

SMALL BUSINESS OWNERS GRADE THE STATES: CALIFORNIA F, TEXAS A+

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by [CHUCK DEVORE \(/COLUMNISTS/CHUCK-DEVORE\)](#) | 20 Jun 2014, 6:20 AM PDT | [POST A COMMENT \(/BREITBART-TEXAS/2014/06/20/SMALL-BUSINESS-OWNERS-GRADE-THE-STATES-CALIFORNIA-F-TEXAS-A#COMMENTS\)](#)

Another business climate survey was just released, and, in what won't be a shock for regular Breitbart readers, it assigns Texas a grade of A+ for small business friendliness with California netting an F. What makes this survey unique is both the surveyor, Thumbtack, and the methodology.

Thumbtack links nearly half a million service providers, from accountants to blacksmiths to Hebrew translators with customers online. For three years they've partnered with the Ewing Marion Kauffman Foundation to complete an annual business friendliness survey, the most recent one covering 38 states in 82 metro areas with 12,632 business owners taking the time to complete the online form. For Thumbtack, the business friendliness survey serves a greater purpose than simply comparing states' attitude towards entrepreneurship, they hope to, as Thumbtack Chief Economist Jon Lieber said, "Spur states to improve their policies towards small business."

In addition to Texas, Idaho, Utah and Virginia also received an A+ grade. Joining California in the cellar with an F were Illinois and Rhode Island.

Thumbtack's survey scored business owners' opinion about ten items: ease of starting a business (Texas A+, California F), ease of hiring (Texas A, California B-), overall regulations (Texas A+, California F), friendliness of health and safety regulations (Texas A, California F), friendliness of employment labor and hiring regulations (Texas A+, California F), friendliness of the tax code (Texas A+, California D), friendliness of licensing regulations (Texas A, California D), friendliness of environmental regulations (Texas A+, California F), friendliness of zoning regulations (Texas A+, California D), and availability of helpful training and networking programs (Texas A, California C-).

While state law and regulations generally outweigh local law—even in the arena of zoning, California increasingly encroaches on local authority—cities do still hold some leeway in encouraging or discouraging business. Thumbtack graded ten California cities and five

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Texas cities:

California	Texas
Anaheim D+	Austin A+
Los Angeles D	Dallas A+
Oakland B-	Fort Worth A+
Oxnard F	Houston A+
Riverside D	San Antonio A
Sacramento F	
San Diego F	
San Francisco C-	
San Jose D+	
Santa Rosa D	

Looking at California's best rated city, Oakland, where current California governor Jerry Brown served as mayor for eight years through January 2007, the city received its highest mark, an A, for ease of hiring. The City of Oakland's unemployment rate is frequently double that of cross-bay rival San Francisco, so, perhaps that "A" rating in ease of hiring is simply an indication of the relatively plentiful supply of labor compared to nearby areas.

One potential weakness in Thumbtack's study is that they measured business owners' perceptions about the business friendliness of their state and local government. When asked if entrepreneurs in different states might express different attitudes about similar conditions, Thumbtack's Lieber noted that business owners' attitudes showed a remarkable connection to actual economic conditions as verified by the regression analyses in his report.

Lieber's observation was easy enough to verify. Looking at Thumbtack's survey, 11 states ranked A- or better:

A+: Idaho, Texas, Utah, Virginia

A: Colorado, Louisiana, Oklahoma, Tennessee

A-: Georgia, Iowa, and Kentucky

While nine states were graded D+ or lower:

D+: Massachusetts, New Mexico, New York

D: Connecticut, New Jersey, Pennsylvania

F: California, Illinois, Rhode Island

Why should people care about a state's friendliness to small business? In a word, "jobs." According to Thumbtack's report "Over 99% of U.S. employer firms meet the Small Business Administration's definition of small businesses, and they account for nearly half of all private sector employees. Over the past two decades, almost two-thirds of net new private sector jobs have come from these small businesses."

