American Free Enterprise. Dream Big.

ENTERPRISING STATES

RECOVERY AND RENEWAL FOR THE 21ST CENTURY

A Project of the U.S. Chamber of Commerce
and the National Chamber Foundation

ENTERPRISING STATES 2011

RECOVERY AND RENEWAL FOR THE 21ST CENTURY

About the Report

The report was prepared by Praxis Strategy Group and Joel Kotkin. Authors from the Praxis team include Delore Zimmerman, Mark Schill, Doug McDonald, and Matthew Leiphon. Zina Klapper and Marcel LaFlamme 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. His book *The Next 100 Million: America in 2050* explores how the nation will evolve in the next four decades.

About the U.S. Chamber of Commerce

The U.S. Chamber of Commerce is the world's largest business federation representing the interests of more than 3 million businesses of all sizes, sectors, and regions, as well as state and local chambers and industry associations.

About the National Chamber Foundation

The National Chamber Foundation (NCF), a nonprofit affiliate of the U.S. Chamber of Commerce, is dedicated to identifying and fostering public debate on emerging critical issues. We provide business and government leaders with insight and resources to address tomorrow's challenges.

About American Free Enterprise. Dream Big.

The Campaign for Free Enterprise 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.

The opinions and conclusions expressed or implied in the report are those of the research agency. They are not necessarily those of the National Chamber Foundation and the U.S. Chamber of Commerce.

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A LETTER FROM OUR EXECUTIVE VICE PRESIDENT

June 20, 2011

Dear Colleague,

The National Chamber Foundation continues its partnership with the Campaign for Free Enterprise to help restore the more than 7 million jobs lost during the recession and create the 13 million new jobs that our growing nation will need in this decade.

The entire country has felt the economic impact of the Great Recession and, as a result, each state has new issues to tackle resulting in tough choices for policymakers. Federal resources are limited; as the federal government contends with its own budget issues, states must look for ways to champion economic growth.

To help remedy their budget shortfalls states are making job creation a high priority and are implementing meaningful changes in their approaches to job creation. While each state's approach varies, there is a renewed focus on creating more favorable conditions for business growth. States must restore confidence in their economies by creating a friendly business climate and job creation and retention is necessary for states and our country's long-term economic growth.

Our study, *Enterprising States*, focuses on what makes certain states attractive places to locate, relocate and expand in this uncertain economy; the unintended consequences of cutting certain items from a state budget; and what types of investments the public and private sectors can make now to improve the economy in the future. States are looking to maximize their resources to address growth and employment without increasing spending and dealing with the increased demand in services caused by this recession.

We hope that you find this study to be interesting and useful in understanding what is going on at the state level to create jobs and spur economic growth in the face of mounting state budget deficits. The U.S. Chamber of Commerce and the more than 3 million businesses that it represents understand the urgency of addressing this jobs challenge and ensuring a strong and growing private sector in the economic recovery.

Sincerely,

Margaret Spellings
Executive Vice President
National Chamber Foundation

EXECUTIVE SUMMARY

Over a year and a half into the recovery, the condition of the American economy is far from satisfactory. Unemployment remains high, job creation meager, and American workforce participation has dropped to near record depths — the lowest rate in a quarter of a century. The U.S. will need to create 20 million jobs in this decade to recover from the 7 million lost in the Great Recession and 13 million needed for the country's growing population.

Since the first *Enterprising States* study in 2010, 29 new governors have started their terms. Governors of every state, along with their legislative counterparts, are taking steps to grow their states' economies, create jobs and compete globally. They want to help businesses prosper, to produce an educated and skilled workforce, and to provide other essential services and infrastructure that foster the entrepreneurship and innovation that will lead to greater productivity and competitiveness.

In the past, states could look to Washington for assistance. Now, whatever the intentions or real achievements of the stimulus package, future increases in federal spending seem likely to be meager at best. This presents a new, and perhaps unprecedented, challenge for the states. With Washington effectively forced to the sidelines, states will now have to address fundamental economic issues relating to growth and employment on their own. Most will have to do so without significantly increasing their own spending.

For many states the short-term prognosis is dire. Altogether, 44 states and the District of Columbia are projecting budget shortfalls for 2012 amounting to $112 billion. The upcoming fiscal year, according to the Center on Budget and Policy Priorities, will be "one of the states' most difficult budget years on record. Retiree benefits for state employees add yet another strain, with the states facing a $1.26 trillion shortfall."

Most states have already taken actions to streamline and downsize government to meet the new economic realities and this has proven to be challenging given the increased demand for state services during the national recession. Surely more redesign, streamlining and reforms are on the way. To recoup lost revenue, states have taken such actions as eliminating tax exemptions, broadening the tax base, and in some cases increasing rates as well as raising fees. Low tax rates by themselves are not a silver bullet for growth, but it has become clear that outdated state tax systems can undercut economic vitality. Any state with a budget tilting towards insolvency is in a weak position to make and maintain investments in its workforce and economic infrastructure.

Determining where to cut and where to invest is the central challenge of the day. States must carry out short-term strategies to jumpstart and/or sustain an as of yet lackluster recovery and cut costs to make state government more efficient and to avoid financial calamity. Simultaneously, though, they must craft and invest in innovations and structural solutions that will foster long-term economic growth while reining in taxes and regulations that stifle job creation.

"Ultimately, there is only one route to sustainable state economies, and that is through broad-based economic growth," writes study co-author Joel Kotkin. "The road to that objective can vary by state, but the fundamental goal needs to be kept in mind if we wish to see a restoration of hope and American optimism about the future."

The 2011 *Enterprising States* study highlights state-driven initiatives to 1) redesign government, including measures to deal with excessive debt levels that inhibit economic growth and job creation and 2) implement forward-looking, enterprise-friendly initiatives with a primary goal of creating the conditions for job creation and future prosperity.

How States are Modernizing Government

Enterprising States finds that states are engaged in a variety of initiatives that change the way government operates:

Government Redesign:

- Consolidation, reorganization, or elimination of agencies, boards and commissions.
- Regionalization of governance to decentralize decision-making and to customize and align service delivery with local circumstances.
- Streamlining and modernizing bureaucratic processes to increase productivity and improve service delivery, often by deploying services online.

- Experimentation with charter agencies that commit to producing measurable benefits and to saving money—either by reducing expenditures or increasing revenues— in exchange for greater authority and flexibility.
- Public-private partnerships and privatization initiatives for the delivery of programs and services including, for example, medical benefits, correctional food and pharmaceutical services, road maintenance, highway design engineering, and vehicle fleet management and maintenance.

Steps to Curb Spending:

- States with the most serious fiscal problems are laying off workers, imposing hiring freezes, reducing spending for education and health care, and ending or curtailing social services.
- Aid to local governments has been cut.
- For many states, current obligations for public pension funds and health insurance costs are unaffordable and future obligations represent a looming financial disaster. Cuts, concessions and larger contributions from employees are now a part of balancing the state's checkbook.

Taxation and Tax Policies:

- To make up for lost revenues, most states have taken such actions as eliminating tax exemptions, broadening tax bases, and in some cases increasing rates as well as raising a number of fees. Other states are rolling back tax credits.
- States have enacted increases in all of the major taxes they levy including personal income taxes, general sales taxes, business taxes, and excise taxes.
- Many of the states have reduced business taxes with new credits or expanded existing credits to encourage investment and growth in targeted industries.

Regulation:

Corporate managers and business owners cite consistent policies and regulations that allow them to plan as key factors in choosing when and where to grow their companies. Uncertainty is the ultimate antagonist of growth, investment, and job creation. States are taking action to eliminate onerous DURT (delays, uncertainty, regulations and taxes), which put them in peril of placing the heaviest burdens on new and small businesses and on entrepreneurs, the real job creators in a growing economy.

- States are adopting a fast-track approach to achieving a better balance between requirements of regulation and the need for new jobs and industry, so that results have a higher priority than rules.
- Regulatory impact statements are being required in some states to estimate the cost of business of any new regulations.
- A jobs impact statement now accompanies proposed rules and regulations in some states.
- Special offices and commissions have been established in some states to identify rules, regulations and statutes that are costly, outdated and ineffective.

How States are Fostering Opportunity

The states that have fared best in creating middle-class jobs have been either those close to the expanding federal government, a major beneficiary of the stimulus, or those that have attended to more basic industries, such as energy production, agriculture and manufacturing. State investment in education and training is correlated with a higher-performing economy, as is investment in new infrastructure such as ports, airports, roads and improved transit. But the other common denominator is that these states have simply tended to create a business-friendly atmosphere for companies of all sorts.

Investments in Public Universities and Colleges:

- Investing in higher education to create the future talent pool, and fostering collaboration in key economic sectors between business, education and government on science and technology, technology transfer and entrepreneurial programs.
- Using performance-based funding to align colleges and universities as partners in workforce preparation and sources of opportunity, growth, and competitive advantage.

Starting and Expanding Businesses:

- Targeted investments and initiatives that focus on high-growth start-ups, which are the best generators of new jobs.
- Efforts to help companies scale up and grow in order to capture growing domestic and international markets.
- Establishment or expansion of seed and growth-stage financing funds.
- Economic gardening programs deliberately designed to focus on expanding existing second-stage companies that have viable growth opportunities.
- Tax credits for angel investors and state-backed venture capital funds to fix deficiencies in the market that inhibit private-sector investment and entrepreneurial activity.

- Programs to help companies expand into global markets by assisting in the development of a customized international growth plan.

Public-Private Partnerships and Privatization Initiatives:

- The implementation of privatization tools and outsourcing strategies to deliver economic development programs and services.
- Building funds and bonding programs that tap private sector investors to construct specialized facilities for research, demonstration, and technology transfer in key economic sectors.

Workforce Training and Development:

- Flexible, affordable training programs for workers, designed with business input to equip workers with skills needed by local companies.
- People-focused approaches that help workers in navigating their careers, provide assistance for entrepreneurs, make lifelong learning loans, and offer wage insurance plans.

Hard Choices Now – Hard Work Ahead

Enterprising States 2011 confirms that states are the fulcrum of change and opportunity in key areas of education, infrastructure, energy, innovation, and skills training. States and localities are far better positioned than the federal government to foster strategic investment, regulations, taxes and incentives that encourage business creation and private sector prosperity.

A state, however, can neither cut nor tax itself into prosperity. The evidence regarding job creation among the states shows that fiscal probity is an essential ingredient, but states can deal with the fundamental problems they face only by spurring growth and upward mobility.

In the final analysis, to simply proclaim an enterprise-friendly environment is no longer adequate. States that are doing it right today are responsive and are taking on a cooperative and supportive approach to dealing with new and existing companies.

Enterprising states are making the hard choices today by trimming costs and prioritizing investments that establish the conditions for business creation and expansion. Enterprising states are getting ready for the hard work ahead in a globally competitive economy by modernizing government and focusing on creating and sustaining high-growth, higher-wage, 21st century industries.

"To simply proclaim an enterprise-friendly environment is no longer adequate. A story must be backed up by actions."

RESTORING GROWTH AND UPWARD MOBILITY: A CALL TO THE STATES

Over a year and a half into the recovery, the condition of the American economy is far from satisfactory. For the vast majority of Americans, conditions have improved only marginally since the onset of the Great Recession. Unemployment remains high, job creation meager, and American workforce participation has dropped to near record depths — the lowest rate in a quarter of a century.[1]

Not surprisingly, this spring's Washington Post-ABC poll revealed that far more Americans feel the economy is getting worse than getting better.[2] There seems to be what the *New York Times* described as "a darkening mood" among Americans about the future. Confidence in the Federal Reserve's policies on the money supply has eroded among economists, as few benefits have accrued to smaller businesses and middle-class households.[3] Times are particularly tough for entry level workers, including those with educations, and have been worsening since at least the mid-2000s.[4]

This stress is felt keenly by state and local officials, even in areas that aren't suffering from the highest rates of indebtedness or pension liabilities. Without pension reform, the state of Utah, for example, would have seen its contributions to government workers' pensions rise by about $420 million a year, an amount equivalent to roughly 10 percent of Utah's spending from its general and education funds.[5] The states often must deal with declining revenues at a time when the demand for services caused by the recession has increased. And, unlike the federal government, states can neither print their own money nor buy their own bonds.

In the past, states could look to Washington for assistance. Now, whatever the intentions or real achievements of the stimulus package, future increases in federal spending seem likely to be meager at best. The 2010 election effectively ended the nation's experiment with massive fiscal stimulus from Washington. Indeed, leaders of both parties, President Obama, and perhaps most importantly the capital markets, now acknowledge that deficit reduction will be a priority in the coming years.

This presents a new, and perhaps unprecedented, challenge for the states. With Washington effectively forced to the sidelines, states will now have to address fundamental

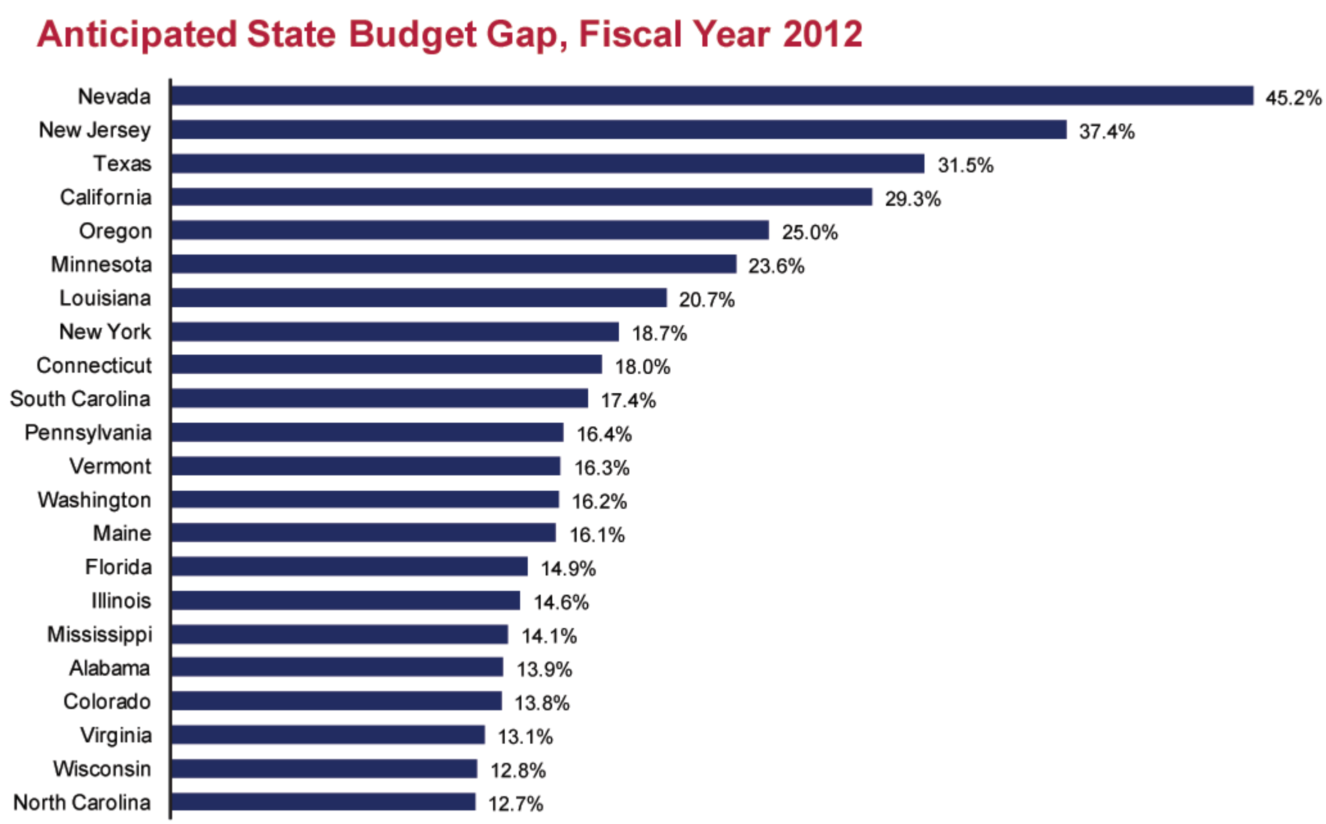


Figure 1. Source: Center for Budget and Policy Priorities. Number indicates projected revenue shortfalls as a percent of a state's current cost of services.

economic issues relating to growth and employment on their own. Most will have to do so without significantly increasing their own spending.

For many states, the short-term prognosis is dire. Altogether, 44 states and the District of Columbia are projecting budget shortfalls for 2012 amounting to $112 billion. The upcoming fiscal year, according to the Center on Budget and Policy Priorities, will be "one of the states' most difficult budget years on record. Retiree benefits for state employees add yet another strain, with the states facing a $1.26 trillion shortfall."[6]

As a result, states and localities increasingly find themselves forced to impose tough, even draconian cuts in spending. This affects not only newly minted conservative Republicans, but new liberal Democratic governors such as California's Jerry Brown and New York's Andrew Cuomo. The only real debate now is how much to rely on taxes and how much on cuts in spending to address the fiscal issues ahead. One casualty: infrastructure spending, which was boosted by the stimulus, now seems to be winding down as well.[7]

and have suffered a strong out-migration of middle class citizens and jobs for decades.

Now, faced with enormous deficits, there is a temptation to reduce those very "crown jewels," such as the California public university system, into what University of California President Mark Yudof describes as "tatters." In trying to balance their budgets, states run the risk of undermining their own long-term recoveries.[8]

The great danger that looms here, in our estimation, is not bankruptcy. Rather, it is long-term stagnation, in which growing demands for social services, combined with weak revenues. foster pressure for more taxes, reduced services or a deadly combination of both. This represents something of an existential problem in a country where the prospect for a better future has long been a hallmark.

The founders of the republic understood the critical importance of maintaining this aspiration, and European observers were struck by the remarkable social mobility in America's cities. In the 19th century, American factory workers and their offspring had a far better chance of

This report will try to address the nature of this dilemma and suggest ways to best deal with it. Although we agree with the notion of fiscal probity, ultimately, states can deal with the fundamental problems only by spurring growth and upward mobility. This will not only create new revenues, but also dampen the demand for social services.

A state can neither cut nor tax itself into prosperity. Weak public infrastructure combined with low taxes has failed through history to create strong state economies, as was long the case in the Southeast. But at the same time many large states—California, New York, Illinois—have raised taxes and spending

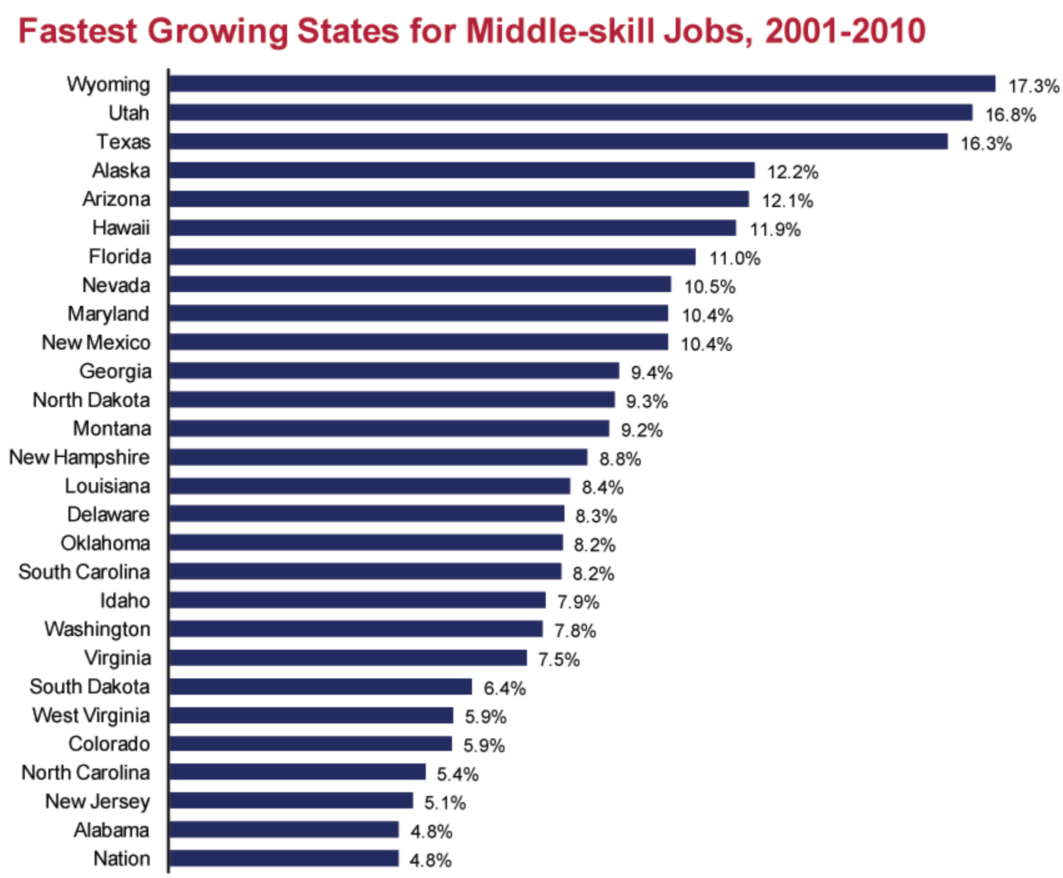


Figure 2. Growth in jobs for "middle" education levels, including long term on-the-job training, up to associate's degree or other post-secondary credential for states above the national average growth rate. Source: EMSI Complete Employment 1st Quarter, 2011.

entering the middle or upper classes than their European counterparts.[9] In politics and in daily life, expansion of opportunity was seen as essential to the American experiment. Writing in 1837, one Whig lawyer in Pittsburgh suggested, "If you deny the poor man the means to better his condition . . . you have destroyed republican principles in their very germ."[10]

Today, this traditional faith is being sorely tested in much of the country. Although both stock prices and corporate profits have rebounded, little has been done that has stimulated employment. Large companies may be sitting on large caches of cash, in part due to low interest rates and a buoyant stock market, but capital remains scarce for the small businesses that create most of America's new jobs. Indeed, entrepreneurial growth, as the Kauffman Foundation recently found, has now slowed down among most segments of the population.

Of course, there have been remarkable stories of wealth creation and success despite these hard times. But even in Silicon Valley—home to such high-fliers as Google, Apple and Facebook—the overall impact on jobs has been minimal. Of the nation's 51 largest metropolitan regions, San Jose, the Valley's heartland, has suffered the largest net loss of jobs over the past decade of any major metropolitan region outside Detroit. The San Francisco area suffered job losses only slightly lower, on a percentage basis, than hard-hit Cleveland.[11] Due in part to financial controls, investment in promising new companies has become ever more undemocratic, with the bulk of new money pouring into firms like Facebook coming not from public markets, but from a small, well-heeled cadre of private investors. Venture-backed technology companies, notes Intel co-founder Andy Grove, now find it expensive to "scale" their operations and add employees in California or even the United States. As a result, he suggests, companies tend to indulge in "an undervaluing of manufacturing" that erodes employment. This contrasts with, for example, China, where job creation is considered "the number one objective of state economic policy."[12]

Much the same can be said of New York, where the paper economy has been boosted by Fed policy but the creation of middle-income jobs continues to lag. New York City's current financial boom—Wall Street pay hit a new record in 2011[13]—simply reinforces a level of income inequality that is the highest in the nation. Unemployment in the

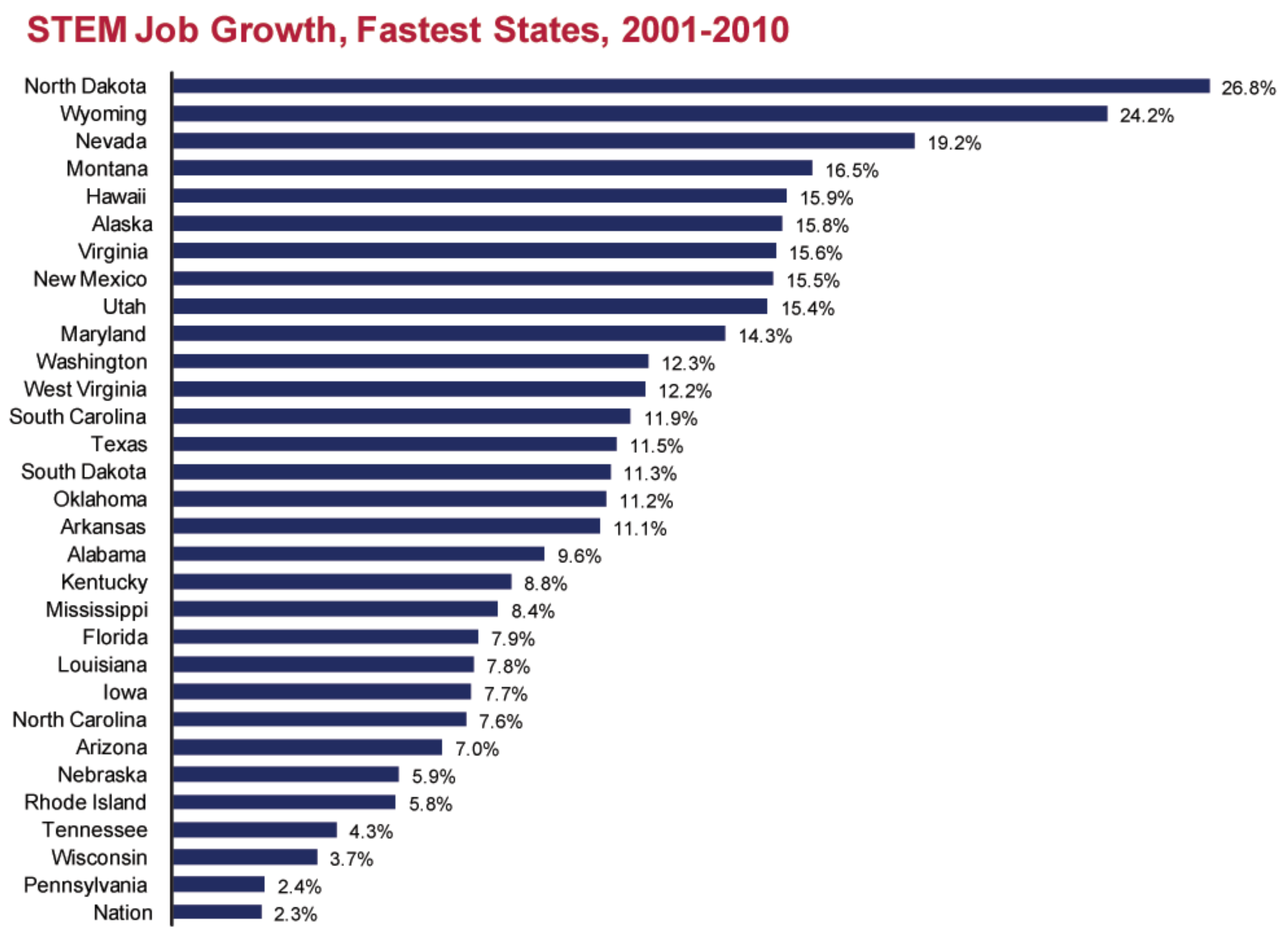


Figure 3. Job growth in Science, Technology, Engineering and Mathematics (STEM) jobs for states above the national growth rate. Includes two-year degree technician level jobs and higher. Source: EMSI Complete Employment, 1st Quarter 2011.

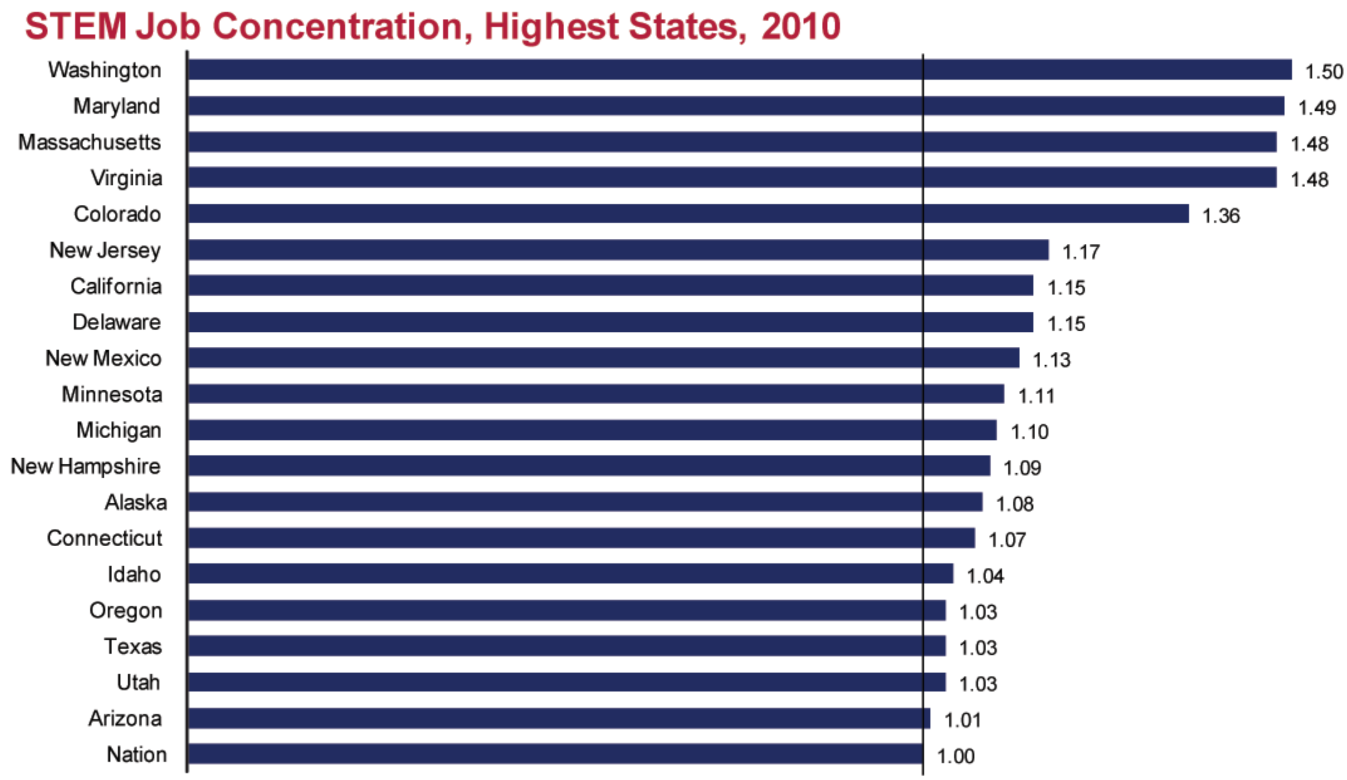


Figure 4. Concentration of Science, Technology, Engineering and Mathematics (STEM) jobs for states above the national level. Includes two-year degree technician level jobs and higher. Measure charted is location quotient, the state employment concentration divided by the national employment concentration. Source: EMSI Complete Employment, 1st Quarter 2011.

toniest Manhattan precincts reaches barely five percent, while it's 20 percent in working-class Brooklyn. Not surprisingly, the city's distribution of wealth is now twice as unequal as in the rest of the nation. It may seem a model recovery on Wall Street, but it is less so on the streets of the nation's premier city. [14]

In contrast, the states that have fared best in creating middle-class jobs have been either those close to the expanding federal government, another major beneficiary of the stimulus, or those that have attended to more basic industries, such as energy production, agriculture and manufacturing. These industries have propelled widespread expansions in the Great Plains, parts of the Intermountain West, Alaska and Texas.

More interestingly, many of these states have also experienced a surge in STEM—science, technology, engineering and mathematics—related employment. In some states, this has come as a result of continuing state investment in education and training; in most cases, these states have simply tended to create a business-friendly atmosphere for companies of all sorts. They have also generally kept housing costs low, something critical to young families.

Perhaps the best way to look at our evolving economy is not so much from the point of view of companies or industries, but of individuals. States often focus on their largest employers, but those companies have been cutting jobs for the past decade. Since 2000, large corporations—which employ roughly one-fifth of American workers—have stopped hiring, as they did in the previous decade, and actually reduced their payrolls by nearly three million while adding 2.4 million jobs abroad.[15]

Andrei Cherny, an Arizona Democrat writing in the journal Democracy, suggests that "both progressives and conservatives have offered little in the way of new answers as their long-held orthodoxies run headlong into new realities." Cherny admits that the stimulus and the Fed's strategy of loose money—what he calls "government by hot check"—failed to address the needs of the nation's large class of small entrepreneurs.[16]

Left out of the equation are the small businesses that, according to the Bureau of Labor Statistics, employ half of all workers and create 65 percent of all new jobs. Most of these firms are small, under-capitalized, and run by single proprietors or families.

In this environment, notes economist Ying Lowery, "Business creation is job creation." [17] The states that will do best are those that create the conditions to lure and retain those who start companies or who are self-employed. Policies that target managers of hedge funds, venture firms, or large corporations have their place, but the real action—particularly in a world of ever-changing technology and declining long term employment—lies in the movement of individuals.

Under these conditions, where individuals migrate or decide to settle will have a critical impact on which states or regions grow. Three dynamic population segments—educated workers, immigrants and downshifting boomers—illustrate the factors that drive their migration patterns. In many ways they represent the "canaries in the coal mine"; where they go is generally where the air is good for entrepreneurship.

The movement of educated workers has become a much discussed topic among pundits and economic developers in recent years. One common assumption is that "the best" migrants tend to move to "hip and cool" locales, generally on one of the coasts. These workers then form the core of growing industries and, more importantly, new ones. Yet the evidence tells a somewhat different, perhaps surprising, story. An analysis of recent Census data on the migration of educated workers finds that the biggest net growth has taken place not in New York, San Francisco and Boston, but in places like Nashville, Houston, Dallas, Austin, and Kansas City. Indeed, many of the leading "creative class" states, notably California, Massachusetts and New York, fared considerably worse than regions in states such as Missouri, Kansas, Texas and Tennessee in terms of net migration numbers.[18]

These location choices have to do with how individuals make decisions: people move primarily for reasons related to jobs, family, and housing.[19] An analysis of the migration of educated workers, for example, reveals that, for the most part, these workers are moving away from expensive, dense regions to more affordable, generally less dense places. This migration also tends to parallel moves to those states that generally impose fewer regulatory burdens on business.

Perhaps even more surprisingly, we see a similar pattern in minority and immigrant entrepreneurship. These groups now constitute a growing percentage of business startups. Overall, according to the Kauffman Foundation, foreign-born immigrants in 2010 constituted nearly 30 percent of all new businesses owners, up from 13.4 percent in 1996. This has also been the one outstanding segment of the population whose entrepreneurship rate has grown throughout the current recession.[20]

As with the case of educated migrants, minority entrepreneurs tend to establish themselves in less expensive, more business-friendly, and generally less heavily regulated metropolitan regions. A recent survey of minority migration and self employment by Forbes[21] found that the best conditions for non-white entrepreneurs were in metropolitan areas in Georgia (Greater Atlanta), Tennessee (Nashville), Arizona (Phoenix), Oklahoma (Oklahoma City), and several Texas cities (Houston, Dallas, San Antonio and Austin). In contrast, most regions in California and the Northeast, outside of the Washington, D.C. metropolitan area, did quite poorly.

Jonathan Bowles, president of the New York-based Center for an Urban Future, has traced this poor performance to a myriad of factors including sky-high business rents, which stymie would-be entrepreneurs in minority communities. "[Entrepreneurs] face incredible burdens here when they start and try to grow a business," Bowles suggests. "Many go out of business quickly due to the cost of real estate and things like high electricity costs. It's an expensive city to do business in without a lot of cash."

Boomers are unique compared to traditional senior populations. According to the Kauffman Foundation, they tend to be more likely to start businesses than are younger age groups. In 1996, people between 55 and 64 years of age accounted for 14 percent of entrepreneurs; in 2010 they represented 23 percent.[22]

Less is known about the migration of aging boomers, a large segment of the population, but evidence so far suggests that they, too, are moving to such states. According to AARP, most boomers prefer to stay close to where they live—mostly in suburbs—or where their children tend to move, that is, to the low-regulation states of the South and West.[23]

States can draw on these migration patterns in developing their economic policies. Generally, people migrate to states with jobs, and states with population gains generally produce more employment than those with slower growth. Indeed, despite the great disruptions of the mortgage crisis, regions such as Orlando, San Bernardino-Riverside and Las Vegas all recorded double-digit employment gains over the last decade.

More recent developments suggest that future growth may depend on several critical factors. It is clear, for example, that investments in education—for example in Austin, Raleigh-Durham and parts of the Great Plains—have paid off by attracting both individuals and industries, and have made these areas among the healthiest employment markets in the country. Some of these states have suffered less fiscal distress than states elsewhere in the nation, and have benefited from their educational investment through hard times. Investments in community colleges may prove to be particularly essential, since their role in providing skilled workers has been critical in many states.

States that have invested in new infrastructure such as ports, airports, roads and improved transit tend to have a leg up on others that have failed to do so. Even relatively low-tax states such as Texas have invested heavily in recent years in roads and port facilities, which are critical to industries locating there.[24] Even during the recession, many industries—from manufacturing and environmental firms to health care and information technology—have had trouble hiring skilled workers. States are responding by creating job-oriented training programs in states like Ohio, New York, Tennessee, Washington and Wisconsin, which have all established technical institutions separate from community colleges. Tennessee alone has 27 such "technical centers" offering one-year certificates for certain jobs.[25]

Overall, as Delaware Governor Jack Markell has pointed out, businesses generally do not want to eliminate government, but rather want it to be useful for economic growth. Markell, who has done some considerable budget-cutting himself, believes that the focus needs to be on expanding the economy, which will requires improvements not only in schools, but in transportation infrastructure that will make the free market work better.[26]

Perhaps even more important has been creating a favorable business climate. California, for example, possesses the greatest basic economic attributes of any state: a mild climate, location on the Pacific Rim, a world-class university system, and a legacy of strong infrastructure investment. Yet today, despite the presence of leading global industrial zones such as Hollywood and Silicon Valley, as well as the country's richest agricultural sector, California's unemployment remains well above the national average and job growth has remained relatively tepid. After many years in denial, even some of the state's most progressive politicians realize that something is amiss. In a remarkable development, for example, California leaders including Lieutenant Governor Gavin Newsom recently visited Texas to learn from the large state that has fared best during the long recessionary period. Given the political gap between Californians like Newsom, a former mayor of San Francisco, and Texas Governor Rick Perry, this represents something of a "Nixon in China" moment.[27]

This is not to say that California, or any other state, should draw its economic policy from another state. Those states that attempt to use tax incentives to "lure" industries with no overwhelming need to relocate — as shown in recent findings about Illinois incentives to movie-makers — are often disappointed. In many cases, the incentive game becomes a classic "race to the bottom," in which the benefits of new jobs often prove transitory.[28] Since the 1990s, just two percent of job growth and decline has been due to businesses relocating across state borders, yet the costly practice of using unfocused tax expenditures to poach companies continues.[29]

Nor can states reliably predict which industries will need more workers over the long term. In the 1990s, economist Michael Mandell predicted that cutting-edge industries like high-tech would create 2.8 million new jobs; in reality, notes a 2010 New America Foundation report, they actually shed 68,000.[30]

Each state and each region has its own peculiar economic DNA. States with exportable products—for example the Great Plains or the Upper Midwest—may need to focus on ways to get their output efficiently to market. Already affordable, they may also choose to increase their attractiveness to high value-added companies and educated individuals by boosting their education systems and making their metropolitan regions more congenial to well-educated migrants.

In other states such as New York or Massachusetts, the economy is focused on intangible exports like financial services and software. Making themselves more affordable for both individuals and companies may be the best way for states to improve competitiveness. Over the long term, no state economy can sustain its people if it only focuses on the "luxury" sectors; the large number of unemployed and underemployed workers will drain state resources. As those state resources become more limited, decisions about how to structure tax incentives or where to place education and infrastructure investments must be based upon a deep understanding of this economic DNA. Strategic investments will limit wasteful spending and maximize impact in the economic sectors where a state is most likely to grow.

Ultimately, there is only one route to sustainable state economies, and that is through broad-based economic growth. The road to that objective can vary by state, but the fundamental goal needs to be kept in mind if we wish to see a restoration of hope and American optimism about the future.

HARD CHOICES NOW, HARD WORK AHEAD: STATE STRATEGIES TO RENEW GROWTH AND CREATE JOBS

America has the world's largest economy, the world's leading universities, the most robust entrepreneurial culture and many of its biggest companies—yet many see this as a diminishing advantage.[31] Stagnation, many predict, will extend into the foreseeable future because the economy's low-hanging fruit has disappeared and so the pace of innovation has slowed; by this argument we are now on a "technological plateau" that will make further growth challenging.[32] The United States remains a leader in global innovation, but better-funded, higher-performing hubs of innovation are emerging among determined competitors, notably China.[33]

In contrast, we believe America's prospects for competing with other countries are better than commonly assumed, and we are convinced that our strategy for the future is unlikely to be found elsewhere. Unlike our major competitors, we enjoy a huge base of natural resources—such as food and energy—which are likely to become ever more in demand as countries like China and India grow their economies. Most important of all, the United States, particularly in contrast with Europe and East Asia, enjoys relatively youthful demographics, promising an expanding workforce, new consumers and a new flood of entrepreneurs.

Yet our demographics and resources require intelligent policies that fit our particular situations. As a young country, we will have to find employment for an additional 20 million Americans in this decade. Slow growth, which could be accommodated in rapidly aging Japan or Germany, is not an option for the United States. We will also need to harness all forms of energy, from renewables to fossil fuels. Today, half of our trade deficit consists of energy, and yet we have the oil and gas resources to supply the vast majority of our needs. As we invest in renewables for the long run, the country needs to use the resources that are readily available in order to reduce the deficit and spark job growth.

Our ability to compete, particularly on the state level, could be compromised by an inability to address our budgetary challenges. According to the Center on Budget and Policy Priorities, states are struggling with budget shortfalls for fiscal 2012 that add up to $112 billion. The most recent Fiscal Survey of the States[34] anticipates considerably more financial stress in the states as the substantial funding made available by the American Recovery and Reinvestment Act of 2009 will no longer be available.

Most states have already taken actions to streamline and downsize government to meet the new economic realities. This has proven to be challenging given the increased demand for state services during the national recession. Surely, more redesign, streamlining and reform is on the way. To recoup lost revenue, states have taken such actions as eliminating tax exemptions, broadening the tax base, and in some cases increasing rates as well as raising a number of fees. Low tax rates by themselves are not a silver bullet for growth, but it has become clear that outdated state tax systems can undercut economic vitality.[35]

States are the fulcrum of change in key areas of education, infrastructure, energy, innovation and skills training—something that was confirmed on many fronts in the first *Enterprising States* study. States and localities are far better positioned than the federal government to foster strategic investment, regulations, taxes and incentives that encourage private sector prosperity. In large part, this is because they are more responsive to local conditions. Equally important, a diversified portfolio of opportunity agendas implemented by the individual states will go a long way toward renewing growth and prosperity in the national economy.

A New Era of Leadership by the States?

As the 2010 *Enterprising States* study was being completed, the states were implementing sweeping changes to deal with a growing number of challenges. Since then twenty-nine new governors have started their terms. Governors of every state, along with their legislative counterparts, are taking steps to grow their states' economies, create jobs and compete globally. They want to help businesses prosper, to produce an educated and skilled workforce, and to provide other essential services and infrastructure that foster the entrepreneurship and innovation that will lead to greater productivity and competitiveness.

The dramatic shortage of job opportunities has driven up the unemployment rate, pushed a large number of workers into part-time jobs, increased underemployment problems, and reduced the number of people who were expected to be active participants in the labor force. There is universal agreement that we need policies and programs that create jobs now, alongside investments to lay the foundations for long-term economic growth. "To keep the American dream of widely shared prosperity alive," one commentator has argued, "we need to choose entrepreneurship and competition over the vested interests of the status quo."[36]

Restoring confidence in the economy by creating a meaningful and compelling plan for moving forward is a top priority for elected officials as well as leaders from business, education, and labor groups throughout the country.

There is also a stark recognition among the states that solving their fiscal problems is directly connected to creating an economic climate that will foster job creation. Any state with a budget tilting towards insolvency is in a weak position to make and maintain investments in its workforce and economic infrastructure. A state's fiscal health also has immediate consequences by affecting its credit rating and, thereby, the cost of borrowing money. Unfunded pension obligations, viewed historically as soft debt, are now being considered together with the total value of state bonds to come up with a credit rating.

Many governors and state legislatures are attempting to strike a balance between budget cuts that could hold back the recovery by putting more people out of work, and spending cuts and government reforms that would create a more business-friendly environment, leading to greater business confidence, private-sector investment and job creation. How this balance is achieved depends on each state's unique set of circumstances and available assets. Moreover, at their core, these debates reflect the fundamental tensions between the two major visions of American progress,[37] namely: creating *equality of condition* by boosting wages, improving working conditions, and guaranteeing basic services, and creating *equality of opportunity*, by creating the conditions whereby individuals can elevate themselves through industry, perseverance, talent, and righteous behavior.

As noted in The Economist,[38] private capital is mobile and it goes where government works. So while political considerations and ideological rationalizations certainly do influence the mix of austerity measures and public investments, the real opportunity today is for states to redesign government for the 21st century. That means cutting programs that do not spur economic growth and shifting resources, where possible, to those existing or planned programs that will.[39]

While spending cuts will help control deficient budgets, so will increased revenue brought by economic growth. As states enact budget austerity measures, what job creation initiatives are surviving or receiving increased investment? What are the new priorities for job creation? How are states balancing cuts with critical job-creating initiatives that will stimulate innovation, build infrastructure, provide skills training, and unleash the dynamism of small business?

Job-Centric States Are Redesigning Government and Investing in Opportunity

Determining where to cut and where to invest[40] is the central challenge of the day. States must carry out short-term strategies to jump-start and/or sustain an as-of-yet lackluster recovery, and cut costs to make state government more efficient and to avoid financial calamity. Simultaneously, though, they must craft and invest in innovations and structural solutions that will foster long-term economic growth while reining in taxes and regulations that stifle job creation.

In most states, revenues remain stubbornly down from where they were before the recession, and job growth is proving to be more elusive than in most previous recoveries. The strategies now being planned or undertaken by each state are based on their unique sets of interests, resources and capabilities, aligned with the opportunities that they see on the horizon and believe are conceivably within their grasp. Yet all states "will likely need a new network of market-oriented, private-sector-leveraging, performance-driven institutions"[41] to restore and revitalize their economies.

The 2011 *Enterprising States* study highlights state-driven initiatives to 1) redesign government, including measures to deal with excessive debt levels that inhibit economic growth and job creation, and 2) forward-looking, enterprise-friendly initiatives whose primary goal is to create the conditions for job creation and future prosperity.

The policy initiatives and programmatic efforts are related to the five policy areas that were included in the original *Enterprising States* report.

- Entrepreneurship and Innovation
- Exports, International Trade and Foreign Direct Investment
- Workforce Development and Training
- Infrastructure
- Taxes and Regulation

What's different in 2011 and for the foreseeable future is that for many states the imperative for change is real. The choice is simple. To remain a job-creating, fiscally robust economy, states will either change on their own or change will continue to be forced upon them.[42]

Investing In Opportunity

States are taking a hard look at making investments in and implementing initiatives to create and sustain high-growth, higher-wage, 21st century industries.

States play a key role in the higher education landscape, so there is considerable support for and investment in programs that educate the future talent pool and foster collaboration between business, education and government on science and technology, technology transfer and entrepreneurial programs. As states evaluate their return on investment, performance-based funding has become a best practice for aligning colleges and universities as partners in workforce preparation and sources of opportunity, growth, and competitive advantage.[43]

High-growth start-ups are the best generators of new jobs, accounting for nearly all net job creation in America in the last twenty-plus years. They are also the firms most likely to raise productivity, a basis for economic growth. They also create jobs that did not previously exist, and solve problems in a way that makes a difference in people's lives. States have stepped up their efforts to help companies scale up and grow in order to capture growing domestic and international markets. A number of states have established or expanded seed and growth-stage financing funds. Some have implemented economic gardening programs deliberately designed to focus on expanding existing second-stage companies that have viable growth opportunities. Several states have undertaken initiatives to fix deficiencies in the market that inhibit private-sector investment and entrepreneurial activity. Tax credits for angel investors and state-backed venture capital funds are just two examples.

Companies with a global reach that bring together multiple technologies or complex expertise—such as advanced manufacturing, investment banking, construction and engineering, and natural resources—are likely to drive the nation's global competitiveness in the next few years, along with more focused technology companies that are part of complex virtual networks.[44] For that reason, several states are implementing, and having considerable success with, programs to help companies expand into global markets by assisting in the development of a customized international growth plan. And, some states have made significant headway using focused and purposeful strategies to attract foreign direct investment.

Public-private partnerships and privatization initiatives for economic development and the provision of infrastructure are proliferating throughout the states. Building funds and bonding programs that involve private-sector investors are now widely used to construct specialized facilities for research, demonstration, and technology transfer in key economic sectors. Building on the lessons of the past, states have become considerably more adept at avoiding what Robert Fogel has called "hothouse capitalism," in which government assumes much of the risk while private contractors and financiers take the profit.

