

Break Away South Carolina

Introduction

Bolstered by a new vision and mission adopted in late 2004 — to take a more active role in increasing the state's aggregate productivity, per capita income, and overall competitiveness, the South Carolina Chamber seeks to play a lead role in achieving sustainable economic development, innovation-driven global market viability, and long-term state growth in what is becoming a very different economy in the 21st century. In order to stay competitive, the Palmetto State must consistently monitor where it stands in relation to other states.

Break Away South Carolina provides an annual benchmarking review that reflects our commitment to seeing how well we are performing, year by year. We believe the adage: "If you can't measure it, you can't improve it." This work, with research from Dr. Graham Toft, comprehensively evaluates South Carolina's economic standing compared with the other 50-States. We must know how we are improving not in isolation but in relation to competitor and comparator states. We may be improving, but are we doing better or worse than our rivals?

Benchmark Structure

Overall rankings are provided for six drivers:


- 1) Education & Workforce Development
- 2) Business Costs & Productivity
- 3) Government & Regulatory Environment
- 4) Infrastructure
- 5) Dynamism & Entrepreneurialism
- 6) Quality of Life

To make finer comparisons between states and to track changes over time, each driver is subdivided into two or three sub-drivers. For example, the Education & Workforce driver is broken into three sub-drivers: K-12 education, post-secondary education, and workforce development. In this way, readers and decision-makers are able to discern key differences within drivers that can be critical to understanding South Carolina's strengths, weaknesses, opportunities, and competitive threats.

How to Use the Data

The strength of benchmarking is found in its ability to help improve performance, to identify which factors contribute to future success or weakness. Further, benchmarking in the public arena is particularly useful in alerting leaders and decision-makers to areas of vulnerability that deserve special government attention and public-private collaboration. We trust that at least parts of this work will lead to expressions such as "We should be doing better than that," or "I didn't realize how good South Carolina was at..." or "We should be doing more to make ourselves a leader in..." Hopefully, such responses will mobilize action to put South Carolina on the global map as an "innovation economy" in both its mainstay and emerging industries.

The annual benchmarking review is designed to look for major performance outcomes relative to competitors. It is not intended to measure the effectiveness or efficiency of specific programs or agencies. Other methodologies are available for that. The design of this methodology is guided by the following principles:

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- Measure outcomes, not processes or inputs. (For example, we measure the service quality of highways, e.g. congestion, not capital investment.)
 - Employ similar methodology throughout (each driver/sub-driver measured in a similar fashion).
 - Capture the latest available data, on an annual or biennial basis, and available for all 50-States.
 - Use data as neutral, independent reference to facilitate constructive discussion by leaders on priorities for current and future actions.

The information provided by the benchmarking review can be used to best advantage when:

- 1) The reader focuses on longer-term trends (now over five years indicated by the driver and sub-driver scores).
- 2) The reader looks for how well South Carolina is doing relative to competitors and comparators (i.e. South Carolina might be doing better in aggregate score but still losing ground relative to other states).
- 3) The reader uses other sources of competitiveness research along with this information.
- 4) The reader drives the findings of the report to the next steps by asking why another state may be doing better on a particular score and what South Carolina might do about it.

In short, this review is a tool for constructive change.



Education and Workforce

The Education and Workforce Development driver looks at the quality of a state's workforce and its competitiveness in the innovation economy. Comprised of three sub-drivers: K-12 education, postsecondary education, and workforce development, the Education and Workforce Development Driver seeks to measure the human capital base of the state.

South Carolina's performance in this driver is below average. The state ranks 45th in the nation in Education and Workforce Development. South Carolina scores below the peer state average and is last among its cohorts.

EDUCATION and WORKFORCE DEVELOPMENT		
State	Score	National Rank
South Carolina	-0.597	45

Postsecondary institutes grant an above-average number of degrees in engineering, science, technology, and innovation fields. More importantly, South Carolina is seeing above-average amounts of the workforce in these fields, staying within the state.

