

# spotlight

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## TAXPAYERS' RETURN ON INVESTMENT

*North Carolinians gets little value for their tax dollars*

**KEY FACTS:** • North Carolina's relatively high tax burden in the region has not improved the state's schools, roads, health, or crime as much as would be expected.

• Per-capita personal income growth also lagged, though population grew faster in N.C. than in most other states.

• Based on these results, North Carolina earns a D for its Taxpayers' Return on Investment, a measure that compares tax burdens with states' performance in schools, roads, health, and crime, plus their income and population growth.

• With most of the temporary taxes finally expiring, North Carolina's tax burden has improved slightly.

• North Carolina's tax burden has moved above the national average and is often among the highest in the South.

• The rising tax burden compared with other states leaves North Carolina worse off when trying to attract business and increases the perceived need for subsidies to companies to relocate to the state.

• A change in the Tax Foundation's methodology for calculating tax burdens obscured these trends.

• North Carolina's business tax climate also continues to be one of the worst in the country.

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**t**axes are a measure of the size of government. The Tax Foundation produces an annual report on the burden of taxes paid to state and local governments, which provides the current and historical tax figures used in this paper. This paper has three major sections.

Section I describes and provides results of a newly created measure of state and local government performance by state, called Taxpayers' Return on Investment. Taxpayers' return on investment compares the state and local tax burden as a share of income in 2001, as reported by the Tax Foundation, with

200 W. Morgan, #200  
Raleigh, NC 27601  
phone: 919-828-3876  
fax: 919-821-5117  
www.johnlocke.org

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measures of states' improvement in performance of school, health, crime, and roads over the next six years, as well as their growth in population and per capita income. A detailed description is provided in the appendix.

Section II provides a better understanding of the Tax Foundation's tax burden measure, how it changed this year, and North Carolina's performance on it. North Carolina's tax burden has been relatively high among southern states, but changes in Tax Foundation methodology have affected some of the historical story.

Finally, Section III examines the role of taxes in studies of competitiveness with a focus on *Forbes* magazine's list of best states for business and the Tax Foundation's State Business Tax Climate Index.

### SECTION I: TAXPAYERS' RETURN ON INVESTMENT

If, as Oliver Wendell Holmes infamously said, "Taxes are the price we pay for civilized society," and if government spending is a form of investment, it is worth asking if the price is worth it and what kind of return taxpayers are getting on their investment in government.

Few studies of state and local taxes, however, examine how the money is spent. Taxpayers' Return on Investment, however, is as important as taxation itself. A number of studies currently rate the economic freedom and competitiveness of states, but do not explicitly tie these measures to the level of taxation. The remaining section of this paper will cover four key areas of government spending – roads, K-12 education, health, and crime – to provide a rough estimate of Taxpayers' Return on Investment across states and, to the extent possible, over time. Population and per-capita personal income growth should also increase faster in states that have had good government policies than in similar states that have not, so these serve as another measure. (See Appendix for detailed methodology.)

States that invest taxes well should have better performance on health, education, roads, and crime than states that do not. Better performance, in turn, should spur faster income and population growth.

### Results

North Carolina earns a D for Taxpayers' Return on In-

**Figure 1. Tax Burden and Taxpayer ROI, by State**

State	Tax Burden	Overall Grade	Growth	Performance
Florida	7.8%	A	A	A
Alaska	5.8%	A	A	A
Texas	8.1%	A	A	A
Wyoming	6.9%	A	A	A
Montana	8.7%	A	A	B+
Nevada	6.8%	A	A	A
Delaware	8.4%	A	A	A-
New Mexico	8.9%	A-	A-	B
South Dakota	7.8%	A-	A-	A
Tennessee	7.8%	A-	B+	A
New Hampshire	7.3%	B+	B	A-
Arizona	8.7%	B+	A-	C+
Louisiana	8.6%	B+	B	B-
Illinois	8.8%	B	C+	A-
North Dakota	8.9%	B	B	A-
Virginia	9.4%	B	B-	B+
South Carolina	9.1%	B	B-	B
Washington	8.8%	B-	B	C
Mississippi	9.1%	B-	B	B-
Alabama	8.7%	B-	B+	C
Arkansas	9.5%	C+	B-	C+
Missouri	9.2%	C+	D+	B
Indiana	8.8%	C+	C	C-
Kansas	9.3%	C	C+	C
Massachusetts	9.4%	C	D	B
Maryland	10.2%	C	D+	C+
Pennsylvania	9.5%	C	D+	D
Utah	10.2%	C	C-	C-
West Virginia	9.1%	C-	C	D
Iowa	9.2%	C-	C+	D+
Colorado	9.1%	D+	C	C
Vermont	9.6%	D+	F	B-
Oklahoma	9.6%	D+	C	F
Oregon	9.6%	D	D	C-
Nebraska	9.6%	D	D-	D+
<b>North Carolina</b>	<b>9.5%</b>	<b>D</b>	<b>C-</b>	<b>D</b>
Idaho	10.5%	D	D	F
Georgia	9.6%	D-	D	D
New Jersey	10.5%	D-	F	D
Michigan	9.3%	D-	F	D+
Hawaii	10.4%	F	C-	F
New York	11.0%	F	D-	F
California	10.8%	F	F	D-
Kentucky	9.6%	F	D-	F
Connecticut	10.7%	F	F	F
Minnesota	10.2%	F	F	D-
Ohio	9.9%	F	F	F
Rhode Island	10.5%	F	F	F
Maine	10.3%	F	F	F
Wisconsin	10.3%	F	F	F

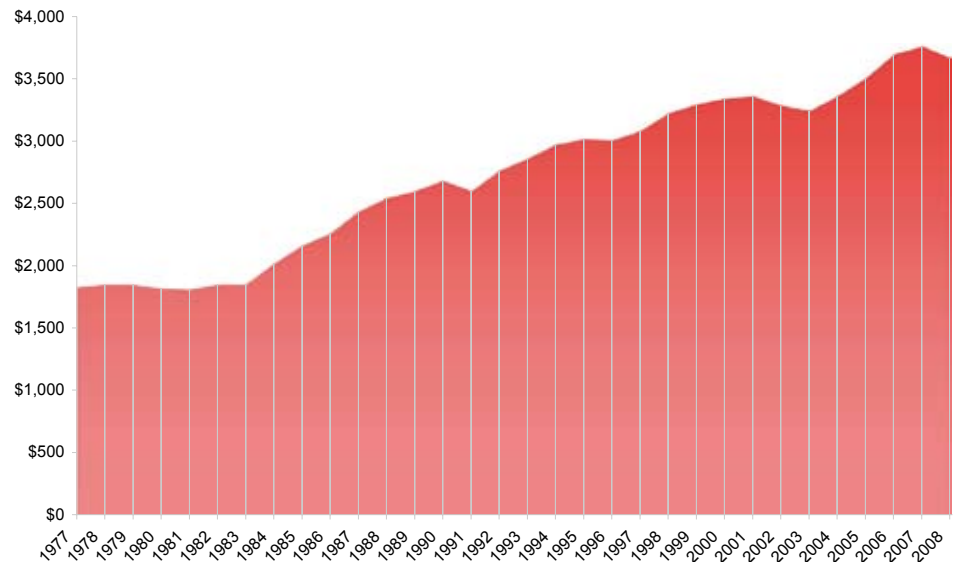
vestment, with a C- on Growth measures and a D on Performance measures. This combination puts North Carolina just ahead of Georgia, but well behind Virginia's and South Carolina's B grades, Tennessee's A-, and Florida's top rank.