While unemployment remains high, many currently available jobs go unfilled. America faces a shortfall of almost two million technical and analytical workers in the coming years, a situation that stands to thwart economic growth.[45] Painfully cognizant of this dilemma, many states are establishing workforce training and development programs that address structural unemployment problems and the mismatch between available jobs and the skills of the existing workforce. The goal is to align training and academic programs with in-demand regional occupations, and to add greater flexibility to workforce training programs that have left some re-trainable individuals slipping through the cracks.

Forward-looking states are modernizing their education and workforce training initiatives by developing people-focused approaches that help and train workers in navigating their careers, provide assistance for entrepreneurs, make lifelong learning loans, and offer wage insurance plans. The goal is to empower people to find better jobs and/or to create new ones. Plainly, making America more globally competitive is vital, but the increasingly obvious gap in our economic discussions is an agenda for making Americans more personally competitive. In this view, forging a new economics for the Individual Age will require rethinking our economy from the bottom up in order to realize future growth and prosperity.[46]

Finally, because energy issues, both current and future, have become such critical factors in business and for economic growth, states are getting serious about policies, initiatives and investments to provide clean, secure, safe and affordable energy tailored to regional, state and local resources. These include renewable energy standards, investments in research, development and commercialization of energy technologies and processes, and the establishment of new financing authorities to build the infrastructure that will extract and transport energy to the places where it will fuel new growth.

Redesigning Government

The fiscal situation of many states has caused them to reconsider the level of services they are providing and, certainly, the way that they deliver them. According to the Government Accountability Office, "Because most state and local governments are required to balance their operating budgets, the declining fiscal conditions shown in our simulations suggest the fiscal pressures the sector faces and foreshadow the extent to which these governments will need to make substantial policy changes to avoid growing fiscal imbalances.'"[47]

In *The Price of Government: Getting the Results We Need in an Age of Permanent Fiscal Crisis*, David Osborne and Peter Hutchinson contend that Industrial Age government is just not up to the tasks and challenges at hand. Centralized bureaucracies, hierarchical management, rules and regulations, standardized services, command-and-control methods, and public monopolies are simply not aligned to Information Age realities. Today, government must be restructured and prepared for rapid change, global competition, the pervasive use of information technologies, and a public that expects quality and has lots of choices.

The keys, according to Osborne and Hutchinson, are to 1) get rid of low-value spending, 2) move money into higher-value, more cost-effective strategies and programs and 3) motivate all managers to find better, cheaper ways to deliver results. In sum, government needs to provide incentives, expect accountability, and allow the freedom to innovate.[48]

Government redesign efforts that are now underway or in the planning stages often follow the simple guidelines outlined above. Yet various approaches are now being used by state governments, including:

- Consolidation, reorganization, or elimination of agencies, boards and commissions.
- Regionalization of governance to decentralize decision-making and to customize and align service delivery with local circumstances.
- Streamlining and modernizing bureaucratic processes to increase productivity and improve service delivery, often by deploying services online.
- Experimenting with charter agencies that commit to producing measurable benefits and to saving money—either by reducing expenditures or increasing revenues—in exchange for greater authority and flexibility.

Steps to curb spending and reform taxation in the states have varied widely. States with the most serious fiscal problems are laying off workers, imposing hiring freezes, reducing spending for education and health care and ending or curtailing social services. Aid to local governments has been cut. For many states, current obligations for public pension funds and health insurance costs are unaffordable and future obligations represent a looming financial disaster. Cuts, concessions and larger contributions from employees are now a necessary part of balancing the state's checkbook.

Taxes and tax policies vary considerably among the states. To make up for lost revenues, most states have taken such actions as eliminating tax exemptions, broadening tax bases, and in some cases increasing rates as well as raising a number of fees. States have enacted increases in all of the major taxes they levy, including personal income taxes, general sales taxes, business taxes, and excise taxes. However, many states did reduce business taxes with new credits or expanded existing credits to encourage investment and growth in targeted industries.

Uncertainty, above all, is the antagonist of growth, investment, and job creation. States that cannot rid themselves of onerous DURT[49] (delays, uncertainty, regulations and taxes) are in peril of putting the heaviest burdens on new and small businesses and on entrepreneurs, the real job creators in a growing economy. In a tight economy these considerations become more stringent for entrepreneurs and companies that are making economic decisions simply because the levels of uncertainty and the stakes are so much higher. Eliminating employment regulations and time-consuming processes that place unreasonable burdens on business can have a significant impact on job creation.[50]

Moreover, the competitive identity of a state today relies increasingly on the degree to which the actions of the private, public and civic sectors are aligned with and corroborate the identity claimed or brand promise. A story must be backed up by actions: to simply proclaim an enterprise-friendly environment is no longer adequate.

States that are doing it right today are responsive and are taking a cooperative, supportive approach to dealing with new and existing companies. Their attitude and operating systems are customer-centric and their emphasis is on streamlining processes for obtaining permits, licenses, and titles.

Many state governments across the country are adopting a fast-track approach to achieving a better balance between the requirements of regulation and the need for new jobs and industry, so that that results have a higher priority than rules. This is the mindset that must guide the interface between government and business.

MEASURING THE STATES: A LIST OF THE TOP PERFORMERS

A primary goal of any state economic development program is not only to increase the number of jobs in the state, but to improve the quality of jobs and the overall prosperity of the state's residents. States and regions must balance increases in productivity driven by innovation and technology with the need to maintain overall employment for citizens.

This study combines metrics for each economic development policy area to measure performance in each policy topic area. States were ranked in each metric and top states were determined by a composite ranking of all metrics in overall performance and in each policy area. For a full description of all metrics and results for each state, see the Rating the States section on page 27.

To identify the overall best performers, we combined:

- Ten-year and two-year job growth.
- Gross State Product measures: real GSP growth since 2000, GSP per job in 2009 (measuring productivity of industries), and growth in GSP per job 2000-2009 (measuring productivity increases).
- Income: per capita personal income growth 2000-2010 and median four person family income adjusted for cost of living in 2009.

Top Growth Performers

1. **Alaska**—Alaska places in the top 10 in six of seven economic performance rankings, trailing only in adjusted family income. Its rapid gross state product increase propelled it to the top spot in this year's rankings. The state has seen job growth in the past decade in every industry super-sector, and is home to high-value energy and natural resources industries whose growth has fueled large gains in gross state product and productivity. Since 2002, Alaska has added more than 6,600 jobs in oil and gas extraction, metal ore mining, and related support activities, as well as another 3,800 in the seafood products industry and 1,700 in new management, science, and technical consulting.

2. **North Dakota**—North Dakota is a top five state in short- and long-term job growth, GSP growth, productivity growth, and per capita personal income growth. Alaska's rapid ascension nudged North Dakota from the No. 1 spot. The energy boom has created 15,000 jobs in the state in the last decade and the state has added another 9,400 in business and financial services. North Dakota avoided the housing market collapse, and its construction employment is up 29 percent since 2002. Its manufacturing sector has not seen the decline occurring in other states.

3. **Wyoming**—Wyoming moves up two spots this year to third. The state places first in four of our seven performance measures: long term job growth, GSP growth, productivity growth, and per capita personal income growth. But the state's job losses in the last two years (more than just two other states) kept it from the top two spots. Employment in the state's energy cluster has grown by 47 percent since 2001, adding nearly 19,000 jobs. The business and financial services cluster saw similar growth, adding 9,800 jobs for 46 percent growth.

4. **South Dakota**—South Dakota falls one spot to fourth in 2011, placing in the top 10 in job growth measures, GSP and productivity growth, and per capita personal income growth. South Dakota's manufacturing industry (especially machinery manufacturing) has remained more stable than most states, while the construction industry added nearly 2,700 jobs since 2001. The state added nearly 5,300 professional and technical services jobs over the same period, led by computer systems design, programming, engineering services, and various other scientific and technical consulting services.

5. **Maryland**—Maryland is a center for high-end professional and technical services and 60,000 new jobs in that sector make it a strong all-around performer. It places fifth this year, down one spot from 2010. The state places in the top 15 in every measure, and fifth in median family income adjusted for cost of living. Highly competitive clusters in Maryland include information technology, defense and security, business and finance, and advanced materials.

6. **Virginia**—Virginia is strong in most performance measures, highlighted by tenth place in both productivity and productivity growth. The influence of the nation's capital is reflected in strong growth since 2002 in business and finance (158,000 new jobs), defense and security (60,000), biomedical and biotechnical (58,000), and information technology and telecommunications (25,000) clusters.

7. **Oklahoma**—Oklahoma moves into the top ten this year after placing 14th in 2010, most notably due to an increase in gross state product. The state placed fourth

in GSP growth and fourth in productivity growth. It also enjoyed a sixth place ranking in per capita personal income. Like many states in this year's top ten, Oklahoma's energy cluster saw huge growth in its energy cluster, which added 86,000 jobs for 60 percent growth since 2002. The state also benefits from a competitive advantage in other productive economy clusters, such as machinery manufacturing, forest and wood products, advanced materials, and chemical products.

8. **Texas**—Texas is the best performing large state in terms of job growth, ranking fourth in both long term and short term employment growth, and also shows solid overall economic expansion (13th in GSP growth and 14th in GSP per job). Since 2002 the state's business and finance, energy, and biomedical/biotechnical clusters have each expanded more than 30 percent, adding more than 960,000 jobs to the Texas economy. Of the major industry sectors, only manufacturing and information have lost jobs since 2002 — yet manufacturing still outperformed the national manufacturing economy by a significant margin.

9. **Nebraska** — Nebraska keeps its position at number nine in economic performance this year. Nebraska places in the top 25 in six of seven performance metrics, and is seventh in short term job growth. The state has a healthy construction sector along with strong growth in transportation and warehousing (4,400 jobs since 2002); professional, scientific and technical services (11,500); and management of companies and enterprises (4,200). The state's most nationally competitive industry clusters include transportation and logistics, advanced materials, energy, printing and publishing, and chemical products.

10. **Iowa** — Iowa's sixth-place ranking in productivity growth helped place it 10th this year, down two spots from last year. The state shows balance across the board, with five more top 25 performance rankings and no ranking lower than 33rd. Iowa remains a strong, productive economy. Its agribusiness, food processing and technology cluster remain the largest cluster in the state, encompassing 190,000 jobs. While employment in this cluster remains essentially flat since 2002, it is significantly better than in the rest of the nation, making agribusiness one of the state's most competitive industries. Other important clusters in the state include machinery manufacturing, which has gained 2,000 jobs since 2002, advanced materials, computer and electronics manufacturing, defense and security, and transportation and logistics.

Entrepreneurship and Innovation

Gone are the days of economic development organizations spending the majority of their time luring factories from other states. Businesses built from within a region are more likely to stay for the long term and to be integrated into the local economy, supporting more jobs. Recent research suggests that not only do small companies create the majority of jobs in the nation, younger small companies do. For this reason, states are rapidly increasing their investments in entrepreneurship and small business programs.

Most states are creating small business incubators and entrepreneurship programs, often integrated with university entrepreneurship curricula and designed to serve companies commercializing academic research from nearby universities. Incubators are now being linked into statewide networks to pool resources. Many have created facilities with specialized infrastructure, such as lab space available on an à la carte basis for start-up science and technology ventures. Others are instituting economic gardening programs to assist small businesses with market research or product evaluation.

States are working to increase the impact of federal and academic research on their local economies by coordinating connections between business and academic researchers, and streamlining the process of licensing university-produced technologies. Economic developers are identifying industry clusters where their state holds a competitive advantage and are adjusting assistance programs, infrastructure, and funding for public-private partnerships to focus on these clusters.

Measurements of innovation and entrepreneurship include:

- Growth and concentration of science, technology, engineering and mathematics (STEM) jobs.
- Academic research and development intensity in the state.
- The share of all businesses involved in high technology.
- A measure of small business finance activity.
- Two measures of entrepreneurial activity: net business birth rate and the Kauffman Foundation index of entrepreneurial activity.

Top Entrepreneurship and Innovation States

1. **New Mexico**—New Mexico places no lower than 21st in any of our innovation and entrepreneurship rankings. Home to Sandia and Los Alamos National Labs, the state is already a center for STEM jobs, and its strength is increasing. The state ranks ninth in STEM job concentration, eighth in STEM job growth, and tenth in entrepreneurial activity. The state is also home to the New Mexico Technology Ventures Corporation, one of the longest running and most successful research commercialization enterprises.

2. **Colorado**—Colorado moves up seven places to second in innovation and entrepreneurship this year. The Rocky Mountain state is first in small business loan activity, second in research and development (R&D) activity, second in high-tech business concentration, third in entrepreneurship activity and fifth in STEM job growth.

3. **Utah**—Utah's top ranking in net business birth rate helps it move up five places to third in innovation and entrepreneurship this year. The state ranks no worse than 18th in any metric and is sixth in small business lending activity, ninth in STEM job concentration and ninth in high-tech business concentration. Utah is making investments in research commercialization infrastructure with its Utah Science, Technology and Research Initiative and offers an outreach and business assistance program for technology companies.

4. **Montana**—Montana ranks seventh or better in five innovation and entrepreneurship measures including STEM job growth (fourth), business birth rate (sixth), R&D intensity (seventh), entrepreneurship activity (second), and small business lending activity (fifth). Since 2002, the state has added 3,200 STEM jobs to its economy, led by growth in engineering services, computer systems design, custom computer programming, and energy industries.

5. **Texas**—While Texas is known for its energy industry, it is a strong performer in innovation and entrepreneurship, ranking 16th or better in every category but research intensity. The Lone Star State moved up twelve places over last year's ranking, due in part to its increase in entrepreneurial activity and above average rankings in small business lending and business birth rate.

6. **Arizona**—Arizona is a top 25 performer in each innovation and entrepreneurship metric, landing in the top ten in R&D intensity, business birth rate, entrepreneurial activity and small business lending.

7. **Maryland**—Maryland remains a center for STEM jobs and high technology companies, ranking tenth in STEM job growth, second in STEM job intensity, and third in high-tech business concentration. The state is also a national leader in biotech product manufacturing, biotechnology and general scientific R&D, guidance instruments, and computer systems design.

8. **Virginia**—Virginia has the highest concentration of high-tech businesses in the nation and holds the third highest concentration of STEM jobs. Since 2002, the state has added more than 43,000 high-tech jobs, led by 46,000 jobs in computer systems design services; 9,100 in physical, engineering, and life sciences research; 8,100 in engineering services; and 7,900 in other scientific and technical consulting services.

9. **Idaho**—Home to the Idaho National Laboratory, Idaho moves up three spots to make the top 10 in innovation and entrepreneurship this year, led by second place rankings in establishment birth rate and small business lending and a 10th place ranking in entrepreneurial activity.

10. **California**—California remains the nation's center for research, ranking number one in federal and academic research intensity. To help harness this innovative spirit, the Golden State launched the Innovation Hub (iHub) initiative to stimulate partnerships, economic development, and job creation around specific regional research clusters. These six new iHubs link and leverage assets such as research parks, technology incubators, universities, and federal laboratories to provide an innovation platform for startup companies, economic development organizations, business groups, and venture capitalists.

10. **Washington**—Innovation and technology-based economic development efforts are a central part of Washington's job creation agenda. The state's high technology business and occupation tax credit is available to businesses in the advanced computing, advanced materials, biotech, electronic device, and environmental tech industries that conduct research and development (R&D) activities in the state. Companies in the same industry set also have access to a sales and use tax deferral program for qualified R&D and initial manufacturing activity expenses. Biotech and medical devices companies also receive sales and use tax breaks on qualified equipment purchases used in expansion and job creation.

Exports

One out of three manufacturing jobs in the U.S. is a consequence of foreign exports. In some states, exports of manufactured goods have outpaced domestic sales. Exports are not solely the province of big companies, with 97 percent of the U.S.-manufactured exports emanating from factories operated by small and mid-sized manufacturers.

More than a quarter million of America's small businesses export products, and they account for nearly a third of U.S. merchandise exports. Still, that's just one of every 100 companies. Many new international markets are emerging as incomes increase around the world. There is ample opportunity to create new jobs by helping America's small businesses start exporting and providing some of the tools, training, financing, and contacts these businesses need to sell overseas. Most states promote the expansion of exports either through an independent trade office or as part of an in-house component of their economic development agency.

Export measurements track manufactured exports in the state of origin, excluding bulk commodity exports usually attributed to the state of port location. High performing states are based upon:

- The value of exports as a share of total economic output and change in that value.
- Change in a state's share of the nation's total exports.
- Overall export growth since 2002.

Top Export States

1. **Louisiana**—The multi-port state of Louisiana remains at the top of our exports list this year. The state ranks in the top five in all four export measures. Much of the state's exports are related to the agriculture and energy economies, but manufactured exports include various chemicals and machinery. Its primary trading partners are China, Japan, and Mexico.

2. **Utah**—Utah continues to be a leader in export measures, with exports up 45 percent since 2009. The state's International Trade and Diplomacy Office serves as an intermediary between Utah companies and international markets, promoting the state's products and helping companies prepare themselves to operate globally. The Governor's Office of Economic Development also partners with the World Trade Center Utah to promote increased exports.

3. **South Carolina**—South Carolina is the third largest exporter for its size in the nation, and the Palmetto State ranks in the top 10 in growth of export intensity and growth in the share of the nation's exports. The non-profit South Carolina Export Consortium offers client specific market research, training, and customized marketing materials, allowing the organization to assist businesses at various stages of the market development process.

4. **Mississippi**—Mississippi remains in this year's exports top 10 as the fifth fastest-growing state exporter. The Magnolia State is also rapidly increasing exports to South and Central American countries, including Panama, Brazil, Honduras, Columbia, and Guatemala.

5. **Delaware**—Delaware exported $5 billion in merchandise in 2010, with 44 percent of that going to Canada and the United Kingdom. Nearly half of the $5 billion was in chemicals, with other top merchandise exports computers and electronic products, transportation equipment, machinery, and plastics and rubber products.

6. **Texas**—Of the more than 26,000 businesses exporting from Texas, 92 percent were small and medium-sized enterprises, the fourth highest total of any state. Of its $206 billion in exports in 2010, $72.4 billion was exported to Mexico, and its top exported merchandise categories including computers and electronic products ($39.1 billion), chemicals ($38.9 billion), and petroleum and coal products ($32.9 billion).

7. **Nevada**—Nevada is the nation's fastest growing export state, as well as the fastest in growing export value as a share of its total economy. The value of the Silver State's manufactured exports has more than tripled since 2002. Its primary exports are mineral deposits, coin-operated games, and various electronics.

8. **Iowa**—Iowa is the tenth fastest growing export state, with nearly half of its exports bound for Canada or Mexico. Much of the goods coming from Iowa are processed foods and agricultural products (totaling $3.5 billion) followed by machinery. To help the agribusiness sector access international markets, the Greater Des Moines Partnership economic development agency formed the Iowa Agribusiness Export Partnership with Iowa State University to help address a range of trade topics important to agriculture.

9. **Georgia**—Georgia moved up six places to ninth in this year's export rankings due to its growth in export intensity and its increasing share of the nation's total export market. The state's largest merchandise export category is transportation equipment, which accounted for $6 billion of Georgia's total merchandise exports

in 2010. Other top merchandise exports are chemicals ($3.6 billion), machinery ($3.5 billion), paper products ($3.1 billion), and computers and electronic products ($2.4 billion).

9. **Indiana**—Indiana's seventh-highest state export intensity and its increasing national market share of all exports place it in a tie for ninth on our list of export states. The Peach State shipped $28.7 billion in exports in 2010 of which $8.0 billion was in transportation equipment and $7.6 billion in chemicals.

Taxes and Regulation

Taxes and regulations impact the decisions and competitive position of both large and small businesses. The combined burden of excessive DURT—delays, uncertainty, regulations and taxes[51]—inhibit new job creation but can also jeopardize existing jobs. States are reducing delays by consolidating redundant operations and creating "one-stop" customer service contacts to help assist businesses, as well as drafting new legislation allowing projects to be governed by the regulations in place when a project is initiated. Other states are including private-sector leaders on committees formed to identify sources of unresponsive government and unreasonable regulations.

Many governors now recognize that an air of uncertainty in state leadership and legislative bodies can stifle private-sector investment as businesses wait for clarity or, worse, look to expand in other states. This recognition is leading to a more open assessment of business climates in many states and to greater bipartisan and governor-legislature cooperation in the most successful states.

A reasonable tax code and regulatory environment can reward achievement, encourage investment, and enable a level playing field for businesses that now compete in a global economy on a daily basis. Fostering private-sector economic growth is even more important as state budgets remain in the red, with a shrinking economy eroding the tax base and threatening investments in education, infrastructure, and basic services.

As noted by the Tax Foundation,[52] "the most competitive tax systems create the fewest economic distortions by enforcing the most simple, pro-growth tax systems characterized by broad bases and low rates." At the same time, tax levies must be used to deliver a proportionate level of services that are valuable to the business community.

Targeted tax credits are often viewed as more effective than direct economic development incentives, since a tax credit requires a specific direct investment in a business to trigger the incentive. Many states are reforming their tax credit programs towards smaller awards in specific industries and performing cost-benefit analysis on a per job basis to ensure that new revenue generated by the job exceeds the expense of the incentive. Because tax credits leverage direct outside investment by in-state companies, these investment credits are rapidly replacing direct taxpayer subsidies for business recruitment and are shifting the focus toward stimulating businesses already in the state. Other states are eliminating tax breaks and targeted incentives entirely in favor of more broad-based tax reductions for small businesses.

State tax and regulation rankings include broad-based tax, business environment, and cost measures:

- Taxes: Overall state and local tax burden and a state corporate tax index.
- A small business survival index: a broad measure of 36 government-imposed or related costs impacting small business and entrepreneurs.
- Size of anticipated state budget gap in fiscal year 2012.
- Overall cost of living index.

Top Taxes and Regulation States

1. **Tennessee**—Tennessee's low cost of living, fourth lowest state and local tax burden and manageable budget gap place it first in this year's tax and regulation rankings, up two places from 2010. The home state of country music and Elvis' Graceland has long been known for its business-friendly legislature and for how its Commissioners of Economic Development and Revenue work together to make this "No Surprises" regulatory policy possible.

2. **South Dakota**—South Dakota has the nation's most favorable business tax climate and third lowest overall state and local tax burden. It also has no corporate income tax, personal income tax, personal property tax, business inventory tax, or inheritance tax. While the state does have sales, use, and excise taxes, South Dakota has established a tax refund program offering targeted refunds in these tax classes to qualified business-building projects.

3. **Wyoming**—Wyoming is a top five state for state budget gap, state and local tax burden, and business tax climate. Governor Matt Mead's administration has made streamlining government functions a focus, proposing department mergers and reviewing and repealing executive orders seen as unnecessary.

4. **Alaska**—Alaska's closing of its budget gap and its top state and local tax and business tax climates propelled it onto the top ten list this year. The Last Frontier State has almost $12 billion in savings—excluding the Permanent Fund savings—enough for about two years of state funding for operating and capital budgets to insulate it from fluctuating energy prices.

5. **Indiana**—After bordering on insolvency in past years, the Hoosier State has turned around its budget situation with a series of state government reforms to reduce redundancy and improve efficiency. Indiana's latest biannual budget includes a $1 billion surplus, a corporate income tax reduction and provisions for an automatic taxpayer refund should revenue reach certain benchmarks.

6. **Texas**—The Lone Star State is a low tax and low cost of living state, as well as an enterprise friendly climate that's paying off as it is adding jobs at a much faster rate than other large states. To go along with its lack of personal income tax, Texas does not tax property used for pollution control, goods in transit, or machinery and equipment used in manufacturing.

7. **Missouri**—The Show Me State remains at seventh this year on the tax and regulation list. It ranks better than 20th on all five measures, topping out eighth in cost of living. In recent years, Missouri has enacted comprehensive reforms in its workers' compensation system and enacted strong tort reform laws.

8. **Kentucky**—Kentucky's lowest cost of living in the nation helps move it into this year's top 10. In order to further streamline business interactions with state government, the state recently passed legislation that will lead to the creation of a business "One-Stop" web site. The online interface will simplify business filings and cut down on the need for business owners to complete multiple forms.

9. **North Dakota**—North Dakota largely avoided extended job losses during the recession, and its booming energy industry has led to a sizeable budget surplus. The Peace Garden State recently passed a ballot-initiated measure changing the state constitution to create a long-term savings Legacy Fund for oil extraction tax revenue, while other oil tax revenues were diverted to fund road improvements in heavy drilling areas and to property tax relief.

10. **Utah**—Utah ranks in the top 17 in four of our five tax and regulation measures, landing it in 10th place. The Beehive State recently launched an advisory committee to optimize its state government. Comprised of public and private sector experts, the committee made over 50 recommendations, including calling for review of regulatory processes that impact businesses in the state. Greater coordination between regulatory agencies was identified as a way to maintain a business friendly environment and avoid harmful duplication of services and unneeded red-tape.

Workforce and Training

It has been estimated that by 2018, 63 percent of the nation's jobs will require some type of post-high school training credential. In some states, that number is over 70 percent.[53] This has placed education and training of workers at the center of a new paradigm for economic growth. State leaders are realizing that education and training programs must be aligned with the jobs open within the state. This alignment can only occur with explicit cooperation between education, government, and the business community.

As companies become more reliant on competent, highly skilled workers and access to advanced knowhow become essential ingredients of innovation-driven business ecosystems, access to the capabilities, expertise and facilities at colleges and universities is an increasingly critical asset.[54]

Workforce training is also a key element of state initiatives directed at job creation. Customized training programs oriented to the needs of employers and emerging industries are delivered in partnership with colleges and, in many cases, with the individual businesses themselves. Many states are now augmenting federal workforce training funds with more flexible and focused funding that better meets the needs of small businesses and displaced workers.

Our education and training metrics combine measures of educational attainment, higher education output and efficiency, and the state workforce development system performance:

- Educational attainment: associate's degree (and higher) attainment of 25-44 year olds.
- Higher education output: rate of bachelor's degrees conferred per 18-24 year old population.
- Affordability: undergraduate public university charge as a share of disposable personal income.
- Higher education productivity: total charge (state and tuition funds) per degree or certificate conferred.
- Share of public high school seniors taking advanced placement exams.
- Workforce development system job placement

performance.

Top Workforce & Training States

1. **Florida**—The Sunshine State moves into the top spot in our workforce and training rankings due to its efficient job placement system, high share of high school students in advanced placement courses, and affordable and efficient higher education system. The state places in the top three in all four measures. The Quick Response Training Program is an employer-driven training program designed to assist new value-added businesses and provide existing Florida businesses the necessary training for expansion.

2. **Massachusetts**—The Bay State has the most educated young workforce in the nation, along with a high-output higher education system and a job placement system that met its goals last year better than 48 other states. The state's workforce development system comprises 16 regional workforce development boards coordinated by state association, with members from business associations, labor, education, and economic development.

3. **New York**—The Empire State has the fourth most educated young workforce and a highly productive higher education system, producing the sixth most graduates per college-aged resident in the state. Funded by state and federal dollars, the Workforce Development Institute (WDI) offers funding for training programs for workers and businesses when no other funding sources are available. The WDI also produces labor market intelligence and works to bring together business, labor, government, environmental groups to find solutions to grow the manufacturing industry in New York.

4. **Maryland**—The state recently created the Skills2Compete program, a workforce development and skills partnership among many workforce and training organizations, focused on promoting the need for and increasing access to middle and high skill jobs training programs. The Old Line State has already seen the ninth highest growth rate of middle-skill jobs in the past decade.

5. **North Dakota**—North Dakota ranks third in associate-degree-and-above educational attainment of its 25-44 year old population, and fourth in college degree affordability. Unemployment rates have held very low, even through the recession, so the state Department of Commerce and Job Service North Dakota are working diligently with businesses to address shortages of skilled workers and to recruit new residents to the state.

6. **Minnesota**—The North Star State is deploying FIRST Grants—Framework for Integrated Regional Strategies — requiring K-12 education, post-secondary education, economic development, workforce development and business to define their regional economies and develop strategies that will align each agency's resources to accomplish the vision for the region. The essential piece of the strategy is that they must be business-led. In its Job Skills Partnership Program, the state is pursuing industry cluster strategies by awarding multiple grants within regional industries to maximize investment in training within each industry sector.

7. **Colorado**—Colorado places in the top 25 in five of six workforce and training measures, including in the top ten for educated workforce and high school advanced placement courses. The Rocky Mountain State offers workforce development and training services to rural residents free of charge with its Colorado Rural Workforce Consortium, which oversees 11 sub-regions and 35 local offices.

7. **New Hampshire**—Governor John Lynch has called for continued and steady state investment in workforce training programs as a means to help provide a channel of skilled workers that will support economic expansion. The state's New Hampshire Working program supports companies undergoing economic stress with workforce support services, and it also maintains a Rapid Response Team, tasked with offering workforce support services on an expedited schedule to businesses facing economic difficulty.

7. **Utah**—Utah ranks in the top 10 in higher education productivity and affordability, and 25th in educational attainment of its young workforce. In order to help drive innovation and attract high-tech firms to the state, Governor Gary Herbert's administration has set a goal to expand the number of citizens with degrees and professional certifications to 66 percent of adults by 2020. The governor has also called for an increased focus on science, engineering, and math careers in the state's educational system.

10. **Connecticut** — The Constitution State emphasizes that employee productivity is at an all-time high, with output per worker more than 33 percent above the national average. In addition, a highly trained and educated workforce is a major selling point for business attraction and retention efforts. Thirty-six percent of the state's population aged 25 and older has a college degree. The state boasts over 45 colleges and

universities, ranging from Ivy League to community colleges offering two-year degrees and job training programs.

Infrastructure

Infrastructure plays a critical role in economic development, and states work with local, regional and national governments to put it in place. The basic infrastructure package for a sustainable economy includes highways, airports, harbors, utility distribution systems, railways, water and sewer systems, and communications networks. As high-value services become more important to state economies, the value of high-quality passenger air service and broadband increases as well.

Investments that improve performance of transportation infrastructure provide positive long-term value for the U.S. economy.[55] State expenditures on transportation infrastructure include investments in highways, air transport facilities, and port facilities. Most states have programs in place for funding public works in industrial or research parks and for infrastructure associated with individual business developments. States can use their bonding authority to finance infrastructure, and a few states have developed infrastructure banks.

Broadband telecommunication infrastructure is at the forefront of many state public policy initiatives and is viewed as indispensable to economic and community development. The share of employees working from home has increased 31 percent since 2000, and if current trends continue, telecommuting could overtake transit for work trips by 2017.[56] Many states, especially those with large rural regions, have created specific broadband infrastructure investment and incentive programs.

States are ranked based upon two broadband measures and one comprehensive measure of transportation infrastructure performance:

- Share of internet telecommunication lines that are high-speed.
- Share Census tracts with high broadband penetration.
- The U.S. Chamber of Commerce's state transportation infrastructure performance index.

Top Infrastructure States

1. **Maine**—The Pine Tree State is in the top ten of all three infrastructure measures, including the nation's highest share of broadband connections over three megabits per second. A coalition of state and university officials and private companies created the Three Ring Binder project, a dark fiber network designed to provide the "middle-mile" telecommunications infrastructure needed to serve the state's business, academic, and telemedicine needs. The network is funded with both federal and private sources.

2. **Vermont**—Already a top ten state in broadband access, the Green Mountain State has made improvement of its rural technology infrastructure a point of emphasis. Governor Peter Shumlin recently launched ConnectVT, a coordinated effort to expand broadband and wireless communications access to all parts of the state by 2013, in an attempt to support rural business job creation. The initiative also convened experts to identify areas of need, and examine ways to coordinate ongoing public and private efforts.

3. **North Dakota**—The Peace Garden State ranks first in the U.S. Chamber of Commerce's transportation performance index. The state's recently passed budget diverts oil extraction and mining revenues to fund needed road improvements in the western half of the state, to improve transportation infrastructure needed by booming drilling activities.

4. **Iowa**—The Hawkeye State combines a top 10 rank in transportation infrastructure performance with another in high speed broadband infrastructure quality. The state's primary infrastructure funding mechanism is the Rebuild Iowa Infrastructure fund (RIIF). This year's legislature set aside nearly $274 million from the RIIF, Technology Reinvestment Fund and revenue bonds. Much of that will go to projects in local communities to build or repair new buildings, roads, bridges and other infrastructure including for disaster relief infrastructure projects.

5. **South Dakota**—Ranking second in transportation infrastructure performance, the Mount Rushmore State is making investments in specialized economic development infrastructure, such as South Dakota University's Innovation Campus, with almost 125 acres of space available to support construction of research facilities focused on agriculture, energy, infectious diseases, and medical biotechnology, among other target industries.

6. **Nebraska**—Like South Dakota, the Cornhusker State is investing in specific infrastructure to better leverage the knowledge at its universities with Nebraska Innovation Campus adjacent to the University of Nebraska-Lincoln's city campus. This

249-acre space is designed to serve as a "public/ private research and technology development center." Companies located in the new campus will be able take advantage of their proximity to the university in order to work collaboratively with university researchers, directly recruit interns and employees among recent university graduates, and access university facilities and infrastructure, such as UNL's supercomputing facility. Infrastructure development at the site is ongoing, and Governor Heineman has made increasing funding for the new campus one of his job-creation and education priorities.

7. **Minnesota**—The North Star State is addressing specialized industry infrastructure with the Bioscience Business Development Public Infrastructure (BBDPI) program focused on job creation and retention through the growth of new and emerging bioscience businesses and organizations. The BBDPI provides competitive grants to local governmental for up to 50 percent of the capital cost of the public infrastructure necessary to expand or retain jobs. The projects must be of publicly owned infrastructure related to a development project, including wastewater collection and treatment, drinking water, storm sewers, utility extensions, telecommunications infrastructure, roads, bridges, parking ramps, facilities that support basic science and clinical research, research infrastructure and streets which support an eligible project.

7. **New Hampshire**—Upgrading the Granite State's roads and other basic infrastructure is a priority for Governor John Lynch's Administration, which has supported implementation of a comprehensive 10-year highway plan. In order to further upgrade the state's transport infrastructure, Governor Lynch has proposed creation of a State Infrastructure Bank, which would give local communities throughout the state access to a revolving-loan fund to finance infrastructure improvements.

7. **Virginia**—The Old Dominion State ranks in the top 20 in all three metrics, with the 12th best score in the U.S. Chamber of Commerce's transportation performance infrastructure index. Virginia lawmakers signed off on a $4 billion transportation funding plan to fund 900 projects, of which 16 are "mega-transportation projects." The largest transportation funding infusion in Virginia since 1986, the bill includes at least $282 million for a Virginia Infrastructure Bank to provide grants to local governments and loans to private entities for infrastructure projects.

10. **Oregon**—In 2009 the state legislature created the Oregon Infrastructure Finance Authority (IFA) to develop goals and policies to meet the state's infrastructure needs and to serve as a financing clearinghouse for public works projects. The IFA helps coordinate state and federal partners to streamline funding and approval processes for local entities, and works with localities to develop strategic responses to infrastructure needs using limited resources.

RATING THE STATES: THE METRICS

For this study we assembled 33 measures of overall economic performance, grouping them in five key policy areas tied to job growth. Data for each measure was tabulated for each state and states were ranked according to performance.

The heat map matrix on the following page displays each state's performance for each of the 37 metrics. Dark red squares indicate a top 10 ranking in that metric and light red squares indicate an 11-25 ranking in a particular metric. To gauge a state's performance, read across the page for each state or region. Groupings of red highlights indicate better performance in a particular policy area.

States are grouped by region and metrics by policy area for easy visual comparison to other neighboring states. For instance, the New England region proves to be a poorer performer in tax and regulation, as shown by large blocks of white, while the Rocky Mountain region scores well in the innovation and entrepreneurship measures, as shown by the concentration of light and dark red.

Metric Definitions

Economic Performance

Long-term Job Growth. Job Growth, 2001-2011. Percent job growth between the November 2000-January 2001 average figure and the November 2010-January 2011 average figure. U.S. Bureau of Labor Statistics Current Employment Survey.

Short-term Job Growth. Job Growth, 2007-2009. Percent job growth between November 2008-January 2009 figure and the November 2010-January 2011 figure. U.S. Bureau of Labor Statistics Current Employment Survey. Measures recent job shifts.

Gross State Product Growth. Real Gross State Product Growth, 2000-2009. 2005 Chained Dollars. U.S. Bureau of Economic Analysis.

Economic Output Per Job. Gross State Product Output per job, 2009. Total economic output per job, a measure of a state economy's productivity. U.S. Bureau of Economic Analysis.

Productivity Growth. Growth in Gross State Product Output per job, 2000-2009. Percent change in total economic output per job between 2000 and 2008. An indication of a state's shift towards higher value jobs and industries. U.S. Bureau of Economic Analysis.

Per Capita Income Growth. Per capita personal income growth, 2000-2010. Change in real income per person, 2000-2009. U.S. Bureau of Economic Analysis.

Adjusted Median Family Income. Median Income for a Family of Four Adjusted for Cost of Living, 2007-2009 average in 2009 dollars. U.S. Census American Community Survey, Missouri Economic Research and Information Center, using data from the Council of Community and Economic Research.

Exports

Export Intensity. Dollar value of manufactured exports per dollar of gross state product, 2009. Value of exports equalized for the relative size of state economies. Measures the importance of exports to a state's economy. Covers manufactured exports, not including bulk commodities that tend to be credited to the state where an exporting port is located. 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, 2002-2009. Measures increasing or decreasing role of exports in a state's economy. Manufactured exports. U.S. Census Foreign Trade Division, U.S. Bureau of Economic Analysis.

Growth in Share of National Exports. Percentage point change in state share of total national exports, 2002-2010. Measures a state's export performance relative to other states, and accounts for overall national export growth or decline. Manufactured exports. U.S. Census Foreign Trade Division.

Export Growth. Growth in gross manufactured exports, 2002-2010. U.S. Census Foreign Trade Division.

Innovation and Entrepreneurship

STEM Job Growth. Growth in science, technology, engineering, and mathematics jobs, 2001-2010. Growth in computer specialists; mathematical science; engineers; engineering technicians; life scientists; physical scientists; social scientists; and life, physical, and social science technicians. EMSI Complete Employment, First Quarter 2011.

STEM Job Concentration. Concentration science, technology, engineering, and mathematics (STEM) jobs, 2001-2010. Measures concentration of STEM jobs in a state versus the nation. Location Quotient: share of STEM jobs in state divided by share of STEM jobs in nation. EMSI Complete Employment, First Quarter 2011.

High-tech Share of All Businesses. High Technology share of all establishments, 2010. Concentration of establishments in 79 high-tech six digit NAICS industry sectors within the state. EMSI Complete Employment, First Quarter 2011.

Business Birth Rate. Net establishment birth rate, 2006-2007. U.S. Census Bureau, 1989-2007 Business Information Tracking Series.

Academic R&D Intensity. Academic Research and Development as a share of Gross State Product, 2008. 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 other agency. National Science Foundation and U.S. Bureau of Economic Analysis.

Entrepreneurial Activity. Kauffman Index of Entrepreneurial Activity, 2006-2008. Measure of monthly new business starts derived from the Current Population Survey. Kauffman Foundation.

Small Business Lending. Small Business Loans per 1,000 Employees in small businesses, 2009. Measure of availability of small business financing. County Business Patterns; U.S. Small Business Administration, Office of Advocacy, Community Reinvestment Act.

Taxes and Regulation

Budget Gap. Estimated State Budget Gap, FY2012. Center on Budget and Policy Priorities, The Josiah Bartlett Center for Public Policy, Bill Haslam State of the State Address.

State and local tax burden, 2009. Composite measure of overall state and local tax burden expressed as a share of income. Tax Foundation.

Business Tax Climate. State business tax climate index, FY 2011. Index of taxes affecting business. Tax Foundation.

Small Business Survival Index, 2010. An index combining 36 measures of government-imposed or government-related business cost measures affecting a wide variety of industries and business types. Small Business & Entrepreneurship Council.

State cost of living index, 2010. Missouri Economic Research and Information Center, using data from Council of Community and Economic Research.

Workforce and Training

Higher-ed Degree Output. Bachelor's degrees conferred per 1,000 18- to 24-year-olds, 2008-2009. Measures degree output of the state higher education system. U.S. Department of Education, National Center for Education Statistics, 2008-09 Integrated Postsecondary Education Data System (IPEDS), Fall 2009, U.S Census American Community Survey 2009.

Higher-ed Efficiency. Higher Education Spending Per Degree Awarded at Public Research Institutions. A measure of higher education system productivity. Delta Project on Postsecondary Education Costs, Productivity, and Accountability IPEDS database.

College Affordability. Average undergraduate charge at public four-year institutions as a share of disposable personal income, 2010. Measure of degree affordability adjusted for state income levels. National Center for Education Statistics, U.S. Bureau of Economic Analysis.

Educational Attainment. Share of 25- to 44-year-old population holding Associate's degree or higher, 2009. U.S Census American Community Survey 2009.

High School Advanced Placement Intensity. Share of public high school seniors taking Advanced Placement Exams, 2010. Measures the extent to which rigorous curriculum is available in secondary schools. College Board, Advanced Placement Report to the Nation.

Job Placement Efficiency. Adult entered employment rate goal attainment, 2009. Ratio of workforce development system adult customers still employed after exit from state job training and placement services compared to agreed-upon goal rate. Measure of performance of a state's workforce assistance system performance. U.S. Department of Labor Employment and Training Administration.

Infrastructure

High Speed Broadband Intensity. Share of fixed connections of at least 3Mbs downstream speed, 2010. Measure of broadband capacity. FCC.

High Speed Broadband Availability. Share of Census tracts with at least 60 percent high speed internet penetration, 2010. FCC.

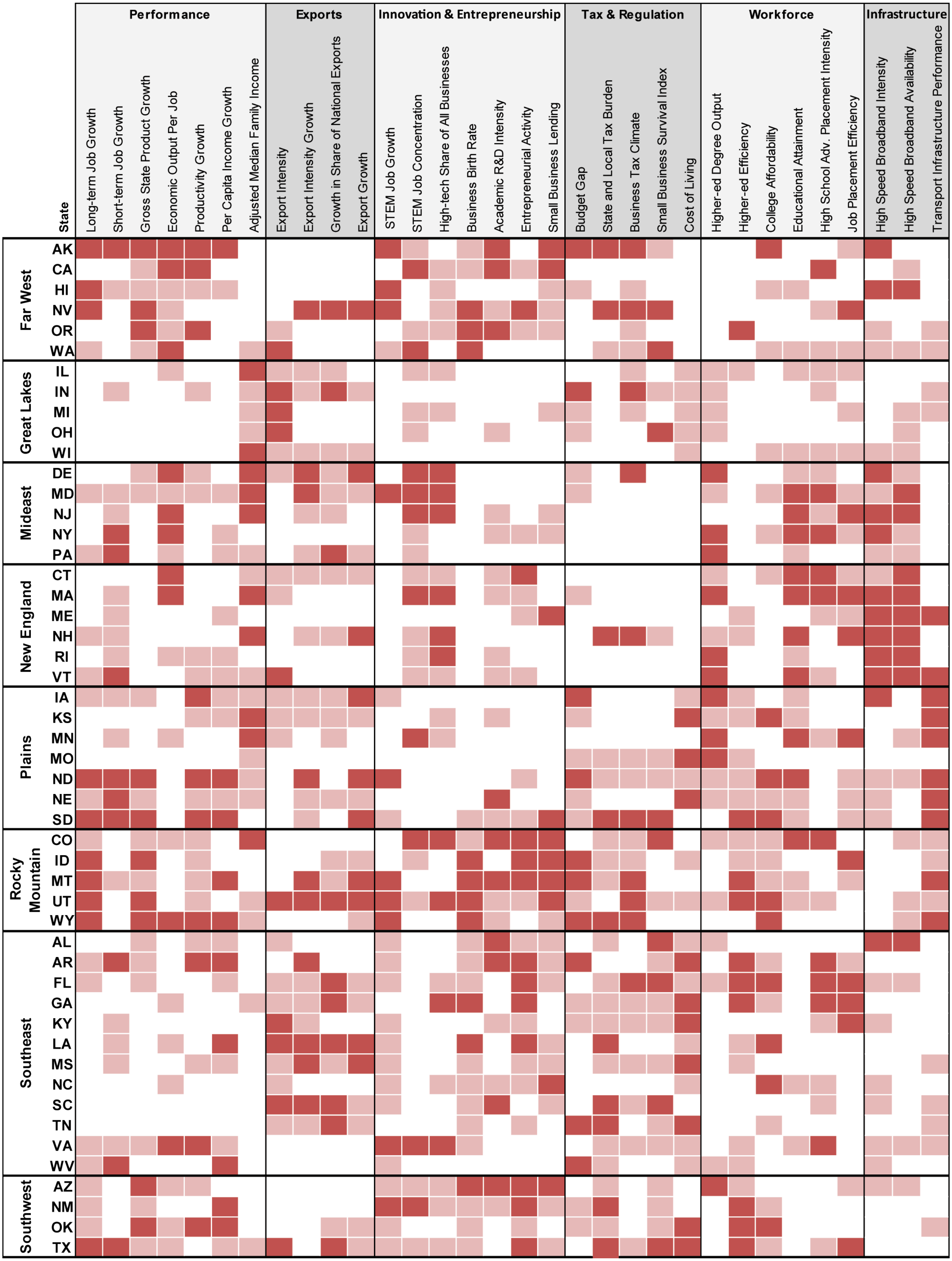
Transportation Infrastructure Performance. State Infrastructure Performance Index, 2007. Comprises 50 percent of overall state infrastructure ranking. U.S. Chamber of Commerce Let's Rebuild America Project.

About the state profile cluster data, pages 29-129:

Most competitive cluster jobs number is the change due to "competitive effect" of a shift share analysis, an indicator of how the cluster performed relative to national factors of expansion or contraction for period of 2002-2010. The cluster may have lost jobs overall due to these national factors. Most concentrated cluster number is a national location quotient in 2010. Data includes non-covered employees. Cluster definitions developed by Purdue Center for Regional Development. Data Source: EMSI Complete Employment - 2011.2.

STATE PERFORMANCE

Top Ten States   Next 15 States



ALABAMA

Alabama is heavily invested in aerospace, education, health care, banking, and various heavy industries, including automobile manufacturing, mineral extraction, steel production and fabrication. The state has a history of successfully recruiting and growing out-of-state companies—and will continue to do so—but it is also realizing growth and opportunities in its own backyard. Most jobs are created by businesses already in the state. According to Governor Bentley, "They are the backbone of our economy and it is important for our workforce training system to help them prosper and grow."

Streamlining Workforce Training and Economic Development

With a strong automobile and aerospace manufacturing presence, the state has been successful in recruiting and growing out-of-state business and industry that, according to Governor Bentley, "gets our picture and our name in magazines across the country, but they don't create most of the jobs. Most of the jobs are created by companies that are already here." To address this challenge, the state has focused on helping local and regional businesses be more competitive and better trained by utilizing workforce training programs in place at the two-year college systems. These programs, including **Alabama Industrial Development Training** and the **Alabama Technology Network**, offer job-specific and technical training for technology and manufacturing companies of all sizes.

Along with better utilizing existing workforce training efforts, the state is streamlining economic development efforts by creating a blueprint for the roles and responsibilities of the state's lead agency and others involved in economic development. These efforts include **aligning economic development assets** through written agreements between the Alabama Development Office and the state, local, and private agencies engaged in economic development. This realignment and renewed cooperation will strengthen Alabama's ability to recruit, retain and grow companies that are important to the state's economic future. The articulation agreements will formalize ties between the Alabama Development Office and strategically important organizations, including the Economic Development Partnership of Alabama, electric power producers, the Alabama community college system, Alabama universities and private research entities, and local economic development officials.

Alabama's Place in the Rankings

4th	Academic R&D intensity
4th	Broadband Availability
7th	Small Business Survival Index
10th	High Speed Broadband Intensity
11th	State and Local Tax Burden
11th	Cost of Living
14th	Export Intensity
17th	Per Capita Income Growth
17th	Business Birth Rate
18th	STEM Job Growth
20th	Entrepreneurial Activity
21st	Productivity Growth
23rd	Small Business Lending
25th	Higher-ed Degree Output
25th	GDP Growth

Early in 2011, Governor Bentley signed Executive Order Number Five, establishing the **Alabama Rural Development Office**. The purpose of the new office is to improve and advance education, healthcare, and economic development in the rural areas of Alabama. The Executive Order requires the Director to work with existing department heads, commissioners and directors to coordinate their organizations' efforts in rural Alabama. The fiscal agency of the Alabama Rural Development Office is the Alabama Department of Economic and Community Affairs.

Education for the 21st Century Economy

For the state to continue to compete in the global economy, Alabama's workforce needs the skills to work in the state's growing high-tech manufacturing industries. To accomplish this, the state is conducting a systemic change in its education and training system to produce graduates with the science, technology, education, and math (STEM) knowledge and skills they need to compete for new jobs.

