ALEC.ORG

9TH EDITION

RICH STATES, POOR STATES

ALEC–LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

ARTHUR B. LAFFER
STEPHEN MOORE
JONATHAN WILLIAMS

FOREWORD BY
GOV. SCOTT WALKER

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

Rich States, Poor States

ALEC-Laffer State Economic Competitiveness Index

Arthur B. Laffer

Stephen Moore

Jonathan Williams

ALEC American Legislative Exchange Council

LIMITED GOVERNMENT • FREE MARKETS • FEDERALISM

Rich States, Poor States
ALEC-Laffer State Economic Competitiveness Index

Published by
American Legislative Exchange Council
2900 Crystal Drive, Suite 600
Arlington, VA 22202

www.alec.org

Dr. Arthur B. Laffer, Stephen Moore
and Jonathan Williams, Authors

ISBN 978-0-9853779-7-7

Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index has been published by the American Legislative Exchange Council, America's largest nonpartisan, voluntary membership organization of state legislators dedicated to the principles of limited government, free markets and federalism. Comprised of nearly one-quarter of the country's state legislators and stakeholders from across the policy spectrum, ALEC members represent more than 60 million Americans and provide jobs to more than 30 million people in the United States.

The American Legislative Exchange Council is classified by the Internal Revenue Service as a 501(c)(3) nonprofit and public policy and educational organization. Individuals, philanthropic foundations, corporations, companies, or associations are eligible to support the Council's work through tax-deductible gifts.

Table of Contents

About the Authors

DR. ARTHUR B. LAFFER

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 also advised Prime Minister Margaret Thatcher on fiscal policy in the U.K. during the 1980s. He has been a faculty member at the University of Chicago, University of Southern California and Pepperdine University. 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. 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, who formerly wrote on the economy and public policy for *The Wall Street Journal*, is a distinguished visiting fellow with the Project for Economic Growth at The Heritage Foundation. Moore founded and served as the president of the Club for Growth and founded the Free Enterprise Fund. 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. He was also a consultant to the National Economic Commission in 1987 and research director for President Reagan's Commission on Privatization. Moore is a Fox News contributor along with writing regularly for *National Review, Forbes, Investor's Business Daily, The Washington Times* and the *Orange County Register*. Moore holds a master's 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* and *An Inquiry into the Nature and Causes of the Wealth of States.*

JONATHAN WILLIAMS

Jonathan Williams is the vice president for the Center for State Fiscal Reform and chief economist at the American Legislative Exchange Council (ALEC), where he works with state policymakers, congressional leaders and members of the private sector to develop fiscal policy solutions for the states. Prior to joining ALEC, Williams served as staff economist at the nonpartisan Tax Foundation, authoring numerous tax policy studies. Williams's work has appeared in many publications, including *The Wall Street Journal, Forbes* and *Investor's Business Daily.* He is a columnist for *Tax Analysts*, the leading provider of tax news and analysis for the global community. 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). Williams has testified before numerous legislative bodies and spoken to audiences across America. 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.

Acknowledgements

We wish to thank the following for making this publication possible:

First, our sincere thanks go to the Searle Freedom Trust for their generous support of this research.

Next, we thank Lisa B. Nelson, Bill Meierling, Ashley Varner, Ashley Pratte, Christine Phipps, Nathan Brinkman, Theodore Lafferty, Kati Siconolfi, Elliot Young, Christine Smith, Joe Horvath, Joel Griffith, Anthony Iafrate, James Kennedy, Tony Bergida and the professional staff of the American Legislative Exchange Council for publishing this in a timely manner. We also appreciate the research assistance of Nicholas Drinkwater, John Burke and Julia Roseman. We hope these research findings will continue to be a good resource for America's state legislators and members of the public interested in pro-growth tax reform.

Foreword

When we took office in 2011, Wisconsin faced a $3.6 billion budget deficit, our unemployment rate was 8.1 percent and we had lost more than 133,000 jobs. We got to work immediately to deliver real change for the people of Wisconsin, and we've delivered real results. One of my first acts as governor was to declare Wisconsin "Open for Business," and that's exactly what we've done. We cut taxes by more than $4.7 billion for individuals, employers and property. In fact, property taxes are actually lower today than when we took office. The budget deficit? Gone. We turned it into multiple surpluses without raising taxes, and our state's rainy day fund is now 165 times larger than when we took office.

We also instituted big, bold reforms. In 2011, we eliminated collective bargaining for public employees and required them to contribute to their pension and pay a little more for their health care benefits. This important reform known as Act 10 has already saved our state and local governments some $5 billion, but it's more than just about saving money. Our school districts can now hire based on merit and pay based on performance. This means we can put the best and the brightest in our classrooms and we can pay to keep them there. Five years into Act 10, graduation rates are up, and our ACT scores are among the best in the nation.

Developing Wisconsin's workforce has also been a top priority for us. As I travel around our state, I can't begin to tell you how many times I have heard employers say, "Scott, we have job openings but we just can't find the skilled workers needed to fill them." In response to the demand for skilled workers, we've increased funding for worker training grants and apprenticeships, and we instituted performance-based funding for our technical colleges. In addition, we now require worker training and drug testing for people on food stamps because true freedom and prosperity do not come from the mighty hand of the government; they come from empowering people to live their own lives and control their own destinies through the dignity that comes from work. And last year, Wisconsin became the 25th right-to-work state. Giving workers the freedom to choose undoubtedly gives employers yet another reason to consider expanding or relocating in Wisconsin, and it sends a powerful message across the nation that we truly are "Open for Business."

The results of our reforms have been overwhelmingly positive for Wisconsin families. Today, our unemployment rate is 4.1 percent (the lowest since 2001), businesses are expanding and creating jobs and more people are working in Wisconsin this year than at any time in our history. We are also proud to have climbed from 30th in 2011 to 9th this year in the rankings of *Rich States, Poor States*. While all these indicators are incredibly positive, there is more work to be done. If our reforms can work in a blue state like Wisconsin, they can work anywhere in America.

On behalf of the State of Wisconsin, my sincere thanks to Dr. Art Laffer, Stephen Moore, Jonathan Williams and the American Legislative Exchange Council for their continued efforts to promote pro-growth policies across America.

Sincerely,

Scott Walker
Governor of Wisconsin

Executive Summary

Hardworking Americans have been stuck within the worst economic recovery exiting a recession since World War II, with little relief in sight. State governments confront their own fiscal challenges, and each approaches this problem in a different manner. States that have adopted pro-growth policies have generally seen significant economic expansion, with greater wage growth and more opportunities for citizens. Yet despite the strong empirical evidence supporting free market policies, some states choose a less successful path.

In this ninth edition of *Rich States, Poor States*, authors Dr. Arthur Laffer, Stephen Moore and Jonathan Williams survey policy choices made by the 50 states, and assess whether those choices have been conducive to economic competitiveness. The empirical evidence and analysis contained in this edition of *Rich States, Poor States* makes clear which policies create economic opportunity and which policies quash growth.

In chapter one, the authors discuss important state developments since the last edition of this publication, including the results of the 2016 state legislative sessions. Laffer, Moore and Williams look at how states are using economic policies to compete for jobs and capital. In today's highly mobile economy, Americans in states with poor economic policies increasingly vote with their feet and move to states with better opportunities and brighter horizons. The authors examine migration trends, how tax policy is affecting what these trends might look like moving forward and what all of this means for the 2020 Congressional Reapportionment.

Chapter two addresses "Right-to-Work" and the substantial benefits worker freedom continues to deliver to more than half of the states. This chapter discusses how labor and capital are complementary. Profits and worker pay are not a zero-sum-game: as the former grows so does the latter. This chapter demonstrates the significant economic advantages that right-to-work states enjoy. From higher wages, to better job opportunities, to higher quality of life, it is no surprise that right-to-work states experience much higher in-migration and economic growth than their forced-union counterparts. Increased population growth has meaningful impact further down the road, as it is likely a majority of the Congressional seats will exist in right-to-work states after the 2020 reapportionment. For decades, right-to-work states have continued to demonstrate the empowering nature of labor freedom.

Chapter three considers death taxes and the wealth, job and business destruction they leave in their wake. According to the Organization for Economic Cooperation and Development (OECD), of all forms of taxation, taxes on capital and income are the most damaging to economic growth. The chapter notes the perverse incentive structure created by death taxes fuels both a "die broke" mentality and interstate movement to avoid the tax. In both of these scenarios, states with death taxes ultimately cost themselves tax revenue as citizens either move away or spend it all before they die. This inefficiency is costly to both the private sector as well as to state tax coffers, and could be completely avoided by repealing estate and inheritance taxes.

Finally, chapter four showcases the popular rankings of the 2016 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 are calculated for each state using the most recent data available as of January 2016. The second ranking provides a forecast for state economic outlook. This forecast is based on a state's current standing in 15 equally-weighted policy areas that are influenced directly by state lawmakers. These 15 policy areas are among the most influential factors in determining a state's potential for future economic growth. Generally, states that spend less, especially on transfer payments, and states that tax less, particularly on productive activities such as work or investment, tend to experience higher rates of economic growth than states that tax and spend more.

The following 15 policy variables are measured in the 2016 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 (over the past two years)
- Debt Service as a Share of Tax Revenue
- Public Employees per 10,000 Residents
- Quality of State Legal System
- Workers' Compensation Costs
- State Minimum Wage
- Right-to-Work State (yes or no)
- Tax or Expenditure Limits

ALEC-Laffer State Economic Outlook Rankings, 2016

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

Rank	State	Rank	State
1	Utah	26	Massachusetts
2	North Carolina	27	Kansas
3	North Dakota	28	Louisiana
4	Wyoming	29	Iowa
5	Arizona	30	South Carolina
6	Indiana	31	Maryland
7	Tennessee	32	Nebraska
8	Florida	33	Kentucky
9	Wisconsin	34	New Mexico
10	Oklahoma	35	Rhode Island
11	South Dakota	36	Washington
12	Texas	37	West Virginia
13	Virginia	38	Maine
14	Nevada	39	Pennsylvania
15	Idaho	40	Montana
16	Colorado	41	Oregon
17	Mississippi	42	Hawaii
18	Ohio	43	Illinois
19	Georgia	44	Delaware
20	Arkansas	45	Minnesota
21	Alabama	46	California
22	Michigan	47	Connecticut
23	New Hampshire	48	New Jersey
24	Missouri	49	Vermont
25	Alaska	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 percent of his income in payroll taxes, 25 percent in federal income taxes and 5 percent 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 percent. 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 percent tax, which takes $40 of every $100 earned, is twice as high as the incentive to avoid a 20 percent tax, for which a worker forfeits $20 of every $100 earned.

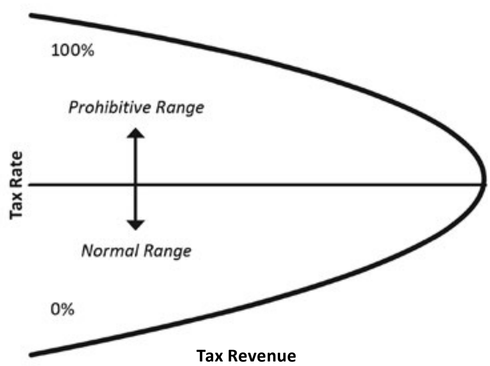
An obvious way to avoid paying a tax is to eliminate market transactions upon which the tax is applied. This can be accomplished through vertical integration: Manufacturers can establish wholesale outlets; retailers can purchase goods directly from manufacturers; companies can acquire suppliers or distributors. 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 on this page) 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 percent 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 factor 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 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 distort economic activity only minimally. 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 percent 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 25 nations 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.***

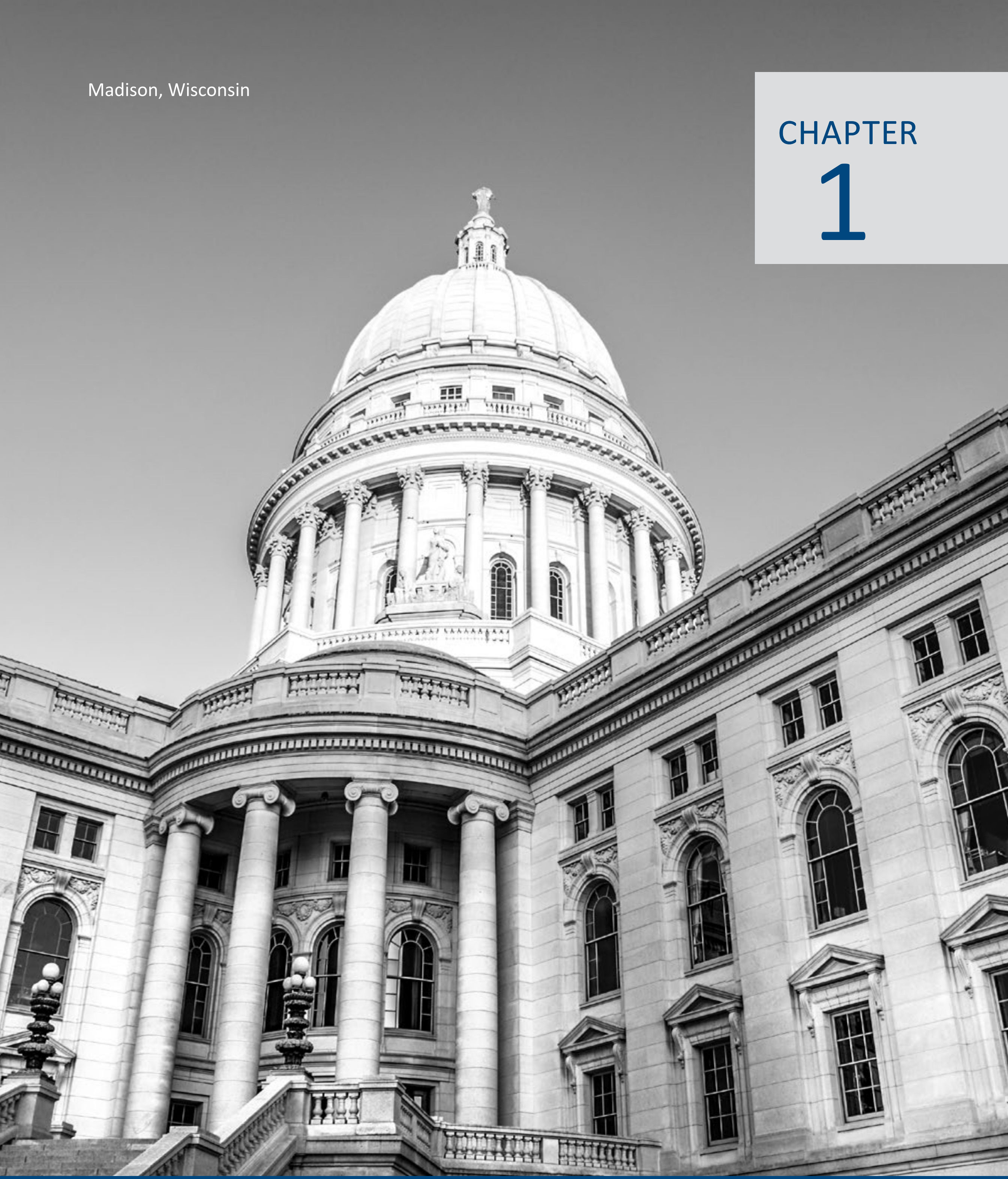
Unemployment benefits, welfare payments and subsidies all represent a redistribution of income. For every transfer recipient, there is an equivalent tax payment or future tax liability. Thus, income effects cancel. In many instances, these payments are given to people only in the absence of work or output. Examples include food stamps (income tests), Social Security benefits (retirement tests), 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 the equivalent of a $10 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 percent or more) on low-income Americans. 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.***



Madison, Wisconsin

CHAPTER 1

State of the States

State of the States

It is always encouraging to see the momentum for pro-growth tax reform continue to develop at the state level. The federal government in Washington, D.C. continues to suffer from gridlock and has not successfully accomplished fundamental tax reform for many years. In fact, 30 years have passed since President Ronald Reagan signed the last comprehensive federal tax reform in October of 1986.

However, the states are taking the lead on tax reform. In 2015 alone, 17 states significantly reduced taxes. In 2016, the momentum for tax and budget reform continued, as states like Alabama, Mississippi, Louisiana, South Carolina and West Virginia called upon special committees to develop recommendations for tax and fiscal reforms.

This ninth edition of *Rich States, Poor States* offers a roadmap to economic competitiveness based on free market tax and fiscal policy reforms. The report presents rankings of the 50 states based on the relationship between policies and performance – revealing which states are best positioned to grow economic opportunity, and which are not. This publication adds to a growing body of evidence that taxes matter, and some taxes matter more than others.

For example, our research warns against an over-reliance on income taxes – on both personal and business income. The reasons are numerous and range from the adverse economic effects of the taxes, to purely public finance objections, such as the volatile nature of income tax revenues.

Regardless of the form of taxation states choose to utilize moving forward, the key is having competitive tax rates and eliminating special exemptions and carve-outs wherever possible. Government should not be picking favorites in the tax code and forcing others to pay the bill through higher tax rates. All taxes matter and affect economic growth. However, not all taxes are created equal: Personal and business income taxes are the most damaging major forms of taxes states utilize. Fortunately for taxpayers, states are generally moving in the right direction.

Americans Continue to "Vote with Their Feet" Across States

Population movement across states firmly illustrates the importance of policy decisions and state competitiveness. This chapter dissects net domestic migration and nonfarm payroll job data, and no matter what lens through which you look, there is a clear trend of Americans "voting with their feet" and migrating to economically competitive states, taking their jobs and money with them. In 2015 alone, 763,000 Americans moved from one state to another.[1]

Net domestic migration differs from simple population growth, as it filters out death rates and birth rates, and changes from foreign immigration. Thus, it serves as a reliable measure of the decisions Americans make when they move from one state to another.

From 2000 to 2014, more than 18 million taxpayers moved from one state to another.[2] That is nearly as many people as who live in the entire state of New York. Many of these Americans are simply looking for more economic opportunity and are finding it by moving across state lines.

This migration comes with a substantial penalty for the states that are not economically attractive, and an enormous advantage for states that are. Approximately $2.2 trillion in adjusted gross income (AGI) has moved between the states from 1992 to 2011.[3] Of course, this measure only captures the income reported to the IRS by tax filers and does not account for the unreported income from Americans who do not file tax returns. All told, there is a massive amount of capital at stake in this race to be the growth states of the future.

Burdensome, anti-growth policies have taken a significant toll on the economies of the states that maintain them. If the extensive out-migration detailed earlier is not enough, Gallup's *State of the States* 2015 survey reveals residents in states with high tax burdens have a strong desire to move if given the opportunity. For residents of states with tax burdens in the lowest quintile, an average of 26 percent would like to move to another state, compared to 36 percent for residents of states in the highest tax burden quintile.

Nearly 50 percent of the residents in both Connecticut and New Jersey, states that have already suffered excessive out-migration, expressed a wish to leave. The data clearly demonstrates how states with higher tax burdens are hemorrhaging residents in the present. Worse still, they have significant numbers of individuals who, if given the chance, would also leave.[4]

From more job opportunities and higher incomes, to better social mobility and improved quality of life, states with growing populations have substantial advantages over those without. Of course, states with lower taxes, a smaller regulatory burden and better budgeting practices are generally the ones that continue to experience significant in-migration. This growth in turn folds back into the economy, further enhancing the opportunities that businesses and entrepreneurs are able to offer in the market.

Another aspect to these demographic trends is the effect on state political power. Table 3 highlights the projected gains and losses in 2020 reapportionment based on Census and historical data.[5]

TABLE 1 | **State Tax Burden Linked to Desire to Leave State**

Tax Burden Quintile (1 = Lowest, 5 = Highest)

	1st Quintile	2nd Quintile	3rd Quintile	4th Quintile	5th Quintile
Percent Would Like to Move	26%	26%	28%	31%	36%

Source: Gallup, Tax Foundation

TABLE 2 | **2016 Rich States, Poor States Ranking and Poll Results**

Most Likely States	Tax Burden Quintile	RSPS Outlook Rank	Would Like to Move
Connecticut	5	47	46%
New Jersey	5	48	46%
Illinois	4	43	42%
Rhode Island	5	35	41%
Maryland	5	31	40%

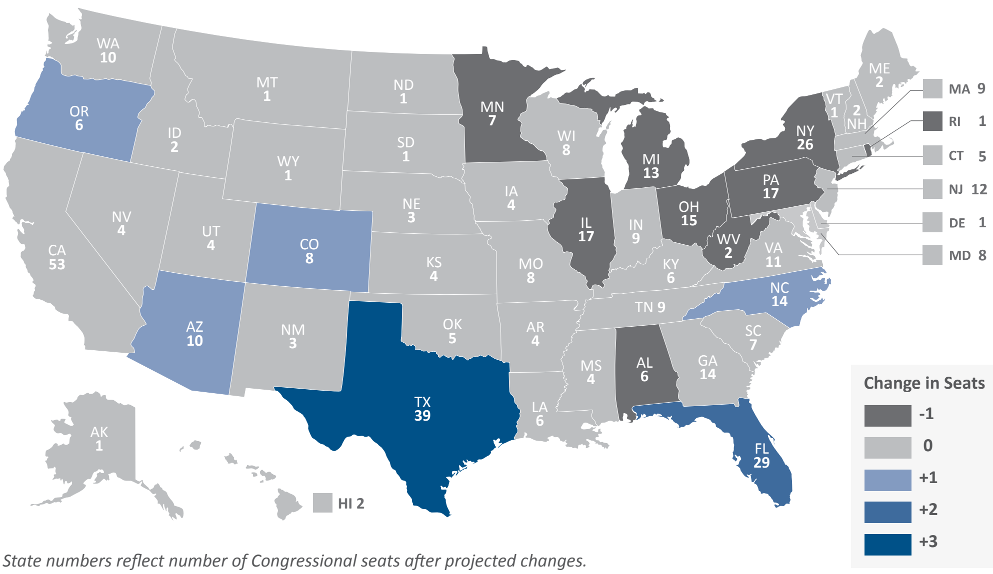
Source: Gallup, Tax Foundation and American Legislative Exchange Council

TABLE 3 | **Projections for Congressional Seats in 2020**

Top States Gaining	Number of Seats	RSPS Outlook	Top States Losing	Number of Seats	RSPS Outlook
Texas	3	12	New York	-1	50
Florida	2	8	Connecticut	-1	47
North Carolina	1	2	Minnesota	-1	45
Arizona	1	5	Illinois	-1	43
Colorado	1	16	Pennsylvania	-1	39

Source: U.S. Census, Election Data Services

FIGURE 1 | **Anticipated Gains/Losses in Reapportionment** (2020 Projections)



State numbers reflect number of Congressional seats after projected changes.

Source: U.S. Census, Election Data Services

Interestingly, there is a very strong relationship between a more positive *Rich States, Poor States* economic outlook ranking and a state's projected likelihood to gain seats in reapportionment.[6] What this tells us is those states experiencing higher population growth relative to others tend to have lower tax and regulatory burdens, better labor policies, lower government debt and greater transparency and accountability for government spending. New York, California, Illinois, Michigan and New Jersey have extensive out-migration. Over the past decade, 1,265,447 people left California on net in search of sunnier opportunities. At 13.3 percent, California also levies the highest top marginal personal income tax rate in the nation. Over the same period, New York State lost 1,468,080 taxpayers to more economically competitive states, on net. With a top combined state and local marginal personal income tax rate of 12.7 percent, the highest in the Northeast, and an economic outlook ranking of 50 in this publication, it is no surprise taxpayers are fleeing the Empire State for greener pastures.

Meanwhile, Texas, Florida, North Carolina, Arizona and Georgia experienced the highest in-migration. The two states with the highest in-migration, Texas and Florida, do not levy a tax on personal income.

TABLE 4 | **State Migration Winners and Losers**

The Ten States with the Greatest Net In-Migration Net Domestic Migration (Cumulative 2005-2014)			The Ten States with the Greatest Net Out-Migration Net Domestic Migration (Cumulative 2005-2014)		
State	Absolute Domestic Migration	Rank	State	Absolute Domestic Migration	Rank
Texas	1,353,981	1	Maryland	-145,560	41
Florida	834,966	2	Connecticut	-153,918	42
North Carolina	641,487	3	Massachusetts	-156,861	43
Arizona	536,269	4	Louisiana	-230,747	44
Georgia	406,863	5	Ohio	-375,890	45
South Carolina	343,700	6	New Jersey	-527,036	46
Colorado	315,015	7	Michigan	-614,661	47
Washington	286,312	8	Illinois	-669,442	48
Tennessee	281,998	9	California	-1,265,447	49
Oregon	195,898	10	New York	-1,468,080	50

Source: U.S. Census Bureau

Furthermore, North Carolina has continued enacting historic tax reform and reducing tax burdens in a significant way.

That said, not all Southern states maintain pro-growth policies, and not all Northeastern states follow the tax-and-spend approach. New Hampshire has many pro-growth policies, most notably avoiding personal income and sales taxes, and continues to be an outlier in the Northeast. Also, with the leadership of Maine Governor Paul LePage and pro-growth legislators, Maine has made important strides to become more economically competitive. States like South Carolina and Louisiana are below average in this publication's 2016 economic outlook rankings, and Alabama is just above average; all of them, however, have recently established commissions to reform their respective tax codes and budgets to increase competitiveness and provide relief to taxpayers. Further, Mississippi has substantially improved their economic outlook ranking since last year's publication, and is on track to continue their upward trend with a tax and budget reform committee of their own.

This relationship between policy and economic competitiveness should be intuitive. States that rank well in economic outlook tend to have less governmental burden on their citizens. It is these states that are creating more economic opportunity, and generally also experiencing significantly higher net in-migration than their lower-ranked counterparts. The relationship is clear: Pro-growth policies that enhance economic opportunity are a draw for citizens looking to move; states that understand this are likely to experience more growth, and thus gain more seats in future reapportionments.

State Tax Cut Roundup of Actions in 2015

The ALEC Center for State Fiscal Reform annually produces the *State Tax Cut Roundup*.[7] The report details how many states substantially cut taxes during their respective legislative sessions. In the latest edition of the report, 17 states significantly reduced their tax burdens in 2015.[8] The results from the 2015 session are not an outlier, as 17 states qualified in 2013 and 14 states qualified in

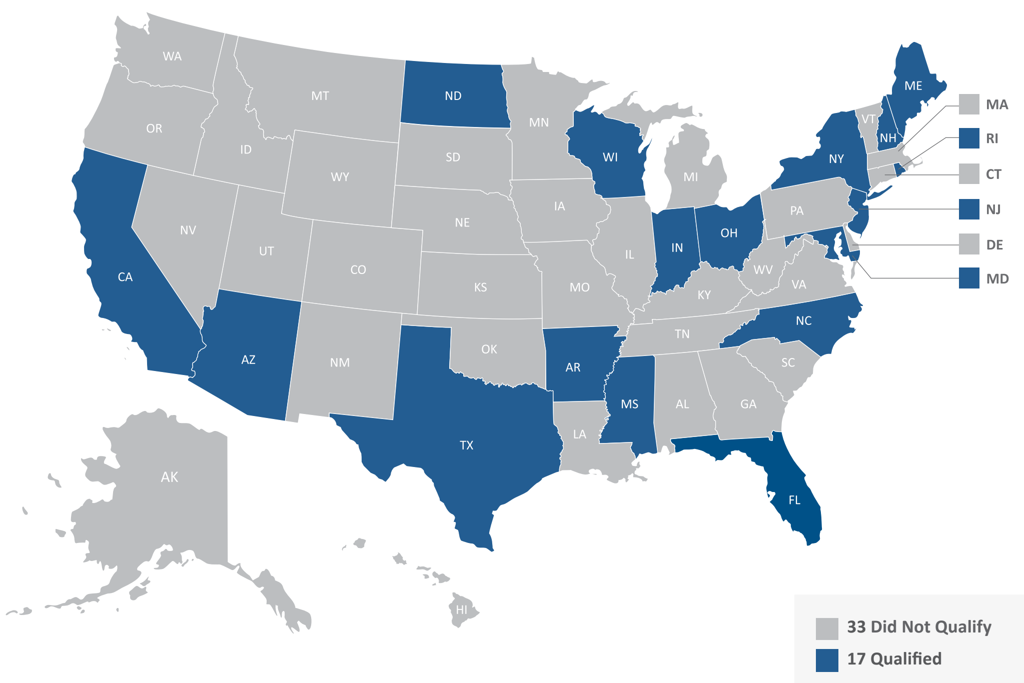
2014.[9] Of these groups of states, Florida, Indiana, Ohio and Wisconsin deserve special credit, since they have qualified for all three editions of the *State Tax Cut Roundup*. Nine of the 17 states have qualified once previously, while 21 states have yet to qualify.

These tax-cutting states are highly diverse, with significantly different demographics, political leanings, geography and economic performance. This will come as a surprise for some, but tax cutting in 2015 was truly a bipartisan effort. Only 10 of the 17 qualifying states had legislative and executive branches completely controlled by Republicans. In fact, some deep blue states joined in on the pro-growth tax reform movement. These included Rhode Island and New York, both of which have qualified for the *State Tax Cut Roundup* in two of the past three years.

During the 2015 legislative session, the 17 qualifying states made considerable progress reforming the economically damaging personal and corporate income taxes. Ten reduced their state's personal income tax burden and eight reduced their corporate income or business franchise taxes. Six reduced property taxes. Figure 3 illustrates the types of tax burdens reduced by qualifying states. Note that some states cut multiple forms of taxes.

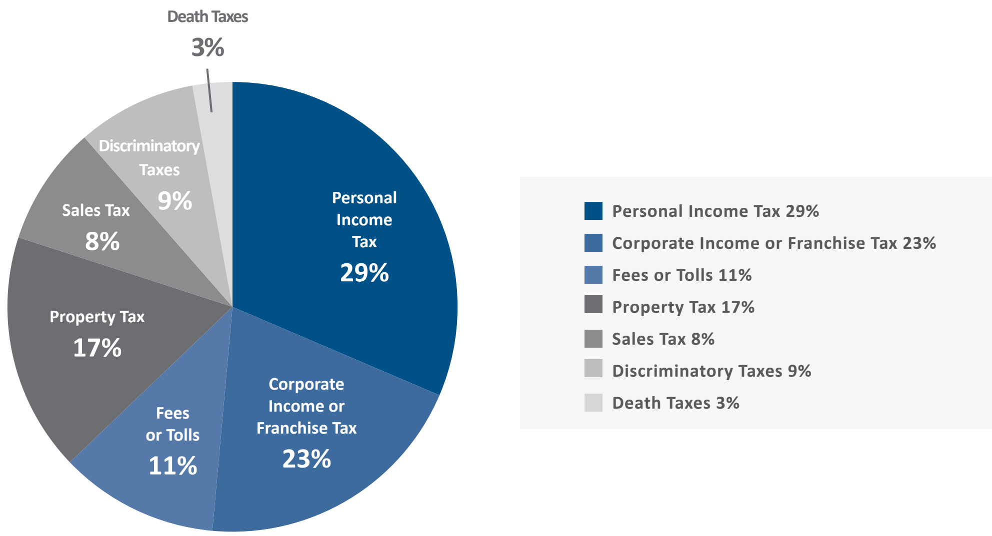
In addition to the states that cut taxes during the 2015 legislative session, *State Tax Cut Roundup* notes many states continue to phase-in previously enacted tax cuts. While these states did not qualify under the objective methodology applied to produce the *State Tax Cut Roundup* results, their previous efforts did, in 2015, allow their taxpayers to keep more of their money overall. Fifteen states were counted in this category, and among those 15, five also qualified for the current report because of additional tax relief passed during the 2015 session. North Carolina, Indiana, New York, Maryland and Mississippi formed this group of states.

FIGURE 2 | **States that Qualified for State Tax Cut Roundup During the 2015 Legislative Session**



Source: ALEC Center for State Fiscal Reform, American Legislative Exchange Council

FIGURE 3 | **Types of Taxes Cut During the 2015 Legislative Session**



Source: ALEC Center for State Fiscal Reform, American Legislative Exchange Council

With such sustained momentum for pro-growth tax reform, the pressure for states to innovate and compete continues to grow. States can fall behind in this competition just by standing still. Fortunately for hardworking taxpayers in 17 states, 2015 provided beneficial tax relief.

What America's Governors Said About Fiscal Policy in 2016

This year, 44 governors delivered a State of the State or equivalent budget address. In the second edition of its annual *State of the States* report, the Center for State Fiscal Reform reviewed the economic policy proposals discussed in each governor's address.[10]

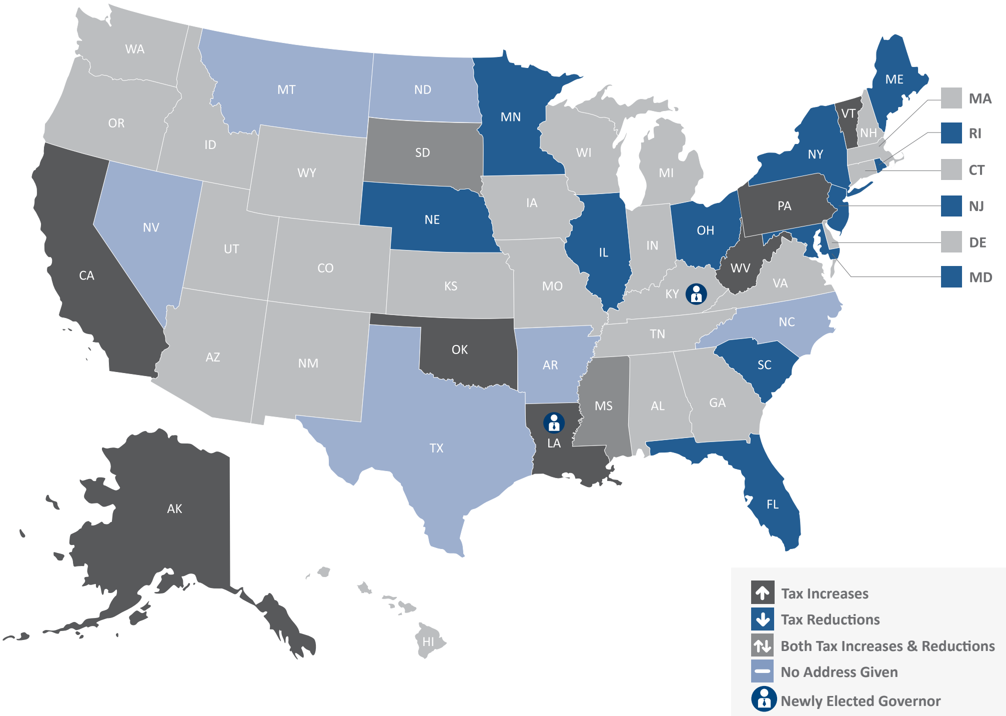
Of course, nothing is more important than the ultimate actions of state executives. However, much can be learned from what they say as well. In surveying the governors' most recent State of the State addresses, a clear trend emerges: Despite a weak national economic recovery and the energy sector's downturn severely impacting some state budgets, many governors stayed true to pro-growth, limited government principles. That is truly cheerful news for hardworking taxpayers.

Of the 44 governors who gave addresses this year, 19 made significant comments on tax policy. The majority of the proposals were to decrease the burden on taxpayers, with the most common being to reduce income taxes. Thankfully, governors are pivoting away from income taxes – as there were 13 separate proposals to cut taxes on capital, compared to only two proposals to increase them.

Overall, there were more governors who proposed tax cuts than those proposing to raise taxes. Figure 4 shows the states where governors proposed tax increases, tax decreases or a combination of both in their 2016 State of the State address.

The majority of governors seem to understand that lower tax rates and prioritized spending give citizens and businesses a greater incentive to reside and operate in their states. Based on the observations made in reviewing the 2016 State of the State addresses, many governors are following these free market policies to help their states better compete for residents, jobs and capital.

FIGURE 4 | **2016 Governors' Tax Proposals**



Source: Center for State Fiscal Reform, American Legislative Exchange Council

A Snapshot of Significant Policy Battles in 2016

Mississippi Taxpayer Pay Raise

Following extensive debate during the past session, Mississippi legislators passed comprehensive tax reform legislation, considered the largest in state history.[11] Signed by Governor Phil Bryant in May of 2016, the "Taxpayer Pay Raise Act" enacts much needed reform to Mississippi's outdated tax system, while also providing some $415 million in tax relief over the next 10 years.[12] The reforms include a phase-out of the 3 percent personal income tax bracket, the creation of an income tax deduction for a portion of the federal self-employment tax and a phase-out of the archaic Mississippi franchise tax.[13] Mississippi currently taxes the first $5,000 of income at 3 percent, the next $5,000 at 4 percent and any income over $10,000 at 5 percent. The Act eliminates the 3 percent personal income tax bracket over five years, exempting $1,000 of the $5,000, each year until it is fully exempted.

The franchise tax, which Mississippi assesses on all businesses simply for locating in the state, takes $2.50 for every $1,000 of either the value of business capital or the assessed property values, whichever is larger. Only 17 states levy some form of franchise tax, each with their own complex rules and exemptions.[14] In Mississippi, and most other states that assess franchise taxes, they are imposed in addition to the state's corporate income tax, creating a significant burden for any business wishing to locate in the state. Worse still, like the corporate income tax, regardless of whether the incidence of the franchise tax falls on business investors in the form of lower returns, onto employees in the form of lower pay or on consumers in the form of higher prices, individuals pay business taxes.[15] The Mississippi reform phases out the outdated franchise tax over 10 years, starting in 2018.[16] The last among the significant reforms is the new deduction of federal self-employment taxes, which will begin as a 17 percent deduction in calendar year 2017, growing to 34 percent in 2018 and to 50 percent in 2019 and all years thereafter.[17]

While some of the benefits of this significant reform will take a few years for taxpayers to feel, the steps Mississippi has taken to make it a more attractive home for businesses are sure to aid in growing the state's economy. Arguably, the most important part of the tax relief package is that it is being done while also balancing the state budget. Lower state debt will reduce crowding out of private business investment, and the tax relief will keep more money in the pockets of hardworking Mississippians and those wishing to do business there.

North Carolina Continues Implementation of Historic Tax Reform

The past several years in North Carolina exemplify the strength of pro-growth tax reform. In fact, in this publication's economic outlook rankings, North Carolina has skyrocketed from 26th in 2011 all the way to 2nd best nationally today. The desire to have a more competitive and modern tax code motivated lawmakers to support what has been called the most significant tax reform of this decade. This evolution brought significant reforms to almost every corner of the state's tax structure, from the sales tax, to the personal income tax, to the corporate income tax. Lawmakers significantly reduced the corporate income tax rate, tying future reductions to revenue targets. They also flattened the personal income tax and killed the state's economically damaging death tax. North Carolina State Representative Jason Saine said it best: "What we have done in North Carolina demonstrates that strong free market tax and fiscal policy produces the right kind of results for our citizens. Our tax reform is a pathway for other states to govern responsibly and to compete in a global marketplace."

Through legislation passed at the end of 2013, North Carolina moved from a three bracket "progressive" personal income tax system to a flat income tax of 5.8 percent in 2014, with a further reduction to 5.75 percent in 2015. The standard deduction for married jointly filing couples was also raised to $15,000 from $6,000. To grow North Carolina's economic competitiveness with neighboring states, lawmakers also cut the corporate income tax rate from 6.9 percent to 6 percent in 2014, with another cut to 5 percent in 2015 after the state met certain revenue targets. Further tax reform in 2015 increased the standard deduction for married jointly filing couples from $15,000 to $15,500 and cut the flat personal income tax to 5.499 percent starting in 2017. The reforms also removed a sunset on triggers for further corporate income tax rate reductions, triggering a rate reduction to 4 percent in 2016, and to 3 percent in 2017, as revenues continue to outperform targets and assumptions.[18]

Taking the personal income, corporate income and sales tax reforms into account, lawmakers have provided more than $2 billion in tax relief for citizens of the Tar Heel State. These significant tax reforms have been a boon for the hardworking taxpayers of North Carolina and the state's economy, and they were all done while maintaining the state's AAA bond rating.[19]

Hauling Out the Hall Income Tax in Tennessee

Just prior to ending their 2016 legislative session, a bipartisan coalition of Tennessee's lawmakers passed a bill to phase-out the economically-damaging Hall Income Tax. While Tennessee is company with eight other states that levy no personal income tax on earned wages, the Hall Tax is assessed on all income earned from investments, realized capital gains and savings. Taxes on investment income are often assumed to apply mostly to the rich, but not so with the Hall Tax, where more than half of those paying it earn less than $75,000 per year.[20] Most of those paying the 6 percent tax are hopeful entrepreneurs, working-class families, retirees and soon-to-be retirees who especially depend on their savings and investments for retirement.

