

# THE 50-STATE SMALL BUSINESS REGULATION INDEX

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## Executive Summary

The purpose of the *50-State Small Business Regulation Index* is to create a benchmark that facilitates the comparison of regulatory burdens across the states, and provide insights regarding how each state can enact pro-growth regulatory reforms.

The relationship between the *Index* rankings and small business economic performance illustrates that state policymakers who ignore the regulatory concerns of small business owners do so at the expense of a robust small business economy.

Small businesses' share of the private non-farm economy was 3.6 percentage points smaller in 2010 (the latest estimates available) than their share in 2002—as of 2010 small businesses accounted for 44.6 percent of national GDP. Similarly, employment and payroll growth at small businesses has been lagging their large business counterparts. Due to small businesses traditional role as the economy's innovators and job creators, and the lack of sufficient innovation and job creation thus far in the economic expansion, it is imperative to reinvigorate small businesses.

In order to reinvigorate small businesses, it is important to note that the small business growth slowdown has not hit all states equally. Small business performance was more robust in some states, such as North Dakota and Virginia; whereas in other states, such as New Jersey and California, small business performance significantly lagged even the sub-par national average.

Like most complex phenomenon, there are many factors that influence these small business growth discrepancies. Geography matters, historical growth patterns matter, tax policies matter, and state regulatory policies matter.

Those states that impose more costly regulations on small businesses should expect slower small business growth than states that impose less burdensome regulations. These adverse consequences are now heightened due to the current economic malaise that has taken a harsher toll on the nation's small businesses.

The *50-State Small Business Regulation Index* (the *Index*) compares all 50 states based on the impact from each state's regulatory environment on small businesses. The *Index* creates a common platform to compare each state's regulatory burdens on small businesses in order to highlight which regulatory environments are associated with slower small business growth, and which regulatory environments are associated with more robust small business activity.

As an example of a potential growth enhancing regulatory reform, none of the lowest ranked 10 states in the *Index* (California, Connecticut, Hawaii, Maine, New Jersey, New York, Oregon, Rhode Island, Vermont, and Washington) are right-to-work states. As Vedder et al. (2012) illustrated, right-to-work laws have a statistically significant and positive impact on economic growth—states that have right-to-work laws experience faster growth than states that do not have right-to-work laws (controlling for other variables that affect growth).<sup>1</sup> The top regulatory reform priority for each one of the bottom ten ranked states should be to pass right-to-work laws.

All ten of the lowest ranked states scored poorly across most of the 14 regulatory components measured in the *Index* as well. These states, as a group, burden their small businesses with: excessive family leave

mandates; larger energy regulatory burdens; stricter land use regulations; more expensive workers compensation regulations (except for Oregon); and, higher unemployment insurance costs (except for California). Surveys continually find that regulations, such as those currently promulgated by the ten lowest ranked states, are a top concern for small business owners. Due to the large litany of anti-growth regulations in the lowest ranked ten states, significant improvements to their regulatory environments require broad-based regulatory reforms in addition to adopting right-to-work laws that include: reducing family leave mandates, ideally deferring to the federal regulations as opposed to including additional state mandates; eliminating energy policies, such as policies that subsidize politically favored energy sources, that increase the costs of electricity and other forms of energy; lessening the costs (and time) to develop and license real estate; and, reigning in excessive workers compensation and unemployment insurance mandates.

The *Index* measures 14 regulatory components that are either positively or negatively associated with small business economic burdens and relates these burdens to the alternative growth performance of small businesses across the states. Each one of the 14 regulatory components that are included in the *Index* is expected to impact the economic performance of small businesses.

The 14 specific components are:

### Workers Compensation Insurance

Workers compensation insurance is a state-designed employee benefit program that provides insurance payments to workers who are injured on the job. However, workers compensation insurance requirements are rigid, and overly-costly. This insurance system is often a less efficient method for small businesses to compensate their workers that diminishes economic efficiency, increases operation costs, and creates a dis-incentive for small businesses to grow and expand their payrolls. The result is a less vibrant small business sector.

The Index uses the workers compensation costs, adjusted for industry composition, calculated by the Oregon Department of Consumer and Business Services in 2014 to rank the 50 states with respect to the burdens imposed by each state's workers compensation program.

### Unemployment Insurance

Unemployment Insurance is a joint federal-state program. States generally fund the basic unemployment insurance program that typically provides 26 weeks of monetary benefits to qualified unemployed workers. Unemployment benefits are funded by taxes levied on employers paying unemployment insurance taxes

Just like workers compensation insurance, paying unemployment insurance is a necessary cost of doing business for small businesses. Those states that levy more burdensome unemployment insurance costs increase the costs of small businesses to hire an additional employee. When the cost of hiring an employee is higher, small business owners will either hire fewer employees, pay each employee less, or, when economizing on employees is not possible, suffer a loss in their own personal income. The result is a less vibrant small business sector in the states that levy higher unemployment insurance costs.

The Index uses the estimated employer contribution rates as a percent of total wages calculated by the U.S. Department of Labor for the calendar year 2014 as a proxy for the burdens imposed by each state's unemployment insurance program on small businesses.

### Short-term Disability Insurance Requirements

Five states (California, Hawaii, New Jersey, New York, and Rhode Island) also require employers to provide employees with insurance that partially replaces any lost wages due to non-work related sicknesses or injuries. Mandating that businesses pay specific benefits regardless of employees' desire to receive those benefits creates the same economic inefficiency that arises with the workers compensation insurance mandates and unemployment insurance mandates. The states that mandate these burdens further increase the costs on small businesses from hiring additional workers dampening the vitality of the small business sector.

The Index differentiates the five states that require small businesses to purchase short-term disability insurance from the 45 states that do not burden small businesses with these mandates.

### Minimum Wage Laws

29 states and several local governments establish a minimum wage threshold above the national minimum wage of \$7.25 per hour. A minimum wage can have only one of two impacts. Either it is set at a level that is lower than the wages that would have been paid in the absence of the legislation, and therefore neither benefits workers nor hurts small businesses; or a minimum wage increases the per worker cost for small businesses.

If it is the latter, then small business owners must either reduce the amount of workers they employ or, due to higher labor costs, the small businesses profitability must decline. In the extreme, the additional costs could even threaten the very existence of certain businesses. The Index uses the prevailing state-wide minimum wage levels to rank the states based on their prevailing minimum wage as of February 24, 2015.

### Expanded Family Medical Leave Act

States have the option to impose expanded family leave laws that contain more generous provisions than the Federal Medical Leave Act (FMLA). Several states have used this option.

These states expand the FMLA benefits through mandates such as: expanding the type of coverage; mandating businesses offer paid family and medical leave (as opposed to unpaid leave); mandating businesses offer paid sick leave; or mandating businesses offer parental leave for school-related activities.

From a small business owner's perspective, the expanded family leave regulations create additional burdens (due to the size exemption, the impact will be felt more acutely by larger small businesses) including higher employee expenditures and the potential costs and lost productivity created when workers exercise their leave benefits. These higher costs reduce the ability of small businesses to add new employees and grow.

As a proxy for the higher cost burdens on small businesses in the states that expand the FMLA, the Index categorizes the expanded FMLA benefits into one of ten key family leave categories as documented by the National Conference of State Legislatures and the national partnership for women & families.

## Right-to-Work Laws

Right-to-work laws empower employees to decide for themselves whether or not to join, or financially support, a union. With right-to-work laws, the worker decides whether joining a union is beneficial.

The forced union membership that can occur without right-to-work laws creates an unfair advantage for unions. Without right-to-work laws, unions are empowered to negotiate excessively high wages and benefits for their members, which impose a larger financial burden on small businesses. Exemplifying the consequences from these higher financial burdens, right-to-work laws are associated with higher state economic growth. Right-to-work laws are also a desired criteria for many businesses looking to site new facilities.

The Index differentiates the 25 states that have right-to-work laws from the 25 states without right-to-work laws.

## Occupational Licensing Laws

State licensing and certification boards create barriers to entry that benefit current businesses at the expense of potential competitors and consumers. The stricter the licensing and certification rules, the greater the barriers to competition in the occupation.

States that impose greater occupational licensing restrictions should experience decreased growth in small businesses and decreased growth in employment by small businesses. While not measured in this study, consumers are also made worse off through the need to pay higher prices for services while having fewer choices.

The Index incorporates three proxies for the stringency and breadth of state occupational licensing requirements: (1) the number of job categories that require a license; (2) the share of workforce that is licensed; and, (3) the share of workforce that is certified.

## Land Use Regulations

Land use regulations (state and local) impose costs on many segments of the economy including small businesses.

Expensive zoning regulations erect barriers that make it more difficult for entrepreneurs to start and grow their businesses. Stricter land use regulations have also been linked to higher real estate prices and higher rents. Both of these consequences increase the cost of doing business for all businesses, but due to their smaller size, the higher costs created by zoning regulations are more burdensome on smaller businesses.

The Index uses the Wharton Residential Land Use Regulation Index (WRLURI), which is based on a nationwide survey of local land use control environments, to measure the stringency of the land use regulations across the states.



## Energy Regulations

Energy is an essential input for all small businesses. Regardless if the small business is a manufacturer, restaurant, or professional service firm, energy is a significant cost that small businesses must bear. States that promulgate regulations that restrict the supply of energy, impose direct costs and mandates on the production of energy, or make energy consumption more difficult, will make it more challenging for small businesses to thrive. Due to the higher costs, the ability of small businesses to grow is, consequently, diminished.

Winegarden and Miles (2014) ranked all 50 states based on the economic efficiency of each state's energy regulations incorporating many of these regulations.<sup>2</sup> The 50-State Index of Energy Regulations serves as a proxy for the impact from each state's energy regulations on small businesses' cost structure.

## Tort Liability Costs

An effective tort liability system is a precondition for a modern economy that promotes both growth and fairness. However, the U.S. civil justice system is the most expensive system in the industrialized world. The large liability costs in the U.S. threaten the vitality of all businesses, but are particularly problematic for small businesses.

Due to different state litigation environments, litigation costs vary across the states. To capture the variation in the litigation environment, the Index ranks the 50-States based on a tort liability survey conducted for the Institute for Legal Reform by Harris Interactive Inc.

## Regulatory Flexibility

At the federal level, the Regulatory Flexibility Act (RFA) creates processes to assess the impact from regulations on small businesses. If the regulations are found to be too burdensome, the RFA requires agencies to implement policies that help mitigate these costs. The remedial processes can include exempting small businesses from the regulation altogether, exempting small businesses from some of the regulations, and/or delaying the implementation of a new regulation for small businesses.

State regulatory flexibility acts are based on the federal RFA. State regulatory flexibility provides a formal mechanism for the state regulatory agencies to consider whether the costs from state regulations are more burdensome on small businesses, and if so, offer regulatory relief to small businesses.

States that have formal regulatory flexibility (either through legislative statute or executive authorization) should be expected to have a larger number of small business exemptions from the costliest regulations and, therefore, impose a regulatory structure that is less burdensome on small businesses than similar states without regulatory flexibility (or less generous regulatory flexibility).

To assess the extent of relief from each state's regulatory flexibility program, the Index ranks the states based on two criteria: whether the state implements a regulatory flexibility program, and if it does, the size of the small businesses that qualify for regulatory flexibility.

## Telecommunication Regulations

States with antiquated telecommunication regulations are maintaining barriers that make it more difficult for small businesses to leverage the latest telecommunication innovations or receive their telecommunication services at the best possible prices. Small businesses in deregulated states will benefit from greater technological services creating greater business efficiencies. The positive impact from deregulation on pricing will also help make telecommunication services more affordable helping to support overall small business profitability.

To incorporate these regulations into the Index, changes to each state's telecommunication regulations were evaluated based on each state's: oversight of services; oversight of pricing; the existence (or elimination) of quality standards; the existence (or elimination) of filing pricing reviews; and, carrier of last resort requirements (a carrier required to provide service to any customer in a service area that requests it at prevailing rates).

## Start-up and Filing Costs

States that impose high start-up and filing costs erect barriers that make it more difficult for small, poorly-funded businesses to enter the market. These barriers include more than just the dollar costs for filing the forms, they also include regulatory complexity, and therefore the time required by the small business to comply with the state regulatory structure.

Due to the negative impact from high start-up and filing costs on entrepreneurship, as well as small businesses overall, those states that impose relatively larger start-up and filing costs should be expected to experience fewer business births, and slower small business employment and payroll growth for those businesses that do exist.

To capture these regulatory burdens across the states, the Index relies on a comparative summary of the favorability of state laws conducted by David (2012).

## Alcohol Control States

Eighteen states statutorily prevent private wholesalers and retailers from selling spirits, and in some cases wine. Instead the designated alcoholic beverages can only be sold through state-run or state-sanctioned stores (also known as agents). In either scenario, the state usurps the right to sell these alcoholic beverages and assumes a monopoly position over the wholesaling and/or retailing of these products—either for itself or its designated agents and denies profitable business opportunities to small businesses within these states.

The Index differentiates the 18 states that are alcohol control states from the 32 states that are not alcohol control states.

Based on these 14 components, the regulatory structures in Indiana, North Dakota, Texas, Kansas, and Georgia are ranked as imposing the least burdensome regulations on small businesses. The regulatory structures in Vermont, Connecticut, Rhode Island, New Jersey, and California are ranked as having the most burdensome regulations on small businesses, see the Table below.

## 50-State Ranking of the Burdens from State Regulatory Structures

*(1 Indicates Least Burdensome Regulations, 50 Indicates Most Burdensome)*

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

As is visible in the table below, the ranking from the *50-State Small Business Regulation Index* is correlated with faster growth in small businesses. A similar relationship also holds for growth in small business employment and payrolls. These results follow basic economic logic—when government regulations increase the cost of an activity, people will engage in less of that activity (all other things equal). Alternatively, alleviating regulatory-induced costs can lower the costs on businesses empowering more small businesses to grow and thrive.

**50-State Small Business Regulation Index**  
**Rankings Compared to Net Change in Small Business Establishments**  
(Firms with fewer than 500 Employees)  
by State between 2002 and 2011<sup>3</sup>

	RANK	NET CHANGE ESTABLISHMENTS		RANK	NET CHANGE ESTABLISHMENTS		RANK	NET CHANGE ESTABLISHMENTS
Indiana	1	-3.39%	Arizona	18	8.73%	West Virginia	35	-8.13%
North Dakota	2	8.63%	Delaware	19	1.88%	Pennsylvania	36	-1.23%
Texas	3	10.50%	Wyoming	20	12.37%	New Hampshire	37	-3.55%
Kansas	4	-1.58%	Wisconsin	21	-3.53%	Illinois	38	-0.10%
Georgia	5	6.56%	Louisiana	22	2.72%	Maryland	39	3.40%
Virginia	6	7.96%	Iowa	23	-0.55%	Montana	40	9.14%
Mississippi	7	-1.02%	Idaho	24	12.36%	New York	41	6.46%
South Dakota	7	7.32%	Colorado	25	7.14%	Washington	42	5.30%
Florida	9	12.60%	Kentucky	25	-2.31%	Hawaii	43	3.40%
Missouri	10	0.24%	Ohio	27	-8.80%	Oregon	44	6.24%
Tennessee	11	-0.69%	Michigan	28	-9.12%	Maine	45	-1.51%
Nebraska	12	3.61%	Alaska	29	8.78%	Vermont	46	-4.37%
Utah	12	24.10%	Nevada	30	21.64%	Connecticut	47	-5.95%
South Carolina	14	1.15%	North Carolina	31	2.87%	Rhode Island	48	-4.03%
Alabama	15	-1.94%	Minnesota	32	1.95%	New Jersey	49	-3.72%
Arkansas	16	2.28%	New Mexico	33	2.74%	California	50	4.69%
Oklahoma	17	5.56%	Massachusetts	34	-5.46%			
Category Average		4.82%			3.14%			0.38%
Category Median		3.61%			2.72%			-0.66%

# Introduction

Regulations are sapping small businesses' vitality and imposing a discernible impact on overall state economic growth. The **50-State Small Business Regulation Index** (the *Index*) compares all 50 states based on the impact from each state's regulatory environment on small businesses.

This study is divided into two major sections. Section I overviews the small business sector, its performance nationally and across the states, and accounts for the different composition of small businesses compared to large businesses.

The vibrancy of small businesses is measured based on their estimated share of national nonfarm private GDP, as well as the growth in establishments, employees, and annual payrolls for the small business sector.<sup>4</sup> As of the latest data, small businesses account for a smaller share of the economy and have experienced slower growth in employment, businesses, and payrolls than their larger counterparts.

The disappointing performance is not universal across the states, however. There are some states where small businesses have performed better than the national trends, while small businesses in other states have underperformed the weak national trends.

Foreshadowing the results from Section II, the final rankings from the *Index* are compared to one measure of small business growth (net change in establishments) to illustrate that there is a relationship between the relative burdens created by state regulations and small business performance and vitality in that state. A more comprehensive comparison is provided in the concluding section of the paper.

Section II describes the methodology behind the **50-State Small Business Regulation Index**. Section II is divided into two sub-sections: the first sub-section presents the seven regulatory components designated as labor regulations (labor category); and, the second sub-section presents the seven regulatory components designated as regulations on other business costs (other business costs category).

For each regulatory component, the manner in which the regulation burdens small businesses and a ranking of the 50 states based on the regulatory component are presented. Comprehensive rankings are also provided for the labor category and the other business costs category. The category rankings are calculated based on the ranking for each regulatory component that forms the labor (other business costs) regulatory category.

Following the presentation of all 14 regulatory components, the ranking of the overall *Index* is presented. The overall ranking is calculated by averaging the rankings across all 14 regulatory components.

The conclusion relates the performance of the small business sector across the states to the state rankings. These data illustrate a positive association between a state's ranking in the **50-State Small Business Regulation Index** and the performance of small businesses in that state—higher ranked states tend to have faster growing small business sectors.

## *Regulations Are More Burdensome on Small Businesses*

Small businesses are a vital growth engine for the U.S. economy. The Small Business Administration (SBA) estimates that between 1993 and 2011, small businesses created 64 percent of all of the new jobs in the U.S.<sup>5</sup> Some small businesses continue growing, fulfilling their destiny to become large businesses. After all, at one point Microsoft, Google, and Apple were all small businesses.

Microsoft, Google, and Apple exemplify the transformative role small businesses play. According to the SBA, “small businesses develop more patents per employee than larger businesses, with the smallest firms, those with fewer than 25 employees, producing the greatest number of patents per employee. Furthermore, small firm patents tend to be more significant than large firm patents, outperforming them in a number of categories including growth, citation impact, and originality.”<sup>6</sup>

More recently, troubling trends in the small business sector have developed. For instance, the SBA has noted that “small businesses produced 46 percent of the private nonfarm Gross Domestic Product (GDP) in 2008 (the most recent year for which the source data are available to make these estimates). That is down from the 48 percent share of GDP produced by small businesses in 2002.”<sup>7</sup>

The decline in small business’ share of GDP likely fell even further since 2008 due to the heavier toll that the 2007-09 recession had on the construction and real estate sectors—sectors dominated by small businesses.<sup>8</sup> 2010 estimates for small business GDP based on incomplete data show that small businesses share of the economy has declined further to 44.6 percent.<sup>9</sup> The tougher economic times for small businesses has been reflected in slower employment growth as well. The SBA documented that “the small business share of employment has been falling in most industry sectors”.<sup>10</sup>

The Small Business and Entrepreneurship Council (SBEC) similarly substantiates recent headwinds that small businesses are facing. According to the SBEC,

Based on U.S. Bureau of Labor Statistics data, the level of entrepreneurship has declined in recent years. That is, the number of self-employed in the U.S. has dropped notably. Incorporated self-employed fell from 5.78 million in 2008 to 5.31 million in 2013. The recent low was hit in 2011 at 5.13 million. Meanwhile, the number of unincorporated self-employed declined from 10.59 million in 2006 to 9.41 million in 2013. While incorporated data only go back to 2000, unincorporated self-employed numbers date back decades. The 2013 number was the lowest since 1986.<sup>11</sup>

Given small businesses’ traditional role as the economy’s innovators and job creators, the slowing growth prospects for small businesses are disconcerting. The slower growth prospects also exacerbate the damage caused by the unnecessary regulatory burdens imposed on small businesses—after all, swimming with extra weights is always problematic, but much more perilous when swimming in rough waters.

In partnership with the Kauffman Foundation, Thumbtack.com (an Internet marketplace for local businesses) conducts an annual survey of nearly 13,000 small businesses. According to Thumbtack.com, the purpose of the survey is

...to learn what creates a healthy, vibrant local business environment by asking the owner-operators of small businesses themselves about these issues. This year we use the survey data to grade 38 states and 82 metropolitan regions according to their performance along various metrics.<sup>12</sup>

According to the Tumbtack.com survey, a top issue that makes one state friendlier to small businesses than another was, broadly speaking, regulations. And, this makes sense.

Small businesses lack the scale to efficiently manage the administrative burdens and finance the higher costs created by onerous regulations. Consequently, regulations impose a larger burden on small businesses compared to large businesses. The U.S. Chamber of Commerce has directly linked the larger regulatory burden on small businesses (including state regulations) to slower small business growth:

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

Another source of the decline lies in the difficulties faced by smaller community banks, which tend to be those most likely to lend to entrepreneurial firms. In 2013, the top four banks controlled over 40 percent of the credit markets in the top 10 states—up by 10 percent from 2009 and roughly twice their share in 2000. At the same time, since the passage of Dodd-Frank [new financial regulations passed in 2010 in response to the 2008 financial crisis], there are some 330 fewer small banks. In the four years following June 2007, business loans under \$1 million fell by 13 percent.

“Everywhere you turn, there’s a ‘gotcha’ from the regulators,” says Jeff Ball, chairman-elect of the California Bankers Association and founder of Whittier-based Friendly Hills Bank. “The big banks can deal with the regulations far more easily than the community banks. And because some banks are perceived as ‘too big to fail,’ there’s easier access to credit and they are perceived to be better to invest in.”<sup>13</sup>

In 2014, the National Association of Manufacturers commissioned a study by Marc and Nicole Crain to update four studies previously conducted for the Small Business Administration.<sup>14</sup> The purpose of these studies was to produce a dollar cost estimate from federal regulations, with a particular emphasis on the differential cost from federal regulations on small businesses. According to Crain and Crain:

Since 1992, the U.S. Small Business Administration’s (SBA) Office of Advocacy has commissioned four studies to examine the impact of federal regulations on small firms. As part of the analysis required to estimate this impact, total regulatory costs were estimated. The most recent study issued in 2010 estimated the total costs at \$1.91 trillion in 2008 (in 2014 dollars). In this updated study, the estimate for 2012 is 6 percent higher than the SBA-commissioned study figure for 2008, adjusted for inflation.<sup>15</sup>

With respect to the differential impact by firm size, Crain and Crain found that:

Considering all federal regulations, all sectors of the U.S. economy and all firm sizes, federal regulations cost just less than \$10,000 per employee per year in 2012 (in 2014 dollars). *Small firms with fewer than 50 employees incur regulatory costs (\$11,724 per employee per year) that are 17 percent greater than the average firm.* The cost per employee is \$10,664 for medium-sized firms and \$9,083 for large firms. These estimates are consistent with prior



studies completed during the past 25 years, which have shown that the cost of regulatory compliance disproportionately affects small firms.<sup>16</sup>

Crain and Crain's results provide further evidence that regulations (in this case federal regulations) impose larger burdens on smaller firms.

While businesses across the country must comply with federal regulations, state regulations only apply to businesses with a physical nexus (a legal presence) in that state. The 50 states, the laboratories of democracy, can consequently provide valuable information regarding which regulations are associated with slower small business growth and development and which regulations are associated with faster small business growth and development. For this reason, studying the different regulatory approaches across the 50 states provides important information regarding the alternative costs imposed by regulations. In fact, a growing literature of studies that benchmark the 50 states against one another has developed (see Appendix II for a brief review).

States' varying approaches to regulations can have profound economic implications. Take the trend of income convergence across the states as an example. As noted by Ganong and Shoag (2015) "For over a century, incomes across states converged at a rate of 1.8 percent per year. Over the past thirty years, this relationship has weakened dramatically.... The convergence rate from 1990 to 2010 was less than half the historical norm, and in the period leading up to the Great Recession there was virtually no convergence at all."<sup>17</sup>

Ganong and Shoag (2015) find that increasingly stringent land use regulations have raised the costs of housing and, therefore, helps to explain why a 100-year old economic trend has ended.<sup>18</sup>

In fact, the authors found that income convergence continued "at similar rates" in places that are unconstrained by land use regulations. The findings by Ganong and Shoag (2015) exemplify the important impact from state regulations on economic outcomes.<sup>19</sup>

### *The Small Business Economy*

One definition of a small business, often-used by the Small Business Administration (SBA), is a business with less than 500 employees.<sup>20</sup>

This definition of a small business is adopted for this paper as well. Due to the differentiation between businesses with 10 employees compared to businesses with 499 employees, sub-groups of this definition will also be used in this section (e.g., businesses with less than 10 employees).

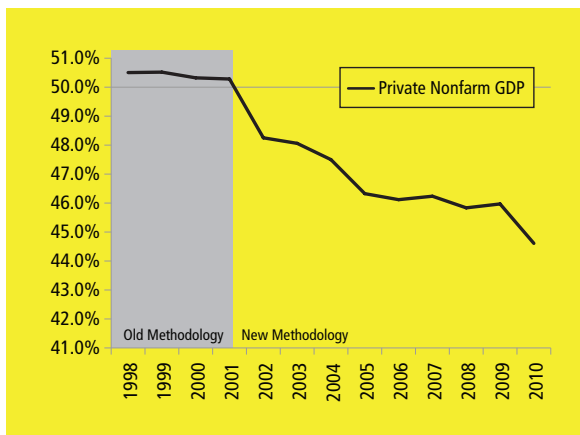
Using the SBA definition of a small business, the latest comprehensive data on the small business economy are through 2011, small businesses contribution to GDP is only available through 2010. Consequently, this economic review will examine the impacts on the small business economy through 2011 with an emphasis on relating the growth in small businesses across states to each state's relative economic performance.

Nationally, small businesses' share of the economy has been in decline for many years, see Figure 1. Due to a change in estimation methodology, the data prior to 2002 are not directly comparable to the data after 2002. However, it is clear that there was a slight decline in the small business share of the economy

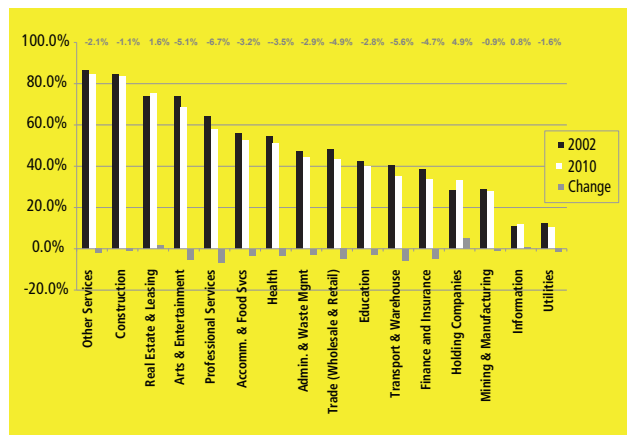


between 1998 and 2001; and, the rate of decline accelerated between 2002 and 2010. Due to the relative decline of small businesses compared to large businesses, small businesses only accounted for 44.6 percent of the private nonfarm GDP as of 2010—3.6 percentage points below the 2002 level.

**Figure 1**  
**Small Business Share of Private Nonfarm GDP**  
1998 - 2010<sup>21</sup>



**Figure 2**  
**Small Business Share of Industry Output**  
2002 & 2010<sup>22</sup>

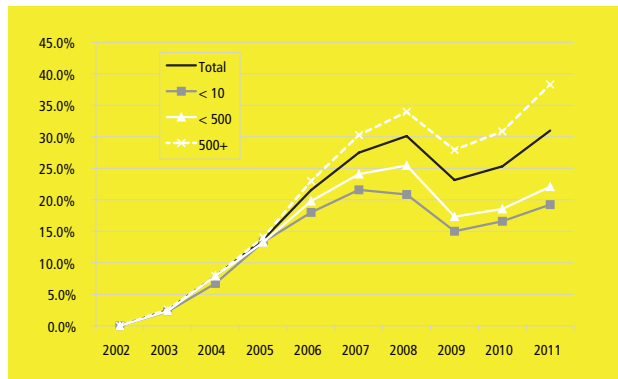


The relative decline of small businesses was not even across industries. Figure 2 presents the private nonfarm GDP by industry as of 2002 and as of 2010. The text labels present the change in each small business sectors' share of industry output between 2002 and 2010. For 13 of the 16 industry groups, small businesses' share of industry output was lower in 2010 compared to 2002—consistent with the overall trend. Of the 13 industries where small businesses' share of output declined, the decline ranged from a low of 1.1 percentage points in the construction industry to a high of 6.7 percentage points in the professional services industry.

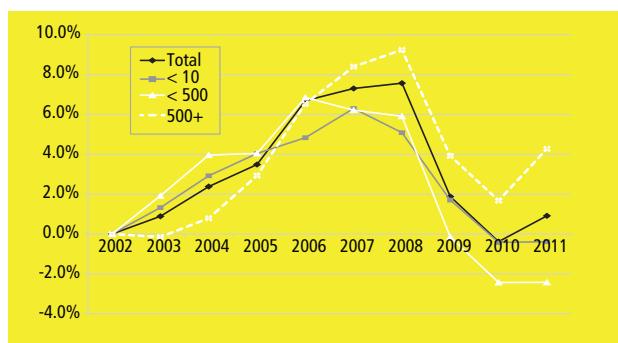
There are seven industries where small businesses produce the majority of the industry's output. These majority small business industries (in order of the largest share of output) include: other services (e.g. equipment and machinery repair, dry cleaning services, and personal care services), construction, real estate & leasing, arts & entertainment, professional services, accommodation and food services, and health services. Of these seven industries, only real estate and leasing saw small businesses grow its share of industry output.

Consistent with the generally declining share of output, the small business sector has also experienced slower growth in total annual pay, employment, and total number of firms. These trends are displayed in Figures 3 through 5. Figures 3 through 5 also illustrate that, despite the generally slower growth prior to, and following, the 2008-09 recession, small businesses also experienced a steeper decline during the 2008-09 recession.

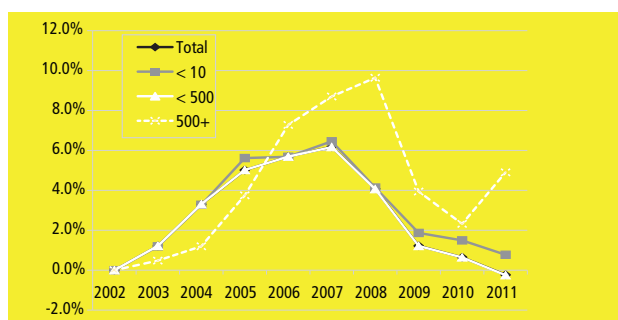
**Figure 3**  
**Cumulative Growth in Annual Pay**  
**Total Firms, Large Firms (+500 Employees)**  
**and Small Firms (< 500 Employees &**  
**< 10 Employees) — 2002 through 2011<sup>23</sup>**



**Figure 4**  
**Cumulative Growth in Employment**  
**Total Firms, Large Firms (+500 Employees)**  
**and Small Firms (< 500 Employees &**  
**< 10 Employees) — 2002 through 2011<sup>24</sup>**



**Figure 5**  
**Cumulative Growth in Firms**  
**Total Firms, Large Firms (+500 Employees)**  
**and Small Firms (< 500 Employees &**  
**< 10 Employees)—2002 through 2011<sup>25</sup>**



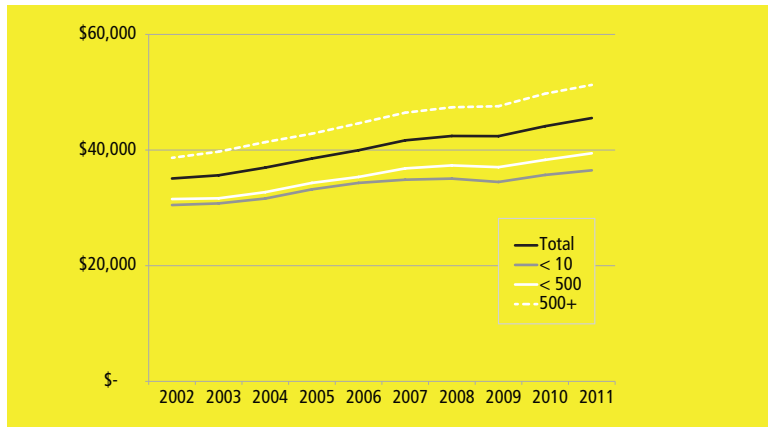
By 2011, total annual payrolls regained their dollar value peak prior to the recession, driven entirely by large businesses. In contrast to large businesses, small businesses had not regained their pre-recession levels of payrolls as of 2011. Small businesses with less than 10 employees saw the slowest overall growth in payrolls.

