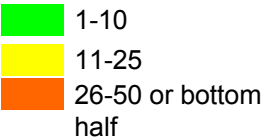


We categorized 16 state ranking indices by purpose; Washington's rankings vary significantly, even within groups



Ranking based on...	Index/ report	Overall rank ¹	Trend
1 Overall attractiveness to businesses	<ul style="list-style-type: none"> CEO Magazine CNBC Forbes Site Selection 	40 th	-10 (30 th in 2008)
		16 th	+6 (22 nd in 2007)
		2 nd	+1 (3 rd in 2006)
		Bottom half	? (bottom half in 2007)
2 Cost of doing business	<ul style="list-style-type: none"> Milken Institute Moody's Economy.com Small Business / Entrepreneurship Council 	15 th	-3 (12 th in 2004)
		29 th	+6 (35 th in 2006)
		5 th	-1 (4 th in 2007)
3 Tax and labor costs to businesses	<ul style="list-style-type: none"> ALEC-Laffer Fraser Institute Tax Foundation 	25 th	+5 (30 th in 2008)
		42 nd	TBD
		9 th	+3 (12 th in 2008)
4 Broad economic development	<ul style="list-style-type: none"> Beacon Hill CFED WA Economic Climate study 	6 th	+1 (7 th in 2007)
		18 th	-- (18 th in 2004)
		16 th	Improved or same in 19/29 indicators
5 Degree to which they foster innovation in business	<ul style="list-style-type: none"> Innovation Benchmarks² ITIF / Kauffman 	2 nd out of 5	n/a
		2 nd	+2 (4 th in 2002, 2007)
6 Attractiveness to a specific industry	<ul style="list-style-type: none"> Deloitte² 	3 rd out of 5	n/a (one-time ranking)

Working Draft - Last Modified 11/19/2009 10:09:53 AM/Printed 11/18/2009 11:39:34 AM

¹ Rankings here may not match ranking in the report exactly due to re-bucketing of indicators in order to analyze as seen on next page; details in Appendix
² Based on a peer group of 5 states; overall ranking based on an average of rankings across factors

Ranking differences are caused by differences in methodology, indicator choice, and indicator weights

Key difference	Description	Example
<p>Methodology</p>	<ul style="list-style-type: none"> Each index uses a different combination of data types, data sources and data categorization, and have disparate ways of normalizing data and ranking states Variance in any of these can affect the overall ranking 	<ul style="list-style-type: none"> Within the same grouping, Forbes uses a data-driven approach to award Washington a ranking of 2nd while CEO Magazine uses opinion surveys to arrive at a ranking of 40th
<p>Indicator choice</p>	<ul style="list-style-type: none"> Indicators used to represent a category are not the same across indices Indicators chosen may not provide a comprehensive view, or may provide an over-emphasis on certain issues 	<ul style="list-style-type: none"> Small Business/ Entrepreneurship Council (SBEC) uses 17 tax indicators, of which 8 are income-related, resulting in a Washington ranking of 4th because of its lack of income taxes Moody's and Milken use a single total tax burden indicator which also incorporates sales, property, and other taxes, leading to a lower ranking for Washington
<p>Indicator weight</p>	<ul style="list-style-type: none"> Each index's overall ranking is shaped by the weight placed on both individual indicators and categories Placing greater weight on an area where Washington performs poorly will lead to a lower overall ranking 	<ul style="list-style-type: none"> Milken weights the labor cost sub-index at 50% of the total score for each state and gives Washington a ranking of 15th, while Moody's places a weight of 75% leading to a ranking of 29th

Working Draft - Last Modified 11/19/2009 10:09:53 AM/Printed 11/18/2009 11:39:34 AM

Out of these 16 indices/ reports, three warrant continued attention going forward



Rationale

Has the potential to influence decision-makers in the business world, despite a less-than-robust methodology

- The magazine targets business professionals and decision-makers; this is the most widely disseminated of the three private-sector business attractiveness rankings
- They do not publicly release details of their methodology, including specific indicator list for each sub-index, weights and normalization methods
- However, they are indicator-based and were willing to divulge a descriptive list of indicators, which makes them more transparent than the other publications in their group (CNBC, CEO Magazine, Site Selection)



Provides the most exhaustive and methodologically sound business perspective on state-level attractiveness

- The most transparent, reasonable and thorough methodology, including top-down indicator choice for each sub-index, and sub-index weighting (specific to each state)
- Covers the top three factors that Washington businesses believe are important for growing and improving jobs in the state (cost of business inputs, tax structure, employment costs)



