

# ENTERPRISING STATES

Getting Down to Small Business





U.S. CHAMBER OF COMMERCE FOUNDATION



**American Free Enterprise. Dream Big.**

## **About the Study**

The study was prepared by Praxis Strategy Group and Joel Kotkin. Authors from the Praxis team include Delore Zimmerman, Mark Schill, Matthew Leiphon, and Ryan Aasheim. Zina Klapper provided editing and additional research. Praxis Strategy Group is an economic research and community strategy company that works with leaders and innovators in business, education, and government to create new economic opportunities. Joel Kotkin is an internationally recognized authority on global, economic, political, and social trends.

## **About Enterprising States and Cities**

The Enterprising States and Cities program takes an in-depth look at the free enterprise policies that are being implemented to promote economic growth at the state and local levels. Beginning with the program's flagship national study, Enterprising States is now in its fourth year of examining the economic priorities, policies, and programs across the 50 states.

## **About the U.S. Chamber of Commerce Foundation**

The U.S. Chamber of Commerce Foundation (USCCF) is a 501(c)(3) nonprofit affiliate of the U.S. Chamber of Commerce dedicated to strengthening America's long-term competitiveness by addressing developments that affect our nation, our economy, and the global business environment. USCCF presents a broad range of programs that promote a greater understanding of economic and public affairs issues.

## **About the Campaign for Free Enterprise**

The Campaign for Free Enterprise (CFE) is the U.S. Chamber of Commerce's comprehensive, multiyear campaign to support free enterprise and entrepreneurship through national advertising; grassroots advocacy; citizen, community, and youth engagement; and research and ideas leadership.

# ENTERPRISING STATES 2013

## Getting Down to Small Business

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# EXECUTIVE SUMMARY

Nothing better expresses America's aspirational ideal than the notion of small enterprise as the primary creator of jobs and innovation. Small businesses, defined as companies with fewer than 500 employees, have traditionally driven our economy, particularly after recessions. Yet today, in a manner not seen since the 1950s, the very relevance and vitality of our startup culture is under assault. For the country and the states, this is a matter of the utmost urgency.

The central motor of the job engine clearly is not firing on all cylinders. Historically, small business has accounted for almost two-thirds of all net new job creation, but recent research shows that the rates of new business startups are at record lows. The "gazelle companies"—fast-growing firms, mostly younger ones—have traditionally made outsized contributions to new job creation. After previous recessions, these businesses drove job growth and, perhaps more important, created innovations that often spread to larger, older, more established firms, which sometimes later acquired them.

Weak job growth has touched the entire economy. Gross domestic product growth is weak, unemployment remains at nearly 8%, and business sentiment is far from optimal. Despite high stock prices and consistently strong corporate profits, the rate of employment growth remains lower than the rate of the expansion of the workforce. Given the understandable focus of larger firms on boosting productivity and on investing capital into technology, it's highly unlikely these companies will create enough jobs to dent our huge and growing employment deficit.

Policymakers ignore small business at their own peril and that of the economy.

## The Changing Nature of Small Business

Small business may be down, but it is far from out. There have been some small, subtle upward shifts in employment in three of the industries—construction, manufacturing, and retail—that bore the brunt of the recession-driven job losses. Any sustained uptick in growth will further widen the opportunities for small business to expand and perhaps recover something of its past vigor.

It is critical that states and communities that embrace a pro-enterprise vision address a rapidly changing small business environment. Small business today reflects a host of ethnic, social, and generational changes. Successful programs will need to adapt to these new realities that reflect a far more diverse, and profoundly different, set of players.

Immigrants constitute a growing and important part of the entrepreneurial landscape. Even in the midst of the recession, newcomers continued to form businesses at a record rate. The number of women-owned firms has grown at one and a half times the rate of other small enterprises over the past 15 years. These companies now account for almost 30% of all enterprises. Finally, there is the issue of generational change. Baby boomers were, on the whole, a profoundly entrepreneurial generation, and by many measurements their Generation X successors have proven even more so. The millennial generation, based on recent assessments, may be somewhat less entrepreneurial than their predecessors.

We are also witnessing the rise of a new kind of enterprise that often employs no more than the proprietors but frequently provides quite sophisticated high-level products or services. In many cases, these "jobless entrepreneurs" include corporate executives, technicians, and

marketing professionals who, by either choice or necessity, have chosen to strike out in their own micro-enterprises. A large portion of this growing “1099 economy” comes from the growing ranks of boomers who are no longer willing or able to work for a larger enterprise. According to the Census Bureau, small business without payroll makes up more than 70% of America’s 27 million companies, with annual sales of \$887 billion.

## The States Get Down to Small Business

Every state has policies and programs that are intended to encourage entrepreneurship and support small business development and expansion. Many states have introduced legislation or established programs to focus on startup companies, and many states have bolstered policies targeted at helping existing businesses grow and expand their markets. State funding of programs for entrepreneurial development is estimated to have increased by 30% between 2012 and 2013.

States vary considerably in the policies, regulations, and taxes that affect small business. Most states have an array of loosely integrated small business programs, although some have a more comprehensive, integrated small business policy and program framework. No state has the “best” tax policy for all entrepreneurs. Instead, different states have tax policies that suit certain types of companies better than others. Consequently, the states that are best for new businesses are not always the most favorable for existing small businesses; the states that are best for one business sector may not be best for another.

States and cities should consider small business development not as a separate cause, but as a basic building block for economic growth. Even if state governments can do little to promote enterprise and small business development directly, there are things they can do to increase the chances that entrepreneurs will thrive. Smart, pragmatic economic policymaking at the state level can play an instrumental role in fostering startups and growing companies, particularly when programs are effectively deployed right where the businesses are located.

The following are some new and innovative policy and program approaches that states are employing and/or supporting to create and expand small businesses, often in cooperation with local and regional development organizations:

- Accelerator initiatives that focus on starting high-growth firms by turning startups into enduring companies.
- Economic gardening initiatives that focus on expanding existing firms with strong growth potential.
- Business plan competitions to identify companies with exciting ideas and high potential.
- Business ecosystem initiatives, often with a regional focus, that take a comprehensive approach to creating an environment that is highly conducive to startups.
- Workforce development initiatives that help small businesses find and train the talent they need to operate and compete.
- Seed and venture funds that focus on startups and expanding firms.
- Networking and collaboration initiatives that bring small businesses and self-employed entrepreneurs together with large companies and universities.
- International trade programs that help small businesses reach out to new global export markets.
- Streamlined state administrative processes and regulatory procedures for small business by cleaning up the DURT (delays, uncertainty, regulations, taxes) that impede small business success.

- Broadband investments that provide small businesses of all types with the online access necessary in the 21st century.

Governors of states recognize the importance of small businesses and often take the lead in reforming state policy and service delivery to make growth and commerce easier for small business. Governors can offer fast-track access to financial resources and a full slate of state services that help small businesses connect with technical expertise, customers, suppliers, and state agencies that interact with small business as regulators or partners in development.

State and local chambers of commerce are on the front lines of promoting a pro-business free enterprise agenda and thwarting anti-business legislation, regulations, and rules. Across the country, chambers of commerce lead the way in advocating on behalf of their members for lower costs of doing business, fairer taxes, fairer regulations, and less regulatory paperwork. They work with the U.S. Chamber of Commerce, governors, industry, and professional associations to pursue outcomes that are beneficial to all businesses and, thereby, advance America's free enterprise economy.

# AMERICA'S SMALL BUSINESS CRISIS AND WHAT STATES CAN DO

## ABOUT IT

Nothing better expresses America's aspirational ideal than the notion of small enterprise as the primary creator of jobs and innovation. Yet today, in a manner not seen since the 1950s, the very relevance and vitality of our startup culture is under assault. Some people even believe that the era of small business as the driver of the U.S. economy could be coming to an end.

For the country and the states, this is a matter of the utmost urgency. A recent McKinsey report notes that small businesses, defined as companies with fewer than 500 employees, have traditionally driven our economy, particularly after recessions. Small business accounts for almost two-thirds of all net new job creation and generates 13 times as many patents per employee as large companies do.<sup>1</sup>

Yet, to date, small business recovery in this recession has been lackluster at best. The reductions in small business employment during the fourth quarter of 2008 and in 2009 were the largest ever recorded in the history of the National Federation of Independent Business data series. As we enter the sixth year since the onset of the Great Recession—more than four years after the “recovery” officially began—small business remains in a largely defensive mode. Hiring and startup rates have been far less dynamic than in the aftermath of the downturns of 1976 and 1983.<sup>2</sup>

Even during the tepid national job recovery, the economic outlook of America's small business owners remains poor. According to the U.S. Chamber Small Business Outlook Survey, just 16% of small businesses added employees in the past year and 82% feel the U.S. economy is headed in the wrong direction.<sup>3</sup>

### *The Key to Slow Job Growth: A Weak Small Business Sector*

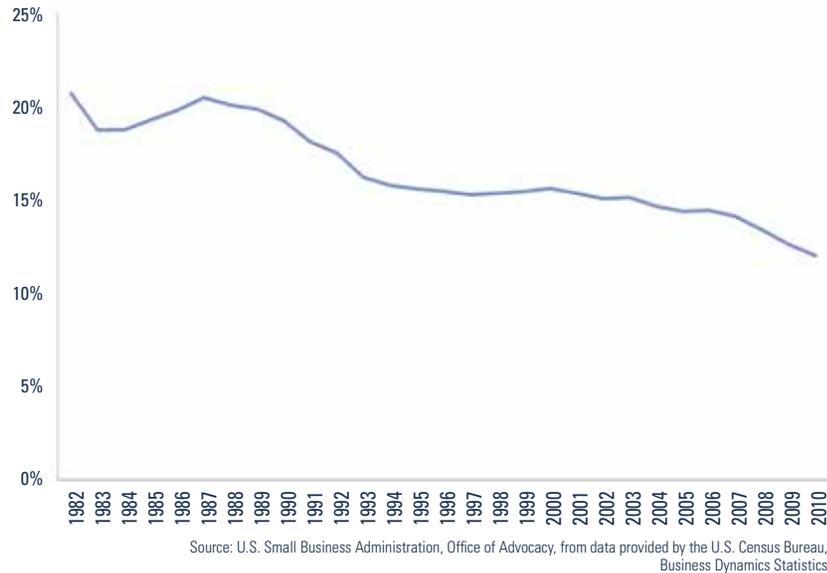
Larger companies have recovered financially, and federal government employment has been trending slightly higher since 2008;<sup>4</sup> only one major force is driving the persistence of low private sector employment growth: the debilitation of the small business sector.

This weakness has touched the entire economy. GDP growth is weak, unemployment remains at nearly 8%, and business sentiment is far from optimal. Despite high stock prices and consistently strong corporate profits, the rate of employment growth remains lower than the rate of the expansion of the workforce. The workforce population has increased by nearly 12 million since January 2008, but overall employment is down by over 3 million since then.<sup>5</sup>

The employment situation may be even worse than commonly supposed. A recent Rutgers survey revealed that the percentage of Americans who say they are employed has actually decreased—from 60% in 2010 to 58% in 2013. In addition, many people have dropped out of the job market or are working at lower wage or part-time jobs.<sup>6</sup> “Whatever we're doing,” said U.S. Chamber of Commerce Foundation Fellow Bret Swanson, “it's not working.”<sup>7</sup>

The low rate of startup businesses has been a headwind facing the unemployed and underemployed. “Gazelle companies” (fast-growing firms, mostly younger ones) have traditionally made outsized contributions to new job creation. After previous recessions, these businesses drove job growth and, perhaps more important, created innovations that often spread to larger, older, more established firms, which sometimes later acquired them.<sup>8</sup>

## U.S. Employment in Firms Five Years Old and Younger



This central motor of the job engine clearly is not firing on all cylinders. The number of startup jobs per 1,000 Americans over the past four years fell 30% below the levels during the eras of Clinton and both Bushes. The Ewing Marion Kauffman Foundation, a nonprofit group that studies U.S. business startups, says the rates of new business startups are at record lows. Overall, the number of startups in 2011 was *lower* than in 1994, when the economy, the workforce, and the population were all smaller. New firms (five years or younger) now account for less than 8% of all firms, down from 12%–13% in the early 1980s, another period that followed a deep recession. This time around, as a recent Brookings paper reveals, it was larger businesses that increased hiring in the early stages of the recovery, not their beleaguered smaller counterparts.<sup>9</sup>

### Why Has Small Business Stalled Out?

The reasons for the slowdown among smaller, particularly newer firms are diverse and subject to widespread debate.

Increased regulation and higher taxes, especially in some states, have made it harder for smaller businesses to compete. The new health care law appears to have led some smaller businesses to cut back on full-time employees to avoid the mandates.<sup>10</sup>

Another source of the decline lies in the difficulties faced by smaller community banks, which tend to be those most likely to lend to entrepreneurial firms. In 2013, the top four banks controlled over 40% of the credit markets in the top 10 states—up by 10% from 2009 and roughly twice their share in 2000. At the same time, since the passage of Dodd-Frank, there are some 330 fewer small banks.<sup>11</sup> In the four years following June 2007, business loans under \$1 million fell by 13%.<sup>12</sup>

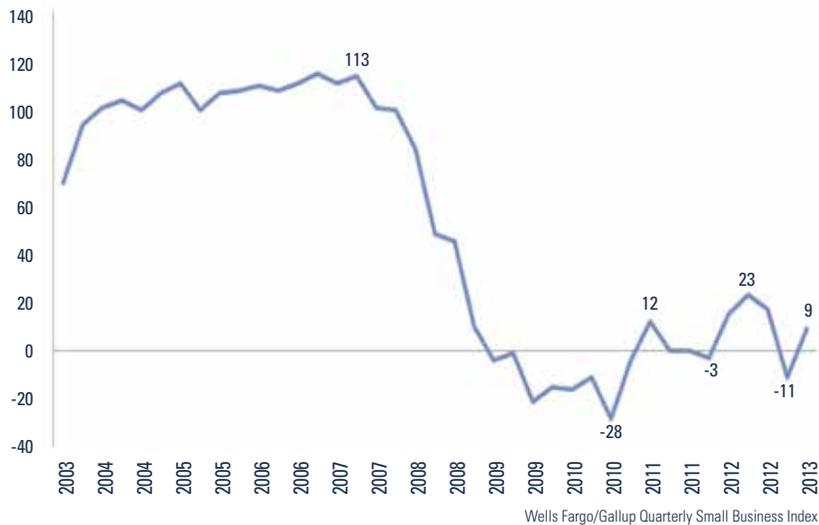
“Everywhere you turn, there’s a ‘gotcha’ from the regulators,” says Jeff Ball, chairman-elect of the California Bankers Association and founder of Whittier-based Friendly Hills Bank. “The big banks can deal with the regulations far more easily than the community banks. And because some banks are perceived as ‘too big to fail,’ there’s easier access to credit and they are perceived to be better to invest in.”

But perhaps most important has been the weak GDP growth that has kept consumer spending at a low level, a particularly rough condition for startup businesses. A growing economy and marketplace are critical for newer firms; without a sustained economic expansion, many will suffer or never even come into existence.<sup>13</sup>

With demand and growth still weak, small businesses continue to express poor perceptions of the future, even though attitudes at larger firms have brightened to prerecession levels. In late 2012, one in five small businesses expected to drop their employee count, one in three expected to decrease capital spending, and almost as many expected to be in more severe cash flow troubles by the end of the year.<sup>14</sup> In January 2013, the U.S. Chamber’s Small Business Survey found that 54% of small business owners expect their operating climate to get worse over the next two years, more than twice the rate of those who felt the same way the previous October (24%).<sup>15</sup>

## Wells Fargo/Gallup Small Business Index

Owners' Ratings of Current Situation and Future Expectations



These negative expectations are key to the problem. The McKinsey assessment makes a direct connection between a lack of optimism at the still-troubled smaller firms and poor job creation:

Sadly, small business optimism is at its lowest levels in almost 20 years. After crashing in the recession, confidence remains below any level recorded since the early 1990s, because the recovery has been so anemic. Had small business come out of the recession maintaining just the rate of startups generated in 2007, the U.S. economy would today have almost 2.5 million more jobs than it does.<sup>16</sup>

Because small business owners traditionally are more optimistic than other Americans, and because they tend to hire when they're feeling optimistic, such pessimism bodes ill for future job growth. The need to reverse that sentiment and reestablish hope among America's smaller firms is the most pressing economic challenge for the nation, the states, and local governments.

## Why Small Business Matters More Than Ever

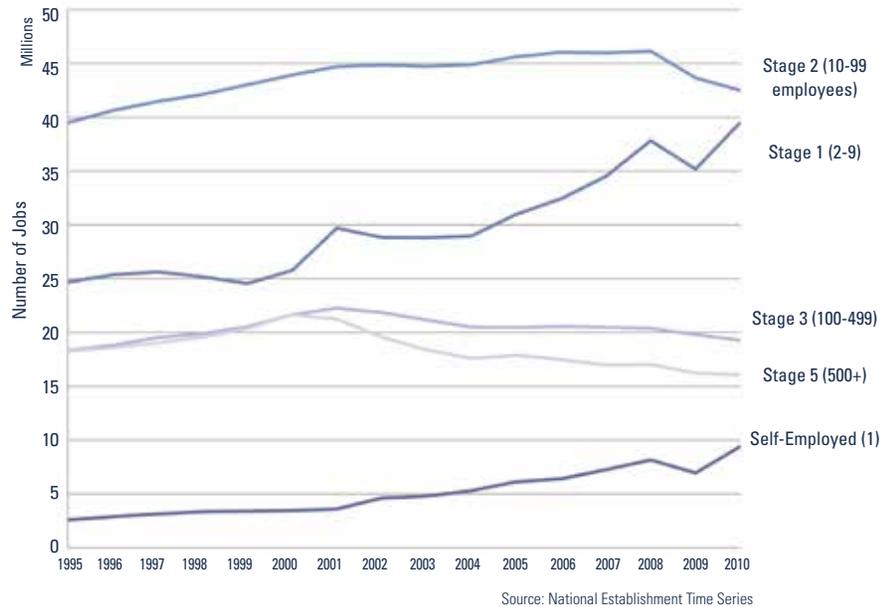
Policymakers ignore small business at their peril and that of the economy. Given the understandable focus of larger firms on boosting productivity and investing in technology, it's highly unlikely that these companies will create enough jobs to dent our huge and growing employment deficit. In the last economic expansion, smaller firms accounted for two-thirds of all net jobs; their relative weakness since then correlates with our current, persistent job shortfall.<sup>17</sup> A healthy result for the economy would be likely if both large and small firms were able to prosper together, as occurred during much of the 1980s and 1990s.

Looking over the long term, small business remains the best hope for renewed job growth. To be sure, the smallest firms were hit hardest during the heart of the recession, but since 2004 jobs in those companies have grown, increasing their importance as U.S. employers. Between 2004 and 2010, firms of 10 or fewer employees grew by 10.6 million jobs; the self-employed bounced back strongly in 2010. During the same period, firms of more than 100 employees lost 2.8 million workers.

However, research by economist Donald Walls suggests that we must be careful not to overestimate the role of one-person startups in overall job creation. Growth in sole proprietorships tends to be strongest during times of mass layoffs by the largest firms. Many of these workers may have formed startups to sell services back to their former employers. This shift to single-person firms suggests more about a change in the structure of employment than about overall job creation. From 1990 to 2008, new startups accounted for 90% of firm births. But startups in new locations by existing companies created 71% more jobs.<sup>18</sup>

This situation underscores the relative importance to U.S. job creation and growth of existing firms and "stage-2" firms (those past the startup stage) with 10–99 employees. Alarming, while the smallest firms bounced back in 2010, the stage-2 firms shed another 1.1 million jobs.

## Employment by Establishment Size, U.S. Economy



The notion of entrepreneurial opportunity is essential to the maintenance of faith in the free market system. As V. I. Lenin, founder of the Soviet Union, said, “Wherever there is small business and freedom of trade, capitalism appears.” Small enterprises create the justification for free market capitalism: that it is still open to competition and that anyone, however humble, can participate and gain from the system.<sup>19</sup>

This concept is critical to maintaining support for free enterprise. According to Gallup, the public approval ratings of key components of the business world, such as large banks and big companies, are down around 20%, well below historic norms. In contrast, small business has retained positive ratings of over 60%, as it has for decades.<sup>20</sup> A survey conducted by Frank Magid and Associates found that the rankings of large businesses approached the “netherworld” inhabited by Congress (almost 2 to 1 unfavorable) and that Wall Street fared even worse. Small business, in contrast, was viewed positively 10 times as much as unfavorably.<sup>21</sup>

More important still, small business is critical to making capitalism work for a large number of people. Growth, notes Harvard economist Benjamin Friedman, needs to benefit “a sufficiently broad cross-section of the population to shape the national mood and direction.”<sup>22</sup> Higher stock prices and rising values in assets such as real estate are good in themselves, but without a healthy Main Street economy there is little hope that prosperity will be widely enough shared to validate faith in the free market system.

### *The Changing Nature of Small Enterprise*

Small business may be down, but it is far from out. Some small, subtle upward shifts in employment are occurring in three industries that bore the brunt of recession-driven job losses: construction, manufacturing, and retail. Any sustained uptick in growth will further widen the opportunities for small business to expand and perhaps recover something of its past vigor.<sup>23</sup>

But it is critical that states and communities that embrace a pro-enterprise vision address the rapidly changing small business environment. Small business today reflects a host of ethnic, social, and generational changes. Successful programs and policies will need to adapt to a far more diverse and profoundly different set of players.

One clear trend has been the growth of minority and immigrant enterprises. Between 1982 and 2007, for example, African American-owned businesses increased by 523%; Asian American-owned businesses by 545%; Hispanic American-owned businesses by 696%; and businesses owned by whites by 81%. Today, minority-owned businesses make up 21% of the nation’s 27 million small businesses.<sup>24</sup>

Immigrants, in particular, constitute a growing part of the entrepreneurial landscape. Even in the midst of the recession, newcomers continued to form businesses at a record rate, while the number of businesses founded by native-born entrepreneurs declined. According to the Kauffman Foundation, the immigrant share of all new businesses more than doubled, from 13.4%

in 1996 to 29.5% in 2010. For most of the past generation, immigrants have been roughly a quarter of the founders of all high-tech startups.<sup>25</sup>

Another key shift has been to female entrepreneurs. Over the past 15 years, the number of women-owned firms has grown at one and a half times the rate of other small enterprises. These companies now account for almost 30% of all enterprises; between 1997 and 2012, the number of women-owned firms in the United States increased by 54%, while the overall growth rate for all firms was 37%.

Women's role in business could expand in the future. A recent report from the Guardian Life Small Business Research Institute projects that women-owned businesses will create 5 million to 5.5 million new jobs across the United States by 2018, and women account for almost half of all new businesses, generating one-third of the new jobs projected by the Bureau of Labor Statistics.<sup>26</sup>

Finally, there is the issue of generational change. Baby boomers were, on the whole, a profoundly entrepreneurial generation, and by many measurements their Generation X successors have proven even more so. Born between 1965 and 1981, Xers are now entering the phase of life that places them at the head of enterprises and the phase when family necessities may impel them to grow their firms.<sup>27</sup>

The persistence of startup activity among the aging boomers represents a new wrinkle. According to the Bureau of Labor Statistics, the self-employment rate for adults 55 and older is 16.4%, well above the 10.4% self-employment rate for the total labor force. No longer can we assume that entrepreneurial activity is tied to the young.<sup>28</sup>

Many factors are pushing older workers into entrepreneurship, including the loss of corporate jobs and their ability to take advantage of accumulated experience and contacts. Increasingly, it is older people—often out of necessity—who are launching new enterprises. According to the Kauffman Foundation, from 2007 to 2008 (the latest data available), new businesses

<b>Full-Time Self-Employment by State</b>			
<b>Highest share of total employment</b>		<b>Fastest growth, 2001-2012</b>	
Vermont	10.5%	Nevada	24.4%
Montana	10.0%	Arizona	24.4%
Maine	9.6%	Texas	24.1%
California	9.2%	Florida	20.4%
Oregon	8.9%	California	15.6%
New Hampshire	8.5%	New Hampshire	12.0%
Idaho	8.5%	Utah	11.3%
South Dakota	8.4%	Georgia	10.2%
Tennessee	7.8%	North Carolina	10.2%
New Mexico	7.8%	Washington	10.2%
North Dakota	7.7%	Massachusetts	10.1%
Colorado	7.6%	Virginia	10.0%
Oklahoma	7.4%	Tennessee	9.7%
Texas	7.3%	Maryland	9.3%
Alaska	7.3%	South Carolina	9.2%
Nation	6.8%	Nation	9.5%
<small>Source: EMSI 2013.1 Class of Worker - Self Employed</small>			

launched by 55 to 64-year-olds grew 16%, a faster increase than that of any other group. Boomers in that age group started approximately 10,000 new businesses a month.<sup>29</sup> A 2009 Pew study confirmed that boomers are much more likely to go off on their own than younger workers.<sup>30</sup>

Perhaps more challenging may be the newest generation, the millennials. By nature, say generational chroniclers Morley Winograd and Mike Hais, millennials may be somewhat less entrepreneurial than their predecessors.

Millennials have been raised in ways that make them feel very pressured by the need to succeed. They see life as a series of hoops

## Full-Time Self-Employment by Occupation Group

Largest occupation groups, 2012		Fastest growth, 2001–2012	
Construction and Extraction	1,447,379	Education, Training, and Library	54.6%
Personal Care and Service	1,260,132	Community and Social Service	44.4%
Management	1,235,013	Health Care Support	42.2%
Sales and Related	1,233,585	Building and Grounds Cleaning and Maintenance	36.7%
Building and Grounds Cleaning and Maintenance	1,025,407	Arts, Design, Entertainment, Sports, and Media	20.8%
Arts, Design, Entertainment, Sports, and Media	699,860	Personal Care and Service	19.1%
Business and Financial Operations	472,722	Food Preparation and Serving Related	18.5%
Transportation and Material Moving	439,314	Life, Physical, and Social Science	17.8%
Installation, Maintenance, and Repair	363,540	Transportation and Material Moving	15.0%
Office and Administrative Support	299,715	Business and Financial Operations	10.6%
Health Care Practitioners and Technical	265,095	Construction and Extraction	9.1%
Production	245,638	Computer and Mathematical	9.0%
Legal	218,588	Installation, Maintenance, and Repair	6.9%
Education, Training, and Library	210,059	Health Care Practitioners and Technical	5.9%
		Nation	9.5%

Source: EMSI 2013.1 Class of Worker - Self Employed

to be jumped through, starting with getting into the right preschool all the way to graduating from the right college. Such a view of the world makes them very afraid to fail on their own and therefore very risk-averse.<sup>31</sup>

At the same time, many millennials are anxious to start enterprises that promise to change the world at the local community level. This can be seen in the rapid growth of “social enterprises”—businesses engaged in such activities as helping poor communities, improving the environment, or boosting literacy. According to *Business Week*, there are already some 30,000 of these results-based firms in the country, representing some \$40 billion in revenues.<sup>32</sup>

Ultimately, harsh realities may intervene in this focus on “doing good.” Although many millennials may dream of becoming the next Mark Zuckerberg and of changing the world, they are entering a stubbornly hard job market that may require a more hardheaded approach. Scott Gerber, an author who has studied our youngest entrepreneurs, says, “We need to be more self-sufficient, or we’ll find ourselves in this never-ending cycle of just sitting home and sending out resumes.”<sup>33</sup>

### ***The New Shape of Entrepreneurialism: The 1099 Economy***

Perhaps the most important shift in entrepreneurship relates to the size and nature of small business. Historically, we have had the mom-and-pop

firm that caters to a local market, usually with service, and the gazelle firm, which often is engaged in producing more sophisticated goods and services. Today we are witnessing the rise of a new kind of enterprise that may employ no more than the proprietors but frequently provides quite sophisticated, high-level products or services. These entrepreneurs include corporate executives, technicians, and marketing professionals who, either by choice or by necessity, have started their own micro-enterprises. A large portion of this workforce comes from the growing ranks of boomers who are no longer willing or able to work for a larger enterprise.