With respect to the two other measures: employees and the number of businesses, neither small nor large businesses had regained their pre-recession levels as of 2011. Small businesses performed worse however. Unlike payrolls, larger small businesses saw the largest decline in employees and businesses overall compared to businesses with less than 10 employees.

The combination of these trends has also widened the pay gap between large firms and small firms, see Figure 6. Figure 6 illustrates that not only do large firms tend to have a higher payroll per employee, this trend widened throughout the 2002 through 2011 period—as of 2002, total annual payroll per employee at firms with less than 500 employees was 18.4 percent less than firms with more than 500 employees; by 2011 this deficit widened to 23.1 percent.

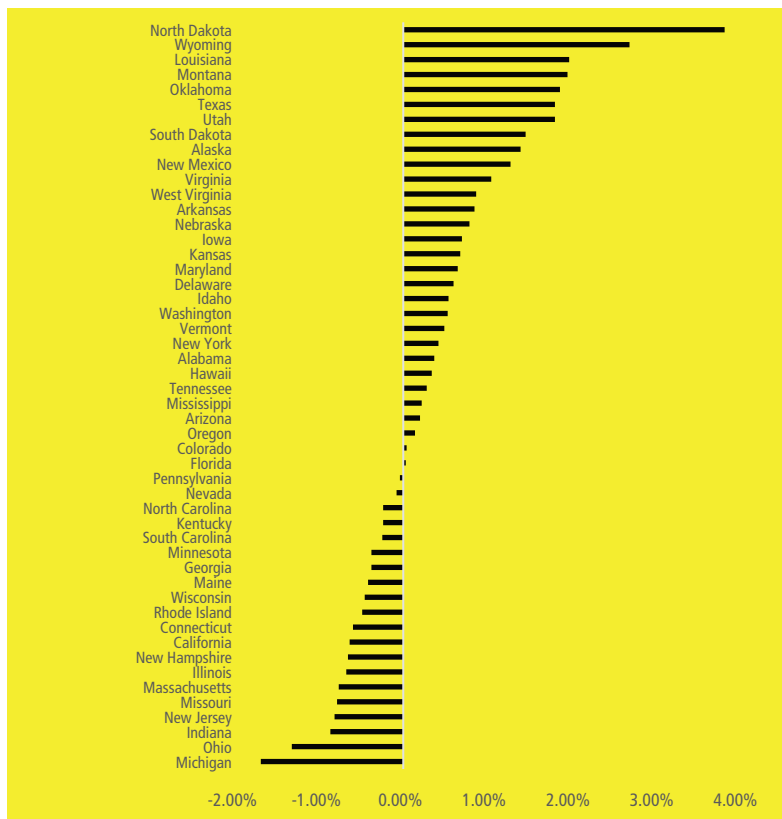
Small businesses with less than 10 employees performed even worse on this measure. Total annual payroll per employee at firms with less than 10 employees was 21.1 percent smaller than annual payroll per employee at firms with more than 500 employees, and 3.3 percent smaller than firms with less than 500 employees. By 2011 these deficits widened to 28.8 percent and 7.5 percent, respectively.

**Figure 6**  
**Annual Payroll per Employee**  
 Total Firms, Large Firms (+500 Employees) and  
 Small Firms (< 500 Employees & < 10 Employees)—2002 through 2011<sup>26</sup>



While the small business sector is struggling, the struggles vary by state. Figure 7 presents each state's average annual growth in small business payrolls relative to the U.S. average between 2002 and 2011. Small business payrolls grew at a more robust rate in states such as North Dakota and Virginia. In other states, such as New Jersey and California, payroll growth significantly lagged the sub-par national average.

**Figure 7**  
**Annual Small Business Payroll Growth Relative to U.S. Average Small Business Payroll Growth—2002 through 2011<sup>27</sup>**



Many variables help explain the growth discrepancies between the states. However, as illustrated in Table 1, the regulatory environment is one of them. Table 1 presents the final state regulatory rankings from the *50-State Small Business Regulation Index* compared to each state's net change in small business establishments for small businesses with less than 500 employees. As illustrated in Table 1, the average annual growth in payrolls of small businesses tends to be higher in states that rank higher in the *50-State Small Business Regulation Index*, and lower in the states that rank lower.

**Table 1**  
**50-State Small Business Regulation Index Rankings Compared to Net Change in Small Business Establishments**  
 (Firms with less than 500 Employees)  
 by State between 2002 and 2011<sup>28</sup>

	RANK	NET CHANGE ESTABLISHMENTS		RANK	NET CHANGE ESTABLISHMENTS		RANK	NET CHANGE ESTABLISHMENTS
Indiana	1	-3.39%	Arizona	18	8.73%	West Virginia	35	-8.13%
North Dakota	2	8.63%	Delaware	19	1.88%	Pennsylvania	36	-1.23%
Texas	3	10.50%	Wyoming	20	12.37%	New Hampshire	37	-3.55%
Kansas	4	-1.58%	Wisconsin	21	-3.53%	Illinois	38	-0.10%
Georgia	5	6.56%	Louisiana	22	2.72%	Maryland	39	3.40%
Virginia	6	7.96%	Iowa	23	-0.55%	Montana	40	9.14%
Mississippi	7	-1.02%	Idaho	24	12.36%	New York	41	6.46%
South Dakota	7	7.32%	Colorado	25	7.14%	Washington	42	5.30%
Florida	9	12.60%	Kentucky	25	-2.31%	Hawaii	43	3.40%
Missouri	10	0.24%	Ohio	27	-8.80%	Oregon	44	6.24%
Tennessee	11	-0.69%	Michigan	28	-9.12%	Maine	45	-1.51%
Nebraska	12	3.61%	Alaska	29	8.78%	Vermont	46	-4.37%
Utah	12	24.10%	Nevada	30	21.64%	Connecticut	47	-5.95%
South Carolina	14	1.15%	North Carolina	31	2.87%	Rhode Island	48	-4.03%
Alabama	15	-1.94%	Minnesota	32	1.95%	New Jersey	49	-3.72%
Arkansas	16	2.28%	New Mexico	33	2.74%	California	50	4.69%
Oklahoma	17	5.56%	Massachusetts	34	-5.46%			
Category Average		4.82%			3.14%			0.38%
Category Median		3.61%			2.72%			-0.66%

The association between the *Index* and small business economic performance illustrates the importance of creating a benchmark from which the different regulatory environments across the states can be compared. The methodology for creating the *Index* is presented in the next section.

# The 50-State Small Business Regulation Index

The *Index* compares each state based on 14 regulatory components. Each regulatory component is included due to its impact on small businesses' cost of doing business. Specifically, the regulations will either raise the costs of hiring new workers, increase operation costs, reduce profit-making options, or create operational uncertainty for businesses.

State regulations were categorized into two broad areas: labor regulations and regulations that impact other business costs. Regulations are categorized as a labor regulation if they: increase the cost of hiring a worker; increase the cost of employing a worker; create other obstacles to hiring a worker; and/or make it more difficult for a potential worker to obtain employment. State labor regulations examined in the *Index* include:

- Workers Compensation Insurance
- Unemployment Insurance Programs
- Short-term Disability Insurance Requirements
- Minimum Wage Regulations
- Family Leave Regulations
- Right-to-Work State
- Occupational Licensing Rules

Regulations are categorized as impacting other business costs if they increase the costs of land (and therefore businesses' rents), increase non-labor operating costs, reduce profit-making options, or make it more difficult to start a business. Business regulations examined in the *Index* include:

- Land Use Regulations
- State Energy Regulations
- Tort Liability Environment
- Whether a State Implements Regulatory Flexibility
- Telecommunication Regulations
- Start-up & Filing Costs
- Whether the State Is a Control State (only state stores/state sanctioned stores can sell certain alcohol products)

## Labor Regulations

### Workers Compensation Insurance:

Workers compensation insurance is a state-designed employee benefit program for workers who are injured on the job. States mandate that specified firms provide employees with a minimum level of insurance that covers medical costs, lost wages, permanent disability benefits, and death benefits. The mandates, benefit levels, and type of insurer (whether it is a government-run insurer or private company) will vary by state.

As a concept, workers compensation insurance can be a sound part of a workers compensation package, just as private individuals purchasing life insurance or disability insurance can be a valuable part of an in-

dividual's financial planning. The problem arises due to state mandates. There is no reason why workers would prefer to receive part of their compensation in the form of workers compensation insurance. Perhaps workers would prefer a higher salary, with the option to purchase the insurance for themselves. Such arrangements are precluded due to worker compensation laws.

Furthermore, workers compensation regulations mandate that a set type, and a set amount, of workers compensation insurance must be provided. Just like the life insurance needs of a 60-year old couple with two grown children differs from the life insurance needs of a 30-year old couple with a baby, the workers compensation needs of employers and employees will vary, and sometimes dramatically. However, workers compensation requirements mandate a set level of coverage regardless of the specific workers compensation insurance needs of specific employers and employees.

When the workers compensation insurance requirements do not match the coverage needs of businesses and employees, then these businesses will either hire fewer workers, pay their workers less, or the income of the owners will decline.

Regardless of the manifestation, the results from the arbitrary workers compensation insurance requirements are diminished economic efficiency, higher operation costs, dis-incentives for growth and employment, and a less vibrant business sector. In fact, as noted by Helvacian (2006) "state [workers compensation] systems provide incentives for employers, employees and others to behave in ways that cause costs to be higher and workplaces to be less safe than they otherwise could be."<sup>29</sup> These higher costs burden all businesses, but due to their lack of scale, are particularly onerous on small businesses.

The average workers compensation costs per \$100 of payroll is an often used proxy for the varying cost burdens from state regulations due to the large impact from state regulations on total workers compensation costs. However, there is a complexity because the composition of state economies vary.

Some state economies rely more heavily on agriculture (e.g. Iowa); others rely more heavily on mining (e.g. Wyoming); while others rely more on the services sector (e.g. New York). Due to the different risk profiles across industries, workers compensation costs per \$100 of payroll will vary by industry and, therefore, naturally vary by state. Thus the average actuarially appropriate workers compensation rates will vary between a state like Wyoming, with a larger share of mining jobs, and a state like New York, with a larger share of service sector jobs, irrespective of each state's workers compensation programs.

A report, produced by the state of Oregon, adjusts worker compensation costs per \$100 of payroll for these compositional issues.<sup>30</sup> According to the report, "the Information Technology and Research Section in the Oregon Department of Consumer and Business Services has used the same methodology (with minor enhancements) to examine rates on a biennial basis since 1986. Analysts use this methodology to create a comparable hazard mix across states, thus controlling for interstate differences in industry composition."<sup>31</sup> The Oregon study, consequently, provides an apples-to-apples comparison of workers compensation costs adjusted for each state's unique economic composition.<sup>32</sup>

The *Index* uses the values calculated by the Oregon Department of Consumer and Business Services to rank the 50 states with respect to the burdens imposed by each state's workers compensation program. As will be standard across all 14 regulatory components, 1 represents the state with the least burdensome workers compensation costs (North Dakota) and 50 represents the state with the most burdensome workers compensation costs (California). Table 2 presents the rankings of the states based on each state's workers compensation programs.

**Table 2**  
**State Workers Compensation Programs<sup>33</sup>**  
 (1 Indicates Least Burdensome State Costs, 50 Indicates Most Burdensome State Costs)

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

One noteworthy trend from Table 2 is the dispersion of states with similar economies across the rankings. For instance, while both North Dakota and Alaska are major oil producing states, North Dakota imposes the least onerous workers compensation burden on firms, while Alaska imposes one of the most onerous. A similar pattern can be seen in service oriented states such as Massachusetts (a state with a relatively low burden) and New York (a state with a relatively high burden). This dispersion lends support to the industry adjustments made by Oregon Department of Consumer and Business Services, indicating that the remaining discrepancies are largely influenced by alternative state policies.

## Unemployment Insurance

Unemployment Insurance is a joint federal-state program. States generally fund the basic unemployment insurance program that typically provides 26 weeks of monetary benefits to qualified unemployed workers. On average, the program replaces around one-half of an unemployed person's previous wages.

Unemployment benefits are funded by taxes levied on employers—specifically, the size of each employers taxable wage base. The taxable wage base, and the tax rate on that wage base, vary by state. The minimum taxable wage base was \$7,000 per employee as of 2014, the highest taxable wage base was \$41,300 in Washington State.<sup>34</sup>

While there are debates regarding the value of unemployment insurance as an effective stimulus program, or whether there are better ways to provide unemployment insurance to workers, from a small business perspective paying unemployment insurance taxes is a necessary cost of doing business.<sup>11</sup> More precisely, the need to pay unemployment insurance taxes creates an additional cost on businesses every time they hire a qualifying employee.<sup>35</sup>

The additional costs are not equal across states. In the states that levy more burdensome unemployment insurance taxes, the cost of hiring an employee is higher. When the cost of hiring an employee is higher, small business owners will either hire fewer employees, pay each employee less, or, when economizing on employees is not possible, suffer a loss in their own personal income. In either scenario, the vibrancy of the small business sector is diminished in states that levy higher unemployment insurance taxes relative to the states that levy lower unemployment insurance taxes.

**When the cost of hiring an employee is higher, small business owners will either hire fewer employees, pay each employee less, or, when economizing on employees is not possible, suffer a loss in their own personal income.**

Care must be taken when comparing the unemployment insurance tax rates across states, however, because states levy a different combination of tax rates applied to different taxable wage bases. To adjust for these factors, the U.S. Department of Labor estimates the employer contribution rates as a percent of total wages for each state.<sup>36</sup>

The *Index* uses the estimated employer contribution rates as a percent of total wages calculated by the U.S. Department of Labor for the calendar year 2014 as a proxy for the burdens imposed by each state's unemployment insurance program on small businesses. In the *Index*, 1 represents the state with the least burdensome unemployment insurance costs (Nebraska) and 50 represents the state with the most burdensome unemployment insurance costs (Alaska). Table 3 presents the rankings of the states.



**Table 3**  
**State Unemployment Insurance Programs<sup>37</sup>**  
 (1 Indicates Least Burdensome State Costs, 50 Indicates Most Burdensome State Costs)

STATE	UNEMPLOYMENT INSURANCE COSTS -- PERCENT OF TOTAL WAGES
Nebraska	1
Louisiana	2
Arizona	3
South Dakota	3
Georgia	5
Tennessee	6
Virginia	6
Missouri	8
Alabama	9
Maryland	10
Delaware	11
North Dakota	12
Colorado	13
Ohio	13
Oklahoma	15
Florida	16
New York	16
New Hampshire	18
Indiana	19
Mississippi	19
California	21
New Mexico	21
Iowa	23
Utah	23
Kansas	25
Maine	26
South Carolina	26
Minnesota	28
Kentucky	29
North Carolina	30
Connecticut	31
Texas	32
Arkansas	33
Massachusetts	34
West Virginia	34
Nevada	36
Montana	37
Wisconsin	38
Illinois	39
New Jersey	39
Pennsylvania	39
Wyoming	39
Hawaii	43
Michigan	44
Idaho	45
Rhode Island	46
Vermont	47
Washington	48
Oregon	49
Alaska	50

## Short-term Disability Insurance Requirements

In addition to workers compensation insurance and unemployment insurance, five states (California, Hawaii, New Jersey, New York, and Rhode Island) require employers to also provide employees with insurance that partially replaces any lost wages due to non-work related sicknesses or injuries.<sup>38</sup> Just like with workers compensation insurance and unemployment insurance, perhaps in some instances providing employees with short-term disability insurance would be part of a workers compensation package. In other instances, perhaps not.

**The vibrancy of the small business sector is diminished in states that levy higher unemployment insurance taxes relative to the states that levy lower unemployment insurance taxes.**

Mandating that businesses pay additional compensation regardless of employees' desire to receive the benefit creates the same economic inefficiency that arises with the workers compensation insurance mandates and unemployment insurance mandates. The states that mandate these burdens further increase the costs on small businesses from hiring additional workers dampening the vitality of the small business sector.

Unlike the other mandated insurance programs, specific costs on the short-term disability insurance were not available. Instead, the states are ranked based on whether such additional costs are mandated or not. The five states that mandate employers also provide short-term disability insurance receive a rank of 50; the 45 states that do not mandate employers also provide short-term disability insurance receive a top rank of 1 (see Table 4).

**Table 4**  
**State Short-term Disability Insurance Requirements<sup>39</sup>**  
 (1 Indicates Not Required, 50 Indicates Required)

STATES THAT DO NOT REQUIRE SHORT-TERM DISABILITY INSURANCE RANK: 1	STATES THAT REQUIRE SHORT-TERM DISABILITY INSURANCE RANK: 50
Alabama	California
Alaska	Hawaii
Arizona	New Jersey
Arkansas	New York
Colorado	Rhode Island
Connecticut	
Delaware	
Florida	
Georgia	
Idaho	
Illinois	
Indiana	
Iowa	
Kansas	
Kentucky	
Louisiana	
Maine	
Maryland	
Massachusetts	
Michigan	
Minnesota	
Mississippi	
Missouri	
Montana	
Nebraska	
Nevada	
New Hampshire	
New Mexico	
North Carolina	
North Dakota	
Ohio	
Oklahoma	
Oregon	
Pennsylvania	
South Carolina	
South Dakota	
Tennessee	
Texas	
Utah	
Vermont	
Virginia	
Washington	
West Virginia	
Wisconsin	
Wyoming	

## Minimum Wage

While the federal government imposes a national minimum wage of \$7.25 per hour, 29 states and several local governments establish an even higher minimum wage threshold. Proposals to raise the minimum wage at the federal, state, and local levels continue to be offered. Riding this wave, Seattle and San Francisco have recently passed significant minimum wage increases to \$15 per hour (San Francisco's minimum wage gradually rises to \$15 per hour effective July 2018); Oakland increased its minimum wage to \$12.25 per hour. However, minimum wage increases can have only one of two impacts.

If the minimum wage level is lower than the wages that would have been paid in the absence of the legislation, then the minimum wage is irrelevant. It would neither cost businesses any money nor increase workers' incomes.

If the minimum wage level is higher than the wages that would have been paid in the absence of the legislation then the minimum wage increases the per worker cost for these businesses. These higher costs impose a difficult trade-off on businesses—businesses must either reduce the amount of workers they employ or, due to higher labor costs, their profitability must decline. In the extreme, the additional costs could even threaten the very existence of certain businesses. The bankrupting effect from Seattle's minimum wage increase on local restaurants exemplifies the possibility of these extreme consequences. As the *Seattle Magazine* noted:

... a common budget breakdown among sustaining Seattle restaurants so far has been the following: 36 percent of funds are devoted to labor, 30 percent to food costs and 30 percent go to everything else (all other operational costs). The remaining 4 percent has been the profit margin, and as a result, in a \$700,000 restaurant, he estimates that the average restaurateur in Seattle has been making \$28,000 a year.

With the minimum wage spike, however, he says that if restaurant owners made no changes, the labor cost in quick service restaurants would rise to 42 percent and in full service restaurants to 47 percent.<sup>40</sup>

In other words, according to the local restaurant association in Washington State, while the average restaurant operates on a 4 percent profit margin (profits equal 4 percent of total revenues), the minimum wage increase could raise labor costs between 6 percentage points and 11 percentage points of revenues. As the Restaurant Association noted, "it's a math problem." The necessary dollar increase in labor costs due to Seattle's minimum wage hike exceeds the total dollar value of profits for many restaurants. Unless prices can be increased proportionally (and thereby hurting consumers) such a cost increase is a recipe for bankruptcy. And, it is not just Seattle.

In response to Oakland's minimum wage increase, the Employment Policies Institute conducted a survey that included 223 local businesses (70 percent had 15 or fewer employees across a broad range of industries) one month after the policy was implemented.<sup>41</sup> Among the survey's findings, 27 percent of respondents said it was somewhat likely (18 percent) or very likely (9 percent) that they would have to close in response to the higher minimum wage. In response to the new policy

- Half of the surveyed businesses used price increases to offset the additional labor costs;
- Thirty percent of the surveyed businesses reduced their employees' hours or their hours of operation to offset the costs;

- Seventeen percent, or roughly one in six surveyed businesses, laid off employees or otherwise reduced staffing levels to adapt to the higher costs;<sup>42</sup>

San Francisco's experience is, thus far, consistent with Seattle and Oakland as well.<sup>43</sup> Nationally, the Congressional Budget Office (CBO) estimates that a \$10.10 minimum wage for the U.S. would reduce total employment by a one-half million jobs.<sup>44</sup> Sabia (2006) found that:

...a 10 percent increase in the minimum wage is associated with a 0.9 to 1.1 percent decline in retail employment and a 0.8 to 1.2 percent reduction in small business employment.

These employment effects grow even larger for the low-skilled employees most affected by minimum wage increases. A 10 percent increase in the minimum wage is associated with a 2.7 to 4.3 percent decline in teen employment in the retail sector, a 5 percent decline in average retail hours worked by all teenagers, and a 2.8 percent decline in retail hours worked by teenagers who remain employed in retail jobs.

These results increase in magnitude when focusing on the effect on small businesses. A 10 percent increase in the minimum wage is associated with a 4.6 to 9.0 percent decline in teenage employment in small businesses and a 4.8 to 8.8 percent reduction in hours worked by teens in the retail sector.<sup>45</sup>

As noted by the National Federation of Independent Business (NFIB) "...raising the minimum wage will have a deep and disproportionate impact on the small-business sector."<sup>46</sup> Among the reasons cited by the NFIB are:

- ...most minimum-wage jobs are offered by small businesses
- Small businesses are the least able to absorb such a dramatic increase in their labor costs...
- The minimum wage directly affects small businesses because a large amount of their earnings go directly to pay for operating expenses, such as equipment, supplies, lease or mortgage, credit lines, inventory, and employee wages and benefits<sup>47</sup>

The adverse economic impacts on small businesses from an increase in the minimum wage applies to the current minimum wage discrepancies across states – those states with higher minimum wages are imposing additional financial hardships on local small businesses. Therefore, small business employment growth should be negatively impacted in those states with higher minimum wages.<sup>48</sup> Similarly, the higher operating costs imposed on small businesses make it more difficult for small businesses to expand and grow. Therefore, small business growth should also be compromised due to higher state minimum wage levels.

The *Index* uses the prevailing state-wide minimum wage levels to rank the states based on their prevailing minimum wage as of February 24, 2015.<sup>49</sup> The state with the highest prevailing minimum wage is Washington (ranked 50) while 21 states are tied for number 1 with the federal minimum wage being the effective minimum wage in those states, see Table 5.

**Table 5**  
**Ranking of Effective State Minimum Wage<sup>50</sup>**  
 (1 indicates federal minimum wage is effective, 50 indicates highest state minimum wage)

	MINIMUM WAGE RATE RANKING
Alabama	1
Georgia	1
Idaho	1
Indiana	1
Iowa	1
Kansas	1
Kentucky	1
Louisiana	1
Mississippi	1
New Hampshire	1
North Carolina	1
North Dakota	1
Oklahoma	1
Pennsylvania	1
South Carolina	1
Tennessee	1
Texas	1
Utah	1
Virginia	1
Wisconsin	1
Wyoming	1
Arkansas	22
Maine	22
New Mexico	22
Missouri	25
Alaska	26
Delaware	26
Hawaii	26
Maryland	29
Minnesota	29
Nebraska	29
West Virginia	29
Arizona	33
Florida	33
Montana	33
Ohio	36
Michigan	37
Colorado	38
Illinois	39
Nevada	39
New Jersey	41
South Dakota	42
New York	43
California	44
Massachusetts	44
Rhode Island	44
Connecticut	47
Vermont	47
Oregon	49
Washington	50

## Family Leave Regulations

The federal Family Medical Leave Act (FMLA) requires all private employers with 50 or more employees to provide up to 12 weeks of unpaid leave each year for pre-approved reasons. The reasons include: to care for a newborn baby, adopted child, or foster child; to care for a family member; or, to care for an employee's medical condition.

As provided for in the FMLA, there is an option for states to impose expanded family leave laws that contain more generous provisions than the FMLA. Several states have used this option. These states expand the FMLA benefits through mandates such as:

- Expanding coverage, such as to employees working at businesses with less than 50 employees;
- Mandating businesses offer paid family and medical leave (as opposed to unpaid leave);
- Mandating businesses offer paid sick leave; or
- Mandating businesses offer parental leave for school-related activities.

From a small business owner's perspective, the expanded family leave regulations create additional burdens (due to the size exemption, the impact will be felt more acutely by larger small businesses) including higher employee expenditures and the potential costs and lost productivity created when workers exercise their leave benefits. These higher costs reduce the ability of small businesses to add new employees and grow. Additionally, because states have employee thresholds that a small business must pass before the regulation applies, (e.g. 25 or more employees in Oregon) there are incentives to restrict hiring to remain below the expanded family leave thresholds.

As a proxy for the higher cost burdens on small businesses in the states that expand the FMLA, the *Index* categorizes the expanded FMLA benefits into one of ten key categories as documented by the National Conference of State Legislatures and the national partnership for women & families: (1) mandated paid family leave; (2) expanded medical leave; (3) paid sick leave; (4) unpaid leave with expanded access for smaller businesses; (5) unpaid leave in excess of FMLA; (6) expanded unpaid leave access for workers with less tenure; (7) expanded definition of family; (8) flexible use of sick leave; (9) right to pump that exceeds FMLA; and (10) mandating parental leave for school activities.<sup>51</sup> For each category that a state's regulation impacts, the state receives a penalty point. Each state, consequently, has the possibility of a score between a 0 (a state without expanded FMLA benefits and therefore receives no penalty points) and a 10 (a state that expands FMLA benefits in all categories). Each state is ranked based on its total score. The ranking of all 50 states based on the number of categories to which each state's family leave regulations apply are summarized in Table 6.

**Table 6**  
**Ranking State Family Leave Mandates<sup>52</sup>**

(1 indicates state adheres to FLMA, 50 indicates impose additional regulations across all categories)

	FAMILY LEAVE REGULATIONS
Alabama	1
Alaska	1
Arizona	1
Delaware	1
Florida	1
Georgia	1
Idaho	1
Kansas	1
Kentucky	1
Michigan	1
Mississippi	1
Missouri	1
Nebraska	1
North Dakota	1
Ohio	1
Oklahoma	1
Pennsylvania	1
South Carolina	1
South Dakota	1
Texas	1
Utah	1
Virginia	1
West Virginia	1
Wyoming	1
Arkansas	25
Colorado	25
Indiana	25
Maryland	25
Nevada	25
New Mexico	25
North Carolina	25
Illinois	32
Iowa	32
Montana	32
New Hampshire	32
New York	32
Tennessee	32
Massachusetts	38
Wisconsin	38
Louisiana	40
Rhode Island	40
Vermont	40
Hawaii	43
Maine	43
Minnesota	43
New Jersey	43
Oregon	47
Washington	47
Connecticut	49
California	50



## Right-to-Work State:

Right-to-work laws empower employees to decide for themselves whether or not to join, or financially support, a union. With right-to-work laws, the individual worker can decide for himself or herself whether joining a union is beneficial—he or she cannot be forced to join a union as a precondition for work.

The forced union membership that can occur without right-to-work laws creates an unfair advantage for unions. Without right-to-work laws, unions are empowered to negotiate excessively high wages and benefits for their members, while simultaneously reducing employment and pay opportunities for workers who are not so lucky to already be gainfully employed. *Site Selection Magazine*, citing Mark Vitner, vice president and senior economist for Wells Fargo Bank, noted that “right-to-work status enables the companies to have equal leverage [with] the unions.”<sup>53</sup>

Further substantiating the importance of having equal leverage with unions, David Brandon, President of the Pathfinders (an economic development consulting firm) noted that “about 35-to-40 percent of manufacturing enterprises in the automotive industry insist on operating in a right-to-work state. Another 20-to-25 percent say it is a very important factor and will be used as a second- or third-tier factor in site selection. More than half of our companies either make it a threshold or a very important factor in making a decision on where to locate a factory and other operations...”<sup>54</sup>

**Without right-to-Work laws unions are empowered to negotiate excessively high wages and benefits for their members, while simultaneously reducing employment and pay opportunities for workers who are not so lucky to already be gainfully employed.**

The lack of negotiating balance in states without right-to-work laws reduces employment growth, and, due to the adverse impact on overall costs, decreases overall economic growth. For instance, Vedder et al. (2012) found that right-to-work laws have a statistically significant and positive impact on economic growth—states that have right-to-work laws experience faster growth than states that do not have right-to-work laws (controlling for other variables that affect growth).<sup>55</sup> Small business growth, consequently, should be expected to be stronger in right-to-work states than non-right-to-work states.

Currently 25 states have right-to-work laws.<sup>56</sup> These 25 states receive a ranking of 1 in the *Index*. The 25 states that do not have right-to-work laws receive a ranking of 50. Table 7 summarizes these rankings.

**Table 7**  
**Ranking Right-to-Work States<sup>57</sup>**  
 (1 indicates Right-to-Work State, 50 indicates not Right-to-Work State)

RIGHT-TO-WORK STATE	
Alabama	1
Arizona	1
Arkansas	1
Florida	1
Georgia	1
Idaho	1
Indiana	1
Iowa	1
Kansas	1
Louisiana	1
Michigan	1
Mississippi	1
Nebraska	1
Nevada	1
North Carolina	1
North Dakota	1
Oklahoma	1
South Carolina	1
South Dakota	1
Tennessee	1
Texas	1
Utah	1
Virginia	1
Wisconsin	1
Wyoming	1
Alaska	50
California	50
Colorado	50
Connecticut	50
Delaware	50
Hawaii	50
Illinois	50
Kentucky	50
Maine	50
Maryland	50
Massachusetts	50
Minnesota	50
Missouri	50
Montana	50
New Hampshire	50
New Jersey	50
New Mexico	50
New York	50
Ohio	50
Oregon	50
Pennsylvania	50
Rhode Island	50
Vermont	50
Washington	50
West Virginia	50

## Occupational Licensing:

State licensing and certification boards are justified based on promoting the public interest; however, in practice state licensing and certification boards create barriers to entry that benefit current businesses at the expense of potential competitors and consumers. The stricter the licensing and certification rules, the greater the barriers to competition in the occupation. There are several economic consequences from creating barriers to competition.

Restricting competition raises the wages for those people who have already obtained the necessary certifications/licenses. For small businesses who hire these professionals, however, their per worker labor costs will be higher. The reduced employee pool will also translate into fewer opportunities for individuals to start a small business in these fields, restricting the growth of small businesses.

However, with fewer competitors providing their services, small businesses will be able to pass these costs along to consumers. Therefore, occupational licensing restrictions can benefit existing small businesses and currently certified/licensed professionals at the expense of potential professionals and new small businesses. As Summers (2007) explains:

While occupational licensing laws are billed as a means of protecting the public from negligent, unqualified, or otherwise substandard practitioners, in reality they are simply a means of utilizing government regulation to serve narrow economic interests. Such special-interest legislation is designed not to protect consumers, but rather to protect existing business interests from competition.

