

Appendix C

Economic Health of US States

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Alabama

Alabama ranked 38th overall in terms of economic freedom at the all-government level for the second year in a row and was 20th in the subnational index, up two places from the previous year. The state was undone primarily by its rankings in size of government, where it was 53rd in the all-government group and 51st subnational. Alabama moved back two spots to 14th for all-government rankings in takings and taxation and remained 10th in the state and local group. The all-government labor market freedom ranking of 33rd was a slip from 2002, but it is still an improvement over the previous several years. At a subnational level in more than 20 years of data, it has never been out of single digits and in 2003 was 5th for the eighth consecutive year. Another bit of good news: only 10 states had a lower effective state and local tax burden (8.4% compared to the national average of 9.4%), and Alabama was 35th out of the 50 states when the federal tax burden was added. The Yellowhammer State has a low general sales and use tax (4%) and is on the lower end of the list for both cigarette taxes (42.5¢ per pack of 20) and gasoline taxes (18¢ per gallon).

Alaska

After holding a strong, single-digit position throughout most of the 1980s, Alaska began a slide in the measurements of overall economic freedom, ranking 39th in 2003 in the all-government area. It has never been a player at the state and local level, where its 44th place showing is actually an improvement over two years earlier. Despite a No. 1 ranking for size of government in the first five years of data beginning in 1981, Alaska was 53rd of all states and provinces in 2003 in the all-government rankings, 59th subnational for the second year in a row (after four years at 60th). And in labor market freedom it ranked 52nd in both categories. The results are far better in takings and taxation, where the state was 2nd in all-government and 3rd in state and local. Not surprisingly, Alaska is close to last among the states in the size of its tax burden, in the top-five state and local, and moves to 2nd after federal taxes are figured in. There is no state-level sales tax and an extremely low gasoline tax (8¢).

However, the cigarette and spirits taxes are on the high end, while the table wine tax of \$2.50 per gallon is the highest in the country as is the state's tax on beer at a \$1.07 per gallon.

Arizona

Arizona maintained the gains it began making in the mid- and late 1990s, finishing 14th all-government and 5th in the subnational area in the overall rankings. The Grand Canyon State showed little change over the past few years in the three major measurements: it finished 19th all-government and 12th subnational in size of government; 21st and 23rd in takings and taxation; and 6th and 1st in labor market freedom. At the subnational level, Arizona has never been rated worse than 3rd in labor market freedom over the past two decades and moved into the No. 1 spot this year. The state has moved from 20th up to 35th in its combined state and local tax burden of 8.8%. It is about in the middle of the pack with its 5.6% general sales and use tax.

Arkansas

Arkansas placed 39th overall in the all-government category and 30th in the state and local comparisons. Its best showing was in labor market freedom, where it ranked 17th in all-government and 21st in state and local. Otherwise, the state fell into the bottom half in takings and taxation (39th in both all-government and state and local); and size of government area, where it ranked 50th in all-government (a measurement where it has never been higher than 41st). Arkansas's state and local ranking for size of government was better than the all-government, coming in at 28th. Its effective state and local tax burden of 9.8% is higher than average at 18th but, when federal taxes are added, its burden drops to 26th.

California

Overall, California's rankings have remained relatively consistent over the past several years, now standing at 24th for the all-government level and 44th state and local. This gap is also reflected in two of the three areas of measurement. The state ranked relatively high (15th) in terms of government size at the all-government level but fared worse at the subnational level (46th). Similarly, all-government placed higher in takings and discriminatory taxation (31st) than state and local (47th). Labor market freedom measurements were 41st at the all-government level and 43rd at the subnational level. California's state and local tax burden has dropped down from the middle of the states to 12th, and its state-level sales tax is high at 6.25 %.

Colorado

Colorado continues to play its role as one of the stars of economic freedom, holding on to 3rd in all-government overall and maintaining single-digit status in the subnational rankings at 9th. With one exception—takings and taxation—where it ranked 12th in both all-government and subnational, Colorado was in the top 10 in all comparisons. For size of government, it ranked 4th in the all-government list for the fifth straight year and dropped slightly to 9th in state and local. In labor market

freedom, it finished 3rd in the all-government group and 9th in state and local. The state's general use and sales tax (2.9%) remains the lowest in the country for those states that have one. Only nine states have a lower effective state and local tax burden. And Coloradoans can celebrate their good fortune cheaply: only three states have a lower tax on beer and most have higher taxes on wine and spirits.