Looking to the rest of the South, Arkansas, which had the same tax burden as North Carolina in 2001, received a C+ and managed a B- on Growth. Mississippi and Alabama finished just above Arkansas. Louisiana earned a B+, while Texas tied for second nationally, just behind Florida. Figure 1 shows the grades for all 50 states.

While states with lower tax burdens earn most of the top grades and those with higher tax burdens earn some of the lowest grades, the policy differences are important. North Carolina's population growth did not keep pace with Florida, Georgia, or Texas. Income growth in the state only surpassed Georgia in the South. Florida and Texas had significant growth in population and per-capita income. Lower taxes are clearly part of the story, but their performance on roads, crime, health, and schools also bettered North Carolina's.

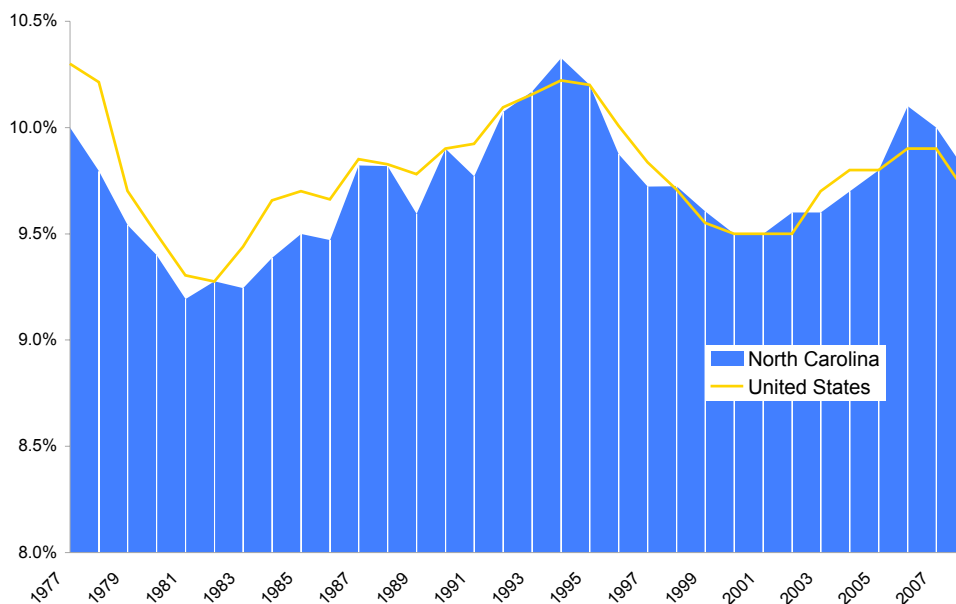
North Carolina's road system performance deteriorated between 2001 and 2006. Florida had significant improvement, though nowhere near as great as Arkansas. Texas roads improved slightly. Crime in North Carolina fell between 2001 and 2006, and likely into 2007. Florida, Texas, and more than half the other states had greater reductions in crime. Death rates have a similar story, even though it is the only performance measure on which North Carolina earns a C and finishes in the top half of states.

**Figure 2. State and Local Taxes Per Person, Adjusted for Inflation, Doubled Between 1977 and 2008**



Source: Tax Foundation

**Figure 3. North Carolina's State and Local Tax Burden Has Fallen Less Than the National Average State and Local Tax Burden Has Fallen**



Source: Tax Foundation

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Finally, Gov. Mike Easley's efforts in education seem to have produced little effect as North Carolina improved less than all but nine other states in the country. Reading scores on the National Assessment of Educational Performance (NAEP) fell

2.2 percent between 2002 and 2007. Math scores improved, though not as much as in most other states. To put this in perspective, North Carolina clearly outperformed South Carolina at the start of the decade and was on par with Virginia, but by 2007 trailed Virginia and was on par with South Carolina.

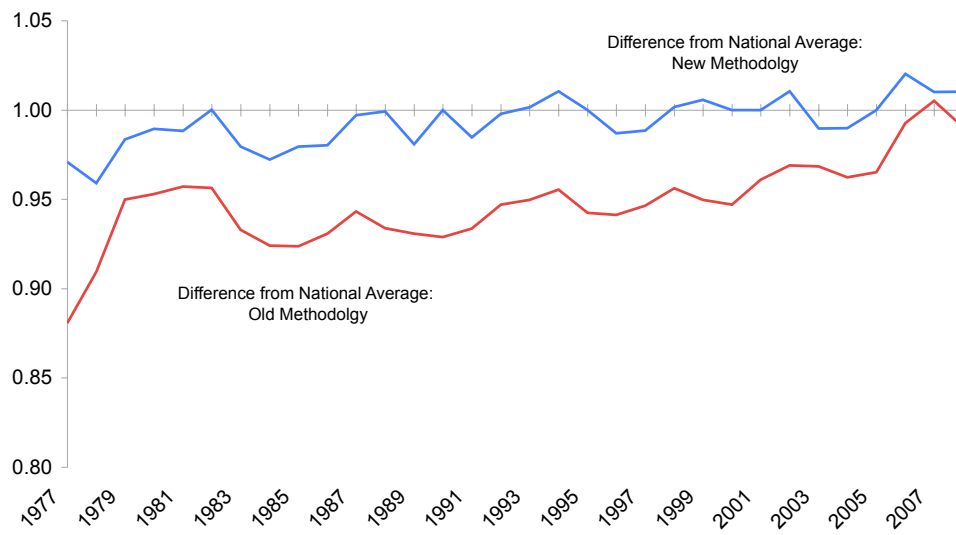
## SECTION II: TAX BURDENS

North Carolina residents pay twice as much in state and local taxes per person, adjusted for inflation, than they did in 1977. Taxes were relatively flat between 1977 and 1983, but have climbed fairly consistently since then.<sup>1</sup> (See Figure 2)

In percentage terms, state and local taxes in 2008 took 9.8 percent of income as defined by the Tax Foundation, slightly less than the 10 percent of income taken in 1977, but significantly higher than the 9.2 percent taken in 1983.