Taxes on an activity (in this case, capital formation) will, all else being equal, make that activity less productive at the margin, incentivizing fewer individuals to participate in those activities. Business investment is a win-win. Individuals not only earn from and grow their investments in businesses, local economies benefit from increased access to capital, more jobs and better services.

Of course, when reforming the tax code, it is important to consider how doing so will affect the state's budget. In the case of the Hall Tax, its revenue comprises less than 1 percent of Tennessee's budget.[21] Repealing the Hall Tax is unlikely to harm the state's ability to fund its budget, and will help hardworking families and retirees keep more of their money, while also incentivizing the investment and capital formation that are essential to businesses and job creation.

Despite being a relatively small part of the state budget, final language in the recently enacted legislation repeals the Hall Tax over six years of scheduled reductions in the tax rate, ensuring elimination of the nearly century-old policy. This move continues recent efforts by policymakers to boost Tennessee's competitiveness on the national scene, most notably by repealing the state's death tax, which completed its phase-out this year. By repealing the death tax, lawmakers helped more small businesses and farms remain family-owned and put Tennessee on even footing with the majority of states in terms of attractiveness for retirement and estate planning. Coupled with the death tax repeal, removal of the Hall Tax will only further elevate competitiveness and opportunity in Tennessee. The repeal of the Hall Tax is helping chart a better course for Tennessee, and should serve as a model for other states that struggle to attract business, jobs and capital.

Taxpayers Dodge a Bullet in Alaska

Governor Bill Walker of Alaska was recognized by ALEC as having one of the worst tax policy ideas of 2015 – a proposal to reinstate the state's personal income tax. However, throwing caution to the wind, Governor Walker continued down that dangerous path. It is true Alaska faces an estimated $4 billion deficit generated in part by declining oil prices and unsustainable levels of spending.[22] However, reinstating the personal income tax would only harm the state's economic outlook.[23]

As we have repeatedly noted in past editions of this publication, the personal income tax is toxic for economic competitiveness and growth. For example, over the past half-century, the 11 states that adopted a personal income tax have seen alarming decreases in state economic growth.[24] Connecticut and New Jersey both adopted a "modest" personal income tax in the past, however, today, their economic outlooks rank at a dismal 47 and 48, respectively.

Thankfully for Alaskans, Governor Walker's efforts to reinstate the personal income tax failed to gain traction. Despite five special sessions, no legislative action occurred on his income tax proposals in 2016.[25] Perhaps this was because Alaskans already know the personal income tax is a major obstacle to economic opportunity, as evidenced by their decision to repeal the damaging tax 36 years ago.[26]

Alaskans have tough choices to make ahead to address the state's budget woes. While Governor Walker deserves credit for advocating the need for fiscal reforms, a personal income tax is not the answer. Smart budgeting solutions outlined in the ALEC *State Budget Reform Toolkit*, such as priority-based budgeting, can provide a secure financial future for the next generation of Alaska families.

A Taxpayer Exits New Jersey…and the State Panics

Note to state budget officers: If a single taxpayer's exit puts the state budget in a tailspin, it is time for reform. For example, consider the recent story of former New Jersey taxpayer David Tepper. The hedge fund manager, who was reportedly the richest man in the state, left the tax-and-spend Garden State for no-income-tax Florida. After Tepper's exodus, Budget and Finance Director of the New Jersey Office of Legislative Services, Frank Haines, testified before the Senate Budget and Appropriations Committee. Haines warned the committee, "We may be facing an unusual degree of income tax forecast risk."[27] Meanwhile, as New Jersey state officials struggle to address a nearly $1 billion estimated budget shortfall, Florida taxpayers are enjoying an estimated $635 million budget surplus.[28]

New Jersey's tax-and-spend policies have a huge price tag for families and businesses. The state's high personal income tax has dragged down the state's economic outlook in every edition of this report. The personal income tax makes up 40 percent of overall revenue and less than 1 percent of taxpayers contribute about a third of all personal income tax revenue collections, according to the Legislative Services Office.[29] Disturbingly, a mere 1 percent forecasting error in the income tax estimate could mean an estimated $140 million gap.[30] It is hazardous for the state to depend on such an extremely volatile revenue source. Connecticut Department of Revenue Commissioner Kevin Sullivan explained this concept best when he stated, "Any state that depends on income taxes is going to get sick whenever one of these guys gets a cold."[31]

In contrast to New Jersey's hostile economic environment, Florida's pro-taxpayer policies expand economic growth. Florida has the most competitive personal income tax rate in the nation: zero. Since the Sunshine State does not have a death tax, families do not have to worry about more financial stress for their loved ones. Florida's common-sense economic policies earned the state one of the top 10 best economic outlook rankings in this report's 2016 rankings.

Sadly for New Jersey's budget, David Tepper's exit is not unique – there are more than 527,000 additional stories of New Jersey residents leaving the state over the past decade. Here's another way to look at it: The Garden State lost an estimated $15.90 billion in adjusted gross income (AGI) to Florida alone over the same time period.[32] Furthermore, the Laffer Center's moving calculator, Save Taxes by Moving, estimates a New Jersey taxpayer making $50,000 per year could save an estimated $1,200 per year just by moving from Newark, New Jersey to Miami, Florida.[33] For higher income households, the proposition to move is even more compelling. New Jersey Assembly Minority Leader Jon Bramnick explained, "If you're making hundreds of millions of dollars and you're paying close to 10 percent to the state of New Jersey, you do the math. You can save millions a year by moving to Florida. How can you blame him?"[34]

Connecticut: 25 Years of Income Taxation

Since adopting the personal income tax 25 years ago, Connecticut continues to hemorrhage jobs, people and business.[35] Connecticut's numerous empty office parks caused a local National Public Radio station to christen the state "the suburban corporate wasteland."[36] However, after Connecticut-headquartered General Electric left for Massachusetts earlier this year, the lightbulb finally went on in Hartford. Policymakers take note: Connecticut's story demonstrates it is never too late to turn toward pro-growth reform.

Connecticut's story starts with a budget at odds with Governor Dannel Malloy's campaign promise of no tax hikes. At a Connecticut Business and Industry Association forum during his 2014 reelection campaign, Governor Malloy stated, "If we did have a deficit, we're not going to raise taxes. We're done. I gave."[37] However, nearly a year later, the legislature passed a $40.3 billion two-year budget with $1.3 billion in tax increases. The $1.3 billion tax hike is the second largest in the history of the state.[38] The budget increases taxes on businesses by more than $700 million, extends the 20 percent surcharge on the corporate profits tax and requires companies to adopt economically-damaging unitary combined reporting. House Republican Leader Themis Klarides aptly described the budget as equivalent to "holding up a sign at the border to businesses and saying get out."[39]

After the Connecticut Legislature passed the $1.3 billion in tax hikes, three of Connecticut's largest businesses immediately stated their concern.[40] General Electric, which rarely publicly comments on legislative tax proposals, was the first to issue a statement, calling the tax hikes "truly discouraging." GE further stated, "retroactively raising taxes again on Connecticut's residents, business, and services, making businesses, including our own, and citizens seriously consider whether it makes any sense to continue to be located in this state."[41] Hartford-based healthcare giant Aetna warned, "We strongly believe this will undermine the competitiveness of Connecticut-based businesses and lead to an exodus of jobs and businesses from the state...Such an action will result in Aetna looking to reconsider the viability of continuing major operations in the state." Later that day, Travelers insurance company cautioned, "Raising taxes again will increase the cost of living for nearly every resident and small business in the state, negatively impacting our employees and customers."[42] The swift response from three of Connecticut's largest job creators in one day surprised Joseph Brennan, President of the 10,000 member Connecticut Business and Industry Association. Brennan explained, "This doesn't happen. I've never seen it in 27 years. They're just not in the business of doing this. If that doesn't cause people to reconsider, I don't know what will."[43] Despite their protests, the governor signed the budget with the $1.3 billion of tax increase provisions.

Soon after Governor Malloy signed the $1.3 billion tax increase on business, General Electric, headquartered in Fairfield since the early 1970s, decided to move their headquarters to Boston, Massachusetts.[44] While GE factored in a variety of elements in their decision making, it is clear tax policy was an important factor. Massachusetts does levy lower corporate and personal income tax rates, which creates a more favorable economic environment for businesses such as GE and their employees.[45]

Furthermore, General Electric's departure has significant impact on state economic growth. Shortly after GE announced their move, Moody's Investors Service stated the move could negatively affect Connecticut's fiscal standing in the long-term. Moody's explained, "The news is a credit negative for the state of Connecticut and it underscores the challenges the state faces as its revenues and economy continue to underperform."[46] Additionally, Steven Lanza, associate professor in the Department of Economics at the University of Connecticut, said GE's exodus will negatively influence job opportunities. Lanza explained, "These are high paying jobs. It is millions of income that will cost the state in tax revenue. More importantly, it's a blow to our pride."[47]

After the GE fallout, Governor Malloy was faced with another decision to turn Connecticut in a pro-growth direction. During his 2016 State of the State budget, Malloy outlined pro-growth budgeting principles such as "limiting spending to available resources, addressing long-term unfunded liabilities, prioritizing core services, improving agency spending accountability and streamlining the actual budget process."[48] Furthermore, this time, Governor Malloy pushed back against a proposed millionaire's tax, stating, "we'd price ourselves out of the market." Instead, the governor advocated for reducing government spending.[49] The governor's turnaround also earned him a mention for one of the best State of the State Addresses in the ALEC Center for State Fiscal Reform publication, *State of the States: An Analysis of the 2016 Governors' Addresses*.[50] Most importantly, the budget passed without any tax increases. While Connecticut has plenty of work to do in the years ahead, it is encouraging to see state officials move at least their intentions toward fixing the problem.[51]

Taxing Times in Louisiana

During two special legislative sessions this year, Louisiana lawmakers approved $1.5 billion in tax hikes in an effort to pave over what is becoming a chronic budget situation. Worse still, these hikes follow $720 million in tax increases that were approved during the regular session in 2015. Among the changes was an increase in the state's sales tax from 4 percent to 5 percent and a temporary elimination or reduction in many tax credits, rebates and exemptions, all effective until June 30, 2018.[52] Lawmakers also permanently increased taxes on cigarettes, from 86 cents per pack to $1.08 per pack, hoping to bring in an additional $43 million annually. Tax rates on all types of alcohol also increased by 1 to 2 percentage points. Complicating things further, every one of the state's 64 parishes has its own taxing power, with an average sales tax of 5 percent. The combined state and average local sales tax rate is the third highest in the country.[53]

Louisiana's fiscal problems are nothing new. The Pelican State has faced budget deficits in every one of the past eight years, ranging from $34 million in fiscal year 2014, to more than $1 billion in fiscal year 2016.[54] Tax holidays, credits and exemptions, as numerous as they are complex, play a part in the ongoing budget woes, but wasteful spending on inefficient, outdated and unnecessary government programs is also to blame. Unfortunately, instead of reforming the budget to prioritize spending on government's core functions, Governor Edwards and the Legislature opted for nearly $1.5 billion in tax increases.

The sad reality is that the Louisiana economy is contracting. The state's month-over-month employment numbers have been trending downward since a peak in December 2014 and show no sign of recovery in the near future. In September 2016, employment was down more than 18,000 jobs over the same period in 2015. As of August, payroll employment was down 19,000 jobs over its 2015 levels.[55]

Billions in tax hikes later, it is no surprise the Pelican State continues to flounder. Jobs, and therefore taxpayers, are not fleeing Louisiana for lack of taxpayer investment in social programs and infrastructure as some insinuate – but rather, because the tax burdens for such programs continue to worsen. In their attempts to shore up state finances, lawmakers have fallen into the dangerous trap where government spending substantially crowds out private investment. In the long run, it is hard to imagine how infrastructure and social programs deemed vital will be of any use to a state left without a labor force. The worsening jobs trend should be a sign to state lawmakers it is high time to end the tax-and-spend cycle and bid farewell to some of these excessively onerous taxes.

Addressing the Skeptics

While some groups like the Center for Budget and Policy Priorities repeatedly attempt to muddy the water over the question of taxes and migration across states and go as far as to formally purport tax policy has *"little or no effect on whether or where people move,"* an unbiased review of the data suggests otherwise. The ALEC Center for State Fiscal Reform provided a robust rebuttal to these misleading claims.[56] Additionally, the Tax Foundation provided their rebuttal in a helpful, five-part series.[57]

It is worth noting that a vast majority of empirical studies published in respected, peer-reviewed academic journals concerning taxes and economic growth find that changes in tax rates have a significant impact on economic growth. Going all the way back to 1983, Dr. William McBride, former chief economist at the Tax Foundation, identified 26 such studies, and all but three found tax increases harm economic growth.[58]

Since economic growth is a primary driver of job growth, that means changes in tax rates clearly have a significant – if sometimes indirect – effect on interstate migration. In other words, even if lowering taxes does not result in a sudden wave of in-migration, the longer process by which better tax policy affects economic growth will result in greater job growth, thus inbound migration with time.

Looking at the 50 "laboratories of democracy," the fact remains that low-or-no-income-tax states are experiencing far greater migratory and capital inflows, as well as gross state product (GSP) and job growth, than their high-tax counterparts. We have documented this phenomenon for many years. In general, economic freedom leads to greater economic growth, thus more jobs and opportunities. While taxes are not the sole factor determining whether or not Americans move to another state, taxes and other economic policies certainly play a significant role. States that provide greater levels of economic opportunity enjoy the best results.[59]

Those who purport changes in state tax or regulatory structures have a negligible effect on the decisions of Americans to move from state-to-state often provide less than satisfactory explanations to support their arguments. Weather is often cited as a primary factor, followed by cost of living and jobs. While all three of these can certainly be factors in interstate migration—along with a myriad of other reasons – it is quite easy to spot the contradiction here. Cost of living and jobs are directly influenced by changes in state policies. Additionally, if weather is a primary factor, while tax policies are negligible, how can California be explained? The Golden State experiences massive net *out*-migration, while no-income-tax Texas experiences massive net *in*-migration? Who would deny California's weather is perhaps the most picture-perfect in America? If weather mattered more than taxes, California should be filled with Americans moving in from other states. Over the past decade, however, California suffered a net out-migration of 1,394,911 taxpayers.

Furthermore, if taxes don't matter to migration, as some left-leaning elected officials claim, why do they employ tax subsidies literally designed to *attract* businesses *from other states*?[60] START-UP NY provides a textbook example of this hypocrisy. Despite having the highest marginal corporate income tax in the nation, as well as the second highest combined state and local personal income tax, New York has granted *billions* in tax carve-outs over the years designed to attract certain businesses into one of the most burdensome tax climates in the nation. START-UP NY has earmarked $323 million for tax credits and spent $53 million on advertising alone.[61] Meanwhile, the citizens of New York suffer with higher taxes so government-favored businesses can be exempted.

To claim that tax policies have little-or-no effect on state migration either misses, or knowingly conceals, the fact that taxes matter on the margin, which is largely impacted through economic growth and the subsequent rise in job and business opportunities for individuals.[62] Look no further than the exodus of entrepreneurs from California's hostile business environment for states like Texas, which has no income tax and maintains strong pro-growth policies.[63] This is part of the reason Texas's economy has been growing nearly twice as fast as the national average.[64]

Income Taxes Pose Risk to State Budgets

Recently, even liberal Governor Jerry Brown joined in the chorus and admitted Sacramento's over-reliance on income taxes has now caused some serious budget problems for the Golden State. This is more than somewhat ironic since the governor helped pass the very same income tax hikes that exacerbated the problem. A headline from *Tax Notes* read "California Governor Says Dependence on Income Tax Hurts Revenue Stability." The story goes on to report "California's tax revenue in April was over $1 billion less than projected, and according to the summary of Brown's May budget revision, the state is predicting a shortfall of $1.9 billion over what was forecast." Many on the political Left rejoiced when, in 2012, California increased taxes and retroactively saddled hard-working taxpayers with the highest marginal personal income tax rate in America. California also has the most "progressive" income tax in America according to this publication.

Proponents of California's tax-and-spend agenda heralded the tax increases as a lifesaver for the state. A euphoric headline from *The Nation* in 2014 read: "How Jerry Brown Got Californians to Raise Their Taxes and Save Their State." Left-wing hero Paul Krugman of *The New York Times* wrote a 2014 column entitled "Left Coast Rising," which criticized tax-cutting states like Kansas, while praising California for raising taxes and claiming "California's success is a demonstration that the extremist ideology still dominating much of American politics is nonsense." The leaders Krugman cites of this so-called "extremist ideology" are public finance experts like Dan Mitchell at the non-partisan Cato Institute, who also warned about the unintended consequences that would likely, and eventually did, result from the 2012 tax increase in California.

Relying less on highly volatile revenue sources, such as corporate income and personal income taxes, makes revenue collections more stable and the budgeting process far more predictable. Broad-based consumption taxes, like retail sales taxes, are among the least volatile sources of revenue, as sales generating the revenue generally do not fluctuate nearly as much as capital-based taxes.

Hopefully, the story of Jerry Brown and California's failed experiment with the unreliable and economically damaging income tax will serve as a cautionary tale for other states and remind them of an essential policy axiom: It is impossible to tax your way into prosperity.

State Taxes Affect State Growth

The Joint Economic Committee (JEC) recently held hearings on the policy markers for economic growth. Liberal economist Jared Bernstein took to a *Washington Post* blog to respond. Despite cordial chiding, there should be no mistake: important work on the need for pro-growth fiscal policy is indeed based on fact. Many of the criticisms levied against this publication are drawn from statistically insignificant single-year snapshots. The data in support of our work, found below, is buoyed by multi-year windows, which gives a much more illuminating and accurate perspective.

To be clear: the data annually published in *Rich States, Poor States* absolutely bears a relationship to states' economic health. Dr. Randall Pozdena, formerly the research vice president at the Federal Reserve Bank of San Francisco, was the lead author of *Tax Myths Debunked*. This research compared *Rich States, Poor States* economic outlook rankings to the Federal Reserve Bank of Philadelphia's state economic health indices from 2008 to 2012. This research found a distinctly positive relationship between *Rich States, Poor States* economic outlook rankings and both current and subsequent state economic health:

> *"The formal correlation is not perfect (i.e., it is not equal to 100 percent) because there are other factors that affect a state's economic prospects. All economists would concede this obvious point. However, the ALEC-Laffer rankings alone have a 25 to 40 percent correlation with state performance rankings. This is a very high percentage for a single variable considering the multiplicity of idiosyncratic factors that affect growth in each state—resource endowments, access to transportation, ports and other marketplaces, etc."*[65]

Annually, this study compares the nine states with no income taxes on wage income to the nine states with the highest personal income tax rates. The nine no-income-tax states include Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming. Two of these, Tennessee and New Hampshire, tax so-called "unearned income." As one goes back further and further in time, at least as far back as 1960, 11 other states used to have no income tax but have since adopted one.

These state income tax facts are important windows into the inner workings of states' quests for economic growth and prosperity. From them, we not only have a head-to-head comparison of no-income-tax states with the highest-income-tax-rate states, but we also can see what happened to the 11 states that chose to institute an income tax over the past 55 years.

For the head-to-head comparisons, our research uses a 10-year rolling period to smooth out extraneous noise and one-off events in order to highlight the long-term systematic effects taxes have on state economic performance. The results are remarkable. The table below compares the nine states with no income tax with the nine states that currently have the highest tax rates for the 2005-2015 period.

TABLE 5 | **The Nine States with the Lowest and Highest Marginal Personal Income Tax (PIT) Rates** (10-Year Economic Performance)

	1/1/2016	Growth in 2005-2015			In 2004-2014	In 2004-2013
State	Top Marginal PIT Rate†	Population	Payroll Employment	Personal Income	Gross State Product‡	State & Local Tax Revenue§
Average of 9 Zero Earned Income Tax Rate States*	0.00%	12.9%	8.7%	50.1%	50.8%	57.3%
50-State Average*	5.74%	8.8%	5.6%	44.4%	41.2%	44.0%
Average of 9 Highest Earned Income Tax Rate States*	10.09%	6.6%	3.7%	43.2%	39.3%	49.9%

** Averages are equal-weighted.*
† Top Marginal PIT Rate is the top marginal rate on personal earned income imposed as of 1/1/2016 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.
‡ Gross State Product growth data are 2004 to 2014 because of data release lag.
§ State & Local Tax Revenue is the growth in state and local tax revenue from the Census Bureau's State & Local Government Finances survey. Because the U.S. Census Bureau did not release state & local finance data for 2003 and due to data release lag, these data are 2004 to 2013.

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

On average, over the past 10 years, the nine states with no income taxes significantly outperformed the nation as a whole, as well as the nine highest-income-tax states. Population growth, nonfarm payroll growth, personal income growth, gross state product growth and even total state and local tax revenue growth were greater in the no-income-tax states. Further illustrating the point, the nine highest-tax-rate states underperformed the nation in all categories except state and local tax revenue growth. It would be difficult to find more reliable evidence than this that state income taxes really do matter for economic growth.

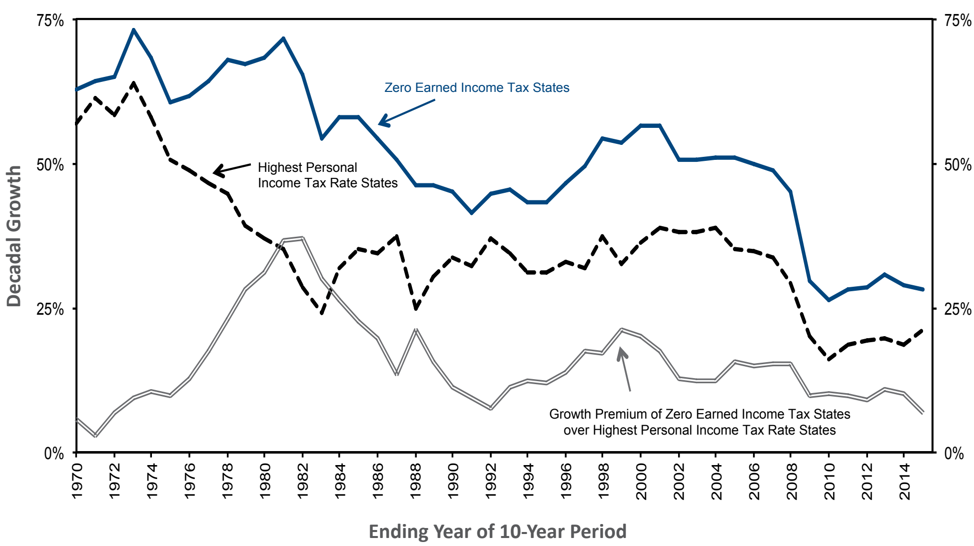
Using the same methodology, which for data reasons only permits comparisons back to 1970, the figure below plots the 10-year growth of personal income for the zero-tax-rate states, the equivalent number for the highest-tax-rate states and the growth premium for the zero-tax-rate states.

Here too, the results are astounding. In every single year, the no-income-tax states outperformed the states with the highest income tax rates. They not only outperformed every year in personal income, they also outperformed in population growth and, yes, even in state and local tax revenue growth. How much more evidence would it take to convince the doubters?

There is also the fascinating analysis of the 11 states that adopted a personal income tax between 1961 and 1991. These include West Virginia (1961), Indiana (1963), Michigan (1967), Nebraska (1968), Illinois (1969), Maine (1969), Rhode Island (1971), Pennsylvania (1971), Ohio (1972), New Jersey (1976) and Connecticut (1991).

Again, the results are shocking. The authors looked at each of the primary economic metrics (population, employment, personal income, gross state product and state and local tax revenues) in each of the 11 states for the four years prior to adopting the income tax plus the actual year the income tax was adopted relative to the subsequent years. Each and every one of the 11 states declined relative to the rest of the nation in each and every economic metric used above, including state and local tax revenues. Some of the declines were dramatic. Michigan's gross state product went from 7.86 percent of the 39 states to only 3.35 percent in 2012. Ohio and Pennsylvania also fell sharply, as did West Virginia.

FIGURE 5 | **Ten-Year Real Personal Income Growth Rates: No-Income-Tax States And Highest-Income-Tax States** (annual personal income deflated with GDP implicit price deflator, 1970 to 2015)



Source: Bureau of Economic Analysis, Laffer Associates

17-0245 A Page 32 of 128

Perhaps the most illustrative example is New Jersey. In 1965, New Jersey had neither an income tax nor a sales tax. It was one of the fastest growing states in the nation, attracting individuals and businesses from everywhere. New Jersey also had a balanced budget. Today, New Jersey has exceedingly high sales, property and income taxes, one of the slowest growing economies and is suffering worse domestic out-migration than all but a handful of states. All of this is on top of its massive deficit, which looms large over any economic competitiveness outlook, proving that no state can tax and spend its way to prosperity. The data has proven the point time and time again: State taxes matter for economic competitiveness.

State Pension Debt: One of the Biggest Threats to State Finances

Looming large over state competitiveness, state pension debt poses a grave threat to state finances. According to the new ALEC Center for State Fiscal Reform report, *Unaccountable and Unaffordable 2016*, states are now facing nearly \$5.6 trillion in unfunded pension liabilities.[66] Unfunded liabilities have increased roughly \$900 billion since the last State Budget Solutions estimate of \$4.7 trillion in 2014.[67]

Part of the difficulty in determining the true amount of states' unfunded pension liabilities is states tend to use unrealistically high assumed rates of return for their pension fund investments when calculating their pension liabilities. The report evaluated more than 280 state-administered public pension plans and found that, on average, state pension funds are projecting annual returns of 7.37 percent, a rate of return most financial professionals believe states are unlikely to realize.[68]

To determine each plan's true unfunded liabilities, the report utilized a risk-free investment return rate of 2.344 percent, in conformity with recommendations from the Society of Actuaries' 2014 Blue Ribbon Panel. Collectively, the 50 states' nearly \$5.6 trillion in unfunded liabilities amount to \$17,427 for every man, woman and child in the country.[69] Figure 6 shows the states with the largest unfunded liabilities per resident.

The severity of pension debt may vary from state to state, but no state is fiscally healthy. Without commitment to meaningful pension reform soon, the situation may very well become too much for lawmakers to manage. While some might feel that America's public pension crisis only threatens current workers and retirees, it affects everyone. Taxpayers carry the legal obligation to cover the promised benefits of traditional, defined-benefit pension plans and every dollar spent to bail out public pensions is a dollar taken away from core government services. This forces legislators to make the difficult decision of enacting economically damaging tax increases or leaving their citizens with fewer services.

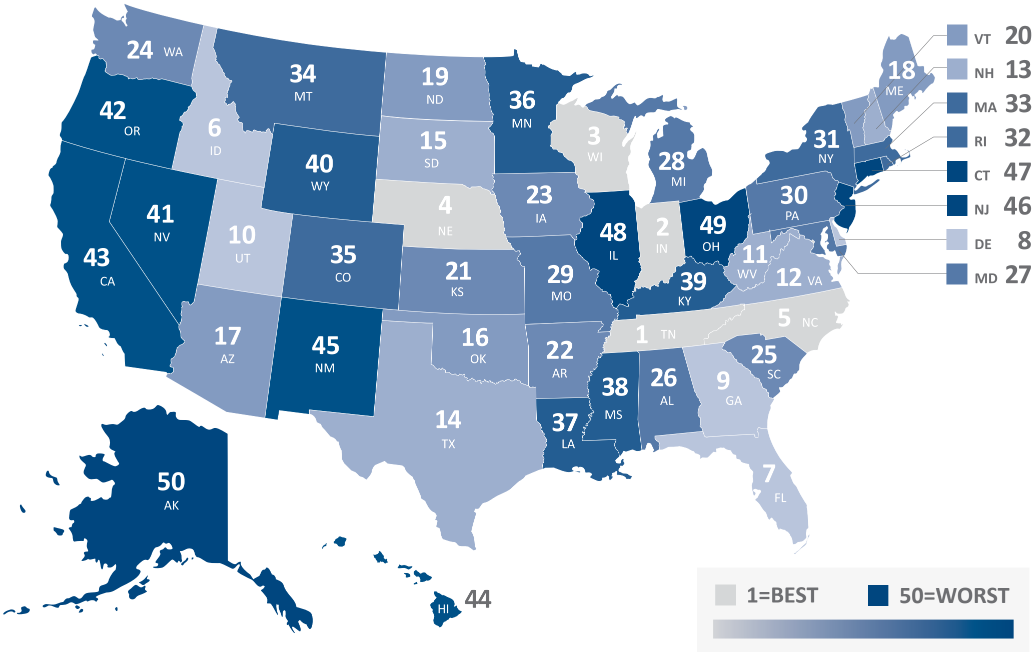
If states are to keep their pension promises while protecting taxpayers, public pensions must be reformed. Prudent valuation should be used to provide better insight into the real unfunded liabilities states face. It is important for states to adopt this practice because in order to keep their promises, states must first understand their true liabilities. By failing to measure liabilities accurately, any attempt at a solution will be hindered.

As former Utah Senator Dan Liljenquist, author of the ALEC Center of State Fiscal Reform study *Keeping the Promise: State Solutions for Government Pension Reform* has rightly noted, pension reform is a not a partisan issue, but a math problem.[70] Without real reforms in place, the financial security of retirees, workers and taxpayers alike will remain at risk.

Keeping Politics Out of Pensions

One contributor to the increase in unfunded pension liabilities has been the pension fund cronyism found in some states. According to the recent ALEC Center for State Fiscal Reform report, *Keeping the Promise: Getting Politics Out of Pensions*, instead of managing pension funds to achieve the best possible investment returns for workers and retirees, many lawmakers, pension board members and pension fund managers view the pension fund as an opportunity to advance their own agendas.[71] These officials use the billions of dollars they manage in a misguided attempt to boost their local economies, provide kickbacks to their

FIGURE 6, TABLE 6 | **2016 Unfunded Liabilities Per Capita of Public Pension Plans**



Rank	State	Unfunded Liabilities Per Capita
1	Tennessee	$7,246
2	Indiana	$8,573
3	Wisconsin	$9,156
4	Nebraska	$9,159
5	North Carolina	$9,599
6	Idaho	$10,014
7	Florida	$10,367
8	Delaware	$11,907
9	Georgia	$12,007
10	Utah	$12,680
11	West Virginia	$12,819
12	Virginia	$12,841
13	New Hampshire	$13,017
14	Texas	$13,120
15	South Dakota	$13,147
16	Oklahoma	$13,270
17	Arizona	$13,285
18	Maine	$13,297
19	North Dakota	$13,494
20	Vermont	$13,910
21	Kansas	$13,991
22	Arkansas	$14,766
23	Iowa	$14,861
24	Washington	$15,026
25	South Carolina	$15,133

Rank	State	Unfunded Liabilities Per Capita
26	Alabama	$15,427
27	Maryland	$15,541
28	Michigan	$15,817
29	Missouri	$16,334
30	Pennsylvania	$16,527
31	New York	$17,556
32	Rhode Island	$17,644
33	Massachusetts	$18,644
34	Montana	$18,875
35	Colorado	$19,496
36	Minnesota	$20,124
37	Louisiana	$20,194
38	Mississippi	$21,488
39	Kentucky	$21,682
40	Wyoming	$23,277
41	Nevada	$24,110
42	Oregon	$24,270
43	California	$24,424
44	Hawaii	$24,544
45	New Mexico	$26,116
46	New Jersey	$26,288
47	Connecticut	$27,653
48	Illinois	$28,200
49	Ohio	$28,538
50	Alaska	$42,950

Data is based on State Budget Solutions' calculations. To read the full report and methodology, see ALEC.org/PensionDebt2016.

political supporters, reward industries they like, punish those they don't and bully corporations into silence and behaving as they see fit.

Keeping the Promise: Getting Politics Out of Pensions explains the different forms of pension fund cronyism. One type is economically targeted investments (ETIs), which are local investments that are made to pursue government-defined economic and social goals at the expense of pension fund performance. Another is political kickbacks, which consist of pension investment funds directed to politically connected business and other interests. Finally, political crusades involve the use of public pension funds to pursue political agendas regarding such issues as the environment, political speech and income inequality. These crusades are frequently waged through divestment initiatives and by promoting shareholder resolutions at publicly-traded companies. All types of pension fund cronyism lower investment returns, jeopardize public employee's retirements and increase the likelihood taxpayers will have to bail out the state's public pension fund in the future.

Workers deserve better. Policymakers have the opportunity to secure the promises made to pensioners and their families by keeping politics out of pension policymaking. This can be achieved by adopting strong fiduciary standards for pension trustees, transparency rules that allow the public to see how pension funds are being managed and smart pension board reforms that hold trustees accountable. These reforms will guarantee proper pension fund management, which in turn will help state and local governments keep the pension promises they have made.

Pension Reform in the Desert

Despite escalating pension debt and alarming pension cronyist practices in the states, one state is leading the way in 2016 on sound pension reform. Arizona Governor Doug Ducey signed legislation earlier this year that made significant changes to the Public Safety Personnel Retirement System (PSPRS) – the state pension fund for law enforcement personnel and firefighters.

For years, the gap between the fund's assets and its liabilities has widened, mostly a result of underperforming investment returns and the system's current Permanent Benefit Increase (PBI) mechanism. While the reported funded ratio of PSPRS as of 2015 was 49 percent, *Unaccountable and Unaffordable 2016*, using more prudent valuation methods, estimated the funded ratio of all Arizona public pension plans to be only 31 percent.[72] However, the reforms will make a significant difference to protect taxpayers from this debt.

As the fund's situation has deteriorated, a growing alliance of Arizona taxpayers, legislators and think tanks has become rightfully concerned with the long-term sustainability of conducting "business as usual." This led to the package of reforms signed into law by Governor Doug Ducey, and represented a big step in the right direction, with legislated changes affecting new employees starting in July 2017. "If you would have asked me back in February 2015, when we got this started, I had my doubts," said state Senator Debbie Lesko, ALEC Public Sector State Chair and a sponsor and integral proponent of the measure. "That first meeting was very contentious. But in the end, we all became friends and we had mutual respect for each other." The state has strong leaders and allies, including Senator Lesko who was able to work successfully with unions, public employees and a bipartisan group of legislators to allay fears.

Arizona has chosen a sustainable path by passing comprehensive public pension reform this year – one of fiscal solvency and responsible government. It will take many years to see the long-term effects of these reforms and to close the gap of unfunded pension liabilities, but in the meantime, we applaud Arizona for making tough decisions in order to ensure a more sustainable and affordable future.

Conclusion

As Washington, D.C. has produced gridlock on the issue of pro-growth tax reform, hardworking American taxpayers can take solace in the fact that the 50 "laboratories of democracy" are indeed generating tax competition among the states for jobs, businesses and economic opportunity for all.

One of the benefits of operating primarily on a state level is that the increased levels of accountability placed on state and local lawmakers mean sound policy changes are always possible. In Washington, D.C., political gridlock often stymies comprehensive tax reform.

However, on the state level, lawmakers can more reliably be counted on to respond to signals sent by their constituents. Sound policy analysis and good information can translate into improved state policy environments. As the ALEC *State Tax Cut Roundup* has shown, there is a national appetite for pro-growth, business friendly policies that respect hardworking taxpayers. It is almost certain that, as the years pass, this trend will persist, grow and hopefully continue to permeate even the most unlikely of states.

(ENDNOTES)

1. Cox, Wendell. “Migration is Back.” New Geography. January 1, 2016.
2. U.S. Census Bureau. “Change in Domestic Migration.” For more information, reference the 2016 ALEC-Laffer State Economic Competitiveness Index rankings.
3. Brown, Travis. *How Money Walks*. 2013.
4. Marken, Stephanie, and Auter, Zac. “In U.S., State Tax Burden Linked to Desire to Leave State.” Gallup. February 12, 2016.
5. “Apportionment Projection 2015.” Election Data Services, Inc. 2015
6. Ibid.
7. Freeland, William, and Williams, Jonathan. *State Tax Cut Roundup: 2015 Legislative Session*. American Legislative Exchange Council. 2016.
8. Ibid.
9. Williams, Jonathan and Wilterdink, Ben. *State Tax Cut Roundup: 2013 Legislative Session*. American Legislative Exchange Council. 2013. Also see: Williams, Jonathan and Wilterdink, Ben. *State Tax Cut Roundup: 2014 Legislative Session*. American Legislative Exchange Council. 2014.
10. Lafferty, Ted and Williams, Jonathan. *State of the States: An Analysis of the 2016 Governors' Addresses*. American Legislative Exchange Council. 2016.
11. Geoff, Pender. “MS Tax Cuts: What Do We Really Know About Them.” *The Clarion-Ledger.* July 2, 2016.
12. The Associated Press. “Bryant Signs Largest Tax Cut in Mississippi History. *The Clarion-Ledger.* May 17, 2016.
13. Nave, R.L. “How the $415 Million Tax Cut Works.” *Mississippi Today.* May 18, 2016.
14. Brunori, David. “Is the Best Tax Cut of the Year Out of Mississippi?” *Forbes*. June 2, 2016.
15. Ibid.
16. Henchman, Joseph. “Mississippi Approves Franchise Tax Phasedown, Income Tax Cut.” Tax Foundation. May 16, 2016 .
17. “MS Legislature Passes Taxpayer Pay Raise Act of 2016; Bill with Governor for Consideration.” *CPAs & Business Advisors*. April 27, 2016.
18. Drenkard, Scott. “North Carolina Tax Revenue Exceeding Expectations Following Tax Cuts.” Tax Foundation. May 8, 2015.
19. Sinquefield, Rex. “Give North Carolina More Credit For Its AAA Bond Rating.” *Forbes*. February 16, 2016.
20. “Beacon Statement on Elimination of the Hall Tax.” Beacon Center of Tennessee. April 22, 2016.
21. “A Comprehensive Package to Repealing the Hall Tax.” Beacon Center of Tennessee. December, 2015.
22. “2016 State of the Budget.” Alaska Governor Bill Walker. April 14, 2016. Also see: Waldholz, Rachel. “Alaska Faces Budget Deficit As Crude Oil Prices Slide.” Alaska Public Media. January 19, 2016. Also see: “Maximum Sustainable Yield: FY 16 Update and Model.” Alaskanomics.com. February 10, 2015.
23. Oldham, Jennifer. “The Party's Over in Alaska.” *Bloomberg Businessweek*. May 6, 2016. Also see: “Alaska Budgets Have Run Amok.” Prosperity Alaska.
24. Laffer, Arthur, Moore, Stephen and Williams, Jonathan. *Rich States, Poor States*, 6th edition. American Legislative Exchange Council. 2013.
25. “Alaska – Personal Income Tax: Governor's Efforts to Get Personal Income Tax Enacted Fail.” CCH Tax Group. August 29, 2016.
26. “History of Alaska Individual Income Tax.” The Alaska House Majority. April 15, 2015.
27. Haines, Frank. “Remarks of Frank Haines, Legislative Budget and Finance Officer to the Senate Budget and Appropriations Committee.” The New Jersey Senate Budget and Appropriations Committee. April 5, 2016.
28. Dixon, Matt. “State expects $635 million budget surplus in next fiscal year.” *Politico Florida*. September 8, 2015. Also see: Marcus, Samantha. “Christie administration reveals plan to close $1B budget gap.” NJ.com. May 18, 2016.
29. Drop, Terrence. “Tepper's Move May Affect New Jersey Budget, Forecaster Warns.” *Bloomberg Markets*. April 5, 2016.
30. Ibid.
31. Frank, Robert. “One Top Taxpayer Moved, and New Jersey Shuddered.” *The New York Times*. April 30, 2016.
32. “IRS Tax Migration.” *How Money Walks*. Accessed May 2016.
33. “Save Taxes by Moving.” The Laffer Center. Accessed October 2016.
34. Frank, Robert. “One Top Taxpayer Moved, and New Jersey Shuddered.” *The New York Times*. April 30, 2016.
35. Lucas, Fred. “What Happened After This Blue State Introduced an Income Tax to Balance Its Budget.” *The Daily Signal*. September 16, 2016.
36. Talarski, Catie, Ives, Tucker, and Dankosky, John. “The Suburban Corporate Wasteland.” WNPR. December 3, 2013.
37. Stuart, Christine. “Malloy: No New Taxes, No Deficit.” *Connecticut News Junkie*. May 4, 2014.