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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K-12 Education

- ↔ South Carolina has ranked 17th in the nation for the past five years in Advanced Placement (AP) Test scores.
- ↓ South Carolina has the lowest high school graduation rate, dropping from 48th in 1998 to 50th in 2002.
- ↑ The state average SAT score slightly improved, with South Carolina moving from 48th in 2001 to 45th in 2005.
- ↔ The average student ACT score has stayed at 49th in the nation (2001-05).
- ↑ Average math scores for South Carolina 4th graders and 8th graders on the National Assessment of Educational Progress (NAEP) ranked South Carolina 30th in 2005, at twice the U.S. rate of improvement between 2003 and 2005. In 2005, South Carolina ranked 32nd for 4th grade math and 27th for 8th grade math.
- ↑ Average reading scores for South Carolina 4th graders and 8th graders on the National Assessment of Educational Progress (NAEP) ranked South Carolina 39th in 2005, with improvement between 2003 and 2005 of 2 percent, compared with the U.S. average, which declined 2 percent. In 2005, South Carolina ranked 41st for 4th grade reading and 40th for 8th grade reading.

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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Postsecondary Education

↔ South Carolina ranks 36th in associate degrees granted.

↑ South Carolina has improved in bachelors degrees granted, from 39th in 2000 to 32nd in 2003.

↔ The state ranks 42nd in the nation in graduate degrees granted.

↔ South Carolina ranks 20th in percent of physical sciences and engineering degrees granted (20th in 2003).

↓ Percent of technologists and technician degrees dropped from 11th in 1999 to 26th in 2003.

↓ Percent of other innovation degrees granted increased in South Carolina (25th in 1999 to 17th in 2003).

↓ The cost of tuition at two-year colleges increased over the past five years (19th in 2000, 41st in 2004).

↓ Tuition at four-year colleges and universities has also increased (26th in 2000, 42nd in 2004).

↔ US News undergraduate reputation of South Carolina colleges and universities is average (25th in 2005).

↑ Top-rated graduate programs in the state have slightly increased (32nd in 2001, 29th in 2005).

↔ The number of out-of-state students attracted to South Carolina colleges and universities is high (11th in 2004).

↔ Entrepreneurial programs offered at postsecondary institutions have stayed constant (37th in the nation).

Workforce

↔ Percent of South Carolina residents 25-and-older with a high school diploma is low (38th in the nation in 2004).

↓ Percent of South Carolina residents 25-and-older with bachelors degrees has decreased (27th to 30th in the nation from 2000-04).

↓ The number of individuals with physical sciences and engineering degrees in the workforce has decreased (20th in the nation in 1999, 23rd in 2003).

↑ The number of technologists and technicians in the workforce has increased (33rd to 31st in the nation from 1999-2003).

↑ The number of other innovation workers in the workforce has increased (30th in 1999 to 24th in 2003).

↓ Percent of 30-and-older residents enrolled in part-time college coursework is low (37th in 1999 to 42nd in 2003).

Note: The impact of the new Education and Economic Development Act will not show up in the statistics for approximately two years.

Note: Workers Compensation scores account for 2002 and 2003 data and do not reflect the last two years of double-digit increases.

Business Costs and Productivity

The Business Costs and Productivity Driver measures the costs associated with doing business in a state and levels of productivity in the workforce. The Business Costs sub-driver is based on seven metrics, weighted according to their relative importance in the "typical business" cost equation. The Productivity sub-driver uses three metrics, one for overall productivity, another for manufacturing, and a third for services.

South Carolina's performance in this driver is below average. The state ranks 32nd in the nation in Business Costs and Productivity. South Carolina scores below the peer state average and worse than most of its peer states, with the exception of Alabama.

BUSINESS COSTS and PRODUCTIVITY		
State	Score	National Rank
South Carolina	-0.147	32

However, for firms considering relocation or expansion, the costs associated with doing business in South Carolina remain reasonable. Unemployment insurance, worker's compensation costs, and health care premiums have remained lower than national averages. Business taxes at the state and local level have been declining over the past five years. Business productivity in South Carolina has gotten better, with the state steadily improving its value added per manufacturing production worker, which is the difference between the value of manufacturing inputs and the resultant outputs per worker in the five-year period.

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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Business Costs:

- ↓ Unit labor costs have been rising, with South Carolina dropping from 29th in 1999 to 34th in 2002.
- ↑ Energy costs are low, with South Carolina ranked 16th in 2003.
- ↑ The average workers' compensation rate paid in South Carolina is low (13th in the nation).
- ↑ Unemployment insurance costs are relatively low in South Carolina (18th in the nation).
- ↑ State and local business taxes per dollar have decreased over the past five years, with South Carolina going from 36th in 2000 to 15th in 2004.
- ↑ Cost of office space remains low in South Carolina (10th lowest in the nation).
- ↑ Health care insurance premiums are relatively low in South Carolina (17th in the nation).

