



Center for Public Policy Priorities

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NEWS RELEASE

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STUDY: MAJOR BUSINESS RANKINGS NOT ACCURATE MEASURE OF TX'S BUSINESS CLIMATE

Texas prides itself on being a good for business state, but what's its business climate really like?

According to business climate indices—rankings of states' and cities' potential or capacity for economic growth—Texas ranks comparatively high. Texas is 4th on the State Business Tax Climate Index, 11th on the Small Business Survival Index, 17th on the Economic Freedom Index, and 20th on the Competitiveness Index.

But according to *Grading Places: What do the Business Climate Rankings Really Tell Us*, a study released today by the Economic Policy Institute (EPI) in Washington, businesses, workers, and legislators shouldn't trust the business rankings.

EPI analyzed five main rankings—the *Small Business Survival Index*, the *State Business Tax Climate Index*, the *Metro Area and State Competitiveness Report*, the *Fiscal Policy Report Card on America's Governors*, and the *Economic Freedom Index*—and found none of the indices to be a valid measure of state or city growth. Instead, the rankings reflect an agenda of low taxes, spending cuts, and less regulation, regardless of whether it's good for business.

"These rankings are promoting the exact wrong formula for long-term economic growth," said Don Baylor, Jr., policy analyst at the Center for Public Policy Priorities, a nonprofit Texas think tank. "Instead of examining how well a state's workforce can compete in a global economy, they give brownie points to states that drive down wages, unemployment insurance, and workers' compensation premiums."

A better ranking would be the Corporation for Enterprise Development's (CFED) Assets and Opportunity Scorecard, Baylor said.

"The Asset Scorecard measures human, social, and economic capital for the entire statewide population by looks at things like education and poverty—real measures of a state's business climate. Texas ranks at the bottom of this list."

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The Center for Public Policy Priorities is a think tank committed to improving the lives of low- and moderate-income Texans.