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RICH STATES, POOR STATES

ALEC–LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

ARTHUR B. LAFFER
STEPHEN MOORE
JONATHAN WILLIAMS

FOREWORD BY
GOV. KRISTI NOEM

ALEC American Legislative Exchange Council
LIMITED GOVERNMENT • FREE MARKETS • FEDERALISM

Rich States, Poor States

ALEC-Laffer State Economic Competitiveness Index

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Stephen Moore formerly served on *The Wall Street Journal* editorial board and frequently wrote on the economy and public policy. Moore now serves as the Chairman of the FreedomWorks Task Force on Economic Revival. He was previously the founder and president of the Club for Growth, which raises money for political candidates who favor free-market economic policies. Moore also founded the Free Enterprise Fund before joining *The Wall Street Journal*. Over the years, Moore has served as a senior economist at the Congressional Joint Economic Committee and as a senior economics fellow at the Cato Institute, where he published dozens of studies on federal and state fiscal policy. He was also a consultant to the National Economic Commission in 1987 and research director for President Ronald Reagan's Commission on Privatization. During the 2016 presidential campaign, Moore served as a senior economic adviser to Donald Trump, where he worked on tax reform, regulatory reform, and energy policy. Moore writes regularly for *National Review, Forbes, Investor's Business Daily, The Washington Times,* and *Orange County Register*. Moore holds a Master of Arts in economics from George Mason University. He has authored numerous books, including *Who's the Fairest of them All, It's Getting Better All the Time, Still an Open Door?, An Inquiry into the Nature and Causes of the Wealth of States, Fueling Freedom: Exposing the Mad War on Energy* and the recently released *Trumponomics: Inside the America First Plan to Revive Our Economy* with Dr. Arthur Laffer.

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Jonathan Williams is Chief Economist and Executive Vice President of Policy at the American Legislative Exchange Council (ALEC), where he works with state policymakers, congressional leaders and members of the private sector to develop economic policy solutions for the states. Williams also founded the ALEC Center for State Fiscal Reform in 2011. Prior to joining ALEC in 2007, Williams served as staff economist at the nonpartisan Tax Foundation, authoring numerous tax policy studies. Williams' work has appeared in many publications, including *The Wall Street Journal, Forbes, The Financial Times, Toronto Star, The Australian and Investor's Business Daily.* He is a contributor for *The Hill* and a columnist at *Tax Analysts*, the leading provider of tax news and analysis for the global community. Williams also serves on the Advisory Board of the State Financial Officers Foundation (SFOF) and as an adjunct fellow at the Kansas Policy Institute. He has written for the Ash Center for Democratic Governance and Innovation at Harvard's Kennedy School of Government. In addition, Williams was a contributing author of *In Defense of Capitalism* (Northwood University Press). He has spoken to audiences across all 50 states and provided testimony for the U.S. Congress, as well as numerous state legislative bodies. His work has been featured at the federal level by The White House, the Congressional Joint Economic Committee and the U.S. House Committee on Ways and Means. He is a frequent guest on talk radio shows and has appeared on numerous television outlets, including the PBS NewsHour, Fox Business News and Bloomberg. Williams was also the recipient of the prestigious Ludwig von Mises Award in Economics.

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Foreword

Perhaps more so than any other year, 2020 showed how different policy decisions can make some states rich and others poor. As many governors took extreme measures to shut down their state economies in response to the COVID-19 pandemic, South Dakota took a different path.

I was the only governor in America to never order a single business or church to close. I didn't order my people to shelter in place. We relied on the science, the facts, and the data on the ground to inform our people while trusting them to exercise their personal responsibility to make the best choices for themselves and their loved-ones.

As a result, South Dakota's economy remained resilient throughout the pandemic. As I write this, South Dakota has the lowest unemployment rate of any state. Our GDP grew faster than any other state in the 4th quarter of 2020. And our state budget experienced historically high revenue growth over the past year.

We allowed businesses to adapt to the virus and stay open. We kept South Dakotans employed. We ramped up hospital capacity to care for those who need it. We utilized our CARES Act funding to help businesses negatively impacted by the virus without wasting it on bloated bureaucracy. We invested in long-term projects that will benefit our state for years to come. And we were even able to put large sums of money into trust funds and reserves.

As you will find in *Rich States, Poor States*, South Dakota's enviable financial position was no mere accident. The truth is, South Dakota has long been a model of fiscal responsibility. We have no corporate or individual income tax. We have no statewide personal property tax. Our sales tax is flat and broad. We've long had a AAA credit rating. We balance our budget, and our fiscal reserves are strong.

By keeping taxes low, we keep resources in the hands of private citizens. During the pandemic, this had the added benefit of giving businesses the flexibility to thrive. South Dakota employees lost the fewest hours or wages of any state in the country, allowing them to keep food on the table and a roof over their families' heads.

These are the lessons every state lawmaker can learn from *Rich States, Poor States*. We must keep taxes low and government limited. This approach fuels economic growth in prosperous times, as my state and other competitive states saw during the last decade. And when crisis and disaster arrive, the same lessons can help states prepare and emerge from adversity stronger than ever.

As other states lobbied for a federal bailout and even explored bankruptcy during the pandemic, I realized that South Dakota's strong financial footing gave us a unique opportunity to invest in our future. While other states were going to the federal government with outstretched hands, South Dakota was the only state in America to turn down additional unemployment benefits. Fortunately, South Dakota's self-reliance allowed us to respond to the pandemic without the strings that come with more federal spending.

South Dakota has consistently ranked as one of the most competitive states throughout the many editions of *Rich States, Poor States*. This is clear evidence that the principles of limited government and free markets that guide our state are the right path forward. Keeping taxes low ensures businesses can reinvest in our communities and families have the resources to afford their children's future. We keep our debt low, ensuring that our state can invest in infrastructure projects and education systems that facilitate commerce and prosperity. While other states raise taxes to pay down their debts, South Dakotans' tax dollars go directly into their communities.

On behalf of my home state, I thank the American Legislative Exchange Council and authors Dr. Arthur Laffer, Stephen Moore, and Jonathan Williams for writing this incredible resource each year. To state policymakers, *Rich States, Poor States* is essential reading. And I trust you will use this resource to build a legacy of economic growth and prosperity, as we have done in South Dakota. Future generations of Americans deserve nothing less.

Yours very truly,

Kristi Noem, Governor of South Dakota

Executive Summary

The COVID-19 pandemic upended state economies across the country, but some states experienced more acute economic consequences than others. As states grappled with the best ways to offer aid to citizens struggling through economic shutdowns, many lawmakers recognized tax relief was one of the most effective measures to ameliorate the economic symptoms of the COVID-19 pandemic. In the past editions of *Rich States, Poor States*, data across all 50 states have consistently shown that lower taxes and a pro-growth policy environment increase investment, help create jobs and grow state revenues by growing the tax base. Many states practiced competitive economic policy before COVID-19, but it took a pandemic for big government states to consider lowering taxes to encourage economic growth.

In this 13th edition of *Rich States, Poor States*, authors Dr. Arthur Laffer, Stephen Moore and Jonathan Williams review policy choices made by the 50 states and discuss whether those choices have improved economic competitiveness. The empirical evidence and analysis in this edition of *Rich States, Poor States* illustrates which policies encourage greater economic opportunity and which are obstacles to growth.

In chapter one, the authors discuss important state policy developments since the last edition of this publication, including takeaways from the 2020 state legislative sessions against the backdrop of the COVID-19 pandemic. The chapter examines the migration of citizens and businesses from economically uncompetitive states to low-tax and free market-friendly states, and how this pattern intensified as people began working from home. This highlights the robust relationship between policy decisions and the economic health of a state, including the policy consequences of heavy handed lockdowns. The authors examine significant policy battles, including new Medicaid expansion programs in Missouri and Oklahoma, Utah's innovative property tax reforms and how states used tax policy to help their citizens during the COVID-19 pandemic.

Chapter two examines the economic consequences that may arise from anti-growth policy referendums approved by Arizona and Florida voters during the November 2020 elections. Arizona's Proposition 208 nearly doubles the top marginal personal income tax rates and threatens the economic boom happening in Arizona since the state began cutting income taxes in the early 1990s. Raising Arizona's regionally low personal income tax rate may cause residents to leave the state for lower tax locales. Fewer residents mean less investment and slower job growth. Arizona has seen the benefits of a competitive state economy, and enacting Proposition 208 may cause the state to pay the costs of anti-growth tax policy.

In chapter three, the authors go into greater detail on how governors used their executive authority to help or hinder their state during the COVID-19 pandemic. As states led the way in policy responses to the COVID-19 pandemic, it became clear a decentralized, state-based response allowed states experiencing high infection rates to respond appropriately and protected states less impacted by COVID-19 from a heavy handed federal mandate.

Finally, chapter four delivers the state rankings from the *2020 ALEC-Laffer State Economic Competitiveness Index.* The index is comprised of two separate economic rankings. The first ranking is the economic performance ranking, which is based on three important metrics over the past decade: growth in gross state product (GSP), absolute domestic migration, and growth in nonfarm payroll employment. These are calculated for each state using the most recent data available. The second ranking provides a forecast for state economic outlook. This forecast is based on a state's current standing in 15 equally weighted policy areas that are influenced directly by state lawmakers. These 15 policy areas are among the most influential factors in determining a state's potential for future economic growth. Generally, states that spend less, especially on transfer payments, and states that tax less, particularly on productive activities such as work or investment, tend to experience higher rates of economic growth than states that tax and spend more.

The following 15 policy variables are measured in the *2020 ALEC-Laffer State Economic Competitiveness Index:*

- Highest Marginal Personal Income Tax Rate
- Highest Marginal Corporate Income Tax Rate
- Personal Income Tax Progressivity
- Property Tax Burden
- Sales Tax Burden
- Tax Burden from All Remaining Taxes
- Estate/Inheritance Tax (Yes or No)
- Recently Legislated Tax Policy Changes (2019 & 2020, per $1,000 of Personal Income)
- Debt Service as a Share of Tax Revenue
- Public Employees per 10,000 Residents
- Quality of State Legal System
- Workers' Compensation Costs
- State Minimum Wage
- Right-to-Work State (Yes or No)
- Tax and Expenditure Limits

This 13th edition of *Rich States, Poor States* attempts to answer why some states prosper and grow, and why others fail to compete for economic opportunity. The evidence is clear that competitive tax rates, thoughtful regulations, and responsible spending lead to more opportunities for all Americans. State economies grow and flourish when lawmakers trust people, not government, to create long-term prosperity.

ALEC-Laffer State Economic Outlook Rankings, 2020

Based upon equal-weighting of each state's rank in 15 policy variables

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

10 Golden Rules of Effective Taxation

1 ***When you tax something more you get less of it, and when you tax something less you get more of it.***

Tax policy is all about reward and punishment. Most politicians know instinctively that taxes reduce the activity being taxed — even if they do not care to admit it. Congress and state lawmakers routinely tax things that they consider "bad" to discourage the activity. We reduce, or in some cases entirely eliminate, taxes on behavior that we want to encourage, such as home buying, going to college, giving money to charity, and so on. By lowering the tax rate in some cases to zero, we lower the after tax cost, in the hopes that this will lead more people to engage in a desirable activity. It is wise to keep taxes on work, savings, and investment as low as possible in order not to deter people from participating in these activities.

2 ***Individuals work and produce goods and services to earn money for present or future consumption.***

Workers save, but they do so for the purpose of conserving resources so they or their children can consume in the future. A corollary to this is that people do not work to pay taxes — although some politicians seem to think they do.

3 ***Taxes create a wedge between the cost of working and the rewards from working.***

To state this in economic terms, the difference between the price paid by people who demand goods and services for consumption and the price received by people who provide these goods and services — the suppliers — is called the wedge. Income and other payroll taxes, as well as regulations, restrictions, and government requirements, separate the wages employers pay from the wages employees receive. If a worker pays 15% of his income in payroll taxes, 25% in federal income taxes, and 5% in state income taxes, his $50,000 wage is reduced to roughly $27,500 after taxes. The lost $22,500 of income is the tax wedge, or approximately 45%.

As large as the wedge seems in this example, it is just part of the total wedge. The wedge also includes excise, sales, and property taxes, plus an assortment of costs, such as the market value of the accountants and lawyers hired to maintain compliance with government regulations. As the wedge grows, the total cost to a firm of employing a person goes up, but the net payment received by the person goes down. Thus, both the quantity of labor demanded and quantity supplied fall to a new, lower equilibrium level, and a lower level of economic activity ensues. This is why all taxes ultimately affect people's incentive to work and invest, though some taxes clearly have a more detrimental effect than others.

4 ***An increase in tax rates will not lead to a dollar-for-dollar increase in tax revenues, and a reduction in tax rates that encourages production will lead to less than a dollar-for-dollar reduction in tax revenues.***

Lower marginal tax rates reduce the tax wedge and lead to an expansion in the production base and improved resource allocation. Thus, while less tax revenue may be collected per unit of tax base, the tax base itself increases. This expansion

of the tax base will, therefore, offset some (and in some cases, all) of the loss in revenues because of the now lower rates.

Tax rate changes also affect the amount of tax avoidance. It is important to note that legal tax avoidance is differentiated throughout this report from illegal tax evasion. The higher the marginal tax rate, the greater the incentive to reduce taxable income. Tax avoidance takes many forms, from workers electing to take an improvement in nontaxable fringe benefits in lieu of higher gross wages to investment in tax shelter programs. Business decisions, too, are increasingly based on tax considerations as opposed to market efficiency. For example, the incentive to avoid a 40% tax, which takes $40 of every $100 earned, is twice as high as the incentive to avoid a 20% tax, for which a worker forfeits $20 of every $100 earned.

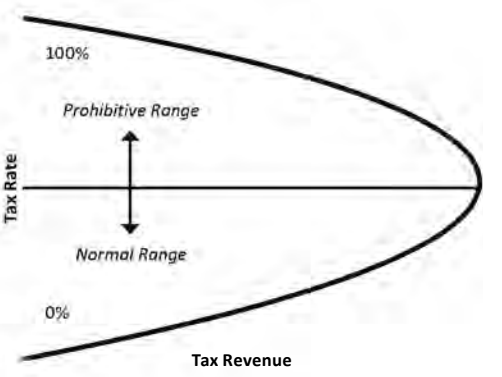
An obvious way to avoid paying a tax is to eliminate market transactions upon which the tax is applied. This can be accomplished through vertical integration: manufacturers can establish wholesale outlets; retailers can purchase goods directly from manufacturers; companies can acquire suppliers or distributors. The number of steps remains the same, but fewer and fewer steps involve market transactions and thereby avoid the tax. If states refrain from applying their sales taxes on business-to-business transactions, they will avoid the numerous economic distortions caused by tax cascading. Michigan, for example, should not tax the sale of rubber to a tire company, then tax the tire when it is sold to the auto company, then tax the sale of the car from the auto company to the dealer, then tax the dealer's sale of the car to the final purchaser of the car, or the rubber and wheels are taxed multiple times. Additionally, the tax cost becomes embedded in the price of the product and remains hidden from the consumer.

5 ***If tax rates become too high, they may lead to a reduction in tax receipts. The relationship between tax rates and tax receipts has been described by the Laffer Curve.***

The Laffer Curve (illustrated below) summarizes this phenomenon. We start this curve with the undeniable fact that there are two tax rates that generate zero tax revenues: a zero tax rate and a 100% tax rate. (Remember Golden Rule #2: People don't work for the privilege of paying taxes, so if all their earnings are taken in taxes, they do not work, or at least they do not earn income the government knows about. And, thus, the government receives no revenues.)

Now, within what is referred to as the "normal range," an increase in tax rates will lead to an increase in tax revenues. At some point, however, higher tax rates become counterproductive. Above this point, called the "prohibitive range," an increase in tax rates leads to a reduction in tax revenues and vice versa. Over the entire range, with a tax rate reduction, the revenues collected per dollar of tax base falls. This is the arithmetic effect. But the number of units in the tax base expands. Lower tax rates lead to higher levels of personal income, employment, retail sales, investment, and general economic activity. This is the economic, or incentive, effect. Tax avoidance also declines. In the normal range, the arithmetic effect of a tax rate reduction dominates. In the prohibitive range, the economic effect is dominant.

The Laffer Curve



Source: Laffer Associates

Of course, where a state's tax rate lies along the Laffer Curve depends on many factors, including tax rates in neighboring jurisdictions. If a state with a high employment or payroll tax borders a state with large population centers along that border, businesses will have an incentive to shift their operations from inside the jurisdiction of the high-tax state to the jurisdiction of the low-tax state.

Economists have observed a clear Laffer Curve effect with respect to cigarette taxes. States with high tobacco taxes that are located next to states with low tobacco taxes have very low retail sales of cigarettes relative to the low-tax states. Illinois smokers buy many cartons of cigarettes when in Indiana, and the retail sales of cigarettes in the two states show this.

6 ***The more mobile the factors being taxed, the larger the response to a change in tax rates. The less mobile the factor, the smaller the change in the tax base for a given change in tax rates.***

Taxes on capital are almost impossible to enforce in the 21st century because capital is instantly transportable. For example, imagine the behavior of an entrepreneur or corporation that builds a factory at a time when profit taxes are low. Once the factory is built, the low rate is raised substantially without warning. The owners of the factory may feel cheated by the tax bait and switch, but they probably do not shut the factory down because it still earns a positive after tax profit. The factory will remain in operation for a time even though the rate of return, after taxes, has fallen sharply. If the factory were to be shut down, the after tax return would be zero. After some time has passed, when equipment needs servicing, the lower rate of return will discourage further investment, and the plant will eventually move where tax rates are lower.

A study by the American Enterprise Institute has found that high corporate income taxes at the national level are associated with lower growth in wages. Again, it appears as though a chain reaction occurs when corporate taxes get too high. Capital moves out of the high-tax area, but wages are a function of the ratio of capital to labor, so the reduction in capital decreases the wage rate.

The distinction between initial impact and burden was perhaps best explained by one of our favorite 20th century economists, Nobel-winner Friedrich A. Hayek, who makes the point as follows in his classic, The Constitution of Liberty:

> The illusion that by some means of progressive taxation the burden can be shifted substantially onto the shoulders of the wealthy has been the chief reason why taxation has increased as fast as it has done and that, under the influence of this illusion, the masses have come to accept a much heavier load than they would have done otherwise. The only major result of the policy has been the severe limitation of the incomes that could be earned by the most successful and thereby gratification of the envy of the less well off.

7 ***Raising tax rates on one source of revenue may reduce the tax revenue from other sources, while reducing the tax rate on one activity may raise the taxes raised from other activities.***

For example, an increase in the tax rate on corporate profits would be expected to lead to a diminution in the amount of corporate activity, and hence profits, within the taxing district. That alone implies less than a proportionate increase in corporate tax revenues. Such a reduction in corporate activity also implies a reduction in employment and personal income. As a result, personal income tax revenues would fall. This decline, too, could offset the increase in corporate tax revenues. Conversely, a reduction in corporate tax rates may lead to a less than expected loss in revenues and an increase in tax receipts from other sources.

8 ***An economically efficient tax system has a sensible, broad tax base and a low tax rate.***

Ideally, the tax system of a state, city, or country will minimally distort economic activity. High tax rates alter economic behavior. President Ronald Reagan used to tell the story that he would stop making movies during his acting career once he was in the 90% tax bracket because the income he received was so low after taxes were taken away. If the tax base is broad, tax rates can be kept as low and non-confiscatory as possible. This is one reason we favor a flat tax with minimal deductions and loopholes. It is also why more than two dozen have now adopted a flat tax.

9 ***Income transfer (welfare) payments also create a de facto tax on work and, thus, have a high impact on the vitality of a state's economy.***

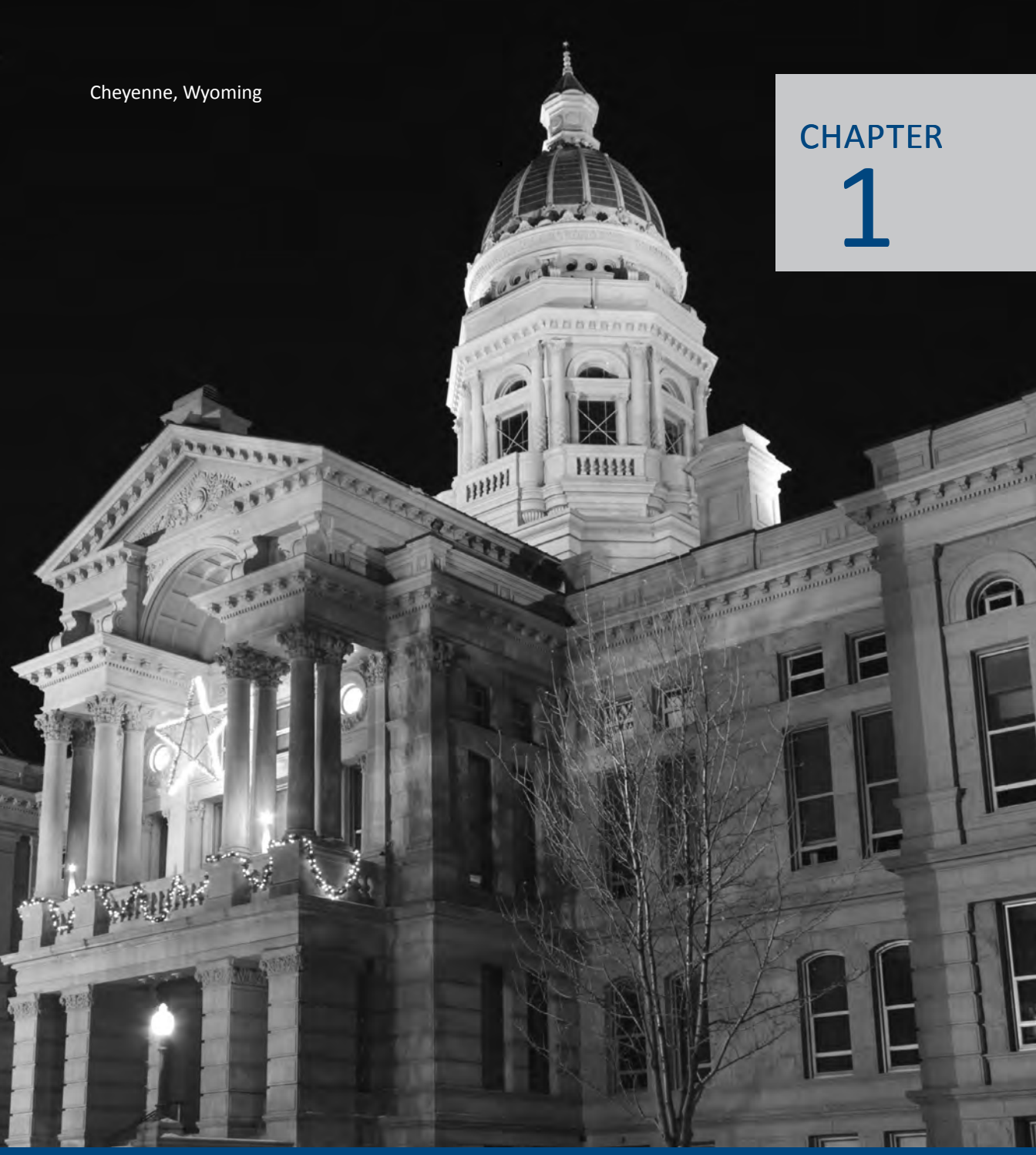
Unemployment benefits, welfare payments, and subsidies all represent a redistribution of income. For every transfer recipient, there is an equivalent tax payment or future tax liability. Thus, income effects cancel. In many instances, these payments are given to people only in the absence of work or output. Examples include food stamps (income tests), Social Security benefits (retirement test), agricultural subsidies, and, of course, unemployment compensation itself. Thus, the wedge on work effort is growing at the same time that subsidies for not working are increasing. Transfer payments represent a tax on production and a subsidy to leisure. Their automatic increase in the event of a fall in market income leads to an even sharper drop in output.

In some high benefit states, such as Hawaii, Massachusetts, and New York, the entire package of welfare payments can pay people in excess of the equivalent of a $20 per hour job (and let us not forget: Welfare benefits are not taxed, but wages and salaries are). Because these benefits shrink as income levels from work climb, welfare can impose very high marginal tax rates (60% or more) on low-income Americans. And those disincentives to work have a deleterious effect. We found a high, statistically significant, negative relationship between the level of benefits in a state and the percentage reduction in caseloads.

In sum, high welfare benefits magnify the tax wedge between effort and reward. As such, output is expected to fall as a consequence of making benefits from not working more generous. Thus, an increase in unemployment benefits is expected to lead to a rise in unemployment.

Finally, and most important of all for state legislators to remember:

10 ***If A and B are two locations, and if taxes are raised in B and lowered in A, producers and manufacturers will have a greater incentive to move from B to A.***



Cheyenne, Wyoming

CHAPTER
1

State of the States

State of the States

Introduction

Prior to this 13th edition, *Rich States, Poor States* examined state economic data over the longest economic expansion in recent memory. The COVID-19 pandemic and government-mandated economic shutdowns interrupted this historic period of growth. States have been responsible for much of the public response to the COVID-19 virus. Public health investment and tax relief have been principal state policy tools to offer aid to the sick, the unemployed and the workers and businesses fortunate enough to remain in business during the economic shutdown. While in many cases necessary, these efforts have weighed heavily on state budgets. While some states saw revenues increase as much as 10% in FY 2020, others saw revenue shortfalls of 10% or greater depending on their shutdown policy.[1] How these states close their budget deficits will determine whether they will emerge from the pandemic with a competitive economy ready for economic growth, or if their economic shutdowns will hinder the economic recovery for years to come.

This 13th edition of *Rich States, Poor States* continues our annual review of the 50 states and their economic outlook. These 50 "laboratories of democracy" prove that even during a pandemic, pro-growth, free market policy is a win for hard-working taxpayers and for the legislators they elect. Getting it right when it comes to sound policy is arguably even more important in times of economic unrest.

Americans Continue to "Vote with their Feet"

California continues suffering a mass exodus of residents — a trend that has accelerated in recent years to reach record out-migration levels.[2] Americans are leaving behind high taxes and unaffordable living for states in the South and Mountain West, such as Arizona and Nevada.[3] Texas is the largest recipient, with an estimated 86,000 former Californians moving to the Lone Star State in 2018.[4] In the last 10 years of available data, an estimated 811,801 former Californians have left their high-tax, unaffordable state for states with more pro-growth policy. Looking at polling data, this migration of Californians to other states shows no signs of stopping. University of California, Berkeley polling finds more than half of California voters polled had thought about leaving California for another state. Of the voters polled, 71% cited high housing costs and 58% cited high taxes as their motivation for wanting to move.[5] Even with sunny weather, Silicon Valley and Hollywood cannot keep people around if state taxes are too high.

California progressives do not seem concerned about the mass out-migration of taxpayers to other states. In fact, certain proposed policies would likely spur more out-migration. In response to a budget shortfall arising from the COVID-19 economic shutdown, some California legislators imitated policy in New York and New Jersey by proposing a millionaire's tax where the top income tax rate would increase to 14.3% on income over

$1 million, 16.3% on income over $3 million and 16.8% on income over $5,000,000.[6] If the California State Legislature enacted the proposal, California individuals and job creators would be on the hook for an additional $8 billion in tax liability, and the total top marginal income tax rate for federal and state taxes would approach 54%.[7] With high-profile Californians like Elon Musk and Joe Rogan announcing their decisions to leave the state for Texas, California lawmakers should think twice before reflexively raising taxes in response to any budget shortfall.[8,9]

In fact, rather than showing concern over the number of residents leaving the state, California progressives have shown contempt for former Californians with proposals that would essentially weaponize the California income tax code and make former Californians tax hostages. Assemblyman Rob Bonta proposed levying a wealth tax on assets owned by current residents and those who have already left the state. Under his proposal, former residents would be required to remit 90% of what they would ordinarily pay in California wealth taxes in the first year after leaving California. This rate would decrease by 10 percentage points every following year, phasing out entirely 10 years after the resident has left California.[10] Not only would this policy approach the definition of plunder, but, if enacted, federal courts should strike down Assemblyman Bonta's bill on its face for a clear violation of constitutional interstate commerce protections.

Figure 1 shows the measure of adjusted gross income (AGI) migration between states. The figure clearly shows California is not the only high-tax state losing taxpayers to states with more competitive tax codes. New York, the state with the least competitive economic outlook seven years in a row, has lost more net AGI than any other state. Even though Vermont (ranked 49th in economic outlook) demonstrates a small net in-migration of income, Vermont's workforce continues to shrink as middle and low-income workers leave Vermont due to high costs of living.[11] To remedy this persistent workforce shortage, Vermont has taken to paying people upwards of $7,500 to move to the Green Mountain State.[12]

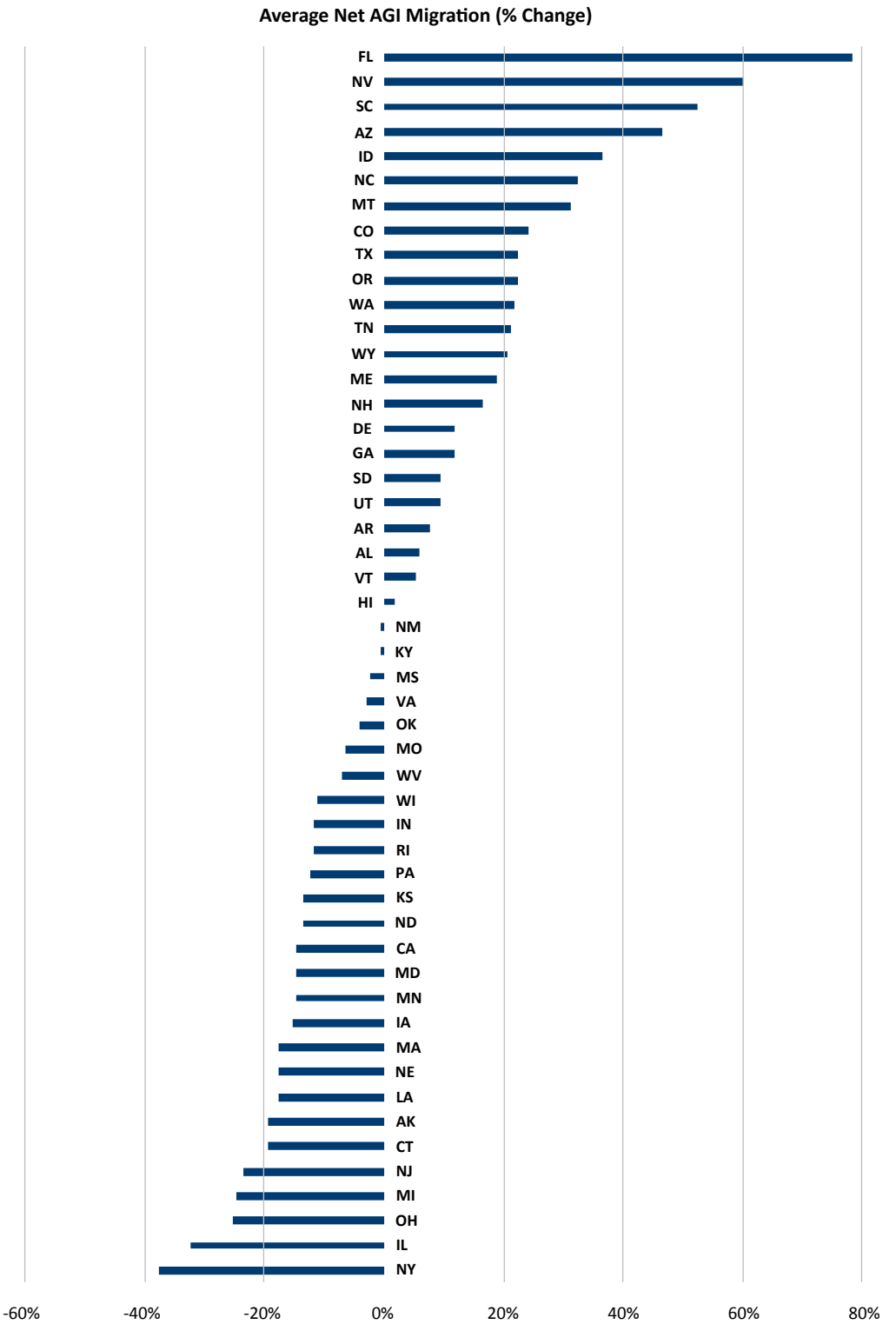
Vermont is not alone in the Northeast when it comes to losing taxpayers to other states. Massachusetts, Connecticut and Rhode Island have also suffered a significant net loss in AGI since 1997. These states also perform poorly in this report with economic outlook rankings of 35th, 40th and 43rd, respectively. An uncompetitive economic policy driving income earners away from high-tax states confirms economic theory, and the AGI migration data in Figure 1 support this theory with cold, hard statistics.

Skeptics might point to Maine and New Hampshire as states that counter this Northeastern trend. As indicated in Figure 1, these states have above average performance in attracting income. While Maine does see a net increase in AGI inflow, like Vermont, much of this income comes from retirees.[13] Maine has one of the most stagnant job markets in the country. While the U.S. saw non-farm payroll employment grow by over 2% in 2018, Maine saw almost 0% employment growth. In fact, the Maine Department of Labor estimates Maine will see a net increase of only 94 jobs between 2016 and 2026.[14]

New Hampshire, on the other hand, does stand out positively among Northeastern states. With no personal income tax or general sales tax, New Hampshire is a low-tax oasis in the New England high-tax desert. While Maine and Vermont also show a net increase of income flowing into their states, New Hampshire's net AGI in-migration is complemented by economic growth unlike Maine and Vermont's retirement heavy economies. New Hampshire saw employment growth of 5.7% over the past decade, while Maine and Vermont experienced employment growth of 1.8% and 3.4%, respectively, over the same period. While New Hampshire, Maine and Vermont might all demonstrate a net in-migration of income, New Hampshire differs from the other high-tax New England states with their competitive state tax code and outstanding economic performance relative to the region.

Looking at Figure 2, this migration of income from high-tax states to low-tax states is not limited to New England. New York, New Jersey, Pennsylvania and Illinois see some of the largest out-migration

FIGURE 1 | Average Net AGI Migration, 1997-2018



Source: ALEC Center for State Fiscal Reform, Internal Revenue Service

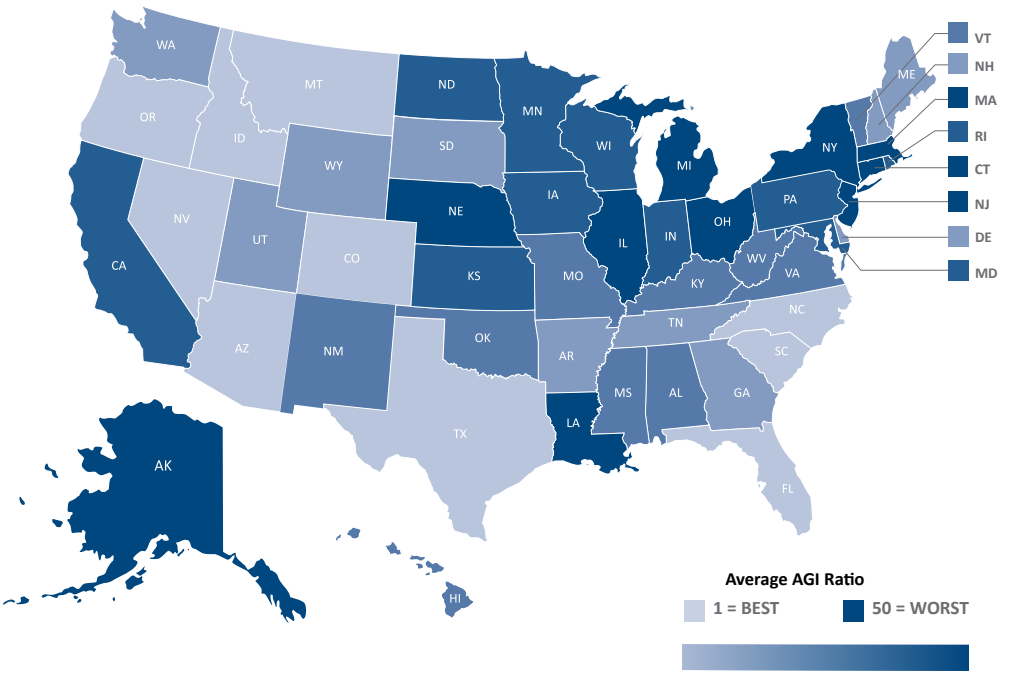
figures of any state. Economically uncompetitive states like Maryland and Minnesota are also losing taxpayers on net. Figure 2 appears to indicate a geographic trend. Broadly speaking, income earners are leaving the Northeast and Midwest for states in the South and Rocky Mountains.

Pundits might spin this geographic trend as evidence that people are moving based on weather, not economic policy. However, Idaho, Montana, Colorado, Wyoming, South Dakota and Utah experience net AGI in-migration, despite their frigid, long winters. On the other hand, California, Hawaii, Louisiana and Maryland have temperate winters, yet these states have seen rampant outmigration of income earners to other states. It seems good weather alone cannot convince overtaxed income earners to stay put.

Broken down by income tax policy, the relationship between high taxes and migration of income between states becomes even more clear. Looking at Figure 3, the states with top marginal personal income tax rates over 5% saw an average out-migration of income nine out of the past 10 years. Even states with a low income tax rate saw an average out-migration of income earners during four of the last 10 years. Figure 3 also demonstrates similar out-migration figures between low and high-income-tax states. The closely related out-migration figures demonstrate a general indictment of income taxes' negative impact on state economic growth.

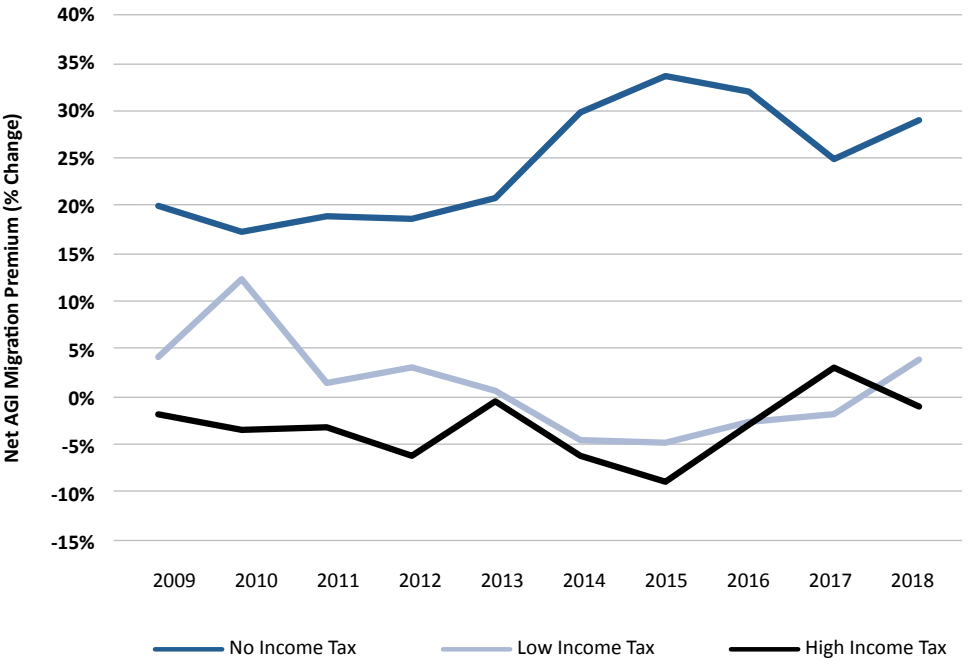
On the contrary, states with no personal income tax saw an average net in-migration of income earners every year over the past decade. Referring back to Figures 1 and 2, Florida, Nevada and Texas each avoid a personal income tax and rank in the top 10 states receiving income earners from other states. While not in the top 10, Tennessee, Wyoming and Washington also do not levy a personal income tax on wages and saw a net in-migration of AGI over the same period.

FIGURE 2 | States by Average AGI Ratio Between 1997 and 2018



Source: ALEC Center for State Fiscal Reform, Internal Revenue Service

FIGURE 3 | Net AGI Migration, 2009-2018



Source: ALEC Center for State Fiscal Reform, Internal Revenue Service

Tracking how taxpayers move, often to gain more economic opportunity, can be a useful tool in examining the competitiveness of a state's tax code. These data provide a warning to high-tax states on the consequences of uncompetitive economic policy, and what may happen to their tax bases if lawmakers refuse to reform state tax codes toward a more competitive advantage.

The implications of taxpayers migrating from high-tax states to low-tax states do not stop at lost economic growth or a smaller tax base. Congressional seats will be reapportioned according to state population statistics following the 2020 census, although the results may be affected by the COVID-19 pandemic. As taxpayer migration changes state populations, apportioned congressional seats must change as well. Taxpayers moving from one state to another jeopardize state economies and tax bases. But combining net migration and reapportionment implies a political consequence for states losing taxpayers. As taxpayers move to low-tax states, those recipient states' congressional delegations grow. Since the U.S. House is limited to 435 seats, this creates a zero sum game for high-tax states. As they lose taxpayers to low-tax states, they lose political power relative to low-tax states as well.

Looking at Table 1, some states are expected to gain quite a few seats. Texas and Florida are expected to pick up three and two seats, respectively. Neither Texas nor Florida levy a personal income tax. These states are prime examples of how competitive tax policy can attract taxpayers and job creators from high-tax states. Both low-income tax North Carolina and Colorado are also expected to gain a congressional seat after reapportionment.

