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EDITION



RICH STATES, POOR STATES

ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



ARTHUR B. LAFFER
STEPHEN MOORE
JONATHAN WILLIAMS

FOREWORD BY
GOV. KIM REYNOLDS

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Rich States, Poor States

ALEC-Laffer State Economic Competitiveness Index

Arthur B. Laffer
Stephen Moore
Jonathan Williams

Rich States, Poor States

ALEC-Laffer State Economic Competitiveness Index

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Dr. Arthur B. Laffer, Stephen Moore,
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About the Authors

DR. ARTHUR B. LAFFER

Dr. Arthur B. Laffer is the founder and chairman of Laffer Associates and Laffer Investments, and many publications have named him “The Father of Supply-Side Economics.” Dr. Laffer served as a member of President Reagan’s Economic Policy Advisory Board for both terms and advised Prime Minister Margaret Thatcher on fiscal policy in the United Kingdom during the 1980s. He has been a faculty member at the University of Chicago and University of Southern California. One of his earliest successes in shaping public policy was his involvement in Proposition 13, the groundbreaking California initiative that drastically cut property taxes in the state in 1978. In March 1999, he was noted by Time magazine as one of “the Century’s Greatest Minds” for his invention of the Laffer Curve, which has been called one of “a few of the advances that powered this extraordinary century.” He has received many awards for his economic research, including two Graham and Dodd Awards from the Financial Analyst Federation and The Hayek Lifetime Achievement Award in 2016. In December 2017, Dr. Laffer became the first recipient of the American Legislative Exchange Council’s Laffer Award for Economic Excellence, and in December 2019, President Donald Trump awarded Dr. Laffer with the Presidential Medal of Freedom for his contributions in the field of economics. He graduated from Yale with a bachelor’s degree in economics in 1963 and received both his MBA and Ph.D. in economics from Stanford University.

STEPHEN MOORE

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 is a Fox News contributor along with writing 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 Trumponomics: Inside the America First Plan to Revive Our Economy* with Dr. Arthur B. Laffer.

JONATHAN WILLIAMS

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

Government’s customers are its citizens. Their tax dollars also make them its shareholders. That means stewarding their money responsibly and with an eye towards growth is at the very heart of good government.

On this point, the United States has two clear options before it. One is marked by enthusiasm for spending other people’s money and an unshakable faith in the wisdom of bureaucrats. The other is marked by just the opposite: a passion for returning money to taxpayers, rooted in the belief that our citizens are the best stewards of the money they earn. The first, top-down approach has many adherents around the country, but none more committed than those who currently work at 1600 Pennsylvania Ave. The second, bottom-up philosophy also has a number of practitioners, and I’m proud to count Iowa among them.

But it wasn’t always this way. When I took office in 2017, Iowa had a tax structure worthy of New York or California. Our income tax rate was almost 9%, the 6th highest in the nation. I believed Iowans deserved better. That first session, we passed a comprehensive bill cutting taxes by at least 10% and reducing the number of brackets. To ensure the state could meet its obligations, we phased it in over time and included revenue triggers.

Despite the hysterical attacks we received – one state senator called it “the most fiscally irresponsible piece of legislation in Iowa’s history” and a “death warrant for public education” – the reality could not have been more different. We went from a budget deficit to a budget surplus and made significant increases in funding for K-12 education. In 2020, Iowa entered the pandemic with the most resilient state budget in the country, according to KPMG.

Three years later, we took on taxes again, this time eliminating the revenue triggers in the original bill, along with the inheritance tax and a burdensome

mental health property tax levy, which we replaced with a sustainable funding source that grows over time. This time, the bill received bipartisan support. But we still weren’t done.

In 2022, I signed the largest tax reduction in state history, rewarding Iowans with a 3.9% flat and fair income tax rate, eliminating state taxes on retirement income, and reforming our top corporate rate – once one of the highest in the nation, now on its way down to 5.5%. Between all three bills, taxpayers are saving nearly \$3 billion a year, and our finances are easily strong enough to underwrite further tax cuts for working Iowans in the near future.

In an uncertain national economy, Iowa’s strength and stability stand out. We’ve been ranked a top ten state for opportunity, and in 2022 saw more than \$2 billion in corporate investment flow through the state. Iowans even created 33,300 new businesses, breaking a record for the second year in a row. It turns out fiscal restraint and economic prosperity are a powerful combination. Harnessing it was one of the best decisions Iowa ever made.

If you want to do the same, you’ve come to the right place. *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index*, authored by leading economists, Dr. Arthur Laffer, Stephen Moore, and Jonathan Williams, is the definitive roadmap to economic growth and fiscal resilience. I can assure you, from Iowa’s own experience, that following it is well worth the effort.

Sincerely,



Kim Reynolds
Governor of Iowa

Executive Summary

In March of 2021, Congress passed the American Rescue Plan Act (ARPA), which included the unnecessary “bailout” of states. As the year ended, inflation, a natural cause of reckless and unprecedented infusions of government spending into the economy, began to reach 40-year highs. Unfortunately, this historic inflation did not subside with the conclusion of 2021, and in 2022 inflation reached as high as 9%. The pain Americans felt from the pressure of inflation was in no way relieved by the fiscal fiasco that is the federal government.

Instead, it was left to the states to be the beacons of fiscal responsibility that many of them are. The legislative sessions of 2022 saw the continuation of the tax cut movement that began in 2021. A total of 13 states cut income taxes in 2022, with five of those states – Iowa, Arizona, Mississippi, Georgia, and Idaho – driving the rebirth of the Flat Tax Revolution at the state level. These tax cuts and many other free market policy solutions implemented in 2022 show that the states are not only the “50 Laboratories of Democracy” but that they also actively competing to be the “50 Bastions of Opportunity” – concepts that go hand in hand.

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. In this edition, the data not only reinforces that point, but chronicles how the states that led the way against federal fiscal profligacy have positioned themselves for economic prosperity in the years to come.

In this 15th 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 2022 state legislative sessions. The chapter examines the migration of citizens and businesses from economically uncompetitive states to states with low-tax and free market environments. 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 trends, including the 2022 State Flat Tax Revolution, trends in right-to-work laws and the growing threat of politicized investment strategies to public pension plans.

Chapter two discusses the negative economic impacts of corporate income taxes. It examines the unfortunate case of New Jersey and points to North Carolina and Indiana as examples of free market reform in the corporate income tax space.

Finally, chapter three delivers the state rankings from the 2022 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 non-farm payroll employment. These are calculated for each state using the most recent data available. The second ranking for economic outlook provides a forecast for state economic competitiveness. 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 2022 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 (2020 & 2021, 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 (Yes or No)
- Tax and Expenditure Limits

This 15th 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, 2022

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

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

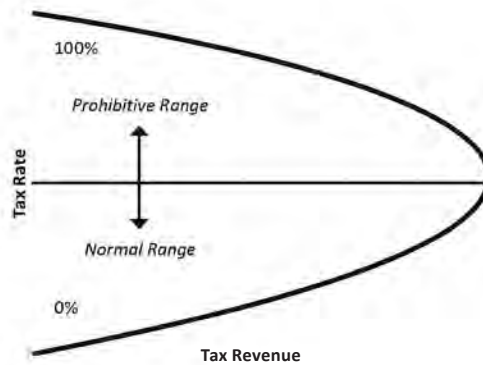
5 *If tax rates become too high, they may lead to a reduction in tax receipts. The relationship between tax rates and tax receipts has been described by the Laffer Curve.*

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.*

Des Moines, Iowa

CHAPTER

1

State of the States

State of the States

Taxpayers Continue to Vote with Their Feet

For 15 years, *Rich States, Poor States* has shown that economic opportunity drives taxpayers to “vote with their feet.” That continues to prove true, especially in the aftermath of the COVID-19 pandemic, as migration across state lines is increasing. Migration trends show taxpayers favor states pursuing limited government and free market policies over those pursuing big government and progressive economic policies.

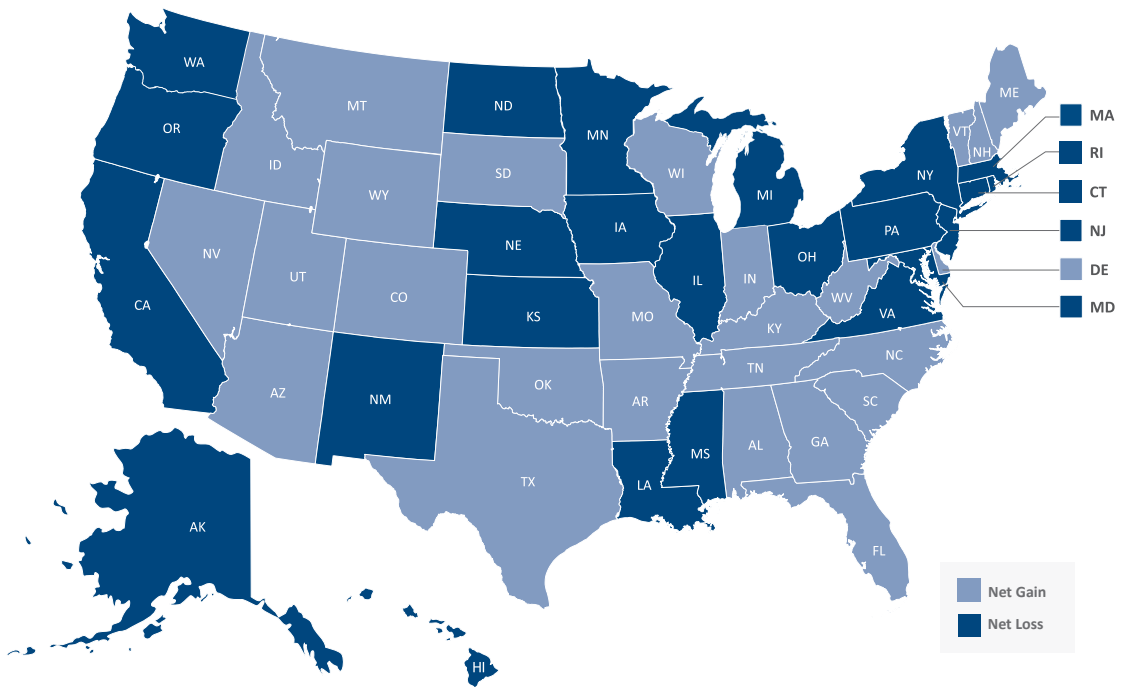
In 2021, Florida, Texas, and North Carolina were the biggest winners in net domestic migration, while California, New York, and Illinois were the biggest losers.¹ In 2022, the story remains the same. Florida gained an incredible 318,855 new residents, Texas gained 230,961, and North Carolina gained 99,796.² Meanwhile, California lost 343,230 residents, New York lost 299,557, and Illinois lost 141,656.³

The 2022 domestic migration data show that Americans are choosing economic opportunity over “nanny state” economics. The top 10 states for net domestic migration in 2022 (shown in Table 1) have an average Economic Outlook ranking in this publication of 11, with all but South Carolina and Alabama ranking in the top 15 states for Economic Outlook.⁴ On the other hand, the bottom 10 states for domestic migration in 2022

(shown in Table 1) have an average Economic Outlook ranking of 39.4.⁵ The 26 states that saw a net gain (shown in Figure 1, Table 1) had an average Economic Outlook ranking of 17.5, while the 24 that saw a net loss (also shown in Figure 1, Table 1) had an average ranking of 34.1.⁶

Another notable data point from the 2022 domestic migration estimates came out of Colorado, Oregon, and Washington. These three states have seen significant growth over the past decade or more, with Colorado and Oregon both receiving a new congressional seat as a result of the 2020 Census and subsequent reapportionment.⁷ Each of these progressive bastions saw net gains due to differing reasons. In Colorado, government growth has yet to catch up to progressive sentiment due in large part to the work of legislatures in the late 1980s and 1990s to implement checks on governmental growth. Reforms such as the elimination of a progressive income tax structure in 1987 and the Taxpayer’s Bill of Rights (TABOR) in 1992, have helped to constrain the growth of state and local government and keep the Centennial State’s economy competitive.⁸ Washington saw net domestic in-migration in good measure due to its lack of income tax.⁹ Oregon, often the ideological twin of California, has grown in large part due to its proximity to California and its relatively lower taxes.¹⁰ As Californians look elsewhere for more economic freedom, often the lesser of two evils is the better choice.

FIGURE 1, TABLE 1 | NET DOMESTIC MIGRATION, 2022

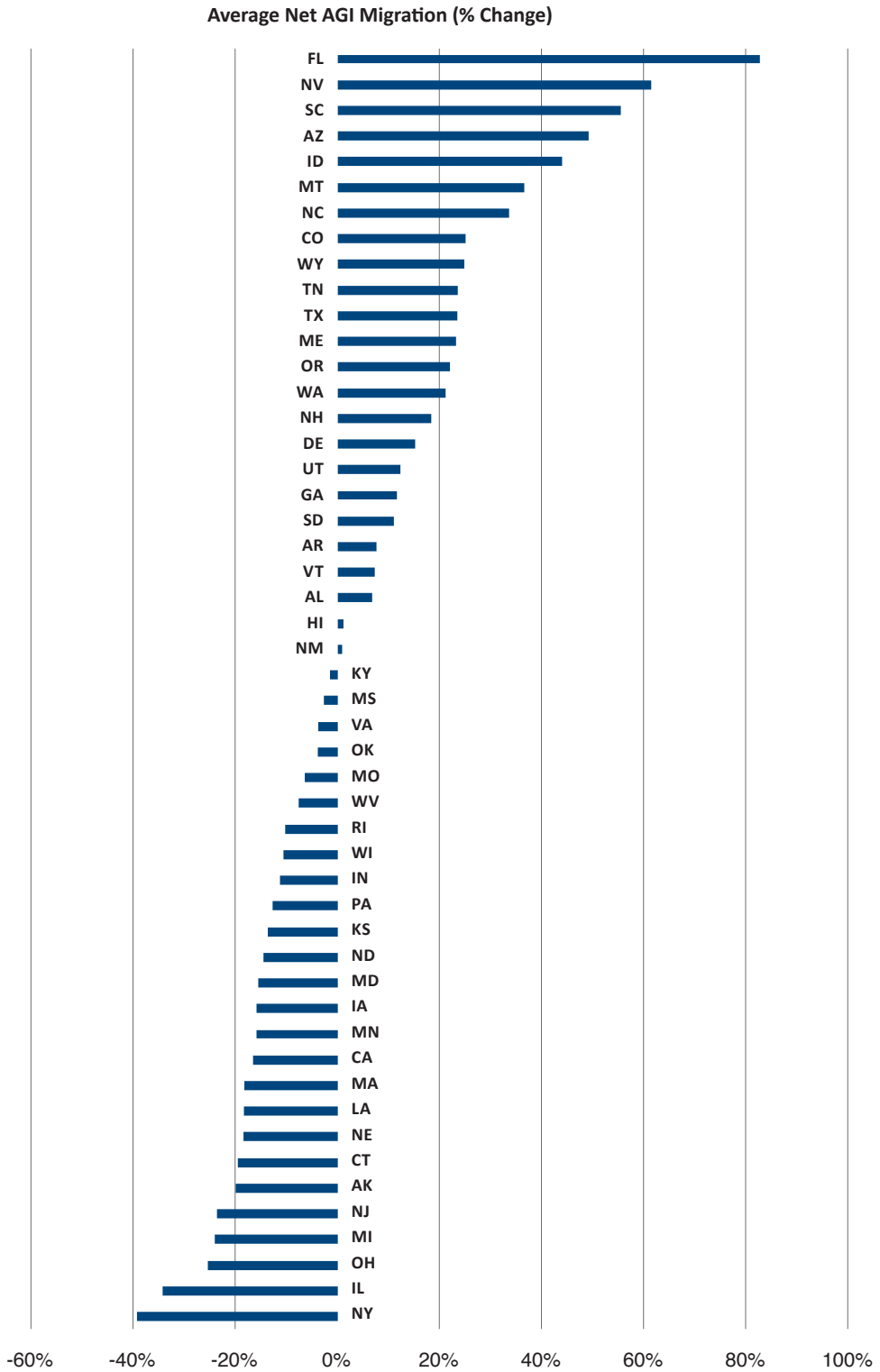


RANK	STATE	NET DOMESTIC MIGRATION
1	Florida	318,855
2	Texas	230,961
3	North Carolina	99,796
4	South Carolina	84,030
5	Tennessee	81,646
6	Georgia	81,406
7	Arizona	70,984
8	Idaho	28,639
9	Alabama	28,609
10	Oklahoma	26,791
11	Nevada	20,781
12	Arkansas	18,209
13	Montana	16,003
14	Utah	12,898
15	Delaware	11,826
16	Maine	11,600
17	Kentucky	10,420
18	South Dakota	8,424
19	Wisconsin	7,657
20	New Hampshire	6,303
21	Colorado	5,376
22	Indiana	5,230
23	Missouri	5,024
24	Wyoming	2,152
25	Vermont	1,141

RANK	STATE	NET DOMESTIC MIGRATION
26	West Virginia	474
27	North Dakota	-2,710
28	Washington	-3,580
29	Nebraska	-4,270
30	New Mexico	-4,504
31	Rhode Island	-5,196
32	Mississippi	-5,716
33	Alaska	-6,126
34	Iowa	-7,292
35	Kansas	-7,409
36	Michigan	-8,482
37	Ohio	-9,165
38	Connecticut	-13,547
39	Hawaii	-15,212
40	Oregon	-17,331
41	Minnesota	-19,400
42	Virginia	-23,952
43	Pennsylvania	-39,957
44	Maryland	-45,101
45	Louisiana	-46,672
46	Massachusetts	-57,292
47	New Jersey	-64,231
48	Illinois	-141,656
49	New York	-299,557
50	California	-343,230

Source: U.S. Census Bureau

FIGURE 2 | AVERAGE NET ADJUSTED GROSS INCOME (AGI) MIGRATION, 1997-2020



Source: Internal Revenue Service

The 2022 domestic migration numbers reveal that the growth trends in all three of these states may be coming to an end, as the progressive policy push may be keeping people out as well as sending them away. Colorado, which averaged a net in-migration of 37,388 new residents annually between 2011 and 2020, saw a mere 5,376 net gain in 2022.^{11, 12} In Oregon and Washington, the numbers were even worse. The Evergreen State averaged 36,896 new residents annually between 2011 and 2020 but had a net loss of 3,580 residents in 2022.^{13, 14} The Beaver State gained an average of 25,107 new residents annually between 2011 and 2020 but had a net loss of 17,331 residents in 2022 alone.^{15, 16}

The trend of Americans voting with their feet continues to pick up steam with no signs of slowing down. States can adapt to this reality and become more attractive with their policy choices, or they can double down with failed big government tax and spend policies. Ultimately, the choice is theirs in our system of competitive federalism across the “50 Laboratories of Democracy.” However, it is clear the states with right-sized spending, lower tax burdens, and pro-business policies will continue to lead the way, driving growth for their states – and hopefully keeping America’s economy afloat – despite the economic and policy headwinds coming from Washington, DC.

The Federal Fiscal Fiasco Continues

In the aftermath of the COVID-19 pandemic, the federal government has, on multiple occasions, committed egregious fiscal blunders that have led to economic pain across the globe. In March 2021, Congress passed the American Rescue Plan Act (ARPA), including an extremely unnecessary bailout of state and local governments.¹⁷ These government entities had already received hundreds of billions of dollars under the Coronavirus Aid, Recovery and Economic Security (CARES) Act to help fight the pandemic.¹⁸ ARPA sent an additional \$350 billion to the states as a bailout.¹⁹ The vast majority of them did not need it.²⁰

Despite the recession caused by COVID-19 lockdowns, many states were flush with cash.²¹ As economies reopened, tax revenues began to

return to normal and, in most cases, exceeded previous growth trends.²² In some cases, state economies were never shut down, meaning tax revenues in those states – Florida, South Dakota, Georgia, and others – never took the massive hit to begin with.²³ Many of the states found themselves with budget surpluses, leading to historic tax relief at the state level in 2021 and 2022.²⁴

These surpluses were not solely the happenstance of resurgent economies. Most states that ended up with budgetary surpluses were the ones that routinely practice fiscal responsibility. They tend to keep spending in check without using budget gimmicks and adequately fill their rainy-day funds so that when tough times hit, budgets remain stable.

On the other hand, the states that hit budgetary tough times were those that routinely practice fiscal irresponsibility. These states – California and New York among them – overspend year-after-year and then tax at counterproductive rates and progressivity.²⁵ Furthermore, the deficit states were those that implemented oppressive lockdowns and kept them in place long after other states began to reopen, leading to diminished tax revenues to go right along with increased pandemic relief spending.²⁶

As a result of this dynamic between the fiscally responsible and the fiscally irresponsible, ARPA essentially became a bailout of big government states, as the biggest beneficiaries were the high-taxing, over-spending states that ruined their economies with oppressive and extended lockdowns.²⁷ At the time, an ALEC-led coalition pushed back on the claim that states needed a bailout, especially when that bailout came with stringent strings attached, such as the provision banning states from using surpluses to cut taxes.^{28, 29} The federal funds were adding to the surpluses, not creating them.³⁰ Despite this – as covered in the 14th edition of this publication – states still found ways to cut income taxes.³¹

The American Rescue Plan Act, totaling at least \$1.9 trillion, was a massive and unnecessary infusion of money into the economy.³² As part of the pushback against ARPA, economists predicted the crony bailout and its abundance of spending in

other areas would lead to damaging inflation.³³ Unfortunately, Congress did not heed the warning and in November of 2021 year-over-year inflation hit a 40-year high of 6.8%.³⁴ By December of 2021, it was at 7.1% and kept climbing until it peaked at 9% in June of 2022.³⁵ The year ended with a year-over-year rate of 6.5% in December – on top of the 7.1% in 2021, meaning the Consumer Price Index experienced an increase of approximately 14.1% over a two-year period.³⁶

The Beacons of Fiscal Responsibility

With the myriad of federal policy blunders that caused historic inflation and economic distress, the states continued to prove that real policy solutions are born in the states. Knowing that the federal government was not going to improve economic conditions, many state policymakers took it upon themselves to lighten the financial burden many of their hardworking taxpayers have faced over the last several years. This effort led to a historic tax cut movement over the last two years, including a revival of Steve Forbes' Flat Tax Revolution that he outlined in his book by the same title.³⁷

Since the first state level personal income tax was implemented in Wisconsin in 1911, only four states had made the switch from a progressive personal income tax to a flat personal income tax: Colorado (1987), Utah (2008), North Carolina (2013), and Kentucky (2019).³⁸ In 2022, five more states – Iowa, Arizona, Mississippi, Georgia, and Idaho – joined the Flat Tax Revolution, and now more states are looking to join the movement.³⁹

The 2022 State Flat Tax Revolution began in Iowa in March when, hours before delivering her rebuttal to President Joe Biden's State of the Union address, Governor Kim Reynolds signed into law a historic \$2 billion tax cut for Iowans.⁴⁰ The cut consolidated Iowa's nine personal income tax brackets into a single rate that will be lowered from 8.53% to 3.9% over time.⁴¹

Next came Arizona. The groundwork for the Grand Canyon State's switch was laid legislatively in 2021, when lawmakers passed a budget that included \$1.9 billion in tax cuts to counter-

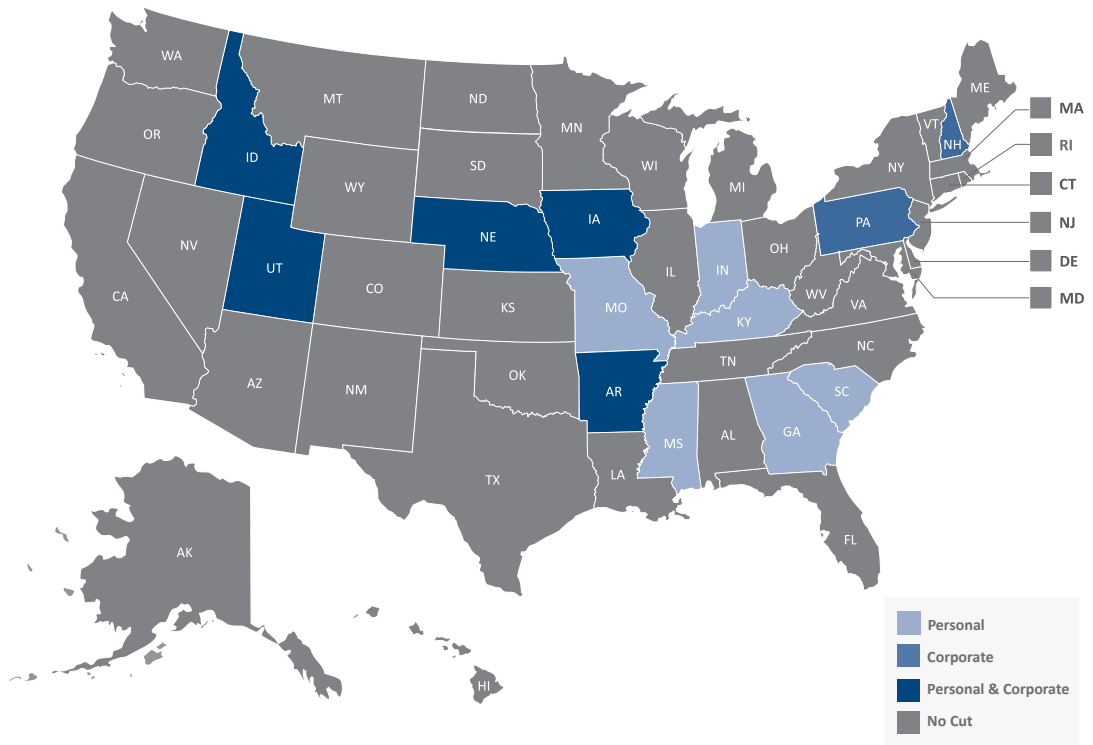
act a 3.5% surcharge on personal income over \$250,000.⁴² The effective rate was lowered from 8% to 4.5% and brackets were consolidated from five to two.⁴³ However, in March of 2022, the Arizona Supreme Court ruled the surcharge unconstitutional, officially eliminating the top bracket, and now, Arizona's personal income tax is a flat 2.5% – the lowest rate of any state with a personal income tax.⁴⁴

As April rolled around, two more states joined the movement. In Mississippi, an effort led by Speaker of the House Philip Gunn resulted in the passage of a \$525 million tax cut, the largest in Magnolia State history.⁴⁵ The plan lowered and flattened the personal income tax.⁴⁶ Georgia also passed a plan based on revenue triggers that will flatten the personal income tax rate in 2024 and lower it to 4.99% by 2030, potentially resulting in a tax cut of over \$1 billion.⁴⁷

Finally, in September, Idaho rounded out the 2022 State Flat Tax Revolution with its second income tax cut bill of the year. In February, the Idaho Legislature passed and Governor Brad Little signed H.B. 436 which lowered the top marginal personal income tax rate to 6% from 6.5% and reduced the number of brackets from five to four.⁴⁸ But the Gem State wasn't finished. The Legislature reconvened for a one-day special session in September and used a \$2 billion surplus to consolidate Idaho's four personal income tax brackets into a lowered flat rate of 5.8% and give \$500 million back through a tax rebate.^{49, 50}

Far from a stand-alone movement, the 2022 State Flat Tax Revolution is part of a greater tax cut trend. In 2022, 13 state legislatures enacted income tax cuts.⁵¹ A total of 19 states have cut income taxes since the 2021 legislative sessions.⁵² As states are seeing historic levels of tax revenue growth, lawmakers are showing impressive fiscal restraint in not spending the surpluses.⁵³ Instead, these states are wisely returning the money to the taxpayers and ensuring they can keep that money in the future (except in California, where lawmakers went on a spending bonanza with the nearly \$100 billion surplus).

