Recruiting Business & Industry to Alabama

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This white paper reflects the work of 10 state employees representing a variety of agencies. It was prepared in partial fulfillment of the requirements of the Certified Public Manager® program of Auburn University at Montgomery's Alabama Training Institute. The Alabama Development Office (ADO) presented the CPM students with a formidable challenge. The ADO Project Team respectfully submits its response here.

The ADO Project Team

Jennifer Broomfield, ***Alabama Board of Nursing***
jennifer.broomfield@abn.state.al.us
(334) 293-5257

Liz Burgess, ***Alabama Development Office***
liz.burgess@ado.alabama.gov
(334) 353-1264

LaTonya Jackson, ***Alabama Medicaid Agency***
latonya.jackson@medicaid.alabama.gov
(334) 353-5940

Tricia Jackson, ***Alabama State Employees' Insurance Board***
pjackson@alseib.org
(334) 263-8442

Franklin McMillion, ***Alabama Department of Revenue***
franklin.mcmillion@revenue.alabama.gov
(251) 380-3541

Leslie Michaud, ***Alabama Department of Revenue***
leslie.michaud@revenue.alabama.gov
(334) 242-1260

David Rountree, ***Alabama Public Service Commission***
david.rountree@psc.alabama.gov
(334) 242-5194

Mac Sadler, ***Alabama Department of Revenue***
mac.sadler@revenue.alabama.gov
(334) 242-1498

DeLois Thigpen, ***Alabama Executive Budget Office***
delois.thigpen@budget.alabama.gov
(334) 242-7245

Tammy Wallace, ***Alabama State Board of Veterinary Medical Examiners***
tammy.wallace@asbvme.alabama.gov
(334) 262-8068

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I. Introduction:
The Alabama Development Office

The Alabama Development Office (ADO) has been on the winning side of numerous multibillion-dollar, world-class industrial location deals, and that success continues to have a profound influence on the state's economy. Nonetheless, ADO's staff tends toward modesty. They are keenly aware of the deals that got away. Besides, as they will be the first to tell you, the agency does not work alone. It is at the center of a sophisticated recruitment effort that involves a number of important actors. ADO represents the official state-government hub of a partnership of both public and private entities devoted to economic development in Alabama. ADO's mission statement says as much: "To coordinate economic development resources leading to quality job creation throughout Alabama."

ADO was asked by Auburn University at Montgomery's Alabama Training Institute (ATI) to present a group of state employees in ATI's Certified Public Manager program with a challenge. This white paper is the team's response to that challenge from ADO. The specific task is explained further in the next section.

From a legal standpoint or from the perspective of a financial analyst doing due diligence, state government's direct involvement in economic development strengthens the Alabama negotiating team's commitments, as well as its flexibility, in working with industrial prospects. As ADO staff members will also tell you, a senior executive from a large industrial prospect may well have the governor's cell-phone number. Unfortunately, they caution, the same could probably be said for chief executives in the states we highlight below. ADO considers them Alabama's toughest and most frequent competitors for large industrial projects.

The Alabama Team

Among the private organizations that play a key role in Alabama's recruitment efforts is the Economic Development Partnership of Alabama (EDPA), a non-profit supported by many of the state's largest corporations; its two largest research universities, Auburn University and the University of Alabama; along with Birmingham-based Southern Research, an independent, not-for-profit center for scientific research affiliated with the University of Alabama at Birmingham. Virtually all of the state's local and regional economic development entities are also EDPA members.

Other participants include corporations such as Alabama Power Company and PowerSouth Energy Cooperative that routinely pursue large industrial customers. That Alabama Power has maintained a professional economic development arm for more than 95 years should come as no surprise: ADO's largest coup to date, ThyssenKrupp Steel USA, LLC, is Alabama Power's largest customer and among the largest of its corporate parent, Atlanta-based Southern Company. Alabama Power President and CEO Charles D. McCrary currently serves as chairman of the board of EDPA.

Last but not least, the dozens and dozens of local economic development organizations that participate in EDPA as "community partners" also play a significant role individually. Writes EDPA Executive Vice President Steve Sewell: "It's often said that the local economic developers are one of Alabama's greatest strengths in economic development." ADO staff members echo that view, noting that a single "local team" may include people from several of the state's 67 counties.

Enter the 'Alliance'

Soon after the ADO Project Team completed its research for this paper, Alabama Governor Robert Bentley issued an executive order creating the Alabama Economic Development Alliance. This important reorganization of the state's economic development efforts is described by the Governor's Press Office in a July 19, 2011, news release: "A newly formed Alabama Marketing Allies make up the membership of the Alliance. The Allies include the Director of the Alabama Development Office; the President of the Economic Development Partnership of Alabama; the Chair of the Alabama Marketing Allies [*see note below*]; the Chancellor of the Alabama Community College System, representing the Alabama Workforce Training System; the Chancellor of the University of Alabama System, representing universities and research organizations; and three local economic developer designees from the Economic Development Association of Alabama."

[NOTE: *As outlined below, the chair of the Marketing Allies will change – from former to current ADO director – once the new organization completes a strategic plan in December 2011.*]

How the creation of the Alliance will affect longstanding relationships among the state's principal players in economic development remains to be seen, but, as early as June 15, 2011, the *Birmingham News* described Governor Bentley's intentions as a "sweeping realignment of Alabama industry-hunting efforts …." Given the central role ADO continues to play under Governor Bentley's plan, the ADO Project Team's task, which we outline below, is no less relevant. The group is confident that the creation of the Alabama Economic Development Alliance, despite its fundamental significance for the success of the state's future recruiting efforts, does not undermine the value of our goal.

Former Alabama House Speaker Seth Hammett will chair the Alliance until the end of this year, when the organization expects to complete its strategic plan. Hammett just stepped down as ADO director, an appointment he accepted with the understanding that he would serve six months and without pay – essentially on loan from Andalusia-based PowerSouth, to which Hammett has now returned.

Governor Bentley appointed Greg Canfield, a member of the state House of Representatives from Vestavia Hills, as ADO's new director. Canfield resigned his legislative seat and began work at ADO on August 1, 2011.

II. Our Task and Team

The Alabama Development Office says it has one mission: to create jobs in Alabama. Although the agency's staff recognizes the importance of cultivating existing industry with an eye toward expansion, ADO focuses on courting and attracting new industries to the state. When an Alabama site becomes a finalist for an industrial location, the state usually finds itself in competition with one of its neighbors in the Southeast. Therefore, in presenting its challenge to the ADO Project Team, the agency called specifically for research on those top competitors.

ADO gave the team a tall order indeed: "Identify and develop strategies that Alabama might implement that could ensure Alabama remains competitive." It is to ADO's credit that the agency's charge for our team, while calling for research and analysis on "what the competing states are offering regarding recruitment incentives," makes the priority of the task explicit: "… [T]he real competition is driven by what states can offer in *discretionary* incentives. [*Emphasis added*] Unfortunately, Alabama's funds for discretionary incentives come from the General Fund, which continues to dwindle."

The 10 members of our project team appreciated ADO's straightforward guidance. Relatively early on, the group reached a consensus that identifying sources of money for discretionary incentives was a key goal. Thus, each of the recommendations contained in this white paper focuses on a potential source of new state revenue. By definition, statutory incentives are firmly in place; discretionary incentives are not. A discretionary incentive fund is essentially a pool of money earmarked for industrial recruitment incentive packages. Such funds can be described as the wherewithal to close a deal if the agreement is seen as sufficiently beneficial to Alabama. That decision traditionally has rested with the governor, as chief executive, with advice from both the ADO director and the state finance director. Any discretionary funding of this type is done in concert with the appropriate local units of government.

The ADO Project Team

One member of the project team is an employee of the Alabama Development Office, where she works as an accountant. However, it is important to note that no other members of the team have any professional experience in the field of economic development. Important, too, is acknowledgement of the broad scale of the field, not to mention the depth of research devoted to economic development strategies for several decades now. While we have tried to review some of the fundamentals of industrial recruitment, the advice contained in this report is not expert advice; rather, it represents a good-faith effort by non-experts to assay the ADO charge in a realistic way. We are extremely grateful to ADO's staff for their help.

The group has opted to cite a variety of potential sources of income to fund discretionary incentives, including a few that a majority of group members felt were unrealistic given the current economic and political environment in Alabama. The most ready example of this is a state lottery, which few team members viewed as having any realistic chance of enactment for years to come. Nonetheless, it was decided that a lottery, as well as a few similar options, should be considered seriously. After all, they are important sources of industrial recruitment funds in some states. At present, any talk of "revenue raising" is likely to receive a cold reception in the Alabama Legislature, and one of the main reasons for that is discussed in the following section. Team members decided to approach the task with a deliberate open mindedness, aware that the political and economic environments will change over time.

Our consideration of some of the other recommendations below was simply practical. Why, for example, discount options such as specialty car tags or even utility bill check-offs? Instead, our project team decided to include these and other possibilities, aware that building a competitive fund for discretionary incentives may require a number of revenue sources. Naturally, some recommendations are discussed at length while others are noted only briefly.

The Task in Context

The ADO Project Team believes it is important to acknowledge at the outset that the economic "context" of the research presented in this white paper is extraordinarily challenging. In the current economy, our state's industrial recruitment efforts, like those of comparable organizations throughout the country, continue to face a formidable headwind. The latest U.S. recession – the worst in 80 years – officially began in December 2007. Annual U.S. economic growth, measured by real Gross Domestic Product (GDP), was zero for 2008, then fell 2.6 percent in 2009. In 2010, the Bureau of Economic Analysis (BEA) reports, the economy managed a 2.9 percent gain.

What about 2011? The news is spotty at best. BEA estimates the annual rate of real GDP growth in the first quarter of this year was 1.9 percent. The Federal Reserve is now projecting that the U.S. economy will grow at a rate of between 2.7 percent and 2.9 percent this year, down from an April estimate of between 3.1 percent and 3.3 percent. (Economic results from the second quarter of 2011 had not been reported at the time of this writing.)

The fallout from the recession, not to mention what many have described as a "jobless recovery," is still visible in Alabama. Jefferson County, for instance, the state's largest county by far, was contemplating bankruptcy as this report was being prepared. The state unemployment rate rose to 9.9 percent in June 2011, up from 9.6 percent in May 2011.

The Lesser Costs of Tragedy

For Alabama, the April 27, 2011, tornadoes that killed 247, injured more than 2,200 and turned uncounted individual lives upside-down created serious economic challenges. In a preliminary assessment, the University of Alabama's Center for Business and Economic Research says the cash injection from cleanup and rebuilding activity will certainly be positive, but the impact of the storms – speaking strictly in economic (rather than human) terms, as the UA researchers took special care to note – is "a net negative effect on the state."

But the news, for Alabama, is not all bad – precisely because of the success achieved in the past 20 years by ADO and its partners on the state's economic development team. We began this paper with the observation that those “wins” continue to have a profound effect on our entire state’s economy. We review them here partly for that reason, but also because they are proof positive of just how high the stakes can be when one is waiting for a call from, say, Germany.

ADO Director of Business Development David Hutchison put it well in a meeting with our project team: On the day Mercedes-Benz chose to build its first and only U.S. manufacturing plant in Tuscaloosa County, Hutchison said, Alabama was “transformed.”

Although careful not to disclose confidential information, ADO staff members also talked with our group about some of the deals that got away. Those, too, are outlined below.

III. Wins & Losses

ADO employees do not rest on their laurels, but, fortunately for Alabama, those successful deals have continued to pay exceptional dividends through the years. Only a few weeks ago, on July 21, *Bloomberg* spread the news worldwide that Daimler AG had decided to invest an additional $2 billion at the company's plant in Vance, Alabama. The same story reported that Mercedes' sales were up 9.7 percent in the previous six months. Meanwhile, hourly employees at the Alabama plant received a 1.5 percent pay raise, according to the *Birmingham News* (July 20, 2011), "as the German automaker celebrated the launch of the third-generation M-Class SUV."

Mercedes-Benz U.S. International, Inc. (MBUSI), in Tuscaloosa County, signaled early on that big victories could yield more big victories. After investing $300 million in 1995 and 1996 to establish then-Daimler-Benz AG's first auto-manufacturing plant outside of Germany, MBUSI invested another $80 million in 1998 and 1999 to expand it. The German company's decision to design and market a sport utility vehicle, or SUV, turned out to be a very good idea – for Mercedes, to be sure, but also for Alabama.

At the risk of trumpeting the obvious, it is hard to overstate the significance of Mercedes-Benz in its role as founding member of Alabama's automotive manufacturing industry. Nor is Mercedes alone among the state's automakers in expanding its initial investment. Today, the industry includes Honda Manufacturing of Alabama and Hyundai Motor Manufacturing Alabama, as well as Toyota Motor Manufacturing, Alabama, Inc., which builds V6 and V8 engines in Huntsville. (Beginning this fall, they'll produce 4-cylinder engines there as well.) Meanwhile, Kia Motors Manufacturing Georgia, Inc., built a large manufacturing plant just a mile across the state line, off I-85. Its proximity to Alabama's supplier network was no accident, of course, and any appreciation of the industry's impact on the Alabama economy demands recognition of those suppliers' ongoing capital investment as well. Indeed, ADO's "New and Expanding Industry Report for 2010" shows that the state's largest industrial announcements last year involved auto suppliers.

More than 300 automotive industry companies now call Alabama home, according to ADO. That's 286 percent more than in 1991. For Alabama, the past two decades have been anything but gloomy.

The Wins

Mercedes-Benz U.S. International, Inc.