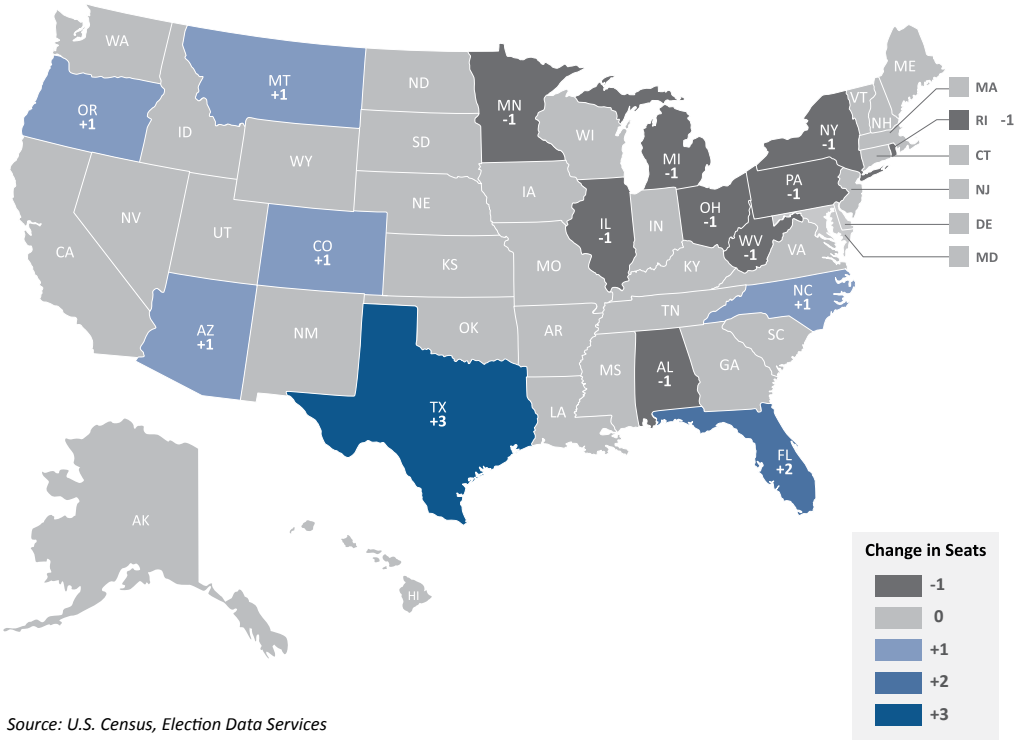
On the other hand, high-tax states like Illinois, Minnesota, New York, Pennsylvania and Rhode

TABLE 1 | Anticipated Gains/Losses in Reapportionment (2020 Projections vs. Current)

Top States Gaining	Number of Seats	RSPS Outlook	Top States Losing	Number of Seats	RSPS Outlook
Texas	+3	15	Alabama	-1	23
Florida	+2	7	Illinois	-1	47
North Carolina	+1	5	Michigan	-1	14
Arizona	+1	10	Minnesota	-1	45
Colorado	+1	18	New York	-1	50
Oregon	+1	42	Ohio	-1	29
Montana	+1	33	Pennsylvania	-1	38
			Rhode Island	-1	43
			West Virginia	-1	28

Source: U.S. Census, Election Data Services

FIGURE 4 | Anticipated Gains/Losses in 2020 Reapportionment



Source: U.S. Census, Election Data Services

TABLE 2 | State Migration Winners and Losers (2009-2018)

The Ten States with the Greatest Net In-Migration Net Domestic Migration (Cumulative 2009-2018)			The Ten States with the Greatest Net Out-Migration Net Domestic Migration (Cumulative 2009-2018)		
Rank	State	Absolute Domestic Migration	Rank	State	Absolute Domestic Migration
1	Texas	1,262,347	41	Massachusetts	-125,348
2	Florida	1,139,015	42	Maryland	-147,651
3	North Carolina	472,668	43	Connecticut	-193,944
4	Arizona	385,647	44	Pennsylvania	-228,570
5	Colorado	380,134	45	Ohio	-277,941
6	South Carolina	357,604	46	Michigan	-385,458
7	Washington	356,317	47	New Jersey	-501,674
8	Tennessee	251,287	48	California	-811,801
9	Oregon	234,419	49	Illinois	-843,799
10	Georgia	225,386	50	New York	-1,366,465

Source: U.S. Census Bureau

Island are all expected to lose congressional representation. For New York, this represents another loss in congressional representation since 1940 when the Empire State had 45 representatives, compared to its expected 26 after the 2020 census.[15]

The states gaining congressional seats have an average economic outlook ranking in this publication of 18.5, while the states losing representation have an average economic competitiveness ranking of 35.2.

Americans continue to vote with their feet in response to uncompetitive state economic policies. As economic theory suggests, if taxes drive up the cost of living in one state, then states with lower taxes become much more attractive places to live and work. As Rule 10 of the ALEC "Golden Rules of Effective Taxation" states, "If A and B are two locations, and if taxes are raised in B and lowered in A, producers and manufacturers will have a greater incentive to move from B to A." This migration of taxpayers from high-tax states to low-tax states is economic theory coming true. State policymakers would be wise to read the writing on the wall and recognize how economic policy drives individual decision making. No amount of economic favoritism or targeted tax breaks can reverse outmigration in the long term if economic policy, broadly speaking, trends toward the uncompetitive. If states want to become more attractive to new residents and job creators, making tax policy more competitive relative to other states is a key reform state policymakers must consider.

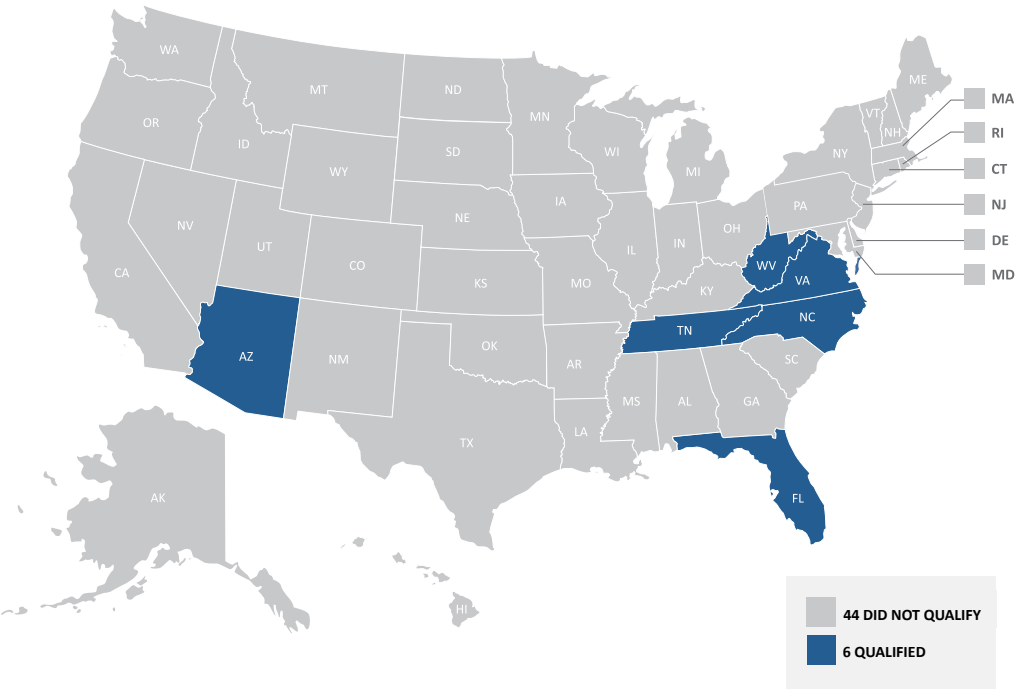
State Tax Cut Roundup 2019

In the annual *State Tax Cut Roundup*, the ALEC Center for State Fiscal Reform details state tax cuts during their respective legislative sessions.[16] Since 2013, 37 different states have substantially cut taxes and qualified for the report. Of these states, Florida deserves special credit for providing a constant record of pro-growth reforms, qualifying for all seven editions of State Tax Cut Roundup. In the 2019 edition, only six states (Arizona, Florida, North Carolina, Tennessee, Virginia and West Virginia) qualified, the fewest of any edition. For comparison, nine states qualified in 2016 and 2017, and 16 states qualified in the 2018 edition.[17,18,19] *State Tax Cut Roundup: 2019* has this relatively low number of states qualifying for a variety of reasons. Primarily, many states passed tax relief legislation that was offset by tax increases elsewhere. Additionally, motor fuel and remote seller sales tax increases were popular bills in 2019, often with large price tags for taxpayers.[20]

The qualifying states primarily made cuts to business and income taxes. Arizona and Virginia began their legislative sessions with unanswered questions on federal tax conformity following passage of federal tax reform, the Tax Cuts and Jobs Act of 2017 (TCJA). Arizona substantially cut personal income taxes by reducing the number of tax brackets from five to four and by reducing tax rates for nearly every bracket.[21] Virginia increased its standard deduction and decoupled from a handful of federal tax changes that would have raised the net tax burden. While the Old Dominion did not reduce nominal tax rates like many states conforming to federal tax changes, Virginia legislators returned $420 million back to taxpayers as a one-time refund.[22] North Carolina also reduced effective personal income tax rates by increasing the state standard deduction for both single and joint filers.[23]

The other three states (Tennessee, West Virginia and Florida) qualified for *State Tax Cut Roundup:*

FIGURE 5 | States that Qualified for State Tax Cut Roundup During the 2019 Legislative Session



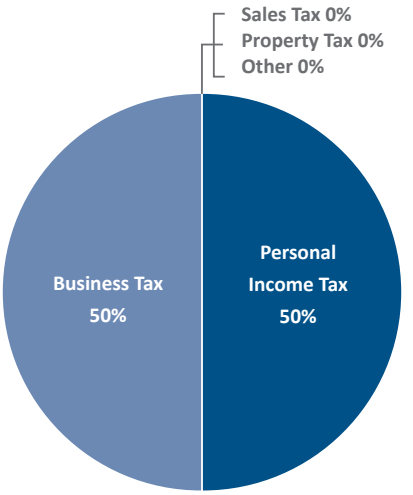
2019 by substantially cutting business taxes. Tennessee made its business tax code more neutral by removing the discriminatory amusement tax on fitness center memberships and scaling down the tax on professional licenses.[24,25] West Virginia reduced the severance tax rate on coal used to generate electricity, which improved the business environment for one of West Virginia's key industries and lowered electricity prices for ratepayers who receive power from coal.[26] Florida made its seventh consecutive appearance in *State Tax Cut Roundup* through additional tax cuts to its notorious sales tax on commercial rents.[27] Reducing and eventually repealing the business rent tax will go a long way in setting up Florida small businesses and startups for success by lowering the fixed costs of running a business.

While Indiana and New Hampshire did not legislate a net tax cut during the 2019 legislative session, these states phased in cuts to create a net reduction in estimated FY 2020 tax burden for businesses. Originally set at 8.5% in 2011, the Indiana corporate income tax rate was cut to 6.5% by FY 2016 through annual phased-in rate cuts.[28] In 2014, then-Governor Mike Pence helped pass another corporate income tax cut, reducing the rate to 4.9% by FY 2022 over eight years of phased-in rate cuts. The 2014 tax cut bill also reduced the Financial Institution Tax (FIT) from 6.5% to 4.9% by 2023.[29] Starting July 1, 2019, the Indiana corporate income tax rate fell from 5.75% to its new low of 5.5%, and the FIT tax rate was reduced from 6.25% to 6% as of January 1, 2020. The FY 2020 tax rate cuts represent an estimated $83.2 million in FY 2020 tax savings for Indiana banks, companies and small businesses, and give Indiana one of the lowest corporate income tax rates in the Midwest.[30]

New Hampshire also phased-in business tax cuts. While the state does not collect personal income tax on wages or a general sales tax, New Hampshire does levy a business profits tax (BPT) on corporations with annual income over $50,000 and a business enterprise tax (BET) on total compensation for businesses with annual gross receipts over $150,000.[31] In 2017, New Hampshire passed rate cuts to both the BPT and BET to take effect December 31, 2019. The first phase of rate cuts reduces the BPT from 7.9% to 7.7% and the BET from 0.675% to 0.6%. These two rate cuts are expected to save New Hampshire taxpayers nearly $38 million in FY 2020. Given certain revenue triggers, these rates are set to drop again on December 31, 2021 to 7.5% and 0.5%, respectively.[32] Once fully implemented, these tax cuts will strengthen New Hampshire's standing as the state with the most competitive and pro-growth tax policies for business in the Northeast.

Of the six states that qualified in *State Tax Cut Roundup: 2019*, every state cut personal income or business taxes as displayed in Figure 6. For states looking to improve their economic competitiveness, these are the tax reforms that provide the greatest economic benefit. A large volume of academic literature demonstrates that all taxes harm economic growth.[33] Of the studies that differentiate between various forms of taxation, personal and corporate income taxes are the most harmful to long-term economic growth. In fact, Organization for Economic Cooperation and Development (OECD) scholars found a 1% decrease in income tax burden led to an expected 0.25% to 1% increase in gross domestic product (GDP) per capita between 1971 and 2004.[34]

FIGURE 6 | Types of Taxes Cut During the 2019 Legislative Session



Source: ALEC Center for State Fiscal Reform

Although only six states qualified for *State Tax Cut Roundup: 2019*, each state reduced reliance on revenue streams proven to have the most negative impact on long-term growth. Despite other states passing tax cut bills in 2019, they did not qualify for this report because they passed tax increases elsewhere, resulting in a greater net tax liability. Other states merely enacted tax cut phase-ins, which also do not qualify for *State Tax Cut Roundup*. For states looking to make real steps forward in economic competitiveness, each future edition of the ALEC *State Tax Cut Roundup* will continue to offer a window into which states are moving toward a more competitive economy and provide a manual for how states can bring long-term prosperity back home.

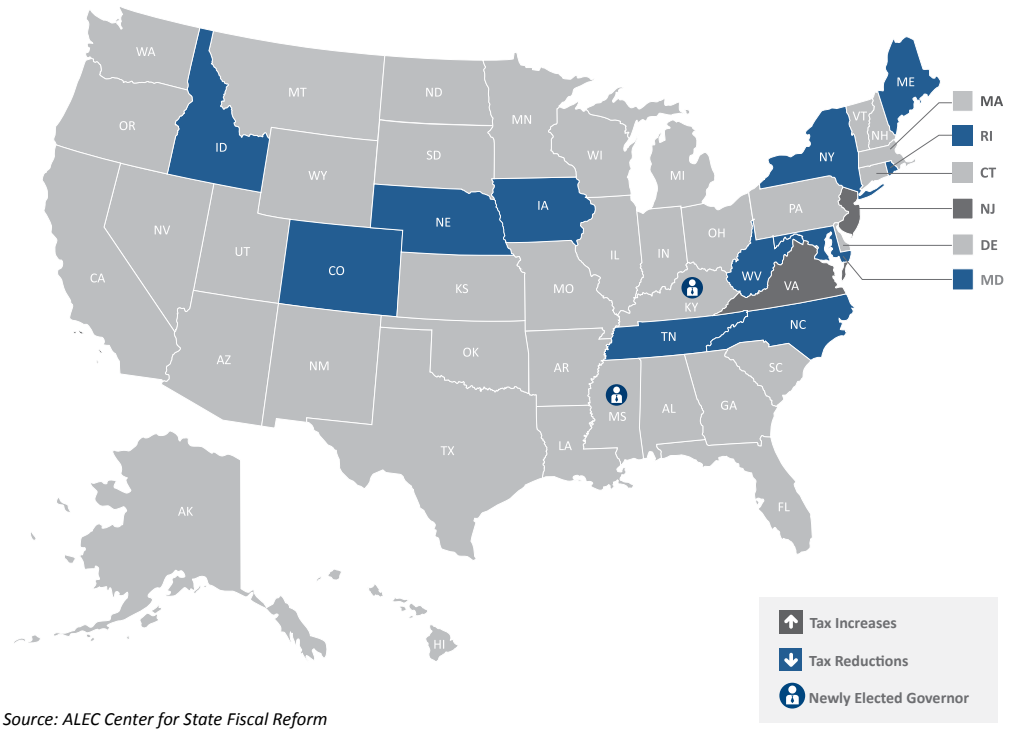
What America's Governors Said About Fiscal Policy in 2020

In the 2020 Laffer-ALEC Report on Economic Freedom, a brand-new report grading America's governors, authors Dr. Arthur B. Laffer, Donna Arduin, Stephen Moore and Jonathan Williams analyze governors' fiscal policy plans[35] In 2020, the governors of 44 states gave addresses on the state of their states. For two governors, their state of the state addresses marked the first public address since their election to state executive office in 2019.

While the actions of state executives are ultimately more important than their rhetoric, state of the state speeches provide an anchor point for their policy priorities during the legislative sessions. In 2020, 16 governors made significant comments on tax policy. Since most governors were looking at record state tax revenues prior to the COVID-19 pandemic and economic shutdown, many governors spoke on how to use this revenue. Many favored increasing state spending, but some proposed ways to return tax dollars back to taxpayers. In all, 11 governors proposed tax reductions, while only two governors exclusively pushed for tax increases.

The following map shows which governors called for tax increases, tax reductions or both.

FIGURE 7 | 2020 Governors' Tax Proposals



Source: ALEC Center for State Fiscal Reform

New Jersey Governor Phil Murphy doubled down on his call for a "millionaire's tax," achieving the dubious distinction of being the only governor this year to call for an income tax increase during his state of the state speech.[36] Governor Ralph Northam called for an increase in Virginia's cigarette tax, intending to use the revenue for a "reinsurance program."[37]

Iowa Governor Kim Reynolds and South Carolina Governor Henry McMaster offered the most substantive proposals to reduce income taxes in their respective states. Governor McMaster stated, "This year, with a $1.8 billion surplus, if we don't cut taxes and send money back to the people, shame on us." He proposed returning 25 cents of every surplus dollar to taxpayers through rebates and tax cuts as well as cutting personal income taxes by $160 million this year and $2.6 billion over the next five years. Governor McMaster noted, "This means a 15% across-the-board tax reduction for all personal income brackets, keeping us competitive with our neighboring states." Additionally, he proposed no longer taxing the retirement pay of those who served in uniform, including "veterans, first responders, law enforcement officers, firefighters and peace officers."[38]

In her address, Iowa Governor Kim Reynolds declared, "I have no interest in raising taxes, so any increase in revenue from a sales tax must be more than offset by additional tax cuts." Noting that Iowa passed its largest income tax cut in state history two years ago, she proposed to cut income taxes by an additional 10% for the average Iowan. Under her plan, lower-income Iowans would receive upward of a 25% cut. Governor Reynolds said her plan would reduce Iowa's top marginal income tax bracket from one of the highest in the country at 9% to 5.5%.[39]

A Snapshot of Significant State Policy Battles in 2020

Income Taxes Hurt State Financial Stability

The COVID-19 pandemic and economic shutdowns have contributed to some of the most acute state budget deficits since the Great Recession. An increase in public health spending to pay for COVID-19 state-level pandemic responses have led to state budget shortfalls in many states with high COVID-19 caseloads and persistent shutdowns. An increase in public health spending to pay for COVID-19 state-level pandemic responses have led to state budget shortfalls in many states with high COVID-19 caseloads and persistent shutdowns.[40] When confronted with revenue shortfalls and the likelihood of spending cuts, many tax-and-spend pundits began clamoring for higher state income taxes. Some even proposed enacting a brand-new income tax in their state without one currently.[41] Policymakers should be wary, because income taxes can have serious consequences for state economies and lead to long-term budget problems for state governments.

Enacting multiyear spending increases with one time revenue can create unbalanced budgets. Similarly, enacting permanent tax increases to solve a temporary problem, such as forced shutdowns of the economy, can lead to permanent spending increases that drive up tax burdens on workers and job creators. A higher tax burden, especially on capital-based taxes, like an income tax, has a distinct negative effect on long-term economic growth. Businesses and income earners use income and wages to reinvest in themselves and their businesses. Income taxes depress this rate of reinvestment and put states on a path of lower, slower economic growth compared to states that primarily tax sales and property.[42]

Income taxes, specifically corporate income taxes, are among the most volatile revenue sources.[43] This volatility is already present in FY 2020 revenue shortfalls. The states with the highest percentage drop in monthly revenue compared to FY 2019 are, in order, Oregon, Alaska, California, New York, New Jersey, Hawaii and Connecticut.[44] Other than Alaska, which suffered from record-low oil and gas prices, these states have some of the highest top marginal income tax rates of any state.

Income tax proponents argue an income tax diversifies state revenue sources and helps close budget gaps during market downturns. Using this argument, one would expect income-tax states to have more stable revenues than no-income-tax states. The opposite is true. The states with the

most stable revenue in FY 2020 compared to FY 2019 are first North Dakota, then Nevada, South Dakota, Maine, Washington and New Hampshire.[45] Of these states, only North Dakota, which has a very low top rate of 2.9%, and Maine levy a personal income tax on wages.

While COVID-19 is confronting state lawmakers with an unprecedented challenge, it is important lawmakers enact policies that help their state weather the pandemic and economic shutdown.

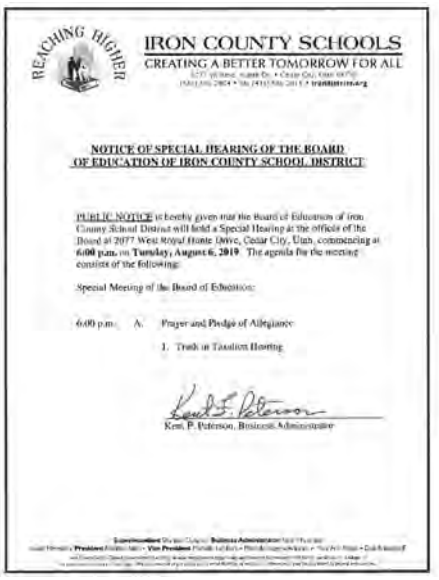
Utah Provides a Model for Transparent, Accountable Property Tax Policy

Since its enactment in 1985, Utah's Truth in Taxation law has helped the Beehive State maintain a low property tax burden as a portion of income.[46] When the law was passed, Utah had the 24th lowest property taxes in the country, but thanks in large part to their Truth in Taxation law, Utah has improved to 14th lowest today.[47] Truth in Taxation — a collaboration between the Utah Taxpayers Association, Utah State Tax Commission and Utah Association of Counties enacted into law in 1985 — requires citizens be notified of any proposed property tax increase and its potential impact on their tax liability. Other states, such as Tennessee, have similar Truth in Taxation laws.[48]

The public hearings and recorded votes required by Truth in Taxation make it an essential property tax reform. Without them, there is a severe lack of accountability in property tax assessments. The law mandates taxing authorities to hold public hearings with clear notice distributed to constituents so they can voice their concerns about proposals that would lead to higher property taxes. This forces elected officials to consider the political ramifications of collecting more property tax revenue and prevents them from falsely claiming they maintained or cut property taxes. While the law does not directly limit property taxes, it does increase transparency and accountability, and many property tax increases are prevented through the public process. As such, it is considered by many to be Utah's most taxpayer-friendly law.

In September 2019, the ALEC Tax and Fiscal Policy Task Force approved the model policy, "Statement of Principles on Truth in Property Taxation," which explains another important aspect of the law:

"Truth-in-Taxation is a revenue-driven system, not a rate-driven system. Generally, as valuations of existing property increase from county assessors' annual adjustments of taxable property values to keep pace with market values, property tax rates decrease. This automatic reduction in property tax rates prevents local governments from getting



REACHING HIGHER

IRON COUNTY SCHOOLS

CREATING A BETTER TOMORROW FOR ALL

NOTICE OF SPECIAL HEARING OF THE BOARD OF EDUCATION OF IRON COUNTY SCHOOL DISTRICT

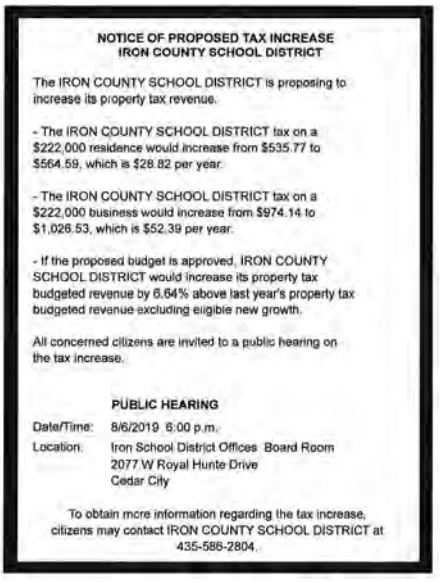
PUBLIC NOTICE is hereby given that the Board of Education of Iron County School District will hold a Special Hearing at the offices of the Board at 2077 West Royal Hunte Drive, Cedar City, Utah, commencing at 6:00 p.m. on Tuesday, August 6, 2019. The agenda for the meeting consists of the following:

Special Meeting of the Board of Education:

6:00 p.m. A. Prayer and Pledge of Allegiance

1. Truth in Taxation Hearing

Kent P. Peterson, Business Administrator



NOTICE OF PROPOSED TAX INCREASE
IRON COUNTY SCHOOL DISTRICT

The IRON COUNTY SCHOOL DISTRICT is proposing to increase its property tax revenue.

- The IRON COUNTY SCHOOL DISTRICT tax on a $222,000 residence would increase from $535.77 to $564.59, which is $28.82 per year.

- The IRON COUNTY SCHOOL DISTRICT tax on a $222,000 business would increase from $974.14 to $1,026.53, which is $52.39 per year.

- If the proposed budget is approved, IRON COUNTY SCHOOL DISTRICT would increase its property tax budgeted revenue by 6.64% above last year's property tax budgeted revenue excluding eligible new growth.

All concerned citizens are invited to a public hearing on the tax increase.

PUBLIC HEARING

Date/Time: 8/6/2019 6:00 p.m.

Location: Iron School District Offices Board Room
2077 W Royal Hunte Drive
Cedar City

To obtain more information regarding the tax increase, citizens may contact IRON COUNTY SCHOOL DISTRICT at 435-586-2804.

Source: Utah Taxpayers Association

a windfall simply because valuations of existing properties have increased."[49]

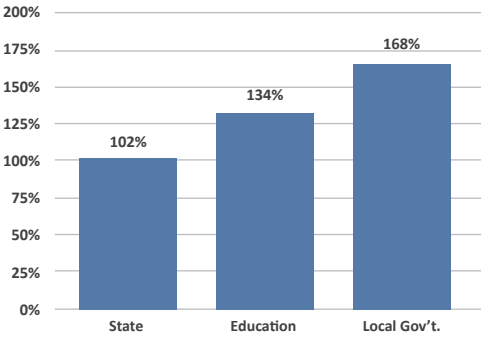
By reducing nominal property tax rates in response to higher revenue, Truth in Taxation serves to prevent massive revenue windfalls when property increases in value. The certified tax rate is then applied to all property, including "new growth." Local governments are guaranteed the same property tax revenues as the previous year, and they receive increased revenue from new growth. If local governments want to exceed the certified tax rate, they must go through the Truth-in-Taxation notice and hearing process.

Based on the success of Utah's Truth in Taxation, House Bill 2702 was introduced in the Kansas House during the 2020 legislative session.[50] HB 2702 would have established "notice and public hearing requirements prior to approval by a governing body to exceed its revenue neutral rate for property tax purposes…" While HB 2702 sailed through the Kansas House and Senate with overwhelming bipartisan support, Governor Laura Kelly handed taxpayers a loss at the end of the 2020 regular session by vetoing the bill, claiming it would "deprive local governments of essential funding."[51] Because the Kansas Legislature had concluded its regular session days earlier, state legislators were unable to override her veto.[52]

Hardworking taxpayers in Kansas desperately need transparency and accountability in property taxation. According to the Kansas Policy Institute (KPI), city and county property taxes ballooned by 168% between 1997 and 2018.[53] KPI also points out that Kansas has the highest rural property taxes in the country, with an effective rate of 4.4% that harms economic growth.

While Truth in Taxation has not yet crossed the finish line in Kansas, the good news is states are taking note of Utah's success and pushing for reform. As a follow-up to the 2019 statement of principles, state legislators and private sector members of the ALEC Tax and Fiscal Policy Task Force unanimously approved the "Truth in Taxation Act" at the 2020 ALEC Annual Meeting.[54] This can serve as a model for state lawmakers throughout the country as they work to increase accountability and transparency in property taxes on behalf of their constituents.

Kansas Property Tax Burden Increase, 1997-2018



Source: Kansas Dept. of Revenue, Bureau of Labor Statistics

New Taxes Threaten Virginia's Economic Competitiveness

In the first legislative session since taking unified control of Virginia's government, the new progressive majority in Richmond wasted no time in passing new taxes to fuel massive spending projects. First on the chopping block was a tax-cutting mechanism built into Virginia's budget by the 2019 federal tax conformity bill. The "Taxpayer Relief Fund" would have taken effective tax increases arising from conformity to the federal Tax Cuts and Jobs Act and used those funds to finance tax cuts like the $420 million tax refund passed in 2019.[55] Rather than following through on that promise, Governor Ralph Northam's proposed budget spent every cent in the Taxpayer Relief Fund balance and the General Assembly obliged him. Now, instead of going into the Taxpayer Relief Fund, effective tax increases go straight into the state General Fund to finance more spending and bigger government.[56]

A massive transportation bill passed by the General Assembly will also lead to a 108% increase in gasoline taxes over the next year. The statewide gas tax increased from $0.162 to $0.212 per gallon as of July 1, 2020. The $0.076 regional surcharge on gasoline originally limited to Northern Virginia, Hampton Roads, and the Interstate 81

corridor will now be applied to the entire state, further increasing the combined gas tax rate to $0.282 per gallon. The statewide gas tax rate is set to increase again July 1, 2021 to total $0.338 cents per gallon, the 19th highest of any state. Beginning July 1, 2022, the $0.338 cumulative gas tax rate is tied to the consumer price index (CPI) and will increase annually regardless of changes in the price of gasoline.[57]

Over the next four years, these tax increases are expected to raise $1 billion in revenue for pet projects such as high-speed rail, regional commuter rail and even risky commercial space flight ventures on Wallops Island.[58,59] These transportation boondoggles are notoriously unpopular in the cities they serve. Worse yet, the application of regional gas taxes to the whole state does not change the regional allocation of gas tax revenues. The regional surcharge now applied to the whole state results in a redistribution of gas tax dollars from consumers in more rural parts of the state to fund transportation projects for white-collar professionals in Northern Virginia. Ironically, with this transportation bill, progressives have created a gas tax system where taxes are increased on less affluent taxpayers and redistributed toward wealthier localities.

Alongside these gas tax increases, the General Assembly also increased discriminatory taxes on cigarettes, tobacco and vapor. Beginning July 1, 2020, the cigarette tax increases by 100% from $3 to $6 per carton, and the tax on other tobacco products rises from 10% to 20%, another 100% increase.[60] Another discriminatory tax was passed on "games of skill" machines popular in many bars and convenience stores. Originally set to be banned outright, the General Assembly amended the ban to an annual tax of $1,200 per machine to fund the state's COVID-19 response.[61]

While these are exclusively state-level tax increases, the tax increases do not stop here. The General Assembly granted authority to localities to allow public sector collective bargaining. Allowing public sector unions to control local fiscal policy will make local taxpayers vulnerable to bloated government spending and higher taxes at the local level.[62] The General Assembly also granted localities the authority to levy their own cigarette tax surcharges, collect taxes on "transient occupancies" like hotel rooms and Airbnb rentals, create new taxes on plastic bags and raise meals taxes from the former cap of 4% to 6% without a voter referendum as was previously required.[63] The Virginia Joint Legislative Audit and Review Commission (JLARC) estimates this new local taxing authority will raise taxes by $528 million annually.[64]

Looking back to past editions of this publication, Virginia has seen a steady decline in its economic outlook ranking since it ranked 3rd in the 2012 edition.[65] Since then, neighboring Tennessee and North Carolina have reformed income taxes and business taxes to make themselves more competitive as Virginia fell behind by standing still. Now, Virginia will continue to fall behind as a direct effect of policies intentionally enacted by the General Assembly. The Mid-Atlantic and Southeast are among America's most competitive regions for state economic growth.[66] Virginia could miss out on new employers and new residents if lawmakers continue down a path of higher taxes and bigger government.

Missouri and Oklahoma Voters Approve Medicaid Expansion

Voters in Missouri and Oklahoma recently approved expanding Medicaid, in the latest move toward state adoption of the Affordable Care Act's provisions concerning Medicaid.[67] Also known as "Obamacare," the Affordable Care Act originally required states to expand Medicaid according to guidelines set by Congress and the Department of Health and Human Services (HHS). A Supreme Court ruling instead gave states the option of whether to expand their state Medicaid programs.[68]

Medicaid expansion carries many complex, negative implications for state budgets. States are incentivized to expand Medicaid, because the cost-sharing arrangement with the federal government changes from at least 50-50 for the highest income states to 90-10 in favor of states. But there is no guarantee the federal government will continue

to cover 90% of state Medicaid expenses.[69] As the federal debt approaches $30 trillion and Medicaid program costs continue to steadily rise, there is increasing pressure on the federal government to cut costs.[70] If Congress reforms federal spending toward a more sustainable model, it is likely states will take on more than 10% of Medicaid costs in the future, which could turn Medicaid expansion into an even worse deal for states.

The main driver of Medicaid expansion costs comes from including able-bodied adults in the Medicaid program. States expanding Medicaid attempt to estimate the number of new adults included in their Medicaid program. But these estimates typically fall short of actual figures. States that expanded Medicaid since 2010 have seen actual new enrollee figures exceed estimates by an average of 110%.[71] Medicaid per person costs after expansion also outpaced estimates by 71% on average. Altogether, enrollment and costs exceeding forecasts has led to average cost overruns of 157% for expanded state Medicaid programs.[72]

In Missouri's case, the margin for state savings is already slim. A median estimate using research from Medicaid expansion advocates shows the state may only save $39.1 million annually from Medicaid expansion under the rosiest assumptions. However, if only 6.8% more adults enroll in Missouri's expanded Medicaid program than forecasted, the state will see a net increase of $42.3 million in Medicaid obligations.[73] Unfortunately for taxpayers, this increase in spending must come out of their pockets.

Oklahoma expects Medicaid expansion to cost the state between $164 and $200 million annually on net.[74] This recognition of a net cost to state finances did not stop Medicaid expansion advocates from pressing forward. In some cases, expansion advocates did not bother with proposing a funding mechanism. The campaign manager of the "Yes 802" Medicaid expansion campaign admitted as much saying, "If we put in a funding mechanism, they would just complain about whatever funding mechanism we put in there. So I think this is another way for the opposition to muddy the waters as voters try to make up their minds."[75] In essence, Oklahoma voters were confronted with a referendum on nearly $200 million in increased spending without any information from campaigners on how such a spending increase might be financed.

Now that both initiatives have passed, Missouri is looking at a potential increase in state spending depending on enrollment figures and Oklahoma has a near-certain increase in state spending exceeding $165 million. This increased spending must either be financed through costly tax increases or cuts to other state government programs. Lawmakers now must figure out how flexible their state policies can be within the Affordable Care Act framework. Policies such as work requirements for able-bodied adults on Medicaid can ensure dollars go toward the truly needy and help lessen the burden of Medicaid expansion on taxpayers.[76] While Medicaid expansion is now a foregone conclusion for Missouri and Oklahoma, it is not too late for lawmakers to ensure the program is structured responsibly and with as minimal an impact on taxpayers as possible.

Seattle Enacts Discriminatory Payroll Tax

For the second time, the Seattle City Council insists on taxing employment. Seattle's first attempt to tax employment was a $500 head tax per worker levied on certain companies. The first attempt fell flat after a motley coalition of business and labor groups argued that such a tax would discourage employment. After realizing the error of their ways, the Seattle City Council repealed the employment tax by a 7-2 vote.[77]

Councilmember Teresa Mosqueda took advantage of the mass protests plaguing Seattle during the summer of 2020 to introduce another tax on employment. Officially known as the "JumpStart Seattle" tax, but colloquially known as the "Amazon Tax," this iteration of Seattle's employment tax levies a tax rate ranging from 0.7% to 2.4% on employee salaries over $150,000 for companies with over $7 million in annual payroll expenses.[78] It is estimated over 800 businesses will be subject to the payroll tax, and their tax liability is estimated to grow by over $200 million annually, an average of $2,700 per job.[79] After passing the city council by a 7-2 vote, Mayor Jenny Durkan refused to sign the tax increase, but declined to veto, thereby allowing the tax to become law.[80]

Businesses have already closed due to increased tax liability. Famous restauranteur Tom Douglas' two restaurant locations within the city closed immediately upon news of the new tax becoming law.[81] As city taxes have increased in recent years, even Amazon has hinted at relocating. Rather than constructing in Seattle, Amazon decided to build a 43-story office tower in neighboring Bellevue, Washington and leased an 110,000 square-foot office space in Redmond, Washington. Both are places where tax liabilities are not as high as Seattle.[82] Combined with Amazon's decision to construct its "HQ2" facilities in lower tax Virginia and no-income-tax Tennessee, states that also protect the right to work, these moves demonstrate the tech giant is sensitive to local and state tax rates and economic policies.[83] If Seattle councilmembers insist on pushing taxes ever-higher, there is a distinct possibility Amazon relocates even further from the city. Leaders in low-tax states currently experiencing tech economy booms such as Utah, Idaho and Texas should take notice.

Mounting Unfunded Liabilities Are Stifling State Budgets

Reform Can Be a Lifeline for Pension Plans "Treading Water"

Unfunded pension liabilities have been a major focus of ALEC research for many years. The market downturn in March 2020 hurt everyone's retirement plans and public pensions were no exception. Moody's Investors Service noted that states and public employees would have to dramatically increase their annual contributions to keep liabilities from growing, let alone fulfilling previously unfunded liabilities.[84] In March, Moody's anticipated liabilities would rise nearly 60% in fiscal year 2021.[85] Even as markets begin to rebound, one thing remains clear: public pension plans cannot invest their way to solvency.

Every year, the ALEC *Unaccountable and Unaffordable* report details unfunded state pension liabilities across the 50 states. The most recent edition, *Unaccountable and Unaffordable 2019*, found unfunded pension liabilities totaled nearly $5 trillion, or $18,400 for every man, woman and child in the United States.[86]

One public pension system hit especially hard by the recent economic downturn is the state of Illinois. As of FY 2018, Illinois had $359.6 billion in unfunded pension liabilities (just over $28,000 per Illinois resident), the second highest unfunded liabilities nominally and per capita in the country. Implementing sound pension reform is the best way forward for public pensions.[87]

State leaders can look across the states for inspiration, such cost sharing measures in Wisconsin and Maine, implementing 401(k) options and hybrid options for new hires like in Tennessee and Pennsylvania, or enrolling all new hires in a defined contribution system like Oklahoma did in 2014 and Michigan did with their state employee pension plan in the 1990's.[88]

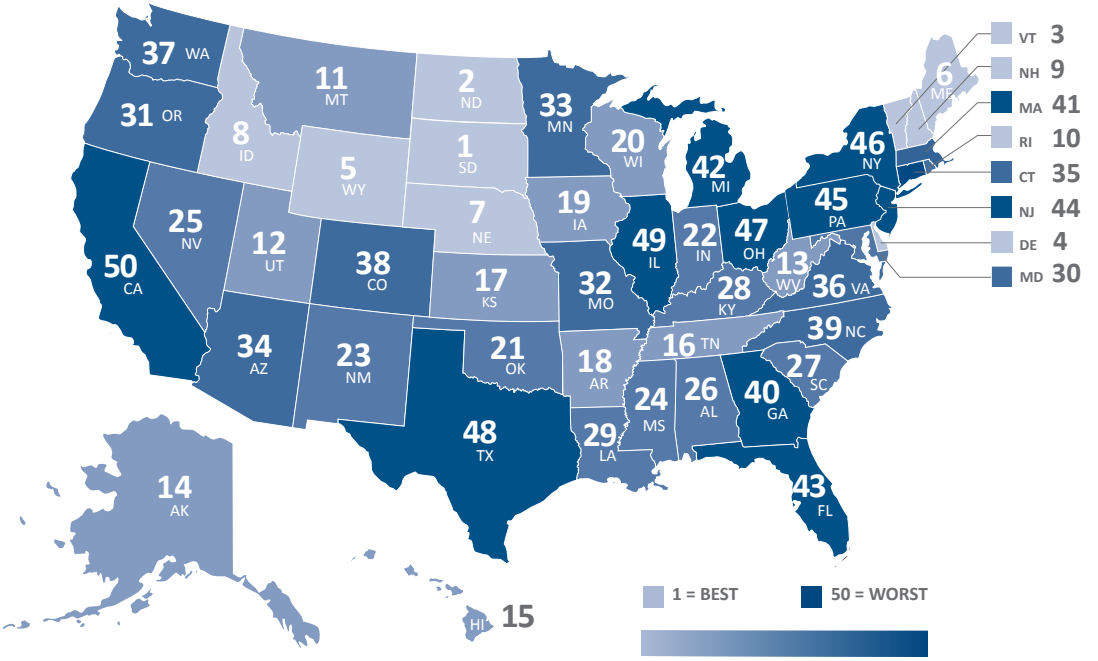
States Should Not Forget About OPEB Reform

In addition to unfunded pension liabilities, states also face unfunded other post-employment benefit (OPEB) liabilities. These are retiree benefits in addition to pensions such as health insurance, Medicare supplemental insurance and life insurance. As of FY 2018, unfunded OPEB liabilities totaled just over $1 trillion, or $3,100 for every man, woman and child in the United States.[89]

Many OPEB plans, however, are in worse financial shape than state pension plans. Like state pension plans, the health of an OPEB plan is determined by its funding ratio (the assets on hand divided by the liabilities, expressed as a percentage). The average state pension plan funding ratio was roughly 45.2% in FY 2018, while the average OPEB plan funding ratio was merely 9.4%.[90,91] The overwhelming majority of OPEB plans are not properly covered, and taxpayers will almost certainly be on the hook to pay.

