MISSOURI HOUSE OF REPRESENTATIVES

REPORT OF THE INTERIM COMMITTEE ON JOB CREATION AND ECONOMIC DEVELOPMENT

Chair Ron Richard (129)
Vice-Chair Tom Dempsey (18)
Representative Randy Angst (146)
Representative Brian Baker (123)
Representative Frank Barnitz (150)
Representative Cynthia Davis (19)
Representative Yaphett El-Amin (57)
Representative Doug Ervin (35)
Representative Jack Goodman (132)
Representative Ted Hoskins (80)
Representative Rodney Hubbard (58)
Representative Steve Hunter (127)
Representative Jack Jackson (89)
Representative Fred Kratky (65)
Representative J.C. Kuessner (152)
Representative Paul LeVota (52)
Representative Scott Lipke (157)
Representative Brad Lager (4)
Representative David Pearce (121)
Representative Marilyn Ruestman (131)
Representative Ray Salva (51)
Representative Wes Shoemyer (9)
Representative Michael Spreng (76)
Representative Neal St. Onge (88)
Representative Ed Wildberger (27)
Representative Terry Young (49)

Prepared by
Alice K. Hurley
Legislative Analyst
House Research Office
February, 2004

February 16, 2004

The Honorable Catherine Hanaway
Speaker of the House of Representatives
State Capitol, Room 308
Jefferson City, MO 65101

Dear Madam Speaker,

The Interim Committee on Job Creation and Economic Development, acting pursuant to your request, has met, taken testimony, deliberated, and concluded its study of the issues surrounding job creation and economic development in Missouri. The committee was charged with examining why Missouri has lost over 100,000 jobs in the last two years and currently leads the nation in job loss. The committee was also charged with investigating the causes of this and other issues relating to commerce, competition from other states, industrial growth, expansion and development and the creation and retention of jobs. The committee held hearings in Jefferson City, St. Louis, Kansas City, and Sikeston to review the impact job loss and the lack of economic development has had on their economies and communities. The committee evaluated the impact of competition from bordering states, and the current economic recession on job loss. The committee studied the benefits of emerging technologies and life sciences research, customized training, current economic development incentives offered by the state and potential incentives the state should consider offering.

The undersigned members of the Committee are pleased to submit the attached report.

Chair Ron Richard (129)

Vice-Chair Tom Dempsey (18)

Representative Randy Angst (146)

Representative Brian Baker (123)

Representative Frank Barnitz (150)

Representative Cynthia Davis (19)

Representative Yaphett El-Amin (57)

Representative Doug Ervin (35)

Representative Jack Goodman (132)

Representative Ted Hoskins (80)

Representative Rodney Hubbard (58)

Representative Steve Hunter (127)

Representative Jack Jackson (89)

Representative Fred Kratky (65)

Representative J.C. Kuessner (152)

Representative Brad Lager (4)

Representative Paul LeVota (52)

Representative Scott Lipke (157)

Representative David Pearce (121)

Representative Marilyn Ruestman (131)

Representative Ray Salva (51)

Representative Wes Shoemyer (9)

Representative Michael Spreng (76)

Representative Neal St. Onge (88)

Representative Ed Wildberger (27)

Representative Terry Young (49)

INTRODUCTION

House Interim Committee on Job Creation and Economic Development

In recent years, the loss of manufacturing jobs and recent plant closings in Missouri have adversely affected communities throughout the state. As a result, the issues associated with job creation and economic development are receiving special attention from the state.

In response to widespread interest in these topics, the Honorable Catherine Hanaway, Speaker of the Missouri House of Representatives, appointed an interim committee to examine job creation and economic development. The Chair of the committee was Representative Ron Richard (129) and the Vice-Chair was Representative Tom Dempsey (18). Other members of the committee were:

Representative Randy Angst (146)
Representative Brian Baker (123)
Representative Frank Barnitz (150)
Representative Cynthia Davis (19)
Representative Yaphett El-Amin (57)
Representative Doug Ervin (35)
Representative Jack Goodman (132)
Representative Ted Hoskins (80)
Representative Rodney Hubbard (58)
Representative Steve Hunter (127)
Representative Jack Jackson (89)
Representative Fred Kratky (65)
Representative J.C. Kuessner (152)
Representative Paul LeVota (52)
Representative Scott Lipke (157)
Representative Brad Lager (4)
Representative David Pearce (121)
Representative Marilyn Ruestman (131)
Representative Ray Salva (51)
Representative Wes Shoemyer (9)
Representative Michael Spreng (76)
Representative Neal St. Onge (88)
Representative Ed Wildberger (27)
Representative Terry Young (49)

The House Interim Committee on Job Creation and Economic Development was charged with examining why Missouri has lost over 100,000 jobs in the last two years and currently leads the nation in job loss. The committee was also charged with investigating the causes of this and other issues relating to commerce, competition from other states, industrial growth, expansion and development and the creation and retention of jobs. The committee held hearings in Jefferson City, St. Louis, Kansas City, and Sikeston to review the impact job loss and the lack of economic development has had on their economies and communities. The committee evaluated the impact of competition from bordering states, and the current economic recession on job loss. The committee studied the benefits of emerging technologies and life sciences research, customized training, current economic development incentives offered by the state and potential incentives the state should consider offering.

Because the State is currently having such tremendous financial difficulty, Chairman Richard required that the cost of food and lodging be paid for by the cities in which the hearings were held. The State only paid for mileage driven by the members and the staff to and from the hearings. The cities met this challenge enthusiastically and, in fact, went well beyond their duty. Chairman Richard would like to take this opportunity to thank all of the cities for their hospitality and interest.

Approximately 80 individuals testified during the committee's hearings and no one who asked to speak before the committee was denied the opportunity.

This report includes an analysis based on information received from state agencies, city offices, local organizations, members of the business community, and citizens, and also includes the committee's findings and recommendations. Submitted written testimony is included in the appendices.

TESTIMONY AND MAJOR ISSUES

CURRENT ECONOMIC TRENDS IN MISSOURI

Dr. Daryl Hobbs, the director of the Office of Social and Economic Data Analysis at the University of Missouri-Columbia gave a presentation to the committee about the current state of Missouri's economy. This presentation examined population shifts, the dichotomy between where people live and where they work, and education and employment trends.

Dr. Hobbs testified that in the 1980s, Missouri had a 4% increase in population which was entirely attributable to the fact that there were more babies born during that decade than there were deaths. In the 1990s, Missouri saw a population boom in which only 17 counties lost population. Dr. Hobbs testified that this increase in population was not the result of large concentrations of jobs in Kansas City or St. Louis. Rather, people were moving to Missouri for the quality of life they thought they would have here. Also, as a result of Internet technology, many people were able to bring their jobs with them. In fact, in the 1990s, the "open country" population was the fastest growing population in Missouri. The "open country" population refers to the number of people living outside the city limits of any city. Because of the Internet, all markets can be reached from anywhere in Missouri. The concern that one might be too isolated in rural Missouri has been eliminated. According to Dr. Hobbs, investments in communications technology may be the most important investments we can make so that this trend can continue.

Dr. Hobbs also testified that in 1990, 62 counties had a population where 30% of the people had not graduated from high school. In the year 2000, only 17 counties had a population such as this. Dr. Hobbs said that this shows that, throughout the 1990s, more people were being educated. He said that many people who get a two-year degree are older, in their 30s and 40s. Dr. Hobbs said this indicates that Missourians are looking to the future and are hopeful that more training will help them better their job prospects and personal economic outlook.

Dr. Hobbs testified that "transfer payments" accounted for $25 billion (or 17%) of the state's total economy in 2001. A "transfer payment" is an entitlement and does not include farm payments. Forty-two percent of transfer payments are social security and 43% are health care (Medicare or Medicaid). Transfer payments are used by the recipient for day-to-day expenses, like groceries, utilities, and housing, and medical care.

This is significant in Northern Missouri, in particular, where the death rate has been exceeding the birth rate for several years because when a person dies, the transfer payment stops. As a result, less money is spent in the community.

Missouri has 144,000 private sector employers. These are *employers* – people who employee at least one person – it does not include self-employed people. Of these, 123,000 (or 86.2%) employee fewer than 20 people. Eleven percent of Missouri employers employ between 20 and 99 people. Only 2.8% employ more than 100 people, however, this accounts for about 60% of Missouri's workforce. The remaining 40% is employed by small businesses. Dr. Hobbs also

noted that working for a small business does not necessarily mean working for a lower wage.

Dr. Marty Romitti, director of the Missouri Economic Research and Information Center (MERIC), testified that Missouri's economy has a diversified structure, and therefore, national trends will ripple through the Missouri economy because it is very much like the national economy. He said that having a diversified economy is only bad during a general recession, when all industries are affected. Dr. Romitti testified that between July 2002 and July 2003, Missouri lost 12,700 jobs. He noted that most of Missouri's job loss is happening in businesses that employ more than 20 people. It is not happening in the 86.2% of employers who employ fewer than 20 people.

COMPETITIVE ENVIRONMENT

MO is bordered by 8 other states – more than any other state in the union. This creates a unique competitive environment. The committee heard many anecdotal stories from business owners about the competition they face from Missouri's border states.

In particular, Datacore Marketing, Inc., left downtown Kansas City, Missouri for Kansas because the economic development incentives Kansas promised were too good to pass up. Datacore is a rapidly growing data-based marketing services company that currently employees 80 people and has $13 million in annual revenues. As reported in The Kansas City Star on October 28, 2003, Mr. Jeff Yowell, Datacore's president said, "It was the only financially responsible decision for me to make." Mr. Yowell also said that when he started the company, his intention was to remain in downtown Kansas City because he wanted the downtown area to prosper. But once Kansas made its offer, "it was a no-brainer decision" for him.

This same newspaper article goes on to discuss other instances in the last few years in which Kansas has lured Missouri companies away. This article is included in Appendix GGG.

Another border state, Iowa, has made great efforts to nurture the insurance industry. Mr. James Cunningham of the Columbia Insurance Group testified that every year Iowa attempts to lure his business there. According to Mr. Cunningham, Iowa's legislature has made a concerted effort to make the state the best place for an insurance company to be located. The legislature has worked to make every element of the insurance business better with targeted incentives. These elements include human resources, financial aspects of doing business, physical infrastructure, government regulations and legal requirements. For instance, Drury University offers a degree in insurance and risk management and high schools teach insurance education. Iowa decreased its premium holdings tax from 2% to 1%, which Mr. Cunningham said made Iowa extremely competitive. Iowa no longer requires annual examinations and the receivership process was revised so that all receiverships are closed out within six months. Iowa also used highway development funds to provide access to insurance companies' buildings. Tax waivers and property tax rebates were used to lure individuals to move to Iowa, thereby creating a workforce for the industry. Iowa also created a preferred status for businesses with large volumes of phone traffic and provided incentives for communications equipment.

Mr. Cunningham testified that since 1985, when these initiatives began, Iowa's insurance industry has grown 3-5% annually.

TRAINING

At each hearing, the committee heard about the importance of customized training and vocational-technical education. All employees need training and the demand for vocational-technical training and customized training, in particular, is rising.

Mr. Lloyd Baker, director of the Rolla Technical Institute (RTI) , testified that vocational-technical education was not funded at all in the President's budget. He said the "No Child Left Behind" Act ignores vocational-technical education and that the lack of a fully-funded foundation formula has directly affected RTI because the school board has withheld funding for them because they didn't receive all they expected from the state. As a result, adult students have seen a 40% increase in costs.

The Missouri AFL-CIO testified that 67% of all teenagers who enter college receive a bachelors degree and that 23% of those must return to a technical school to get training for a job.

Mr. Gary Sage, of the Kansas City Economic Development Corporation, testified that the New Jobs Training Program is the best incentive program he's seen in 20 years of economic development experience because it allows developers to take the new money being made by companies and reinvest it into their workforce. Mr. Sage said this was beneficial because, even if the company dissolves, the well-trained workforce will remain. He said this program should be expanded.

Mr. Jack Bitzenburg, the President of the Kansas City Business and Technology College, agreed that the New Job Training Program is one of the best the state has to offer. He said this is the best job recruitment tool Missouri has to attract new business and investment to the state and he suggested the legislature create a similar program for job retention.

When Harley-Davidson came to Kansas City ten years ago, they agreed to employ 1,000 people. Mr. Bitzenburg said that a very large capital investment was made and that using the New Job Training Program allowed them to issue $3 million in training certificates which helped recruit, assess, and train those employees. Today, Harley-Davidson has an annual payroll of $38 million.

Mr. Chris Byrd, who is a board member of Platte County's Economic Development Commission, testified that the primary reason Harley-Davidson came to Missouri was the funding for training.

Mr. Bitzenburg testified that more than 80 projects in Missouri have used the New Job Training Program at 58 company sites. From this, $85 million in training certificates have been issued and over 26,000 new jobs created. He testified that according to the state's Division of Workforce Development, the New Job Training Program provided a 9 to 1 return on investment for the state last year.

Mr. Bitzenburg also testified about the Missouri Customized Training Program. He said it's the only program that can help a business "ramp up" for new technology. That program has a

cumulative cap and he suggested that the cap be removed because there isn't much funding left in the program as it stands now.

The Department of Economic Development said Missouri should do a better job investing in our workforce by providing more funding for new teachers so that our children will be educated for the workforce. The Department said that new connections and relationships need to be created between institutions of higher education and economic development, and that money available for customized training programs needs to be increased.

Mr. John Blaskiewicz, the Operations Manager for John Ramming Machine Company, testified that customized training program was very helpful when the company became certified to ISO-9000 and QS 9000 international quality standards. His company has also used customized training funding for other forms of certification as well. Mr. Blaskiewicz testified that while his company received $25,000 in direct funding, it also invested over $55,000, too. He testified that, while the customized training program is vitally important, it is not a handout and he asked the committee to increase the available funding, if possible.

Ms. Missy Marshall, with the Sikeston Area Chamber of Commerce, testified about the Bootheel Regional Training Group (BRTG), a consortium of ten businesses that represent more than 3,000 workers from 8 counties in southeast Missouri. The BRTG has pooled its resources in an effort to maximize customized training dollars and improve the quality of the area's workforce. She testified that the bootheel region cannot afford to lose customized training funding because it is important for business retention purposes. This year, the BRTG received over $50,000 which trained more than 300 employees. Ms. Marshall testified that Missouri "needs to do everything in its power to create a positive environment for training and learning."

Ms. Clare Urhahn, with Rubbermaid , testified that one reason the company decided to move its wood laminate manufacturing operations from Memphis, TN to Jackson, MO was because of the customized training grants the company received. This allowed Rubbermaid to retrain its workforce, which increased productivity and efficiency. With these grants, Rubbermaid was able to have "soft skills training," which helped supervisors and associates learn better management skills and how to effectively prioritize. As a result of this training, their turnover rate went from 74% to less than 10%.

The committee learned that since 2000, funding for customized training has decreased by almost 50%.

EMERGING TECHNOLOGIES AND LIFE SCIENCES RESEARCH

Dr. William Danforth, Chancellor Emeritus of Washington University, testified that he's hopeful that in twenty years, Missouri will have a reputation as a great place for life sciences research. This, of course, will require first-rate science, which Missouri has as a result of the research institutions located in the state, including the state's university system, Washington University, St. Louis University, the St. Louis Botanical Gardens, Stowers Institute in Kansas City, and the Danforth Life Sciences Center in St. Louis.

Aside from good science, good technology is also necessary in order to cultivate the appropriate environment need for life sciences research to flourish. This requires investment which, Dr. Danforth testified, Missouri has not done much of, historically. However, he did note that this trend is changing.

The St. Louis Center for Emerging Technology is an incubator for start-up companies. Dr. Danforth testified that this works beautifully, until the company outgrows the Center and is ready for the next step, which is "wet lab" space. Missouri, to say nothing of the St. Louis region, does not have enough wet lab space to support continued life sciences research. As a result, new companies are likely to leave the Center for places like San Diego, CA. Dr. Danforth testified that we must build more wet lab space for companies that have outgrown the incubator, or resign ourselves to losing them to other states.

Ms. Marcia Mellitz, with the St. Louis Center for Emerging Technology, testified about the Center, which develops life science companies. It is an "incubator" for start-up businesses that are in the earliest stages of development. The Center provides business development, technology product development, and funding to nurture high-growth, research and development companies that work in the life sciences (e.g., medical devices, diagnostic and medical instruments). In the last five years, there have been 24 companies at the Center (currently, there are 12), with 260 jobs, and an annual payroll of $13 million. Eighty-four patents have been issued (187 are pending) and there are five pre-clinical product trials and three clinical product trials.

Ms. Mellitz also testified about "Technopolis" which is a plan to redevelop all of mid-town St. Louis into an area that will nurture the life science industry by creating an environment that will foster technology growth and innovation. Because of this environment, and its close proximity to the research hospitals at Washington University and St. Louis University, it is Ms. Mellitz's contention that life science companies will want to locate in Technopolis because of the cutting-edge research and highly-skilled workforce that will be found there.

Chlorogen is such a company. It began as a "virtual" company in St. Louis and now uses patented technology to produce therapeutic proteins and antibodies in tobacco. Ms. Sharon Berberich testified that Chlorogen's success depends in part on establishing on-going research programs with local universities in the areas of field and agronomic systems, engineering for biomass harvest/in-field processing and environmental and biological studies.

In addition to research collaboration, Chlorogen needs a network of producers who are willing to work with this crop. It is not like traditional farming because it is for pharmaceutical production. Because the tobacco isn't being grown for consumption, rather, for purification, Ms. Berberich assured the committee that the producers would not be subject to federal allotment regulations. Because the crop is a pharmaceutical, it is regulated fully by the Federal Drug Administration. In order to keep the company in Missouri, they will need support, including incentives to build their facilities, which must include a purification plant and "wet lab" space for additional research. South Carolina has made serious offers to lure the company there, which includes a plant and wet lab space, but Chlorogen is, for the moment, hoping to stay in Missouri.

The Department of Economic Development testified that Missouri should focus on technology-based economic development by implementing policies to make Missouri a technology magnate. The Department suggested that the legislature consider making changes in the law that would encourage the development of "technology clusters." The Department suggested changing incentive programs so that they can help companies that are involved in global enterprise. The Department pointed out that the global picture has changed since many of Missouri's incentives were first implemented. The Department said the state should fund and retain world-class scientists and researchers, in addition to doing a better job funding new start-up companies.

FINDINGS & RECOMMENDATIONS

The committee recognizes the complexities of the job creation and economic development issues discussed at each of the hearings. The committee was inundated with information from witnesses at each hearing and the written testimony received by the committee is included in appendices to this report.

The Committee wishes to express its gratitude to Missouri's Department of Economic Development, as well as the St. Louis Center for Emerging Technology, the Stowers Institute, the Sikeston Jaycees, the city offices, local organizations, members of the business community, and individual citizens who took time to provide vital testimony and assistance.

The Committee recommends the following:

FINDING #1:
Tort reform, workers' compensation reform, and unemployment compensation reform must be addressed by the legislature.

RECOMMENDATION #1:
At the chairman's suggestion, the committee chose not to discuss tort reform, workers' compensation reform or unemployment compensation reform because those discussions are on-going. However, these issues were discussed by witnesses at all four hearings and the committee realizes that they are significant elements of the cost of doing business in Missouri. The committee also recognizes the importance of other economic drivers such as good transportation routes (e.g., highways, railroads, airports, rivers). The committee did not focus on these issues when determining findings and recommendations because those discussions are on-going as well.

However, the committee recommends that the legislature work closely with all concerned parties during the upcoming 2004 session in an effort to reach compromises so that these costs can be reduced. The committee feels that Missouri will not be competitive unless tort reform, workers' compensation, and unemployment compensation are addressed in the near future.

FINDING #2:
Emerging technology and life sciences research must be emphasized throughout the state as an immediate priority by increasing funding for such activities, expanding related curricula in elementary and secondary education, encouraging institutions of higher education to actively recruit the best researchers, educators and students in these fields, and by publicizing and marketing Missouri as the best place to be for this kind of research.

RECOMMENDATION #2:
The committee heard testimony at each hearing about the importance of emerging technology and life science research. These industries have the potential to be a great economic boon for the state, since they tend to be fast-growing, high-tech, and high-paying. Therefore, the committee recommends that the state provide more funding to life sciences research and development.

Furthermore, the committee recommends that Missouri's public schools reinforce the importance of agricultural, biological, chemical, and environmental sciences and mathematics to all students. The committee feels that this is an industry Missouri can and must nurture and that our public schools are a resource of critical importance in this endeavor.

According to Dr. Dennis Roedemeier, of Southeast Missouri State University, the Battell Institute's recent report says that Missouri must spend $35 million per year in order to participate in "the new economy." According to Dr. Roedemeier, Missouri spent $2 million this year. He testified that the average level of research funding per year per professor at the University of Missouri-Columbia is currently $100,000. The national average is $300,000/year/professor and at a premier university such as the Massachusetts Institute of Technology, it's $600,000/year/professor. Dr. Rodemeier said that Missouri must increase funding for universities.

Missouri is not investing in its universities, which translates into a lack of investment in life sciences research and development. The committee feels this is a dangerous trend which must be reversed if Missouri expects to play a significant role in "the new economy." Additionally, the committee strongly encourages the state's colleges and universities to aggressively recruit the most talented and promising life sciences researchers, educators and students. The promise of life sciences research and development lies with them and they are, therefore, a key partner for Missouri's success in this industry.

In addition to increased state funding, the committee recommends that incentives for private investment in life sciences research be created and implemented. Specifically, incentives for venture capital and "wet lab" space are critical.

FINDING #3:
Customized Training should be emphasized so that more individuals can receive assistance.

RECOMMENDATION #3:
At each hearing, the committee was inundated with testimony relating to the importance of the customized training program. This year, the state provided approximately $8.7 million for customized training. Without customized training, many businesses would not be able to train their current workforce to use new technology and equipment that becomes available. As a result, these workers are at risk for losing their jobs and businesses will be left without the fully-trained workforce they need in order to compete.

Customized training was touted as one of the best programs Missouri has to offer by witnesses at each hearing. However, many witnesses were concerned that the program may not continue because of reduced funding in recent years. In fact, Mr. Tony Myers with the Centene Corporation, testified that customized training should be viewed as a necessity by the legislature and not as a program for which the funding is optional.

The committee recommends that customized training be emphasized and perhaps expand so that more individuals and businesses can be served throughout the state.

FINDING #4:
Incentive programs for business must be expanded and new, innovative programs must be created.

RECOMMENDATION #4:
Mr. Dick Fleming, with the St. Louis Regional Chamber and Growth Association, said that the BUILD program was responsible for bringing the international headquarters of MasterCard's global operations to the St. Louis area. He said a $12 million BUILD incentive retained 1,000 existing jobs and guaranteed at least 600 new ones (although more than 1,000 new jobs have resulted, according to Mr. Fleming). He noted that these jobs have an average salary of $80,000/year. Mr. Gary Sage of the Economic Development Corporation of Kansas City said that the BUILD program is critical for business recruitment and retention. Mr. George Mitsch's business, UniGroup, Inc. owns United Van Lines and Transit and recently bought Mayflower. Most of their financial resources were stretched in order to buy Mayflower, but they wanted to move the headquarters from Indiana to Missouri. He said they were only able to do this after the BUILD program agreed to help them with $5 million in bonds and $2 million in other financing. His company provided $9 million. The result was that they brought 500 new jobs to Missouri. He said only 30 people chose to move from Indiana – which means 470 of their employees were Missourians. Mr. Byrd also discussed the BUILD program, which he described as "good," although he said it only benefits very large companies because it requires at least 500 new jobs.

The BUILD program recently went from having a cumulative cap of $75 million to having an annual cap of $11 million – but all of those funds have been allocated for this year. Therefore, the committee recommends that the annual cap on the BUILD program be increased and that the new job requirement be reduced from 500 to 250 so that more businesses can participate. The committee understands that simply increasing the annual cap does not mean the BUILD program will be fully funded, however, the committee would like to see the annual cap raised so that when additional revenue is available, more projects can be funded without difficulty or delay.

At each hearing, the committee heard from witnesses about incentive programs Missouri currently has and about those found in other states that Missouri should have. Mr. Byrd said that Missouri should stop relying so heavily on tax credits because they're not always attractive to potential investors. He said that Kansas has a loan program which is preferable because businesses can use the money immediately and pay it back.

The committee recommends that the Department of Economic Development investigate the feasibility of instituting a similar loan program in Missouri, in addition to researching "best practices" from other states in an effort to create innovative incentive programs that are not tax credits.

Because of the success Harley-Davidson had using the New Job Training Bonds Program, the committee recommends that it be re-authorized so that businesses can take advantage of it once again.

FINDING #5:
Job retention incentive programs must be created.

RECOMMENDATION #5:
Missouri communities, such as Kansas City, which are on the border of neighboring states face tremendous competitive pressure. For instance, Kansas City, MO has recently lost Datacore Marketing, Inc, Nebraska Furniture, Cabela's, and a NASCAR racetrack to Kansas City, KS. This equates to losses in many sectors of the economy, including retail, tourism, and business. Missouri cannot afford to lose any more businesses to neighboring states, where the jobs lost to Missouri become new jobs in the new state.

One reason for this is that Missouri's incentives are simply not competitive. In particular, Missouri does not have incentives for job retention. Missouri's incentive programs are for new jobs – there is little assistance available to keep the jobs we've got. However, if a business decides to move to a border state, those jobs are considered "new" and the business can take advantage of whatever "new job" incentive programs that state has. Ultimately, though, Missouri loses.

The committee thinks that Missouri must take care of Missourians. Missouri currently leads the nation in job loss and personal bankruptcy. The committee recommends that the Department of Economic Development create incentive programs that will assist businesses that are in danger of laying off or firing workers, or those that are considering moving to another state or simply closing altogether. First and foremost, the committee feels that the state must do a better job protecting the jobs that exist today.

FINDING #6:
All existing enterprise zones must be re-authorized.

RECOMMENDATION #6:
The committee heard testimony through the hearings about Missouri's lack of competitive environment. One reason Missouri has trouble competing with Kansas, in particular, is that the entire state of Kansas is considered an enterprise zone, which put Missouri at a great disadvantage. Furthermore, most of Missouri's economic development incentives are tax credits which, according to Mr. Byrd, are based on 1978 dollars and haven't been updated. The tax credits correspond to job creation – not job retention. Mr. Byrd testified that, for a company to be competitive in Missouri, it must be located in an enterprise zone. Harley-Davidson chose to locate in Platte County, rather than Jackson County, for this very reason since Platte County has an enterprise zone and Jackson County does not.

The committee is not necessarily recommending that the entire state be designated an enterprise zone, however, the committee does recognize the unmistakable importance such a designation has for a community's economic vitality. Therefore, the committee recommends that all existing enterprise zones be re-authorized.

FINDING #7:
The statutory definition of "distressed community" must be modified so that all Missouri cities benefit equally.

RECOMMENDATION #7:
The current definition of "distressed community" that is found in statute (135.530, RSMo) has led to the entire city of St. Louis being designated a "distressed community." However, many distressed areas in Kansas City, Springfield, and other areas of the state do not meet the criteria. As a result, these areas are not able to take advantage of the tax credit programs designed to help distressed areas.

The committee recommends that the definition of "distressed community" be modified so that all Missouri cities can benefit equally and so that truly distressed areas which currently do not qualify can receive much needed assistance.

FINDING #8:
Missouri needs more coal-fired energy plants.

RECOMMENDATION #8:
The committee heard testimony at several hearings from industries that rely on electric power. Because of Missouri's continued demand for more energy, the committee recommends that more coal-fired plants be built in the state.

Mr. Steve McPheeters, with Noranda Aluminum, testified that energy is critical to his business. He said they are the single largest consumer of power in the state and that energy represents about 30% of their costs. He said that "affordable power" is anything under $30 per megawatt hour. Currently, Noranda is paying $28/MWhr. He said they cannot predict what the cost will be in two years and that it is possible that they will close if rates continue to rise.

Mr. McPheeters testified that aluminum reduction plants in other states have long-term contracts with their energy providers. For instance, he said plants in Kentucky locked into a rate of $25/MWhr through 2010.

Mr. McPheeters testified that Missouri needs more energy sources, and that coal-fired plants make the most sense because they generate electricity cheaply. He said it is possible to operate a modern coal-fired plant cleanly, but they take a great amount of lead time to build. Generally, it takes six to eight years and a $1 billion investment before a coal-fired plant is up and running.

Mr. Craig Brown, of Missouri Energy Development Agency (MEDA) testified that Missouri's investor-owned electric utilities are facing an estimated 3,800 megawatts of additional power generation by 2012. He said Missouri will need 6 new coal-fired plants in order to meet this demand. In addition, Mr. Brown testified that older plants in Missouri need to be retired and replaced. Because coal-fired plants take a long time to build, a benefit is that the construction alone has the potential to employ 500-1,000 people for 5 years.

FINDING #9:
Lambert Field in St. Louis must be a hub for a major airline.