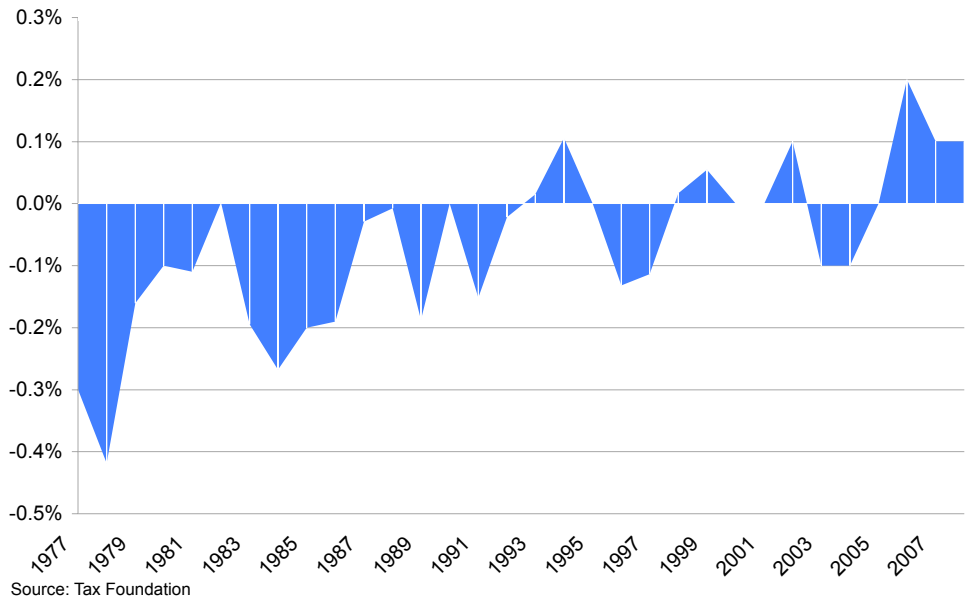
State and local governments in other states have, on average, reduced the tax burden they impose on taxpayers. The combination of a higher in-state tax burden and lower burdens in the rest of the country has put North Carolina at or above the national average with increasing frequency and weakened the state's competitiveness within the United States and internationally. (See Figures 3 and 4.)

**Figure 5. NC's Tax Burden Started Lower and Climbed Higher Against the National Average Under the Tax Foundation's Previous Methodology**



Source: Tax Foundation

**Figure 4. Since 1993, North Carolina's State and Local Tax Burden Has Dipped Below the National Average Only Four Years**



Source: Tax Foundation

As the temporary sales and income taxes first passed in 2001 have finally expired, however, the state's tax burden has retreated slightly and is no longer the highest among neighboring states. A higher tax burden than most of the South has not produced the expected return on investment for taxpayers, as shown earlier in this report.

The Tax Foundation, which annually calculates state and local tax burdens, has developed a new methodology with a broader definition of income than it had previously used. The new methodology also tries to capture more accurately the incidence

of corporate income tax, property taxes, and sales taxes. Tax Foundation economist Gerald Prante provided an explanation of these methodological changes in a paper available online.<sup>2</sup>

### Tax burden methodologies

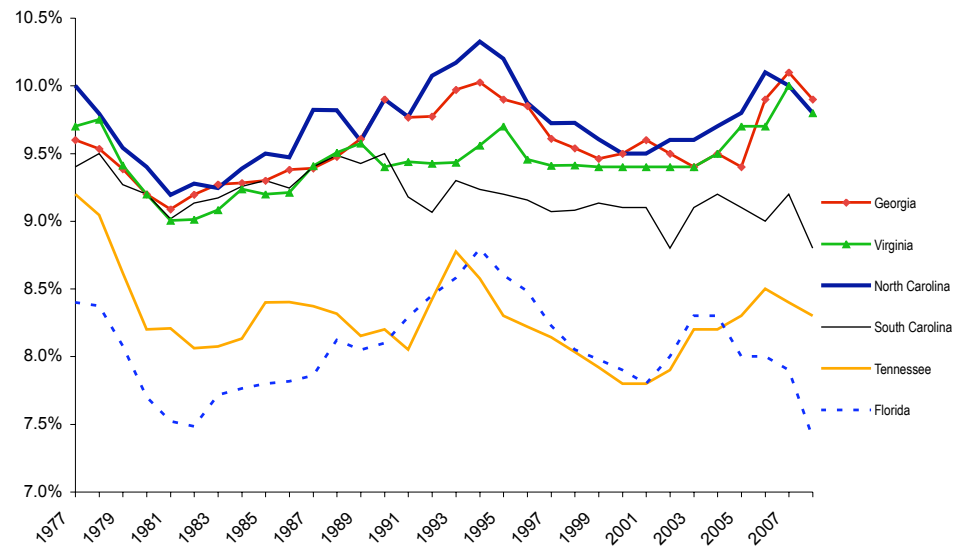
Changes in the Tax Foundation’s methodology resulted in some significant differences, most notably in the trends over time. Under the old methodology, the national average state and local tax burden climbed from 10.4 percent of income in 1977 to 11.0 percent of income in 2007 before falling back to 10.3 percent in 2008, with that last dip likely due to lower property tax collections. North Carolina’s

burden climbed from 9.1 percent of income in 1977 to 9.7 percent in 1987; it hovered around 10 percent through the 1990s and early 2000s before climbing to 11.0 percent in 2007 and retreating to 10.2 percent in 2008. Only in 2007 was North Carolina’s tax burden a larger share of income than the national average. Figure 5 shows how North Carolina’s state and local tax burden has compared with the national average under both the new and old methodologies.

Using the new methodology, North Carolina’s burden and the national average were generally about the same 10 percent of income throughout the period from 1977 to 2008. From 1977 through 1991, however, the state matched the national average in only three years. In contrast, from 1992 through 2008, the state matched or exceeded the national average in all but four years.

North Carolina under the new methodology has consistently had one of the highest tax burdens among neighboring states, with Georgia and Virginia. Northern Virginia and the Atlanta region may skew those states’ overall tax burdens upward in a way that even Charlotte and the Triangle do not for North Carolina. Just as at the national level, the regional picture with the old methodology showed North Carolina’s burden becoming one of the highest over time. See Figure 6 for North Carolina’s burden compared to other Southeastern states since 1977 using the Tax Foundation’s revised methodology.

**Figure 6. North Carolina Consistently Has Had One of the Highest Tax Burdens in the Southeast**



Source: Tax Foundation

**Figure 7. North Carolina’s Tax Burden in a Regional Perspective**

**Fig. 7 - North Carolina's Tax Burden in a Regional Perspective**

	1977	1984	1992	2000	2008
United States	10.3%	9.7%	10.1%	9.5%	9.7%
<b>North Carolina</b>	<b>10.0%</b>	<b>9.4%</b>	<b>10.1%</b>	<b>9.5%</b>	<b>9.8%</b>
BEA - Southeast	9.4%	8.9%	9.2%	9.0%	9.1%
BEA - Midwest	11.0%	10.6%	10.9%	10.2%	10.7%
BEA - New England	10.2%	9.5%	10.6%	9.6%	9.8%
BEA - Great Lakes	10.0%	10.1%	9.9%	9.6%	9.7%
BEA - Plains	10.3%	9.6%	9.7%	9.2%	9.3%
BEA - Rocky Mountain	10.3%	9.7%	9.8%	9.1%	8.9%
BEA - Southwest	9.0%	8.4%	9.3%	8.9%	8.8%
BEA - Far West	10.7%	9.0%	9.4%	8.6%	8.7%

Source: Tax Foundation data, Bureau of Economic Analysis regions

Across the eleven southern states, North Carolina is among the highest taxed states regardless of methodology. Arkansas also has generally higher rates. Louisiana’s reliance on natural resources for its government revenue means that state can export taxes to consumer states and Louisianans generally bear a lighter tax burden.

