

# Small Business Survival: A Joint Report to the Governor

– By –



STATE OF WASHINGTON  
DEPARTMENT OF COMMUNITY,  
TRADE AND ECONOMIC DEVELOPMENT



**Employment  
Security  
Department**  
WASHINGTON STATE



Washington State Department of  
**Labor & Industries**



Department of  
**Revenue**  
*Washington State*

**GMAP**

October 5, 2007

## **Acknowledgements**

### *Study Coordinators*

Vikki Smith, Department of Revenue  
Mary Welsh, Department of Revenue

### *Business Survival Study Work Group*

Cyndee Baugh, Department of Community Trade and Economic Development  
Jim Keogh, Department of Community Trade and Economic Development  
Gary Bodeutsch, Employment Security Department  
Greg Weeks, Employment Security Department  
Ron Langley, Department of Labor and Industries  
Ronald Moore, Department of Labor and Industries  
Richard Bredeson, Department of Labor and Industries  
Lorrie Brown, Department of Revenue  
Mike Gowrylow, Department of Revenue  
Deborah Stephens, State Board for Community and Technical Colleges

### *Study Group Advisors*

Bruce Botka, Office of the Governor  
Leslie Cushman, Department of Revenue  
Patricia Delaney, Department of Labor and Industries  
Irv Lefberg, Office of Financial Management  
Paul Trause, Employment Security Department

*This report is available on the GMAP website: [www.accountability.wa.gov](http://www.accountability.wa.gov)*

## **Small Business Survival:**

### **A Joint Report by the Departments of Community, Trade and Economic Development, Employment Security, Labor and Industries, and Revenue**

#### **EXECUTIVE SUMMARY**

##### **Introduction**

This report stems from discussions at the Governor's December 1, 2006, Economic Vitality Government, Management, Accountability and Performance (GMAP) forum, in which the Governor charged the Departments of Labor and Industries (L&I), Employment Security (ESD), Revenue (DOR), and Community, Trade and Economic Development (CTED) to work together to determine what government can do to increase small business success.

This report concludes that there are four major areas where state government can effectively improve the odds for small business survival and success. Government can:

- Coordinate and partner to support business planning and training,
- Support a competitive regulatory environment,
- Provide communication and outreach with small businesses, and
- Facilitate efforts to provide infrastructure and assist in small business financing.

The four agencies were charged in the course of their analysis to examine statistics showing that Washington has among the nation's highest rates of business start-ups and closures. The Governor's leadership team also asked the agencies to develop common definitions to provide a consistent framework for data collection, analysis, and research.

##### **Study Question and Objectives**

Representatives of the four agencies and the Governor's GMAP office formed a work group, coordinated by the Department of Revenue, to analyze the following research question: What does research tell us about what state government can effectively do to increase new business success during their first three years of operation?

The objectives of the study were to determine:

- Whether Washington's relatively high level of "business churn" – large numbers of business start-ups and closures – is good, bad, or a neutral factor for the state's economy;
- What causes businesses to fail;
- What role government may have in business failure; and
- What government can do to help promote business survival and success.

As directed by the Governor, the agencies participating in the work group agreed on a common definition of the types of businesses on which the study would focus: firms with \$3 million or less in annual revenue and firms with either no employees or 20 or fewer employees.

## **Background**

Washington State is recognized as having a strong and innovative economy and a positive business climate. The state is on track to create 250,000 net new jobs between January 2005 and December 2008. *Forbes* magazine recently reported that Washington has the fifth best business climate in the U.S. Washington was ranked in the top five for the quality of its labor force, including educational attainment; the state's regulatory environment; and projected economic growth.

Governor Gregoire, her cabinet agencies, and the Legislature have taken a number of steps to strengthen the efforts of state government to help businesses and improve the state's economic vitality. The state's economic development goals and strategies are described in detail in *The Next Washington* report issued by the Governor earlier this year. One of the key elements of *The Next Washington* agenda is support for small business. The report specifically states that "we need to take additional steps to make government accessible and effective for small business."

In line with this goal, the Governor's Office of Regulatory Assistance (ORA) joined with DOR, ESD, and L&I to conduct a series of business roundtables across Washington State to identify opportunities to expand efforts to reduce Washington's regulatory requirements. This report supplements information generated during the roundtables, and its conclusions strongly support the activities planned by ORA during the coming months.

## **Sources of Data and Information**

In addition to data and information provided by the participating agencies, sources used in this report include:

- Interviews with organizations that provide assistance to small businesses in their local communities, such as Small Business Development Centers (SBDCs), the U.S. Small Business Administration (SBA), and an Eastern Washington bank vice president. The interviewees represent organizations that have firsthand knowledge of thousands of start-

up businesses. A list of business experts interviewed for this report is in the bibliography (see Appendix 2);

- A survey of participants at the “Open for Business” roundtables. The survey was sponsored by ORA and DOR, ESD, and L&I;
- Academic literature on business survival; and
- National rankings of the 50 states on business starts and closures and their business climates.

## **Findings**

- About 93 percent of the businesses that register to pay taxes in Washington meet the definition of a small business used in this report: these firms employ 20 or fewer workers or are solely operated by the owner and earn \$3 million or less in annual gross income.
- Small business formation is higher in years marked by slow economic growth.
- Research revealed different perspectives on “business churn.” The work group concluded that the phenomenon of Washington’s large numbers of start-ups and closures is generally beneficial for the economy as a whole, but this view must be tempered with the understanding that individual business closures often cause significant personal and family difficulties. Overall, business churn appears to be a natural outgrowth of a vibrant economy marked by high levels of innovation and risk-taking.
- Small rural businesses form a larger part of Washington’s rural economy than do their urban counterparts. On average, the gross income generated by small rural businesses represents a larger portion of their county’s economy and is more stable over economic cycles than that of small urban firms.
- Business failures have many causes, relatively few of which could be prevented with government assistance. Key causes include inadequate financing and planning, overly optimistic assumptions, noncompetitive pricing, and inadequate marketing.
- Washington businesses pay a higher initial share of taxes than individuals compared to other states. However, overall tax burdens on both households and businesses are very low compared to other states – Washington ranks 37<sup>th</sup> from the highest in taxes as a share of personal income. The three regulatory agencies have acted to relieve the burden on small businesses. In 2007 legislation, ESD reduced taxes on start-up businesses. L&I has reduced workers’ compensation premiums for the second half of 2007. DOR provides a small business credit that eliminates or gives partial B&O tax relief to over 175,000 taxpayers. Nevertheless, taxes can be a significant burden for new small businesses, especially if business owners do not carefully plan for these expenses.

Government can help businesses survive by providing support for: (1) business planning and training, (2) a competitive regulatory environment, (3) communication and outreach with small businesses, and (4) infrastructure and assistance in small business financing.

## **JOINT AGENCY REPORT ON SMALL BUSINESS SURVIVAL**

### **Profile of Washington Small Businesses and Start-Ups**

#### **Study Question and Objectives**

This report stems from discussion at the Governor's December 1, 2006, Economic Vitality Government, Management, Accountability and Performance (GMAP) forum, in which she charged the departments of Labor and Industries (L&I), Employment Security (ESD), Revenue (DOR), and Community, Trade and Economic Development (CTED) to work together to determine what government can do to increase small business success.

Representatives of the four agencies and the Governor's GMAP office formed a work group, coordinated by the Department of Revenue, to analyze the following research question: What does research tell us about what state government can effectively do to increase new business success during their first three years of operation?

The objectives of the study were to determine:

- Whether Washington's relatively high level of "business churn" – large numbers of business start-ups and closures – is good, bad, or a neutral factor for the state's economy;
- What causes businesses to fail;
- What role government may have in business failure; and
- What government can do to help promote business survival and success.

#### **Sources of Data and Information**

The work group saw its task as pulling together disparate sources of information to inform its analysis. There are numerous academic studies of small businesses that attempt to determine factors that influence their growth and survival. There are small business owners with specific experience of conducting business in Washington and business experts who consult with thousands of small local businesses. The agencies maintain records of their tax and rate payers that yield information on size, location, industry, and business owner type. Information sources included:

- Interviews with organizations that provide assistance to small businesses in their local communities, such as Small Business Development Centers (SBDCs), the U.S. Small

Business Administration (SBA), and an Eastern Washington bank vice president. The interviewees represent organizations that have firsthand knowledge of thousands of start-up businesses. A list of business experts interviewed for this report is in the bibliography (see Appendix 2);

- A survey of participants at the “Open for Business” roundtables. The survey was sponsored by the Governor’s Office of Regulatory Assistance (ORA) and DOR, ESD, and L&I;
- Academic literature on business survival; and
- National rankings of the 50 states on business starts and closures and their business climates.

### **Definition of Small Business**

For the purposes of this report, small business is defined both in terms of employment and gross income. A small business: (1) employs 20 or fewer employees or is a nonemployer, and (2) reports gross income of \$3 million or less.

For the purpose of controlling who is in and who is out of the data, this definition comes closest to excluding multistate firms who have few employees in state but have high Washington gross income or large employers with relatively small gross income such as school districts.

This definition includes 93 percent of all Washington firms and 19.4 percent of the Washington private sector workforce. Gross income of firms falling under this definition represents 17 percent of all Washington business income.