According to Jeffrey Eisenach, an economist at George Mason University, the ranks of these independent contractors has grown by a million since 2005; 20% work in such fields as management, business services, and finance, where the percentage of people working for themselves rose from 28% to 40% between 2005 and 2010. Many others work in fields such as energy, mining, real estate, and construction. As many as 10 million such independent workers constitute upwards of 7.6% of the national labor force and account for over \$626 billion in income.<sup>34</sup>

The large surge in self-employment has occurred in many locations, led by high concentrations in Vermont, Montana, Maine, and California, where there has also been substantial corporate downsizing. The fastest-growing states for full-time 1099 workers include those hit hard by the recession and the property bubble, such as Arizona, Nevada, Florida, and California, but also growth stalwart Texas and emerging Utah.

The rise of these independent businesses has been greatly enhanced by new technology, which allows a growing number of proprietors to operate from home. Between 2005 and 2009, the number of telecommuters (many of them self-employed) grew by 61%, according to the American Community Survey.<sup>35</sup> Technology advances also enable such micro-firms to expand into national and even global markets.

The composition of this tapestry of independent workers is varied, with connections across all industries. Self-employed construction and

personal care workers (who depend on strong local economies) account for 2.7 million, with another 2.9 million in business occupations such as management, sales, and finance. Self-employed educators have increased by nearly 55% since 2001.<sup>36</sup>

Along with the more than 10 million Americans who count self-employment as their main source of income, another 31 million workers use self-employment to augment another job. This group includes everyone from part-time real estate brokers to child care providers, artists, coaches, construction workers, and property investors. Part-time self-employment is a rapidly growing segment of the national economy, up 52% since 2001.<sup>37</sup>

The expansion of such businesses, of course, poses a hurdle to office building owners, who have seen only sluggish growth and feeble reductions in the vacancy rates since the recovery began.<sup>38</sup> The 1099 economy's rising profile represents a challenge to economic developers as well. The traditional conception of small business is in many ways undermined by an economy that is both more fluid and less stable than in the past. Economic development consultant Bill Fulton says,

Even though there may not be jobs in the conventional sense, there is still work. That's the whole idea of the 1099 economy. It's just a different way of organizing the economy. Businesses need economically valuable work to be done, but instead of employing people full-time and permanently, they contract with individuals to do the work temporarily. The work ebbs and flows, the businesses come and go, and the 1099 employees work for a while and then move on. It's a lot more fluid—and seemingly uncertain—than the traditional economy.<sup>39</sup>

### ***Constructing a New Small Business Agenda***

To restore the vitality of small business, states and localities need to address this changing landscape in innovative ways. Although Washington remains embroiled in what appears to be permanent gridlock, many states

are working to restore confidence and expand opportunity for smaller firms. Innovative economic gardening programs are operating at the state level in Kansas, Michigan, Florida, Wyoming, Wisconsin, Nebraska, and Washington. These initiatives focus on stage-2 firms (typically those with at least \$1 million in annual sales), offering them professional assistance to expand their markets.

A greater effort is required to include previously underrepresented groups—such as women, minorities, and immigrants—as essential elements of small business development. This may include specific outreach programs, and states also need to incorporate strong advocacy for expanded opportunities for immigrant technologists, investors, and entrepreneurs.

States that are targeting smaller (particularly younger) firms are betting on the future, and some glimmers of a small business restart have appeared. But this focus must adapt itself to the changing demographics. Our research and that of others show that the landscape of entrepreneurship is increasingly dominated by immigrants, self-employed owners of micro-firms that service the needs of larger companies, and seniors. Recognizing this changing pattern is essential if states are to reap benefits from their efforts to promote entrepreneurship.

Other parts of the world, including Asia and Latin America, are showing strong growth in their skilled immigrant populations. In the United States, we are seeing new demand for visas for skilled workers as well as for investors and entrepreneurs.<sup>40</sup> This issue is not only applicable to traditional immigrant havens; it is also relevant in areas that have recently become major magnets for newcomers—notably the South, the Intermountain West, and the Great Plains—as well as in suburban communities around the country.<sup>41</sup> Even inland cities such as Nashville are home to Mexican, Somali, Kurdish, and other ethnic communities.

Other efforts need to be directed to the millennial generation, whose social concerns often drive their business ventures. Efforts such as the

Kalamazoo initiative to promote “community capitalism,” which seeks to address broader concerns with education, could provide a model for cultivating social entrepreneurs. Indiana has developed a Young Entrepreneurs Program that facilitates the location of new companies in various cities. In an economy that seems unlikely to create vast opportunities for recent graduates, programs in states as diverse as Nevada, Michigan, and West Virginia seek to nurture grassroots efforts by millennials, often in a highly collaborative atmosphere.<sup>42</sup>

Most important, however, states and cities should look at small business development not as a separate cause but as a basic building block for economic growth. With more and more employment likely to fall into the 1099 economy, the most critical issues increasingly will be promoting a good tax and regulatory climate for all businesses. All forms of business—from the micro-firm to the largest company—do better when conditions for enterprise are friendliest. Highly targeted programs such as those that provide tax incentives have their place, but for most smaller firms these programs are difficult to access.<sup>43</sup>

Instead, it makes more sense to understand the needs and attitudes of the entrepreneurial class. As author Charles Hugh Smith notes, “The only way to understand why employment is dead in the water is to stand in the shoes of a potential employer or entrepreneur.”<sup>44</sup> This perspective can extend to a host of programs, such as support for community banks,<sup>45</sup> worker training, and export and technical assistance. Most of all, we need to realize that without a revived small business sector, our economy is unlikely to generate the jobs and wealth that it is capable of creating.

# GETTING DOWN TO SMALL BUSINESS IN THE STATES

State policy leaders are recognizing that the vitality of state economies, like that of the national economy, is directly tied to the success of thousands of small businesses. The financial crisis and subsequent Great Recession have taken a heavy toll on small business and its ability to function as America's engine of job creation. Pressures on state budgets during the height of the recession forced cutbacks to small business programs for financing, employee training, and innovation.

Small business formation and expansion remains stalled as confidence in markets and demand has waned and rules and regulations have thrown up barriers to job creation. Some small businesses cannot meet current credit requirements or are leery of taking on new debt and the risks it entails. Other small businesses are unable to find employees with skills that fit their needs.

The rate of new business creation has dipped recently, and many more startup founders are flying solo as "jobless entrepreneurs," choosing not to employ others. According to the Census Bureau, small businesses without payroll make up more than 70% of America's 27 million companies, with annual sales of \$887 billion. According to research by Gallup, companies of all sizes remain hesitant. Only 25% of the 6 million CEOs running businesses in the United States want their companies to grow.<sup>46</sup>

## ***State Policies and Programs for Small Business***

Every state has policies and programs to encourage entrepreneurship and support small business development and expansion. Many states have introduced legislation or established programs to help startup companies, and many states have bolstered policies targeted at helping existing businesses grow and expand their markets. State funding of programs for entrepreneurial development increased by 30% between 2012 and 2013.<sup>47</sup>

States vary considerably in the policies, regulations, and taxes that affect small business. Most states have an array of loosely integrated small business programs, although some have a more comprehensive, integrated small business policy and program framework. Ohio's Third Frontier, for example, is a \$2.3 billion initiative whose strategic intent is to create an "innovation ecosystem" that supports the efficient and seamless transition of great ideas from the laboratory to the marketplace.

Even if state governments can do little to directly promote enterprise and small business development, they can increase the chances that entrepreneurs will thrive.<sup>48</sup> National surveys of entrepreneurs suggest five critical factors that state government can influence to foster small business startups and expansions:<sup>49</sup>

- Diversity in sources of capital
- An enabling culture
- Strong local networks
- Supportive infrastructure
- Entrepreneur-friendly government

Smart, pragmatic economic policymaking at the state level can play an instrumental role in meeting the needs of entrepreneurs, particularly when policies are effectively deployed where the businesses are located—in cities and small towns across the country. The following are some innovative policy and program approaches that states are employing to create and expand small businesses, often in cooperation with local and regional development organizations:

- Accelerator initiatives that focus on starting high-growth firms by turning startups into enduring companies.
- Economic gardening initiatives that focus on expanding existing firms with strong growth potential.
- Business plan competitions to identify companies with exciting ideas and high potential.
- Business ecosystem initiatives, often with a regional focus, that take a comprehensive approach to creating an environment that is highly conducive to startups.
- Workforce development initiatives that help small businesses find and train the talent they need to operate and compete.
- Seed and venture funds that focus on startups and expanding firms.
- Networking and collaboration initiatives that bring small businesses and self-employed entrepreneurs together with large companies and universities.
- International trade programs that help small businesses reach out to new global export markets.
- Streamlined administrative processes and regulatory procedures for small business.
- Broadband investments that provide small businesses of all types with the online access necessary in the 21st century.

Governors of states recognize the importance of small business and often take the lead in reforming state policy and service delivery to make growth and commerce easier for small business. Some states offer fast-track access to financial resources and a full slate of services that help small businesses

connect with technical expertise, customers, suppliers, and state agencies that interact with small business as regulators or partners in development.

State and local chambers of commerce are at the forefront of promoting a pro-business free enterprise agenda and thwarting antibusiness legislation, regulations, and rules. Chambers of commerce across the country lead the way in advocating on behalf of their members for the creation of conditions in which small businesses can take root and grow: lower costs of doing business, fairer taxes, fairer regulations, and less regulatory paperwork. They work with governors, industry, and professional associations to pursue outcomes that are beneficial to businesses in all sectors and of all sizes.

## Ranking the States by Policy Performance

Policy decisions and program design in state government are important but, ultimately, development policy is enacted to achieve one goal: increase economic performance. This fourth annual *Enterprising States* report measures state performance overall and across five policy areas important for job growth and economic prosperity:

- Exports and international trade
- Entrepreneurship and innovation
- Business climate
- Talent pipeline
- Infrastructure

The study combines metrics for each economic development policy area to measure performance in each policy topic area. The policy areas are not mutually exclusive; for example, tax incentives can be used to stimulate entrepreneurship and innovation, while infrastructure, such as ports, is

## State Rankings: The Strong Performers

State	Number of Top 10 Finishes	Overall Performance Rank	Overall Export Rank	Overall Innovation & Entrepreneurship Rank	Overall Business Climate Rank	Overall Talent Pipeline Rank	Overall Infrastructure Rank
Utah	6	3	3	4	6	8	4
Texas	4	2	2	6	5	23	14
Washington	3	6	6	7	11	17	11
Florida	3	37	20	10	9	4	1
North Dakota	1	1	21	15	14	13	22
Colorado	4	14	48	2	8	9	7
Nevada	3	27	5	13	2	44	2
Virginia	3	5	46	3	16	5	24
Arizona	3	20	43	8	7	26	5
Georgia	2	40	17	9	17	21	9
Minnesota	2	15	25	27	40	6	6
Maryland	3	9	42	1	43	3	26

essential for exports. The top 10 states in each policy area were chosen using a normalized index of measures within that policy environment.

Remarkably, Utah lands in the top 10 in each of the five policy area rankings and 3rd in overall economic performance, the only state to finish in the top 10 on all six lists. Texas and Colorado appear on four top 10 lists, and Washington ranks no worse than 17th on any list.

Nevada and Georgia land in the bottom half for overall economic performance yet rank well in most policy measures, an indication that the economies of those states may be due for a turnaround. Maryland ranks in the bottom 10 for exports and business climate, but its highly competitive innovation economy and talent pipeline help it place 9th for economic performance.

Metrics in this year’s analysis are consistent with those of previous years, except where updated data are unavailable or improved measures have become available. For a full description of metrics and results for each state, see the Ranking the States by Growth and Performance section on page 28.

### Top States for Growth and Economic Performance

Booming North Dakota leads the way again in overall economic performance, owing to the confluence of its energy boom, strong agricultural economy, and (perhaps surprisingly) well-educated young workforce. Two more energy-rich states, Wyoming and Oklahoma, also appear in the top 10. Texas offers the strongest economic momentum as the fastest-growing large state. High-tech and innovation fuel growth in Virginia, Washington, Utah, and Maryland, while Louisiana bounces back strongly in the face of economic headwinds to rank 8th overall.

The performance metrics include a variety of general economic measures, with overall performance rankings weighed toward the most important desired outcomes of state economic development policy: job and income growth. The top-performing states are determined by a normalized, weighted combination of the following measures:

- Ten-year job growth (3 points)
- Two-year job growth (3 points)
- Overall expansion of gross state product (1 point)
- Productivity: state output per job (1 point)
- Productivity growth: growth in output per job (1 point)
- Income growth: growth in per capita personal income (3 points)
- Livability: median income of four-person household adjusted for state cost of living (2 points)

The top 10 states for overall economic performance are—

- 1. North Dakota.** North Dakota's stratospheric growth propels it to the top of the overall performance rankings. The state leads by a wide margin in both job growth measures, and its gross state product (GSP) is up 59% over the past decade. North Dakota's job growth turnaround began in 2003, and an oil and gas boom has fueled job growth of 11% the past two years. This economic expansion is affecting state residents; the Peace Garden State has the fastest-growing per capita personal income, and it ranks 7th in median family income.
- 2. Texas.** The nation's 2nd-largest state is a strong overall performer, ranking no worse than 27th in any performance metric and placing

in the top five for growth in short-term and long-term jobs and GSP. Texas has added 41,000 jobs in natural resources extraction over the past two years, but growth is broad based. The manufacturing sector added 34,000 jobs, to go along with 73,000 in health care, 47,000 in construction, 27,000 in professional and technical services, and 37,000 in wholesale trade.<sup>50</sup>

- 3. Utah.** Utah is the strongest job growth performer behind North Dakota, ranking 2nd in both short- and long-term job growth. The state is becoming known as a professional services and finance center; jobs in those two sectors are up 10% and 9% over the past two years. Manufacturing is a competitive advantage for the state. Over the past decade, Utah's manufacturing sector saw a slight increase in employment—during a time when national manufacturing employment contracted by 22%.<sup>51</sup>
- 4. Wyoming.** Known for its energy production, Wyoming has shown strong growth performance over the past decade, ranking 3rd in job growth, 6th in GSP growth, and 4th in per capita personal income growth. However, job growth has slowed somewhat over the past two years. The state has added 1.2% to its employment base since 2010, ranking it 36th.
- 5. Virginia.** Virginia takes 1st place in our measure of general standard of living: median family income adjusted for cost of living. The state's steady performance—ranking between 14th and 23rd in the other six performance measures—lands it 5th overall in growth and performance. Partly owing to its proximity to the nation's capital, Virginia is a national leader in professional, scientific, and technical services. Virginia grew that sector 37% over the past decade—impressive growth for an already large sector.<sup>52</sup>
- 6. Washington.** Washington places in the top 10 in five of seven economic performance metrics, including short- and long-term job growth and adjusted median family income. Washington is

positioned extremely well for the future. The state is a strong overall performer in each of the Enterprising States policy areas, ranking 6th in exports, 7th in technology and entrepreneurship, 11th in business climate and infrastructure, and 17th in talent pipeline.

- 7. Oklahoma.** Strong growth in the productive economy is creating opportunity in Oklahoma. In just the past two years, mining and resource extraction jobs are up 23%, wholesale trade is up 17%, and manufacturing is up 11%. These three sectors together have generated 34,000 new jobs in the Sooner State since 2010.<sup>53</sup> This growth is generating wealth in the state; it ranks 5th in per capita personal income growth.
- 8. Louisiana.** Louisiana has suffered from serious economic trauma in recent years (e.g., Hurricane Katrina and the Deepwater Horizon oil catastrophe). However, the state is bouncing back nicely. It has been the 9th-fastest-growing state for employment over the past two years and ranks 3rd in per capita income growth. The state is home to a productive economy, ranking 11th in GSP per job and 18th in GSP growth.
- 9. Maryland.** In spite of its higher cost of living, high incomes in Maryland place it 2nd among all states in adjusted median income. Maryland ranks between 13th and 24th in each of the other six performance measures, good enough to land it 9th overall. The state added 17,000 jobs in professional, scientific, and technical services in the past two years, a sector 53% more concentrated than the national average.<sup>54</sup>
- 10. Iowa.** Income measures provide Iowa its greatest competitive advantage in overall economic performance. The Hawkeye State ranks 6th in per capita income growth and 8th in median family income adjusted for cost of living, a sign that it offers a high quality of life. Iowa's fastest-growing industry sector over the past two years was manufacturing, which added nearly 12,500 jobs and

helped it rank 10th in overall economic performance among all the states.<sup>55</sup>

## Exports and International Trade

The vitality of the U.S. economy and the hopes of hardworking entrepreneurs seeking the American Dream depend on our ability to engage and compete around the world for customers, capital, and resources. Outside our borders are markets that represent 80% of the world's purchasing power, 92% of its economic growth, and 95% of its consumers. To tap those markets, states must establish programs and policies that promote exports and help firms conduct international business.<sup>56</sup>

International trade supports 38 million American jobs today. One in three manufacturing jobs depends on exports, and one in three acres on American farms is planted for hungry consumers overseas. The global economy is dynamic and highly competitive, so getting serious about exports and trade can have meaningful long-term benefits for all Americans.

Ninety-eight percent of America's exporters are small businesses from every state in the country, not large multinational corporations. A record 293,000 U.S. companies exported in 2010 (latest available data), and small and mid-sized firms continued to grow their share of overall U.S. exports to 34% in 2010, up from 27% in 2002.<sup>57</sup>

While the number of small and mid-sized firms currently exporting has grown 20% since 2000, only 1% of all small firms are exporters and of those 58.5% export to only one market.<sup>58</sup> Of the small manufacturers that take orders from abroad, only 12% actively market their products or services in other countries. Small companies most often cite the trouble of locating sales leads as the biggest limiting factor to increasing exports.<sup>59</sup> Increasing the number of small business exporters is a primary goal of most state export assistance and training programs.

The 10 export states were determined by a normalized, weighted index comprising four measures of export activity:

- Export Intensity: export activity as a share of gross state product (3 points)
- Growth in export intensity (1 point)
- Change in a state's share of total national exports (1 point)
- Growth in overall gross exports since 2002 (1 point)

Only “manufactured exports” are included in the metrics, which excludes bulk commodities that are often attributed to the state of the port location instead of the originating state.

The following are the top 10 export states:

- 1. Louisiana.** Louisiana ranks 2nd in all four metrics in the exports category, making it the top state overall. A critical shipping location, Louisiana continues to build on its strength with major expansion and upgrade projects such as the Port of New Orleans, the Louisiana International Gulf Deep Water Transfer Terminal, and the Port of Greater Baton Rouge.
- 2. Texas.** Texas ranks 1st in overall exports as a share of its GSP and 1st in growth of its share of total national exports. Already 1st in overall export intensity, the Lone Star State is building on its lead with a 12th-place ranking in export intensity growth and a 10th-place finish in overall export growth.
- 3. Utah.** Utah ranks in the top five in all four export measures. The state is a major exporter of electronic memory circuits, followed by aircraft engines and parts, vehicle airbag systems, and X-ray

equipment. Thirty-five percent of the state's exports go to the United Kingdom, and 20% go to Hong Kong.<sup>60</sup>

- 4. South Carolina.** South Carolina ranks 4th in export intensity and no worse than 12th in any of the four export metrics. Passenger vehicles account for about 29% of the Palmetto State's exports, and tires account for another 6%.<sup>61</sup> In the 2012 legislative session, South Carolina's leaders gave final approval to funding for upgrades to the state's vital Charleston Harbor to prepare it for larger container ships.
- 5. Nevada.** Even though it is below average in export intensity, Nevada's recent export boom propelled it to 5th in the rankings. Manufactured exports in Nevada are up 644% over the past decade.<sup>62</sup> Building on this momentum, the state's economic development plan for 2012–2014 lists expanding global outreach as one of the key priorities.
- 6. Washington.** While it ranks in the middle of the pack for export growth measures, Washington is a strong exporter, ranking 5th overall in export intensity. The foundation of the state's export traffic is its strong aerospace industry—civilian aircraft, engines, and parts account for 42% of exports from the Evergreen State.<sup>63</sup>
- 7. Mississippi.** Mississippi ranks no lower than 9th in any of the four export metrics. The state is capitalizing on its access to the Gulf of Mexico. Six of its top nine export trading partners are in Central or South America: Panama, Mexico, Columbia, Brazil, Honduras, and Guatemala.<sup>64</sup>
- 8. Indiana.** Highly dependent on manufacturing, Indiana ranks 7th in export intensity. The state is best known for the automotive and recreational vehicle industries; its largest and fastest-growing export is prepackaged medications for retail distribution. This sector has grown 400% since 2008 and now accounts for more than 10% of the state's total exports.<sup>65</sup>

**9. Kentucky.** Kentucky ranks 8th in exports as a share of its GSP. In 2010, the Bluegrass State launched the Kentucky Export Initiative to bring together export-oriented partners from the public, private, and nonprofit sectors. The state offers special assistance for small businesses, coordinating training and organized trade missions as small companies seek access to international markets.

**10. Michigan.** Michigan has withstood upheaval in the domestic automobile industry, but the state remains a major exporter, ranking 6th in export intensity as a share of gross state product. The automobile and parts industries continue to drive export activity in Michigan, including vehicles of various sizes, transmissions, auto bodies, and parts from bumper to bumper.

## Entrepreneurship and Innovation

Small business is a driving force of the economy, accounting historically for about 64% of net new jobs. New and young businesses have generated 40 million jobs in the past two decades, which is about 20% of total job creation.

Firms with high growth potential have captured the attention and resources of economic development organizations at the national, state, and local levels. According to the Kaufman Foundation, 76% of high-growth firms are young businesses, and these gazelles generate 88 new jobs a year compared with an average 2 to 3 jobs among all businesses. The impact of high-growth firms goes beyond job creation; these firms create more income and wealth in the community, contribute more to local and state tax bases, and are more likely to invest in their communities through schools, community service, and philanthropy.<sup>66</sup>

Entrepreneurial policy commentators Robert Litan and Carl Schramm estimate that fostering the formation of 60 new high-growth companies a year (those whose revenue eventually would mature into an average of \$1

billion per year) could increase annual GDP by 1% annually. To achieve that goal, the United States would have to create approximately four times as many high-growth companies as it does currently.<sup>67</sup>

Although high-growth companies can emerge in any sector, historical evidence and the increasing global demand for technology suggest that science, technology, engineering, and mathematic (STEM)-related endeavors spurred by university commercialization have the most potential.

Recognizing the importance of new businesses, small businesses, and stage-2 gazelle firms, economic development policy execution is rapidly shifting toward programs and investments targeting these firms and away from high-cost incentive packages designed to convince large firms to relocate. States are investing in business accelerator programs, co-location and assistance programs for the self-employed, and economic gardening initiatives that provide high-end research and advisement services for growing companies.

Six equally weighted measures were used to identify the top entrepreneurship and innovation states:

- STEM occupation concentration
- STEM job growth
- High-technology businesses as a share of all businesses
- Academic research and development activity
- Birthrate of business establishments
- Growth in full- and part-time self-employment

The following are the top 10 states for entrepreneurship and innovation:

- 1. Maryland.** Maryland is the top state for entrepreneurship and innovation, ranking in the top six in four of the six metrics and no lower than 21st in any metric. The state is No. 1 in academic research and development, has the 2nd-highest concentration of STEM employment, and is adding STEM jobs faster than all but five other states.
- 2. Colorado.** Colorado ranks in the top 20 on all six measures, highlighted by a 2nd place ranking in high-tech businesses, 4th place in business birthrate, and 5th place in STEM job concentration. The state's fastest-growing industry sectors for STEM jobs over the past two years were software (1,100 new jobs), engineering services (840 jobs), physical and life sciences research (675), and management consulting (550).<sup>68</sup>
- 3. Virginia.** Virginia may be the best state in the nation for STEM jobs. The state is 1st in STEM job concentration and 2nd in STEM job growth only to North Dakota, where the concentration is much lower. Virginia also has the highest share of business establishments in high-tech industries. Virginia's Business One Stop helps entrepreneurs obtain the information and complete the steps required to register their businesses and find resources to help them grow and expand.
- 4. Utah.** Utah is a fast-emerging state for high technology and entrepreneurship. It is adding STEM jobs at the 3rd-fastest rate and has the 7th-highest concentration of high-tech business establishments. Utah also performs well on measures of entrepreneurship, ranking 3rd in business birthrate and 7th in the increase in self-employed workers. The USTAR (Utah Science, Technology and Research) initiative received \$6 million in 2012 to support research and innovation at Utah's universities, creating commercial opportunities leading to partnerships with private sector businesses.
- 5. Massachusetts.** Massachusetts is a center for STEM jobs and university research and development. The state ranks 4th and 2nd in those two categories, to go along with its 6th-place ranking in high-tech businesses. The Bay State lands in the middle of the pack for measures of entrepreneurship, but its high-tech economy was enough to place it 5th overall.
- 6. Texas.** Texas is the 5th-fastest-growing state for STEM jobs, and it performs well on entrepreneurship metrics. The state ranks 2nd in the growth of full- and part-time self-employed workers and 8th in business birthrate. Texas has added 34,000 STEM jobs since 2009, many of them in computer and IT-related occupations.<sup>69</sup>
- 7. Washington.** Owing to its strong STEM workforce, Washington places 7th overall in the entrepreneurship and innovation category. The state is already home to the 3rd-highest concentration of STEM workers and is adding STEM workers at the 4th-fastest rate in the nation. It has particularly high concentrations of life scientists (77% above average), engineers (56%), and computer workers (52%).<sup>70</sup>
- 8. Arizona.** Arizona has the 5th-highest business creation rate in the nation, but it makes the top 10 on the basis of its solid all-around performance. It ranks at least 15th in five of the six entrepreneurship and innovation metrics. The Grand Canyon State's technology workforce is strong and growing; it ranks 15th in both STEM job categories.
- 9. Georgia.** Georgia ranks 9th in high-tech establishments, with particularly high employment concentrations in computer facilities management, telecommunications, software, and manufacturing of computer peripheral and communications equipment.<sup>71</sup> The state operates a training program to teach communities how to operate entrepreneur support programs and to better understand their local entrepreneur environments.

