ILLINOIS CHAMBER FOUNDATION

2014 Illinois Economic COMPETITIVENESS STUDY

An analysis of issues to advance Illinois in a complex global economy.

Conducted by Northwood University on behalf of the Illinois Chamber Foundation

2014 Illinois Economic Competitiveness Study:

An Analysis of Issues to Advance Illinois in a Complex Global Economy

Executive Brief

About the Illinois Chamber Foundation

The Illinois Chamber Foundation was established as a non-profit supporting organization to the Illinois Chamber of Commerce in 1972 to:

- Raise and expend funds for the purposes of financing and sponsoring, publishing, promoting and distributing research on issues important to businesses or issues and analyses of the Illinois economy and business climate;
- Provide educational forums that facilitate the discussion and debate of policy or operational matters that impact businesses generally, business segments of the Illinois economy or the Illinois business climate;
- Sponsor activities and research projects that are consistent with the stated purposes above.

Illinois Chamber Foundation Board of Directors

About Northwood University

Northwood University is committed to the most personal attention to prepare students for success in their careers and in their communities; it promotes critical thinking skills, personal effectiveness, and the importance of ethics, individual freedom and responsibility.

Private, nonprofit, and accredited, Northwood University specializes in managerial and entrepreneurial education, with a full-service, residential campus located in Midland, Michigan. Adult Degree Programs are available in six states with many course delivery options including online. The DeVos Graduate School offers accelerated, evening and weekend programming in Michigan and Texas. The Alden B. Dow Center for Creativity and Enterprise provides system-wide expertise in family enterprise, entrepreneurship, creativity and innovation and new business development. International education is offered through study abroad and in Program Centers in Switzerland, China (Changchun and Wuxi), Malaysia and Sri Lanka.

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Mr. Adam N. Matzke, Economics and Finance graduate, Northwood University

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Introduction

The purpose of the study is to conduct a comprehensive analysis of the Illinois economy that builds upon research completed for 2012 and 2013 economic competitiveness studies in Michigan and that provides benchmarks for measuring a state's economy against national and regional competitors.

The focus is on Illinois' economy as it compares to regional and national data over the last decade and the trends that help forecast its future. Now in its third edition of multi-state comparative economic progress, this is the first report focused on Illinois' experience. Two prior reports were commissioned by the Michigan Chamber Foundation.

Illinois is evaluated against over 200 metrics including Gross State Product (GSP) growth, tax policy, regulatory policy, employment growth and the cost of doing business. Researchers examined state tax structures, regulations and rules that govern business, education attainment, workforce composition, and the most current economic statistics available to give the most complete picture of the state's business climate.

The study also breaks out data comparing Right-To-Work states to Non-Right-To-Work states, Illinois to Great Lakes region states (Illinois, Indiana, Michigan, Ohio, and Wisconsin), and looks at some of the largest cities in the region as contributors to each state's economic success.

Methodology

Using statistical techniques called factor analysis, a process in which the values of observed economic data are expressed as functions of a number of possible causes or factors to find which are the most important to overall economic competitiveness, researchers studied the following factor categories: 1) General Macroeconomic Environment, 2) State Debt and Taxation, 3) Workforce Composition and Cost, 4) Labor and Capital Taxation, 5) Regulatory Environment. These are the same five factor categories used in each installment of the study.

Factor 1 (General Macroeconomic Environment) - considers general measures of state-wide economic health such as unemployment rates, labor force participation rates, per-capita income and life-satisfaction (another measure of well-being in addition to per-capita income).

Factor 2 (State Debt and Taxation) - considers state debt per capita, cost of living, and tax burden per capita (tax burden considers state sales taxes, selective taxes, license taxes, corporate income taxes, and state income taxes).

Factor 3 (Workforce Compensation and Cost) –considers percentage of the working population that is part of a union, percentage of the private working population that is a member of a union, percentage of the public working population that is a member of a union, and cash payments to beneficiaries (including withdrawals of retirement contributions) of employee retirement, unemployment compensation, workers' compensation and disability benefit social insurance programs.

Factor 4 (Labor and Capital Formation) - considers employment growth, population growth, migration and organizational birth and death data.

Factor 5 (Regulatory Environment) - is a composite of other indices that consider the business friendliness of a state's regulatory framework/environment.

The Northwood University Competitiveness Index

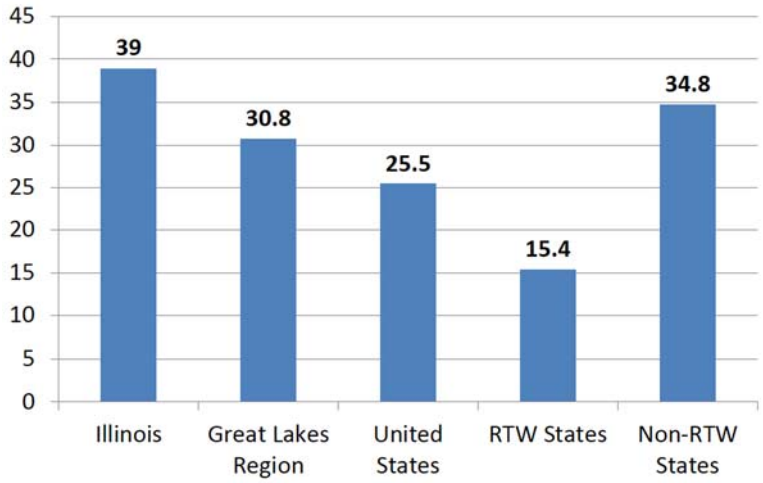
The Northwood University Competitiveness Index was developed for this study and is comprised of five factor categories measuring various areas of economic performance for all 50 states (1 is the most favorable and 50 is the least favorable). Unlike many other indices where the data and/or categories are assigned weights by the researchers, the Northwood Index assigns weights based on factor analysis which initially involved 200 variables. The weights are market sensitive and are susceptible to fluctuate with changes in economic conditions and data from year to year. Thus, the indices are based on these weights and are snapshots of current market conditions and key factors over said period. Therefore, the model delivers an overall ranking for a state, provides evidence of strengths and weaknesses relative to other states by category, and the weights assigned in each category derived by the model may be useful in prioritizing efforts to improve a state's relative competitiveness (see Exhibits 100 and 101).

Exhibit 100: Northwood's State Competitiveness Index (2000 - 2014)

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

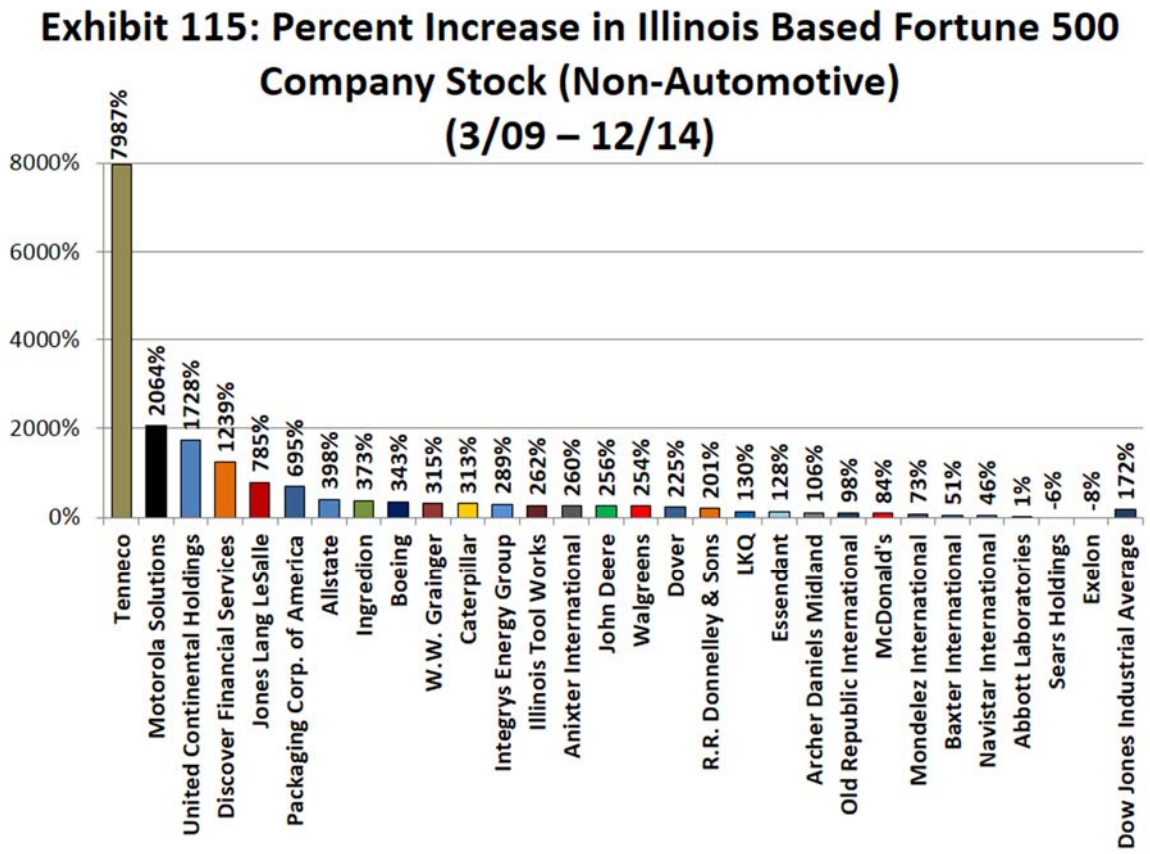
The research concluded and the analysis shows that Illinois' economy is slowly improving relative to the U.S. economy and, while making gains in its overall competitiveness, still has strides to make relative to other states. **The overall factor analysis making up the Northwood University State Competitiveness Index shows Illinois moving from 46th in 2012 to 39th in 2014.**

Exhibit 101: Northwood's State Competitiveness Index (2000-2014)



Overall, Illinois ranks 39th out of the 50 states in the Index. Consequently, the state's weak performance in terms of Debt and Taxation, Regulatory Environment and Labor Cost is outweighed by its stronger performance in the factor categories of General Macroeconomics and Capital Formation. The key reason for Illinois' overall rank improvement in 2014 had more to do with a stronger macroeconomic environment and a competitive tax climate, relative to other states in the region (see Exhibit 101).

GDP growth in Illinois over the last few years has been led by the resurgence in manufacturing, agriculture, tourism and financial services sectors. In fact, Illinois-Based Fortune 500 Company Stock Prices on average have out performed the DJIA since the trough of the "Great Recession" at 644% growth compared to 172% growth for the DJIA. The exhibit depicts 29 of Illinois' 34 Fortune 500 companies stock performance from the trough of the "Great Recession" to the end of 2014. Five stocks could not accurately be tracked due to the fact that they are privately held companies, like State Farm, and others that have been restructured or aquired since March of 2009 (see Exhibit 115).



A careful analysis of factor categories 3 and 4 coupled with sound public policies designed to address said issues with workforce development and labor costs will enhance Illinois' competitiveness.

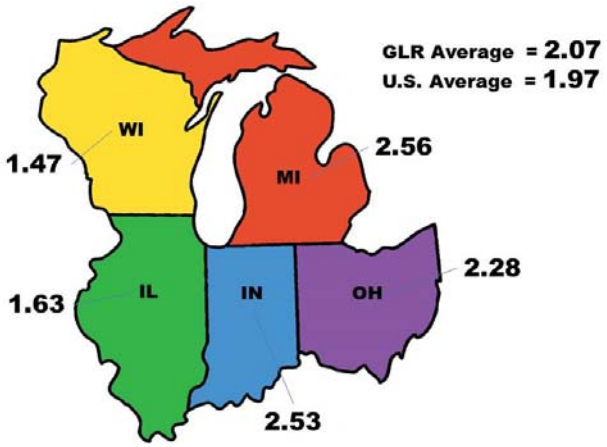
Illinois' economic performance in the five categories ranked as follows:

	2014
NU State Competitiveness Index	**39th**
1. General Macroeconomic Environment	37th
2. State Debt and Taxation	40th
3. Workforce Composition and Cost	42nd
4. Labor and Capital Formation	45th
5. Regulatory Environment	47th

The factor analysis shows Illinois making mixed progress in factor categories in general, but still needing to improve in the General Macroeconomic Environment factor. This is largely due to poor results in Gross State Product growth and lagging unemployment. Job growth in Illinois was positive in 2014, but only 297,000 jobs were created, ranking it 47th

nationally. Researchers believe much of this growth can be attributed to Illinois' state business tax environment and structure ranking 31st nationally by the Tax Foundation. Illinois' labor cost still remains among the highest in many sectors nationally, while net population migration and new business startups in Illinois since 2000 are still among the worst nationally. The 2014 Kauffman Foundation Index shows little promise in entrepreneurial activity, which can significantly improve factor ranks given continued development in this area.

Exhibit 22: Gross State Product Growth (2011 - 2013)



Illinois was second from last in the Great Lakes Region states in economic growth and was a weak performing state nationally over the last three years. It is also of note that the Great Lakes Region was the fifth best performing region in the country (out of eight regions) over the same period with strong performance coming from Michigan, Indiana and Ohio. The region showed average growth in the Gross State Product (GSP) of 2.07% and Illinois GSP growth of 1.63%. The region did not outperform the U.S. national average in personal income growth per capita as it did in previous studies with The Great Lakes showing only 3.5% growth compared to the national average of 3.95% over the last three years. Illinois' slow recovery, however, was broad-based as many Illinois Fortune 500 companies have dramatically improved in the stock market since the "Great Recession" trough of March 2009.

The 2014 study includes a feature analyzing eight of the Great Lake states' largest economic areas and capital cities. The Chicago economic area continues to face challenging economic times in the second decade of the 21st century, showing little sign of economic improvement since 2009 and underperforming all Great Lakes area major cities, other than Milwaukee, in GDP growth.

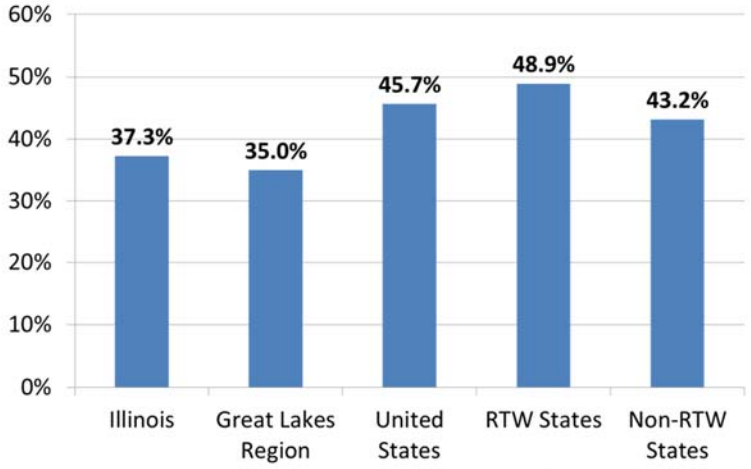
Key Findings

The following are examples of the many factors used in this study to evaluate the competitiveness of the Illinois economy relative to the U.S. as a whole, the Great Lakes Region, as well as Right-To-Work (RTW) states and Non-Right-To-Work (NRTW) states:

1. Growth in Personal Income

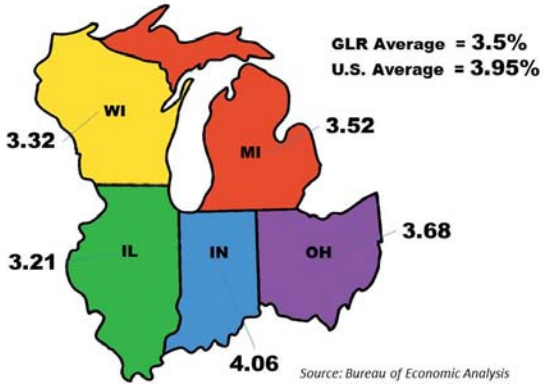
Personal income per capita in Illinois grew 37.3% from 2000-2013 while the U.S. average income grew at 45.7% over the same period. Personal income growth over the period grew at just under 49% in RTW states, at 43.2% in NRTW states and 35% in the Great Lakes region. Also of note, Illinois did not lead the Great Lakes region from 2010 – 2013 or the national average for per capita personal income growth (see Exhibits 32 and 33). Also, lagging per capita income growth in Illinois over the last few years is still an indicator of a sluggish economy and job market.

Exhibit 32: Personal Income Per Capita Growth (2000-2013)



Source: Computed with data from Bureau of Economic Analysis (2000 - 2013)

Exhibit 33: Great Lakes Average Personal Income Per Capita Growth (2010-2013)



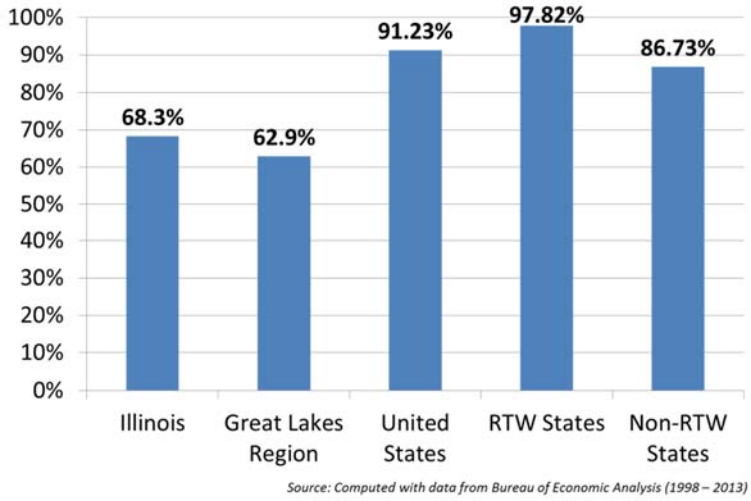
Source: Bureau of Economic Analysis

2. Real Gross State Product (GSP) Growth

From 1998-2013, Illinois Real Gross State Product (GSP) lagged behind the national average significantly. While the U.S. economy grew from an overall Gross Domestic Product (GDP) level of more than $8 trillion in 1998 to just over $16 trillion in 2013 or roughly 91%, the Illinois economy grew by only 68.3%. Gross State Product grew at an average rate of roughly 98% over the same period in RTW states while realizing a slower growth rate in NRTW states of just under 87% and 62.9% in the Great Lakes Region.

Also, Illinois' gross state product growth was lacking in 2011, 2012, and 2013, trailing most of the Great Lakes Region on average and lagging the average of the U.S. over the same time period. In fact, if Illinois were its own economic region it would have ranked sixth in economic growth trailing the Great Lakes, Southwest, Far West, Plains and Rocky Mountain Region of the U.S., signaling slow growth in the Illinois economy. (see Exhibits 15 and 22 through 24).

Exhibit 15: Gross State Product Growth (1998-2013)



Source: Computed with data from Bureau of Economic Analysis (1998 – 2013)

Exhibit 24: U.S. GSP Growth by Region (2011 - 2013)

Region	2011	2012	2013	Average
New England	1.04	1.24	1.3	1.19
Mid East	1.20	1.48	0.7	1.13
Great Lakes	2.43	2.17	1.6	2.07
Plains	1.96	2.74	2.5	2.40
South East	0.97	2.12	1.6	1.56
South West	2.97	4.07	3.3	3.44
Rocky Mountains	1.52	2.10	4.1	2.57
Far West	1.51	3.33	2.0	2.28
U.S.	1.64	2.46	1.8	1.97

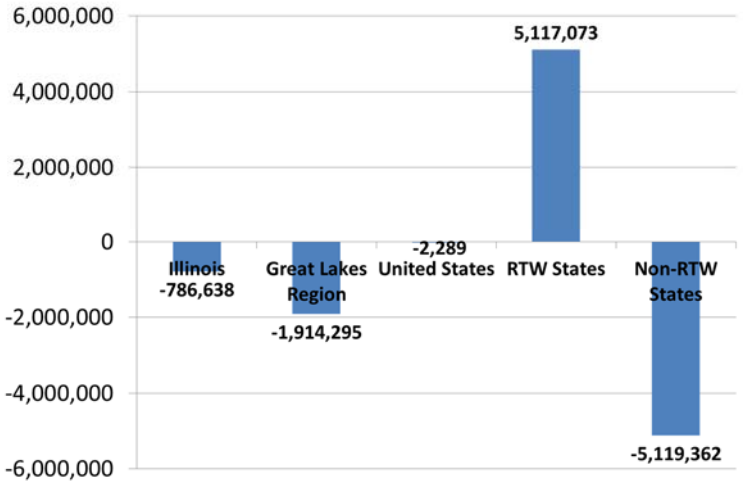
Exhibit 23: U.S. GSP Growth in Great Lakes Region (2011 - 2013)

State	2011	2012	2013	Average
Illinois	2.07	1.91	0.9	1.63
Indiana	2.19	3.30	2.1	2.53
Michigan	3.45	2.25	2.0	2.56
Ohio	2.88	2.16	1.8	2.28
Wisconsin	1.28	1.45	1.7	1.47
Great Lakes	2.43	2.17	1.6	2.07
U.S.	1.64	2.46	1.8	1.97

3. Net Population Migration

Illinois' population net migration from 2000-2013 was among the worst in the United States with a loss of 786,638 people. Net migration is defined by the difference in people leaving a state relative to people migrating to a state over a given period of time. The overall U.S. population net migration for the same period was just over 2,000 people net negative with RTW states experiencing a positive net migration total of 5,117,073 and NRTW states suffering a net migration loss of 5,119,362, with the Great Lakes region realizing a loss of just over 1.9 million people. (see Exhibit 13). Even though population net migration is still negative, it is slowing slightly with the net job creation that has taken place in Illinois over the last three years.

Exhibit 13: Population Net Migration (2000-2013)

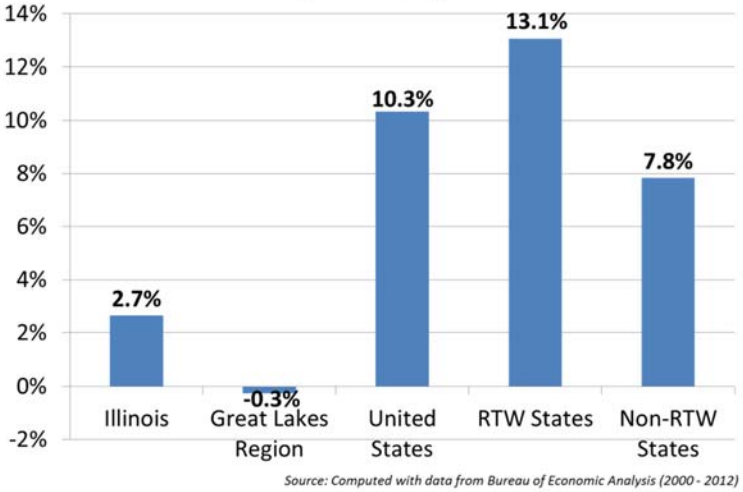


Source: Computed with data from Bureau of Labor Statistics (2000 – 2013)

4. Job Growth by State

During the same period between 2000 and 2012, Illinois Non-Farm Employment growth grew 2.7% while U.S. overall growth grew 10.3%. RTW states saw employment growth at just under 13% while NRTW states job growth was 7.8% while the Great Lakes Region realized negative GDP (see Exhibit 28).

Exhibit 28: Non-farm Payroll Employment Growth (2000-2012)

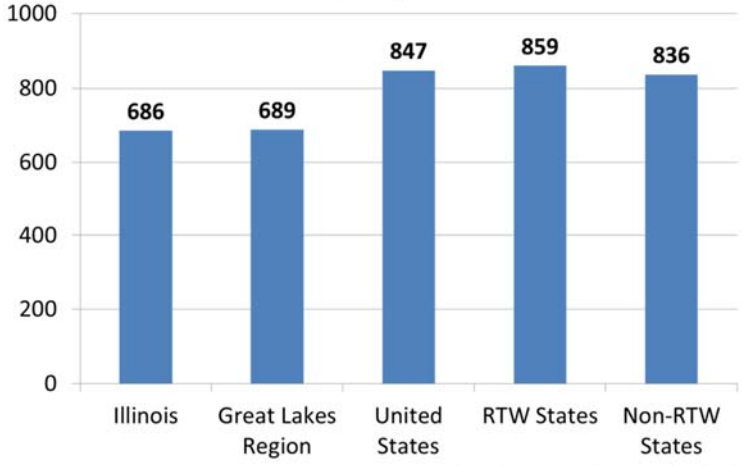


Source: Computed with data from Bureau of Economic Analysis (2000 - 2012)

5. Total Government Employees per 10,000 People

Illinois, as of 2013, has 686 government employees (state and local) per 10,000 people, ranking among the lowest in the country with this study (see Exhibit 57). This is a slight increase from last year's study when Illinois had 640 government employees per 10,000 people, but is still a sign of government efficiency.

Exhibit 57: Total Government Employees per 10,000 People (2013)

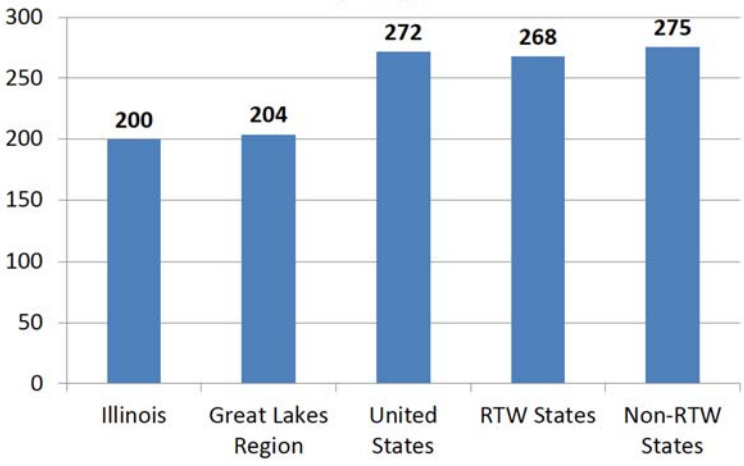


Source: Computed with data from Bureau of Economic Analysis (2013)

6. Index of Entrepreneurial Activity per 100,000

The Kauffman Foundation ranked new business activity per month per state per 100,000 people in 2013 with the national average being 272 and the Illinois average at 200. The RTW state average was 268, the NRTW state average was 275, and the Great Lakes Region was 204 (see Exhibit 81).

Exhibit 81: Kauffman Index of Entrepreneurial Activity (2013)



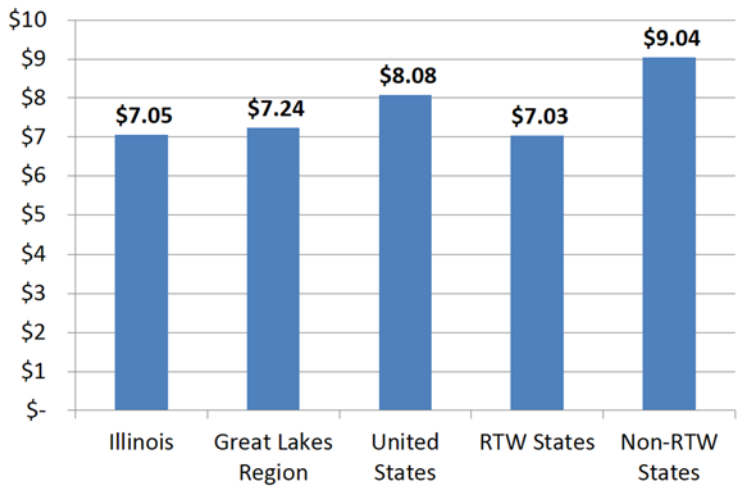
Source: Computed with data from The Kauffman Foundation (2013)

The Illinois economy has shown little growth in both income and gross state product clearly not improving the environment to bring new business to Illinois and failing to encourage entrepreneurial growth as it continues to lag behind the national average.

7. Industrial Cost of Natural Gas

Illinois seems to be competitive in the area of average cost of electricity, but trails natural gas per unit relative to the RTW average. It was below the national average for electricity and below the RTW average price for electricity per unit in 2013. However, the RTW average for natural gas was below the national, NRTW, Great Lakes Region and Illinois averages in industrial natural gas costs we studied for 2014 (see Exhibit 73). Illinois' industrial natural gas price increased from last year's study to this year's study, and so did the cost for the rest of the country, leaving Illinois at a competitive advantage yet still suggesting an opportunity for public policy debate relative to pricing structure.

Exhibit 73: Industrial Natural Gas Prices (Feb. 2014)

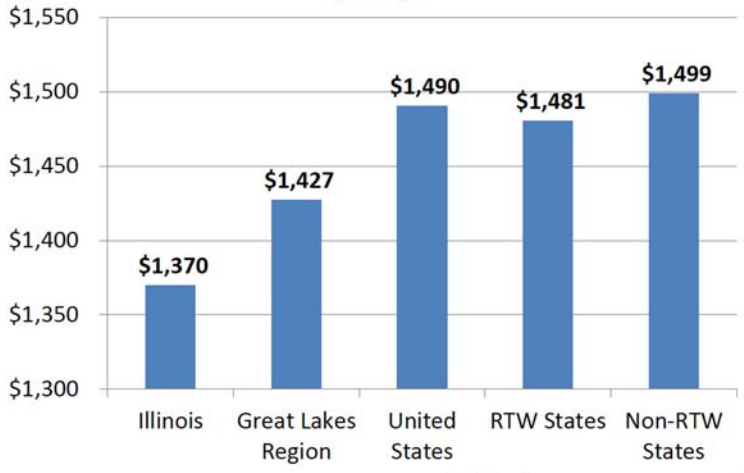


Source: Computed with data from U.S. Energy Information Administration (Feb. 2014)

8. Automobile Insurance Cost

The cost of doing business in Illinois is high by a number of key metrics. However, the median price for an automobile insurance policy in Illinois is reasonable relative to the rest of the country, according to a recent study released by Insure.com. The median average in Illinois is $1,370, the national average is just under $1,500, the RTW average is $1,481, the NRTW average is just under $1,800 and the Great Lakes region is $1,427. Illinois does not require long-term catastrophic care. The

Exhibit 61: Average Price of Annual Car Insurance Policy (2014)



Source: Computed with data from CarInsuranceQuotes.com (2014)

cost figures out to be 2.65% of median household income to purchase automobile insurance. New Hampshire is the best bargain at 1.45% of median household income, while Michigan at 5.1% is the worst (see Exhibit 61).

9. State Business Tax Climate Index

The *State Business Tax Climate Index* is produced annually by the Tax Foundation, one of this country's leading fiscal policy think tanks. The index is a measure of how each state's tax law affects economic performance. An overall index rank of 1 means the state's tax system is most favorable for business; a rank of 50 means least. Rankings are weighted and do not average across to total. The chart depicts a somewhat difficult and anti-business tax climate for business in Illinois in 2014 (see Exhibit 112).

Exhibit 112: State Business Tax Climate Index 2014

State	Overall Index Rank	Corporate Tax	Individual Income Tax	Sales Tax	Unemp. Insurance Tax	Property Tax
Wyoming	1	1	1	14	31	34
South Dakota	2	1	1	34	37	18
Nevada	3	1	1	40	42	9
Alaska	4	28	1	5	29	25
Florida	5	13	1	18	6	16
Washington	6	30	1	48	20	23
Montana	7	16	19	3	21	8
New Hampshire	8	48	9	1	46	42
Utah	9	5	12	20	18	4
Indiana	10	24	10	11	13	5
Great Lakes Region						
Michigan	14	9	14	7	44	28
Illinois	**31**	**47**	**11**	**33**	**43**	**44**
Ohio	39	23	44	30	10	20
Wisconsin	43	33	43	15	25	34

Source: Tax Foundation (2014)

A Snapshot of Key Great Lakes Region Cities and Illinois' Fiscal Condition

Using the most current data available, we took a close look at how key cities in the Great Lakes region have functioned since 2000. We looked at six cities from the five Great Lakes region states.

Exhibit 113: An Economic Snapshot of Key Great Lakes Region Cities

	Metro Compounded Annual GDP Growth Rate (2000-2011)	Metro Compounded Annual GDP Growth Rate (2008-2011)	Metro Compounded Annual GDP Growth Rate (2009-2013)	Metro GDP (2013)	Rank Metro GDP (2011)	Rank Metro GDP (2013)	Number of Employers	City Population (City Proper) (2012)	City Median Household Income/State (2008-2012)
Chicago	0.64	-0.15	1.5	$551 B	3	3	255,502	2,714,856	$47,408/$56,853
Cleveland	-0.15	-0.97	2.2	$114 B	27	27	26,208	390,928	$26,556/$48,246
Columbus	0.53	-0.28	3.6	$107 B	32	30	56,957	810,103	$43,992/$48,246
Detroit	-1.12	-1.25	3.3	$213 B	14	14	50,588	698,582	$26,955/$48,471
Indianapolis	1.14	-0.32	2.4	$117 B	28	25	63,808	834,852	$42,144/$48,374
Milwaukee	1.10	0.14	1.1	$89 B	35	36	31,769	598,961	$35,851/$52,374
U.S. Metro Areas	1.48	0.24	2.0	$14 T					

Illinois was one of the hardest hit states economically in the country over the last 12 years. The data clearly show that Chicago was one of the most— if not the most— adversely affected cities. The challenging news is that Chicago was the worst performer of the six cities we analyzed between 2009 and 2013 with Detroit and Columbus leading. Chicago was among the regional cities not to outperform the national average for GDP growth 2008-11 while Detroit and Columbus, OH performed at a significantly higher level than the U.S. metro average 2009 to 2011 based on the Bureau of Economic Analysis data (see Exhibit 113). The challenging news is that Chicago is the largest economy by GDP and

population in the Great Lakes Region yet lagged national and regional norms in GDP growth since 2000.

Exhibit 116: Ranking of States by Fiscal Condition (FY 2013)

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

Source: Mercatus Center: *Ranking The States By Fiscal Condition*

Illinois is ranked 50th on the Mercatus Center's ranking *The States By Fiscal Condition*. The ranking paints a clear picture of the serious financial perils the state faces, which are largely due to the state's large amount of unfunded government employee pension liabilities and poor cash solvency. Illinois, currently, is extremely susceptible to financial crisis. If the U.S. were to experience another recession, for instance, it would have serious repercussions for the state (see Exhibit 116).

In order for Illinois to improve its financial standing, there will need to be careful consideration of public policy decisions and action taken to improve both short-term and long-term financial solvency. Illinois has a long road ahead to fix state finances, however, with appropriate public policy changes it stands to make improvements.

The following is a review of the 5 factors the Mercatus Center used to develop their state ranking by fiscal conditions for 2013. The Mercatus Center, at George Mason University, is a

premier university market-based research center specializing in economic research and real world problem solving.

- Based on cash solvency, Illinois ranked 49 out of 50. In difficult times Illinois only had enough cash on hand to cover 49% of its short term obligations, while the national state average was 223% based on 2013 data.
- Illinois ranked 43 out of 50 in budget solvency. Budget solvency measures whether a state can cover its fiscal spending out of state revenue. Illinois' spending and revenues matched at a ratio of 1. The national state average was 1.07.
- Illinois ranked 49 out of 50 for long-term solvency. Long-term solvency measures whether a state has a hedge against large long-term liabilities or a downturn in the economy. In 2013, Illinois had a long-term liability ratio of 1.44, which means Illinois had liabilities that exceeded total assets by 44%. The state national average long-term liability ratio is 0.40.
- Illinois ranked 23 out of 50 in terms of service-level solvency. Service-level solvency measures how high taxes, revenues and spending are when compared to state personal income. Illinois revenues to income ratio was 0.12, coming in below the state national average of 0.14.
- Illinois ranked 45 out of 50 in terms of trust fund solvency. Trust fund solvency measures how much debt a state has. As an example, Illinois' pension to personal income ratio was .45 whereas the national average was .29.
- Illinois' total primary government debt is 33.66 billion dollars while the national state average stands at 12.6 billion. Illinois' unfunded pension liability is 105.61 billion dollars or a funded ratio of 47%, while the national state average unfunded pension liability is 19.85 billion or a funded ratio of 70%.
- Illinois' Other Post-employment Benefits (OPEB) liability was 34.49 billion with a funded ratio of 0% while the national state average was 10.84 billion with a funding average of 11%. Illinois' combined pension and unfunded OPEB liabilities were over half of state personal income in 2013.

Exhibit 117 : Top 20 Metro Areas U.S. Citizens Are Ditching

Metro Area	Net Loss	Rank	Metro Area	Net Loss	Rank
El Paso, TX	-1.02%	1	Toledo, OH	-0.55%	10
New York-Newark-Jersey City, NY-NJ-PA	-0.81%	2	Rochester, NY	-0.52%	12
New Haven-Milford, CT	-0.78%	3	Jackson, MS	-0.48%	13
Urban Honolulu, HI	-0.74%	4	Los Angeles-Long Beach-Anaheim, CA	-0.47%	14
Hartford-West, Hartford-East, Hartford, CT	-0.71%	5	Detroit-Warren-Dearborn, MI	-0.47%	14
Bridgeport-Stamford-Norwalk, CT	-0.69%	6	Milwaukee-Waukesha-West Allis, WI	-0.45%	16
Chicago-Naperville-Elgin, IL	**-0.69%**	**6**	Dayton, OH	-0.44%	17
Syracuse, NY	-0.69%	6	Washington-Arlington-Alexandria, DC-VA-MD-WV	-0.41%	18
Springfield, MA	-0.56%	9	Albuquerque, NM	-0.38%	19
Memphis, TN	-0.55%	10	Cleveland-Elyria, OH	-0.38%	19

Source: Bloomberg Analysis of U.S. Census Data (2015)

Chicago – Naperville - Elgin, Bridgeport – Stamford – Norwalk, and Syracuse are in a three-way tie as the top 6th ranking metro area residents are leaving. Chicago is losing residents at an alarming pace and this has extreme effects on the state of Illinois. There are several factors which may contribute to the exodus, among them are raising home prices, increased cost of living, lack of jobs and undesirable climate. When we consider all of the aspects of this study it is understandable why the population would choose to leave the Chicago area and Illinois state for greater opportunity elsewhere (see Exhibit 117).

Conclusion

Economists fundamentally agree on the sources that drive economic growth. Robert Barro (1991) in his seminal paper, "Economic Growth in a Cross Section of Countries," studied the key economic and political factors that determined 98 countries' competitiveness that led to economic growth and standards of living. It is clear from this and other studies that economic growth is helped by **investments in human capital, lower tax rates, a lower regulatory burden on businesses and emphasis on human development**. It is also

clear that the U.S. in recent times has been steadily falling behind in these critical investment areas, or at least unable to keep up with the investments vis-à-vis many of its competitors. One factor might be that government in the United States is becoming increasingly more important in the overall scheme of things as compared to the private sector. In addition, the federal government budget deficit and national debt are growing alarmingly high and the financing of the deficit has been instrumental in increasing the cost of capital, making it difficult for private businesses to invest in critical areas. Many economists would argue that this unprecedented increase in government spending has been the primary reason behind the relative decline in American competitiveness.

U.S. economic growth began to slow toward the end of the 20th century and experienced additional challenges in the early 21st century. Government was becoming more significant to the U.S. economy with the U.S. applying the highest corporate income tax rate in the industrialized world according to the U.S. Tax Foundation. Taxes continue to plague American businesses disproportionately to its competitors. The 2014 Heritage Foundation/Wall Street Journal's *Index of Economic Freedom* measures political freedom, prosperity and economic freedom across 10 metrics to gauge the economic success of 184 countries around the world. In 1995, the U.S. was ranked fourth in the world on the index, and in 2014 the U.S. fell to twelfth. Even though the U.S. remains the world's largest and one of the world's most competitive economies, it is important to note that we are slowly losing our competitive edge in a relative sense.

It is important to understand how large and important the Illinois economy still is within the U.S. and global economy. **Illinois' GSP (or GDP) would make it one of the 20 largest economies in the world if it were a country**, slightly larger than Switzerland. The 2014 study paints a challenging picture of Illinois' competitive position relative to most other U.S. states over the last decade. Illinois' ranking on *The Northwood University Competitiveness Index* of 39, as compared to 44 in 2013, indicates Illinois has made some progress driven by a more friendly tax and regulatory environment over the last couple of years. This study indicates more time and study are needed to better determine the causal relationship between RTW legislation and competitiveness; for the time period measured

in this study, Illinois remains a NRTW state. The research contained in this study should serve as a guidepost and tool for benchmarking for Illinois public policy leaders. For many years, Illinois was the economic catalyst for much of the U.S. economy. Illinois is not moving in the right direction and deserves to be studied. Illinois is: A) blessed with highly educated and skilled white- and blue-collar workforces, B) a state with a difficult tax and regulatory environment which is unfavorable for job creation, C) part of the world's largest deposit of fresh water, D) a pivotal part of waterway transportation for the Great Lakes Region, the Mississippi, and to Ontario, Canada, E) a hub for rail, trucking, cargo and air transportation, F) headquarters to many of the world's leading manufacturing, financial services, medical, agricultural, and technology companies, and G) home to world-class colleges and universities.

Illinois has made it through the economically difficult first decade of the 21st century and shows signs of an economic recovery. Yet, Illinois is lagging most of the other Great Lake states, and is a weak example for growth on a national level. There is no doubt that Illinois continues to trail Indiana, Michigan and Ohio in economic and job growth. Can Illinois return to the position of greatness it once occupied in the U.S. business structure? The answer is unequivocally yes, but only by adopting growth-friendly public policies. Illinois must set its sights high and benchmark to best economic and political practices of this country's top performing states. The good news is that many neighboring states have shown progress and policy change; Illinois can do the same if it has the will.

Introduction

The following research and conclusions emanate from a series of meetings and discussions between the study authors and members of the Illinois Chamber Foundation board and staff.

The U.S., and therefore the Illinois economy, is part of a highly complex global economy which faces constant and often radical change. The study briefly outlines the current state of U.S. competitiveness in the global economy and then focuses on Illinois' economic performance relative to the other 49 U.S. states. The purpose of the study is to conduct a comprehensive analysis of the Illinois economy and evaluate its rank and performance across a number of metrics including but not limited to Gross State Product (GSP) growth, tax policy, regulatory policy and cost of doing business.

The study focuses on competition on a national scale by state, Right-To-Work versus Non-Right-To-Work states, an expanded Great Lakes Region states section, and a comprehensive analysis of Illinois based Fortune 500 companies and their stock performance since the trough of "Great Recession." The study results are informative and unique and make a compelling case for bi-partisan discussion, action and pursuit of objective pro-business and pro-growth policies to improve Illinois's economic performance.

The U.S. in a Complex Global Economy

We begin the study with the statement that economists fundamentally agree about the source of economic growth. There are definite reasons why some nations grow and others don't. Robert Barro (1991) in his seminal paper "Economic Growth in a Cross Section of Countries" tried to answer that question. He studied the key economic and political factors that determined 98 countries' competitiveness that led to economic growth and improved standards of living. It is clear from his studies and others that economic growth is helped by investments in human capital, lower tax rate, less regulatory burden on businesses and emphasis on the overall human development matrix. According to Barro, there is a positive correlation between economic growth rate and the initial male educational attainment level, and a negative correlation exists between growth rate and fertility rate. His estimates indicate that economic growth can be significantly influenced by favorable government policies, such as enforcements of property rights and reduced government consumption expenditure. The obvious explanation is strong enforcement of property rights provides a strong incentive to acquire property, which leads to increased work efforts and efficient allocation of resources. In addition, he argued that government expenditures crowds out private expenditure, and since private investment expenditure is productivity enhancing, it contributes to economic growth. In

addition he also found out that favorable terms of trade also is positively correlated with economic growth.

The most significant contribution made by Barro is the estimation of the convergence rate, which he estimated to be around 2.5% per year. This meant that with a 2.5% growth rate it will take approximately 27 years to bridge 50% of the gap between the current level of output for an economy and the steady state level of output for the same economy. His estimates indicate that it will take 89 years to bridge 90% of the gap between the current level and the steady state level of output. Barro has estimated that the convergence rates for US states is also around 2.5% although there is tremendous homogeneity among US states in terms of government policies, institutional characteristics and choice sets which included choices in fertility and savings rates. Barro also finds a significant negative relationship between inflation and economic growth. He argued that inflation creates some uncertainties about the future value of money and hence reduces savings and investments, which in turn reduces economic growth.

Barro argued that bulk of the cross country differential in growth rates and difference in growth rates among different US states can be explained by the neoclassical growth theory, whereas the growth in the long run can be better explained by the endogenous growth theory. However, he also argues that most of the differences in growth rates among different US states and US regions can be explained by differences in bad economic policies of the government. If however, government focuses more on opening up its economy to more global competition, educating its work force better, and on enforcing property rights than growth rates will converge and the gap between incomes will slowly get lower. If that is true then the focus will shift from explaining differences in growth rates among different countries and different states within the US to how to increase productivity and shift the technological frontier toward growth.

One significant yet curious finding of Barro is that democracy and freedom has a curvilinear impact on economic growth, indicating that at a low level of output more freedom leads to higher growth, but after a certain level of output more freedom reduces economic growth. Barro interpreted this finding by arguing that democracy is important in preventing dictatorial tendencies and associated siphoning of economic resources by the very few, but democracy also has the tendency to promote distributive efficiency over economic efficiency. It is important to note that Barro did not provide any empirical evidence that such tendencies exists within vibrant democracies.

It is clear that the U.S. has been slowly falling behind in these critical investment areas, or at least unable to keep up with the investments vis-à-vis its competitors. Government is becoming increasingly more important in the overall scheme of things as compared to the

private sector. The federal government budget deficit and national debt have grown alarmingly high, and the financing of the deficit, along with additional post-recession banking regulation, has been instrumental in increasing the cost of capital, making it difficult for private businesses to invest in critical areas. The uncertainty associated with the Patient Protection and Affordable Care Act (PPACA) has caused many business leaders to be indecisive and delay decisions that would lead to greater growth in the economy over the last year. Many economists argue that these unprecedented increases in government spending and new regulation have been the main reasons behind the relative decline in American competitiveness. In the appendix of this paper we provide numerous tables and charts that highlight this decline in US competitiveness across a variety of factors.

It is important to note that the 20th century clearly was the "American Century." The 1900s saw the United States become the world's largest, most productive and most competitive economy while also becoming the world leader in invention and innovation. The U.S. was the envy of the world, producing new technologies and abandoning old ones while successfully commercializing the best at a rate the rest of the world could only dream of (see Exhibit 1). While the American competitive free enterprise system produced individual giants like Ford, GM, Standard Oil and U.S. Steel and billionaires named Rockefeller, Carnegie and Ford, the educated middle class realized rapid income growth and soaring standards of living that was the U.S. hallmark during this time (U.S. Department of Commerce, 2014).

U.S. economic performance was nothing short of exceptional during the 20th century driven by inventors and innovators. The U.S. became the world's most entrepreneurial, most educated and most competitive economy in the world and remained that way throughout most of the century. This creation of millions of jobs and newly founded businesses and industries that performed at exceptional levels allowed America to shoulder the burden of World War I and II while realizing a 213% increase in real disposable per capita income from $9,240 in 1950 to $28,899 in 2010 (U.S. Bureau of Economic Analysis, 2010).

Toward the end of the 20th century grave concerns were voiced as to whether or not the U.S. could or would remain in its position of prominence atop the global economy. Income growth and job growth began to slow toward the end of the twentieth century and have continued to slow into the 21st century (U.S. Department of Commerce, 2012). Simultaneously after the collapse of the Berlin Wall many of the former communist countries began to appear on the global economic stage as viable competitors to the United States. Countries from Poland and Hungary to China and India began to reform their economies benchmarking to the historical success of the USA. Over the last decade or more, evidence of a decline in American competitiveness has continued to mount. As an example, U.S. 15-year-olds ranked just 36th in math among the 66 industrialized countries that make up the Organization for Economic

Cooperation and Development (OECD) countries and scored in the middle in science and reading on the Program for International Student Assessment (PISA) test given to students in just under 70 countries in 2012 as reported in December 2013. The test is given every three years with the Shanghai region of China finishing number one among the 72 countries taking the exam (see Exhibit 2). In response to this report, U.S. Secretary of Education Arne Duncan stated that "the brutal fact here is there are many countries that are far ahead of the U.S. and improving more rapidly than we are. This should be a massive wake-up call to the entire country" (Bloomberg, 2010).