Provides the most exhaustive and methodologically sound view of attractiveness from a social/ non-business perspective

- Is the closest we have seen to a mutually-exclusive, collectively-exhaustive list of factors and metrics for overall economic development at state level
- Although it does not cover many of the factors important to businesses, it can be seen as a proxy for ranking based on overall social and economic outcomes for residents

In-depth one-pager on each index/ report available in appendix

The indices identify 12 different key factors that affect state competitiveness (1/2)



Key factors and WA's average ranking

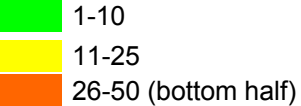
Example metrics (out of over 200)

Key Factor	WA's Average Ranking	Example Metrics
Access to Capital	6 th	<ul style="list-style-type: none"> Venture capital investments per capita IPOs as share of GSP
Cost of Energy	9 th	<ul style="list-style-type: none"> Electricity costs Natural gas costs
Research & innovation	9 th	<ul style="list-style-type: none"> Patents per capita Scientists and engineers per capita
<hr/>		
Economy	16 th	<ul style="list-style-type: none"> Unemployment rate GSP growth rate
Education & Skills	16 th	<ul style="list-style-type: none"> K-12 test scores Workforce education attainment
Quality of life	18 th	<ul style="list-style-type: none"> Crime rate Air/ water quality State health index
Cost of Taxes	19 th	<ul style="list-style-type: none"> State and local taxes (businesses) Sales tax
Infrastructure	23 rd	<ul style="list-style-type: none"> Highway cost effectiveness Adoption of broadband services
Regulatory Environment	25 th	<ul style="list-style-type: none"> Public employees per capita State legal liability costs
<hr/>		
Cost of Living	29 th	<ul style="list-style-type: none"> Housing costs CPI
Cost of Labor	40 th	<ul style="list-style-type: none"> Unit labor costs Worker's compensation premium
Cost of Real Estate	43 rd	<ul style="list-style-type: none"> Industrial rent cost Office rent cost

• WA tends to rank in the top 10 of all states in access to capital, cost of energy and research & innovation
• However, it is in the bottom half of all states in factors such as the cost of labor, the cost of living, and the cost of real estate;
• Others such as infrastructure and the regulatory environment are on the cusp of being in the bottom half

SOURCE: Various indices/ reports; team analysis

The indices identify 12 different key factors that affect state competitiveness (2/2)



Key factors

Cost of doing business

Ranking/ Index	Key factors												Access to capital
	Overall	Labor	Energy/ water	Taxes	Real estate	Regulatory environment	Research & innovation	Education & skills	Cost of living	Quality of life	Infra-structure	Economy	
Average ranking	17	40	9	19	43	25	9	16	29	18	23	16	6
CEO Magazine	40	35				34	6	27	n/a	9	22	11	4
CNBC	16	32				37	6	29	34	11	30	18	5
Forbes Magazine	2	27				5	n/a	2	n/a	24	n/a	3	n/a
Site Selection Magazine	26+	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Milken Institute	15	41	11	27	43	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Moody's	29	41	8	36	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Small Business / Entrepreneurship Council	5	50	8	4	n/a	27	n/a	n/a	n/a	46	39	n/a	n/a
ALEC	25	38	n/a	22	n/a	28	n/a	n/a	n/a	n/a	n/a	14	n/a
Fraser Institute	42	46	n/a	31	n/a	28	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Tax Foundation	9	n/a	n/a	9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Beacon Hill	6	39	11	15	n/a	17	15	13	35	17	26	12	6
CFED	18	n/a	n/a	n/a	n/a	n/a	10	18	19	11	18	39	7
WA State Econ. Climate	16	23	8	12	n/a	n/a	9	16	n/a	16	34	13	n/a
Innovation Benchmarks (based on ranking out of 5)	2.3	n/a	n/a	n/a	n/a	n/a	2.7	3.0	n/a	n/a	1.0	1.7	3.0
ITIF/Kauffman	2	n/a	n/a	n/a	n/a	n/a	6	8	n/a	13	12	17	3
Deloitte Consulting (based on ranking out of 5)	3/5	4.5	3.5	2.5	5.0	n/a	n/a	1.0	3.3	1.6	n/a	1.0	n/a

Working Draft - Last Modified 11/19/2009 10:09:53 AM Printed 11/18/2009 11:39:34 AM