



RESURGENT MIDWEST, INSURGENT GROWTH: AN ECONOMIC CHECK-UP OF THE MIDWESTERN STATES

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Ohio Report Card

State benchmarking reports are designed to look for major performance outcomes relative to competitors. They evaluate each state's performance on a multitude of measures, standardize each measure in order to make them comparable to each other, and then usually summarize the results in an aggregate rank, score or grade for each state.

Twenty four source reports are included in the comparison table, each briefly described below in alphabetical order. These have been selected because they are produced annually or biannually and include all states. Each attempts to address the economic and/or human capital conditions of states from a panoramic perspective. They are the ones most likely to be cited in state policy discussions or by the media when providing state commentaries.

Providing comparisons among these report cards on the basis of overall state score or rank is not particularly helpful, sometimes even confusing. However, comparisons across major categories within these report cards can be quite instructive. The comparison table for each state is organized under 14 such categories showing each state's ranking. Each report card that uses a particular category is cited.

Rankings were found to be the only simple, common basis for comparison. Where a report card does use rankings or grades, its scores have been converted to ranks.

Most of the reports cited here use hard data. A few are based on opinion surveys. For the hard-data reports, metrics are chosen using a credible federal or private data source. To obtain a metric, the data for a state is “scaled” according to its size. For example, income is divided by population to obtain “per capita income” or the number of small business start-ups is divided by the total number of businesses to arrive at a “start-up rate.” The report cards then group three to five similar metrics to obtain a category or “driver” score. The report cards differ considerably on method and disclosure of method.

With the large number of ranking reports that are regularly released, it is logical to question which are most reliable or carefully constructed. The 11 report cards listed here are those most preferred because they focus primarily on outcome measurements, strive to be comprehensive, and have transparent methods whereby their results can be replicated by others. These reports are highlighted in bold in the comparison tables.

- **Beacon Hill Institute: State Competitiveness Report 2009**
- **Corporation for Enterprise Development (CFED): 2007 Development Report Card for the States**
- **Education Week: Quality Counts 2009**
- **GrowthEconomics: Competitiveness and Entrepreneurship ScoreCards**
- **Kauffman Foundation/Information Technology and Innovation Foundation: The 2008 New Economy Index**
- **Milken Institute: 2007 Cost of Doing Business Index**
- **Milken Institute: 2008 State Technology and Science Index**
- **Morgan Quitno: Education State Rankings – Smartest State Award 2006-07**
- **National Center for Public Policy and Higher Education: Measuring Up 2008**
- **PEW Center on the States: Grading the States 2008**
- **PEW Center of the States: Beyond California: States in Fiscal Peril 2009**

Ohio Report Card

The Bottom Line: Overall, Ohio's economic performance and economic competitiveness is sub-par. The state's recent economic growth, including entrepreneurial growth, has been disappointing. Business climate conditions are at or below average, except for legal climate which ranks in the top 10 nationally. K-12 education scores are at or above average and have been improving in recent years. Post-secondary education, however, does not rank as well, and the state's workforce is only average. Like most Midwestern states, technology competitiveness is a challenge for Ohio, and the state generally ranks below average in this area.

Summary of Current State Competitiveness and 'Best States for Business' Reports
(data year 2008; year shown is publication year)

Overall Economic Performance – very low performer	Rank/grade (rank 1 is best)
- Corporation for Enterprise Development, 2007 Development Report Card for the States	
Employment	49 (37 in 2002)
Earnings & Job Quality	17 (21 in 2002)
Equity	11 (12 in 2002)
- GrowthEconomics, Competitiveness ScoreCard (2009)	
State Economic Prosperity Index	35 (38 in 2002)
State Economic Growth Index (recent 3-year change)	46 (43 in 2002)
- ALEC-Laffer State Economic Competitiveness Index (2009)	
Economic Performance (10-year change)	49
- Forbes, The Best States For Business (2009)	
Economic Climate	43

Ohio generally ranks among the bottom 10 states on overall **economic performance** and **economic growth**, with signs of significant loss of competitiveness in recent years. Low earnings and job growth in particular pull the state's score down. However, growth in self-employment points to some encouraging signs. Ohio's level of economic prosperity fares more favorably due to better scores in the level of earnings, low long-term unemployment and percent employed with jobs paying a family wage jobs. Nevertheless, overall prosperity rankings remain below mid-point.