Numerous studies have revealed little, if any, improvement in service quality from compulsory licensing. Oftentimes, licensing laws actually reduce service quality and public safety.<sup>58</sup>

In fact, economists as far back as Adam Smith have been warning government officials against establishing state-sponsored arrangements, such as state licensing boards:

People of the same trade seldom meet together, even for merriment and diversion, but the conversation ends in a conspiracy against the public, or in some contrivance to raise prices. It is impossible indeed to prevent such meetings, by any law which either could be executed or would be consistent with liberty and justice. But though the law cannot hinder people of the same trade from sometimes assembling together, it ought to do nothing to facilitate such assemblies; much less to render them necessary.<sup>59</sup>

Overall, the states that impose greater occupational licensing restrictions should experience decreased growth in small businesses and decreased growth in employment by small businesses. While not measured in this study, consumers are also made worse off through the need to pay higher prices for services while having fewer choices.

Generally speaking, occupational regulation takes two forms: licensing (the more stringent requirement) and certification (the less stringent requirement). According to Kleiner (2015):

Occupational licensure is the process by which governments establish qualifications required to practice a trade or profession, so that only licensed practitioners are allowed by law to receive pay for doing work in the occupation. ...

In contrast to occupational licensing, the process of certification permits any person to legally perform the relevant tasks, but the government—or sometimes a private, nonprofit agency—administers an examination and certifies those who have achieved the requisite level of skill and knowledge. For instance, in many states travel agents and car mechanics are certified but not licensed. This process allows for competition for services, as anyone can legally perform the work, but it protects the right of the title for those in the occupation.<sup>60</sup>

To rank the states, the *Index* averages the rank across three proxies for the stringency and breadth of state occupational licensing requirements: (1) the number of job categories that require a license; (2) the share of workforce that is licensed; and, (3) the share of workforce that is certified.<sup>61</sup> Based on these sources, Table 8 displays the rankings with South Carolina imposing the fewest occupational licensing/certification mandates and Connecticut imposing the most occupational licensing/certification mandates.

**Table 8**  
**Ranking Occupational Licensing and Certification Regulations<sup>62</sup>**  
 (1 Indicates Least Burdensome Occupational Regulations, 50 Indicates Most Burdensome)

OCCUPATIONAL LICENSING RULES	
South Carolina	1
Kansas	2
Delaware	3
Minnesota	4
Virginia	5
Missouri	6
Georgia	7
Colorado	8
New York	8
North Dakota	10
Pennsylvania	11
Maryland	12
Wisconsin	12
Texas	14
Alabama	15
New Hampshire	16
Michigan	17
Mississippi	18
Indiana	19
Massachusetts	19
Ohio	19
Vermont	22
South Dakota	23
Idaho	24
Utah	25
Arkansas	26
Montana	26
Washington	26
Wyoming	29
Illinois	30
Arizona	31
Tennessee	32
Iowa	33

Oregon	34
California	35
Florida	35
Oklahoma	37
Louisiana	38
Rhode Island	38
Nevada	40
Hawaii	41
Maine	42
North Carolina	43
Nebraska	44
West Virginia	44
New Mexico	46
New Jersey	47
Alaska	48
Kentucky	49
Connecticut	50

### *Labor Regulations: Overall Rank*

Averaging the rankings across all seven labor regulatory components described above, Virginia imposes the least burdensome labor regulations relative to all 50 states; New Jersey imposes the most burdensome labor regulations (see Table 9). Virginia earns the distinction of lowest labor regulatory burden by ranking in the top 10 for all categories, and the top five in all categories except for unemployment insurance costs. New Jersey, on the other hand, was in the bottom 10 for six of the seven categories, and the bottom 12 for unemployment insurance costs.

**Table 9**  
**Labor Regulation Ranking**  
 (1 Indicates Least Burdensome Regulations, 50 Indicates Most Burdensome)

---

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

Consistent with the overall rankings, the average annual payroll growth for small businesses in top ranking Virginia (3.30 percent) was more than double that of bottom ranking New Jersey (1.42 percent). As described in more detail below, this relationship is not unique to Virginia and New Jersey. Overall, those states that impose lower regulatory costs on labor experienced more robust small business growth.

## Regulations Impacting Other Business Costs

### Land-use Regulations:

Federal, state, and local governments all promulgate regulations on land development. Land use regulations impose costs on many segments of the economy including the housing sector as well as small businesses. Ganong and Shoag (2015), referenced above, found that land-use regulations meaningfully alter the economic growth patterns across the states.

With respect to small businesses, expensive zoning regulations create a number of barriers that make it more difficult for entrepreneurs to start and grow their businesses. Benson (2008) summarizes these impacts with respect to zoning regulations in Oregon:

...individuals who want to start or expand businesses generally will “need to request variances, conditional use permits, and comprehensive plan amendments to develop such land. Any one of these application processes will cost the applicant significant preparation and legal fees with no guarantee of ultimate success.” In an effort to reduce the probability of denial of their applications, individuals generally must hire lawyers and various kinds of experts.<sup>63</sup>

Stricter land use regulations have also been linked to higher real estate prices and higher rents. Both of these consequences increase the cost of doing business for all businesses, but due to their smaller size, the higher costs created by zoning regulations are more burdensome on smaller businesses. Therefore, zoning regulations create a significant competitive disadvantage for small businesses in states with strict zoning regulations.

However, quantifying the zoning regulations is difficult. First, many zoning decisions are made at the local level, not the state level. Second, the regulations are very complex and difficult to compare. As noted by Gyourko et al. (2008):

Local regulation can affect building in myriad ways. The most transparent way is to prohibit a project. However, regulation also can affect costs by delay, design restriction, or the ease with which court suits can be used to challenge development rights, all without formally banning construction. The proliferation of barriers and hurdles to development has made the local regulatory environment so complex that it is now virtually impossible to describe or map in its entirety.<sup>64</sup>

To address these difficulties, Gyourko et al. (2008) created an index, known as the *Wharton Residential Land Use Regulation Index (WRLURI)* based on “a nationwide survey of local land use control environments... a state-level analysis of the legal, legislative, and executive actions regarding land use policies... and the development of measures of community pressure using information on environmental and open space-related ballot initiatives.”<sup>65</sup> The index creates a ranking of states “in terms of the stringency of land use regulatory environments”.<sup>66</sup>

The *Index* incorporates the Gyourko et al. (2008) WRLURI rankings to compare the states based on their land use regulations. Table 10 reproduces their results. As summarized by Gyourko et al. (2008):

At the state level, the northeast dominates the top slots (after Hawaii), with Massachusetts, Rhode Island, and New Hampshire having WRLURI values that are about 1.5 standard deviations above the national average. The practice of direct democracy in the form of town meetings that require land use issues to be put to popular vote, especially in their smaller communities, appears to be an important part of the explanation of why such a large fraction of localities in these states are measured as heavily regulated. The communities in the mid-Atlantic states of New Jersey and Maryland are the next most heavily regulated according to our measure, followed by Washington State, Maine, California, and Arizona to round out the top ten. The bottom ten states with the least regulated communities on average are all from the south or Midwest (plus Alaska).<sup>67</sup>

**Table 10**  
**Land Use Regulation Ranking<sup>68</sup>**  
(1 Indicates Least Burdensome Regulations,  
50 Indicates Most Burdensome)

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



## State Energy Regulations:

Energy is an essential input for all small businesses. Regardless if the small business is a manufacturer, restaurant, or professional service firm, energy is a significant cost that small businesses must bear. According to the National Federation of Independent Businesses (NFIB):

Energy is a major cost in a substantial share of small businesses. One in 10 (10 percent) small-business owners claim that energy is their single greatest cost, greater than wages and salaries, materials and supplies, etc. Another 25 percent claim energy is one of the two or three largest business costs they have. While current energy prices may focus more attention on energy costs than normal thereby leading to exaggeration of their importance, it is obvious that energy is a significant cost of doing business in many small enterprises.<sup>69</sup>

Consequently, small businesses in locations with plentiful access to low cost energy have a comparative advantage over small businesses in locations where energy costs are higher. While geographical considerations matter, energy regulations promulgated by each state will also meaningfully impact energy costs. For instance, according to the Institute for Energy Research, “electricity prices in states with binding renewable portfolio standards are nearly 40 percent higher than states that do not have similar mandates.”<sup>70</sup>

As the binding renewable portfolio standards illustrate, those states that promulgate regulations that restrict the supply of energy, impose direct costs and mandates on the production of energy, or make energy consumption more difficult, will make it more difficult for small businesses to thrive. And, there are many of these types of regulations.

Beyond the renewable portfolio standards (e.g. requiring that a certain percentage of electricity is generated by more expensive solar or wind methods) some states will: impose caps on carbon dioxide emissions (and the emissions of other greenhouse gases); create excessive restrictions on the electricity transmission sector; and, impose expensive consumption requirements such as a revenue decoupling program, which ensures utilities earn a set amount of revenues by requiring customers (i.e. small businesses) to pay a higher rate on their electricity bills if demand falls due to energy efficiency programs. Revenue decoupling ensures that small business must pay a total electric bill that meets a state denominated minimum level thereby raising small business costs.

All of these regulatory requirements increase the electricity costs that small businesses must bear. Due to the higher costs, the ability of small businesses to grow and thrive is, consequently, diminished.

Winegarden and Miles (2014) ranked all 50 states based on the economic efficiency of each state’s energy regulations incorporating many of these regulations.<sup>71</sup> *The 50-State Index of Energy Regulations* serves as a proxy for the impact from each state’s energy regulations on small businesses’ cost structure for *The 50-State Small Business Regulation Index*. Table 11 presents the rankings from *the 50-State Index of Energy Regulations* with Alabama, Alaska, South Dakota and Texas having the most economically efficient energy regulations and New York having the most economically inefficient energy regulations.

**Table 11**  
**Ranking of the Economic Efficiency of State Energy Regulations<sup>72</sup>**  
 (1 Indicates Least Burdensome Regulations, 50 Indicates Most Burdensome)

STATE ENERGY REGULATIONS (PRI ENERGY INDEX RANK)	
Alabama	1
Alaska	1
South Dakota	1
Texas	1
Delaware	5
North Dakota	6
Georgia	7
Kansas	7
Missouri	7
Oklahoma	10
Wyoming	10
Colorado	12
Mississippi	12
Ohio	14
Florida	15
Nebraska	15
Louisiana	17
Tennessee	17
Utah	17
Arizona	20
Iowa	20
South Carolina	20
Arkansas	23
Hawaii	23
Idaho	23
West Virginia	26
Rhode Island	27
Montana	28
Indiana	29
New Mexico	29
Illinois	31
Kentucky	32
Virginia	32
Minnesota	34
Vermont	34
Maine	36
New Hampshire	36
Massachusetts	38
Nevada	39
Pennsylvania	39
Oregon	41
North Carolina	42
New Jersey	43
Michigan	44
Washington	44
Maryland	46
Connecticut	47
Wisconsin	48
California	49
New York	50

## Tort Liability Environment:

An effective tort liability system is a precondition for a modern economy that promotes both growth and fairness. As explained by McQuillan and Abramyan (2010):

An efficient tort liability system is an important ingredient for a thriving free-enterprise economy. It ensures that businesses and individuals have proper incentives to produce safe products and provide safe services, and that true victims are fully compensated. A tort system of that kind encourages greater trust among market participants, more economic activity and employment, and eventually a higher standard of living for individuals in the society. An optimal tort system provides maximum net benefits to society.

An inefficient tort system, on the other hand, imposes excessive costs on society, not the least of which is forgone production of goods and services. There is growing evidence that tort costs in the United States are far greater than in other countries, and that much of the difference is due to excessive litigation and lawsuit abuse.

All of us shoulder the burden of an excessively expensive and inefficient tort liability system through higher prices, lower wages, decreased returns on investments in capital and land, restricted access to health care, and less innovation.<sup>73</sup>

Overall, the U.S. civil justice system is the most expensive system in the industrialized world.<sup>74</sup> As of 2011, liability costs were equal to 1.66 percent of GDP in the U.S., compared to costs equal to 1.19 percent of GDP in Canada, 0.63 percent in the Eurozone, and 0.30 percent in Japan.<sup>75</sup> The large liability costs in the U.S. threaten the vitality of all businesses, but are particularly problematic for small businesses. According to the NFIB:

The number of civil lawsuits has tripled since the 1960s. Litigation has become a big business, and it is putting small companies out of business. When the typical cost of a lawsuit that goes to trial is at least \$100,000, the economic pressures to settle are enormous. NFIB members say that being sued is one of the most threatening experiences for a small-business owner. It is even more frightening for the smallest of the small, which can be put out of business by one lawsuit.<sup>76</sup>

Small business owners are risking their livelihoods due to frivolous litigation. These risks are not simply a federal problem, they also vary across the states. The Institute for Legal Reform conducts a survey of “1,125 in-house general counsels, senior litigators or attorneys, and other senior executives who indicated that they are knowledgeable about litigation matters at companies with at least \$100 million in annual revenues.”<sup>77</sup>

According to the survey, “The impact of a state’s litigation environment has always been and continues to be important, with more than two-thirds (70 percent) reporting that it is likely to impact important business decisions at their companies, such as where to locate or do business. This is an increase from 67 percent in 2010 and 63 percent in 2008.”<sup>78</sup> The Institute for Legal Reform’s survey exemplifies that the litigation environment significantly differs across the states.

Each state’s litigation environment is, consequently, an important driver (or inhibitor) of small business growth due to the litigation environment’s variation and its potentially bankrupting impact on small businesses. To capture the variation in the litigation environment, the *Index* incorporates the survey results as conducted for the Institute for Legal Reform by Harris Interactive Inc.<sup>79</sup> Table 12 presents these rankings.

**Table 12**  
**Ranking of the State Tort Liability Environment<sup>80</sup>**  
 (1 Indicates Least Burdensome Regulations, 50 Indicates Most Burdensome)

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

## Whether a State Implements Regulatory Flexibility

In recognition of the larger burdens that regulations place on small businesses, Congress passed the federal Regulatory Flexibility Act of 1980 (RFA). According to the Small Business Administration (SBA), “the Regulatory Flexibility Act requires federal agencies to review regulations for their impact on small businesses and consider less burdensome alternatives.”<sup>81</sup>

The RFA creates processes to assess the impact from regulations on small businesses and, if the regulations are found to be too burdensome, the RFA requires agencies to implement policies that help mitigate these costs. The remedial processes can include exempting small businesses from the regulation all together, exempting small businesses from some of the regulations, and/or delaying the implementation of a new regulation for small businesses.

State regulatory flexibility acts are based on the federal RFA. State regulatory flexibility provides a formal mechanism for the state regulatory agencies to consider whether the costs from state regulations are more burdensome on small businesses, and if so, offer regulatory relief to small businesses. States that have formal regulatory flexibility (either through legislative statute or executive authorization) should be expected to have a larger number of small business exemptions from the costliest regulations and, therefore, impose a regulatory structure that is less burdensome on small businesses than similar states without regulatory flexibility (or less generous regulatory flexibility).

One downside from state regulatory flexibility acts is the bias against small businesses to grow beyond the exemption threshold. Small businesses that grow beyond the exemption threshold will see their regulatory costs increase significantly because they would no longer qualify for regulatory flexibility.

On net, however, state regulatory flexibility acts lessen the regulatory burden for small businesses. Furthermore, state regulatory flexibility acts reduce the regulatory costs borne by new business, encouraging greater entrepreneurship. Therefore, states that promulgate more generous state regulatory flexibility should experience greater growth in small business employment, payrolls, and business start-ups.

To assess the extent of relief from each state’s regulatory flexibility program the *Index* ranks the states based on two criteria: whether the state implements a regulatory flexibility program, and if it does, the size of the small businesses that qualify for regulatory flexibility. For purposes of ranking the states, those states that apply regulatory flexibility to larger small businesses—offering regulatory relief to a larger number of businesses—are assumed to create a greater exemption from the state’s regulatory burden.

Therefore, those states that implement a regulatory flexibility program and apply those programs to all businesses with 500 employees or fewer receive a rank of 1. Those states that apply their regulatory flexibility programs to businesses with: 150 employees or fewer were ranked 8; 100 employees or fewer were ranked 16; 75 employees or fewer were ranked 24; 50 employees or fewer were ranked 32; 25 employees or fewer were ranked 40; and those states without a regulatory flexibility program were ranked 50.<sup>82</sup> Table 13 presents these rankings.

**Table 13**  
**State Regulatory Flexibility Programs<sup>83</sup>**  
 (1 Indicates Offer Widest Regulatory Flexibility, 50 Indicates No Regulatory Flexibility)

	REGULATORY FLEXIBILITY
Colorado	1
Ohio	1
Virginia	1
Florida	8
Kentucky	8
Michigan	8
Nevada	8
Alaska	16
Arizona	16
Arkansas	16
Georgia	16
Hawaii	16
Indiana	16
Mississippi	16
Missouri	16
New Jersey	16
New York	16
South Carolina	16
Texas	16
Utah	16
Connecticut	24
Massachusetts	24
Rhode Island	24
California	32
Illinois	32
Louisiana	32
New Mexico	32
Oklahoma	32
Oregon	32
Pennsylvania	32
Tennessee	32
Washington	32
West Virginia	32
Delaware	40
Iowa	40
Maine	40
North Dakota	40
South Dakota	40
Vermont	40
Wisconsin	40
Alabama	50
Idaho	50
Kansas	50
Maryland	50
Minnesota	50
Montana	50
Nebraska	50
New Hampshire	50
North Carolina	50
Wyoming	50

## Telecommunication Regulations

States with antiquated telecommunication regulations are maintaining barriers that make it more difficult for small businesses to leverage the latest telecommunication innovations or receive their telecommunication services at the best possible prices.

As Eisenach and Caves (2012) documented with respect to the deregulation of the telephone industry, “the evidence strongly suggests that the combination of de-monopolization and price deregulation has generated substantial benefits for consumers.”<sup>84</sup> Crandall (2008) noted that:

In virtually every deregulated industry, there have been substantial gains in efficiency. The firms supplying the service—new entrants and incumbents alike—produce it at costs about 30 percent lower than would have been incurred under the old regulatory regime. ... Similarly, reductions in long-distance telephone rates came about because of improved efficiency and the FCC’s more efficient pricing of interstate carrier access, not from reduced telephone company profits.<sup>85</sup>

Crandall (2008) specifically notes that telecommunication deregulation reduced long distance rates by more than 50 percent—a significant consumer benefit.<sup>86</sup>

Effective state telecommunication deregulation can create similar economic benefits. It is a pro-growth policy that would benefit all telecommunication consumers, including small businesses. Small businesses in deregulated states will benefit from greater technological services creating greater business efficiencies. The positive impact from deregulation on pricing will also help make telecommunication services more affordable helping to support overall small business profitability.

Not all states have deregulated their telecommunication regulations to the same extent. Small businesses in states that have deregulated the industry to a larger extent should have better services and more competitive pricing available to them than small businesses in states that have failed to comprehensively deregulate the industry. As a result, small businesses in the deregulated states should experience faster employment growth, payroll growth, and more small business start-ups.

Measuring the effectiveness of deregulation is difficult, however, due to the complexity of the telecommunication regulatory structure. To incorporate these regulations into the *Index*, changes to each state’s telecommunication regulations were evaluated based on each state’s oversight of services; oversight of pricing; the existence (or elimination) of quality standards; the existence (or elimination) of filing pricing reviews; and, carrier of last resort requirements (a carrier required to provide service to any customer in a service area that requests it at prevailing rates).<sup>87</sup>

States that implemented deregulation received a point for each regulatory area covered by the state’s deregulation, for a total of five possible points. Those states that have not implemented any telecommunications deregulation did not receive any points. The states that implemented the most comprehensive deregulation received a rank of 1; those states that have not yet deregulated their telecommunications regulations received a rank of 50. The remaining states were ranked either 10, 20, 30, or 40 depending upon the comprehensiveness of their deregulations across the five regulatory areas. Table 14 presents these rankings.

**Table 14**  
**State Telecommunication Deregulations<sup>88</sup>**  
 (1 Indicates Broadest Deregulation, 50 Indicates No Deregulation)

TELECOMMUNICATION DEREGULATION RANKING	
Florida	1
Indiana	1
North Carolina	1
Texas	1
Missouri	10
Wisconsin	10
Alabama	20
Michigan	20
Mississippi	20
Arkansas	30
Delaware	30
Idaho	30
Illinois	30
Maine	30
Nebraska	30
Ohio	30
Tennessee	30
Virginia	30
California	40
Georgia	40
Kansas	40
Louisiana	40
Montana	40
Nevada	40
New Hampshire	40
New Mexico	40
North Dakota	40
South Carolina	40
Vermont	40
Wyoming	40
Alaska	50
Arizona	50
Colorado	50
Connecticut	50
Hawaii	50
Iowa	50
Kentucky	50
Maryland	50
Massachusetts	50
Minnesota	50
New Jersey	50
New York	50
Oklahoma	50
Oregon	50
Pennsylvania	50
Rhode Island	50
South Dakota	50
Utah	50
Washington	50
West Virginia	50



### Start-up & Filing Costs:

States that impose high start-up and filing costs erect barriers that make it more difficult for small, poorly-funded businesses to enter the market. These barriers include more than just the dollar costs for filing the forms, they also include the complexity of complying with these regulations, and therefore time required by the small business to comply with the state regulatory structure.

Excessively large start-up and filing costs are an unnecessary distraction for small businesses who do not have the resources to efficiently manage these burdens. Importantly, these regulatory obstacles disproportionately burden lower-income entrepreneurs, the smallest businesses, and lower margin businesses such as restaurants, relative to larger well-funded businesses that have greater scale to absorb these costs. Therefore, states that levy burdensome start-up and filing regulations are imposing a regressive burden that adversely impacts potential entrepreneurs who view their small business as a means to obtain a middle class (or perhaps even wealthy) lifestyle.

Due to the negative impact from high start-up and filing costs on entrepreneurship as well as small businesses overall, those states that impose relatively larger start-up and filing costs should be expected to experience fewer business births, and slower small business employment and payroll growth for those businesses that do exist. Small business growth should be, consequently, slower in those states that impose higher costs such as higher annual registration fees or higher (more complex) reporting burdens.

To capture these regulatory burdens across the states the *Index* relies on a comparative summary of the favorability of state laws conducted by David (2012).<sup>89</sup> David (2012) compares which states are the best for businesses to incorporate across a range of issues including the incorporation fee, ongoing filing burden, and the tax burden. The rankings are based on the assessments for the first two categories, and apply a heavier weight on the ongoing filing burden (an 80 percent weight).<sup>90</sup> Table 15 summarizes these results.

**Table 15**  
**State Start-up and Annual Filing Regulatory Burdens<sup>91</sup>**  
(1 Indicates Least Burdensome Regulations, 50 Indicates Most Burdensome Regulations)

START-UP & FILING COSTS	
Iowa	1
Mississippi	1
Oklahoma	1
Oregon	1
Utah	5
Florida	6
Montana	6
Delaware	8
Indiana	9
North Dakota	9
South Dakota	9
Idaho	12
New Mexico	12
Tennessee	12
Wisconsin	12
Wyoming	12
Minnesota	17
Washington	18
Alaska	19
Texas	20
Alabama	21
Arkansas	22
Hawaii	22
Kentucky	22
Arizona	25
Louisiana	25
Michigan	25
Nebraska	25
Missouri	29
Vermont	30
Virginia	30
New Hampshire	32
Ohio	32
Kansas	34
California	35
Georgia	35
Maryland	35
West Virginia	35
Colorado	39
New Jersey	39
North Carolina	39
Pennsylvania	39
South Carolina	43
Rhode Island	44
Illinois	45
Maine	45
Nevada	47
Connecticut	48
Massachusetts	48
New York	50

### Is the State an Alcoholic Beverage Control State (control state):

18 states statutorily prevent private wholesalers and retailers from selling spirits, and in some cases wine. Instead the covered alcohol sales can only be conducted through state-run or state-sanctioned stores (also known as agents). In either scenario, the state usurps the right to sell the covered alcohol beverages and assumes a monopoly position over the wholesaling and/or retailing of specific alcoholic beverages (mostly spirits)—either for itself or its designated agents.

By assuming a monopoly position, the control states deny certain wholesalers and retailers the right to sell a profitable product category. Spirits sales have also been growing strongly for many years, even during the latest recession, indicating that the control state regulations are denying wholesalers and retailers of a product category that could also be potentially growing their revenues over time.<sup>92</sup>

The justification for enacting alcohol beverage control regulations are antiquated. These regulations have their roots in the repeal of Prohibition in the 1930s, but have little relevance to a modern 21st century economy.

Both small and large wholesalers and retailers benefit in non-control states, and those business in control states would benefit from the relaxation of the regulations. Overall, growth in small business revenues, small business employment and the number of small businesses (particularly in the retail and wholesale sectors) should be stronger in non-control states compared to control states. Table 16 categorizes the states by control states (ranked 50) and non-control states (ranked 1).

**Table 16**  
**Alcoholic Beverage Control States**  
(1 Indicates Non-control States,  
50 Indicates Control State)

CONTROL STATE	
Alaska	1
Arizona	1
Arkansas	1
California	1
Colorado	1
Connecticut	1
Delaware	1
Florida	1
Georgia	1
Hawaii	1
Illinois	1
Indiana	1
Kansas	1
Kentucky	1
Louisiana	1
Massachusetts	1
Minnesota	1
Missouri	1
Nebraska	1
Nevada	1
New Jersey	1
New Mexico	1
New York	1
North Dakota	1
Oklahoma	1
Rhode Island	1
South Carolina	1
South Dakota	1
Tennessee	1
Texas	1
Washington	1
Wisconsin	1
Alabama	50
Idaho	50
Iowa	50
Maine	50
Maryland	50
Michigan	50
Mississippi	50
Montana	50
New Hampshire	50
North Carolina	50
Ohio	50
Oregon	50
Pennsylvania	50
Utah	50
Vermont	50
Virginia	50
West Virginia	50
Wyoming	50

### Regulations Impacting Other Business Costs: Overall Rank

Averaging the rankings across all seven regulatory components that impact other business costs, Indiana imposes the least burdensome regulations on other business costs relative to all 50 states; Maryland imposes the most burdensome regulations (see Table 17). Indiana earns the distinction of lowest regulatory burden by ranking in the top 10 in four categories (land use, telecommunications, start-up & filing costs, and not being a control state), and generally scoring well across all categories. Maryland, on the other hand, was ranked 50<sup>th</sup> in three categories (telecommunication, control state (effective only in several Maryland counties), and regulatory flexibility) and the bottom 16 for three other categories—generally scoring poorly across all categories.

**Table 17**  
**Ranking of Regulations Impacting Other Business Costs**  
 (1 Indicates Least Burdensome Regulations, 50 Indicates Most Burdensome)

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

## *The Rankings, and their Relationship to Small Business Performance*

Based on the 14 components discussed above, the regulatory structures in Indiana, North Dakota, Texas, Kansas and Georgia impose the least burdensome regulatory structure on small businesses; while the regulatory structures in Vermont, Connecticut, Rhode Island, New Jersey, and California are the most burdensome (see Table 18).

**Table 18**  
**Ranking of Overall Regulatory Structure**  
 (1 Indicates Least Burdensome Regulations, 50 Indicates Most Burdensome)

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

As described in detail above, each one of the 14 regulatory components were included in the *Index* due to their expected impact on the economic performance of small businesses. As evidenced by surveys of small businesspeople, such as the Tumbtack.com survey referenced above, a top issue that makes one state friendlier to small businesses than another is regulations.<sup>93</sup> State environments that are friendlier to small business growth should be expected to nurture a more robust small business sector, and greater economic performance overall.

Of course, there are many factors that will impact relative small business economic performance across the states, not just regulations. Some factors are not directly related to state policies. For instance, small businesses in oil rich states like Texas, North Dakota, and Oklahoma will see their economic fortunes ebb and flow with the volatility of the oil industry. Similarly, the historical existence of Silicon Valley in California, or Wall Street in New York, bestows economic benefits to these regions that continue to pay economic growth dividends. Other factors will be directly related to other state policies. Small businesses in states that impose excessively high tax burdens, for instance, will find it more difficult to thrive.

While there are a large number of factors that will impact relative small business performance across the states, state regulatory burdens are one of them. As illustrated in Tables 19 through 21, there is a strong association between the *Index* rankings and the 10-year average annual growth rate in small business employment (Table 19), payrolls (Table 20), and relative growth in small business (Table 21).

**Table 19**  
**50-State Small Business Regulation Index Rankings Compared to Average Annual Growth in Small Business Employment**  
 (Firms with fewer than 500 Employees)  
 by State between 2002 and 2011<sup>94</sup>

	RANK	AVERAGE ANNUAL EMPLOYMENT GROWTH		RANK	AVERAGE ANNUAL EMPLOYMENT GROWTH		RANK	AVERAGE ANNUAL EMPLOYMENT GROWTH
Indiana	1	-0.89%	Arizona	18	-0.02%	West Virginia	35	-0.30%
North Dakota	2	1.40%	Delaware	19	-0.21%	Pennsylvania	36	-0.30%
Texas	3	1.02%	Wyoming	20	0.66%	New Hampshire	37	-0.72%
Kansas	4	0.02%	Wisconsin	21	-0.60%	Illinois	38	-0.87%
Georgia	5	-0.11%	Louisiana	22	0.29%	Maryland	39	-0.09%
Virginia	6	0.23%	Iowa	23	-0.09%	Montana	40	0.87%
Mississippi	7	-0.52%	Idaho	24	0.55%	New York	41	0.01%
South Dakota	7	0.47%	Colorado	25	-0.22%	Washington	42	0.23%
Florida	9	0.09%	Kentucky	25	-0.69%	Hawaii	43	0.16%
Missouri	10	-0.73%	Ohio	27	-1.27%	Oregon	44	0.21%
Tennessee	11	-0.16%	Michigan	28	-1.50%	Maine	45	-0.46%
Nebraska	12	0.09%	Alaska	29	0.57%	Vermont	46	-0.37%
Utah	12	1.38%	Nevada	30	0.26%	Connecticut	47	-0.73%
South Carolina	14	-0.31%	North Carolina	31	-0.28%	Rhode Island	48	-0.77%
Alabama	15	-0.41%	Minnesota	32	-0.30%	New Jersey	49	-0.68%
Arkansas	16	0.17%	New Mexico	33	0.28%	California	50	-0.81%
Oklahoma	17	0.53%	Massachusetts	34	-0.87%			
Category Average		0.13%			-0.20%			-0.29%
Category Median		0.09%			-0.21%			-0.34%

**Table 20**  
**50-State Small Business Regulation Index Rankings Compared to Average**  
**Annual Growth in Small Business Payrolls**  
**(Firms with fewer than 500 Employees)**  
 by State between 2002 and 2011<sup>95</sup>

	RANK	AVERAGE ANNUAL PAYROLL GROWTH		RANK	AVERAGE ANNUAL PAYROLL GROWTH		RANK	AVERAGE ANNUAL PAYROLL GROWTH
Indiana	1	1.38%	Arizona	18	2.44%	West Virginia	35	3.11%
North Dakota	2	6.08%	Delaware	19	2.84%	Pennsylvania	36	2.20%
Texas	3	4.05%	Wyoming	20	4.94%	New Hampshire	37	1.58%
Kansas	4	2.92%	Wisconsin	21	1.78%	Illinois	38	1.57%
Georgia	5	1.86%	Louisiana	22	4.22%	Maryland	39	2.89%
Virginia	6	3.30%	Iowa	23	2.94%	Montana	40	4.20%
Mississippi	7	2.46%	Idaho	24	2.78%	New York	41	2.66%
South Dakota	7	3.70%	Colorado	25	2.28%	Washington	42	2.77%
Florida	9	2.27%	Kentucky	25	2.00%	Hawaii	43	2.58%
Missouri	10	1.46%	Ohio	27	0.91%	Oregon	44	2.38%
Tennessee	11	2.52%	Michigan	28	0.54%	Maine	45	1.82%
Nebraska	12	3.03%	Alaska	29	3.64%	Vermont	46	2.73%
Utah	12	4.05%	Nevada	30	2.16%	Connecticut	47	1.64%
South Carolina	14	1.99%	North Carolina	31	2.00%	Rhode Island	48	1.75%
Alabama	15	2.61%	Minnesota	32	1.86%	New Jersey	49	1.42%
Arkansas	16	3.09%	New Mexico	33	3.52%	California	50	1.60%
Oklahoma	17	4.11%	Massachusetts	34	1.47%			
Average Growth		2.99%			2.49%			2.31%
Median Growth		2.92%			2.28%			2.29%

**Table 21**
**50-State Small Business Regulation Index Rankings Compared to Net Change in Small Business Establishments (Firms with fewer than 500 Employees) by State between 2002 and 2011<sup>96</sup>**

	RANK	NET CHANGE ESTABLISHMENTS		RANK	NET CHANGE ESTABLISHMENTS		RANK	NET CHANGE ESTABLISHMENTS
Indiana	1	-3.39%	Arizona	18	8.73%	West Virginia	35	-8.13%
North Dakota	2	8.63%	Delaware	19	1.88%	Pennsylvania	36	-1.23%
Texas	3	10.50%	Wyoming	20	12.37%	New Hampshire	37	-3.55%
Kansas	4	-1.58%	Wisconsin	21	-3.53%	Illinois	38	-0.10%
Georgia	5	6.56%	Louisiana	22	2.72%	Maryland	39	3.40%
Virginia	6	7.96%	Iowa	23	-0.55%	Montana	40	9.14%
Mississippi	7	-1.02%	Idaho	24	12.36%	New York	41	6.46%
South Dakota	7	7.32%	Colorado	25	7.14%	Washington	42	5.30%
Florida	9	12.60%	Kentucky	25	-2.31%	Hawaii	43	3.40%
Missouri	10	0.24%	Ohio	27	-8.80%	Oregon	44	6.24%
Tennessee	11	-0.69%	Michigan	28	-9.12%	Maine	45	-1.51%
Nebraska	12	3.61%	Alaska	29	8.78%	Vermont	46	-4.37%
Utah	12	24.10%	Nevada	30	21.64%	Connecticut	47	-5.95%
South Carolina	14	1.15%	North Carolina	31	2.87%	Rhode Island	48	-4.03%
Alabama	15	-1.94%	Minnesota	32	1.95%	New Jersey	49	-3.72%
Arkansas	16	2.28%	New Mexico	33	2.74%	California	50	4.69%
Oklahoma	17	5.56%	Massachusetts	34	-5.46%			
<b>Category Average</b>		<b>4.82%</b>			<b>3.14%</b>			<b>0.38%</b>
<b>Category Median</b>		<b>3.61%</b>			<b>2.72%</b>			<b>-0.66%</b>

As the above series of Tables illustrates, those states that rank high in the *Index* (impose a relatively less burdensome regulatory structure on small businesses) are correlated with faster growth in payrolls, employment, and growth in new small businesses. Those states that rank higher in the index also tend to experience faster overall economic growth. These relationships illustrate that states that pursue overly-costly regulations on labor and other business costs—such as Rhode Island, Connecticut, New Jersey, and California—do so at the expense of a robust small business sector.

