

## APPENDIX B-20: PENNSYLVANIA



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<b><u>Business Poll Ranking</u></b>	
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### **Overview**

Pennsylvania's economic performance puts it in line with the majority of states (roughly at the median) around the country. In 2007, the Pennsylvania Chamber of Business and Industry released its *2007 Pennsylvania Economic Competitiveness ScoreCard* (see end of this section for ScoreCard). The purpose of the ScoreCard was to grasp significant trends impacting the state and elicit informed discussion by businesses, government, civic, and labor leaders about break away strategies for the future of the state. This study contains seven years of data. This study also includes an Economic Growth Index for the state that shows some slippage for the state after the 2001 recession. Even though the state has shown improvement in the past two years, other states caught up faster and left Pennsylvania in a weaker competitive position. Some additional information about the ScoreCard structure is listed below.

“The ScoreCard model first measures economic outcome as Prosperity and Growth. The *State Economic Prosperity Index* (SEPI) captures the essential economic performance of a state in *level* measures of net earnings, non-labor income, the percent of the population with sustainable income and the unemployment rate. A second and equally important measure of economic outcome is growth: the *State Economic Growth Index* (SEGI) captures the movement of states as *growth* in net earnings, non-labor income, business income, the percent of the population with sustainable income, jobs per capita and self-employment.”<sup>1</sup>

According to the Pennsylvania Chamber, the main three challenges facing the state are:

- Productivity and Labor Supply
- Ideas and Innovation
- Business Costs

The most recent *Forbes* ranking of all US States (with a ranking of one being the best) placed Pennsylvania 39<sup>th</sup> among the 50 states. The state ranked poorly in every

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<sup>1</sup> “2007 Pennsylvania Economic Competitiveness Scorecard.” The Pennsylvania Chamber of Business and Industry.

category except for quality of life. The worst of these categories was growth prospects at 46<sup>th</sup> out of 50. <sup>2</sup>

Pennsylvania's <i>Forbes</i> Rankings	
Overall Rank	39
2006 Rank	41
Business Costs Rank	38
Labor Rank	31
Regulatory Environment Rank	27
Economic Climate Rank	35
Growth Prospects Rank	46
Quality of Life Rank	7

### **Public Policy**

The "State Competitiveness Report (SCR) 2007,"<sup>3</sup> is a study by which the Beacon Hill Institute ranks a state's ability to produce high income, and generally a better quality of life for its citizens. The rankings compare all the states and rank them 1-50 (with a ranking of one being the best). In this study Pennsylvania received a below average rank of 34<sup>th</sup>.<sup>4</sup> With the exception of the technology category, the state received mediocre rankings across the board. Specifically with regard the state's government and fiscal policy, the state was ranked 31<sup>st</sup>.<sup>4</sup>

Governor Rendell recently proposed healthcare reform and alternative energy mandates in the state. However, many in the business community have expressed concern over these proposals. According to the 2007 Pennsylvania Chamber of Business and Industry Economic Survey, 60% of employers oppose his healthcare plan, "Prescription for Pennsylvania."<sup>5</sup> This is primarily because the plan proposes a 3% payroll tax that would be assessed on all companies and would be used to subsidize the cost of insurance for uninsured Pennsylvanians. In addition, the plan is funded through existing tobacco settlement fund dollars, increasing the cigarette tax, and implementing a new tax on cigars and smokeless tobacco.

The Pennsylvania Office of Health Care Reform (OHCR) estimates that there are 767,000 uninsured Pennsylvania adults that cost taxpayers, businesses that provide insurance, and individuals who purchase insurance \$1.4 billion per year. According to

<sup>2</sup> Kurt Badenhausen. "Special Report: The Best States for Business." *Forbes Magazine*. July 2007. [http://www.forbes.com/business/2007/07/10/washington-virginia-utah-bizcz\\_kb\\_0711bizstates.html](http://www.forbes.com/business/2007/07/10/washington-virginia-utah-bizcz_kb_0711bizstates.html)

<sup>3</sup> David Tureck, Jonathon Haughton, Frank Conte, and Christopher Doyon. *State Competitiveness Report 2007*. Boston: Beacon Hill Institute for Public Policy Research at Suffolk University, December 2007. 53. <http://www.beaconhill.org/Compete07/Compete2007State.pdf>

<sup>4</sup> Tureck, et al.

