MISSOURI2030
An Agenda to Lead
Did you know?

Missouri employment grew a total of 2.5% between 2004 and 2014, the 42nd slowest rate among the 50 states.

Source: The Bureau of Labor Statistics
Did you know?

Missouri’s real GDP per capita grew 0.8%, less than 1%, between 2003 and 2013, **the 43th slowest growth rate** among the 50 states.

Source: Bureau of Economic Analysis
Did you know?
The prosperity of the U.S. economy will depend more on the success of states in improving competitiveness than what happens in Washington.

Source: Dr. Michael E. Porter, Harvard Business School
Politics before Policy

*Next election trumps next generation*

“Sorry, your issue just doesn’t poll well.”
The Solution

Missouri 2030

A 15-year plan to place POLICY ahead of POLITICS
Work so far

• Hired leading economic strategist Ted Abernathy who conducted an economic overview and trends analysis for Missouri.
• Contracted with Gallup to survey 1000 Missouri CEOs, interview site selectors and conduct in-depth analysis of workforce strengths and weaknesses.
• Met with more than 500 employers across the state to gauge their needs.
• Hired Tammy Long as Director of the Missouri Chamber Federation, who has added 37 chambers of commerce into the Federation.
Top-line Findings of Research

- Our education system is not producing students to match employers’ needs
- The most talented workers aren’t coming to Missouri
- Missouri isn’t an easy place to start a business
- We need better infrastructure
- Government regulation is hurting growth
- Missouri employers don’t know where to turn for the fix
- Missouri lacks coherent leadership
Percentage Job Growth 2004-2013
Missouri & Neighboring States

<table>
<thead>
<tr>
<th>State</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>4.9%</td>
</tr>
<tr>
<td>Illinois</td>
<td>3.5%</td>
</tr>
<tr>
<td>Iowa</td>
<td>6.2%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>5.0%</td>
</tr>
<tr>
<td>Kansas</td>
<td>6.5%</td>
</tr>
<tr>
<td>Missouri</td>
<td>2.8%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>6.7%</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>12.9%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>5.4%</td>
</tr>
<tr>
<td>USA</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

Source: BLS Data 2014
Change in Real GDP Per Capita 2004-2013
Missouri & Neighboring States

Source: EL estimates based on BEA
Change in Real Personal Income Per Capita 2004-2013 Missouri & Neighboring States

- Arkansas: 10.6%
- Illinois: 5.3%
- Iowa: 12.5%
- Kentucky: 4.5%
- Kansas: 12.6%
- Missouri: 3.9%
- Nebraska: 13.5%
- Oklahoma: 16.2%
- Tennessee: 3.7%
- USA: 5.8%

Source: EL estimates based on BEA and BLS
Note: Income adjusted using CPI data
Change in Real Wages 2004-2013
Missouri & Neighboring States

Source: EL estimates based on BLS
Note: Wages adjusted using CPI data
Change in Population 25-44- 2000-2013
Missouri & Neighboring States

Source: EL estimates based on US Census
Employment Change Nov 2013-Nov 2014
Missouri & Neighboring States

<table>
<thead>
<tr>
<th>State</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arkansas</td>
<td>1.5%</td>
</tr>
<tr>
<td>Illinois</td>
<td>0.6%</td>
</tr>
<tr>
<td>Iowa</td>
<td>1.1%</td>
</tr>
<tr>
<td>Kentucky</td>
<td>2.1%</td>
</tr>
<tr>
<td>Kansas</td>
<td>0.5%</td>
</tr>
<tr>
<td>Missouri</td>
<td>1.6%</td>
</tr>
<tr>
<td>Nebraska</td>
<td>0.7%</td>
</tr>
<tr>
<td>Oklahoma</td>
<td>1.9%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Source: EL estimates based on BLS
Note: Wages adjusted using CPI data
Change in MO Employment
November 2013 to November 2014

- Construction: 0.0%
- Manufacturing: 2.4%
- Trade/Trans/Ut: -0.4%
- Financial: 2.5%
- Prof/Biz: 3.5%
- Ed/Health: 2.3%
- Leisure/Hosp: 3.2%
- Government: 1.4%

Source: EL estimates based on BLS, Dec 2014
The Relative Value of $100: Which states offer the biggest bang for your buck?

Notes: Numbers represent value of goods that $100 dollars can buy in each state compared to the national average. The Bureau of Economic Analysis has developed a methodology using Personal Consumption Expenditure and American Community Survey data to estimate average price levels in each state for household consumption, including rental housing costs. Data as of April 24, 2014. Published Aug 18, 2014.