This restraint signals a willingness and an ability to implement pro-growth tax policy – something that

FIGURE 3 | LEGISLATIVELY ENACTED STATE INCOME TAX CUTS, 2022

Source: ALEC Center for State Fiscal Reform

may be indicative of a movement toward full elimination of the income tax.⁵⁴ If so, North Carolina might just be the test case for the Move to Zero. In late 2021, the North Carolina legislature passed a plan that, along with personal income tax cuts, will phase out the corporate income tax entirely by the end of the decade.⁵⁵ As North Carolina continues to be one of the best states for both Economic Outlook (2nd) and Economic Performance (12th), it's hard to imagine state lawmakers relegating their sentiment for full income tax elimination solely to the corporate side. The switch to a flat tax was the first step on this journey for North Carolina, and it may well be the first step for others in the Move to Zero.⁵⁶

Other Notable State Tax Stories

Of course, with every revolution comes counter-revolutionaries. With the 2022 State Flat Tax Revolution came the return of "Taxachusetts," as Massachusetts voters approved a ballot measure

in November that implemented a so-called millionaires' tax, ending the Bay State's tenure as a flat tax state.⁵⁷ Massachusetts already saw a net domestic migration loss of 57,292 residents in 2022, but expect that number to increase as more and more people find economic opportunities in other states.⁵⁸

While Massachusetts was busy decreasing its economic competitiveness, out west in high-tax California, voters rejected Proposition 30, which would have put the state's top marginal personal income tax rate at 15%.⁵⁹ For now, California's top marginal personal income tax rate will remain at 13.3%.

Next door in Arizona, voters approved a ballot measure designed to prevent the scenario that happened in the 2020 election with Proposition 208, which created an effective 8.5% top marginal personal income tax rate. The approved ballot measure, Proposition 132, requires a 60% vote requirement for ballot measures to increase taxes.⁶⁰

TABLE 2 | THE NINE STATES WITH THE LOWEST AND HIGHEST MARGINAL PERSONAL INCOME TAX (PIT) RATES

State	As of 1/1/2022	10-Year Growth				
		2011-2021				2009-2019
		Population	Employment	Personal Income	Gross State Product	State & Local Tax Revenue §
Top Marginal Earned PIT Rate †						
Alaska	0.00%	1.64%	-6.03%	26.95%	-3.39%	-42.62%
Florida	0.00%	14.55%	22.91%	75.82%	62.37%	25.18%
Nevada	0.00%	15.97%	22.08%	80.11%	51.13%	49.42%
New Hampshire	0.00%	5.08%	6.10%	56.55%	48.51%	40.13%
South Dakota	0.00%	8.79%	8.18%	56.66%	46.10%	50.82%
Tennessee	0.00%	8.88%	16.48%	63.28%	55.03%	39.38%
Texas	0.00%	15.26%	19.93%	64.07%	48.01%	56.31%
Washington	0.00%	13.38%	17.34%	89.00%	75.87%	67.90%
Wyoming	0.00%	2.11%	-3.80%	40.07%	4.71%	-20.84%
Average of 9 Zero Earned Income Tax Rate States*	0.00%	9.52%	11.47%	61.39%	43.15%	29.52%
50-State Average*	5.67%	6.41%	8.79%	55.73%	42.08%	41.73%
Average of 9 Highest Earned Income Tax Rate States*	11.21%	5.78%	6.30%	55.59%	41.49%	55.32%
Delaware	7.85%	10.71%	8.90%	50.62%	31.52%	58.94%
Vermont	8.75%	3.15%	-2.06%	44.27%	27.28%	41.44%
Maryland	8.95%	5.73%	3.96%	41.81%	34.31%	46.30%
Minnesota	9.85%	6.82%	6.40%	55.93%	43.53%	56.55%
Hawaii	11.00%	4.90%	-1.33%	48.19%	30.36%	69.18%
New Jersey	11.75%	4.98%	5.05%	51.85%	35.51%	36.24%
California	13.30%	4.00%	16.04%	75.26%	65.88%	69.81%
Oregon	14.69%	9.91%	15.51%	79.64%	56.44%	78.78%
New York	14.78%	1.83%	4.26%	52.76%	48.60%	40.52%

*Averages are equal-weighted.

† Top Marginal PIT Rate is the top marginal rate on personal wage income imposed as of 1/1/2022 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 2009 to 2019.

Source: ALEC Center for State Fiscal Reform, U.S. Census Bureau, Bureau of Economic Analysis, Bureau of Labor Statistics.

In Vermont, lawmakers approved an increase and restructuring of the Green Mountain State's corporate minimum tax (CMT).⁶¹ Companies with gross receipts over \$5 million previously paid a CMT of \$750.⁶² Under the change, those companies now pay a CMT of \$6,000.⁶³ Companies with gross receipts over \$300 million now pay a CMT of \$100,000.⁶⁴ The Vermont Legislative Joint Fiscal Office estimates that the top bracket will likely only affect 10 corporations, but that ignores the impact brought to the people through higher prices and the likelihood of these companies relocating.^{65, 66} It seems as though Vermont lawmakers have forgotten the most important lesson of business taxes: Businesses don't pay taxes, *people* pay taxes.

Colorado's Taxpayer's Bill of Rights (TABOR) Turns 30

November 2022 marked the 30th anniversary of Colorado's Taxpayer's Bill of Rights (TABOR), one of the best-known state tax and expenditure limits (TEs) in America.⁶⁷ While it has returned billions of dollars to, and provided important protection for, hardworking Colorado taxpayers over the past three decades, TABOR continues to be subject to unrelenting political attacks from its tax-and-spend opponents, as well as appalling judicial activism from Colorado courts.⁶⁸

TABOR is a state constitutional amendment that limits the amount of revenue Colorado lawmakers can retain and spend to a reasonable formula of population plus inflation growth. If the state government collects more tax revenue than TABOR allows, the money is returned to taxpayers as a refund. In 2022, Colorado taxpayers received nearly \$4 billion in TABOR refund checks.⁶⁹

If any government in Colorado intends to spend surplus revenue, increase taxes or fees, or increase debt, it must submit the proposed measure to the ballot and win the approval of a majority of voters. Ballot measures must clarify how the funds will be raised and allocated. This institutionalized transparency explains in large part TABOR's success. Taxes can still be increased, but it takes a vote of the people to do so.

For decades, academic researchers such as the late Milton Friedman have promoted the benefits of having an institutional constraint, like TABOR, on the growth of government. Following the low-tax-plus-limited-government formula, Colorado developed into one of the most competitive business climates in the nation in the years following TABOR's adoption. During the past three decades, Colorado has been one of the most competitive and fastest-growing economies in the nation.⁷⁰

At the time of its approval, many critics condemned TABOR claiming it would cause businesses to flee the state and the economy to collapse. Every year, progressives launch similar attacks and occasionally introduce ballot measures to rescind or water down TABOR. In 2022, the left-wing *Denver Post* went after TABOR again, urging legislators to "scrap the antiquated TABOR refund mechanism and find a more equitable way to treat Colorado taxpayers."⁷¹

But it is likely because of the protection of TABOR that businesses haven't emigrated from Colorado at the same rate as they've fled tax-and-spend states like California, Illinois, and New York. As former Colorado State Representative Penn Pfiffner, chairman of the TABOR Foundation's board of directors, put it:

*The Colorado economy has been robust over the past 30 years and almost always stronger relative to the national average. That would be a natural attractant to big-government proponents and progressives. Fortunately, Colorado has the Taxpayer's Bill of Rights, which has acted to limit how fast the state and local governments grow.*⁷²

TABOR has seen no shortage of progressive attacks, which serves as an acknowledgment of the danger it presents to those who would like no constraints on government's ability to grow. Though all states except Bernie Sanders' Vermont have some sort of balanced-budget requirement in state law or their constitutions, most don't have the robust protection that TABOR offers.

Taxing and spending may not be out of control in Colorado, but it takes only one future generation of policymakers to change that. In Colorado, such

a generation of big spenders has been held at bay, so far, by the resiliency of the Taxpayer’s Bill of Rights. As State Representative Patrick Neville put it, “TABOR is the only thing keeping Colorado from becoming East California.”

Even in the face of this tremendous economic-success story, the tax-and-spend crowd have spent a tremendous amount of resources trying to demonize TABOR, often attempting to find work-arounds or suing to have TABOR declared unconstitutional.^{73,74} Why? In short, because it is an effective limit on the growth of government, and it restricts the wild spending increases that fund their constituencies – who generally favor big government.

Despite these attacks, opponents readily claim TABOR’s benefits when it earns them political capital. After years of working to undermine TABOR, progressive lawmakers were quick to cheer on the estimated \$3.7 billion in surplus revenue “they” gave back to Coloradans in 2022 through rebate checks required by TABOR.⁷⁵

TABOR remains the gold standard for state spending control. While the politically motivated attacks against it will undoubtedly continue, it represents a fiscal-policy achievement Coloradans should be proud of and defend. Other states trying to implement meaningful checks and balances on the inexorable government-growth machine, meanwhile, should follow Colorado’s example.

Out-of-Control Spending Leads to Out-of-Control Debt

Tax and expenditure limits like Colorado’s TABOR can help prevent out of control spending growth which, over time, can lead to the accumulation of state debt. When states spend in excess of tax revenues, they issue bonded debt. Economists James Buchanan and Richard Wagner wrote that government’s use of debt “should be limited to those situations in which spending needs are ‘bunched’ in time,” such as during emergencies or for capital investment programs.⁷⁶ But, as noted in the ALEC report *State Bonded Obligations, 4th Edition*, many states have not adhered to this advice. In total, state bonded obligations stand at more than \$1.25 trillion.⁷⁷

The ALEC report measures debt accrued by four types of bonds: general obligation, governmental activity, business-type activity, and component unit.⁷⁸ While not every state issues each type, every state faces some amount of bonded obligations. The amount varies dramatically from state to state. In Wyoming, total bonded obligations amounted to approximately \$67 per capita in 2022, while Connecticut’s amounted to over \$12,000 per capita.⁷⁹

To avoid issuing bonded obligations, lawmakers should follow the solutions recommended in *State Bonded Obligations, 4th Edition*.⁸⁰ Implementation of priority-based budgeting has seen

FIGURE 4 | KEY QUESTIONS OF PRIORITY-BASED BUDGETING

- 1. What is the role of government?**
- 2. What are the essential services government must provide to fulfill its purpose?**
- 3. How will we know if government is doing a good job?**
- 4. What should all this cost?**
- 5. When cuts must be made, how will they be properly prioritized?**

tremendous success in many states, including in Washington in 2002 under then-Democratic Governor Gary Locke. Priority-based budgeting, as laid out in the ALEC publication *State Budget Reform Toolkit*, examines five key questions policymakers must answer (see Figure 4).⁸¹ Answering these questions helps lawmakers get away from status quo budgeting to a budgeting process that creates leaner, more responsible budgets.⁸²

In addition to priority-based budgeting, balanced budget amendments, when properly designed, help keep spending and revenue in sync. When used in tandem with a tax and expenditure limit, these budget guidelines help to limit the size of government. The ALEC Center for State Fiscal Reform recently launched a microsite, FiscalRules.org, to showcase what a tax and expenditure limit modeled after TABOR can do to limit spending growth in each state.⁸³

Unfunded Liabilities Leave Retirees Uneasy

By far the largest form of state debt exists in what states promise to pay out to retirees in the form of pensions. As shown in the ALEC report *Unaccountable and Unaffordable, 6th Edition*, total unfunded pension liabilities were approximately \$8.25 trillion in 2022.⁸⁴ That's a \$2.45 trillion increase from 2021 and amounts to approximately \$25,000 for every man, woman, and child in the United States.⁸⁵

A checkerboard of contracts, constitutional mandates, common law, state laws, and other protections guarantee pension promises in the 50 states.⁸⁶ In other words, states must make the payments they have promised to retirees regardless of whether their pension funds are appropriately pre-funded to do so. Covering a protected obligation with volatile investments is a recipe for those obligations wreaking havoc on state budgets when investment returns fall; thus, taxpayers could be forced to foot the bill for unfunded liabilities at the moment when broader economic conditions have them in a poor position to do so.⁸⁷

The problems in pension systems stem primarily from the structure of the plans.⁸⁸ Most states use a defined benefit plan, which guarantees a set amount of payout based on several factors, including the plan's multiplier, the retiree's years of service and final average salary upon retirement.⁸⁹ These structures often lead to poor funding ratios due to bad assumptions, over-promised benefits, and managers' chasing higher returns.⁹⁰ *Unaccountable and Unaffordable* has for years provided the research and data to show policymakers that state pension systems are in dire need of reform to eliminate unfunded liabilities.⁹¹

The best way to fix the unfunded liability problem is by enrolling new hires in defined contribution plans.⁹² These plans are similar to the portable 401(k) plans in the private sector. Defined contribution plans make it easy for employees to transition across jobs while keeping their earned retirement savings.⁹³ Under this model, state employees also become advocates for prudent investment decisions and lower management costs.

Pension plans are not the only underfunded retirement benefit system in the states. Most states (Nebraska and South Dakota being the exceptions) also hold unfunded other post-employment benefit (OPEB) liabilities.⁹⁴ The ALEC report *Other Post-Employment Benefit Liabilities, 5th Edition*, estimates that total unfunded OPEB liabilities have reached \$959 billion – approximately \$3,000 for every man, woman, and child in the United States.⁹⁵

OPEB plans face the same issues as pension plans. Defined benefit structures create funding issues, which can harm retirees and taxpayers.⁹⁶ A free market solution is to implement a defined-contribution structure, such as a Health Savings Account (HSA).⁹⁷ This model allows portability for OPEB plans and can yield a higher retirement benefit than the defined benefit model.⁹⁸

Political Investing Threatens Retirement Security and Taxpayers

Unfunded liabilities pose a major threat to stability for pension beneficiaries, but in recent years, another threat has emerged. Politically motivated investing, such as environmental, social, and governance (ESG) investing, has taken the financial industry by storm and threatens to severely hinder the long-term financial health of both private and public pension plans.⁹⁹

The criteria for ESG is hard to pin down due to its inherently vague, subjective, and political nature.¹⁰⁰ Essentially, ESG is a major vehicle through which political activists bully businesses into carrying out their own political will – often in ways that are contradictory to the best interests of businesses, their shareholders, and workers.

In recent years, some investment firms and state pension systems have taken to these investment strategies to achieve their political or social goals rather than maximize returns. They have even used their control of proxy votes to influence company decisions in ways that go against the financial interests of workers and retirees.

As previously noted, unfunded pension liabilities are already at record levels. It's critical to address these unfunded liabilities rather than make them worse by injecting political crusades.

As the ALEC publication *Keeping the Promise: Getting Politics Out of Pensions* shows, politicized investing yields lower returns than investing without political constraints – a story that California knows all too well.¹⁰¹ CalPERS, California's largest pension system, decided to divest from all tobacco-related stocks in 2001.¹⁰² Two decades later, the tobacco stock divestment has cost California public sector workers and retirees at least \$3.5 billion.¹⁰³

Then there is the Texas story. In 2021, ExxonMobil held a vote to elect four board members that turned into a proxy fight resulting in the placement of three climate activists on the ExxonMobil board, contrary to the recommendation of company leadership.¹⁰⁴ It just so happens that the

Employees Retirement System of Texas and the Teachers Retirement System of Texas voted their shares for the three new members at the recommendation of proxy advisory firms.¹⁰⁵ Most pensioners and taxpayers are unaware many public pensions are voting in favor of activist shareholder proposals.

The lessons learned from California and Texas are clear: pension plans and their shareholder votes need to be protected from politically driven decisions. The best way to do this is through the Sole Interest Rule. Fiduciaries should only be permitted to make prudent investment decisions and vote shares in the sole pecuniary interest of plan beneficiaries.

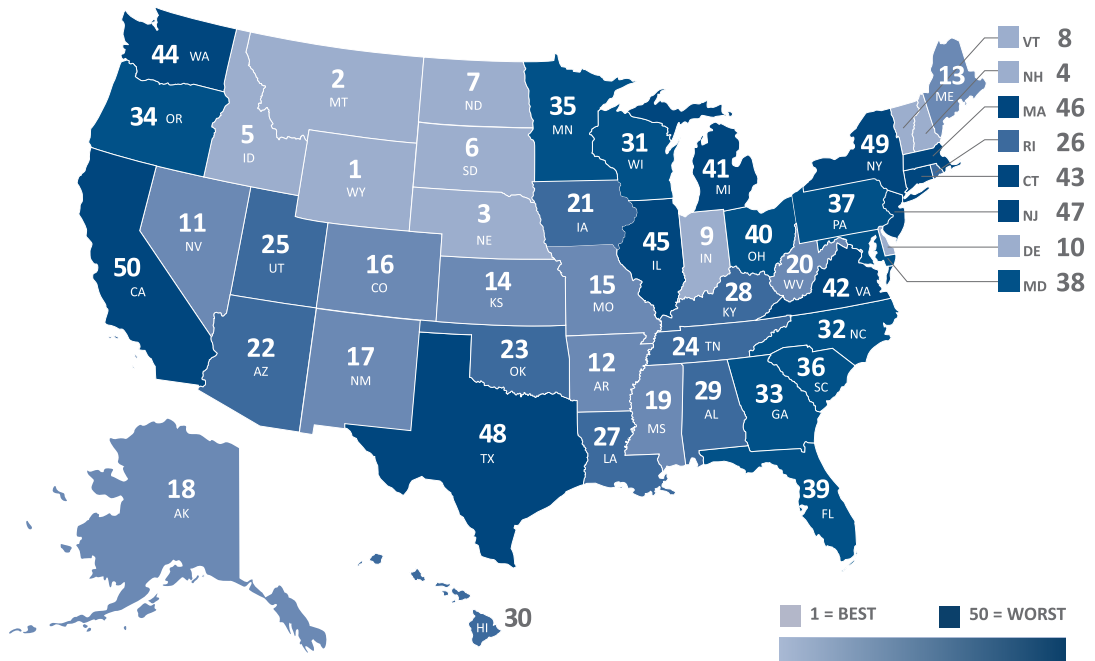
A new ALEC model policy follows this idea. The State Government Employee Retirement Protection Act implements the sole interest rule and serves as an indispensable guide for state policymakers looking to protect retirees and taxpayers from the dangers of politically driven investment strategies.¹⁰⁶

A Look Ahead

State policymakers would be wise to recognize how economic policy drives individual decision making. No amount of economic favoritism or targeted tax breaks can reverse out-migration 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 and economic policy more competitive for all is a prerequisite.

Though the federal fiscal fiasco continues to hamper Americans' economic prosperity, the "50 Laboratories of Democracy" continue to remain beacons of fiscal responsibility. The states that routinely pursue free market, limited government policy solutions will continue to hold immense competitive advantages over those that do not. This remains especially true in the face of reckless federal level policies, and it is now more important than ever that states find ways to give their taxpayers a break.

FIGURE 5, TABLE 3 | TOTAL BONDED OBLIGATIONS, 2021

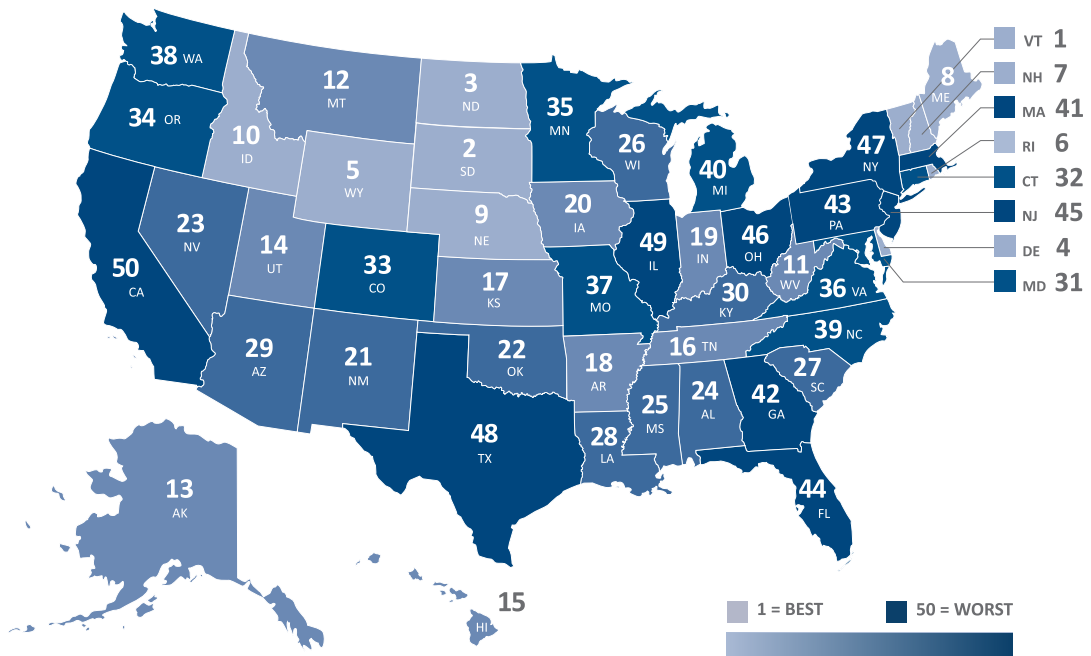


RANK	STATE	TOTAL BONDED OBLIGATIONS
1	Wyoming	\$32,215,741
2	Montana	\$1,150,303,000
3	Nebraska	\$1,501,513,000
4	New Hampshire	\$1,780,734,250
5	Idaho	\$2,743,915,000
6	South Dakota	\$3,148,255,000
7	North Dakota	\$3,249,870,000
8	Vermont	\$3,390,062,639
9	Indiana	\$4,115,252,279
10	Delaware	\$4,526,545,000
11	Nevada	\$5,141,697,000
12	Arkansas	\$5,231,791,000
13	Maine	\$6,777,893,375
14	Kansas	\$6,798,026,000
15	Missouri	\$6,876,345,000
16	Colorado	\$7,212,316,000
17	New Mexico	\$7,457,519,375
18	Alaska	\$7,537,100,000
19	Mississippi	\$7,577,116,000
20	West Virginia	\$7,827,127,000
21	Iowa	\$7,969,738,800
22	Arizona	\$8,230,050,000
23	Oklahoma	\$8,284,108,800
24	Tennessee	\$9,309,748,202
25	Utah	\$10,968,258,000

RANK	STATE	TOTAL BONDED OBLIGATIONS
26	Rhode Island	\$11,283,952,465
27	Louisiana	\$11,579,698,000
28	Kentucky	\$12,540,402,000
29	Alabama	\$12,677,085,000
30	Hawaii	\$12,731,995,000
31	Wisconsin	\$15,039,397,000
32	North Carolina	\$15,953,079,000
33	Georgia	\$17,487,465,000
34	Oregon	\$17,992,888,000
35	Minnesota	\$20,116,813,743
36	South Carolina	\$21,733,607,979
37	Pennsylvania	\$23,509,355,436
38	Maryland	\$27,725,138,999
39	Florida	\$30,218,950,000
40	Ohio	\$30,266,138,000
41	Michigan	\$33,766,900,000
42	Virginia	\$41,336,432,435
43	Connecticut	\$44,143,470,000
44	Washington	\$47,689,565,833
45	Illinois	\$57,955,393,000
46	Massachusetts	\$60,448,510,000
47	New Jersey	\$63,337,800,000
48	Texas	\$85,747,157,000
49	New York	\$174,689,288,250
50	California	\$201,446,351,589

Source: ALEC Center for State Fiscal Reform

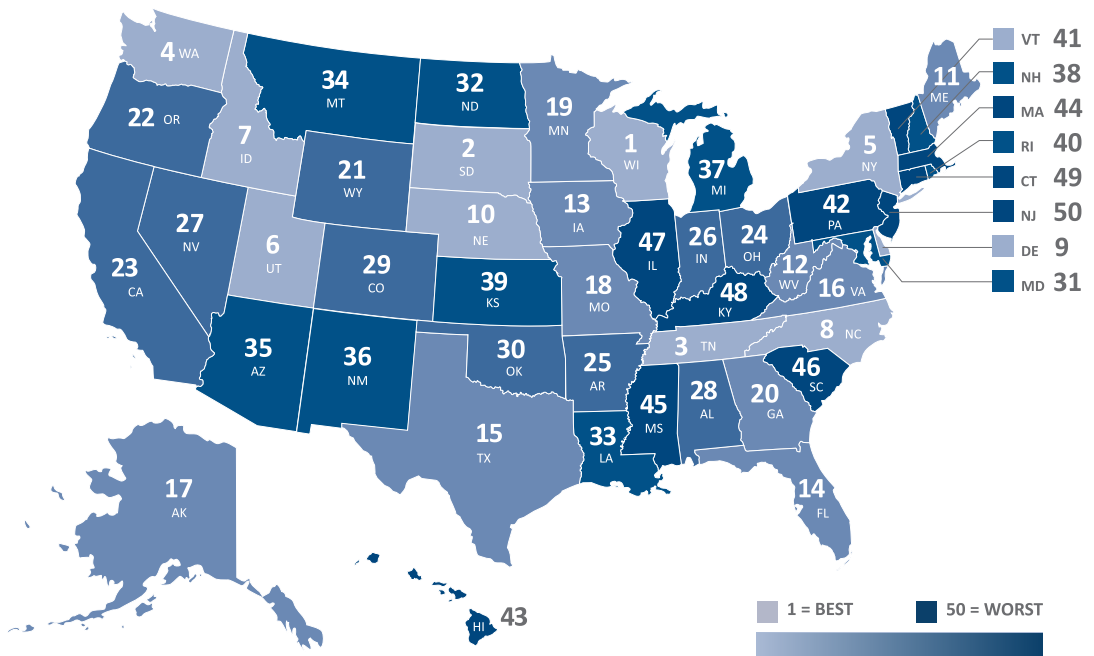
FIGURE 6, TABLE 4 | TOTAL UNFUNDED PENSION LIABILITIES, 2021



RANK	STATE	UNFUNDED PENSION LIABILITIES
1	Vermont	\$14,436,915,023.19
2	South Dakota	\$14,443,335,262.44
3	North Dakota	\$15,130,326,382.66
4	Delaware	\$18,467,436,374.30
5	Wyoming	\$18,715,506,759.89
6	Rhode Island	\$24,614,454,335.59
7	New Hampshire	\$25,939,504,193.86
8	Maine	\$26,172,124,821.24
9	Nebraska	\$26,226,172,725.89
10	Idaho	\$29,276,256,966.56
11	West Virginia	\$29,335,157,886.19
12	Montana	\$30,665,520,502.16
13	Alaska	\$31,331,382,418.17
14	Utah	\$55,458,770,067.99
15	Hawaii	\$58,122,692,070.11
16	Tennessee	\$58,824,541,726.96
17	Kansas	\$59,846,865,002.38
18	Arkansas	\$67,682,576,006.08
19	Indiana	\$69,135,444,680.63
20	Iowa	\$69,171,677,446.79
21	New Mexico	\$76,211,334,591.85
22	Oklahoma	\$80,636,914,665.72
23	Nevada	\$82,252,281,510.42
24	Alabama	\$92,734,851,779.32
25	Mississippi	\$96,029,349,197.20

RANK	STATE	UNFUNDED PENSION LIABILITIES
26	Wisconsin	\$97,154,455,679.01
27	South Carolina	\$114,660,456,761.09
28	Louisiana	\$128,821,669,699.20
29	Arizona	\$133,128,569,668.52
30	Kentucky	\$137,219,561,719.94
31	Maryland	\$139,840,588,393.85
32	Connecticut	\$145,779,590,837.11
33	Colorado	\$146,529,003,041.85
34	Oregon	\$147,779,453,199.60
35	Minnesota	\$148,316,886,232.56
36	Virginia	\$160,682,025,027.08
37	Missouri	\$165,965,096,591.08
38	Washington	\$167,432,460,443.31
39	North Carolina	\$174,143,444,572.63
40	Michigan	\$178,933,605,481.79
41	Massachusetts	\$191,086,201,504.61
42	Georgia	\$208,059,092,431.94
43	Pennsylvania	\$299,470,540,222.67
44	Florida	\$302,873,520,481.96
45	New Jersey	\$370,157,297,823.16
46	Ohio	\$429,533,379,709.61
47	New York	\$508,708,887,679.93
48	Texas	\$529,703,784,142.18
49	Illinois	\$533,727,891,857.06
50	California	\$1,530,649,405,906.57

