



Pursuing a fair, free,
flat, and open business
environment.

Executive Summary

The SEL Index of Freedom examines the *Fair, Free, Flat, and Open* business climate for each of the 50 states. This annual report focuses on three critical variables: government efficiency, regulatory freedom, and energy resiliency. Information from this report highlights potential advantages or challenges that exist when doing business in each state.

Each state is given a score, which is an average of the three categories, and states are ranked 1st–50th. All data used in the report is publicly available and is a clear indicator of each state's approach to *Fair, Free, Flat, and Open* policymaking.

About SEL

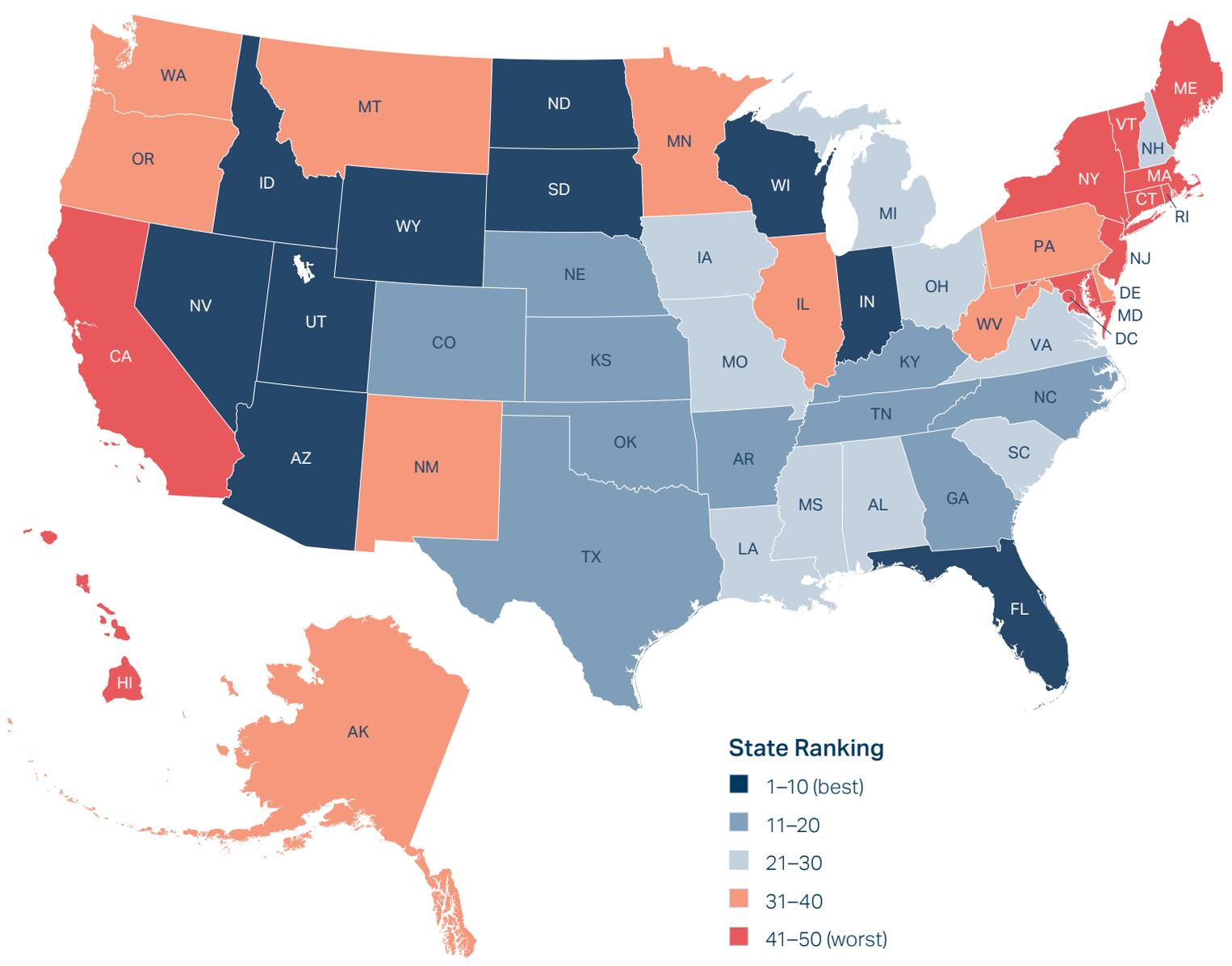
SEL specializes in creating digital products and systems that protect, control, and automate power systems around the world. This technology prevents blackouts and improves power system reliability and safety at a reduced cost. A 100 percent employee-owned company headquartered in Pullman, Washington, SEL has manufactured products in the United States since 1984 and serves customers worldwide.



