



Corporate Tax Games: March to Madness or Economic Growth?

by Dave Wells, Ph.D.¹

Introduction

Cornell and St. Mary's in the Sweet Sixteen? Butler in the Final Four? Kentucky missing its first 20 3-point shots against West Virginia? These are just some of the improbable outcomes we saw in this year's NCAA men's college basketball tournament with #1 seeds Kentucky, Syracuse, and Kansas all falling. March Madness has once again proved itself, and only a risk taking gambler would wager \$900 million on it.

Unfortunately, that's precisely what the Arizona legislature is poised to do—and the likelihood of it paying off is about as big as a #15 seed knocking off a #2 seed.²

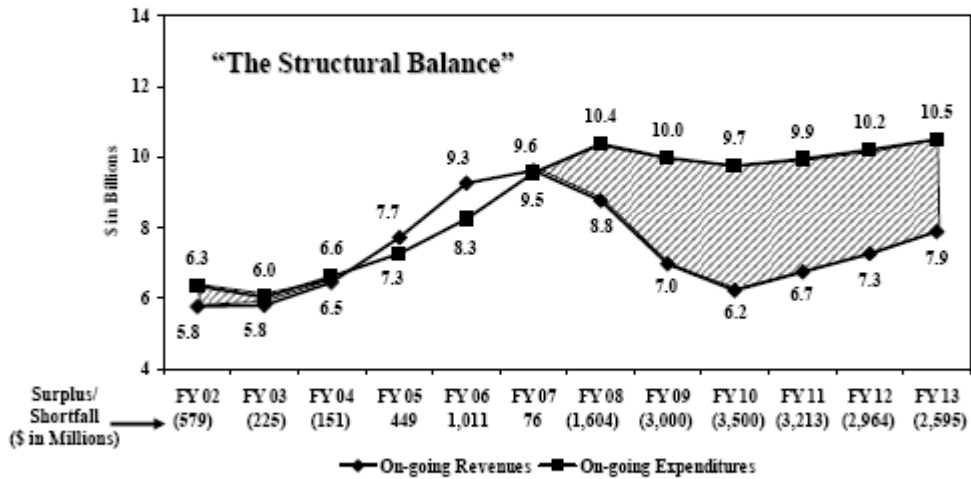
¹ Holds a doctorate in Political Economy and Public Policy and teaches in the School of Letters and Sciences at Arizona State University. The views are his own and do not represent the University.

² For the record #15 seeds are 4 wins and 100 losses in first round games. See "NCAA Men's Division I Basketball Championship," http://en.wikipedia.org/wiki/NCAA_Men's_Division_I_Basketball_Championship accessed March 28, 2010.

Graph 1

Structural Shortfall Remains Above \$2.5 B through FY '13

- Fiscal Condition Also Measured by On-Going Revenues vs. Spending



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From Joint Legislative Budget Committee, Staff Presentation, "FY 2010 and FY2011 Baseline Estimates," January 2010. Slide 16. <http://www.azleg.gov/jlbc/10-11baselineestimates.pdf>.

With the legislature having completed work on the fiscal year 2011 budget, pending voter approvals in May and November, HB2250 "Arizona's Job Recovery Act" a major tax reduction bill that passed the Arizona State House in January is expected to be heard in the State Senate as soon as Senate President Bob Burns allows it. No policy committee will hear the bill, rather it will go from rules to the Senate floor, meaning public testimony and a proper legislative vetting will be largely bypassed. Senator Burns would be better advised to keep the bill permanently shelved.

HB2250 has an associated annual cost of over \$900 million when fully phased in during FY 2017 according to the Joint Legislative Budget Committee³. While it is purported to be a jobs bill, it

³ HB2250, House Engrossed Summary, March 13, 2010, http://www.azleg.gov/FormatDocument.asp?inDoc=/legtext/49leg/2r/summary/h.hb2250_03-02-10_houseengrossed_asrevised.doc.htm, accessed March 28, 2010.

largely follows a plan of tax reductions aimed at corporations while also expanding income tax cuts to individuals. Corporate property tax assessments are slashed 25 percent and the corporate income tax rate drops nearly 30 percent, while expanding lenient sales factor rules for determining multistate corporate taxes moves to 100 percent among other changes.⁴ Though the legislature rescinded funding for all day Kindergarten as part of the Fiscal Year 2011 budget fix, the accompanying 10 percent reduction in individual tax rates which came when all day Kindergarten was first funded, not only has continued, but HB2250 aims to reduce them an additional 10 percent.

Given the state's current level of borrowing, accounting maneuvers, and deep cuts—often one-time acts (you can only borrow against future lottery proceeds once) and the continued structural deficit, reasonable voters should question whether a \$900 million reduction in revenues, even if begun in a couple years would be wise fiscal management.