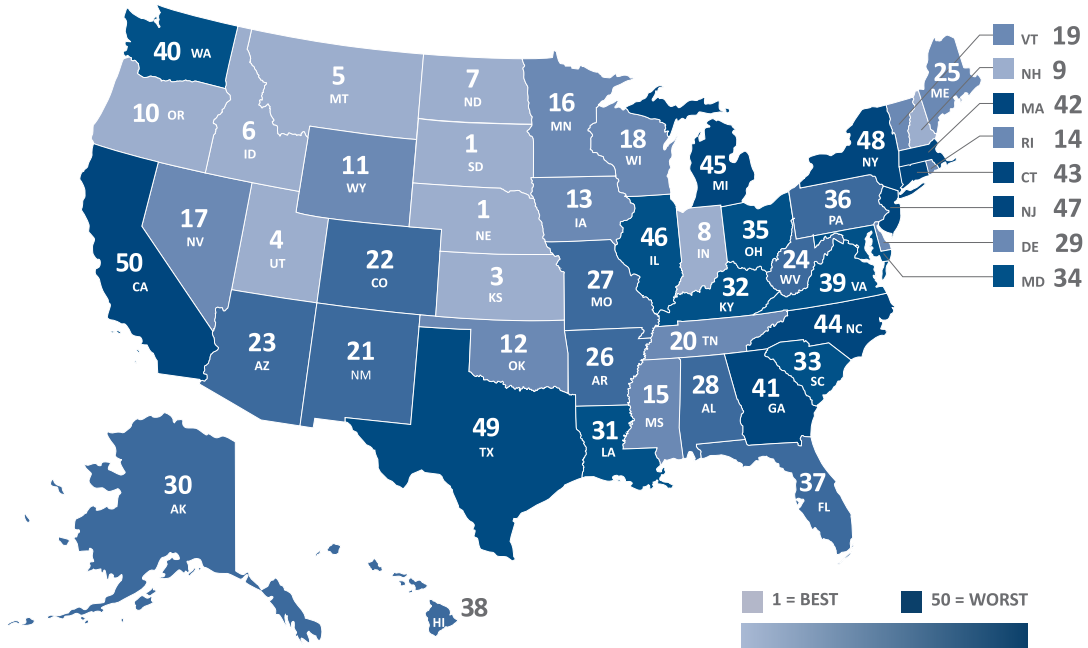
FIGURE 7, TABLE 5 | PENSION PLAN FUNDING RATIOS, 2021



RANK	STATE	PENSION PLAN FUNDING RATIO
1	Wisconsin	56.26%
2	South Dakota	46.10%
3	Tennessee	41.14%
4	Washington	38.57%
5	New York	38.51%
6	Utah	38.29%
7	Idaho	37.95%
8	North Carolina	37.21%
9	Delaware	36.99%
10	Nebraska	36.92%
11	Maine	36.65%
12	West Virginia	35.68%
13	Iowa	35.14%
14	Florida	34.79%
15	Texas	33.30%
16	Virginia	33.06%
17	Alaska	32.53%
18	Missouri	32.17%
19	Minnesota	32.08%
20	Georgia	32.07%
21	Wyoming	31.63%
22	Oregon	31.61%
23	California	31.61%
24	Ohio	31.52%
25	Arkansas	30.84%

RANK	STATE	PENSION PLAN FUNDING RATIO
26	Indiana	30.65%
27	Nevada	30.31%
28	Alabama	30.21%
29	Colorado	29.65%
30	Oklahoma	29.52%
31	Maryland	28.59%
32	North Dakota	28.34%
33	Louisiana	27.97%
34	Montana	27.85%
35	Arizona	27.57%
36	New Mexico	26.79%
37	Michigan	26.79%
38	New Hampshire	26.08%
39	Kansas	25.61%
40	Rhode Island	25.47%
41	Vermont	24.36%
42	Pennsylvania	23.85%
43	Hawaii	23.73%
44	Massachusetts	23.67%
45	Mississippi	22.81%
46	South Carolina	21.42%
47	Illinois	20.58%
48	Kentucky	19.78%
49	Connecticut	19.14%
50	New Jersey	17.96%

FIGURE 8, TABLE 6 | TOTAL UNFUNDED OPEB LIABILITIES, 2021



RANK	STATE	TOTAL UNFUNDED OPEB LIABILITIES
1	Nebraska	\$0.00
1	South Dakota	\$0.00
3	Kansas	\$138,373.18
4	Utah	\$113,643,863.62
5	Montana	\$138,976,484.89
6	Idaho	\$205,853,795.28
7	North Dakota	\$258,476,535.22
8	Indiana	\$341,007,757.01
9	New Hampshire	\$458,891,967.14
10	Oregon	\$581,630,093.01
11	Wyoming	\$646,931,140.15
12	Oklahoma	\$722,104,168.61
13	Iowa	\$729,528,280.74
14	Rhode Island	\$827,810,898.10
15	Mississippi	\$1,005,027,452.70
16	Minnesota	\$1,159,507,766.52
17	Nevada	\$1,570,901,589.11
18	Wisconsin	\$1,880,522,308.18
19	Vermont	\$2,695,723,725.66
20	Tennessee	\$2,863,852,761.36
21	New Mexico	\$3,558,272,947.07
22	Colorado	\$3,869,181,940.86
23	Arizona	\$3,931,579,071.27
24	West Virginia	\$4,015,619,010.87
25	Maine	\$4,573,899,430.46

RANK	STATE	TOTAL UNFUNDED OPEB LIABILITIES
26	Arkansas	\$4,706,048,272.89
27	Missouri	\$5,217,611,482.48
28	Alabama	\$9,111,735,648.75
29	Delaware	\$9,897,802,620.34
30	Alaska	\$10,465,369,515.08
31	Louisiana	\$13,183,243,652.62
32	Kentucky	\$14,569,561,030.19
33	South Carolina	\$16,058,191,936.46
34	Maryland	\$17,046,087,272.32
35	Ohio	\$18,433,727,396.92
36	Pennsylvania	\$18,443,951,833.68
37	Florida	\$18,617,493,676.41
38	Hawaii	\$18,742,935,751.44
39	Virginia	\$18,996,780,829.52
40	Washington	\$20,750,181,194.06
41	Georgia	\$22,074,513,705.90
42	Massachusetts	\$22,357,822,937.29
43	Connecticut	\$27,596,865,648.82
44	North Carolina	\$37,768,028,088.49
45	Michigan	\$40,870,483,254.08
46	Illinois	\$101,589,984,033.76
47	New Jersey	\$104,340,736,085.31
48	New York	\$111,615,332,032.62
49	Texas	\$116,447,159,333.06
50	California	\$124,608,551,798.20

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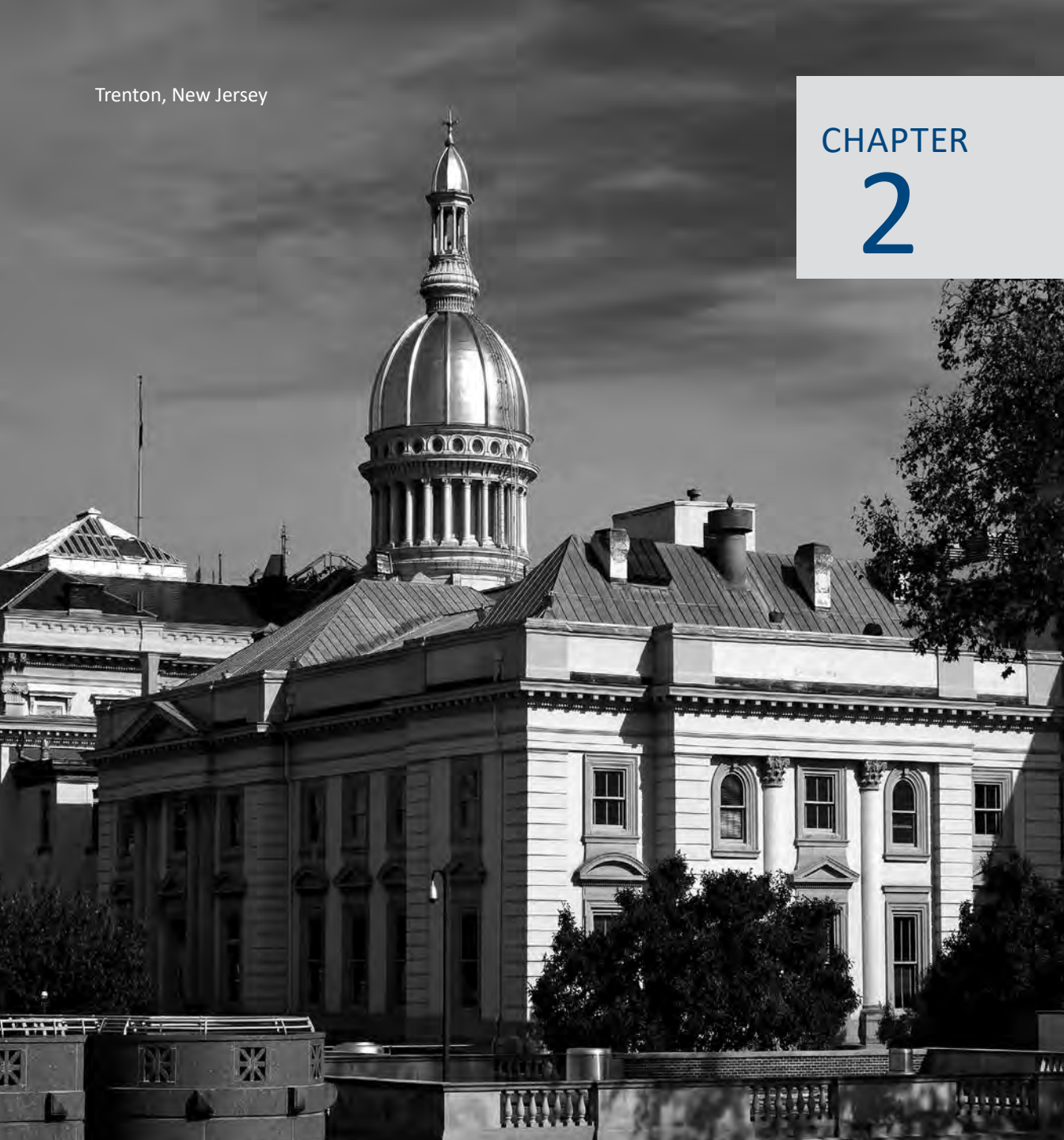
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Trenton, New Jersey

CHAPTER
2



Corporate Income Tax Reform

Corporate Income Tax Reform

Often overlooked in tax policy discussions, despite its momentous impact, is the topic of how states tax corporate income. Undoubtedly, the issue is a major concern of lawmakers, legislative staff, business leaders, and shareholders, but the average resident of any given state is likely unable to recall the corporate income tax rates. Many will not even be able to recall whether their state taxes corporate income. Personal income taxes are visible, painfully so, with every paycheck. Property taxes are a topic of disgruntled, but still casual, conversation for every homeowner. Absolutely everyone has paid a dollar and some change for the candy bar marked “\$1.00” because of sales taxes. Corporate taxes fall into another category. The impact is not directly identifiable because corporate taxes are disguised as price increases, employment decline, out-of-state migration of businesses and individuals, and overarching restrictions of economic growth.¹

Most will never be required to complete and submit an IRS Form 1120, but everyone is affected by their state’s corporate taxation.² Headline tax topics, namely personal income taxes, should most definitely remain areas of contemplation, however, corporate income tax rates should be added to the list. When reviewing the state pages of this year’s publication, keep the corporate income tax (CIT) rankings for the states in mind, as they are highly correlated to a state’s Economic Outlook.³ The trend is undeniable. The corporate income tax rate rankings have the extraordinary capability of separating the rich states from the poor states.

The Theory of the Corporate Income Tax

The foundation of sound corporate tax policy is identical to that of all tax policy. Governments must determine what to tax, who to tax, and how much to tax. In other words, the state must determine the tax base and the tax rate. The tax rates should be as low as possible to provide the least incentive for taxpayers to attempt to avoid, evade, or otherwise not report taxable income. This is constructed so that the tax revenues are great enough to operate essential government functions while minimizing the unavoidable stress on the economic system.⁴

When rates are raised above optimal levels, tax revenues will decline further with subsequent rate hikes.⁵ A narrowly defined tax base will exacerbate the revenue decline. Also, as is true with any economic issue, time is a relevant factor. The damage dealt by a miscalculated tax rate and ill-defined tax base intensifies exponentially as time passes. Poorly implemented tax structures, even if the rate and base remain unchanged, will cause more and more damage every year they remain in place.

States with corporate income taxes should aim for the lowest possible rate applied to all state corporations with no exceptions. No matter the size of the company, or the magnitude of its profits, every company must be subject to the tax for the economic damage to be minimized.⁶

Fundamentally, taxation is collected for one of two purposes. Taxes are intended to either raise revenues or alter behavior. Obviously, revenue driving taxation, such as corporate or personal income taxation, seeks to raise funds used for government functions. Behavior focused taxation, most commonly an excise tax placed on the sale of alcohol and tobacco products, is often implemented in an attempt to disincentivize consumption of these products by adding an additional cost. It is important to keep in mind that no matter which label is placed on the tax structure, revenue raiser or “sin” tax, the discriminatory tax carries both consequences simultaneously. Sin taxes will generate some revenue, and taxing income will disincen-

tivize taxpayers from either earning or reporting income.⁷

Sound tax policy should follow a set of principles (Figure 1). It should be transparent and simple enough for the average citizen to understand. This keeps government’s job easy and enables low-cost administration. Government should not try to choose winners and losers in the free market. No group should face discriminatory taxation, and, conversely, no interests should benefit from special favors. The best tax system thus has a broad base and a low rate, with few loopholes or exclusions.

FIGURE 1 | ALEC PRINCIPLES OF TAXATION

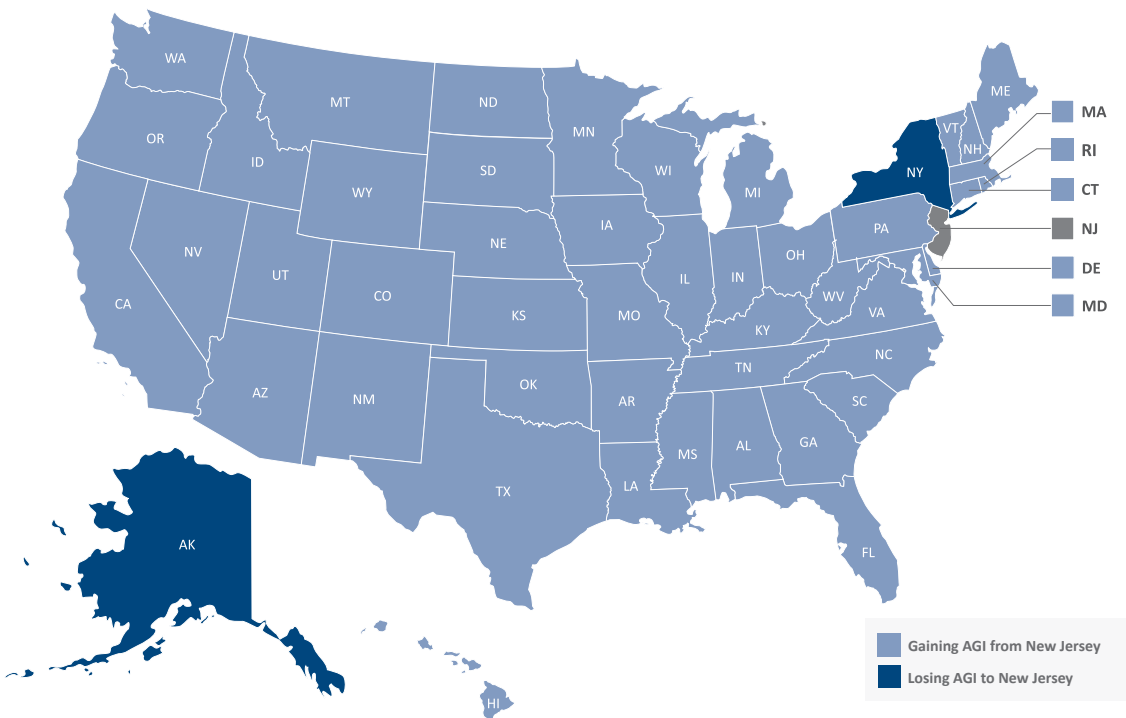
- **SIMPLICITY** – The tax code should be easy for the average citizen to understand, and it should minimize the cost of complying with the tax laws. Tax complexity adds cost to the taxpayer, but does not increase public revenue. For governments, the tax system should be easy to administer, and should help promote efficient, low-cost administration.
- **TRANSPARENCY** – Tax systems should be accountable to citizens. Taxes and tax policy should be visible and not hidden from taxpayers. Changes in tax policy should be highly publicized and open to public debate.
- **ECONOMIC NEUTRALITY** – The purpose of the tax system is to raise needed revenue for core functions of government, not control the lives of citizens or micromanage the economy. The tax system should exert minimal impact on the spending and decisions of individuals and businesses. An effective tax system should be broad-based, utilize a low overall tax rate with few loopholes, and avoid multiple layers of taxation through tax pyramiding.
- **EQUITY AND FAIRNESS** – The government should not use the tax system to pick winners and losers in society, or unfairly shift the tax burden onto one class of citizens. The tax system should not be used to punish success or to “soak the rich,” engage in discriminatory or multiple taxation, nor should it be used to bestow special favors on any particular group of taxpayers.
- **COMPLEMENTARY** – The tax code should help maintain a healthy relationship between the state and local governments. The state should always be mindful of how its tax decisions affect local governments so they are not working against each other – with the taxpayer caught in the middle.
- **COMPETITIVENESS** – A low tax burden can be a tool for a state’s private sector economic development by retaining and attracting productive business activity. A high-quality revenue system will be responsive to competition from other states. Effective competitiveness is best achieved through economically neutral tax policies.
- **RELIABILITY** – A high-quality tax system should be stable, providing certainty in taxation and in revenue flows. It should provide certainty of financial planning for individuals and businesses.

The structure for corporate income taxation outlined above produces idyllic results, but that assertion relies on the assumption corporate income is taxed at all. The lowest possible tax rate, as well as the recommended tax rate, in this case is 0%. In the specific case of corporate income taxation, the rate is applied to profit. The nature of the tax will unquestionably alter corporate incentives. Taxing profits places a penalty on traditionally successful business practices that, by definition, offer value to consumers. The incentive to create value is the driver of prosperity, innovation, and economic expansion. Tipping the scales by penalizing success only serves to stifle growth. For the sake of balance, corporate subsidies lead to a similar outcome by reducing the costs that disincentivize failure, tipping the scales in the opposite direction.

What Not to Do: The Case of New Jersey

New Jersey began taxing corporate income at a rate of 1.75% in 1959.⁸ At the time, New Jersey had neither an income tax nor a sales tax. While the new tax certainly marked a turning point for the state, the shift likely went unnoticed at the time due to the state's otherwise low-tax environment. New Jersey proudly ranked among the fastest growing states in the nation and enjoyed strong fiscal stability, consistently achieving budget surpluses with ease. In 1966, a sales tax was adopted. The personal income tax was introduced a decade later in 1976.^{9,10} Following these events, the era of growth was over. By 1988, New Jersey's contribution to U.S. GDP stood at 3.92% and has continued to decline ever since.¹¹

FIGURE 2 | AGGREGATE NET ADJUSTED GROSS INCOME (AGI) FLOWS FOR NEW JERSEY, 2015-2020



Source: Internal Revenue Service

There is no economic metric more suited to evaluate historical economic performance in New Jersey than AGI as reported to the Internal Revenue Service (IRS) by state residents. AGI is by far the most comprehensive measure of state economic activity, subsuming all lesser measures. It is the basis of tax collections, employment, real incomes, and overall economic wellbeing. It is conclusively the most encompassing measure of economic metrics.

Net domestic in-migration of AGI to New Jersey has remained negative since the IRS began tracking the metric in 1990.¹² On an annual basis, since 1992, more income has fled the state than income relocating to the state. From 2019 to 2020, a net \$2.32 billion of the state’s taxable AGI left the state, or 0.61% of New Jersey’s \$378 billion total AGI in 2020.¹³ These data only capture the movement in a single year’s income. When a taxpayer withdraws from the state, that income is unlikely to ever return. The annual losses of income compound, as losses from one year are carried for all subsequent years.

The number of Fortune 500 companies headquartered in New Jersey fell from 22 in 2006 to 15 in 2021.^{14, 15} These companies found more profitable locations and took their taxable income, their employees and their employees’ taxable income with them. The outlook is growing worse the longer

New Jersey fails to make substantial changes to their tax policies.

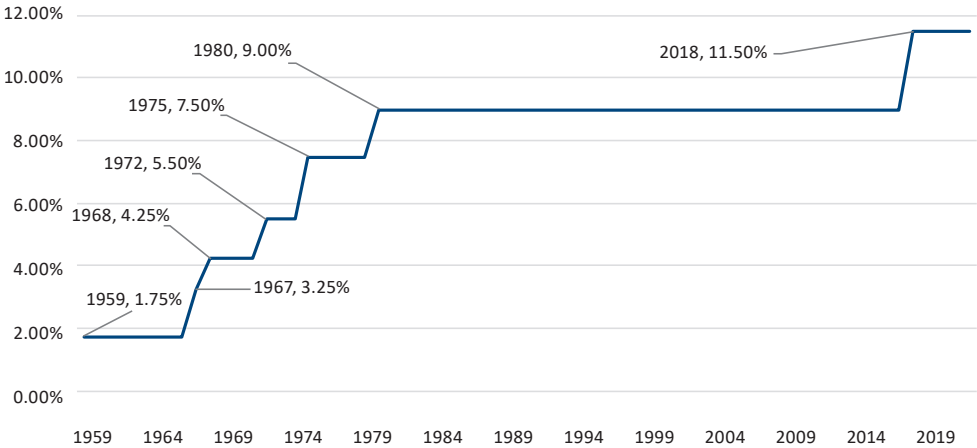
Throughout the entirety of the *Rich State, Poor States* publications, New Jersey’s most favorable Economic Outlook rank was 39th in 2013. Throughout the remaining 14 annual editions, New Jersey has only once ranked above the bottom five.¹⁶

The New Jersey Corporation Business Tax

Since its first year in existence, New Jersey’s Corporation Business Tax rate has only increased.¹⁷ From 1959 to 2022, the rate has been raised a total of five times, most recently in 1980, to its current rate of 9%. The inclusion of the surtax in 2018, which was extended in 2020, brought the combined top rate up to an appalling 11.5%.^{18, 19}

There’s no silver lining to this story. The revenues collected were not sufficient to prevent the state from introducing a sales tax in 1966 or an individual income tax in 1976. These taxes would never have been considered if there was any modicum of success with corporate taxation. As far too often is the case, a state imposed a new tax, witnessed a decline and frantically repeated the process. Sales and income taxes in New Jersey were

FIGURE 3 | TOP MARGINAL CORPORATION BUSINESS TAX RATE IN NEW JERSEY, 1959-2022



Source: New Jersey Department of the Treasury: Division of Taxation

implemented to reverse the downward trend created by another tax. Needless to say, making the same mistake a second and third time only accelerated the decline. New Jersey has been stuck in this vicious cycle since 1959. When calls for corporate income tax reform came in 2017 and 2018, the Garden State determined the best course of action was to add a surtax.

The complexity of New Jersey's tax may be its worst quality, being one of the few states imposing a graduated rate schedule. It makes little sense to tax any form of income in this manner, but especially corporate income. The redistribution goals of progressive income taxation should never apply to business income, punitively taxing profitable businesses for the sake of propping up the insolvent ones.²⁰ The tax brackets carry another flaw in that they are not indexed to inflation. As prices rise, companies move into higher and higher brackets without any added profitability in real terms.²¹

New Jersey has recognized this burden on their business environment. They've tacitly admitted as much by offering short term exemptions to businesses willing to relocate to New Jersey.²² The strategy appears straightforward but ultimately adds more complexity to the tax code. The convoluted structure allows for countless tax avoidance tactics that cut into efficiency and fairness.

In light of the principles of sound taxation, New Jersey's corporate income tax is hurting the state's economic competitiveness. High rates have acted as a perverse incentive, leading businesses and residents to flee the state. Meanwhile, the graduated schedule adds unnecessary complexity and creates an impetus for tax avoidance. But while bad policy repels growth in the Garden State, policymakers elsewhere have worked to improve tax policy and attract prosperity.

The Case of North Carolina

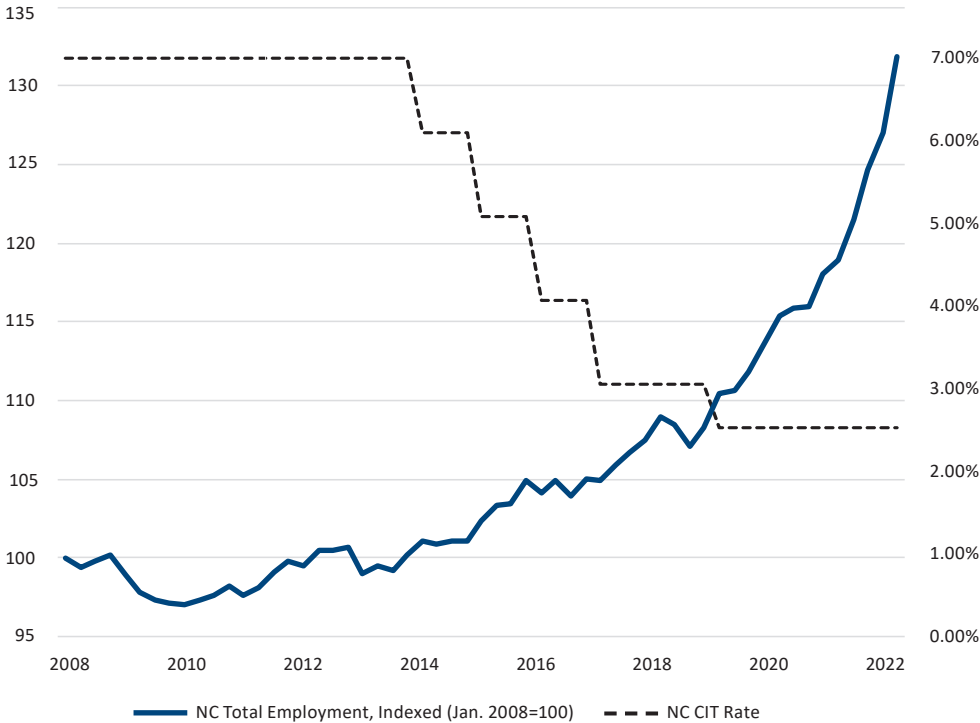
At the beginning of this chapter, we discussed the overarching principles surrounding tax structures and idealistic strategies to achieve desired results (i.e. revenue maximization, minimized burden on economic growth, behavioral changes, etc.). This is the essential first step in any beneficial tax reform. Logic and reason backing a policy change are prerequisites, however, a purely hypothetical theory of what should be successful is of little reassurance once the theory is implemented within a real-world scenario.

Fortunately, the risk that comes with acting on theory alone, jumping directly into supply-side corporate income tax reform, has disappeared. North Carolina has already taken on that risk for its 49 peers. And the results have been spectacular.

