

## A New Way to Rank the States

The Indiana Communities Institute at Ball State University released a new study – *Ranking States’ Business Climates: Developing an Average Index of State Business Climate Rankings* – in June.

It combines the following rankings: *Forbes*, CNBC (2015 results, not the 2016 analysis released in July), Tax Foundation, George Mason University, *Chief Executive Magazine*, Institute for Legal Reform and Pollina Corporate Real Estate.

The authors’ introduction follows:

*Business climate studies and state rankings of business climates can attract a lot of attention from state economic developers and legislators. This is because they simply attempt to combine a large amount of information to diagnose states’ competitiveness in regard to economic activity and future growth.*

*Thus, state rankings may be interpreted to reflect on how well or how poorly legislators and economic developers are doing their jobs. However, for as much popularity that ranking systems are given, they also receive significant criticism.*

*Most efforts to rank business climates are criticized because they are perceived to be biased, to exclude important variables, or to measure variables improperly. It is often argued that most ranking systems provide no explanation of business executives’ perceptions of a state’s business climate and also do not have any explanatory power of important economic indicators such as growth in state GDP, employment and per capita income.*

*Because it is true that the plethora of state rankings available differ greatly in their methods and results, this study argues that when taken together, a system that utilizes many rankings to create an average index should be more reliable.*

### State Rankings by Composite Mean and Median

Top 10 states

Rank	State	Tax Foundation	George Mason	Forbes	CNBC	Chief Exec Magazine	Institute for Legal Reform	Pollina
1	Utah	9	11	1	3	15	10	1
2	North Carolina	16	27	2	9	3	7	7
3	Indiana	8	16	8	13	6	18	3
4	Nebraska	29	4	3	7	25	3	2
5	South Dakota	2	3	9	11	23	9	16
6	North Dakota	25	2	4	6	19	15	6
7	Wyoming	1	6	27	18	17	8	8
8	Virginia	27	21	7	12	14	11	4
9	Colorado	20	22	5	4	11	16	23
10	Tennessee	15	8	19	17	4	23	15

Bottom 10 states

Rank	State	Tax Foundation	George Mason	Forbes	CNBC	Chief Exec Magazine	Institute for Legal Reform	Pollina
41	Vermont	46	39	42	42	41	2	46
42	New Mexico	38	36	47	24.5	36	45	33
43	Connecticut	42	47	39	33	45	22	35
44	Pennsylvania	34	41	36	40	35	37	44
45	Hawaii	30	40	43	50	44	30	37
46	Illinois	31	50	38	19	48	48	47
47	Rhode Island	45	38	46	48	37	26	49
48	West Virginia	21	43	50	49	38	50	45
49	California	48	44	32	27	50	47	50
50	New Jersey	50	49	41	39	47	38	48

Midwest states

Rank	State	Tax Foundation	George Mason	Forbes	CNBC	Chief Exec Magazine	Institute for Legal Reform	Pollina
21	Ohio	44	7	15	23	22	27	20
27	Michigan	13	34	30	22	43	24	10
34	Kentucky	26	45	28	36.5	28	39	28

Source: Indiana Communities Institute, Ball State University. Authors: Dick Heupel, Rosemary Kaiser