Source: Bureau of Economic Analysis, Regional Price Parities

taxfoundation.org/maps
State of Entrepreneurship

The State Entrepreneurship Index tracks core trends and reflects states’ entrepreneurship environments, growth in business formation and technological innovation. Each state index is calculated by comparing five key economic components and determining how much their performance deviates above or below the “median state,” which is assigned a value of 1.0. The SEI was built with 2013 data from the U.S. Department of Labor, the U.S. Census Bureau, the U.S. Patent and Trademark Office and the U.S. Commerce Department’s Bureau of Economic Analysis.

Top 5

<table>
<thead>
<tr>
<th>State</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>North Dakota</td>
<td>2.72</td>
</tr>
<tr>
<td>California</td>
<td>1.91</td>
</tr>
<tr>
<td>New York</td>
<td>1.79</td>
</tr>
<tr>
<td>Kentucky</td>
<td>1.78</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>1.71</td>
</tr>
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</table>

Bottom 5

<table>
<thead>
<tr>
<th>State</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>.34</td>
</tr>
<tr>
<td>Indiana</td>
<td>.30</td>
</tr>
<tr>
<td>New Mexico</td>
<td>.27</td>
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<tr>
<td>North Carolina</td>
<td>.21</td>
</tr>
<tr>
<td>Michigan</td>
<td>.14</td>
</tr>
</tbody>
</table>

Source: University of Nebraska-Lincoln Bureau of Business Research

Graphic by Troy Fedderson | UNL University Communications
2015 State Business Tax Climate Index
Which states have the most competitive business tax systems?

Note: Published October 28, 2014.
Source: State Business Tax Climate Index.

10 Best Business Tax Climates
10 Worst Business Tax Climates
More Missouri Rankings

- Economic Well-Being #24
- Education #22
- Health #30
- Family & Community #27

Source: Kids Count, Data Book 2014
More Missouri Rankings

High-Tech Establishments as a % of Total  #37

In-Migration of College-Educated as a %  #33 of Total State Population

Manufacturing GDP as a % of State GDP  #24

Source: Tracking Innovation 2013
1. Utah
2. North Dakota
3. North Carolina
4. Virginia
5. Colorado
6. Texas
7. Nebraska
8. Washington
9. Minnesota
10. Oklahoma
31. Missouri

Missouri

<table>
<thead>
<tr>
<th>Category</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Costs</td>
<td>#23</td>
</tr>
<tr>
<td>Labor Supply</td>
<td>#38</td>
</tr>
<tr>
<td>Regulatory Environment</td>
<td># 5</td>
</tr>
<tr>
<td>Economic Climate</td>
<td>#41</td>
</tr>
<tr>
<td>Growth Prospects</td>
<td>#43</td>
</tr>
<tr>
<td>Quality of Life</td>
<td>#26</td>
</tr>
</tbody>
</table>

Source: Forbes 2014
CNBC Top States for Business 2014

1. Georgia
2. Texas
3. Utah
4. Nebraska
5. North Carolina
6. Minnesota
7. Washington
8. Colorado
9. Virginia
10. North Dakota
23. Missouri

<table>
<thead>
<tr>
<th>Missouri</th>
<th>Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Business</td>
<td>#11</td>
</tr>
<tr>
<td>Economy</td>
<td>#15</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>#13</td>
</tr>
<tr>
<td>Workforce</td>
<td>#44</td>
</tr>
<tr>
<td>Quality of Life</td>
<td>#48</td>
</tr>
<tr>
<td>Technology/Innovation</td>
<td>#24</td>
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<tr>
<td>Business Friendliness</td>
<td>#29</td>
</tr>
<tr>
<td>Education</td>
<td>#20</td>
</tr>
<tr>
<td>Cost of Living</td>
<td>#18</td>
</tr>
<tr>
<td>Access to capital</td>
<td>#39</td>
</tr>
</tbody>
</table>

Source: CNBC 2014
Chief Executive Best States for Business 2014

1. Texas
2. Florida
3. Tennessee
4. North Carolina
5. South Carolina
6. Indiana
7. Arizona
8. Nevada
9. Louisiana
10. Georgia
22. Missouri
Trends Impacting the Future Economy
Urbanization
Global Interdependence
State Goods Exports Per Capita 2013

Source: 2010-2013 data from U.S. Census and Foreign Trade
The Technology Conundrum
The Rising Talent Bar
A billion shades of grey

"Thanks to us oldies, the world economy is threatened with secular stagnation. China's prospects are deteriorating and inequality is rising."