Business Attraction / Good Place to do Business	
Cost of Doing Business – mid/low performer	
- GrowthEconomics, Competitiveness ScoreCard (2010) Business Costs	22 (29 in 2002)
- Milken Institute, 2007 Cost of Doing Business Index	21
- Chief Executive, US Best and Worst States for Business 2009 Costs of Business	30
- CNBC, America's Top States for Businesses (2009) Costs of Doing Business	29
- Forbes, The Best States For Business (2009) Business Costs	30
Access to Capital – high performer	
- Corporation for Enterprise Development, 2007 Development Report Card for the States Financial Resources	43 (30 in 2002)
- GrowthEconomics, Competitiveness ScoreCard (2010) Capital Formation	14 (27 in 2002)
- Chief Executive, US Best and Worst States for Business 2009 Access to Capital	20
- CNBC, America's Top States for Businesses (2009) Access to Capital	14
Legal Climate – very high performer	
- GrowthEconomics, Competitiveness ScoreCard (2010) Legal Climate	7 (19 in 2002)
- Directorship's Boardroom Guide to State Litigation Climates (2009)	7
- Pacific Research Institute, US Economic Freedom Index 2008 Report Judicial	2
Regulatory Climate – variable performer	
- Forbes, The Best States For Business (2009) Regulatory Environment	8
- Mercatus Center, Freedom in the 50 States (2009) Regulatory Policy	29
- Pacific Research Institute, US Economic Freedom Index 2008 Report Regulatory	42
Tax and Fiscal Climate – variable performer	
- Beacon Hill Institute, State Competitiveness Report (2009) Government and Fiscal Policy	40 (37 in 2002)
- GrowthEconomics, Competitiveness ScoreCard (2010) Fiscal Constraint on Growth	16 (7 in 2002)
- The PEW Center on the States, Beyond California: States in Fiscal Peril (2009)	22

- ALEC-Laffer State Economic Competitiveness Index (2009) Economic Outlook	45
- Mercatus Center, Freedom in the 50 States (2009) Fiscal Policy	40
- Pacific Research Institute, US Economic Freedom Index 2008 Report Fiscal	47
- Small Business Survival Index 2009	10
- Tax Foundation, State Business Tax Climate Index FY2010	47

Ohio ranks around the median on measures related to the **cost of doing business**, with good performance in industrial rents in the Milken report and low productivity scores, which receives a high weight, in the GrowthEconomics report.

On **access to capital**, Ohio generally ranks in the top 20. On the three measures included in the Corporation for Enterprise Development report, the state ranks low. The GrowthEconomics higher ranking bolstered primarily by a top 10 performance in commercial and industrial lending at banks. .

Ohio ranks among the top 10 states on **legal climate**, with signs of improvement occurring during recent years. Its **regulatory climate** receives very mixed reviews. In part, this could be due to differences in design and methodology of the three reports.

The state's performance in **tax and fiscal climate** is less clear-cut. The Small Business Survival Index gives the state points for a low number of health mandates and low top state corporate taxes. On the other hand, several other reports rank it among the bottom 10 states. For example, the ALEC-Laffer report rates the state's marginal corporate income taxes as a weakness because that report includes a wider definition, including local taxes and business franchise taxes. The GrowthEconomics and Pew reports, which evaluate states' fiscal stress and constraint on growth, place Ohio above average.

Business Dynamism	
Technology & Innovation Indices – variable performer	
- Beacon Hill Institute, State Competitiveness Report (2009) Technology	33 (24 in 2002)
- Corporation for Enterprise Development, 2007 Development Report Card for the States	
Innovation Assets	20 (18 in 2002)
- GrowthEconomics, Competitiveness ScoreCard (2010) Technology & Innovation	29 (27 in 2002)
- Kauffman Foundation / ITIF, The 2008 New Economy Index	30 (27 in 2002)
- Milken Institute, State Technology and Science Index (2008)	36 (27 in 2002)

- Chief Executive, US Best and Worst States for Business 2009 Technology & Innovation	17
- CNBC, America's Top States for Businesses (2009) Technology & Innovation	10
Entrepreneurial Economy – low performer	
- Corporation for Enterprise Development, 2007 Development Report Card for the States Entrepreneurial Energy	37 (46 in 2002)
- GrowthEconomics, Entrepreneurship Score Card (2009) Entrepreneurial Change (recent 3-year change)	49 (46 in 2002)
Entrepreneurial Vitality	33 (29 in 2002)
Entrepreneurial Climate	16 (31 in 2002)
International Business Activity – mid/high performer	
- Beacon Hill Institute, State Competitiveness Report (2009) Openness	31 (19 in 2002)
- GrowthEconomics, Competitiveness ScoreCard (2010) International Activity	10 (16 in 2002)
- Kauffman Foundation / ITIF, The 2008 New Economy Index Globalization	26