The purpose of the *Index* is to highlight these associations and provide a common benchmark that states can utilize to implement regulatory reforms that will lessen the burden on small businesses.

As an example of a potential growth enhancing regulatory reform, none of the lowest ranked 10 states in the *Index* (California, Connecticut, Hawaii, Maine, New Jersey, New York, Oregon, Rhode Island, Vermont, and Washington) are right-to-work states. The top regulatory reform priority for each one of the bottom ten ranked states should be to pass right-to-work laws.

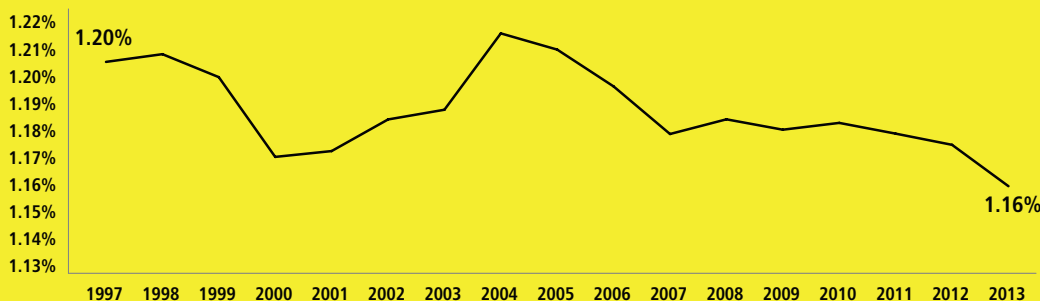
All ten of the lowest ranked states scored poorly across most of the 14 regulatory components measured in the *Index* as well. These states, as a group, burden their small businesses with: excessive family leave mandates; larger energy regulatory burdens; stricter land use regulations; more expensive workers compensation regulations (except for Oregon); and, higher unemployment insurance costs (except for California).

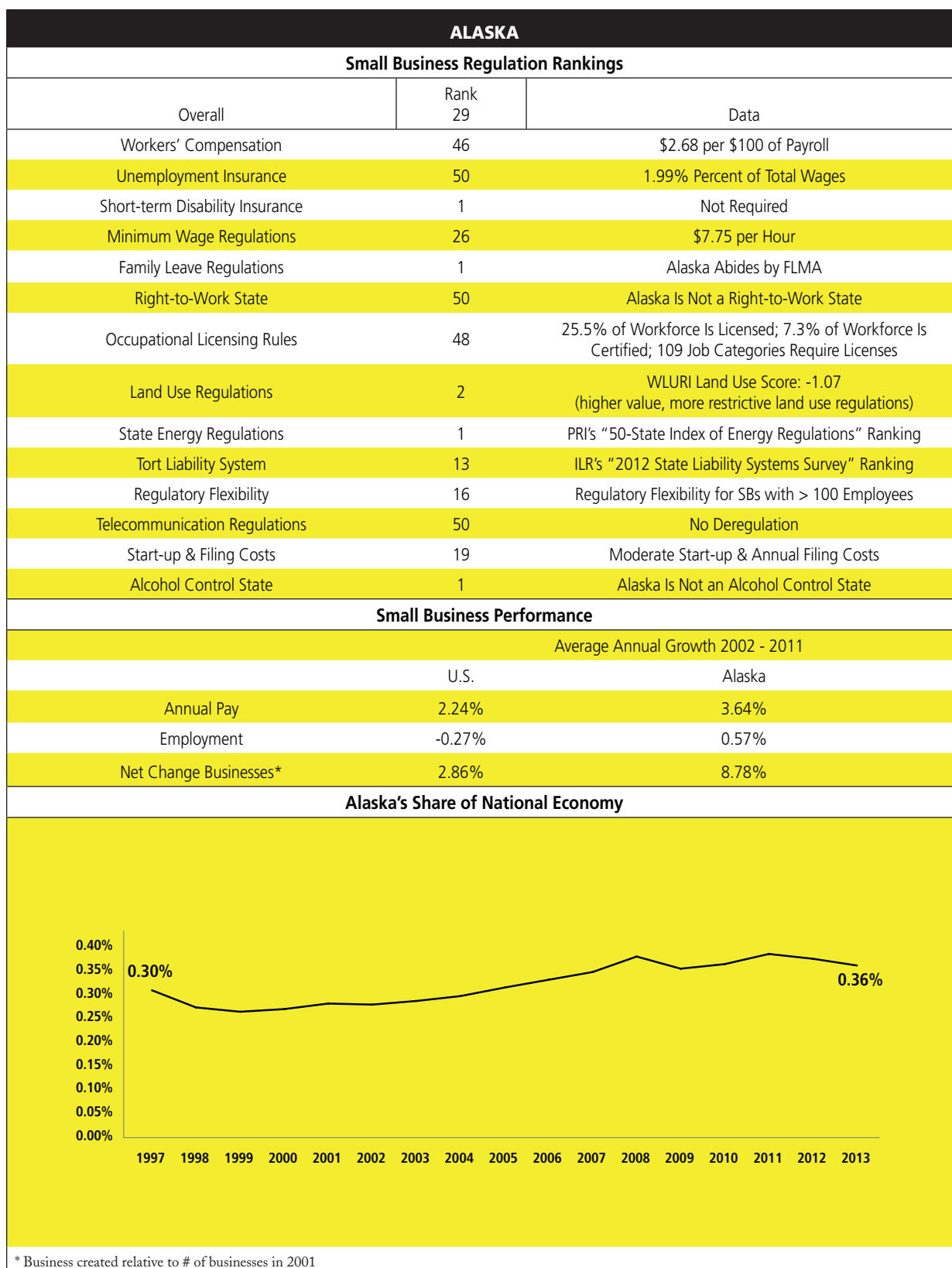
Surveys continually find that regulations, such as those currently promulgated by the ten lowest ranked states, are a top concern for small business owners. Due to the large litany of anti-growth regulations in the lowest ranked ten states, significant improvements to their regulatory environments requires broad-based regulatory reforms in addition to adopting right-to-work laws that include: reducing family leave mandates, ideally deferring to the federal regulations as opposed to including additional state mandates; eliminating energy policies, such as policies that subsidize politically favored energy sources, that increase the costs of electricity and other forms of energy; lessening the costs (and time) to develop and license real estate; and, reigning in excessive workers compensation and unemployment insurance mandates.

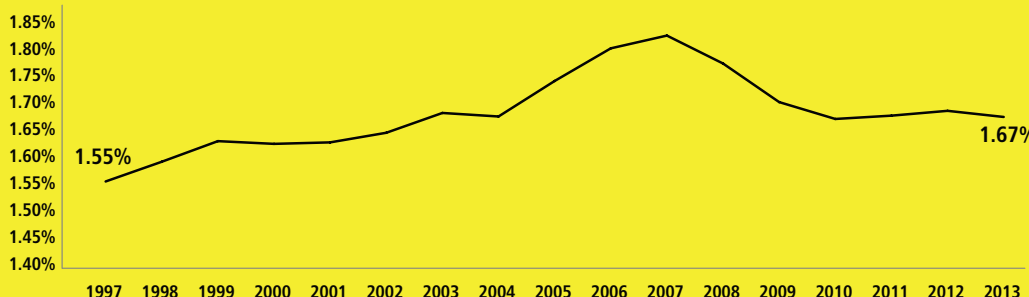
The results from the *Index* exemplify the basic economic reality that when government regulations increase the cost of an activity, people will engage in less of that activity (all other things equal). The ***50-State Small Business Regulation Index*** creates a common platform to compare each state's relative regulatory burdens on small businesses and help states alleviate the unnecessary regulatory-induced costs and empower more small businesses to grow and thrive.

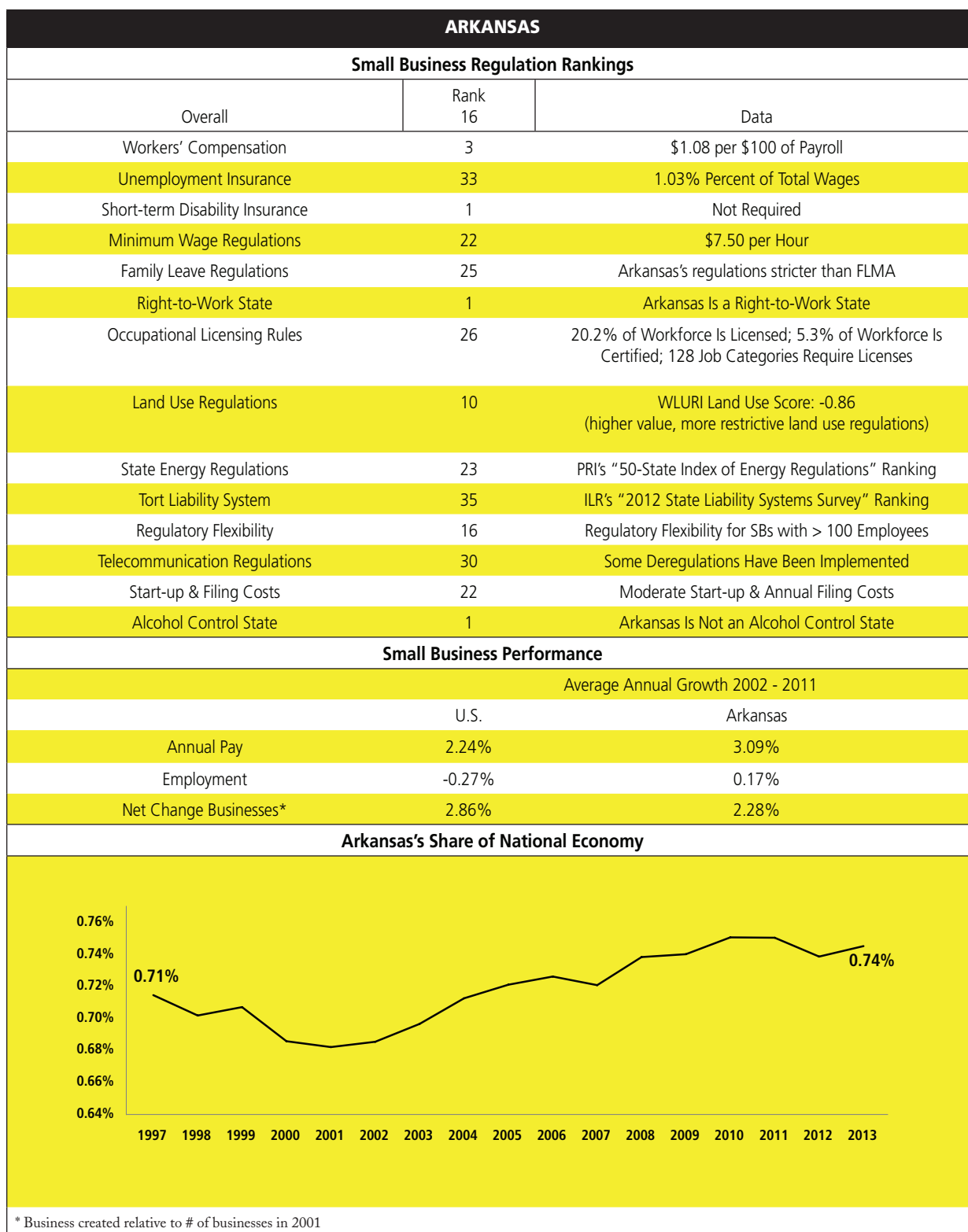


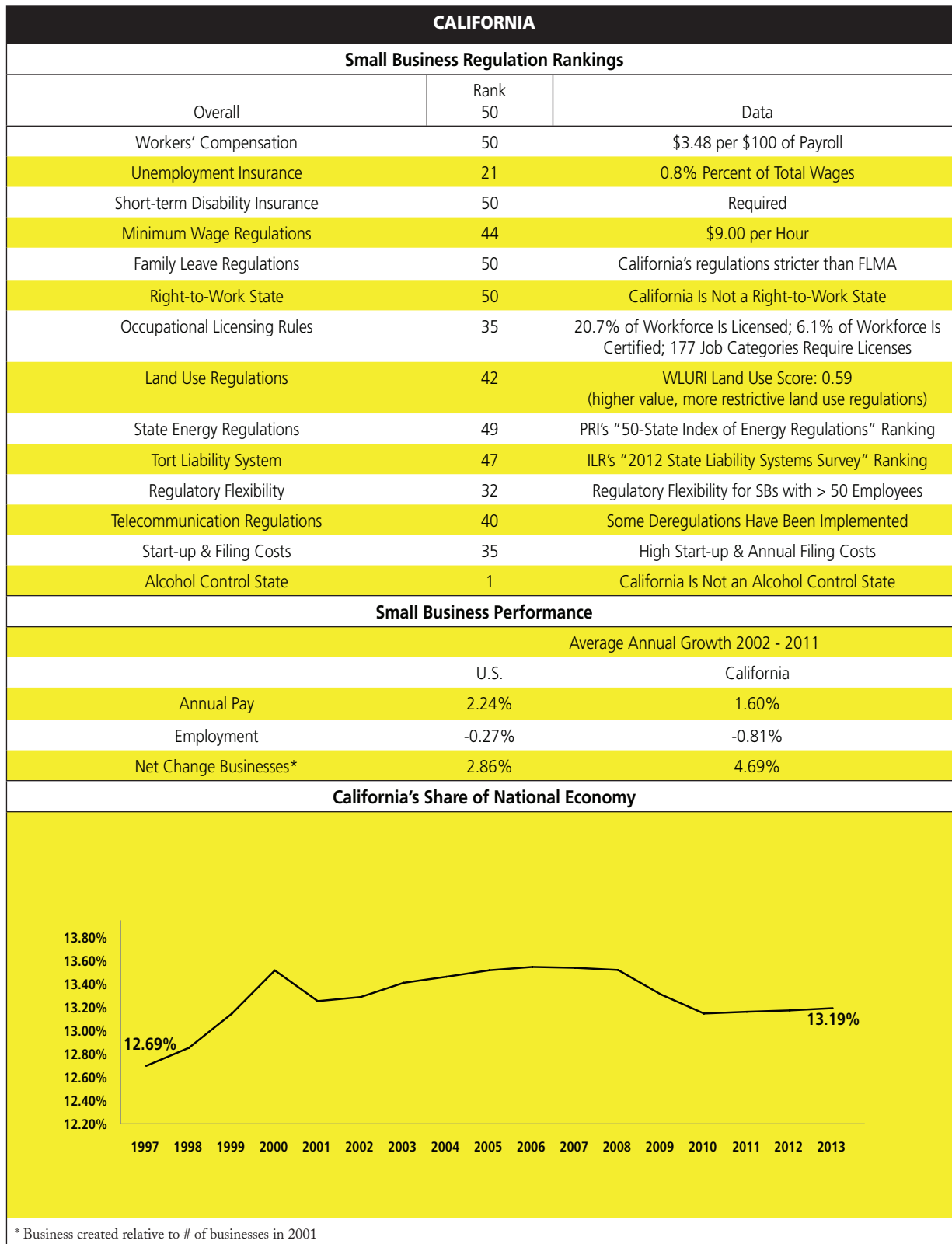
## **Appendix I: State-by-State Summaries**

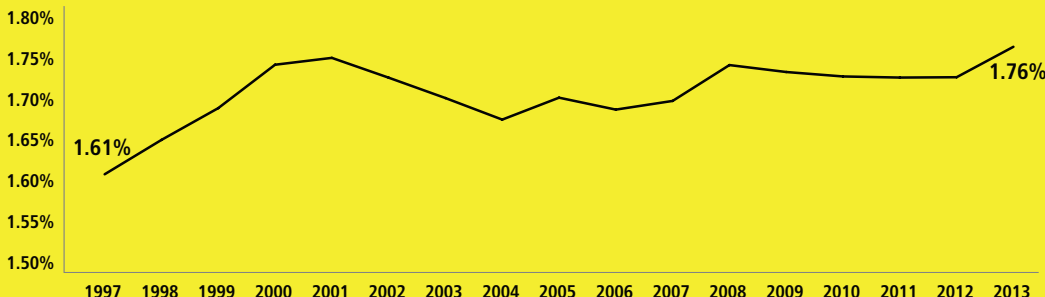
ALABAMA																																						
Small Business Regulation Rankings																																						
Overall	Rank 15	Data																																				
Workers' Compensation	22	\$1.81 per \$100 of Payroll																																				
Unemployment Insurance	9	0.52% of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	1	Alabama Abides by FLMA																																				
Right-to-Work State	1	Alabama Is a Right-to-Work State																																				
Occupational Licensing Rules	15	20.9% of Workforce Is Licensed; 6.9% of Workforce Is Certified; 70 Job Categories Require Licenses																																				
Land Use Regulations	8	WLURI Land Use Score: -0.94 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	1	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	43	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	50	No Regulatory Flexibility																																				
Telecommunication Regulations	20	Telecom Deregulations Have Been Implemented																																				
Start-up & Filing Costs	21	Moderate Start-up & Annual Filing Costs																																				
Alcohol Control State	50	Alabama Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Alabama																																				
Annual Pay	2.24%	2.61%																																				
Employment	-0.27%	-0.41%																																				
Net Change Businesses*	2.86%	-1.94%																																				
Alabama's Share of National Economy																																						
 <table><caption>Alabama's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>1.20%</td></tr><tr><td>1998</td><td>1.21%</td></tr><tr><td>1999</td><td>1.20%</td></tr><tr><td>2000</td><td>1.17%</td></tr><tr><td>2001</td><td>1.17%</td></tr><tr><td>2002</td><td>1.18%</td></tr><tr><td>2003</td><td>1.19%</td></tr><tr><td>2004</td><td>1.21%</td></tr><tr><td>2005</td><td>1.20%</td></tr><tr><td>2006</td><td>1.19%</td></tr><tr><td>2007</td><td>1.18%</td></tr><tr><td>2008</td><td>1.18%</td></tr><tr><td>2009</td><td>1.18%</td></tr><tr><td>2010</td><td>1.18%</td></tr><tr><td>2011</td><td>1.17%</td></tr><tr><td>2012</td><td>1.17%</td></tr><tr><td>2013</td><td>1.16%</td></tr></tbody></table>			Year	Share (%)	1997	1.20%	1998	1.21%	1999	1.20%	2000	1.17%	2001	1.17%	2002	1.18%	2003	1.19%	2004	1.21%	2005	1.20%	2006	1.19%	2007	1.18%	2008	1.18%	2009	1.18%	2010	1.18%	2011	1.17%	2012	1.17%	2013	1.16%
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2011	1.17%																																					
2012	1.17%																																					
2013	1.16%																																					
* Business created relative to # of businesses in 2001																																						



ARIZONA																																						
Small Business Regulation Rankings																																						
Overall	Rank 18	Data																																				
Workers' Compensation	14	\$1.60 per \$100 of Payroll																																				
Unemployment Insurance	3	0.39% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	33	\$8.05 per Hour																																				
Family Leave Regulations	1	Arizona Abides by FLMA																																				
Right-to-Work State	1	Arizona Is a Right-to-Work State																																				
Occupational Licensing Rules	31	22.3% of Workforce Is Licensed; 8.7% of Workforce Is Certified; 72 Job Categories Require Licenses																																				
Land Use Regulations	41	WLURI Land Use Score: 0.58 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	20	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	17	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	25	Moderate Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Arizona Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
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2004	1.67%																																					
2005	1.72%																																					
2006	1.78%																																					
2007	1.82%																																					
2008	1.75%																																					
2009	1.68%																																					
2010	1.65%																																					
2011	1.66%																																					
2012	1.67%																																					
2013	1.67%																																					
* Business created relative to # of businesses in 2001																																						





COLORADO		
Small Business Regulation Rankings		
Overall	Rank 25	Data
Workers' Compensation	10	\$1.50 per \$100 of Payroll
Unemployment Insurance	13	0.67% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	38	\$8.23 per Hour
Family Leave Regulations	25	Colorado's regulations stricter than FLMA
Right-to-Work State	50	Colorado Is Not a Right-to-Work State
Occupational Licensing Rules	8	17.2% of Workforce Is Licensed; 7.4% of Workforce Is Certified; 69 Job Categories Require Licenses
Land Use Regulations	39	WLURI Land Use Score: 0.48 (higher value, more restrictive land use regulations)
State Energy Regulations	12	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	23	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	1	Regulatory Flexibility for SBs with > 500 Employees
Telecommunication Regulations	50	No Deregulation
Start-up & Filing Costs	39	High Start-up & Annual Filing Costs
Alcohol Control State	1	Colorado Is Not an Alcohol Control State
Small Business Performance		
Average Annual Growth 2002 - 2011		
	U.S.	Colorado
Annual Pay	2.24%	2.28%
Employment	-0.27%	-0.22%
Net Change Businesses*	2.86%	7.14%
Colorado's Share of National Economy		
		
* Business created relative to # of businesses in 2001		

CONNECTICUT

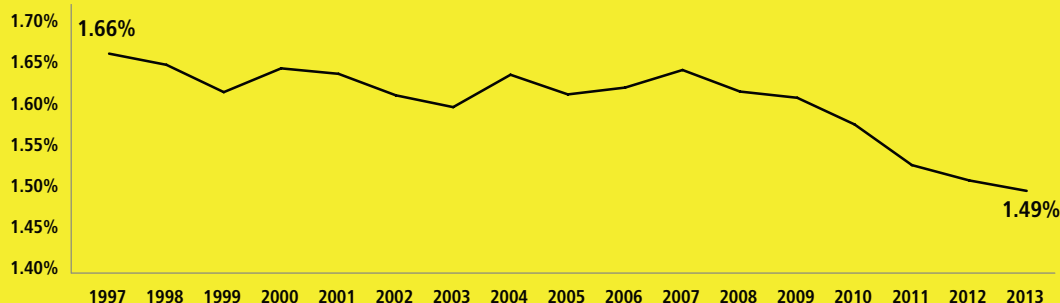
Small Business Regulation Rankings

Overall	Rank 47	Data
Workers' Compensation	49	\$2.87 per \$100 of Payroll
Unemployment Insurance	31	0.96% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	47	\$9.15 per Hour
Family Leave Regulations	49	Connecticut's regulations stricter than FLMA
Right-to-Work State	50	Connecticut Is Not a Right-to-Work State
Occupational Licensing Rules	50	24.7% of Workforce Is Licensed; 8.8% of Workforce Is Certified; 155 Job Categories Require Licenses
Land Use Regulations	38	WLURI Land Use Score: 0.38 (higher value, more restrictive land use regulations)
State Energy Regulations	47	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	25	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	24	Regulatory Flexibility for SBs with > 75 Employees
Telecommunication Regulations	50	No Deregulation
Start-up & Filing Costs	48	High Start-up & Annual Filing Costs
Alcohol Control State	1	Connecticut Is Not an Alcohol Control State

Small Business Performance

Average Annual Growth 2002 - 2011		
	U.S.	Connecticut
Annual Pay	2.24%	1.64%
Employment	-0.27%	-0.73%
Net Change Businesses*	2.86%	-5.95%

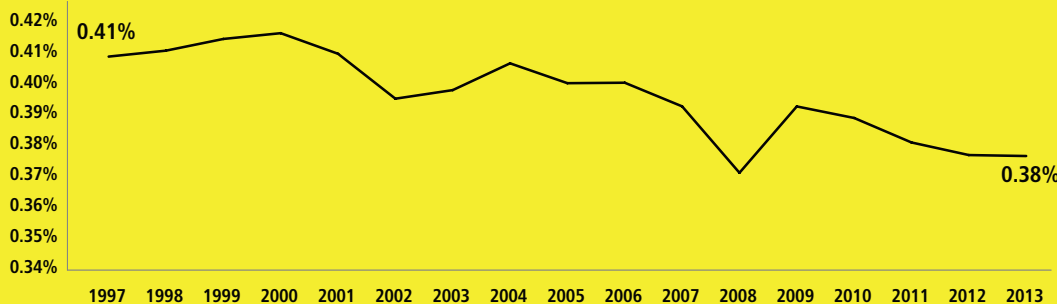
Connecticut's Share of National Economy

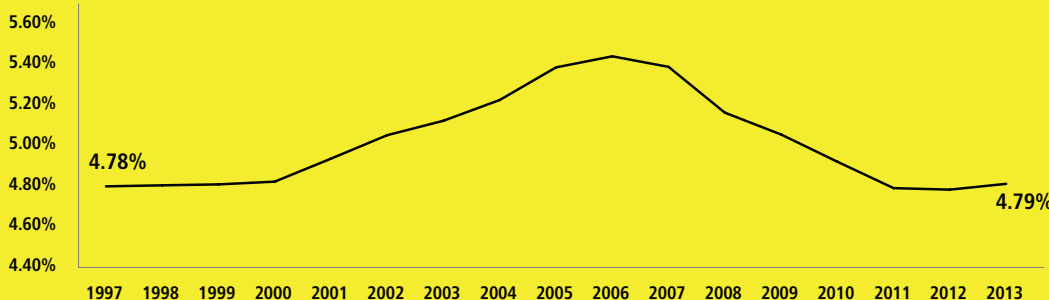


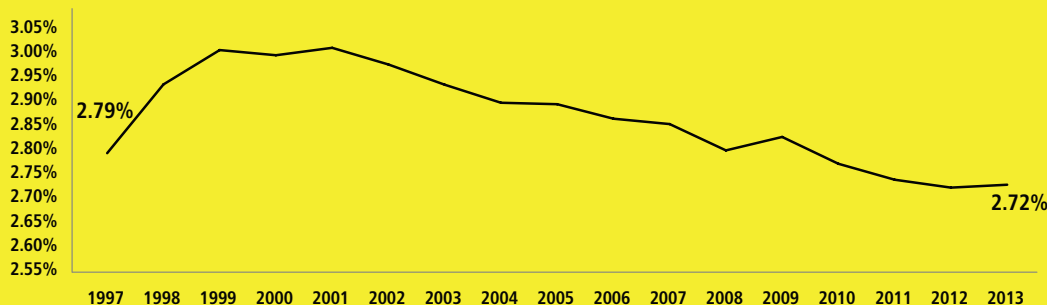
Year	Share (%)
1997	1.66%
1998	1.64%
1999	1.61%
2000	1.64%
2001	1.63%
2002	1.61%
2003	1.59%
2004	1.63%
2005	1.61%
2006	1.62%
2007	1.64%
2008	1.61%
2009	1.60%
2010	1.57%
2011	1.53%
2012	1.51%
2013	1.49%

\* Business created relative to # of businesses in 2001



DELAWARE																																						
Small Business Regulation Rankings																																						
Overall	Rank 19	Data																																				
Workers' Compensation	42	\$2.31 per \$100 of Payroll																																				
Unemployment Insurance	11	0.63% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	26	\$7.75 per Hour																																				
Family Leave Regulations	1	Delaware Abides by FLMA																																				
Right-to-Work State	50	Delaware Is Not a Right-to-Work State																																				
Occupational Licensing Rules	3	15.3% of Workforce Is Licensed; 3.5% of Workforce Is Certified; 83 Job Categories Require Licenses																																				
Land Use Regulations	39	WLURI Land Use Score: 0.48 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	5	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	1	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	40	Regulatory Flexibility for SBs with > 25 Employees																																				
Telecommunication Regulations	30	Some Deregulations Have Been Implemented																																				
Start-up & Filing Costs	8	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Delaware Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Delaware																																				
Annual Pay	2.24%	2.84%																																				
Employment	-0.27%	-0.21%																																				
Net Change Businesses*	2.86%	1.88%																																				
Delaware's Share of National Economy																																						
 <table><caption>Delaware's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.41%</td></tr><tr><td>1998</td><td>0.41%</td></tr><tr><td>1999</td><td>0.412%</td></tr><tr><td>2000</td><td>0.415%</td></tr><tr><td>2001</td><td>0.41%</td></tr><tr><td>2002</td><td>0.395%</td></tr><tr><td>2003</td><td>0.398%</td></tr><tr><td>2004</td><td>0.405%</td></tr><tr><td>2005</td><td>0.40%</td></tr><tr><td>2006</td><td>0.40%</td></tr><tr><td>2007</td><td>0.392%</td></tr><tr><td>2008</td><td>0.372%</td></tr><tr><td>2009</td><td>0.392%</td></tr><tr><td>2010</td><td>0.388%</td></tr><tr><td>2011</td><td>0.382%</td></tr><tr><td>2012</td><td>0.378%</td></tr><tr><td>2013</td><td>0.38%</td></tr></tbody></table>			Year	Share (%)	1997	0.41%	1998	0.41%	1999	0.412%	2000	0.415%	2001	0.41%	2002	0.395%	2003	0.398%	2004	0.405%	2005	0.40%	2006	0.40%	2007	0.392%	2008	0.372%	2009	0.392%	2010	0.388%	2011	0.382%	2012	0.378%	2013	0.38%
Year	Share (%)																																					
1997	0.41%																																					
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2011	0.382%																																					
2012	0.378%																																					
2013	0.38%																																					
* Business created relative to # of businesses in 2001																																						