50 State Ranking

Rank	State	Score
1	Utah	11.53
2	South Dakota	11.58
3	North Dakota	11.97
4	Idaho	12.35
5	Nevada	12.55
6	Wyoming	13.02
7	Arizona	14.53
8	Indiana	16.02
9	Florida	16.28
10	Wisconsin	16.52
11	Kentucky	16.67
12	Nebraska	17.57
13	Tennessee	17.58
14	North Carolina	18.58
15	Arkansas	18.67
16	Kansas	18.95
17	Georgia	19.72
18	Colorado	19.78
19	Oklahoma	20.07
20	Texas	20.22
21	Virginia	21.63
22	Iowa	22.38
23	Michigan	23.07
24	Missouri	23.65
25	South Carolina	24.58

Rank	State	Score
26	Mississippi	24.73
27	Louisiana	25.15
28	Ohio	25.75
29	Alabama	26.08
30	New Hampshire	26.13
31	Montana	26.28
32	Washington	26.78
33	New Mexico	29.15
34	Illinois	29.28
35	Minnesota	30.20
36	Pennsylvania	30.42
37	West Virginia	30.92
38	Delaware	31.08
39	Alaska	32.13
40	Oregon	32.32
41	Maryland	35.38
42	Massachusetts	36.02
43	Rhode Island	36.17
44	Hawaii	36.30
45	Connecticut	36.85
46	New Jersey	37.67
47	California	39.33
48	Maine	40.07
49	Vermont	41.33
50	New York	41.43



Five Top-Scoring States

1. Utah

For the second year running, Utah ranks #1 on *Fair, Free, Flat, and Open* criteria. State leaders have continued to adopt pro-taxpayer policy reforms that include cutting taxes while paying down the debt and making strategic investments in key economic drivers.

2. South Dakota

South Dakota rose from #8 to #2 in large part due to a positive state economic outlook; significant inbound migration increased state revenue and padded reserve funds, while unemployment was at one of the lowest rates in the country.

3. North Dakota

North Dakota moved up the list from #6 to #3, thanks to smart policy decisions like legislation that ushered in the largest state decrease in personal income tax this past year.

4. Idaho

Idaho held strong in the top five by passing taxpayer-friendly legislation that provided tax rebates, while also cutting corporate and personal income taxes and instituting a flat tax rate.

5. Nevada

Nevada also retained top-five status given a consistently pro-business tax regime without personal or corporate income taxes, combined with a streamlined permitting process and relatively cheap and affordable electric power.

SEL Focus States

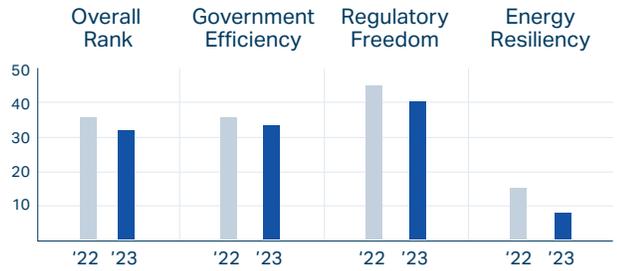
32

Washington

32 33 40 8

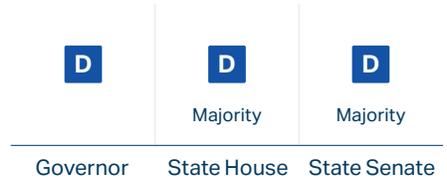
By the Numbers

- Overall Rank: 32 (2022: 36)
- Government Efficiency Rank: 33 (2022: 36)
- Regulatory Freedom Rank: 40 (2022: 44)
- Energy Resiliency Rank: 8 (2022: 15)



State Government Overview

- Governor: Democrat
- State House: Democrat Majority
- State Senate: Democrat Majority



Background

Washington suffers from a challenging regulatory climate and poor labor rates, driven by some of the most progressive prevailing wage and minimum wage laws in the nation. While Washington has been buoyed by a lack of a personal income tax, a newly implemented 7 percent capital gains tax sets a dangerous and highly irregular precedent, as the Washington State Supreme Court characterized this tax as an excise tax and not an income tax, as does the IRS and every other state in the country. This ruling opened the door for more bad tax policy in the state. On the positive side, Washington benefits from the most abundant hydroelectric power in the country, and this keeps electric power relatively cheap; any attempts to stop or lessen the use of hydro power would negatively impact the state and its standings. However, even with this important resource lifting the score, Washington remains in the bottom tier.