RECOMMENDATION #9:
The committee heard from Mr. Ed Manhart, a representative of the Transport Workers' Union, Local 529, about the enormous difficulties they've had since American Airlines announced it was going to "de-hub" St. Louis, which was, according to Mr. Manhart, a "complete surprise to the employees." Mr. Manhart cited a study done by Dr. Jan K. Brueckner, an economist at the University of Illionis at Urbana Champaign, who found that the 62% decrease in flights operated by American Airlines would affect about 2,000 airline employees but "that, in the long-run, the de-hubbing of Lambert Field will cost the St. Louis Metro Area nearly 50,000 jobs." Dr. Brueckner's report appears in Appendix R. Mr. Manhart further stated that his organization has not seen the drop in air traffic to justify the reduction in employment.

The committee recognizes that it is vital to Missouri's economy that a major US airline be hubbed in St. Louis. This is because it is of critical importance to business people in Missouri that they be able to reach either coast in three hours and so that others can reach us. Also, access to major airports (and airlines) is a critical selling point when luring new businesses to the state. Dr. Brueckner stated that, "Cities fortunate enough to have ... a hub are then able to compete vigorously for business investments in industries whose employees are intensive users of the air transport system.... Because the de-hubbing of Lambert Field will generate an abrupt reduction in the quality of airline service, the attractiveness of St. Louis as a business location will diminish."

In the case of American Airlines, in particular, the de-hubbing will affect the St. Louis region as well as the Kansas City region, where the airline's maintenance hub is located. As a result, the de-hubbing will no doubt be felt throughout the entire state. Therefore, the committee recommends that the Department of Economic Development explore the state's options in terms of retaining the American Airlines hub or recruiting another airline to replace it.

The committee also recommends that Kansas City expand its maintenance hub and acquire contracts to service new-generation jets, instead of the older aircraft that are currently being serviced there. The committee also recommends that the legislature assist Kansas City in this endeavor, as this maintenance hub is vitally important to both the regional and state-wide economy.

FINDING #10:
Missouri's economic development incentives must be evaluated by an unbiased third party.

RECOMMENDATION #10:
Throughout the hearings, the committee heard testimony that centered on Missouri's current economic development incentives. Generally, the testimony revealed that the current incentives are good and should be expanded. However, many witnesses said that Missouri needs new incentives (e.g., for job retention) or different kinds of incentives (e.g., something other than tax

credits, perhaps loans). During the time in which this committee held hearings, allegations of tax credit fraud also surfaced.

As a result, the committee recommends that the state fund an unbiased third party to examine the effectiveness of Missouri's current economic development incentives and to compare what Missouri has to offer to our bordering states as well as to states who are recognized for having "best practices" in economic development. The legislature must know how Missouri stacks up against the competition, and it is the opinion of the committee that an investigation and report done by an unbiased third party is the best way to get this information.

FINDING #11:
Cities and counties must be sensitive to the unintended consequences of their local tax policies.

RECOMMENDATION #11:
Throughout the hearings, the committee heard testimony about local tax policies that may hinder the ability of individual businesses to reach their full potential. For example, St. Louis City's manufacturer's license tax was discussed at length by Mr. John Blaskiewicz who is the operations manager for the John Ramming Machine Company. Mr. Blaskiewicz said that this tax is based on an arbitrary schedule of the equipment's depreciation. If a machine is 1 year old, it is valued at 90%, if it is 2 years old, it is valued at 80%. Once a machine is 7 years old, it is valued at 30%, however, the valuation never decreases (regardless of age or condition). This means that very old equipment will always be taxed at 30% of its value in St. Louis. This is illegal based on Missouri's Constitution, which requires that assessments made for property taxes be based on the property's "true value in money" (Constitution, Article 10, Section 4b) . In other words, its fair market value. As a result, Mr. Blaskiewicz and other manufacturers must appeal this tax to the Missouri State Tax Commission – an effort which is cumbersome, time consuming and expensive. In fact, many small operations cannot afford the appraisals necessary for an appeal or legal counsel. Mr. Blaskiewicz referenced an article in the St. Louis Post Dispatch which said that in a 30 month time span, 45 cases were appealed and all 45 decisions were rendered in favor of the taxpayers. These cases were from throughout the state and included a number from the St. Louis area. He believes this indicates that St. Louis City's tax policy is in error, as well as that of other cities.

The committee recommends that cities and counties be more sensitive to the needs of their local businesses and asks that they review their tax policies to make sure that they do not conflict with state law. Furthermore, the committee hopes that all counties and cities will work to create an appeals process that is less burdensome so that businesses are not mired down in unnecessary bureaucracy.

APPENDIX A

Witness List & Summary of Oral Testimony

This appendix includes a list of witnesses who testified at each hearing. They are listed alphabetically, according to the hearing they attended. The testimony of witnesses who did not provide written testimony is summarized in this appendix. Written testimony given to the committee is included in subsequent appendices.

Jefferson City, MO
September 23, 2003

1. The Columbia Insurance Group
2. Dave Griggs' Flooring America
3. Laclede Electric Cooperative

   Mr. Robert Kreuter testified on behalf of Laclede Electric. He said that Missouri must do a better job marketing itself. He said that 750 people in Laclede County lost their jobs. Of those, 650 needed some kind of retraining in order to get another job, even if they wanted to stay in a similar line of work. He testified that the Missouri Community Assessment Program (MoCAP) is a good way to get grassroots participation. He said the Community Development Block Grant programs are good, and he hopes the Federal government keeps them.
4. Michael's Unforgettable BBQ and Catering
5. Missouri AFL-CIO

   Mr. Herb Johnson and Ms. Cheryl Thruston testified on behalf of the Missouri AFL-CIO about the Dislocated Workers Program. They said that service workers need better training, especially in customer service. They said that not enough is invested in service workers, so they choose not to stay with their employer. The Missouri AFL-CIO also testified that 67% of all teens who enter college receive bachelors degrees but that 23% of those graduates must return to a technical school to get training for a job.
6. Missouri Arts Council
7. Missouri Department of Transportation
8. Missouri Economic Research Information Center (MERIC)
9. Missouri Soybean Association
10. Office of Social and Economic Data Analysis (OSEDA), University of Missouri-Columbia
11. Representative Todd Smith (118)
12. Rolla Technical Institute
13. University of Missouri-Rolla

St. Louis, MO
October 14, 2003

1. Mr. Peter Amann, UniGroup, Inc.
   Mr. Amann testified about his company, which is the largest van line in Missouri. When his company wanted to move the Mayflower headquarters from Indiana to Missouri, they were only able to do it after the BUILD incentives became available. He said the result was that they brought 500 jobs to Missouri. He said that the company must meet certain parameters annually, or face a reduction in the value of the incentive. In the event that the company is unable to meet all the criteria fully, the company won't receive the tax credits. He testified that the tax credits are incumbent upon meeting the stated contract requirements.
2. Mr. John Blaskiewicz, John Ramming Machine Company
3. Mr. Donald Breckenridge, owner of the Sheraton City Centre Hotel
   Mr. Breckenridge testified that Missouri's Historic Preservation Tax Credit program is the most innovative program he's ever seen. He said that it was only because of this program that he was able to renovate the hotel (which was a vacant warehouse). The tax credits made the project financially feasible and the hotel's business is thriving. As a result, he's renovating the Keil Opera House as well as another building which will be a "boutique hotel." In total, these projects cost about $154 million and will create 550 new jobs (not counting the construction workers required who do the renovation). Mr. Breckenridge testified that none of these projects would be possible without the Historic Preservation Tax Credits.
4. Mr. Craig Brown, Missouri Energy Development Association
5. Dr. William Danforth
   Dr. Danforth testified that Missouri needs to keep growing new businesses in the state. He said Missouri isn't as good at starting new companies as other states, especially science-based companies. He said he's seen people in Missouri who have good ideas who are forced to move to the west coast in order to obtain funding, only to see that business later sold for millions. He said the Center for Emerging Technology is a wonderful resource for companies in their infancy. However, once the company outgrows the Center's facilities and resources, there are very few places in Missouri for them to go. He said one solution to this problem is the creation of commercial wet lab space. He testified that, without this space, new companies will leave Missouri for places like San Diego, where wet lab space is readily available.
6. Mr. Jerry Feldhaus, AFL-CIO
7. Mr. Richard C. D. Fleming, St. Louis Regional Chamber and Growth Association
   Mr. Fleming testified that tax credits are the primary business incentive in Missouri. He said the BUILD tax credit program was responsible for bringing the international headquarters of MasterCard's global operations to the St. Louis region.

8. Ms. Barbara Geisman, Mayor's Office, City of St. Louis

   Ms. Geisman testified that the St. Louis region produces over 40% of the state's revenue. She said that it's vital to keep the region's momentum alive. She said that she hopes the state retains key incentive programs, such as the Historic Preservation Tax Credit Program, Brownfield Tax Credit Program, Distressed Communities Tax Credit Programs, and other development tax credits. She said the region supports life science research, quality education, and improved transportation routes.

9. Mr. Eddie Hassan, Mokan CCAC
10. Mr. Michael Jerome, SITE Improvement Association, St. Louis Area Contractors
11. Mr. Ed Manhart, Transport Workers Union, Local 529
12. Mr. Ray McCarty, Missouri Chamber of Commerce
13. Ms. Marcia Mellitz, Center for Emerging Technologies
14. Ms. Brenda Newberry, Newberry Group

    Ms. Newberry testified that she started her business in 1996 with 1 person and now they employ over one hundred. She said that training is important, so much so that they have a training incentive program and tuition reimbursement for their employees. She said that education incentives for local training are vital for her business so that she will be ready for the next frontier. She also testified that providing health care for her employees is a battle she fights every day because it's very difficult to compete with bigger employers. Health care. It's a battle every day. We lose resources every day because we can't compete in the health care arena.

15. Mr. Michael Nuemann, Communications Workers of America, Local 6320
16. Mr. Jerry Schlicter
17. Mr. Henry Shannon, St. Louis Community College
18. Mr. Anthony Thompson, The Kwame Building Group, Inc.

    Mr. Thompson testified that small businesses are the primary employers in Missouri. He said the highest unemployment rate is found among minorities and that minority businesses tend to hire minorities. He testified that several of his employees have relocated from other states, primarily because of the high growth rate of his organization and the opportunities that wouldn't exist for them in a large corporation. He said that people want to be in an innovative environment where there is opportunity for growth, and a small business can provide that. He said there were great opportunities for minorities and women but added that if minorities don't feel like there's an opportunity for growth, they aren't going to move to Missouri. He said Missouri must broadcast a message of inclusion.

19. Mr. George Mitsch, UniGroup, Inc.

    Mr. Mitsch testified that his company is the largest van line in Missouri. When his company wanted to move the Mayflower headquarters from Indiana to Missouri, they were only able to do it after the BUILD incentives became available. He said the result was that they brought 500 jobs to Missouri.

20. Mr. Larry Walker, National Electric Contractors Association
    Mr. Walker testified that people he represents make a very good wage, are well trained, and work in very dangerous environments. He said that they train their people without state money. He pointed out that the prevailing wage isn't necessarily the same as the union wage. He said that undermining the tax base in a community by employing people from neighboring states doesn't help matters. He said that bringing someone in from Arkansas to do a job that a Missourian could do completely undermines the whole community. He said that encouraging people to invest is the most important thing the state can do.

Kansas City, MO
October 28, 2003

1. Ms. Judith Ancel, the Institute for Labor Studies and the Missouri AFL-CIO
2. Mr. Wendell Bailey, US Small Business Administration, Office of Advocacy
3. Ms. Mary Becker, Missouri Hospital Association
4. Mr. Jack Bitzenburg, Business and Technology College of MCC
5. Mr. Christopher Byrd, Board Member of Platte County EDC
   Mr. Byrd testified that Missouri and Kansas offer different incentive packages. He said Missouri only uses tax credits which are based on 1978 dollars. He said the tax credits are only tied to workforce expansion, job retention. He said that for a company to be competitive in Missouri, it has to locate in an enterprise zone. The whole state of Kansas is an enterprise zone, but that's not the case in Missouri. He said that any Missouri business can move to Kansas to take advantage of their incentive programs because all of those jobs are "new jobs" to Kansas. When this happens, Missouri can't offer anything to the business to stay because Missouri doesn't have any job retention incentives. He suggested making the entire state an enterprise zone so that Missouri can more readily compete with Kansas. He also said Missouri needs to stop relying solely on tax credits because they're not always attractive to potential investors.
6. Mr. Jim Devine, Lee's Summit
   Mr. Devine testified that Missouri needs specific programs to support life sciences research and the bio-tech industries. He said we need to nurture these industries if we're serious about them being part of our future. He said we need to have a regional awareness and said we should reach some sort of an agreement with our bordering states about what constitutes a "new" job. He said that Missouri will need to start counting retained jobs in its formulas because they're always "new" to another state. He stressed that retaining jobs is just as important as creating new ones.
7. Mr. Ted Dorton, Monett R1 Schools and the Southwest Area Career Center
8. Mr. William P. Duncan

9. Mr. Pete Fullerton, Platte County EDC

   Mr. Fullerton testified that providing incentives for investment is an important element of job retention. He said that Missouri needs to stop tying credits to job creation – allow people to improve what they have and keep the jobs they've got. Give businesses a reason to invest in their business.

10. Ms. Kay Gerken
11. Mr. Jim Hampton, Clay County EDC

    Mr. Hampton testified that the bulk of new jobs comes from existing businesses and said that Missouri needs to do a better job with existing businesses to retain jobs. He said that the programs designed by the Department of Economic Development were done so in the mid 1980s. He said that things have changed significantly since then. He said that Kansas created its economic incentives later, and, therefore, they're a better fit with today's business climate.

12. Mr. Samuel C. Jones, US Small Business Administration
13. Mr. Gary Kemp, Greater KC Building and Construction Trades Council
14. Ms. Nancy Kimak, Kimak's Pest Control, Inc.
15. Mayor Karen Messerli, Mayor of Lee's Summit
16. Mr. Jim Moody, Moody & Associates
17. Mr. Gary Sage, Kansas City Economic Development Corporation
18. Mr. Craig Schroer, United Technical Industries, Inc.
19. Ms. Rebecca Snow-Cessor, Missouri Enterprises
20. Mr. Frank Washburn, Monett Southwest Career Center and Jack Henry & Associates
21. Mr. John Wells, owner of Ernie's Steakhouse

    Mr. Wells is the current owner of a business that has been in his family for nearly sixty years. He testified that health insurance is one problem small business owners face, but so is general insurance like workers' comp and liability. He said he had one claim for a minor injury and his carrier notified him that the company that underwrote the policy put him in a high-risk group. It cost him $4,000 more because of that single claim. He said that he's been in business for 32 years and every year he gets recommendations about changes he must make for his liability insurance. He said he implements all of the suggestions he receives but that his insurance rate has never gone down. It continues to go up. He said a good claim history should be a credit, and that he should receive a discount or lower rates. Mr. Wells also testified that the riverboat casinos have been detrimental to his business, first by taking away his bartenders and wait staff, and then by taking away his customers. He said the casinos are responsible for much of his business loss. He said they offer better benefits, including health care, for their employees and they can sell food and drinks for less than he does. One reason for this is that in Missouri it's against the law to sell liquor for less than what it costs, but the casinos aren't policed by the State Liquor Control. They're controlled by the Gaming Commission. He said he only wants to compete fairly, and he can't. He said that small business owners don't get the same tax advantages or incentives as big businesses do. He said he'd like to remodel his restaurant, but the state won't give him any money to do it. He said the big corporations will survive, but the small businesses won't. He said something should be done to save family businesses, too.

Sikeston, MO
November 18, 2003

1. Ms. Sharon Berberich, Chlorogen, Inc.
2. Mr. David Brewer, City Manager of Charleston, MO
3. Mr. Travis Brown, Chlorogen, Inc
   Mr. Brown testified with Ms. Berberich about Chlorogen, Inc. Please refer to her written testimony.
4. Mr. Gary Capps, Bootheel Regional Planning and Economic Development Commission
5. Mr. Michael Dumey, Bootheel Regional Planning Commission
   Mr. Dumey testified that his organization helps mayors and other officials coordinate between all the necessary agencies when putting together a large development package. He said that because of funding limitations, they are now doing more with less.
6. Mr. William O. Green, Sikeston Department of Economic Development
7. Ms. Bev Hickam, Mineral Area College, Missouri Association for Customized Training
8. Mr. Charlie Kruse, Missouri Farm Bureau
9. Ms. Missy Marshall, Sikeston Area Chamber of Commerce
10. Mr. Barry Martin, Monsanto
11. Mr. Steve McPheeters, Noranda Aluminum, Inc
12. Mayor Michael Marshall, Mayor of Sikeston, MO
    Mayor Marshall testified that Sikeston is a wonderful strategic transportation point. He said there are three ports in the bootheel region. He said they need help from the state to build a four-lane bridge across the river into Kentucky. He said the area has lost many manufacturing jobs and added that they're willing to provide the infrastructure and southern hospitality that people expect in order to lure new businesses to the region.
13. Mr. Tony Myers, Centene Corporation
14. Mr. D. Mitch Robinson, Cape Girardeau Economic Development
15. Mr. Dennis Dale Roedemeier, Southeast Missouri University
16. Mr. Harry Rogers, Council of Governments
17. Mr. Joe Rozier, Workforce Employment Solutions and the St. Genevieve Chamber of Commerce
18. Ms. Barbara Shepard, The Doe Run Company
19. Dr. Gene Stevens, Chlorogen, Inc
20. Ms. Clare Urhahn, Rubbermaid
21. Mr. Rob Welge, Glister-Mary Lee Corporation

APPENDIX B

Written testimony of Mr. Jim Cunningham,
Columbia Insurance Group



Iowa, U.S.A.

SMART STRATEGIES FOR SUCCESS IN THE INSURANCE INDUSTRY

IOWA
SMART IDEA™

LOWER YOUR RISK — IN IOWA

Insurance is big business in Iowa, where success builds upon success. Iowa's insurance industry output, as a percent of the state's total economy, is second-highest among the 50 states. As one of our largest and fastest-growing industries, insurance employment has grown seven times faster than overall state employment, putting more than 40,000 Iowans to work. This means you can find highly qualified people with the experience and skills needed to serve your company's customers with excellence.

"Success in insurance boils down to one thing — good people. Iowa has one of the most educated and productive workforces in the world. That is our defining advantage."

Kirke Dorweiler, Managing Director
Marsh
West Des Moines, Iowa



In recent years, 13 insurance companies selected Iowa as their state of choice and announced new or expanded facilities. The result was a total of $240 million in new investment and the creation of 2,100 jobs. Supporting the critical mass of insurance companies present in the state, Iowa is also home to a variety of accounting, consulting, data-processing, legal, printing and third-party administration companies.

"As a large corporation, Principal could locate operations in almost any part of the world. We have chosen to remain and expand in Iowa because of the state's good business climate, solid regulation, and exceptionally motivated and productive workforce. We in Iowa invite others to join us in realizing these advantages. The state of Iowa, its people and industry are ready to welcome investment in the state from other insurance and financial services companies."

J. Barry Griswell, Chairman, President and Chief Executive Officer
Principal Financial Group
President of the Federation of Iowa Insurers
Des Moines, Iowa



Iowa's insurance industry has:

- 59 domiciled property and casualty companies
- 29 domiciled life insurance companies
- 7 Health Maintenance Organization headquarters
- More than 100 county mutual insurance company headquarters
- Over 40,000 workers

LOWER TAXES MEAN MORE PROFITS

Iowa's business climate is now more conducive than ever for an insurance company's success. In 2002, a state law was implemented that cut Iowa insurance premium tax in half, from 2 percent to 1 percent, over a four-year period. Once the tax reductions take full effect, Iowa will have one of the lowest insurance premium tax rates of any state, resulting in significant savings for insurance companies domiciled in Iowa.

"The insurance industry in Iowa worked together with elected officials to reduce the premium taxes in order to ensure Iowa companies continue to remain market-competitive. The reduction in premium taxes will be an important savings for all Iowa-based insurance companies and their customers, and should encourage insurers to make additional investments within the state."

John Forsyth, Chief Executive Officer
Wellmark Blue Cross and Blue Shield
Des Moines, Iowa

In addition, Iowa does not charge premium taxes on sales of annuities or qualified life insurance plans. Nor does the state assess any additional surtaxes or income taxes on insurance carriers, unlike some other states. Other tax advantages include no sales or excise taxes on interstate or international telecommunications services and no sales taxes on computers or related equipment.

A QUALIFIED AND QUALITY WORKFORCE WELCOMES YOU

Iowa is known as a Smart Idea for a reason. Our reputation for years of commitment to education has paid off in our well-educated, productive and available workforce — the key to success in the insurance industry. Iowans have been working in this realm since 1867, when the first insurance company west of the Mississippi, Equitable of Iowa*, was established in Des Moines. Since 1990, Iowa's insurance industry employment has grown by more than 40 percent.

Our typically low unemployment rate is misleading. The number actually is a reflection of the nature of our residents — Iowans want to work. Here underemployment is more of an issue, and many currently employed people will jump at the opportunity to move up within the insurance industry or enter the business, which generally offers good benefits and working conditions.

"In the spring of 2002, ING realized that in the wake of recent acquisitions, it needed to consolidate its many operations. As a result of an exhaustive analysis of many factors, including costs and labor supply, ING decided not to cut back its Des Moines operations but to expand instead. We have filled more than 350 positions and had over 3,800 applications to choose from."

Christopher R. Welp, Site Manager
ING
Des Moines, Iowa

*Equitable of Iowa is now a part of ING.

Other Iowa Advantages

Fifth-most-favorable business liability climate in the nation — *U.S. Chamber of Commerce, 2002*
Fifth-lowest cost state for business — *North American Business Cost Review, 2002*
Large cluster of existing insurance industry support services
Fifth-best state for e-commerce — *Progressive Policy Institute, 2002*
State-sponsored premium tax credits and job expansion incentive programs





Iowa's strong education system, from grade school through higher education, produces the kind of skilled and adaptive workforce so needed in business today. In a state where education has always been a priority, workers typically start by gaining certificates and degrees in one area, but go on to gather further specialized knowledge in their areas of expertise.

Our image as a state of smart people is well deserved, proven by our number-one ranking in the SAT college entrance exam. The Progressive Policy Institute ranks Iowa number one in the nation for education overall.

With 41 public and private colleges and 28 community college campuses, we are turning out sharp graduates prepared to enter the insurance and financial services arena. Drake University in Des Moines offers degree programs in both insurance and actuarial science. The Kelley Insurance Center, also located at Drake University, offers programs for professional insurance development and continuing education. The University of Iowa has a well-respected actuarial science program and experienced professors sharing their personal business knowledge. University of Northern Iowa graduates have the nation's highest rate for passing the Certified Public Accounting (CPA) exam. Iowa State University and many other Iowa colleges and universities offer extensive programs in business and information technology.

"We consider ourselves fortunate to be able to draw from one of the best-educated, most talented labor pools in the nation. That and the cooperation we received from state and local entities as we planned our new location were key factors in our decision to build our new corporate headquarters in Des Moines."

Dr. Louis Sportelli, President
NCMIC
Des Moines, Iowa

Insurance companies locating or expanding in Iowa can also benefit from our New Jobs Training Program that provides significant funding to help meet companies' customized training needs. These training funds are flexible and can be used for purposes such as:

- Screening, skills assessments and testing
- Travel costs for new employees for training anywhere in the world
- In-office training by company instructors or outside training contractors
- Training facilities, equipment, materials and supplies
- College tuition, books and licensing exam fees



Iowa's Educational Advantages

- First in SAT college entrance exams; sixth in ACT exams
- 69 percent of Iowa students intend to pursue higher education
- First in education by Progressive Policy Institute
- Fourth in high school graduation rate
- 41 public and private colleges and 28 community college campuses

LOWER OPERATING COSTS MAKE INSURANCE COMPANIES MORE COMPETITIVE

When compared with large cities and other areas of the country, Iowa's labor force wages and salaries may be lower. However, a company's greatest savings often come from the tremendous high-quality output of Iowa's dependable and productive workforce. Companies with multiple sites in other states routinely find that Iowa facilities are among their most productive. Other cost savings may be achieved from lower unemployment insurance and workers' compensation costs in Iowa, which are both among the lowest in the nation.

"The work ethic, productivity, education and skill level are definitely higher in our Iowa location."

Dave Quandt, Vice President of Service
American Home Shield
Carroll, Iowa

Significant savings may also be realized from Iowa's lower office space costs. There is an ample supply of office space available across the state for sale or lease at reasonable rates. In addition, electricity and other utilities, including high-speed broadband, are more readily available at a lower cost than in many other states. In November 2001, Economy.com ranked Iowa as one of the lowest cost states in which to do business. And in 2002, Iowa was ranked fifth-lowest in cost for businesses, according to North American Business Cost Review.

PROGRESSIVE AND RESPONSIVE REGULATION

Iowa has served as a model for other states crafting changes to their own insurance laws, having launched and perfected initiatives to support the insurance industry. And of course, Iowa continues to play a leadership role in the National Association of Insurance Commissioners (NAIC). Iowa was among the first states to adopt:

- Legislation authorizing the purchase of a "corporate shell," the charter and inactive license of a domestic insurer that has been liquidated. This can save companies time and effort in beginning operations and selling in multiple states, by reactivating old licenses rather than obtaining new ones.

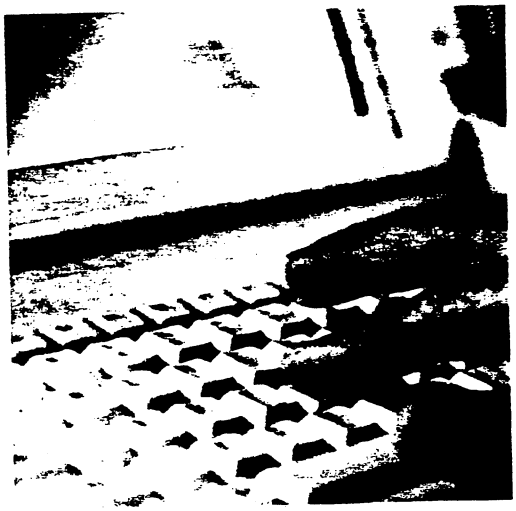
- A "Port of Entry" procedure for international insurance companies providing ease of entry to the U.S. market from Iowa. This "Port of Entry" law treats a U.S. operation of an international insurer as a domestic Iowa insurer.

- Legislation allowing mutual insurance companies to reorganize into mutual insurance holding companies, granting them greater access to capital.

"We are proud of Iowa's heritage of progressive and responsive insurance regulation. We will continue to provide strong and fair regulation, while maintaining an innovative and flexible regulatory climate that keeps insurance companies thriving and encourages them to grow in Iowa."

Therese M. Vaughan, **Iowa Commissioner of Insurance**
President, National Association of Insurance Commissioners, 2002





Our tradition of excellent insurance regulation means that Iowa's Insurance Division is firm, but fair, which serves the interests of both the insurance industry and consumers. Perhaps most important, Iowa's insurance regulators are responsive. Insurers doing business in Iowa will find an open-door policy that allows them to anticipate and solve problems, develop new products, and receive quick decisions. Companies seeking to redomesticate to Iowa are given clear and helpful guidance on how to meet requirements in order to become an Iowa-based insurer.

"After AEGON acquired Transamerica, it was a very easy decision for us to redomesticate several of the Transamerica life companies to Iowa. Iowa simply has the most balanced and professional approach to insurance regulation among all the states."

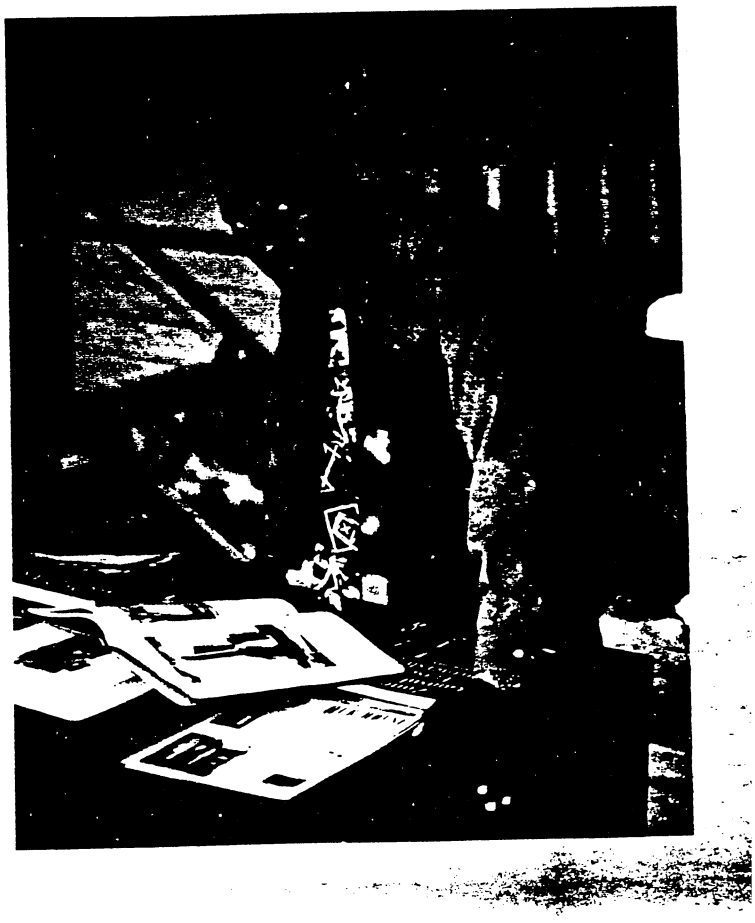
Patrick Baird, President and Chief Executive Officer
AEGON, USA, Incorporated
Cedar Rapids, Iowa

CENTRAL LOCATION

Iowa is located safely in the center of the heartland. It is at the crossroads of not only interstate highways, but also of many national, fiber-optic telecommunications highways. Being in the Central Time Zone allows Iowa insurance companies to stretch their regular workday hours and conveniently service customers on both coasts.

