

Chart: Here are the U.S. states that attracted the most venture capital in Q4

BY JOHN COOK on January 15, 2018 at 7:56 am

Looking for venture capital? You better cruise the streets of San Francisco and the boulevards of Silicon Valley.

California remains the number one place for venture capital activity with \$8.9 billion invested in the state during the fourth quarter, according to the MoneyTree report released this month by CB Insights and PwC. In fact, the San Francisco region saw a whopping \$5.1 billion invested into startups, a 23 percent increase in dollars invested. Nearby Silicon Valley — home to tech giants like Apple and Google and venture capital powerhouses like Benchmark and Andreessen Horowitz — saw investment totals increase to \$2.6 billion, up 18 percent.

New York state ranked second, with \$2.8 billion invested in the quarter. That was followed by Massachusetts with \$2 billion — up from \$1.3 billion in the previous quarter.

Washington state — home to Microsoft, Amazon and Expedia — fell to ninth place in venture capital investments. In the fourth quarter, venture capitalists invested \$300 million in Washington, down from \$546 million in the third quarter. Washington ranked in 6th place for venture capital dollars in the first, second and third quarters of 2017. In the fourth quarter of 2015, the state fell to as low as 15th place.

In total, venture capitalists invested \$18.7 billion across 1,158 deals in the fourth quarter, including 33 so-called “mega-rounds” of \$100 million or more. That means more than 40 percent of all venture dollars flowed to the San Francisco Bay Area, including Silicon Valley.

Q4 2017

Ranking by % of Total VC

State	Deals	State	Amount
California	1	California	1
New York	2	New York	2
Massachusetts	3	Massachusetts	3
Texas	4	Virginia	4
Colorado	5	Florida	5
Illinois	6	Georgia	6
Washington	7	Maryland	7
Florida	8	Illinois	8
Virginia	9	Washington	9
Pennsylvania	9	Colorado	10
Utah	11	Texas	11
North Carolina	12	Dc	12
Ohio	12	Utah	13
Maryland	14	Michigan	14
Oregon	15	Pennsylvania	15

The top 15 states for VC money and deals. (Source: CB Insights and PWC)



John Cook is GeekWire's co-founder and publisher, a veteran reporter and the longest-serving journalist on the Pacific Northwest tech beat. Follow him [@johnhcook](#) and email john@geekwire.com.

ACT AEROSPACE

- Specializes in composite design, analysis and production for the military and commercial aerospace industries
- Largest private employer in region
- 130,000 sq. ft. facility located in severely distressed rural community with a population of 3,326
- 76% of 2014 sales were through Department of Defense contracts

ISSUE

- Company was in need of capital to purchase new equipment to support large national contracts with Honda Aircraft and Bell Helicopter
- Senior lender was unable to extend necessary growth capital to pursue opportunities

NMTC SOLUTION

- \$1.56 million NMTC investment enabled company to secure working capital to buy new equipment that would support the production of larger components
- NMTC investment enabled company to win Honda Aircraft and Bell Helicopter contracts, increasing the company's revenue and expanding its portfolio
- Additional \$2.44 million in private capital invested as a result of NMTC investment

NMTC IMPACT

- 33 jobs created
- 106 jobs retained
- New contracts are projected to increase company's revenue by 51% through 2018
- Employees are paid in excess of the median household income for the census tract



DESCRIPTION
Aerospace Components
Manufacturer

LOCATION
GUNNISON, UT

NMTC INVESTMENT
\$1.56 million

JOBS CREATED
33 with more projected

JOBS RETAINED
106

**COMMUNITY
UNEMPLOYMENT RATE**
6.5%

COMMUNITY POVERTY RATE
17.8%



GREATWAVE COMMUNICATIONS



- Telephone, cable and internet based telecommunications company
- Provides services to over 6,000 subscribers, the vast majority of whom are located in non-metro areas

ISSUE

- The company was in need of financing solutions to expand its advanced network offerings to schools, businesses and families in non-metro areas
- A lack of access to high speed internet burdens economic activity in these communities

NMTC SOLUTION

- NMTC financing enabled the company to obtain working capital to purchase new equipment and expand its services
- With NMTC investment, the company expects to expand and add 600 residential and 50 business customers annually

NMTC IMPACT

- By providing this critical service to non-metro LIC, the company will enable businesses to remain competitive and expand, creating jobs and generating tax revenue in the community
- Jobs created and retained offer an average salary of approximately \$60,000 and full benefits, including complimentary internet, telephone and cable television
- Over 50% of jobs are accessible to individuals with a high school education
- The company partners with a local university to hire graduates
- Both internal and external training and certification opportunities are offered to employees to advance their technical skills