<sup>5</sup> "17<sup>th</sup> Annual Pennsylvania Economic Survey." The Pennsylvania Chamber of Business and Industry. 2007. 14. [http://www.pachamberfoundation.org/pdf/17th\\_Annual\\_Economic\\_Survey.pdf](http://www.pachamberfoundation.org/pdf/17th_Annual_Economic_Survey.pdf)

the OHCR, an average, \$277 per year of individual insurance coverage and \$681 per year of family coverage goes to cover the uninsured.

On alternative energy, 64% of employers polled opposed the governor's proposed initiative.<sup>6</sup> Governor Rendell proposed to create an \$850 million alternative energy fund that would provide more incentives to alternative energy companies that already have been guaranteed a market through the 2004 Alternative Energy Portfolio Standards Act. The program would be partially funded by a new electricity tax on industrial, commercial, and residential users.

## **Regulatory Affairs**

*Forbes* ranks Pennsylvania as one of the states with an average regulatory environment. The state is ranked 27<sup>th</sup> out of 50 states.<sup>7</sup> Regionally, Pennsylvania ranks 3<sup>rd</sup> among Mid-Atlantic States, trailing Virginia (1<sup>st</sup>) and Maryland (24<sup>th</sup>), yet staying ahead of Delaware (32<sup>nd</sup>).

Concern about taxes and rising healthcare premiums dominates the minds of most employers in the state according to the 2007 Pennsylvania Chamber of Business and Industry Economic Survey.<sup>8</sup> This poll was conducted from July 18-31, 2007 using a sample size of 400 completed interviews with business owners and executives. Overall, healthcare costs topped the list as the most burdensome issue with 80% of respondents considering them a major deterrent. The need to control healthcare costs was ranked the number one priority by companies. In addition, the survey showed an elevated level of concern about lawsuit abuse in the state. Employers are convinced that substantive legal reforms are needed to address these issues.

Tort reform and lawsuit abuse are also major issues in Pennsylvania. In 2006, the state was rated 47<sup>th</sup> out of the 50 states in terms of the overall tort system by the US Tort Liability Index compiled by the Institute for Legal Reform.<sup>9</sup> According to the study, "A state's legal system influences business decisions such as where to open a new store, or whether to hire more employees, introduce a new product, or build a new plant. States that ranked worse in this study are less likely to benefit in these areas."

Through the theory of joint and several liability, Pennsylvania law allows for a defendant in a lawsuit found to be even 1% liable to be held responsible for the entire verdict. This theory results in claimants going after individuals with the greatest ability to pay in hopes of getting the largest amount of money awarded. The Pennsylvania Chamber and the Pennsylvania Business Council support legislation in which liability would be equal fault. The Fair Share Act, passed in 2002, reformed joint and several liability by replacing it with proportional liability. However, the legislation was ruled unconstitutional by the Commonwealth court because it failed to meet the Constitutional requirement that it only

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<sup>6</sup> "17<sup>th</sup> Annual Pennsylvania Economic Survey." 14.

<sup>7</sup> Badenhausen.

<sup>8</sup> "17<sup>th</sup> Annual Pennsylvania Economic Survey" 9.

<sup>9</sup> Lawrence McQuillan and Lawrence Abramyan. U.S. Tort Liability Index: 2006 Report. Pacific Research Institute. 2006.56.

<http://data.memberclicks.com/site/pfeg/US%20Tort%20Liability%20Index%202006%20Report.pdf>

address one subject area. The legislation passed again in 2005, but was vetoed by Governor Rendell in January of 2006.

Pennsylvania does not currently impose caps on non-economic damages. Pain and suffering, emotional distress, and other intangible injuries fall under the category of non-economic damages. These damages have no direct economic loss or precise value and often times result in large awards in the state.

According to the Pennsylvania Business Council, the business and healthcare communities support several other regulatory changes in the state.<sup>10</sup> The first of these is setting limits on punitive damages to prevent the request of unreasonable settlements. In addition, members of the business community support legislation that would protect an “innocent seller” from being sued if all they did was sell a product later found to be defective. As long as the seller did not alter the product or knowingly sell a defective product, they would not be held liable. Finally, business community members support a statute of response (15 years) from the time of manufacture in which a liability suit must be brought.

