



# POLLINA CORPORATE TOP 10 PRO-BUSINESS STATES FOR 2007

## Keeping Jobs in America

By:

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## **I. EXECUTIVE SUMMARY**



“Suppose you were an idiot, and suppose you were a member of Congress; but I repeat myself.”

*Mark Twain*  
1835 – 1910

American workers are at war — a battle to keep their jobs. The off-shoring of the nation’s high-tech and manufacturing jobs is continuing at a rate that is growing in intensity. In the 1960s and 1970s, this battle was between the so-called Rust Belt states and the southern and western states. Today, the battle is between the U.S. and the rest of the world, and the U.S. is not faring well. The fourth annual Pollina Corporate Top 10 Pro-Business States study finds that in spite of this trend, the federal government and many state governments continue to offer little or no assistance to business to promote job growth.

The health of our nation’s economy is based on providing the people of America with a growing supply of jobs that require higher skills and higher pay. This is not happening, and given the performance of the federal and most state governments to rectify the situation, it is not likely to happen. In recent years, we have lost millions of the nation’s manufacturing, technology and high-wage service jobs, and this trend is escalating. Fifty-seven percent of those re-employed receive lower wages, with one-third earning at least 20% less. Americans are already living at a standard that we can no longer afford. The fragility of the American economic system is the result of a lack of political will necessary to reverse the downward spiral the U.S. is experiencing.

The balance of power in the world is shifting away from the U.S. to the East, as China and India’s economies evolve. These two countries are not complimentary economies, growing in unison with the U.S., but rather at the expense of the U.S. economy. For Americans, this will mean a far different future, one in which our standard of living will be diminished and our political and military dominance challenged. There are many forces contributing to this shift in power, fostered unwittingly by many federal and state political leaders. It is likely that America will not see a single catastrophic economic earthquake, but rather a series of smaller tremors. The underlying causes of these tremors are today eroding the economy by weakening the middle class and small and mid-sized corporations. Historically, the middle class and these corporations together have been the bedrock of the American economy.

Americans don’t have the visionary leadership necessary to take advantage of the opportunities that are available to remain a superpower. The issue and the problem is not about Democrats or Republicans, as we have well-meaning and even some visionary men and women on both sides. The difficult situation we are in today results from a system of government driven by special-interest groups and politicians who must place consideration of campaign contributions first when deciding what causes to support and how to vote.

The federal budget deficit, trade deficits, low interest rates, family debt, and educational systems are and will continue to have a negative impact on the U.S. economic, political and military strength in the 21<sup>st</sup> Century. We are deluding ourselves if we believe that we have not been impacted already, both socially and economically, and that our government, along with American ingenuity and tenacity, will correct for any losses.

Small to mid-size companies in America do not have powerful lobbyists pushing special trade or tax policies to benefit them specifically, as is true for major U.S. and global corporations. Like the middle class, these companies are most ignored by policy makers, yet they represent the backbone of the U.S. economy. For most U.S. manufacturing, high-tech, and other businesses, the federal government and most state governments do not provide a good environment in which to conduct business. The big companies can do something about it – the small and mid-size companies don't have the teams of international business attorneys, accountants, and the political muscle that comes from highly-paid lobbyists. When faced with offshore competition or attractive offshore markets, the big companies simply move offshore and have their lobbyists create trade and tax policies that enhance their offshore activities. For an increasing number of small to mid-size U.S. companies, they simply can't survive in the economic environment created by the federal and their own state government.

In recent years, China and India have made major strides to create pro-business environments. These efforts are paying off. By 2049 Goldman Sachs predicts the Chinese GDP will exceed that of the U.S. yet our federal and state governments continue to create road blocks to economic growth. This report details how many state governments have the resources, but not the will, to keep Americans employed in high paying 21<sup>st</sup> Century jobs. At the federal level, we have disastrous trade policies and unnecessary agricultural subsidies that wreak havoc on job growth, along with pork barrel spending that misdirects needed resources. These are only some of the reasons we no longer have a pro-business environment in the U.S.

After 26 years experience representing corporate clients in selecting sites internationally and four years of detailed examination of all states' economic development efforts, Pollina Corporate has observed that current economic development trends are not promising. Today, manufacturing jobs in the U.S. continue a rapid exodus offshore, and professional, scientific, technical service and corporate management jobs are leaving the U.S. at a rate that is much greater than the nation's ability to replace them. Certainly these trends are not in keeping with a nation that would like to consider itself as a technological leader. Federal efforts are very disappointing, as is true for far too many states. There are some bright spots, represented by those states that really understand the national and especially the international competition. These states are making the effort to keep their existing jobs and to attract new employers. We are beginning to see, albeit at a slow rate, a spreading of efforts by enlightened state political leaders. Our Top 10 Pro-Business States study highlights those states that "get it."

**FIGURE 1**

<b>POLLINA CORPORATE REAL ESTATE, INC.                      TOP 10 PRO-BUSINESS STATES 2007</b>		
State		Score
	Virginia	358.4
	South Carolina	345.6
	Florida	328
	North Carolina	325
	Utah	324.6
	Wyoming	320.4
	South Dakota	318.4
	Alabama	312.2
	Georgia	304.2
	Nebraska	297.2

### **Picking the Best Corporate Location**

The Pollina Corporate Top 10 Pro-Business States study examines 28 factors relative to states' efforts to be pro-business, and is the most comprehensive and impartial examination of states to date. The study is limited to factors over which state government has control. The Top 10 list (Figure 1) reflects state leadership that truly understands the importance of producing the best job opportunities available for their constituents.