38. Regan, Elizabeth. "Governor Malloy signs budget, goes back on campaign promise not to raise taxes in Connecticut." *New Haven Register Politics*. June 30, 2015.

39. Keating, Christopher and Hladky, Gregory. "Senate, House Approve $40 Billion Budget." *Hartford Courant*. June 4, 2015.

40. "GE Statement on Potential Increase to Connecticut Taxes." General Electric. June 1, 2015. Also see: Keating, Christopher. "GE, Aetna, Travelers Criticize State Tax Increases." *Hartford Courant*. June 2, 2015.

41. Ibid.

42. "GE Statement on Potential Increase to Connecticut Taxes." General Electric. June 1, 2015. Also see: Keating, Christopher. "GE, Aetna, Travelers Criticize State Tax Increases." *Hartford Courant*. June 2, 2015.

43. Ibid.

44. Horvath, Joe. "After GE, CT needs spark to end economic blackout." *Hartford Business Journal*. February 1, 2016.

45. Gleason, Patrick. "General Electric Shipping Up To Boston, And Connecticut Only Has Itself To Blame." *Forbes*. January 17, 2016.

46. Phaneuf, Keith. "Moody's: GE's departure 'underscores' Connecticut's fiscal, economic woes." *The Connecticut Mirror*. January 22, 2016.

47. De Avila, Joseph. "Connecticut Licks Its Wounds After Losing GE to Boston." *The Wall Street Journal*. January 13, 2016.

48. Horvath, Joe. "Malloy's Budget Game Must Match Words." *The Hartford Courant*. February 9, 2016.

49. Hussey, Kristin. "Connecticut Chooses to Cut Jobs Over Increased Taxes in Budget Crisis." *The New York Times*. April 17, 2016.

50. Lafferty, Ted and Williams, Jonathan. *State of the States: An Analysis of the 2016 Governors' Addresses*. American Legislative Exchange Council. August 2016.

51. Hussey, Kristin. "Connecticut Chooses to Cut Jobs Over Increased Taxes in Budget Crisis." *The New York Times*. April 17, 2016.

52. O'Donoghue, Julia. "These new and higher Louisiana taxes take effect April 1." *The Times-Picayune*. March 26, 2016.

53. Drenkard, Scott, and Walczak, Jared. "State and Local Sales Tax Rates, Midyear 2015." Tax Foundation. July 9, 2015.

54. Albright, Amanda. "Facing a $1.1 Billion Budget Shortfall, Louisiana Needs Tax Reform and Fast." *Bloomberg Markets*. September 12, 2016.

55. Bureau of Labor Statistics, Current Employment Survey, Series SMS22000000000000001.

56. Freeland, Will and Wilterdink, Ben. ''Taxes Do Matter to Migration." American Legislative Exchange Council. May 12, 2014.

57. Stone, Lyman. "The Facts on Interstate Migration. Parts 1-5." Tax Foundation. May 12-16, 2014.

58. McBride, William. ''What is the Evidence on Taxes and Growth.'' Tax Foundation. Dec. 18, 2012.

59. Laffer, Arthur, Moore, Stephen and Williams, Jonathan. *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index*. American Legislative Exchange Council. 2008-2016.

60. Freeland, Will, Williams, Jonathan and Wilterdink, Ben. *Unseen Costs of Tax Cronyism: Favoritism and Forgone Growth*. American Legislative Exchange Council. July 1, 2014.

61. The Editorial Board. ''Shut Down Start-UP NY.'' *Newsday*. July 8, 2016.

62. Stone, Lyman. "The Facts on Interstate Migration. Parts 1-5." Tax Foundation. May 12-16, 2014.

63. Vranich, Joesph. ''California Business Departures: An Eight Year Review 2008-2015.'' Spectrum Location Solutions. January 14, 2016.

64. Laffer, Arthur, Moore, Stephen and Williams, Jonathan. *Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index.* American Legislative Exchange Council. 2008-2016.

65. Fruits, Eric and Pozdena, Randall. *Tax Myths Debunked*. American Legislative Exchange Council. 2013.

66. Williams, Bob, Williams, Jonathan, Lafferty, Theodore and Curry, Sarah. *Unaccountable and Unaffordable 2016*. American Legislative Exchange Council. October 2016.

67. Ibid.

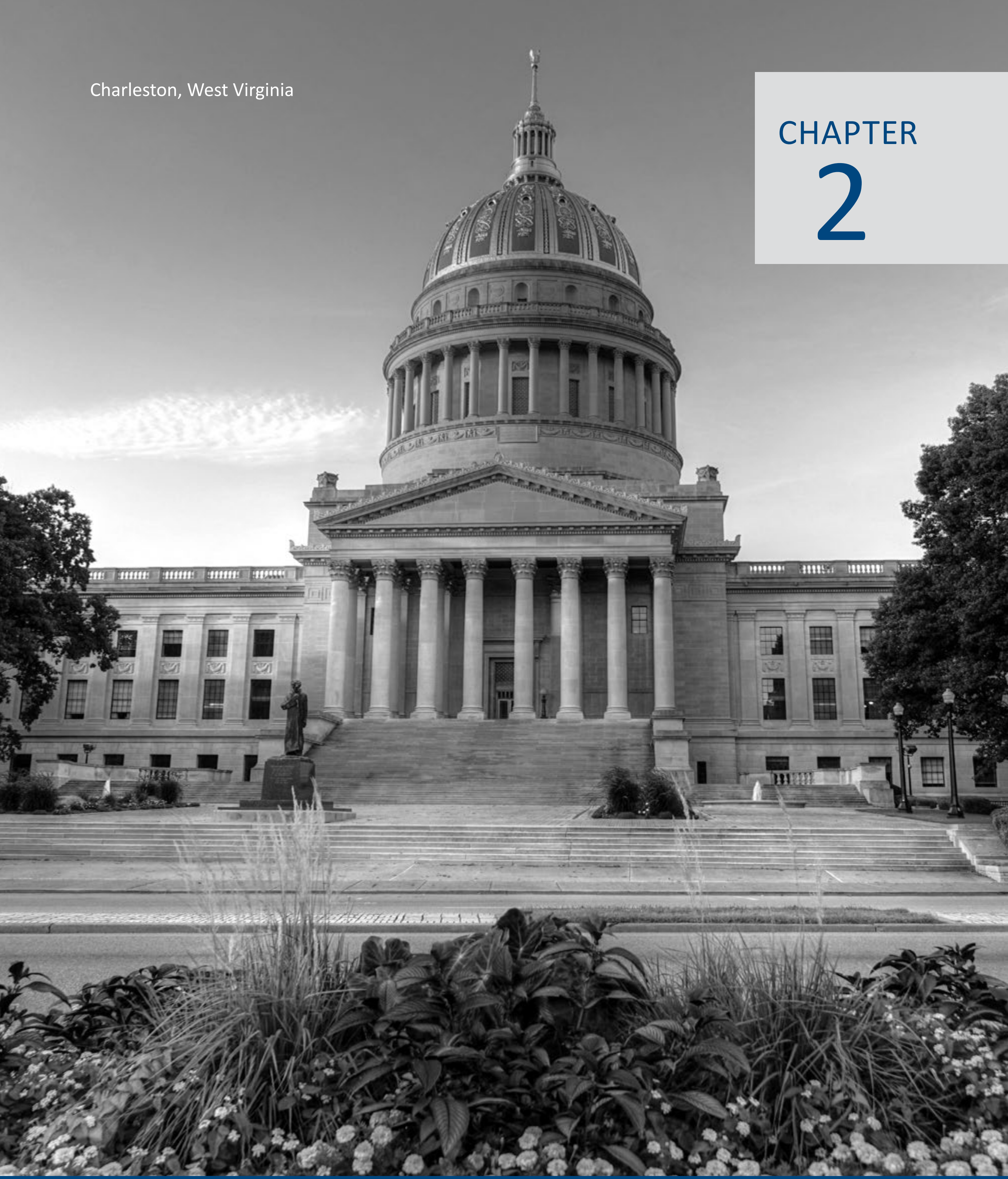
68. Ibid.

69. Ibid.

70. Liljenquist, Dan. *Keeping the Promise: State Solutions for Government Pension Reform*. American Legislative Exchange Council. 2013.

71. "2015 Annual Survey of Public Pensions: State and Locally Administered Defined Benefit Data." U.S. Census Bureau. June 2016.

72. GRS Consultants & Actuaries. "Arizona Public Safety Personnel Retirement System Consolidated Report." June 2015. Also see: Williams, Bob, Williams, Jonathan, Lafferty, Theodore and Curry, Sarah. *Unaccountable and Unaffordable 2016*. American Legislative Exchange Council. October 2016.



Charleston, West Virginia

CHAPTER 2

Right-to-Work Is Working for States

Right-to-Work Is Working for States

As defined by the National Right to Work Legal Defense Foundation, a right-to-work law "guarantees that no person can be compelled, as a condition of employment, to join or not to join, nor to pay dues to a labor union."[1] Allowed by Section 14(b) of the National Labor Relations Act as amended by the Taft-Hartley Act, states are able to pass right-to-work laws which prohibit unions from forcing workers to be union members as a condition of employment.[2] To understand why right-to-work policies have important implications for unionization and economic growth, a little background is helpful.

The History of Right-to-Work

The growth of large, formal union power can be traced back to the National Labor Relations Act of 1935 (NLRA), often referred to as the Wagner Act after famously pro-union New York Senator Robert F. Wagner. Under the Wagner Act, employees had the right to self-organize and bargain with employers collectively and, as employees, were granted legal immunity from employer interference or retribution in their labor practices. This Depression-era Act was, by almost all accounts, an extremely heavy-handed piece of legislation that certainly contributed to the depth and breadth of the economic downturn that had swept the nation. Under the NLRA, union power reached new highs. Within 10 years, union membership as a share of the total labor force rocketed from 10 percent to 34 percent, nearly all of it in the private sector.[3]

Union labor contracts raise the costs of doing business – through higher wages, increased health benefits, more vacation time, higher safety costs, more generous pension/retirement costs, etc. – and thus make labor-intensive businesses less attractive to start up and operate. Unions can also call strikes when their members are not satisfied with their end of the deal. For these reasons, many policies benefitting unionization hinder the establishment and operation of businesses, and stifle economic growth.

The idea that labor and capital are complementary, not antagonistic, is anathema to many political analysts and "experts" across the political spectrum. In their view, profits and wages are a zero-sum game where if one increases, the other has to fall. In reality, however, labor and capital benefit from the same policies and are hurt by the same policies. Labor and capital should be allies, not combatants, because they share the same consequences from public policies. Growth is the answer, not more government.

There is room, within a narrow range, for either labor or capital to "win" – through higher wages or higher profits – at the expense of the other. The practical problem is that unions tend to push past the narrow acceptable range and into the areas where labor "wins" so much over capital that total productivity, capital and labor all decline.

Twelve years after its passage, the deleterious effects of the Wagner Act became clear, and Congress passed the Taft-Hartley Act of 1947, which added checks and balances to the Wagner Act while slightly curbing the broad range of powers afforded unions. Within the framework of labor laws, a number of union labor arrangements exist under which a business, or "shop," can operate. According to the U.S. Department of Labor:[4]

OPEN SHOP: A business that employs workers without regard to union membership. In the 1920s the "open shop" employed an ill-disguised attempt to get ride [sic] of bona fide unions. States with "Right to Work" laws have decreed the open shop.

AGENCY SHOP: A union security clause whereby all members of a bargaining unit must pay a service fee, the equivalent of dues, whether or not they are union members.

UNION SHOP: A shop where every member of the bargaining unit must become a member of the union after a specified amount of time.

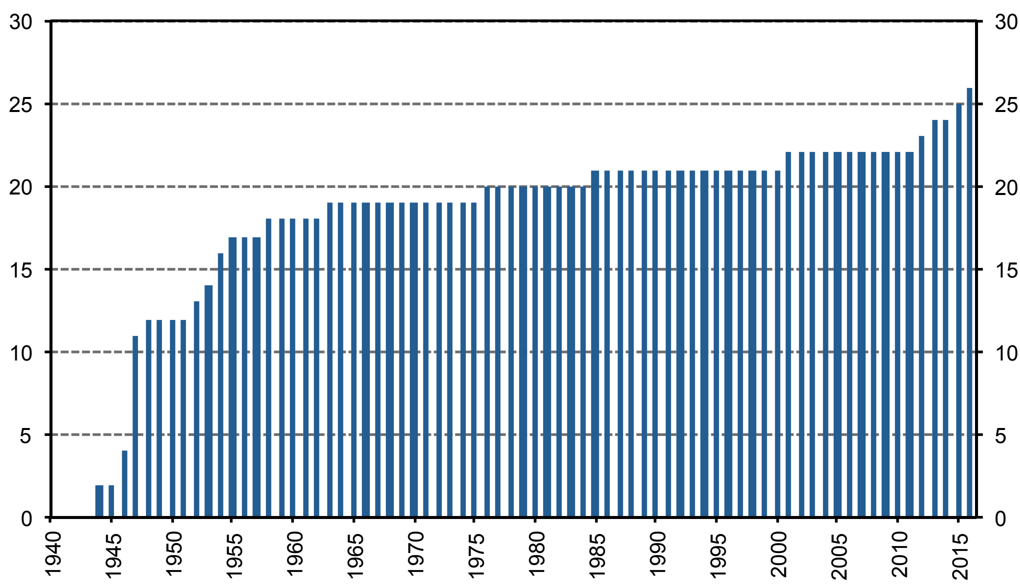
MODIFIED UNION SHOP: A provision in the union contract requiring all new employees to join the union and requiring all workers already in the union to remain as union members.

CLOSED SHOP: The hiring and employment of union members only. Illegal under the Taft Hartley Act.

An interesting feature of the Taft-Hartley Act is that the most restrictive labor arrangement a company can operate under – the "closed shop," where hiring and employment are open only to union members – was outlawed. Even with the outlawing of the "closed shop," there still exists a number of labor arrangements which make it difficult for non-union workers to remain unaffiliated with labor unions. One of the most important features of the Taft-Hartley Act, however, is the fact that it guaranteed states the ability to pass right-to-work laws. Specifically, the Taft-Hartley Act amended the NLRA by adding Section 14(b), which officially recognized the power of states to enact right-to-work laws by allowing states to prohibit "union shop" and "agency shop" labor arrangements. Consequently, many of the states didn't wait long after the passage of the Taft-Hartley Act to enact right-to-work laws.

If you look carefully at Figure 7, you'll notice that four states didn't wait for Taft-Hartley's permission to pass right-to-work laws. These four states – Arkansas (1944), Florida (1944), Arizona (1946),

FIGURE 7 | **Number of States with Right-to-Work Laws, 1940-2016**



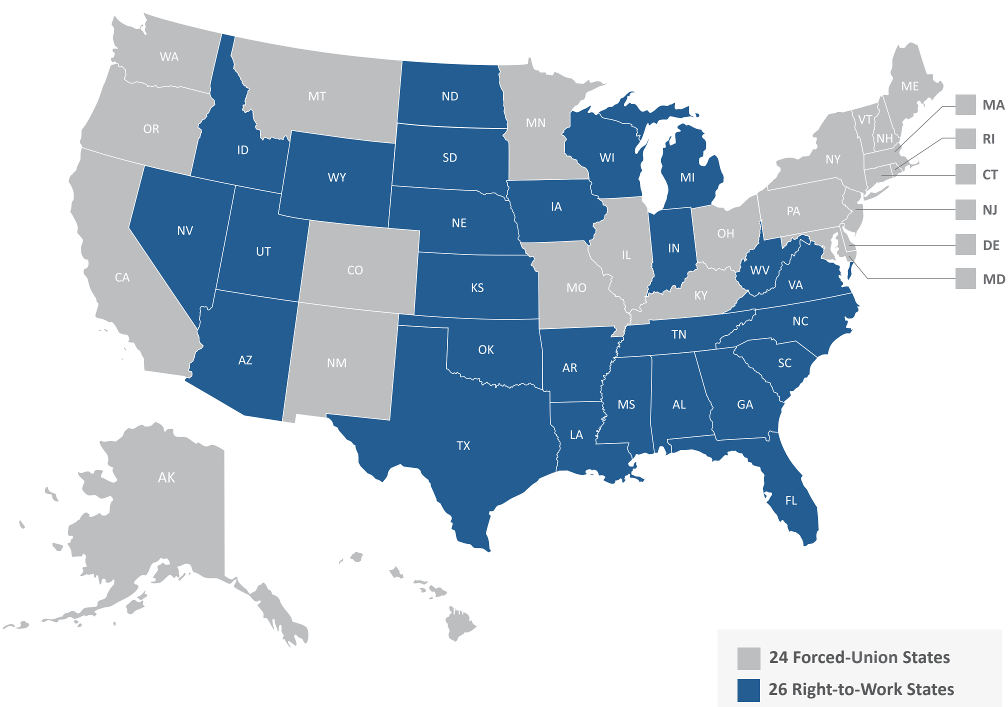
Source: National Right to Work Committee and Nebraska (1946) – all passed constitutional amendments that had the language of future right-to-work laws.[5] These four states took it upon themselves to proactively legislate right-to-work constitutional amendments within their own states, leaving the burden on unions to challenge these constitutional amendments in the courts. Before the unions could gain much traction in getting courts to strike down the right-to-work amendments, Taft-Hartley had been passed, thus cementing the ability for states to enact right-to-work laws.[6]

An interesting feature of our nation's labor laws relates to railroad and airline workers. Because these sorts of jobs result in employees potentially working in multiple states in a single day, unions successfully argued that these workers should be treated differently than other types of workers when it comes to labor laws. As a result, the federal Railway Labor Act governs railroad and airline workers' employment contracts. These workers are completely exempt from right-to-work laws no matter where they live and, in fact, aren't subject to the NLRA at all.[7]

The Effects of Declining Union Power

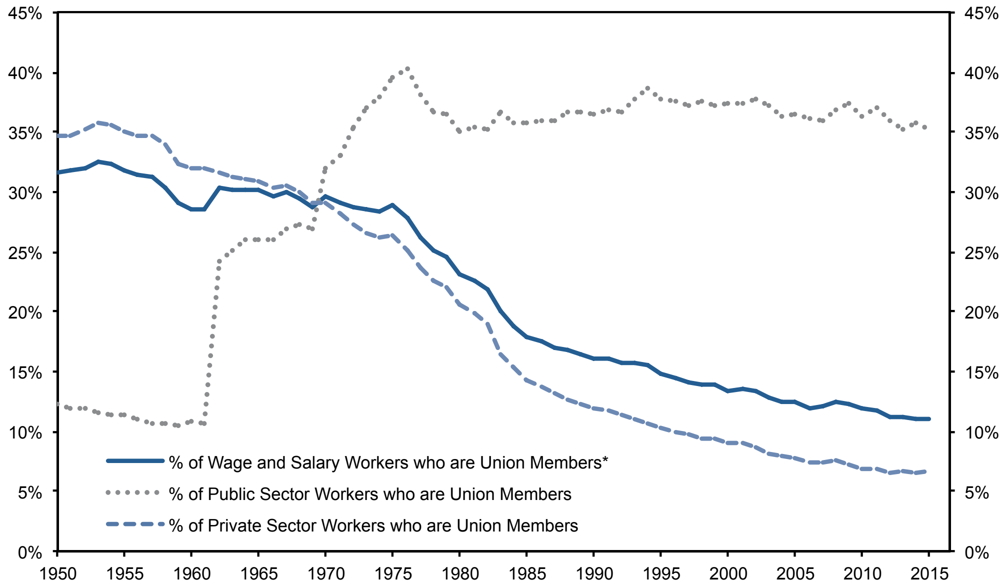
By 1948, 12 states had right-to-work laws on their books; by 1958, the number of right-to-work states rose to 18.[8] It is interesting to note that none of the states enacting right-to-work laws at the time were heavily industrialized states in the Northeast United States. In fact, not one Northeast state is right-to-work to this day, and only in the past five years has any "rust belt" state passed a right-to-work law (Indiana effective 2012, Michigan effective 2013 and Wisconsin effective 2015).[9]

FIGURE 8 | **Right-to-Work States, 2016**



Source: National Right To Work Committee

FIGURE 9 | **Union Membership, 1950-2015**



**According to Bureau of Labor Statistics Current Population Survey methodology, "Wage and salary workers receive wages, salary, commissions, tips, or pay in kind from a private employer or from a government unit." This designation does not include unincorporated self-employed workers or unpaid workers. Source: "Employment and Earnings: Household Data," Bureau of Labor Statistics, accessed August 12, 2015, p. 183. http://www.bls.gov/cps/eetech_methods.pdf*

Source: Bureau of Labor Statistics, Unionstats.com

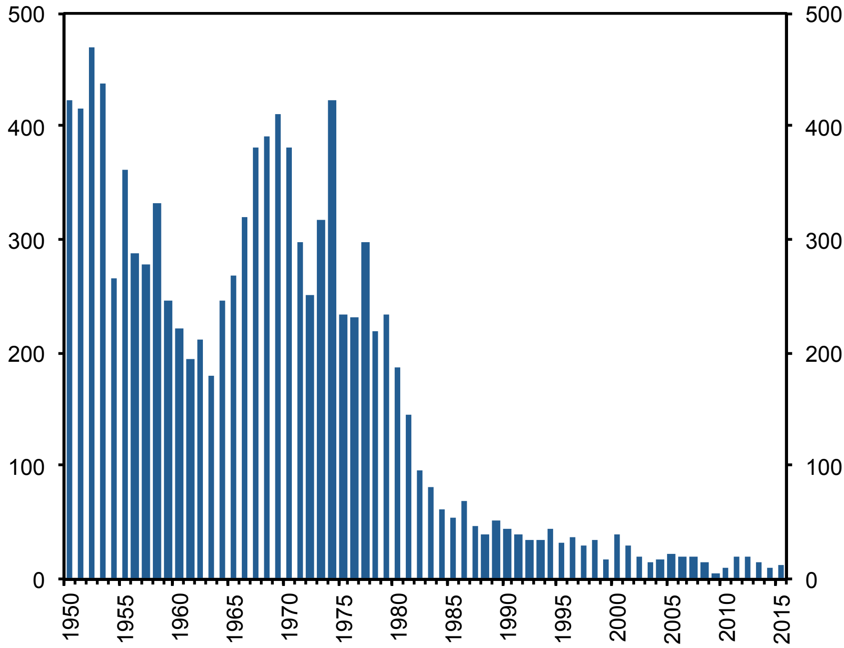
The latter half of the 20th century saw a steady decline in private sector unionization, which is partially coincident to the increase in right-to-work laws. Even more interesting is the dramatic increase in public sector union membership over that same time period. The most dramatic jump in public sector union membership took place in 1962 when President John F. Kennedy recognized the right of federal employees to bargain collectively (see Figure 9).

In addition to the dramatic surge in public sector union membership post-1961, another shocking feature of union membership is illustrated by Figure 9 – the decline in private sector union membership over the whole time period. As more and more workers were legally able to be hired and continue employment without the condition of union membership, more and more workers chose not to join unions. With right-to-work laws in place, unions were no longer allowed to extract dues from workers – against their will – who were not union members working in a shop alongside union members.

In lockstep with the decreases in union membership came fewer strikes (Figure 10) and less U.S. output lost due to strikes (Figure 11).

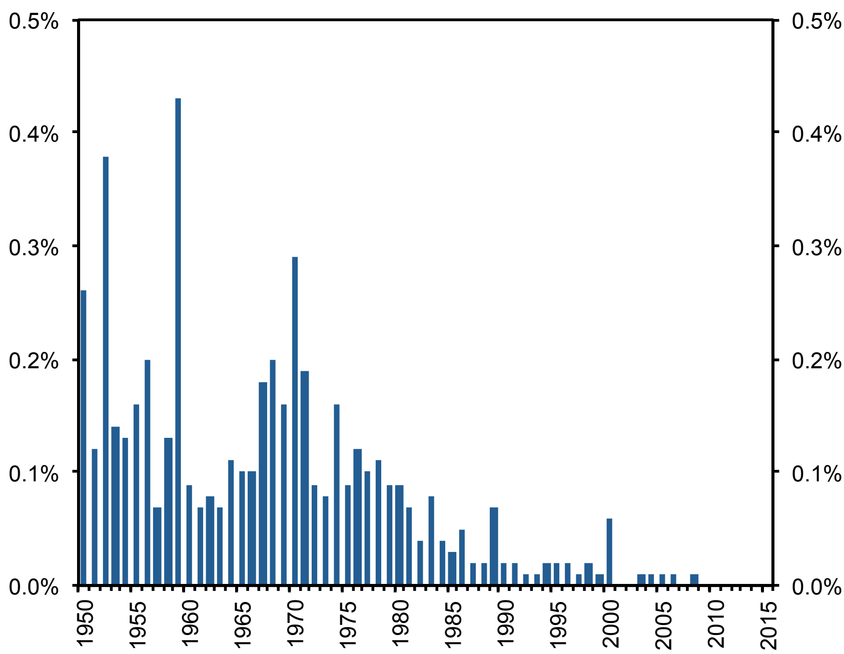
It is very clear that right-to-work laws had, and continue to have, a significant impact on whether states have high rates of unionization or not. Consider Table 7, which ranks the 50 states from highest to lowest rates of private sector union membership and those states' average annual pay per state and local government full-time equivalent employee (FTEE), with right-to-work states highlighted in blue.

FIGURE 10 | **Number of Major Work Stoppages Involving More Than 1,000 Workers** (annual, 1950 to 2015)



Source: Bureau of Labor Statistics

FIGURE 11 | **Percent of Total Working Time Lost Due to Work Stoppages** (annual, 1950 to 2015)



Source: Bureau of Labor Statistics

TABLE 7 | **Right-to-Work Status, Union Share of Private Sector Employment and Average Pay per State & Local FTEE** (right-to-work states are shaded blue, right-to-work status as of 1/1/2012, percent union membership data from 2013)

State	Right-to-Work	Share of Private Sector Workers with Union Membership	Average Annual Salary per Government Employee
New York	No	15.10%	$66,142
Hawaii	No	13.60%	$52,258
Washington	No	11.70%	$63,029
Nevada	Yes	11.00%	$61,188
Michigan	No	11.00%	$55,331
Alaska	No	10.60%	$61,951
Illinois	No	10.00%	$59,445
West Virginia	No	9.80%	$40,568
Kentucky	No	9.20%	$42,213
California	No	8.90%	$70,319
Rhode Island	No	8.90%	$63,128
New Jersey	No	8.70%	$66,947
Minnesota	No	8.40%	$55,675
Wisconsin	No	8.20%	$52,340
Pennsylvania	No	7.80%	$54,155
Ohio	No	7.60%	$50,272
Alabama	Yes	7.50%	$43,138
Indiana	No	7.50%	$44,819
Missouri	No	7.30%	$42,018
Oregon	No	7.00%	$54,839
Connecticut	No	6.80%	$65,436
Massachusetts	No	6.80%	$60,477
Montana	No	6.40%	$45,280
Iowa	Yes	6.40%	$52,339
Delaware	No	5.20%	$52,598
Maryland	No	5.20%	$59,364
Colorado	No	5.00%	$52,758
Kansas	Yes	5.00%	$43,737
Maine	No	4.90%	$44,366
Wyoming	Yes	4.40%	$49,444
Vermont	No	4.20%	$49,276
Nebraska	Yes	4.20%	$47,265
Oklahoma	Yes	4.00%	$41,111
Georgia	Yes	3.80%	$41,932
North Dakota	Yes	3.60%	$45,865
Tennessee	Yes	3.40%	$42,958
New Hampshire	No	3.40%	$48,861
Mississippi	Yes	3.30%	$38,858
Virginia	Yes	3.10%	$49,287
Arizona	Yes	2.90%	$48,927
Louisiana	Yes	2.80%	$43,667
South Dakota	Yes	2.70%	$41,008
Texas	Yes	2.60%	$46,374
South Carolina	Yes	2.50%	$43,559
New Mexico	No	2.30%	$45,441
Idaho	Yes	2.30%	$42,505
Utah	Yes	2.30%	$46,839
Florida	Yes	2.30%	$46,743
Arkansas	Yes	2.10%	$41,024
North Carolina	Yes	1.60%	$45,577

Source: Laffer Associates, UnionStats.com, U.S. Census Bureau

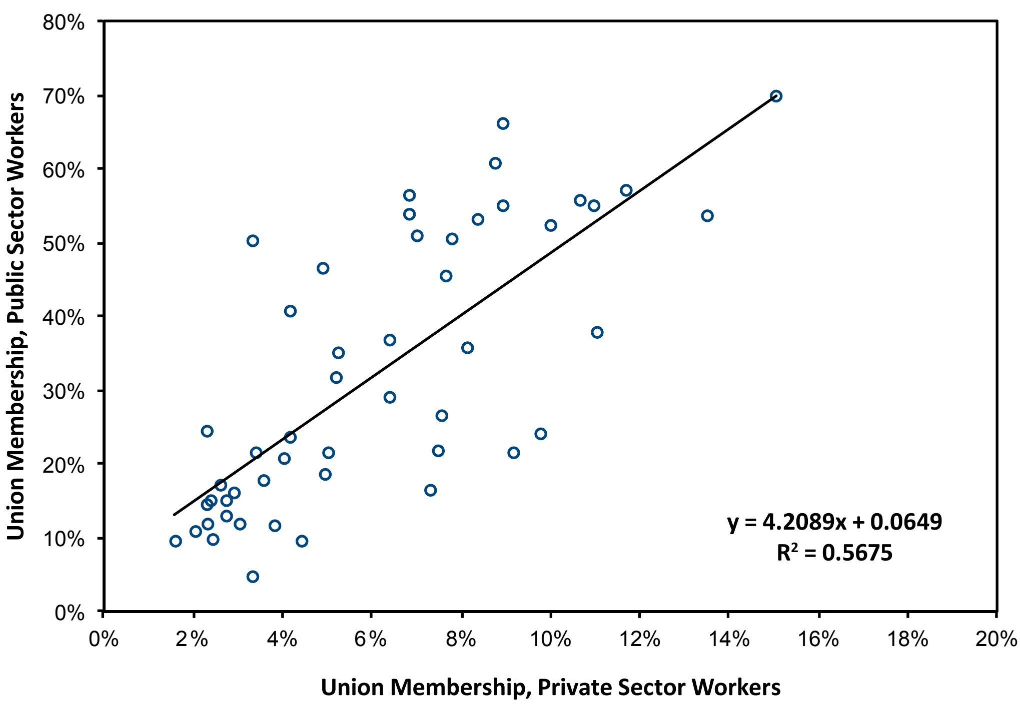
Table 7 is fascinating because the takeaway is so clear: The bottom half of the chart is nearly solid blue (i.e. right-to-work), and the top half is nearly solid white (i.e. forced-union). While there are a few exceptions to this overall pattern, the preponderance of evidence is that right-to-work laws reduce union membership rates in the private sector.

In turn, private sector union membership rates are also closely related to public sector union membership rates. Figure 12 is a scatter chart showing the relationship between the public versus private sector unionization rates for the 50 states. The chain of logic leads from right-to-work laws to private sector union membership and then on to public sector unionization. In fact, judging by the statistical relationship, seemingly small differences in private sector union membership are associated with much larger differences (in the same direction) in public sector union membership (note the difference in scales in Figure 12, such that an increase/decrease in private sector union membership rates is associated with a much larger increase/decrease in public sector union membership rates).

From Figure 12 it is very clear that public sector union membership rates are closely tied to rates of union membership in the private sector. The curious thing about this fact is that right-to-work laws in the vast majority of cases apply only to the private sector.

Why is the close relationship between public and private sector union membership rates so important? The answer is simple: because public sector union membership is very costly to state and local governments, taxpayers and ultimately, state and local prosperity. Figure 13 shows the dramatic effect public sector union membership rates have on average annual pay per full-time equivalent state and local government employee.

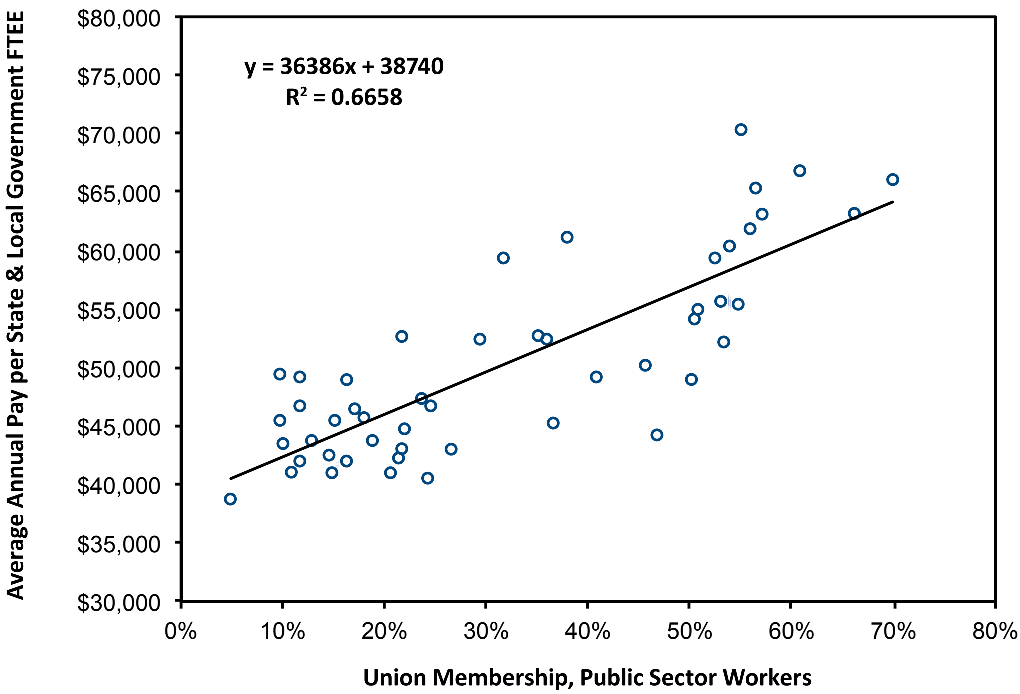
FIGURE 12 | **Share of Employees who are Union Members in the 50 States: Public Sector vs. Private Sector** (union membership rates are as of 2013)



Source: UnionStats.com

17-0245 A Page 46 of 128

FIGURE 13 | **50 States: Average Annual Pay per State & Local Government FTEE vs. Share of Public Employees with Union Membership** (pay data are as of FY 2013, union membership rates are as of 2013)



Source: U.S. Census Bureau, UnionStats.com

The data clearly reveals the following:

- Right-to-work laws reduce the share of private sector workers who are union members
- Low rates of union membership in the private sector are closely related to low rates of union membership in the public sector and
- Higher rates of public sector union membership are closely related to higher average pay for public sector employees

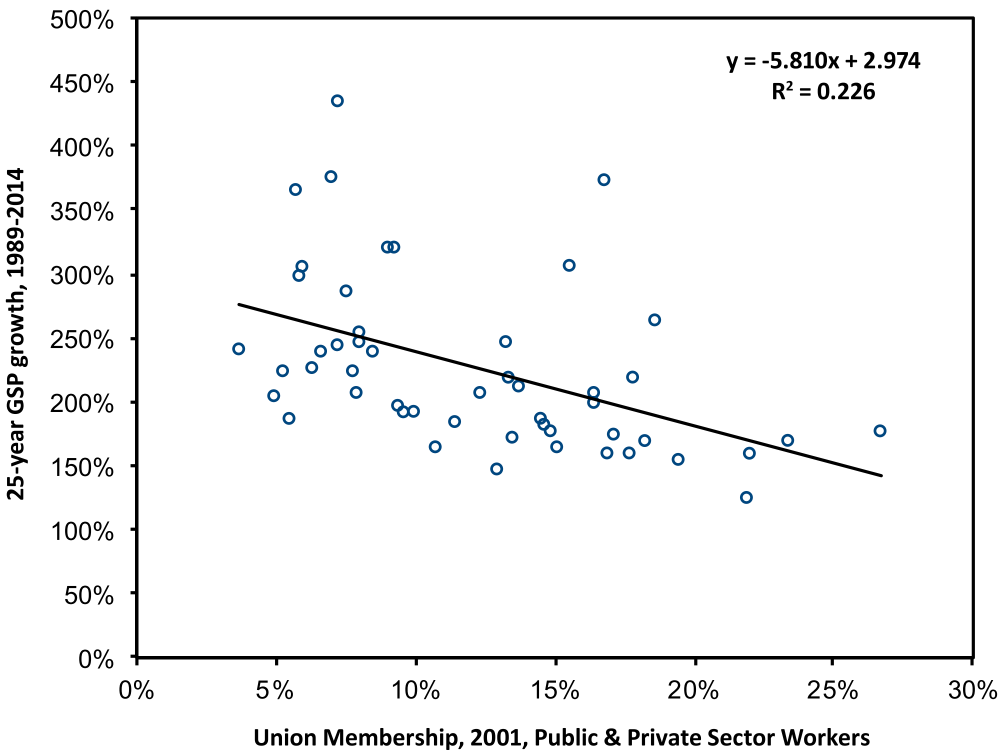
Now for the $64,000 question: How do union membership rates impact state growth? Figure 14 shows the rate of union membership on its x-axis and gross state product (GSP) growth over the past quarter century on its y-axis. The figure clearly demonstrates that higher rates of union membership negatively affect GSP growth.

Unions and the Migration of Businesses, People and Capital

As private sector union power continues to shrink, unions are desperately trying to find ways to keep jobs and factories in non-right-to-work (herein referred to as "forced-union") states and out of right-to-work states. A recent and highly publicized example of this fight took place between forced-union Washington state and right-to-work South Carolina over the assembly site for Boeing's 787 "Dreamliner" aircraft. Here is a summary straight from the National Labor Relations Board's (NLRB)[10] website of what the union was angered by:

"On March 26, 2010, the International Association of Machinists and Aerospace Workers, District Lodge 751, filed a charge with the NLRB alleging that the Boeing Company

FIGURE 14 | **50 States: 25-Year GSP Growth vs. Share of Workers with Union Membership**
(GSP growth is 1989 to 2014, union membership rates are for public and private sector workers as of 2001)



Source: Bureau of Economic Analysis, UnionStats.com

had engaged in multiple unfair labor practices related to its decision to place a second production line for the 787 Dreamliner airplane in a non-union facility.

Specifically, the union charged that the decision to transfer the line was made to retaliate against union employees for participating in past strikes and to chill future strike activity, which is protected under the National Labor Relations Act.