### **Definition of Start-up Firms**

A newly registered entity is considered to be a "start-up" firm if it reports gross income to DOR in the year it registers and is counted as a closure when it ceases to report income. In this report, firm survival means the firm continues to report income after its third year in operation. This definition does count as a closure for those firms that cease operation because of a potentially successful outcome such as a merger or acquisition – about 20 percent of employers that close their accounts have transferred their employees to another business (ESD, Employer Turnover Study, 2006). Despite the inclusion of such firms in the data, the work group believes the findings in the report are reasonable because they are supported by the other evidence.

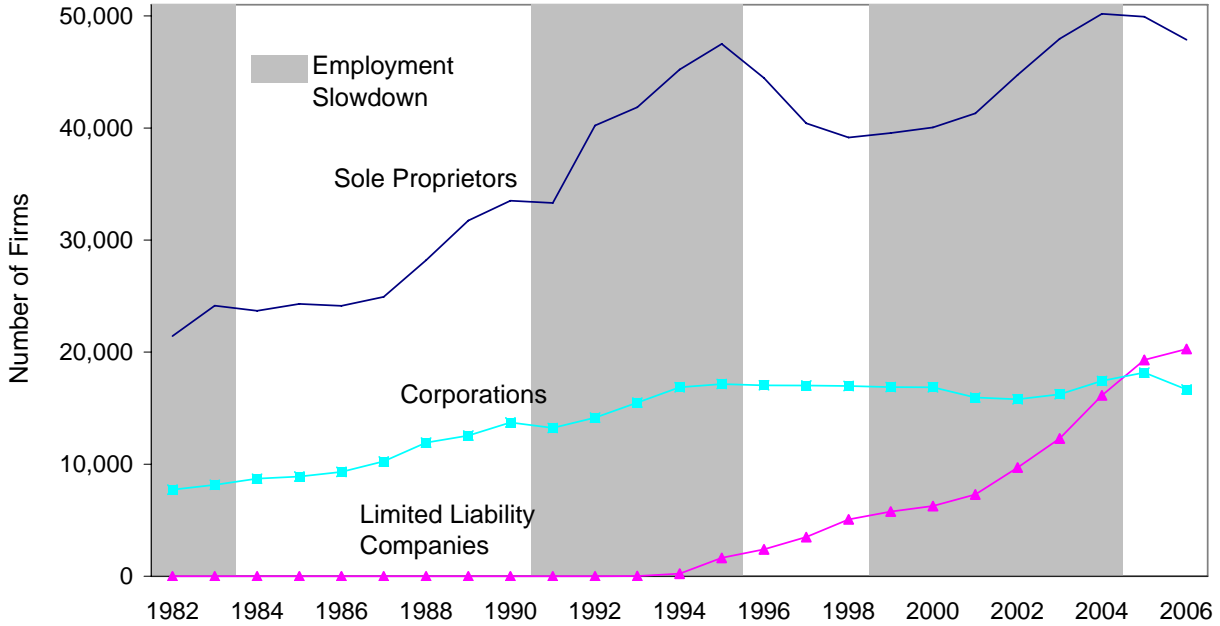
It is important to note that close to half of all registrants never report gross income to DOR, either because they never earn income or because their income is below the reporting threshold of \$28,000 in annual gross income.

Most start-up firms are small. Of the approximately 80,000 to 90,000 new firms that register with DOR each year, 98 percent meet this report’s definition of small business. A small business typically begins as a sole proprietor which is a solely-owned business with few if any employees. As a sole proprietor expands, the owner may form a limited liability company (LLC) to gain



protection from debts of the business and to include a limited number of member owners or partners.

Sole proprietors, the most common form of new business, tend to form during economic downturns. LLCs are now the fastest growing form of new business.



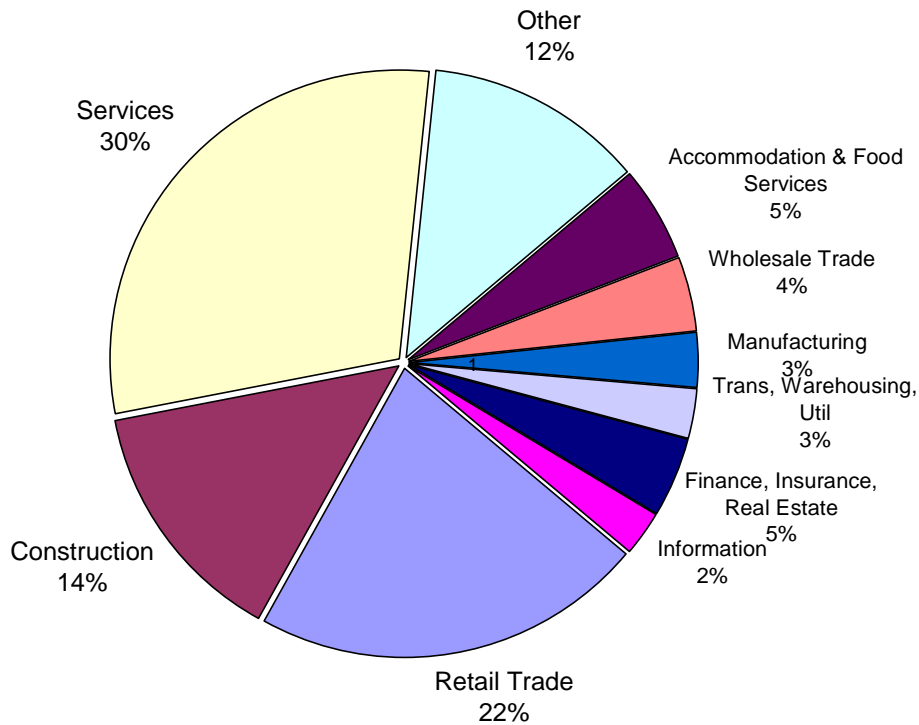
Source: Department of Revenue, Business Registration Management System, registrations calendar 1982 through 2006

In general, sole proprietorships have been the most prevalent form of business ownership. Likewise, they are the most common form of new business, making up over half of all new DOR registrants. The number of sole proprietors that registered with DOR grew dramatically over the last 15 years from 20,000 in 1982 to almost 50,000 in 2006. LLCs have grown rapidly to 20,000 firms since passage of limited liability laws in Washington in 1994.

Sole proprietor formation is higher in years with slow economic growth. This may be because many laid-off employees start small businesses. Often these businesses close when the owner becomes employed again. Note that the number of sole proprietors increases dramatically as the business cycle declines but that the number of corporations and LLCs does not appear to be impacted by the economy.

Looking at types of industries, service firms form the highest percentage of new firms at 30 percent of the total. Examples of typical new service firms include professional services such as law offices, bookkeepers, and architects; business services such as management consultants; and personal services such as beauty shops and interior decorators. Retail trade and construction industries claim the next highest percentages of new small firms. Together, these three sectors – services, retail and construction – make up two-thirds of all new small firms.

### Percentage of New Registrants by Industry



Source: Department of Revenue, Business Registration Management System, new registrations 2005

### Business churn – is it good for the economy?

In general, the literature reviewed by the work group concludes that business churn is beneficial for the economy and tends to sort out inefficient businesses (Everett and Watson, *SBA The Small Business Economy: Report to the President*, *Biolink Newsletter*, *Kauffman Foundation*). New businesses are considered necessary to turn innovations into useful products and services. Generally, the literature suggests that the number of business closures corresponds directly with the number of business start-ups and are, therefore, a consequence of innovation.

Some studies represent a different perspective on churn. The failure of a business may mean the loss of some innovative and useful technology that will not be developed as a result (SBA, *The Small Business Economy: Report to the President*). Higher rates of business failure discourage business start-ups (SBA, *The Small Business Economy: Report to the President*). Business experts interviewed by the work group see some business closures as personal tragedies – owners

that lose their businesses often lose their life savings and may experience other personal problems as a result.