The state currently has a structural deficit even if the temporary sales tax increase passes in May, which means even harsher cuts as one time sources are quickly being exhausted. Come 2014 when that sales tax ends, HB2250 would further reduce revenues by \$800 million on top of a structural deficit of approximately \$2.5 billion (see Table 1).

Advocates will counter that HB2250 will create economic growth by improving the business climate in Arizona, encouraging businesses to come here or expand operations. If true, it would take at least a decade to see sufficient revenue offsets. But is it even true? Are Legislators poised to take a high risk gambit on the state's future based on ideology, not empirics? If HB2250 is such wise policy, it should be empirically demonstrated, not mere ideological assertions. In other words, are we seeing a March to Madness or Economic Growth?

In January House leadership released a study they had commissioned from Elliot Pollack and Company to document the wisdom of their corporate tax reduction policy.⁵ The report emphasized the middle-range ranking of Arizona in a number of business climate rankings, as well as advocated specific kinds of economic incentives using hypothetical detailed case studies.

⁴ A prior study raised doubts concerning the effectiveness of Single Sales Factor. See "Proposed Arizona Corporate Tax Cuts: Padding Profits at the Expense of Kids," (April 2004) by Dave Wells, accessible at <http://www.public.asu.edu/~wellsda/research/ProposedAZCorporateTaxCuts.PDF>.

⁵ Elliott Pollack and Company, "The Job Recovery Package for the State of Arizona, December 2009" (released in January 2010)

It seems reasonable to presume from this research that states that have adopted these policies or rank higher do better than those states which fail to follow these policies. However, the Pollack report never tests this claim. This report aims to do so by comparing the measures of economic success cited by the Pollack report relative to an objective macro economic growth measure and compares it to how well these same indices perform against the states ranked by the men's college basketball RPI (Rankings Percentage Index), a.k.a. March Madness—something which has nothing to do with economic growth.

In addition, this report looks at numerous business friendly tax measure indices from the Tax Foundation, Small Business Entrepreneurship Council and the Anderson Economic Group, along with the specific incentives that the Pollack report considered and provided nationwide classifications for (economic incentives and the business personal property tax).

Unfortunately, the business friendly rankings don't correlate with economic growth. Some like Site Selection Magazines Best Business Climate rankings negatively correlate with economic growth and positively correlate March Madness. In other words it's a better predictor of the rank of a state in the men's college basketball rankings than a state's economic performance, i.e., where the University of Kentucky compares in basketball to the University of Arizona.

Likewise, all of the business tax rankings, which unlike the business friendly rankings, use only tax systems to judge states, do a lousy job of correlating with actual economic growth, and here, too, we find many that do better predicting March Madness RPIs.






Only two measures showed significant positive correlations with economic growth—and neither of them is a focus of the Pollack study. NAEP 8th grade reading and math scores controlled for the number of free and reduced lunch students has a good positive correlation with economic growth outcomes. Even better is the High School Graduation rate.

Most poignantly the Pollack study indicated, “that Arizona cannot be ‘number one’ in every economic development category. A State cannot be first in low tax rates and also be first in education and infrastructure spending.”⁶

Yet research indicates that wisely spent investments in education are precisely what Arizona needs to improve its economic growth and the revenue reductions embodied in HB2250 would undermine that even further. The summary correlations are posted below.








⁶ Elliott Pollack and Company, “The Job Recovery Package for the State of Arizona,” December 2009, p. viii.






Table 1 Predictive Accuracy of Measures

<p>Measure</p> <p>(correlations range from -1 to +1)</p>	 <p>MARCH MADNESS</p> <p>Correlation with Men’s College Basketball State University RPI Ranking (e.g. Univ. of Ariz. for Arizona, U of Kansas for Kansas, U of Kentucky for Kentucky, etc.), 1 to 50.</p>	 <p>ECONOMIC GROWTH</p> <p>Correlation with Average Ranking for 15 year and 7 year state per capita personal income growth and 10 year average state unemployment rate, 1 to 50.</p>	<p>BEST PREDICTS⁷</p>
<p>NAEP 8th Grade Math and Reading Average Free and Reduced and Non Free and Reduced Lunch Rank</p>	<p>-0.265^A</p>	<p>+0.265^{A/A+}</p>	
<p>NCES High School Graduation Rate Average 2001-2006 Rank</p>	<p>-0.172^C</p>	<p>+0.401^{A++}</p>	
<p>Site Selection Best Business Climate (top 25)</p>	<p>+0.216^C</p>	<p>-0.327^{B+}</p>	
<p>Chief Exec. Magazine Best States for Business (50 states ranked)</p>	<p>-0.125</p>	<p>-0.121</p>	<p>Nothing</p>
<p>CNBC Top States for Business (50 states)</p>	<p>-0.056</p>	<p>.099</p>	<p>Nothing</p>

⁷ Economic Growth if correlation is positive with likelihood of 70% (C) or better and lower (or negative) correlation with March Madness. March Madness if has positive correlation with March Madness that is greater than correlation to Economic Growth (regardless of probability). Nothing if neither of the above holds.