Alabama's skilled workforce program goals include:

- Increasing the percentage of students demonstrating proficiency in STEM-related skill areas.
- Continuing the development of an integrated, efficient distance-learning program to provide educational offerings for all Alabama public high school students.
- Increasing the number of students taking Advanced Placement courses and those scoring 3–5 on AP Exams by 15 percent by 2012.
- Increasing access to workforce training and postsecondary educational programs for Adult Education clients.

These efforts to increase proficiency levels in STEM and to improve workforce-related training are paying dividends. The state saw a 9.6 percent increase in STEM-related job growth from 2001 to 2010 (18th best in the nation) and a 4.8 percent increase in middle-skill jobs over the the same period.

Industry Strengths—Building on Existing Capacity and Competitive Advantages

Alabama has a long and storied history in **aerospace, aviation and defense industries**. The state is home to hundreds of aerospace companies working in space and defense, aviation, and maintenance, refurbishment and overhaul (MRO). These companies have created more than 73,000 direct jobs for Alabamians, with a combined annual payroll of more than $3 billion. The Alabama aerospace industry is composed of four primary business sectors: manufacturers of aerospace, aviation and defense hardware, software and equipment; MRO of existing assets; parts manufacturers and suppliers for the aerospace industry; and companies providing business and technical services and support to the industry.

Many well-respected automobile companies have realized that the state is well positioned for **automotive manufacturing** and have set up shop there. Others have also located in Alabama to build engines and other auto-related parts and services. Today, there are over 300 automotive-related companies, a 286 percent increase since 1991, including an extensive supplier network.

The state has made key investments and pledged a strong commitment to research and biotechnology projects. More than 90 biotechnology-related companies are either doing business or have headquarters in Alabama. The **Hudson-Alpha Institute for Biotechnology**, located in Huntsville, is anticipated to bring 900 new scientists to the area. The institute's genomics research will complement the University of Alabama at Birmingham's clinical research base. The University of Alabama is conducting more than $450 million in externally funded research annually, mostly in the biosciences.

Auburn University, the University of Alabama, University of South Alabama and the University of Alabama in Huntsville all have strong specialized bioscience research programs. This research activity places Alabama fourth among all states in federal and academic research intensity. In addition to this research capacity, the state boasts several communities—including Birmingham, Huntsville, Auburn and Mobile—with outstanding research and industrial parks and incubator programs available for relocation or spin-outs of new enterprises organized around products based on local research.

Clusters in Alabama

Largest Cluster: Business & Financial Services, 224,768 jobs

Largest Growth Cluster: Business & Financial Services, 47,876 new jobs since 2002

Most Competitive Cluster: Transporatation Equipment Manufacturing, 18,444 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Primary Metal Manufacturing, 3.11 times the national concentration level

ALASKA

Alaska has capitalized on the traditional engines of its economy, including logging, mining, oil and gas exploration, and seafood, to maintain and grow the state's economy during rough national economic times. The state is working to expand critical infrastructure to support its natural resource-based industries. These efforts have paid dividends; the state currently ranks second nationally in job growth from 2009 to 2011.

Spending Discipline and a Strong Economy

Alaska has worked diligently to create a climate for investment and economic growth. In an effort to boost private sector jobs and economic development, Governor Parnell introduced legislation to provide Alaskans with tax relief for individuals, invest in new energy opportunities, and create incentives for companies that invest in job creation, workforce development, and construction of critical infrastructure. The focus of the state's ongoing efforts has been on keeping taxes low, expanding access to energy resources, and initiating development efforts around undeveloped resources and regions.

State efforts to expand new energy opportunities with focused infrastructure investments mirror the Alaskan Chamber of Commerce's priorities, which call for review and reform of oil tax policies to encourage new oil production, concise and predictable permitting, and the creation of an Alaska Transportation Infrastructure Fund that will invest in Alaska's economy and mobility. These priorities are intended to encourage more investment in new oil production and foster economic vitality throughout the state.

Nearly 60 percent of the state's FY2012 budget goes to communities, organizations, and individuals through grants, contracts, and capital spending, much of which ends up in the private sector. Over 21 percent of the budget is devoted to goods and services, contracts, equipment and travel, some going to the private sector, with the remaining 20 percent paying for state employees' salaries and benefits.

Besides a balanced budget, Alaska has almost $12 billion in savings, excluding the Permanent Fund. That is essentially enough for two years of state funding for operating and capital budgets, should anything catastrophic happen to oil markets or the state's ability to transport oil to market. Strong spending discipline and willingness to invest is helping to secure Alaska's future, as reflected in the state's upgraded AAA bond rating. The financial community recognizes Alaska's sound financial footing, and the AAA rating lowers the cost of debt for the state.

Alaska's Place in the Rankings

1st	Budget Gap
1st	State and Local Tax Burden
2nd	Business Tax Climate
2nd	Short-term Job Growth
2nd	Economic Output Per Job
3rd	Long-term Job Growth
3rd	Small Business Lending
3rd	High Speed Broadband Intensity
5th	Academic R&D Intensity
5th	College Affordability
6th	Gross State Product Growth
6th	STEM Job Growth
8th	Productivity Growth
10th	Per Capita Income Growth
12th	Job Placement Efficiency
13th	STEM Job Concentration
15th	Small Business Survival Index
24th	Business Birth Rate

Investing in Energy, Infrastructure and Knowledge

To enhance its ability to capitalize on its extensive natural resources, the state has embarked on a significant infrastructure development program called **Roads to Resources**. In 2010, Alaska funded more than 300 infrastructure projects that directly employed its citizens while supporting industry growth. The Roads to Resources Initiative increases access for communities and continued responsible development of the state's fish, timber, mineral, and petroleum reserves.

The goals of this infrastructure program include road construction, permitting and environmental work along a 90-mile transportation and pipeline corridor aimed at increasing access to gas and high-quality oil reserves. The budget also includes about $175 million to continue efforts to develop Alaska's natural gas resources, including the Alaska Natural Gas Pipeline project and the in-state gas line project team.

Through the **Alaska Performance Scholarship** program, the state has placed a priority on providing transformational education to all students by helping to prepare them for post-secondary education and good jobs within the state. Every student willing to accept the challenge of a more rigorous curriculum can earn these scholarships. The program's goal in the next three years is to provide these opportunities for up to 30,000 Alaska high school students. As part of this program, the state has renovated entire schools and added gyms, classrooms, and space for vocational education all across the state.

The Economy

Alaska is one of two states that have added private sector jobs over the past year, and its unemployment rate stands almost a full point-and-a-half better than the national average. This stability is supported by the state's balanced budget, tax cuts and the decision to pay off debt that once exceeded $5 billion.

Nine features comprise Alaska's economic growth and well-being strategy:

- Individual tax relief with a two-year suspension of the motor fuel tax.
- Energy initiatives including in-state gas and commercialization of North Slope natural gas.
- Increased oil production and job growth with tax incentives for oil and gas exploration and production.
- Increasing the number of visitors to the state with critical investment in Alaska's tourism industry.
- Creation of private sector jobs by building roads to natural resources.
- New construction, including a Public Safety Crime Lab and University Life Sciences Research Facility.
- Promoting business development with a micro-loan program for small businesses.
- The Alaska Performance Scholarships intended to position the state's economy for workforce growth.

These initiatives and the state's focus on its strengths in the productive economy have already paid dividends with the state ranking sixth in science, technology, engineering and math (STEM) job growth and fourth in growth of middle-skill jobs over the past decade.

Alaska is also considering funding a strategic assessment to determine what steps are needed to capitalize on the state's vast storehouse of resource wealth. The state has huge reserves of oil and gas: at least 43 billion barrels of oil and 250 trillion cubic feet of natural gas have yet to be developed. In addition, there are rich deposits of minerals on more than 40 million acres of state lands. New opportunities include rare-earth minerals that are of increasing importance in the world economy. These rare-earth elements are used in almost every piece of electronic equipment including flat screen TVs, iPods, cell phones, aircraft radar systems, and more. The state is poised, once again, to help meet America's resource needs.

Clusters in Alaska

Largest Cluster: Energy (Fossil & Renewable), 36,539 jobs

Largest Growth Cluster: Energy (Fossil & Renewable), 8,265 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 5,581 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Mining, 3.79 times the national concentration level

ARIZONA

Home to well-established aerospace, electronics and semiconductor manufacturing sectors, Arizona parlayed these industry strengths into what had been one of the strongest economic and population growth rates in the nation. Those heady days have come to a standstill. However, while confronted with job and population losses and a deflated housing market, the state still hosts emerging environmental, life and bioscience industry firms that hold the potential to reinvigorate the economy and provide quality jobs for Arizonans.

Streamlining Services and Education

Faced with a $3.2 billion deficit and ongoing budget concerns, Arizona passed a budget of $8.3 billion without new borrowing. The state's plan calls for $1 billion in cuts to avoid borrowing and to balance what remains of this year's budget, as well as the budget for FY2012. The state must also replace approximately $800 million in revenue gained from a voter-approved sales tax set to expire this year. The main benefactor of the sales tax funding has been the K-12 education system.

The steepest cuts will be to education, where universities face the loss of $198 million in state funding and K-12 education faces reductions of $183 million (with $35 million backfilled by the federal government). State aid to community colleges will be reduced by half. In addition to these cuts, the Senate has proposed eliminating the Arizona Financial Aid Trust, a state-supported student loan program.

The budget cuts $500 million from state Medicaid programs (pending federal approval), $50 million from the state's safety net programs, and $53 million from the Department of Health Services. The budget also shifts some highway and prison-related costs to counties.
In addressing these fiscal issues and obstacles, the state has made significant budget reductions that total 31 percent of unprotected funds. As part of these reductions, the state has reduced its workforce by 10 percent since 2008, not including universities. As Arizona works to counter the devastating impact of the recession, it continues to look for opportunities and growth in the future.

Targeted Business Incentives and Tax Reforms

To recapture the momentum that helped propel the state to new heights in job creation, Arizona has embarked on an initiative that it hopes will serve as a magnet for business relocation, formation and growth; capital formation and investment; employment and personal income growth and prosperity for all the state's businesses and citizens. The **Four Cornerstones of Reform** initiative includes a mix of business incentives and broad tax reforms designed to spur the Arizona economy.

Arizona's Place in the Rankings

1st	Higher-ed Degree Output
3rd	Academic R&D Intensity
5th	Business Birth Rate
7th	Entrepreneurial Activity
7th	Gross State Product Growth
10th	Small Business Lending
12th	Long-term Job Growth
13th	State and Local Tax Burden
13th	Small Business Survival Index
13th	Productivity Growth
13th	Job Placement Efficiency
13th	High Speed Broadband Intensity
14th	Higher-ed Efficiency
15th	High-tech Share of All Businesses
19th	Economic Output Per Job
19th	STEM Job Concentration
24th	High Speed Broadband Availability
25th	STEM Job Growth

Economic competitiveness in the global marketplace is the first of the Four Cornerstones of Reform. Realizing that government can serve as an obstacle to new business growth, the state is working to remove unnecessary barriers that impede economic growth and to provide a stable, predictable, business-friendly environment in which private employers can grow. One element of this effort is the elimination of the Arizona Commerce Department and its replacement with the **Arizona Commerce Authority**. The single focus of the Authority will now be the retention and recruitment of quality jobs for Arizona. It will be overseen by a public-private board composed of Arizona leaders in business and policy that will have access to a $25 million deal-closing fund for added flexibility in negotiations.

Other specific elements of this initiative include the creation of a **Quality Jobs Program**, with corporate tax credits of up to $9,000 for each qualifying new job ($3,000 per job per year, with a 400-job cap), and an increase in the electable state corporate income tax sales factor to 100 percent, up from the current 80 percent. Knowing that a trained workforce is key to job development, the state is proposing the reauthorization of the Arizona Job Training Program, providing job-specific, reimbursable grants to train employees for new careers.

The appropriate use of tax dollars and subsequent credits is critical for job creation. To meet the needs of business and industry, the state has called for a four-year, phased-in reduction of the state's corporate income tax to 4.9 percent, beginning in January 2014. This will give the state the nation's fifth most competitive corporate income tax rate. Additionally, the state is ready to provide a 10 percent increase in the research and development tax credit, encouraging further collaboration between Arizona's research universities and the private sector, and a 5 percent acceleration of the depreciation schedule for business personal property, which is forecast to spur purchases of new equipment and other capital investments.

Education and training are another component of the Four Cornerstone initiative. Employers need a skilled workforce, and employees want a good school system for their children. To meet this goal, Arizona has developed a path to achieve specific benchmarks by 2020. These include raising the high school graduation rate by 18 points to 93 percent, increasing the number of third graders who meet reading standards by 25 points to 94 percent, and doubling the number of college students who complete their studies and receive a four-year degree.

The state has also worked to develop a series of reforms in budgeting and operations. These include budget reforms that encourage private-sector job growth, economic vitality, higher state revenues, and improved opportunities for the state to provide appropriate support for its core functions: public safety, education, and assistance for the truly needy. Beyond budget reforms, the state is working to become more business-friendly by reviewing right-to-work laws, as well as reforms to the health care and retirement system.

Targeting High Tech, High Innovation

The state has worked to address economic development in a broad sense by providing support and incentives to businesses across the board. Arizona also recognizes its strengths and capacities, and has targeted aerospace/defense, semiconductor/electronics, advanced manufacturing, communications, green energy (including solar), IT and optics industry sectors as those holding the most promise and highest potential return on investment. These industries capitalize on the state's robust high-tech capacity and infrastructure, skilled workforce and the ability to garner both public and private support in moving these industries forward.

Clusters in Arizona

Largest Cluster: Business & Financial Services, 416,361 jobs

Largest Growth Cluster: Business & Financial Services, 93,524 since 2002

Most Competitive Cluster: Biomedical/Biotechnical (Life Sciences), 40,023 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Mining, 1.86 times the national concentration level

ARKANSAS

Home to national food and retail giants, Arkansas has capitalized on the stability and growth of its food and fiber manufacturers to ride out the worst of the national recession and realize job growth (ranked ninth nationally) from 2009 to 2011. The state's success is built on conservative budgeting and cautious spending, along with fast and flexible economic development incentive tools that attract and close deals quickly and effectively. Coupled with a broad array of incentives and active cooperation between entities at the local, regional and state level, Arkansas is an enterprise-friendly environment that provides significant opportunities for growth.

Arkansas' Place in the Rankings

1st	Budget Gap
3rd	Entrepreneurial Activity
4th	Cost of Living
6th	Higher-ed Efficiency
6th	High School Advanced Placement Intensity
6th	Academic R&D Intensity
9th	Short-term Job Growth
9th	Productivity Growth
9th	Per Capita Income Growth
10th	Export Intensity Growth
17th	STEM Job Growth
17th	Job Placement Efficiency
18th	Gross State Product Growth
19th	Long-term Job Growth
22nd	Small Business Lending
24th	Small Business Survival Index
24th	College Affordability
25th	Business Birth Rate

Conservative Budgeting and Cautious Spending

With Arkansas one of only four states in the U.S. to enter FY2011 without an official deficit, Governor Mike Beebe has said that "conservative budgeting and cautious spending have put Arkansas in an advantageous position." Over the past five years, Arkansas state government grew by an average of about 7 percent, with the biggest year of growth in FY2005, when the state budget grew by 10.88 percent. The state met its $4.4 billion budget for FY2010 with $23.7 million left over, according to the state's fiscal office, doing so by tapping its newly established "rainy day" fund, using unspent educational facilities funds, and making $206 million in budget cuts.

The governor cut the state budget twice: by $100 million in October 2009 and by $106 million in January 2010, due to a shortfall in revenues. However, the state did not lay off employees or reduce services for FY2010. The Arkansas economy has been less affected by the national recession than most other states because of its concentration on the thriving agricultural sector, leading to the state outperforming others in gross state product and employment growth. In 2010, the unemployment rate was 7.9 percent, compared to the U.S. unemployment rate of 9.6 percent.

Doing Business at the Speed of Business

Arkansas' **Quick Action Closing Fund** has brought more than 26,000 jobs to Arkansas, offsetting some of the thousands lost in the recession. The fund's nonpartisan board formulates long-term economic development strategies and integrates economic development with education, job training and lifelong learning programs.

The Quick Action Closing Fund comes from $50 million in the General Improvement Fund specifically directed at economic development. This program's flexible structure and performance-based incentives allow the state to focus on businesses' specific needs, giving Arkansas the ability to design incentive packages tailored to projects in specific high-value industries within the state. These programs, which are based on payroll instead of jobs, provide a clear metric requiring investment in high-wage jobs by recipients.

Discretionary incentives for start-ups in emerging and research-based industries include the refund of sales and use taxes for building materials, machinery, and equipment for approved projects, a transferable income tax credit equal to 10 percent of payroll for up to five years, and a transferable income tax credit equal to 33 percent of eligible research and development expenditures.

The state has several research and development (R&D) incentive programs to provide incentives for university-based research, in-house research, and R&D in start-up technology-based enterprises. The **University Based Research and Development** program focuses on eligible businesses that contract with one or more Arkansas colleges or universities to perform research. These companies may qualify for a 33 percent income tax credit for qualified research expenditures.

Another R&D tax credit program targets new and existing businesses conducting "in-house" research that qualifies for federal R&D tax credits. These projects may qualify for income tax credits of up to 20 percent of new and incremental expansions of research for a period of up to three years. The income tax credit earned for in-house research and development may be used to offset 100 percent of the firm's state income tax liability. Any unused credit may be carried forward for a period of nine years.

The **Strategic Value Research and Developmen**t incentives are for qualifying businesses that invest in in-house research in an area of strategic value or a research and development project sponsored by the Arkansas Science and Technology Authority. The "strategic value" research areas are in fields with long-term economic or commercial value to the state, as identified in an Arkansas Science and Technology Authority research and development plan.

Another key program within the state, targeted at early-stage businesses, is the **Arkansas Risk Capital Matching Fund** (ARCMF), which works to strengthen the financial infrastructure supporting technology-based enterprises in the state. The ARCMF invests in technology-based enterprises in the early stages of development and not yet able to attract adequate private sources of traditional venture or investor-backed financing. A portion of this fund will be used to validate early-stage technology before other investments can be made.

Target Industries

Natural and cultivated resources are the basis for many of the state's industries. The leading industry is food manufacturing of chicken. Rice, soybeans and cotton are also processed in Arkansas. Major national food manufacturing companies are headquartered in Arkansas, as well as major retailers. Metal, lumber and paper products are also important to the state's economy, as well as agriculture and manufacturing. Other targeted business opportunities for the state stand to help transition the state's economy to one supported by higher-paying, knowledge-based jobs. These target industries are seen as niche opportunities based on existing strengths and competitive advantages. The state's targeted opportunities include advanced manufacturing, information technology, and green energy.

Clusters in Arkansas

Largest Cluster: Agribusiness, Food Processing & Technology, 118,277 jobs

Largest Growth Cluster: Business & Financial Services, 25,810 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 7,481 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Agribusiness, Food Processing & Technology, 2.57 times the national concentration level

CALIFORNIA

California boasts the eighth largest economy in the world; the state's 2009 Gross State Product (GSP) was approximately $1.88 trillion. California's strengths lie in the size, diversity, and adaptability of its economy, as well as in the talent and range of its population. Despite the loss of more than a million jobs during the recession, California remains a center of venture capital and the entrepreneurial spirit.

To help address some of the issues facing the state, Governor Jerry Brown and other Golden State leaders have developed a list of priority issues to be resolved in order to address California's budget shortfall and move the state forward. These priorities include creating jobs for California's future, improving education, addressing the budget, tackling pension reform, and developing a plan for the creation of clean energy jobs.

Addressing the Budget

The recent recession and housing market bust have left California with a serious projected budget deficit for FY2012, greater than just three other states. Governor Brown began his budget restructuring effort with revenue projections viewed as much more reasonable than those used for previous budgets. While conservative forecasts may increase the projected deficit, the governor's assumptions have provided a realistic budget framework within which to make tough decisions.

Brown's budget plan relies equally on tax increases and significant cuts to state programs. The governor is reviewing the extension of previously enacted tax increases, including increases in income taxes, sales taxes, and vehicle license fees, as well as major spending reductions.

While California's university system—with over two million students enrolled at nearly 300 colleges and universities and over 270,000 graduates each year—has been considered one of the foundations of the state's success in the innovation economy, the system could suffer under the state's current budget situation. Governor Brown has proposed reducing funding for the state's two university systems by $1 billion. This would bring nominal spending for the University of California system down to the FY1999 level, a time when the system had 31 percent fewer students than it does today. However, the governor's current plan exempts cuts to the K-12 education system.

California's Place in the Rankings

1st	Academic R&D Intensity
7th	Productivity Growth
7th	Economic Output Per Job
7th	STEM Job Concentration
7th	Small Business Lending
8th	High School Advanced Placement Intensity
11th	High Speed Broadband Availability
13th	Entrepreneurial Activity
19th	Gross State Product Growth
21st	High-tech Share of All Businesses
23rd	Business Birth Rate

Additional budget cutting initiatives include reducing funding for the Medi-Cal (Medicaid) program by $1.7 billion. The governor's budget would limit the use of Medicaid services by setting an annual dollar limit on the amount the state will pay for certain services such as hearing aids and durable medical equipment, reducing prescriptions (except for life-saving drugs) to six per year, and limiting doctor visits to ten per year. The governor also would eliminate a program that helps elderly residents at risk of being placed in a nursing home to remain in their communities, and would cut long-term care provider payments by 10 percent. Governor Brown also proposes scaling back the state's Healthy Families (children's health insurance) program by eliminating vision benefits, increasing premiums for families with incomes between 150 and 250 percent of poverty, and increasing co-payments.

Globally Connected and High-Tech

California remains one of the largest economies in the world, due in part to its world-class transportation infrastructure and seaports. The state's export shipments of merchandise totaled $142.3 billion in 2010, a 16 percent increase from 2009. The state is home to 12 cargo airports and 11 cargo seaports, as well as 18 foreign trade zones and 42 enterprise zones that provide access to a global clientele, especially from the Pacific Rim. To help maintain this competitive advantage, the state created the **California Infrastructure and Economic Development Bank** (I-Bank) which was intended to promote economic revitalization, enable future development, and encourage a healthy climate for jobs in California. The I-Bank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage state and federal funds focused on industrial development and infrastructure.

California continues to be one of the nation's leading high-tech states, ranking in the top 10 in concentration of science, technology, engineering and mathematics (STEM) workers. Historically, California has been the leading high-tech export state with $41.3 billion in exports in 2009, almost $6 billion more than the next closest state. California is home to 40 federal laboratories. In 2009, over 23,000 patents originated in California, far more than any other state. This represented one quarter of all U.S. patents issued in 2009.

To help harness and enhance California's innovative spirit, the state launched the forward-thinking **Innovation Hub** (iHub) initiative. The iHub initiative improves the state's national and global competitiveness by stimulating partnerships, economic development, and job creation around specific regional research clusters. These iHubs link and leverage assets such as research parks, technology incubators, universities, and federal laboratories to provide an innovation platform for startup companies, economic development organizations, business groups, and venture capitalists. The state designated six initial iHub regions in early 2010.

Access to capital is key to starting and growing new companies, and California remains a center for venture capital (VC) investment. In 2010, California companies received more than $11 billion, or 47.8 percent of all VC invested in the U.S. Top sectors receiving VC funding were software, biotechnology, energy, medical devices and telecommunications. California is No. 1 in our rankings of federal and academic research and development (R&D) intensity. The state is home to 40 federal labs and 30 percent of the nation's NASA centers. The University of California Technology Transfer Program is first in the number of patents and the number of inventions reaching the market. To help spur investments in the private sector, the state offers a **15–24 percent R&D tax credit to businesses**.

A recent survey conducted by the California Employment Development Department found that the state is leading the nation in the percentage of the labor force working in green jobs; indeed, green-oriented jobs have grown faster than other sectors of employment in the state since 1995. The governor's green jobs plan calls for building 12,000 megawatts of localized electricity generation, building 8,000 megawatts of large-scale renewables (and the necessary transmission lines), and developing more cogeneration projects to increase combined heat and power production by 6,500 megawatts.

Clusters in California

Largest Cluster: Business & Financial Services, 2,646,918 jobs

Largest Growth Cluster: Business & Financial Services, 424,029 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 33,233 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Computer & Electronic Product Manufacturing, 2.15 times the national concentration level

COLORADO

With a strong core of energy-related assets and capacities, Colorado has pushed to make green and renewable energy a contender for development opportunities within the state. Working to capitalize on the National Renewable Energy Laboratory (NREL), which is located in the state, Colorado launched the Colorado Renewable Energy Collaboratory, which is backed by the NREL and the state's three leading research universities. These institutions are working with private-sector partners to develop advanced renewable-energy and energy-efficiency solutions that are ready for the marketplace.

Controlling Spending Key to Addressing Budget

Facing an estimated $1 billion deficit, the state is working to control spending through cuts in spending on education and Medicaid, as well as increasing state employees' salary contributions to benefit plans. These reductions have led to cutbacks at state institutions; for example, the University of Colorado system laid off 79 employees in FY2011 and has increased employee workloads. This year's deficit was cut in half when a spring forecast improved revenue projections.

With this year's $18 billion spending plan, the state has reduced public school spending by $250 million, a 5 percent decline from the previous year. This cut amounts to more than $400 per student. The budget also closes a prison in the state, consolidates the Division of Wildlife with the Colorado state park system, and increases state workers' pension contributions while limiting raises.

As outlined above, the budget enacted by Governor John Hickenlooper entails $36 million in cuts to higher education, a 6.5 percent reduction. On top of the cuts made necessary by the more conservative economic forecast for the next fiscal year, Governor Hickenlooper has also proposed raising the amount of the general fund kept in reserve from 2 to 4 percent. The increased reserve will need to be offset by an additional $141.5 million in cuts. The Governor has suggested he will not raise taxes to offset the cuts. Colorado also repealed sales taxes of online software sales and agricultural products.

Colorado's Place in the Rankings

1st	Small Business Lending
2nd	High-tech Share of All Businesses
2nd	Academic R&D Intensity
3rd	Entrepreneurial Activity
5th	STEM Job Concentration
7th	High School Advanced Placement Intensity
8th	Median Family Income
10th	Small Business Survival Index
10th	Educational Attainment
12th	State and Local Tax Burden
14th	Business Birth Rate
15th	Business Tax Climate
15th	Higher-ed Degree Output
15th	Productivity Growth
16th	High Speed Broadband Availability
17th	Gross State Product Growth
18th	Economic Output Per Job
19th	Transportation Infrastructure Performance
22nd	Higher-ed Efficiency
24th	Long-term Job Growth
25th	College Affordability

A Bottom-up Approach to Economic Development

Colorado is making a concerted effort to cut red tape and create new jobs through a community-based, **"bottom-up" initiative that is driven by local and regional priorities**. The intent is to create sustainable jobs driven by the private sector, with the state playing a supportive role. This approach is designed to identify and define the needs, priorities, strengths, and weaknesses of each of the state's counties, and incorporate them into 64 economic development plans tailored to each county. These plans will roll up into fourteen regional plans that will comprise a comprehensive statewide economic development plan. Again, the intention is to coordinate and catalyze job creation and attract investment.

The bottom-up initiative team traveled over 20,000 miles completing three state-wide tours and regional input sessions to synthesize summaries from each county and to reach consensus on top regional priorities. The 14 regional plans and county summaries were placed online for a rigorous public review and comment period. The resulting state-wide plan will address many of the common denominators throughout the state while allowing for local competitive advantages and strengths to show through. This approach will allow each of the various regions of Colorado – including urban, suburban and rural constituencies, and a vast geography of mountains, plains and plateaus – to develop a cohesive economic development approach that will work for them.

Colorado relies on several key incentives and tax credits to bolster businesses' ability to create jobs. Key programs include the **Investment Tax Credit**, which allows businesses that invest in equipment used exclusively in an enterprise zone to claim a credit against their Colorado income taxes equal to 3 percent of the amount of the investment, subject to limitations on the amount that can be claimed in any one year.

Other programs targeted at new business facilities include the **New Business Facility (NBF) Jobs Credit**, which provides businesses hiring new employees in connection with a new facility located in an enterprise zone a tax credit against state income taxes of $500 per employee. The **New Business Facility (NBF) Agricultural Processing Jobs Credit** provides an additional credit of $500 per new facility employee adding value to agricultural commodities through manufacturing or processing. With the **New Business Facility (NBF) Health Insurance Credit**, a taxpayer with a qualifying new facility is allowed a two-year $200 tax credit for each new facility employee who is insured under a qualifying employer-sponsored health insurance program.

Workforce is Key

Colorado places in the top 25 in five of six workforce and training measures, including in the top 10 for its educated workforce and high school Advanced Placement courses. The state offers workforce development and training services to rural residents free of charge with its **Colorado Rural Workforce Consortium**, which serves some 52 rural counties. This attention to workforce training and development is further augmented by programs like the Colorado Business and Education Talent Readiness Project (BETR) and the Work, Education and Lifelong Learning Simulation Center (WELLS).

The **Colorado BETR Project**, a science, technology, engineering and mathematics (STEM) collaboration between business, education and industry, has been created to facilitate the promotion of STEM education and workforce readiness to meet the needs of both job seekers and employers. The **WELLS Center**, for its part, offers a complete array of state-of-the-art patient simulation tools and curricula for building clinical knowledge. Students, faculty, nurses and physicians from throughout the state can enhance their diagnostic and clinical skills at the WELLS Center, either on site or at their healthcare facility or academic institution. Program elements include computer-based mannequins that can simulate virtually any type of clinical experience, as well as faculty development workshops, critical care nursing training, and consulting services.

Clusters in Colorado

Largest Cluster: Business & Financial Services, 473,876 jobs

Largest Growth Cluster: Business & Financial Services, 98,587 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 20,747 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Information Technology & Telecommunications, 1.39 times the national concentration level

CONNECTICUT

With a strong foundation of high-tech industries such as aerospace, bioscience, medical technology and defense, Connecticut is well positioned to compete in the 21st century economy. The state has been heralded as a research and development hub, and a leader in emerging fuel cell technologies, alternative energy and nanotechnology. Connecticut is home to many of the leading insurance companies, earning it the nickname "Insurance Capital of the World," and the state's financial services sector is often recognized for its workforce talent and innovation.

Connecticut's Place in the Rankings

2nd	High Speed Broadband Availability
3rd	Productivity Growth
5th	Educational Attainment
5th	Entrepreneurial Activity
10th	High School Advanced Placement Intensity
12th	Median Family Income
14th	STEM Job Concentration
16th	Export Intensity Growth
16th	High-tech Share of All Businesses
17th	College Affordability
17th	Growth in Share of National Exports
19th	Export Intensity
20th	Academic R&D Intensity
21st	Job Placement Efficiency
23rd	Higher-ed Degree Output
24th	High Speed Broadband Intensity
25th	Export Growth

State Priorities—Jobs, Making Government More Efficient

Governor Dannel Malloy has proposed cutting state spending, while at the same time working to create new jobs and retain and grow existing businesses to increase revenue coming into the state. Governor Malloy's administration is making key cuts in spending to address budget concerns and to get its fiscal house in order, making state government less costly and more efficient. There is a concerted effort to restructure state government to provide services to Connecticut residents at a substantially lower cost to taxpayers.

Alongside these efforts to rein in spending, the state has proposed increasing income tax rates for many filers, expanding the sales tax base to include more services, increasing the sales tax rate, eliminating select property tax credits, and instituting a rule that would make it harder for corporations to avoid income taxes.

Connecticut is projecting $2 billion in personnel-related savings over the biennium to be negotiated with the state's public employee unions. Savings will be achieved by freezing state employee wages, moving state employees to a health plan similar to that provided to federal workers, extending furloughs of three days a year until the end of the biennium, and raising the retirement age.

Governor Malloy has also identified an additional $1.5 billion in new revenue, 81 percent of which is to be paid for by individuals, and 19 percent of which is to be paid for by businesses. For filers who qualify for the federal Earned Income Tax Credit (EITC), a new state EITC at 30 percent of the federal level will help reduce the overall tax burden incurred through other state taxes.

To help repair and refurbish the state's aging transportation infrastructure, Governor Malloy is proposing over $1 billion in capital investments, as well as an additional $130 million for affordable housing and $15 million for tourism marketing to help attract visitors to the state.

The governor is proposing an additional $758 million in spending reductions, including the elimination of the government unit that regulates charitable gaming and the elimination of outside management contracts for CT Transit. In addition, risk reduction credits for inmates will help save the state $3.8 million.

Jump-Starting the Economy

To help attract business relocations and new business start-ups, the state has implemented the **First Five Program**. Governor Malloy has proposed significant expansions of the Reinvestment Tax Credit, the Manufacturing Assistance Act and the Job Creation Tax Credit; removed caps on credits for companies meeting job creation targets and allowed the credit programs to be combined in order to increase the benefits to businesses. These programs are structured to reward the "first five" new or existing companies adding 200 new full-time jobs within Connecticut in the next two years. Businesses adding 200 jobs over five years are required to make a $25 million investment in the state to access the incentives.

To make the case for Connecticut to expanding companies, state leaders emphasize that employee productivity is at an all-time high, with output per worker more than 33 percent above the national average. In addition, a highly trained and educated workforce is a major selling point for business attraction and retention efforts. Thirty-six percent of the state's population aged 25 and older has a college degree. Connecticut is ranked 10th in our *Enterprising States* workforce rankings and third in employee productivity. The state boasts over 45 colleges and universities, ranging from Ivy League research institutions to community colleges offering two-year degrees and job training programs. Connecticut is a top 25 state for college affordability and for the number of degrees produced.

The state also has a wide array of incentives aimed at helping businesses to strengthen their competitive edge. Whether the area of need is equity investment, fixed-asset purchases of land, working capital, or buildings, machinery and equipment, financing programs are available to support both large and small businesses. State programs include direct funding from the Department of Economic and Community Development (DECD), Connecticut Development Authority, and **Connecticut Innovations**, a program offering assistance and funding to high-tech entrepreneurs. In addition, the state maintains a network of local and regional revolving loan funds to assist businesses with their financing needs.

Industry Cluster Initiative

Connecticut's cluster-based economic development initiative is built around the idea that nurturing the state's key industries improves the competitiveness of businesses within those industries, in turn boosting the state's economy as a whole.

The state is focusing on several key clusters, including biosciences, aerospace and information technology. The bioscience cluster is overseen by **Connecticut United for Research Excellence** (CURE), which was initially launched with $300,000 in state seed money and $700,000 from industry contributions. The cluster has since received more than $370,000 in additional funds from DECD and $61.5 million in public funds. Currently, more than 110 Connecticut organizations are members of CURE.

The aerospace cluster operates under the direction of **Aerospace Components Manufacturers** (ACM). The state's investment of $769,000 was leveraged by $2.3 million in industry funds and $140,000 in other public funds. ACM is made up of more than 40 manufacturers from the aerospace industry and is at work in areas such as progressive and lean manufacturing, workforce development, consolidated purchasing, multi-company teaming, and new business identification in the worldwide aerospace market.

The software or information technology cluster, also known as **eBizCT**, is an affiliate of the **Connecticut Technology Council** (CTC). This cluster has worked to identify and address obstacles in areas such as workforce development and the state's regulatory environment. To date, the group has received more than $1 million in state and industry dollars. The CTC continues to develop a strategic plan to strengthen the IT industry, to promote growth, visibility and competitiveness, and to support e-business strategies for all Connecticut companies.

Clusters in Connecticut

Largest Cluster: Business & Financial Services, 345,465 jobs

Largest Growth Cluster: Business & Financial Services, 47,348 new jobs since 2002

Most Competitive Cluster: Transportation Equipment Manufacturing, 9,270 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Transportation Equipment Manufacturing, 2.53 times the national concentration level

DELAWARE

Delaware has growing strength in exports, ranking seventh in export growth from 2002 to 2010, and an innovative and entrepreneurial business environment. It placed seventh in science, technology, engineering, and math job concentration and fifth in share of high-tech business. With these advantages, plus a business-friendly tax environment (ranking eighth in the state business climate tax index), Delaware is poised to capitalize on its strengths to build the state's future now.

A Balanced Budget through Consolidation and Lean Budgeting

While Delaware faced a more than $300 million deficit early in 2011, the state now finds itself with a surplus of about $320 million as payments of taxes and fees and revenue from abandoned properties have rolled in. The state is now deciding how to balance the allocation of these surplus funds between tax reductions and targeted investments. Proposals include the restoration of assistance to low-income residents, job creation and tax breaks; the repeal of 2009 gross receipts, corporate franchise and personal income tax increases; and the addition of $30-40 million to the Transportation Trust Fund for highway improvements.

The governor has requested the ability to realize full-year savings from FY2010 statewide position reductions, and worked to drive down employee health costs by renegotiating the state's contract for prescription drugs and implementing a new benefit tier for employees hired after January 1. Additional efforts to trim the budget include a push to drive public education administrative efficiencies through consolidated procurement and purchasing, reducing funding for public school transportation to reflect reduction in fuel costs, and consolidating government agencies to realize cost savings.

Building Delaware's Future Now

To maintain fiscal discipline while investing in economic growth, Governor Jack Markell is calling for the creation of the **Building Delaware's Future Now** program. This proposal would use new state revenues to address Delaware's most important needs: putting state residents to work while upgrading critical public infrastructure, responsible reductions in taxes and state debt, and investments in early childhood and higher education. These initiatives will be funded, in part, by an additional $320 million in expected state revenues as a one-time chance to invest responsibly in core priorities.

The first element of the plan is aimed at rebuilding some of Delaware's eroding assets in order to attract and retain external investment. A **New Jobs Infrastructure Fund** is intended to give the state the flexibility to address immediate needs for new businesses that seek to locate in Delaware and to provide expansion opportunities for existing businesses. The $40 million set aside for this initiative would be supplemented by $20 million of bonding authority.

Delaware's Place in the Rankings

1st	Economic Output Per Job
5th	High-tech Share of All Businesses
5th	High Speed Broadband Intensity
6th	Median Family Income
6th	Export Intensity Growth
7th	Export Growth
7th	STEM Job Concentration
8th	Business Tax Climate
10th	Higher-ed Degree Output
13th	Budget Gap
13th	Export Intensity
14th	High Speed Broadband Availability
15th	Growth in Share of National Exports
18th	High School Advanced Placement Intensity
23rd	Educational Attainment
24th	Gross State Product Growth

Additional components of Delaware's infrastructure push include a $40 million supplement to the Transportation Trust Fund, aimed at making investments in maintaining roads and other multimodal transportation, including train stations, bike paths, and air and water routes. Other programs include the $35 million **Delaware Asset Preservation Fund**, aimed at capital investments to maintain key infrastructure; a $10 million **Housing Preservation Fund**, targeting housing stock for families of low and modest incomes; and the $10 million **Open Space Preservation**, which will help preserve critical open space and address quality-of-life issues. In each case, the intention is to upgrade the infrastructure needed for businesses to grow while putting Delaware residents to work.

The second part of Building Delaware's Future Now is aimed at making responsible reductions in taxes and state debt. In addition to lowering income taxes, the state's focus is on reducing energy rates for some of the state's core employers: small businesses, finance firms, and manufacturing. The plan would reform the gross receipts tax hitting small businesses and put $20 million towards debt reduction. The intent is to give businesses incentives to grow while lowering their long-term energy costs. The state is also working to reduce its debt, putting people to work on capital projects paid for in cash instead of bonds.

The third part of Building Delaware's Future Now proceeds from the assumption that education is critical to improving the state's economic future. The plan targets investments to help children arrive for their first day of public school more ready to learn, and supports new efforts to help graduates succeed in work and college. To that end, the state is dedicating money to improving the quality of early childhood education.

Delaware is also working to expand research and job training facilities at its three publicly funded universities. Building Delaware's Future Now would make $30 million in onetime investments in the state's research and technology infrastructure: $10 million for the **Optics Center Research Lab** at Delaware State, $10 million to expand lab capacity at the University of Delaware, and $10 million for facilities expansion at state community colleges to train for jobs in the sciences.

Targeting Industries Focused on Growth

Delaware has targeted industry clusters that capitalize on existing strengths and relationships that have proven important for the state. These industries include automotive manufacturing, biotechnology and life sciences, chemistry and advanced materials, financial services, and health sciences and medical devices.

Key infrastructure to support ongoing development and future growth in these clusters includes the Delaware Technology Park, a 40-acre research center supporting Delaware's science-based growth. A partnership between the State of Delaware, the University of Delaware, and the private sector, the Delaware Technology Park is home to some of the most innovative start-up companies and research centers in the region, including the **Delaware Biotechnology Institute** and the **Fraunhofer Center for Molecular Biotechnology**. Delaware's infrastructure and workforce have proved to be attractive to biotechnology and life science companies. With leading academic institutions, targeted state and local economic development programs, and venture capital funding, this cluster represents the fastest growing industry in the state.

For more than two decades, Delaware has been renowned for its banking, financial services and insurance industries. Delaware has partnered with many innovative and dynamic financial companies around the globe, establishing the state as the place for international financial institutions looking to enter U.S. markets. Delaware's pro-business legal and regulatory environment, strategic positioning, and landmark legislation such as the **Financial Center Development Act** have paved the way for the financial services industry to become a key component of Delaware's economic strength and growth.

The financial services cluster is composed of a large, interconnected community of credit card banks, commercial banks, non-banking financial entities, investment advisors, insurance companies, trust entities, and service providers. In all, this cluster represents more than 1,000 employers and nearly 40,000 employees in Delaware.

Clusters in Delaware

Largest Cluster: Business & Financial Services, 81,263 jobs

Largest Growth Cluster: Business & Financial Services, 24,620 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 12,369 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Business & Financial Services, 1.31 times the national concentration level

With the state's unemployment rates at over 10 percent and a sizeable budget deficit looming, Governor Rick Scott took office with an agenda focusing heavily on jobs, government efficiency, reducing state spending, and lowering taxes.

Reducing State Spending and Cutting Taxes

Governor Scott's first months on the job have focused on what he calls the "jobs budget" and a pledge to veto any provisions that do not create private-sector jobs. The governor has proposed to cut the corporate income tax to 3 percent from 5.5 percent in the coming fiscal year and to eliminate the tax by 2018. Governor Scott also would significantly ratchet down Florida's existing cap on local property taxes. To help offset this loss in revenue, the state's 11 public universities raised tuition by 15 percent for the 2010–11 academic year. This tuition hike combined with a similar increase in 2009–10, results in a total two-year increase of 32 percent. The state is also reviewing efforts to reduce the state workforce by 8 percent, requiring around 8,100 layoffs and the elimination of about 2,000 vacant positions. Scott would also require $5,000 health insurance premium contributions from state employees.

Ultimately, the state passed a $70 billion budget, overcoming a $3.7 billion deficit without raising taxes. The budget plan cuts education funding by $1.3 billion (8 percent), offers $300 million in tax cuts, eliminates 4,500 state positions, and includes $30 million in business tax breaks. An important priority in the "jobs" budget is to consolidate the state government's economic development efforts into a single, highly focused agency. Working with its public and private partners, the state aims to have the resources to be effective and the flexibility to adapt to particularly promising opportunities.

Florida's Place in the Rankings

1st	High School Advanced Placement Intensity
1st	Job Placement Efficiency
2nd	Higher-ed Efficiency
3rd	College Affordability
5th	Growth in Share of National Exports
5th	Business Tax Climate
6th	Small Business Survival Index
7th	Entrepreneurial Activity
12th	High Speed Broadband Availability
13th	Small Business Lending
16th	Gross State Product Growth
16th	High Speed Broadband Intensity
19th	Higher-ed Degree Output
20th	Long-term Job Growth
20th	Export Intensity Growth
20th	State and Local Tax Burden
21st	STEM Job Growth
21st	Business Birth Rate
22nd	Export Growth
22nd	High-tech Share of All Businesses
24th	Export Intensity
25th	Per Capita Income Growth
25th	Cost of Living

7–7–7 equals 700,000 Jobs

The state has embarked on an ambitious seven-step plan to create 700,000 jobs over the next seven years. The **7–7–7 Plan** is focused on job growth that will accelerate the number of new business start-ups, increase wages and salaries, and shore up the productivity and vitality of Florida's economy. In addition to creating new jobs, the program is focused on increasing the state's GDP by $74 billion, increasing personal incomes by $41 billion, and providing $1 billion in new state tax revenues as a direct result of increased economic growth.

The first step of the plan is to use transparent, outcome-based budgets and accountability budgeting that is aimed at "performance" and "effectiveness," while returning Florida's state and local government expenditure burden to 2004 levels and cutting the number of budget line items from over 3,200 to 469.

The second step is to reduce government spending by using what the state calls common-sense business solutions, including operational efficiencies, saving almost $1 billion; making an 8 percent reduction in the state workforce; aligning state employee pensions and health care with policies in other states and the private sector; and reforming health care provisions for Medicaid recipients. Enacting additional efficiencies in various state programs could save $982 million, including a further 2 percent reduction in the state workforce.

Third, Florida aims to reform regulations that currently burden job creation. Efforts would include making unemployment benefits more affordable, limiting frivolous lawsuits by implementing tort reform, instituting a regulatory freeze and implementing a comprehensive review of existing and proposed regulations, and expediting permits for job-creating businesses. Governor Scott's administration has reviewed over 11,000 regulations and identified more than 1,000 for repeal.

The fourth, and perhaps most critical, piece of the state's job creation activities is to restructure the state's economic development program using public-private partnerships to improve efficiency, remove duplication, and ensure continued access to industry expertise. The plan would align economic development activities with others that perform similar functions, such as workforce training and community development. Other structural changes would include combining several incentive funds into a single, more flexible fund, and improving the overall flexibility of the economic development system to better help existing businesses. Another element would use state grants to create university and private partnerships to support clustering activities in the state.

The fifth element of the plan would improve school choice and virtual education, while the last two elements of the plan would reduce the state's property tax and eliminate its corporate income tax. State leaders are working to reduce the statewide property tax by $1.1 billion, conduct a two-year, 25 percent water management district tax "holiday," and provide additional property tax relief as state revenues grow in the future. Finally, Governor Scott has called for the phasing out and eventual elimination of the corporate income tax.

High Impact Job Creation Initiatives

The **Qualified Defense and Space Contractor Tax Refund** (QDSC) targets defense, homeland security, and space business contractors, industries in which the state has traditionally excelled. The 2001 legislative session designated over $43 million for aerospace-related economic development. The state's space-related economic development agency will get $10 million and another $16 million will be invested in improvements at Kennedy Space Center and Cape Canaveral. The Space Business Incentives Act includes $10 million in tax credits and another $7.1 million in credits to diversify space research and development. Another bill improves the regulatory environment for the industry by exempting launch companies from risk liability associated with space flight.

The **Capital Investment Tax Credit** (CITC) is used to attract and grow capital-intensive industries in Florida. It is an annual credit, provided for up to twenty years, against the corporate income tax. The following sectors are eligible for projects: clean energy, biomedical technology, financial services, information technology, silicon technology, transportation equipment manufacturing, and corporate headquarters facilities. The **High Impact Performance Incentive** is a negotiated grant used to attract and grow high-impact facilities in Florida. In order to participate in the program, the project must operate within designated high-impact portions of target sectors like the ones listed above.

Workforce training incentives include the **Quick Response Training Program** (QRT), an employer-driven training program designed to assist new value-added businesses and provide existing Florida businesses with the necessary training for expansion.

The state also offers infrastructure incentives including the **Economic Development Transportation Fund**. Commonly referred to as the "Road Fund," this incentive is a tool designed to alleviate transportation problems that adversely affect a specific company's location or expansion decision. The award amount is based on the number of new and retained jobs and the eligible transportation project costs, up to $3 million. The award is made to local government entities on behalf of a specific business for public transportation improvements.

Clusters in Florida

Largest Cluster: Business & Financial Services, 1,285,730 jobs

Largest Growth Cluster: Business & Financial Services, 300,013 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 86,806 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Arts, Entertainment, Recreation & Visitor Industries, 1.35 times the national concentration level

GEORGIA

Long a crossroads for trade and commerce, Georgia has capitalized on its strong logistics and transportation networks to continue to be a leader in exports—a critical element of its economy and future opportunity for growth and revenue generation.

Georgia's Place in the Rankings

1st	Entrepreneurial Activity
5th	High School Advanced Placement Intensity
6th	Growth in Share of National Exports
8th	High-tech Share of All Businesses
8th	Business Birth Rate
9th	Cost of Living
9th	Higher-ed Efficiency
9th	Job Placement Efficiency
12th	Export Intensity Growth
14th	Budget Gap
17th	Export Growth
19th	State and Local Tax Burden
20th	Small Business Survival Index
22nd	Median Family Income
23rd	Export Intensity
23rd	College Affordability
25th	Economic Output Per Job
25th	Business Tax Climate

Addressing the Deficit

Georgia faces a structural deficit. The state's FY2010 budget closed a $3.3 billion budget deficit, which resulted from revenue shortfalls, but used $1.35 billion in American Recovery and Reinvestment Act (ARRA) funds, almost $500 million in various reserve funds, and cuts of approximately $1.5 billion from state agencies. Even with projected revenue growth of approximately 5 percent in FY2011 and 6 percent in FY2012, Georgia would still face an FY2011 budget deficit of $823 million and an FY2012 budget deficit of $1.94 billion.