The union also charged that the company violated the National Labor Relations Act by failing to negotiate over the decision to transfer the production line. The Machinists' union has represented Boeing Company employees in the Puget Sound area of Washington, where the planes are assembled, since 1936, and in Portland, Oregon, where some airplane parts are made, since 1975."[11]

The Obama Administration's National Labor Relations Board filed a complaint against Boeing on April 20th, 2011 at the union's request. The NLRB did not file the complaint until after Boeing had nearly completed the construction necessary for the $750 million Dreamliner facility in South Carolina and had hired 1,000 workers for that location.[12] A Boeing executive quoted in *The New York Times* said the "overriding factor [for the move to South Carolina] was that we cannot afford to have a work stoppage, you know, every three years."[13]

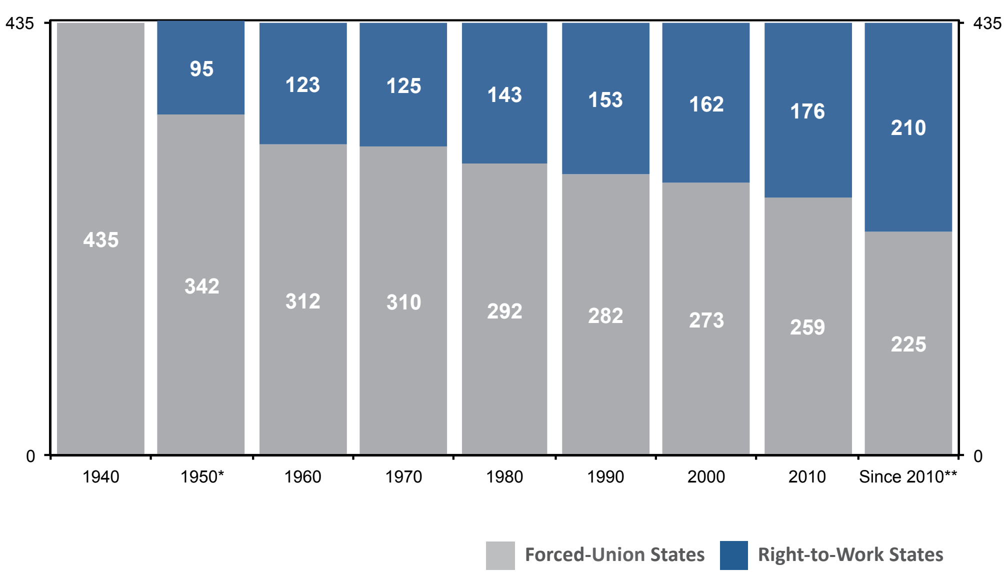
The NLRB complaint says one thing loud and clear: Unions realize that forced-union states are less competitive than right-to-work states in a wide range of ways, and the only way to stop this exodus of production, capital and employment out of forced-union states is through government regulation.

The NLRB needs to tread lightly in cases involving decisions benefitting one state over another. The United States was built on a clear understanding of the benefits of the free flow of goods, services and people among the states, of Ricardo's "gains from trade" and of Adam Smith's notion of specialization that leads to "comparative advantage."[14] The ideal of total and complete free trade was written into our very founding papers. The Commerce Clause of the U.S. Constitution has been interpreted to prohibit excessive impediments to the free trade of goods, services and even labor amongst the states. Under the Privileges and Immunities Clause, people are entitled to migrate and resettle into any state without limitation; they need only abide by the laws and regulations of their new home, just as long-time residents do.[15]

In the end, the NLRB dropped its charges against Boeing, but not until it had faced a political firestorm that illuminated a contentious debate going on every day in America.

An astonishing way of looking at the trend of states passing right-to-work laws and people choosing to live in those states is to look at Congressional seat apportionment between right-to-work states and forced-union states over time.

FIGURE 15 | **Congressional Seat Apportionment: Right-to-Work vs. Forced-Union States**
(end-of-decade snapshots since the last reapportionment 10 years prior)



** During reapportionment for 1950, two extra seats were added (bringing the total to 437) because Alaska and Hawaii had just become states. During the 1960 reapportionment, these two seats were removed, and the total was restored to 435.*
*** The "Since 2010" data show the change in seats based on Indiana, Michigan, Wisconsin and West Virginia passing RTW since 2010. This number will change before 2020 reapportionment if any state passes or repeals its RTW law.*

Source: U.S. Census Bureau, National Right To Work Committee

Every 10 years a Census is taken of the U.S., and the 435 U.S. Congressional seats are reallocated to the states based on state population. Figure 15 shows how dramatically the balance of power in Congressional seats has changed over time in favor of right-to-work states.

A change between, for example, 1980 and 1990 in Figure 15 above can be broken down into two components. First, there are Congressional seats acquired by right-to-work states from new states passing right-to-work laws. This means that part of the net +10 seats for right-to-work states shown from 1980 to 1990 is attributable to the fact that Idaho (with two Congressional seats) passed a right-to-work law in 1985, thus adding +2 seats to the right-to-work seat count. The other effect at play in Figure 15 is the change in population between right-to-work states and forced-union states precipitating decadal redistricting among the states, which summed to a net +8 seats for right-to-work states and net -8 for forced-union states.

Public Sector Unions: Still Going Strong?

Over the past 40 years, public sector union membership has remained in the 35-40 percent range. How have public sector workers kept such high rates of union membership while more and more states pass right-to-work laws? Generally, in the private sector, unions push hard in negotiations, but they know in the back of their minds that if they push too hard, their employer will go out of business, leaving them without a job. No such limits exist in the public sector, as the politicians who negotiate and set employment contracts with public sector employees don't face the consequences of making costly deals with unions – politicians are negotiating with someone else's money, after all. Furthermore, politicians are heavily incentivized to negotiate contracts that are favorable to the public sector employees because, being politicians, they correctly see these employees as people who vote their interests.

Compensation packages negotiated by public sector unions for government employees have, in thousands of cases, become legendary. One of the most famously "generous" (to the recipients, not the taxpayers) pension arrangements is California's "3 percent at 50" defined benefit plan available to many public safety officials. This pension plan is available to public safety officials who retire at the age of 50 and pays, for life, 3 percent of their final year's salary multiplied by their number of years of service. In other words, a police officer who retires at the age of 50 after 30 years of service will receive 90 percent of their final year's salary as a pension for life. Not only would this 90 percent payout be generous in any locale, but it is especially generous in California, where, on average, as of 2015, police officer pay was $111,800, police lieutenant pay was $161,400, firefighter pay was $134,400 and fire captain pay was $153,300.[16] For example, the city of Vallejo, California, only two years after its three-year-long bankruptcy that ended in 2011, paid its police officers, on average, $129,000 per year and police chief $221,000 per year.[17]

Given that the size of an employee's pension is often determined by the salary earned in the final year of employment, a practice known as "pension spiking" is sometimes utilized. This involves increasing one's salary as much as possible in the final year of employment in order to lock in high pension payments going forward. Common methods used are the cashing-out of unused vacation or sick days and promotions with raises in an employee's final year. Catherine Saillant, Maloy Moore and Doug Smith reported in the *Los Angeles Times*:

> *"Approaching retirement, Ventura County Chief Executive Marty Robinson was earning $228,000 a year.*
>
> *To boost her pension, which would be based on her final salary, Robinson cashed out nearly $34,000 in unused vacation pay, an $11,000 bonus for having earned a graduate degree and more than $24,000 in extra pension benefits the county owed her.*
>
> *By the time she walked out the door last year, her pension was calculated at $272,000 a year — for life."*[18]

A majority of states today, and for the past half-century, allow collective bargaining for government employees. Before the middle of the 20th century, public sector strikes, especially when public safety officials such as police and firefighters were the ones striking, were not tolerated by citizens or politicians. According to Hillsdale College Professor Paul Moreno:

> *"When the Boston police unionized and went on strike in 1919, the ensuing chaos—rioting and looting—crippled the public-union idea. Massachusetts Gov. Calvin Coolidge became a national hero by breaking the strike, issuing the dictum: 'There is no right to strike against the public safety by anybody, anywhere, any time.' President Woodrow Wilson called the strike 'an intolerable crime against civilization.'*
>
> *President Franklin D. Roosevelt also rejected government unionism. He told the head of the Federation of Federal Employees in 1937 that collective bargaining 'cannot be transplanted into the public service. The very nature and purposes of government make it impossible for administrative officials to represent fully or to bind the employer' because 'the employer is the whole people, who speak by means of laws."*[19]

It didn't take long for sentiment to change, however, with Wisconsin becoming the first state to allow public sector collective bargaining at the state level in 1959.[20] President Kennedy allowed collective bargaining – although not the right to strike – for employees at the federal level by issuing Executive Order 10988 on January 17, 1962.[21] Over the next 14 years, public sector union membership rates went from 10.6 percent of public employees in 1961 to 40.2 percent of public employees by 1976. According to Manhattan Institute fellow Daniel DiSalvo, no state permitted public sector collective bargaining before the late 1950s, only 3 states allowed it in 1959, but by 1980 there were 33 states with laws permitting public sector collective bargaining.[22]

After decades of high and stable rates of unionization amongst public sector workers, it seems that public sector unionization may be starting to fade. In July 2015, the Michigan Supreme Court ruled that Michigan's right-to-work law applies not only to private sector workers, but also to public employees. Ironically the original suit precipitating this ruling was brought by the United Auto Workers (UAW) in 2012, who claimed that the right-to-work law didn't apply to 17,000 of their members whose contracts were negotiated by the Michigan Civil Service Commission.[23] What the UAW and other unions certainly didn't expect was for the Michigan Supreme Court to rule that right-to-work applied to all state workers.

This new blow to public sector union power follows in the footsteps of the reforms known as Act 10 enacted by Wisconsin Governor Scott Walker in 2011. Governor Walker's reforms, in essence, enacted a public sector right-to-work law by sharply limiting collective bargaining rights for public sector workers and removing automatic payroll deduction of union dues from state employee paychecks.[24] For Governor Walker, signing a formal right-to-work law in 2015 was just icing on the cake.

The Campaign Finance Impact of Declining Union Power

Unions have long been viewed as piggybanks for political campaigns, mostly progressive of late, and for good reason. According to data from the Center for Responsive Politics, eight of the top 15 organizations – companies, unions, super PACs and others – who have donated money to political causes from 1989 to present are unions.[25] These eight unions – the Service Employees International Union (SEIU), American Federation of State, County and Municipal Employees (AFSCME), National Education Association (NEA), American Federation of Teachers (AFT), Carpenter & Joiners Union, International Brotherhood of Electrical Workers, United Food & Commercial Workers Union and the Laborers Union – accounted for an incredible $731 million, or 57 percent, of the total $1.27 billion of contributions made by the top 15 organizations donating to political causes. Of the $731 million donated by those eight unions, $709 million, or 97.1 percent, of the money went to candidates and causes designated by the Center for Responsive Politics as "Democrats & Liberals."[26]

Importantly, because of the way campaign contributions are reported per federal law, the Center for Responsive Politics groups contributions from organizations, their PACs, their own treasuries and their employees when reporting the total amount of contributions from an individual organization. For instance, Goldman Sachs, which appears on the top-15 contributors list, is likely only able to have a contribution number large enough to appear on the list because its employees' personal donations are also counted. Unions, on the other hand, may have many members, but do not generally have enormous amounts of employees. Accordingly, the union contributions reported are almost entirely made up of direct union contributions. If the Center for Responsive Politics excluded donations by an organization's employees from its top-15 contributors list, it's possible, if not likely, that virtually every spot on the list would be filled by a union.

Even more astounding than the number of large union political contributors is the size of the donations. According to the National Institute for Labor Relations Research, unions spent $1.4 billion, $1.7 billion and $1.7 billion in the 2010, 2012 and 2014 election cycles, respectively.[27] That's serious money.

In California, a state plagued by chronically poor student test scores, yet also a state where teacher salaries are always among the top five highest in the nation, the teachers union has near legendary power.[28] The California Teachers Association (CTA) was founded in 1863, currently has about 325,000 members and represents all teachers in public schools K-12. The California Faculty Association and the California Community College Association are also affiliated with the CTA.[29]

To put the magnitude of the CTA's spending into perspective, the CTA spent almost $212 million on state political campaigns in the 10-year period from January 1, 2000, through December 31, 2009. This is more than any other union, business, organization or individual spent in California – nearly double that of the California State Council of Service Employees, which came in second at $107 million over that same period.[30]

In 1988, the CTA was able to get a California constitutional amendment passed, Proposition 98, which forced the state to spend enormous amounts of the general fund budget on education. These spending requirements could only be suspended by a two-thirds majority of the legislature, which has also been strongly supported by the California Teachers Association.[31] The CTA also has sponsored 170 strikes between 1975 and 2012.[32] It is no wonder California students are perennially ranked in the bottom five of the 50 states in educational performance (Table 8).

The California story, while an extreme example of public union abuse and exploitation, is a harsh reminder of what strong public sector union power can lead to – citizens paying more in the way of taxes and receiving fewer public services in return.[33] As more and more states enact right-to-work laws and pass legislation banning practices such as automatic payroll deduction of union dues, as Wisconsin Act 10 did, the money available to unions for political purposes will start to dry up.

TABLE 8 | **California Ranking in 50-State Ranking of NAEP Test Scores** (50-state ranking based on 4th & 8th grade math & reading scores for years 2003, 2005, 2007, 2009, 2011, 2013 and 2015)

2003	2005	2007	2009	2011	2013	2015
46	46	48	47	47	46	46

Source: U.S. Department of Education National Assessment of Educational Progress

The Economic Performance Consequences of Right-to-Work

The differences in performance outcomes between states that have right-to-work laws and forced-union states are dramatic. In the chapter "Why Growth Rates Differ: An Econometric Analysis of the Data," in *Wealth of States*, the effects of right-to-work laws on the cross-section time series decadal growth in a state's gross state product were examined.[34] Using regression analysis, it was found that being a right-to-work state appears to impart a 15 percentage point growth advantage over a decade to that state, which is both huge and reasonable. The variable, "RTW," which indicates whether the state maintains a right-to-work law, is extremely important, both statistically and economically, as shown by its t-statistic and R^2 value, as well as by the number of people impacted.[35]

A simple way to examine the effects of right-to-work status on state economic performance is to compare the average performance of right-to-work states versus forced-union states over the past decade (Table 9). Because we are examining a 10-year period ending in 2014, we haven't included the four most recent additions to the right-to-work camp because the period for which these states have been right-to-work has been such a small part of the 10-year window ending in 2014.

As measured in terms of population growth over the past decade, the 22 right-to-work states beat the 28 forced-union states 12.4 percent to 6.0 percent, or by a population growth differential of 6.4 percentage points. In net domestic in-migration, the right-to-work states *gained* over the course of a decade an average of 3.1 percent of their populations from net domestic migration, while the forced-union states *lost* an average of 1.1 percent of their populations due to net domestic migration, which resulted in a decadal growth differential of 4.2 percentage points. Political power in the U.S. is shifting toward right-to-work states, as demonstrated earlier.

TABLE 9 | **Economic Performance: 22 Right-to-Work States vs. 28 Forced-Union States**
(performance metrics are 10-year percent change from 2004-2014 unless otherwise indicated)

	1/1/2012	2004-2014	2005-2014	2004-2014	2004-2014	2004-2014	2002-2012
State	RTW? Yes=1**	Population	Net Domestic In-Migration†	Nonfarm Payroll Employment	Personal Income	Gross State Product	State & Local Tax Revenue‡
Average of 22 Right-to-Work States*	1.00	12.40%	3.06%	9.06%	54.74%	50.65%	65.64%
50-State Average*	0.44	8.84%	0.71%	6.14%	48.42%	43.59%	63.00%
Average of 28 Forced-Union States*	0.00	6.04%	-1.14%	3.86%	43.46%	38.04%	60.93%

** Equal-weighted averages.*
*** RTW status is as of 1/1/2012. Since that date, Indiana, Michigan, Wisconsin and West Virginia have passed RTW laws. We have decided not to include these four states as RTW states because they have only been RTW for a very brief portion of the analysis period, if at all.*
† Net domestic migration is calculated as the 10-year (2005-2014) sum of net domestic in-migrants divided by the mid-year (2010) population.
‡ 2002-2012 due to Census Bureau data release lag.

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

In nonfarm payroll employment growth, right-to-work states grew 9.1 percent over the decade compared to employment growth in forced-union states of 3.9 percent, for an employment growth differential of 5.2 percentage points. In personal income growth, right-to-work states grew 54.7 percent compared to 43.5 percent in forced-union states for a personal income growth differential of 11.3 percentage points. In gross state product, the right-to-work states once again beat the forced-union states – 50.6 percent to 38.0 percent – by a decadal growth differential of 12.6 percentage points, which should be no surprise given how much friendlier right-to-work states are to entrepreneurs and business operators. These results are a shorter-term view of the data presented earlier in Figure 8.

Right-to-work states even beat forced-union states by 4.7 percentage points in tax revenue growth over the last decade, 65.6 percent to 60.9 percent. It is safe to say that right-to-work states beat forced-union states in every major economic performance variable. These drastically different performance outcomes, when compounded over time, explain just how the "rust belt" got its name. Below we highlight some of the recent key developments involving right-to-work.

Friedrichs v. California Teachers Association

In March 2016, unions in all 24 forced-union states narrowly avoided a game-changing decision by the Supreme Court in its ruling on *Friedrichs v. California Teachers Association. Friedrichs* was filed on behalf of 10 public school teachers who objected to the mandatory fees they owed to the California teachers' union on the grounds that the fees often went to union leaders who supported political positions contrary to those held by the teachers.[36] In the view of the plaintiffs, being forced to fund the political views and actions of union leaders with whom the teachers disagreed constituted a violation of the plaintiffs' right to free speech as protected under the First Amendment.

Prior to the March decision, right-to-work advocates were given reason for optimism following the Supreme Court's oral arguments in January, when liberal Justices Kagan and Breyer both defended the existing law protecting mandatory union fees. Curiously, the liberal defense rested almost entirely on the basis of maintaining the current legal order, rather than arguing the constitutional and economic merits of the existing laws as reflected in the arguments offered by conservative Justices.[37]

Pundits on both the left and right braced themselves for a ruling that would have effectively brought right-to-work to all 50 states; however, the untimely passing of the Supreme Court's strongest conservative voice, Justice Scalia, resulted in a 4-4 split decision on *Friedrichs*. The legal team representing the teachers refiled their case with the Court in the hopes a full bench would hear the case; however, the Court denied the opportunity for a rehearing, thus making its decision to protect forced-unionism in *Friedrichs* final.[38]

Illinois

Republican Governor Bruce Rauner pushed right-to-work legislation in Illinois, a state that is, almost without exception, one of most inhospitable to pro-growth economic policies. The Illinois State Legislature responded to Governor Rauner's drive to restore economic growth with a strong message: Not a single member of either party voted in favor of right-to-work.[39]

Eager to spur job creation and growth, some local officials in Illinois got creative. Trustees in the town of Lincolnshire, already vocal supporters of Governor Rauner's right-to-work effort, passed a local ordinance ending forced-unionism by a 5-1 vote.[40] The trustees' vote reflected the will of the vast majority of the citizens of Lincolnshire, who overwhelmingly opposed forced-unionism.[41]

The threat to entrenched union power was not lost on local unions, with four unions, including three affiliated with the AFL-CIO, filing suit against the village of Lincolnshire on the basis that the NLRA pre-empted local governments from enacting right-to-work legislation.[42] The outcome of these proceedings is still pending at the time of this writing.

Kentucky

In Kentucky, unsuccessful attempts to pass right-to-work have become a tradition. In every legislative session in recent memory, the Republican-led Kentucky State Senate has introduced and passed a right-to-work bill. In every one of those sessions, the Democrat-led Kentucky House has voted it down.

Undaunted by the defeat of right-to-work in the Kentucky State Legislature, advocates adopted an innovative new strategy to attract out of state investment and boost employment and growth. Echoing the effort in Illinois by some ambitious county governments, local officials, businesses and chapters of the Chamber of Commerce from across the state got creative: if the State Legislature wasn't going to pass right-to-work, local governments would – and they did.

By January 2015, Fulton, Hardin, Simpson, Todd and Warren counties – the first four of which share a border with right-to-work states – had adopted local right-to-work ordinances.[43] Within a matter of months, 11 counties representing over 800,000 Kentuckians had adopted right-to-work and another nine counties were taking initial steps to implement right-to-work.[44]

Unions were quick to respond to the rise of local right-to-work in Kentucky. Together, nine unions filed suit against Hardin County in the Western District of Kentucky's Louisville Division, one of the most liberal parts of the state. The unions claimed that Congress' intention with the NLRA "was not to authorize every county, city, town and village to adopt their own conflicting policies regarding union security." They also claimed that precedence was in their favor, citing a decision in a local right-to-work case in Kentucky dating back to 1965, *Kentucky State AFL-CIO v. Puckett.* However, *Kentucky State AFL-CIO* predated Kentucky's 1978 home rule legislation that granted broad authority to local governments to pass legislation specifically intended to boost economic development.[45]

Unfortunately for the state's growth prospects, U.S. District Judge David J. Hale struck down local right-to-work ordinances in Kentucky in February 2016.[46] Judge Hale's ruling relied on interpreting the NLRA to have pre-empted local governments from enacting right-to-work. Hardin County announced it would appeal the decision to the Sixth Circuit Court of Appeals.[47] In November 2016, the Sixth Circuit Court of Appeals overturned the lower court – holding that "home rule" counties can pass local right-to-work laws.

Conclusion

Over the entire 50 plus year period from 1960 through 2011, only four states passed right-to-work laws. Yet four states have passed right-to-work laws in just the last four years.[48] It seems that right-to-work laws are once again *de rigueur,* and, as demonstrated in this chapter, that's a net positive for economic growth and public service outcomes in states with such laws. At the current rate of increase in the number of states with right-to-work laws and the increase in population and economic growth in those states, it looks like the majority of Congressional seats will exist in right-to-work states by the next redistricting in 2020. As fewer forced-union states remain, and those states witness continued out-migration of people, businesses, employment and capital, their lawmakers will be all but forced to enact right-to-work laws of their own.

Just recently, West Virginia became the 26th state to enact right-to-work, with the law taking effect in the second half of 2016.[49] Though a majority of forced-union states have attempted and failed to pass right-to-work legislation in recent legislative sessions, the trend that has been sweeping the states remains crystal clear: states continue to believe (correctly in the view of the authors) that right-to-work has significant potential to boost economic growth.

(ENDNOTES)

1. More information about right-to-work laws can be found at the following web address: http://www.nrtw.org/b/rtw_faq.htm
2. The actual text of NLRA Section 14(b) reads as follows:
   (b) [Agreements requiring union membership in violation of State law] Nothing in this Act [subchapter] shall be construed as authorizing the execution or application of agreements requiring membership in a labor organization as a condition of employment in any State or Territory in which such execution or application is prohibited by State or Territorial law. Source: "National Labor Relations Act." National Labor Relations Board.
3. Data sourced from chart in: Gordon, Colin and Eisenbrey, Ross. "As unions decline, inequality rises." Economic Policy Institute. June 6, 2012.
4. "Glossary." United States Department of Labor. Accessed July 24, 2015.
5. "State Right To Work Timeline." National Right To Work Committee. Accessed July 28, 2015.
6. Swindler, William F. "Right to Work, a Decade of Development." *Faculty Publications of William & Mary Law School*. Paper 1590, pp. 296-300, 1957.
7. "Can I be required to be a union member or pay dues to a union (Railway or Airline Employee)?" National Right to Work Legal Defense Foundation. Accessed October 19, 2016.
8. "State Right To Work Timeline." National Right To Work Committee. Accessed July 28, 2015.
9. Ibid.
10. "The National Labor Relations Board is an independent federal agency vested with the power to safeguard employees' rights to organize and to determine whether to have unions as their bargaining representative. The agency also acts to prevent and remedy unfair labor practices committed by private sector employers and unions." Source: https://www.nlrb.gov/what-we-do
11. "Boeing Complaint Background." National Labor Relations Board. Accessed July 30, 2015.
12. Greenhouse, Steven. "Labor Board Tells Boeing New Factory Breaks Law." *The New York Times*. April 21, 2011.
    Also see: Peterson, Kyle. "Boeing debuts first 787 Dreamliner made in South Carolina." *Reuters*. April 27, 2012.
13. Greenhouse, Steven. "Labor Board Tells Boeing New Factory Breaks Law." *The New York Times*. April 21, 2011.
    Also see: Greenhouse, Steven. "Labor Board Drops Case Against Boeing After Union Reaches Accord." *The New York Times*. December 9, 2011.
14. Suranovic, Steven. "International Trade Theory and Policy." The International Economics Study Center. Updated on January 1, 12, 2015.
15. Thanks to Professor James Blumstein, University Professor of Constitutional Law and Health Law at Vanderbilt University, for his review and suggestions concerning the Commerce Clause and Privileges and Immunities Clause of the Constitution.
16. Reese, Philip. "See what California cities pay police, firefighters." *The Sacramento Bee*. March 3, 2011. Updated October 2016 with 2015 data, accessed October 20, 2016.
17. Ibid.
18. Saillant, Catherine, Moore, Maloy and Smith, Doug. "Salary 'spiking' drains public pension funds, analysis finds." *Los Angeles Times*. March 3, 2014.
19. Moreno, Paul. "How Public Unions Became So Powerful." *The Wall Street Journal*. September 11, 2012.
20. Sherk, James. "How Collective Bargaining Affects Government Compensation and Total Spending." Testimony before the Nevada Assembly Committee on Government Affairs. The Heritage Foundation. April 7, 2015.
21. "50th Anniversary: Executive Order 10988." Federal Labor Relations Authority. Accessed August 13, 2015.
22. DiSalvo, Daniel. "Storm Clouds Ahead: Why Conflict with Public Unions Will Continue." Manhattan Institute for Policy Research. *Issue Brief No. 13*, p. 2. November 2011.
23. "Michigan Union Boomerang." *The Wall Street Journal*. July 29, 2015.
    While unions like the UAW and Teamsters originally represented private sector auto workers and truckers, respectively, these traditionally private sector unions, facing drastically declining membership over the years, have begun to represent public sector workers as well. For more on this, see: Factor, Mallory and Factor, Elizabeth. *Shadowbosses*. Center Street. New York. 2012.
24. Davey, Monica. "Wisconsin Senate Limits Bargaining by Public Workers." *The New York Times*. March 9, 2011.
25. Source: Center for Responsive Politics. https://www.opensecrets.org/orgs/list.php. Totals on this page reflect donations from employees of the organization, its PAC and in some cases its own treasury. These totals include all campaign contributions to federal candidates, parties, political action committees (including super PACs), federal 527 organizations, and Carey committees. The totals do not include contributions to 501(c) organizations, whose political spending has increased markedly in recent cycles. Unlike other political organizations, they are not required to disclose the corporate and individual donors that make their spending possible.

26. Source: Authors' analysis of Center for Responsive Politics data which are available here: https://www.opensecrets.org/orgs/list.php

27. 2010 data: "Big Labor Spent $1.4 Billion for Politics." The National Institute for Labor Relations Research.
2012 data: "Big Labor Spent $1.7 Billion for Politics." The National Institute for Labor Relations Research.
2014 data: "Big Labor Union Bosses Dig Deep." The National Institute for Labor Relations Research.

28. Manno, Michelle. "The Highest and Lowest Teacher Salaries in the U.S." October 20, 2014. Teach: Make a Difference. Also see: "California's New K-12 Test Scores." *Los Angeles Times*. August 24, 2016. Also see: Senik, Troy. "The teachers union that's failing California." *Los Angeles Times*. May 18, 2012.

29. "About CTA Fact Sheet." The California Teachers Association. Accessed October 20, 2016.

30. "Big Money Talks: California's Billion Dollar Club." California Fair Political Practices Commission. March 2010.

31. "Proposition 98 Primer." California Legislative Analyst's Office. February 2005. Also see: "Issues and Action: School Funding." California Teachers Association. Accessed October 20, 2016.

32. Senik, Troy. "The Worst Union in America." *The City Journal*. Spring 2012.

33. For a comprehensive assessment of the input costs and resulting public service outcomes in Texas versus California, see: Chapter 7 "Fiscal Parasitic Leakages: Texas versus California" in *An Inquiry into the Nature and Causes of the Wealth of States*, Hoboken, John Wiley & Sons, 2014.

34. Ibid.

35. Ibid.

36. "Friedrichs v. California Teachers Association." *Forbes*. January 12, 2016.

37. Howe, Amy. "Union fees in Jeopardy: In Plain English." SCOTUSblog. January 11, 2016.

38. Malanga, Steven. "The New Landscape of Labor." *City Journal*. Summer 2016.
Also see: "Friedrichs v. California Teachers Association et al." The Center for Individual Rights. June 28, 2016.

39. "Right-to-work goes down in flames in Illinois House with zero yes votes." *Chicago Sun-Times*. May 14, 2015.

40. Long, Jim. "Lincolnshire Voters Overwhelmingly Support Right to Work." Illinois Policy Institute. December 26, 2015.

41. According to an Advantage, Inc., poll of 4,595 registered voters in Lincolnshire (approximately 60 percent of the population according to a 2010 U.S. Census estimate, which placed the population at 7,275).
Sources: Long, Jim. "Lincolnshire Voters Overwhelmingly Support Right to Work." Illinois Policy Institute. December 26, 2015.

42. Lissau, Russell. "4 unions sue Lincolnshire over right-to-work ordinance." *Daily Herald*. February 22, 2016.

43. "Several Kentucky counties passing or considering right to work laws." *Lexington-Herald Leader*. January 17, 2015.

44. Ibid.

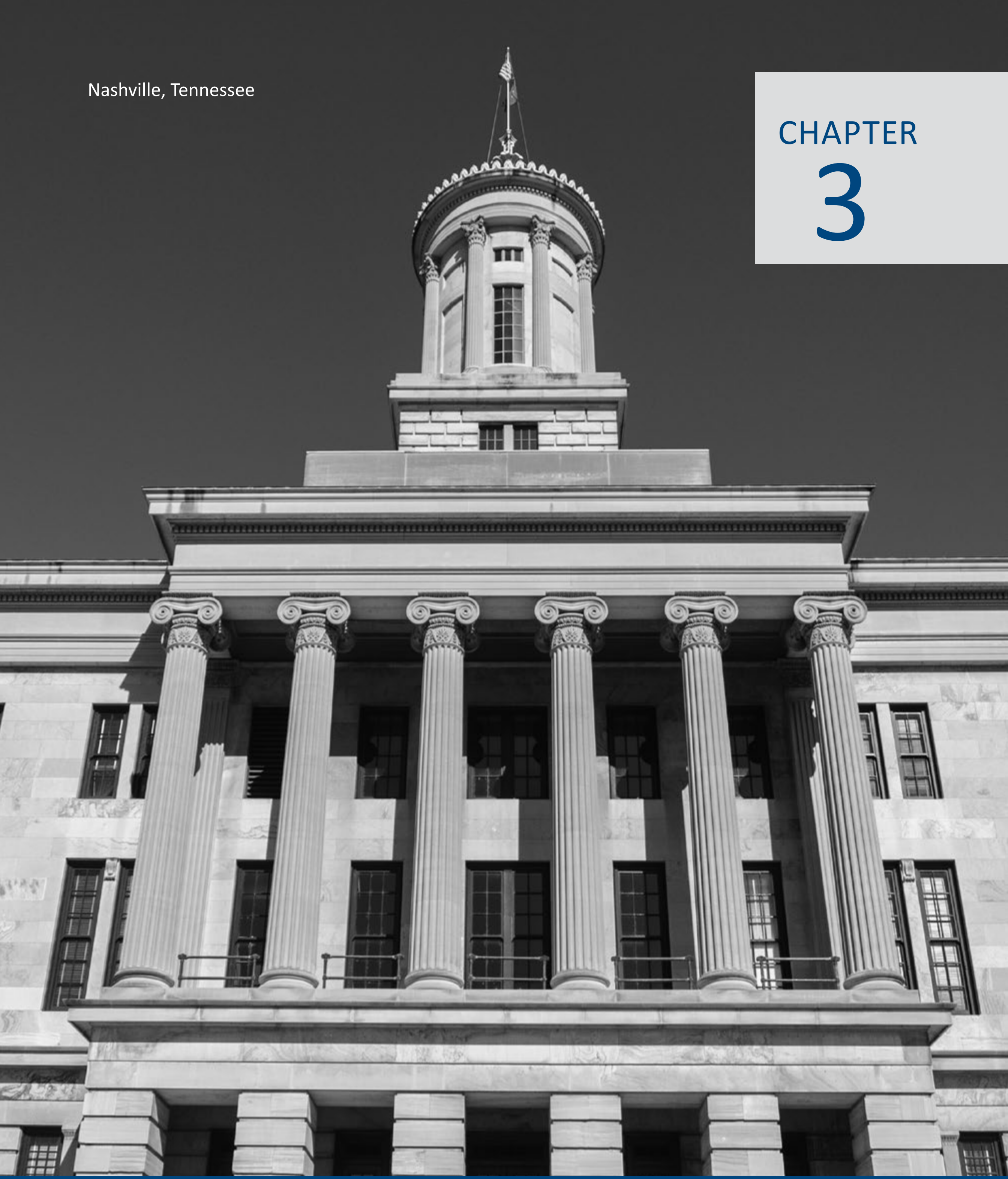
45. Kentucky State AFL-CIO v. Puckett, 391 S.W.2d at 360 (Ky. 1965).

46. Gurrieri, Vin. "Unions Win Challenge to Ky. County's Right-To-Work Law." Law 360.com. February 4, 2016.

47. Dube, Lawrence E. "Kentucky County Defends Right-to-Work Law in 6th Cir." *Bloomberg BNA*. June 15, 2015.

48. The four states are Indiana effective 2012, Michigan effective 2013, Wisconsin effective 2015 and West Virginia effective 2016.

49. "Special Legal Notice to West Virginia Workers: What West Virginia's Right to Work Laws Means for Your Rights." National Right to Work Legal Defense Foundation. Accessed October 20, 2016.



Nashville, Tennessee

CHAPTER 3

Why States Shouldn't Tax Death

Why States Shouldn't Tax Death

Death taxes include estate, inheritance and gift taxes. While similar, each of these taxes operates in a slightly different manner. Estate taxes are levied on a decedent's estate at the time of death and must be remanded by the estate directly to the government. Inheritance taxes are levied on the inheritance that beneficiaries receive from an estate and must be paid by those beneficiaries to the government. Gift taxes are levied on gifts given by one person to another, and typically apply when the gift was given shortly before the grantor's death or when the value of the gift was greater than a certain amount. These taxes are paid by the recipient of the gift to the government. While various states levy one or more of these taxes, the federal government also levies estate and gift taxes.

Recently, the federal estate tax has been back in the headlines, thanks to the 2016 presidential election cycle. In fact, big changes to the federal estate tax could happen in 2017. Hillary Clinton has proposed increasing the federal estate tax rate from the current top rate of 40 percent to three higher brackets of 50, 55 and 65 percent and applying the tax to about twice as many estates by cutting the current exemption level nearly in half. Meanwhile, Donald Trump has proposed eliminating the federal estate tax.

On the state level, estate taxes are the most common form of death tax. While several states have eliminated their death taxes in recent years, 14 continue to impose estate taxes on their residents.[3] In many of the states still clinging to this outdated mode of taxation, the estate tax rate is 16 percent and rises to as high as 20 percent in Washington state.[4]

Authors' Note

This chapter is based on the "State Death Tax is a Killer" study by Stephen Moore and Joel Griffith published by The Heritage Foundation in July 2015. Its content has been updated and re-published in this chapter at the request of Stephen Moore and with approval from The Heritage Foundation. Since its initial publication, more taxpayers are enjoying death tax relief. On January 1, 2016, Tennessee finally completed a four year phase-out of its onerous death tax on estates.[1] Furthermore, Delaware, Hawaii, Maryland, Maine, Minnesota, New York, Rhode Island, Maine and Washington state have raised their estate tax exemption levels for 2016, meaning fewer families are subject to this burdensome tax. Even Washington, D.C., has realized the death tax is an economic growth killer and passed legislation to gradually increase its estate tax exemption if the District's revenue meets certain targets.[2]

Estate taxes have several negative effects. Of course, the estate tax harms heirs of decedents by diverting accumulated wealth to the government rather than to beneficiaries. Wealthy citizens are most likely to move elsewhere to escape estate taxation. More importantly, capital available from these citizens for investment often flows elsewhere as well. Perhaps the most serious consequence is the dramatic reduction of the nation's capital stock, which is the fuel for economic expansion.

Beginning in 2001, state estate taxes are paid out of the deceased's assets rather than diverted from the amount due to the federal government. As a result of eliminating what was once called the "state estate tax credit," the estate tax is no longer "free" to states.[5] Now it could take up to an estimated one-sixth of an estate on top of the federal tax of 40 percent. It is no surprise the 14 states that still impose estate taxes continue to experience an out-migration of people and resources. Such high estate taxes impede the wealth production process and contribute to a "die broke" mentality.

Over the past five years, a handful of states—Indiana, Kansas, Ohio, Oklahoma, North Carolina and Tennessee—have eliminated their estate tax.[6] This is mostly in response to changes in the federal tax treatment of estates, which no longer make it free for states to impose their own death tax. Within the last year, New Jersey has taken steps to eventually eliminate their estate tax, however, the state has not repealed their inheritance tax.[7] Two more—Maryland and New York—have enacted legislation which will gradually raise their state estate tax exemptions to the federal level by 2019, thereby reflecting the new federal tax regime.[8] In Delaware, legislation has been proposed to eliminate the estate tax as revenues significantly lag predictions.[9]

From 2005 to 2014, only three of 14 states with estate taxes realized net positive domestic migration. Meanwhile, eight of the 10 states with the highest net domestic in-migration impose no estate or inheritance tax.[10] This indicates estate taxes lead to an exodus of citizens leaving states that have estate taxes for those that do not. Table 10 shows domestic migration for the 14 states with estate taxes.

TABLE 10 | **Domestic Migration in States with Estate Taxes**

State	Net Domestic Migration (2005-2014)
New York	-1,468,080
Illinois	-669,442
New Jersey	-527,036
Massachusetts	-156,861
Connecticut	-153,918
Maryland	-145,560
Rhode Island	-70,591
Minnesota	-65,800
Hawaii	-36,439
Vermont	-9,107
Maine	-3,958
Delaware	41,162
Oregon	195,898
Washington	286,312

Source: 2016 ALEC-Laffer State Economic Competitiveness Index

State Death Taxes

Prior to 2001, states could impose an estate tax of up to 16 percent with no extra burden on their residents because a federal tax credit would offset state estate taxes. In other words, regardless of whether or not a state imposed an estate tax, a federal tax on estates above a certain level would be paid. The only question was whether those tax proceeds would flow to the federal government or to the state.

However, a state could impose a tax of its own. Every dollar owed to the state government as a result of this tax could be deducted from the tax owed to the federal government.

But that policy has ended. Now state death levies are paid out of the deceased's assets rather than diverted from the amount due to the federal government. The only federal tax break related to estate taxes is a tax deduction in the amount of the state estate tax imposed. This tax deduction lowers the valuation of the estate for federal estate tax purposes by the amount of the state estate tax paid. For estates incurring state estate tax liability, but falling beneath the federal threshold, this tax deduction does not save an estate a single dime.

Because of the elimination of the state estate tax credit, the estate tax is no longer "free" to states. Other than the savings resulting from state estate deduction, every dime collected is in addition to any federal estate tax owed.

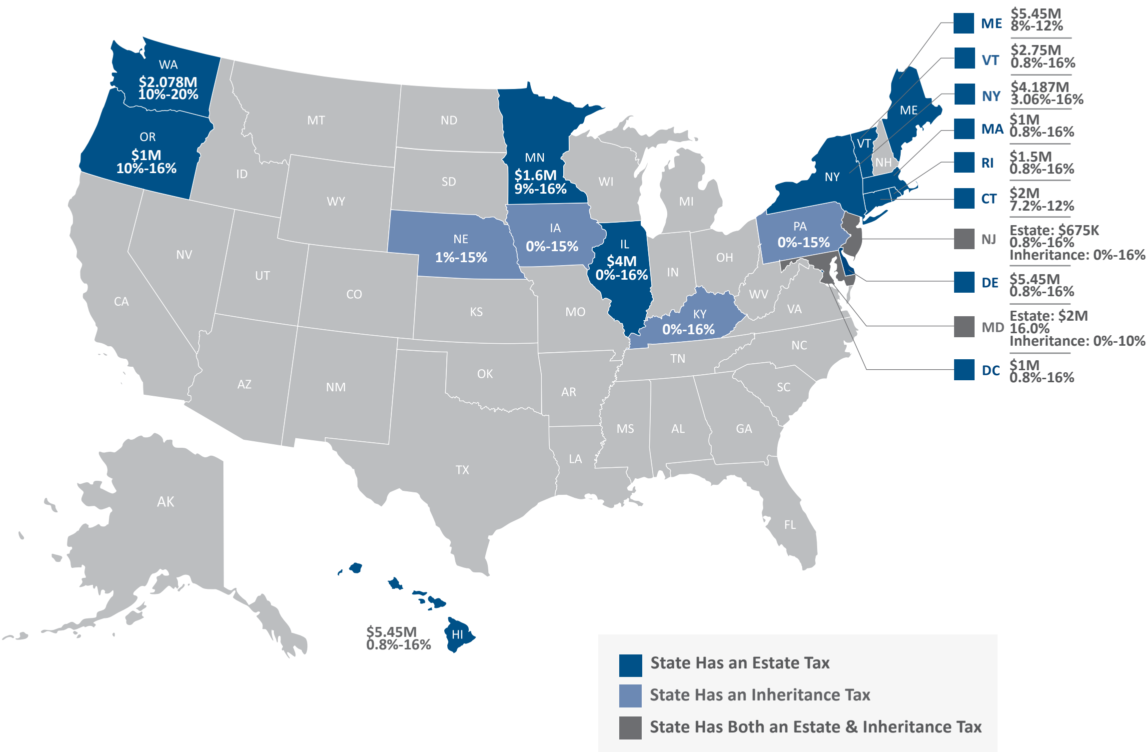
Furthermore, the amount of an estate "exempted" from taxation at the federal level has risen drastically from $1,500,000 in 2005 to $5,450,000 in 2016. However, not all states have followed suit. For instance, in Nebraska, an inheritance tax of up to 15 percent must be paid on inheritance values above $10,000.[11] With exemption levels this low, many family-owned businesses could be affected when the owners pass away and transfer the business to their children.