Several **technology and innovation indices** rank Ohio below the median. A drop in ranking indicated that the state has lost some of its competitiveness in this area in recent years. The Corporation for Enterprise Development ranking is bolstered by above-average activity in the level of small business grants and university spinoff businesses. Ohio fares best in the CNBC ranking. This report includes the performance of broadband services in the state, an area in which Ohio does well, particularly in regards to the development of the state's digital infrastructure.

On most measures of **entrepreneurial activity** Ohio ranks well-below average. However, GrowthEconomics finds an above-average performance in entrepreneurial climate, with significant improvement over the past decade. Two of the three reports on **international business activity** rank Ohio at below average. The high rank in the GrowthEconomics report is driven by measures of the state's high share of export-related jobs and high percentage of export-oriented small businesses.

Overall Workforce / Education	
General – low performer	
- Beacon Hill Institute, State Competitiveness Report (2009) Human Resources	27 (32 in 2002)
- GrowthEconomics, Competitiveness ScoreCard (2010) Education	30 (35 in 2002)
Workforce Preparedness	35 (33 in 2002)
- CNBC, America's Top States for Businesses 2009 Education	15
Workforce	46
Innovation Workforce – mid/low performer	
- GrowthEconomics, Competitiveness ScoreCard (2010) Workforce Preparedness	35 (33 in 2002)
- Kauffman Foundation / Information Technology and Innovation Foundation, New Economy Index (2008) Knowledge Jobs	20
- TechAmerica, CyberStates (2009) Tech Industry Employment	36
K-12 – mid performer	
- Education Week, Quality Counts 2009	B-
- GrowthEconomics, Competitiveness ScoreCard (2010) K-12 Education	17 (24 in 2002)
- Morgan Quitno, Education State Rankings 2006/2007	34 (41 in 2002-2003)
- National Center for Public Policy and Higher Education, Measuring up (2008) Preparation	B- (C+ in 2002)
- ALEC, Report Card on American Education (2008)	16 (30 in 2002)
- U.S. Chamber of Commerce, Leaders and Laggards 2007 Postsecondary and Workforce Readiness	C
Postsecondary – low performer	
- GrowthEconomics, Competitiveness ScoreCard (2010) Postsecondary Education	43 (43 in 2002)
- National Center for Public Policy and Higher Education, Measuring up (2008) Participation	C- (C+ in 2002)
Completion	B- (B- in 2002)
Benefits	C+ (C in 2002)

General education and workforce benchmarks rank Ohio below average. CNBC ranks the state higher on education, which might be due to its inclusion of variables on higher education spending or smaller

class sizes (indicators that are not part of the other reports in this category). However, CNBC also ranks Ohio in the bottom 10 in workforce, possibly due to its inclusion of union membership, which is high, or lack of measurable success of state training programs. On **innovation workforce** measures, Ohio ranks in the middle of the pack with the “New Economy Index” showing a better ranking based on a top performance in the average years of education of recent immigrants.

Ohio generally ranks above average on **K-12 education**, with definite signs of improvement. Both GrowthEconomics and ALEC-Laffer rank the state in the top 20, with good performance in NAEP exam results and strong revenues, as well expenditures, for schools. Ohio’s **postsecondary education** shows greater weaknesses. The GrowthEconomics’ assessment is pulled down by a last place ranking in college affordability. Grades for measures related to participation have dropped, and Ohio performs below average in adults enrolled in college. Below- average educational attainment is responsible for the average grade in the benefits of education. The state does show good retention and completion rates.

Overall Government Performance – high performer	
- The Pew Center on States, Grading the States (2008)	B-

The PEW Center on the States grades Ohio’s **government performance** at the national average with a B-. The state’s strength is in its fiscal management, with weaknesses in strategic workforce planning and workforce hiring and retention.

