



Legislative Proposal, 2011 Session

Compete Missouri

21st Century tools to win

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Competition for Jobs in 2011

- Intense and increased competition – worldwide.
 - Sites/communities must meet all 30-60 requirements to become one of the 3-6 finalists.
 - Timing process is accelerated.
- Selection then is based on lowest overall costs (PV over 10-20 year period).
 - Utilities, labor, taxes, transportation, others.
 - Incentives – “real” value, present valued.
 - Up-front funding much more important.

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Need for Compete MO bill

- There are currently these related state programs:
 - 6 business incentive programs.
 - 3 workforce training programs.
 - 3 methods of sales tax exemption.
- They have:
 - Inconsistent definitions, reporting, & application process.
 - Different types of eligible businesses.
 - Different methods/formulas for providing benefits.
 - Inefficient requirements (bond issue, contribution).
- Causing:
 - Confusion and inefficiency to businesses, ED partners and staff.



State Business Incentive Programs Current Programs

- Quality Jobs
 - Enhanced Enterprise Zone
 - BUILD
 - Development
 - Rebuilding Communities
 - Business Facilities
-
- Combined Annual Cap: \$143 million



Need for Compete MO bill (2)

- Current business incentive programs do NOT provide for Up-Front Funding, critical for winning projects.
- Sales tax exemptions for non-manufacturing unnecessarily require the issuance of Chapter 100 revenue bonds.
 - The bonds provide no financing benefit.
 - The cost of issuance is about \$40-50 thousand per project.



Planning Process

- Tax Credit Review Commission
 - Nov. 25 “guiding principles”
- Steering Committee, MO Strategic Initiative for Economic Growth
 - Nov. 30 “guiding principles”
- Collaboration with economic development organizations
 - Ongoing since October



Guiding Principles of:

Tax Credit Review Commission
Steering Committee, MO Strategic Initiative for Economic Growth

- Combine the six existing business incentive programs to achieve:
 - Positive return on investment within a defined time period;
 - Focus on primary jobs;
 - Reward higher-paying jobs with benefits;
 - Consider local participation;
 - Flexibility; Simplicity;
 - Up-front financing;
 - Performance based and discretionary components; and
 - Broad applicability.



2011 Bills – Compete MO

- Senate:
 - SB 279, Sen. Schmitt
- House:
 - Pending, Rep. Zerr





Business Incentives



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Proposed: “Compete Missouri” Business Incentive Program

- Sunsets the tax credits of the six business incentive programs.
 - Projects authorized prior to sunset will continue to be funded for the remaining years.
 - EEZ property tax abatement continues as is.
- Creates the “Compete Missouri” program.
 - Similar to Quality Jobs program.
 - Annual cap, which includes credits authorized from the six existing programs that will be issued in the future:
 - \$111 million (FY-12)
 - \$126 million (FY-13)
 - \$141 million (FY-14 and beyond)



Proposed: “Compete Missouri” Business Incentive Program

- Provides for Up-Front Funding as an option.
- Provides additional benefits for:
 - Existing Missouri companies (10+ years in operation)
 - Targeted industries (as identified in the Strategic Initiative for Economic Growth)
- Provides for a balance in performance based and discretionary funding.



Eligibility Requirements Compete Missouri – New Jobs

- Eligible Businesses:
 - “Primary” businesses (mostly sells/competes outside the local market area).
 - Same as Quality Jobs program.
- Minimum number of new jobs.
 - **2** – Enhanced Enterprise Zone (EEZ) and (in SB only) Dormant Mfg. Plant Zone (DMPZ) areas
 - **10** – Targeted Businesses
 - **20** – Non-Targeted Businesses
- Average wage requirement (lower of county or state)
 - **80%** in Enhanced Enterprise Zones & (SB) Dormant Mfg Zones.
 - **90%** elsewhere.