FLORIDA																																						
Small Business Regulation Rankings																																						
Overall	Rank 9	Data																																				
Workers' Compensation	23	\$1.82 per \$100 of Payroll																																				
Unemployment Insurance	16	0.7% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	33	\$8.05 per Hour																																				
Family Leave Regulations	1	Florida Abides by FLMA																																				
Right-to-Work State	1	Florida Is a Right-to-Work State																																				
Occupational Licensing Rules	35	28.7% of Workforce Is Licensed; 4.2% of Workforce Is Certified; 104 Job Categories Require Licenses																																				
Land Use Regulations	36	WLURI Land Use Score: 0.37 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	15	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	41	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	8	Regulatory Flexibility for SBs with > 150 Employees																																				
Telecommunication Regulations	1	Telecom Deregulations Have Been Implemented																																				
Start-up & Filing Costs	6	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Florida Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Florida																																				
Annual Pay	2.24%	2.27%																																				
Employment	-0.27%	0.09%																																				
Net Change Businesses*	2.86%	12.60%																																				
Florida's Share of National Economy																																						
 <table><caption>Florida's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share of National Economy (%)</th></tr></thead><tbody><tr><td>1997</td><td>4.78%</td></tr><tr><td>1998</td><td>4.80%</td></tr><tr><td>1999</td><td>4.82%</td></tr><tr><td>2000</td><td>4.85%</td></tr><tr><td>2001</td><td>4.90%</td></tr><tr><td>2002</td><td>4.95%</td></tr><tr><td>2003</td><td>5.00%</td></tr><tr><td>2004</td><td>5.05%</td></tr><tr><td>2005</td><td>5.15%</td></tr><tr><td>2006</td><td>5.45%</td></tr><tr><td>2007</td><td>5.35%</td></tr><tr><td>2008</td><td>5.10%</td></tr><tr><td>2009</td><td>5.00%</td></tr><tr><td>2010</td><td>4.90%</td></tr><tr><td>2011</td><td>4.80%</td></tr><tr><td>2012</td><td>4.78%</td></tr><tr><td>2013</td><td>4.79%</td></tr></tbody></table>			Year	Share of National Economy (%)	1997	4.78%	1998	4.80%	1999	4.82%	2000	4.85%	2001	4.90%	2002	4.95%	2003	5.00%	2004	5.05%	2005	5.15%	2006	5.45%	2007	5.35%	2008	5.10%	2009	5.00%	2010	4.90%	2011	4.80%	2012	4.78%	2013	4.79%
Year	Share of National Economy (%)																																					
1997	4.78%																																					
1998	4.80%																																					
1999	4.82%																																					
2000	4.85%																																					
2001	4.90%																																					
2002	4.95%																																					
2003	5.00%																																					
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2005	5.15%																																					
2006	5.45%																																					
2007	5.35%																																					
2008	5.10%																																					
2009	5.00%																																					
2010	4.90%																																					
2011	4.80%																																					
2012	4.78%																																					
2013	4.79%																																					
* Business created relative to # of businesses in 2001																																						

GEORGIA																																						
Small Business Regulation Rankings																																						
Overall	Rank 5	Data																																				
Workers' Compensation	19	\$1.75 per \$100 of Payroll																																				
Unemployment Insurance	5	0.41% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	1	Georgia Abides by FLMA																																				
Right-to-Work State	1	Georgia Is a Right-to-Work State																																				
Occupational Licensing Rules	7	15.7% of Workforce Is Licensed; 5.9% of Workforce Is Certified; 85 Job Categories Require Licenses																																				
Land Use Regulations	25	WLURI Land Use Score: -0.21 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	7	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	24	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees																																				
Telecommunication Regulations	40	Some Deregulations Have Been Implemented																																				
Start-up & Filing Costs	35	High Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Georgia Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Georgia																																				
Annual Pay	2.24%	1.86%																																				
Employment	-0.27%	-0.11%																																				
Net Change Businesses*	2.86%	6.56%																																				
Georgia's Share of National Economy																																						
 <table><caption>Georgia's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>2.79%</td></tr><tr><td>1998</td><td>2.90%</td></tr><tr><td>1999</td><td>3.00%</td></tr><tr><td>2000</td><td>2.98%</td></tr><tr><td>2001</td><td>3.00%</td></tr><tr><td>2002</td><td>2.95%</td></tr><tr><td>2003</td><td>2.90%</td></tr><tr><td>2004</td><td>2.88%</td></tr><tr><td>2005</td><td>2.88%</td></tr><tr><td>2006</td><td>2.85%</td></tr><tr><td>2007</td><td>2.84%</td></tr><tr><td>2008</td><td>2.78%</td></tr><tr><td>2009</td><td>2.82%</td></tr><tr><td>2010</td><td>2.75%</td></tr><tr><td>2011</td><td>2.72%</td></tr><tr><td>2012</td><td>2.71%</td></tr><tr><td>2013</td><td>2.72%</td></tr></tbody></table>			Year	Share (%)	1997	2.79%	1998	2.90%	1999	3.00%	2000	2.98%	2001	3.00%	2002	2.95%	2003	2.90%	2004	2.88%	2005	2.88%	2006	2.85%	2007	2.84%	2008	2.78%	2009	2.82%	2010	2.75%	2011	2.72%	2012	2.71%	2013	2.72%
Year	Share (%)																																					
1997	2.79%																																					
1998	2.90%																																					
1999	3.00%																																					
2000	2.98%																																					
2001	3.00%																																					
2002	2.95%																																					
2003	2.90%																																					
2004	2.88%																																					
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2008	2.78%																																					
2009	2.82%																																					
2010	2.75%																																					
2011	2.72%																																					
2012	2.71%																																					
2013	2.72%																																					
* Business created relative to # of businesses in 2001																																						

HAWAII																																						
Small Business Regulation Rankings																																						
Overall	Rank 43	Data																																				
Workers' Compensation	24	\$1.85 per \$100 of Payroll																																				
Unemployment Insurance	43	1.22% Percent of Total Wages																																				
Short-term Disability Insurance	50	Required																																				
Minimum Wage Regulations	26	\$7.75 per Hour																																				
Family Leave Regulations	43	Hawaii's regulations stricter than FL MA																																				
Right-to-Work State	50	Hawaii Is Not a Right-to-Work State																																				
Occupational Licensing Rules	41	26.6% of Workforce Is Licensed; 11.3% of Workforce Is Certified; 64 Job Categories Require Licenses																																				
Land Use Regulations	50	WLURI Land Use Score: 2.32 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	23	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	29	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	22	Moderate Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Hawaii Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Hawaii																																				
Annual Pay	2.24%	2.58%																																				
Employment	-0.27%	0.16%																																				
Net Change Businesses*	2.86%	3.40%																																				
Hawaii's Share of National Economy																																						
<table><caption>Hawaii's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.45%</td></tr><tr><td>1998</td><td>0.415%</td></tr><tr><td>1999</td><td>0.405%</td></tr><tr><td>2000</td><td>0.405%</td></tr><tr><td>2001</td><td>0.405%</td></tr><tr><td>2002</td><td>0.415%</td></tr><tr><td>2003</td><td>0.425%</td></tr><tr><td>2004</td><td>0.435%</td></tr><tr><td>2005</td><td>0.445%</td></tr><tr><td>2006</td><td>0.448%</td></tr><tr><td>2007</td><td>0.450%</td></tr><tr><td>2008</td><td>0.453%</td></tr><tr><td>2009</td><td>0.455%</td></tr><tr><td>2010</td><td>0.453%</td></tr><tr><td>2011</td><td>0.452%</td></tr><tr><td>2012</td><td>0.451%</td></tr><tr><td>2013</td><td>0.45%</td></tr></tbody></table>			Year	Share (%)	1997	0.45%	1998	0.415%	1999	0.405%	2000	0.405%	2001	0.405%	2002	0.415%	2003	0.425%	2004	0.435%	2005	0.445%	2006	0.448%	2007	0.450%	2008	0.453%	2009	0.455%	2010	0.453%	2011	0.452%	2012	0.451%	2013	0.45%
Year	Share (%)																																					
1997	0.45%																																					
1998	0.415%																																					
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2012	0.451%																																					
2013	0.45%																																					
* Business created relative to # of businesses in 2001																																						

IDAHO																																						
Small Business Regulation Rankings																																						
Overall	Rank 24	Data																																				
Workers' Compensation	37	\$2.01 per \$100 of Payroll																																				
Unemployment Insurance	45	1.39% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	1	Idaho Abides by FLMA																																				
Right-to-Work State	1	Idaho Is a Right-to-Work State																																				
Occupational Licensing Rules	24	22.8% of Workforce Is Licensed; 8.4% of Workforce Is Certified; 61 Job Categories Require Licenses																																				
Land Use Regulations	16	WLURI Land Use Score: -0.63 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	23	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	6	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	50	No Regulatory Flexibility																																				
Telecommunication Regulations	30	Some Deregulations Have Been Implemented																																				
Start-up & Filing Costs	12	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	50	Idaho Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Idaho																																				
Annual Pay	2.24%	2.78%																																				
Employment	-0.27%	0.55%																																				
Net Change Businesses*	2.86%	12.36%																																				
Idaho's Share of National Economy																																						
<table><caption>Idaho's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.35%</td></tr><tr><td>1998</td><td>0.345%</td></tr><tr><td>1999</td><td>0.355%</td></tr><tr><td>2000</td><td>0.375%</td></tr><tr><td>2001</td><td>0.36%</td></tr><tr><td>2002</td><td>0.36%</td></tr><tr><td>2003</td><td>0.36%</td></tr><tr><td>2004</td><td>0.365%</td></tr><tr><td>2005</td><td>0.37%</td></tr><tr><td>2006</td><td>0.375%</td></tr><tr><td>2007</td><td>0.38%</td></tr><tr><td>2008</td><td>0.38%</td></tr><tr><td>2009</td><td>0.375%</td></tr><tr><td>2010</td><td>0.37%</td></tr><tr><td>2011</td><td>0.37%</td></tr><tr><td>2012</td><td>0.365%</td></tr><tr><td>2013</td><td>0.37%</td></tr></tbody></table>			Year	Share (%)	1997	0.35%	1998	0.345%	1999	0.355%	2000	0.375%	2001	0.36%	2002	0.36%	2003	0.36%	2004	0.365%	2005	0.37%	2006	0.375%	2007	0.38%	2008	0.38%	2009	0.375%	2010	0.37%	2011	0.37%	2012	0.365%	2013	0.37%
Year	Share (%)																																					
1997	0.35%																																					
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ILLINOIS

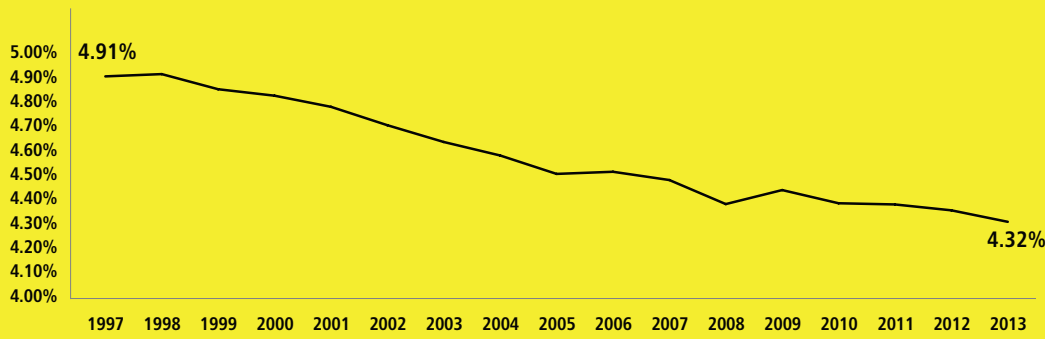
Small Business Regulation Rankings

Overall	Rank 38	Data
Workers' Compensation	44	\$2.35 per \$100 of Payroll
Unemployment Insurance	39	1.2% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	39	\$8.25 per Hour
Family Leave Regulations	32	Illinois's regulations stricter than FLMA
Right-to-Work State	50	Illinois Is Not a Right-to-Work State
Occupational Licensing Rules	30	24.7% of Workforce Is Licensed; 5% of Workforce Is Certified; 93 Job Categories Require Licenses
Land Use Regulations	26	WLURI Land Use Score: -0.19 (higher value, more restrictive land use regulations)
State Energy Regulations	31	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	46	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	32	Regulatory Flexibility for SBs with > 50 Employees
Telecommunication Regulations	30	Some Deregulations Have Been Implemented
Start-up & Filing Costs	45	High Start-up & Annual Filing Costs
Alcohol Control State	1	Illinois Is Not an Alcohol Control State

Small Business Performance

Average Annual Growth 2002 - 2011		
	U.S.	Illinois
Annual Pay	2.24%	1.57%
Employment	-0.27%	-0.87%
Net Change Businesses*	2.86%	-0.10%

Illinois's Share of National Economy

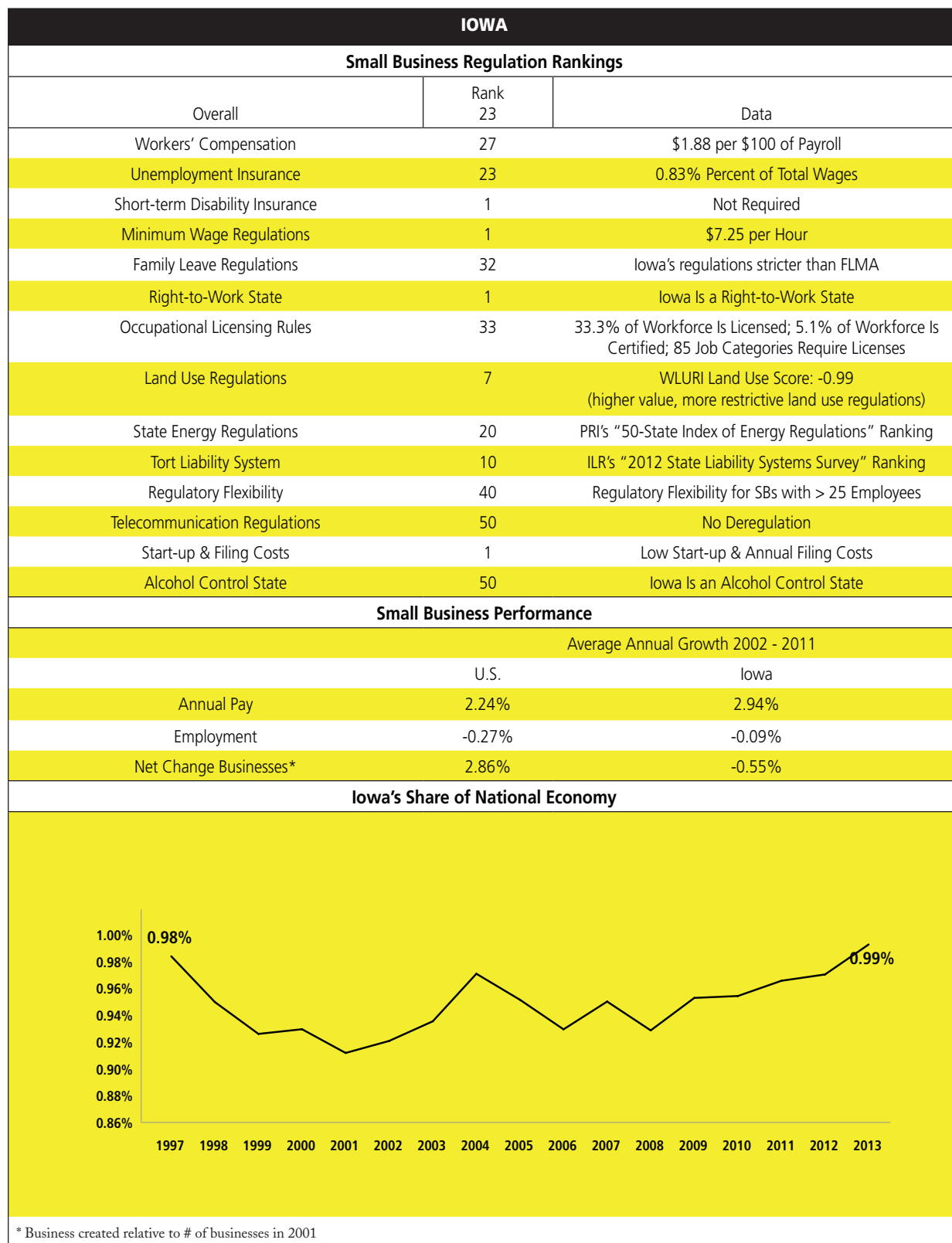


The line graph illustrates the decline in Illinois's share of the national economy over a 16-year period. The y-axis represents the percentage share, ranging from 4.00% to 5.00% in 0.10% increments. The x-axis lists the years from 1997 to 2013. The line begins at 4.91% in 1997, remains relatively stable until 2001, then shows a steady decline through 2005, followed by a slight recovery and then another decline, ending at 4.32% in 2013.

Year	Share of National Economy (%)
1997	4.91%
1998	4.90%
1999	4.85%
2000	4.82%
2001	4.78%
2002	4.72%
2003	4.65%
2004	4.58%
2005	4.50%
2006	4.52%
2007	4.48%
2008	4.38%
2009	4.45%
2010	4.40%
2011	4.38%
2012	4.35%
2013	4.32%

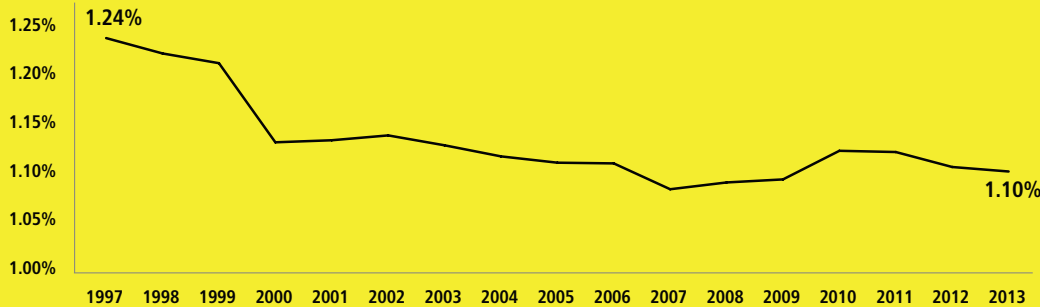
\* Business created relative to # of businesses in 2001

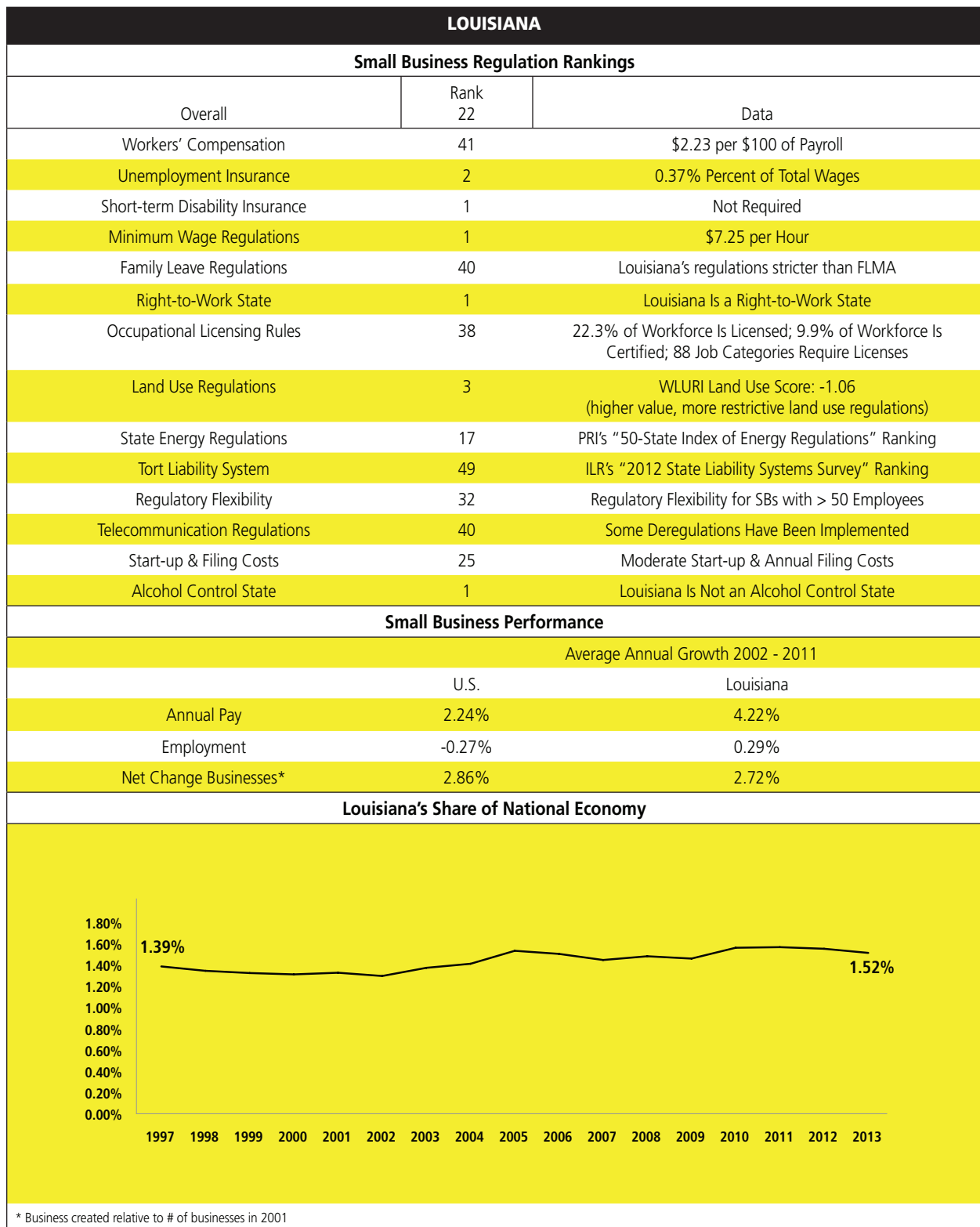
INDIANA																																						
Small Business Regulation Rankings																																						
Overall	Rank 1	Data																																				
Workers' Compensation	2	\$1.06 per \$100 of Payroll																																				
Unemployment Insurance	19	0.77% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	25	Indiana's regulations stricter than FLMA																																				
Right-to-Work State	1	Indiana Is a Right-to-Work State																																				
Occupational Licensing Rules	19	14.9% of Workforce Is Licensed; 10.8% of Workforce Is Certified; 85 Job Categories Require Licenses																																				
Land Use Regulations	6	WLURI Land Use Score: -1.01 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	29	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	14	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees																																				
Telecommunication Regulations	1	Telecom Deregulations Have Been Implemented																																				
Start-up & Filing Costs	9	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Indiana Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Indiana																																				
Annual Pay	2.24%	1.38%																																				
Employment	-0.27%	-0.89%																																				
Net Change Businesses*	2.86%	-3.39%																																				
Indiana's Share of National Economy																																						
<table><caption>Indiana's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>2.03%</td></tr><tr><td>1998</td><td>2.08%</td></tr><tr><td>1999</td><td>2.05%</td></tr><tr><td>2000</td><td>2.02%</td></tr><tr><td>2001</td><td>1.98%</td></tr><tr><td>2002</td><td>1.98%</td></tr><tr><td>2003</td><td>1.99%</td></tr><tr><td>2004</td><td>1.98%</td></tr><tr><td>2005</td><td>1.92%</td></tr><tr><td>2006</td><td>1.88%</td></tr><tr><td>2007</td><td>1.90%</td></tr><tr><td>2008</td><td>1.89%</td></tr><tr><td>2009</td><td>1.85%</td></tr><tr><td>2010</td><td>1.92%</td></tr><tr><td>2011</td><td>1.91%</td></tr><tr><td>2012</td><td>1.91%</td></tr><tr><td>2013</td><td>1.90%</td></tr></tbody></table>			Year	Share (%)	1997	2.03%	1998	2.08%	1999	2.05%	2000	2.02%	2001	1.98%	2002	1.98%	2003	1.99%	2004	1.98%	2005	1.92%	2006	1.88%	2007	1.90%	2008	1.89%	2009	1.85%	2010	1.92%	2011	1.91%	2012	1.91%	2013	1.90%
Year	Share (%)																																					
1997	2.03%																																					
1998	2.08%																																					
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2000	2.02%																																					
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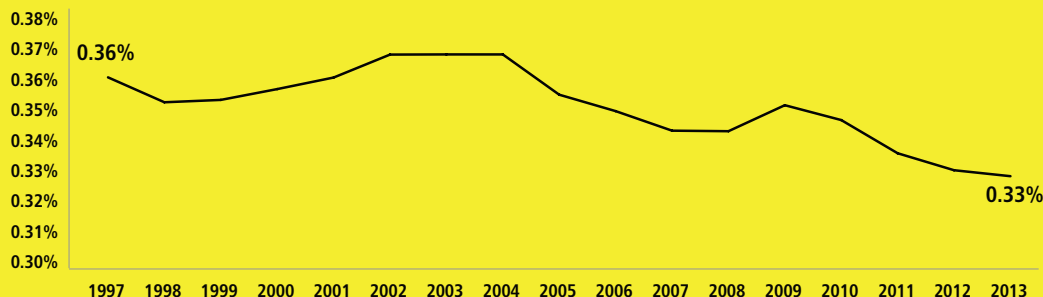




KANSAS		
Small Business Regulation Rankings		
Overall	Rank 4	Data
Workers' Compensation	12	\$1.55 per \$100 of Payroll
Unemployment Insurance	25	0.84% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	1	\$7.25 per Hour
Family Leave Regulations	1	Kansas Abides by FLMA
Right-to-Work State	1	Kansas Is a Right-to-Work State
Occupational Licensing Rules	2	14.9% of Workforce Is Licensed; 5.6% of Workforce Is Certified; 56 Job Categories Require Licenses
Land Use Regulations	1	WLURI Land Use Score: -1.13 (higher value, more restrictive land use regulations)
State Energy Regulations	7	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	5	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	50	No Regulatory Flexibility
Telecommunication Regulations	40	Some Deregulations Have Been Implemented
Start-up & Filing Costs	34	Moderate Start-up & Annual Filing Costs
Alcohol Control State	1	Kansas Is Not an Alcohol Control State
Small Business Performance		
Average Annual Growth 2002 - 2011		
	U.S.	Kansas
Annual Pay	2.24%	2.92%
Employment	-0.27%	0.02%
Net Change Businesses*	2.86%	-1.58%
Kansas's Share of National Economy		
<p>0.90% 0.89% 0.88% 0.86% 0.84% 0.82% 0.80% 0.78% 0.76%</p> <p>1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013</p>		
* Business created relative to # of businesses in 2001		

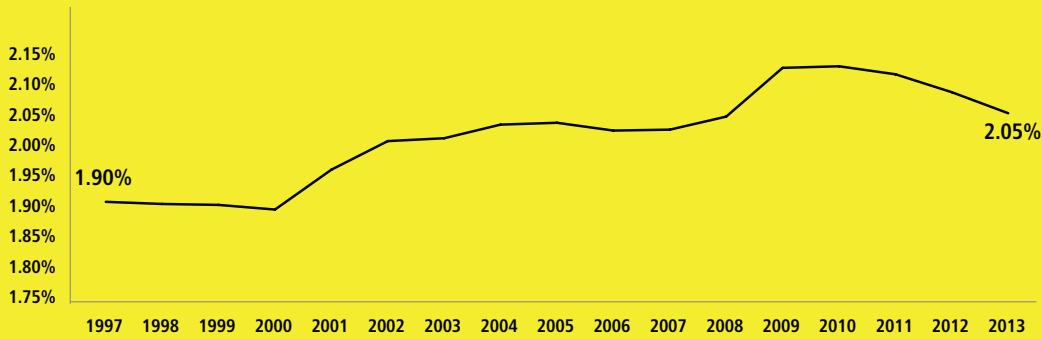
KENTUCKY																																						
Small Business Regulation Rankings																																						
Overall	Rank 25	Data																																				
Workers' Compensation	11	\$1.51 per \$100 of Payroll																																				
Unemployment Insurance	29	0.9% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	1	Kentucky Abides by FLMA																																				
Right-to-Work State	50	Kentucky Is Not a Right-to-Work State																																				
Occupational Licensing Rules	49	27.8% of Workforce Is Licensed; 10.7% of Workforce Is Certified; 91 Job Categories Require Licenses																																				
Land Use Regulations	17	WLURI Land Use Score: -0.57 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	32	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	38	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	8	Regulatory Flexibility for SBs with > 150 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	22	Moderate Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Kentucky Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Kentucky																																				
Annual Pay	2.24%	2.00%																																				
Employment	-0.27%	-0.69%																																				
Net Change Businesses*	2.86%	-2.31%																																				
Kentucky's Share of National Economy																																						
 <table><caption>Kentucky's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>1.24%</td></tr><tr><td>1998</td><td>1.22%</td></tr><tr><td>1999</td><td>1.21%</td></tr><tr><td>2000</td><td>1.13%</td></tr><tr><td>2001</td><td>1.13%</td></tr><tr><td>2002</td><td>1.14%</td></tr><tr><td>2003</td><td>1.13%</td></tr><tr><td>2004</td><td>1.12%</td></tr><tr><td>2005</td><td>1.11%</td></tr><tr><td>2006</td><td>1.11%</td></tr><tr><td>2007</td><td>1.08%</td></tr><tr><td>2008</td><td>1.09%</td></tr><tr><td>2009</td><td>1.09%</td></tr><tr><td>2010</td><td>1.12%</td></tr><tr><td>2011</td><td>1.12%</td></tr><tr><td>2012</td><td>1.11%</td></tr><tr><td>2013</td><td>1.10%</td></tr></tbody></table>			Year	Share (%)	1997	1.24%	1998	1.22%	1999	1.21%	2000	1.13%	2001	1.13%	2002	1.14%	2003	1.13%	2004	1.12%	2005	1.11%	2006	1.11%	2007	1.08%	2008	1.09%	2009	1.09%	2010	1.12%	2011	1.12%	2012	1.11%	2013	1.10%
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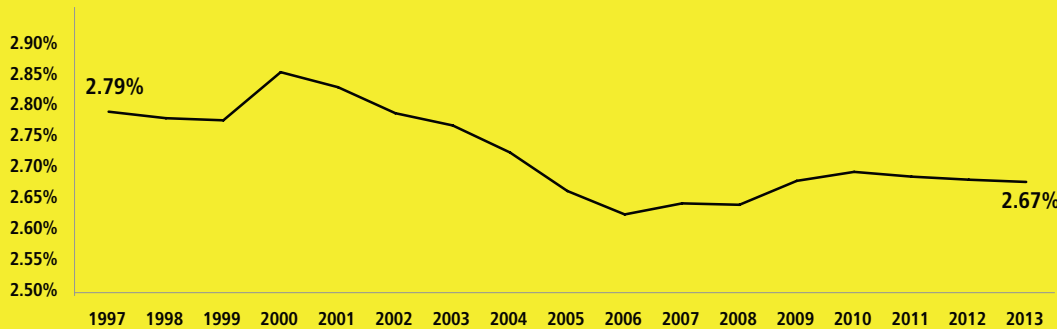


