corporate income taxes.

Measurement in the U.S. Business Policy Index: state's top personal income tax rate.[1]

• **Individual Capital Gains Tax.** One of the biggest obstacles that start-ups or expanding businesses face is access to capital. State capital gains taxes, therefore, affect the economy by directly affecting the rate of return on investment and entrepreneurship. Capital gains taxes are direct levies on risk taking, or the sources of growth in the economy. High capital gains taxes restrict access to capital, and help to restrain or redirect risk taking.

Measurement in the U.S. Business Policy Index: state's top capital gains tax rate on individuals.[2]

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[1] Data Source: CCH Incorporated, *2012 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, and state specific sources. Note: Personal income tax rates reflect deductibility of federal income taxes in certain states.

• **Individual Dividends and Interest Tax.** Diminishing the returns on saving and investment is counterproductive to economic growth. Quite simply, higher tax rates on dividends and interest mean reduced resources and incentives for saving and investment, which in turn, works against entrepreneurship, economic growth and job creation.

Measurement in the U.S. Business Policy Index: state's top tax rate on dividends and interest earned.[3]

• **Corporate Income Tax.** State corporate income tax rates similarly affect a broad range of business decisions — most clearly decisions relating to investment and location – and obviously make a difference in the bottom line returns of corporations.

Measurement in the U.S. Business Policy Index: state's top corporate income tax rate.[4]

• **Corporate Capital Gains Tax.** Again, access to capital is a significant obstacle for businesses, and state capital gains taxes affect the economy by directly reducing the rate of return on investment and entrepreneurship. High capital gains taxes – including on corporate capital gains – restrict access to capital, and help to restrain or redirect risk taking.

Measurement in the U.S. Business Policy Index: state's top capital gains tax rate on corporations.[5]

• **Additional Income Tax on S-Corporations**. Subchapter S-Corporations let certain businesses adopt the benefits of a corporation, while allowing income to pass through to be taxed at the individual level. Most states recognize S Corporations, but a few either tax such businesses like other corporations or impose some added tax. Such an additional income tax raises costs, restrains investment, and hurts the state's competitiveness.

Measurement in the U.S. Business Policy Index: additional income tax imposed on S-Corporations beyond the top personal income tax rate.[6]

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[2] Data Source: CCH Incorporated, *2012 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.
[3] Data Source: CCH Incorporated, *2012 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, and state specific sources. Note: Personal income tax rates reflect deductibility of federal income taxes in certain states.
[4] Data Source: CCH Incorporated, *2012 State Tax Handbook*, the Federation of Tax Administrators, and state specific sources. Note: Corporate income tax rates reflect deductibility of federal income taxes in certain states.
[5] Data Source: CCH Incorporated, *2012 State Tax Handbook*, Federal of Tax Administrators at www.taxadmin.org, and state specific sources. Note: Capital gains tax rates reflect deductibility of federal income taxes in certain states.
[6] Data Source: CCH Incorporated, *2012 State Tax Handbook*, and state specific sources.

• **Individual Alternative Minimum Tax.** The individual alternative minimum tax (AMT) imposes a minimum tax rate that must be paid by individuals, regardless the tax credits or deductions taken. The AMT diminishes the effectiveness of potentially positive, pro-growth tax relief measures, while also raising the costs of tax compliance.

Measurement in the U.S. Business Policy Index: state individual alternative minimum tax (states imposing an individual AMT receive a score of "1" and states that do not receive a score of "0").[7]

• **Corporate Alternative Minimum Tax.** The corporate alternative minimum tax (AMT) imposes a minimum tax rate that must be paid by corporations, regardless of the available tax credits or deductions taken. Again, the AMT diminishes the effectiveness of potentially positive, pro-growth tax relief measures, and hikes compliance costs, in particular by forcing firms to effectively calculate their taxes under two tax codes.

Measurement in the U.S. Business Policy Index: state corporate alternative minimum tax (states imposing an individual AMT receive a score of "1" and states that do not receive a score of "0").[8]

• **Indexing Personal Income Tax Brackets.** Indexing income tax brackets for inflation is a positive measure ensuring that inflation does not push individuals into higher tax brackets. Without such indexation, one can be pushed into a higher tax bracket without any increases in real income.

Measurement in the U.S. Business Policy Index: state indexing of personal income tax rates (states indexing their personal income tax rates receive a score of "0" and states that do not receive a score of "1").[9]

• **Personal Income Tax Progressivity.** Progressive taxation means that as one's income rises, so does the marginal tax rate paid on additional earnings. Progressivity effectively punishes economic success, and therefore, also punishes and discourages the important and risky endeavors that create economic growth and jobs.

Measurement in the U.S. Business Policy Index: progressivity of personal income tax rates measured by the difference between the top tax rate and the bottom tax rate.[10]

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[7] Data Source: CCH Incorporated, *2012 State Tax Handbook*, and state specific sources.
[8] Data Source: CCH Incorporated, *2012 State Tax Handbook*, and state specific sources.
[9] Data Source: The Federation of Tax Administrators website at www.taxadmin.org.
[10] Data Source: The Federation of Tax Administrators website at www.taxadmin.org, with some rates updated.

• **Corporate Income Tax Progressivity.** As noted previously, progressive taxation means that as income rises, so does the marginal tax rate paid on additional earnings. Progressivity effectively punishes economic success, and therefore, also punishes and discourages the important and risky endeavors that create economic growth and jobs.

Measurement in the U.S. Business Policy Index: progressivity of corporate income tax rates measured by the difference between the top tax rate and the bottom tax rate.[11]

• **Property Taxes.** Property taxes influence decisions as to where businesses, entrepreneurs and employees choose to locate, as well as decisions relating to investments in business facilities and homes.

Measurement in the U.S. Business Policy Index: state and local property taxes (2009-10 property taxes as a share of personal income).[12]

• **Sales, Gross Receipts and Excise Taxes.** State and local sales, gross receipts and excise (including tobacco, alcohol and insurance) taxes impact the economic decisions of individuals and families, as well as various businesses. High consumption-based taxes can re-direct consumer purchases, and, especially if combined with other levies like income and property taxes, can serve as real disincentives to productive economic activity. In addition, gross receipts taxes present problems because, unlike other consumption-based levies, they are largely hidden from the view of consumers, and therefore, are easier to increase.

Measurement in the U.S. Business Policy Index: state and local sales, gross receipts and excise taxes (2009-10 sales, gross receipts and excise taxes [less revenues from motor fuel taxes, since gas and diesel tax rates are singled out in the Index] as a share of personal income).[13]

• **Death Taxes.** The federal government levies a death tax, but so do various states. Death taxes have several problems. In terms of fairness, individuals pay a staggering array of taxes, including on business earnings, over a lifetime, but then are socked with another tax on the total assets at death. High state death taxes offer incentives to move investment and business ventures to less taxing climates; foster wasteful expenditures on tax avoidance, estate planning and insurance; and force many businesses to be sold, borrowed against or closed down.

Measurement in the U.S. Business Policy Index: state death taxes (states levying estate or inheritance taxes receive a score of "5" and states that do not receive a score of "0").[14]

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[11] Data Source: The Federation of Tax Administrators website at www.taxadmin.org, with some rates updated.
[12] 2009-10 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.
[13] 2009-10 latest state and local numbers available from the U.S. Bureau of the Census, U.S. Department of Commerce.
[14] Data Source: "State Death Tax Chart," McGuireWoods LLP, July 7, 2012.

• **Unemployment Tax Rates.** The unemployment tax on wages is another burden on entrepreneurs and business. High state unemployment tax rates increase the relative cost of labor versus capital, and provide incentives for labor-intensive businesses to flee from high-tax states to low-tax states.

Measurement in the U.S. Business Policy Index: unemployment tax rate is adjusted as follows: maximum state tax rate applied to state unemployment tax wage base, with that amount as a share of the state average wage.[15]

• **Tax Limitation States.** Requiring supermajority votes from elected officials and/or approval from voters in order to increase or impose taxes, serve as checks on the growth of taxes and government in general. According to Americans for Tax Reform, both taxes and spending do in fact grow more slowly in tax limitation states, and economies expand faster in such states as well.

Measurement in the U.S. Business Policy Index: tax limitation status (states without some form of tax limitation check receive a score of "1," and states with some kind of substantive tax limitation check receive a score of "0").[16]

• **Internet Taxes.** The Internet serves as a tremendous boost to economic growth, innovation and the expansion of economic opportunity. For small businesses, the Internet and broadband allows for greater access to information and productivity tools. It also gives smaller enterprises access to national and global markets. Unfortunately, some states have chosen to impose sales taxes on Internet access, which harms access and affordability.

Measurement in the U.S. Business Policy Index: Internet access tax (states without such a sales access tax score "0," and states with such taxes score "1").[17]

• **"Amazon" Taxes.** As defined by the Tax Foundation, "Amazon" taxes, "nicknamed after their most visible target, require retailers that have contracts with 'affiliates'—independent persons within the state who post a link to an out-of-state business on their website and get a share of revenues from the out-of-state business—to collect the state's sales tax." This is an added cost and tax on a variety of entrepreneurs and small businesses operating online, and has resulted in lost business as "affiliate" programs have been ended in certain states with such levies.

Measurement in the U.S. Business Policy Index: "Amazon" tax (states without such a sales tax score "0," and states with such a tax score "1").[18]

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[15] Data Source: U.S. Bureau of Labor Statistics.
[16] Source: National Conference of State Legislatures at www.ncsl.org.
[17] Steven Maguire and Nonna Noto, "Internet Taxation: Issues and Legislation in the 109th Congress," CRS Report for Congress, February 2, 2006, and Daniel Castro, "The Case for Tax-Free Internet Access: A Primer on the Internet Tax Freedom Act," The Information Technology & Innovation Foundation, June 2007.
[18] Data Source: Joseph Henchman, "'Amazon Tax' Laws Signal Business Unfriendliness And Will Worsen Short-Term Budget Problems," The Tax Foundation, March 2010, and Stu Wood, "Amazon Battles States Over Sales Tax," *The Wall Street Journal*, August 3, 2011.

• **Gas Tax.** Every business is affected by the costs of operating motor vehicles – from trucking firms to the home-based business paying for delivery services. Higher fuel prices, through taxes, raise the cost of goods and diminish consumer purchasing power. State government directly impacts these costs through taxes on motor fuels.

Measurement in the U.S. Business Policy Index: state gas tax (dollars per gallon).[19]

• **Diesel Tax.** Again, every business is affected by the costs of operating motor vehicles, and state government directly impacts these costs through taxes on motor fuels.

Measurement in the U.S. Business Policy Index: state diesel tax (dollars per gallon).[20]

• **Wireless Tax.** Wireless users – entrepreneurs, small businesses, families and individuals – face high and discriminatory taxes across much of the nation. Such taxes impede investment in wireless infrastructure, hit low and middle-income earners hard, and discourage deployment and adoption of broadband services. Access to broadband is a competitive issue for small business owners.

Measurement in the U.S. Business Policy Index: wireless sales taxes (an index of wireless sales taxes, which is then adjusted to 10 percent of the index value).[21]

• **Health Savings Accounts.** Health Savings Accounts (HSAs) provide much-needed choice, competition and consumer control in the health insurance marketplace. HSAs are tax-free savings accounts owned and controlled by individuals. Funds can be deposited tax free into the account by the employee, employer or both, and earnings accumulate tax-free. The funds are used to cover medical expenses. And each HSA is tied to a traditional catastrophic insurance plan to cover large health care expenditures. Encouraging HSA use and adoption helps small businesses and the self-employed access health coverage.

Measurement in the U.S. Business Policy Index: states providing a tax deduction for individuals making contributions to HSAs or imposing no personal income tax receive a "0", while states not providing a deduction receive a score of "1."[22]

• **Health Care Regulation: Guaranteed Issue for Self-Employed Group of One.** Health insurance represents a significant cost for businesses. Taxes, mandates and regulations increase health care costs, increase the number of uninsured, and act as another disincentive to starting up or

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[19] Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," October 1, 2012, American Petroleum Institute.
[20] Data Source: "Notes to State Motor Fuel Excise and Other Tax Rates," October 1, 2012, American Petroleum Institute.
[21] Source: Scott Mackey, "Wireless Taxes and Fees Continue Growth Trend," *State Tax Notes*, October 29, 2012.
[22] Data source: HSAs for America at http://www.health--savings--accounts.com/state-income-tax.htm.

locating a business in a high-cost state. Guaranteed issue means that individuals may not be turned down for health insurance coverage no matter the condition of their health or risk status. So, incentives for people to purchase health insurance before they become ill are removed. A guaranteed issue mandate raises health care costs, in this case for the self-employed.

Measurement in the U.S. Business Policy Index: state mandate for guaranteed issue in the self-employed group of one market (state imposing guaranteed issue gets a score of "1" and states not imposing gets a score of "0").[23]

• **Health Care Regulation: Community Rating for Small Group Market.** Community rating mandates that an insurer charge the same price for everyone in a defined region regardless of their varying health care risks. So, no matter what the risks involved, everybody pays the same price for insurance. That translates into higher costs across the board.