Location: Vance (Tuscaloosa County), Alabama
Started production: 1997
Capital investment: $1.3 billion (Additional $2 billion announced July 2011)
Employment: 2,800
Production capacity: 174,000 vehicles annually

Plant size: More than 3 million square feet on 966 acres
Suppliers: 118 auto-related suppliers in Alabama
Products: M-Class SUV, R-Class Grand Sports Tourer, the GL-Class luxury SUV and the announced C-Class (2014) and coupe-styled version of the M-Class SUV (2015)

Honda Manufacturing of Alabama, LLC

Location: Lincoln (Talladega County), Alabama
Started production: November 2001
Capital investment: $1.5 billion
Employment: 4,000
Production capacity: more than 300,000 vehicles and engines annually
Plant size: 3.25 million square feet on 1,350 acres
Suppliers: 133 auto-related suppliers in Alabama
Products: Odyssey minivan, Pilot SUV, Ridgeline pickup and V6 engines; (2013) Acura MDX luxury SUV

Hyundai Motor Manufacturing Alabama, LLC

Location: Montgomery (Montgomery County), Alabama
Started production: 2006
Capital investment: $1.4 billion
Employment: 2,500
Production capacity: 300,000 engines and vehicles annually (at full production)
Plant size: 2 million square feet on 1,750 acres
Suppliers: 117 suppliers in Alabama
Products: Sonata Sedan, Elantra Sedan, 4-cyl. 2.0-liter Turbo and 2.4-liter Theta Gasoline Direct Injection and Multi-Port Injection engines, 1.8-liter Nu engine

Toyota Motor Manufacturing, Alabama, Inc.

Location: Huntsville (Madison County), Alabama
Started production: 2001
Capital investment: $514 million
Employment: 768
Production capacity: 145,000 V6 engines annually; 216,000 V8 engines annually
Note: Although the Toyota engine plant does not match the scale of other wins cited here, it is included as an illustration of the compounding effect the Alabama economy enjoyed as its auto industry gained critical mass.

ThyssenKrupp Steel and Stainless USA, LLC

Location: Calvert (Mobile County), Alabama
Started production: 2010
Capital investment: $5 billion
Employment: 1,895 (2,700 when operating at capacity)
Production capacity: 4.3 million metric tons annually
Plant size: 7 million square feet under roof on 3,600 acres
Products: Premium carbon and stainless steel

In the end, the ThyssenKrupp deal came down to Alabama and Louisiana. ADO employees remember clearly when the word came from Germany that Alabama was the winner of the largest industrial recruitment prize in U.S. history. ThyssenKrupp's selection of the Mobile County community of Calvert is a textbook example not only of just how huge an industrial development deal can be, but also of the indirect impact of such a decision.

This past March, the *Birmingham News* summarized the economic impact of ThyssenKrupp on Alabama thus far:

- Hired 1,900 people since 2007, 80 percent of them from Alabama, paying them $100 million in wages.
- Created 9,000 construction jobs.
- Spent $800 million with Alabama companies.
- Generated $34 million in state tax revenue.

The Losses

The ADO Project Team cites only two examples in this section, having discovered in its research that one must be cautious in trying to draw lessons from the deals that got away. While speculation is plentiful, it is extremely difficult to obtain definitive information on why one state was chosen over another for an industrial location.

Volkswagen Group of America, Inc.

In July 2008, Volkswagen AG announced that the company had chosen to build a manufacturing plant in Chattanooga, Tennessee. Huntsville, Alabama, and a site in Michigan had been finalists for the location, according to press reports. The Chattanooga plant, which began production in May 2011 at its 1,350-acre site, represents an investment of $991.4 million and is expected to employ about 2,000 people when it reaches full capacity next year.

An analysis by the University of Tennessee's Center for Business and Economic Research itemizes the expected economic benefits of Volkswagen's location. These include "a $511.1 million annual increase in personal income, $55.7 million yearly in state and local tax revenue, and the support of 11,477 full-time equivalent jobs." Over the next 30 years, the UT researchers estimate, the Volkswagen plant will increase incomes by nearly $12 billion, with a corresponding increase of $1.4 billion in state and local tax revenue. "The large economic effects result from the 2,000 full-time jobs that Volkswagen expects to have at the automobile assembly plant," the report says, "with a total annual payroll of $136.1 million, combined with significant supplier purchases." Volkswagen executives, meanwhile, told industry trade publications they expected the total economic impact of the plant to approach $12 billion.

Not long after Volkswagen's announcement, the *Chattanooga Times Free Press* reported that Tennessee's incentive package would exceed "the previous record high of $419.4 million offered in 2006 to recruit Kia to West Point, Ga." Earlier this year, an Alabama newspaper said Tennessee's incentive package for Volkswagen eventually reached $577.4 million.

Interestingly, Alabama economic development professionals are hoping the near-miss with Volkswagen three years ago may yet pay off for the state. The automaker's sister company, Audi, is currently weighing a decision on where to build a U.S. manufacturing plant of its own. (It is possible, that the company could choose to expand the Chattanooga operation to accommodate one or more additional production lines for Audi vehicles.) A site near Huntsville known as the "Sewell tract" caught Volkswagen's eye during the initial search, according to the *Huntsville Times*, and some Volkswagen officials told Alabama the state would have won the plant if it could have matched Tennessee's incentive package. Alabama officials are now hoping the Sewell tract will become the home of an Audi plant.

EADS North America

On February 23, 2011, the Pentagon announced that it had chosen Boeing in the competition to build 179 new aerial refueling tankers for the Air Force – a program that ultimately is expected to be worth about $35 billion. The first 18 tankers are due by 2017. The loser in that decision was EADS North America, which had said it would build a $600 million assembly plant at Mobile's Brookley Field to assemble the tankers if it won the contract.

The selection of Boeing was surrounded by political controversy. The *Seattle Post-Intelligencer* noted (February 23, 2011) that "an initial 2003 lease deal for new Boeing tankers fell apart under a cloud of scandal. The Air Force then chose a Northrop Grumman-EADS tanker over a Boeing offering in 2008, but Defense Secretary Robert Gates threw out that result after congressional auditors found serious flaws in the process."

EADS officials announced in March 2011 that the company would not protest the award.

IV. The Competition

"In most of our [large] projects now," says ADO Assistant Director Linda Swann, "we are competing with at least one other country." Consequently, we begin this section with a look at international issues that come into play in recruiting industry. Next, we turn to those states that ADO considers our prime competitors in the region: Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee and Texas.

International

Incentives used in industrial recruitment are determined at the state level, but it is important to remember that states are incapable of providing some much-needed incentives that only the federal government can authorize. Still, because all of the states against which Alabama competes face the same challenges with respect to U.S. trade and tax policies, the playing field remains level for domestic competitors.

To the foreign investor, assessing the myriad of incentives and credits offered by individual U.S. states – coupled with the regulations and requirements of each – can be daunting. What's more, the same investor probably has at least a working knowledge of comparable incentive programs offered by his or her home country. In addition, the range and complexity of incentives and credits offered by each U.S. state or local community are constantly evolving, making the comparison of various incentive and credit packages more difficult. Further, European countries and some Asian countries that are the size of individual U.S. states, or smaller, can change their laws quickly in order to meet business incentive needs. That flexibility may have sufficient influence to transform a potential Alabama project into an international foreign investment. [1]

Statutory tax credits can include jobs credits for new employment, investment tax credits for a project's qualified capital investment, port credits for export and import activities, training credits for new or existing employees, headquarters credits, Enterprise Zone credits and others. States can also create different benefit levels for the same credit, encouraging companies to make investments in economically distressed areas. These distressed areas are designated by states as specific zones. (As noted below, for example, Louisiana and Mississippi enjoy the recruiting advantage they receive by being in the Gulf Opportunity Zone.) Additionally, the federal government may also designate zones within a state, such as "empowerment zones." The qualifications to obtain credits within these federal zones can be reduced or waived when capital investment, new hiring and wages are placed in these zones.

Other international considerations come to bear on Alabama's economic development prospects as well. Fifty years ago, for instance, 64 percent of the world's 250 largest industrial companies were headquartered in the United States. Today, only 34 percent of the world's 500 largest companies are based here. More than 60 percent of the technology industry's sales are overseas; as the world becomes ever more connected, that number can be expected to grow. And another example: America's economic leadership may well be a reflection of our historic national commitment to public education, but other countries are surpassing the United States in preparing their children for the jobs of tomorrow. Today, the United States is 29th out of 109 countries in the percentage of 24-year-olds with a mathematics or science degree.

[1] Miller, Jeff, Halcyon Business Publications, Inc. July 8, 2010

The States

The following section provides a snapshot of economic development efforts in states identified by ADO managers as Alabama's principal competitors for large industrial projects. Incentives offered by Alabama and its competing states are subject to change, and it is difficult to pinpoint offerings that can be compared, dollar for dollar, with validity. In those instances where such comparisons appeared to be fair, they were included here.

Arkansas

Both Alabama and Arkansas give tax incentives for businesses that create jobs in each state. The Arkansas Department of Economic Development and Arkansas Development Commission offer several incentives to businesses, many of which mimic those available in Alabama. The state of Arkansas also has a number of bond issues tied to industrial recruitment, with the proceeds of that debt used to help industries in the state.

The "Create Rebate Program" is a payroll rebate program in Arkansas that will allow businesses that qualify a financial incentive equal to a percentage of the annual payroll of new full-time permanent employees. Percentages depend upon the county tier – based on the local economic need – where the business locates. This program is offered for up to 10 years after production begins.

The InvestArk program gives sales and use tax incentives to businesses in the state. Businesses must be established for at least 2 years and invest $5 million or more in the plant or equipment for new construction, expansion or modernization. The expenditures must be incurred within 4 years of the eligibility date and will be audited upon completion to confirm the tax credits. Sales and tax credits are based on the percentage of eligible project cost. The percentage of credit that may be approved is equal to 50 percent more than the state sales and use tax rate in effect at the time an agreement is signed. Fifty percent of the business's sales and use tax liability for taxable purchases may be used to offset the credit. If the entire credit is not used in the first year, it may be carried forward for the next five years. This program is available to businesses that are non-retail engaged in commerce for profit that fall into a number of categories.

One particular program that Arkansas offers is the Employer Provided Early Childhood Program. In conjunction with the Arkansas Early Childhood Commission and the Arkansas Department of Education, this program gives an income tax credit of 3.9 percent of the annual salary of personnel, with the proceeds going toward providing child-care services to the employees of their business. Alternatively, a company may take a tax credit of $5,000 for the first year the business provides its employees with a child-care facility. The business also receives a refund of sales and use taxes paid for the materials purchased for construction and initial furnishings for a child-care facility.

In an interview with an employee of the research department of the Arkansas Economic Development Commission, the employee declined to tell the ADO Project Team how the state of Arkansas funds discretionary incentives. The employee said no state would make this information available because of the "competitive advantage" of keeping it confidential.

Source: Arkansas Department of Finance and Administrative Website
www.dfa.arkansas.gov
Arkansas Economic Development Commission
www.arkansasedc.com

Florida

Florida has a Quick Action Closing Fund (QAC) – money that comes from the state's General Fund. However, there is nothing quick about the Florida QAC Fund. Any funding request for less than $2 million can be handled expediently; a request for more than this must be decided by many people. Details can be found at the link below on how it works, who decides and the requirements that must be met to apply.

Source: http://www.lawserver.com/law/state/florida/statutes/florida_statutes_288-1088

The following information comes from a publication titled "Roadmap to Florida's Future: 2010-2015 Strategic Plan for Economic Development, 2011 Progress Report-Highlights":

- Page 5: Florida's target industry clusters include six broad catalogues: Aviation/Aerospace, Cleantech, Financial/Professional Services, Homeland Security/Defense, InfoTech, and Life Sciences.

- Page 10: The Florida Opportunity Fund has announced deals totaling $23 million.

- Page 11: Florida Opportunity Fund – a Clean Energy Investment Program.

The Florida Innovation Incentive Fund is a $75 million fund created to enable the state to compete effectively for high-value research and development projects.

The state also offers a Clean Energy Investment Program, which is a $36 million direct investment initiative, created using federal stimulus dollars, that will provide eligible Florida businesses with funding for: [1] facility and equipment improvement with energy efficient products and materials; [2] acquisition or demonstration of renewable energy products for use in their operations; [3] improvement of existing production, manufacturing, assembly or distribution processes to increase energy efficiency.

Here's a summary of Florida's "Incentive Toolkit," which the state describes as "Adapted for the 21st Century":

- Quick Action Closing Fund: $16 million ($1 million in nonrecurring General Fund revenue and $15 million nonrecurring General Fund revenue contingent on Florida Medical Assistance Program dollars; see below). If the Federal Medical Assistance Program funding comes through, Florida will have $16 million in its "deal closing" fund to compete against other states for prospective business opportunities. The Quick Action Closing Fund is a tool that can be accessed when the state is vying for a significant job-creation project and only if the state considers itself at a competitive disadvantage. It is used only when absolutely necessary and gives the state a clear competitive edge in many cases. In 2009, the Quick Action Closing Fund played a vital role in the creation and retention of 8,080 jobs paying an average wage of $48,488.

Source: http://floridaphotonicscluster.blogspot.com/2010/06/enterprise-florida-2010-legislative.html

- Florida Direct Financial Incentives 2011: Florida's economic development, finance and tax organizations provide a range of incentive programs to initiate new business and commercial investment. Specific programs include Qualified Target Industry Tax Refunds, the Florida Recycling Loan Program and private activity bonds.

Targeted Industry Incentives:

1. Qualified Target Industry Tax Refund (QTI)
The Qualified Target Industry Tax Refund incentive is available for companies that create high-wage jobs in targeted high value-added industries. This incentive includes refunds on corporate income, sales, ad valorem, intangible personal property, insurance premium, and certain other taxes.

2. Qualified Defense and Space Contractor Tax Refund (QDSC)
Florida is committed to preserving and growing its high-technology employment base by giving Florida defense, homeland security, and space business contractors a competitive edge in consolidating contracts or subcontracts, acquiring new contracts, or converting contracts to commercial production. Pre-approved applicants creating or retaining jobs in Florida may receive tax refunds.

3. Capital Investment Tax Credit (CITC)
The Capital Investment Tax Credit is used to attract and grow capital-intensive industries in Florida. It is an annual credit provided for up to 20 years against the corporate income tax. Eligible projects are those in designated high-impact portions of the following sectors: clean energy, biomedical technology, financial services, information technology, silicon technology, transportation equipment manufacturing, or corporate headquarters facilities. Projects must also create a minimum of 100 jobs and invest at least $25 million in eligible capital.