Nebraska and South Dakota serve as models for OPEB reform as each state's OPEB plan is funded at 100%. Plan structures in both states now offer the ability for current employees and retirees to purchase health savings accounts (HSA), where employees and retirees make pre-tax contributions and state government employers match contributions up to a certain amount.

FIGURE 8, TABLE 3 | Unfunded Liabilities in State Public Pension Plans



Rank	State	Risk-Free Unfunded Liabilities
1	South Dakota	$8,085,638,583.63
2	North Dakota	$8,761,680,266.46
3	Vermont	$8,954,116,122.98
4	Delaware	$11,209,552,268.25
5	Wyoming	$11,735,339,612.67
6	Maine	$14,333,176,211.72
7	Nebraska	$15,762,090,811.49
8	Idaho	$15,778,713,937.19
9	New Hampshire	$16,459,495,419.35
10	Rhode Island	$16,785,438,870.20
11	Montana	$22,029,299,834.96
12	Utah	$24,281,056,135.81
13	West Virginia	$27,605,493,322.79
14	Alaska	$29,459,806,480.10
15	Hawaii	$36,692,427,005.98
16	Tennessee	$36,924,390,920.51
17	Kansas	$37,662,386,691.31
18	Arkansas	$39,464,841,630.25
19	Iowa	$40,866,792,605.31
20	Wisconsin	$42,706,299,777.93
21	Oklahoma	$44,229,465,695.39
22	Indiana	$45,352,556,511.16
23	New Mexico	$49,127,169,375.79
24	Mississippi	$61,531,351,056.57
25	Nevada	$63,931,899,479.58

Rank	State	Risk-Free Unfunded Liabilities
26	Alabama	$67,437,993,673.53
27	South Carolina	$73,081,438,956.47
28	Kentucky	$78,757,474,540.66
29	Louisiana	$82,685,184,739.22
30	Maryland	$82,750,803,486.58
31	Oregon	$85,421,420,280.11
32	Missouri	$86,896,555,657.34
33	Minnesota	$90,103,122,717.00
34	Arizona	$93,703,276,877.31
35	Connecticut	$94,864,011,214.24
36	Virginia	$95,747,698,172.39
37	Washington	$98,108,228,076.09
38	Colorado	$99,566,298,766.88
39	North Carolina	$101,250,412,082.39
40	Georgia	$126,271,834,206.80
41	Massachusetts	$126,363,420,361.63
42	Michigan	$139,167,300,292.42
43	Florida	$175,122,110,438.56
44	New Jersey	$196,810,498,087.95
45	Pennsylvania	$200,517,027,371.72
46	New York	$277,576,023,216.61
47	Ohio	$290,905,972,324.24
48	Texas	$301,219,126,898.18
49	Illinois	$359,553,997,754.76
50	California	$780,051,066,093.13

Source: ALEC Center for State Fiscal Reform

North Carolina made significant improvements in OPEB liabilities. Not only did North Carolina stop the growth of unfunded OPEB liabilities, it managed to reduce unfunded liabilities by 11% in one fiscal year. While North Carolina is still facing more than $37 billion in unfunded liabilities, OPEB reform is moving the state in the right direction.[92]

Large unfunded liabilities are not caused by a lack of tax revenue, as states with the highest tax rates often have large unfunded liabilities. The problem comes from poor management and spending practices. For state policymakers, tackling OPEB liabilities, while challenging, is not an insurmountable task. From Nebraska, South Dakota and North Carolina, several states have had the courage to tackle their unfunded OPEB liabilities. Other states would be wise to follow suit before time runs out.

Addressing State Bonded Debt

The ALEC State Bonded Obligations 2019 report found that states and their component units have issued $1.16 trillion of bonded obligations (just under $3,600 for every American).[93]

Of the $1.16 trillion total in bonded obligations found in the ALEC report, 36.75% come from "general obligation bonds."[94] These are bonds "backed by the full faith and credit of the state" and are the most secure for bond buyers with lower interest costs than other types of bonds.[94] Another 37.88% come from revenue bonds that go toward building public projects and are paid for by a combination of service fees and dedicated government funds. The remaining 25.37% comes from bonds issued by component units – entities that are legally separate from a state, but state officials are financially accountable for them – such as economic development authorities, state universities, or public transportation authorities.

The University of California, a component unit of the state of California, has issued "century bonds." These are revenue bonds issued to "finance various auxiliary, administrative, academic, medical center and research facilities" that do not fully mature until they year 2115. That means regardless of future events are occurring in 2115, California taxpayers will have to make contributions to debt service payments in the form of taxes.[95]

Craig Alexander at the Orange County Register said it perfectly: "So our problem isn't revenue. It's spending – or rather misspending." Too often, state policymakers issue bonds and leave future taxpayers with the bill.[96]

Before states consider adding new bonded liabilities, they must first consider the cost of outstanding bonded debt on future taxpayers. State policymakers must then decide between present taxes or a credible commitment to future taxes. Adding more debt on top of significant unfunded liabilities without a recognition of implied future tax liabilities is fiscal mismanagement defined.

Policy Solutions for the COVID-19 Era

The COVID-19 pandemic is the most pernicious public health crisis in recent memory.[97] The public health response broke new ground for federal, state and local cooperation. Offering much-needed aid to workers, families and business owners has required states to act as 50 proving grounds for innovative policy solutions to COVID-19. Over its near 50-year existence, ALEC has continually been a developer of policy best practices based on state experience and world class research. Many of the ALEC model policies, while not drafted with COVID-19 in mind, rise to the occasion of helping states overcome these unique challenges.

State Budgets And COVID-19

Most states closed their books for fiscal year 2020 and continue to look at the uncertainty ahead. Every state but Vermont has some variety of a balanced budget requirement. Some are far more meaningful than others, but at least some thought goes into presenting a plan to balance revenue and expenditures. Moreover, states lack the federal government's ability to print money – and engage in quantitative easing. But the states that follow ALEC model policies and implemented sound economic solutions – like building up a "rainy day" fund – are left better prepared for uncertainty, such as COVID-19.

The ALEC State Budget Reform Toolkit is filled with actionable information to help a state adjust its budget in light of COVID-19 or factor-in the recent market trends. The toolkit outlines 23 proven policy solutions for states to improve their budget process, while avoiding economically damaging tax increases. Retaining our national and state economic competitiveness during this period will be critical. This will ensure we exit this painful time with the best outlook for recovery and growth.

The COVID-19 pandemic and government-ordered economic shutdowns have created a crisis for many state policymakers — especially in states that did not save for the proverbial "rainy day" in their state's finances. Shockingly, despite the longest economic recovery on record over the past decade, 22 state unemployment trust funds were below the recommended balance at the beginning of the economic shutdown.[98]

Unfortunately, state budgets passed prior to the shutdown anticipate revenues that are no longer there and use forecasts that no longer match economic realities. Some states reliant on more volatile forms of taxation, such as corporate and progressive personal income taxes, have a more acute budget problem than states with more reliable tax bases. Many lawmakers in the states with the largest budget gaps have petitioned Congress for a federal bailout.[99]

It is increasingly clear many tax-and-spend politicians have no intention of using the relief a federal bailout might provide to fix structural problems in their budgets or reform state unemployment programs. Illinois lawmakers passed a budget that increases spending by $7 billion to $84.5 billion for fiscal year (FY) 2021 and relies on $5 billion in borrowing from the Federal Reserve's temporary Municipal Liquidity Facility (MLF), a loan program designed to relieve financially underwater localities by purchasing their debt obligations.[100,101] Despite proposing some budget cuts, New Jersey Governor Phil Murphy has supported a plan to borrow as much as $5 billion in bonds and MLF funds.[102] Spendthrift states expect to use the temporary relief of the MLF as a band-aid while ignoring recurring budget problems that were present long before COVID.

Worse yet, state reliance on federal grants comes with a plethora of strings attached that create unfunded mandates and drive up state taxes and spending. Portland State University Professor Eric Fruits found every $1.00 received by states from the federal government costs state and local taxpayers $0.82 in increased taxes and fees, on average.[103] Allowing unfunded mandates to build up effectively surrenders state-level policymaking to unelected federal bureaucrats. States must resist a federal bailout and tackle the root cause of unbalanced budgets: bloated government and uncompetitive economies.

Pundits arguing states can solve their structural budget problems with tax increases seem to ignore that the highest-taxed states often have the most chronic budget problems. New Jersey, Illinois, Massachusetts and Hawaii are the states with some of the largest average budget deficits as a share state revenue from FY 2004 to FY 2018 — and some of the highest tax burdens.[104] On the other hand, Alaska, Wyoming, North Dakota and Utah have the largest average surpluses over the same period and some of the lowest total tax burdens. Unbalanced state budgets are partially the result of a decaying tax base caused by high taxes. The highest-deficit states mentioned above have seen over 1.5 million taxpayers leave on net from 2009 to 2018. It is no coincidence these are also some of the highest-taxed states.

Considering a federal bailout is a siren call, and tax increases are not a workable solution over time, states must consider budget reforms to solve the budget crises caused by the COVID-19 economic shutdown. ALEC research has produced tried-and-true methods for states to solve budget crises without passing tax increases.[105]

First, states should reorient their budget process toward priority-based budgeting. Simply put, a priority-based budget process is when new budgets are not tied to the prior year's spending, but

instead are tied to specific focus areas and activities. Budgets do not change evenly across each area, but targeted focus areas do change.

Reprioritizing government spending might cause some short-term pain, but it is the only real, responsible long-term solution to budget challenges. In fact, according to the State Budget Reform Toolkit, Washington state used priority-based budgeting — on a bipartisan basis — after the market downturn in 2001 to close a $2.4 billion deficit, without resorting to burdensome tax increases. To get the process started, policymakers asked themselves a few, key questions:[106]

- What are the results citizens expect from government?
- What strategies are most effective in achieving those results?
- How should we prioritize spending to buy the activities that are most critical to implementing these strategies?
- How will we measure progress?

Asking difficult questions like these and taking on the heavy lifting on the spending side of the ledger is the only way to avoid economically damaging tax increases and the only way to ensure a better economic future for all Americans.

Second, states should enact other temporary reforms to accurately reflect the state's fiscal situation. Enacting a state hiring freeze will pause new administrative spending and require agencies to reprioritize human resources. Eliminating positions vacant for more than six months represents an efficiency gain for state agencies, as the agency can reallocate resources formerly allocated to unoccupied and evidently unnecessary positions. These reforms will also be in step with the private sector, as private companies must reprioritize their own resources during an economic downturn. Since government is accountable to taxpayers, it is sensible that government tightens its belt in response rather than hitting hardworking taxpayers with tax increases.

Third, after spending re-prioritization, states should utilize unallocated funds to make up for lost revenue. Going into the COVID-19 economic shutdown, many state budget stabilization funds — sometimes also known as "rainy day" funds — hit record funding levels.[107] States should use rainy day funds as an alternative to raising taxes. When possible, states should use unallocated revenues and "orphan funds" — or funds allocated to no longer existent purposes — to further close their budget deficits.

Fourth, state government should re-examine their involvement in the private sector and avoid competing directly against job creators. If a good or service is provided by a private sector firm, evaluating options to save taxpayer dollars through a competitive bidding process can provide large savings in many cases.

State governments are also some of the largest real property owners in each state. Taking inventory and auditing state-owned real property, then offering lease opportunities and selling unutilized and under-utilized property can increase the efficiency of state government and generate revenue to close the budget deficit. Plus, turning real property over to the private sector can increase capital available to businesses looking for ways to grow. New business investment leads to more jobs, higher incomes, and new tax collections for core government services.

Tax-and-spend pundits have offered a false choice that budget deficits resulting from the COVID-19 economic shutdown can only be closed by either a federal bailout or increasing economically damaging taxes. Both should be a non-starter for states, as federal dollars come with costly strings attached and higher taxes set states on a path of lower economic growth and an uncompetitive economy. The budget reforms outlined above offer states a way forward by increasing the efficiency of state spending and utilizing tools specifically designed to help states weather a fiscal crisis.

A Federal Bailout for States?

As the debate over the roughly $1 trillion proposed federal bailout of state and local governments continues in Washington, many state leaders have joined together to say, "no thanks." A letter from ALEC addressing a bailout was signed by 220 state legislators and over 1,500 other state leaders and concerned taxpayers. It explains how federal bailouts decrease state sovereignty, incentivize future fiscal irresponsibility and reward fiscally reckless states at the expense of fiscally responsible states. As some organizations and policymakers lobby for the bailout package, the ALEC letter highlights that many state and local officials are increasingly concerned with another round of wasteful federal spending.

Conservatives in Congress have voiced opposition to a "blue state bailout." But all states — red and blue alike — seeking the elusive "free lunch" from Washington should reconsider.

States have already received billions in aid from the federal government to address pandemic-related expenses. The CARES Act included a general $150 billion COVID-19 relief fund, a $30 billion education costs fund, a $45 billion disaster relief fund and more for state and local governments.

In 2009, President Obama signed the American Recovery and Reinvestment Act (ARRA), which included "maintenance of effort" requirements. These proved far costlier than expected for lawmakers who traded away budget flexibility for those "shovel ready projects" and received neither. The negative experiences of state governments during the ARRA program offer a cautionary tale to lawmakers hoping for another federal bailout 11 years later.

While state and local governments may face pandemic-related shortfalls in the near term, it is important to remember their revenue collections and total spending have steadily increased in recent years. Even after fully adjusting for increases in population and inflation, state and local direct general spending has grown by nearly 90% over the past 40 years.[108]

And despite one of the longest economic booms in American history — thanks in part to federal pro-growth tax relief and regulatory reform efforts — many states have continued to accumulate debt and unfunded public pension obligations. The proposed federal bailout of the states would empower states to continue this destructive cycle. It would also send the wrong message to states that have made difficult spending choices and practiced fiscal discipline.

North Carolina, for example, dramatically lowered its personal and corporate income tax rates over the past decade.[109] It did this while also building a rainy-day fund from a balance of zero to $1.2 billion as the economy thrived.[110] The growth produced, while substantially reducing tax rates, allowed North Carolina lawmakers to accumulate a balance of $3.9 billion in the Unemployment Trust Fund after repaying more than $3 billion in debt.[111]

On the other end of the spectrum, Illinois' rainy-day fund of $1.19 million would only keep the state running for roughly 15 minutes.[112] Yet, Illinois has committed to over $486 billion ($38,000 per resident) in bonded debt and unfunded public pension and OPEB liabilities — equal to 56% of the state's GDP. It should come as no surprise that leaders in Springfield are at the front of the line to support a federal bailout of states.

Rather than another bailout from the federal government, states need to take the difficult but necessary actions to govern. President Ronald Reagan reminded us that the federal government did not create the states, the states created the federal government. To preserve state autonomy and our system of competitive federalism across the "50 laboratories of democracy," states need to retain the ultimate responsibility for their taxing and spending decisions — even when it is difficult to do so.

In the absence of a federal bailout, state and local governments will need to take a hard look at spending reforms discussed above, which elimi-

nate redundancy in state budgets and increase accountability to taxpayers.

With those threats in mind, states like Utah and Idaho have wisely implemented Financial Ready policies.[113] These policies require state agencies to track dependency on federal dollars, develop a contingency plan in case federal funds are diminished and examine the harmful strings attached to the federal aid.

Delaying Tax Deadlines to July 15 Offered State Taxpayers Much Needed Relief

The mantra for the White House Coronavirus Task Force's coordinated response to the pandemic gripping America has been "locally executed, state managed, and federally supported."[114] One extremely positive way states responded to the coronavirus crisis has been to delay their income tax filing and payment deadlines.

At the federal level, the IRS moved Tax Day from April 15 to July 15.[115] This was a boost for families and businesses struggling to stay afloat during lockdowns. The last thing they needed to be worried about was tax law compliance or figuring out how to pay the tax man with empty bank accounts.

Around the country, 39 of the 41 states with personal income taxes also extended the deadline for tax filing and payment to July 15 or later.[116] Many states provided further tax relief by allowing for flexibility in claiming net operating losses (NOLs). One of the few exceptions was the Commonwealth of Virginia, where the government only pushed back its income tax payment deadline from May 1 to June 1.[117]

When asked about offering a further tax payment or filing deadline extension, Finance Secretary Aubrey Layne replied that Virginia could not offer a July 15 deadline, because the state must balance its budget.[118] Many Virginia taxpayers found this answer unsatisfactory, since 49 states have balanced budget requirements, and most extended their payment and filing deadlines.

Thankfully, most states did extend their filing and payment deadlines, which helped businesses remain competitive to the extent possible and helped families manage cash flow during difficult times.

Federal Policies to Help the Nationwide Economic Recovery

Some of the most effective government responses to aid individuals in the economy revolve around repealing or suspending burdensome taxes and regulations. While many of the innovative policy solutions are currently happening at the state and local level, federal policymakers have major opportunities as well.

For instance, the economy would greatly benefit from a suspension of the Jones Act. Passed in 1920, the Jones Act requires all ships transporting goods between United States ports be U.S. owned, U.S. crewed, U.S. registered and U.S. built. As researchers at the Cato Institute point out, this results in higher prices for American consumers to the tune of $1.8 billion each year.[119] Fewer ships are available to transport needed goods in the supply chain, which is especially worrisome during a pandemic.

In the wake of Hurricanes Harvey, Irma and Maria in 2017, President Trump temporarily waived the Jones Act. As many tankers as possible were utilized to quickly resolve supply shortages in Texas, Florida and Puerto Rico. A suspension of the Jones Act is sound public policy that would benefit all Americans. But it would be especially helpful for Alaska, which is getting crushed by the collapse of both oil prices and cruise line activity. Hawaii would also substantially benefit, since it's suffering from a significant loss of tourism.

Another burdensome government requirement is the 1931 Davis-Bacon Act. This nearly 90-year

old law significantly increases costs on taxpayer-funded infrastructure projects by imposing often ill-defined prevailing wage requirements and compliance burdens on construction businesses. As a result of this federal compliance burden, small contractors have difficulty submitting competitive bids on projects, which ultimately raises project costs.

At the state level, researchers at the Empire Center found that New York's prevailing wage requirements inflate construction costs by up to 25 percent.[120] Suspending Davis-Bacon would enable state and local governments to save billions of dollars on construction costs. States could return the savings to taxpayers in the form of tax relief, increase the solvency of their underfunded pension systems for teachers, or use the savings to complete additional needed infrastructure construction.

The Heritage Foundation estimates "undoing" Davis-Bacon restrictions would allow for more infrastructure and yield 155,000 additional construction-related jobs.[121] Perhaps it should come as no surprise that presidents of both parties have suspended Davis-Bacon for economic reasons.

Once the COVID-19 crisis subsides, the federal government should wholeheartedly work toward a reduction in both federal spending and the national debt. There are many pro-taxpayer fiscal rules to choose from, including, the "gold standard" — the Taxpayer Bill of Rights (TABOR) in Colorado. TABOR is a meaningful balanced budget and tax limitation amendment to the state's constitution.[122] President Trump's proposed budget for fiscal year 2021 already outlined the importance of fiscal rules this year. Individuals and businesses should not be squeezed for higher taxes to support federal spending habits as the national debt hurtles towards $30 trillion.

During so much uncertainty, leaders should navigate the current crisis with a free-market approach to economic policy. Often, the most helpful actions come in the form of "undoing" damaging taxes and regulations. The U.S. economy thrived over the past several years, and policymakers now have a duty to get the American economy moving again. Free market policies like these are tools to help.

State Taxes Affect State Growth

With 13 years of state economic performance data, the 10-year economic outlook ranking prediction now has testable data to back up *Rich States, Poor States*, methodology and hypotheses. Dr. Randall Pozdena, formerly the research vice president at the Federal Reserve Bank of San Francisco and co-author of Tax Myths Debunked, compared *Rich States, Poor States,* economic outlook rankings to the Federal Reserve Bank of Philadelphia's state economic health indices from 2008 to 2012. Findings reveal a robust relationship between economic outlook rankings and how well a state economy performs:

"The formal correlation is not perfect (i.e., it is not equal to 100 percent) because there are other factors that affect a state's economic prospects. All economists would concede this obvious point. However, the ALEC-Laffer rankings alone have a 25 to 40 percent correlation with state performance rankings. This is a very high percentage for a single variable considering the multiplicity of idiosyncratic factors that affect growth in each state — resource endowments, access to transportation, ports and other marketplaces, etc."[123]

A key analysis of this study in conjunction with state economic outlook rankings is a comparison between the states that do not tax income and the states with the highest income tax rates. Whether, and how, a state taxes income can provide a litmus test for how a state's economy will perform in the future relative to other states. Table 4 compares the nine no-income-tax states — Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming — against the nine states with the highest top marginal personal income tax rates — Delaware, Vermont, Maryland, Minnesota, Oregon, Hawaii, New Jersey, New York, and California —

TABLE 4 | The Nine States with the Lowest and Highest Marginal Personal Income Tax (PIT) Rates

	As of 1/1/2020	10-Year Growth				
		2009-2019				2007-2017
State	Top Marginal Earned PIT Rate†	Population	Employment	Personal Income	Gross State Product	State & Local Tax Revenue§
Alaska	0.00%	4.67%	2.65%	38.10%	11.74%	-38.73%
Florida	0.00%	15.15%	23.75%	63.51%	50.89%	6.47%
Nevada	0.00%	14.73%	23.47%	61.81%	46.66%	28.61%
New Hampshire‡	0.00%	3.31%	9.42%	47.01%	43.04%	41.35%
South Dakota	0.00%	9.61%	9.14%	50.04%	47.28%	55.33%
Tennessee‡	0.00%	8.30%	19.18%	54.14%	51.72%	22.53%
Texas	0.00%	16.91%	23.78%	67.21%	62.19%	43.74%
Washington	0.00%	14.21%	21.18%	76.65%	69.56%	44.04%
Wyoming	0.00%	3.38%	0.87%	49.65%	10.00%	-13.24%
Average of 9 Zero Earned Income Tax Rate States*	0.00%	10.03%	14.83%	56.46%	43.68%	21.12%
50-State Average*	**5.61%**	**6.44%**	**12.54%**	**50.39%**	**43.01%**	**28.09%**
Average of 9 Highest Earned Income Tax Rate States*	10.54%	5.15%	12.68%	51.15%	45.12%	37.25%
California	13.30%	6.90%	20.68%	69.49%	63.40%	35.25%
Delaware	7.85%	9.20%	11.84%	45.63%	32.61%	27.94%
Hawaii	11.00%	5.14%	10.65%	46.06%	48.09%	43.10%
Maryland	8.95%	5.50%	9.60%	42.13%	41.60%	45.91%
Minnesota	9.85%	6.79%	12.28%	55.39%	46.51%	45.34%
New Jersey	11.75%	1.45%	7.84%	43.58%	32.54%	22.12%
New York	12.70%	0.76%	14.58%	52.26%	50.23%	32.63%
Oregon	10.67%	10.74%	20.36%	65.23%	56.63%	53.47%
Vermont	8.75%	-0.13%	6.29%	40.57%	34.47%	29.52%

** Averages are equal-weighted.*

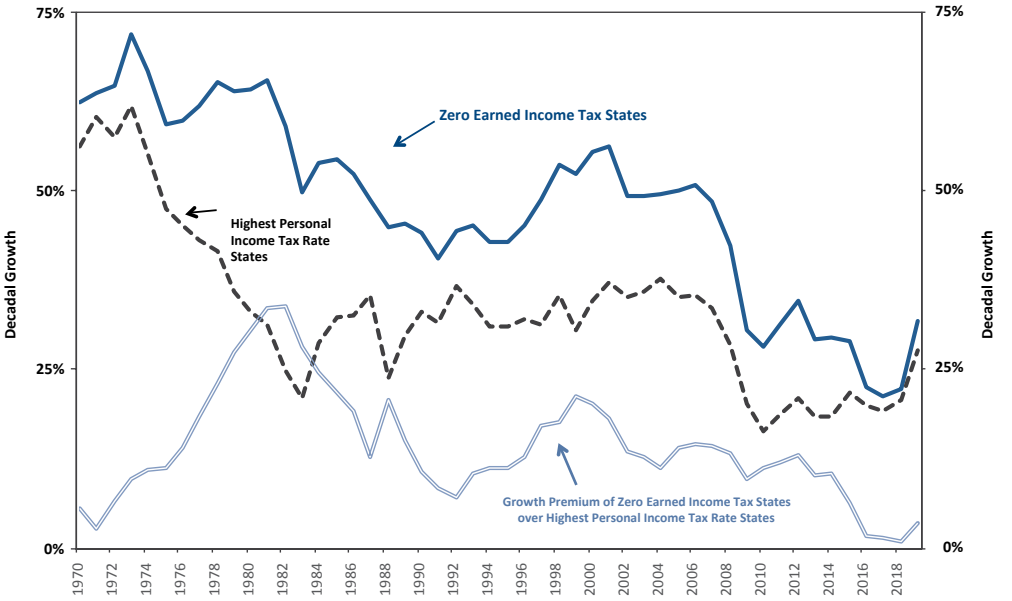
† Top Marginal PIT Rate is the top marginal rate on personal earned income imposed as of 1/1/2020 using the tax rate of each state's largest city as a proxy for the local tax. The deductibility of federal taxes from state tax liability is included where applicable.

§ State & Local Tax Revenue is the growth in state and local tax revenue from the Census Bureau's State & Local Government Finances survey. Because of data release lag, these data are 2007 to 2017.

‡ New Hampshire and Tennessee tax interest and dividend income — so-called "unearned" income—but not ordinary wage income. Tennessee's unearned income tax, the Hall Tax, is being phased out.

Source: Laffer Associates, U.S. Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis

FIGURE 9 | 10-Year Real Personal Income Growth Rates: No-Income-Tax States and Highest-Income-Tax States



(Annual personal income deflated with GDP implicit price deflator, 1970 to 2019)

Source: Bureau of Economic Analysis, Laffer Associates

TABLE 5 | The 11 States That Introduced an Income Tax Since 1961

					Share of Remaining 39 States								
		Top Income Tax Rate			Population			Gross State Product (GSP)			Total State and Local Tax Revenue		
State	Year of Enact-ment	Initial	Current	% Change	5 Years Before Enact-ment	2019	% Change	5 Years Before Enact-ment	2019	% Change	5 Years Before Enact-ment	2017	% Change
Connecticut	1991	1.50%	6.99%	366.0%	1.8%	1.4%	-22.8%	2.4%	1.7%	-27.5%	2.4%	1.6%	-31.2%
New Jersey	1976	2.50%	10.75%	330.0%	4.9%	3.5%	-29.5%	5.4%	3.8%	-28.9%	5.4%	3.8%	-29.4%
Ohio	1972	3.50%	5.00%	42.8%	7.6%	4.6%	-39.6%	8.0%	4.2%	-47.8%	6.1%	4.6%	-24.0%
Rhode Island	1971	5.25%	5.99%	14.1%	0.7%	0.4%	-38.9%	0.6%	0.4%	-41.8%	0.7%	0.4%	-35.6%
Pennsylvania	1971	2.30%	3.07%	33.5%	8.5%	5.0%	-41.0%	8.5%	4.9%	-42.6%	7.7%	4.9%	-36.3%
Maine	1969	6.00%	7.15%	19.2%	0.7%	0.5%	-28.8%	0.6%	0.4%	-29.7%	0.6%	0.5%	-21.6%
Illinois	1969	2.50%	4.95%	98.0%	8.1%	5.0%	-38.5%	9.8%	5.3%	-45.7%	7.8%	4.9%	-37.4%
Nebraska	1968	2.60%	6.84%	163.1%	1.1%	0.8%	-31.1%	1.0%	0.8%	-24.0%	0.9%	0.8%	-14.0%
Michigan	1967	2.00%	4.25%	112.5%	6.3%	3.9%	-38.1%	7.9%	3.2%	-58.9%	6.6%	3.6%	-45.9%
Indiana	1963	2.00%	3.23%	61.5%	3.8%	2.6%	-30.5%	3.8%	2.3%	-40.0%	3.4%	2.1%	-38.6%
West Virginia	1961	5.40%	6.50%	20.4%	1.5%	0.7%	-54.4%	1.2%	0.5%	-60.1%	1.1%	0.7%	-39.5%

Source: Bureau of Economic Analysis, U.S. Census Bureau

in economic metrics most indicative of long-term economic performance. For this comparison, our research uses a 10-year rolling period to smooth out exogenous noise and one-off events to highlight the long-term systematic effects taxes have on state economic performance.

On average, the nine no-income-tax states outperformed the nine highest-income-tax states and the nation in population, employment and personal income growth. Gross state product growth slightly lagged in the nine no-income-tax states. However, it is important to note that Texas ranks first and Wyoming ranks third among the top 10 states in energy production.[125] In addition, Nevada, Texas, Wyoming and Alaska rank among the top 10 states for non-fuel mineral production.[125] Volatile energy and commodity prices often determine the economic growth of states heavily reliant on select industries, like oil, gas and coal, and can have significant effects on state revenue growth consequently. Because of plunging energy prices, Alaska and Wyoming have seen anemic GSP, employment and population growth. The fact no-income-tax states still outperform the nation on average — despite a lagging effect from states dependent on resource extraction — is a testament to how competitive tax policies truly matter for economic growth.

Using the same methodology, Figure 9 plots the 10-year real personal income growth rate for no-income-tax states compared to the equivalent number of highest-income-tax states. The difference in decadal growth rates between these two groups of states is also plotted as a growth premium. Here, too, the results are astounding. In every single year, no-income-tax states outperformed states the highest-income-tax states. Looking at the last year of decadal growth (2019), the sudden uptick in growth premium indicates how no-income-tax states were better able to weather the Great Recession (2008), and their economic competitiveness protected citizens from severe repercussions of the economic downturn compared to high-income-tax states.

Data from the 11 states that adopted a personal income tax between 1961 and 1991 are also illuminating. These include West Virginia (1961), Indiana (1963), Michigan (1967), Nebraska (1968), Illinois (1969), Maine (1969), Rhode Island (1971), Pennsylvania (1971), Ohio (1972), New Jersey (1976), and Connecticut (1991). We looked at each of the primary economic metrics (population, employment, personal income, gross state product, and state and local tax revenues) in each of the 11 states for the five years prior to adopting the income tax. Plus we looked at the actual year the income tax was adopted relative to the subsequent years. These 11 states declined relative to the rest of the nation in every economic metric used above — including state and local tax revenues.

Conclusion

The COVID-19 pandemic has brought about the state budget crisis many thought would come from a business cycle downturn. Instead, the pale horse of pandemic has burdened state budgets with unprecedented demand for public health spending. It has also demonstrated the need for tax relief for millions of Americans out of work and employers struggling to keep their doors open. Additionally, the sudden shock of the economic shutdown has separated the savers from the spenders. Taxes and economic policy are at the forefront of state policy as states attempt to close budget deficits with some states in a more precarious position than others. The findings of this report confirm, even during a pandemic, state taxes matter for growth. If lawmakers are not careful, permanent tax increases to solve temporary budget shortfalls could make their states uncompetitive relative to pro-growth states. Competition for residents, workers and job creators drives state economic growth, and it is important for lawmakers to craft policy with the future in mind.

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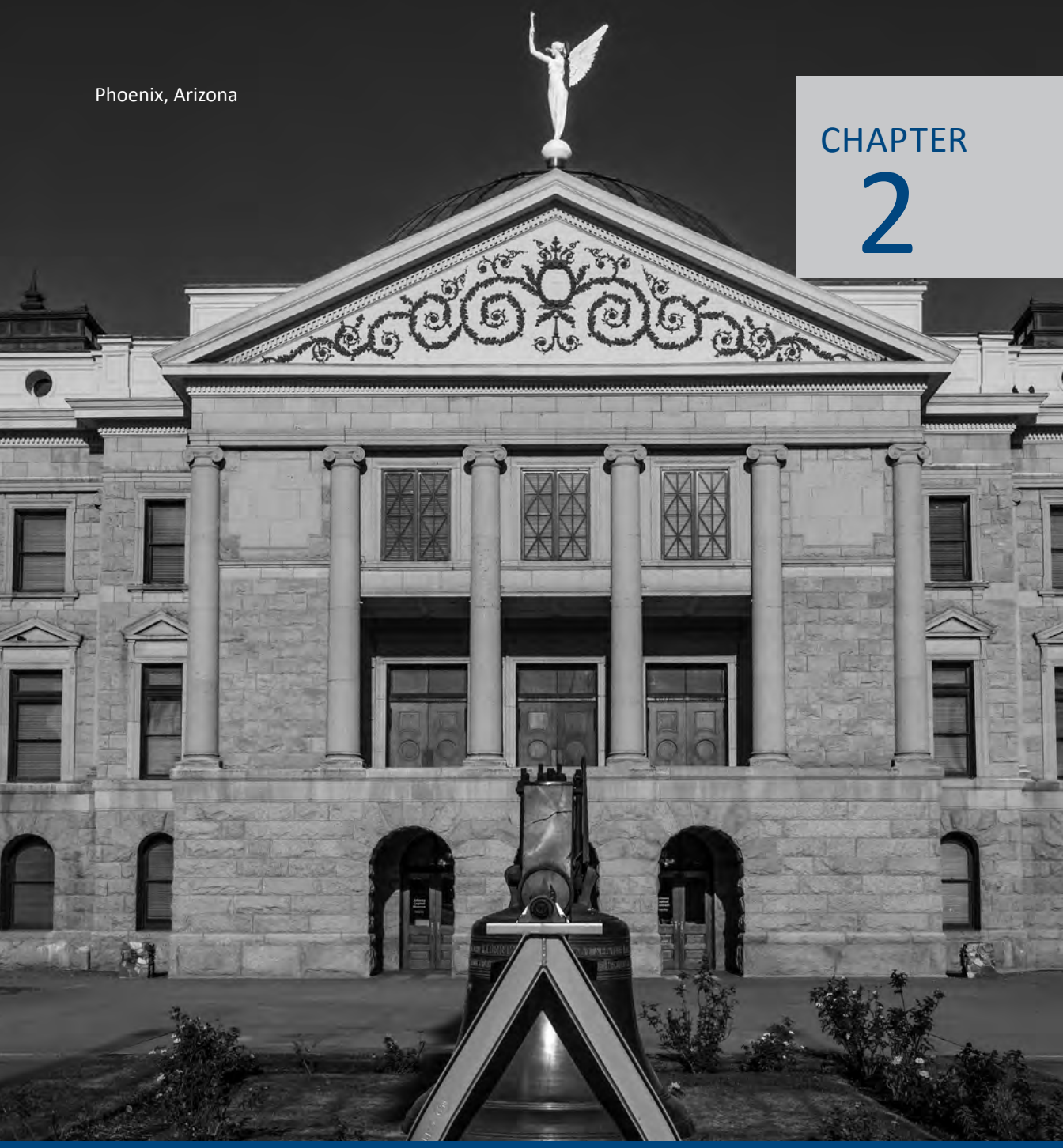


CHAPTER 2

Anti-Growth Ballot Measures Threaten State Competitiveness

Anti-Growth Ballot Measures Threaten State Competitiveness

The 2020 Elections

The 2020 elections were fraught with historic firsts and abnormalities. In a presidential election year, Americans were inundated with executive policy platforms, voting procedures, pandemic-response plans, House and Senate elections, numerous scandals and an abundance of political rhetoric from candidates and news sources. Throughout all of the coverage of these elections, the lion's share of public attention focused on federal politics. Selecting the leader of the free world, of course, requires extensive attention and concern regarding the four-year trajectory of the United States. Because of this attention, the state-level issues appearing on ballots across the nation were often overlooked by the news media and consequently, by many Americans.

On November 3, 2020, Americans selected representatives in 86 state legislative chambers and governors in 11 states.[1,2] Voters were also asked to consider 120 state ballot measures, initiatives and referendums.[3] These proposals covered a wide variety of policies, including a successful attempt to raise the minimum wage in Florida to $15 per hour and a failed plan to overturn Proposition 13's property tax ceilings in California.[4] Voters in two states, Illinois and Arizona, were faced with similar questions on their ballots. Both states were voting on whether to raise top marginal state personal income tax rates. Passage of these ballot measures would have raised tax rates on individuals in both Arizona and Illinois. Voters in Illinois rejected the constitutional amendment to eliminate their flat tax and increase the top rate; however, Arizonans passed Proposition 208, raising the top marginal personal income tax rate to 8%.[5] Clearly, Arizona will experience significant changes to their economic environment over the coming years, and Illinoisans will view the results as spectators.

Throughout this chapter, we evaluate the potential future impact of select 2020 ballot measures. First, we examine the negative effects that Proposition 208 and its 8% top marginal income tax rate will have on Arizona's economy. Second, following the passage of Florida Amendment 2, which increases Florida's minimum wage to $15 by 2026, we examine the impact a federally imposed $15 minimum wage would have on the nation's economy.[6]

Arizona's Proposition 208

Introduction

In this section, we examine the likely impact of Arizona's Proposition 208 on jobs, wages, interstate migration, tax revenue collections, state economic competitiveness and small businesses in the state. We examine how similar types of tax increases over the past 30 years have harmed economic progress in other states. We also provide an econometric projection, forecasting job decline and wage loss brought on by the state income tax hike. Our findings indicate significant negative effects that will likely decrease personal income growth and will decrease the competitiveness of Arizona's economy.

As an additional note, the 2017 Tax Cuts and Jobs Act capped the federal state and local tax (SALT) deduction to $10,000 per household. Consequently, filers are no longer able to deduct up to 40% of their state tax payments from their federal tax burden. As such, all of the evidence in this study effectively understate the negative effects of the proposed income tax increase. Now, the full cost of tax increases is borne by the residents of the state, and taxpayers can no longer avoid the penalties of high state taxes. In the 11th edition of this publication, we wrote about the benefits of limiting the SALT deduction, and forecast an increase in the out-migration from high-tax states as a result.[7]

Proposition 208 raised the top marginal personal income tax (PIT) rate from 4.5% to 8% for income earners above $250,000 in AGI ($500,000 for joint filers). Arizona has not levied a PIT rate that high since 1990.[8] The reverberations from a tax increase of this magnitude will have serious and damaging effects on the state economy for years to come. This aggressive rate elevation would drop Arizona's ALEC-Laffer Economic Outlook Ranking from 10th most desirable in the nation to 16th, all else being equal. Furthermore, over the next 10 years, Laffer Associates estimates Arizona's population growth to slow by 640,000 people, employment growth to decline by 237,000 jobs and personal income growth in the state to fall by $25.5 billion relative to prior projections.[9]

Proposition 208, also known as "Invest in Ed," is designed to supplement education funding in Arizona. A study by the Arizona Center for Economic Progress estimates the initiative would generate around $940 million in new annual revenue for Arizona's public schools.[10] Unfortunately, this is a simple "static" estimate and fails to account for alterations in business and individual taxpayer behavior. In reality, increasing the top marginal personal income tax rate from 4.5% to 8% will not result in $940 million in new annual revenue. After Arizona's tax rates were cut in the 1990s, revenues actually increased above projections and Arizona's state budget enjoyed an inflated surplus.[11] By raising the personal income tax, Proposition 208 will stifle business growth and employment opportunities, as well as deter companies and individuals from choosing the Grand Canyon State as a new home.

In the first section of this study, we provide a comprehensive examination of the historical evidence of personal income tax rate changes in Arizona and other states over recent decades. There are a few exceptions, but in almost all cases, states with high income tax rates have seen a reduction in economic benefits, and states with low or no income taxes have seen substantial economic gains. Job creation, for example, has averaged between 50% to 100% higher in low and no-income-tax states than high-income-tax states.

In the second portion of our analysis, we present econometric predictions of how the tax increases in Prop 208 will impact Arizona.

Arizona's Tax History

Arizona has a long history of reversing course on tax policy strategies. Governor Jack Williams, at the onset of his eight years in office in 1967, raised the highest personal income tax rate from 5.9% to 8% and the highest corporate income tax rate from 6.6% to 8%. Those increases were accompanied by a bump in the state's sales tax rate from 2% to 3%.[12]

During his final year in office in 1974, Governor Williams again raised the sales tax rate to 4%, the fuel tax from 7 to 8 cents per gallon and the corporate income tax rate to 10.5%.[13] Following the Williams Administration came a prolonged era of fluctuation where property tax rates went down, up, and then down again and the sales tax rate advanced to 5%. The age of cutting tax rates in Arizona did not arrive until 1990, when the corporate income tax rate fell to 9.3% and the personal income tax rate dropped to 7%.[14]

While the western states experienced exceptional population growth throughout much of the second half of the 20th century, new residents clearly preferred Nevada and California until Arizona began cutting tax rates. Once the rate cuts were implemented, new residents arrived in droves and Arizona's economy took off.

The Theory

If you want less of something, tax it. Why, then, would anyone want to tax jobs, employment and production? States raise taxes primarily to generate revenue and fund government services rather than discourage jobs, employment and output, but the negative economic effects remain. Taxing income — or anything else for that matter — is a surefire way to ensure a decline in previously projected future income and prosperity.

While some refute the assertion that there are any substantial negative effects on migration and a state's economy from higher tax rates, the book "The Wealth of States" cites more than 100 academic studies in prestigious economic journals which, on balance, find a negative relationship between high taxes and state economic growth.[15] Higher tax rates at the local, state and national levels are deleterious to growth in a jurisdiction's incomes, population and jobs.