Regrettably, state legislators often badly misunderstand the estate tax rules, which might explain why most states with death taxes still apply a 16 percent rate—as if federal rules had not changed. These 14 states and the District of Columbia still impose huge costs on their own citizens at death and thus chase out capital, jobs, and wealthy residents by failing to modernize their state estate tax laws.

Why Kill the Estate Tax?

The estate tax is an unfair double tax on income that was already taxed when it was earned by the person who leaves an estate for his or her children. But the estate tax is not just unfair – it kills jobs and incomes. Many studies indicate the death tax is so inefficient, so adverse to saving and capital investment, and so complicated the states and the federal government would actually recoup much, if not all, of the revenues lost from repealing this tax through higher tax receipts resulting from long-term economic growth.

FIGURE 16 | **Does Your State Have an Estate or Inheritance Tax?**
State Estate & Inheritance Tax Rates & Exemptions in 2016



Note: Exemption amounts are shown for state estate taxes only. Inheritance taxes are levied on the posthumous transfer of assets based on the relationship to the decedent; different rates and exemptions apply depending on the relationship.

Source: Tax Foundation

For example, a 1993 study by George Mason University economist Richard Wagner suggests the death tax causes so much economic destruction in capital formation that states and the federal government would enhance their revenue collections over the long term without the tax.[12] A 2001 study for the American Council for Capital Formation co-authored by Douglas Holtz-Eakin, later head of the Congressional Budget Office, and Donald Marples, later senior economist for the U.S. Government Accountability Office, highlights the negative impact of the estate tax:

> *"Entrepreneurs are particularly hard hit by the estate tax as they face higher average estate tax rates and higher capital costs for new investment than do other individuals.... The estate tax causes distortions in household decision-making about work effort, saving, and investment (and the loss of economic efficiency) that are even greater in size than those from other taxes on income from capital."*[13]

States Losing Income and Revenue as Residents Move to Avoid Death Taxes

A 2004 National Bureau of Economic Research study found states lose up to one-third of their estate taxes because "wealthy elderly people change their state of residence to avoid high state taxes."[14] That was before the change in federal law when states imposed effective estate tax rates that were only one-third as high as they are now. Under the new soak-the-rich schemes, some states could lose so many wealthy seniors they may actually lose revenue over time. Not surprisingly, it is generally the liberal, tax-and-spend blue states that are reinstating taxes on death. Over the past 10 years, nearly 1,000 people every day have fled these high-tax states for low-tax states.[15] This is one reason the Northeast has suffered economic decline in recent decades.

Numerous studies, including one by President Bill Clinton's Secretary of the Treasury Lawrence Summers, suggest the desire to leave a legacy for one's heirs—rather than just enjoy a comfortable retirement—incentivizes many to continue to invest in their enterprises and save money throughout their entire lifetime. According to Summers:

> *"The evidence presented in this paper rules out life cycle hump saving as the major determinant of capital accumulation in the U.S. economy. Longitudinal age earnings and age consumption profiles do not exhibit the kinds of shapes needed to generate a large amount of life cycle wealth accumulation. The view of U.S. capital formation as arising, in the main, from essentially homogenous individuals or married spouses saving when young for their retirement is factually incorrect…Intergenerational transfers appear to be the major element determining wealth accumulation in the U.S."*

In other words, this desire to leave a legacy accounts for much of the trillions of dollars of wealth passed from one generation to the next. All of society benefits when this wealth remains invested in the productive economy rather than being siphoned into the coffers of inefficient government agencies. Yet the higher the estate tax rate, the more this incentive for wealth creation—and legacy creation—is reduced. The combined federal and state estate tax rate now approaches an estimated 50 percent in many states (after accounting for deductions). This explains why estate tax planning and tax avoidance is a booming industry.[16]

State death taxes are especially futile because residents subject to the tax can avoid it by relocating before they die. For example, a successful New York business owner with $50 million of lifetime savings can move his family and company to Florida, Georgia, Texas or 28 other states and cut his death-tax liability by more than $7 million.[17] Even the late Senator Howard Metzenbaum (D–OH), an ardent liberal and one of the wealthiest members of Congress, moved to Florida from Ohio after he retired from politics, thereby avoiding millions in estate taxes.[18]

States That Tax Death

Below are a few examples of how state death taxes are affecting state economic conditions.

Minnesota

Thousands of Minnesota snowbirds move to Florida during the winter months already, so the state's death tax adds an extra financial incentive not to return. The Center for the American Experiment, a non-partisan Minnesota research group, found $3 billion of income was lost to the state between 1995 and 2010 because Minnesotans relocated to Florida and Arizona.[19] Minnesotans already have a strong incentive to become snowbirds and flee because of the cold winters. Now they have two reasons to leave.

New York

In his 2014 State of the State Address, New York Governor Andrew Cuomo (D) said:

> *"New York is one of only fifteen states with an estate tax and our exemption levels are among the lowest and our rates are among the highest. Let's eliminate the move-to-die tax where people literally leave our state, move to another state to do estate tax planning…We propose raising New York's state tax threshold and lowering the rate to put it into line with other states."*[20]

Governor Cuomo stated a fundamental economic truth: The death tax levied by states is a primary and underestimated killer of both jobs and businesses. He is spot-on that wealthy people do move themselves and their businesses from high-death-tax to low-death-tax states, especially as they grow older. Although New York is now gradually raising the estate tax exemption levels, its 16 percent tax on estate values exceeding this limit is still higher than in the 32 states that have no estate or inheritance.[21]

In New York City, about 40 percent of income tax revenue comes from those earning $1 million or more, according to the latest data (2011) from New York City's Independent Budget Office.[22] Yet a *New York Sun* report found "it has been typical for New York to lose wealthy residents to so-called 'retirement states' with warmer climes and more hospitable tax systems." Estate tax lawyers told the *Sun* "the costs of the state estate tax outweigh the benefits…because of loss of income and sales tax receipts as well as the economic loss engendered by the wealthy fleeing the state."[23] A rational policy for Albany would be to lay down a red carpet to encourage more rich people to move to New York or at least to stay. Instead, with its 16 percent estate tax, Albany politicians have effectively declared: "Invest anywhere but in New York."

Connecticut

In 2008, the Connecticut Department of Revenue surveyed 166 estate tax planners, attorneys and tax accountants in the state and found 53 percent of their clients leaving Connecticut cited the state's estate tax. For three of four leaving the state, the estate tax was mentioned as at least a partial reason for leaving. The department estimated the state lost $1.2 billion in income annually from 2002 to 2006.[24]

The *New York Post* ran an Associated Press story in February 2015, reporting the state is so dependent on tax revenue from high-income individuals that "Connecticut tax officials track quarterly estimated payments of 100 high net-worth taxpayers and can tell when payments are down." According to Kevin Sullivan, the state's commissioner of revenue, "There are probably a handful of people, five to seven people, who if they just picked up and went, you would see that in the revenue stream."[25]

Scott Frantz, the ranking Republican on the state senate finance committee, said the state's dependence on tax revenues from the super-rich is "pretty frightening."[26] A Gallup Poll in 2014 found 49 percent of Connecticut residents would leave the state if they could. That was second only to Illinois.[27]

New Jersey

Good news is on the horizon for New Jersey taxpayers. After years of being one of two states (Maryland being the other) that had both an estate tax and inheritance tax, starting in January of 2018, residents will no longer pay the 16 percent estate tax – though the inheritance tax will still be collected. This comes at a time when, according to the wealth management firm RegentAtlantic, "the average income coming into New Jersey is approximately 50 percent less than the income that is leaving." In fact, in the period studied (2009–2010), just five states accounted for 86 percent of this lost income: Florida, Pennsylvania, North Carolina, Maryland and Virginia.[28]

This is due in part to New Jersey imposing both an estate and inheritance tax and the fact that the state's inheritance tax has such a low exemption level, with estate values over just $675,000 being hit with a 16 percent tax rate. RegentAtlantic's report quoted Sandra Sherman, a partner at Riker Danzig Scherer Hyland Perretti, LLP, noting this "means that if you have a small pension and you have a house in Morris County you are very likely over that limit."[29]

RegentAtlantic's New Jersey Wealth Index dipped below 50 in early 2008 – indicating a below-average environment for wealth creation – and has eclipsed this pivotal level since.[30] As RegentAtlantic summarizes, "When it comes to estate taxes, New Jersey or any other state does not compete with the federal government. Instead, the competition takes place on a state-by-state level. Those states with the highest exemption, or no estate taxes, tend to be more attractive to high-net-worth households."[31]

Rhode Island

According to the Ocean State Policy Institute, from 1995 to 2007, Rhode Island "collected $341.3 million from the estate tax" while it lost $540 million in other taxes "due to out-migration."[32] They report:

> *"The most significant driver of out-migration is the estate tax, especially considering that the number one destination state for former Rhode Island residents is Florida, a state with no estate tax (or individual income tax).*
>
> *It is no surprise that after Florida's estate tax disappeared in 2004, the level of Rhode Island's out-migration significantly accelerated. In fact, almost $900 million of all income lost (of the $1 billion total) due to out-migration happened after 2004, of which over $400 million went to Florida."*[33]

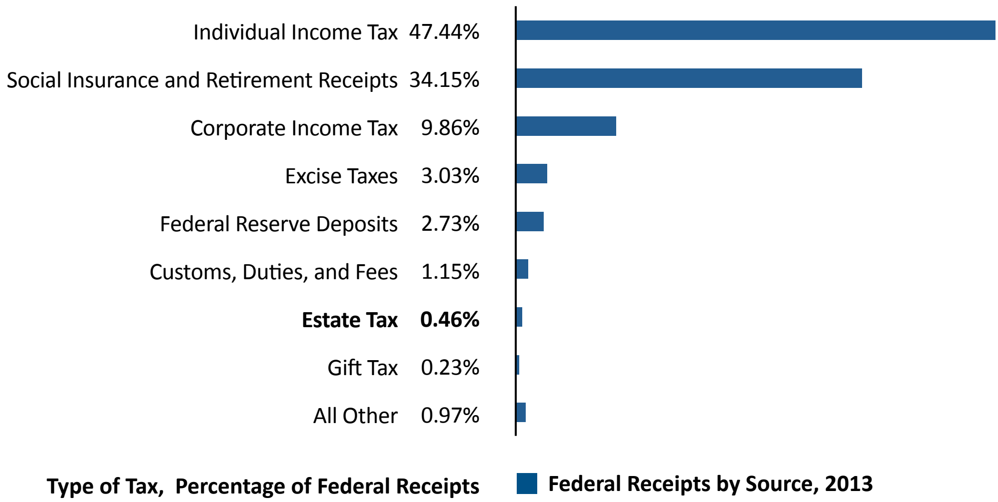
Tennessee

2016 was a big year for Tennessee. On top of abolishing the so-called Hall Tax on all taxable interest and dividend income, Tennessee finally phased out their death tax on estates. Now, after almost a year, Tennessee is collecting more than $150 million in tax revenue beyond what was originally projected. There are many reasons for this, and all credit cannot be given to repealing the death tax, but it is clear Tennessee is growing because government is getting out of the way, and creating an attractive place for business and retirees.

Laffer Associates conducted one of the most thorough studies on the impact of estate taxes on migration patterns for the state of Tennessee.[34] The 2012 report compared tax returns in Tennessee with those in other states without an estate tax. The study reported the following findings before the state enacted legislation terminating the tax, effective January 1, 2016:

> *"Tennessee's gift and estate tax is the poster boy for bad tax policy. Tennessee is one of only 19 states with a separate estate tax and one of only two states with a gift tax. Tennessee has the single lowest exemptions for both its estate tax and its gift tax."*[35]
>
> *"The cost Tennessee has paid for its gift and estate tax in lost economic growth and employment is staggering. Had Tennessee eliminated its gift and estate tax 10 years ago, Tennessee's economy would have been over 14 per-*

FIGURE 17 | **Estate Taxes Minuscule by Comparison**



Source: Federal Receipts, 2013, Internal Revenue Service, SOI Tax Stats

cent larger in 2010 and there would have been 200,000 to 220,000 more jobs in the state. And, the more robust economic growth would have benefited state and local government revenues adding between $7 billion and $7.3 billion to state and local coffers."[36]

"The average taxable estate in Tennessee is consistently smaller than the U.S. average. In 2010 the average size of a federal estate filed in Tennessee was almost 25 percent smaller than the U.S. average federal estate, or $1,350,000 less. And, in Tennessee there were over 20 percent less federal estates filed per 100,000 population than the U.S. average. People really do leave Tennessee because of Tennessee's gift and estate tax – and they leave in droves."[37]

Estate Taxes Do Not Reduce Income Inequality

Liberals defend the death tax by saying that it is only borne by the richest Americans. Therefore, this is thought to be a sound strategy to take from the rich and give to the poor. However, the estate tax is not just immoral and economically harmful. It also fails to raise money for the government, or at most it raises a trivial amount.

The latest tax collection data from the IRS makes an overwhelmingly persuasive case for eliminating the death tax at the federal level. The federal government would almost certainly collect more revenue if this tax did not exist and if it eliminated the "angel of death" provision of the capital gains tax and then taxed the full appreciation of asset values at the time of sale.

IRS data shows the estate tax raised less than $13 billion in 2013.[38] This is out of nearly $3 trillion in total federal tax collections that year. In other words, a trivial amount of federal tax receipts, less than 0.5 percent, came from this tax—less than 50 cents of every $100.[39] Its impact on the federal deficit would be minuscule. If Congress eliminated the tax entirely, the federal government, at worst, would still collect an estimated 99.5 percent of all federal revenues.

Similarly, most states collect less than 1 percent of their revenues from estate and inheritance taxes. The revenues are trivial for a tax that does real damage to local economies.

This brings us to the stupendous inefficiency of the tax. In 2013, only 4,687 estates paid any federal estate tax.[40] This was about one-fifth of a percentage point of all deaths that year, about two out of every 1,000.[41] Yet nearly every medium-sized estate must waste time and money filling out catalogs of tax forms. The joke in legal circles is that we have an estate tax not to raise money, but to create jobs for thousands of accountants and lawyers.

Most of the billionaire households – e.g., Gates, Buffet and Rockefeller – will pay almost nothing in estate tax. In the case of Gates and Buffet, billions of dollars of their wealth is sheltered from the IRS through the creation of tax-exempt entities, such as foundations. In many cases the income parked there will never be taxed – either while they are alive or after they are dead – thanks to this mother of all tax shelters.

Conclusion

Estate taxes are economically self-defeating. Nobel laureate economist Joseph Stiglitz, who served as chairman of Bill Clinton's Council of Economic Advisers, once found the estate tax may increase inequality by reducing savings and driving up returns on capital.[42] The previously cited Lawrence Summers study found the estate tax reduces capital formation.[43] In addition, a 2012 study by the Joint Economic Committee Republicans showed the estate tax has reduced the capital stock by approximately $1.1 trillion since its introduction nearly a century ago.[44]

This explains why more socialist nations, such as Sweden and Russia, have abolished their inheritance taxes in recent years. They concluded the tax was economically counterproductive. At the state level, death taxes are self-defeating because they drive out businesses and high-income residents. Even for those choosing to remain in death tax states, the elderly are incentivized to spend down their assets while alive or to find tax shelters, which results in massive disinvestment in family-owned businesses—the backbone of local economies.

Of course, in America, preventing a state government from confiscating 10 to 20 percent of a lifetime estate is easy to do and financially prudent. The person simply needs to move to a state without death taxes. The wonder is not that so many people of wealth leave a state to avoid the estate tax, but that some still have not. One reason to suspect that out-migration from high-estate-tax states will accelerate in the future is that tens of trillions of dollars of wealth will be passed on from one generation to the next over the next two decades. It is no accident that the high-flying states in America are almost all death-tax free.

(ENDNOTES)

1. Sher, Andy. "Tennessee says goodbye to death (tax) on Jan 1." *Times Free Press.* December 30, 2015.
2. Ebeling, Ashlea. "Where Not To Die In 2016." *Forbes.* October 16, 2015.
3. Walczak, Jared. "Does Your State Have an Estate or Inheritance Tax?" Tax Foundation. May 25, 2016.
4. Ibid.
5. Aucutt, Ronald. "Estate Tax Changes Past, Present and Future." McGuireWoods LLP. October 2016.
6. Garber, Julie. "State Estate Tax and Exemption Chart." The Balance. Updated September 21, 2016.
   Also see: Freeland, Will and Portu, Matt. "The Death Tax - Taxes on Death." American Legislative Exchange Council. September 2013.
7. Ebeling, Ashlea. "New Jersey Repeals Estate Tax, Not Inheritance Tax." *Forbes.* October 7, 2016.
8. Ebeling, Ashlea. "Where Not To Die In 2016." *Forbes.* October 16, 2015.
9. Starkey, Jonathan. "Facing budget challenges, lawmakers eye tax changes." *The News Journal.* May 2, 2015.
10. Laffer Associates compilation of U.S. Census Bureau annual net domestic migration data. Net domestic migration is calculated as the 10-year (2005–2014) sum of net domestic in-migrants divided by the mid-year (2010) population.
11. Facts & Figures. Tax Foundation. 2016.
12. Wagner, Richard E. "Federal Transfer Taxation: A Study in Social Cost." Institute for Research on the Economics of Taxation. Fiscal Issue No. 8, 1993.
13. Holtz-Eakin, Douglas and Marples, Donald. "Estate Taxes, Labor Supply, and Economic Inefficiency." American Council for Capital Formation. Center for Policy Research. Special Report. January 2001.
14. Bakija, Jon and Slemrod, Joel. "Do the Rich Flee from High State Taxes? Evidence from Federal Estate Tax Returns." National Bureau of Economic Research. Working Paper No. 10645. July 2004.
15. Moore, Stephen. "Nearly 1,000 People Move From Blue States to Red States Every Day. Here's Why." *The Daily Signal*. October 9, 2015.
16. Kotlikoff, Laurence J. and Summers, Lawrence. "The Role of Intergenerational Transfers in Aggregate Capital Accumulation." National Bureau of Economic Research. Working Paper No. 0445. February 1980.
17. Authors' calculations.
18. "The Die Harder States." *The Wall Street Journal*. August 20, 2013.
19. Banaian, King, Nelson, Peter J., and Testa, Patrick. "Changes to Minnesota Gift and Estate Taxes: What Uncle Sam Gives, Minnesota Takes Away." Center of the American Experiment. August 2013.
20. Office of New York Governor Andrew Cuomo. "2014 State of the State Address." January 9, 2014.
21. Emanuel, Liz, and Drenkard, Scott. "Inheritance and Estate Tax Rates and Exemptions in 2014." Tax Foundation. May 28, 2014.
22. "New York City's Personal Income Tax: Who Pays, How Much, and Other Data." City of New York Independent Budget Office. April 14, 2014.
23. Sager, R. H. "Rich New Yorkers May Flee Following Changes in Taxes on Estates of the Wealthy." *New York Sun*. May 31, 2002.
24. "Estate Tax Study." Connecticut Department of Revenue Services and Connecticut Office of Policy and Management. February 1, 2008.
25. Singer, Stephen. "Connecticut to Super-Rich Residents: Please Don't Leave Us." *New York Post*. February 9, 2015.
26. Ibid.
27. Saad, Lydia. "Half in Illinois and Connecticut Want to Move Elsewhere." Gallup. April 30, 2014.
28. Furey, Eric et al. "Exodus on the Parkway: Are Taxes Driving Wealthy Residents out of New Jersey?" RegentAtlantic. January 2014.
29. Ibid.
30. Ibid.
31. Ibid.
32. "Leaving Rhode Island: Policy Lessons from Rhode Island's Exodus of People and Money." Ocean State Policy Research Institute. January 2011.
33. Ibid.
34. Laffer, Arthur B. and Winegarden, Wayne H. "The Economic Consequences of Tennessee's Gift and Estate Tax." Laffer Center for Supply-Side Economics and Beacon Center of Tennessee. March 2012.

35. Ibid.

36. Ibid.

37. Ibid.

38. Internal Revenue Service. SOI Tax Stats—Estate Tax Statistics Filing Year: 2013, Table 1.

39. Ibid.

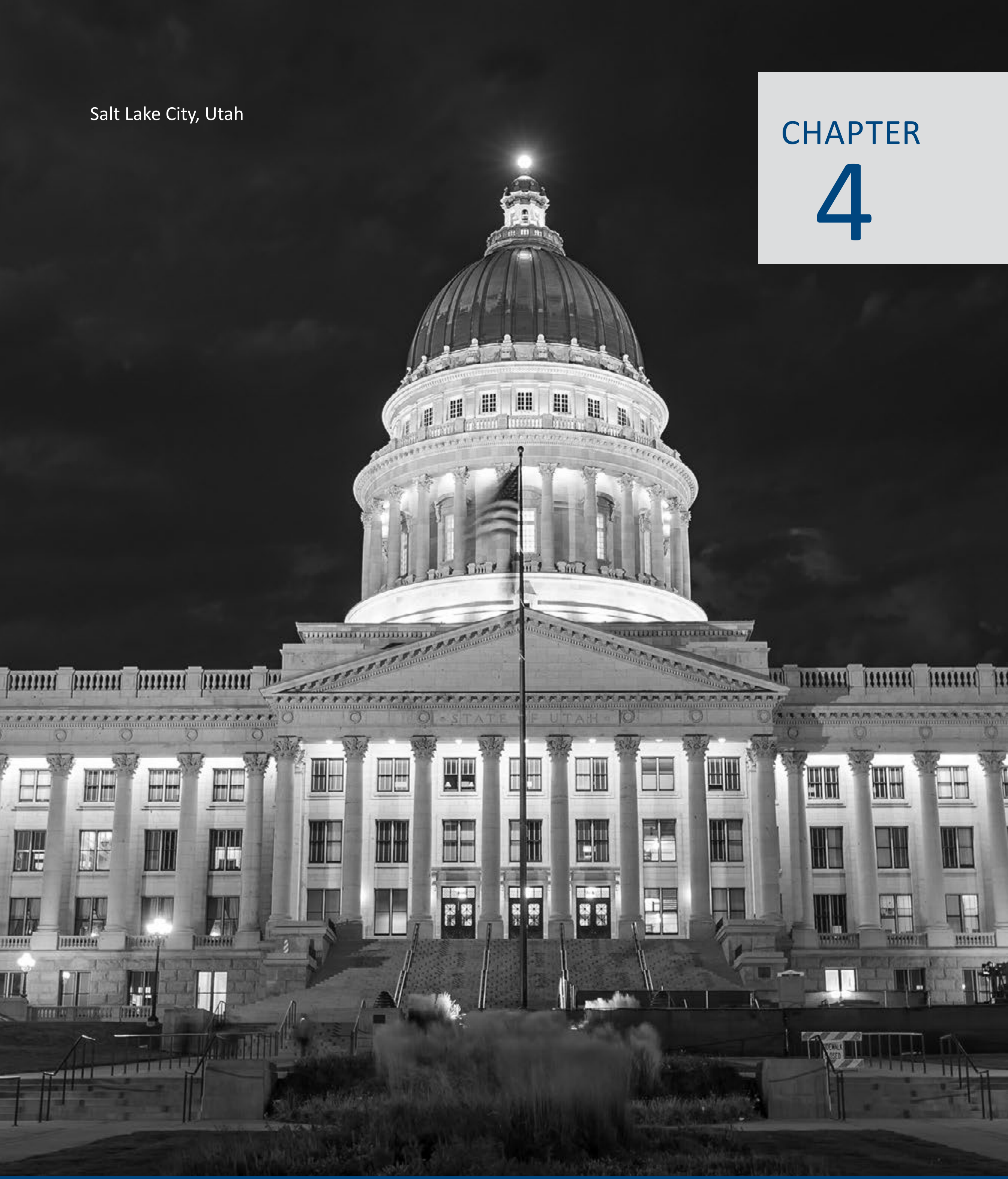
40. Ibid.

41. "Mortality Data." Centers for Disease Control and Prevention. July 8, 2015.

42. Stiglitz, Joseph E. "Notes on Estate Taxes, Redistribution, and the Concept of Balanced Growth Path Incidence." Journal of Political Economy. Vol. 86, No. 2, Part 2 (April 1978), pp. S137–S150.

43. Kotlikoff, Laurence J. and Summers, Lawrence. "The Role of Intergenerational Transfers in Aggregate Capital Accumulation." National Bureau of Economic Research. Working Paper No. 0445. February 1980.

44. "Cost and Consequences of the Federal Estate Tax, An Update." Joint Economic Committee. July 25, 2012.



Salt Lake City, Utah

CHAPTER 4

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.

TABLE 11 | **ALEC-Laffer State Economic Outlook Rankings, 2016**

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

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

TABLE 12 | **ALEC-Laffer State Economic Performance Rankings, 2004-2014**

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

Alabama

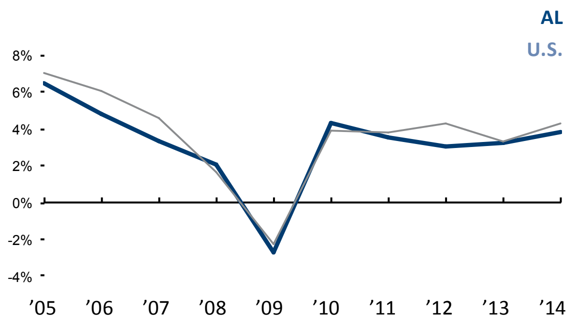
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

29 Economic Performance Rank

21 Economic Outlook Rank

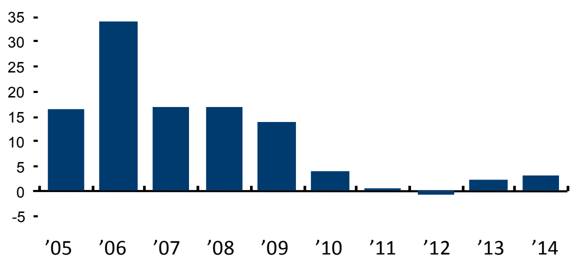
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 34.7% Rank: 32

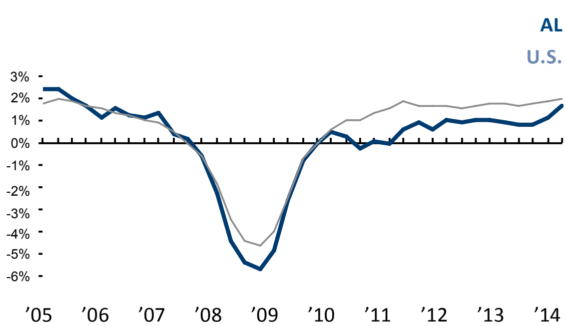


Absolute Domestic Migration
Cumulative 2005-2014 103,580 Rank: 13

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 1.2% Rank: 41



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	16	17	20	21	17	20	19

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.02%	13
Top Marginal Corporate Income Tax Rate	4.23%	7
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	-$2.16	1
Property Tax Burden (per $1,000 of personal income)	$15.18	2
Sales Tax Burden (per $1,000 of personal income)	$25.01	33
Remaining Tax Burden (per $1,000 of personal income)	$22.38	40
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.04	24
Debt Service as a Share of Tax Revenue	8.5%	31
Public Employees Per 10,000 of Population (full-time equivalent)	583.9	40
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	55.1	46
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.81	22
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

17-0245 A Page 74 of 128

Alaska

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

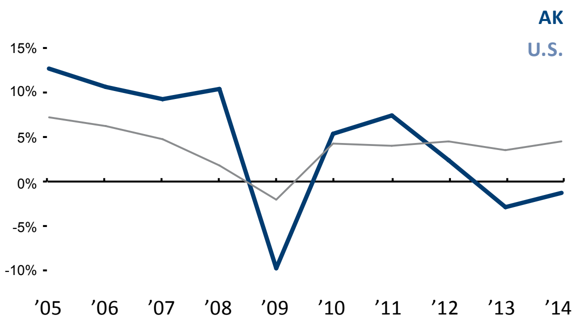
13 Economic Performance Rank

25 Economic Outlook Rank

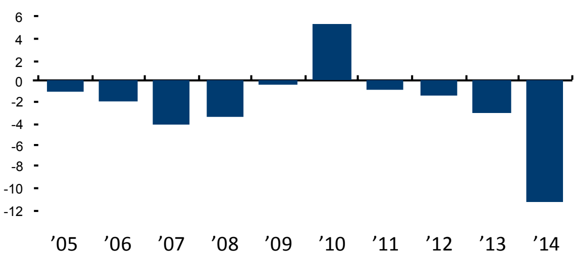
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

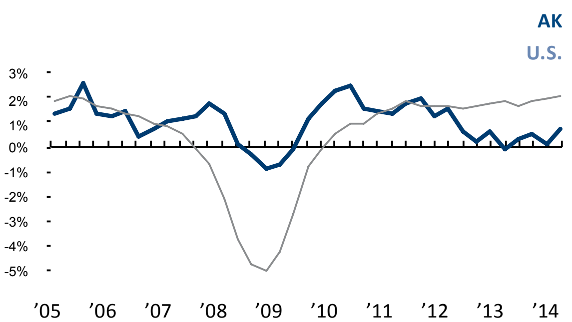
State Gross Domestic Product
Cumulative Growth 2004-2014 59.5% Rank: 6



Absolute Domestic Migration
Cumulative 2005-2014 -21,018 Rank: 31
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 10.6% Rank: 8



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	38	22	29	29	21	18	14

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	9.40%	44
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$37.12	40
Sales Tax Burden (per $1,000 of personal income)	$5.71	5
Remaining Tax Burden (per $1,000 of personal income)	$13.55	6
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.19	33
Debt Service as a Share of Tax Revenue	6.2%	14
Public Employees Per 10,000 of Population (full-time equivalent)	738.9	49
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.1	12
State Minimum Wage (federal floor is $7.25)	$9.75	48
Average Workers' Compensation Costs (per $100 of payroll)	$2.68	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	14

Arizona

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

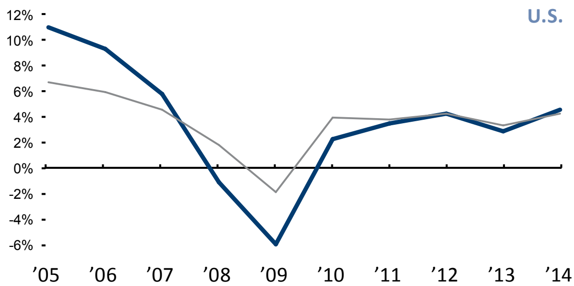
14 Economic Performance Rank

5 Economic Outlook Rank

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

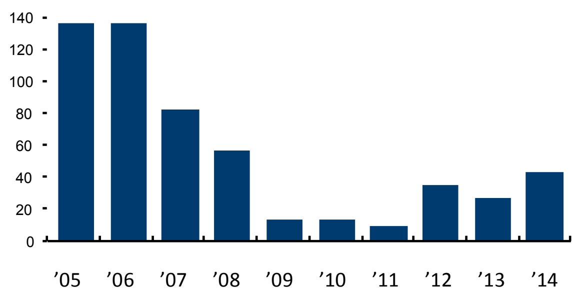
State Gross Domestic Product
Cumulative Growth 2004-2014 40.0% Rank: 25

AZ
U.S.



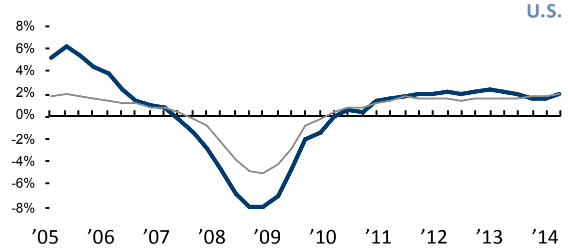
Absolute Domestic Migration
Cumulative 2005-2014 536,269 Rank: 4

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 6.8% Rank: 18

AZ
U.S.



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	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**3**	**3**	**12**	**9**	**6**	**7**	**5**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.54%	14
Top Marginal Corporate Income Tax Rate	5.50%	14
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$10.65	32
Property Tax Burden (per $1,000 of personal income)	$27.54	20
Sales Tax Burden (per $1,000 of personal income)	$37.16	48
Remaining Tax Burden (per $1,000 of personal income)	$11.75	1
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.21	19
Debt Service as a Share of Tax Revenue	8.3%	30
Public Employees Per 10,000 of Population (full-time equivalent)	426.6	2
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	65.4	25
State Minimum Wage (federal floor is $7.25)	$8.05	26
Average Workers' Compensation Costs (per $100 of payroll)	$1.60	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

Arkansas

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

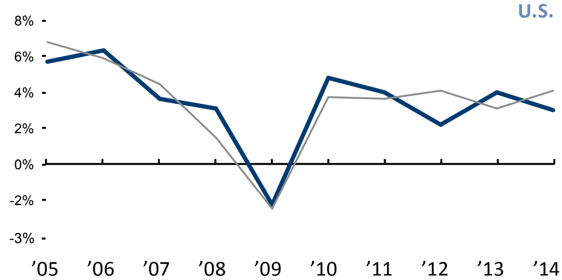
24 Economic Performance Rank

20 Economic Outlook Rank

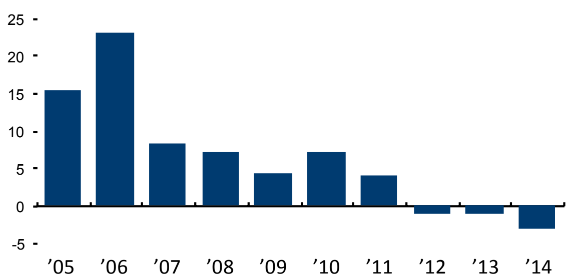
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

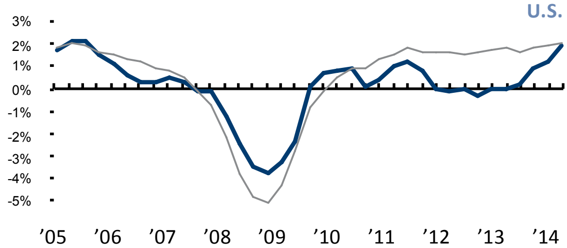
State Gross Domestic Product
Cumulative Growth 2004-2014 40.7% Rank: 21



Absolute Domestic Migration
Cumulative 2005-2014 63,430 Rank: 17
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 2.9% Rank: 36



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	12	13	13	11	24	26	22

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.90%	31
Top Marginal Corporate Income Tax Rate	6.50%	21
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$14.50	39
Property Tax Burden (per $1,000 of personal income)	$18.03	3
Sales Tax Burden (per $1,000 of personal income)	$35.64	44
Remaining Tax Burden (per $1,000 of personal income)	$16.90	20
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.30	16
Debt Service as a Share of Tax Revenue	5.0%	6
Public Employees Per 10,000 of Population (full-time equivalent)	564.6	38
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	57.7	41
State Minimum Wage (federal floor is $7.25)	$8.00	25
Average Workers' Compensation Costs (per $100 of payroll)	$1.08	3
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

California

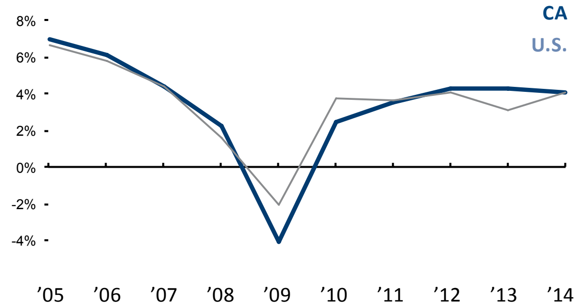
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

31 Economic Performance Rank

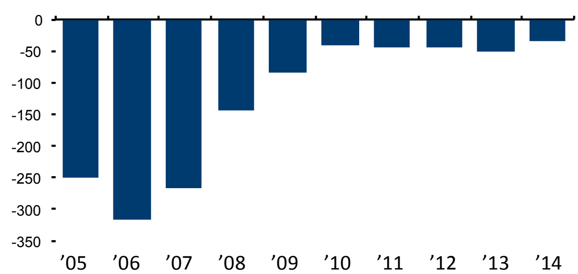
46 Economic Outlook Rank

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

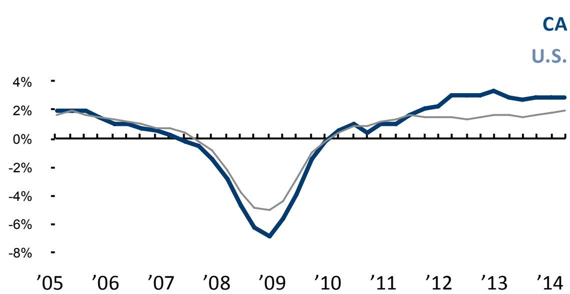
State Gross Domestic Product
Cumulative Growth 2004-2014 40.3% Rank: 22



Absolute Domestic Migration
Cumulative 2005-2014 -1,265,447 Rank: 49
(in thousands)



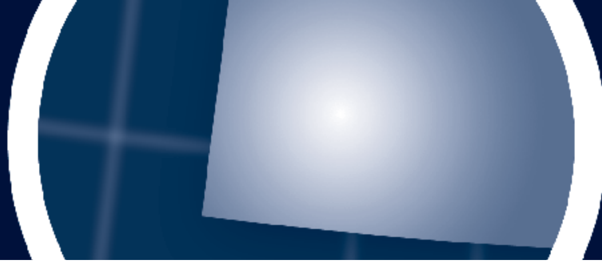
Non-Farm Payroll Employment
Cumulative Growth 2004-2014 6.8% Rank: 19



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	43	46	47	38	47	47	44

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	13.30%	50
Top Marginal Corporate Income Tax Rate	8.84%	40
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$38.67	50
Property Tax Burden (per $1,000 of personal income)	$28.56	24
Sales Tax Burden (per $1,000 of personal income)	$24.24	30
Remaining Tax Burden (per $1,000 of personal income)	$18.18	24
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.71	10
Debt Service as a Share of Tax Revenue	9.4%	39
Public Employees Per 10,000 of Population (full-time equivalent)	451.7	6
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	49.9	47
State Minimum Wage (federal floor is $7.25)	$10.00	49
Average Workers' Compensation Costs (per $100 of payroll)	$3.48	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)	2	3



Colorado

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

6 Economic Performance Rank

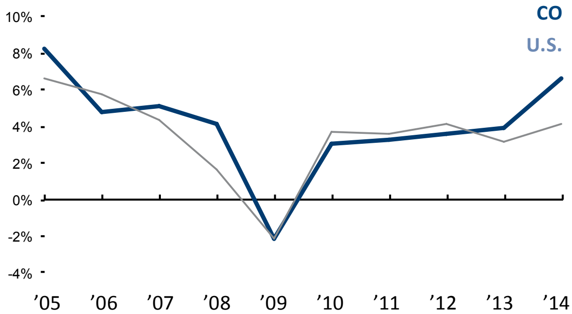
16 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