In addition, according to the Congressional Budget Office and the Heritage Foundation, government at all levels in the United States consumed less than eight percent of GDP by expenditures in 1902 and today consumes more than 36% (see Exhibit 3). We still believe that eight percent government expenditures as a percent of GDP is unrealistically low in today's complex global economy; yet we also believe that 36% is excessively high**,** creating a burden on business and economic growth in the United States.

Additionally, the U.S. tax system is stressingly burdensome to U.S. competitiveness relative to the rest of the world. According to 2013 data from KPMG and the Tax Foundation, the U.S. now has the highest corporate income tax rate in the industrialized world at somewhere between 39.2% and 40%, not because we have raised taxes but rather because many of our competitors have lowered their rates over the last decade (see Exhibit 4). In 2014, we also have among the highest long-term and integrated capital gains tax rates in the industrialized world at 28% and 68% respectively (see Exhibit 5).

In reviewing the 16 key indicators (including the number of scientists and engineers, corporate and government R&D, venture capital, productivity, trade performance and others) contained in the July 2011 Atlantic Century (Atkinson, 2011) report, the results show the U.S. ranked number four behind Singapore, Finland and Sweden.

While a fourth-place ranking doesn't appear to be too bad, additional studies and data sources paint a picture of a less nimble and less competitive U.S. economy and business environment. The 2014 Heritage Foundation/Wall Street Journal's Index of Economic Freedom measures political freedom, prosperity, and economic freedom across 10 metrics to gauge the economic success of 184 countries around the world. In 1995 the U.S. was ranked fourth in the world on the index**,** and in 2014 we have dropped to number twelve (see Exhibit 6). Another measure of economic competitiveness is the highly regarded International Institute for Management Development's (IMD) Global Competitiveness Index, which consists of 323 variables and four sub-indices (Economic Performance, Government Efficiency, Business Efficiency and Infrastructure) and measures the competitiveness of nations by analyzing how they create a competitive business environment. The U.S. has dropped from being ranked number one on

the 1999-2000 index to number five on the 2013-14 index behind Switzerland, Singapore, Sweden and Finland (see Exhibit 7).

U.S. competitiveness is being adversely impacted by a number of factors, including our mounting national debt which now stands at more than $17.6 trillion and is greater than 100% of our projected 2014 GDP. The national debt of the United States took more than 205 years to reach the one trillion dollar mark, and in roughly 33 years we have increased it more than 17-fold (see Exhibit 8). According to the U.S. Department of the Treasury and the U.S. Congressional Budget Office (CBO), U.S. gross interest rate payments on treasury debt securities in 2013 was $415 billion dollars (more than the total GDP of some of the most advanced economies in the world). It is also important to note that the debt has been serviced at a historically low average interest rate of just 2.4% (see Exhibit 9). We are concerned with the future burden of high gross interest rate payments in the United States if the economy recovers or if we enter an inflationary spiral; in either case, interest rates will rise as will the cost of servicing our national debt.

Many believe that the solution to the U.S. deficit problem is simply to raise taxes, especially on those in the top 1% on personal income taxes and on corporations. According to the Tax Foundation in 2011 (most recent tax data available), the top 1% of income earners paid 37.2% of total U.S. personal income taxes while the top ten percent paid 68% (Tax Foundation, 2014). Additionally, in 2012 the U.S. gained the dubious distinction of having the highest corporate income tax rate in the industrialized world, making the U.S. and the North American region less competitive (see Exhibit 10).

We are of the opinion that somewhere over the last 100 years the United States as a country has lost sight of what made it great. There is less understanding of the contributions of (a) economic and political freedom and (b) entrepreneurship and investment to (c) business success, infrastructure development and rising standards of living. Productivity and wealth generated by a free and dynamic business sector allow for households to prosper and government to exist and operate in a vital role in an economy. All three of the macro flow variables (households, business and government) are important (see Exhibit 11). It seems to us that the mix of resource allocation among households, businesses, and government needs to be closely reexamined as government is consuming a large share of U.S. GDP thus thwarting U.S. competitiveness and growth. The above is also true on a smaller scale at the state level as the 50 states that comprise the United States of America often compete with each other as well as internationally for business, human capital and economic growth.

Illinois in a Changing U.S. Economy

The U.S. economy's pace for invention, innovation and new business formation was staggering throughout the 20th century, and Illinois was at the epicenter of much of that growth. Illinois-based companies like Tenneco, Motorola Solutions, United Continental, Discover Financial Services, Jones Lang LeSalle, PCA, Allstate, Ingredion, Boeing, W.W. Grainger, Caterpillar and many others were complemented and supplemented by thousands of small and medium-sized entrepreneurial organizations, making Illinois historically a center for business excellence (U.S. Department of Commerce Report, 2013). A further measure of Illinois' success is the fact that Chicago had among the highest per capita average income in the United States in 1950. (Skorup, 2009)

Illinois began to lose its competitive edge to lower-cost U.S. states and foreign countries starting in the 1970s and continuing into the 21st century. Today, the Illinois economy is still heavily reliant upon agriculture and food production and has not attracted or launched sufficient new businesses to the state or developed home-grown entrepreneurs to ensure sustained economic growth. The following analysis will shed some light on the factors impeding economic growth in Illinois while comparing Illinois to numerous national averages, the average for U.S. Right to Work (RTW) states, U.S. Non-Right to Work (NRTW) states and Great Lakes Region states. It is disturbing that Illinois continues to lag both on a regional and national level as evident by the coming findings included in this study. Yet, Illinois has moved from an overall competitiveness rank of 46 in our 2012 study to 44 in our 2013 study, and 39 in this, the 2014 study.

Population, Employment and GDP Growth in Illinois and the United States

Illinois' U.S. population net migration from 2000-2013 was among the worst in the United States with a net loss of 786,638 people. Net migration is defined as the difference in people leaving a state relative to people migrating to a state over a given period of time. The overall U.S. population net migration for the same period was just over 2,000 net negative with RTW states experiencing a positive net migration total of 5,117,073 and NRTW states suffering a net migration loss of 5,119,362, and Great Lakes Region states lost just over 1,900,000 in net migration exodus (see Exhibits 12 and 13).

From 1998-2013 Illinois Gross State Product (GSP) lagged the national average significantly, while the U.S. economy grew from an overall Gross Domestic Product (GDP) level of more than $8 trillion dollars in 1998 to just over $16 trillion dollars in 2013 or just under 81%, and the Illinois economy grew by 68.3% over the same period. Gross State Product grew at an average rate of roughly 98% in RTW states while realizing a slower growth rate in NRTW states of roughly 88%, while Great Lakes Region states grew just under 63% over the same period (see Exhibits 14-20).

However, there is good news for the Illinois and Great Lakes Region over the last three years. Real Gross State Product grew at 2.07% in the Great Lakes Region while it only grew at 1.97% for the U.S. as a whole. The Great Lakes Region was the 4th best performing region in terms of average gross state product growth in 2011-2012 and Illinois' average GSP growth was just under 1.63% during this time (see Exhibits 21-24).

As one should expect, poor growth or negative growth in GSP is generally correlated with higher levels of unemployment. From 2000-13, the average unemployment rate in Illinois was just over 7% while the average for the United States was 5.89%. Average unemployment in RTW states was 5.77%, while NRTW states averaged 6.0%, and Great Lakes Region states averaged 6.7% (see Exhibits 25 and 26). Illinois and U.S. unemployment has improved over the last 2 years; the averages above reflect unemployment averages since 2000.

Employment growth in the Non-Farm segment of the U.S. economy, from 2000-2012, averaged 3.5%. Illinois' job creation was positive, **but** ranked 46th out of the 50 states for job growth during this period. The average rank for job growth in RTW states over the same period was 20.6, while the average rate out of 50 states for NRTW states was 30, and Great Lakes Region states had an average rank of 47.4 (see Exhibits 27-30). It is important to note that Illinois was a net positive producer of new jobs over the last four years, creating 309,400 jobs from February 2010 to May 2014. Illinois showed little net population gain based on the 2010 census, and below national average performance in economic growth and job creation through 2014.

Household Income Growth and Minimum Wage in Illinois and the United States

Personal income per capita growth in Illinois grew 37.3% from 2000-2013 while the U.S. average income grew at 45.7% over the same period. Personal income growth over the period grew at just over 48.9% in RTW states, at just under 43.2% in NRTW states, and just over 35% in Great Lakes Region states. It is also important to note that Illinois outperformed the Great Lakes Region, but was below the national, RTW and Non-RTW state averages (see Exhibits 31-33).

Household income is often measured by median income (generally the parent or parents in the household). Illinois is slightly above the national average and is ranked 25th overall, while having an average median household income that is higher than the averages for RTW and Great Lakes Region states in 2014. It is important to note that Illinois had the 17th highest median household income in the United States in 1984. NRTW states have higher average incomes, but the margin is narrowing relative to RTW states due to more rapid income growth and GSP growth in RTW states over the past decade. Illinois ranked 24 in overall median household income in 2012 (see Exhibits 34-35).

Minimum wage rates are often considered to be a barrier to entry for young and/or unskilled workers who either lack necessary skills or job experience or both. The U.S. federally mandated minimum wage floor is $7.25, thus no state may set its minimum wage below this rate. Illinois minimum wage for 2014 remained at $8.25, but is scheduled to rise above $10 over the next 5 years. Illinois' minimum wage rate is now $.62 higher than the national average, $.63 above the Great Lakes Region average and $.90 cents above the RTW average. There is a $.54 differential premium between RTW and NRTW states regarding minimum wage rates (see Exhibits 36 and 37).

Assessing the Cost of Government in Illinois and the United States

Tax burdens, especially on business, have a generally negative effect on job creation, job growth, and new businesses attraction. The average state and local income tax burden as a percent of income in Illinois in 2012 was 10.2%, which is down from 2011, and consistent with the U.S. average of 9.4%. The average in RTW states is 8.7% while the average in NRTW states is 10%, and the Great Lakes Region states average 10% (see Exhibits 38 and 39). The average combined state and local tax rate on corporations in Illinois in 2014 was 9.5%, more than 3% above the national average, almost 2.12% above the NRTW state average, and higher than the Great Lakes Region average by 3.32% (see Exhibit 40-45).

Unlike the federal government and many other states, Illinois' state debt as a percent of Illinois Gross State Product (GSP) has not improved and is now 9.13%, higher than the national average of 7.47% of GSP. This compares to 5.0% on average in RTW states, 9.74% in NRTW states, and 7.8% in Great Lakes Region states (see Exhibits 46 and 47). State debt per capita in Illinois is relatively high and has increased up to $4,997 per capita, with the U.S. average at $3,841, the NRTW state average at $5,231, and the Great Lakes Region states at $3,748. However, the RTW average is considerably lower at $2,334. Illinois' rate of per capita debt has increased by $625 from the previous year (see Exhibit 48 and 49). In examining state debt as a percent of tax revenue, Illinois fared poorly with the national average at 141.5% and the Illinois average down to 177.35% (a decline of more than 34% since last year), while RTW states' debt as a share of tax revenue was just under 105%, NRTW states average more than 175%, and Great Lakes Region states averaged just under 147% (see Exhibits 50 and 51). Illinois' debt service as a share of tax revenue is 9.22% and is above the national average of 6.18%, and the Great Lakes Region states average of 6.26% (see Exhibits 52 and 53).

Illinois' state liability ranking was 46 out of 50 in 2012 with RTW states' average rank at 23.3 and NRTW states' at 27.5 (see Exhibits 54 and 55). The effects of a challenging economy in Illinois and greater efficiencies and productivity at the governmental level have allowed the state to see a reduction in the number of government employees at all levels over the past decade. As of 2012, Illinois' state government had 646 government employees per 10,000

people, with an increase to 686 in 2013, still ranking at 10th leanest in the country (see Exhibits 56 and 57).

Looking at both state and local government employees alone, Illinois ranks 12th among the lean-government states in the country and well below the U.S., Great Lakes Region, and even RTW state averages (see Exhibits 58 and 59).

Cost of Key Goods and Services in Illinois and Nationally

The cost of doing business in Illinois is high by a number of key metrics and advantageous by others. We used a more broad-based measurement in pricing the average automobile insurance policy in Illinois in this study in which Illinois ranks favorably against key metrics (see Exhibit 63). The median average in Illinois is $1,370 while the national average is $1,490. The RTW average is $1,481, while the NRTW average is just under $1,500, and the Great Lakes Region average is $1,427. Illinois does not require long-term catastrophic care as a part of its no-fault coverage, the cost figures out to be 2.65% of median household income to purchase insurance. New Hampshire is the best bargain at 1.64% of household family income (see Exhibits 60-63).

Illinois is competitive in the areas of average cost of electricity, at $0.0868/kWh, and natural gas prices. It is below the national average for electricity relative to all metrics for electricity per unit in 2014.

Illinois natural gas prices in 2014 were lower in all three natural gas categories than the national, Great Lakes Region, NRTW states, and in all but industrial natural gas prices for RTW states. Illinois has deregulated natural gas, electricity and telecommunication services. Competitive market pricing has been particularly beneficial to commercial and industrial energy users. A multi-year replacement and modernization program for municipal water, natural gas and electric distribution networks is currently underway within the city of Chicago.

Illinois is less competitive in the area of gasoline taxes. In 2014 Illinois' gasoline tax was well above the national, Great Lakes Region, NTRW, and RTW state averages with the 8th highest total gasoline tax in the nation (see Exhibits 64-73). The high aggregate motor fuel tax rate is chiefly a consequence of municipal, county and special district taxes that are in addition to federal and state motor fuel tax rates. Illinois is one of a handful of states that imposes sales taxes on the cost of motor fuel. In addition, the Chicago metropolitan area is subject to special gasoline formulation requirements to satisfy federal clean air standards that influence price during warmer months.

The Oregon Department of Consumer and Business Services does a biannual ranking of worker compensation premium rates by state. According to the Oregon study, Illinois employers in the

voluntary market pay, on average, the seventh highest worker's compensation premium rates in the nation. Illinois' rates are 27% above those of the median state in the study. In the Oregon study Premium rate indices are calculated based on data from 50 states, for rates in affect January 1, 2014. The 2014 median value is $1.85. Illinois' premium rate index is $2.35 per $100 of payroll, or 127% of the national median (see Exhibit 118). The national average has increased to $916 with the Great Lakes Region average cost being $989 per capita in 2012.

Finally, the average unemployment insurance trust expenditure in Illinois is still among the highest in the country, and soared to $1,131 per capita in 2012 in comparison to the 2000-2012 average of $649.Illinois' unemployment insurance higher Trust Fund costs are a reflection of both a sustained period of high unemployment and the existence of a higher wage base than exists in other states (see Exhibits 74 - 77).

Competitiveness Metrics in Illinois and the United States

In this section we have attempted to compile a number of measurement tools related to the business environment and business competitiveness of a state and the subsequent rankings. We have broken them down to compare Illinois with RTW and NRTW states.

We looked at a study by hospitality marketing research firm Cvent, which noted the top 50 cities for meetings and conventions, and Illinois has three cities in the top 50 (see Exhibit 78 and 79). Also, the Kauffman Foundation ranked new business start-ups per 100,000 people per month per state in 2013 with the national average being 272 and the Illinois average among the lowest in the country at just 200. The RTW state average was 268, the NRTW state average was 275, and the Great Lakes Region state average was 204 (see Exhibits 80 and 81). In this study we were able to find additional data on business establishment births and deaths from 2002-2011. Illinois has 20.63 business births per 10,000 people compared to 17.39 for the Great Lakes Region, 20.78 for RTW states, 21.09 for NRTW states, and 20.94 for the national average (see Exhibits 82-89).

Professors from the University of Warwick in England and Hamilton College in New York have done some path-breaking work trying to measure happiness and quality of life, having published it in the journal *Science*. We took their survey rankings from 2005-2008 and compared Illinois to RTW and NRTW states and discovered the following. In 2013, Illinois ranked 22nd happiest in the country (see Exhibits 90 and 91).

The American Legislative Exchange Council annually ranks states on economic performance considering seven factors ranging from corporate tax rates and GSP growth to non-farm payroll growth and population growth. We took the average of their 2000-2012 scores on several variables, and Illinois ranked very low at 46 out of 50 in economic performance with the

average ranking for the Great Lakes Region at 45.40, RTW states average ranking of 19.21, and NRTW states averaging ranking of 32.31 (see Exhibits 92 and 93).

We then took the Forbes Best States for Business Index and broke it down to compare Illinois to RTW and NRTW states. The Forbes Index considers seven variables ranging from business costs and the regulatory environment to the economic climate and a state's growth prospects. Illinois remains ranked 38 overall out of 50 with 1 being the highest and 50 being the lowest. The Great Lakes Region average according to the Forbes Index is 34.20, the RTW states average 20.46, and NRTW states measured 30.13 (see Exhibits 94 and 95).

In this study, we did a similar analysis with data from the 2013 CNBC Index of America's Top States for Business. The ten general variables used by CNBC range from education and infrastructure, to cost of living and cost of business. Illinois fared much better here in 2013 with an overall rank of 27 out of 50 (50 being least favorable) with RTW states averaging just under 18 and NRTW states averaging just under 33 (see Exhibits 96 and 97). Illinois fared poorly on the Beacon Hill Institute's Competitiveness Index in 2013, which includes government and fiscal policy, security, infrastructure, human resources, technology, business incubation, openness and environmental policy factors with a ranking of 45 (1 being most favorable) the GLR average was just under34, RTW states averaged just under 25, and NRTW states averaged just over 26 (see Exhibits 98 and 99).

The Northwood University Competitiveness Index

In this study, Illinois shows improvement in some measures of competitiveness mentioned earlier ranging from happiness and business climate to economic performance in general. In order to define the combined effects of our data, we took the roughly 200 variables in our study for all 50 states and conducted a factor analysis to find five categories or aggregate factors.

Unlike many other indices where the data and/or categories are assigned weights by the researchers, the Northwood Index assigns weights based on factor analysis. The weights are market sensitive since they change with changes in the economic conditions, and the indices are therefore subject to change as the values of our data change over time. Thus, the model delivers an overall ranking for a state, provides evidence of strengths and weaknesses relative to other states by category, and the weights assigned in each category by the model may be useful in prioritizing efforts to improve a state's relative competiveness.

The Factor Categories and the key variables that influenced each factor are:

Factor 1 (General Macroeconomic Environment) - considers general measures of state-wide economic health such as unemployment rates, labor participation rates, per-capita income and life-satisfaction (another measure of well-being in addition to per-capital income).

Factor 2 (State Debt and Taxation) - considers state debt per capita, cost of living, and tax burden per capita (tax burden considers state sales taxes, selective taxes, license taxes, corporate income taxes and state income taxes).

Factor 3 (Workforce Composition and Cost) – considers percentage of the working population that is part of a union, percentage of the private working population that is a member of a union, the percentage of the public working population that is a member of a union, and cash payments to beneficiaries (including withdrawals of retirement contributions) of employee retirement, unemployment compensation, workers' compensation and disability benefit social insurance programs.

Factor 4 (Labor and Capital Formation) - considers employment growth, population growth, migration, and organizational birth and death data.

Factor 5 (Regulatory Environment) – represents a composite of other indices that consider the business friendliness of a state's regulatory framework/business environment. Here we used the mean score of a series of indices measuring business competitiveness by state, ranging from CNBC and the Beacon Hill Institute to Forbes magazine and the American Legislative Exchange Council.

Based on the most current available data, Illinois' economic performance in the five categories is:

	2014
1. General Macroeconomic Environment	37th
2. State Debt and Taxation	40th
3. Workforce Composition and Cost	42nd
4. Labor and Capital Formation	45th
5. Regulatory Environment	47th

Overall, Illinois ranks 39th out of the 50 states in the Index. In most metrics, especially Regulatory Environment and Labor and Capital Formation weighted down the average in 2014. Illinois realized a relatively strong performance in the factor category of General Macroeconomic Environment, the primary reason for Illinois' overall rank improvement in 2014 had to do with the Macroeconomic Environment. The state's relatively poor performance in terms of State Debt and Taxation and Regulatory Environment was enhanced in 2014 by its relatively strong performance in the factor categories of the General Macroeconomic

Environment. The key reason for Illinois' overall rank improvement in 2014 had to do with a stronger macroeconomic environment, a factor state legislators have little influence over.

GDP growth in Illinois over the last three years has lagged behind the Great Lakes Region as well as the national average in-spite of strong Illinois company based fortune 500 stock growth and a growing agricultural sector. A careful analysis of factors 1, 3 and 4 coupled with sound public policies designed to address said issues will enhance Illinois' competitiveness in the future (see Exhibits 100-111).

The following is additional analysis of Illinois' competitive environment.

Additional Data on State Business Climate

The *State Business Tax Climate Index* is produced by the Tax Foundation, one of this country's leading fiscal policy think tanks. The index is a measure of how each state's tax law affects economic performance. An overall index rank of 1 means the state's tax system is most favorable for business; a rank of 50 means least. Rankings are weighted and do not avearage across to total.
The chart depicts a weak, but somewhat improving climate for business in Illinois in 2014.(see Exhibit 112).

An Economic Snapshot of Key Great Lakes Region Cities

Using the most current data available, we took a close look at how key cities in the Great Lakes region have functioned since 2000. We looked at six cities from the five Great Lakes region states. Illinois was one of the hardest hit states economically in the country over the last 12 years. The data clearly show that Chicago was one of the most— if not the most— adversely affected of the six cities. The challenging news is that Chicago was the worst performer of the six cities we analyzed between 2009 and 2013 with Detroit and Columbus leading. Chicago was among the regional cities not to outperform the national average for GDP growth 2008-11 while Detroit and Columbus, OH performed at a significantly higher level than the U.S. metro average 2009 to 2011 based on the Bureau of Economic Analysis data (see Exhibit 113). The challenging news is that Chicago is the largest economy by GDP and population in the Great Lakes Region, yet lagged national and regional norms in GDP growth since 2000. (see Exhibit 113).

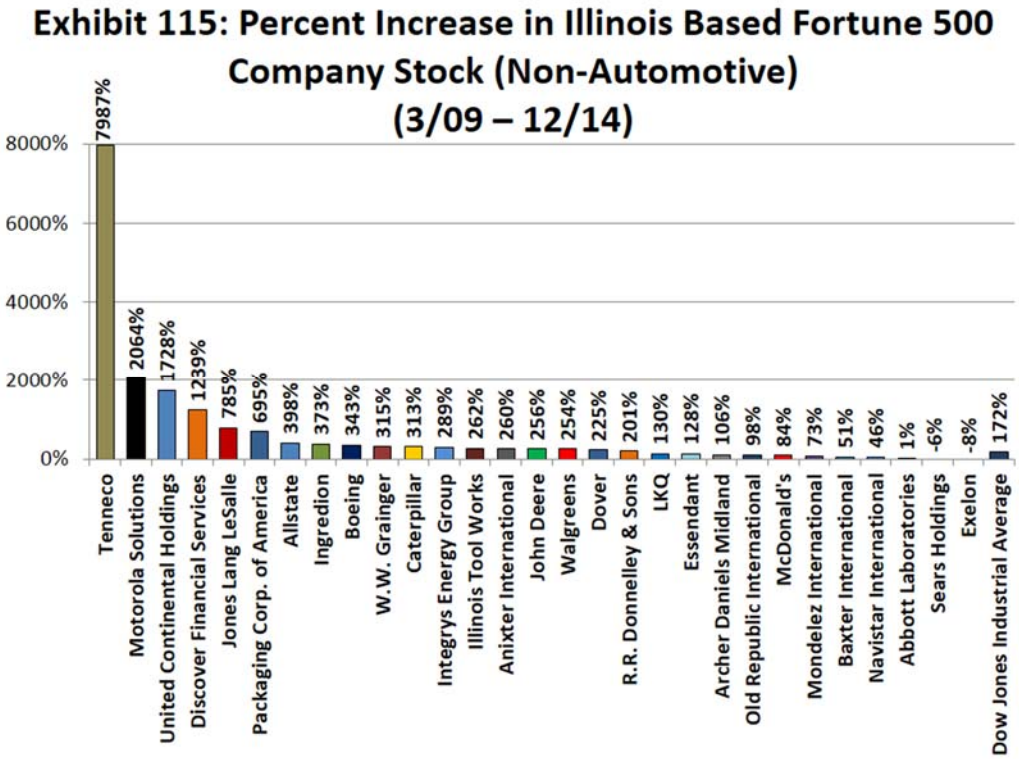
Analysis of Key Data from the 2014 Study

The state of Illinois showed slight improvement in competitiveness in the 2014 study. In key categories Illinois ranked anywhere from 10th best to 48th best in comparison with the other 50 states. Illinois ranked 38th in average personal per capita income growth from 2000-2013. Illinois was the 45th best performance in Gross State Product Growth in 1998-2013, while Illinois

ranked 48th and 46th respectively in state population net migration and employment growth in the 2014 study. Bright spots for Illinois came when analyzing government employees per 10,000 people, the price for industrial natural gas, and the median price of annual car insurance with Illinois ranking 10th, 19th, and 20th in these categories. Illinois still lags much of the country, finishing in a four way tie for 37th in the 2013 Kaufman foundation's index for entrepreneurial activity (see Exhibit 114).

Comparison of Key Illinois Fortune 500 Stocks

GDP growth in Illinois over the last few years has been led by the resurgence in manufacturing, agriculture, tourism and financial services sectors. In fact, Illinois-Based Fortune 500 Company Stock Prices on average have out performed the DJIA since the trough of the "Great Recession" at 644 percent growth compared to 172 percent growth for the DJIA. The exhibit depicts 29 of Illinois' 34 Fortune 500 companies stock performance from the trough of the "Great Recession" to the end of 2014. Five stocks could not accurately be tracked due to the fact that they are privately held companies, like State Farm, and others that have been restructured or aquired since March of 2009 (see Exhibit 115).



Cobb-Douglas Analysis

In this study we assess whether RTW laws are a cause or effect. Once again we apply a different approach towards identifying whether RTW matters with regard to a state's economic performance. In this study, a Cobb-Douglas production function was used to estimate the impact of "Right to Work" legislation on productivity.

The Cobb-Douglas production function is a tool used by economists to examine the casual relationship between economic output and inputs such as capital, labor, and technology.

The percentage changes in state gross domestic product, employment, and organizational births were used to measure output, labor and capital formation in the Cobb-Douglas function. It was from this equation that we derived a measure for technological formation, a proxy for business competitiveness. A series of regression models were then estimated to examine the relationship between business competitiveness and whether a state had in place right-to-work legislation, controlling for factors including, but not limited to, state-by-state union participation rates, government expenditures and tax policy. In all of the models estimated, empirical support was provided for the notion that right-to-work states are more competitive.

There are two main conclusions that we have derived from this year's Cobb-Douglas Production Function analysis:

1) When we use the residuals from the Cobb-Douglas Production Function as a proxy for competitiveness, we can conclude that right-to-work states are more competitive than non-right-to-work states at a statistically significant level. This is the case even after controlling for corporate tax rates, government spending, government taxation and union participation rates, whether they are public, private or private manufacturing.

2) Another main result that emerges from our study is that there are limitations associated with using organizational births as a proxy for capital formation during economic downturns, especially considering that the most recent economic downturn was one of the largest in American history. Before the recession the percentage change in organizational births when combined with increases in employment explained a huge percentage of the variability in per-capita gross domestic product from one state to the next, but this was not the case for updated analyses that included information through 2011.

The conclusion is that during downturns, it is probably better to examine the percentage change in already existing business investment to proxy capital formation. The following is a detailed analysis of the Cobb-Douglas Production Function methodology and results.

1. The Meaning and Definition of Productivity

How competitive an economy is often depends upon how productive that economy is. Productivity is a measure of the rate at which outputs of goods and services are produced per units of inputs. Broadly defined, the inputs are labor, capital, and other inputs like raw materials including energy.

Productivity = Output/Input.

Productivity is defined as the amount of goods and services produced per worker per hour. Thus productivity is technically the ratio between real output produced and the number of inputs that are needed to produce that output.

To study economic growth economists have often used the aggregate production function. In economics the aggregate **production function** relates physical output of a production process to physical inputs. The production function is one of the key concepts of mainstream neoclassical theories. Specifically, production function defines the physical relationship between the number of units of output produced and the number of units of inputs needed to produce that level of output. Traditionally, the aggregate level of output produced in an economy is a function of the available supply of labor and capital. Thus productivity is a "supply side" measure depicting the relationship between output and inputs.

2. Different Measures of Productivity:

There are two measures of Productivity: Labor Productivity and Total factor Productivity.

Labor Productivity: One important measure of productivity is **Labor Productivity.** Labor productivity is the ratio of output to labor input. It is measured by the number of units of output produced per labor hour. **So labor productivity increases** if the output (defined by the number of units that are produced) increases while number of working hours remains the same. Labor productivity is important because an increase in labor productivity raises per capita income. It indicates that the production of goods and services is expanding more rapidly than the increases in the population. This is the only way a country or state can ensure that the per capita income is expanding. Economists agree that only when there is an increase in per capita income can we say that the prosperity of the nation is increasing. Thus increase in labor productivity, which leads to increase in per capita income, is one of the principle determinants of economic growth. In summary, economists are always in pursuit of policies that ensure that the growth in the production of goods and services outpaces the growth in population. One has to be careful about interpreting Labor Productivity. Although labor productivity measures how productive labor is, it often reflects something more than that. Labor productivity measures output per unit of labor. However, we know that many other factors besides labor,

like the quantity and quality of capital, and the level of technology that is available to workers also influences output. So it probably could lead to a misleading conclusion if we interpret labor productivity as solely attributable to performance of labor and nothing else.

Multi-Factor Productivity: However, since all economies face a finite supply of factors of production (labor and capital), it is important to also see how efficient an economy is in using its supply of labor and capital in producing output. In that sense productivity can also be broadly defined as a measure of efficiency. We all rely on productivity numbers because it indicates how competitive the country is. In economics we use the concept of productivity to serve as a proxy for efficiency. **So we use the concept of Multi-Factor Productivity also known as the Total Factor Productivity (TFP).** Multi-Factor Productivity or Total Factor Productivity is the ratio of output to the combined input of labor capital and raw materials.

That efficiency, in turn, depends upon the level of technology, and the efficiency of the prevailing institutions. In principle, total factor productivity is a more comprehensive measure of productivity.

3. What does productivity measure?

Productivity usually measures the following effects in a production process:

a. Technological change or improvements:
b. Improvements in human capital
c. Institutional improvements resulting in reductions in inefficiencies
d. A general increase in productivity could also signal resource allocation from low productivity sectors to high productivity sectors.

4. The importance of Productivity Growth:

We know that Productivity = Output/Input. Thus we can state the same thing in growth terms and come up with some real interesting conclusions. We can state that

Productivity Growth = Output growth – Input Growth.

We have

Output Growth = Input Growth + productivity Growth.

Thus, the growth in input and the growth in productivity contribute to growth in output. Since increase in input is slow and often uncontrollable, one way to foster economic growth is through ensuring growth in productivity.

Since the per capita GDP often is used to reflect standard of living, we can see how productivity can have a profound influence on standard of living. Per capita income = GDP/Population.

So, we can rewrite the equation to reflect an important fact:

GDP/population = [GDP/# of Hours worked] X [# of Hours worked/Population]

GDP is both income and output. So per capita GDP is the product of GDP/# of hours worked (labor productivity) and hours worked per person. Since it is very difficult to change hours worked per person, per capita income is directly related to labor productivity. Thus, productivity growth is a crucial source of growth in sustainable living standards.

Since productivity growth is more output per unit of input, it provides benefits to all sections of the societies. Krugman (1992) states that "Productivity isn't everything, but in the long run it is almost everything. A country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker." Increase in productivity means an increase in wages and benefits for labor, more profits and dividends to owners of capital and entrepreneurs, lower price for consumers, more taxes for the government and also more resources for remedying social imperatives, like reducing income inequalities, poverty, malnutrition and improving education. At the macro level, a country's ability to improve its standard of living over time depends almost entirely on its ability to raise its output per worker. Blinder and Baumol (1993) state that over long periods of time, small differences in rates of productivity growth compound, like interest in a bank account, and can make an enormous difference to a society's prosperity. Nothing contributes more to reduction of poverty, to increase in leisure, and to the country's ability to finance education, public health, environment and the arts.

Thus productivity growth over long periods of time, can have a significant impact on how competitive and prosperous a nation is compared to other countries.

5. Sources of Productivity Growth:

Economists generally agree that technological progress, new invention, innovative processes, increase in the skill level of the labor force, institutional efficiency as measured by strong rule of law, well defined property rights and free and competitive markets, flexible labor markets and increased international trade are among some of the factors that influence Total Factor Productivity. A study (UNIDO Oct 2006) shows that increased productivity was due to "human and physical capital, infrastructure, financial development, technology transfer through trade and absorptive capacity regarding knowledge creation, privatization and trade liberalization to achieve increased competition and economic institutions." The same study highlighted a long-term causal relationship between TFP and spending on research and development (R&D). However, research also shows that the impact of R&D spending is higher in countries with

strong institutions. One of the major differences between rich and poor countries is that rich countries have an abundance of skilled work force, better institutional infrastructure and well-defined property rights compared to the poorer countries. Productivity increases also allow trade between rich and poor countries without lowering of factor incomes in poor countries. Thus, the U.S. can still participate in mutually beneficial trade under NAFTA, without US wages falling to the level in Mexico because of productivity differences between U.S. and Mexico.

In the literature numerous variables have been identified as contributing to productivity. They are broadly classified under four different categories:

a. **Economic Factors**: such as openness of the economy, the size of the government, the extent of price distortions both in the goods and the labor markets, the size of the government deficit and the savings rate of the economy.
b. **Institutions:** such as the nature of the legal system, the nature of the political decision making process and the right to private property.
c. **Social Base**: such as the extent of ethnic and religious composition of the society, whether there is ethnic and religious harmony and if the country has had a history of colonial exploitation.
d. **Physical Base**: Such as physical locations, climate, the availability to raw materials and the disease environment.

Not all economists agrees on the proposed categories outlined above: While economists like Jeffrey Sachs argues that physical base does play a direct and important role in the economic performance of a country, economists like Acemoglu Rodrik argue that physical bases play an indirect role in the economic performance of the country through the specifics of the institution. However, in today's economy an increase in American productivity can be attributed to three additional factors. Increase in productivity has been fueled by increase competition fostered by growth in state, national and international trade. Increased trade resulted from globalization which resulted in reduction in tariffs and non-tariff barriers to trade. In addition, the revolution in Information and Communication Technology (ICT) paved the way for increased globalization and trade and also increased productivity by increasing total factor productivity. Increased competition, globalization and improvements in ICT helped better allocation of resources through fostering increased competition both internationally and domestically, between different companies and regions.

6. Measuring Productivity:

In any given economy, a significant component of the growth of GDP can be attributed to growth in productivity. However, two critical issues emerge: (1) what are the determinants of Productivity, and (2) how can the contribution of Productivity be measured? We have already covered what are the factors that are determinants of productivity. So now we can move into measuring productivity growth.

Let us consider a standard neoclassical production function,

$$Y = AF(K, L)$$

where Y is aggregate output, K is the stock of physical capital, L is the labor force and A represents TFP. The letter A measures what we will call productivity. A higher value of A means that the same inputs lead to more output. The central feature of any economy is that economic agents take factor inputs—labor, capital and raw materials—and convert them into useful products.

To determine efficiency or productivity, one method that is often used is the growth accounting method first used by Robert Solow (1957). In this method we break down the growth of output into the growth of the factors of production; capital and labor and the growth of the efficiency in the utilization of the factors of production. This method if often called the Total Factor Productivity (TFP).

We consider a Cobb-Douglas production function $F(K_t, L_t) = K_t^{\alpha} L_t^{1-\alpha}$ with $0 < \alpha < 1$ Then, taking natural logarithms and differentiating both sides of (1) with respect to time t the growth rate of aggregate output can be expressed as

$$\dot{Y} / Y = \dot{A} / A + \alpha(\dot{K} / K) + (1-\alpha)(\dot{L} / L) \qquad (2)$$

Note that the growth rates of physical capital and labor are weighted by α and $(1-\alpha)$ respectively. These weights correspond to the respective shares of rental payments for capital and labor in total income. With available data on α and the growth rates for output, physical capital and labor, TFP growth can be computed from (2) as the residual. Thus growth in productivity is given by

$$\text{Å/A} = \dot{Y} / Y - \alpha(\dot{K} / K) - (1-\alpha)(\dot{L} / L) \qquad (3)$$

Measuring productivity as a residual involves a "two-stage" methodology; the first being obtaining a reliable estimate of productivity and then analyzing what policy variables has a significant impact on the productivity estimates. Solow suggested that Total Factor Productivity (TFP), which is estimated as a residual, should be the left hand side variable in a cross-country or cross-region analysis of economic performance. This is due to the fact that a number of studies have indicated that TFP rather than factor accumulation is the principal determinant of income differences across countries and across regions within the same country. Both the Neoclassical Growth Theory and the New Growth Theory allow for this possibility. Both account for the fact that significant variations in the growth rate across countries can be explained by variations in the growth rate of A.

In this method, the growth in productivity is thus measured as a residual. The percentage changes in state gross domestic product, employment, and organizational births were used to measure the growth rate of output, labor and capital respectively. Thus, the growth of

productivity is measured as the difference between the growth rate of output and the growth rate of factor inputs.

7. Estimation of Productivity:

Once the productivity rate was computed, a series of regression models were estimated, using either the productivity growth rate or state GDP growth rate as the dependent variable. All the factors that theoretically influence productivity could be used as independent variables. Some proxy of economic and social infrastructure, R&D spending, spending on higher education, regulatory structure, and tax and government spending could be used as the independent variables in the regression equation estimating productivity. In addition, flexibility in the labor market, and the influence of labor unions and state union participation rate could also be used to access its impact on productivity. In particular, "right to work" legislation could be used as a dummy variable to see if such legislation has any impact on productivity and growth. Economists argue that a business- friendly environment is also critical in productivity growth. So a proxy for business-friendly environment could include but not be limited to the following set of variables: (1) government support for entrepreneurs, (2) reform in "new business" registration process like cost of registration, number of days for registration, (3) whether the states has "one stop business registration centers or not (4) dispute resolution mechanism and (5) bankruptcy procedures.

Variable notation:

Real GDPgrow2013	2013 Real GDP, Percentage Change from Previous Year
RTW 2013	2013 Right to Work state
uniMEM2013	2013 union membership, percentage of employed
est_ net_cha 2013	2013 establishment firms net change relative to last year
cor_tax 2p13	2013 state corporate income tax
civilLfEmpPerg-13	2013 labor force employment growth from previous years

Model 1

In the first model growth in percent change in real GDP from previous year is the dependent variable and was regressed against the dummy RTW variable.

Real GDP grow 2013 = .1.593077 + 1.08859 RTW**

(5.92) (2.11)

The value of the t- statistics are noted within parenthesis. It is clear that the dummy RTW variable has a significant positive impact on the percent growth rate in real GDP **(** indicates significant at the 5% level)**

Model 2

In the second model growth in percent change in real GDP from previous year is the dependent variable and was regressed against the dummy RTW variable and union membership as a percentage of the total employed.

Real GDP grow 2013 = 2.772169+ .4731808 RTW - .0852988 uniMEM2013

(3.89) (-.85) (-.1.62)

The value of the t- statistics are noted within parenthesis. It is clear that the impact of RTW legislation is not statistically significant. The union membership percentage is also statistically not significant.

Model 3

In this model growth in percent change in real GDP from previous year is the dependent variable and was regressed against the dummy RTW variable, union membership as a percentage of the total employed and corporate tax rate.

Real GDP grow 2013 = 4.135749 + .1355159 RTW - .0841544 uniMEM2013*- .186173

(4.06) (.23) (.-1.64)

Cor_Tax 2013**

(-2.10)

In this model the RTW coefficient is not statistically significant. Neither is the percentage union membership. However, the corporate tax variable is significant at the 5% level. Union membership is significant at the 10% level.

Model 4

In this model growth in percent change in real GDP from previous year is the dependent variable and was regressed against the dummy RTW variable and union membership as a percentage of the total employed, There is no vertical intercept.

Real GDP grow 2013 = 2.098803 RTW*** + .0882014 uniMEM2013***

(4.40) (3.63)

In this estimated equation both the RTW variable and the union membership variable is significant at the 1% level.

Model 5

In this model growth in percent change in real GDP from previous year is the dependent variable and was regressed against the dummy RTW variable, union membership as a percentage of the total employed and corporate tax rate. There is no vertical intercept.

Real GDP grow 2013 = .2.076807 RTW* + .0840833 uniMEM2013*+ .0088647 Cor_Tax 2013**

(3.61) (1.84) (.12)

In this model the RTW coefficient at the 1%level. The union membership coefficient is significant at the 10% level.

Model 6

In this model growth in percent change in real GDP from previous year is the dependent variable and was regressed against the dummy RTW variable, union membership as a percentage of the total employed, corporate tax rate, 2013 establishment firms net change relative to last year and 2013 labor force employment growth from previous years.

Real GDP grow 2013 = 4.830829 -.0532 RTW - .1037133 uniMEM2013* -

(-.10) (-1.76)

.1855067 Cor_Tax 2013 +.5444534 est_net2013* -.0772151 civLfE2013**

((-2.09) (1.81) (-0.12)

In this estimated equation the RTW is not statistically significant. Corporate tax is significant at the 5% level while union membership and net new firm establishment are significant at the 10% level.

Model 7

In this model growth in percent change in real GDP from previous year is the dependent variable and was regressed against the dummy RTW variable, union membership as a percentage of the total employed, corporate tax rate, 2013 establishment firms net change relative to last year and 2013 labor force employment growth from previous years**. However, there are no vertical intercepts.**

Real GDP grow 2013 = 2.110177 RTW* - .0862788 uniMEM2013* + .0200108 Cor_Tax 2013** +.2066846 est_net2013* -.29 01728 civLfE2013**

In this estimated model, the RTW coefficient is significant at the 1 percent level, while union membership variable is significant at the 10 percent level.

Below we present a consolidated table on the effects of different variable on GDP growth rate. In the table below, GDP growth rate is the dependent variable.

Table 1	Model 1	Model 2	Model 3	Model 4	Model 5	Model6	Model 7
Constant	1.593077	2.77217	4.135749			4.8308	
RTW	1.0885**	.473181	.1355159	2.09880***	2.076***	-.0532	2.1101***
Union membership		.085290	-.084154	.0882014***	.084083*	-.1037*	.08627
Corporate tax			-.186173**		.0088647	-.1855**	.02001
Change in firm establishment						.5444	.20668
Change in labor force employment						-.0772	-.29017

We also examined the impact of RTW on productivity growth. We measured productivity as a residual using a Cobb-Douglas Production Function.

Productivity = -.0525657 + .0876247 RTW

(.18)

The 2014 Cobb-Douglas Production Function shows no clear statistical significance between RTW and its impact on productivity.

Table 2	Coefficients
Constant	-.0525657
RTW	.0876246

It is clear from Table 1, that RTW legislation has statistically significant impact on GDP growth rates in five out of seven different models (Models 1,2,4,5, and 7). The value of R^2 is low in all seven models. However, the value of R^2 seems to improve with the inclusion of the RTW dummy variable. Table 1 also shows that union membership is significant in one of the seven models (Model 4), while also showing that corporate tax rates are statistically significant in two of the seven models (Model 3 and 6). This result is counter-intuitive, yet is a repeat from previous studies conducted for the Michigan Chamber Foundation. It is possible that states with high economic growth pay higher taxes and that also helps in productivity growth. It is important to investigate this further. For an item to be statistically significant it had to be so at the 95% or higher level.

It is important to note that the growth in organizational birth was used as a proxy of growth in capital. This equation was estimated to obtain an estimate of the "residuals," which in our model is used as a proxy for productivity. In conclusion, RTW does seem to generally have a positive impact on GDP growth rate, and on productivity in this study.

Conclusion

Economists fundamentally agree on the sources that drive economic growth. **It is clear from the Barro and other studies that economic growth is helped by investments in human capital, lower tax rates, a lower regulatory burden on businesses, and emphasis on human development.** It is also clear that the U.S. in recent times has been steadily falling behind in these critical investment areas, or at least unable to keep up with the investments vis-à-vis many of its competitors. We are also lagging behind in public infrastructure and transportation

investments, as result of fiscal challenges and tax revenue shortfalls. One factor might be that government in the United States is becoming increasingly more important in the overall scheme of things as compared to the private sector. In addition, the federal government budget deficit and national debt are growing alarmingly high and the financing of the deficit has been instrumental in increasing the cost of capital, making it difficult for private businesses to invest in critical areas. Many economists would argue that this unprecedented increase in government spending has been the primary reason behind the relative decline in American competitiveness.

U.S. economic growth began to slow toward the end of the 20th century and experienced additional challenges in the early 21st century. Government was becoming more significant to the U.S. economy with the U.S. experiencing the highest corporate income tax rate in the industrialized world according to the U.S. Tax Foundation. Taxes continue to plague American businesses disproportionately to its competitors. The 2014 Heritage Foundation/Wall Street Journal's *Index of Economic Freedom* measures political freedom, prosperity and economic freedom across 10 metrics to gauge the economic success of 184 countries around the world. In 1995, the U.S. was ranked fourth in the world on the index, and in 2014 the U.S. fell to twelfth.

It is important to understand how large and important the Illinois economy still is within the U.S. and global economy. Illinois' GSP (or GDP) would make it one of the 20 largest economies in the world if it were a country, slightly larger than Switzerland. The 2014 study paints a challenging picture of Illinois' competitive position relative to most other U.S. states over the last decade. Illinois' ranking on *The Northwood University Competitiveness Index* of 39 indicates Illinois has made little progress driven by a less-friendly tax and regulatory environment over the last couple of years. This study indicates more time and study are needed to better determine the causal relationship between RTW legislation and competitiveness; for the time period measured in this study, Illinois remains a NRTW state. The research contained in this study should serve as a guidepost and tool for benchmarking for Illinois public policy leaders. For many years, Illinois was the economic catalyst for much of the U.S. economy. Illinois is not moving in the right direction and deserves to be studied. Illinois is: A) blessed with highly educated and skilled white- and blue-collar workforces, B) a state with a difficult tax and regulatory environment which is unfavorable for job creation, C) part of the world's largest deposit of fresh water, D) a vital part of waterway transportation for the Great Lakes Region, the Mississippi and to Ontario, Canada, E) a hub for rail, trucking, cargo, and air transportation, F) headquarters to many of the world's leading manufacturing, financial services, agricultural , medical, transportation and technology companies, and G) home to world-class colleges and universities.

Illinois has made it through the economically difficult first decade of the 21st century and shows signs of an economic recovery. Illinois is showing that its economic growth is lagging most of the other Great Lake states, and is a weak example for growth on a national level. There is no doubt that Illinois continues to trail Indiana, Michigan, and Ohio in economic and job growth. Can Illinois return to the position of greatness it once occupied in the U.S. business structure that yielded one of the highest per capita incomes for the people of Illinois? The answer is unequivocally yes, but only by adopting growth-friendly public policies. Illinois is a state rich in tradition and diversity of people, cultures, and customs. It has one of the world's busiest airports, in which people can fly non-stop to and from any place in the world. Illinois has more foreign government consulates than anyplace in America outside of New York City or Washington D.C. Illinois is already established as a leading exporter of commodities, manufactured goods and business services at a time when international trade is recognized as a key component to future economic growth. In order to restore Illinois' greatness, she must focus on her strengths and traditions in order to enhancing commerce through bipartisan cooperation. Illinois must set its sights high and benchmark to best economic and political practices of this country's top performing states. The good news is that many neighboring states have shown progress and policy change; Illinois can do the same if it has the will.