MAINE																																						
Small Business Regulation Rankings																																						
Overall	Rank 45	Data																																				
Workers' Compensation	38	\$2.15 per \$100 of Payroll																																				
Unemployment Insurance	26	0.87% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	22	\$7.50 per Hour																																				
Family Leave Regulations	43	Maine's regulations stricter than FLMA																																				
Right-to-Work State	50	Maine Is Not a Right-to-Work State																																				
Occupational Licensing Rules	42	20.7% of Workforce Is Licensed; 7.8% of Workforce Is Certified; 134 Job Categories Require Licenses																																				
Land Use Regulations	43	WLURI Land Use Score: 0.68 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	36	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	12	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	40	Regulatory Flexibility for SBs with > 25 Employees																																				
Telecommunication Regulations	30	Some Deregulations Have Been Implemented																																				
Start-up & Filing Costs	45	High Start-up & Annual Filing Costs																																				
Alcohol Control State	50	Maine Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Maine																																				
Annual Pay	2.24%	1.82%																																				
Employment	-0.27%	-0.46%																																				
Net Change Businesses*	2.86%	-1.51%																																				
Maine's Share of National Economy																																						
 <table><caption>Maine's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.36%</td></tr><tr><td>1998</td><td>0.355%</td></tr><tr><td>1999</td><td>0.355%</td></tr><tr><td>2000</td><td>0.36%</td></tr><tr><td>2001</td><td>0.365%</td></tr><tr><td>2002</td><td>0.37%</td></tr><tr><td>2003</td><td>0.37%</td></tr><tr><td>2004</td><td>0.37%</td></tr><tr><td>2005</td><td>0.355%</td></tr><tr><td>2006</td><td>0.35%</td></tr><tr><td>2007</td><td>0.345%</td></tr><tr><td>2008</td><td>0.345%</td></tr><tr><td>2009</td><td>0.355%</td></tr><tr><td>2010</td><td>0.35%</td></tr><tr><td>2011</td><td>0.34%</td></tr><tr><td>2012</td><td>0.335%</td></tr><tr><td>2013</td><td>0.33%</td></tr></tbody></table>			Year	Share (%)	1997	0.36%	1998	0.355%	1999	0.355%	2000	0.36%	2001	0.365%	2002	0.37%	2003	0.37%	2004	0.37%	2005	0.355%	2006	0.35%	2007	0.345%	2008	0.345%	2009	0.355%	2010	0.35%	2011	0.34%	2012	0.335%	2013	0.33%
Year	Share (%)																																					
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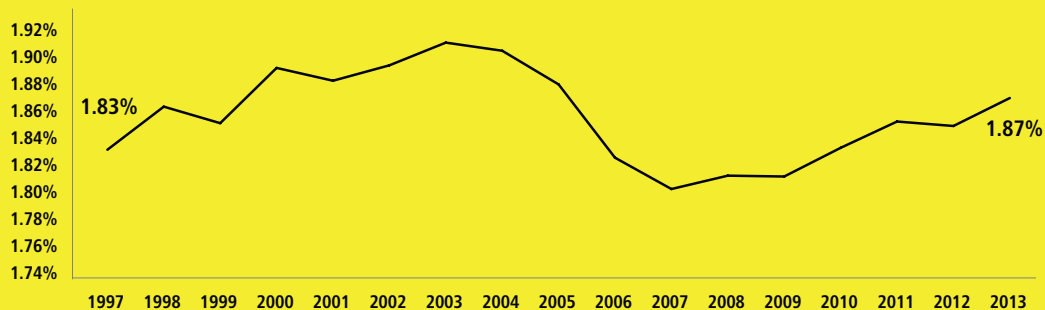
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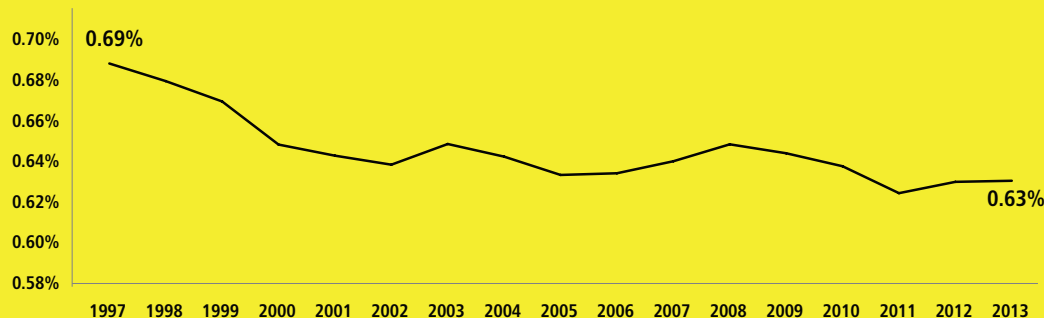
MARYLAND																																						
Small Business Regulation Rankings																																						
Overall	Rank 39	Data																																				
Workers' Compensation	16	\$1.64 per \$100 of Payroll																																				
Unemployment Insurance	10	0.56% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	29	\$8.00 per Hour																																				
Family Leave Regulations	25	Maryland's regulations stricter than FLMA																																				
Right-to-Work State	50	Maryland Is Not a Right-to-Work State																																				
Occupational Licensing Rules	12	17.2% of Workforce Is Licensed; 4.8% of Workforce Is Certified; 98 Job Categories Require Licenses																																				
Land Use Regulations	45	WLURI Land Use Score: 0.79 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	46	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	33	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	50	No Regulatory Flexibility																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	35	High Start-up & Annual Filing Costs																																				
Alcohol Control State	50	Maryland Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Maryland																																				
Annual Pay	2.24%	2.89%																																				
Employment	-0.27%	-0.09%																																				
Net Change Businesses*	2.86%	3.40%																																				
Maryland's Share of National Economy																																						
 <table><caption>Maryland's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share of National Economy (%)</th></tr></thead><tbody><tr><td>1997</td><td>1.90%</td></tr><tr><td>1998</td><td>1.90%</td></tr><tr><td>1999</td><td>1.90%</td></tr><tr><td>2000</td><td>1.89%</td></tr><tr><td>2001</td><td>1.95%</td></tr><tr><td>2002</td><td>2.00%</td></tr><tr><td>2003</td><td>2.00%</td></tr><tr><td>2004</td><td>2.02%</td></tr><tr><td>2005</td><td>2.02%</td></tr><tr><td>2006</td><td>2.01%</td></tr><tr><td>2007</td><td>2.01%</td></tr><tr><td>2008</td><td>2.03%</td></tr><tr><td>2009</td><td>2.12%</td></tr><tr><td>2010</td><td>2.12%</td></tr><tr><td>2011</td><td>2.10%</td></tr><tr><td>2012</td><td>2.08%</td></tr><tr><td>2013</td><td>2.05%</td></tr></tbody></table>			Year	Share of National Economy (%)	1997	1.90%	1998	1.90%	1999	1.90%	2000	1.89%	2001	1.95%	2002	2.00%	2003	2.00%	2004	2.02%	2005	2.02%	2006	2.01%	2007	2.01%	2008	2.03%	2009	2.12%	2010	2.12%	2011	2.10%	2012	2.08%	2013	2.05%
Year	Share of National Economy (%)																																					
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2011	2.10%																																					
2012	2.08%																																					
2013	2.05%																																					
* Business created relative to # of businesses in 2001																																						

MASSACHUSETTS																																						
Small Business Regulation Rankings																																						
Overall	Rank 34	Data																																				
Workers' Compensation	4	\$1.17 per \$100 of Payroll																																				
Unemployment Insurance	34	1.1% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	44	\$9.00 per Hour																																				
Family Leave Regulations	38	Massachusetts's regulations stricter than FLMA																																				
Right-to-Work State	50	Massachusetts Is Not a Right-to-Work State																																				
Occupational Licensing Rules	19	21.3% of Workforce Is Licensed; 3.9% of Workforce Is Certified; 107 Job Categories Require Licenses																																				
Land Use Regulations	48	WLURI Land Use Score: 1.56 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	38	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	19	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	24	Regulatory Flexibility for SBs with > 75 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	48	High Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Massachusetts Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Massachusetts																																				
Annual Pay	2.24%	1.47%																																				
Employment	-0.27%	-0.87%																																				
Net Change Businesses*	2.86%	-5.46%																																				
Massachusetts's Share of National Economy																																						
 <table><caption>Massachusetts's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>2.79%</td></tr><tr><td>1998</td><td>2.78%</td></tr><tr><td>1999</td><td>2.78%</td></tr><tr><td>2000</td><td>2.85%</td></tr><tr><td>2001</td><td>2.82%</td></tr><tr><td>2002</td><td>2.78%</td></tr><tr><td>2003</td><td>2.76%</td></tr><tr><td>2004</td><td>2.72%</td></tr><tr><td>2005</td><td>2.68%</td></tr><tr><td>2006</td><td>2.65%</td></tr><tr><td>2007</td><td>2.66%</td></tr><tr><td>2008</td><td>2.66%</td></tr><tr><td>2009</td><td>2.68%</td></tr><tr><td>2010</td><td>2.69%</td></tr><tr><td>2011</td><td>2.68%</td></tr><tr><td>2012</td><td>2.67%</td></tr><tr><td>2013</td><td>2.67%</td></tr></tbody></table>			Year	Share (%)	1997	2.79%	1998	2.78%	1999	2.78%	2000	2.85%	2001	2.82%	2002	2.78%	2003	2.76%	2004	2.72%	2005	2.68%	2006	2.65%	2007	2.66%	2008	2.66%	2009	2.68%	2010	2.69%	2011	2.68%	2012	2.67%	2013	2.67%
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* Business created relative to # of businesses in 2001																																						

MICHIGAN																																						
Small Business Regulation Rankings																																						
Overall	Rank	Data																																				
	28																																					
Workers' Compensation	17	\$1.68 per \$100 of Payroll																																				
Unemployment Insurance	44	1.34% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	37	\$8.15 per Hour																																				
Family Leave Regulations	1	Michigan Abides by FLMA																																				
Right-to-Work State	1	Michigan Is a Right-to-Work State																																				
Occupational Licensing Rules	17	20.6% of Workforce Is Licensed; 3.3% of Workforce Is Certified; 116 Job Categories Require Licenses																																				
Land Use Regulations	31	WLURI Land Use Score: 0.02 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	44	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	27	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	8	Regulatory Flexibility for SBs with > 150 Employees																																				
Telecommunication Regulations	20	Telecom Deregulations Have Been Implemented																																				
Start-up & Filing Costs	25	Moderate Start-up & Annual Filing Costs																																				
Alcohol Control State	50	Michigan Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Michigan																																				
Annual Pay	2.24%	0.54%																																				
Employment	-0.27%	-1.50%																																				
Net Change Businesses*	2.86%	-9.12%																																				
Michigan's Share of National Economy																																						
<table><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>3.62%</td></tr><tr><td>1998</td><td>3.55%</td></tr><tr><td>1999</td><td>3.58%</td></tr><tr><td>2000</td><td>3.50%</td></tr><tr><td>2001</td><td>3.40%</td></tr><tr><td>2002</td><td>3.40%</td></tr><tr><td>2003</td><td>3.35%</td></tr><tr><td>2004</td><td>3.25%</td></tr><tr><td>2005</td><td>3.15%</td></tr><tr><td>2006</td><td>3.05%</td></tr><tr><td>2007</td><td>2.95%</td></tr><tr><td>2008</td><td>2.85%</td></tr><tr><td>2009</td><td>2.75%</td></tr><tr><td>2010</td><td>2.65%</td></tr><tr><td>2011</td><td>2.60%</td></tr><tr><td>2012</td><td>2.58%</td></tr><tr><td>2013</td><td>2.59%</td></tr></tbody></table>			Year	Share (%)	1997	3.62%	1998	3.55%	1999	3.58%	2000	3.50%	2001	3.40%	2002	3.40%	2003	3.35%	2004	3.25%	2005	3.15%	2006	3.05%	2007	2.95%	2008	2.85%	2009	2.75%	2010	2.65%	2011	2.60%	2012	2.58%	2013	2.59%
Year	Share (%)																																					
1997	3.62%																																					
1998	3.55%																																					
1999	3.58%																																					
2000	3.50%																																					
2001	3.40%																																					
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2007	2.95%																																					
2008	2.85%																																					
2009	2.75%																																					
2010	2.65%																																					
2011	2.60%																																					
2012	2.58%																																					
2013	2.59%																																					
* Business created relative to # of businesses in 2001																																						

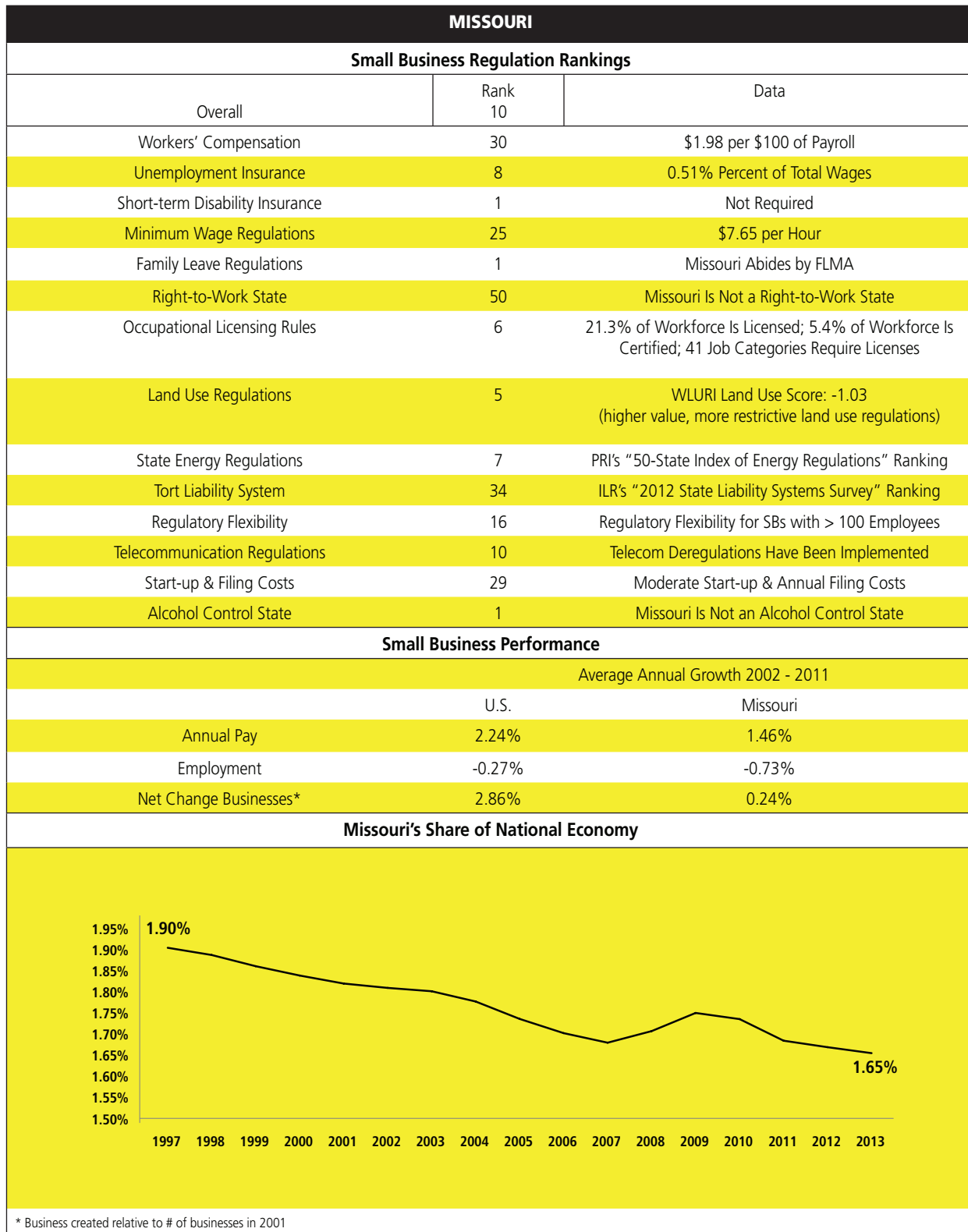
MINNESOTA																																						
Small Business Regulation Rankings																																						
Overall	Rank 32	Data																																				
Workers' Compensation	31	\$1.99 per \$100 of Payroll																																				
Unemployment Insurance	28	0.88% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	29	\$8.00 per Hour																																				
Family Leave Regulations	43	Minnesota's regulations stricter than FLMA																																				
Right-to-Work State	50	Minnesota Is Not a Right-to-Work State																																				
Occupational Licensing Rules	4	15% of Workforce Is Licensed; 3.4% of Workforce Is Certified; 95 Job Categories Require Licenses																																				
Land Use Regulations	33	WLURI Land Use Score: 0.08 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	34	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	4	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	50	No Regulatory Flexibility																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	17	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Minnesota Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Minnesota																																				
Annual Pay	2.24%	1.86%																																				
Employment	-0.27%	-0.30%																																				
Net Change Businesses*	2.86%	1.95%																																				
Minnesota's Share of National Economy																																						
 <table><caption>Minnesota's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>1.83%</td></tr><tr><td>1998</td><td>1.86%</td></tr><tr><td>1999</td><td>1.85%</td></tr><tr><td>2000</td><td>1.89%</td></tr><tr><td>2001</td><td>1.88%</td></tr><tr><td>2002</td><td>1.90%</td></tr><tr><td>2003</td><td>1.91%</td></tr><tr><td>2004</td><td>1.90%</td></tr><tr><td>2005</td><td>1.88%</td></tr><tr><td>2006</td><td>1.83%</td></tr><tr><td>2007</td><td>1.80%</td></tr><tr><td>2008</td><td>1.81%</td></tr><tr><td>2009</td><td>1.81%</td></tr><tr><td>2010</td><td>1.83%</td></tr><tr><td>2011</td><td>1.85%</td></tr><tr><td>2012</td><td>1.85%</td></tr><tr><td>2013</td><td>1.87%</td></tr></tbody></table>			Year	Share (%)	1997	1.83%	1998	1.86%	1999	1.85%	2000	1.89%	2001	1.88%	2002	1.90%	2003	1.91%	2004	1.90%	2005	1.88%	2006	1.83%	2007	1.80%	2008	1.81%	2009	1.81%	2010	1.83%	2011	1.85%	2012	1.85%	2013	1.87%
Year	Share (%)																																					
1997	1.83%																																					
1998	1.86%																																					
1999	1.85%																																					
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2005	1.88%																																					
2006	1.83%																																					
2007	1.80%																																					
2008	1.81%																																					
2009	1.81%																																					
2010	1.83%																																					
2011	1.85%																																					
2012	1.85%																																					
2013	1.87%																																					
* Business created relative to # of businesses in 2001																																						

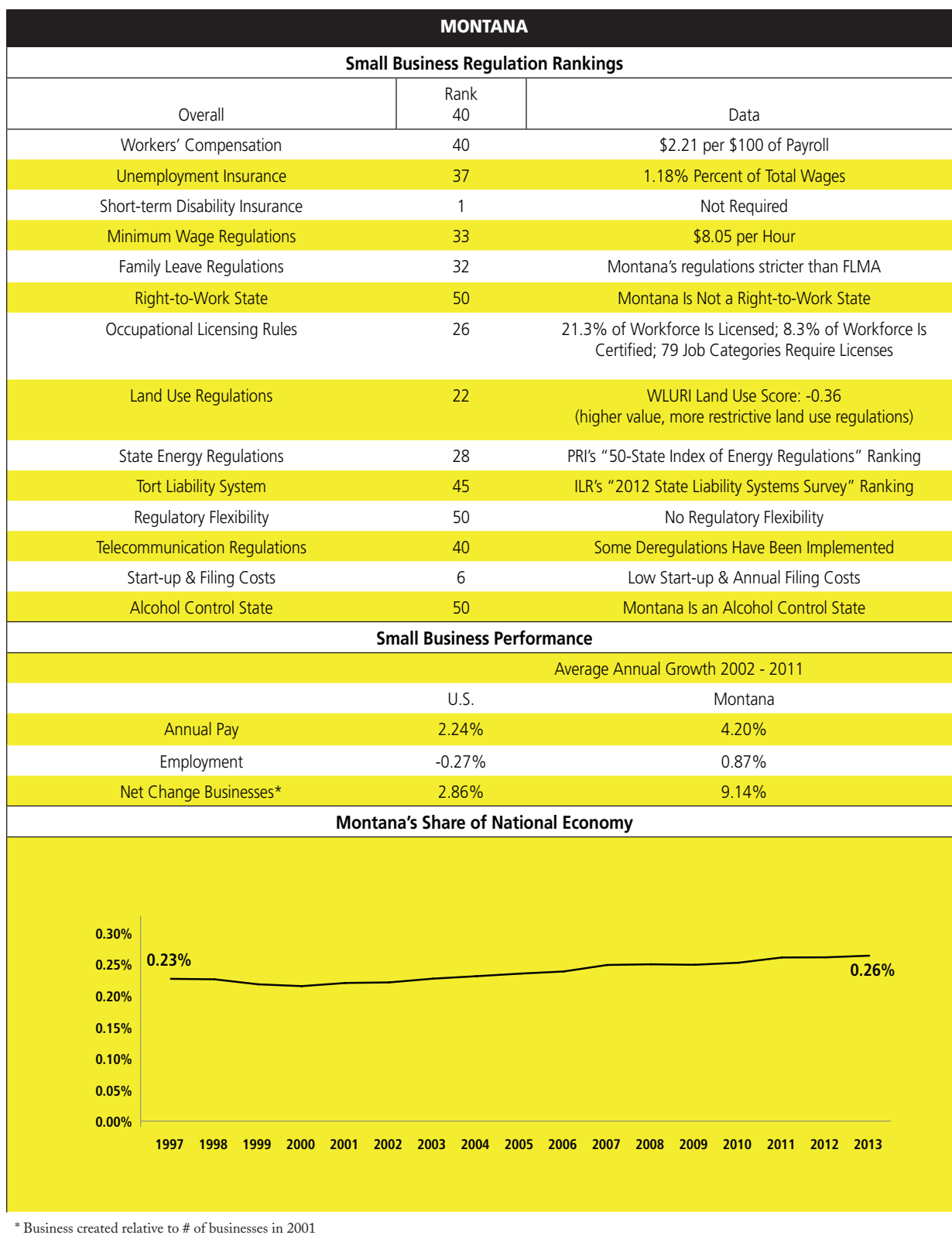


MISSISSIPPI																																						
Small Business Regulation Rankings																																						
Overall	Rank 7	Data																																				
Workers' Compensation	13	\$1.59 per \$100 of Payroll																																				
Unemployment Insurance	19	0.77% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	1	Mississippi Abides by FLMA																																				
Right-to-Work State	1	Mississippi Is a Right-to-Work State																																				
Occupational Licensing Rules	18	23.1% of Workforce Is Licensed; 7.2% of Workforce Is Certified; 68 Job Categories Require Licenses																																				
Land Use Regulations	11	WLURI Land Use Score: -0.82 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	12	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	48	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees																																				
Telecommunication Regulations	20	Telecom Deregulations Have Been Implemented																																				
Start-up & Filing Costs	1	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	50	Mississippi Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Mississippi																																				
Annual Pay	2.24%	2.46%																																				
Employment	-0.27%	-0.52%																																				
Net Change Businesses*	2.86%	-1.02%																																				
Mississippi's Share of National Economy																																						
 <table><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.69%</td></tr><tr><td>1998</td><td>0.68%</td></tr><tr><td>1999</td><td>0.67%</td></tr><tr><td>2000</td><td>0.65%</td></tr><tr><td>2001</td><td>0.64%</td></tr><tr><td>2002</td><td>0.64%</td></tr><tr><td>2003</td><td>0.65%</td></tr><tr><td>2004</td><td>0.64%</td></tr><tr><td>2005</td><td>0.63%</td></tr><tr><td>2006</td><td>0.63%</td></tr><tr><td>2007</td><td>0.64%</td></tr><tr><td>2008</td><td>0.65%</td></tr><tr><td>2009</td><td>0.64%</td></tr><tr><td>2010</td><td>0.63%</td></tr><tr><td>2011</td><td>0.62%</td></tr><tr><td>2012</td><td>0.63%</td></tr><tr><td>2013</td><td>0.63%</td></tr></tbody></table>			Year	Share (%)	1997	0.69%	1998	0.68%	1999	0.67%	2000	0.65%	2001	0.64%	2002	0.64%	2003	0.65%	2004	0.64%	2005	0.63%	2006	0.63%	2007	0.64%	2008	0.65%	2009	0.64%	2010	0.63%	2011	0.62%	2012	0.63%	2013	0.63%
Year	Share (%)																																					
1997	0.69%																																					
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1999	0.67%																																					
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2011	0.62%																																					
2012	0.63%																																					
2013	0.63%																																					

\* Business created relative to # of businesses in 2001

\* Business created relative to # of businesses in 2001





NEBRASKA

Small Business Regulation Rankings

Overall	Rank 12	Data
Workers' Compensation	21	\$1.78 per \$100 of Payroll
Unemployment Insurance	1	0.36% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	29	\$8.00 per Hour
Family Leave Regulations	1	Nebraska Abides by FLMA
Right-to-Work State	1	Nebraska Is a Right-to-Work State
Occupational Licensing Rules	44	24.6% of Workforce Is Licensed; 8.3% of Workforce Is Certified; 96 Job Categories Require Licenses
Land Use Regulations	14	WLURI Land Use Score: -0.68 (higher value, more restrictive land use regulations)
State Energy Regulations	15	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	2	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	50	No Regulatory Flexibility
Telecommunication Regulations	30	Some Deregulations Have Been Implemented
Start-up & Filing Costs	25	Moderate Start-up & Annual Filing Costs
Alcohol Control State	1	Nebraska Is Not an Alcohol Control State

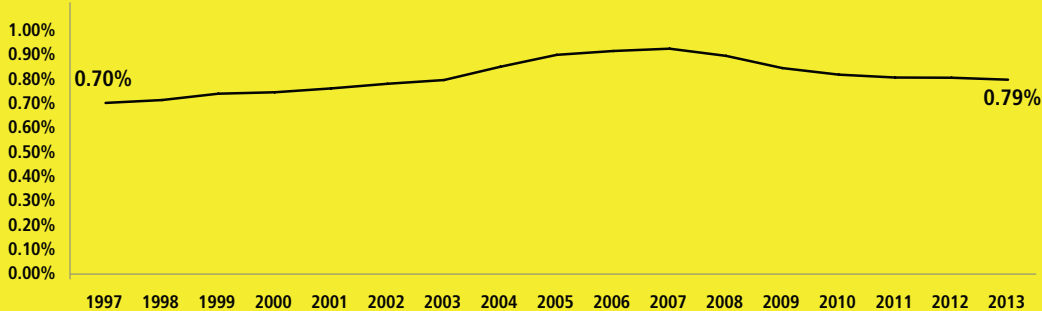
Small Business Performance

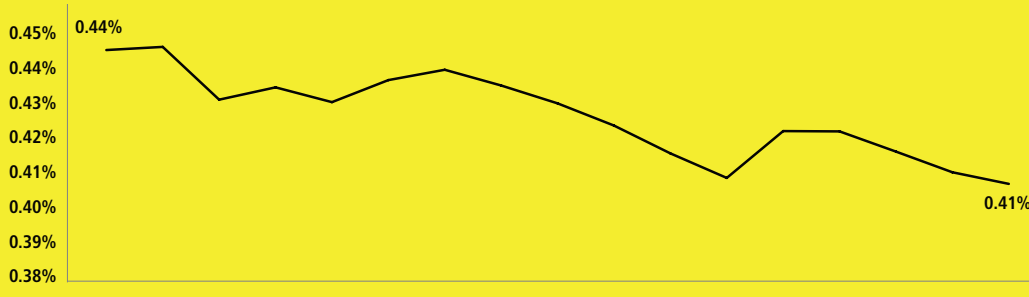
Average Annual Growth 2002 - 2011		
	U.S.	Nebraska
Annual Pay	2.24%	3.03%
Employment	-0.27%	0.09%
Net Change Businesses*	2.86%	3.61%

Nebraska's Share of National Economy

Year	Share (%)
1997	0.59%
1998	0.57%
1999	0.56%
2000	0.56%
2001	0.57%
2002	0.57%
2003	0.59%
2004	0.58%
2005	0.57%
2006	0.57%
2007	0.58%
2008	0.59%
2009	0.61%
2010	0.61%
2011	0.64%
2012	0.64%
2013	0.66%

\* Business created relative to # of businesses in 2001

NEVADA		
Small Business Regulation Rankings		
Overall	Rank 30	Data
Workers' Compensation	6	\$1.26 per \$100 of Payroll
Unemployment Insurance	36	1.15% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	39	\$8.25 per Hour
Family Leave Regulations	25	Nevada's regulations stricter than FLMA
Right-to-Work State	1	Nevada Is a Right-to-Work State
Occupational Licensing Rules	40	30.7% of Workforce Is Licensed; 5.4% of Workforce Is Certified; 95 Job Categories Require Licenses
Land Use Regulations	19	WLURI Land Use Score: -0.45 (higher value, more restrictive land use regulations)
State Energy Regulations	39	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	37	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	8	Regulatory Flexibility for SBs with > 150 Employees
Telecommunication Regulations	40	Some Deregulations Have Been Implemented
Start-up & Filing Costs	47	High Start-up & Annual Filing Costs
Alcohol Control State	1	Nevada Is Not an Alcohol Control State
Small Business Performance		
Average Annual Growth 2002 - 2011		
	U.S.	Nevada
Annual Pay	2.24%	2.16%
Employment	-0.27%	0.26%
Net Change Businesses*	2.86%	21.64%
Nevada's Share of National Economy		
 <p>1.00% 0.90% 0.80% 0.70% 0.60% 0.50% 0.40% 0.30% 0.20% 0.10% 0.00%</p> <p>0.70%</p> <p>0.79%</p> <p>1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013</p>		
* Business created relative to # of businesses in 2001		

NEW HAMPSHIRE																																						
Small Business Regulation Rankings																																						
Overall	Rank 37	Data																																				
Workers' Compensation	39	\$2.18 per \$100 of Payroll																																				
Unemployment Insurance	18	0.73% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	32	New Hampshire's regulations stricter than FLMA																																				
Right-to-Work State	50	New Hampshire Is Not a Right-to-Work State																																				
Occupational Licensing Rules	16	14.7% of Workforce Is Licensed; 4.1% of Workforce Is Certified; 130 Job Categories Require Licenses																																				
Land Use Regulations	47	WLURI Land Use Score: 1.36 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	36	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	21	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	50	No Regulatory Flexibility																																				
Telecommunication Regulations	40	Some Deregulations Have Been Implemented																																				
Start-up & Filing Costs	32	Moderate Start-up & Annual Filing Costs																																				
Alcohol Control State	50	New Hampshire Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	New Hampshire																																				
Annual Pay	2.24%	1.58%																																				
Employment	-0.27%	-0.72%																																				
Net Change Businesses*	2.86%	-3.55%																																				
New Hampshire's Share of National Economy																																						
 <table><tr><th>Year</th><th>Share of National Economy (%)</th></tr><tr><td>1997</td><td>0.44%</td></tr><tr><td>1998</td><td>0.44%</td></tr><tr><td>1999</td><td>0.43%</td></tr><tr><td>2000</td><td>0.435%</td></tr><tr><td>2001</td><td>0.43%</td></tr><tr><td>2002</td><td>0.435%</td></tr><tr><td>2003</td><td>0.44%</td></tr><tr><td>2004</td><td>0.435%</td></tr><tr><td>2005</td><td>0.43%</td></tr><tr><td>2006</td><td>0.425%</td></tr><tr><td>2007</td><td>0.42%</td></tr><tr><td>2008</td><td>0.41%</td></tr><tr><td>2009</td><td>0.42%</td></tr><tr><td>2010</td><td>0.42%</td></tr><tr><td>2011</td><td>0.415%</td></tr><tr><td>2012</td><td>0.41%</td></tr><tr><td>2013</td><td>0.41%</td></tr></table>			Year	Share of National Economy (%)	1997	0.44%	1998	0.44%	1999	0.43%	2000	0.435%	2001	0.43%	2002	0.435%	2003	0.44%	2004	0.435%	2005	0.43%	2006	0.425%	2007	0.42%	2008	0.41%	2009	0.42%	2010	0.42%	2011	0.415%	2012	0.41%	2013	0.41%
Year	Share of National Economy (%)																																					
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2008	0.41%																																					
2009	0.42%																																					
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2013	0.41%																																					
* Business created relative to # of businesses in 2001																																						

NEW JERSEY

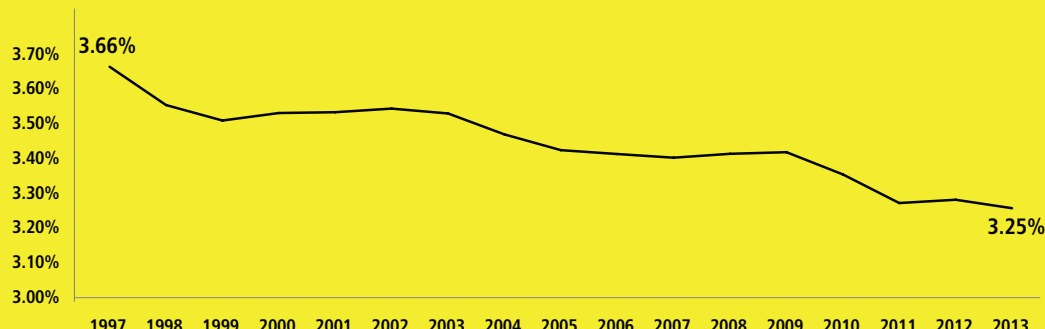
Small Business Regulation Rankings

Overall	Rank 49	Data
Workers' Compensation	48	\$2.82 per \$100 of Payroll
Unemployment Insurance	39	1.2% Percent of Total Wages
Short-term Disability Insurance	50	Required
Minimum Wage Regulations	41	\$8.38 per Hour
Family Leave Regulations	43	New Jersey's regulations stricter than FLMA
Right-to-Work State	50	New Jersey Is Not a Right-to-Work State
Occupational Licensing Rules	47	20.7% of Workforce Is Licensed; 11.3% of Workforce Is Certified; 114 Job Categories Require Licenses
Land Use Regulations	46	WLURI Land Use Score: 0.88 (higher value, more restrictive land use regulations)
State Energy Regulations	43	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	32	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees
Telecommunication Regulations	50	No Deregulation
Start-up & Filing Costs	39	High Start-up & Annual Filing Costs
Alcohol Control State	1	New Jersey Is Not an Alcohol Control State

Small Business Performance

Average Annual Growth 2002 - 2011		
	U.S.	New Jersey
Annual Pay	2.24%	1.42%
Employment	-0.27%	-0.68%
Net Change Businesses*	2.86%	-3.72%

New Jersey's Share of National Economy



The graph illustrates the trend of New Jersey's share of the national economy over a 17-year period. The y-axis represents the percentage share, ranging from 3.00% to 3.70% in 0.10% increments. The x-axis shows the years from 1997 to 2013. The line begins at 3.66% in 1997, dips to approximately 3.55% by 1999, remains relatively stable until 2003, then shows a gradual decline to about 3.40% by 2007. It then drops more sharply to 3.25% by 2013.