**10. Florida.** Florida shows middling performance in high-tech metrics but is very strong in measures of business creation. The Sunshine State is 1st in business birthrate and 3rd in increase in self-employed workers. The fastest-growing self-employed occupations since 2002 include personal financial advisors (59,000 new jobs), managers (40,000), property managers (39,000), and securities and financial services salespeople (38,000).

## Business Climate

Government-imposed or government-related costs can have a major influence over the incentives and resources that are available for starting, operating, or expanding a business.<sup>72</sup> Like large businesses, small businesses are negatively affected by exorbitantly high taxes, energy costs, volatile markets, lack of access to capital, expensive regulations, and problematic legal environments. Higher top marginal tax rates on personal income, for example, have been found to reduce a state's share of the national entrepreneurial stock.<sup>73</sup>

However, small businesses lack the political muscle of their large business counterparts in dealing with state and local government, and they are more likely to suffer from the unfavorable effects of high taxes, conflicting and complex rules, or a burdensome legal system. Most small businesses cannot afford a team of lawyers and consultants to help them navigate the maze of government red tape.

Underfunded state and local pension programs threaten to undermine the business climate in many states by diverting resources from critical basic services. Estimates of unfunded pension liabilities range from \$730 billion to \$4.4 trillion, and the funding ratio for state plans dropped from 77% in 2011 to 73% in 2012.<sup>74</sup> The situation varies among states; for example, North Carolina and Florida are in relatively good shape, while Illinois and New Jersey are in trouble.<sup>75</sup>

No state has the best tax policy for all entrepreneurs; rather, different

states have tax policies that suit certain types of companies more than others. Thus, the states that are best for new businesses are not always the most favorable for existing small businesses. Those that are best for new C corporations aren't best for new sole proprietorships, partnerships, or S corps. Likewise, the most advantageous states for starting service firms aren't always the best for starting manufacturing ventures. And states that offer the most favorable conditions for R&D-intensive firms are not the most favorable for low-tech businesses.<sup>76</sup>

Many states are enacting commonsense reforms to legal systems in order to help ease the burden of wasteful and excessive civil lawsuits on small business. Small businesses produce just 22% of total U.S. business revenue, yet bear 81% of business tort liability costs. More than a third of small businesses report having been a target for lawsuits and, of those, 73% said the suit negatively affected their business.<sup>77</sup> Since 2011, nine states have enacted significant legal system reform: Alaska, Arizona, Louisiana, Ohio, Oklahoma, North Carolina, Tennessee, Texas, and Wisconsin.

Six equally weighted metrics determine the top states for business climate:

- Small business lending rate
- Potential cost impact of legal reform (Institute for Legal Reform)
- State and local tax burden (Tax Foundation)
- Overall business tax climate index (Tax Foundation)
- U.S. Business Policy Index (Council for Small Business and Entrepreneurship)
- Cost of living

The following states are the top 10 performers overall in economic performance and growth for 2012:

- 1. South Dakota.** South Dakota leads the way in business climate, with four top 10 rankings and no worse than 26th in any measure. Top rankings include 1st in the U.S. Business Policy Index, 2nd in state and local tax burden, 2nd in business tax climate, and tied for 8th for its cost-effective legal environment.
- 2. Nevada.** Nevada ranks 2nd in the U.S. Business Policy Index, 3rd in business tax environment, 6th in small business lending, and 9th in state and local tax burden. The state has no corporate or personal income taxes, no inventory tax, and no inheritance tax, easing generational transition of family-run small businesses.
- 3. Wyoming.** Wyoming's three top five rankings in business climate measures place it 3rd overall in this category. According to the Tax Foundation, the state has the best business tax climate in the nation, and its overall state and local tax burden is 5th. Wyoming ranks 4th in the U.S. Business Policy Index and 16th for its cost-effective legal environment.
- 4. Alaska.** Alaska has the lowest state and local tax burden in the nation, the 4th-best business tax climate, the 7th most cost-effective legal environment, and the 4th most active small business lending climate. Looking to spur new growth in the critical energy sector, Alaska policymakers are weighing adoption of a range of policy changes designed to drive increased exploration and production.
- 5. Texas.** The Lone Star State is a strong overall performer in business climate, ranking in the top nine in four business climate measures and no worse than 22nd in any. Texas is a low-tax state, ranking 9th in business tax climate and 6th in overall state and local tax burden. Americans are moving to Texas from all over the country, attracted partly by the state's 7th-lowest cost of living.
- 6. Utah.** Utah ranks between 7th and 22nd in all six business climate measures, including 7th in small business lending activity and tied for 8th in both cost-effective legal environment and the U.S. Business Policy Index. Utah is home to comparatively low top corporate tax rates at 5% and is one of the lowest property tax states in the nation relative to income. Additionally, Utah lacks wealth transfer taxes such as the gift tax, and the estate and inheritance taxes on the books are currently not operational.
- 7. Arizona.** Arizona has an active small business lending environment, ranking 3rd overall. Arizona also augments startup funding with its Angel Investment and AZ Fast Grant programs. The Angel Investment program offers tax credits to investors who make business investments in qualified Arizona small businesses, while the Fast Grant program helps small companies with promising technologies through the commercialization process.
- 8. Colorado.** Colorado ranks 8th overall, led by a 1st-place ranking in small business lending activity. A series of "Pits and Peeves" meetings gathered information about regulatory barriers to job creation. Working with business leaders and other stakeholders, the state reviewed thousands of its rules and regulations, identifying potential reforms to streamline regulatory processes and eliminate barriers to business success in Colorado.
- 9. Florida.** Florida ranks 5th in business tax climate and the U.S. Business Policy index and 8th in small business lending activity. Florida recently increased its corporate income tax exemption from \$5,000 to \$50,000 and adopted legislation making it easier for growing manufacturing businesses to qualify for sales tax exemptions on equipment purchases.
- 10. Idaho.** Idaho makes the top 10 with the 5th most active small business lending environment, 9th-lowest cost of living, and 12th most cost-effective legal environment. A recent survey of small business owners by Thumbtack.com and Kauffman Foundation gave Idaho an A+ rating for business climate.<sup>78</sup>

## Talent Pipeline

Reports from employers about growing skills gaps, displaced workers in need of retraining, and hiring troubles in the face of high unemployment are driving convergence between the workforce development and economic development systems. Navigating the collaboration and program integration between these two traditionally separate job-creation institutions is one of the primary challenges facing state workforce development agencies.

Linking economic development with workforce development has proved challenging. The two fields are historically separate systems, with separate cultures and perspectives. However, investing in people is perhaps the most effective long-term economic growth strategy. Training and education offer the best chance for workers to find well-paying long-term employment while providing businesses with the talent they need to grow.

Because of the complexity of the systems and differences between them, successfully aligning workforce development with economic development has been a challenge. Wholesale integration may not be fruitful; integration

may be more effective at the program or initiative level. Actions must be carefully implemented and strategic; a number of strategies, actions, and values can help guide program design at the state level.<sup>80</sup>

- Make explicit attempts to gather input and solicit participation from regional businesses. Sustained business leadership is critical.
- Create structures for the collection and dissemination of robust labor force data to guide decision making. Metrics and data are essential drivers of change.
- Confine state involvement to providing funding and policy structure, leaving program design and implementation to local leaders. Alignment is regional. Impact can be made with modest, phased funding.
- Base initiatives on shared accountability but differentiated responsibility. Education is the arbiter of student supply and business employment demand, with decisions based on a joint understanding of student career plans and occupations in demand by business.
- Encourage widespread public awareness by communicating the value of training and the availability of programs.

<b>Two Systems, Two Perspectives<sup>79</sup></b>		
	<b>Workforce Development</b>	<b>Economic Development</b>
<b>ORIGINS</b>	War on Poverty	Local competition for business
<b>PRIMARY FUNDING SOURCE</b>	Federal	Local/state
<b>CULTURE</b>	Human services	Business
<b>OBJECTIVES</b>	Access and equity	Economic growth
<b>ACCOUNTABILITY</b>	Highly regulated	Loose regulation
<b>PROGRAMMING</b>	Case management model	Sales model
<b>MEASUREMENT</b>	Job placement	Job creation

To gauge the overall environment for workforce activities in each state, the talent pipeline metrics cover some areas of higher education efficiency and attainment, the rigor of high school coursework, and the performance of the state job assistance system. *Enterprising States* provides a top-line review of the talent within each state based on general measures of secondary and higher education and workforce training systems. For a more in-depth analysis of the performance of state public postsecondary education systems, the U.S. Chamber's Institute for a Competitive Workforce publishes *Leaders and Laggards: A State-by-State Report Card on Public Postsecondary Education*. *Leaders and Laggards* offers detailed state-by-state analyses of policies, practices, and funding decisions directly related to postsecondary education.

Top talent pipeline states are determined using six equally weighted measures:

- Higher education degree production
- Cost-per-completion: state spending per degree awarded
- Total student cost at a four-year research institution as a share of state disposable income
- Share of residents ages 25 to 44 with at least a two-year degree
- Percentage of high school senior class scoring 3 or higher on an Advanced Placement (AP) test
- Efficiency for placing adults in open jobs by the state workforce development system

The following are the top 10 talent pipeline states:

- 1. Massachusetts.** With top three rankings in three of six talent pipeline measures, Massachusetts lands in 1st place. The state is home to the nation's most educated young workforce, the 3rd most productive higher education system, and the 3rd-best share of high school seniors scoring well on AP tests. Massachusetts is placing community colleges at the center of its job creation strategy by developing a more unified, coordinated system and strengthening connections among community colleges and workforce initiatives at the regional level.
- 2. New York.** The Empire State performs well on all talent pipeline measures, ranking 4th in educational attainment, 2nd in AP exam success rate, and no worse than 19th in any metric. New York's talent production system drives this high level of educational attainment in its workforce. The state ranks 13th in college

degree output, 12th in cost-per-degree completion, and 13th in college affordability.

- 3. Maryland.** Maryland ranks 1st in AP test success rate, 4th in higher education system efficiency, 11th in college affordability, and 11th in educational attainment. The Maryland Partnership for Workforce Quality offers matching grants for employee training to small and medium-sized companies in manufacturing and technology industries.
- 4. Florida.** The Sunshine State ranks 4th overall in the talent pipeline, due to three top 10 finishes, including 1st in higher education efficiency, 4th in AP test scores, and 9th in college affordability. Florida also ranks 20th for its job placement system efficiency and 21st in college degree output.
- 5. Virginia.** Virginia is home to the nation's 7th most educated workforce, the 5th-highest rate of high school seniors scoring well on AP exams, and the 6th most efficient higher education system. The state also lands in the top 20 for its production of college degrees, needed fuel for its growing professional services industry sector.
- 6. Minnesota.** The Land of 10,000 Lakes has the 2nd most educated young workforce, and its higher education system is the 4th most productive in degrees per 18- to 24-year-old. To maintain its degree output, Minnesota could improve on its 36th-place ranking in higher education system costs-per-completion and its 27th-place finish in college affordability.
- 7. Connecticut.** Connecticut ranks 7th in the talent pipeline, primarily because of its 6th-place ranking in AP test scores and its 6th most educated young workforce. The state is embarking on a \$1.5 billion partnership with the University of Connecticut for STEM training. The plan includes hiring an additional 259 faculty, a STEM honors program, and a STEM scholarship program to fund 1,400 students by 2020.

**8. Utah.** Utah ranks in the top 11 in four of six talent pipeline metrics. The Beehive State ranks 7th in higher education efficiency, 8th in college affordability, 11th in AP scores, and 11th in college degree output. In 2012, the Utah Legislature approved \$2.5 million for the Engineering Initiative. This funding is expected to increase the supply of engineering graduates and software developers for the technology industry in Utah.

**9. Colorado.** Colorado ranks in the top half of states in five of the six talent pipeline measures, led by a 9th-place ranking in educational attainment and 9th in AP exam scores. Its higher education system is productive and efficient, ranking 16th in output and 15th in cost efficiency. The state offers workforce training grants of up to \$800 per employee through its Colorado FIRST community college partnership program.

**10. South Dakota.** South Dakota is the 3rd most affordable state for a college degree, and its state job placement system is the 5th most efficient. The state lands in the top half of states for educational attainment, ranking 17th. The 1,000 New South Dakotans recruitment initiative pays half the cost for professional talent scouting for placement contracted by a company seeking talent that is not available in the state.

## Infrastructure

Infrastructure provides the critical foundation for state economies and commerce. Research by the U.S. Chamber's Transportation Performance Index Project shows that infrastructure performance is directly related to economic growth.<sup>81</sup> Recognizing this, many states are making strategic investments in the facilities and roads needed to move goods, such as the major investments to deepen ports on the Gulf and Atlantic Coasts to serve manufacturers in southeastern states. These investments are future-oriented, as infrastructure performance is a leading indicator that sometimes takes years to pay off in measurable economic growth.<sup>82</sup>

Broadband data access is becoming an increasingly important factor to support state and regional economic performance. A 2012 Boston Consulting Group report found that the Internet accounted for 4.7% of all U.S. economic activity in 2010, more than the federal government. On top of that 4.7% (which includes e-commerce, usage fees, and business investment), broadband infrastructure indirectly supports business activity in virtually every industry.<sup>83</sup>

Rural areas of many states still lag in broadband deployment. Large states—especially in the American West—generally did poorest on *Enterprising States* broadband measures. Research shows that rural communities with greater broadband access grew fastest.<sup>84</sup>

The top infrastructure states are determined by a combination of four metrics weighed equally:

- Broadband capacity: share of households with 25-megabit download speed available
- Broadband availability: share of households with five or more providers available
- Road quality
- Share of bridges determined to be deficient or obsolete

The following states were ranked as the top 10 infrastructure states for 2012:

- 1. Florida.** Florida ranks in the top 10 for all four infrastructure metrics. In 2012, the state created an Office of Freight Logistics and Passenger Operations to ensure that new and existing infrastructure is being planned and coordinated to allow the optimal movement of freight, supporting economic expansion and transport efficiency.

- 2. Nevada.** Nevada ranks 2nd overall for infrastructure, highlighted by a 3rd-place ranking in bridge quality and 7th place for household access to multiple broadband providers. The state is in the process of launching a \$1.8 billion initiative to expand and improve highways in the Las Vegas area.
- 3. Illinois.** Already a strong performer in broadband infrastructure, the state is making broadband a significant part of its business attraction strategy. The \$6 million Illinois Gigabit Communities Challenge, a competition launched by Governor Pat Quinn, will award funding to the most promising ultra-high-speed broadband deployment projects in the state.
- 4. Utah.** Utah ranks 16th or better in every infrastructure category, including a 5th-place ranking in bridge quality. Access to high-speed data connections helps support high-tech industry in the Silicon Slopes. Utah ranks 13th in both broadband measures.
- 5. Arizona.** Still a fast-growing state, Arizona has the 2nd-best bridge quality in the nation and ranks in the top 20 on all four infrastructure measures. In 2012, the state created the Arizona Transportation and Trade Corridor Alliance, a panel of experts on energy, transportation, and trade from throughout the state to facilitate public-private partnerships to develop infrastructure.
- 6. Minnesota.** While it may be known for the tragic Interstate 35 bridge collapse in 2007, Minnesota has the lowest share of structurally deficient or functionally obsolete bridges. The Governor's Task Force on Broadband recently released a set of policy recommendations to improve deployment across the state, including targeted tax credits, expanded public access, more coordination efforts, and allowing broadband conduit to be installed in concert with highway projects.
- 7. Colorado.** Colorado ranks 8th in bridge quality and in the top 25 on all four infrastructure measures. The state is collecting transportation and other policy ideas from citizens and the business community via a nonpartisan public engagement effort called TBD (To Be Determined) Colorado.
- 8. Oregon.** Oregon is a top broadband state. It ranks 8th in households with access to 25 Mbps download speeds and 9th in households served by at least five broadband providers. The Oregon Infrastructure Finance Authority works with partners at all levels of government to identify economically vital infrastructure investments, making use of a variety of state-created revolving and special loan funds.
- 9. Georgia.** Georgia's strategic location in the southeastern corner of the nation has positioned it as a global hub, with the 4th-largest port in the nation and one of the busiest airports in the world. The Peach State is number 1 in road quality and number 12 in bridge quality. Georgia is investing aggressively to deepen the Savannah Harbor to 47 feet to prepare for a new class of container ships that have nearly three times the capacity of those currently able to transit the Panama Canal.
- 10. Ohio.** Top 20 rankings in three of four infrastructure measures place Ohio at number 10 overall. The state ranks 17th in road quality and 26th in bridge quality, and legislators hope to keep pace with the growing energy economy by passing a \$7 billion infrastructure investment bill.

# RANKING THE STATES BY GROWTH AND PERFORMANCE

*Enterprising States* compares states using 33 metrics that measure overall economic performance, along with performance in five important policy areas for job growth and economic health. Data for each measure were collected for each state and normalized on a 1–100 scale. States were ranked according to performance in each topic area, using a weighted index combining each set of metrics.

The heat map matrix on page 32 displays each state's performance on each of the 33 metrics. Each shade of red on the heat map indicates where a state ranks on each metric. Dark red squares indicate a top 10 ranking, followed by lighter colors for ranks in each of the 11–20, 21–30, 31–40, and over 40 ranges. Read horizontally across the page for a visual indication of how each state performs across various policy measures.

States are grouped by region, and metrics are grouped by policy area for easy visual comparison with other neighboring states. For instance, the Far West region performs very well in broadband metrics, as shown by the cluster of dark red on the heat map, while the Northeast and Mid-Atlantic regions perform poorer in business climate, indicated by sections of lighter color.

## Metric Definitions

### Economic Performance

**Long-term job growth, 2002–2012.** Percentage job growth between the September–November 2002 average figure and the September–November 2012 average. Source: U.S. Bureau of Labor Statistics Current Employment Survey.

**Short-term job growth, 2010–2012.** Percentage job growth between the September–November 2010 average figure and the September–November

2012 average. Source: U.S. Bureau of Labor Statistics Current Employment Survey. Measures recent job shifts.

**Real gross state product growth, 2001–2011.** 2005 chained dollars. Source: U.S. Bureau of Economic Analysis.

**Economic productivity: gross state product output per job, 2011.** Total economic output per job: a measure of a state economy's productivity and the presence of high-value industries. Source: U.S. Bureau of Economic Analysis.

**Productivity growth: growth in gross state product output per job, 2000–2010.** Percentage change in total economic output per job between 2001 and 2011. This measure indicates a state's shift toward higher value jobs and industries. Source: U.S. Bureau of Economic Analysis.

**Per capita personal income growth, 2002–2012.** Change in real income per person, 2002–2012, using third quarter figures for each year. Growth adjusted for inflation using Consumer Price Index for all Urban Consumers (CPI-U). Source: U.S. Bureau of Economic Analysis, U.S. Census Population Estimates and Intercensal Estimates.

**Median income for a family of four, adjusted for cost of living, 2011.** Source: U.S. Census 2009–2011 American Community Survey and cost of living data calculated by Missouri Economic Research and Information Center using data from Council of Community and Economic Research.

### Exports

**Export intensity: dollar value of manufactured exports per dollar of gross state product, 2011.** Value of exports equalized for the relative size of state economies. Measures the importance of exports

to a state's economy. Manufactured exports do not include bulk commodities that tend to be credited to the state where the exporting port is located. Source: U.S. Census Foreign Trade Division, U.S. Bureau of Economic Analysis.

**Export intensity growth: change in dollar value of manufactured exports per dollar of gross state product, 2002–2011.** Measures increasing or decreasing role of exports in a state's economy.

Manufactured exports do not include bulk commodities that tend to be credited to the state where the exporting port is located. Source: U.S. Census Foreign Trade Division, U.S. Bureau of Economic Analysis.

**Percentage point change in state share of total national exports, 2002–2012.** Measures a state's export performance relative to other states and accounts for overall national export growth or decline. Covers manufactured exports, not including bulk commodities that tend to be credited to the state where the exporting port is located. Source: U.S. Census Foreign Trade Division.

**Growth in gross manufactured exports, 2002–2012.** Manufactured exports. Source: U.S. Census Foreign Trade Division.

### **Innovation and Entrepreneurship**

**STEM job growth: growth in science, technology, engineering, and mathematics jobs, 2002–2012.** Increase in the number of computer specialists, mathematical scientists, engineers, engineering technicians, life scientists, physical scientists, social scientists, and life, physical, and social science technicians. Source: EMSI [Economic Modeling Specialists International] 2012.4 Class of Worker: QCEW [Quarterly Census of Employment and Wages] Employees, Non-QCEW Employees and Self-Employed.

**STEM concentration: science, technology, engineering, and mathematics jobs, 2012.** Measures concentration of STEM jobs in a

state versus the nation. Location quotient is the share of STEM jobs in a state divided by share of STEM jobs in the nation. STEM workers include computer specialists, mathematical scientists, engineers, engineering technicians, life scientists, physical scientists, social scientists, and life, physical, and social science technicians. Source: EMSI 2012.4 Class of Worker: QCEW Employees, Non-QCEW Employees and Self-Employed.

**High-tech business: high technology share of all establishments, 2012.** The share of business establishments (locations) that are in high-technology industries. High-technology industry definition includes 44 six-digit NAICS (North American Industry Classification System) industry sectors in the state, including technology manufacturing sectors, adapted from the industry definition created by TechAmerica. Source: EMSI Complete Employment, 2012.4.

**Business creation: Business establishment birthrate, 2009–2010.** Source: U.S. Census Bureau, 1989–2010 Business Information Tracking Series.

**Academic research and development as a share of gross state product, 2010.** Measures the extent to which academic R&D plays a role in the state economy. Funding could come from industry, state or federal government, or another agency. Source: National Science Foundation Science and Engineering State Profiles, U.S. Bureau of Economic Analysis.

**Growth in full-time and part-time self-employed, 2005–2012.** Growth in the number of self-employed people, including full-time and part-time proprietors and contract workers. Source: EMSI 2012.4 Class of Worker: Self-Employed and Extended Proprietors.

### **Business Climate**

**Small business lending: number of small business loans per 1,000 small business employees.** Source: Statistics of U.S. Businesses; U.S.

Small Business Administration, Office of Advocacy from Community Reinvestment Act.

**Effects of legal climate on state tort costs, 2011.** Percentage reduction in costs possible if a state could match the legal climate of the top ranked state. The measure is based on an econometric model of the effect of the perception of the legal climate and the amount of legal activity in each state on the cost of liability insurance. Source: U.S. Chamber of Commerce Institute of Legal Reform.

**State and local tax burden, 2010.** Measures overall tax burden from state and local taxes, reflected as the percentage of income paid by local residents in state and local taxes. Source: Tax Foundation.

**State business tax climate index, 2012.** Index of taxes affecting business. Source: Tax Foundation.

**U.S. Small Business Policy Index, 2012.** The metric combines 46 measures of government-imposed or -related business cost measures affecting a wide variety of industries and business types. Source: Small Business and Entrepreneurship Council.

**State Cost of Living Index, 2012.** Source: Missouri Economic Research and Information Center, using data from Council of Community and Economic Research.

### Talent Pipeline

**Higher education output: bachelor's degrees conferred per 1,000 18- to 24-year-olds, 2010.** Measures degree output of the state higher education system. Source: National Center for Education Statistics, U.S. Census Population Estimates.

**Higher education system efficiency: cost per degree completion, 2008–2009.** State education and related expenses divided by a weighted

average of degree completion and adjusted for varying wage rates across states. Source: *Leaders and Laggards*, U.S. Chamber of Commerce Institute for Competitive Workforce.

**College affordability: average undergraduate charge at public four-year institutions as a share of disposable personal income, 2012.** Measures degree affordability adjusted for state income levels. Source: National Center for Education Statistics, U.S. Bureau of Economic Analysis.

**Educational attainment: Associate and higher degree holders among 25- to 44-year-old population, 2011.** Source: U.S. Census American Community Survey, 2011.

**Share of high school seniors scoring 3 or above on Advanced Placement exams, 2012.** Measures the extent to which a rigorous curriculum is successfully completed by students in secondary schools. Source: College Board, Advanced Placement Report to the Nation.

**Job placement system efficiency: employment placement rate goal attainment, 2011.** Ratio of workforce development system adult customers obtaining employment upon exit from state job training and placement services compared with the agreed-upon goal rate. Measures the performance of a state's workforce assistance system while accounting for variance in state economies. Source: U.S. Department of Labor Employment and Training Administration.

### Infrastructure

**Broadband capacity: share of households with at least 25 Mbps downstream broadband availability, 2011.** Source: U.S. National Broadband Map.

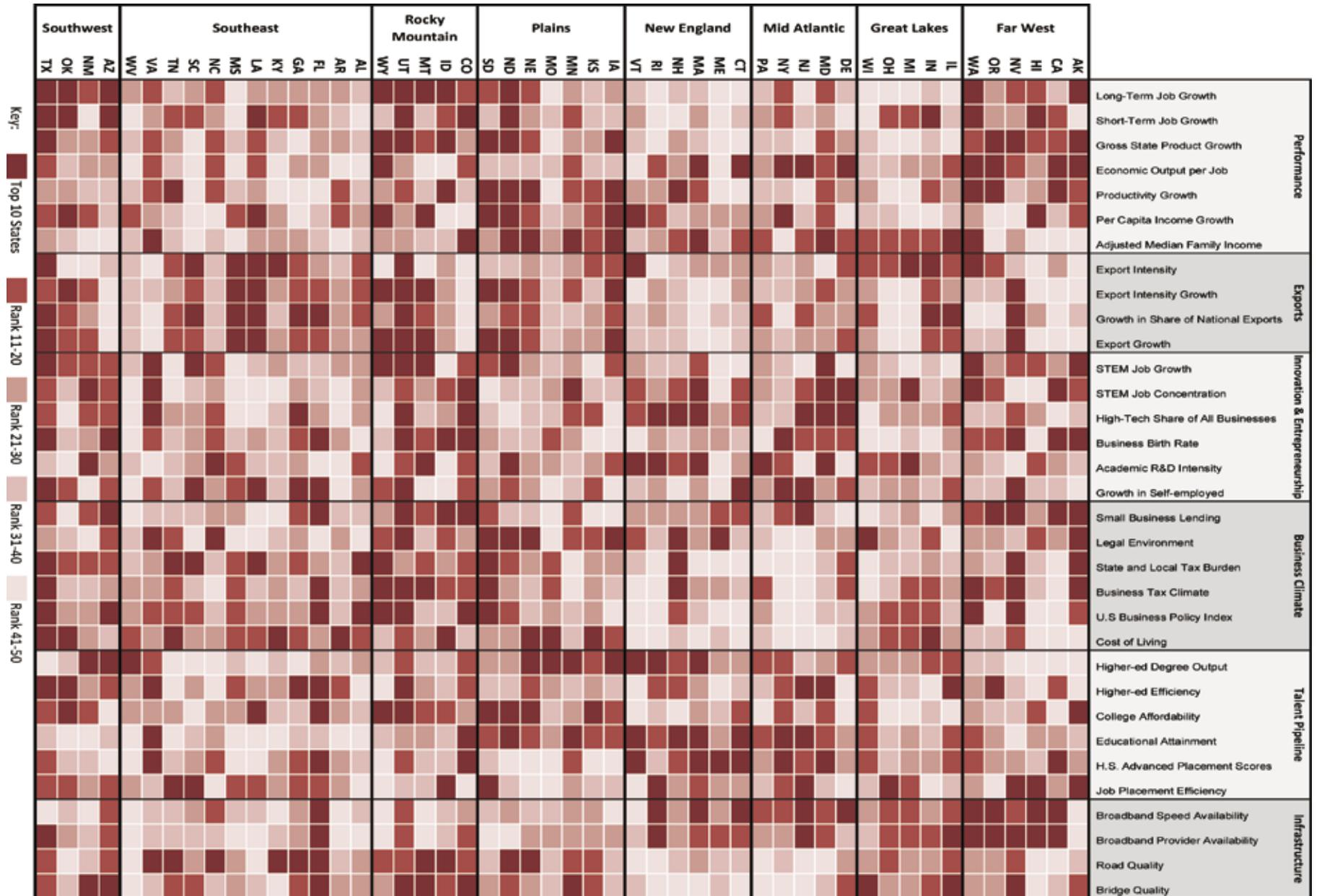
**Broadband availability: share of households with at least five broadband service providers available, 2011.** Source: U.S. National Broadband Map.