The state's new $18.3 billion spending plan contains no pay raises for teachers and state employees and cuts higher education funding, while maintaining funding for K-12 education. Because of a shortage of more than $275 million in the state's health care plan, Georgia public employees will see their premiums increase at least 10 percent next year.

Georgia is one of only eight states in the nation with a AAA bond rating by all three major bond rating agencies. Governor Nathan Deal has proposed a bond package of less than $563 million, approximately 50 percent less than bond packages in recent years.

Competitive Innovation

Governor Deal recently launched the **Georgia Competitiveness Initiative** focused on job creation and the development of a statewide economic development strategy. The effort concentrates on strategic issues in attracting and keeping high-paying jobs in Georgia including infrastructure, innovation, education and workforce development; maintaining a friendly business climate; gaining more access to global commerce and increasing government efficiency.

According to Governor Deal, "The growth and stability of our job base must come from private businesses. This Initiative will create an environment that helps Georgia businesses thrive, expand and attract new companies."

Because of the broad scope and nature of the initiative, the commissioner for the Georgia Department of Economic Development and the president and CEO of the Georgia Chamber of Commerce were asked to co-chair it. Twenty-three business leaders from across the state will serve on the steering committee, with a group of government officials assisting as ex-officio members. The group will work to deliver a plan that enhances Georgia's competitiveness and economic growth, while ensuring that the 12 regions and the diverse industries across the state are recognized. Initiative members will meet with business leaders in each region this summer to gain a better understanding of local needs and perspectives.

To help realize the promise of this effort, Georgia will need to utilize existing tools to help drive new business and job creation. These tools include a wide variety of statutory and negotiated incentives to help eligible businesses grow, as well as public-private partnerships that will be integral in the success of these economic development efforts. The state offers a range of corporate tax credits that enable companies to minimize or eliminate state corporate income taxes that, at 6 percent, are already among the lowest in the nation. The state also offers an incentive to new and existing business entities performing qualified research and development (R&D) in Georgia. Companies may claim a 10 percent tax credit for increased R&D expenses, subject to a base year calculation.

Georgia provides opportunities for companies to accelerate their growth by connecting with the state's broad menu of business resources. The state regards innovation as the key to maintaining competitiveness, and the Georgia Department of Economic Development (GDEcD) assists to innovative companies that create new products and services which both generate revenue and advance society. To assist innovative companies, the state has developed the **Georgia Centers of Innovation**, which bring industry, academic institutions and investment together around six strategic industries that are already prominent in the state. These industries include aerospace, agribusiness, energy, life sciences, logistics, and manufacturing. Working with the **Georgia Research Alliance**, the **Advanced Technology Development Center**, and the university system's Board of Regents, the program harnesses the power of collaboration to help these targeted industries grow.

Exports Help Grow the State's Economy

Georgia moved up six places to ninth in this year's export rankings, due to its growth in export intensity and its increasing share of the nation's total export market. The state's largest merchandise export category is transportation equipment, which accounted for $6 billion of Georgia's total merchandise exports in 2010. Other top merchandise exports were chemicals ($3.6 billion), machinery ($3.5 billion), paper products ($3.1 billion), and computers and electronic products ($2.4 billion). The state has the world's busiest passenger airport, two deep-water ports, and the most extensive surface transportation network in the nation. In 2010, $28.7 billion in exports and $60.2 billion in imports passed through these ports, making the state the 12th-largest export state and 9th-largest import state in the U.S.

To support businesses looking to develop new markets or expand international trade efforts, the GDEcD has developed programs to help export-oriented business gain access to research, online assistance, training, financial opportunities and in-country market assessments. These programs contribute significantly to the state's economy, in that companies that sell overseas grow an average of 18 percent faster and their workforces are typically 10 to 15 percent more productive than those that do not. International sales volume lowers overall production costs and leads to increased profitability.

The GDEcD, in collaboration with the U.S. Chamber of Commerce, also provides access to **TradeRoots**, a program offering customized workshops in seven communities—Columbus, Douglas, Gainesville, Rome, Savannah, Thomasville and Tifton—to educate companies and economic developers about free trade agreements and trade as an economic development tool. Furthermore, the GDEcD provides assistance with trade shows, international trade missions, in-country matchmaking appointments, connections with international buyers, and trade opportunity alerts to help the state's small businesses access international markets.

Clusters in Georgia

Largest Cluster: Business & Financial Services, 589,312 jobs

Largest Growth Cluster: Business & Financial Services, 116,722 new jobs since 2002

Most Competitive Cluster: Biomedical/Biotechnical (Life Sciences), 15,575 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Apparel & Textiles, 2.10 times the national concentration level

HAWAII

While the island state has long been known for its idyllic geography and tourism industry, Hawaii is currently facing a more than $800 million deficit. To address this shortfall, Governor Neil Abercrombie submitted his administration's budget with three essential goals including restoring basic government functions, accelerating the state's economic recovery with immediate job creation, and reorienting government toward investment in human capital and the creation of a sustainable economy.

Required Spending for a New Day in Hawaii

To meet the immediate needs of its citizens, Hawaii has moved to restore critical government services, provide temporary assistance for needy families, and address infrastructure repairs and maintenance in what it terms "required spending." Key elements of these efforts include $262 million in special funds to provide extended benefits to unemployed workers and $54 million for public workers' health care and retirement funds. The state is also looking to restore positions at the State Historic Preservation Division that will accelerate the permitting process and shore up Hawaii's building and tourism industries. Plans are also in place to rebuild the state's agricultural inspection system in order to prevent invasive species from compromising the state's farm industry. Recognizing that both commerce and tourism require safe highways, the budget also provides $22 million in needed repairs and maintenance.

Still, Governor Abercrombie recognizes that short-term fixes are inadequate, and his administration has set longer-term priorities in a plan called the **New Day in Hawaii**. Priorities of this effort include education: the state is targeting $14 million for student transportation, nursing services for special needs students, new textbooks and instructional tools, athletics programs, and tuition assistance for the Hawaii National Guard. The governor is also calling for $5 million to invest in the repair and maintenance of Hawaii's state parks to help stabilize and grow the tourism industry within the state.

Hawaii passed an $11 billion annual budget, closing a $1.3 billion two-year projected shortfall with a combination of $600 million in cuts and tax increases that will total $500 million over the next two years. The Legislature repealed a state income tax deduction for higher-income earners, but defeated proposals to begin taxing pensions in the state.

Hawaii's Place in the Rankings

3rd	High Speed Broadband Availability
4th	High Speed Broadband Intensity
5th	STEM Job Growth
10th	Long-term Job Growth
14th	Small Business Lending
15th	Gross State Product Growth
15th	Budget Gap
16th	Per Capita Income Growth
16th	College Affordability
16th	Educational Attainment
20th	Short-term Job Growth
20th	Economic Output Per Job
20th	High-tech Share of All Businesses
22nd	Business Tax Climate
24th	Productivity Growth

Growing a Sustainable Economy

Hawaii is working to create and grow a sustainable economy with the **Hawaii Five Point Economic Plan**, a series of programs aimed at creating and retaining new jobs, as well as helping to build industry. These programs hope to address problems created by the economic and fiscal crisis, including the decline in visitor arrivals, business activity and investment, rising unemployment and reduced consumer spending. To meet these demands, the state is working collaboratively with counties, the Congressional delegation, county Chambers of Commerce, the Building Trades Council, the Pacific Resource Partnership, the Hawaii Economic Stabilization Initiative, and other private sector and nonprofit groups to spur investment and create a workable plan to address the issues hampering the state's economy.

Elements of the plan include the **Hawaii Clean Energy Initiative**, which targets the transformation of Hawaii's energy system to achieve 70 percent clean energy by 2030. Partly because of geography, Hawaii has some of the highest energy costs in the nation, affecting both consumers and businesses. By identifying new energy sources, the state hopes to decrease energy cost volatility, address the issue of exporting of up to $7 billion a year out of the state to purchase foreign oil, and confront the problem of Hawaii's vulnerability to supply disruptions, natural or man-made.

The **Hawaii Innovation Initiative** aims to build capacity in the state's creative and entrepreneurial workforce to compete in an innovation-driven global economy. This program works to support increased competitiveness, productivity and efficiency in both existing and emerging industries.

The **Global Links** effort targets increases in the range and value of goods and services exchanged between Hawaii and its export markets. Reaching new external markets for goods and services can be challenging for Hawaii's existing and emerging businesses, as can increasing external investment capital flows. The **Hawaii Open for Business** initiative works to maintain a more competitive business environment in the state.

Another element of Hawaii's larger economic development program is a focus on developing world-class infrastructure. The state has pledged to analyze, recommend, advocate and then implement plans to upgrade Hawaii's infrastructure. Hawaii sees modern infrastructure as the basis of a strong economy, particularly in a state dependent on transportation links for both visitors and shipping. The state recognizes the need to play "catch up" with infrastructure investments throughout the state, creating jobs for its citizens in the process.

Industry Targets Focused on Long-Term Strengths

The is relying on many of its traditional strengths for job development efforts. Tourism has long been a major revenue generator, although increasingly the state has sought to reform business rules and regulations in order to attract outside capital and create new jobs. Two of the state's economic development initiatives focus on increasing the range and value of goods and services exchanged between the state's export markets, as well as enhancing infrastructure within the state to better serve tourists and commerce alike.

Other industries targeted by the state fall into three primary groups: technology, creative industries, and agribusiness. The focus on these industries is driven by potential growth and the capacity the state has to meet workforce and infrastructure needs of the businesses. The technology cluster includes computer and engineering services, biotechnology, and technical consulting services. Creative industry targets include engineering research and development, computer and digital media, and architecture and design services. Agribusiness, long a staple of the state, includes agricultural packaging and warehousing, aquaculture, and advanced agricultural processing, all sectors that capitalize on existing strengths in the island state.

Clusters in Hawaii

Largest Cluster: Business & Financial Services, 74,567 jobs

Largest Growth Cluster: Business & Financial Services, 16,152 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 4,157 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Arts, Entertainment, Recreation & Visitor Industries, 2.13 times the national concentration level

IDAHO

Idaho has long been seen as a center of innovation and advanced research, serving as home to the Idaho National Laboratory. While science and technology has been at the forefront, the state also offers significant industry muscle in diverse industries including food processing, lumber and wood products, machinery, chemical products, paper products and electrical manufacturing. To firm up this foundation, the state has developed three primary initiatives to help diversify and grow the state's economy.

Idaho's Place in the Rankings

2nd	Business Birth Rate
2nd	Small Business Lending
7th	Long-term Job Growth
9th	Budget Gap
10th	Gross State Product Growth
10th	Entrepreneurial Activity
10th	Job Placement Efficiency
11th	Export Growth
11th	College Affordability
12th	Cost of Living
15th	Productivity Growth
14th	Transportation Infrastructure Performance
15th	STEM Job Concentration
18th	Business Tax Climate
23rd	State and Local Tax Burden
24th	Growth in Share of National Exports
24th	Higher-ed Efficiency

Three Priorities for Economic Security

To build on the state's seventh best job growth ranking this decade, Governor Butch Otter has laid out three priorities for maintaining growth and diversifying Idaho's industry base. The three priorities are enhancing economic opportunity, empowering Idahoans with education and affordable health care, and promoting responsible government. While easier said than done, the state has laid out actionable steps to attain these goals and help create new economic opportunity for the people of Idaho.

Governor Otter's signature initiative is known as **Project 60**, a plan for growing Idaho's economy to $60 million in Gross State Product by capitalizing on homegrown talent and the experience of its citizens. The state plans to work collaboratively with business leaders to sell more to the world and to showcase what it describes a stable and predictable tax and regulatory environment where businesses can thrive. Designed in three tiers to strengthen both rural and urban communities, Project 60 is designed to create quality jobs by fostering systemic growth, recruiting new companies to the state, and selling Idaho's trade and investment opportunities to the world.

The "systemic growth" element of the Project 60 plan focuses primarily on workforce training and recruitment and technology transfer. Maintaining a skilled workforce is a critical concern for Idaho businesses. At a time when many states are concerned about "brain drain" and the departure of highly skilled workers, Project 60 focuses on recruiting new workers to Idaho. While the state has significant research activity, the plan will work to establish methods for getting research from the Idaho National Laboratory and from state universities to the market.

Idaho has also set out to promote responsible government, including a focus on innovative solutions developed at the local and state levels, which have led to a top ten ranking in our state budget gap metric. As part of this effort, the state has developed a zero-base budgeting program, which means every agency and operation of the state government must continually justify its spending and ongoing existence. The state has not imposed new or increased taxes on citizens and businesses, but has worked to find efficiencies and new and better ways of fulfilling government's important but properly limited role in citizens' lives.

Supporting Job Creation

Idaho has not been complacent in advancing other measures to support job creation. The state is working to create a niche in renewable and alternative energy resources, as well as improving Idaho's energy transmission capabilities. To expedite this, the state has developed the Office of Energy Resources, and the team of experts there hit the ground running with an ambitious agenda aimed at putting Idaho ahead of the curve in energy development, transmission and innovation. One state report boasts that Idaho is already eighth in concentration of green jobs.

To assist companies already located in the state as part of its "systemic growth" initiative, Idaho is focusing its in-state effort on helping its businesses maintain a skilled, highly trained workforce that is essential for growth. The state has created a **Workforce Development Training Fund** offering companies up to $2,000 per employee for training. The state also offers up to 50 percent reimbursement for on-the-job training of new employees, and will provide customized training programs for businesses agreeing to cover 50 percent of the cost of the coursework.

To aid in recruiting new workers to the state, the Idaho Department of Labor has established **IdahoWorks**, a database of 176,000 job seekers that now sees 6,000 to 8,000 searches per day. The Department of Labor also assists businesses with recruiting and human resource needs such as job description writing, employee matching, promoting employer recruitment events, and even managing interview schedules.

In 2009, the state formed the **Idaho Innovation Council**, a committee composed of private sector representatives tasked with advising state government on technology transfer and entrepreneurship policies and initiatives. The private, member-driven Idaho Technology Council is creating a new collaborative initiative called **IGem**, which aims to build the innovation networks necessary to increase research and spin out new technologies to businesses in the state.

Synergistic Industry Clusters

The state targets businesses that will fit with its existing industry clusters. Currently, the state has targeted alternative energy, recreational technology, manufacturing, aeronautics and information technology. These industries are supported with an orchestrated marketing and public relations campaign, both nationally and internationally.

The Meridian, Idaho region is working in partnership with Idaho State University to create **The CORE**, a health care research and technology clustering initiative. The initiative includes recently completed flex space for health technology companies, and already hosts 43 related enterprises in the six square mile area. The partnership includes 18 organizations in business, education and government, which have provided seed investments totaling $100,000 to fund support activities for the cluster. The CORE is also home to Idaho State's **Meridian Health Sciences Center**, a new magnet school, and a university school district partnership involving a repurposed health care manufacturing facility, which allows high school students to earn college credit in health care fields from state institutions.

Idaho sees foreign direct investment (FDI) as a source of new technologies, capital, processes, products, organizational technologies and management skills, which stands to provide a strong impetus for economic development. The state's FDI efforts include taking advantage of the EB-5 Immigrant Investor Program granting foreigners permanent U.S. residency in exchange for helping to create U.S. jobs. The program requires a $1 million investment in urban areas or a $500,000 investment in rural or targeted employment areas and the creation of at least ten permanent jobs. The investment must also remain "at risk," without repayment, for a period of two full years.

FDI recruitment has been successful in Idaho, helping to expand the state's reach into Canada, Europe, Latin America and Asia. Traditional trade offices have not been opened, but the state has focused on establishing relationships with firms that can assist in matching foreign investors with Idaho investment opportunities. In the future, the state hopes to expand the global market reach of Idaho companies through international trade offices, trade missions, investment seminars, and hosting of inward buying delegations.

Clusters in Idaho

Largest Cluster: Business & Financial Services, 83,565 jobs

Largest Growth Cluster: Business & Financial Services, 22,585 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 9,395 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Agribusiness, Food Processing & Technology, 2.5 times the national concentration level

ILLINOIS

Facing a daunting budget deficit and pension shortfalls, Illinois is taking big steps to address fiscal issues while continuing to promote and support the creation of new jobs and businesses. The state has worked to develop a comprehensive approach to addressing the deficit through tax and regulatory actions and enacting proactive, sustainable programs aimed at job creation, innovation and workforce retention.

Illinois' Place in the Rankings

3rd	Median Family Income
11th	Economic Output Per Job
11th	High-tech Share of All Businesses
12th	Growth in Share of National Exports
13th	Higher-ed Degree Output
14th	Educational Attainment
20th	Export Intensity
20th	Cost of Living
20th	Job Placement Efficiency
22nd	High School Advanced Placement Intensity
23rd	Business Tax Climate
23rd	Higher-ed Efficiency
25th	Export Intensity Growth
25th	STEM Job Concentration

Tax Increases with Spending Limits

With a budget deficit of more than $13 billion, the state has moved to raise the individual income tax rate to 5 percent from its current rate of 3 percent and the corporate tax rate from its current 4.8 percent to 7 percent in order to avert what Governor Pat Quinn has called a "fiscal emergency." In addition to the looming deficit, the state has roughly $8 billion in unpaid bills to social service agencies, pharmacies and others, and a sinking bond rating. As part of this legislation, the state's spending growth would be limited from one year to the next over the next four years. Efforts to borrow $8.75 billion to take care of the state's months of unpaid bills failed, meaning that social service agencies and others who have waited to be paid by the State of Illinois for their services will have to wait still longer.

The four-year tax increase would be accompanied by state spending limits through FY2015. For FY2012, the limit would be $36.8 billion, which would mark a 10 percent increase from FY2011 spending levels. If the state breaches the limit, then the higher-income tax rates would revert to current levels, unless the governor declares a fiscal emergency to raise spending by a set amount for a single fiscal year. Revenue from the tax hikes would enable Illinois to sell about $12.2 billion in bonds to pay off a huge bill backlog and to make a $3.7 billion pension fund payment for FY2011.

Jobs Now and in the Future

While confronted with a daunting budget deficit, Illinois is pressing ahead with efforts to make the state a better place for businesses and citizens alike. To this end, the state is continuing to support programs aimed at business stimulation, including the state's **Illinois Jobs Now!** capital program and the **Economic Development for a Growing Economy Tax Credit Program** (EDGE). Creating jobs remains an ongoing priority for the governor and state alike.

As part of the recent legislative push, $25 million would be set aside to assist companies that will create or retain well-paying, sustainable jobs. Funding would be available to help construct or rehabilitate facilities, purchase or upgrade equipment, or install necessary infrastructure improvements. The program would also include funding to assist small businesses operating or wanting to locate in economically depressed areas. The current credit crisis has particularly hurt small business access to needed credit. Therefore, $15 million has been made available to help these small businesses survive and thrive. Another $15 million has been set aside to help small, high-growth technology companies to expand and put more people to work in Illinois. Thanks to the state's research institutions, these business development opportunities are particularly strong in information technology and biotechnology. Yet, too often, firms in these sectors lack needed access to capital and locate to other states.

The **Increasing Investment in the Employer Training Investment Program** (ETIP) program has emerged as a critical tool for promoting the continued training and development of Illinois workers. Investing to upgrade workers' skills increases productivity, reduces costs, improves quality and increases competitiveness. Currently, Illinois companies are reimbursed up to 50 percent of the cost of training their employees through an ETIP grant.

Perhaps no other industry has been hit harder by the current economic downturn than the domestic automotive industry. The **EDGE (Economic Development for a Growing Economy)** program provides corporate tax credits to companies that create or retain jobs in Illinois rather than locating or relocating them to other states. Because the auto companies are experiencing operating losses, though, they are not in a position to take full advantage of these credits, a situation that puts further jobs in jeopardy and threatens to hamper future investment. Legislation passed by the General Assembly enables auto manufacturing companies to retain employee income tax withholdings as an alternative to the EDGE corporate tax credits.

Supporting Public Private Partnerships and Innovation

To encourage more economic development and create new jobs, Illinois is working to promote public- and private-sector cooperation in order to bring in more federal dollars. Governor Quinn is developing a grant program that would pair technology companies with an Illinois-based research entity (university or national laboratory) for new product development, technology transfer, commercialization, or the improvement of manufacturing processes. The program would bring private-sector experts to the table to attract strategic investments. The **Illinois Science and Technology Coalition** (ISTC) is a public-private economic development organization founded in 2008 to promote collaboration between public and private partners to attract and retain R&D resources and talent. In addition to managing the new grant program, the ISTC will house the **Illinois Innovation Council**, which will assist the state in developing an innovation agenda and be responsible for coordinating joint proposals from private companies and research labs to the federal government.

The ability to translate these ideas into new products, services, technologies and jobs will be one of the marks of success in the 21st century economy. Supporting an innovation-based economy in Illinois will require the strategic investment of both public and private resources in technology and research-based sectors. The state is in the process of building a foundation of partnerships with the private sector that seek to increase access to capital for small businesses, provide mentoring opportunities to emerging entrepreneurs, and take advantage of growing sectors like biotechnology and new energy solutions.

Clusters in Illinois

Largest Cluster: Business & Financial Services, 942,941 jobs

Largest Growth Cluster: Business & Financial Services, 118,017 new jobs since 2002

Most Competitive Cluster: Apparel & Textiles, 8,597 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Machinery Manufacturing, 1.77 times the national concentration level

INDIANA

Spend Less, Make Cuts Early

When Governor Mitch Daniels took office in early 2005, he inherited a sizeable budget deficit in a manufacturing-intensive state vulnerable to the economic downturn. Governor Daniels went to work improving the efficiency of state government, eliminating redundancies, and making cuts where necessary. By 2009, the state had reduced government spending by 20 percent (excluding K-12 education and Medicaid), and had reduced the number of state employees by 10 percent, or roughly 3,000 workers. Yet just 5 percent of the layoffs were involuntary, facilitated by a special task force charged with reviewing the need to replace workers after any state job was vacated.

While Indiana avoided much of the housing boom and bust, its manufacturing-driven economy was hit hard by the recession. Yet the state was able to maintain its balanced budget and is one of the few to hold a AAA credit rating. This year's two-year state budget does not increase taxes, and is projected to leave Indiana with a $1.1 billion surplus by 2013, which will trigger a taxpayer refund and pension fund replenishment if reserves exceed 10 percent of revenue. The 2012–2013 budget includes an increase of $150 million in education funding after $300 million cuts in both 2010 and 2011.

The 21st Century and Beyond

To help drive economic development and job creation, the state has created the **21st Century Research and Technology Fund**, also known as the 21 Fund. The fund identifies and vets technology-based companies conducting business in Indiana and helps provide financial support and assistance to make the transitional leap from research to product development. By supporting high-tech companies during this crucial stage—often known as "the valley of death"—the 21 Fund encourages entrepreneurial success and is intended to keep the state's most promising technologies within its borders.

The 21 Fund does not focus on a particular technology or area of application in selecting companies to work with. This allows the state's market-driven competitive advantages to direct investment intelligently through a rigorous review process. Avoiding pre-selection of technology focus areas ensures that the 21 Fund plays an unbiased role in diversifying the state's economy.

The 21 Fund stimulates an environment of innovation and cooperation among the state's universities and businesses to promote research activity through collaborative partnerships. These partnerships consequently lead to a higher incidence of technology transfer, a process that has been proven to create jobs for Indiana communities.

The 21 Fund also sets aside a portion of its budget for a Small Business Innovation Research (SBIR) Program Office, created to support companies that are applying for or have received competitive federal SBIR or Small

Indiana's Place in the Rankings

7th	Export Intensity
7th	Budget Gap
8th	Growth in Share of National Exports
10th	Business Tax Climate
14th	High School Advanced Placement Intensity
15th	Cost of Living
17th	Small Business Survival Index
17th	Higher-ed Degree Output
20th	Export Growth
20th	Transportation Infrastructure Performance
23rd	Export Intensity Growth
24th	Short-term Job Growth
24th	Median Family Income
25th	Productivity Growth

Business Technology Transfer (STTR) awards. The 21 Fund's SBIR/STTR Phase I Matching Program has been expanded to support later-stage commercialization activities of Phase II SBIR/STTR awardees. With the support of the Indiana Economic Development Corporation, these programs make awards through a set-aside of 20 percent of the 21 Fund's annual appropriations.

In recent years, the 21 Fund has reformed its business model to shift its investment focus towards small business and high-tech startups, while increasing the role of job creation as a criterion for funding and supplementing its technical review process with an enhanced business review. The Fund also adjusted its strategy to focus on projects near commercialization and prepared to execute a rollout plan. In 2011, Indiana is using its $34.3 million allocation from the federal State Small Business Credit Initiative (SSBCI) for qualified seed funds, angel networks and high-growth lending opportunities. The state also plans to use $1.5 million of the SSBCI funds to fully fund the state's Capital Access Program for the next two years.

Recognizing the increasing importance of transportation as it relates to commerce and the flow of commodities and trade, in 2005 the state launched a ten-year, $12 billion transportation plan, known as **Major Moves**, to improve and expand Indiana's highway infrastructure. A total of $2.6 billion was committed to Major Moves from the $4 billion long-term lease of the Indiana Toll Road. The Major Moves plan called for 104 new roadways with 1,600 lane miles by 2015. With $11 billion being invested between 2005 and 2012, the Indiana Department of Transportation (DOT) is now investing an average of more than $1.5 billion in construction dollars annually to improve Indiana's transportation infrastructure, with no increase in gasoline or diesel fuel taxes. At the end of 2010, the fifth year of the Major Moves plan, 41 roadway projects were completed and opened to traffic, nearly 600 bridges were rehabbed or replaced, and nearly $5.7 billion was invested in major new construction and preservation projects.

By 2012, the DOT is looking to have 65 roadway projects complete or substantially under construction, and as many as 800 bridges rehabilitated or replaced—15 percent of the state's inventory. By the end of calendar year 2015, state officials project that 88 roadways will be completed or substantially under construction and 4,000 miles of highway will be resurfaced (36 percent of the state's inventory). In addition, 1,190 bridges will be rehabilitated or replaced (21.6 percent of the state's inventory), and more than $10 billion will be invested in major new construction and preservation projects. These efforts are having a positive impact on state employers, with roughly 94 percent of contracts awarded to Indiana companies.

Bringing Outside Dollars Home

Indiana's ranking of seventh-highest state export intensity and its increasing national export market share place it in a tie for ninth on our list of export states. The state shipped $28.7 billion in exports in 2010, of which $8.0 billion was in transportation equipment and $7.6 billion in chemicals. The state has been supported in these efforts by a partnership with the U.S. Department of Commerce's Export Assistance Center (EAC). The EAC assists Indiana firms seeking to enter new markets or expand overseas sales, by helping them to develop an effective export strategy, locate the best markets for their product, find international buyers, and identify sources of financing. This partnership exemplifies Indiana's continuing efforts to position itself as one of the nation's leading exporters.

Clusters in Indiana

Largest Cluster: Biomedical/Biotechnical (Life Sciences), 305,821 jobs

Largest Growth Cluster: Biomedical/Biotechnical (Life Sciences), 44,973 new jobs since 2002

Most Competitive Cluster: Apparel & Textiles, 5,730 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Primary Metal Manufacturing, 5.41 times the national concentration level

IOWA

Iowa touts the state's pro-business policies, nationally recognized research centers and legendary Midwestern work ethic to give the state a competitive edge. Those business advantages fuel an economy organized around growth industries including renewable energy, information technology, advanced manufacturing, biosciences and food processing and packaging. To continue to grow the economy, the state is looking at reducing taxes and developing an action plan to create 200,000 new jobs within the state.

Reducing Taxes and Helping Business

Iowa's state budget provides nearly $160 million in direct property tax relief to Iowans. It fully funds the state's share of school funding commitments, erasing the need for local school districts to make up the difference in property taxes. The budget also makes a clear case that the state is ready for job creation, proposing to cut one of the nation's highest small business income tax rates in half.

Small businesses are the engines of growth throughout the country, but Iowa small businesses pay an income tax rate that is the highest in the nation at 12 percent. The small business income tax rate proposed by the state will be a flat 6 percent. Commercial property taxes will be reduced by 40 percent over the next five years. New investment will be immediately taxed at 60 percent of its valuation. Existing commercial property taxes will be rolled back by 8 percent a year over five years. The budget plan includes funding for these tax cuts through the use of new revenues coming to the state due to economic growth and by a restoration of the gaming tax to the level at which it was originally approved.

Combined with the efforts to reduce the state's high corporate income taxes, thousands of Iowa businesses, both large and small, will see their income taxes reduced by nearly half, allowing them the opportunity to reinvest those savings to expand their operations and hire more Iowans. This rate reduction, coupled with Iowa's single-factor corporate income tax structure, will make Iowa one of the most competitive states for business in the Midwest. Iowa is also working to transform the current Department of Economic Development into a public-private partnership that will draw on best practices from both the public and private sectors to recharge the state's job creation programs.

Iowa's Place in the Rankings

3rd	Higher-ed Degree Output
5th	Transportation Infrastructure Performance
6th	Productivity Growth
8th	Budget Gap
8th	High Speed Broadband Intensity
10th	Export Growth
11th	Educational Attainment
13th	Median Family Income
13th	Export Intensity Growth
13th	Growth in Share of National Exports
14th	Cost of Living
17th	Short-term Job Growth
17th	Export Intensity
19th	Per Capita Income Growth
21st	Long-term Job Growth
21st	Higher-ed Efficiency
22nd	Gross State Product Growth
23rd	STEM Job Growth

Two Hundred Thousand New Jobs for Iowans

The state has set a goal of 200,000 new jobs for Iowans over the next five years. To accomplish this, state leaders have set a course to develop a business environment that is competitive with other neighboring states. According to the 50-State Property Tax Study by the National Taxpayers Conference, commercial property valued at $500,000 in

Des Moines bears a greater tax levy than similar property in New York City. A comparison of rural commercial property tax rates yields similar results. The state is working with local governments to reduce commercial property taxes to less than the regional average, in hopes of attracting new businesses and jobs to Iowa. To streamline its development efforts and make them more business-friendly, the state is also working to establish the Iowa Partnership for Economic Progress, a private-public partnership. With these two elements in place, the state's ambitious goal of 200,000 new jobs may well be within reach.

The **Iowa Partnership for Economic Progress** (IPEP) aims to support all aspects of a successful economic development portfolio: business attraction, retention, innovation, and expansion. The entity will replace the current laundry list of incentive programs with a more focused set of incentives providing maximum flexibility for meeting the needs of potential employers. One element of the IPEP program will be developing a customer service attitude among the state's economic development professionals, promoting aggressive and proactive problem solving so that Iowa can make the "sale" to keep and create jobs. The state will look to best practices from both the public and private sectors in order to achieve a more dynamic, results-oriented, and accountable economic development organization.

IPEP will include a private 501(c)3 non-profit arm that can house the **Iowa Innovation Council** (ICC), a business-led group that developing strategies and long-term plans for how Iowa can better compete in the global economy. Eventually, the private entity will take charge of marketing and tourism activities, giving these critical development activities a long-term, stable, and predictable funding stream with which to operate in good and bad times. This new structure will leverage public and private resources in order to maximize efforts to attract more jobs and investment in Iowa.

Targeting High Growth Industries

Iowa has targeted high-growth industries that capitalize on the state's resources including raw materials, workforce and existing strengths in the marketplace to help create new, high wage jobs for Iowans. These industries include renewable energy, advanced manufacturing, information technology, financial service, biosciences and food manufacturing. To help spur development, the state offers tax incentives including reduced or eliminated corporate tax and a 50 percent deductibility of federal taxes from Iowa corporate income. Iowa is one of only five states that provide this deductible. It offers a single-factor, non-unitary tax based only on the percentage of total sales income within the state. Other key tax initiatives include no personal property tax and no sales and use tax on manufacturing machinery and equipment purchases. The state also offers a refundable credit for increasing research activities of up to 6.5 percent of the company's allotted share of qualifying research expenditures in Iowa.

Iowa's targeted industry initiative capitalizes on the state's existing diverse industrial base, central location, advanced infrastructure and pro-business approach to attract and grow new and emerging businesses and industry within the state. Iowa has targeted five different industry subsectors that already have a strong foundation and could benefit from state-level workforce and infrastructure support to grow and succeed.

These industries include:

- Advanced manufacturing that is focused on agricultural and construction machinery, aerospace engineering, aluminum, and steel.
- Renewable energy including wind, biomass, ethanol and biodiesel.
- Biosciences, where university research concentrated in plant, animal and human genomics form the foundation for a system of interrelated disciplines and areas of study that support and assist one another.
- Information technology.
- Financial services, where the state is already regarded as a major center for the insurance and financial services industries.
- Food manufacturing, with the state being home to 32 of the 100 largest food manufacturers and processors, creating a critical mass of food companies and industry knowledge.

Clusters in Iowa

Largest Cluster: Agribusiness, Food Processing & Technology, 190,931 jobs

Largest Growth Cluster: Business & Financial Services, 26,277 new jobs since 2002

Most Competitive Cluster: Agribusiness, Food Processing & Technology, 12,254 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Agribusiness, Food Processing & Technology, 3.29 times the national concentration level

KANSAS

Known as a major agricultural producer, Kansas has capitalized on its growing production sector, central location and strong public-private partnerships to create new jobs and add technology and value to products and services produced in the state. A strong aerospace and telecommunications industry presence provide additional high-paying and high-tech jobs to the state.

Kansas' Place in the Rankings

6th	Transportation Infrastructure Performance
7th	Cost of Living
9th	College Affordability
10th	Median Family Income
14th	Export Intensity Growth
15th	Higher-ed Efficiency
16th	Productivity Growth
16th	Export Intensity
18th	Growth in Share of National Exports
18th	Budget Gap
21st	Per Capita Income Growth
21st	Export Growth
22nd	Higher-ed Degree Output
23rd	High-tech Share of All Businesses
24th	Academic R&D Intensity
20th	Educational Attainment

Growing the Kansas Economy

In a state known as a major agricultural producer, it is no surprise that the rallying cry of the current administration is to "grow the Kansas economy." A central element of Governor Sam Brownback's economic development agenda is to pay for job creation initiatives by eliminating corporate tax subsidies enjoyed by only a few. Regulatory and tax reforms include enhanced expensing, allowing Kansas businesses to immediately deduct a higher percentage of the cost of an investment, and a Rural Opportunity Zones initiative that will provide a state income tax waiver for any individual relocating from out of state to any participating county that has experienced double-digit percentage population decline over the last ten years.

Other aspects of the governor's agenda include a three-year, $105 million university economic growth initiative to enhance job growth in key economic sectors such as aviation, cancer research, animal health, and engineering. Each university will be required to provide 50 percent of the cost of the initiative, through either private-sector or reprogrammed funds. The governor is also calling for the creation of a Governor's Economic Council, which will consist of private-sector business leaders and will seek to assure strategy integration, coordination and accountability across all of the state's economic development agencies and initiatives. This Council stands to replace the recently eliminated Kansas, Inc., an independent economic research and policy organization for the state.

One of Governor Brownback's first tasks was to create **Rural Opportunity Zones**. This new law designates 50 rural counties in the state—many of which have lost 10 percent of their populations or more over the past decade—for a set of incentives for new residents, including income tax exemptions for those locating in these counties and a student loan repayment program of up to $15,000 per qualifying student. The state is also exploring new opportunities for expanding its agriculture exports, particularly with an eye toward animal agriculture.

"Tending their garden" is an apt term for other efforts afoot within the state. Kansas is working to support the competitiveness and growth of the state's aviation manufacturing sector, working to ensure that Kansas remains the premier location for the design and manufacture of general and business aviation aircraft, military training aircraft, and large commercial air vehicles, as well as the modification and maintenance of military aircraft.

The state is working to promote energy development and growth in wind power and ethanol, as well as responsible energy development from other sources of energy, including traditional sources such as oil, natural gas, coal, and nuclear.

The state is working to stabilize higher education funding so its public universities remain strong and power a robust economy. To help meet this goal, the state, in collaboration with the State Board of Higher Education, is promoting efforts to build the biosciences. These efforts include working to get the **National Cancer Institute** designation at the University of Kansas (KU) Cancer Center, and building the National Bio- and Agro-Defense Facility at Kansas State University (K-State). The state is also supporting the **Kansas Polymer Research Center** at Pittsburg State University and encouraging the **National Institute for Aviation Research** at Wichita State University (WSU) to continue to explore new orthopedic uses for composite materials.

Other efforts related to higher education in the state include working with Fort Hays State and Emporia State Universities to meet the state's future demand for international business leaders and teachers and improving rankings for KU's School of Medicine, K-State's School of Veterinary Medicine, and WSU's aerospace research and development mission. The state is also promoting innovative programs at the state's community colleges to meet future industry needs.

The state approved a proposal for $10.5 million per year in new funding to boost engineering programs at the University of Kansas, Kansas State, and Wichita State University. The program will be funded by revenue from state-owned casinos along with matching funds from each university. The bill also gives KU the authority to issue $65 million in bonds for an engineering classroom and lab facility.

Increasing Entrepreneurship

Kansas recently voted to eliminate its longstanding technology-based economic development organization, the Kansas Technology Enterprise Corporation (KTEC). The state plans to move many of KTEC's functions to the state Department of Commerce, including the regional entrepreneurship centers (including Wichita Technology Corporation), the Mid-America Manufacturing Technology Center, and the angel investment tax-credit programs. The Kansas Board of Regents will now manage the National Science Foundation's Experimental Program to Stimulate Competitive Research (EPSCoR). The state does not plan to divest previous equity investments made by KTEC in state companies.

There are several regional networks of angel investors dedicated to identifying and funding promising start-up business opportunities in Kansas. These include Kansas income tax credits available to individuals willing to provide seed capital financing for emerging Kansas businesses engaged in development, implementation and commercialization of innovative technologies, products and services.

Other programs include the **Kansas Opportunity Initiatives Fund** provided by the state legislature to address opportunities or emergencies that may have substantial impact on the Kansas economy. This performance-based financial assistance is used to secure economic benefits and avoid or remedy economic losses. Eligible projects may include major expansion of an existing Kansas commercial enterprise, potential location of a major employer in Kansas, matching a significant federal or private-sector grant, the departure or substantial reduction of the operations of a major employer, or the closing of a major federal or state institution.

The **High Performance Incentive Program** (HPIP) provides tax incentives to employers that pay above-average wages and have a strong commitment to skills development for their workers. This program recognizes the need for Kansas companies to remain competitive and encourages capital investment in facilities, technology and continued employee training and education. A substantial investment tax credit for new capital investment in Kansas and a related sales tax exemption are the primary benefits of this program.

HPIP offers employers four potential benefits including a 10 percent income tax credit for eligible capital investment that exceeds $50,000 at a company's facility, with a carry-forward that can be used in any of the next 10 years in which the qualified facility re-qualifies for HPIP. It also offers a sales tax exemption to be used in conjunction with the company's eligible capital investment at its qualified facility.

Clusters in Kansas

Largest Cluster: Business & Financial Services, 173,272 jobs

Largest Growth Cluster: Business & Financial Services, 28,855 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 16,670 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Transportation Equipment Manufacturing, 2.95 times the national concentration level

KENTUCKY

Kentucky's lowest cost of living in the nation helps move it into this year's top ten for taxes and regulation; the state has also clocked in as the 12th fastest for job growth over the past two years. This is independent recognition of the strategic and sound approaches the state has taken to rebuilding its economy. In order to further streamline business interactions with state government, Kentucky recently passed legislation that will lead to the creation of a business "One-Stop" web site. The online interface will simplify business filings and cut down on the need for business owners to complete multiple forms.

Kentucky's Place in the Rankings

1st	Cost of Living
4th	Export Intensity
8th	Job Placement Efficiency
12th	Short-term Job Growth
15th	Export Intensity Growth
19th	STEM Job Growth
19th	Academic R&D Intensity
19th	Budget Gap
19th	Business Tax Climate
21st	State and Local Tax Burden
21st	High Speed Broadband Intensity
22nd	Small Business Survival Index
23rd	Entrepreneurial Activity
25th	High School Advanced Placement Intensity

Shrinking Government and Slashing Spending

Despite repeated budget shortfalls, Governor Steve Beshear has balanced Kentucky's budget eight different times, while preventing significant cuts to the state's priorities of education, critical public safety programs, and job creation efforts. The state, too, has not allowed any broad-based tax increases on Kentucky families and businesses.

The governor, along with a proactive legislature, has shrunk state government to its smallest size in a generation, and continues to find ways to improve government efficiency with fewer taxpayer dollars. Some steps that have been taken include cutting political appointees and contracts, as well as selling off unneeded state property and vehicles. In addition, the governor, his senior staff, and Cabinet secretaries have each taken 10 percent pay cuts and reduced the so-called non-merit workforce by $5 million, starting at the highest levels.

Kentucky also made the tough decision to save $24 million by furloughing most state workers for six days. Recognizing the growing cost of the state employees' pension system, the governor has proposed and signed a landmark pension reform to reduce out-of-control costs while honoring the state's commitment to teachers, police officers, firefighters and state employees. This reform also helped ease the burden on the budgets of county and local governments and school districts. This was accomplished by reducing benefits for new employees, eliminating pension double-dipping and requiring appropriate expertise for those making investment decisions.

Job Retention and Creation Key

The state's top priority continues to be creating and retaining jobs. To accomplish this, Kentucky created new incentive programs in the summer of 2009. Thus far, 248 projects have been approved and are moving forward. These programs point to a potential investment of $2.2 billion that has helped create 14,700 new jobs and retain more than 4,800 existing jobs. Creating new jobs is important, but from the state's perspective, retaining jobs that are in jeopardy is just as critical.

The state's economic development toolbox includes several programs aimed at new and emerging businesses and job retention efforts. Through the **Kentucky Economic Development Finance Authority** (KEDFA), established within the Cabinet for Economic Development to encourage economic development, business expansion, and job creation, the state is able to provide financial support through an array of financial assistance and tax credit programs.

One of those programs is the **Kentucky Small Business Investment Credit** program, the first tax credit program of its kind for small businesses in Kentucky. The program is designed to encourage small business growth and job creation by providing a nonrefundable state income tax credit to small businesses hiring one or more eligible individuals and investing at least $5,000 in qualifying equipment or technology. With certain exceptions, most for-profit businesses with fifty or fewer full-time employees are considered eligible for this program, which allocates a total of $3 million in tax credits per fiscal year.

The **Kentucky Business Investment Program** is aimed at any business entity engaged in manufacturing or agribusiness or that is a regional or national headquarters, regardless of the underlying business activity. The program is designed to serve companies doing business in a multi-state, national or international market where services are provided to a customer base that includes more than 50 percent non-residents. Eligible businesses include call centers, centralized administrative or processing centers, telephone or Internet sales order or processing centers, distribution or fulfillment centers, data processing centers, and research and development facilities.

Any business entity primarily engaged in manufacturing, service, or technology activities, or in operating or developing a tourism attraction in Kentucky, has access to the **Kentucky Enterprise Initiative Act** program. Service and technology companies must use technology or provide a service to customer or affiliate entities primarily outside the state and serve a multi-state, national or international market. To qualify for the incentives, an eligible company must make a minimum investment of $500,000 in an economic development project. Eligible investment costs include expenditures for building and construction materials, research and development equipment, and acquisition of real property to be owned, used or occupied by the approved company.

Two other state programs are aimed at reinvestment within the state. The first is the **Kentucky Reinvestment Act** program, which is targeted at any Kentucky company engaged in manufacturing and related functions operating within the commonwealth on a permanent basis for a reasonable period preceding the request for assistance. Benefits, including a tax incentive, are available for up to ten years, including tax credits for up to 100 percent of corporate income or limited liability entity tax liability. The other program is the **Kentucky Industrial Revitalization Act**. Companies approved under the program may receive state income tax credits, Kentucky Corporation License Fee credits, and job assessment fees for up to ten years. These incentives can add up to 75 percent of the cost of the rehabilitation or construction of buildings, as well as the refurbishing or purchasing of machinery and equipment.

The One-Stop Shop

Kentucky has worked to ease the burdens of doing business in the state by creating a **one-stop shop to conduct business in the commonwealth**. This effort authorizes the establishment of an electronic portal that will serve as a single, unified entry point for business owners to access information about state services and requirements for operating a business in Kentucky. Additionally, the portal will allow Kentucky companies to submit forms and applications, make payments, and complete other required transactions as part of doing business in the state.

As part of this effort, an advisory committee was created to oversee the implementation of the portal. The committee includes the Secretary of State, secretary of the Governor's Executive Cabinet; secretary of the Finance and Administration Cabinet, secretary of the Cabinet for Economic Development, secretary of the Education and Workforce Development Cabinet, secretary of the Public Protection Cabinet, secretary of the Transportation Cabinet, secretary of the Tourism, Arts and Heritage Cabinet and and the secretary of the Energy and Environment Cabinet. This effort aims to reduce government red tape and ease the burden on businesses, small and large alike, that have chosen to invest in Kentucky's future.

Clusters in Kentucky

Largest Cluster: Business & Financial Services, 197,197 jobs

Largest Growth Cluster: Business & Financial Services, 38,247 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 3,866 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Transportation Equipment Manufacturing, 2.25 times the national concentration level

LOUISIANA

The port state of Louisiana remains at the top of our exports list this year. The state ranks in the top five in all four export measures. Much of the state's exports are related to the agriculture and energy economies, but manufactured exports include various chemicals and machinery. The state's primary trading partners are China, Japan, and Mexico.

Cuts and Savings

Louisiana is facing a $1.6 billion budget shortfall, which Governor Bobby Jindal has sought to close with roughly $1 billion in proposed cuts and savings. The remaining shortfall will be covered by one-time revenues generated by, among other things, the sale of state prisons and surplus property. The governor's 2011–12 spending plan also includes more than $400 million in one-time revenues that will be used to make up for the loss of federal stimulus dollars. In the proposed budget, public colleges and universities would face no net loss of revenues next year when money from tuition increases is factored in. Private doctors, hospitals and other health care providers treating Medicaid patients also would not see their rates reduced, nor would any Medicaid patients lose eligibility for services. Louisiana State University public hospitals, however, would see a 4.5 percent cut, and many state employees who now contribute 8 percent of their salaries toward their pensions would be asked to contribute 11 percent.

Programs to Create Quality Jobs

Louisiana is home to strong traditional industries, such as petrochemicals and shipbuilding, as well as newer growth industries with strong foundations in technology and research. These growth industries include advanced manufacturing, agribusiness, clean tech, and energy-related industries. The state has designed programs and competitive advantages specifically tailored for each industry.

The **Technology Commercialization Credit and Jobs** program provides tax credits for companies that invest in the commercialization of Louisiana technology and create new jobs. Qualifying businesses that invest in the commercialization of technology in the state may be granted a refundable tax credit on any income or corporate franchise tax liability and earn a refundable tax credit based on new jobs created. Qualifying research centers that develop Louisiana technology to be commercialized may be granted a refundable tax credit based on new jobs created. Such credits are granted for a period of no less than five years.

The **Quality Jobs program** provides a cash rebate to companies that create high-paying jobs and promote economic development in the state. The program provides 5–6 percent cash rebate on annual gross payroll for new jobs for up to ten years. It also allows for 4 percent sales/use tax rebate on capital expenditures, or a 1.5 percent investment tax credit for qualified expenses that help the industry's bottom line.

Louisiana's Place in the Rankings

2nd	Per Capita Income Growth
2nd	Growth in Share of National Exports
2nd	College Affordability
3rd	Business Birth Rate
4th	Export Intensity Growth
4th	Export Growth
5th	Export Intensity
9th	State and Local Tax Burden
10th	Entrepreneurial Activity
13th	Economic Output Per Job
17th	Higher-ed Efficiency
19th	Short-term Job Growth
19th	Small Business Lending
21st	Cost of Living
22nd	STEM Job Growth

The Research and Development Tax Credit encourages existing businesses with operating facilities in Louisiana to establish or continue research and development activities within the state. As part of this program, Louisiana taxpayers who incur research and development expenses may be able to receive credits against state income and corporate franchise taxes. The program provides businesses that employ fewer than 50 Louisiana residents a credit of up to 40 percent of the apportioned amount of their expenditures. Additionally, businesses that claim federal income tax credits for research activities can receive a credit of up to 20 percent of their apportioned increase in research activities, or 25 percent of their apportioned federal credit, depending on the number of resident employees.