### Survival Rates

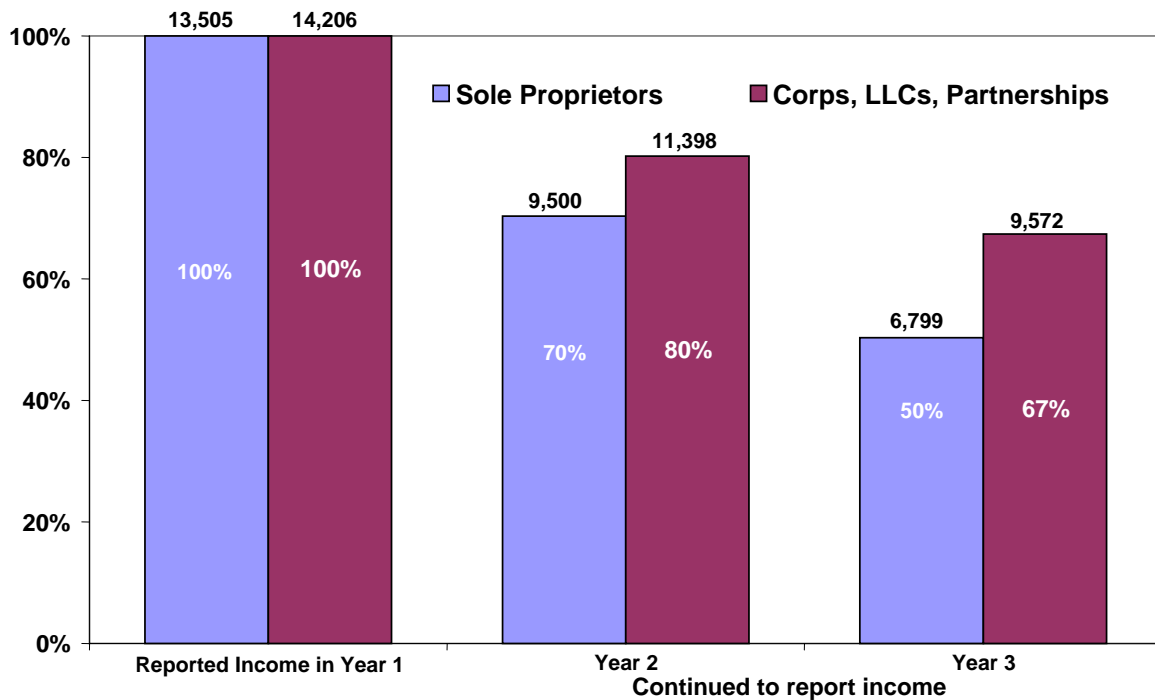
On average about 65 percent of all new small businesses survive their first three years in business. Firms that did not report gross income in their first year are excluded from the data.

Survival rates vary by a number of factors:

- Business owner type,
- Industry, and
- Urban and rural location.

The statistics indicate that corporations, LLCs, and partnerships are far more likely to survive than sole proprietors. Half of sole proprietors survived their first three years in business and, by the end of five years, only one-third continued to report gross income.

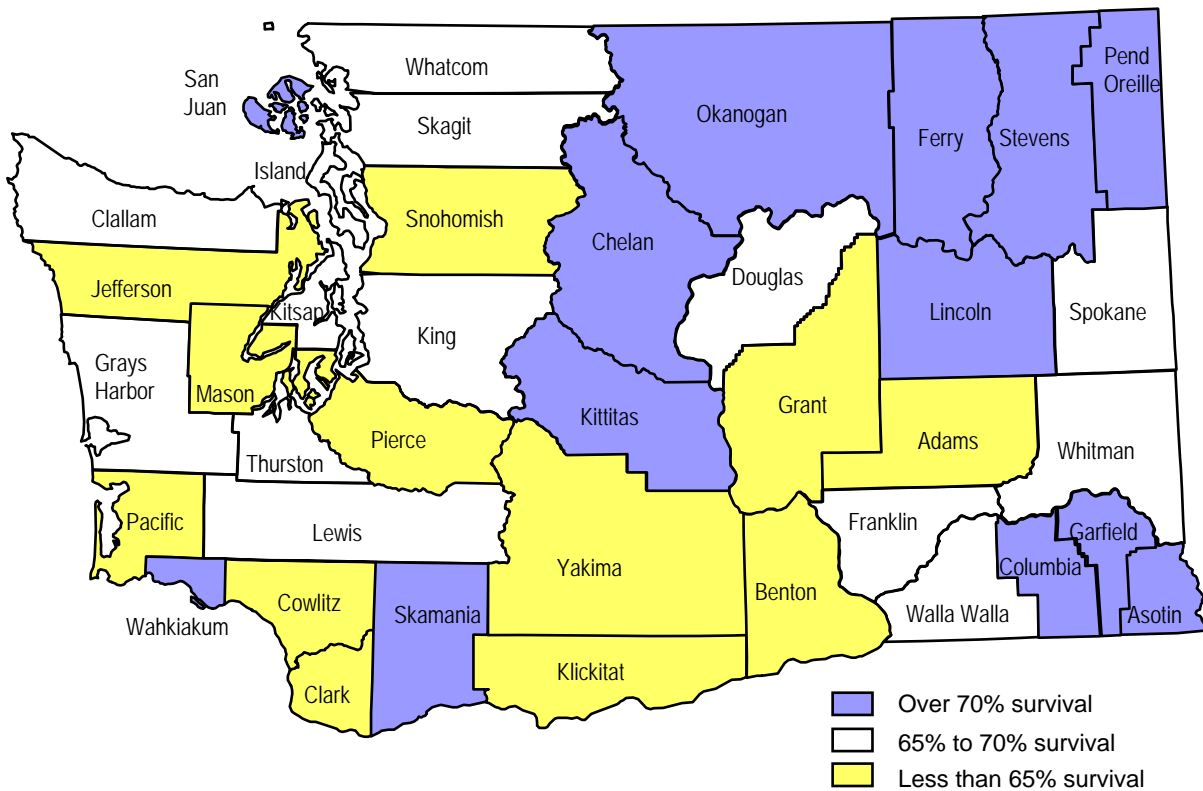
Sole proprietors are less likely to survive their first few years than other firms.



Source: Department of Revenue, excise tax data 2002 through 2005

Rural counties that are not near major highways exhibit the highest rate of survival. Over 70 percent of firms in these remote counties survive at least three years compared to the statewide average of 65 percent. The work group concluded that in the case of these remote counties, business survival indicates a slack economy rather than a strong economy. Large employers tend to locate in urban areas close to population centers with a growing customer and employment base. Businesses in remote counties serve a more stable population with less competition from the outside.

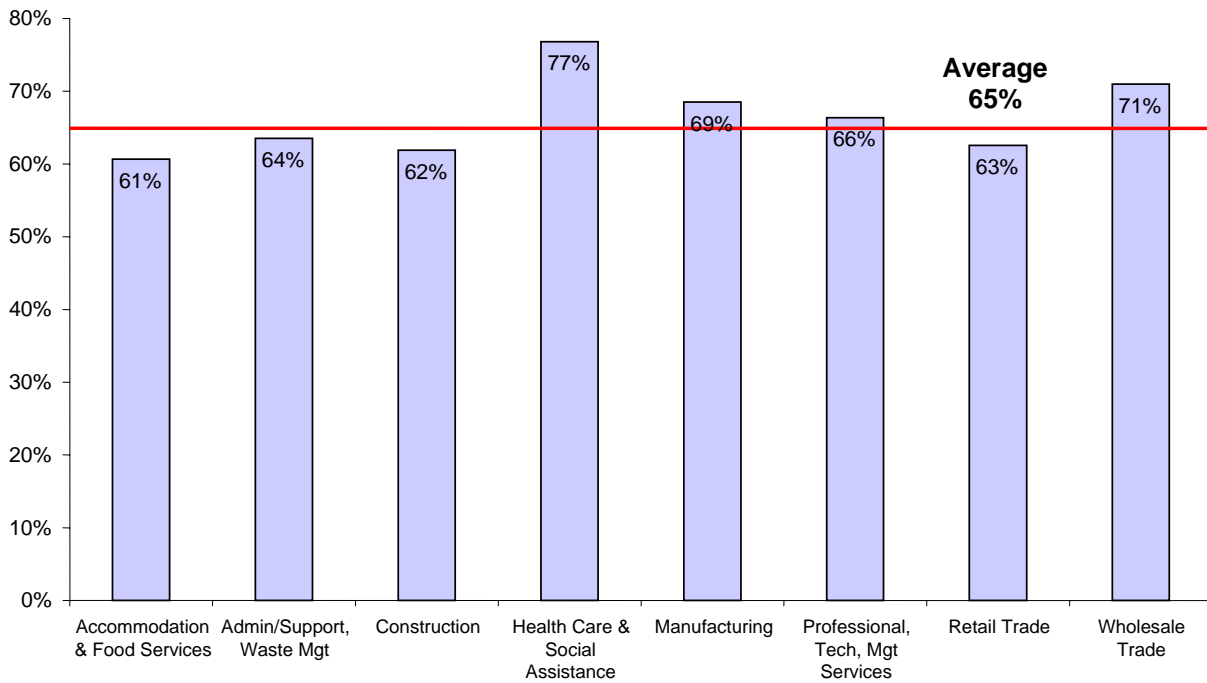
The remote rural counties experience higher rates of survival due to the small number of firms, the lack of opportunity, and the lack of competition.



Source: Department of Revenue and Employment Security, excise tax and employment data 2002 through 2005

Survival varies by type of industry. Health care services and wholesale trade survive at higher rates than the average, while restaurant and accommodation, construction, and retail trade survival rates are lower than average.