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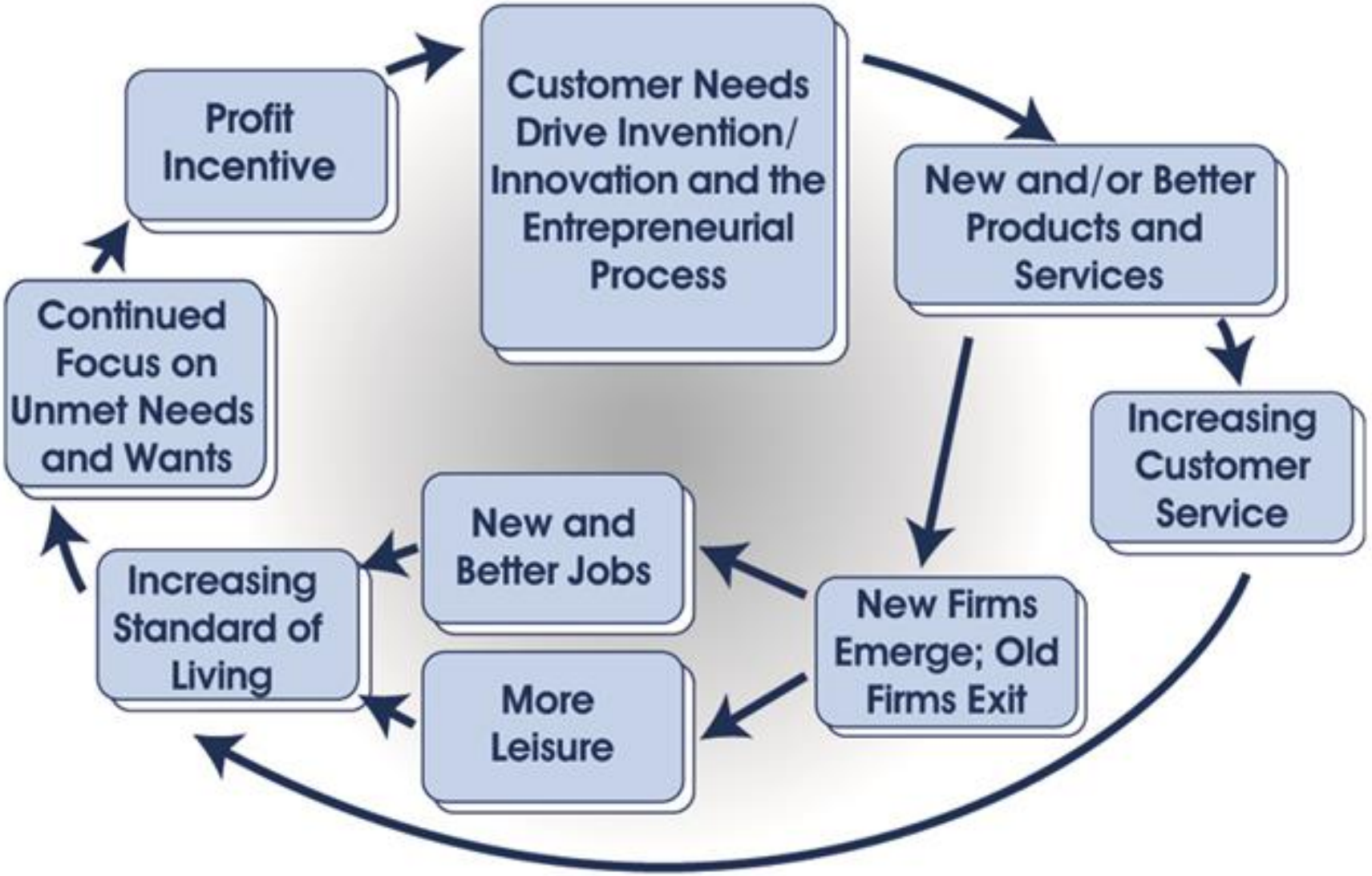
All additional sources of data are referenced on the charts contained in this study.

Exhibit 1: Economic Cycle of Human Progress



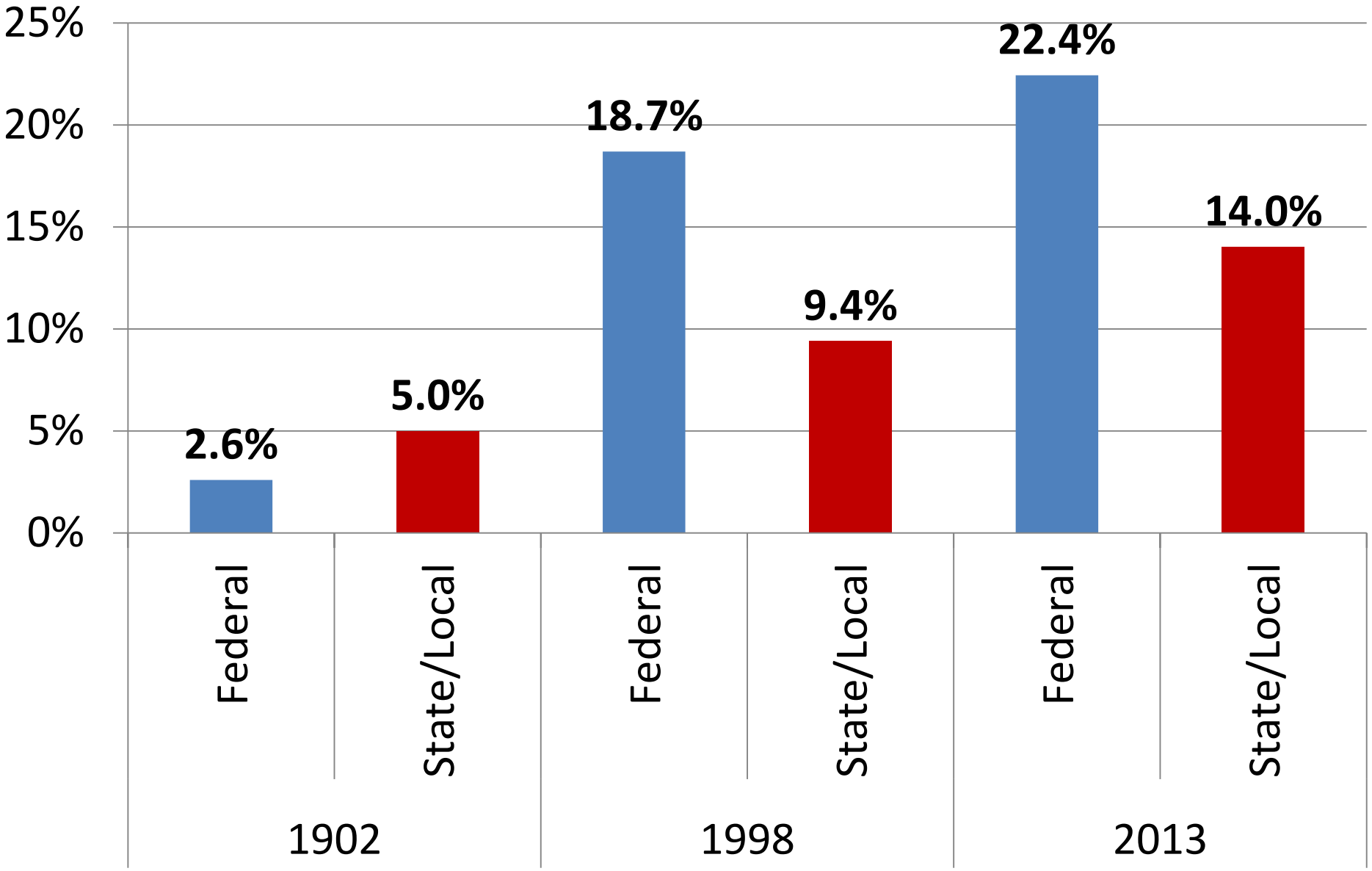
Sources: Myths of Rich and Poor (1999) and *When We Are Free (2005)*

Exhibit 2: World Education Rankings (2012)

	Reading	Math	Science
South Korea	5	5	7
Finland	6	12	5
Canada	8	13	10
Japan	4	7	4
Netherlands	15	10	15
Switzerland	18	9	10
United States	**27**	**36**	**28**
Germany	20	16	12
France	22	25	26
United Kingdom	26	26	20

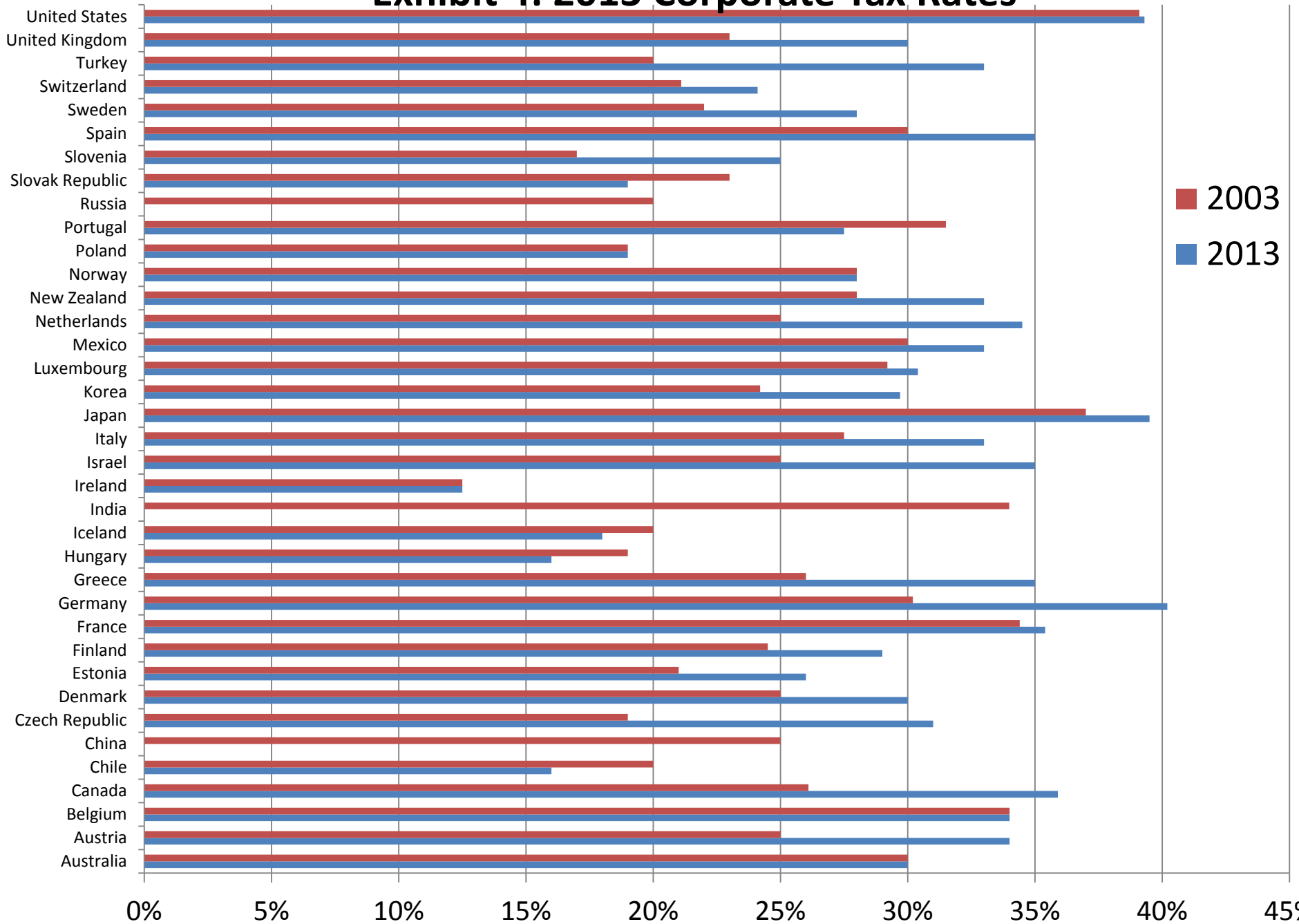
Sources: The Programme for International Student Assessment (PISA) and the Organization for Economic Cooperation and Development (OECD, 2013)

Exhibit 3: Government Expenditures as a Percentage of GDP



Sources: Computed with data from the Joint Economic Committee Report (1999), U.S. Statistical Abstract and the Bureau of Economic Analysis (2013) and Heritage Foundation (2012)

Exhibit 4: 2013 Corporate Tax Rates



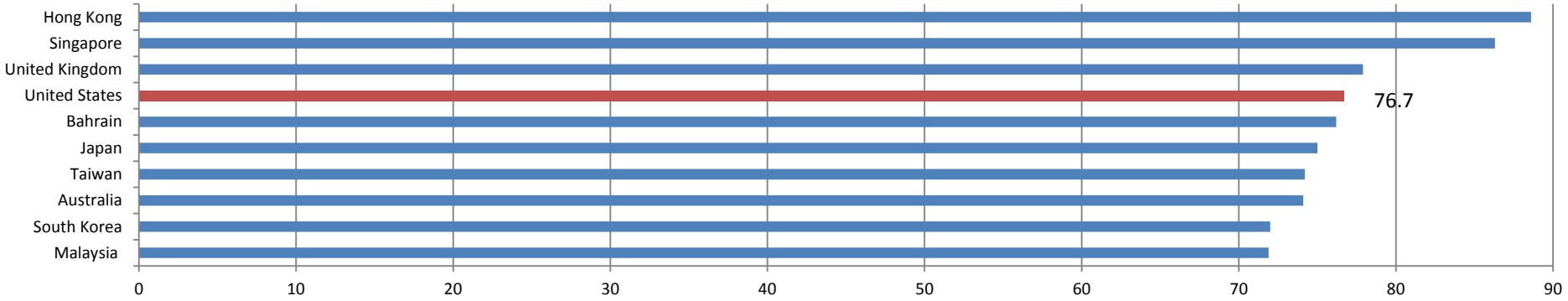
Sources: Computed with data from The Tax Foundation (2013) and KPMG (2013)

Exhibit 5: Capital Gains Rate By Country

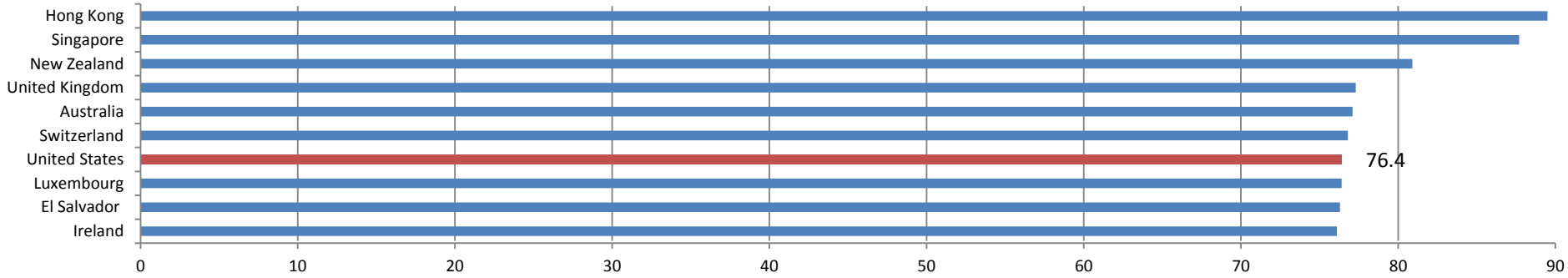
	Top Long-Term Capital Gains Tax Rate (2014)	Integrated Capital Gains Tax Rate (2011)
Australia	22.5%	46.0%
Austria	25.0%	25.0%
Belgium	0.0%	34.0%
Canada	22.5%	44.0%
Chile	20.0%	34.0%
Czech Republic	0.0%	19.0%
Denmark	42.0%	57.0%
Estonia	21.0%	38.0%
Finland	32.0%	47.0%
France	38.0%	55.0%
Germany	25.0%	48.0%
Greece	15.0%	20.0%
Hungary	16.0%	32.0%
Iceland	20.0%	36.0%
Ireland	33.0%	34.0%
Israel	25.0%	39.0%
Italy	20.0%	60.0%
Japan	20.0%	46.0%
Korea	0.0%	24.0%
Luxembourg	0.0%	29.0%
Mexico	10.0%	30.0%
Netherlands	0.0%	25.0%
New Zealand	0.0%	26.0%
Norway	27.0%	48.0%
Poland	19.0%	34.0%
Portugal	28.0%	27.0%
Slovak Republic	25.0%	34.0%
Slovenia	0.0%	20.0%
Spain	27.0%	45.0%
Sweden	30.0%	48.0%
Switzerland	0.0%	21.0%
Turkey	0.0%	20.0%
United Kingdom	28.0%	47.0%
United States	**28.7%**	**51.0%**

Source: Tax Foundation (2014)

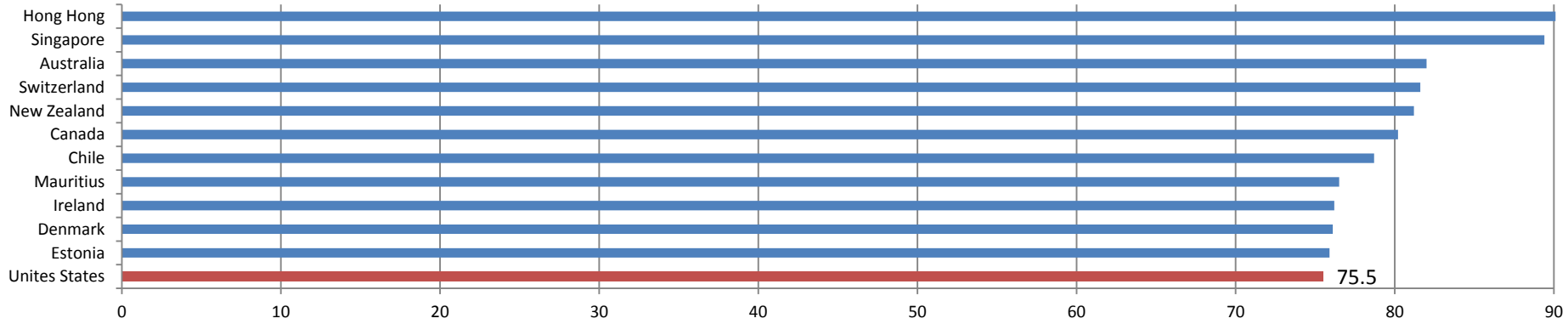
Exhibit 6:
1995 Heritage/WSJ Economic Freedom Index



2000 Heritage/WSJ Economic Freedom Index



2014 Heritage/WSJ Economic Freedom Index



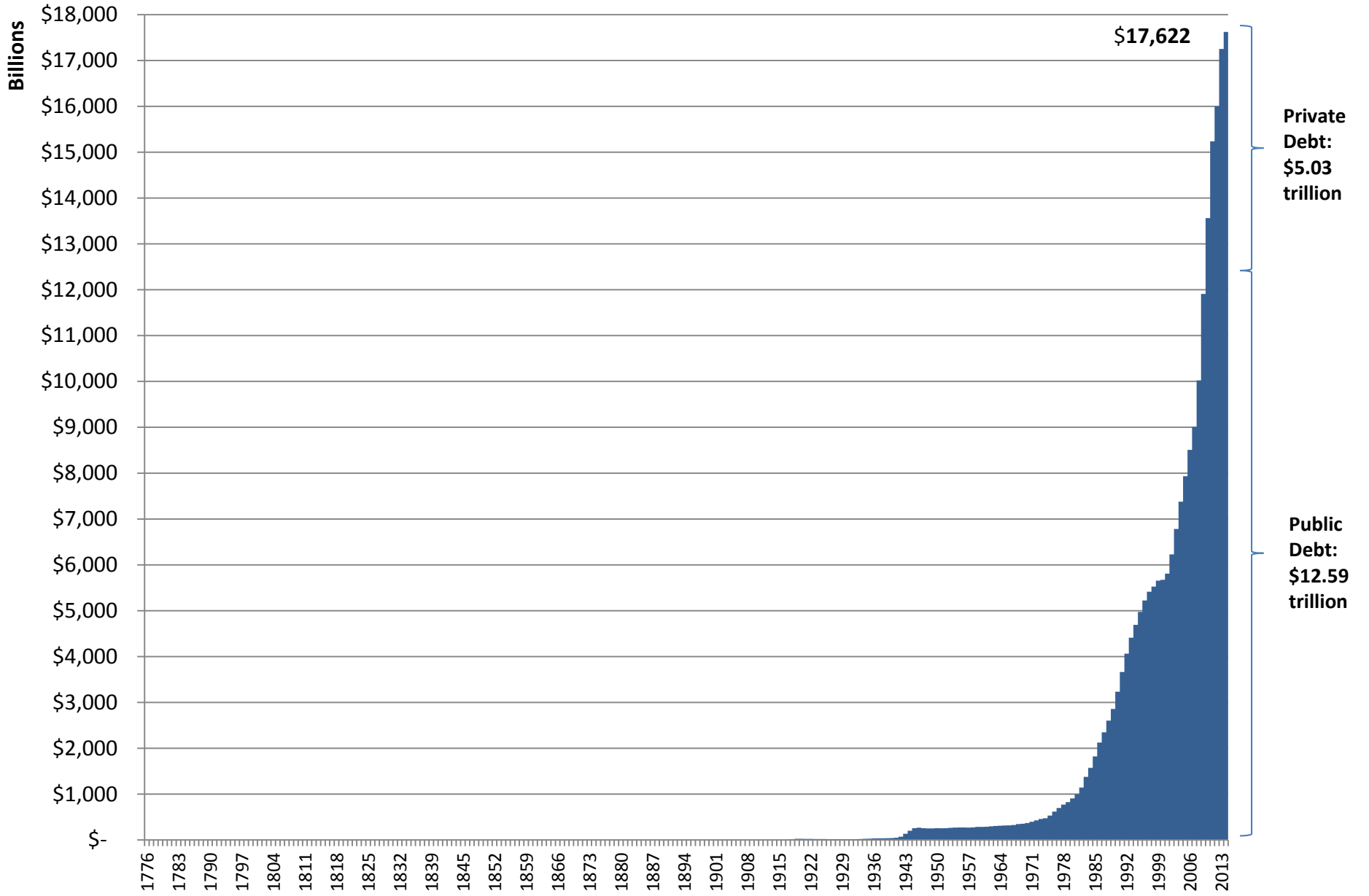
Sources: The Heritage Foundation and the Wall Street Journal (2014)

Exhibit 7: World Economic Forum's Global Competitiveness Report

	1999-2000	2013-2014
1	***United States***	Switzerland
2	Finland	Singapore
3	Netherlands	Finland
4	Sweden	Germany
5	Switzerland	***United States***
6	Germany	Sweden
7	Denmark	Hong Kong SAR
8	Canada	Netherlands
9	France	Japan
10	United Kingdom	United Kingdom

Source: IMD (2014)

Exhibit 8: History of the U.S. National Debt Outstanding



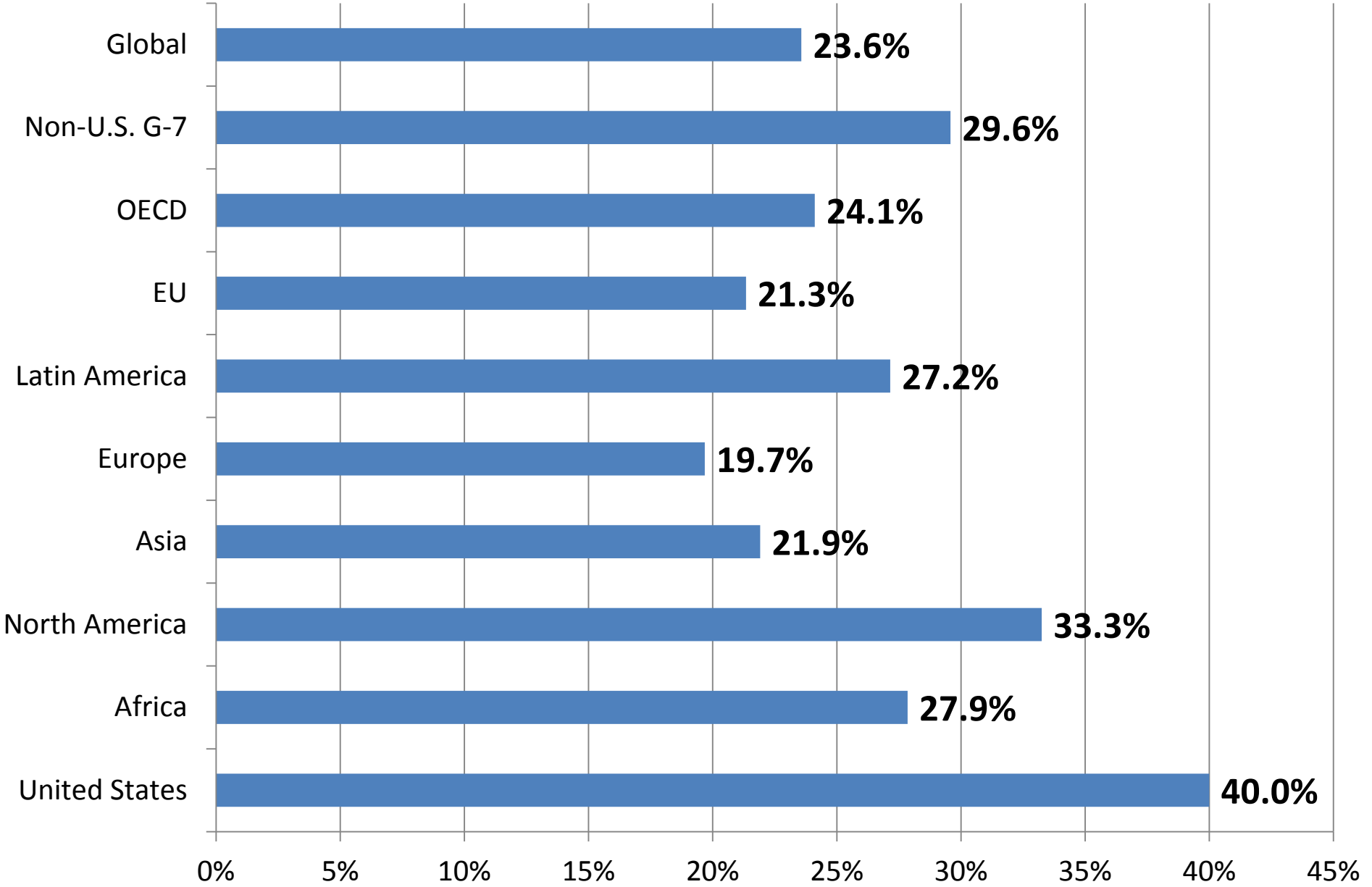
Source: U.S. Department of the Treasury (2014)

Exhibit 9: Financing the U.S. National Debt - 2013 Data

Debt	
Debt Held by the Public As a Percentage of GDP	
Actual 2013	72.1%
Projected for 2018	72.6%
Projected for 2024	79.2%
Interest-Bearing Debt Held by Private Investors (As of March, 2014)	
Falling Due Within 1 Year	32.1%
Falling Due Within 5 Years	74.5%
Falling Due Within 10 Years	91.7%
Holders of the Public Debt (At End of 2012 Fiscal Year)	
Domestic Investors	42.9%
Foreign Investors	57.1%
Interest	
Average Interest Rates (As of June 30, 2014)	
Marketable	2.03%
Non-marketable	3.24%
Total	2.40%
Gross Interest Payments of Treasury Debt Securities (in billions)	
Fiscal Year 2014 to Date	$ 355
Actual 2013	$ 415
Projected Net Interest Outlays (in billions)	
Actual 2013	$ 220
Projected for 2015-2019	$ 2,059
Projected for 2015-2024	$ 5,842
Net Interest as a Percent of GDP	
Actual 2012	1.3%
Projected for 2015-2019	2.1%
Projected for 2015-2024	2.6%

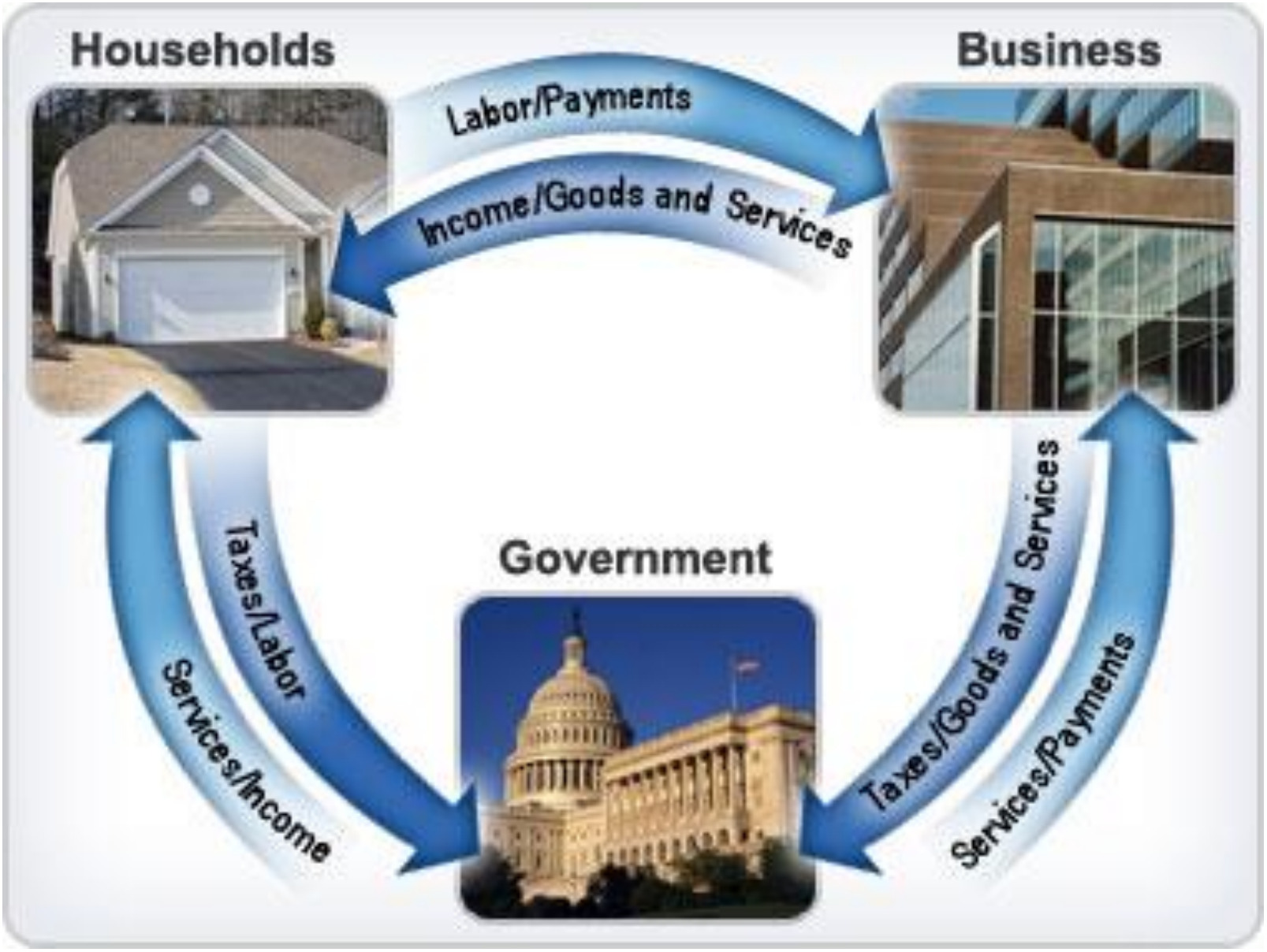
Sources: Compiled from Congressional Budget Office and U.S. Department of the Treasury (2014)

Exhibit 10: 2014 Average Corporate Tax Rates



Source: KPMG (2014)

Exhibit 11: The Circular Flow Model



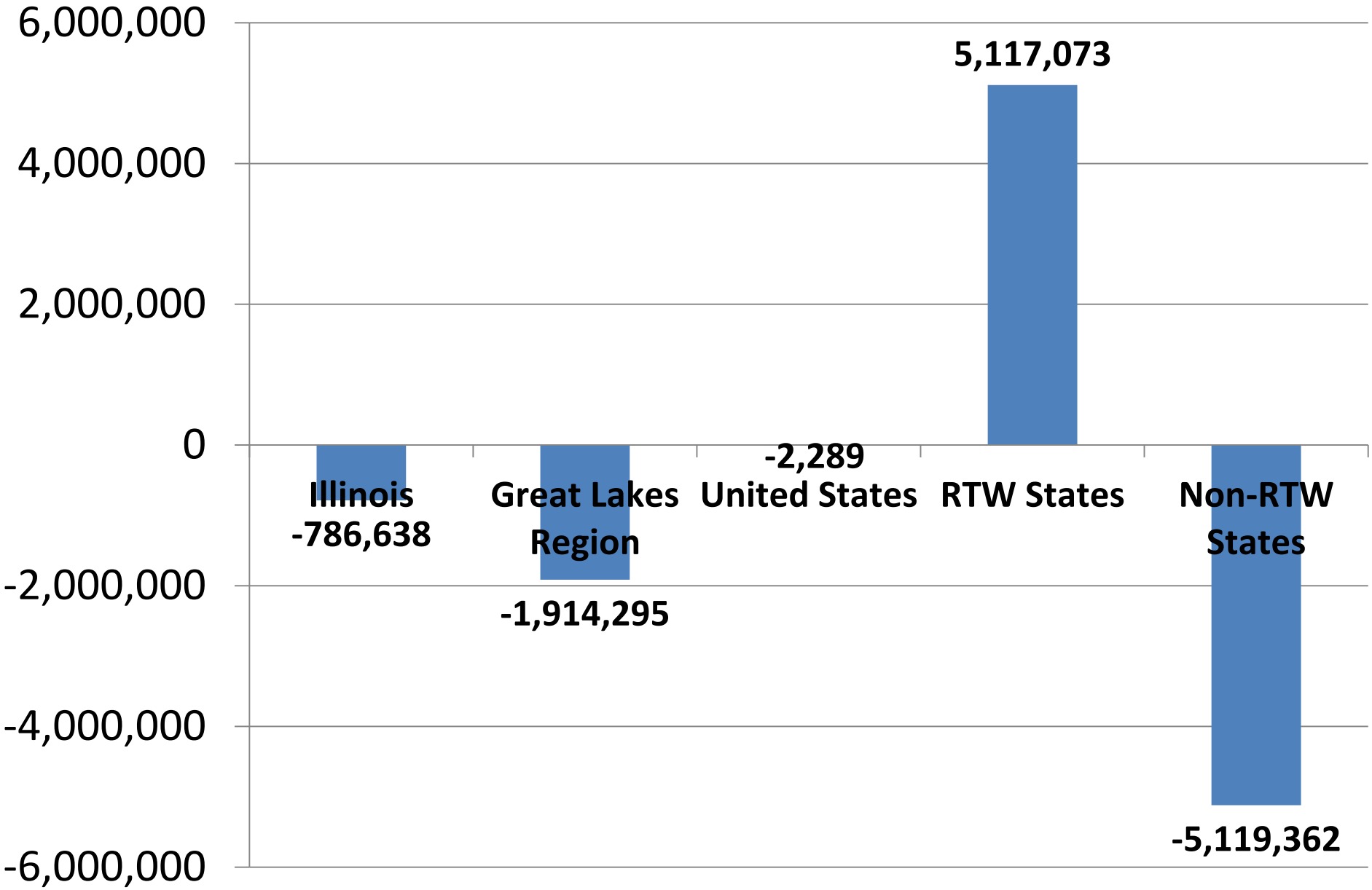
Source: IRS.GOV (2012)

Exhibit 12: Population Net Migration (2000-2013)

Alabama	Rank 14	87,306	Montana	Rank 20	49,461
Alaska	30	-15,034	Nebraska	34	-42,683
Arizona	3	781,317	Nevada	6	398,429
Arkansas	16	75,206	New Hampshire	21	30,894
California	49	-1,618,529	New Jersey	46	-562,992
Colorado	9	283,323	New Mexico	28	7,247
Connecticut	42	-136,158	New York	50	-1,930,222
Delaware	19	53,140	North Carolina	4	753,989
Florida	1	1,386,286	North Dakota	27	8,423
Georgia	5	552,593	Ohio	45	-438,589
Hawaii	32	-38,441	Oklahoma	17	64,369
Idaho	13	115,904	Oregon	11	201,874
Illinois	48	-786,638	Pennsylvania	39	-83,499
Indiana	33	-38,557	Rhode Island	37	-55,095
Iowa	36	-55,057	South Carolina	7	371,286
Kansas	40	-87,816	South Dakota	26	16,441
Kentucky	15	77,353	Tennessee	8	308,564
Louisiana	44	-317,840	Texas	2	1,133,287
Maine	23	27,870	Utah	18	58,491
Maryland	41	-112,188	Vermont	29	-3,635
Massachusetts	43	-291,801	Virginia	12	187,100
Michigan	47	-619,174	Washington	10	273,164
Minnesota	38	-56,590	West Virginia	25	16,852
Mississippi	35	-51,137	Wisconsin	31	-31,337
Missouri	24	20,208	Wyoming	22	30,346

Source: Computed with data from Bureau of Labor Statistics (2000 – 2013)

Exhibit 13: Population Net Migration (2000-2013)



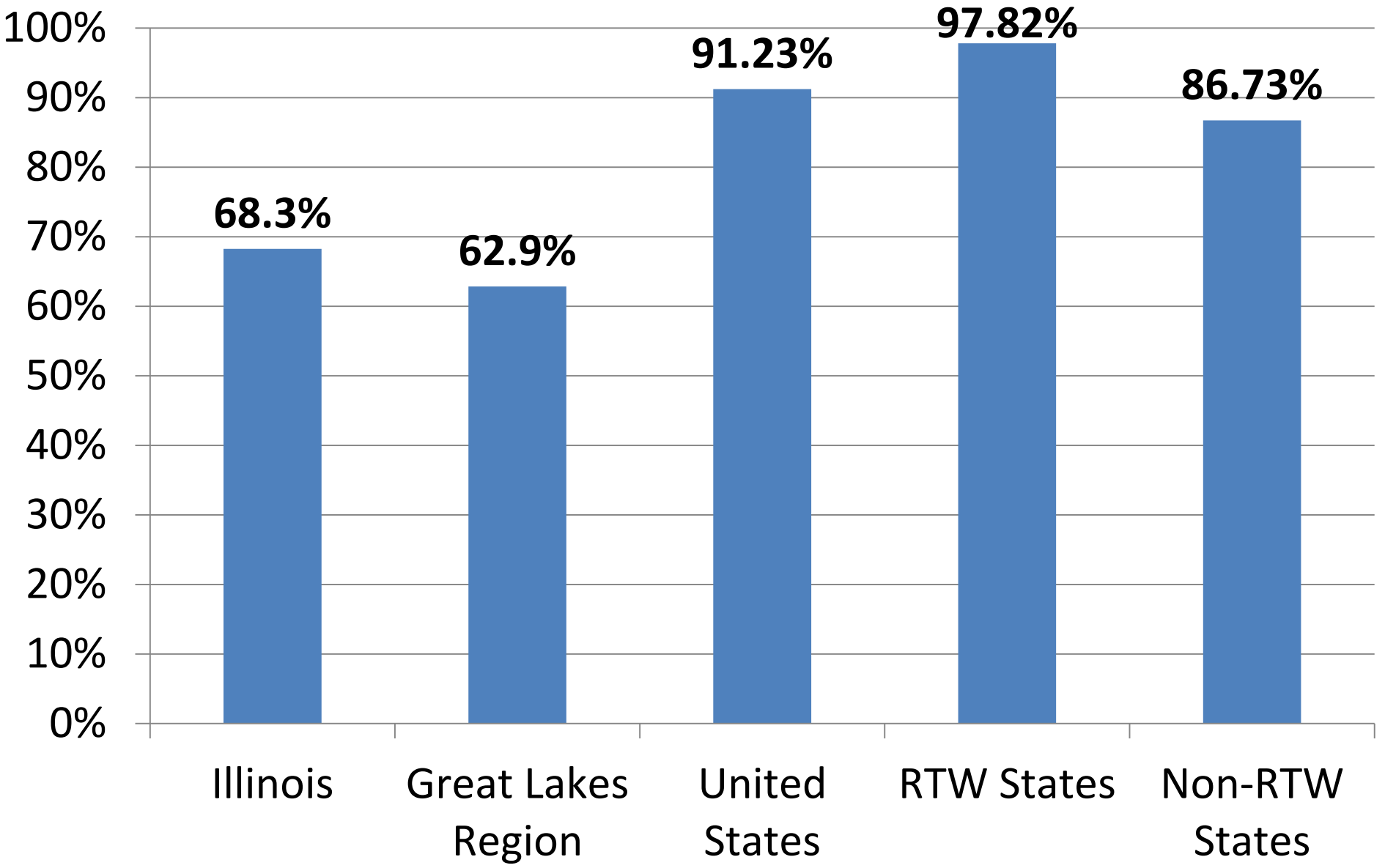
Source: Computed with data from Bureau of Labor Statistics (2000 – 2013)

Exhibit 14: Gross State Product Growth (1998-2013)

Alabama	Rank 20	81.8%	Montana	Rank 8	120.1%
Alaska	34	154.7%	Nebraska	11	111.1%
Arizona	6	100.3%	Nevada	15	106.3%
Arkansas	21	100.7%	New Hampshire	41	75.4%
California	46	97.7%	New Jersey	42	74.1%
Colorado	28	107.2%	New Mexico	20	98.5%
Connecticut	50	73.4%	New York	26	92.5%
Delaware	4	75.4%	North Carolina	25	94.1%
Florida	27	90.3%	North Dakota	1	229.9%
Georgia	45	78.7%	Ohio	48	61.4%
Hawaii	17	97.9%	Oklahoma	6	125.6%
Idaho	11	110.2%	Oregon	9	117.1%
Illinois	**39**	**68.3%**	Pennsylvania	36	77.1%
Indiana	37	76.2%	Rhode Island	33	80.6%
Iowa	7	97.8%	South Carolina	35	77.7%
Kansas	26	86.0%	South Dakota	7	122.5%
Kentucky	8	69.8%	Tennessee	37	77.0%
Louisiana	2	110.2%	Texas	4	141.6%
Maine	18	70.6%	Utah	5	130.7%
Maryland	29	111.6%	Vermont	31	84.4%
Massachusetts	12	89.3%	Virginia	18	100.7%
Michigan	10	42.1%	Washington	16	104.3%
Minnesota	25	90.0%	West Virginia	24	94.2%
Mississippi	31	55.3%	Wisconsin	38	76.2%
Missouri	22	67.8%	Wyoming	2	209.3%

Source: Computed with data from Bureau of Economic Analysis (1998 – 2013)

Exhibit 15: Gross State Product Growth (1998-2013)



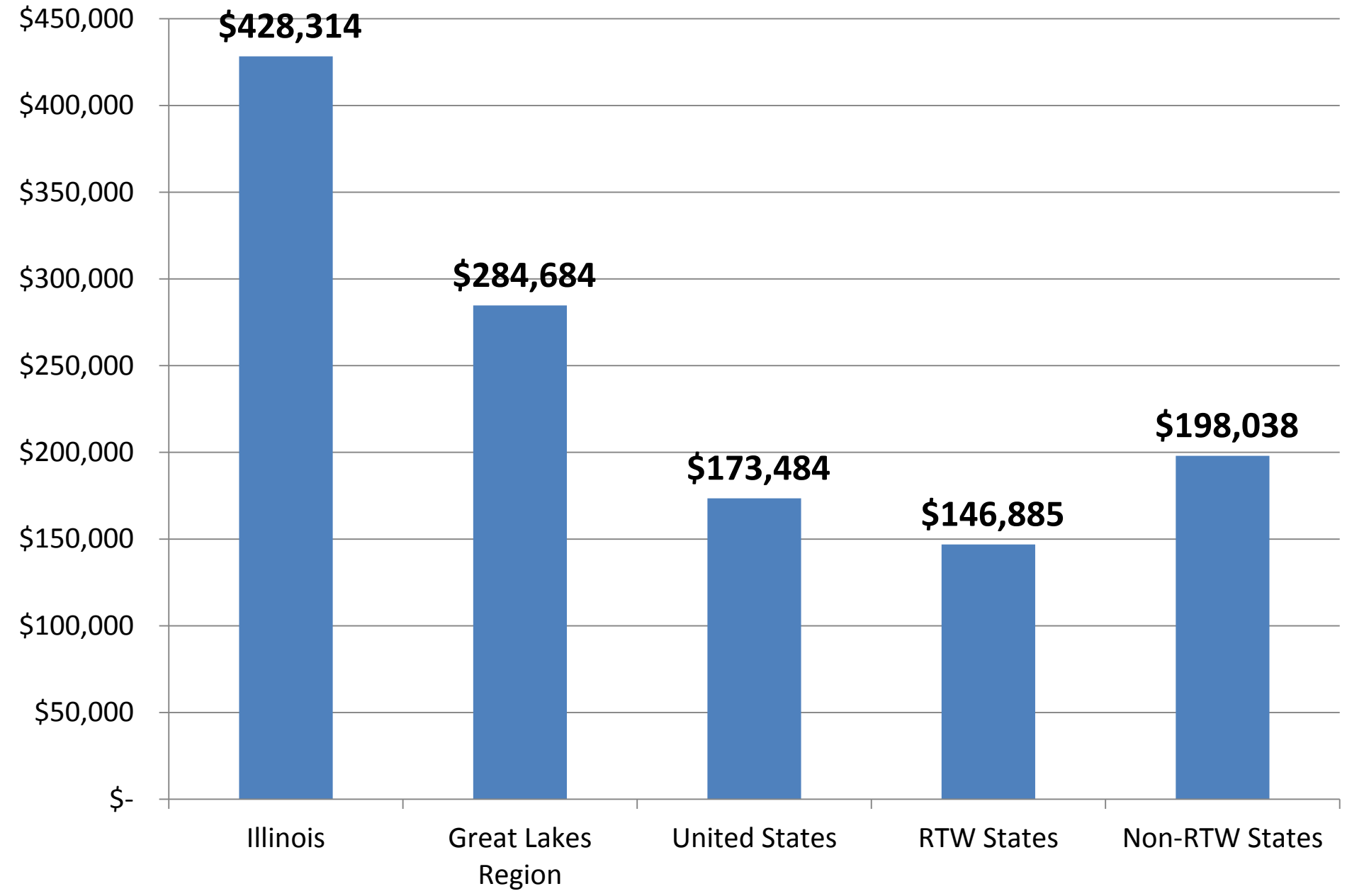
Source: Computed with data from Bureau of Economic Analysis (1998 – 2013)

Exhibit 16: 1998 Gross State Product (millions of dollars)

Alabama	Rank 26	$106,449	Montana	Rank 47	$20,009
Alaska	45	$23,306	Nebraska	36	$51,931
Arizona	23	$139,272	Nevada	33	$64,009
Arkansas	34	$61,888	New Hampshire	38	$38,691
California	1	$1,114,035	New Jersey	8	$311,981
Colorado	22	$142,086	New Mexico	37	$46,479
Connecticut	21	$143,725	New York	2	$680,860
Delaware	41	$35,750	North Carolina	11	$242,799
Florida	5	$420,569	North Dakota	48	$17,072
Georgia	10	$254,346	Ohio	7	$350,293
Hawaii	40	$38,019	Oklahoma	30	$80,711
Idaho	43	$29,618	Oregon	28	$101,164
Illinois	**4**	**$428,314**	Pennsylvania	6	$364,052
Indiana	15	$180,015	Rhode Island	44	$29,446
Iowa	29	$83,813	South Carolina	27	$103,274
Kansas	31	$77,441	South Dakota	46	$21,000
Kentucky	25	$108,002	Tennessee	18	$162,521
Louisiana	24	$120,625	Texas	3	$634,286
Maine	42	$32,104	Utah	35	$61,217
Maryland	19	$161,779	Vermont	49	$16,002
Massachusetts	12	$235,797	Virginia	13	$225,493
Michigan	9	$304,472	Washington	14	$199,706
Minnesota	17	$164,256	West Virginia	39	$38,080
Mississippi	32	$67,725	Wisconsin	20	$160,324
Missouri	16	$164,716	Wyoming	50	$14,689