Cuts to North Carolina's top corporate income tax rate began in 2013, when policymakers reduced the tax by one percentage point each year until it reached 3% in 2017.²³ North Carolina's economy grew rapidly over that short period of time, and lawmakers scrambled to maintain the momentum by further reducing the top rate to 2.5% via 2017 tax reforms effective January 1, 2019.^{24, 25} Governor Roy Cooper (a Democrat) signed the bill that dealt the final blow to the corporate income tax in 2021. The top rate is set to gradually fall each year until the tax is eliminated by 2030.^{26, 27}

Figure 4 plots North Carolina's monthly employment level from 2008 to March of 2022. Since the year before the initial tax cuts became effective in January of 2013, employment has grown 16.5% (1.85% annually) in under a decade. The U.S. growth over the same period was only 12.3% or 1.7% annualized. Of course, the 2020 recession limited job growth for North Carolina, but the state's strong jobs recovery coming out of the 2020 downturn has been remarkable—it appears that North Carolina is set to not only fully recover from the COVID recession, but to return to former growth trends.²⁸

FIGURE 4 | NORTH CAROLINA EMPLOYMENT AND CORPORATE INCOME TAX (CIT) RATE, 2008-2022



Source: Bureau of Labor Statistics, Laffer Associates, ALEC Center for State Fiscal Reform

It’s clear that lower income tax rates for businesses incentivize job growth and job creation, but this is a downstream benefit. More directly, lower corporate income tax rates are an incentive for businesses to expand and boost earning potential for entrepreneurs. The enhanced profit motive for aspiring business owners allows free markets to function properly and efficiently, inevitably leading to a greater number of businesses opening their doors.²⁹

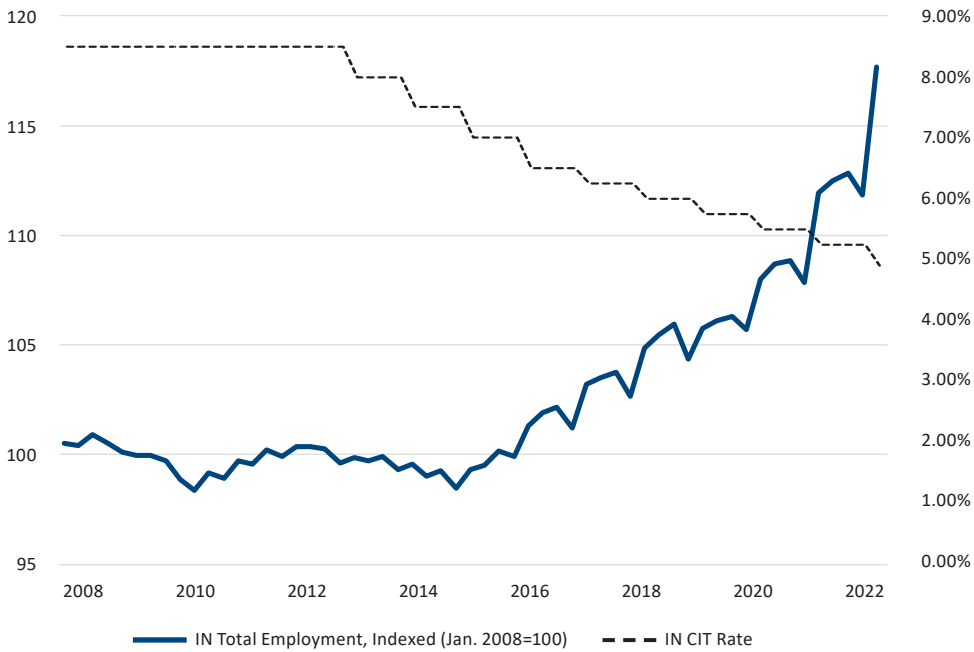
The Case of Indiana

Another notable example of reducing corporate tax rates and realizing substantial economic growth can be seen in Indiana. In 2012, Indiana held the 15th highest corporate income tax rate in the nation at 8.5%. Today, the state has reduced its corporate income tax rate to 4.9% – 11th lowest in the nation.³⁰ The results, much like those of North Carolina, provide ample evidence of success.

There is reason to believe the stellar results seen in North Carolina will only grow more significant over time. North Carolina adopted a gradual approach to reducing their tax rate. There is a vast difference between lowering a tax rate and eliminating a tax completely, and North Carolina is likely to see the benefit of full elimination as people and their businesses continue to pour into the state. The changeover from even 0.1% to 0.0% has a substantial impact that arises from tax code efficiency. Thus, elimination of a tax should always be the ultimate goal.

The state’s pro-growth policy shift has successfully led to economic benefits. From January of 2013 to just before the pandemic decline in December of 2019, employment in Indiana grew 14.8%, significantly outpacing the nation. These smart policy decisions in the Hoosier state have improved its Economic Outlook ranking from 24th in 2012 to 7th in this edition.

FIGURE 5 | INDIANA EMPLOYMENT AND CORPORATE INCOME TAX (CIT) RATE, 2008-2022



Source: Bureau of Labor Statistics, Laffer Associates, ALEC Center for State Fiscal Reform

A New Era: Recent Developments in State Corporate Income Tax Reform

Unfortunately, major upheavals of corporate tax structures are rare. At present, there are only two states that collect neither a corporate income nor a gross receipts tax (South Dakota and Wyoming).³¹ We do, however, have fairly recent examples of states dramatically lowering their top rates.

Surveying the states, Iowa formerly held the highest corporate income tax rate but, in addition to its historic personal income tax reform (see Chapter 1), reduced its rate for tax year 2022 to 9.8% and, if certain revenue triggers are met, the rate could fall to as low as 5.5% in the coming years.^{32, 33}

In the 2022 legislative session, Pennsylvania enacted bipartisan corporate tax reform that will reduce its corporate income tax rate from 9.99% to 8.99% for tax year 2023, with a further 0.5% reduction annually until reaching 4.99% in 2031.³⁴ This is cause for optimism in the Keystone State and hopefully in surrounding states, whose lawmakers should be compelled to follow suit if they wish to remain regionally competitive.

Conclusion

The benefits of repealing corporate income taxes should be apparent from the evidence presented in this chapter. While these are just a few examples, the theory and evidence illuminate the detrimental effects of corporate taxes on the economic performance of a state. High rates depress tax revenues, exacerbating the damage inflicted on a state’s economy. The tax rates should be as low as possible to provide the least incentive to evade taxation while also collecting the requisite revenues for the functions of government. Thus, the best tax structure imposes the lowest possible flat tax rate coupled with the broadest sensible tax base.

Furthermore, the taxation of business profits penalizes successful companies that are providing goods and services at low cost that consumers demand. If a state wants to remain competitive and incentivize businesses formation, policymakers need to realize that incentives affect behavior, namely the decision of whether or not to locate within a state. By eliminating or reducing corporate income tax rates, states can entice businesses and create prosperity.

The difference in economic performance between the highest corporate tax rate states and the nation is striking, though the divergence is greater when compared to the lowest taxed states. This underperformance applies to the growth of population, employment, personal income, gross state product, and tax revenues.

Perhaps the foremost example of the negative effects of a corporate income tax is New Jersey, which has been running downhill since the introduction of the tax in 1959 and remains one of the highest corporate income taxed states. In addition to the aforementioned metrics, New Jersey has been losing net domestic in-migration of AGI since at least 1992 and is consistently had a poor ranking in this publication's economic outlook rankings. This routine loss of AGI means that New Jersey is unable to attract capital from all other states except New York and Alaska.

North Carolina is a shining example of the economic benefits of lowering a state's corporate income tax. Cuts began in 2013, reaching a top tax rate of 3.0% by 2017 and 2.5% by 2019. Through this gradual reduction process, North Carolina will have no corporate tax beginning in 2030. Since this tax reform began, North Carolina has experienced tremendous growth in employment and the business establishments. These results are mirrored in Indiana, where the corporate income tax rate has fallen by 3.6% since 2012. Similarly, Pennsylvania and Iowa have recently enacted gradual reductions in their respective corporate income tax rates. We are confident that both states will grow faster than they otherwise would have in key economic metrics like North Carolina. If North Carolina's reform roadmap is followed, states will experience economic growth and create prosperity for all.

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CHAPTER
3



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, 2022

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

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

ALEC-Laffer State Economic Performance Rankings, 2010-2020

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

Alabama

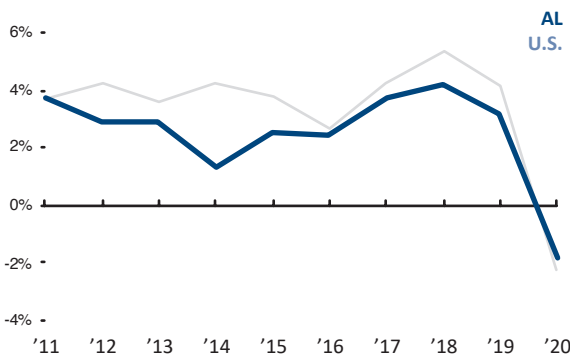
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

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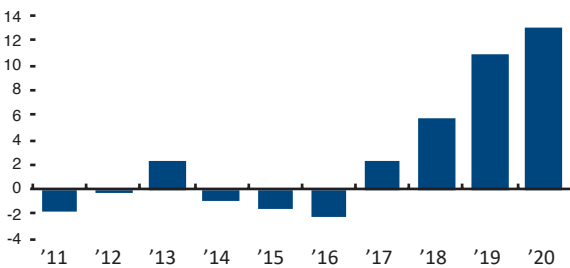
Economic Performance Rank

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.

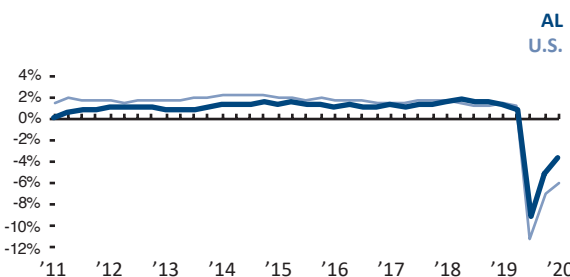
State Gross Domestic Product
Cumulative Growth 2010-2020 **28.01%** Rank: 35



Absolute Domestic Migration
Cumulative 2011-2020 **27,474** Rank: 18
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **6.07%** Rank: 20



23

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 19 21 21 20 21 23 25

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.15%	12
Top Marginal Corporate Income Tax Rate	6.04%	20
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	-\$1.80	1
Property Tax Burden (per \$1,000 of personal income)	\$14.37	1
Sales Tax Burden (per \$1,000 of personal income)	\$26.04	35
Remaining Tax Burden (per \$1,000 of personal income)	\$20.87	39
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.55	43
Debt Service as a Share of Tax Revenue	6.22%	31
Public Employees Per 10,000 of Population (full-time equivalent)	583.5	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)	\$1.33	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)	0	32

Alaska

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

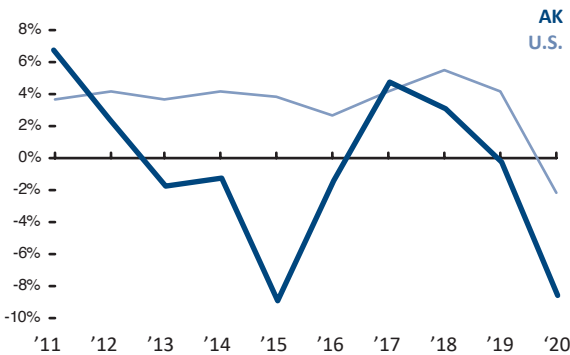


49

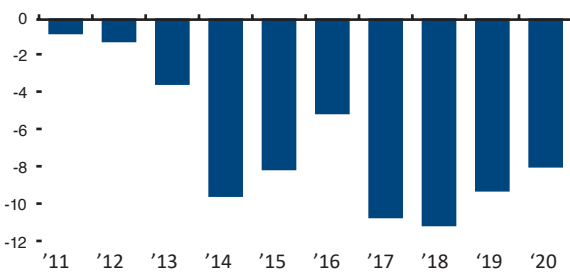
Economic Performance Rank

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.

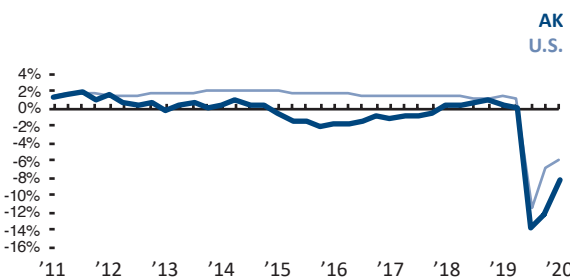
State Gross Domestic Product
Cumulative Growth 2010-2020 **-6.58%** Rank: 50



Absolute Domestic Migration
Cumulative 2011-2020 **-67,868** Rank: 34
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **-8.01%** Rank: 49



21

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 14 25 30 34 30 26 18

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)	\$36.26	40
Sales Tax Burden (per \$1,000 of personal income)	\$5.87	5
Remaining Tax Burden (per \$1,000 of personal income)	\$14.08	7
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	8.86%	48
Public Employees Per 10,000 of Population (full-time equivalent)	694.8	48
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.1	5
State Minimum Wage (federal floor is \$7.25)	\$10.34	31
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.86	41
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

Arizona

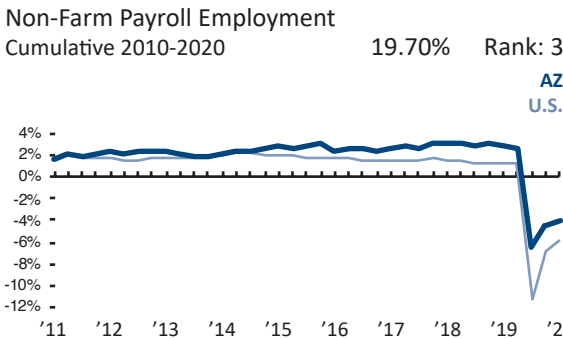
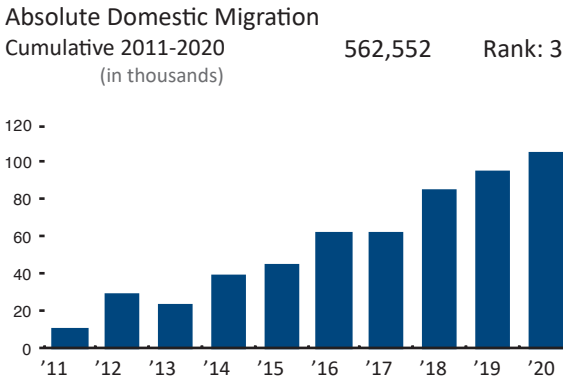
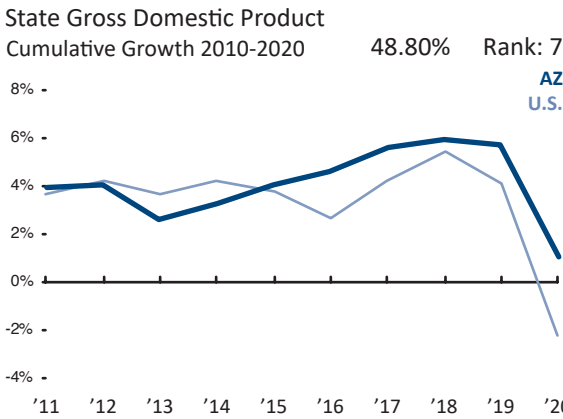
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



1

Economic Performance 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.



3

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 5 5 8 5 11 10 13

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)	\$13.05	32
Property Tax Burden (per \$1,000 of personal income)	\$25.77	16
Sales Tax Burden (per \$1,000 of personal income)	\$36.79	46
Remaining Tax Burden (per \$1,000 of personal income)	\$11.13	1
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$2.27	3
Debt Service as a Share of Tax Revenue	5.81%	25
Public Employees Per 10,000 of Population (full-time equivalent)	385.6	2
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.8	17
State Minimum Wage (federal floor is \$7.25)	\$12.80	44
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.05	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

Arkansas

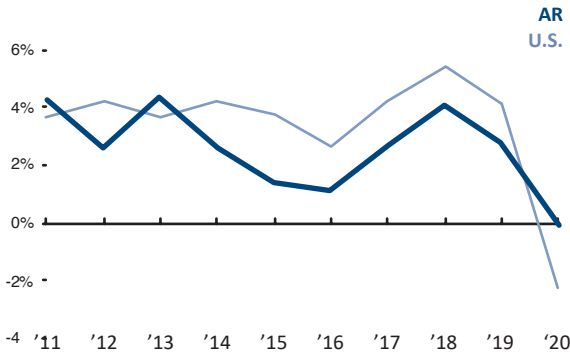
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



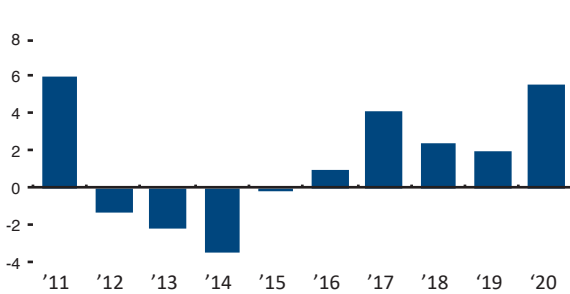
20 Economic Performance Rank

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.

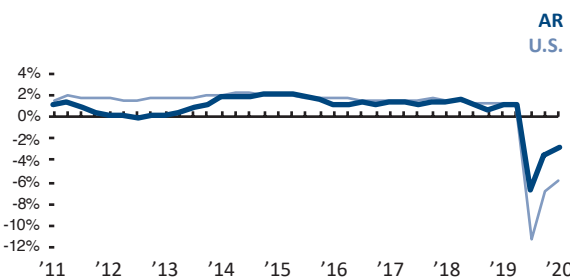
State Gross Domestic Product
Cumulative Growth 2010-2020 **28.84%** Rank: **32**



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **14,179** Rank: **20**



Non-Farm Payroll Employment
Cumulative 2010-2020 **7.47%** Rank: **16**



16 Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 22 20 23 22 23 22 23

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.50%	23
Top Marginal Corporate Income Tax Rate	5.90%	17
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$17.34	41
Property Tax Burden (per \$1,000 of personal income)	\$17.82	4
Sales Tax Burden (per \$1,000 of personal income)	\$36.25	45
Remaining Tax Burden (per \$1,000 of personal income)	\$15.79	18
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.94	8
Debt Service as a Share of Tax Revenue	4.32%	7
Public Employees Per 10,000 of Population (full-time equivalent)	563.1	38
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.5	30
State Minimum Wage (federal floor is \$7.25)	\$11.00	33
Average Workers' Compensation Costs (per \$100 of payroll)	\$0.72	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	15

California

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



19

Economic Performance Rank

48

Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

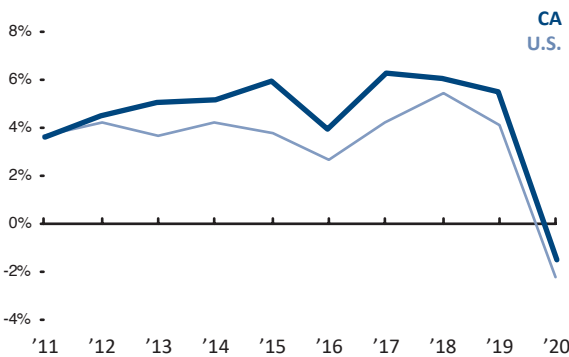
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

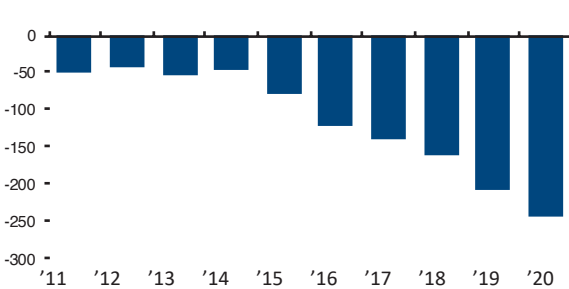
State Gross Domestic Product

Cumulative Growth 2010-2020 53.89% Rank: 3



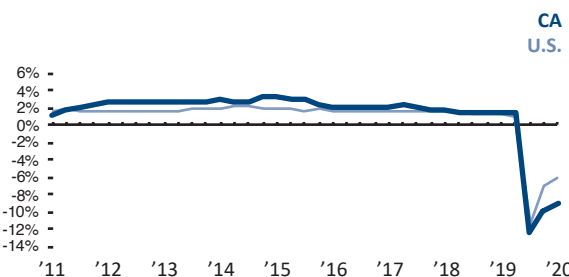
Absolute Domestic Migration

Cumulative 2011-2020 (in thousands) -1,143,291 Rank: 49



Non-Farm Payroll Employment

Cumulative 2010-2020 11.46% Rank: 14



Historical Ranking Comparison

2015 2016 2017 2018 2019 2020 2021

ECONOMIC OUTLOOK RANK 44 46 47 47 47 46 45

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	13.30%	48
Top Marginal Corporate Income Tax Rate	8.84%	40
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$40.55	50
Property Tax Burden (per \$1,000 of personal income)	\$29.17	28
Sales Tax Burden (per \$1,000 of personal income)	\$23.23	24
Remaining Tax Burden (per \$1,000 of personal income)	\$18.01	27
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$1.81	48
Debt Service as a Share of Tax Revenue	7.22%	37
Public Employees Per 10,000 of Population (full-time equivalent)	485.4	9
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	60.2	48
State Minimum Wage (federal floor is \$7.25)	\$15.00	50
Average Workers' Compensation Costs (per \$100 of payroll)	\$2.16	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)	2	3

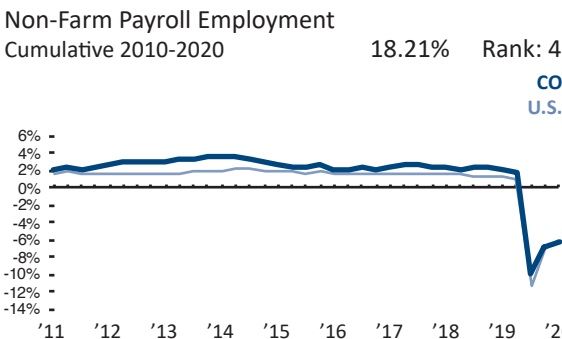
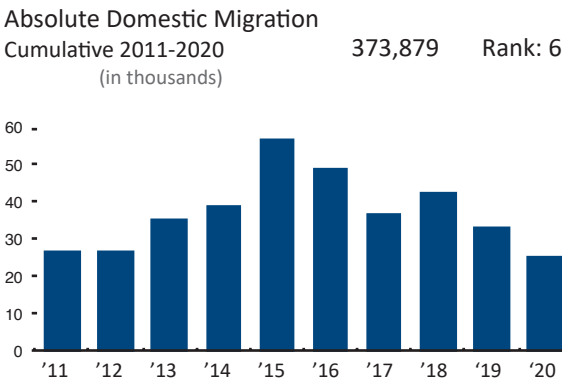
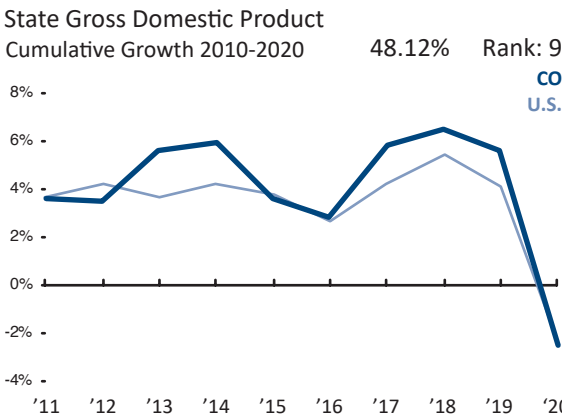
Colorado

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

6

Economic Performance 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.



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 21 16 15 15 18 18 20

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.55%	14
Top Marginal Corporate Income Tax Rate	4.55%	9
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$7.86	22
Property Tax Burden (per \$1,000 of personal income)	\$30.55	30
Sales Tax Burden (per \$1,000 of personal income)	\$24.20	28
Remaining Tax Burden (per \$1,000 of personal income)	\$12.90	5
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.07	35
Debt Service as a Share of Tax Revenue	8.34%	44
Public Employees Per 10,000 of Population (full-time equivalent)	547.3	36
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.7	21
State Minimum Wage (federal floor is \$7.25)	\$12.56	41
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.25	18
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

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

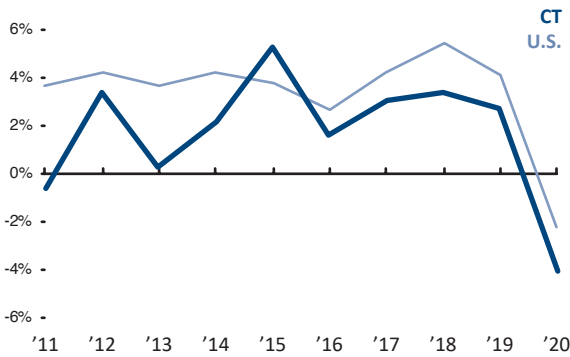


48

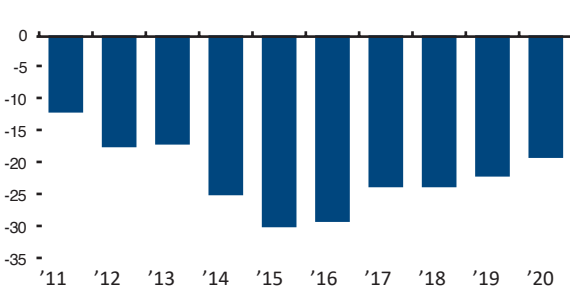
Economic Performance Rank

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.

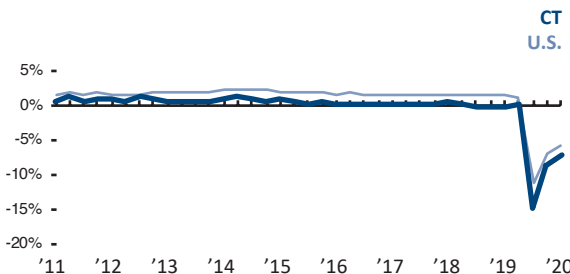
State Gross Domestic Product
Cumulative Growth 2010-2020 **17.78%** Rank: 45



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-219,467** Rank: 43



Non-Farm Payroll Employment
Cumulative 2010-2020 **-3.23%** Rank: 44



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 47 47 46 40 40 40 39

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.99%	37
Top Marginal Corporate Income Tax Rate	7.50%	31
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$7.67	21
Property Tax Burden (per \$1,000 of personal income)	\$42.68	44
Sales Tax Burden (per \$1,000 of personal income)	\$17.09	10
Remaining Tax Burden (per \$1,000 of personal income)	\$15.68	16
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.28	13
Debt Service as a Share of Tax Revenue	6.77%	33
Public Employees Per 10,000 of Population (full-time equivalent)	508.5	18
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.8	3
State Minimum Wage (federal floor is \$7.25)	\$13.00	45
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.99	45
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	15

Delaware

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

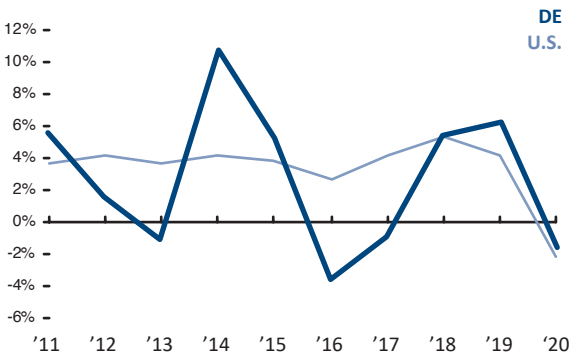


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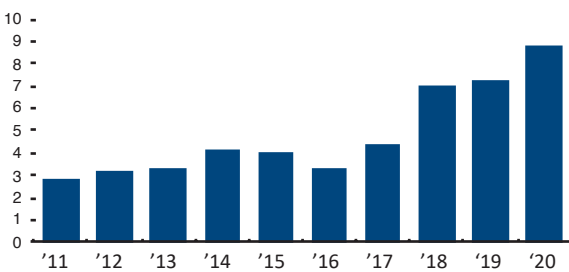
Economic Performance Rank

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.

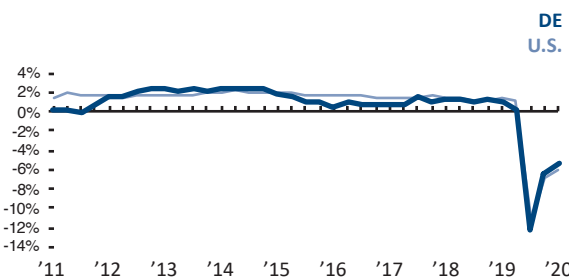
State Gross Domestic Product Cumulative Growth 2010-2020 **30.30%** Rank: 31



Absolute Domestic Migration Cumulative 2011-2020 (in thousands) **48,496** Rank: 15



Non-Farm Payroll Employment Cumulative 2010-2020 **6.31%** Rank: 18



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 38 44 37 36 36 24 31

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.85%	42
Top Marginal Corporate Income Tax Rate	11.76%	47
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$15.10	37
Property Tax Burden (per \$1,000 of personal income)	\$18.06	5
Sales Tax Burden (per \$1,000 of personal income)	\$0.00	1
Remaining Tax Burden (per \$1,000 of personal income)	\$53.20	50
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	5.44%	21
Public Employees Per 10,000 of Population (full-time equivalent)	525.3	23
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	76.3	1
State Minimum Wage (federal floor is \$7.25)	\$10.50	32
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.97	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	15

Florida

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

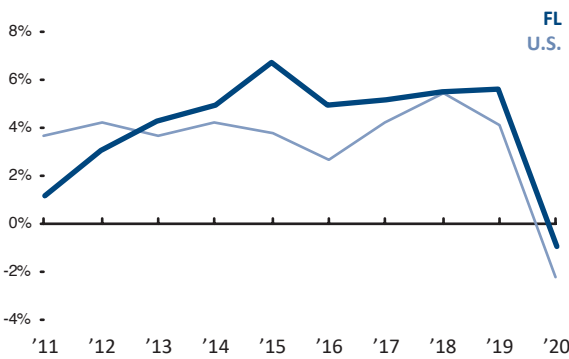


3

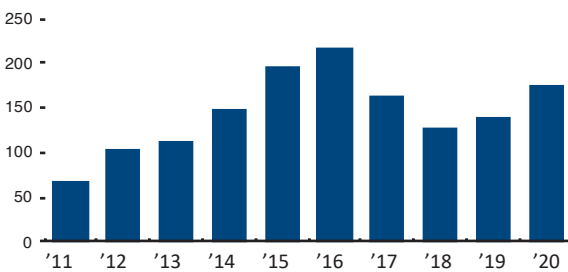
Economic Performance Rank

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.