DESCRIPTION
Telecommunications Company

LOCATION
Conneaut, OH

NMTC INVESTMENT
\$5 million

JOBS CREATED
80

JOBS RETAINED
100

**COMMUNITY
UNEMPLOYMENT RATE**
9.8%

COMMUNITY POVERTY RATE
20.6%



2017 Impact Report

See what flows from small business job creation and growth

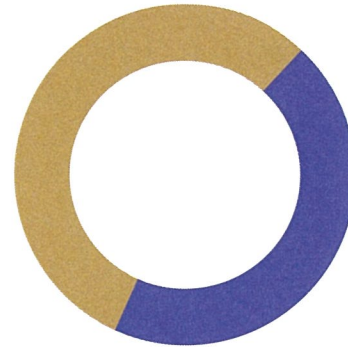
One investment firm surveyed 210 of its active portfolio companies at the end of 2017, and the results are telling.

13,512

Jobs supported, including created and retained*

Why “jobs retained” matters

Though “jobs created” is a key factor in measuring economic growth, the number of jobs retained creates opportunity for upward income mobility and community stability.



8,085 Jobs Retained

5,427 Jobs Created

*More than the total number of global employees at Netflix, New Balance and Harley Davidson combined.

Beyond jobs: Investing in people, benefits and training to help build a stronger workforce

8 of 10

companies offer health insurance benefits

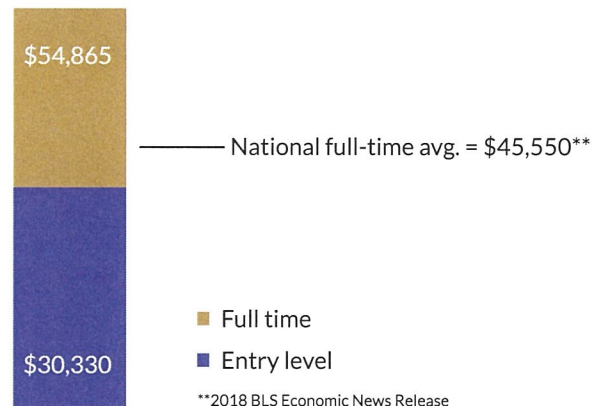
53%

of companies provide employee training

\$54,865

average full-time wages

more than 15% higher than the national average



Supporting families and empowering communities

One out of four companies reported that company-provided benefits and/or wages allowed 476 new employees to replace one or more public assistance programs. Of these 52 companies:

75%

Replaced
Unemployment
Insurance

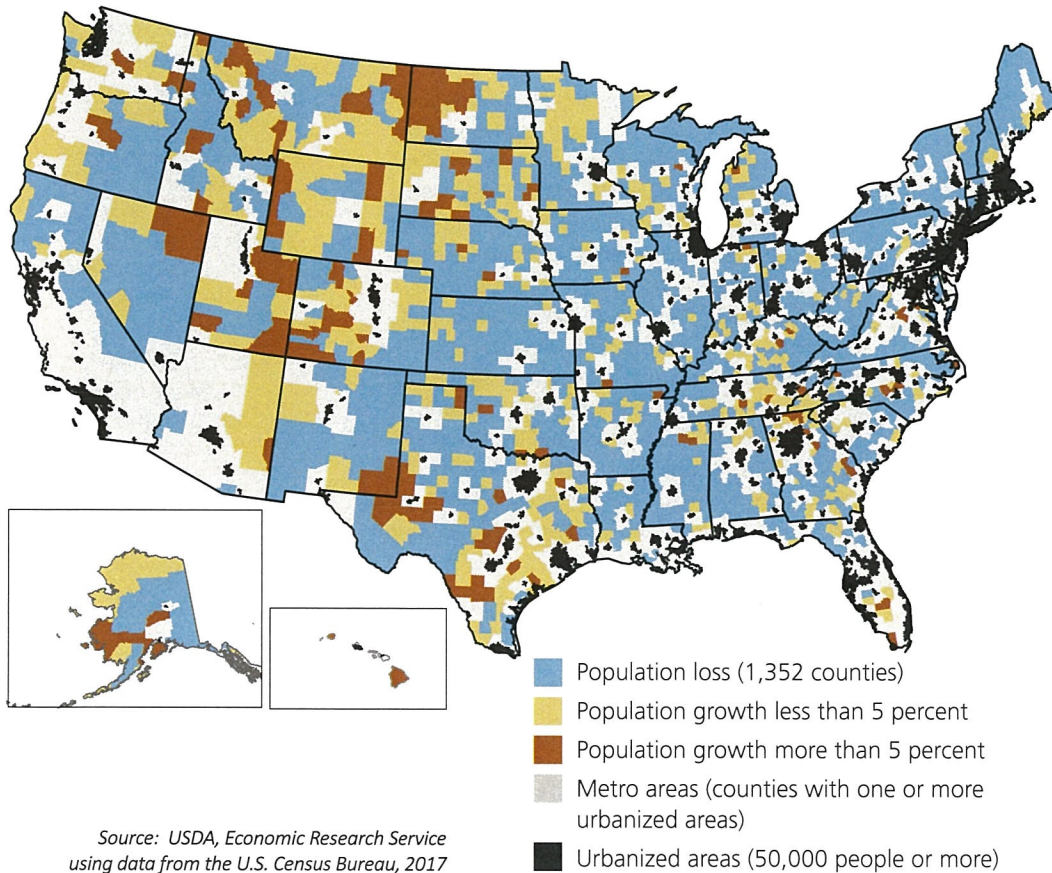
58%

Replaced
Food Stamps

44%

Replaced
Medicaid

Rural Population Loss is Now Widespread in the Eastern United States



Source: USDA, Economic Research Service using data from the U.S. Census Bureau, 2017

Did You Know?

- While employment rates in urban areas grew at almost 2 percent per year since the Great Recession, in rural areas that rate was less than 1 percent.
- Between 2010 and 2016, close to 200,000 people left rural counties nationwide, while counties abutting metro areas saw a population increase in 2017.
- Infrastructure neglect—such as investments in broadband, roads and schools—is more acute in rural areas than urban or suburban areas.

Jump-Starting Rural Economies

BY DOUG FARQUHAR

Although much of America is thriving economically, rural areas have not recovered from the Great Recession, and policymakers are concerned. Home to 46 million Americans and covering 72 percent of the land, rural America's economy faces a competitive disadvantage compared to urban areas. Economic progress is hindered by, among other factors, a declining and aging population, lack of access to capital and stagnate infrastructure development.

Between 2010 and 2016, the U.S. Census Bureau recorded a population loss in rural areas due to out-migration, fewer births and an aging population. This is the bureau's first-ever recorded decrease in population.

Much of this population decrease is reflected in lack of economic opportunities. Rural employment has not returned to its prerecession levels, and job growth is weaker than in urban counties. Between 2007 and 2015, rural areas lost 400,000 jobs, whereas urban areas saw a net gain of 3.6

Additional Resources

- [Rural Jobs Coalition](#)
- [USDA Economic Research Service](#)

million jobs. Agricultural areas in the Great Plains, Midwest and South have been losing employment and people for some time. Adding to this are recent losses in rural manufacturing jobs in the Midwest and on the East Coast. Even rural recreation-based economies have struggled, with less growth seen since 2010 than in previous decades. A December *Wall Street Journal* article called rural America the worse off “in terms of poverty, college attainment, teenage births, divorce, death rates from heart disease and cancer, reliance on federal disability insurance and male labor force participation” when compared to urban or suburban areas.

Traditional capital resources are suffering. Small loans (under \$1 million), usually provided by smaller banks which have traditionally funded rural businesses, have fallen from 40 percent of all loans in 2004 to less than 20 percent of bank loan portfolios in 2016. These banks are making fewer small loans, precisely the type of investment on which rural businesses rely.

Nontraditional private investors other than banks (private equity, venture capital, etc.) are all but absent when it comes to rural areas. Since 2000, only 1 percent of these types of investments have been made in rural communities, even though 15 percent of the U.S. population lives in rural locations.

State Action

While very few states require private investors to invest in rural areas—2.6 percent of the 1,827 state economic incentive programs require rural investment—some states are taking steps to encourage it.

Invest CT—the Second Insurance Reinvestment Fund Tax Credit—was passed by the Connecticut legislature in 2010. This program ties job-creation requirements to incentives for capital investments. Invest CT proved that private-sector investors could be asked to meet job-creation metrics through their investments, subsequently improving the return on investment for the state. In its 2017 annual report, the Connecticut Department of Economic and Community Development (DECD) found that Invest CT returned \$5.11 of new state revenue for every \$1 of state tax credits issued between 2010 and 2016. The report stated that “the new credit program requires closer monitoring and penalties for not achieving a positive return to the state, and the program has generated strong results in terms of jobs and state net revenue created.” On average, 4,133 new jobs have been created annually between 2011 to 2016.

Several states have looked into rural jobs acts, which provide tax credits to those who invest in designated rural counties. State tax credits are awarded to companies that agree to invest in or

loan money to funds set up by investment firms or other brokers. The funds then invest the money in rural businesses.