## **Tax Policy**

### *Tax Overview*

The State Business Tax Climate (SBTC) ranked Pennsylvania 27<sup>th</sup> overall for its tax system. In particular the state ranked especially poorly for its corporate (42<sup>nd</sup>) and property (47<sup>th</sup>) taxes.<sup>11</sup> The Small Business Survival (SBS) also ranks states by their state taxes and ranked Pennsylvania above average at 24<sup>th</sup> in the country.<sup>12</sup>

In Pennsylvania, there are taxes on a variety of items. They include income, property, and retail sales items. Overall, Pennsylvania’s state and local tax burden is 9.8% according to the nonprofit Tax Foundation.<sup>13</sup> This gave the state a rank of 36<sup>th</sup> in 2007. Pennsylvania’s state income tax is fairly low at a flat rate of 3.07%, and retirement income is not taxed. Taxes on gasoline and cigarettes are among the highest in the country.

Pennsylvania’s income tax rate of 3.07% on individual income taxes allows for no standard deductions or personal exemptions. There are eight income tax classes. They

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<sup>10</sup> The Pennsylvania Business Council. “Putting an End to Lawsuit Abuse.” The Pennsylvania Prosperity Project.  
[http://www.amfvote.com/page.asp?g=pennsylvania&content=Legal\\_Reform&parent=PENNSYLVANIA](http://www.amfvote.com/page.asp?g=pennsylvania&content=Legal_Reform&parent=PENNSYLVANIA)

<sup>11</sup> Chris Atkins and Curtis S. Dubay. *Background Paper: 2008 State Business Tax Climate Index*. Oct 2007, Number 52. The Tax Foundation. 10. <http://www.taxfoundation.org/files/bp57.pdf>

<sup>12</sup> Raymond J. Keating. *Small Business Survival Index 2007: Ranking the Policy Environment for Entrepreneurship Across the Nation 12<sup>th</sup> Annual Edition*. Small Business & Entrepreneurial Council, Washington, DC, November, 2007. 2  
[http://sbecouncil.org/Media/pdf/SBSI\\_2007.pdf?CFID=514256&CFTOKEN=91743709](http://sbecouncil.org/Media/pdf/SBSI_2007.pdf?CFID=514256&CFTOKEN=91743709)

<sup>13</sup> “Pennsylvania: Pennsylvania’s State and Local Tax Burden 1970-2007.” Tax Foundation. 4 Apr. 2007.  
<http://www.taxfoundation.org/taxdata/show/477.html>

include wages, interest, dividends, and net profits from business, net gain from sale or disposition of property, net income from rents, royalties, patents and copyrights, gambling and lottery winnings, and income from estates or trusts. While the overall state and local tax burden for the state is below the national average of 10.1%, personal property taxes balance out some of these savings.

The state of Pennsylvania does not levy or collect taxes on real estate or personal property. Instead, those taxes are reserved for the local governments. Property taxes in the state are collected only on real estate. This includes land and buildings, but does not include property like cars or business inventory.

Pennsylvania imposes a 6% state sales tax on taxable goods and services. Exemptions include food, clothing, drugs, textbooks, resale items, and residential heating fuels. A local sales tax of 1% is also collected on the sales of taxable goods and services in Philadelphia and Allegheny counties.

Pennsylvania collects an inheritance tax ranging from 6% for direct heirs to 15% for all other beneficiaries. Property inherited from a spouse or by a parent from a child 21 or younger is tax-exempt.

Additional taxes in the state include a 31-cents-per-pack cigarette tax, a fuel tax of 25.9 cents per gallon on gasoline and 30.8 cents on diesel fuel, and a realty transfer tax collected by counties at a rate of 1% on the monetary work of real estate.

### *Corporate Taxes*

Corporations doing business in Pennsylvania are subject to Pennsylvania's Corporate Net Income Tax at a rate of 9.99%. This tax is levied on federal taxable income, without the federal net operating loss deduction. Pennsylvania allows a ten-year net operating loss carry forward of up to \$1 million a year. To arrive at Pennsylvania taxable income, all taxes imposed on or measured by net income which are expensed on the federal corporate income tax return are added back, while the foreign dividend gross-up and net interest income and gains on United States government securities are deducted. In addition, consolidated or combined reporting is not allowed. Pennsylvania views each company as a separate company for Corporate Net Income Tax purposes.

For corporations whose entire business is not transacted in Pennsylvania, the income base may be allocated and apportioned to determine income subject to taxation in Pennsylvania.