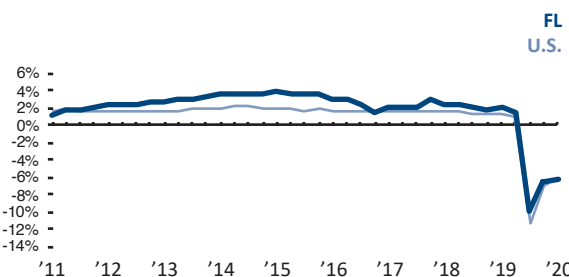
State Gross Domestic Product
Cumulative Growth 2010-2020 **48.08%** Rank: 10



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **1,452,028** Rank: 1



Non-Farm Payroll Employment
Cumulative 2010-2020 **17.82%** Rank: 5



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 15 8 6 6 9 7 2

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	5.50%	16
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)	\$27.96	22
Sales Tax Burden (per \$1,000 of personal income)	\$27.68	36
Remaining Tax Burden (per \$1,000 of personal income)	\$18.22	28
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.19	14
Debt Service as a Share of Tax Revenue	5.42%	20
Public Employees Per 10,000 of Population (full-time equivalent)	415.9	3
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	62.3	46
State Minimum Wage (federal floor is \$7.25)	\$10.00	28
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.41	24
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

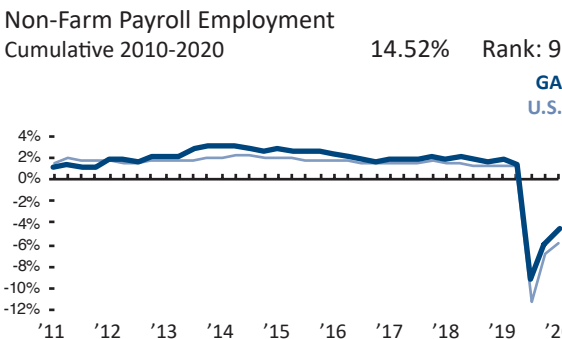
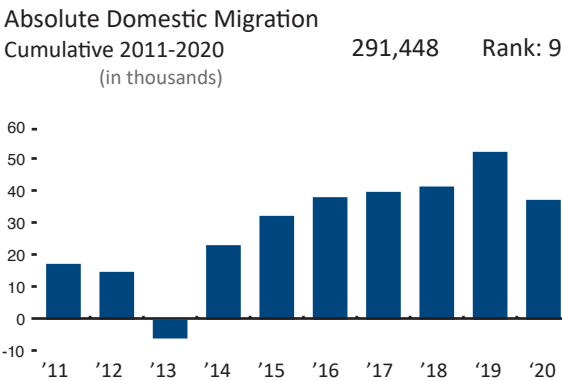
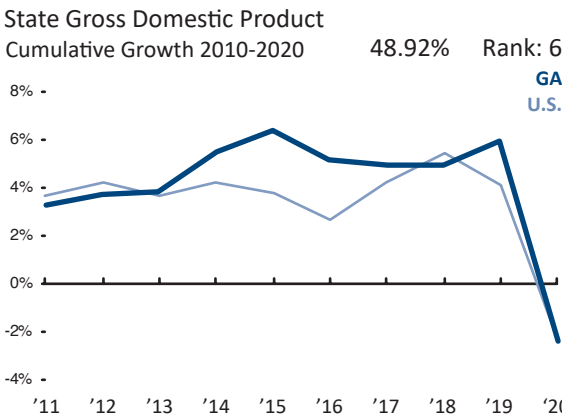
Georgia

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

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Economic Performance 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.



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 7 19 17 11 20 21 14

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.75%	25
Top Marginal Corporate Income Tax Rate	6.39%	21
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$9.34	27
Property Tax Burden (per \$1,000 of personal income)	\$27.04	18
Sales Tax Burden (per \$1,000 of personal income)	\$20.47	20
Remaining Tax Burden (per \$1,000 of personal income)	\$12.39	3
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.66	11
Debt Service as a Share of Tax Revenue	5.58%	23
Public Employees Per 10,000 of Population (full-time equivalent)	491.9	12
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)	\$1.64	36
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	32

Hawaii

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

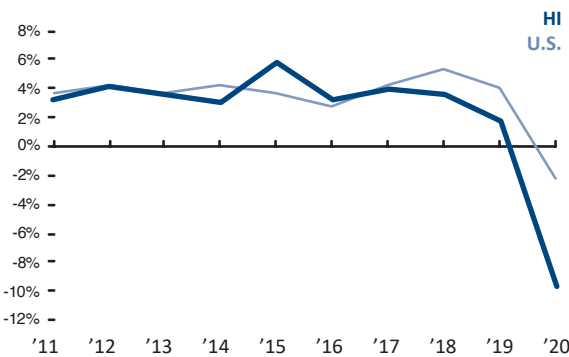


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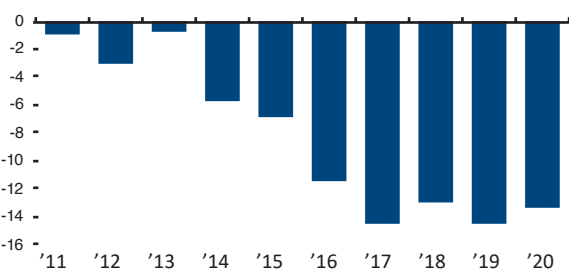
Economic Performance Rank

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.

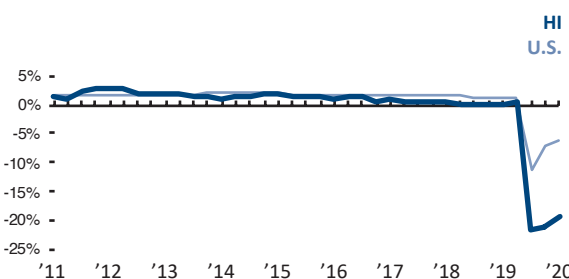
State Gross Domestic Product
Cumulative Growth 2010-2020 **23.94%** Rank: 40



Absolute Domestic Migration
Cumulative 2011-2020 **-83,869** Rank: 36
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **-10.04%** Rank: 50



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 37 42 43 45 45 44 42

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	11.00%	46
Top Marginal Corporate Income Tax Rate	6.40%	22
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$13.54	35
Property Tax Burden (per \$1,000 of personal income)	\$26.66	17
Sales Tax Burden (per \$1,000 of personal income)	\$52.91	50
Remaining Tax Burden (per \$1,000 of personal income)	\$28.52	48
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	3.56%	4
Public Employees Per 10,000 of Population (full-time equivalent)	524.0	22
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.1	15
State Minimum Wage (federal floor is \$7.25)	\$10.10	29
Average Workers' Compensation Costs (per \$100 of payroll)	\$2.08	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)	1	15

Idaho

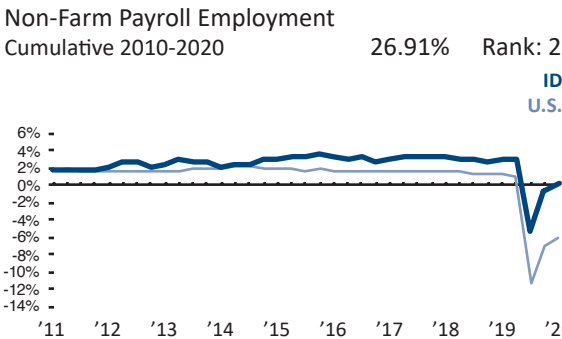
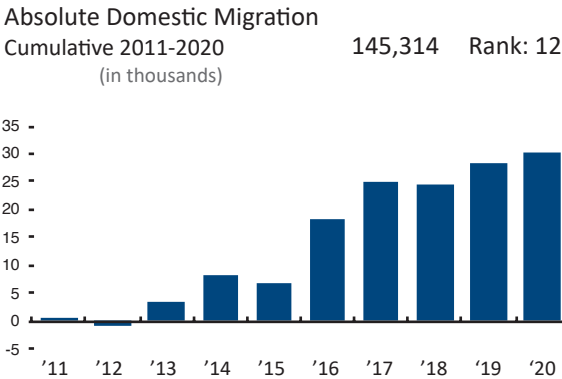
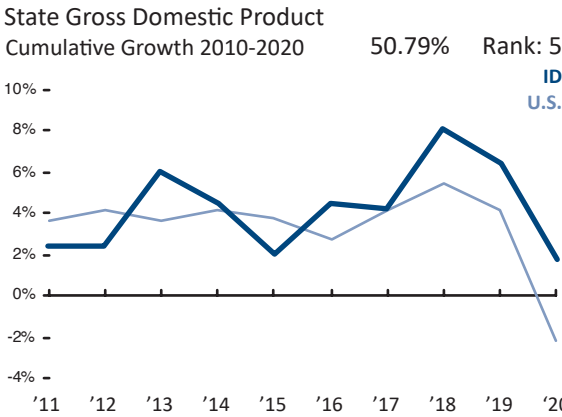
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



4

Economic Performance 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.



5

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 6 15 10 2 2 3 11

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.50%	31
Top Marginal Corporate Income Tax Rate	6.50%	23
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$14.46	36
Property Tax Burden (per \$1,000 of personal income)	\$24.83	15
Sales Tax Burden (per \$1,000 of personal income)	\$24.26	30
Remaining Tax Burden (per \$1,000 of personal income)	\$14.50	10
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$1.90	5
Debt Service as a Share of Tax Revenue	3.89%	6
Public Employees Per 10,000 of Population (full-time equivalent)	473.7	7
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)	\$1.56	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	15

Illinois

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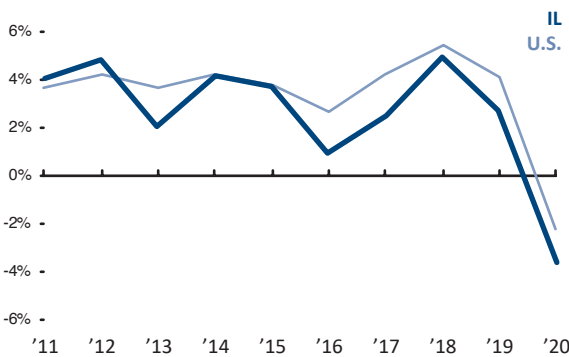


43

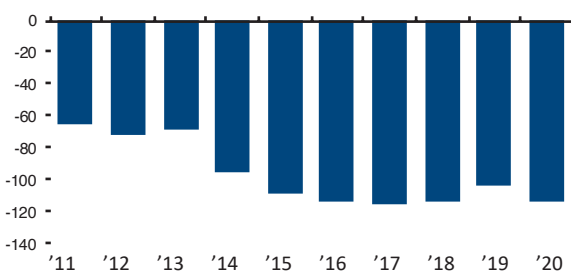
Economic Performance Rank

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.

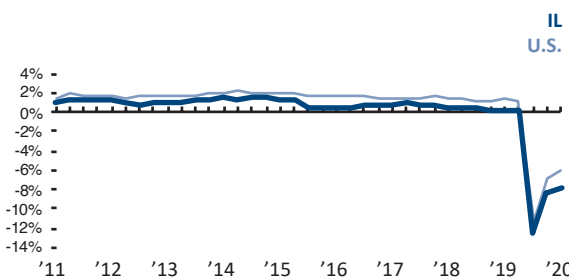
State Gross Domestic Product Cumulative Growth 2010-2020 **28.81%** Rank: 33



Absolute Domestic Migration Cumulative 2011-2020 **-965,125** Rank: 48
 (in thousands)



Non-Farm Payroll Employment Cumulative 2010-2020 **0.19%** Rank: 40



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 40 43 44 48 48 47 47

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)	\$1.60	14
Property Tax Burden (per \$1,000 of personal income)	\$40.04	42
Sales Tax Burden (per \$1,000 of personal income)	\$20.24	17
Remaining Tax Burden (per \$1,000 of personal income)	\$20.73	38
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	10.62%	50
Public Employees Per 10,000 of Population (full-time equivalent)	493.8	13
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	59.6	50
State Minimum Wage (federal floor is \$7.25)	\$12.00	37
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.46	27
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	32

Indiana

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Economic Performance Rank

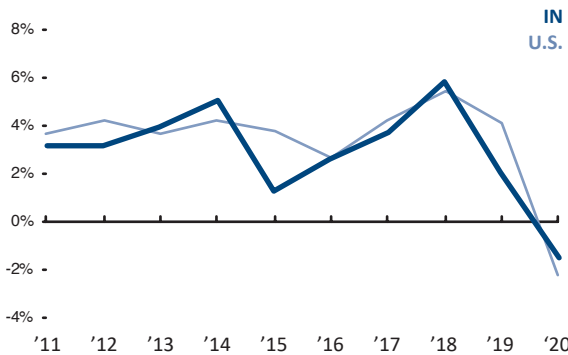
7

Economic Outlook Rank

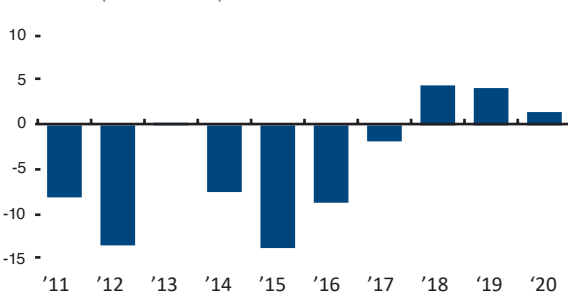
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

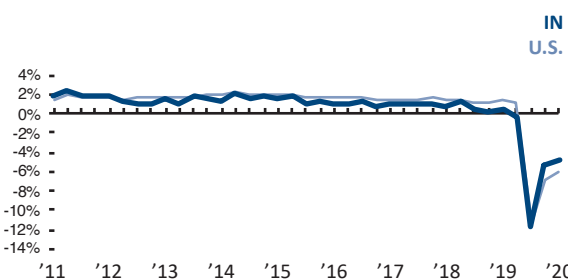
State Gross Domestic Product
Cumulative Growth 2010-2020 **32.83%** Rank: **26**



Absolute Domestic Migration
Cumulative 2011-2020 **-44,157** Rank: **30**
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **7.29%** Rank: **17**



Historical Ranking Comparison 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 3 6 2 3 3 4 6

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.25%	21
Top Marginal Corporate Income Tax Rate	4.90%	11
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)	\$23.69	13
Sales Tax Burden (per \$1,000 of personal income)	\$25.02	33
Remaining Tax Burden (per \$1,000 of personal income)	\$17.83	26
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.14	15
Debt Service as a Share of Tax Revenue	7.31%	38
Public Employees Per 10,000 of Population (full-time equivalent)	488.0	10
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)	\$0.77	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	15

Iowa

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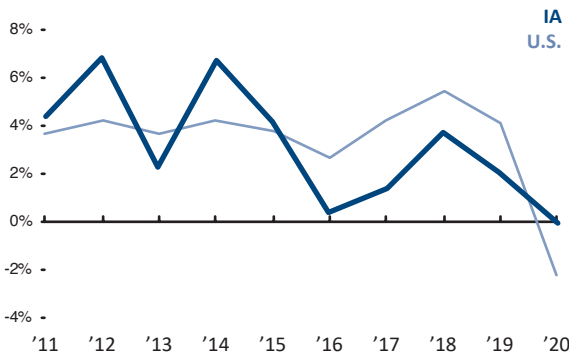


25

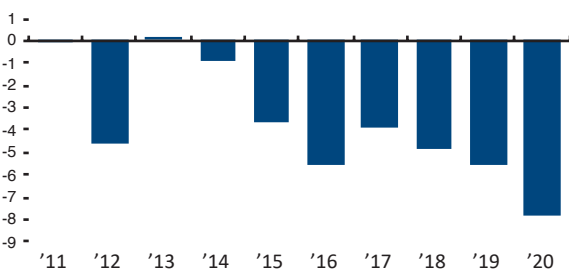
Economic Performance Rank

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.

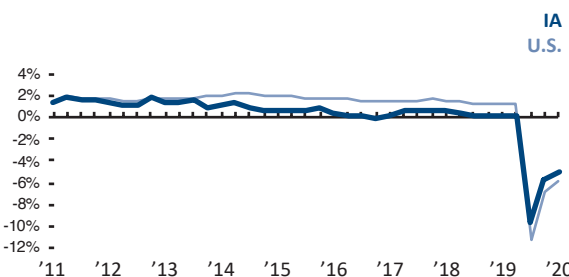
State Gross Domestic Product
Cumulative Growth 2010-2020 **36.58%** Rank: **20**



Absolute Domestic Migration
Cumulative 2011-2020 **-36,694** Rank: **28**
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **2.27%** Rank: **35**



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Economic Outlook Rank

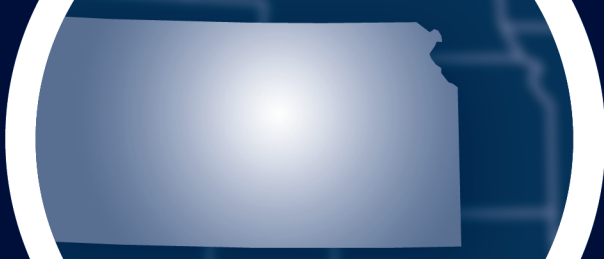
Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 25 29 29 29 25 27 33

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.37%	22
Top Marginal Corporate Income Tax Rate	9.68%	44
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$13.28	34
Property Tax Burden (per \$1,000 of personal income)	\$35.41	38
Sales Tax Burden (per \$1,000 of personal income)	\$23.71	26
Remaining Tax Burden (per \$1,000 of personal income)	\$18.51	31
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$2.21	4
Debt Service as a Share of Tax Revenue	3.79%	5
Public Employees Per 10,000 of Population (full-time equivalent)	601.4	43
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)	\$1.54	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)	0	32

Kansas

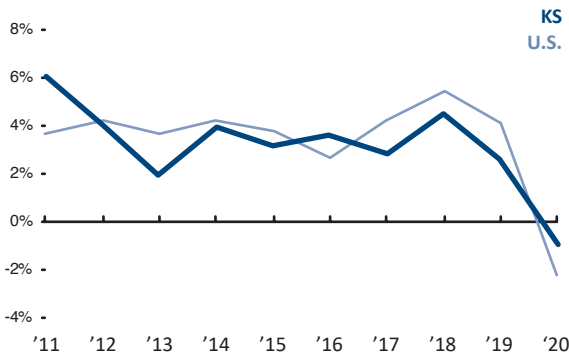
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



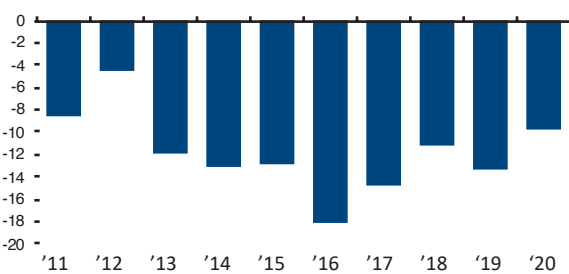
34 Economic Performance Rank

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.

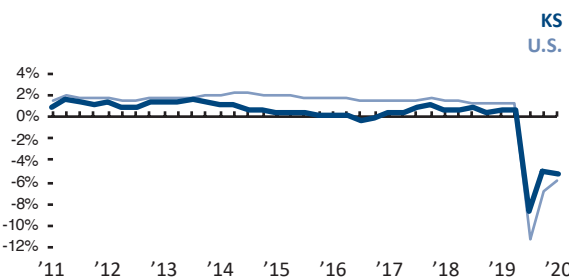
State Gross Domestic Product
Cumulative Growth 2010-2020 **36.20%** Rank: **22**



Absolute Domestic Migration
Cumulative 2011-2020 **-118,295** Rank: **39**
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **1.64%** Rank: **37**



28 Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 18 27 26 26 26 25 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	28
Property Tax Burden (per \$1,000 of personal income)	\$31.81	33
Sales Tax Burden (per \$1,000 of personal income)	\$29.25	39
Remaining Tax Burden (per \$1,000 of personal income)	\$13.35	6
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$1.01	44
Debt Service as a Share of Tax Revenue	5.14%	19
Public Employees Per 10,000 of Population (full-time equivalent)	702.9	49
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)	\$1.12	12
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	32

Kentucky

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

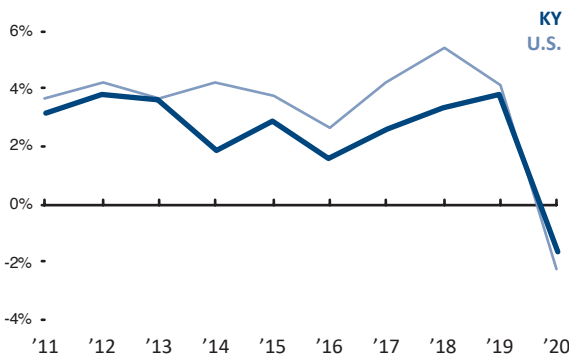


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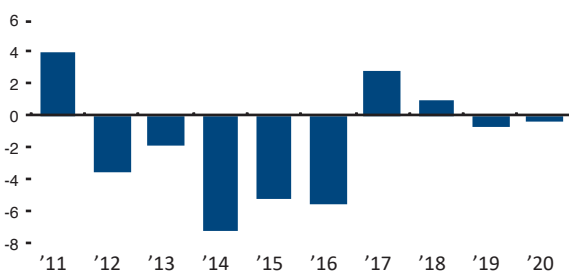
Economic Performance Rank

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.

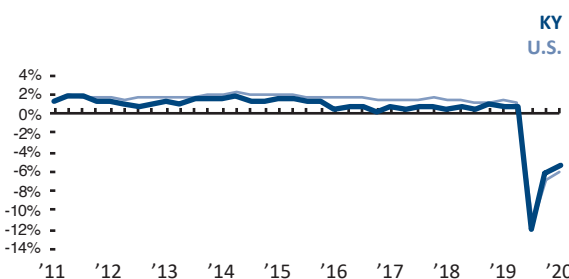
State Gross Domestic Product
Cumulative Growth 2010-2020 **27.72%** Rank: 36



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-16,351** Rank: 25



Non-Farm Payroll Employment
Cumulative 2010-2020 **4.49%** Rank: 24



34

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 30 33 33 31 33 31 29

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.20%	40
Top Marginal Corporate Income Tax Rate	7.20%	30
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$1.85	15
Property Tax Burden (per \$1,000 of personal income)	\$20.28	7
Sales Tax Burden (per \$1,000 of personal income)	\$20.73	21
Remaining Tax Burden (per \$1,000 of personal income)	\$19.71	36
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.07	37
Debt Service as a Share of Tax Revenue	6.90%	34
Public Employees Per 10,000 of Population (full-time equivalent)	543.0	33
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)	\$1.13	13
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	32

Louisiana

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Economic Performance Rank

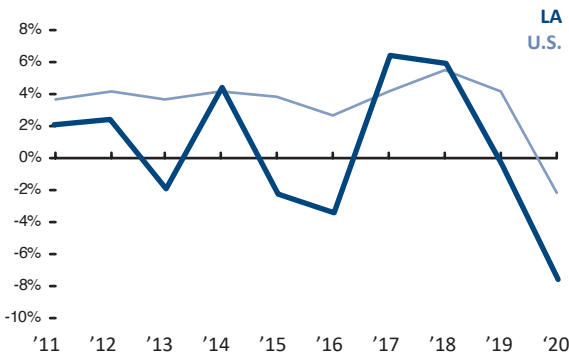
20

Economic Outlook Rank

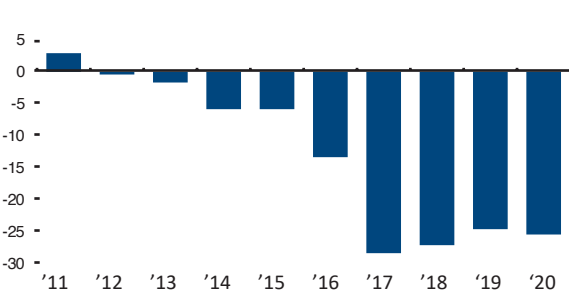
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

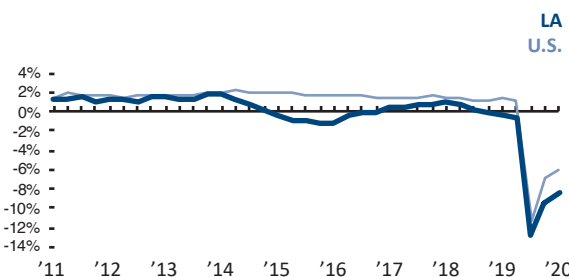
State Gross Domestic Product
Cumulative Growth 2010-2020 **4.50%** Rank: 48



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-129,668** Rank: 40



Non-Farm Payroll Employment
Cumulative 2010-2020 **-3.36%** Rank: 45



Historical Ranking Comparison 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 26 28 28 27 27 30 22

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	2.68%	10
Top Marginal Corporate Income Tax Rate	5.93%	19
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$5.02	18
Property Tax Burden (per \$1,000 of personal income)	\$19.64	6
Sales Tax Burden (per \$1,000 of personal income)	\$37.41	47
Remaining Tax Burden (per \$1,000 of personal income)	\$16.46	23
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.12	16
Debt Service as a Share of Tax Revenue	6.16%	28
Public Employees Per 10,000 of Population (full-time equivalent)	572.6	39
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)	\$1.95	43
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

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

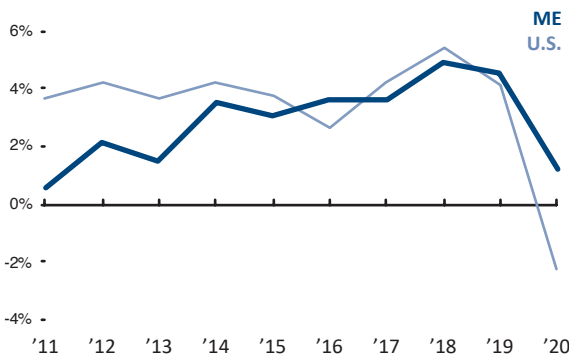


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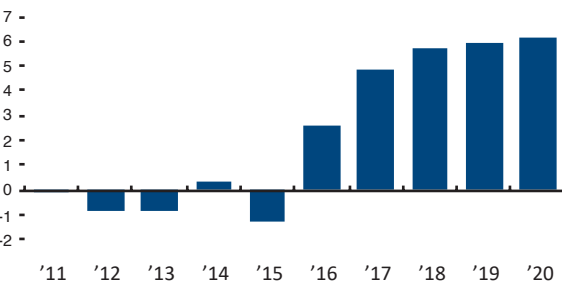
Economic Performance Rank

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.