To assist Louisiana businesses in finding and recruiting critical employees, the state's **FastStart** program provides customized recruitment, screening, and training to new and expanding companies, all at no cost. Recognized for its innovation, effectiveness and efficiency, the program has established a presence among workforce solutions programs nationwide. Based on a company's immediate and long-term workforce needs, FastStart crafts unique programs that ensure workers are prepared on day one and beyond. The relationship between FastStart and Louisiana companies is often multi-year, lasting until the final employee is hired and trained. Working with companies, a team of industry experts assesses workforce needs and then designs turnkey training products and solutions specifically for each company. They use the latest technology to create modules that can eliminate training time by up to two-thirds, helping businesses to open their doors quickly when productivity matters most. Designed to be service-minded and flexible, the program also offers new or expanding companies round-the-clock availability and immediate response time.

Certain energy companies may also be able to take advantage of the state's **Digital Media Incentive**. As part of this program, businesses that develop software for purposes such as accounting, lease management, well design, seismic evaluation and 3D visualization may qualify for the program, which provides a 35 percent tax credit for payroll expenditures and a 25 percent tax credit on production expenditures. Businesses paying taxes in Louisiana can use these credits to reduce their tax liability. For companies without a large tax liability, there is a well-developed market for selling the credits.

Research centers and universities throughout the state are fueling innovation and providing skilled workers to energy companies. A number of Louisiana universities graduate new petroleum engineers each semester, including the University of Louisiana at Lafayette and Louisiana State University. Both of these universities are also pioneering research into new eco-friendly alternatives to fossil fuels.

Exports are King

Capitalizing on its proven prowess in exports, the state provides incentives and an extensive transportation and logistics infrastructure to bolster trade and export opportunities. Louisiana's port system is one of the most extensive in the world, transporting tons of cargo in and out of the country. Businesses in the state have access to a variety of robust logistics choices, including six Class One railroads, seven commercial service/primary airports, an integrated interstate grid and a vast deepwater port system.

For advanced manufacturing, the state effectively provides a zero corporate income tax environment for items produced in Louisiana and shipped out of state (single sales tax apportionment). Electricity, water, natural gas, machinery and equipment used by manufacturers are all exempt from Louisiana sales taxes.

The state's robust transportation and distribution infrastructure is a strong foundation for export-oriented agribusiness and clean tech industries. With approximately $30 billion generated each year, agribusiness is a well-established industry that benefits from abundant local commodities and raw materials, as well as value-added growth opportunities. Louisiana's strong energy legacy serves as a foundation for the nation's growing clean tech industry. The state also offers a business-friendly regulatory climate for clean tech companies, illustrated recently by the elimination of the sales tax on manufacturing machinery and equipment and the franchise tax on corporate debt.

Clusters in Louisiana

Largest Cluster: Energy (Fossil & Renewable), 242,346 jobs

Largest Growth Cluster: Business & Financial Services, 36,864 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 14,196 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Energy (Fossil & Renewable), 1.94 times the national concentration level

MAINE

Maine is a top ten state in all three infrastructure measures, including the highest share of broadband connections in the nation over three megabits per second. A coalition of state and university officials and private companies created the Three Ring Binder project, a dark fiber network designed to provide the "middle mile" telecommunications infrastructure needed to serve the state's business, academic, and telemedicine needs. The network is funded with federal and private sources.

Cuts and More Cuts

Maine's Governor Paul LePage has proposed eliminating in 2012 the state's alternative minimum income tax. He would also lower the top income tax rate for income above $50,000 from 8.5 percent to 7.95 percent. In 2014, he would also double income exempted from the state's estate tax from $1 million to $2 million. These proposed cuts would cost the state $203 million in the coming two-year budget cycle and would widen the two-year budget gap by 25 percent, dropping the top income tax rate to its lowest level since 1975.

One of the most pressing concerns in Maine is the $4.4 billion unfunded liability in the state pension system. Without reform, payment for pension liabilities will total $449 million in the first year of the upcoming biennium. That is 15 percent of projected general fund revenue. Within ten years, the total annual cost to taxpayers will be more than $700 million. The governor's budget called for changes to the retirement system that would save $524 million over the current biennium, with most of the savings accruing to the general fund. Governor LePage argues that over the longer term, these changes would reduce the state's unfunded pension liabilities by $2.5 billion, reduce retiree health liability by almost $1 billion, and keep almost $7 billion in Maine's private sector economy through 2028.

Recent estimates put the state's budget gap at $164 million. Proposals to close the gap, some of them controversial, have included include cutting health insurance coverage for childless adults who qualify for Medicaid to save $35 million; reducing the tax cut package by $4 million; taking $30 million from the rainy day fund; booking $16.8 million in federal aid for a computer billing system; cutting $10–20 million in transportation funding; eliminating 259 vacant state positions and cutting $2 million in funding for the Maine Public Broadcasting network.

Maine's Place in the Rankings

1st	High Speed Broadband Intensity
4th	Small Business Lending
7th	High Speed Broadband Availability
8th	Transportation Infrastructure Performance
12th	High School Advanced Placement Intensity
13th	Short-term Job Growth
19th	Job Placement Efficiency
20th	Per Capita Income Growth
22nd	Entrepreneurial Activity
25th	Higher-ed Efficiency

Comprehensive Incentives

Maine offers a wide range of funding assistance programs to businesses of most sizes and areas of expertise. From tax incentives to financial assistance and grants, the State of Maine is working to position itself as a partner in long-term business growth and success. To accomplish this, the state has developed several programs that offer what the state terms "comprehensive incentives." These programs include progressive tax reimbursement policies and a nationally recognized Community Development Block Grant program that provides funds to projects like infrastructure development.

The **Pine Tree Development Zone** (PTDZ) program offers eligible businesses the chance to greatly reduce or virtually eliminate state taxes for up to ten years. The program's goal is to create quality jobs in targeted industries and support new or expanding Maine businesses, as well as businesses relocating or establishing a Maine presence. Targeted industries include biotechnology, aquaculture and marine technology, composite materials technology, environmental technology, advanced technologies for forestry and agriculture, precision manufacturing, information technology and financial services. Benefits provided by the PTDZ include corporate income tax credits, insurance premium tax credits, Maine payroll and property tax credits, income tax reimbursement, and several sales and use tax reductions and credits.

The state also offers assistance and support in bolstering innovation-based technology businesses. The **Maine Technology Institute** (MTI) is one element of the state's economic development strategy, which contributes to the long-term development of a statewide research, development and commercialization infrastructure. As a state-funded, private nonprofit organization, MTI offers capital and commercialization assistance for the research and development of innovative, technology-based projects that create new products and services and generate jobs in the state of Maine. This effort offers commercialization grants and early-stage financing for research and development projects, and in collaboration with **State University Innovation Centers**, fosters innovation in life sciences, renewable energy, and advanced materials. The state relies on excellent research facilities including Jackson Laboratory, the Gulf of Maine Research Institute, Mount Desert Island Biological Laboratory, Bigelow Laboratory, and the University of Maine's AEWC Advanced Structures and Composites Center to provide commercialization and technology support and assistance.

The Three Ring Binder Broadband Project

The **Three Ring Binder** is a $32 million project that will create an open access fiber optic network extending into the most rural and disadvantaged areas of the state of Maine. The project will help to make "middle mile" fiber available for broadband service providers in order to bring cost-effective, high-speed broadband services to areas that do not have access to it today.

The project will also improve the reach and effectiveness of Maine's rural health care system, by providing infrastructure that benefits clinics and hospitals. It will improve health awareness for impoverished communities in Maine, allow more immediate contact with clinical health care specialists, increase the collaboration of local community-based health care providers with specialists in major metropolitan areas, and allow quicker, more accurate diagnoses and care for health-related problems.

The Three Ring Binder project is being executed as a public-private collaborative effort between the internet provider Great Works Internet, multiple other commercial service providers (including Pioneer Broadband), and the University of Maine system. Multiple levels of service will be provided by the various entities involved. The higher education and government locations will receive 100 Mbit or gigabit level services from NetworkMaine, a partnership recently created between Maine state government and the University of Maine system to operate the MaineREN backbone and the Maine School and Library Network. Commercial broadband providers will be able to gain access to dark fiber optic strands via Indefeasible Right to Use agreements or other leasing arrangements.

These efforts will solidify Maine's current top ranking for high-speed broadband intensity and seventh place position for high-speed broadband availability. The 1,100 miles of fiber optic cable will enhance not only the state's health care system, but will also positively impact academia and small business alike, providing a competitive advantage in meeting the the state's ongoing connectivity needs. This project will ultimately provide "dark fiber" broadband service to more than 100 rural Maine communities with 110,000 households, 600 anchor community institutions, and 38 government facilities that are not served today.

Clusters in Maine

Largest Cluster: Biomedical/Biotechnical (Life Sciences), 75,372 jobs

Largest Growth Cluster: Biomedical/Biotechnical (Life Sciences), 9,520 new jobs since 2002

Most Competitive Cluster: Chemicals & Chemical Based Products, 1,227 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Forest & Wood Products, 2.32 times the national concentration level

MARYLAND

With a strong orientation toward science, technology, engineering and mathematics (STEM), Maryland has focused its resources on shoring up and reenergizing its economy by supporting businesses and jobs in advanced technology, defense systems and health sciences. Initiatives within the state have focused on workforce training, tax programs and infrastructure development that stand to enhance the state's competitive advantages in retaining, growing and attracting businesses in these sectors.

Balancing, Cutting & Reducing

Faced with a $1.4 billion gap between expenditures and the state's recession-battered revenues, Governor Martin O'Malley is proposing an approach to balancing the budget that cuts spending and reduces the size of government. This is no easy task with 87 cents of every general fund dollar that the state spends allocated to public education, public health and public safety.

In order to close this gap, the governor has proposed a plan that would draw $950 million from the state's general fund and would cut about $250 million in Medicaid payments to hospitals. Keeping education dollars at current levels would save nearly $100 million. Additional proposals would cut $60 million from state aid to counties and save $40 million through buyouts of more than 1,000 state workers. These buyouts would be coupled with potential savings of $100 million through an overhaul of the pension system for public employees.

The current fiscal year budget has been supplemented by $1.3 billion in federal stimulus money and a one-time transfer of $350 million from the income tax reserve fund. The governor's proposed budget relies heavily on one-time transfers from cash-rich programs to fund operations. The plan would shift $430 million, with nearly half ($200 million) coming from the state's capital budget and $60 million from the Transportation Trust Fund, which is ordinarily used for projects such as the proposed light rail lines in Baltimore and the Washington suburbs. Nearly $20 million would be moved from the Chesapeake Bay trust fund.

Creating Jobs in a Tough Economy

While confronted with tough budgetary constraints, Maryland has not recoiled in the face of adversity. In fact, the state and its businesses worked collaboratively to create

Maryland's Place in the Rankings

2nd	STEM Job Concentration
2nd	High School Advanced Placement Intensity
3rd	High-tech Share of All Businesses
5th	Median Family Income
8th	Export Intensity Growth
8th	Educational Attainment
10th	STEM Job Growth
10th	High Speed Broadband Availability
11th	High Speed Broadband Intensity
12th	Economic Output Per Job
13th	College Affordability
14th	Short-term Job Growth
14th	Gross State Product Growth
14th	Productivity Growth
15th	Per Capita Income Growth
16th	Growth in Share of National Exports
18th	Long-term Job Growth
19th	Export Growth
23rd	Budget Gap
24th	Higher-ed Degree Output
25th	Job Placement Efficiency

26,000 jobs in 2010, marking the state's best year of job creation since 2006 and putting Maryland ahead of 36 other states. To accomplish this, the state has marketed a dedicated workforce, quality product development, quality of physical plants, affordable wages rates, geographical access, and initiatives to improve business climate in the state, including **Maryland Made Easy**, which focuses on developing specific strategies for state agencies to streamline processes, simplify regulations, and improve communications.

The **Invest Maryland** program is a premium tax credit program designed to fuel venture capital investment in Maryland businesses by offering insurance companies the opportunity to forward-pay taxes at a discounted rate in exchange for an up-front investment in the program. A minimum of 50 percent of these investments will flow into the **Maryland Venture Fund**, and the balance would flow into Maryland-based venture capital firms for the purposes of getting critical capital to businesses so they can create jobs and advance innovation in fields like biosciences and nanotechnology. The 2011 legislative session funded the program at $75 million.

Another initiative is the **One Maryland Tax Credit** that allows businesses that invest in an economic development project in a qualified distressed county the ability to qualify for project tax credits of up to $5 million and start-up tax credits of up to $500,000. This program offers up to $5 million based on qualifying costs and expenses incurred with the acquisition, construction, rehabilitation, installation, and equipping of eligible projects including land acquisition, performance and contract bonds, insurance, architectural and engineering services, environmental mitigation, and utility installation.

The state also offers a **Start-up Tax Credit** that helps cover the expense of moving a business from outside Maryland and helps minimize the costs of furnishing and equipping a new location. Eligible costs include the cost of fixed telecommunications, office equipment, and office furnishings. The credit is capped at the lesser of $500,000 of eligible costs or $10,000 times the number of new positions created. In years one through five, the business may apply the start-up credits against its Maryland income tax liability. In years six through fifteen, it may apply the start-up credits against its Maryland income tax liability and, in addition, claim a refund subject to the payroll withholding of the qualified employees.

Investing in Innovation

Maryland has been a leader in innovation and entrepreneurship, ranking second in STEM job concentration in 2010 and third in high-tech share of all establishments. This strong performance has been supported by broadband initiatives that will provide much needed backbone infrastructure throughout the state. In a knowledge economy, this initiative is critical to creating the infrastructure required to compete and win in a globally competitive market.

The state is focused on supporting its workforce through increased skill sets and a competitive training process. The state's **Skills2Compet**e program is a workforce development and skills initiative focused on increasing the number of Marylanders prepared for middle- and high-skill jobs. The initiative aims to promote the importance of middle-skill jobs while providing information on training and financing programs for skills upgrades.

Knowing that small business is a major driver in job development, the state has developed the **Small Business Credit Recovery Program** that supports the ongoing economic recovery and continued limited activity in private-sector lending. This program helps small businesses obtain private loans by allowing the state to share in some of the risk. The Maryland Department of Business and Economic Development has extended the Small Business Credit Recovery Program through 2011 to continue encouraging banks to provide needed capital. The program became a model for the federal State Small Business Credit Initiative Act of 2010, unlocking federal funds to support small business loan guarantee programs across the nation.

Clusters in Maryland

Largest Cluster: Business & Financial Services , 472,994 jobs

Largest Growth Cluster: Business & Financial Services, 85,545 new jobs since 2002

Most Competitive Cluster: Information Technology & Telecommunications, 17,320 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Defense & Security, 1.50 times the national concentration level

MASSACHUSETTS

Long renowned as a leader in research and development (R&D) capacity, the Commonwealth has continued its dominance as a top-tier state for measures of degree attainment (fourth), educational attainment of its young workforce (first), share of high school seniors taking Advanced Placement exams in 2010 (ninth). But Massachusetts doesn't stop there; it also ranks ninth in share of broadband connections that are high-speed and fifth in regions with high-speed broadband penetration. It is no wonder they are so smart.

Massachusetts' Place in the Rankings

1st	Median Family Income
1st	Educational Attainment
2nd	Job Placement Efficiency
3rd	STEM Job Concentration
4th	Higher-ed Degree Output
5th	High Speed Broadband Availability
6th	High-tech Share of All Businesses
8th	Economic Output Per Job
9th	High School Advanced Placement Intensity
9th	High Speed Broadband Intensity
11th	Short-term Job Growth
11th	Budget Gap
21st	Export Intensity
22nd	Academic R&D Intensity
25th	Higher-ed Efficiency

Creating Jobs and Expanding Economic Opportunity

Governor Deval Patrick's broad-based growth agenda covers investments in education, innovation industries, small businesses, and infrastructure, stating, "We can't be satisfied until every single resident who seeks work can find it." To meet that challenge, the state is executing a strategy for bringing more good jobs and new economic growth to all parts of the state. The strategy is focused on four pillars: investing in public education, supporting innovation industries, strengthening the infrastructure, and reducing business costs.

Investing in Public Education

A well-trained workforce and a strong system of public education are some of the state's calling cards, and they remain critical to expanding economic opportunity. To that end, the commonwealth is supporting public education at the highest levels in the history of the state. Using state Chapter 70 funding to schools and federal Race to the Top funds, the commonwealth has committed record funding to public schools, despite the challenges of a global economic recession. Other initiatives include more autonomous Innovation Schools based on detailed innovation plans, and competitive grants awards for higher education.

Supporting the Commonwealth's Innovation Industries

Massachusetts is well suited for high-tech industries including clean technology, biotechnology, life sciences, information technology, and precision manufacturing. It has implemented a $1 billion, ten-year Life Sciences Initiative that, with targeted investments in growing sectors and employment at solar panel construction facilities, has increased almost 150 percent since 2007.

Strengthening Infrastructure

The state has recommitted to renewing its aging and neglected infrastructure, ensuring that the state has a 21st-century system of roads, bridges, and broadband networks. By investing in these growth platforms and streamlining the state's transportation bureaucracy, the state has helped created immediate employment opportunities and set Massachusetts on a long-term growth trajectory. The state's FY2012 budget will increase funding for its **Chapter 90 Local Road Program** to $200 million, an increase of $45 million or 29 percent over the current fiscal year. Capital spending for municipalities will expand from $7.9 billion in the first phase to a projected $11.5 billion in the second phase. Additionally, the state will continue supporting large-scale transportation projects such as South Coast Rail and enhancing existing platforms, such as the commuter rail and state highway systems.

Reduce Costs and Streamline Regulations for Small Businesses

The state has reduced its corporate tax rate from 8.75 percent in tax year 2010 to 8.25 percent in 2011. The Department of Revenue estimates that this will save 35,000 businesses statewide roughly $185.1 million. Additionally, the state has streamlined and consolidated its economic development agencies, which has helped to lay out a more coherent, efficient network of support for businesses investing in Massachusetts, as well as marketing initiatives designed to promote the state.

Massachusetts will continue to review and simplify the interactions between business and government, particularly through efforts to support small businesses doing business with the state. The state is working to encourage banks to start lending again to small businesses through the state's Growth Capital Fund.

Stimulating Growth with Programs that Work

While incentives shouldn't be the driving force to developing business in any state, incentives play an important role in helping small and emerging business develop, grow and prosper, especially in these tough economic times. To that end, Massachusetts has developed a series of incentives that are affecting the state and helping to create jobs.

The state's **Economic Development Incentive Program** (EDIP) is a tax incentive program designed to foster job creation and stimulate business. Participating companies may receive state and local tax incentives in exchange for job creation, manufacturing job retention and private investment commitments. Reforms to the program in 2010 added flexibility to award incentives based upon the number of jobs created and added the requirement that qualifying projects have substantial sales outside the state.

The **Massachusetts Investment Tax Credit** (ITC) offers a 3 percent credit for qualifying businesses against their Massachusetts corporate excise tax. The credit is to be used for the purchase and lease of qualified tangible property used in the course of doing business. Massachusetts recognizes that growing business and investing in new jobs requires time and money. The state helps to encourage capital investment, and in return, the ITC can reduce the cost of expansion. Additionally, the ITC includes a carry-forward provision and is considered a permanent incentive.

Massachusetts offers a tax incentive for research and development (R&D) investment for both manufacturers and R&D companies, suggesting why it may lead in R&D businesses. This tax incentive was designed to remove obstacles to R&D investment and spur growth and innovation throughout the state. The **R&D tax credit** closely resembles the federal credit program; however, it specifically offers qualifying companies a number of unique features for doing business in Massachusetts.

Massachusetts' **Single Sales Factor** tax apportionment significantly reduces the tax burden for manufacturers and other qualifying companies. The Single Sales Factor adds to the attractive tax environment for businesses in Massachusetts. While many states use a three-factor apportionment formula to determine a firm's net income, creating a greater burden for businesses, Massachusetts only uses a single sales factor apportionment formula.

Massachusetts' version of **Tax Increment Financing** allows municipalities to provide flexible targeted incentives to stimulate job-creating development. Elements of this program include an opportunity for a negotiated agreement between a business and host municipality; a five-year minimum and 20-year maximum; an exemption from property tax on all or part of the increased value accrued as a result of development (the "increment"); and a percentage of exemption that can range from 5 percent to 100 percent.

Clusters in Massachusetts

Largest Cluster: Business & Financial Services, 566,811 jobs

Largest Growth Cluster: Biomedical/ Biotechnical (Life Sciences), 71,666 new jobs since 2002

Most Competitive Cluster: Advanced Materials, 7,285 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Computer & Electronic Product Manufacturing, 2.30 times the national concentration level

MICHIGAN

Facing a daunting budget gap, 11 percent unemployment and a net population loss since 2000, Michigan has worked to develop programs and tools to reshape its economic climate and create new, exciting jobs for its citizens. These programs are focused on emerging industries but also pay heed to tourism, a key component to bringing outside dollars into the state. By targeting scarce resources to key areas of development, the state is defining a strategy that builds on its existing strengths.

Michigan's Place in the Rankings

8th	Export Intensity
11th	STEM Job Concentration
11th	Job Placement Efficiency
12th	Budget Gap
17th	Business Tax Climate
18th	Median Family Income
20th	Higher-ed Degree Output
21st	Small Business Lending
22nd	High Speed Broadband Availability
22nd	Transportation Infrastructure Performance
25th	Higher-ed Efficiency

Tough Times—Tough Decisions

With the state facing a $1.4 billion budget deficit, Governor Rick Snyder has proposed a budget that would make $1.2 billion in cuts to schools, universities, local governments and other areas, while asking public employees for $180 million in concessions. The Snyder plan restructures Michigan's tax system, which includes a promised elimination of the Michigan Business Tax, to be replaced with a flat corporate income tax set at 6 percent. The plan includes the scheduled reduction in the individual income tax rate from 4.35 percent to 4.25 percent. Because Michigan is one of only three states in the nation that exempts most or all of earned pension income, Snyder's plan will broaden the base of taxpayers by including those earning private and public pensions. In addition, the plan proposes to eliminate all credits and deductions related to the individual income tax with the exception of the personal exemption, homestead property tax credit and other minor subtractions.

To streamline and right-size government, the budget proposes the elimination of statutory revenue-sharing payments for cities, villages and townships in FY2012, to be replaced with a new incentive-based revenue sharing program available to municipalities that meet state standards and adopt best practices. Additionally, the state has proposed the elimination of the dairy farm inspection program within the Department of Agriculture and revenue adjustments and administrative efficiencies in the Department of Environmental Quality, as well as seeking to make programs self-supporting relative to the cost of regulation and employee concessions, resulting in savings of $180 million.

The state has dedicated $2.6 billion in both 2012 and 2013 to state and local bridge construction and maintenance projects. Programming efforts include the creation of the IT Innovation Fund for technology improvements that create savings in state government and the creation of the Quality of Place Fund for the arts and cultural development. The budget also identifies funding for Michigan's workforce, the 21st Century Jobs Fund, to promote economic development, and the Pure Michigan campaign, an effort to promote Michigan and enhance tourism.

Job One is Jobs

Even with a looming budget deficit and an unemployment rate nearing 11 percent, the state is moving to build a more robust economy in the face of adversity by using new and existing programs to retool and restore the economy. With several programs targeting innovation, information technology and 21st century jobs, the state is very specific about its priorities: job one is jobs, the mantra goes. The retention and creation of jobs will create new revenue streams for the state and reverse patterns of outmigration that are challenging the state.

The **21st Century Jobs Fund** was created to reshape and diversify Michigan's economy by sparking new investments to rapidly create companies and jobs. The 21st Century Jobs Fund addresses four primary areas of focus, including commercialization of competitive-edge technologies: life sciences, alternative energy, advanced automotive manufacturing and materials, and homeland security and defense. Priorities include increasing capital investment activity by attracting and growing venture capital, private equity and mezzanine financing in Michigan and increasing commercial lending activity to stimulate additional lending by financial institutions across the state. The 21st Century Jobs Fund has the ability to create commercial loan enhancement programs and new industry clusters.

With clear competitive advantages in manufacturing and engineering, the state is still number eleven for concentration of science, technology, engineering and math jobs. Michigan is poised to translate leading manufacturing and supply chain expertise, coupled with competitive-edge technologies, to launch and diversify into new vertical markets.

To help accelerate job creation and enhance quality of life within the state, Michigan has designed the **IT Innovation Fund** for technology improvements that save money for the state government and created the **Quality of Place Fund** for arts and cultural development. By supporting technology improvements for business and government alike, the state is identifying the key infrastructure of the new economy and is working to create new higher-wage jobs with it.

To capitalize on these programs, the state has focused many of its efforts on a triad of industry clusters. As auto production continues to contract, the state's economy is making the transition to a more diversified and resilient industrial base. Companies are finding opportunity in the production of everything from medical devices to military hardware and increasingly alternative energy technologies and the state is working to support these efforts. Michigan is developing new state and nationwide markets for alternative energy sources as bio energy and fuels, wind generation and advanced energy storage. Another point of focus includes homeland security support industries. Michigan is home to an impressive number of military and defense-related facilities, including advanced research labs, testing grounds, and bases. Michigan has placed special emphasis on the sector, helping both entrepreneurs and established firms to expand into the industry and to secure contracts with the Department of Defense and its prime contractors.

Measuring Performance—the Michigan Dashboard

True success is based on achieving real results based on hard measurements that reflect either achievements or lack of progress. In this vein, the state has developed the **Michigan Dashboard**, which will provide real-time data composed of 21 different measures in five key areas. These measures include the overall strength of the state's economy, benchmarks for future academic success and the well-being of Michigan citizens, fiscal metrics that show the spending and borrowing of government, population and popularity of outdoor activities, and crime and traffic injury rates.

The Dashboard is designed to promote transparency by giving information at a glance. It will include Michigan's current standing in particular categories, such as unemployment. It will also allow Michigan citizens and stakeholders to see whether that trend is moving in a positive or negative direction. In addition, where feasible, it will include Michigan's national rank for comparison with other states.

Clusters in Michigan

Largest Cluster: Business & Financial Services, 541,426 jobs

Largest Growth Cluster: Biomedical/ Biotechnical (Life Sciences), 41,954 new jobs since 2002

Most Competitive Cluster: Agribusiness, Food Processing & Technology, 7,213 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Transportation Equipment Manufacturing, 3.36 times the national concentration level

MINNESOTA

While Minnesota has long been characterized as a national leader in higher education and innovation, ranking fifth in degree output, second in educational attainment and tenth in science and technology jobs, lower rankings related to the state's budget, taxes and regulations may pose challenges in the state's continuing efforts to grow its economy.

The Budget Blues

With a $5 billion budget gap, Governor Mark Dayton and legislative leaders are set to make hard decisions to help alleviate the budgetary burden. Governor Dayton has proposed a new top income tax bracket and an additional property tax charge for homes valued over $1 million. Dayton is also proposing to close corporate tax loopholes, and put in place health care surcharges that allow the state to capitalize on additional federal funding for health care.

In a state known for its educational prowess, budget issues are forcing the state to look at higher education funding cuts, under which approximately 9,400 students are projected to lose their state financial aid grants entirely and the remaining recipients will see grants cut by 19 percent. Additionally, Governor Dayton has proposed reducing by one-third support for the state's work-study program. Approximately 2,600 fewer students would have a work-study opportunity at Minnesota colleges and universities as a result of the cut. Dayton's budget also would phase out state funding for a college savings program that helps low-income families save for college expenses.

The employment picture within Minnesota has seen improvement recently, but the state is still working to recover jobs lost during the height of the recession, when officials estimated that 51,000 manufacturing jobs were lost during the period from 2007 to 2009. While these trends are reversing, many companies have resumed revenue growth without adding workers. Moreover, manufacturing jobs in Minnesota had already fallen from 400,000 in 1999 to 350,000 before the recession hit.

Creating Jobs Using Existing Strengths

The regional economy is expected to grow in the first half of 2011, even as Minnesota is held back by job losses suffered during the recession. The state's economy has fared better recently, due in part to expanded business activity for firms with close ties to agricultural commodities. Looking at these successes, the state has focused its job creation efforts on competitive advantages already at play in the marketplace, including agriculture and biosciences.

The **Minnesota Agriculture Innovation Triangle** (The Triangle) encompasses 36 contiguous counties in southwest, west central and south central Minnesota. This region is defined by two primary industries: agriculture and agricultural manufacturing. The mission of The Triangle Initiative is to boost innovation and cultivate new technologies in order to achieve a competitive advantage through business and talent development. This initiative is based on strategic partnerships providing the expertise and assets needed to drive regional transformation. The initiative has been supported by a highly integrated public-

Minnesota's Place in the Rankings

2nd	Median Family Income
2nd	Educational Attainment
3rd	Job Placement Efficiency
5th	Higher-ed Degree Output
10th	STEM Job Concentration
10th	Transportation Infrastructure Performance
13th	High-tech Share of All Businesses
17th	High Speed Broadband Availability
20th	Growth in Share of National Exports
21st	High School Advanced Placement Intensity
22nd	Export Intensity
23rd	Short-term Job Growth
23rd	Economic Output Per Job

private partnership that is working to increase place-based innovation and heighten educational attainment by promoting workforce development and skills. The partners include regional councils, investment boards, the state, institutions of higher education, foundations and private companies that are looking to accelerate job growth and workforce capacity.

The **Bioscience Business Development Public Infrastructure** (BBDPI) program is focused on job creation and retention through the growth of new and emerging bioscience businesses and organizations. The BBDPI provides grants to local governmental units on a competitive basis for up to 50 percent of the capital cost of the public infrastructure needed to expand or retain jobs. The projects must be of publicly owned infrastructure related to a particular bioscience development project, including wastewater collection and treatment, drinking water, storm sewers, utility extensions, telecommunications infrastructure, roads, bridges, parking ramps, and other facilities that support basic science and clinical research. Sectors eligible for these incentives include manufacturing, technology, warehousing and distribution, research and development, bioscience business incubators, agricultural bio-processing, and industrial, office or research park development associated with a bioscience business.

To maintain economic growth, the state is focused on upgrading the skills of a workforce that uses more and better technology and delivers more productivity. The state has developed regional economic and workforce development strategies to help cultivate a more productive environment for Minnesota's businesses. These initiatives look to stimulate and train the workforce by focusing on industry needs. **FIRST Grants**, or the **Framework for Integrated Regional Strategies**, is a funding framework that requires K-12 education, postsecondary education, economic development, workforce development and business entities to define their regional economies and then develop strategies that will align each stakeholder's resources to accomplish the vision for the region. These strategies must be business-led.

With its **Job Skills Partnership Program**, Minnesota is pursuing industry cluster strategies by awarding multiple grants within regional industries to maximize investment in training within an industry sector. The program has also focused on grants that help low-income workers to get industry training tied to career ladder opportunities.

STEM Jobs Critical in Jump Starting Economy

With a strong concentration of science, technology, engineering and mathematics (STEM) jobs in the state, regional and state-led economic developers have worked to define and promote regional, or place-based, industry clusters focused on financial services, medical devices and information technology. These efforts have paid off as Minnesota is ranked tenth in STEM job concentration for 2010, showing that the state has capitalized on its strong, diverse and mature bioscience and medical device industries to help reverse job losses realized at the height of the recession. The bioscience cluster is benefiting and growing because of concerted efforts by the state's bioscience infrastructure initiative, which has helped to provide the required capital support for infrastructure for this critical industry.

Clusters in Minnesota

Largest Cluster: Business & Financial Services, 382,841 jobs

Largest Growth Cluster: Biomedical/ Biotechnical (Life Sciences), 59,797 new jobs since 2002

Most Competitive Cluster: Biomedical/ Biotechnical (Life Sciences), 18,871 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Computer & Electronic Product Manufacturing, 2.08 times the national concentration level

MISSISSIPPI

Mississippi remains in this year's exports top ten as the fifth fastest growing state exporter. The state is rapidly increasing exports to South and Central American countries, including Panama, Brazil, Honduras, Columbia, and Guatemala. With proven export capacity and programs, the state counts on exporting as one major component of its job creation strategy.

Cutting Costs and Streamlining Government

Facing a potential $715 million budget gap in FY2011 and projections indicating that the state will be faced with a budget gap of more than $1.2 billion during 2012, Governor Haley Barbour has proposed a reduction of 12 percent for most state agencies below fiscal year 2010 appropriations, with some exceptions for those line items that the state is not legally allowed to cut as well as for specific priority services. The plan recommends just a five percent reduction for the Mississippi Development Authority because it plays a crucial role in creating new jobs by attracting new employers to Mississippi and encouraging existing businesses to continue investing within the state's borders.

The Department of Corrections and the law enforcement budgets of the Department of Public Safety will see cuts of six and eight percent, respectively. On the other hand, some agencies, like the Attorney General's Office, which had much smaller reductions in FY2009 and 2010, will see budget reductions of more than 12 percent in order to bring them into parity with the rest of state government as compared to FY2009 appropriations. Others like the Department of Marine Resources will see cuts above 12 percent.

Revenue is unlikely to significantly rebound, and the state will lose $370 million of federal stimulus money used to prop up the $5.5 billion FY2011 budget. Along with declining revenue streams, Mississippi also will face several rising expenses for the 2011 and 2012 fiscal years. One particular area of projected increase is Medicaid, where the state expects expenses to climb $200 million in 2011 and $220 million in 2011.

The governor's budget recommendation for FY2011 relies heavily on six main principles:

- Creating more and better jobs; increasing the budget of the Tax Commission, so it can hire additional auditors to collect money the state is already owed.
- Assuring that law enforcement programs or budgets take less of a spending reduction so they can continue their vital service of protecting Mississippi families.
- Identifing significant cost savings that don't diminish educational opportunities.
- Establishing budget priorities and investing in state government entities that generate revenue.

Mississippi's Place in the Rankings

3rd	Export Intensity Growth
5th	Export Growth
10th	Cost of Living
11th	Per Capita Income Growth
11th	Growth in Share of National Exports
11th	Higher-ed Efficiency
12th	Productivity Growth
12th	Business Birth Rate
15th	State and Local Tax Burden
16th	Small Business Survival Index
18th	Export Intensity
18th	Transportation Infrastructure Performance
20th	STEM Job Growth
20th	Entrepreneurial Activity
20th	Small Business Lending
21st	Short-term Job Growth
21st	Business Tax Climate

- Streamlining government by seeking efficiencies and savings.
- Allowing Medicaid to achieve spending reductions without harming the quality of services provided to the state's citizens.

Creating More And Better Jobs

Confronted by budgetary issues and still recovering from the impacts of Hurricane Katrina, the governor and state stand ready to grow the regional economy and create jobs that will impact the livelihood of the state and its citizens.

To help drive this agenda the governor outlined priorities for the state:

- Enact real, comprehensive tort reform.
- Reform of job training systems.
- Balance the budget without raising taxes.
- Realign the state's economic development programs.
- Improve education.

By addressing **tort reform**, Mississippi was able to reduce its liability rates for automobile, homeowner's, and other property insurance rates, and more than 50 new insurance programs have entered the state. Tort reform created more competition, more affordable insurance, and created jobs by reducing unnecessary costs for small businesses.

The Legislature, working collaboratively with the governor's office, worked to overhaul the state job training system under the reformed Department of Employment Security. The state **workforce training budget was doubled** over two years and a new, stable funding source was created without raising taxes. The legislature approved the governor's proposal to reform the unemployment tax system to provide dedicated funding to workforce training while cutting state payroll taxes by 25 percent.

To assist in the goals and objectives of economic development within the state, a group of business, education, and government leaders from every area of the state dedicated to planning for long-term economic development created **Momentum Mississippi**. The intent of the program is to pursue high-value, high-growth business opportunities by identifying specific industries by aligning incentives to attract them. These industries include a mix of manufacturing and service industries. Goals of this initiative include improving productivity and profitability of existing businesses and spurring job creation by increasing the development and deployment of new technologies in Mississippi.

Programs that Work

The state has developed several programs that are focused on job creation and revenue enhancement. These include the **Jobs Tax Credit Program** (income tax credit for companies) which rewards businesses for increasing employment numbers and payroll levels. Available credit amounts are based upon the conditions for development in the business's local county, and can be used to offset up to 50 percent of an entity's income tax liability.

The **MBFC Revenue Bond Debt (RED) Tax Credit Program** (Corporate Income Tax Credit) has added national and regional corporate headquarters, data/information processing, research and development (R&D) pilot manufacturing, research and development/high technology to the list of eligible businesses that may qualify – targeting high growth and innovative companies that can prosper under the program. The **Sales/Use and Property Tax Exemption Incentive Programs** modify existing code sections to create a new category within the definition of manufacturing to include R&D pilot manufacturing facilities, This allows for a reduction of the sales and use tax rate to 1.5 percent, and provides authority for local government units to offer up to a 10-year local property tax exemption (except school taxes) for R&D pilot manufacturing and data/information processing facilities.

Clusters in Mississippi

Largest Cluster: Business & Financial Services, 102,313 jobs

Largest Growth Cluster: Business & Financial Services, 20,518 new jobs since 2002

Most Competitive Cluster: Transportation Equipment Manufacturing, 7,116 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Forest & Wood Products, 2.32 times the national concentration level

MISSOURI

Missouri remains at seventh this year on the tax and regulation list. The state ranks better than 20th on all five measures, topping out eighth in cost of living. In recent years, Missouri has enacted comprehensive reforms in its workers' compensation system and enacted one of the strongest tort reform laws in the country.

Making Prior Cuts Help Stem Crisis

While facing a potential $600 million deficit in FY2012, the state has maintained that the biggest contributor to the shortfall will be the loss of about $860 million in federal funding. The state has been proactive in working to address potential shortfalls, and efforts included $301.4 million in budget cuts for the current fiscal year due to slumping revenues.

The state has approved a $23 billion operating budget and, despite budget cuts and low revenue growth, the state is in relatively good financial shape. Missouri lands at seventh in our tax and regulation measures, helping the state maintain its AAA bond rating. However, the current budget relies on short-term federal funding sources set to expire, an issue that will need to be addressed by future sessions.

Basic aid for public schools in this year's budget remains flat, while school transportation funding was cut by $45 million. Aid to state colleges and universities is reduced by more than 5 percent. As proposed, the state will continue to subsidize prescription drugs for seniors and the disabled. Other legislation will phase out the state's franchise tax over a period of six years, saving employers in the state $80 million.

Partnerships Lead the Way

The **Strategic Initiative for Economic Growth program**, spearheaded by the Missouri Department of Economic Development, represents a public-private partnership including business, labor, higher education, and economic development across the state to chart a path for transforming the state's economy into a long-term, sustainable growth economy. The intent of the plan is to identify a vision for transforming the state's economy within five years, using data-driven strategic and tactical plans for specific high-growth industries important to the state and addressing factors that support economic growth including innovation, workforce, access to capital, quality of life, tax structure and incentives.

Missouri's Place in the Rankings

8th	Cost of Living
8th	Higher-ed Degree Output
16th	Business Tax Climate
17th	State and Local Tax Burden
19th	Budget Gap
19th	Small Business Survival Index
19th	Higher-ed Efficiency
21st	Median Family Income

Missouri's clusters represent the state's strongest possibilities for job creation and economic growth. These clusters include advanced manufacturing of transportation equipment, aerospace and defense, energy solutions, biosciences including plant and agriculture technology and animal sciences, health sciences and services, information technology, financial and professional services, and transportation and logistics. While not excluding other industries or businesses, this focus helps to target scarce state resources towards businesses and industries that are best able to capitalize on the state's competitive advantages.

To support this effort the state has several programs that provide financial support and incentives for growing and retaining new and emerging jobs and businesses. The **Action Loan** program provides capital to start-up or expansion businesses for the purchase of new machinery and equipment, working capital, building acquisition and construction, and land acquisition. The **Grow Missouri Loan** facilitates the funding of an expansion project that would create or retain full-time jobs for targeted businesses. Under this program, principal and interest payments may be deferred for up to three years to aid in obtaining approval for the other project financing. After the initial deferral period, payments may be structured as interest-only for up to three additional years.

Business Friendly Taxes and Regulations

To continue to be a leader in business-friendly tax and regulatory climate, the state has worked to optimize its tax, incentive and regulatory policies to best support the growth of high-value target sectors. Following the recommendations of the Economic Development Tax Credits subcommittee of the Missouri Tax Credit Review Commission, Missouri is **streamlining and optimizing existing tax credits** and providing a research and development tax credit and an angel investment tax credit in the state.

These programs and the tax structure within the state provide corporations with one of the most favorable situations in the nation. An important tax advantage for businesses is the amount of income considered taxable; only income earned in the state is taxed. Manufacturers' inventories (raw materials, goods in process and finished goods), as well as goods and wares of retailers, distributors and wholesalers, are exempt from property taxes. Other advantages include a state law that sets the corporate income tax rate at a percentage of net taxable income earned by a business and allows a portion of federal income tax payments to be deducted before computing taxable income, as well as the state's recent repeal of the franchise tax.

Boosting Innovation and Manufacturing

The **Missouri IDEA (Innovation, Development, and Entrepreneurship Advancement) Fund** promotes the formation and growth of businesses that engage in the transfer of science and technology into job creation. The funds provide financing to eligible businesses through four components corresponding to the four stages of growth for investment-grade, high-growth enterprises: pre-seed capital stage financing, seed capital stage financing, venture capital stage financing, and expansion stage debt.

The **Missouri Automotive Manufacturing Jobs Act** allows qualified manufacturing facilities or suppliers that bring next-generation production lines to Missouri to retain withholding taxes typically remitted to the state. Beginning January 1, 2012 a qualified manufacturing company may retain 100 percent of the withholding taxes from full-time jobs at the facility for ten years if it manufactures a new product, or may retain 50 percent of withholding taxes from full-time jobs for seven years if it modifies or expands the manufacture of an existing product. It also allows qualified suppliers to retain 100 percent of the withholding taxes from new jobs for three years. If the qualified supplier pays wages for the new jobs that are equal to or greater than 120 percent of the county average wage for Missouri, it can retain the withholding taxes for five years.

To get back on the right track and to create good-paying jobs, Missouri is working to encourage the development and growth of small businesses. The **Show Me JOBS** initiative is working to put Missourians to work and to support small-business growth. Governor Jay Nixon has noted that "too often, those starting up small businesses are willing to take the risks needed but face obstacles such as obtaining sufficient capital from lenders. State government needs to help such entrepreneurs." To help bolster these efforts the state, the Department of Economic Development is working collaboratively with the Missouri Development Finance Board to create a pool of funds for low-interest or no-interest direct loans for small businesses. These loans can be a real step toward allowing small businesses to expand and create jobs.

Clusters in Missouri

Largest Cluster: Business & Financial Services, 356,496 jobs

Largest Growth Cluster: Business & Financial Services, 56,957 new jobs since 2002

Most Competitive Cluster: Information Technology & Telecommunications, 2,605 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Agribusiness, Food Processing & Technology, 1.60 times the national concentration level

MONTANA

Montana ranks seventh or better in five innovation and entrepreneurship measures including science, technology, engineering, and mathematics (STEM) job growth (fourth), business birth rate (sixth), R&D intensity (seventh), entrepreneurship activity (second), and small business lending activity (fifth). The state has added 3,200 STEM jobs to its economy since 2002, led by growth in engineering services, computer systems design, custom computer programming, and energy industries.

Montana's Budget

After operating in the black with a $300 million surplus during the past budget cycle, Montana's recently approved two-year budget cuts general fund spending by 6 percent to $3.6 billion. The state is holding education spending steady through the recession, while not raising any taxes. At the same time, the state will reduce from 3 to 2 percent the tax on the first $2 million of equipment for businesses and individuals, and will include triggers to reduce the tax to 1.5 percent and raise the cap to $3 million. Like the budget from the last biennium, the 2011–2013 framework does not include raises for state employees, though employees at the top level are in line for raises according to state law.

Big Sky Programs That Work

To continue to provide support for innovation and entrepreneurship in Montana, the state has developed a variety of programs aimed at improving, enhancing, and diversifying its economic and business climate. The **Business Resource Division** of the Montana Department of Commerce works closely with the private sector, regional economic and community development partners, as well as other state agencies and federal programs, to enhance the economic base of Montana through business creation, expansion, and retention efforts.

Technical and financial assistance is provided to local development groups, Chambers, and similar organizations to help Montana communities develop their full economic potential.

The state-funded **Big Sky Economic Development Trust Fund** (BSTF) grant program provides grant dollars to local or tribal governments that can be used to assist businesses creating new jobs in Montana. Program funds can be utilized to assist a business with the purchase of land, building or equipment, the reduction of a lease rate

Montana's Place in the Rankings

1st	Budget Gap
2nd	Export Intensity Growth
2nd	Export Growth
2nd	Entrepreneurial Activity
4th	Per Capita Income Growth
4th	STEM Job Growth
4th	Transportation Infrastructure Performance
5th	Long-term Job Growth
5th	Small Business Lending
5th	Higher-ed Efficiency
6th	Business Birth Rate
6th	Business Tax Climate
7th	Academic R&D Intensity
11th	Gross State Product Growth
15th	Short-term Job Growth
16th	State and Local Tax Burden
18th	Small Business Lending
19th	Productivity Growth
21st	College Affordability
22nd	Educational Attainment
25th	Growth in Share of National Exports

for lease of public or privately owned property, relocation costs incurred in connection with moving the assisted business' physical assets to Montana, or employee training.

The BSTF program is designed to provide financial assistance in two key areas. Seventy-five percent of BSTF set-asides are awarded to local and tribal governments in the form of direct grants. Funding may not exceed $5,000 for each new job created, or $7,500 for each new job created in a high-poverty county. Program funding is also available to assist with the completion of project development activities such as Preliminary Engineering Reports, Preliminary Architectural Reports, feasibility studies and business plans.

Montana understands the importance of workforce training for new and expanding companies, but it also understands the cost. To meet this need, the state utilizes multiple funding sources to award workforce training grants. The bulk of these funds are reserved for new worker training, but some funds are available to train workers in existing positions. The Montana Department of Commerce manages a state-funded workforce training program that requires $1 of private funds for every $3 of state grant funds. The ceiling is $5,000, and the maximum award amount depends on the number of jobs to be trained.

The **Primary Sector Workforce Training Grant**, administered by the Department of Commerce, funds the training of both new and existing full-time workers. $5,000 of grant funds can be provided for training each full-time employee. This program is targeted at businesses that demonstrate that 5 percent of their sales are outside of Montana, that the business is a manufacturing company with 50 percent of its sales from companies that have 50 percent of their sales outside of Montana, or that the business provides a product or service that is not available in Montana.

The **Montana Board of Research and Commercialization Technology** provides a predictable, stable source of funding for research and commercialization projects to be conducted in Montana. The purpose of the program is to encourage economic development through investment in research projects that have a clear path to commercialization. Key criteria for this program are that the business has the potential to diversify or add value to a traditional basic industry of the state's economy, shows promise for enhancing technology-based sectors or commercial development of discoveries, and employs or takes advantage of existing research and commercialization strengths within the state.

TechRanch is a leading business development assistance organization that is focused on the high-tech sectors. By offering programs and events targeted at specific types of companies, TechRanch aims to speed the development of tech start-ups and to minimize their cash burn. TechRanch helps entrepreneurs pursuing ventures in high-tech markets to grow their businesses faster, more efficiently and with less investment capital than they could otherwise. TechRanch has also developed expertise in bootstrapping, recruiting talent in rural markets, raising finance capital outside of traditional regions, and developing near-term strategic plans for getting a company to cash flow positive as soon as possible.

Different program elements of the TechRanch effort include the **Bozeman Technology Accelerator** (BTA), where select businesses have access to office space, broadband (wireless and wired), audio-visual equipped conference space, fax, copier, networked laser printer and other executive suite services. BTA clients receive a very high degree of advising from TechRanch staff, pro bono service providers, advisors, and other professionals in the TechRanch network. Another key program is the **Bridger Private Capital Network** (BPCN) that is Montana's first and largest angel investor network. This network is a vital part of Montana's thriving entrepreneurial community. It convenes throughout the year to hear presentations and learn about innovative companies and investment opportunities.

Clusters in Montana

Largest Cluster: Business & Financial Services, 57,608 jobs

Largest Growth Cluster: Business & Financial Services, 12,552 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 5,057 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Mining, 4.33 times the national concentration level

NEBRASKA

Boasting one of the nation's lowest unemployment rates, low foreclosure rates, and rising per capita personal incomes, Nebraska has continued to show signs of relative economic strength as other states have struggled through the recession. That said, the state was not immune to the downturn and did see modest job losses during the recession. Still, local observers note that the economy has begun to shake off its sluggishness, with strong commodities markets, record farm incomes, and increased retail sales setting the stage for steady economic growth over the next year.

Building New Economic Momentum to Enhance Job Creation

Entering the 2011 session with a biennial deficit approaching $1 billion, the state's unicameral legislature has been forced to consider cuts to state educational aid funding and to debate potential delays in funding infrastructure investments. Discussions surrounding state funding of pensions and collective bargaining rights for public employees also made their way onto the legislative agenda, with legislators examining new policy proposals focused on controlling costs.