Empirical Evidence from Other States Can Predict Arizona's Future

A valuable method of assessing the impact of a personal income tax rate increase is to examine similar policy changes in other states. Specifically, we examine the effects of a personal income tax over time in the 11 states that have introduced a new personal income tax since 1961. The first state in this group is West Virginia, which implemented its first state-level income tax in 1961, and the most recent state in this group is Connecticut, which initiated its personal income tax in 1991. For each state that introduced an income tax, we examine their share of total U.S. population, gross state product (GSP), and total state and local general revenue relative to the 39 other states that did not introduce a personal income tax over the same time period of 1961-1991. Each state that implemented a personal income tax saw its economy decline relative to the other 39 states in all relevant measures. Income tax increases nearly always lead to a decline in state economic growth.

TABLE 1 | The 11 States That Introduced an Income Tax Since 1961

					Share of Remaining 39 States								
		Top Income Tax Rate			Population			Gross State Product (GSP)			Total State and Local Tax Revenue		
State	Year of Enactment	Initial	Current	% Change	5 Years Before Enactment	2019	% Change	5 Years Before Enactment	2019	% Change	5 Years Before Enactmente	2017	% Change
Connecticut	1991	1.50%	6.99%	366.0%	1.8%	1.4%	-22.8%	2.4%	1.7%	-27.5%	2.4%	1.6%	-31.2%
New Jersey	1976	2.50%	10.75%	330.0%	4.9%	3.5%	-29.5%	5.4%	3.8%	-28.9%	5.4%	3.8%	-29.4%
Ohio	1972	3.50%	4.80%	42.8%	7.6%	4.6%	-39.6%	8.0%	4.2%	-47.8%	6.1%	4.6%	-24.0%
Rhode Island	1971	5.25%	5.99%	14.1%	0.7%	0.4%	-38.9%	0.6%	0.4%	-41.8%	0.7%	0.4%	-35.6%
Pennsylvania	1971	2.30%	3.07%	33.5%	8.5%	5.0%	-41.0%	8.5%	4.9%	-42.6%	7.7%	4.9%	-36.3%
Maine	1969	6.00%	7.15%	19.2%	0.7%	0.5%	-28.8%	0.6%	0.4%	-29.7%	0.6%	0.5%	-21.6%
Illinois	1969	2.50%	4.95%	98.0%	8.1%	5.0%	-38.5%	9.8%	5.3%	-45.7%	7.8%	4.9%	-37.4%
Nebraska	1968	2.60%	6.84%	163.1%	1.1%	0.8%	-31.1%	1.0%	0.8%	-24.0%	0.9%	0.8%	-14.0%
Michigan	1967	2.00%	4.25%	112.5%	6.3%	3.9%	-38.1%	7.9%	3.2%	-58.9%	6.6%	3.6%	-45.9%
Indiana	1963	2.00%	3.23%	61.5%	3.8%	2.6%	-30.5%	3.8%	2.3%	-40.0%	3.4%	2.1%	-38.6%
West Virginia	1961	5.40%	6.50%	20.4%	1.5%	0.7%	-54.4%	1.2%	0.5%	-60.1%	1.1%	0.7%	-39.5%

Source: Bureau of Economic Analysis, U.S. Census Bureau

Take Connecticut, for example. Connecticut was the most recent state to impose a statewide income tax in 1991. Five years before imposing the new tax, Connecticut had a vibrant economy and its population was 1.8% of the population of the 39 states not listed in the table above. By 2019, Connecticut's population had declined to 1.4% of the population of the other 39 states. Similarly, Connecticut's GSP was 2.4% of the 39 state cohort in 1986. Now, Connecticut's GSP comprises only 1.7%. Plus, despite the new tax revenue source, state and local revenue dropped from 2.4% to 1.6%. The story is the same across the board for Connecticut and all states that made the fatal decision to tax personal income. Arizona is no exception, especially since the new top PIT rate in Arizona will be higher than the current rate in 10 out of the 11 states listed in the table above. Those who do not know history are bound to repeat it.

As of 2020, there are nine states with no earned income tax – Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming.* In our analysis, we focus on seven of these states and compare their performance over the past decade to the performance of the nine states with the highest marginal income tax rates over the same period. We exclude Alaska and Wyoming from our analysis because energy production and mining account for a disproportionately large percentage of Alaska's (25%) and Wyoming's (nearly 35%) respective economies.[16] The economies of Alaska and Wyoming are highly dependent on energy prices and fluctuate considerably, making intertemporal comparisons inconsistent. Low energy prices have stymied GSP growth in both Alaska and Wyoming over the past decade. Texas is also an energy state, of course, but its economy has been widely diversified over the last 30 years, with the energy sector contributing to a lower percentage of the state economy over time.[17]

Over the past decade, these seven states have outperformed the nine states with the highest marginal income tax rates, as well as the nation as a whole, in population growth, employment growth, personal income growth and GSP growth (Table 2).

Following passage of Proposition 208, Arizona is set to replace Delaware as the ninth highest income tax rate state in America. In other words, Arizona would join the category of the economically stifled states and significantly diminish its growth prospects.

Table 2 compares the seven no earned income tax states to the nine states that currently impose the highest income tax rates across several performance measures over the past decade. On average, the seven zero-income-tax states outperformed the nine highest-income-tax states in population growth by 6.60 percentage points, employment growth by 5.88 percentage points, personal income growth by 8.90 percentage points and GSP growth by 7.93 percentage points over the past 10 years.

State and local tax revenue growth is the only category presented in Table 2 in which the seven zero-income-tax states trail the nine highest-income-tax states. From 2007 to 2017, state and local tax revenue growth in the seven no-income-tax states lagged state and local tax revenue growth in the nine highest-income-tax states by 2.67 percentage points.

Prior to the passage of Proposition 208, Arizona's top marginal personal income tax rate of 4.5% ranked as the 13th lowest top marginal state personal income tax rate in the U.S. With a top marginal rate below the U.S. average, Arizona has performed exceptionally well over the past decade, outperforming the U.S. average across all metrics except for state and local tax revenue growth (Table 2). Arizona's performance is quite comparable to Florida and Nevada, two states with exceptional economic progress over the past decade due to their strong, pro-growth policy fundamentals.

Table 2 clearly displays the economic advantages held by low-income-tax states in contrast to their

** New Hampshire and Tennessee tax interest and dividend income, but not ordinary wage income. Beginning on January 1, 2021, Tennessee's tax on interest and dividend income is fully repealed.*

TABLE 2 | Performance of States with the Lowest and Highest Personal Income Tax Rates vs. Arizona

	As of 1/1/2020	10-Year Growth				
		2009-2019				2007-2017
State	Top Marginal PIT Rate†	Population	Employment	Personal Income	Gross State Product	State & Local Tax Revenue‡
Florida	0.00%	15.15%	23.75%	63.51%	50.89%	6.47%
Nevada	0.00%	14.73%	23.47%	61.81%	46.66%	28.61%
South Dakota	0.00%	9.61%	9.14%	50.04%	47.28%	55.33%
Texas	0.00%	16.91%	23.78%	67.21%	62.19%	43.74%
Washington	0.00%	14.21%	21.18%	76.65%	69.56%	44.04%
New Hampshire‡	0.00%	3.31%	9.42%	47.01%	43.04%	41.35%
Tennessee‡	0.00%	8.30%	19.18%	54.14%	51.72%	22.53%
Avg. of 7 Zero Personal Income Tax Rate States*	**0.00%**	**11.75%**	**18.56%**	**60.05%**	**53.05%**	**34.58%**
Arizona	**4.50%**	**14.75%**	**20.75%**	**58.75%**	**50.12%**	**10.73%**
50-State Average*	**5.61%**	**6.44%**	**12.54%**	**50.39%**	**43.01%**	**28.09%**
Avg. of 9 Highest Personal Income Tax Rate States*	**10.54%**	**5.15%**	**12.68%**	**51.15%**	**45.12%**	**37.25%**
Delaware	7.85%	9.20%	11.84%	45.63%	32.61%	27.94%
Vermont	8.75%	-0.13%	6.29%	40.57%	34.47%	29.52%
Maryland	8.95%	5.50%	9.60%	42.13%	41.60%	45.91%
Minnesota	9.85%	6.79%	12.28%	55.39%	46.51%	45.34%
Oregon	10.67%	10.74%	20.36%	65.23%	56.63%	53.47%
Hawaii	11.00%	5.14%	10.65%	46.06%	48.09%	43.10%
New Jersey	11.75%	1.45%	7.84%	43.58%	32.54%	22.12%
New York	12.70%	0.76%	14.58%	52.26%	50.23%	32.63%
California	13.30%	6.90%	20.68%	69.49%	63.40%	35.25%

** Averages are equal-weighted.*

† Top Marginal PIT Rate is the top marginal rate on personal earned income imposed as of 1/1/2020 using the tax rate of each state's largest city as a proxy for the local tax. The deductibility of federal taxes from state tax liability is included where applicable.

§ State & Local Tax Revenue is the growth in state and local tax revenue from the Census Bureau's State & Local Government Finances survey. Because of data release lag, these data are 2007 to 2017.

‡ New Hampshire and Tennessee tax interest and dividend income — so-called "unearned" income — but not ordinary wage income. Tennessee's unearned income tax, the Hall Tax, is being phased out.

Source: Laffer Associates, U.S. Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis

high-income-tax counterparts. While Arizona's performance metrics, as of now, correlate closely with the metrics for the states with no earned income tax, a 78% percent increase in the highest marginal tax rate threatens Arizona's economic stability and sets Arizona on a path towards lower population, employment, personal income and GSP growth rates.

If Arizona's population growth rate fell to the average of the nine highest PIT states, there would be 640,000 fewer people in Arizona by 2029 than if they continued at their current rate of growth.* Following the same calculation method, if Arizona slumped to the employment growth rate of the nine highest PIT states, the state would have over 237,000 fewer additional jobs over the next 10-year period. Personal income in Arizona would fall by over $25.5 billion relative to prior projections that assumed a top PIT of 4.5%. Clearly, the income tax increase from Prop 208 will have a lasting and detrimental impact.

Arizona and Migration

Since Arizona began lowering its top marginal PIT rate in 1991, the state has perennially ranked in the top echelon of states with respect to population growth and net domestic migration. The Grand Canyon State has acted as a magnet for residents of high-tax states such as California, Illinois and New York. According to the IRS, since the 1992 tax year when Arizona began cutting income tax rates, Arizona has gained over 201,000 tax returns and almost $12 billion in adjusted gross income (AGI) from California alone. Illinois has lost over 65,000 tax returns to Arizona and about $5 billion in AGI over the same period. For New York, the numbers are 37,000 tax returns and $2.3 billion in AGI lost to Arizona. In fact, almost every single state has lost net AGI and tax returns to Arizona since the 1992 tax year. The only states gaining either AGI or tax returns are Texas, Idaho, South Carolina, Arkansas, Tennessee and Nevada. As it happens, every single state that Arizona lost AGI or tax returns to has a total tax burden (total state and local taxes as a share of personal income within the state) less than or equal to the 50 state equal-weighted average.

Since the 1992 income year, Arizona ranks third overall in both net domestic in-migration of tax returns as well as the level of net AGI flowing into the state. Over $41 billion in net AGI has poured into the state from over 630,000 new tax returns over the same period. More taxpayers and an increase of cumulative AGI in the state equates to higher tax revenue injected into the state budget. It is evident that a state is able to generate more tax revenue from lowering tax rates. The only states gaining more AGI and tax returns than Arizona since 1992 are Florida and Texas, and neither state collects personal income taxes.

Our predictions are further corroborated by evidence from the U.S. Census Bureau. From July 1, 1990 to June 30, 2019, Arizona ranks third in total net domestic migration with about 1,779,000 net new residents from other states. Once again, only Florida and Texas have added more net domestic migration. But this is only part of the story and only deals with net migration in absolute terms. A separate way to examine the Census Bureau migration data is to view net domestic migration for a given year or time period as a share of the base population number. In other words, the increase or decrease of a state's population via net domestic migration relative to the initial population for a given time period. Using this measure, Arizona ranks as high as 1st (July 1, 2004 to June 30, 2005) and as low as 20th (July 1, 2008 to June 30, 2009). Arizona ranks among the top 10 states in net domestic migration in 24 of the 29 years for which data are available and in the top 5 for 19 of those 29 years.

Finally, there is one more method to examine net domestic migration, which is somewhat of a hybrid between absolute and percentage of population measures. This metric is calculated using a state's net domestic migration throughout a specified time period and dividing it by the square root of that state's population multiplied by the

** For more on this methodology, please see: Arthur B. Laffer and Richard Neikirk, "California's Choice," Laffer Associates, April 1, 2020.*

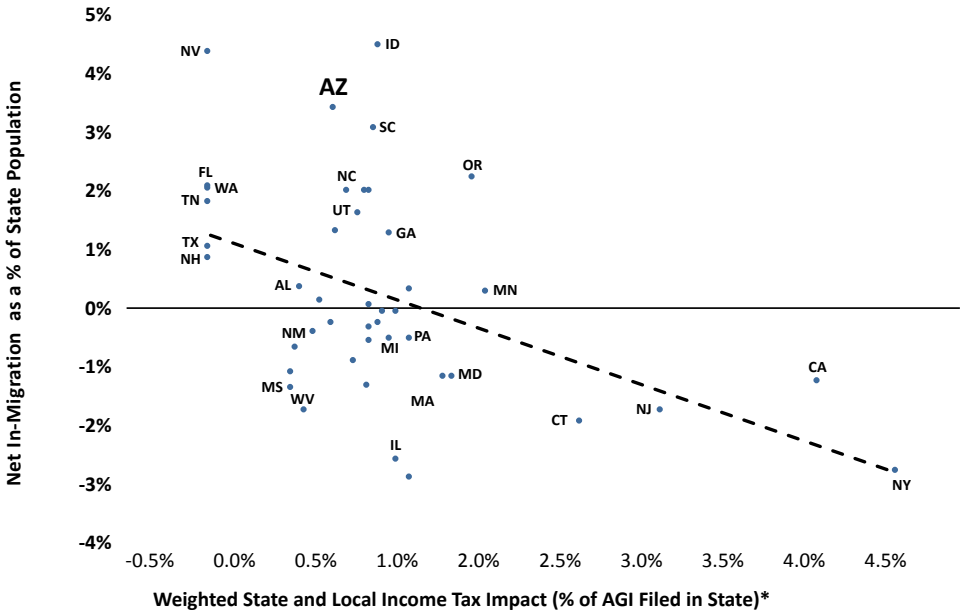
U.S. population less the population of the state being examined. This method accounts for the ability of a state to gain or lose residents based on their population relative to the rest of the U.S. population. Using this more comprehensive measure of net domestic migration, Arizona ranks 1st in 4 years (1995, 2006, 2018 and 2019) over the 29-year period and is ranked 16th at their lowest point in 2009.

Assuming no other state alters their income tax rate, Prop 208 places Arizona's personal income tax as the 9th highest state PIT in the nation. If the migration patterns of the nine highest PIT states are any indication of what is to come for Arizona, we expect to see over 125,000 Arizonans leave the state on net over the next 10 years, instead of the 512,000 expected net new residents given their current trend. That is a staggering difference of about 640,000 people. Even more concerning is the fact that this negative trend for the highest PIT states is somewhat mitigated by Oregon, which has a large net in-migration as a percent of their population. The reason? Oregon has no state sales tax and is located adjacent to California — a state with high taxes in all categories, save property taxes. Arizona has a relatively high state sales tax with local option sales taxes that exacerbate the tax burden on consumers, unlike Oregon.

Unfortunately for Arizona's state coffers, high income earners are the most likely and capable to leave the state. Those contributing the most tax revenues will flee the state and part-time residents may begin moving economic activity to other states to avoid paying Arizona's comparatively higher rate. Due to these instances of tax avoidance, Arizona is likely to collect less in tax revenue than projected from income tax increases.

Using historical migration and tax rate data, we estimate the effect of top personal income tax rates on domestic migration. In Figure 1, we plot the impact of state personal income tax rates on 3-year net domestic in-migration as a percentage of population. The impact of personal income tax rates (horizontal axis) is measured as the state's top rate times the percentage of total state AGI

FIGURE 1 | Weighted State and Local Income Tax Impact vs. Three-Year Net Domestic Migration



** Weighted for earners that report over $500,000 in AGI, excluding states with population below one million. States with less than one million residents have been excluded from Figure 1, as relatively small absolute changes in population can lead to relatively large percentage changes in population.*

Source: U.S. Census Bureau, IRS Statistics of Income

earned by individuals reporting incomes over $500,000. The migration response metric is net interstate migration from 2017 to 2019 as a percentage of total population, measured at 2017 levels. The states included are limited to those with populations larger than one million. There are clearly other determinants of changes in-migration, however, the relationship between state income tax rates and migration is undeniable.

Using this trend line, we are able to project the direction of Arizona's net migration over the next three years. In Figure 1, the value for Arizona is calculated using their current highest income tax rate of 4.5%. The state's net migration relative to their population is 3.7%. Following Arizona's passage of Prop 208, assuming the trend will remain consistent, the state's migration ratio is expected to drop to -0.06%. This would be a loss of 3.76 percentage points, or in absolute terms, a loss of about 250,000 residents over the first three years of the tax increase compared to Arizona's current trend at their current highest income tax rate. Arizona was on course to attract new taxpaying residents to their state, funneling funds to their budget, but they've unfortunately reversed direction entirely and are now set to lose taxpayers to other states. This process will result in a diminished tax base and fewer tax revenue dollars, all else constant.

The Copper State's New Path

Within the next few years, Prop 208 will erase three decades of steady progress in Arizona that was conceived by lowering state tax rates, not raising them. A massive tax hike like Prop 208 has arrived at an exceptionally bleak time. The economy of the nation as a whole is recovering from a once-in-a-century pandemic that has flattened commerce and stifled small businesses. It is nearly impossible to imagine a less appropriate time to be penalizing these already struggling small businesses with a 75% increase in the top tax rate.

Florida's Amendment 2

Introduction

On November 3, 2020, Florida voters approved Florida Amendment 2 with 60.8% of the vote. Amendment 2 raises Florida's minimum wage to $15 per hour by 2026. Starting in 2021, Florida's minimum wage will increase by $1.00 per hour each year under the following rate schedule:

TABLE 3 | Florida's Road to a $15 Hourly Minimum Wage

Hourly Minimum*	Effective Date
$10.00 per hour	September 30, 2021
$11.00 per hour	September 30, 2022
$12.00 per hour	September 30, 2023
$13.00 per hour	September 30, 2024
$14.00 per hour	September 30, 2025
$15.00 per hour	September 30, 2026

** Annual indexing beginning January 1, 2027*

Source: The National Law Review

Florida's move to a $15 minimum wage follows a growing trend, originally started by California and New York in 2016. Florida joins California, Connecticut, Illinois, Maryland, Massachusetts, New Jersey, New York, and Virginia as the ninth state to approve a phased-in transition to a $15 minimum wage. All of these states are still in the midst of their transition to a $15 minimum wage, with California scheduled to be the first to reach a $15 statewide minimum wage in 2022.

As more and more states approve a $15 minimum wage, pressure will begin to mount in Washington, D.C., to approve a nationwide $15 minimum wage. Furthermore, newly elected President Joe Biden campaigned on a platform that included

raising the federal minimum wage to $15 per hour. It is more than feasible that a $15 federal minimum wage becomes law in the near future. In the following sections, we examine the implications of a $15 federal minimum wage.

What Exactly is a Minimum Wage?

A legislated minimum wage makes it illegal for any employer to pay an employee subject to the minimum wage law anything less than the minimum wage.*

For the discussion of a minimum wage to have any meaning, the legislated minimum wage has to be an effective minimum wage in the sense that it is higher than the lowest wage that would result solely from free market forces. In terms of a highly stylized version of basic economics, imagine one single demand for labor at one point in time. As one might suspect, the higher the cost of labor, i.e. the higher the wage employers pay workers, the less labor employers will willingly demand. In this hypothetical example, employers demand more labor at lower wages, and employers demand less labor at higher wages (see DD in Figure 2). In Figure 2, the demand for labor moves from the upper left to the lower right, where the vertical axis represents wages and the horizontal axis represents the amount of labor employed.

Workers, on the other hand, are the suppliers of labor. Their desires run in the exact opposite direction of the desires of employers. That is, the higher the wage workers receive for their labor, the more willing workers are to work. As wages received by workers fall, workers can be expected to be less willing to supply as much labor (see SS in Figure 2). The supply of labor as shown in Figure 2 moves from the lower left to the upper right. Therefore, for workers, the higher the wage, the more labor they will supply. For employers, the higher the wage, the less labor they will be willing to employ (see Figure 2).

From an economic standpoint, there is a conceptual equilibrium point (E*), which corresponds to a specific wage where the amount of labor willingly supplied by workers is exactly equal to the amount of labor willingly demanded by employers. We will use W* to represent the wage that corresponds to this equilibrium and L* to represent the exact amount of labor willingly supplied and demanded at this equilibrium (See Figure 2). Societal surplus is also maximized at E*, meaning someone is made worse off if the market price for labor exceeds or falls below W*.

FIGURE 2 | The Free Market Model of the Labor Market

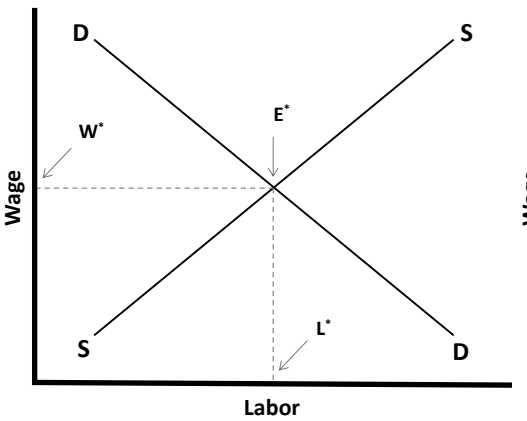
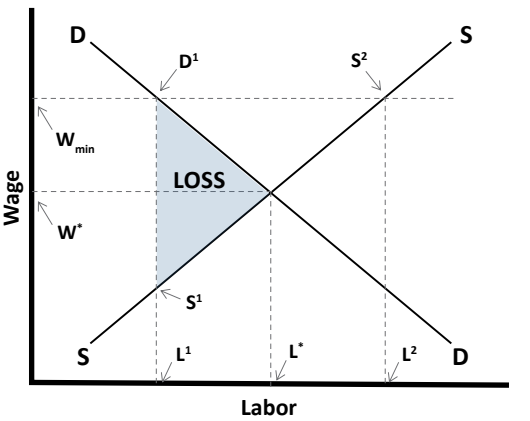


FIGURE 3 | The Effect of a Minimum Wage on the Labor Market



** Most minimum wage legislation, however, has all sorts of exceptions, exclusions and modifications to the actual minimum wage itself. For example, service employees, such as waiters or waitresses, whose total income includes a large portion of tips, have a minimum wage of $2.13, not $7.25.*

The labor market presented in Figure 2 is a free market with no legislated minimum wage. Once a minimum wage is imposed, two scenarios can occur.

The first scenario takes place when the legislated minimum wage falls below the equilibrium wage (W*). In this scenario, the labor market would not change, as employers would continue to employ workers at the equilibrium wage. This labor market would still be conceptualized by Figure 2.

The second scenario occurs when the legislated minimum wage (W_{min}) is higher than the equilibrium wage (W*). In this scenario, employers must now pay all workers at the level stipulated by the minimum wage, rather than at the preferred level of the equilibrium wage. We present this scenario in Figure 3.

Imagine that the government of the labor market presented in Figure 2 passes a law requiring that all employers must pay all employees at least W_{min} for each hour of labor. As shown in Figure 3, the now higher-than-equilibrium W_{min} will intersect the demand curve at point D^1 and the supply curve at point S^2. It should come as no surprise that the higher-than-W* minimum wage of W_{min} will simultaneously cause employers to willingly hire fewer workers, and laborers to willingly offer more labor. To see the reduced number of employees that employers will voluntarily hire, move down vertically from the point D^1 on the demand curve to the point at which that vertical line intersects the horizontal axis. This occurs at L^1. Likewise, to see the greater number of workers who are willing to work at W_{min}, move down vertically from the point S^2 on the supply curve to where that vertical line intersects the horizontal axis at L^2. Point L^1 is less than L*, and L^2 is greater than L*.

Obviously, we cannot simultaneously have more workers employed (which is what workers would like at the higher wage) and fewer workers hired (which is what employers would like at the higher wage). Something has to give.

The simple answer is that you need a willing supplier and a willing demander to have a transaction in a free market, and, in the case of a higher-than-equilibrium minimum wage, the only quantity of labor where both the demanders and the suppliers are willing participants is at the point where the minimum wage intersects the demand curve DD at point D^1. Any increase in employment greater than the level specified at D^1 might be acceptable to workers, but it would be unacceptable to employers because the wage would be too high. The intersection of the vertical line from D^1 to the horizontal axis occurs at L^1.

Between L^1 and L^2, workers would willingly work for W_{min} but, unfortunately, employers are not willing to hire. Thus, imposing a minimum wage, W_{min}, higher than the equilibrium wage, W*, on the economy means that employment will be lower than it would have been at the equilibrium wage, with $L^1 < L^*$ and $W_{min} > W^*$. Workers become frustrated because they are willing to provide labor up to L^2, but employers are unwilling to hire more workers than L^1. And, of course, the empirical counterpart to worker frustration is what economists call unemployment – where people are willing to work, yet cannot find gainful employment. Ultimately, Figure 3 shows that a minimum wage mandates that employers hire all workers at wage W_{min}. Employers, however, cannot afford to hire all workers at W_{min}. Some workers are hired, and the rest remain unemployed.

The difference between L* and L^1 represents the number of workers who would lose employment should the effective wage move from the equilibrium wage of W* to a higher-than-equilibrium minimum wage of W_{min}. While an increased minimum wage may benefit those who remain employed, it has disproportionately deleterious effects on those who lose employment.

Any answer to the question of what happens if the legal minimum wage is increased that does not include reduced employment does not comport with basic economics. While an increase in the minimum wage will reduce total employment, it will also increase the number of workers willing to work who will also be unemployed.

A functioning minimum wage will, as its proponents argue, cause some low-wage workers to earn more for the same work. But the proponents are often silent on the fact that raising the minimum wage will also cause labor costs to increase and encourage capital investment in alternatives to physical labor to replace minimum wage workers. Plus, raising the minimum wage may encourage substituting higher wage workers for minimum wage workers. As unemployment increases in response to the higher minimum wage, there may also be increased demand for poverty assistance programs at all levels of government. Another consequence of raising the minimum wage not yet discussed in this chapter is how employers pass on higher labor costs onto customers. By raising the price of labor, minimum wages also increase the price of goods and services. Lastly, some entry-level workers may lose their jobs altogether and create a population of chronically unemployed individuals.

From an economic standpoint, a minimum wage is not only about employees. On the other side of the ledger, we need only peruse the companies and industries that employ minimum wage workers to see the economic impact a higher minimum wage would have on these employers, and how these employers in turn impact the U.S. economy. Minimum wage workers earn income as employees, spend that income as consumers and, as producers of goods and services, meet the needs of other consumers. A higher minimum wage provides these workers with more income to spend, but the consequences of a higher minimum wage are not as advantageous for the employers of these minimum wage workers.

While we are often told higher minimum wages will benefit those employees who earn the minimum wage, what is left unspoken is how higher minimum wages will harm other employees. Higher minimum wages may scuttle plans to increase other forms of compensation like benefits. Employees laid off following a minimum wage increase no longer earn income and lose out on professional growth opportunities.

The substance of the current issue is this: employers will be required to increase pay for a lower wage class of employees (those employees earning less than $15 an hour) if those employees remain employed, and those employees in turn will receive higher wages. The additional amount paid by the employers per employee, assuming away all frictions, should be the same as the additional amount received by an employee. The gain to the employee is a greater cost to the employer. Other benefits that might be offered to employees (such as reduced prices on food for waitstaff at restaurants) can be lowered to compensate for the mandatory increase in wages. There is no stimulus to the economy from a higher minimum wage, only shuffling of resources from employers and laid off workers to the workers fortunate enough to remain employed.

The Status of the Minimum Wage in the U.S.

As of 2020, the federal minimum wage is $7.25 per hour. In 29 states plus Washington, D.C., the federal minimum wage is superseded by state or district law requiring a higher minimum wage (Table 4). In fact, not only do some states have higher minimum wages than required by federal law, but some cities do as well. In 2014, Seattle, Washington passed a phased-in minimum wage increase that raised the minimum wage to $11.00 per hour for most employees beginning in 2015 and increased to $15.00 per hour for many employees by 2017.[20] As of January 1, 2020, Seattle had the highest minimum wage of any city in the nation, at $16.39 per hour.[21]

TABLE 4 | Minimum Wage in Effect by State

As of 1/1/2020			
Min. Wage Greater than Federal Min. Wage in Effect	Federal Minimum Wage in Effect		
	Equal to Federal Min. Wage	Less than Federal Min. Wage	No Min. Wage Required
AK, AR, AZ, CA, CO, CT, D.C., DE, FL, HI, IL, MA, MD, ME, MI, MN, MO, MT, NE, NJ, NM, NY, NV, OH, OR, RI, SD, VT, WA, WV	IA, ID, IN, KS, KY, NC, ND, NH, OK, PA, TX, UT, VA, WI	GA, WY	AL, LA, MS, SC, TN
29 States + D.C.	14 States	2 States	5 States

Source: U.S. Department of Labor

Additionally, 18 states and D.C. either currently or are scheduled to index their minimum wages according to changes in the Consumer Price Index, with the goal of increasing the minimum wage in lockstep with a rising cost of living.[22]

To muddy the waters further, some states exempt employers from the minimum wage law if the employer has fewer than a pre-specified number of employees. This is only the beginning of a long list of modifications, qualifications, specifications and exceptions to the many statutes constituting what we call "the minimum wage."

The federal minimum wage does not cover all workers either – far from it. It does not cover some U.S. territories, nor does it cover labor for which tips constitute a large share of compensation. For tipped labor, there is a separate federal minimum wage of $2.13 per hour. People under the age of 20, for example, can be employed for up to 90 days at a lower minimum wage.[23] And all of these federal minimum wage conditions are operational unless a higher state minimum wage is in place. The complexity is daunting, especially for small businesses with limited resources.

State-by-State Differences

With various minimum wage laws in place, the minimum wage earned by workers differs considerably from state to state. In 2020, state minimum wages were as low as $7.25 per hour and as high as $13.50 per hour. Just as state minimum wages differ in nominal terms, they also differ in terms of real purchasing power.

If the purpose of the minimum wage is, as its advocates say, to provide an acceptable standard of living for those employed at the minimum wage, then surely some consideration has to be given to the cost of living in the environs where the minimum wage is applied. Obviously, in a region of the country where the cost of living is low, a given dollar wage is higher, in purchasing power terms, than that same given dollar wage in an area of the country where the cost of living is high. But from the standpoint of employers, a stipulated minimum wage will be far more damaging in an area with a low cost of living than that same minimum wage would be where the cost of living is high.

The purpose of a minimum wage law is to have government intercede in market transactions between some employers and some employees, whereby the employer is required to pay more to the employee than would be the case were the transactions left unregulated. The rationale for a mandated minimum wage is to assure that minimum wage workers earn a "living wage." But shouldn't the determination of whether or not a wage provides an adequate standard of living depend on the region in which the wage is earned?

New York City is the most expensive urban area in the United States. All workers in New York City are subject to a $15 per hour minimum wage. But $15 in New York City is not the same as $15 in Corning, New York, nor is $15 in Corning, New York the same as $15 in Amarillo, Texas. Using the Cost of Living Index (COLI), we can determine what minimum wage is necessary in each state to

provide the same purchasing power as a $15 per hour minimum wage in the state of New York (see Table 5).

Raising the U.S. minimum wage to $15 per hour will have very different consequences depending upon the city and the state in question. The economic impact of an increase in our federal minimum wage would vary by state and city based upon the earnings distribution of actual employees in each location. Intuitively, an increase in the minimum wage to a new level that is still below the market's lowest wage should have minimal, if any, impact on that market's economy.

Yet, an increase in the minimum wage from a level that applies to only a few workers, up to a new, much higher level that applies to many workers, would have a significant impact on that location's economy. The overall state of the U.S. economy should clearly impart the damage done by a minimum wage law. In tight labor markets where available employees are few and far between, a minimum wage law will have less impact as employers still require labor. But if the economy is in normal conditions, let alone in recession with high unemployment, the existence of a minimum wage law could be devastating to the vulnerable.

TABLE 5 | Cost-of-Living Adjusted Minimum Wage

(2020, NY $15 = BASE)

State	Cost-of-Living Index	Cost-of-Living Adjusted Min. Wage per Hour
MS	84.8	$9.51
OK	86.8	$9.74
AR	87.8	$9.85
KS	87.9	$9.86
MO	88.9	$9.97
GA	89.4	$10.03
AL	89.4	$10.03
NM	89.6	$10.05
TN	90.2	$10.12
IN	90.4	$10.14
MI	90.9	$10.20
IA	92.1	$10.33
WV	92.1	$10.33
TX	92.3	$10.36
NE	92.6	$10.39
OH	92.9	$10.42
LA	93.4	$10.48
KY	93.8	$10.52
ID	94.1	$10.56
WY	95.4	$10.70
NC	95.6	$10.73
IL	95.8	$10.75
SC	95.8	$10.75
WI	96.3	$10.80
ND	97.0	$10.88
SD	97.0	$10.88
UT	97.3	$10.92
MT	98.8	$11.08
FL	99.0	$11.11
MN	101.2	$11.35
AZ	101.3	$11.36
VA	101.6	$11.40
PA	101.9	$11.43
CO	105.0	$11.78
DE	107.9	$12.11
NH	108.2	$12.14
NV	108.9	$12.22
WA	111.3	$12.49
VT	116	$13.01
ME	116.2	$13.04
NJ	118.2	$13.26
RI	119.4	$13.40
CT	125.1	$14.04
AK	128	$14.36
MD	128.1	$14.37
MA	132.6	$14.88
NY	**133.7**	**$15.00**
OR	134.6	$15.10
CA	138.5	$15.54
HI	196.3	$22.02

Source: Department of Labor, The Council for Community and Economic Research, Laffer Associates

TABLE 6 | Vulnerable States: Share of Employees Earning Less Than $15/Hour

State	% Earning Under $15 in 2019
MS	50.0%
AR	45.5%
WV	43.6%
LA	43.0%
AL	42.4%
SC	42.1%
NM	40.9%
SD	40.3%
OK	40.3%
ID	40.3%
KY	40.3%
TN	39.6%
FL	39.6%
GA	38.7%
NV	38.4%
NC	38.2%
MT	38.1%
KS	37.7%
MO	37.6%
IN	37.3%
TX	37.0%
OH	35.5%
UT	35.3%
MI	34.9%
IA	34.5%
AZ	34.2%
NE	34.0%
PA	33.8%
WI	33.3%
ME	33.1%
DE	32.6%
IL	32.3%
VA	32.1%
NH	30.2%
WY	29.9%
NJ	29.5%
MD	28.6%
OR	28.6%
RI	28.2%
CA	27.9%
CO	27.5%
VT	27.3%
MN	26.9%
ND	26.6%
NY	26.3%
HI	26.1%
CT	25.8%
AK	22.7%
MA	22.5%
WA	20.1%

Source: Department of Labor, The Council for Community and Economic Research, Laffer Associates

In Table 6, all 50 states are listed by the percentage of all employees earning less than $15 per hour in 2019.

As shown in Table 6, there is a sizeable range in the percentage of employees who earn less than $15 per hour among states. With this range in mind, raising the federal minimum wage to $15 per hour will have widely differential impacts by state. The impact of a minimum wage law will be greater for those states where the percentage of all employees earning under $15 per hour is high than it will be for states where the percentage is low.

Because the cost of living and share of employees earning less than $15 varies so greatly across states, a federally mandated $15 minimum wage does not make much sense. Even if earning a minimum wage of $15 is truly necessary to survive in New York, this does not mean that a minimum wage of $15 is necessary to survive in Mississippi, where half of all employees earn less than $15 per hour. In fact, in Mississippi, $15 is worth nearly 60% more in purchasing power than $15 is worth in New York. The purchasing power of a $15 minimum wage in New York is equivalent to $9.51 per hour in Mississippi (Table 5). Reversing the comparison, the purchasing power of a $15 per hour minimum wage in Mississippi would be equivalent to a $23.65 per hour minimum wage in New York. Put simply, New York dollars are not the same as Mississippi dollars. Minimum wages have varying levels of impact across states. One size does not fit all. A national $15 minimum wage would serve only to increase barriers to business formation in the states and cities that need jobs the most.

To protect and enhance the standard of living of America's lowest wage workers, what is needed is a pro-growth jobs program directed at changing bad policies, not a palliative for the unemployment consequences of those bad policies. Going through the whole ritual of another contentious partisan political battle in Washington D.C. isn't going to make anyone better-off.

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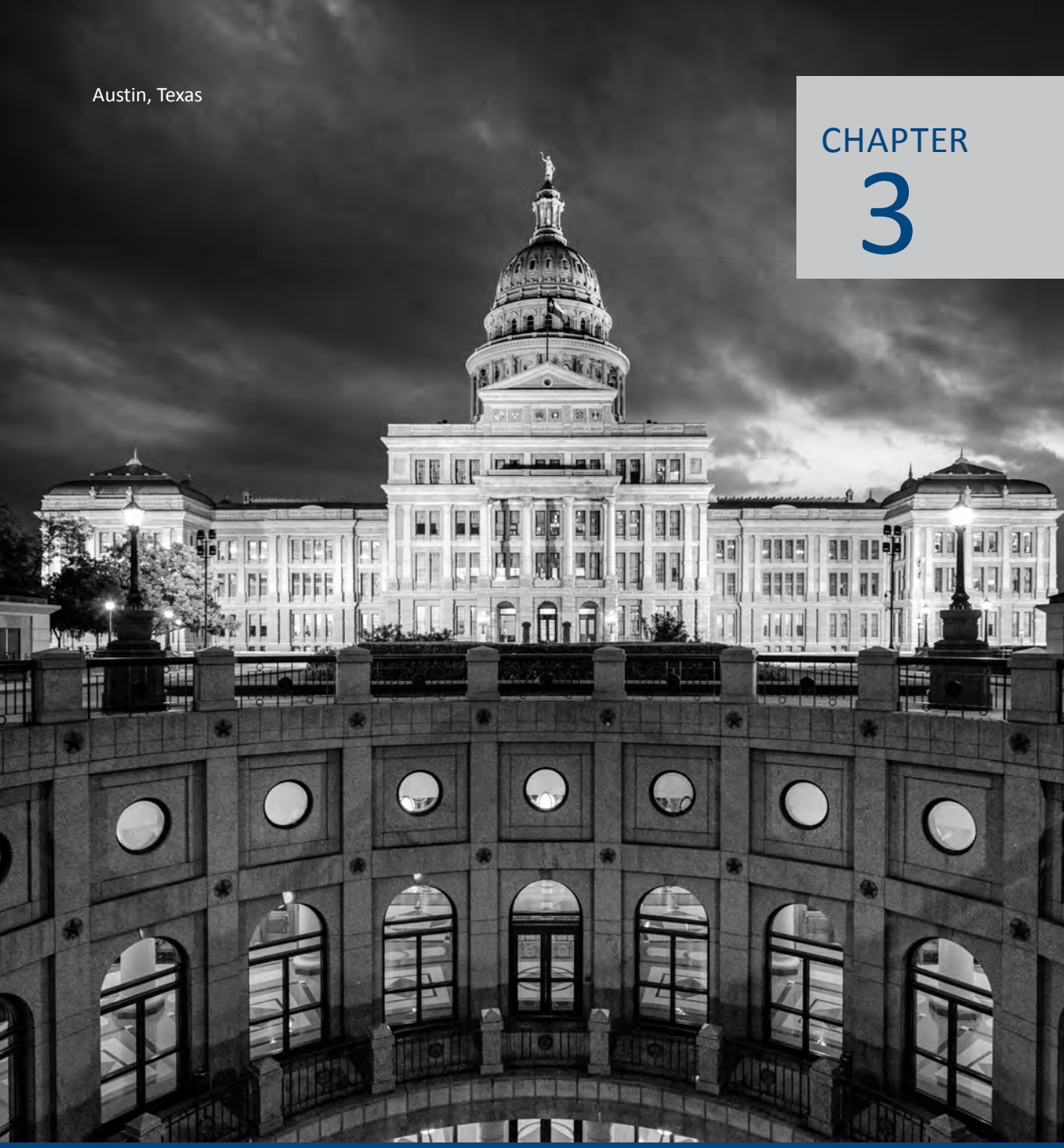
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CHAPTER
3

Governor Responses to COVID-19

Governor Responses to COVID-19

AN EVALUATION OF GOVERNORS AND RESPONSES TO CORONAVIRUS

It has been over a century since Americans have experienced a viral epidemic of the magnitude of COVID-19. Never in modern history have governors faced such a severe threat to the lives and safety of their citizens or been challenged with such major financial and economic repercussions. With little experience with these matters, it is crucial that state policymakers set partisan differences aside and review objective facts, medical knowledge and empirics so that we may achieve outcomes of minimal adversity and suffering.

UNIQUE SITUATIONS, UNIQUE SOLUTIONS

No governor should be expected to handle this pandemic with ease; however, these officials are the main policymakers developing strategies to combat the virus in their states. Thus, it is imperative we assess governors' responses and the consequences of their policies. Federal officials made the difficult decision at the beginning of the crisis to declare a national emergency. More importantly, the national emergency declaration allowed governors wide latitude in developing individual strategies that fit the unique conditions of their states. Although many have called for a set of national one-size-fits-all policies — mask requirements, business restrictions, stay-at-home-orders and testing and tracing procedures — this national approach would have been harmful as the nation desperately sought to minimize and properly balance health risks against economic damage.