Thumbtack's survey results very strongly match up with actual economic performance. U.S. Bureau of Economic Analysis (BEA) and U.S. Bureau of Labor Statistics (BLS) data show that Thumbtack's top 11 rated states saw an average of 7.5 percent growth in their economies from 2007 to 2013 with Texas leading the way at 19.1 percent. During the same period, the U.S. economy saw real GDP growth of 4.7 percent. Thumbtack's worst rated nine states experienced an average of 2.2 percent growth. So, Thumbtack's top states outperformed the national economy by 59 percent on average while the states seen as the least friendly towards small business averaged growth at less than half the national rate.

What about jobs? The top 11 states saw their payrolls increase by an average of 3.1 percent from 2007 through April 2014 while the bottom nine experienced shrinking payrolls, losing on average 0.9 percent of the jobs they had in 2007. Net payroll growth shows a similarly lopsided picture with 1,615,700 jobs being added in the entrepreneur friendly states since 2007 compared to 119,600 jobs in the states with unfriendly policies towards small business—more than 13 jobs created in the highly rated states for every one job created in the states hostile to business.

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With this in mind, it wasn't a surprise when Lieber remarked that many of Thumbtack's professional providers—plumbers, electricians, and the like—have moved from California to Texas as did almost 63,000 Californians in 2012, according to the U.S. Census Bureau.

The entrepreneurs who responded to Thumbtack's survey about the level of government interference in their business also tracked closely to the Texas Public Policy Foundation's own Soft Tyranny Index, a report that measured the intrusiveness of government at the federal and state level. While Thumbtack measured the subjective opinion of business owners in 38 states, the Soft Tyranny Index used objective measures to determine government power, such as taxes, spending, and the number of regulators in all 50 states. Both reports placed Texas at the top and California at the bottom.

Lastly, Lieber said that, for the small business owners who are part of Thumbtack's network, regulations are more important than taxes. Complying with the complex and shifting landscape of regulations can be costly, and, in some cases, can lead to prison time for administrative violations. In California, an official state report pegged the cost of regulatory compliance in 2007 at \$134,000 per year for the average small business, with an overall cost of almost five *times* the state's annual general fund budget. The Competitive Enterprise Institute's annual "Ten Thousand Commandments" report measures the cost of federal regulations on the U.S. economy, estimating the burden of compliance at \$1.9 trillion, or more than the combined total of individual and corporate income taxes at a cost per household of \$14,974 per year.

As well as Texas did in Thumbtack's survey, there is still room for improvement. Among the 38 states listed, Texas came in 5th in its licensing regulatory burden. In a free market economy with a wide array of information available to consumers via the Internet, professional licensing rules look increasingly anachronistic. In fact, many professional licensing regimes imposed by government act merely as government protection for cartels of providers—they simply raise the cost of new entrants to the field, holding back competition and raising prices while doing little to improve quality. Ask yourself a question, if government professional licensing was so great, why can't consumers sue the government for damages if an officially-approved supplier messes up? Rather than a government bureaucracy giving its stamp of approval in exchange for paperwork and fees, professional certification is best left to the marketplace.

The Hon. Chuck DeVore is the Vice President of Policy at the Texas Public Policy Foundation. Follow him on Twitter @chuckdevore (<https://twitter.com/chuckdevore>).

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 **Datolsarge** • 23 minutes ago
Good news and Bad News, Bad news part is that to many Californians will now move to Texas and try to do what they did in Colorado.
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 **JR1984** → [Datolsarge](#) • 15 minutes ago
Californians are not that bright. The create a sewer, decide they don't like living in a sewer, move, then vote to turn their new location into another sewer. The cannot figure out that they are the problem and are actually intellectually deficient.
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 **Chuck DeVore** → [Datolsarge](#) • 10 minutes ago
The Californians who are moving to Texas are conservative by about 2 to 1 (see: <http://www.texastribune.org/20...> Further, as a percentage of the Texas population, the fraction that are from California is far, far fewer than are the numbers of births to Texans every year.

The last thing a true-believing California liberal wants to do is to move to Texas.
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