The Georgia legislature enacted the **Agribusiness and Rural Jobs Act** in 2017. This law provides a mechanism for small businesses that have at least 10 percent of their portfolio in agribusiness in rural parts of the state (communities with 50,000 or less) to access capital. Ohio amended its appropriations bill in 2017 to authorize a nonrefundable tax credit for insurance companies that invest in rural business growth funds certified to provide capital to rural and agricultural businesses.

Pennsylvania’s Department of Revenue created a rural jobs and investment tax credit “designed to stimulate growth and job creation by providing access to capital for rural businesses from businesses supporting the state’s rural growth funds.”

In Utah, where only 1.1 percent of private equity investment goes to businesses in rural areas, the governor set a goal of bringing 25,000 new jobs to rural areas in the next four years. The Legislature responded by adopting a joint resolution to encourage business expansion and development in rural areas and enacting the “Rural Jobs Act” (SB 267) in 2017. This act provides a nonrefundable tax credit for investments in eligible small businesses primarily located in rural counties. This the new program will offer up to \$24.4 million in credits if investors raise \$42 million for rural businesses. This Utah effort is similar to state “new markets” programs, in which states generally provide tax credits worth less than the total raised by funds.

Similar bills have been introduced in 2018 in Alabama, Kentucky, Massachusetts and Washington.

Federal Action

The Federal Department of the Treasury initiated the **Federal New Markets Tax Credit** (NMTC) program, encouraging private funds to be raised and invested in qualifying underserved communities. The program mandates 20 percent of investments be in nonmetro areas, which has led to over \$10 billion being invested in rural America since 2003. Some states have since adopted their own version of this program.

The **Opportunity Zones Act**, included in the 2017 U.S. tax reform bill, offers up to 100 percent forgiveness of the capital gains tax for investors willing to invest in distressed census tracts for a stated duration, including underserved rural communities. States select the census tracts in their state that qualify for these potential investments.

Investing in Rural Areas

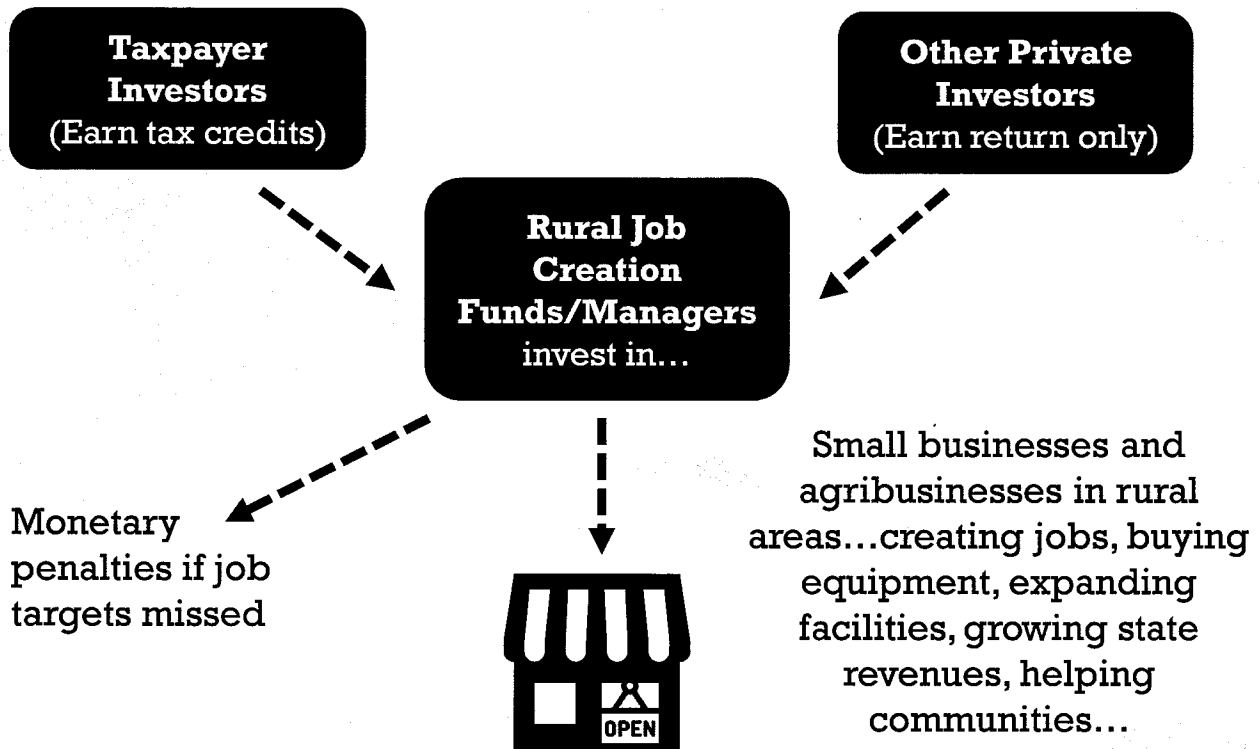
States that offer tax credits as incentives for investing in rural areas generally require:

- Fund managers to submit comprehensive annual reports outlining the benefits of their investments in rural areas.
- Investors to count full-time equivalent (FTE) jobs that were created to accurately determine the program’s impact each year.
- A penalty of up to 100 percent of the state-authorized tax credits to be repaid by the investor if the predetermined number of jobs are not created.
- A roughly 1-to-1 ratio of private matching capital, which means that half of the capital raised does not receive any type of tax credit or incentive.

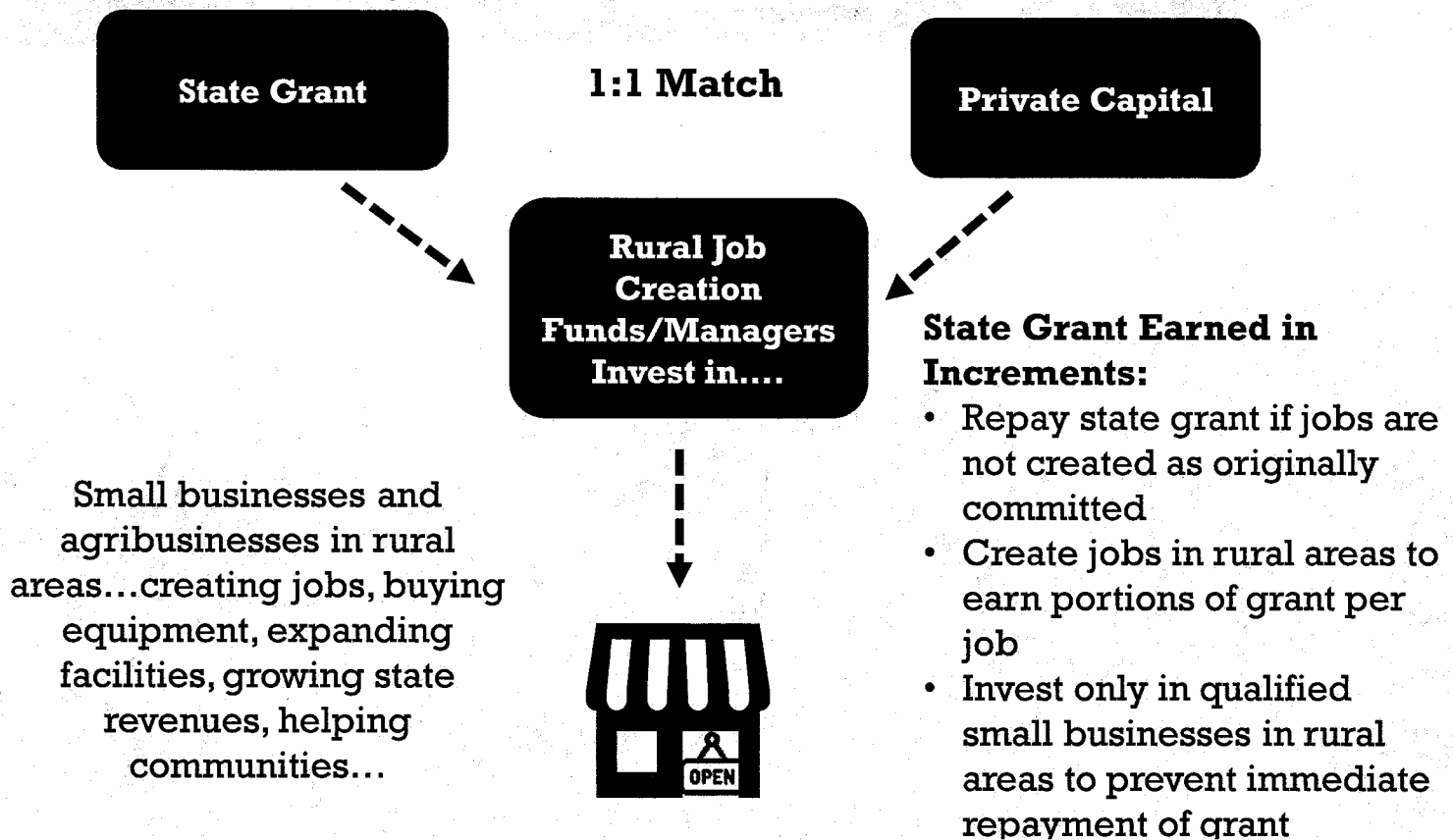
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Investing in Rural America through Special-Purpose Funds: Tax Credit Fund Option