Correlation is plotting ranks of the two measures in X Y space and drawing a line that best matches it with the slope being the correlation. Differences from that estimation line are why the estimation has a probability of having a line of that slope.

<p>Measure</p> <p>(correlations range from -1 to +1)</p>	 <p>MARCH MADNESS</p> <p>Correlation with Men’s College Basketball State University RPI Ranking (e.g. Univ. of Ariz. for Arizona, U of Kansas for Kansas, U of Kentucky for Kentucky, etc.), 1 to 50.</p>	 <p>ECONOMIC GROWTH</p> <p>Correlation with Average Ranking for 15 year and 7 year state per capita personal income growth and 10 year average state unemployment rate, 1 to 50.</p>	<p>BEST PREDICTS⁷</p>
<p>Forbes Best States for Business (50 states)</p>	<p>-0.098</p>	<p>+0.157^C</p>	
<p>Tax Foundation Business Tax Rank (50 states)</p>	<p>-0.270^A</p>	<p>-0.087</p>	<p>Nothing</p>
<p>Tax Foundation Corp. Income Tax Rank</p>	<p>-0.003</p>	<p>.097</p>	<p>Nothing</p>
<p>Tax Foundation Business Property Tax Rank</p>	<p>-0.154^C</p>	<p>-0.018</p>	<p>Nothing</p>
<p>Small Business and Entrepreneurship Council Business Tax Index (50 states)</p>	<p>.039</p>	<p>-0.207^B</p>	
<p>SBEC Corp. Income Tax Rank</p>	<p>.141</p>	<p>-0.102</p>	
<p>SBEC Bus. Prop. Tax Rank</p>	<p>+0.189^B</p>	<p>-0.053</p>	
<p>Anderson Economic Group Business Tax Burden Rank (50 states)</p>	<p>+0.163^C</p>	<p>-0.179^C</p>	

<p>Measure</p> <p>(correlations range from -1 to +1)</p>	 <p>MARCH MADNESS</p> <p>Correlation with Men's College Basketball State University RPI Ranking (e.g. Univ. of Ariz. for Arizona, U of Kansas for Kansas, U of Kentucky for Kentucky, etc.), 1 to 50.</p>	 <p>ECONOMIC GROWTH</p> <p>Correlation with Average Ranking for 15 year and 7 year state per capita personal income growth and 10 year average state unemployment rate, 1 to 50.</p>	<p>BEST PREDICTS⁷</p>
AEG Corp. Income Tax Rank	.069	-.036	
AEG Bus. Prop. Tax Rank	+.228^{B+}	-.146	
CBRE Economic Incentives (1=Strong to 3=Weak)-48 states	.106	-.121	
CBRE Business Personal Property Exemption -48 states (1=Strong to 3=None)	-.072	.009	Nothing

C= at least 70% likely to be same sign of that correlation (positive or negative)
 B= at least 80% likely to be same sign of that correlation (positive or negative)
 A= at least 90% likely to be same sign of that correlation (positive or negative)
 A+= at least 95% likely to be same sign of that correlation (positive or negative)
 A++= at least 99% likely to be same sign of that correlation (positive or negative)
 Correlations range from a maximum of -1 to +1.

Methodology and Measures

Pollack and Associates identified seven indices that tracked economic vitality from a business perspective. These came from sources like Site Selection Magazine, Chief Executive Magazine, CNC and Forbes. Each uses a set of metrics to suggest how friendly to business a particular

state is. For our purposes I take only those measures which rank more than 10 states, which are also those measures which include Arizona.

Site Selection Magazine uses a combination of an Executive Survey, new plant rank for 1 and 3

Table 2

State Business Climate Rankings							
	2009 Business Climate Rankings	2009 Top Ten Competitive States	2009 Top States & Provinces in North America	2009 Best & Worst States for Business	2009 America's Top States for Business	2009 The Best States for Business	2009 Top 10 States for Business Climate
	<i>Site Selection Magazine</i>	<i>Site Selection Magazine</i>	<i>IBM Global Business Services</i>	<i>Chief Executive Magazine</i>	<i>CNBC</i>	<i>Forbes</i>	<i>Business Facilities</i>
1	North Carolina	Ohio	Ontario	Texas	Virginia	Virginia	Texas
2	Texas	North Carolina	Virginia	North Carolina	Texas	Washington	South Dakota
3	Virginia	Michigan	Ohio	Florida	Colorado	Utah	Wyoming
4	Ohio	Pennsylvania	South Carolina	Georgia	Iowa	Colorado	Utah
5	Tennessee	Kentucky	Pennsylvania	Tennessee	Utah	North Carolina	Florida
6	South Carolina	Texas	Quebec	Nevada	Minnesota	Georgia	Delaware
7	Alabama	Tennessee	North Carolina	Virginia	Kansas	North Dakota	Washington
8	Georgia	Alabama	California	Arizona	Massachusetts	Texas	Montana
9	Indiana	Indiana	Illinois	South Carolina	North Carolina	Nebraska	Oregon
10	Kentucky	South Carolina	Indiana	Colorado	Georgia	Oregon	New Hampshire
Arizona	24	—	—	8	18	36	—