Year	Share (%)
1997	3.66%
1998	3.58%
1999	3.55%
2000	3.56%
2001	3.56%
2002	3.57%
2003	3.56%
2004	3.48%
2005	3.42%
2006	3.41%
2007	3.40%
2008	3.41%
2009	3.42%
2010	3.35%
2011	3.28%
2012	3.29%
2013	3.25%

\* Business created relative to # of businesses in 2001

NEW MEXICO

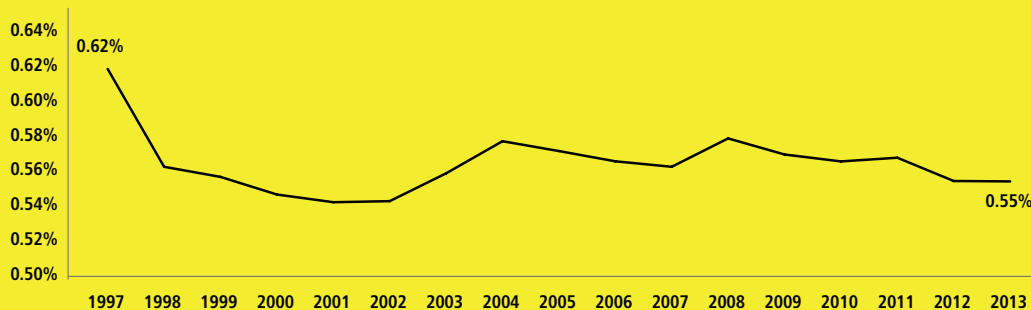
Small Business Regulation Rankings

Overall	Rank 33	Data
Workers' Compensation	31	\$1.99 per \$100 of Payroll
Unemployment Insurance	21	0.8% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	22	\$7.50 per Hour
Family Leave Regulations	25	New Mexico's regulations stricter than FLMA
Right-to-Work State	50	New Mexico Is Not a Right-to-Work State
Occupational Licensing Rules	46	25.9% of Workforce Is Licensed; 7.3% of Workforce Is Certified; 104 Job Categories Require Licenses
Land Use Regulations	28	WLURI Land Use Score: -0.11 (higher value, more restrictive land use regulations)
State Energy Regulations	29	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	44	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	32	Regulatory Flexibility for SBs with > 50 Employees
Telecommunication Regulations	40	Some Deregulations Have Been Implemented
Start-up & Filing Costs	12	Low Start-up & Annual Filing Costs
Alcohol Control State	1	New Mexico Is Not an Alcohol Control State

Small Business Performance

Average Annual Growth 2002 - 2011		
	U.S.	New Mexico
Annual Pay	2.24%	3.52%
Employment	-0.27%	0.28%
Net Change Businesses*	2.86%	2.74%

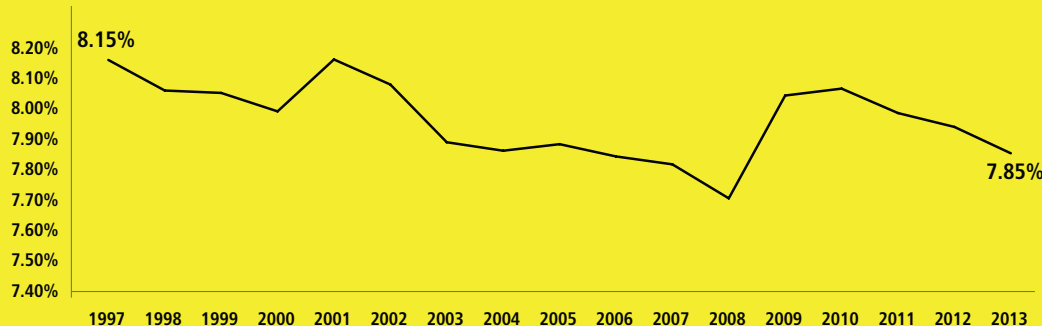
New Mexico's Share of National Economy



Year	Share (%)
1997	0.62%
1998	0.56%
1999	0.55%
2000	0.54%
2001	0.54%
2002	0.54%
2003	0.56%
2004	0.58%
2005	0.57%
2006	0.56%
2007	0.56%
2008	0.58%
2009	0.57%
2010	0.56%
2011	0.56%
2012	0.55%
2013	0.55%

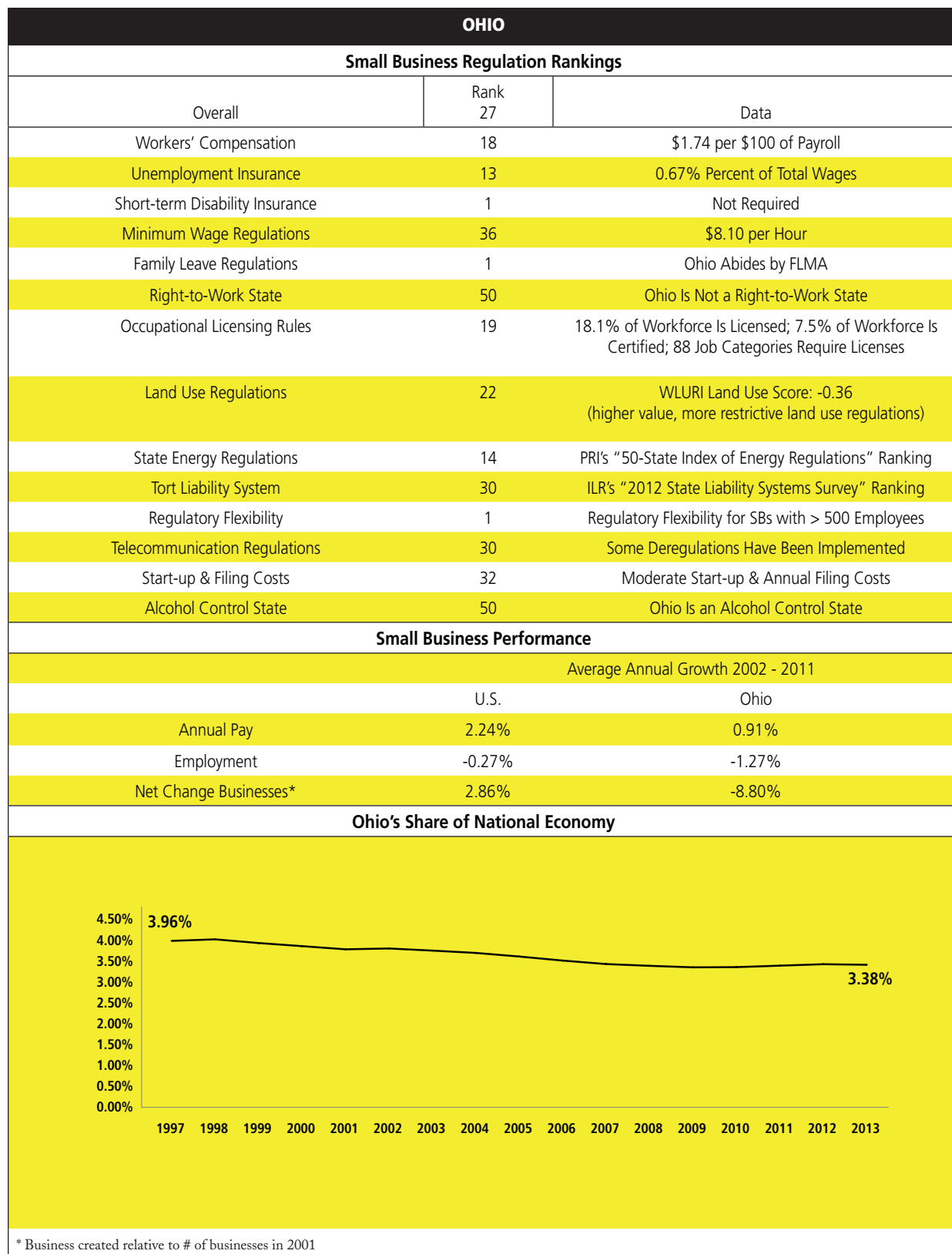
\* Business created relative to # of businesses in 2001



NEW YORK																																						
Small Business Regulation Rankings																																						
Overall	Rank 41	Data																																				
Workers' Compensation	47	\$2.75 per \$100 of Payroll																																				
Unemployment Insurance	16	0.7% Percent of Total Wages																																				
Short-term Disability Insurance	50	Required																																				
Minimum Wage Regulations	43	\$8.75 per Hour																																				
Family Leave Regulations	32	New York's regulations stricter than FLMA																																				
Right-to-Work State	50	New York Is Not a Right-to-Work State																																				
Occupational Licensing Rules	8	20.7% of Workforce Is Licensed; 5.5% of Workforce Is Certified; 77 Job Categories Require Licenses																																				
Land Use Regulations	30	WLURI Land Use Score: -0.01 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	50	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	18	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	50	High Start-up & Annual Filing Costs																																				
Alcohol Control State	1	New York Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	New York																																				
Annual Pay	2.24%	2.66%																																				
Employment	-0.27%	0.01%																																				
Net Change Businesses*	2.86%	6.46%																																				
New York's Share of National Economy																																						
 <table><caption>New York's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>8.15%</td></tr><tr><td>1998</td><td>8.05%</td></tr><tr><td>1999</td><td>8.05%</td></tr><tr><td>2000</td><td>7.95%</td></tr><tr><td>2001</td><td>8.15%</td></tr><tr><td>2002</td><td>8.05%</td></tr><tr><td>2003</td><td>7.85%</td></tr><tr><td>2004</td><td>7.80%</td></tr><tr><td>2005</td><td>7.85%</td></tr><tr><td>2006</td><td>7.80%</td></tr><tr><td>2007</td><td>7.80%</td></tr><tr><td>2008</td><td>7.65%</td></tr><tr><td>2009</td><td>8.05%</td></tr><tr><td>2010</td><td>8.05%</td></tr><tr><td>2011</td><td>7.95%</td></tr><tr><td>2012</td><td>7.90%</td></tr><tr><td>2013</td><td>7.85%</td></tr></tbody></table>			Year	Share (%)	1997	8.15%	1998	8.05%	1999	8.05%	2000	7.95%	2001	8.15%	2002	8.05%	2003	7.85%	2004	7.80%	2005	7.85%	2006	7.80%	2007	7.80%	2008	7.65%	2009	8.05%	2010	8.05%	2011	7.95%	2012	7.90%	2013	7.85%
Year	Share (%)																																					
1997	8.15%																																					
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2010	8.05%																																					
2011	7.95%																																					
2012	7.90%																																					
2013	7.85%																																					
* Business created relative to # of businesses in 2001																																						

NORTH CAROLINA																																						
Small Business Regulation Rankings																																						
Overall	Rank 31	Data																																				
Workers' Compensation	24	\$1.85 per \$100 of Payroll																																				
Unemployment Insurance	30	0.91% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	25	North Carolina's regulations stricter than FLMA																																				
Right-to-Work State	1	North Carolina Is a Right-to-Work State																																				
Occupational Licensing Rules	43	22% of Workforce Is Licensed; 8.4% of Workforce Is Certified; 107 Job Categories Require Licenses																																				
Land Use Regulations	24	WLURI Land Use Score: -0.35 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	42	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	20	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	50	No Regulatory Flexibility																																				
Telecommunication Regulations	1	Telecom Deregulations Have Been Implemented																																				
Start-up & Filing Costs	39	High Start-up & Annual Filing Costs																																				
Alcohol Control State	50	North Carolina Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	North Carolina																																				
Annual Pay	2.24%	2.00%																																				
Employment	-0.27%	-0.28%																																				
Net Change Businesses*	2.86%	2.87%																																				
North Carolina's Share of National Economy																																						
<table><caption>North Carolina's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>2.73%</td></tr><tr><td>1998</td><td>2.72%</td></tr><tr><td>1999</td><td>2.77%</td></tr><tr><td>2000</td><td>2.73%</td></tr><tr><td>2001</td><td>2.74%</td></tr><tr><td>2002</td><td>2.76%</td></tr><tr><td>2003</td><td>2.74%</td></tr><tr><td>2004</td><td>2.72%</td></tr><tr><td>2005</td><td>2.75%</td></tr><tr><td>2006</td><td>2.79%</td></tr><tr><td>2007</td><td>2.76%</td></tr><tr><td>2008</td><td>2.78%</td></tr><tr><td>2009</td><td>2.86%</td></tr><tr><td>2010</td><td>2.83%</td></tr><tr><td>2011</td><td>2.79%</td></tr><tr><td>2012</td><td>2.81%</td></tr><tr><td>2013</td><td>2.82%</td></tr></tbody></table>			Year	Share (%)	1997	2.73%	1998	2.72%	1999	2.77%	2000	2.73%	2001	2.74%	2002	2.76%	2003	2.74%	2004	2.72%	2005	2.75%	2006	2.79%	2007	2.76%	2008	2.78%	2009	2.86%	2010	2.83%	2011	2.79%	2012	2.81%	2013	2.82%
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2011	2.79%																																					
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2013	2.82%																																					
* Business created relative to # of businesses in 2001																																						

NORTH DAKOTA																																						
Small Business Regulation Rankings																																						
Overall	Rank 2	Data																																				
Workers' Compensation	1	\$0.88 per \$100 of Payroll																																				
Unemployment Insurance	12	0.64% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	1	North Dakota Abides by FLMA																																				
Right-to-Work State	1	North Dakota Is a Right-to-Work State																																				
Occupational Licensing Rules	10	26.6% of Workforce Is Licensed; 2.6% of Workforce Is Certified; 69 Job Categories Require Licenses																																				
Land Use Regulations	18	WLURI Land Use Score: -0.54 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	6	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	8	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	40	Regulatory Flexibility for SBs with > 25 Employees																																				
Telecommunication Regulations	40	Some Deregulations Have Been Implemented																																				
Start-up & Filing Costs	9	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	1	North Dakota Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	North Dakota																																				
Annual Pay	2.24%	6.08%																																				
Employment	-0.27%	1.40%																																				
Net Change Businesses*	2.86%	8.63%																																				
North Dakota's Share of National Economy																																						
<table><thead><tr><th>Year</th><th>Share of National Economy (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.19%</td></tr><tr><td>1998</td><td>0.19%</td></tr><tr><td>1999</td><td>0.18%</td></tr><tr><td>2000</td><td>0.18%</td></tr><tr><td>2001</td><td>0.19%</td></tr><tr><td>2002</td><td>0.20%</td></tr><tr><td>2003</td><td>0.21%</td></tr><tr><td>2004</td><td>0.20%</td></tr><tr><td>2005</td><td>0.20%</td></tr><tr><td>2006</td><td>0.21%</td></tr><tr><td>2007</td><td>0.22%</td></tr><tr><td>2008</td><td>0.23%</td></tr><tr><td>2009</td><td>0.24%</td></tr><tr><td>2010</td><td>0.26%</td></tr><tr><td>2011</td><td>0.28%</td></tr><tr><td>2012</td><td>0.32%</td></tr><tr><td>2013</td><td>0.34%</td></tr></tbody></table>			Year	Share of National Economy (%)	1997	0.19%	1998	0.19%	1999	0.18%	2000	0.18%	2001	0.19%	2002	0.20%	2003	0.21%	2004	0.20%	2005	0.20%	2006	0.21%	2007	0.22%	2008	0.23%	2009	0.24%	2010	0.26%	2011	0.28%	2012	0.32%	2013	0.34%
Year	Share of National Economy (%)																																					
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2012	0.32%																																					
2013	0.34%																																					
* Business created relative to # of businesses in 2001																																						



OKLAHOMA		
Small Business Regulation Rankings		
Overall	Rank	Data
Workers' Compensation	45	\$2.55 per \$100 of Payroll
Unemployment Insurance	15	0.68% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	1	\$7.25 per Hour
Family Leave Regulations	1	Oklahoma Abides by FLMA
Right-to-Work State	1	Oklahoma Is a Right-to-Work State
Occupational Licensing Rules	37	25% of Workforce Is Licensed; 7.2% of Workforce Is Certified; 91 Job Categories Require Licenses
Land Use Regulations	13	WLURI Land Use Score: -0.7 (higher value, more restrictive land use regulations)
State Energy Regulations	10	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	42	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	32	Regulatory Flexibility for SBs with > 50 Employees
Telecommunication Regulations	50	No Deregulation
Start-up & Filing Costs	1	Low Start-up & Annual Filing Costs
Alcohol Control State	1	Oklahoma Is Not an Alcohol Control State
Small Business Performance		
Average Annual Growth 2002 - 2011		
	U.S.	Oklahoma
Annual Pay	2.24%	4.11%
Employment	-0.27%	0.53%
Net Change Businesses*	2.86%	5.56%
Oklahoma's Share of National Economy		
<p>0.93% 1.09%</p>		
* Business created relative to # of businesses in 2001		

OREGON																																						
Small Business Regulation Rankings																																						
Overall	Rank 44	Data																																				
Workers' Compensation	8	\$1.37 per \$100 of Payroll																																				
Unemployment Insurance	49	1.85% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	49	\$9.25 per Hour																																				
Family Leave Regulations	47	Oregon's regulations stricter than FLMA																																				
Right-to-Work State	50	Oregon Is Not a Right-to-Work State																																				
Occupational Licensing Rules	34	26.1% of Workforce Is Licensed; 3.8% of Workforce Is Certified; 107 Job Categories Require Licenses																																				
Land Use Regulations	33	WLURI Land Use Score: 0.08 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	41	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	28	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	32	Regulatory Flexibility for SBs with > 50 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	1	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	50	Oregon Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Oregon																																				
Annual Pay	2.24%	2.38%																																				
Employment	-0.27%	0.21%																																				
Net Change Businesses*	2.86%	6.24%																																				
Oregon's Share of National Economy																																						
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2011	1.30%																																					
2012	1.31%																																					
2013	1.31%																																					
* Business created relative to # of businesses in 2001																																						

PENNSYLVANIA

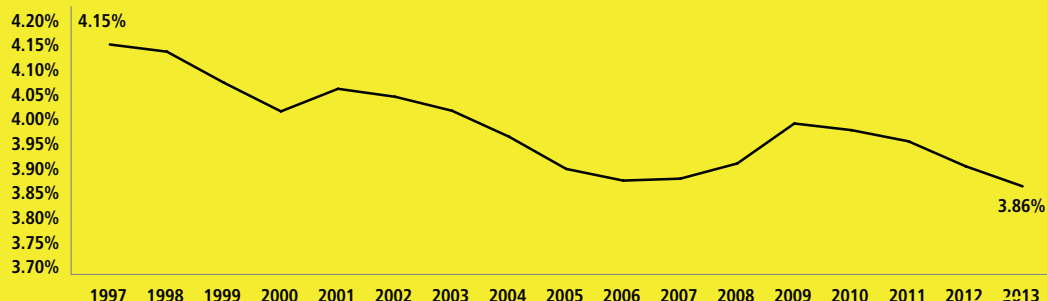
Small Business Regulation Rankings

Overall	Rank 36	Data
Workers' Compensation	34	\$2.00 per \$100 of Payroll
Unemployment Insurance	39	1.2% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	1	\$7.25 per Hour
Family Leave Regulations	1	Pennsylvania Abides by FLMA
Right-to-Work State	50	Pennsylvania Is Not a Right-to-Work State
Occupational Licensing Rules	11	20.2% of Workforce Is Licensed; 7.6% of Workforce Is Certified; 62 Job Categories Require Licenses
Land Use Regulations	36	WLURI Land Use Score: 0.37 (higher value, more restrictive land use regulations)
State Energy Regulations	39	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	39	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	32	Regulatory Flexibility for SBs with > 50 Employees
Telecommunication Regulations	50	No Deregulation
Start-up & Filing Costs	39	High Start-up & Annual Filing Costs
Alcohol Control State	50	Pennsylvania Is an Alcohol Control State

Small Business Performance

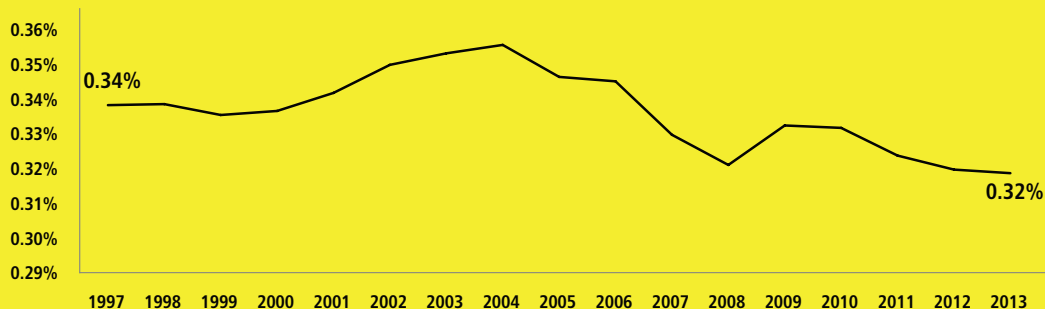
Average Annual Growth 2002 - 2011		
	U.S.	Pennsylvania
Annual Pay	2.24%	2.20%
Employment	-0.27%	-0.30%
Net Change Businesses*	2.86%	-1.23%

Pennsylvania's Share of National Economy

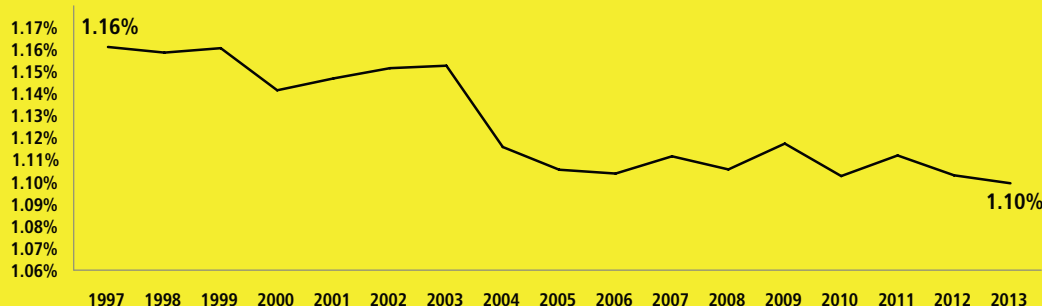


Year	Share (%)
1997	4.15%
1998	4.12%
1999	4.05%
2000	4.02%
2001	4.05%
2002	4.04%
2003	4.02%
2004	3.98%
2005	3.92%
2006	3.88%
2007	3.88%
2008	3.92%
2009	4.00%
2010	3.98%
2011	3.95%
2012	3.90%
2013	3.86%

\* Business created relative to # of businesses in 2001

RHODE ISLAND																																						
Small Business Regulation Rankings																																						
Overall	Rank 48	Data																																				
Workers' Compensation	31	\$1.99 per \$100 of Payroll																																				
Unemployment Insurance	46	1.5% Percent of Total Wages																																				
Short-term Disability Insurance	50	Required																																				
Minimum Wage Regulations	44	\$9.00 per Hour																																				
Family Leave Regulations	40	Rhode Island's regulations stricter than FLMA																																				
Right-to-Work State	50	Rhode Island Is Not a Right-to-Work State																																				
Occupational Licensing Rules	38	14.5% of Workforce Is Licensed; 11.9% of Workforce Is Certified; 116 Job Categories Require Licenses																																				
Land Use Regulations	49	WLURI Land Use Score: 1.58 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	27	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	31	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	24	Regulatory Flexibility for SBs with > 75 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	44	High Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Rhode Island Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Rhode Island																																				
Annual Pay	2.24%	1.75%																																				
Employment	-0.27%	-0.77%																																				
Net Change Businesses*	2.86%	-4.03%																																				
Rhode Island's Share of National Economy																																						
 <table><caption>Rhode Island's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share of National Economy (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.34%</td></tr><tr><td>1998</td><td>0.34%</td></tr><tr><td>1999</td><td>0.335%</td></tr><tr><td>2000</td><td>0.335%</td></tr><tr><td>2001</td><td>0.34%</td></tr><tr><td>2002</td><td>0.35%</td></tr><tr><td>2003</td><td>0.352%</td></tr><tr><td>2004</td><td>0.355%</td></tr><tr><td>2005</td><td>0.345%</td></tr><tr><td>2006</td><td>0.345%</td></tr><tr><td>2007</td><td>0.33%</td></tr><tr><td>2008</td><td>0.325%</td></tr><tr><td>2009</td><td>0.335%</td></tr><tr><td>2010</td><td>0.335%</td></tr><tr><td>2011</td><td>0.33%</td></tr><tr><td>2012</td><td>0.325%</td></tr><tr><td>2013</td><td>0.32%</td></tr></tbody></table>			Year	Share of National Economy (%)	1997	0.34%	1998	0.34%	1999	0.335%	2000	0.335%	2001	0.34%	2002	0.35%	2003	0.352%	2004	0.355%	2005	0.345%	2006	0.345%	2007	0.33%	2008	0.325%	2009	0.335%	2010	0.335%	2011	0.33%	2012	0.325%	2013	0.32%
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2012	0.325%																																					
2013	0.32%																																					
* Business created relative to # of businesses in 2001																																						



SOUTH CAROLINA																																						
Small Business Regulation Rankings																																						
Overall	Rank 14	Data																																				
Workers' Compensation	34	\$2.00 per \$100 of Payroll																																				
Unemployment Insurance	26	0.87% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	1	South Carolina Abides by FLMA																																				
Right-to-Work State	1	South Carolina Is a Right-to-Work State																																				
Occupational Licensing Rules	1	12.4% of Workforce Is Licensed; 3.5% of Workforce Is Certified; 60 Job Categories Require Licenses																																				
Land Use Regulations	12	WLURI Land Use Score: -0.76 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	20	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	39	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees																																				
Telecommunication Regulations	40	Some Deregulations Have Been Implemented																																				
Start-up & Filing Costs	43	High Start-up & Annual Filing Costs																																				
Alcohol Control State	1	South Carolina Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	South Carolina																																				
Annual Pay	2.24%	1.99%																																				
Employment	-0.27%	-0.31%																																				
Net Change Businesses*	2.86%	1.15%																																				
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Year	Share (%)																																					
1997	1.16%																																					
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2010	1.11%																																					
2011	1.115%																																					
2012	1.11%																																					
2013	1.10%																																					
* Business created relative to # of businesses in 2001																																						

SOUTH DAKOTA		
Small Business Regulation Rankings		
Overall	Rank 7	Data
Workers' Compensation	26	\$1.86 per \$100 of Payroll
Unemployment Insurance	3	0.39% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	42	\$8.50 per Hour
Family Leave Regulations	1	South Dakota Abides by FLMA
Right-to-Work State	1	South Dakota Is a Right-to-Work State
Occupational Licensing Rules	23	21.8% of Workforce Is Licensed; 5.6% of Workforce Is Certified; 90 Job Categories Require Licenses
Land Use Regulations	4	WLURI Land Use Score: -1.04 (higher value, more restrictive land use regulations)
State Energy Regulations	1	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	10	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	40	Regulatory Flexibility for SBs with > 25 Employees
Telecommunication Regulations	50	No Deregulation
Start-up & Filing Costs	9	Low Start-up & Annual Filing Costs
Alcohol Control State	1	South Dakota Is Not an Alcohol Control State
Small Business Performance		
Average Annual Growth 2002 - 2011		
	U.S.	South Dakota
Annual Pay	2.24%	3.70%
Employment	-0.27%	0.47%
Net Change Businesses*	2.86%	7.32%
South Dakota's Share of National Economy		
<p>0.30% 0.25% 0.20% 0.15% 0.10% 0.05% 0.00%</p> <p>0.23% 0.28%</p> <p>1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013</p>		
* Business created relative to # of businesses in 2001		

TENNESSEE

Small Business Regulation Rankings

Overall	Rank 11	Data
Workers' Compensation	29	\$1.95 per \$100 of Payroll
Unemployment Insurance	6	0.47% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	1	\$7.25 per Hour
Family Leave Regulations	32	Tennessee's regulations stricter than FLMA
Right-to-Work State	1	Tennessee Is a Right-to-Work State
Occupational Licensing Rules	32	23.1% of Workforce Is Licensed; 4.2% of Workforce Is Certified; 110 Job Categories Require Licenses
Land Use Regulations	14	WLURI Land Use Score: -0.68 (higher value, more restrictive land use regulations)
State Energy Regulations	17	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	26	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	32	Regulatory Flexibility for SBs with > 50 Employees
Telecommunication Regulations	30	Some Deregulations Have Been Implemented
Start-up & Filing Costs	12	Low Start-up & Annual Filing Costs
Alcohol Control State	1	Tennessee Is Not an Alcohol Control State

Small Business Performance

Average Annual Growth 2002 - 2011		
	U.S.	Tennessee
Annual Pay	2.24%	2.52%
Employment	-0.27%	-0.16%
Net Change Businesses*	2.86%	-0.69%

Tennessee's Share of National Economy

Year	Share (%)
1997	1.81%
1998	1.85%
1999	1.84%
2000	1.79%
2001	1.78%
2002	1.81%
2003	1.80%
2004	1.80%
2005	1.76%
2006	1.74%
2007	1.68%
2008	1.70%
2009	1.73%
2010	1.71%
2011	1.72%
2012	1.74%
2013	1.72%