Source: Bureau of Economic Analysis (1998)

Exhibit 17: 1998 Gross State Product (millions of dollars)



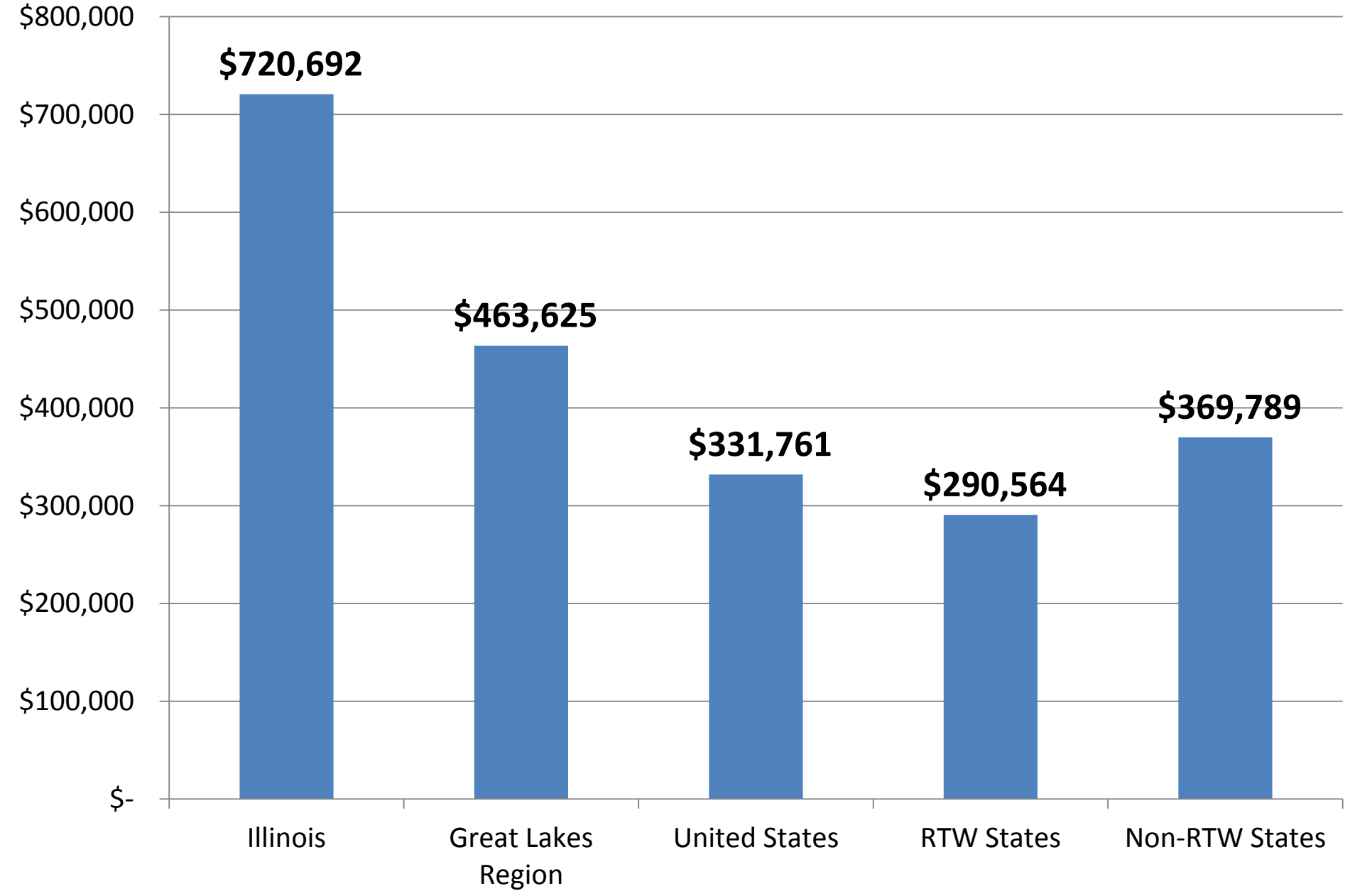
Source: Computed with data from Bureau of Economic Analysis (1998)

Exhibit 18: 2013 Gross State Product (millions of dollars)

Alabama	Rank 26	$193,566	Montana	Rank 49	$44,040
Alaska	43	$59,355	Nebraska	35	$109,614
Arizona	21	$279,024	Nevada	33	$132,024
Arkansas	34	$124,218	New Hampshire	40	$67,848
California	1	$2,202,678	New Jersey	8	$543,071
Colorado	18	$294,443	New Mexico	37	$92,245
Connecticut	24	$249,251	New York	3	$1,310,712
Delaware	41	$62,703	North Carolina	9	$471,365
Florida	4	$800,492	North Dakota	44	$56,329
Georgia	10	$454,532	Ohio	7	$565,272
Hawaii	38	$75,235	Oklahoma	29	$182,086
Idaho	42	$62,247	Oregon	25	$219,590
Illinois	5	**$720,692**	Pennsylvania	6	$644,915
Indiana	16	$317,102	Rhode Island	46	$53,184
Iowa	30	$165,767	South Carolina	27	$183,561
Kansas	31	$144,062	South Dakota	47	$46,732
Kentucky	28	$183,373	Tennessee	19	$287,633
Louisiana	23	$253,576	Texas	2	$1,532,623
Maine	45	$54,755	Utah	32	$141,240
Maryland	15	$342,382	Vermont	50	$29,509
Massachusetts	12	$446,323	Virginia	11	$452,585
Michigan	13	$432,573	Washington	14	$408,049
Minnesota	17	$312,081	West Virginia	39	$73,970
Mississippi	36	$105,163	Wisconsin	20	$282,486
Missouri	22	$276,345	Wyoming	48	$45,432

Source: Bureau of Economic Analysis (2013)

Exhibit 19: 2013 Gross State Product (millions of dollars)



Source: Computed with data from Bureau of Economic Analysis (2013)

Exhibit 20: U.S. GDP Growth Since World War II

Category	Average GDP Growth Rate
Annual U.S. GDP Growth Rate 1945-2008	3.3%
Annual U.S. GDP Growth Rate 1945-2013	3.2%
Annual U.S. GDP Growth Rate 2011 - 2013	1.97%
Normal Growth Rate Coming Out of a Recession Since WWII	3.8% - 5.4%
2014 U.S. GDP Growth First Quarter	-2.1%
2014 U.S. GDP Growth Second Quarter	4.2%
2014 U.S. GDP First Half Year	0.95%

Exhibit 21: 2013 Real Gross State Product (Growth by Rank)

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

Source: Bureau of Economic Analysis (2013)

Exhibit 22: Gross State Product Growth (2011 - 2013)

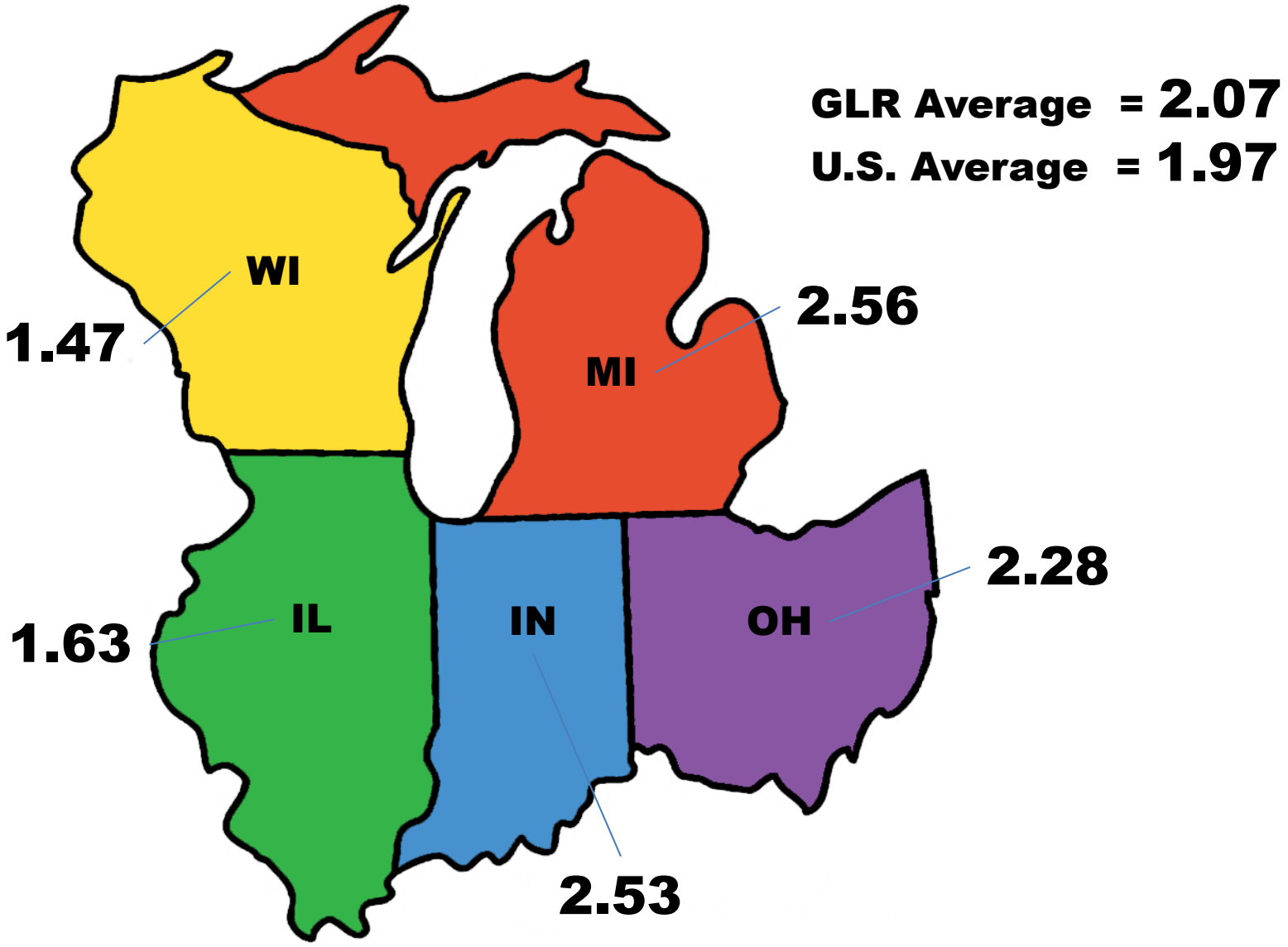


Exhibit 23: U.S. GSP Growth in Great Lakes Region (2011 - 2013)

State	2011	2012	2013	Average
Illinois	2.07	1.91	0.9	1.63
Indiana	2.19	3.30	2.1	2.53
Michigan	3.45	2.25	2.0	2.56
Ohio	2.88	2.16	1.8	2.28
Wisconsin	1.28	1.45	1.7	1.47
Great Lakes	2.43	2.17	1.6	2.07
U.S.	1.64	2.46	1.8	1.97

Exhibit 24: U.S. GSP Growth by Region (2011 - 2013)

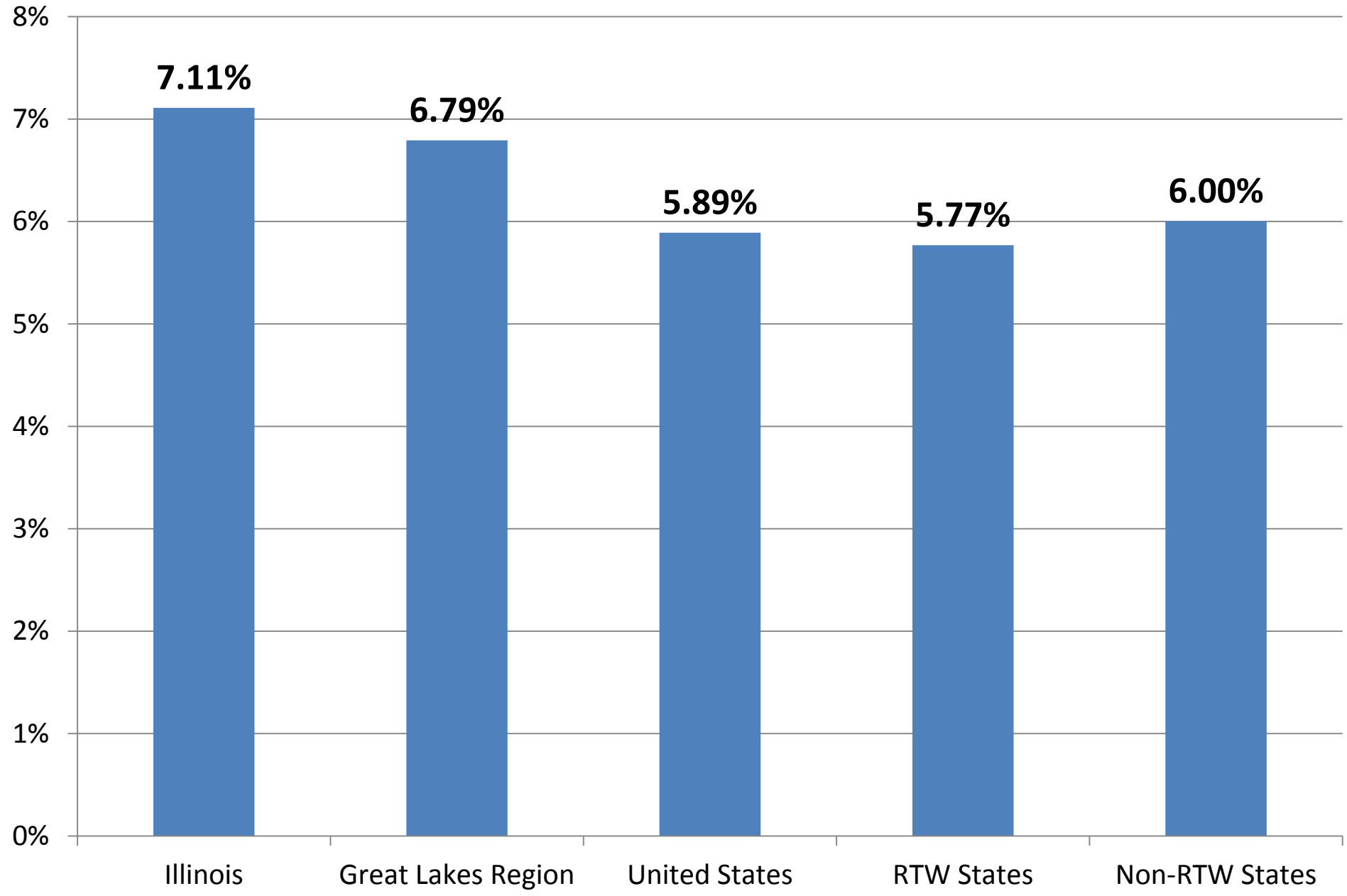
Region	2011	2012	2013	Average
New England	1.04	1.24	1.3	1.19
Mid East	1.20	1.48	0.7	1.13
Great Lakes	2.43	2.17	1.6	2.07
Plains	1.96	2.74	2.5	2.40
South East	0.97	2.12	1.6	1.56
South West	2.97	4.07	3.3	3.44
Rocky Mountains	1.52	2.10	4.1	2.57
Far West	1.51	3.33	2.0	2.28
U.S.	1.64	2.46	1.8	1.97

Exhibit 25: Average Unemployment Rate (2000-2013)

Alabama	Rank 23	5.81%	Montana	Rank 10	4.83%
Alaska	40	6.94%	Nebraska	3	3.75%
Arizona	36	6.41%	Nevada	46	7.54%
Arkansas	29	6.08%	New Hampshire	6	4.44%
California	49	7.69%	New Jersey	33	6.35%
Colorado	24	5.86%	New Mexico	21	5.78%
Connecticut	25	5.87%	New York	32	6.34%
Delaware	13	5.14%	North Carolina	42	6.98%
Florida	34	6.40%	North Dakota	1	3.31%
Georgia	35	6.40%	Ohio	38	6.69%
Hawaii	4	4.42%	Oklahoma	11	4.92%
Idaho	17	5.51%	Oregon	47	7.56%
Illinois	**43**	**7.11%**	Pennsylvania	27	6.04%
Indiana	31	6.31%	Rhode Island	44	7.22%
Iowa	8	4.50%	South Carolina	45	7.38%
Kansas	16	5.30%	South Dakota	2	3.71%
Kentucky	41	6.98%	Tennessee	37	6.68%
Louisiana	20	5.76%	Texas	28	6.06%
Maine	18	5.61%	Utah	12	4.99%
Maryland	15	5.19%	Vermont	5	4.43%
Massachusetts	19	5.70%	Virginia	9	4.50%
Michigan	50	8.06%	Washington	39	6.86%
Minnesota	14	5.14%	West Virginia	26	5.95%
Mississippi	48	7.64%	Wisconsin	22	5.79%
Missouri	30	6.16%	Wyoming	7	4.46%

Source: Computed with data from Bureau of Economic Analysis (2000 - 2013)

Exhibit 26: Average Unemployment Rate (2000-2013)



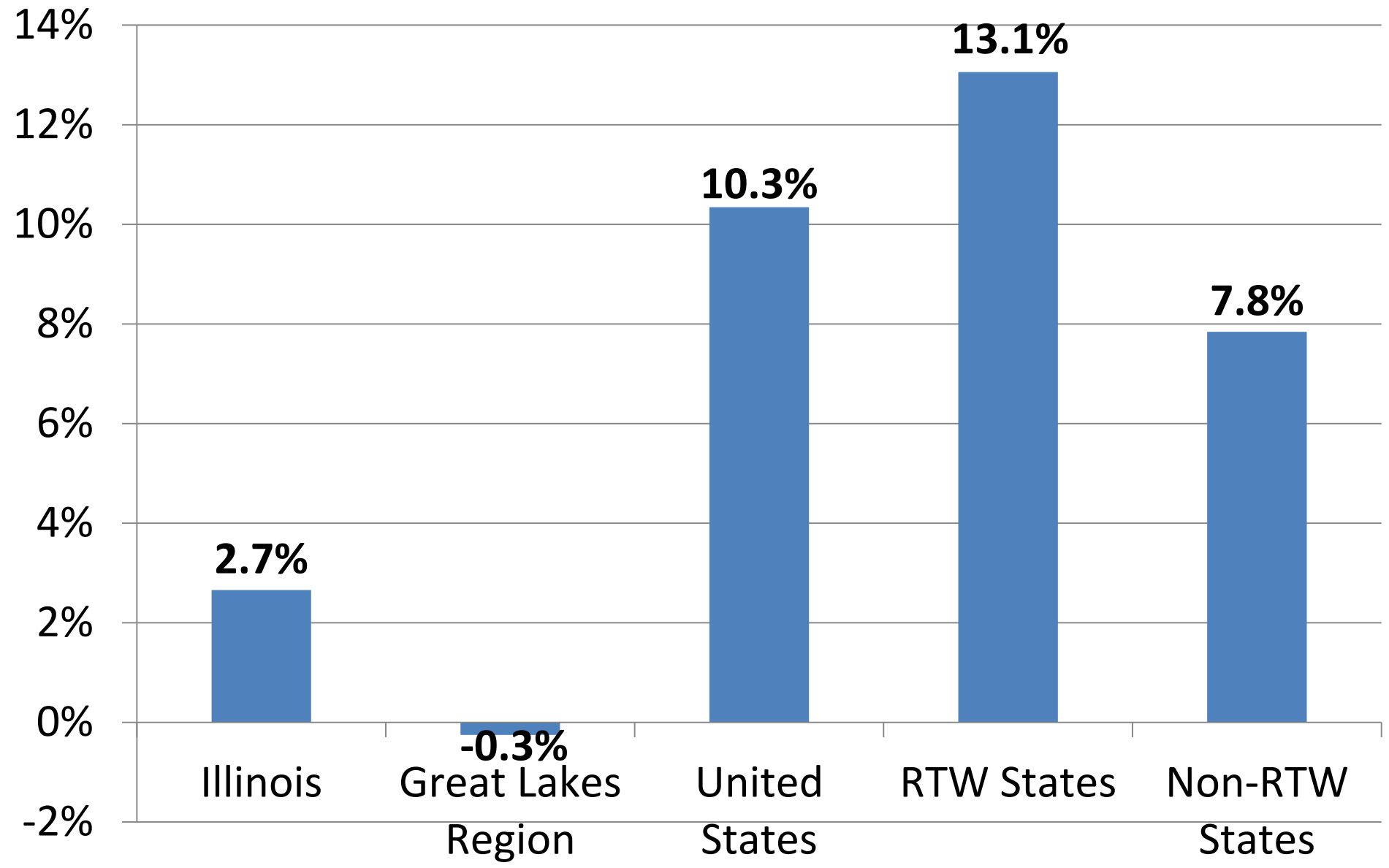
Source: Computed with data from Bureau of Economic Analysis (2000 - 2013)

Exhibit 27: Non-farm Payroll Employment Growth (2000-2012)

Alabama	6.5%	Montana	17.6%
Alaska	19.2%	Nebraska	7.8%
Arizona	19.7%	Nevada	22.3%
Arkansas	6.5%	New Hampshire	5.8%
California	8.8%	New Jersey	7.8%
Colorado	11.4%	New Mexico	13.2%
Connecticut	6.4%	New York	12.2%
Delaware	6.6%	North Carolina	9.9%
Florida	17.8%	North Dakota	35.4%
Georgia	12.1%	Ohio	-2.0%
Hawaii	16.2%	Oklahoma	12.2%
Idaho	17.3%	Oregon	8.2%
Illinois	**2.7%**	Pennsylvania	6.7%
Indiana	0.4%	Rhode Island	3.5%
Iowa	6.2%	South Carolina	9.6%
Kansas	5.7%	South Dakota	15.6%
Kentucky	4.9%	Tennessee	7.4%
Louisiana	12.7%	Texas	27.2%
Maine	2.6%	Utah	25.3%
Maryland	12.5%	Vermont	5.4%
Massachusetts	4.8%	Virginia	12.0%
Michigan	-5.8%	Washington	10.1%
Minnesota	7.1%	West Virginia	5.5%
Mississippi	5.2%	Wisconsin	3.4%
Missouri	3.2%	Wyoming	24.3%

Source: Computed with data from Bureau of Economic Analysis (2000 – 2012)

Exhibit 28: Non-farm Payroll Employment Growth (2000-2012)



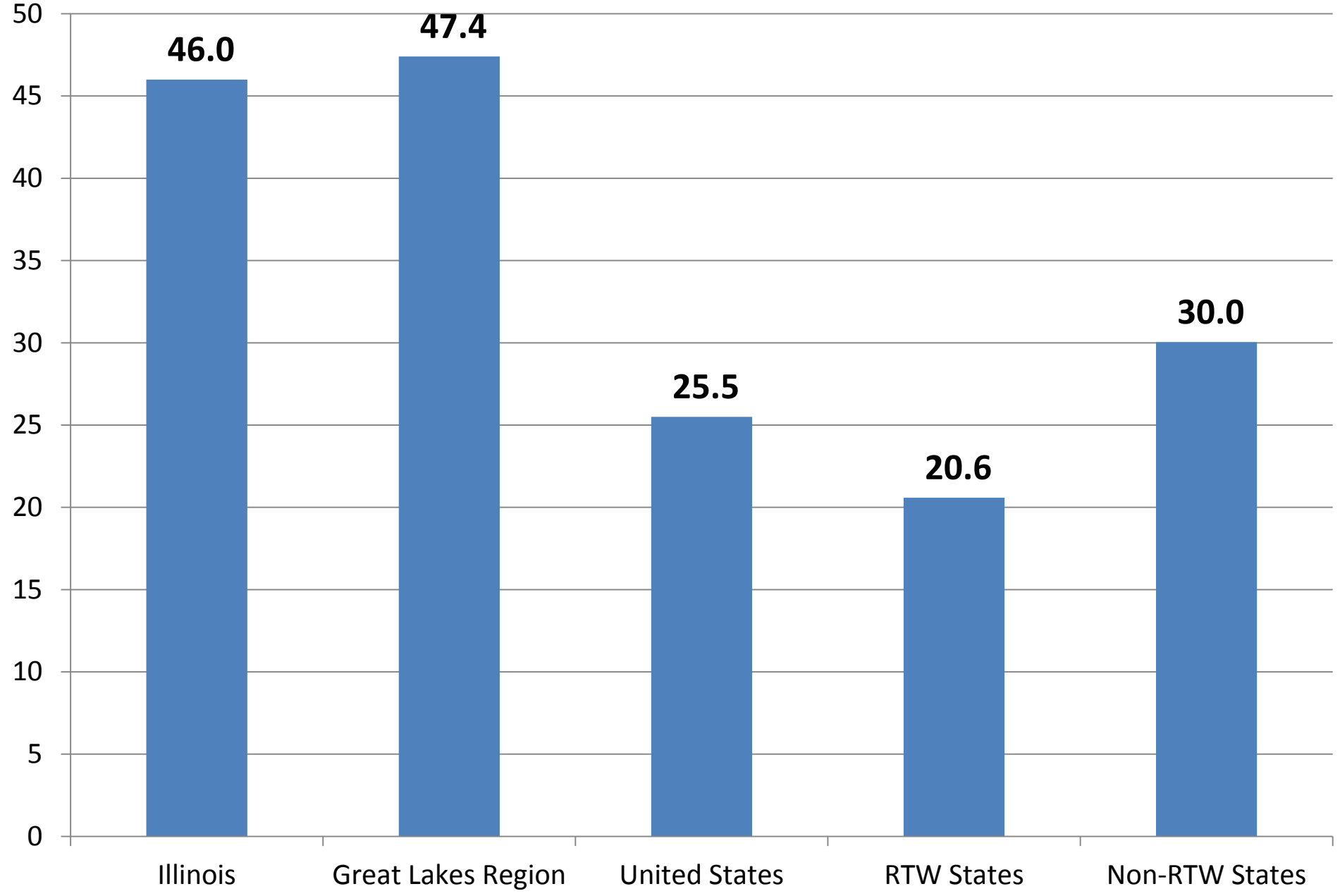
Source: Computed with data from Bureau of Economic Analysis (2000 - 2012)

Exhibit 29: Non-farm Payroll Employment Growth Rank (2000-2012)

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

Source: Computed with data from Bureau of Economic Analysis (2000 - 2012)

Exhibit 30: Non-farm Payroll Employment Growth Rank (2000-2012)



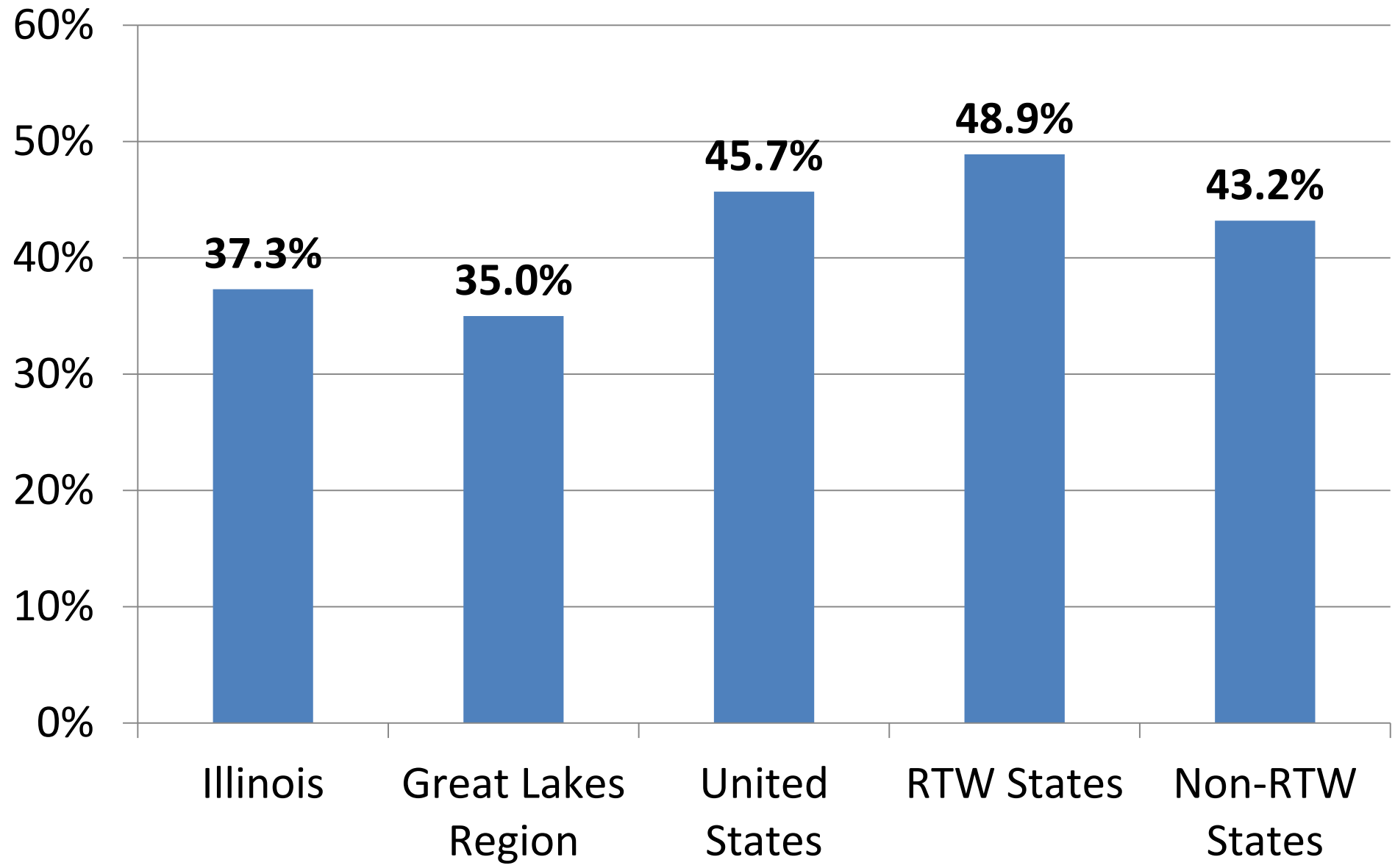
Source: Computed with data from Bureau of Economic Analysis (2000 - 2012)

Exhibit 31: Personal Income Per Capita Growth (2000-2013)

Alabama	Rank 20	48.0%	Montana	Rank 5	59.3%
Alaska	12	53.3%	Nebraska	16	50.9%
Arizona	39	36.8%	Nevada	50	20.6%
Arkansas	10	53.8%	New Hampshire	36	38.0%
California	44	34.7%	New Jersey	35	38.7%
Colorado	46	32.8%	New Mexico	9	54.2%
Connecticut	30	40.5%	New York	17	50.5%
Delaware	42	35.3%	North Carolina	47	32.8%
Florida	34	38.7%	North Dakota	1	102.8%
Georgia	49	29.2%	Ohio	38	36.9%
Hawaii	15	51.7%	Oklahoma	6	58.5%
Idaho	40	36.7%	Oregon	43	35.0%
Illinois	37	37.3%	Pennsylvania	24	44.8%
Indiana	45	34.4%	Rhode Island	13	52.5%
Iowa	8	54.4%	South Carolina	41	36.6%
Kansas	22	47.0%	South Dakota	4	65.2%
Kentucky	27	41.4%	Tennessee	28	41.2%
Louisiana	2	67.3%	Texas	23	45.5%
Maine	21	47.9%	Utah	29	41.1%
Maryland	18	49.9%	Vermont	14	52.5%
Massachusetts	25	43.1%	Virginia	19	48.8%
Michigan	48	30.0%	Washington	31	40.1%
Minnesota	26	41.8%	West Virginia	7	55.5%
Mississippi	11	53.4%	Wisconsin	33	39.1%
Missouri	32	40.0%	Wyoming	3	66.3%

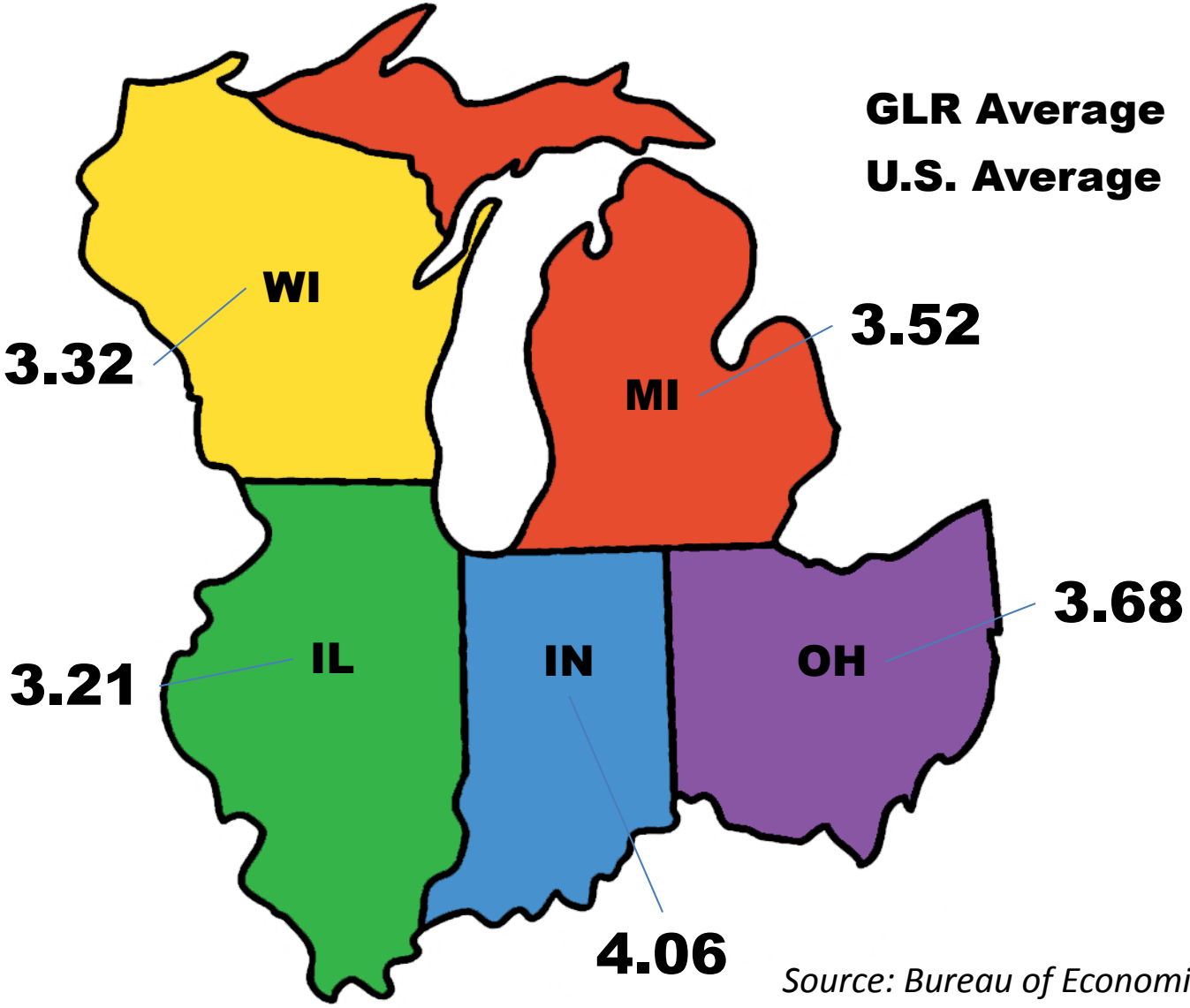
Source: Computed with data from Bureau of Economic Analysis (2000 - 2013)

Exhibit 32: Personal Income Per Capita Growth (2000-2013)



Source: Computed with data from Bureau of Economic Analysis (2000 - 2013)

Exhibit 33: Great Lakes Average Personal Income Per Capita Growth (2010-2013)



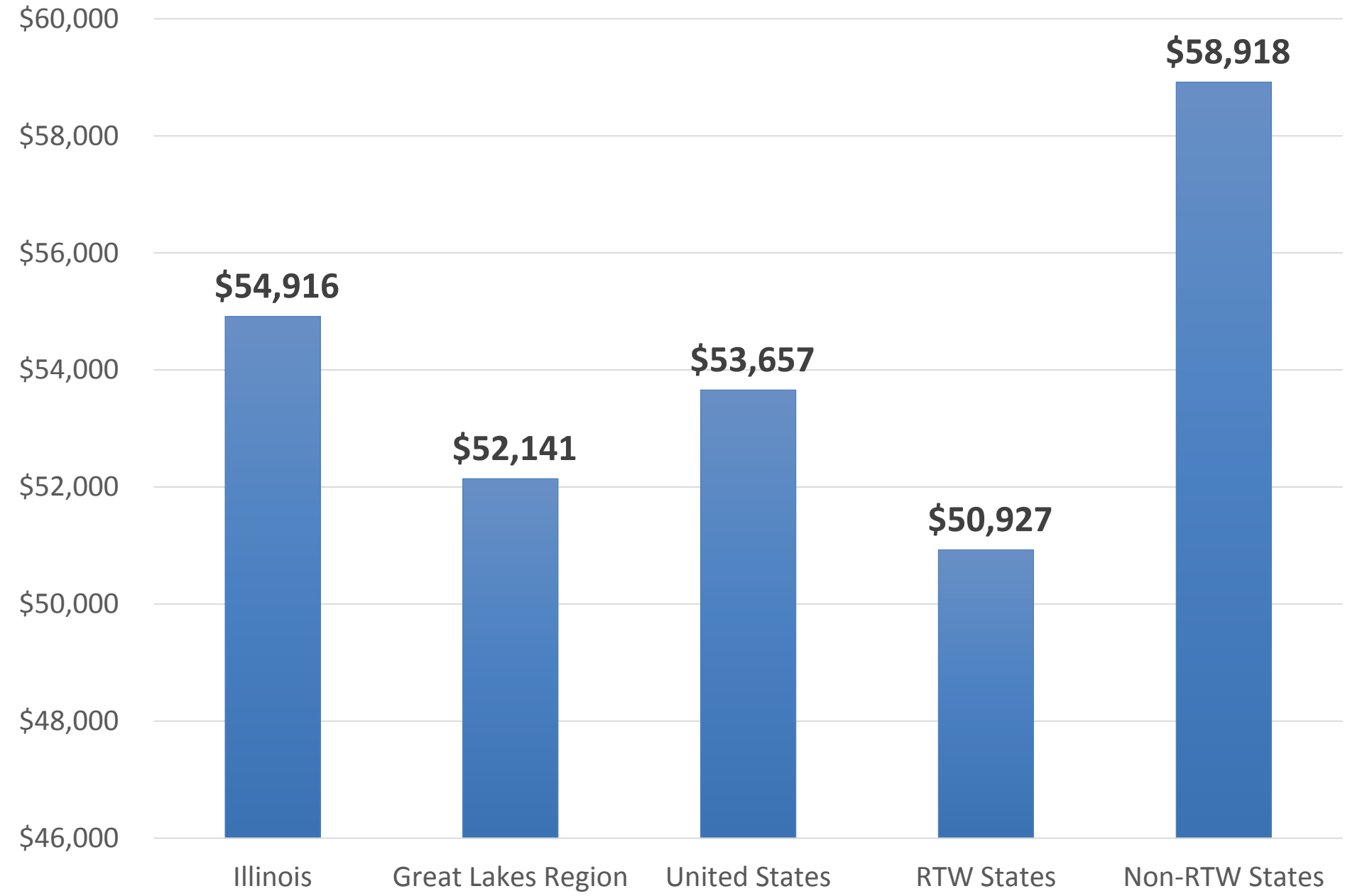
Source: Bureau of Economic Analysis

Exhibit 34: Median Household Income (2014)

Alabama	Rank 48	$ 42,278	Montana	Rank 33	$ 51,102
Alaska	5	$ 67,629	Nebraska	21	$ 56,870
Arizona	37	$ 49,254	Nevada	34	$ 49,875
Arkansas	44	$ 44,922	New Hampshire	2	$ 73,397
California	14	$ 60,487	New Jersey	8	$ 65,243
Colorado	11	$ 60,940	New Mexico	41	$ 46,686
Connecticut	4	$ 70,161	New York	26	$ 54,310
Delaware	20	$ 57,522	North Carolina	40	$ 46,784
Florida	42	$ 46,140	North Dakota	12	$ 60,730
Georgia	36	$ 49,555	Ohio	35	$ 49,644
Hawaii	3	$ 71,223	Oklahoma	39	$ 47,199
Idaho	29	$ 53,438	Oregon	16	$ 58,875
Illinois	**25**	**$ 54,916**	Pennsylvania	24	$ 55,173
Indiana	38	$ 48,060	Rhode Island	17	$ 58,633
Iowa	19	$ 57,810	South Carolina	43	$ 44,929
Kansas	28	$ 53,444	South Dakota	30	$ 53,053
Kentucky	46	$ 42,786	Tennessee	45	$ 43,716
Louisiana	47	$ 42,406	Texas	27	$ 53,875
Maine	32	$ 51,714	Utah	9	$ 63,383
Maryland	1	$ 76,165	Vermont	13	$ 60,708
Massachusetts	10	$ 63,150	Virginia	7	$ 66,155
Michigan	31	$ 52,005	Washington	15	$ 59,068
Minnesota	6	$ 67,244	West Virginia	49	$ 39,552
Mississippi	50	$ 35,521	Wisconsin	18	$ 56,079
Missouri	22	$ 56,630	Wyoming	23	$ 55,690

Source: U.S. Census Bureau 2014 Population Survey Median Household Income by State Single Year Estimate

Exhibit 35: Median Household Income (2014)



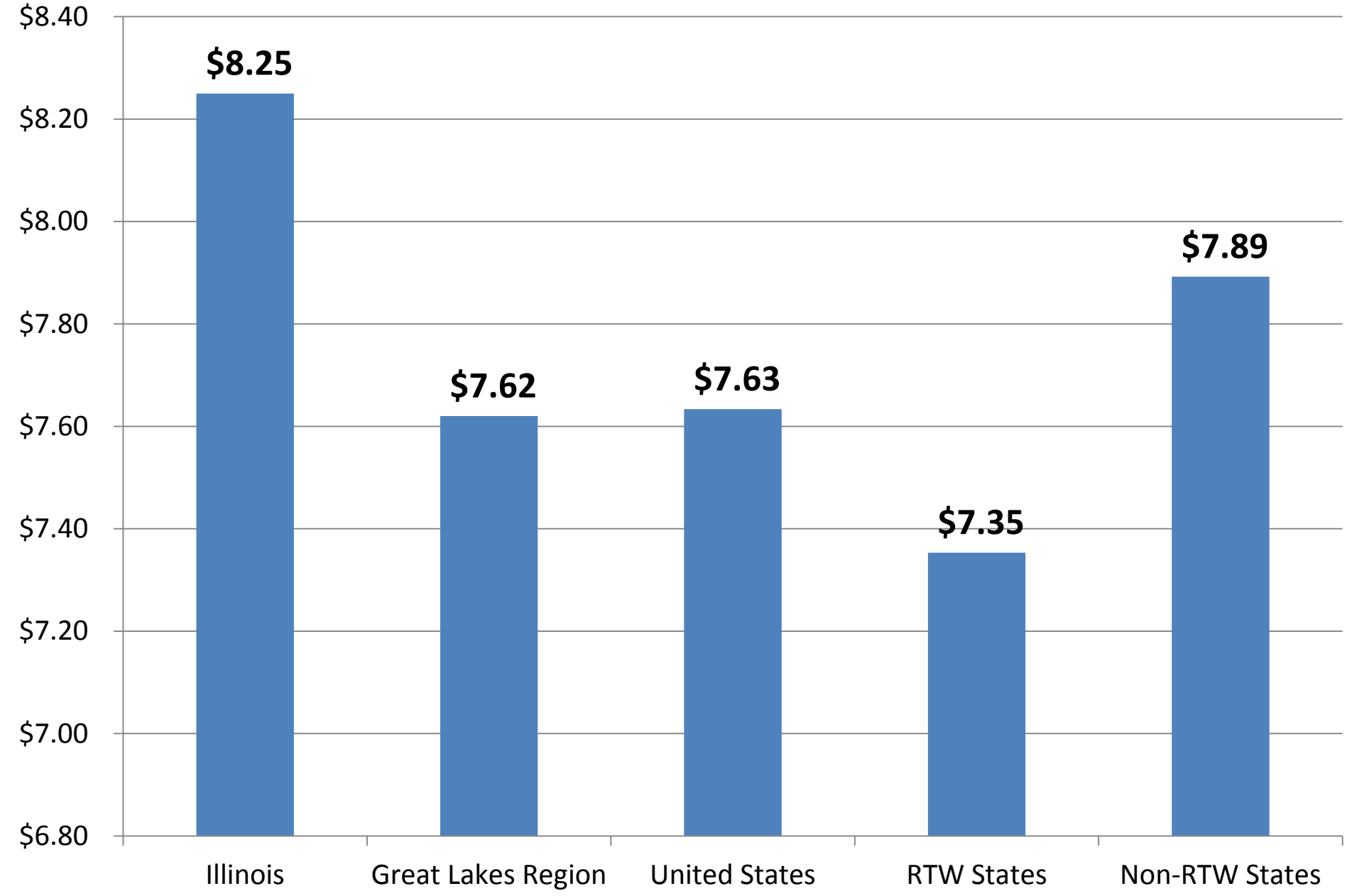
Source: U.S. Census Bureau 2014 Population Survey Median Household Income by State Single Year Estimate

Exhibit 36: State Minimum Wage (January 1, 2014)

Alabama	Rank 23	$7.25	Montana	Rank 16	$7.90
Alaska	17	$7.75	Nebraska	36	$7.25
Arizona	15	$7.90	Nevada	7	$8.25
Arkansas	24	$7.25	New Hampshire	37	$7.25
California	3	$9.00	New Jersey	8	$8.25
Colorado	9	$8.00	New Mexico	21	$7.50
Connecticut	5	$8.70	New York	11	$8.00
Delaware	18	$7.75	North Carolina	38	$7.25
Florida	14	$7.93	North Dakota	39	$7.25
Georgia	25	$7.25	Ohio	13	$7.95
Hawaii	26	$7.25	Oklahoma	40	$7.25
Idaho	27	$7.25	Oregon	2	$9.10
Illinois	**6**	**$8.25**	Pennsylvania	41	$7.25
Indiana	28	$7.25	Rhode Island	12	$8.00
Iowa	29	$7.25	South Carolina	42	$7.25
Kansas	30	$7.25	South Dakota	43	$7.25
Kentucky	31	$7.25	Tennessee	44	$7.25
Louisiana	32	$7.25	Texas	45	$7.25
Maine	19	$7.50	Utah	46	$7.25
Maryland	33	$7.25	Vermont	4	$8.73
Massachusetts	10	$8.00	Virginia	47	$7.25
Michigan	22	$7.40	Washington	1	$9.32
Minnesota	34	$7.25	West Virginia	48	$7.25
Mississippi	35	$7.25	Wisconsin	49	$7.25
Missouri	20	$7.50	Wyoming	50	$7.25

Source: Bureau of Labor Statistics (2014)

Exhibit 37: State Minimum Wage (Jan 1, 2014)