In the face of such fiscal challenges, Governor Dave Heineman has pressed for continued and increased investment of state resources towards policies and programs designed to support innovation, investment, and job training. Building on job creation and economic development priorities identified by recent studies conducted on behalf of the state's government, Governor Heineman has made calls for a **Talent and Innovation Initiative**, the center of his current priorities. The proposal is focused on supporting state efforts to enhance job creation and building new economic momentum through a four-part plan. The **Nebraska Internship Program** would provide grants to private businesses to create internship programs, in order to keep Nebraska students in state. The **Business Innovation Act** is a sweeping proposal focused on enhancing technology transfer by supporting R&D efforts, providing prototyping and technology commercialization funding, supporting Small Business Innovation Research (SBIR) funding grants, and restructuring small business investment programs. The **Site and Building Development Act** would provide grants and loans to support acquisition and development of prime business sites. Finally, the governor has proposed creating an angel investment tax credit to support investment in the state's high-tech companies.

Nebraska's Place in the Rankings

3rd	Transportation Infrastructure Performance
6th	Cost of Living
7th	Short-term Job Growth
8th	Academic R&D Intensity
11th	Productivity Growth
12th	Higher-ed Degree Output
12th	College Affordability
13th	Long-term Job Growth
13th	Export Growth
13th	Educational Attainment
16th	Median Family Income
16th	Higher-ed Efficiency
19th	Growth in Share of National Exports
21st	Budget Gap
22nd	Export Intensity Growth
22nd	Job Placement Efficiency
23rd	Gross State Product Growth
23rd	Per Capita Income Growth
23rd	High Speed Broadband Intensity

The Nebraska Advantage

One of Nebraska's major job creation initiatives over the past several years has been the **Nebraska Advantage**, a package of incentives and enterprise-friendly tax credits and refunds designed to support business start-ups and expansion of existing businesses. Benefits to businesses are built around a tiered system, based on the type of business and number of jobs created. Depending on the tier, businesses are eligible for investment tax credits between 3 and 10 percent, wage credits based on job pay levels, property tax exemptions and sales tax credits on capital purchases. The program's top tier, the Nebraska Super Advantage, includes enhanced incentives packages focused on supporting larger employers making multi-million dollar investments in job creation. Small businesses are not overlooked, however, as the state also offers the **Nebraska Small Business Advantage**, focused on providing a range of support to smaller entrepreneurs. Since the program's creation, it has been credited with supporting the establishment or expansion of around 250 businesses in the state, creating over 18,500 new jobs and spurring $5.5 billion of business-driven investment.

In order to better leverage the potential of the University of Nebraska as an engine for job creation and economic growth, in 2010 Nebraska created the **Nebraska Innovation Campus** adjacent to the University of Nebraska-Lincoln's city campus. This 249-acre space is designed to serve as a "public/private research and technology development center." Companies located in the new campus will be able take advantage of their proximity to the university in order to work collaboratively with university researchers, directly recruit interns and employees from the pool of recent graduates, and access university facilities and infrastructure, such as UNL's supercomputing facility. Infrastructure development at the site is ongoing, and Governor Heineman has made increasing funding for the new campus one of his job creation and education priorities.

As part of the Nebraska Advantage program, the state has adopted a **research and development tax refundable tax credit**, which supports advanced research by businesses in the state. In order to encourage public-private research and development (R&D) partnerships, the state offers an increased tax credit for R&D expenditures incurred at Nebraska's colleges and universities.

Nebraska has also enacted a 20 percent refundable **microenterprise tax credit**, which may be accessed by companies with five or fewer employees at their launch. Hoping to encourage investment in in-state companies, the state has also created a **capital gains exemption** in the state income tax, which extends some exemptions from taxes on capital gains realized by employees who have invested in the stock of their Nebraska-based employer. Other tax reform packages enacted by recent legislative sessions eliminated the state's estate tax, lowered state income taxes, and repealed some sales taxes focused on construction.

Nebraska continues to focus on building trade relationships with targeted overseas partners, including China, Brazil, and Japan. The state maintains an international trade office in Japan, supports trade missions, and continues to actively pursue investment from foreign companies, supporting transition teams to support business location from abroad into Nebraska. The state also supports efforts by the Nebraska Logistics Council to help businesses in connect to import/export routes and distribution channels, capitalizing on the state's central location as a selling point to companies interested in building new or expanded operations in the United States.

Governor Heineman has made increased use of internships to retain Nebraska's best and brightest one of his current priorities for job training. In addition to this proposal, the state already has a group of workforce training initiatives designed to better prepare its existing workforce to exploit emerging economic opportunities. As part of the Nebraska Advantage, the state offers employers access to a **customized job-training program**, with grants from $500 to $4,000 per job available for each new position. In order to encourage job development in rural areas, the state offers increased job training incentives for qualified jobs created in rural areas, and support from state staff in designing and implementing needed training programs.

Moving Forward

As part of its efforts to hone its future economic development efforts, Nebraska has identified twelve base industry clusters which have a strong presence in the state, with three identified as emerging strengths, including health services, tourism, and engineering. In order to better capitalize on new and existing areas of growth, studies conducted for the state government have suggested supporting increased cluster organization efforts, consolidation of clusters into more focused groups, support for workforce and talent initiatives, and an increased emphasis on business innovation efforts. Governor Heineman, in rolling out his four-part plan and refocused job development policy, appears to be using this guidance to set his economic development policy priorities as the state begins to recover from the relatively modest setbacks it experienced during the past few years of economic difficulty.

Clusters in Nebraska

Largest Cluster: Business & Financial Services, 133,244 jobs

Largest Growth Cluster: Business & Financial Services, 22,382 new jobs since 2002

Most Competitive Cluster: Transportation & Logistics, 5,163 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Mining, 3.98 times the national concentration level

NEVADA

The year 2010 continued a string of difficult years for the state. Facing one of the largest budget deficits in the nation, battered property markets, and unemployment rates flirting with 15 percent, Nevada remains saddled with some of the most vexing economic challenges of any state in the nation. However, these challenges come on the heels of yet another decade of strong population growth for the state, as confirmed by last year's Census. Signs of a turnaround have begun to emerge, with unemployment rates dropping, state revenues increasing, and signs of increased economic activity being reported in the state's large tourism and gaming industries.

Nevada's Place in the Rankings

1st	Export Intensity Growth
1st	Export Growth
2nd	State and Local Tax Burden
2nd	Small Business Survival Index
3rd	STEM Job Growth
4th	Business Birth Rate
4th	Business Tax Climate
4th	Job Placement Efficiency
5th	Entrepreneurial Activity
9th	Long-term Job Growth
9th	Gross State Product Growth
9th	Growth in Share of National Exports
14th	High-tech Share of All Businesses
16th	Economic Output Per Job
16th	Small Business Lending
17th	High School Advanced Placement Intensity
18th	Academic R&D Intensity

A Complete Overhaul

As noted, Nevada entered the year facing one of the nation's largest budget deficits as a percentage of its previous budget. The state's $1.5 billion shortfall was equal to 45.2 percent of its FY2011 budget. As a result, it was no surprise that newly elected Governor Brian Sandoval made dealing with the budget one of his chief priorities. Sandoval proposed cutting spending by 8 percent compared to the previous biennium. He also pledged to hold the line on taxes, stating that he will oppose attempts by the legislature to raise revenue through tax increases. Proposals for freezes in pay raises and across-the-board pay cuts for state employees were also included in the governor's budget.

The governor has also proposed sweeping changes to the state's economic development and job creation activities. Calling for a "complete overhaul" of existing structures, Sandoval also proposed increasing funding for the state's Commission on Economic Development. The administration has also proposed creation of new public-private job creation effort, **Nevada Jobs Unlimited**, organized along private sector lines but with cabinet level status. The governor has also called for creation of a Catalyst Fund for closing deals and funding needed infrastructure upgrades for business recruitment.

Global Business Development

Nevada has been a national leader in export growth over the past decade, and remains strong in this year's performance measures. In order to support trade activity by Nevada companies, the state offers several programs and support services through its division for **Global Business Development**. The state maintains a network of independent trade representatives around the globe, in locations including Shanghai, Beijing, Hong Kong, Germany, Brazil and Italy. The state is seeking to expand the network to Spain and the United Kingdom, in order to register increased trade with new markets. The independent representatives work on contract with the state to support outreach by Nevada companies in their countries, while acting as points of contact for foreign firms exploring potential investment and expansion opportunities in Nevada. The state also hosts **inbound buying missions** where foreign buyers are brought to Nevada and connected with local companies producing products they might be interested in purchasing. The state also works with local development agencies throughout the state to coordinate efforts to attract foreign direct investment, working with the federal government to identify and support foreign companies interested in establishing operations in the state. Efforts to designate a Las Vegas World Trade Center also came to fruition early this year, giving the state a high-profile venue to attract international corporations to the region, potentially laying the foundation for increased trade and associated job creation.

Nevada maintains two foreign trade zones, in Las Vegas and Reno, in partnership with the federal government. These zones allow businesses access to expedited customs processing and decreased duties and excise taxes. Nevada continues to promote access to foreign trade shows for businesses in the state interested in export possibilities, targeting markets in Asia, Europe, and the Middle East. The state also hosts workshops designed to train Nevada entrepreneurs about the challenges and opportunities faced when accessing foreign markets. The **Nevada District Export Council** is another program offered in affiliation with the federal government, providing trade support services to small and medium-sized businesses in the state. The Council offers entrepreneurs access to trade-savvy volunteers for one-on-one advisory services, offers training sessions and seminars on trade-related issues, hosts trade missions visiting the state, and helps businesses exploring trade opportunities gain access to needed financing.

Nevada's job creation efforts are supported by a set of tax incentives and an enterprise-friendly tax code. Nevada has no corporate income tax, personal income tax, franchise tax on income, estate tax, or gift tax. While the state collects a sales and use tax, businesses are eligible for sales and use tax abatements and deferrals. The abatements are applicable to purchases of capital equipment, offering reduced taxes to companies that meet job creation and wage provision thresholds. The sales tax deferrals also apply to investments made in capital equipment, and allow the company to put off paying taxes for a period of 12 to 60 months, depending on the size of capital investment. Nevada has also targeted a tax abatement at intellectual property development businesses. Under terms of the program, such companies are eligible for breaks in sales, modified business, and personal property tax bills if they meet job creation and investment requirements. In order to support conservation of energy and adoption of substitutes for fossil fuels in the state, Nevada also offers businesses that recycle materials, including for power generation, tax abatement incentives. This recycling property tax abatement is available to eligible businesses that recycle on-site and create a minimum of 10 new jobs, among several other requirements.

Innovation and entrepreneurship-driven job creation is also a point of focus for Nevada's economic development plans. The **Nevada Center for Entrepreneurship and Technology** (NCET) is a nonprofit organization providing programming and support services to entrepreneurs throughout the state. NCET sponsors entrepreneurship conferences, venture capital events, and an annual business plan competition for entrepreneurial college students, all designed to increase entrepreneurial activity, commercialization efforts, and job creation in high-tech industries. Small businesses in search of support services are also served by the **Nevada Microenterprise Initiative**. The NMI offers entrepreneurs access to microloans for startup and expansion of businesses. Loans of up to $35,000 are available, along with access to entrepreneurship workshops and training course designed to help budding businesspeople get up and running.

To support workforce training activities by Nevada businesses, the state created the **Train Employees Now** program. Qualified new and expanding businesses with a minimum of ten employees are eligible to receive funding from the state in support of their employee screening and training activities. The benefit is limited to $1,000 per employee, employees must be Nevada residents, and positions created and offered training must meet certain wage and benefit standards.

Clusters in Nevada

Largest Cluster: Arts, Entertainment, Recreation & Visitor Industries, 249,354 jobs

Largest Growth Cluster: Business & Financial Services, 54,533 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 26,737 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Arts, Entertainment, Recreation & Visitor Industries, 5.07 times the national concentration level

NEW HAMPSHIRE

Boasting the strongest employment growth rates in New England, New Hampshire is showing notable signs of economic recovery. According to the Federal Reserve, New Hampshire showed one of the strongest job growth rates nationally in 2010, and now enjoys the lowest unemployment rate in New England. However, while progress has been made, personal income gains have been below national average, unemployment rates are still above pre-recession levels, and the state has had to deal with budget challenges created by decreased revenues. Still, as the nation recovers from a deep economic trough, New Hampshire appears poised to be a regional growth leader.

Job Creation and Basic Infrastructure a Priority

With estimates showing up to a $1 billion deficit looming over the next biennium and state revenues down over 10 percent from their pre-recession level, New Hampshire's policymakers entered the year facing a set of difficult financial decisions. Both the governor and legislature proposed budgets making substantial cuts from spending levels seen in the prior biennium. However, while calling for cutbacks, Governor John Lynch has continued to press support for programs and initiatives focused on job creation and economic recovery. Although the state faces budget challenges, the Lynch administration has remained openly committed to keep tax rates as they are, working with the legislature to avoid raising any tax rates as part of budget negotiations. In order to support innovation and entrepreneurship in New Hampshire, the governor has proposed doubling the state's existing research and development tax credit program.

Upgrading the state's roads and other basic infrastructure has also emerged as a priority, and the administration has supported implementation of a comprehensive ten-year highway plan. To further upgrade the state's transportation infrastructure, Governor Lynch has proposed creation of a State Infrastructure Bank, which would give local communities throughout the state access to a revolving loan fund to finance infrastructure improvements. The administration has also called for continued and steady state investment in workforce training programs to help provide a channel of skilled workers ready to support expansion at existing companies and to attract new employers to the state.

New Hampshire's Place in the Rankings

1st	High Speed Broadband Availability
2nd	High Speed Broadband Intensity
4th	High-tech Share of All Businesses
7th	State and Local Tax Burden
7th	Business Tax Climate
7th	Educational Attainment
7th	Job Placement Efficiency
9th	Median Family Income
9th	Export Growth
11th	Higher-ed Degree Output
12th	STEM Job Concentration
12th	Higher-ed Efficiency
18th	Short-term Job Growth
19th	Export Intensity Growth
22nd	Growth in Share of National Exports
23rd	Long-term Job Growth
23rd	Small Business Survival Index

Job Creation Initiatives

New Hampshire continues to tout itself as a low-tax environment in which to conduct business. Unlike other states in its region, New Hampshire does not have sales taxes or income taxes on wages. Corporate income taxes are relatively low. In addition, the state offers a series of tax incentives to spur business development. The state's **Economic Revitalization Zone Tax Credits** are designed to offer businesses an incentive to create new jobs in distressed areas of the state. Communities looking to promote job growth in such areas are able to gain Economic Revitalization Zone status and access these credits if they meet certain minimum requirements showing need. Qualified projects focused on the creation, expansion, or remodeling of an industrial or commercial facility receive credits based on the number and wage level of jobs created.

New Hampshire's **Research and Development (R&D) Credit** program, which Governor Lynch has targeted for expansion, offers tax credits to businesses conducting manufacturing research and development activities. The credit is calculated based on wages paid to New Hampshire-based employees involved in R&D activities, with credits of up to 10 percent of wages paid available to offset a company's state corporate tax burden. The credit is capped at $50,000 per business per fiscal year.

Looking to help strengthen the economy of northern New Hampshire, the state offers the regionally focused **Coos County Job Creation Tax Credit** program. Having identified Coos County as a struggling area in need of targeted support, the state offers businesses that hire new full-time employees in the county a tax credit of up to $1000 per employee, depending on wage level of the positions created. Enacted in 2008, the program is designed to run through 2013 in order to address the continued effect of job losses in the region. Businesses are able to carry forward credits earned for up to five years.

Businesses in New Hampshire are also able to take advantage of the state's **Community Development Investment Program** tax credits. Designed to encourage businesses to support innovative community development projects, the credits are granted to companies that donate to eligible projects. The credit is equal to 75 percent of a company's donation. The program allows businesses to invest property, cash, or securities into programs that improve their communities, while receiving a sizable tax credit to offset their input.

In order to connect green businesses and entrepreneurs to the research and business support infrastructure of the University of New Hampshire, the state has established the **Green Launching Pad**. The program, designed to bring together interdisciplinary public-private teams focused on supporting green business ventures, supports implementation of the state's Climate Action Plan, creating new economic opportunities while reducing the state's carbon footprint. The goal of the plan is to incubate new companies with the support of the university, creating jobs for graduates. The state's **Innovation Research Center** also offers coordination services and grants designed to facilitate public-private technology commercialization partnerships between New Hampshire companies and research institutions.

Created in 1992, New Hampshire's **Business Finance Authority** provides businesses with access to a variety of finance programs designed to expand credit access in the state. Programs are often offered in partnership with the state's banks. The authority's Capital Access Program helps banks offer loans to companies that are starting up or expanding, mitigating some of the risk inherent in lending to small start-up firms. The state's Working Capital Line of Credit Guarantee program provides banks that offer lines of credit to New Hampshire companies with a guarantee of up to 75 percent of the line of credit. The Authority also sponsors a Guarantee Asset Program, which guarantees up to 90 percent of a line of credit extended by a participating bank to a qualified nontraditional capital-intensive company. In addition, the Authority coordinates a set of programs focused on small business lending and bond financing, including industrial development bonds.

Workforce development efforts in New Hampshire have included the state's **Job Training Fund**, which provides businesses with matching grants for workforce training activities conducted through the state's community college system. The state's New Hampshire Working program offers companies undergoing economic stress with workforce support services such as retraining employees and offering employees facing reduced schedules partial unemployment compensation, helping companies facing temporary rough patches to hold on to valued employees. The state also maintains a **Rapid Response Team**, tasked with offering workforce support services to businesses facing economic difficulty on an expedited schedule.

Clusters in New Hampshire

Largest Cluster: Business & Financial Services, 93,065 jobs

Largest Growth Cluster: Business & Financial Services, 15,487 new jobs since 2002

Most Competitive Cluster: Apparel & Textiles, 2,082 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Computer & Electronic Product Manufacturing, 3.01 times the national concentration level

NEW JERSEY

Long a home to cutting-edge research and education institutions, industry-leading innovators, and boasting one of the nation's top per capita income levels, New Jersey has recently found itself facing a difficult set of economic challenges. Since 2008, the state has lost over 200,000 jobs, and seen unemployment rates double to between 9 and 10 percent. This hard hit from the recession has forced state policymakers to confront one of the nation's largest projected budget gaps for FY2012. However, even in the face of one of the most difficult economic climates seen in decades, New Jersey has continued to support a variety of job creation incentives and initiatives, and is showing signs that job losses have stopped and that the worst of the recession is behind it.

New Jersey's Place in the Rankings

4th	High Speed Broadband Availability
6th	Economic Output Per Job
6th	STEM Job Concentration
6th	Educational Attainment
6th	Job Placement Efficiency
7th	Median Family Income
7th	High-tech Share of All Businesses
7th	High Speed Broadband Intensity
17th	Academic R&D Intensity
18th	Small Business Lending
23rd	Growth in Share of National Exports
24th	Export Intensity Growth
24th	High School Advanced Placement Intensity
25th	Short-term Job Growth

Streamline Processes, Cut Red Tape and Reduce Spending

New Jersey entered 2012 with the nation's second largest budget deficit when measured as a percentage of its FY2011 budget. With a projected shortfall of $10.5 billion facing the state, Governor Chris Christie's administration has made closing the anticipated gap one of its chief priorities. As part of this process, the administration has led state efforts to review programs throughout New Jersey's government to identify economic development initiatives with the highest rate of return on investment in order to prioritize state spending in a challenging budget environment.

The Christie administration has also put forward plans that it says will streamline regulatory processes, cut red tape, and reduce state spending in order to cut the deficit. One highlight of the administration's activities has been a focus on comprehensive tax reform, with the governor offering multiple tax reform proposals, including cutting taxes on small businesses and pressing for adoption of a single sales factor formula in corporate taxes, which would enable businesses in the state to simplify tax compliance. In all, the administration offered proposals for almost $200 million in tax cuts in its FY2011 budget proposal. The governor has also made a push to make use of zero-based and performance budgeting procedures in the state to enable government to better adapt to changes in revenue on a year-to-year basis, removing old programs from baselines and allowing the state to put more focus on funding new and emerging priorities. As in many other states facing challenging budget situations, the administration has made efforts to place consideration of changes to public employee pensions and benefits on the state's budget agenda.

Technology and Innovation

New Jersey offers a large and varied set of programs and opportunities focused on supporting and attracting innovative businesses to the state, with over 80 different incentives available to entrepreneurs. While the state is looking at restructuring some programs in order to help balance its budget, the administration and legislature have continued to affirm support for incentives and programs designed to spur job growth efforts in the state.

In order to support job creation in the technology and life sciences industries, New Jersey created the **Edison Innovation Fund**, which contains a portfolio of programs, incentives, and funding sources designed to "develop, sustain, and grow technology and life sciences businesses that will lead to well-paying job opportunities." Since its launch in 2006, the Fund has provided hundreds of millions of dollars in support to early-stage technology companies throughout the state. It offers competitively awarded commercialization funding to new companies, helping them bring new products to market and bridge the gap toward other funding sources. Research and development (R&D) efforts are also supported through low-interest loans backed by the state. Grants for proof-of-concept efforts are also available, supporting companies at earlier stages of development. Other focused programs within the Fund also look to support growth in targeted industries, including energy innovation, digital media production, and advanced manufacturing.

In order to better leverage the monies committed through the Innovation Fund, New Jersey has also created a group of **Innovation Zones**. These zones are located near research and educational facilities in order to spur increased public-private innovation and collaboration. Technology companies located in the zones have access to special funding, tax credits, grants, and support from the state's two technology centers, which offer laboratory and production space.

As two of the state's targeted growth industries, high technology and biotechnology companies are offered lowered thresholds for accessing job creation tax credits. While companies in other industries are required to create 25 jobs in order to make use of available tax credits, technology companies may take advantage of such credits when they create 10 jobs.

While the state offers R&D tax credits to qualified businesses, not all early-stage technology companies are profitable and thus able to make use of the credits. In order to support such ventures and the jobs they create, New Jersey has created a **Technology Business Tax Certificate Transfer Program.** This program, which the administration has slated for expansion, allows unprofitable technology and biotechnology companies to sell their unused R&D tax credits to unaffiliated businesses for at least 80 percent of their value. By doing so, such companies are able to raise funds to procure the equipment and facilities they need to build and strengthen their business, enhancing potential future profitability and job creation.

Regulatory Policy

As part of an effort to streamline government, the Christie administration launched a **Red Tape Review Group** led by the Lieutenant Governor. Charged with reviewing the state's rules, regulations, and processes, and exploring changes to build a better business environment, the group offered a set of proposed rulemaking reforms and proposed modifications and revocations of existing rules. While originally intended to be a temporary effort, the review group has now been made permanent, in order to exercise continual oversight of rulemaking processes in the state.

By way of easing the process of business establishment and development, New Jersey also recently adopted "time of application" rules for development project applications in the state. Under the new rules, proposed developments will be allowed to follow the rules and regulations that applied at the time their initial development application was made, simplifying the process towards completion of an application. The new rules give new business developments increased regulatory certainty, and will allow them to avoid costly changes and setbacks as new rules are adopted by local governments.

Clusters in New Jersey

Largest Cluster: Business & Financial Services, 723,686 jobs

Largest Growth Cluster: Business & Financial Services, 93,489 new jobs since 2002

Most Competitive Cluster: Computer & Electronic Product Manufacturing, 2,084 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Chemicals & Chemical Based Products, 1.57 times the national concentration level

NEW MEXICO

Buoyed by the presence of world-class research facilities such as Los Alamos and Sandia National Labs, New Mexico remains a leader in innovation and entrepreneurial activity in this year's study. While the economic downturn did drive unemployment rates up and leave the state facing a sizable budget deficit for FY2012, the state has seen signs of economic rebound, backed by growth in its energy and tourism sectors. State tax collections are up, a sign of increased economic activity, unemployment rates have begun to drop, and severance tax receipts are up, a reflection of strong commodity prices and increasing activity in the state's significant oil and natural gas fields.

New Mexico's Place in the Rankings

5th	Per Capita Income Growth
8th	STEM Job Growth
9th	STEM Job Concentration
10th	Entrepreneurial Activity
10th	State and Local Tax Burden
10th	Higher-ed Efficiency
11th	Long-term Job Growth
14th	College Affordability
15th	Small Business Lendin
16th	Business Birth Rate
17th	High-tech Share of All Businesses
17th	Budget Gap
21st	Gross State Product Growth
21st	Academic R&D Intensity
25th	Small Business Survival Index

Wholesale Changes

Newly elected Governor Susana Martinez and the New Mexico legislature convened in Santa Fe this year facing a budget deficit estimated at up to $450 million. Taking a strong stance against tax increases in her State of the State address, Martinez instead pushed for a package of spending cuts, tax credit adjustments, and pension and other program reform in order to reduce state obligations and reduce the deficit. Martinez has outlined several different ideas designed to aid business development and encourage job creation, including pressing for red tape reduction legislation to identify unneeded business regulations, cutting down on the cost of regulatory compliance for businesses in New Mexico. While proposed legislation related to this aim was not completed during this year's session, action was taken to create a **Small Business-Friendly Task Force**, which conducted a review of state rules and regulations, and forwarded recommendations for future revisions and legislative changes.

The administration has also forwarded the idea of making use of unemployment funds to subsidize hires of unemployed workers by small businesses in the state. Tax reform was also made a key priority by the administration, with the governor calling for "wholesale changes" in the state's tax structure, and a new focus on moving beyond a "piecemeal" focus on industry-specific tax credits toward restructuring the overall tax code to make the state more attractive to business. The administration plans to bring legislation aimed towards such ends before the legislature in 2012. As noted above, the governor also pushed for changes to public employee pension plans. Reforms requiring greater contributions from state workers were passed by the legislature and coupled with cuts to spending and new caps on specific tax credits in order to close the state budget deficit faced this year.

Eliminate Barriers to Business

While the Martinez administration has called for a re-evaluation of the use of industry-targeted tax credits in New Mexico, the state has and continues to offer a slate of general and targeted tax credits and incentives designed to support job creation and business growth.

New Mexico policymakers have increased their focus on reducing and streamlining regulation to cut down on barriers to business. As part of this initiative, the state has created an **Office of Business Advocacy** in its economic development department. This office is designed to act as a "caseworker" for business in the state, helping entrepreneurs deal with regulatory hurdles they encounter in New Mexico's government. Working in partnership with communities and economic development organizations around the state, the new office will work with referred businesses to work their way through the system, reduce roadblocks, and find ways to aid job creation efforts.

Increasing jobs in high technology fields continues to be an area of key focus for New Mexico. The state has identified four industry clusters as areas of strength and potential growth, including aerospace, nanotechnology, information technology and software, and biotechnology. In order to attract and support companies in these industries, New Mexico offers workforce training options and higher education programs focused on these clusters at universities throughout the state. The state also provides tax incentives targeted to support high-tech business development. Aerospace companies in the state can take advantage of tax deductions for aircraft manufacturing and maintenance, aerospace research and development, and spaceport operation. The state has also attempted to spur development of an advanced energy sector with credits and incentives, including alternative energy manufacturing tax credits and **renewable energy production tax credits**. The latter offers energy generators an income tax credit of 2.7 cents per kilowatt hour for up to ten years.

In addition to more industry-specific tax incentives, New Mexico offers a set of general tax incentives designed to attract businesses to the state and spur job growth. The state's **high-wage jobs tax credit** offers businesses a tax credit of up to 10 percent of wages on qualified jobs for four years. The credit has lower wage requirements for smaller communities, in order to help drive job creation in the state's smaller cities and towns. Looking to support manufacturing jobs, New Mexico also offers a manufacturer's investment tax credit of up to 5 percent for qualified equipment and property investments. Another tax incentive showing the state's commitment to rural development while focusing on its overall goal of high-tech job growth is the **technology jobs tax credit**. Businesses with qualified research and development (R&D) expenses may take a tax credit of 4 percent if the R&D is conducted in urban areas and 8 percent if it is conducted in rural areas.

New Mexico has also made a concerted effort to attract the film and television production industries to the state. The state's film production tax credit, created in 2002, has been credited with creating thousands of jobs and drawing hundreds of millions of dollars of film activity to the state. The state has placed a rolling cap of $50 million on the tax credit as of this year, in an effort to help address the budget deficit, but still offers the film industry a 25 percent tax credit. In addition, the state offers other incentives to the film industry, including access to job training support and a film investment loan program of up to $15 million per project.

Small, local business development has also been a focus in the state. New Mexico's **MainStreet Program** is a community-focused approach to redevelopment and job creation in downtown business districts throughout the state. Working with community nonprofits, the program supports efforts to improve the physical appearance of business districts, support and promote small business development and market efforts, collect economic information needed to design effective business attraction and retention efforts, and provide professional guidance to local agencies looking to build new plans for job creation in their downtown cores.

Clusters in New Mexico

Largest Cluster: Energy (Fossil & Renewable), 103,540 jobs

Largest Growth Cluster: Biomedical/ Biotechnical (Life Sciences), 22,053 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 12,509 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Mining, 2.21 times the national concentration level

NEW YORK

New York entered the year with a projected budget gap of up to $10 billion to be dealt with during this year's session of the general assembly. While moves by incoming Governor Andrew Cuomo to change the state's accounting methodologies moved some projections down by billions, the state still was left facing difficult decisions regarding spending levels and tax rates moving forward into FY2012. Governor Cuomo pressed a job creation agenda that will create ten regional economic development councils, bringing more local direction to state efforts. The administration also argued in favor of greater university involvement in job creation efforts, in order to leverage higher education's abilities to coordinate intergovernmental efforts and create "one-stop shops" for job creation coordination. The governor has also pressed for re-evaluation of the state's many departments to streamline government services, eliminate unnecessary regulatory pitfalls, and identify potential cost savings. The state was able to pass a budget by the legally mandated date of April 1, and held the line on taxes while making slight cuts to spending levels and adjusting some health care spending procedures.

JOBS Now Focused on Private Sector Projects

New York's **JOBS Now** initiative is focused on supporting large-scale private sector job creation projects. Companies that will create over 300 jobs are eligible for loans and grants of up to $10,000 per position. These funds may be used to purchase needed equipment, site and infrastructure preparation, and construction of needed facilities. The program also provides grants that can be used to conduct workforce training needed to facilitate the attraction or expansion of a business. The initiative is focused on target industries, including manufacturing, distribution, and high technology-related fields.

To give state job creation efforts more flexibility to deal with opportunities that present themselves, New York created a general **Economic Development Fund** (EDF). Funds from the program can be used to support job creation activities driven by private companies or facilitated in partnership with the private sector by municipalities and nonprofit organizations. Funds are available for a wide range of uses, including workforce training, site acquisition, feasibility planning, and construction.

New York's Place in the Rankings

4th	Educational Attainment
4th	High School Advanced Placement Intensity
5th	Economic Output Per Job
6th	Higher-ed Degree Output
6th	High Speed Broadband Intensity
10th	Short-term Job Growth
11th	Academic R&D Intensity
15th	Job Placement Efficiency
15th	High Speed Broadband Availability
16th	Entrepreneurial Activity
17th	Small Business Lending
18th	Per Capita Income Growth
22nd	STEM Job Concentration

Entrepreneurial activity in New York is supported through the state's **Entrepreneurial Assistance Program**. The program supports a network of 24 entrepreneurial assistance centers throughout the state. These centers offer budding entrepreneurs a one-stop solution to access business training, support services, and other state assets related to small business creation and expansion. The assistance centers are operated in partnerships between the state, nonprofit organizations, and community colleges.

Small businesses in New York can also seek access to capital needed for expansion through the state's **Small Business Revolving Loan Fund** (SBRLF). Backed by $50 million, the loan fund offers entrepreneurs access to both micro and regular small business loans. Loans of up to $125,000 are available, and require a private sector match.

With an eye towards spurring increased growth in high-tech jobs, New York launched the **Excelsior Jobs Program**. This initiative is focused on support of manufacturing, clean tech, biotech, and other high-tech sectors in the state. Companies that create jobs in targeted industries may be eligible for up to four tax credits under the program. The Excelsior Jobs Tax Credit offers job-creating employers a credit of up to 6.85 percent of the wages of each new job created. The Excelsior Investment Tax Credit supports investment in equipment by expanding companies through a 2percent tax credit. The initiative's research and development tax credit can be worth up to 3 percent of a company's qualified spending on research and development in the state. Finally, the program's real property tax credit is available to businesses that are willing to establish operations and create jobs in economically distressed areas of the state.

A strong performer in workforce development measures, New York provides several programs and tax credits designed to support business workforce training efforts, create jobs, and help workers gain the skills they need to compete in an increasingly demanding workplace.

The **Workers with Disabilities Tax Credit** (WETC) is a state program designed to help disabled workers find employment by offering employers a tax credit of up to $2,100 to help offset wages. The program provides the tax credit in the second year of employment, as a follow-up to similar federal tax credits that are available in the first year of employment. In doing so, the state helps businesses reduce wage costs and incentivizes employment of an at-risk group of workers. The state's **Qualified Emerging Technology Companies Training Credit** offers small companies in targeted high-tech industries refundable tax credits of up to $4,000 per employee for expenses incurred during "high technology training." The state also makes use of the 64 campuses of the State University of New York (SUNY) system to offer various tailored job training programs to employers throughout the state. The vast reach of the system allows for regional solutions to local employers' needs. The state also offers employers in need of help finding qualified entry-level employees to fill vacancies recruitment and staffing assistance. Offered through the NYS Jobs program, these services maintain pools of job seekers who can be placed according to an employer's needs.

Seeking to aid small and medium-sized companies in accessing export market opportunities, New York launched the **Global Export Market Services** (GEMS) program. This initiative offers small entrepreneurs seeking to tap foreign markets grants of up to $25,000. These funds can be used to procure technical and marketing support services, such as hiring export market consulting professionals. The grant can be used to cover up to 50 percent of total project costs, thus requiring a 1:1 match in investment on the part of the company looking to seek out export opportunities.

New York uses its **Empire Zone Program** to help stimulate economic growth in 72 economically distressed regions of the state. The program offers wage tax credits of up to $3,000 for jobs paying at least 135 percent of minimum wage and employing lower-income individuals and a series of income, property and sales and use tax exemptions for qualified businesses operating inside an enterprise zone. Each zone is staffed with professionals ready to assist with business expansion or relocation into the zone.

Clusters in New York

Largest Cluster: Business & Financial Services, 1,628,269 jobs

Largest Growth Cluster: Business & Financial Services, 258,402 new jobs since 2002

Most Competitive Cluster: Printing & Publishing, 14,018 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Education & Knowledge Creation, 1.85 times the national concentration level

NORTH CAROLINA

After years of economic difficulty, North Carolina appears to be showing signs of turning the corner. Tax receipts are up, and unemployment rates have eased from the peaks seen during the depths of the recession. While the state faces budget challenges moving forward, the state's historically strong technology and innovation performance may place the state in a competitive position as demand for science and technology-driven growth builds.

North Carolina's Place in the Rankings

9th	Small Business Lending
10th	College Affordability
11th	Business Birth Rate
14th	High Speed Broadband Intensity
15th	High School Advanced Placement Intensity
16th	Academic R&D Intensity
19th	High-tech Share of All Businesses
22nd	Economic Output Per Job
22nd	Cost of Living
24th	STEM Job Growth
24th	Educational Attainment
25th	Export Intensity
25th	Entrepreneurial Activity

Budget and Policy Agenda

North Carolina entered 2011 facing a budget deficit approaching $2.4 billion. While the state's policymakers have had to make cuts to government programs in order to close the gap, Governor Beverly Purdue has advanced an economic development agenda that calls for increased tax incentives, tax cuts, and further investment in job creation activities. In order to help bring the deficit under control, Purdue has called for consolidation of government agencies, cuts in the number of state boards and commissions, and a hiring freeze for government positions. The administration also conducted a review of state regulations, and submitted lists of proposed changes and eliminations to the general assembly. The governor has made calls for rethinking the state's business tax structure, hoping to cut tax rates on small businesses and corporations in order to remain regionally competitive and spur new job growth. The governor also supported continued and increased state investments in business incentives and tax credit programs designed to support job growth.

Public-Private Partnerships are Key

Home to the nationally renowned Research Triangle Park, North Carolina continues to show strong performance in innovation and entrepreneurship. In addition to the Research Triangle, the state is home to six other research parks, with several sited in conjunction with higher education institutions throughout the state. The state also has a network of over 25 core public and private research laboratories supporting research in biotechnology and life sciences.

The **North Carolina Biotechnology Center** manages programs and incentives designed to build up the state's strong biotech and life sciences clusters. The center's **Centers of Innovation** grant program gives financial support for the creation of virtual technology hubs backed by public-private research partnerships. Focused on a specific technology area, these centers are designed to drive commercialization efforts, build regional research capacities, and support ongoing tech development efforts, in order to drive biotech job creation. The Biotechnology Center also offers business financing and venture capital access support services to nascent biotech firms located in the state. The Center's **BATON (Business Acceleration and Technology Out-licensing Network)** program works to grow North Carolina biotech firms, by providing access to professional services, funding sources, and recruitment of skilled entrepreneurs to join companies in need of more professional support to attain sustainable growth. The Center also supports an **Industrial Fellowship Program**, which connects recent doctoral graduates from the state's universities to professional opportunities at companies in the state. The program provides up to two years of funding to aid the company in bring the researcher onboard, helping companies gain access to highly educated professionals, and keeping talented graduates in the state. The center also provides companies with access to competitive research grants, technology enhancement grants, and maintains a “funding gateway” database of potential funding sources from both public- and private-sector sources, easing access to funding information for start-up companies.

The **One North Carolina Fund** provides funding to support recruitment and retention of high-wage, knowledge-sector jobs. Funding is provided on a competitive basis, and requires a local government match. Funds can be used for equipment purchase and infrastructure upgrades needed to attract a company.

North Carolina also offers tax incentives designed to foster innovation-driven job creation. The **Technology Development Tax Credit** is offered to businesses conducting North Carolina-based research and development efforts. The credit ranges between 1.25 percent and 3.25 percent depending on the level of investment, and gives added support to research conducted by small businesses by offering them the 3.25 percent credit regardless of expenses incurred. The credit incentivizes research conducted in public-private partnerships by offering a tax credit of 20 percent on qualified expenses for research performed by North Carolina universities.

Looking to job business establishment and job creation in the biofuels, green building, and clean technology industries, North Carolina created the **North Carolina Green Business Fund**. The fund offers competitive grants to public and private sector organizations focused on supporting related green innovation activities at North Carolina businesses with less than 100 employees. Awards of up to $500,000 are available to help small businesses and communities build the state’s green economy.

North Carolina has also focused energy and resources on building support structures for job creation by entrepreneurs and small businesses. The state’s **Biz Boost** initiative offers economically vulnerable small and mid-sized businesses access to an expanded range of direct state services, including business analysis support, marketing research, cash management counseling, and debt restructuring advisement, in order to help businesses increase competitiveness and create new jobs. While the program does not provide direct financial assistance to businesses, it does offer businesses funding identification support. In order to give small businesses easier access to support networks, North Carolina’s community college system serves as host to the state’s **Small Business Center Network**. The SBCN offers entrepreneurs access to state and federal business support programs, and connects businesses to resources available through the community college system. North Carolina’s **Capital Access Network** (CAN) is a public-private partnership between state agencies and private financial institutions to provide small and mid-sized businesses in the state with access to the bank loans they need to build their businesses and create jobs. CAN connects entrepreneurs and lenders through federally guaranteed loan structures and provides businesses seeking financing with access to experienced business advisors to help them prepare more successful loan proposals.

In order to assure that North Carolina government does its part to support local businesses, the state launched the **North Carolina Preference** program by executive order. The program requires government agencies letting contracts for goods to allow North Carolina companies that have submitted competitive bids the opportunity to match the lowest bid, if the lowest bid came from an out-of-state firm.

One of the oldest programs of its type in the nation, the **North Carolina Industrial Extension Service** offers services and support to the state’s manufacturing sector. Offered through North Carolina State University, the program allows companies in the state to access information and professional support in lean manufacturing techniques, management systems, safety and environmental technologies, and industrial engineering support needed to streamline processes and implement more efficient production methods.

Clusters in North Carolina

Largest Cluster: Business & Financial Services, 492,233 jobs

Largest Growth Cluster: Business & Financial Services, 110,708 new jobs since 2002

Most Competitive Cluster: Biomedical/Biotechnical (Life Sciences), 35,646 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Apparel & Textiles, 2.31 times the national concentration level

NORTH DAKOTA

North Dakota is a top five state in short- and long-term job growth, GSP growth, productivity growth, and per capita personal income growth. Alaska's rapid ascension nudged North Dakota from the number one spot in our overall top economic performance states. The energy boom has created 15,000 jobs in the state in the last decade and the state has added another 9,400 in business and financial services. North Dakota avoided the housing market collapse, its construction employment is up 29 percent since 2002, and its manufacturing sector has not seen the decline occurring in other states.

Let the Good Times Roll

With an unemployment rate of 3.9 percent, North Dakota largely avoided extended job losses during the recession, and its booming energy industry has led to a sizeable budget surplus. The state recently passed an initiated measure changing the state's constitution to create a long-term savings **Legacy Fund** for oil extraction tax revenue, while other oil tax revenues were diverted to fund road improvements in heavy drilling areas and to property tax relief. The Legacy Fund measure sets aside approximately $619 million throughout the upcoming biennium.

The state anticipates total reserves at the end of the current biennium of just over $1 billion. At the end of 2013, reserves are expected to grow an additional $200 million to a significant reserve of $1.237 billion, including the Legacy Fund.

With ongoing one-time expenditures accounted for and the reserves secured, the state's financial position still provides the state with the resources necessary to provide additional tax relief. In the last biennium, the state reduced property taxes by $300 million through a reduction of approximately 75 mills in school district levies, simultaneously raising the state's share of school funding from about 48 percent to the long-sought goal of 70 percent.

The recently approved $9.9 billion two-year budget added another $342 million in local school funding used to cut property taxes. The state cut individual income tax rates by 18 percent and corporate tax rates by close to 20 percent. This produces a total of roughly $900 million in cumulative tax relief over four years.

North Dakota ranks first in the U.S. Chamber of Commerce's transportation performance index. The state's recently passed budget diverts oil extraction and mining revenues directly to fund road improvements in the western half of the state, improving transportation infrastructure that is needed by the booming drilling activities. However, the state budget addresses infrastructure needs in every

North Dakota's Place in the Rankings

1st	Short-term Job Growth
1st	STEM Job Growth
1st	Budget Gap
1st	Transportation Infrastructure Performance
2nd	Long-term Job Growth
2nd	Gross State Product Growth
3rd	Per Capita Income Growth
3rd	Educational Attainment
4th	College Affordability
5th	Productivity Growth
6th	Export Growth
7th	Export Intensity Growth
14th	Job Placement Efficiency
17th	Median Family Income
18th	Small Business Survival Index
18th	Higher-ed Degree Output
18th	Higher-ed Efficiency
19th	Cost of Living
20th	Business Tax Climate
20th	High Speed Broadband Intensity
21st	High Speed Broadband Availability
25th	Entrepreneurial Activity
25th	State and Local Tax Burden

region of the state, and transportation investments alone come to $1.7 billion statewide.

The budget includes $371 million to repair state and local roads in western North Dakota's oil country, along with $100 million in grants that local governments may tap for public works improvements and repairs in oil-affected regions. The state also approved $110 million for a new water pipeline system to feed the large and growing needs of the extraction business, a project leaders believe can be financed by selling water to drillers.

North Dakota ranks third in educational attainment of its 25–44 year old population, associate degrees conferred, above average for the, and fourth in college degree affordability. Unemployment rates have held very low throughout the recession, and the state's Department of Commerce and Job Service North Dakota are working diligently with businesses to address shortages of skilled workers and recruit new residents to the state. The state has continued to work on education adequacy, and has proposed significant improvements in the quality of instruction in the K-12 school system.

North Dakota's new education bill increases aid to local school districts by 13 percent, up more than $700 per student, and funds a new Gearing Up for Kindergarten program. To assist rapidly growing schools in oil-producing parts of the state, the plan sets aside $5 million in grants for schools showing enrollment increases of more than 7 percent The education bill also includes $700 per semester college scholarship aid for students scoring at least 24 out of 36 points on their ACT, capped at $6,000 per student.

The $646 million state higher education budget represents a roughly 9 percent increase over last year, and includes another $16 million in funding aimed at bringing up funding at certain universities to "peer" levels, while attempting to limit tuition increases to 2.5 percent.

Job Creation, Fiscal Discipline & Private Sector Participation

Economic development and job creation have been priority number one over the past ten years. By following a strategic plan for economic development, working to build the strongest business climate possible, and establishing effective tools like the Department of Commerce and the North Dakota Trade Office, the state has been able to grow and diversify the economy. This strategy, combined with good fiscal discipline and partnerships with the private sector, are the reasons for the current surplus and solid financial situation.

To continue to grow the economy, the state has developed several key programs targeted towards job creation and new revenue generation. Energy was designated as one of five targeted industries in the strategic plan for economic development drafted nearly a decade ago. To continue to support this activity, the state established the **Oil and Gas Research Fund and Council**, established appropriate incentives, and worked to cultivate North Dakota's oil patch. Today the state is second only to Texas in land-based drilling activity.

North Dakota's Centers of Excellence program is built on the concept of partnering the research capacities found at its public colleges and universities with private-sector companies to generate jobs and new business opportunities. The state will extend the **Centers of Excellence** program for the next biennium with an additional $12 million. The state also created the Small Business Technology Investment Program, a $1 million fund to provide grants of up to $50,000 matched 2:1 with an angel fund investment.

ND Trade Office

Just as the energy industry has met with success, so have North Dakota's exporters. North Dakota exports grew nearly 250 percent between 2000 and 2009. During the same time, the nation's exports grew by just 35 percent. To help solidify this trend, the state developed the **North Dakota Trade Office**. The state's budget recommends increasing funding for the Trade Office by about $490,000 to continue its activities in marketing North Dakota businesses, products, and services to the world. The funds will be used to acquire services in shipping logistics for all North Dakota exporters, to help businesses master the complexity of serving customers throughout the world. The state and the governor's office further recommend supplying services to all entrepreneurs seeking assistance in capital formation.

Clusters in North Dakota

Largest Cluster: Agribusiness, Food Processing & Technology, 49,728 jobs

Largest Growth Cluster: Energy (Fossil & Renewable), 15,903 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 13,687 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Agribusiness, Food Processing & Technology, 3.33 times the national concentration level

Create Platform for Entrepreneurship

Ohio's General Assembly and newly elected Governor John Kasich gathered in Columbus this year facing a two-year budget hole estimated at between $8 and 10 billion, with a $3 billion gap projected for FY2012. Having faced the third largest number of job losses nationally over the past decade, the incoming governor has argued that the state is "under siege" and needs to change direction and "create a platform for entrepreneurship." Expressing concern over jobs unfilled due to a lack of qualified workers, Governor Kasich has called for an examination of how the state's community college system interfaces with workforce training and the secondary education system. Outlining a reform agenda for job development, Kasich has called for reductions to programming and streamlining bureaucracy in the economic development departments. His signature proposal, JobsOhio, called for reforming how such departments do business, reforming their organization around a more business-like structure directed by a private nonprofit organization. Furthermore, in an effort to restructure programs and make progress towards closing the budget gap, the governor has proposed a complete review of all economic development programs in the state, with an eye towards consolidation and elimination of some programs.

Ohio's Third Frontier Focuses on Access to Capital and Commercialization

Ohio has created a variety of tax credits and incentives to support job creation, with many focused on targeted innovation support and manufacturing enhancement. One key program is the state's **Ohio Job Creation Tax Credit**, which provides income and franchise tax credits to businesses that choose to locate or expand operations in Ohio. To be eligible, companies must create at least 25 jobs that pay 150 percent of minimum wage. The program has lower requirements for job creation numbers if the jobs created are particularly well paid. In addition to attempting to lure new businesses to the state, Ohio also offers a **Job Retention Tax Credit**. Directed at large, existing employers, the credit provides income tax relief to businesses that employ over 1,000 workers and commit to making capital investments of over $200 million. As with the job creation credit, there are lower thresholds for eligibility if the jobs created are particularly well compensated, supporting high-tech job retention.

Innovation-focused tax credits are also offered by Ohio.

Ohio's Place in the Rankings

9th	Small Business Survival Index
10th	Export Intensity
12th	Academic R&D Intensity
13th	Cost of Living
15th	Median Family Income
21st	Higher-ed Degree Output
24th	STEM Job Concentration
24th	High Speed Broadband Availability
25th	Budget Gap

Looking to support entrepreneurial innovation and create jobs for researchers, Ohio continues to support a **Research and Development Investment tax credit**. Investments made by Ohio taxpayers in qualified research and development activities are eligible for a 7 percent tax credit that may be carried forward for up to seven years, providing job-creating businesses with tax flexibility. Innovation support is also at the heart of the state's **Technology Investment Tax Credit**. This credit is granted to Ohio taxpayers who make investments in small, entrepreneurial firms involved in research and development activities. It is equal to up to 25-30 percent of a qualified investment, depending on certain restrictions. Businesses targeted for investment must be primarily Ohio-based and show a net book value of less than $1 million, assuring that credits are focused in support of small businesses. The state also offers a variety of sales tax exemptions tailored to support capital investments in manufacturing equipment, warehousing, and research and development activities. The exemptions are intended to cut down on barriers to investment, helping businesses to expand and offer new job opportunities.