DEFINITIONS AND EXPLANATIONS OF SELECT REPORT CARD MEASURES

Cost of Doing Business Some argue that business costs are no longer as important a factor in site location and expansion decisions as in previous decades. To the contrary, intense competition forces businesses to routinely consider lower cost areas in which to operate, including overseas locations, while concurrently investing in new technologies and methods to improve productivity, thus lowering costs at current locations. These “cost of doing business” scores include metrics such as tax, labor, energy, occupancy, unemployment insurance and health care costs, aggregated/weighted in various ways.

Legal Climate “Legal climate” refers to a state's containment of lawsuit abuse. The GrowthEconomics score strives to measure the consequences (for example, liability costs) of a state's legal environment. Other reports focus on ratings of tort and liability policies per se (e.g., the U.S. Chamber of Commerce and Pacific Research Institute)

Entrepreneurial Change This is the amount of entrepreneurial growth or decline in a state's economy over the most recent three years of data. A dynamic economy not only attracts new companies, it also displays business failure, start-ups, and a willingness by individuals to venture into new enterprises. This driver measures change in four such metrics over the most recent three years of data.

Entrepreneurial Vitality This is the level of entrepreneurial activity (pace and robustness of entrepreneurial activity relative to other states). The entrepreneurial vitality driver is a composite measure of each state's level of entrepreneurial activity – broadly defined as the number of start-ups and entrepreneurial firms that form the backbone of a dynamic entrepreneurial system. The number of self-employed and the net business churn, or turnover, are both measures of start-up activity. In addition, fast-growing companies and investment awards provide measures of the success of the innovations of incumbent and new firms.

Entrepreneurial Climate This is the capability of the larger economy to foster entrepreneurship. Broader business conditions and the state's institutional environment provide the foundation upon which entrepreneurial activity grows. Elements of “entrepreneurial climate” include the overall magnitude and effectiveness of investments in innovative activity, the availability of financial capital, the research/technology base and the general level of state economic growth.

Innovation Workforce States can have excellent education scores, yet still lack an “innovation workforce” in tune with the demands of a skill-demanding workplace. Better opportunities might be found elsewhere such that those educated/trained locally move out of a state (brain drain). Innovation workforce scores measure both formal educational attainment and skill levels of the incumbent workforce. They include such metrics as the proportions of scientists and engineers, and

technologists and technicians in the general workforce. They might also include the percent of the workforce in high-tech manufacturing and high-tech services.

Measuring Up's Participation This is the access to education and training for young people and working-age adults beyond high school (i.e., the likelihood of high school students completing in time and continuing on to college, along with the state's college enrollment by age group).

Measuring Up's Completion This is the extent to which students persist in and complete certificate and degree programs. It measures the one-year continuation rate of students, as well as completion rates.

Measuring Up's Benefits This is the contribution of workforce-trained and college-educated residents to the economic and civil well-being of a state. In return for its investment in higher education (share of population with a bachelor's degree or higher), each state expects to have a more productive workforce (income premium from education), a more informed electorate (voting, volunteering, donations), and a more literate citizenry (adult literacy skill level). In addition to these public benefits, the state can expect that more highly educated residents reap private benefits such as higher lifetime earnings.

THE BENCHMARKING AND RANKING REPORTS INCLUDED IN THIS STUDY

ALEC-Laffer State Economic Competitiveness Index: *Rich States, Poor States* (2009)

www.alec.org/AM/Template.cfm?Section=Rich_States_Poor_States

The report intends to evaluate a state's fiscal and economic policies, as well as the results and ramifications of those policies. The report creates the "Economic Outlook Rankings" by combining, with equal weight, 15 policy variables that have been found to impact the migration of capital — both investment and human — into and out of states. The report also includes an "Economic Performance Rank." This is an historical measure based on a state's performance over 10 years in measures of personal income per capita, absolute domestic migration and non-farm payroll employment. Reasons for the movement of human and financial capital into and out of a state are central to this report. This report, along with the "Small Business Survival Index," is based on the assumption that business growth is predominately influenced by incentives and disincentives created by taxation and regulation.

ALEC (American Legislative Exchange Council): *Report Card on American Education* (2008)

www.alec.org/AM/Template.cfm?Section=Report_Card_on_American_Education

The key policy claim of ALEC's report cards is the assertion that student achievement has not been improved by increased spending on education or improved teacher salaries. It provides more than 100 measures of educational resources and achievement for state comparison but without extensive

analysis and sometimes without taking the size of the state population or economy into account. It provides the national average as a benchmark. It has been criticized that some of the key policy statements made in the report, such as its strong support for charter schools, are not actually supported by its own data.