Measurement in the U.S. Business Policy Index: state mandate for community rating in the small group market (state imposing rate bands gets a score of "0.33"; state imposing adjusted community rating gets a score of "0.66"; state imposing pure community rating gets a score of "1"; and a state not imposing community rating gets a score of "0").[24]

• **Health Care Regulation: Guaranteed Issue for Individual Market.** Again, guaranteed issue means that individuals may not be turned down for health insurance coverage no matter the condition of their health or risk status. So, incentives for people to purchase health insurance before they become ill are removed. A guaranteed issue mandate raises health care costs, in this case for the self-employed.

Measurement in the U.S. Business Policy Index: state mandate for guaranteed issue in the individual market (state imposing guaranteed issue gets a score of "1," for some products a score of 0.5, and states not imposing gets a score of "0").[25]

• **Health Care Regulation: Community Rating for Individual Market.** Again, community rating mandates that an insurer charge the same price for everyone in a defined region regardless of their varying health care risks. So, no matter what the risks involved, everybody pays the same price for insurance. That translates into higher costs across the board.

Measurement in the U.S. Business Policy Index: state mandate for community rating in the small group market (state imposing rate bands gets a score of "0.33"; state imposing adjusted community rating gets a score of "0.66"; state imposing pure community rating gets a score of "1"; and a state not imposing community rating gets a score of "0").[26]

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[23] Data source: "Small Group Health Insurance Market Guaranteed Issue, 2012" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.
[24] Data source: "Small Group Health Insurance Market Rate Restrictions, 2012" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.
[25] Data source: "Individual Market Guaranteed Issue, 2012" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.
[26] Data source: "Individual Market Rate Restrictions, 2012" from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.

• **Health Care: State High-Risk Pools.** For individuals that cannot get health coverage due to pre-existing conditions, some states have set up high-risk pools. According to the Council for Affordable Health insurance, high-risk pools “provide a safety net for the ‘medically uninsurable’ 1% to 2% of the population, who have been denied health insurance coverage because of a pre-existing health condition, or who can only access private coverage that is restricted or has extremely high rates.” CAHI notes “state high-risk pools are a much better alternative to providing coverage for the medically uninsurable than imposing guaranteed issue laws on insurers which eventually increase the cost of insurance for everyone.”

Measurement in the U.S. Business Policy Index: states that have high-risk pools receive a score of “0” and states that do not have high-risk pools receive a score of “1.” (One caveat: The existence of a high-risk pool in a state does not necessarily mean it is being managed properly.)[27]

• **Health Care Regulation: Number of Mandates.** Beyond regulations like guaranteed issue and community rating, state laws impose a host of mandated benefits on insurers. These mandates, while often sounding reasonable, carry real and sometimes significant costs making health insurance more costly or unaffordable for small businesses.

Measurement in the U.S. Business Policy Index: number of mandates imposed (state gets a score of 0.05 for each mandate imposed).[28]

• **Electricity Costs.** Every business uses electricity, and for some small businesses, electricity costs rank among the highest expenses. High electricity rates due to hefty taxes and heavy-handed, misguided regulations can play a significant part in business decision-making.

Measurement in the U.S. Business Policy Index: state’s electricity cost index (index of state’s average revenue per kilowatt-hour for electricity utilities).[29]

• **Renewable Energy Mandates.** Various states have imposed a renewable mandate on electricity producers, which dictates that a certain percentage of electricity consumed must be produced from renewable sources. Other states have proposed renewable goals, which are not mandatory, but lay the groundwork for mandates. These mandates drive up the cost of electricity for entrepreneurs and businesses, as the mandates require the use of higher cost energy sources. The Institute for Energy Research reports that electricity costs are 40 percent higher in states with renewable mandates.

Measurement in the U.S. Business Policy Index: state’s with a renewable energy mandate on electricity producers score a “1,” states with a renewable goal scores “0.5,” and states with no renewable mandates or goals score a “0.”[30]

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[27] Data Source: “State High Risk Programs and Enrollment, as of December 31, 2010,” from the Henry J. Kaiser Family Foundation at www.statehealthfacts.org.
[28] Data source: “Health Insurance Mandates in the States 2011: Executive Summary” by Victoria Craig Bunce, Council for Affordable Health Insurance, 2012.
[29] Data Source: Data for January to August 2012 from the U.S. Energy Information Administration.
[30] Data Source: The Institute for Energy Research at http://www.instituteforenergyresearch.org/renewable-mandates/.

• **Workers' Compensation Costs.** High workers' compensation rates impact the economy in much the same way as high unemployment tax rates. The cost of labor relative to capital is increased, and incentives for labor-intensive businesses to flee are clear. High workers' comp costs are especially burdensome for small businesses.

Measurement in the U.S. Business Policy Index: state workers' compensation benefits per $100 of covered wages.[31]

• **Total Crime Rate.** A high crime rate acts as a disincentive to entrepreneurs and small businesses. If government is unable to adequately protect life, limb, and property—the basic duties of any government—business startup rates suffer, and entrepreneurs and businesses will flee to safer environments.

Measurement in the U.S. Business Policy Index: state's crime rate per 100 residents.[32]

• **Right to Work.** A right-to-work state means that employees generally are not forced to become labor union members or pay dues to unions. Such worker freedoms offer a more dynamic, flexible workforce, and a more amenable environment for increased productivity and improved efficiency.

Measurement in the U.S. Business Policy Index: right-to-work status (non-right-to-work states receive a score of "1," while right-to-work states receive a score of "0").[33]

• **State Minimum Wage.** The minimum wage raises costs for businesses—being particularly harmful to smaller firms—while also hurting young, low-skilled, low-income workers by often denying them the work experience necessary to climb the ladder of economic opportunity. Various states impose a state minimum wage that is higher than the federal minimum wage.

Measurement in the U.S. Business Policy Index: state minimum wage minus the federal minimum wage.[34]

• **Paid Family Leave.** Government mandating that businesses provide leaves of absence to employees under various circumstances comes with real costs. For example, flexibility between employer and employee, and in terms of managing a firm's entire workforce is lost. Holding positions open, and shifting responsibilities or using temporary workers raise costs. However, those costs are pushed much higher when mandated leave must also

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[31] Data Source: "Workers' Compensation: Benefits, Coverage, and Costs, 2010," National Academy of Social Insurance, August 2012.
[32] Data Source: 2011 data from the U.S. Federal Bureau of Investigation, *Crime in the United States 2011*.
[33] Data Source: National Right to Work Legal Defense Foundation.
[34] Data Source: U.S. Department of Labor, "Minimum Wage Laws in the States " at www.dol.gov.

come with pay. In addition, the opportunities and costs of abuse expand. No matter how the compensation package or insurance is set up, mandated paid leave ultimately means higher labor costs.

Measurement in the U.S. Business Policy Index: score is based on an assigned score of "0" for states not mandating paid leave and "1" for states mandating paid family leave.[35]

• **E-Verify Mandate.** The government has imposed many of the costs of policing immigration onto the backs of the business community. Various states mandate that employers use the federal E-verify system to make sure that their workers are in the nation legally. This places costs and risks on employers, while nothing is being done to fix the flaws of the overall immigration system, including expanding and quickening the pace of legal entry into the nation to ensure that the labor needs of consumers and businesses are being met.

Measurement in the U.S. Business Policy Index: states scores "1" for E-verify mandate on all or most businesses, "0.5" for a mandate on contractors with government, and "0" for no mandate.[36]

• **State Tort Liability Costs**. The costs of litigation loom heavily over all businesses. Indeed, frivolous and costly lawsuits plague businesses across the nation, hurting investment, job creation and the overall economy. In fact, even the mere threat of possible lawsuits can stop some businesses in their tracks. Legal system abuse is especially harmful to small businesses, as they do not have the resources to fight costly legal battles.

Measurement in the U.S. Business Policy Index: state liability score (each state is scored by an adjustment to the Pacific Research Institute's "U.S. Tort Liability Index."[37]

• **Regulatory Flexibility Status.** Some states have passed their own versions of the federal Regulatory Flexibility Act. The idea is to pass legislation that requires state agencies to assess the economic impact before imposing regulations, to consider less burdensome alternatives, to allow for judicial review of the process, and to periodically review all regulations.

Measurement in the U.S. Business Policy Index: regulatory flexibility legislation status (score of "0" for states with full and active regulatory flexibility statutes, a score of "0.5" for states with partial or partially used regulatory flexibility statutes, and a score of "1" for no regulatory flexibility statutes).[38]

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[35] Data sources: Sources included http://www.uschambersmallbusinessnation.com/toolkits/guide/P05_4370, www.paidfamilyleave.org, and various media stories.
[36] Data Source: "E-Verify State by State Legislation," Klasko, Rulon, Stock & Seltzer, LLP, April 6, 2012.
[37] Data Source: Lawrence J. McQuillan and Hovannes Abramyan, "U.S. Tort Liability Index: 2010 Report," Pacific Research Institute.
[38] Source: U.S. Small Business Administration, Office of Advocacy, "State Regulatory Flexibility Model Legislative Initiative."

• **The Size of the State and Local Government Workforce.** Governmental costs come in many forms, such as taxes, mandates, fees and regulations. Unfortunately, regulatory costs are difficult to assess in a uniform, comparative measure from state to state. One rough proxy for regulations can be the number of state and local government employees. After all, with regulations, rules, and mandates come regulators, i.e., who create, write, pass, monitor and enforce such measures. Regulators and regulations raise the costs of doing business. A large number of government employees also means that a significant share of individuals is performing far less productive work than if they were in the private sector. After all, in the private sector, greater productivity, creativity and efficiency get rewarded, while such incentives are distinctly lacking in the public sector. Instead, the incentives in government all point to adding more personnel.

Measurement in the U.S. Business Policy Index: state and local government employees (full-time equivalent employees per 100 residents).[39]

• **Trend in State and Local Government Spending.** Obviously, taxes paid by entrepreneurs, businesses and the economy are directly tied to government spending. This spending measure captures the recent trend in spending growth for each state. It attempts to answer the question: What direction is the state headed in when it comes to spending and, perhaps, taxes?

Measurement in the U.S. Business Policy Index: index of the latest five-year (2004-05 to 2009-10) growth rate in per capita state and local government expenditures.[40]

• **Per Capita State and Local Government Spending.** To complete the overall picture of government's burdens on the private sector, government spending – whether financed through taxes, fees, or debt – must be considered. The most comprehensive measure that also reflects differences in population would be per capita state and local government expenditures.

Measurement in the U.S. Business Policy Index: index of per capita state and local government expenditures (2009-10).[41]

• **Per Capita State and Local Government Debt.** Since taxes imposed on entrepreneurs, businesses and consumers reflect the level of government spending, future spending and taxes are related to levels of government debt. As debt levels rise, the threat of future tax increases rise as well.

Measurement in the U.S. Business Policy Index: index of per capita state and local government debt (2009-10).[42]

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[39] Data Source: 2011 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[40] Data Source: 2009-10 versus 2004-05 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[41] Data Source: 2009-10 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[42] Data Source: 2009-10 data from the U.S. Bureau of the Census, U.S. Department of Commerce.

• **Level of State and Local Revenue from the Federal Government.** From a state and local perspective, two problems exist with federal aid or revenues to states and local governments. First, such revenue can be unreliable, so if state and local spending levels become dependent on federal dollars, and those dollars are reduced or fail to keep pace with expectations, state and local taxes can be increased. Second, revenue from the federal government tends to get spent in a more wasteful fashion than do the dollars collected via state and local taxes. After all, it's so-called "free money."

Measurement in the U.S. Business Policy Index: index of state and local revenues from the federal government (2009-10) as a share of total state and local revenues.[43]

• **Protecting Private Property.** The June 2005 U.S. Supreme Court decision in the *Kelo v. City of New London* case ignited a firestorm of protests across the nation. Homeowners and small businesses realized how vulnerable they were to losing their property. If the government decided it could get what it perceived as a better deal in terms of economic development and tax revenue by taking homes and businesses through the power of eminent domain, and turning that property over to other private parties, then that was mistakenly deemed constitutional by a narrow Supreme Court majority. That same majority, however, acknowledged that each state was free to restrict such abuses of eminent domain. In fact, the first duty of government is to protect property, not steal it. In addition, the enforcement of private property rights by government is foundational for any economy. In the end, economic development is hampered when government fails to protect private property.

Measurement in the U.S. Business Policy Index: score based on grades for eminent domain reform legislation (ranging from "0.3" for an A+ to "3.9" for an F.[44]

• **Highway Cost Efficiency.** The condition and performance of roads and highways are of significant importance – one way or another – to most businesses. At the same time, just mindlessly throwing more tax dollars at roads does not necessarily enhance quality. An annual study considers both cost and effectiveness.

Measurement in the U.S. Business Policy Index: score is based on an assigned score of "0.05" for the state's cost effectiveness ranking – so the best state receives a score of "0.05" and the worst receives "2.50."[45]

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[43] Data Source: 2009-10 data from the U.S. Bureau of the Census, U.S. Department of Commerce.
[44] Data Source: Institute for Justice, Castle Coalition, "50 State Report Card: Tracking Eminent Domain Reform Legislation Since Kelo," and updated grades on the Castle Coalition's website at www.castlecoalition.org. Note: This study did not include a ballot measure passed in Virginia on November 6, 2012, which changes the state constitution for the better. For purposes here, we have assigned an A+ grade to Virginia.
[45] Data Source: David Hartgen, Ravi Karanam, M. Gregory Fields, and Travis A. Kerscher, "19th Annual Report on the Performance of State Highway Systems (1984-2008)," The Reason Foundation, September 2010. Note: This study did not include the District of Columbia, so D.C.'s score on the Index is underestimated.