Source: Elliott D. Pollack & Company; Site Selection Magazine; IBM Global Business Services; Chief Executive Magazine; CNBC; Forbes; Business Facilities.

years and new plants per million inhabitants. The Executive Survey lists tax structures as the third most prominent consideration after existing workforce skills and transportation infrastructure, and lists availability of incentives as ninth.

Chief Executive Magazine lists a number of factors that aren't fully specified: cost of business, technology and Innovation, Transportation, Business Friendliness, Workforce, Economy, Education, Quality of Life and Access to Capital.

Forbes has a number indices that it uses to create a composite ranking: Business cost based on cost of labor, energy and taxes, Labor which measures educational attainment, net migration and projected population growth, Regulatory environment which measures regulatory and tort

climate, incentives, transportation and bond ratings, Economic Climate which reflects job, income and gross state product growth as well as unemployment and presence of big companies, Economic Growth which reflects projected job, income and gross state product growth as well as business openings/closings and venture capital investment, and finally Quality of Life which includes schools, health, crime, cost of living and poverty rates.

CNBC has a list somewhat similar to the prior two: Cost of Doing Business, Workforce, Quality of Life, Economy, Transportation, Technology & Innovation, Education, Business Friendliness, Access to Capital, and Cost of Living.

In the tables below where correlations are used, correlations run from -1 (perfectly negatively correlated) to +1 (perfectly positively correlated). Correlation is plotting ranks of the two measures in X Y space and drawing a line that best matches it with the slope being the correlation. Differences from that estimation line are why the estimation has a probability of having a line of that slope. I use letter grades to illustrate how likely the actual correlation is of the same sign as listed (positive or negative) with A++ indicating at least a 99 percent likelihood, A+ illustrating at least a 95% likelihood, A illustrating at least a 90% likelihood, B illustrating at least a 70% likelihood and C illustrating at least a 70% likelihood. Beyond that the results aren't marked, illustrating too high of an error for any reliable estimate. These lists correlate fairly well with each other, though perhaps less than you'd expect given the similarity in the metrics employed.

Table 3 Cross Correlations of Business Friendly Rankings

Correlations		Chief Exec. Mag Best States for Business	CNBC Top States for Business	Forbes Best States for Business
Site Selection Business Climate	Pearson Correlation	.428 ^{A+}	.117	.266 ^B
Chief Exec. Mag Best States for Business	Pearson Correlation	1	.348 ^{A+}	.544 ^{A++}
CNBC Top States for Business	Pearson Correlation	.348 ^{A+}	1	.700 ^{A++}

These business friendly measures can also be compared with some of the business tax and incentive measure commonly used to measure competitiveness. We do find some degree of correlation, but not consistently across every business-friendly ranking. The Pollack study emphasized use of economic incentives and exempting the business personal property. However, The CB Richard Ellis Economic Incentive ratings correlate very poorly with the top states rankings. The property tax exemption correlates fairly well with two, CNBC and Forbes.

Since HB2250 changes tax rates, a particularly pertinent comparison is with the two most prominent business tax rankings, from the Tax Foundation and the Small Business and Entrepreneurship Council with Chief Executive Magazine showing the best correlations with these rankings and CNBC showing the weakest. CNBC and Forbes correlate somewhat with the Anderson Economic Group's Business Tax Burden.

Table 4 Cross Correlations of Business Friendly Rankings and Business Tax Indices

Correlations		Site Selection Business Climate	Chief Exec. Mag Best States for Business	CNBC Top States for Business	Forbes Best States for Business
Tax Foundation Business Tax Rank	Pearson Correlation	.169	.591 ^{A++}	.059	.349 ^{A+}
Small Business and Entrepreneurship Council Business Tax Index	Pearson Correlation	.315 ^B	.507 ^{A++}	.044	.216 ^B
Anderson Economic Group Business Tax Burden Index	Pearson Correlation	.134	.061	.288 ^{A+}	.225 ^{B+}
CBRE Economic Incentives (1=Strong to 3=Weak)	Pearson Correlation	.178	.031	-.036	-.085
CBRE Business Personal Property Exemption (1=Strong to 3=None)	Pearson Correlation	.080	.111	.299 ^{A+}	.247 ^A

Ultimately what we're interested in is whether a measure corresponds well with the results we most care about economic growth from improved incomes and low unemployment. The final test of these measures was to ascertain how well they correlated with Economic Growth versus whether they truly are a March to Madness, and correlate better with a state's relative ranking in the men's college basketball RPI.