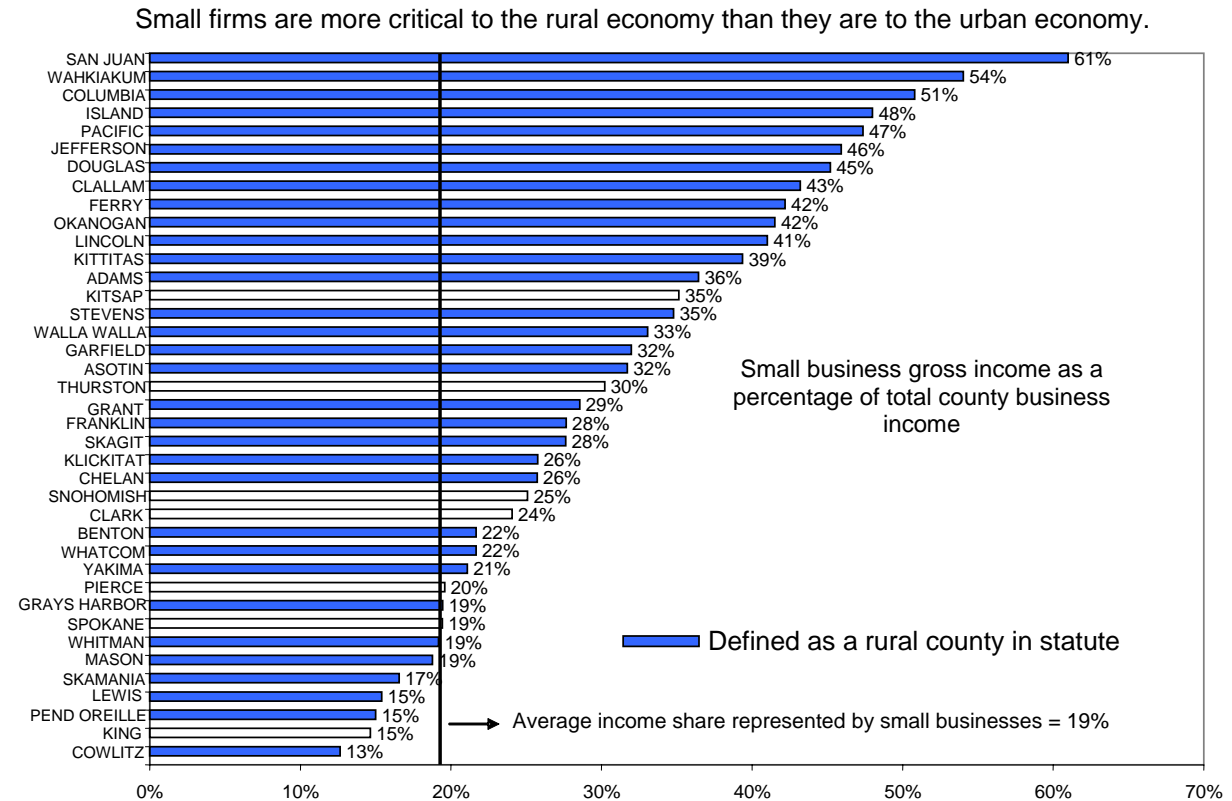
Health care and wholesale trade have the highest survival rates among small businesses. Restaurants, construction, and retail have the lowest survival rates.



Source: Department of Revenue and Employment Security, excise tax and employment data 2002 through 2005

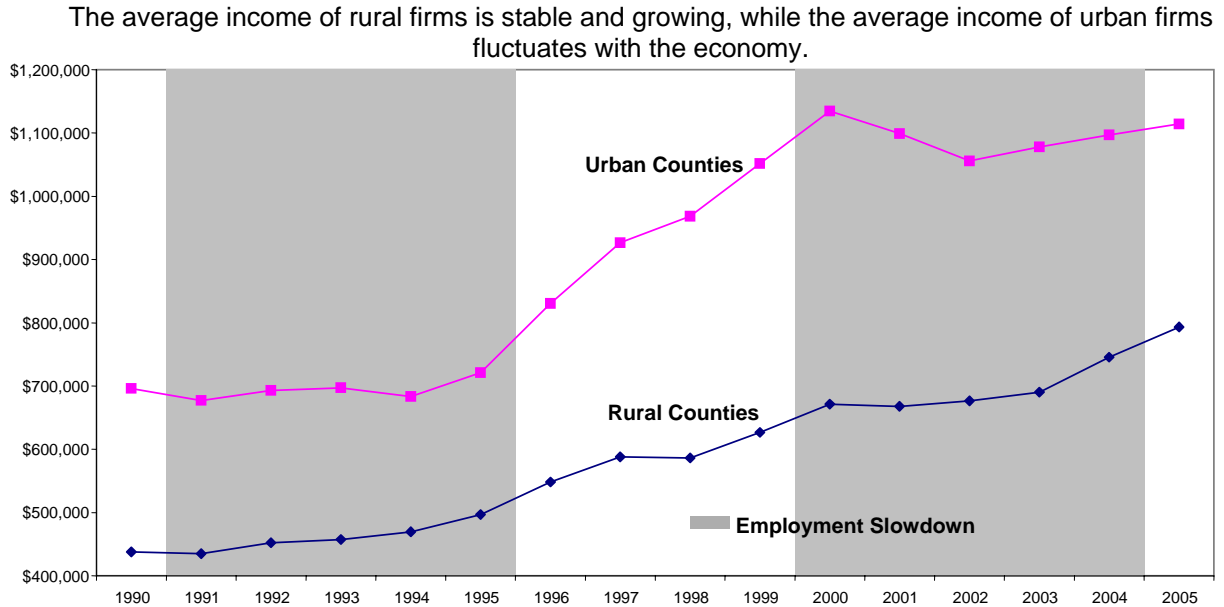
## Small Businesses and the Rural Economy

Small firms form a larger part of Washington's rural economy than their urban counterparts. There are relatively few employment opportunities in rural areas. Local businesses, rather than chains and franchises, tend to meet the service needs of residents. This is a national pattern as well, according to the literature.



Source: Department of Revenue and Employment Security, excise tax and employment data, 2005

The average income of small businesses is stable and growing in rural areas of Washington State. In urban areas the average income fluctuates more with the business cycle.



Source: Department of Revenue, excise tax data 1990 through 2005

### Washington’s Rankings of Business Start-ups and Closures

It is generally accepted that Washington has among the highest rates of business churn in the nation. The SBA has developed a widely-published rank of states in order of start-ups and closures and consistently places Washington in the top ten states for both. Estimates from the U.S. Census Bureau and the Bureau of Labor Statistics are the source of these rankings based on data received from each state. However, the SBA rankings and other rankings of start-ups and closures should be viewed with caution. In these rankings, states make no distinction between businesses that close because the owner retires, the business changes ownership, or is bought out by another firm. States also include private household employers in their data. The number and closure rates for these vary considerably from state to state.

Despite these issues with the data, it appears that the statistics are sufficient to conclude that Washington has a high rate of firm start-ups and closures. Our high rate of start-ups and closures does not appear to affect the business and entrepreneurial climate rankings that place Washington very high in rank (see Appendix 3).

## **What are the main causes of business failure?**

The following list summarizes causes from the literature and interviews of business experts conducted by the work group. The main causes for small business failure are identified as limited experience and limited knowledge of how to run a business.

- Failure to plan appropriately
- Overly optimistic business owners
- Inadequate marketing
- Primary focus on product or service, not on acquiring capital, accounting, and hiring
- Employee theft and other problems of new hires
- Pricing not sufficient to cover overhead costs
- Undercapitalization
- High cost of health care for business owners and employees

(Articles from sources such as Peake and Marshall, Young and Wu, Mason, Goetz, Atherton, Hellman and Puri, The SmallBiz Guide, Captureplanning.com and interviews support this list. See bibliography.)

The deficiencies in planning and the abundance of optimism often work together to cause most of the problems that lead to small business failure (Hellman and Puri, Foster and Davila). Many new business owners go into business thinking that a great product or service is enough to have a successful business. They envision sufficient sales and therefore do not consider the need to market. They envision early profitability so that they do not plan for sufficient capital and hence run out of money. Many new business owners are successful only after some starts and failures.

Knowledge on how to run a business improves chances for survival. A Dun and Bradstreet study found that 90 percent of business failures were due to the owners' lack of skills and/or knowledge. On the other hand, the study found that 90 percent of small businesses getting assistance from an SBDC or other source of expert assistance were still in business after five years. Another study determined that businesses that received venture capital were more successful than those that did not. This appears to be because firms that receive venture capital also receive business advice and oversight. The important role of experience is also evidenced by the fact that many new business owners are eventually successful after a number of failures.

Personnel practices, especially hiring, are another area in which many new business owners lack skills. Hiring the wrong people can be especially disastrous in some industries where employees have access to the company's funds. Theft by employees can be a significant problem of new hires, particularly in the restaurant industry.

Many new business owners think that they can price their goods as low as their large business competitors. But because they do not have the economies of scale that the large businesses do and because they often do not recognize or underestimate overhead costs, their pricing often does not cover their costs.



Undercapitalization is cited in the literature, in interviews, and in the surveys as a contributing factor in business failure. The SBA suggests that businesses should have at least nine to ten months of working capital when they start. Many businesses do not have this amount of capital. In some cases this could be because of over-optimistic planning (see discussion above), in other cases this could be from insufficient access to capital (Strategic Change, SBA -95-0403, Mason).