SEL in the State

- SEL is headquartered in Pullman, Washington. The main campus houses 2,600 employee owners, 16 buildings, and over one million square feet of space, including high-tech manufacturing, two research and design facilities, a wellbeing center, and an event center.
- The onsite wellbeing center includes a medical clinic, workout facilities, and childcare. In 2018, the medical services expanded to include occupational therapy, mental health, and physical therapy.
- SEL Lynnwood has 60 employee owners in R&D, Engineering Services, Business, and Sales and Customer Service.
- SEL Spokane Valley purchased a facility in 2017 and houses 100 employee owners in R&D, Engineering Services, Sales and Customer Service, Marketing, and various support services.
- SEL was named the Association of Washington Business Employer of the Year in 2017.

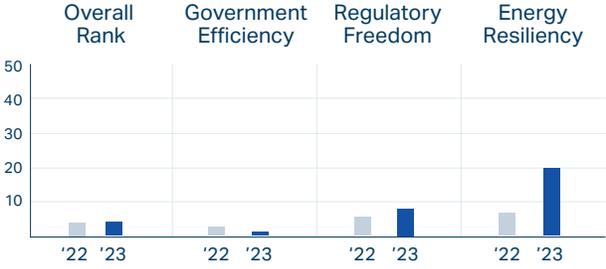
4

Idaho

4 1 8 20

By the Numbers

- Rank: 4 (2022: 3)
- Government Efficiency Rank: 1 (2022: 2)
- Regulatory Freedom Rank: 8 (2022: 6)
- Energy Resiliency Rank: 20 (2022: 7)



State Government Overview

- Governor: Republican
- State House: Republican Supermajority
- State Senate: Republican Supermajority



Background

Idaho rose in the ranks after lawmakers passed legislation replacing the state’s tax brackets with a 5.8 percent flat tax on personal and corporate income; this bill also provided relief in the form of direct rebates to Idaho taxpayers for \$300 or 10 percent of 2020 income tax burden, whichever was higher. Idaho continues to benefit from a favorable regulatory environment, seeing some of the best scores in the country in regulatory efficiency. Idaho was hampered by its relatively poor scores for energy reliability, an important metric for business operations.

SEL in the State

- The SEL Lewiston facility opened in 2012 and has over 250,000 square feet of high-tech manufacturing space and employs more than 900 employee owners. The facility includes a wellbeing center, which provides medical services to the employee owners and their families free of charge.
- The SEL Boise facility was purchased in 2015 and houses over 100 employee owners.
- SEL began operations in 2023 at its new, state-of-the-art 162,000-square-foot printed circuit board factory. The facility features zero-discharge water recycling and air filtration technology.
- The SEL presence in Idaho extends beyond facilities and employees. Idaho is home for over 1,500 of our employee owners and their families.

8

Indiana

8

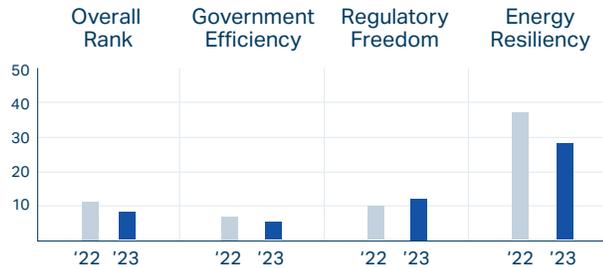
5

12

28

By the Numbers

- Overall Rank: 8 (2022: 11)
- Government Efficiency Rank: 5 (2022: 7)
- Regulatory Freedom Rank: 12 (2022: 10)
- Energy Resiliency Rank: 28 (2022: 37)



State Government Overview

- Governor: Republican
- State House: Republican Supermajority
- State Senate: Republican Supermajority



Background

Indiana lawmakers have continued enacting legislation that puts the state in an increasingly strong economic standing, including a \$1.1 billion tax cut package passed in 2022 that reduces Indiana's personal income tax rate from 3.23 percent to 2.9 percent over seven years. Indiana also attracted \$22.2 billion in new investments from businesses either expanding existing operations or building new facilities in the state. Other important factors include Indiana's standing as a right-to-work state, favorable minimum wage laws, and low worker's compensation costs. However, Indiana is hampered by middle-of-the-pack energy reliability marks as well as relatively high electric bills, with Hoosiers spending roughly 2.18 percent of their income on electricity, above the national average of 2.09 percent.