• **Education Reform.** Each state is graded on the status of key education reforms, including academic standards, proficiency standards, private school choice and number of programs, state charter school laws and strength, mandatory intra and inter-district enrollment, online learning policies and programs, home schooling regulations, and teacher quality evaluation. These reforms combine two critical areas for boosting education – higher standards, and more choice and competition.

Measurement in the U.S. Business Policy Index: score is based on grades from A to F, with A+ equaling a score of "0" and adding 0.25 for each lower grade, so that an F receives a score of "3."[46]

The Supporting Economics

Sound economic reasoning and fundamentals support each of the 46 measures included in the 2012 "U.S. Business Policy Index." That is, the inclusion of each measure meets a basic economic common sense test. For good measure, a wide body of economic analysis/literature further supports this economic common sense.

Consider various findings that show why various measures are included in the "U.S. Business Policy Index."

On Taxes

• A March 2005 study, commissioned by the SBA's Office of Advocacy, was co-authored by Donald Bruce, Ph.D., an economist from the University of Tennessee, and Tami Gurley, titled "Taxes and Entrepreneurial Activity: An Empirical Investigation Using Longitudinal Tax Return Data." The authors noted: "We find convincing evidence that marginal tax rates have important effects on decisions to enter or remain in entrepreneurial activity." They found the relative tax costs of wage earnings versus earnings from entrepreneurship matter, and concluded, "Taken together, our empirical results suggest that policies aimed at reducing the relative tax rates on entrepreneurs might lead to increases in entrepreneurial activity and better chances of survival. Additionally, our results indicate that equal-rate cuts in tax rates on both wage and entrepreneurship incomes could yield similar results. Conversely, equal-rate increases in tax rates on both sources of incomes would most likely result in reduced rates of entrepreneurship entry and increased rates of entrepreneurial exit." How best to sum this up? Raise the relative cost of entrepreneurship, and you'll get less entrepreneurship. Reduce the relative costs of entrepreneurship, and you get more.

• A June 3, 2003, report ("Taxation and Migration") written by Ohio University Distinguished Professor of Economics Richard Vedder for The Taxpayers Network noted recent trends in net domestic migration among the states (excluding international migration). Vedder split the country in

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[46] Dr. Matthew Ladner and Dan Lips, "Report on American Education: Ranking State K-12 Performance, Progress and Reform," 17th edition, American Legislative Exchange, 2012.

two categories – 25 high tax states and 25 low tax states – based on state and local tax burden as a share of personal income. From 1990 to 1999, low tax states gained 2.05 million people in terms of net domestic migration, while high tax states lost 890,000. This pattern continued in the post-1990s. From 2000 to 2002, as low tax states gained 729,000, and high tax states lost 371,000 in net domestic migration. Vedder also observed that "the in-migration into states without income taxes was impressive – as was the out-migration from high-tax states." He noted that his accompanying econometric analysis "increases our confidence in the basic conclusion that high taxes in general are perceived as lowering the quality of life in a locality, leading to out-migration." In addition, Vedder pointed out that "a vast literature shows that high taxation leads to reduced economic growth."

• Vedder also found in a 1995 report for the Joint Economic Committee of the U.S. Congress that relatively low tax states grew at almost a one-third faster rate than high tax states over the period of 1960 to 1993; an increase in state and local tax burdens equal to 1 percent of personal income reduced income growth by more than 3.5 percent; and if a state had kept its level of income taxation at the same share of personal income over this period, personal income would have been 30 percent higher in the end.[47]

• The Joint Economic Committee in Congress released an analysis on May 6, 2003, entitled "How the Top Individual Income Tax Rate Affects Small Business." Among the report's findings were:

> ➔ "Taxpayers in the highest income bracket are often entrepreneurs and small business owners, not just highly-paid executives or people living off their investments. Small business owners typically report their profits on their individual income tax returns, so the individual income tax is effectively the small business tax."
>
> ➔ "Small businesses generally pay their income taxes through the individual income tax systems, not the corporate tax system. Sole proprietorships, partnerships, and S-Corporations are the three main organizational forms chosen by small business owners."
>
> ➔ "Economists who have studied the effects of taxes on sole proprietorships have found that high marginal tax rates discourage entrepreneurs from investing in new capital equipment and, conversely, that reducing taxes encourages new investment."
>
> ➔ "At higher marginal tax rates, hiring employees can become a less attractive proposition as a higher fraction of any additional income that a new hire might generate for the business is taxed and diverted to the federal government."
>
> ➔ "Investment also promotes small business growth, since how much a worker can produce for a company depends on the amount and quality of the equipment that the worker has to work with. That is why when low marginal tax rates spur a business to make new

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[47] As cited by Raymond J. Keating, *New York by the Numbers: State and City in Perpetual Crisis* (Lanham, MD: Madison Books, 1997), p. 15.

capital investments in software, computers, or machinery, for example, that company's workers become more productive, causing the company to grow. One study has shown that when the marginal tax rate for small businesses is reduced by 10 percent, those businesses' gross receipts increase by over 8 percent."

• An August 2004 analysis released by the Tax Foundation, written by foundation president Scott Hodge and senior economist J. Scott Moody, pointed out that "an extraordinarily high proportion of high-income taxpayers have some form of business income and that as their incomes rise, so too does the likelihood that they have business activity." It turned out that 74 percent of the top 1 percent of income earners had business activity. This group broke down as 68 percent of those with incomes between $317,000 and $499,999 had business activity; 77 percent between $500,000 and $999,999; and 83 percent with incomes of $1 million or more.

Business owners also carry the bulk of the personal income tax burden. The foundation estimated that in 2004, "business owners – specifically those with a positive tax liability – will pay 54.3 percent of all individual income taxes in 2004." That included 37.4 percent of all income tax revenues coming from business owners making more than $200,000. The analysis also noted that 69 percent of all income tax collections coming from businesses are paid by those earning more than $200,000.

Among high-income earners, 37 percent of income came from salaries and wages, and 28 percent from business income. Some have argued that this business income level isn't all that high, and therefore, that reductions in the highest individual income tax rates do not boost business. The authors of the study refuted this argument, with their main point being that "it is unrealistic to think that business owners would rely solely on profit disbursements from their businesses to pay their families' bills." They continued: "Instead, they would pay themselves a healthy salary first, then pocket any residual profits at the end of the year, leaving them with a majority of their income in salaries and wages despite their business ownership." This obviously is business income, and matters a great deal to the business.

When factoring in all sources, the Tax Foundation study noted that as much as 65 percent to 73 percent of total income for these business owners could be business income. How did the authors summarize matters? They wrote: "The only conclusion from these findings is that lowering the top marginal income tax rates did indeed benefit many highly taxed business owners and the U.S. economy."

• A July 2004 study ("Do the Rich Flee From High Tax States? Evidence from Federal Estate Tax Returns") by economists Joel Slemrod and Jon Bakija, as noted in a June 21, 2005, press statement, "suggests that wealthy elderly people change their real (or reported) state of residence to avoid paying high state taxes, particularly those that target estates and inheritance, as well as purchases. High personal income taxes and property taxes levied by states also give upper-bracket taxpayers additional incentives to pack up their bags and head for places with lower, less progressive tax rates."

• A study for the Federal Reserve Bank of Atlanta, examining data from 1960 to 1992, found that high marginal tax rates and high overall tax levels were negatively related to state economic growth.[48]

On Regulatory Costs

• As noted earlier, no comparable analysis of overall regulatory costs state by state exists. However, an in-depth analysis of federal regulatory costs does exist, and it can be instructive for considering regulations at the state and local level. In September 2010, the SBA's Office of Advocacy published an updated study estimating the costs of complying with federal regulations. The study – "The Impact of Regulatory Costs on Small Firms" by Nicole V. Crain and W. Mark Crain from Lafayette College – provides details regarding how the burdens of federal regulatory costs fall, such as:

➔ The per employee costs of federal regulations registered $8,086 in 2008. However, that burden was not evenly distributed. For firms with less 20 employees, the cost registered $10,585, which was 42% higher than the $7,454 per employee cost for firms with 20-499 employees, and 36% higher than the $7,755 for firms with 500 or more employees.

➔ In the areas of environmental and tax compliance regulations, the burdens on small firms were even more daunting. On the environmental front, per employee regulatory costs for firms with less than 20 employees came in at $4,101, which topped the $1,294 cost for firms with 20-499 employees by 217% and the $883 cost for businesses with 500 or more workers by 364%. In terms of tax compliance, the $1,584 per employee costs for businesses with fewer than 20 employees exceeded the $760 per employee cost for firms with 20-499 employees by 108% and the $517 per employee costs for firms with 500 or more workers by 206%.

➔ Small manufacturers get hit particularly hard. Per employee regulatory costs for manufacturers with fewer than 20 employees came in at $28,316, which was 110% higher than the $13,504 for manufacturers with 20-499 employees and 125% more than the $12,586 burden on companies with 500 or more employees. Again, serious cost differentials came in the area of environmental regulation, where per employee costs for manufacturers with fewer than 20 employees came in at $22,594, which topped the $7,131 for firms with 20-499 employees by 217% and exceeded the $4,865 for firms with 500 or more workers by 364%.

Again, these are estimates of regulatory costs at the federal level. It should surprise no one that small businesses carry the heaviest burden. It also is reasonable to assume that regulatory burdens at the state and local levels will be allocated in similar fashion, that is, disproportionately and onerously on small enterprises.

[48] Zsolt Becsi, "Do State and Local Taxes Affect Relative State Economic Growth?" *Economic Review*, Federal Reserve Bank of Atlanta, March-April 1996.

On Health Care Regulations

• The Council for Affordable Health Insurance reported in "Health Insurance Mandates in the States 2010" the following: "CAHI's independent Actuarial Working Group on Mandated Benefits analyzed company data and their experience and provided cost-range estimates — less than 1 percent, 1-3 percent, 3-5 percent and 5-10 percent — if the mandate were added to a policy that did not include the coverage. These estimates are based on real health insurance policies and are not based on theory or modeling."

• An econometric analysis released in 2006, written by William J. Congdon, Amanda Kowalski and Mark H. Showalter, was titled "State Health Insurance Regulations and the Price of High-Deductible Policies." The report looked at the impact of service and provider mandates, any-willing provider regulations, community rating, and guaranteed issue on family and individual policies with high deductibles in the non-group market in 42 states. The findings included:

- A strong statistical relationship exists between regulation and insurance prices. Specifically, "the presence of regulations tends to be associated with less generous insurance (higher coinsurance rates, higher deductibles, higher stoploss limits) as well as higher prices."

- Each mandate raises "the price of an individual policy by about 0.4 percent; for a family policy, it increases by about 0.5 percent."

- Community rating raises "the price of an individual policy by 20.3 percent. It raises the price of a family policy by 27.3 percent."

- Guaranteed issue raises "the price of an individual policy by 114.5 percent. For family policies, the price increase is 94.2 percent."

• The SBA Office of Advocacy's reported in September 2008: "Aspects of insurance that drive small business concerns are premium increases and administrative costs. Advocacy research shows that: (1) insurers of small health plans have higher administrative expenses than those that insure larger group plans, and (2) employees at small firms are less likely to have coverage than the employees of larger entities."

On the Minimum Wage

• *The Wall Street Journal* ("Job Slayers," August 29, 2005), recently reported: "For decades economists have piled up studies concluding that a higher minimum wage destroys jobs for the most vulnerable population: uneducated and unskilled workers. The Journal of Economic Literature has established a rule of thumb that a 10% increase in the minimum wage leads to roughly a 2% hike in teen unemployment."

• The Employment Policies Institute (EPI) released a May 2006 study by economist Joseph Sabia, University of Georgia, which was titled "The Effect of Minimum Wage Increases on Retail and Small Business Employment." This was a response to a study by the Fiscal Policy Institute (FPI) claiming that increases in the minimum wage at the state level do not have negative employment effects. The overview of the EPI study explained:

> "While the FPI study has been frequently cited by supporters of increases in the minimum wage, the study is based on faulty statistical methods, and its results provide an inaccurate picture of the effect of state-level minimum wage increases. This paper, by Dr. Joseph Sabia of the University of Georgia, presents a more careful and methodologically rigorous analysis of state-level minimum wage increases. His results confirm the consensus economic opinion that increases in the minimum wage decrease employment, particularly for low-skilled and entry-level employees.
>
> "Using government data from January 1979 to December 2004, the effect of minimum wage increases on retail and small business employment is estimated. Specifically, a 10 percent increase in the minimum wage is associated with a 0.9 to 1.1 percent decline in retail employment and a 0.8 to 1.2 percent reduction in small business employment.
>
> "These employment effects grow even larger for the low-skilled employees most affected by minimum wage increases. A 10 percent increase in the minimum wage is associated with a 2.7 to 4.3 percent decline in teen employment in the retail sector, a 5 percent decline in average retail hours worked by all teenagers, and a 2.8 percent decline in retail hours worked by teenagers who remain employed in retail jobs.
>
> "These results increase in magnitude when focusing on the effect on small businesses. A 10 percent increase in the minimum wage is associated with a 4.6 to 9.0 percent decline in teenage employment in small businesses and a 4.8 to 8.8 percent reduction in hours worked by teens in the retail sector."