Direct air service is available from Iowa's major cities to the main air travel hubs of Atlanta, Chicago, Cincinnati, Dallas, Denver, Detroit, Houston, Kansas City, Memphis, Milwaukee, Minneapolis, New York, Phoenix, St. Louis and Washington, D.C.

Interstate 35 goes north to Minneapolis and south to Kansas City; Interstate 80 takes you east to Chicago and west to Denver; Interstate 29 goes north to Sioux Falls, passes near Omaha and goes south to Kansas City. And in eastern Iowa, the Avenue of the Saints cuts through Iowa, connecting St. Paul/Minneapolis and St. Louis.



YOU CAN HAVE IT ALL

We treasure our leisure time almost as much as we value our work. This aspect is epitomized in the state's recent commitment to investing more than $200 million in over 60 new entertainment and recreational attractions through the Vision Iowa program. Its purpose is to challenge Iowa communities to create visionary infrastructure projects that will make their regions even more livable for the next generation of workers.

For example, communities in all four corners of the state have reclaimed their riverfronts with cultural, recreational and entertainment centers — in Sioux City and Council Bluffs on the famous Missouri River to the west; in Marquette, Dubuque and Davenport to the east on the mighty Mississippi. In Des Moines, the Capital City Vision Project includes the Iowa Events Center, a new science center, the Hall of Pride to recognize Iowans' achievements, a new public library, an entrepreneurial learning center, and the restoration of a historic building to house the World Food Prize Center.

Life in Iowa offers a place where children grow up living in good communities, enjoying safe streets and attending some of the best schools in the nation. Iowa's uncongested cities and safe neighborhoods have earned us the number-one ranking for Social Health by Fordham University. And you'll find that, overall, the cost of living in Iowa is much lower than in most other locations.

Come and see for yourself. Iowans believe we have it all when it comes to living a balanced, high-quality life, and we want you to come and enjoy it with us.

"When Midland National decided to expand its annuity business, it started an annuity center in Iowa. Why Iowa? Because of the tax climate, the insurance industry already located here, and Iowa's reputation for excellent regulation. We have not been disappointed. In just three years, we have grown from four people to over 170 people in our West Des Moines office. I would highly recommend Iowa to any insurance company establishing new operations."

Jon Newsome, Executive Vice President
Midland National Life Insurance Company
Annuity Division
West Des Moines, Iowa

Iowa — Smart Idea™

In Iowa, an insurance company really can have it all: lower taxes, a motivated and productive workforce, lower operating costs, supportive regulation, a high quality of life. Beyond that, Iowans recognize the importance of the industry to the state and its residents.

Invest your future in Iowa, and Iowans will invest themselves and their resources in your company. We encourage you to take away the risk of searching for a location and consider Iowa for your new home. We will work with you on a confidential basis to find the perfect location for your operation in one of our many great Iowa communities.

Contact:

Allen Williams, Director of Insura...
Iowa Department of Economic Deve...
200 East Grand Avenue
Des Moines, Iowa 50309
Phone: 1.515.242.4771
Fax: 1.515.242.4749
E-mail: allen.williams@ided.state...
1.800.245.IOWA (4692)

Iowa
SMART IDEA™

APPENDIX C

Written testimony of Mr. David R. Griggs,
Dave Griggs' Flooring America

Notes for Job Creation and Economic Development Committee
Tuesday, September 23, 2003
12:35 P.M.

Issues

What issues either prevent or impede my company from growth/expansion, therefore impeding job growth/creation.

Company background:

Founded the company in 1975. Have grown the company, over the years, to where we are today; one of the larger, single location, floor covering operations in the state.

Our industry traditionally employs "sub-contractor" companies and individuals to provide installation services for the products we sell. This is simply the most cost efficient way for us to do business.

Payroll 99	407,477.55 employee	585,949.86 sub	$ 993,427.41
Payroll 2000	511,933.01 employee	698,455.32 sub	$ 1,210,388.33
Payroll 2001	497,908.71 employee	580,403.54 sub	$ 1,078,312.25
Payroll 2002	556,439.70 employee	674,262.92 sub	$ 1,230,702.62

I am here today to call two significant issues facing my company to your attention.

The first issue, Workers Complementation, is difficult, yet simple in my opinion, to deal with legislatively. Our work comp costs have risen significantly over the last 24 months by about 22%. That's a problem in itself. There is another significant issue that my industry faces. Missouri work comp law specifically exempts requiring "owners or partners" of a contracting company to have work comp coverage on themselves. I have no idea why this is the law, but it is. Now the problem. If I employee a subcontractor, for example, Joe & Jim's Installation Service. Joe and Jim are Partner owners of this installation service. As partners they have the option to NOT provide themselves workers compensation insurance. However, when I am audited by my work comp carrier, I must produce certificates of insurance proving work comp coverage on Joe and Jim or I MUST PAY THE PREMINUM ON THE PAYROLL I HAVE PAID THEIR COMPANY. This makes absolutely no sense! Either they are EXEMPT, or they are required to provide this coverage on themselves as well as their employees. Why is this a problem? One has to be an idiot to do business without this coverage. It's simple, accidents do happen. Our subs do hard work. They lift heavy rolls of carpet, they move heavy furniture, and the list goes on. I REQUIRE work comp coverage from all subs. That's the right way to do business. Some of my competitors do not require this coverage.

They also skirt the law by "recommending an installer" who is paid by the consumer for the installation. They have No CONTRACT WAGES to report in an audit!

What happens when the installer hurts his back on one of those jobs? He simply waits until he is working on one of my jobs and claims he hurt his back working for me to get the coverage. Hopefully you see the potential for fraud, additional costs on companies who do business the right way here. The solution, change the law to require all employees, owners, partners, etc. affiliated with and "actually working" in or for any enterprise to have work comp insurance. I also had an installer who was ruled to have a permanent disability due to cutting is hand. Missouri Employers Mutual paid him $ 25,000.00 for this injury. His only time off work was the two hours it took to go to the "Doc in the Box" to get the cut stitched. He was back at work that afternoon!

Another Insurance issue, I am required to maintain "Certificates of Insurance" on all my subs. These certificates indicate that said person or company has General Liability, Auto, and Workers Compensation coverage that expires on the date indicated on the certificate. What does this mean? What if the "contractor" is making monthly payments for his insurance coverage? What if he makes the down payment and NEVER makes another payment. The answer is obvious, the provider cancels the coverage. BUT, the agent has issued me a certificate of insurance that specifically indicates that this contractor HAS THESE COVERAGES for a specified time period. There is no requirement that the agent or provider informs ME that this coverage has lapsed for any reason. What does this mean? I am employing an uninsured contractor. I am liable for any damage, injury, etc. that takes place with this person. If I am unfortunate enough to employee a contractor who has provided me with all the required certificates of insurance, and if my work comp company just happens to be the carrier stated on that certificate of insurance, and if that carrier just happens to cross-check it's records to see if that contractor really does have that coverage, and if that carrier finds out that the contractor's coverage is NOT in force, WHAT HAPPENS. I AM CHARGED THE FULL PREMINUM INSTEAD OF THE CONTRACTOR! Even though the agent/company has provided me a certificate that clearly states the contractor has the coverage. This has actually happened to my company!
How do I possibly budget my insurance costs not having any idea if a sub-contractor really does have the required coverage?? I'll tell you. I simply have a reserve for this cost instead of investing those dollars in making my company grow and providing additional jobs.
Yes, I have lost good installers because I require them to have work comp. Yes they really do work elsewhere, because they don't have to provide the coverage elsewhere, due to a "loophole" in the law. Yes this really does restrict growth for my business. Every employer and employee should have this coverage. This will reduce the costs for business because the companies are insuring more employees. Today, if an uninsured employee is hurt on the job – who pays? We do! By higher health care costs, by higher taxes, by higher social service costs.

The second issue I want to call your attention to is Health Care Costs. I also realize this is virtually an impossible quagmire issue to deal with. But I feel compelled to call your attention to the issue facing every small business employer in the state.
Our Health Care Premium increased by 20% in 2001. In 2002, I struck a deal with my employees to greatly increase their deductible with the caveat that if they actually spent the full "out of Pocket expenses" that my company would reimburse 100% of those costs to the employee. This "self insurance" measure allowed me to actually reduce Health Care costs in 2002. However, even with my assuming more and more of the potential risk, our premiums have increased 14% this year. The next issue is that my "group" is 16 employees. We obviously are not a large enough group to get any thing close to a competitive rate for coverage. I understand, the risk is simply too high. I am nearly 60. I have 5 female employees of child bearing age. I can list several additional reasons why our premiums continue to rise. I believe I would see a significant DECREASE in premiums if my 16 employees could "align" with employees of all members of the World Floor Covering Association, The NFIB, or any number of other organizations. This will allow me to provide far better coverage for my employees and have costs that are comparable to the State of Missouri or any other large organization. As it is small business, in my opinion, is subsidizing, premium costs for larger employers. This is a MAJOR COST of doing business facing EVERY small business in Missouri. This is an issue that deserves serious attention by the Legislature.

APPENDIX D

Written testimony of Mrs. Sylvia Ferguson,
Michael's Unforgettable BBQ and Catering

September 23, 2003

My name is Sylvia Ferguson. My husband and I own Michael's Unforgettable BBQ and Catering in Jefferson City, MO. Our business began with door to door retail sales. We were also street vendors. What started as a hobby and a fun way to earn a few extra bucks has become a business that support my family. My husband left his job of 27 years as a cook supervisor at the Missouri Hwy Patrol and I have a background in the travel industry. I was a travel agent for 13 years and later and Executive assistant for a state agency in Jefferson City. Michael is the head chef of our business and I am the resource manager. For years our dream was to one day own a restaurant and in 2000 that dream became a reality.

Since 1993 our mission statement has remained the same; "To provide fresh meat and vegetables in a clean sanitary environment at an affordable price."

Let's face it, we all do what we do to make money We all want to be successful in what ever business we choose. But each year it is getting more and more difficult. Expenses have increased 1/3rd in the past 3 years. Everything has gone up, from the cost of meat to the cost of napkins and flatware. Yet consumer spending has declined. When customers don't spend, we dont make enough money to pay our bills.

From a retail perspective, we must keep our prices low to attract and keep customers. Yet customers expect more for less making it difficult to break even or make a profit. The question is, how can small business survive in a big business economy? It's tough.

From an adminstrative perspective, the employee pool is minimal. Good consciencious workers are difficult to find and to keep. What makes small business work? A good product sold at an affordable price. Customers and employees. It's all a perpetual cycle. We all need each other. We need customers who feel comfortable enough to spend and employees who feel they are getting benefits at their jobs, not just a paycheck.

Fortune 500 businesses; such as Enron, Modern Business Systems, Ford Motor Co, Boeing, and now 3M in Columbia are down sizing,closing or laying off. Some have chosen to take their trade overseas. This means fewer jobs for Missourians causing them to hold back their dollars and not enjoy the pleasures they once did. such as dinning out, shopping etc....This slows the economy.

September 23, 2003

So where is small business? Many people don't realize that small businesses help to keep our economy going. We hire those people who lose their jobs from these larger companies. Yet when another job becomes available that offers benefits, we lose them. Without us the unemployment rate would soar. We help to balance the economy, yet I feel like Government treats us as though we were dreaded step children who have behaved badly. With high taxes, regulations and the rising costs of insurance, it's hard to believe otherwise.

I'd like to see an equal playing field. One where small businesses can provide health benefits and bonuses to their employees. Just like the big boys. Small businesses need a few tax breaks. We also need affordable health insurance. Not just for our families but for our employees as well.

My family is covered through the Highway Patrol and when we started our business, 3 years ago, we were paying $473.00 a month for coverage. Now we pay $761.00 and with fewer benefits.

The insurance for our building has also increased by 1/4th in the past year. Yet we have had no claims. With all of these increases, it makes it very difficult to stay in business. We are so busy paying for insurance and taxes that we have nothing left over to live on.

Small businesses are made up of people with real lives and real families. We are average people with dreams and hopes just like you. We work long hours. We care about the quality of work we do. We have friends and families, just like you. We deserve an opportunity to be secure, healthy and financially stable, just like you.

- What do I want? I want lower taxes or tax breaks for small businesses. I want a benefit package to offer my employees and affordable health care for my family.

Thanks for your time and thank you for listening.

APPENDIX E

Written testimony of Ms. Norree Boyd,
Missouri Arts Council

Good morning.

I am Norree Boyd, executive director of the Missouri Arts Council. I would like to present information about the environment surrounding the arts job market in the non-profit arts sector as it relates to the grantees served by the Missouri Arts Council. This does not include the for-profit arts market.

People involved in the arts in Missouri have known that cultural institutions contribute more to the region than beauty, vitality, diversity, intellectual stimulation, and high quality of life. The non-profit arts industry also produces thousands of jobs, generates tax revenues, stimulates community growth, and contributes significantly to the overall economy.

In FY 2001, before the beginning of the national economic downturn, the Missouri Arts Council

awarded a total of 545 grants to organizations in 138 communities representing $5,017,899. These organizations reported a total expenditure of salary, benefits, and artist fees of more than $65 million. I include artist fees because many are self-employed and will not appear on employment statistics.

By comparison, the Missouri Arts Council awarded only $3.2 million to 389 **organizations in 117 communities in FY 2003. The total expenditure of salary, benefits, and artist fees was reported at $45 million. That is a loss of $20 million in earned income by individuals.**

Philanthropy in all sectors – local and state government, corporate, private individuals, and foundations – is at an all time low. Season ticket sales on which many of these organizations plan their budgets and seasons have decreased due to the slow economy.

The Missouri Arts Council requires organizations that receive grants less than the amount requested to submit a revised budget utilizing the grant awarded. Many organizations chose to cancel activities resulting in fewer artists being employed, rather than try to make up lost support through other means. Employment in the arts is further reduced when organizations eliminate staff positions or furlough employees due to smaller grants and reduced support. The Kansas City Jazz and Blues Festival cancelled the entire event due to lack of corporate sponsorship. The Liberty Center Association, the performing arts organization in Sedalia, is down to one person and volunteers because they could not afford to pay the administrative assistant. And some smaller arts organizations fell victim to the economy and closed their doors. The Missouri Arts Council has

reduced its staff over 30% -- from 25 employees and contractors in 2001 to 16 in 2003 -- but has not reduced the workload.

It is interesting to note, however, that during this period the collection of income tax from nonresident athletes and entertainers working in Missouri is estimated to be around $22 million per year. Most of the venues supporting these activities are in the for-profit sector. The non-profit arts sector is a viable industry giving us organizations such as the St. Louis Symphony and Nelson-Atkins Museum of Art – both world-class institutions that draw audiences from throughout the country and the world, supporting cultural tourism and the economy of Missouri.

Thank you. I will be happy to answer any questions you may have.

APPENDIX F

Written testimony of Mr. Kevin Keith,
Missouri Department of Transportation

House Interim Committee on Job Creation and Economic Development
September 23, 2003
Jefferson City

The Impact of Transportation on Economic Development
Presented by Kevin Keith, Chief Engineer
MoDOT

- Missouri must have a quality transportation system to create and maintain a strong economy. In order to thrive, business and industry must have access to quality highways, airports, river ports, rail facilities and transit services.

- A quality transportation network is vital to:
  --bring materials into the state and ship finished products out;
  --enable people to travel throughout the state for business and recreation;
  --transport agriculture products to market;
  --support a quality workforce by providing a means of commuting to and from work.

- Transportation helps create jobs in two primary ways.
  --It is a key factor for companies interested in locating or expanding their facilities in Missouri, creating jobs and economic development.
  --The actual building, upgrading and maintaining of highways, airports, ports and other transportation facilities creates jobs.

- According to the Federal Highway Administration:

  --Every $100 million of highway investment supports the direct employment of about 839 full-time positions for on-site highway construction.

  --The materials purchased for transportation improvement projects provide indirect employment of about 2,092 people in supplying industries.

  --Another 1,540 jobs are supported in industries benefiting from the direct and indirect employment. This is referred to as induced employment.

  --The total impact of every $100 million of highway investment is 4,471 full-time jobs.

Multi-modal benefits

- Quality highways are crucial to economic development in Missouri, but other transportation modes make a significant impact on the state as well.
- Ports:

--Missouri has 14 public port authorities:12 on the Mississippi River and 2 on the Missouri River.
--$4.1 billion of cargo is loaded and unloaded at Missouri's ports each year.
--1,400 jobs are created by waterways related employment in Missouri
--State and federal tax revenue generated by ports totals $9 million annually.

- Rail:

  --Last year, railroads in Missouri generated more than $ 26 million in intrastate revenue.
  --Railroads created more than $300 million in wages and salary benefits for more than 26,000 railroad employees in Missouri last year.
  --More than 200 companies are indirectly involved in railroad subcontracting work in Missouri.
  --61 percent of all freight traffic coming into the state arrives by rail and 41 percent of all freight leaving the state departs by rail.

- Aviation:

  --Missouri has 115 publicly owned general aviation facilities located throughout the state.
  --25 of those facilities have runways measuring more than 5,000 feet, which is generally needed to accommodate corporate jets.
  --More than 160,000 tons of cargo and 20 million airline passengers are transported annually by air in Missouri.
  --The availability of a general aviation airport is one of the factors that businesses often consider when they are contemplating relocating or expansion.
  --MoDOT currently is in the process of preparing an economic impact study on aviation for the state of Missouri.

Missouri's transportation location

- Missouri's position in the middle of the country makes it a unique transportation hub.

  --Missouri has the sixth largest highway system in the nation, including major interstate highways crossing our state.
  --Missouri has 7,500 miles of railroad track, and the state's two largest cities are home to the second and third largest rail hubs in the nation.
  --The state has two international airports in addition to the 155 public general aviation facilities.
  --Missouri's two major rivers have more than 1,000 miles of navigable waterways.

This transportation network has been vital to economic development in Missouri. Access to transportation services has been an important factor for many companies choosing to locate or expand in the state. A few examples include:

- Four Wal-Mart Distribution Centers located in Harrisonville, Moberly, St. James and McDonald County
- The Harley Davidson facility in Kansas City
- Breyers Ice Cream and BioKyowa in Southeast Missouri
- General Mills in Hannibal
- Kohl's Distribution Center in Blue Springs
- Dollar General Distribution Center in Fulton
- Briggs and Stratton in Rolla

According to a report by the Missouri Department of Economic Development, transportation alone may not be the single deciding factor when a company is looking to build or expand, but transportation is important enough that it will almost always eliminate sites in communities with poor access to road, rail, river and airport services.

The value of Missouri's transportation system

- According to a recent audit, Missouri's highway system is valued at $25 billion with a replacement value of $65 billion. Those figures reflect only the brick and mortar value—or concrete and steel in this case. They do not take into account the true value of the transportation system to Missouri's economy.

- A quality transportation system is vital to Missouri's business community—from the smallest resort that relies on the state's tourism industry to the largest manufacturing plant that sends its products to all corners of the country.

- Continued improvement in Missouri's transportation system will yield great benefit.

- According to a report by Missouri's Total Transportation Commission in 1998, every dollar invested in Missouri's transportation system results in an additional $2.39 in economic activity in Missouri (measured by gross regional product.)

- We must take care of our transportation resources in order to reap the benefits of a system that has certainly made important contributions to Missouri's economy in the past and has the potential to provide even greater benefits in the future.

APPENDIX G

Written testimony of Dr. Marty Romitti,
Missouri Economic Research Information Center (MERIC)

Missouri's Economic Condition

Prepared for the Interim Committee on Job Creation and Economic Development



Marty Romitti, Ph.D., Director

September 23, 2003

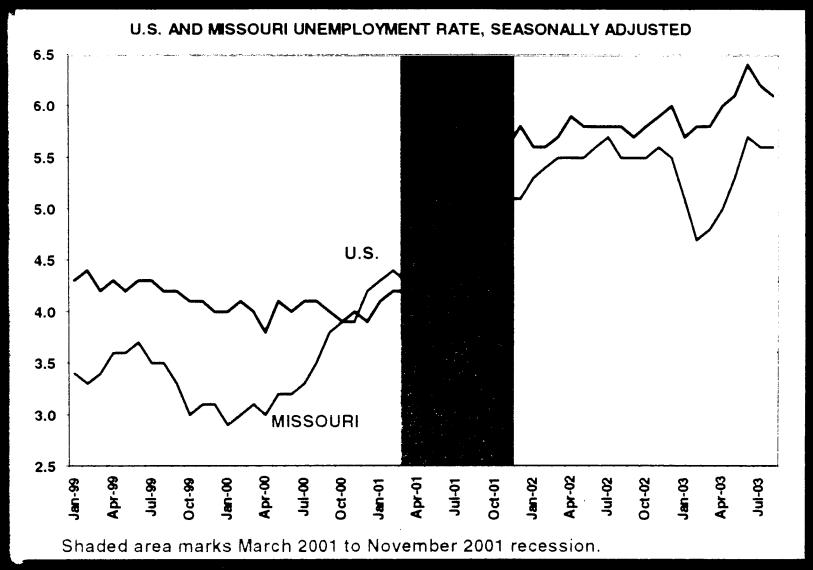
MERIC

Diversification

- In 2000, Missouri had the 5th most diversified economy in the United States.
- This is indicative of a robust economy, better able to withstand and recover from significant unfavorable changes in any one sector.
- Missouri's economy closely mirrors the national economy and thus national trends are reflected in Missouri trends.
- Missouri's economy was specialized in Communications (6th), Wholesale Trade (11th), Manufacturing of Non-Durable Goods (15th), Transportation and Utilities (15th), Construction (16th), Business and Professional Services (20th) and Durable Goods Manufacturing (22nd).

Source: MERIC

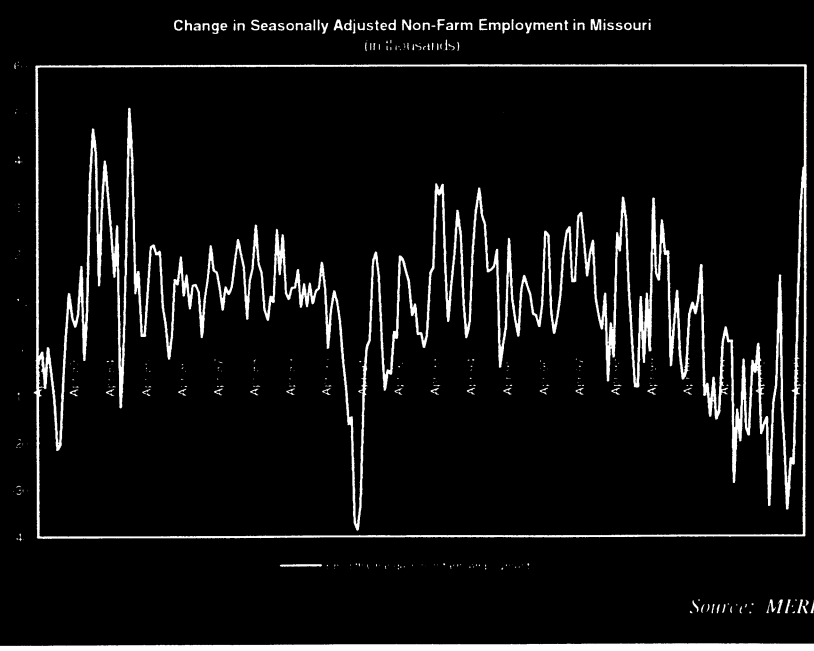
Unemployment Rate



Shaded area marks March 2001 to November 2001 recession.

Source: MERIC and U.S. Bureau of Labor Statistics

Employment

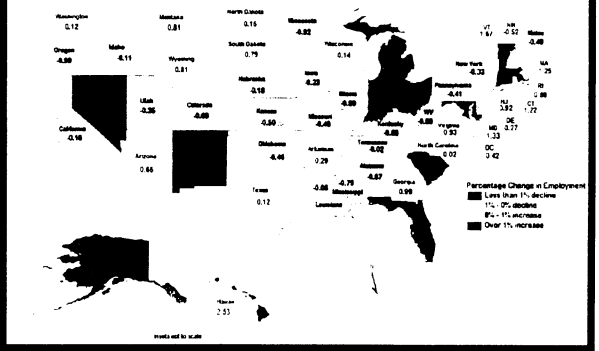


Source: MERIC

Employment

- From July 2002 to July 2003, employment in the state has decreased by 12,700.
- Since the national recession began, Manufacturing and Government account for the state's largest employment decreases.
- Growth has occurred in Health Care and Tourism-related industries.

Total Nonfarm Employment Change
July 2002 to July 2003

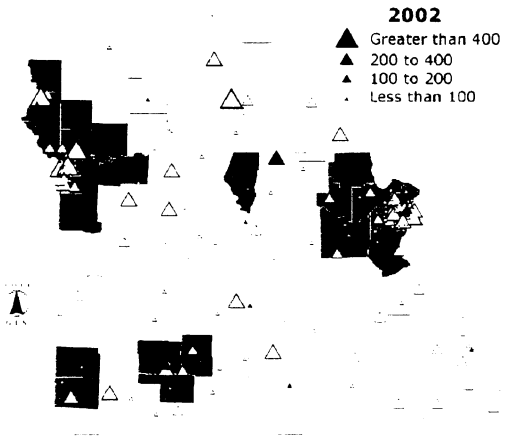


Source: MERIC and U.S. Bureau of Labor Statistics

- **There were 176 mass layoff events in the state from 1998 to present affecting 20,862 Missouri workers.**
- **These events occurred in nearly every part of the state.**

Plant Closings and Layoffs

1998-2002

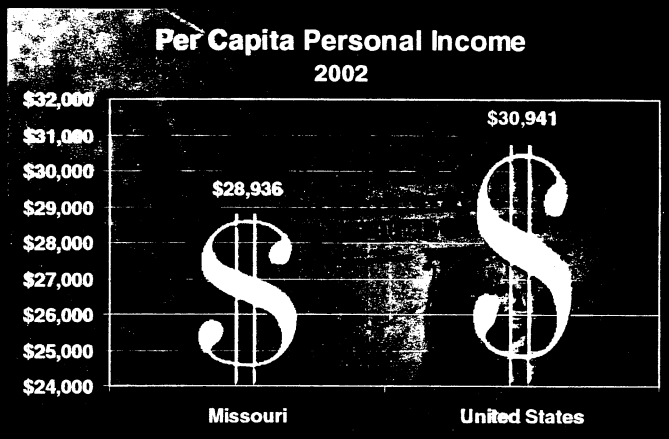


Source: MERIC, based on WARN log notices

Personal Income

•Missouri's personal income rose 3.2% in 2002 to just over $164 billion. The state's growth rate was higher than the national increase of 2.8%.

•Per capita personal income in Missouri increased 2.5% in 2002 to $28,936. Nationally, per capita income increased 1.7% to an average of $30,941.



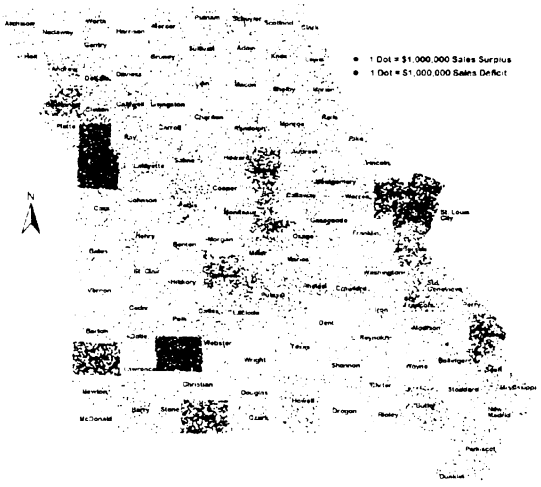
Source: U.S. Bureau of Economic Analysis

Retail Trade

•In 2002, retail sales in Missouri amounted to $39.62 billion.

•Compared to 2001, there has been little growth in retail sales (0.02 % increase), when $39.61 billion was generated (adjusted to 2002 dollars).