Investing in Rural America through Special-Purpose Funds: Grant Matched by Private Capital Fund Option



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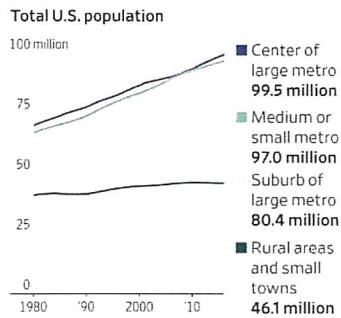
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ONE NATION, DIVISIBLE

The Divide Between America's Prosperous Cities and Struggling Small Towns—in 20 Charts

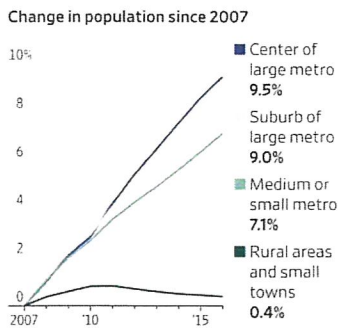
By Paul Overberg | Graphics by Angela Calderon

About 1 in 7 Americans lives in rural parts of the country—1,800 counties that sit outside any metropolitan area. A generation ago, most of these places had working economies, a strong social fabric and a way of life that drew a steady stream of urban migrants. Today, many are in crisis. Populations are aging, more working-age adults collect disability, and trends in teen pregnancy and divorce are diverging for the worse from metro areas. Deaths by suicide and in maternity are on the rise. Bank lending and business startups are falling behind. Here is the data that tells the story.



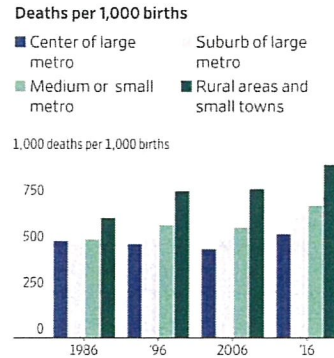
Source: Census Bureau

For decades, as migration to America's small towns rose and fell, they barely managed to keep growing. Rural families formed and had just enough children to offset losses from those who left and those who died.



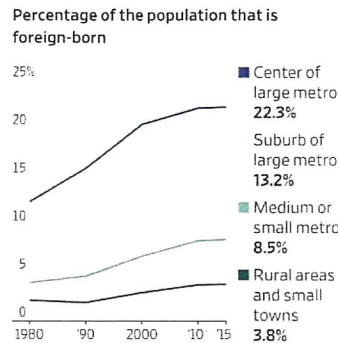
Source: Census Bureau

More recently, fewer young adults stayed or returned home after college or from distant jobs. That meant fewer marriages and fewer children. City-weary arrivals dwindled as well, meaning populations have shrunk.



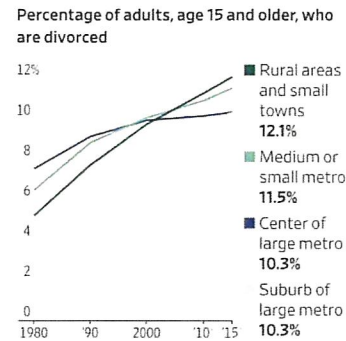
Source: Census Bureau

In the 1990s, a few rural areas began to record more deaths than births. Then the deep recession of 2007-2009 lowered U.S. birthrates and slowed migration and immigration. Collectively, all of rural America now faces the grim prospect of natural decrease, meaning more deaths than births over time.



Data collected in the five years ending with this year
Source: Census Bureau

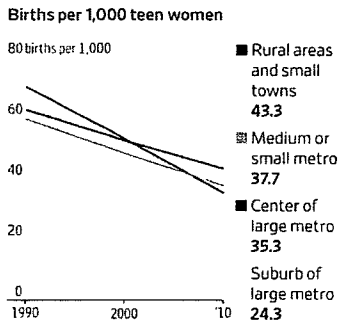
Few immigrants are moving to rural areas. Most seek work and neighbors in places that are familiar, which largely means urban areas. This has opened a cultural gulf between diverse, growing cities and mostly white, aging small towns.



Data collected in the five years ending with this year
Source: Census Bureau

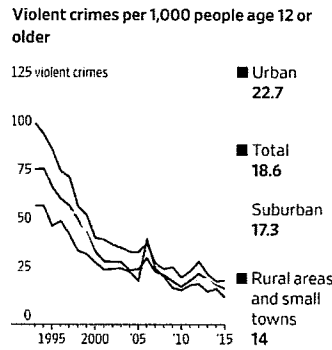
Social trends have weakened rural families. Couples marry earlier in rural areas, but marriages can founder in a shaky economy. Among women ages 20 to 34 who live in rural areas, 6.5% are divorced, compared with 3.6% of their counterparts in large cities. One reason is that almost two-thirds of city women in that age group have never been married, compared with just half of rural women. Later marriage means fewer opportunities for divorce.