In conjunction with local governments, Ohio has established a set of **enterprise zones** in cities and counties throughout the state. Businesses that choose to locate or expand in one of these zones are eligible for property tax exemptions as an incentive. The total exemption varies by zone type, but lasts for up to ten years, supporting continued job retention and creation activity in the zone. In addition to the enterprise zones, the state has also created a set of Community Reinvestment Areas, which allow additional property tax exemptions to commercial and industrial property investments made in the region. The exemption may be up to 100 percent and last for up to 15 years, giving job-creating businesses an incentive to expand facilities in designated areas.

The **Ohio Workforce Guarantee** provides workforce training assistance to employers in any of nine targeted industries. Support is both technical and monetary in nature. The program reimburses employers for workforce training expenses, either internal or external in nature. The program is available for training both new and existing employees. The state has also targeted workforce training support for the advanced energy industry, available through its **Energizing Careers Program**. Administered by the Governor's Workforce Policy Advisory Board, the initiative provides workforce training grants to companies that manufacture clean energy components, helping the sector increase employee skill sets, stay competitive, and expand to offer new job opportunities. In addition to job expansion, finding ways to help companies make it through economic rough patches and retain jobs is also of importance to Ohio's economic development efforts.

The state's **Early Warning Network** facilitates state-local government partnerships to identify resources that can rapidly be put into play to help companies in danger of laying off workers. The program seeks to identify troubled companies before they are caught in a downward spiral, offering workforce support services as well as other public and private resources to stand behind the company and its employees. The state has also pressed to offer more of its university students in high-tech fields access to in-state internship opportunities through its **Third Internship Program**. The program reimburses up to 50 percent of a qualified intern's wages, encouraging Ohio technology companies to provide valuable work experience and potential career paths to the state's most promising students.

In 2010, Ohio's electorate made an extended commitment to support technology-driven job creation by voting to provide continued funding to the state's **Ohio Third Frontier** program. The goals of the program include providing increased access to capital for innovators, increasing high-tech research throughout the state, supporting growth at existing technology companies, and ensuring that Ohio's workforce has the needed skills to attract cutting-edge companies. **Ohio's New Entrepreneurs Fund** (ONE Fund) recruits young technology entrepreneurs to create companies in Ohio, offering funding for professional development and business formation support services.

In order to help new entrepreneurs more easily overcome potential regulatory pitfalls involved in creating and registering a new business, Ohio created the **1st Stop Business Connection** program. Offered in conjunction with the state's network of small business development centers, the connection provides new businesspeople with a tailored business information kit to help them through regulatory and licensing processes. Participating entrepreneurs receive basic information needed to work their way through the regulatory process, and can access a centralized, online process to receive forms and applications needed to set up their business. If a new business runs into challenges dealing with state agencies and processes, they can contact the state's **Small Business Advocate**. The Office of the Advocate works with entrepreneurs to investigate and resolve potentially harmful or unfair treatment by state agencies, helping small companies deal with challenges that might otherwise harm their business.

Clusters in Ohio

Largest Cluster: Business & Financial Services, 667,118 jobs

Largest Growth Cluster: Business & Financial Services, 77,715 new jobs since 2002

Most Competitive Cluster: Apparel & Textiles, 6,263 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Primary Metal Manufacturing, 2.78 times the national concentration level

OKLAHOMA

With one of the nation's lowest unemployment rates, stable housing markets, and strong growth in its major cities, Oklahoma has bounced back from the depths of the recession with relative strength. Tax revenues are on the rise, reflecting increased economic activity, and the state's energy and agricultural sectors have been buoyed by recent strength in commodity markets. Still one of the nation's leading energy producers, Oklahoma continues to look for ways to diversify its economy, looking to growth in industries including aerospace and manufacturing as a source of new jobs and economic momentum.

Quick Action Can Mean New Jobs and Wealth Creation

While strong growth and prices in the state's energy extraction industries have recently helped to increase state revenues, Oklahoma still entered the year facing a budget deficit of approximately $500 million, a gap equal to 9.4 percent of the state's FY2011 budget. Newly elected Governor Mary Fallin and the state legislature have focused on making cuts to existing state programs and shifting balances in existing state funds to cover the shortfall. Governor Fallin also entered this year's legislative session with several policy proposals centered on job creation and economic development. These included calls for workers' compensation system reform, which the governor argues will create a more efficient system at less cost to employers. The governor has advanced proposals to cap noneconomic damage awards in lawsuits against businesses and to reform the state's pension system, which faces a long-term deficit of up to $16 billion.

Tax policy reform has also been an agenda item for the administration, which has argued in favor of a comprehensive review of the state's tax credits for business development and the elimination of those found to be ineffective. Furthermore, Fallin has argued in favor of expanded implementation of triggered income tax reductions, which are designed to kick in when the state meets certain benchmarks for revenue collection. One of the governor's more notable economic development proposals has been calling for creation of an **Oklahoma Quick Action Closing Fund**, also referred to as the Governor's Closing Fund. This Fund, to be administered by the state's Department of Commerce, would allow the governor to quickly access funding needed to provide incentives to companies considering locating in Oklahoma.

Oklahoma's Place in the Rankings

3rd	Cost of Living
4th	Gross State Product Growth
4th	Productivity Growth
6th	Per Capita Income Growth
8th	Higher-ed Efficiency
8th	College Affordability
14th	Long-term Job Growth
14th	State and Local Tax Burden
15th	Export Growth
16th	STEM Job Growth
16th	Transportation Infrastructure Performance
18th	Business Birth Rate
18th	Entrepreneurial Activity
21st	Growth in Share of National Exports
21st	Small Business Survival Index
22nd	Budget Gap
24th	Economic Output Per Job

Access to Capital is Paramount

A major focus of Oklahoma's job creation efforts is the **Oklahoma Quality Jobs Program**. Under the terms of the program, Oklahoma makes direct cash payments to businesses in targeted industries that create and maintain jobs in the state. Businesses may receive a payment of up to 5 percent of their payroll expenses for a period of up to ten years if certain growth benchmarks are met. Jobs must meet certain wage and benefit requirements to be eligible for the state payment. Designed to help the state increase its manufacturing base, the program has been credited with the creation of up to 400,000 jobs over the past two decades. The state has created a similar program targeted specifically at small businesses, which offers payments in support of created jobs for up to seven years. The related **21st Century Oklahoma Quality Jobs Program** targets the creation of jobs in high-wage, knowledge-based industries, providing cash incentives of up to 10 percent of payroll for jobs which pay well above regional median wage levels.

Tax credits are another tool used by the state to create a business-friendly environment. Under the terms of the **Investment/New Jobs Income Tax Credit**, manufacturers in Oklahoma can receive up to five years of tax credits for making qualified investments in property while also creating new jobs. The credit can be for up to 5 percent of the investment. Oklahoma has also made attracting aerospace industry jobs a priority, offering **Aerospace Industry Engineer Work Force Tax Credits** equal to 10 percent of wages to companies hiring engineers. The credit offers incentives to hire engineers educated at Oklahoma universities and offers tax credits of up to 50 percent to offset tuition reimbursements made to engineers hired from the state's university system. The state has also made an effort to attract insurance company regional offices to the state by offering an **Insurance Premium Tax Credit** to companies that expand or locate in the state and create a minimum of 200 jobs.

In order to support access to financing for business development and expansion, Oklahoma's **Capital Investment Board** operates two programs in conjunction with private sector partners. The state's **Venture Investment Program** works with private sector investors to guarantee investments made in venture capital partnerships that then agree to prioritize investment in Oklahoma businesses. The board also operates the **Oklahoma Capital Access Program**, working with Oklahoma banks to support small business lending by using its $100 million of funding to support access to lines of credit and underwrite loans with state-backed credit insurance. The state's **Industrial Finance Authority** works to provide needed financing for expanding and relocating businesses in the manufacturing, agricultural processing, and mining and extraction industries. Eligible businesses can receive loans of up to $5 million dollars, with most loans offered in partnerships between the Finance Authority and local banks. In order to aid small businesses in the state, Oklahoma has also offered a linked deposit loan program. Oklahoma-based small businesses can receive financing of up to $1 million, in partnership with Oklahoma banks, in support of efforts to preserve or create jobs.

Hoping to drive entrepreneurial innovation in the state, Oklahoma has instituted a **New Products Development Income Tax Exemption**. Entrepreneurs working through the state's **Oklahoma Center for the Advancement of Science and Technology** (OCAST) are able to collect tax-free royalties on products developed and made in the state for up to seven years. Innovative companies that choose to locate at qualified technology incubators are eligible for income tax exemptions on income earned through activity at the incubator for up to ten years, supporting new business start-ups. OCAST also offers innovative businesses access to commercialization support structures, including seed and pre-seed funding sources and the **Oklahoma Technology Commercialization Center**, which offers a variety of entrepreneurial support services for early-stage tech companies.

Clusters in Oklahoma

Largest Cluster: Energy (Fossil & Renewable), 224,938 jobs

Largest Growth Cluster: Energy (Fossil & Renewable), 79,550 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 67,247 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Energy (Fossil & Renewable), 2.01 times the national concentration level

Struck by downturns in its manufacturing and construction industries, Oregon was hit particularly hard by the recent recession. Unemployment rates in 2010 were more than twice as high as before the downturn, and among the highest in the nation. While economic measures have shown signs of recovery over the past year and unemployment rates are off their peak levels, the state still faces the specter of a period of "below trend" growth as it struggles to regain economic footing. However, even through a period of economic stress, the state has continued to be a magnet for growth, outpacing the national growth rate in the 2010 Census figures. Moving forward, the state hopes to capitalize on its proximity to and experience in accessing Asian markets to help spur future growth.

Oregon's Place in the Rankings

1st	Higher-ed Efficiency
3rd	Productivity Growth
5th	Gross State Product Growth
10th	Business Birth Rate
10th	Academic R&D Intensity
11th	Transportation Infrastructure Performance
14th	Business Tax Climate
14th	High Speed Broadband Intensity
15th	Export Intensity
16th	STEM Job Concentration
16th	Entrepreneurial Activity
18th	Economic Output Per Job
24th	High-tech Share of All Businesses

Bipartisan Approach to Jobs

State legislators and incoming Governor John Kitzhaber have committed to making job creation the state's top priority during 2011, with a bipartisan group of legislators choosing to wear pins labeled "JOBS" to reaffirm their continued support for a jobs-focused agenda. However, also high on the state legislative assembly's agenda has been dealing with a large budget deficit for the upcoming biennium. Estimated at up to $3.5 billion over two years and $1.8 billion for FY2012, the state's deficit entering the session was equal to 20 percent of the state's general fund.

Governor Kitzhaber, entering office for a third, nonconsecutive term in 2011, has proposed several agenda items and budget changes to bring the deficit under control and pursue job creation in the state. The governor called for cuts in pay to government workers, changes in revenue structures to collect unpaid taxes, reforms to educational funding structures, flat spending in many government agencies, and no tax increases. The administration has also reiterated support for several proposed and pending job creation initiatives and programs, including continued state funding for technology transfer efforts, new bond backing for infrastructure improvements, increased funding for some existing economic development funds, and enhanced funding for business expansion efforts.

State Looks to BOOST Small Business Retention and Growth

Oregon has created several tax incentive programs designed to help new and growing business ventures. The **Standard Enterprise Zones** program offers businesses that choose to locate or expand in one of the state's enterprise zones an exemption from certain property taxes for 3–5 years. These exemptions may also be coupled with other tax breaks for building a business and creating jobs in rural areas or in the e-commerce industry. The **Oregon Investment Advantage** gives job-creating businesses in much of the state a ten-year income tax exemption. In addition, companies that choose to locate in one of the nearly ninety eligible communities can receive a ten-year waiver on excise taxes. Oregon supports expansion in its manufacturing sector through its **Strategic Investment Program**. The program makes firms located in certain zones of the state eligible for property tax exemptions on large capital investments, encouraging manufacturers to add equipment, facilities, modernize lines, and create jobs.

Oregon has also worked to support continued jobs development in its renewable energy sector through the use of several incentives. The state's **business energy tax credit** lets manufacturers of renewable energy components offset the cost of machinery, equipment, and facilities with a tax credit of up to 50 percent of eligible costs. Low interest loans to build new manufacturing facilities are provided through Oregon's State **Energy Loan Program**. The state has also incentivized renewable energy production by creating **rural renewable energy development zones**, which receive property tax exemptions for certain renewable energy generation facilities and equipment. Demand for energy from such facilities is backed by a state-enacted renewable portfolio standard.

Small business creation and development are also part of Oregon's job creation approach. The **Building Opportunities for Oregon Small Business Today (BOOST) Fund** offers loans and grants to promising small businesses in the state looking to build up their operations. The program's operations are focused on companies with under 100 employees in the manufacturing, processing, and distribution industries. The program's grant program offers businesses a grant of up to $2,500 per job created or trained, supporting job creation and cultivation of new workforce skills in order to increase business capacity and competitiveness. Oregon also offers small and micro businesses in the state access to needed financing through the **Entrepreneurial Development Loan Fund**. The fund provides qualified entrepreneurs with loans of up to $50,000 to help set up their business ventures, providing financing to a category of job-creating businesses that traditional lenders may overlook.

The **Oregon Innovation Council (Oregon InC)** continues to be the spearhead of the state's efforts to build its knowledge-driven economy. Created in 2005, the Council offers the state guidance on how to more effectively shape and direct its technology-based economic development efforts. Audit committees composed of private-sector businesspeople have been formed to evaluate existing policies and program implementation. The goal of the program is to identify and support innovation initiatives that will eventually be able to achieve sustainable operation without state funding. The Council currently operates a set of signature research centers focused on renewable and green energy, nanoscience and microtechnologies, and pharmaceutical and biotech research in affiliation with the state's university system. The state's **High Tech Extension Service** offers businesses interested in research and development partnerships access to the research center's facilities and services, including lab space, researchers, prototyping assistance, and workforce training.

In order to provide infrastructure needed to drive job creation, Oregon offers several finance support programs through its **Infrastructure Finance Authority**. The state's Special Public Works Fund offers communities and public agencies throughout the state access to funds for infrastructure design, improvement, construction, and planning conducted in support of economic development activities. Multiple classes of infrastructure project are eligible for loans of up to $10 million. The state also provides grants of up to $500,000 to finance infrastructure developments tied to the creation or retention of jobs in manufacturing and related sectors. Overall grant size is based on the number of jobs created. In order to maintain the infrastructure needed to drive the state's export sector, Oregon also offers infrastructure finance options for port expansion and improvement. These programs include a matching fund for marine navigation improvements, a **port revolving fund** for construction of port facilities and support infrastructure, and a port marketing fund.

Clusters in Oregon

Largest Cluster: Business & Financial Services, 223,978 jobs

Largest Growth Cluster: Business & Financial Services, 42,574 new jobs since 2002

Most Competitive Cluster: Agribusiness, Food Processing & Technology, 11,135 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Computer & Electronic Product Manufacturing, 2.48 times the national concentration level

PENNSYLVANIA

Budget Situation and Policy Priorities

Entering the legislative session with a budget deficit projected at over $4 billion, incoming Governor Tom Corbett called on the general assembly to hold the line on taxes and to enact spending cuts in order to help close the gap. The governor also called for a renewed focus on free enterprise and reform in laying out his vision for the commonwealth. In addition to his "no new taxes" pledge, the governor and his administration entered this year's session with a variety of agenda items and proposals focused on job creation. In order to spur development of the commonwealth's oil and gas resources, the administration created a task force to identify growth strategies and review regulatory standards. The governor has called for cuts to taxes on business inventories, and has made a commitment to continuing support for job-creating tax credit programs. Privatization of state-run functions is also on the table, with the governor backing a study on what functions might be successfully spun off to private interests, potentially cutting costs and creating private-sector business opportunities.

Pennsylvania's Place in the Rankings

4th	Growth in Share of National Exports
8th	Short-term Job Growth
9th	Higher-ed Degree Output
11th	Export Intensity Growth
12th	High Speed Broadband Intensity
13th	High Speed Broadband Availability
14th	Median Family Income
16th	Export Growth
18th	Educational Attainment
21st	Economic Output Per Job
21st	STEM Job Concentration
24th	Per Capita Income Growth
25th	Long-term Job Growth

Encourage Commercialization, Support Startups

Pennsylvania has made a focus on trade a key part of its economic development activities, and continues to be a solid performer in trade measures. The commonwealth's network of **Pennsylvania Trade Representatives** is located in over 20 countries around the globe, offering liaison services for Pennsylvania companies interested in accessing new markets and for foreign companies interested in doing business in the commonwealth. Pennsylvania's **Center for Direct Investment** offers foreign companies support services for accessing the Pennsylvania market and identifying promising business opportunities. The Center is focused on creating a friendly environment for foreign investment by helping foreign companies to set up U.S. subsidiaries, deal with labor issues, identify sites for development and expansion, act as a point of access to business incentive programs, and connect investors with Pennsylvania-based partners.

The **Center for Trade Development** was created to help the commonwealth's exporters expand their reach and trade capacity, offering services including market research, connections to potential trade partners, and access to trade shows and trade missions. Pennsylvania also offers Market Access Grants to small and mid-sized companies in the commonwealth that are interested in accessing global markets. The grants are offered on a matching basis, and can be used to pay for expenses incurred in attending trade shows, participating trade missions, and conducting marketing trips abroad. Pennsylvania also offers an online "virtual trade advisor" which allows small companies to explore potential trade options and examine market information before approaching other commonwealth offices for support.

The **Ben Franklin Technology Partners** is one Pennsylvania's longest running innovation-based economic development programs. Active for over 25 years, the program works to encourage technology commercialization, support entrepreneurial technology startups, and find public and private lines of funding for technology development in the commonwealth. The program has four regional offices throughout the state. Financing is a key part of the program, which makes direct seed investments in technology start-ups, supports technology investor groups, and helps entrepreneurs gain access to tools needed to attract private-sector financing. The program also offers mentoring and business support services to new technology entrepreneurs, and connects start-up companies to university research facilities around the state.

The **Pennsylvania Innovation Partnership (IPart)** is another program focused on helping technology start-ups thrive and create high-quality jobs in the commonwealth. The program works to connect entrepreneurs in clean tech, energy, life sciences, and other target industries to access federal research funding in support of technology commercialization activities. The program offers companies on the hunt for federal grant opportunities support in creating effective proposals, with proposal writing assistance and draft review services. As a supplement to the **Keystone Innovation Zone** program, the commonwealth offers Innovation Grants to build out research infrastructure in support of technology transfer and commercialization efforts. The grants are provided to institutions of higher education, nonprofit research promotion organizations, and academic medical centers, and they must be matched by funding not sourced from the commonwealth.

In order to assure that communities throughout the state maintain a strong inventory of development-ready sites for potential business creation and expansion, Pennsylvania created a **Business in Our Sites** grant and loan program. The program offers communities support in site identification and preparation in order to make sites "shovel ready" for business use and job creation. Private developers may also qualify for support. Backed by a $300 million loan pool, the program offers developing agencies up to $5 million in support of a project, with a matching requirement. Infrastructure financing in the commonwealth is also supported through Pennsylvania's **Infrastructure Development Program**. The program is designed to provide low-interest financing options for both public and private infrastructure development. Low-interest loans are used to back the building of infrastructure in support of economic development, including transportation, rail and port, and telecommunication installations.

Pennsylvania has also looked to use university resources to help drive modernization of its manufacturing sector, thereby protecting and creating jobs. The commonwealth's **Agile Manufacturing** program, offered in partnership with Lehigh University, works to support manufacturing companies looking to increase their efficiency. Grants provided by the program are used to pay for support services from Lehigh faculty and staff, purchase needed equipment for upgrades, and hire outside consultants to drive adoption of advanced manufacturing techniques.

A variety of small business job creation supports also figure into Pennsylvania's economic development agenda. The **Small Business First Program** provides small entrepreneurs with low-interest loans of up to $200,000 for use in acquiring land, equipment, or facilities and for working capital. Loan availability is tied to the number of jobs created by a company and the specific projects it is undertaking. The commonwealth's **Business Opportunities Fund** also provides financing to small entrepreneurs, with a particular focus on women- and minority-owned enterprises. Businesses located in qualified counties are eligible for loans to be used as working capital and for equipment and property acquisition.

Clusters in Pennsylvania

Largest Cluster: Business & Financial Services, 793,462 jobs

Largest Growth Cluster: Business & Financial Services, 101,328 new jobs since 2002

Most Competitive Cluster: Defense & Security, 16,600 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Primary Metal Manufacturing, 2.38 times the national concentration level

RHODE ISLAND

Rhode Island found 2010 to be a challenging year. Unemployment rates, which had stayed between 4 and 6 percent prior to the recession, peaked at nearly 13 percent early in the year. The state also faced a sizeable deficit entering 2011, hit by projections of up to $7 billion in unfunded pension liabilities. However, while the state faces multiple financial challenges, there are signs that the economic outlook is beginning to improve. Unemployment rates have retreated slightly from their highs, and tax revenues are running ahead of projections for 2011, giving state policymakers hope that the worst is behind them and that the state's economy is beginning to pick up steam.

Rhode Island's Place in the Rankings

2nd	Higher-ed Degree Output
3rd	High Speed Broadband Intensity
9th	High Speed Broadband Availability
10th	High-tech Share of All Businesses
12th	Per Capita Income Growth
14th	Academic R&D Intensity
15th	Educational Attainment
17th	Economic Output Per Job
17th	Productivity Growth
22nd	Short-term Job Growth
22nd	STEM Job Concentration

Budget Situation and Gubernatorial Priorities

Newly elected Governor Lincoln Chafee entered office this year facing a budget deficit estimated at $331 million, equivalent to 11.3 percent of the state's total FY2011 budget. While paling in comparison to the gaps faced by some states, the gap has still led the Chafee administration to call for cuts to programs throughout the state and for reform of the state's tax structures. Chafee has launched reviews of government programs to identify potential cost savings, operational changes, and cuts, and has called for tens of millions of dollars in cuts to programs throughout Rhode Island's government. His administration has also argued in favor of sales tax "modernization" reforms, which would cut the sales tax rate but broaden its base by applying it to classes of goods and services not currently taxed. Chafee has also supported corporate tax reform, including changes to income reporting for multi-state companies and cuts to the overall corporate tax rate.

The administration has singled out infrastructure as a point of focus, calling for creation of a new transportation infrastructure fund, supported by revenue from licensing and title fees, in order to provide the state with more flexibility in sourcing funds for transportation upgrades. Chafee has also proposed increasing state employees' contributions to pension funds as a first step towards restoring balance to the pension system. He has expressed willingness to work with public employees and the legislature on more comprehensive reforms that would close the remaining budgetary gap.

Job Creation Initiatives

Rhode Island offers several notable programs and incentives aimed at workforce training and development. To support employers interested in financing training for their employees, the state offers employer credits that reduce an employer's corporate income tax burden. Qualified employees receiving training in state are eligible for up to $5,000 of tax credit over three years for their employer. Credits are limited to 50 percent of qualified expenses, and may be received for direct training expenses, employee benefits, and wages paid during training. Rhode Island also offers employers grants to fund on-the-job training, including reimbursement for employee wages during training. In order to assist companies training their employees in tactics to access foreign markets and promote exports, the state offers qualified businesses up to $5,000 in a matching grant for export training through its **Export Management Training Grant Program**. The state has also offered employers access to an apprenticeship tax credit program, which provides a 50 percent tax credit on qualified apprentice wages up to a cap of $4,800. The credits are focused on apprenticeships in targeted manufacturing fields, including machine tools, metal trades, and plastics processing. Rhode Island has offered other workforce training grants to companies on a broader basis, including a Comprehensive Worker Training Grant, which awards matching grants of up to $50,000 to a single company to support worker skill development.

The state adopted the **Jobs Development Act** to incentivize new hiring by Rhode Island companies. The act offers corporate tax breaks to companies that create new jobs in the state over a period of at least three years. Tax breaks are based on company size and number of jobs created, with smaller companies eligible for a quarter point tax reduction for every 10 jobs created, and larger companies a quarter point reduction for each 25 jobs created. Created jobs must meet certain wage standards. When combined, the job creation tax breaks allow a company to reduce its corporate tax rate from 9 percent to 3 percent.

Rhode Island has made a commitment to support continued development of manufacturing in the state. The state's **manufacturing investment tax credit** gives qualified manufacturers a 4 percent tax credit on investments made in buildings, machinery, and equipment used in production. Credits can be carried forward for up to seven years. The state also offers a **High Performance Manufacturing Investment Tax Credit** of up to 10 percent for companies in targeted advanced manufacturing sectors, including biotechnology. Other manufacturing incentives include accelerated amortization and depreciation options for defense manufacturers and apportionment exclusions directed at medical and pharmaceutical manufacturers.

Hoping to support job creation in the state's small business sector, Rhode Island has launched the **Every Company Counts** (ECC) initiative. This program offers existing and start-up small businesses access to a variety of business support services and learning opportunities tailored to smaller companies. ECC staff will work directly with small businesses to help them access customized technical support, seminars, and direct consultation services. The goal of the program is to act as a clearinghouse and point of access to Rhode Island's business support services for small companies that might otherwise overlook opportunities and incentives available to them.

Recognizing that access to financing can be a challenge for small businesses, Rhode Island supports programs designed to increase credit accessibility for small firms. The state's small business loan fund offers fully secured loans of up to $250,000 for existing manufacturing, processing, and selected services companies. Funding can be used for working capital, land, equipment, or buildings needed for expansion. To support small start-ups with fewer than five employees, the state maintains a **Micro-Business Emerging Growth Fund**. Loans of up to $10,000 can be used for multiple purposes, including start-up costs and equipment.

Seeking ways to streamline government regulations in order to create a better environment for job creation, Rhode Island opened an **Office of Regulatory Reform** in 2010. The goals of the new office include helping small and medium-sized businesses to navigate state and municipal regulatory processes, coordinating state and local efforts to improve permitting processes, recommending state regulatory changes, and creating a more efficient and business-friendly regulatory environment in the state.

Clusters in Rhode Island

Largest Cluster: Business & Financial Services, 71,028 jobs

Largest Growth Cluster: Business & Financial Services, 10,726 new jobs since 2002

Most Competitive Cluster: Education & Knowledge Creation, 1,255 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Education & Knowledge Creation, 1.99 times the national concentration level

SOUTH CAROLINA

South Carolina remains one of the top states for export performance, repeating last year's strong showing. The state has continued to press efforts to expand access to foreign markets in an effort to improve overall economic performance. Building on such points of strength is of particular importance to South Carolina, which was hit particularly hard by the recent recession. In early 2010, the state had unemployment rates above 12 percent—one of the highest rates in the nation. However, since that inauspicious start to the year, the state has seen measurable drops in its unemployment and surprisingly strong revenue collections, giving state leaders hope that a much-needed economic recovery may be gaining momentum.

Budget Situation and Policy Agenda

As unemployment rates rose in the state, revenues collected by government fell measurably. South Carolina entered 2011 facing a projected budget deficit of around $800 million for the fiscal year beginning July 1. While the General Assembly and incoming Governor Nikki Haley have since received positive updates to the budget outlook, indicating that the state revenues are running ahead of initial projections, the state's policymakers continue to face a challenging budget situation.

Governor Haley, in addition to calling for cuts to help cover the deficit, has stated that economic development and job creation are the top priorities of her incoming administration. The governor has made calls for red tape reduction, proposing efforts to harmonize local and state regulations to create a less challenging environment for small businesses in the state. Haley has also pressed the general assembly to pass tort reform legislation, capping maximum awardable damages, bringing South Carolina's laws into line with surrounding states. In order to make sure that business and job creation are at the top of the agenda throughout state government, the administration has committed to appointing businesspeople to openings on state boards and councils, to ensure that business concerns are heard. Haley has also argued in favor of comprehensive tax reform, including reducing or eliminating the state's corporate and small business income taxes, in order to give the state a competitive edge in attracting, retaining, and growing businesses.

Leader in Export Performance

As noted, South Carolina remains a national leader in export performance, exporting to nearly 190 nations around the globe. In order to build on this strength, the state offers several programs designed to support businesses actively involved in foreign trade or interested in pursuing trade opportunities. The state's **export development program** offers interested South Carolina businesses access to training programs and workshops designed to offer "how to" information on exporting to targeted countries. The program also maintains two foreign offices, in Munich, Germany and Shanghai, China. These offices help South Carolina companies gain access to foreign markets in Europe and Asia, while acting as a point of contact for foreign companies interested in establishing

South Carolina's Place in the Rankings

3rd	Export Intensity
7th	Growth in Share of National Exports
8th	State and Local Tax Burden
8th	Small Business Survival Index
9th	Export Intensity Growth
9th	Academic R&D Intensity
12th	Export Growth
13th	STEM Job Growth
15th	Business Birth Rate
20th	High School Advanced Placement Intensity
24th	Business Tax Climate
24th	High Speed Broadband Intensity
25th	Small Business Lending
25th	Transportation Infrastructure Performance

operations and creating jobs in the state. Services offered to foreign companies exploring direct investment opportunities include site identification, industry data and market information, and access to South Carolina's workforce training solutions. The state's **Global Business Resource Center** is a program offered by the College of Charleston. Exploiting relationships with the South Carolina World Trade Center and the South Carolina Ports Authority, the resource center offers management training and degree programs in international business and trade. The program offers companies in the region access to a trade knowledge base and potential employees educated in global business. South Carolina has also attempted to build up collaboration between federal, state, and local assets interested and involved in international trade through the **South Carolina International Trade Coalition**. The state also continues to support export-enabling infrastructure through the **South Carolina State Ports Authority**, which maintains public marine terminals at two ports in the state. Run like a private-sector business, the ports invest money made during operations into upgrades and expansions, taking advantage of public bonding authority to raise capital for major projects.

South Carolina maintains a set of tax incentives and credits designed to support job creation and small business development. The state's **Job Tax Credit** supports job growth in the state by offering businesses a credit against state income taxes for creating new jobs in the manufacturing, distribution, research and development (R&D), and other targeted industries. The tax credit can remove up to 50 percent of a company's state tax obligation. South Carolina has also classified a group of counties as **"Economic Impact Zones."** Manufacturers establishing operations in such counties are given a one-time credit against income taxes equal to up to 5 percent of the company's investment made in production equipment for their new facility. Companies located in such zones seeking to conduct workforce development activities are also eligible for a **Retraining Credit Program**, which reimburses up to 50 percent of workforce training expenses. In order to support technological innovation in the state, South Carolina offers a research and development tax credit, capped at 5 percent of a company's in-state spending on R&D activities.

South Carolina also makes use of tax credits to support use and expansion of its export infrastructure. The state's **Port Volume Increase Credit** offers credits to manufacturers, warehousers and distributors that use state ports and meet benchmarks for increased cargo volume. The state also maintains a fund that may be used to give up to $1 million towards development of a distribution facility shipping through state ports that invests at least $40 million in infrastructure and creates 100 jobs.

South Carolina also offers channels for business finance in support of job creation, including for small entrepreneurs. The **South Carolina Capital Access Program** (SC CAP) leverages public resources to operate a reserve fund, which backs loans made by private sector financial institutions in the state. By offering backing, the state is able to drive capital to small businesses and entrepreneurial start-ups at more favorable rates, helping them to get off the ground and create jobs. The SC CAP reserve fund is not a loan insurance program, but instead keeps funds in reserve to cover potential loan losses experienced by private-sector lending partners. In order to build access to venture capital for South Carolina businesses, the state's Jobs-Economic Development Authority created **InvestSC, Inc.** This venture capital "fund of funds" works with the state Venture Capital Authority and four private sector funds to identify and invest in promising companies interested in locating or expanding in the state.

Clusters in South Carolina

Largest Cluster: Business & Financial Services, 231,228 jobs

Largest Growth Cluster: Business & Financial Services, 57,418 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 19,824 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Electrical Equipment, Appliance & Component Manufacturing, 2.03 times the national concentration level

SOUTH DAKOTA

A leader in tax policy and overall job growth rankings, South Dakota continues to show steady economic performance, even in the face of a sizeable budget deficit. While cuts to government programs, education, and health care carry the potential to cause fallout over the upcoming biennium, the state continues to boast one of the lowest unemployment rates in the nation. With strong commodity prices boosting its agricultural sector and tourism showing its strongest one-year gains in state history, South Dakotans have reasons to be optimistic moving forward.

Budget Situation and Gubernatorial Priorities

South Dakota entered 2011 facing a budget deficit of around $127 million, equal to around 10.9 percent of the FY2011 budget. In proposing his first budget, incoming Governor Dennis Daugaard took a hard line on taxes, calling for any budget solution to focus on spending cuts. Daugaard presented a budget proposal in January that called for a minimum of 10 percent cuts in all state agencies, with some programs taking hits as large as 22 percent. In addition to cuts, the administration proposed holding the line on other spending, including no increase in pay for state workers. While there was some resistance to the depth of cuts, particularly in health care and education, the legislature did follow through on many of the governor's budget recommendations, covering the entire budget deficit with cuts and no tax increases.

While the central focus of the administration this year was closing the budget deficit, Governor Daugaard did make efforts to revamp the state's economic development and job creation activities and programs. The governor called for elevating the economic development office (GOED) to a Cabinet-level department, acknowledging its key importance to state government. Daugaard outlined a vision of economic development built around inviting new business to the state, increasing the footprint of existing businesses, and encouraging innovation and entrepreneurial activity. Daugaard also called for upgrades to key economic development loan funds, training more rural development specialists, reducing paperwork and streamlining regulations related to economic development programs in the state. The governor also pushed for executive reorganization, including restructuring and eliminating programs and giving seats on the Cabinet to others, in order to realize greater efficiencies and cost savings.

South Dakota's Place in the Rankings

1st	Business Tax Climate
1st	Small Business Survival Index
2nd	Productivity Growth
2nd	Transportation Infrastructure Performance
3rd	Gross State Product Growth
3rd	State and Local Tax Burden
5th	Short-term Job Growth
6th	College Affordability
7th	Higher-ed Efficiency
8th	Long-term Job Growth
8th	Per Capita Income Growth
8th	Export Growth
8th	Small Business Lending
15th	STEM Job Growth
18th	Export Intensity Growth
18th	High Speed Broadband Intensity
19th	Educational Attainment
20th	Business Birth Rate
23rd	Academic R&D Intensity
23rd	Entrepreneurial Activity
24th	Budget Gap
24th	Job Placement Efficiency

Leveraging Public-Private Partnerships

As one of the nation's leaders in providing a business-friendly tax environment, South Dakota offers a unique set of policies, tax refunds and incentives to businesses located in the state. South Dakota has no corporate income tax, personal income tax, personal property tax, business inventory tax, or inheritance tax. While the state does have sales, use, and excise taxes, it has established a **tax refund program** offering targeted refunds in these tax classes to qualified business building projects. Focused on larger corporate investments, the program offers refunds on projects exceeding $10 million in scope that involve construction or expansion of a business facility. Projects valued between $10 and $500 million are eligible for refunds ranging between 45 and 55 percent. Above $500 million, the tax refund phases out. While smaller projects and business investments are not eligible for such refunds, the state's sales tax rate of 4 percent remains below the national median.

In addition to low taxes, South Dakota offers a package of financing programs to help businesses in the state gain access to the credit they need to expand and create jobs. The state's **Revolving Economic Development and Initiative Fund** (REDI) can provide low-interest financing for up to 45 percent of a project's cost. Qualified projects include land, machinery, and equipment purchases and construction, acquisition, and renovation of buildings.
In order to support value-added agricultural production, South Dakota maintains an **Agricultural Processing and Export Loan Program** (APEX), in partnership with the U.S. Department of Agriculture. Loans made through this program cover up to 75 percent of the cost of a qualified project focused on developing agricultural processing businesses. In order to identify promising ag industry business opportunities, the state also supports a **Value-Added Ag Subfund**, which provides funding for feasibility and marketing studies to businesses and entrepreneurs exploring potential ag business ventures in the state.

Small business and entrepreneurial start-ups in search of low-interest financing can make use of South Dakota's **MicroLOAN South Dakota Loan Program**. Conducted in partnership between the South Dakota Development Corporation and GOED, program loans are provided to businesses for use as working capital and to purchase equipment, real estate, and other fixed assets. Each applicant must access the program through a primary bank, which funds at least half of the loan being secured. State funding for any one loan is capped at $50,000. Small businesses seeking access to larger capital sources in order to back more capital-intensive investments can seek access to the state's pooled loan program. The program issues bonds to individual financing projects or to those that are pooled in groups to help lower the overall cost of issuance.

Like many states, South Dakota is working to leverage its universities and their research infrastructure as launch pads for public-private research and commercialization partnerships. The **Innovation Campus at South Dakota State University** (SDSU) is a fine example of this model, providing technology entrepreneurs with incubator office and lab space, access to light manufacturing assets and development sites, conference facilities, and access to seed and venture capital networks. Located next to SDSU, the campus has almost 125 acres of space available to support construction of research facilities focused on agriculture, energy, infectious diseases, and medical biotechnology, among other target industries. Companies located at the Innovation Campus also have access to the **Dakota Seeds Program**, a project designed to steer South Dakota students into internships and assistantships at in-state companies. Firms participating in the program receive grants that cover up to 50 percent of the wages for a student employee, gaining access to a potentially valuable employee at less cost than would otherwise be possible.

In addition to providing support for internship programs, South Dakota also supports workforce development efforts focused on new and existing employees. The state's **Workforce Development Program** supports companies seeking to train employees by funding up to 50 percent of total training costs incurred. The program gives priority to training in "hard skills" which focus on technical and functional aspects of a job. However, the program will also support other types of job training when offered in conjunction with "hard skills" training.

Clusters in South Dakota

Largest Cluster: Business & Financial Services, 52,233 jobs

Largest Growth Cluster: Business & Financial Services, 11,871 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 3,649 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Agribusiness, Food Processing & Technology, 3.02 times the national concentration level

Regionally Tailored Strategies

Tennessee's General Assembly gathered in Nashville this March facing projections of up to $1 billion less in revenue in state coffers. According to some estimates, when coupled with previous spending obligations and budgets, the lower revenue level left state policymakers to deal with a budget deficit of up to $1.4 billion. While unemployment levels in the state remain relatively high, spring has brought some signs of recovery, with tax revenues beginning to recover, and jobless rates beginning to recede from recessionary highs. With the state facing a challenging economic environment, newly elected Governor Bill Haslam has made dealing with the pending budget shortfall his central policy focus. Haslam has called for reductions in government employment, cutting administrative budgets, extending collection of some "temporary" fees, and making cuts to government departments averaging around 2.5 percent.

The governor has also laid out several agenda items related to the state's economic development environment and job creation policies. Haslam has proposed expanding reviews of the state's economic development assets and programs, in an effort to identify successful programs, eliminate lagging ones, and create a more cohesive approach to job creation statewide. The governor has also argued in favor of investing in infrastructure that would support business expansion and job creation, even in the face of the difficult budget situation. This includes backing over $180 million in economic development projects around the state, and supporting construction of intermodal and port facilities to expand transport and export capabilities. As in other states, rule and regulation review is also being discussed, with the governor calling for a review of the state's 140 boards and commissions to see which remain necessary, and which may be hindering future development.

Since taking office, Haslam has also launched a new job creation initiative. The administration's **Jobs4TN** plan will make use of existing economic development assets to identify and prioritize growth-ready industry clusters, establish nine regional "jobs base camps" which will work to produce more regionally tailored economic development strategies throughout the state, coordinate innovation activities, and reduce regulations that get in the way of business and job growth. The plan also includes the **INCITE** initiative, a planned $50 million project designed to increase the state's investment in innovation activities by providing early-stage companies with access to capital and increasing funding to support commercialization partnerships between the public and private sectors.

Tennessee's Place in the Rankings

2nd	Cost of Living
4th	State and Local Tax Burden
10th	Growth in Share of National Exports
10th	Budget Gap
11th	Export Intensity
11th	Small Business Survival Index
14th	Entrepreneurial Activity
18th	Export Growth
19th	Business Birth Rate
21st	Export Intensity Growth
22nd	College Affordability
24th	Transportation Infrastructure Performance

FastTrack to Job Creation

A national leader in its overall business tax and regulatory environment, Tennessee offers new and expanding businesses in multiple industries access to a wide array of tax incentives to help spur job creation. Boasting a relatively low state and local tax burden, the state touts the fact that it has **no tax on personal income** and no state property tax in its business attraction efforts. While the state does collect a franchise tax, excise taxes, and sales and use taxes, it offers businesses several exemptions and incentives related to each. Businesses are charged no sales tax on qualified installation of machinery and industrial equipment, renewable energy production equipment, qualified equipment for data centers, and certain industrial supplies, among other exemptions largely tailored to support production and manufacturing. Manufacturers are also offered sales tax reductions on energy, fuel, and water used in their production processes. The state also offers businesses benefits related to excise taxes, including the ability to carry forward net operating losses for 15 years. Large industrial employers, investing in projects over $100 million, receive even more flexibility in the tax code, and are able to carry forward losses beyond the 15-year threshold, giving them the ability to offset future tax burdens when profitable.

The state's **Job Tax Credit** also offers job-creating businesses in the state relief from franchise and excise taxes. Companies in targeted industries creating at least 25 jobs in a year and meeting minimum investment levels are able to claim a tax credit of up to $4,500 per job. The credits can be used to offset up to 50 percent of their tax liability in a year. If unused immediately, the business is able to carry the credit forward up to 15 years, obtaining future tax relief. In order to give more support to job creation activity in areas of need, the state offers expanded timeframes to meet job creation thresholds for the credit in certain counties. There are also lowered job creation standards to gain access to the credit if a company is involved in creating specifically targeted high-wage jobs. Tennessee also offers a version of the program focused on larger-scale industries called the **Job Tax Super Credit**. Qualified companies creating at least 100 jobs meeting specified wage standards are eligible for a tax credit of up to $5,000 per created job, which can be used to offset up to 100 percent of the companies state tax liability and carried forward under certain circumstances for up to 20 years.

To further support manufacturing development in the state, Tennessee maintains an industrial machinery tax credit for qualified investments. The credit is based on size of investment, varying from 1 to 10 percent. Tennessee has also made efforts to attract business headquarters facilities to the state, offering job creation tax credits and relocation benefits to companies interested in centering their operations in the state. The state has also implemented a data center tax credit, supporting the construction and expansion of such facilities.

Tennessee has also made increasing exports one of its areas of emphasis in its job creation platform. The state has sought to attract foreign direct investment, particularly through the use of aggressive manufacturing incentives. Areas such as automotive and clean tech manufacturing have been areas of notable success. The state also maintains a group of foreign trade offices throughout the globe, acting as ambassadors for the state's business community.

Tennessee's **FastTrack** program offers grants for use in conducting job training activities and infrastructure upgrades proposed by communities for use in business attraction and expansion activities. The program's **Infrastructure Development Program** allows Tennessee's communities to apply for funding to build and improve infrastructure needed to create new jobs. Applications for funding must be tied to a private sector partner's commitment to locate in a community and create new jobs.

Supporting small business establishment and growth is the focus of Tennessee's **Business Resource Enterprise Office** (BERO). The office works in conjunction with other state agencies and programs to offer small entrepreneurs the information and resources they need to flourish. Services offered include connecting businesses to grant and loan opportunities, offering small businesses connections to potential public and private sector partnerships, information and technical support services, aid in expansion and location efforts, and connection to educational opportunities for entrepreneurs. The state has also made increasing opportunities for rural entrepreneurs a focus, through its **Creating a Rural Entrepreneurial System in Tennessee** (CREST) program. Operated in partnership with the University of Tennessee, CREST takes a community-centered approach to small business development. The program offers rural communities throughout the state aid in developing strategic plans to support small business creation, organizational development support, and assistance in identifying community economic strengths and weaknesses with an eye towards small business job creation.

Clusters in Tennessee

Largest Cluster: Business & Financial Services, 333,477 jobs

Largest Growth Cluster: Business & Financial Services, 70,107 new jobs since 2002

Most Competitive Cluster: Biomedical/Biotechnical (Life Sciences), 18,577 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Electrical Equipment, Appliance & Component Manufacturing, 2.28 times the national concentration level

TEXAS

The Lone Star State has worked to provide a combination of low taxes, a reasonable and predictable regulatory structure and a capable, diverse workforce to develop a business climate that is economically strong and an environment that is business-friendly. These efforts have continued to pay off as the state is identified as the best-performing large state in terms of job growth, ranking fourth in short- and long-term employment growth. This has been coupled with solid overall economic expansion, as the state ranked 13th in GSP growth and 14th in GSP per job. Since 2002, the state's business and finance, energy, and biomedical/biotechnical clusters each expanded more than 30 percent, adding more than 960,000 jobs to the Texas economy. Of the major industry sectors, only manufacturing and information lost jobs since 2002, and the state's manufacturing sector still outperformed national manufacturing performance by a significant margin.

Cutting Bureaucracy, Reducing Spending

To help address a FY2012 budget shortfall, Governor Rick Perry, the state legislature and comptroller have proposed implementing $800 million in cuts. The administration also looks to take advantage of $300 million from increased sales tax collections over the last few months, and a one-time drawdown not to exceed $4 billion from the state's Economic Stabilization Fund (also known as the Rainy Day Fund) to bring the budget into balance. Ongoing and proposed efforts to contain the budget also include consolidating certain government agency functions, reducing spending on areas including public schools and Medicaid providers, and improving efficiencies within state agencies to help manage the shortfall. State leaders and lawmakers have worked collaboratively to balance the current budget, and continue to focus on a more efficient, fiscally responsible government, essential state services, and private-sector job creation. By working to aggressively confront the current shortfall, state leaders can focus future efforts on completing the 2012–2013 biennial budget without raising taxes.

Innovation, Entrepreneurship & Exports

While Texas is known for its energy industry, it is also a strong performer in innovation and entrepreneurship, ranking 16th or better in every category but research intensity, overall job growth and its above average rankings in small business lending and business birth rate. To accomplish this, the state has developed a series of initiatives and programs to spur new job and revenue creation. Coupled with significant participation from the private sector, the state utilizes two primary tools to incentivize and support efforts to continue to grow jobs

Texas' Place in the Rankings

1st	Growth in Share of National Exports
2nd	Export Intensity
3rd	Small Business Survival Index
3rd	Higher-ed Efficiency
4th	Long-term Job Growth
4th	Short-term Job Growth
5th	Cost of Living
5th	Job Placement Efficiency
6th	State and Local Tax Burden
7th	Entrepreneurial Activity
12th	High-tech Share of All Businesses
12th	Small Business Lending
13th	Gross State Product Growth
13th	Business Birth Rate
13th	Business Tax Climate
13th	High School Advanced Placement Intensity
14th	Economic Output Per Job
14th	Export Growth
14th	STEM Job Growth
16th	STEM Job Concentration
19th	College Affordability
22nd	Per Capita Income Growth
25th	Median Family Income

and bolster the state's economy.

As the largest "deal-closing" fund of its kind in the nation, the **Texas Enterprise Fund** (TEF) is an incentive used to help to close a deal or to attract businesses to a Texas site that is competing with another viable out-of-state option. Projects that are considered for TEF funding must demonstrate a significant rate of return on the public dollars being invested, competition with another state for the project must exist, the business must not have already announced a location decision, and projected new job creation must be significant. Past recipients have typically created more than 100 jobs in urban areas or more than 50 in rural areas. Additionally, the new positions created must be high-paying jobs—above the average wage of the county where the project would be located. The potential capital investment by the company must be significant and the applicant's business sector must be an advanced industry that could potentially locate in another state or country. Since its inception in 2003, the Texas Enterprise Fund has attracted more than 56,000 new jobs to the state and generated more than $14.7 billion in capital investment.

The state's **Emerging Technology Fund** is focused on creating a competitive advantage in the research, development, and commercialization of emerging technologies. Key elements of the program include commercialization and matching awards, as well as research superiority acquisition. The goal of the **ETF Commercialization Awards** is to grow new small businesses and to help existing businesses accelerate new products and services to the marketplace. The design of these investments is to ensure a vibrant economy and create a global leadership position in the technology marketplace. Commercialization awards provide early-stage investments in new technology-based private entrepreneurial entities that collaborate with public or private institutions of higher education, and that provide significant economic benefit to the state. The goal of the **ETF Research Superiority Acquisition** program is to bring the best and brightest researchers in the world to the state of Texas. This enables the state's academic institutions to build expertise in key research areas, attract and encourage students to pursue advanced degrees in math, sciences, and engineering, and foster innovation and commercialization in Texas-based companies.

