

2019 Best and Worst States to Start a Business

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Starting a business is never easy. According to U.S. Bureau of Labor Statistics [data](#), about a fifth of all startups typically don't survive past year one of operation, and nearly half never make it to their fifth anniversary.

But startups fail for different reasons, a “bad location” among the [most common](#). Choosing the right state for a business is therefore crucial to its success. A state that provides the ideal conditions for business creation — access to cash, skilled workers and affordable office space, for instance — can help new ventures not only take off but also thrive.

In this study, WalletHub compared the 50 states across 26 key indicators of startup success to determine the most fertile grounds in which to launch and grow an enterprise. Read on for our findings, business insight from a panel of experts and a full description of our methodology.

Best States to Start a Business

Overall Rank (1=Best)	State	Total Score	'Business Environment' Rank	'Access to Resources' Rank	'Business Costs' Rank
1	Texas	61.05	1	11	30
2	Utah	60.95	7	2	26
3	Georgia	58.12	5	17	13
4	North Dakota	57.68	2	19	32
5	Oklahoma	57.58	8	36	1
6	Florida	56.75	4	20	21
7	Arizona	54.39	9	12	29
8	California	54.30	3	3	46
9	Montana	53.71	11	30	8
10	Colorado	52.67	6	18	34
11	Idaho	52.10	12	44	7
12	Washington	52.00	13	1	43
13	Mississippi	51.39	28	26	2
14	North Carolina	50.86	24	10	22
15	Louisiana	50.36	15	37	17
16	Kansas	50.33	17	27	20
17	Minnesota	50.32	21	5	35
18	Michigan	50.19	31	23	6
19	Nebraska	50.09	25	21	9
20	Tennessee	49.11	16	42	19
21	Kentucky	49.00	26	40	5
22	South Dakota	48.57	38	33	4

Overall Rank (1=Best)	State	Total Score	'Business Environment' Rank	'Access to Resources' Rank	'Business Costs' Rank
23	Maine	48.56	18	45	14
24	Indiana	48.48	33	29	11
25	Nevada	47.85	14	47	28
26	Oregon	47.80	19	13	33
27	New Mexico	47.69	34	28	18
28	Alaska	47.06	10	16	45
29	Alabama	46.82	36	38	10
30	Wisconsin	46.61	29	31	24
31	Arkansas	46.60	32	43	12
32	Missouri	46.46	35	25	25
33	Wyoming	46.22	20	39	31
34	Ohio	46.05	42	35	16
35	Illinois	45.33	43	8	40
36	Massachusetts	45.11	27	7	42
37	Iowa	44.86	39	32	27
38	South Carolina	44.85	41	48	15
39	Virginia	43.51	22	34	38
40	Maryland	43.42	23	9	47
41	West Virginia	43.36	49	41	3
42	New York	42.25	37	6	49
43	Vermont	41.35	45	50	23
44	Delaware	40.66	40	14	44
45	Pennsylvania	40.18	47	22	37
46	Connecticut	39.31	48	4	48
47	Hawaii	38.05	30	49	41
48	New Hampshire	37.94	46	46	39
49	New Jersey	36.42	44	15	50
					36
50	Rhode Island	35.29	50	24	

Highest Avg. Growth in Number of Small Businesses

1. North Dakota
2. Utah
3. Florida
4. Texas
5. Nevada



Lowest Avg. Growth in Number of Small Businesses

46. Ohio
47. Mississippi
48. New Mexico
49. Vermont
50. West Virginia

Most Accessible Financing

- T-1. North Dakota
- T-1. Utah
- T-1. Iowa
- T-1. South Dakota
5. Nebraska



Best States
vs
Worst States

Least Accessible Financing

46. Florida
47. Oregon
48. California
49. Nevada
50. Arizona

74x Difference

Lowest Labor Costs

1. Mississippi
2. Arkansas
3. West Virginia
4. Alabama
5. Kentucky



Best States
vs
Worst States

Highest Labor Costs

46. Massachusetts
47. Hawaii
48. Alaska
49. New Jersey
50. Maryland

2x Difference

Highest Availability of Human Capital

1. Alaska
2. West Virginia
3. Mississippi
4. Washington
5. California



Lowest Availability of Human Capital

46. Colorado
47. Virginia
48. Massachusetts
49. New Hampshire
50. Vermont

Longest Avg. Work Week (in Hours)



Shortest Avg. Work Week (in Hours)

Ask the Experts

National and state economic policies can greatly affect business creation and the direction they take after launching. For insight into the ways in which different measures impact business, we asked a panel of experts to address the following key questions:

1. Do you believe that the economic policies being enacted thus far by the Trump administration will promote new-business development?
2. To what extent do state policies, such as corporate tax rates, influence decisions about whether and where to start a new business?
3. Are tax breaks and other incentives to encourage new businesses on net a good or bad investment for states?
4. What measures can state authorities undertake in order to encourage entrepreneurs to start new businesses in their state?

Joseph Fox

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Do you believe that the economic policies enacted thus far by the Trump administration will promote new business development?

The economic policies enacted by any administration will spur development of new businesses in certain industries more than others. Federal-level policies are only a part of the equation in business formation, as state and municipal level policies also have an impact on company formation.

To what extent do state policies-- such as corporate tax rates-- influence decisions about whether and where to start a new business?