For March Madness each state's men's college basketball teams ranking percentage index as of March 19 was used based on the primary state university, normally the university that bore the state's name, e.g., University of Arizona (even though ASU did better this year), University of California (Berkeley), University of Oregon, University of Virginia, etc. In two cases the state university was predominant: Ohio State University and Penn State. For New York, SUNY-Buffalo was chosen as the main state university and for New Jersey, Rutgers. Alaska has no team in the division I RPI, so was placed last. The RPI's of these teams were then rank ordered from 1 (highest) to 50 (lowest).


For Economic Growth using data from the Bureau of Economic Analysis and the Bureau of Labor Statistics, a composite economic growth measure was created. Improving incomes and providing sufficient jobs are the primary goals of economic policy, so the two measures used were per capita personal income growth and the state's unemployment rate. Per capita personal income growth captures the growth of all income sources going to households in a state divided by population. State Business rankings change somewhat over time, but also have some level of consistency and many states have had their policies in place for a number of years. Ultimately we want policies that work over the long haul, not just for a couple years, so per capita economic growth was measured from 1993-2008 for a longer term indicator, and from 2001-2008 from roughly equivalent points of the last business cycle for a nearer term measure. In both cases states were ranked from 1 (highest) to 50 (lowest). Likewise, the Bureau of Labor Statistics has data for the past 10 years for state level unemployment rates, 2000-2009. These were averaged for each state and again states were ranked from 1 (lowest) to 50 (highest). These three sets of state rankings were then averaged, the states re-ranked and placed from 1 (best overall average) to 50 (worst overall average)—see appendix for state rankings.

As the table below illustrates, most business friendly measures fail to correlated well with economic growth and many have the ignominious distinction of correlating negatively with economic growth, a distinction that falls upon Site Selection Magazine Business Climate, Chief Executive Magazine's list, the Tax Foundation's business tax list and property tax only rank, and the Small Business and Entrepreneurship Council Business Tax Index as well as its corporate

income and property tax rankings, and the Anderson Economic Group’s Business Tax Burden measures including those for just corporate income and property taxes.

The following indices do a better job of predicting a state’s men’s basketball team’s RPI than economic growth:

Table 5


Site Selection Best Business Climate (top 25)
Small Business and Entrepreneurship Council Business Tax Index
SBEC Corp. Income Tax Rank
SBEC Bus. Prop. Tax Rank
Anderson Economic Group Business Tax Burden Rank
AEG Corp. Income Tax Rank
AEG Bus. Prop. Tax Rank
CBRE Economic Incentives (1=Strong to 3=Weak)





The only ranking which showed any connection of note to economic growth was Forbes. In that case the correlation was modest and the probability of it being positive was 75 percent.

This stands in sharp contrast to the two measures which showed strong positive correlations with Economic Growth, NAEP 8th grade scores and High School graduation rates. The National Assessment of Educational Progress is the only test administered nationwide with a random sample of students in each state taking it. For this measure, the scores in a state for students who qualify for free and reduced lunch were averaged with the scores for students whose family incomes were above that threshold for both reading (in 2007) and math (in 2009). The net result is a measure that across states even weighted the portion of free and reduced lunch students, so richer states did not have an independent advantage. These were then ranked from 1 (best scores) to 50 (worst scores).






This NAEP ranking had a correlation 70 percent greater than the Forbes index and a probability of being positive of 94 percent.









The other educational measure was taken by averaging the most recent years available from the National Center for Educational Statistics for the High School Graduate rate for each state, 2001 through 2006, with states ranked from 1 (best) to 50 (worst). Here the correlation with economic growth was a very impressive 0.4 (correlations range from -1 to +1) and the probability of it being positive was above 99 percent, implying that policy changes that negatively impact education were likely to negatively impact Arizona’s relative economic growth.