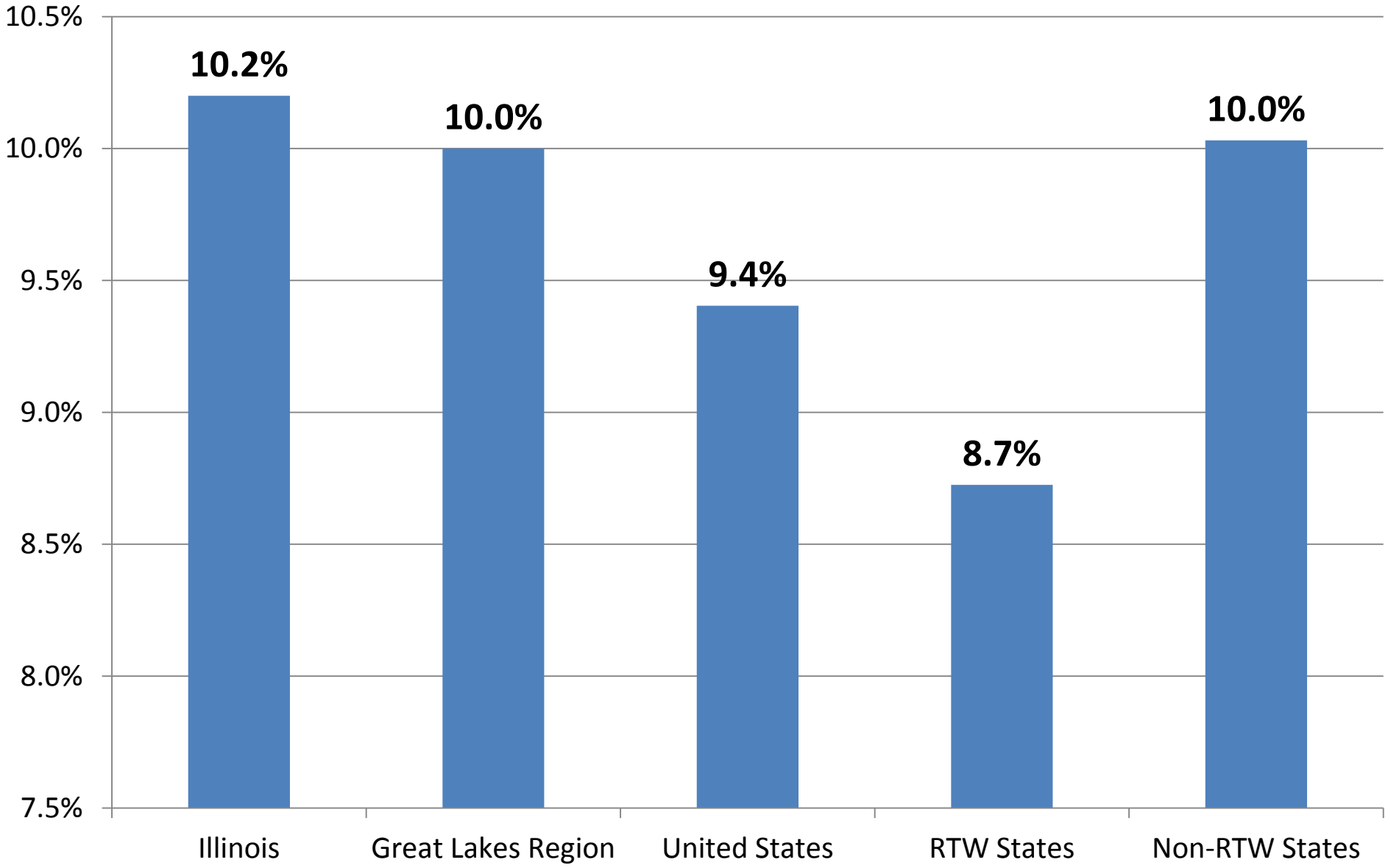
Source: Computed with data from Bureau of Labor Statistics (2014)

Exhibit 38: State and Local Tax Burden as a % of Income (FY 2012)

Alabama	Rank 9	8.3%	Montana	Rank 14	8.6%
Alaska	2	7.0%	Nebraska	24	9.4%
Arizona	17	8.9%	Nevada	8	8.1%
Arkansas	39	10.3%	New Hampshire	7	8.0%
California	47	11.4%	New Jersey	49	12.3%
Colorado	19	9.0%	New Mexico	13	8.6%
Connecticut	48	11.9%	New York	50	12.6%
Delaware	35	10.1%	North Carolina	34	9.8%
Florida	20	9.2%	North Dakota	16	8.8%
Georgia	15	8.8%	Ohio	33	9.7%
Hawaii	31	9.6%	Oklahoma	12	8.5%
Idaho	29	9.5%	Oregon	36	10.1%
Illinois	38	**10.2%**	Pennsylvania	40	10.3%
Indiana	28	9.5%	Rhode Island	43	10.5%
Iowa	22	9.3%	South Carolina	10	8.3%
Kansas	23	9.4%	South Dakota	3	7.1%
Kentucky	27	9.5%	Tennessee	6	7.6%
Louisiana	5	7.6%	Texas	4	7.5%
Maine	37	10.2%	Utah	25	9.4%
Maryland	44	10.6%	Vermont	42	10.5%
Massachusetts	41	10.3%	Virginia	21	9.2%
Michigan	30	9.6%	Washington	26	9.4%
Minnesota	45	10.7%	West Virginia	32	9.7%
Mississippi	11	8.4%	Wisconsin	46	11.0%
Missouri	18	9.0%	Wyoming	1	6.9%

Source: Tax Foundation (2012)

Exhibit 39: State and Local Tax Burden as a % of Income (FY 2012)



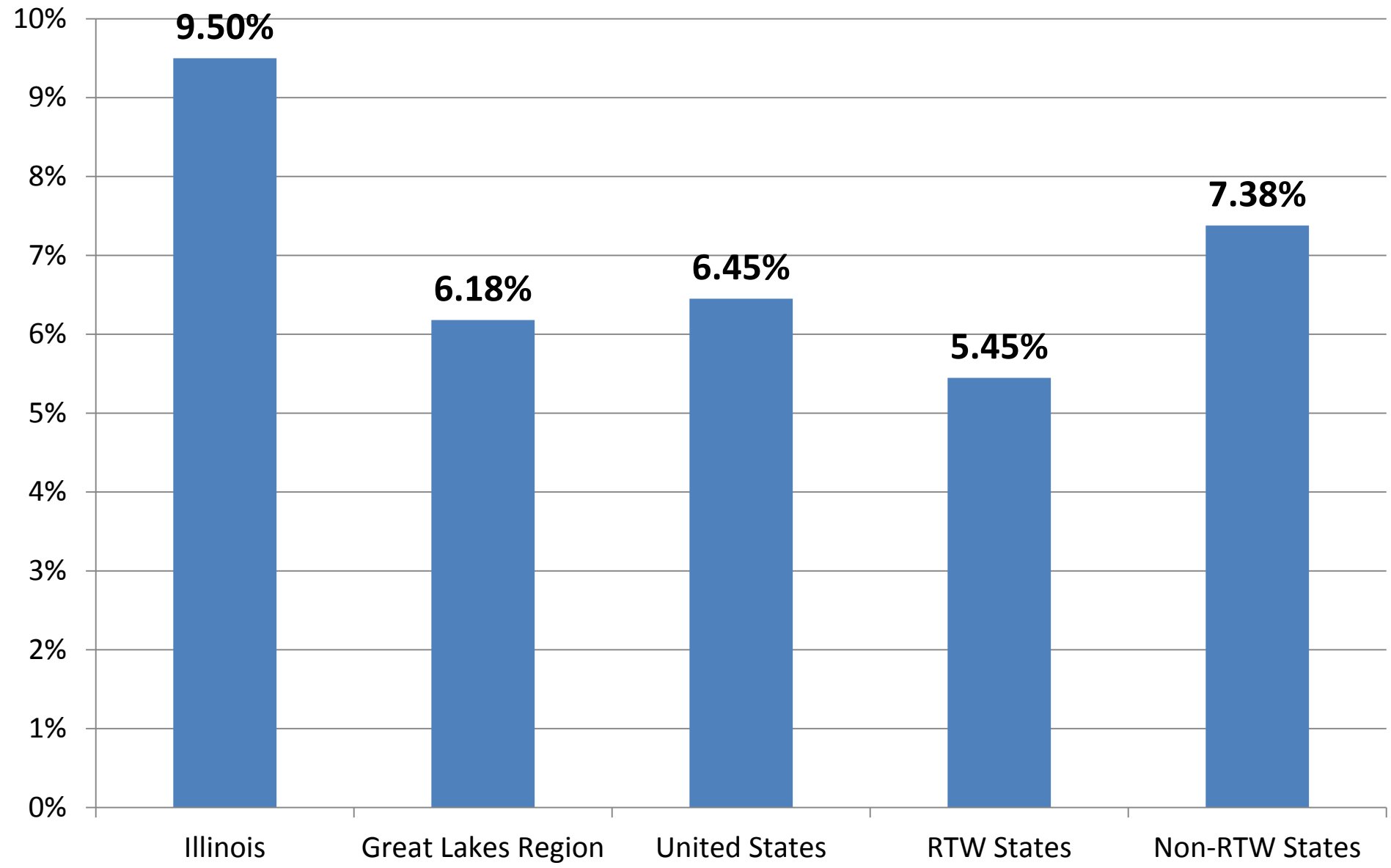
Source: Computed with data from Tax Foundation (2012)

Exhibit 40: Average State and Local Corporate Income Tax Rate (2014)

Alabama	6.50%	Montana	6.75%
Alaska	9.40%	Nebraska	7.81%
Arizona	6.50%	Nevada	0.00%
Arkansas	6.50%	New Hampshire	8.50%
California	8.84%	New Jersey	9.00%
Colorado	4.63%	New Mexico	7.30%
Connecticut	9.00%	New York	7.10%
Delaware	8.70%	North Carolina	6.00%
Florida	5.50%	North Dakota	4.53%
Georgia	6.00%	Ohio	0.00%
Hawaii	6.40%	Oklahoma	6.00%
Idaho	7.40%	Oregon	7.60%
Illinois	**9.50%**	Pennsylvania	9.99%
Indiana	7.50%	Rhode Island	9.00%
Iowa	12.00%	South Carolina	5.00%
Kansas	7.00%	South Dakota	0.00%
Kentucky	6.00%	Tennessee	6.50%
Louisiana	8.00%	Texas	0.00%
Maine	8.93%	Utah	5.00%
Maryland	8.25%	Vermont	8.50%
Massachusetts	8.00%	Virginia	6.00%
Michigan	6.00%	Washington	0.00%
Minnesota	9.80%	West Virginia	6.50%
Mississippi	5.00%	Wisconsin	7.90%
Missouri	6.25%	Wyoming	0.00%

Source: Tax Foundation (2013)

Exhibit 41: Average State and Local Corporate Income Tax Rate (2014)



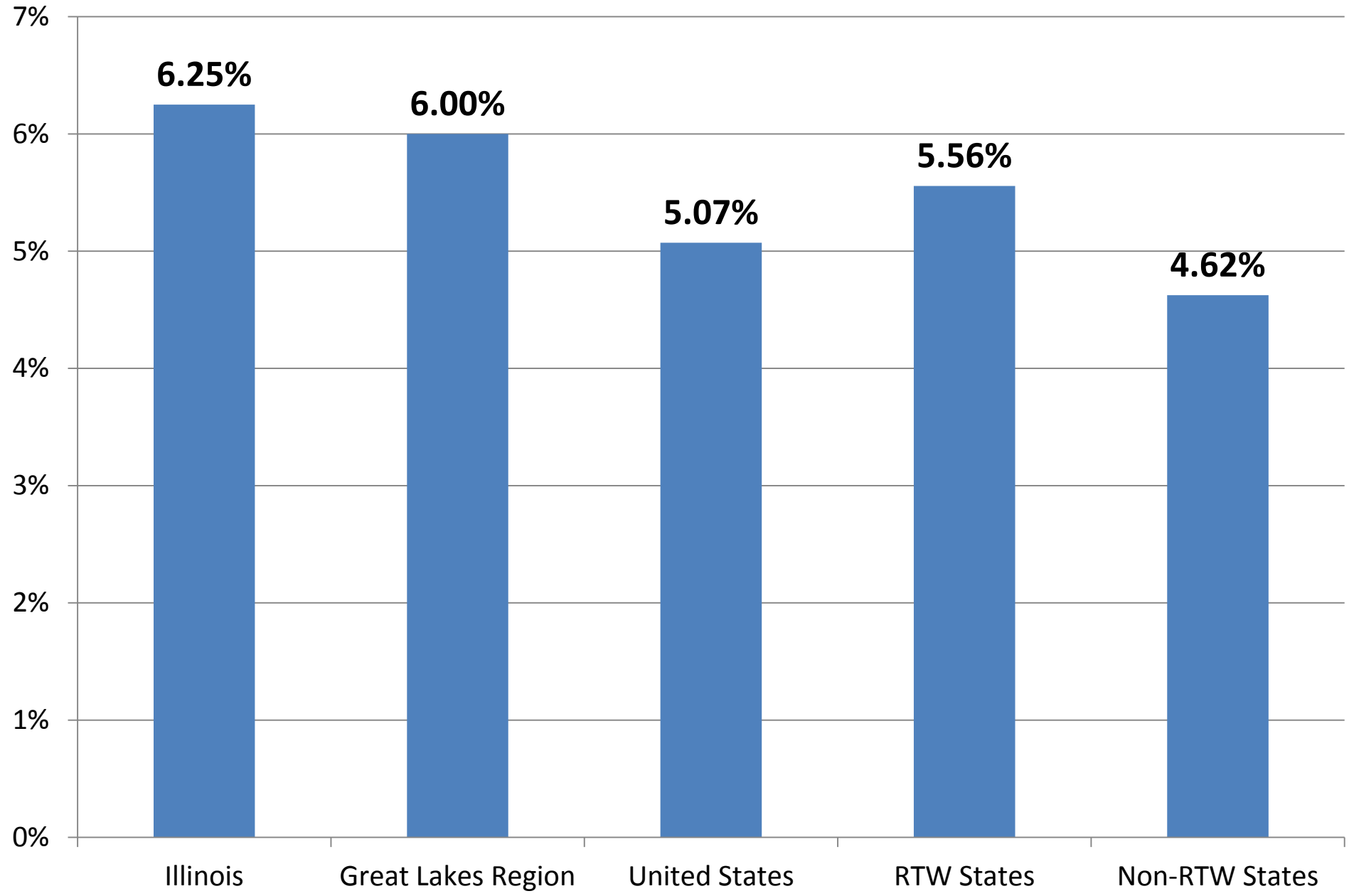
Source: Computed with data from Tax Foundation (2013)

Exhibit 42: Average State Sales Tax Rate (2014)

Alabama	4.00%	Montana	0.00%
Alaska	0.00%	Nebraska	5.50%
Arizona	5.60%	Nevada	6.85%
Arkansas	6.50%	New Hampshire	0.00%
California	7.50%	New Jersey	7.00%
Colorado	2.90%	New Mexico	5.13%
Connecticut	6.35%	New York	4.00%
Delaware	0.00%	North Carolina	4.75%
Florida	6.00%	North Dakota	5.00%
Georgia	4.00%	Ohio	5.75%
Hawaii	4.00%	Oklahoma	4.50%
Idaho	6.00%	Oregon	0.00%
Illinois	**6.25%**	Pennsylvania	6.00%
Indiana	7.00%	Rhode Island	7.00%
Iowa	6.00%	South Carolina	6.00%
Kansas	6.15%	South Dakota	4.00%
Kentucky	6.00%	Tennessee	7.00%
Louisiana	4.00%	Texas	6.25%
Maine	5.50%	Utah	5.95%
Maryland	6.00%	Vermont	6.00%
Massachusetts	6.25%	Virginia	5.30%
Michigan	6.00%	Washington	6.50%
Minnesota	6.88%	West Virginia	6.00%
Mississippi	7.00%	Wisconsin	5.00%
Missouri	4.23%	Wyoming	4.00%

Source: Tax Foundation (2014)

Exhibit 43: State Sales Tax Rate (2014)



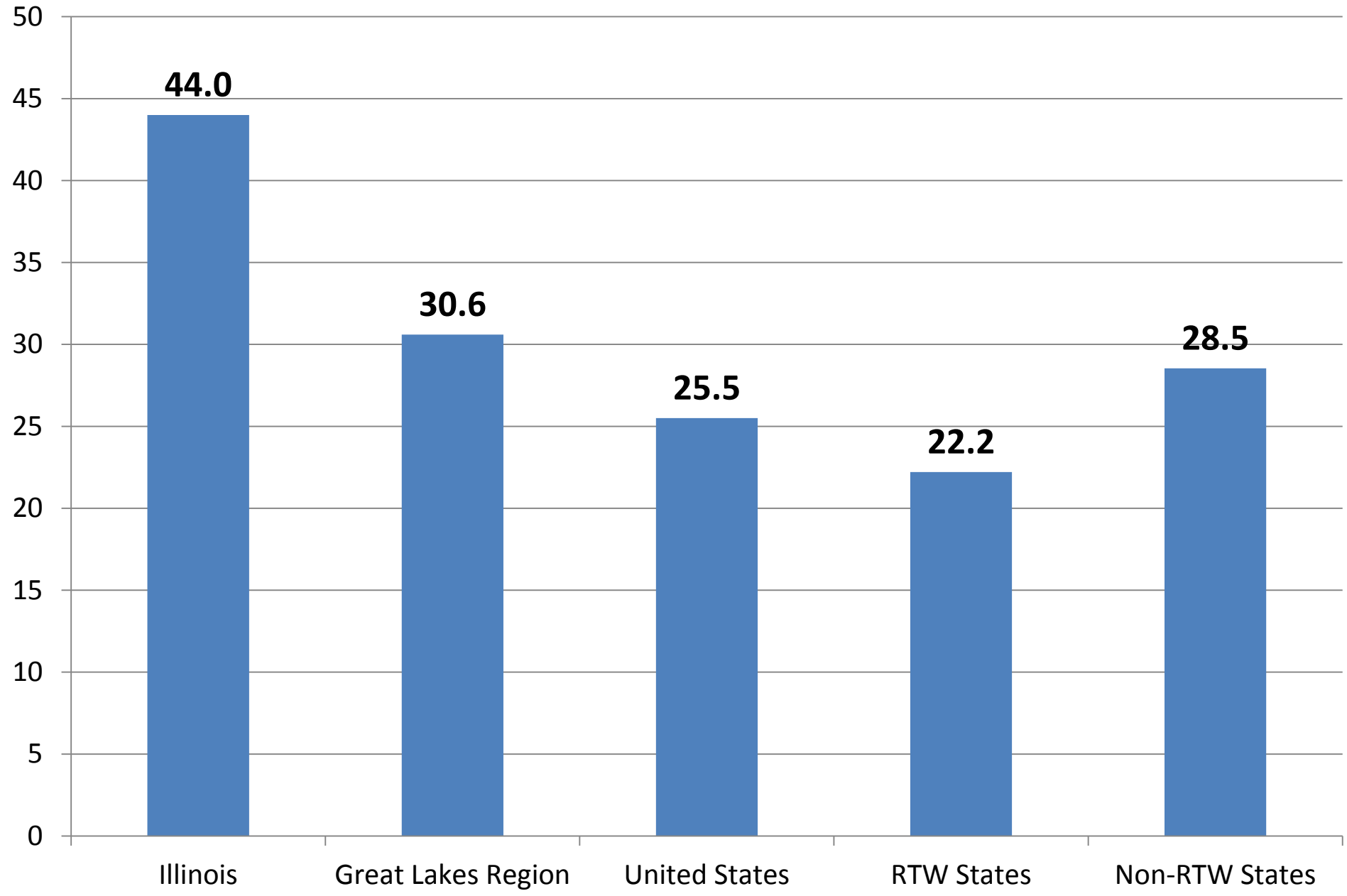
Source: Computed with data from Tax Foundation (2014)

Exhibit 44: Property Tax Burden Ranking (2012 - 2013)

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

Source: Tax Foundation (2012 - 2013)

Exhibit 45: Property Tax Burden Ranking (2012 - 2013)



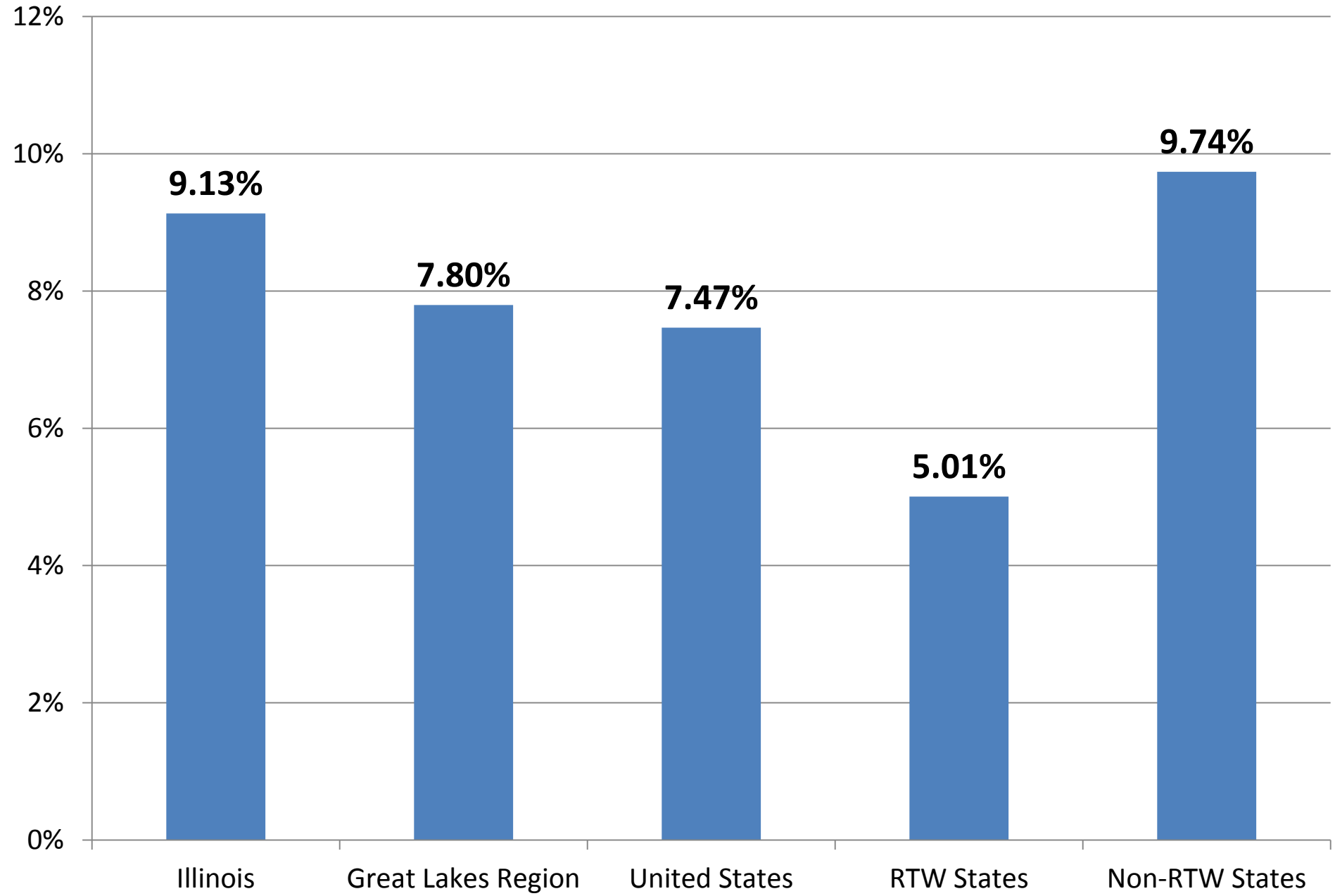
Source: Computed with data from Tax Foundation (2012 – 2013)

Exhibit 46: State Debt Per GSP (2012)

Alabama	Rank 12	4.60%	Montana	Rank 38	9.48%
Alaska	40	9.91%	Nebraska	1	2.01%
Arizona	15	5.22%	Nevada	4	3.02%
Arkansas	3	3.00%	New Hampshire	46	12.15%
California	25	7.19%	New Jersey	47	12.26%
Colorado	18	5.86%	New Mexico	35	8.47%
Connecticut	48	13.16%	New York	43	10.61%
Delaware	39	9.56%	North Carolina	9	4.04%
Florida	14	4.96%	North Dakota	10	4.21%
Georgia	5	3.06%	Ohio	22	6.66%
Hawaii	44	11.58%	Oklahoma	17	5.82%
Idaho	23	6.78%	Oregon	21	6.56%
Illinois	37	**9.13%**	Pennsylvania	27	7.34%
Indiana	26	7.34%	Rhode Island	49	17.86%
Iowa	8	3.94%	South Carolina	33	8.35%
Kansas	13	4.94%	South Dakota	32	8.24%
Kentucky	36	8.49%	Tennessee	2	2.20%
Louisiana	19	6.13%	Texas	6	3.12%
Maine	42	10.53%	Utah	16	5.26%
Maryland	31	7.65%	Vermont	45	11.93%
Massachusetts	50	18.47%	Virginia	20	6.25%
Michigan	28	7.40%	Washington	29	7.44%
Minnesota	11	4.40%	West Virginia	41	10.48%
Mississippi	24	7.08%	Wisconsin	34	8.45%
Missouri	30	7.57%	Wyoming	7	3.16%

Source: Computed with data from United States Census Bureau (2012)

Exhibit 47: State Debt Per GSP (2012)



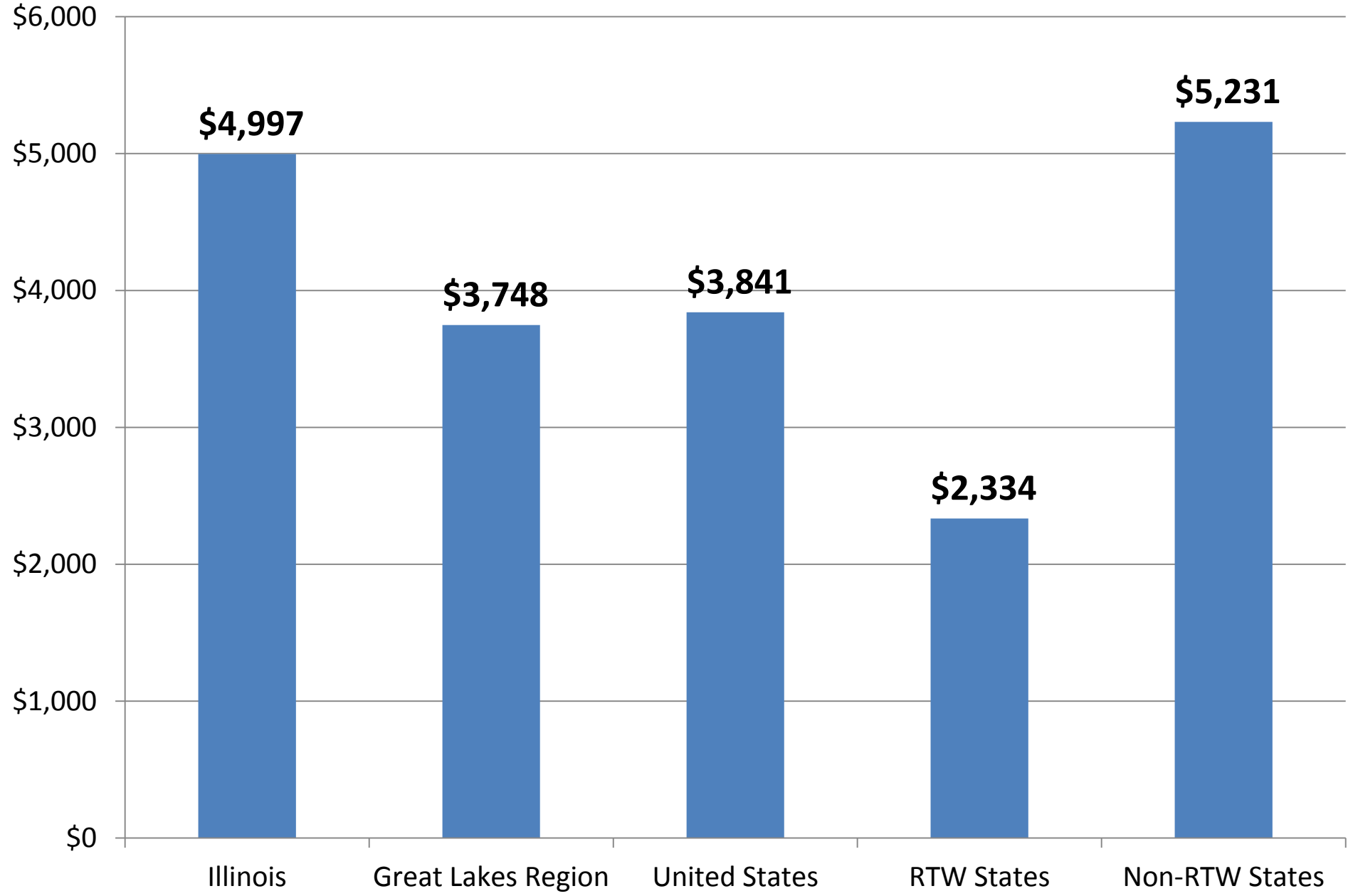
Source: Computed with data from United States Census Bureau (2012)

Exhibit 48: State Debt Per Capita (2012)

Alabama	Rank 7	$1,810	Montana	Rank 33	$3,974
Alaska	47	$8,092	Nebraska	2	$1,118
Arizona	11	$2,165	Nevada	5	$1,415
Arkansas	3	$1,210	New Hampshire	43	$6,076
California	35	$4,022	New Jersey	46	$7,313
Colorado	22	$3,147	New Mexico	31	$3,624
Connecticut	49	$8,900	New York	45	$6,941
Delaware	44	$6,321	North Carolina	8	$1,876
Florida	9	$1,976	North Dakota	19	$2,971
Georgia	4	$1,351	Ohio	23	$3,161
Hawaii	42	$6,041	Oklahoma	18	$2,615
Idaho	16	$2,473	Oregon	29	$3,534
Illinois	40	**$4,997**	Pennsylvania	30	$3,620
Indiana	27	$3,443	Rhode Island	48	$8,771
Iowa	10	$2,005	South Carolina	21	$3,145
Kansas	13	$2,378	South Dakota	38	$4,325
Kentucky	28	$3,449	Tennessee	1	$955
Louisiana	24	$3,350	Texas	6	$1,751
Maine	37	$4,219	Utah	17	$2,475
Maryland	39	$4,374	Vermont	41	$5,417
Massachusetts	50	$12,009	Virginia	26	$3,396
Michigan	20	$3,119	Washington	36	$4,219
Minnesota	15	$2,459	West Virginia	32	$3,935
Mississippi	14	$2,409	Wisconsin	34	$4,017
Missouri	25	$3,384	Wyoming	12	$2,292

Source: Computed with data from United States Census Bureau (2012)

Exhibit 49: State Debt Per Capita (2012)



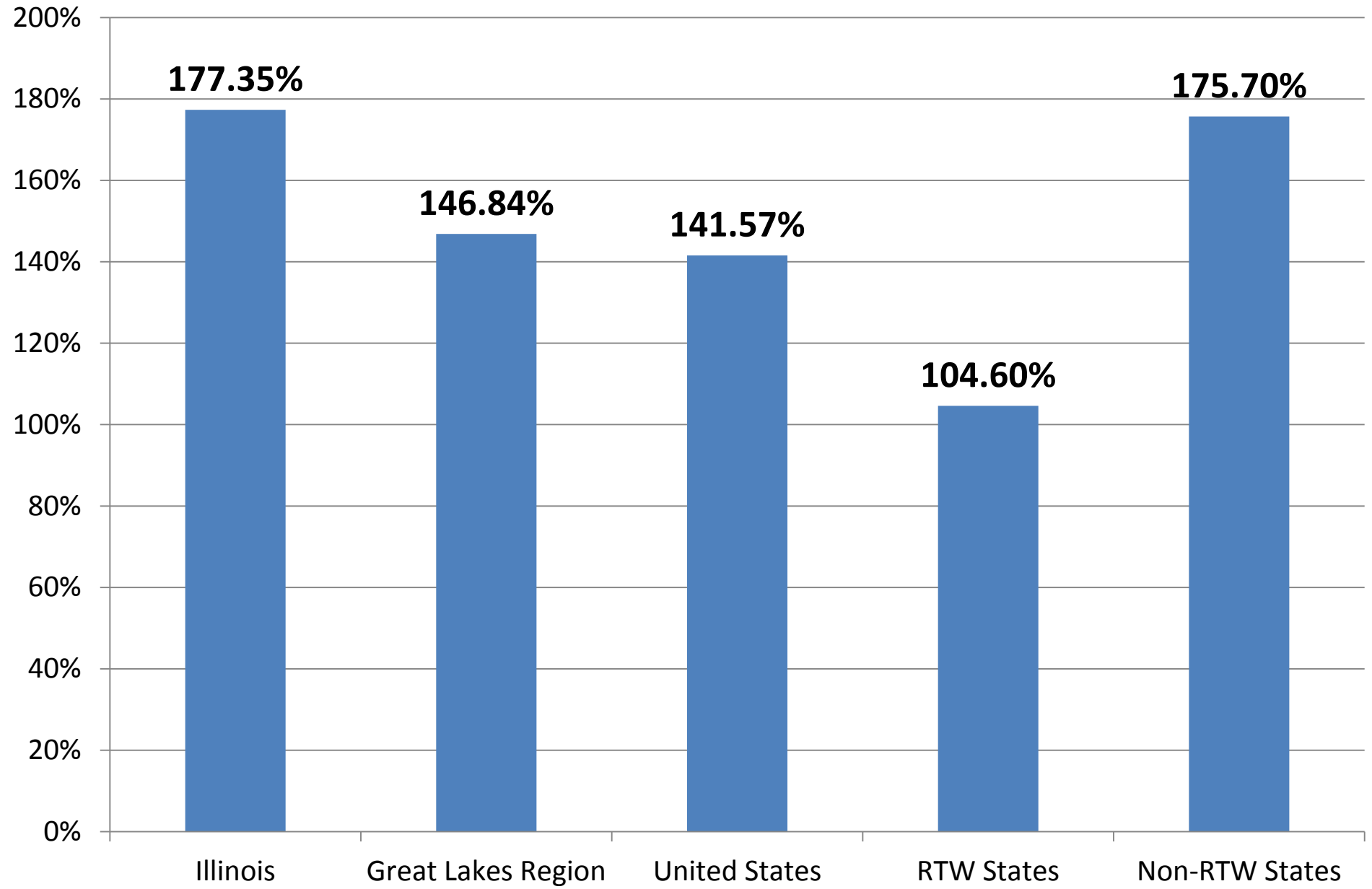
Source: Computed with data from United States Census Bureau (2012)

Exhibit 50: State Debt as a Percent of State Tax Revenue (2012)

Alabama	96.35%	Montana	162.46%
Alaska	83.83%	Nebraska	47.85%
Arizona	109.32%	Nevada	57.52%
Arkansas	43.08%	New Hampshire	363.64%
California	132.79%	New Jersey	236.20%
Colorado	159.30%	New Mexico	148.24%
Connecticut	207.55%	New York	189.93%
Delaware	173.20%	North Carolina	80.53%
Florida	115.68%	North Dakota	37.07%
Georgia	80.84%	Ohio	140.88%
Hawaii	152.24%	Oklahoma	112.90%
Idaho	116.93%	Oregon	158.42%
Illinois	**177.35%**	Pennsylvania	140.23%
Indiana	143.34%	Rhode Island	325.79%
Iowa	78.73%	South Carolina	184.84%
Kansas	92.47%	South Dakota	237.11%
Kentucky	143.76%	Tennessee	51.47%
Louisiana	171.40%	Texas	93.89%
Maine	148.41%	Utah	121.64%
Maryland	151.08%	Vermont	122.98%
Massachusetts	349.91%	Virginia	153.27%
Michigan	128.86%	Washington	165.05%
Minnesota	64.35%	West Virginia	138.23%
Mississippi	103.46%	Wisconsin	143.77%
Missouri	188.72%	Wyoming	51.82%

Source: Computed with data from United States Census Bureau (2012)

Exhibit 51: State Debt as a Percent of State Tax Revenue (2012)



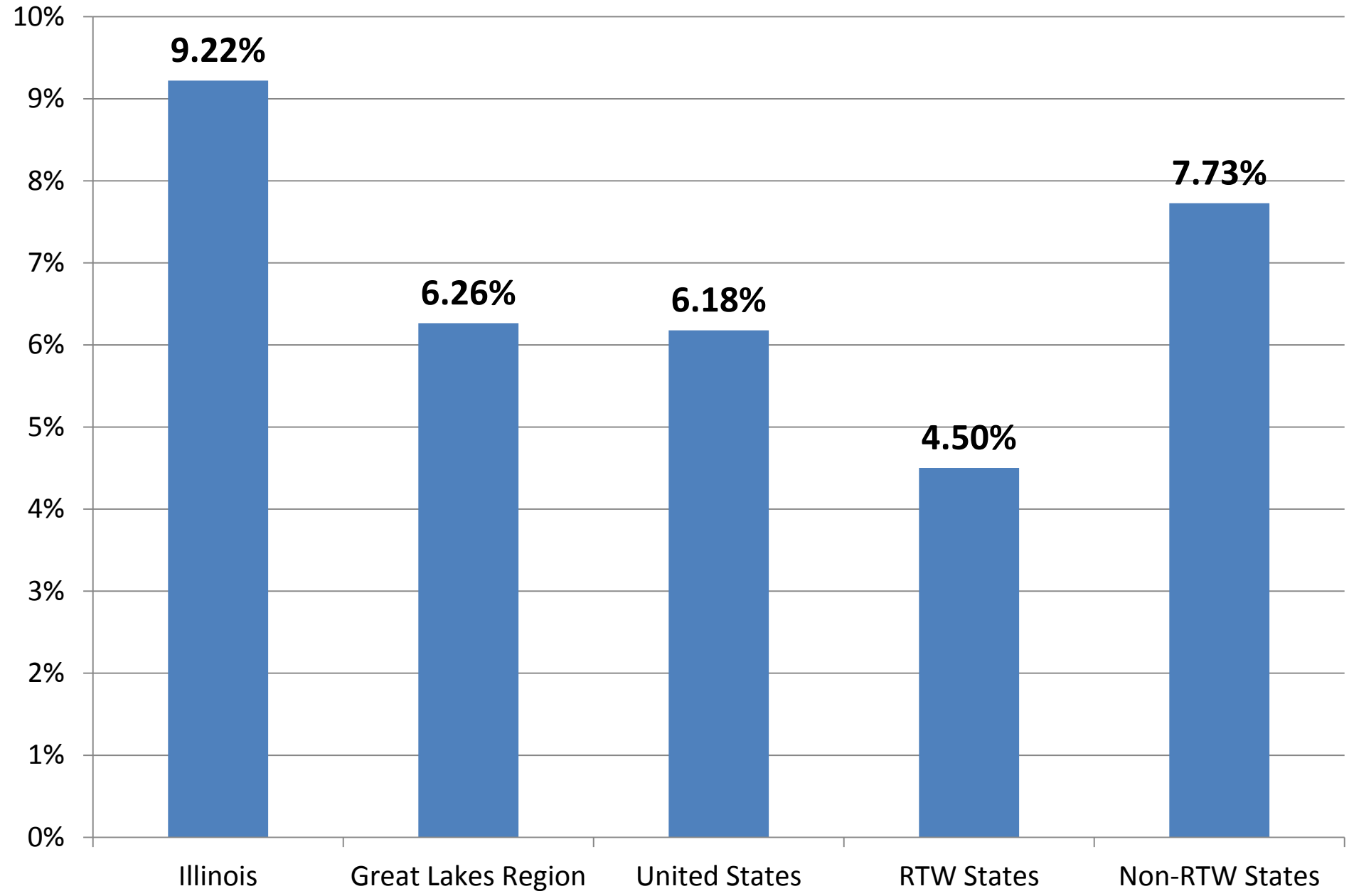
Source: Computed with data from United States Census Bureau (2012)

Exhibit 52: Debt Service as a Share of Tax State Revenue (2012)

Alabama	Rank 11	3.78%	Montana	Rank 26	5.78%
Alaska	13	4.08%	Nebraska	3	2.05%
Arizona	24	5.07%	Nevada	7	3.00%
Arkansas	2	1.80%	New Hampshire	49	17.77%
California	35	6.67%	New Jersey	40	7.94%
Colorado	43	8.52%	New Mexico	27	5.97%
Connecticut	46	9.94%	New York	41	7.96%
Delaware	38	7.70%	North Carolina	6	2.81%
Florida	16	4.24%	North Dakota	1	1.79%
Georgia	14	4.15%	Ohio	22	5.05%
Hawaii	29	6.14%	Oklahoma	28	6.08%
Idaho	21	4.93%	Oregon	25	5.15%
Illinois	44	**9.22%**	Pennsylvania	23	5.05%
Indiana	31	6.22%	Rhode Island	50	17.97%
Iowa	8	3.24%	South Carolina	45	9.56%
Kansas	10	3.64%	South Dakota	42	8.16%
Kentucky	36	6.74%	Tennessee	4	2.11%
Louisiana	47	10.05%	Texas	9	3.54%
Maine	32	6.44%	Utah	20	4.90%
Maryland	33	6.45%	Vermont	18	4.54%
Massachusetts	48	15.14%	Virginia	30	6.21%
Michigan	15	4.20%	Washington	37	7.66%
Minnesota	12	3.89%	West Virginia	19	4.74%
Mississippi	17	4.31%	Wisconsin	34	6.63%
Missouri	39	7.77%	Wyoming	5	2.19%

Source: Computed with data from United States Census Bureau (2012)

Exhibit 53: Debt Service as a Share of Tax Revenue (2012)



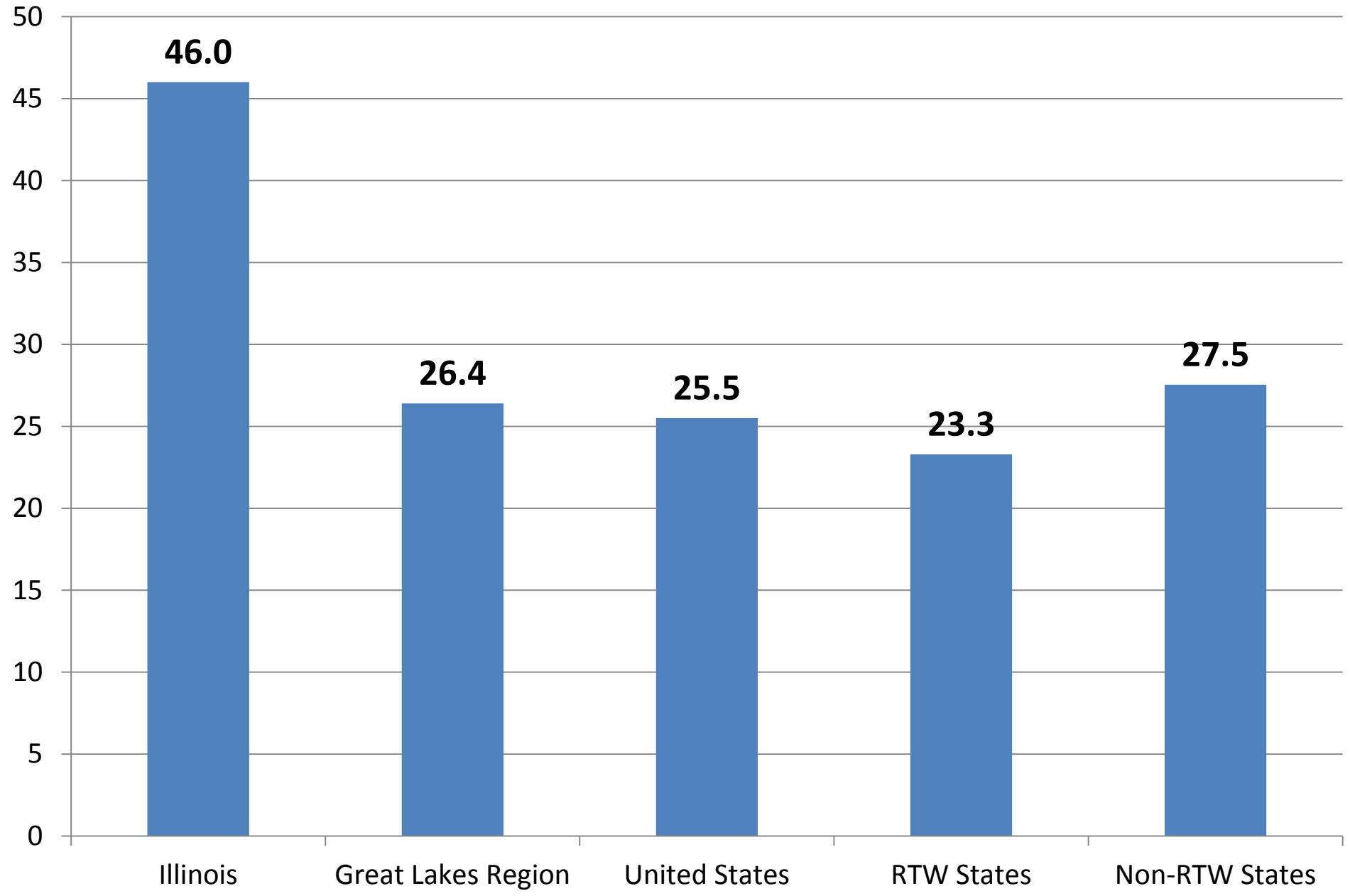
Source: Computed with data from United States Census Bureau (2012)

Exhibit 54: State Liability System Ranking (2012)

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

Source: Computed with data from United States Chamber of Commerce (2012)

Exhibit 55: State Liability System Ranking (2012)



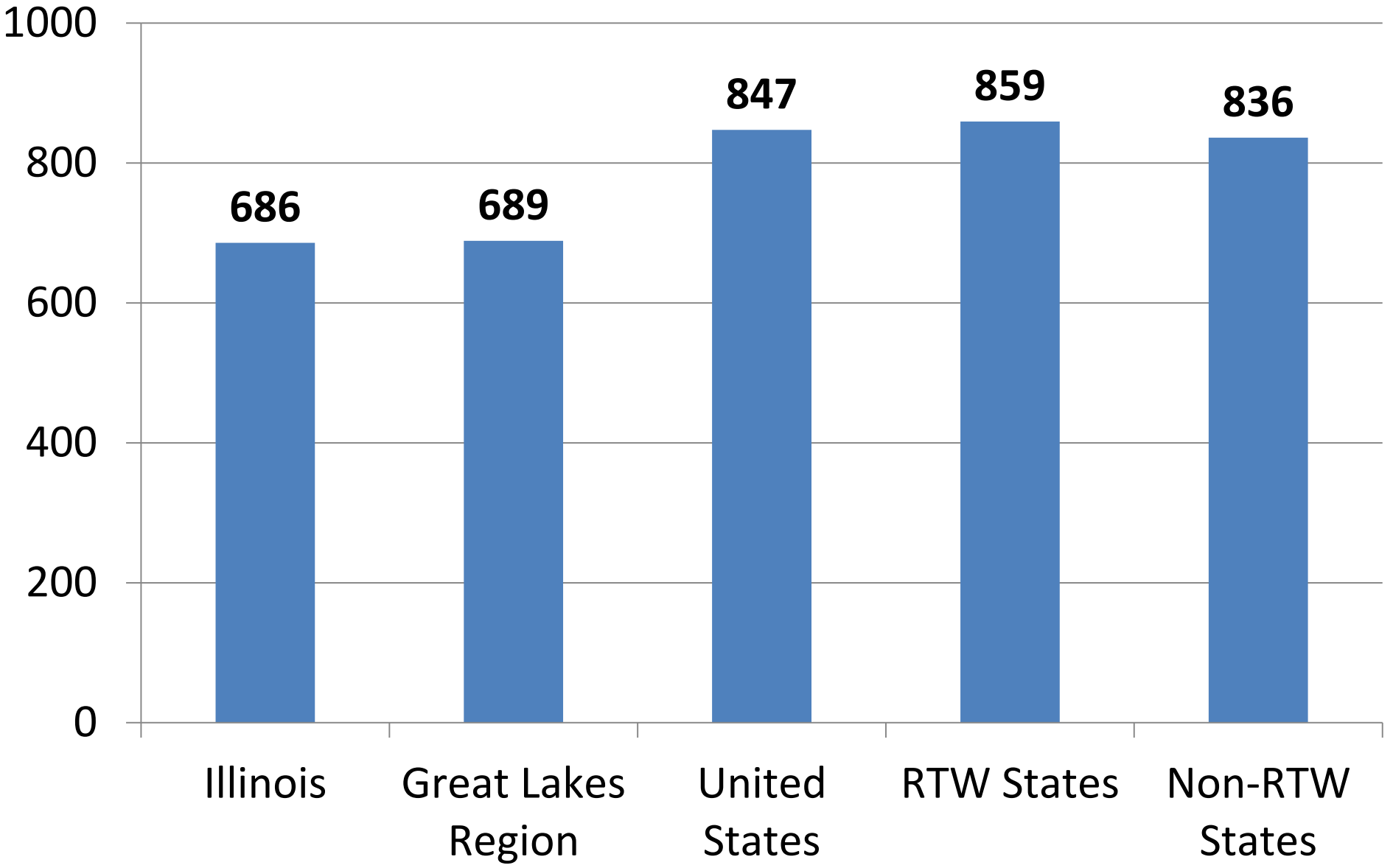
Source: Computed with data from United States Chamber of Commerce (2012)