4. High Impact Performance Incentive Grant (HIPI)
The High Impact Performance Incentive is a negotiated grant used to attract and grow major high impact facilities in Florida. In order to participate in the program, the project must: operate within designated high-impact portions of the following sectors – clean energy, corporate headquarters, financial services, life sciences, semiconductors or transportation equipment manufacturing; create at least 50 new full-time equivalent jobs (if an R&D facility, create at least 25 new full-time equivalent jobs) in a three-year period; and make a cumulative investment in the state of at least $50 million (if an R&D facility, make a cumulative investment of at least $25 million) in a three-year period.

Workforce Training Incentives:

1. Quick Response Training Program (QRT)
Quick Response Training is an employer-driven training program that is designed to assist new value-added businesses and provide existing Florida businesses the necessary training for expansion. A state educational facility – community college, area technical center, school district or university – is available to assist with application and program development or delivery. Reimbursable training expenses include the costs of instructors/trainers.

2. Incumbent Worker Training Program (IWT)
Incumbent Worker Training is a program that provides training to currently employed workers to keep Florida's workforce competitive in a global economy and to retain existing businesses. The program is available to all Florida businesses that have been in operation for at least one year prior to application and require skills upgrade training for existing employees.

Infrastructure Incentive:

1. Economic Development Transportation Fund
The Economic Development Transportation Fund, commonly referred to as the "Road Fund," is an incentive designed to alleviate transportation problems that adversely impact a specific company's location or expansion decision. The award amount is based on the number of new and retained jobs and the eligible transportation project costs, up to $3 million. The award is made to the local government on behalf of a specific business for public transportation improvements.

Special Opportunity Incentives:

1. Rural Incentives
Florida encourages growth throughout the state by offering increased incentive awards and lower wage qualification thresholds in its rural counties. Additionally, a Rural Community Development Revolving Loan Fund and Rural Infrastructure Fund exist to meet the special needs that businesses encounter in rural counties.

2. Urban Incentives:
Florida offers increased incentive awards and lower wage qualification thresholds for businesses locating in many urban core/inner city areas that are experiencing conditions affecting the economic viability of the community and hampering the self-sufficiency of the residents.

3. Enterprise Zone Incentives:
Florida offers an assortment of tax incentives to businesses that choose to create employment within an enterprise zone, which is a specific geographic area targeted for economic revitalization. These include a sales and use tax credit, tax refund for business machinery and equipment used in an enterprise zone, sales tax refund for building materials used in an enterprise zone, and a sales-tax exemption for electrical energy used in an enterprise zone.

4. Brownfield Incentives:
Florida offers incentives to businesses that locate at brownfield sites, which are industrial or commercial sites that are underutilized due to actual or perceived environmental contamination. The Brownfield Redevelopment Bonus Refund is available to encourage brownfield redevelopment and job creation. Approved applicants receive tax refunds of up to $2,500 for each job created.

5. Jobs for the Unemployed Tax Credit Program (JUTC)
The Jobs for the Unemployed Tax Credit Program provides incentives to businesses throughout Florida to hire qualified employees who were previously unemployed. The program is available to all businesses that are identified as a "target industry." The business may receive a tax credit of $1,000 for every employee hired as of July 1, 2010.

6. Local Government Distressed Area Matching Grant Program (LDMG)
The LDMG Program stimulates investment in Florida's economy by assisting local governments in attracting and retaining targeted businesses. These targeted businesses are required to create at least 15 full-time jobs and the project must either be new to Florida, expanding operations in Florida or leaving Florida unless it receives local and state government assistance.

7. Manufacturing and Spaceport Investment Incentive Program (MSII)
The Manufacturing and Spaceport Investment Incentive Program encourages capital investment and job creation in manufacturing and spaceport activities in Florida. Application must be made by eligible businesses between July 1, 2010, and June 30, 2012. A tax refund up to $50,000 will be given on the state sales and use taxes paid for eligible equipment purchases. Purchase costs must exceed a business's total expenditures on eligible equipment purchased and placed into service during the 2008 tax year.

Sources:

Enterprise Florida, Inc.
800 North Magnolia Ave., Suite 1100
Orlando, FL 32803
(407) 956-5600

http://www.areadevelopment.com/stateResources/florida/florida-direct-financial-incentives2011-4982.shtml

Georgia

Georgia's lead agency in attracting new business investments, assisting existing industries with expansions and promoting the state as a location for film, video, music and digital entertainment projects is the Georgia Department of Economic Development. State-level statutory incentives, along with incentives offered at the local level, encourage new and expanding ventures to locate and expand in the state of Georgia. Some of the state-level benefits and incentives are described in the following paragraphs.

In 2005, Georgia became the first state in the Southeast to implement a "Single Factor Gross Receipts" apportionment formula used to determine the amount of company income that will be subject to the state corporate income tax. A company's gross receipts, or sales, are the only amounts used in the formula that are subject to the state income tax of 6 percent. Most other states still use a traditional apportionment formula that includes in-state property and payroll when calculating their state's corporate income tax.

Additionally, Georgia offers several corporate tax credits. One is the Job Tax Credit, which requires qualifying companies to create a certain number of new full-time jobs in the first year to be eligible for the credit. Credits allowed are based on a tier system used to categorize each county. Tier 1 counties are those with the greatest need, with tier 4 counties being the most affluent. These credits can be claimed and may be carried forward for a period of 10 years.

Georgia also offers a Port Tax Credit Bonus, which is available to taxpayers who import or export through a Georgia port. Eligibility depends on the ability to show a 10 percent increase in imports or exports over the previous, or base, year.

The Foreign Trade-Zone program allows qualified businesses to defer, decrease or eliminate duties on any imported materials that become a component part of products assembled in Georgia. Georgia also offers a Research and Development incentive. New and existing businesses performing qualified research and development may claim a 10 percent tax credit based on the increase in their research and development expenses over the base year.

A Mega Project Tax Credit is available to companies that create at least 1,800 net new jobs and either invest a minimum of $450 million or have a minimum annual payroll of $150 million. Companies meeting these criteria are allowed to claim credit of $5,250 per job per year for the first five years for each net new job created. These credits are first applied to the corporate income tax, with the remainder applied against payroll withholding taxes. The credits may be carried forward for a period of 10 years.

Finally, Georgia offers a Child Care Tax Credit, which is available to companies that build or purchase qualified child-care facilities. The credit allowed is 100 percent of the cost of construction and is spread over a period of 10 years.

In addition to the tax credits offered by Georgia, there are also several tax exemptions that are appealing to new and expanding industry. A sales and use tax exemption is offered on qualifying equipment purchases and leases on equipment to be used in the manufacturing process. Also, effective January 1, 2011, Georgia passed an exemption on business inventory that was previously subject to a 0.25-mill tax. (A mill is equal to $1 of taxation for each $1,000 of taxable value.)

Source: http://www.georgia.org/Pages/default.aspx

As noted above, in 2007 KIA Motor Corporation announced it would build a plant in West Point, Georgia. The incentive package that KIA received from Georgia was worth more than $258 million and included $76 million in job-tax credits over five years, $61 million to buy and prepare the site, and $20 million for job training at the plant. Also included in Georgia's incentive package was $130 million in property tax abatements for 15 years, granted by the city of West Point and Troup County. The new plant will provide 2,800 jobs at KIA and 2,600 job opportunities with KIA suppliers.

Source:
http://www.associatedcontent.com/article/149720/kia_plant_comes_to_west_point_ga.html

Kentucky

The state of Kentucky is growing due to its economic development programs, research and implementations. Kentucky offers a number of programs and services designed to cultivate a pro-business climate, including some of the most innovative tax incentives and business development programs in the nation. Kentucky has several other advantages, including low business costs, available and productive workforce, central location and "shovel-ready" sites with fully available infrastructure and more than 200 industrial buildings.

The state of Kentucky has a "Cabinet of Economic Development." The main responsibility of this Cabinet is the creation of new jobs and investments. Statutorily, the Cabinet is governed by the Kentucky Economic Development Partnership (the Partnership Board), which was created in 1992 to direct the state's economic development efforts. The state also has a committee referred to as the "Kentucky Economic Development Finance Authority." This entity has the responsibility of awarding financial incentives offered by the Cabinet. The Cabinet of Economic Development consists of the following departments: Office of the Secretary, Department of Business Development, Department of Financial Incentives, and the Department of Commercialization and Innovation.

Each of these departments has very specific responsibilities. The Office of the Secretary has the responsibility of developing and administering executive policies and the overall management of the agency. Functions of this department include information technology, communication services, legal services, legislative initiatives, personnel and administration, and special projects. The Department for Business Development has the responsibility of recruitment and attracting new companies, job retention and job creation.

The Cabinet for Economic Development is the primary state agency in Kentucky responsible for creating new jobs and investment in the state. Programs administered by the Cabinet are designed to support and promote economic development within the state, primarily by attracting new industries to the state, assisting in the development of existing industries, and assisting communities in preparing for economic development opportunities. The Department of Financial Incentives has the responsibility of coordinating financial assistance, tax credits and related programs available to businesses and industries. Finally, the Department of Commercialization and Innovation has the responsibility of developing and implementing a strategy to create, attract and assist knowledge-based companies.

Workforce training is a very important asset to economic development for the state of Kentucky, and state officials say workforce training has never been better there. The Cabinet's Bluegrass State Skills Corporation (BSSC) plays a significant role in keeping Kentucky's businesses and industries competitive in the global economy by providing workforce training. BSSC provides assistance to businesses by doing the following: (1) administering and funding Kentucky's businesses and industries through training agreements for Grant-in-Aid and Skills Training Investment Credit projects approved by the BSSC Board of Directors; (2) acting as a broker, by coordinating the resources of providers of skills training and employment services; (3) facilitating the creation of public/private partnerships through education and training programs designed to meet unfilled training needs of individual and multiple-company training projects or consortia; and (4) administering any special state appropriation for customized business and industry-specific training.

Kentucky provides a number of incentives for businesses. The Kentucky Economic Development Finance Authority (KEDFA) provides financial support by offering various financial assistance and tax credit programs in an effort to achieve long-term economic growth and employment opportunities for its citizens. For example, Kentucky offers a variety of incentive programs for new and expanding industries: (1) the Kentucky Business Investment (KBI) Program provides income tax credits and wage assessments to new and existing agribusinesses, regional and national headquarters, manufacturing companies, and non-retail service or technology related companies that locate or expand operations in Kentucky; (2) the Kentucky Enterprise Initiative Act (KEIA) provides a refund on sales and use taxes paid by approved companies for building and construction materials permanently incorporated as an improvement to real property. This refund is also available for research and development and data processing equipment. (3) The Direct Loan Program provides loans at below-market interest rates for fixed-asset financing for tourism, agribusiness, industrial ventures, or the service industry. Retail projects are not eligible. (4) Industrial Revenue Bonds can be used to finance manufacturing projects and their warehousing areas, major transportation and communication facilities, most health-care facilities, and mineral extraction and processing projects; and (5) Community Development Block Grant Loans, which are federally funded, low-interest loans made available through the Department for Local Government.

Kentucky has two legislative acts that deal with job retention, the Kentucky Reinvestment Act and the Kentucky Industrial Revitalization Act. The Kentucky Reinvestment Act provides tax credits "for a reasonable period of time" to an existing Kentucky company engaged in manufacturing and related functions, provided that the company will be investing in eligible equipment and related costs of at least $2.5 million. The Kentucky Industrial Revitalization Act deals with tax credits targeted to specific industries. Investments in the rehabilitation of manufacturing or coal mining and processing operations that are in imminent danger of permanently closing, or which have closed temporarily, may qualify for the credits. An eligible company may include a business that resumes mining operations after a shutdown. Other eligible entities include manufacturing companies that save or create 25 jobs and coal mining and processing companies that intend to employ a minimum of 500 people, with a raw production capacity of at least 3 million tons from the economic revitalization project facility.

Kentucky has several high-tech incentives for economic development. Among those are the High-Tech Investment and Construction Pools; Small Business Innovation Research and Small Business Technology Transfer, Commonwealth Seed Capital LLC.; and the Kentucky Enterprises Fund and Rural Innovation Fund.

Under the High-Tech Investment and Construction Pools, the Kentucky Department of Commercialization and Innovation provides funds to help further the commercialization of a product, process, or other innovation for the purpose of economic development. These incentives are in the form of forgivable loans, with the amount of the loan based primarily on the applicant company's projected high-tech job creation. These loans range from $150,000 to $400,000 depending upon the project.

The Cabinet will match, on a competitive basis, Phase 1 and Phase 2 federal Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards received by Kentucky high-tech small businesses and those willing to become Kentucky-based businesses. This includes matching Phase 1 federal awards up to $150,000 to support the exploration of the technical merit or feasibility of an idea or technology, and up to $500,000 of federal Phase 2 awards, which support full-scale research and development.

Commonwealth Seed Capital LLC (CSC) is an independent, non-profit fund that makes debt or equity investments in early-stage Kentucky business entities to facilitate the commercialization of innovative ideas and technologies. CSC normally makes investments in the following areas: health and human development, information technology and communications, bioscience, environmental and energy technologies, and materials science and advanced manufacturing.

In the area of energy and the environment, Kentucky offers incentives through the Kentucky New Energy Ventures Fund, Incentives for Energy Independence Act, the Kentucky Environment Stewardship Act, the Kentucky Small Business Investment Credit, Small Business Loan Program, Kentucky Microenterprise Loan Program and the U. S. Small Business Administration. The Kentucky New Energy Ventures Fund (KNEV) provides capital to support the development and commercialization of alternative fuel and renewable energy products, processes, and services in Kentucky. The funds exist to stimulate private investment in Kentucky-based technology companies with high growth potential. KNEV makes grants of $30,000 and investments ranging from $250,000 to more than $750,000. Qualified companies must be based in Kentucky, and funds are to be used specifically for business development activities. The Incentives for Energy Independence Act (IEIA) requires a capital investment of at least $25 million for an alternative fuel facility using biomass, or an investment of at least $100 million for an alternative fuel facility using coal, as its primary feedstock. A capital investment of at least $1 million is required for a renewable power facility that meets minimum electric output standards based upon the power source. The negotiated incentives cannot exceed 50 percent of the capital expenditures and may include a reimbursement of sales and use taxes paid on tangible personal property; a tax credit on the income tax and limited liability entity tax owed by the company; and, wage assessment incentives up to 4 percent of gross wages of each employee whose job was created as part of the project. Advanced disbursements may also be available.