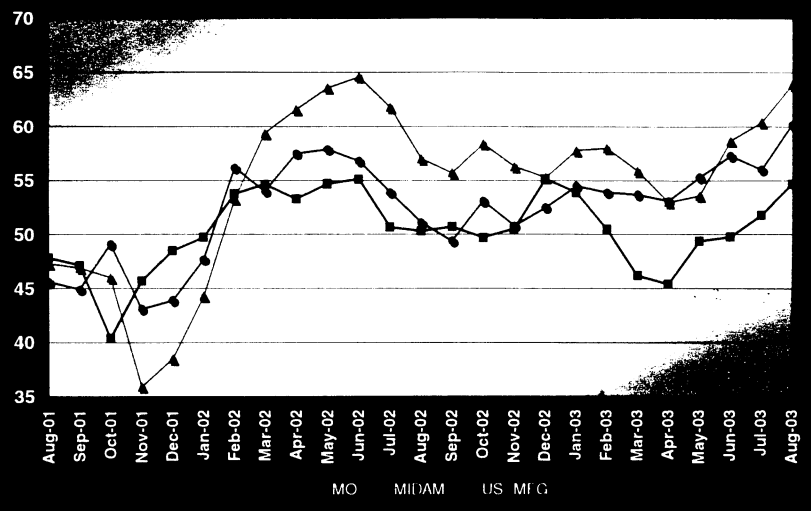
•Overall, Taxable Sales were down in nine of the last ten quarters.



Source: MERIC, based on MO Dept. of Revenue data

Manufacturing and Industrial Vitality

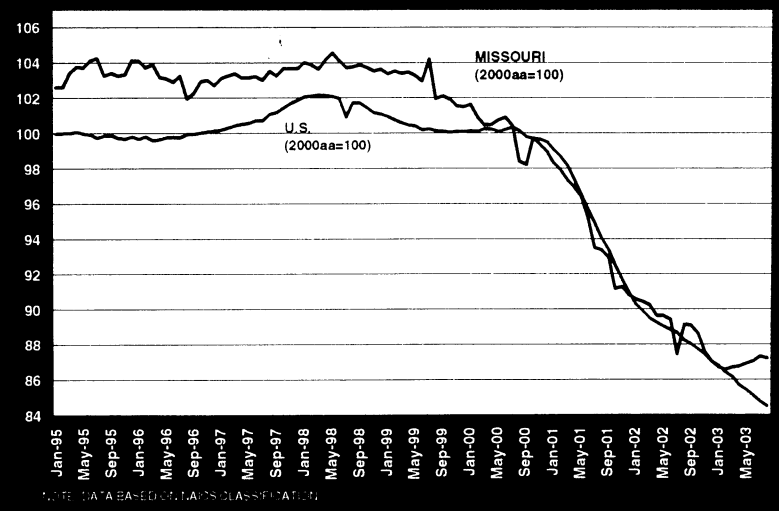
Purchasing Managers' Indices (MFG)



Source: Institute for Supply Management and Creighton University

Manufacturing and Industrial Vitality

U.S. AND MISSOURI MANUFACTURING EMPLOYMENT
(Index: 2000 annual average = 100)



Source: MERIC and U.S. Bureau of Labor Statistics

Missouri Business Climate

Average Number of Firms 1990-2002

Year	Average Number of Firms	Change in Firms from Previous Year	Total Statewide Payroll (In Billions)	Change in Payroll From Previous Year (In Billions)	Average Annual Wage	% Change from Previous Year in Annual Wage
2002	155,973	2,318	73.7	0.62	$33,260	1.90%
2001	153,655	2,237	73.08	1.8	$32,635	3.20%
2000	151,418	118	71.28	3.79	$31,614	5.00%
1999	151,300	883	67.49	3.44	$30,098	3.80%
1998	150,417	3,563	64.05	3.71	$29,002	4.40%
1997	146,854	2,965	60.34	4.09	$27,791	4.70%
1996	143,889	2,864	56.25	2.96	$26,537	3.70%
1995	141,025	3,258	53.29	3.53	$25,602	4.60%
1994	137,767	3,026	49.76	3.14	$24,477	3.20%
1993	134,741	2,107	46.62	1.74	$23,711	1.30%
1992	132,634	538	44.88	2.55	$23,414	4.70%
1991	132,096	3,212	42.33	0.7	$22,359	4.00%
1990	128,884		41.63		$21,508	

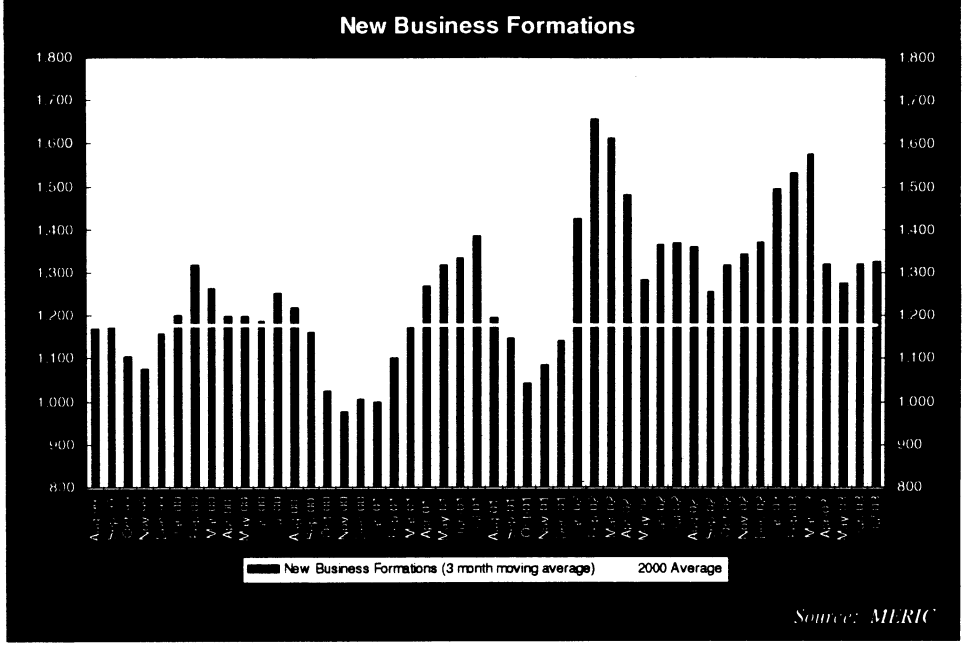
Source: MERIC Covered Employment and Wage Program

Job Churning

- Missouri's economy created over 318,000 new jobs in 2002.
- Fully one-third of all Missouri businesses (53,606 or 34.8%) added employment in 2002 while another quarter (39,976 or 25.9%) maintained their existing employment levels.
- The largest share of expanded employment was among owner-operated companies and those with 1-4 and 20-49 employees.
- This was offset by 41,539 businesses that reduced employment and another 19,183 that closed in 2002.
- The largest share of reduced employment came from companies with 1,000 or more employees.

Source: MERIC Covered Employment and Wage Program

Missouri Business Climate



Source: MERIC

Summary

- Missouri has felt the effects of the national recession.
- Manufacturing and Government account for the largest decreases in employment since the start of the recession.
- However, there are indicators that manufacturing is beginning to stabilize in the state.
- Other indicators point to vitality in Missouri's private sector.
- Overall, Missouri's economy is still fundamentally sound and poised for recovery.

About MERIC

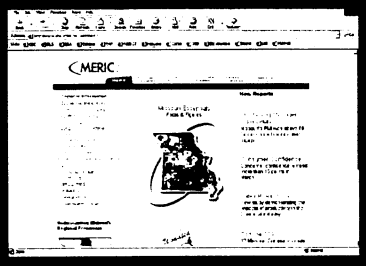
SHOWMEDATA.ORG

MERIC uses innovative outreach tools to disseminate information about Missouri's economy.

MISSOURI Interactive

Outreach Capacity:

(1) World Wide Web
(2) E-Mail Listserver
(3) Web-Interactive GIS



MISSOURIECONOMY.ORG

APPENDIX H

Written testimony of Mr. Dale Ludwig,
Missouri Soybean Association

Written Testimony
for
Interim Committee on Job Creation and Economic Development

By: Dale R. Ludwig

September 23, 2003

Why have we seen job losses in rural Missouri?

We have seen a fundamental change in both agriculture and rural Missouri that has happened over the last decade or longer. Because of efficiencies we have seen farm operations get larger or smaller farmers taking off-farm jobs. As farms become larger they tend to become more efficient or at least we replace labor with equipment (for example, larger tractors, larger combines, etc.) As a result we end up with fewer jobs in rural Missouri while we have a larger number of farmers who are looking for off-farm jobs. When you combine that with the general downturn in the economy the last several years, a scenario that was building becomes amplified.

Is Missouri's job situation worse than other states?

Although the same general trend is happening across the entire country as it relates to agricultural efficiency and jobs, there does, however, seem to be a few differences that have the potential to intensify the problem in Missouri, making it more difficult to see a reversal in economic trends that have the potential to generate more jobs and revenue. And that would be, the climate in Missouri as it relates to environmental issues and regulations here in the state.

With that being said, I do have a difficult time at pointing to specifics. However, Missouri has received the reputation for being a difficult place to do business as it relates to environmental issues.

So what are our opportunities in rural Missouri and agriculture?

I believe agriculture holds the key to turning around the economy and jobs in rural Missouri. In agriculture in this state we have worked on value-added businesses for the last six years. Thse have the potential to create additional jobs as well as additional businesses and industries that can create an upward spiral-type of effect in delivering economic growth and jobs. Withvalue-added businesses or new generation businesses, I mean a concept of taking a product that is produced here in the state of Missouri and adding value. Replacing the job someone else is doing in that value chain, or even potentially adding a whole new link in the value chain, allows you to deliver more value to the end user and have an opportunity to capture a larger percentage of the value or margins that are available. In doing this we also generate additional jobs. As a result of this upward spiral effect we then see increased revenues that allow those businesses to grow and increased demand for jobs, products and services that support that industry. (For example, if we are now producing a soy flour we need companies that produce bags to put the flour in, companies that manufacture and service equipment, transportation that hauls products to and from the facility, etc.).

Some examples of these companies are currently in existence. TransCon AG, the parent company of Pony Express Brewery where you take a simple product, produce it here instead of being produced somewhere else in the country, start malting grains that were previously malted somewhere else in the country, and create several levels of manufacturing while adding jobs in the plant that brews the beer as well as in the manufacturing facility that malts the grain. We now need a whole group of other support professionals who provide containers, transportation, expertise in servicing cooling equipment, understanding and expertise in malting equipment, all

other jobs that would have not been there without creating this new business. Other examples are Missouri Food and Fiber and Missouri Farms Dairy.

Missouri has one of the best programs to help encourage setting up these types of value-added businesses and provides grant dollars for feasibility studies, business plans and marketing plans. That along with the tax credit program has generated more interest in value-added programs than anywhere else I know in the country.

One of the problem areas with this program is the amount of capital that is available to stimulate rapid growth, both in numbers and size of these value-added businesses. That problem has been dramatically increased with the Department of Revenue doing everything possible to prevent these farmer-investors from being able to turn tax credits into cash. Although it is a great program many farmers have not generated enough income over the last couple years to be able to use those tax credits themselves and, as a result, have to find other ways of turning them into money. The Department of Revenue has done everything they can to prevent that exchange which very well may be the best vehicle available to generating tax dollars long term.

The next opportunity may be even more exciting and deals with developing technologies through research at universities and private institutes that are paid for by groups like Missouri soybean farmers. This research develops technology that has the potential to be turned into new products, new businesses, new jobs, and new tax revenue. While Missouri soybean farmers are looking for ways to increase the demand for their crops—soybeans—and develop new uses, they also develop new job opportunities. One example is soy oil and scrap polystyrene being used as a wood treatment product.

One of the challenges is as we try to develop new businesses in general we lack the expertise of understanding all the things that are necessary to make businesses successful. As a result, we have been looking and working to develop incubation centers with limited success, to make sure that we have people in place who are able to help increase the likelihood of success for these businesses. Perhaps this is an area that some additional funds might be used most effectively.

The final opportunity that I see that maybe holds the most long-term promise but will take longer to realize is the investment in plant biotechnology. Substantial amount of research is being done in this state, both at the University of Missouri and the Danforth Center, as well as others. Missouri soybean farmers have leveraged their dollars with federal funds to work at developing designer soybeans for specific uses, new food products with functional attributes that deliver improved taste and improved health. Some of these new uses may include pharmaceutical uses, industrial chemical production, textiles, let your mind be creative and it is likely that with the right expertise it will be able to be done in plant biotechnology. Think about the opportunities for economic activity and job growth that would deliver.

I thank you for the opportunity to share my thoughts with you today. I would be more than happy to answer any questions.

APPENDIX I

Written testimony of Dr. Daryl Hobbs,
Office of Social and Economic Data Analysis (OSEDA),
University of Missouri-Columbia

Interim Committee of Missouri Legislature on Job Creation

by

Dr. Daryl J. Hobbs

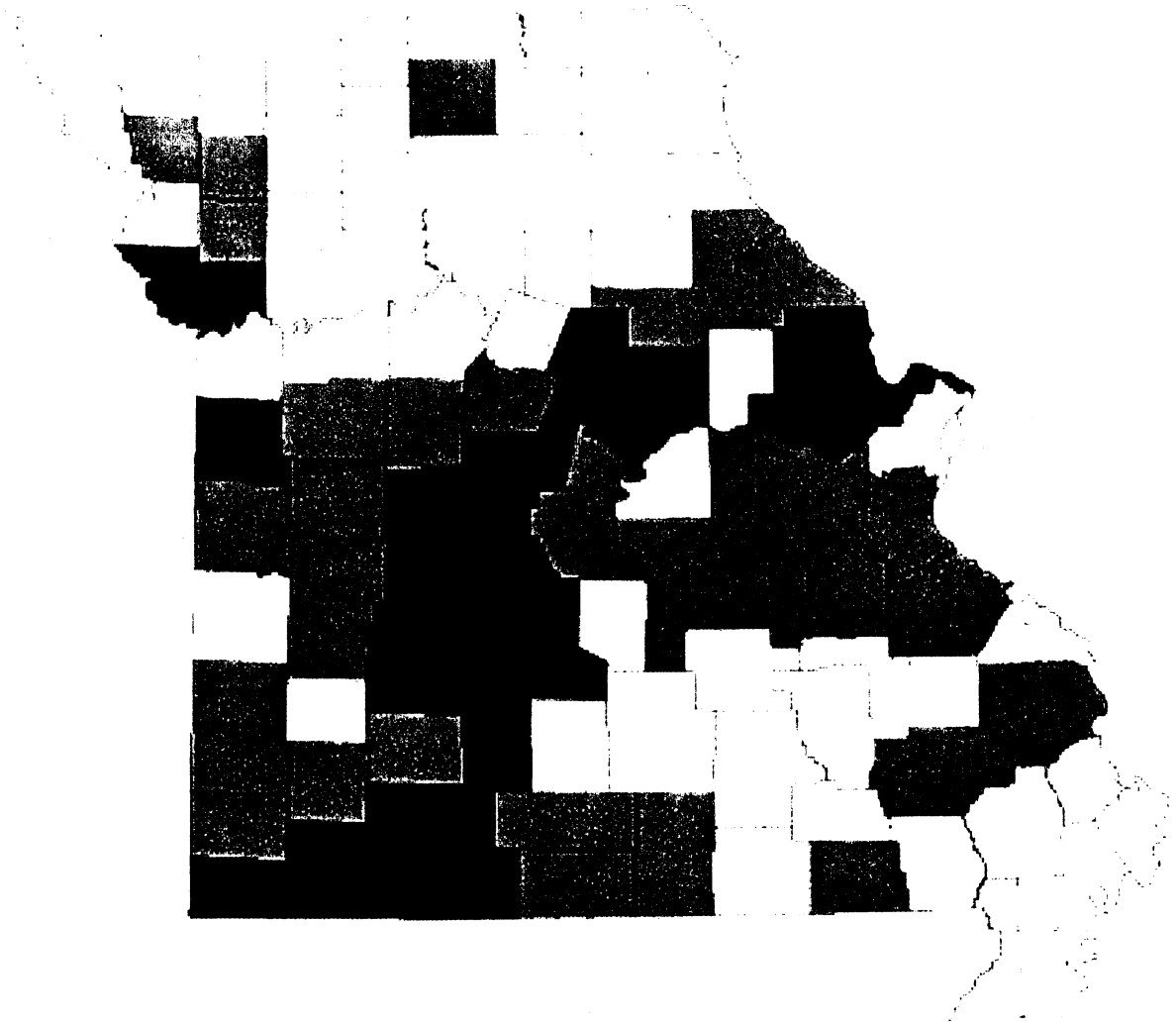
September 23, 2003

OSEDA

OUTREACH & EXTENSION
UNIVERSITY OF MISSOURI
LINCOLN UNIVERSITY

http://www.oseda.missouri.edu

Percent Change in Total Population
1990-2000



Declined

0 to 10

10 to 20

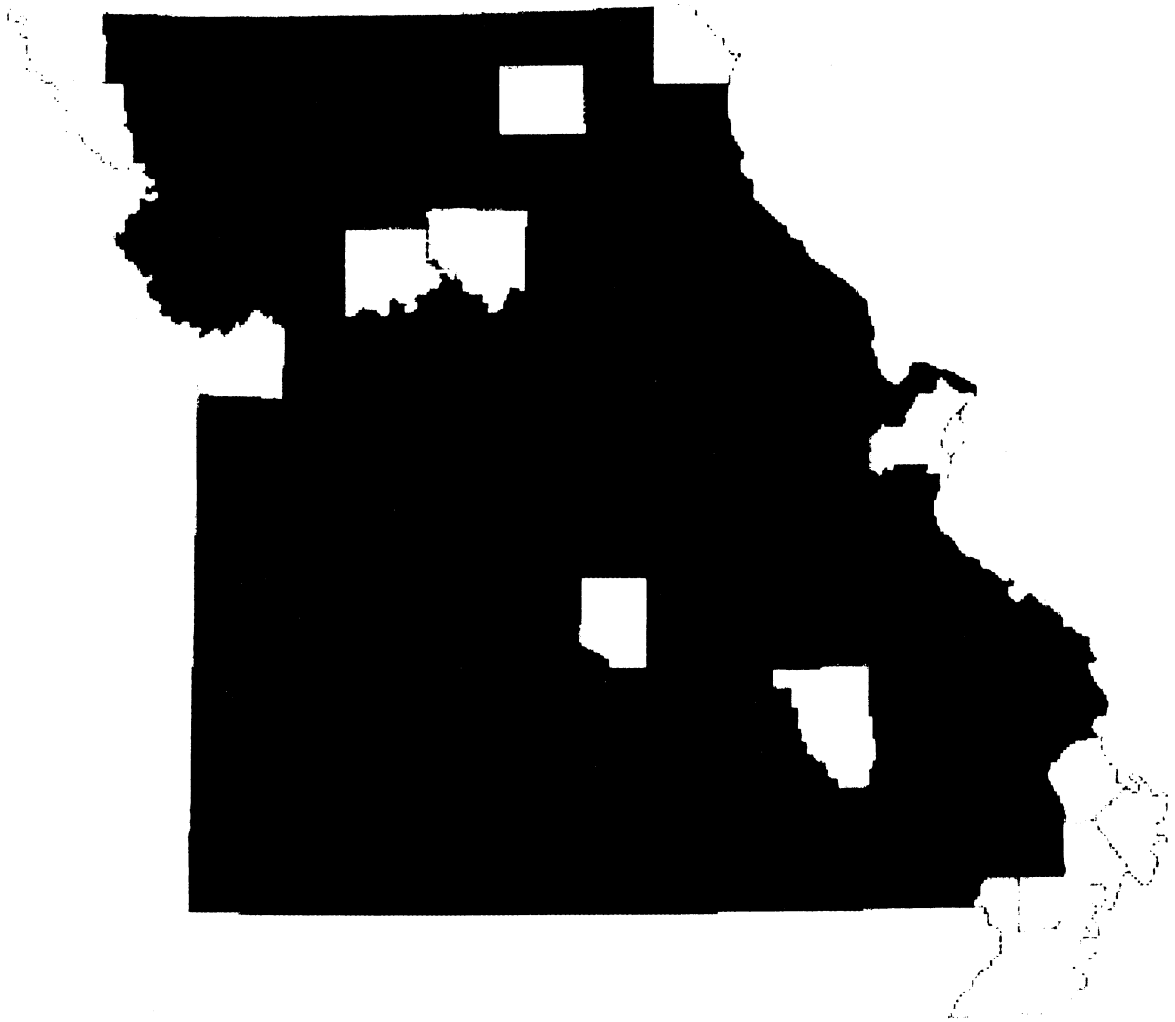
20 to 30

30 or More

Missouri = 9.3%

SOURCE: USDC, Bureau of the Census, Census of Population and Housing [2000 SF1; 1990 STF1]
Produced by: The Office of Social and Economic Data Analysis, (09/19/01)

Net Migration of the Total Population 1990-2000



Declined

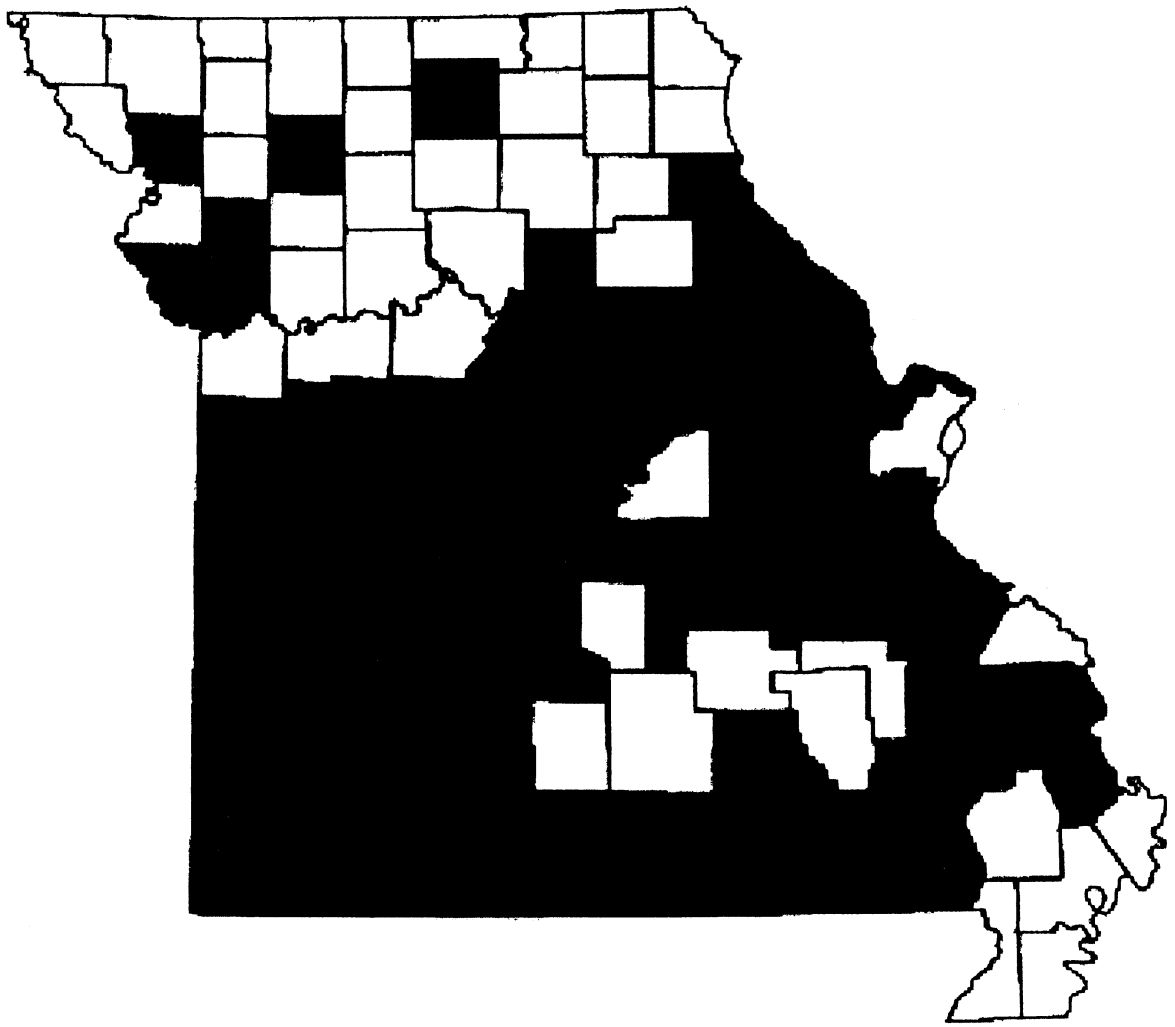
Gained Up to 5,000

Gained 5,000 or More

Missouri = 258,585

SOURCE: USDC, Bureau of the Census, Census of Population and Housing [2000 SF1; 1990 STF1]
Produced by: The Office of Social and Economic Data Analysis, (09/19/01)

Percent Change of Missouri Counties in Open Country Population, 1990-2000



Declined / No Change

Up to 10%

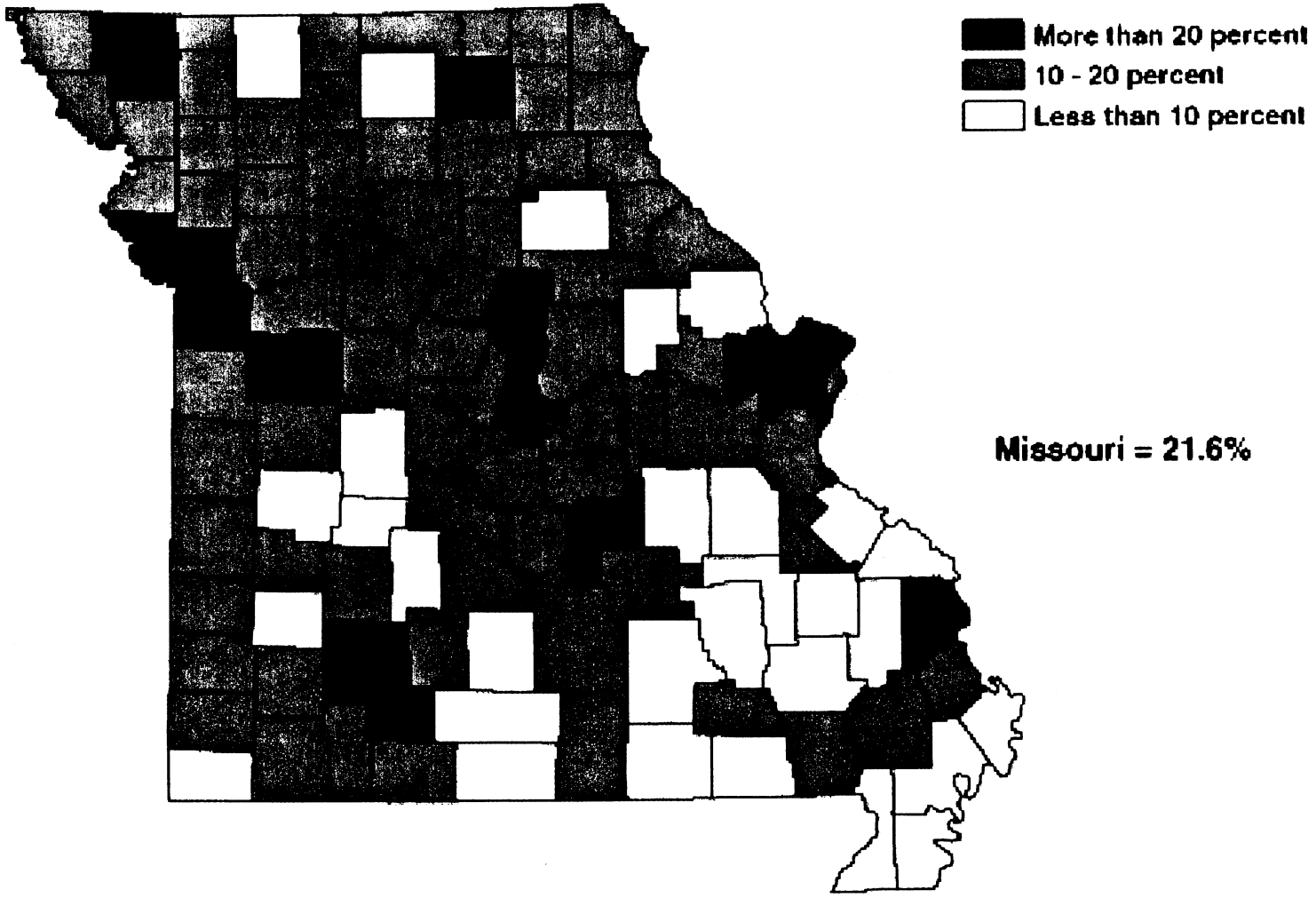
10% or More

Missouri = 12.3%

Open Country = 12.3%
Town and City = 8.1%

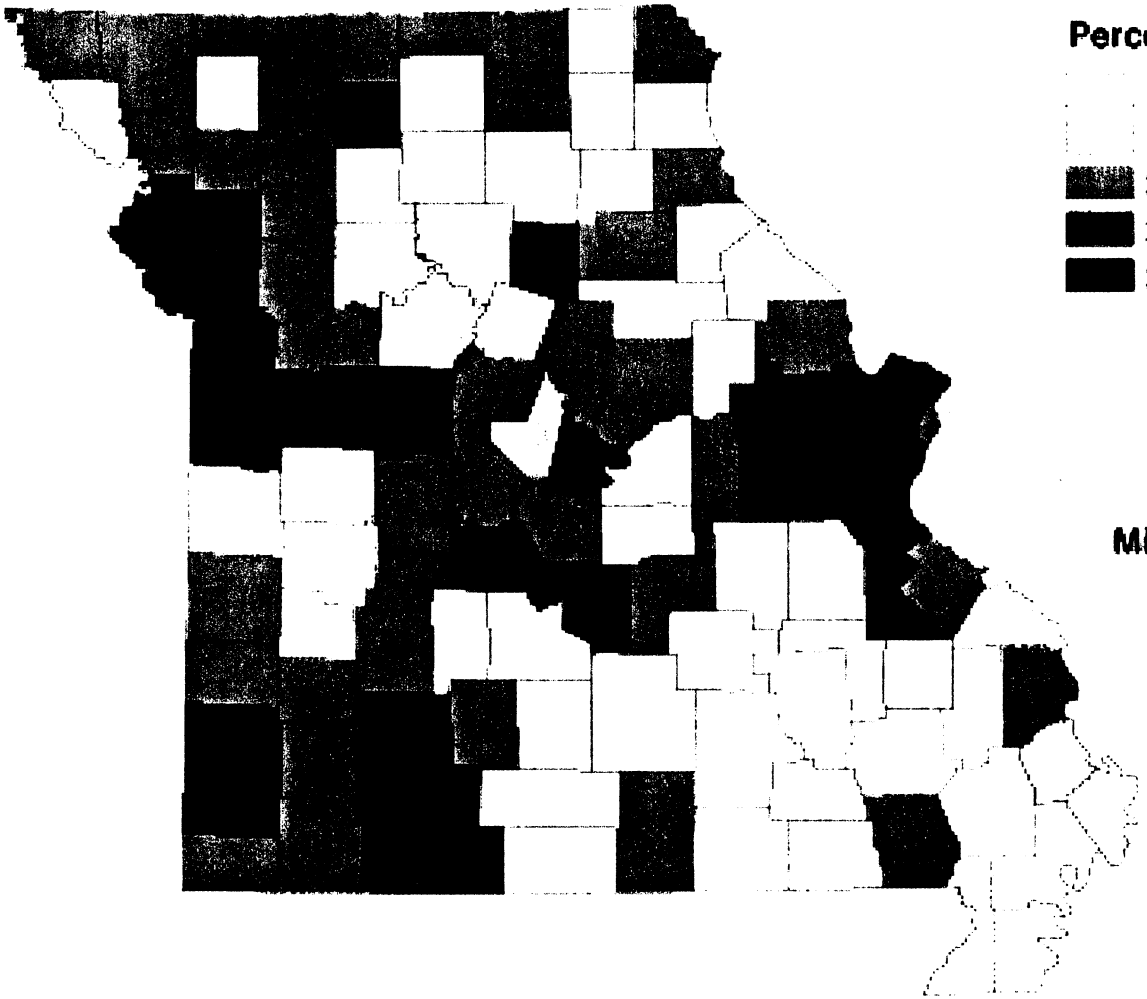
SOURCE: USDC, Bureau of the Census, Census 2000
Produced by: The Office of Social and Economic Data Analysis (12/11/01)