(over please)



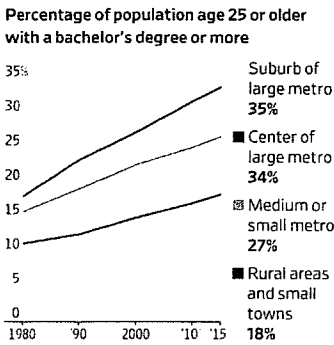
Source: National Center for Health Statistics, analysis by National Campaign to Prevent Teen and Unplanned Pregnancy

A continuing public-health campaign to limit teenage births has produced a related urban-rural gap. The campaign includes education programs and access to contraceptives. While teen births are falling around the U.S., they are falling much faster in urban areas, where the campaigns have been more effective.



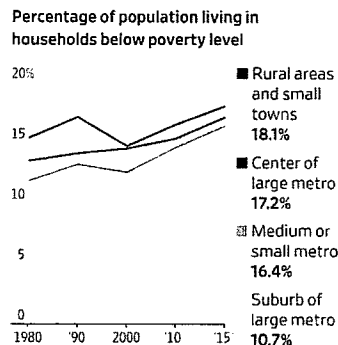
Source: Bureau of Justice Statistics

The violent crime rate for major cities has fallen enough to match that of small towns, wiping out much of the “safety premium” that rural America once enjoyed. This shift weakens one of the motives to move from urban to rural areas, especially for families with children.



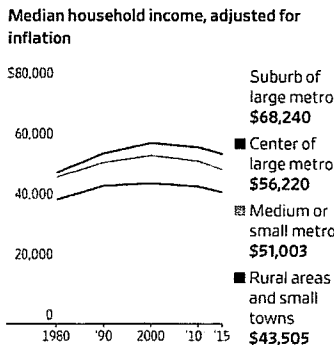
Data collected in the five years ending with this year
Source: Census Bureau

One factor behind falling teen birthrates: Rising college attendance by women. In 2015, for the first time, the share of women ages 25 and older who held at least a bachelor's degree topped that of men. Women earn 57% of new bachelor's degrees. This tide has risen most sharply in large cities and their suburbs.



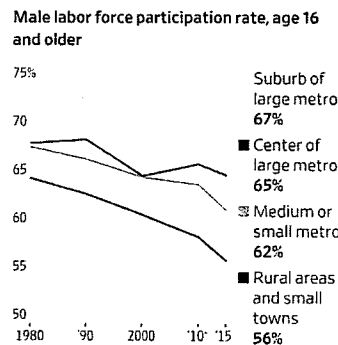
Data collected in the five years ending with this year
Source: Census Bureau

Circumstances behind rural poverty vary—for instance, among American Indian reservations, migrant-worker settlements and small towns that lose employers. Rural poverty has persistently run higher than urban poverty..



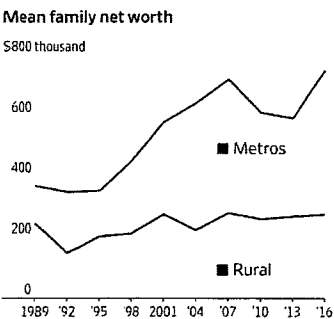
Data collected in the five years ending with this year
Source: Census Bureau

Education gaps have long-term consequences. More jobs—especially full-time jobs with benefits—require a bachelor's or advanced degree. Without a larger share of college graduates, small towns have little hope of closing the income gap.



Data collected in the five years ending with this year
Source: Census Bureau

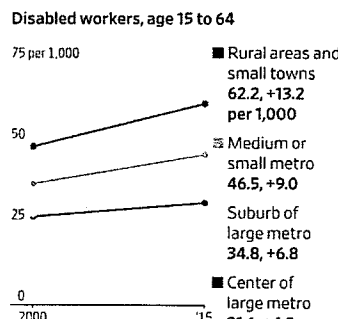
Men in rural areas are working less. They are typically older and less educated than their urban counterparts, reducing the number of jobs they are eligible for and the pay they can secure.