Tax burden variability is not as great with the new methodology, though with a general downward trend at the national level. In addition, burdens are generally lower with the new methodology than with the old. Given this, it is not surprising that North Carolina's burden remains roughly flat throughout the last thirty years, at a lower share of income than before, and closer to the national average. These trends are

most noticeable at the top and bottom of the scale. It is also worth noting that, while North Carolina is closer to the national average with the new methodology, it was also closer than many other states to the national average with the old methodology.

Using the personal income statistics from the Bureau of Economic Analysis and Census Bureau calculations of state and local tax collections, North Carolina's tax burden has been one of the top three in the Southeast since 1992, and ranked 25th nationally in 2006. These statistics appear to be more heavily influenced by property tax collections, as tax burdens have risen rapidly since 2002 (from 10.3 percent to 12.8 percent of income for North Carolina).

### SECTION III: TAXES AND COMPETITIVENESS

Taxes are just one part of the calculation that a company makes when planning where to locate. Labor costs and quality, land costs and accessibility, and energy costs clearly have a role. Regulatory burdens can overwhelm taxes as a cost of doing business. Future growth prospects in a region can also impel businesses to get in early. Cultural amenities are important for some people. The competitive environment itself can also have an impact. Car companies gathered in the Detroit area, tire companies around Akron, computer-related companies near San Jose, banks in Charlotte, and pharmaceutical companies in the Triangle. As the state's experience with the Global TransPark and other failed experiments around the world have demonstrated, however, these clusters evolve and cannot be easily grafted onto

regions where supporting factors do not already exist.

Lower taxes can sometimes offset disadvantages in other areas. This is one reason for the economic-development tax subsidies that states and local governments provide to individual companies. A high tax burden makes the state rather unattractive for businesses looking to relocate without some tax subsidy from state or local governments. Being close to the national average means that North Carolina's tax burden is higher than the average burden in the region but

**Figure 8. NC's Business Tax Climate Is One of the Worst in the Country**

	Overall Rank	Corporate Tax Index Rank	Individual Income Tax Index Rank	Sales Tax Index Rank	Unemployment Insurance Tax Index Rank
Florida	5	14	1	19	2
Texas	8	47	7	28	14
Virginia	14	4	21	6	29
Tennessee	16	12	8	48	31
Mississippi	18	8	16	35	5
Georgia	20	6	24	16	22
Alabama	21	21	19	25	12
South Carolina	26	11	27	18	43
Louisiana	32	18	28	47	8
Arkansas	35	35	29	37	18
<b>North Carolina</b>	<b>40</b>	<b>25</b>	<b>44</b>	<b>39</b>	<b>6</b>

Source: Tax Foundation

**Figure 9. NC Has Low Business Costs and Regulations, According to *Forbes***

2008 rank	2007 rank	State	Business Costs Rank <sup>1</sup>	Labor Rank <sup>2</sup>	Regulatory Environment Rank <sup>3</sup>	Economic Climate Rank <sup>4</sup>	Growth Prospects Rank <sup>5</sup>	Quality of Life Rank <sup>6</sup>
1	1	Virginia	20	7	1	6	26	6
<b>4</b>	<b>3</b>	<b>North Carolina</b>	<b>4</b>	<b>14</b>	<b>2</b>	<b>21</b>	<b>11</b>	<b>34</b>
5	15	Georgia	23	6	5	10	6	31
8	7	Florida	34	5	18	1	5	33
9	4	Texas	25	24	13	11	4	27
17	13	Tennessee	5	36	11	29	38	39
28	35	Alabama	22	42	17	31	7	42
29	23	South Carolina	27	33	3	41	20	43
32	21	Arkansas	7	45	25	27	18	48
42	43	Mississippi	16	48	16	49	35	46
49	49	Louisiana	18	50	43	50	17	49

1. Index based on cost of labor, energy and taxes.
2. Measures educational attainment, net migration and projected population growth.
3. Measures regulatory and tort climate, incentives, transportation and bond ratings.
4. Reflects job, income and gross state product growth as well as unemployment and presence of big companies
5. Reflects projected job, income and gross state product growth as well as business openings/closings and venture capital investments.
6. Index of schools, health, crime, cost of living and poverty rates.

Source: Forbes Magazine, [http://www.forbes.com/2008/07/30/virginia-georgia-utah-biz-cz\\_kb\\_0731beststates\\_table.html](http://www.forbes.com/2008/07/30/virginia-georgia-utah-biz-cz_kb_0731beststates_table.html)

on a par with New England and Great Lakes states. Combining North Carolina's high tax burden with the world's national corporate income tax rate puts the state and the companies that call it home at a disadvantage to global competitors. A higher tax burden also leaves workers with less money for increasingly expensive food and fuel.

The Tax Foundation also produces an annual State Business Tax Climate Index on which North Carolina has consistently ranked among the eleven worst states.<sup>3</sup> The state's individual income tax and sales tax rate particularly poorly on this index, with the property tax not rating much better. Corporate taxes have been in the middle of the pack. The only really bright spot is unemployment insurance tax – one of North Carolina's strengths in most reports on state tax policies.

A *Forbes* magazine report on the best states for businesses<sup>4</sup> ranks North Carolina fourth on the strength of low business costs and a positive regulatory environment. Some have emphasized the tax portion of *Forbes*' definition of business costs, but the likely drivers are labor and energy costs. Low energy costs drew Google to locate a data center in each of the Carolinas. Low labor costs have attracted back office operations for financial firms such as Fidelity Investments and Credit Suisse, as well as Indian outsourcing firm HCL Technologies to open facilities in North Carolina.

Unfortunately, legislators and others have targeted the very areas in which the state has comparative advantage – such as labor, land, and energy costs – for new rules that can make the state less competitive. Collective bargaining and minimum wage laws raise the cost of labor. Slope ordinances, impact fees, zoning and open-space requirements raise the cost of land even if they do not increase land prices. Renewable portfolio standards and other environmental regulations raise the cost of energy for homes and businesses.

In other words, North Carolina's high tax burden among Southern states may not be offset by lower costs in other areas much longer. This would not be much of a problem if the state provided a good return to taxpayers. As we saw at the beginning of this paper, however, taxpayers do not get the returns that one would hope to see.