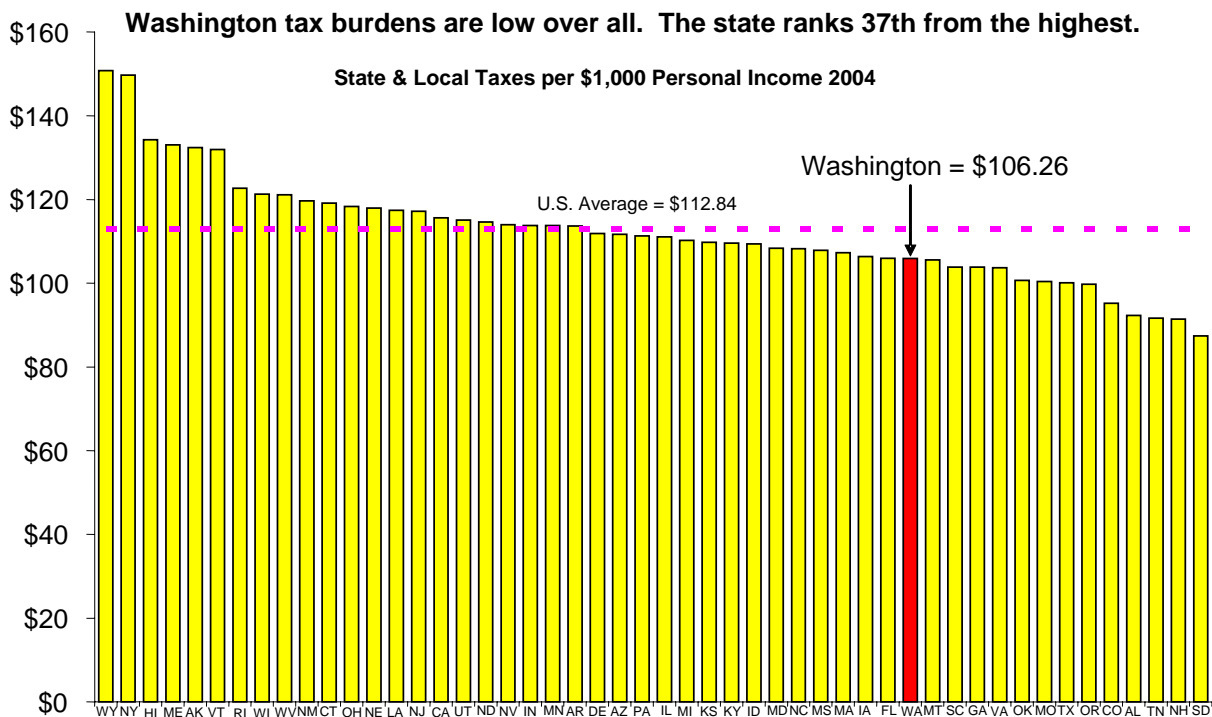
The high cost of medical insurance for both the business owner and employees is cited in the literature and interviews as a possible contributor to business failure. The literature also states that lack of access to affordable health insurance keeps many potential entrepreneurs from starting a business (Kaufman Foundation, Goetz).

The same attributes that are considered entrepreneurial – single-mindedness, optimism, and willingness to take risks – can lead to business failure if not tempered by experience or broadened by training.

## What role may government play in business success or failure?

### Taxes and Regulations

Washington businesses pay a higher initial share of taxes than individuals compared to other states. However, overall tax burdens on both households and businesses are very low compared to other states – Washington ranks 37<sup>th</sup> from the highest in taxes as a share of personal income and below the national average in terms of state and local taxes per \$1,000 of personal income.

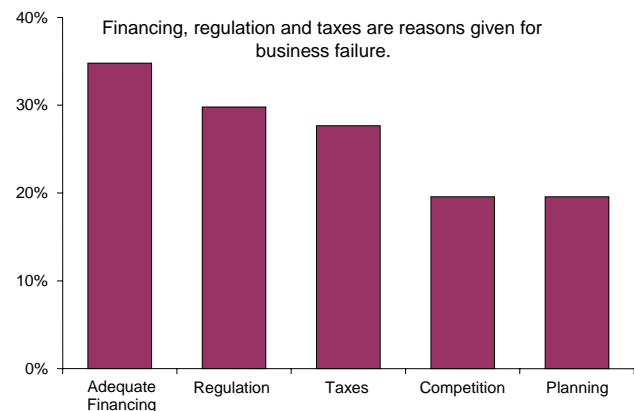


Source: U.S. Census Bureau and Bureau of Economic Analysis

The three regulatory agencies have acted to relieve the burden on small businesses. In 2007 legislation, ESD reduced taxes on start-up businesses. L&I has reduced workers' compensation premiums for the second half of 2007. DOR provides a small business credit that eliminates or gives partial B&O tax relief to over 175,000 taxpayers. Nevertheless, taxes can be a significant burden for new small businesses, especially if business owners do not carefully plan for these expenses.

The literature, business experts who were interviewed, and survey results all agree that taxes and costs of complying with government regulations are factors that contribute to business failure because most small businesses are not profitable in the early years.

The “Open for Business” roundtable survey asked attendees to think about businesses that they knew about and why they had failed. Survey takers then had a choice of typical reasons for this failure. Government factors played a role, according to the respondents: 30 percent said government regulations are a major reason and 28 percent said that taxes are a major reason for business failure. Other reasons cited by the respondents were adequate financing, planning, and competition (see Appendix 1).



Source: Business Roundtable survey, 2007

Business experts interviewed by the work group had another perspective on the role of taxes in business failure. They said that with more careful planning and training, Washington State taxes should not be too onerous. The consensus among the business experts interviewed was that the lack of planning for state taxes and misunderstandings about state tax obligations is usually a large reason why businesses have difficulty paying state taxes.

Complexity of taxes and regulations is cited as contributing to business failure, according to the literature (Radwan and Johnson, Kauffman Foundation, see bibliography), survey respondents, and business experts interviewed for this report. Difficulty in understanding obligations leads to poor planning and the risk of penalties. The business experts have found that many new business owners need more legal, math, or accounting knowledge to run a business and comply with complex tax systems.

One article (Radwan and Johnson) stated that complexity of the tax system leads to difficulty in predicting future tax liability. This makes future tax planning and other financial planning difficult for businesses.

### **Competitive Disadvantage**

Complexity also can give new and small businesses a competitive disadvantage; larger businesses, especially those with accounting and legal staff, are more likely to take advantage of deductions and exemptions. Complex regulations are also more costly for small businesses than for businesses with legal and accounting staff. The Kaufman Foundation study found that the costs of complying with federal regulations were 43 percent higher per employee for small businesses compared with large businesses.

Inequities caused by tax noncompliance were a theme in the "Open for Business" roundtable discussions and were mentioned in the literature (Goetz, Radwan and Johnson). Small businesses compete on very tight profit margins. Businesses that don't pay taxes or don't comply with regulations have a significant competitive advantage over compliant businesses. Noncompliance is a particular competitive concern for small businesses because most

unregistered and underreporting businesses are small. Over 90 percent of underreporting firms earn \$1 million or less in gross income (Washington State Compliance Study, 2006). Washington-based unregistered firms have estimated tax obligations of \$1,600 or less on average, which equates to \$100,000 in income for service firms (Washington State Unregistered Business Study, 2007). These small noncompliant businesses are in direct competition with compliant businesses.

### **What are ways government can help?**

The information sources used for this study suggested that government can help businesses survive in four areas:

- Coordinate and partner to support business planning and training,
- Support a competitive regulatory environment,
- Provide communication and outreach with small businesses, and
- Facilitate efforts to assist in small business financing and provide infrastructure financing.

### **Training**

All information sources used for this study stated that additional training opportunities would be helpful in decreasing business failures. The analysis suggests that government can help by addressing new business training needs at different stages of development. These stages are:

- Businesses thinking of starting up – Provide training on what is involved in starting a business. This would help new business owners be more effective from the beginning and might discourage potential business owners that are not entirely prepared to start a business.
- Small start-ups with less than ten employees – Provide basic support and training on how to run a business, such as having sufficient capital, marketing, how to hire good employees, and how to plan for and pay taxes.
- Businesses with between 10 to 100 employees – At this point the business owner needs to hire managers with greater and more complex skills. These businesses can use more intensive assistance on marketing, access to market research data, and accounting assistance (SBA, The Small Business Economy: Report to the President).

There are a number of mechanisms through which government can promote training for businesses at these stages:

- Partner with the SBA, SBDCs, Service Corps of Retired Executives (SCORE), and banks to provide tax information and referral information and to advertise government services. Provide training and information about tax liability and planning. Support training services financially so that they can expand.

- Help rural new business owners by enhancing the entrepreneurial training already offered by community colleges.

### **Competitive Regulatory Environment**

Information sources suggest these ways to make taxes and regulations less onerous for new businesses:

- Simplify tax and insurance premium systems and regulations. Complexity adds uncertainty as well as confusion.
- Use an appropriate balance of education and enforcement to keep new businesses compliant so that they do not face overwhelming tax, insurance premium, and penalty obligations at a later date.
- “Level the playing field” by increasing compliance so that compliant businesses do not face unfair competition from noncompliant businesses.

### **Communication between Government and Small Businesses**

Interviews with business experts and small business owners themselves suggested that government should maintain lines of communication with such activities as the “Open for Business” Forums, continue to tailor information to specific industry needs based on business input, and identify small business liaisons or points of contact within agencies.

### **Business Financing and Infrastructure Assistance**

The literature, interviews, and surveys suggested that providing some financial support to start-up businesses would be helpful. They suggest that government:

- Provide capital and assistance in securing loans. Providing capital would help with a major cause of business failure, undercapitalization (Strategic Change, SBA -95-0403, Mason).
- Subsidize health insurance for new business owners and employees of start-up businesses. The high cost of health care is cited by the literature and interviews and is a problem for start-up businesses (Kaufman Foundation, Goetz).