Source: Federal Reserve Board

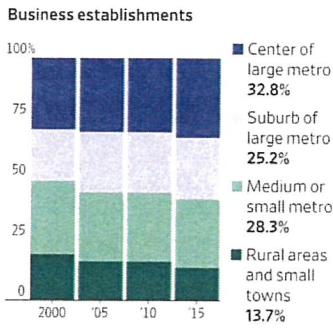
The recession hammered Americans' net worth, which had been slipping for years in rural areas. For many families, the bulk of their net worth is in home equity. The housing-market boom and collapse hit fast-growing suburbs hardest but didn't spare small towns.

The stock-market boom and resurgent urban-home prices have largely benefited upper-income households, widening the urban-rural gap in family net worth.



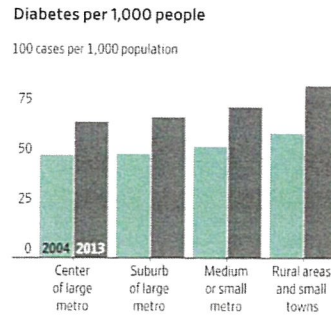
Source: Social Security Administration

Rates of disability among small-town workers have long been higher, partly due to such physically taxing jobs as farming and mining. The rates are rising faster, too, in part, because rural workers tend to be older.



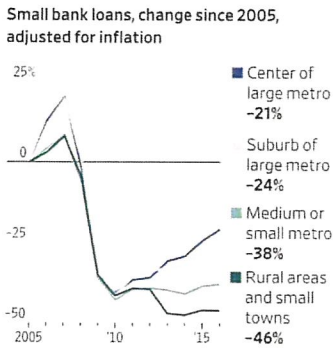
Source: Census Bureau

Rural areas have seen their share of business establishments shrink along with their share of the population.



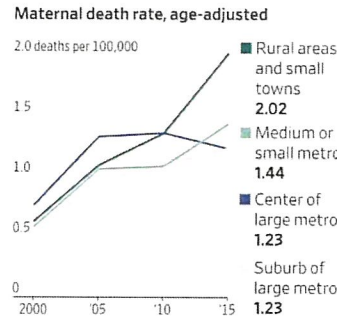
Source: National Center for Health Statistics

Diabetes rates indicate an ominous long-term problem for rural areas. They are higher than in urban areas and rising faster.



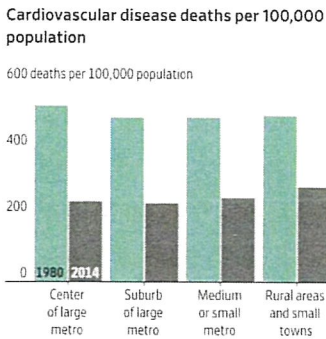
Source: Federal Reserve Board

One cause is the lack of capital for new or small businesses. Adjusted for inflation, loans by banks of less than \$1 million haven't recovered in rural areas since the recession.



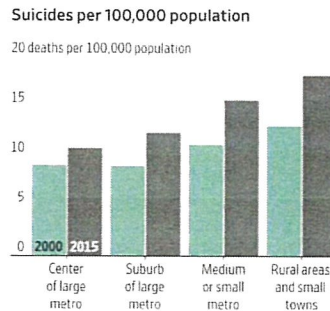
Source: National Center for Health Statistics

One grim measure of the quality of rural life is the rising maternal death rate. More pregnant women have high blood pressure, diabetes, obesity or a history of drug use. Yet rural care for pregnant women is slipping. From 2005 to 2014, 15% of rural hospitals closed or ended maternity services. In suburban and urban areas, 5% did. Closures can prompt obstetrician/gynecologists to move, eroding health care for rural women.



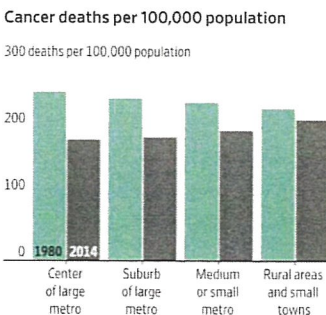
Source: Institute for Health Metrics and Evaluation, University of Washington

In the past couple of decades, better prevention and treatment have produced gains against heart disease, the nation's No. 1 killer. The biggest improvements occurred in large cities, thanks to lower smoking rates, widespread cholesterol-lowering drugs and better emergency care, among other factors.



Source: National Center for Health Statistics

The nation's suicide rate is worst in small towns. Suicide is often traced to untreated clinical depression or other mental-health troubles.



Source: Institute for Health Metrics and Evaluation, University of Washington

The same pattern appears in death rates from cancer, the No. 2 killer in the U.S. Rates have fallen sharply in major cities and barely in rural areas. (Rates are adjusted to cancel effects due solely to some groups being older and more likely to be diagnosed with cancer.) The best gains stem from prevention, screening and treatment. That requires good primary care, advanced surgical treatments and drug trials at specialized hospitals.