“Compete Missouri” Business Incentive Program

New Jobs – 5/6 Year Benefit

	Minimum Eligibility	Performance Based	Max. Additional Discretionary	Maximum Possible
Enhanced Ent. Zones & Dormant Mfg Plant Zones	2 New Jobs 80% CAW \$100k Cap. Inv.*	WH	-	-
Targeted Industry	10 New Jobs 90% CAW	WH + 3% TC (Max. 6%)	Up to 6% TC	Up to 12%
Non-Targeted Industry	20 New Jobs 90% CAW	WH + 2% TC (Max. 5%)	Up to 4% TC	Up to 9%

- **CAW:** County average wage (or state average wage, whichever is lower).
- **WH:** Retention of state withholding of new employees, which ranges from 2.7 to 4.5% of AGI.
- **TC:** State tax credits (refundable).
- **Percentages** are based on percentage of new annual payroll.
- **Benefit Time Period:**
 - Company less than 10 years in MO: **5 years**
 - Company more than 10 years in MO: **5 years of TC, 6 years of WH.**
- **New Jobs Training:** If used for same project, WH for Compete MO becomes tax credits.

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Comparison to Existing Programs

Existing Program	Min. New Jobs	Avg. Wage Requirement	Perf. Based Maximum	Max. w/ Discretionary
Quality Jobs - <i>“Small Business”</i>	20/40	100% county/state	Withholding 3-5 yrs.	NA
Quality Jobs - <i>“High Impact”</i>	100	100% county/state	Withholding 5 yrs.	7%/yr. 5 yrs.
Quality Jobs – <i>“Tech”</i>	10	100% county/state	Withholding 5 yrs.	6%/yr. 5 yrs.
BUILD	100	Discretionary	NA	Discretionary
Enhanced Enterprise Zone	2 (& \$100k inv.)	None	-	2% payroll & ½% Inv./yr., 5 yrs.
Proposed Compete MO	Min. New Jobs	Avg. Wage Requirement	Perf. Based Maximum	Max. w/ Discretionary
Compete MO - <i>EEZ/DMPZ areas</i>	2	80% county/state	Withholding 5-6 yrs.*	NA
Compete MO - <i>Targeted Business</i>	10	90% county/state	6%/yr. 5-6 yrs.*	12%/yr. 5-6 yrs.*
Compete MO - <i>Non-Targeted Bus.</i>	20	90% county/state	5%/yr 5-6 yrs.*	9%/yr. 5-6 yrs.*

* Existing MO business – 6 yrs of WH.

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“Compete Missouri” Business Incentive Program Up-Front Funding Option

	Minimum Eligibility	Maximum Benefit
Targeted Industry	10 New Jobs 90% CAW	Up to 9% of new payroll projected over 5 yrs.
Non-Targeted Industry	20 New Jobs 90% CAW	Up to 7% of new payroll projected over 5 yrs.

- Benefits provided in the form of refundable tax credits.
 - Issued at the time of approval.
- Discretionary approval based creditworthiness, need, others.
- EZs and DMPZs: Minimum of 2 New Jobs, 90% CAW.
- Cap on Up-Front Funding:
 - \$15M (FY-12), \$30M (FY-13), \$45M (FY-14), \$60M (FY-15)

“Compete Missouri” Business Incentive Program Job Retention (HB only)

- Requirements:
 - Minimum Retained Jobs – 125
 - Minimum Capital Investment:
 - 3 times the state benefits provided.
 - Wages: 90%+ of county/state average wage; Insurance.
- Benefits:
 - Discretionary approval:
 - Financing Need, Competition, Creditworthiness, Other criteria.
 - 5 year period:
 - Retention of up to 100% of WH tax.
 - Up Front Tax Credits:
 - Up to 80% of projected WH over 5 years.
- Maximum: \$6 million/year (all projects)