## CONCLUSION

North Carolina has long had one of the top state and local tax burdens in the Southeast and still does, despite the much-delayed expiration of the temporary income tax increase from 2001. Residents of the state pay twice as much in state and local taxes, adjusted for inflation, as they did in 1983. A high tax burden could be justified if it resulted in better performance for the state in health care, education, roads, crime, income, and population. But it has not produced a positive return on investment for taxpayers; instead earning a grade of D. Every other state in the south, with the exception of Georgia, has achieved a much better grade for its Taxpayers' Return on Investment. Florida and Texas provide good examples of states with lower tax burdens, but better growth and performance. Higher taxes do not automatically translate into better outcomes. More research is needed to determine accurately what impact taxes have on a state's growth and its ability to keep people safe, healthy, educated and mobile, but the Taxpayers' Return on Investment provides a first approximation.

*Joseph Coletti is fiscal policy analyst for the John Locke Foundation.*

## Appendix: Estimating Taxpayers' Return on Investment

For purposes of this first attempt to examine the return on government spending, I used the combined state and local tax burden in 2001 for each state as calculated by the Tax Foundation. Tax burdens do not vary much from year to year; so taking a short range of years would have little effect on the results.

To gauge the **Performance** of states, I compared the tax burden to improvements in road conditions between 2001 and 2006 according to the Hartgen studies,<sup>5</sup> death rates for those age 65 to 74 between 2001 and 2007 according to the National Center for Health Statistics,<sup>6</sup> crime rates between 2001 and 2006 according to FBI uniform crime reports,<sup>7</sup> and eighth-grade NAEP scores in reading between 2002 and 2007 and in math between 2000 and 2007.<sup>8</sup>

Many education statistics historically have not been comparable across states. Most states have moved away from nationally standardized tests in lower grades, the rate of students applying to college has grown, and the choice between SAT and ACT also makes comparison difficult. Even the national test of student knowledge in the fourth and eighth grades is relatively recent and is not administered annually. Only in the past year has the Department of Education, created in 1979, developed a standardized method to measure graduation rates, which could yield promise. No private source has developed a useful standard measure of student achievement. Despite this recent positive development, the National Assessment of Economic Progress (NAEP) is probably still the best indicator of education quality across states.

Death rate and crime rate reporting is more uniform through the federal government. David Hartgen has developed an effective way to measure road performance across states for the John Locke Foundation and now conducts an annual review of road condition in states for the Reason Foundation.

Population and income **Growth** often serve as measures of a state's success, too. It is said people vote with their feet when they move from one state to another. Politicians also cite higher wages as a reason to support policies. For the purpose of this study, I included population and income growth between 2001 and 2006.

States were ranked on each factor, those ranks were averaged, and new ranks assigned based on the averages. The Growth and Performance measure ranks were then compared to the tax burden. States with better ranks on Growth and Performance than their tax burdens would score better than those that had worse ranks compared with their tax burdens. Finally, I combined these tax-adjusted rankings into an overall Taxpayers' Return on Investment Ranking. My focus is on relative returns on investment, and as such I have assigned letter grades to states on a curve. The top ten states receive some version of an A, the second ten a B, the third ten a C, the fourth ten a D, and the bottom ten an F.

### End Notes

1. Unless otherwise noted, tax statistics in this paper are from Gerald Prante, "State-Local Tax Burdens Dip As Income Growth Outpaces Tax Growth," Tax Foundation, August 2008, [taxfoundation.org/publications/show/22320.html](http://taxfoundation.org/publications/show/22320.html).
2. Gerald Prante, "Tax Foundation State and Local Tax Burden Estimates for 2008: An In-Depth Analysis and Methodological Overview," Tax Foundation, August 2008, [taxfoundation.org/publications/show/22342.html](http://taxfoundation.org/publications/show/22342.html).
3. Chris Atkins and Curtis S. Dubay, "2008 State Business Tax Climate Index (Fifth Edition)," Tax Foundation, October 2007, [taxfoundation.org/publications/show/22658.html](http://taxfoundation.org/publications/show/22658.html).
4. Kurt Badenhausen, "The Best States For Business," *Forbes*, July 2008, [www.forbes.com/2008/07/30/virginia-georgia-utah-biz-cz\\_kb\\_0731best-states.html](http://www.forbes.com/2008/07/30/virginia-georgia-utah-biz-cz_kb_0731best-states.html).
5. David Hartgen, "Annual Report on the Performance of State Highway Systems," Reason Foundation, 2008, and John Locke Foundation, 2003.
6. "Death Rates by 10-Year Age Groups: United States and Each State, 1999-2005," National Center for Health Statistics, [www.cdc.gov/nchs/data/statab/unpubd/mortabs/gmwk23a.htm](http://www.cdc.gov/nchs/data/statab/unpubd/mortabs/gmwk23a.htm).
7. FBI Uniform Crime Reports, The Disaster Center, [www.disastercenter.com/crime](http://www.disastercenter.com/crime).
8. National Center for Education Statistics, [nces.ed.gov/index.asp](http://nces.ed.gov/index.asp).



**Table A-1. Rankings on Individual Measures and Overall**

	Overall	Growth	Performance	Population	Per Capita Personal Income	Road Condition <sup>1</sup>	Crime Rate	Death Rate, Age 65-74	NAEP Average
Florida	1	2	1	2	4	3	2	3	11
Alaska	2	3	5	2	6	23	4	1	6
Texas	2	5	3	2	9	6	9	8	3
Wyoming	4	3	4	7	1	16	9	6	1
Montana	5	6	12	13	5	10	5	18	23
Nevada	6	1	7	1	2	10	20	8	4
Delaware	7	6	9	6	12	1	24	13	16
New Mexico	8	9	14	13	10	5	11	37	15
South Dakota	8	10	1	11	13	2	1	4	12
Tennessee	10	11	6	8	18	10	14	11	2
New Hampshire	11	13	10	9	22	24	5	2	24
Arizona	12	8	21	5	15	37	7	27	13
Louisiana	13	13	18	28	3	13	28	32	4
Illinois	14	23	8	22	26	7	3	10	27
North Dakota	14	17	10	33	7	28	12	6	9
Virginia	16	19	13	19	23	20	15	18	13
South Carolina	17	20	17	13	30	26	17	22	7
Washington	18	15	24	9	24	28	38	5	33
Mississippi	19	16	20	27	11	41	8	15	16
Alabama	20	11	24	18	8	28	29	21	26
Arkansas	21	18	23	25	16	8	46	38	10
Missouri	21	31	16	26	35	4	21	25	21
Indiana	23	26	28	21	30	22	31	32	24
Kansas	24	22	27	28	17	13	37	29	27
Massachusetts	24	36	14	40	28	8	23	29	8
Maryland	26	31	22	33	28	28	24	22	18
Pennsylvania	27	33	36	40	24	26	39	44	18
Utah	27	29	30	19	36	21	34	34	31
West Virginia	29	26	37	33	18	17	41	35	41
Iowa	30	21	33	31	13	39	29	18	38
Colorado	31	24	26	12	37	40	18	12	35
Vermont	32	42	19	44	33	19	26	13	20
Oklahoma	33	25	42	30	20	32	31	45	43
Oregon	34	36	29	22	46	34	13	24	46
Nebraska	35	38	31	39	30	17	16	41	48
North Carolina	36	30	37	16	42	32	34	27	41
Idaho	37	34	48	22	45	48	31	48	45
Georgia	38	34	34	17	50	41	47	17	21
New Jersey	38	46	34	47	44	37	21	36	32
Michigan	40	44	32	40	40	15	26	38	44
Hawaii	41	28	49	33	21	46	45	49	33
New York	41	40	44	49	26	45	36	43	36
California	43	42	39	37	40	35	49	29	29
Kentucky	43	39	43	32	38	43	44	40	30
Connecticut	45	46	47	48	43	35	40	47	49
Minnesota	45	41	40	37	39	44	48	16	36
Ohio	45	49	41	46	46	25	42	41	39
Rhode Island	48	45	45	50	34	50	19	49	47
Maine	49	46	50	45	46	49	49	46	39
Wisconsin	50	49	45	43	49	47	42	26	50