For corporations which conduct activity in more states than Pennsylvania, a three factor apportionment method is used to apportion corporate net income. Pennsylvania uses property, payroll, and sales in its apportionment formula and double-weights the sales factor. The formula follows:

$$[(PA \text{ Property}/Total \text{ Property}) + (PA \text{ Payroll}/Total \text{ Payroll}) + ((PA \text{ Sales}/Total \text{ Sales}) \times 2)] / 4$$

The Capital Stock and Franchise Tax is imposed on corporations with capital stock, joint-stock associations, limited partnerships, business trusts and other companies doing business within Pennsylvania. Domestic corporations are subject to the Capital Stock Tax, while foreign corporations are subject to the Foreign Franchise Tax on capital stock apportioned to Pennsylvania. The tax is imposed at a rate of 11.99 mills on capital stock value, as determined by the following formula:

$$[0.5 \times \{(Average\ Net\ Income / 0.095) + (0.75 \times Net\ Worth)\}] - \$125,000$$

Net worth is defined as consolidated net stockholders' equity as of the close of the year. Average net income is defined as a five-year average of unconsolidated net income. A statutory exemption is provided for manufacturing, processing, research and development, and air or water pollution control assets. The minimum tax is \$300.

For corporations which conduct activity in more states than Pennsylvania, a three-factor apportionment method is used to apportion capital stock value. Pennsylvania uses property, payroll, and sales in its apportionment formula which follows.

$$((PA\ Property / Total\ Property) + (PA\ Payroll / Total\ Payroll) + (PA\ Sales / Total\ Sales)) / 3$$

Corporations whose business is transacted both within and without Pennsylvania are permitted to choose between a single "exempt assets" factor and a three-factor apportionment formula to determine the portion of capital stock value attributable to Pennsylvania and thus subject to Commonwealth taxation. (Corporations whose entire business is transacted within the Commonwealth may use the exempt assets factor to exclude nontaxable assets.) The exempt assets factor is based on the ratio of book value of taxable assets to book value of total assets.

The Research and Development Tax Credit piggybacks the Federal Tax Credit providing companies that perform applied research in Pennsylvania with a credit to offset the cost of research. The Job Creation Tax Credit is available to eligible businesses that, within three years from a negotiated state date, create 25 or more jobs or increase employment by 20%. Every new full-time job will result in a \$1,000 tax credit that businesses can use against most business taxes. A Neighborhood Assistance Credit is allowed for up to 70% of the amount invested in programs which help families or communities in impoverished areas. The Employment Incentive Payments Program provides credits to employers who hire welfare recipients. The credits are given to employers to offset a portion of the payroll cost for qualifying employees on the first \$6,000 of wages paid. The Enterprise Zone Credit Program allows corporations a tax credit of up to 20% on investments to rehabilitate or improve buildings or land in an Enterprise Zone.

Corporations organized for manufacturing, processing, or research/development purposes may claim an exemption for capital stock invested in such activities within Pennsylvania. Corporations may deduct \$125,000 from capital stock value. Equipment, machinery, facilities and other tangible property used during tax year within Pennsylvania for water or air pollution control or abatement devices are exempt from the Capital Stock and Franchise Tax. Corporations may use the exempt assets factor to

exclude nontaxable assets. The exempt assets factor is based on the ratio of book value of taxable assets to book value of total assets.

The Sales and Use Tax is imposed at a rate of 6% on the retail sale, consumption, rental or use of tangible personal property within Pennsylvania, a limited number of business services relating to such property, and on the charge for a limited number of other business services.

A Sales Tax exemption is available for most purchases made by producers of full-length feature films in Pennsylvania. The producer is considered the *purchaser* who is responsible for the production of commercial motion pictures.

Major items exempt from sales tax include food (not ready-to-eat), most wearing apparel, textbooks, drugs, sales for resale and residential heating fuels such as oil, electricity, gas, coal, and firewood.

Business exemptions exist for computer services and machinery and equipment directly used in manufacturing, processing, farming, dairy farming, public utilities, mining, printing, photography, and photo finishing.

Corporations defined as S Corporations for federal tax purposes may elect to be treated like a partnership for Pennsylvania tax purposes and pay the 2.8% Personal Income Tax rather than the 9.99% Corporate Net Income Tax.

Limited Liability Companies which qualify as partnerships for federal tax purposes are treated as partnerships for Pennsylvania tax purposes and pay the state 2.8% Personal Income Tax rather than the 9.99% Corporate Net Income Tax.