Connecticut

Connecticut places 19th overall in the all-government ratings and 26th in the state and local comparison. Its size of government ranking has been in single digits in the all-government measurement since the mid-1980s (now standing at 5th) and it has been slowly improving in the subnational group to 16th. The 2003 ratings confirmed the fall-off in the state's one-time strong suit, labor market freedom, ranking 20th all-government and 29th subnational (although it is six places higher than 2002, when it dropped 14 places). The takings and taxation results were not much help to Connecticut's overall standings: 42nd all-government, 27th state and local. Its general sales and use tax is at the high end at 6%. Its gasoline tax of 25¢ per gallon is tied for eighth highest in the country. The effective state and local tax burden has dropped to 23rd highest in the country (from 9th) but its total tax burden (31.5% with federal taxes added) remains the worst.

Delaware

Delaware continues to go from strength to strength, placing 1st in overall economic freedom in both the all-government (an unbroken streak since 1986) and state and local rankings (a category where it began an undistinguished 31rd in 1981). In terms of government size, it was rated 1st both in all-government (another unbroken post-1986 run) and state and local (six years running). It was 1st in both measurements of takings and taxation (the all-government record stretching back to 1990) and stayed in 2nd in labor market freedom at the all-government level. The only double-digit blemish came in Delaware's state and local labor market freedom ranking at 12th. Delaware has no general sales and use tax. Its effective state and local tax burden (6%) is lower than every other state and it remains the lowest in the country even after adding the federal burden.

Florida

Florida has made a major improvement in its overall all-government economic freedom ranking since 2000 when it was 31st. In 2003, it placed 19th for the second year in a row, one spot away from its all-time best ranking in 1987. It has been in single digits in the subnational measurement since 1981 and has been in 3rd for the last two years. When size of government was taken into consideration, it ranked considerably higher in the state and local comparisons than in the all-government group, 12th as compared to 28th. That pattern held true in takings and taxation (18th subnational and 36th all-government) and labor market freedom (1st—and never below 2nd in the last 22 years—and 6th, respectively). Its effective state and local tax burden of 9% puts it on the lower half among the states. Florida's general sales and use tax is at

the high end (6%). Once the nation's lowest, its gasoline tax has increased but it is still among the top-10 lowest in the United States.

Georgia

Georgia has solid ratings on most measurements of economic freedom, placing 5th overall in the all-government area and 9th in state and local. Its rankings for size of government were 11th all-government and 9th subnational; in takings and taxation, Georgia ranked 8th and 18th. Its best showing was in the all-government rankings for labor market freedom, where it was 3rd, making 14 straight years in the top five. It was 9th in the state and local comparison. Georgia is one of several states tied for the second-lowest state-level sales tax (4%) among those that have one and its gasoline tax is the lowest in the country at 7.5¢. Its effective state and local tax burden of 8.2% is very low among the 50 states.

Hawaii

Hawaii may bask in the sunshine but the light doesn't brighten the picture much where economic freedom is concerned. The state was 46th in overall all-government ranking and ranked 44th in the subnational comparison. Hawaii never cracked 30th in any of the three major areas of comparison. In size of government, the state ranked 41st all-government and 37th subnational. Takings and taxation stood at 36th and 48th, respectively, with labor market freedom ranking 50th and 48th. Hawaii's combined state and local tax burden is 10th highest, although when combined with the federal tax burden, the state is slightly better than average. On the other hand, at 4%, the state-level sales tax is tied at second lowest of the states that impose one, and only six states have a lower gasoline tax. What beer drinkers save on gas tax, though, they'll need for suds: Hawaii's beer tax of 93¢ (once the highest by far) is now the second highest in the country.

Idaho

Idaho has shown little change over the past several years in its overall rankings, which in 2003 were 32nd in all-government and 34th in the subnational area, up one spot from last year. It ranked 37th in all-government and 28th in the state and local size of government comparison, and 31st and 41st in the takings and taxation category. The best showing came in labor market freedom, where it ranked 20th all-government, although it fell four places this year to 29th in state and local. Idaho may not be setting the world alight but at least it is consistent. The state has a fairly high combined state and local tax burden at 9.9% and its state-level sales tax at 5% is in the middle among states that have one.

Illinois

In the overall all-government measurement, Illinois ranked 14th in 2003 and ranked 20th in state and local, a two spot improvement over 2002. Takings and taxation were slightly down, moving from 18th to 21st in all-government but remaining steady at 21st subnational. There was a slight recovery, moving four places to 27th in all-government

labor market freedom after dropping 13 places to 31st in 2002. State and local ranked 20th for the second year in a row for labor market freedom. Illinois' best showing for years has been in the size of government national area where it ranked 9th in 2003 (single digits since 1984 with the exception of last year in 10th), while it ranked 23rd subnational. The combined state and local tax burden is slightly below the national average at 9.3% but, at 6.25%, its state-level sales tax is among the nation's highest.