The Kentucky Environment Stewardship Act (KESA) is aimed at companies manufacturing products that have a substantial positive impact on human health and the environment. Companies with projects approved under KESA must have a minimum of $5 million in eligible costs and can potentially recover up to 25 percent of the projects fixed-asset cost and 100 percent of employee skills training. This tax incentive is available for recovery over a 10-year period.

The Kentucky Small Business Investment Credit (KSBIC) provides a nonrefundable tax credit to eligible businesses (most for-profit businesses with 50 or fewer full-time employees are considered eligible for this program) hiring one or more eligible individuals and investing at least $5,000 in qualifying equipment or technology. The KSBIC program is designed to encourage small business growth and job creation; however, it is limited to allocating a total of $3 million in tax credits per fiscal year.

The Small Business Loan Program is designed to help small businesses obtain the funding needed to start or grow their small businesses. In order to receive this loan, a business must be engaged in manufacturing, agribusiness, or service and technology. The loan could be used for the following acquisitions: to acquire land and buildings, purchase and install equipment, or for working capital. These loans range from $15,000 to $100,000. The company receiving the loan must create one new full-time job within one year of the loan's closing. Also, KEDFA can fund the entire project costs and the loan can be used in conjunction with other lenders with terms ranging from 3-10 years.

The Kentucky Microenterprise Loan Program is another program designed to promote economic development. This program provides technical assistance and business loans of up to $50,000 to entrepreneurs in 25 Kentucky counties that formerly had no access to such a program. The loan proceeds may be used for working capital, equipment purchases and inventory purchases.

The State of Kentucky has the following two programs related to workforce training that enhance economic development: Bluegrass State Skills Corporation Skills Training Investment Credit and the Bluegrass State Skills Corporation Grant Reimbursement Program. The purpose of the Bluegrass State Skills Corporation Skills Training Investment Credit program is to provide credit against Kentucky income tax to existing businesses that sponsor occupational or skills upgrade training programs for the benefit of their employees. The Bluegrass State Skills Corporation Grant Reimbursement Program provides matching grant funds for customized business and industry-specific training programs.

The following tourism-related incentives are administered through the Kentucky Tourism, Arts and Heritage Cabinet: Tourism Development Act and the Kentucky Film Incentive. The Tourism Development Act provides developers of approved new or expanding tourism projects the ability to recover up to 25 percent of the project's development costs over a 10-year term. These projects include lodging facilities constructed on state parks, federal parks or national forest lands and are eligible to recover up to 50 percent of the development costs over a 20-year term. The Kentucky Film Incentive provides qualified applicants the ability to recover up to 20 percent of qualified expenditures through a refundable income tax credit. A prerequisite of qualifying applicants is that they must invest a minimum of $50,000 for documentaries and national touring Broadway shows, $200,000 for commercials, and $500,000 for full-length films.

The following Agri-business Opportunities are available in the state of Kentucky: the Kentucky Agricultural Development Fund and the Kentucky Agricultural Finance Corporation. The Kentucky Agricultural Development Fund provides incentives for innovations that increase net farm income, stimulates markets for Kentucky agricultural products, creates new ways to add value to Kentucky agricultural products, and explores new opportunities for Kentucky farmers. The Kentucky Agricultural Finance Corporation provides capital access for agricultural diversification and infrastructure projects. Participating Loan Programs include: Agricultural Infrastructure, Beginning Farmer, Diversification through Entrepreneurship in Agri-business and Large Animal Veterinary Programs. Direct Loan Programs include the Agricultural Process Loan Program and the Coordinated Value-Added Assistance Loan Program.

The state of Kentucky has several accomplishments in the area of economic development and isn't hesitant to boast about them. For one, Kentucky's Ford Motor Company announcement has been rated as the top deal in the south in *Southern Business & Development* magazine's Fall 2010 issue. In addition, the Tax Foundation's 2011 State Business Tax Climate Index shows that Kentucky's ranking has improved more than any other state's over the past two years, jumping 15 spots. The state's economic development officials also stress that Kentucky is home to two major air-cargo hubs, ranking the state fourth in the nation in total cargo. And finally, the state of Kentucky ranks third among all states in light vehicle production; 11.6 percent of all cars and trucks produced in the United States are now made in Kentucky.

Source: www.thinkkentucy.com and www.kentucky.gov

Louisiana

Louisiana, like Mississippi, clearly recognizes that the state's web presence is a key tool – maybe the most important tool of all – in pursuing new industry investment, as well as in serving existing businesses effectively. In Louisiana, web-based outreach to existing business and industry is extensive. Small business also gets more attention from the state's official economic development arm, Louisiana Economic Development, or LED, than most of the other Southeastern states' comparable agencies give the smallest enterprises. Still, Louisiana is certainly competitive in drawing the attention of large industries. It was Louisiana, after all, that Alabama beat out in the final hours for ThyssenKrupp Steel USA, LLC.

Alabama built an early lead in the area of state-sponsored recruitment, screening and training services customized to a prospective new employer, but Louisiana officials moved quickly to catch up. LED's website gives prominent play to laurels won by Louisiana's FastStart training incentives. "In August 2010," the website says, "*Business Facilities* [magazine] named Louisiana FastStart the No. 1 workforce program in the country, calling it the 'gold standard for workforce training solutions'." Such solutions have become a must in all Southeastern states' recruitment efforts, especially when a very large industrial location is at stake.

Here is a brief look at some of the highlights of Louisiana's economic development efforts:

1. Incentives page: http://www.louisianaeconomicdevelopment.com/opportunities/incentives--programs/incentive-finder.aspx?it=1

2. Louisiana FastStart™
Provides workforce recruitment, screening and training to new and expanding Louisiana companies at no cost.

3. Digital Media Incentive
Provides a 25 percent tax credit for qualified production expenditures in Louisiana and a 35 percent tax credit for Louisiana resident labor expenditures.

4. Economic Development Award Program
Provides funding for site and/or infrastructure improvements for projects creating new jobs.

5. Enterprise Zone
Provides a $2,500 tax credit for each certified net new job created; and either a 4 percent sales/use tax rebate on capital expenditures or income and franchise tax credits up to 1.5 percent of investment.

6. Industrial Tax Exemption
Provides a 100 percent property tax abatement for up to 10 years on materials used in new manufacturing.

7. Live Performance Tax Credit
Provides a tax credit up to 25 percent on qualified production or infrastructure development expenditures, with additional tax credits available for payroll and transportation expenditures.

8. Mentor-Protégé Tax Credit
Provides up to $50,000 in tax credits for Louisiana-based contractors who provide competitive technical assistance to protégé construction firms.

9. Modernization Tax Credit
Provides a 5 percent refundable state tax credit for manufacturers modernizing or upgrading existing facilities in Louisiana.

10. Motion Picture Industry Development Tax Credit
A transferable tax credit of 30 percent for qualified motion picture production expenditures and an additional 5 percent tax credit for Louisiana resident labor expenditures.

11. Quality Jobs
Provides up to 6 percent rebate on annual payroll expenses for up to 10 years; and either a 4 percent sales/use tax rebate on capital expenditures or an investment tax credit equal to 1.5 percent of qualifying expenses.

12. Research & Development Tax Credit
Provides a tax credit up to 40 percent to existing businesses with operating facilities in Louisiana to establish or continue research and development activities within the state.

13. Restoration Tax Abatement
Provides a five-year 100 percent property tax abatement for the rehabilitation of an existing structure.

14. Sound Recording Investor Tax Credit
Provides a 25 percent refundable tax credit for qualified production expenditures on state-certified sound recording projects.

15. Technology Commercialization Credit and Jobs Program
Provides a 40 percent refundable tax credit for companies that invest in the commercialization of Louisiana technology and a 6 percent payroll rebate for the creation new, direct jobs.

A study of state contingency funds for economic development, commissioned by the state of Kansas, identifies Louisiana as one of 10 states with a contingency fund of between $10 million and $50 million. In fiscal year 2009, the latest information available in the Kansas study, Louisiana's contingency fund totaled $40.9 million. The money comes from the state's general fund and each grant requires matching private funds. The grants are earmarked for buildings, infrastructure and moving expenses; it may not be used for retail, hospitality or gaming industries.

The following information is taken from an official state publication: "Five-Year Strategic Plan, FY 2011-2012 through FY 2015-2016."

P. 4 – Along with industry recruitment, the plan notes repeatedly the necessity of cultivating "small business and entrepreneurship."

P. 10 – LED's Office of Business Development has two programs, (1) Business Development Program and (2) Business Incentives Program.

A. Business Development Program:
1. Small Business and Community Services – focuses on start-ups as well as existing small business.

2. Louisiana's substantial entertainment industry programs are part of this program. (See www.louisianaentertainment.gov)

B. Business Incentives Program:
The Business Incentives Program administers the department's business incentives products through the Louisiana Economic Development Corporation and the Board of Commerce and Industry. The Business Incentives Program has two activities: Business Incentives Services for the Board of Commerce and Industry and Business Incentive Services for the Louisiana Economic Development Corporation. Business Incentives Services activity includes: Enterprise Zone Program, Quality Jobs, Industrial Ad Valorem Tax Exemption Program, and Restoration Tax Abatement.

Louisiana is home to strong traditional industries, such as petrochemicals and shipbuilding, as well as newer growth industries with strong foundations in technology and research. Louisiana Economic Development, the agency overseeing industrial recruitment in the state, points to the following industrial sectors as prime areas for investment (each sector is followed by a promotional note taken from the LED website):

Advanced Manufacturing
A favorable income tax environment and strong infrastructure and logistics provide companies the resources they need to be successful and grow their business in Louisiana.

Agribusiness
In Louisiana, agriculture is a multibillion-dollar industry, providing companies with access to innovative research centers and an abundance of raw materials and commodities.

Clean-Tech
Clean-Tech companies can take advantage of Louisiana's skilled workforce, established manufacturing culture and competitive tax advantages.

Digital Media and Software
With the strongest incentive program in the United States for business software and a strong pro-business environment, digital media and software companies find success in Louisiana.

Energy
For decades as an oil and gas leader, Louisiana's infrastructure, workforce, logistics and regulatory environment present an ideal situation for energy businesses.

Entertainment
With innovative incentives in digital media, live performance, motion picture and sound recording, Louisiana's entertainment industry is thriving.

Specialty Health Care
With bioscience centers located throughout the state and aggressive biotech and biomed initiatives under way, Louisiana is well-positioned to become a leader in specialty health care.

Water Management
Louisiana's expertise in water management, combined with its geography, make it the perfect location for companies to take advantage of ground-breaking exploration.

SOURCE: Louisiana Economic Development website [HOME page: http://www.louisianaeconomicdevelopment.com/]

Mississippi

The Mississippi Development Authority has an excellent website, which is the source of most of the information here. The site includes detailed information on the incentives and related material included in this brief section. You will be greeted there by the following pitch:

Top Reasons to do Business in Mississippi:
- Favorable Operating Costs Including Low Taxes
- Strategic Location in the South Central U.S.
- Quality Workforce and State Sponsored Training
- A Fair Legal System with the Tort Reform Act of 2004
- Progressive Financial and Tax Incentive Programs
- One-Stop Environmental Permitting
- Solid Transportation and Utility Infrastructure

Among the offerings featured on the Mississippi Development Authority website are various tax exemptions, incentives and credits. We have included details only for the first program; specifics on the others are available on the site.

- Advantage Jobs Incentive Program

The Advantage Jobs Incentive Program is a rebate program designed to encourage businesses that create new quality jobs to locate in the state. Jobs must meet or exceed the average annual wage of the state or the county in which the company locates, whichever is lower.

Program Facts

The Advantage Jobs Incentive Program provides for a rebate of a percentage of Mississippi payroll to qualified employers for a period of up to 10 years. This incentive is available to businesses that promise significant expansion of the economy through the creation of jobs. The average of all jobs included in the program must meet the minimum average wage requirements. Minimum job creation requirements are based on the level of development of the county.

The following businesses may qualify for this tax rebate:
- Data or information processing enterprises that provide an average annual wage of 100 percent of the lesser of the average county or state wage in and creates 200 new jobs.

- Any business except retailers, certain services, and gaming establishments that provide an average annual wage of 110 percent of the lesser of the average county or state wage in and creates 25 new jobs.

In addition to meeting the above requirements, eligible businesses must also:

- Provide a basic health benefits plan.
- Execute a performance agreement with MDA specifying the manner in which the enterprise will utilize the rebate.

The amount available for rebate is the lesser of:

1. The qualified Mississippi personal income tax withheld;
2. A legal maximum of 4 percent of applicable wages

Once the amount available is determined, the eligible company will receive:

- 90 percent if the annual average wage is at least 110 percent of the lesser of the average county or state wage;

The company will have 24 months from the date that the application is approved by MDA to meet all program requirements, including jobs and salaries.

For further details, see the Mississippi Tax Incentives, Exemptions, and Credits on the State Tax Commission's website http://www.dor.ms.gov/revenue/incentive/2008IncentiveBook.pdf.