**Road quality: percentage of road miles rated mediocre or poor, 2009.**

Source: Road Roughness Index, Federal Highway Administration.

**Share of bridges rated structurally deficient or functionally obsolete, 2011.** Source: Federal Highway Administration, National Bridge Inventory.

# STATE-BY-STATE METRICS HEAT MAP





Alabama is a strong exporter, ranking 13th overall, but the state lags in the talent pipeline category. In January 2013, Governor Robert Bentley introduced the College and Career Ready Task Force to address the growing gap between the skills of graduates and the needs of industry and demands of the regional workforce.

The task force will consist of educators from K–12, two-year colleges, and four-year universities, and leaders from business and industry. By engaging educators, the task force hopes to develop curricula and training programs to prepare students for high-demand college programs and careers. Members of the business community are expected to play an important role by providing input and direction about the needs and skill shortages most strongly felt by their industries.

In 2012, Alabama launched the most ambitious road and bridge improvement project in the state’s history. The Alabama Transportation Rehabilitation and Improvement Program (ATRIP) will accelerate the delivery of funds for road and bridge construction, maintenance, and

improvement for qualifying projects in the state. Aside from the inherent benefit of improving transportation infrastructure, the investment serves an economic development function by creating a reliable transportation infrastructure to support exporters. The state’s vehicle, chemical, and primary metal manufacturing industries have added 9,500 new jobs since 2010.

Once cities and counties submit proposals for funding, they are reviewed by the Alabama Department of Transportation, which makes funding decisions in conjunction with an ATRIP Advisory Committee and Governor Bentley. Between March 2012 and February 4, 2013, ATRIP supported 439 projects in 61 of the 67 Alabama counties. Local governments are responsible for 20% of the funding; the remaining 80% is supported by Grand Anticipation Revenue Vehicle (GARVEE) bonds. In less than a year, more than \$613 million in funding has been directed or approved to support the 439 road and bridge projects.

Performance Rank	43	Exports Rank	13	Innovation and Entrepreneurship Rank	30	Business Climate Rank	22	Talent Pipeline Rank	49	Infrastructure Rank	35
Long-term Job Growth	39	Export Intensity	13	STEM Job Growth	28	Small Business Lending	39	Higher-ed Degree Output	30	Broadband Speed Availability	35
Short-term Job Growth	41	Export Intensity Growth	19	STEM Job Concentration	26	Legal Environment	48	Higher-ed Efficiency	41	Broadband Provider Availability	44
Gross State Product Growth	34	Growth in Share of National Exports	14	High-tech Share of All Businesses	24	State and Local Tax Burden	8	College Affordability	34	Road Quality	21
Economic Output per Job	42	Export Growth	22	Business Birth Rate	41	Business Tax Climate	21	Educational Attainment	43	Bridge Quality	24
Productivity Growth	38			Academic R&D Intensity	13	U.S. Business Policy Index	7	H.S. Advanced Placement Scores	40		
Per Capita Income Growth	22			Growth in Self-employed	25	Cost of Living	11	Job Placement Efficiency	46		
Adjusted Median Family Income	33										



Faced with declining oil production from its famed North Slope, the state of Alaska is finding ways to diversify its economy, support new entrepreneurs, and invest in infrastructure upgrades to spur future economic activity. Strong prices for commodities and natural resources, coupled with growth in numerous other sectors of the state’s economy, have helped keep unemployment levels below the national average and place the state 17th in overall economic performance.

Looking to spur new growth in the critical energy sector, Alaskan policymakers are weighing adoption of a range of policy changes designed to drive increased exploration and production. These include reductions in extraction taxes, simplification and streamlining of oil-related taxes, and restructuring of tax credits. These reforms could help Alaska improve its 4th-place ranking in business climate.

Alaska is currently working in partnership with a consortium of private sector companies to lay the groundwork for new natural gas pipelines and liquid natural gas shipping facilities. New legislation provides funding

and support for needed planning and design work to help private industry tap the state’s estimated 200 trillion cubic feet of natural gas reserves. Working with the private sector, the state hopes to encourage up to \$65 billion of infrastructure development to build the state’s gas export capability.

The state continues to support efforts by local entrepreneurs to establish small business ventures, creating jobs in multiple sectors to supplement the energy sector. The state created revolving loan funds for commercial charter fishermen and to support creation of new shellfish farms in the mariculture industry. A new microloan revolving loan fund for small businesses throughout the state will provide access to additional capital for startup and expansion costs. The state’s Rural Development Initiative Fund offers access to capital for private sector firms looking to create or retain jobs in rural Alaska.

Performance Rank	17	Exports Rank	50	Innovation and Entrepreneurship Rank	21	Business Climate Rank	4	Talent Pipeline Rank	48	Infrastructure Rank	50
Long-term Job Growth	5	Export Intensity	49	STEM Job Growth	7	Small Business Lending	4	Higher-ed Degree Output	50	Broadband Speed Availability	50
Short-term Job Growth	43	Export Intensity Growth	50	STEM Job Concentration	11	Legal Environment	7	Higher-ed Efficiency	50	Broadband Provider Availability	50
Gross State Product Growth	8	Growth in Share of National Exports	33	High-tech Share of All Businesses	36	State and Local Tax Burden	1	College Affordability	4	Road Quality	36
Economic Output per Job	2	Export Growth	50	Business Birth Rate	7	Business Tax Climate	4	Educational Attainment	40	Bridge Quality	20
Productivity Growth	20			Academic R&D Intensity	38	U.S. Business Policy Index	19	H.S. Advanced Placement Scores	28		
Per Capita Income Growth	18			Growth in Self-employed	48	Cost of Living	49	Job Placement Efficiency	4		
Adjusted Median Family Income	42										



Hard hit in the Great Recession, Arizona shows signs of increased economic momentum. Unemployment rates continued to drop over the past year, and the state ranks 5th in short-term job growth. Under Governor Jan Brewer, the state has sought to bring its budget back into balance, hold the line on business taxes, phase out temporary sales tax increases, and continue directed investments into technology and innovation. In 2012, Arizona enacted more legal reform than any other state in the nation, including reforms to trespasser liability, jury service, punitive damages, and the methods of contracting with outside counsel. Arizona ranks 8th overall in business climate but just 25th in business tax burden.

Arizona is a strong performer in the innovation and entrepreneurship category, ranking 8th overall. The state sponsors the Arizona Innovation Challenge to help boost its entrepreneurial community. Each year, the program delivers \$3 million in awards to the 12 to 30 companies entered in the competition.

Arizona’s Angel Investment Program offers tax credits to investors who make investments in qualified Arizona small businesses. The state has allocated up to \$20 million in funding for the program through 2016. Its Fast Grant Program offers grants to help small companies with promising technologies through the commercialization process. Funding can be used to access needed expert consulting and conduct feasibility studies for new products. Science, technology, aerospace, and renewable energy are among the industries targeted for support as part of Arizona’s efforts to build its base of STEM jobs, where it ranks 15th in both concentration and growth.

Looking to live up to its potential as the “Saudi Arabia of solar energy” and create manufacturing jobs, Arizona has enacted tax credits to support the expansion of solar and other renewable component manufacturing in the state. The state also offers property tax reduction for major investments (over \$25 million) in renewable energy manufacturing facilities.

Performance Rank	20	Exports Rank	43	Innovation and Entrepreneurship Rank	8	Business Climate Rank	7	Talent Pipeline Rank	26	Infrastructure Rank	5
Long-term Job Growth	10	Export Intensity	38	STEM Job Growth	15	Small Business Lending	3	Higher-ed Degree Output	1	Broadband Speed Availability	20
Short-term Job Growth	5	Export Intensity Growth	49	STEM Job Concentration	15	Legal Environment	17	Higher-ed Efficiency	11	Broadband Provider Availability	16
Gross State Product Growth	11	Growth in Share of National Exports	46	High-tech Share of All Businesses	12	State and Local Tax Burden	11	College Affordability	50	Road Quality	20
Economic Output per Job	21	Export Growth	49	Business Birth Rate	5	Business Tax Climate	25	Educational Attainment	38	Bridge Quality	2
Productivity Growth	32			Academic R&D Intensity	30	U.S. Business Policy Index	10	H.S. Advanced Placement Scores	44		
Per Capita Income Growth	40			Growth in Self-employed	13	Cost of Living	35	Job Placement Efficiency	12		
Adjusted Median Family Income	45										



Arkansas ranks 11th in economic productivity growth and 12th in per capita income growth, a sign that the state is adding high-value industries to its economy. One of the largest private investment projects in state history, a \$1.1 billion steel mill, was announced in early 2013. The project will potentially use the state’s Super Projects program, authorized by an amendment to its constitution in 2004. The program allows any project that invests over \$500 million and creates more than 500 jobs to receive state support through bonding for site infrastructure needs. These bonds must be approved by the state legislature.

Arkansas has also sought to actively leverage the research power of its colleges and universities in support of private sector growth. The state’s university-based research and development tax credit offers businesses a 33% tax credit for any research contracted through an Arkansas college or university. The credit is designed to provide Arkansas businesses with more affordable access to R&D, while supporting education and advanced research at state institutions, an area in which the state is lagging.

Arkansas has the 4th-lowest cost of living in the nation, but it lags in other business climate measures. The Advantage Arkansas tax credit program provides businesses with an income tax credit for creating new, full-time jobs that meet certain wage standards. The program offers higher tax credits for jobs created in lower income areas.

Looking to protect small businesses from onerous rules and regulations, Arkansas supports a “regulatory flexibility” standard. All state agencies that propose rules and regulations must submit an economic impact statement outlining the potential costs to small business in the state. The state’s department of economic development reviews the statement, seeks feedback from small business leaders, and recommends changes to minimize negative effects on businesses and job creation.

Performance Rank	38	Exports Rank	35	Innovation and Entrepreneurship Rank	48	Business Climate Rank	32	Talent Pipeline Rank	38	Infrastructure Rank	46
Long-term Job Growth	30	Export Intensity	37	STEM Job Growth	27	Small Business Lending	31	Higher-ed Degree Output	34	Broadband Speed Availability	46
Short-term Job Growth	39	Export Intensity Growth	27	STEM Job Concentration	49	Legal Environment	26	Higher-ed Efficiency	13	Broadband Provider Availability	47
Gross State Product Growth	26	Growth in Share of National Exports	27	High-tech Share of All Businesses	49	State and Local Tax Burden	36	College Affordability	22	Road Quality	31
Economic Output per Job	44	Export Growth	27	Business Birth Rate	25	Business Tax Climate	33	Educational Attainment	49	Bridge Quality	21
Productivity Growth	11			Academic R&D Intensity	44	U.S. Business Policy Index	34	H.S. Advanced Placement Scores	30		
Per Capita Income Growth	12			Growth in Self-employed	46	Cost of Living	4	Job Placement Efficiency	29		
Adjusted Median Family Income	46										



California is home to many of the world’s highest-profile technology companies, including Apple, Google, e-Bay, Facebook, Yahoo, Oracle, and Hewlett-Packard. These globally renowned companies create demand for engineers, designers, computer scientists, data crunchers, and other workers with highly specialized technical skills. Because of the state’s robust environment for innovation, particularly in Silicon Valley, California’s share of all U.S. venture capital investment increased to 51% in 2011, according to the most recent PricewaterhouseCoopers/National Venture Capital Association Moneytree Survey.

It’s not surprising that California ranks 10th among the states in the birthrate of new establishments and has the 6th-highest concentration of people employed in STEM occupations.

California launched the first-ever statewide business plan competition to further encourage its entrepreneurial community. The California Business and Entrepreneurship Center (BEC) Boost encourages California’s young people between the ages of 14 and 27 to write a business plan and compete to win a combined cash prize of \$15,000. Part of the Youth

Entrepreneurship Program (YEP), the competition encourages young people to engage in entrepreneurial enterprises.

YEP seeks to raise awareness of business ownership concepts among young people and replace misconceptions about vocational education and blue-collar jobs with increased awareness of and aspirations for self-employment as a legitimate lifetime career path. Originally established as a vehicle to energize and motivate young people, YEP now has a razor-sharp focus on (1) having young people actually start businesses and (2) increasing the number of businesses that come out of the community college system.

BEC is an initiative of the Economic and Workforce Development program through the California community colleges. It involves a network of community college professionals working in strategic partnerships with businesses, industry, and community organizations to identify and meet California’s economic development needs in the areas of business improvement and entrepreneurship training.

Performance Rank	31	Exports Rank	47	Innovation and Entrepreneurship Rank	22	Business Climate Rank	44	Talent Pipeline Rank	25	Infrastructure Rank	27
Long-term Job Growth	40	Export Intensity	30	STEM Job Growth	30	Small Business Lending	2	Higher-ed Degree Output	44	Broadband Speed Availability	9
Short-term Job Growth	12	Export Intensity Growth	43	STEM Job Concentration	6	Legal Environment	30	Higher-ed Efficiency	16	Broadband Provider Availability	6
Gross State Product Growth	20	Growth in Share of National Exports	50	High-tech Share of All Businesses	50	State and Local Tax Burden	47	College Affordability	41	Road Quality	48
Economic Output per Job	5	Export Growth	46	Business Birth Rate	10	Business Tax Climate	48	Educational Attainment	30	Bridge Quality	37
Productivity Growth	5			Academic R&D Intensity	21	U.S. Business Policy Index	50	H.S. Advanced Placement Scores	8		
Per Capita Income Growth	39			Growth in Self-employed	31	Cost of Living	45	Job Placement Efficiency	26		
Adjusted Median Family Income	48										

# COLORADO

Colorado is a strong performer in multiple categories, ranking 14th in economic performance, 2nd in innovation and entrepreneurship, 8th in business climate, 7th in infrastructure, and 9th in talent pipeline. Under Governor John Hickenlooper, the state has embraced the use of public input to gather information to guide its economic development efforts. Following on the heels of the Colorado Blueprint economic development planning process, the state launched TBD (To Be Determined) Colorado, an initiative designed to gather more information about the state’s future.

Participants identified reforms to the state’s education system and investments in the transportation system as potential tools for enhancing economic growth. In conjunction with the Colorado Blueprint process, the state launched a series of “Pits and Peeves” meetings to gather information about regulatory hurdles to job creation. Working with business leaders and other stakeholders, the state has reviewed thousands of its rules and regulations, identifying potential reforms to streamline regulatory processes and eliminate barriers to business success.

Colorado’s Enterprise Zone tax credit program offers a variety of credits and exemptions to businesses that create jobs in designated zones, including economically distressed rural areas. Looking to enhance the program, the state launched a task force in 2012 to identify reforms for review and adoption by the 2013 legislature.

The Colorado FIRST program connects employers with community colleges throughout the state to create tailored workforce development programs. Successful applicants can receive a grant of up to \$800 per employee to develop and deliver training. The program seeks to improve overall business competitiveness, while offering employees access to the skills they need to advance their careers.

Colorado lags in the export category, but the state has sought to encourage increased exports of innovative environmental technologies developed by Colorado companies. The CO-EX1st initiative offers grants and support to companies seeking to do business in China and Mexico, funding trade missions and other export enhancement activities.

Performance Rank	14	Exports Rank	48	Innovation and Entrepreneurship Rank	2	Business Climate Rank	8	Talent Pipeline Rank	9	Infrastructure Rank	7
Long-term Job Growth	15	Export Intensity	47	STEM Job Growth	20	Small Business Lending	1	Higher-ed Degree Output	16	Broadband Speed Availability	25
Short-term Job Growth	6	Export Intensity Growth	42	STEM Job Concentration	5	Legal Environment	28	Higher-ed Efficiency	15	Broadband Provider Availability	12
Gross State Product Growth	27	Growth in Share of National Exports	41	High-tech Share of All Businesses	2	State and Local Tax Burden	19	College Affordability	25	Road Quality	19
Economic Output per Job	18	Export Growth	45	Business Birth Rate	4	Business Tax Climate	17	Educational Attainment	9	Bridge Quality	8
Productivity Growth	35			Academic R&D Intensity	17	U.S. Business Policy Index	9	H.S. Advanced Placement Scores	9		
Per Capita Income Growth	46			Growth in Self-employed	12	Cost of Living	31	Job Placement Efficiency	42		
Adjusted Median Family Income	5										



Connecticut ranks 6th for its educated workforce, 16th in high-tech businesses, and 2nd in broadband availability. State leaders are working to capitalize on these strengths to build a high-tech economy.

Growing Connecticut's bioscience industry is a recent focus for Governor Dan Malloy and state legislators. The recently proposed Bioscience Innovation Act would deliver a \$200 million injection over 10 years to support the bioscience sector. An advisory committee will be formed to review, vet, and evaluate investments in new and existing biotechnology interests around the state. The entire program will be overseen by Connecticut Innovations, the state's high-tech and economic development entity. The Bioscience Innovation Act is expected to build on the foundation and recent successes of initiatives such as Bioscience Connecticut, Jackson Labs, and Storrs Technology Park.

An ambitious \$1.5 billion effort is under way to partner the state with the University of Connecticut (UConn) to create new opportunities in STEM workforce development, innovation, commercialization, and job

creation. Next Generation Connecticut would be a multifaceted approach to generating an environment and providing the tools to train the next generation of STEM graduates to fill the increasing number of available high-tech jobs.

An additional 259 faculty would be hired, with 200 dedicated to STEM programs. The program would create one of the nation's first STEM honors programs for advanced students. By 2020, the STEM honors program is expected to provide funding for up to 1,400 scholarships. The plan also calls for the renovation, addition, and relocation of facilities and buildings specifically for STEM programs. Using bonding measures, Next Generation Connecticut would authorize and fund the construction of world-class facilities, including teaching and research labs, housing, and parking. Undergraduate enrollment could increase by 6,800, of which 3,300 would be STEM-related.

Performance Rank	36	Exports Rank	28	Innovation and Entrepreneurship Rank	26	Business Climate Rank	48	Talent Pipeline Rank	7	Infrastructure Rank	25
Long-term Job Growth	44	Export Intensity	23	STEM Job Growth	48	Small Business Lending	15	Higher-ed Degree Output	29	Broadband Speed Availability	2
Short-term Job Growth	38	Export Intensity Growth	29	STEM Job Concentration	19	Legal Environment	34	Higher-ed Efficiency	37	Broadband Provider Availability	14
Gross State Product Growth	44	Growth in Share of National Exports	38	High-tech Share of All Businesses	16	State and Local Tax Burden	48	College Affordability	14	Road Quality	38
Economic Output per Job	3	Export Growth	32	Business Birth Rate	39	Business Tax Climate	40	Educational Attainment	6	Bridge Quality	43
Productivity Growth	45			Academic R&D Intensity	25	U.S. Business Policy Index	42	H.S. Advanced Placement Scores	6		
Per Capita Income Growth	27			Growth in Self-employed	8	Cost of Living	48	Job Placement Efficiency	28		
Adjusted Median Family Income	17										



# DELAWARE

As home to over half the nation’s corporations and the highest gross state product per job in the nation, Delaware has made the cultivation of a business-friendly environment one of its continuing priorities. Entering his second term in office, Governor Jack Markell has pledged his commitment to further improving the entrepreneurial climate in the state, hoping to make the First State a leader in supporting small business startups.

Delaware’s Small Business LIFT (Limited Investment for Financial Traction) program offers financial support to new businesses. Entrepreneurs working with qualified Delaware banks can receive deferred interest on their lines of credit for up to two years. The state handles interest payments on the line of credit, giving new small businesses one less burden to handle as they put down roots and grow. At the end of the grace period, the new business is permitted to pay back the state over five years with no interest.

The state’s new Start It Up Delaware partnership brings together private sector businesses in the finance and legal sector with the state’s

university system to build a climate that is friendly to entrepreneurship. Backed by the state’s economic development office, the partnership will engage existing entrepreneurs to identify new opportunities and ideas, establish a startup center to house business ventures, and offer budding entrepreneurs access to mentorship programs, services, and investment capital.

Delaware has made creation and support of main street small business an area of focus. The state’s Downtown Delaware initiative provides training and support to eligible small businesses and city stakeholders in selected communities throughout the state and acts as a clearinghouse for information on other small business programs offered in the state. Delaware is streamlining the registration process for new businesses, creating a one-stop online portal for access to state licensing resources.

Performance Rank	30	Exports Rank	18	Innovation and Entrepreneurship Rank	11	Business Climate Rank	30	Talent Pipeline Rank	50	Infrastructure Rank	15
Long-term Job Growth	37	Export Intensity	17	STEM Job Growth	49	Small Business Lending	41	Higher-ed Degree Output	20	Broadband Speed Availability	5
Short-term Job Growth	45	Export Intensity Growth	23	STEM Job Concentration	7	Legal Environment	29	Higher-ed Efficiency	48	Broadband Provider Availability	35
Gross State Product Growth	21	Growth in Share of National Exports	21	High-tech Share of All Businesses	4	State and Local Tax Burden	20	College Affordability	46	Road Quality	26
Economic Output per Job	1	Export Growth	18	Business Birth Rate	19	Business Tax Climate	14	Educational Attainment	27	Bridge Quality	15
Productivity Growth	22			Academic R&D Intensity	43	U.S. Business Policy Index	33	H.S. Advanced Placement Scores	24		
Per Capita Income Growth	47			Growth in Self-employed	11	Cost of Living	38	Job Placement Efficiency	50		
Adjusted Median Family Income	18										



Florida, ranked 1st in this year’s infrastructure index, has made improving the efficiency, capacity, and connectivity of transport systems a key part of its economic development strategy. In 2012, the state created a new Office of Freight Logistics and Passenger Operations. The office is charged with ensuring that Florida’s new and existing infrastructure is being planned and coordinated to allow the optimal movement of freight, supporting economic expansion and transport efficiency.

As part of its infrastructure improvement agenda, Florida has continued to prioritize investments in port facility upgrades and expansions, looking to open the state to more international trade. To facilitate these expansions, the state launched the Strategic Port Investment Initiative and the Intermodal Logistics Center Infrastructure Support Program, both designed to direct funding into port expansions and connectivity improvements. The state ranks 20th in the exports category owing to high rankings on export growth measures.

Florida has attempted to help rural communities invest in infrastructure needed to attract expanding businesses. The state’s Rural Infrastructure

Fund makes grants to rural communities to finance infrastructure improvements that will create jobs. Grants can cover up to 40% of project costs and are available to fund activities including feasibility studies, planning, design, and construction. On a broader basis, the Economic Development Transportation Fund, commonly called the “Road Fund,” allows the state to make grants of up to \$3 million to install transportation infrastructure upgrades needed to help a business expand or locate in the state.

Florida is ranked 9th for its business climate and 5th overall for its business tax climate. Between 2011 and 2013, Florida increased the corporate income tax exemption from \$5,000 to \$50,000, with Governor Rick Scott proposing an additional jump in the exemption for consideration by the 2013 legislative session. The state adopted legislation making it easier for growing manufacturing businesses to qualify for sales tax exemptions on equipment purchases that expand production capability.

Performance Rank	37	Exports Rank	20	Innovation and Entrepreneurship Rank	10	Business Climate Rank	9	Talent Pipeline Rank	4	Infrastructure Rank	1
Long-term Job Growth	26	Export Intensity	24	STEM Job Growth	36	Small Business Lending	8	Higher-ed Degree Output	21	Broadband Speed Availability	10
Short-term Job Growth	22	Export Intensity Growth	18	STEM Job Concentration	36	Legal Environment	42	Higher-ed Efficiency	1	Broadband Provider Availability	5
Gross State Product Growth	22	Growth in Share of National Exports	3	High-tech Share of All Businesses	25	State and Local Tax Burden	24	College Affordability	9	Road Quality	4
Economic Output per Job	28	Export Growth	13	Business Birth Rate	1	Business Tax Climate	5	Educational Attainment	32	Bridge Quality	6
Productivity Growth	42			Academic R&D Intensity	45	U.S. Business Policy Index	5	H.S. Advanced Placement Scores	4		
Per Capita Income Growth	38			Growth in Self-employed	3	Cost of Living	28	Job Placement Efficiency	20		
Adjusted Median Family Income	40										



Georgia’s economy has been a mixed bag since the start of the recession, but according to state economist Kenneth Heaghey, its traditional industries—including manufacturing, transportation, information technology, and financial services—are bouncing back. Its 20th-place ranking in short-term job growth from 2010 to 2012 confirms a postrecession upswing.

Lower operating costs, access to advanced logistics, and tax advantages help Georgia remain competitive among the states—it ranks 17th overall in business climate. Georgia’s Small Business Growth tax credit targets fast-growing small businesses that show three consecutive years of 20% or more growth in corporate income tax liability. To qualify, the business must have annual corporate income tax of \$1.5 million or less.

In 2012, the state added \$111.8 million to a deal-closing fund that further strengthens its position as an attractive business hub. Georgia’s poultry, aircraft, and auto industries helped propel the state’s exports to a record \$35.8 billion in 2012, which accounts for its 17th-place ranking in exports.

Georgia ranks 9th in technology and entrepreneurship. The National Venture Capital Association ranks Atlanta as the number 12 city in the nation for tech startups, with 54 startups funded in 2012. The Atlanta Tech Village, a “co-working” space, recently had a waiting list of 100. Forty companies are working at the Georgia Tech Advanced Technology Development Center, which also had a waiting list in early 2013 of more than 20 companies that wanted to participate.

Entrepreneur-Friendly Communities is a Georgia Department of Economic Development (GDEcD) program that provides communities with comprehensive training to create an entrepreneurial environment and to build entrepreneurial and small business strategies into the community’s overall economic development plan. GDEcD leads Georgia’s communities through proven methods designed to establish an entrepreneurial support program, help them better understand their existing business environment, and develop sustainable, effective local strategies.