Indiana

Overall, Indiana moved from 13th to 10th all-government but moved down two spots to 14th in the subnational rankings. In the size of government area, it was 17th and 9th, respectively; in takings and taxation, it was back in the single digits at 9th all-government (after spending a decade in the top 10 and slipping last year to 12th) and remained for the third year at 8th in the subnational rankings. Labor market freedom is historically Indiana's weak suit but the subnational numbers continued their rally to 21st from 25th, although after a slow rally last year the all-government rankings repeated 16th. Indiana's combined state and local tax burden has decreased to 8.7%, placing the state below the national average. Its 6% state sales tax puts it at the high end among states that impose one. The Hoosier State's 18¢ per gallon gasoline tax is toward the low end of the scale, as is its beer tax of 12¢ per gallon.

Iowa

Iowa's overall rankings on economic freedom were about the same as 2002, moving from 23rd to 24th in 2003 in the all-government area and falling from 24th to 26th in subnational. Most of Iowa's numbers are in the middle range. In terms of government size, Iowa stayed at 30th all-government and was unchanged at 23rd in the subnational area for the fifth straight year. Takings and taxation stayed at 23rd at the subnational level but fell three places to 21st all-governmental. Historically, labor market freedom was a reliable area. After being either 8th or 9th all through the 1980s, however, its subnational ranking of 31st in 2002 was the best since 1990. Unfortunately that did not hold and it slid back to 38th in 2003. The all-government ranking made a substantial move up to 16th in 2002 but also took a turn for the worse, falling to 27th in 2003. The state and local tax burden is just below the national average at 9.2%, although when the federal burden is added to the mix, only nine states tax less than Iowa.

Kansas

Kansas is another state in which economic freedom is neither supreme nor defeated: it ranked 19th in all-government overall (up from 23rd in 2002) and 23rd in the subnational grouping. Its best showing was in size of government, state and local, where it rated 16th (national was 24th). Takings and taxation finished 25th in all-government and 33rd in state and local. The state's labor market freedom ranking fell four places to 20th in the all-government area, while the subnational ranking (the state's strongest for several years) dropped two places and now stands at 16th. Kansas is at the national average in terms of combined state and local tax burden at 9.4%. Its sales

tax is in the middle among states that have one (5.3%). At 24¢ per gallon, its gas tax is slightly on the high side, but the ghost of Carry Nation no longer stalks the Kansas prairie: taxes on spirits, table wine, and beer are among the country's lowest.

Kentucky

Kentucky rates 32nd overall in the all-government list (confirming its drop-off there over the past several years) and 30th subnational. Both size of government measurements have fallen off, all-government to 46th, state and local to 32nd; takings and taxation were ranked at 21st and 30th. Labor market freedom rankings confirmed the state's middle-of-the-pack status, both at 33rd. The effective state and local tax burden of 9.7% is above the national average of 9.4% but, with the federal tax burden included, Kentucky improves, moving to 28th nationally. While the state sales tax is high at 6%, Kentucky's 30¢ cigarette tax is now tied for the country's fifth lowest, beer is tied for third lowest, and table wine is comparatively lightly taxed.

Louisiana

What's happened to Louisiana? A state that was in low single digits a decade ago in both overall groups has slid over the past 10 years but it is starting to show signs of improvement. Louisiana's rankings were up in 2003, jumping seven places to stand at 29th all-national and moving up one spot to 23rd subnational. The single good showing is in the state and local labor market freedom ranking, where it has been 7th since 1995. The all-government number has improved by 11 places and now stands at 20th (after slipping 13 places to 31st in 2002). The government size ranking in the all-government measurement is spending another year at its all-time-low of 41st. The state and local hit a bottom-scraping 43rd. Takings and taxation—no worse than 4th as late as 2000, and frequently 1st or 2nd—stood at 17th in 2003 all-government and 30th subnational (although the all-government is an improvement over its all-time worst ranking in 2002 of 24th). Louisiana's state and local sales tax burden is 9.7%, just above the national average, but it gets a break when the federal burden is added (10th lowest). Also on the bright side, although "bright" is relative, the state-level sales tax is tied for second lowest among states that have one, the spirits tax is low, the gas tax at 20¢ is about in the middle of national range, and the state tax on table wine is still the lowest in the country at 11¢ per gallon. That's gallon.

Maine

Maybe it's the winters but Maine continues to give a cold shoulder to economic freedom's sunny overtures. The state has never been above 40th in either of the overall categories and, in 2003, stood at 47th all-government and 50th subnational. The breakdowns were just as gloomy: size of government 47th and 46th, respectively; takings and taxation 51st and 55th; and labor market freedom was 43rd in all-government and 41st in subnational measurements. Maine hits residents with the second-highest state and local tax burden, at 12.3%, and has the fifth-highest tax rate when the federal burden is added. At 5%, the state sales tax is below that of the top-tier states (6% and above).