Other programs Mississippi offers are as follows:

- Broadband Technology Tax Credits
- Free Port Warehouse Property Tax Exemption
- Growth and Prosperity Program
- Industrial Property Tax Exemption
- Jobs Tax Credits
- Manufacturing Investment Tax Credits
- Motion Picture Production Tax Incentive Program
- Mississippi Aerospace Initiative Incentives Program
- Mississippi Clean Energy Initiative Program
- Mississippi Data Center Incentives
- Mississippi Equity Investment Tax Credits
- National or Regional Headquarters Tax Credits
- National or Regional Headquarters Sales Tax Credit
- Property Tax Exemption for Industrial Revenue Bond Financing
- Property Tax Exemption on In-State Inventory
- Property Tax Exemption for Broadband Technology
- Property Tax Fee in Lieu
- Research and Development Skills Tax Credits
- Rural Economic Development
- Sales and Use Tax Exemption for Bond Financing
- Sales and Use Tax Exemption for Construction or Expansion
- Sales Tax Exemption for Broadband Technology
- Sales Tax Exemption for Motion Picture Production
- Skills Training Income Tax Credits
- Tax Summary
- Tourism Rebate Program

SOURCES:

Mississippi Development Authority (MDA) website: http://www.mississippi.org/index.php?id=1

Entergy Mississippi, Inc., website: http://www.entergy-mississippi.com/Economic_Development/default.aspx

North Carolina

The following information summarizes incentives available to companies considering location or expansion in North Carolina. Promotional notes explaining the incentives and touting the state's charms are included here:

Financial Incentives

- **Tax Credits**

  - *Article 3J Tax Credits*

Provide tax credits to qualifying businesses for job creation, investment in business property and in some cases investment in real property.

  - *William S. Lee Articles 3A Tax Credits*

Repealed for business activities that occur on or after January 1, 2007. Article 3J Credits became effective for taxable years beginning on or after January 1, 2007.

  - *Research and Development Tax Credits*

Provide tax credits for qualified North Carolina research expenses during a taxable year.

  - *N.C. Ports Tax Credits*

Provide tax credits toward income taxes paid by businesses or individuals using ports facilities at N.C. Ports at Morehead City and Wilmington.

  - *Renewable Energy Tax Credits*

Provide a tax credit of 35 percent of the cost of renewable energy property.

- **Discretionary Programs**

  - *Job Development Investment Grant*

Provides a limited number of cash grants to new and expanding businesses that will provide economic benefits to the state, and need the grant to carry out the project in North Carolina.

  - *One North Carolina Fund*

Awards grants for job creation and /or retention in conjunction with local government matches.

- *SBIR/STTR Small Business Technology Funding*

Awards matching funds to firms who have been awarded a SBIR/STTR Phase I award from the federal government.

- *Job Maintenance and Capital Development Fund*

Provides a limited number of grants to businesses with at least 2000 employees, which are located in Development Tier I counties and which invest at least $200 million in capital improvements, providing economic benefits to the state.

- *Site and Infrastructure Grant Fund*

Provides assistance for site development and infrastructure improvements for very high-impact projects.

- **Sales and Use Tax Discounts, Exemptions and Refunds**

    - North Carolina offers reduced rate allowances on certain parts, accessories and construction supplies for eligible industries and manufacturing processes

FOR EXAMPLE:

- Industrial machinery and equipment is exempt from sales and use tax but is subject to an excise tax. This rate is 1 percent with a maximum of $80 per item.
- Parts and accessories to manufacturing machinery, which include most supplies used in the manufacturing process but not becoming a part of the manufactured product, including pollution abatement equipment, are taxed at l percent.
- Purchases of ingredients or component parts of manufactured products are exempt from sales or used tax.
- Packaging containers items that become part of a manufactured product and are delivered with the product to the customer are exempt from sales and use tax.
- Bioprocessing, pharmaceutical and medical manufacturing and distribution, aircraft manufacturing, computer manufacturing and semiconductor manufacturing companies may receive a refund of sales taxes on purchases of building materials, fixtures and equipment if the facility costs at least $50 million in Tier 1 counties and $100 million in Tier 1 and 3 counties.
- Sales of electricity to manufacturers are taxed at a rate of .8 percent; and effective July 1, 2010, sales of electricity to manufacturers for qualifying purposes will be exempt from sales and use tax.
- Sales of electricity and eligible business property to an internet service provider or web search portal business that invests at least $250 million in private funds are exempt from sales and use tax.
- Piped natural gas is exempt from sales and use tax but is subject to an excise tax. This tax rate is based on the number of therms of gas consumed in a month.

- Coal, coke and fuel oil used in manufacturing is taxed at 1 percent.
- Motor vehicles are exempt from sales and use tax but are subject to the highway use tax. Highway use tax is 3 percent of the retail value of the motor vehicle with a maximum tax of $1,500 per vehicle.
- Aircraft, boats, railway cars and mobile offices are taxed at 3 percent with a maximum tax of $1,500 per item.
- Custom computer software and computer software delivered electronically are exempt from sales and use tax.
- All telecommunications services are taxed at the rate of 6 percent.

Other cost-saving programs North Carolina has implemented include the following:

- *Foreign Trade Zones*

Provide opportunities to defer reduce and/or eliminate import duties.

- *Community Development Block Grants and Industrial Development Fund*

Provide grants and loans for infrastructure development to eligible local governments.

- *Recycling Business Assistance Center*

Provides grants, tax credits and loans to businesses involved with recycling in North Carolina

- *Film Incentives*

Provide tax credits and sales and use tax discounts to encourage film and television production in North Carolina.

- *Industrial Revenue Bonds*

Provide tax-exempt financing for eligible new or expanded manufacturing facilities, certain solid waste disposal facilities and sewage disposal facilities.

- *Road Access and Rail Access Programs*

Provide funds for the construction of roads and rail access to new or expanded industrial facilities.

- *North Carolina Biotechnology Center*

Provides loans and matches to help leverage larger financial awards for biotechnology companies.

North Carolina lists a variety of other incentives for industrial prospects, along with advantages of doing business in the state, on its economic development website. Here's a selection of what can be found there:

Infrastructure Incentives

North Carolina's proximity to many major markets and global connectivity helps to move goods and people efficiently. In fact, we have the largest state-maintained highway system in the nation as well as more than 76 public, 225 private and 4 international airports. North Carolina also is a right-to-work state and has the 6th-lowest cost of doing business. Consider the cost of living and you can see why our population is growing at twice the national average.

Proximity to major markets
A central East Coast location and extensive transportation infrastructure within a 700-mile radius of more than 170 million US and Canadian consumers with global connections via deep water ports and international flights.

Competitive operating cost structure
Construction costs, electric rates, overall taxes and cost-of-living indices all below the national average.

Global connectivity
Statewide high-speed internet access, 100 percent digital switching and other infrastructure investments for advanced voice, data and video communications and networking options. Add in our four international airports and two – soon to be three – ports and you are easily connected with the world.

Workforce Incentives

Our great labor environment and skilled productive workers, along with a comprehensive workforce development network and exceptional educational opportunities, ensure that people and businesses have what they need to Thrive. Our many skilled workers, as well as the highly specialized pools of talent already here, give your company a competitive advantage. They are dependable, hardworking and more than that, they are happy. That's because they have the types of careers and opportunities available to them that help them succeed and making them more productive. In fact, North Carolina workers are 10 percent more productive than the average U.S. worker.

- *Strong labor pipeline*

In today's global economy, people are the most important asset to any company and North Carolina gives them what they need to flourish:

- ✓ Exceptional educational opportunities
- ✓ Friendly labor environment
- ✓ Comprehensive workforce development network

- *Exceptional educational opportunities*

Accessible state community colleges and university systems and outstanding private institutions

- *Comprehensive workforce development network*

Customized recruiting, screening and training services and lifelong learning opportunities available through a coordinated network of agencies.

- *Skilled, productive workers and a friendly labor environment*

A growing and diverse population that fuels a high-quality labor force for today's advanced manufacturing and knowledge-based industries. The lowest unionization rate in the nation keeps wages affordable and the workplace flexible.

Life Incentives

- *A great place to live*

From our moderate climate with excellent recreational opportunities to our culture-rick history and arts, there truly is something for everyone in North Carolina. Combine that with quality healthcare, a low cost of living and it's easy to see why most people that live here never want to leave. From the mountains to the beaches and everything in between, North Carolina has what people are looking for to thrive.

North Carolina offers an exceptional quality of life that contributes to a highly desirable place for businesses to attract and keep skilled workers with:

- ✓ A moderate climate
- ✓ A culture rich in history and the arts
- ✓ World-class sports events
- ✓ Recreational opportunities
- ✓ Quality healthcare
- ✓ Low cost of living
- ✓ Low construction costs

South Carolina

In 2010, South Carolina added 20,453 new jobs with $4.1 billion in capital investments. In 2011, the state appropriated $2.7 million for workforce training.

South Carolina notes that it has attracted the following companies:

- Amazon distribution center in Lexington (possible pull out due to recent legislation) – reasons cited for location decision were proximity to markets, availability of workforce, and cooperation of state and local officials to get things done.
- Proterra assembly plant and research facility in Greenville – reasons cited for location decision were workforce capabilities in research (near Clemson University), impressed by cooperation and efforts of the governor, local officials and economic development office.
- 2F Group manufacturing facility in Laurens County – reasons cited for location decision were proximity to major transportation hubs, competitive business environment and skilled workforce.
- First Quality Tissue, manufacturing & operations in Anderson County – reasons cited for location decision were proximity to Southeastern market, quality infrastructure, low

energy costs, pool of skilled labor, positive work ethic, cooperation & availability of governor and local officials.
- CT & T and 2AM group electric vehicle production in Spartanburg County – reasons cited for location decision were providing great automotive infrastructure, skilled workforce, proximity to markets that are targets for product.

Since 2003, the major companies that have moved large facilities and jobs to South Carolina are: Bosch, Dollar General, Walgreens, Verizon, Michelin, QVC, 3M, Staples, Google, Starbucks, DuPont, Monster.com, Samsung, Home Depot, Adidas, BMW and Boeing.

South Carolina's governor has worked to promote legislative initiatives to enhance business friendly environment:

- Tort reform to protect businesses from frivolous lawsuits
- Worker's compensation reform bill
- Income tax relief for small business to allow owners to reinvest more in the business
- Health-care bill passed to allow small business more health insurance options
- Economic Development Competitiveness Act – cuts tax rates for industrial buildings, modernizing and broadening investment tax credits, makes incentive programs based solely on economic criteria
- Site Certification Program – certifies that sites are "ready to go" as well as affirming technical specifications involving utilities, highway access, environmental aspects and marketability standards; those standards include access to a skilled workforce, distance to commercial airport/seaport. On the state's economic development website, there is a locator program to allow businesses to key in specifications and search for sites available that meet those specifications.
- Dropout/workforce readiness program – helps at-risk youth transition to college or find meaningful employment. Dropout rate for state is actually down since start of program.
- In order to provide maximum flexibility to encourage creation of new jobs and capital investments, South Carolina's economic development agency has authority to transfer up to $7 million of economic development funds at its disposal to the closing fund, provided the transfer is approved by majority vote of Coordinating Council members at a public meeting.

SOURCES:
Upstate SC Alliance: www.upstatescalliance.com/news_listing/index/news_events/news_feed/); sccommerce.com

Tennessee

The following tables and notes present a broad picture of Tennessee's economic development efforts. Where possible to do so fairly, we have also provided comparisons to Alabama's comparable offerings.

ADO's Linda Swann calls Tennessee "a formidable opponent." A number of its strengths are outlined below.

TENNESSEE	CORPORATE INCOME TAX	SALES TAX	PROPERTY TAX	CAPITAL INVESTMENT TAX CREDIT
	6.5 %	**State 7 % Local 1% to 2.75%**	**With one of the nation's lowest per capita tax burdens, no tax on personal income and no state property tax, Tennessee has attracted more than 190,000 new jobs and $33 billion in new capital investments since 2003.**	**See "Job Tax Credit" and "Job Tax Super Credit" below.**

ALABAMA	CORPORATE INCOME TAX	SALES TAX	PROPERTY TAX	CAPITAL INVESTMENT TAX CREDIT
	6.5 % **<u>Net Operating Loss Carry forward</u>** **Alabama corporate income tax:** **A net operating loss is applied to the first taxable year to which it may be carried forward and runs for 15 consecutive years.**	**State 4.0%** **<u>Local 3.1%</u>** **Total 7.1 %** ***For state purposes, the general state sales tax of 4% and the state manufacturing machinery and equipment tax rate of 1.5% can be abated to qualifying industries.**	**All non-exempt property in Alabama is classified and assessed at <u>20%</u> of fair and reasonable market value for businesses. The state rate of tax per $1,000 of assessed value is $6.50 (includes $3.00 for schools). For qualifying industries, it is possible to abate the non-educational portion of property tax (10- year max).**	**<u>5%</u> of initial capital costs of qualifying projects to new and expanding companies. Credit available each year, for 20 years, beginning the year the qualifying project is "placed in service".** ***The capital credit can effectively eliminate the Alabama income tax liability generated by a qualifying project.**

*<u>**Tennessee Sales Tax**</u> – Local sales and use tax rates vary throughout Tennessee from 1% to 2.75%. However, if an out-of-state dealer has no physical location in Tennessee, he may collect a combined tax rate of 9.25% (7% state rate plus 2.25% local rate). Also, a dealer in Tennessee who is properly registered with the Department of Revenue for sales tax purposes may execute a "Certificate of Resale" for tangible personal property which he will resell and furnish it to his supplier in lieu of the sales and use tax due thereon.*

TENNESSEE	**JOB TAX CREDIT** ***If a qualified business enterprise meets the capital investment and job creation requirements in any Tennessee County @$4,500.00 per job**	
	JOBS CREATED	**AMOUNT OF CREDIT**
	25	**$112,500**
	100	**$450,000**
	500	**$2,250,000**
	999	**$4,495,500**
	1,000	**$4,500,000**

TENNESSEE	**JOB TAX SUPER CREDIT** ***Super Credits are available at the following levels:***			
	CAPITAL INVESTMENT	**OCCUPATIONAL WAGE JOBS CREATED**	**ANNUAL PER JOB CREDIT**	**NUMBER OF YEARS FOR ANNUAL CREDIT**
	$10 million in headquarters	**100 qualified HQ positions**	**$5,000**	**3**
	$100 million	**100**	**$5,000**	**3**
	$250 million	**250**	**$5,000**	**6**
	$500 million	**500**	**$5,000**	**12**
	$1 billion	**500**	**$5,000**	**20**

Tennessee **Job Tax Credit** - Allows "qualified business enterprises" a credit against their franchise and excise taxes based on their capital investment and the number of jobs created. The amount of the credit and the period of time during which it can be used varies according to the size of the investment.