**Table A-2. Tax Burden**

	2001	Rank
United States	9.5%	
Alabama	8.7%	38
Alaska	5.8%	50
Arizona	8.7%	38
Arkansas	9.5%	20
California	10.8%	2
Colorado	9.1%	29
Connecticut	10.7%	3
Delaware	8.4%	42
Florida	7.8%	44
Georgia	9.6%	14
Hawaii	10.4%	7
Idaho	10.5%	4
Illinois	8.8%	35
Indiana	8.8%	35
Iowa	9.2%	27
Kansas	9.3%	25
Kentucky	9.6%	14
Louisiana	8.6%	41
Maine	10.3%	8
Maryland	10.2%	10
Massachusetts	9.4%	23
Michigan	9.3%	25
Minnesota	10.2%	10
Mississippi	9.1%	29
Missouri	9.2%	27
Montana	8.7%	38
Nebraska	9.6%	14
Nevada	6.8%	49
New Hampshire	7.3%	47
New Jersey	10.5%	4
New Mexico	8.9%	33
New York	11.0%	1
North Carolina	9.5%	20
North Dakota	8.9%	33
Ohio	9.9%	13
Oklahoma	9.6%	14
Oregon	9.6%	14
Pennsylvania	9.5%	20
Rhode Island	10.5%	4
South Carolina	9.1%	29
South Dakota	7.8%	44
Tennessee	7.8%	44
Texas	8.1%	43
Utah	10.2%	10
Vermont	9.6%	14
Virginia	9.4%	23
Washington	8.8%	35
West Virginia	9.1%	29
Wisconsin	10.3%	8
Wyoming	6.9%	48

Source: Tax Foundation

**Table A-3. Population (Thousands)**

	2001	2006	% Change	Rank
United States	285,112	301,621	6%	
Alabama	4,463	4,628	4%	30
Alaska	633	683	8%	13
Arizona	5,301	6,339	20%	2
Arkansas	2,690	2,835	5%	21
California	34,526	36,553	6%	19
Colorado	4,434	4,862	10%	9
Connecticut	3,430	3,502	2%	39
Delaware	795	865	9%	10
Florida	16,349	18,251	12%	7
Georgia	8,422	9,545	13%	5
Hawaii	1,219	1,283	5%	22
Idaho	1,321	1,499	14%	4
Illinois	12,517	12,853	3%	35
Indiana	6,126	6,345	4%	31
Iowa	2,930	2,988	2%	40
Kansas	2,701	2,776	3%	34
Kentucky	4,067	4,241	4%	28
Louisiana	4,460	4,293	-4%	50
Maine	1,285	1,317	3%	36
Maryland	5,375	5,618	5%	25
Massachusetts	6,408	6,450	1%	45
Michigan	10,007	10,072	1%	47
Minnesota	4,984	5,198	4%	27
Mississippi	2,854	2,919	2%	37
Missouri	5,642	5,878	4%	29
Montana	906	958	6%	20
Nebraska	1,718	1,775	3%	33
Nevada	2,095	2,565	22%	1
New Hampshire	1,257	1,316	5%	24
New Jersey	8,496	8,686	2%	38
New Mexico	1,829	1,970	8%	15
New York	19,077	19,298	1%	43
North Carolina	8,204	9,061	10%	8
North Dakota	636	640	1%	48
Ohio	11,393	11,467	1%	46
Oklahoma	3,465	3,617	4%	26
Oregon	3,472	3,747	8%	14
Pennsylvania	12,288	12,433	1%	42
Rhode Island	1,058	1,058	0%	49
South Carolina	4,063	4,408	8%	11
South Dakota	759	796	5%	23
Tennessee	5,755	6,157	7%	17
Texas	21,340	23,904	12%	6
Utah	2,292	2,645	15%	3
Vermont	612	621	1%	41
Virginia	7,190	7,712	7%	16
Washington	5,991	6,468	8%	12
West Virginia	1,799	1,812	1%	44
Wisconsin	5,409	5,602	4%	32
Wyoming	493	523	6%	18

Source: Census Bureau

**Table A-4. Per-Capita Personal Income**

	2001	2007	% Change	Rank
United States	30,574	38,611	26%	
Alabama	24,740	32,404	31%	11
Alaska	31,660	40,352	27%	20
Arizona	26,193	33,029	26%	29
Arkansas	23,034	30,060	31%	12
California	32,883	41,571	26%	26
Colorado	34,438	41,042	19%	48
Connecticut	42,964	54,117	26%	30
Delaware	32,117	40,608	26%	25
Florida	29,277	38,444	31%	8
Georgia	28,570	33,457	17%	50
Hawaii	28,826	39,239	36%	3
Idaho	25,024	31,197	25%	36
Illinois	32,537	40,322	24%	39
Indiana	27,407	33,616	23%	43
Iowa	27,118	35,023	29%	14
Kansas	28,717	36,768	28%	18
Kentucky	24,916	31,111	25%	35
Louisiana	24,720	34,756	41%	2
Maine	27,323	33,722	23%	41
Maryland	35,657	46,021	29%	15
Massachusetts	38,875	49,082	26%	28
Michigan	29,933	35,086	17%	49
Minnesota	32,619	41,034	26%	32
Mississippi	21,986	28,845	31%	10
Missouri	27,818	34,389	24%	40
Montana	24,676	32,458	32%	7
Nebraska	28,694	36,471	27%	22
Nevada	30,719	40,480	32%	6
New Hampshire	33,900	41,512	22%	44
New Jersey	39,191	49,194	26%	33
New Mexico	24,132	31,474	30%	13
New York	35,640	47,385	33%	5
North Carolina	27,475	33,636	22%	45
North Dakota	25,873	34,846	35%	4
Ohio	28,581	34,874	22%	46
Oklahoma	26,022	34,153	31%	9
Oregon	28,518	34,784	22%	47
Pennsylvania	30,302	38,788	28%	19
Rhode Island	30,684	39,463	29%	16
South Carolina	24,974	31,013	24%	37
South Dakota	26,922	33,905	26%	31
Tennessee	26,833	33,280	24%	38
Texas	29,036	37,187	28%	17
Utah	24,690	31,189	26%	27
Vermont	28,979	36,670	27%	24
Virginia	32,511	41,347	27%	21
Washington	32,301	40,414	25%	34
West Virginia	23,294	29,537	27%	23
Wisconsin	29,377	36,047	23%	42
Wyoming	30,367	43,226	42%	1