Exports, too, are a critical component of job creation and economic development within the state. Of the more than 26,000 businesses exporting from Texas, 92 percent were small and medium-sized enterprises, the fourth highest total of any state. Of its $206 billion in exports in 2010, $72.4 billion was exported to Mexico, and its top exported merchandise categories included computers and electronic products ($39.1 billion), chemicals ($38.9 billion), and petroleum and coal products ($32.9 billion). To bolster and promote this important element of the economy, the state has developed the **TexasOne** program. This initiative works to effectively market and communicate the state's assets and resources to an international market focusing on both exports and foreign direct investments. TexasOne acts as a critical tool for job creation in Texas, providing a deal-opening fund to generate leads and create promotional materials to competitively promote the state in foreign markets.

Targeted Industries Energize the Economy

Long a leader in energy development, the state has continued to capitalize on this industry sector, working collaboratively with the private sector to grow and support the still-vital industry. The energy cluster is made up of three sub-clusters: oil and gas exploration and production, electric/coal/nuclear power generation, and renewable and sustainable energy generation. Texas leads the nation in petroleum refining and chemical products production, and is a global leader in the closely related petrochemical industry. Additionally, it leads the nation in production and reserves of crude oil and natural gas.

Other clusters and industry targets include advanced technology and manufacturing which is made up of three sub-clusters: nanotechnology, semiconductors and automotive manufacturing; aviation; biotechnology and life sciences; and information technology including computers, software, telecommunications and IT services. All three industry clusters have been able to gain economic traction and grow as the state has used its assets and resources to give them a competitive advantage in the global marketplace.

Clusters in Texas

Largest Cluster: Business & Financial Services, 1,667,677 jobs

Largest Growth Cluster: Business & Financial Services, 412,797 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 216,642 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Energy (Fossil & Renewable), 1.71 times the national concentration level

Regaining Footing Through Startups and Exports

The economic downturn did not leave Utah unscathed. While the state's unemployment rates have remained below national averages, they nearly tripled during the recession, ranging between 7.5 and 8.5 percent over the past year and up from remarkably low levels of 2–3 percent in 2006 and 2007. Utah's budget has also shown signs of economic stress, as the state entered the current year facing a FY2012 shortfall of around $400 million. While this deficit is smaller than that faced by many other states, Utah has faced a challenging structural deficit over the past several years, which has forced it to tap into its financial reserves. The state's economy is showing signs of rebound from the depths of the recession, but there remains some way to go before it regains its footing completely.

In order to help drive a sustained economic recovery, Governor Gary Herbert has made job creation one of the cornerstones of his agenda, along with energy development, education, and increasing the state's capacity to solve problems independently. In an effort to drive innovation and attract high-tech firms to the state, the administration has set a goal of expanding the number of citizens with degrees and professional certifications to 66 percent of adults by 2020. The governor has also called for an increased focus on science and engineering careers in the state's educational system.

Hoping to capitalize on inexpensive sources of energy in Utah and create opportunities for energy development, the administration has launched preparation of a ten-year strategic energy plan. The administration has also called for a three-pronged effort to cut unemployment in the state, focused on increasing access to development capital for businesses, increasing the state's export base, and supporting legislation and programs designed to enhance business expansion and retention. Governor Herbert has made calls for increased coordination of economic development activities, supporting and signing legislation that created a Governor's Economic Development Coordinating Council to work with public- and private-sector partners to identify opportunities and coordinate policies for job development in Utah.

Job Creation Initiatives

Utah continues to focus its job development efforts around several key established and emerging industry

Utah's Place in the Rankings

1st	Business Birth Rate
3rd	Growth in Share of National Exports
3rd	Export Growth
4th	Higher-ed Efficiency
5th	Export Intensity Growth
6th	Long-term Job Growth
6th	Export Intensity
6th	Small Business Lending
7th	College Affordability
8th	Gross State Product Growth
9th	STEM Job Growth
9th	High-tech Share of All Businesses
9th	Business Tax Climate
12th	Small Business Survival Index
13th	Transportation Infrastructure Performance
15th	Academic R&D Intensity
15th	Budget Gap
16th	STEM Job Concentration
16th	Higher-ed Degree Output
16th	High School Advanced Placement Intensity
17th	Cost of Living
18th	Entrepreneurial Activity
19th	High Speed Broadband Availability
23rd	Productivity Growth
23rd	Median Family Income
25th	Educational Attainment

sectors. Organized through the Governor's Office for Economic Development, the state's **Economic Clusters Initiative** has identified seven economic sectors: aerospace, defense, energy, financial services, life sciences, software development, and outdoor products and recreation as targets for future job growth and development.

Innovation and Entrepreneurship

In 2006, the state launched the **Utah Science, Technology and Research Initiative** (USTAR) to promote excellent research and associated job growth at Utah's universities. The program, designed as a lasting effort to build the state's "knowledge economy," views the state's existing public university research base as a source of leverage for public-private research partnerships leading to private start-ups and spin-offs. The program has invested in additional research infrastructure at state universities, created research teams in "strategic innovation focus areas," and built up the state's regional technology outreach activities. These outreach initiatives, organized through the state's **Technology Outreach Innovation Program** (TOIP), offer services including business consulting, market analysis, and prototyping grants to entrepreneurs conducting research at and in partnership with the state's universities.

The Utah Legislature has shown continued support for the USTAR program, passing continued funding for both its research team and outreach programs. The state's Cluster Acceleration Partnerships have also received increased funding to build out target clusters by creating industry-focused training and educational programs and connecting the state's institutions of higher education to private industry in new ways.

Hoping to ensure that job-creating entrepreneurs will have access to needed venture capital, the state of Utah launched the **Utah Fund of Funds**. Backed by an initial $300 million state commitment, the fund makes investments into venture capital and equity funds that are interested in investing in promising Utah start-up companies. Since its creation, the Fund of Funds has directed over $200 million into approximately 35 companies; today, it boasts a total of $5 billion of investable capital in conjunction with its partner funds.

The state's **Technology Commercialization and Innovation Program** offers grants to businesses looking to commercialize technologies created in partnership with the state's university researchers. Grants can also be made to companies interested in licensing university-created technology for further development. The program is a continuation of the state's Centers of Excellence Program, working to promote successful public-private partnerships that will spur job growth in Utah.

Exports

Utah continues to be a leader in export measures. The state has trumpeted the fact that its international exports have increased by 45 percent per year since 2009, and it continues to offer a variety of programs and incentives to drive further growth. The state's **International Trade and Diplomacy Office** serves as an intermediary between Utah companies and international markets, promoting Utah products and helping companies prepare themselves to operate globally. The Office hosts trade seminars, information sessions for companies interested in export opportunities, trade missions, and works with partners such as the Utah U.S. Export Assistance Center to support Utah companies in their efforts to access new markets. Governor Herbert, aiming to double Utah's exports over the next five years, has taken an active role in supporting such initiatives, recently leading a trade mission of Utah interests to China. The Governor's Office of Economic Development also works with the **World Trade Center Utah** to promote increased exports. Located in Salt Lake City, the Center offers export-minded businesses a variety of support services, including opportunity assessments, global trade education materials, and matchmaking to potential trade partners around the globe.

Regulatory Policy

In an effort to increase government efficiency, state leaders launched an advisory committee to optimize state government. Composed of public- and private-sector experts, the committee made over 50 recommendations, including calls for review of regulatory processes that affect businesses in the state. Greater coordination between regulatory agencies was identified as a way to maintain a business-friendly environment and avoid harmful duplication of services and unneeded red tape.

Clusters in Utah

Largest Cluster: Business & Financial Services, 235,349 jobs

Largest Growth Cluster: Business & Financial Services, 73,528 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 38,527 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Mining, 1.83 times the national concentration level

VERMONT

Shaped by its largely rural environment and its large number of small companies, Vermont has built an economic development strategy around retaining and expanding existing firms while maintaining and promoting quality of life. The state has seen a recent rebound from peak unemployment rates experienced during the recent recession, and is focused on making new investments in infrastructure needed to help it overcome the challenges of promoting job growth in a rural state.

Multi-Point Approach to Job Creation

Faced with a daunting $176 million deficit entering the year, the Vermont legislature was able to close the gap through a package of cuts, unanticipated receipts, shifted funding, and new taxes. While cuts were wide-ranging, the governor and legislature were still able to support continuation of key economic development initiatives. Entering his first term, Governor Peter Shumlin called for a multi-point approach to job creation, including increased investments in workforce education, tax fairness and credits for expanding businesses, and broadband infrastructure expansion throughout the state.

The governor also pressed strongly during the session for adoption of legislation outlining a path towards a single-payer healthcare system in the state, which led to passage of legislation that will lay the foundation for implementation of such a program by 2017. Shumlin has argued that adoption of single-payer reforms will reduce the burden of healthcare provision on entrepreneurs, freeing them to focus on business-related issues, and help control overall costs.

Infrastructure development in support of economic growth was also a key priority of the administration, which backed legislation investing over $100 million in roads and other transportation infrastructure upgrades. Broadband and related telecommunications infrastructure were also a key part of the Shumlin agenda, with the administration proposing and the legislature approving major investments in telecom infrastructure and changing regulatory processes to speed private investment. Moving on another of the governor's priorities, the legislature was able to pass bills supporting continued and expanded investment in job training programs and support for seed capital funding for agricultural firms in the state.

Vermont's Place in the Rankings

3rd	Short-term Job Growth
6th	High Speed Broadband Availability
7th	Higher-ed Degree Output
7th	Transportation Infrastructure Performance
9th	Export Intensity
9th	Educational Attainment
10th	High Speed Broadband Intensity
11th	High School Advanced Placement Intensity
13th	Per Capita Income Growth
13th	Academic R&D Intensity
14th	Entrepreneurial Activity
18th	High-tech Share of All Businesses
20th	Median Family Income
20th	STEM Job Concentration
22nd	Productivity Growth
22nd	Long-term Job Growth

Infrastructure Initiatives

Vermont has made the improvement of its rural technology infrastructure a point of emphasis. Governor Shumlin recently launched **ConnectVT**, a coordinated effort to expand broadband and wireless communications access to all parts of the state by 2013, in an effort to support rural business job creation. The initiative also convened experts to identify areas of need and examine ways to coordinate ongoing public and private efforts. With funding support passed in the recent legislative session, ConnectVT plans to couple state efforts with federal and private-sector funding sources to install and upgrade infrastructure in underserved areas throughout the state.

The Vermont Economic Development Authority's **Technology Infrastructure Financing Program** attempts to address private-sector needs for vital infrastructure upgrades. Under the terms of the program, qualified technology service providers, businesses, and nonprofits can access funding to drive construction, equipment provision and installation, and the creation of loan funds used to install and upgrade technology infrastructure. Funding comes in the form of low-interest loans, with applicants required to provide at least 15 percent of the funding for projects themselves. Vermont sponsors a **Technology Loan Program**, which provides financing for capital projects and debt refinancing for technology companies. Qualifying firms must be involved in providing technology-based goods or services.

Workforce and Training

Vermont offers a variety of workforce development programs and incentives designed to support existing and expanding businesses. The **Vermont Training Program** offers funds to companies that create jobs that will pay at least twice the minimum wage. Regions with persistently high unemployment have lower wage thresholds for eligibility. The program offers supplementary financial support to qualified companies conducting training for new employees and crossover and skill upgrade training for existing employees. The focus of the program is on creating and retaining jobs in the manufacturing, technology, healthcare, and telecommunications sectors in the state. Vermont also maintains an active **Registered Apprenticeship Program**, which connects interested workers with apprenticeship opportunities, while providing employers supporting apprentices with access to job training programs and classes offered through state educational institutions.

In order to support enhanced job training initiatives, Vermont maintains fifteen **Career and Technology Centers** throughout the state. The Centers work directly with businesses and communities to create workforce training solutions tailored to their needs. The Centers also offer career development services and a broad array of work training programs to support workers in search of a new career or retraining. The University of Vermont is also involved in workforce development activities through its **Vermont Business Center** (VBC). The VBC offers a variety of management and business training programs and seminars, including programs focused on supporting family-owned businesses through the Vermont Family Business Initiative. The VBC also serves as a point of connection between businesses throughout the state and programs and resources at the university.

Innovation and Entrepreneurship

The University of Vermont is engaged in promoting the development of high-tech companies through the **Vermont Center for Emerging Technologies** (VCET), located on the Burlington campus. Launched in 2005, this technology incubation program couples research and commercialization efforts at the University of Vermont with those underway at partner higher education institutions throughout the state. VCET provides start-up companies with access to office space, university research facilities, product development support services, and venture capital opportunities.

The **Vermont Employment Growth Incentive** (VEGI) provides direct support, in the form of cash payments, to companies engaged in new job creation. In order to be eligible for the incentive, any job created undergoes a cost-benefit analysis and must generate more new revenue for the state than is granted through the VEGI program. Qualified companies must show progress toward job creation goals in order to remain eligible for support. The goal of the program is to support companies undertaking job creation efforts that would not occur without the incentive and to create an environment favorable to the creation of higher-paying jobs.

Exports

Located along the Canadian border, Vermont has launched initiatives to promote and expand international trade. The **Vermont Global Trade Partnership** connects businesses with opportunities to promote their products and services through trade shows, trade missions, and marketing support. The Partnership also provides educational and informational services to companies interested in pursuing export opportunities. Furthermore, the state offers access to international trade market development grants, which qualified companies can use to support their trade development and market identification efforts.

Clusters in Vermont

Largest Cluster: Business & Financial Services, 37,542 jobs

Largest Growth Cluster: Business & Financial Services, 5,321 new jobs since 2002

Most Competitive Cluster: Electrical Equipment, Appliance & Component Manufacturing, 488 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Computer & Electronic Product Manufacturing, 2.54 times the national concentration level

VIRGINIA

Steep Cuts Lead to Surplus

Entering 2010, Virginia faced a daunting budget deficit approaching nearly $2 billion for 2012 and $4 billion for the biennium. Forced into action, Governor Bob McDonnell and the Virginia general assembly were able to close the gap with a budget package centered on steep cuts to government programs and services, use of federal stimulus dollars, accessing rainy day funds, new fee structures, and changes to contribution rates and pension structures for Virginia state employees. Government spending was taken back to levels last seen in 2006. As a result of the changes made, as well as increased revenues due to economic recovery, the assembly's 2011 session was able to convene in Richmond with a surplus estimated at up to $400 million.

Faced with a healthier budget picture, the McDonnell administration has pressed for investments in several programs and initiatives focused on job creation and enhancing Virginia's economic competitiveness. The administration has made calls for increased funding to programs that act as tools for job creation, including funding for a research and technology innovation program, increased resources for small business financing authorities, focused investments in incentives for the commonwealth's tourism industry, and more funding for workforce and industrial site development efforts. The administration has also said there is a need to realign efforts at the commonwealth's universities to provide better access to education and training in science, technology, engineering, and math-related fields. Infrastructure development in Virginia is another one of the governor's priorities. The governor has argued that Virginia's job creation activities "will not be sustainable" if the commonwealth does not make upgrades to its transportation infrastructure.

Translational Research = Jobs

Among the nation's leaders in innovation and entrepreneurship, Virginia continues to press development of advanced research and development through multiple programs and incentives. The **Virginia Innovation Partnership** is an innovation grant program launched by the commonwealth in conjunction with the University of Virginia and Virginia Tech to fund "translational research" leading to potential technology commercialization and job creation. Grants made are intended to spur public-private collaboration, support small tech start-ups, and attract companies from outside the commonwealth to relocate, bringing new high-tech jobs to the area. Virginia has also established partnerships with a series of nine **university research parks** throughout the commonwealth. These parks offer technology companies access to public research assets, as well as a variety of support services.

Virginia's Place in the Rankings

1st	High-tech Share of All Businesses
3rd	STEM Job Concentration
3rd	High School Advanced Placement Intensity
7th	STEM Job Growth
10th	Economic Output Per Job
10th	Productivity Growth
12th	Gross State Product Growth
12th	Business Tax Climate
12th	Educational Attainment
12th	Transportation Infrastructure Performance
14th	Per Capita Income Growth
14th	Small Business Survival Index
15th	Long-term Job Growth
16th	Short-term Job Growth
18th	State and Local Tax Burden
19th	High Speed Broadband Intensity
20th	Higher-ed Efficiency
20th	High Speed Broadband Availability
22nd	Business Birth Rate
24th	Cost of Living

Entrepreneurial and high-tech start-ups throughout the commonwealth also have access to a network of over 30 small business incubator facilities, which promote job creation at innovative small companies. The state is home to a vast array of advanced federal research institutions, including 11 R&D centers and 19 laboratories, which attract research talent and help to create an environment attractive to private innovation activity. In order to support local high-tech job attraction and creation efforts, Virginia enables communities to create **technology zones**. Creation of a technology zone enables local governments to offer job-creating businesses access to special incentives, including reductions in government fees, special zoning rules, exemption from local ordinances, and other local tax incentives.

Established in 1992, the **Governor's Opportunity Fund** is another tool used by Virginia to attract businesses and create jobs in the commonwealth. The fund acts as a deal-closing fund, allowing the governor to give an extra push to local efforts to attract new businesses and jobs to the state. Loans or grants from the fund are allocated under caps based on the size of the community, and cannot be used to move a business already existing in Virginia to another community in the commonwealth.

Tax stability is another plank of Virginia's job creation efforts. The commonwealth touts the fact that it has not raised corporate income taxes in almost three decades, and has tax rates that are below national and regional medians. The state also offers tax incentives and credits to businesses that create jobs in economically distressed areas, and offers grants to support job creation in such areas through its **Virginia Enterprise Zone** program.

The **Virginia Jobs Investment Program** (VJIP) is one of Virginia's central tools for workforce development activities. The program is designed to spur private-sector job creation by providing funding to offset workforce development activities for companies interested in expanding or retooling their workforce. The VJIP is organized around three areas of focus, including support for new jobs creation, programming specifically designed to help small businesses create new jobs, and retraining assistance for companies in targeted sectors. The VJIP's **New Jobs Program** focuses on supporting companies establishing a new or expanding presence in Virginia and creating at least 25 jobs. The **Small Business New Jobs Program** also provides support to companies with workforce training expenses, but is limited to companies located in Virginia and only requires companies to create five jobs to qualify for assistance. The industry-specific portion of the VJIP's activities is in its Retraining Program, which provides job training services and funding to companies in the manufacturing and distribution industries. Support is designed to help companies merging new technology into their operations, requiring employees to gain new work skill sets.

Virginia has made workforce development outreach a priority. The **Virginia Workforce Network** supports a system of "one-stop career centers" at the commonwealth's community colleges. These centers offer workers throughout Virginia easy access to job retraining services and other programs designed to support skill development. In order to assure that the commonwealth's workforce development efforts are aligned with the needs of private industry, Virginia established the Virginia Workforce Council, which sets policy guidelines for the local workforce training centers. This business-led body also serves as an advisory council to the governor on issues related to workforce training and development throughout the commonwealth.

One notable tool used to drive infrastructure improvement and investment in Virginia is the **Private-Public Transportation Act** (PPTA) program. Established in 1995, the PPTA allows Virginia and its local governments to enter into agreements with private companies for the development and operation of transportation infrastructure facilities. The program is designed to attract private investment in needed infrastructure investment to Virginia, thus reducing the burden of infrastructure provision and financing placed on the commonwealth and local governments. Virginia uses funds placed in the program to leverage investment by private entities, which finance and develop projects in return for a share of revenues generated. Projects can be solicited or unsolicited in nature, giving private entities the ability to propose potentially economically beneficial infrastructure upgrades overlooked by the public sector.

Clusters in Virginia

Largest Cluster: Business & Financial Services, 681,128 jobs

Largest Growth Cluster: Business & Financial Services, 161,335 new jobs since 2002

Most Competitive Cluster: Business & Financial Services, 48,906 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Defense & Security, 1.86 times the national concentration level

WASHINGTON

Home to major employers such as Boeing, Starbucks, and Microsoft, the state of Washington continued to suffer the economic effects of the recent recession in 2010. Unemployment rates peaked near 11 percent, before showing some signs of easing later in the year. Like most states, Washington also faces a budget deficit for the current year. Beyond its headline corporate citizens, Washington has focused its economic development and job creation efforts on several established and emerging industries, including aerospace, clean energy, life sciences, IT, manufacturing, marine technologies, agriculture and food, and tourism.

Budget Situation and Gubernatorial Priorities

Entering the budgeting period for the upcoming biennium, Washington state legislators and Governor Christine Gregoire were presented with a biennial deficit of around \$5 billion, an FY2012 budget deficit of approximately \$2.5 billion. The debate over closing this gap has, as in many other states, proved to be challenging. With the state's House, Senate, and governor all pushing for different combinations of cuts and revenue increases, the budgeting process was forced into overtime in the form of a special session.

Governor Gregoire presented a biennial budget that called for an increased focus on core services throughout state agencies. Cuts were found throughout the proposal, along with calls for restructuring government agencies, including rolling 21 existing departments into nine new ones, in order to save money on administration and operations. The governor has also placed pension reform on the policy agenda, calling for halting automatic increases, which held the potential to save the state up to \$2 billion over the next four years, and north of \$11 billion over 25 years. In order to support the state's businesses, Gregoire asked for legislative support for cuts to workers' compensation and unemployment insurance, allowing the state to invest the savings in other activities including job creation. The administration has supported continued funding for tax incentives to attract and retain business, including tax credits for new hires. The governor has also advanced a 10-point job creation plan that calls for regulatory changes and streamlining permitting processes.

Washington's Place in the Rankings

1st	Export Intensity
1st	STEM Job Concentration
5th	Small Business Survival Index
9th	Economic Output Per Job
9th	Business Birth Rate
11th	Median Family Income
11th	STEM Job Growth
11th	Business Tax Climate
15th	College Affordability
16th	Long-term Job Growth
16th	Job Placement Efficiency
17th	Educational Attainment
17th	High Speed Broadband Intensity
17th	Transportation Infrastructure Performance
18th	High Speed Broadband Availability
19th	High School Advanced Placement Intensity
20th	Gross State Product Growth
22nd	State and Local Tax Burden

Job Creation and Enterprise-Friendly Initiatives

Innovation and technology-based economic development efforts are a central part of Washington's job creation agenda. The state offers multiple tax incentives and programs focused on attracting, retaining, and growing job opportunities in key advanced industries. The state's

high technology business and occupation tax credit is available to businesses in the advanced computing, advanced materials, biotech, electronic device, and environmental tech industries that conduct research and development (R&D) activities in the state. Companies in the same industry set also have access to a sales and use tax deferral program for qualified R&D and initial manufacturing activity expenses. Biotech and medical devices companies also receive **sales and use tax breaks** on qualified equipment purchases used in expansion and job creation.

Aerospace manufacturing and product development continues to be an industry of vast importance in Washington, a fact reflected in the state's tax incentive structure. The state offers several special aerospace tax incentives, including a business and occupation tax rate decrease, aerospace research and development tax credits, aerospace specific property and excise tax credits, and a sales and use tax exemption on computers used in aerospace design.

Multiple other tax credits for research and development, sales and use taxes, and capital investment activities are offered to other target industries, including timber extraction, manufacturing, food processing, biofuel and renewable energy production, semiconductor manufacture, smelting, farming, and warehousing.

Washington's **Innovation Partnership Zones** are locally driven technology job development efforts focused around key industry clusters throughout the state. Local economic development agencies, workforce development councils, and local governments work together with private sector partners to build technology commercialization efforts, offer incubation services for entrepreneurial start-ups, support tech transfer, and provide needed workforce training to companies located in the innovation zones. University researchers are also actively involved in the partnerships, which last for four years before a community must reapply.

Washington also offers an array of workforce development services and incentives. These include a workforce business and operations tax credit equal to up to 50 percent of qualified training expenses incurred through the state's **Customized Employment Training Program** (CTP). The CTP pays the upfront costs for customized training, which businesses can later repay free of interest. Back payments for training can be made over an 18-month period, and businesses receiving training services are only required to pay for 25 percent of the costs upon completion of the training. Such repayment options remove cost barriers that might otherwise keep a business from pursing workforce training that will make it more competitive. Washington also maintains an active **apprenticeship funding program**, which offers one-year program development funding in support of creation and expansion of apprenticeship programs through the state's Board for Community and Technical Colleges.

Washington's **Community Economic Revitalization Board** (CERB) provides infrastructure funding support to communities throughout the state. CERB focuses on financing projects that support business growth and job creation opportunities. Since 1982, CERB has provided local governments throughout Washington with $149 million of infrastructure investment, which was used to leverage $5.2 billion in private business investment. In addition to funding, CERB offers communities support in evaluating potential infrastructure projects and development of overall funding strategies for proposed projects.

Rural areas are not overlooked in Washington's job creation efforts. The **Rural Washington Loan Fund** (RWLF) provides gap financing for up to one-third of the cost of a business project that will create or retain jobs in a rural area of the state. Funding is focused on property acquisition, improvement, or construction, with up to $1 million of financing available to any one project.

In order to help reduce the regulatory burdens on small businesses, Washington's Department of Licensing offers businesses seeking to apply for or renew licenses access to a **Master Business Application**. The master application gives applicants a simplified form that can be used to apply for multiple classes and types of license, at both the state and local level. When coupled with the state's online file and pay system, the master application helps entrepreneurs access needed licensing more quickly and easily, allowing them to focus on business matters instead of paperwork.

Clusters in Washington

Largest Cluster: Business & Financial Services, 415,931 jobs

Largest Growth Cluster: Business & Financial Services, 89,290 new jobs since 2002

Most Competitive Cluster: Information Technology & Telecommunications, 37,215 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Transportation Equipment Manufacturing, 3.06 times the national concentration level

WEST VIRGINIA

West Virginia entered 2011 as one of just a handful of states facing a budget surplus, instead of a budget deficit. With estimates placing the state's windfall approaching $250 million, West Virginia's policymakers entered this year's legislative session in an enviable position. While the budget entered the year in relatively strong shape, the same could not be said of West Virginia's overall economic condition. Joblessness remains near 10 percent, well above pre-recession levels. The state also faces projected future budget shortfalls, a graying workforce, and the specter of decreased coal production and accompanying severance tax receipts in the long term. However, the strength and stability of West Virginia's current budget situation have placed the state and its leaders in a position to make moves calculated to improve the state's long-term economic outlook.

West Virginia's Place in the Rankings

1st	Budget Gap
1st	Higher-ed Degree Output
6th	Short-term Job Growth
7th	Per Capita Income Growth
12th	STEM Job Growth
13th	Small Business Survival Index
13th	Job Placement Efficiency
14th	Higher-ed Efficiency
17th	Long-term Job Growth
22nd	High Speed Broadband Intensity
24th	State and Local Tax Burden

Policy Priorities

The election of Governor Joe Manchin to the U.S. Senate in late 2010 left West Virginia in the position of having to fill the vacancy with an acting governor. West Virginia has no Lieutenant Governor, so the vacant office of the governor was filled by State Senate President Earl Ray Tomblin. Since taking the reins, Acting Governor Tomblin has argued in favor of making business climate improvement and job creation the state's highest priorities. In order to support this agenda, Tomblin has called for making improvements in the state's tax increment financing structures in order to give municipalities more control over projects, introducing sales tax credits for distribution businesses to create jobs, and conducting a comprehensive review of the state's business recruitment efforts. Energy development, including continued support for the state's massive coal industry as well as exploration and exploitation of natural gas resources, are also a major administration focus. The state's strong budget situation allowed Tomblin and the state legislature to construct a budget that included no tax increases, no cuts to existing government programs, and no state employee layoffs, all while also increasing wages for the state's teachers.

Five-For-Ten Helps Job Creation

Decreasing tax burdens on business has and continues to be a point of emphasis for West Virginia. Over the past five years, the state has removed nearly $250 million dollars of taxes on business, and has passed legislation to continue cuts by implementing a series of phased reductions to the state's corporate net income tax through 2014.

The state also offers a variety of tax programs designed to support development in specific industries. Support for manufacturing industries and jobs has been a particular area of note. The state's **"Five-For-Ten" Program** offers decreased property taxes to manufacturing businesses in the state, by valuing capital improvements to manufacturing equipment at 5 percent of their true value for up to ten years, thus offering support to companies interested in expanding or modernizing their facilities. West Virginia offers manufacturing businesses access to investment credits for qualified investments made in productive property. These can be used to offset up to 60 percent of a company's income and franchise tax liabilities. The state also provides tax breaks, in the form of a manufacturing inventory credit, on raw materials and goods held in inventory by manufacturers in the state. In support of high-tech manufacturing, the state offers a targeted **High-Tech Manufacturing Credit**, which can be used to offset up to 100 percent of a company's tax obligation, if job creation benchmarks are met.

In fact, West Virginia has tailored special tax incentives to attract high-tech firms, under the auspices of the **High-Technology Business Property Valuation Act**. Because of this legislation, property taxes on qualified property and machinery owned by high-tech and Internet marketing companies are set at a level equal to 5 percent of what they would otherwise be. The Act also provides such companies with sales tax breaks on certain classes of inputs used in conducting business, including software and computer hardware.

Small business financing in the state is supported by the **West Virginia Jobs Investment Trust**. This publicly funded venture capital fund works in tandem with private sector venture funds to provide loans to small companies seeking capital to expand in West Virginia. In addition to providing access to capital, the trust offers businesses selected for investment with access to experts who can provide assistance in developing effective growth strategies and management recruitment support. The goal of the Trust is to create an environment supportive of entrepreneurial success in the state. The West Virginia Economic Development Authority also works to further such goals through its **West Virginia Venture Capital** program. The program works with seven venture capital funds that have an interest in investing in and supporting entrepreneurship in West Virginia. To encourage investment in the identified firms, the program offers tax credits to individuals and private institutions that make investments in the firms, expanding the amount of capital available for investment in West Virginia companies.

In order to support technology transfer from the state's university system to private businesses, driving commercialization and job creation, West Virginia has created an **Economic Development and Technology Advancement Center** program. The Centers are designed to act as points of connection between university research institutions and private sector firms, through which research collaboration and assistance can be organized. The program includes a focus on acquisition and management of research and development grants, and provides tax credits to incentivize private sector investment in such research partnerships.

Recognizing the importance of quality infrastructure to job creation activity, the state created the **West Virginia Infrastructure and Jobs Development Council**. The Council manages a revolving loan fund used to support the installation of economically important water infrastructure, as well as other economic development projects throughout the state.

West Virginia offers businesses access to a package of export assistance services through the West Virginia Development Office's **Export Promotion Program**. The program subsidizes costs for businesses to exhibit at international trade shows, and offers access to foreign trade missions. The program also provides businesses free evaluations of their trade readiness and logistical support to prepare for attending and taking part in trade missions and international shows. For businesses that are interested in accessing foreign trade channels but do not have the capability to make trips abroad to promote their goods and services, the state organizes meetings with foreign buyer delegations that are touring West Virginia. The state also maintains outreach offices in Japan and Germany, which act as entry points to Asian and European markets for West Virginia businesses.

Clusters in West Virginia

Largest Cluster: Energy (Fossil & Renewable), 88,989 jobs

Largest Growth Cluster: Energy (Fossil & Renewable), 19,109 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 12,699 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Primary Metal Manufacturing, 2.52 times the national concentration level

WISCONSIN

Wisconsin has adopted a cluster-based approach to economic development and identified eight established and two emerging clusters as points of focus for job creation. The state relies on private-sector leadership to support public efforts to develop its clusters, building its economic development strategy around successful public-private partnerships. Although 2010 was a year of high unemployment and burgeoning budget deficits, recent revenue projections, unemployment reports, and job outlooks show an economy transitioning back towards health.

Budget Situation and Policy Priorities

While Wisconsin's budget deficit of $1.8 billion only ranks it in the middle of the pack nationally, the fallout from debates over potential solutions to the deficit has been one of the most dramatic in the nation. Driven by partisan disagreement over pension reforms and collective bargaining, Wisconsin's legislative session became a national flashpoint for debates over setting state budget priorities. Incoming Governor Scott Walker has pressed for more aggressive reforms than have some other governors, leading to consternation among state employees and nationally publicized debates.

As much of the spotlight in Madison focused on protests and legislative wrangling, Governor Walker had advanced a set of proposals focused on job creation and economic development upon entering office. These included pressing for increased tax credits for relocation and economic development, introduction of regulatory reform legislation, adoption of more aggressive business recruitment policies, and avoiding tax increases on business in the state. Immediately upon taking office in January, Governor Walker called the legislature into a special session to address several other economic development-related proposals, including elevation of the Wisconsin Economic Development Corporation to replace the state's Department of Commerce. Organized along public-private partnership lines, the corporation will take the reins of economic development in the state in July 2011, tasked with driving new job creation efforts. Other proposals made by the governor have involved lawsuit reform, business tax cuts, and chartering of a commission to explore potential waste, fraud, and abuse in government programs, in order to identify ways to cut down on spending where possible.

Wisconsin's Place in the Rankings

4th	Median Family Income
12th	Export Intensity
13th	High Speed Broadband Intensity
14th	Growth in Share of National Exports
17th	Export Intensity Growth
18th	College Affordability
21st	Educational Attainment
22nd	High School Advanced Placement Intensity
23rd	Cost of Living
23rd	Job Placement Efficiency
23rd	High Speed Broadband Availability
24th	Export Growth

Job Creation Initiatives and Enterprise-Friendly Policies

Wisconsin maintains several programs and support structures designed to promote exports of the state's products. The state's **Export Development Managers** work directly with companies throughout the state, assessing their readiness for international trade, giving marketing direction and advice, connecting companies with the needed professional trade services, and educating companies about foreign business practices they may encounter when entering new markets. Wisconsin's **International Office Network** consists of a group of four offices around the globe where trade professionals contracted by the state act as liaisons for Wisconsin business interests in key markets. Wisconsin's outreach efforts currently include support for offices in China, Canada, Brazil and Mexico. The overseas offices are able to provide Wisconsin businesses interested in trade with market assessments, and can conduct searches for distributors and end users for companies and products seeking access to export markets. In addition to sponsoring and taking part in trade shows and trade missions, Wisconsin operates a **Trade Show Grant** program. This program encourages small businesses to explore international trade possibilities by offering reimbursement of up to $5000 of travel expenses incurred to attend trade shows or trade matchmaking events. The state has also created a **Division of Global Ventures** tasked with seeking out potential foreign direct investment (FDI) opportunities. The state has targeted provision of FDI in several high-tech fields. With the governor's support, the division has launched a new pilot **Regional Marketing Grant Program**. The new grants are available to regional economic development organizations on a matching basis, designed to help create "unique and innovative" regional branding strategies to market the state.

The **Business Employees' Skills Training (BEST) Program** helps small businesses in markets that are experiencing severe labor shortages fund skills upgrade training for their existing employees. Businesses must not have over 25 employees, and must be in one of several targeted industry clusters. Qualified businesses receive a tuition reimbursement grant to help cover part of the training costs incurred.

Entrepreneurs starting new businesses also receive support in their job creation activities from the state. The **Early Planning Grant** (EPG) program provides new businesses with a grant of up to $3,000 to hire professional business planning services. Due to limited funds, the program is restricted to entrepreneurs in targeted industry clusters, and will cover up to 75 percent of qualified business planning expenses. The state also offers an **Entrepreneurial Training Program** (ETP). This program allows entrepreneurs starting businesses that are not in the targeted industry clusters the opportunity to apply for grants which will cover up to 75 percent of the expenses for qualified training programs offered through a Small Business Development Center.

The state's **Customized Labor Training** fund supports Wisconsin companies that are in the process of adopting new processes or technologies by helping pay for workforce training needs that such a transition may create. In order to be eligible for the program, training must be focused on a new technology or process, and must not be available from another source in the state, necessitating a customized plan of training. If a company is found to be eligible, it may receive a grant offsetting up to 50 percent of the costs incurred in provision of the training.

Tax exemptions and incentives are also part of Wisconsin's job creation toolbox. Many are targeted towards support of manufacturing businesses. The state offers **property tax exemptions** for machinery and equipment used in manufacturing, farm and manufacturing inventories, business computer hardware and software, and through tax increment finance districts set up by local governments to spur development. Sales and use tax exemptions are also offered on manufacturing equipment, on pollution abatement and recycling equipment, and on production fuel and electricity. Innovation activities in the state are eligible for the state's **research expenditure credit** and **research facilities credit**. Both provide companies with tax incentives to increase research activity conducted in the state. The **Angel Investment Tax Credit Program** offers investors in qualified high-growth potential new businesses a tax credit worth up to 25 percent of their investment. Credits are issued up to an annual limit, with total state funding varying from year to year. The state's **Early Stage Seed Investment Credit** is another credit offered to spur investment in Wisconsin businesses, driving job creation. The program offers venture capital seed funds a credit for investments made in qualified high-growth potential companies that is worth up to 25 percent of their investment.

Clusters in Wisconsin

Largest Cluster: Business & Financial Services, 315,739 jobs

Largest Growth Cluster: Business & Financial Services, 44,500 new jobs since 2002

Most Competitive Cluster: Advanced Materials, 8,608 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Electrical Equipment, Appliance & Component Manufacturing, 2.93 times the national concentration level

WYOMING

A top performer in last year's measures of overall growth, Wyoming has continued to show signs of steady economic momentum. Driven by strong performance in the mining and natural resource sectors, the state's two main cities of Cheyenne and Casper are national leaders in real GDP growth, with the latter leading the nation in 2009. This economic growth, supported by continued strong commodity prices, has translated into broad-based population growth in the state's urban and rural areas, with 21 of the state's 23 counties showing increased counts in the 2010 census. While other High Plains states have seen rural areas lose population, the Cowboy State appears to be bucking regional trends.

Robust Sectors Drive Job Growth

Unlike most other states around the nation, Wyoming entered 2011 in possession of a large severance tax-supported budget surplus, which some estimates placed at near $1 billion. As a result, the state's newly elected governor, Matt Mead, took office facing a budget situation that many other governors would have envied. Given the state's relatively strong economic performance, Governor Mead called for continued efforts to invest in the state's robust energy, agriculture, and tourism sectors to drive continued job growth. However, given Wyoming's dependence on the production of energy and natural resources, the Mead administration has argued that diversification of the economy should be among the state's chief goals moving ahead. Having identified the technology sector as a target for growth, the Mead administration supported legislation that would increase funding to recruit large data centers to the state, expanding on efforts already underway at the University of Wyoming and federally supported research centers. The administration has made streamlining government functions a focus, proposing merging departments and reviewing and repealing executive orders seen as unnecessary. The administration also supported legislation to increase investments in transportation infrastructure, arguing that effective infrastructure would "lay the groundwork to attract new businesses and employers."

Community Development Key to Jobs

In order to connect more effectively with private-sector employers, Wyoming has focused on supporting its job creation efforts with the **Wyoming Business Council**, an entity with a more corporate structure than the state's previous economic development agencies. The Council is directed by a board of successful businesspeople from throughout the state. The Council organizes its efforts on a regional basis, with seven offices around the state serving as points of access to state government for new and expanding businesses.

Wyoming has made community development and assistance a central focus in its economic development efforts. The state offers a suite of programs and incentives

Wyoming's Place in the Rankings

1st	Long-term Job Growth
1st	Gross State Product Growth
1st	Productivity Growth
1st	Per Capita Income Growth
1st	College Affordability
2nd	STEM Job Growth
3rd	State and Local Tax Burden
4th	Economic Output Per Job
4th	Business Tax Climate
5th	Budget Gap
7th	Business Birth Rate
9th	Transportation Infrastructure Performance
11th	Small Business Lending
19th	Median Family Income
23rd	Export Growth
25th	Academic R&D Intensity
25th	High Speed Broadband Availability

focused on making its communities, large and small, more attractive to private-sector development. Investments have been made in infrastructure, community amenities, business recruitment and promotion activities, and enhancement of community facilities and downtowns. The **Business Ready Community Grant and Loan Program** provides financial support to local governments seeking to build up public infrastructure and amenities needed to support business development. In order to support economic development in rural areas of Wyoming, the state maintains a **rural development council**, which focuses on supporting community, leadership, and land use enhancement efforts in the state's rural communities. The state also assists rural communities in conducting economic development assessments, and communities of all size have access to a **centralized library of local development plans and templates** to guide their planning efforts. Similarly, the state maintains a database of sites and structures available for business development, aiding entrepreneurs in the rapid identification of suitable sites to locate a new or expanding venture.

Aiming to diversify its economy even within the energy sector, Wyoming has made efforts to support the development of its abundant wind power. The state offers access to an **anemometer loan program**, which provides site owners with data collection and analysis equipment, needed to gauge a site's suitability for wind energy development. Governor Mead has recently called for increased efforts to attract wind energy component manufacturers to the state. In order to help the state's existing businesses cut costs and increase energy efficiency, the state also offers matching grants to small businesses that would like to conduct an energy audit of their equipment and operations.

Trade and Manufacturing Support

Wyoming has sought to enhance exports of its products through several channels. The state promotes its products, particularly livestock, through international trade missions organized by the Agriculture Business Development and International Trade Development agencies. The state actively promotes international sales of livestock genetic stocks and offers marketing support to organic livestock producers. To support the creation of new exporters, the **Wyoming International Trade Assistance Program** works with individual businesses seeking access to foreign markets, offering services including product development support and links to funding sources. The **Wyoming Market Research Center** offers companies in the state access to market and competitive analysis services, information on dealing with regulations, and marketing material evaluations at little to no cost.

Wyoming has also made creation of manufacturing jobs a priority in its economic development plans. The state's **Manufacturing-Works** program supports manufacturing companies with business assessments, integration of advanced manufacturing techniques, workforce training, and product and prototype testing. The 2011 legislative session saw passage of legislation continuing the state's **manufacturing tax exemption**. Manufacturers taking advantage of the law are able to receive a sales and use tax exemption on equipment purchases, aiding them in expanding production lines and creating new jobs.

Wyoming has continued to focus on building up its technology sector in its effort to increase economic diversification. Hoping to capitalize on its access to relatively low-cost energy, Wyoming has made efforts to attract data centers to the area. Targeting larger developments, the state has enacted and expanded a sales and use tax exemption for data center investments of over $2 million in a calendar year. Purchases of equipment and software needed to start a center are included in the exemption.

Recognizing that capital markets remain tight and that large-scale business developments in the state often face challenges in landing funding from big banks, Wyoming has greatly expanded its **industrial development bond** program. Originally authorized to invest $100 million, the program was increased in size six fold by the 2011 legislature; it now has the ability to buy up to $600 million of bonds issued by local governments in support of business development activities. While the state appears open to supporting larger business developments, the legislature must approve bonding for any project exceeding $100 million.

Clusters in Wyoming

Largest Cluster: Energy (Fossil & Renewable), 57,234 jobs

Largest Growth Cluster: Energy (Fossil & Renewable), 17,646 new jobs since 2002

Most Competitive Cluster: Energy (Fossil & Renewable), 13,887 new or retained jobs due to state competitive advantage

Most Concentrated Cluster: Mining, 6.81 times the national concentration level

Puerto Rico's dual mission of fostering multi-sector growth while reducing costs and barriers to business and investment is lifting the commonwealth incrementally out of a recession that has been more severe than the downturn on the mainland. According to the Federal Reserve Bank of New York, by mid-2010, total employment in Puerto Rico had fallen by 13 percent or 138,000 jobs from its peak in 2005, representing almost double the 7 percent job loss on the mainland from the employment peak to its lowest point. Furthermore, the recession in Puerto Rico has lasted about five years—three times as long as the mainland downturn.

Since mid-2010, however, there have been some encouraging signs: job growth on the island improved modestly. The unemployment rate has come down by a full percentage point since its peak; nevertheless, it remains among the highest in America, lingering at about16 percent. Unemployment has remained especially persistent in construction and manufacturing.

Fiscal Reconstruction

A committee of private-sector leaders convened in early 2009 to offer ideas on how to address the government's looming fiscal crisis. The committee's report detailed more than 30 proposed measures to increase revenue, cut spending and raise temporary financing.

Fiscal and economic reforms comprising significant expenditure controls and revenue enhancement measures have substantively improved Puerto Rico's situation. Responsible budgetary practices eliminated the Commonwealth's practice of overestimating revenues to sustain high expenses. This has resulted in a 70 percent reduction in the deficit with a target of a balanced budget in just four years.

In 2008–2009 Puerto Rico's budget deficit, measured as a percentage of revenues, was the highest among all states and territories. By 2010–2011 it was ranked 20th, moving from 43.6 percent to 10.9 percent. This lifted the outlook on the Commonwealth's credit to positive from stable in 2010, the first upgrade since 1983.

Strategic Choices

Puerto Rico's administration is emphasizing initiatives to enhance the Commonwealth's competitive position: (1) overhauling the permitting process; (2) reforming the labor market; (3) reducing energy costs; (4) reforming the tax system; (5) promoting the development of various projects through public-private partnerships; (6) implementing strategic initiatives targeted at specific economic sectors; and, (7) promoting the development of certain strategic/regional projects.

The new Strategic Model considers each one of the sectors in the economy and contains the projects and reforms necessary to promote the competitiveness and sustained growth of Puerto Rico and its business partners. These advantages are providing opportunities for the development of strategic sectors, which include manufacturing, agriculture, commerce, tourism and entertainment, banking/insurance and credit unions, and film and creative services.

Puerto Rico has natural or structural competitive advantages in several areas, such as medical device, pharmaceutical and biotechnology manufacturing. Puerto Rico has a proven 40-year track record as a major pharmaceutical and medical devices center in the world with 25 percent of the world's biological manufacturing capacity now located in Puerto Rico.

Puerto Rico's Strategic Model for a New Economy focuses on growth, competitiveness and jobs. Funds are being made available for strategic projects to develop a world-class physical infrastructure to stimulate the economy and reduce the operational costs of doing business by addressing regulatory barriers.

Regional Initiatives

The Administration has also targeted strategic/regional projects that are intended to generate investments in all the regions of the Island in order to foster balanced economic development.

These include:

- An urban redevelopment project of the area called the Golden Triangle is developing San Juan Bay into a major tourism, recreation, commercial and residential sector that serves the local community and will become a major attraction for leisure and business travelers.
- The development of the Port of the Americas, an international trans-shipment Post Panamax port of

global caliber.

- Science City, in the heart of San Juan, to move Puerto Rico to the forefront of science, technology and research and development. Science City is leveraging Puerto Rico's significant competitive advantages in the knowledge-based sectors to integrate medical centers, research centers and university campuses. Efforts intended to transition Puerto Rico to a knowledge-based economy are leveraging the Island's highly educated work force and existing industrial base to create new jobs and businesses by creating new industry clusters and consortia with a focus on innovation.
- The development of a section of the Caribbean Riviera to be a tourist complex which will include hotels, casinos, eco-tourist attractions, international airport, retail, yacht marina, and cruise ship ports.

Exports and International Trade Advantages

The major pillars of Puerto Rico's long-term growth strategy also include initiatives focused on increasing exports. The island currently runs a surplus with the mainland that accounts for much of the island's overall export volume. However, Puerto Rico's export markets also extend overseas, including, the top export markets of Germany, Netherlands, Belgium and Spain. Exports to these four countries combined exceeded $11 billion in 2009 and have grown by more than 30 percent since 2007.

Puerto Rico has many attributes to attract investment and take advantage of international trade opportunities. It enjoys intellectual property protection under U.S. law and banking regulation under the U.S. system (FDIC). The Commonwealth participates in the trade agreements of the U.S and is under the U.S. customs border jurisdiction. Tax treatment for Controlled Foreign Corporation (CFC), where Federal income taxes for U.S. based multinational corporations are deferred until profits are repatriated to the U.S.

Tax incentives and Credits available through the Economic Incentives for the Development of Puerto Rico Act enable local and foreign companies to operate successfully in Puerto Rico enjoying the benefits of operating within a US jurisdiction, while taking advantage of a foreign tax structure.

Economic incentives in 2008's Development of Puerto Act provided attractive tax and other incentives to foster investment in key sectors of the Commonwealth's economy. Manufacturing and export services such as Financial Services, Insurance and Consulting are eligible for some of the incentives provided under this law.

In 2010, Puerto Rico passed into law a comprehensive series of incentives to attract investment to the island.

These programs include:

- Housing incentives for purchasing residential and commercial properties.
- Incentives for continued development of film industry infrastructure and tax incentives to attract foreign capital.
- World-class tourism incentives.
- Amendments to the Insurance Code of Puerto Rico to secure a tax regime that will apply to international insurers.
- Measures to stimulate the development of sustainable energy systems by establishing the Green Energy Fund.

Taxes and regulation laws are being passed and implemented to reform Puerto Rico's institutional and regulatory framework, to turn government into a facilitator and to strengthen the private sector. On December 1, 2009, the Governor signed Act No. 161, which overhauled the permitting and licensing process in Puerto Rico in order to provide a lean and efficient process that fosters economic development. This restructuring eliminated the significant backlog of unprocessed permits that were in the pipeline of various government agencies. Longer term, this law significantly reduces the number of inter-agency processes and transactions required by creating a centralized, client-focused system that simplifies and shortens the permitting process for applicants.

In sum: Puerto Rico has responded diligently and deliberately through its Fiscal Reconstruction Plan and the Strategic Model for a New Economy aimed at addressing the current fiscal and economic challenges. Improvements are now detectable in key sectors, capital injections are being made in infrastructure projects and a rise in business and consumer confidence is helping to drive the performance of the economy in 2011.

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