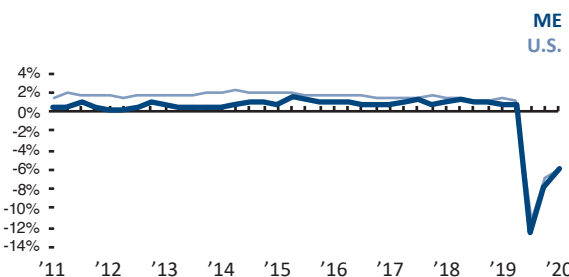
State Gross Domestic Product
Cumulative Growth 2010-2020 **32.56%** Rank: 27



Absolute Domestic Migration
Cumulative 2011-2020 **22,584** Rank: 19
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **0.61%** Rank: 39



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 42 38 42 42 42 41 43

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.15%	39
Top Marginal Corporate Income Tax Rate	8.93%	41
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$26.25	47
Property Tax Burden (per \$1,000 of personal income)	\$56.02	50
Sales Tax Burden (per \$1,000 of personal income)	\$24.25	29
Remaining Tax Burden (per \$1,000 of personal income)	\$16.50	24
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	2.91%	3
Public Employees Per 10,000 of Population (full-time equivalent)	526.7	25
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.8	2
State Minimum Wage (federal floor is \$7.25)	\$12.75	42
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.62	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	15

Maryland

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

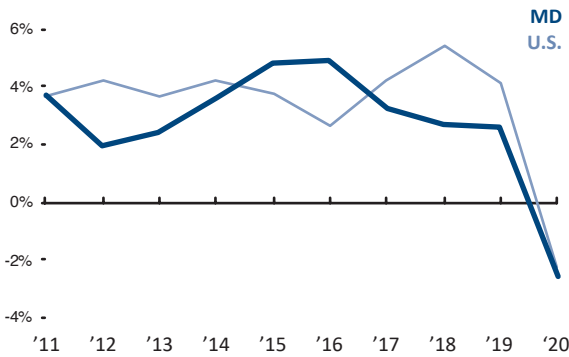


37

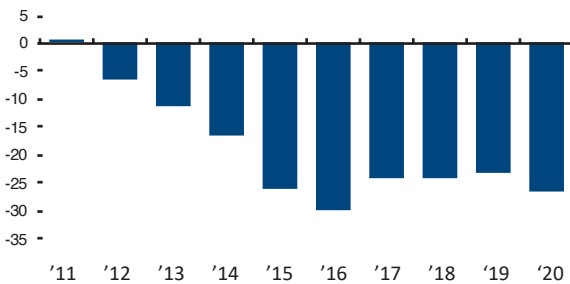
Economic Performance Rank

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.

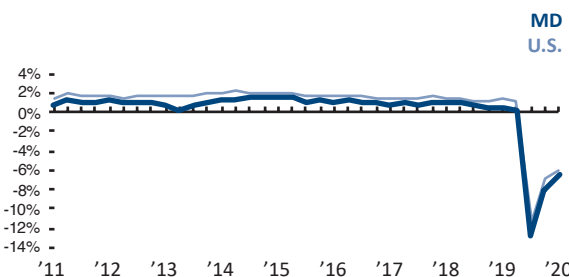
State Gross Domestic Product
Cumulative Growth 2010-2020 **30.49%** Rank: 30



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-186,845** Rank: 41



Non-Farm Payroll Employment
Cumulative 2010-2020 **2.48%** Rank: 34



42

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 33 31 34 32 35 37 40

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	25
Property Tax Burden (per \$1,000 of personal income)	\$27.07	19
Sales Tax Burden (per \$1,000 of personal income)	\$12.96	7
Remaining Tax Burden (per \$1,000 of personal income)	\$23.13	42
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	7.04%	35
Public Employees Per 10,000 of Population (full-time equivalent)	527.9	26
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.7	27
State Minimum Wage (federal floor is \$7.25)	\$12.50	39
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.14	14
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	32

Massachusetts

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

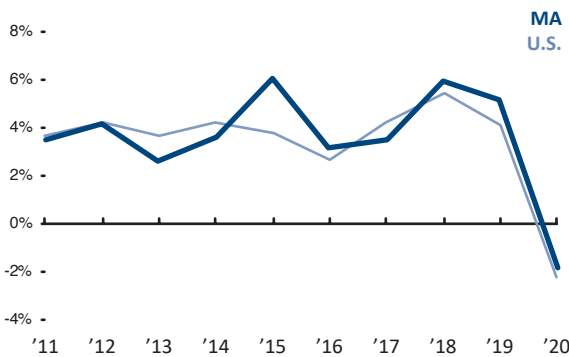


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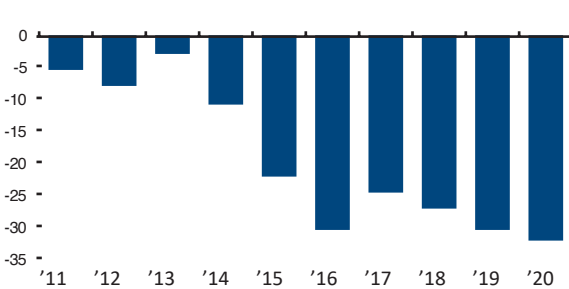
Economic Performance Rank

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.

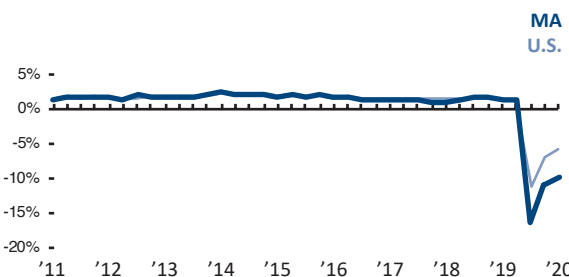
State Gross Domestic Product Cumulative Growth 2010-2020 **41.67%** Rank: 16



Absolute Domestic Migration Cumulative 2011-2020 **-193,888** Rank: 42
(in thousands)



Non-Farm Payroll Employment Cumulative 2010-2020 **3.39%** Rank: 29



33

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 28 26 25 25 28 35 30

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	19
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)	\$35.85	39
Sales Tax Burden (per \$1,000 of personal income)	\$13.72	8
Remaining Tax Burden (per \$1,000 of personal income)	\$11.69	2
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.12	38
Debt Service as a Share of Tax Revenue	7.32%	39
Public Employees Per 10,000 of Population (full-time equivalent)	497.0	14
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.6	28
State Minimum Wage (federal floor is \$7.25)	\$14.25	48
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.17	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)	1	15

Michigan

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

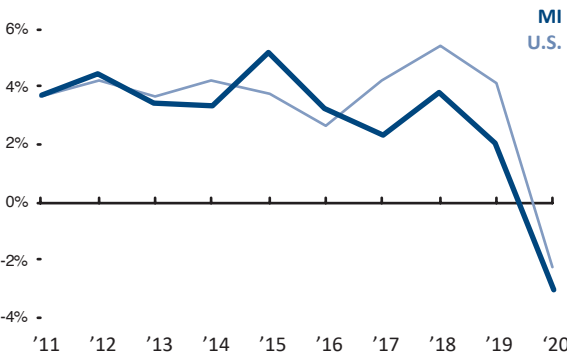


35

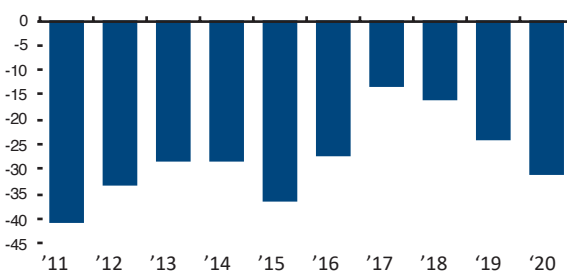
Economic Performance Rank

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.

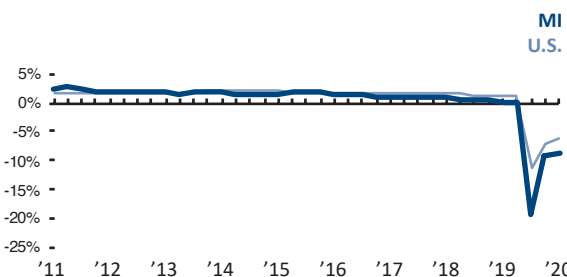
State Gross Domestic Product
Cumulative Growth 2010-2020 **32.07%** Rank: 28



Absolute Domestic Migration
Cumulative 2011-2020 **-278,245** Rank: 45
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **4.06%** Rank: 27



17

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 24 22 20 18 12 14 16

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.65%	33
Top Marginal Corporate Income Tax Rate	8.00%	36
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$2.83	16
Property Tax Burden (per \$1,000 of personal income)	\$31.40	32
Sales Tax Burden (per \$1,000 of personal income)	\$19.84	15
Remaining Tax Burden (per \$1,000 of personal income)	\$16.09	20
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	19
Debt Service as a Share of Tax Revenue	7.37%	40
Public Employees Per 10,000 of Population (full-time equivalent)	439.1	5
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.8	33
State Minimum Wage (federal floor is \$7.25)	\$9.87	26
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.14	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

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Economic Performance Rank

46

Economic Outlook Rank

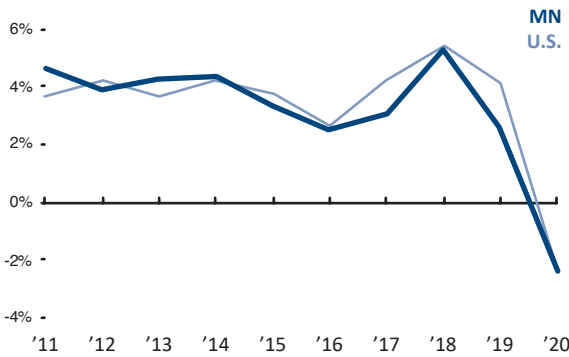
Economic Performance Rank (1=best 50=worst)

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.

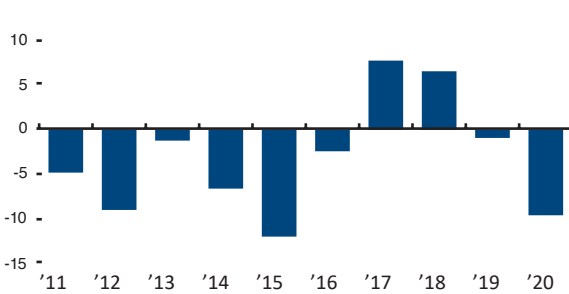
Economic Outlook Rank (1=best 50=worst)

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.

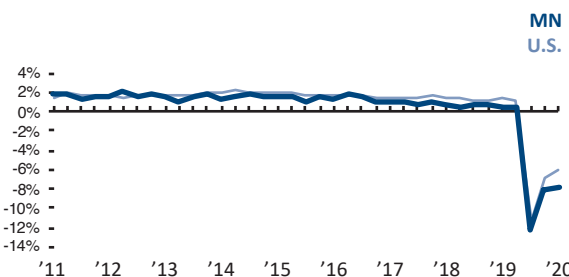
State Gross Domestic Product
Cumulative Growth 2010-2020 **36.29%** Rank: 21



Absolute Domestic Migration
Cumulative 2011-2020 **-33,278** Rank: 27
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **3.66%** Rank: 28



Historical Ranking Comparison 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 48 45 45 44 41 45 46

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	9.85%	45
Top Marginal Corporate Income Tax Rate	9.80%	45
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$20.27	45
Property Tax Burden (per \$1,000 of personal income)	\$29.93	29
Sales Tax Burden (per \$1,000 of personal income)	\$19.97	16
Remaining Tax Burden (per \$1,000 of personal income)	\$23.28	43
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.26	40
Debt Service as a Share of Tax Revenue	4.86%	14
Public Employees Per 10,000 of Population (full-time equivalent)	538.8	31
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.7	20
State Minimum Wage (federal floor is \$7.25)	\$10.33	30
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.61	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	32

Mississippi

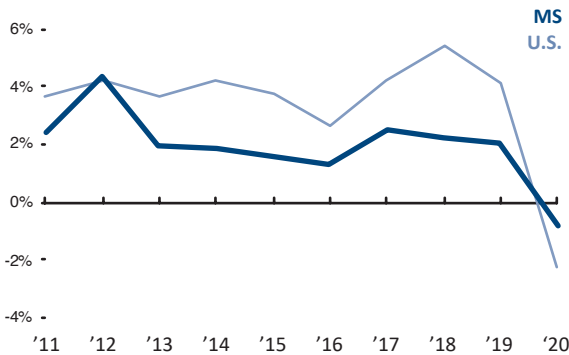
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



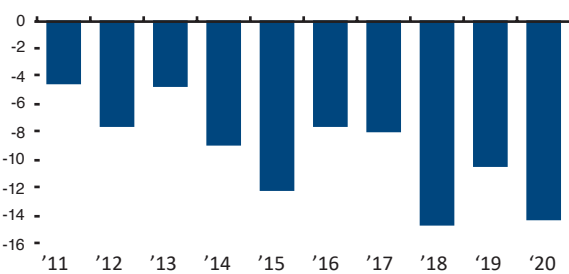
40 Economic Performance Rank

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.

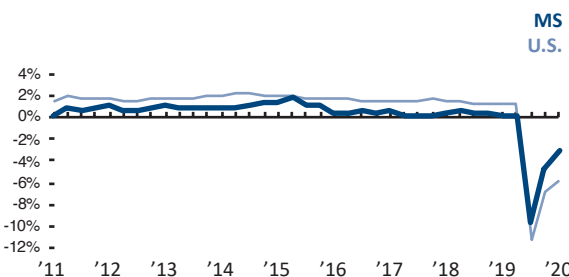
State Gross Domestic Product
Cumulative Growth 2010-2020 **21.19%** Rank: **44**



Absolute Domestic Migration
Cumulative 2011-2020 **-92,899** Rank: **38**
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **2.94%** Rank: **31**



27 Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 20 17 22 24 19 20 27

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	19
Top Marginal Corporate Income Tax Rate	5.00%	14
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$9.13	26
Property Tax Burden (per \$1,000 of personal income)	\$28.72	27
Sales Tax Burden (per \$1,000 of personal income)	\$32.59	43
Remaining Tax Burden (per \$1,000 of personal income)	\$19.44	35
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.20	39
Debt Service as a Share of Tax Revenue	4.84%	13
Public Employees Per 10,000 of Population (full-time equivalent)	616.4	44
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)	\$1.20	17
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	15

Missouri

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



32

Economic Performance Rank

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Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

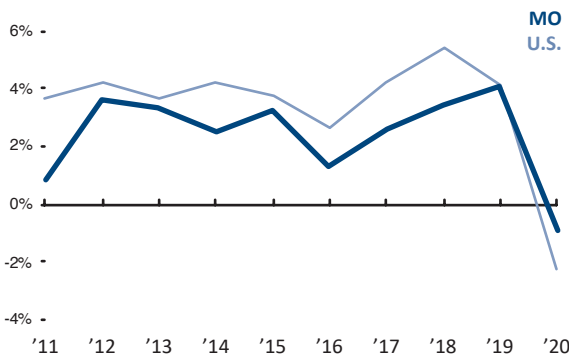
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

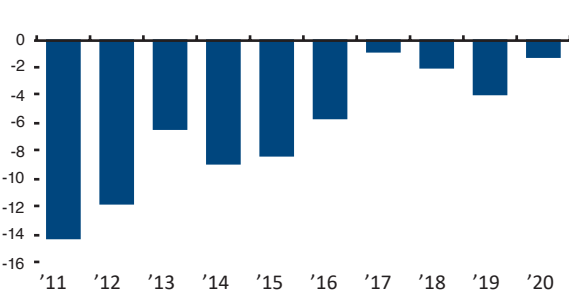
State Gross Domestic Product

Cumulative Growth 2010-2020 26.77% Rank: 38



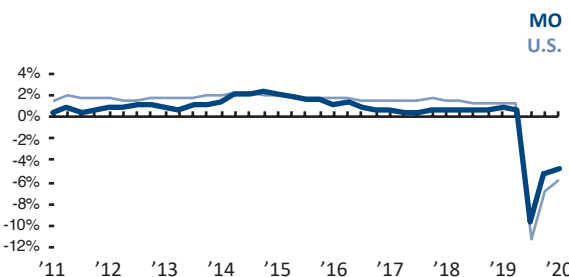
Absolute Domestic Migration

Cumulative 2011-2020 (in thousands) -63,883 Rank: 33



Non-Farm Payroll Employment

Cumulative 2010-2020 4.19% Rank: 25



Historical Ranking Comparison

2015 2016 2017 2018 2019 2020 2021

ECONOMIC OUTLOOK RANK 27 24 24 23 22 19 21

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.30%	29
Top Marginal Corporate Income Tax Rate	4.58%	10
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$12.75	31
Property Tax Burden (per \$1,000 of personal income)	\$23.23	12
Sales Tax Burden (per \$1,000 of personal income)	\$23.44	25
Remaining Tax Burden (per \$1,000 of personal income)	\$12.70	4
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$1.04	45
Debt Service as a Share of Tax Revenue	8.61%	47
Public Employees Per 10,000 of Population (full-time equivalent)	515.4	21
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	64.4	44
State Minimum Wage (federal floor is \$7.25)	\$11.15	35
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.65	37
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

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



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Economic Performance Rank

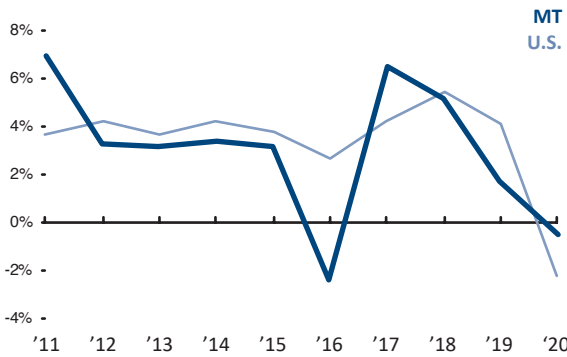
31

Economic Outlook Rank

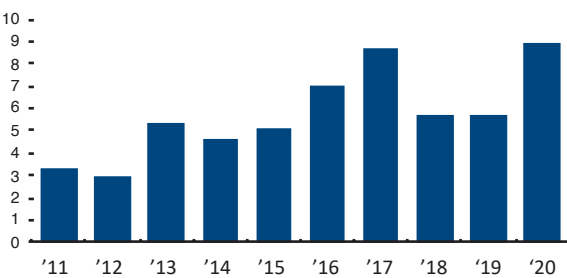
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

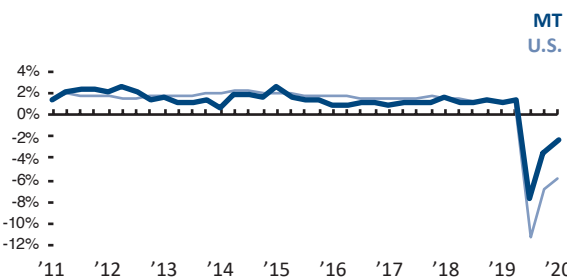
State Gross Domestic Product
Cumulative Growth 2010-2020 **34.36%** Rank: 25



Absolute Domestic Migration
Cumulative 2011-2020 **57,417** Rank: 14
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **10.82%** Rank: 15



Historical Ranking Comparison 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 43 40 39 43 39 33 34

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.75%	34
Top Marginal Corporate Income Tax Rate	6.75%	26
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$18.53	42
Property Tax Burden (per \$1,000 of personal income)	\$35.13	37
Sales Tax Burden (per \$1,000 of personal income)	\$0.00	1
Remaining Tax Burden (per \$1,000 of personal income)	\$21.33	40
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.10	17
Debt Service as a Share of Tax Revenue	4.54%	9
Public Employees Per 10,000 of Population (full-time equivalent)	546.9	35
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.5	7
State Minimum Wage (federal floor is \$7.25)	\$9.20	23
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.69	39
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	32

Nebraska

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

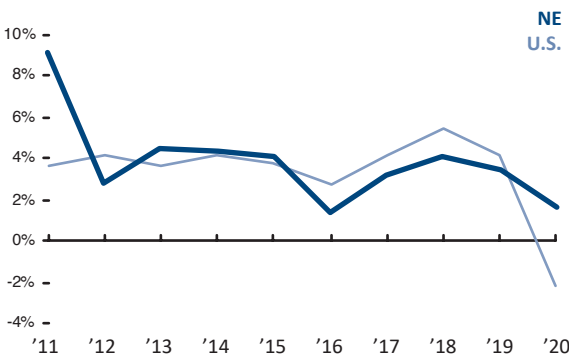


17

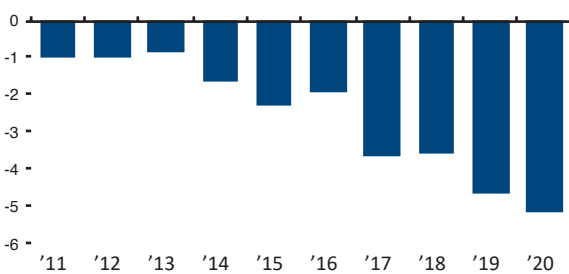
Economic Performance Rank

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.

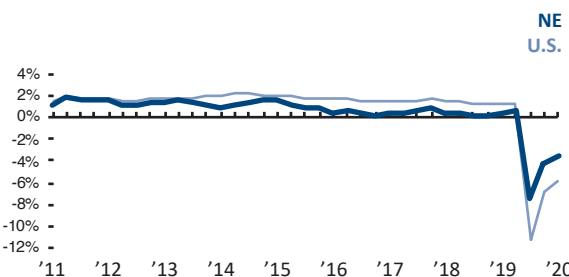
State Gross Domestic Product
 Cumulative Growth 2010-2020 **45.74%** Rank: **12**



Absolute Domestic Migration
 Cumulative 2011-2020 **-25,797** Rank: **26**
 (in thousands)



Non-Farm Payroll Employment
 Cumulative 2010-2020 **4.84%** Rank: **23**



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 31 32 32 28 34 36 35

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.84%	35
Top Marginal Corporate Income Tax Rate	7.50%	31
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$19.52	44
Property Tax Burden (per \$1,000 of personal income)	\$37.85	41
Sales Tax Burden (per \$1,000 of personal income)	\$23.18	23
Remaining Tax Burden (per \$1,000 of personal income)	\$14.68	11
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.02	18
Debt Service as a Share of Tax Revenue	4.97%	16
Public Employees Per 10,000 of Population (full-time equivalent)	663.7	47
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.3	8
State Minimum Wage (federal floor is \$7.25)	\$9.00	22
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.44	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	32

Nevada

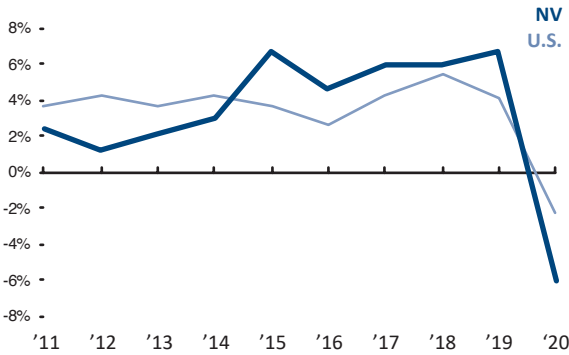
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

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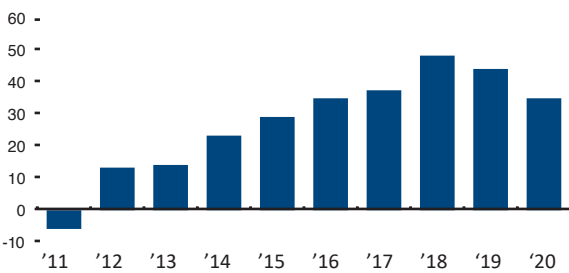
Economic Performance Rank

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.

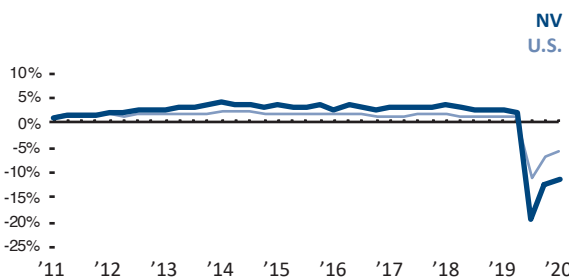
State Gross Domestic Product
Cumulative Growth 2010-2020 **37.12%** Rank: 19



Absolute Domestic Migration
Cumulative 2011-2020 **273,967** Rank: 10
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **14.21%** Rank: 11



6

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 10 14 13 13 5 6 7

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	0.64%	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)	\$20.72	8
Sales Tax Burden (per \$1,000 of personal income)	\$40.85	48
Remaining Tax Burden (per \$1,000 of personal income)	\$34.20	49
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	7.96%	41
Public Employees Per 10,000 of Population (full-time equivalent)	376.7	1
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.5	29
State Minimum Wage (federal floor is \$7.25)	\$9.75	25
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.07	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)	2	3

New Hampshire

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



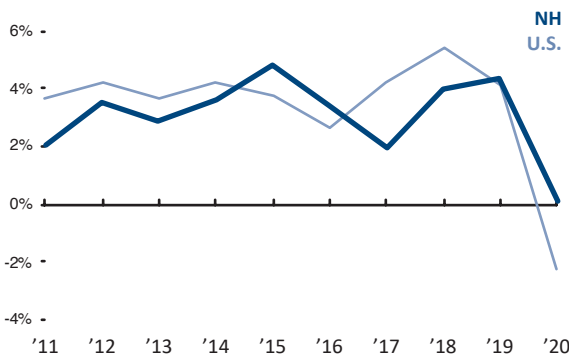
24

Economic
Performance Rank

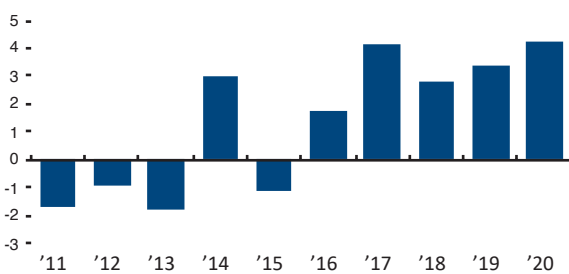
Economic Performance Rank (1=best 50=worst)

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.

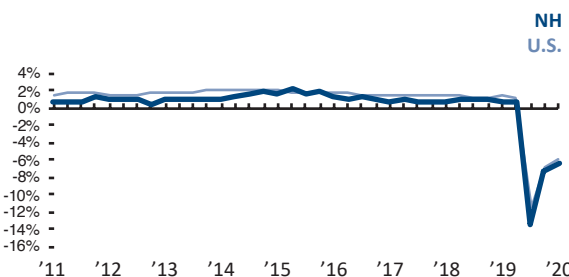
State Gross Domestic Product
Cumulative Growth 2010-2020 35.13% Rank: 24



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) 13,857 Rank: 21



Non-Farm Payroll Employment
Cumulative 2010-2020 2.52% Rank: 33



18

Economic
Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 29 23 18 17 16 17 19

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	7.70%	34
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)	\$51.81	48
Sales Tax Burden (per \$1,000 of personal income)	\$0.00	1
Remaining Tax Burden (per \$1,000 of personal income)	\$19.84	37
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.81	9
Debt Service as a Share of Tax Revenue	6.20%	29
Public Employees Per 10,000 of Population (full-time equivalent)	512.0	19
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)	\$1.37	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	32

New Jersey

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

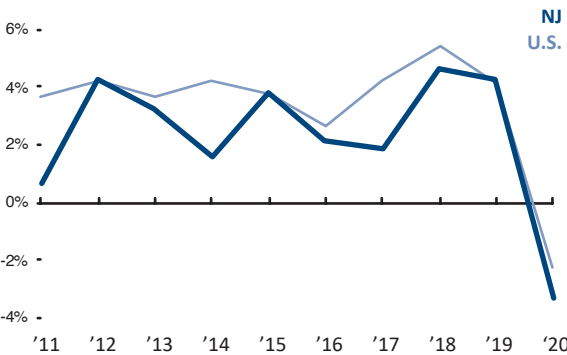


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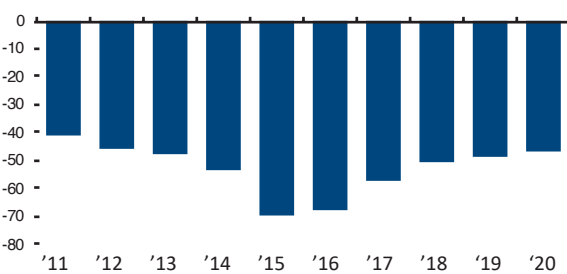
Economic Performance Rank

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.