Maryland

The Old Line State's overall numbers both show modest improvement from three years ago, the all-government ranking moving from 39th in 2000 to 36th in 2003 and the subnational from 24th to 15th. The same three-year improvement holds for government size (42nd to 32nd all-government, 27th to 20th subnational). Changes in the other two major areas were less dramatic. All-government takings and taxation actually dropped two places to 39th while the state and local stayed at 23rd. Labor market freedom all-government also went down slightly from 31st to 33rd, while the subnational ranking, the state's best-performing measurement over the last decade, went from 14th to 12th. Maryland once hovered around the national average for combined state and local tax burden but has now exceeded it at 10.2%, placing Maryland at 11th highest. The state is even higher—No. 4—on the overall tax list after the federal burden is folded in. Its various alcohol taxes are at or below average, especially beer at 9¢.

Massachusetts

Over 20 years, Massachusetts has gradually worked its way into solid top-20, if not yet spectacular top-10, status in most areas— hovering close to the top 10 in 12th for overall all-government in 2003. It was 18th subnational in 2002 and hopped to 15th in 2003. Both of its government size rankings held steady (13th all-government, 16th state and local) while labor market freedom fell one spot this year in all-government (17th) and jumped up one spot in subnational (21st). Takings and taxation were about the same, where it was 15th in the subnational area and 17th in all-government. Not surprisingly, Massachusetts's combined state and local tax burden is below the national average at 9.2% (although once the federal tax burden is added only a handful of states have a bigger bill). Its cigarette and spirits taxes are relatively high, although the state tax on beer is among the lowest.

Michigan

Michigan is typical of states that have become gradually hospitable to economic freedom since the 1980s, although the state recently experienced a few setbacks. Until the mid-1990s, Michigan's overall numbers were in the 30s and 40s. Unfortunately, after being in the low 20s its overall all-government ranking slid in 2003 to 29th, while subnational hasn't moved out of the 30s and now stands at 34th. In government size, the all-government area stayed at 19th this year. And while 28th is still below the halfway point in the state and local rankings, Michigan spent the period from 1981 to 1991 (sometimes deep) in the 50s. In takings and taxation, the state was 25th in the national and stayed 21st subnational. The one area in which it has yet to catch fire (that is, rarely broken into the top 30) is labor market freedom. In 2003, its ranking was 43rd in all-government and 45th subnational. Michigan's state and local tax burden is slightly above the national average at 9.5% and the state sales tax is among the highest at 6%.

Minnesota

Minnesota's overall rankings fell slightly from 2002 to 18th all-government and 37th subnational. The state also shows wide variations between the two government

size measurements: all-government rank for government size is 11th and for state and local, it's 37th. Labor market freedom rankings are closer together at 20th in the national and 26th subnational; takings and taxation are 33rd and 37th, respectively. Minnesota's tax burden is relatively high—14th for combined state and local, 18th after federal taxes are added. At 6.5%, its state sales tax is tied as the nation's second highest. Its spirits tax is also high, although taxes on table wine (35¢) and beer (15¢) are among the lowest.

Mississippi

Mississippi's competitive score in the subnational labor market freedom measurement (6th place for the seventh consecutive year) was about the only high point for a state whose rankings have either never impressed or have fallen markedly over the past several years. The state has been in the 40s for the past six years in the all-government labor market freedom and came in at 40th in 2003. In the overall measurements of economic freedom, the all-government ranking has never topped 41st and is now 49th. The subnational, 15th in 1995, is now 30th. The all-government ranking for takings and taxation (consistently in the 20s until 1998) was 43rd in 2003; state and local has gone down almost yearly for a decade to 43rd. The subnational size of government ranking has dropped to 48th, while the all-government (which had a best-ever showing of 49th) now stands at 58th, better than only Prince Edward Island and West Virginia. The state is No. 6 on the state and local tax burden list and No. 19 on the local/state/federal tax-bite list. Mississippi imposed its own 7% sales tax, now tied for the highest in the nation, but at 18¢ each, the gasoline and cigarette taxes are among the lowest in the country.

Missouri

Missouri ranks 19th overall in the all-government rankings and 20th in state and local, with respectable scores in both takings and discriminatory taxation (13th and 12th) and somewhat lower ones in labor market freedom (27th and 26th). The state fares worst in the all-government measurement for size of government, coming in 32nd, although in the state and local rankings it placed 16th. It has the third-lowest state sales tax—4.2%—among the states that charge one. It's in the bottom quintile on the gas tax, has one of the lowest table wine taxes (36¢), and is tied for the second lowest tax nationally on beer (6¢). In the rankings where citizens want their state to finish far down the line, effective state and local tax burden, Missouri is below the national average at 8.8%.