Source: Bureau of Economic Analysis

**Table A-5. Death Rate, Ages 65-74**

	2001	2007	% Change	Rank
United States	2,353.3	2,137.1	-9%	
Alabama	2,789.4	2,574.8	-8%	34
Alaska	2,306.1	1,981.1	-14%	4
Arizona	2,033.1	1,913.0	-6%	42
Arkansas	2,637.5	2,438.6	-8%	35
California	2,109.0	1,864.5	-12%	9
Colorado	2,054.5	1,823.0	-11%	14
Connecticut	2,071.1	1,931.5	-7%	38
Delaware	2,360.8	2,163.2	-8%	29
Florida	2,063.4	1,827.3	-11%	10
Georgia	1,728.0	2,382.6	-13%	7
Hawaii	1,699.1	1,776.5	5%	50
Idaho	2,104.4	1,988.7	-5%	44
Illinois	2,413.0	2,158.6	-11%	16
Indiana	2,607.8	2,454.6	-6%	43
Iowa	2,225.8	2,014.5	-9%	22
Kansas	2,340.6	2,155.6	-8%	32
Kentucky	2,839.4	2,605.5	-8%	31
Louisiana	2,800.9	2,724.3	-3%	49
Maine	2,371.1	2,219.2	-6%	41
Maryland	2,448.8	2,140.8	-13%	8
Massachusetts	2,212.8	2,030.5	-8%	30
Michigan	2,442.8	2,285.1	-6%	40
Minnesota	2,051.9	1,745.6	-15%	2
Mississippi	2,908.3	2,620.3	-10%	20
Missouri	2,509.2	2,298.9	-8%	28
Montana	2,193.4	2,021.7	-8%	33
Nebraska	2,211.6	2,054.1	-7%	37
Nevada	2,604.8	2,360.6	-9%	23
New Hampshire	2,271.9	1,936.1	-15%	3
New Jersey	2,273.1	2,030.5	-11%	15
New Mexico	2,044.5	1,968.1	-4%	46
New York	2,154.5	1,963.3	-9%	25
North Carolina	2,563.2	2,335.5	-9%	24
North Dakota	2,133.9	1,860.7	-13%	6
Ohio	2,615.7	2,426.4	-7%	36
Oklahoma	2,624.1	2,520.3	-4%	45
Oregon	2,326.0	2,062.7	-11%	13
Pennsylvania	2,420.2	2,341.3	-3%	48
Rhode Island	2,294.6	2,209.2	-4%	47
South Carolina	2,601.5	2,375.3	-9%	27
South Dakota	2,118.3	1,876.3	-11%	12
Tennessee	2,728.2	2,490.4	-9%	26
Texas	2,410.4	2,156.4	-11%	17
Utah	1,896.0	1,703.0	-10%	19
Vermont	2,266.7	1,883.2	-17%	1
Virginia	2,423.8	2,170.2	-10%	18
Washington	2,274.4	1,954.6	-14%	5
West Virginia	2,808.4	2,625.9	-6%	39
Wisconsin	2,225.3	1,970.9	-11%	11
Wyoming	2,248.1	2,034.3	-10%	21

Source: National Center for Health Statistics

**Table A-6. State Highway System Performance**

	2001	2007	% Change	Rank
United States	0.49	1.03	108%	46
Alabama	1.09	4.11	277%	49
Alaska	0.34	1.38	304%	50
Arizona	3.62	0.36	-90%	1
Arkansas	1.61	1.35	-16%	13
California	0.59	1.05	78%	44
Colorado	0.83	0.70	-16%	14
Connecticut	1.28	0.67	-48%	2
Delaware	0.69	0.54	-22%	8
Florida	1.40	0.45	13%	30
Georgia	1.76	2.20	25%	35
Hawaii	0.55	0.72	32%	37
Idaho	0.92	0.78	-15%	15
Illinois	0.43	0.51	19%	33
Indiana	1.02	1.43	39%	40
Iowa	0.45	0.37	-17%	11
Kansas	0.73	0.85	16%	32
Kentucky	1.82	1.97	8%	27
Louisiana	0.68	1.03	52%	42
Maine	0.93	0.83	-11%	18
Maryland	0.84	0.50	-41%	4
Massachusetts	2.49	2.08	-16%	12
Michigan	0.55	0.68	25%	36
Minnesota	0.89	1.81	105%	45
Mississippi	1.66	0.91	-45%	3
Missouri	0.55	0.55	-6%	20
Montana	1.05	0.75	-28%	6
Nebraska	0.38	0.43	14%	31
Nevada	0.85	2.95	249%	48
New Hampshire	2.15	1.84	-14%	16
New Jersey	0.63	0.51	-19%	10
New Mexico	1.80	1.96	9%	28
New York	1.18	1.31	11%	29
North Carolina	0.32	0.47	48%	41
North Dakota	0.74	0.66	-11%	17
Ohio	1.33	1.34	1%	23
Oklahoma	0.55	0.57	4%	24
Oregon	1.31	1.38	5%	25
Pennsylvania	1.08	2.50	131%	47
Rhode Island	0.65	0.79	22%	34
South Carolina	1.11	0.71	-36%	5
South Dakota	0.81	0.87	7%	26
Tennessee	0.66	0.64	-2%	22
Texas	0.87	0.66	-24%	7
Utah	1.29	1.04	-20%	9
Vermont	0.98	0.91	-7%	19
Virginia	1.07	1.74	62%	43
Washington	1.44	1.36	-6%	21
West Virginia	0.54	0.76	39%	39
Wisconsin	0.42	0.56	33%	38
Wyoming	0.42	0.56	33%	38