SEL in the State

- SEL completed construction on a 100,000-square-foot facility in 2019 in the heart of the Purdue University Discovery Park District.
- The new electric power research and manufacturing facility has the capacity to support 300 high-quality jobs, with additional space for future growth.
- This state-of-the-art facility features a wellness center.

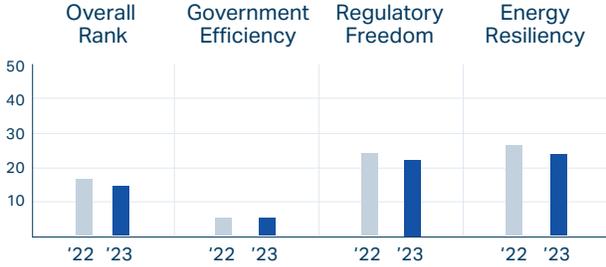
14

North Carolina

14 5 22 24

By the Numbers

- Overall Rank: 14 (2022: 17)
- Government Efficiency Rank: 5 (2022: 5)
- Regulatory Freedom Rank: 22 (2022: 24)
- Energy Resiliency Rank: 24 (2022: 27)



State Government Overview

- Governor: Democrat
- State House: Republican Supermajority
- State Senate: Republican Supermajority



Background

North Carolina saw economic growth of 6.7 percent last year and job growth of 3.6 percent, which were some of the strongest numbers in the country. Net domestic migration held strong, increasing revenue in the state. The North Carolina legislature also passed legislation phasing out corporate income tax from the current top rate of 2.5 percent to 0 percent by 2030 and lowering the personal income tax rate, which started at 5.25 percent and will drop to 3.99 percent in 2026. North Carolina continues to sit at the middle of the pack on regulatory efficiency markers and is also hampered by energy reliability metrics, though relatively low electric power rates give the state favorable energy affordability marks.

SEL in the State

- SEL Charlotte opened in 1993 with one engineer and now houses over 170 employee owners in R&D, Engineering Services, Sales and Customer Service, Quality, Information Services, HR, and Manufacturing.
- The current office has 51,000 square feet and can hold up to 200 employee owners with the opportunity for expansion.
- At present, SEL Charlotte assembles panels of SEL relays, which act as turnkey solutions to meet the needs of transmission and distribution applications for utilities and industrial customers.

7

Arizona

7

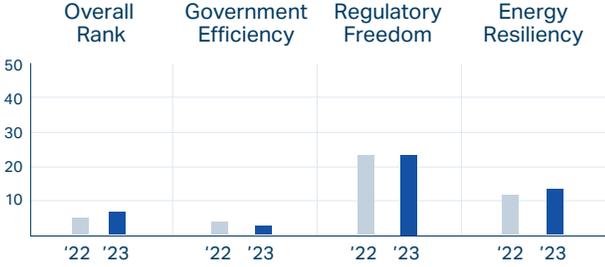
2

23

13

By the Numbers

- Overall Rank: 7 (2022: 5)
- Government Efficiency Rank: 2 (2022: 3)
- Regulatory Freedom Rank: 23 (2022: 23)
- Energy Resiliency Rank: 13 (2022: 11)



State Government Overview

- Governor: Democrat
- State House: Republican Majority
- State Senate: Republican Majority



Background

Arizona saw top marks for energy reliability, which is important for continuity of business operations in the state. Arizona also excelled in the government efficiency category and offered a low number of market-distorting economic development incentives. On the tax front, Arizona sits in the middle of the pack with a 2.5 percent personal income tax rate, a 4.9 percent corporate income tax rate, and an 8.37 percent combined state and local sales tax rate. However, Arizona is hurt by one of the highest minimum wage rates in the country, as well as a relatively high cost of health care.

SEL in the State

- The SEL Phoenix office focuses on Engineering Services and Sales and Customer Service operations.
- This office is growing quickly to best serve customers in the region and be close to critical project work.

Methodology and Sources

Metrics

Metrics for rankings fell into three categories: government efficiency, regulatory freedom, and energy resiliency. Each category is comprised of individual subcategories, all with a 1–50 ranking for conformity. Each of the subcategories represents important factors in determining the relative freedom and ease of doing business in a given state.

Government Efficiency

60 Percent of Government Efficiency Score: ALEC—Laffer Rich States, Poor States 2023

This ranking uses 15 equally weighted policy variables to determine economic outlook scores. These have been carefully selected as the most important markers of financial stability. This includes taxes as well as government debt and spending. Scores range from 1 to 50, with 1 being the best and 50 being the worst.

Source: www.richstatespoorstates.org

30 Percent of Government Efficiency Score: CATO Freedom in the 50 States—FISCAL

This ranking includes a weighted score of fiscal variables that also include taxation and government spending. Scores range from 1 to 50, with 1 being the best and 50 being the worst.