Montana

Montana was 50th in the overall all-government rankings, which is about where it has languished since 1985. The subnational ranking has fought its way up to 41st. Takings and taxation rankings are 44th and 33rd (the latter the best showing in any area for the state), while labor market freedom rankings were 45th and 43rd. The all-government measure for government size dropped to the mid-50s in 1985 and is now 56th, while the subnational ranking for the category is 48th. The combined state

and local tax burden is well above the national average at 10.4% and the state is one of the five that imposes no state sales tax. Driving to a more economically friendly state will be pricey—only five states have a higher gasoline tax.

Nebraska

Nebraska's overall rankings for economic freedom have spent most of their time in the 'teens and did again in 2003: 14th in the all-government rankings and 15th in the state and local. After briefly peaking at 8th in the mid-1990s, the all-government measure of size of government has continued to fall and now sits at 23rd. The subnational figure—No. 1 for seven consecutive years starting in 1990—is spending another year at 6th. Takings and taxation ranked 17th all-government, 33rd subnational; in labor market freedom the state was 12th and 21st. Nebraska is slightly below the national average for its state and local tax burden (9.3 %), and the gasoline tax is relatively high at 26.1¢ (although it is adjusted periodically).

Nevada

Nevada was a solid performer across the board, not falling below 19th in any of the eight areas of measurement. In terms of overall economic freedom the state ranked 5th in all-government and 9th in the state and local measurement. Size of government provided the best showing, with Nevada finishing 3rd in the all-government rankings (it hasn't been below 5th since 1988), and coming in 2nd in state and local. In takings and taxation, Nevada fell two places all-government to 14th but moved up one spot subnational, from 16th to 15th. In labor market freedom it was 12th and 19th. Nevada, at 35th, is below the national average for the combined state and local sales tax burden, although the addition of the federal tax burden moves it to 28th on the most-taxed list. Nevada's state sales tax is near the top at 6.5%.

New Hampshire

New Hampshire has had the occasional stumble over the past 20-plus years but usually recovers quickly. In its welcoming of economic freedom, it has been a sound performer, finishing 8th overall in the all-government rankings and 5th in the state and local, and topping that in the government size area at 5th and 4th. The closest New Hampshire came to a let-down was in the all-government measurement of takings and taxation, where it finished 17th (though 4th in the subnational). The state was ranked 6th and 16th for labor market freedom. New Hampshire has a very low state and local tax burden at 8.2%, and there is no state sales tax.

New Jersey

New Jersey's modest improvements in 2002 gave the state its highest rankings in overall economic freedom in a number of years but the state back-tracked somewhat in 2003. It fell five places in the all-government area from 19th in 2002 to 24th in 2003 and remained 30th in the subnational. Size of government provided the best showing at 5th all-government and 20th subnational. New Jersey finished 27th (highest rank since 1998) and 38th (a seven-spot slide from 2002) in the labor market freedom

measurement. Takings and taxation has always been the state's trouble spot, at least in the all-government rankings, where it has been as low as the high 50s and in 2003 finished 46th, with a state and local ranking of 37th. New Jersey has the 14th highest state and local tax burden at 10% but, once the federal boom is lowered, the state is the third most taxed in the country and imposes a high 6% state sales tax. On the other hand, the 10.5¢ gasoline tax is bested by only two states.

New Mexico

New Mexico's climate for economic freedom has worsened steadily over the past two decades, to the point that, by 2003, its overall all-government ranking was 50th, while the subnational fell to 47th after five straight years at 44th. Size of government helped sink the overall ratings, coming in at 56th all-government and 53rd state and local. Takings and taxation provided no help, coming in at 48th all-government (in free fall since finishing 13th just three years earlier) and ranked 48th subnational. In the labor market freedom area, New Mexico was ranked 41st and 40th. At 10.1%, its state and local tax burden is well above average, unlike the gasoline tax at 17¢, which is below average. And don't try drowning your sorrows; all three alcohol-related taxes are among the highest in the nation.

New York

New York ranks 39th in the all-government figures for economic freedom and 50th in the subnational area, and little in any of the major measurements suggests a breakout is in the offing. In terms of government size, the state ranks 24th all-government, and in the subnational area, it's a dismal 53rd (and has never topped 47th). In takings and taxation, the state has tumbled to 44th all-government and is 43rd subnational; in labor market freedom, New York ranked 45th and 48th. Part of the sluggishness could be tax-related: the Empire State's 11.8% state and local tax burden is the nation's third highest and, when the federal tax burden is added, only Connecticut's citizens pay more. Its other tax rates are all over the board: a low 4% sales tax and a beer-friendly 11¢ per gallon tax on suds, but above average taxes on gas at 23.9¢ and spirits at \$6.44 per gallon.