"That's nice, dear"
1050 Interviews of Missouri Business CEO this fall

On-going interviews of Site-selection consultants
Overall: Only 15% of Missouri business owners agree that high schools are preparing students for the workforce, with nearly triple the amount of business owners believing that colleges provide this preparation.
Overall: Fewer than 1 in 3 businesses believes Missouri attracts top talent, leading to dissatisfaction with the availability of a skilled workforce and intense competition to retain the best.

Missouri’s Talent Environment: Key Findings

Missouri's Workforce

<table>
<thead>
<tr>
<th>Top Talent</th>
<th>Businesses in Missouri Attract Talented Candidates</th>
<th>Businesses in Missouri Retain Top Talent</th>
<th>Satisfied with the Availability of a Skilled Workforce</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Disagree (1, 2)</td>
<td>Neutral (3)</td>
<td>Agree (4, 5)</td>
</tr>
<tr>
<td>100%</td>
<td>23%</td>
<td>30%</td>
<td>44%</td>
</tr>
<tr>
<td>90%</td>
<td>47%</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>80%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>70%</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>60%</td>
<td></td>
<td></td>
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<tr>
<td>50%</td>
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<td>40%</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>30%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
MISSOURI’S TALENT ENVIRONMENT: KEY FINDINGS

Business owners and site selectors agree – Missouri needs to do more to promote and develop the workforce’s technical skills to increase competitiveness in manufacturing and technology industries.

“I’ve talked to numerous other business people in the last month, and there’s no one to hire. People are unqualified... being in the construction industry and this isn’t brain surgery.”
- Business Owner, General Construction Contracting, West Central Region

“The community colleges have outstanding technical programs but we are not getting the throughput. It needs to be pushed not only to students but to parents, teachers, and adults with influence in their lives... We are not effectively promoting the social and economic value of industrial careers. It has to happen at the local level. Companies need to be stepping up to the plate too. We need a PR campaign, we need to make this a cool thing people want to do.”
- Site Selector

“The labor advantage Missouri had is beginning to erode – we need machinists, welders, maintenance technicians that are experienced. Demand is outstripping supply.”
- Site Selector

“I think probably the biggest obstacle to my growth would be skills for generating revenue. At the end of the day our current education system is putting out people that don’t have life skills that can be used in today’s business environment.”
- Business Owner, Industrial Machinery Manufacturing, Kansas City
Top Factors for Companies Considering New Investment

1) Availability of skilled labor
2) Highway accessibility
3) Labor costs
4) Occupancy or construction costs
5) Availability of advanced ICT services
6) Availability of buildings
7) Corporate tax rate
8) State & Local Incentives
9) Low union profile
10) Energy availability and costs
Overall: Respondents were **61% satisfied with their access to technology** as compared to only 37% satisfaction with basic infrastructure, including roads.

### Infrastructure in Missouri

<table>
<thead>
<tr>
<th>Category</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfied with access to technology</td>
<td>61%</td>
<td>29%</td>
<td>9%</td>
</tr>
<tr>
<td>Satisfied with affordable and reliable energy</td>
<td>52%</td>
<td>33%</td>
<td>14%</td>
</tr>
<tr>
<td>Satisfied with roads &amp; infrastructure</td>
<td>37%</td>
<td>37%</td>
<td>26%</td>
</tr>
</tbody>
</table>
Site selectors are quick to site **location as a strength** – but business owners who operate day-to-day in the state feel **aging infrastructure** as an increasing **challenge** for their operations.

“The area we need to be investing in is highways, bridges, infrastructures, water lines, gas lines, etc.”
- Director/Manager, Stone Quarrying, East Central Region

“Especially in manufacturing, **my decision is made 65% by logistics and supply chain dynamics.** Customers are expecting their goods faster and faster and shipping times are decreasing.”
- Site Selector

“I think of ‘strengths’ both by default and by intention when I look at a state. **Missouri has so many strengths by default** in its central location and **needs to take better advantage of these.**”
- Site Selector

“Because of its location, **Missouri is going to shine and do great more often than not.** St. Louis is one of the greatest distribution markets in the country. They have **so many agricultural and distribution advantages.**”
- Business Owner, Industrial Machinery Manufacturing, Kansas City

“Infrastructure is our biggest need – we need improvements in the roads and highways and broadband into the rural areas of the state.”
- Director/Manager, Engineering Services, East Central Region
Overall: Missouri businesses rate their access to key inputs to their business' success relatively high as compared to other questions in the survey, with over half reporting satisfaction with availability of credit, affordability of land, access to customers, and business networking opportunities.