Percent of Adult Population Having a College Degree and/or Beyond
2000



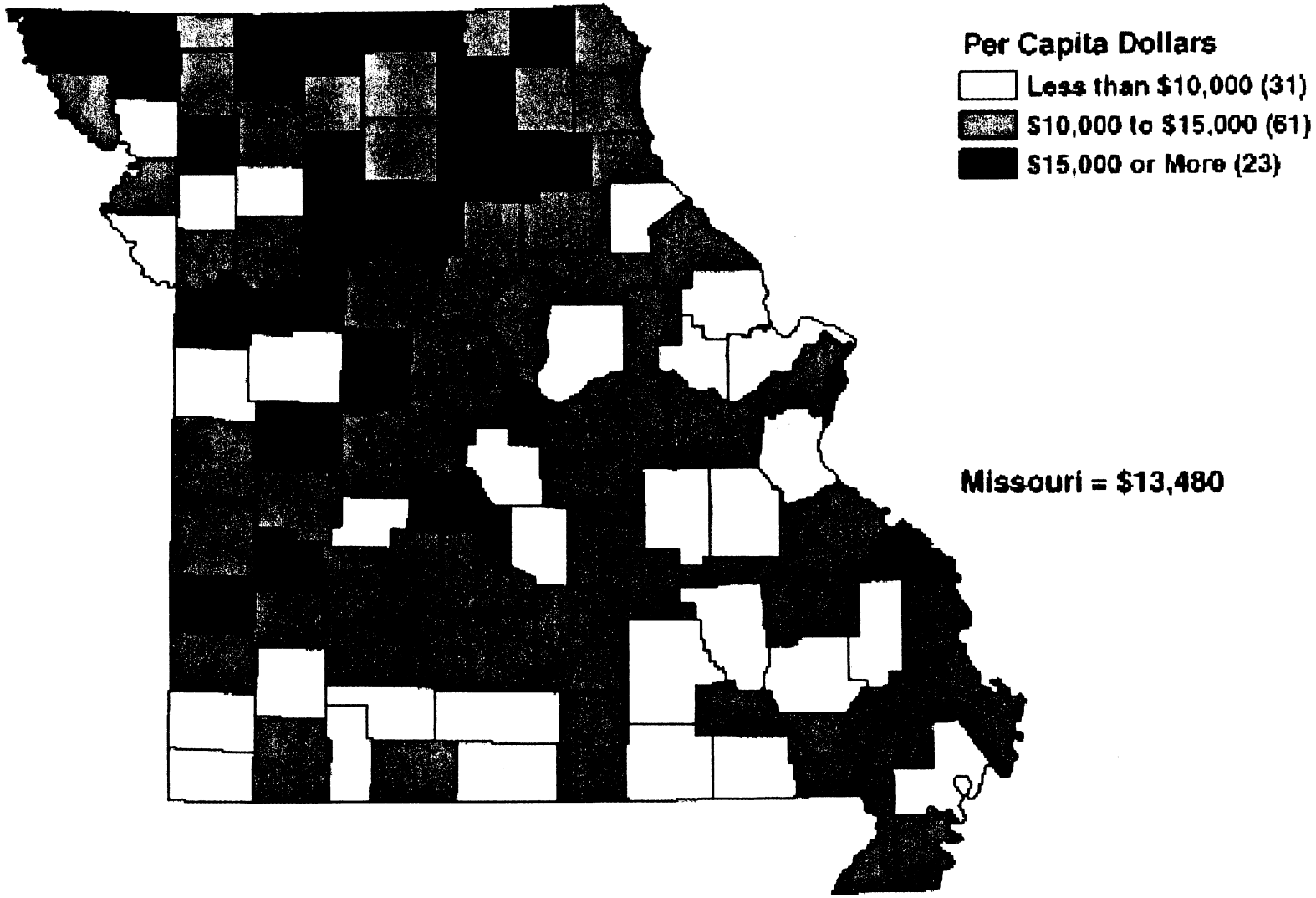
Source: USDC, Bureau of the Census, Census of Population and Housing [2000 SF3 DP; 1990 STF3]
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 6.11.2002

Percent of Adult Population Having Some College or an Associate Degree 2000



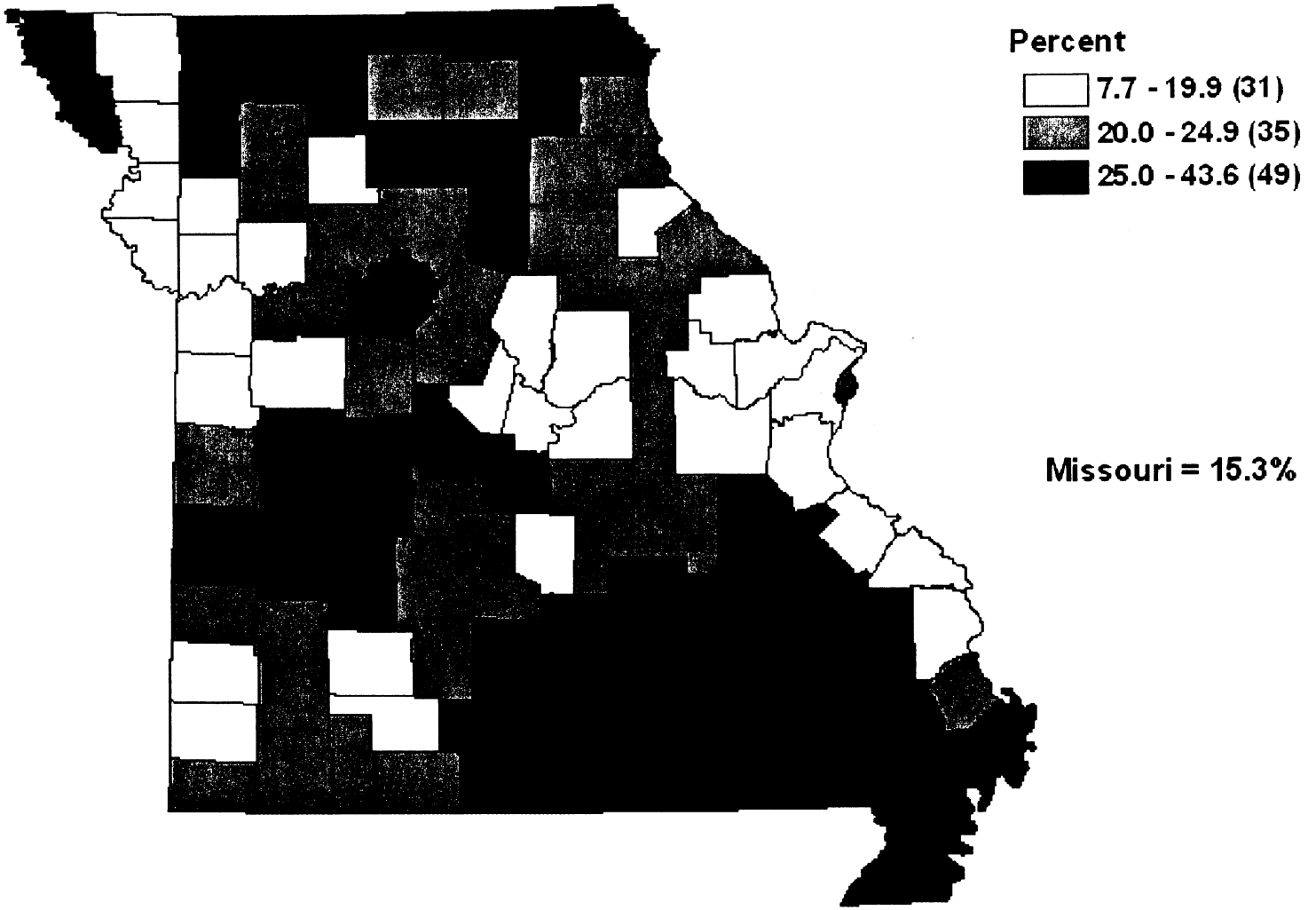
Source: USDC, Bureau of the Census, Census of Population and Housing [2000 SF3 DP; 1990 STF3]
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 8.9.2002

Bank Deposits Per Capita Dollars by County
2000



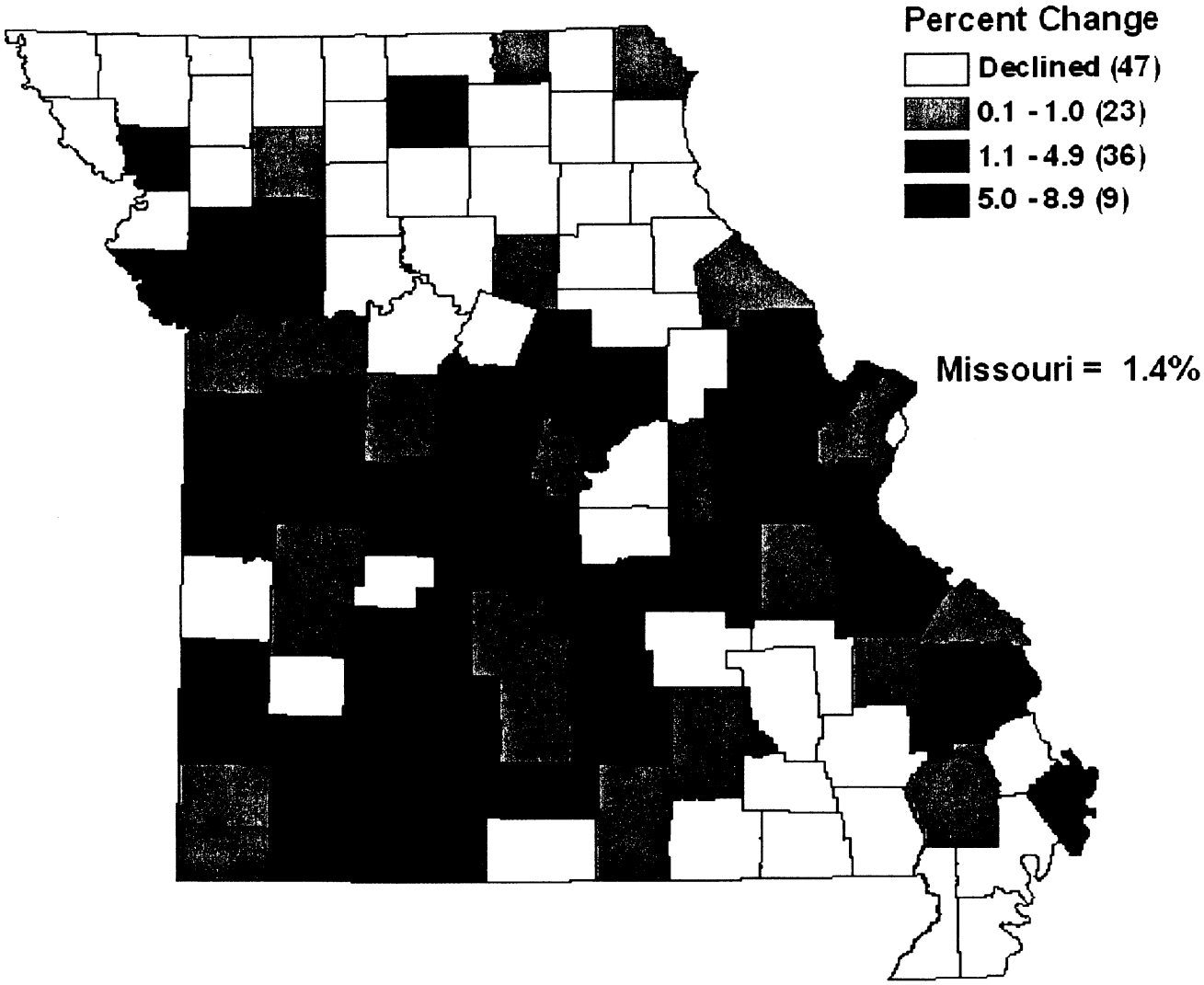
Source: Federal Deposit Insurance Corporation [2000]
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 11.11.2002

2001 Transfer Payments as a Percent of Total Personal Income



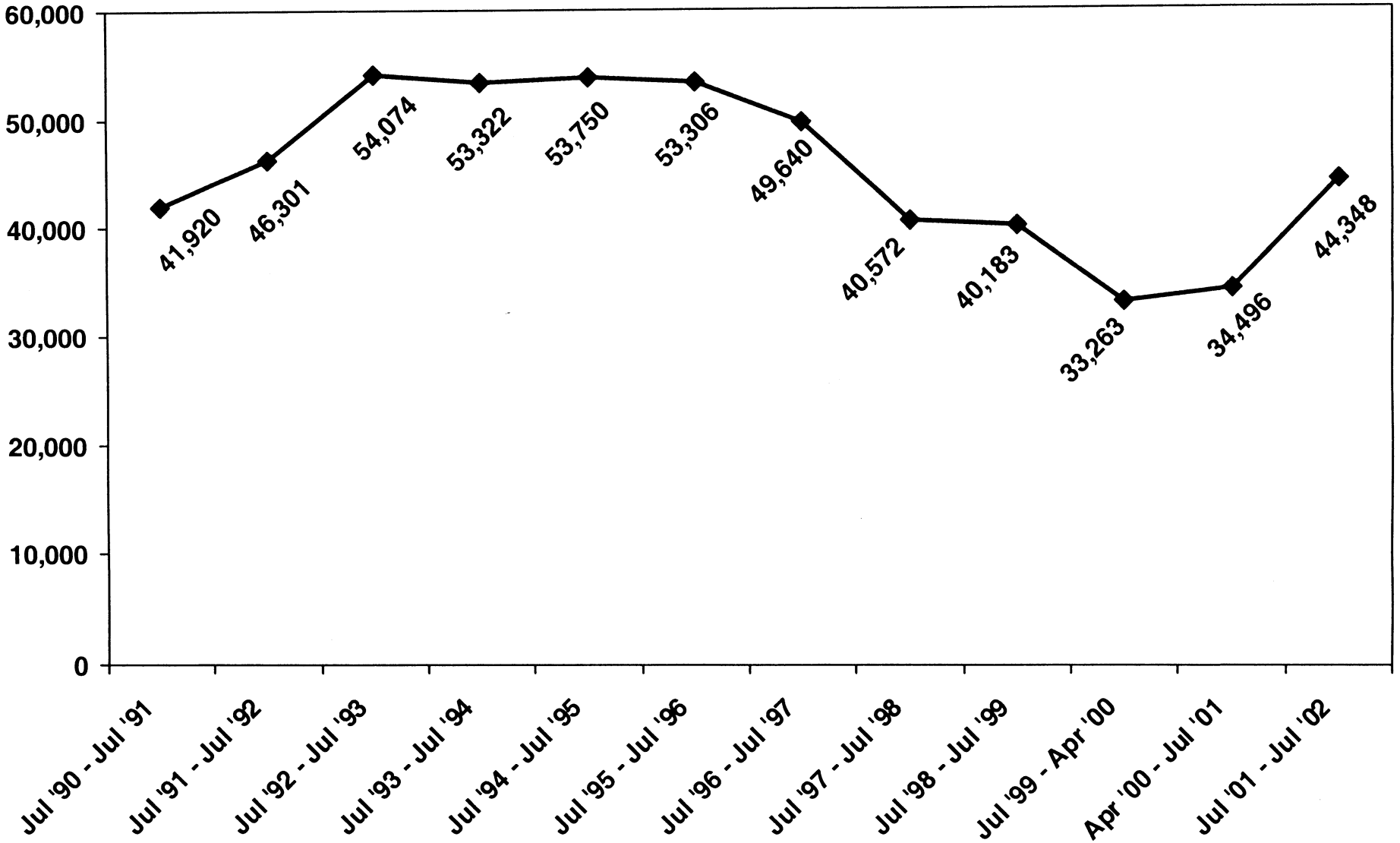
Source: USDC, Bureau of Economic Analysis
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 9.08.2003

Percent Change of the Population, by County, 2000-2002



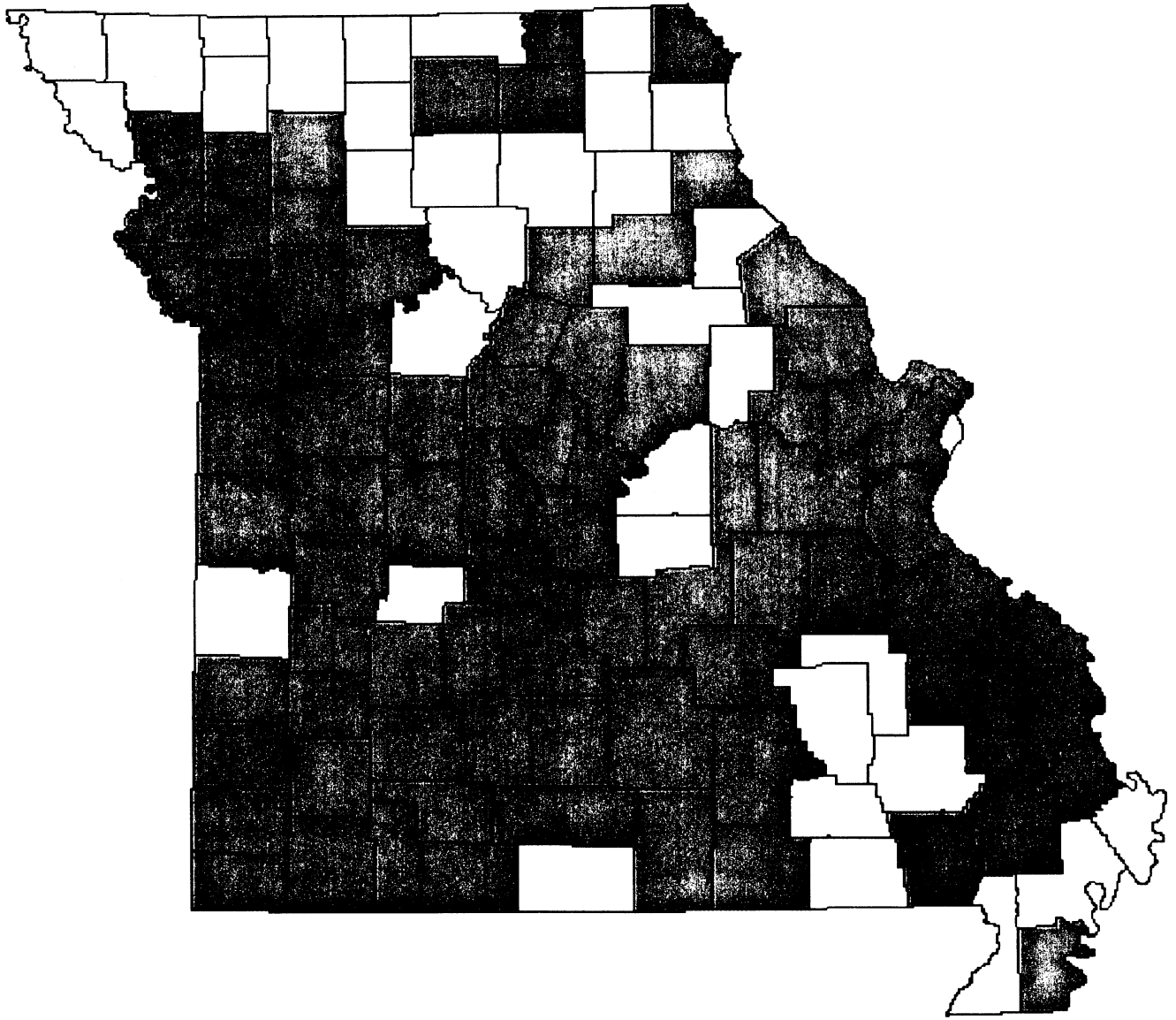
Source: USDC, Bureau of the Census, Federal State Coope for Population Estimates
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 6.05.2003

Change in Total Population Estimates by Year, 1990-2002
Missouri

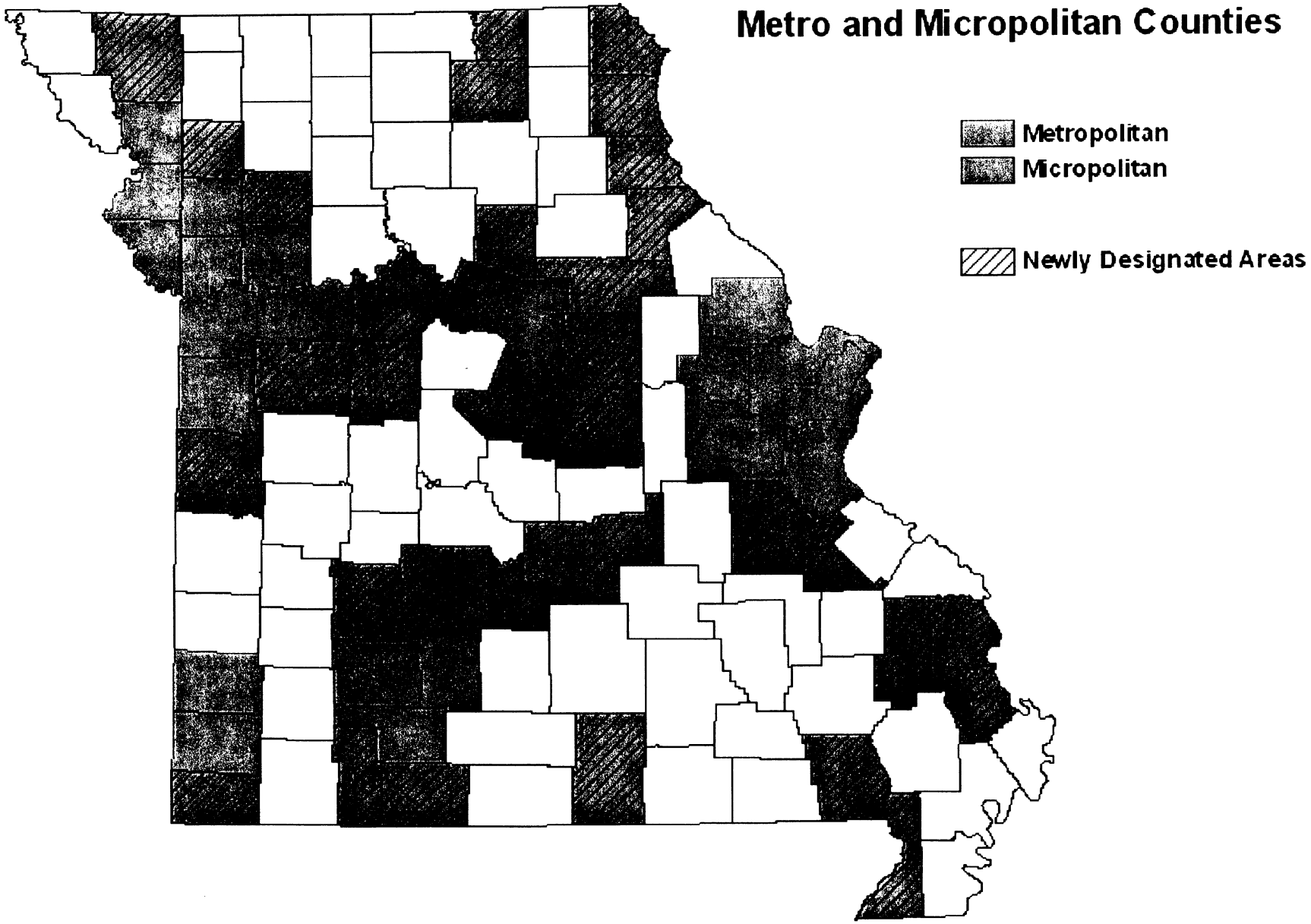


SOURCE: Federal-State Cooperative Program for Population Estimates
Produced by: University Outreach and Extension – Office of Social and Economic Data Analysis (6/12/03)

Counties with Increase in Open Country Population 2000-2002



Source: USDC, Bureau of the Census; Census of Population and Housing [2000 SF1; 2002 Population Estimates]
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 9.5.2003