Table 6 (repeat of Table 1) Predictive Accuracy of Measures

<p>Measure (correlations range from -1 to +1)</p>	 <p>MARCH MADNESS Correlation with Men’s College Basketball State University RPI Ranking (e.g. Univ. of Ariz. for Arizona, U of Kansas for Kansas, U of Kentucky for Kentucky, etc.) 1 to 50.</p>	 <p>ECONOMIC GROWTH Correlation with Average Ranking for 15 year and 7 year state per capita personal income growth and 10 year average state unemployment rate, 1 to 50.</p>	<p>BEST PREDICTS⁸</p>
<p>NAEP 8th Grade Math and Reading Average Free and Reduced and Non Free and Reduced Lunch Rank</p>	<p>-0.265^A</p>	<p>+0.265^{A/A+}</p>	
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<p>Site Selection Best Business Climate (top 25)</p>	<p>+.216^C</p>	<p>-.327^{B+}</p>	
<p>Chief Exec. Magazine Best States for Business (50 states ranked)</p>	<p>-.125</p>	<p>-.121</p>	<p>Nothing</p>
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<p>Small Business and Entrepreneurship Council Business Tax Index (50 states)</p>	<p>.039</p>	<p>-.207^B</p>	

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C= at least 70% likely to be same sign of that correlation (positive or negative)

B= at least 80% likely to be same sign of that correlation (positive or negative)

A= at least 90% likely to be same sign of that correlation (positive or negative)

A+= at least 95% likely to be same sign of that correlation (positive or negative)

A++= at least 99% likely to be same sign of that correlation (positive or negative)
Correlations range from a maximum of -1 to +1.

Conclusion

While state rankings are a relatively simple means of comparing states and ignore the degree of difference between the rankings, all that's mathematically required in this study is a basic correlation. The business climate indices purport to take numerous factors into account in evaluating a state's degree of friendliness to business, including educational demographics. Except for Forbes, they bear no relationship to a composite measure of Economic Growth.

Likewise, a careful look at the states who do well include some states who are economically desperate—because of retreating industries and other demographic shortcomings, such as states in the Midwest, notably Ohio and Michigan. But still on balance as we're looking at growth, if these policies were effective we should see better empirical evidence in a basic correlation.

Most striking is that measures indicative of workforce quality—from the NAEP scores and high school graduation rates are by far the best indicators of a state's economic performance. Arizona can't improve here by cutting taxes, quite the opposite—the nearly \$3 billion in annual revenue lost due to tax decreases since 1994 has forced tremendous financial pressures on schools.⁹ The current budget situation exacerbates this situation, and HB2250 would undercut strategic investments needed to improve Arizona's schools, the very kind of investment best associated with improving Arizona's long-term economic prospects and future state revenue stream.

If passed, HB2250 would be a March to Madness, adding another \$900 million to a sizeable \$2.5 billion structural deficit, while undercutting the educational supports which have been empirically demonstrated to correlate with economic growth.

Ideology is no excuse for ignoring faults in these tax plans during such fiscally challenging times.

Dave Wells can be contacted at (602) 496-0615 or Dave.Wells@asu.edu.

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⁹ The calculation for lost revenue can be found in a spreadsheet link that's posted at the bottom of "Oops! Robb actually agrees with cost of \$2 billion tax cut he criticizes," blog post by the author from April 3, 2009 <http://www.makedemocracywork.org/columns/2009/04/03/oops-robb-actually-agrees-on-2-billion-cost-of-tax-cuts-that-he-criticizes/>. At that time \$2.96 billion was the net cost of the tax cuts applying the 1993 tax code to the 2009 tax base. Since then the state equalization tax has returned, so assuming the tax base has remained relatively flat, then the cost would be closer to \$2.7 billion.

APPENDIX 1	STATE RANKINGS													
	Economic Growth	NCAA RPI	NAEP Scores	High School Grad	Site Selection	Chief Exec.	CNBC	Forbes	Tax Foundation	TF Corp Inc	TF Prop Tax	SBEC	SBEC Corp Inc	SBEC Prop Tax
Alabama	20	24	50	42	7	14	39	28	19	23	17	9	7	1
Alaska	38	50	35	40		5	50	42	3	26	15	7	46	37
Arizona	34	22	42	29	24	8	18	36	28	22	4	17	27	19
Arkansas	16	36	37	25		35	31	26	40	39	20	23	21	4
California	39	6	47	35	22	50	32	38	48	34	13	47	42	14
Colorado	32	28	18	27	20	10	3	4	13	12	6	8	8	21
Connecticut	21	17	30	13		38	35	35	38	18	48	30	30	43
Delaware	35	46	26	36		12	42	21	8	49	7	21	41	3
Florida	25	14	34	44	13	3	28	18	5	15	22	6	15	32
Georgia	44	25	36	49	8	4	10	6	29	8	36	19	16	23
Hawaii	15	48	49	37		41	49	39	24	10	8	37	20	8
Idaho	31	38	12	12		16	22	11	18	17	3	41	31	20
Illinois	41	19	31	20	14	45	25	24	30	27	39	18	29	39
Indiana	46	43	17	31	9	11	15	30	12	21	12	22	37	41
Iowa	5	41	23	4	15	19	4	14	46	45	31	45	49	33
Kansas	21	1	6	21		21	7	15	32	40	32	33	28	31
Kentucky	45	2	29	34	10	23	34	43	20	42	19	28	16	7
Louisiana	9	44	41	45	25	43	44	44	35	19	24	26	14	6
Maine	19	34	9	22		32	40	41	34	43	41	48	43	48
Maryland	11	9	25	14		31	27	12	45	14	38	35	35	11
Massachusetts	13	39	1	18		46	8	34	36	47	45	42	47	35
Michigan	50	31	40	32	12	48	41	49	17	48	33	20	9	40
Minnesota	14	16	7	6	22	33	6	17	43	44	16	49	48	18
Mississippi	24	15	46	48	17	30	45	40	21	13	23	12	10	17
Missouri	40	13	22	17	19	26	14	29	16	5	18	14	13	16
Montana	8	23	3	11		27	38	13	6	16	10	31	25	34
Nebraska	7	33	21	1		28	11	9	33	35	34	40	33	36