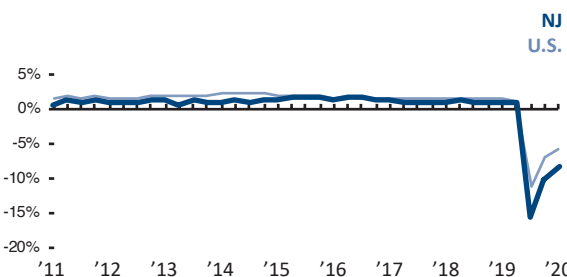
State Gross Domestic Product
Cumulative Growth 2010-2020 **25.53%** Rank: 39



Absolute Domestic Migration
Cumulative 2011-2020 **-527,505** Rank: 47
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **0.73%** Rank: 38



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 46 48 48 46 46 48 48

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	11.75%	47
Top Marginal Corporate Income Tax Rate	11.50%	46
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$24.81	46
Property Tax Burden (per \$1,000 of personal income)	\$51.21	47
Sales Tax Burden (per \$1,000 of personal income)	\$17.80	12
Remaining Tax Burden (per \$1,000 of personal income)	\$14.14	9
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$1.37	46
Debt Service as a Share of Tax Revenue	5.04%	17
Public Employees Per 10,000 of Population (full-time equivalent)	542.0	32
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	65.4	43
State Minimum Wage (federal floor is \$7.25)	\$13.00	45
Average Workers' Compensation Costs (per \$100 of payroll)	\$2.52	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)	1	15

New Mexico

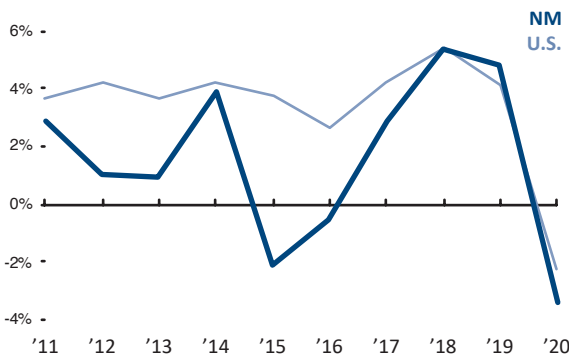
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



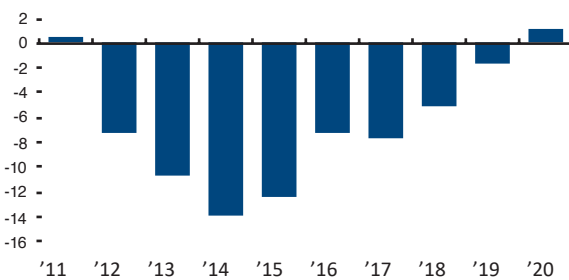
42 Economic Performance Rank

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.

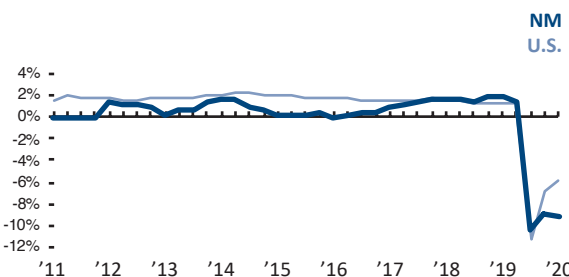
State Gross Domestic Product
Cumulative Growth 2010-2020 **16.38%** Rank: 46



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-63,854** Rank: 32



Non-Farm Payroll Employment
Cumulative 2010-2020 **-2.06%** Rank: 43



38 Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 34 34 35 35 29 34 38

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.90%	27
Top Marginal Corporate Income Tax Rate	5.90%	17
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$12.19	30
Property Tax Burden (per \$1,000 of personal income)	\$20.94	9
Sales Tax Burden (per \$1,000 of personal income)	\$46.74	49
Remaining Tax Burden (per \$1,000 of personal income)	\$15.38	15
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.33	41
Debt Service as a Share of Tax Revenue	5.98%	26
Public Employees Per 10,000 of Population (full-time equivalent)	589.1	41
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.6	22
State Minimum Wage (federal floor is \$7.25)	\$11.50	36
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.34	22
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	32

New York

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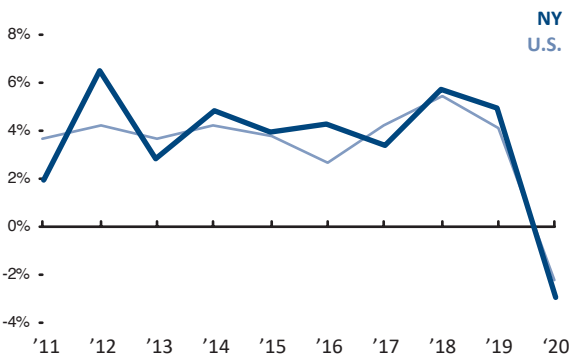


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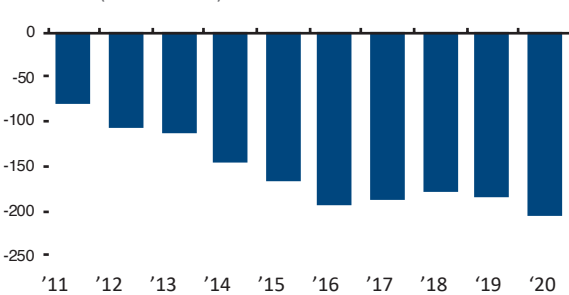
Economic Performance Rank

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.

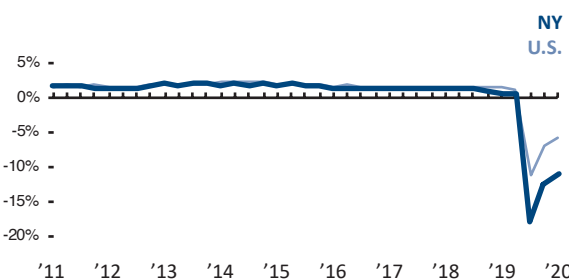
State Gross Domestic Product
Cumulative Growth 2010-2020 **40.97%** Rank: 17



Absolute Domestic Migration
Cumulative 2011-2020 **-1,563,117** Rank: 50
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **1.65%** Rank: 36



50

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 50 50 50 50 50 50 50

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	14.78%	50
Top Marginal Corporate Income Tax Rate	18.28%	50
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$16.43	40
Property Tax Burden (per \$1,000 of personal income)	\$46.15	46
Sales Tax Burden (per \$1,000 of personal income)	\$24.76	32
Remaining Tax Burden (per \$1,000 of personal income)	\$18.42	30
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$2.19	49
Debt Service as a Share of Tax Revenue	9.00%	49
Public Employees Per 10,000 of Population (full-time equivalent)	639.3	46
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.7	36
State Minimum Wage (federal floor is \$7.25)	\$13.20	47
Average Workers' Compensation Costs (per \$100 of payroll)	\$2.23	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)	0	32

North Carolina

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12

Economic Performance Rank

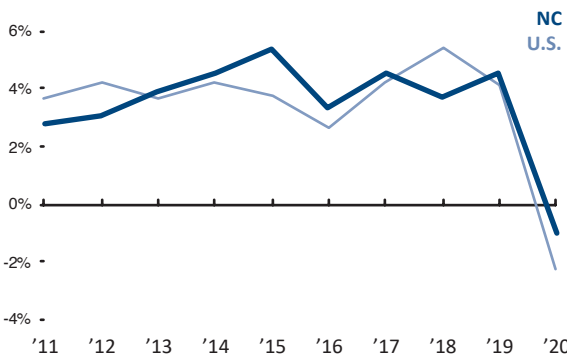
2

Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

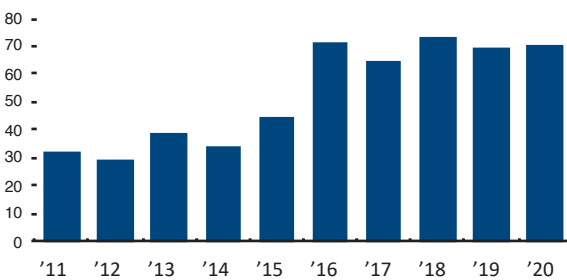
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product Cumulative Growth 2010-2020 **40.43%** Rank: 18



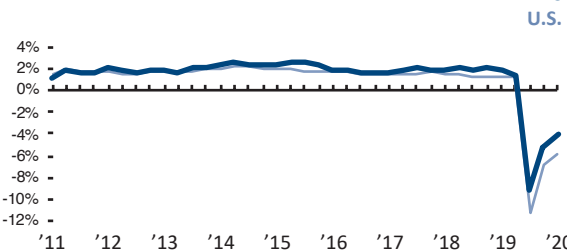
Absolute Domestic Migration

Cumulative 2011-2020 (in thousands) **528,333** Rank: 4



Non-Farm Payroll Employment

Cumulative 2010-2020 **13.59%** 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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 4 2 3 7 6 5 5

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.99%	18
Top Marginal Corporate Income Tax Rate	2.50%	4
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$8.48	23
Property Tax Burden (per \$1,000 of personal income)	\$22.46	10
Sales Tax Burden (per \$1,000 of personal income)	\$24.18	27
Remaining Tax Burden (per \$1,000 of personal income)	\$15.86	19
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$2.38	2
Debt Service as a Share of Tax Revenue	5.13%	18
Public Employees Per 10,000 of Population (full-time equivalent)	530.0	30
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)	\$1.31	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)	1	15

North Dakota

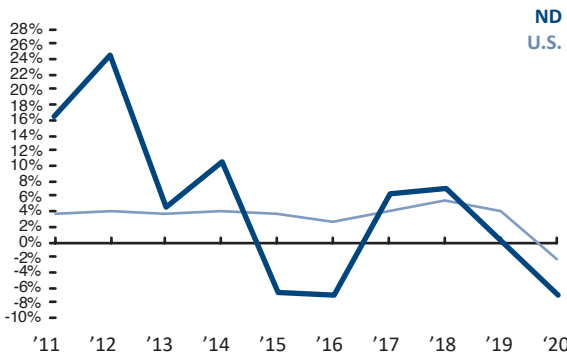
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



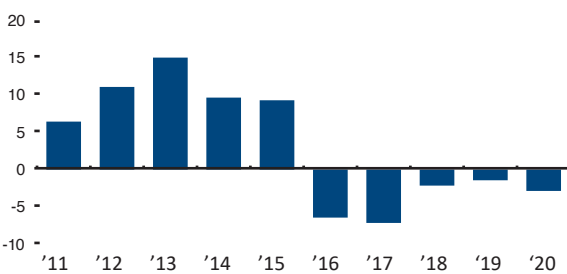
14 Economic Performance Rank

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.

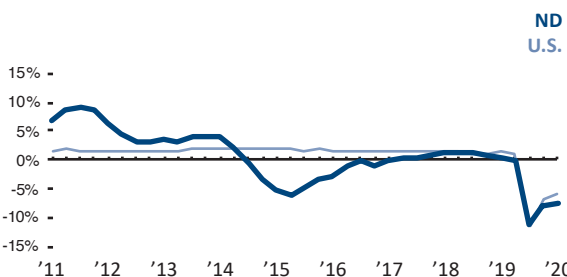
State Gross Domestic Product
Cumulative Growth 2010-2020 **53.76%** Rank: **4**



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **31,750** Rank: **17**



Non-Farm Payroll Employment
Cumulative 2010-2020 **5.92%** Rank: **21**



9 Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 2 3 4 4 4 11 8

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	2.90%	11
Top Marginal Corporate Income Tax Rate	4.31%	8
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$8.55	24
Property Tax Burden (per \$1,000 of personal income)	\$27.62	20
Sales Tax Burden (per \$1,000 of personal income)	\$30.30	41
Remaining Tax Burden (per \$1,000 of personal income)	\$18.57	32
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$5.97	1
Debt Service as a Share of Tax Revenue	4.74%	11
Public Employees Per 10,000 of Population (full-time equivalent)	622.0	45
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)	\$0.67	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	32

Ohio

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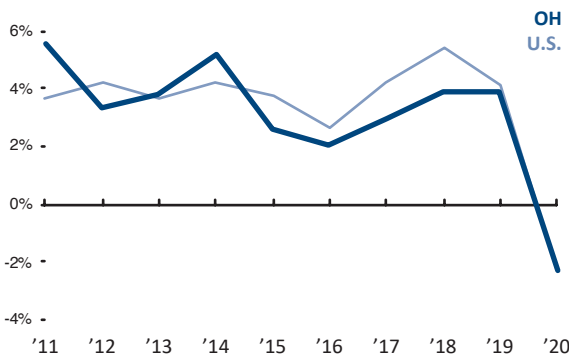


31

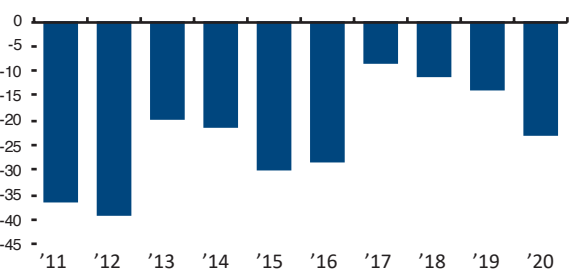
Economic Performance Rank

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.

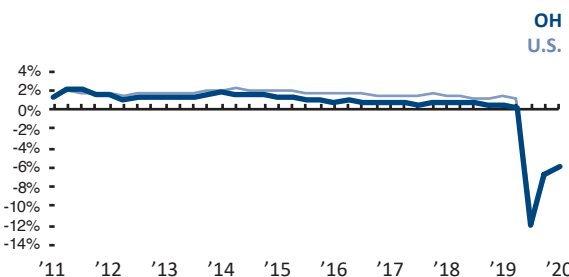
State Gross Domestic Product
Cumulative Growth 2010-2020 35.37% Rank: 23



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) -232,316 Rank: 44



Non-Farm Payroll Employment
Cumulative 2010-2020 4.13% Rank: 26



19

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 23 18 19 21 24 29 28

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.49%	30
Top Marginal Corporate Income Tax Rate	3.68%	6
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$15.51	38
Property Tax Burden (per \$1,000 of personal income)	\$28.17	23
Sales Tax Burden (per \$1,000 of personal income)	\$22.51	22
Remaining Tax Burden (per \$1,000 of personal income)	\$15.37	14
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$1.28	7
Debt Service as a Share of Tax Revenue	6.13%	27
Public Employees Per 10,000 of Population (full-time equivalent)	497.5	15
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.7	35
State Minimum Wage (federal floor is \$7.25)	\$9.30	24
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.11	11
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	15

Oklahoma

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Economic Performance Rank

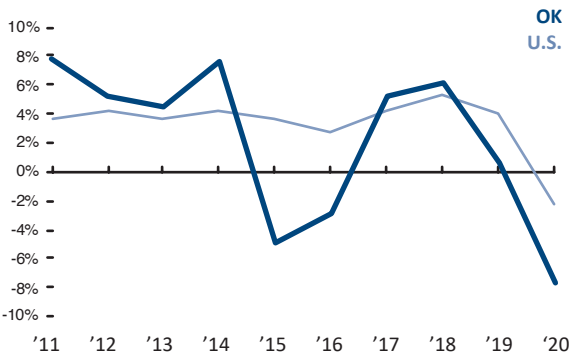
4

Economic Outlook Rank

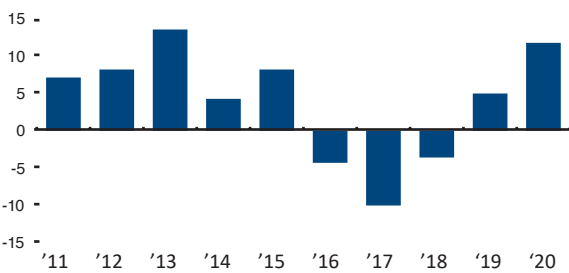
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

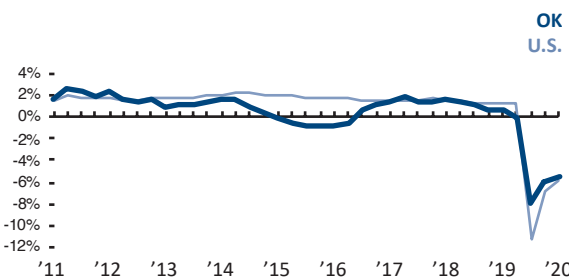
State Gross Domestic Product
Cumulative Growth 2010-2020 **21.89%** Rank: 43



Absolute Domestic Migration
Cumulative 2011-2020 **39,742** Rank: 16
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **3.20%** Rank: 30



Historical Ranking Comparison 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 16 10 16 16 13 9 3

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.75%	15
Top Marginal Corporate Income Tax Rate	4.00%	7
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$7.17	19
Property Tax Burden (per \$1,000 of personal income)	\$17.41	3
Sales Tax Burden (per \$1,000 of personal income)	\$28.99	38
Remaining Tax Burden (per \$1,000 of personal income)	\$15.74	17
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.69	10
Debt Service as a Share of Tax Revenue	4.89%	15
Public Employees Per 10,000 of Population (full-time equivalent)	526.7	24
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)	\$1.66	38
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	15

Oregon

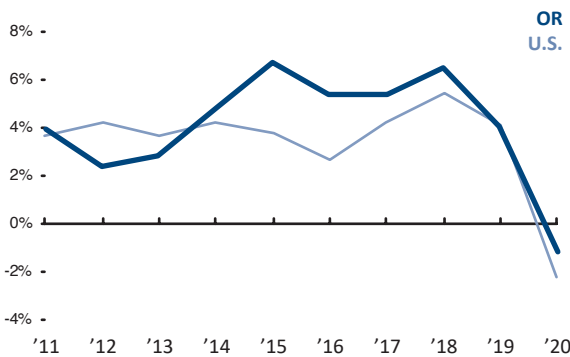
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



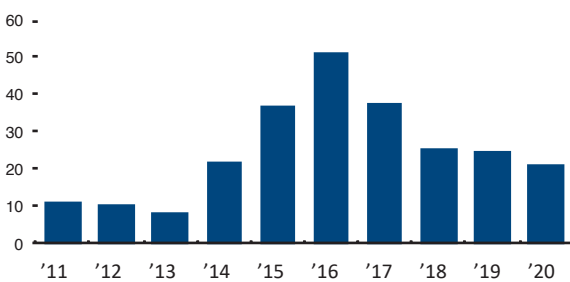
11 Economic Performance Rank

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.

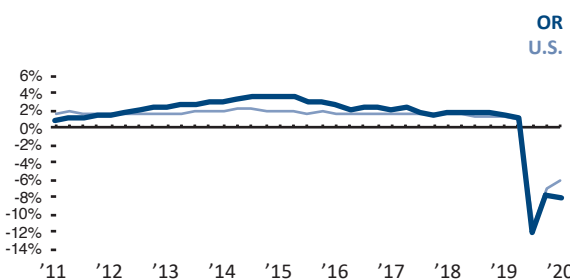
State Gross Domestic Product
Cumulative Growth 2010-2020 **48.52%** Rank: **8**



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **251,074** Rank: **11**



Non-Farm Payroll Employment
Cumulative 2010-2020 **12.06%** Rank: **13**



41 Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 45 41 41 41 44 42 44

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	14.69%	49
Top Marginal Corporate Income Tax Rate	15.79%	48
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$40.09	49
Property Tax Burden (per \$1,000 of personal income)	\$32.52	35
Sales Tax Burden (per \$1,000 of personal income)	\$0.00	1
Remaining Tax Burden (per \$1,000 of personal income)	\$22.15	41
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	6.21%	30
Public Employees Per 10,000 of Population (full-time equivalent)	499.5	16
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.9	25
State Minimum Wage (federal floor is \$7.25)	\$12.75	42
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.00	7
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

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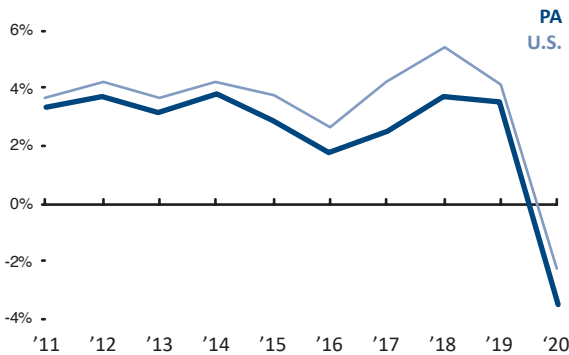


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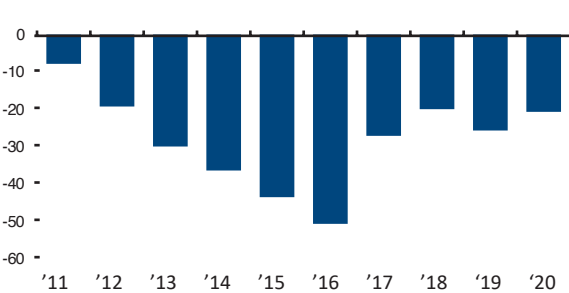
Economic Performance Rank

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.

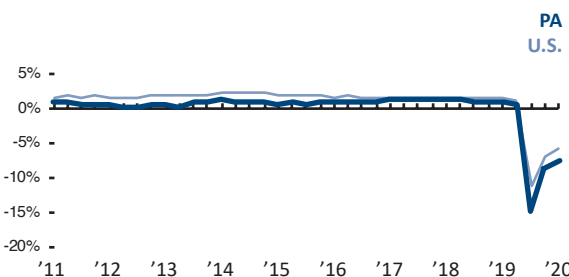
State Gross Domestic Product
Cumulative Growth 2010-2020 **27.64%** Rank: 37



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-281,795** Rank: 46



Non-Farm Payroll Employment
Cumulative 2010-2020 **-0.68%** Rank: 42



37

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 41 39 38 38 38 38 36

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.91%	36
Top Marginal Corporate Income Tax Rate	16.83%	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)	\$28.61	24
Sales Tax Burden (per \$1,000 of personal income)	\$17.47	11
Remaining Tax Burden (per \$1,000 of personal income)	\$23.74	44
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	6.50%	32
Public Employees Per 10,000 of Population (full-time equivalent)	438.9	4
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)	\$1.55	31
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	32

Rhode Island

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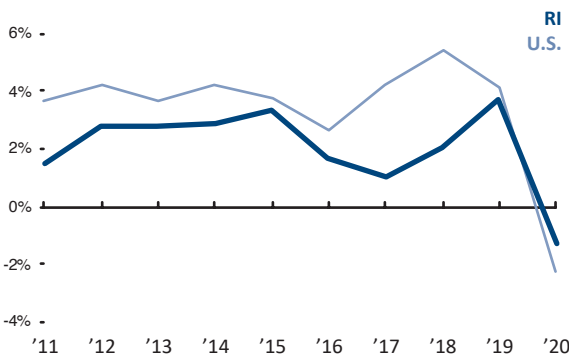
Economic Performance Rank

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.

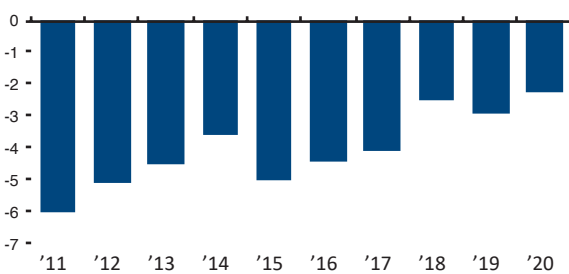
State Gross Domestic Product

Cumulative Growth 2010-2020 22.41% Rank: 41



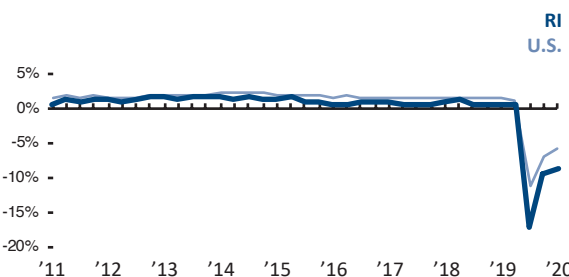
Absolute Domestic Migration

Cumulative 2011-2020 (in thousands) -40,357 Rank: 29



Non-Farm Payroll Employment

Cumulative 2010-2020 -0.61% Rank: 41



40

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 39 35 36 39 43 43 41

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.99%	28
Top Marginal Corporate Income Tax Rate	7.00%	28
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$11.37	29
Property Tax Burden (per \$1,000 of personal income)	\$45.56	45
Sales Tax Burden (per \$1,000 of personal income)	\$19.07	13
Remaining Tax Burden (per \$1,000 of personal income)	\$19.15	34
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	8.10%	42
Public Employees Per 10,000 of Population (full-time equivalent)	461.3	6
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.5	24
State Minimum Wage (federal floor is \$7.25)	\$12.25	38
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.93	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)	2	3

South Carolina

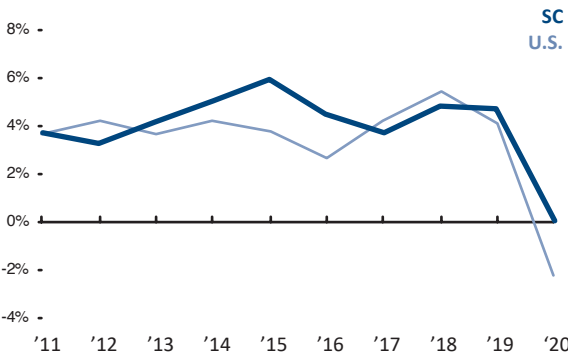
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



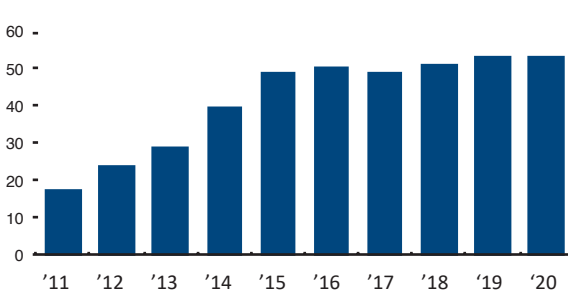
7 Economic Performance Rank

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.

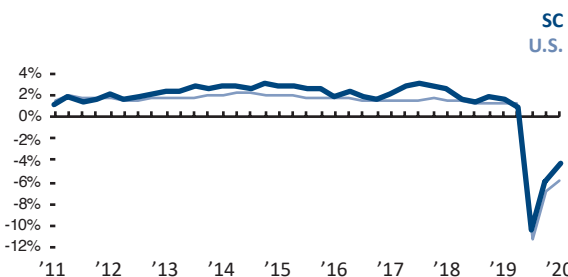
State Gross Domestic Product
 Cumulative Growth 2010-2020 **47.64%** Rank: **11**
 SC U.S.



Absolute Domestic Migration
 Cumulative 2011-2020 **418,236** Rank: **5**
 (in thousands)



Non-Farm Payroll Employment
 Cumulative 2010-2020 **15.87%** Rank: **7**
 SC U.S.



26 Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 32 30 27 33 32 32 24

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.00%	38
Top Marginal Corporate Income Tax Rate	5.00%	14
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$19.35	43
Property Tax Burden (per \$1,000 of personal income)	\$28.62	25
Sales Tax Burden (per \$1,000 of personal income)	\$19.46	14
Remaining Tax Burden (per \$1,000 of personal income)	\$16.88	25
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	7.10%	36
Public Employees Per 10,000 of Population (full-time equivalent)	543.3	34
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)	\$1.56	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	15

South Dakota

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

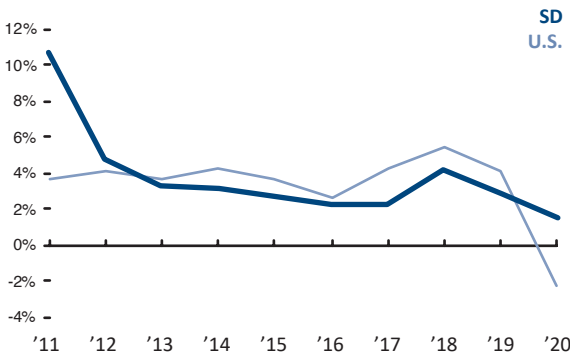


16

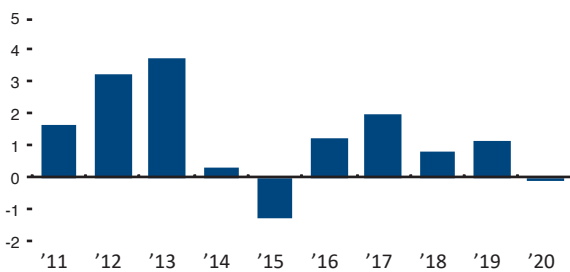
Economic Performance Rank

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.