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

State Gross Domestic Product

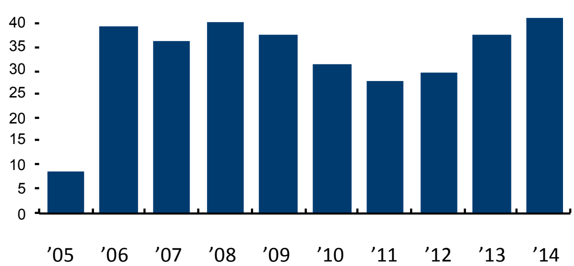
Cumulative Growth 2004-2014 49.0% Rank: 13



Absolute Domestic Migration

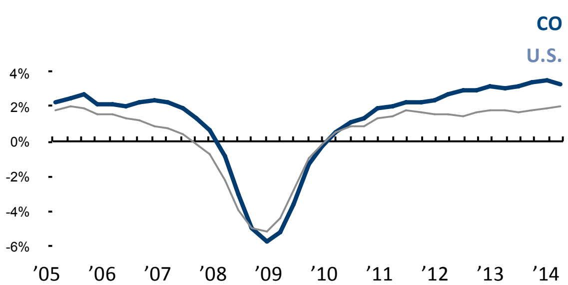
Cumulative 2005-2014 315,015 Rank: 7

(in thousands)



Non-Farm Payroll Employment

Cumulative Growth 2004-2014 13.2% Rank: 5



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**2**	**2**	**6**	**8**	**16**	**22**	**21**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.63%	16
Top Marginal Corporate Income Tax Rate	4.63%	9
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$6.39	21
Property Tax Burden (per $1,000 of personal income)	$28.77	25
Sales Tax Burden (per $1,000 of personal income)	$25.08	34
Remaining Tax Burden (per $1,000 of personal income)	$13.84	8
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.03	25
Debt Service as a Share of Tax Revenue	10.8%	47
Public Employees Per 10,000 of Population (full-time equivalent)	523.7	22
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.8	16
State Minimum Wage (federal floor is $7.25)	$8.31	34
Average Workers' Compensation Costs (per $100 of payroll)	$1.50	10
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

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

45 Economic Performance Rank

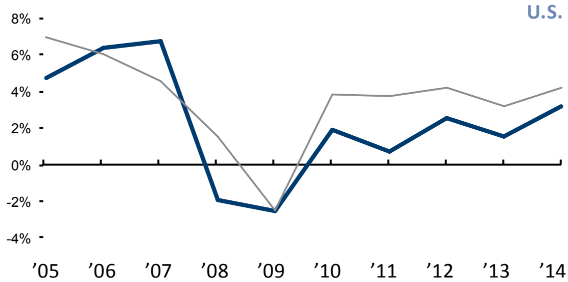
47 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

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

State Gross Domestic Product

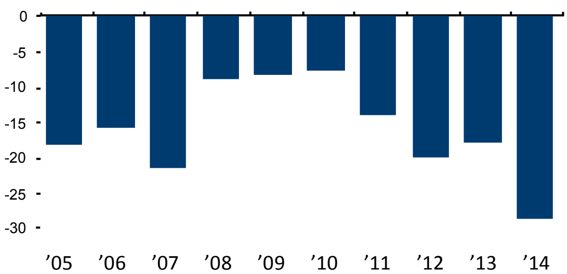
Cumulative Growth 2004-2014 26.0% Rank: 46



Absolute Domestic Migration

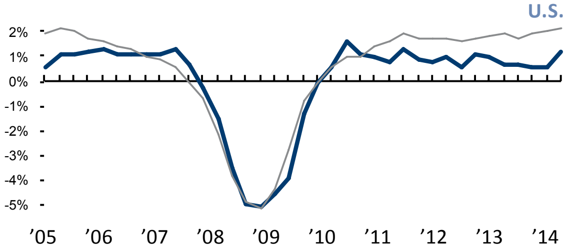
Cumulative 2005-2014 -153,918 Rank: 42

(in thousands)



Non-Farm Payroll Employment

Cumulative Growth 2004-2014 1.1% Rank: 43



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	32	36	35	44	43	44	47

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.99%	34
Top Marginal Corporate Income Tax Rate	9.00%	42
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.67	29
Property Tax Burden (per $1,000 of personal income)	$43.55	44
Sales Tax Burden (per $1,000 of personal income)	$17.12	12
Remaining Tax Burden (per $1,000 of personal income)	$18.11	23
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$3.50	49
Debt Service as a Share of Tax Revenue	7.1%	22
Public Employees Per 10,000 of Population (full-time equivalent)	530.1	25
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	65.9	22
State Minimum Wage (federal floor is $7.25)	$9.60	45
Average Workers' Compensation Costs (per $100 of payroll)	$2.87	49
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Delaware

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

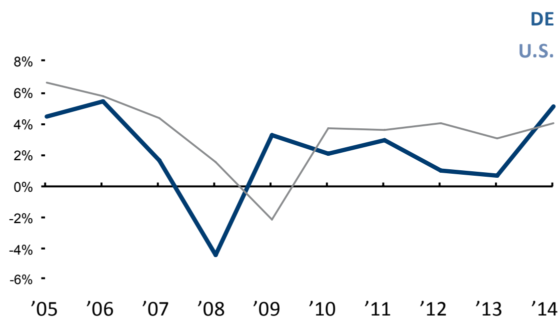
37 Economic Performance Rank

44 Economic Outlook Rank

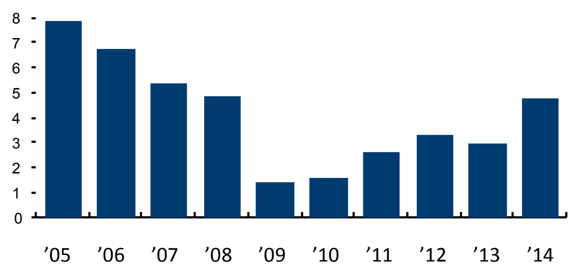
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

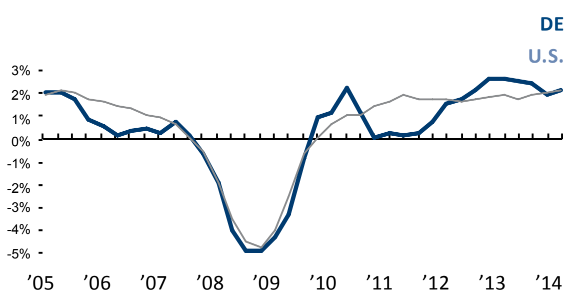
State Gross Domestic Product
Cumulative Growth 2004-2014 25.3% Rank: 47



Absolute Domestic Migration
Cumulative 2005-2014 41,162 Rank: 20
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 3.1% Rank: 35



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**31**	**37**	**34**	**34**	**30**	**27**	**38**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.85%	41
Top Marginal Corporate Income Tax Rate	11.66%	48
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$15.10	40
Property Tax Burden (per $1,000 of personal income)	$18.49	4
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$48.46	50
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$1.19	40
Debt Service as a Share of Tax Revenue	10.3%	43
Public Employees Per 10,000 of Population (full-time equivalent)	524.2	23
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	76.5	1
State Minimum Wage (federal floor is $7.25)	$8.25	30
Average Workers' Compensation Costs (per $100 of payroll)	$2.31	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

17-0245 A Page 81 of 128

Florida

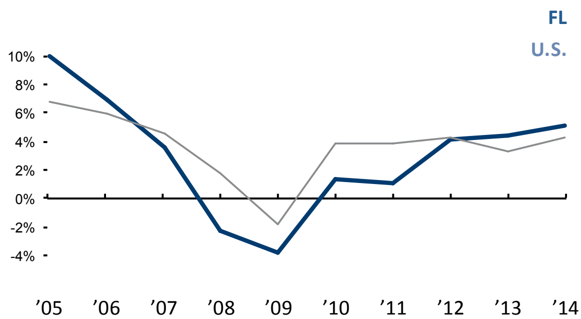
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

18 Economic Performance Rank

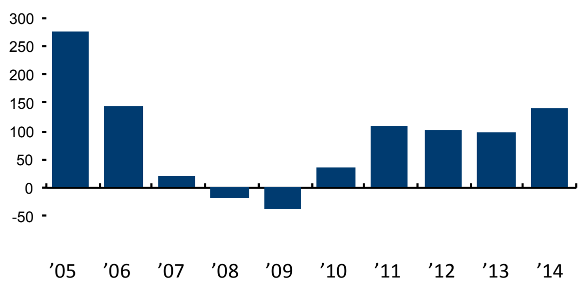
8 Economic Outlook Rank

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

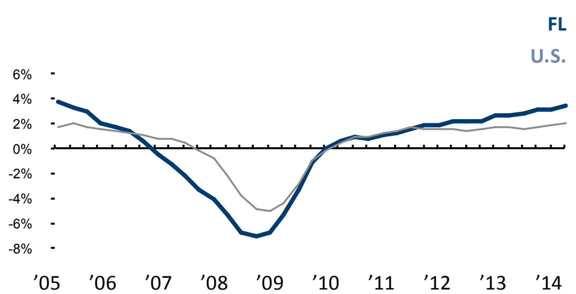
State Gross Domestic Product
Cumulative Growth 2004-2014 31.7% Rank: 38



Absolute Domestic Migration
Cumulative 2005-2014 834,966 Rank: 2
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 4.6% Rank: 25



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	11	5	10	13	9	16	15

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	5.50%	14
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$29.53	27
Sales Tax Burden (per $1,000 of personal income)	$28.05	36
Remaining Tax Burden (per $1,000 of personal income)	$21.87	39
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.60	11
Debt Service as a Share of Tax Revenue	9.0%	36
Public Employees Per 10,000 of Population (full-time equivalent)	434.3	3
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	56.0	44
State Minimum Wage (federal floor is $7.25)	$8.05	26
Average Workers' Compensation Costs (per $100 of payroll)	$1.82	23
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

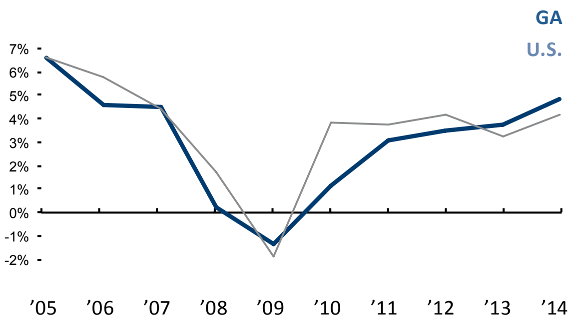
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

17 Economic Performance Rank

19 Economic Outlook Rank

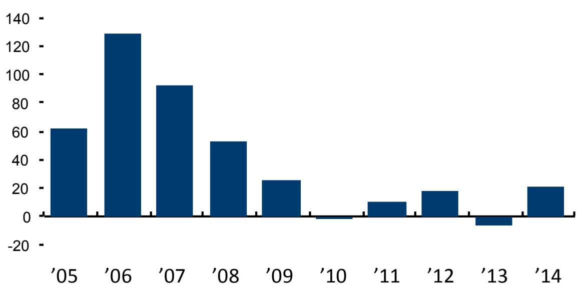
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 34.5% Rank: 33

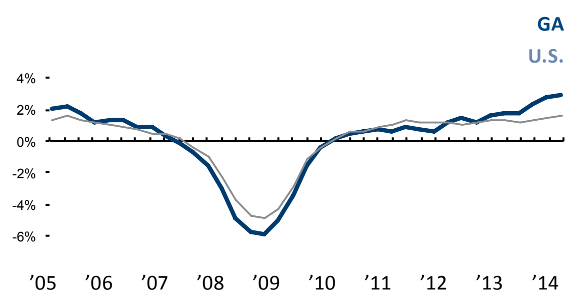


Absolute Domestic Migration
Cumulative 2005-2014 406,863 Rank: 5

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 6.5% Rank: 20



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	8	9	11	10	8	9	7

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.00%	27
Top Marginal Corporate Income Tax Rate	6.00%	16
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$6.53	23
Property Tax Burden (per $1,000 of personal income)	$27.05	19
Sales Tax Burden (per $1,000 of personal income)	$24.52	32
Remaining Tax Burden (per $1,000 of personal income)	$11.76	2
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$2.10	44
Debt Service as a Share of Tax Revenue	7.6%	25
Public Employees Per 10,000 of Population (full-time equivalent)	503.7	18
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	62.4	31
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.75	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	34

Hawaii

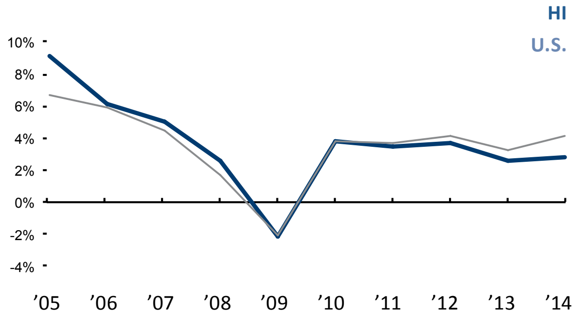
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

23 Economic Performance Rank

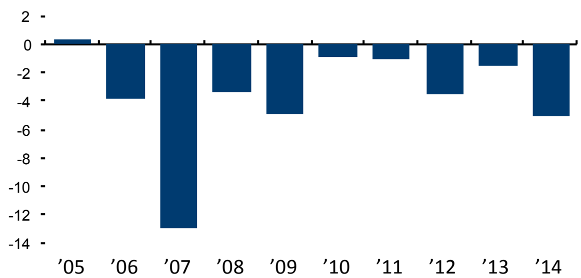
42 Economic Outlook Rank

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

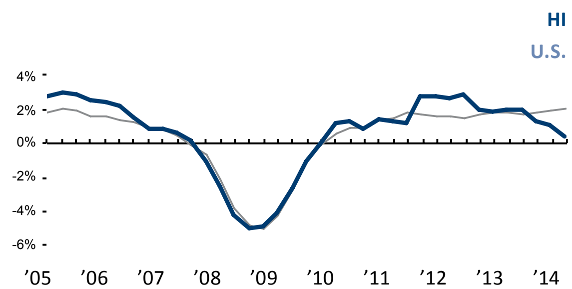
State Gross Domestic Product
Cumulative Growth 2004-2014 42.9% Rank: 18



Absolute Domestic Migration
Cumulative 2005-2014 -36,439 Rank: 33
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 5.7% Rank: 22



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	41	39	46	46	40	36	37

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	8.25%	43
Top Marginal Corporate Income Tax Rate	6.40%	19
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$13.54	37
Property Tax Burden (per $1,000 of personal income)	$21.33	9
Sales Tax Burden (per $1,000 of personal income)	$50.07	50
Remaining Tax Burden (per $1,000 of personal income)	$27.86	46
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.84	9
Debt Service as a Share of Tax Revenue	6.8%	18
Public Employees Per 10,000 of Population (full-time equivalent)	527.8	24
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	62.8	30
State Minimum Wage (federal floor is $7.25)	$8.50	36
Average Workers' Compensation Costs (per $100 of payroll)	$1.85	24
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Idaho

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

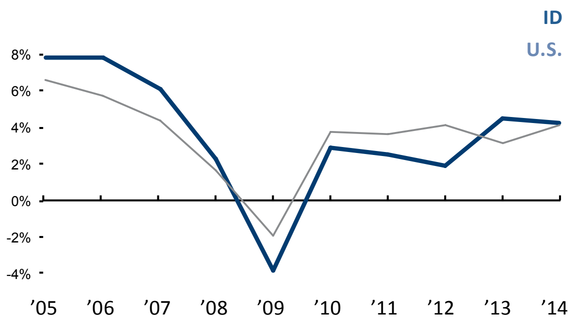
11 Economic Performance Rank

15 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

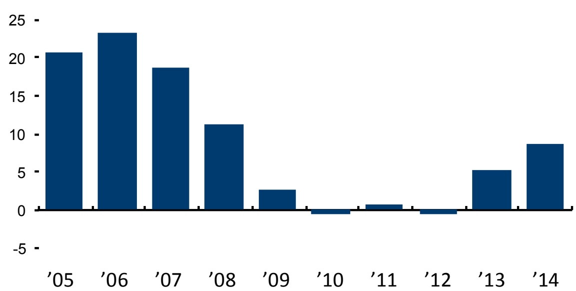
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 42.3% Rank: 20

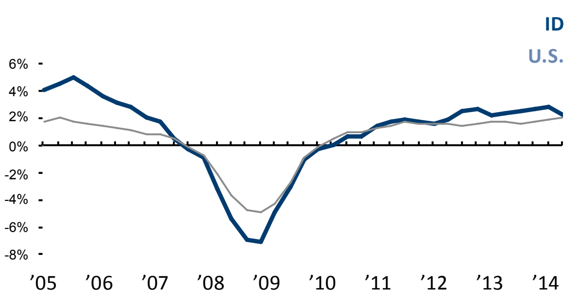


Absolute Domestic Migration
Cumulative 2005-2014 88,127 Rank: 14

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 10.5% Rank: 9



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	14	7	5	6	7	5	6

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.40%	38
Top Marginal Corporate Income Tax Rate	7.40%	29
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$13.50	36
Property Tax Burden (per $1,000 of personal income)	$25.25	15
Sales Tax Burden (per $1,000 of personal income)	$23.36	26
Remaining Tax Burden (per $1,000 of personal income)	$15.00	12
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.71	37
Debt Service as a Share of Tax Revenue	4.9%	4
Public Employees Per 10,000 of Population (full-time equivalent)	493.8	15
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.5	6
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.01	37
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Illinois

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

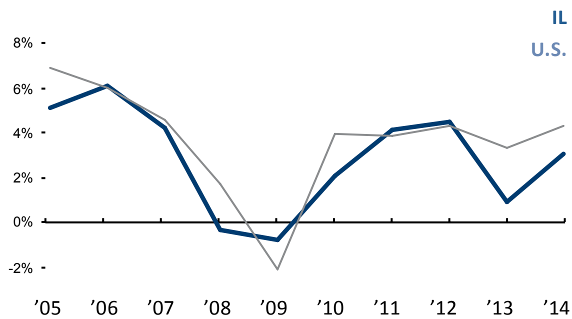
46 Economic Performance Rank

43 Economic Outlook Rank

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

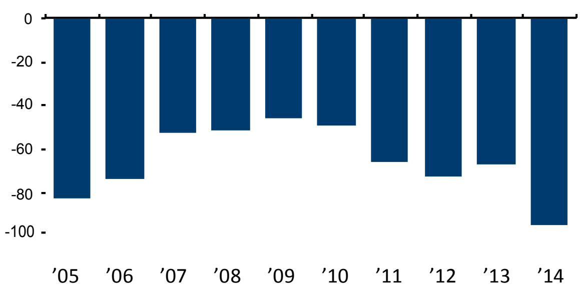
Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

State Gross Domestic Product
Cumulative Growth 2004-2014 31.2% Rank: 39

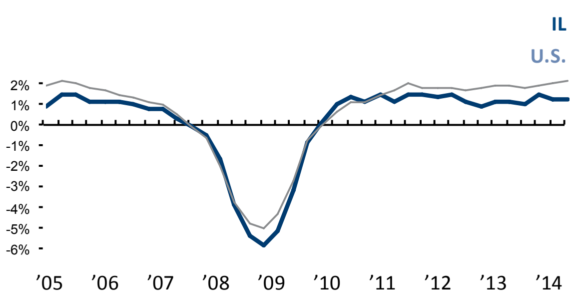


Absolute Domestic Migration
Cumulative 2005-2014 -669,442 Rank: 48

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 1.0% Rank: 44



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**44**	**47**	**44**	**48**	**48**	**48**	**40**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	3.75%	12
Top Marginal Corporate Income Tax Rate	7.75%	31
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$1.06	14
Property Tax Burden (per $1,000 of personal income)	$42.74	42
Sales Tax Burden (per $1,000 of personal income)	$16.37	10
Remaining Tax Burden (per $1,000 of personal income)	$21.66	38
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$2.96	1
Debt Service as a Share of Tax Revenue	10.3%	44
Public Employees Per 10,000 of Population (full-time equivalent)	487.7	13
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	48.0	48
State Minimum Wage (federal floor is $7.25)	$8.25	30
Average Workers' Compensation Costs (per $100 of payroll)	$2.35	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)	0	34

17-0245 A Page 86 of 128

Indiana

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

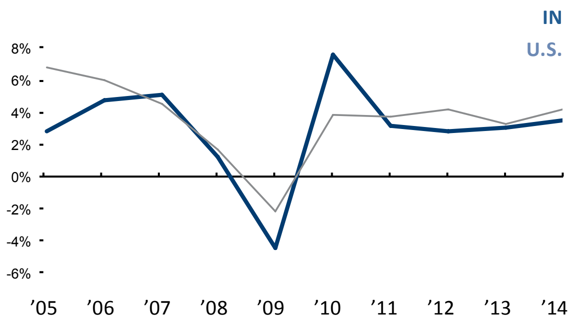
40 Economic Performance Rank

6 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

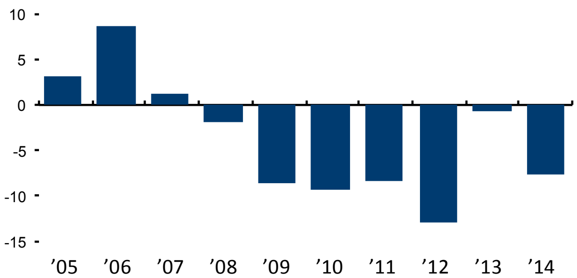
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 32.3% Rank: 37

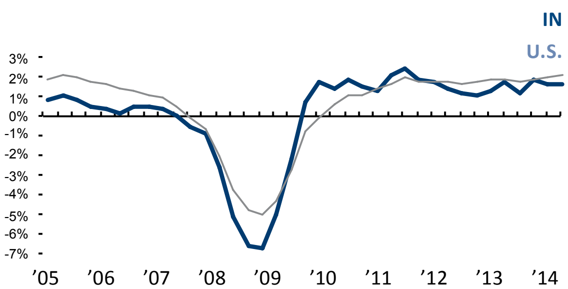


Absolute Domestic Migration
Cumulative 2005-2014 -36,609 Rank: 34

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 1.9% Rank: 39



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	17	20	16	24	14	3	3

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.07%	21
Top Marginal Corporate Income Tax Rate	6.50%	21
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.68	13
Property Tax Burden (per $1,000 of personal income)	$25.31	16
Sales Tax Burden (per $1,000 of personal income)	$27.04	35
Remaining Tax Burden (per $1,000 of personal income)	$19.11	27
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.32	15
Debt Service as a Share of Tax Revenue	9.4%	40
Public Employees Per 10,000 of Population (full-time equivalent)	483.5	10
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.7	18
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.06	2
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Iowa

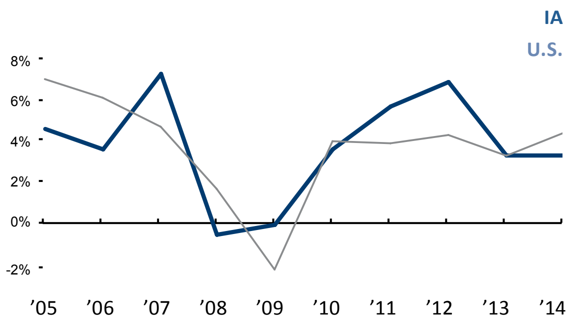
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

21 Economic Performance Rank

29 Economic Outlook Rank

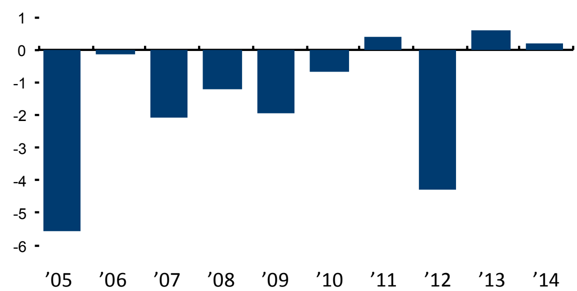
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 43.0% Rank: 17

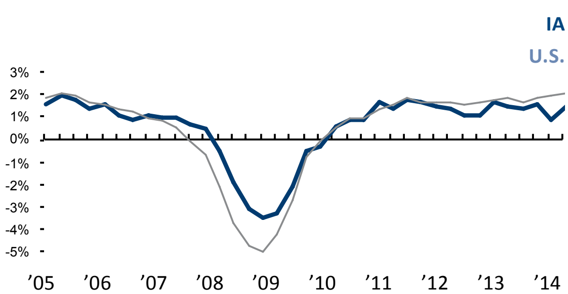


Absolute Domestic Migration
Cumulative 2005-2014 -14,589 Rank: 29

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 6.3% Rank: 21



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	35	28	23	22	25	25	25

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.42%	23
Top Marginal Corporate Income Tax Rate	9.90%	46
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$11.86	33
Property Tax Burden (per $1,000 of personal income)	$34.79	35
Sales Tax Burden (per $1,000 of personal income)	$20.97	22
Remaining Tax Burden (per $1,000 of personal income)	$17.17	21
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$1.32	41
Debt Service as a Share of Tax Revenue	4.9%	5
Public Employees Per 10,000 of Population (full-time equivalent)	585.1	41
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.2	4
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.88	27
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Kansas

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

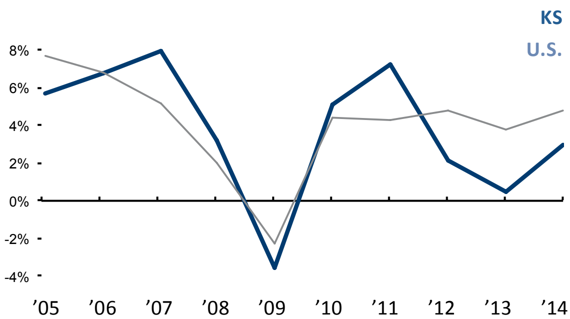
27 Economic Performance Rank

27 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

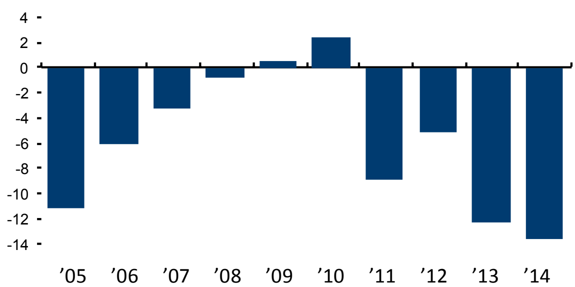
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 42.5% Rank: 19

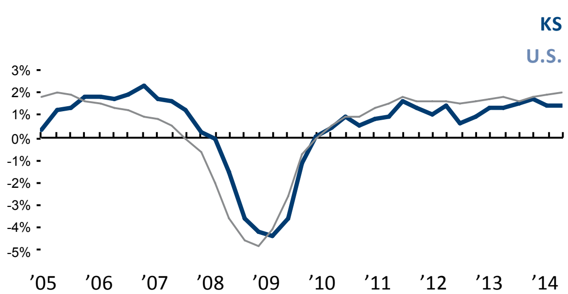


Absolute Domestic Migration
Cumulative 2005-2014 -58,640 Rank: 36

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 5.0% Rank: 23



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	24	25	27	26	11	15	18

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.60%	15
Top Marginal Corporate Income Tax Rate	7.00%	27
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.02	26
Property Tax Burden (per $1,000 of personal income)	$32.43	31
Sales Tax Burden (per $1,000 of personal income)	$29.73	39
Remaining Tax Burden (per $1,000 of personal income)	$12.40	4
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$2.67	47
Debt Service as a Share of Tax Revenue	8.1%	29
Public Employees Per 10,000 of Population (full-time equivalent)	672.0	48
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.6	19
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.55	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	34

Kentucky

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

25 Economic Performance Rank

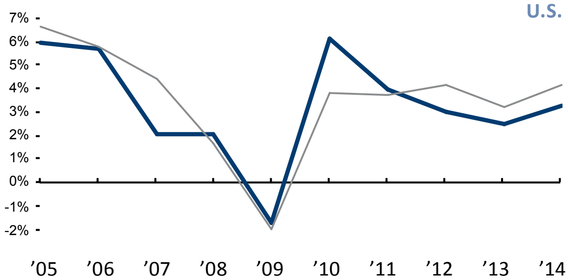
33 Economic Outlook Rank

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

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

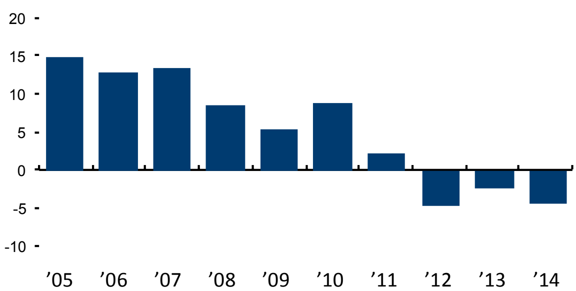
Cumulative Growth 2004-2014 38.1% Rank: 28



Absolute Domestic Migration

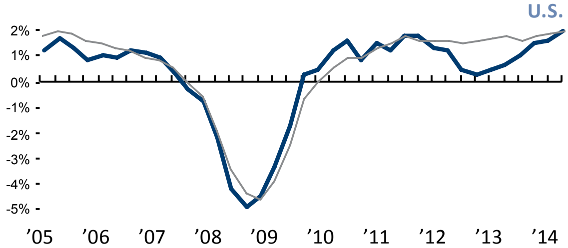
Cumulative 2005-2014 54,650 Rank: 18

(in thousands)



Non-Farm Payroll Employment

Cumulative Growth 2004-2014 3.7% Rank: 30



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	36	40	40	39	38	39	30

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	8.20%	42
Top Marginal Corporate Income Tax Rate	8.20%	36
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$5.46	19
Property Tax Burden (per $1,000 of personal income)	$20.39	6
Sales Tax Burden (per $1,000 of personal income)	$19.15	16
Remaining Tax Burden (per $1,000 of personal income)	$20.69	35
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.16	20
Debt Service as a Share of Tax Revenue	11.6%	50
Public Employees Per 10,000 of Population (full-time equivalent)	550.6	33
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	59.0	39
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.51	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	14

Louisiana

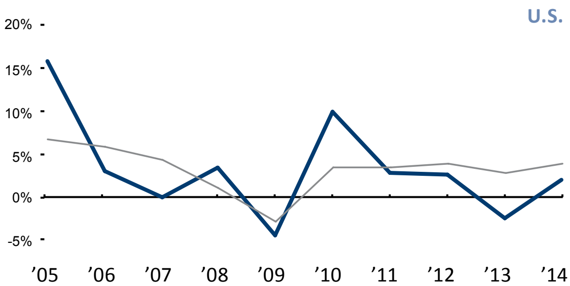
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

33 Economic Performance Rank

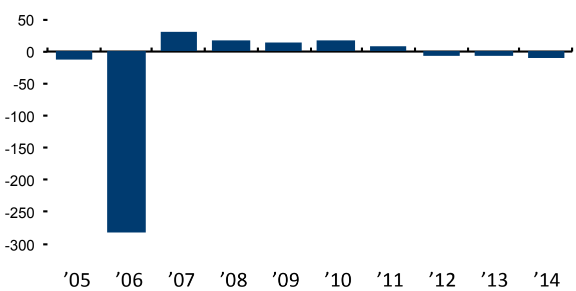
28 Economic Outlook Rank

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

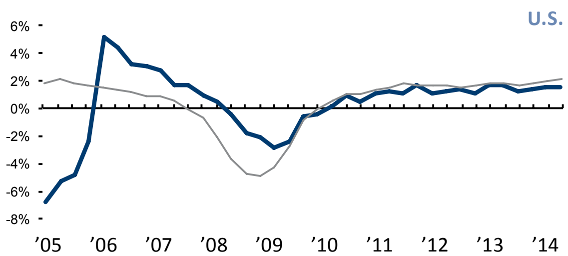
State Gross Domestic Product
Cumulative Growth 2004-2014 45.8% Rank: 15



Absolute Domestic Migration
Cumulative 2005-2014 -230,747 Rank: 44
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 3.7% Rank: 31



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	18	16	15	19	28	29	26

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	3.62%	11
Top Marginal Corporate Income Tax Rate	5.20%	13
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$10.16	30
Property Tax Burden (per $1,000 of personal income)	$20.86	7
Sales Tax Burden (per $1,000 of personal income)	$35.98	45
Remaining Tax Burden (per $1,000 of personal income)	$16.07	16
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$3.32	48
Debt Service as a Share of Tax Revenue	9.0%	35
Public Employees Per 10,000 of Population (full-time equivalent)	565.5	39
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	46.5	49
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.23	41
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Maine

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

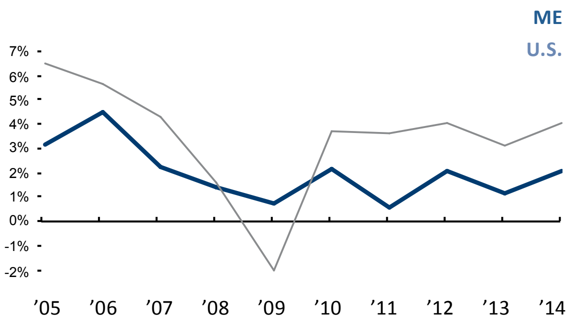
44 Economic Performance Rank

38 Economic Outlook Rank

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

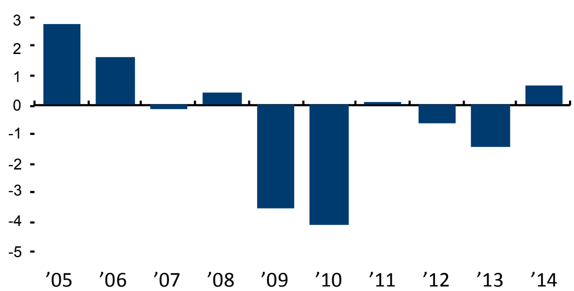
Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

State Gross Domestic Product
Cumulative Growth 2004-2014 21.8% Rank: 49

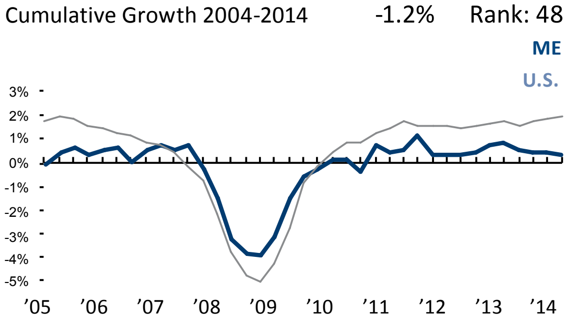


Absolute Domestic Migration
Cumulative 2005-2014 -3,958 Rank: 27

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 -1.2% Rank: 48



Historical Ranking Comparison

	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	47	44	48	47	41	40	42

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.15%	37
Top Marginal Corporate Income Tax Rate	8.93%	41
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$19.33	47
Property Tax Burden (per $1,000 of personal income)	$48.18	46
Sales Tax Burden (per $1,000 of personal income)	$20.38	20
Remaining Tax Burden (per $1,000 of personal income)	$20.79	36
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$1.67	4
Debt Service as a Share of Tax Revenue	5.4%	10
Public Employees Per 10,000 of Population (full-time equivalent)	531.7	27
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.0	14
State Minimum Wage (federal floor is $7.25)	$7.50	22
Average Workers' Compensation Costs (per $100 of payroll)	$2.15	38
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Maryland

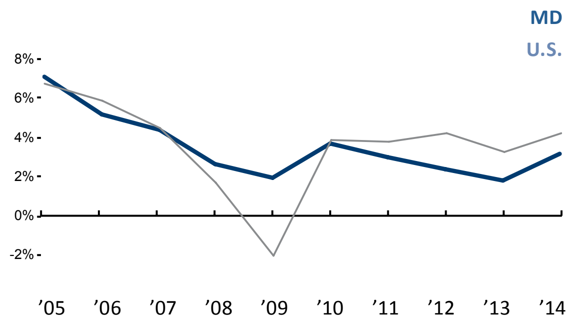
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

34 Economic Performance Rank

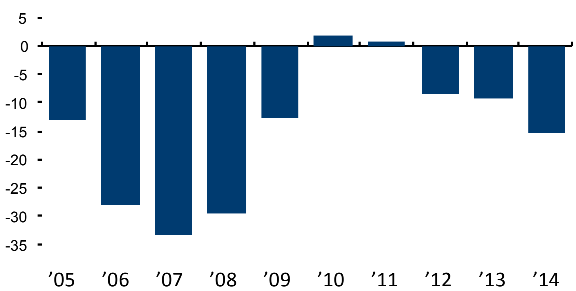
31 Economic Outlook Rank

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

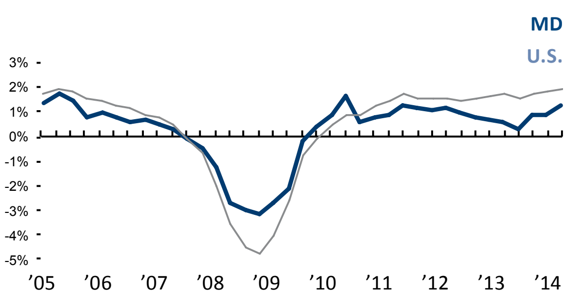
State Gross Domestic Product
Cumulative Growth 2004-2014 40.2% Rank: 23



Absolute Domestic Migration
Cumulative 2005-2014 -145,560 Rank: 41
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 4.1% Rank: 28



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	28	29	21	20	35	34	33

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	8.95%	44
Top Marginal Corporate Income Tax Rate	8.25%	37
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$5.03	18
Property Tax Burden (per $1,000 of personal income)	$28.53	22
Sales Tax Burden (per $1,000 of personal income)	$13.15	8
Remaining Tax Burden (per $1,000 of personal income)	$19.93	29
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.14	21
Debt Service as a Share of Tax Revenue	5.5%	11
Public Employees Per 10,000 of Population (full-time equivalent)	505.1	19
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	63.9	28
State Minimum Wage (federal floor is $7.25)	$8.25	30
Average Workers' Compensation Costs (per $100 of payroll)	$1.64	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)	0	34

Massachusetts

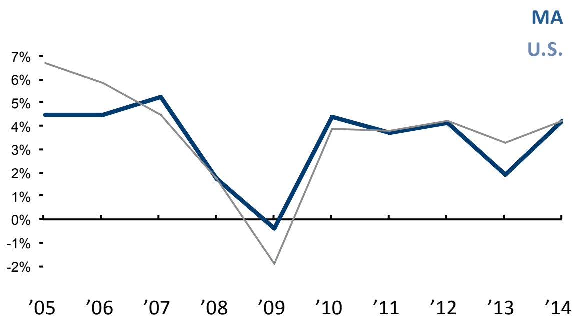
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

30 Economic Performance Rank

26 Economic Outlook Rank

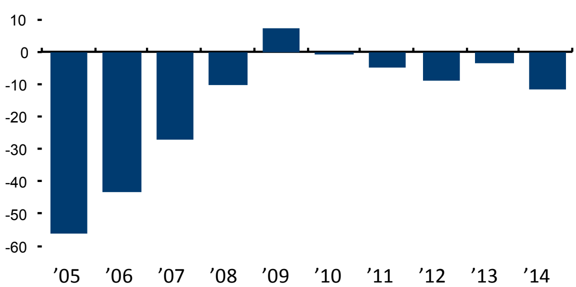
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 38.3% Rank: 27

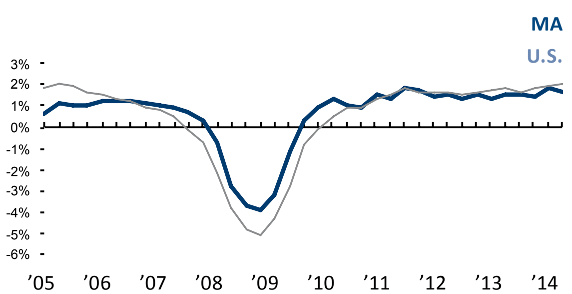


Absolute Domestic Migration
Cumulative 2005-2014 -156,861 Rank: 43

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 7.0% Rank: 16



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	26	32	24	25	29	28	28

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.10%	22
Top Marginal Corporate Income Tax Rate	8.00%	34
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$2.99	16
Property Tax Burden (per $1,000 of personal income)	$36.59	39
Sales Tax Burden (per $1,000 of personal income)	$13.66	9
Remaining Tax Burden (per $1,000 of personal income)	$12.02	3
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.00	28
Debt Service as a Share of Tax Revenue	10.2%	41
Public Employees Per 10,000 of Population (full-time equivalent)	488.8	14
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.8	17
State Minimum Wage (federal floor is $7.25)	$10.00	49
Average Workers' Compensation Costs (per $100 of payroll)	$1.17	4
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