Performance Rank	40	Exports Rank	17	Innovation and Entrepreneurship Rank	9	Business Climate Rank	17	Talent Pipeline Rank	21	Infrastructure Rank	9
Long-term Job Growth	27	Export Intensity	18	STEM Job Growth	32	Small Business Lending	17	Higher-ed Degree Output	45	Broadband Speed Availability	22
Short-term Job Growth	20	Export Intensity Growth	14	STEM Job Concentration	29	Legal Environment	23	Higher-ed Efficiency	5	Broadband Provider Availability	27
Gross State Product Growth	42	Growth in Share of National Exports	7	High-tech Share of All Businesses	9	State and Local Tax Burden	18	College Affordability	33	Road Quality	1
Economic Output per Job	25	Export Growth	15	Business Birth Rate	12	Business Tax Climate	34	Educational Attainment	34	Bridge Quality	12
Productivity Growth	48			Academic R&D Intensity	26	U.S. Business Policy Index	21	H.S. Advanced Placement Scores	12		
Per Capita Income Growth	48			Growth in Self-employed	5	Cost of Living	15	Job Placement Efficiency	16		
Adjusted Median Family Income	29										



Hawaii ranks 22nd in overall economic performance on the strength of the 11th-best long-term job growth and the 10th-best short-term job growth rate. Hawaii is supporting local innovation and facilitating a startup ecosystem to prop up entrepreneurs while building on the natural advantages of the state.

Hawaii venture accelerator legislation passed in 2012 to provide \$2 million for startup accelerators to connect innovators and entrepreneurs with mentors, business experts, and investors. Serviced through the Launch Akamai Venture Accelerator (LAVA), local accelerators are funded using a matching formula and in-kind services. Several accelerators targeting specific sectors and technologies have received funding to date. Business creation is an area in which the state lags, ranking 42nd in business birthrate and 40th in growth of self-employed workers.

The 2012 marriage of Hawaii Small Business Innovation Research and the Manufacturing Extension Partnership resulted in the creation of Innovate Hawaii, which combines the functions of both organizations under one

umbrella and adds a financial assistance program to the mix. Operated by Hawaii's High Technology Development Corporation, Innovate Hawaii provides matching grants and consulting support to small businesses. The effort supports product innovation that is likely to gain interest from federal contractors, attract private investment, and lead to commercialization.

Hawaii lags in business creation, but it is the 11th-fastest-growing state for STEM jobs. In January 2013, Governor Neil Abercrombie introduced the HI Growth Initiative, a \$20 million high-tech high-growth initiative. The proposed injection of \$20 million in investment capital will directly benefit companies with high growth potential by supporting research commercialization activities, supporting entrepreneurs, and increasing access to much-needed startup capital. The HI Growth Initiative is expected to bring revenues into Hawaii, create high-paying jobs, diversify the local economy, and set the stage for a sustainable economy.

Performance Rank	22	Exports Rank	49	Innovation and Entrepreneurship Rank	37	Business Climate Rank	47	Talent Pipeline Rank	16	Infrastructure Rank	37
Long-term Job Growth	11	Export Intensity	50	STEM Job Growth	11	Small Business Lending	21	Higher-ed Degree Output	43	Broadband Speed Availability	6
Short-term Job Growth	10	Export Intensity Growth	47	STEM Job Concentration	41	Legal Environment	19	Higher-ed Efficiency	45	Broadband Provider Availability	4
Gross State Product Growth	19	Growth in Share of National Exports	30	High-tech Share of All Businesses	23	State and Local Tax Burden	37	College Affordability	19	Road Quality	49
Economic Output per Job	24	Export Growth	48	Business Birth Rate	42	Business Tax Climate	37	Educational Attainment	22	Bridge Quality	48
Productivity Growth	23			Academic R&D Intensity	15	U.S. Business Policy Index	45	H.S. Advanced Placement Scores	38		
Per Capita Income Growth	9			Growth in Self-employed	40	Cost of Living	50	Job Placement Efficiency	1		
Adjusted Median Family Income	50										



Idaho just missed breaking into the top 20 in this year’s performance rankings, coming in at 21st for overall economic performance. The Gem State’s solid showing is the result of strong decade-long growth in jobs (ranking 8th), GDP growth (4th), and economic productivity (4th).

iGem is Idaho’s comprehensive strategy that engages industry, university, and government stakeholders in collaborating and leveraging resources. The Idaho Technology Council (ITC) launched iGem to foster new business “gems” with the potential to have a major impact on increasing the state’s knowledge-based economy. ITC is working with iGem’s other partners, including the Idaho Department of Commerce and the Idaho Innovation Council, to (1) increase the amount of research at Idaho’s universities, (2) get more great research technologies from the state’s universities turned into businesses, and (3) help more startup companies launch and grow.

Ultimately, iGem intends to increase the research capacity of Idaho’s universities in strategic areas and develop a talent pool that will generate globally competitive technologies, high-paying jobs, new startups, and an

expanded tax base. The state has a high share of STEM jobs (ranking 13th) and sits in the middle of the pack for high-tech businesses (28th), but it lags in academic research and development (47th).

Idaho’s business establishment birthrate ranks a robust 9th among the states, and its business climate ranks 10th overall, an accomplishment that is undoubtedly fostered by the Business.Idaho.gov web portal, created to help simplify business interactions with the state government. The project is a combined effort of multiple state agencies, including the Tax Commission, the Department of Labor, the Department of Commerce, the Secretary of State’s Office, the Department of Environmental Quality, and the Department of Administration.

The website includes access to information about available tax credits such as the Hire One tax credit, a refundable income tax credit on a sliding scale based on a company’s unemployment insurance tax rating and the county unemployment rate where the new job is located.

Performance Rank	21	Exports Rank	24	Innovation and Entrepreneurship Rank	31	Business Climate Rank	10	Talent Pipeline Rank	32	Infrastructure Rank	16
Long-term Job Growth	8	Export Intensity	22	STEM Job Growth	41	Small Business Lending	5	Higher-ed Degree Output	40	Broadband Speed Availability	31
Short-term Job Growth	16	Export Intensity Growth	22	STEM Job Concentration	13	Legal Environment	12	Higher-ed Efficiency	40	Broadband Provider Availability	34
Gross State Product Growth	4	Growth in Share of National Exports	24	High-tech Share of All Businesses	28	State and Local Tax Burden	26	College Affordability	15	Road Quality	3
Economic Output per Job	45	Export Growth	21	Business Birth Rate	9	Business Tax Climate	20	Educational Attainment	36	Bridge Quality	14
Productivity Growth	4			Academic R&D Intensity	47	U.S. Business Policy Index	31	H.S. Advanced Placement Scores	35		
Per Capita Income Growth	45			Growth in Self-employed	45	Cost of Living	9	Job Placement Efficiency	10		
Adjusted Median Family Income	39										



Illinois's government and private sector leaders are committed to expanding high-speed broadband service as a strategy to keep entrepreneurs in Illinois and attract new business. The Illinois Gigabit Communities Challenge is a competition launched by Governor Pat Quinn to award \$6 million to the most promising ultra-high-speed broadband deployment projects in the state as part of the Illinois Jobs Now! economic development program.

A report by the Illinois Science and Technology Coalition shows that nearly 270,000 people—equivalent to 4.83% of the Illinois workforce—are employed in information and communication technology (ICT) occupations. This makes the state's broadband-related ICT workforce the 5th-largest in the nation, although just slightly above the state-level average of 4.63% of total jobs.

The latest data show continued progress throughout the state. In the past several years, the availability of high-speed broadband throughout Illinois has increased significantly. From 2009 to 2011, data from the Federal

Communications Commission showed that new business connections in Illinois grew by 865,000 (232%), well above the national median of 197%. With this increase, Illinois ranked 9th in the nation.

Illinois ranks 2nd among the 50 states in the share of households with five or more available broadband providers and 14th for the percentage of households with at least 25 Mbp broadband.

The state's high-tech establishments lead to a ranking of 11th among the states, while its efforts to develop partnerships among academia, business, and government have yielded improved innovation and greater alignment of public and private resources. A \$10.3 million public-private partnership to better prepare thousands of Illinois students for careers in science, technology, engineering, and math is deploying eight STEM Learning Exchanges that link educational opportunities with business resources to enable students to compete in the global economy.

Performance Rank	28	Exports Rank	15	Innovation and Entrepreneurship Rank	24	Business Climate Rank	41	Talent Pipeline Rank	20	Infrastructure Rank	3
Long-term Job Growth	46	Export Intensity	15	STEM Job Growth	45	Small Business Lending	29	Higher-ed Degree Output	14	Broadband Speed Availability	14
Short-term Job Growth	34	Export Intensity Growth	25	STEM Job Concentration	30	Legal Environment	47	Higher-ed Efficiency	9	Broadband Provider Availability	2
Gross State Product Growth	45	Growth in Share of National Exports	5	High-tech Share of All Businesses	11	State and Local Tax Burden	40	College Affordability	42	Road Quality	18
Economic Output per Job	12	Export Growth	16	Business Birth Rate	23	Business Tax Climate	28	Educational Attainment	13	Bridge Quality	7
Productivity Growth	29			Academic R&D Intensity	36	U.S. Business Policy Index	35	H.S. Advanced Placement Scores	16		
Per Capita Income Growth	34			Growth in Self-employed	14	Cost of Living	24	Job Placement Efficiency	36		
Adjusted Median Family Income	4										



Indiana—ranked 8th in exports and 12th in infrastructure in this year’s report—has embraced a job creation strategy focused on holding taxes in check, investing in infrastructure, offering targeted support and incentives to job-creating industries, touting the state’s low cost of living, and capitalizing on its crossroads position.

In 2005, Indiana launched the Major Moves infrastructure investment initiative. This 10-year plan, scheduled to continue through 2015, will invest nearly \$11 billion in transportation system upgrades and expansions, easing congestion, supporting regional commerce, and facilitating access to markets for Indiana business. By its completion, the project will have added 1,600 lane miles to the state’s highway system and resurfaced nearly half of the existing highways—without raising tax burdens on citizens and business.

Indiana’s Shovel Ready program works with communities throughout the state to identify, improve, and maintain an inventory of certified development sites that can be easily prepared to house new and growing

businesses. The program, in conjunction with the Fast Access Site Team (FASTeam), helps communities identify development-friendly sites and buildings and prepare them for use, fast-tracking permitting processes and dealing with infrastructure requirements. In addition to preparing sites for quick development, the state maintains an Industrial Development Grant Fund, offering funding to local governments for offsite infrastructure upgrades to help companies locate or expand in their communities. Projects must have matching funds from the local government, and state funding depends on the number of jobs to be created as a result of the infrastructure upgrades.

To fight the negative impact red tape can have on growing businesses, Indiana created a regulatory ombudsman position in its Economic Development Corporation. The office of the ombudsman acts as an intermediary between businesses and state departments, cutting through regulatory roadblocks, providing information on compliance, and helping business owners through state permitting processes.

Performance Rank	25	Exports Rank	8	Innovation and Entrepreneurship Rank	43	Business Climate Rank	18	Talent Pipeline Rank	47	Infrastructure Rank	12
Long-term Job Growth	38	Export Intensity	7	STEM Job Growth	35	Small Business Lending	47	Higher-ed Degree Output	18	Broadband Speed Availability	24
Short-term Job Growth	7	Export Intensity Growth	16	STEM Job Concentration	35	Legal Environment	15	Higher-ed Efficiency	46	Broadband Provider Availability	17
Gross State Product Growth	38	Growth in Share of National Exports	10	High-tech Share of All Businesses	26	State and Local Tax Burden	28	College Affordability	39	Road Quality	23
Economic Output per Job	26	Export Growth	20	Business Birth Rate	46	Business Tax Climate	11	Educational Attainment	35	Bridge Quality	18
Productivity Growth	17			Academic R&D Intensity	24	U.S. Business Policy Index	13	H.S. Advanced Placement Scores	26		
Per Capita Income Growth	42			Growth in Self-employed	34	Cost of Living	5	Job Placement Efficiency	49		
Adjusted Median Family Income	20										



Ranked 10th for overall economic performance, Iowa gets high marks for talent pipeline and workforce training in this year’s ratings, placing 11th nationally. The state also placed 12th in exports, buoyed by top 10 rankings in export intensity and export growth.

The Iowa Industrial New Jobs Training Program makes use of bond financing to help job-creating companies access valuable job training. Businesses in qualified industries are able to partner with Iowa community colleges, which issue bonds to finance the development and delivery of the required workforce training. The bonds are paid off by diverting a percentage of the state withholding taxes from the new jobs created. Under this finance structure, training for new employees can be paid for at no additional cost beyond the standard withholding tax. The program supports job creation and skills development in manufacturing, assembly, warehousing, and R&D-related industries.

Iowa small businesses seeking to explore exports as a way to grow and create new jobs can access support through the state’s Export Trade

Assistance Program. The program reimburses up to 75% of the costs incurred by a business that takes part in a trade mission or show in another country. The state’s International Trade Office also helps small businesses explore foreign trade options with a variety of support services, including direct consulting services and training sessions.

In 2012, Iowa adopted legislation that encourages the creation of employee stock option plans in the state as part of Governor Terry Branstad’s jobs agenda. The new initiative provides capital gains tax incentives to business owners who sell their companies to employees. The goal of the legislation is to support the retention of businesses and jobs in Iowa that might otherwise move, particularly in rural areas of the state, by providing an easier path to employee ownership.

Performance Rank	10	Exports Rank	12	Innovation and Entrepreneurship Rank	44	Business Climate Rank	37	Talent Pipeline Rank	11	Infrastructure Rank	42
Long-term Job Growth	21	Export Intensity	14	STEM Job Growth	14	Small Business Lending	49	Higher-ed Degree Output	2	Broadband Speed Availability	45
Short-term Job Growth	33	Export Intensity Growth	8	STEM Job Concentration	39	Legal Environment	5	Higher-ed Efficiency	35	Broadband Provider Availability	25
Gross State Product Growth	10	Growth in Share of National Exports	11	High-tech Share of All Businesses	42	State and Local Tax Burden	27	College Affordability	18	Road Quality	34
Economic Output per Job	31	Export Growth	8	Business Birth Rate	49	Business Tax Climate	40	Educational Attainment	12	Bridge Quality	33
Productivity Growth	3			Academic R&D Intensity	12	U.S. Business Policy Index	44	H.S. Advanced Placement Scores	43		
Per Capita Income Growth	6			Growth in Self-employed	44	Cost of Living	17	Job Placement Efficiency	39		
Adjusted Median Family Income	8										



Kansas has launched a variety of initiatives to support small entrepreneurs. The state’s NetWork Kansas program serves as an information clearinghouse and support network for small business in the state. Working with more than 500 partner organizations, NetWork Kansas counsels and connects entrepreneurs to services and information of value to new and growing businesses. As part of its efforts, NetWork launched an Entrepreneurship Community Partnership. The partnership works with communities to raise seed money and create local loan funds targeted at new entrepreneurs. By leveraging donations and support from private sector partners, the partnership supports small business job creation and creates sustainable, pro-entrepreneurship networks in and among communities.

The Kansas Innovation Growth Program offers support to technology entrepreneurs seeking to start new companies in the state. Launched in 2011, the program helps connect innovative small businesses to university research partnerships, provides links to investment capital networks, and works through several entrepreneurial centers to help small tech

companies bring new products to market. The program also works with small and medium-sized manufacturers in the state.

Kansas ranks 13th overall for infrastructure. The Kansas Partnership Fund provides low-interest loans to local governments to finance infrastructure upgrades needed to support business attraction and expansion. Funding is available for projects that create jobs in “basic industries” that sell products or services outside the state. The revolving loan fund can work in any community, regardless of size or income, and is focused on the creation of private sector jobs.

The 2012 legislature adopted a package of tax reductions to improve the state’s economic climate, including cuts to the individual income tax and the elimination of state income taxes on business income claimed by individuals, reducing the tax burden faced by small business owners. Kansas ranks 6th in cost of living, but there is room for improvement in its other business climate measures.

Performance Rank	24	Exports Rank	22	Innovation and Entrepreneurship Rank	36	Business Climate Rank	29	Talent Pipeline Rank	18	Infrastructure Rank	13
Long-term Job Growth	34	Export Intensity	19	STEM Job Growth	43	Small Business Lending	50	Higher-ed Degree Output	17	Broadband Speed Availability	29
Short-term Job Growth	35	Export Intensity Growth	31	STEM Job Concentration	31	Legal Environment	17	Higher-ed Efficiency	25	Broadband Provider Availability	27
Gross State Product Growth	30	Growth in Share of National Exports	28	High-tech Share of All Businesses	20	State and Local Tax Burden	29	College Affordability	6	Road Quality	13
Economic Output per Job	37	Export Growth	28	Business Birth Rate	44	Business Tax Climate	26	Educational Attainment	19	Bridge Quality	13
Productivity Growth	15			Academic R&D Intensity	29	U.S. Business Policy Index	28	H.S. Advanced Placement Scores	41		
Per Capita Income Growth	17			Growth in Self-employed	20	Cost of Living	6	Job Placement Efficiency	34		
Adjusted Median Family Income	11										



The past year saw marked signs of increasing economic activity in the Bluegrass State. Job creation by businesses throughout the commonwealth led to a ranking of 11th in short-term job growth. Kentucky is a strong export state, ranking 8th overall. Looking to capitalize on recent progress, Kentucky has continued to support small business, improve workforce training, increase international trade, and reform its tax structure.

In 2010, Governor Steve Beshear launched the Kentucky Export Initiative. Bringing together export-oriented partners from the public, private, and nonprofit sectors, the initiative coordinates state trade services to support small and medium-sized businesses as they seek access to international markets. Entrepreneurs interested in exploring export opportunities have access to training and support services and can take part in state-organized trade missions to gain experience in new markets.

Kentucky's Commission on Small Business Advocacy, made up of small business owners from throughout the commonwealth, is an advocate for small business interests in the policy and regulatory processes. The

commission provides advisory input to state agencies and the governor regarding proposed regulations, new and existing policies, licensing rules, and tax changes that affect successful small business job creation in Kentucky. The commonwealth's one-stop portal gives small businesses access to government information online, including a business information clearinghouse designed to provide free support to businesses dealing with licensing and permitting issues.

Kentucky implemented reforms to its career and technical education system to improve efficiency and better match student education programs to business needs. The reforms bring together existing state and local training centers, unifying programming and offering new opportunities to flexibly react to job market trends.

Tax reform has also been on the Kentucky economic development agenda during the past year. Governor Beshear's commission on tax reform completed a review of state tax structures and has proposed cuts to corporate tax rates and increased R&D and investment tax credits.

Performance Rank	26	Exports Rank	9	Innovation and Entrepreneurship Rank	47	Business Climate Rank	34	Talent Pipeline Rank	43	Infrastructure Rank	32
Long-term Job Growth	25	Export Intensity	8	STEM Job Growth	23	Small Business Lending	43	Higher-ed Degree Output	33	Broadband Speed Availability	41
Short-term Job Growth	11	Export Intensity Growth	28	STEM Job Concentration	45	Legal Environment	37	Higher-ed Efficiency	28	Broadband Provider Availability	38
Gross State Product Growth	40	Growth in Share of National Exports	35	High-tech Share of All Businesses	37	State and Local Tax Burden	25	College Affordability	36	Road Quality	2
Economic Output per Job	43	Export Growth	29	Business Birth Rate	37	Business Tax Climate	24	Educational Attainment	44	Bridge Quality	41
Productivity Growth	41			Academic R&D Intensity	34	U.S. Business Policy Index	29	H.S. Advanced Placement Scores	27		
Per Capita Income Growth	28			Growth in Self-employed	39	Cost of Living	3	Job Placement Efficiency	24		
Adjusted Median Family Income	27										



Louisiana’s recent job growth and strong income growth placed it 8th overall in economic performance. With an abundance of natural resources—including oil, seafood, and natural gas—Louisiana has positioned itself as one of the nation’s top exporters by developing and investing in a crucial shipping infrastructure. Ideally situated at the important shipping intersection where the Mississippi River meets the Gulf of Mexico, the state is ranked No. 1 in exports, with a 2nd-place ranking in all four metrics. Louisiana is ensuring that its infrastructure keeps pace with demand by investing in projects such as the Port of New Orleans, the Louisiana International Gulf Deep Water Transfer Terminal, the Port of Greater Baton Rouge, and many others.

Recognizing that it cannot rely on natural resources and exports alone to build a robust and diverse economy, Louisiana is creating business-friendly workforce training programs such FastStart to benefit both workers and employers. The FastStart program has attracted significant national attention for its worker preparation and placement aggressiveness and effectiveness. FastStart has been known to place

employees before a company officially relocates to the state. Essentially guaranteeing work-ready employees at no cost to companies looking to expand, this program offers a competitive advantage for the state. In addition to supporting familiar sectors such as manufacturing, professional services, and mining, FastStart is helping Louisiana diversify its economic makeup by attracting businesses in new industry sectors such as digital media and software development.

Years of public investment designed to diversify the economic makeup of Louisiana have helped create the New Orleans BioInnovation Center (NOBIC). Part of the larger New Orleans medical corridor, the \$47 million investment in NOBIC provides facilities for biotechnology companies at various stages of development. The state needs to improve in innovation and high-tech—it lags the nation in STEM jobs, STEM job growth, high-tech companies, and academic research.

Performance Rank	8	Exports Rank	1	Innovation and Entrepreneurship Rank	32	Business Climate Rank	31	Talent Pipeline Rank	45	Infrastructure Rank	40
Long-term Job Growth	24	Export Intensity	2	STEM Job Growth	40	Small Business Lending	45	Higher-ed Degree Output	48	Broadband Speed Availability	32
Short-term Job Growth	9	Export Intensity Growth	2	STEM Job Concentration	47	Legal Environment	46	Higher-ed Efficiency	26	Broadband Provider Availability	42
Gross State Product Growth	18	Growth in Share of National Exports	2	High-tech Share of All Businesses	43	State and Local Tax Burden	4	College Affordability	5	Road Quality	41
Economic Output per Job	11	Export Growth	2	Business Birth Rate	26	Business Tax Climate	32	Educational Attainment	48	Bridge Quality	35
Productivity Growth	21			Academic R&D Intensity	40	U.S. Business Policy Index	25	H.S. Advanced Placement Scores	49		
Per Capita Income Growth	3			Growth in Self-employed	1	Cost of Living	20	Job Placement Efficiency	13		
Adjusted Median Family Income	28										



Maine’s economic performance has trailed that of other states. This year the state ranks 48th in overall performance and 49th in innovation and entrepreneurship. In 2012, Governor Paul LePage created a Business Friendly Communities initiative. Since its launch, the program has certified 18 communities throughout the state as business friendly, meeting standards for community economic collaboration, ease in permitting processes, and business outreach. The goal of the program is to encourage communities to review their economic development and business services, rewarding those that embrace efficiency, cut red tape, and welcome business growth. Communities that earn the status can receive extra points when applying for government development grants.

Energy costs to business and citizens throughout Maine have been an issue of concern for the LePage administration. Maine often faces higher than average costs for electricity and has limited access to natural gas, particularly in rural areas. To combat these challenges, the administration has made expansion of the state’s energy delivery infrastructure one of its economic development goals. Action items under discussion include fast-

tracking natural gas infrastructure permits, setting goals for installed natural gas infrastructure, and exploring state options for infrastructure finance. Maine’s Employment Tax Increment Financing program offers a refund of up to 80% of the withholding taxes paid by job-creating businesses in qualified industries. The business must create a minimum of five new jobs over 2 years and can receive the refund for up to 10 years. The program offers its highest reimbursement rates in regions with higher unemployment and lower incomes, incentivizing job creation and business growth in regions of need.

Maine’s Small Enterprise Growth Fund is a state-launched capital fund to make investments in promising small businesses. Backed by \$13 million in state investment, the fund makes targeted investments in companies based on potential for growth and job creation in the state, regardless of industry.

Performance Rank	48	Exports Rank	33	Innovation and Entrepreneurship Rank	49	Business Climate Rank	36	Talent Pipeline Rank	24	Infrastructure Rank	28
Long-term Job Growth	42	Export Intensity	29	STEM Job Growth	47	Small Business Lending	16	Higher-ed Degree Output	28	Broadband Speed Availability	26
Short-term Job Growth	44	Export Intensity Growth	44	STEM Job Concentration	42	Legal Environment	3	Higher-ed Efficiency	43	Broadband Provider Availability	17
Gross State Product Growth	48	Growth in Share of National Exports	36	High-tech Share of All Businesses	22	State and Local Tax Burden	42	College Affordability	40	Road Quality	40
Economic Output per Job	48	Export Growth	44	Business Birth Rate	24	Business Tax Climate	30	Educational Attainment	22	Bridge Quality	40
Productivity Growth	44			Academic R&D Intensity	46	U.S. Business Policy Index	46	H.S. Advanced Placement Scores	7		
Per Capita Income Growth	25			Growth in Self-employed	50	Cost of Living	39	Job Placement Efficiency	23		
Adjusted Median Family Income	38										



Buoyed by a top ranking in innovation and entrepreneurship, Maryland placed 9th in overall economic performance in this year’s report. The state also showed strength in talent preparation and workforce development, ranking 3rd nationally.

Befitting its high ranking in innovation, Maryland supports a wide variety of technology- and innovation-focused funds and initiatives. Recognizing the value of connecting tech startups with experienced entrepreneurs, Maryland launched the Maryland Entrepreneurs Resource List. The list is a roster of expert and experienced tech executives who are ready to mentor or lead new companies, helping them through the early stages of their establishment. By connecting nascent firms with people who have been through the process, the list offers a chance to increase the survival rate of promising startups, ultimately creating jobs and increasing economic activity.

Maryland’s ACTiVATE initiative, launched by the University of Maryland Baltimore County and supported by the state’s Technology Development Corporation, identifies promising female entrepreneurs and innovators,

offering intensive training and support as they launch new tech ventures. Successful participants can receive over a year of guidance, consulting, and support to help their companies get up to speed, leveraging Maryland-developed technologies into new jobs.

Once established, new technology companies are eligible for a variety of tax credits designed to reduce their tax burden and to help ease the impact of Maryland’s 43rd-ranked business climate. Incentives include a tax credit for research and development, a biotechnology investment tax credit, and a cellulosic ethanol technology research and development tax credit aimed at supporting expansion and job creation in the emerging renewable energy technology field.

The Maryland Partnership for Workforce Quality program offers support to manufacturing and technology companies in the state to expand workforce training, aiming to improve the efficiency and competitiveness of businesses in both sectors. Serving small and medium-sized companies, the program offers matching grants to qualified businesses that make investments in training new and existing employees.