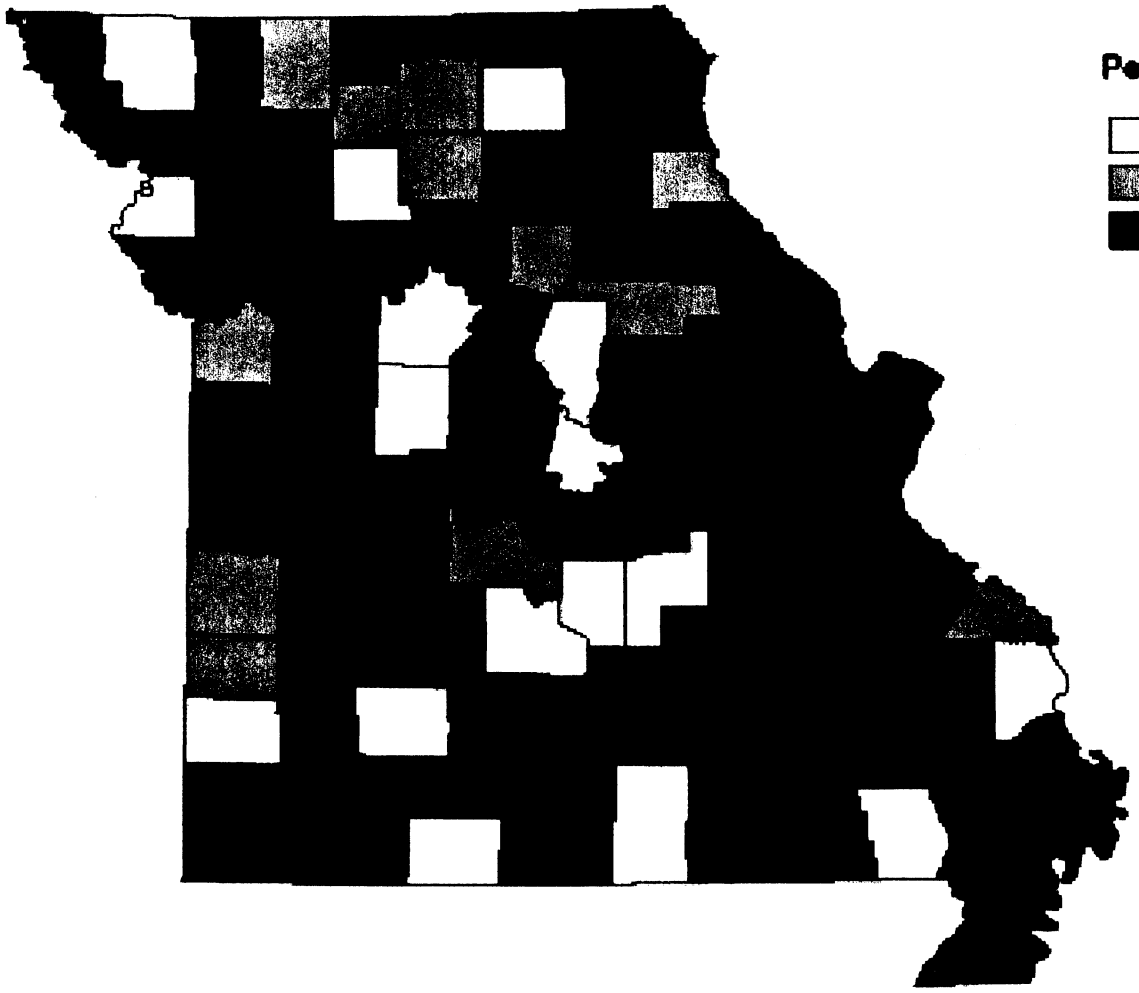


SOURCE: Office of Management and Budget - The Executive Office of the President, 2003
Produced by: University Outreach and Extension Office of Social and Economic Data Analysis (6/26/03)

REGIONALIZATION

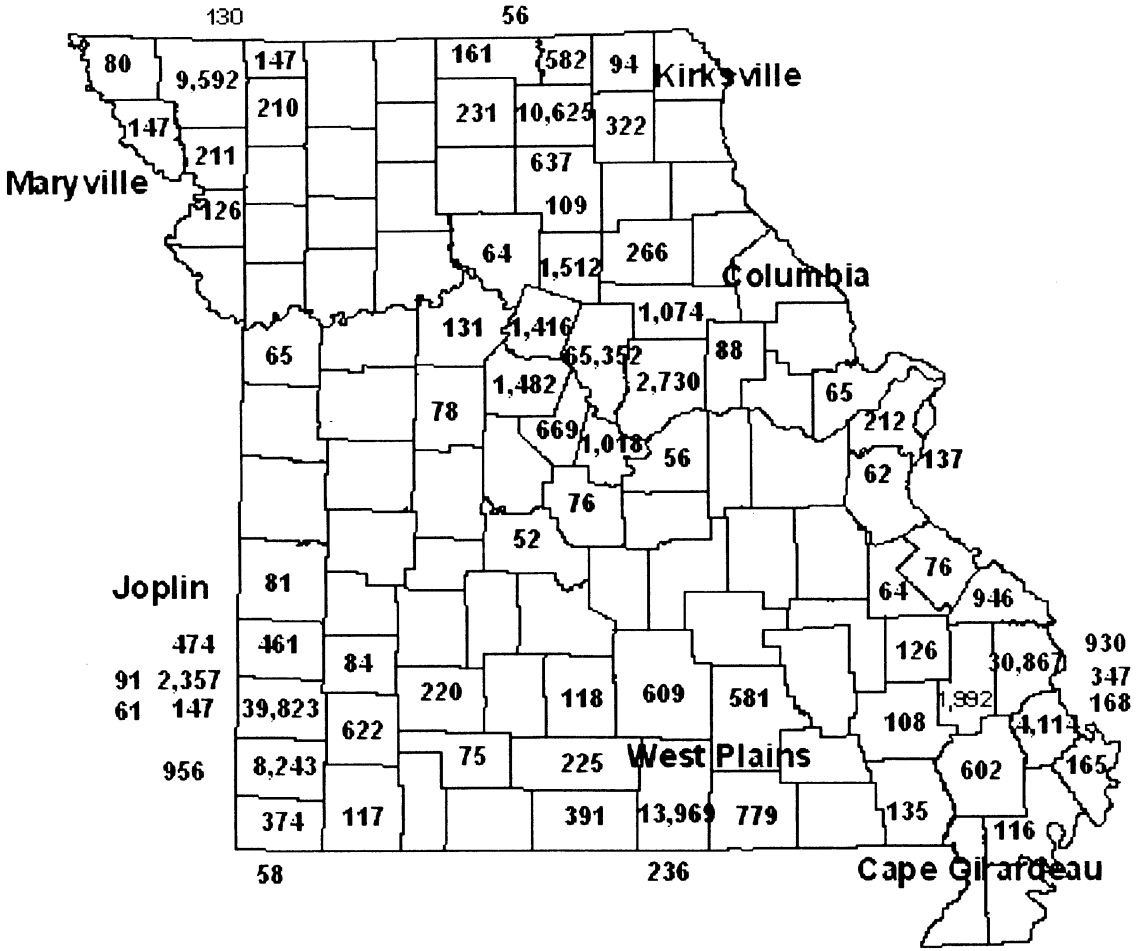
- WORK
- RETAIL TRADE
- HEALTH CARE
- IMPLICATIONS
  - Community
  - Public Finance

Workers Commuting Outside County of Residence
2000



Source: USDC, Bureau of the Census, Census of Population and Housing [2000 SF3]
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 8.26.2002

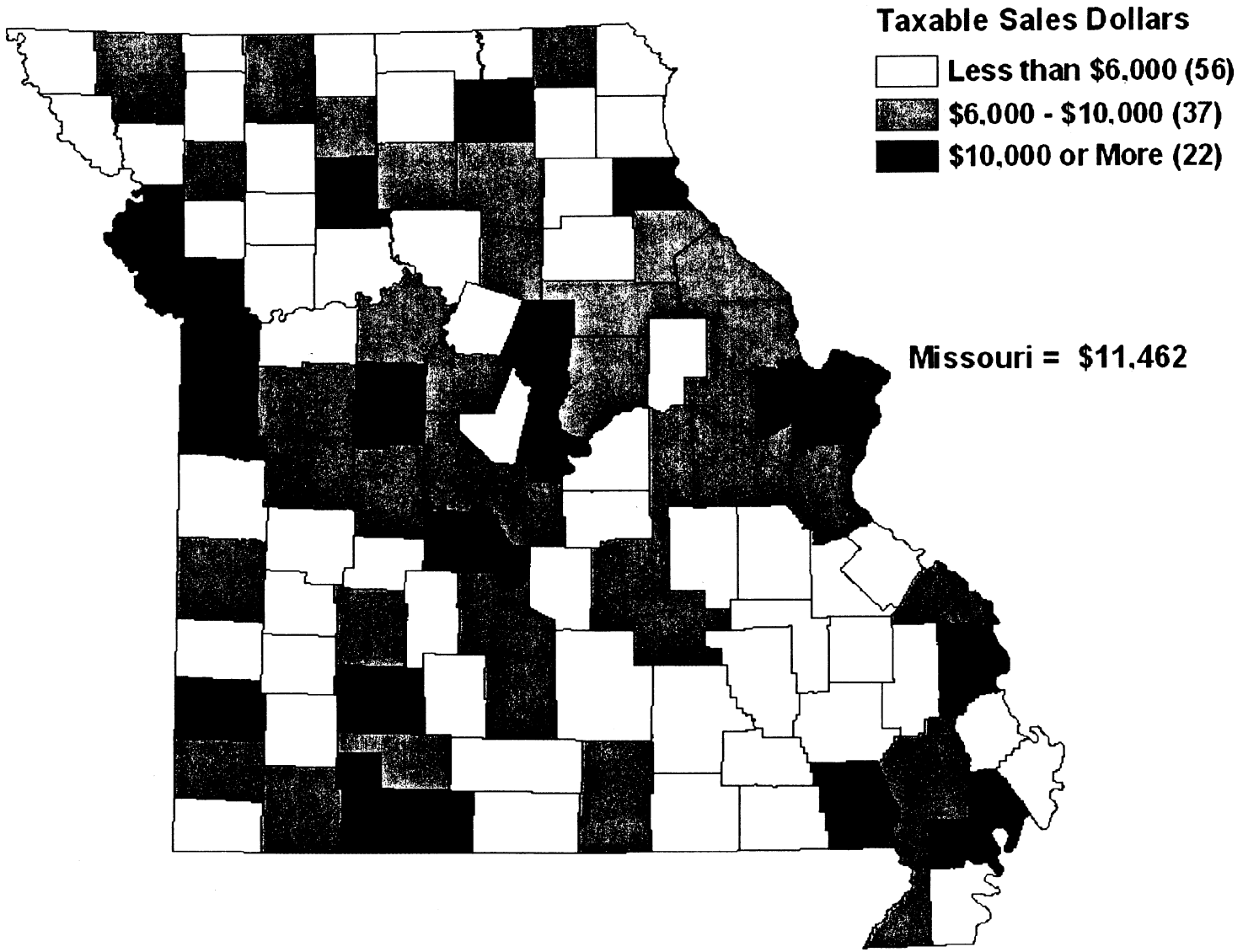
Where People Commute to Work, 2000



Source: USDC, Bureau of the Census, 2000 County to County Work Flow
Produced by: University Outreach and Extension, Office of Social and Economic Data Analysis (Mar. 2003)

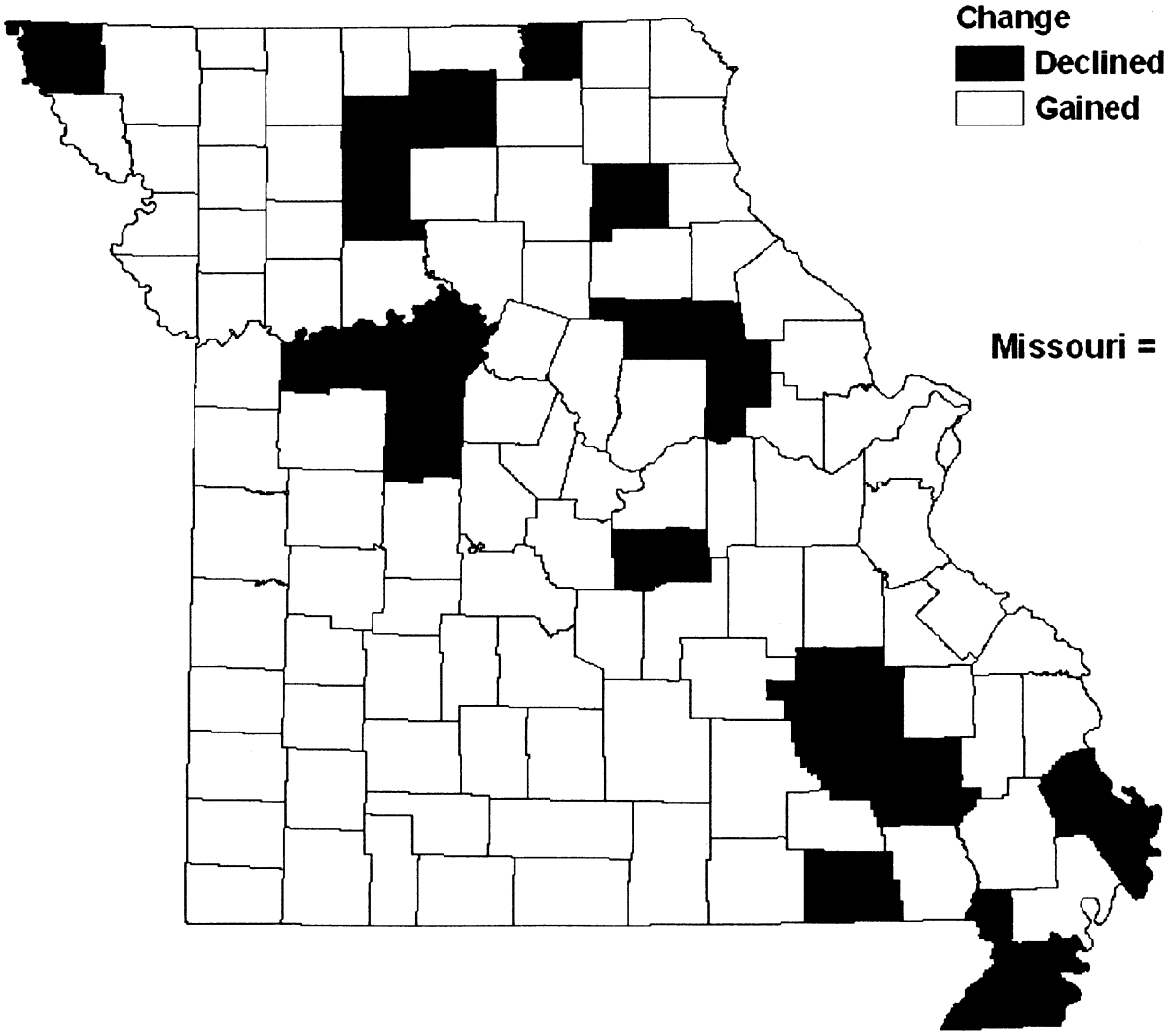
To obtain 2000 County to County Work Flow Reports go to:
http://mcdc2.missouri.edu/data/workflow/reports/

Taxable Sales Per Capita, 2002



Source: MO Dept. of Revenue; USDC, Bureau of the Census, Federal State Coope for Population Estimates
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 9.22..2003

Change in Total Taxable Sales
2000 - 2002



Missouri = $1,358,343,842

Source: MO Dept. of Revenue
Prepared by: University Outreach and Extension, Office of Social and Economic Data Analysis - (OSEDA)
Map Generated on 9.22..2003

APPENDIX J

Written testimony of Representative Todd Smith (118)

Missouri Commission on Intergovernmental Cooperation

BACKGROUND

The Missouri Commission on Intergovernmental Cooperation (MCIC), first established by executive order in 1985 by then Governor Ashcroft, is composed of 5 private citizen appointees, 4 legislators, 6 cabinet members and representatives of a number of local government organizations, representing cities, counties, elected officials, city managers, regional planners and others. The Governor may appoint additional members as he sees fit. MCIC was re-authorized by executive order in September 2001.

The Commission's duties include:

- investigating issues and problems pertaining to state-local relations;
- serving as a vehicle of communication through which state and local government can meet to discuss and resolve shared and existing and potential problems;
- reviewing and analyzing proposed legislation and regulatory changes that affect state and local government relations; and
- coordinating the provision of technical assistance to state and local government in a broad range of program and policy areas.

Past commissions have worked toward resolving issues such as solid waste management, the transport and disposal of hazardous materials, regional jails, and community information networks. The MCIC has been instrumental in the creation of the Missouri Public Entity Risk Management fund (MOPERM) and the establishment of the Department of Natural Resources' Solid Waste Advisory Board.

MOPERM is a self-insurance fund offering broad liability coverage at reasonable and stable cost to Missouri's local governments. The fund was established in response to a liability insurance crisis that left many local governments unable to afford adequate insurance protection. MCIC was the collaborative forum that studied, recommended and tracked legislation establishing MOPERM.

Likewise, in response to local government protests of state mandated policies reducing waste in landfills and establishing recycling programs, MCIC established a subcommittee to iron out the differences. Missouri's Solid Waste Omnibus Law of 1990, establishing the Solid Waste Advisory Board, is the product of MCIC's mediation efforts.

MISSOURI COMMISSION ON INTERGOVERNMENTAL COOPERATION

Citizens Appointed by the Governor

Mary Campbell
St. Louis

Shonagh K. Clements
St. Louis

Wiley Hibbard
Perry

Mary C. Williams-Neal
Kansas City

William Murry
Wheeling

Local Government Representatives

Richard Cavender, **Commission Chairman**
MO Assn. of Councils of Govt.

Joe Adams, Mayor
City of University City

Dick Burke, Exec. Director
MO Association of Counties

Tom Carlson, Mayor
City of Springfield

Eva Danner, Pres. Comm.
Livingston County

Mark Levin, City Admin.
City of Maryland Heights

Gary Markenson, Exec. Dir.
Missouri Municipal League

Karen Messerli, Mayor
City of Lee's Summit

Karen Miller, Assoc. Comm
Boone County

Ron Monnig, Councilman
City of Slater

Steve Paulsell
MO Fire Services Alliance

Fred Siems, City Admin.
City of Blue Springs

Carter Ward
MO School Boards Assn.

State Legislators

Carl Vogel, Senator
District 6, Jefferson City

Steve Stoll, Senator
District 22, Festus

Wes Wagner, Representative
District 104, DeSoto

Todd Smith, Representative
District 118, Sedalia

State Agency Officials

Jacquelyn White, Commissioner
Office of Administration

Joe Driskill, Director
Department of Economic Development

Peter Hofherr, Acting Director
Missouri Department of Agriculture

John Hoskins, Director
Department of Conservation

Steve Mahfood, Director
Department of Natural Resources

Henry Hungerbeeler, Director
Department of Transportation

Staff

Ewell Lawson, Executive Director



2002 Report

Partnerships for Prosperity: A Framework for Progress

TWO MAIN THEMES

- **Improving the local government decision-making toolbox**

  - County Planning

- **Enhancing collaboration and coordination**

  - link state resources to local and regional planning



Why Are We Here?

To consider the following questions ...:

- What state-imposed barriers to effective planning do counties face?
- Are the authority and tools afforded to counties by the state adequate?
- How can we promote a more prosperous state through locally driven planning?
- Are there statutory changes to be made?
- Is there room for change?

Common Themes Concerning County Planning

Flexibility

"...need more flexibility and tools to address planning issues."
– Don Stamper, Boone County

"...more equality in what governments can do."
–ending summary by Bruce Knight, APA

"...revisit residency requirements...and required votes."
– Ron Herschend, Taney County and Richard Sheets, MML

Work Together

"...we need to make sure we are planning and making decisions together."
– Ron Herschend, Taney County

"...there is a true disconnect [between different jurisdictions]."
– Don Stamper, Boone County

"...many areas would be better served by planning around regional economies."
– Rep. Todd Smith, Pettis County

"...with the outward migration from the city to the rural area...people are moving out with tremendous expectations of service."
– Rep. Charlie Schlottach, Gasconade County

Incentive Based

"...incentives for planning are needed."
–ending summary by Bruce Knight, APA

"...link state resources...then there is an incentive..."
– Don Stamper, Boone County

"...planning...[should be] an option for counties, but with incentives."
– Richard Cavender, Meramec RPC

Education

"...there needs to be a more concentrative effort...on education regarding the outcomes of planning."
–ending summary by Bruce Knight, APA

"Planning is an on-going educational issue."
– Diane May, Southwest MO RPC

"...it is never bad to sit down and think about the future and what...a community wants to be."
–ending summary by Bruce Knight, APA

APPENDIX K

Written testimony of Mr. Floyd Baker,
Rolla Technical Institute

Floyd Baker, Director
Rolla Technical Institute
1304 E. 10th
Rolla, MO 65401
573-458-0150
fbaker@rolla.k12.mo.us

I am Floyd Baker, Director of the Rolla Technical Institute. I would like to thank you and representative Frank Barnitz for asking me to participate in this meeting. I have worked at RTI for over 16 years. I have been the Placement Coordinator, Director of Customized Training, Assistant Director and Director. I am an educator and hope to share some information with you this morning about the importance of vocational education in attracting new industries to our state and communities and keeping the industries we have.

Between Rolla Technical Institute and the Rolla Technical Center, we offer over 20 training programs including Manufacturing Technology, Machine/Tool, and several building trades and medical programs. Our school trains over 800 students from 12 comprehensive high schools whose students travel from as much as 50 miles away. We also have over 250 adults some of whom travel even farther distances. These students pay a high price in order to attend the vocational school. Long hours on a bus and sacrifices of extracurricular activities at their high school. Sending schools pay Rolla Public Schools $2,400 for each student to receive 540 hours of technical training a year. Most of our training programs are 2 years long with a high school student spending 3 hours a day 5 days a week at RTI. The sending schools have seen their tuition costs increase from $1,500 to the current cost in the past 7 years. This year adult students have seen a dramatic 40% increase in tuition costs from $2,575 to $4,300. These cost increases have been a direct result of our costs of doing business. As a public school, we are only trying to break even.

My role at the school has resulted in my interacting with employers on a very frequent basis. I am confident that I know what front line supervisors are going to tell you they need in a new or an existing employee. They are looking for honest people who show up prepared to work, are problem solvers, self-motivated and have the technical and academic skills to do the job. Our job is to produce those employees.

I have seen considerable change in the types of jobs and types of employers during the last 15 years. In the past, there used to be Brown Shoe manufacturing plants in many communities in south central Missouri as well as several garment factories including Rawlings and Lee. I have watched them leave one by one. Most have gone across the border. We have retrained 100's of former shoe and garment factory employees for today's highly skilled occupations. We have also been instrumental in training 100's of new employees for Briggs and Stratton, Mar Bal, Olin Fine weld tube, and other manufacturing companies.

Community leaders and economic development specialists bring potential employers to visit our school and students. Employers needing highly skilled workers must attract technicians from existing employers or hire them from an area vocational school.

Since the early 1900's, the percentage of positions requiring college degrees has been 20 %. From about 1935 until the 1970's, 60% of the work force was involved in manufacturing or farming, which required little if any formal training beyond high school. The remaining 20% of our workforce required fairly extensive technical training. Between the 1970's and 2003 the percentage of unskilled and skilled jobs have reversed with 60% of our workforce now requiring technical education and 20% of the jobs requiring little technical skill. I have seen many of these unskilled jobs leave. I watched the terrible disruption to lives of employees when Brown Shoe moved jobs out of our country. Recently, we have watched the last area Lee plant close in Lebanon, Missouri during a year when the company reported over 200 million dollars in profit. Those jobs went to countries that can pay those unskilled or semi-skilled workers a fraction of what they paid our workers.

I have believed for years that those types of jobs are doomed in this country. There is no way we can work harder or faster. We cannot compete with the 3rd world worker who will work 10 hours for 10 dollars and lunch. Where we **can** compete is with the job that requires a basic ability to read and write plus advance technical training. The worker across the border cannot compete with us for these jobs because the people do not have access to the training or education necessary for these jobs.

Vocational Education has not escaped Missouri's serious budget problems. While we are receiving a significant amount of our budget from federal Perkins dollars, this is at risk. For the first time since 1917, the President's budget has included no dollars targeted toward vocational education. The federal No Child Left Behind mandate virtually ignores vocational education. If Perkins or similar federal funding disappears, who

will pick up the funding for vocational education? Almost all local school boards who have an area vocational school in their district supplement the vocational school's budget with local dollars, sometimes up to 50% of the vocational school's budget. Last year the Rolla school board eliminated over a half million dollars from this year's district budget due to the lack of a fully funded foundation formula. RTI's share of this cut was the loss of the Assistant Director/Community Education Director position, which had been in place since 1972 when the building was built, a teacher and an aide. This year the preliminary numbers are for a 2.5 million dollar budget reduction out of a 34 million dollar budget. If we eliminate all sports and all coaching positions in Rolla, we will net about a ½ million dollars. That would still leave us 2 million dollars short. I cannot even imagine how this will affect our school but it will be dramatic and it will change who we are and what we can do.

The Director of Operations at Royal Canin recently visited me at RTI. Royal Canin is a dog food manufacturing company owned by a French corporation which has a plant located in Rolla employing 50 people. This company also own plants in Europe and South America. Royal Canin is updating the extrusion machines from its 40-year-old plant. It is investing 6 million dollars in the first phase of construction. It will be updating to Cad Cam and computer driven production machines. Out with the wrenches and in with computer controlled equipment. This is what the company has to do to remain competitive on the world market. The unskilled and semi-skilled jobs at the plant will likely be reduced in number. Highly skilled, well-paid technicians will replace them. Last Friday Royal Canin began interviewing some of our students in the Manufacturing Technology program for those jobs. In addition, it looks as if we will be developing several joint projects involving students from other RTI training programs. Partnerships like this are important in providing what our community employers and our high school and adult students' need. These partnerships are important to keep Royal Canin and its 50+ jobs in Rolla.

Other examples of successful partnerships are the ones we have developed with educational facilities and organizations. Our partnerships with these other educational institutions help both our staff and students gain the skills necessary to be successful in today's workplace.

We have been fortunate to develop partnerships with several of the University of Missouri-Rolla engineering departments. Last year a team comprised of UMR and RTI students and faculty designed and built a complete solar house. This house was transported to Washington DC where we competed with 13 other houses developed at universities from around the

nation. We have also machined prototypes of the next generation space shuttle and worked on superconductors, saving UMR a $60,000 repair bill. For several years, we have worked with the Civil Engineering Department in the development of new materials to strengthen masonry construction. Many of those materials are now being used to reinforce embassies located overseas against terrorist bomb attacks.

We have a very important relationship with East Central College. We began by articulating courses so that our students could gain credit for the college level material taught at RTI. We are now changing that to dual credit. Three years ago we developed an agreement whereby our Rolla Technical Center campus turns into an ECC campus at 3 o'clock in the afternoon, maximizing the use of our facilities and providing a great opportunity to our community.

We align our curriculum whenever possible to business and industry standards. Our Automotive Technology programs are ASE certified and our instructors are Master Certified technicians. We articulate credit with union and non-union building trades organizations. Our Computer Technology students are qualified to take and pass a variety of industry skill testing including Microsoft Technician, A+, and Cisco.

Why is Missouri bleeding jobs? I do not know all the answers. Our region has not been hard hit and our industries are reasonably healthy and growing. Our unemployment percentage is low. I do know that RTI has been involved in every major employer's location to our area in the last 15 years. And I know that in a very short time RTI may not exist in a form that is recognizable from the past. I am concerned that if the current delivery system of vocational training in Missouri is not financially supported, many more additional jobs may be at risk.

APPENDIX L

Written testimony of Chancellor Gary Thomas,
University of Missouri-Rolla

UMR

Testimony
to the
Interim Committee
Job Creation & Economic Development

My name is Gary Thomas. I am the Chancellor of the University of Missouri – Rolla.

As you know, UMR is one of the best known and most highly respected technological universities in the nation. Its graduates make significant contributions to the state through the leadership positions they hold in the state's critical industries and by creating new businesses. For example, UMR graduates hold more engineering positions at Boeing – St. Louis than any other institution in the nation. And, our graduates own more than 300 businesses in the state.

For the past six months, I have chaired a taskforce of the Midwestern Governors' Association (MGA) on "Targeting Knowledge-Intensive Industries". The MGA is led by Governor Holden and the taskforce has been facilitated by Joseph Driskill and the staff of the Department of Economic Development. This taskforce involves representatives from each of the states in the Midwest and has studied methods used by other states, regions and counties to attract and grow knowledge-based industries. The focus of the taskforce is on knowledge-intensive jobs because they tend to be higher paying and they are currently much less likely to be "exported". While knowledge-based jobs, such as computer programming, have been exported for more than a quarter century, far more lower skilled jobs have moved overseas. A copy of the most recent draft of our recommendations is attached.

Even a cursory examination of what is going on in other regions will convince you that this issue is central to the thinking of people interested in the growth in the number of high-paying jobs everywhere. Hence, one conclusion of this taskforce is that unless the Midwest develops effective programs to improve the region's attractiveness to these businesses, it will lose ground. This conclusion applies equally well to Missouri.

Information developed by the National Collaborative for Postsecondary Education, reveals that Missouri lags well behind the nation and the region in high-paying jobs, especially those for professionals and those with advanced degrees. One manifestation of this is the fact that Missouri ranks 49th in the nation in the difference between the median earnings of high school and college graduates.

If one examines governmental actions in states that have successfully attracted high-paying jobs, it becomes clear that successful states have forged a close working partnership among government, industry and education. These partnerships are usually led by industry and facilitated by government.

To understand the state's competitive advantages, it is essential to assess formally its current ability to support knowledge-based industry. Some of the major conditions an industry will assess prior to making a decision to locate or expand include infrastructure, quality of life, workforce, industry support and community support.

Many states have taken initiatives to stimulate the growth of knowledge-intensive industries. A brief summary of those initiatives is also attached.

I thank you for allowing me to share these opinions with you, and I would be happy to address any questions you may have.