Productivity:

- ↔ Gross State Product (GSP) per job held remains low, with South Carolina ranked 34th in the nation.
- ↔ Service Industry Gross State Product per job held remains very low, with South Carolina ranked 39th.
- ↑ Value added in manufacturing has improved with, South Carolina jumping from 39th in 1999 to 26th in 2003.

Government and Regulatory Environment

A state must find the right mix of size, taxing power, program and expenditure to provide a high return on investment in public assets and services, while at the same time inferring minimally in the day-to-day dealings of the marketplace. The driver consists of two sub-drivers: government efficiency and regulatory environment. Three metrics in the government efficiency sub-driver attempt to measure the size of government as well as its performance.

Next to tax policy, regulatory policy is probably the most important aspect of business climate. The metrics chosen attempt to measure outcomes from regulation, rather than regulatory practices per se.

GOVERNMENT and REGULATORY ENVIRONMENT		
State	Score	National Rank
South Carolina	0.183	17

South Carolina's performance in this driver is above average. The state ranks 17th in the nation in Government and Regulatory Environment. South Carolina scores below the peer state average and worse than most of its peer states, with the exception of Georgia and Kentucky.

The units of government per capita in South Carolina are low as well as the tax burden, both state and local, placed upon state residents. Malpractice costs are below average, the number of health mandates has remained minimal, and the amount of business liability coverage paid is well below the national average.

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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Government Efficiency

↓ Government Gross State Product (GSP) has dropped from 44th in 1999 to 47th in 2003.

↔ Units of government per capita remained at 16th in the nation in 2002.

↓ State and local tax burden has grown with South Carolina dropping from 14th in 2001 to 18th in 2005.

Regulatory Environment:

↓ Malpractice costs have grown in South Carolina, and the state has dropped from 1st to 14th in the country.

↔ The number of health mandates in South Carolina remains low (15th in the nation in 2005).

↔ Liability (average business liability coverage paid per \$100,000 of GSP) remains low (9th in 2003).

Infrastructure

The Infrastructure driver includes both traditional physical infrastructure (roads, water, bridges) and “virtual” infrastructure (the digital economy). The physical infrastructure sub-driver consists of six metrics, and the digital sub-drivers consist of four metrics. The metrics chosen attempt to measure outcomes, productivity, and level of service, rather than inputs such as capital expenditures per resident.

South Carolina's performance in this driver is below the national average. The state ranks 29th in the nation in Infrastructure. However, South Carolina scores above the peer state average and better than most of its peer states, with the exception of Georgia.

INFRASTRUCTURE		
State	Score	National Rank
South Carolina	-0.036	29

Roads and bridges are above-average quality in South Carolina, and traffic congestion is among the lowest in the United States. The state has dramatically improved its water quality over the past five years. South Carolina has also ranked very high in the use of technology in schools in the five-year period.

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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Physical Infrastructure

- ↓ Highway quality has declined from 14th to 18th in the nation (1999-2003).
- ↓ Bridge quality has declined from 11th to 19th in the nation (1999-2003).
- ↑ Railway productivity has increased slightly from 37th in 1999 to 34th in 2003.
- ↔ South Carolina ranks 37th in 2002 in its access to major markets (flights outgoing to major cities) .
- ↑ Traffic congestion remains low in South Carolina (5th lowest in the nation).
- ↑ Water systems in South Carolina have improved from 47th in 2000 to 23rd in 2004.

Digital Infrastructure

- ↓ Broadband infrastructure in South Carolina is lagging behind the rest of the country (37th in 2004).
- ↓ Access to Next Generation Internet (internet2) is not readily available (37th in 2004).
- ↓ Percent of rural residents with Internet access is low (39th in 2005).
- ↑ Use of technology in South Carolina schools is high (9th in 2004).

Dynamism and Entrepreneurialism

A dynamic economy is not one that merely creates jobs. It must be constantly upgrading the quality of its jobs. This means it will be shedding some jobs while creating others. One characteristic of today's innovation economy is the degree to which it is "churning," which describes residents coming and going or new occupations forming while others decline or businesses locating, then relocating.

