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Utah Heads The Best States For Business 2014

The national unemployment rate recently dipped to 5.8%, a level last seen in July 2008, but the economic recovery has hardly been robust. Voters went to the polls last week and expressed their dissatisfaction. The economy is the most important factor for voters and [seven out of 10](#) said it is still in bad shape.

Yet, pockets of the U.S. are prospering with strong business climates. You need to head west to find most of these spots. Eight of the top 10 states in Forbes' annual study of the [Best States for Business](#) are west of the Mississippi. Leading the way is Utah, which previously ranked first between 2010 and 2012 before dropping to third last year.

Total U.S. employment declined between 2008 and 2013, but Utah added jobs at a 0.6% annual clip, good for fourth best in the country. The gains are expected to continue with both Moody's Analytics and EMSI forecasting top 10 growth rates for jobs over the next five years using "top down" (Moody's) and "bottom up" (EMSI) methods. Utah also has the highest household incomes among the 10 states with the [best job growth forecasts](#) over the next five years.

Utah has a very pro-business climate, and companies benefit from energy costs that are 26% below the national average—third lowest in the nation. Utah's economy expanded 2.4% a year over the past five years—fifth best in the U.S. It is the only state to rank in the top 10 in five of the six main categories we used to determine the Best States.

Utah has become a technology hub in recent years, but its tech roots run deep. In 1985, it was home to two of the three largest software companies in Novell and WordPerfect ([Microsoft MSFT -0.87%](#) rounded out the top three). Novell and WordPerfect have long been swallowed up, but Utah continues to be a hot locale for technology firms.

[EBay](#) has been in Utah since 2000, and it began an expansion last year to add 1,600 more jobs and almost double its workforce in the state. "The talent pool in Utah is incredible," Scott Murray, vice president of global customer experience, [told the Associated Press](#) last year citing the availability of software engineers and Mormon missionaries with foreign language skills.

[Oracle ORCL +0.66%](#) announced an expansion to its Utah operations this year, which will add more than 300 jobs. Other tech firms with a heavy presence in the Beehive State include Microsoft, [Twitter TWTR +0.89%](#) and [Adobe Systems ADBE +1.3%](#). Only five states received more venture capital funding than Utah in the first three quarters of 2014, according to the National Capital Venture Association ([Washington](#) just barely eked ahead of Utah). Most of the money is going to tech startups in either the Provo or Salt Lake City areas.

In addition to software and IT, life sciences is a [targeted industry](#) for Utah's economic developers. Medical device firm Varian Medical Systems kicked off an expansion in August to add 1,000 new jobs, which will more than double its presence in Salt Lake. There are nearly 1,000 life sciences companies in Utah, and all major subsectors of the industry are experiencing faster employment growth than the U.S. average.

Financial services is another targeted area for Utah developers, and they can point to Goldman Sachs. The firm has 1,700 employees in Salt Lake, which serves as its second biggest office in the Americas. The company expects significant growth in Utah over the next two to four years.

Our Best States ranking looks at 36 data points across six main areas: business costs, labor supply, regulatory environment, economic climate, growth prospects and quality of life. Business costs, which include labor, energy and taxes, are weighted the most heavily. We relied on 11 data sources; research firm [Moody's Analytics](#) was the most-utilized resource (click [here](#) for a detailed methodology).

North Dakota ranks second overall for a second straight year thanks in large part to the economic jackpot known as the Bakken formation. Production at the shale oil fields exploded over the past five years, and North Dakota is now the second biggest producing oil state in the U.S. after Texas. North Dakota is the leader for job growth (3.9% annually), income growth (3.6%) and gross state product growth (9.5%) over the past five years.

North Carolina moves up one spot to third. People have descended on North Carolina for the past decade, and it boasts one of the highest net migration rates in the U.S. Many are chasing jobs. The state's unemployment rate was stuck above 10% for most of 2009 through 2011, but was down to a recent 6.7% and the outlook is bright. North Carolina has the smallest union workforce in the U.S. in percentage terms. The resulting benefit is labor costs that are 16% below the national average—third lowest in the country. North Carolina has ranked in the top five overall each year of our Best States study.

Last year's top state, Virginia falls to No. 4. The state still ranks at the head of the regulatory category because of its strong incentive offerings and business-friendly government policies, but the economic forecast has softened, hindered in part by the budget sequestration of 2013 and reductions in government spending. Virginia is expected to rank in the bottom half of states on growth for jobs, incomes and gross state product over the next five years, according to Moody's.

The biggest gainer this year is Louisiana which rises to No. 29 from No. 40. Louisiana has made great strides since Hurricanes Rita and Katrina hit in 2005. Income and economic growth are among the best in the U.S. over the last five years. Lower business costs and an improved economic outlook also pushed up the Bayou State. Labor costs are sixth lowest in the U.S., according to Moody's. Holding Louisiana back is a poor showing on quality of life metrics with sky-high crime and poverty rates, as well as its low test scores for kids. Other big gainers include No. 11 Delaware and No. 32 Wisconsin, which both move up nine places.

New Jersey took the largest tumble this year, falling nine spots to No. 41. Gov. Chris Christie travelled the country this fall stumping for candidates in his role as chairman of the Republican Governors Association, but his state's own economic record is weak. Employment growth has been sixth slowest in the U.S. over the last five years and is forecasted to be fifth worst going forward. Business costs are third worst in the U.S. (only Hawaii and Massachusetts are worse). The regulatory environment also rates in the bottom three, according to the Mercatus Center's *Freedom in the 50 States* study.

Maine inched up one spot to No. 49 after four years at the bottom of the list. The state still suffers from a high tax burden and lousy economic forecast. Job and income growth are expected to be among the slowest in the U.S. through 2018. Republican Gov. Paul LePage, America's "[craziest governor](#)" according to Politico, was reelected last month in a close race.

Mississippi finished No. 50 for the first time due to bottom five rankings in four of our six main categories, including labor supply, economic climate, growth prospects and quality of life. The state ranks in the bottom three on both college and high school attainment rates. Other issues: the lowest median household income at \$37,432 and the highest poverty rate in the U.S. A couple of positives: labor costs are 5.5% below the national average and the incentive climate is one of the best in the nation



South Carolina

Gross State Product \$184 B As of November 2014



At a Glance

- Population: **4,798,100**
- Governor: **Nikki Haley**
- Median Household Income: **\$43,767**
- Job Growth (2014): **1.9%**
- Cost of Doing Business: **2.1% below nat'l avg**
- College Attainment: **26.1%**
- Net Migration (2013): **35,800**

- Moody's Bond Rating: **Aaa**

Forbes Lists

#23 Best States for Business

- **#29** in Business Costs
- **#23** in Labor Supply
- **#8** in Regulatory Environment
- **#37** in Economic Climate
- **#11** in Growth Prospects
- **#43** in Quality of Life

Profile

Like its neighbor North Carolina, South Carolina has experienced massive net migration into the state over the past five years—resulting in the sixth highest rate in the U.S. The state has been a big proponent of using incentives to lure foreign investment and U.S. companies alike. The Palmetto State's economy also benefits from its status as a right-to-work state. South Carolina has the third lowest union membership as a percentage of its workforce in the country.

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