A company investing $500,000 and creating 25 net new jobs in a 12 month period can claim a Job Tax Credit of $4,500 per job to offset up to 50% of the combined F&E tax. Any unused Job Tax Credit may be carried forward for up to 15 years. The approval process for the Job Tax Credit requires a Job Tax Credit Business Plan be filed with the Department of Revenue prior to taking the credit.

Tennessee **Super Job Tax Credit** – For larger, more capital-intensive investments, Tennessee has created a Super Credit that applies to those qualified businesses investing capital of $100 million or more and creating a minimum of 100 jobs paying at least 100% of Tennessee's average occupational wage or investing $10 million in a qualified headquarters facility with the creation of at least 100 new headquarters job paying 150% of the average occupational wage. The average occupational wage for 2010 is $36,542, and the average occupational wage for 2011 is $34,360.

These credits can be used to offset up to 100% of the company's F&E tax liability each year for 3 to 20 years starting the first tax year after the job creation and capital investment thresholds have been met. The Super Credit does not include carry-forward provisions. The Super Credit is in addition to the regular Job Tax Credit, which will still have the 15 year carry-forward and 50% of offset. The only difference is by qualifying for the Super Credit, the amount of the regular Job Tax Credit increases to $5,000 per new occupational wage job instead of the regular $4,500.

<table>
<tr>
<td rowspan="2">TENNESSEE</td>
<td colspan="3">RURAL OPPORTUNITY INITIATIVE ENHANCED JOB TAX CREDIT
*Job opportunities in rural areas of Tennessee presents unique hurdles and yet tremendous opportunity. Whether it be because of limited road access, lack of public infrastructure or difficulty in matching labor skills to job requirements. This is why Tennessee offers this program which is aimed at addressing this challenge in rural areas. The ROI provides Enhanced Job Tax Credits to businesses locating or expanding in certain Tennessee counties considered <u>Tier 2</u> and <u>Tier 3</u> Enhancement Counties</td>
</tr>
<tr>
<td><u>Tier 1 Enhancement Counties:</u> $4,500 per job tax credit to qualified businesses making a $500,000 capital investment and creating a minimum of 25 net new full-time jobs in a 12 month period. Job Tax Credit may offset up to 50% F&E liability with 15 year carry forward.</td>
<td><u>Tier 2 Enhancement Counties:</u> $4,500 per job tax credit to qualified businesses making a $500,000 capital investment in a 12 month period and creating a minimum of 25 net new full-time jobs in a period not to exceed 3 years. Job Tax Credit may offset up to 50% F&E liability with 15 year carry forward. Additional Enhanced Job Tax Credit of $4,500 per job each year for 3 years to offset up to 100% of F&E liability with no carry-forward</td>
<td><u>Tier 3 Enhancement Counties:</u> $4,500 per job tax credit to qualified businesses making a $500,000 capital investment in a 12 month period and creating a minimum of 25 net new full-time jobs in a period not to exceed 5 years. Job tax Credit of $4,500 per job each year for 5 years to offset up to 100% of F&E liability with no carry-forward.</td>
</tr>
</table>

<table>
<tr><td rowspan="3">ALABAMA</td><td colspan="3">STATE ENTERPRISE ZONES
*<u>Twenty-eight Enterprise Zones across the state of Alabama encourage economic growth in areas considered to have depressed economies</u>. In addition, each area offers innovative packages of local tax and non-tax incentives to encourage businesses to locate or expand in that area's Enterprise Zone.</td></tr>
<tr><td>An employer's maximum tax credit for operations in the zone shall not exceed $2,500 per new permanent employee hired pursuant to the act. This tax credit may be applied in all Alabama Enterprise Zones to any state income tax liability and / or business privilege tax liability.</td><td rowspan="2">2.) Employers may receive the following state income or business privilege tax credit for new investments in the zone or improvements to existing facilities in the zone provided at least five new permanent employees are hired.
- 10% on the first $10,000 invested
- 5% on next $90,000 invested
- 2% on remaining investment</td><td rowspan="2">3.) Employers may receive a maximum state income or business privilege tax credit of $1,000 per new permanent employee for expenses of training those employees in new skills.

* Employers may receive an exemption from Alabama Sales and use tax on the purchases of the materials used in the construction of a building or any addition or improvement thereon for housing any legitimate zone business and on machinery and equipment used in the zone.

* Employers may receive certain exemptions from state income and business privilege tax for a period of five years.</td></tr>
<tr><td>1.) If an employer can certify that at least 30% of new permanent employees hired pursuant to the act were formerly unemployed for at least 90 days prior to this employment, then the employer qualifies for the following state income or business privilege tax credit on taxed due from zone operation:
- 80 %: First Year
- 60%: Second Year
- 40%: Third Year
- 20%: Fourth and Fifth Year</td></tr>
</table>

TENNESSEE	HEADQUARTERS RELOCATION EXPENSE CREDIT
	• **Companies establishing a qualified headquarters facility may also qualify for credits against their F&E tax liability based on the amount of qualified relocation expenses incurred in the establishment of a headquarters facility. This is a fully refundable tax credit.** • **“Qualified headquarters relocation expenses” are those expenses that both the Commissioner of Revenue and Commissioner of Economic and Community Development determine, in their sole discretion, are necessary to relocate headquarters staff employees to a qualified headquarters facility in conjunction with the initial establishment of such facility.** • **The taxpayer must file and receive approval of the Qualified Headquarters Business Plan with the Department of Revenue before claiming the Headquarters Relocation Expense Credit.** ***The total budget for the Relocation Expense Credit** is determined and calculated by the number of existing qualified headquarters positions relocated to Tennessee as follows: **Headquarter Jobs Relocated — Amount Per Person** **100 – 249 jobs — $10,000 per position** **250 - 499 jobs — $20,000 per position** **500 – 749 jobs — $30,000 per position** **750 or more — $40,000 per position** **$1 billion investment — $100,000 per position** *** Additional Tax Incentives for Qualified Headquarters** Companies with regional, national and international qualified headquarters facility in Tennessee may with approval from the Commissioner or Revenue and the Commissioner of Economic and Community Development, convert unused net operating losses (NOL) to a credit against F&E tax liability. The NOL credit is available only if the company is unable to use the NOL to offset net income during the current tax year.

Headquarter Jobs Relocated	Amount Per Person
100 – 249 jobs	$10,000 per position
250 - 499 jobs	$20,000 per position
500 – 749 jobs	$30,000 per position
750 or more	$40,000 per position
$1 billion investment	$100,000 per position

ALABAMA	HEADQUARTERS RELOCATION EXPENSE CREDIT
	From everything that I have looked at I do not see where Alabama Offers this.

TENNESSEE	DATA CENTER TAX CREDIT
	Companies may obtain tax credits for the purchase of materials related to the construction of a qualified data center, which is defined as a building or buildings housing high technology computer systems and related equipment in which the taxpayers had made a minimum capital investment of $250 million and has created 25 new jobs paying at least 150% of the state's average occupational wage. *Investments must be made during a 3 year period, but can be extended to 7 years at the discretion of the Commissioner of Economic and Community Development. *The purchases of computers, computer systems, computer software and repair parts for a qualified data center are considered purchases of industrial machinery and qualify for a minimum of 5% Industrial Machinery Tax Credit against F&E liability. * Computers, computer systems, computer software and repair parts used in qualified data centers are classified as industrial machinery and exempt from sales and use taxes *Qualified data centers also pay reduced sales taxes on the purchase of electricity (1.5% vs. the previous rate of 7%). *A taxpayer must submit an application for the Data Center Tax Credits to the Department of Revenue with a plan describing the investment to be made before claiming the credits.

ALABAMA	DATA CENTER TAX CREDIT
	Do not currently have this information

TENNESSEE	SALES AND USE TAX CREDIT FOR QUALIFIED FACILITY TO SUPPORT AND EMERGING INDUSTRY
	• Tennessee law makes a sales and use tax credit available to taxpayers that establish a qualified facility to support an emerging industry in Tennessee with a minimum capital investment of $100 million and the creation of at least 50 new full-time jobs paying 150% of Tennessee's average occupational wage. The credit is equal to 6.5% of the 7% state sales and use tax paid to Tennessee on the sale of use of qualified tangible personal property. • An emerging industry is one that promotes high-skill, high wage jobs in high-technology areas, emerging occupations, or clean energy technology, including, but not limited to clean energy technology research and development and installation, as determined by the Commissioner of Revenue and the Commissioner of Economic and Community Development.

ALABAMA	SALES AND USE TAX CREDIT FOR QUALIFIED FACILITY TO SUPPORT AND EMERGING INDUSTRY
	Do not currently have this information

TENNESSEE	INTEGRATED SUPPLIER AND INTEGRATED CUSTOMER TAX CREDIT
	Tennessee extends certain tax credits to businesses qualified as an “integrated supplier” or “integrated customer” located within the footprint of a project meeting the $1 billion investment threshold and creating 500 or more occupational wage jobs. The purpose of the Integrated Supplier and Integrated Customer Tax Credit is to expand the impact of large “anchor” projects by encouraging co-location of suppliers and customers. An integrated supplier or integrated customer locating within the footprint of such a project will qualify for a Job Tax Super Credit equal to $5,000 per qualified job with a 15 year carry-forward, plus an additional $5,000 per job each year for 6 years. The Integrated Supplier Tax Credit applies regardless of capital investment or number of jobs created. To qualify for this credit a supplier or customer must first be certified as “integrated” by the Commissioner of Revenue and the Commissioner of Economic and Community Development.

ALABAMA	INTEGRATED SUPPLIER AND INTEGRATED CUSTOMER TAX CREDIT
	Do not currently have this information

TENNESSEE	INDUSTRIAL MACHINERY TAX CREDIT

For capital investments in industrial machinery, Tennessee offers businesses an Industrial Machinery Tax Credit that may be used to offset up to 50% of the company's F&E tax liability. To qualify for this credit, companies are not required to create new jobs. The credit applies to the purchase, installation and repair of industrial machinery as defined in T.C.A. 67-6-102. The credit also applies to the purchase and installation of computer, computer software and certain peripheral devices purchased in order to meet the capital investment thresholds of the Job Tax Credit.

Any unused Industrial Machinery Tax Credit may be carried forward for up to 15 years. The percentage of Industrial Machinery Credit allowed is dependent upon the investment made during the investment period as follows

Capital Investment	Percentage of Credit
Less than $100,000,000	1%
$100,000,000	3%
$250,000,000	5%
$500,000,000	7%
$1,000,000,000	10%

ALABAMA	INDUSTRIAL MACHINERY TAX CREDIT
	Do not currently have this information

TENNESSEE	RENEWABLE ENERGY GRANT AND LOAN PROGRAMS	
	The Green Energy Tax Credit	Tennessee offers certified green energy supply chain manufacturers and campus affiliates, integrated customers and integrated suppliers of certified green energy supply chain manufacturers a Green Energy Tax Credit against the total F&E liability. A "certified green energy supply chain manufacturer" means any manufacturer that has made, during the investment period, a required capital investment in excess of $250 million in a facility certified by the State to be a facility engaged in manufacturing a product that is necessary for the production of green energy. The Green Energy Tax Credit is equal to the amount by which the charge for electricity sold to the green energy supply chain manufacturer, campus affiliate, integrated customer or integrated supplier exceeds the charge that would have been made for such total delivered electricity if the maximum certified rate had been applied during the applicable year. To the extent that any amount allowed as a credit for any tax year exceeds the combined F&E liability, the amount of excess will be deemed as an overpayment of tax and will be refunded to the taxpayer. The Tennessee Valley Authority (TVA) has agreed to supply necessary information to the Commissioner of Revenue to determine the amount of the credit.
	Carbon Charge Tax Credit	A certified green supply chain manufacturer and any campus affiliates are eligible for a credit against their total F&E liability in an amount equal to any carbon charges incurred by or imposed directly on the certified green supply chain manufacturer or campus affiliate or imposed on the TVA or energy supplier and billed on a certified manufacturer's or campus affiliate's energy bill. Any tax credit that cannot be used to benefit a certified manufacturer or campus affiliate during the applicable tax year may be returned to the taxpayer in the form or a cash overpayment. TVA has agreed to supply necessary information to the Commissioner of Revenue to verify the amount of the credit
	Pollution Control Equipment Tax Credit	If a manufacturer obtains a certificate from the Tennessee Department of Environment and Conservation certifying that the company's purchase of pollution control equipment is necessary to comply with state, federal or local law and the equipment will result in the reduction of pollution in the water or air or the elimination of hazardous wastes, the equipment will be taxed at salvage value for the purposes of calculating local tangible personal property tax. The certificate will also exempt the equipment from all sales and use tax and allow the company to exclude it from the company's franchise tax base.
	Emerging Industry Tax Credit	The Tennessee Clean Energy Future Act of 2009 made the clean energy technology sector eligible for a sales and use tax credit for emerging industry. This sales and use tax credit is available to taxpayers that establish a qualified facility to support an emerging industry in Tennessee with a minimum capital investment of $100 million and the creation of at least 50 new full-time jobs paying 150% of Tennessee's average occupational wage. The credit is equal to 6.5% of the 7% state sales and use tax paid to Tennessee on the purchase or use of qualified tangible personal property.

TENNESSEE	RENEWABLE ENERGY GRANT AND LOAN PROGRAMS	
	Green Island Biofuel Corridor Infrastructure Grant	Administered by the Tennessee Department of Transportation (TDOT), this program assists retail vehicle fuel stations and farm co-ops with up to 80% of the costs to convert or install storage and fuel dispensing equipment for E85 and B20 pumps, with a cap of $45,000 per pump. TDOT advertises biofuels station locations on the Official State Map and provides the option of interstate signage at exits with participating biofuels stations. This program is working to establish a statewide network of E85 and B20 pumps along interstate and major highway corridors to make these fuels available to citizens, travelers and fleets.
	Tennessee Energy Loan Program	This revolving loan program assists eligible Tennessee for-profit businesses, non-profit organizations, private institutions of higher education and/or units of local and county governments in becoming more energy efficient through the identification, purchase and installation of approved energy efficiency and clean energy technology systems.
	Reduced Tax on Electricity	Tennessee offers a reduced sales tax on manufacturer's use of energy fuels and water (1.5% instead of 7%).
	Volunteer State Solar Initiative	Volunteer State Solar Initiative with $62 million in federal Recovery Act funds to support job creation and advance education, research and renewable power production. This approach will stimulate economic growth in the short term, while positioning Tennessee to take a leadership position in industry sector currently experiencing a 30-40% annual growth rate.