<table>
<thead>
<tr>
<th>Key Inputs for Missouri Businesses</th>
<th>Summary Data Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Availability of affordable land</td>
<td>12%</td>
</tr>
<tr>
<td>Access to financing and credit</td>
<td>10%</td>
</tr>
<tr>
<td>Access to customers</td>
<td>10%</td>
</tr>
<tr>
<td>Business networking opportunities</td>
<td>11%</td>
</tr>
<tr>
<td>Presence of other businesses</td>
<td>12%</td>
</tr>
<tr>
<td>Cost of basic commodities</td>
<td>14%</td>
</tr>
</tbody>
</table>

Disagree (1, 2) × Neutral (3) × Agree (4, 5)
Overall: 10% of businesses in Missouri report that the tax environment is their biggest obstacle to growth, compared to 7% in a national study (Gallup-Wells Fargo Small Business Study, December 30, 2013).

Missouri Tax Environment

- Satisfied with Missouri Tax Policy: 17% Agree, 40% Neutral, 41% Disagree
- Offers Generous Tax Incentives to Move to State: 13% Agree, 40% Neutral, 35% Disagree
- Offers Consistent Tax Policy: 21% Agree, 46% Neutral, 29% Disagree
MISSOURI’S TAX POLICY: KEY FINDINGS

New Businesses: Site selectors agree that tax incentives and key partnerships within the state are strong advantages, but can be offset by administrative and regulatory barriers to entry.

COMPETITIVE INCENTIVES

“Tax incentives in Missouri are more aggressive than in surrounding states.”
- Site Selector

“Incentives are top tier.”
- Site Selector

“Missouri is really good from a tax perspective, but they do need to reduce or eliminate the sales tax on business and manufacturing equipment.”
- Site Selector

STRONG PARTNERSHIPS

“Residents in the state need to realize that from an economic development standpoint, the Partnership is one of the best and really pushing the envelope. They are educating and developing relationships.”
- Site Selector

“They are the Show Me state for a reason. If you are looking, they do a really good job of showing.”
- Site Selector

“If I were to rank their recruiting agencies, they would be solid top 5. They need to aggressively fund The Partnership.”
- Site Selector

COMPLEX REGULATIONS

“The time and hassle and effort that goes into applying for tax incentives can normalize the value of the incentive packages except in very large deals.”
- Site Selector

“Administratively, Missouri has one of the most complex incentive systems in the country.”
- Site Selector

“They need to streamline the bond issuing process and getting access to incentives.”
- Site Selector
Overall: Only one in four (26%) businesses feels labor relations in the state allow them to scale operations as needed, with over half (54%) feeling that becoming a Right to Work state will benefit the state.

Missouri Labor Relations Environment

- Becoming a Right-To-Work State Would Benefit Missouri:
  - Agree (4, 5): 54%
  - Neutral (3): 20%
  - Disagree (1, 2): 22%

- Labor Relations in the State Allow Your Business to Scale Operations as Needed:
  - Agree (4, 5): 26%
  - Neutral (3): 39%
  - Disagree (1, 2): 33%
Right to Work: “Missouri’s prospect flow on manufacturing is only 60% of what it would be if it was a Right to Work state.”

- Site Selector
**Overall:** When asked their biggest obstacle for growth, businesses answer “government regulations” at **twice the rate of any other factor** Gallup polled on in this survey (21% answering regulations, versus 10% each for the next two factors, availability of skilled workforce & tax environment).

![Missouri Regulatory Environment Chart]

- **Satisfied with Litigation Environment**: 21% Agree, 40% Neutral, 36% Disagree
- **Satisfied with Regulations for Operating Business**: 16% Agree, 31% Neutral, 52% Disagree
- **Regulations for Starting New Business Easy to Comply With**: 21% Agree, 38% Neutral, 35% Disagree
- **Regulations for Growing Existing Business Easy to Comply With**: 25% Agree, 40% Neutral, 33% Disagree
**Existing Businesses:** There is a gap between existing businesses’ perceptions of Missouri’s tax structure / regulatory environment and competitive rankings and sit selector feedback.

