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CNBC's Top States For Business 2010—And The Winner Is Texas

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They say everything in **Texas** is big, and that sure goes for its stature in business.

With the biggest point total in the history of our study, Texas posts a big victory as **America's Top State for Business 2010.**



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Top Five

Texas reclaims the top spot from last year's winner, Virginia, which slips to No. 2. Texas was last on top in 2008, and Virginia took the crown in the inaugural year of our study, 2007. That leaves Texas and Virginia dead even in the battle for bragging rights at two wins apiece.

Rounding out the top five are No. 3 Colorado, No. 4 North Carolina, and No. 5 Massachusetts, which makes its first appearance among America's Top States for Business.

Scoring & Categories

Our fourth annual study of America's Top States for Business puts all 50 states to the test, measuring them on 40 different metrics in ten key categories of competitiveness. We developed these categories back in 2007 with the help of business groups including the National Association of Manufacturers. And we weight the categories based on how frequently states use them as selling points to attract business. That way, we hold the states to their own standards, and tell you how they measure up.

The categories and weightings, for a total of 2,500 points, are:

- *Cost of Doing Business (450 points)*

- *Workforce (350 points)*
- *Quality of Life (350 points)*
- *Economy (314 points)*
- *Transportation & Infrastructure (300 points)*
- *Technology & Innovation (250 points)*
- *Education (175 points)*
- *Business Friendliness (175 points)*
- *Access to Capital (50 points)*
- *Cost of Living (25 points)*

We use publicly available data on the metrics in each category to score the states, and then add up those scores to rank America's Top States for Business.

2010 Dynamic

Coming out on top is always an accomplishment, and never more so than this year. The national economy is anemic, and state budget pressures are growing across the country. In fact, even top-ranked Texas is struggling to make ends meet. The state faces a Texas-sized, \$4.6 billion budget shortfall for fiscal 2011, according to the non-partisan Center on Budget and Policy Priorities. That is more than 12 percent of the state budget.

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Add to that a sluggish job market across the country, and even the top states cannot afford to rest easy.

In No. 3 Colorado for example, unemployment in May was a relatively low 8 percent. But KUSA-TV reporter Greg Moss in Denver says the unemployment rate does not tell the full story.

"Although ours is way below the national average, it's remained pretty flat. So we're seeing a lot of long-term unemployed," Moss says.

In runner-up Virginia, which has a built-in cushion of technology and government jobs,

particularly in the northern part of the state, the employment picture statewide is somewhat shaky.

“The recession of the past two years has hit manufacturing rather hard,” says reporter Tom Schaad of WAVY-TV. “Here in Hampton Roads, International Paper in Franklin closed a major mill, putting 1,100 people out of work. That’s one example.”

What separates the top states from the rest is their ability to cope with those types of economic stress, offering environments that allow businesses to thrive even in a slowdown.

Texas By The Numbers

Texas powers past the tough times on the strength of its economy—top-ranked in our Economy category four years in a row. The Texas economy is the 15th largest in the world, according to government figures; larger, for example, than all the Scandinavian nations combined.



The Lone Star State is home to 64 Fortune 500 companies, more than any other state, in a wide variety of industries. So while the state’s last win in 2008 came with oil at a record \$145 a barrel—a natural tailwind for the largest industry in Texas—the state managed to do even better this year despite the fact that oil is trading at roughly half that price.

Texas has also managed to avoid the worst of the real estate crisis, according to reporter Ashanti Blaize of KXAS-TV. “While in other major cities we’ve seen condo high-rise projects either slowed or come to a screeching halt, in Dallas we’ve seen an influx of some of those projects,” says Blake.

However, that economic strength has a side effect. Rising commercial rents and high wages hurt the state in the all-important Cost-of-Doing-Business category, where it comes in at number 30.