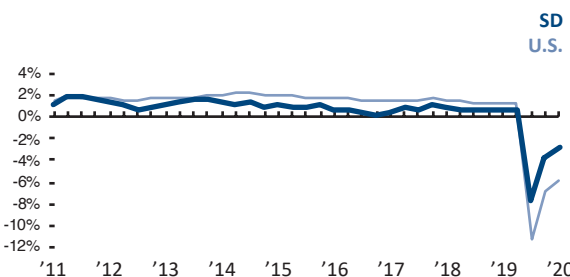
State Gross Domestic Product
Cumulative Growth 2010-2020 44.74% Rank: 13



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) 13,086 Rank: 22



Non-Farm Payroll Employment
Cumulative 2010-2020 6.11% Rank: 19



12

Economic Outlook Rank

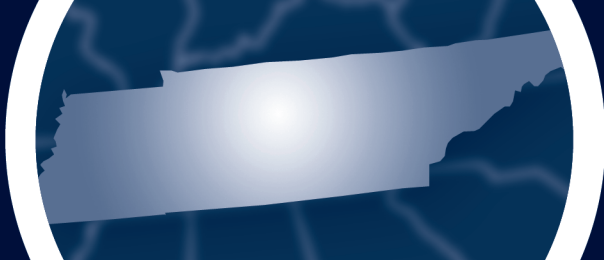
Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 9 11 12 9 7 13 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)	\$28.64	26
Sales Tax Burden (per \$1,000 of personal income)	\$32.14	42
Remaining Tax Burden (per \$1,000 of personal income)	\$18.27	29
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	5.81%	24
Public Employees Per 10,000 of Population (full-time equivalent)	529.5	29
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.0	10
State Minimum Wage (federal floor is \$7.25)	\$9.95	27
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.48	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	15

Tennessee

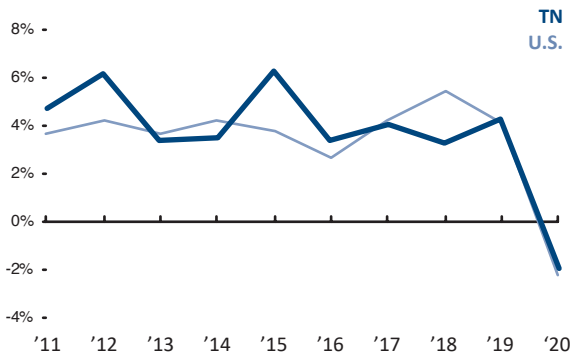
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



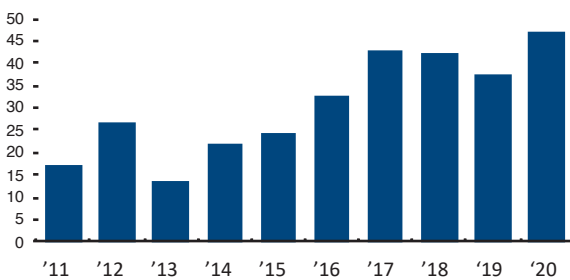
10 Economic Performance Rank

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.

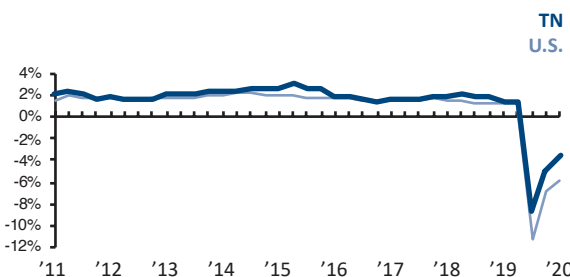
State Gross Domestic Product
 Cumulative Growth 2010-2020 43.37% Rank: 14



Absolute Domestic Migration
 Cumulative 2011-2020 (in thousands) 305,999 Rank: 8



Non-Farm Payroll Employment
 Cumulative 2010-2020 15.08% Rank: 8



13 Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 17 7 5 12 8 8 12

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	6.50%	23
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)	\$17.34	2
Sales Tax Burden (per \$1,000 of personal income)	\$29.34	40
Remaining Tax Burden (per \$1,000 of personal income)	\$18.68	33
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$2.54	50
Debt Service as a Share of Tax Revenue	8.55%	45
Public Employees Per 10,000 of Population (full-time equivalent)	489.2	11
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)	\$1.09	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)	2	3

Texas

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

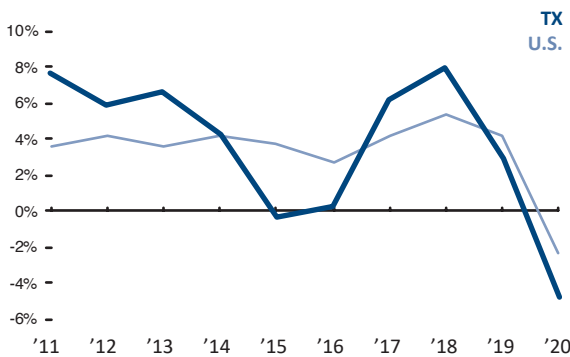


8

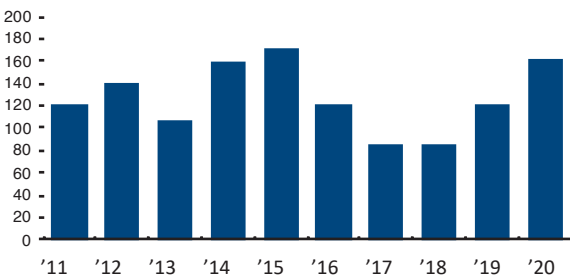
Economic Performance Rank

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.

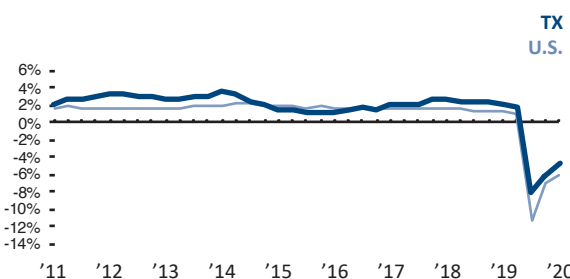
State Gross Domestic Product
Cumulative Growth 2010-2020 **42.51%** Rank: 15



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **1,275,936** Rank: 2



Non-Farm Payroll Employment
Cumulative 2010-2020 **17.74%** Rank: 6



11

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 11 12 9 14 15 15 9

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	2.64%	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)	\$40.10	43
Sales Tax Burden (per \$1,000 of personal income)	\$28.08	37
Remaining Tax Burden (per \$1,000 of personal income)	\$15.26	13
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	8.60%	46
Public Employees Per 10,000 of Population (full-time equivalent)	528.9	27
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)	\$0.98	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)	2	3

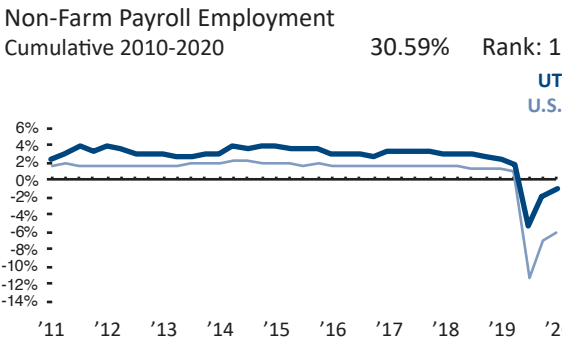
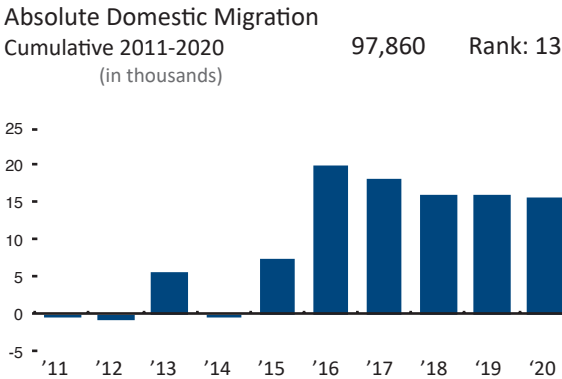
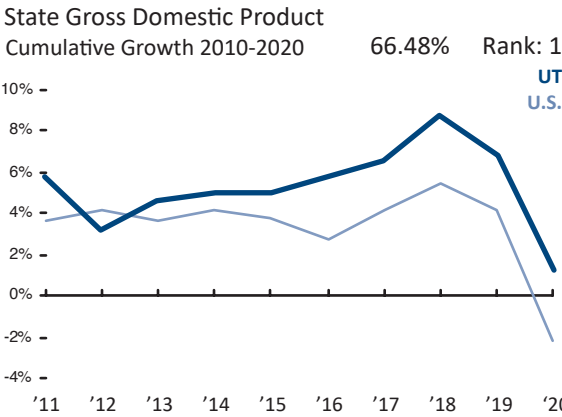
Utah

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

2

Economic Performance 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.



1

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
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%	13
Personal Income Tax Progressivity (change in tax liability per \$1,000 of income)	\$0.32	12
Property Tax Burden (per \$1,000 of personal income)	\$24.31	14
Sales Tax Burden (per \$1,000 of personal income)	\$25.18	34
Remaining Tax Burden (per \$1,000 of personal income)	\$16.10	21
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$0.57	12
Debt Service as a Share of Tax Revenue	4.77%	12
Public Employees Per 10,000 of Population (full-time equivalent)	503.0	17
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)	\$0.85	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	15

Vermont

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

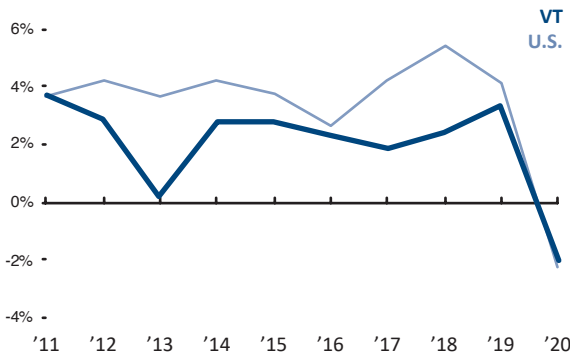


39

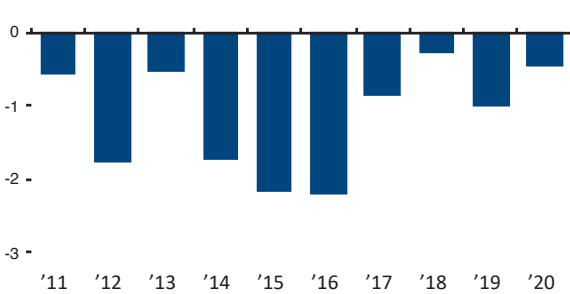
Economic Performance Rank

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.

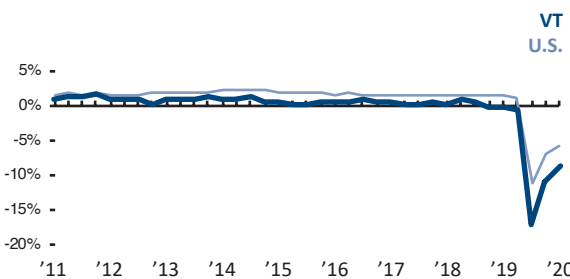
State Gross Domestic Product
Cumulative Growth 2010-2020 **22.00%** Rank: 42



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-11,581** Rank: 24



Non-Farm Payroll Employment
Cumulative 2010-2020 **-4.34%** Rank: 46



47

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 49 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)	\$28.76	48
Property Tax Burden (per \$1,000 of personal income)	\$53.82	49
Sales Tax Burden (per \$1,000 of personal income)	\$12.58	6
Remaining Tax Burden (per \$1,000 of personal income)	\$26.87	47
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	2.73%	2
Public Employees Per 10,000 of Population (full-time equivalent)	599.5	42
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.7	11
State Minimum Wage (federal floor is \$7.25)	\$12.55	40
Average Workers' Compensation Costs (per \$100 of payroll)	\$2.21	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)	0	32

Virginia

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

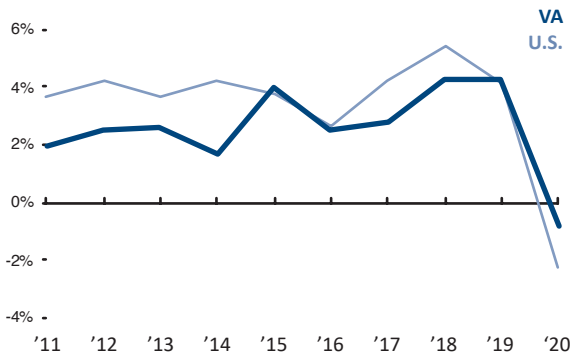


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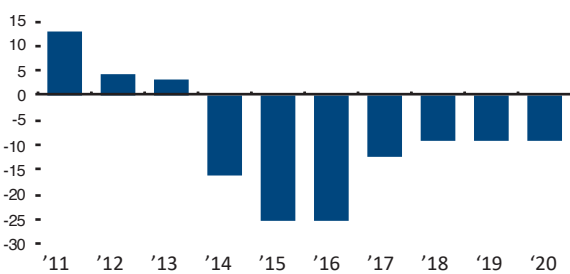
Economic Performance Rank

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.

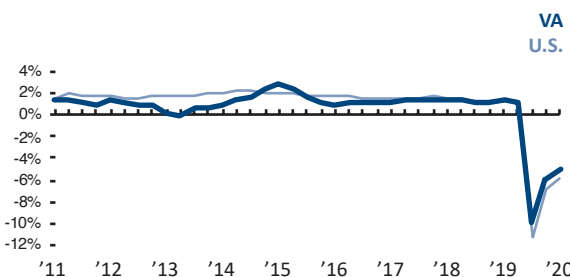
State Gross Domestic Product
Cumulative Growth 2010-2020 **28.70%** Rank: **34**



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-85,799** Rank: **37**



Non-Farm Payroll Employment
Cumulative 2010-2020 **5.82%** Rank: **22**



24

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 12 13 11 10 14 16 17

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.75%	25
Top Marginal Corporate Income Tax Rate	7.63%	33
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)	\$30.58	31
Sales Tax Burden (per \$1,000 of personal income)	\$14.02	9
Remaining Tax Burden (per \$1,000 of personal income)	\$16.40	22
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$1.80	47
Debt Service as a Share of Tax Revenue	5.47%	22
Public Employees Per 10,000 of Population (full-time equivalent)	529.0	28
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.3	12
State Minimum Wage (federal floor is \$7.25)	\$11.00	33
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.28	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)	0	32

Washington

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX



5

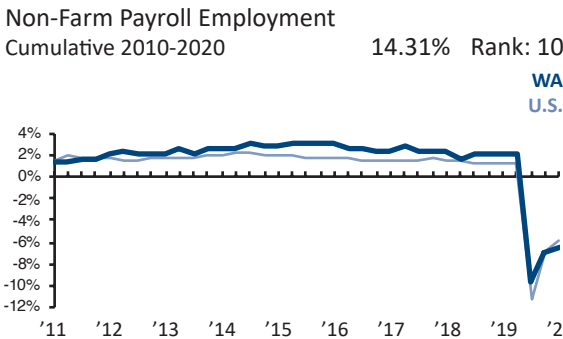
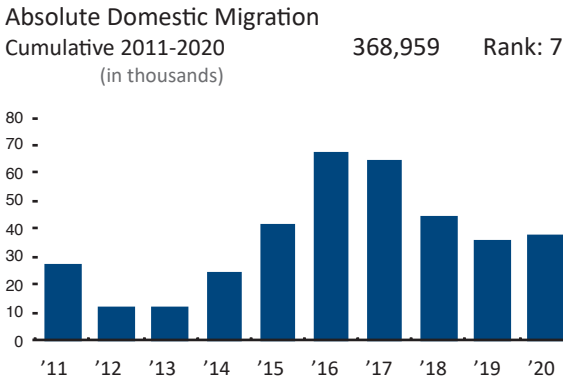
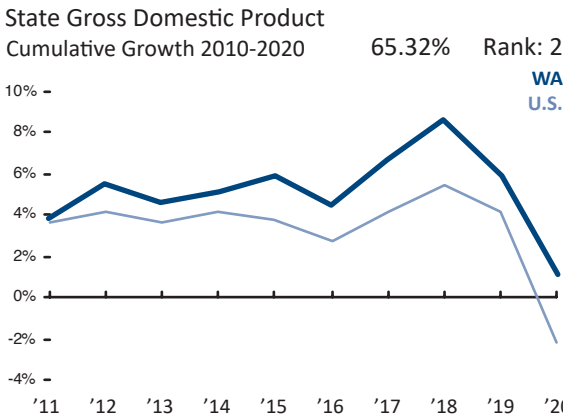
Economic Performance Rank

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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.



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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 35 36 40 37 37 39 37

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	6.81%	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)	\$27.72	21
Sales Tax Burden (per \$1,000 of personal income)	\$34.51	44
Remaining Tax Burden (per \$1,000 of personal income)	\$24.16	45
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.07	36
Debt Service as a Share of Tax Revenue	8.33%	43
Public Employees Per 10,000 of Population (full-time equivalent)	515.1	20
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.8	26
State Minimum Wage (federal floor is \$7.25)	\$14.49	49
Average Workers' Compensation Costs (per \$100 of payroll)	\$1.53	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)	2	3

West Virginia

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

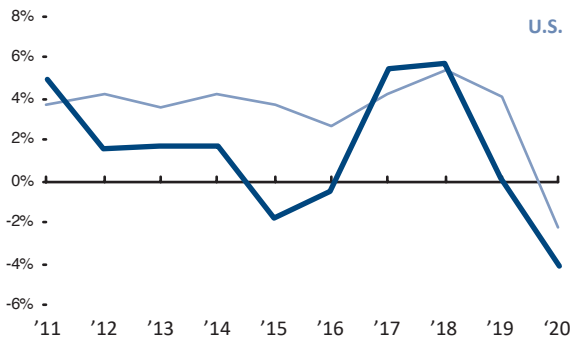


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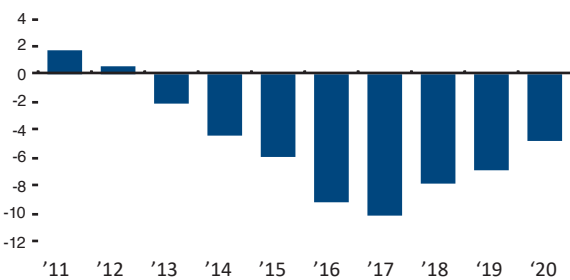
Economic Performance Rank

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.

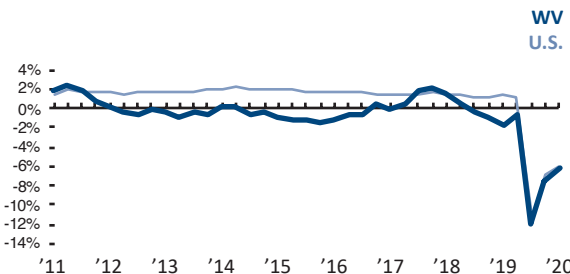
State Gross Domestic Product
Cumulative Growth 2010-2020 **14.93%** Rank: 47



Absolute Domestic Migration
Cumulative 2011-2020 **-48,718** Rank: 31
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **-6.26%** Rank: 48



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 36 37 31 30 31 28 32

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.50%	31
Top Marginal Corporate Income Tax Rate	6.50%	23
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)	\$22.68	11
Sales Tax Burden (per \$1,000 of personal income)	\$20.43	19
Remaining Tax Burden (per \$1,000 of personal income)	\$26.72	46
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.00	20
Debt Service as a Share of Tax Revenue	4.59%	10
Public Employees Per 10,000 of Population (full-time equivalent)	560.8	37
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	63.3	45
State Minimum Wage (federal floor is \$7.25)	\$8.75	21
Average Workers' Compensation Costs (per \$100 of payroll)	\$0.79	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	32

Wisconsin

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

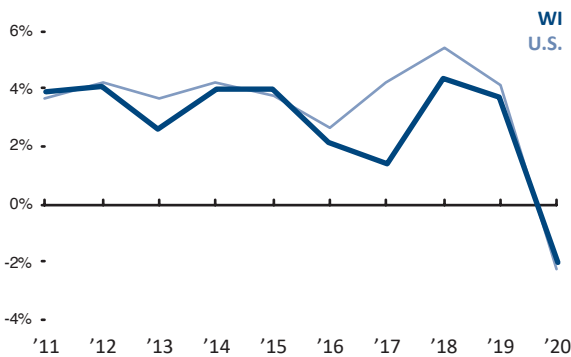


33

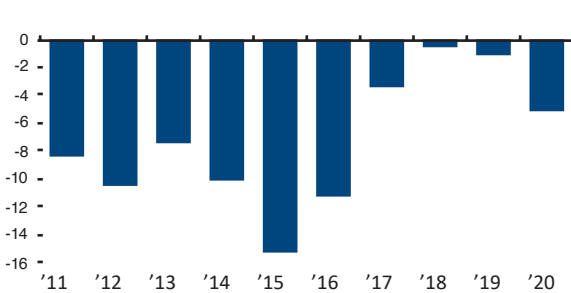
Economic Performance Rank

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.

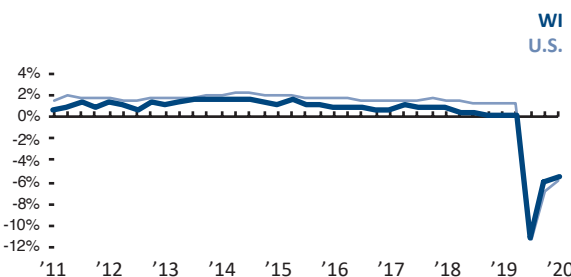
State Gross Domestic Product
Cumulative Growth 2010-2020 **31.70%** Rank: 29



Absolute Domestic Migration
Cumulative 2011-2020 **-73,139** Rank: 35
(in thousands)



Non-Farm Payroll Employment
Cumulative 2010-2020 **2.77%** Rank: 32



14

Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 13 9 14 19 17 12 15

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)	\$13.14	33
Property Tax Burden (per \$1,000 of personal income)	\$32.31	34
Sales Tax Burden (per \$1,000 of personal income)	\$20.29	18
Remaining Tax Burden (per \$1,000 of personal income)	\$14.94	12
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	-\$1.53	6
Debt Service as a Share of Tax Revenue	4.41%	8
Public Employees Per 10,000 of Population (full-time equivalent)	483.1	8
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)	\$1.74	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)	1	15

Wyoming

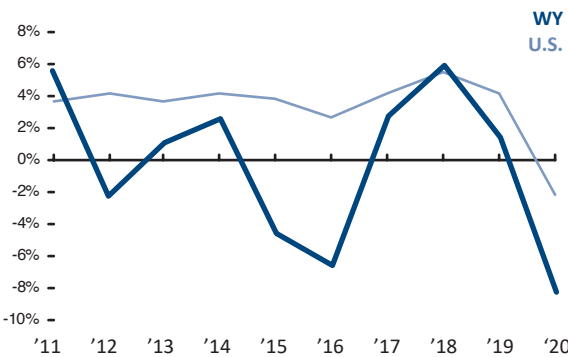
2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

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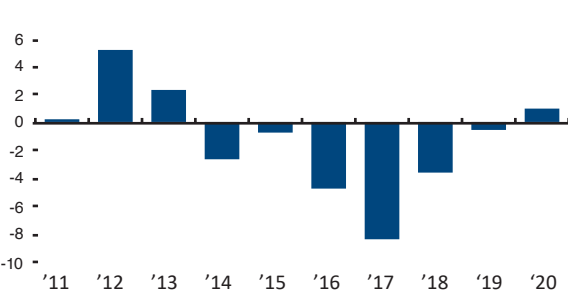
Economic Performance Rank

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.

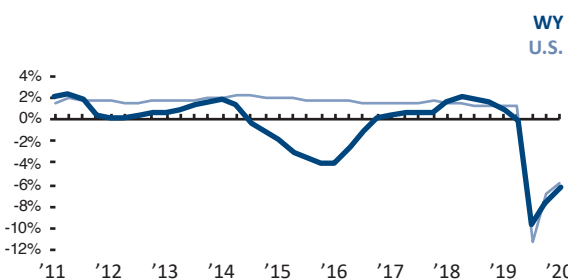
State Gross Domestic Product
Cumulative Growth 2010-2020 **-3.60%** Rank: 49



Absolute Domestic Migration
Cumulative 2011-2020 (in thousands) **-11,435** Rank: 23



Non-Farm Payroll Employment
Cumulative 2010-2020 **-5.18%** Rank: 47



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Economic Outlook Rank

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 2015 2016 2017 2018 2019 2020 2021
ECONOMIC OUTLOOK RANK 8 4 7 8 10 2 4

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)	\$33.92	36
Sales Tax Burden (per \$1,000 of personal income)	\$24.53	31
Remaining Tax Burden (per \$1,000 of personal income)	\$14.08	8
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2020 & 2021, per \$1,000 of personal income)	\$0.42	42
Debt Service as a Share of Tax Revenue	2.04%	1
Public Employees Per 10,000 of Population (full-time equivalent)	879.4	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)	\$1.44	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	32

Appendix

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX: 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 2022 ALEC-Laffer Economic Outlook ranking of the states. Each factor 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, 2022.

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 4.5648 percent measure we would use if the tax were a gross receipts tax and the 0.75 percent highest rate on its margin tax, leading to our measure of 2.66 percent. 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, 2022.

PERSONAL INCOME TAX PROGRESSIVITY

This variable is measured as the difference between the average tax liability per \$1,000, at in-

comes 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, 2022.

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 2019. These data were released in October 2021.

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 2019. 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 2021.

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 2019. These data were released in October 2021.

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, 2022.

RECENTLY LEGISLATED TAX CHANGES

This variable calculates each state’s relative change in tax burden over a two-year period (in this case, the 2020 and 2021 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 2020. 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 2019 U.S. Census Bureau data. These data were released in October 2021.

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 2020 U.S. Census Bureau data. These data were released in June 2021.

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, 2022.

WORKERS’ COMPENSATION COSTS

This variable highlights the 2021 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, 2022.

TAX AND EXPENDITURE LIMIT

This variable measures the influence of tax and expenditure limits on state tax revenue and spending. States were ranked by the effectiveness of state tax or expenditure limits in place. Information was sourced from state constitutions and statutes.

Appendix

2022 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX: Economic Performance Methodology

GROSS DOMESTIC PRODUCT GROWTH

This variable is calculated by observing state GDP growth figures over 10 years from 2010-2020. 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 2021.

CUMULATIVE DOMESTIC MIGRATION

This variable is a summation of net in-migration of individuals for each state over a 10-year period from 2011-2020. Data are drawn from the U.S. Census Bureau, which were last revised in December 2020.

NON-FARM EMPLOYMENT GROWTH

This variable is calculated by observing state non-farm employment growth figures over a 10-year period, from 2010-2020. 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 January 2022.

“More and more Americans are fleeing states with high taxes and crazy regulations in favor of states that know less government and more freedom is the way to prosperity. *Rich States, Poor States* shows in black and white that sane fiscal policy is the foundation of opportunity and growth.”

– **U.S. Senator Mike Braun, Indiana**

“This book should be required reading for every single legislator and policymaker in the U.S. It makes the economic benefits of greater fiscal responsibility and lesser regulatory burden abundantly clear. As a former State Representative, current State Treasurer, and Chair of the State Financial Officers Foundation, I highly recommend *Rich States, Poor States* as a resource for anyone seeking facts to inform their governmental decision-making. If you want to be a budget hawk, get to know this book!”

– **State Treasurer John Schroder, Louisiana**

“States do not make policy in a vacuum. We live in an increasingly connected and mobile world where families and businesses have a choice in where to locate. *Rich States, Poor States* provides an important framework to learn from what other states do well and what they do poorly. Thoughtful policymakers use those lessons to deliver wins for their constituents and states.”

– **Speaker Ben Toma, Arizona**

“Competition in markets drives businesses to improve and ultimately benefits customers. By that same principle, *Rich States, Poor States* drives competitiveness among the states and makes American taxpayers better off. As the federal bureaucracy grows and Americans lose faith in Washington to solve their problems, this publication provides hope by demonstrating that the states play a critical role in American prosperity.”

– **Speaker Pro Tem John Wills, Iowa**

American Legislative Exchange Council

2900 Crystal Drive, Suite 600

Arlington, VA 22202

www.alec.org