Exhibit 56: Total Government Employees per 10,000 People (2013)

Alabama	837	Montana	950
Alaska	1,491	Nebraska	939
Arizona	675	Nevada	605
Arkansas	795	New Hampshire	719
California	682	New Jersey	700
Colorado	878	New Mexico	1,019
Connecticut	722	New York	744
Delaware	796	North Carolina	883
Florida	605	North Dakota	1,208
Georgia	783	Ohio	688
Hawaii	1,314	Oklahoma	971
Idaho	796	Oregon	717
Illinois	**686**	Pennsylvania	617
Indiana	685	Rhode Island	681
Iowa	877	South Carolina	836
Kansas	1,035	South Dakota	1,010
Kentucky	859	Tennessee	697
Louisiana	846	Texas	755
Maine	813	Utah	845
Maryland	968	Vermont	914
Massachusetts	683	Virginia	1,065
Michigan	630	Washington	906
Minnesota	775	West Virginia	875
Mississippi	936	Wisconsin	755
Missouri	791	Wyoming	1,310

Source: Computed with data from Bureau of Economic Analysis (2013)

Exhibit 57: Total Government Employees per 10,000 People (2013)



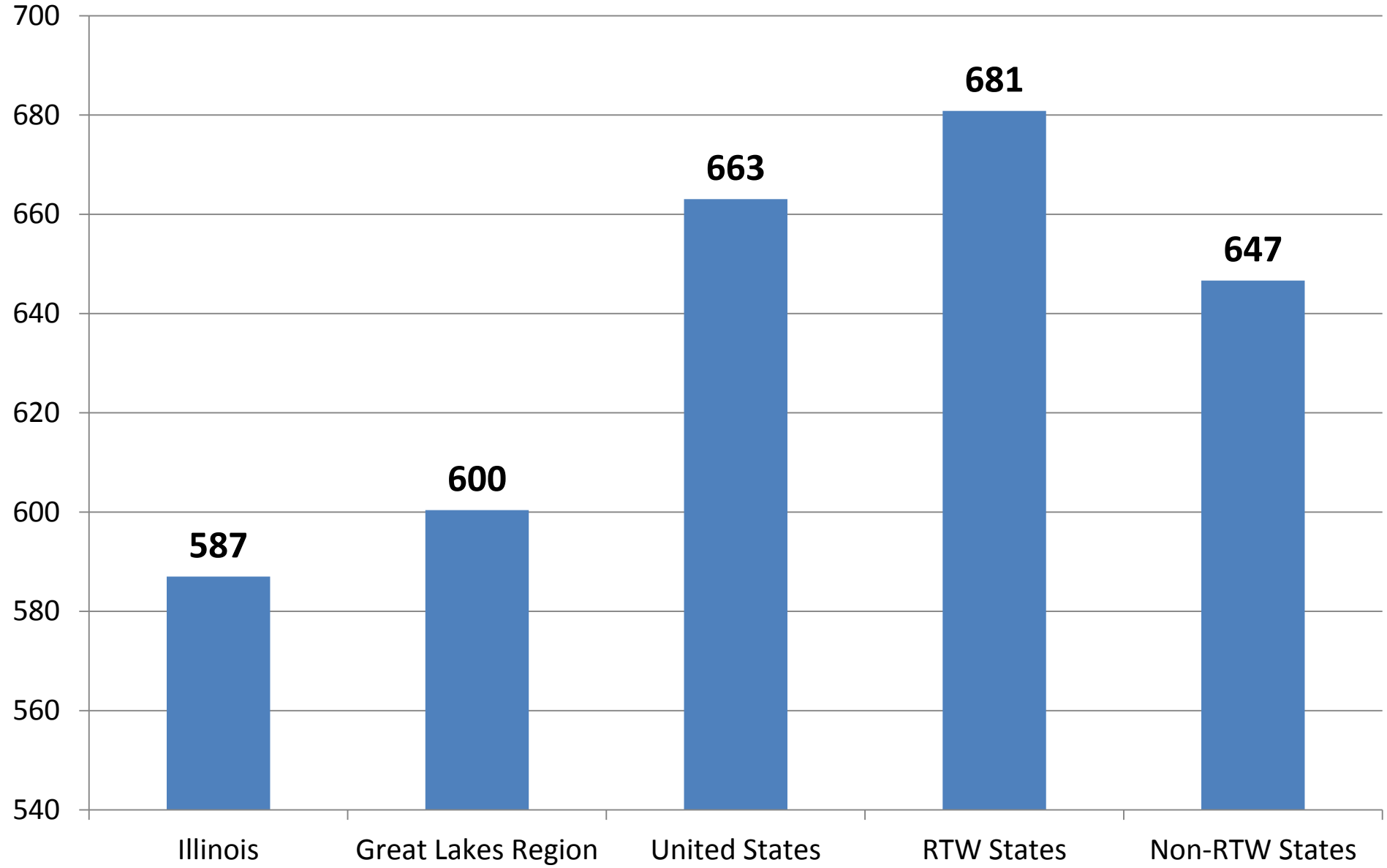
Source: Computed with data from Bureau of Economic Analysis (2013)

Exhibit 58: State and Local Government Employee per 10,000 people (2012)

Alabama	Rank 27	656	Montana	Rank 39	733
Alaska	48	884	Nebraska	45	778
Arizona	5	538	Nevada	1	472
Arkansas	31	664	New Hampshire	18	628
California	7	559	New Jersey	16	614
Colorado	33	669	New Mexico	46	780
Connecticut	19	632	New York	26	653
Delaware	21	637	North Carolina	32	667
Florida	2	485	North Dakota	49	905
Georgia	8	580	Ohio	13	589
Hawaii	24	650	Oklahoma	42	749
Idaho	29	657	Oregon	17	614
Illinois	12	**587**	Pennsylvania	3	510
Indiana	14	595	Rhode Island	4	514
Iowa	44	777	South Carolina	25	652
Kansas	47	813	South Dakota	43	772
Kentucky	22	641	Tennessee	10	584
Louisiana	37	692	Texas	15	608
Maine	23	649	Utah	30	663
Maryland	11	585	Vermont	40	740
Massachusetts	9	581	Virginia	28	656
Michigan	6	556	Washington	36	681
Minnesota	35	678	West Virginia	38	697
Mississippi	41	748	Wisconsin	34	675
Missouri	20	633	Wyoming	50	1,073

Source: Computed with data from Bureau of Economic Analysis (2012)

Exhibit 59: State and Local Government Employee per 10,000 people (2012)



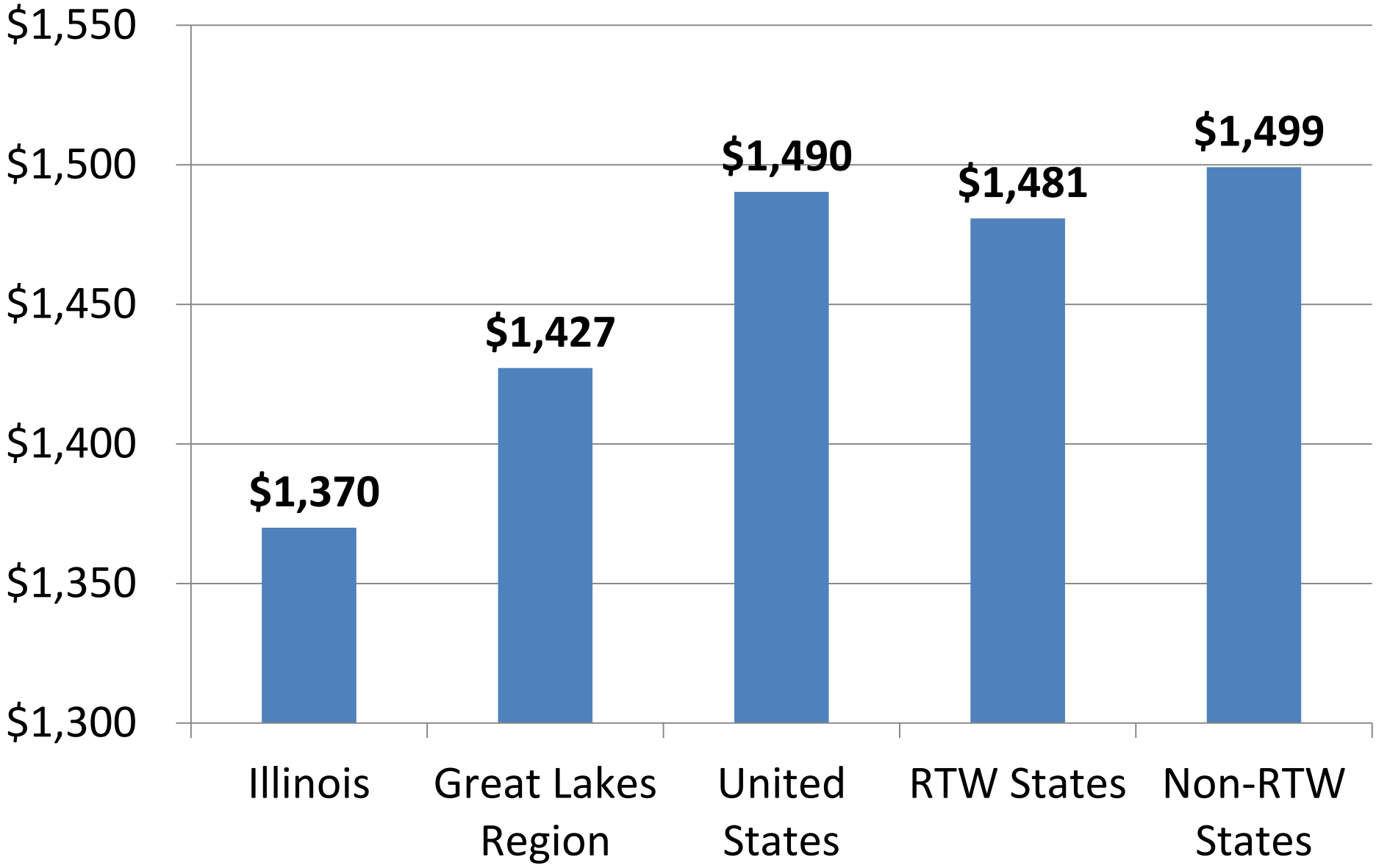
Source: Computed with data from Bureau of Economic Analysis (2012)

Exhibit 60: Average Price of Annual Car Insurance Policy (2014)

Alabama	Rank 30	$1,529	Montana	Rank 46	$2,013
Alaska	37	$1,605	Nebraska	15	$1,317
Arizona	13	$1,222	Nevada	23	$1,388
Arkansas	25	$1,399	New Hampshire	3	$983
California	44	$1,962	New Jersey	43	$1,905
Colorado	33	$1,558	New Mexico	21	$1,371
Connecticut	39	$1,638	New York	9	$1,173
Delaware	35	$1,580	North Carolina	6	$1,060
Florida	42	$1,830	North Dakota	40	$1,710
Georgia	48	$2,201	Ohio	1	$926
Hawaii	26	$1,400	Oklahoma	34	$1,568
Idaho	4	$1,053	Oregon	17	$1,333
Illinois	20	**$1,370**	Pennsylvania	27	$1,440
Indiana	11	$1,202	Rhode Island	47	$2,020
Iowa	5	$1,058	South Carolina	14	$1,316
Kansas	18	$1,358	South Dakota	32	$1,557
Kentucky	29	$1,503	Tennessee	24	$1,397
Louisiana	45	$1,971	Texas	38	$1,620
Maine	2	$964	Utah	10	$1,192
Maryland	41	$1,810	Vermont	8	$1,149
Massachusetts	36	$1,604	Virginia	7	$1,114
Michigan	50	$2,551	Washington	28	$1,499
Minnesota	19	$1,360	West Virginia	49	$2,518
Mississippi	22	$1,385	Wisconsin	16	$1,322
Missouri	12	$1,207	Wyoming	31	$1,541

Source: CorInsuranceQuotes.com (2014)

Exhibit 61: Average Price of Annual Car Insurance Policy (2014)



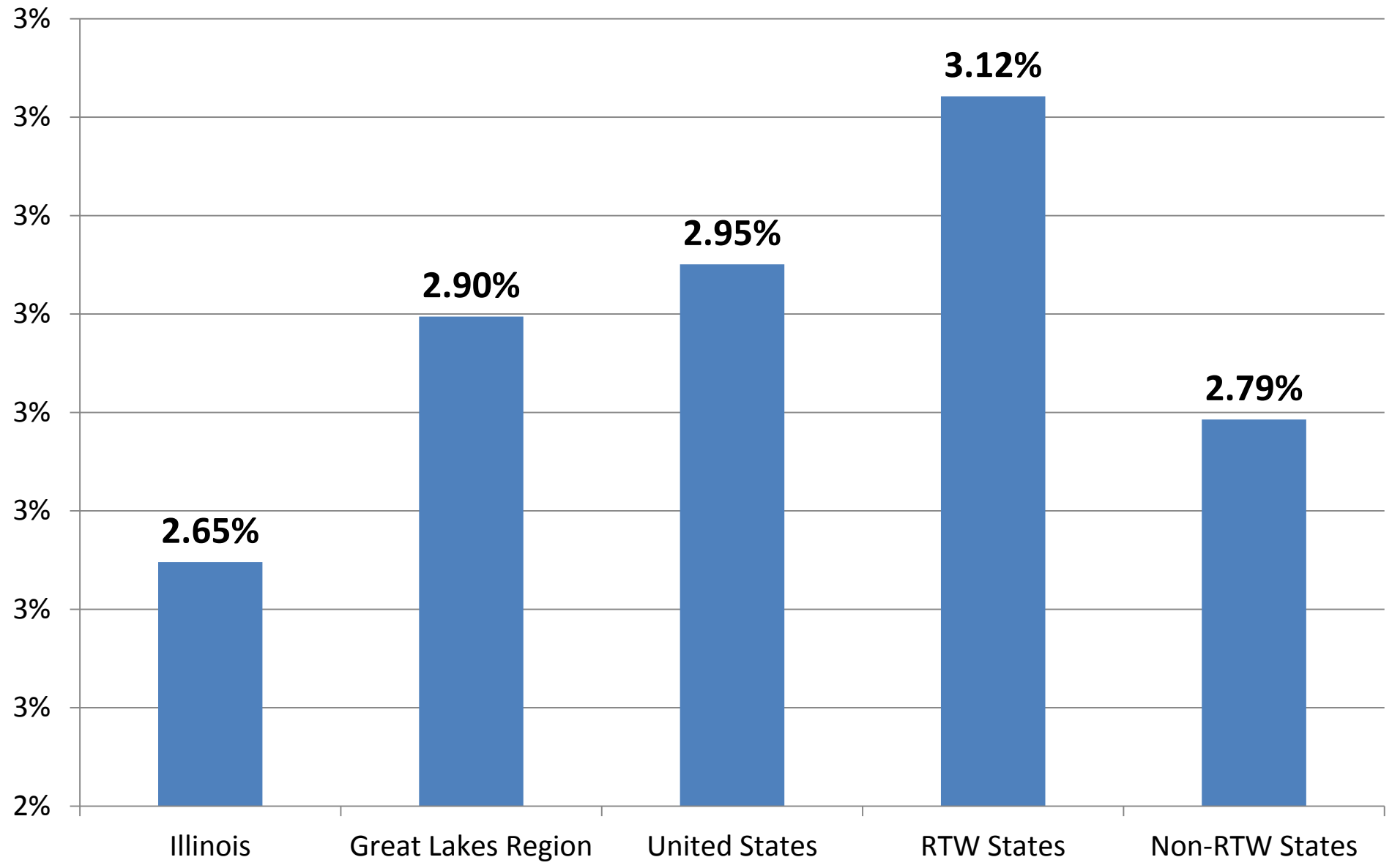
Source: Computed with data from CarInsuranceQuotes.com (2014)

Exhibit 62: % of Household Income to Purchase Car Insurance (2012 & 2014)

Alabama	Rank 40	3.518%	Montana	Rank 46	4.465%
Alaska	17	2.522%	Nebraska	18	2.523%
Arizona	22	2.598%	Nevada	30	2.932%
Arkansas	41	3.586%	New Hampshire	1	1.449%
California	39	3.441%	New Jersey	29	2.856%
Colorado	27	2.721%	New Mexico	35	3.157%
Connecticut	19	2.550%	New York	13	2.460%
Delaware	36	3.226%	North Carolina	20	2.551%
Florida	45	3.972%	North Dakota	32	3.066%
Georgia	47	4.574%	Ohio	8	2.087%
Hawaii	14	2.488%	Oklahoma	37	3.239%
Idaho	9	2.197%	Oregon	21	2.575%
Illinois	24	**2.648%**	Pennsylvania	28	2.774%
Indiana	23	2.604%	Rhode Island	42	3.603%
Iowa	4	1.980%	South Carolina	31	2.964%
Kansas	26	2.716%	South Dakota	34	3.151%
Kentucky	43	3.658%	Tennessee	38	3.249%
Louisiana	48	5.043%	Texas	33	3.120%
Maine	3	1.961%	Utah	5	2.043%
Maryland	15	2.520%	Vermont	7	2.067%
Massachusetts	16	2.520%	Virginia	2	1.724%
Michigan	49	5.100%	Washington	11	2.410%
Minnesota	10	2.201%	West Virginia	50	5.781%
Mississippi	44	3.780%	Wisconsin	6	2.048%
Missouri	12	2.425%	Wyoming	25	2.679%

Source: Computed with data from Bureau of Economic Analysis (2012) and CarInsuranceQuotes.com (2014)

Exhibit 63: % of Household Income to Purchase Car Insurance (2012 & 2014)



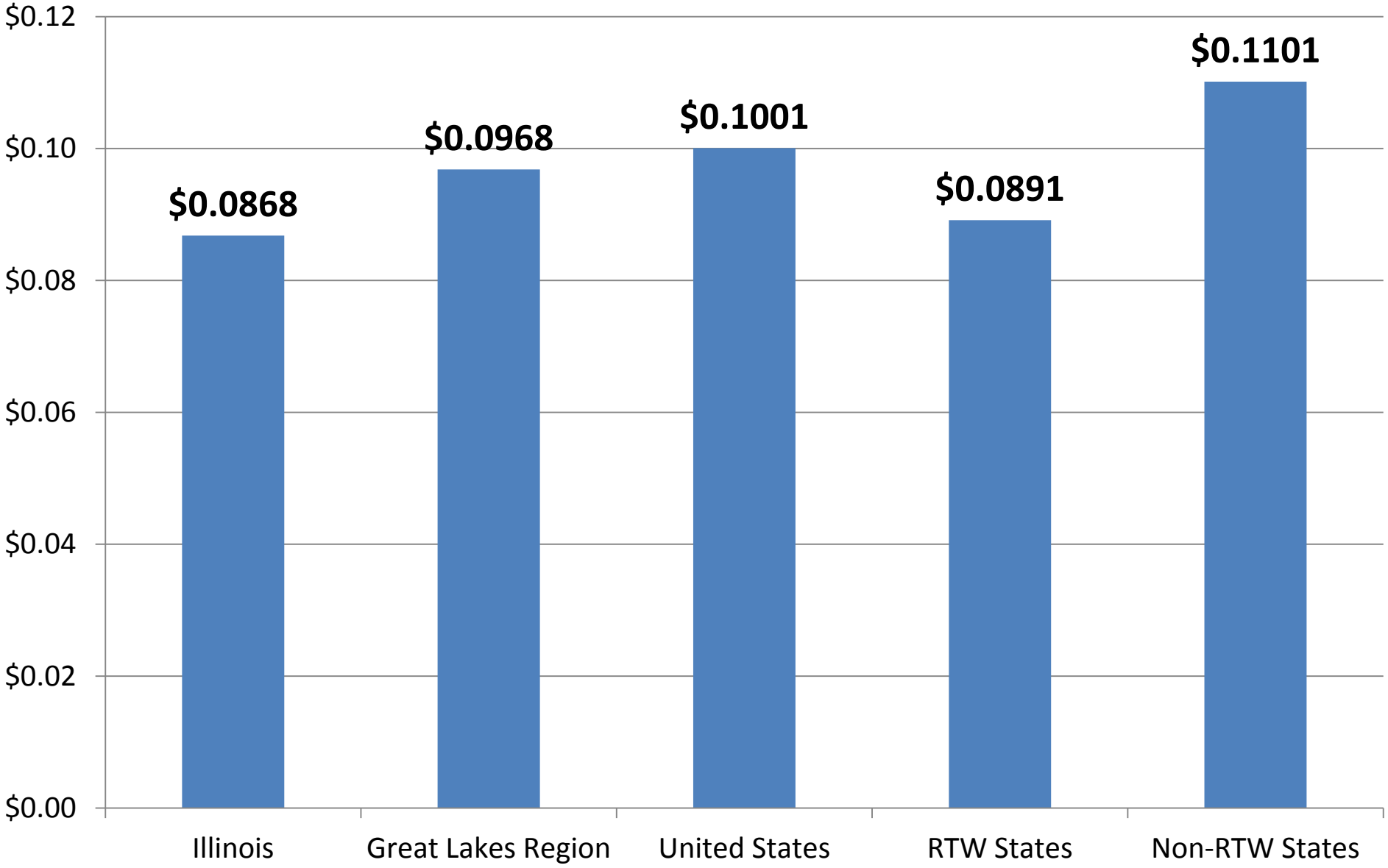
Source: Computed with data from Bureau of Economic Analysis (2012) and CarInsuranceQuotes.com (2014)

Exhibit 64: Average Retail Price For Electricity (cents/kWh)(April 2014)

Alabama	Rank 19	$0.0885	Montana	Rank 12	$0.0829
Alaska	50	$0.1715	Nebraska	15	$0.0859
Arizona	32	$0.0976	Nevada	23	$0.0911
Arkansas	4	$0.0769	New Hampshire	45	$0.1501
California	40	$0.1171	New Jersey	43	$0.1371
Colorado	33	$0.0991	New Mexico	24	$0.0914
Connecticut	49	$0.1687	New York	47	$0.1531
Delaware	39	$0.1135	North Carolina	26	$0.0933
Florida	37	$0.1063	North Dakota	10	$0.0817
Georgia	29	$0.0948	Ohio	27	$0.0937
Hawaii	1	$0.000-	Oklahoma	8	$0.0793
Idaho	3	$0.0760	Oregon	16	$0.0863
Illinois	18	**$0.0868**	Pennsylvania	35	$0.1015
Indiana	20	$0.0887	Rhode Island	48	$0.1543
Iowa	11	$0.0823	South Carolina	25	$0.0930
Kansas	34	$0.0992	South Dakota	21	$0.0888
Kentucky	9	$0.0807	Tennessee	31	$0.0959
Louisiana	14	$0.0850	Texas	17	$0.0863
Maine	41	$0.1210	Utah	7	$0.0780
Maryland	42	$0.1225	Vermont	44	$0.1473
Massachusetts	46	$0.1515	Virginia	22	$0.0894
Michigan	38	$0.1093	Washington	2	$0.0717
Minnesota	28	$0.0944	West Virginia	6	$0.0776
Mississippi	30	$0.0950	Wisconsin	36	$0.1056
Missouri	13	$0.0842	Wyoming	5	$0.0772

Source: U.S. Energy Information Administration (April 2014)

Exhibit 65: Average Retail Price For Electricity (cents/kWh)(April 2014)



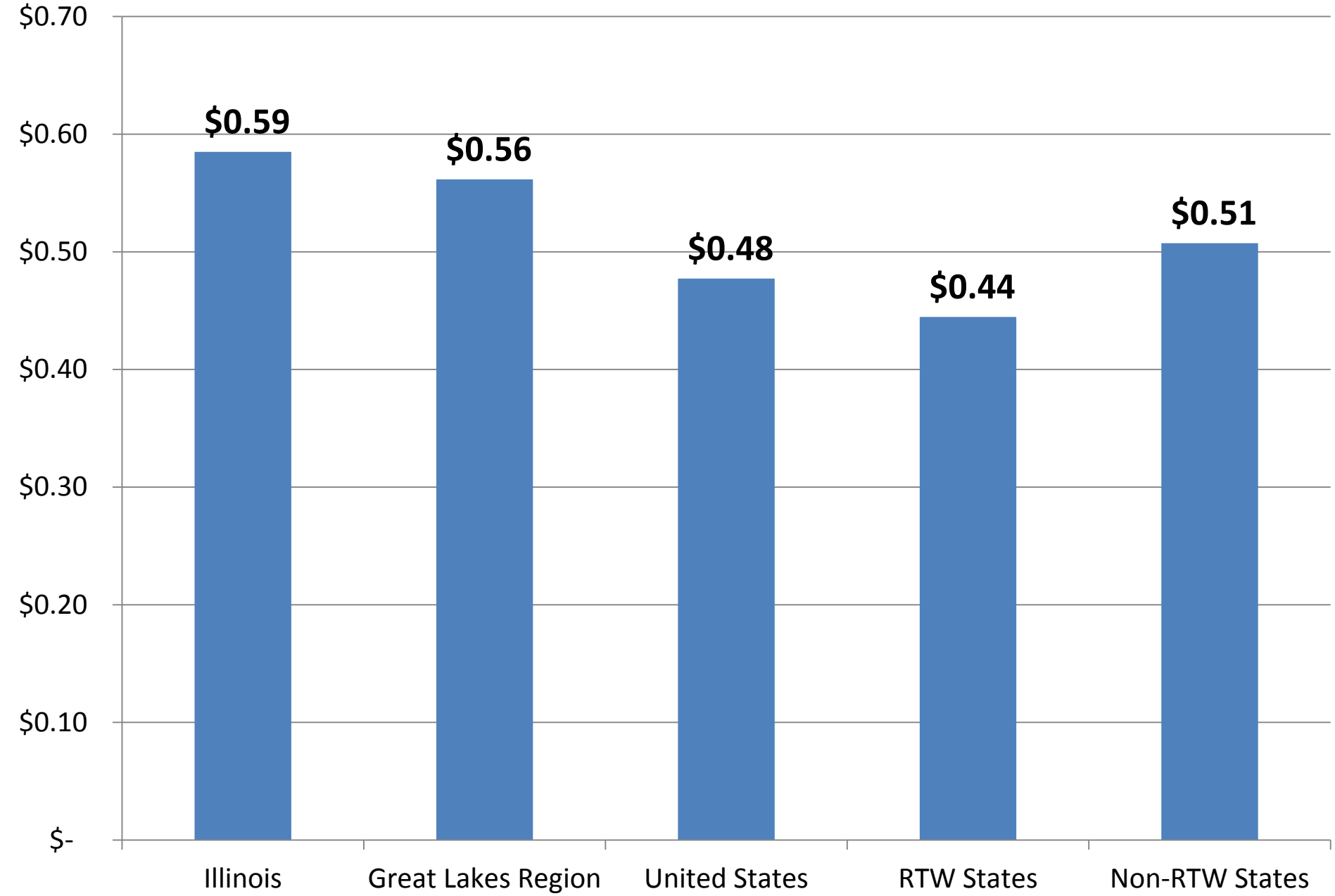
Source: Computed with information U.S. Energy Information Administration (April 2014)

Exhibit 66: Gas Taxes Per Gallon (2014)

Alabama	Rank 12	$0.40	Montana	Rank 28	$0.47
Alaska	1	$0.32	Nebraska	29	$0.47
Arizona	7	$0.38	Nevada	38	$0.53
Arkansas	13	$0.41	New Hampshire	21	$0.43
California	48	$0.69	New Jersey	2	$0.34
Colorado	14	$0.41	New Mexico	9	$0.38
Connecticut	49	$0.69	New York	50	$0.70
Delaware	18	$0.42	North Carolina	41	$0.56
Florida	39	$0.55	North Dakota	19	$0.42
Georgia	26	$0.47	Ohio	30	$0.47
Hawaii	47	$0.68	Oklahoma	3	$0.36
Idaho	23	$0.44	Oregon	33	$0.50
Illinois	43	**$0.59**	Pennsylvania	46	$0.61
Indiana	44	$0.61	Rhode Island	35	$0.52
Iowa	15	$0.41	South Carolina	4	$0.36
Kansas	20	$0.43	South Dakota	16	$0.41
Kentucky	34	$0.52	Tennessee	17	$0.41
Louisiana	10	$0.39	Texas	11	$0.39
Maine	32	$0.49	Utah	24	$0.44
Maryland	27	$0.47	Vermont	36	$0.52
Massachusetts	25	$0.46	Virginia	6	$0.37
Michigan	45	$0.61	Washington	42	$0.57
Minnesota	31	$0.48	West Virginia	40	$0.55
Mississippi	8	$0.38	Wisconsin	37	$0.52
Missouri	5	$0.37	Wyoming	22	$0.43

Source: American Petroleum Institute (2014)

Exhibit 67: Gas Taxes Per Gallon (2014)



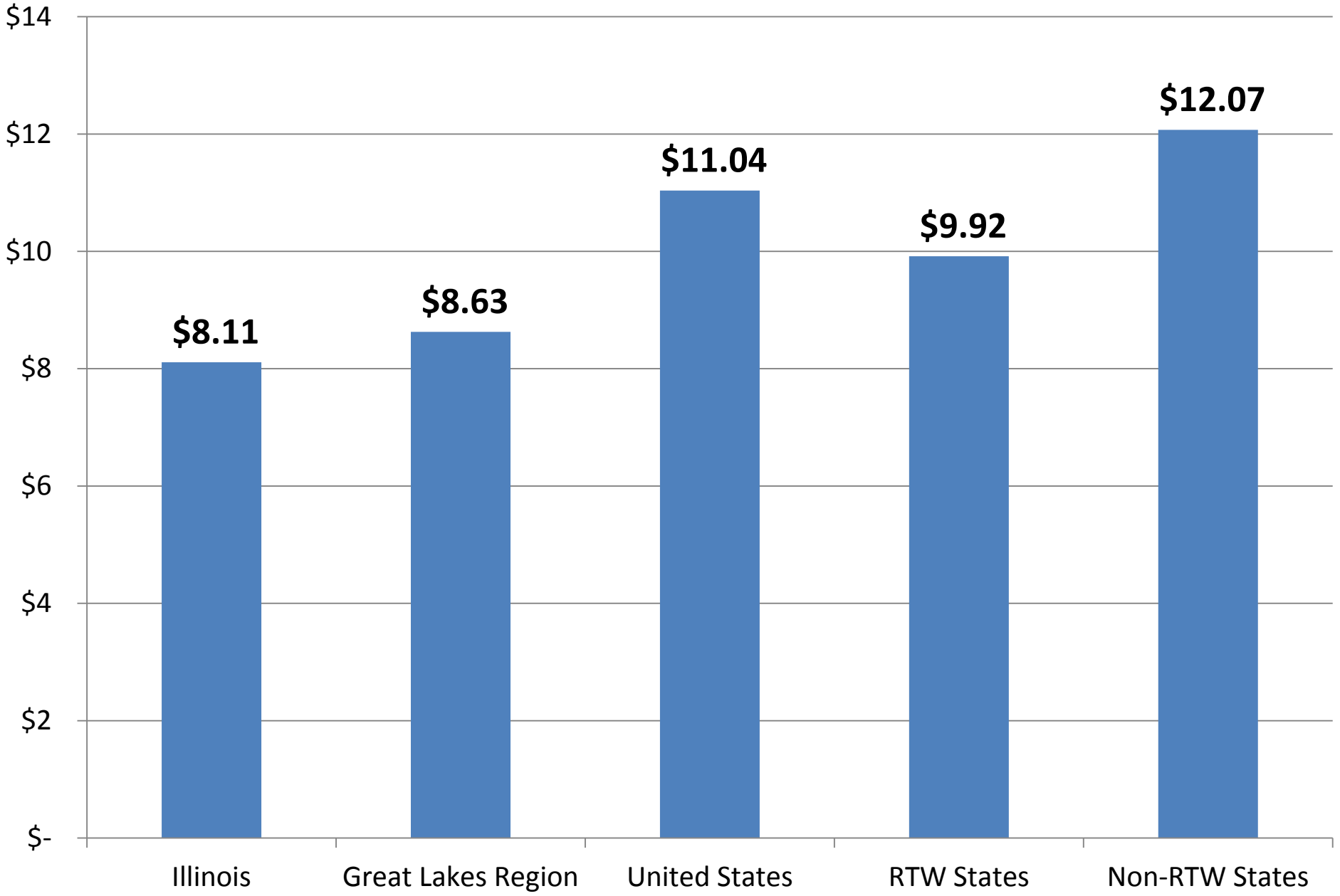
Source: Computed with data from American Petroleum Institute (2014)

Exhibit 68: Residential Natural Gas Prices (Feb. 2014)

Alabama	Rank 42	$13.05	Montana	Rank 9	$8.31
Alaska	25	$9.43	Nebraska	8	$8.23
Arizona	46	$15.36	Nevada	26	$9.57
Arkansas	15	$8.64	New Hampshire	47	$15.47
California	34	$11.06	New Jersey	28	$9.73
Colorado	3	$7.84	New Mexico	16	$8.76
Connecticut	43	$13.13	New York	36	$11.47
Delaware	38	$11.79	North Carolina	35	$11.27
Florida	48	$15.77	North Dakota	2	$7.69
Georgia	40	$12.38	Ohio	10	$8.41
Hawaii	50	$44.69	Oklahoma	1	$7.48
Idaho	14	$8.56	Oregon	30	$10.18
Illinois	7	**$8.11**	Pennsylvania	32	$10.54
Indiana	11	$8.42	Rhode Island	44	$14.12
Iowa	29	$9.90	South Carolina	39	$12.20
Kansas	24	$9.39	South Dakota	21	$9.24
Kentucky	17	$8.81	Tennessee	19	$9.12
Louisiana	20	$9.19	Texas	12	$8.47
Maine	49	$16.28	Utah	18	$8.98
Maryland	37	$11.50	Vermont	41	$13.04
Massachusetts	45	$14.19	Virginia	31	$10.49
Michigan	13	$8.54	Washington	33	$10.76
Minnesota	22	$9.27	West Virginia	23	$9.29
Mississippi	6	$8.08	Wisconsin	27	$9.66
Missouri	5	$8.02	Wyoming	4	$7.96

Source: U.S. Energy Information Administration (Feb. 2014)

Exhibit 69: Residential Natural Gas Prices (Feb. 2014)



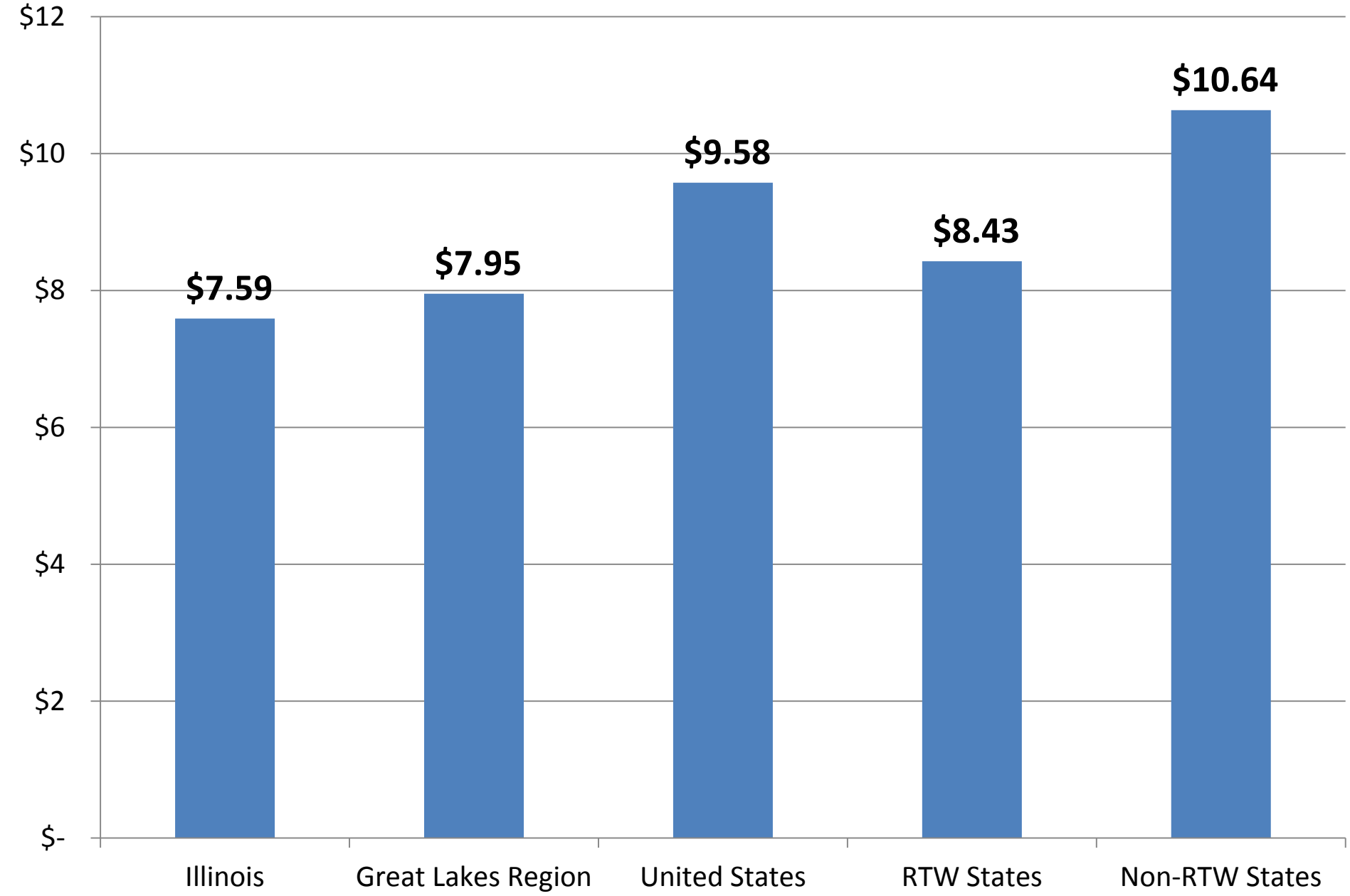
Source: Computed with data from U.S. Energy Information Administration (Feb. 2014)

Exhibit 70: Commercial Natural Gas Prices (Feb. 2014)

Alabama	Rank 45	$11.55	Montana	Rank 19	$8.37
Alaska	33	$9.12	Nebraska	3	$7.18
Arizona	34	$9.24	Nevada	8	$7.44
Arkansas	4	$7.20	New Hampshire	49	$14.46
California	30	$9.02	New Jersey	43	$10.98
Colorado	9	$7.50	New Mexico	7	$7.37
Connecticut	38	$9.88	New York	35	$9.30
Delaware	42	$10.86	North Carolina	28	$8.91
Florida	44	$11.33	North Dakota	5	$7.28
Georgia	36	$9.47	Ohio	14	$7.77
Hawaii	50	$37.92	Oklahoma	1	$6.50
Idaho	13	$7.76	Oregon	25	$8.57
Illinois	12	**$7.59**	Pennsylvania	37	$9.66
Indiana	15	$7.79	Rhode Island	47	$12.01
Iowa	24	$8.54	South Carolina	41	$10.42
Kansas	27	$8.83	South Dakota	20	$8.37
Kentucky	17	$8.09	Tennessee	32	$9.04
Louisiana	31	$9.02	Texas	6	$7.33
Maine	48	$14.06	Utah	10	$7.54
Maryland	40	$10.19	Vermont	39	$9.88
Massachusetts	46	$12.01	Virginia	23	$8.40
Michigan	16	$8.01	Washington	29	$8.98
Minnesota	22	$8.39	West Virginia	21	$8.38
Mississippi	18	$8.09	Wisconsin	26	$8.60
Missouri	11	$7.55	Wyoming	2	$7.00

Source: U.S. Energy Information Administration (Feb. 2014)

Exhibit 71: Commercial Natural Gas Prices (Feb. 2014)



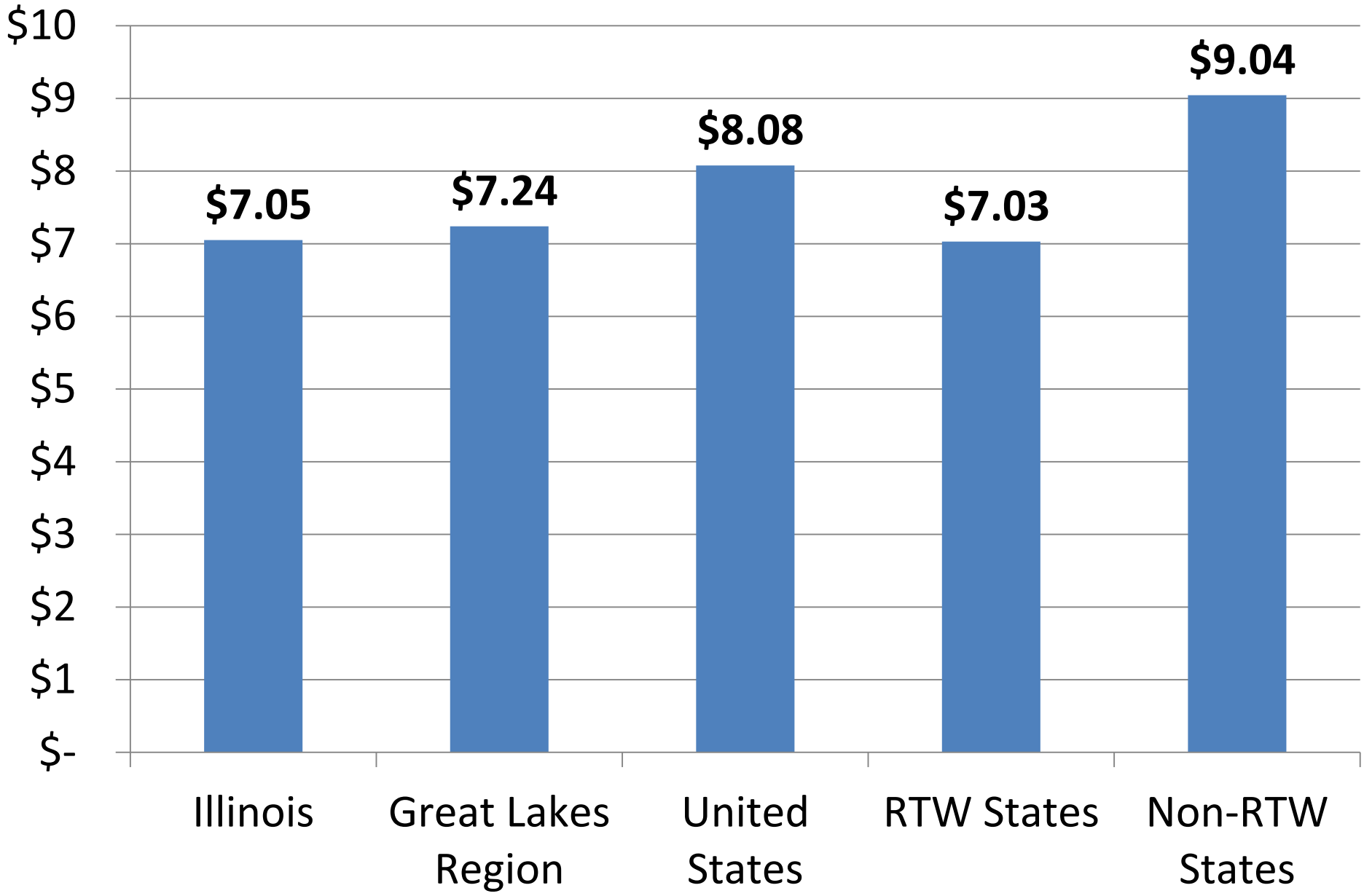
Source: Computed with data from U.S. Energy Information Administration (Feb. 2014)

Exhibit 72: Industrial Natural Gas Prices (Feb. 2014)

Alabama	Rank 16	$6.74	Montana	Rank 25	$7.25
Alaska	39	$8.42	Nebraska	1	$4.34
Arizona	31	$7.61	Nevada	23	$7.16
Arkansas	11	$6.38	New Hampshire	49	$13.10
California	32	$7.71	New Jersey	46	$10.39
Colorado	13	$6.47	New Mexico	15	$6.68
Connecticut	42	$8.91	New York	41	$8.65
Delaware	45	$10.20	North Carolina	37	$8.17
Florida	18	$6.87	North Dakota	3	$5.61
Georgia	30	$7.50	Ohio	10	$6.36
Hawaii	50	$27.21	Oklahoma	6	$6.04
Idaho	9	$6.18	Oregon	7	$6.04
Illinois	21	**$7.05**	Pennsylvania	44	$9.07
Indiana	17	$6.85	Rhode Island	40	$8.54
Iowa	43	$9.05	South Carolina	29	$7.49
Kansas	33	$7.83	South Dakota	26	$7.29
Kentucky	27	$7.31	Tennessee	28	$7.39
Louisiana	5	$5.97	Texas	4	$5.67
Maine	48	$11.93	Utah	8	$6.10
Maryland	35	$7.95	Vermont	14	$6.63
Massachusetts	47	$11.65	Virginia	12	$6.43
Michigan	34	$7.92	Washington	38	$8.28
Minnesota	22	$7.06	West Virginia	2	$5.00
Mississippi	20	$6.97	Wisconsin	36	$8.02
Missouri	24	$7.21	Wyoming	19	$6.91

Source: U.S. Energy Information Administration (Feb. 2014)

Exhibit 73: Industrial Natural Gas Prices (Feb. 2014)