Performance Rank	9	Exports Rank	42	Innovation and Entrepreneurship Rank	1	Business Climate Rank	43	Talent Pipeline Rank	3	Infrastructure Rank	26
Long-term Job Growth	18	Export Intensity	46	STEM Job Growth	6	Small Business Lending	37	Higher-ed Degree Output	27	Broadband Speed Availability	12
Short-term Job Growth	24	Export Intensity Growth	20	STEM Job Concentration	2	Legal Environment	27	Higher-ed Efficiency	4	Broadband Provider Availability	19
Gross State Product Growth	13	Growth in Share of National Exports	26	High-tech Share of All Businesses	3	State and Local Tax Burden	39	College Affordability	11	Road Quality	44
Economic Output per Job	15	Export Growth	45	Business Birth Rate	18	Business Tax Climate	40	Educational Attainment	11	Bridge Quality	31
Productivity Growth	16			Academic R&D Intensity	1	U.S. Business Policy Index	36	H.S. Advanced Placement Scores	1		
Per Capita Income Growth	19			Growth in Self-employed	21	Cost of Living	43	Job Placement Efficiency	31		
Adjusted Median Family Income	2										



Massachusetts’s reputation as a hotspot for science and technology endures in this year’s rankings. The commonwealth is a center for STEM jobs and university research and development, ranking 4th and 2nd, respectively, in those two categories. It also ranks 6th as a center for high-tech establishments.

Massachusetts is taking aggressive steps to bolster economic activity with high-impact university-industry R&D projects and new tools for tech-based startup companies. The 2012 legislature passed a bill creating a matching grant fund that will invest in two or three technology areas that hold high potential to create a competitive global advantage. Priority will be given to large-scale, long-term R&D activities that have the greatest likelihood of supporting science and technological innovation and creating job opportunities through industry partnerships. The legislation also provides \$1 million funding for paid internships with startup technology companies and establishes a \$1 million entrepreneur and startup venture capital mentoring program.

Massachusetts is putting community colleges at the center of its job creation strategy by creating a more unified, coordinated system and strengthening connections among community colleges and vocational/technical schools and workforce development initiatives at the regional level. Rapid Response grants have been put in place to fund development of career-specific curricula at community colleges, based on employer needs. These reforms and new initiatives address the number one issue for regional employers: the skills gap that leaves middle-skilled jobs unfilled.

After a systematic review of more than 200 regulations that were all more than 12 years old, Governor Deval Patrick approved changes to nearly 150 regulations intended to streamline processes for small business. In addition, the governor launched a new effort to make sure that no new regulation is issued without serious consideration of its impact on small businesses.

Performance Rank	18	Exports Rank	37	Innovation and Entrepreneurship Rank	5	Business Climate Rank	42	Talent Pipeline Rank	1	Infrastructure Rank	29
Long-term Job Growth	36	Export Intensity	27	STEM Job Growth	18	Small Business Lending	23	Higher-ed Degree Output	3	Broadband Speed Availability	4
Short-term Job Growth	28	Export Intensity Growth	46	STEM Job Concentration	4	Legal Environment	30	Higher-ed Efficiency	22	Broadband Provider Availability	11
Gross State Product Growth	32	Growth in Share of National Exports	47	High-tech Share of All Businesses	6	State and Local Tax Burden	43	College Affordability	29	Road Quality	25
Economic Output per Job	8	Export Growth	47	Business Birth Rate	28	Business Tax Climate	22	Educational Attainment	1	Bridge Quality	49
Productivity Growth	13			Academic R&D Intensity	2	U.S. Business Policy Index	38	H.S. Advanced Placement Scores	3		
Per Capita Income Growth	24			Growth in Self-employed	22	Cost of Living	42	Job Placement Efficiency	14		
Adjusted Median Family Income	6										



One of the states hit hardest by the 2008 recession, Michigan is showing recent economic bright spots that signal better days ahead. Although Michigan ranked 50th for job growth from 2002 through 2012, it ranks a respectable 19th in job growth for 2010 through 2012. Moreover, it has the 8th highest concentration of STEM occupations and ranks 10th in terms of academic R&D as a share of gross state product (GSP). Michigan is a strong exporter, ranking 6th in the value of exports as a share of GSP and 10th in exports overall.

Reinventing and reinvigorating Michigan is the top priority for Governor Rick Snyder, who has led the way in developing and deploying initiatives and resources for entrepreneurs and businesses in the state.

Michigan has launched two business plan competitions to stimulate entrepreneurial activity and business development. Accelerate Michigan Innovation is an international business plan competition that highlights Michigan as a robust and vibrant place for innovation and business opportunity. It offers \$1 million in cash prizes and is intended

for technology companies. The Great Lakes Entrepreneurs Quest is a statewide competition that takes place twice a year and offers multiple prizes, including a top prize of \$100,000. It matches companies with experienced coaches to guide them through the competition and holds more than 20 training and networking events for 400+ technology companies each year.

Research has shown that one job is created for every \$200,000 of increased procurement in Michigan supply chains. Pure Michigan Business Connect helps companies find procurement resources to expand their supply chains, find new business opportunities, and access business-to-business networks. A business services component connects companies in need of business assistance with pro bono professional services that include legal, accounting, Web development, human resources, small business operations, and planning.

Performance Rank	50	Exports Rank	10	Innovation and Entrepreneurship Rank	34	Business Climate Rank	19	Talent Pipeline Rank	41	Infrastructure Rank	18
Long-term Job Growth	50	Export Intensity	6	STEM Job Growth	50	Small Business Lending	30	Higher-ed Degree Output	23	Broadband Speed Availability	15
Short-term Job Growth	19	Export Intensity Growth	41	STEM Job Concentration	8	Legal Environment	32	Higher-ed Efficiency	31	Broadband Provider Availability	20
Gross State Product Growth	50	Growth in Share of National Exports	49	High-tech Share of All Businesses	29	State and Local Tax Burden	33	College Affordability	47	Road Quality	27
Economic Output per Job	29	Export Growth	43	Business Birth Rate	38	Business Tax Climate	12	Educational Attainment	29	Bridge Quality	28
Productivity Growth	49			Academic R&D Intensity	10	U.S. Business Policy Index	11	H.S. Advanced Placement Scores	22		
Per Capita Income Growth	49			Growth in Self-employed	30	Cost of Living	18	Job Placement Efficiency	18		
Adjusted Median Family Income	19										



In a state rated 6th in infrastructure, policymakers have supported the use of targeted infrastructure investments to drive new job creation. Minnesota’s Transportation Economic Development Program offers grants to communities, covering up to 70% of the cost of transportation infrastructure installation or improvements for business expansion in targeted industries, including manufacturing and biosciences. Governor Mark Dayton has proposed continued funding for the program, citing its ability to leverage private investment, increase the tax base, and create new jobs.

Minnesota also makes use of competitive infrastructure grants to spur job creation in its smaller cities. The Greater Minnesota Business Development Infrastructure Grant Program offers funding to assist local economic development and private sector expansion in cities outside the Minneapolis–St. Paul metro area. Qualified cities seeking to support growth in targeted industries can receive grants covering up to half of the capital costs of a project.

Minnesota is ranked 6th in this year’s report for its solid talent pipeline and workforce education system. The Minnesota Job Skills Partnership offers

grants to community colleges working in partnership with businesses to develop intensive workforce training programs for new and existing employees. Training programs developed through the partnership can last for several years, offering sustained support to growing, job-creating businesses. Minnesota has also prioritized training and skills development for at-risk young people. The Office of Youth Development oversees a variety of programming to build work skills, helping young people access the tools they need to find work.

Having identified a lack of housing as an impediment to private sector growth in some smaller cities and rural areas around the state, Governor Dayton has proposed continued support for the state’s Housing Challenge Fund. The fund is designed to create public-private partnerships to build affordable housing, with at least half the funding for investments required from nonstate sources. The program aims to make small communities more attractive to expanding companies by eliminating housing shortages as a potential bottleneck to job creation.

Performance Rank	15	Exports Rank	25	Innovation and Entrepreneurship Rank	27	Business Climate Rank	40	Talent Pipeline Rank	6	Infrastructure Rank	6
Long-term Job Growth	29	Export Intensity	21	STEM Job Growth	24	Small Business Lending	18	Higher-ed Degree Output	4	Broadband Speed Availability	30
Short-term Job Growth	18	Export Intensity Growth	17	STEM Job Concentration	9	Legal Environment	13	Higher-ed Efficiency	36	Broadband Provider Availability	21
Gross State Product Growth	29	Growth in Share of National Exports	37	High-tech Share of All Businesses	14	State and Local Tax Burden	44	College Affordability	27	Road Quality	15
Economic Output per Job	20	Export Growth	30	Business Birth Rate	30	Business Tax Climate	45	Educational Attainment	2	Bridge Quality	1
Productivity Growth	18			Academic R&D Intensity	37	U.S. Business Policy Index	40	H.S. Advanced Placement Scores	17		
Per Capita Income Growth	29			Growth in Self-employed	36	Cost of Living	34	Job Placement Efficiency	25		
Adjusted Median Family Income	3										



Governor Phil Bryant has continued to make health care a focus industry for job creation in Mississippi. Building on the expanded tax incentives offered through the state’s health care zone initiative, Bryant announced the creation of a Mississippi Health Care Solutions Institute. Touted by the governor as a “chamber of commerce for health care,” the organization will engage with business leaders to promote continued development of the state’s medical industry.

Mississippi remains a strong performer in exports, ranking 7th in this year’s report. The state offers businesses looking to explore international markets a variety of support services designed to ease the process. Mississippi businesses interested in a low-cost way to gauge the viability of their products and services in foreign markets can use the state’s International Catalog Show service. State trade representatives provide international contacts with information about participating Mississippi companies and their products, and set up meetings with prospective buyers, allowing companies to begin exploring export opportunities without major investments in travel and marketing. The state also offers businesses

interested in exporting access to training, workshops, and technical consulting regarding finance and regulations. Mississippi maintains an International Protocol Office to ensure that foreign business delegations are able to make productive contacts with Mississippi businesses and officials during their time in the state.

Port infrastructure upgrades are a part of Mississippi’s export promotion efforts. The state’s Port Revitalization Revolving Loan Program offers port authorities throughout the state access to low-interest financing for upgrades and expansion. The state also operates a similar fund to finance upgrades to the freight rail system, seeking to increase capacity and efficiency, increasing service availability to Mississippi businesses. The Development Infrastructure Grant Program backs investments in public infrastructure in support of business expansion or location. Focused on job creation, the program offers grants to municipalities for a wide variety of infrastructure improvements.

Performance Rank	49	Exports Rank	7	Innovation and Entrepreneurship Rank	46	Business Climate Rank	28	Talent Pipeline Rank	46	Infrastructure Rank	34
Long-term Job Growth	47	Export Intensity	9	STEM Job Growth	44	Small Business Lending	25	Higher-ed Degree Output	39	Broadband Speed Availability	36
Short-term Job Growth	46	Export Intensity Growth	4	STEM Job Concentration	50	Legal Environment	50	Higher-ed Efficiency	20	Broadband Provider Availability	41
Gross State Product Growth	36	Growth in Share of National Exports	8	High-tech Share of All Businesses	46	State and Local Tax Burden	14	College Affordability	24	Road Quality	30
Economic Output per Job	47	Export Growth	5	Business Birth Rate	36	Business Tax Climate	17	Educational Attainment	46	Bridge Quality	25
Productivity Growth	33			Academic R&D Intensity	18	U.S. Business Policy Index	15	H.S. Advanced Placement Scores	50		
Per Capita Income Growth	13			Growth in Self-employed	16	Cost of Living	11	Job Placement Efficiency	17		
Adjusted Median Family Income	47										



In 2012, Missouri Governor Jay Nixon rolled out his Missouri Works job creation strategy. Increasing the state’s focus on workforce training and talent development (an area in which it ranks 35th in this year’s report) was one of the central themes of the initiative. The administration has expanded the state’s commitment to its Customized Training Program, which offers employers creating new jobs in Missouri access to skills training funding and support services. The flexible funding can be used for a variety of workforce development activities, including on-the-job training and classroom sessions. Missouri increased funding for the program during 2011 and fully funded it during the 2012 session, solidifying its commitment to workforce improvement and business expansion.

As part of the Show Me JOBS initiative launched by the governor in 2009, Missouri created a new small business loan program. This revolving loan fund offers eligible small entrepreneurs access to low-interest loans to be used for capital, equipment, or property improvements that will help a company grow and create jobs. Missouri also operates an urban enterprise loan program to help entrepreneurs in designated areas start, build,

and grow new businesses in urban neighborhoods. Funded projects are required to meet job creation standards, ensuring that money invested will help put Missouri residents to work.

In addition to funding, the state offers support to small and medium-size technology entrepreneurs through a group of innovation centers. Working with the state’s colleges and universities, the centers help small startups commercialize technology developed in the state, turning research into jobs.

Entering 2013, Governor Nixon has pressed to streamline the state’s economic development programs to increase efficiency, signing executive orders restructuring how the state handles economic incentives. The administration proposed simplification and restructuring of the state’s environmental permitting processes to reduce hassles and complications for businesses looking to grow in the state.

Performance Rank	46	Exports Rank	38	Innovation and Entrepreneurship Rank	33	Business Climate Rank	35	Talent Pipeline Rank	35	Infrastructure Rank	31
Long-term Job Growth	41	Export Intensity	35	STEM Job Growth	31	Small Business Lending	44	Higher-ed Degree Output	7	Broadband Speed Availability	39
Short-term Job Growth	40	Export Intensity Growth	33	STEM Job Concentration	24	Legal Environment	49	Higher-ed Efficiency	21	Broadband Provider Availability	26
Gross State Product Growth	47	Growth in Share of National Exports	39	High-tech Share of All Businesses	38	State and Local Tax Burden	17	College Affordability	32	Road Quality	33
Economic Output per Job	39	Export Growth	37	Business Birth Rate	14	Business Tax Climate	16	Educational Attainment	26	Bridge Quality	36
Productivity Growth	43			Academic R&D Intensity	22	U.S. Business Policy Index	22	H.S. Advanced Placement Scores	46		
Per Capita Income Growth	35			Growth in Self-employed	42	Cost of Living	10	Job Placement Efficiency	47		
Adjusted Median Family Income	21										



The Big Sky State made the top half of this year’s economic performance rankings, checking in at 19th place overall. While it ranked 29th in overall exports, the state did show notable strength in export growth. Montana ranked 15th overall for business climate and had strong performances in R&D and STEM job growth.

Small business development in Montana is supported through the state’s MicroBusiness Finance Program. Active for more than 20 years, the initiative offers loans to companies with up to 10 employees, working through the state’s network of MicroBusiness Development Corporations. In addition to providing funding to finance expansion and associated job creation, the program offers businesspeople access to training, information, and other resources they need to improve their companies’ competitiveness.

Montana’s Growth Through Agriculture program offers grants and loans to businesses in the process of developing marketable agricultural products and processes. Projects seeking support are judged according to their

potential to create new jobs in the state. Designed to help develop new value-added uses for Montana agricultural products, the program also offers mini-grants—primarily to help businesses jump-start their marketing efforts. All projects, regardless of size or type, require matching funding from other sources.

Home to eight sovereign tribal nations, Montana has made support of job creation among Native Americans an important goal. The state’s Indian Country Economic Development initiative directs funding to support economic development projects, workforce training, entrepreneurial development programs, and other job creation efforts on the reservations. The program works through tribal governments and involves a matching requirement to increase the impact of investments. The state created a Tribal Economic Development Commission in partnership with the tribes to facilitate an intergovernmental partnership to confront high unemployment on the reservations.

Performance Rank	19	Exports Rank	29	Innovation and Entrepreneurship Rank	23	Business Climate Rank	15	Talent Pipeline Rank	28	Infrastructure Rank	47
Long-term Job Growth	6	Export Intensity	43	STEM Job Growth	9	Small Business Lending	11	Higher-ed Degree Output	35	Broadband Speed Availability	49
Short-term Job Growth	31	Export Intensity Growth	3	STEM Job Concentration	27	Legal Environment	40	Higher-ed Efficiency	30	Broadband Provider Availability	49
Gross State Product Growth	17	Growth in Share of National Exports	20	High-tech Share of All Businesses	35	State and Local Tax Burden	13	College Affordability	12	Road Quality	6
Economic Output per Job	50	Export Growth	4	Business Birth Rate	17	Business Tax Climate	8	Educational Attainment	21	Bridge Quality	10
Productivity Growth	34			Academic R&D Intensity	7	U.S. Business Policy Index	32	H.S. Advanced Placement Scores	33		
Per Capita Income Growth	7			Growth in Self-employed	41	Cost of Living	30	Job Placement Efficiency	38		
Adjusted Median Family Income	35										



Nebraska ranks 13th in overall economic performance this year owing to strong growth in GDP per job (6th), growth in per capita income (11th), median family income (10th), and long-term job growth (16th).

Nebraska’s performance can be attributed, at least in part, to a robust, decade-long upswing in exports. Manufactured exports more than doubled from \$2.1 billion in 2002 to \$5.5 billion in 2012, while nonmanufactured exports—primarily corn, soybeans, and fresh beef—increased from \$227 million to \$1.67 billion over the same period. Nebraska ranked 11th among the states in export growth from 2002 through 2012, including strong exports of farm machinery.

The Cornhusker State is making big strides in promoting entrepreneurship and fostering small business success. The Nebraska Innovation Fund has three core programs: (1) Pre-seed Fund (for startups that need prototyping), (2) Seed Fund (for commercialization), and (3) Value-Added Agriculture. Invest Nebraska is a resource for Nebraska-based startups and emerging companies that have the potential to become high-growth

businesses capable of attracting investment capital. Invest Nebraska targets businesses with the potential to increase revenues by 20% annually, export a majority of their products, and create high-paying employment opportunities in the state.

The Nebraska Economic Gardening Program provides technical assistance that might include information tools, analysis of state and national demographic trends, competitive business intelligence, marketing lists, strategy advice, capital referrals, and labor analysis for up to 40 Nebraska-based growth businesses. GROW Nebraska, a nonprofit organization, is leading the implementation of the economic gardening program throughout the state.

Governor Dave Heineman is taking the lead in modernizing and transforming the state’s tax code to reward productivity, profits, and job creation. The governor’s tax reform proposal includes no individual income tax for working Nebraskans, no taxing of small business income, and no corporate income tax.

Performance Rank	13	Exports Rank	23	Innovation and Entrepreneurship Rank	38	Business Climate Rank	20	Talent Pipeline Rank	22	Infrastructure Rank	19
Long-term Job Growth	16	Export Intensity	26	STEM Job Growth	29	Small Business Lending	33	Higher-ed Degree Output	9	Broadband Speed Availability	32
Short-term Job Growth	30	Export Intensity Growth	15	STEM Job Concentration	33	Legal Environment	2	Higher-ed Efficiency	17	Broadband Provider Availability	23
Gross State Product Growth	14	Growth in Share of National Exports	16	High-tech Share of All Businesses	34	State and Local Tax Burden	30	College Affordability	10	Road Quality	9
Economic Output per Job	34	Export Growth	11	Business Birth Rate	40	Business Tax Climate	31	Educational Attainment	14	Bridge Quality	27
Productivity Growth	6			Academic R&D Intensity	23	U.S. Business Policy Index	39	H.S. Advanced Placement Scores	47		
Per Capita Income Growth	11			Growth in Self-employed	29	Cost of Living	7	Job Placement Efficiency	48		
Adjusted Median Family Income	10										



While Nevada ranks in the middle of the pack for overall performance, it has several points of notable strength, including placing 2nd in both the business climate and infrastructure rankings. The state also remains a leader in export performance, placing 5th in this year's rankings.

Nevada has made a commitment to business-friendly taxes a key part of its approach to economic development and job creation. The state has no corporate or personal income tax, no inventory tax, and no inheritance tax, easing the generational transition of family-run small businesses. The state implemented a set of business-targeted tax incentives, including sales and use tax relief and property tax abatement for growing businesses. State leaders are seeking to hold the line on taxes compared with peer states, touting the business advantages of Nevada's approach to taxation. Nevada already ranks 9th in state and local tax burden and 3rd in business tax climate.

Nevada's policy agenda also includes infrastructure upgrades designed to enable growth and improve regional commerce. The state is in the process

of launching a \$1.8 billion initiative to expand and improve highways in the Las Vegas region. Touted by Governor Brian Sandoval as the largest public works project in Nevada since Hoover Dam, the project is designed to increase regional highway capacity in several phases over 20 years.

Nevada's ranks just 36th in export intensity, but it is growing exports faster than any other state. Expanding global outreach and engagement is a key priority of Nevada's economic development plan for 2012–2014. The state offers export readiness counseling to companies that are exploring market opportunities and hosts seminars designed to educate entrepreneurs on foreign trade. Nevada works with businesses to facilitate trade missions and shows, offering grants to qualified businesses to defray expenses. Nevada also maintains a group of trade representatives overseas who seek out new business opportunities for the state's companies.

Performance Rank	27	Exports Rank	5	Innovation and Entrepreneurship Rank	13	Business Climate Rank	2	Talent Pipeline Rank	44	Infrastructure Rank	2
Long-term Job Growth	13	Export Intensity	36	STEM Job Growth	12	Small Business Lending	6	Higher-ed Degree Output	49	Broadband Speed Availability	17
Short-term Job Growth	21	Export Intensity Growth	1	STEM Job Concentration	48	Legal Environment	35	Higher-ed Efficiency	33	Broadband Provider Availability	7
Gross State Product Growth	7	Growth in Share of National Exports	6	High-tech Share of All Businesses	13	State and Local Tax Burden	9	College Affordability	31	Road Quality	11
Economic Output per Job	16	Export Growth	1	Business Birth Rate	2	Business Tax Climate	3	Educational Attainment	50	Bridge Quality	3
Productivity Growth	31			Academic R&D Intensity	50	U.S. Business Policy Index	2	H.S. Advanced Placement Scores	23		
Per Capita Income Growth	50			Growth in Self-employed	10	Cost of Living	18	Job Placement Efficiency	6		
Adjusted Median Family Income	24										



# NEW HAMPSHIRE

New Hampshire is making STEM programs a priority. While the state scored above average in the STEM job concentration, ranking 17th, it lags in overall STEM job growth at 39th in this year’s ranking. In 2012, two public systems of postsecondary education in New Hampshire joined in committing to increase STEM graduates by 50%—growing the current total of 1,120 to 1,680 by 2020. The plan calls for doubling that number by 2025. To accomplish this, the state is implementing plans to share faculty, staff, equipment, and other resources among institutions; increase access to STEM education for all residents; and collaborate on program development.

Talent production is a strength in the state, and its young workforce is the 10th most educated in the nation. Maintaining this position may prove challenging considering the state’s 45th-place ranking in college affordability.

New Hampshire offers New England’s most favorable business tax climate, ranking 7th according to Tax Foundation data. Specifically, the

state has low or no tax in a number of key categories, including no sales tax, no use tax, no capital gains tax, no estate tax, a flat 5% individual income tax rate on interest and dividends, and a flat corporate income tax of 8.5%. New Hampshire’s overall state and local tax burden ranks among the nation’s lowest at 8% of income, much lower than the 9.8% national average.

New Hampshire is a home to the 5th-highest share of high-tech businesses and the 14th-highest academic research and development capacity. An R&D tax credit has made \$1 million in credits available each year since 2007. Former Governor John Lynch signed a two-year tax extension when the R&D tax credit was set to expire in 2013. Current Governor Maggie Hassan has recommended doubling the existing tax credit to support high-tech entrepreneurs and foster innovative commercial activity.

Performance Rank	34	Exports Rank	34	Innovation and Entrepreneurship Rank	18	Business Climate Rank	13	Talent Pipeline Rank	19	Infrastructure Rank	30
Long-term Job Growth	33	Export Intensity	33	STEM Job Growth	39	Small Business Lending	24	Higher-ed Degree Output	12	Broadband Speed Availability	21
Short-term Job Growth	42	Export Intensity Growth	40	STEM Job Concentration	17	Legal Environment	4	Higher-ed Efficiency	18	Broadband Provider Availability	24
Gross State Product Growth	28	Growth in Share of National Exports	32	High-tech Share of All Businesses	5	State and Local Tax Burden	7	College Affordability	45	Road Quality	35
Economic Output per Job	23	Export Growth	38	Business Birth Rate	31	Business Tax Climate	7	Educational Attainment	10	Bridge Quality	42
Productivity Growth	10			Academic R&D Intensity	14	U.S. Business Policy Index	20	H.S. Advanced Placement Scores	19		
Per Capita Income Growth	33			Growth in Self-employed	49	Cost of Living	40	Job Placement Efficiency	30		
Adjusted Median Family Income	15										



New Jersey ranks 12th in the talent pipeline index and 14th for innovation and entrepreneurship. So, despite coming in 49th among the states for business climate, it claims a 33rd-place ranking for overall economic performance. New Jersey is building on these strengths by deploying several initiatives that capitalize on its talent and technology foundations, as evidenced by its 12th-place ranking for STEM job concentration and its 8th-place ranking for high-tech establishments.

The Edison Innovation R&D Fund of the New Jersey Commission on Science and Technology (NJST) provides funding of \$100,000–\$500,000 to New Jersey technology companies to develop partnerships with a New Jersey research university for proof-of-concept research and development activities necessary for commercialization of an identified technology. The NJST also supports 12 technology business incubators throughout the state and has created a business accelerator program to build partnerships between university research teams and companies located in technology incubators to gain additional federal funding.

To retain young research and business talent, NJST supports two fellowship programs that pay the salaries of recent graduates who work in small technology companies, providing these companies with new talent and expertise. The Technology Fellowship Program helps doctoral graduates gain entrepreneurial experience and helps create more high-quality high-tech jobs in the state. The Entrepreneur Fellowship Program allows MBA graduates to continue their career development in New Jersey technology companies by paying their salaries and other career development costs for two years.

In an effort to spur job creation, Governor Chris Christie signed an angel investor tax credit bill that provides a credit of up to 10% of an investment in an early-stage company. The \$25 million program limits tax credits to \$500,000 per investment; the companies must have fewer than 225 employees who do research, manufacturing, or technology commercialization in the state.

Performance Rank	33	Exports Rank	26	Innovation and Entrepreneurship Rank	14	Business Climate Rank	49	Talent Pipeline Rank	12	Infrastructure Rank	38
Long-term Job Growth	43	Export Intensity	25	STEM Job Growth	46	Small Business Lending	9	Higher-ed Degree Output	38	Broadband Speed Availability	3
Short-term Job Growth	32	Export Intensity Growth	26	STEM Job Concentration	12	Legal Environment	45	Higher-ed Efficiency	10	Broadband Provider Availability	1
Gross State Product Growth	46	Growth in Share of National Exports	19	High-tech Share of All Businesses	8	State and Local Tax Burden	49	College Affordability	35	Road Quality	50
Economic Output per Job	6	Export Growth	25	Business Birth Rate	16	Business Tax Climate	49	Educational Attainment	8	Bridge Quality	44
Productivity Growth	47			Academic R&D Intensity	48	U.S. Business Policy Index	49	H.S. Advanced Placement Scores	13		
Per Capita Income Growth	31			Growth in Self-employed	4	Cost of Living	46	Job Placement Efficiency	9		
Adjusted Median Family Income	13										



# NEW MEXICO

Home to several national labs, New Mexico is a research and development hub, ranking 10th in STEM job concentration, 16th in STEM job growth, and 8th in academic R&D intensity. Building on the state’s 12th-lowest state and local tax rate, New Mexico policymakers enacted a series of tax reforms in 2012.