Recommendations to Stimulate the Growth of Midwest Knowledge-Intensive Industries

Draft #7

Revised 9/17/2003

As part of its work, the taskforce surveyed the efforts of other regions, states and countries to stimulate the growth of knowledge-based industries within their jurisdictions. An examination of these documents reveals many common features in their attempts to create/expand/attract knowledge-based industry. Most include the following necessary preconditions to stimulate growth:

1. A partnership among industry, education and government;
2. A long-term commitment to growth;
3. A "business-friendly" environment; and
4. An attractive quality-of-life.

The large number of others attempting to grow knowledge-based industries also suggests that unless the Midwest is successful in its efforts, further ground will be lost.

Below are the recommendations that the taskforce believes will lead to growth of such industries. The recommendations below are divided into two groups: preconditions for growth and further efforts that should be undertaken.

Preconditions for Growth

Enable the establishment of Business/Education/Government Partnerships as an implementation tool for accomplishing common economic development goals.

To establish a successful partnership, the senior leadership in government, industry and education must be committed and engaged in the project. The partnership should leverage growth for each group in the partnership with growth as the ultimate measure of success or failure.

While there are some three-way partnerships in the Midwest region that have successfully helped states, regions, and communities improve their competitiveness, more need to be developed. Some of the most successful are industry led, government facilitated partnerships with education. The partnership promotes a team mentality that helps generate the necessary excitement, camaraderie, and synergistic discovery of new solutions for tough economic development challenges.

Each of the three elements of business, education and government in these partnerships brings a unique perspective and contribution to the partnership. They do this by identifying and understanding common goals, defining an action plan and implementing that action plan. Each is necessary for success.

The three-way partnership acts as a neutral coordinator for fostering cooperation of the three major entities toward common goals for the community. Solutions sought by the partnership can be those that help ensure that each of the partners is a "winner". Specifically, the partnership allows each to:

1. Remain focused on its mission.
2. Document relevant issues and develop relevant solutions.
3. Act as a relevant and current advocate for solution of the issues.
4. Serve as a catalyst in bringing recognition to the action plan.

Three-way partnerships are a best practice for helping a community, state and region focus on a solution of common economic development goals. It is a "triple-win" approach whereby private

2. Assess the Midwest's competitive advantages in light of the global economy

Maintaining a clear understanding of the Midwest region's competitive advantages will be critical for successful economic development in the context of the 21st century global economy. The interconnectedness of the regions knowledge companies and workers fuels the global economy. Understanding the impact of the choice of geographic location for knowledge workers becomes much more complex as a result of anytime, anywhere, anyplace communication services available through the Internet and related telecommunication services including both wire line and wireless technologies.

One thing is certain, regional competitive advantage will be predicated on the availability and affordability of network infrastructure, network access, and network use. Information technology is an enabler to every sector of the economy today, but especially critical to knowledge intensive industries that are sought for the Midwest. Understanding how business, government, and educational institutions are utilizing the Internet and advanced telecommunication services, in comparison to other regions, is essential in crafting strategies to move the region forward.

Two of the leaders in assessing information technology and its growth are TechNet and The Computer Systems Policy Project (CSPP). "TechNet is a bipartisan network of CEO's that promotes the growth of Technology Industries and the Economy by building long-term relationships between Technology Leaders and Policymakers and advocating a targeted policy agenda."[1] In this report TechNet surveyed state policy initiatives that had a significant impact on broadband deployment and demand. TechNet then ranked the top twenty-five states based on the extent to which their public policies spur or impede broadband deployment and demand. In the overall rankings and order, the top five states were Michigan, Florida, Missouri, Texas and Ohio. You may access *The State Broadband Index* at http://www.technet.org/resources/State_Broadband_Index.pdf. In addition to the index, Section 5 of this report contains a guide to "best practices" to assist states in their broadband deployment. The report cites Kentucky's "connectkentucky" http://www.connectkentucky.org/ as a leader in preparing the information technology industry.

The Computer Systems Policy Project (CSPP) consists exclusively of CEO's from the industry leaders in information technology. Michael Dell, of Dell Computer, is chairman of the group that has worked to "develop and advocate the IT industry's public policy positions on technology and trade issues[2]." *The CSPP Readiness Guide for Living in the Networked World: A Self-Assessment Tool for Communities* "provides a snapshot of where communities fall along a continuum of readiness. From the stage-one community with a minimum of the necessary technology and applications, to a state-four community that has a very advanced technology and ubiquitous applications, the Guide provides a framework that can help guide discussions, drive decisions and produce results."[3] The complete guide may be viewed at http://www.cspp.org/projects/readiness/pdf/RG.pdf

Technology usage, access and infrastructure are interrelated and a clear understanding is crucial to mapping the most appropriate regional strategy:

- **Usage** - The ways in which businesses, schools, governments and individuals make use of the Internet and related technologies.
- **Access** - The availability, speed, and cost of Internet access throughout the region
- **Infrastructure** - Refers to the extent to which the Midwest is connected to the global network and the potential data-carrying capacity of those connections.

---

[1] Statement extracted from the TechNet Website at http://www.technet.org/who/index.html
[2] Statement extracted from the CSPP Website at http://www.cspp.org/aboutus.asp
[3] The CSPP Readiness Guide For Living in the Networked World A Self-assessment Tool for Communities, Page 2

Examples of Ways in Which Industry, Government and Universities Can Work Together to Attract Knowledge-Intensive Industries:

Ohio

The plan for Ohio might be an example of what can be done within a state. The full report is located at The agenda for **Ohio** might be an example of what can be done within a state. The Ohio initiative will be built cooperatively by universities, businesses, and other researchers to create new products and processes resulting in increased jobs and economic prosperity.

> "The Third Frontier Project is the most ambitious undertaking ever proposed to create the conditions for Ohio's success in the knowledge economy. It will match $1.6 billion in state investment with an additional $4.5 billion in federal and private funding to create a $6 billion, ten-year initiative.
>
> The Third Frontier Project will build on progress, help businesses innovate, generate new start-up companies and create high-paying jobs needed to sustain Ohio and Ohio families in the 21st century."

The full report is located at http://www.connectohio.com/3rdfrontier/pdf/JobsProsperity.pdf

In addition to the overall Ohio agenda, the City of **Cincinnati** conducted a survey to assess technology adoption patterns among Greater Cincinnati companies.

> The survey reveals insights into technology adoption patterns among Greater Cincinnati companies. Most companies have developed Internet strategies; a majority consider their speed of adoption of technology to be "mainstream" as opposed to "leading edge"; they consider their IT spending to be at about the national average; and they consider the three greatest challenges to be technical resources, management and the complexity of the solutions.

The full report can be found at http://cincytechusa.com/KeepingPace8_21_02.pdf

Oklahoma

A group in **Oklahoma** has created a *Center of Excellence in Technology & Telecommunications (COEITT)*. The COEITT group reviews the success of the North Carolina, Triangle Park development and assesses the ability of Oklahoma to emulate NC's experience. A summary of the plan is at http://www.oscer.ou.edu/Symposium2002/cooper_symposium_20020913.ppt

The progress made by COEITT over its first two years of operation is summarized at http://www.coeitt.net/coeitt/May2002%20First%20Two%20Year%20Report,%20Final.pdf.

Its Five-Year Strategic Plan (2002 – 2006) has as its objective "to establish Oklahoma as a destination of choice for information technology and telecommunications professionals and companies." The plan can be found at http://www.coeitt.net/coeitt/COEITT%205%20Year%20Strategic%20Plan%20for%20Website%20v1.pdf.

Arkansas

In November, 2002 a group of industrial, educational and government officials came together to discuss Building **Arkansas'** Knowledge-Based Industries, a forum presented by The Arkansas Venture Forum. The objective of the forum was "to bring together Arkansas' resources that can work together to advance knowledge-based industries. The meeting began with a speech from the President of Georgia Research Alliance, Michael Cassidy. In addition, there were presentations of "Best Practices of Commercializing Intellectual Property" from Ohio and Arkansas as well as case studies from leading universities such as Georgia Tech, NC State, Penn State, and Purdue. The conference also discussed a state funding agency, Arkansas Science and Technology Authority, dedicated to providing statewide resources for high quality scientific and technological projects. A "hard copy" of the conference material is available; however, only a brief outline of the activity is available on the Web at http://crc.arcapital.com/arkansas_venture_forum/building_arkansas_knowledge-based_industries_forum_november_7_2002.html

University of Arkansas Chancellor John A. White appointed a blue ribbon commission to *Make the Case* for the University of Arkansas' becoming a nationally competitive, student-centered research university serving Arkansas

State of Florida (Enterprise Florida) (www.eflorida.com)

Enterprise Florida, Inc. is a partnership between Florida's government and business leaders and is the principal economic development organization for the State of Florida.

Enterprise Florida's mission is to increase economic opportunities for all Floridians, by supporting the creation of quality jobs, a well-trained workforce, and globally competitive businesses. It pursues this mission in cooperation with its statewide network of economic development partners.

US Government Information
US Government Information and Resources for small business grants
http://usgovinfo.about.com/library/weekly/blstategrants.htm

Maryland
Governor's Office of Business Advocacy and Small Business Assistance (GOBA)
http://www.choosemaryland.org/business/small/index.asp

Financing programs http://www.choosemaryland.org/business/financing/index.asp

Illinois
Business Incentives and Resource Assistance http://www.illinoisbiz.biz/bus_incentives.html

Hawaii
Hawaii's Incentives for Technology-Driven Development
http://www.hawaii.gov/dbedt/hecon/he1-00/incentive.html

Organisation for Economic Co-operation and Development (OECD)

The OECD groups 30 member countries sharing a commitment to democratic government and the market economy. With active relationships with some 70 other countries , NGOs and civil society, it has a global reach. Best known for its publications and its statistics , its work covers economic and social issues from macroeconomics , to trade , education , development and science and innovation .
The OECD plays a prominent role in fostering good governance in the public service and in corporate activity . It helps governments to ensure the responsiveness of key economic areas with sectoral monitoring. By deciphering emerging issues and identifying policies that work , it helps policy-makers adopt strategic orientations. It is well known for its individual country surveys and reviews .

http://www1.oecd.org/publications/e-book/92-2001-04-1-2987/index.htm

Competitive Alternatives

Comparing Business Costs in North America, Europe and Japan
Competitive Alternatives is an initiative of KPMG LLP's Strategic Relocation and Expansion Services practice, and represents the most in-depth analysis of business costs in the G-7 countries, plus Austria and the Netherlands, known to be undertaken to date. After 10 months of research and analysis, collecting over 30,000 data points, the results are now here... http://www.competitivealternatives.com/main.htm

Nokia (powerpoint slides)
http://odur.let.rug.nl/TuningProject/presentations/TV_EU_Higher%20Edu2.pdf

APPENDIX M

Written testimony of Mr. John A. Blaskiewicz,
John Ramming Machine Company

Thank you for inviting me to address this subcommittee and discuss issues of vital importance to the survival of manufacturers in Missouri.

My name is John Blaskiewicz, Operations Manager at John Ramming Machine Company. Our company is located in the City of St. Louis and has been since its founding by John Ramming in 1876. Our company was originally located at 1st and Clark now occupied by the South leg of the Arch. Mr. Ramming was in the business of repairing steamboat engines. Needless to say we have evolved considerably since then. We are engaged in precision contract machining and special machine building for industry. 98 per cent of our business is conducted with out-of-state companies. Our customers include Caterpillar, John Deere, Cerro Copper Products Company and Taylor Forge Engineered Systems. Our company generates skilled, good-paying manufacturing jobs for Missouri and brings in revenue from outside our state.

There are times when we feel our type of enterprise is not fully appreciated at the local and state level. We are not considered glamorous high-tech, although our machinists use state-of-the-art computer controlled machine tools costing hundreds of thousands of dollars, nor are we large enough to garner the kind of attention a Ford Motor gets when there is a possibility of losing auto assembly jobs. Nevertheless our jobs count. In 1998 we had 45 employees. Today we have 20. Our wages average $17.00 per hour with fully paid family health insurance coverage and a 401K plan. The reasons for our decline in employment range from competitive issues with lower cost domestic sources in Mississippi and Arkansas, foreign competition—in our case Mexico and Brazil, and the

general economic malaise in manufacturing nationwide which has impacted our customers.

Missouri's manufacturing business environment affects our company in two significant areas. The first area is, not surprisingly, business taxes. Specifically, in our case is the issue of manufacturing property taxes, known in the City of St. Louis as the Manufacturer's License tax. I am a founding member of the Manufacturers Association of the City of St. Louis and one of our main goals has been to bring some sort of equity to the arbitrary schedule used by the City License Collector to calculate the tax. We have been singularly unsuccessful in our efforts to date. A floor of 30% of purchase cost new is the least valuation set on machinery, regardless of age or condition, for assessment purposes, even though the State Statute specifically calls for assessment on the basis of "Fair Market Value". Recently the Post-Dispatch ran an article about the number of appeals of this tax to the Missouri State Tax Commission from taxpayers all over the state. In 2-1/2 years, 45 cases were appealed and all 45 decisions were rendered in favor the taxpayer. This unanimous figure should trigger an alarm into how county assessors and the St. Louis City License Collector value manufacturing assets contrary to State Statutes. However, so far the only response by the State Tax Commission has been to reassign the hearing officer of the appeals. I feel very strongly that this issue needs to be addressed by the legislature and that the value of manufacturing assets should be allowed to reflect values well below 30 per cent over time. The best solution would be to drop the tax altogether. Appraisals, appeals and lawyers are beyond the reach of many small

manufacturers like us so the consequent inequities in assessed values weighs most heavily on us.

The other area of Missouri's manufacturing environment which affects our company is education. While this is such a broad topic and worthy of more time than is allotted here, let me say a few words about two programs that have had a real positive impact on our ability to compete. The Missouri Customized Training Program has helped us become certified to ISO 9001 and QS 9000 international quality standards. We were informed by one of our best customers that 3rd party Quality Registration would be a condition of doing business with that firm as of January 1, 2004. We received assistance to develop curricula, train management, prepare quality documents, refine procedures and train our factory employees. We were also faced with a mandate by this same customer to achieve 6-Sigma certification which we accomplished this past May thanks to assistance from the Customized Training Program. While we received $25,000.00 in direct funding, please know we invested over $55,000.00 in total to accomplish these goals. This program is not a handout and I implore you to maintain or, if possible, increase funding for this program.

In addition, we have been able to make use of the resources available through the Missouri Enterprise Business Center. We benefited from assistance in business planning, accounting software upgrades and training our Quality managers in new Coordinate Measuring Machine computer software. Again, we spent a good deal more money than

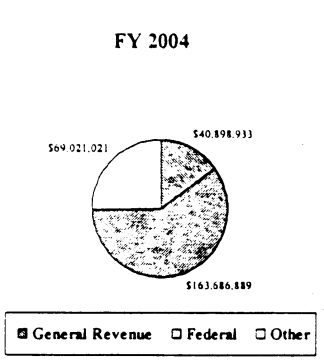
the benefits the Business Center gave us, but without their affordable assistance we could not have accomplished all that we needed to in the necessary time frame.

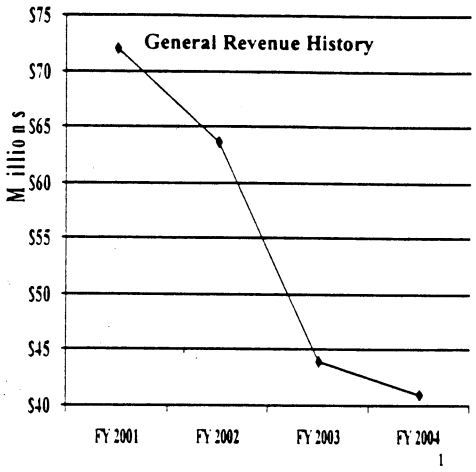
38.5% of Missouri students entering 9th grade go on to graduate from high school and go to college. The other 61.5% depend on just a high school education, if that, to make their way in the world. The more opportunities afforded this group for further training through programs such as these targeted at manufacturers like us will make Missouri a preferred location to manufacture quality products.

Again, I thank you for the opportunity to testify and will gladly answer any questions you may have.

FROM DED

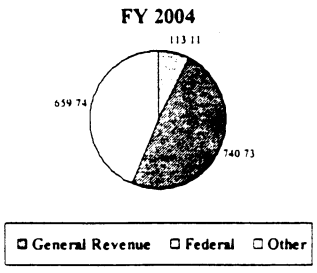
Department of Economic Development Dollars

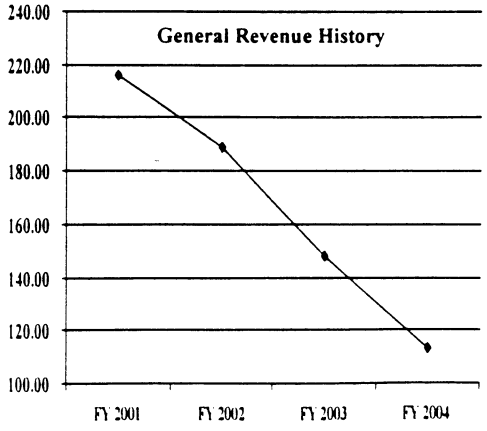




1

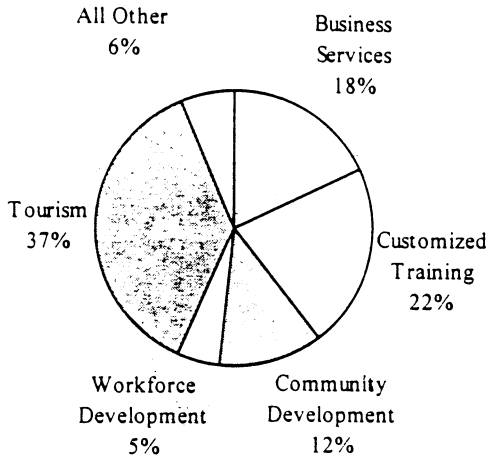
Department of Economic Development FTE





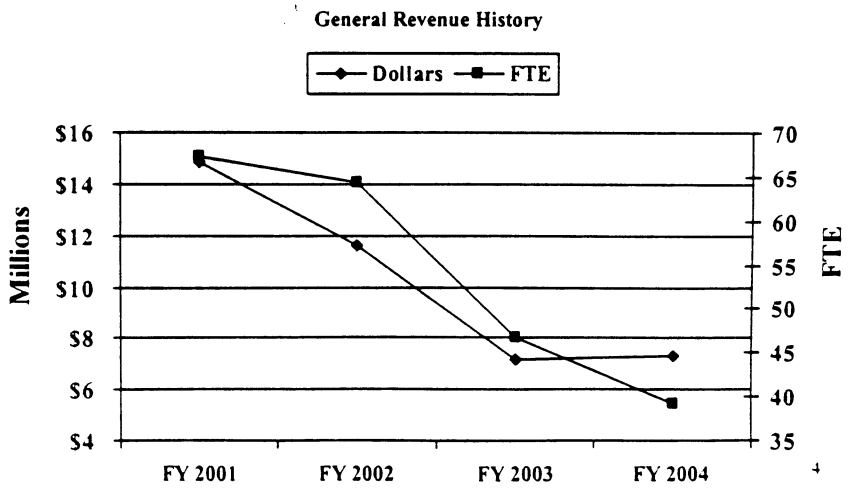
2

FY 2004 General Revenue Dollars DED



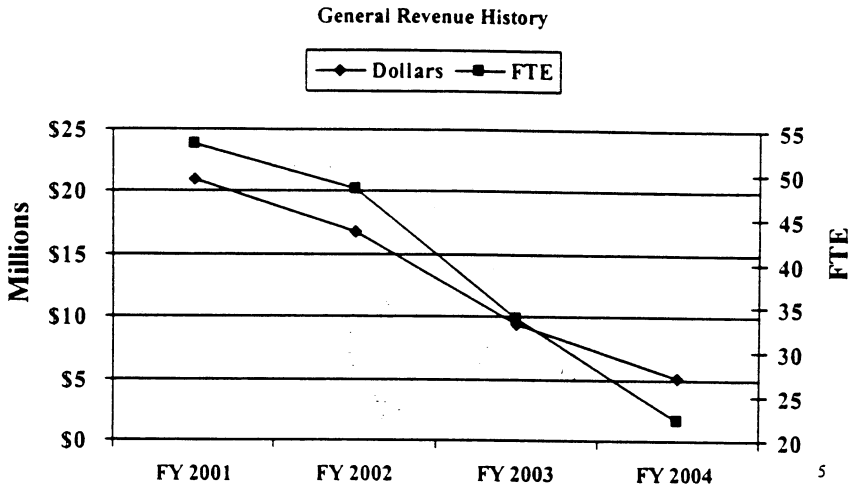
3

Business Services



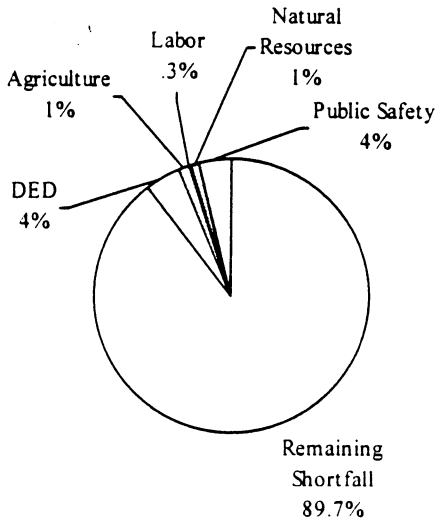
4

Community Development



5

FY 2005 General Revenue Shortfall



6

APPENDIX N

Written testimony of Mr. Craig Brown,
Missouri Energy Development Association

MEDA

Missouri Energy Development Association

[illegible] • Jefferson City, MO 65101 • 573-634-8678 • Fax 573-[illegible]

Ameren

Aquila

Atmos Energy Corporation

Empire District Electric Company

Great Plains Energy KCP&L

The Laclede Group, Inc.

Missouri American Water

Missouri Gas Energy

Testimony of Craig Brown
President
MEDA

Before the Interim Committee on
Job Creation and Economic Development

October 14, 2003

I would like to thank the Committee Chair, Representative Richard, and members of the entire committee for the opportunity to address you today.

I am Craig Brown, the President of the Missouri Energy Development Association or MEDA. We have an office five blocks from the State Capitol at 326 East Capitol Avenue in Jefferson City. MEDA represents the investor owned electric, gas and water utilities in Missouri. In particular, the MEDA members include AmerenUE, Laclede Gas and Missouri American Water Company from St. Louis; Kansas City Power & Light, Aquila and Missouri Gas Energy from Kansas City; Empire District Electric from Joplin; and Atmos Energy, based in Dallas, Texas.

The purpose of MEDA is to develop, organize and promote measures that will advance the ability of investor-owned utilities to BUILD, MAINTAIN, PROTECT and PROVIDE the utility infrastructure and services that are critical to the economic well being of Missouri businesses.

To achieve this goal, MEDA will serve as a vehicle for coordinating industry positions and policies on legislative and regulatory issues, provide an information resource for legislators and their staffs on energy policy issues, and through publications and formal discussions with the news media, help educate the general public about energy issues.

I am here today to briefly discuss a key proposal that MEDA is supporting, and to specifically provide the committee information on the direct economic and jobs benefit created by the construction of large scale power plants in Missouri.

Missouri investor owned electric utilities are facing an estimated 3,800 Megawatts (MW) of additional power generation requirements by the year 2012. This is shown in the attached Figure 1. If this entire capacity was met with coal fired plants, Missouri would need approximately 6 new plants, with an estimated cost of close to $6 billion. What are the critical problems the utilities face in building these plants and ensuring that Missouri continues to have reliable, secure and inexpensive electric power?

Coal is our preferred fuel for new base load plants because they produce electricity at the lowest cost. Coal-fired plants however have significant hurdles due to their physical, environmental and financial requirements. Compared to a gas-fired plant of the same size, a coal plant needs 10 times the land, a considerable water supply, higher stack, 5 year construction time and access to rail lines. The construction costs for a coal plant are over double, with increased maintenance costs and more difficult environmental solutions. So why coal? **The estimated fuel costs are triple for a gas plant at today's prices. For a plant that operates at or close to full time, a coal plant can generate electricity at a much cheaper rate then other alternatives.** Therefore it is good for utilities and good for the consumers and businesses of Missouri. A summary of this coal versus gas plant comparison is shown on Exhibit A.

The key factors affecting our ability to construct power plants of this size are the financial and credit markets and our regulatory process. As a result of lower then average return-on-equity (ROE) and depreciation decisions by the Missouri Public Service Commission (PSC) in the last several years, Wall Street ranks the investment climate for Missouri utilities as more uncertain and risky. **Investors are averse to uncertainty of whether, post completion of a plant, the utility's large capital expenditures will be considered prudent and added to rate base and whether they will receive an adequate return.** We are competing against other industries and utilities in other states for investment capital. The investment community is looking for a reduction in rate uncertainty and risk, especially when faced with building a plant that will take up to seven years from decision point to in service date. What can we do address the investors concerns?

MEDA is proposing legislation that would require the PSC to determine, up front, the prudency of building the project and the determination of certain ratemaking principles, such as ROE and depreciation, prior to plant construction. The utility would file a complete application, with testimony, to address the prudency, construction costs and the facts necessary to support the proposed rate principles. Rate will not go into effect until the plants are operating.

This **capital infrastructure proposal** will allow Missouri to attract the needed capital to build these plants, and do so in a manner that lowers the cost of financing to the plant and upholds the credit ratings of the underlying utilities, which results in lower electric rates to consumers. For example, a

1% drop in interest rate for financing a $1 billion plant would save consumers about $4.5 million a year over the life of the plant.

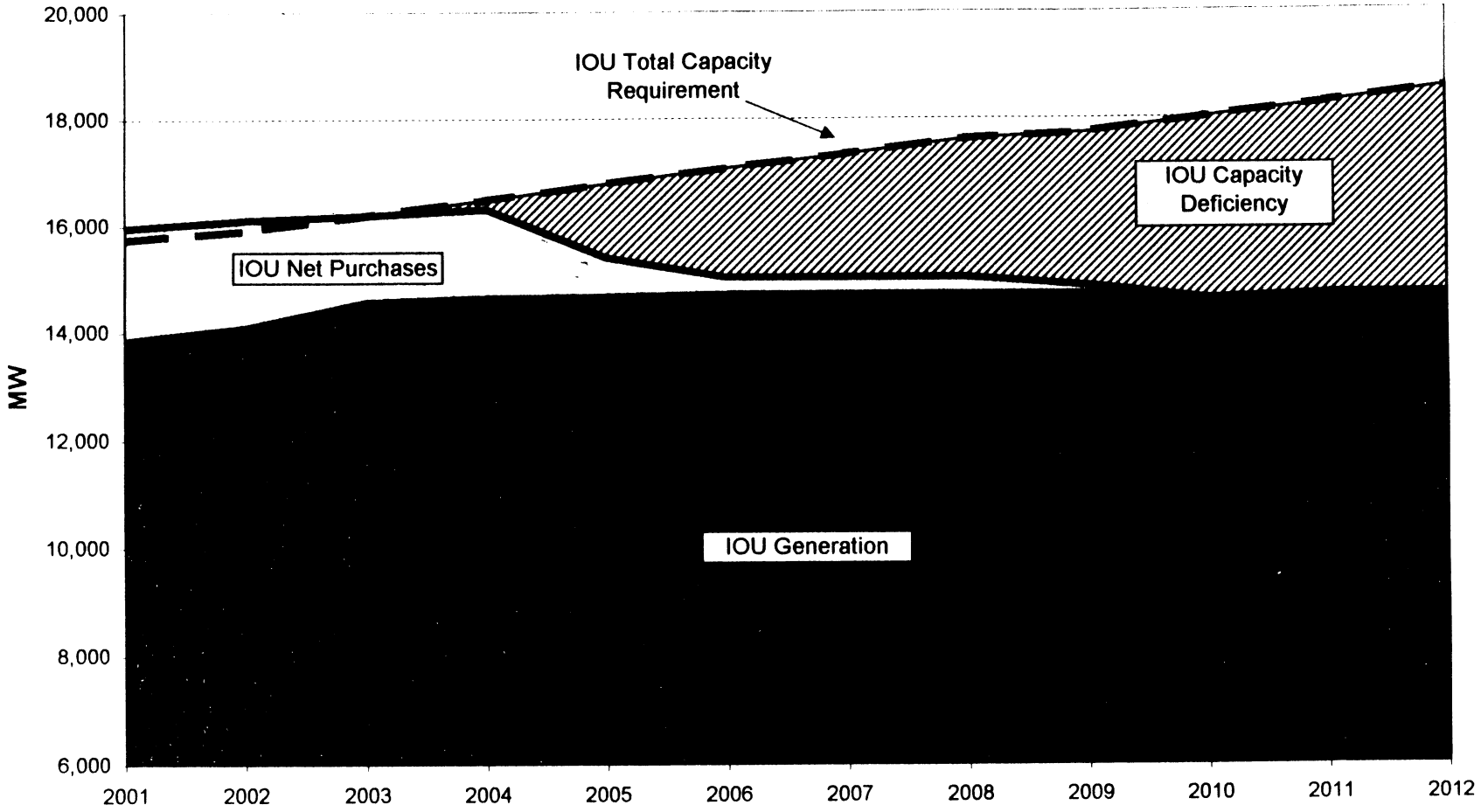
What effect does a large scale coal-fired power generation plant have on jobs and the local and regional economies? For a 500-700 MW plant the total number of full time jobs created range in estimate from 115 to 150. The total number of construction jobs needed over the 4-5 year construction process range from 600 to 1000 jobs. **The total impact of payroll and taxes paid to the local, regional and state economies for the first ten years of operation of a 500 MW coal plant is over $400 million.** If five or six of these plants generating 2,000-3,000 MW of power were constructed over the next 15 years in Missouri, the impact would be over 600 permanent jobs and a total state impact of about $240 million per year to Missouri.

