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Draper Hero Institute Updates Monthly US Innovation Index

States Compete to Land in Top Ten of Best Places in the U.S. to Launch a Tech Startup

DII US Top 5 Remain Steady
Delaware Drops 4 Spots in Top 10, Washington Falls 1 Rank
Arizona and Georgia Move Up 2 Spots, South Dakota Moves up 1
California Drops to 15th, while New York remains 35th
New Hampshire, Alaska, and Maine Post Healthy Gains
Kansas and Tennessee Drop

San Mateo, California – The Draper Hero Institute (DHI) announces the February 2023 update to the Draper Innovation Index U.S. (DII US), which evaluates each state’s innovation and entrepreneurship environment.

January 2023 Top Ten		February 2023 Top Ten		Change
Florida	1	Florida	1	-
Texas	2	Texas	2	-
Utah	3	Utah	3	-
Colorado	4	Colorado	4	-
North Carolina	5	North Carolina	5	-
Delaware	6	South Dakota	6	-
South Dakota	7	Arizona	7	-
Washington	8	Georgia	8	-
Arizona	9	Washington	9	-
Georgia	10	Delaware	10	-

“California’s world-class venture capital investment community attracts entrepreneurs from around the globe and tops our U.S. Tech Innovation Environment ranking,” said DHI founder Tim Draper. “However, the state also ranks dead last in Small Business Policy and 48th in Tax Environment, and these rankings have dragged California down from 10th place to 15th over the last 12 months. On the other hand, the top 5 states have stayed at the top for the last few months, demonstrating that these states are implementing truly effective economic development and investor and start-up friendly policies.”



Top Takeaways from the DII US February 2023 Update:

- **Florida, Texas, Utah, Colorado, and North Carolina** held onto DII US's top five ranks.
- While **California** remained 1st in the Tech Innovation scenario, the state fell from 14th to 15th in the overall Balanced scenario.
- **New York** saw no changes in any of its scenario rankings and remained at 35th in the overall Balanced scenario.
- **Delaware** fell from 6th to 10th in the DII US Balanced scenario due to comparatively weak overall investments and business application activity.
- With **Delaware's** fall, **South Dakota** jumped from 7th to 6th, **Arizona** from 9th to 7th, and **Georgia** from 10th to 8th in the DII US Balanced scenario.
- **New Hampshire** saw the single largest increase in the DII US Balanced scenario, rising from 19th to 11th due to stronger business application activity and strong overall investment growth.
- **Alaska's** performance improved across all three scenarios.
- Both **Maine** and **New Hampshire** gained 5 places in the Regulatory and Tax scenario, with the later rising to 8th place. **Maine** also improved by 3 places in the Balanced Scenario and 2 places in the Tech Innovation scenario.
- **Washington** fell from 3rd to 6th in the Tech Innovation scenario, allowing **Colorado, Utah, and Texas** to each jump one rank to 3rd, 4th and 5th, respectively.
- **Washington** and **Delaware** fell out of the Regulatory and Tax Scenario's top ten and were replaced by **New Hampshire** and **Nevada**.
- **Kansas** also saw considerable declines, falling from 28th to 33rd in the Balanced ranking, from 33rd to 37th in the Tech Innovation scenario, and 26th to 30th in the Regulatory and Tax scenario.
- **Tennessee** saw the largest declines across all scenarios, dropping by 5 places in the DII US Balanced scenario, 7 places in the Tech Innovation and 6 places in the Regulatory and Tax scenario, largely due to poor performance in business application activity.

"Adding business application activity has already changed the DII US rankings," said Dr. Wallace Walrod, DHI Chief Economic Advisor. "It played a major role in Tennessee's decline across all scenarios as well as in New Hampshire's large rise in the balanced scenario."

Despite a looming global recession, the rate of inflation growth in the United States appears to have begun to moderate and, alongside better than expected economic growth in preliminary readings of fourth quarter GDP, the chances of a 'soft landing' have increased slightly. Yet, despite accelerating layoff trends in the tech sector, the job market remained red hot in the January jobs report, and a drop in consumer spending indicate more potential pain may be ahead as the Federal Reserve tries to chart a course with conflict data trends.

"Google recently announced 12,000 layoffs and they're not alone," said Dr. Walrod. "Together, Google, Amazon, Dell and Microsoft laid off nearly 50,000 employees and there could certainly be more to come. I think there's a major lesson for states – any industry, no matter how strong, will inevitably go through challenges and downturns and thus states should strive to cultivate a diverse, well-rounded economy."

The DII US will continue to post monthly updates in 2023, which can be accessed [here](#).

About Draper Hero Institute

Founded by legendary Silicon Valley venture capitalist and entrepreneur Timothy C. Draper, Draper Hero Institute (DHI) provides applicable and modern resources for future entrepreneurs globally and ensures



inclusiveness and opportunities for all. As an action-based research institution, DHI focuses its efforts on non-traditional pathways to guide future entrepreneurs in the new economy. Through programs that ignite innovative research; united through connectivity and networking; and mentoring efforts through applied education, DHI provides a portal for creative thinking and ultimately driving change to better prepare future entrepreneurs to take on heroic endeavors.

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