Chief among these was elimination of “tax pyramiding” in several sectors of the state economy in which goods and services were subject to multiple rounds of taxation. Job creation tax credits support hiring of Iraq and Afghanistan war veterans, and changes to the state’s unemployment system avert the need to increase tax rates on employers. Governor Susana Martinez and the state’s economic development department created an Office of Business Advocacy in 2011. The office is staffed by full-time advocate caseworkers who help entrepreneurs deal with state agencies.

New Mexico has made rural economic development and job creation an area of special focus. The state’s rural jobs tax credit provides tax credits

based on wages paid for newly created jobs in nonmetro areas. The high wage tax credit—targeted at supporting the creation of well-paid jobs—also incentivizes development in rural areas of the state by providing a lower wage threshold for eligibility in lower population communities. Both programs serve targeted sectors of the economy, such as manufacturers and service exporters.

Support for businesses seeking workforce training is a key part of New Mexico’s economic development agenda. The state’s Job Training Incentive Program offers wage reimbursement to businesses in targeted industries that undertake classroom or on-the-job training of new hires. Eligible trainees can have up to 75% of their wages reimbursed for up to six months. The program also connects businesses with New Mexico colleges to offer job training tailored to meet employer needs, helping businesses improve employee performance and enhance competitiveness.

Performance Rank	45	Exports Rank	45	Innovation and Entrepreneurship Rank	19	Business Climate Rank	24	Talent Pipeline Rank	29	Infrastructure Rank	36
Long-term Job Growth	19	Export Intensity	48	STEM Job Growth	16	Small Business Lending	20	Higher-ed Degree Output	8	Broadband Speed Availability	44
Short-term Job Growth	49	Export Intensity Growth	13	STEM Job Concentration	10	Legal Environment	43	Higher-ed Efficiency	23	Broadband Provider Availability	37
Gross State Product Growth	23	Growth in Share of National Exports	23	High-tech Share of All Businesses	19	State and Local Tax Burden	12	College Affordability	16	Road Quality	37
Economic Output per Job	27	Export Growth	17	Business Birth Rate	27	Business Tax Climate	38	Educational Attainment	45	Bridge Quality	9
Productivity Growth	36			Academic R&D Intensity	8	U.S. Business Policy Index	26	H.S. Advanced Placement Scores	36		
Per Capita Income Growth	16			Growth in Self-employed	43	Cost of Living	25	Job Placement Efficiency	27		
Adjusted Median Family Income	49										



New York ranks 16th-overall in economic performance, thanks to top 20 short- and long-term job growth and strong income growth. The Empire State ranks 2nd overall in the talent pipeline category, with top 20 rankings in all six metrics.

New York is making a \$15 million investment in clean energy innovation and technology by incubating commercialization activity and new business development at the state’s universities. Three Clean Energy Proof-of-Concept centers will receive \$5 million each to support science and technology entrepreneurs working with Columbia University, the Polytechnic Institute of New York University, and High-Tech Rochester. In addition to university research facilities and expertise, entrepreneurs gain access to financial support from the investment community. Related efforts include a proposal by Governor Andrew Cuomo to establish a \$1 billion “green bank” to support clean tech companies that may face difficulty attracting the necessary startup capital to get their technology, and ultimately their companies, off the ground.

Qualifying companies that meet certain job creation criteria are eligible to receive four business tax credits through the Excelsior Jobs Program. The program, administered through Enterprise State Development, allocates \$500 million in tax credits per year through 2015 for firms in qualifying industries, including biotechnology, pharmaceutical, software development, high-tech, clean technology, green technology, financial services, agriculture, and manufacturing.

Access to high-speed broadband was a priority in 2012. The Connect NY program provided \$25 million in grants to increase access to high-speed broadband Internet throughout New York, with specific attention to upstate rural and urban areas. The state ranks 11th overall in broadband availability and 22nd in access to providers, yet Governor Cuomo’s office estimates that as many as 700,000 people still lack access to proper broadband. This funding supports a physical build-out of the existing infrastructure and contains programs to increase adoption rates by the estimated 6 million New Yorkers unable to afford access to the existing system.

Performance Rank	16	Exports Rank	41	Innovation and Entrepreneurship Rank	17	Business Climate Rank	50	Talent Pipeline Rank	2	Infrastructure Rank	33
Long-term Job Growth	17	Export Intensity	39	STEM Job Growth	37	Small Business Lending	12	Higher-ed Degree Output	13	Broadband Speed Availability	11
Short-term Job Growth	15	Export Intensity Growth	36	STEM Job Concentration	32	Legal Environment	44	Higher-ed Efficiency	12	Broadband Provider Availability	22
Gross State Product Growth	31	Growth in Share of National Exports	45	High-tech Share of All Businesses	39	State and Local Tax Burden	50	College Affordability	13	Road Quality	39
Economic Output per Job	4	Export Growth	36	Business Birth Rate	6	Business Tax Climate	49	Educational Attainment	4	Bridge Quality	46
Productivity Growth	39			Academic R&D Intensity	19	U.S. Business Policy Index	47	H.S. Advanced Placement Scores	2		
Per Capita Income Growth	8			Growth in Self-employed	6	Cost of Living	47	Job Placement Efficiency	19		
Adjusted Median Family Income	44										



North Carolina is home to a collection of powerhouse research universities and a network of higher education. With innovative and high-tech enterprises spinning from places like the Research Triangle for more than 30 years, North Carolina ranks 12th overall for technology and entrepreneurship this year. The state has the 13th-highest concentration of STEM workers and ranks 4th for academic research and development intensity.

North Carolina did not fare as well in this year's talent pipeline ranking, coming in at 30th. Newly inaugurated Governor Pat McCrory has noticed a need to focus on career and workforce development, making Senate Bill 14 his first signed as governor. This legislation directs the state board of higher education to take several measures to increase enrollment in career and technical education courses in high-demand fields. Actions include increasing access to career and technical educators, establishing college and career endorsements to high school diplomas, and promoting strategies to increase student engagement in career and technical education.

Increasing the level of export activity has become an economic development priority for Governor McCrory. North Carolina ranks 31st in this year's rankings. While North Carolina exports reached an all-time high of \$28.7 billion (up from \$27 billion in 2011), the state's share of total U.S. exports decreased from 1.8% in 2011 to 1.3% in 2012, a sign that the state is not keeping pace with national export growth.

The state is targeting offshore drilling for oil and natural gas for development. In early 2013, North Carolina teamed with South Carolina, Georgia, and Virginia to approach federal authorities to pursue proper permitting for natural gas exploration and drilling. Inland natural gas extraction is also being pursued. In 2012, the North Carolina legislature legalized fracking, a controversial process to extract oil and natural gas contained in shale rock formations.

Performance Rank	32	Exports Rank	31	Innovation and Entrepreneurship Rank	12	Business Climate Rank	25	Talent Pipeline Rank	30	Infrastructure Rank	20
Long-term Job Growth	20	Export Intensity	31	STEM Job Growth	13	Small Business Lending	22	Higher-ed Degree Output	41	Broadband Speed Availability	19
Short-term Job Growth	26	Export Intensity Growth	32	STEM Job Concentration	25	Legal Environment	6	Higher-ed Efficiency	44	Broadband Provider Availability	31
Gross State Product Growth	16	Growth in Share of National Exports	40	High-tech Share of All Businesses	17	State and Local Tax Burden	34	College Affordability	21	Road Quality	10
Economic Output per Job	19	Export Growth	33	Business Birth Rate	15	Business Tax Climate	44	Educational Attainment	25	Bridge Quality	34
Productivity Growth	19			Academic R&D Intensity	4	U.S. Business Policy Index	37	H.S. Advanced Placement Scores	18		
Per Capita Income Growth	44			Growth in Self-employed	26	Cost of Living	22	Job Placement Efficiency	43		
Adjusted Median Family Income	34										



# NORTH DAKOTA

With booming job growth, surging incomes, and a rising population, North Dakota’s economic miracle shows few signs of ending. Driven by this success, the state ranks in the top half of all six categories in this year’s report, notably placing 1st in economic performance and 13th for its talent pipeline. The state dominates the performance rankings this year but also ranks 1st in STEM job growth, 5th in academic research, 1st in legal environment, 2nd in college affordability, and 3rd in educational attainment among its young workforce.

Looking to build on recent success, the state’s business and political leaders are making efforts to lay plans for continued growth. The North Dakota 2020 & Beyond project, a partnership of Governor Jack Dalrymple and the North Dakota Chamber of Commerce, conducted a series of meetings throughout the state and collected ideas online during 2012 to gather public input and ideas about the future of the state and its economy. Issued in late 2012, the final report contained dozens of recommendations to improve the quality of life and expand economic opportunity.

A major challenge facing economic development efforts in North Dakota is a lack of housing and child care for workers and their families. Available housing in many communities has not kept pace with demand, as people seeking work have poured into the region. Lack of housing can be an impediment to business growth. Thousands of jobs remain unfilled in the oil fields and throughout the state, with potential new job seekers hampered by limited housing options. The state and its state-owned Bank of North Dakota have launched several initiatives to address the problem. The state’s Housing Incentive Fund issues dollar-for-dollar tax credits in return for contributions to the fund and invests the proceeds in affordable housing developments in at-need counties. The state bank’s FlexPACE Affordable Housing Program offers developers access to low-interest loans for use in building affordable multifamily housing developments in oil-impacted counties.

Performance Rank	1	Exports Rank	21	Innovation and Entrepreneurship Rank	15	Business Climate Rank	14	Talent Pipeline Rank	13	Infrastructure Rank	22
Long-term Job Growth	1	Export Intensity	34	STEM Job Growth	1	Small Business Lending	35	Higher-ed Degree Output	22	Broadband Speed Availability	27
Short-term Job Growth	1	Export Intensity Growth	6	STEM Job Concentration	38	Legal Environment	1	Higher-ed Efficiency	34	Broadband Provider Availability	43
Gross State Product Growth	1	Growth in Share of National Exports	15	High-tech Share of All Businesses	48	State and Local Tax Burden	16	College Affordability	2	Road Quality	5
Economic Output per Job	33	Export Growth	6	Business Birth Rate	35	Business Tax Climate	28	Educational Attainment	3	Bridge Quality	19
Productivity Growth	2			Academic R&D Intensity	5	U.S. Business Policy Index	16	H.S. Advanced Placement Scores	48		
Per Capita Income Growth	1			Growth in Self-employed	18	Cost of Living	29	Job Placement Efficiency	35		
Adjusted Median Family Income	7										



Ranked 10th in infrastructure in this year's report, Ohio is exploring new ways of financing needed upgrades to its public infrastructure. Looking to increase infrastructure investment while holding the line on taxes, Governor John Kasich has proposed issuing bonds against future toll revenues from the Ohio Turnpike, generating up to \$1.5 billion for infrastructure upgrades in northern Ohio. The Kasich administration has argued that current low interest rates, coupled with the turnpike's high bond rating, offer an opportunity to creatively finance upgrades to spur economic growth, create construction jobs, and improve the state's public infrastructure.

Ohio ranks in the middle of the pack for business climate. Launched by the Kasich administration in 2011, the Common Sense Initiative (CSI) is designed to reduce the impact of new state regulations on business and job creation while promoting transparency and government responsiveness to business concerns. Led by the lieutenant governor, the initiative reviews proposed rules and regulations that affect business, rescinding or amending those that are overly onerous. During 2012, the CSI reviewed more than 1,500 rules and eliminated or made changes to

more than 750 of them. In the past year, Ohio also enacted two significant legal system reform measures.

Entering 2013, Ohio's inheritance tax has been eliminated, offering small family-owned businesses protection from taxation during the transition from one generation to the next. The state had already phased out corporate income taxes and levies no taxes on machinery and equipment investments, allowing companies to expand capacity and add jobs free of taxes. The Kasich administration proposed cutting income taxes on business earnings under \$750,000 in half, potentially reducing the tax burden on small business owners.

The Buckeye State ranks near the bottom in business birthrate. Hoping to spur investment in new businesses, the InvestOhio initiative provides personal income tax credits for people who make qualified investments in an Ohio-based small business. Investors receive a credit against their income taxes equal to the amount invested, provided they hold their investment for two years.

Performance Rank	39	Exports Rank	19	Innovation and Entrepreneurship Rank	35	Business Climate Rank	27	Talent Pipeline Rank	37	Infrastructure Rank	10
Long-term Job Growth	49	Export Intensity	12	STEM Job Growth	38	Small Business Lending	40	Higher-ed Degree Output	24	Broadband Speed Availability	16
Short-term Job Growth	14	Export Intensity Growth	48	STEM Job Concentration	23	Legal Environment	25	Higher-ed Efficiency	38	Broadband Provider Availability	14
Gross State Product Growth	49	Growth in Share of National Exports	48	High-tech Share of All Businesses	21	State and Local Tax Burden	31	College Affordability	43	Road Quality	17
Economic Output per Job	35	Export Growth	41	Business Birth Rate	48	Business Tax Climate	39	Educational Attainment	31	Bridge Quality	26
Productivity Growth	46			Academic R&D Intensity	20	U.S. Business Policy Index	18	H.S. Advanced Placement Scores	31		
Per Capita Income Growth	37			Growth in Self-employed	23	Cost of Living	16	Job Placement Efficiency	3		
Adjusted Median Family Income	16										



Oklahoma is a strong overall economic performer in this year’s rankings. Top rankings in short- and long-term job growth and income growth helped propel it to 7th overall in economic performance. However, recent declines in science and technology industries have prompted Oklahoma’s Science and Technology Council and state leaders to come together to develop strategies to improve performance. Oklahoma ranks 40th in overall technology and entrepreneurship. It has shown strong STEM job growth, ranking 19th, but it lags in STEM job concentration and high-tech businesses.

To address the decline in science and technology economy, in 2012 the Council released *One Oklahoma: A Strategic Plan for Science and Technology in Oklahoma*. Included in the 48-page comprehensive plan are 18 recommendations to boost economic activity, high-tech job growth, emergence of high-tech business, and personal income. The plan advocates effective communication and partnership between the public and private sectors and calls for investments to enhance workforce development programs, improvement and expansion of STEM education at all levels, and resources to support technology companies that seek assistance.

Oklahoma ranks 44th overall in infrastructure, including 45th place in road quality and 38th place in bridge quality. The Oklahoma Quick Action Closing Fund is a versatile economic development tool through which resources can be directed by the governor for activities related to the attraction, retention, or relocation of a high-impact business project in Oklahoma. Funding can be used for infrastructure development and improvement, and to support companies that want to locate in Oklahoma.

Before the establishment of the Closing Fund, Oklahoma lost 14 projects (representing 12,000 jobs and over \$1.5 billion in investment) to neighboring states that were able to more quickly respond with financial incentive packages. The Closing Fund is administered by the Oklahoma Department of Commerce on the basis of performance metrics and the delivery of net economic benefits to the state. Failure to deliver on performance requirements can trigger a clawback provision to reclaim investment dollars.

Performance Rank	7	Exports Rank	39	Innovation and Entrepreneurship Rank	40	Business Climate Rank	26	Talent Pipeline Rank	27	Infrastructure Rank	44
Long-term Job Growth	7	Export Intensity	41	STEM Job Growth	19	Small Business Lending	42	Higher-ed Degree Output	37	Broadband Speed Availability	40
Short-term Job Growth	4	Export Intensity Growth	9	STEM Job Concentration	40	Legal Environment	36	Higher-ed Efficiency	8	Broadband Provider Availability	30
Gross State Product Growth	24	Growth in Share of National Exports	17	High-tech Share of All Businesses	41	State and Local Tax Burden	15	College Affordability	7	Road Quality	45
Economic Output per Job	38	Export Growth	14	Business Birth Rate	32	Business Tax Climate	35	Educational Attainment	42	Bridge Quality	38
Productivity Growth	24			Academic R&D Intensity	42	U.S. Business Policy Index	23	H.S. Advanced Placement Scores	39		
Per Capita Income Growth	5			Growth in Self-employed	17	Cost of Living	1	Job Placement Efficiency	15		
Adjusted Median Family Income	32										



Oregon ranks 11th in overall economic performance, thanks to its rapidly expanding gross state product. However, nearly all of this growth stems from one industry: semiconductors. Oregon ranks in the middle of the pack for both job growth measures and it lags other states in per capita income growth and adjusted median income.

Under Governor John Kitzhaber, Oregon has focused its job creation efforts around the Oregon Business Plan, which aims to create 25,000 jobs per year through 2020. The plan sets benchmarks for income improvement and poverty reduction. Priorities for 2013 include increased investment in vital infrastructure, pension reform, and continued improvements to education to enhance workforce skills.

Seeking to tailor its economic development efforts to regional needs, Oregon has created a set of regional advisory committees. These committees bring together public and private sector stakeholders to discuss and identify economic development priorities in each region. As part of the initiative, the state created a group of regional solutions

center offices that house representatives from key state agencies. The regional offices coordinate with communities and private sector leaders to pursue job creation opportunities and strategies identified by the regional committee.

Continuing the regional approach, Oregon’s Enterprise Zone initiative allows local governments to offer special tax incentives to new and expanding companies. Expanded in 2012 by the state legislature, the program allows municipalities to extend property tax exemptions for up to five years for qualified investments in equipment and facilities. Zones in many rural areas offer special incentives, such as up to 15 years of property tax exemption for qualified investments.

Oregon offers property tax relief for large-scale job creation projects through its Strategic Investment Program. Large-scale capital investments in qualified projects, including manufacturing facilities, can receive exemptions for up to 15 years. The program involves local governments in the process and is available throughout the state.

Performance Rank	11	Exports Rank	27	Innovation and Entrepreneurship Rank	25	Business Climate Rank	21	Talent Pipeline Rank	34	Infrastructure Rank	8
Long-term Job Growth	23	Export Intensity	20	STEM Job Growth	22	Small Business Lending	10	Higher-ed Degree Output	31	Broadband Speed Availability	8
Short-term Job Growth	25	Export Intensity Growth	39	STEM Job Concentration	16	Legal Environment	21	Higher-ed Efficiency	3	Broadband Provider Availability	9
Gross State Product Growth	2	Growth in Share of National Exports	42	High-tech Share of All Businesses	31	State and Local Tax Burden	35	College Affordability	38	Road Quality	22
Economic Output per Job	7	Export Growth	40	Business Birth Rate	13	Business Tax Climate	13	Educational Attainment	28	Bridge Quality	23
Productivity Growth	1			Academic R&D Intensity	31	U.S. Business Policy Index	43	H.S. Advanced Placement Scores	25		
Per Capita Income Growth	43			Growth in Self-employed	33	Cost of Living	37	Job Placement Efficiency	41		
Adjusted Median Family Income	43										



# PENNSYLVANIA

Under Governor Tom Corbett, the Keystone State has made infrastructure improvement one of its economic growth priorities, an area in which the state ranks 43rd in this year's report. In addition to working with state leaders to advocate for upgrades and expansion of the Port of Philadelphia, the governor launched a Transportation Funding Advisory Committee in 2011 to evaluate and identify infrastructure funding priorities and options. The committee's work laid the foundation for new policy proposals to the 2013 Pennsylvania Legislature, recommending billions of dollars in new infrastructure funding targeted at relieving congestion and facilitating expanded economic activity.

Pennsylvania also wants to expand its workforce training efforts. The Keystone Works program, launched in late 2012, is designed to put unemployed Pennsylvanians back to work while increasing workforce supply in high-priority occupations. Under the program, unemployed workers can receive training from a business while still receiving their unemployment benefits. The business is not required to pay wages during the training, which gives it a chance to evaluate a potential employee in a

professional setting. At the end of the training, businesses may hire the newly trained person and receive financial benefit for doing so, facilitating job creation.

To increase collaboration between the public and private sectors, business and government leaders in Pennsylvania work together through the Team Pennsylvania Foundation. Co-chaired by the governor, the nonprofit public-private partnership identifies and advocates for policies and reforms that allow business and government to work in concert to unleash job creation. By facilitating networking, the organization has helped business and government find ways to work together to create a more business-friendly environment.

The commonwealth's Business Opportunity Fund helps minority-owned, women-owned, and other small businesses that might otherwise face difficulty accessing financing. By offering support to small businesses in underserved areas, the program helps businesses succeed and create jobs in regions that might otherwise go overlooked.

Performance Rank	23	Exports Rank	30	Innovation and Entrepreneurship Rank	29	Business Climate Rank	33	Talent Pipeline Rank	36	Infrastructure Rank	43
Long-term Job Growth	31	Export Intensity	28	STEM Job Growth	25	Small Business Lending	32	Higher-ed Degree Output	15	Broadband Speed Availability	18
Short-term Job Growth	27	Export Intensity Growth	37	STEM Job Concentration	22	Legal Environment	32	Higher-ed Efficiency	32	Broadband Provider Availability	29
Gross State Product Growth	39	Growth in Share of National Exports	13	High-tech Share of All Businesses	32	State and Local Tax Burden	41	College Affordability	44	Road Quality	42
Economic Output per Job	22	Export Growth	23	Business Birth Rate	45	Business Tax Climate	19	Educational Attainment	18	Bridge Quality	47
Productivity Growth	40			Academic R&D Intensity	6	U.S. Business Policy Index	24	H.S. Advanced Placement Scores	29		
Per Capita Income Growth	23			Growth in Self-employed	24	Cost of Living	32	Job Placement Efficiency	33		
Adjusted Median Family Income	14										



Rhode Island has continued to feel the direct impact and ripples from the recent recession—it ranks 47th overall in economic performance. However, positive rankings of 15th in talent pipeline and 16th in innovation and entrepreneurship suggest the existence of a foundation on which to build the future.

With a focus on entrepreneurship, the Founders League was launched in December 2012 to bring together resources from a number of organizations: Brown University and the University of Rhode Island (URI), a regional startup accelerator, and the Providence Chamber of Commerce. The Founders League provides a platform for entrepreneurs to access resources for essential startup functions, including product development, and includes entrepreneurial mentorship, office space, and educational programming. Efforts such as the Founders League will complement and support advances in Rhode Island’s entrepreneurial ecosystem and knowledge economy.

URI’s Research Foundation is working to turn students and researchers into entrepreneurs and to build home-grown high-tech companies. Focusing on

intellectual property, technology transfer, and commercialization activities, the Research Foundation launched a record number of companies and patents in 2011 and 2012. Total research expenditures at URI have increased to nearly \$100 million per year and are estimated by the university to have resulted in more than 1,740 high-paying jobs with an impact of \$12.4 million in state and local tax revenues. Rhode Island ranks 3rd in academic research and development intensity.

Rhode Island ranks 46th overall in business climate and at the bottom on road and bridge quality measures. Hoping to improve on its 46th-best business tax climate, Governor Lincoln Chafee proposed a reduction of the state’s corporate income tax from 9% to 7% to bring Rhode Island in line with neighboring states. Infrastructure investments in the governor’s proposed budget include an \$11 million appropriation for preapproved road and bridge projects.

Performance Rank	47	Exports Rank	44	Innovation and Entrepreneurship Rank	16	Business Climate Rank	46	Talent Pipeline Rank	15	Infrastructure Rank	39
Long-term Job Growth	48	Export Intensity	45	STEM Job Growth	34	Small Business Lending	28	Higher-ed Degree Output	6	Broadband Speed Availability	1
Short-term Job Growth	48	Export Intensity Growth	30	STEM Job Concentration	21	Legal Environment	39	Higher-ed Efficiency	14	Broadband Provider Availability	3
Gross State Product Growth	41	Growth in Share of National Exports	29	High-tech Share of All Businesses	10	State and Local Tax Burden	45	College Affordability	37	Road Quality	46
Economic Output per Job	17	Export Growth	35	Business Birth Rate	21	Business Tax Climate	46	Educational Attainment	16	Bridge Quality	50
Productivity Growth	25			Academic R&D Intensity	3	U.S. Business Policy Index	41	H.S. Advanced Placement Scores	32		
Per Capita Income Growth	20			Growth in Self-employed	28	Cost of Living	44	Job Placement Efficiency	2		
Adjusted Median Family Income	30										



# SOUTH CAROLINA

Ranked 4th for exports, South Carolina set a record in 2012 with over \$25 billion in total exports. While the state’s overall performance ranking lagged this area of strength, the state did finish in the top half of this year’s ratings for innovation and entrepreneurship and for infrastructure, and it ranks a respectable 13th in short-term job growth.

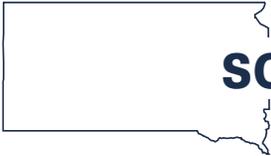
In the 2012 legislative session, South Carolina’s leaders give final approval to funding for upgrades to the state’s vital Charleston Harbor. The \$300 million set aside will fund dredging and deepening of the port, enabling it to handle larger container ships and attract more shipping traffic and economic activity to the state. Although South Carolina’s share of the project is projected at \$180 million, state leaders have committed to the larger amount to ensure that the upgrades take place if federal funding becomes unavailable.

South Carolina continues to support an active Export Assistance Program, offering a variety of services to businesses looking to expand exports. Support includes training, market research, and access to the state’s

network of overseas trade offices. The state also coordinates its trade promotion efforts with other levels of government and private sector stakeholders through the South Carolina International Trade Coalition. Governor Nikki Haley has made improving South Carolina’s 23rd-ranked business climate a key goal. As part of her administration’s efforts, she announced the creation of a gubernatorial task force on regulations.

Working with South Carolina business leaders, the task force will identify rules that hinder business growth and job creation, and eliminate outdated and unnecessary regulations. The governor issued an executive order directing all state departments to begin a review of regulations and look for ways to reduce red tape. The state also maintains a Small Business Regulatory Review Committee made up of small business owners, which reviews regulations that affect small business and can require economic impact statements from agencies that promulgate new rules.

Performance Rank	41	Exports Rank	4	Innovation and Entrepreneurship Rank	20	Business Climate Rank	23	Talent Pipeline Rank	42	Infrastructure Rank	21
Long-term Job Growth	22	Export Intensity	4	STEM Job Growth	10	Small Business Lending	38	Higher-ed Degree Output	46	Broadband Speed Availability	22
Short-term Job Growth	13	Export Intensity Growth	11	STEM Job Concentration	34	Legal Environment	41	Higher-ed Efficiency	27	Broadband Provider Availability	36
Gross State Product Growth	43	Growth in Share of National Exports	9	High-tech Share of All Businesses	27	State and Local Tax Burden	10	College Affordability	48	Road Quality	24
Economic Output per Job	46	Export Growth	12	Business Birth Rate	22	Business Tax Climate	36	Educational Attainment	37	Bridge Quality	17
Productivity Growth	50			Academic R&D Intensity	27	U.S. Business Policy Index	14	H.S. Advanced Placement Scores	21		
Per Capita Income Growth	41			Growth in Self-employed	9	Cost of Living	21	Job Placement Efficiency	7		
Adjusted Median Family Income	41										



# SOUTH DAKOTA

With a 12th-place ranking in overall performance, a top-ranked business climate, and a 10th-ranked talent pipeline, South Dakota has shown solid economic performance. The state ranks 2nd in both tax metrics, and it continues to highlight its lack of personal and corporate income taxes to attract new and expanding businesses.