**Existing Missouri Business Opinions**

*Regulations*
- 21% agree regulations for starting a new business are easy to comply with
- 25% agree regulations for growing existing businesses are easy to comply with
- 16% are satisfied with regulations for operating a business

*Tax Policy*
- 13% agree Missouri offers generous tax incentives to move into the state
- 17% are satisfied with the tax policy within the state
- 21% believe that tax policy is consistent enough for year-to-year planning

*Competitive Rankings*

- 6th in Regulatory Environment (Forbes)
- 11th in Cost of Doing Business (CNBC)
- 24th in Overall Regulatory Friendliness (Thumtack Small Business)
- 23rd in Competitiveness of the Tax Code (Thumtack Small Business)

“The tax structure, they think it’s favorable, but it’s not… I don’t feel they properly promote getting businesses to move here. There are a lack of incentives.”

- CEO/Owner, Wholesale Service Establishment Equipment, Southwest Region
Overall: Polled businesses are twice as likely to disagree that politicians in Missouri are committed to improving the business climate (40% disagree vs. 20% agree).
So What!

Problems
Solutions

ECONOMIC LEADERSHIP
MISSOURI CHAMBER
OF COMMERCE AND INDUSTRY

MISSOURI2030
An Agenda to Lead
• **Long-term Focus**
  – *Policy* will trump politics to shape the future.

• **One Agenda**
  – The business community, local chambers and other stakeholders will no longer be splintered.

• **Data-driven Plan**
  – Long-term data center will drive policy decisions.

• **Metrics, Transparency & Accountability**
  – We will measure what matters, make it accessible, and hold leaders accountable.

• **Aligned & Coordinated Resources**
  – We will make the most of limited money and time.
Approaching challenges from four angles

• Missouri Chamber Foundation provides research and data to provide direction and plan.

• Missouri Chamber advocates for legislative agenda and supports other market-based initiatives.

• Missouri Chamber PAC influences political support.

• Missouri Chamber Federation provides grassroots support.
Drivers

- PREPARING Missouri’s workforce.
- COMPETING for jobs
- CONNECTING through infrastructure.
- UNIFYING the business community.
PREPARING Missouri’s workforce

• Create a consortium of business and education leaders to analyze existing programs and non-traditional programs and create an actionable plan for statewide improvement.

• Support the deployment of Certified Work Ready Communities statewide.

• Produce and promote timely job and skill information for parents, students and employees through a comprehensive public relations campaign.

• Expand the Missouri Mathematics and Science Coalition.

• Hire a dedicated lobbyist to advocate for workforce reforms.
COMPETING for jobs (existing)

• Continue to aggressively monitor Missouri’s business climate and advocate to keep Missouri’s tax policy, legal environment, unemployment insurance and workers’ compensation systems competitive.

• Keep Missouri’s corporate taxes competitive and guarantee consistency.

• Implement labor reforms.

• Develop the capacity to engage in the litigation arena on behalf of Missouri employers.

• Create and maintain an online system that tracks anti-employer contributions to legislators and publicize.
COMPETING for jobs (new)

• Promote collaborative industry and higher education research and development.
• Create a plan to better foster entrepreneurs and innovators.
• Conduct an annual tax policy review to maximize start-up and high-growth companies.
• Expand flexible capital formation through policies that encourage venture capital, angel networks and crowdfunding.
CONNECTING through infrastructure

• Create a statewide infrastructure consortium.
• Research, develop and advocate for a sustainable funding mechanism for infrastructure that enhances business competitiveness.
• Create a comprehensive freight plan.
• Expand Missouri’s capacity for international trade.
• Develop a competitive advantage in broadband coverage and speed.
UNIFYING the business community

- Unify the business agenda.
- Grow the Missouri Chamber Federation, an advocacy network of Missouri’s strongest chambers of commerce.
- Invest in extensive, annual statewide employer issue polls.
- Invest in economic studies to target strengths, weakness and opportunities.
- Create an online website database and metrics dashboard to provide transparency and accountability.
Expected outcomes

- Future Missouri performance for GSP growth, employment growth and income growth will be above the national average.
- Missouri will be a top 15 state for new business formations. Invest in economic studies to target strengths, weakness and opportunities.
- Missouri postsecondary educated 22-44 year olds’ ranking will improve to a top 10 state per capita.
Expected outcomes

- Missouri will be ranked among the top third of states for business climate and best places to do business.
- Missouri’s image among site selection professionals will be among top tier states.
- Missouri will improve in rankings measuring quality of life.
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