North Carolina

North Carolina has never been out of single digits in its all-government ranking of overall economic freedom. In 2003, it was 2nd (only Delaware rated higher) while finishing 9th in the subnational area. Its rankings for size of government were 13th and 15th, respectively, and that's about as bad as the news gets for North Carolina. In takings and taxation the state finished 6th in the all-government group and had a third year at a best-ever 10th state and local. Measuring labor market freedom, North Carolina finished 1st all-government for the 16th time in the last 18 years, and 9th in the subnational group. The state and local tax burden is fourth lowest in the nation and the federal add-ons bump it up to third lowest. The Old North State's sales tax is low at 4.5% and the cigarette tax, at 30¢, is tied for fifth lowest in the country. Only a handful of states have a higher gasoline tax.

North Dakota

North Dakota ranks 44th in the all-government numbers for overall economic freedom and a considerably higher 26th in the state and local area. The disparity can be explained in part by its showing in government size where, despite the subnational ranking snapping back to 20th (its best showing in 21 years), the all-government ranking was 55th for the fourth year in a row. Takings and taxation were 33rd all-government and 30th subnational. Labor market freedom jumped 10 places from 30th to 20th all-government and moved up two places to 29th subnational. The state and local tax burden was above the national average (19th), while the federal additions were low enough that the overall burden was better than average—34th among the states. At 5%, the state sales tax was below that of the highest group of taxing states.

Ohio

Ohio dropped to 32nd overall in the all-government rankings of economic freedom after spending a half-decade in the mid-20s. Its subnational ranking has never topped 34th and in 2003 stood at 41st. The rest of the groups follow that same just-below-average pattern. The government size rankings are 28th all-government and a brutal 53rd in the state and local comparisons; and takings and taxation were 36th and 41st. Its labor market freedom rankings dropped in 2003, 31st to 37th all-government and 25th to 29th subnational. Ohio suffers the fifth-highest state and local tax burden at 10.8%. Its high 6% sales tax reverted to 5.5% in mid-2005. Only a handful of states have a higher tax on gasoline.

Oklahoma

If this were the 1985 report, looking back on the first four years of data, Oklahoma would be one of the country's stars. What a difference two decades make. Then, the state was in the mid-teens or better in all eight measurements. In the 2003 overall measurements of economic freedom, the state's all-government ranking was 43rd and it came in at 34th in the subnational group. Size of government yielded a 49th all-government and 31st state and local, while takings and taxation both stayed the same at 41st and 39th. Best showing was in the labor market freedom numbers, which moved out of the mid-30s and into the 20s, stopping at 27th all-government and 26th subnational. Its combined state and local tax burden of 10% puts it closer to the top than the bottom, and it comes in as the 21st most-taxed state when the federal tax burden is added. Its state sales tax is low at 4.5% and the gasoline tax is among the handful of lowest states at 16¢. The cigarette tax was lower than most states at 23¢ per pack but increased to \$1.03 in 2005, putting it on the higher end of the scale.

Oregon

Unlike Oklahoma, which started out golden and turned to lead, Oregon began far down the lists of economic freedom and has fought its way up to semi-respectability, although it has had a few recent relapses: 36th in the overall all-government rankings (from a first decade spent in the 40s and the last half decade in the high 20s or low 30s) and 41st subnational (a relapse from the period when it reached the 30s). "Relapse"

sums up the state's size-of-government experience, doing better earlier, now sitting 35th at all-government and 57th subnational. Labor market freedom doesn't provide the good news with its 47th in both all-government and subnational. The overall boost comes from the state's numbers in takings and taxation, a steady climb over time to 14th all-government and 15th state and local (the latter was off the scale at 52nd in the late 1980s). The state's 9.7% state and local sales tax burden is above the national average and the federal additions move the state to the middle of the pack at 24th. There's no state sales tax, the beer and wine taxes are low (especially beer at 8¢ per gallon) but at \$17.77 per gallon, only one state (Washington) taxes more for spirits. Only 11 states have a higher gasoline tax than Oregon's 24¢ per gallon.

Pennsylvania

Pennsylvania has been on an improving track regarding economic freedom but has put on a more concerted push the last five years. Its overall rankings in 2003 were 24th all-government and 23rd state and local (and this from a state that in 1981 was in the 40s in most categories). The state isn't doing it on its size of government showing (32nd in both indices), but the scores are better with labor market freedom (20th and 21st all-government and subnational, respectively) and are even a bit better in takings and taxation, where Pennsylvania ranked 25th and 12th, respectively (the latter measurement has always been its strongest). The state and local tax burden is a just above-average 9.6%, the sales tax a top-tier 6%. But few states say "get in the car and drive" like Pennsylvania with its fourth-lowest 12¢ gasoline tax. Beer is at the low end as well with the state's membership in the 8¢-a-gallon club.