The Dynamism and Entrepreneurialism Driver consists of three sub-drivers: Dynamism, comprised of eight growth or change metrics, Small Business and Entrepreneurial Activity, comprised of nine metrics that measure the degree of capital formation, and Research and Creativity, comprised of nine metrics that measure the strength of the discovery process behind this churning.

DYNAMISM and ENTREPRENEURIALISM		
State	Score	National Rank
South Carolina	-0.209	46

South Carolina's performance in this driver is below average. The state ranks 46th in the nation in Dynamism and Entrepreneurialism. South Carolina is the worst performing state among its peers. However, signs of improvement can be seen. The new business churn rate, which is the net of new business minus failed businesses as a percentage of total businesses, has improved over the five-year period. Lending activity for small business investment was above average, start-up financing for new firms increased, and payroll at small businesses grew.

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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Dynamism

- ↓ Gross State Product (GSP) growth (as a percentage) is low (42nd in the nation, 2003-2004).
- ↔ South Carolina has one Fortune 500 headquarters (35th in 2005).
- ↓ Capital investment in manufacturing growth declined in South Carolina (18th, 1998-99 to 29th, 2002-03).
- ↓ Foreign direct investment growth in South Carolina dropped (24th, 1998-99 to 30th, 2002-03).
- ↓ Growth in nominal export value (as a percentage of GSP) fell (9th, 1999-2000 to 26th, 2003-04).
- ↔ Large business payroll growth remains just below average (27th in the nation, 2001-02).
- ↑ New business churn in South Carolina improved (24th in 1999, 12th in 2002).
- ↓ Non-wage income growth fell significantly (16th in 1999-2000 to 41st in 2003-04).

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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Small Business and Entrepreneurial Activity

- ↓ Venture capital financing in South Carolina declined (24th in 2000, 37th in 2004).
- ↑ Financing through initial public offering (IPO) funds grew (32nd in 2000, 11th in 2004).
- ↑ Bank, commercial, and industrial lending activity grew (39th in 2000, 31st in 2003).
- ↓ Private lending to small business declined slightly (4th in 2000, 9th in 2002).
- ↑ Small business payroll growth in South Carolina improved (10th in the nation, 2001-2002) .
- ↑ South Carolina's rank for increase in high performance firms fell (18th in 2000, 29th in 2004).
- ↑ Number of self-employed in South Carolina increased (47th in 1998 to 34th in 2002).
- ↓ The number of high-performance firms in South Carolina is low (41st in 2004).
- ↔ Focus on the entrepreneurial generation in South Carolina is average (24th in the nation, 2000-04).

Research and Creativity

- ↓ South Carolina declined in the number of patents approved (32nd in 2000, 36th in 2004).
- ↓ Patent productivity in the state declined (20th in 2000, 32nd in 2004).
- ↓ University spin-offs in the state decreased (9th in 1999, 27th in 2003).
- ↑ University license/options to small businesses decreased (39th in 1999, 29th in 2003).
- ↑ Industry Research & Development funding improved (34th in 1998, 28th in 2002).
- ↑ University Research & Development funding improved (36th in 1999, 29th in 2003).
- ↑ SBIR/STTR financing in South Carolina increased (49th in 1998, 35th in 2002).
- ↓ Small Business Investment Companies (SBIC) financing decreased (24th in 2000, 32nd in 2004).
- ↓ University royalty income decreased (21st in 1999, 33rd in 2003)

Quality of Life

States, regions, and cities have to be increasingly concerned about how to attract not just businesses but individual entrepreneurs and young skilled workers in general who increasingly put an emphasis on quality of life in their location decisions. Although a goal in itself, quality of life is also a key determinant of economic performance in a globalized economy, where attracting and retaining the “right” kind of workers and companies is an important factor in competitiveness.

The driver consists of three sub-drivers: economic diversity and civic energy (11 metrics), culture and recreation (6 metrics), and health of the population and safety (4 metrics).

South Carolina's performance in this driver is below average. The state ranks 44th in the nation in Quality of Life. South Carolina scores below the peer state average and worse than most of its peer states, with the exception of Georgia.

QUALITY OF LIFE		
State	Score	National Rank
South Carolina	-0.306	44

The rate of charitable giving is high in South Carolina, with the state ranking in the top 10 the past five years. Homeownership rates in the state rank top 10 in the nation consistently, and urban costs of living remain very low. The state enjoys a wealth of excellent golf courses, and per capita health spending has remained above average.