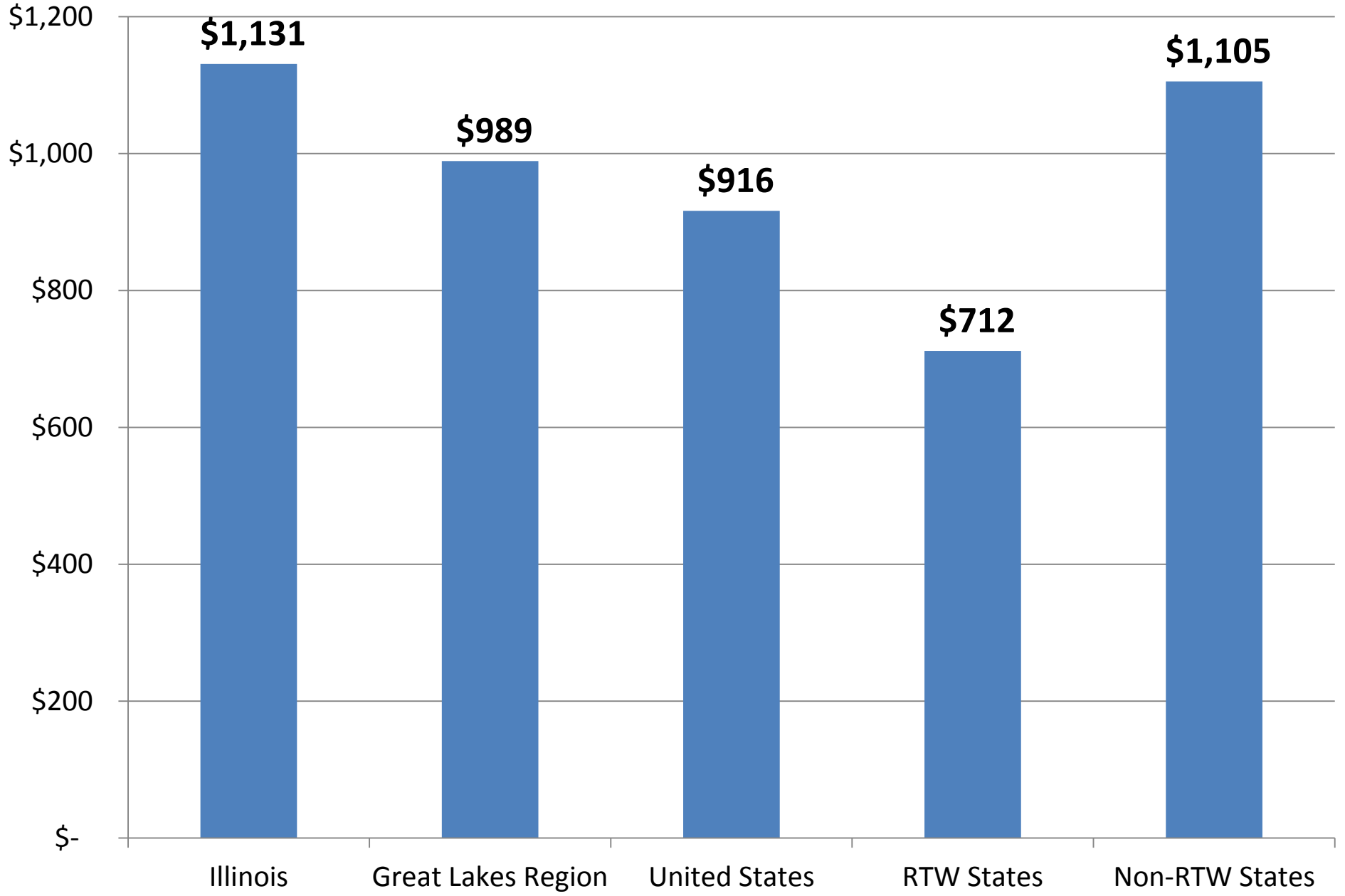
Source: Computed with data from U.S. Energy Information Administration (Feb. 2014)

Exhibit 74: Insurance Trust Expenditures Per Capita (2012)

Alabama	Rank 17	$721	Montana	Rank 29	$911
Alaska	50	$1,781	Nebraska	1	$398
Arizona	12	$669	Nevada	33	$1,027
Arkansas	10	$637	New Hampshire	5	$561
California	44	$1,323	New Jersey	49	$1,730
Colorado	37	$1,111	New Mexico	35	$1,057
Connecticut	46	$1,388	New York	42	$1,249
Delaware	31	$950	North Carolina	22	$795
Florida	3	$508	North Dakota	15	$706
Georgia	16	$709	Ohio	47	$1,486
Hawaii	34	$1,047	Oklahoma	13	$696
Idaho	14	$705	Oregon	45	$1,375
Illinois	38	**$1,131**	Pennsylvania	39	$1,144
Indiana	8	$596	Rhode Island	48	$1,522
Iowa	24	$805	South Carolina	23	$800
Kansas	18	$727	South Dakota	4	$535
Kentucky	36	$1,074	Tennessee	2	$480
Louisiana	28	$852	Texas	11	$637
Maine	26	$813	Utah	7	$594
Maryland	20	$763	Vermont	9	$602
Massachusetts	43	$1,273	Virginia	6	$565
Michigan	30	$922	Washington	40	$1,145
Minnesota	32	$966	West Virginia	21	$774
Mississippi	27	$823	Wisconsin	25	$810
Missouri	19	$752	Wyoming	41	$1,174

Source: United States Census Bureau (2012)

Exhibit 75: Insurance Trust Expenditure Per Capita (2012)



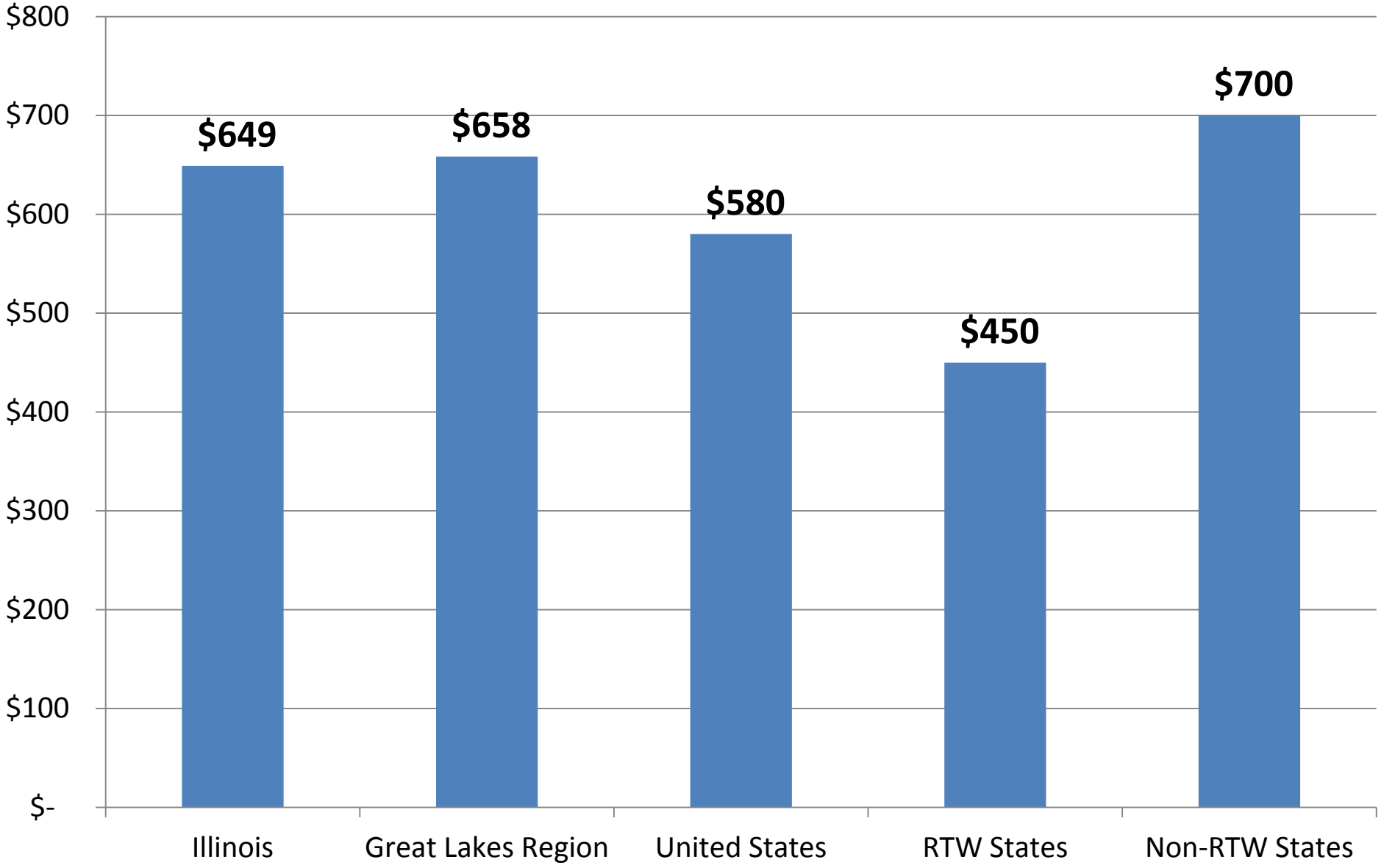
Source: Computed with data from United States Census Bureau (2012)

Exhibit 76: Average Insurance Trust Expenditures Per Capita (2000-2012)

Alabama	Rank 14	$437	Montana	Rank 29	$588
Alaska	50	$1,246	Nebraska	1	$224
Arizona	13	$422	Nevada	27	$550
Arkansas	10	$401	New Hampshire	5	$345
California	42	$773	New Jersey	48	$994
Colorado	35	$662	New Mexico	31	$603
Connecticut	45	$811	New York	41	$766
Delaware	25	$513	North Carolina	23	$492
Florida	7	$367	North Dakota	16	$462
Georgia	11	$416	Ohio	49	$1,001
Hawaii	36	$678	Oklahoma	20	$478
Idaho	18	$466	Oregon	47	$990
Illinois	34	**$649**	Pennsylvania	38	$693
Indiana	6	$350	Rhode Island	46	$921
Iowa	21	$486	South Carolina	26	$537
Kansas	15	$439	South Dakota	4	$344
Kentucky	33	$631	Tennessee	2	$289
Louisiana	28	$586	Texas	12	$420
Maine	24	$501	Utah	9	$394
Maryland	19	$470	Vermont	8	$380
Massachusetts	40	$736	Virginia	3	$342
Michigan	30	$595	Washington	43	$803
Minnesota	37	$678	West Virginia	32	$610
Mississippi	22	$489	Wisconsin	39	$696
Missouri	17	$465	Wyoming	44	$810

Source: Computed with data from United States Census Bureau (2012)

Exhibit 77 : Average Insurance Trust Expenditure Per Capita (2000-2012)



Source: Computed with data from United States Census Bureau (2012)

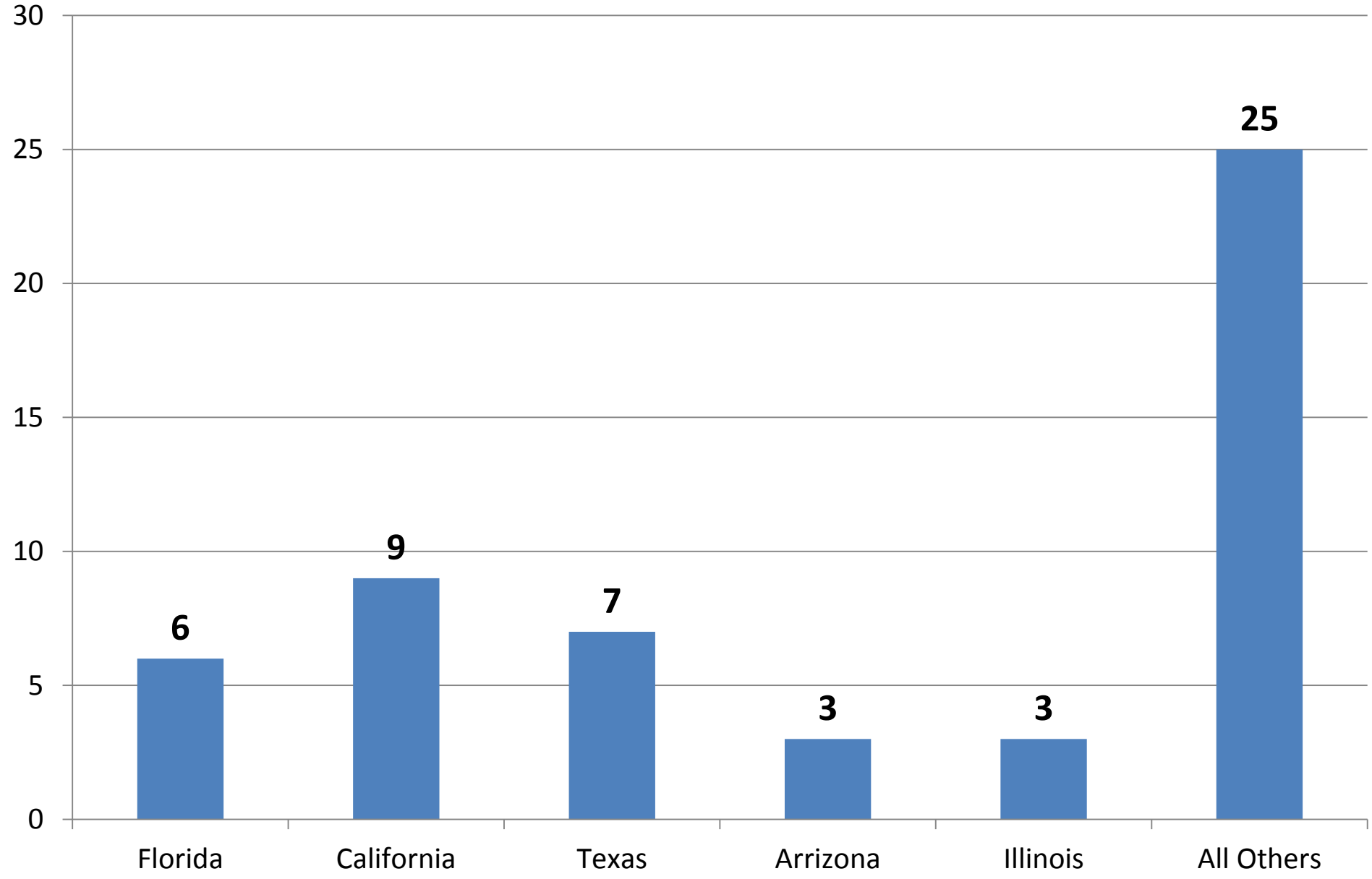
Exhibit 78: Number of Cities in the Top 50 Destinations (2013)

Alabama	Rank 50	0	Montana	Rank 50	0
Alaska	50	0	Nebraska	50	0
Arizona	6	3	Nevada	23	1
Arkansas	50	0	New Hampshire	50	0
California	1	9	New Jersey	50	0
Colorado	23	1	New Mexico	50	0
Connecticut	50	0	New York	23	1
Delaware	50	0	North Carolina	23	1
Florida	3	6	North Dakota	50	0
Georgia	23	1	Ohio	23	1
Hawaii	50	0	Oklahoma	50	0
Idaho	50	0	Oregon	23	1
Illinois	6	**3**	Pennsylvania	23	1
Indiana	23	1	Rhode Island	50	0
Iowa	50	0	South Carolina	50	0
Kansas	50	0	South Dakota	50	0
Kentucky	50	0	Tennessee	23	1
Louisiana	23	1	Texas	2	7
Maine	50	0	Utah	23	1
Maryland	6	3	Vermont	50	0
Massachusetts	23	1	Virginia	8	2
Michigan	50	0	Washington	23	1
Minnesota	23	1	West Virginia	50	0
Mississippi	50	0	Wisconsin	50	0
Missouri	8	2	Wyoming	50	0

Source: CNBC (2013); Measures Based on Tourism

Exhibit 79: Number of Cities in the Top 50 Destinations (2013)

(Measure based on Tourism)



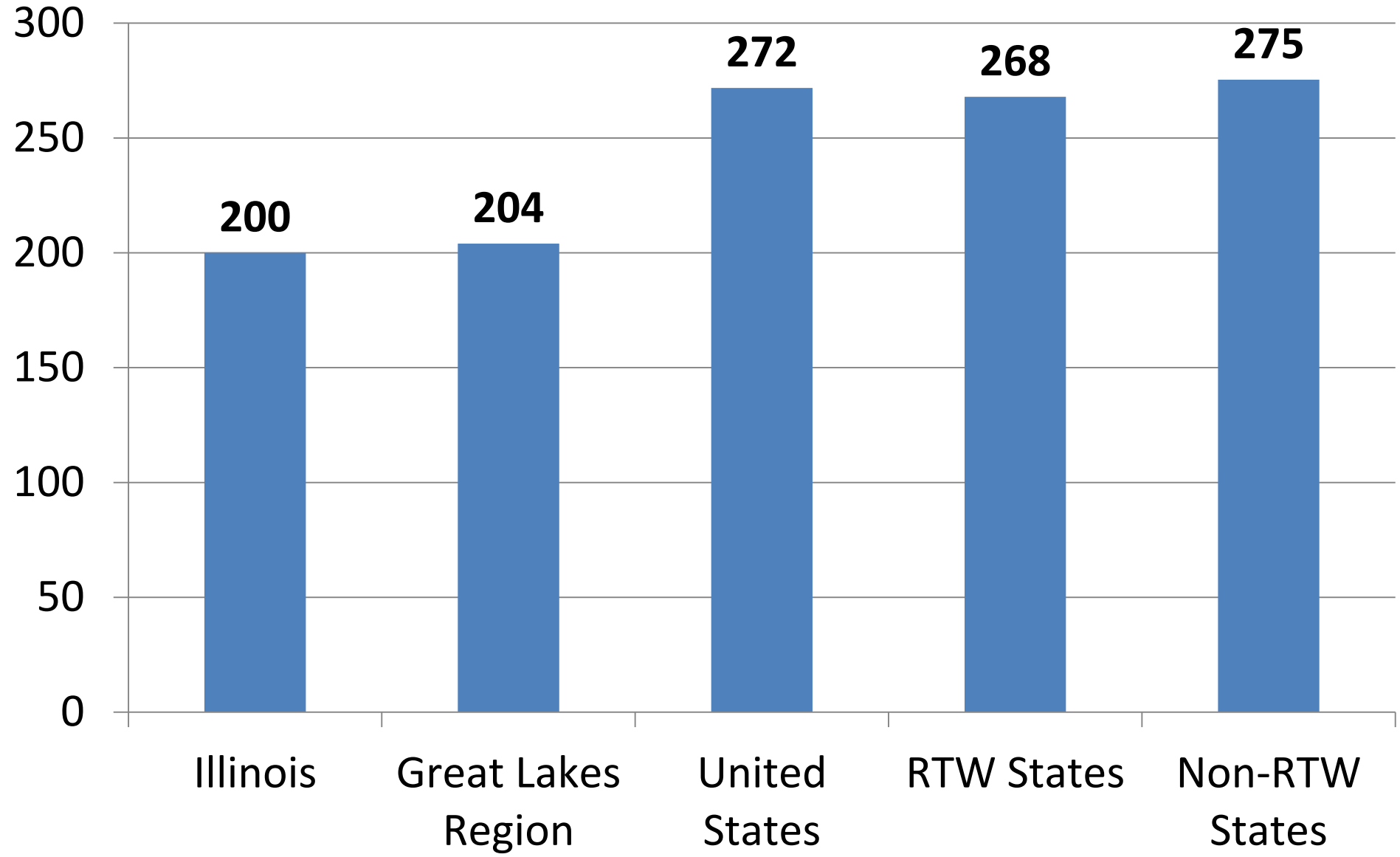
Source: Computed with data from CNBC (2013)

Exhibit 80: Kauffman Index of Entrepreneurial Activity (2013)

Alabama	Rank 28	250	Montana	Rank 1	610
Alaska	2	470	Nebraska	16	310
Arizona	34	220	Nevada	33	230
Arkansas	36	210	New Hampshire	39	200
California	4	400	New Jersey	42	190
Colorado	5	380	New Mexico	10	340
Connecticut	22	280	New York	21	290
Delaware	23	280	North Carolina	11	320
Florida	8	340	North Dakota	43	190
Georgia	30	240	Ohio	40	200
Hawaii	9	340	Oklahoma	17	300
Idaho	14	310	Oregon	37	210
Illinois	38	**200**	Pennsylvania	41	200
Indiana	47	160	Rhode Island	49	140
Iowa	50	110	South Carolina	26	260
Kansas	44	180	South Dakota	3	410
Kentucky	7	360	Tennessee	18	300
Louisiana	15	310	Texas	12	320
Maine	19	290	Utah	13	320
Maryland	25	270	Vermont	27	260
Massachusetts	29	250	Virginia	32	240
Michigan	20	290	Washington	45	170
Minnesota	48	160	West Virginia	24	280
Mississippi	31	240	Wisconsin	46	170
Missouri	35	220	Wyoming	6	370

Source: The Kauffman Foundation (2013)

Exhibit 81: Kauffman Index of Entrepreneurial Activity (2013)



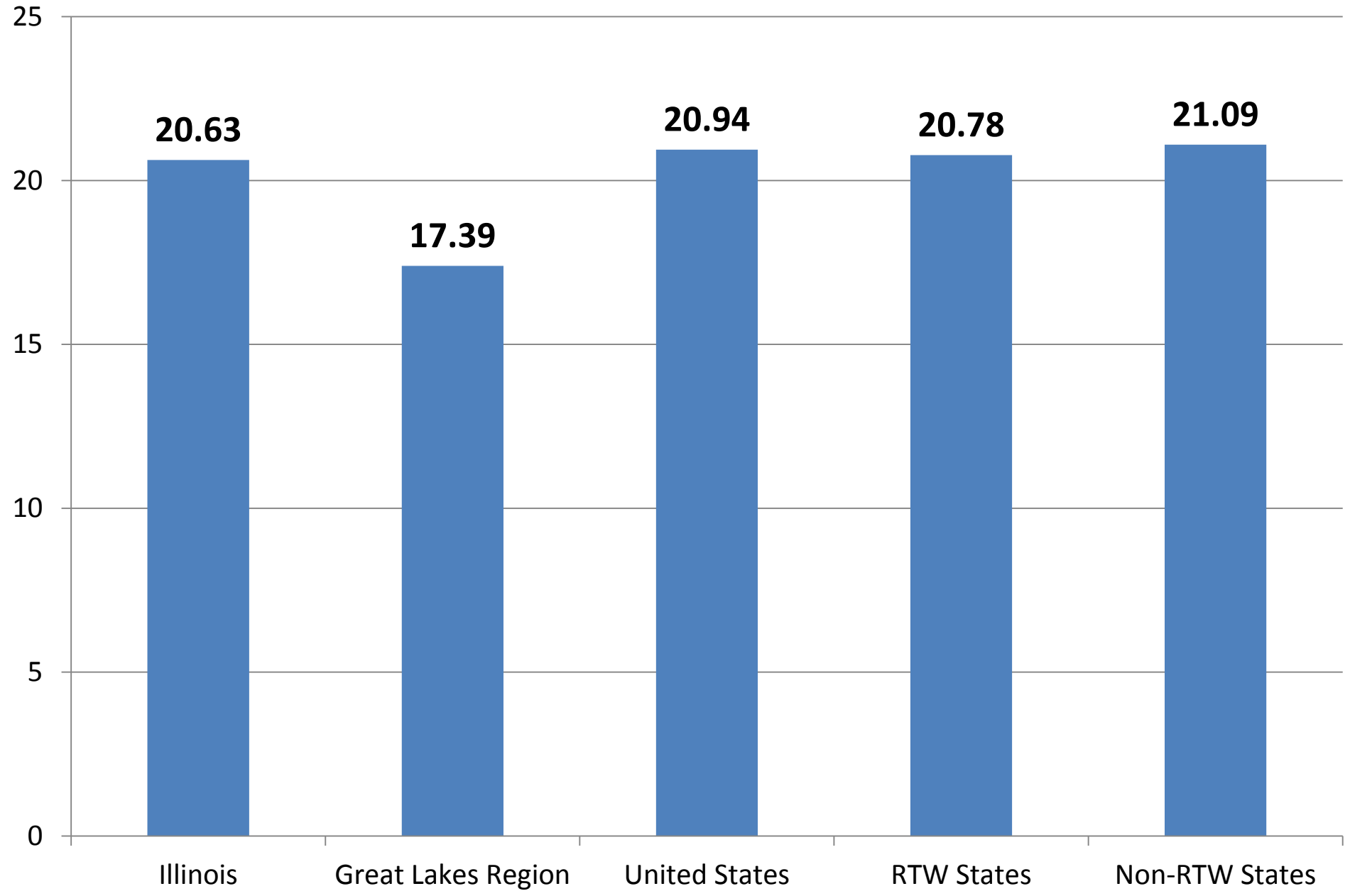
Source: Computed with data from The Kauffman Foundation (2013)

Exhibit 82: Business Births per 10,000 People (2011)

Alabama	Rank 49	15.48	Montana	Rank 3	29.58
Alaska	11	24.04	Nebraska	22	21.00
Arizona	27	20.53	Nevada	10	24.10
Arkansas	39	17.70	New Hampshire	21	21.11
California	18	21.68	New Jersey	14	23.12
Colorado	2	29.58	New Mexico	35	17.93
Connecticut	36	17.87	New York	7	25.51
Delaware	16	23.02	North Carolina	33	19.17
Florida	4	29.55	North Dakota	5	27.63
Georgia	25	20.73	Ohio	47	15.51
Hawaii	41	17.40	Oklahoma	31	19.29
Idaho	12	23.44	Oregon	9	24.24
Illinois	26	**20.63**	Pennsylvania	42	17.29
Indiana	43	16.66	Rhode Island	19	21.25
Iowa	40	17.56	South Carolina	38	17.73
Kansas	29	19.63	South Dakota	17	22.66
Kentucky	46	15.69	Tennessee	45	16.24
Louisiana	34	18.05	Texas	30	19.56
Maine	13	23.29	Utah	6	25.56
Maryland	32	19.24	Vermont	8	24.54
Massachusetts	28	19.89	Virginia	24	20.86
Michigan	37	17.83	Washington	15	23.06
Minnesota	20	21.17	West Virginia	50	14.55
Mississippi	48	15.50	Wisconsin	44	16.35
Missouri	23	20.91	Wyoming	1	32.17

Source: United States Small Business Administration (2011)

Exhibit 83: Business Births per 10,000 People (2011)



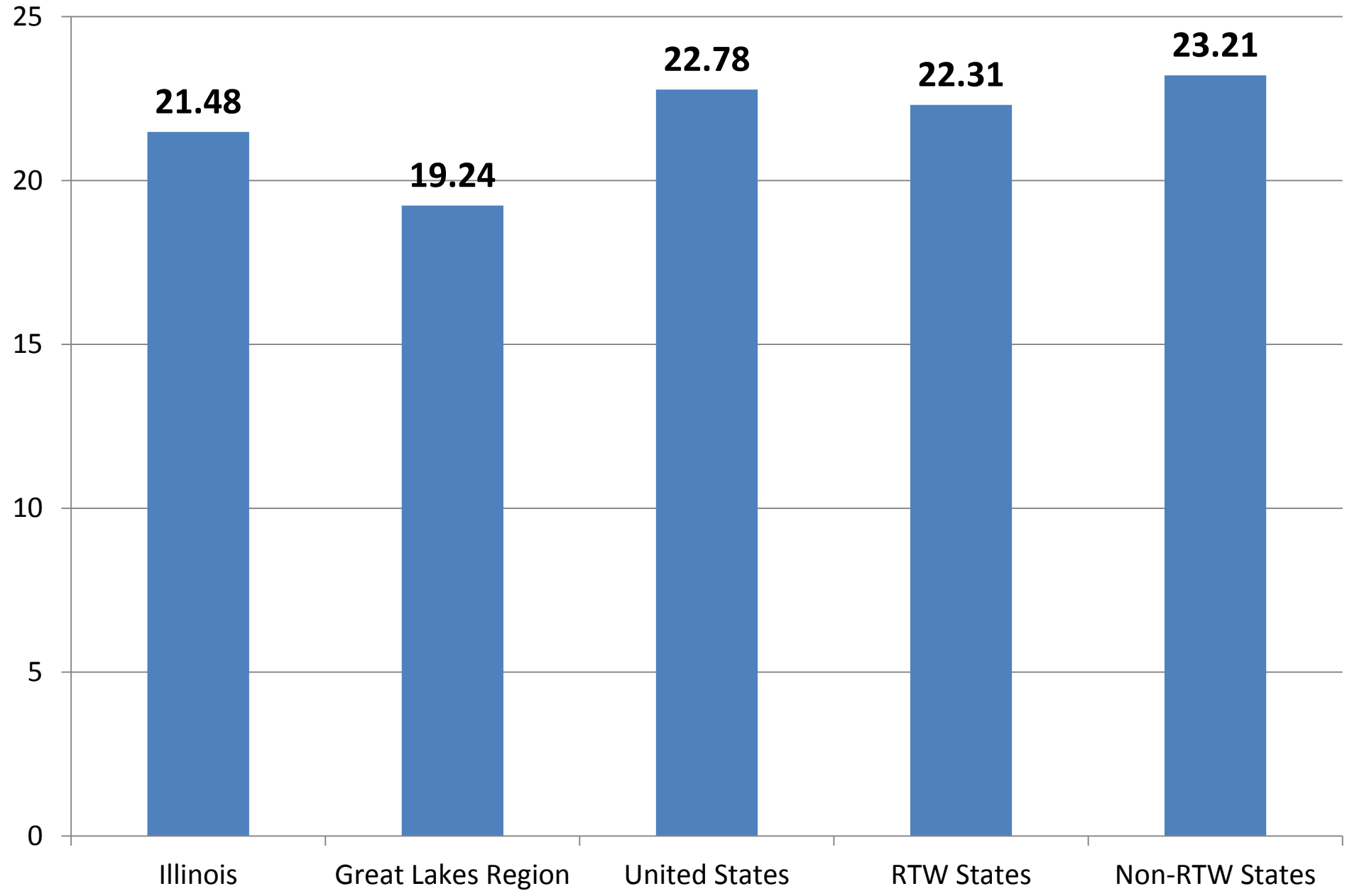
Source: Computed with data from United States Small Business Administration (2011)

Exhibit 84: Business Deaths per 10,000 People (2011)

Alabama	Rank 7	18.85	Montana	Rank 50	34.75
Alaska	31	22.75	Nebraska	28	22.49
Arizona	30	22.69	Nevada	39	25.02
Arkansas	14	19.84	New Hampshire	36	24.66
California	24	22.01	New Jersey	40	25.08
Colorado	48	30.90	New Mexico	15	19.86
Connecticut	21	21.12	New York	35	24.58
Delaware	38	24.73	North Carolina	23	21.77
Florida	45	29.17	North Dakota	32	23.10
Georgia	29	22.68	Ohio	4	17.84
Hawaii	16	20.03	Oklahoma	18	20.67
Idaho	47	30.25	Oregon	42	26.23
Illinois	22	**21.48**	Pennsylvania	5	18.00
Indiana	6	18.68	Rhode Island	33	23.93
Iowa	13	19.60	South Carolina	19	21.00
Kansas	26	22.35	South Dakota	37	24.72
Kentucky	3	17.70	Tennessee	11	19.13
Louisiana	9	18.90	Texas	10	19.02
Maine	44	27.20	Utah	41	25.99
Maryland	20	21.06	Vermont	46	29.44
Massachusetts	17	20.48	Virginia	27	22.35
Michigan	8	18.89	Washington	43	26.78
Minnesota	25	22.11	West Virginia	1	17.02
Mississippi	2	17.10	Wisconsin	12	19.29
Missouri	34	24.44	Wyoming	49	31.11

Source: United States Small Business Administration (2011)

Exhibit 85: Business Deaths per 10,000 People (2011)



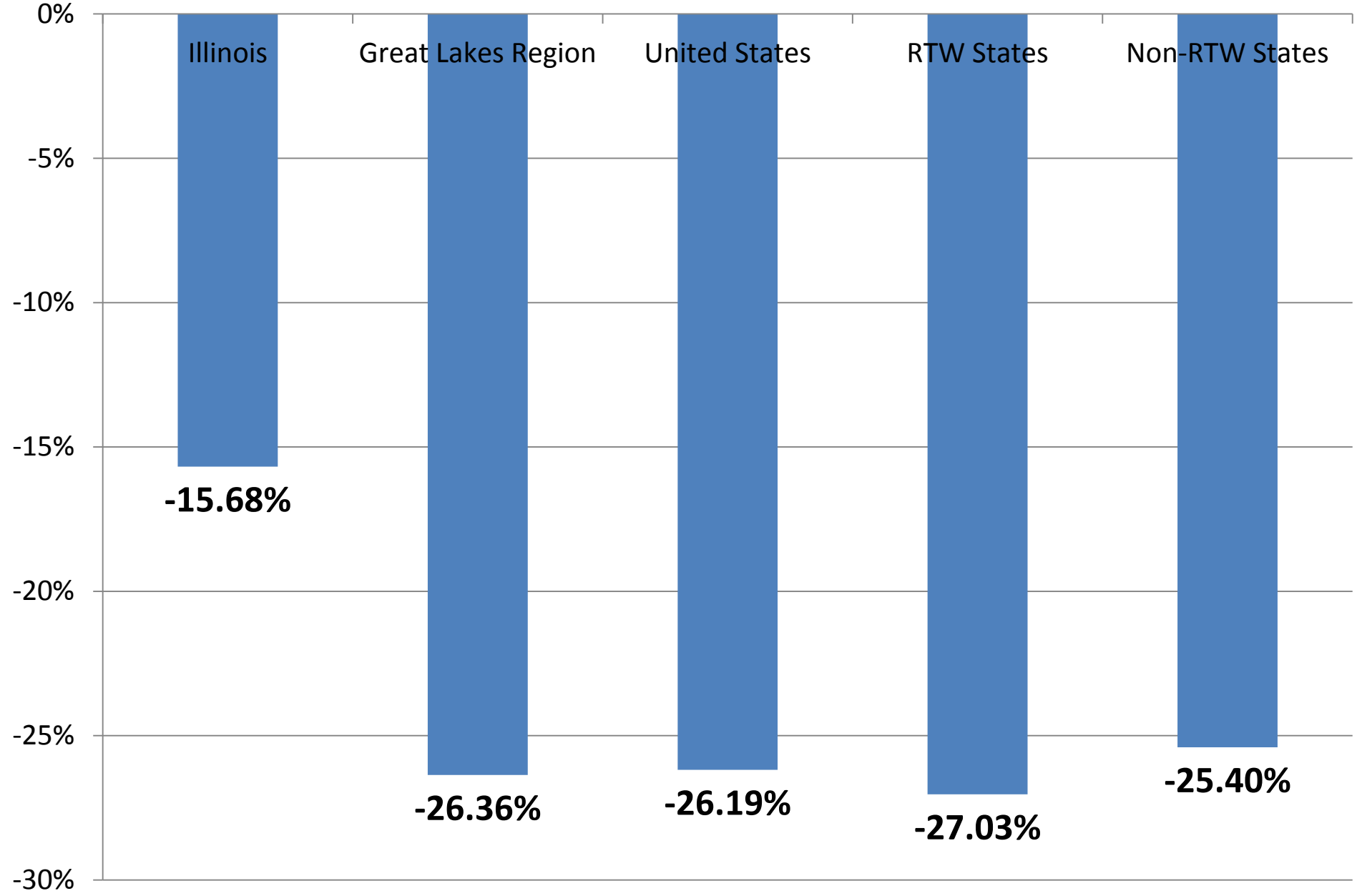
Source: Computed with data from United States Small Business Administration (2011)

Exhibit 86: Growth in Establishment Births (2002-2011)

Alabama	Rank 50	-34.18%	Montana	Rank 8	-21.10%
Alaska	30	-28.64%	Nebraska	17	-24.44%
Arizona	31	-28.69%	Nevada	35	-30.31%
Arkansas	47	-32.75%	New Hampshire	28	-27.99%
California	10	-23.07%	New Jersey	6	-20.40%
Colorado	12	-23.41%	New Mexico	44	-32.40%
Connecticut	27	-27.94%	New York	2	-7.07%
Delaware	49	-33.54%	North Carolina	33	-29.64%
Florida	3	-15.21%	North Dakota	1	0.11%
Georgia	34	-30.13%	Ohio	32	-29.37%
Hawaii	41	-31.59%	Oklahoma	24	-27.47%
Idaho	45	-32.49%	Oregon	14	-23.88%
Illinois	4	**-15.68%**	Pennsylvania	9	-22.64%
Indiana	39	-30.89%	Rhode Island	5	-18.37%
Iowa	25	-27.71%	South Carolina	48	-33.02%
Kansas	40	-31.17%	South Dakota	37	-30.52%
Kentucky	36	-30.35%	Tennessee	46	-32.53%
Louisiana	11	-23.16%	Texas	21	-26.11%
Maine	18	-24.49%	Utah	16	-24.25%
Maryland	26	-27.78%	Vermont	7	-20.64%
Massachusetts	20	-26.08%	Virginia	15	-23.94%
Michigan	13	-23.52%	Washington	23	-26.56%
Minnesota	22	-26.26%	West Virginia	38	-30.65%
Mississippi	42	-31.62%	Wisconsin	43	-32.36%
Missouri	29	-28.20%	Wyoming	19	-25.15%

Source: Computed with data from United States Small Business Administration (2002 – 2011)

Exhibit 87: Growth in Establishment Births (2002-2011)



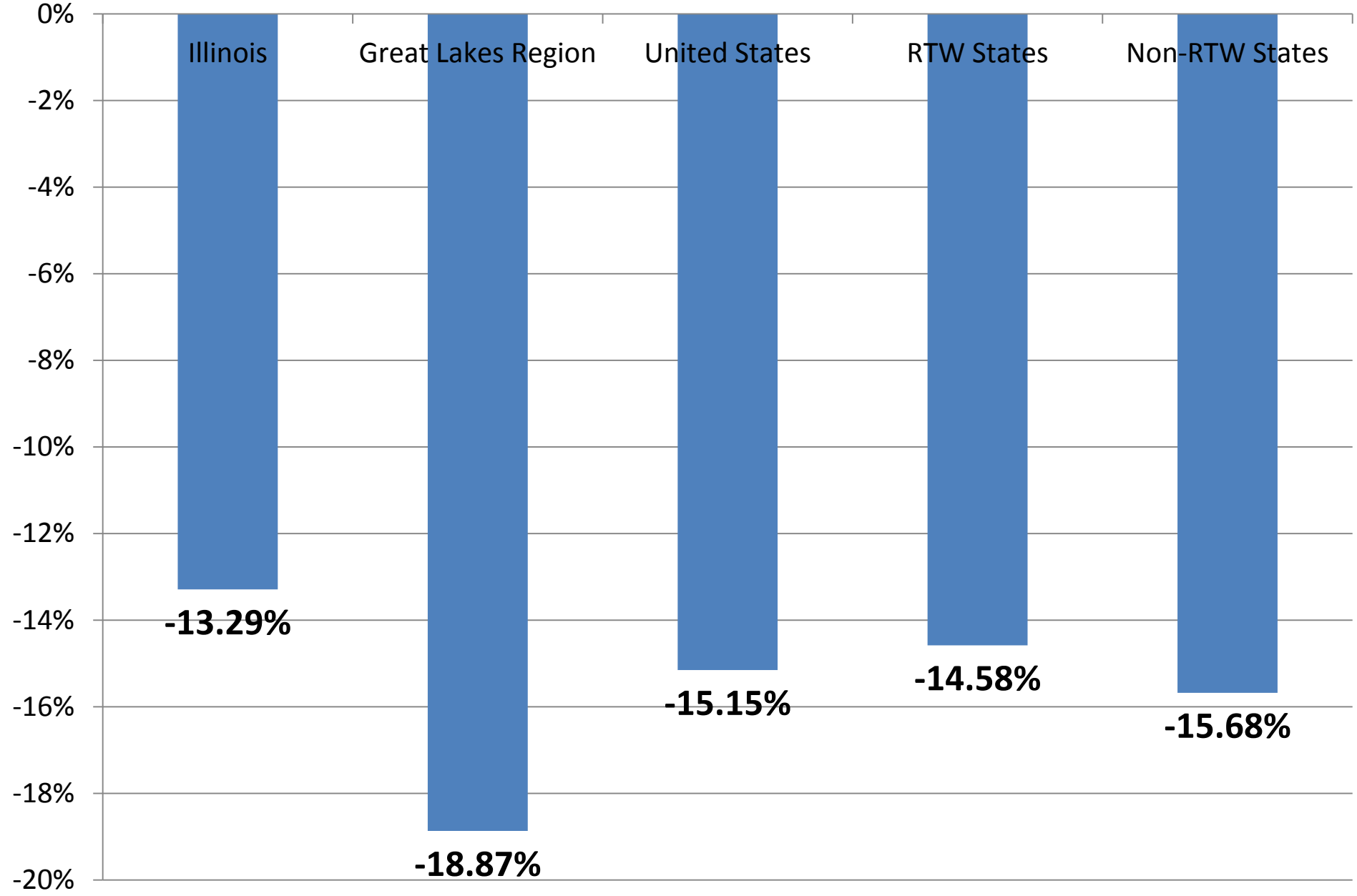
Source: Computed with data from United States Small Business Administration (2002 – 2011)

Exhibit 88: Growth in Establishment Deaths (2002-2011)

Alabama	Rank 18	-17.04%	Montana	Rank 49	-2.33%
Alaska	2	-24.89%	Nebraska	34	-13.05%
Arizona	41	-9.92%	Nevada	39	-10.77%
Arkansas	22	-16.16%	New Hampshire	31	-13.89%
California	27	-14.98%	New Jersey	37	-12.35%
Colorado	28	-14.55%	New Mexico	5	-21.67%
Connecticut	16	-18.35%	New York	43	-8.41%
Delaware	10	-20.43%	North Carolina	24	-15.68%
Florida	48	-4.58%	North Dakota	29	-14.49%
Georgia	25	-15.63%	Ohio	8	-20.98%
Hawaii	20	-16.76%	Oklahoma	19	-17.01%
Idaho	50	-1.90%	Oregon	23	-15.81%
Illinois	33	**-13.29%**	Pennsylvania	14	-18.68%
Indiana	15	-18.51%	Rhode Island	47	-4.94%
Iowa	9	-20.74%	South Carolina	26	-15.27%
Kansas	12	-19.70%	South Dakota	38	-11.48%
Kentucky	21	-16.55%	Tennessee	7	-21.18%
Louisiana	35	-12.88%	Texas	6	-21.54%
Maine	40	-10.18%	Utah	44	-8.03%
Maryland	42	-9.87%	Vermont	36	-12.76%
Massachusetts	1	-34.33%	Virginia	46	-7.04%
Michigan	3	-23.25%	Washington	32	-13.45%
Minnesota	11	-19.98%	West Virginia	4	-22.22%
Mississippi	13	-19.69%	Wisconsin	17	-18.31%
Missouri	45	-7.67%	Wyoming	30	-14.39%

Source: Computed with data from United States Small Business Administration (2002 – 2011)

Exhibit 89: Growth in Establishment Deaths (2002-2011)



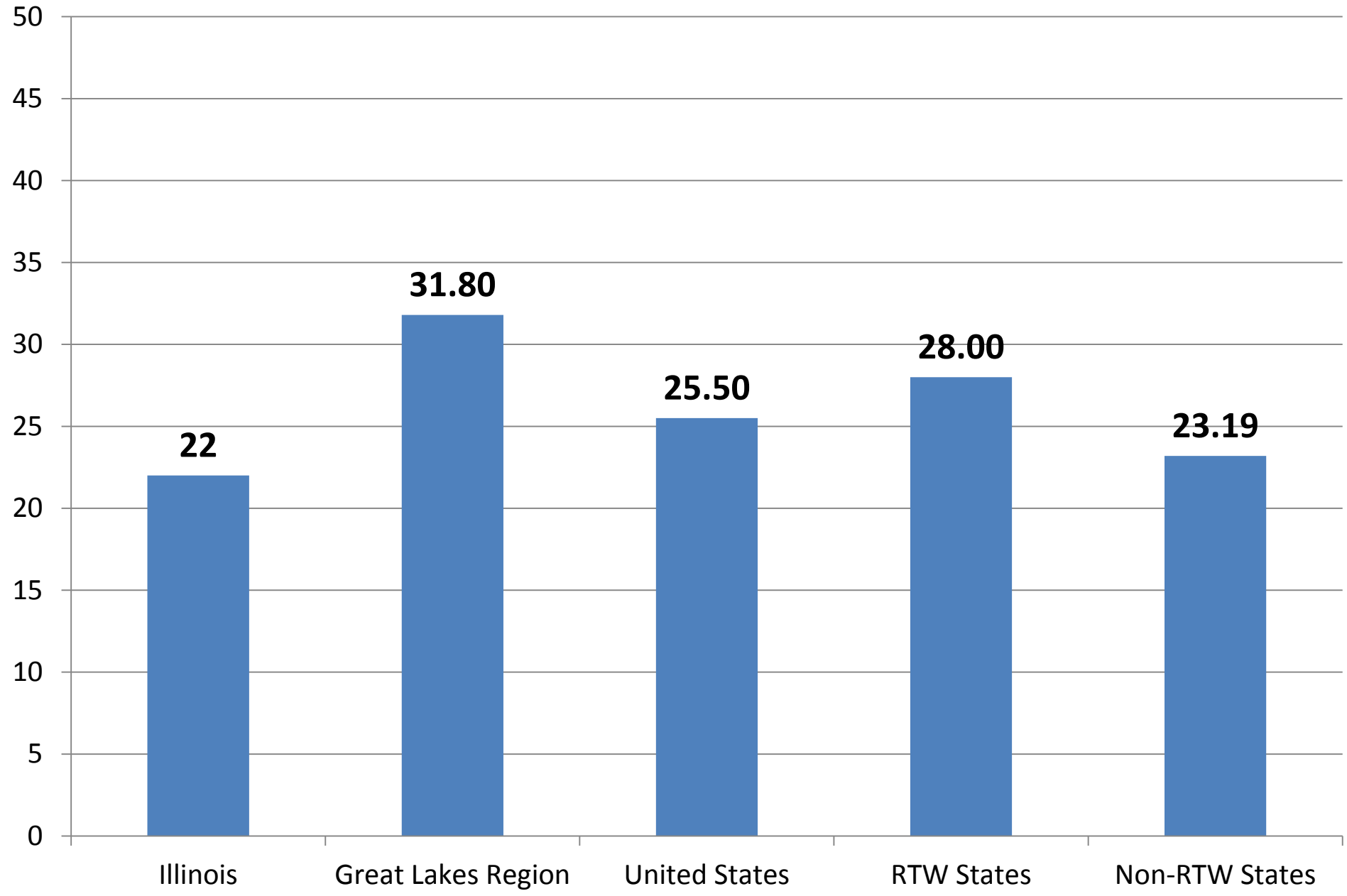
Source: Computed with data from United States Small Business Administration (2002 – 2011)

Exhibit 90: Happiness (2013)

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

Source: Mainstreet.com (2013)

Exhibit 91: Happiness (2013)