ALABAMA	RENEWABLE ENERGY GRANT AND LOAN PROGRAMS
	***Have not found information on Renewable Energy for Alabama as of yet.**

Texas

The state of Texas system of economic development is geared towards recruitment in collaboration with Enterprise Zones, Emerging Technology Fund, Domestic Expansion and Recruitment, Economic Development Bank and International Business and Recruitment.

Texas Enterprise Zone Programs are outlined with requirements for investment and job creation for eligible refunds. The process involves the local communities and the rules are equal across the board. This would spur the individual areas to seek business for their community and have readily available for them the documentation of what's available on that level. The chart below shows the different levels and the funding for each level.

Refunds for Jobs

Level of Capital Investment	Maximum number of Jobs Allocated	Maximum Potential Refund	Maximum Refund Per Job Allocation
$40,000 to $399,999	10	$25,000	$2,500
$400,000 to $999,999	25	$62,000	$2,500
$1,000,000 to $4,999,999	125	$312,500	$2,500
$5,000,000 to $149,999,999	500	$1,250,000	$2,500
Double Jumbo Project $150,000,000 to $249,999,999	500	2,500,000	$5,000
Triple Jumbo Project $250,000,000 or More	500	$3,750,000	$7,500

As one can see from the chart, the amount of allocation for each job does not change until the $150 million threshold is met. The amount of the incentive is tied to the investment and the job creation that occurs from the company locating in Texas.

The state of Texas also uses the relationship theory of companies here and overseas. If there is a Texas company that is doing business in a foreign country, that company is used as an ambassador to recruit business for the state of Texas. The method used by Texas is more methodical than the one used by Alabama.

There are several levels of recruitment and inducements for recruiting business. The funds, whether from tax incentives or banks, that have been aligned to loan money are unique. This would appear to be an effort to ensure that financial resources are available from governmental and private entities.

The International Business & Recruitment helps all sizes of business through trade shows and training to posture themselves in the world market and to help bring foreign businesses to Texas. The effort put forth by Texas is concise and aimed toward inclusion of all the players in the state.

V. Recommendations

"State sales and income taxes are the largest components, constituting about 62 percent, of total state tax collections."

– University of Alabama Center for Business and Economic Research

What are discretionary incentives?

Discretionary incentives, ADO says, are where the "real competition" takes place for truly game-changing industrial projects such as ThyssenKrupp. If an Alabama site is a finalist for an automaker or steel plant, it is because the state has stood the test of extensive due diligence. Discretionary incentives represent financial flexibility in the last stages of negotiations. As defined here, based on ADO's candor, a discretionary incentive begins as cash. What is needed then, our team decided, are sources of revenue to feed that pool of cash. Thus, each of the five recommendations below outlines a revenue source.

Discretionary incentives become a factor only in very large deals, according to ADO's Ms. Swann. They come into play only "to land the deal when it is down to one site in our state, in competition with another state," she said. "The offer is made by the governor."

If discretionary incentives are offered to close a deal, they may take effect at what is essentially a closing, when documents are signed, or when production begins. To the extent that the incentives are in cash rather than in-kind contributions, the cash must be invested in the project. Looking back on the economic impact of the decision by Mercedes-Benz to build in Alabama, it is easy to understand why the state's economic development team would consider spending millions to seal an agreement that would pay for itself over time, perhaps many times over, creating jobs in the process.

What follows is a brief description of several strategies for raising and earmarking money specifically to fund discretionary incentives.

1.

Increase Alabama property taxes 1 percent.

When it comes to state and local tax collections per person, Alabama ranks 49th. South Carolina holds the last position.* The most recent complete data available shows Alabama state and local taxes collected amounted to $3,002 per person in the 2008 fiscal year. There are varied viewpoints on having such low taxes in our state, and discussions within our group reflected those differences. Some feel it lowers the quality of our schools and state services. Others say that our low taxes help in the recruitment of industry.

Property tax in Alabama is levied on real property, motor vehicles and business personal property. The tax is collected by the county tax collector or the county revenue commissioner. In some counties, the property tax on motor vehicles is collected by the probate judge. When the property tax is collected, the state portion of the tax is distributed in the following manner:

- 38.46 percent to the state General Fund
- 46.15 percent to the Special Education Trust Fund
- 15.39 percent to Old Soldiers Fund, which is currently split between the Department of Human Resources and Veteran Affairs. (Bill Bass, Property Tax Director, Alabama Department of Revenue)

Our recommendation is to increase the state property tax by one mill. One mill is one-tenth of one cent. Enacting this increase would require a constitutional amendment and thus approval by a majority of voters in a statewide referendum. The Alabama Department of Revenue estimates a one mill property tax increase would result in revenues of approximately $55 million annually. (Bill Bass) Even with the one-mill increase, Alabama would still be the second lowest tax-paying state in the union.

SOURCES:
Bill Bass, Director of Property Tax, Alabama Department of Revenue. E-mail interview, May 16, 2011.
Birmingham News, by David White, "Alabama Tax Load Is U.S.'s Second Least." Al.com, May 17, 2011. Web address:*
<http://blog.al.com/businessnews/2010/08/alabama_tax_load_is_uss_second.html>.

2.

When tax abatements expire, earmark tax payments coming due in the first two years after expiration to a discretionary incentive fund.

Tax abatements in Alabama for new and expanding industry are numerous, some lasting a decade and some for 20 years. Given the scale of the largest of the companies that receive them, the day presumably will come when those industries will pay “normal” taxes. (If that day is postponed by an existing industry’s decision to double its investment in Alabama, as Mercedes announced in July that it will do in Tuscaloosa County, it is postponed by a justified renewal of the incentive.) This strategy depends on the Alabama Legislature’s willingness to postpone access to the money, whether for two years or some other period. Legislation would be required to do so. That may be its greatest weakness. Its strength rests on the fact that the funds have never been available to the Legislature in the past, and lawmakers would be asked to invest the money in economic development for a limited time.

There is, unfortunately, another weakness: Money would trickle rather than flow in, as a recent article in the *Mobile Press Register* [June 12, 2011, by Jeff Amy] illustrates:

In recent years, Alabama has relied on three main tax breaks. Qualifying companies can be exempted from:

- *10 years of non-educational property taxes;*
- *sales taxes on the building materials and machinery they buy for a new facility;*
- *some or all corporate income taxes.*

The income tax break, known as the capital investment tax credit, theoretically allows companies to recoup their entire investment over 20 years, though companies seldom make enough profit to need that break against their state corporate tax liability. An analysis by the Press-Register shows that less than 10 percent of that available credit has been claimed over time.

Background

The Alabama Income Tax Capital Credit is designed to create jobs and to stimulate business and economic growth. It is an annual credit of 5 percent of the capital costs of a qualifying project each year for 20 years, to be applied to the Alabama income tax liability or financial institution excise tax generated by the project income.

The credit is available to all types of business entities, including: S corporations, C corporations, limited liability companies, partnerships, trusts and sole proprietorships. It can effectively eliminate the Alabama income tax liability generated by a qualifying project, which may include a variety of projects, but not limited to corporate headquarters, data processing centers, renewable energy facilities, research and development facilities, alternative energy plants, and plants that recycle materials into reusable products.

The income tax capital credit law allows for lower threshold requirements for capital investment, new employees and wages for qualifying projects locating in a "favored geographic area."

SOURCE: Alabama Development Office
Citation from the web:
http://www.ado.alabama.gov/content/media/publications/AlabamaAdvantage/AlabamasAdvantages_03-2010.pdf

3.

Collect a fee from full-time students in public colleges and universities, earmarking the revenue for discretionary incentives.

A new source of funding could come from adding a fee to undergraduate students enrolled in schools in Alabama. No other state currently is using this method to obtain discretionary funding for economic development. The state of Alabama currently has 216,858 undergraduate students. If a $50 fee per semester were levied and assuming all those students attend two semesters per calendar year, the amount raised would be $21,685,800.

In weighing the idea, there are several considerations to keep in mind:

- First, only the Boards of Trustees (governing boards) of the respective colleges can set tuition and fees for the institution. The authority is granted by the state Constitution.

- Second, all students already pay a variety of mandatory fees. In most cases, there are also select and/or special fees for individual programs (e.g., nursing, engineering, or, at a two-year school, welding or steel fabrication, etc.). Tuition and fee charges also may vary based upon level of instruction (undergraduate, graduate, professional, etc.).

- Third, some institutions charge a lump sum that is understood to cover both tuition and fees. The university involved does not itemize the charge, so there is no clear designation of how much is tuition and how much is devoted to fees.

- Fourth, the Alabama Legislature can set tuition for out-of-state students. However, the law does not establish a number (amount). The law simply states that out-of-state tuition must be two times in-state tuition. The actual amount of the tuition is set by the governing board.

- Fifth, tuition and fees are set at public meetings by law. Any action by a board of trustees to increase tuition and fees would be open for discussion at the meeting, a work session or a called meeting. Students and other interested parties would have ample opportunity to oppose a given fee increase.

Background

There is tuition and then there are fees. There are generally four types of tuition and fees: (1) in-state undergraduate, (2) in-state graduate, (3) out-of-state undergraduate and (4) out-of-state graduate. Tuition is usually based on the number of credit hours a student is taking (are they full-time, part-time, etc.) The web link below shows 2010-2011 tuition, fees and a final page with tuition and fees combined for all four-year public institutions.

http://www.ache.alabama.gov/Abstract1011/Fees/4YR-Annual-Tuition-Req-Fees-Analysis-2010-2011.pdf

The same report for two-year public institutions is found at http://www.ache.alabama.gov/Abstract1011/Fees/2YR-Annual-Tuition-and-Req-Fees-Analysis-2010-11.pdf

Tuition is generally defined as covering charges that *all* students pay. It may include separate charges for use of an activity center, technology, health facility, etc., as long as the charge is paid by all students. Boards of trustees establish tuition charges. Fees are those items that are charged to some students but not all (parking fees for those with vehicles, lab fees for those taking labs, etc.) Fees are also normally established by the board of trustees. Some institutions do have mandatory fees, which are fees that all students are required to pay, but most institutions are rolling those charges into tuition now.

Although our group did not obtain a legal opinion on the question, it appears that this proposal, if it were to apply across the board to all undergraduate students at all public institutions, would require enabling legislation. Moreover, Alabama's Prepaid Affordable College Tuition, or PACT, program – hard-pressed of late – currently pays tuition and mandatory fees. An increase in either would require higher PACT spending unless those students were made exempt by the statute.

The Legislature might also consider a smaller fee, say $25 per semester, for students at two-year institutions.

The Status Quo

The following charts show the tuition and fees at Alabama's two- and four-year colleges and universities:

Alabama Commission on Higher Education Annual Tuition and Required Fees Analysis [a] Alabama Higher Education 2010-2011 Tuition						
	Undergraduate			Graduate		
	Resident 2010-11	Non-Resident 2010-11	Non-resident to Resident Ratio	Resident 2010-11	Non-Resident 2010-11	Non-resident to Resident Ratio
Alabama A&M University	$6,090.00	$12,180.00	2.00	$7,416.00	$14,832.00	2.00
Alabama State University	6,312.00	12,624.00	2.00	7,488.00	14,976.00	2.00
Athens State University	4,110.00	8,220.00	2.00	N/A	N/A	N/A
Auburn University	7,008.00	21,024.00	3.00	7,002.00	21,006.00	3.00
Auburn University at Montgomery	6,180.00	18,540.00	3.00	5,928.00	17,784.00	3.00
Jacksonville State University	6,780.00	13,560.00	2.00	7,152.00	14,304.00	2.00
Troy University	6,480.00	12,960.00	2.00	5,904.00	11,808.00	2.00
University of Alabama	7,900.00	20,500.00	2.59	7,900.00	20,500.00	2.59
University of Alabama at Birmingham	7,174.00	16,414.00	2.29	7,198.00	16,462.00	2.29
University of Alabama at Huntsville	6,352.00	15,250.00	2.40	8,330.00	19,993.20	2.40
University of Montevallo	7,230.00	14,460.00	2.00	6,264.00	12,528.00	2.00
University of North Alabama	5,550.00	11,100.00	2.00	5,472.00	10,944.00	2.00
University of South Alabama	6,810.00	13,620.00	2.00	7,200.00	14,400.00	2.00
University of West Alabama	5,464.00	10,928.00	2.00	6,360.00	12,720.00	2.00

SOURCE: Alabama Commission on Higher Education Annual Tuition and Fee Schedule

NOTE: a. Tuition amounts are based on undergraduate load of 30 hours and graduate load of 24 hours or a per term amount furnished by the institution.

ALABAMA COMMISSION ON HIGHER EDUCATION
ANNUAL TUITION AND REQUIRED FEES [a]
Alabama Public Two-Year Institutions
2010-2011

	Basic Tuition		
	Resident	Non-Resident	Non-res to Resident Ratio
Alabama Southern Community College	$2,700	$5,400	2.00
Bevill State Community College	$2,700	$5,400	2.00
Bishop State Community College	$2,700	$5,400	2.00
Calhoun Community College	$2,700	$5,400	2.00
Central Alabama Community College	$2,700	$5,400	2.00
Chattahoochee Valley Community College	$2,700	$5,400	2.00
Drake State Technical College	$2,700	$5,400	2.00
Enterprise State Community College	$2,700	$5,400	2.00
Faulkner State Community College	$2,700	$5,400	2.00
Gadsden State Community College	$2,700	$5,400	2.00
Ingram State Technical College	$2,700	N/A	N/A
Jefferson Davis Community College	$2,700	$5,400	2.00
Jefferson State Community College	$2,700	$5,400	2.00
Lawson State Community College	$2,700	$5,400	2.00
L. B. Wallace Community College	$2,700	$5,400	2.00
Marion Military Institute	$6,000	$12,000	2.00
Northeast AL. Community College	$2,700	$5,400	2.00
Northwest -Shoals Community College	$2,700	$5,400	2.00
Reid State Technical College	$2,700	$5,400	2.00
Shelton State Community College	$2,700	$5,400	2.00
Snead State Community College	$2,700	$5,400	2.00
Southern Union State Community College	$2,700	$5,400	2.00
Trenholm State Technical College	$2,700	$5,400	2.00
G. C. Wallace - Dothan Community College	$2,700	$5,400	2.00
G. C. Wallace - Hanceville Community College	$2,700	$5,400	2.00
G. C. Wallace - Selma Community College	$2,700	$5,400	2.00

SOURCE: Alabama Commission on Higher Education Annual Tuition and Fee Schedule.