Throughout these unprecedented times, we have reaffirmed a key benefit of our state and federal government structure. Governors and other state policy leaders learned best (and worst) practices from one another. The states served as laboratories of democracy, with each governor hoping to improve upon the mistakes of his or her peers while mimicking the more effective pandemic responses.

For example, public officials observed the catastrophic nursing home policies in states such as New York and New Jersey that led to thousands of deaths in long-term care facilities.[1] We now have evidence that strongly urging nursing homes to accept infected patients was a disastrous strategy.[2] After it became clear that forcing nursing homes to accept patients infected with COVID-19 had very deadly consequences, according to reports, New York Governor Andrew Cuomo's office attempted to cover up mortality data to protect his office.[3]

States continue to discover additional evidence shedding light on the effectiveness of stay-at-home orders in protecting public health, as well as empirical information leading to proper social distancing, mask requirements, travel guidelines and quarantine procedure for out-of-state visitors.

Not only has evidence from the other 49 states aided each governor in his or her decision-making processes, other countries have produced a wide array of results through their various approaches. The U.S. was fortunate in that the virus was not seen within our borders until after it swept across Asia. With that evidence, state officials were able

to control for varying factors and develop wise plans of actions that fit the needs and demographics of their state.

PUBLIC HEALTH AND ECONOMIC HEALTH: PURSUING OPTIMAL OUTCOMES

In any assessment of the governors, we must consider the severity of the virus in each state and review public health outcomes. Their actions are to be analyzed first in terms of safeguarding against virus fatality within their state. This is the first step in the analysis, but it is most certainly not the last.

Since much of the policy focus is to prevent lives lost, then our first measure to observe is death rates. Obviously, we must first adjust for state population for comparison purposes. We typically do so by taking total deaths divided by state population in millions, giving us deaths per million. Table 1 ranks coronavirus case fatality rates by state. The virus swept through the Northeastern and Midwestern states first in April and May, and then made its way through Southern states in June and July. Other regions of the country, such as the Rocky Mountain states, did not experience similar impacts, which suggests a national shutdown order would have been a very mistaken policy.

By the beginning of March 2021, the highly contagious coronavirus had killed over 500,000 Americans and led to major illness requiring hospitalizations for hundreds of thousands more. CDC data from the beginning of the month estimated that 28 million Americans had tested positive for COVID-19, with millions more believed to be infected, yet asymptomatic.[4] The impact of this pandemic on the health of the American people has been unprecedented in modern history and has frightened the public immensely.

Not only should governors consider potential total lives lost when conducting analyses for policy options, they should also closely examine the age demographics of their residents. COVID-19 is not equally life threatening to everyone. Several defined comorbidities, as well as age, strongly correlate with an individual's risk of death from coronavirus. As seen in Table 2, the distribution of deaths among age groups is far from uniform. From all the lives lost, nearly 80% were over the

TABLE 1 | Coronavirus Deaths by State

(ranked highest to lowest, deaths per 1 million population)

	State	Deaths/ million		State	Deaths/ million		State	Deaths/ million		State	Deaths/ million		State	Deaths/ million
1	NJ	2,620.1	11	ND	1,891.3	21	KS	1,627.5	31	WV	1,288.7	41	ID	1,031.2
2	NY	2,447.2	12	PA	1,876.0	22	GA	1,626.4	32	MT	1,263.5	42	CO	1,025.9
3	RI	2,373.4	13	IN	1,864.4	23	NV	1,591.9	33	WI	1,202.5	43	NH	857.9
4	MA	2,322.6	14	IL	1,800.4	24	OH	1,482.8	34	WY	1,157.9	44	WA	647.7
5	MS	2,261.0	15	NM	1,775.9	25	TX	1,470.8	35	MN	1,157.8	45	UT	598.9
6	AZ	2,172.4	16	AR	1,736.5	26	DE	1,452.2	36	OK	1,145.2	46	ME	521.7
7	CT	2,147.1	17	IA	1,732.0	27	FL	1,432.0	37	NE	1,074.2	47	OR	521.6
8	SD	2,124.8	18	TN	1,663.2	28	CA	1,319.6	38	NC	1,066.1	48	AK	407.2
9	LA	2,073.9	19	MI	1,653.5	29	MD	1,306.0	39	VA	1,045.0	49	VT	328.7
10	AL	2,021.1	20	SC	1,650.4	30	MO	1,290.2	40	KY	1,040.3	50	HI	308.5

Source: Johns Hopkins University CSSE, U.S. Census Bureau. Data as of March 1, 2021

age of 65, a demographic contributing to roughly 17% of the total population. Using data from the CDC, *The New York Times* reported in August that approximately 34% of all coronavirus deaths are linked to nursing homes.[5] In 9 states, that statistic is over 50%.[6] These results hold true despite long-term care facility cases representing only 5% of total reported infections.

The disparity in health risks of the virus to age demographics must be acknowledged when assessing a governor's performance. States with elevated elderly populations, such as Florida, face more difficulty in preventing deaths caused by COVID-19. Consequently, assessments of their results should reflect this.

In addition to our present knowledge of age associations with virus morbidity, we also learned early on that those who suffered from other health conditions, such as cancer, diabetes, heart disease and respiratory disorders were much more likely to become seriously ill or lose their lives. States with various proportions of these populations must adjust their policy accordingly. Once again, we see more evidence suggesting a nationalized policy prescription would not produce optimal results.

As the number of total cases in the general population continues to climb, we have been fortunate to see a decline in the case fatality rate. The CDC reported fatality rate following infection fell to approximately 1.8% from its peak of 6% in mid-March.[7] Medical research suggests that the U.S. fatality rate will continue to decline as experts discover more effective methods of treatment.

While the damaging health impact of the pandemic cannot be overlooked, the blow dealt to the American economy must be factored into our holistic analyses of governor performance. We have discussed only one area of focus thus far: the effects of the virus itself. Using this information alone would be misguided.

TABLE 2 | 2020 Deaths by Age Group[8]

Age Group	Population	COVID Deaths	Total Deaths	Non COVID Deaths	COVID Deaths as a % of Total Deaths	COVID Deaths as a % of Age Group Population	COVID Deaths as a % of Total COVID Deaths	Non COVID Deaths as a % of Total Non COVID Deaths
0-17	72,978,891	204	35,478	35,274	0.58%	0.00%	0.04%	1.08%
18-29	53,517,305	1,684	67,628	65,944	2.49%	0.00%	0.35%	2.02%
30-39	44,393,441	5,030	96,170	91,140	5.23%	0.01%	1.05%	2.79%
40-49	40,303,265	13,482	144,684	131,202	9.32%	0.03%	2.82%	4.02%
50-64	62,873,360	70,160	609,507	539,347	11.51%	0.11%	14.65%	16.53%
65-74	32,104,105	103,451	747,834	644,383	13.83%	0.32%	21.60%	19.75%
75-84	16,273,759	133,557	914,163	780,606	14.61%	0.82%	27.89%	23.93%
85 and over	6,690,958	151,344	1,125,852	974,508	13.44%	2.26%	31.60%	29.87%
All Ages	**329,135,084**	**478,912**	**3,741,316**	**3,262,404**	**12.80%**	**0.15%**	**100.00%**	**100.00%**

Note: Death statistics as of March 1, 2021
Source: U.S. Census Bureau, Centers for Disease Control and Prevention

Even though COVID-19 deaths are at the forefront of our thoughts, we must not fall victim to the trap of a one-factor analysis. The actions of each governor create a ripple effect of change throughout the entire state. Everyone holds the belief that every life lost to this virus is a tragedy. However, as we will discuss, economic declines have their own consequences, including elevated death tolls separate from coronavirus death tolls.

By March 2021, lockdowns carried out by governors led to over 23 million Americans entering unemployment status, countless businesses across all 50 states declaring bankruptcy, and roughly $5 trillion in increased spending from all levels of government.[8,9] The estimates reported by the Bureau of Economic Analysis show an annualized decline in GDP of nearly 32% in the second quarter of 2020.[10] Such a decline is unlike any other in recorded American history. Even the Great Depression did not lead to such a rapid meltdown in the American economy.

As the disease spread from state to state early in the pandemic, governors frantically began to calculate cost-benefit analyses of regulation. Policymakers made attempts in all 50 states to generate public health benefits that outweighed the standard of living decline associated with productivity decay. Wide ranges of policy decisions were employed with varying degrees of precision and information. Some were thoroughly calculated and strategic, while others were tragic for their citizens with respect to both physical and economic health.

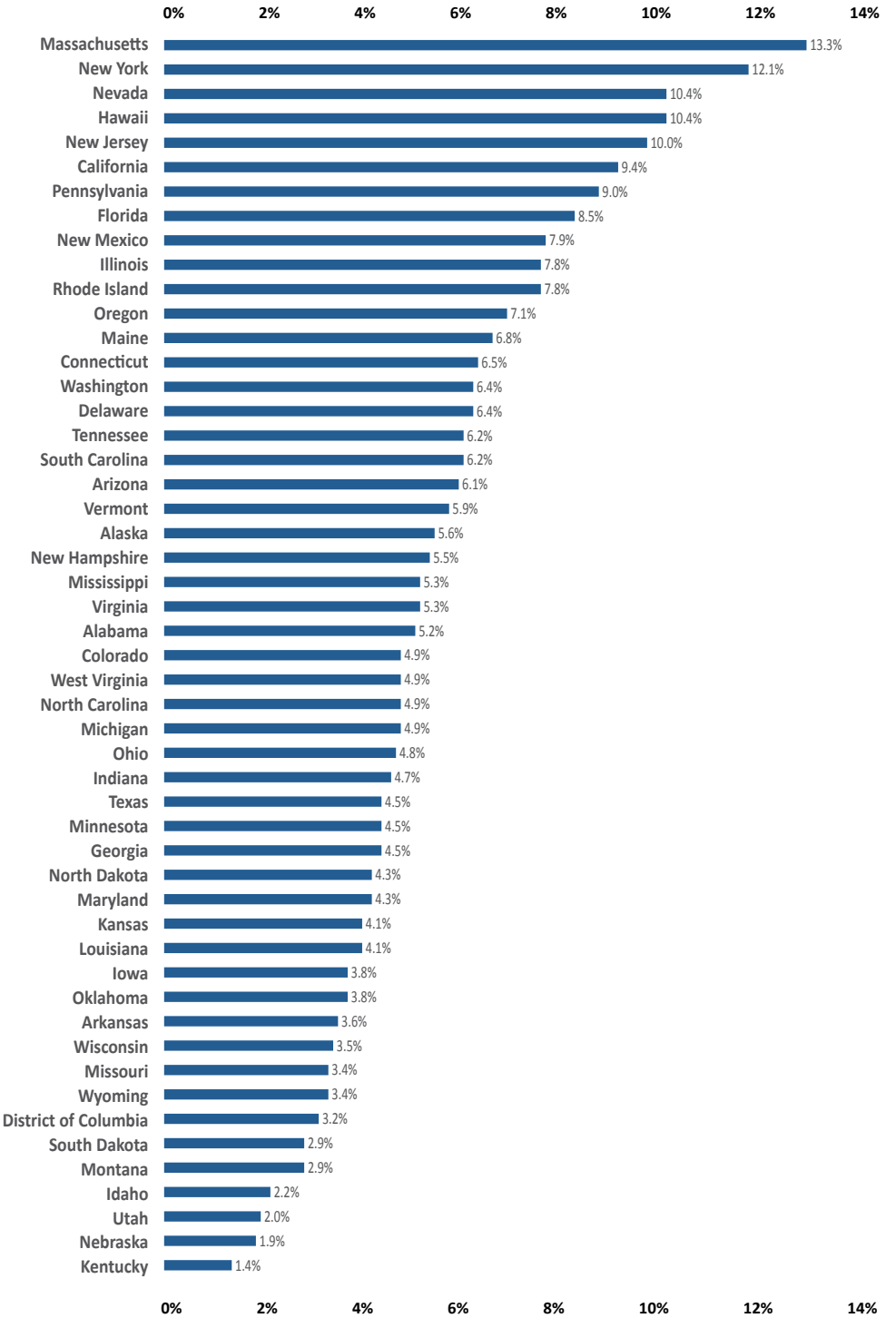
From the beginning of the pandemic, governors have taken a lead role in regulating commerce and the severity of "stay-at-home" order enforcement. The responses varied widely from state to state, with some — such as Arkansas and Nebraska — never having issued strict stay-at-home orders, and others — particularly California and New Jersey — issuing penalties, fines and in some cases, jailing those defying curfews and lockdowns.[11] Every governor (often in consultation with state legislators and commissions) differentiated "essential" from "non-essential" businesses. Essential businesses remained open — many with more heavily regulated entry and hours of operation — while non-essential businesses were faced with two options. They could either adjust their operations such that employees worked entirely from their homes or close their doors for an uncertain period of time. Retail stores and manufacturing plants were unable to conduct regular business outside of their establishments, leaving them the sole option of completely shutting down. With no source of income and growing expenses, employers for these firms were forced to lay off employees.

We must assess how the governors handled shutdowns by measuring how restrictive and damaging governors' edicts have been when it comes to their states' economies. We consider both the policies put in place by the governors as well as the resulting outcomes. This isn't just a rearview mirror assessment of the damage done to jobs and businesses over the last several months. Analyses should shine light on probable future results given current policies.

One measure that we rely on heavily when conducting analyses of governors regarding economic damage is job loss during the pandemic. Figure 1 shows the 50 states' individual change in unemployment measured as the difference between January and July rates. The Northeast has suffered the most severe job losses with states yet to recover, even months after the pandemic's peak. Tens of thousands of businesses have been lost, many likely to be permanently closed, in states such as New York, New Jersey, Connecticut, Massachusetts and Rhode Island.

Notable governors with considerable success in protecting their economies from unemployment increases and other aspects of economic devastation include Pete Ricketts of Nebraska, Kevin Stitt of Oklahoma, Kristi Noem of South Dakota, Gary Herbert of Utah and Mark Gordon of Wyoming. In stark contrast, governors failing to protect their economies include Gavin Newsom of California, Phil Murphy of New Jersey, Andrew Cuomo of New York, Charlie Baker of Massachusetts and Tom Wolf of Pennsylvania. These governors have seen drastic increases in unemployment within

FIGURE 1 | State Unemployment Rate Increases, January 2020-July 2020



Source: Bureau of Labor Statistics

their states. This change is accompanied by an array of negative externalities correlated with lockdown policies that will be further discussed.

We acknowledge that some states were more heavily impacted by the pandemic due to uncontrollable circumstances, such as proximity to initial outbreaks and population density. A lockdown in those states may have appeared more necessary than in states with comparatively low population density accompanied by fewer infections. Differences in pandemic severity should be faced with various policy plans. Proportionate and measured responses should be made to balance tradeoffs between public health concerns and economic collapse, supporting state specific approaches rather than a single strategy developed by the federal government.

Throughout 2020, the federal government made it clear that authority will be granted to the individual governors to determine timelines of lifting commerce restrictions. Therefore, governors are independently adopting policies on how and when to open up their economies, and these decisions will have lasting effects. Determining when businesses can open, when restaurants can seat customers at full capacity, when hospitals may resume all operations and similar decisions will have a profound impact on which states fully recover from the deep recession and how quickly unemployment will return to previous historic lows.

Within our analyses, we must examine the duration of each state's pandemic response involving business suspensions and restrictions. We have seen markedly divergent patterns amongst the governors' responses. For the most part, with some exceptions, the generally more pro-business states in the South, Southwest and the Rocky Mountain states lifted restrictions more quickly. The states of the Northeast, West Coast and some in the Midwest have been more reluctant to lift lockdown orders. Economic health indicators, including unemployment rates, reflect these policies.

A clear trend emerging throughout this ordeal is that regions with relatively strict and prolonged lockdown orders saw no significant COVID-19 case fatality rate decrease in their state or country.[12] In several states, such as New York and New Jersey, death rates with respect to population were well above average despite strict lockdown policies.[13] There is no indication that lockdowns were our only policy option to save lives. Even Governor Cuomo of New York remarked that a high percentage of people who fell ill or were hospitalized contracted the virus at home.[14] This admission calls into question the efficacy of stay-at-home orders, a strategy deserving further research and critical analysis.

While there have been overwhelming direct health and economic consequences of mandatory business closures and stay-at-home orders, the indirect effects of these policies should not be overlooked. The focal point of any objective analysis is that — with a few exceptions — severely limiting most businesses, schools and hospitals was an extreme public cost from an economic point of view.

We can view historical scenarios of economic declines that show the indirect consequences of recessions in general. No matter the cause, we found ourselves in a deep recession that produced similar hardships to any other recession.

From a public health perspective, skyrocketing unemployment leads to proportionately severe increases in cases of substance abuse, domestic violence, suicide, drug overdoses and other substantial damages to public health. For every one percentage point increase in the rate of unemployment, we expect to experience 650 more homicides, 920 more suicides, 3,300 more imprisonments and 37,000 more deaths.[15] With unemployment rate increases by as much as 10% in some states, we should expect lasting consequences from job loss. These concerns are likely to continue long after the pandemic is behind us.

Major indirect health consequences of lockdowns result from failure to provide non-COVID health care. Even *The New York Times*, which has historically voiced concerns that hospitals would become overwhelmed by the massive quantities of COVID-19 patients, reported in April of 2020, "ERs

have about half the normal number of patients, and heart and stroke units are nearly empty, according to doctors at many urban medical centers. Some medical experts fear more people are dying from untreated emergencies than from the coronavirus."[16]

Cancer care was also largely suspended. The consequences of delayed or cancelled regular cancer screenings over the next several years could very well lead to drastically elevated cancer deaths. "The number of deaths due to the disruption of cancer services is likely to outweigh the number of deaths from the coronavirus itself over the next five years," predicts Richard Sullivan, director of the Institute of Cancer Policy at King's College London.[17] While the policies of U.S. governors may be showing positive results in some areas, these are simply short-term results. When determining the likely outcome of a policy option, the focus is not solely the presumed net public benefit within the time frame of the pandemic. The long-term impact, spanning years (if not decades), combined with outcomes not relating directly to lockdown policy, such as increases in future fatal cancer diagnoses, should be considered by every governor.

THE PRE-CORONAVIRUS STATE ECONOMIES

It is worth examining the economic health and outlook in states before the virus arrived. States with weak economies were far more susceptible to the impact of a recession and a pandemic. States with steadfast economic health were able to absorb the blow more effectively, likely leading to a more rapid recovery.

In Table 3, taking the same metrics used for this publication's economic outlook rankings, we examine what we call eight "momentum states."

These states have experienced superior economic outcomes in recent times. We also examine eight "laggard states" that tend to lag behind the national trend. We have also singled out three states — California, New York and Texas — to analyze separately due to their significant populations and importance to the U.S. economy. These states showcase unique circumstances that will likely influence their recoveries.

In Table 4, we show a ranking of these states in terms of economic performance prior to coronavirus. We also show their economic momentum going into the recession based on the percentage change in payroll employment over the past decade in Table 5.

The criteria for grouping the two collections of eight states each are not strictly defined, but do include Gross State Product (GSP) growth, employment growth, and population growth. The states outlined on this list are chosen to isolate states in terms of historical over performance or under performance vis-à-vis the whole U.S. economy so that we can evaluate differences in policy choices.

Another factor in assessing gubernatorial performance is the interstate migration of businesses and employees. It has been argued for quite some time that businesses and employees move to states and cities that are business-friendly. Business-friendly, or pro-growth, states and municipalities offer businesses, employees and residents comparatively low tax rates that incentivize migration to their area. The movement of about three to four million Americans to pro-growth, low-tax states from high-tax states may accelerate if a considerable disparity in lockdown end dates persists. States including Florida, Georgia, Arizona, Texas and Utah will likely see increased migration to their states. While these states have instituted low tax rates for their residents, a considerably expanded flow of workers into their states will result in an equally considerable expansion of their tax bases. An expanded tax base will allow states to collect higher tax revenues, all because of their comparatively low tax rates.

This migration pattern from high-tax to low-tax states has likely accelerated during the pandemic. Governors in high-tax states tend to place overwhelming emphasis on commerce restrictions in hopes of protecting public health, while signaling minimal regard for the financial health or survivability of their states' businesses. We do not yet have data reflecting pandemic migration from the IRS; however, we do have access to supporting

TABLE 3 | Economic Outlook Rank: Laggard States vs. Momentum States

Laggard States	Rank
Wisconsin	12
Michigan	14
Ohio	29
Pennsylvania	38
Connecticut	40
Rhode Island	43
Illinois	47
New Jersey	48

Momentum States	Rank
Utah	1
Nevada	6
Florida	7
Arizona	10
Colorado	18
Georgia	21
South Carolina	32
Washington	39

Special Cases	Rank
Texas	15
California	46
New York	50

TABLE 4 | Employment Increases: Laggard States vs. Momentum States

(Change in Non-Farm Payroll Employment 2008-2018)

Laggard States	Percent Change
Michigan	7.9%
Ohio	5.1%
New Jersey	4.8%
Rhode Island	4.5%
Pennsylvania	4.5%
Illinois	4.4%
Wisconsin	4.2%
Connecticut	0.2%

Momentum States	Percent Change
Utah	23.6%
Florida	17.6%
Colorado	17.5%
Washington	15.6%
Nevada	14.5%
South Carolina	13.9%
Georgia	12.9%
Arizona	12.8%

Special Cases	Percent Change
Texas	18.5%
California	14.6%
New York	10.9%

TABLE 5 | U-Haul Pricing

(One Way 26-foot Truck Rentals for 8/10/2020)

Departing From	Destination	Price	Ratio
Los Angeles	Houston	$5,379.00	3.6
Houston	Los Angeles	$1,482.00	
San Francisco	Nashville	$7,208.00	4.5
Nashville	San Francisco	$1,589.00	
Chicago	Nashville	$2,071.00	5.0
Nashville	Chicago	$413.00	
Chicago	Atlanta	$2,110.00	3.3
Atlanta	Chicago	$630.00	
Stamford, CT	Atlanta	$2,913.00	3.7
Atlanta	Stamford, CT	$797.00	
New York City	Tampa	$4,321.00	5.2
Tampa	New York City	$824.00	

evidence showing the increased demand amongst high-tax state residents to move to low-tax environments such as Tennessee, Texas, and Georgia. We find this evidence through the market demand reflected in U-Haul pricing shown in Table 6. In some cases, it cost five times more to move to a pro-growth state from an anti-growth state than vice versa. This provides at least some insight into where people are moving to and from.

While this metric is not able to depict exact measurements of migration, we are able to see general interstate mobility trends. U-Haul pricing is no different from the pricing of any other good or service in that the simple microeconomic principle of supply and demand apply. When a resident in State A rents a truck to move to State B, that truck is deposited in State B. If a significant market demand is present to move to State B from State A, supply will increase in State B as trucks accumulate and the supply of trucks in State A will diminish. With low supply and high demand, U-Haul now must take on the expense of providing more trucks to the state of departure to meet quantity demanded. This expense is passed on to the consumer, resulting in higher prices in State A. As seen in Table 6, a clear trend has emerged showing a considerable exodus from high-tax states and cities. Emerging from this mass migration, we will almost certainly see a loss in tax revenue for these locations as their tax bases shrink.

CONCLUSION

We understand that every governor has made tireless efforts to balance the health risks of their citizens and the economic wellbeing of their state. In our view, no governor actively pursues increases in unemployment.

No governor desires to see any of their citizens fall ill or require hospitalization. In our analysis of policy, we do not attribute motives to the governors. Such an inference would be meaningless and counterproductive.

We assume that their motives are pure and noble. While we commend the governors for their efforts to guide their constituents through unprecedented times, they also need to be held accountable for their successes and failures resulting from policy decisions. Honestly criticizing and discontinuing failing policies, as well as adopting and improving upon those proven to be effective, will be the key to rapid recoveries. These rules, regulations, and orders proposed by governors will have long-term economic consequences for the prosperity of their citizens for years to come. Cities like New York, San Francisco, Los Angeles, and Chicago that have limited business through regulations for months may not return to a pre-pandemic economy for years.

The reality we face is that there are negative and indirect health consequences to economic lockdowns. There were undeniable mistakes made when opening bars, restaurants, and other indoor activities without proper protections, but none of these plans were adopted by governors without first considering the safety of their constituents.

Above all else, it is imperative for state governors to review all factors when conducting policy analysis. Governors must make their decisions based not exclusively on the impacts of the virus itself, but also on the consequences of lockdowns, stay-at-home orders, business closures, and other economic and cultural factors. We have noted that our main concern is limiting virus-related deaths, but our focus should be much more comprehensive, integrating all impacts to the lives of residents. Governors must do so using empirics recorded by other countries, states, and municipalities, as well as relying on current medical opinions and steadfast economic principles. Governors are expected to utilize all available information and act with compassion, clarity, and conviction, considering all forms of hardship and clearly defining their strategies to convey confidence derived from thorough analysis.

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Boise, Idaho

State Rankings

State Rankings

The Economic Outlook Ranking is a forecast based on a state's current standing in 15 state policy variables. Each of these factors is influenced directly by state lawmakers through the legislative process. Generally speaking, states that spend less — especially on income transfer programs — and states that tax less — particularly on productive activities such as working or investing — experience higher growth rates than states that tax and spend more.

The Economic Performance Ranking is a backward-looking measure based on a state's performance on three important variables: State Gross Domestic Product, Absolute Domestic Migration and Non-Farm Payroll Employment — all of which are highly influenced by state policy. This ranking details states' individual performances over the past 10 years based on this economic data.

ALEC-Laffer State Economic Outlook Rankings, 2020

Based upon equal-weighting of each state's rank in 15 policy variables

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

ALEC-Laffer State Economic Performance Rankings, 2008-2018

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

Alabama

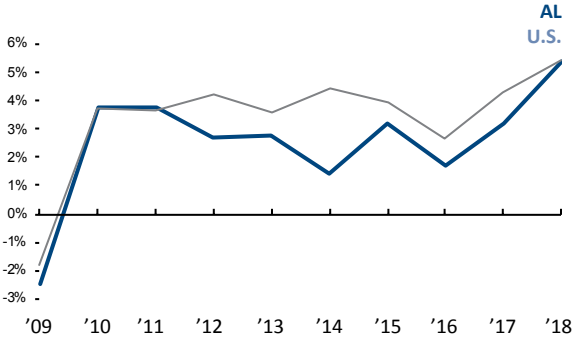
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

33 Economic Performance Rank

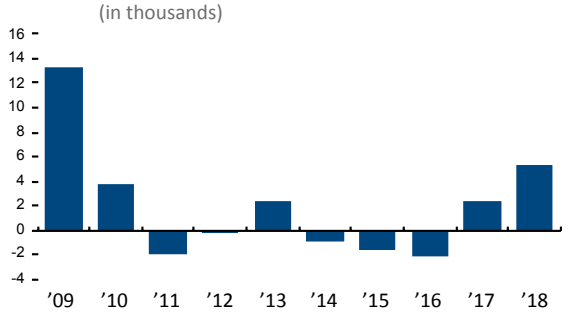
23 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

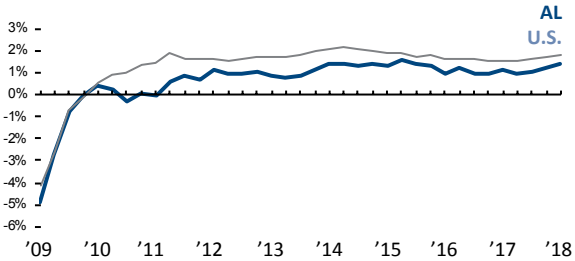
State Gross Domestic Product
Cumulative Growth 2008-2018 28.4% Rank: 40



Absolute Domestic Migration
Cumulative 2009-2018 20,389 Rank: 18
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 3.6% Rank: 40



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	17	20	19	21	21	20	21

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.15%	12
Top Marginal Corporate Income Tax Rate	6.07%	18
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	-$1.88	1
Property Tax Burden (per $1,000 of personal income)	$14.65	1
Sales Tax Burden (per $1,000 of personal income)	$26.16	35
Remaining Tax Burden (per $1,000 of personal income)	$21.70	40
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$1.20	39
Debt Service as a Share of Tax Revenue	7.0%	33
Public Employees Per 10,000 of Population (full-time equivalent)	580.9	40
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	65.6	42
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.65	22
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Alaska

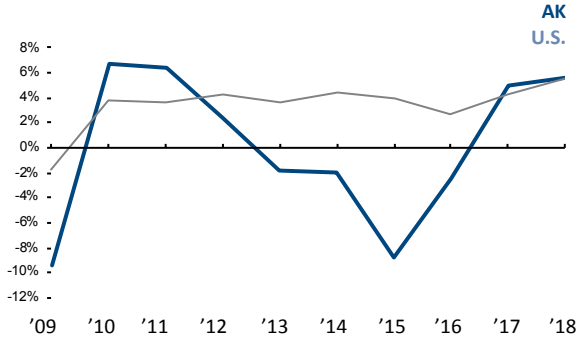
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

48 Economic Performance Rank

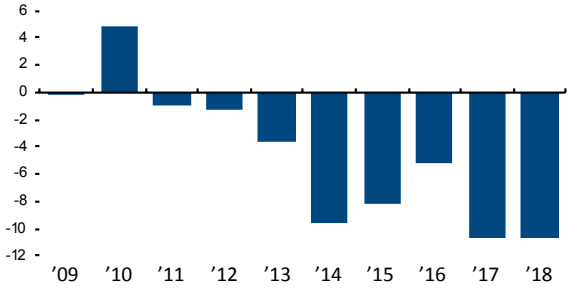
26 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

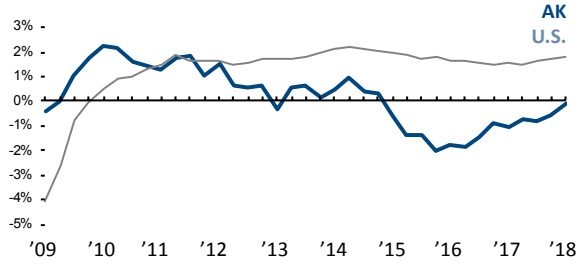
State Gross Domestic Product
Cumulative Growth 2008-2018 0.0% Rank: 49



Absolute Domestic Migration
Cumulative 2009-2018 -45,514 Rank: 31
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 1.2% Rank: 46



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	21	18	14	25	30	34	30

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	9.40%	42
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$37.66	39
Sales Tax Burden (per $1,000 of personal income)	$5.61	5
Remaining Tax Burden (per $1,000 of personal income)	$13.34	8
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.00	17
Debt Service as a Share of Tax Revenue	11.4%	50
Public Employees Per 10,000 of Population (full-time equivalent)	703.5	49
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.1	5
State Minimum Wage (federal floor is $7.25)	$10.19	37
Average Workers' Compensation Costs (per $100 of payroll)	$2.51	47
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Arizona

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

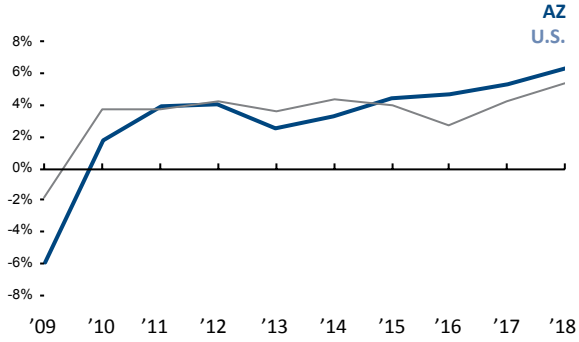
13 Economic Performance Rank

10 Economic Outlook Rank

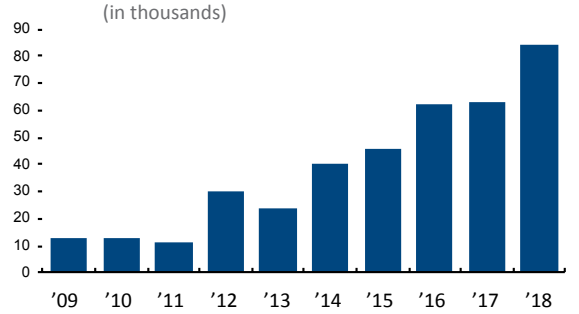
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

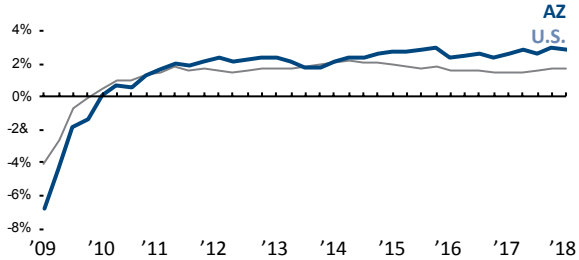
State Gross Domestic Product
Cumulative Growth 2008-2018 34.3% Rank: 29



Absolute Domestic Migration
Cumulative 2009-2018 385,647 Rank: 4
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 12.8% Rank: 14



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	6	7	5	5	8	5	11

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.50%	13
Top Marginal Corporate Income Tax Rate	4.90%	11
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$12.85	32
Property Tax Burden (per $1,000 of personal income)	$26.66	18
Sales Tax Burden (per $1,000 of personal income)	$33.25	43
Remaining Tax Burden (per $1,000 of personal income)	$11.11	1
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.12	22
Debt Service as a Share of Tax Revenue	7.7%	38
Public Employees Per 10,000 of Population (full-time equivalent)	388.7	2
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.8	17
State Minimum Wage (federal floor is $7.25)	$12.00	45
Average Workers' Compensation Costs (per $100 of payroll)	$1.30	11
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Arkansas

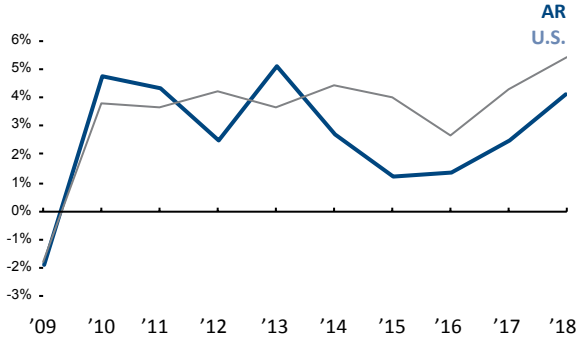
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

27 Economic Performance Rank

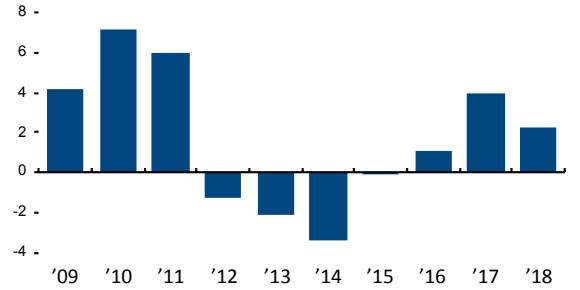
22 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

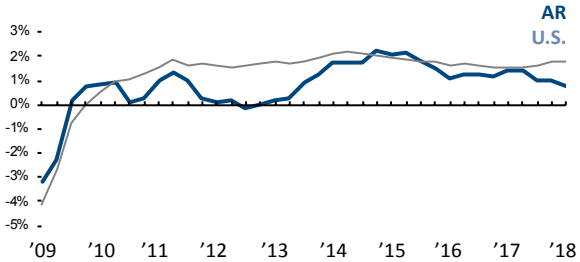
State Gross Domestic Product
Cumulative Growth 2008-2018 29.8% Rank: 37



Absolute Domestic Migration
Cumulative 2009-2018 17,767 Rank: 19
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 6.2% Rank: 28



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	24	26	22	20	23	22	23

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.60%	30
Top Marginal Corporate Income Tax Rate	6.50%	22
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.68	45
Property Tax Burden (per $1,000 of personal income)	$18.15	3
Sales Tax Burden (per $1,000 of personal income)	$37.07	46
Remaining Tax Burden (per $1,000 of personal income)	$16.61	24
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.47	29
Debt Service as a Share of Tax Revenue	4.5%	8
Public Employees Per 10,000 of Population (full-time equivalent)	562.2	38
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.5	30
State Minimum Wage (federal floor is $7.25)	$10.00	34
Average Workers' Compensation Costs (per $100 of payroll)	$0.90	3
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

California

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

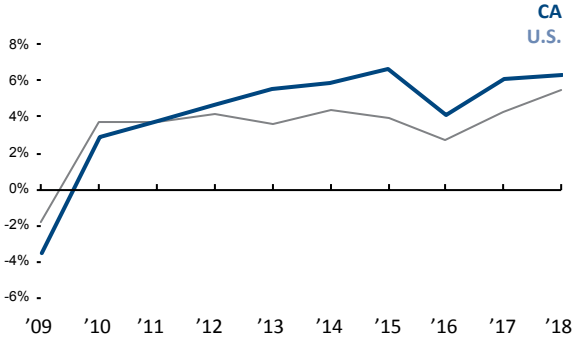
17 Economic Performance Rank

46 Economic Outlook Rank

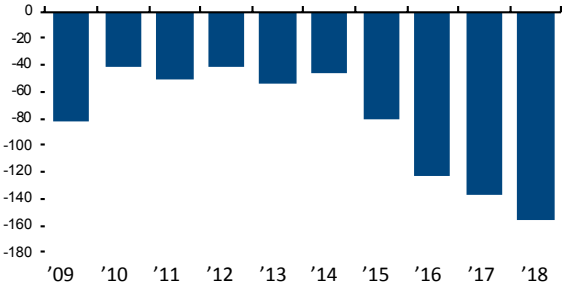
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

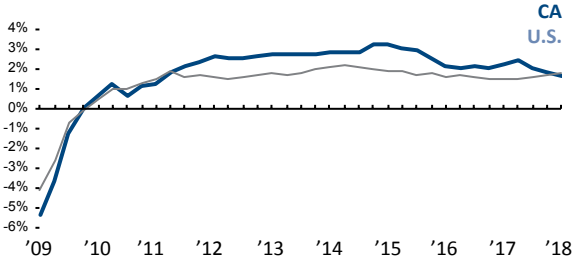
State Gross Domestic Product
Cumulative Growth 2008-2018 50.6% Rank: 5



Absolute Domestic Migration -811,801 Rank: 48
Cumulative 2009-2018
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 14.6% Rank: 8



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	47	47	44	46	47	47	47

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	13.30%	50
Top Marginal Corporate Income Tax Rate	8.84%	40
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$40.13	50
Property Tax Burden (per $1,000 of personal income)	$27.36	21
Sales Tax Burden (per $1,000 of personal income)	$21.21	22
Remaining Tax Burden (per $1,000 of personal income)	$15.69	15
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$1.43	41
Debt Service as a Share of Tax Revenue	8.3%	41
Public Employees Per 10,000 of Population (full-time equivalent)	473.4	7
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	60.2	48
State Minimum Wage (federal floor is $7.25)	$13.00	49
Average Workers' Compensation Costs (per $100 of payroll)	$2.87	49
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Colorado

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

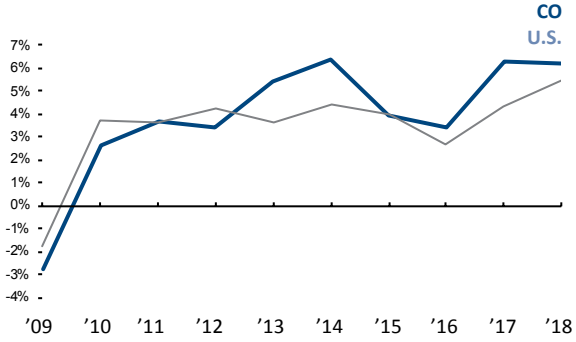
4 Economic Performance Rank

18 Economic Outlook Rank

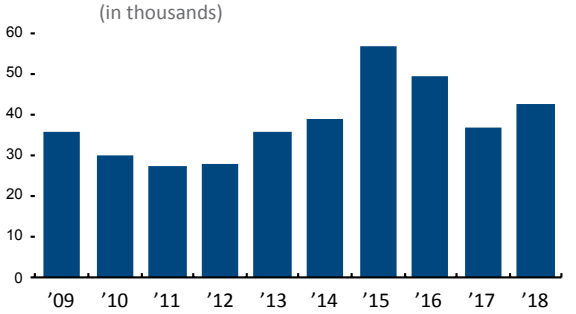
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

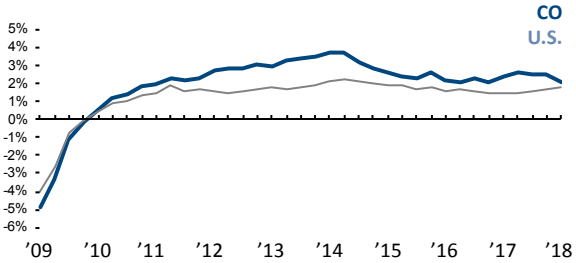
State Gross Domestic Product
Cumulative Growth 2008-2018 45.5% Rank: 9



Absolute Domestic Migration
Cumulative 2009-2018 380,134 Rank: 5
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 17.5% Rank: 4



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	16	22	21	16	15	15	18

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.63%	14
Top Marginal Corporate Income Tax Rate	4.63%	10
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.65	21
Property Tax Burden (per $1,000 of personal income)	$28.93	25
Sales Tax Burden (per $1,000 of personal income)	$25.11	32
Remaining Tax Burden (per $1,000 of personal income)	$13.06	6
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.16	23
Debt Service as a Share of Tax Revenue	8.5%	42
Public Employees Per 10,000 of Population (full-time equivalent)	526.1	25
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.7	21
State Minimum Wage (federal floor is $7.25)	$12.00	45
Average Workers' Compensation Costs (per $100 of payroll)	$1.43	16
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	3	1