Restricted Professional Companies (limited liability companies performing restricted professional services) are taxed like limited partnerships and pay the 2.8% Personal Income Tax rather than the 9.99% Corporate Net Income Tax.

Financial institutions, insurance and surety companies, and nonprofit corporations without authority to issue stock are exempt from the Corporate Net Income Tax.

#### *Chamber of Commerce Recommendations*

Recently, the State Chamber of Commerce released its recommendations for tax policy in the state.<sup>14</sup> Some of these key provisions are:

- Elimination of the capital stock and franchise tax
- Reduction of the corporate net income (CNI) tax rate
- Elimination of the net operating loss cap
- Establishment of a full single sales factor for CNI apportionment purposes

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<sup>14</sup> "State Business Tax Policy" The Pennsylvania Chamber of Business and Industry. 8 Jun. 2007.  
<http://www.pachamber.org/www/advocacy/taxes/business/index.php>

- Establishment of destination sourcing on services revenues for CNI apportionment purposes
- Administrative reforms that promote timely, efficient and independent tax dispute resolution

The Pennsylvania Chamber of Commerce opposes tax policy options that hinder a company's ability to compete in today's global market. Specifically, the Chamber opposes:

- Unreasonable restrictions on passive investment companies
- Increases in the tax burden on pass-through entities
- Mandatory Unitary Combined reporting
- Throw back/throw out rules
- Changes that exacerbate tax pyramiding in the imposition of a sales and use or some other consumption tax
- Adoption of a new or expanded gross receipts or business receipts tax
- Broad, subjective Department of Revenue powers
- Increases in the tax burden on targeted industries

### **Innovation**

The New Economy Index<sup>15</sup> (NE) rates the states (with a rating of one being the best) according to advancements in innovation and a state's success in an increasingly digital economy. In this study, Pennsylvania ranked 21<sup>st</sup>. In this study the state received average ratings for its number of inventor patents 25<sup>th</sup> and patents in general 22<sup>nd</sup>. Additionally, the SCR ranked Pennsylvania substantially higher at 14<sup>th</sup> best for technological development. The reason behind this higher ranking was Pennsylvania's high marks in academic investment in research and development 10<sup>th</sup> and the number of science and industry degrees awarded in the state 12<sup>th</sup>.

Pennsylvania's competitive performance in broadband connections ranks it slightly above the majority of states with a stronger growth rate than the US average according to the PA Chamber Foundation.<sup>16</sup> At the same time, its peers rank significantly higher and several states that currently rank lower are experiencing double the growth rate of Pennsylvania.

### **Workforce**

The SCR index measures the quality of the workforce in its "Human Resources" category and gave Pennsylvania relatively average marks when it comes to the quality of its workforce ranking just 21<sup>st</sup> in the country among all states.<sup>17</sup>

<sup>15</sup> Robert Atkinson and Daniel K Correa. The 2007 State New Economy Index.: Benchmarking Economic Transformation in the States. Innovation Technology and Innovation Foundation. February, 2007. 13. [http://www.kauffman.org/pdf/2007\\_State\\_Index.pdf](http://www.kauffman.org/pdf/2007_State_Index.pdf)

<sup>16</sup> "2007 Pennsylvania Economic Competitiveness Scorecard: Executive Summary." 12.

<sup>17</sup> Tureck et al, 53.



The small- and mid-market firm productivity measure, sales per employee, is Pennsylvania's best performing motion detector according to the PA Chamber Foundation.<sup>18</sup> It ranked 7<sup>th</sup> among the 50 states, but was still below some of its competitor states. At the same time, this report points to the much weaker performance in more general productivity measures, ranking Pennsylvania around 20<sup>th</sup> in both general productivity, as well as manufacturing and service productivity. Nevertheless, the strong result for sales per employee for small- and mid-size companies is encouraging for Pennsylvania. In the baseline metrics University R&D, Industry R&D and Federal R&D performance (expenditures measured per \$100,000 Gross State Product), Pennsylvania scored at or slightly above the majority of the states in each case, performing particularly well in university R&D at ranking of 12<sup>th</sup> in 2004. Anecdotal evidence is mounting that states and regions with strong support from industry for R&D, however, are more able to drive R&D toward commercialization, leading to the production of higher valued new products and services and higher productivity. The ratio of industry to university R&D addresses the source of funding for research. Pennsylvania was ranked 22<sup>nd</sup> in this ratio in 2004, slightly above the majority of states, after a 32% decline in the ratio between 2001 and 2005, whereas the US average experienced only a 19% decline.