Source: John Locke Foundation, Reason Foundation

**Table A-7. Crime Rate (Crimes per 100,000 Persons)**

	2001	2007	% Change	Rank
United States	4,162.6	3,808.0	-9%	
Alabama	4,315.0	4,361.3	1%	44
Alaska	4,325.1	3,808.0	-12%	17
Arizona	6,077.8	5,128.3	-16%	10
Arkansas	4,130.2	4,518.1	9%	47
California	3,893.2	3,743.4	-4%	35
Colorado	4,206.3	3,842.9	-9%	26
Connecticut	3,109.3	2,784.9	-10%	23
Delaware	4,050.7	4,099.5	1%	45
Florida	5,577.5	4,694.7	-16%	9
Georgia	4,634.3	4,643.3	0%	43
Hawaii	5,374.5	5,047.7	-6%	32
Idaho	3,134.4	2,666.0	-15%	11
Illinois	5,315.8	3,550.2	-33%	1
Indiana	3,823.9	3,817.2	0%	42
Iowa	3,291.3	3,127.2	-5%	33
Kansas	4,309.4	4,175.2	-3%	37
Kentucky	2,896.8	2,807.5	-3%	38
Louisiana	5,332.2	5,422.8	2%	46
Maine	2,692.9	2,634.2	-2%	41
Maryland	4,857.0	4,158.5	-14%	13
Massachusetts	3,087.9	2,820.2	-9%	25
Michigan	4,075.2	3,775.2	-7%	29
Minnesota	3,574.9	3,488.4	-2%	40
Mississippi	4,182.7	3,506.4	-16%	6
Missouri	4,769.7	4,361.1	-9%	28
Montana	4,182.7	3,506.4	-16%	6
Nebraska	4,312.5	3,622.5	-16%	8
Nevada	4,283.0	4,695.6	10%	48
New Hampshire	2,321.3	2,012.8	-13%	15
New Jersey	3,215.1	2,642.7	-18%	5
New Mexico	5,318.8	4,580.4	-14%	14
New York	2,913.5	2,487.6	-15%	12
North Carolina	4,926.1	4,596.4	-7%	30
North Dakota	2,409.7	2,128.2	-12%	19
Ohio	4,171.6	4,028.9	-3%	36
Oklahoma	4,594.4	4,101.6	-11%	21
Oregon	5,043.2	3,952.4	-22%	3
Pennsylvania	2,957.3	2,877.4	-3%	39
Rhode Island	3,682.3	2,713.6	-26%	2
South Carolina	5,395.4	4,907.8	-9%	24
South Dakota	2,326.7	1,890.0	-19%	4
Tennessee	5,144.3	4,888.3	-5%	34
Texas	5,141.6	4,597.8	-11%	22
Utah	4,226.4	3,740.1	-12%	20
Vermont	2,769.8	2,441.3	-12%	18
Virginia	3,174.3	2,760.4	-13%	16
Washington	5,147.2	5,825.9	13%	49
West Virginia	2,560.8	2,901.2	13%	50
Wisconsin	3,318.8	3,101.8	-7%	31
Wyoming	3,522.4	3,220.2	-9%	27

Source: FBI Uniform Crime Reports

**Table A-8. NAEP Scores**

	Reading <sup>1</sup>				Math <sup>2</sup>				Avg Change	
	2002	2007	% Change	Rank	2000	2007	% Change	Rank	% Chg	Rank
United States	263	261	-0.7%		272	280	3.1%		1.2%	
Alabama	253	252	-0.2%	22	264	266	0.9%	44	0.3%	39
Alaska	256	259	0.9%	2	279	283	1.3%	41	1.1%	21
Arizona	257	255	-0.7%	32	269	276	2.6%	22	0.9%	27
Arkansas	260	258	-0.8%	33	257	274	6.4%	2	2.8%	4
California	250	251	0.3%	9	260	270	4.1%	11	2.2%	6
Colorado	268	266	-0.4%	27	283	286	1.0%	43	0.3%	42
Connecticut	267	267	0.0%	14	281	282	0.6%	46	0.3%	40
Delaware	267	265	-1.0%	38	277	283	2.1%	31	0.5%	33
Florida	261	260	-0.5%	28	271	277	2.2%	28	0.9%	29
Georgia	258	259	0.3%	11	265	275	3.5%	14	1.9%	11
Hawaii	252	251	-0.1%	18	262	269	2.5%	24	1.2%	18
Idaho	266	265	-0.6%	30	277	284	2.3%	27	0.8%	30
Illinois	266	263	-1.3%	44	275	280	2.2%	30	0.4%	38
Indiana	265	264	-0.3%	23	281	285	1.3%	39	0.5%	35
Iowa	268	267	0.0%	15	284	285	0.4%	49	0.2%	44
Kansas	269	267	-0.6%	31	283	290	2.5%	25	0.9%	28
Kentucky	265	262	-1.2%	43	270	279	3.3%	16	1.0%	22
Louisiana	256	253	-1.2%	41	259	272	5.3%	4	2.1%	9
Maine	270	270	0.0%	13	281	286	1.8%	32	0.9%	26
Maryland	263	265	0.7%	5	272	286	5.1%	5	2.9%	3
Massachusetts	271	273	1.0%	1	279	298	6.8%	1	3.9%	1
Michigan	265	260	-1.7%	46	277	277	-0.2%	50	-0.9%	49
Minnesota	268	268	0.2%	12	287	292	1.7%	34	0.9%	25
Mississippi	255	250	-1.9%	48	254	265	4.2%	9	1.1%	20
Missouri	268	263	-1.7%	47	271	281	3.6%	13	1.0%	24
Montana	270	271	0.3%	10	285	287	0.6%	45	0.5%	36
Nebraska	270	267	-1.1%	39	280	284	1.3%	40	0.1%	45
Nevada	251	252	0.4%	8	265	271	2.2%	29	1.3%	17
New Hampshire	271	270	-0.4%	24	286	288	0.5%	48	0.1%	47
New Jersey	268	270	0.9%	4	281	289	2.6%	23	1.7%	14
New Mexico	254	251	-1.1%	40	259	268	3.2%	18	1.0%	23
New York	264	264	-0.2%	21	271	280	3.2%	17	1.5%	16
North Carolina	265	259	-2.2%	49	276	284	2.8%	19	0.3%	41
North Dakota	268	268	0.0%	16	282	292	3.4%	15	1.7%	15
Ohio	268	268	-0.1%	19	281	285	1.5%	35	0.7%	31
Oklahoma	262	260	-0.9%	37	270	275	1.8%	33	0.4%	37
Oregon	268	266	-0.9%	36	280	284	1.3%	37	0.2%	43
Pennsylvania	265	268	0.9%	3	279	286	2.7%	21	1.8%	13
Rhode Island	262	258	-1.4%	45	269	275	2.4%	26	0.5%	34
South Carolina	258	257	-0.1%	17	265	282	6.4%	3	3.2%	2
South Dakota	270	270	-0.1%	20	285	288	1.3%	42	0.6%	32
Tennessee	260	259	-0.4%	26	262	274	4.7%	6	2.1%	7
Texas	262	261	-0.5%	29	273	286	4.5%	8	2.0%	10
Utah	263	262	-0.4%	25	274	281	2.8%	20	1.2%	19
Vermont	272	273	0.4%	7	281	291	3.7%	12	2.1%	8
Virginia	269	267	-0.9%	35	275	288	4.7%	7	1.9%	12
Washington	268	265	-1.2%	42	281	285	1.3%	38	0.1%	46
West Virginia	264	255	-3.3%	50	266	270	1.4%	36	-1.0%	50
Wisconsin	266	264	-0.9%	34	284	286	0.6%	47	-0.1%	48
Wyoming	265	266	0.5%	6	276	287	4.1%	10	2.3%	5

<sup>1</sup> Alaska, Colorado, Illinois, Iowa, Minnesota, New Hampshire, New Jersey, South Dakota, Wisconsin - 2003 data

<sup>2</sup> Alaska, Colorado, Delaware, Florida, Iowa, New Hampshire, New Jersey, Pennsylvania, South Dakota, Washington, Wisconsin - 2003 data

Source: National Center for Education Statistics