Rhode Island

Rhode Island just refuses to improve: 51st overall in the all-government measurement in 1981, 44th in 2003; 51st subnational then, 47th now. Its size of government rankings bear out the overall assessment: 41st all-government, 58th state and local (and never better than 51st in the past decade-plus). Takings and taxation are a mostly-50s nightmare since 1981, finishing in 2002 at 51st in both areas but creeping up three spots to 48th in 2003. When a state's high points are in the mid-to-low 30s, it's a sign of trouble, and that's where Rhode Island is with labor market freedom: 37th all-government and 33rd state and local. The state has the fourth-highest state and local tax burden (11.2 %) and is No. 6 when federal taxes are added. At 7%, its state sales tax is tied with Tennessee as the nation's highest, and it is third at 30¢ for the highest gasoline tax. Table wine and beer taxes are on the cheap side. Otherwise, reach for your wallet.

South Carolina

South Carolina is an example of a state where a single excellent rating can nudge so-so numbers up to a decent overall position. The state ranks 29th overall in the all-government category and 15th in the state and local measurements (a drop from a 15-year single-digit run through 1995). Both size of government ratings dropped from 2001 to 41st all-government and 37th subnational; takings and taxation finished

at 25th and 27th. South Carolina's ace in the hole has always been labor market freedom. It ended its long single-digit run in the all-government area in 1997 but still came in at 12th in 2003. In the subnational measurement, the state was No. 1 except for two years at 2nd place every year from 1981 through 1995. It's now in its fifth year at an all-time low of 4th. South Carolina's state and local tax burden is fairly low at 8.9% and only eight states are more lightly taxed when the federal burden is added. The sales tax is down from the top tier at 5%, the gasoline tax low at 16¢, and the cigarette tax is now the nation's lowest at 7¢.

South Dakota

As has been noted here before, what a difference an adjective makes. The difference may not be quite as pronounced this year, but North Dakota still may have something to learn about economic freedom from its southern neighbor. South Dakota's ratings have either improved or remained in the single digits in almost every category. It ranks 14th all-government and 5th subnational in the overall measurements, a one-point loss and two-point gain. Its rankings would be higher but for one of the six area measurements, size of government, where the all-government ranking lagged at 37th for the second year in a row (and has never dipped below 30th). The subnational rating continued a 14-year single-digit run to finish 4th. Otherwise, the state was 3rd all-government in takings and taxation and 6th for the fifth year in the state and local group. Labor market freedom has slowly rounded into form over the years to reach 6th all-government and 12th subnational. The state and local tax burden is well below the national average, placing it in 3rd for least-taxed states. South Dakota is only the 5th least-taxed state when federal taxes are folded in. State sales taxes are low at 4%. Gasoline taxes were low until 2004, when taxes increased from 16¢ to 22¢.

Tennessee

Tennessee continues to display solid economic freedom credentials across the board, placing 10th overall for the fourth year in a row in the all-government category and spending a third year at 2nd subnational, where it had an unbroken No. 1 streak from 1988 to 2000. Once the state gets past size of government (24th all-government, 12th subnational) it is clear sailing: 3rd and 4th, respectively, in takings and taxation, 11th and 3rd in labor market freedom. In the subnational measurement for labor market freedom, Tennessee has been either 3rd or 4th every year since 1981, one of the few long, unbroken streaks of exemplary performance. Only one state (Delaware) has a lower state and local tax burden and only five states place lower than Tennessee for least-taxed status after the federal burden is folded in. The Volunteer State pulls it off despite being tied for highest state sales tax (7%). Its beer and cigarette taxes are on the low side and gas taxes are in the middle.

Texas

When a state's overall ratings for economic freedom draw attention by dropping to 5th all-government and 8th subnational, it can be forgiven for not breaking into a cold sweat just yet. That's where Texas finds itself. It has never been out of single digits

in either overall category since 1981, putting it in the longest-streak pantheon with Delaware and Tennessee. As for the three major measurements, pick a category, any category: in size of government, Texas ranks 5th all-government and 7th state and local; in takings and taxation, it's 9th and 8th (the latter another post-1981 single-digit streak); in labor market freedom, its 2003 rankings were 3rd (another single-digit run since 1981) and 12th, which is a disappointing fall from 8th in 2000. Texas does this with a high 6.25% state sales tax, but with moderate gasoline and sin taxes (including the third-lowest table wine tax). Its state and local tax burden is higher than only six other states and stays in about the same spot when the federal onus is added.

Utah

Utah ranked 8th in the all-government group overall in 2003 (after three consecutive years at 7th) and 15th in the state and local index, two spots away from its best showing ever in that measurement. It was a solid performer in all categories, beginning with size of government, where it pulled a 15th ranking all-government and 23rd state and local. In labor market freedom, it has chipped away at low scores over the years to reach 12th all-government and 16th subnational. Its best number comes in all-government takings and taxation, 6th, while its subnational ranking has fallen from 10th in 2002 to 18th in 2003. Utah has a low state and local tax burden of 8.6%, and it moves into least-taxed status (47th) with the federal taxes added. The sales tax is low at 4.75%, the gasoline tax on the high side at 24.5¢. Utah also has high alcohol taxes.