## **Education**

According to the US Chamber of Commerce's "*Leaders and Laggards: A State by State Report Card on Educational Effectiveness*" study, Pennsylvania performs especially well in providing secondary education to its residents. In this study, Pennsylvania was one of only ten states to receive an overall rating of a "B" for the quality of its education system.<sup>19</sup> The state received high marks for having 21<sup>st</sup> century teaching standards, by requiring each instructor to take subject-matter tests. In addition, the state also did well in preparing students for the workforce. However, Pennsylvania lagged in areas of flexibility of academic standards, rigor of academic standards, and return of investment for Pennsylvania tax payers.

Pennsylvania has shown good improvement in Bachelor Degree Attainment, but remains only in the middle of all states and below the average of its peers. The full report of the 2007 PA Chamber Scorecard takes an approach to "brain drain" and "brain gain," which shows net migration, as well as production of new talent.<sup>20</sup> While Pennsylvania has built up its labor force of college age students and young workers, it does not seem to be able to keep older, more experienced talent in the state. Pennsylvania is experiencing a depletion of talent in the age groups 44 to 64. In high school diploma attainment, Pennsylvania ranks 24<sup>th</sup>, an improvement over the last few years. This has not resulted in an improved competitive position, however, as other states have kept pace. On National Assessment of Educational Progress (NAEP) math and reading tests, Pennsylvania is ranked 14<sup>th</sup> and 11<sup>th</sup> respectively.

Pennsylvania's number of top ranked graduate programs relative to all postsecondary educational institutions has seen some increase, albeit unsteady, over the last five

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<sup>18</sup> "2007 Pennsylvania Economic Competitiveness Scorecard: Executive Summary." 10.

<sup>19</sup> The Institute for a Competitive Workforce. *Leaders and Laggards: A State by State Report Card on Educational Effectiveness*. US Chamber of Commerce, 2007.  
<http://www.uschamber.com/icw/reportcard/default>

<sup>20</sup> "2007 Pennsylvania Economic Competitiveness Scorecard: Executive Summary."

years. Although Pennsylvania performed well in the baseline metric of Physical Science and Engineering Degrees Granted in 2005 ranking 10<sup>th</sup>, over the years its above average score has not translated into a high workforce share in these fields. Pennsylvania still ranks above average at 19<sup>th</sup> in Physical Science and Engineering Workers, but has not shown any signs of improving its competitive position over the last seven years. Recently, its growth rate has fallen below the US average, which might endanger its competitive position in future years.

### **Cost of Market Entry**

The Milken Institute releases an annual study in which it ranks the states with the highest cost of doing business on a scale of 1-50 (with a ranking of 50 being best for business).<sup>21</sup> In this study, Pennsylvania received an average ranking of the 21<sup>st</sup> highest cost of business.

The Pennsylvania Chamber Scorecard grades Pennsylvania a “D+” on Business Costs overall, with no notable improvement over the past seven years. While business costs including transportation, land, labor, capital and taxes are important for economic development, the statistical analysis found health care and energy costs particularly sensitive to change in state per capita income. Pennsylvania’s overall healthcare premiums have increased faster than the US average between 2001 and 2004, from an already above average cost position, pushing its competitive position down to rank 34<sup>th</sup> from rank 19<sup>th</sup> in 2001. In private health care premiums for businesses with less than 100 employees, Pennsylvania has performed even weaker at rank 40<sup>th</sup> in 2004 down from rank 22<sup>nd</sup> in 2001. Pennsylvania must compete with such states as Arizona at a rank of 3<sup>rd</sup>, which has been improving its relative cost position with a low 10.3% growth rate. The energy cost metric in this report measures the average industrial and commercial prices per kilowatt-hour and indicates Pennsylvania significantly above average in 2005, and below in rank at 35<sup>th</sup> although it has shown some improvement since its 2000 rank of 39<sup>th</sup>. Its price levels have risen only 3% between 2002 and 2005, whereas the US on average experienced a 14% increase<sup>22</sup>.

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<sup>21</sup> “2007 Cost of Doing Business Index.” Milken Institute. December, 2006.  
<http://www.milkeninstitute.org/pdf/2007CostofDoingBusiness.pdf>

<sup>22</sup> “2007 Pennsylvania Economic Competitiveness Scorecard: Executive Summary.” 11.