Beacon Hill Institute: *State Competitiveness Report (2009)*

www.beaconhill.org/CompetitivenessHomePage.html

The Beacon Hill Institute at Suffolk University in Boston first published its "State Competitiveness Report" in 2001. In 2002, the report was expanded to include rankings of the 50 largest metropolitan areas. It provides an index of long-term competitiveness (stated to affect growth in per capita income) with over 40 underlying variables that include both outcome measures (e.g., unemployment rate) and correlates of income (e.g., bank deposits). This has led to some criticism about the extent to which the overall index really predicts differences in state per capita income. Most of the variables used are only available for a subset of the states. Measures are not weighted.

Chief Executive: *Best and Worst States for Business (2009)*

www.chiefexecutive.net/media/usbestandworststates/2009/

Chief Executive's fifth annual survey asked 543 CEOs to evaluate their states on a broad range of issues, including proximity to resources, regulation, tax policies, education, quality of living and infrastructure. Providing additional insight to the evaluations, CEOs were also asked to grade each state on: 1) taxation and regulation; 2) workforce quality; and 3) living environment. This is one of a few report cards cited in this report that is based on survey data.

CNBC: *Top States for Businesses 2009*

www.cnbc.com/id/31763805

For the second year, CNBC compares the states on (in descending order of importance): cost of doing business; workforce; economy; education; quality of life, technology and innovation; transportation; cost of living; business friendliness; and access to capital. States receive points toward their ranking in each of the 40 metrics, which are then aggregated into the above categories. Each category is weighted according to how frequently each is cited in state economic development marketing materials. The categories were chosen with input from business groups, including the National Association of Manufacturers. Differences with other report cards (in terms of unusual metrics or emphasis) are: its workforce category includes the effectiveness of state training programs; its education category includes K-12 spending (most other reports focus on performance); a transportation category that measures, among other things, the value of goods shipped. The exact detail of each measure (source, year of data, etc.) is not disclosed.

Corporation for Enterprise Development (CFED): *2007 Development Report Card for the States*

www.cfed.org/focus.m?parentid=34&siteid=2346&id=2346

CFED's Development Report Card is the earliest and most long-published annual state benchmarking product. It commenced in 1986. Its last publication was 2007 and may be discontinued. It uses more than 60 metrics and organizes results under three categories: economic performance, business vitality and development capacity. CFED takes much care with the collection and refinement of data. The rankings for each variable are averaged into sub-indices and then into the three main indices. Grades are assigned without curving (i.e., states with a rank 1 to 10 earn an A, those with an average rank between 11 and 20 earn a B, etc.), and all measures are weighed equally. Most of the data is two to three years old. CFED was first to introduce the notion that growth is not only a function of business costs and regulatory environment, but that much more subtle and deep-seated factors also affect state development capacity, including social equity, entrepreneurship and economic foundations such as education and infrastructure. In fact, the report seeks to explain how prior investments in development capacity may have affected current scores in economic performance and business vitality.

Directorship: 2009 Boardroom Guide to State Litigation Climates

<https://www.directorship.com/magazine/current-issue/>

The annual guide is a collaboration of Directorship and the Foundation for Fair Civil Justice, a national coalition of more than 70 organizations working together to achieve business liability reforms at the state level (formerly known as the American Justice Partnership Foundation). Its analysis is mainly based on two reports: the Pacific Research Institute (PRI) Tort Liability Index and the Institute for Legal Reform's State Liability Systems Ranking Study. In 2009, they added further data from: the PRI Tort Law Tally, which is an assessment of both improvements and declines in various states based on tort insurance losses and premiums, and political trends in the states based on the 2008 and more recent election results. Based on the combined results of the new statistical data and political factors, the 2009 Boardroom Guide provides a snapshot of the business legal environments and a best-to-worst ranking of all 50 states.