On Workers' Compensation Costs

• In a September 2006 report for the National Center for Policy Analysis titled "Workers' Compensation: Rx for Policy Reform," N. Michael Helvacian reported: "Though workplaces became much safer in the 20th century, and job-related injuries declined, the soaring claim costs of state-mandated workers' compensation insurance has offset the decline in injuries. As a result, employers face increasingly higher insurance premiums and self-insurance costs, which reached nearly $60 billion in 2000. Although the average cost of workers' compensation premiums nationwide is less than 3 percent of payroll, premiums vary widely by industry. In high-risk industries, workers' compensation costs are often greater than health insurance premiums or Social Security payroll taxes. Workers implicitly pay part of these costs through reduced wages. Costs are increasing because state systems provide incentives for employers, employees and others to behave in ways that cause costs to be higher and workplaces to be less safe than they otherwise could be."

As for small businesses, Helvacian noted: "Insurance premiums, especially for small employers, are not fully experienced-rated; as a result, firms that improve workplace safety cannot reap the full rewards and others are not penalized for poor safety practices." In addition, he pointed out: "Workers' compensation premium rates are highly regulated in some states, and insurance markets are not as competitive as they could be; as a result, many small firms pay more than necessary for coverage. (For example, average premiums as a percentage of payroll are 50 percent higher for firms of less than 500 employees than for larger firms.)"

• Inc.com reported the following on September 23, 2004: "According to a recent survey by the National Federation of Independent Business, workers' compensation ranks as the third biggest problem facing small firms today, with about a third of the respondents describing it as a critical problem… The issue tends to be localized, because each state governs workers' compensation premiums differently." The story noted later on: "The premiums charged are driven by the number of claims and the average claim size, which reflects the cost of medical treatment for job-related injuries, as well as litigation and administrative costs."

Tallying Up the Index

So, taxes and regulations matter a great deal to entrepreneurs, small businesses and the economy in general. The "U.S. Business Policy Index" makes clear that government-imposed or government-related costs have a deep impact on the entrepreneurial sector of our economy. As for how the final "U.S. Business Policy Index" score is tallied, the 46 measures explained above are simply added together into one index number. Obviously, other costs are imposed on entrepreneurs and businesses at the state and local levels, but it is difficult to gain a comparable measure of such costs across all of the states. Still, the "U.S. Business Policy Index" manages to capture much of the governmental burdens affecting critical economic decisions—particularly affecting investment and entrepreneurship—state by state. Under the "U.S. Business Policy Index," the lower the index number, the lighter the governmental burdens, and the better the environment for entrepreneurship. **The "U.S. Business Policy Index" provides a measure by which states can be compared according to how the state and local governments treat small business and entrepreneurs. In essence, it is a comparative measure of economic incentives relating to government policies: the lower the "U.S. Business Policy Index" number, the greater the incentives to invest and take risks in that particular state.**

IMPORTANT: Please note that the 2012 "U.S. Business Policy Index" cannot be directly compared to editions of the "Small Business Survival Index" from previous years as the Index has been revised and expanded each year.

U.S. Business Policy Index 2012: State Rankings

Rank	State	Rank	State
1	South Dakota	26	New Mexico
2	Nevada	27	Wisconsin
3	Texas	28	Kansas
4	Wyoming	29	Kentucky
5	Florida	30	West Virginia
6	Washington	31	Idaho
7	Alabama	32	Montana
8	Utah	33	Delaware
9	Colorado	34	Arkansas
10	Arizona	35	Illinois
11	Michigan	36	Maryland
12	Virginia	37	North Carolina
13	Indiana	38	Massachusetts
14	South Carolina	39	Nebraska
15	Mississippi	40	Minnesota
16	North Dakota	41	Rhode Island
17	Tennessee	42	Connecticut
18	Ohio	43	Oregon
19	Alaska	44	Iowa
20	New Hampshire	45	Hawaii
21	Georgia	46	Maine
22	Missouri	47	New York
23	Oklahoma	48	Vermont
24	Pennsylvania	49	New Jersey
25	Louisiana	50	California

Starting up, running and investing in businesses are risky ventures. But as noted earlier, those ventures spur the economy forward. Putting aside the political rhetoric, just how friendly or unfriendly are the policies that elected officials actually implement toward entrepreneurship and small business?

In terms of their policy environments, the most entrepreneur-friendly states under the “U.S. Business Policy Index 2012” are: 1) South Dakota, 2) Nevada, 3) Texas, 4) Wyoming, 5) Florida, 6) Washington, 7) Alabama, 8) Utah, 9) Colorado, 10) Arizona, 11) Michigan, 12) Virginia, 13) Indiana, 14) South Carolina, and 15) Mississippi.

In contrast, the most anti-entrepreneur policy environments are offered by the following: 37) North Carolina, 38) Massachusetts, 39) Nebraska, 40) Minnesota, 41) Rhode Island, 42) Connecticut, 43) Oregon, 44) Iowa, 45) Hawaii, 46) Maine, 47) New York, 48) Vermont, 49) New Jersey, and 50) California.

People Follow Opportunity

It must be noted that countless issues play into human decision-making. But the impact of public policy is very important. The relative governmental costs among the states will impact where people live and work, that is, where they seek opportunity. That most certainly is illustrated by where people are moving to and from among the states.

From 2000 to 2011, the top 25 states on the 2012 Index experienced population growth of 8.6%, while among the bottom 25, population growth registered 7.4%. Therefore, the population in the top 25 states on the Index grew at a 16 percent faster pace than the bottom 25 on the Index.

More interesting and telling is net domestic or internal migration. That is the movement of people between the states, that is, excluding births, deaths and international migration. It clearly captures people voting with their feet. From 2010 to 2011, the top 25 states on the “U.S. Business Policy Index” netted a 243,171 increase in population at the expense of the bottom 25 states, which lost 250,078 (the District of Columbia gained 6,907, which explains the difference).

Some elected officials, policymakers and special interests believe that taxes, regulations and other governmental costs can be increased with impunity. Economic reality tells a different story. Ever-mounting burdens placed on entrepreneurs and small businesses by government negatively affect economic opportunity. People go where economic opportunity is, in turn, bringing more opportunity with them. The “U.S. Business Policy Index” tries to make clear the relative governmental burdens placed on entrepreneurship among the states, so that business owners and their employees, elected officials and citizens in general can better grasp the competitive position of their respective states.

U.S. Business Policy Index 2012
Appendix A: State Rankings of Top Personal Income Tax Rates

Rank	State	PIT Rate	Rank	State	PIT Rate
1t	Alaska	0.000	26	Iowa	5.837
1t	Florida	0.000	27	Ohio	5.925
1t	Nevada	0.000	28	Rhode Island	5.990
1t	New Hampshire	0.000	29t	Georgia	6.000
1t	South Dakota	0.000	29t	Kentucky	6.000
1t	Tennessee	0.000	29t	Missouri	6.000
1t	Texas	0.000	32	Kansas	6.450
1t	Washington	0.000	33	West Virginia	6.500
1t	Wyoming	0.000	34	Connecticut	6.700
10	Pennsylvania	3.070	35	Nebraska	6.840
11	Alabama	3.250	36	Montana	6.900
12	Indiana	3.400	37	Delaware	6.950
13	Louisiana	3.900	38t	Arkansas	7.000
14	North Dakota	3.990	38t	South Carolina	7.000
15	Michigan	4.250	40	Idaho	7.400
16	Arizona	4.540	41t	North Carolina	7.750
17	Colorado	4.630	41t	Wisconsin	7.750
18	New Mexico	4.900	43	Minnesota	7.850
19t	Illinois	5.000	44	Maine	8.500
19t	Mississippi	5.000	45	New York	8.820
19t	Utah	5.000	46	Vermont	8.950
22t	Massachusetts	5.250	47	New Jersey	8.970
22t	Oklahoma	5.250	48	Oregon	9.900
24t	Maryland	5.750	49	Hawaii	11.000
24t	Virginia	5.750	50	California	13.300

U.S. Business Policy Index 2012

Appendix B: State Rankings of Top Individual Capital Gains Tax Rates

Rank	State	CG Rate	Rank	State	CG Rate
1t	Alaska	0.000	27t	Maryland	5.750
1t	Florida	0.000	27t	Virginia	5.750
1t	Nevada	0.000	29	Ohio	5.925
1t	New Hampshire	0.000	30	Rhode Island	5.990
1t	South Dakota	0.000	31t	Georgia	6.000
1t	Tennessee	0.000	31t	Kentucky	6.000
1t	Texas	0.000	31t	Missouri	6.000
1t	Washington	0.000	34	Kansas	6.450
1t	Wyoming	0.000	35	West Virginia	6.500
10	New Mexico	2.450	36	Connecticut	6.700
11	Pennsylvania	3.070	37	Nebraska	6.840
12	Wisconsin	3.100	38	Montana	6.900
13	Indiana	3.400	39	Delaware	6.950
14	South Carolina	3.920	40	Hawaii	7.250
15	North Dakota	3.990	41	Idaho	7.400
16t	Alabama	4.250	42	Iowa	7.633
16t	Michigan	4.250	43	North Carolina	7.750
18	Arizona	4.540	44	Minnesota	7.850
19	Colorado	4.630	45	Maine	8.500
20	Arkansas	4.900	46	New York	8.820
21t	Illinois	5.000	47	Vermont	8.950
21t	Mississippi	5.000	48	New Jersey	8.970
21t	Utah	5.000	49	Oregon	9.900
24	Louisiana	5.100	50	California	13.300
25t	Massachusetts	5.250			
25t	Oklahoma	5.250			

U.S. Business Policy Index 2012

Appendix C: State Rankings of Individual Dividends and Interest Tax Rates

Rank	State	DI Rate	Rank	State	DI Rate
1t	Alaska	0.000	26	Rhode Island	5.990
1t	Florida	0.000	27t	Georgia	6.000
1t	Nevada	0.000	27t	Kentucky	6.000
1t	South Dakota	0.000	27t	Missouri	6.000
1t	Texas	0.000	27t	Tennessee	6.000
1t	Washington	0.000	31	Kansas	6.450
1t	Wyoming	0.000	32	West Virginia	6.500
8	Pennsylvania	3.070	33	Connecticut	6.700
9	Indiana	3.400	34	Nebraska	6.840
10	North Dakota	3.990	35	Montana	6.900
11t	Alabama	4.250	36	Delaware	6.950
11t	Michigan	4.250	37t	Arkansas	7.000
13	Arizona	4.540	37t	South Carolina	7.000
14	Colorado	4.630	39	Idaho	7.400
15	New Mexico	4.900	40	Iowa	7.633
16t	Illinois	5.000	41t	North Carolina	7.750
16t	Mississippi	5.000	41t	Wisconsin	7.750
16t	New Hampshire	5.000	43	Minnesota	7.850
16t	Utah	5.000	44	Maine	8.500
20	Louisiana	5.100	45	New York	8.820
21t	Massachusetts	5.250	46	Vermont	8.950
21t	Oklahoma	5.250	47	New Jersey	8.970
23t	Maryland	5.750	48	Oregon	9.900
23t	Virginia	5.750	49	Hawaii	11.000
25	Ohio	5.925	50	California	13.300

U.S. Business Policy Index 2012
Appendix D: State Rankings of Top Corporate Income Tax Rates

Rank	State	CIT Rate	Rank	State	CIT Rate
1t	Nevada	0.000	26	Arizona	6.968
1t	Ohio	0.000	27	Kansas	7.000
1t	South Dakota	0.000	28	Idaho	7.400
1t	Texas	0.000	29t	New Mexico	7.600
1t	Washington	0.000	29t	Oregon	7.600
1t	Wyoming	0.000	31	West Virginia	7.750
7	Alabama	4.225	32	Nebraska	7.810
8	Colorado	4.630	33	Wisconsin	7.900
9t	Mississippi	5.000	34	Massachusetts	8.000
9t	South Carolina	5.000	35	Maryland	8.250
9t	Utah	5.000	36	New York	8.307
12	North Dakota	5.150	37t	Indiana	8.500
13	Missouri	5.156	37t	New Hampshire	8.500
14	Louisiana	5.200	37t	Vermont	8.500
15	Florida	5.500	40	Delaware	8.700
16t	Georgia	6.000	41	California	8.840
16t	Kentucky	6.000	42	Maine	8.930
16t	Michigan	6.000	43t	Connecticut	9.000
16t	Oklahoma	6.000	43t	New Jersey	9.000
16t	Virginia	6.000	43t	Rhode Island	9.000
21	Hawaii	6.400	46	Alaska	9.400
22t	Arkansas	6.500	47	Illinois	9.500
22t	Tennessee	6.500	48	Minnesota	9.800
24	Montana	6.750	49	Iowa	9.900
25	North Carolina	6.900	50	Pennsylvania	9.990