Governor Dennis Daugaard has continued to pursue a Better Government Initiative to improve the state’s business climate. In 2012 the initiative eliminated 177 sections of code and administrative rules, and it is targeting more than 600 for review and potential removal in 2013. As part of the process, the state also revoked about 100 executive orders in early 2013, cutting down on potential red tape faced by businesses and citizens.

South Dakota’s MicroLOAN SD program works with local banks and credit unions to offer low-interest gap financing to new and expanding small businesses in the state that might not otherwise be able to access needed funds. Qualified entrepreneurs can receive loans of

between \$1,000 and \$100,000, depending on their needs. Expanding and relocating businesses seeking to create new jobs in South Dakota are also offered access to low-interest financing through the state’s Revolving Economic Development Initiative fund. Under the terms of the program, companies that make investments in land, equipment, or facilities needed to create new jobs can access low-interest financing if they meet job creation criteria.

As the home of a significant agricultural sector, South Dakota has sought to enhance value-added processing and export of commodities produced in the state. The state’s Agricultural Processing and Export loan program provides loans to finance the construction and expansion of agriculture manufacturing facilities. The program is for companies that ship more than 75% of their products out of state, helping bring new dollars into the state’s agriculture sector while supporting the creation of manufacturing jobs.

Performance Rank	12	Exports Rank	36	Innovation and Entrepreneurship Rank	42	Business Climate Rank	1	Talent Pipeline Rank	10	Infrastructure Rank	41
Long-term Job Growth	12	Export Intensity	40	STEM Job Growth	17	Small Business Lending	19	Higher-ed Degree Output	25	Broadband Speed Availability	34
Short-term Job Growth	37	Export Intensity Growth	7	STEM Job Concentration	46	Legal Environment	8	Higher-ed Efficiency	39	Broadband Provider Availability	46
Gross State Product Growth	9	Growth in Share of National Exports	22	High-tech Share of All Businesses	40	State and Local Tax Burden	2	College Affordability	3	Road Quality	32
Economic Output per Job	40	Export Growth	7	Business Birth Rate	29	Business Tax Climate	2	Educational Attainment	17	Bridge Quality	29
Productivity Growth	7			Academic R&D Intensity	35	U.S. Business Policy Index	1	H.S. Advanced Placement Scores	34		
Per Capita Income Growth	2			Growth in Self-employed	27	Cost of Living	26	Job Placement Efficiency	5		
Adjusted Median Family Income	26										



Tennessee’s strengths are in exporting (ranking 11th overall) and in its 12th-ranked business climate. The Volunteer State ranks 29th in overall economic performance but 17th in short-term job growth, a sign that growth may be accelerating.

Governor Bill Haslam’s Jobs4TN initiative has launched a network of nine “jobs base camps” throughout the state. Each camp is run by a director who is the liaison between business and state government to ease barriers to private-public collaboration. The regional base camps develop regional plans for economic growth, including bringing rural areas into more active partnership with regional economic development goals. The base camps are designed to work in concert with local economic development organizations and private business, aligning ongoing efforts to create jobs throughout the state.

Tennessee’s FastTrack program is a multipronged initiative designed to facilitate job creation by businesses interested in locating or expanding in the state. The initiative’s Job Training Assistance program reimburses

workforce training of new employees, offering growing businesses training programs tailored to their specific needs. FastTrack’s Infrastructure Development Program delivers infrastructure aid to communities to support specific private sector job creation opportunities, particularly in manufacturing. FastTrack also maintains a special economic development program fund to be used for grants and loans in support of significant projects. Funds are flexible and can be used for various activities, including facility expansion, equipment purchases, and relocation expenses. In 2012, the state passed legislation expanding the ability of the program to make grants for projects with strong job-creation potential.

To help small entrepreneurs put down roots in rural areas of the state, Tennessee created a Rural Small Business and Entrepreneurship Loan Fund. Available to companies with fewer than 10 employees, the fund gives business owners with limited traditional financing options an alternative to access needed capital. Loans are made at low, fixed interest rates, minimizing repayment burdens.

Performance Rank	29	Exports Rank	11	Innovation and Entrepreneurship Rank	45	Business Climate Rank	12	Talent Pipeline Rank	40	Infrastructure Rank	23
Long-term Job Growth	35	Export Intensity	11	STEM Job Growth	42	Small Business Lending	36	Higher-ed Degree Output	42	Broadband Speed Availability	38
Short-term Job Growth	17	Export Intensity Growth	21	STEM Job Concentration	43	Legal Environment	13	Higher-ed Efficiency	42	Broadband Provider Availability	39
Gross State Product Growth	25	Growth in Share of National Exports	12	High-tech Share of All Businesses	30	State and Local Tax Burden	3	College Affordability	23	Road Quality	8
Economic Output per Job	32	Export Growth	19	Business Birth Rate	34	Business Tax Climate	15	Educational Attainment	41	Bridge Quality	16
Productivity Growth	9			Academic R&D Intensity	33	U.S. Business Policy Index	17	H.S. Advanced Placement Scores	37		
Per Capita Income Growth	32			Growth in Self-employed	32	Cost of Living	2	Job Placement Efficiency	8		
Adjusted Median Family Income	31										



The Lone Star State occupies 2nd place for overall economic performance in this year’s rankings owing to strong showings for long-term job growth (ranking 4th), short-term job growth (3rd), and growth of gross state product (5th). Moreover, Texas ranks in the top 10 in three of the major indices: exports (2nd), innovation and entrepreneurship (6th), and business climate (5th).

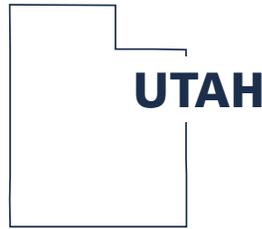
The state’s Texas Wide Open for Business theme encapsulates its commitment to create and sustain an environment that fosters business development and job growth, according to Governor Rick Perry. The commitment is confirmed in this year’s 5th-best ranking for overall business climate, including 6th for state and local tax burden, 9th for business tax climate, and 3rd for business policy.

Small business is big in Texas—there are more than 2.2 million small businesses. Of these, more than 390,000 are direct employers, and they account for over 45% of private sector jobs in the state. Small firms make up more than 98% of the state’s employers.

Texas shows a strong rate of business births (ranking 8th) as well as a high growth rate for self-employment (2nd). Business ownership is becoming more diverse and inclusive in the state. Over the past decade, the number of both women and minority small business owners has grown. Minority-owned businesses recently numbered over 725,000, according to the Governor’s Office.

Texas is an exporting powerhouse—it has been named the top exporting state in the United States for the 11th year in a row, according to the U.S. Department of Commerce. Texas exports in 2012 totaled \$265 billion, a 5.4% increase from exports reported in 2011. The top exporting industries in 2012 were petroleum and coal products, chemicals, computer and electronic products, nonelectrical machinery, and transportation equipment. Texas ranks 1st in export intensity but 2nd in the overall export index of the Enterprising States rankings, because other states’ rates of growth are higher.

Performance Rank	2	Exports Rank	2	Innovation and Entrepreneurship Rank	6	Business Climate Rank	5	Talent Pipeline Rank	23	Infrastructure Rank	14
Long-term Job Growth	4	Export Intensity	1	STEM Job Growth	5	Small Business Lending	13	Higher-ed Degree Output	47	Broadband Speed Availability	42
Short-term Job Growth	3	Export Intensity Growth	12	STEM Job Concentration	18	Legal Environment	22	Higher-ed Efficiency	2	Broadband Provider Availability	9
Gross State Product Growth	5	Growth in Share of National Exports	1	High-tech Share of All Businesses	15	State and Local Tax Burden	6	College Affordability	20	Road Quality	12
Economic Output per Job	13	Export Growth	10	Business Birth Rate	8	Business Tax Climate	9	Educational Attainment	39	Bridge Quality	11
Productivity Growth	27			Academic R&D Intensity	32	U.S. Business Policy Index	3	H.S. Advanced Placement Scores	20		
Per Capita Income Growth	14			Growth in Self-employed	2	Cost of Living	7	Job Placement Efficiency	11		
Adjusted Median Family Income	25										



Utah is perhaps the best-performing state overall in this year's Enterprising States report, ranking in the top 10 in all six major categories this year. The state is booming, ranking 2nd in both short- and long-term job growth. Utah is increasingly becoming one of the nation's high-tech centers. It ranks 3rd in STEM job growth, 7th in high-tech business, and 14th in STEM job concentration. There are more than 7,000 technology companies in Utah, according to the Utah Technology Council, and job growth in these companies is twice that of businesses outside the high-tech industry.

Retention and growth of a highly skilled talent pool is a crucial factor in sustaining Utah as a high-tech center. In 2012, the Utah Legislature approved \$2.5 million in funding for The Engineering Initiative. This funding will help recruit faculty, strengthen distance education systems, and provide scholarships to increase the supply of engineering graduates needed to sustain the growth and attraction of high-tech companies. The Utah Science, Technology, and Research initiative also received \$6 million in 2012 to support research and innovation at Utah's universities, creating

commercial opportunities leading to private sector business development and attraction.

The state also scores well in business creation. It ranks 3rd in business birthrate and 7th in growth of self-employed workers. Startup Ogden is one example of the State of Utah and the Governor's Office of Economic Development teaming with higher education to boost economic development. A relationship with Weber State University offers technology and business skills training to residents and to startup businesses in the community. Through a 12-week startup course, companies considering relocation to Ogden receive financial support in the form of repayable grants, mentorship training, and assistance with professional services. Startup Ogden expects to train 50 or more entrepreneurs annually in high-tech continuing education short courses, adding to the skilled workforce and creating business growth opportunities in Utah.

Performance Rank	3	Exports Rank	3	Innovation and Entrepreneurship Rank	4	Business Climate Rank	6	Talent Pipeline Rank	8	Infrastructure Rank	4
Long-term Job Growth	2	Export Intensity	3	STEM Job Growth	3	Small Business Lending	7	Higher-ed Degree Output	11	Broadband Speed Availability	13
Short-term Job Growth	2	Export Intensity Growth	5	STEM Job Concentration	14	Legal Environment	8	Higher-ed Efficiency	7	Broadband Provider Availability	13
Gross State Product Growth	3	Growth in Share of National Exports	4	High-tech Share of All Businesses	7	State and Local Tax Burden	22	College Affordability	8	Road Quality	16
Economic Output per Job	30	Export Growth	3	Business Birth Rate	3	Business Tax Climate	10	Educational Attainment	22	Bridge Quality	5
Productivity Growth	12			Academic R&D Intensity	16	U.S. Business Policy Index	8	H.S. Advanced Placement Scores	11		
Per Capita Income Growth	30			Growth in Self-employed	7	Cost of Living	11	Job Placement Efficiency	37		
Adjusted Median Family Income	23										



Vermont is 35th among the states in overall economic performance, with its highest ranking in that index at 10th for per capita income growth. Another top position for Vermont is export intensity (10th), which confirms that world markets are important to the state's economy. Exports from Vermont totaled \$4.3 billion in 2012, according to the International Trade Administration; of this total, computer and electronic products accounted for \$2.8 billion. Almost a quarter of the state's manufacturing jobs (23%) can be attributed to exports, and 90% of the companies that export from Vermont are small or medium-sized firms.

The current and potential impact of Vermont's talented workforce is clearly demonstrated by its 5th-place rankings for educational attainment and higher education degree output. Likewise, it ranks 10th for high school Advanced Placement scores, 9th for academic R&D intensity, and a respectable 20th for STEM job concentration.

Vermont hopes to build on its talent pipeline with an incentive program to help Vermont employers attract much-needed engineering and technical

talent, and help recent graduates pay off college debt if they work for a Vermont employer in a high-demand STEM occupation. The Department of Economic, Housing and Community Development's Science, Technology, Engineering, and Math award pays new hires at qualified Vermont companies \$1,500 cash for each year they are employed, up to five years. The incentive goes directly to the individual.

In addition, Governor Peter Shumlin has proposed initiatives to rethink the way students are educated and prepared for 21st century jobs. The governor's proposals would integrate technology, virtual learning, technical education centers, and internship and apprenticeship opportunities for students while they are in high school.

Vermont ranks 48th for broadband availability, but its high-speed network has expanded to reach an estimated 282,000 locations since 2010, and the state is working to extend service to every household and business by the end of 2013.

Performance Rank	35	Exports Rank	14	Innovation and Entrepreneurship Rank	28	Business Climate Rank	45	Talent Pipeline Rank	33	Infrastructure Rank	48
Long-term Job Growth	32	Export Intensity	10	STEM Job Growth	21	Small Business Lending	27	Higher-ed Degree Output	5	Broadband Speed Availability	48
Short-term Job Growth	29	Export Intensity Growth	45	STEM Job Concentration	20	Legal Environment	19	Higher-ed Efficiency	49	Broadband Provider Availability	40
Gross State Product Growth	33	Growth in Share of National Exports	34	High-tech Share of All Businesses	18	State and Local Tax Burden	38	College Affordability	49	Road Quality	47
Economic Output per Job	49	Export Growth	39	Business Birth Rate	43	Business Tax Climate	47	Educational Attainment	5	Bridge Quality	39
Productivity Growth	26			Academic R&D Intensity	9	U.S. Business Policy Index	48	H.S. Advanced Placement Scores	10		
Per Capita Income Growth	10			Growth in Self-employed	38	Cost of Living	41	Job Placement Efficiency	45		
Adjusted Median Family Income	37										



Virginia ranks 5th in overall economic performance, thanks to its top ranking for median family income and a solid mix of top 20 rankings for long-term job growth (14th), gross state product growth (15th), economic output per job (14th), and productivity growth (14th).

Governor Bob McDonnell called 2012 The Year of the Entrepreneur, touting Virginia as an incubator for good ideas with the right tax, regulatory, and business climate for entrepreneurs to turn those ideas into job-creating businesses. Throughout the year, the governor held roundtables and meetings with business owners, as well as events to recognize, support, and increase the ranks of risk takers who create opportunity for other Virginians.

Virginia’s Business One Stop helps entrepreneurs obtain the information and complete the steps required to register their businesses and find resources to help them grow and expand. The state’s GATE (Growing America Through Entrepreneurship) website provides information on business-related programs and services offered by the Virginia Community College System and the Virginia Workforce Network.

Virginia is a recognized leader in science- and technology-based employment and business sectors. It ranks 2nd in STEM job growth, 1st for STEM job concentration, and 1st for high-tech share of all businesses. These high rankings propel it to 3rd in the overall innovation and entrepreneurship index.

The Center for Innovative Technology (CIT) is a state-chartered nonprofit organization that accelerates innovation, imagination, and the next generation of technology and technology companies. Created in 1985, CIT operates the functions of the Innovation and Entrepreneurship Investment Authority, which was established to generate technology-based economic development strategies. CIT carries out its mission through five service lines: CIT Entrepreneur, CIT R&D, CIT Connect, CIT Broadband, and Commonwealth Support Programs. Currently, CIT is focused primarily on plugging gaps related to commercialization and seed funding at the earliest stages of the innovation continuum.

Performance Rank	5	Exports Rank	46	Innovation and Entrepreneurship Rank	3	Business Climate Rank	16	Talent Pipeline Rank	5	Infrastructure Rank	24
Long-term Job Growth	14	Export Intensity	42	STEM Job Growth	2	Small Business Lending	34	Higher-ed Degree Output	19	Broadband Speed Availability	37
Short-term Job Growth	23	Export Intensity Growth	38	STEM Job Concentration	1	Legal Environment	8	Higher-ed Efficiency	6	Broadband Provider Availability	32
Gross State Product Growth	15	Growth in Share of National Exports	43	High-tech Share of All Businesses	1	State and Local Tax Burden	21	College Affordability	28	Road Quality	7
Economic Output per Job	14	Export Growth	42	Business Birth Rate	20	Business Tax Climate	27	Educational Attainment	7	Bridge Quality	32
Productivity Growth	14			Academic R&D Intensity	41	U.S. Business Policy Index	12	H.S. Advanced Placement Scores	5		
Per Capita Income Growth	21			Growth in Self-employed	15	Cost of Living	22	Job Placement Efficiency	40		
Adjusted Median Family Income	1										



Washington ranks 6th in overall economic performance, driven by top 10 short- and long-term job growth rankings and the 9th-highest adjusted family income. Ranked 6th in exports, Washington has made expanding its international trade connections a key part of its growth efforts. The state’s Export Finance Assistance Center offers Washington-based small and mid-sized businesses a variety of services, including finance information, training, and referrals to other private and public sector support organizations. In addition to finance counseling, the state maintains a staff of sector-focused trade specialists who offer free support services to businesses interested in exploring international trade.

Incoming Governor Jay Inslee has made improving the state’s business climate—ranked 11th in this year’s report—one of the central items on his policy agenda. As part of this focus, the new administration is in the process of establishing an Economic Competitiveness and Development Office. The office will bring together all trade and economic development efforts under one cabinet-level director, streamlining the state’s economic growth activities.

The governor has pledged to create a Regulatory Innovation Center that will work with the Department of Commerce and other government agencies to identify opportunities for regulatory reform and simplification, reducing the negative effects of poorly designed regulations on businesses in the state. The administration has rolled out plans to create My Account, an online portal through which businesses can access information on rules, apply for permits, and deal with tax issues.

Impact Washington, a not-for-profit that supports manufacturing in the state, has launched a targeted small business consulting program. Working with businesses with fewer than 10 employees, the program offers assistance with marketing, planning, workforce training, and process improvements. The state also offers finance support to expanding manufacturers through the Washington Economic Development Finance Authority’s Industrial Revenue Bond program. Businesses that borrow money through the bonding program can take advantage of lower interest rates and tax advantages.

Performance Rank	6	Exports Rank	6	Innovation and Entrepreneurship Rank	7	Business Climate Rank	11	Talent Pipeline Rank	17	Infrastructure Rank	11
Long-term Job Growth	9	Export Intensity	5	STEM Job Growth	4	Small Business Lending	14	Higher-ed Degree Output	32	Broadband Speed Availability	7
Short-term Job Growth	8	Export Intensity Growth	34	STEM Job Concentration	3	Legal Environment	24	Higher-ed Efficiency	29	Broadband Provider Availability	8
Gross State Product Growth	12	Growth in Share of National Exports	44	High-tech Share of All Businesses	33	State and Local Tax Burden	23	College Affordability	26	Road Quality	28
Economic Output per Job	9	Export Growth	34	Business Birth Rate	11	Business Tax Climate	6	Educational Attainment	15	Bridge Quality	30
Productivity Growth	8			Academic R&D Intensity	28	U.S. Business Policy Index	6	H.S. Advanced Placement Scores	15		
Per Capita Income Growth	26			Growth in Self-employed	37	Cost of Living	35	Job Placement Efficiency	21		
Adjusted Median Family Income	9										



West Virginia has placed a strong emphasis on creating jobs in manufacturing, offering a variety of tax incentives to support businesses in related industries. The state’s manufacturing investment credit covers qualified investments in equipment and manufacturing properties. State law also offers a high-tech manufacturing tax credit that targets job creation in computers, electronics, and semiconductors. Other tax incentives include an inventory tax credit that offsets taxes levied against raw material and finish product inventories, a sales tax exemption on materials and equipment used in manufacturing, and a freeport amendment that exempts products manufactured in the state from property taxes during short-term storage.

The state also uses property tax incentives as a tool to encourage major investments that can lead to new jobs. The state’s Five-for-Ten program values capital investments of over \$50 million in manufacturing facilities at 5% of their cost for 10 years, decreasing the cost of large-scale business expansions. In a similar style, under the High-Technology Business Property Valuation Act, equipment purchased by high-tech

business can be taxed at 5% of the installed value, supporting growth in targeted industries.

West Virginia offers a variety of programs to support small business competitiveness and efficiency. Entrepreneurs who are interested in providing workforce training for new and existing employees are eligible for assistance through the Governor’s Guaranteed Work Force Program. Small business owners can receive up to \$5,000 worth of support for workforce development activities, including technical training. West Virginia has created a small business ombudsman service, offering business owners a point of contact to navigate state programs and work through regulatory issues. The state also offers grants of up to \$5,000 through its Research and Commercialization Assistance Grant Program to help small businesses that are in the process of crafting proposals for federal research assistance, helping innovative West Virginia businesses jump-start their research commercialization efforts.

Performance Rank	42	Exports Rank	32	Innovation and Entrepreneurship Rank	50	Business Climate Rank	38	Talent Pipeline Rank	39	Infrastructure Rank	49
Long-term Job Growth	28	Export Intensity	32	STEM Job Growth	33	Small Business Lending	48	Higher-ed Degree Output	10	Broadband Speed Availability	43
Short-term Job Growth	47	Export Intensity Growth	35	STEM Job Concentration	44	Legal Environment	38	Higher-ed Efficiency	24	Broadband Provider Availability	48
Gross State Product Growth	35	Growth in Share of National Exports	31	High-tech Share of All Businesses	47	State and Local Tax Burden	32	College Affordability	30	Road Quality	43
Economic Output per Job	41	Export Growth	31	Business Birth Rate	50	Business Tax Climate	23	Educational Attainment	46	Bridge Quality	45
Productivity Growth	37			Academic R&D Intensity	39	U.S. Business Policy Index	30	H.S. Advanced Placement Scores	45		
Per Capita Income Growth	15			Growth in Self-employed	47	Cost of Living	14	Job Placement Efficiency	22		
Adjusted Median Family Income	36										



While it ranked 14th for its talent pipeline and workforce training, 16th in exports, and 17th in infrastructure, Wisconsin's overall performance in this year's report lagged behind, at 44th. The state has seen some recovery in employment levels, and Governor Scott Walker has continued to press forward with his jobs and reform plans, pledging to create 250,000 new jobs by 2015.

In addition to setting goals for job creation, Wisconsin has set goals for export growth as a way to benchmark economic growth and progress. The state is aiming to have \$33 billion in exports by 2015, doubling levels from a recessionary baseline of \$16.5 billion in 2009. The state's Export Development Grant program offers companies that are new to exporting small grants to help them get their trade strategy up and running. The International Market Access Grant program offers grants to companies that want to start exporting or expand their current level of trade.

The Wisconsin Entrepreneurs' Network, launched through a partnership between the Wisconsin Economic Development Corporation and the

University of Wisconsin, offers new and promising entrepreneurs access to support networks, state programs, and the financial resources they need to get up and running. The program offers qualified small business owners access to early planning grants and technology assistance grants designed to help nascent companies hire the outside expertise they need to craft better business plans and get technology to market. The initiative also includes a business assistance program that gives entrepreneurs access to free meeting time with a business lawyer for valuable basic counseling in the initial phases of launching their business.

Regulatory reform has also been on Wisconsin's job creation agenda. In 2011, Governor Walker restructured the state's Small Business Regulatory Review Board, replacing government agency representatives with small business owners. During 2012, the board gathered stakeholder input, discussed potential reforms, and reviewed suggested modifications to more than 300 government regulations.

Performance Rank	44	Exports Rank	16	Innovation and Entrepreneurship Rank	41	Business Climate Rank	39	Talent Pipeline Rank	14	Infrastructure Rank	17
Long-term Job Growth	45	Export Intensity	16	STEM Job Growth	26	Small Business Lending	46	Higher-ed Degree Output	26	Broadband Speed Availability	28
Short-term Job Growth	50	Export Intensity Growth	24	STEM Job Concentration	28	Legal Environment	8	Higher-ed Efficiency	19	Broadband Provider Availability	33
Gross State Product Growth	37	Growth in Share of National Exports	18	High-tech Share of All Businesses	44	State and Local Tax Burden	46	College Affordability	17	Road Quality	29
Economic Output per Job	36	Export Growth	24	Business Birth Rate	47	Business Tax Climate	43	Educational Attainment	20	Bridge Quality	4
Productivity Growth	28			Academic R&D Intensity	11	U.S. Business Policy Index	27	H.S. Advanced Placement Scores	14		
Per Capita Income Growth	36			Growth in Self-employed	35	Cost of Living	27	Job Placement Efficiency	32		
Adjusted Median Family Income	12										

# WYOMING

Wyoming ranks 4th overall in economic performance, but growth has slowed in recent years. As the home to over 40% of U.S. coal production, Wyoming is highly focused on energy production as an economic growth engine. With that in mind, Governor Matt Mead has launched efforts to create a new Wyoming energy strategy. Stakeholders from around the state identified several major areas of focus, including regulatory efficiency, expansion of overall energy production, economic diversification, and technological innovation. A set of draft initiatives to promote energy sector growth and job creation are under review for adoption during 2013.

As an energy-producing powerhouse with a small population, Wyoming relies on strong infrastructure links to export its generating capacity. To ensure continued access to markets for Wyoming power, the state created the Wyoming Infrastructure Authority. This quasi-government agency has \$1 billion in bonding authority, enabling it to finance large-scale electric-transmission projects. The authority is currently involved in developing multiple projects to move Wyoming energy to population centers throughout the western United States.

Wyoming's Business Ready Community program creates a structure for the state to partner with cities and towns on job creation. Under the terms of the program, the state provides loans and grants to finance infrastructure upgrades needed to help a business expand or locate in a community, undertake economic planning, or upgrade amenities to make a community more attractive to business activity. Grants require local and private matching funds, depending on the type of project being financed. Wyoming ranks 3rd overall for its business climate, primarily owing to low tax burdens in the state. To help new small businesses easily gain access to the permits and licenses they need to get up and running, Wyoming established a Business Permitting Assistance Office. This one-stop shop offers entrepreneurs easy access to information on regulations related to starting and growing a business.

Performance Rank	4	Exports Rank	40	Innovation and Entrepreneurship Rank	39	Business Climate Rank	3	Talent Pipeline Rank	31	Infrastructure Rank	45
Long-term Job Growth	3	Export Intensity	44	STEM Job Growth	8	Small Business Lending	26	Higher-ed Degree Output	36	Broadband Speed Availability	47
Short-term Job Growth	36	Export Intensity Growth	10	STEM Job Concentration	37	Legal Environment	16	Higher-ed Efficiency	47	Broadband Provider Availability	45
Gross State Product Growth	6	Growth in Share of National Exports	25	High-tech Share of All Businesses	45	State and Local Tax Burden	5	College Affordability	1	Road Quality	14
Economic Output per Job	10	Export Growth	9	Business Birth Rate	33	Business Tax Climate	1	Educational Attainment	33	Bridge Quality	22
Productivity Growth	30			Academic R&D Intensity	49	U.S. Business Policy Index	4	H.S. Advanced Placement Scores	42		
Per Capita Income Growth	4			Growth in Self-employed	19	Cost of Living	33	Job Placement Efficiency	44		
Adjusted Median Family Income	22										

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# NOTES

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