



USING “QUALITY JOBS” TO CREATE NEW JOBS FOR MISSOURIANS

Missouri, like many other states, is struggling with an economic downturn that has touched nearly all of Missouri’s families. The impact of the downturn on the state budget has been significant, and the personal impact to Missourians has been felt across the state in the form of job losses due to business closures and downsizing.

In the face of these economic challenges, Missouri has an effective tool designed to spur creation of new jobs and investment in Missouri businesses: the Quality Jobs Program. The Program has already been used successfully across the State to create many new jobs, and the State has benefited from significant capital investment in connection with the new jobs. In one small central Missouri town, the Quality Jobs Program was a key incentive that allowed for the construction of a new manufacturing facility, bringing over \$8,000,000 in capital investment and nearly 150 new jobs to the community. This is but one of many examples of the positive impact the Quality Jobs Program is having on Missouri communities.

What is the Quality Jobs program?

The Missouri Quality Jobs program was based on the results of a study of successful economic policies that was commissioned by the Missouri Department of Economic Development (DED). The overall goal of the program is to encourage the creation of new quality jobs that benefit working families in the state of Missouri. These new jobs must have a salary that is at or above the average county wage in which the job is located and provide health insurance while paying at least 50% of the premium. The program is divided into three components: high impact businesses, small and expanding businesses, and technology businesses.

Stakeholders

There are numerous groups in Missouri that have an interest in this program. It is important to note those parties to understand the scope and importance of this program to continued economic development in Missouri.

- Missouri employers
- Emerging high-tech companies
- Missouri employees
- Young professionals in emerging technology fields
- Working families
- Trade unions

Guidelines of the Quality Jobs program

The Quality Jobs program is administered by the Missouri Department of Economic Development under extensive guidelines. These rules identify the types of jobs and businesses that qualify to receive benefits under the program. A basic summary of these guidelines is provided below.

Qualification standards

The qualification standards spell out exactly which businesses are eligible for the benefits provided by the Quality Jobs program, and what a business must do to receive benefits. It is crucial to note that an eligible business does not receive any benefits until *after* new jobs for Missouri have already been created.

A business must create a minimum number of new jobs at the project facility prior to the “deadline” date, based on the type of project:

- Small/Expanding businesses:
 - Rural areas: **20** or more new jobs within two years of the date of the DED approval.
 - Non-rural areas: **40** or more new jobs within two years of the date of the DED approval.
- Technology businesses (classified by NAICS codes):
 - **10** or more new jobs within two years of the date of DED’s approval.
- High Impact businesses:
 - **100** or more new jobs within two years of the date of the hiring of the first new job, and the first new job must be within one year of the date of the DED approval.

Application Procedure

An application may be submitted at any time of the year by the business to DED. The department will do the following after receiving the application.

Advancing public policy for the commercial real estate industry.

- Confirm that the type of project/business is eligible.
- Establish the date “base employment” is calculated.
- Reserve the estimated tax credits for the project.
- Establish the 2-year “deadline” date for the creation of the minimum new jobs to be eligible for the program.

Reporting Requirements

Every business that is deemed eligible by DED has to submit a report confirming that it is continuing to meet all the criteria of the program.

Each year the business must submit a report to DED documenting the following: the number of new jobs that it has created, the total payroll, and confirmation that the business meets the health insurance requirements for the new jobs. If a company has not maintained the minimum program requirements, benefits will cease for the remainder of the benefit period. A high-impact project may continue as a small/expanding project as long as new jobs and other program requirements are met.

SB1099, or the *Tax Credit Accountability Act Reporting Form*, must be submitted to the Department of Economic Development by June 30th each year the company receives tax credits and for the three years following the end of the benefit period.

In addition, a business cannot earn benefits simultaneously at the project facility under this program if earning benefits under any of the following state programs:

- Missouri Enterprise Zone program or Enhanced Enterprise Zone program
- Business Facility program
- Rebuilding Communities program
- Brownfield Jobs and Investment tax credits

Special conditions apply when Quality Jobs is used at the same time as other programs that affect state withholding taxes (New Jobs Training, State TIF, MODESA).

Program benefits for businesses

This section explains the specific benefits for each type of eligible business that meets all the requirements of the program.

- Small/Expanding businesses:
 - Retain 100% of the withholding tax of the new jobs, each year for:
 - **Three** years - if the average wage of new jobs is 100-119% of county average wage or
 - **Five** years - if the average wage of new jobs is 120% of county average wage.
- Technology businesses:
 - **5%** of the payroll of the new jobs each year for five years; **plus:**
 - “Average Wage Bonus”.
 - No limit on the withholding tax.
- High Impact businesses:
 - **3%** of the payroll of the new jobs each year for five years; **plus:**
 - “Average Wage Bonus”
 - “Local Incentives Bonus”
 - No limit on the withholding tax.