Information sources stated that efficient provision of infrastructure by government is important to start-up businesses (Kauffman Foundation, Peake and Marshall). Access to an educated workforce is especially important to start-up businesses (Peake and Marshall).

The literature suggests that government should be deliberate about targeting resources (Atherton). A certain number of businesses will not be able to compete or offer employment opportunities. Many new owners go into business as a hobby or for a short period, planning to

return to work when they find employment. Resources would be better spent on businesses that are more likely to be serious businesses and become employers. The literature suggests that government use some of the same logic in spending resources on businesses that lenders use in making loans.

## Current Activities and Next Steps

### Current Agency Activities

The following are some examples of noteworthy business assistance initiatives currently being conducted by the four agencies represented in the work group:

- The three regulatory agencies have acted to relieve the burden on small businesses. In 2007 legislation, ESD reduced taxes on start-up businesses. L&I has reduced workers' compensation premiums for the second half of 2007. DOR provides a small business credit that eliminates or gives partial B&O tax relief to over 175,000 taxpayers.
- Several initiatives are under way to ensure a level playing field on which businesses can compete fairly. These include efforts to ensure businesses don't gain a competitive edge by shirking their tax obligations and to encourage citizens to let the state know when they encounter fraud.
- The state's tax and insurance agencies (DOR, ESD, and L&I) are expanding information-sharing arrangements about companies that are not meeting their legal obligations. This will improve efforts to address noncompliance.
- Several pieces of legislation were enacted during the 2007 session to implement specific elements of *The Next Washington* agenda, including bills to expand business "micro-financing" and to strengthen regional economic development efforts provided by local and regional economic development councils. These expand upon the array of business finance and infrastructure finance services already offered by CTED.
- The Department of Labor and Industries has designated a small business liaison whose efforts have been applauded by businesses. Other agencies are considering creating similar positions.
- The state is expanding opportunities for businesses owned by women and minorities through the Office of Minority and Women's Business Enterprises.
- Throughout state government, agencies are working to reduce the time it takes to review and act on permit applications for environmentally sensitive projects, development of new food processing facilities, and other activities.
- The Department of Revenue's business outreach program brings field office staff together with nearly 4,000 taxpayers each year in a workshop setting where they get an overview of Washington excise taxes and individual assistance tailored to a taxpayer's specific business activity. These initial contacts often form the basis for a lasting connection between a local business and a DOR representative.

- Under the Plain Talk program, implemented statewide by Governor Gregoire's executive order, nearly 3,000 state employees have been trained to anticipate customer needs and write clearly. An estimated 1,000 form letters, 300 forms, and more than 4,000 web pages have been revised to take out unessential information, unnecessary legalese, and government jargon.
- Agencies that participated in this report are also heavily involved along with the Office of Regulatory Reform in the development of a one-stop online portal. Initiated by the Governor's directive, the portal makes it easier for businesses to register, obtain licenses and permits, pay taxes, locate resources to find employees, get grants and loans, and find training opportunities. Beyond its first release in February 2006, there have been numerous enhancements to improve search capabilities, add business resources, and improve the look and feel.

### **Action Items/Next Steps**

Based on the findings in this report and the gaps that have been identified, there are a number of ways that government can enhance and expand its assistance in helping small business succeed. The four agencies that jointly prepared this report have committed to the following Action Items and Next Steps. These activities are recommendations to the Small Business Work Group led by ORA as part of the Business Roundtable Forums.

#### **1. Business planning, training, and education – coordination and partnerships**

Increase educational opportunities for potential and new businesses on what it takes to operate a business, including how to plan for a business, what it takes to set up a business, and how to run a business. Examples of partnerships and training include:

- Technical assistance and training in organizational development for micro-enterprises through CTED;
- Technical assistance and training to local lenders, economic development service providers, and associate development organizations through CTED;
- Partner and market training with SBA and SBDC;
- Multi-agency collaborative training for contractors; and
- Explanation of laws and regulations using plain language and common definitions among agencies.

#### **2. Competitive regulatory environment**

Increase emphasis on regulatory fairness and compliance with regulations to reduce the competitive advantage for noncompliant businesses. Examples include:

- Follow up on results from the legislative task force on underground economy in the construction industry; and



- Develop action plans based on the unregistered business study by DOR, ESD, and L&I.
3. Increase communication and outreach with small businesses.

Examples include:

- Identify small business points of contacts or liaisons in each agency when appropriate (L&I currently has a small business liaison);
  - Continue to team up with ORA and other agencies to visit communities and host "Open for Businesses" forums;
  - Tailor educational material for new businesses in coordination with the Small Business Administration, Small Business Development Centers, Economic Development Councils; and business associations. Explore options such as industry specific education and partnership with associations; and
  - Increase communication and assistance to small businesses focusing on entrepreneurs who want to expand.
4. Build on efforts to assist in small business financing assistance.
- Provide funding through local revolving funds, focused on start-ups and small businesses;
  - Provide funding directly to businesses through CTED-administered loan programs such as the Rural Washington Loan Fund and Community Development Block Grant Float Loans; and
  - Provide infrastructure financing such as Community Economic Revitalization Board funding and loans to clean up polluted sites for redevelopment such as with the Brownfield program.

## Action Steps and Assignments

ACTION STEPS	WHO
1. Business planning, training, education	
<ul style="list-style-type: none"> <li>• Provide assistance and training organizational development for micro-enterprises.</li> </ul>	CTED
<ul style="list-style-type: none"> <li>• Provide assistance and training for local lenders, economic development service providers, and associate development organizations.</li> </ul>	CTED
<ul style="list-style-type: none"> <li>• Partner and market training with SBA and SBDC.</li> </ul>	Small Business Work Group – ORA lead
<ul style="list-style-type: none"> <li>• Provide multi-agency collaborative training for contractors.</li> </ul>	Current and ongoing
<ul style="list-style-type: none"> <li>• Explain laws and regulations using plain language and common definitions among agencies.</li> </ul>	Small Business Work Group – ORA lead
2. Competitive regulatory environment	
<ul style="list-style-type: none"> <li>• Follow up on legislative task force on underground economy in construction industry.</li> </ul>	TBD based on results of the study
<ul style="list-style-type: none"> <li>• Develop action plans based on the unregistered business study by DOR, ESD, and L&amp;I.</li> </ul>	TBD based on the results of the study
3. Increase communication and outreach with small businesses	
<ul style="list-style-type: none"> <li>• Identify small business points of contacts or liaisons in each agency (L&amp;I currently has a small business liaison).</li> </ul>	Agencies to decide if appropriate for their needs: CTED, DOR, ESD
<ul style="list-style-type: none"> <li>• Continue to host "Open for Businesses" forums.</li> </ul>	Small Business Work Group – ORA lead
<ul style="list-style-type: none"> <li>• Tailor new business education in coordination with SBA, SBDC, EDCs, and business associations. Explore options such as industry specific education and partnership with associations.</li> </ul>	Small Business Work Group – ORA lead
<ul style="list-style-type: none"> <li>• Increase communication and assistance for entrepreneurs who want to expand.</li> </ul>	Small Business Work Group – ORA lead
4. Build on efforts to assist in small business financing assistance and in financing of infrastructure.	
<ul style="list-style-type: none"> <li>• Provide funding to start-ups and small businesses through local revolving funds.</li> </ul>	CTED Current and ongoing
<ul style="list-style-type: none"> <li>• Provide funding directly to businesses through CTED-administered loan programs.</li> </ul>	CTED Current and ongoing
<ul style="list-style-type: none"> <li>• Provide infrastructure financing.</li> </ul>	CTED Current and ongoing

## **Appendices**

### **Appendix 1**

#### **Survey of Attendees at the Governor's "Open for Business" Roundtables**

A survey regarding business survivability was handed out and completed at three of the four "Open for Business" forums. (The survey was mailed to participants of the Bellevue forum.) Participants were handed the survey and asked to fill it out before the forum began. Nineteen of the 31 participants in Kennewick, 18 of the 39 in Spokane, and 27 of the 56 participants in Vancouver completed the survey. The survey instrument and the results follow.

## Business Survivability Survey

We need your help! The Governor's Office is looking for ways to help new and small businesses survive in Washington State. This is your opportunity to give us written feedback. All responses are confidential. The answers to this survey will be a report available this fall.

1) Following is a list of services provided by state government to businesses. Please rate these services as to how useful (how much they assist businesses in surviving), where 5 is very useful, 2 is somewhat useful, and 1 is not useful.

	<i>Very Useful</i>	<i>Somewhat Useful</i>	<i>Not Useful</i>		
a) State-provided educational workshops	5	4	3	2	1
b) Written educational materials	5	4	3	2	1
c) Business counseling services (e.g. small business development centers)	5	4	3	2	1
d) State websites for information and on-line filing	5	4	3	2	1
e) In-person assistance (field offices or telephone)	5	4	3	2	1
f) Tax exemptions/credits/reductions	5	4	3	2	1
g) Workforce training	5	4	3	2	1
h) Financing assistance for small business	5	4	3	2	1

2) What can state government do to make these services more useful, or what other things do you think state government can do to help new businesses survive?