Connecticut

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

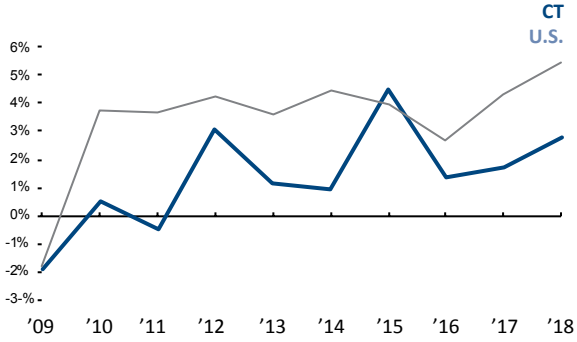
50 Economic Performance Rank

40 Economic Outlook Rank

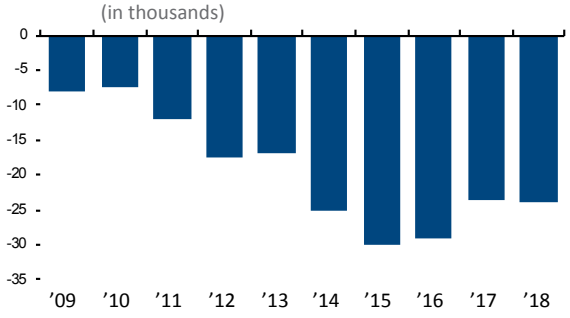
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

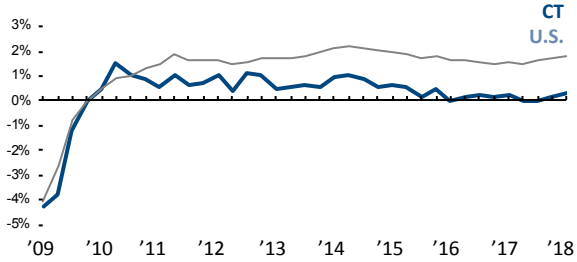
State Gross Domestic Product
Cumulative Growth 2008-2018 14.5% Rank: 48



Absolute Domestic Migration
Cumulative 2009-2018 -193,944 Rank: 43
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 0.2% Rank: 48



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	43	44	47	47	46	40	40

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.99%	36
Top Marginal Corporate Income Tax Rate	7.50%	31
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.67	22
Property Tax Burden (per $1,000 of personal income)	$42.68	44
Sales Tax Burden (per $1,000 of personal income)	$16.76	10
Remaining Tax Burden (per $1,000 of personal income)	$13.49	9
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$4.76	50
Debt Service as a Share of Tax Revenue	7.3%	34
Public Employees Per 10,000 of Population (full-time equivalent)	516.6	22
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.8	3
State Minimum Wage (federal floor is $7.25)	$11.00	40
Average Workers' Compensation Costs (per $100 of payroll)	$2.20	44
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Delaware

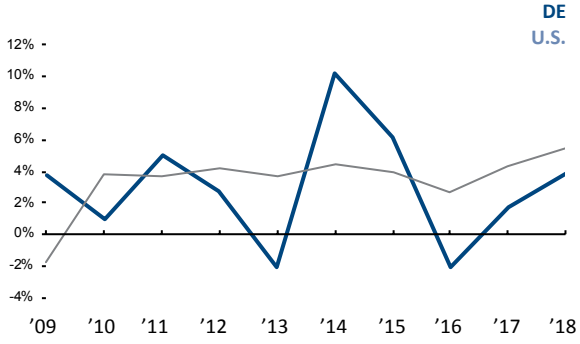
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

23 Economic Performance Rank

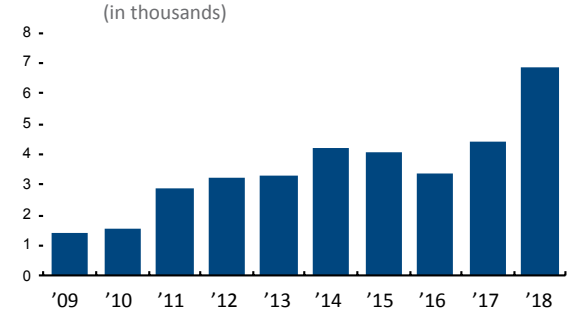
24 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

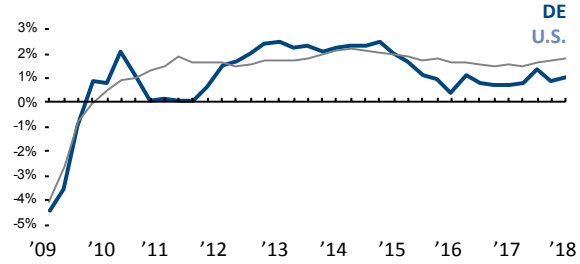
State Gross Domestic Product
Cumulative Growth 2008-2018 34.1% Rank: 30



Absolute Domestic Migration
Cumulative 2009-2018 35,284 Rank: 17
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 7.0% Rank: 24



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	30	27	38	44	37	36	36

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.85%	42
Top Marginal Corporate Income Tax Rate	11.80%	47
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$15.10	38
Property Tax Burden (per $1,000 of personal income)	$18.77	4
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$48.86	50
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.18	13
Debt Service as a Share of Tax Revenue	5.7%	21
Public Employees Per 10,000 of Population (full-time equivalent)	510.3	20
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	76.3	1
State Minimum Wage (federal floor is $7.25)	$9.25	29
Average Workers' Compensation Costs (per $100 of payroll)	$2.50	46
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Florida

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

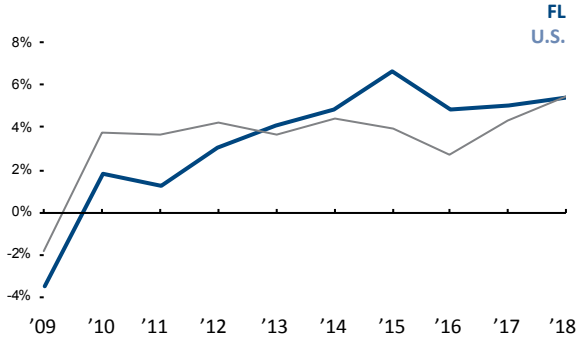
6 Economic Performance Rank

7 Economic Outlook Rank

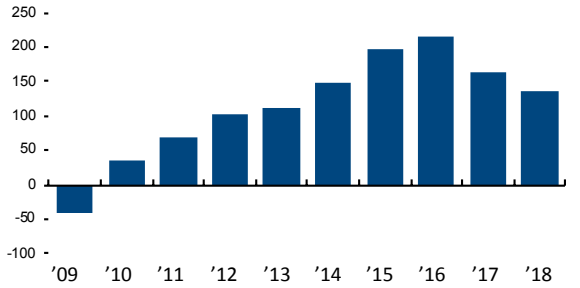
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

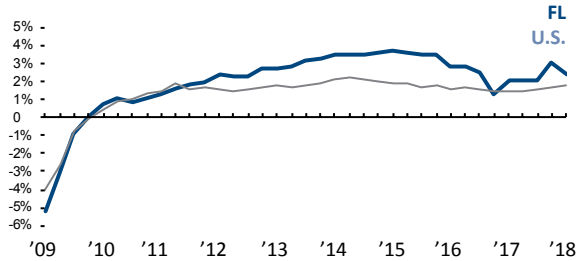
State Gross Domestic Product
Cumulative Growth 2008-2018 38.5% Rank: 21



Absolute Domestic Migration
Cumulative 2009-2018 1,139,015 Rank: 2
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 17.7% Rank: 3



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	9	16	15	8	6	6	9

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	4.46%	8
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$28.71	23
Sales Tax Burden (per $1,000 of personal income)	$28.57	39
Remaining Tax Burden (per $1,000 of personal income)	$19.08	32
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.94	5
Debt Service as a Share of Tax Revenue	6.3%	26
Public Employees Per 10,000 of Population (full-time equivalent)	422.4	3
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	62.3	46
State Minimum Wage (federal floor is $7.25)	$8.56	23
Average Workers' Compensation Costs (per $100 of payroll)	$1.81	30
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Georgia

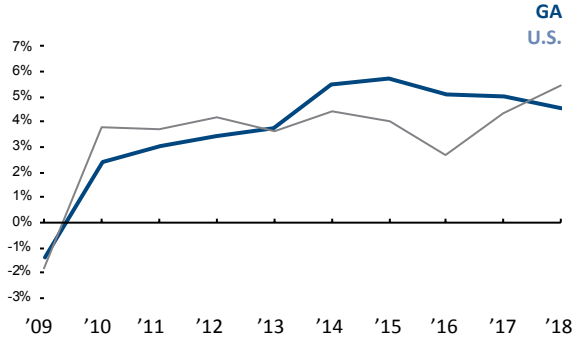
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

10 Economic Performance Rank

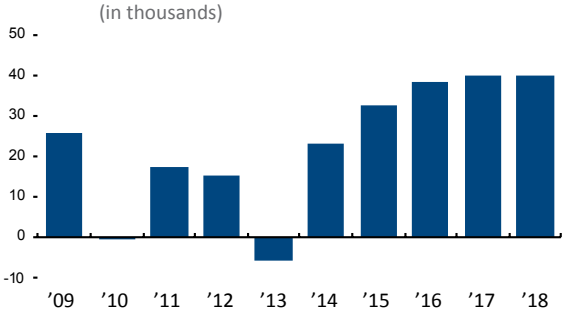
21 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

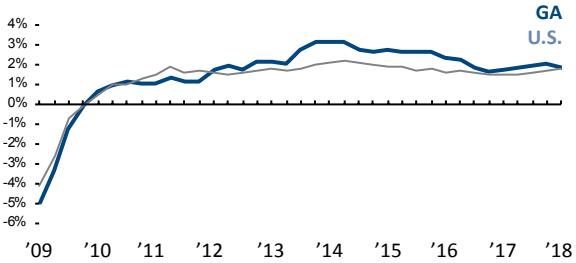
State Gross Domestic Product
Cumulative Growth 2008-2018 43.4% Rank: 13



Absolute Domestic Migration
Cumulative 2009-2018 225,386 Rank: 10
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 12.9% Rank: 13



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	8	9	7	19	17	11	20

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.75%	25
Top Marginal Corporate Income Tax Rate	6.40%	21
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.90	23
Property Tax Burden (per $1,000 of personal income)	$26.80	19
Sales Tax Burden (per $1,000 of personal income)	$20.59	21
Remaining Tax Burden (per $1,000 of personal income)	$12.44	3
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.74	34
Debt Service as a Share of Tax Revenue	6.0%	24
Public Employees Per 10,000 of Population (full-time equivalent)	497	16
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	66.1	41
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.27	45
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Hawaii

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

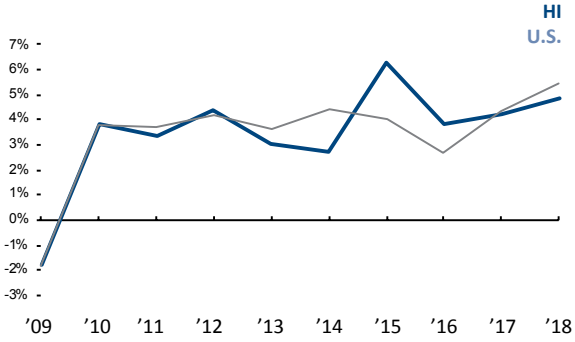
22 Economic Performance Rank

44 Economic Outlook Rank

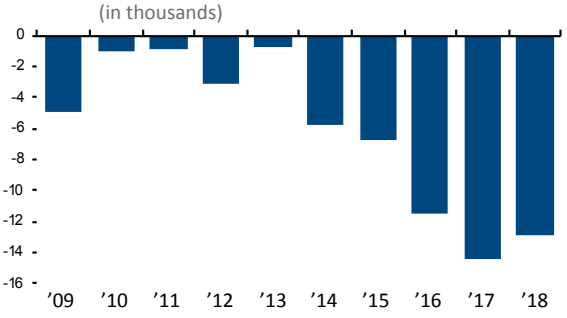
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

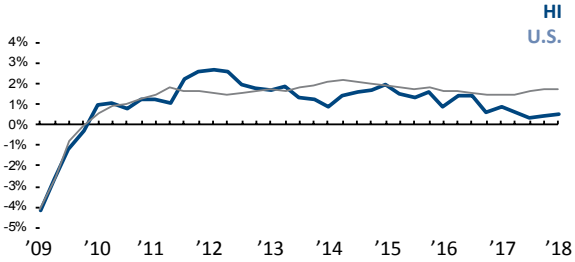
State Gross Domestic Product
Cumulative Growth 2008-2018 40.3% Rank: 15



Absolute Domestic Migration
Cumulative 2009-2018 -61,895 Rank: 36



Non-Farm Payroll Employment
Cumulative 2008-2018 8.0% Rank: 19



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	40	36	37	42	43	45	45

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	11.00%	47
Top Marginal Corporate Income Tax Rate	6.40%	20
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$13.54	34
Property Tax Burden (per $1,000 of personal income)	$23.70	13
Sales Tax Burden (per $1,000 of personal income)	$46.64	50
Remaining Tax Burden (per $1,000 of personal income)	$26.33	46
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.89	37
Debt Service as a Share of Tax Revenue	3.8%	4
Public Employees Per 10,000 of Population (full-time equivalent)	527.6	27
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.1	15
State Minimum Wage (federal floor is $7.25)	$10.10	36
Average Workers' Compensation Costs (per $100 of payroll)	$2.01	38
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Idaho

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

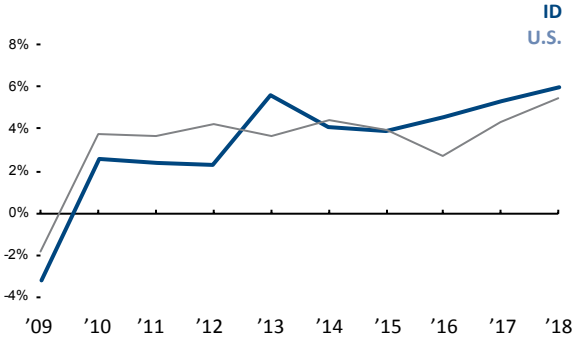
11 Economic Performance Rank

3 Economic Outlook Rank

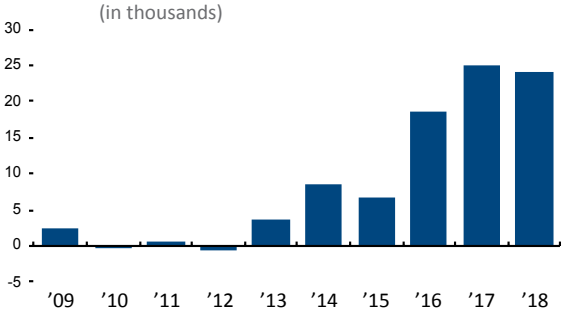
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

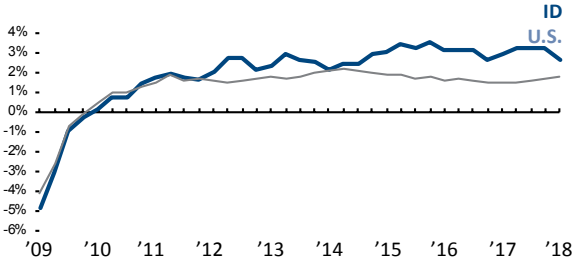
State Gross Domestic Product
Cumulative Growth 2008-2018 38.7% Rank: 19



Absolute Domestic Migration
Cumulative 2009-2018 88,444 Rank: 12
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 16.3% Rank: 6



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	7	5	6	15	10	2	2

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.93%	34
Top Marginal Corporate Income Tax Rate	6.93%	26
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$14.91	36
Property Tax Burden (per $1,000 of personal income)	$24.91	15
Sales Tax Burden (per $1,000 of personal income)	$23.57	26
Remaining Tax Burden (per $1,000 of personal income)	$15.56	13
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$1.31	2
Debt Service as a Share of Tax Revenue	3.8%	3
Public Employees Per 10,000 of Population (full-time equivalent)	487.7	9
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.2	9
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.81	30
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Illinois

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

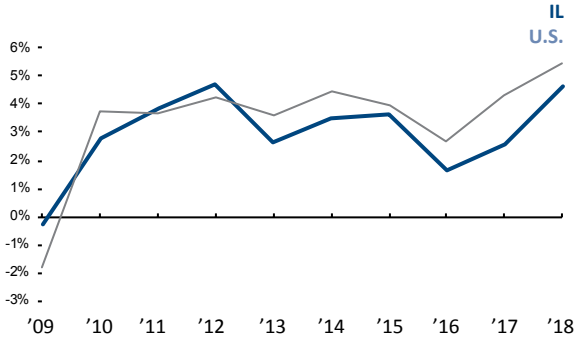
42 Economic Performance Rank

47 Economic Outlook Rank

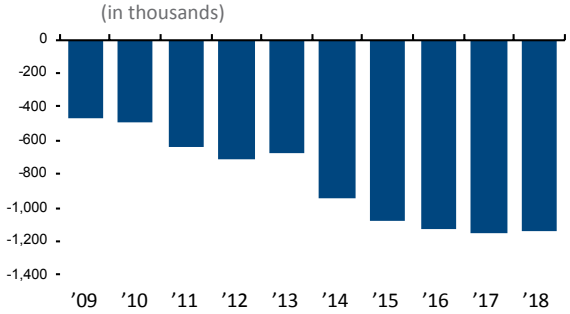
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

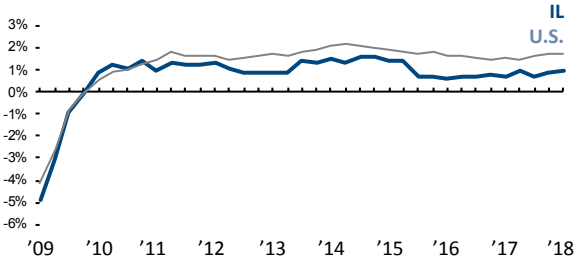
State Gross Domestic Product
Cumulative Growth 2008-2018 33.9% Rank: 31



Absolute Domestic Migration -843,799 Rank: 49
Cumulative 2009-2018
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 4.4% Rank: 37



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	48	48	40	43	44	48	48

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.95%	16
Top Marginal Corporate Income Tax Rate	9.50%	43
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$1.53	14
Property Tax Burden (per $1,000 of personal income)	$42.21	43
Sales Tax Burden (per $1,000 of personal income)	$21.25	23
Remaining Tax Burden (per $1,000 of personal income)	$21.43	39
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$3.95	48
Debt Service as a Share of Tax Revenue	10.1%	49
Public Employees Per 10,000 of Population (full-time equivalent)	483.5	8
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	59.6	50
State Minimum Wage (federal floor is $7.25)	$9.25	29
Average Workers' Compensation Costs (per $100 of payroll)	$1.80	29
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Indiana

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

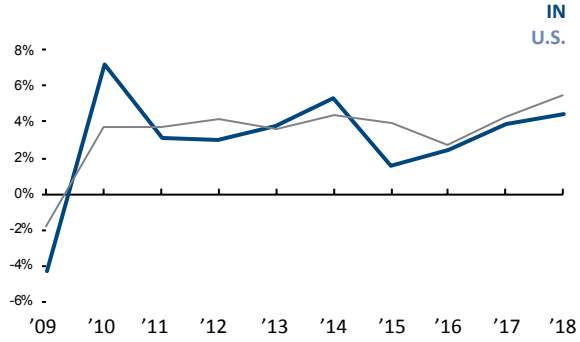
28 Economic Performance Rank

4 Economic Outlook Rank

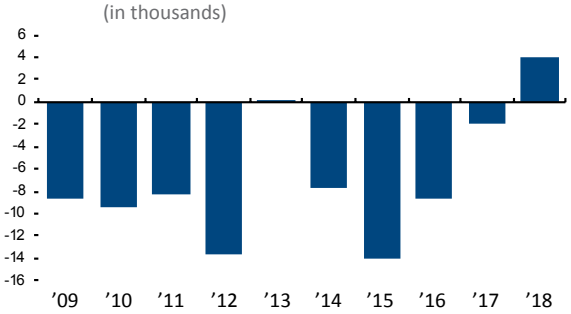
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

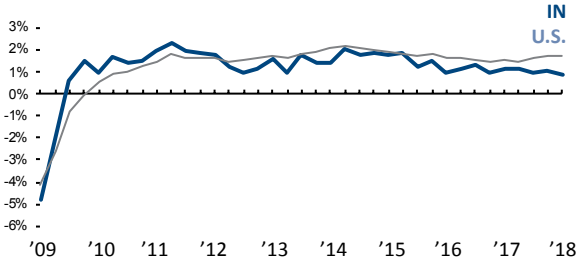
State Gross Domestic Product
Cumulative Growth 2008-2018 34.4% Rank: 28



Absolute Domestic Migration
Cumulative 2009-2018 -67,779 Rank: 37
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 7.8% Rank: 21



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	14	3	3	6	2	3	3

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.25%	22
Top Marginal Corporate Income Tax Rate	5.50%	15
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.70	13
Property Tax Burden (per $1,000 of personal income)	$23.45	12
Sales Tax Burden (per $1,000 of personal income)	$25.55	33
Remaining Tax Burden (per $1,000 of personal income)	$14.73	12
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.38	11
Debt Service as a Share of Tax Revenue	7.9%	39
Public Employees Per 10,000 of Population (full-time equivalent)	495.5	14
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.9	31
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$0.87	2
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Iowa

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

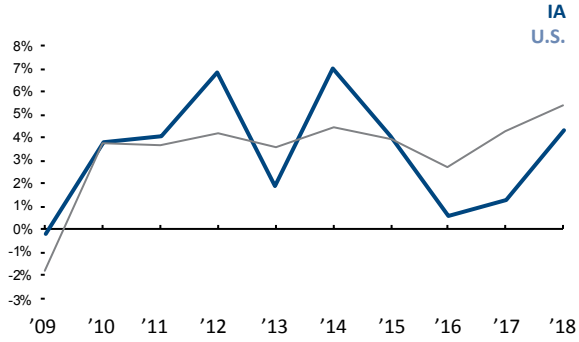
25 Economic Performance Rank

27 Economic Outlook Rank

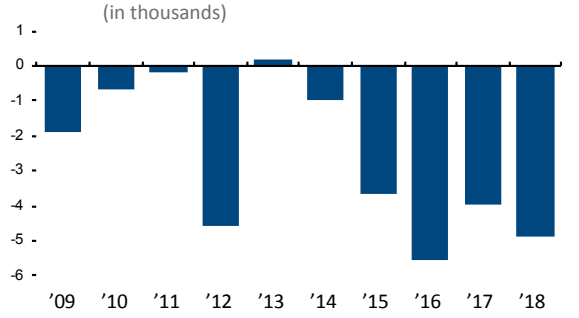
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

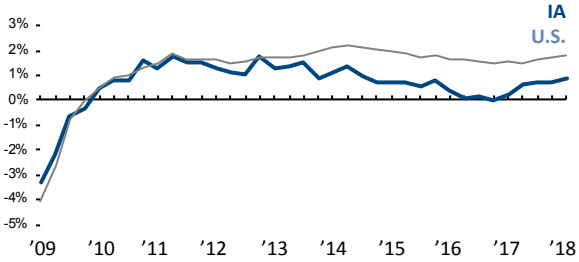
State Gross Domestic Product
Cumulative Growth 2008-2018 38.9% Rank: 18



Absolute Domestic Migration
Cumulative 2009-2018 -26,159 Rank: 27
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 4.5% Rank: 34



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	25	25	25	29	29	29	25

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.37%	23
Top Marginal Corporate Income Tax Rate	11.67%	46
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$13.11	33
Property Tax Burden (per $1,000 of personal income)	$34.81	36
Sales Tax Burden (per $1,000 of personal income)	$24.06	29
Remaining Tax Burden (per $1,000 of personal income)	$19.16	33
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.44	9
Debt Service as a Share of Tax Revenue	4.1%	6
Public Employees Per 10,000 of Population (full-time equivalent)	590.4	41
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.6	23
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.64	21
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Kansas

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

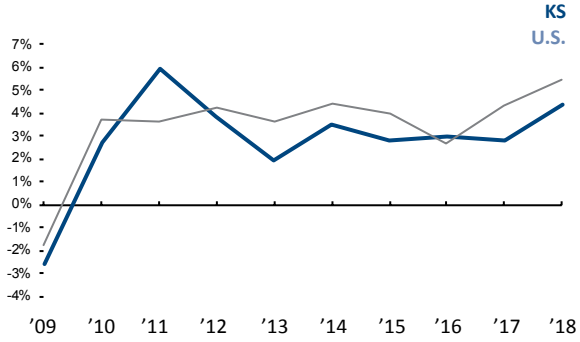
41 Economic Performance Rank

25 Economic Outlook Rank

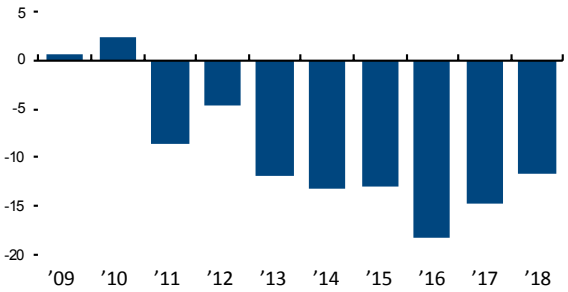
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

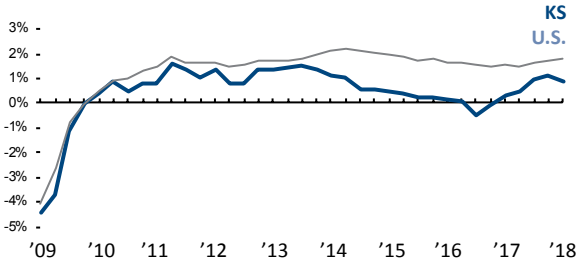
State Gross Domestic Product
Cumulative Growth 2008-2018 31.8% Rank: 33



Absolute Domestic Migration
Cumulative 2009-2018 -92,771 Rank: 40
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 2.4% Rank: 43



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	11	15	18	27	26	26	26

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.70%	24
Top Marginal Corporate Income Tax Rate	7.00%	28
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$10.09	27
Property Tax Burden (per $1,000 of personal income)	$32.20	33
Sales Tax Burden (per $1,000 of personal income)	$30.64	40
Remaining Tax Burden (per $1,000 of personal income)	$13.75	10
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.00	17
Debt Service as a Share of Tax Revenue	7.0%	31
Public Employees Per 10,000 of Population (full-time equivalent)	695.0	48
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.8	32
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.15	6
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Kentucky

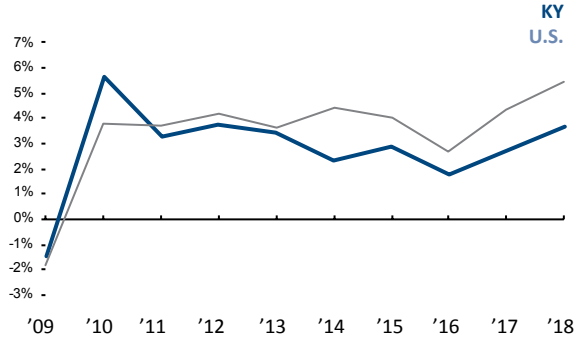
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

26 Economic Performance Rank

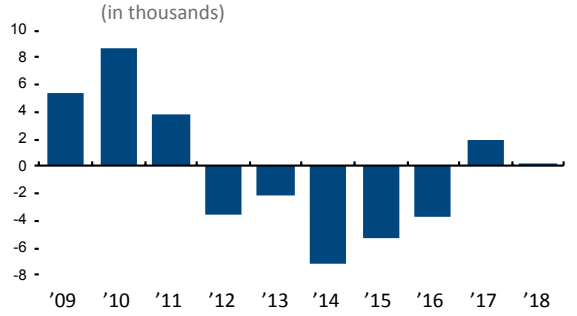
31 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

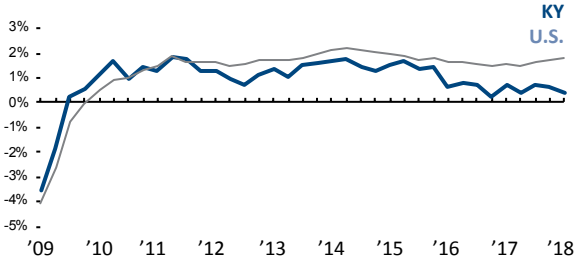
State Gross Domestic Product
Cumulative Growth 2008-2018 31.6% Rank: 34



Absolute Domestic Migration
Cumulative 2009-2018 -1,636 Rank: 23
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 6.6% Rank: 26



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	38	39	30	33	33	31	33

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.20%	39
Top Marginal Corporate Income Tax Rate	7.20%	30
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$1.77	15
Property Tax Burden (per $1,000 of personal income)	$20.65	7
Sales Tax Burden (per $1,000 of personal income)	$19.48	15
Remaining Tax Burden (per $1,000 of personal income)	$19.63	36
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$1.01	38
Debt Service as a Share of Tax Revenue	8.6%	43
Public Employees Per 10,000 of Population (full-time equivalent)	546.3	35
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	66.5	40
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.51	18
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Louisiana

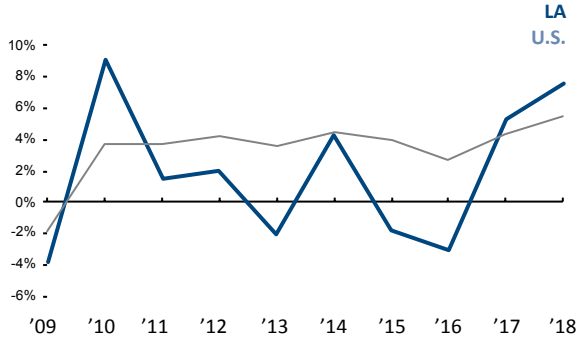
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

44 Economic Performance Rank

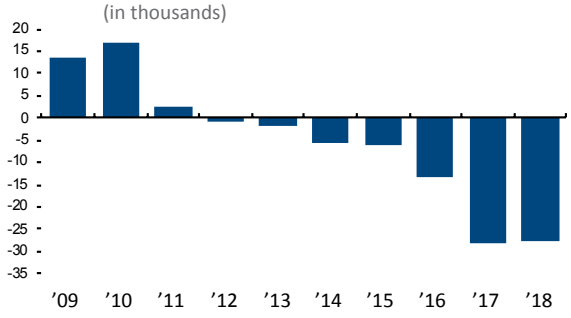
30 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

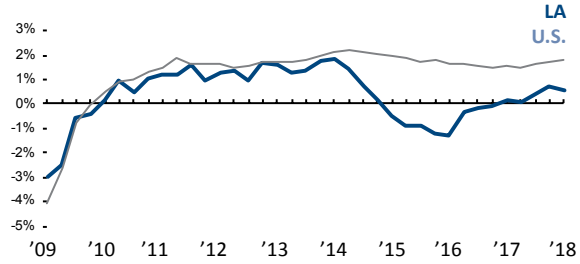
State Gross Domestic Product
Cumulative Growth 2008-2018 19.6% Rank: 46



Absolute Domestic Migration
Cumulative 2009-2018 -50,043 Rank: 33
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 2.0% Rank: 44



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	28	29	26	28	28	27	27

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	3.78%	11
Top Marginal Corporate Income Tax Rate	6.32%	19
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$11.04	28
Property Tax Burden (per $1,000 of personal income)	$20.78	8
Sales Tax Burden (per $1,000 of personal income)	$42.72	49
Remaining Tax Burden (per $1,000 of personal income)	$18.34	28
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$2.09	45
Debt Service as a Share of Tax Revenue	7.3%	35
Public Employees Per 10,000 of Population (full-time equivalent)	553.7	37
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	60.0	49
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.05	41
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Maine

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

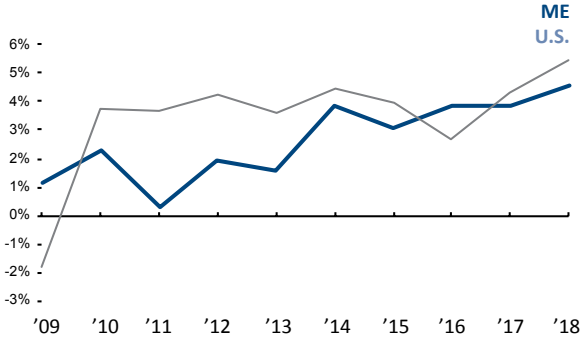
35 Economic Performance Rank

41 Economic Outlook Rank

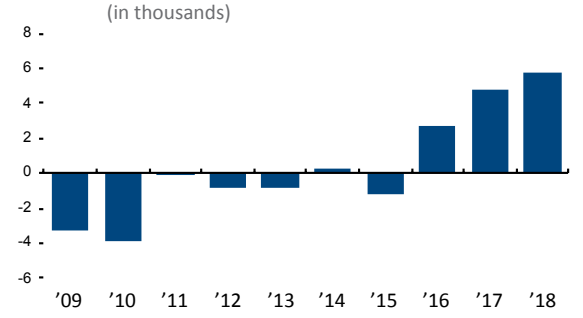
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

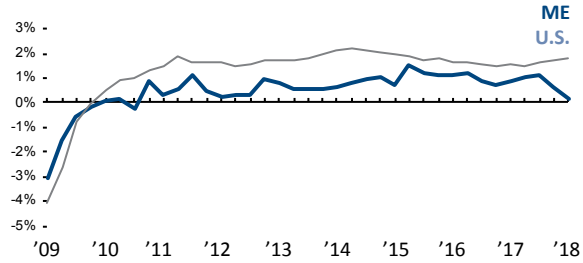
State Gross Domestic Product
Cumulative Growth 2008-2018 29.8% Rank: 36



Absolute Domestic Migration
Cumulative 2009-2018 3,499 Rank: 21
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 1.8% Rank: 45



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	41	40	42	38	42	42	42

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.15%	38
Top Marginal Corporate Income Tax Rate	8.93%	41
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$25.43	48
Property Tax Burden (per $1,000 of personal income)	$46.96	46
Sales Tax Burden (per $1,000 of personal income)	$23.72	27
Remaining Tax Burden (per $1,000 of personal income)	$17.64	26
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.15	14
Debt Service as a Share of Tax Revenue	4.0%	5
Public Employees Per 10,000 of Population (full-time equivalent)	520.4	24
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.8	2
State Minimum Wage (federal floor is $7.25)	$12.00	45
Average Workers' Compensation Costs (per $100 of payroll)	$1.84	32
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Maryland

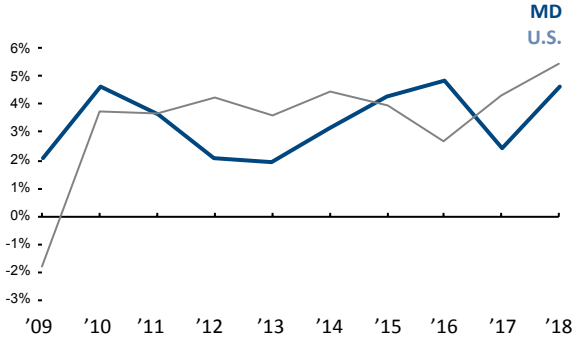
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

30 Economic Performance Rank

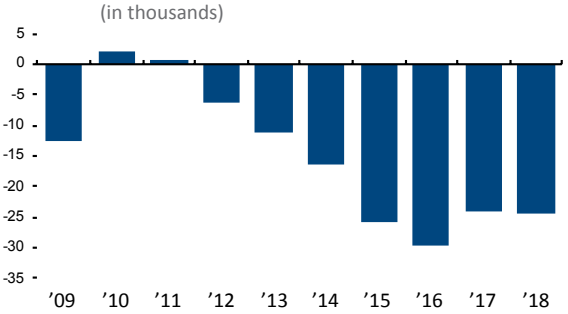
37 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

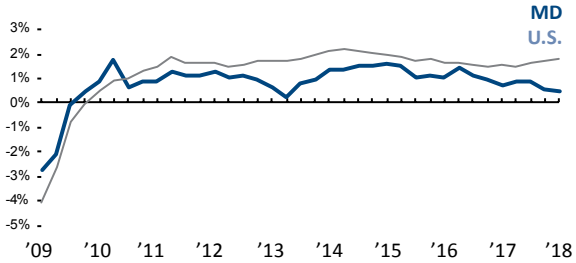
State Gross Domestic Product
Cumulative Growth 2008-2018 39.2% Rank: 17



Absolute Domestic Migration
Cumulative 2009-2018 -147,651 Rank: 42
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 6.4% Rank: 27



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	35	34	33	31	34	32	35

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	8.95%	44
Top Marginal Corporate Income Tax Rate	8.25%	38
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$8.95	26
Property Tax Burden (per $1,000 of personal income)	$27.21	20
Sales Tax Burden (per $1,000 of personal income)	$12.83	8
Remaining Tax Burden (per $1,000 of personal income)	$22.74	43
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$1.07	4
Debt Service as a Share of Tax Revenue	5.2%	15
Public Employees Per 10,000 of Population (full-time equivalent)	502.9	17
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.7	27
State Minimum Wage (federal floor is $7.25)	$11.00	40
Average Workers' Compensation Costs (per $100 of payroll)	$1.33	12
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Massachusetts

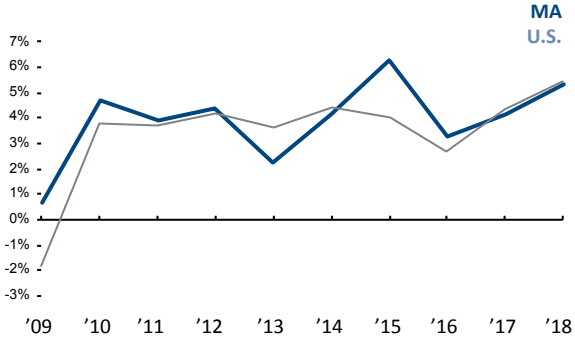
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

18 Economic Performance Rank

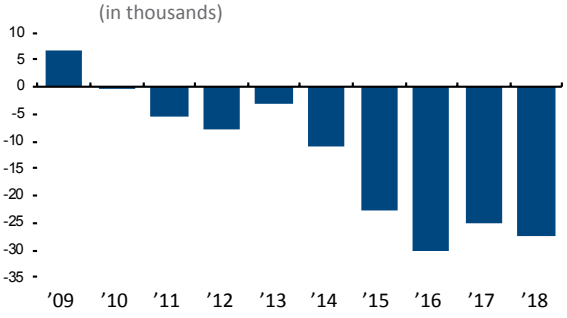
35 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

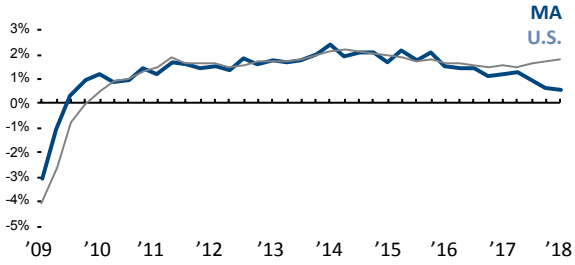
State Gross Domestic Product
Cumulative Growth 2008-2018 46.6% Rank: 6



Absolute Domestic Migration -125,348 Rank: 41
Cumulative 2009-2018
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 10.4% Rank: 16



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	29	28	28	26	25	25	28

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	18
Top Marginal Corporate Income Tax Rate	8.00%	36
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$2.93	17
Property Tax Burden (per $1,000 of personal income)	$36.55	38
Sales Tax Burden (per $1,000 of personal income)	$13.66	9
Remaining Tax Burden (per $1,000 of personal income)	$11.35	2
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$1.72	43
Debt Service as a Share of Tax Revenue	8.7%	44
Public Employees Per 10,000 of Population (full-time equivalent)	494.3	13
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.6	28
State Minimum Wage (federal floor is $7.25)	$12.75	48
Average Workers' Compensation Costs (per $100 of payroll)	$1.37	13
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Michigan

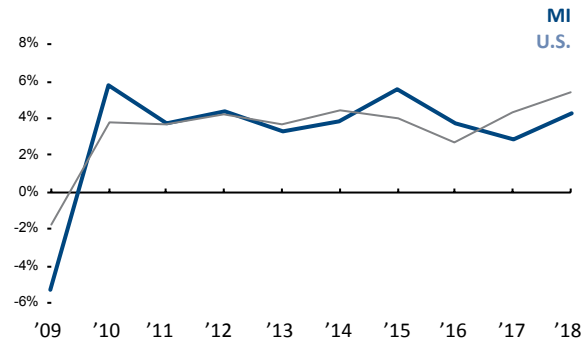
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

32 Economic Performance Rank

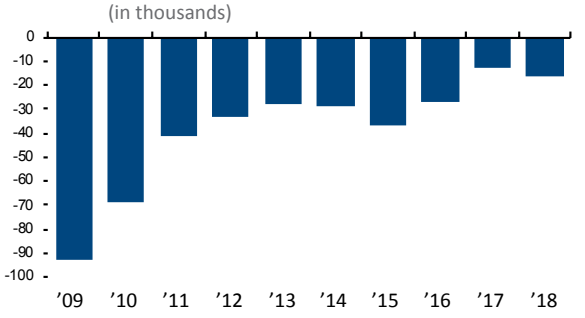
14 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