APPENDIX 1	STATE RANKINGS													
	Economic Growth	NCAA RPI	NAEP Scores	High School Grad	Site Selection	Chief Exec.	CNBC	Forbes	Tax Foundation	TF Corp Inc	TF Prop Tax	SBEC	SBEC Corp Inc	SBEC Prop Tax
Nevada	35	18	48	46		6	47	31	4	3	14	2	1	15
New Hampshire	18	47	8	15		18	21	19	7	50	40	25	37	51
New Jersey	26	37	10	2		47	24	45	50	41	50	50	45	47
New Mexico	12	4	44	41		34	43	27	23	32	1	27	32	5
New York	16	26	20	47	16	49	36	32	49	20	43	46	36	44
North Carolina	47	20	28	39	1	2	9	5	39	25	37	38	26	12
North Dakota	1	49	4	5		17	16	7	25	30	5	36	21	28
Ohio	48	8	19	16	4	44	29	37	47	38	49	10	6	30
Oklahoma	4	29	38	23	18	22	23	20	31	7	27	15	16	2
Oregon	48	32	14	38		24	18	10	14	31	9	34	24	24
Pennsylvania	29	40	13	9	11	29	33	33	27	37	42	29	50	29
Rhode Island	28	11	43	24		39	48	50	44	36	47	44	44	46
South Carolina	43	21	33	50	6	9	37	25	26	9	26	11	10	27
South Dakota	3	42	5	8		13	12	16	1	1	11	1	1	26
Tennessee	42	5	39	43	5	5	20	23	22	11	46	13	21	10
Texas	27	10	11	30	2	1	2	8	11	46	30	5	1	38
Utah	30	35	32	10	21	15	5	3	10	6	2	24	10	13
Vermont	9	27	2	7		36	30	47	41	28	44	43	37	49
Virginia	6	30	24	19	3	7	1	1	15	4	29	16	16	25
Washington	33	12	15	33		40	16	2	9	33	21	4	1	22
West Virginia	23	3	45	26		37	46	46	37	24	28	39	37	9
Wisconsin	35	7	27	3		42	26	48	42	29	25	32	34	42
Wyoming	2	45	16	28		20	13	22	2	1	35	3	1	45

State	STATE RANKINGS									
	Economic Growth	NCAA RPI	AEG	AEG Corp Inc.	AEG Prop. Tax	CPRE Econ Incent	CBRE Bus Pers. Prop.	1993-2008 Personal Income	2001-2008 Personal Income	2000-2009 Unemp. Rate
Alabama	20	24	7	19	2	1	2	29	12	22
Alaska	38	50	47	50	38			43	9	48
Arizona	34	22	35	39	41	3	3	31	36	29
Arkansas	16	36	11	32	5	1	2	20	10	30
California	39	6	31	43	13	3	3	24	33	45
Colorado	32	28	17	7	26	3	2	21	48	20
Connecticut	21	17	10	11	20	1	3	22	31	17
Delaware	35	46	2	22	1	3	1	45	43	10
Florida	25	14	44	32	45	1	2	33	20	26
Georgia	44	25	13	12	24	1	2	46	49	25
Hawaii	15	48	46	35	37			49	4	5
Idaho	31	38	41	39	35	2	2	39	32	16
Illinois	41	19	34	22	22	1	1	37	35	42
Indiana	46	43	30	22	42	1	2	48	46	33
Iowa	5	41	19	7	28	1	1	7	13	9
Kansas	21	1	33	19	34	1	1	28	23	19
Kentucky	45	2	25	47	7	1	2	38	39	44
Louisiana	9	44	6	12	6	1	3	4	3	31
Maine	19	34	49	35	50	3	3	15	29	18
Maryland	11	9	23	29	17	3	3	16	15	12
Massachusetts	13	39	21	38	25	3	3	5	26	21
Michigan	50	31	22	35	32	2	3	50	50	50
Minnesota	14	16	8	22	10	3	1	8	30	15
Mississippi	24	15	36	32	39	1	3	11	16	47
Missouri	40	13	5	5	14	1	2	36	34	34