The Top 10 Pro-Business selection process is based on a comprehensive two-stage approach. Stage I, Labor, Taxes and Other Factors is based on 14 factors, including taxes, human resources, right-to-work legislation, energy costs, infrastructure spending, workers' compensation legislation, and jobs lost or gained, (Appendix Figures 3 – 16). These 14 factors, all of which are controlled by state government, were used to select the top ranked states. The states were then subjected to a Stage II, Incentives and State Economic Development Agency Factors evaluation, which examined 14 additional state government-controlled factors based on incentive programs and state economic development departments (Figure 17).

State financial incentives are often confusing and difficult for most companies to access. Most companies, when relocating, expanding or consolidating facilities in the U.S., receive only 10 to 15 percent of the incentives that are potentially available to them, even among the largest corporations. Companies must know what to ask for, whether they will qualify for programs and what the program's true value is. It is a negotiation process, and those who know the programs, the states, and how to extract the assistance receive the most benefits. Incentives can include tax breaks, job training, free land, subsidized rent, free infrastructure, forgivable loans, and other creative forms of assistance.

### **Winners**

Virginia received the greatest number of points of all states and is our number one ranked state. All 10 top-ranked states should be held up as models for the other 40 states and the federal government.

The clear winners for both Stage I and II are Virginia, South Carolina, and Alabama, which ranked consistently high in both sets of factors (Figure 23). Of the 50 states, 17 ranked high enough in one of the two major categories examined to make the top 10 in at least Stage I or II.

Seven states, Wyoming, Utah, South Dakota, Florida, Nevada, Idaho, and Maryland, ranked among the top 10 states for Stage I, Labor, Taxes, and Other Cost Factors, but did not make the Top 10 relative to Stage II, Incentives and Economic Development Agency Factors (Figure 23). With improvements in Stage II factors, these states could substantially improve their ability to attract and retain high-quality and high paying jobs. Wyoming, Utah, South Dakota, and Florida had overall scores high enough to place them among the Top 10 Pro-Business States for 2007. Only North Carolina, Nebraska, and Georgia ranked so high in terms of Stage II that they overcame a non-top 10 ranking in terms of Stage I, and therefore, made the Top 10.

### **Contenders**

Figure 23 shows the Top 10 Pro-Business States and the top 15 contenders. Michigan, Oklahoma, Washington, and Arkansas ranked among the nations best relative to Stage II, Incentives and State Economic Development Agency Factors, but did not rank high enough in terms of Stage I, Labor, Taxes, and Other Factors to make the Top 10 Pro-Business list. Some of the states that had overall scores high enough to make the 11-15 ranking are strong contenders to make the Top 10 Pro-Business list for 2008 (Figure 18).

### **The Bottom 25**

Those states that did not make it into the Top 25 (Figure 18 and 25) should evaluate their economic development capabilities. These bottom-ranked states need to have their state political leaders give serious consideration to rethinking their efforts to attract and maintain jobs. Keeping America employed in good, high-paying jobs will become increasingly more difficult during the century as other nations continue to make rapid strides in developing their economies, often at the expense of U.S. jobs. Among these bottom-ranked states are some that have such weak or non-existent programs, or are so inept in their procedures that, they are pushing their best jobs out of their states. Fortunately for the bottom 25 states, there are many strong regional and community economic development organizations. Often these organizations are forced to carry the burden of attracting and maintaining existing jobs with little or no assistance from state government.

### **The South**

The southeast, from Alabama to Virginia (Figure 24), was the leader in terms of number of pro-business states, with six of the Top 10. All of these have been on the list for the last four years, except Florida, which did not make the Top 10 in 2004. It would appear that most of the southeastern states understand the importance of creating a pro-business and pro-jobs environment. Grouped tightly geographically, it would also appear that, in order to compete with each other, these states have developed the systems necessary to provide a pro-business environment. The range in Stages I and II total scores for the top ranked states of Virginia and South Carolina is 12.8 points, making these two contenders close competitors for the top spot.

### **The North**

Not one northern state made the Top 10 Pro-Business States list this year. In general, the northern states with the exception of Maryland (13<sup>th</sup>) showed relatively poorly. Only Connecticut (25<sup>th</sup>) of the New England states ranked in the top 25 of all states (Figure 19), in spite of the region's need to provide more and better job opportunities due to the major loss of jobs these states had during the latter half of the 20<sup>th</sup> Century. These states' legislators clearly need to make a major effort if they are to provide a stronger economy and more and better employment opportunities for their constituents.

### **The West**

In the West, Utah (5<sup>th</sup>), Wyoming (6<sup>th</sup>), South Dakota (7<sup>th</sup>), and Nebraska (10<sup>th</sup>) best represent their region. Wyoming, Utah, and South Dakota, while ranking very high in Stage I, Labor, Taxes & Other Factors (Figure 20) did not do very well in terms of Stage II, Incentives and Economic Agency Factors (Figure 21). Utah made a very significant move jumping from 12<sup>th</sup> place in 2006 to 5<sup>th</sup> in 2007. Both South Dakota (7<sup>th</sup>) and Wyoming (6<sup>th</sup>) slid slightly in rank from their 3<sup>rd</sup> and 5<sup>th</sup> place positions in 2006. South Dakota has a consistently strong record, making the Top 10 list for four years (Figure 19). Wyoming has also performed well, making the list for the last three years. Nebraska, like Utah, is new to the Top 10 for 2007, moving from 17<sup>th</sup> in 2006 to 10<sup>th</sup> in 2007.