“**Average Wage Bonus**” (company average wage as a percentage of county average wage):

- Greater than 120% and up to 140%: 1/2 % bonus of payroll of the new jobs.
- Greater than 140%: 1% bonus of payroll of the new jobs.

“**Local Incentives Bonus**” (amount of local incentives provided to the project as a percentage of the amount of new local tax revenues derived from the project, over 10 years):

- 10-24%: 1% bonus of payroll of the new jobs.
- 25-49%: 2% bonus of payroll of the new jobs.
- 50% or more: 3% bonus of payroll of the new jobs.

Each time the business meets the minimum new job threshold, it may start a new benefit period for the net new jobs created. There is no limit on the number of benefit periods a company may use the program, as long as a new Notice of Intent is completed and minimum new job thresholds and other program qualifications are met.

“**New jobs**” are defined as full-time (35 or more hours/week each year) employees of the company that are employed at the project facility, based on the increase from the “base employment” (*the number of full-time jobs at the facility, or the average number for the twelve month period prior to the Notice of Intent, whichever is higher, on the*

date DED receives the Notice of Intent). In the event the company (or a related company) reduced jobs at another facility in Missouri with related operations, the new jobs at the project facility would be reduced accordingly.

Impact on Missouri

The Missouri Department of Economic Development released a report on the Quality Jobs program in January of 2009. The report indicated that the current projects approved for the program will directly generate **\$2.563 billion in new investment** and create **20,206 new jobs** with health benefits paying an average wage of **\$52,724** per year. Similarly, the projects approved in 2008 will generate **\$1.441 billion in new, non-residential investment** and create **6,464 new jobs**.

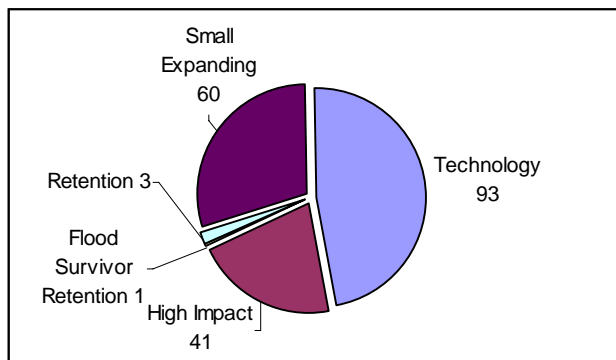
The department used the REMI model to estimate the long term economic impacts of the program. The key findings of the report are included below.

Over 10 years, every dollar of investment in the Missouri Quality Jobs program returns:

- \$113.01 in new personal income for Missourians, totaling \$8.237 billion over 10 years
- \$217.56 in new value added to the state economy, totaling \$15.858 billion over 10 years
- \$384.15 in new economic activity in Missouri, totaling \$28.000 billion over 10 years

The Department of Economic Development issued a report on the Quality Jobs program in 2008 which indicated that as a result of the program, 179 projects have been approved through the end of 2007. The locations of the projects are spread throughout the entire state with 121 projects in non-rural areas and 58 projects in rural areas.

The following graph illustrates the types of projects that are using the program. It is clear that new technology jobs are being created as a result of this program.



From DED 2008 Annual Report on Missouri's Quality Job Program.

MGA Position on the Quality Jobs Program

The data clearly indicates that the Missouri Quality Jobs program has created good, high paying jobs for Missouri residents. According to the 2007 DED report, there have been 58 projects in rural areas, and the Program has been successfully used throughout the state. The report states that the quality jobs program has helped create over 20,000 jobs that pay above the average wage in the county they are in and provide health benefits to the employees.

MGA recognizes the concerns that have been raised by the need to raise the tax credit cap of this program on multiple occasions. The program started with a \$12 million cap; however, that was quickly exhausted due to high demand and the success of the program. In 2007 the legislature voted to increase the funding for the program to \$40 million and it is now \$80 million per year. This figure represents a significant commitment to job creation. This program makes an *investment* in the Missouri economy on behalf of Missouri families, and any proposal to limit the funding available to the Program would serve to limit the investment businesses are willing to make and the number of new jobs created in our communities. The data proves that a large return is realized for the initial investment.

MGA believes this program is a vital economic development tool for Missouri, especially in light of current economic conditions and the significant need to retain and create jobs in our State. The program should continue at least at its current capacity in order to further promote high paying jobs for Missouri families. The program's tax credit cap should be expanded, or ideally removed all together, in order to meet the continued growing demand of the program as Missouri businesses seek to spur creation of new Missouri jobs.