---



---



---



---



---



---

(Please turn the survey over to complete.)

3) Think about a business that failed that you or someone you know was involved in. (Do not include a business that was bought out by another business.) What were the reasons that business failed? For that business, rate the following reasons for business failure from 5 to 1, where 5 is a major reason the business failed and 1 is a minor reason the business failed. Circle "not a reason" if the reason did not contribute to failure of that particular business.

\_\_\_ I do not know anyone who was involved in a business that failed. (Skip to Question 5.)

	Major reason	Significant reason	Minor Reason	Not a reason		
a) Adequate financing	5	4	3	2	1	0
b) Market for product/service	5	4	3	2	1	0
c) Competition	5	4	3	2	1	0
d) Workforce	5	4	3	2	1	0
e) Planning/management skills	5	4	3	2	1	0
f) Government regulations	5	4	3	2	1	0
g) Taxes	5	4	3	2	1	0
h) Other reason_____	5	4	3	2	1	0
i) Other reason_____	5	4	3	2	1	0

4) Is there something that Washington State government could have done to help that particular business survive?

---



---



---



---



---

5) Please check all that apply.

I represent \_\_\_ a business, \_\_\_ an association

6) If you represent a business, please check the appropriate size of your business.

\_\_\_ No employees      \_\_\_ 1 to 20 employees      \_\_\_ Over 20 employees

Thank you for completing the survey!

## Tabulation of Survey Results

1) Following is a list of services provided by state government to businesses. Please rate these services as to how useful (how much they assist businesses in surviving), where 5 is very useful, 2 is somewhat useful, and 1 is not useful.

	<div style="display: flex; justify-content: space-around; border: 1px solid black; padding: 5px; transform: rotate(-15deg);"> <span>Not useful</span> <span>Somewhat useful</span> <span>Very useful</span> </div>				
	1	2	3	4	5
Q1a) State-provided educational workshops:	1.5	7.7	24.6	29.2	36.9
Q1b) Written educational materials:	0.0	13.2	36.8	35.3	14.7
Q1c) Business counseling services:	3.2	14.5	16.1	19.4	46.8
Q1d) State websites for info & on-line filing:	0.0	2.9	14.7	32.4	50.0
Q1e) In-person assistance (field offices, phone):	0.0	20.0	13.9	26.2	40.0
Q1f) Tax exemptions/credits/reductions:	11.1	12.7	25.4	14.3	36.5
Q1g) Workforce training:	12.9	14.5	27.4	22.6	22.6
Q1h) Financing assistance for small business:	20.7	15.5	25.9	10.3	27.6

3) Think about a business that failed that you or someone you know was involved in. (Do not include a business that was bought out by another business.) What were the reasons that business failed? For that business, rate the following reasons for business failure from 5 to 1, where 5 is a major reason the business failed and 1 is a minor reason the business failed. Circle "not a reason" if the reason did not contribute to failure of that particular business.

	<div style="display: flex; justify-content: space-around; border: 1px solid black; padding: 5px; transform: rotate(-15deg);"> <span>Not a reason</span> <span>Minor reason</span> <span>Significant reason</span> <span>Major reason</span> </div>					
	0	1	2	3	4	5
Q3a) Adequate financing:	8.7	6.5	13.0	21.7	15.2	34.8
Q3b) Market for product/service:	17.4	15.2	21.7	28.3	13.0	4.4
Q3c) Competition:	13.0	15.2	21.7	8.7	21.7	19.6
Q3d) Workforce:	21.7	10.9	23.9	17.4	15.2	10.9
Q3e) Planning/management skills:	6.5	10.9	6.5	30.4	26.1	19.6
Q3f) Government regulations:	2.1	19.2	12.8	17.0	19.2	29.8
Q3g) Taxes:	4.3	8.5	17.0	17.0	25.5	27.7

**Appendix 2**  
**Bibliography of Academic Literature and Interviews with Business Experts**  
**on Business Survival**

**Bibliography**

- Ames, Michael, Small Business Management, West Publishing Company, February 1983.
- Atherton, Andrew, "Should government be stimulating start-ups? An assessment of the scope for public intervention in new venture formation," Environment and Planning C: Government and Policy, 2006 Volume 24.
- Beaver, Graham, "Small Business: Success and Failure," Strategic Change, Vol. 12, No. 7, pp. 345-346, November 2003.
- Bosma, Niels and Rebecca Harding, "Global Entrepreneurship Monitor, GEM 2006 Results," London Business School, 2007.
- Brown, Claire, John Haltiwanger, and Julia Lane, "Economic Turbulence: The Impact on Workers, Firms and Economic Growth," University of Chicago Press, 2005.
- Brown, Lorrie and Stan Harris, Unregistered Business Study, Washington State Department of Revenue, Research Division, February 2007.
- Brummel, Jack, "Factors Contributing to Targeted Firm Growth," Speech to Pacific Northwest Regional Economic Conference, May 2, 1996.
- Cline, Robert, Tom Neubig, and Andrew Phillips, "Total State and Local Business Taxes: 50-State Estimates for Fiscal Year 2006," prepared by Ernst & Young in conjunction with the Council on State Taxation, February 2007.
- Davila, Antonio and George Foster, "Small Startups Don't Wait to Set Up Accounting Systems," Stanford Graduate School of Business, February 2005.
- Everett, Jim and John Watson, "Small Business Failure and External Risk Factors," Small Business Economics, Vol. 11, Number 4, Springer Netherlands, December 1998.
- Goetz, Stephen J., "Proprietor Employment-Dependent Counties: Rural Development Paper No. 17," Northeast Regional Center for Rural Development, Pennsylvania State University, April 2003.
- Headd, Brian, "Redefining Business Success: Distinguishing Between Closure and Failure," Small Business Economics, Vol. 21, 2006.

Hellman, Thomas and Manju Puri, "How Venture Capital Professionalizes a Firm," Stanford Graduate School of Business, October 2006.

-----, "On the Fundamental Role of Venture Capital," Economic Review, Fourth Quarter 2002, Federal Reserve Bank of Atlanta, 2002.

Marion, Ewing, "On the Road to an Entrepreneurial Economy: A Research Policy Guide," Kaufman Foundation, February 26, 2007.

Mason , Moya K., "What Causes Small Businesses to Fail?" 2007.

Mueller, Kirk, "Impact of business births and deaths in the payroll survey," Monthly Labor Review, May 2006.

Peake, Whitney and Maria Marshall, "Getting the most bang for the buck: an analysis of states' relative efficiencies in promoting the birth of small firms," Small Business Administration: Office of Advocacy, January 2007.

Quello, Steve and Graham Toft, "Economic Gardening: Next Generation Applications for a Balanced Portfolio Approach to Economic Growth," The Small Business Economy (for Data Year 2005): A Report to the President, pp. 157-193. Small Business Administration: Office of Advocacy, December 2006.

Saade, Radwan and Joseph Johnson, "Chapter 6—A Discourse on Tax Complexity and Uncertainty and their Effects on Small Business," The Small Business Economy, Small Business Administration: Office of Advocacy, United States Government Printing Office, Washington DC. 2005.

Sullivan, Teresa A., Elizabeth Warren, and Jay Westbrook, "Financial Difficulties of Small Business and Reasons for Their Failure," Small Business Administration, SBA-95-0403.

Unauthored, "Employer Turnover," Washington State Employment Security Department, November 2006.

[www.studies.go2ui.com](http://www.studies.go2ui.com)

Williams, Julianne and Donald Gutmann, Compliance Study, Washington State Department of Revenue, Research Division, 2006.

Young, Allan and Chunchi Wu, "Factors Resulting in Successes and Failures in the Small Business Institute Program at Syracuse University," Economic Development Quarterly, Vol. 17, No. 2., pp. 205-211 2003.



## **Interviews**

Celia Nightengale, Center Director, Small Business Development Center

Nancy Gilbertson, District Director, Small Business Administration, Seattle/Spokane

Bank vice president from Eastern Washington, anonymous interview

### **Appendix 3**

## **Rankings of Entrepreneurial and Business Climate**

A number of national interest groups attempt to rank the 50 states on the basis of entrepreneurial and business climate. The research methods used, and the specific indicators that comprise the ranking, invariably reflect the biases and policy goals of the sponsoring organization. The following list includes some of the more publicized lists.

### **Key Findings**

- Overall, Washington's business and entrepreneurial climate ranks very high relative to other states.
- Washington ranks poorly in only one of the indexes, primarily because of its concentration of export value in one industry.
- The top five states in overall rankings are Colorado, Delaware, Virginia, Washington, and Texas.
- The indices on business survival are conflicting. Business "churn," or high start-up and closure rate, benefits Washington's ranking in the 2007 New Economy Index but weighs against its ranking in the Corporation for Enterprise Development's (cfed's) Business Vitality Index. Washington scores consistently high in the Small Business Survival Index, seeming to contradict the cfed vitality index which rates Washington low overall.

Below is a brief explanation of each ranking.

### **Kauffman Foundation and Information Technology and Innovation Foundation, 2007 State New Economy Index:**

**What it Measures:** 26 indicators designed to measure states' ability to foster success in the new global economy.

#### **Key Components:**

Knowledge Jobs: IT employment outside the IT industry, professional, management and technical jobs; educational attainment of the workforce; immigration of knowledge workers; high value-added manufacturing employment; high-wage traded services employment.