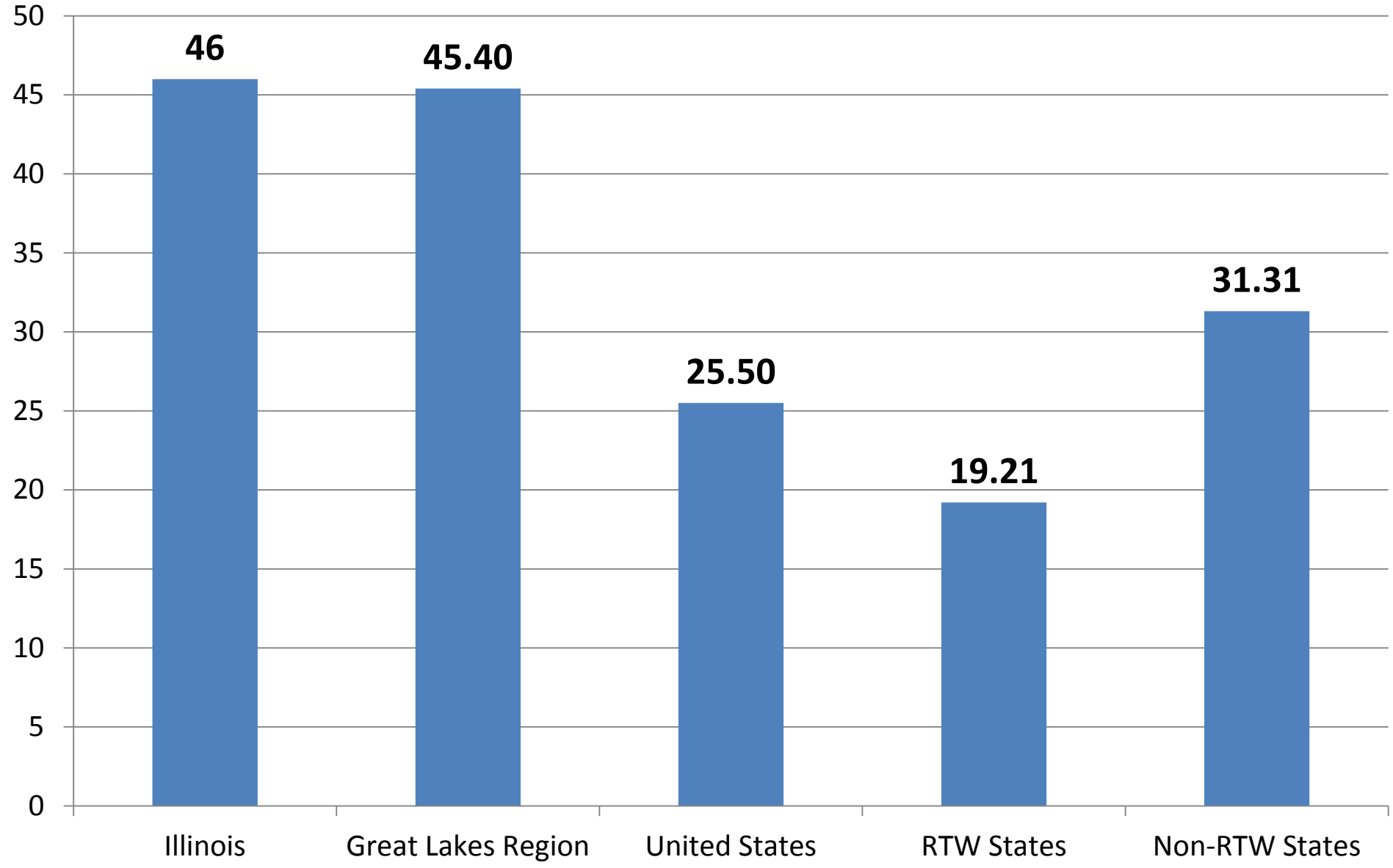
Source: Computed with data from Mainstreet.com (2013)

Exhibit 92: ALEC-Laffer State Economic Performance Rankings, 2002- 2012

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

Source: ALEC's Rich States, Poor States (2014)

Exhibit 93: ALEC-Laffer State Economic Performance Rankings, 2001-2012



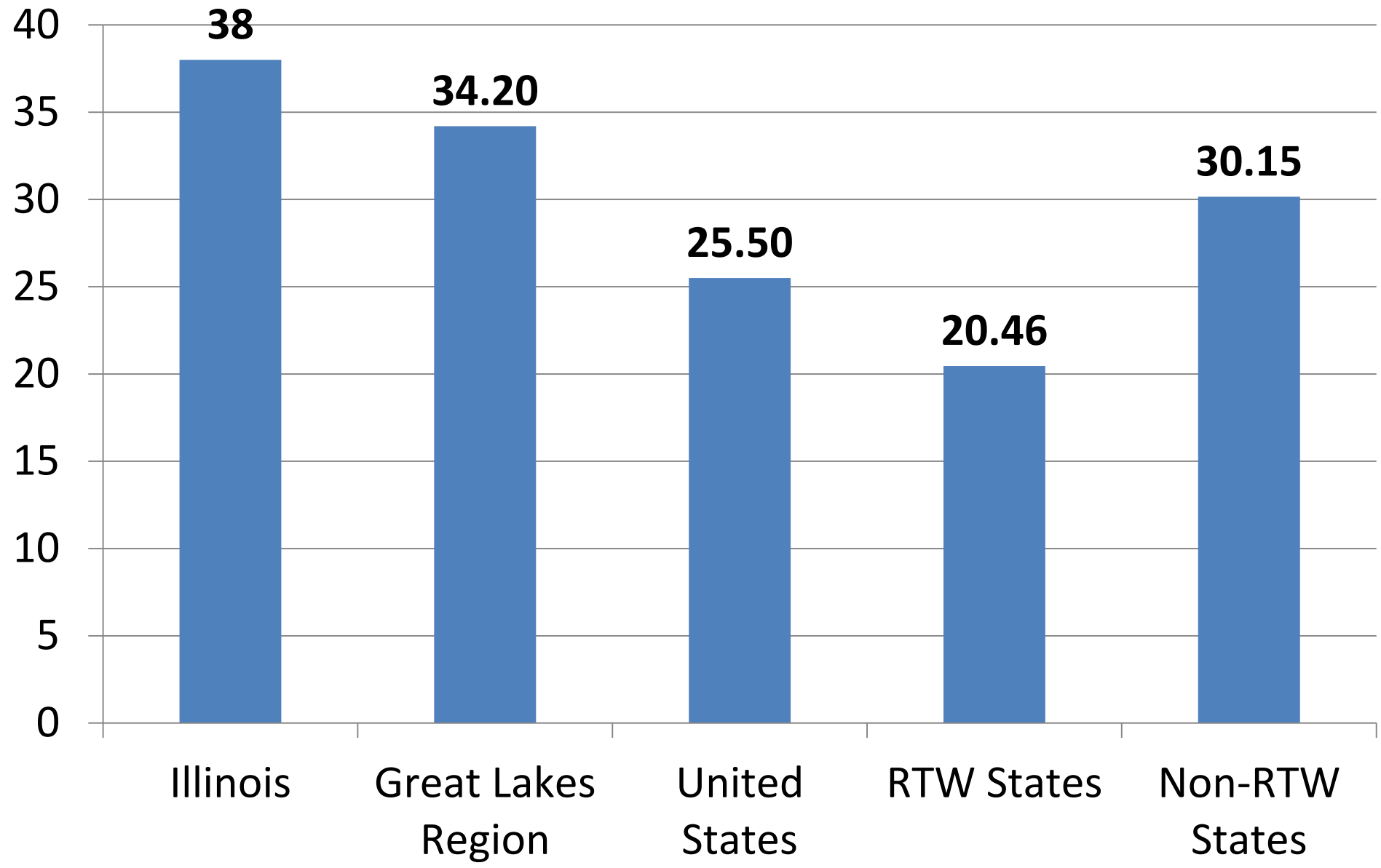
Source: Computed with data from ALEC's Rich States, Poor States (2014)

Exhibit 94: Forbes Best States for Business Rank (2013)

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

Source: Forbes (2013)

Exhibit 95: Forbes Best States for Business Ranking (2013)



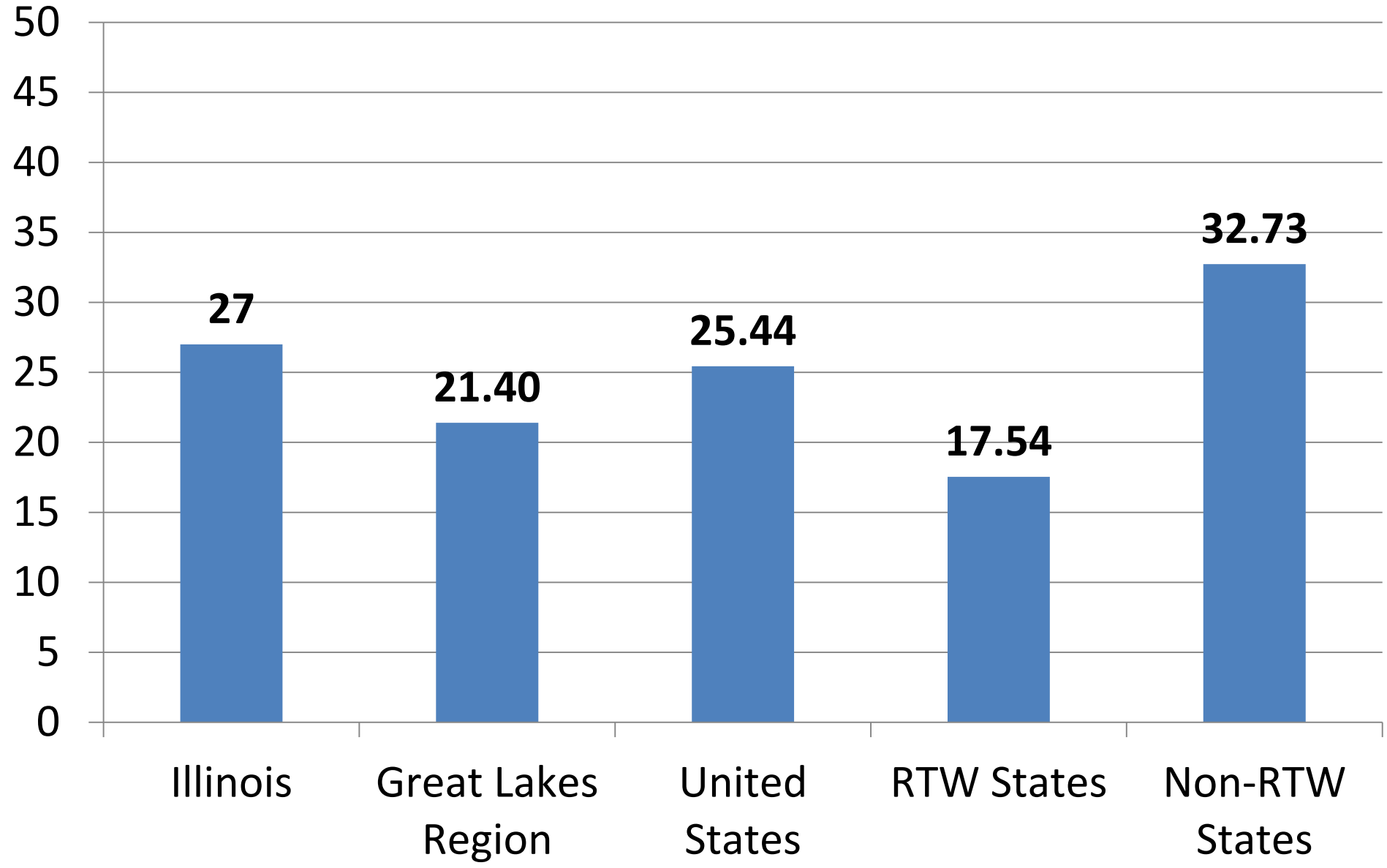
Source: Computed with data from Forbes (2013)

Exhibit 96: CNBC's America's Top States for Business (2014)

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

Source: CNBC (2014)

Exhibit 97: CNBC's America's Top States for Business (2014)



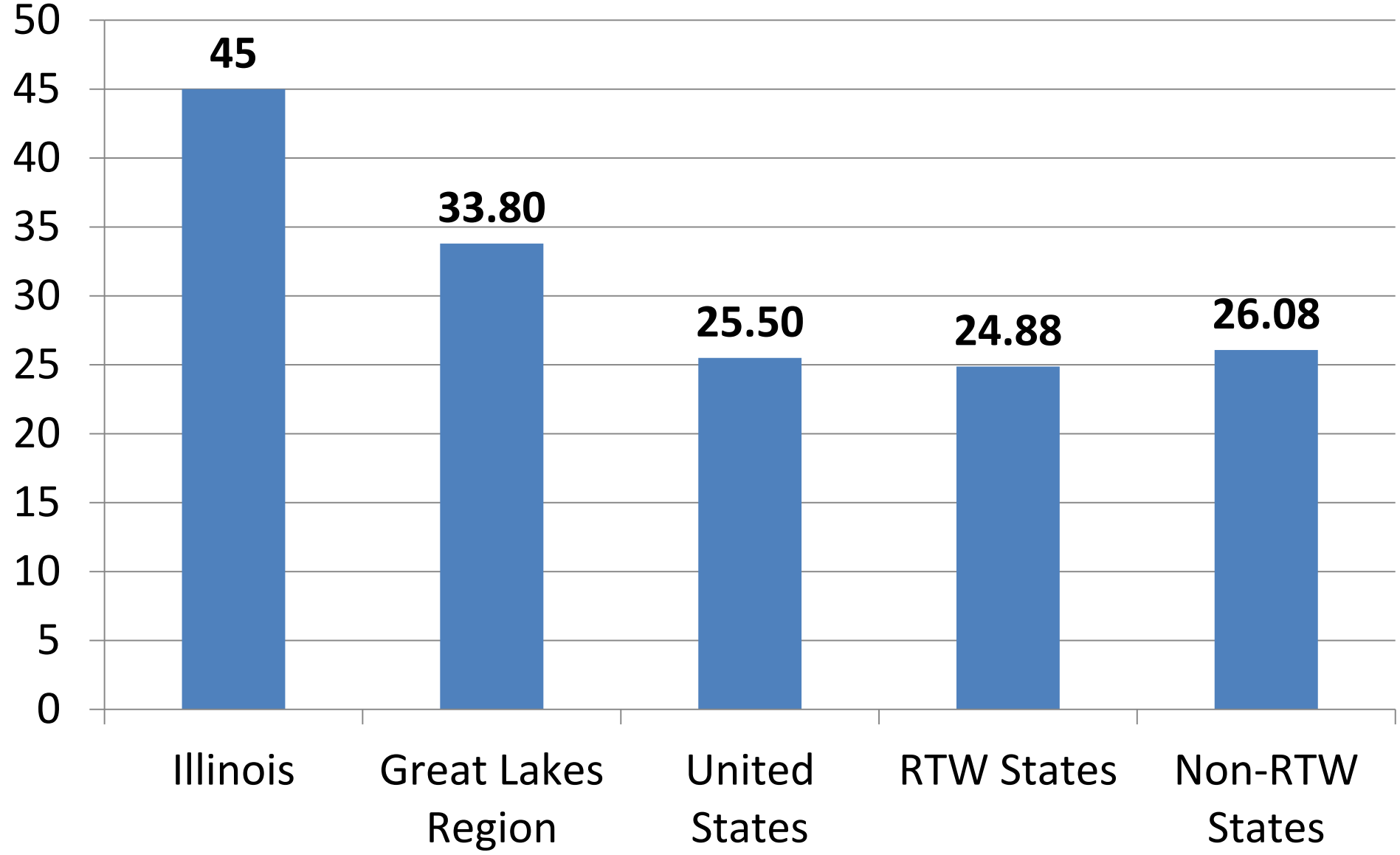
Source: Computed with data from CNBC (2014)

Exhibit 98: Beacon Hill Institute Competitiveness Rankings (2013)

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

Source: The Beacon Hill Institute (2013)

Exhibit 99: Beacon Hill Institute Competitiveness Rankings (2013)



Source: Computed with data from The Beacon Hill Institute (2013)

Exhibit 100: Northwood's State Competitiveness Index (2000 - 2014)

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

Exhibit 101: Northwood's State Competitiveness Index (2000-2014)

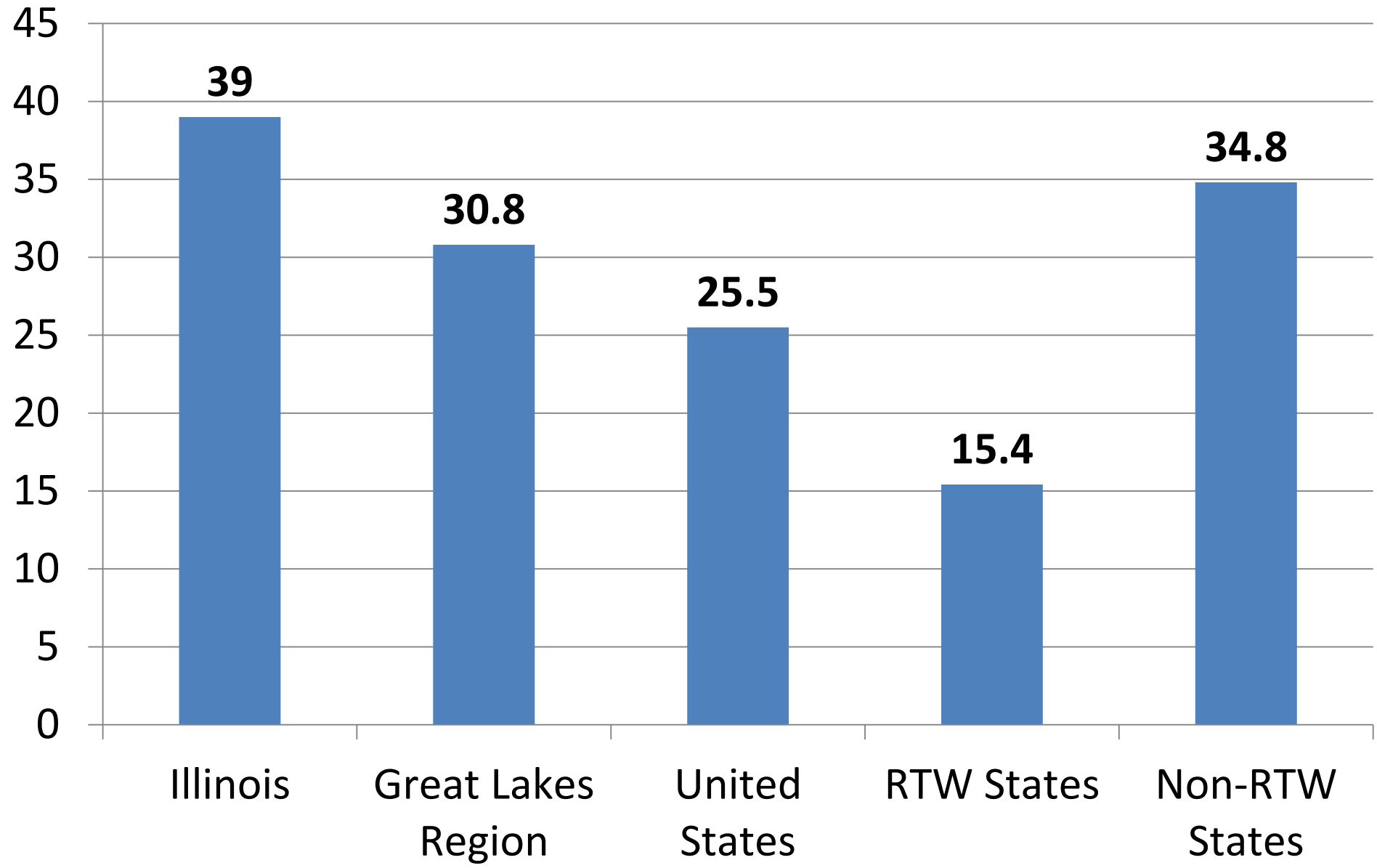


Exhibit 102: NU Index - Workforce Composition and Cost Rank(2014)

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

Exhibit 103: NU Index - Workforce Composition and Cost Rank(2014)

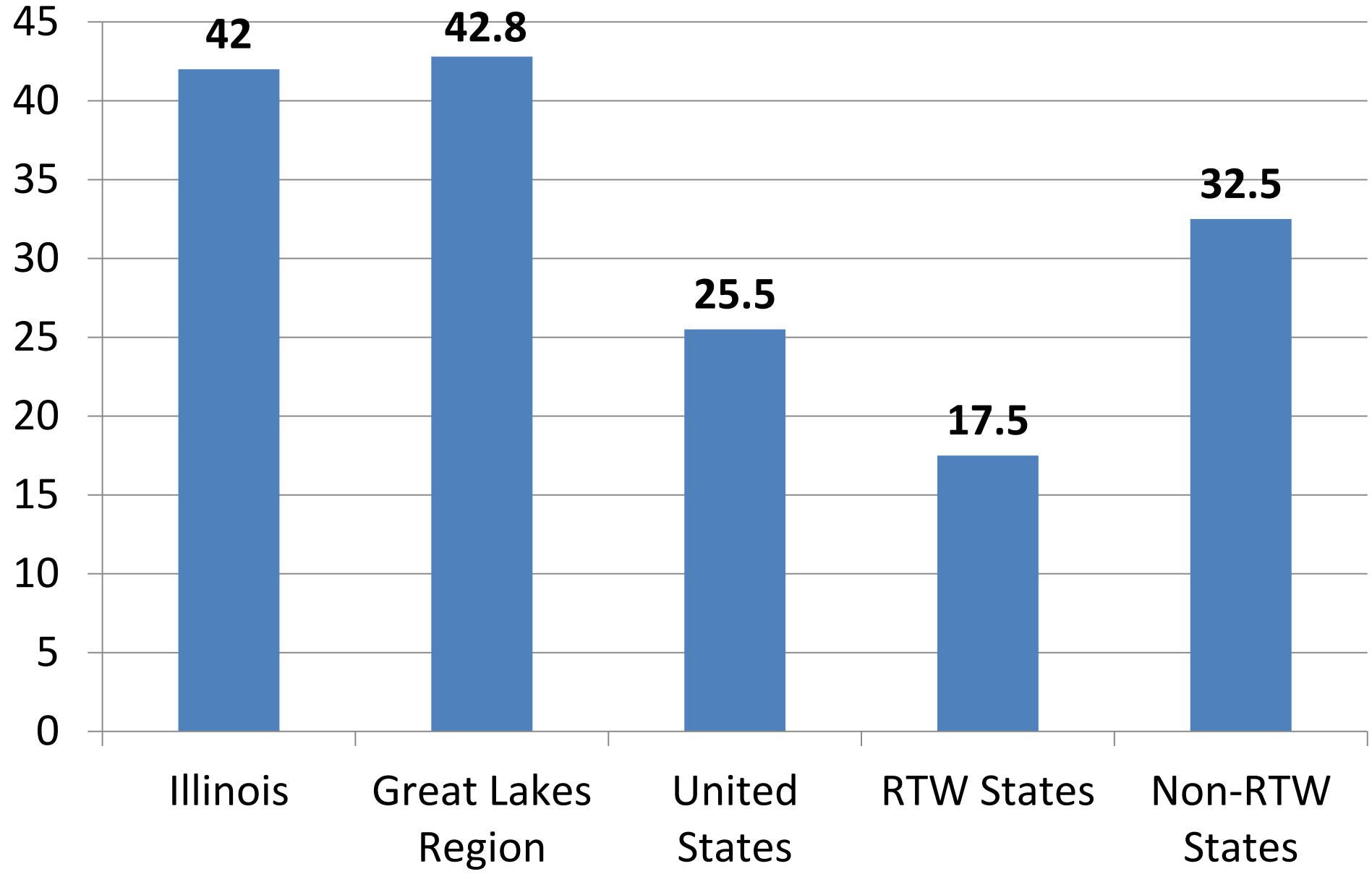


Exhibit 104: NU Index – Regulatory Environment (2014)

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

Exhibit 105: NU Index – Regulatory Environment (2014)

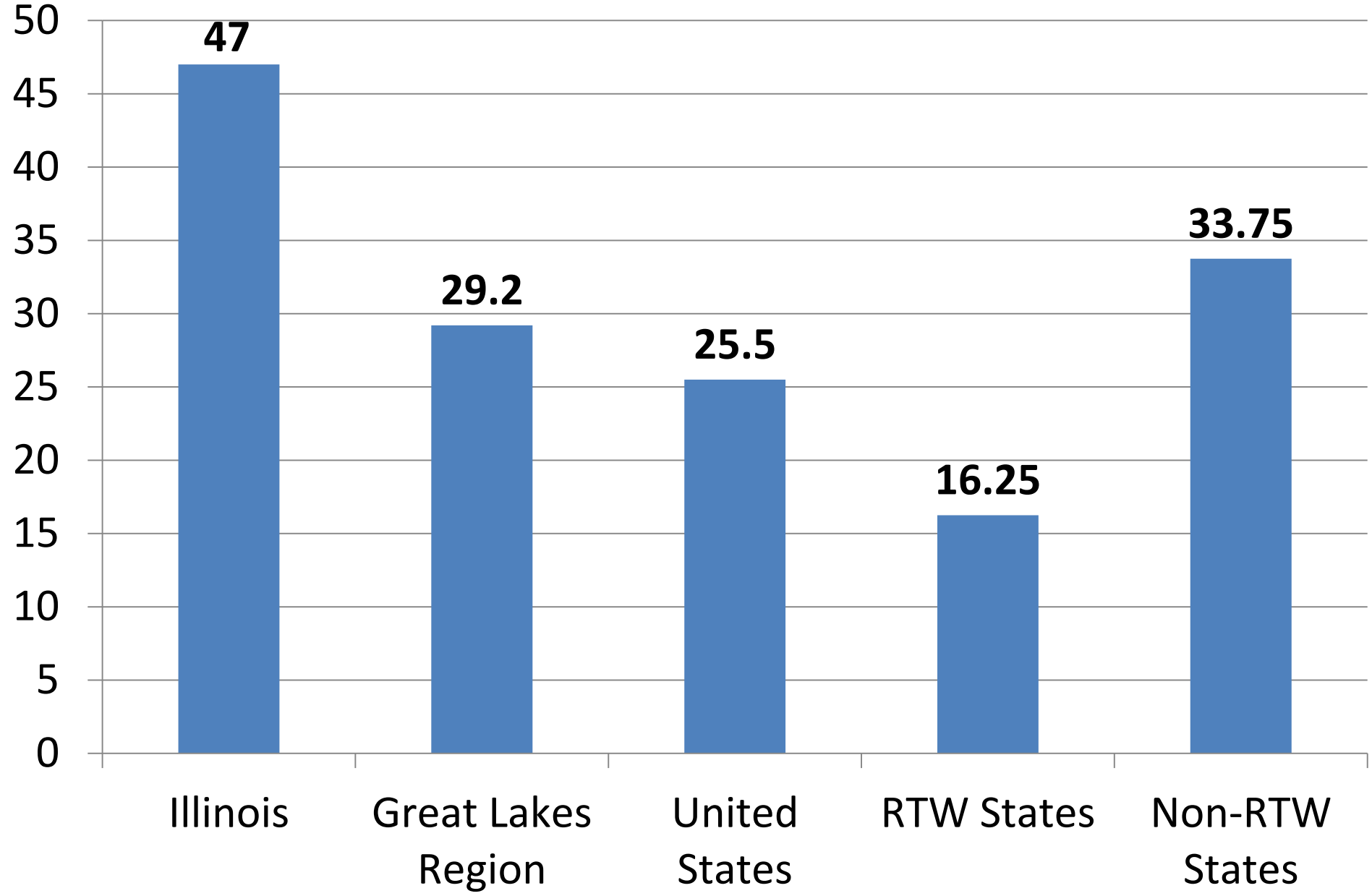


Exhibit 106: NU Index - State Debt and Taxation Rank (2014)

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

Exhibit 107: NU Index - State Debt and Taxation Rank (2014)

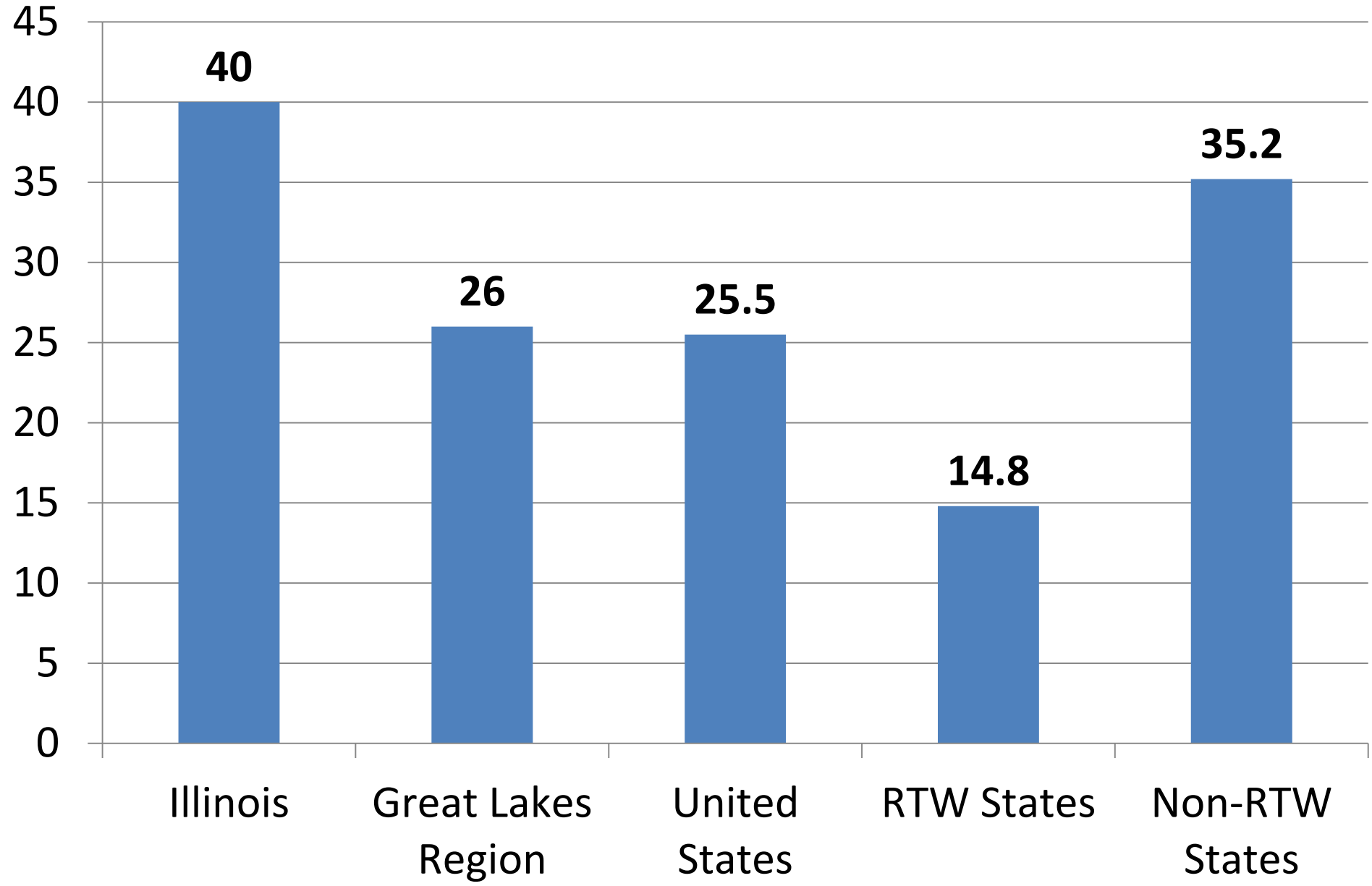


Exhibit 108: NU Index - Labor and Capital Formation Rank (2014)

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

Exhibit 109: NU Index - Labor and Capital Formation Rank (2014)

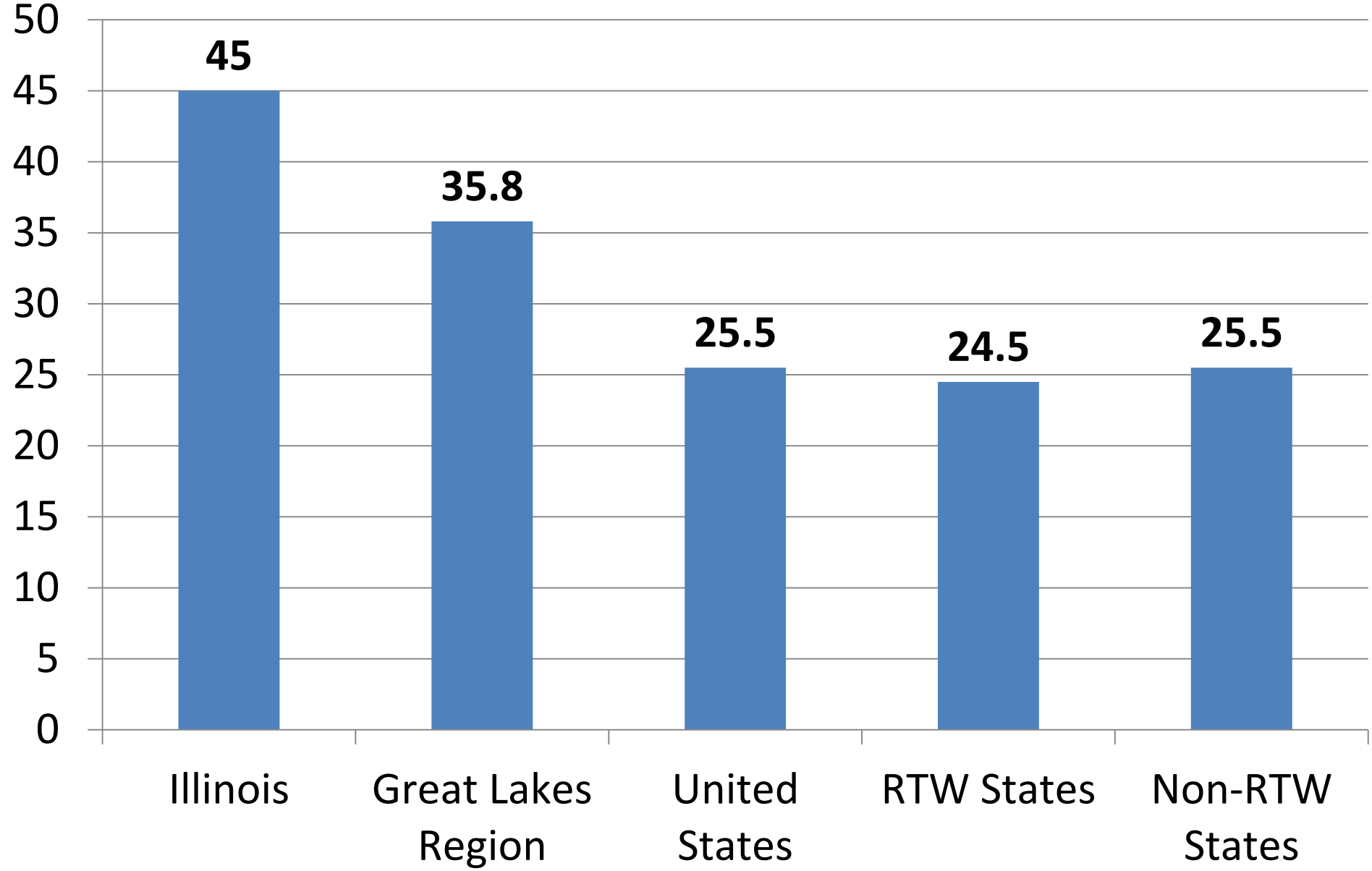


Exhibit 110: NU Index – General Macroeconomic Environment Rank (2014)

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

Exhibit 111: NU Index – General Macroeconomic Environment Rank (2014)

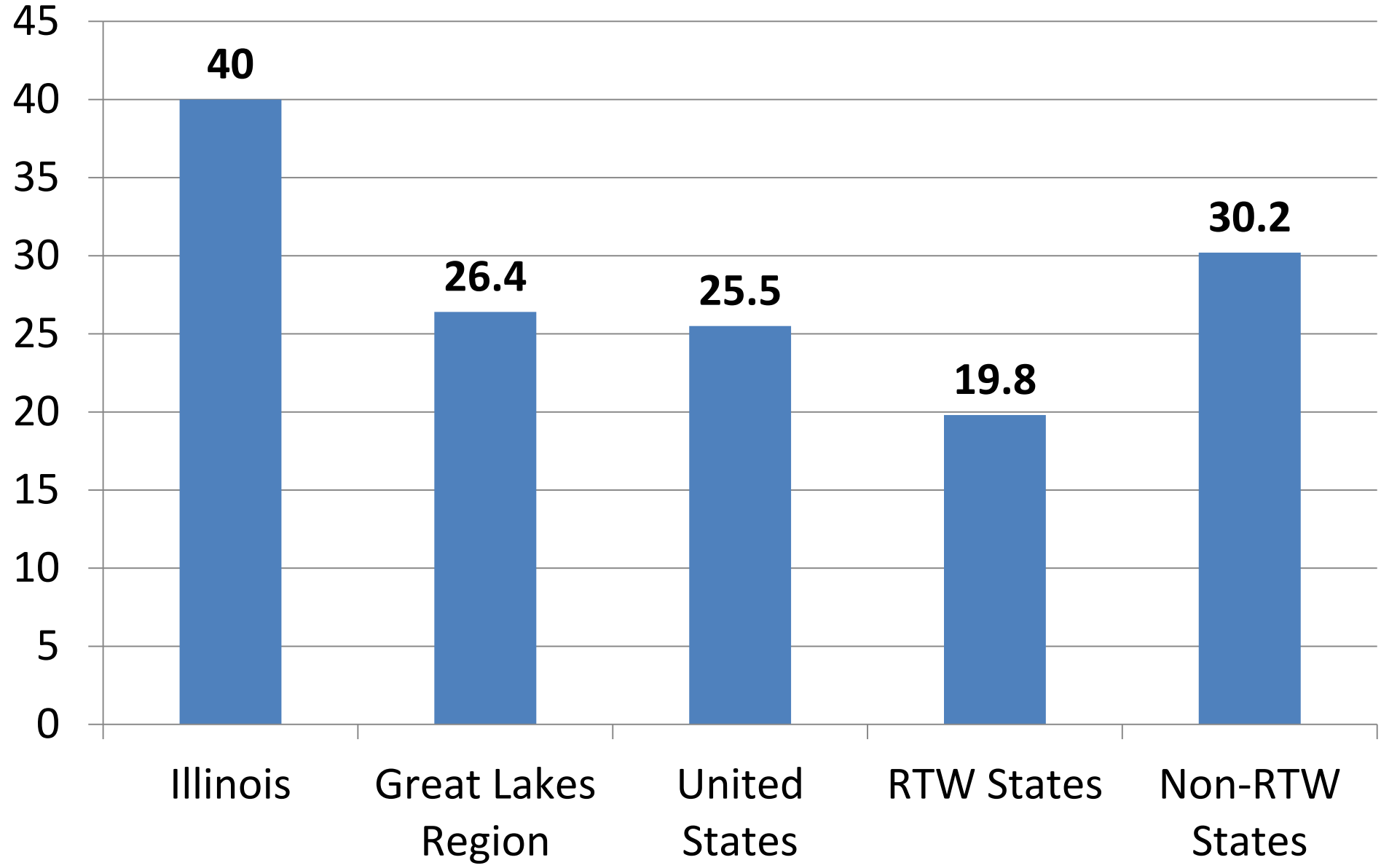


Exhibit 112: State Business Tax Climate Index 2014

State	Overall Index Rank	Corporate Tax	Individual Income Tax	Sales Tax	Unemp. Insurance Tax	Property Tax
Wyoming	1	1	1	14	31	34
South Dakota	2	1	1	34	37	18
Nevada	3	1	1	40	42	9
Alaska	4	28	1	5	29	25
Florida	5	13	1	18	6	16
Washington	6	30	1	48	20	23
Montana	7	16	19	3	21	8
New Hampshire	8	48	9	1	46	42
Utah	9	5	12	20	18	4
Indiana	10	24	10	11	13	5
Great Lakes Region						
Michigan	14	9	14	7	44	28
Illinois	**31**	**47**	**11**	**33**	**43**	**44**
Ohio	39	23	44	30	10	20
Wisconsin	43	33	43	15	25	34

Source: Tax Foundation (2014)

Exhibit 113: An Economic Snapshot of Key Great Lakes Region Cities

	Metro Compounded Annual GDP Growth Rate (2000-2011)	Metro Compounded Annual GDP Growth Rate (2008-2011)	Metro Compounded Annual GDP Growth Rate (2009-2013)	Metro GDP (2013)	Rank Metro GDP (2011)	Rank Metro GDP (2013)	Number of Employers	City Population (City Proper) (2012)	City Median Household Income/State (2008-2012)
Chicago	0.64	-0.15	1.5	$551 B	3	3	255,502	2,714,856	$47,408/$56,853
Cleveland	-0.15	-0.97	2.2	$114 B	27	27	26,208	390,928	$26,556/$48,246
Columbus	0.53	-0.28	3.6	$107 B	32	30	56,957	810,103	$43,992/$48,246
Detroit	-1.12	-1.25	3.3	$213 B	14	14	50,588	698,582	$26,955/$48,471
Indianapolis	1.14	-0.32	2.4	$117 B	28	25	63,808	834,852	$42,144/$48,374
Milwaukee	1.10	0.14	1.1	$89 B	35	36	31,769	598,961	$35,851/$52,374
U.S. Metro Areas	1.48	0.24	2.0	$14 T					

Exhibit 114: Analysis of Key Illinois Data from 2014 Study

	2014 Study	Ranking (Scale 1-50, 1 = Best)
Average Personal Income Per Capita Growth	2000-2013 37.3%	38
Gross State Product Growth	1998-2013 68.3%	45
U.S. Population Net Migration	2001-2013 -786,638	48
U.S. Employment Growth	2000-2012 2.7%	46
Total Government Employees Per 10,000 People	2013 686	10
The Kauffman Index of Entrepreneurial Activity	2013 200	Tied at 37
Industrial Natural Gas Prices	Feb. 2014 $7.05	19
Median Price of Annual Car Insurance Policy	2014 $1,370.00	20
Northwood University Competitiveness Index	2014 39	39

Exhibit 115: Percent Increase in Illinois Based Fortune 500 Company Stock (Non-Automotive) (3/09 – 12/14)

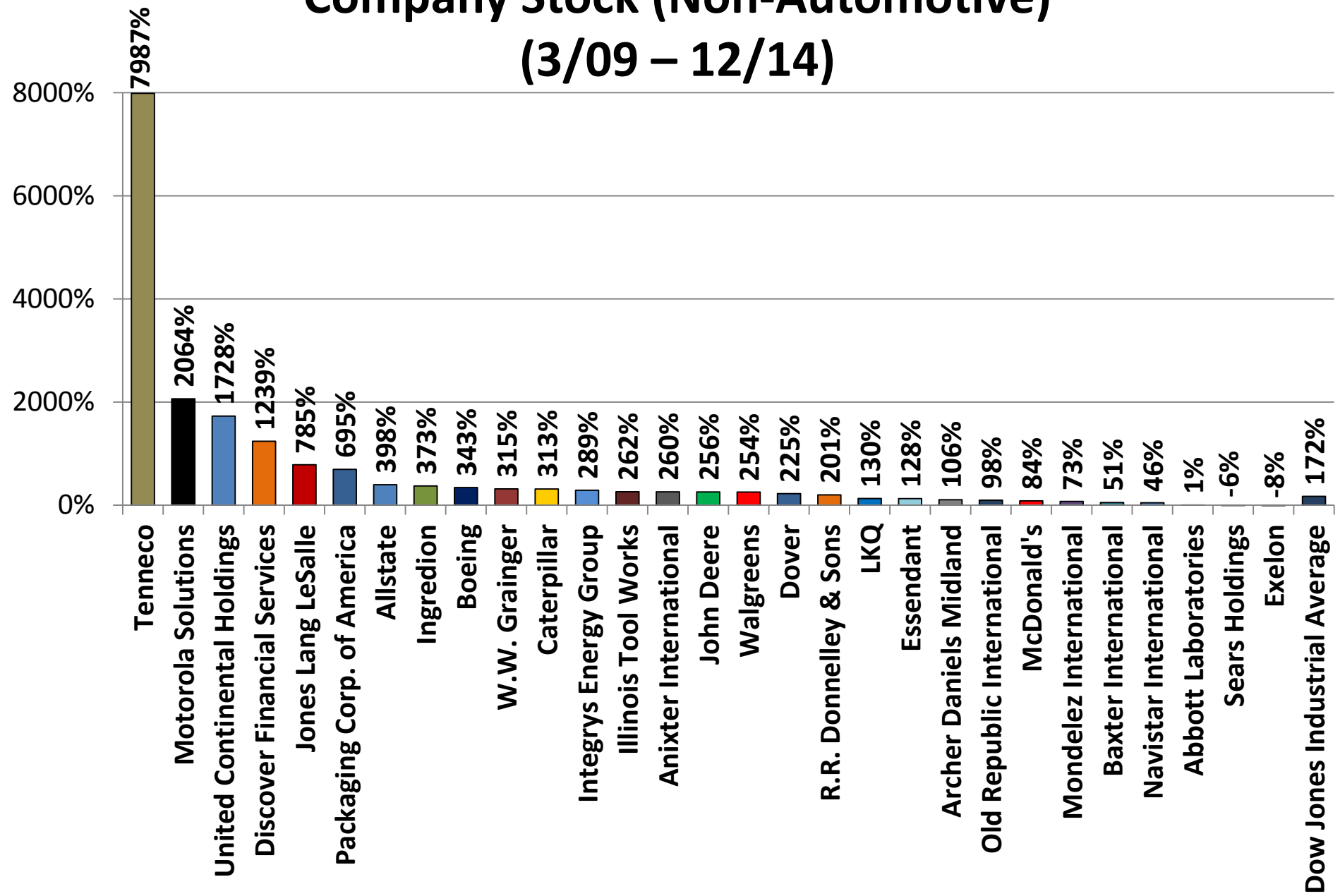


Exhibit 116: Ranking of States by Fiscal Condition (FY 2013)

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

Source: Mercatus Center*: Ranking The States By Fiscal Condition*

Exhibit 117 : Top 20 Metro Areas U.S. Citizens Are Ditching

Metro Area	Net Loss	Rank	Metro Area	Net Loss	Rank
El Paso, TX	-1.02%	1	Toledo, OH	-0.55%	10
New York-Newark-Jersey City, NY-NJ-PA	-0.81%	2	Rochester, NY	-0.52%	12
New Haven-Milford, CT	-0.78%	3	Jackson, MS	-0.48%	13
Urban Honolulu, HI	-0.74%	4	Los Angeles-Long Beach-Anaheim, CA	-0.47%	14
Hartford-West, Hartford-East, Hartford, CT	-0.71%	5	Detroit-Warren-Dearborn, MI	-0.47%	14
Bridgeport-Stamford-Norwalk, CT	-0.69%	6	Milwaukee-Waukesha-West Allis, WI	-0.45%	16
Chicago-Naperville-Elgin, IL	**-0.69%**	**6**	Dayton, OH	-0.44%	17
Syracuse, NY	-0.69%	6	Washington-Arlington-Alexandria, DC-VA-MD-WV	-0.41%	18
Springfield, MA	-0.56%	9	Albuquerque, NM	-0.38%	19
Memphis, TN	-0.55%	10	Cleveland-Elyria, OH	-0.38%	19

Source: Bloomberg Analysis of U.S. Census Data (2015)

Exhibit 118: Workers' Compensation Premium Rate Ranking 2014

Rank	State	Index Rate	% of Study Median	Rank	State	Index Rate	% of Study Median
1	California	3.48	188%	27	Hawaii	1.85	100%
2	Connecticut	2.87	155%	27	North Carolina	1.85	100%
3	New Jersey	2.82	152%	28	Florida	1.82	98%
4	New York	2.75	148%	29	Alabama	1.81	97%
5	Alaska	2.68	145%	30	Nebraska	1.78	96%
6	Oklahoma	2.55	137%	31	Wyoming	1.76	95%
7	**Illinois**	**2.35**	**127%**	32	Georgia	1.75	95%
8	Vermont	2.33	125%	33	Ohio	1.74	94%
9	Delaware	2.31	125%	34	Michigan	1.68	91%
10	Louisiana	2.23	120%	35	Maryland	1.64	88%
11	Montana	2.21	119%	36	Texas	1.61	87%
12	New Hampshire	2.18	118%	37	Arizona	1.60	86%
13	Maine	2.15	116%	38	Mississippi	1.59	85%
14	Idaho	2.01	109%	39	Kansas	1.55	83%
17	Washington	2.00	108%	40	Kentucky	1.51	82%
17	South Carolina	2.00	108%	41	Colorado	1.50	81%
17	Pennsylvania	2.00	108%	43	West Virginia	1.37	74%
20	New Mexico	1.99	108%	43	Oregon	1.37	74%
20	Rhode Island	1.99	107%	44	Utah	1.31	71%
20	Minnesota	1.99	107%	45	Nevada	1.26	68%
21	Missouri	1.95	107%	47	Massachusetts	1.17	63%
22	Tennessee	1.95	105%	47	Virginia	1.17	63%
23	Wisconsin	1.92	104%	48	Arkansas	1.08	58%
24	Iowa	1.88	101%	49	Indiana	1.06	57%
25	South Dakota	1.86	100%	50	North Dakota	0.88	47%

Source: Oregon Department of Consumer and Business Services