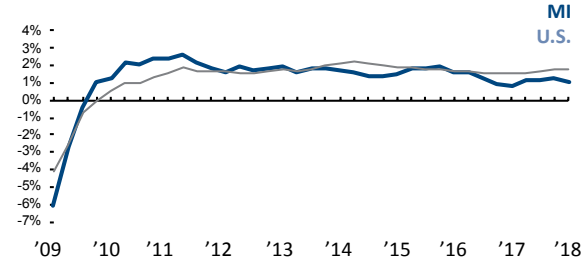
State Gross Domestic Product
Cumulative Growth 2008-2018 36.5% Rank: 23



Absolute Domestic Migration -385,458 Rank: 46
Cumulative 2009-2018
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 7.9% Rank: 20



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	20	12	24	22	20	18	12

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.65%	31
Top Marginal Corporate Income Tax Rate	8.00%	36
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$2.69	16
Property Tax Burden (per $1,000 of personal income)	$31.11	30
Sales Tax Burden (per $1,000 of personal income)	$20.32	20
Remaining Tax Burden (per $1,000 of personal income)	$15.83	18
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.66	8
Debt Service as a Share of Tax Revenue	7.0%	32
Public Employees Per 10,000 of Population (full-time equivalent)	436.9	4
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.8	33
State Minimum Wage (federal floor is $7.25)	$9.65	33
Average Workers' Compensation Costs (per $100 of payroll)	$1.38	14
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Minnesota

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

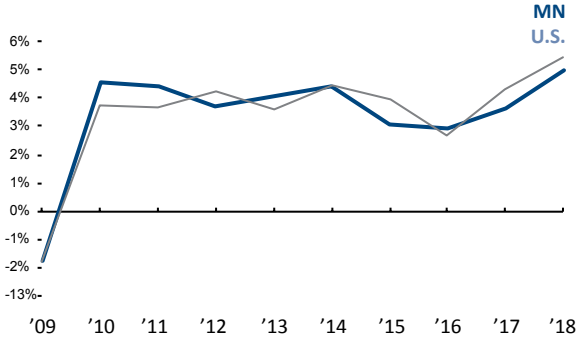
20 Economic Performance Rank

45 Economic Outlook Rank

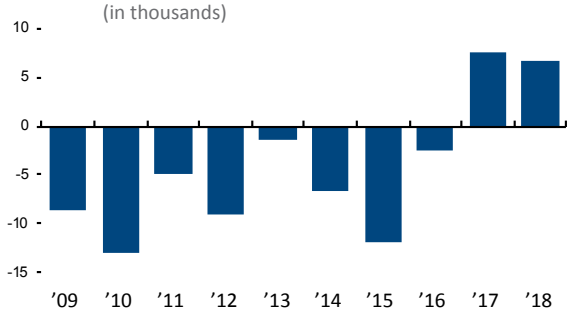
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

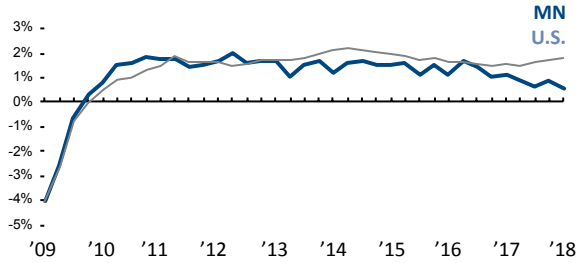
State Gross Domestic Product
Cumulative Growth 2008-2018 39.4% Rank: 16



Absolute Domestic Migration
Cumulative 2009-2018 -43,711 Rank: 30
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 7.6% Rank: 22



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	46	46	48	45	45	44	41

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	9.85%	45
Top Marginal Corporate Income Tax Rate	9.80%	44
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$19.89	46
Property Tax Burden (per $1,000 of personal income)	$29.62	28
Sales Tax Burden (per $1,000 of personal income)	$20.32	19
Remaining Tax Burden (per $1,000 of personal income)	$23.79	44
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.71	7
Debt Service as a Share of Tax Revenue	5.1%	14
Public Employees Per 10,000 of Population (full-time equivalent)	539.3	33
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.7	20
State Minimum Wage (federal floor is $7.25)	$10.00	34
Average Workers' Compensation Costs (per $100 of payroll)	$1.67	23
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Mississippi

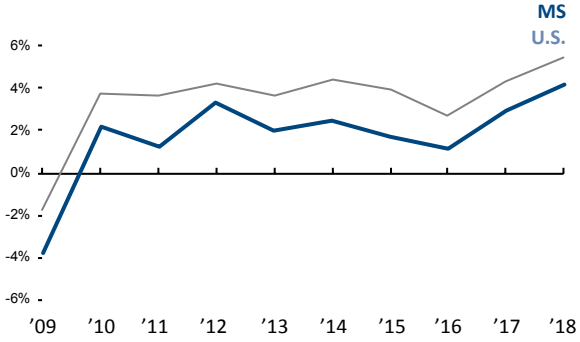
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

49 Economic Performance Rank

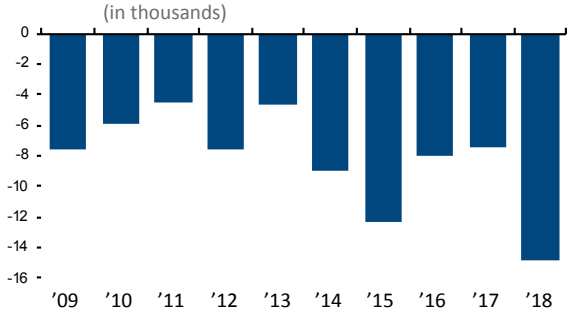
20 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

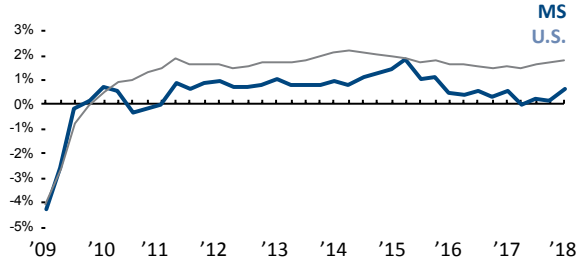
State Gross Domestic Product
Cumulative Growth 2008-2018 18.6% Rank: 47



Absolute Domestic Migration
Cumulative 2009-2018 -81,914 Rank: 38



Non-Farm Payroll Employment
Cumulative 2008-2018 2.5% Rank: 42



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	10	14	20	17	22	24	19

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	18
Top Marginal Corporate Income Tax Rate	5.00%	13
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.93	24
Property Tax Burden (per $1,000 of personal income)	$28.30	22
Sales Tax Burden (per $1,000 of personal income)	$32.83	42
Remaining Tax Burden (per $1,000 of personal income)	$19.94	37
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.41	10
Debt Service as a Share of Tax Revenue	5.3%	16
Public Employees Per 10,000 of Population (full-time equivalent)	626.5	45
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	61.9	47
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.54	20
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Missouri

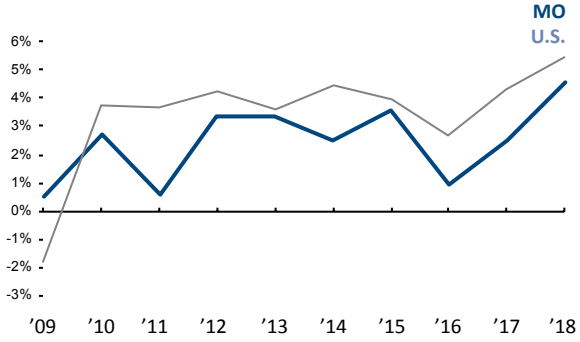
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

40 Economic Performance Rank

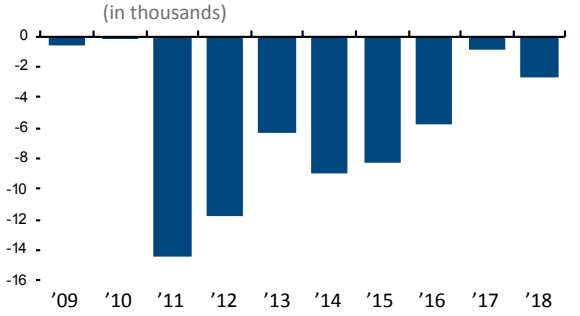
19 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

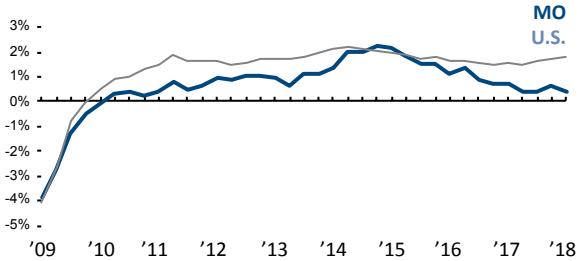
State Gross Domestic Product
Cumulative Growth 2008-2018 27.3% Rank: 41



Absolute Domestic Migration
Cumulative 2009-2018 -60,137 Rank: 35
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 4.0% Rank: 39



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	23	24	27	24	24	23	22

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.40%	28
Top Marginal Corporate Income Tax Rate	4.58%	9
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$12.53	31
Property Tax Burden (per $1,000 of personal income)	$23.13	11
Sales Tax Burden (per $1,000 of personal income)	$23.32	24
Remaining Tax Burden (per $1,000 of personal income)	$13.30	7
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.07	15
Debt Service as a Share of Tax Revenue	7.6%	37
Public Employees Per 10,000 of Population (full-time equivalent)	520.1	23
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	64.4	44
State Minimum Wage (federal floor is $7.25)	$9.45	32
Average Workers' Compensation Costs (per $100 of payroll)	$1.68	24
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	3	1

Montana

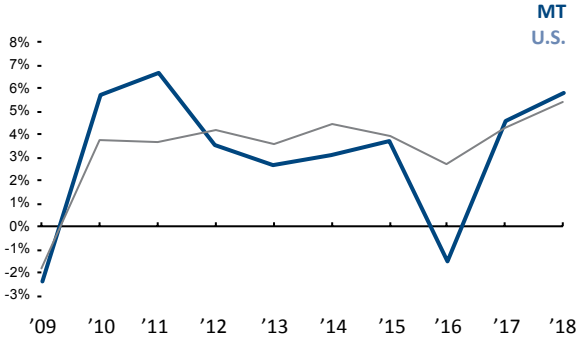
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

15 Economic Performance Rank

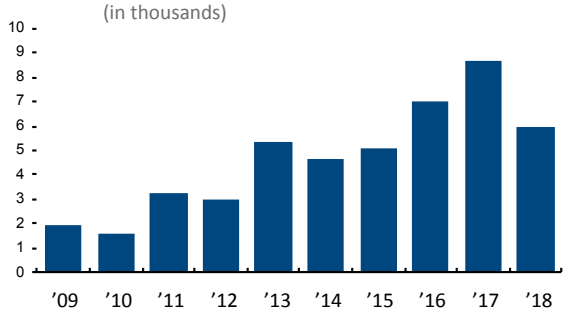
33 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

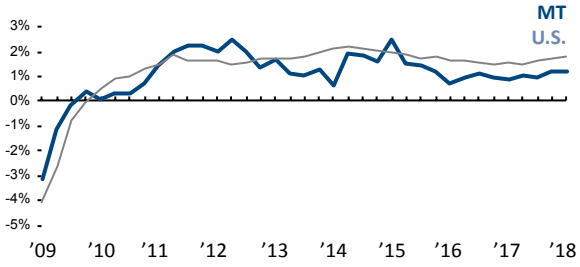
State Gross Domestic Product
Cumulative Growth 2008-2018 36.5% Rank: 24



Absolute Domestic Migration
Cumulative 2009-2018 46,609 Rank: 15
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 8.2% Rank: 18



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	42	43	43	40	39	43	39

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.90%	33
Top Marginal Corporate Income Tax Rate	6.75%	25
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.12	42
Property Tax Burden (per $1,000 of personal income)	$35.39	37
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$20.65	38
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.20	26
Debt Service as a Share of Tax Revenue	4.6%	9
Public Employees Per 10,000 of Population (full-time equivalent)	538.3	32
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.5	7
State Minimum Wage (federal floor is $7.25)	$8.65	24
Average Workers' Compensation Costs (per $100 of payroll)	$2.01	38
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Nebraska

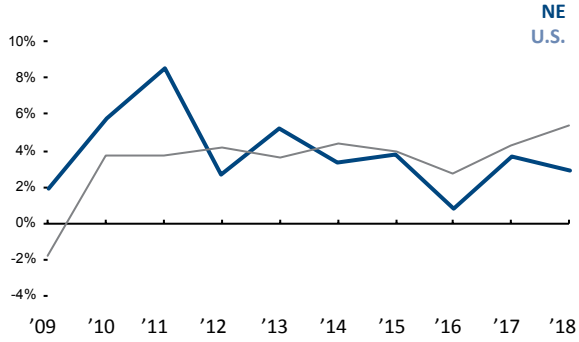
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

19 Economic Performance Rank

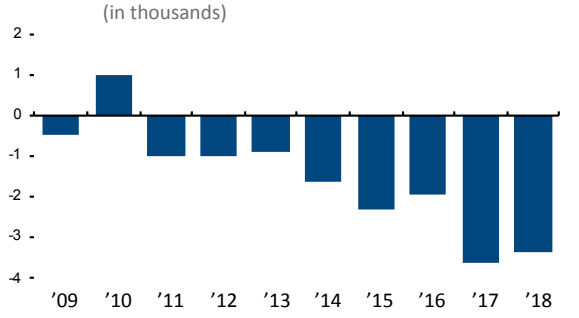
36 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

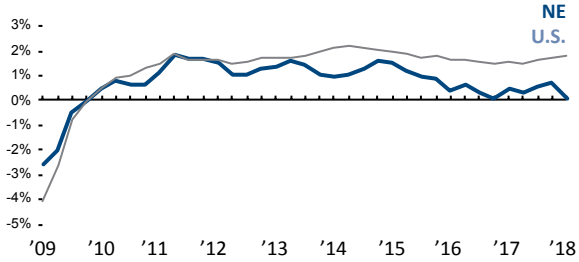
State Gross Domestic Product
Cumulative Growth 2008-2018 45.5% Rank: 8



Absolute Domestic Migration
Cumulative 2009-2018 -15,199 Rank: 26
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 5.5% Rank: 30



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	37	35	31	32	32	28	34

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.84%	32
Top Marginal Corporate Income Tax Rate	7.81%	34
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.66	44
Property Tax Burden (per $1,000 of personal income)	$39.19	41
Sales Tax Burden (per $1,000 of personal income)	$23.38	25
Remaining Tax Burden (per $1,000 of personal income)	$13.87	11
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$3.18	1
Debt Service as a Share of Tax Revenue	5.7%	22
Public Employees Per 10,000 of Population (full-time equivalent)	631.6	46
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.3	8
State Minimum Wage (federal floor is $7.25)	$9.00	27
Average Workers' Compensation Costs (per $100 of payroll)	$1.70	25
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Nevada

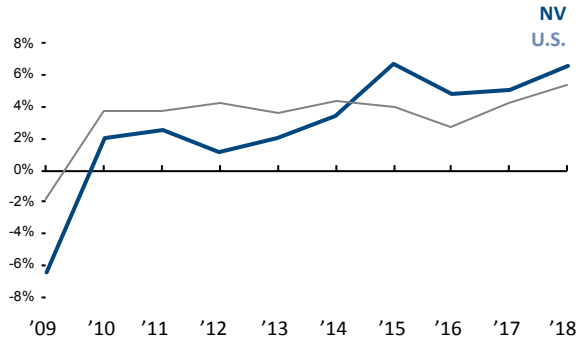
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

14 Economic Performance Rank

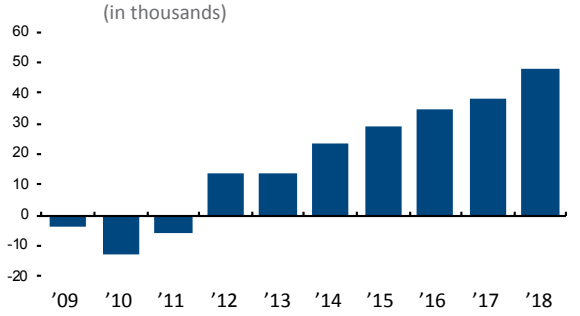
6 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

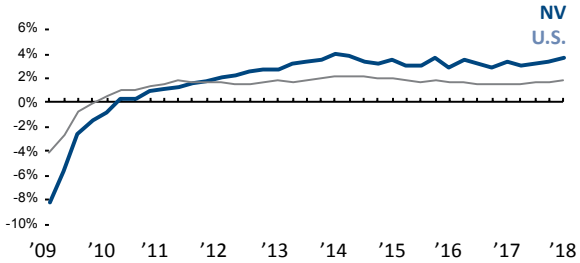
State Gross Domestic Product
Cumulative Growth 2008-2018 30.9% Rank: 35



Absolute Domestic Migration
Cumulative 2009-2018 178,026 Rank: 11
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 14.5% Rank: 9



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	13	8	10	14	13	13	5

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	0.66%	3
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$22.20	9
Sales Tax Burden (per $1,000 of personal income)	$40.51	47
Remaining Tax Burden (per $1,000 of personal income)	$35.42	49
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.46	28
Debt Service as a Share of Tax Revenue	7.3%	36
Public Employees Per 10,000 of Population (full-time equivalent)	383.0	1
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.5	29
State Minimum Wage (federal floor is $7.25)	$8.25	22
Average Workers' Compensation Costs (per $100 of payroll)	$1.18	8
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

New Hampshire

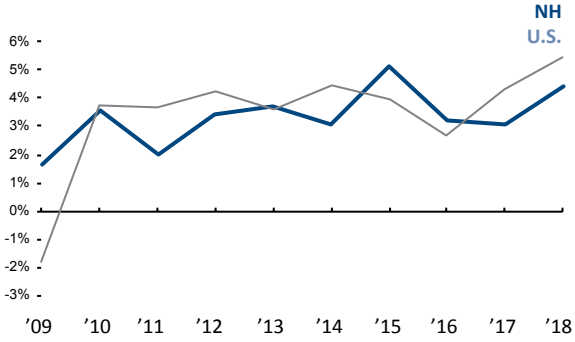
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

24 Economic Performance Rank

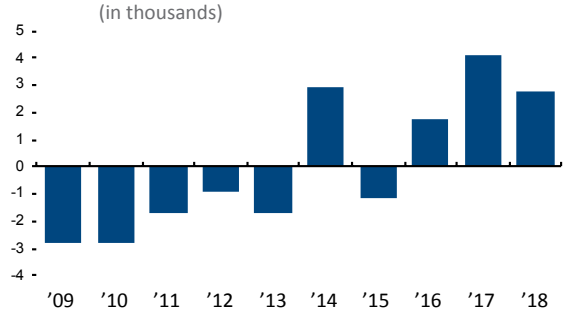
17 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

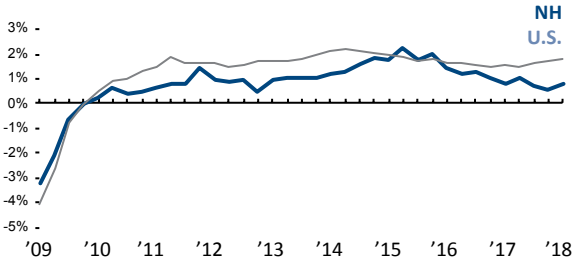
State Gross Domestic Product
Cumulative Growth 2008-2018 38.7% Rank: 20



Absolute Domestic Migration
Cumulative 2009-2018 588 Rank: 22
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 5.7% Rank: 29



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	27	32	29	23	18	17	16

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	7.70%	33
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$57.90	50
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$19.51	35
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.37	12
Debt Service as a Share of Tax Revenue	6.8%	29
Public Employees Per 10,000 of Population (full-time equivalent)	515.5	21
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.7	18
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.70	25
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

New Jersey

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

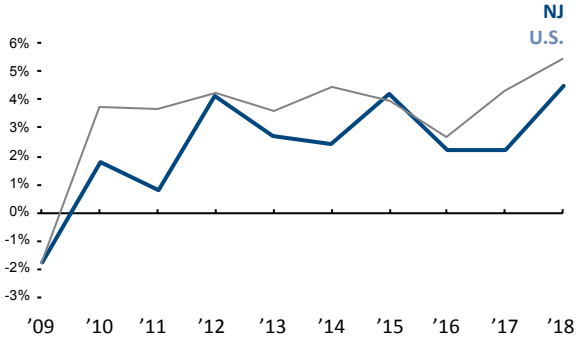
45 Economic Performance Rank

48 Economic Outlook Rank

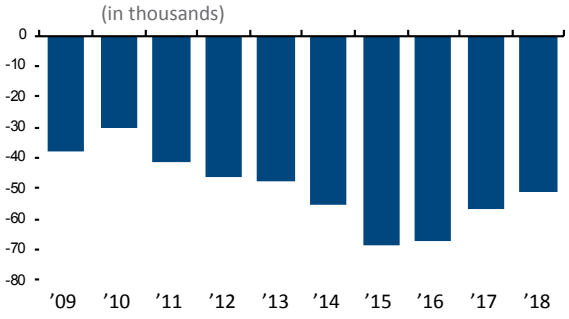
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

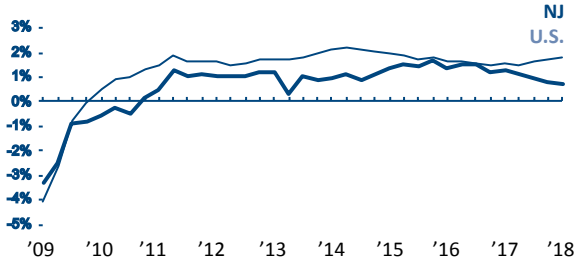
State Gross Domestic Product
Cumulative Growth 2008-2018 25.6% Rank: 43



Absolute Domestic Migration
Cumulative 2009-2018 -501,674 Rank: 47



Non-Farm Payroll Employment
Cumulative 2008-2018 4.8% Rank: 33



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	39	45	46	48	48	46	46

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	11.75%	48
Top Marginal Corporate Income Tax Rate	10.50%	45
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$24.81	47
Property Tax Burden (per $1,000 of personal income)	$51.51	48
Sales Tax Burden (per $1,000 of personal income)	$16.97	11
Remaining Tax Burden (per $1,000 of personal income)	$12.82	4
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$1.24	40
Debt Service as a Share of Tax Revenue	5.5%	18
Public Employees Per 10,000 of Population (full-time equivalent)	531.8	30
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	65.4	43
State Minimum Wage (federal floor is $7.25)	$11.00	40
Average Workers' Compensation Costs (per $100 of payroll)	$2.84	48
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

New Mexico

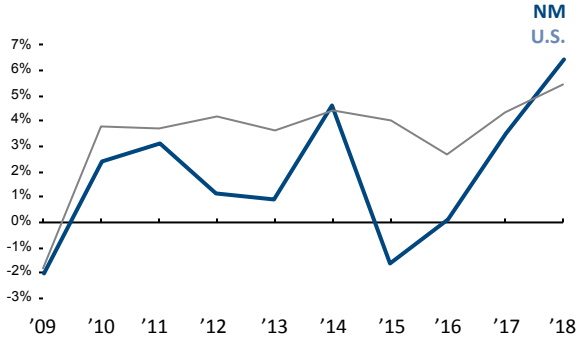
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

47 Economic Performance Rank

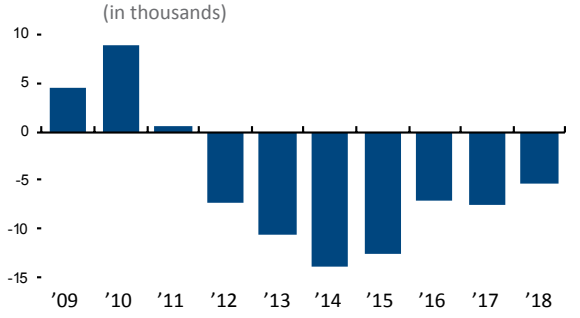
34 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

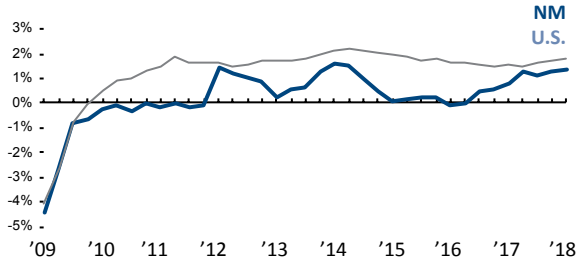
State Gross Domestic Product
Cumulative Growth 2008-2018 19.8% Rank: 45



Absolute Domestic Migration
Cumulative 2009-2018 -50,189 Rank: 34
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 0.5% Rank: 47



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	33	37	34	34	35	35	29

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.90%	15
Top Marginal Corporate Income Tax Rate	5.90%	16
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$11.83	30
Property Tax Burden (per $1,000 of personal income)	$20.25	6
Sales Tax Burden (per $1,000 of personal income)	$41.01	48
Remaining Tax Burden (per $1,000 of personal income)	$15.72	16
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$2.32	46
Debt Service as a Share of Tax Revenue	7.0%	30
Public Employees Per 10,000 of Population (full-time equivalent)	594.0	42
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.6	22
State Minimum Wage (federal floor is $7.25)	$9.00	27
Average Workers' Compensation Costs (per $100 of payroll)	$1.50	17
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

New York

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

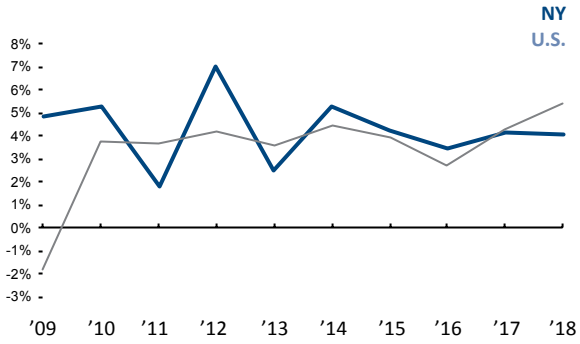
21 Economic Performance Rank

50 Economic Outlook Rank

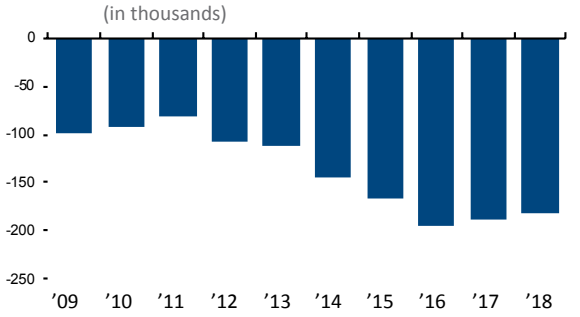
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

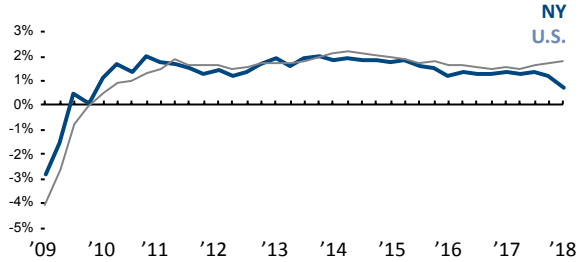
State Gross Domestic Product
Cumulative Growth 2008-2018 51.8% Rank: 4



Absolute Domestic Migration
Cumulative 2009-2018 -1,366,465 Rank: 50



Non-Farm Payroll Employment
Cumulative 2008-2018 10.9% Rank: 15



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	49	50	50	50	50	50	50

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	12.70%	49
Top Marginal Corporate Income Tax Rate	17.26%	50
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$17.30	41
Property Tax Burden (per $1,000 of personal income)	$45.90	45
Sales Tax Burden (per $1,000 of personal income)	$24.53	30
Remaining Tax Burden (per $1,000 of personal income)	$19.01	30
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$1.84	44
Debt Service as a Share of Tax Revenue	9.6%	48
Public Employees Per 10,000 of Population (full-time equivalent)	616.7	43
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.7	36
State Minimum Wage (federal floor is $7.25)	$11.80	44
Average Workers' Compensation Costs (per $100 of payroll)	$3.08	50
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

North Carolina

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

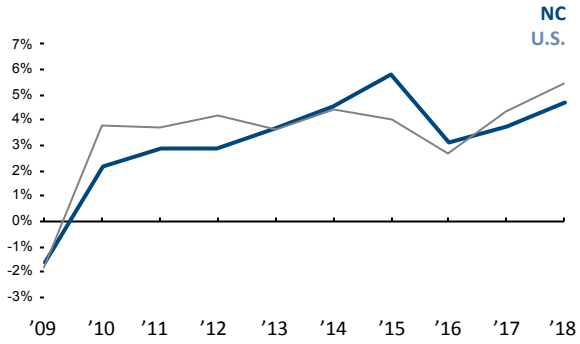
12 Economic Performance Rank

5 Economic Outlook Rank

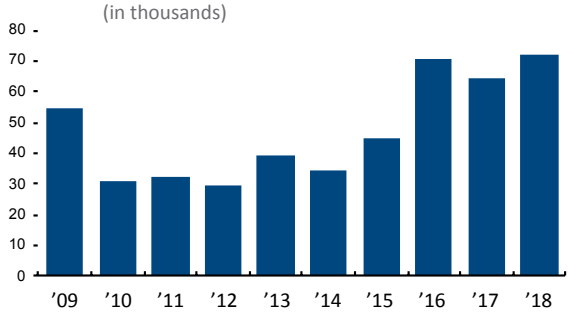
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

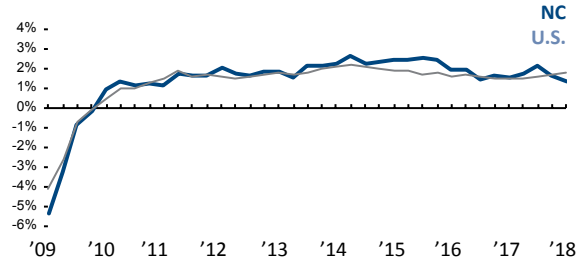
State Gross Domestic Product
Cumulative Growth 2008-2018 36.4% Rank: 25



Absolute Domestic Migration
Cumulative 2009-2018 472,668 Rank: 3
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 10.3% Rank: 17



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	22	6	4	2	3	7	6

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.25%	21
Top Marginal Corporate Income Tax Rate	2.50%	4
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.53	19
Property Tax Burden (per $1,000 of personal income)	$22.58	10
Sales Tax Burden (per $1,000 of personal income)	$23.79	28
Remaining Tax Burden (per $1,000 of personal income)	$16.45	23
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.84	6
Debt Service as a Share of Tax Revenue	5.0%	12
Public Employees Per 10,000 of Population (full-time equivalent)	549.9	36
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.9	16
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.84	32
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

North Dakota

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

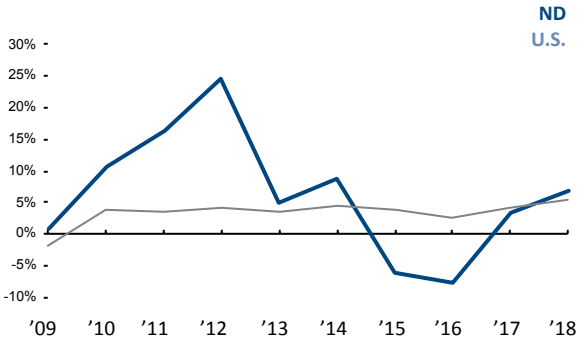
5 Economic Performance Rank

11 Economic Outlook Rank

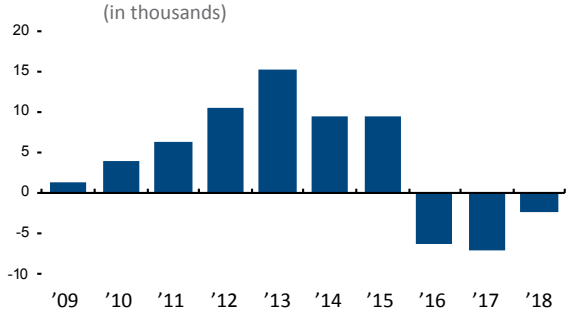
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

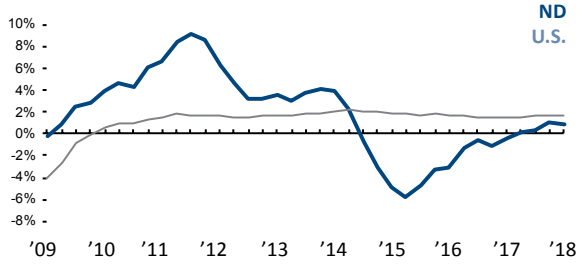
State Gross Domestic Product
Cumulative Growth 2008-2018 76.8% Rank: 1



Absolute Domestic Migration
Cumulative 2009-2018 40,353 Rank: 16
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 17.4% Rank: 5



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	2	4	2	3	4	4	4

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	2.90%	10
Top Marginal Corporate Income Tax Rate	4.31%	7
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$8.55	25
Property Tax Burden (per $1,000 of personal income)	$31.38	31
Sales Tax Burden (per $1,000 of personal income)	$28.00	37
Remaining Tax Burden (per $1,000 of personal income)	$18.81	29
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$0.03	16
Debt Service as a Share of Tax Revenue	4.2%	7
Public Employees Per 10,000 of Population (full-time equivalent)	619.0	44
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.6	6
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$0.82	1
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Ohio

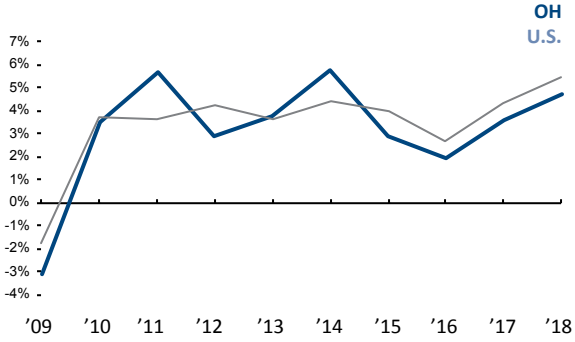
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

36 Economic Performance Rank

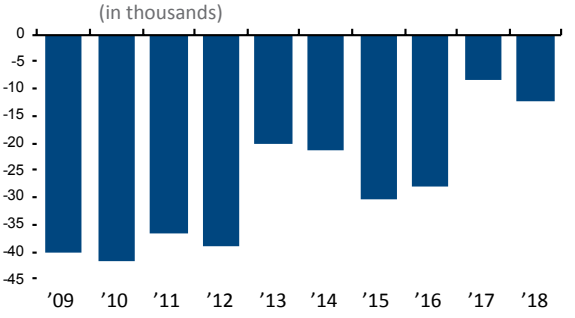
29 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

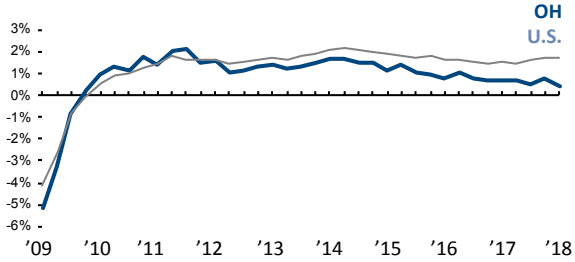
State Gross Domestic Product
Cumulative Growth 2008-2018 36.3% Rank: 26



Absolute Domestic Migration
Cumulative 2009-2018 -277,941 Rank: 45



Non-Farm Payroll Employment
Cumulative 2008-2018 5.1% Rank: 31



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	26	23	23	18	19	21	24

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.30%	40
Top Marginal Corporate Income Tax Rate	3.71%	6
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$15.56	40
Property Tax Burden (per $1,000 of personal income)	$28.78	24
Sales Tax Burden (per $1,000 of personal income)	$25.83	34
Remaining Tax Burden (per $1,000 of personal income)	$17.49	25
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.76	35
Debt Service as a Share of Tax Revenue	5.7%	20
Public Employees Per 10,000 of Population (full-time equivalent)	504.2	18
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.7	35
State Minimum Wage (federal floor is $7.25)	$8.70	25
Average Workers' Compensation Costs (per $100 of payroll)	$1.40	15
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Oklahoma

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

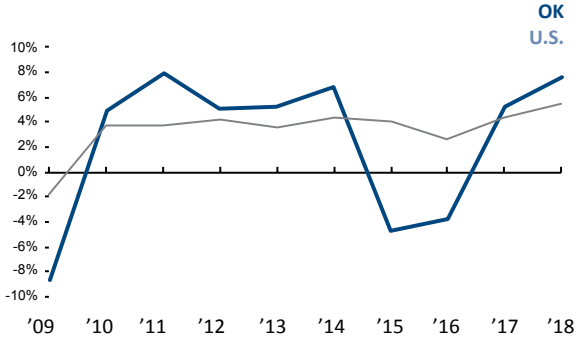
31 Economic Performance Rank

9 Economic Outlook Rank

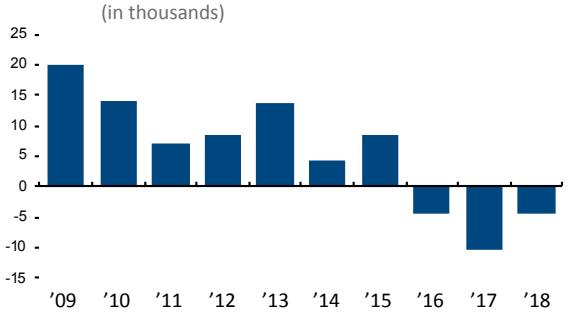
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

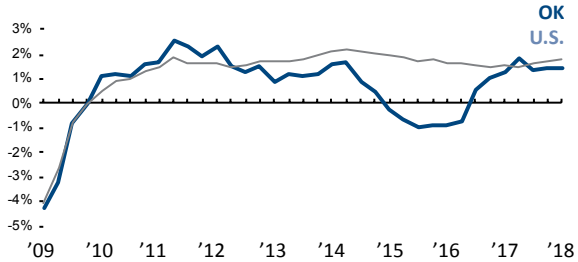
State Gross Domestic Product
Cumulative Growth 2008-2018 26.9% Rank: 42



Absolute Domestic Migration
Cumulative 2009-2018 56,515 Rank: 14
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 4.9% Rank: 32



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	19	21	16	10	16	16	13

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	18
Top Marginal Corporate Income Tax Rate	6.00%	17
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.41	18
Property Tax Burden (per $1,000 of personal income)	$17.20	2
Sales Tax Burden (per $1,000 of personal income)	$27.92	36
Remaining Tax Burden (per $1,000 of personal income)	$16.04	20
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$4.14	49
Debt Service as a Share of Tax Revenue	4.9%	11
Public Employees Per 10,000 of Population (full-time equivalent)	529.2	28
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.2	14
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.71	27
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Oregon

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

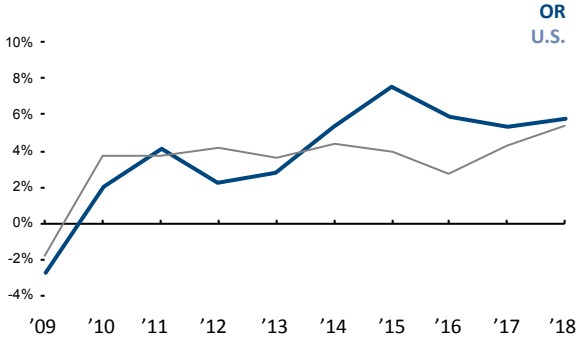
8 Economic Performance Rank

42 Economic Outlook Rank

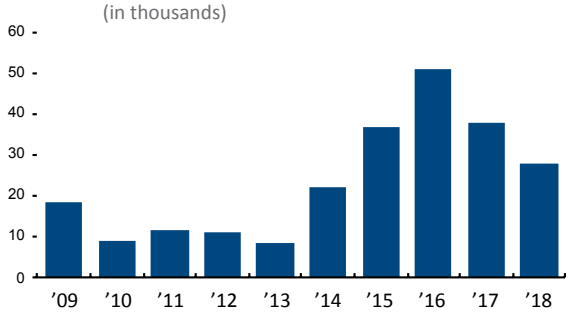
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

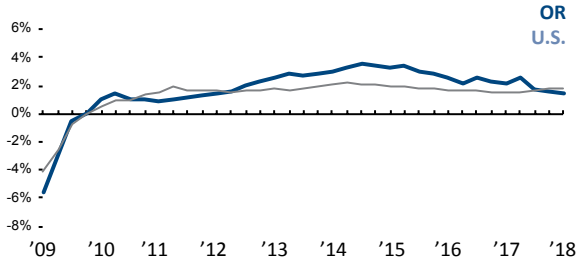
State Gross Domestic Product
Cumulative Growth 2008-2018 45.2% Rank: 10



Absolute Domestic Migration
Cumulative 2009-2018 234,419 Rank: 9
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 13.2% Rank: 11



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	44	42	45	41	41	41	44

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	10.67%	46
Top Marginal Corporate Income Tax Rate	14.30%	48
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$14.98	37
Property Tax Burden (per $1,000 of personal income)	$31.63	32
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$22.26	41
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$3.72	47
Debt Service as a Share of Tax Revenue	6.6%	27
Public Employees Per 10,000 of Population (full-time equivalent)	493.4	12
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.9	25
State Minimum Wage (federal floor is $7.25)	$11.25	43
Average Workers' Compensation Costs (per $100 of payroll)	$1.15	6
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Pennsylvania