U.S. Business Policy Index 2012

Appendix E: State Rankings of Top Corporate Capital Gains Tax Rates

Rank	State	CCG Rate	Rank	State	CCG Rate
1t	Nevada	0.000	26	North Carolina	6.900
1t	Ohio	0.000	27	Arizona	6.968
1t	South Dakota	0.000	28	Kansas	7.000
1t	Texas	0.000	29	Idaho	7.400
1t	Washington	0.000	30t	New Mexico	7.600
1t	Wyoming	0.000	30t	Oregon	7.600
7	Hawaii	4.000	32	West Virginia	7.750
8	Alabama	4.225	33	Nebraska	7.810
9	Alaska	4.500	34	Wisconsin	7.900
10	Colorado	4.630	35	Massachusetts	8.000
11t	Mississippi	5.000	36	Maryland	8.250
11t	South Carolina	5.000	37	New York	8.307
11t	Utah	5.000	38t	Indiana	8.500
14	North Dakota	5.150	38t	New Hampshire	8.500
15	Missouri	5.156	38t	Vermont	8.500
16	Louisiana	5.200	41	Delaware	8.700
17	Florida	5.500	42	California	8.840
18t	Georgia	6.000	43	Maine	8.930
18t	Kentucky	6.000	44t	Connecticut	9.000
18t	Michigan	6.000	44t	New Jersey	9.000
18t	Oklahoma	6.000	44t	Rhode Island	9.000
18t	Virginia	6.000	47	Illinois	9.500
23t	Arkansas	6.500	48	Minnesota	9.800
23t	Tennessee	6.500	49	Iowa	9.900
25	Montana	6.750	50	Pennsylvania	9.990

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Appendix F: Rankings of State and Local Property Taxes

(Property Taxes as a Share of Personal Income)

Rank	State	PropTax	Rank	State	PropTax
1	Alabama	1.586	26	Minnesota	3.290
2	Oklahoma	1.756	27	California	3.355
3	Arkansas	1.799	28	Indiana	3.378
4	Delaware	1.853	29	Kansas	3.466
5	New Mexico	1.864	30	Oregon	3.477
6	Louisiana	1.940	31	Nevada	3.498
7	Kentucky	2.048	32	Iowa	3.567
8	Tennessee	2.245	33	Montana	3.663
9	West Virginia	2.280	34	Colorado	3.726
10	Hawaii	2.497	35	Nebraska	3.750
11	North Dakota	2.520	36	Florida	3.826
12	North Carolina	2.522	37	Massachusetts	3.846
13	Utah	2.553	38	Texas	3.937
14	Idaho	2.588	39	Michigan	4.085
15	Missouri	2.590	40	Alaska	4.200
16	Mississippi	2.734	41	Illinois	4.230
17	Washington	2.876	42	Wisconsin	4.412
18	South Dakota	2.930	43	Connecticut	4.497
19	Maryland	2.984	44	New York	4.664
20	Pennsylvania	3.062	45	Maine	4.789
21	South Carolina	3.075	46	Rhode Island	4.894
22	Georgia	3.081	47	Vermont	5.373
23	Ohio	3.105	48	Wyoming	5.488
24	Virginia	3.139	49	New Jersey	5.542
25	Arizona	3.270	50	New Hampshire	5.588

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Appendix G: Rankings of State and Local Sales, Gross Receipts and Excise Taxes

(Sales, Gross Receipts and Excise Taxes as a Share of Personal Income)

Rank	State	SGRE Tax	Rank	State	SGRE Tax
1	Oregon	0.634	26	Iowa	3.057
2	Montana	0.959	27	Utah	3.072
3	Delaware	1.004	28	Kansas	3.092
4	New Hampshire	1.127	29	Kentucky	3.163
5	Massachusetts	1.881	30	Oklahoma	3.180
6	Virginia	2.057	31	Minnesota	3.222
7	Alaska	2.058	32	West Virginia	3.366
8	Maryland	2.160	33	North Dakota	3.394
9	Connecticut	2.434	34	Michigan	3.427
10	New Jersey	2.442	35	New York	3.476
11	Idaho	2.574	36	Indiana	3.479
12	South Carolina	2.621	37	Alabama	3.491
13	Pennsylvania	2.759	38	Arizona	3.536
14	Wisconsin	2.779	39	Texas	3.551
15	Illinois	2.802	40	Florida	3.765
16	Nebraska	2.844	41	Wyoming	3.933
17	Colorado	2.856	42	South Dakota	3.983
18	Maine	2.889	43	Mississippi	4.090
19	Rhode Island	2.891	44	Tennessee	4.255
20	Missouri	2.905	45	New Mexico	4.357
21	Georgia	2.948	46	Arkansas	4.479
22	Ohio	2.952	47	Louisiana	4.662
23	North Carolina	3.007	48	Nevada	4.750
24	Vermont	3.027	49	Washington	5.122
25	California	3.036	50	Hawaii	5.535

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Appendix H: State Rankings of Adjusted Unemployment Taxes

(Maximum State Tax Rate Applied to State Wage Base and Then Taken as a Share of State Average Pay)

Rank	State	Unemp Tax	Rank	State	Unemp Tax
1	California	0.83	26	South Carolina	2.70
2	Arizona	1.02	27	Illinois	2.75
3	Florida	1.06	28	West Virginia	2.82
4	Virginia	1.13	29	New Mexico	2.97
5	Louisiana	1.23	30	Wisconsin	3.08
6	Colorado	1.25	31	Vermont	3.12
7	Alabama	1.38	32	Missouri	3.13
8	New York	1.43	33	Massachusetts	3.14
9	Nebraska	1.49	34	South Dakota	3.22
10	Texas	1.58	35	North Carolina	3.38
11	Georgia	1.62	36	Nevada	3.41
12	Indiana	1.77	37	Alaska	3.75
13	Delaware	1.82	38	New Jersey	3.76
14	Kansas	1.88	39	Oregon	4.02
15	Pennsylvania	1.92	40	Washington	4.44
16	Connecticut	1.93	41	Montana	4.49
17	Ohio	1.97	42	Rhode Island	4.59
18t	Mississippi	2.17	43	Oklahoma	4.60
18t	New Hampshire	2.17	44	Hawaii	4.70
20	Maryland	2.21	45	Utah	5.33
21	Tennessee	2.30	46	Wyoming	5.41
22	Kentucky	2.33	47	Iowa	5.86
23	Arkansas	2.34	48	Idaho	6.02
24	Michigan	2.40	49	Minnesota	6.60
25	Maine	2.42	50	North Dakota	7.11

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Appendix I: Rankings of State Gas Taxes
(Dollars Per Gallon of Gasoline)

Rank	State	Gas Tax	Rank	State	Gas Tax
1	Alaska	0.080	27	Vermont	0.265
2	Wyoming	0.140	28	Nebraska	0.271
3	New Jersey	0.145	29	Montana	0.278
4	South Carolina	0.168	30	Ohio	0.280
5	Oklahoma	0.170	31t	Georgia	0.286
6	Missouri	0.173	31t	Minnesota	0.286
7	Mississippi	0.188	33	Kentucky	0.299
8	New Mexico	0.189	34	Oregon	0.310
9	Arizona	0.190	35	Maine	0.315
10	New Hampshire	0.196	36	Pennsylvania	0.323
11t	Louisiana	0.200	37	Wisconsin	0.329
11t	Texas	0.200	38	Rhode Island	0.330
13	Virginia	0.201	39	Nevada	0.331
14	Alabama	0.209	40	West Virginia	0.334
15	Tennessee	0.214	41	Florida	0.350
16	Arkansas	0.218	42	Washington	0.375
17t	Colorado	0.220	43	North Carolina	0.378
17t	Iowa	0.220	44	Indiana	0.412
19t	Delaware	0.230	45	Michigan	0.421
19t	North Dakota	0.230	46	Illinois	0.425
21t	Maryland	0.235	47	Connecticut	0.450
21t	Massachusetts	0.235	48	Hawaii	0.488
23	South Dakota	0.240	49	California	0.505
24	Utah	0.245	50	New York	0.513
25t	Idaho	0.250			
25t	Kansas	0.250			

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Appendix J: Rankings of State Diesel Taxes
(Dollars Per Gallon of Diesel)

Rank	State	Diesel Tax	Rank	State	Diesel Tax
1	Alaska	0.080	26	Nebraska	0.265
2t	Oklahoma	0.140	27	Kentucky	0.269
2t	Wyoming	0.140	28	Kansas	0.270
4	South Carolina	0.168	29	Ohio	0.280
5	Missouri	0.173	30t	Minnesota	0.286
6	New Jersey	0.175	30t	Montana	0.286
7	Tennessee	0.184	30t	Nevada	0.286
8	Mississippi	0.188	33	Vermont	0.290
9	Arizona	0.190	34	Oregon	0.303
10	New Hampshire	0.196	35	Florida	0.305
11t	Louisiana	0.200	36	Georgia	0.318
11t	Texas	0.200	37	West Virginia	0.321
13	Virginia	0.202	38	Maine	0.327
14	Colorado	0.205	39	Wisconsin	0.329
15	Alabama	0.219	40	Rhode Island	0.330
16	Delaware	0.220	41	Washington	0.375
17t	Arkansas	0.228	42	North Carolina	0.378
17t	New Mexico	0.228	43	Pennsylvania	0.392
19	North Dakota	0.230	44	Michigan	0.397
20t	Iowa	0.235	45	Illinois	0.452
20t	Massachusetts	0.235	46	New York	0.503
22	South Dakota	0.240	47	Hawaii	0.507
23	Maryland	0.243	48	Indiana	0.511
24	Utah	0.245	49	California	0.527

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Appendix K: State Rankings of Wireless Taxes
(Adjusted index of wireless sales taxes)

Rank	State	Wireless	Rank	State	Wireless
1	Oregon	0.019	26	Louisiana	0.105
2	Nevada	0.021	27	Kentucky	0.106
3	Idaho	0.023	28	Colorado	0.108
4	Montana	0.061	29	Indiana	0.109
5	Delaware	0.063	30t	California	0.110
6	West Virginia	0.064	30t	North Dakota	0.110
7	Virginia	0.066	32	New Mexico	0.111
8	Wisconsin	0.072	33t	Oklahoma	0.115
9	Maine	0.073	33t	Arkansas	0.115
10	Connecticut	0.074	35	Tennessee	0.116
11t	Alabama	0.075	36	Alaska	0.121
11t	Hawaii	0.075	37	Texas	0.122
13	Michigan	0.077	38	Utah	0.127
14	Wyoming	0.078	39	Maryland	0.128
15	Massachusetts	0.079	40	Arizona	0.130
16t	Iowa	0.080	41t	Kansas	0.131
16t	Ohio	0.080	41t	South Dakota	0.131
18	Vermont	0.081	43	Pennsylvania	0.141
19	New Hampshire	0.082	44	Missouri	0.143
20	North Carolina	0.085	45	Rhode Island	0.147
21	Georgia	0.088	46	Illinois	0.159
22	New Jersey	0.089	47	Florida	0.166
23	Mississippi	0.092	48	New York	0.179
24	Minnesota	0.095	49	Washington	0.186
25	South Carolina	0.101	50	Nebraska	0.187

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Appendix L: State Rankings of Number of Health Insurance Mandates

(0.05 for each mandate imposed tallied up to total score)

Rank	State	Mandate	Rank	State	Mandate
1	Idaho	0.65	25t	Kansas	2.30
2	Alabama	0.95	25t	New Hampshire	2.30
3	Michigan	1.15	25t	Vermont	2.30
4	Hawaii	1.20	29t	Kentucky	2.35
5	Utah	1.30	29t	Nebraska	2.35
6t	Iowa	1.40	29t	New Jersey	2.35
6t	South Dakota	1.40	32	Massachusetts	2.40
8t	Delaware	1.45	33t	Florida	2.45
8t	Ohio	1.45	33t	Illinois	2.45
10	South Carolina	1.50	35	Louisiana	2.55
11	Mississippi	1.55	36	Maine	2.65
12	Arizona	1.75	37t	Missouri	2.70
13	Indiana	1.80	37t	Pennsylvania	2.70
14t	Alaska	1.85	39	North Carolina	2.75
14t	Wyoming	1.85	40	California	2.80
16	Montana	1.95	41t	Colorado	2.90
17	North Dakota	2.00	41t	Washington	2.90
18	Tennessee	2.05	43	New Mexico	2.95
19t	Oklahoma	2.15	44	New York	3.05
19t	West Virginia	2.15	45	Texas	3.10
19t	Wisconsin	2.15	46	Connecticut	3.15
22	Oregon	2.20	47	Minnesota	3.25
23t	Georgia	2.25	48	Maryland	3.35
23t	Nevada	2.25	49t	Rhode Island	3.50
25t	Arkansas	2.30	49t	Virginia	3.50

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Appendix M: State Rankings of Electric Utility Costs

(Index of State Average Revenue Per Kilowatthour for Electricity Utilities Relative to the U.S. Average)