State	STATE RANKINGS									
	Economic Growth	NCAA RPI	AEG	AEG Corp Inc.	AEG Prop. Tax	CPRE Econ Incent	CBRE Bus Pers. Prop.	1993-2008 Personal Income	2001-2008 Personal Income	2000-2009 Unemp. Rate
Montana	8	23	50	43	48	2	3	17	8	11
Nebraska	7	33	26	19	30	1	3	10	22	3
Nevada	35	18	37	1	27	3	3	42	19	37
New Hampshire	18	47	45	48	46	3	3	14	40	7
New Jersey	26	37	39	42	40	1	1	25	28	27
New Mexico	12	4	15	45	4	3	2	12	11	24
New York	16	26	32	46	29	2	1	19	6	35
North Carolina	47	20	1	17	8	2	2	44	44	40
North Dakota	1	49	42	41	33	3	1	2	2	1
Ohio	48	8	4	7	15	2	1	47	47	41
Oklahoma	4	29	12	12	3	1	2	6	7	14
Oregon	48	32	28	18	16	3	3	41	45	49
Pennsylvania	29	40	20	29	11	2	3	32	24	28
Rhode Island	28	11	40	22	44	2	3	26	18	39
South Carolina	43	21	29	7	43	2	3	35	37	46
South Dakota	3	42	9	6	23	3	1	3	5	2
Tennessee	42	5	3	29	9	2	2	40	38	38
Texas	27	10	24	1	36	1	2	18	27	36
Utah	30	35	14	22	12	2	2	30	42	13
Vermont	9	27	48	22	49	3	3	9	21	8
Virginia	6	30	27	15	31	3	3	13	17	4
Washington	33	12	18	1	18	3	3	23	25	43
West Virginia	23	3	43	49	19	2	3	27	14	32
Wisconsin	35	7	16	16	21	3	3	34	41	23
Wyoming	2	45	38	1	47	3	3	1	1	6

Sources:

Economic Growth: Bureau of Labor Statistics provides state unemployment rates for the past 10 years at <http://www.bls.gov/lau/>. 2000-2009 used—note although Arizona’s average unemployment rate is below the national average, a number of large states had high unemployment rates, which is why Arizona ranks in the lower half. The Bureau of Economic Analysis has state per capita personal income at <http://www.bea.gov/regional/>.

NCAA RPI: Taken on March 19 as of March 16, so before the tournament ,
http://www.realtimerpi.com/rpi_Men.html.

NAEP: Accessible through the Nation’s Report Card. At the time gathered 2007 was the most recent reading scores available; 2009 was released shortly thereafter-but rankings do not change dramatically. The data is split evenly for each state for students on free and reduced lunch and those not on it, for both reading and math. The four scores were summed and then the states ranked from highest to lowest. Choose State Comparisons tab at <http://nces.ed.gov/nationsreportcard/naepdata/>.

High School Graduation rates are taken from 2001-2006 and averaged for each state using data from the National Center for Educational Statistics. See Table A 19-1 Averaged freshman graduation rate for public high school students and number of graduates, by state: School years 2000-01 through 2005-06 accessible at <http://nces.ed.gov/programs/coe/2009/section3/indicator19.asp>.

Site Selection Magazine November 2009 issue provides rankings and methodology:
<http://www.siteselection.com/issues/2009/nov/cover/>.

Chief Executive Magazine 2009 rankings and methodology are noted at
<http://www.chiefexecutive.net/media/usbestandworststates/2009/>.

CNBC 2009 rankings and methodology are noted at <http://www.cnb.com/id/31765926>.

Forbes best states for business comes from their September 23, 2009 issue:
http://www.forbes.com/2009/09/23/best-states-for-business-beltway-best-states_table.html

The Tax Foundation’s most recent rankings of business taxes and explanation of methodology can be found at <http://taxfoundation.org/files/bp59.pdf> from September 2009 (though they list it as a 2010 ranking).

The Small Business and Entrepreneurship Council’s Business Tax ratings by Raymond Keating, their chief economist from April 2009 can be found at
<http://www.sbecouncil.org/uploads/BusinessTaxIndex2009Final.pdf>.

The Anderson Economic Group's 2008 "State Business Tax Burden Rankings" were released in March 2009 and can be found at <http://www.andersoneconomicgroup.com/Portals/0/upload/AEG%20Tax%20Burden%20Study%202008%20Rankings.pdf>.

The CB Richard Ellis rankings come from state maps that were presented in the Pollack and Company report. See pages 44 (Economic Incentives) and 73 (Personal Business Property Tax Exemption).