



RESULTS AMERICA

Venture Capital Investment

California is undefeated in venture capital dollars



Investment by companies and wealthy citizens can often transform a dream and innovation into a revolutionary new product or service. One of Results America’s values is to encourage competition amongst the states in a variety of fields. Venture capital investment is one measure of this competition. However, it is only a cursory indicator, as venture capital tends to favor certain industries and businesses.

Top 10 State for Venture Capital Investment

1. California	\$14.4 billion	6. Illinois	\$594 million
2. Massachusetts	\$3.2 billion	7. Colorado	\$588 million
3. New York	\$1.9 billion	8. Pennsylvania	\$522 million
4. Texas	\$934 million	9. New Jersey	\$417 million
5. Washington	\$853 million	10. Maryland	\$388 million

Venture capital investments are made by investment firms and wealthy benefactors to high risk ideas and organizations where the profit potential is high. Often these ideas are in burgeoning fields that have lacked investor interest in the past. This is why areas such as information, biotechnology, sustainable energy, and software development are common markets for venture capital seed funding.

HIGHLIGHTS

California, Massachusetts, and New York are top states for venture capital investments.

Wyoming, South Dakota, and Alaska were the bottom state with no investment dollars in 2012.

Technology industries linked to venture capital investment.

Venture capital is also an indicator of a state’s economic development, potential rising prosperity, and friendliness toward innovation. Using data from PricewaterhouseCoopers LLP and the National Venture Capital Association, we have compiled the ranking of venture capital investments in total dollars for 2012. Although the data is available for 2013 and early 2014, we have decided to use 2012 as most other indicators having data only up to that year.

Despite a drastic decline in venture capital after the early 2000 Dotcom bubble, California never lost its position as the top state for venture capital investment. Even if we measured based on total deals and not on total dollars invested, California is still the uncontested best state in venture capital. Much of this is due to the presence of Silicon Valley and a well-developed policy infrastructure to encourage technology and information companies in the state. Massachusetts also hold a perennial position in the second place. New York is third in venture capital for 2012, but often changes position with fourth place Texas.

41. Nevada	\$7 million	46. North Dakota	\$2.4 million
42. Montana	\$5.5 million	47. Hawaii	\$645,000
43. Arkansas	\$5 million	48. Alaska	\$0
44. Iowa	\$5 million	49. South Dakota	\$0
45. Vermont	\$4.4 million	50. Wyoming	\$0

Wyoming, South Dakota, and Alaska are the least favored states by venture capital firms. This is most likely due to the lack of information and professional technology industries in these states. In fact these bottom three states had no major venture capital deals in 2012. Arkansas, Iowa, Vermont, North Dakota, and Hawaii had only one deal each, the largest of which was \$5 million dollars. This is in contrast to California’s \$14.4 billion total deals in 2012.

It should also be noted that the top states are some of the largest economies. This indicates that something like venture capital develops, or is more attracted to, states with large complex, and highly specialized economies. Further, states with high percentages of GDP from information

technology tend to be wellsprings for venture capital. Among the top 10 states for IT, 7 of them (California, New York, Texas, Washington, Pennsylvania, Illinois, Colorado) are on this top 10 lists.

California rides high in the rankings here due to an established venture capital structure, strong support from their state government, and sheer economic size. Venture capital investment may

simply be a substitution indicator of state wealth, in the same way that boat purchases can often act as a substitution indicator of family wealth. However, much like boat ownership, venture capital measures are only a portion of the story. In later white papers, we will add depth to the study of economic prosperity by examining entrepreneurship and the top state for new firms.

References & Data Sources

PricewaterhouseCoopers LLP
National Venture Capital Association

Results America is a non-partisan, non-profit organization that exists to inspire and enable the spread of results-driven government. Its’ sole purpose is to demonstrate how focusing government on results is key to fulfilling the promise of America

More information and measures data available at www.resultsamerica.org