NOTES: a. Tuition amounts are annualized on undergraduate term load of 30 hours, or by term amount supplied by institution. Other specific surcharges and fees may be required for certain programs.

4.

Establish a state lottery, designating a significant percentage of the proceeds to economic development.

To make the case for this recommendation, the ADO Project Team provides here a comprehensive look at the net proceeds of states through their respective lotteries:

The Lottery: Net Returns by State

STATE	TIME SINCE START OF LOTTERY	DISPOSITION OF FUNDS	FISCAL YEAR 2010 REVENUES TRANSFERRED TO STATE
Arizona	Over 29 years	After portion held for prizes & administration costs, proceeds go to Clean Air Fund, Heritage (Environment) Fund, Mass Transit, Court Appointed Special Advocates, General Fund (education, law enforcement, etc.), County Assistance Fund & **Economic Development Fund**	$141.9 million
Arkansas	Over 1 year	After portion held for prizes & administration costs, proceeds go to fund scholarships & grants for Arkansas students enrolled in public & private nonprofit two-year & four-year colleges & universities in the state	$82.7 million

STATE	TIME SINCE START OF LOTTERY	DISPOSITION OF FUNDS	FISCAL YEAR 2010 REVENUES TRANSFERRED TO STATE
California	Over 25 years	34% of lottery proceeds go the public schools. It funds k-12 schools, community colleges, state universities, adult education, charter schools and department of corrections schools. The state plans to borrow against future earnings in order to balance the state budget.	$1.055 billion
Colorado	Over 27 years	After portion held for prizes & administration costs, proceeds fund the Conservation Trust Fund, Division of Parks & Outdoor Recreation &the Great Outdoors Colorado Trust Fund. Amount exceeding the funding cap are distributed to State Public School Fund Contingency Reserve.	$112.9 million
Connecticut	Over 38 years	After portion held for prizes & administration costs, proceeds go the General Fund and Chronic Gamblers Assistance Fund	$285.5 million
Delaware	Over 35 years	After portion held for prizes & administration costs, proceeds go the General Fund	$275.5 million
Florida	Over 23 years	After portion held for prizes & administration costs, proceeds go to Florida's Educational Enhancement Fund benefitting public schools, community colleges, state universities & student financial aid for Florida students	$1.247 billion
Georgia	Over 17 years	After portion held for prizes & administration costs, proceeds go to HOPE scholarships and voluntary pre-kindergarten programs	$883.9 million

STATE	TIME SINCE START OF LOTTERY	DISPOSITION OF FUNDS	FISCAL YEAR 2010 REVENUES TRANSFERRED TO STATE
Idaho	Over 21 years	After portion held for prizes & administration costs, proceeds go to Idaho public schools and Idaho permanent building fund	$36.5 million
Illinois	Over 36 years	After portion held for prizes & administration costs, proceeds go to State of Illinois Common School Fund	$657.88 million
Indiana	Over 21 years	After portion held for prizes & administration costs, proceeds go to the Build Indiana Fund (primarily used to significantly reduce motor vehicle excise taxes for Indiana citizens), Teacher's Retirement Fund, and Police Officer's & Firefighter's Pension & Disability Fund	$188.8 million
Iowa	Over 25 years	After portion held for prizes & administration costs, proceeds go to Iowa Veterans Trust Fund, Vision Iowa Program (tourism), Iowa Gambling Treatment Program and the majority of funds are transferred to the State General fund **(profits were marked for a long term economic development plan, which lasted for one year**)	$57.9 million
Kansas	Over 23 years	After portion held for prizes & administration costs, **the majority of proceeds (85%) go to economic development**, with other funding going to Veteran's & other military programs, prison construction & maintenance, juvenile detention facilities, and the Problem Gambling and Addictions Fund.	$69.03 million

STATE	TIME SINCE START OF LOTTERY	DISPOSITION OF FUNDS	FISCAL YEAR 2010 REVENUES TRANSFERRED TO STATE
Kentucky	Over 21 years	After portion held for prizes & administration, proceeds go to need and merit based scholarships and adult and early childhood literacy	$214.3 million
Louisiana	Over 19 years	State receives a minimum of 35% of lottery revenues each month appropriated to the Minimum Foundation Program which funds public education. $500,000 each year funds problem gambling programs	$134.08 million
Maine	Over 36 years	After portion held for prizes & administration costs, proceeds go the General Fund	$52.2 million
Maryland	Over 37 years	After portion held for prizes & administration costs, proceeds go the General Fund	$510.61 million
Massachusetts	Over 38 years	After portion held for prizes and administration, proceeds go to cities and towns, compulsive gambling programs, the arts council and the State General Fund	$903.5 million
Michigan	Over 38 years	After portion held for prizes and administration, proceeds go to state School Aid Fund (K-12 public education)	$704.20 million
Minnesota	Over 20 years	After portion held for prizes and administration, proceeds go to Environment & Natural Resources Trust Fund, General Fund, Game & Fish Fund, Natural Resources Fund & Compulsive Gambling Treatment Program	$122.25 million
Missouri	Over 24 years	After portion held for prizes & administration, proceeds go to Public Education	$256.04 million

STATE	TIME SINCE START OF LOTTERY	DISPOSITION OF FUNDS	FISCAL YEAR 2010 REVENUES TRANSFERRED TO STATE
Montana	Over 24 years	After portion held for prizes & administration, proceeds go to General Fund	$10.61 million
Nebraska	Over 17 years	After portion held for prizes & administration, proceeds go to Education Innovation Fund (19.75%), Nebraska Environmental Trust Fund (44.5%), Nebraska Scholarship Fund (24.75%), State Fair Support & Improvement Fund (10%), Compulsive Gamblers Assistance Fund ($500,000 + 1%)	$32.35 million
New Hampshire	Over 46 years	After portion held for prizes & administration, proceeds go to Public Education K-12	$66.08 million
New Jersey	Over 40 years	After portion held for prizes & administration, proceeds go to Education and Institutions	$924.16 million
New Mexico	Over 14 years	After portion held for prizes & administration, proceeds go to College Scholarship Tuition Fund	$43.6 million
New York	Over 43 years	After portion held for prizes & administration, proceeds go to NYS Public School education	$2.666 billion
North Carolina	Over 4 years	After portion held for prizes & administration, proceeds go to Education for reduced class size, reduction in early grades, academic pre-K programs, school construction & college scholarships	$430.79 million
North Dakota	Over 6 years	After portion held for prizes & administration, proceeds go to the General Fund, the Compulsive Gambling Fund & the Drug Task Force	$6.33 million
Ohio	Over 36 years	After portion held for prizes & administration, proceeds go to Public Education K-12	$728.6 million

STATE	TIME SINCE START OF LOTTERY	DISPOSITION OF FUNDS	FISCAL YEAR 2010 REVENUES TRANSFERRED TO STATE
Oklahoma	Over 5 years	After portion held for prizes & administration, proceeds go to Public Education	$69.97 million
Oregon	Over 26 years	After portion held for prizes & administration, proceeds go to Public Education K-12, Economic Development and Parks & Natural Resources Programs	$516.7 million
Pennsylvania	Over 39 years	After portion held for prizes & administration, proceeds go to programs that benefit older residents; programs for property tax & rent rebates, free transit & reduced-fare shared rides, low-cost prescription drug programs, long-term living services, and Agencies on Aging	$915.74 million
Rhode Island	Over 36 years	After portion held for prizes & administration costs, proceeds go the General Fund	$344.65 million
South Carolina	Over 8 years	After portion held for prizes & administration, proceeds go to Public Education	$272.43 million
South Dakota	Over 23 years	After portion held for prizes & administration, proceeds go to the Property Tax Reduction Fund, Capital Construction, Department of Human Services and General Fund	$116.91 million
Tennessee	Over 6 years	After portion held for prizes & administration, proceeds go to Public Education	$288.9 million
Texas	Over 19 years	After portion held for prizes & administration, proceeds go to the Foundation School Fund. Unclaimed lottery prize funds revert to the state to be appropriated for health care, medical education & other programs authorized by state legislature	$1.1 billion

STATE	TIME SINCE START OF LOTTERY	DISPOSITION OF FUNDS	FISCAL YEAR 2010 REVENUES TRANSFERRED TO STATE
Vermont	Over 33 years	After portion held for prizes & administration, proceeds go to the Vermont Education Fund	$21.64 million
Virginia	Over 22 years	After portion held for prizes & administration, proceeds go to Public Education K-12	$430 million
Washington	Over 28 years	After portion held for prizes & administration, proceeds go to Education construction for K-12 & higher education facilities, stadium debt reduction for Qwest Field and Event Center (football) and Safeco Field (baseball), economic development, problem gambling prevention and treatment & the General Fund	$121.35 million
West Virginia	Over 24 years	After portion held for prizes & administration, proceeds go to Public Education, Senior Citizens & Tourism	$568.9 million
Wisconsin	Over 22 years	After portion held for prizes & administration, proceeds go to Property Tax Relief	$143.1 million

5.

Adopt a variety of fund-raising measures, such as specialty car tags, to fund discretionary incentives.

1) *Distinctive License Plates*. The Alabama Development Office may elect to design and sell distinctive license plates for Alabama residents to purchase for their vehicles. To do so, the Alabama Department of Revenue requires an organization requesting a license plate to submit a design and logo, along with an application packet, for agency approval.

The Legislative Oversight Committee (LOC) chairman will schedule a meeting and place the organization's application on the agenda for consideration. Distinctive license plates require registration fees plus an additional annual fee of $50.00. The fees are distributed among several agencies. Distribution is as follows:

a. $1.25 2.5 percent commission to issuing official
b. $1.50 Manufacturing costs to the Department of Corrections
c. $1.00 Administration costs to the Department of Revenue
d. $5.00 Penny Trust Fund
e. $41.25 Net proceeds to the sponsoring organization (in this case, ADO)

There are two types of classes for the distinctive licenses plates: Quantity Class 1 and Quantity Class 2. Class 1 has registrations of at least 250 but less than 1,000. The plate itself has an area on the left side where an emblem, slogan, or logo design may be applied. Class 2 has registrations of 1,000 or greater. This plate has a unique design for the entire plate and must meet all license plate design and manufacturing requirements by law.

Distinctive license plates will offer some kind of revenue to the current existing fund. Although the required number of plates will only generate a small amount of funding, it has the potential to grow.

2) *Annual Alabama Development Office Business Showcase*. This event will allow businesses in the state to showcase themselves. Opportunities also would be created for highlighting and promoting new or expanding industries. Governor Bentley is quoted in the March 2011 edition of *Business Alabama* magazine ("Jobs Recruitment for Hard Times") as saying that he would like to continue recruitment of businesses as the former governor did but also "hopes to visit existing businesses, thanking them for being in Alabama and asking them how the government can help them get better." A major business expo is one way to achieve this goal. The event can be held in a central location or staged in a series of regional expositions around the state. Businesses' exhibition fees

would be used to fund discretionary incentives. Such an event also would provide an opportunity for companies outside Alabama, or site-location consulting firms, to network with Alabama business people and gather information to help them in their decision-making processes.

Sources:
Alabama Department of Revenue Website and
Distinctive License Plate Application Packet
Web address: http://www.revenue.alabama.gov/motorvehicle/index.html

VI. Conclusion

In an economic environment still reeling from the worst U.S. recession in a generation, the question of raising revenue gave the team pause. We are confident, however, that despite the depth of this historic downturn, the business cycle survives. The United States, and Alabama along with it, will dig out of this hole. To shrink from putting revenue-raisers on the table would be to ignore the challenge facing Alabama's economic development team – public and private, statewide and local. More importantly, it would be to ignore our charge from ADO.

One has to appreciate the extraordinary industrial recruitment success our state has achieved during the past two decades. But the game is on still, and we have set the bar high. The need of a pool of cash to provide discretionary incentives is easily misunderstood, and ADO staff members stressed again and again that the only scenario in which they would come into play would be a project of international significance (and likely competed for – initially at least – worldwide). It would also be a project for which Alabama was a clear finalist.

Not long after Daimler-Benz announced in the mid-1990s that it would build a Mercedes plant in Vance, a *Montgomery Advertiser* reporter asked Dr. David Bronner, CEO of the Retirement Systems of Alabama, whether the incentive package the state offered to close the deal was worth the cost. Bronner, without hesitation, said twice the amount would be worth it. He was absolutely serious. And he was right. The investment by Alabama was "transforming" indeed for the state's economy.

It would be a mistake, of course, to reduce to cash incentives the record-setting accomplishments of the Alabama economic development professionals who cultivated Mercedes, Honda and Hyundai, not to mention the supplier network that supports the automakers, or those professionals' hard work and sheer competence in bringing a $5 billion investment by ThyssenKrupp Steel and Stainless to Mobile County, creating nearly 2,000 jobs, with more to come, for that entire Gulf Coast region.

Discretionary incentives, as a policy issue, rest on the business case: Does the return justify the investment? Today, with economic conditions anemic, raising "new" revenue – especially the sums necessary for a meaningful discretionary incentive fund – is an idea whose time may not have come. We believe, based on Alabama's economic development performance during the past 20 years, that it is a price worth paying.