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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Economic Diversity and Civic Energy:

- ↑ Gender equity in the state increased from 20th to 17th in the nation (2000-04).
- ↑ Racial/ethnic equity slightly improved (48th in 2000 to 43rd in 2004).
- ↑ Number of non-profits slightly increased (40th in 2000 to 38th in 2004).
- ↑ Rate of charitable giving jumped from 7th in the nation in 2000 to 4th in 2004.
- ↓ Voter turnout declined in Congressional Elections (24th in 1998 to 27th in 2002).
- ↓ Urban Cost of Living increased a little, pushing the state from 7th in 1999 to 9th in 2003.
- ↑ Urban housing costs remain low, and the state dropped to 13th in 2004.
- ↓ Homeownership rates dropped rank from 2nd in 2000 to 6th in 2004.
- ↓ The state's per capita disposable income ranking declined from 40th in 2000 to 43rd in 2004.
- ↔ Quality of air remains low in South Carolina (40th in the nation in 2005).
- ↑ South Carolina increased its rank in recycling rate from 20th to 17th in 2003.

Recent Years:	↑ Increase in Rank	↓ Decrease in Rank	↔ Constant
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Culture and Recreation

- ↑ Percent of state workforce in arts and culture jobs increased rank from 33rd in 2000 to 31st in 2004.
- ↓ Percent of state workforce in recreational jobs decreased rank from 24th in 2000 to 31st in 2004.
- ↓ Percent of state workforce in sports-related jobs decreased rank from 35th in 2000 to 38th in 2004.
- ↔ State and national park acreage stayed constant (39th in the nation).
- ↔ The number of golf courses per capita in South Carolina is relatively high (14th in the nation) .
- ↔ There are few winter and water trails in South Carolina (46th in the nation).

Health of the Population and Safety

- ↓ The number of state residents without health insurance has increased (22nd in 2000 to 31st in 2004).
- ↓ Per capita public health spending rank has slightly decreased (14th in 1999 to 17th 2003).
- ↓ Toxic release inventory is above average and increased slightly (33rd in 1999 to 35th in 2003).
- ↓ The rate of violent crime per 100,000 residents is very high in South Carolina (50th in the nation in 2004).

South Carolina's Progress

Key Findings

As South Carolina moves into the innovation economy, it will draw from its unique strengths while confronting critical challenges. To remain competitive in the global and national markets, it is important to note where we choose to do well.

South Carolina continues to rank in the bottom half in five of the six drivers. Over the past five years, the state has been unable to make substantial gains against competitor states. Education and workforce development continue to be areas of concern. South Carolina has the lowest rank among its surrounding states and a national ranking of 45th. Rankings in workforce and K-12 education sub-drivers, two critical attributes of an innovation economy, were particularly low. That's why the Education and Economic Development Act is so important. In terms of business costs, South Carolina continues to score well. However, productivity continues to be a weakness.

Government and Regulatory Environment rankings were above average, 17th in the country, a strength in creating a business climate conducive to an innovation economy. South Carolina ranked near the bottom in the Quality-of-Life driver (44th), specifically in health of the population and safety metrics. Performance was just below average in the Infrastructure driver (29th), with relatively good rankings in physical infrastructure but poor rankings in digital infrastructure, indicating an underdeveloped network for business to operate on. The ranking for the Dynamism and Entrepreneurialism driver continues to be discouraging (46th nationally), last among surrounding states, indicating that dynamism, research, and entrepreneurial activities in South Carolina have room for significant improvement. Rankings in the dynamism sub-driver indicate that economic vitality overall deserves special attention. Of particular note were above-average rankings in metrics relating to small business activity, an indicator of the high number of small business firms that are functioning within our state.

Overall, South Carolina's rankings signify the need for aggressive change in order to make the state more competitive. The better performance of surrounding and competitor states creates a keen competitive environment. It also creates a challenge to catch up by thinking and acting creatively on how to apply "innovation development" to become a lead state in the South Atlantic.

What's Next?

A benchmarking process is not complete without follow-up examination of high performers, leading to initiatives for improvement. Given that five years of data are providing strong evidence that South Carolina is not gaining on its competitor and comparator states, it's time to take a closer look at those states that have been doing better in selected metrics and drivers important to the state's competitiveness. The Chamber has been doing this in the area of education and training. Now is the time to take a closer look at entrepreneurship and innovation.