ScoreCard: Pennsylvania's Performance on **Drivers, Sub-Drivers and Metrics**<sup>23</sup>

**Economic Prosperity Index B**

Net Earnings 15th  
Non-Labor Income 25th  
Sustainable Income Population 13th  
Unemployment Rate 30th

**Economic Growth Index C**

Net Earnings Growth 28th  
Non-Labor Income Growth 35th  
Business Income Growth 41st  
Sustainable Income Population Growth 7th  
Job Growth 33rd  
Self-Employment Growth 11th

**Productivity & Labor Supply D+**

Net Migration Rate 31st  
Labor Force Participation Rate 37th  
Gross State Product per Job 19th  
Value Added per Hour in Manufacturing 21st  
Service Industry GDP per Job 20th

**Ideas & Innovation D+**

Patents per Innovation Worker 26th  
Patent Per R&D Dollar 33rd  
University Royalty/License Income 20th  
University R&D Expenditures 12th  
Industry R&D Expenditures 18th  
Government R&D Expenditures 26th  
NSF Proposal Funding Rate 11th

**Business Opportunity and Vitality C**

High-performance Companies 13th  
IPO Awards 13th  
University Spinout Businesses 23rd  
Export Intensity 35th  
Foreign Direct Investment 20th  
New Business Churn 24th  
Firm Startup Activity Rate 42nd  
Establishment Failure Rate 10th  
Entrepreneurial Activity Index 46th

**Capital Formation C+**

Venture Capital 9th  
Bank Commercial and Industrial Lending 11th  
Private Lending to Small Businesses 17th  
IPO Financing 13th  
Capital Investment in Manufacturing 26<sup>th</sup>

**Business Costs D+**

Unit Labor Costs 31st  
Energy Costs 35th  
Workers' Compensation Costs 34th  
Unemployment Insurance Costs 44th  
Business Tax Burden 25th  
Business Tax Structure 42<sup>nd</sup>  
Metro Office Rents Index 41st  
Health Care Premiums 34th

**Quality of Life C+**

Crime Index 11th  
Gender Equity 21st

Racial Equity 21st  
Leisure Employment 24th

Urban Housing Affordability 31st  
Charitable Giving 38th  
Lack of Health Insurance 7th

**Education B+**

**K – 12 Education B**

AP Performance 22nd  
High School Graduation Rate 9th  
SAT Performance 39th  
ACT Performance 15th  
NAEP Mathematics 14th  
NAEP Reading 9th

**Post Secondary Education B+**

Physical Sciences and Engineering Degrees 10th  
Technologist and Technician Degrees 16th  
Other Innovation Degrees 19th  
College Affordability 44th  
U.S. News Undergraduate Reputation 24th  
U.S. News Top-Ranked Graduate Programs 14th  
College Migration 2nd

**Workforce Preparedness C**

High School Diploma Attainment 23rd  
Bachelor's Degree Attainment 24th  
High-tech Manufacturing Employment 39th  
High-tech Services Employment 22nd  
Physical Sciences and Engineering Workers 19th  
Technologist and Technician Workers 14th  
Other Innovation Workers 29th  
Adult Education 42nd

**Government Efficiency & Regulatory Environment B**

**Government Efficiency B**

Government Gross State Product 3rd  
State and Local Tax Burden 27th  
Units of Government per Capita 28<sup>th</sup>

**Regulatory Environment B**

Malpractice  
Costs 36th  
Health Mandates 18th  
Business Liability 37th  
Liability Systems 34<sup>th</sup>  
Liability Systems 34th  
Local Phone Competition 9th

**Physical Infrastructure C+**

Highway Quality 35<sup>th</sup>  
Bridge Quality 47th  
Railway Productivity 7th  
Major Market Air Access 29th  
Water Systems 7<sup>th</sup>

**Digital Connectivity B**

Broadband  
Connections 23rd  
Broadband Coverage 32nd  
Next Generation Internet 31st  
Next Generation Internet 31st  
Rural Internet Access 34th  
Technology in Schools 16th

<sup>23</sup> "2007 Pennsylvania Economic Competitiveness Scorecard: Executive Summary." The Pennsylvania Chamber Foundation. 2007. 2.  
[http://www.pachamberfoundation.org/pdf/2007\\_ScoreCard\\_Executive\\_Summary.pdf](http://www.pachamberfoundation.org/pdf/2007_ScoreCard_Executive_Summary.pdf)