State policies certainly have an impact on whether and where to start a business. Anecdotally, look no further than a recent example in Texas. Governor Abbott signed a law allowing individuals to order beer and wine for delivery with food to their home. In a time where food delivery startups are still expanding, a small change like this might entice an entrepreneur to create something to address this potential new opportunity.

Are tax breaks and other incentives to encourage new businesses on net a good or bad investment for states?

States should consider what the intended and unintended consequences are for tax breaks and other incentives offered to new businesses. Many regulations imposed have the potential to create distortions in the market with artificial controls benefitting one company far more than others. Clearly, most states consider these strategies as a valuable tool in an attempt to entice very successful companies to move operations within their boundaries. Look no further than the Amazon HQ2 race to understand what cities and states are willing to give up in order to welcome an ecosystem-altering company into their midst.

What measures can state authorities undertake in order to encourage entrepreneurs to start new businesses in their state?

States should understand that entrepreneurship ecosystems are dynamic systems with a tremendous number of factors interacting simultaneously. When policy-makers decide to pull one string, they should ask themselves if they really know what other strings it is tied to within the system. This should dictate policies that remove barriers to starting and operating businesses, as well as access to capital. There also should be recognition of the discontinuity of administrative control in each state – the pet program of one government is not likely to maintain that status for the next. In this way, policies should be designed to have maximum impact within a stated timeframe.

Methodology

In order to determine the best and worst states to start a business, WalletHub compared the 50 states across three key dimensions: 1) Business Environment, 2) Access to Resources and 3) Business Costs.

We evaluated those dimensions using 26 relevant metrics, which are listed below with their corresponding weights. Each metric was graded on a 100-point scale, with a score of 100 representing the most favorable conditions for new-business creation.

Finally, we determined each state's weighted average across all metrics to calculate its overall score and used the resulting scores to rank-order our sample.

Business Environment – Total Points: 50

- Average Length of Work Week (in Hours): Double Weight (~5.88 Points)
- Share of Engaged Workers: Double Weight (~5.88 Points)
Note: This metric is based on Gallup's "State of the American Workplace" report. Gallup defines engaged employees as those who are involved in, enthusiastic about and committed to their work and workplace.
- Growth in Number of Small Businesses: Full Weight (~2.94 Points)
- Startups per Capita: Full Weight (~2.94 Points)
- Growth of Average Business Revenues: Double Weight (~5.88 Points)
- Five-Year Business Survival Rate: Full Weight (~2.94 Points)
- Industry Variety: Full Weight (~2.94 Points)
- Industry-Cluster Strength: Full Weight (~2.94 Points)
Note: This metric is based on data from the U.S. Cluster Mapping Project. "Industry-Cluster Strength" refers to the level of high employment specialization of a cluster, which is defined by the U.S. Cluster Mapping Project as a "regional concentration of related industries in a particular location."
- Entrepreneurship Index: Double Weight (~5.88 Points)
- Share of Fast-Growing Firms: Full Weight (~2.94 Points)
Note: This metric measures the number of firms in each state that are included on the "Technology Fast 500" list (Deloitte report) as a share of total firms in each state.
- "Digital States" Survey Grade: Full Weight (~2.94 Points)
- Job Growth (2017 vs. 2013): Full Weight (~2.94 Points)
- GDP Growth (2018 vs. 2017): Full Weight (~2.94 Points)

Access to Resources – Total Points: 25

- **Financing Accessibility: Full Weight (~3.57 Points)**
Note: This metric was calculated as follows: Total Annual Value of Small-Business Loans / Total Number of Small Businesses.
- **Venture Investment Amount per Capita: Full Weight (~3.57 Points)**
- **Human-Capital Availability: Double Weight (~7.14 Points)**
Note: This metric was calculated as follows: Number of Job Openings per Number of Civilians in Labor Force – Unemployment Rate.
- **Higher-Education Assets: Full Weight (~3.57 Points)**
Note: This is based on WalletHub’s “Best Universities Ranking” report.
- **Share of College-Educated Population: Full Weight (~3.57 Points)**
Note: This metric measures the share of population aged 25 years and older with a bachelor’s degree or higher.
- **Working-Age Population Growth: Full Weight (~3.57 Points)**
Note: “Working-Age Population” includes individuals aged 16 to 64 years.

Business Costs – Total Points: 25

- **Office-Space Affordability: Double Weight (~5.56 Points)**
Note: This metric measures the per-square-foot cost of commercial office space.
- **Labor Costs: Double Weight (~5.56 Points)**
Note: This metric measures the median annual income of the state.
- **Average Annual Single Insurance Premium per Enrolled Employee: Full Weight (~2.78 Points)**
Note: This metric refers to employer-based health insurance.
- **Corporate Taxes: Full Weight (~2.78 Points)**
- **Total Effective State & Local Tax Rates on Mature Corporate Headquarters: Full Weight (~2.78 Points)**
- **Total Spending on Incentives as Share of GDP: Full Weight (~2.78 Points)**
- **Cost of Living: Full Weight (~2.78 Points)**

Sources: Data used to create this ranking were collected from the U.S. Census Bureau, Bureau of Labor Statistics, Ewing Marion Kauffman Foundation, Center for Digital Government, National Venture Capital Association, Indeed.com, Tax Foundation, U.S. Cluster Mapping Project, Deloitte, The New York Times, Gallup, U.S. Bureau of Economic Analysis, Council for Community and Economic Research, LoopNet, Federal Deposit Insurance Corporation, Kaiser Family Foundation and WalletHub research.