Education Week: Quality Counts 2009

www.edweek.org/ew/toc/2009/01/08/index.html

This annual report card tracks state education policies and outcomes. It draws heavily on data from the Editorial Projects in Education Research Center's annual state policy surveys to the chief state school officers in all 50 states and the District of Columbia. The report provides a comprehensive state-by-state analysis of key indicators of student success. States are evaluated on: chance for success; transitions and alignment; school finance; K-12 achievement; standards, assessments and accountability; and the teaching profession. Categories consisting of numerical indicators — chance for success and school finance—are graded using a best-in-class rubric (the leading state on a particular indicator receives 100 points). For some of the indicators — such as those related to the equity of education spending — the report evaluates a particular state based on its performance relative to the minimum and maximum values on that indicator. Those indicators are scored on a 50-point base, meaning that all states start with 50 points rather than zero. To compute a state's score for a given category, points are averaged across the respective set of indicators. The chance for

success category and school finance category consist of 13 and eight indicators, respectively. On a best-in-class scale, a state's overall score for a category can be gauged against an implicit standard, with 100 points representing a state that ranked first in the nation on each and every measure. The indicators reported in the transitions and alignment section of Quality Counts 2009 consist of non-numerical measures showing whether a state has implemented a particular policy or program. This section is graded on a 50-point base, with a state's final score reflecting the percent of tracked policies that it has implemented. A state that has enacted all policies in this category would receive the perfect score of 100 points. The 14 policies in the transitions and alignment area receive equal weight in the grading. After rounding scores to the closest whole-number values, the report assigns letter grades based on a conventional grading scale.

Forbes: *The Best States for Business (2009)*

www.forbes.com/2008/07/30/virginia-georgia-utah-biz-cz_kb_0731beststates_table.html

In its third year, the Forbes report ranks states on 32 measures grouped into six main areas of importance: business costs; labor supply; regulatory environment; current economic climate; growth prospects and quality of life. The report appears to use a weighting methodology but no detail is provided on the exact measures or how the rankings are created.

GrowthEconomics: *Competitiveness and Entrepreneurship ScoreCards (2010)*

The GrowthEconomics ScoreCards utilize state-of-the-art benchmarking methodologies from the United States and abroad. Every effort is used to include the most recent data from multiple public and private sources checked for credibility and reliability. Over 100 metrics are used over seven years. As new data become available, the measures for previous years are revised. In this way, the ScoreCards annually provide the most up-to-date data set for both current and previous years. If a new metric is added, measures are obtained for all previous years. Metrics are standardized using a "modified median" scoring method believed to be state-of-the-art. Scores are averaged into sub-drivers and drivers without weighting. The annual ScoreCards are designed to look for major performance outcomes relative to competitors. They are not intended to measure the effectiveness or efficiency of specific programs or agencies. While the Competitiveness ScoreCard focuses on the drivers of economic growth and prosperity more generally, the Entrepreneurship ScoreCard's focus is on three drivers of entrepreneurial dynamics and climate. In both cases, the reports make a concerted effort to separate inputs and process from outcomes and in separating the level of a metric with its change over time. The underlying focus of GrowthEconomics is that the private sector is the primary jobs generator and that growth businesses are primary contributors to sustainable growth.

Kauffman Foundation/Information Technology and Innovation Foundation: *The 2008 New Economy Index*

www.itif.org/index.php?id=200

The purpose of this annual index is to educate policymakers about what drives the new economy and to promote policy initiatives that encourage innovation in technology, economics and entrepreneurship. In the initial "Benchmark Study" (1998) the New Economy Index did not rank the

states individually. The report is now supported by the Kauffman Foundation with 29 indicators for five topic areas: knowledge jobs; globalization; economic dynamism; digital economy; and innovation capacity. The scores are standardized and weighted according to importance and to make sure closely correlated variables do not bias the results. Knowledge jobs and innovation capacity received the highest overall weight. The sum of standardized scores for each topic area is evaluated relative to the top performer in that topic.

Mercatus Center, George Mason University: *Freedom in the 50 States: Index of Personal and Economic Freedom*

www.statepolicyindex.com/?page_id=143

This new index ranks the 50 states on their public policies affecting individual freedoms in the economic, social and personal spheres. It includes measures of social and personal freedoms such as peaceable citizens' rights to educate their own children, own and carry firearms, and be free from unreasonable search and seizure. All variables are available for all 50 states and it claims to use new, more accurate measurements of key variables, particularly state fiscal policies. The three key indices – fiscal, regulatory and paternalism (economic and personal freedom) – that make up the overall score, are weighted according to the salience of the issue (i.e., the substantive importance of state policy variation) and the number of people affected by it. They use the existence of explicit constitutional protections at either the federal or state level as prima facie evidence of high salience. The underlying variables are adjusted for the size of the economy and standardized relative to the number of standard deviations from the average state.