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

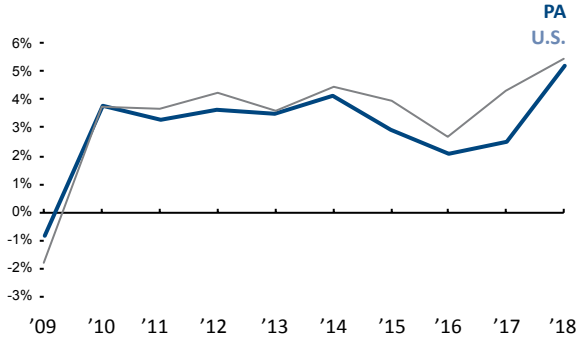
39 Economic Performance Rank

38 Economic Outlook Rank

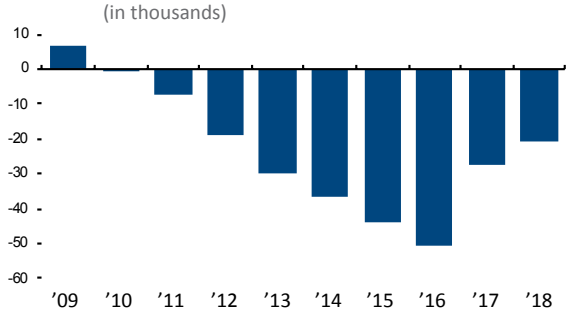
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

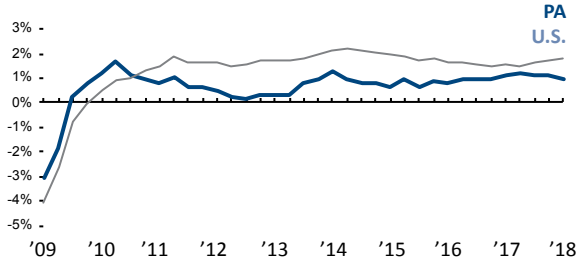
State Gross Domestic Product
Cumulative Growth 2008-2018 34.5% Rank: 27



Absolute Domestic Migration
Cumulative 2009-2018 -228,570 Rank: 44
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 4.5% Rank: 36



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	34	33	41	39	38	38	38

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.94%	35
Top Marginal Corporate Income Tax Rate	16.90%	49
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$29.24	26
Sales Tax Burden (per $1,000 of personal income)	$17.10	12
Remaining Tax Burden (per $1,000 of personal income)	$22.61	42
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.09	21
Debt Service as a Share of Tax Revenue	6.8%	28
Public Employees Per 10,000 of Population (full-time equivalent)	437.3	5
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	66.6	39
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.85	34
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Rhode Island

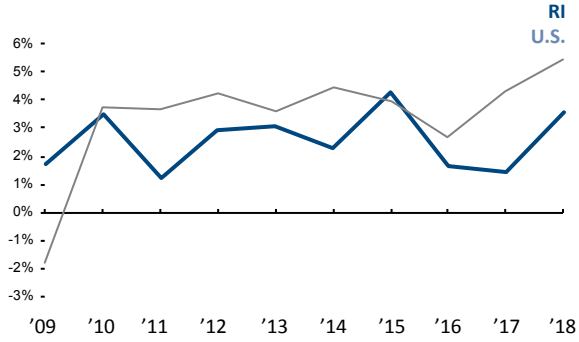
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

38 Economic Performance Rank

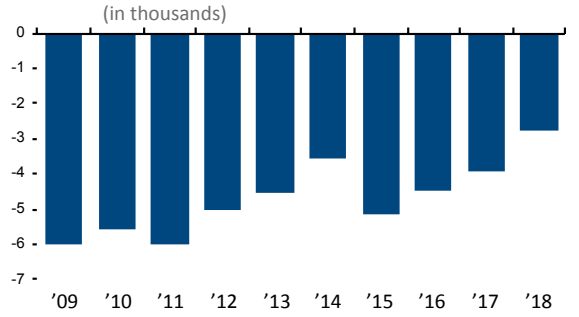
43 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

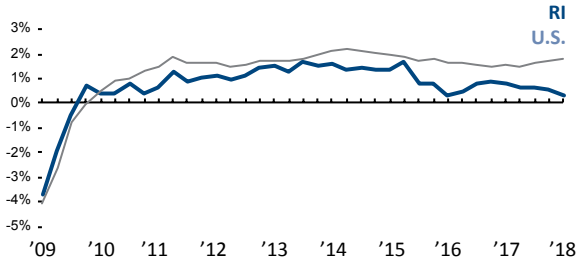
State Gross Domestic Product
Cumulative Growth 2008-2018 28.6% Rank: 39



Absolute Domestic Migration
Cumulative 2009-2018 -46,978 Rank: 32



Non-Farm Payroll Employment
Cumulative 2008-2018 4.5% Rank: 35



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	45	41	39	35	36	39	43

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.99%	27
Top Marginal Corporate Income Tax Rate	7.00%	28
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$11.31	29
Property Tax Burden (per $1,000 of personal income)	$46.97	47
Sales Tax Burden (per $1,000 of personal income)	$18.40	13
Remaining Tax Burden (per $1,000 of personal income)	$17.88	27
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.72	33
Debt Service as a Share of Tax Revenue	9.6%	47
Public Employees Per 10,000 of Population (full-time equivalent)	453.1	6
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.5	24
State Minimum Wage (federal floor is $7.25)	$10.50	38
Average Workers' Compensation Costs (per $100 of payroll)	$2.19	43
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

South Carolina

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

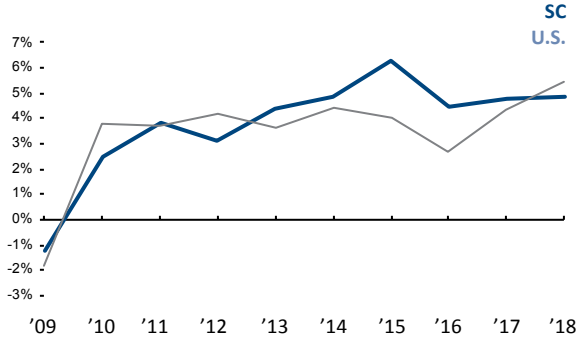
7 Economic Performance Rank

32 Economic Outlook Rank

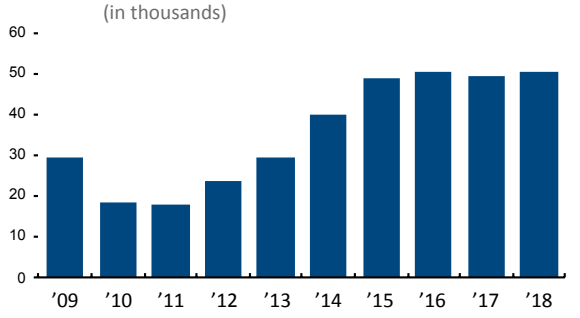
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

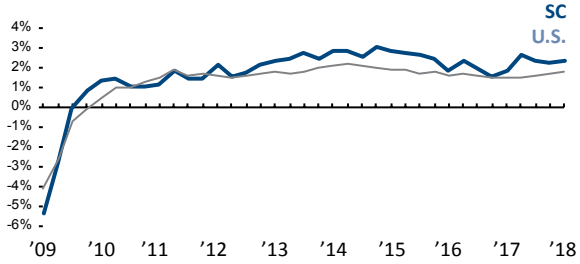
State Gross Domestic Product
Cumulative Growth 2008-2018 44.6% Rank: 12



Absolute Domestic Migration
Cumulative 2009-2018 357,604 Rank: 6
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 13.9% Rank: 10



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	31	31	32	30	27	33	32

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.00%	37
Top Marginal Corporate Income Tax Rate	5.00%	13
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.55	43
Property Tax Burden (per $1,000 of personal income)	$29.29	27
Sales Tax Burden (per $1,000 of personal income)	$18.54	14
Remaining Tax Burden (per $1,000 of personal income)	$16.12	21
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$1.47	42
Debt Service as a Share of Tax Revenue	8.1%	40
Public Employees Per 10,000 of Population (full-time equivalent)	532.1	31
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.6	37
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.95	37
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

South Dakota

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

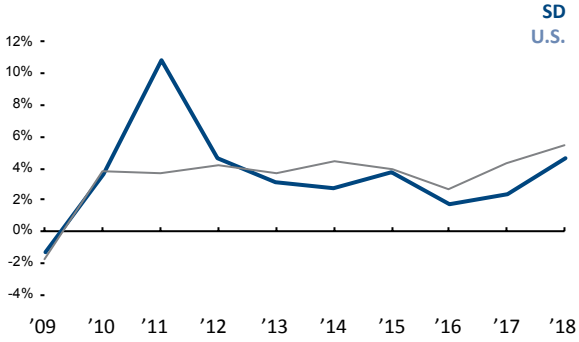
16 Economic Performance Rank

13 Economic Outlook Rank

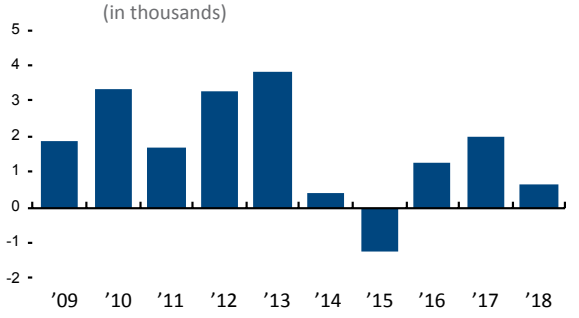
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

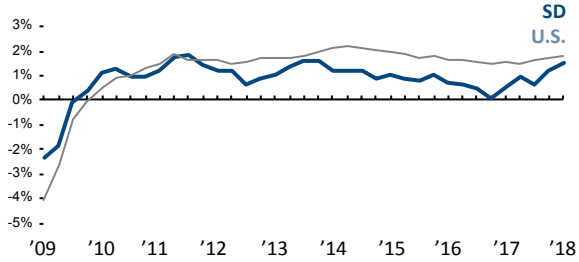
State Gross Domestic Product
Cumulative Growth 2008-2018 41.9% Rank: 14



Absolute Domestic Migration
Cumulative 2009-2018 16,992 Rank: 20
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 7.6% Rank: 23



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	3	2	9	11	12	9	7

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	0.00%	1
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$33.14	34
Sales Tax Burden (per $1,000 of personal income)	$33.69	45
Remaining Tax Burden (per $1,000 of personal income)	$19.33	34
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.00	17
Debt Service as a Share of Tax Revenue	5.4%	17
Public Employees Per 10,000 of Population (full-time equivalent)	544.6	34
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.0	10
State Minimum Wage (federal floor is $7.25)	$9.30	31
Average Workers' Compensation Costs (per $100 of payroll)	$1.73	28
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Tennessee

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

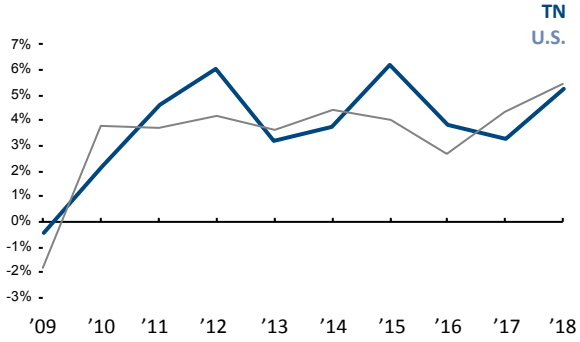
9 Economic Performance Rank

8 Economic Outlook Rank

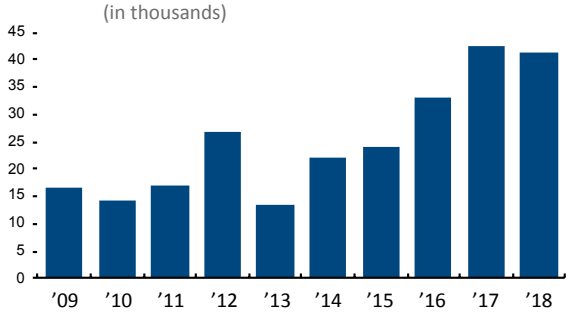
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

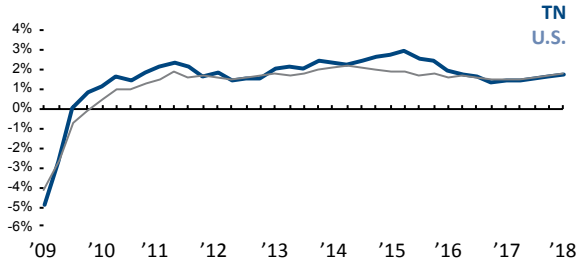
State Gross Domestic Product
Cumulative Growth 2008-2018 44.7% Rank: 11



Absolute Domestic Migration
Cumulative 2009-2018 251,287 Rank: 8
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 13.0% Rank: 12



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	18	19	17	7	5	12	8

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	6.50%	22
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$19.85	5
Sales Tax Burden (per $1,000 of personal income)	$31.57	41
Remaining Tax Burden (per $1,000 of personal income)	$19.05	31
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.05	20
Debt Service as a Share of Tax Revenue	5.8%	23
Public Employees Per 10,000 of Population (full-time equivalent)	495.8	15
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.3	34
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.52	19
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Texas

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

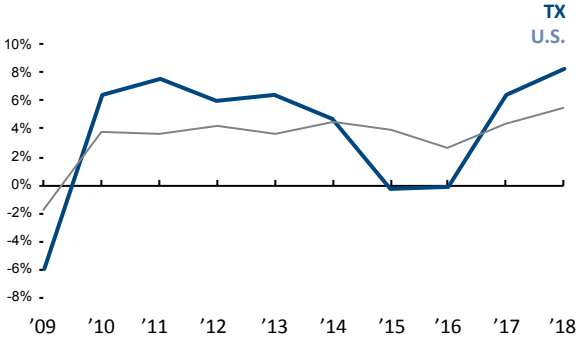
1 Economic Performance Rank

15 Economic Outlook Rank

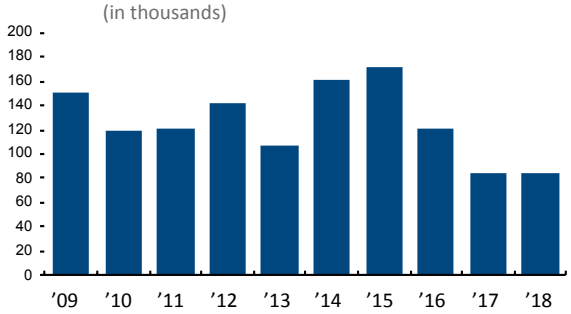
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

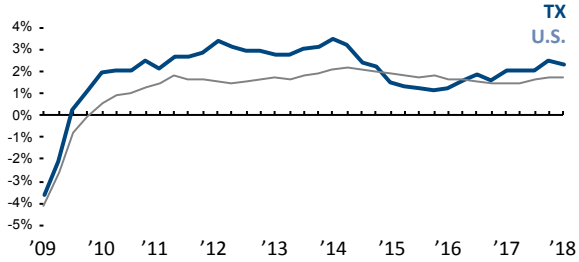
State Gross Domestic Product
Cumulative Growth 2008-2018 45.7% Rank: 7



Absolute Domestic Migration
Cumulative 2009-2018 1,262,347 Rank: 1
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 18.5% Rank: 2



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	12	13	11	12	9	14	15

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	2.70%	5
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$40.46	42
Sales Tax Burden (per $1,000 of personal income)	$28.35	38
Remaining Tax Burden (per $1,000 of personal income)	$16.15	22
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.17	24
Debt Service as a Share of Tax Revenue	9.3%	46
Public Employees Per 10,000 of Population (full-time equivalent)	526.2	26
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.1	38
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.21	9
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Utah

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

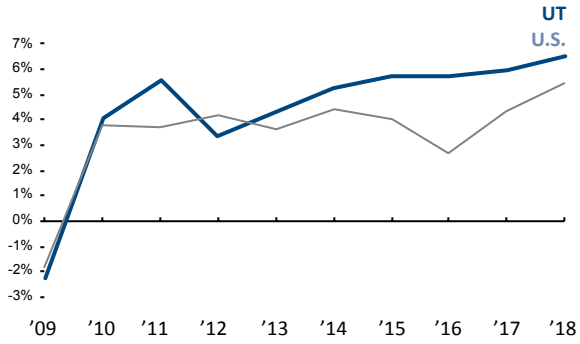
3 Economic Performance Rank

1 Economic Outlook Rank

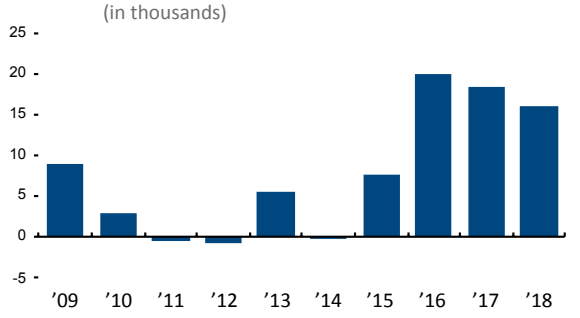
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

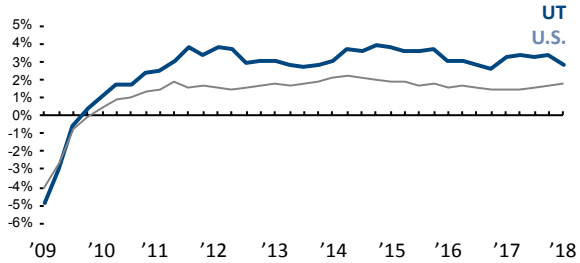
State Gross Domestic Product
Cumulative Growth 2008-2018 53.6% Rank: 3



Absolute Domestic Migration
Cumulative 2009-2018 77,933 Rank: 13
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 23.6% Rank: 1



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	1	1	1	1	1	1	1

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.95%	16
Top Marginal Corporate Income Tax Rate	4.95%	12
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.28	12
Property Tax Burden (per $1,000 of personal income)	$24.29	14
Sales Tax Burden (per $1,000 of personal income)	$25.06	31
Remaining Tax Burden (per $1,000 of personal income)	$15.74	17
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.69	32
Debt Service as a Share of Tax Revenue	5.7%	19
Public Employees Per 10,000 of Population (full-time equivalent)	491.5	11
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.7	19
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.06	5
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Vermont

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

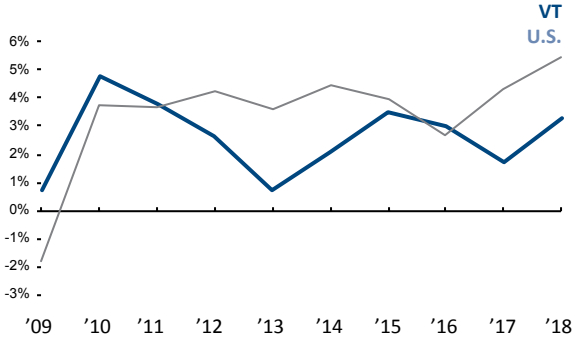
37 Economic Performance Rank

49 Economic Outlook Rank

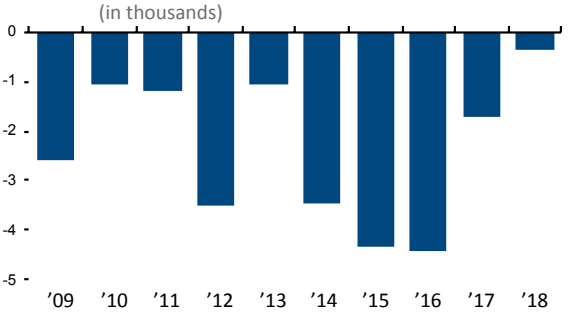
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

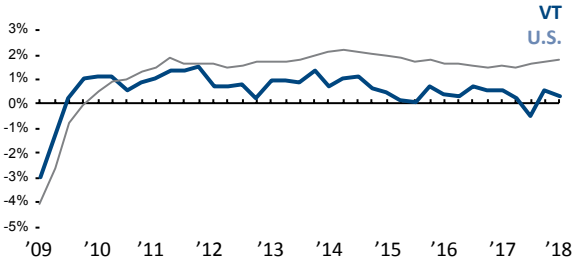
State Gross Domestic Product
Cumulative Growth 2008-2018 29.5% Rank: 38



Absolute Domestic Migration
Cumulative 2009-2018 -11,834 Rank: 25
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 3.4% Rank: 41



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	50	49	49	49	49	49	49

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	8.75%	43
Top Marginal Corporate Income Tax Rate	8.50%	39
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$28.94	49
Property Tax Burden (per $1,000 of personal income)	$52.10	49
Sales Tax Burden (per $1,000 of personal income)	$12.23	7
Remaining Tax Burden (per $1,000 of personal income)	$27.84	48
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.81	36
Debt Service as a Share of Tax Revenue	3.8%	2
Public Employees Per 10,000 of Population (full-time equivalent)	633.0	47
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.7	11
State Minimum Wage (federal floor is $7.25)	$10.96	39
Average Workers' Compensation Costs (per $100 of payroll)	$2.09	42
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Virginia

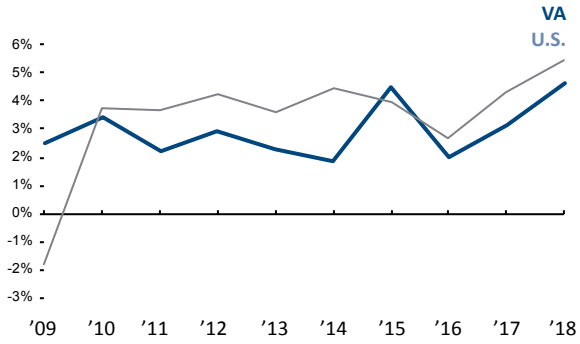
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

29 Economic Performance Rank

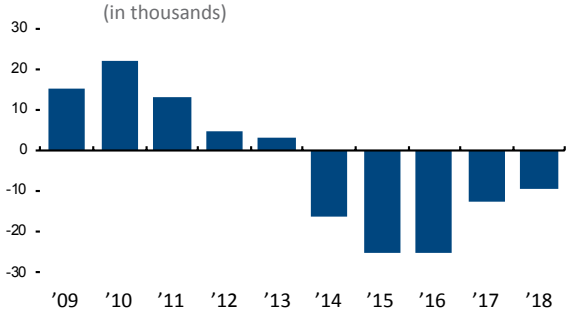
16 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

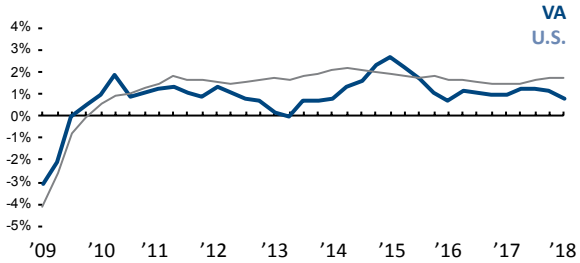
State Gross Domestic Product
Cumulative Growth 2008-2018 33.5% Rank: 32



Absolute Domestic Migration
Cumulative 2009-2018 -30,217 Rank: 29
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 6.9% Rank: 25



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	5	11	12	13	11	10	14

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.75%	25
Top Marginal Corporate Income Tax Rate	7.68%	32
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.60	20
Property Tax Burden (per $1,000 of personal income)	$30.48	29
Sales Tax Burden (per $1,000 of personal income)	$11.83	6
Remaining Tax Burden (per $1,000 of personal income)	$15.92	19
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.49	30
Debt Service as a Share of Tax Revenue	6.1%	25
Public Employees Per 10,000 of Population (full-time equivalent)	531.5	29
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.3	12
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.28	10
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Washington

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

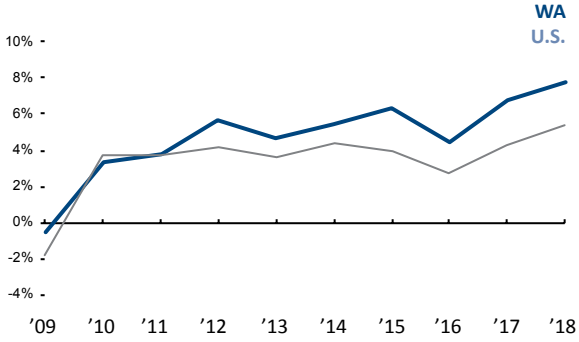
2 Economic Performance Rank

39 Economic Outlook Rank

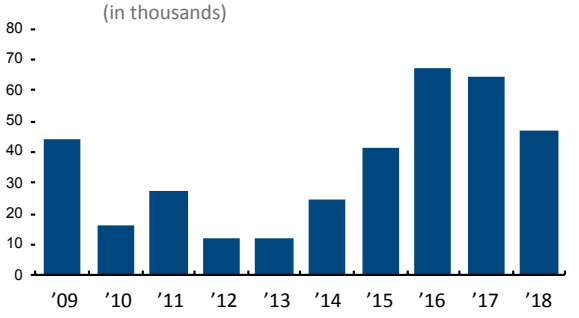
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

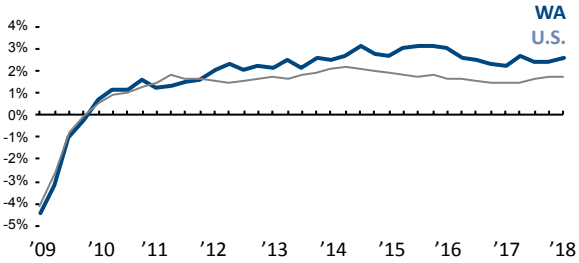
State Gross Domestic Product
Cumulative Growth 2008-2018 59.1% Rank: 2



Absolute Domestic Migration
Cumulative 2009-2018 356,317 Rank: 7
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 15.6% Rank: 7



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	36	38	35	36	40	37	37

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	6.98%	27
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$26.43	17
Sales Tax Burden (per $1,000 of personal income)	$33.51	44
Remaining Tax Burden (per $1,000 of personal income)	$24.01	45
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.50	31
Debt Service as a Share of Tax Revenue	8.9%	45
Public Employees Per 10,000 of Population (full-time equivalent)	504.5	19
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.8	26
State Minimum Wage (federal floor is $7.25)	$13.50	50
Average Workers' Compensation Costs (per $100 of payroll)	$1.87	35
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

West Virginia

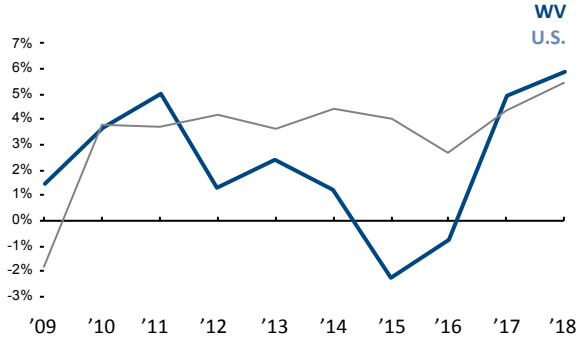
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

43 Economic Performance Rank

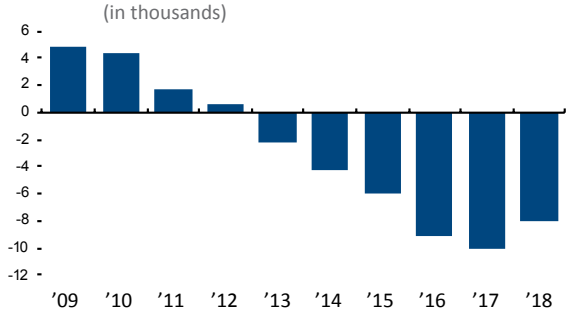
28 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

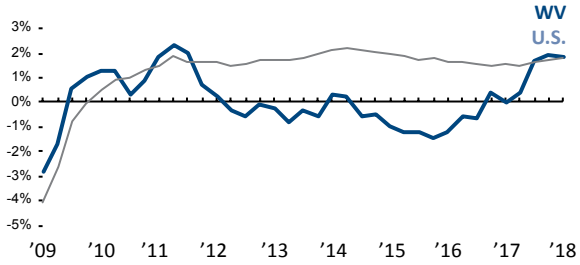
State Gross Domestic Product
Cumulative Growth 2008-2018 24.8% Rank: 44



Absolute Domestic Migration
Cumulative 2009-2018 -28,000 Rank: 28
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 0.1% Rank: 49



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison

	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	32	30	36	37	31	30	31

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.50%	29
Top Marginal Corporate Income Tax Rate	6.50%	22
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$15.53	39
Property Tax Burden (per $1,000 of personal income)	$25.08	16
Sales Tax Burden (per $1,000 of personal income)	$20.05	16
Remaining Tax Burden (per $1,000 of personal income)	$26.71	47
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.22	27
Debt Service as a Share of Tax Revenue	4.6%	10
Public Employees Per 10,000 of Population (full-time equivalent)	565.9	39
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	63.3	45
State Minimum Wage (federal floor is $7.25)	$8.75	26
Average Workers' Compensation Costs (per $100 of payroll)	$1.01	4
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Wisconsin

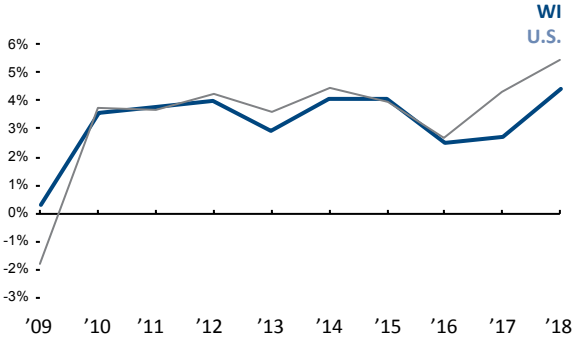
2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

34 Economic Performance Rank

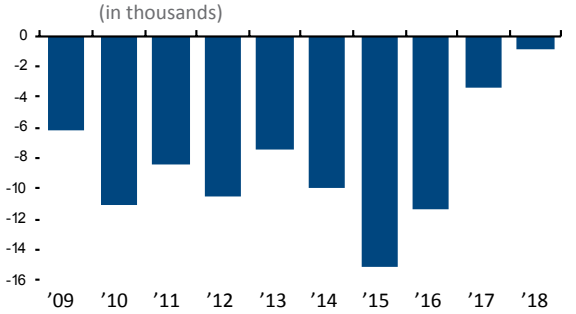
12 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

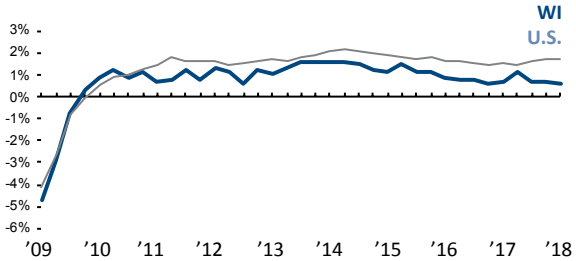
State Gross Domestic Product
Cumulative Growth 2008-2018 37.4% Rank: 22



Absolute Domestic Migration
Cumulative 2009-2018 -84,435 Rank: 39
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 4.2% Rank: 38



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	**15**	**17**	**13**	**9**	**14**	**19**	**17**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.65%	41
Top Marginal Corporate Income Tax Rate	7.90%	35
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$14.63	35
Property Tax Burden (per $1,000 of personal income)	$34.31	35
Sales Tax Burden (per $1,000 of personal income)	$20.08	17
Remaining Tax Burden (per $1,000 of personal income)	$15.64	14
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	-$1.18	3
Debt Service as a Share of Tax Revenue	5.0%	13
Public Employees Per 10,000 of Population (full-time equivalent)	488.8	10
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.2	13
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.02	40
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Wyoming

2020 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

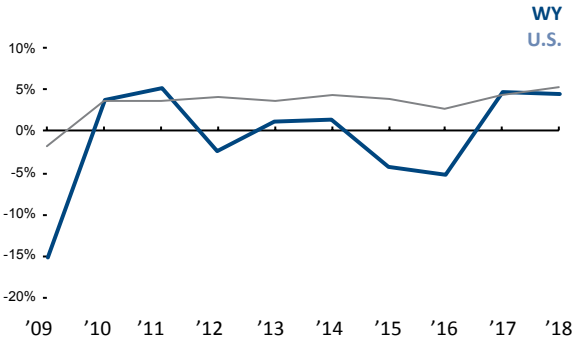
46 Economic Performance Rank

2 Economic Outlook Rank

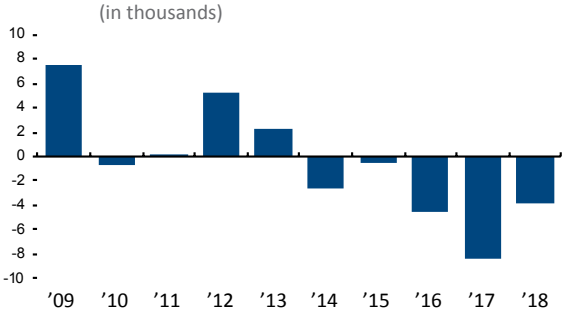
Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

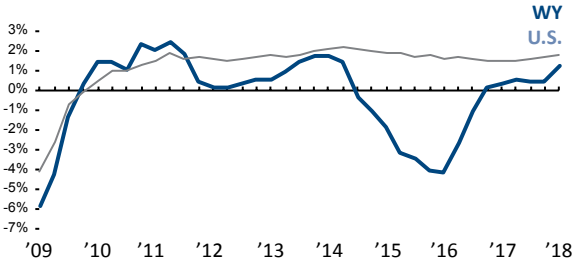
State Gross Domestic Product
Cumulative Growth 2008-2018 -8.0% Rank: 50



Absolute Domestic Migration
Cumulative 2009-2018 -5,623 Rank: 24
(in thousands)



Non-Farm Payroll Employment
Cumulative 2008-2018 -4.5% Rank: 50



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2013	2014	2015	2016	2017	2018	2019
ECONOMIC OUTLOOK RANK	4	10	8	4	7	8	10

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	0.00%	1
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$37.75	40
Sales Tax Burden (per $1,000 of personal income)	$20.18	18
Remaining Tax Burden (per $1,000 of personal income)	$13.06	5
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2018 & 2019, per $1,000 of personal income)	$0.20	25
Debt Service as a Share of Tax Revenue	2.5%	1
Public Employees Per 10,000 of Population (full-time equivalent)	868.2	50
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.1	4
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.87	35
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Appendix

Economic Outlook Methodology

In previous editions of this report, we introduced 15 policy variables that have a proven impact on the migration of capital — both investment and human — into and out of states. The end result of an equal-weighted combination of these variables is the 2020 ALEC-Laffer Economic Outlook ranking of the states. Each of these factors is influenced directly by state lawmakers through the legislative process. The 15 factors and a basic description of their purposes, sourcing and subsequent calculation methodologies are as follows:

HIGHEST MARGINAL PERSONAL INCOME TAX RATE

This variable includes local taxes, if any, and any impact of federal deductibility, if allowed. A state's largest city is used as a proxy for local tax rates. Data were drawn from Tax Analysts, Federation of Tax Administrators and individual state tax return forms. Tax rates are as of January 1, 2020.

HIGHEST MARGINAL CORPORATE INCOME TAX RATE

This variable includes local taxes, if any, and includes the effect of federal deductibility, if allowed. A state's largest city is used as a proxy for local tax rates. In the case of gross receipts or business franchise taxes, an effective tax rate is approximated using NIPA profits, rental and proprietor's income and gross domestic product data. For an explanation of the estimation of Texas' franchise tax, see note below. The Texas franchise tax is not a traditional gross receipts tax, but is instead a "margin" tax with more than one rate. A margin tax creates less distortion than a gross receipts tax. Therefore, we believe the best measurement for an effective corporate tax rate for Texas is to average the 4.656% measure we would use if the tax was a gross receipts tax and the 0.75% highest rate on its margin tax, leading to our measure of 2.70%. Data were drawn from Tax Analysts, Federation of Tax Administrators, individual state tax return forms and the Bureau of Economic Analysis. Tax rates are as of January 1, 2020.

PERSONAL INCOME TAX PROGRESSIVITY

This variable is measured as the difference between the average tax liability per $1,000, at incomes of $50,000 and $150,000. The tax liabilities are measured using a combination of effective tax rates, exemptions, and deductions at both state and federal levels, which are calculations from Laffer Associates. Tax rates are as of January 1, 2020.

PROPERTY TAX BURDEN

This variable is calculated by taking tax revenues from state and local property taxes per $1,000 of personal income. We have used U.S. Census Bureau data, for which the most recent year available is 2017. These data were released in October 2019.

SALES TAX BURDEN

This variable is calculated by taking tax revenues from state and local sales taxes per $1,000 of personal income. Sales taxes taken into consideration include the general sales tax and specific sales taxes. We use U.S. Census Bureau Data, for which the most recent year available is 2017. Where appropriate, gross receipts or business franchise taxes, counted as sales taxes in the Census data, are subtracted from a state's total sales taxes in order to avoid double-counting tax burden in a state. These data were released in October 2019.

REMAINING TAX BURDEN

This variable is calculated by taking tax revenues from state and local taxes — excluding personal income, corporate income (including corporate license), property, sales and severance per $1,000 of personal income. We use U.S. Census Bureau Data, for which the most recent year available is 2017. These data were released in October 2019.

ESTATE OR INHERITANCE TAX

This variable assesses if a state levies an estate or inheritance tax. We chose to score states based on either a "yes" for the presence of a state-level estate or inheritance tax, or a "no" for the lack thereof. Data are drawn from McGuire Woods LLP, "State Death Tax Chart" and indicate the presence of an estate or inheritance tax as of January 1, 2020.

RECENTLY LEGISLATED TAX CHANGES

This variable calculates each state's relative change in tax burden over a two-year period (in this case, the 2018 and 2019 legislative sessions) for the next fiscal year, using revenue estimates of legislated tax changes per $1,000 of personal income. Personal income data are drawn from 2018. This timeframe ensures that tax changes will still be reflected in a state's ranking despite lags in the tax revenue data. ALEC and Laffer Associates calculations use raw data from state legislative fiscal notes, state budget offices, state revenue offices and other sources, including the National Conference of State Legislators.

DEBT SERVICE AS A SHARE OF TAX REVENUE

This variable calculates interest paid on state and local debt as a percentage of state and local total tax revenue. This information comes from 2017 U.S. Census Bureau data. These data were released in October 2019.

PUBLIC EMPLOYEES PER 10,000 RESIDENTS

This variable shows the full-time equivalent state and local public employees per 10,000 of population. This information comes from 2018 U.S. Census Bureau data. These data were released in June 2019.

QUALITY OF STATE LEGAL SYSTEM

This variable ranks tort systems by state. Information comes from the U.S. Chamber of Commerce Institute for Legal Reform 2019 Lawsuit Climate Survey.

STATE MINIMUM WAGE

This variable indicates minimum wage enforced on a state-by-state basis. If a state does not have a minimum wage, we use the federal minimum wage floor of $7.25 per hour. This information comes from the U.S. Department of Labor, as of January 1, 2020.

WORKERS' COMPENSATION COSTS

This variable highlights the 2018 Workers' Compensation Index Rate (cost per $100 of payroll). This survey is conducted biennially by the Oregon Department of Consumer & Business Services, Information Management Division.

RIGHT-TO-WORK STATE

This variable assesses whether or not a state allows employees to be forced to pay union dues as a condition of employment. States receive their rank based on either a "yes" for the presence of a right-to-work law or a "no" for the lack thereof. This information comes from the National Right to Work Legal Defense and Education Foundation, Inc. Right-to-work status is as of January 1, 2020.

TAX OR EXPENDITURE LIMIT

This variable measures the influence of tax and expenditure limits on state tax revenue and spending. States are ranked by the number of state tax or expenditure limits in place. We measure this by i) a state expenditure limit, ii) mandatory voter approval of tax increases and iii) a supermajority requirement for tax increases. One point is awarded for each type of tax or expenditure limitation a state has. This information comes from the National Association of State Budget Officers, American Enterprise Institute and other sources.

Appendix

Economic Performance Methodology

GROSS DOMESTIC PRODUCT GROWTH

This variable is calculated by observing state GDP growth figures over 10 years from 2008-2018. A percentage change formula over the 10-year timeframe generates a GDP growth figure for each state. Data are drawn from the Bureau of Economic Analysis, which were last updated in November 2019.

CUMULATIVE DOMESTIC MIGRATION

This variable is a summation of net in-migration of individuals for each state over a 10-year period from 2009-2018. Data are drawn from the U.S. Census Bureau, which were last revised in December 2019.

NON-FARM EMPLOYMENT GROWTH

This variable is calculated by observing state non-farm employment growth figures over a 10-year period, from 2008-2018. A percentage change formula over the 10-year timeframe generates a decadal non-farm employment growth rate for each state. Data are drawn from the Bureau of Labor Statistics, which were last revised in March 2019.

"For more than a decade, Utah has secured the top ranking for economic outlook in *Rich States, Poor States*, validating the hard work and dedication of former and current lawmakers. Ranking as the most competitive state in the nation this many years in a row does not just happen by chance. Years of planning and preparation placed our state in a strong position to recover and succeed even in tough years like 2020. Our commitment to excellent policy drives our decisions and will keep our state moving in a positive upward trajectory."

– Senate President Stuart Adams, Utah
ALEC National Chairman

"*Rich States, Poor States* is a must read for every lawmaker at the state and federal level. It has been a guide to me for ten years. It's simple: states with a winning formula of lower taxes, less regulations and educational freedom fare better economically and are growing their populations while other states are left behind. Heed these lessons and learn to compete. *Rich States, Poor States* provides the roadmap to get there!"

– Congressman Jim Banks, Indiana

"We all know states are the innovators of democracy, *Rich States Poor States* does a great job highlighting effective, market-friendly policies that empower small business owners and other Americans to chart their own financial path to success. As states continue to reopen and recover from the global pandemic, it is of vital importance that Washington, D.C. remember the 10th Amendment, and look and listen to the states for the best and most effective ways to restart the economy without overburdening or stifling the American employer or worker."

– State Treasurer Dennis Milligan, Arkansas
National Chairman, State Financial Officers Foundation

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