Rank	State	ElecCosts	Rank	State	ElecCosts
1	Louisiana	0.691	26	North Carolina	0.921
2t	Idaho	0.700	27	Alabama	0.929
2t	Washington	0.700	28	Tennessee	0.931
4	Wyoming	0.723	29	Virginia	0.932
5	Kentucky	0.731	30	Kansas	0.939
6t	Arkansas	0.764	31	Colorado	0.942
6t	Oklahoma	0.764	32	Georgia	0.945
8t	Iowa	0.793	33	Arizona	1.000
8t	North Dakota	0.793	34	Pennsylvania	1.007
10	Utah	0.799	35	Wisconsin	1.051
11	West Virginia	0.821	36	Florida	1.061
12	Montana	0.831	37	Delaware	1.114
13	Oregon	0.833	38	Michigan	1.119
14	Indiana	0.836	39	Maryland	1.150
15	Nebraska	0.851	40	Maine	1.192
16	South Dakota	0.853	41	Rhode Island	1.309
17	Mississippi	0.868	42	California	1.385
18	Illinois	0.871	43	New Jersey	1.404
19	Texas	0.878	44	Massachusetts	1.419
20	Missouri	0.881	45	Vermont	1.440
21	New Mexico	0.899	46	New Hampshire	1.443
22	Minnesota	0.903	47	New York	1.536
23t	Ohio	0.913	48	Connecticut	1.576
23t	South Carolina	0.913	49	Alaska	1.667
25	Nevada	0.916	50	Hawaii	3.470

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Appendix N: State Rankings of Workers' Compensation Employer Costs Per $100 of Payroll

Rank	State	WorkCom	Rank	State	WorkCom
1	Texas	0.66	27	Kansas	1.22
2	Virginia	0.72	28	South Dakota	1.28
3	Massachusetts	0.73	29t	Mississippi	1.31
4	Indiana	0.77	29t	Nebraska	1.31
5t	Arizona	0.82	31	Illinois	1.32
5t	Arkansas	0.82	32	Ohio	1.33
5t	Utah	0.82	33	New Mexico	1.35
8	Colorado	0.95	34	Hawaii	1.41
9	Michigan	0.97	35	Iowa	1.42
10	Connecticut	0.98	36	Pennsylvania	1.47
11	Minnesota	1.00	37	Maine	1.49
12	Rhode Island	1.01	38	Washington	1.51
13	Maryland	1.04	39	Idaho	1.52
14t	Georgia	1.06	40	Louisiana	1.54
14t	Tennessee	1.06	41	North Dakota	1.55
16	Nevada	1.07	42	California	1.58
17t	Florida	1.08	43	Wyoming	1.61
17t	Missouri	1.08	44	Wisconsin	1.63
19t	North Carolina	1.11	45	Vermont	1.65
19t	Oregon	1.11	46	South Carolina	1.77
21t	Delaware	1.16	47	West Virginia	1.83
21t	New Hampshire	1.16	48	Oklahoma	2.09
23	New York	1.17	49	Alaska	2.37
24	New Jersey	1.20	50	Montana	2.73
25t	Alabama	1.21			
25t	Kentucky	1.21			

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Appendix O: State Rankings of Crime Rate

Rank	State	Crime Rate	Rank	State	Crime Rate
1	South Dakota	2.07	27	Utah	3.17
2	North Dakota	2.18	28	Alaska	3.24
3	Idaho	2.27	29	Mississippi	3.30
4	New York	2.31	30	Maryland	3.35
5t	Connecticut	2.44	31	Oregon	3.36
5t	Vermont	2.44	32	Kansas	3.43
7	Virginia	2.45	33	Indiana	3.49
8	New Jersey	2.46	34	Hawaii	3.63
9	New Hampshire	2.47	35	Ohio	3.66
10	Wyoming	2.49	36	Missouri	3.76
11	Pennsylvania	2.58	37	Oklahoma	3.81
12t	Iowa	2.59	38	Washington	3.87
12t	Montana	2.59	39t	North Carolina	3.88
12t	West Virginia	2.59	39t	Texas	3.88
15t	Maine	2.67	41t	Arizona	3.96
15t	Wisconsin	2.67	41t	Delaware	3.96
17	Massachusetts	2.69	43	Georgia	4.00
18	Minnesota	2.77	44	Alabama	4.03
19	Rhode Island	2.92	45	Florida	4.04
20	Colorado	2.93	46	New Mexico	4.10
21	Kentucky	2.95	47	Tennessee	4.20
22	California	2.99	48t	Arkansas	4.24
23	Nebraska	3.01	48t	Louisiana	4.24
24	Michigan	3.06	50	South Carolina	4.48
25t	Illinois	3.12			
25t	Nevada	3.12			

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Appendix P: State Rankings of the Number of State & Local Government Employees

(Full-Time-Equivalent State and Local Government Employees Per 100 Residents)

Rank	State	GovtEmp	Rank	State	GovtEmp
1	Nevada	4.20	27t	New Hampshire	5.48
2	Arizona	4.33	27t	Delaware	5.48
3	Michigan	4.62	29	New Jersey	5.53
4t	Pennsylvania	4.65	30	South Dakota	5.56
4t	California	4.65	31	West Virginia	5.59
6	Florida	4.66	32t	Texas	5.65
7	Rhode Island	4.73	32t	Kentucky	5.65
8t	Massachusetts	4.87	34	Oklahoma	5.66
8t	Illinois	4.87	35	Maine	5.67
10t	Idaho	4.96	36	North Carolina	5.76
10t	Wisconsin	4.96	37	Iowa	5.79
12	Indiana	5.06	38	Montana	5.80
13	Washington	5.07	39	Alabama	5.93
14	Oregon	5.10	40t	New Mexico	6.04
15	Tennessee	5.11	40t	New York	6.04
16	Ohio	5.15	42	Louisiana	6.16
17	Connecticut	5.17	43	Vermont	6.33
18t	Minnesota	5.19	44t	Mississippi	6.45
18t	Georgia	5.19	44t	Arkansas	6.45
20	Utah	5.24	46	Nebraska	6.57
21	Maryland	5.27	47	North Dakota	6.59
22t	Missouri	5.28	48	Kansas	6.86
22t	Colorado	5.28	49	Alaska	7.57
24	Hawaii	5.36	50	Wyoming	9.28
25t	South Carolina	5.42			
25t	Virginia	5.42			

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Appendix Q: Rankings of State and Local Government Five-Year Spending Trends, 2004-05 to 2009-10
(Index of Percentage Increases vs. U.S. State and Local Trend)

Rank	State	SpendTrnd	Rank	State	SpendTrnd
1	Nevada	0.69	26	New York	1.10
2	Tennessee	0.71	27t	New Jersey	1.13
3t	Florida	0.72	27t	New Hampshire	1.13
3t	Georgia	0.72	29	Vermont	1.15
5	South Carolina	0.75	30	Texas	1.16
6	Delaware	0.79	31	Connecticut	1.16
7t	Maine	0.81	32	Arkansas	1.17
7t	Arizona	0.81	33t	Missouri	1.18
9	Indiana	0.82	33t	South Dakota	1.18
10	Michigan	0.83	35	Illinois	1.19
11t	California	0.84	36	Colorado	1.20
11t	North Carolina	0.84	37	Nebraska	1.21
13t	Idaho	0.89	38	Hawaii	1.24
13t	Ohio	0.89	39	Mississippi	1.25
15	Washington	0.93	40	Iowa	1.31
16	Rhode Island	0.95	41t	North Dakota	1.35
17	Utah	0.98	41t	Maryland	1.35
18t	Wisconsin	1.00	43	Kansas	1.38
18t	Minnesota	1.00	44	Oklahoma	1.39
20	Virginia	1.01	45	New Mexico	1.40
21t	Pennsylvania	1.03	46t	Alaska	1.41
21t	Alabama	1.03	46t	Kentucky	1.41
23	Oregon	1.07	48	Montana	1.45
24	West Virginia	1.08	49	Wyoming	1.65
25	Massachusetts	1.09	50	Louisiana	1.85

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Appendix R: Rankings of Per Capita State and Local Government Expenditures, 2009-10

(Index of Per Capita Amounts vs. U.S. State and Local Per Capita Amount)

Rank	State	GovSpend	Rank	State	GovSpend
1	Idaho	0.76	26t	Iowa	0.97
2	Arkansas	0.78	26t	Wisconsin	0.97
3t	Arizona	0.79	28t	Colorado	0.98
3t	Georgia	0.79	28t	Ohio	0.98
5	Indiana	0.81	30	Maryland	0.99
6t	Missouri	0.83	31	Illinois	1.00
6t	South Dakota	0.83	32	North Dakota	1.01
8t	North Carolina	0.84	33	Oregon	1.02
8t	Oklahoma	0.84	34	Pennsylvania	1.03
8t	Tennessee	0.84	35	Minnesota	1.05
11t	Nevada	0.85	36	Louisiana	1.06
11t	New Hampshire	0.85	37t	Nebraska	1.07
11t	Virginia	0.85	37t	Rhode Island	1.07
11t	West Virginia	0.85	37t	Vermont	1.07
15t	Texas	0.86	40	Delaware	1.08
15t	Utah	0.86	41	New Mexico	1.09
17	Florida	0.87	42t	Connecticut	1.10
18t	Alabama	0.88	42t	Hawaii	1.10
18t	Kentucky	0.88	42t	Washington	1.10
20t	Michigan	0.91	45	Massachusetts	1.14
20t	Mississippi	0.91	46	California	1.16
22	South Carolina	0.92	47	New Jersey	1.17
23t	Kansas	0.93	48	New York	1.49
23t	Maine	0.93	49	Wyoming	1.57
23t	Montana	0.93	50	Alaska	2.03

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Appendix S: Rankings of Per Capita State and Local Government Debt, 2009-10

(Index of Per Capita State and Local Debt)

Rank	State	GovtDebt	Rank	State	GovtDebt
1	Idaho	0.43	27	Indiana	0.87
2	Wyoming	0.49	28	Florida	0.88
3t	Mississippi	0.51	29	New Mexico	0.90
3t	Arkansas	0.51	30t	South Carolina	0.91
5	Iowa	0.54	30t	New Hampshire	0.91
6	Oklahoma	0.55	32	Minnesota	0.94
7	Georgia	0.58	33t	Delaware	0.96
8	North Carolina	0.60	33t	Oregon	0.96
9t	Alabama	0.64	35	Kentucky	1.05
9t	West Virginia	0.64	36t	Pennsylvania	1.06
11	Tennessee	0.66	36t	Hawaii	1.06
12	Montana	0.67	38	Texas	1.08
13	Utah	0.71	39	Colorado	1.09
14	Ohio	0.72	40	Kansas	1.11
15	South Dakota	0.73	41t	Illinois	1.15
16	Maine	0.74	41t	Washington	1.15
17	North Dakota	0.75	43	Nevada	1.16
18t	Missouri	0.81	44	California	1.18
18t	Maryland	0.81	45	New Jersey	1.23
20t	Arizona	0.82	46t	Rhode Island	1.26
20t	Vermont	0.82	46t	Connecticut	1.26
22	Wisconsin	0.83	48	Alaska	1.57
23	Nebraska	0.84	49	Massachusetts	1.60
24t	Louisiana	0.85	50	New York	1.77
24t	Virginia	0.85			
24t	Michigan	0.85			

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Appendix T: State Rankings of State and Local Revenue from the Federal Government as a Share of Total State and Local Revenue , 2009-10

(Ranked as an Index)

Rank	State	FedRev	Rank	State	FedRev
1	Nevada	0.63	26t	Minnesota	1.02
2	Virginia	0.68	26t	Oregon	1.02
3	Colorado	0.71	26t	Alabama	1.02
4	Florida	0.76	29	Ohio	1.04
5	Indiana	0.83	30	Michigan	1.05
6t	Kansas	0.85	31t	Arkansas	1.08
6t	Illinois	0.85	31t	Hawaii	1.08
8	South Carolina	0.86	33t	Massachusetts	1.11
9t	Georgia	0.87	33t	Oklahoma	1.11
9t	New Hampshire	0.87	33t	Kentucky	1.11
11	Utah	0.88	36	Delaware	1.14
12t	Texas	0.89	37	Iowa	1.17
12t	New Jersey	0.89	38	South Dakota	1.19
14	Idaho	0.90	39	West Virginia	1.25
15t	North Carolina	0.92	40	Maine	1.27
15t	Washington	0.92	41	Montana	1.38
17t	Wisconsin	0.95	42	New York	1.41
17t	Pennsylvania	0.95	43t	Rhode Island	1.43
17t	Nebraska	0.95	43t	North Dakota	1.43
17t	Tennessee	0.95	45	Mississippi	1.53
21	Connecticut	0.96	46t	Louisiana	1.57
22	California	0.99	46t	Vermont	1.57
23t	Maryland	1.00	48	New Mexico	1.64
23t	Arizona	1.00	49	Wyoming	2.02
25	Missouri	1.01	50	Alaska	2.29

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Appendix U: State Rankings of Highway Cost Effectiveness