Vermont

Vermont rallies periodically, only to fall back in terms of economic freedom. In the overall measurement, it flirted with the 20s more than a decade ago in the all-government group, but finished in 2003 at 39th and managed a 39th in the subnational area as well. Another flurry years ago in the size of government category has faded and the state's all-government ranking was 39th while the subnational was 37th. Takings and taxation, never a strength, yielded another year at 47th and 43rd. In labor market freedom, Vermont is trying to recapture once-respectable numbers, moving up to 31st in both the all-government and subnational rankings in 2002 but falling back to 33rd in 2003 for both rankings. The local and state tax burden is seventh highest at 10.5% and it's No. 8 on the most-taxed list after federal taxes are added. Its sales tax is high at 6%.

Virginia

In its overall rankings for economic freedom, Virginia has marched steadily over the long haul to hover near the top 10 in the all-government ranks (11th in 2002 and 12th in 2003). It's been in single digits since 1983 in the subnational rankings and in 2003 moved up to the No. 3 spot. Historically, its state and local numbers have trended higher but currently most of the rankings in the three major subgroups meet in or near the top-10. In 2003, it was 9th in all-government and 7th in subnational for takings and taxation. Virginia was 6th in all-government (a drop from the No. 2 spot in

2001) and 8th in subnational (for the fourth straight year) in labor market freedom. The all-government showing for government size was the only flaw at 30th, although that was almost a historical low. The state and local ranking jumped to 2nd overall in 2002 and stayed there for 2003. Virginia's state and local tax burden is far below the national average at 8% and its state sales tax is 4%. The 17.5¢ gasoline tax is lower than most states.

Washington

The Evergreen State ranks 32nd and 39th overall in the all-government and subnational rankings for economic freedom and those below-average showings reflect most of the sub-categories. To lead with its best foot (size of government), Washington ranks 18th (fifth straight year at its all-time best) all-government and 41st subnational. Takings and taxation struggled out of years in the 40s to 30th all-government and came in at 27th state and local. The 40s have been home for its labor market freedom scores for a long time and Washington didn't leave home in the all-government, ranking 49th. It did, however, depart from the 40s in the state and local area, coming in at 50th. Washington's state and local tax burden is just under the national average but, in this case, the federal additions are killers, moving Washington up to 14th on the most-taxed list. The state sales tax is among the nation's highest at 6.5%, the gasoline tax is the second highest at 31¢ per gallon, and only two states make it more expensive to smoke. Washington also has the highest tax on spirits by far at \$21.15 per gallon.

West Virginia

If there is an economics version of life support, it's time to put West Virginia on it. Let's start with the good news: In labor market freedom, the state has bulled its way to 48th all-government and 45th subnational. Now that we've dispensed with the good news, West Virginia's overall rankings for economic freedom were a third year at 53rd all-government and another year at the record low 56th state and local. Takings and taxation were 48th (a slight improvement from 51st) and 53rd. The size of government ranking, always bad, is now last at 60th in both categories, hitting an all-time rock-bottom for the second year in a row. West Virginia is the No. 1 most taxed state with a state and local burden of 12.7%, although it falls to the 7th most taxed when federal taxes are added. The state sales tax is high at 6%.

Wisconsin

Wisconsin finished 24th in the national and 38th in the subnational ratings for overall economic freedom and in the size of government area was 19th and 43rd, respectively. The same split has held historically for labor market freedom, but the gap is steadily declining, with the all-government ranking at 27th and the state and local at 33rd in 2003. Takings and taxation were even closer, both having fought back from historically higher scores to 33rd and 36th. Wisconsin has the seventh-highest state and local tax burden in the nation at 10.5% and slaps the highest tax on gasoline at 32.9¢. On the other hand, wine and beer taxes (the latter the country's second lowest) are a bargain.

Wyoming

The economic freedom data show that 20 years ago Wyoming was one of the star performers. This is no longer the case. In 2002, the state had to rally to make 19th on the overall all-government list and maintained that gain for 2003. The state slipped slightly to 29th in the overall subnational measurement. Its early 1980s single-digit rankings for government size have been replaced by a 24th all-government and 26th subnational. A similar fate befell labor market freedom, now at 17th and 33rd. In takings and taxation, Wyoming's glory days are much more recent, though today's results are relatively the same as last year: 25th all-government (from 5th as recently as 1996) and 26th state and local (4th in 1996). The state has a slightly above average state and local tax burden at 9.6% and stays near the middle of the pack when federal taxes are added in. The 4% state sales tax is almost as low as it gets among states that have one, and only a handful of states charge a lower gasoline tax than Wyoming's 14¢. The nation's lowest tax on beer is so small they needn't bother: 2¢.