17-0245 A Page 94 of 128

Michigan

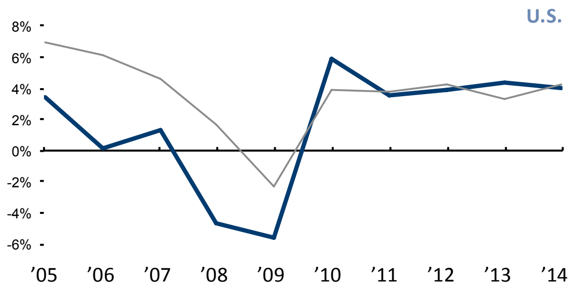
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

50 Economic Performance Rank

22 Economic Outlook Rank

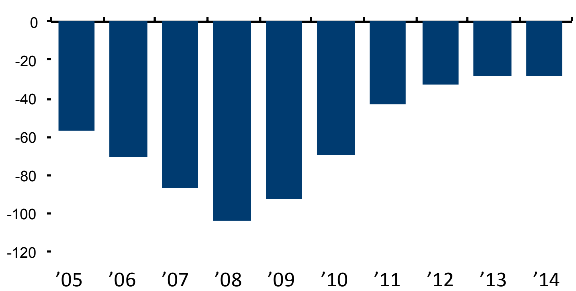
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 16.9% Rank: 50

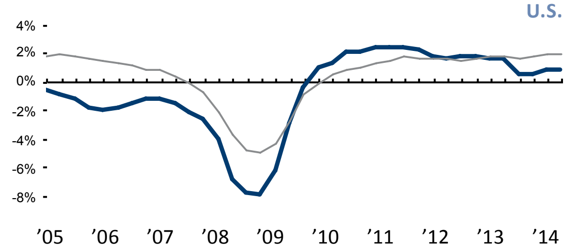


Absolute Domestic Migration
Cumulative 2005-2014 -614,661 Rank: 47

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 -5.4% Rank: 50



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	34	26	25	17	20	12	24

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.65%	29
Top Marginal Corporate Income Tax Rate	8.00%	34
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$2.27	15
Property Tax Burden (per $1,000 of personal income)	$33.88	34
Sales Tax Burden (per $1,000 of personal income)	$21.94	25
Remaining Tax Burden (per $1,000 of personal income)	$15.67	14
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$1.15	39
Debt Service as a Share of Tax Revenue	9.2%	37
Public Employees Per 10,000 of Population (full-time equivalent)	441.5	4
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	65.5	24
State Minimum Wage (federal floor is $7.25)	$8.50	36
Average Workers' Compensation Costs (per $100 of payroll)	$1.68	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)	2	3

Minnesota

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

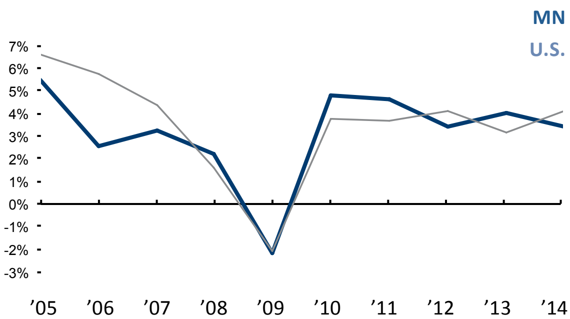
32 Economic Performance Rank

45 Economic Outlook Rank

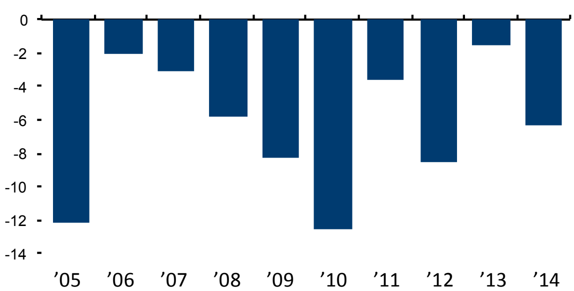
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

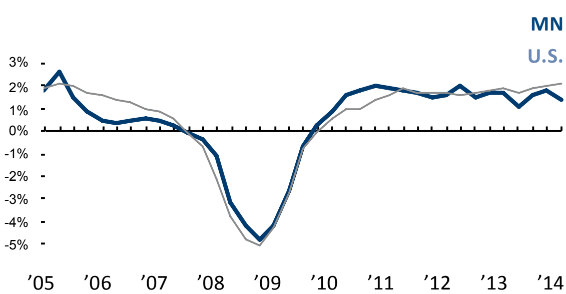
State Gross Domestic Product
Cumulative Growth 2004-2014 36.8% Rank: 29



Absolute Domestic Migration
Cumulative 2005-2014 -65,800 Rank: 37
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 4.9% Rank: 24



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	40	38	37	41	46	46	48

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	9.85%	46
Top Marginal Corporate Income Tax Rate	9.80%	45
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.43	45
Property Tax Burden (per $1,000 of personal income)	$32.71	32
Sales Tax Burden (per $1,000 of personal income)	$20.01	19
Remaining Tax Burden (per $1,000 of personal income)	$24.15	45
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$1.59	5
Debt Service as a Share of Tax Revenue	5.9%	12
Public Employees Per 10,000 of Population (full-time equivalent)	518.6	20
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.0	13
State Minimum Wage (federal floor is $7.25)	$9.00	40
Average Workers' Compensation Costs (per $100 of payroll)	$1.99	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	34

Mississippi

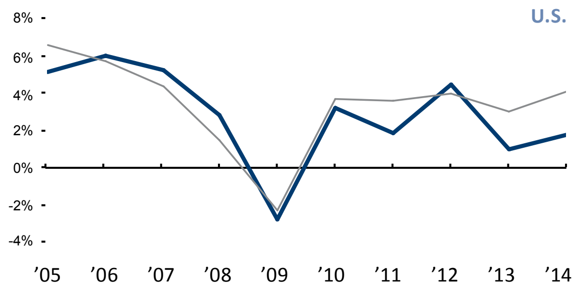
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

42 Economic Performance Rank

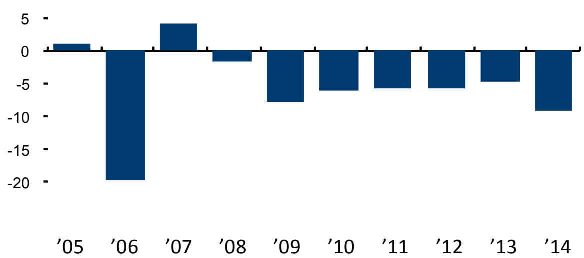
17 Economic Outlook Rank

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

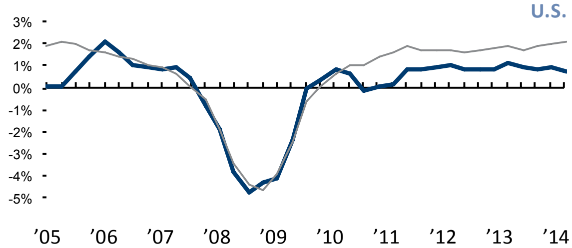
State Gross Domestic Product
Cumulative Growth 2004-2014 34.0% Rank: 34



Absolute Domestic Migration
Cumulative 2005-2014 -54,821 Rank: 35
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 -0.5% Rank: 45



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	19	18	19	15	10	14	20

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	18
Top Marginal Corporate Income Tax Rate	5.00%	10
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.53	28
Property Tax Burden (per $1,000 of personal income)	$27.01	18
Sales Tax Burden (per $1,000 of personal income)	$32.05	43
Remaining Tax Burden (per $1,000 of personal income)	$21.14	37
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.29	17
Debt Service as a Share of Tax Revenue	5.3%	8
Public Employees Per 10,000 of Population (full-time equivalent)	641.5	47
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	56.3	43
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.59	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)	2	3

Missouri

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

43 Economic Performance Rank

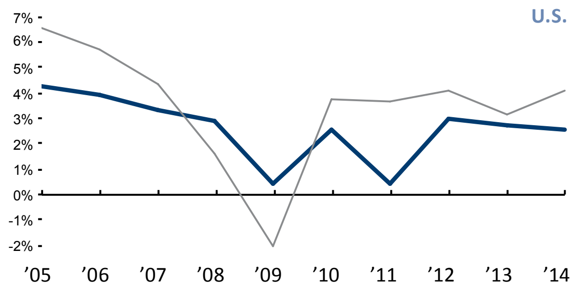
24 Economic Outlook Rank

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

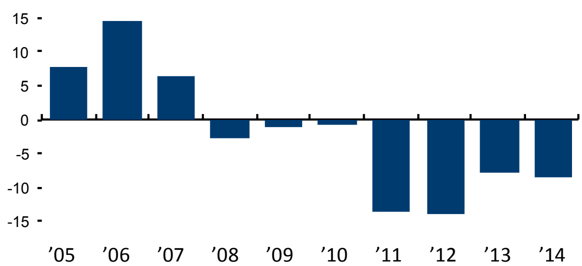
Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

State Gross Domestic Product
Cumulative Growth 2004-2014 29.6% Rank: 44

MO
U.S.

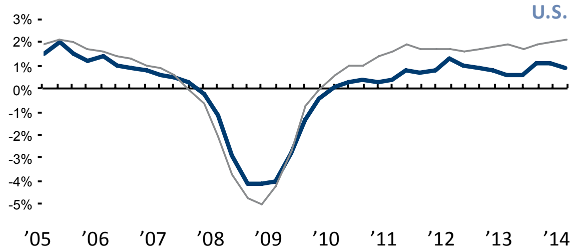


Absolute Domestic Migration
Cumulative 2005-2014 -18,012 Rank: 30
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 1.1% Rank: 42

MO
U.S.



Historical Ranking Comparison

	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**23**	**15**	**9**	**7**	**23**	**24**	**27**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.00%	35
Top Marginal Corporate Income Tax Rate	6.16%	18
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$14.00	38
Property Tax Burden (per $1,000 of personal income)	$24.32	13
Sales Tax Burden (per $1,000 of personal income)	$21.91	24
Remaining Tax Burden (per $1,000 of personal income)	$14.62	10
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.00	28
Debt Service as a Share of Tax Revenue	8.8%	34
Public Employees Per 10,000 of Population (full-time equivalent)	522.2	21
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	56.6	42
State Minimum Wage (federal floor is $7.25)	$7.65	24
Average Workers' Compensation Costs (per $100 of payroll)	$1.98	30
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

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

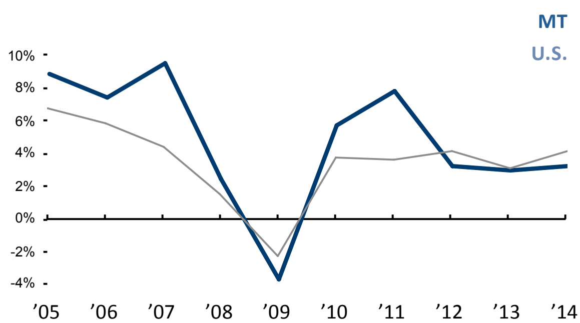
10 Economic Performance Rank

40 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

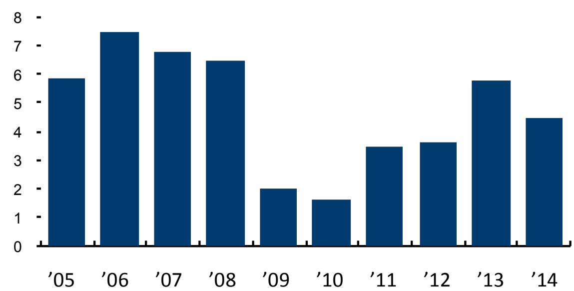
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 57.7% Rank: 7

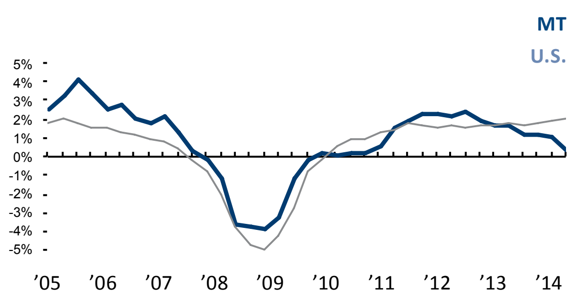


Absolute Domestic Migration
Cumulative 2005-2014 46,931 Rank: 19

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 9.5% Rank: 11



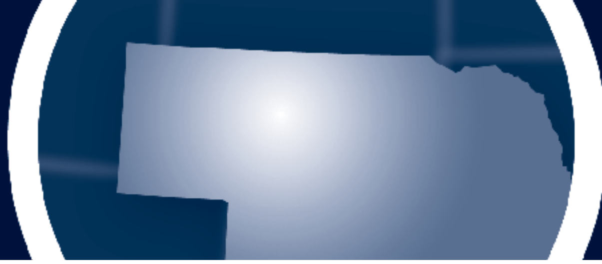
Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	30	33	36	36	42	43	43

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.90%	31
Top Marginal Corporate Income Tax Rate	6.75%	26
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.16	44
Property Tax Burden (per $1,000 of personal income)	$36.07	38
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$23.43	44
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.11	22
Debt Service as a Share of Tax Revenue	5.2%	7
Public Employees Per 10,000 of Population (full-time equivalent)	557.6	36
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	60.5	34
State Minimum Wage (federal floor is $7.25)	$8.05	26
Average Workers' Compensation Costs (per $100 of payroll)	$2.21	40
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Nebraska



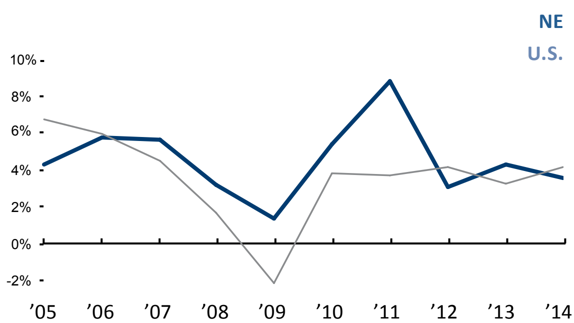
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

16 Economic Performance Rank

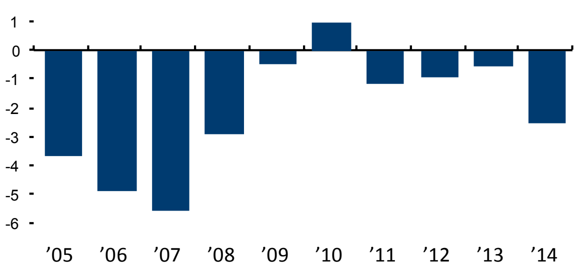
32 Economic Outlook Rank

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

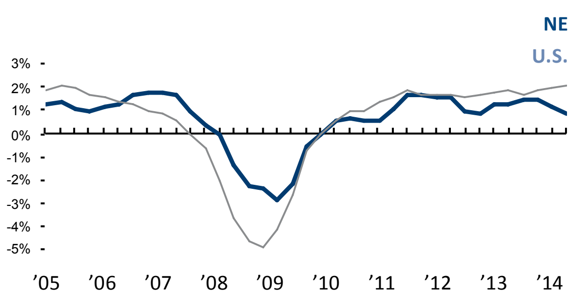
State Gross Domestic Product
Cumulative Growth 2004-2014 55.6% Rank: 9



Absolute Domestic Migration
Cumulative 2005-2014 -21,401 Rank: 32
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 7.5% Rank: 14



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	29	34	32	31	37	35	31

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.84%	30
Top Marginal Corporate Income Tax Rate	7.81%	32
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.81	46
Property Tax Burden (per $1,000 of personal income)	$35.87	36
Sales Tax Burden (per $1,000 of personal income)	$23.39	27
Remaining Tax Burden (per $1,000 of personal income)	$14.26	9
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.42	13
Debt Service as a Share of Tax Revenue	7.0%	19
Public Employees Per 10,000 of Population (full-time equivalent)	630.1	45
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.0	3
State Minimum Wage (federal floor is $7.25)	$9.00	40
Average Workers' Compensation Costs (per $100 of payroll)	$1.78	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	34

Nevada

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

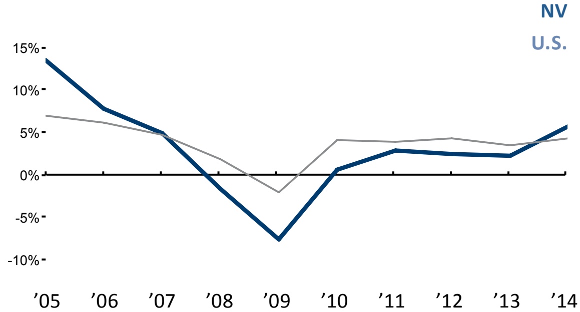
28 Economic Performance Rank

14 Economic Outlook Rank

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

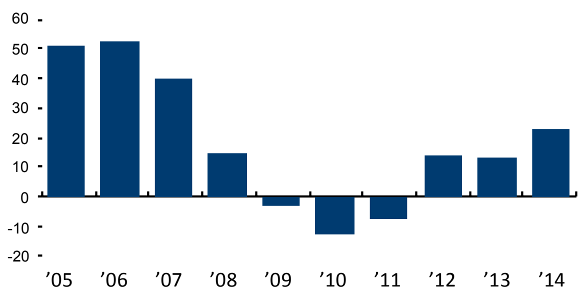
Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

State Gross Domestic Product
Cumulative Growth 2004-2014 30.5% Rank: 41

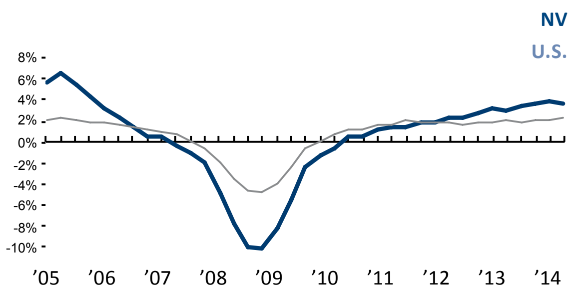


Absolute Domestic Migration
Cumulative 2005-2014 189,804 Rank: 11

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 3.8% Rank: 29



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	7	11	17	18	13	8	10

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	0.48%	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)	$24.81	14
Sales Tax Burden (per $1,000 of personal income)	$36.35	46
Remaining Tax Burden (per $1,000 of personal income)	$35.09	49
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$4.42	50
Debt Service as a Share of Tax Revenue	10.3%	42
Public Employees Per 10,000 of Population (full-time equivalent)	387.0	1
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	60.4	35
State Minimum Wage (federal floor is $7.25)	$8.25	30
Average Workers' Compensation Costs (per $100 of payroll)	$1.26	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

New Hampshire

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

35 Economic Performance Rank

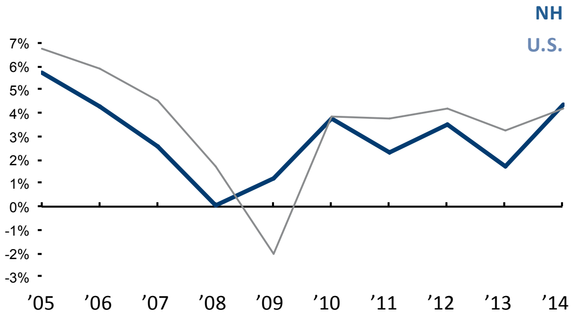
23 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

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

State Gross Domestic Product

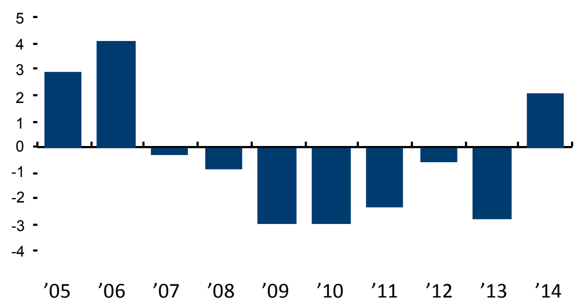
CCumulative Growth 2004-2014 — 32.4% — Rank: 36



Absolute Domestic Migration

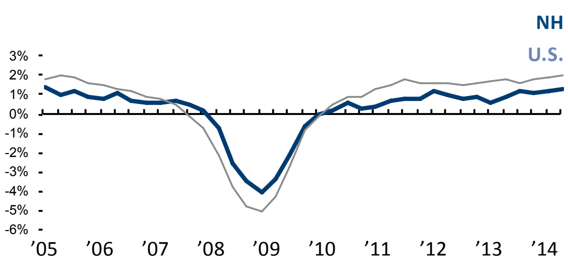
Cumulative 2005-2014 — -3,612 — Rank: 26

(in thousands)



Non-Farm Payroll Employment

Cumulative Growth 2004-2014 — 3.3% — Rank: 33



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**37**	**30**	**28**	**28**	**27**	**32**	**29**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	8.50%	38
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)	$53.12	49
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$20.01	30
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.48	34
Debt Service as a Share of Tax Revenue	8.7%	33
Public Employees Per 10,000 of Population (full-time equivalent)	537.5	31
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.7	5
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.18	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	34

New Jersey

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

47 Economic Performance Rank

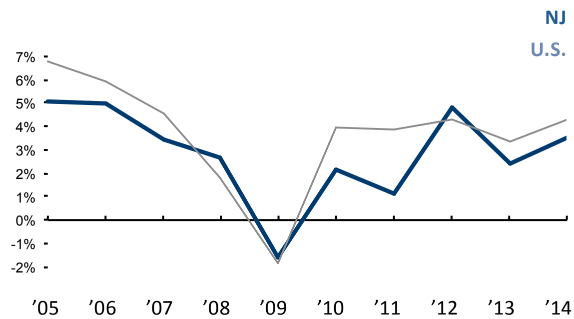
48 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

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

State Gross Domestic Product

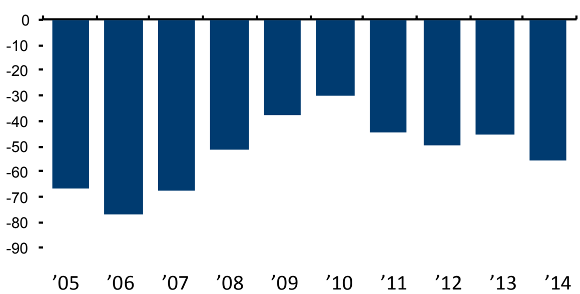
Cumulative Growth 2004-2014 30.2% Rank: 42



Absolute Domestic Migration

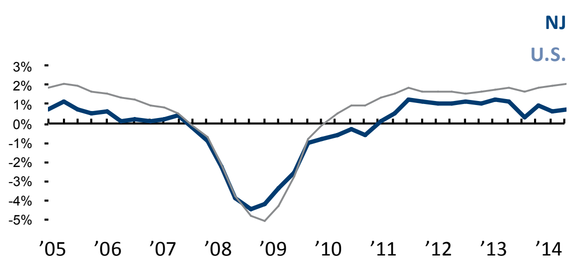
Cumulative 2005-2014 -527,036 Rank: 46

(in thousands)



Non-Farm Payroll Employment

Cumulative Growth 2004-2014 -0.9% Rank: 46



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	46	48	45	42	39	45	46

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	9.97%	47
Top Marginal Corporate Income Tax Rate	9.00%	42
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$24.81	48
Property Tax Burden (per $1,000 of personal income)	$54.21	50
Sales Tax Burden (per $1,000 of personal income)	$17.21	13
Remaining Tax Burden (per $1,000 of personal income)	$13.70	7
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.02	26
Debt Service as a Share of Tax Revenue	6.3%	15
Public Employees Per 10,000 of Population (full-time equivalent)	531.7	28
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	59.3	38
State Minimum Wage (federal floor is $7.25)	$8.38	35
Average Workers' Compensation Costs (per $100 of payroll)	$2.82	48
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

New Mexico

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

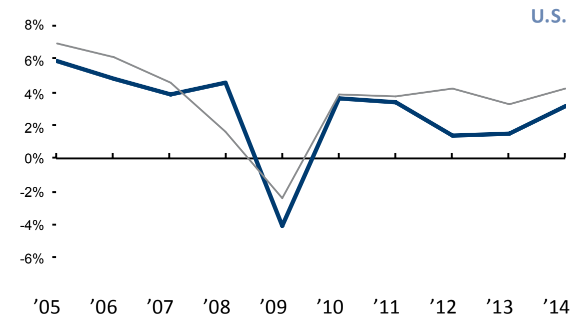
36 Economic Performance Rank

34 Economic Outlook Rank

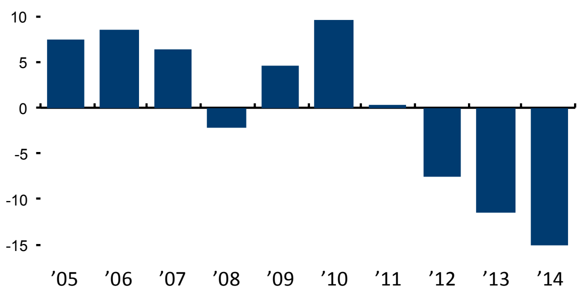
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 31.0% Rank: 40

NM
U.S.

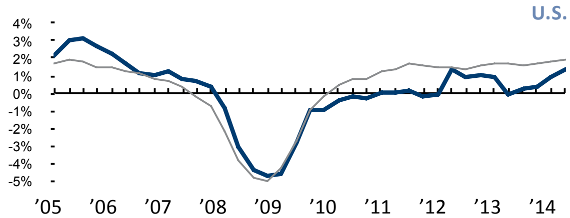


Absolute Domestic Migration
Cumulative 2005-2014 328 Rank: 25
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 3.6% Rank: 32

NM
U.S.



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	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	25	35	39	35	33	37	34

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.90%	17
Top Marginal Corporate Income Tax Rate	6.60%	25
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$10.49	31
Property Tax Burden (per $1,000 of personal income)	$19.34	5
Sales Tax Burden (per $1,000 of personal income)	$39.63	49
Remaining Tax Burden (per $1,000 of personal income)	$14.72	11
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.02	27
Debt Service as a Share of Tax Revenue	8.1%	28
Public Employees Per 10,000 of Population (full-time equivalent)	603.0	43
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	55.2	45
State Minimum Wage (federal floor is $7.25)	$7.50	22
Average Workers' Compensation Costs (per $100 of payroll)	$1.99	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	34

17-0245 A Page 104 of 128

New York

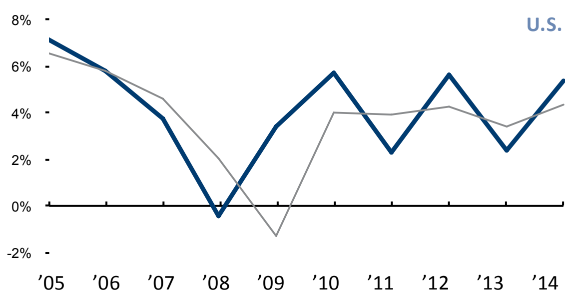
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

26 Economic Performance Rank

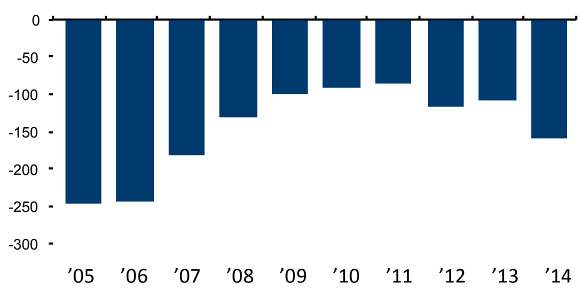
50 Economic Outlook Rank

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

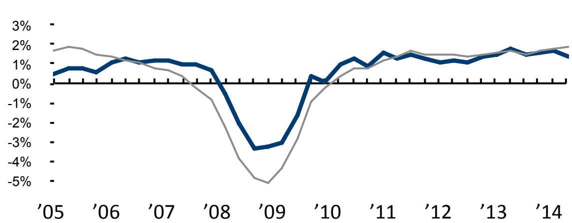
State Gross Domestic Product
Cumulative Growth 2004-2014 46.2% Rank: 14



Absolute Domestic Migration
Cumulative 2005-2014 -1,468,080 Rank: 50
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 7.7% Rank: 13



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	50	50	50	50	49	50	50

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	12.70%	49
Top Marginal Corporate Income Tax Rate	17.01%	50
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$12.72	35
Property Tax Burden (per $1,000 of personal income)	$46.48	45
Sales Tax Burden (per $1,000 of personal income)	$24.41	31
Remaining Tax Burden (per $1,000 of personal income)	$20.59	33
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$1.46	6
Debt Service as a Share of Tax Revenue	9.4%	38
Public Employees Per 10,000 of Population (full-time equivalent)	590.9	42
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	66.3	21
State Minimum Wage (federal floor is $7.25)	$9.00	40
Average Workers' Compensation Costs (per $100 of payroll)	$2.75	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)	0	34

North Carolina

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

8 Economic Performance Rank

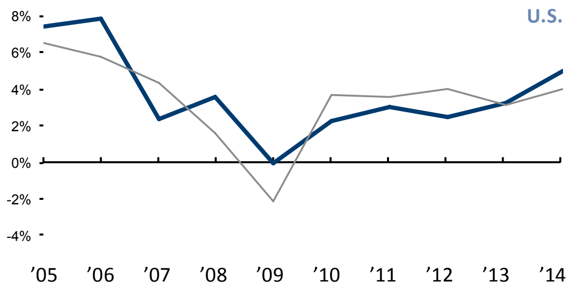
2 Economic Outlook Rank

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.

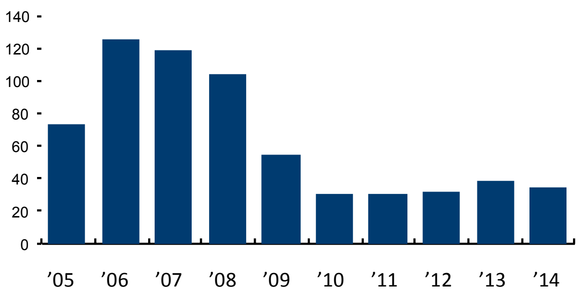
Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

State Gross Domestic Product
Cumulative Growth 2004-2014 44.9% Rank: 16

NC
U.S.

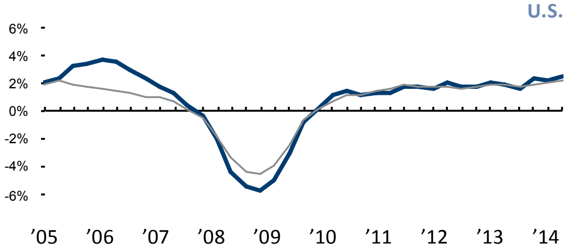


Absolute Domestic Migration
Cumulative 2005-2014 641,487 Rank: 3
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 8.3% Rank: 12

NC
U.S.



Historical Ranking Comparison

	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	21	21	26	23	22	6	4

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.75%	24
Top Marginal Corporate Income Tax Rate	4.00%	6
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$5.75	20
Property Tax Burden (per $1,000 of personal income)	$23.69	12
Sales Tax Burden (per $1,000 of personal income)	$20.86	21
Remaining Tax Burden (per $1,000 of personal income)	$17.21	22
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.22	18
Debt Service as a Share of Tax Revenue	7.1%	21
Public Employees Per 10,000 of Population (full-time equivalent)	552.8	34
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.2	7
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.85	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)	1	14

North Dakota

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

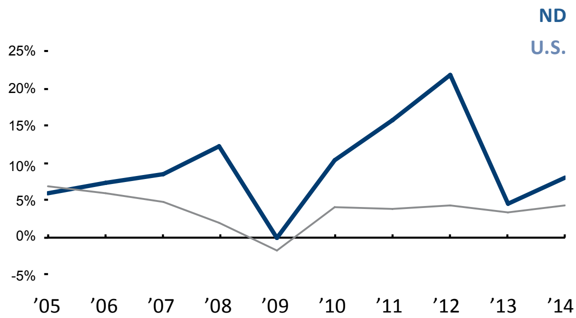
4 Economic Performance Rank

3 Economic Outlook Rank

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

State Gross Domestic Product

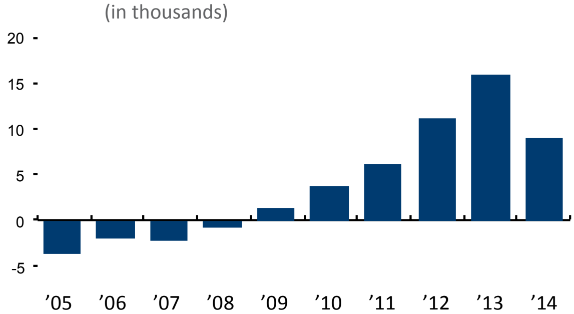
Cumulative Growth 2004-2014 139.3% Rank: 1



Absolute Domestic Migration

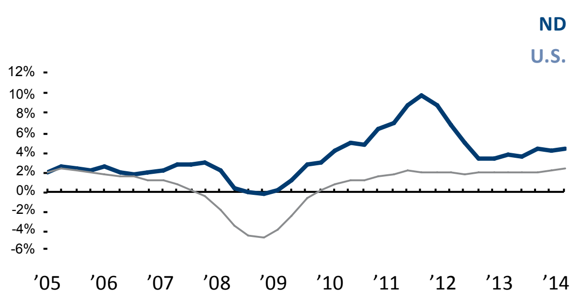
Cumulative 2005-2014 39,612 Rank: 21

(in thousands)



Non-Farm Payroll Employment

Cumulative Growth 2004-2014 37.6% Rank: 1



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	13	12	7	5	2	4	2

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	2.90%	10
Top Marginal Corporate Income Tax Rate	4.31%	8
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.01	25
Property Tax Burden (per $1,000 of personal income)	$20.88	8
Sales Tax Burden (per $1,000 of personal income)	$37.07	47
Remaining Tax Burden (per $1,000 of personal income)	$19.44	28
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$2.27	3
Debt Service as a Share of Tax Revenue	3.1%	2
Public Employees Per 10,000 of Population (full-time equivalent)	619.7	44
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.9	15
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$0.88	1
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Ohio

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

49 Economic Performance Rank

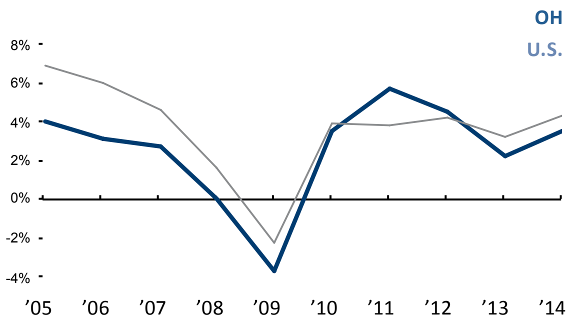
18 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

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

State Gross Domestic Product

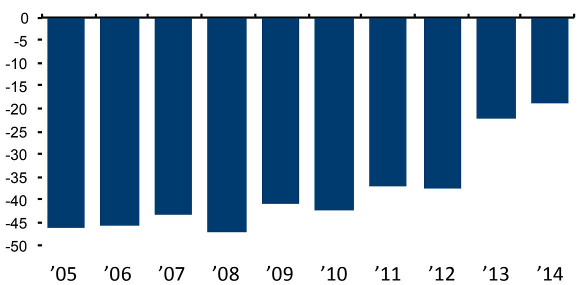
Cumulative Growth 2004-2014 27.8% Rank: 45



Absolute Domestic Migration

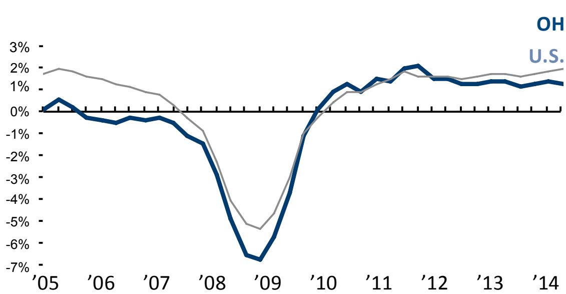
Cumulative 2005-2014 -375,890 Rank: 45

(in thousands)



Non-Farm Payroll Employment

Cumulative Growth 2004-2014 -1.1% Rank: 47



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	45	42	38	37	26	23	23

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.50%	39
Top Marginal Corporate Income Tax Rate	3.62%	5
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$11.95	34
Property Tax Burden (per $1,000 of personal income)	$29.93	29
Sales Tax Burden (per $1,000 of personal income)	$19.14	15
Remaining Tax Burden (per $1,000 of personal income)	$20.51	32
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$2.47	2
Debt Service as a Share of Tax Revenue	6.0%	13
Public Employees Per 10,000 of Population (full-time equivalent)	499.1	17
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	64.2	27
State Minimum Wage (federal floor is $7.25)	$8.10	29
Average Workers' Compensation Costs (per $100 of payroll)	$1.74	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)	1	14

Oklahoma

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

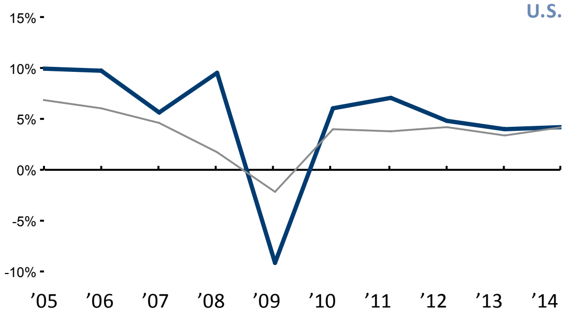
5 Economic Performance Rank

10 Economic Outlook Rank

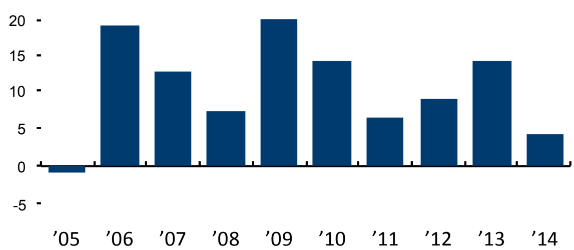
Economic Performance Rank (1=best 50=worst)

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

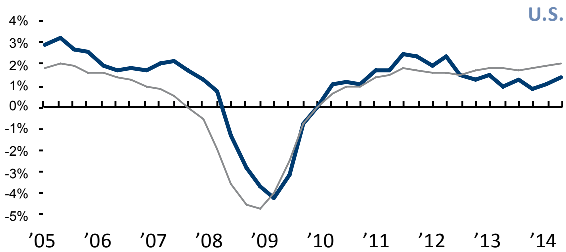
State Gross Domestic Product
Cumulative Growth 2004-2014 60.5% Rank: 5



Absolute Domestic Migration
Cumulative 2005-2014 106,133 Rank: 12
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 11.0% Rank: 7



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	15	14	14	14	19	21	16

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	18
Top Marginal Corporate Income Tax Rate	6.00%	16
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.38	27
Property Tax Burden (per $1,000 of personal income)	$14.26	1
Sales Tax Burden (per $1,000 of personal income)	$28.06	37
Remaining Tax Burden (per $1,000 of personal income)	$16.36	17
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.36	14
Debt Service as a Share of Tax Revenue	6.4%	17
Public Employees Per 10,000 of Population (full-time equivalent)	555.1	35
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	61.0	33
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.55	45
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Oregon

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

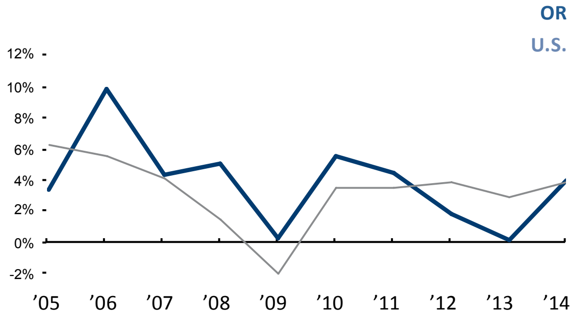
9 Economic Performance Rank

41 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

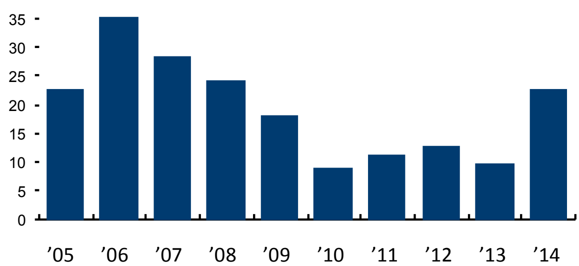
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 49.3% Rank: 12