Rank	State	Highway	Rank	State	Highway
1	North Dakota	0.05	26	Arizona	1.30
2	Montana	0.10	27	New Hampshire	1.35
3	Kansas	0.15	28	Wisconsin	1.40
4	New Mexico	0.20	29	Arkansas	1.45
5	Nebraska	0.25	30	West Virginia	1.50
6	South Carolina	0.30	31	Iowa	1.55
7	Wyoming	0.35	32	Maine	1.60
8	Missouri	0.40	33	Washington	1.65
9	Georgia	0.45	34	Colorado	1.70
10	Oregon	0.50	35	Michigan	1.75
11	Delaware	0.55	36	Louisiana	1.80
12	South Dakota	0.60	37	Oklahoma	1.85
13	Texas	0.65	38	Pennsylvania	1.90
14	Kentucky	0.70	39	Florida	1.95
15	Nevada	0.75	40	Illinois	2.00
16	Mississippi	0.80	41	Connecticut	2.05
17	Idaho	0.85	42	Vermont	2.10
18	Virginia	0.90	43	Maryland	2.15
19	Tennessee	0.95	44	Massachusetts	2.20
20	Alabama	1.00	45	New Jersey	2.25
21	North Carolina	1.05	46	New York	2.30
22	Utah	1.10	47	Hawaii	2.35
23	Indiana	1.15	48	California	2.40
24	Ohio	1.20	49	Alaska	2.45
25	Minnesota	1.25	50	Rhode Island	2.50

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Appendix V: U.S. Business Policy Index Scores by States Listed Alphabetically

State	Top PIT Rate	Top Ind CapGains Rate	PIDivInt	Top CIT Rate	Top Corp CapGains Rate	Added S-Corp. Rate	Indiv. AMT	Corp. AMT	PIT Rate Index
Alabama	3.250	4.250	4.250	4.225	4.225	0.000	0	0	1
Alaska	0.000	0.000	0.000	9.400	4.500	0.000	0	1	0
Arizona	4.540	4.540	4.540	6.968	6.968	0.000	0	0	1
Arkansas	7.000	4.900	7.000	6.500	6.500	0.000	0	0	0
California	13.300	13.300	13.300	8.840	8.840	1.500	1	1	0
Colorado	4.630	4.630	4.630	4.630	4.630	0.000	1	0	0
Connecticut	6.700	6.700	6.700	9.000	9.000	0.000	1	0	1
Delaware	6.950	6.950	6.950	8.700	8.700	0.000	0	0	1
Florida	0.000	0.000	0.000	5.500	5.500	0.000	0	1	0
Georgia	6.000	6.000	6.000	6.000	6.000	0.000	0	0	1
Hawaii	11.000	7.250	11.000	6.400	4.000	0.000	0	0	1
Idaho	7.400	7.400	7.400	7.400	7.400	0.000	0	0	0
Illinois	5.000	5.000	5.000	9.500	9.500	1.500	0	0	0
Indiana	3.400	3.400	3.400	8.500	8.500	0.000	0	0	0
Iowa	5.837	7.633	7.633	9.900	9.900	0.000	1	1	0
Kansas	6.450	6.450	6.450	7.000	7.000	0.000	0	0	1
Kentucky	6.000	6.000	6.000	6.000	6.000	0.750	0	0	1
Louisiana	3.900	5.100	5.100	5.200	5.200	5.200	0	0	1
Maine	8.500	8.500	8.500	8.930	8.930	0.000	1	1	0
Maryland	5.750	5.750	5.750	8.250	8.250	0.000	0	0	1
Massachusetts	5.250	5.250	5.250	8.000	8.000	4.500	0	0	0
Michigan	4.250	4.250	4.250	6.000	6.000	0.000	0	0	0
Minnesota	7.850	7.850	7.850	9.800	9.800	0.000	1	1	0
Mississippi	5.000	5.000	5.000	5.000	5.000	0.000	0	0	1
Missouri	6.000	6.000	6.000	5.156	5.156	0.000	0	0	1

Montana	6.900	6.900	6.900	6.750	6.750	0.000	0	0	0
Nebraska	6.840	6.840	6.840	7.810	7.810	0.000	1	0	1
Nevada	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0
New Hampshire	0.000	0.000	5.000	8.500	8.500	8.500	0	0	0
New Jersey	8.970	8.970	8.970	9.000	9.000	0.000	0	1	1
New Mexico	4.900	2.450	4.900	7.600	7.600	0.000	0	0	1
New York	8.820	8.820	8.820	8.307	8.307	0.000	1	1	1
North Carolina	7.750	7.750	7.750	6.900	6.900	0.000	0	0	1
North Dakota	3.990	3.990	3.990	5.150	5.150	0.000	0	0	0
Ohio	5.925	5.925	5.925	0.000	0.000	0.000	0	0	0
Oklahoma	5.250	5.250	5.250	6.000	6.000	0.000	0	0	1
Oregon	9.900	9.900	9.900	7.600	7.600	0.000	0	0	1
Pennsylvania	3.070	3.070	3.070	9.990	9.990	0.000	0	0	0
Rhode Island	5.990	5.990	5.990	9.000	9.000	0.000	0	0	0
South Carolina	7.000	3.920	7.000	5.000	5.000	0.000	0	0	0
South Dakota	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0
Tennessee	0.000	0.000	6.000	6.500	6.500	6.500	0	0	0
Texas	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0
Utah	5.000	5.000	5.000	5.000	5.000	0.000	0	0	0
Vermont	8.950	8.950	8.950	8.500	8.500	0.000	0	0	0
Virginia	5.750	5.750	5.750	6.000	6.000	0.000	0	0	1
Washington	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0
West Virginia	6.500	6.500	6.500	7.750	7.750	0.000	0	0	1
Wisconsin	7.750	3.100	7.750	7.900	7.900	0.000	1	0	0

Wyoming	0.000	0.000	0.000	0.000	0.000	0.000	0	0	0

State	**PIT Progressivity**	**CIT Progressivity**	**Property Taxes**	**Sales, Gross Rec & Excise**	**Death/Inheritance Taxes**	**Unemp. Tax**	**Tax Limit.**	**Internet Access Tax**	**AmazonTax**
Alabama	1.950	0.000	1.586	3.491	0	1.38	1	0	0
Alaska	0.000	8.400	4.200	2.058	0	3.75	1	0	0
Arizona	1.950	0.000	3.270	3.536	0	1.02	0	0	0
Arkansas	6.000	5.500	1.799	4.479	0	2.34	0	0	1
California	12.300	0.000	3.355	3.036	0	0.83	0	0	1
Colorado	0.000	0.000	3.726	2.856	0	1.25	0	0	0
Connecticut	3.700	0.000	4.497	2.434	5	1.93	1	0	1
Delaware	4.750	0.000	1.853	1.004	5	1.82	0	0	0
Florida	0.000	0.000	3.826	3.765	0	1.06	1	0	0
Georgia	5.000	0.000	3.081	2.948	0	1.62	1	0	0
Hawaii	10.000	2.000	2.497	5.535	5	4.70	1	1	0
Idaho	5.800	0.000	2.588	2.574	0	6.02	1	0	0
Illinois	0.000	0.000	4.230	2.802	5	2.75	1	0	0
Indiana	0.000	0.000	3.378	3.479	5	1.77	1	0	0
Iowa	5.603	4.950	3.567	3.057	5	5.86	1	0	0
Kansas	2.950	3.000	3.466	3.092	0	1.88	1	0	0
Kentucky	4.000	2.000	2.048	3.163	5	2.33	0	0	0
Louisiana	2.600	2.600	1.940	4.662	0	1.23	0	0	0
Maine	6.500	5.430	4.789	2.889	5	2.42	1	0	0
Maryland	3.750	0.000	2.984	2.160	5	2.21	1	0	0
Massachusetts	0.000	0.000	3.846	1.881	5	3.14	1	0	0
Michigan	0.000	0.000	4.085	3.427	0	2.40	1	0	0
Minnesota	0.000	0.000	3.290	3.222	5	6.60	1	0	0
Mississippi	2.000	2.000	2.734	4.090	0	2.17	0	0	0

Missouri	4.500	0.000	2.590	2.905	0	3.13	0	0	0
Montana	5.900	0.000	3.663	0.959	0	4.49	1	0	0
Nebraska	4.280	2.230	3.750	2.844	5	1.49	1	0	0
Nevada	0.000	0.000	3.498	4.750	0	3.41	0	0	0
New Hampshire	0.000	0.000	5.588	1.127	0	2.17	1	1	0
New Jersey	7.570	0.000	5.542	2.442	5	3.76	1	0	0
New Mexico	3.200	2.800	1.864	4.357	0	2.97	1	1	0
New York	4.820	0.000	4.664	3.476	5	1.43	1	0	1
North Carolina	1.750	0.000	2.522	3.007	5	3.38	1	0	1
North Dakota	2.480	3.450	2.520	3.394	0	7.11	1	1	0
Ohio	5.338	0.000	3.105	2.952	5	1.97	1	1	0
Oklahoma	4.750	0.000	1.756	3.180	0	4.60	0	0	0
Oregon	4.900	1.000	3.477	0.634	5	4.02	0	0	0
Pennsylvania	0.000	0.000	3.062	2.759	5	1.92	1	0	0
Rhode Island	2.240	0.000	4.894	2.891	5	4.59	1	0	1
South Carolina	4.000	0.000	3.075	2.621	0	2.70	1	0	0
South Dakota	0.000	0.000	2.930	3.983	0	3.22	0	1	0
Tennessee	0.000	0.000	2.245	4.255	5	2.30	1	0	0
Texas	0.000	0.000	3.937	3.551	0	1.58	1	1	0
Utah	0.000	0.000	2.553	3.072	0	5.33	1	0	0
Vermont	5.400	2.500	5.373	3.027	5	3.12	1	0	0
Virginia	3.750	0.000	3.139	2.057	0	1.13	1	0	0
Washington	0.000	0.000	2.876	5.122	5	4.44	0	1	0
West Virginia	3.500	0.000	2.280	3.366	0	2.82	1	0	0

Wisconsin	3.150	0.000	4.412	2.779	0	3.08	1	1	0
Wyoming	0.000	0.000	5.488	3.933	0	5.41	1	0	0

State	**Gas Tax**	**Diesel Tax**	**Wireless Tax**	**HSA Deduct**	**Health: GI/SE**	**Health: CR/SG**	**Health: GI/Ind**	**Health: CR/Ind**	**HighRisk**
Alabama	0.209	0.219	0.075	1	0	0.33	0.00	0.00	0.00
Alaska	0.080	0.080	0.121	0	0	0.33	0.00	0.00	0.00
Arizona	0.190	0.190	0.130	0	0	0.33	0.00	0.00	1.00
Arkansas	0.218	0.228	0.115	0	0	0.33	0.00	0.00	0.00
California	0.505	0.527	0.110	1	0	0.33	0.00	0.00	0.00
Colorado	0.220	0.205	0.108	0	1	0.66	0.00	0.00	0.00
Connecticut	0.450	0.562	0.074	0	1	0.66	0.00	0.00	0.00
Delaware	0.230	0.220	0.063	0	1	0.33	0.00	0.00	1.00
Florida	0.350	0.305	0.166	0	1	0.33	0.00	0.00	0.00
Georgia	0.286	0.318	0.088	0	0	0.33	0.00	0.00	1.00
Hawaii	0.488	0.507	0.075	0	1	0.00	0.00	0.00	1.00
Idaho	0.250	0.250	0.023	0	0	0.33	0.50	0.33	1.00
Illinois	0.425	0.452	0.159	0	0	0.33	0.00	0.00	0.00
Indiana	0.412	0.511	0.109	0	0	0.33	0.00	0.00	0.00
Iowa	0.220	0.235	0.080	0	0	0.33	0.00	0.33	0.00
Kansas	0.250	0.270	0.131	0	0	0.33	0.00	0.00	0.00
Kentucky	0.299	0.269	0.106	0	0	0.33	0.00	0.33	0.00
Louisiana	0.200	0.200	0.105	0	0	0.33	0.00	0.33	0.00
Maine	0.315	0.327	0.073	0	1	0.66	1.00	0.66	1.00
Maryland	0.235	0.243	0.128	0	0	0.66	0.00	0.00	0.00
Massachusetts	0.235	0.235	0.079	0	1	0.66	1.00	0.66	1.00
Michigan	0.421	0.397	0.077	0	1	0.66	0.50	0.00	1.00
Minnesota	0.286	0.286	0.095	0	0	0.33	0.00	0.33	0.00
Mississippi	0.188	0.188	0.092	0	1	0.33	0.00	0.00	0.00