Globalization: Export orientation of manufacturing and services; foreign direct investment; package exports.

Economic Dynamism: Number of "gazelle" companies; job churn; number of Deloitte Tech Fast and Inc. 500 firms; initial value of IPOs; number of entrepreneur business starts; number of individual patents.

Transformation to a Digital Economy: Percent of population online; number of Internet domain name registrations; technology in schools; government digital services; computer use by farmers; access to broadband.

Technological Innovation Capacity: Jobs in technology-producing industries; number of scientists and engineers; patents issued; industry R&D; venture capital activity.

**Top Five States:** Massachusetts, New Jersey, Maryland, Washington, California.

**Themes:** The five top states rank consistently high in most categories and rank poorly in no more than one or two categories.

**Bottom Five States:** West Virginia, Mississippi, South Dakota, Arkansas, Alabama.

**Washington's Rank:** 4

**Explanation of Washington's Rank:** Washington ranks high across the board and in the middle in three areas. Washington ranks extremely high in immigration of knowledge workers; manufacturing value-added employment; export orientation of manufacturing and services; job churn; population online, and patents.

#### **Tax Foundation 2007 Business Tax Climate Index:**

**What it Measures:** Five indices comprised of 113 variables measuring a different sector of a state's business climate.

**Key Components of the Measure:** Corporate Tax Index, Individual Income Tax Index, Unemployment Tax Index, Property Tax Index.

**Top Five States:** Wyoming, South Dakota, Alaska, Nevada, Florida.

**Themes:** Top five are either very high in corporate and individual tax rates or sales tax rate and fare well in other categories, with the exception of Nevada, which fares poorly in sales tax and unemployment insurance tax indexes.

**Bottom Five States:** Vermont, New York, New Jersey, Ohio, Rhode Island.

**Washington's Rank:** 11

**Explanation of Washington's Rank:** Washington ranks first in individual income tax, last in sales tax, and near the middle for the other indexes.

#### **Forbes 2006 Best States for Business:**

**What it Measures:** Six indexes that measure business friendliness.

##### **Key Components of the Measure:**

Business costs: Labor, energy, and taxes.

Labor: Educational attainment, net migration, and projected population growth.

Regulatory Environment: Regulatory and tort climate, incentives, transportation, and bond ratings.

Economic Climate: Job, income and GSP growth, unemployment, and presence of big companies.

Growth Prospects: Projected job, income, and GSP growth, business openings and closings, venture capital investments.

Quality of Life: Index of schools, health, crime, cost of living, and poverty.

**Top Five States:** Virginia, Texas, North Carolina, Utah, Colorado.

**Themes:** All are high in regulatory environment and growth prospects and generally fare better than average in all categories.

**Bottom Five States:** Minnesota, Alaska, Missouri, West Virginia, Louisiana.

**Washington's Rank:** 12

**Explanation of Washington's Rank:** Washington ranks in the top five in labor, regulatory environment, and growth prospects and in the middle in economic climate and business costs. We rank very low in quality of life, primarily because of the cost of living.

#### **Small Business Survival Index 2006:**

**What it Measures:** 29 major government-imposed or government-related costs impacting small businesses and entrepreneurs.

**Key Components of the Measure:**

Personal Income Tax Rates, Capital Gains Tax Rates, Corporate Income Tax Rates; State and Local Property Taxes, Local Sales, Gross Receipts and Excise Taxes, Adjusted Unemployment Tax Rates, Number of Health Insurance Mandates, Electricity Costs, Workers' Compensation Benefits, Crime Rates, Number of Bureaucrats, Gas Taxes, State and Local Government Spending Trends, and Expenditures.

**Top Five States:** South Dakota, Nevada, Wyoming, Alabama, Washington.

**Themes:** Four of the five do not have corporate or personal income tax or capital gains tax..

**Bottom Five States:** Minnesota, Maine, Rhode Island, California, New Jersey.

**Washington's Rank:** 5

**Explanation of Washington's Rank:**

Washington ranks number one in both personal income tax rates, corporate income tax rates, and capital gains tax rates. Four of the top five states tie for first in these categories, and the fifth (Alabama) ranks very high. The index does not take Washington's B&O tax into account. Washington ranks in the top quarter of states for electricity costs and number of bureaucrats. Washington ranks in the middle for property taxes and spending trends. We rank at the very bottom in the other categories.

## Corporation for Enterprise Development (cfed) Report Card for the States 2007:

**What it Measures:** 67 measures assign grades in three areas:

- Performance (Economic Climate for Wage Earners)
- Business Vitality (Economic Climate for Business)
- Development Capacity (How a state is positioned for the future)

### **Key Components of the Business Vitality Measure:**

Competitiveness of Existing Businesses: Strength of traded sector, business closings, manufacturing investment, industrial diversity.

Entrepreneurial Energy: New companies, change in new companies, job creation by start-up businesses, technology industry employment, initial public offerings.

**Top Five States:** Colorado, California, Massachusetts, Minnesota, Pennsylvania.

**Bottom Six States:** North Dakota, Vermont, Wyoming, Alaska, South Dakota, West Virginia.

**Washington's Rank:** 42

**Explanation of Washington's Rank:** Washington ranks last in business closings and in the bottom five or six in manufacturing investment, job creation by start-ups, and change in new companies. We rank first in technology industry employment.

### **Key Components of the Development Capacity Measure:**

Human Resources: Basic education skills in math and reading, average teacher salary, K-12 expenditures, high school completion rate, high school attainment, college attainment.

Financial Resources: Income from dividends, interest and rent, venture capital investments, SBIC financing, loans to small business.

Infrastructure Resources: Highway performance, bridge deficiency, urban mass transit, electronic public services.

Amenity Resources & Natural Capital: Energy costs, affordable urban housing, health professional shortage areas, conversion of cropland to other uses, air pollution.

Innovation Assets: Ph.D. scientists and engineers, graduate students in science and engineering, broadband access, academic R&D, federal R&D, private R&D, SBIR grants, royalties and licenses, patents, business created via university R&D.

**Top Five States:** Minnesota, Washington, Colorado, Delaware, Oregon.

**Bottom Five States:** West Virginia, Oklahoma, Mississippi, Alabama, Louisiana.

**Washington's Rank:** 2

**Explanation of Washington's Rank:** Washington ranks particularly well in air pollution (first among all states), private R&D, venture capital investments, and energy costs. We fare

well for all the statistics, with the exception of two: business created via university R&D, graduate students in science and engineering, and K-12 expenditures, where we are among the bottom.

### Business and Entrepreneurial Climate Rankings

State	Kauffman New Economy Index	Tax Foundation	Forbes	Small Business Survival Index	CFED Performance	CFED Business Vitality	CFED Develop't Capacity
Alabama	46	20	35	4	34	3	49
Alaska	25	3	47	17	42	48	43
Arizona	22	28	18	15	30	27	42
Arkansas	47	35	21	20	44	41	44
California	5	45	34	49	31	4	30
Colorado	9	14	8	8	17	1	2
Connecticut	6	37	31	32	4	8	8
Delaware	7	9	11	19	4	9	4
Florida	23	5	7	6	27	23	35
Georgia	18	19	15	25	33	26	28
Hawaii	41	24	37	44	6	44	45
Idaho	24	32	6	34	7	25	19
Illinois	16	25	40	21	38	5	16
Indiana	31	12	27	12	38	32	26
Iowa	38	43	24	41	11	42	35
Kansas	34	31	20	35	32	10	15
Kentucky	45	39	41	36	46	7	35
Louisiana	44	30	49	33	50	31	50
Maine	32	42	48	47	9	33	27
Maryland	3	29	12	28	10	23	18
Massachusetts	1	36	36	43	13	2	9
Michigan	19	27	46	10	35	27	29
Minnesota	11	41	10	46	3	19	1
Mississippi	49	17	43	7	49	34	47
Missouri	35	15	16	22	40	39	33
Montana	42	8	42	30	28	37	21
Nebraska	28	44	17	31	20	22	12
Nevada	27	4	22	2	21	11	41
New Hampshire	13	7	14	18	1	37	10
New Jersey	2	48	19	50	16	17	11
New Mexico	33	23	26	29	43	30	38
New York	10	47	33	45	19	34	19
North Carolina	26	40	3	40	41	20	22
North Dakota	37	33	9	24	25	45	6
Ohio	29	49	38	38	29	20	22
Oklahoma	40	21	30	23	37	27	47
Oregon	17	10	28	39	22	39	4
Pennsylvania	21	22	39	16	23	12	13
Rhode Island	15	50	45	48	24	34	31
South Carolina	39	26	23	11	35	14	40
South Dakota	48	2	25	1	26	49	31
Tennessee	36	18	13	13	45	12	34
Texas	14	6	4	9	47	6	39
Utah	12	16	2	26	13	14	6
Vermont	20	46	32	42	2	45	24
Virginia	8	13	1	14	11	14	14
Washington	4	11	5	5	18	42	2
West Virginia	50	34	50	37	48	50	46
Wisconsin	30	38	44	27	7	18	16
Wyoming	43	1	29	3	15	45	25