Milken Institute: *2007 Cost of Doing Business Index*

www.milkeninstitute.org/publications/publications.taf?function=indexes

The index measures fundamental business costs, including labor (wage per employee), overall tax burden (not just business), electricity and real estate rental costs. These are factors that indicate each state's comparative advantages or disadvantages in attracting and retaining businesses. Each state is measured on the five individual categories compared to the national average, and the weighted scores (in order of descending importance as listed above) are compiled to make the overall index. This is a very targeted index that mostly focuses on wage costs (constituting 50 percent of the weight).

Milken Institute: *2008 State Technology and Science Index*

www.milkeninstitute.org/tech/

Designed to provide states with a measure of their technology and science rankings, this index aids states in determining which technology and science assets can be leveraged to increase economic activity. The first report was introduced in 1992. It is, however, not published regularly. The most recent report is from 2008 with back rankings for 2004. It contains five sub-indices on research and development inputs, risk capital and entrepreneurial infrastructure, human capital investment, technology and science workforce, and technology concentration and dynamism. It factors in 77

individual indicators that comprise five equally weighted major composites. To achieve a score of 100 on any of the five major composites, a state would have to rank first in every one of the indicator components – a virtually impossible feat. Second place is assigned a score of 98, a third-place ranking is assigned a score of 96, and so forth, all the way down to the 50th-place ranking, which garners a score of two. The individual category scores are averaged (with the exception of industrial R&D spending, which received a higher weight) to derive each state's score on a given composite index. Scores on all five composites are then averaged together to calculate a state's overall score. Each indicator is benchmarked to a relevant measure, such as population, gross state product, or number of establishments, in order to adjust for the absolute size of a state's economy.

Morgan Quitno: *Education State Rankings – Smartest State Award 2006-07*

www.morganquitno.com/edrank06.htm

The Smartest State Award is based on 21 key elementary and secondary education indicators reported from Education State Rankings, an annual reference book that compares the 50 United States in hundreds of education-related categories. The 2006 award measures states based on factors including expenditures for instruction, pupil-teacher ratios, high school graduation and dropout rates, and reading, writing and math proficiency. The state is measured against the national average and its score summed up to rank it among the smartest states.

National Center for Public Policy and Higher Education: *Measuring Up 2008*

<http://measuringup2008.highereducation.org/index.php>

The purpose of the report is to provide the public and policymakers with information to assess and improve opportunity and effectiveness of a state's postsecondary education system (beyond high school through to bachelor's degree). It focuses on how successful colleges are at educating undergraduates, primarily from a quantitative rather than qualitative standpoint. Almost all measures are relative shares (share of students or share of the population) and it includes some international comparisons (though it has been criticized for not taking different methodologies into account). Indicators, or measures, are selected for each performance category: preparation; participation; affordability; completion and benefits. Each indicator is assigned a weight based on its importance to the performance category. State results, or raw scores, on each indicator are converted to an "index" scale of 0 to 100, using the performance of the top five states as the benchmark. State scores for each category are calculated from the state's results on the indicators and the indicators' weights. In each category, the sum of all the index scores on the indicators is converted to a scale of 0 to 100, based on the performance of the top state in the category. Grades are assigned based on the category index scores, using a grading scale common in many high school and college classes.

Pacific Research Institute: *U.S. Economic Freedom Index, 2008 Report*

http://special.pacificresearch.org/pub/sab/entrep/2008/Economic_Freedom/

The report focuses on state and local government actions as they relate to economic freedom. It compiles 143 indicators that are assembled into five data sets. These data sets are converted into 35 unique indexes using different weighting techniques. Each index is then compared to the others in

terms of its ability to explain, other things equal, human migration across the 50 U.S. states. The index with the greatest statistical link to migration was chosen as the best and was used to rank the U.S. states in terms of economic freedom. Due to the method of standardizing the variables using complex statistical techniques, the size of the difference in performance between states is neglected.

PEW Center on the States: *Grading the States 2008*

www.pewcenteronthestates.org/gpp_report_card.aspx

The report, developed in partnership with Governing Magazine, is an assessment of the quality of management in the 50 states. The report's findings are generated from extensive interviews and surveys of state-level managers and opinion leaders. The results reported in "Grading the States 2008" reflect the performance of each state as a whole — including the intersection between the executive and legislative branches — not any individual or specific department. The cumulative assessments reflect the leadership and program implementation skills of elected and appointed officials, as well as career civil servants and the not-for-profit and private sector providers who partner with states in the execution of policy and programs. The report examines and measures four key areas — money, people, infrastructure and information. States are evaluated against a criteria/best practice — not against each other. In each management area, the researchers identified the characteristics of effectively managed governments. These criteria, defined by the best research in the field, establish the grading standards.