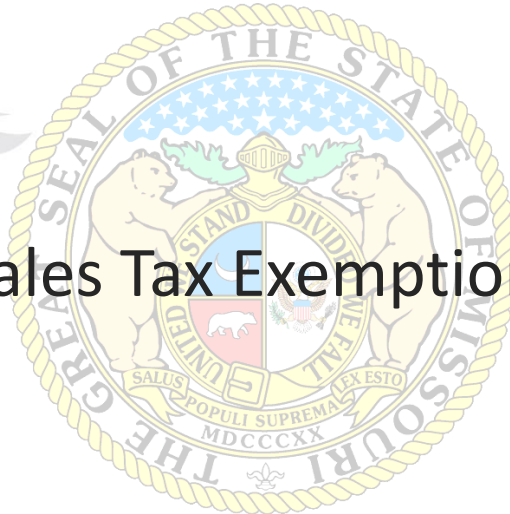
Advantages

Compete Missouri Business Incentives

- Up-Front Funding option.
- One program versus 6.
 - Streamlined definitions, reporting, procedures.
- Greater efficiency:
 - No bonding or contributions like existing programs.
- Lower new job minimum requirements.
- Higher funding limits.
 - While requiring positive net state fiscal benefit.
- Balances performance based and discretionary funding.
- Lower annual cap (compared to the 6 existing programs)



Sales Tax Exemptions



Sales Tax Exemption Programs (Non-Manufacturing Companies) Process – Existing Programs

Exemption Type	Method	Prior Approval Required	Approval Agency
Personal Property	Chapter 100 Bonds	Yes	City/County & State (DED)
Building Materials	Chapter 100 Bonds	Yes	City/County
Energy Purchases	None	N/A	N/A

- Manufacturing – Existing Exemptions:**
- Machinery and equipment (state and local)
 - Energy (state only)

Proposed: “Compete Missouri” Sales Tax Exemption Programs

- Applicable to:
 - Building materials, Personal property.
 - Utilities (Information Technology only)
- Eliminates the need to issue Chapter 100 bonds for state or local exemption.
- Discretionary approval for non-manufacturing by state (DED) or each local taxing entity.
 - Must result in positive state fiscal benefit with other incentives.
- No change to existing exemptions for manufacturing.

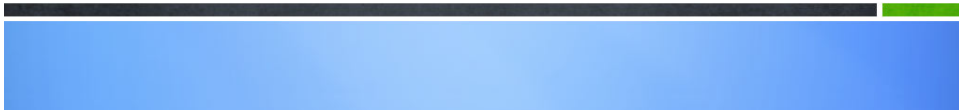
Proposed: “Compete Missouri”

Sales Tax Exemption Programs

- Time Period Limitations - State:
 - 3 years: Building materials and personal property
 - 5 years: Utilities (Information Technology only)
- Local exemption:
 - Time period and Percentage as approved by local taxing entities.
- Same as business incentives:
 - Definitions; Eligible businesses.
- Minimum Requirements:
 - New Jobs: 20
 - Retained Jobs: 125 (HB only)
 - 90%+ of county/state average wage



Workforce Training



Recommendation:

Steering Committee, MO Strategic Initiative for Economic Growth

- Improve the workforce training programs to achieve:
 - Consistency with the business incentive programs.
 - Reflect “best practices” of other states.
 - Streamline administrative processes to maximize efficiency.
 - Insure accountability.



Existing Training Programs

- Missouri Job Development Fund (Customized Training)
 - Appropriations
- New Jobs & Retained Jobs Training
 - Diversion of a portion of withholding taxes.

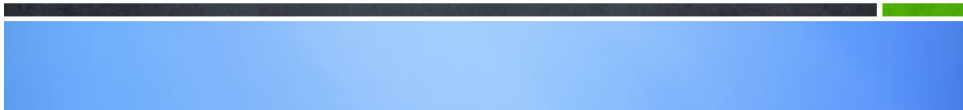


Proposed: “Compete Missouri” Workforce Development Programs

- Retains the 3 existing programs.
- Provides for consistency with the business incentive program:
 - Definitions
 - Eligible businesses
- Streamlines process.



Advantages of Compete Missouri



Advantages

Compete Missouri – Incentives, Training

- Consistency:
 - Definitions, reporting, application procedures.
 - Eligible businesses.
- More powerful tools:
 - Up-front funding.
 - Higher funding limits.
- Greater efficiency:
 - No bonding, contributions.
- More flexibility:
 - Lower new job minimums.
- Lower annual cap.
- Greater accountability and ROI:
 - Requires positive net state fiscal benefit for all programs.