Source: www.freedominthe50states.org

10 Percent of Government Efficiency Score: C2ER State Business Incentives Database

This ranking uses the Council for Community and Economic Research (C2ER) State Business Incentives Database, which shows incentives offered per state. The total number of incentives includes grants, tax exemptions, tax credits, and loans. Scores range from 1 to 50, with 1 representing the state with the fewest incentives offered and 50 representing the state with the most incentives offered.

Source: www.c2er.org/state-business-incentives-database

Regulatory Freedom

50 Percent of Regulatory Freedom Score: CATO Freedom in the 50 States—REGULATORY

This ranking considers each state's liability system, property rights, health insurance, and labor market. Scores range from 1 to 50, with 1 being the best regulatory regime and 50 being the worst.

Source: www.freedominthe50states.org

10 Percent of Regulatory Freedom Score: ALEC-Laffer Rich States Poor States 2023—MIN WAGE

Rank of minimum wage laws by state. Scores range from 1 to 50, with 1 being the best and 50 being the worst. In this case, a ranking of 1 means the state conforms with the federal minimum wage of \$7.25 and 50 represents the highest mandated minimum wage for a state.

Source: www.richstatespoorstates.org

10 Percent of Regulatory Freedom Score: ALEC-Laffer Rich States, Poor States 2023 Ranking—WORKERS COMP

Rank of the average workers' compensation costs, per \$100 of payroll. Scores range from 1 to 50, with 1 being the lowest and 50 being the highest. In this case, a ranking of 1 represents the lowest state percentage of workers' comp costs per \$100 of payroll, and 50 represents the highest.

Source: www.richstatespoorstates.org

10 Percent of Regulatory Freedom Score: CATO Freedom in the 50 States—LAND USE

Rank of land use laws and regulations by state. This includes mentions of "land use" in court cases, the Wharton Land Use Regulatory Index Score, and eminent domain reform. Scores range from 1 to 50, with 1 being the state with the most business-friendly land use regulations and 50 being the worst.

Source: www.freedominthe50states.org

10 Percent of Regulatory Freedom Score: Right to Work

This is a binary score; states with right-to-work laws receive a score of 1, and states that do not have right-to-work laws receive a score of 50. Under right-to-work laws, states have the authority to determine whether workers can be required to join a labor union to get or keep a job.

Source: www.ncsl.org/research/labor-and-employment/right-to-work-laws-and-bills.aspx

10 Percent of Regulatory Freedom Score: State Health Care Cost Relative to Medicare—RAND

This metric uses data from the RAND 3.0 study on hospital price transparency, specifically the overall relative price for hospital care as a percent of Medicare. States are scored from 1 to 50, with 1 representing the state with the lowest cost as a percent of Medicare and 50 being the highest. States that did not have any data available received the highest possible score.

Source: www.rand.org/pubs/research_reports/RR4394.html

Energy Resiliency

45 Percent of Energy Resiliency Score: Affordability Rankings

This ranking takes into effect several variables used to determine affordability: cost of household energy expenditures, total household electricity costs as a percentage of income, electricity cost per kilowatt-hour for all customers, electricity cost per kilowatt-hour for residential customers, and annual electricity expenditures. States are ranked from 1 to 50, with 1 being the most affordable and 50 being the least.

Source: www.citizensutilityboard.org/wp-content/uploads/2021/07/Electric-Utility-Performance-A-State-By-State-Data-Review_final.pdf

45 Percent of Energy Resiliency Score: Reliability Rankings

This ranking uses three metrics: System Average Interruption Duration Index (SAIDI), System Average Interruption Frequency Index (SAIFI), and Customer Average Interruption Duration Index (CAIDI). SAIDI, SAIFI, and CAIDI metrics from utilities across a given state are used to rank states from 1 to 50, with 1 being the most reliable and 50 being the least.

Source: www.citizensutilityboard.org/wp-content/uploads/2021/07/Electric-Utility-Performance-A-State-By-State-Data-Review_final.pdf

10 Percent of Energy Resiliency Score: Electric Deregulation

This is a binary score; states that have regulated electricity markets receive a score of 1, and states with deregulated markets receive a score of 50. States with partially deregulated markets receive a score of 25.

Source: www.epa.gov/green-power-markets/policies-and-regulations#three



**SCHWEITZER
ENGINEERING
LABORATORIES**

2350 NE Hopkins Ct, Pullman, WA 99163 USA

selinc.com

+1.509.332.1890

info@selinc.com

20230526