PEW Center of the States: *Beyond California: States in Fiscal Peril (2009)*

www.pewcenteronthestates.org/report_detail.aspx?id=56044

The Pew Center on the States compiled its list on fiscal distress by scoring all 50 states according to six factors that contributed substantially to California's ongoing fiscal woes: (1) high foreclosure rates; (2) increasing joblessness; (3) loss of state revenues; (4) the relative size of budget gaps; (5) legal obstacles to balanced budgets — specifically, a supermajority requirement for some or all tax increases or budget bills; and (6) poor money-management practices. Pew's list is based on the best available data as of July 31, 2009. The report weighted each indicator equally and split the data into quintiles — assessing which states emerged as the worst in each category. Pew's researchers then "scored" the states. If a state was in the worst quintile for a given indicator, it was assigned five points; if a state was in the second-worst quintile for any given indicator, it was given four points, and so forth. There was one exception to the rule: the supermajority requirement to raise some or all revenues, pass budget bills or both. If a state had this requirement in place, it was assigned five points; if not, it was given no points. The report then totaled the scores for each indicator to arrive at a final score. The highest and worst score a state could receive was a 30.

Small Business and Entrepreneurship Council: *Small Business Survival Index 2009*

www.sbecouncil.org/survivalindex2009/

The annual "Small Business Survival Index" ties together 34 major government-imposed or government-related costs impacting small businesses and entrepreneurs across a broad spectrum of industries and types of businesses. The index focuses on taxes and regulations. It concentrates

exclusively on government imposed costs without balancing it against other government initiatives (e.g., small business financing, technology transfer or other drivers of small business growth and innovation). The raw scores for all indicators are added up, without rescaling or weighting, and then ranked.

Tax Foundation: *State Business Tax Climate Index*

www.taxfoundation.org/taxdata/topic/90.html

The “State Business Tax Climate Index” is an indicator of which states’ tax systems are the most hospitable to business and economic growth. The index does not attempt to measure economic opportunity or freedom, or even the broad business climate, but the narrower business tax climate. However, it does not measure business tax burdens but rather the tax system itself. According to the index, “good” state tax systems levy low, flat rates on the broadest bases possible, and they treat all taxpayers the same. The SBTCL rewards those states that apply these principles in five areas of taxation: major business taxes; individual income taxes; sales taxes; unemployment insurance taxes; and property taxes. Overall, there are 10 sub-indices and 112 variables. The relative scoring scale is from 0 to 10, with zero being the worst among the 50 states. A state that does not have a certain tax receives a score of 10. Scores on the five major component indices are “normalized,” which brings the average score for all of them to 5.0. This is accomplished by multiplying every state’s score by a constant value. The index is weighted by the variability of the component indexes, instead of weighting them equally and merely summing them. The standard deviation of each component index is calculated and a weight for each component index is created from that measure. The result is a heavier weighting of those component indexes with greater variability. The index covers only state taxes. Therefore, it tends to give poor ratings to states where the state government collects most of the taxes and provides most of the services, and it gives good ratings to states where the local governments carry more of these responsibilities.

TechAmerica: *Cyberstates 2009*

www.techamerica.org/Publications/cyberstates.cfm

Prepared by the industry-advocate association TechAmerica, the report provides current, as well as historical, detailed national and state data on high-tech (primarily information technology-related) sectors: employment; wages; establishments; payroll; and research and development expenditures. Some measures are in absolute terms (total number of high-tech jobs); some are scaled by the size of the state. The state figures are then simply ranked among the 50 states. No aggregate score is provided.

U.S. Chamber of Commerce: *Leaders and Laggards: A State-by-State Report Card on Educational Innovation*

www.uschamber.com/icw/reportcard/default

The report evaluates a state’s K-12 education system performance and shows an emphasis on coupling a focus on academic outcomes with attention to efficiency-oriented measures on education policy and standards (e.g., education data quality). There is no composite grade or rank. Individual

grades for each of the nine sub-groups are distributed based on a broad curve. For the purposes of comparisons in this report, only the grading on postsecondary and workforce readiness (on-time high school completion and college going rates) are included.