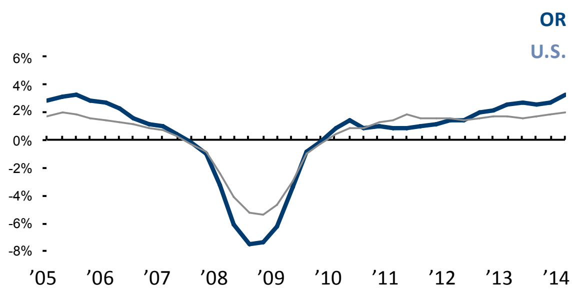


Absolute Domestic Migration
Cumulative 2005-2014 195,898 Rank: 10

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 7.3% Rank: 15



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	39	41	43	45	44	42	45

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	10.63%	48
Top Marginal Corporate Income Tax Rate	11.25%	47
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$15.57	42
Property Tax Burden (per $1,000 of personal income)	$32.89	33
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$22.83	41
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.07	23
Debt Service as a Share of Tax Revenue	8.7%	32
Public Employees Per 10,000 of Population (full-time equivalent)	479.4	9
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	61.2	32
State Minimum Wage (federal floor is $7.25)	$9.25	43
Average Workers' Compensation Costs (per $100 of payroll)	$1.37	8
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

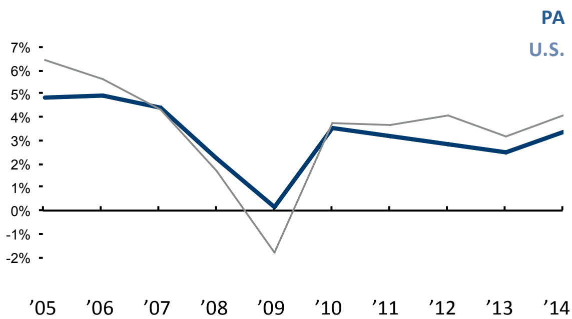
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

38 Economic Performance Rank

39 Economic Outlook Rank

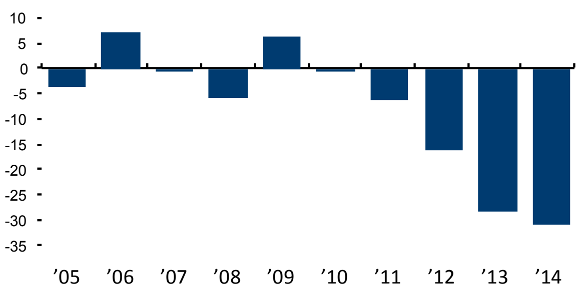
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 — 36.6% — Rank: 30

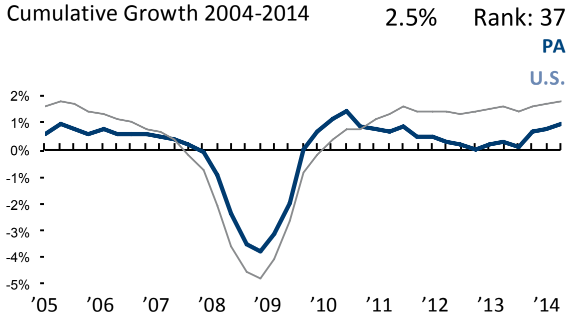


Absolute Domestic Migration
Cumulative 2005-2014 — -83,820 — Rank: 40

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 — 2.5% — Rank: 37



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**42**	**43**	**41**	**40**	**34**	**33**	**41**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.98%	33
Top Marginal Corporate Income Tax Rate	17.01%	49
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$29.92	28
Sales Tax Burden (per $1,000 of personal income)	$16.92	11
Remaining Tax Burden (per $1,000 of personal income)	$23.26	43
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$1.68	43
Debt Service as a Share of Tax Revenue	7.9%	27
Public Employees Per 10,000 of Population (full-time equivalent)	445.3	5
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	59.4	37
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.00	34
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Rhode Island

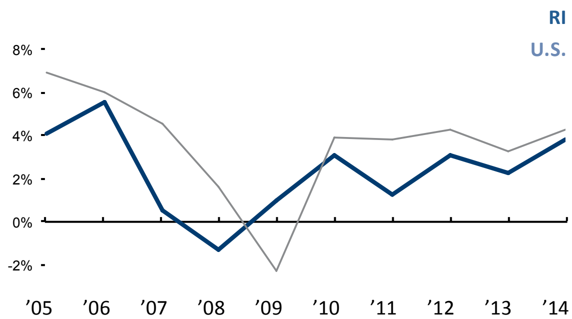
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

48 Economic Performance Rank

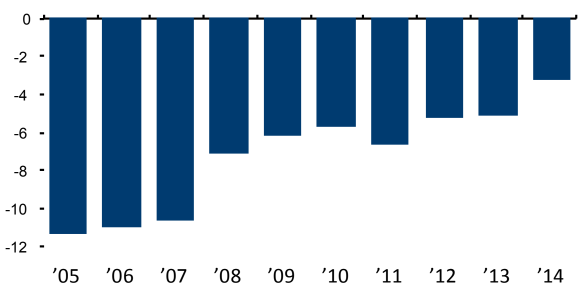
35 Economic Outlook Rank

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

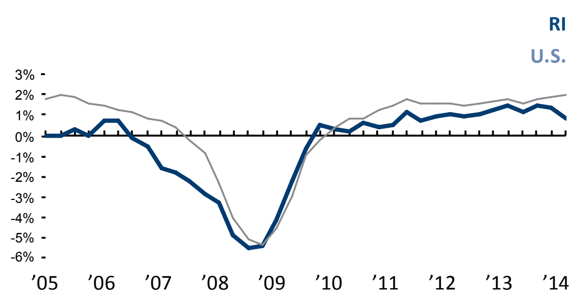
State Gross Domestic Product
Cumulative Growth 2004-2014 25.2% Rank: 48



Absolute Domestic Migration
Cumulative 2005-2014 -70,591 Rank: 39
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 -2.3% Rank: 49



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	48	45	42	43	45	41	39

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.99%	26
Top Marginal Corporate Income Tax Rate	7.00%	27
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$6.91	24
Property Tax Burden (per $1,000 of personal income)	$49.45	47
Sales Tax Burden (per $1,000 of personal income)	$18.14	14
Remaining Tax Burden (per $1,000 of personal income)	$18.21	25
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.84	8
Debt Service as a Share of Tax Revenue	11.1%	48
Public Employees Per 10,000 of Population (full-time equivalent)	454.2	7
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	64.6	26
State Minimum Wage (federal floor is $7.25)	$9.60	45
Average Workers' Compensation Costs (per $100 of payroll)	$1.99	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)	1	14

South Carolina

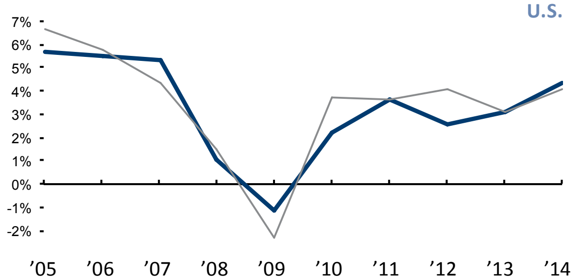
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

15 Economic Performance Rank

30 Economic Outlook Rank

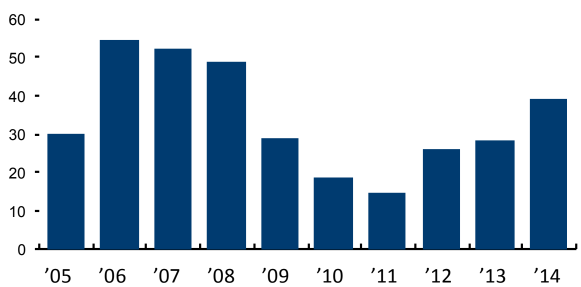
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 38.3% Rank: 26

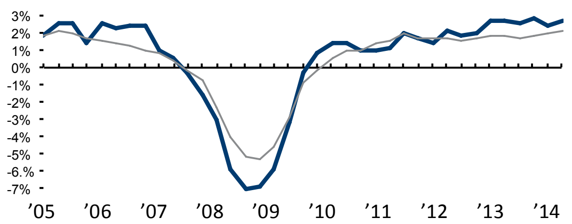


Absolute Domestic Migration
Cumulative 2005-2014 343,700 Rank: 6

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 6.8% Rank: 17



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	20	31	22	27	31	31	32

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.00%	36
Top Marginal Corporate Income Tax Rate	5.00%	10
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$16.28	43
Property Tax Burden (per $1,000 of personal income)	$30.54	30
Sales Tax Burden (per $1,000 of personal income)	$21.23	23
Remaining Tax Burden (per $1,000 of personal income)	$16.57	19
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.16	32
Debt Service as a Share of Tax Revenue	10.8%	46
Public Employees Per 10,000 of Population (full-time equivalent)	530.5	26
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	59.4	36
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.00	34
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

South Dakota

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

12 Economic Performance Rank

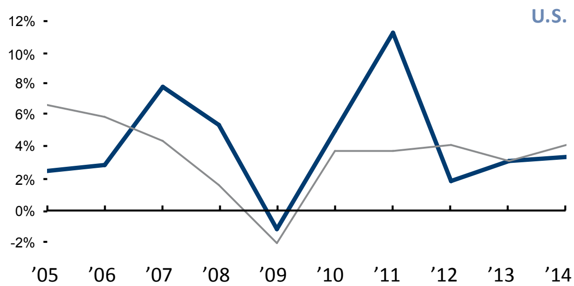
11 Economic Outlook Rank

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

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

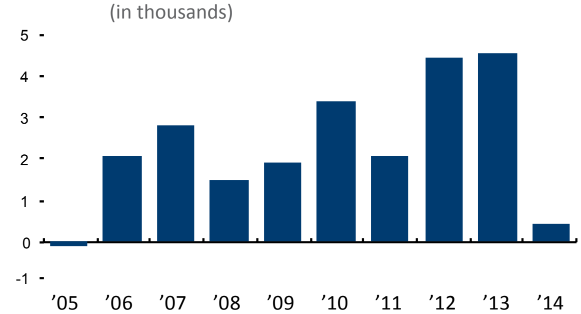
Cumulative Growth 2004-2014 — 50.0% Rank: 11



Absolute Domestic Migration

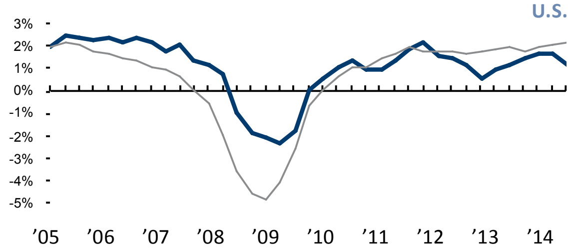
Cumulative 2005-2014 — 22,594 Rank: 23

(in thousands)



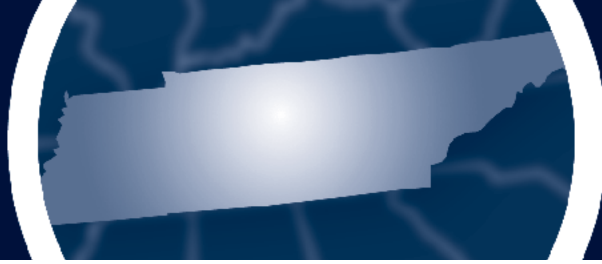
Non-Farm Payroll Employment

Cumulative Growth 2004-2014 — 10.0% Rank: 10



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	5	4	2	2	3	2	9

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)	$27.70	21
Sales Tax Burden (per $1,000 of personal income)	$31.48	40
Remaining Tax Burden (per $1,000 of personal income)	$18.53	26
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$2.16	45
Debt Service as a Share of Tax Revenue	7.0%	20
Public Employees Per 10,000 of Population (full-time equivalent)	531.9	29
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.5	9
State Minimum Wage (federal floor is $7.25)	$8.55	38
Average Workers' Compensation Costs (per $100 of payroll)	$1.86	26
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14



Tennessee

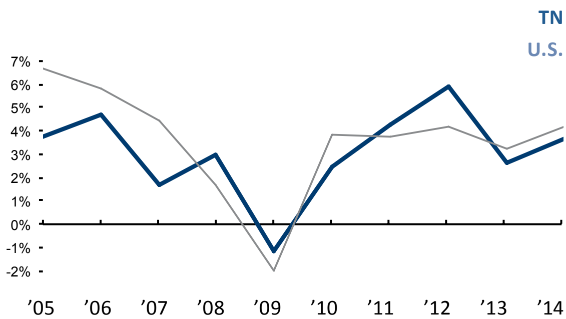
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

20 Economic Performance Rank

7 Economic Outlook Rank

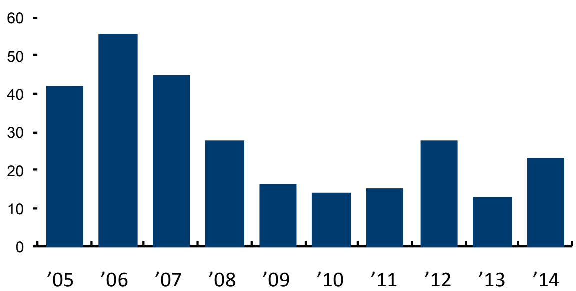
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 34.7% Rank: 31

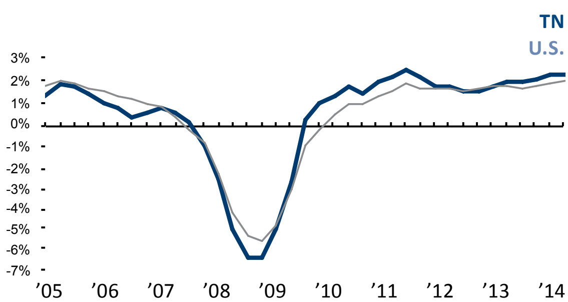


Absolute Domestic Migration
Cumulative 2005-2014 281,998 Rank: 9

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 4.4% Rank: 27



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	9	10	8	12	18	19	17

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	6.50%	21
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)	$21.38	10
Sales Tax Burden (per $1,000 of personal income)	$31.80	42
Remaining Tax Burden (per $1,000 of personal income)	$20.06	31
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.06	31
Debt Service as a Share of Tax Revenue	7.3%	24
Public Employees Per 10,000 of Population (full-time equivalent)	494.2	16
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	65.7	23
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.95	29
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Texas

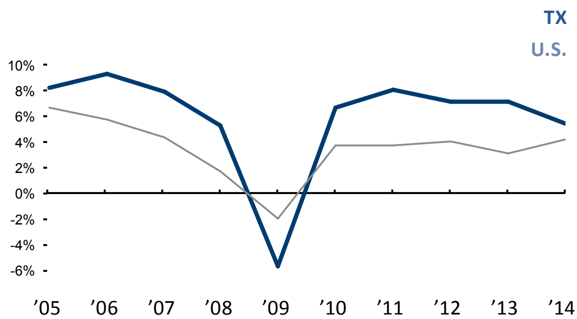
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

1 Economic Performance Rank

12 Economic Outlook Rank

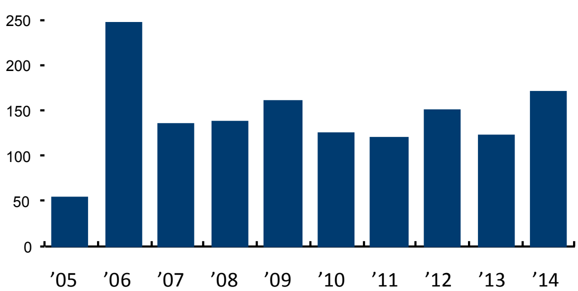
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 77.8% Rank: 3

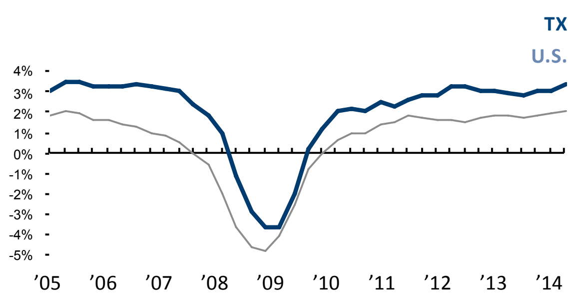


Absolute Domestic Migration
Cumulative 2005-2014 1,353,981 Rank: 1

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 22.3% Rank: 2



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	10	19	18	16	12	13	11

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	2.53%	4
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)	$35.93	37
Sales Tax Burden (per $1,000 of personal income)	$24.18	28
Remaining Tax Burden (per $1,000 of personal income)	$20.64	34
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$1.16	7
Debt Service as a Share of Tax Revenue	11.4%	49
Public Employees Per 10,000 of Population (full-time equivalent)	532.8	30
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	58.5	40
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.61	15
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Utah

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

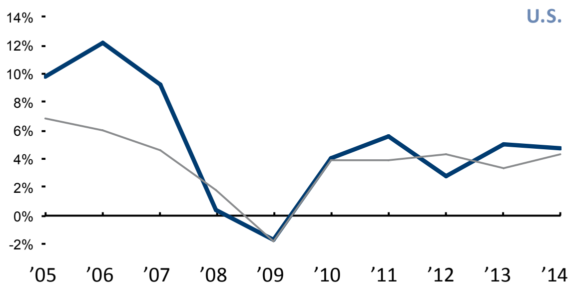
3 Economic Performance Rank

1 Economic Outlook Rank

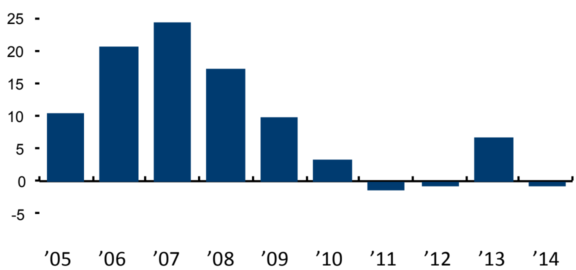
Economic Performance Rank (1=best 50=worst)

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

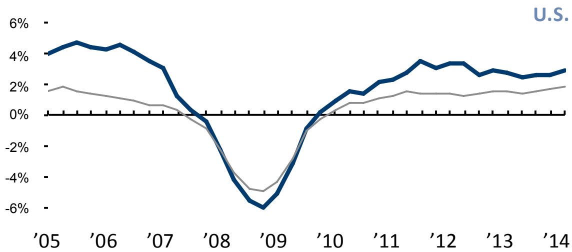
State Gross Domestic Product
Cumulative Growth 2004-2014 61.9% Rank: 4



Absolute Domestic Migration
Cumulative 2005-2014 82,986 Rank: 15
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 20.3% Rank: 3



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	1	1	1	1	1	1	1

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	18
Top Marginal Corporate Income Tax Rate	5.00%	10
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$26.39	17
Sales Tax Burden (per $1,000 of personal income)	$24.21	29
Remaining Tax Burden (per $1,000 of personal income)	$15.24	13
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$1.63	42
Debt Service as a Share of Tax Revenue	7.8%	26
Public Employees Per 10,000 of Population (full-time equivalent)	477.1	8
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.0	10
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.31	7
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	14

Vermont

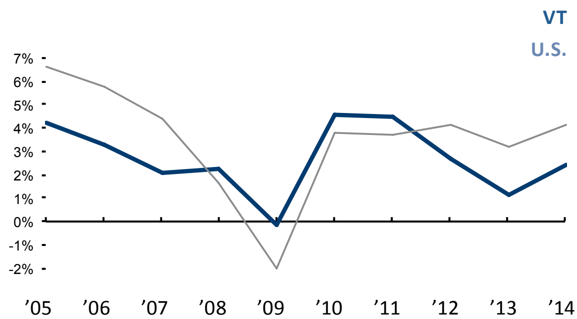
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

39 Economic Performance Rank

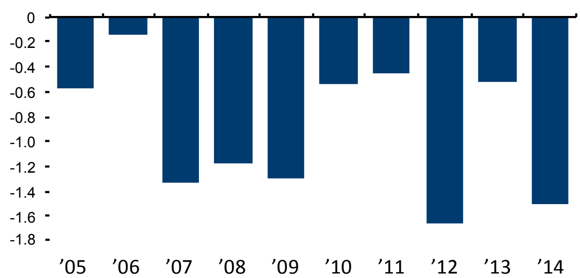
49 Economic Outlook Rank

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

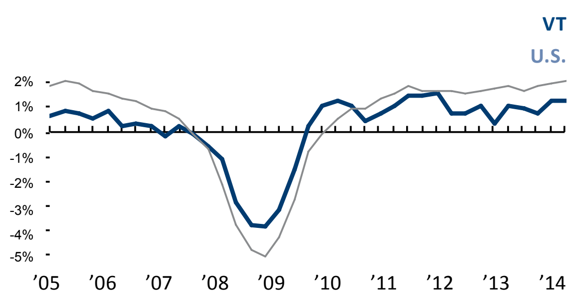
State Gross Domestic Product
Cumulative Growth 2004-2014 30.1% Rank: 43



Absolute Domestic Migration
Cumulative 2005-2014 -9,107 Rank: 28
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 2.5% Rank: 38



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**49**	**49**	**49**	**49**	**50**	**49**	**49**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	8.95%	44
Top Marginal Corporate Income Tax Rate	8.50%	38
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$29.59	49
Property Tax Burden (per $1,000 of personal income)	$52.35	48
Sales Tax Burden (per $1,000 of personal income)	$12.81	7
Remaining Tax Burden (per $1,000 of personal income)	$29.03	48
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$2.62	46
Debt Service as a Share of Tax Revenue	4.2%	3
Public Employees Per 10,000 of Population (full-time equivalent)	636.8	46
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.8	2
State Minimum Wage (federal floor is $7.25)	$9.60	45
Average Workers' Compensation Costs (per $100 of payroll)	$2.33	43
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Virginia

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

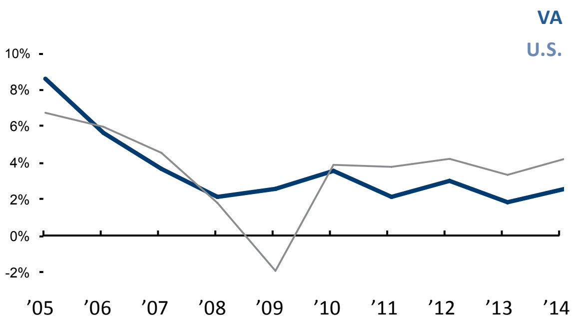
19 Economic Performance Rank

13 Economic Outlook Rank

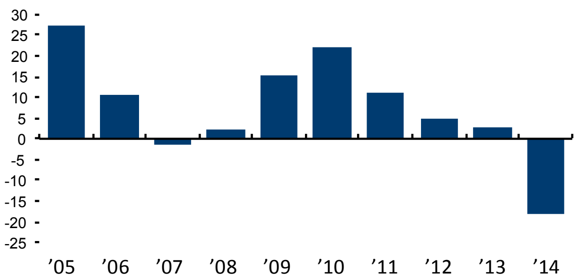
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

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.

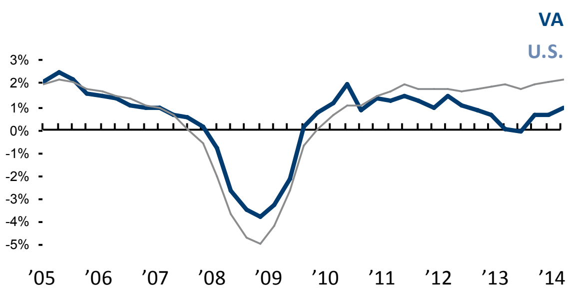
State Gross Domestic Product
Cumulative Growth 2004-2014 40.1% Rank: 24



Absolute Domestic Migration
Cumulative 2005-2014 76,071 Rank: 16
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 4.5% Rank: 26



Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	4	8	3	3	5	11	12

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.75%	24
Top Marginal Corporate Income Tax Rate	7.55%	30
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$6.45	22
Property Tax Burden (per $1,000 of personal income)	$29.13	26
Sales Tax Burden (per $1,000 of personal income)	$12.09	6
Remaining Tax Burden (per $1,000 of personal income)	$16.02	15
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.68	36
Debt Service as a Share of Tax Revenue	7.3%	23
Public Employees Per 10,000 of Population (full-time equivalent)	537.6	32
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.3	11
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.17	4
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Washington

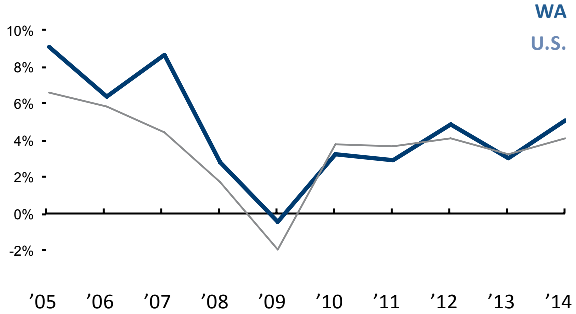
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

2 Economic Performance Rank

36 Economic Outlook Rank

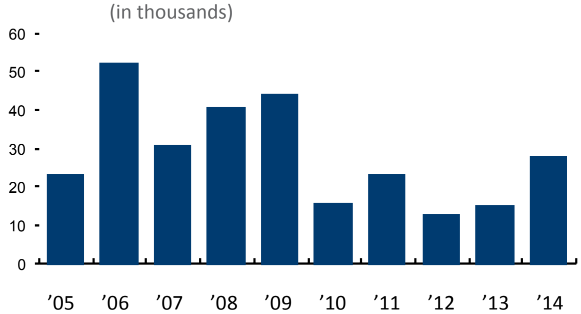
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 55.7% Rank: 8

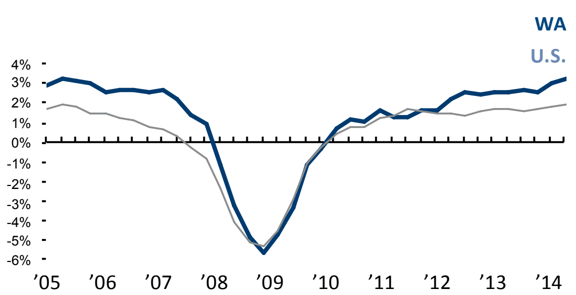


Absolute Domestic Migration
Cumulative 2005-2014 286,312 Rank: 8

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 12.6% Rank: 6



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	22	24	33	33	36	38	35

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	6.46%	20
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)	$28.55	23
Sales Tax Burden (per $1,000 of personal income)	$31.79	41
Remaining Tax Burden (per $1,000 of personal income)	$22.84	42
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.80	38
Debt Service as a Share of Tax Revenue	10.6%	45
Public Employees Per 10,000 of Population (full-time equivalent)	484.2	11
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	63.8	29
State Minimum Wage (federal floor is $7.25)	$9.47	44
Average Workers' Compensation Costs (per $100 of payroll)	$2.00	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)	1	14

17-0245 A Page 120 of 128

West Virginia

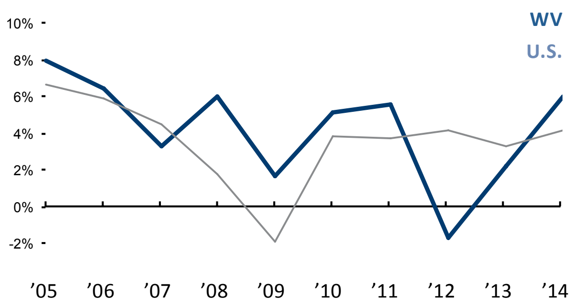
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

22 Economic Performance Rank

37 Economic Outlook Rank

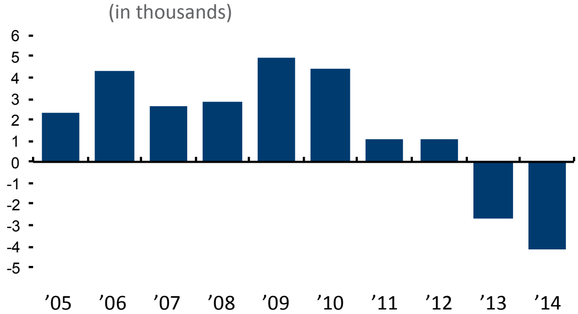
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product
Cumulative Growth 2004-2014 50.4% Rank: 10

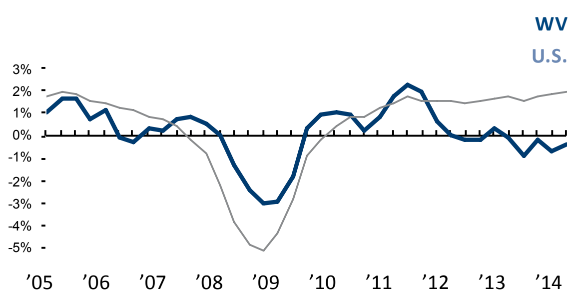


Absolute Domestic Migration
Cumulative 2005-2014 16,719 Rank: 24

(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 3.1% Rank: 34



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	33	27	31	30	32	30	36

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.50%	28
Top Marginal Corporate Income Tax Rate	6.50%	21
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$15.53	41
Property Tax Burden (per $1,000 of personal income)	$22.56	11
Sales Tax Burden (per $1,000 of personal income)	$19.15	17
Remaining Tax Burden (per $1,000 of personal income)	$28.12	47
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.63	35
Debt Service as a Share of Tax Revenue	5.4%	9
Public Employees Per 10,000 of Population (full-time equivalent)	560.3	37
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	46.3	50
State Minimum Wage (federal floor is $7.25)	$8.75	39
Average Workers' Compensation Costs (per $100 of payroll)	$1.37	8
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Wisconsin

2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

41 Economic Performance Rank

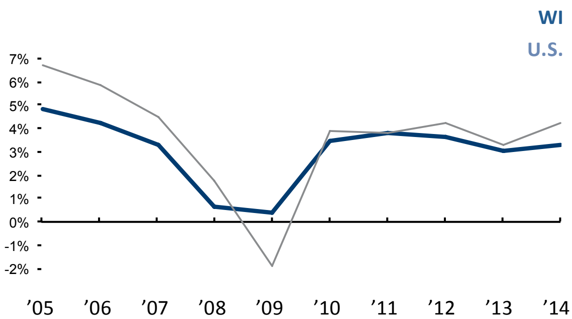
9 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

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

State Gross Domestic Product

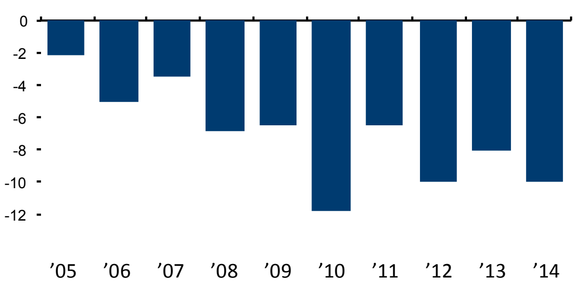
Cumulative Growth 2004-2014 33.6% Rank: 35



Absolute Domestic Migration

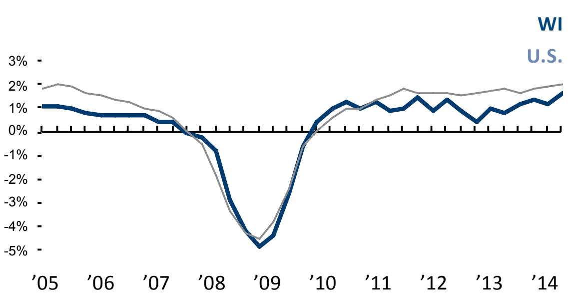
Cumulative 2005-2014 -66,862 Rank: 38

(in thousands)



Non-Farm Payroll Employment

Cumulative Growth 2004-2014 1.6% Rank: 40



Economic Outlook Rank (1=best 50=worst)

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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	27	23	30	32	15	17	13

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.65%	40
Top Marginal Corporate Income Tax Rate	7.90%	33
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$4.60	17
Property Tax Burden (per $1,000 of personal income)	$43.27	43
Sales Tax Burden (per $1,000 of personal income)	$19.50	18
Remaining Tax Burden (per $1,000 of personal income)	$16.53	18
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	-$0.54	12
Debt Service as a Share of Tax Revenue	6.4%	16
Public Employees Per 10,000 of Population (full-time equivalent)	485.5	12
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	66.6	20
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.92	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)	2	3

Wyoming

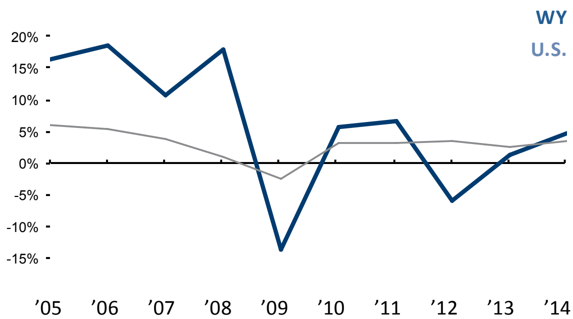
2016 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

7 Economic Performance Rank

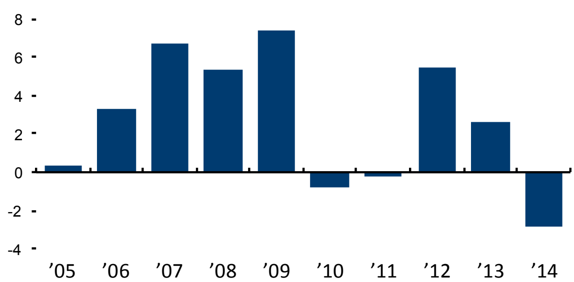
4 Economic Outlook Rank

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

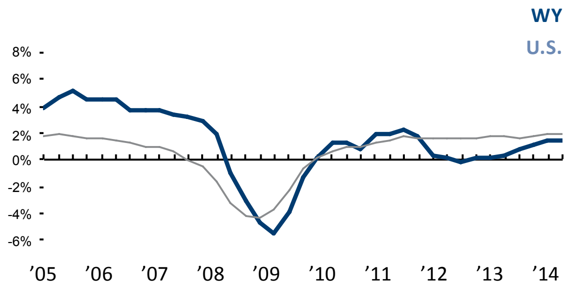
State Gross Domestic Product
Cumulative Growth 2004-2014 84.8% Rank: 2



Absolute Domestic Migration
Cumulative 2005-2014 27,391 Rank: 22
(in thousands)



Non-Farm Payroll Employment
Cumulative Growth 2004-2014 14.1% Rank: 4



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

Historical Ranking Comparison	2009	2010	2011	2012	2013	2014	2015
ECONOMIC OUTLOOK RANK	**6**	**6**	**6**	**6**	**6**	**10**	**8**

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)	$41.84	41
Sales Tax Burden (per $1,000 of personal income)	$28.68	38
Remaining Tax Burden (per $1,000 of personal income)	$12.41	5
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2014 & 2015, per $1,000 of personal income)	$0.00	28
Debt Service as a Share of Tax Revenue	2.8%	1
Public Employees Per 10,000 of Population (full-time equivalent)	873.1	50
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.7	8
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.76	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)	0	34

Appendix

2016 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 2016 ALEC-Laffer Economic Outlook rankings of the states. Each of these factors is influenced directly by state lawmakers through the legislative process. The 15 factors and a basic description of their purposes, sourcing and subsequent calculation methodologies are as follows:

HIGHEST MARGINAL PERSONAL INCOME TAX RATE

This ranking includes local taxes, if any, and any impact of federal deductibility, if allowed. A state's largest city was 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, 2016.

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 was used as a proxy for local tax rates. In the case of gross receipts or business franchise taxes, an effective tax rate was approximated using NIPA profits, rental and proprietor's income and gross domestic product data. 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 does a gross receipts tax. Therefore, what we believe is the best measurement for an effective corporate tax rate for Texas is to average the 4.30 percent measure we would use if the tax was a gross receipts tax and the 0.75 percent highest rate on its margin tax, leading to our measure of 2.53 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, 2016.

PERSONAL INCOME TAX PROGRESSIVITY

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

PROPERTY TAX BURDEN

This variable was calculated by taking tax revenues from property taxes per $1,000 of personal income. We have used U.S. Census Bureau data, for which the most recent year available is 2013. These data were released in December 2015.

SALES TAX BURDEN

This variable was calculated by taking tax revenues from sales taxes per $1,000 of personal income. Sales taxes taken into consideration include the general sales tax and specific sales taxes. We have used U.S. Census Bureau Data, for which the most recent year available is 2013. Where appropriate, gross receipts or business franchise taxes, counted as sales taxes in the Census data, were subtracted from a state's total sales taxes in order to avoid double-counting tax burden in a state. These data were released in September 2015.

REMAINING TAX BURDEN

This variable was calculated by taking tax revenues from all taxes—excluding personal income, corporate income (including corporate license), property, sales and severance per $1,000 of personal income. We used U.S. Census Bureau Data, for which the most recent year available is 2013. These data were released in September 2015.

ESTATE OR INHERITANCE TAX (YES OR NO)

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 were drawn from McGuire Woods LLP, "State Death Tax Chart" and indicate the presence of an estate or inheritance tax as of January 1, 2016.

RECENTLY LEGISLATED TAX CHANGES

This variable calculates each state's relative change in tax burden over a two-year period (in this case, the 2014 and 2015 legislative session) for the next fiscal year, using revenue estimates of legislated tax changes per $1,000 of personal income. This timeframe ensures that tax changes will impact a state's ranking immediately enough to overcome any lags in the tax revenue data. ALEC and Laffer Associates calculations used 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

Interest paid on debt as a percentage of total tax revenue. This information comes from 2013 U.S. Census Bureau data. These data were released in September 2015.

PUBLIC EMPLOYEES PER 10,000 RESIDENTS

This variable shows the full-time equivalent public employees per 10,000 of population. This information comes from 2014 U.S. Census Bureau data. These data were released in December 2015.

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 2015 Lawsuit Climate Survey.

STATE MINIMUM WAGE

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. This information comes from the U.S. Department of Labor, as of January 1, 2016.

WORKERS' COMPENSATION COSTS

This variable highlights the 2014 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 (YES OR NO)

This variable assesses whether or not a state requires union membership for its employees. We have chosen to score states 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, 2016.

TAX OR EXPENDITURE LIMIT

States were ranked only by the number of state tax or expenditure limits in place. We measure this by i) a state expenditure limit, ii) mandatory voter approval of tax increases and iii) a supermajority requirement for tax increases. One point is awarded for each type of tax or expenditure limitation a state has. All tax or expenditure limitations measured apply directly to state government. This information comes from the Cato Institute and other sources.

"I thank the authors of *Rich States, Poor States* for annually publishing this vital economic analysis. Over the years, this publication has been the catalyst for numerous policy reforms that have truly enhanced the wellbeing of hardworking taxpayers across America. The principles outlined within these pages give all states a proven roadmap for economic competitiveness."

– New Hampshire Representative Ken Weyler
Chairman, ALEC Center for State Fiscal Reform

"*Rich States, Poor States* is the "go to" index for evaluating state economic growth. ALEC's analysis is clear: Lower overall tax burdens lead to greater prosperity."

– David Brunori
Research Professor of Public Policy, The George Washington University

"As Americans increasingly look to the 50 states for leadership in the area of policymaking, *Rich States, Poor States* is an essential guide for those who care about policy solutions that work. While there are numerous ways to rank the states today, Laffer, Moore and Williams have done a tremendous job identifying and utilizing the important policy levers that actually matter for the economic growth and financial success of states."

– Rex Sinquefield
Co-author, *An Inquiry Into the Nature and Causes of the Wealth of States*

American Legislative Exchange Council

2900 Crystal Drive, Suite 600
Arlington, VA 22202

www.alec.org

ISBN 978-0-9853779-7-7
90000>
9 780985 377977