\* Business created relative to # of businesses in 2001

TEXAS

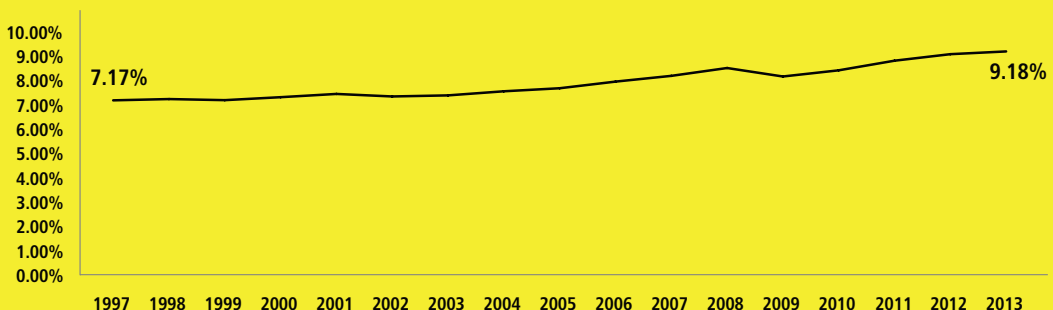
Small Business Regulation Rankings

Overall	Rank 3	Data
Workers' Compensation	15	\$1.61 per \$100 of Payroll
Unemployment Insurance	32	0.98% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	1	\$7.25 per Hour
Family Leave Regulations	1	Texas Abides by FLMA
Right-to-Work State	1	Texas Is a Right-to-Work State
Occupational Licensing Rules	14	24.1% of Workforce Is Licensed; 3.7% of Workforce Is Certified; 78 Job Categories Require Licenses
Land Use Regulations	19	WLURI Land Use Score: -0.45 (higher value, more restrictive land use regulations)
State Energy Regulations	1	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	35	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees
Telecommunication Regulations	1	Telecom Deregulations Have Been Implemented
Start-up & Filing Costs	20	Moderate Start-up & Annual Filing Costs
Alcohol Control State	1	Texas Is Not an Alcohol Control State

Small Business Performance

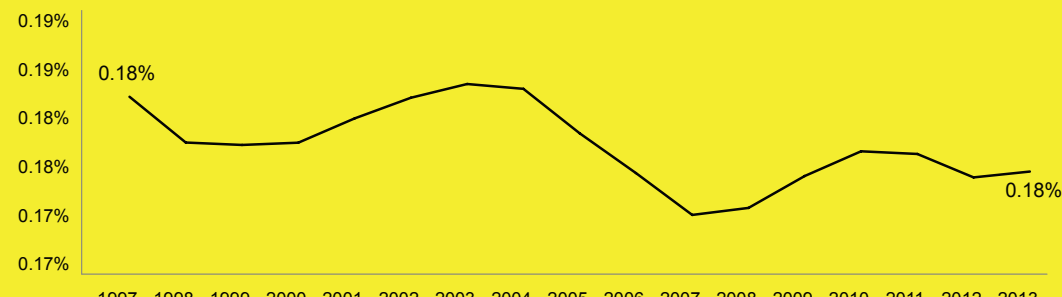
Average Annual Growth 2002 - 2011		
	U.S.	Texas
Annual Pay	2.24%	4.05%
Employment	-0.27%	1.02%
Net Change Businesses*	2.86%	10.50%

Texas's Share of National Economy



Year	Share (%)
1997	7.17%
1998	7.17%
1999	7.17%
2000	7.17%
2001	7.17%
2002	7.17%
2003	7.17%
2004	7.17%
2005	7.17%
2006	7.17%
2007	7.17%
2008	7.17%
2009	7.17%
2010	7.17%
2011	7.17%
2012	7.17%
2013	9.18%

\* Business created relative to # of businesses in 2001

UTAH																																						
Small Business Regulation Rankings																																						
Overall	Rank 12	Data																																				
Workers' Compensation	7	\$1.31 per \$100 of Payroll																																				
Unemployment Insurance	23	0.83% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	1	\$7.25 per Hour																																				
Family Leave Regulations	1	Utah Abides by FLMA																																				
Right-to-Work State	1	Utah Is a Right-to-Work State																																				
Occupational Licensing Rules	25	23.8% of Workforce Is Licensed; 5.9% of Workforce Is Certified; 84 Job Categories Require Licenses																																				
Land Use Regulations	29	WLURI Land Use Score: -0.07 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	17	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	9	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	16	Regulatory Flexibility for SBs with > 100 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	5	Low Start-up & Annual Filing Costs																																				
Alcohol Control State	50	Utah Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Utah																																				
Annual Pay	2.24%	4.05%																																				
Employment	-0.27%	1.38%																																				
Net Change Businesses*	2.86%	24.10%																																				
Utah's Share of National Economy																																						
 <table><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.18%</td></tr><tr><td>1998</td><td>0.175%</td></tr><tr><td>1999</td><td>0.175%</td></tr><tr><td>2000</td><td>0.175%</td></tr><tr><td>2001</td><td>0.18%</td></tr><tr><td>2002</td><td>0.185%</td></tr><tr><td>2003</td><td>0.185%</td></tr><tr><td>2004</td><td>0.185%</td></tr><tr><td>2005</td><td>0.18%</td></tr><tr><td>2006</td><td>0.175%</td></tr><tr><td>2007</td><td>0.17%</td></tr><tr><td>2008</td><td>0.172%</td></tr><tr><td>2009</td><td>0.175%</td></tr><tr><td>2010</td><td>0.182%</td></tr><tr><td>2011</td><td>0.182%</td></tr><tr><td>2012</td><td>0.178%</td></tr><tr><td>2013</td><td>0.18%</td></tr></tbody></table>			Year	Share (%)	1997	0.18%	1998	0.175%	1999	0.175%	2000	0.175%	2001	0.18%	2002	0.185%	2003	0.185%	2004	0.185%	2005	0.18%	2006	0.175%	2007	0.17%	2008	0.172%	2009	0.175%	2010	0.182%	2011	0.182%	2012	0.178%	2013	0.18%
Year	Share (%)																																					
1997	0.18%																																					
1998	0.175%																																					
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2012	0.178%																																					
2013	0.18%																																					
* Business created relative to # of businesses in 2001																																						

VERMONT

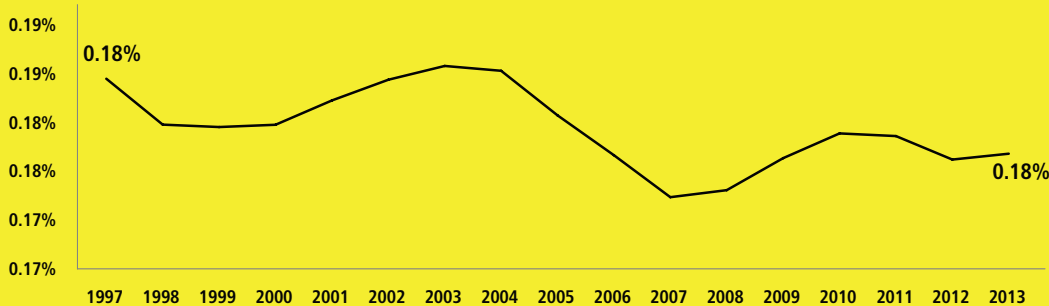
Small Business Regulation Rankings

Overall	Rank 46	Data
Workers' Compensation	43	\$2.33 per \$100 of Payroll
Unemployment Insurance	47	1.6% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	47	\$9.15 per Hour
Family Leave Regulations	40	Vermont's regulations stricter than FLMA
Right-to-Work State	50	Vermont Is Not a Right-to-Work State
Occupational Licensing Rules	22	16.8% of Workforce Is Licensed; 6.5% of Workforce Is Certified; 107 Job Categories Require Licenses
Land Use Regulations	35	WLURI Land Use Score: 0.35 (higher value, more restrictive land use regulations)
State Energy Regulations	34	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	16	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	40	Regulatory Flexibility for SBs with > 25 Employees
Telecommunication Regulations	40	Some Deregulations Have Been Implemented
Start-up & Filing Costs	30	Moderate Start-up & Annual Filing Costs
Alcohol Control State	50	Vermont Is an Alcohol Control State

Small Business Performance

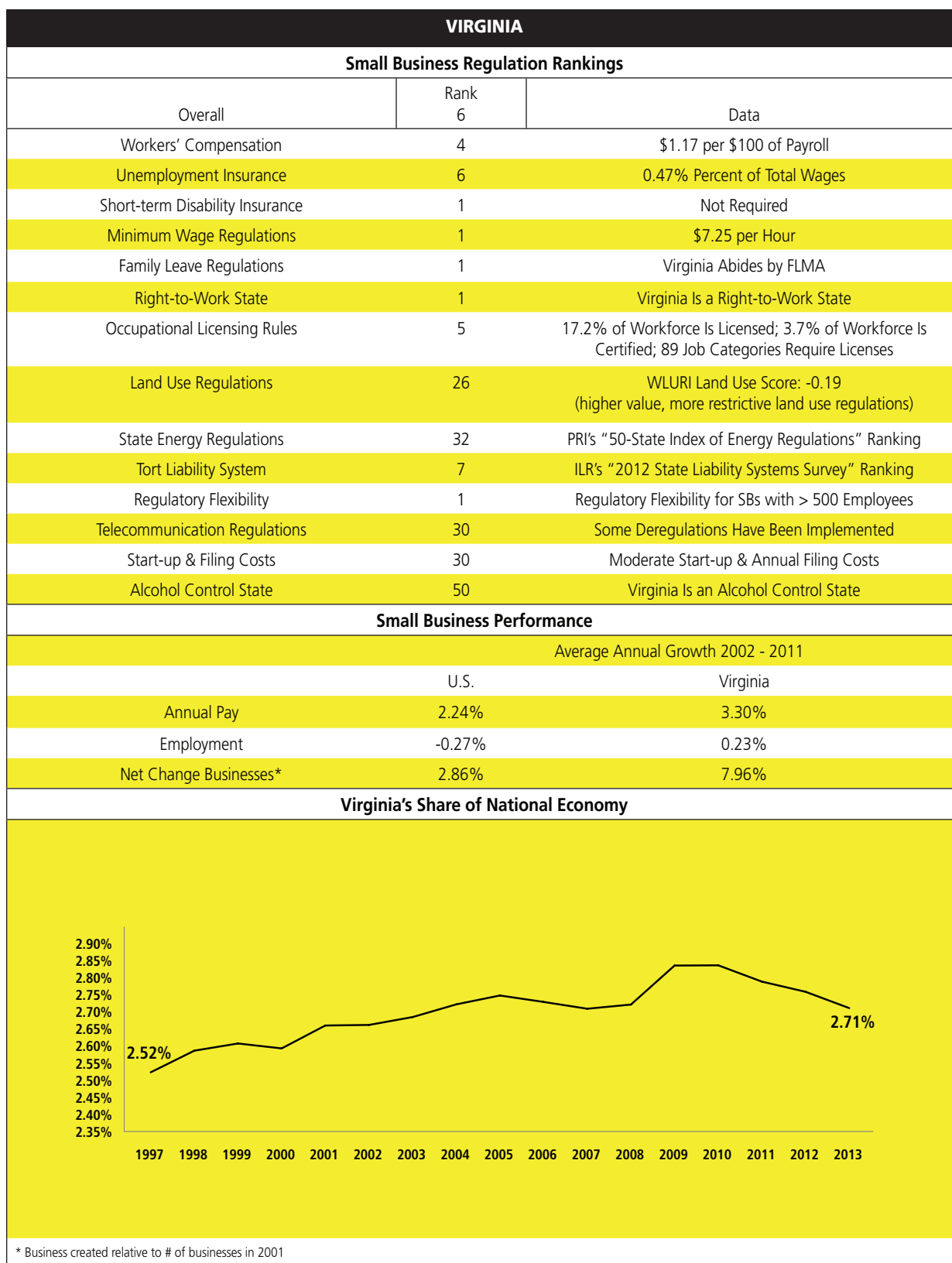
Average Annual Growth 2002 - 2011		
	U.S.	Vermont
Annual Pay	2.24%	2.73%
Employment	-0.27%	-0.37%
Net Change Businesses*	2.86%	-4.37%

Vermont's Share of National Economy



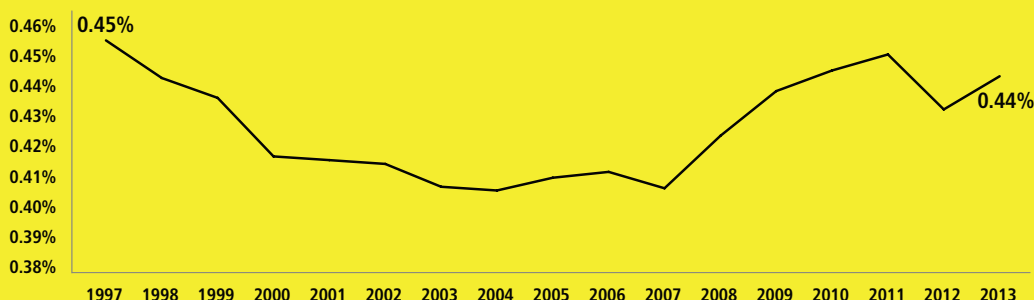
Year	Share (%)
1997	0.18%
1998	0.18%
1999	0.18%
2000	0.18%
2001	0.185%
2002	0.19%
2003	0.19%
2004	0.19%
2005	0.185%
2006	0.18%
2007	0.175%
2008	0.178%
2009	0.182%
2010	0.18%
2011	0.18%
2012	0.178%
2013	0.18%

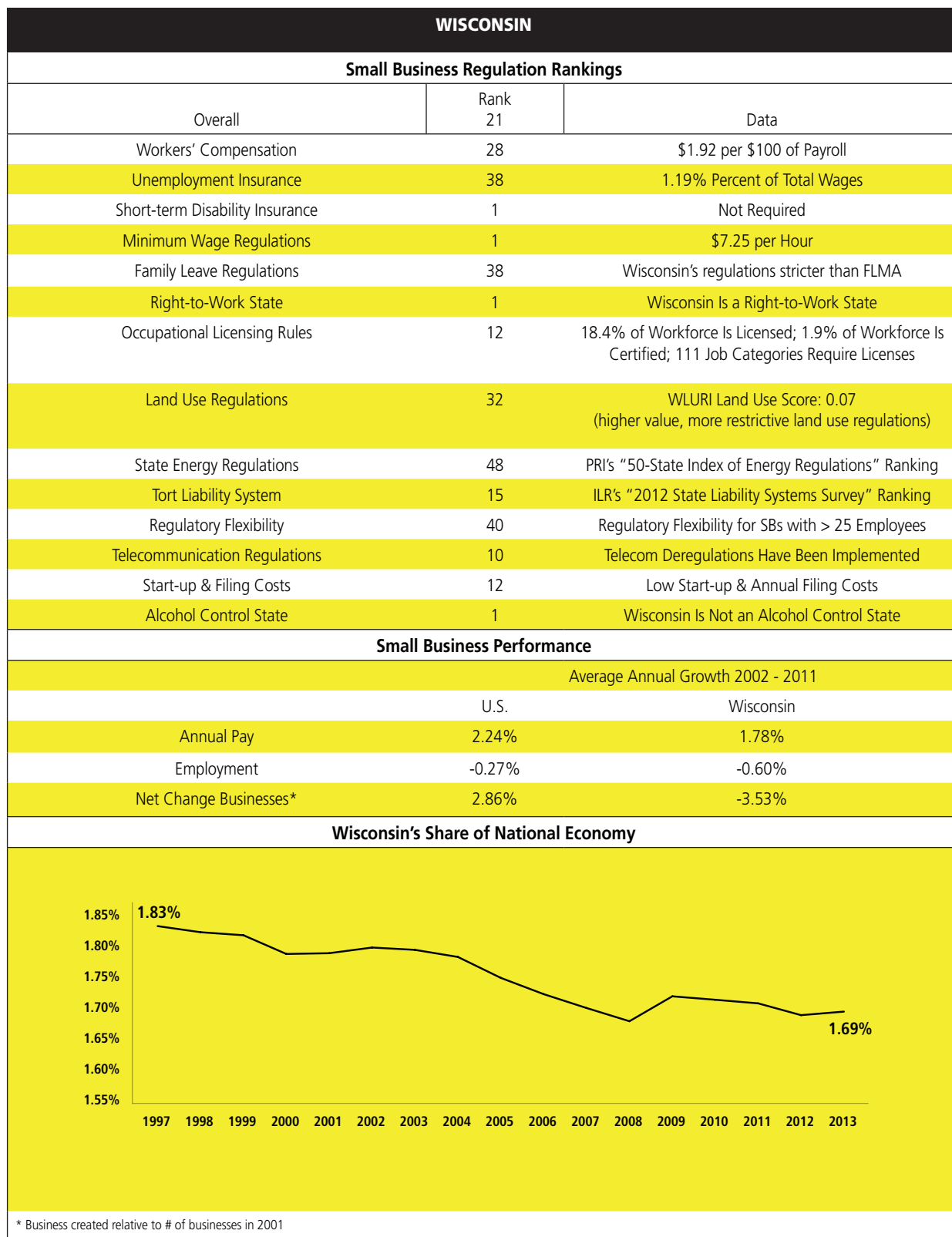
\* Business created relative to # of businesses in 2001

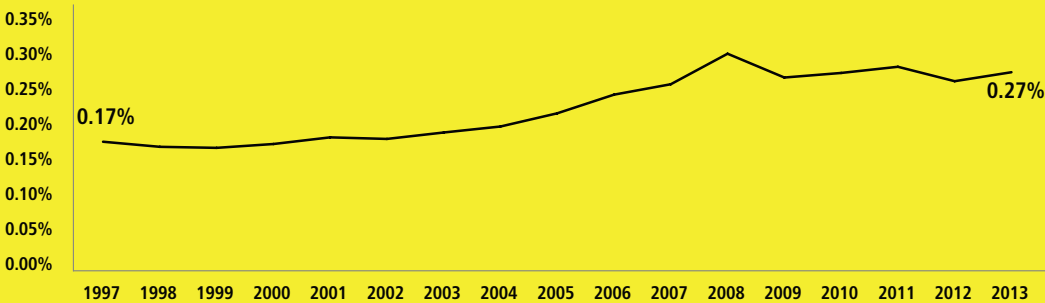


WASHINGTON																																						
Small Business Regulation Rankings																																						
Overall	Rank 42	Data																																				
Workers' Compensation	34	\$2.00 per \$100 of Payroll																																				
Unemployment Insurance	48	1.71% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	50	\$9.47 per Hour																																				
Family Leave Regulations	47	Washington's regulations stricter than FLMA																																				
Right-to-Work State	50	Washington Is Not a Right-to-Work State																																				
Occupational Licensing Rules	26	30.5% of Workforce Is Licensed; 7.2% of Workforce Is Certified; 53 Job Categories Require Licenses																																				
Land Use Regulations	44	WLURI Land Use Score: 0.74 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	44	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	22	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	32	Regulatory Flexibility for SBs with > 50 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	18	Moderate Start-up & Annual Filing Costs																																				
Alcohol Control State	1	Washington Is Not an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	Washington																																				
Annual Pay	2.24%	2.77%																																				
Employment	-0.27%	0.23%																																				
Net Change Businesses*	2.86%	5.30%																																				
Washington's Share of National Economy																																						
<table><caption>Washington's Share of National Economy (1997-2013)</caption><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>2.30%</td></tr><tr><td>1998</td><td>2.35%</td></tr><tr><td>1999</td><td>2.40%</td></tr><tr><td>2000</td><td>2.35%</td></tr><tr><td>2001</td><td>2.28%</td></tr><tr><td>2002</td><td>2.29%</td></tr><tr><td>2003</td><td>2.28%</td></tr><tr><td>2004</td><td>2.23%</td></tr><tr><td>2005</td><td>2.28%</td></tr><tr><td>2006</td><td>2.29%</td></tr><tr><td>2007</td><td>2.38%</td></tr><tr><td>2008</td><td>2.40%</td></tr><tr><td>2009</td><td>2.44%</td></tr><tr><td>2010</td><td>2.42%</td></tr><tr><td>2011</td><td>2.40%</td></tr><tr><td>2012</td><td>2.42%</td></tr><tr><td>2013</td><td>2.44%</td></tr></tbody></table>			Year	Share (%)	1997	2.30%	1998	2.35%	1999	2.40%	2000	2.35%	2001	2.28%	2002	2.29%	2003	2.28%	2004	2.23%	2005	2.28%	2006	2.29%	2007	2.38%	2008	2.40%	2009	2.44%	2010	2.42%	2011	2.40%	2012	2.42%	2013	2.44%
Year	Share (%)																																					
1997	2.30%																																					
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* Business created relative to # of businesses in 2001																																						



WEST VIRGINIA																																						
Small Business Regulation Rankings																																						
Overall	Rank	Data																																				
	35																																					
Workers' Compensation	8	\$1.37 per \$100 of Payroll																																				
Unemployment Insurance	34	1.1% Percent of Total Wages																																				
Short-term Disability Insurance	1	Not Required																																				
Minimum Wage Regulations	29	\$8.00 per Hour																																				
Family Leave Regulations	1	West Virginia Abides by FLMA																																				
Right-to-Work State	50	West Virginia Is Not a Right-to-Work State																																				
Occupational Licensing Rules	44	25.8% of Workforce Is Licensed; 12.3% of Workforce Is Certified; 77 Job Categories Require Licenses																																				
Land Use Regulations	9	WLURI Land Use Score: -0.9 (higher value, more restrictive land use regulations)																																				
State Energy Regulations	26	PRI's "50-State Index of Energy Regulations" Ranking																																				
Tort Liability System	50	ILR's "2012 State Liability Systems Survey" Ranking																																				
Regulatory Flexibility	32	Regulatory Flexibility for SBs with > 50 Employees																																				
Telecommunication Regulations	50	No Deregulation																																				
Start-up & Filing Costs	35	High Start-up & Annual Filing Costs																																				
Alcohol Control State	50	West Virginia Is an Alcohol Control State																																				
Small Business Performance																																						
Average Annual Growth 2002 - 2011																																						
	U.S.	West Virginia																																				
Annual Pay	2.24%	3.11%																																				
Employment	-0.27%	-0.30%																																				
Net Change Businesses*	2.86%	-8.13%																																				
West Virginia's Share of National Economy																																						
 <table><thead><tr><th>Year</th><th>Share (%)</th></tr></thead><tbody><tr><td>1997</td><td>0.45%</td></tr><tr><td>1998</td><td>0.445%</td></tr><tr><td>1999</td><td>0.44%</td></tr><tr><td>2000</td><td>0.418%</td></tr><tr><td>2001</td><td>0.415%</td></tr><tr><td>2002</td><td>0.415%</td></tr><tr><td>2003</td><td>0.408%</td></tr><tr><td>2004</td><td>0.405%</td></tr><tr><td>2005</td><td>0.41%</td></tr><tr><td>2006</td><td>0.412%</td></tr><tr><td>2007</td><td>0.408%</td></tr><tr><td>2008</td><td>0.425%</td></tr><tr><td>2009</td><td>0.44%</td></tr><tr><td>2010</td><td>0.445%</td></tr><tr><td>2011</td><td>0.45%</td></tr><tr><td>2012</td><td>0.435%</td></tr><tr><td>2013</td><td>0.44%</td></tr></tbody></table>			Year	Share (%)	1997	0.45%	1998	0.445%	1999	0.44%	2000	0.418%	2001	0.415%	2002	0.415%	2003	0.408%	2004	0.405%	2005	0.41%	2006	0.412%	2007	0.408%	2008	0.425%	2009	0.44%	2010	0.445%	2011	0.45%	2012	0.435%	2013	0.44%
Year	Share (%)																																					
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2010	0.445%																																					
2011	0.45%																																					
2012	0.435%																																					
2013	0.44%																																					
* Business created relative to # of businesses in 2001																																						



WYOMING		
Small Business Regulation Rankings		
Overall	Rank 20	Data
Workers' Compensation	20	\$1.76 per \$100 of Payroll
Unemployment Insurance	39	1.2% Percent of Total Wages
Short-term Disability Insurance	1	Not Required
Minimum Wage Regulations	1	\$7.25 per Hour
Family Leave Regulations	1	Wyoming Abides by FLMA
Right-to-Work State	1	Wyoming Is a Right-to-Work State
Occupational Licensing Rules	29	21.2% of Workforce Is Licensed; 10.1% of Workforce Is Certified; 74 Job Categories Require Licenses
Land Use Regulations	19	WLURI Land Use Score: -0.45 (higher value, more restrictive land use regulations)
State Energy Regulations	10	PRI's "50-State Index of Energy Regulations" Ranking
Tort Liability System	3	ILR's "2012 State Liability Systems Survey" Ranking
Regulatory Flexibility	50	No Regulatory Flexibility
Telecommunication Regulations	40	Some Deregulations Have Been Implemented
Start-up & Filing Costs	12	Low Start-up & Annual Filing Costs
Alcohol Control State	50	Wyoming Is an Alcohol Control State
Small Business Performance		
Average Annual Growth 2002 - 2011		
	U.S.	Wyoming
Annual Pay	2.24%	4.94%
Employment	-0.27%	0.66%
Net Change Businesses*	2.86%	12.37%
Wyoming's Share of National Economy		
 <p>0.35% 0.30% 0.25% 0.20% 0.15% 0.10% 0.05% 0.00%</p> <p>0.17% 0.27%</p> <p>1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013</p>		
* Business created relative to # of businesses in 2001		



## **Appendix II: A Review of State Ranking Studies**

There are many studies that have compared states based on their economic policies, which often include the regulatory environment as one of the criteria. The *50-State Small Business Regulation Index* differs from these studies due to its sole focus on the regulatory environment, and the study's methodology to benchmark the regulations against small business fundamentals. There are important lessons and data sources leveraged from the rich literature, however.

*U.S. Economic Freedom Index: 2008 Report* was authored by Lawrence McQuillan et al. and published by the Pacific Research Institute (PRI).<sup>97</sup> As indicated by the title, the report is designed to empirically measure economic freedom, and the consequences for states from pursuing policies that restrict economic freedom versus policies that promote economic freedom.

Relying on 143 indicators that measure different aspects of economic freedom, McQuillan et al. considered 35 different indices (each index reflecting different a combination of the 143 indicators) as a means to rank the 50 states. With respect to the regulatory environment, *the Index of Economic Freedom* examined 53 regulatory indicators as part of the economic freedom index – the other sectors evaluated included fiscal, judicial, government size, and welfare spending.

The index that was chosen to rank the 50 states explained net population migration rates the best. The authors found a strong relationship between economic freedom and population migration trends – people choose to live in states that promote economic freedom and leave states that encroach on economic freedom:

...the net migration rate for the 20 freest states was 27.36 people per 1,000, while it was a shockingly low 1.17 people per 1,000 for the 20 most economically oppressed states. People are moving to the freest states and fleeing the least-free states as our market-based migration metric of economic freedom predicts.<sup>98</sup>

People not only respond to greater economic opportunity, they help generate even greater economic opportunity in the places to where they move. Therefore, not only do people appear to prefer the states that offer greater economic freedom, those states benefit from greater economic growth as well.

The Small Business and Entrepreneurship Council (SBEC) releases an annual index ranking the states based on the impact from each state's policy environment on the costs that small businesses must bear.<sup>99</sup> In the latest edition, the *Small Business Policy Index* evaluates 42 measures, nine of which relate to regulations—the other factors that SBEC evaluates relate to taxes, government spending, government debt, and the effectiveness of government projects.

The study connects the higher costs on small businesses to less entrepreneurship, fewer business start-ups, and slower business growth. According to the study:

In the end, the greater the governmental burdens – via taxes, regulations, spending, debt, and failures to adequately and efficiently execute the essential duties of government—the greater the negatives for economic risk taking, and growth in the economy, income, and jobs. That's not just the case at the federal level, but in the states as well—and that is what the "Small Business Policy Index" deals with carefully and in depth. This Index pits economic reality against government and political fantasies. And that economic reality shows up in key results. Consider the striking relationships between Index results and economic performance:

State Economic Growth. Real economic growth from 2010 to 2013 among the top 25 states ranked on the 2014 “Small Business Policy Index” averaged 2.4 percent, which was 33 percent faster than the 1.8 percent average rate for the bottom 25 states. The 2.4 percent rate also was notably faster (20 percent faster) than the 2.0 percent rate for the nation as a whole.<sup>100</sup>

The U.S. Chamber of Commerce published *Enterprising States: Getting Down to Small Business* in 2013.<sup>101</sup> The purpose of the Chamber study is to document the importance of a healthy small business sector, detail programs and policies that the U.S. Chamber believes will promote small business growth, and then rank the states against that criteria. The Chamber’s study differs from many of the other studies examined here (including this one) due to its focus on non-policy issues.

For instance, the Chamber study ranks the states based on their past economic performance, the size and growth of businesses exporting in the states, the concentration of high-tech or science-based businesses, the education system, the infrastructure, and the policy environment. The policy environment measure (what the Chamber refers to as the business climate) equally weights each state’s small business lending rate, the cost impact from legal reform, state and local tax burden as measured by the Tax Foundation, the overall business tax climate as measured by the Tax Foundation, the SBEC policy index as discussed above, and the cost of living.

The Tax Foundation produces an annual *State Business Tax Climate Index*.<sup>102</sup> Each state is ranked based on the tax rates and systems for the following taxes: individual income tax, sales tax, corporate income tax, property tax, and unemployment insurance tax. According to the Tax Foundation, “the Index is designed to show how well states structure their tax systems, and provides a road-map to improving these structures.”<sup>103</sup>

The John Locke Foundation produces the *First in Freedom Index* (2015) due to the connection in the scholarly literature between measures of economic freedom and economic growth. According to the *First in Freedom Index* (2015),

Overall, there have been 37 studies of economic freedom and state economic growth published in scholarly journals since 1990 (including several published after JLF’s original survey of the literature in early 2014), of which 29 found a positive, statistically significant relationship and eight found no link. Not a single study found that ranking high in economic freedom was associated with lower economic performance. Although more research would be welcome and the causal relationships among the variables are probably complex, the currently available evidence is strongly suggestive that freedom and economic growth are closely connected.<sup>104</sup>

The John Locke Foundation study ranks the states based on overall freedom, fiscal freedom, educational freedom, regulatory freedom, and health care freedom. The authors found a strong relationship between the measurement of a state’s freedom and its rate of economic growth. Specifically, according to the study, “the 10 states with the highest FFI rankings have had a 2.3 percent annual average growth rate in inflation-adjusted gross domestic product since 2011, while the 10 states with the lowest FFI rankings have posted average annual GDP growth rates of 1.5 percent.”<sup>105</sup>

The Mercatus Center's *Freedom in the 50 States* ranks the states based on the criteria of personal and economic freedom.<sup>106</sup> The authors measure personal and economic freedom based on fiscal variables (such as each state's tax burden, size of government employment, government spending and government debt burden), regulatory variables (such as each state's liability system, health insurance regulations, Right-to-Work laws, and short-term disability insurance requirements, occupational licensing requirements, miscellaneous other regulations (such as certificate of need (CON) requirements for hospitals, state auto insurance rate filing requirements, state homeowners' insurance rate filing requirements, and cable and telecommunication regulations), and measures of personal freedom (such as non-drug victimless crime arrests, the drug enforcement rate, gun control, legalization of marijuana, same sex marriage, and tobacco & alcohol regulations).

After ranking the states based on economic freedom (all measures excluding the personal freedom variables), personal freedom, and overall freedom, the Mercatus study relates its measure of freedom to migration trends and overall income growth. The authors find that "...while fiscal policy, regulatory policy, and personal freedom are all positively associated with migration, which might ordinarily be expected to increase income growth, we can only be confident that regulatory policy is positively associated with income growth."<sup>107</sup>



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## About Pacific Research Institute

The Pacific Research Institute (PRI) champions freedom, opportunity, and personal responsibility by advancing free-market policy solutions. It provides practical solutions for the policy issues that impact the daily lives of all Americans, and demonstrates why the free market is more effective than the government at providing the important results we all seek: good schools, quality health care, a clean environment, and a robust economy.

Founded in 1979 and based in San Francisco, PRI is a non-profit, non-partisan organization supported by private contributions. Its activities include publications, public events, media commentary, community leadership, legislative testimony, and academic outreach.