Missouri	0.173	0.173	0.143	0	0	0.33	0.00	0.00	0.00
Montana	0.278	0.286	0.061	0	0	0.33	0.00	0.00	0.00
Nebraska	0.271	0.265	0.187	0	0	0.33	0.00	0.00	0.00
Nevada	0.331	0.286	0.021	0	0	0.33	0.00	0.33	1.00
New Hampshire	0.196	0.196	0.082	0	1	0.66	0.00	0.33	0.00
New Jersey	0.145	0.175	0.089	1	0	0.66	1.00	0.66	1.00
New Mexico	0.189	0.228	0.111	0	0	0.33	0.00	0.33	0.00
New York	0.513	0.503	0.179	0	0	1.00	1.00	1.00	1.00
North Carolina	0.378	0.378	0.085	0	1	0.33	0.00	0.00	0.00
North Dakota	0.230	0.230	0.110	0	0	0.33	0.00	0.33	0.00
Ohio	0.280	0.280	0.080	0	0	0.33	0.50	0.00	1.00
Oklahoma	0.170	0.140	0.115	0	0	0.33	0.00	0.00	0.00
Oregon	0.310	0.303	0.019	0	0	0.33	0.50	0.66	0.00
Pennsylvania	0.323	0.392	0.141	0	0	0.33	0.00	0.00	1.00
Rhode Island	0.330	0.330	0.147	0	1	0.66	0.50	0.00	1.00
South Carolina	0.168	0.168	0.101	0	0	0.33	0.00	0.00	0.00
South Dakota	0.240	0.240	0.131	0	0	0.33	0.00	0.33	0.00
Tennessee	0.214	0.184	0.116	0	0	0.33	0.00	0.00	0.00
Texas	0.200	0.200	0.122	0	0	0.33	0.00	0.00	0.00
Utah	0.245	0.245	0.127	0	0	0.33	0.50	0.33	0.00
Vermont	0.265	0.290	0.081	0	1	0.66	1.00	0.66	1.00
Virginia	0.201	0.202	0.066	0	0	0.00	0.00	0.00	1.00
Washington	0.375	0.375	0.186	0	1	0.66	1.00	0.66	0.00
West Virginia	0.334	0.321	0.064	0	0	0.33	0.50	0.00	0.00

Wisconsin	0.329	0.329	0.072	0	0	0.33	0.00	0.00	0.00
Wyoming	0.140	0.140	0.078	0	0	0.33	0.00	0.00	0.00

State	**Health: Mandates**	**Electric Utilities Costs**	**Renewable Mandate**	**Workers' Comp.**	**Crime Rate**	**Right to Work**	**State Min. Wage**	**PaidFamLeave**	**E-Verify**
Alabama	0.95	0.929	0	1.21	4.03	0	0.00	0	1
Alaska	1.85	1.667	0	2.37	3.24	1	0.50	0	0
Arizona	1.75	1.000	1	0.82	3.96	0	0.40	0	1
Arkansas	2.30	0.764	0	0.82	4.24	0	0.00	0	0
California	2.80	1.385	1	1.58	2.99	1	0.75	1	0
Colorado	2.90	0.942	1	0.95	2.93	1	0.39	0	0.5
Connecticut	3.15	1.576	1	0.98	2.44	1	1.00	0	0
Delaware	1.45	1.114	1	1.16	3.96	1	0.00	0	0
Florida	2.45	1.061	0	1.08	4.04	0	0.42	0	0.5
Georgia	2.25	0.945	0	1.06	4.00	0	0.00	0	1
Hawaii	1.20	3.470	1	1.41	3.63	1	0.00	0	0
Idaho	0.65	0.700	0	1.52	2.27	0	0.00	0	0.5
Illinois	2.45	0.871	1	1.32	3.12	1	1.00	0	0
Indiana	1.80	0.836	0	0.77	3.49	0	0.00	0	0.5
Iowa	1.40	0.793	1	1.42	2.59	0	0.00	0	0
Kansas	2.30	0.939	1	1.22	3.43	0	0.00	0	0
Kentucky	2.35	0.731	0	1.21	2.95	1	0.00	0	0
Louisiana	2.55	0.691	0	1.54	4.24	0	0.00	0	0.5
Maine	2.65	1.192	1	1.49	2.67	1	0.25	0	0
Maryland	3.35	1.150	1	1.04	3.35	1	0.00	0	0
Massachusetts	2.40	1.419	1	0.73	2.69	1	0.75	0	0
Michigan	1.15	1.119	1	0.97	3.06	1	0.15	0	0
Minnesota	3.25	0.903	1	1.00	2.77	1	0.00	0	0.5
Mississippi	1.55	0.868	0	1.31	3.30	0	0.00	0	1

Missouri	2.70	0.881	1	1.08	3.76	1	0.00	0	0.5
Montana	1.95	0.831	1	2.73	2.59	1	0.40	0	0
Nebraska	2.35	0.851	0	1.31	3.01	0	0.00	0	0.5
Nevada	2.25	0.916	1	1.07	3.12	0	1.00	0	0
New Hampshire	2.30	1.443	1	1.16	2.47	1	0.00	0	0
New Jersey	2.35	1.404	1	1.20	2.46	1	0.00	1	0
New Mexico	2.95	0.899	1	1.35	4.10	1	0.25	0	0
New York	3.05	1.536	1	1.17	2.31	1	0.00	0	0
North Carolina	2.75	0.921	1	1.11	3.88	0	0.00	0	1
North Dakota	2.00	0.793	0.5	1.55	2.18	0	0.00	0	0
Ohio	1.45	0.913	1	1.33	3.66	1	0.45	0	0
Oklahoma	2.15	0.764	0.5	2.09	3.81	0	0.00	0	0.5
Oregon	2.20	0.833	1	1.11	3.36	1	1.55	0	0
Pennsylvania	2.70	1.007	1	1.47	2.58	1	0.00	0	0
Rhode Island	3.50	1.309	1	1.01	2.92	1	0.15	0	0
South Carolina	1.50	0.913	0	1.77	4.48	0	0.00	0	1
South Dakota	1.40	0.853	0.5	1.28	2.07	0	0.00	0	0
Tennessee	2.05	0.931	0	1.06	4.20	0	0.00	0	1
Texas	3.10	0.878	1	0.66	3.88	0	0.00	0	0
Utah	1.30	0.799	0.5	0.82	3.17	0	0.00	0	1
Vermont	2.30	1.440	0.5	1.65	2.44	1	1.21	0	0
Virginia	3.50	0.932	0.5	0.72	2.45	0	0.00	0	0
Washington	2.90	0.700	1	1.51	3.87	1	1.79	0	0
West Virginia	2.15	0.821	1	1.83	2.59	1	0.00	0	0
Wisconsin	2.15	1.051	1	1.63	2.67	1	0.00	0	0
Wyoming	1.85	0.723	0	1.61	2.49	0	0.00	0	0

State	State Liability	Reg. Flex	Gov Employ	SpendTrend	Spendvs Avg	StateLocalDebt	FederalRev	EmDomainLeg	HgwyCostEff
Alabama	2.32	1.0	5.93	1.03	0.88	0.64	1.02	1.2	1.00
Alaska	0.89	0.5	7.57	1.41	2.03	1.57	2.29	3.3	2.45
Arizona	2.02	0.0	4.33	0.81	0.79	0.82	1.00	1.2	1.30
Arkansas	2.43	0.5	6.45	1.17	0.78	0.51	1.08	3.9	1.45
California	2.84	0.5	4.65	0.84	1.16	1.18	0.99	3.6	2.40
Colorado	2.57	0.0	5.28	1.20	0.98	1.09	0.71	2.4	1.70
Connecticut	2.85	0.0	5.17	1.16	1.10	1.26	0.96	3.3	2.05
Delaware	2.08	0.5	5.48	0.79	1.08	0.96	1.14	1.2	0.55
Florida	3.51	0.0	4.66	0.72	0.87	0.88	0.76	0.6	1.95
Georgia	2.43	0.5	5.19	0.72	0.79	0.58	0.87	1.2	0.45
Hawaii	0.92	0.0	5.36	1.24	1.10	1.06	1.08	3.9	2.35
Idaho	1.58	1.0	4.96	0.89	0.76	0.43	0.90	3.0	0.85
Illinois	3.43	0.5	4.87	1.19	1.00	1.15	0.85	3.0	2.00
Indiana	2.43	0.0	5.06	0.82	0.81	0.87	0.83	1.5	1.15
Iowa	1.77	0.5	5.79	1.31	0.97	0.54	1.17	1.8	1.55
Kansas	1.90	0.5	6.86	1.38	0.93	1.11	0.85	1.5	0.15
Kentucky	2.68	0.5	5.65	1.41	0.88	1.05	1.11	3.0	0.70
Louisiana	1.79	0.5	6.16	1.85	1.06	0.85	1.57	1.5	1.80
Maine	1.55	0.0	5.67	0.81	0.93	0.74	1.27	3.0	1.60
Maryland	2.32	0.5	5.27	1.35	0.99	0.81	1.00	3.3	2.15
Massachusetts	2.02	0.5	4.87	1.09	1.14	1.60	1.11	3.9	2.20
Michigan	2.97	0.5	4.62	0.83	0.91	0.85	1.05	0.9	1.75
Minnesota	2.33	0.5	5.19	1.00	1.05	0.94	1.02	1.8	1.25
Mississippi	2.11	0.5	6.45	1.25	0.91	0.51	1.53	1.2	0.80
Missouri	3.00	0.0	5.28	1.18	0.83	0.81	1.01	3.3	0.40
Montana	2.97	1.0	5.80	1.45	0.93	0.67	1.38	3.3	0.10
Nebraska	2.58	1.0	6.57	1.21	1.07	0.84	0.95	3.0	0.25
Nevada	2.76	0.0	4.20	0.69	0.85	1.16	0.63	1.2	0.75

New Hampshire	2.22	0.5	5.48	1.13	0.85	0.91	0.87	1.2	1.35
New Jersey	4.01	0.5	5.53	1.13	1.17	1.23	0.89	3.9	2.25
New Mexico	2.73	0.5	6.04	1.40	1.09	0.90	1.64	0.9	0.20
New York	3.81	0.0	6.04	1.10	1.49	1.77	1.41	3.9	2.30
North Carolina	0.98	1.0	5.76	0.84	0.84	0.60	0.92	2.7	1.05
North Dakota	1.20	0.0	6.59	1.35	1.01	0.75	1.43	0.6	0.05
Ohio	2.01	0.5	5.15	0.89	0.98	0.72	1.04	3.3	1.20
Oklahoma	2.63	0.0	5.66	1.39	0.84	0.55	1.11	3.9	1.85
Oregon	2.60	0.0	5.10	1.07	1.02	0.96	1.02	1.2	0.50
Pennsylvania	3.40	0.5	4.65	1.03	1.03	1.06	0.95	1.8	1.90
Rhode Island	2.73	0.0	4.73	0.95	1.07	1.26	1.43	3.6	2.50
South Carolina	1.98	0.0	5.42	0.75	0.92	0.91	0.86	1.2	0.30
South Dakota	1.20	0.5	5.56	1.18	0.83	0.73	1.19	0.6	0.60
Tennessee	2.14	0.0	5.11	0.71	0.84	0.66	0.95	3.6	0.95
Texas	2.03	0.5	5.65	1.16	0.86	1.08	0.89	1.8	0.65
Utah	1.94	0.5	5.24	0.98	0.86	0.71	0.88	1.5	1.10
Vermont	2.68	0.5	6.33	1.15	1.07	0.82	1.57	3.6	2.10
Virginia	1.64	0.0	5.42	1.01	0.85	0.85	0.68	0.3	0.90
Washington	2.47	0.5	5.07	0.93	1.10	1.15	0.92	2.7	1.65
West Virginia	2.41	0.5	5.59	1.08	0.85	0.64	1.25	2.7	1.50
Wisconsin	1.69	0.0	4.96	1.00	0.97	0.83	0.95	2.1	1.40
Wyoming	2.07	1.0	9.28	1.65	1.57	0.49	2.02	1.5	0.35

State	EducRef	SBSI
Alabama	2.25	57.835
Alaska	1.25	68.811
Arizona	1.00	63.383
Arkansas	1.75	82.048
California	1.00	115.731
Colorado	1.00	61.717
Connecticut	1.50	92.906
Delaware	1.50	81.480
Florida	0.75	48.051
Georgia	1.00	69.648
Hawaii	1.50	105.666
Idaho	1.25	78.918
Illinois	1.50	82.899
Indiana	1.00	65.045
Iowa	2.00	97.733
Kansas	2.00	76.783
Kentucky	1.75	78.607
Louisiana	1.25	72.746
Maine	2.00	106.248
Maryland	2.00	83.698
Massachusetts	1.25	85.651
Michigan	1.25	63.800
Minnesota	0.75	91.828
Mississippi	1.75	65.832
Missouri	0.50	70.480
Montana	1.75	81.014
Nebraska	2.25	87.519
Nevada	1.50	37.050

New Hampshire	1.50	69.232
New Jersey	1.25	109.224
New Mexico	1.00	74.773
New York	2.00	106.540
North Carolina	1.75	84.977
North Dakota	2.25	66.700
Ohio	1.00	67.207
Oklahoma	1.00	72.537
Oregon	1.75	93.322
Pennsylvania	1.50	72.684
Rhode Island	1.75	92.462
South Carolina	1.50	65.583
South Dakota	2.00	32.894
Tennessee	1.75	67.101
Texas	1.50	37.553
Utah	1.00	61.028
Vermont	2.25	106.841
Virginia	2.00	64.542
Washington	1.75	53.708
West Virginia	2.25	78.675
Wisconsin	1.25	76.530
Wyoming	1.50	44.631

About the Author

Raymond J. Keating is chief economist for the Small Business & Entrepreneurship Council.

He also is a weekly columnist with the Dolan Company (including *Long Island Business News* and *Arizona Capitol Times*); and an adjunct professor in the MBA program at the Townsend School of Business at Dowling College.

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