We are competing for these jobs and plants on a regional basis. Iowa passed a law in 2001 that put in place "advanced rate making principles". To date, three power plants have been approved using such provisions and on September 9, 2003, MidAmerican Energy began construction on a 790 MW coal fired plant costing an estimated $1.2 billion in Council Bluffs, Iowa. In the 2003 legislative session, Kansas passed SB 263, which permits a utility to file a petition with the Kansas Corporation Commission for a determination of the rate making principles for recovery of rates for an investment in a transmission or generation facility.

In order to meet the power requirements of Missouri, several utilities need to make these critical decisions soon as to how they will meet their supply needs. We think the best decision for the consumers of Missouri is that coal is an option. Approving this capital infrastructure proposal would make that a reality.

I would again like to thank the Committee for this opportunity and would be happy to answer any questions.

Figure 1
Forecast Total Capacity Balance for Missouri Investor-Owned Utilities



Note: Capacity figures represent totals for utility subsidiaries operating in Missouri.

Exhibit A

COAL VS. GAS PLANTS

PHYSICAL REQUIREMENTS	COAL FIRED PLANT	GAS FIRED PLANT
Capacity	600MW	600MW
Land Required	600-1000 Acres	40-80 Acres
Water Usage	10 Million Gallons/day	5 Million Gallons/day
Construction Time	48-60 Months	24-36 Months
Height of Unit	up to 275 feet	up to 120 feet
Height of Stack	up to 500 feet	up to 150 feet
Fuel Delivery and Handling	Railways and storage space	Underground gas pipelines

FINANCIAL REQUIREMENTS

Unit Construction Costs	$1600 KW	$580 KW
Total Construction Costs	$960,000,000	$348,000,000
Fixed O & M Costs	$15,000,000	$6,000,000
Variable O & M Costs	$7,400,000	$11,100,000
Fuel Costs	$36,300,000@$1.00 Mmbtu	$129,500,000 @$5.00 Mmbtu

MEDA

MISSOURI ENERGY DEVELOPMENT ASSOCIATION

APPENDIX O

Written testimony of Mr. Jerry Feldhaus,
St. Louis Building & Construction Trades Council, AFL-CIO

Testimony to the House Interim Committee on Job Creation and Economic Development Public Hearing, October 14, 2003, St. Louis, MO

Statement of Jerry Feldhaus, Executive Secretary-Treasurer, St. Louis Building & Construction Trades Council, AFL-CIO

Mr. Chairman and members of the Committee, thank you for the opportunity to speak before you today. I've been asked to talk about the construction industry in this region, about past and future trends, and to describe past public policies that have helped my industry, policies which we need to encourage and expand. This I will do, but I also want to speak about solutions; the suffering of 100,000 people who saw their jobs leave the state in the last two years commands more than a simple report.

Understand that I'm a construction worker by trade, not a technical expert. So I've turned to some people who deal with these issues all the time, and what I'm about to present is a compilation of their insight, their research and our overall general agreement.

Let's start by talking about the Current Status of Construction.

In the St. Louis region, construction stayed relatively stable between 2000 and 2002. You can see by the chart I've provided which is the latest October 2003 information from the Missouri Department of Economic Development, construction in Missouri grew by 100 employees! That's in contrast to health care, which grew by 13,000, and manufacturing, which

lost 39,200 people in that period, which by the way is almost 10% of the national total loss of 431,000*.

Why the stability in construction? A number of reasons:

• Residential housing construction was strong because of attractive interest rates. A family may have worried about keeping their jobs, but couldn't pass up a 5% interest rate; real estate had become their best investment.

• Non-residential and heavy construction benefited from projects that had been planned long ago. In fact, it's difficult sometimes to believe we're in the depths of a recession when busily working road crews delay our trip to the unemployment office to file a claim after being downsized. . .again.

• On the other hand, commercial construction has stalled for 18 months, plagued by excess capacity and reluctant money. School districts and public works, with an eye on an uncertain financial horizon, have delayed projects. Multi-family projects have stayed on the drawing board as apartments go begging because so many people could now afford a home of their own.

Now, to look at a historical perspective, "What Worked in the Past?" to keep construction steady.

FIRST, a major component to future job growth in Missouri is having outstanding infrastructure. Those infrastructure needs are still there, and as

we know, are growing. If Missouri is to grow in the future, the state must find the financial resources to continue to build infrastructure. Roads, bridges, sewers, water facilities and other utilities. Our economic competitiveness and our quality of life depend on it.

SECOND, the historic tax credit program has been a MAJOR incentive, especially here in St. Louis to help rebuild our community and particularly in the City. The residential development in downtown St. Louis, the Cupples Station complex, the new downtown hotels, the rebirth of a condo community on Washington Avenue, and so much more, have all been built and rehabbed because the historic tax credit policies made those projects financially doable. Our members are proud of the work we contributed into making those all successful projects.

Without those historic tax credits, the numbers would not work, and that would have meant NO construction. At one time or another the state has talked about cutting back or eliminating these credits to save money in tight budget times. But that's cutting off our nose to spite our face. These tax credits create jobs, present and future income taxes, and community stability, which in turn replicates itself over and over. What small losses there are from developers because of the tax credits are multiplied many times over in new income and job-generating benefits. We need to continue

to have the tax credits available in the future so we can continue to make our City a desirable place to live, work and visit.

THIRD, there is another important factor in stabilizing construction in this region — a unique effort on the part of labor and management to keep communication lines open and to foster cooperation between traditionally opposing interests. Thirty-one years ago, the St. Louis construction industry launched PRIDE, an organization that brought contractor and construction worker interests together. Those conversations have secured labor peace in the construction industry for our area, an accomplishment unique in the nation. The effort succeeded because of the willingness of the people involved to work out differences in order to get the job done.

FOURTH, the prosperity of any state depends on having a skilled workforce. I'm proud to say that in Missouri we have some of the best skilled workers in manufacturing and construction in the nation. As an example, each year the St. Louis construction unions alone spend more than $24 million <u>of our own money</u> training apprentices or upgrading the skills of our journeymen. As a result of this training, which costs the state NOTHING, I can say without contradiction that our construction workers are the most skilled in the industry. And our unions receive dozens of letters each year from contractors attesting to those skills that relate to

quality work, top-notch on-site problem solving and bringing jobs in on time and in, or under, budget.

These skilled workers are exactly the kind of workers Missouri must strive to keep. Just like engineers and nurses, their skills are sought throughout the country. We must keep them trained in their craft and motivated to stay in our state.

Now, What About Future Trends?

Understand I'm no expert, so I've turned to others for help in this area.

Regarding the future of construction, let me talk first about national projections. If as projected we get a modest overall economic recovery, and that's still a big IF... if recovery begins to shape up, we should see a slight construction upturn in 2004, about 3.2% growth over 2003. Residential construction might decline slightly, but remodeling projects will keep that area even. In non-residential construction, growth is expected to come, not from the construction of big office buildings, but warehouses, distribution centers, smaller regional operations of larger companies, and neighborhood office parks. In other words, "small' will be "big."

Growth in heavy construction will occur, the experts say, if Congress renews the six-year funding law, and if states raise taxes.

Commercial spending will increase with the building of parking lots and multi-retail sites. Public project funding will lag behind private

projects for several years, however. Manufacturing construction, the most depressed sector, will not see much spending. Office/commercial/lodging will increase, coming back from a three-year decline. Educational construction will stay flat for about a year, but in 2005 and beyond we will enjoy double-digit growth for the next decade as schools remodel or build.**

The Bureau of Labor Statistics sees a sunny future for construction in the country through 2010, growing at an average annual rate of 1.6%.

Historically, construction has been one of Missouri's major job creation industries.

Over the past 10 years, the state's economy has grown by over 240,000 jobs. The construction industry was responsible for over 40,000 of those. One of every six new jobs in our state was created in construction.

The State of Missouri's Department of Economic Development predicts that jobs in construction will increase by 20.7% between 2000 and 2010.*** This compares to an overall expected 11.1% increase for ALL industries. It will not only continue to be a critical component of Missouri's growth, it will also be a driving force of that growth. My industry prospers when a community builds a stadium, a parking lot for MetroLink, a learning center at Washington University, or replaces a crumbling school.

In the St. Louis Metropolitan Area, construction employs almost 83,000 workers. Close to 66,000 of those workers are the front line construction workers themselves. The carpenters, the crane operators, the bricklayers, the laborers. We have some 21 different skilled trades in our Council alone. Together, they earn over $62 million dollars EACH WEEK to support their families. They also pay their taxes that support our federal, state and local governments.

People don't recognize the overall impact the construction community has on the local economy. Having this kind of construction in the community is like having another major automobile plant here. And the same is true throughout the state.

Then add to that spending the fact that dollars spent on construction ripple through our local economy. The federal government estimates that every dollar spent on construction in the St. Louis area generates over THREE dollars MORE in total local economic activity. That economic multiplier is higher than most manufacturing and high-end service industries, including automobile manufacturing and health care. Our growth helps other industries grow and allows our residents, in and out of construction, to benefit enormously.

Now let me add in another often overlooked ingredient that helps construction: other projected growth areas in Missouri will also help the construction industry. For example:

• Our aging population will grow older needing health care and residential care; that means the building of facilities.

• Growth in wholesale trade can mean new warehouses and distribution centers.

• Because miscellaneous business services, computers/technology and equipment rental and small manufacturing are expected to grow, opportunities will lie with small to medium sized businesses putting up new offices and work sites.

Like you, I watch indicators and I cast a wary eye on some predictions, many of which have proved false in these most unpredictable times.

However, in order for forecasts to become reality, we need consumers and governments willing and able to spend, business owners willing to invest, and available money. The projections of the experts are that these will happen in a modest way over the next year or two.

But I think it would be disastrous for us to say, "The future will take care of itself." Look where such misplaced confidence put us today!

People in my industry, except perhaps for the accountants, are less interested in numbers and the past, and more focused on the future. We are practical. We want to build, to create, to get the job done right. It would be both insufficient and irresponsible of me to say to those who've suffered reverses, "I've got mine, too bad about yours."

It would be foolish to be what I call an "O-M-B-Y-M" – someone who says, "only my back yard matters."

I have to care about what's going on in my industry and others, in my state, my country and elsewhere in the world. What hurts or helps one, hurts or helps us all: When manufacturing moves to Mexico, the workers I represent don't have plants to build in St. Louis. When companies send computer programming to India, my people aren't putting up office buildings in Fenton. The sooner everyone recognizes that trying to save money overseas is only killing America for the future, the sooner we'll get back to robust economic growth for the long term. We've got to be looking long term, not just what are the profits for the next quarter.

Finally, a few thoughts about Creating a Bright Future for Missouri.

We cannot look to the past to create our future. We have to look at what we believe the future will be and seize the opportunities there for us.

I believe it's important for this body to come out of its deliberations with recommendations such as these.

1. Let's *create a vision and strategic plan for the State of Missouri.* There is a small agricultural state in Australia called Queensland. If you look on its web site, you'll see its vision and a 17-page strategic plan. It calls itself the "Smart State." There's no question that Queensland is thinking about the future and letting everyone know where it's headed.

Why can't we do that in Missouri? Creating such a plan will require us to look at where we've been, what we've done, what danger signs loom ahead, and what opportunities exist for us. We can't blame bad federal policy or an anti-people administration for all our woes. Yes, they affect us, but we can find ways to survive and thrive, if we'll think about, and communicate, our possibilities.

2. *We need to go after opportunities.* We are ideally positioned in Missouri to take advantage of the growth of small business. How can we make it attractive to do business here? How are we poised to be attractive in the coming technology rebound? Can we keep our infrastructure up-to-date?

3. *We must have a DETERMINATION to grow.* What will get new money to our state, and a reason for people to come here? We have an aging population. My industry draws from younger workers. What are we

doing in education and recreation and quality of life to ensure a growing tax base? How is the state working to keep our young workers here? Growth also comes from good economic policy. Our state must be an attractive place to build. Without tax credits and the other incentives I've mentioned, older parts of our state will continue to deteriorate. We cannot afford to let that happen.

4. ***Why not create leadership teams willing to build bridges across opposing interests?*** The entire world is dealing with these demands: Fast, efficient, cost containment, competitive, global. As leaders we must come together with a concern for our future and a willingness to put aside parochialism and territorialism. We must have a common goal to fix our mutual problems. We will die on the vine if we don't.

5. ***Let's get an attitude.*** We have to have a will to win and get people in the state equally enthused. Instead of the "Show Me" state, let's be the "Show Me the Money" state. We can be the "Home of Innovative Industrial Entrepreneurship" if we decide that's what we want to be.

6. ***We must put our collective shoulder to the tasks.*** No building gets built without the thought, planning, sweat and skill of sometimes hundreds of people. We have an opportunity to build in the State of Missouri, if we put our minds, backs and investment dollars to the task. That means bringing together every segment of our state — labor,

management, political leadership, civic and community leaders, dreamers, clergy and everyone else we can think of — to think and work together.

Certainly it's a challenge. But we MUST meet it, together, if we are serious about our state growing into the future.

Thank you for the opportunity to talk with you today.

Sources for this presentation:

* Economic Policy Institute.
** ConstructionEquipment.com, October 2003.
*** Department of Economic Development website.

Other sources not specifically annotated:

- Russ Signorino, Workforce Analyst, United Way, St. Louis; formerly, Workforce Analyst, Missouri Division of Employment Security.
- Alan Smith, AFL-CIO Building & Construction Trades Department Research Department, Washington, D.C.
- Dana Spitzer, Managing Editor, St. Louis/Southern Illinois Labor Tribune.
- Economic Policy Institute research papers: "Labor Market Left Behind," "Mending Manufacturing."
- Miscellaneous websites: Missouri Department of Economic Development • Bureau of Labor Statistics • constructionequipment.com.

Labor Market Information, Comparing 2000 and 2002.

	Construction	Manufacturing	Administrative Support	Information Services	Management of Companies	State Government	Professional Service	Arts Entertainment	Accommodation Food Service	Health Care
2000	138,300	361,900	133,200	78,700	72,900	95,000	115,800	40,300	212,100	274,848
2002	138,400	322,700	124,100	70,700	68,600	92,100	113,300	43,100	217,100	287,916
Change	100	<39,200>	<9,100>	<8,000>	<4,300>	<2,900>	<2,500>	2,800	5,000	13,068

Notes:

1. Construction stayed relatively strong.
2. Manufacturing lost nearly 40,000 jobs.
3. Administration, Support and Remediation Services (Includes office administration, business support, telemarketers)
4. Information Services, decline due to SBC move to Texas, MCI bankruptcy.
5. Management of Companies and Enterprise.
6. State Government.
7. Professional, Scientific and Technical Services (includes legal, accounting, architecture, engineering, drafting).
8. Arts, Entertainment and Recreation, growth due to casinos.
9. Accommodation and Food Service.
10. Health Care and Social Assistance.

Source: Missouri Department of Economic Development, 2003

APPENDIX P

Written testimony of Mr. Eddie Hasan,
Mokan CCAC

Mr. Chairman and members of the committee, my name is Eddie Hasan, thank you for inviting me. I am the President/CEO of Mokan CCAC since 1990. Mokan has been a voice for creating and ensuring jobs and contracting opportunities for minority and woman owned businesses in the City of St. Louis and the State of Missouri.

I have been asked to speak, specifically on job loss in Missouri, because of my expertise and background is in construction, I will focus specifically on job loss in this area.

MISSOURI UNEMPLOYMENT: Hard Realities and Missed Opportunities

1. In March, 2003 federal Bureau of Labor Statistics released data showing that Missouri had **THE LARGEST DECREASE** in **EMPLOYMENT** in the nation in 2002
2. Missouri lost between 71,800 and 77,700 jobs. Missouri led the nation in people losing their jobs. Missouri lost 15,000 jobs more than Ohio, which came in second in total jobs lost. Ohio has double the population of Missouri, so not only are we leading in this category, but we're running away with it
3. Missouri lost five times more jobs than Illinois, 10 times more than Iowa, 12 times more than Nebraska, 17 times more than Kentucky and 32 times more than Kansas.
4. Almost daily, companies have been shutting down or reducing their operations in Missouri and moving to another state.
    a. American Airlines, US Cotton, Blue Cross, AT&T and WorldCom have drastically reduced operations in the St. Louis area
    b. Sara Lee bakery in Springfield moved to Oklahoma City; Omaha; Wichita; Rockford, Ill.; and Dubuque, Iowa.
    c. Friskies Pet Foods left St. Joe for Omaha.
    d. Standard Register left Kirksville for four other states including Arkansas. It's just one after another, after another."

A Look at our Region

The August, 2003 National, State and Regional Unemployment rates are as follows:

- National Rate 6.1%
- Missouri Statewide 5.8%
- Warren County 5.9%
- Lincoln County 5.5%
- St. Louis County 5.2%
- St. Louis City 11.0%

The unemployment rate in St. Louis City is nearly double the national, statewide and regional unemployment rates. The sad fact remains that St. Louis City suffers the most in terms of unemployment and receives the least in terms of help in creating significant employment opportunities for these Missouri citizens who live in the City.

Analysis shows Missouri leads nation in Ch. 7 bankruptcies

Missouri led the nation in the number of Ch. 7 bankruptcy filings in 2002 per population, according to a recent analysis of U.S. Census and data from the American Bankruptcy Institute.

Missouri had 699 bankruptcy filings per 100,000 populations, compared to the national average of 381. That rate is more than four times the rate of people in South Carolina, which had the lowest filing rate at 164.

Illinois had about 476 Ch. 7 bankruptcy filings per 100,000 populations, according to the data.

Missouri's Young People are lagging behind the rest of the nation

- Of the 1.5 million children in Missouri, 154,000, or 11% are living in poverty.
- In African American communities, the poverty rate is a disgusting 54% to 75% depending on what part of the state you are in.
- 23% of Missouri's children live with parents who do not have full-time, year-round employment The rate for African Americans is much higher
- Missouri residents aged 20-24 had an unemployment rate of 9.7 in 2000 when the state unemployment rate for all ages was 4.7)
- Unemployment among African Americans aged 20 – 24 is more than 30%

Where do we go from here?

A few years ago, the RCGA initiated a plan to find or create 100,000 new jobs in the St. Louis area. The interesting and sad part of this is that the RCGA and its partners succeeded in creating 100,000 new jobs in the region but almost none in the City of St. Louis.

Far too many corporations in the St. Louis area do not hire their fair share of African Americans.

The discriminatory lending marginalizes too many minority businesses and capitalization practices of our financial institutions to create real and meaningful job opportunities in these underserved communities. THE LACK OF LENDING AND BANKING; MAYBE THE LEGISLATURE CAN CREATE A TAX INCENTIVE PACKAGE FOR BANKS AND INSURANCE CO.
We must change our approach to job creation. We must expand the circle of those who talk about creating jobs to include representatives of those who are hit the hardest by unemployment

We must involve African Americans in the St. Louis Area who know what to do at the highest levels of planning, programming and implementation of strategic job creation efforts. We must address the construction unions ~~in construction~~ as it relates to the inclusion of minority and females in the workforce, because the construction union in this town is predominantly white male ~~and~~ ran, the employment is predominantly white male and that population of white male is an aging population, which would make good sense to expand the outreach to include minorities and females thereby becoming a more diverse workforce.

Training more workers locally so we can keep more of the dollars circulated in the local economy, opposely hiring out of state workers, By doing this we will eliminate a lot of controversy by becoming more inclusive in expanding the pie because the more controversy we have over issues like this the less opportunities there will be in construction. The more inclusive we become the more we will expand the pie, and the more we expand the pie the more opportunity for people to participate. Then and only then will our region and our state become the region we want it to be.

APPENDIX Q

Written testimony of Mr. Michael L. Jerome,
SITE Improvement Association on behalf of
the St. Louis Area Contractors

Testimony before the House Interim
Committee on Job Creation and
Economic Development
Presented by Mike Jerome, Vice-President SITE Improvement Association on Behalf of the St. Louis Area Contractors (SLAC)
October 14, 2003

Thank you for the opportunity to present testimony to the committee. My name is Mike Jerome, I am Vice-President of SITE Improvement Association, an association of some 200 contractor and related business members whose work focuses on concrete placement, asphalt overlays, installation of utility lines (sewer/water), excavators and landscapers. SITE is a member of the St. Louis Area Contractors Association or SLAC. I have attached with this testimony a booklet explaining who SLAC is and the various construction related work our members perform

The St. Louis Area Contractors Association believes the task facing this committee is one of the most important issues confronting our state. . . that of economic development and job creation and retention. Collectively, the 1,200 contractor members of the nine SLAC groups employ approximately 25,000 skilled tradesmen and women.

As we understand the committee's charge, you are to investigate ways in which the state can keep and attract new jobs and spur economic development and redevelopment. One of the keys to doing both is having a reliable infrastructure to build upon. Place yourself in the position of a developer or a planning manager scouting for new sites to build a plant. You want a site accessible to your customers or suppliers so you can ship and receive goods efficiently. Thus, a sound transportation system is critical to your needs. In order to build or expand facilities, you must have dependable utility services, water and sewer, gas, electric and telephone. While sometimes overlooked by the public, these services are critical to the economic viability of our state.

With these items in place, you must also have a pool of potential employees. Depending upon the type of business, these workers can be skilled or unskilled. But ideally, most would have some skills to use. While there are other factors to consider as well in development, these are universal items critical to continued growth.

Sadly, the state of Missouri's transportation system is poor. The bridges rank second worst in the nation and roadway conditions are at the bottom of a list of most other states. Translated, this means companies experience delays in receiving and shipping goods, congestion for customers try to reach the stores and lost productivity by workers.

Chances are, members of this committee themselves have experienced delays in traffic caused by congestion or repair work that had to be made on roadways.

The Missouri's utility infrastructure also is suffering. To meet increased demands and more stringent federal and state environmental standards, sewer and water systems must spend billions of dollars to upgrade their facilities. Should they fail to do so, regulators can and have implemented moratoriums on new development. The Lake of the Ozark region is a prime example of this. Wastewater systems had to be improved because development was exceeding the capacity of the systems in place. No one wanted a polluted lake. Can you imagine the image problem the tourism industry in this area would suffer if Lake of the Ozarks was deemed unsuitable to fish, swim and boat in?

A reinvestment in Missouri's infrastructure would help stimulate the state's economy now and for future generations. In the transportation construction industry alone, it is estimated every $100 million spent on highway construction generates 4,500 new building jobs and spin-off jobs created when workers spend their earnings in the retail sector. Workers paying taxes and other fees on purchases generate $2 to $3 for the cities or counties where the work is taking place for every dollar spent on transportation. (Economic model from the University of Illinois used by the RCGA).

Construction workers earn a good salary and in most cases, have excellent benefit packages, which care for them and their dependents' health care and retirement needs. These workers also learn their skills at training schools financed not by public dollars, but by the companies they work for. These companies recognize the need to have a skilled workforce capable of performing the tasks assigned to them.

There is an old business adage, "It takes money to make money." In many respects, this is true, even when it comes to the public sector. State and local governments must continue to invest and, in our opinion, increase their investments in the infrastructure of this state and their communities. The General Assembly has attempted to address these needs with highway financing referendums, bond issues for water and sewer lines, tax increment financing legislation to spur development and laws enabling the creation of improvement districts. These efforts have not been in vain, yet they have not yielded the the results, in terms of jobs and economic development that were hoped for.

Don't give up these efforts. The St. Louis Area Contractors believes renewed emphasis should be placed on a highway financing initiative. The problem is not going to solve itself. In 1998, voters approved a statewide water bond issue for a 10-year period, providing grants and loans to communities to help meet water and sewer needs. Another bond issue in the next few years would help keep this program going and enable communities to build the necessary improvements with their own funds matched with state dollars.

The results, as documented previously, will provide dividends in the long run. Thank you for the opportunity to present this information to the committee.

APPENDIX R

Written testimony of Mr. Ed Manhart,
Transport Workers Union, Local 529

House Interim Committee on Job Creation and Economic Development

October 14, 2003

Mr. Chairman, Committee Members and Distinguished Guests

Thank you for allowing us this time today.

We are here in to address this committee with our concerns of the economic well being of our community and to contend with imminent job loss.

We have assembled this brief summary as an overview of our situation. With this handout and our explanation we identify a problem and propose a solution. We want you to see and hear the same information we have provided to our government officials; MO -Governor Holden, MO -Senators Bond and Talent, IL-Senators Durbin and Fitzgerald, MO Congressmen Clay, Hulshof, Gephardt, Akin and Congresswoman Emerson, IL Congressmen Costello, Shimkus, and Evans; all of which were receptive to our concerns. We would also like to share information with you showing the affects on our economy from the major reduction of air service, subsequent job losses and the impact it will have on our local economy and the bi-state region.

In the packets you received are two economic impact statements.

One document is from Jan K. Bruekner, Professor of Economics- University of IL, and the other from David J. Peters, Planner -Department of Economic Development, MO. Both focus directly on today's topic of job loss, immediate and long term affects on our local, regional and state economy from the de-hubbing of Lambert International St. Louis. Also included are; performance charts, current and Nov.1st, 2003 flight schedules, aircraft equipment reductions and statements and testimony form the Feb. 2001 Senate hearing to approve TWA's acquisition by American.

Transport Workers Union Local 529
3456 McKelvey Road
Bridgeton, MO 63044
314-291-5290

The Economic Impact of Flight Cutbacks at the St. Louis Airport: A Calculation of Job Losses

by

Jan K. Brueckner

Introduction

In attempting to consolidate its position as the world's largest carrier, American Airlines several years ago spent almost a billion dollars in acquiring Trans World Airlines and its St. Louis hub. While also gaining some of TWA's overseas assets, American's planners thought that operating a third east-west hub at St. Louis's Lambert Field would relieve traffic pressures at the airline's larger hub operations in Dallas and Chicago, allowing further expansion of domestic service. The TWA acquisition protected thousands of jobs at the failing, once-revered airline and appeared to guarantee the future of Lambert Field as a key link in the nation's air transport system.

The ongoing slump in the airline industry, however, has nullified many of the benefits American reaped from the TWA acquisition. Many former TWA workers, including pilots and flight attendants, have been laid off as part of the overall industry contraction. Moreover, American recently announced that, in November, further dramatic flight cutbacks will occur at Lambert Field, leading to job losses for more than 2,000 additional employees. In effect, American has chosen to stop using Lambert as a hub airport. Instead of relying on the airport as a transfer point for connecting passengers, American will adjust its operations to serve only local traffic (passengers just traveling to or from St. Louis).

Because a major hub airport is a powerful economic engine, job losses from the "de-hubbing" of Lambert Field will extend far beyond the airport itself. Part of these losses will come from multiplier effects due to lower spending by the laid-off airline workers. But

additional losses will arise from the reduction in airline service quality, which will hurt the business climate for local firms that rely heavily on air transportation. The present report argues that, in the long-run, the de-hubbing of Lambert Field will cost the St. Louis metro area nearly 50,000 jobs.

The Nature of the Cutbacks and How They Affect Jobs

The de-hubbing of Lambert is reflected both in flight reductions and in a shift away from mainline jet operations toward commuter flights (regional jets and turboprops). American's mainline jet flights will be cut from 213 flights per day to 53. Commuter flights will be cut less dramatically, from 199 flights per day to 154. Overall, these reductions translate into a 62 percent reduction in American's daily seat capacity at Lambert, according to information from the *Official Airline Guide*.

American will continue to serve 68 nonstop routes out of the 93 it served previously from Lambert, but regional jets will fully or partially replace mainline jets on 19 of the 68 routes. Even though service will continue, the reduction in total flights means that frequencies on these remaining routes will decline. Monthly flight departures to the 68 remaining destinations will fall, on average, by one-third. But with frequencies reduced, Lambert will lose much of its attractiveness as a connecting point. Passengers who previously could change planes conveniently at Lambert on their way to a third city will now face a longer layover, making travel through Chicago or Dallas preferable. Thus, with connecting passengers now flowing through other airports, large capacity reductions are possible on the routes in and out of Lambert. In achieving these reductions, lower frequencies will be reinforced by a shift to smaller aircraft.

American's cutbacks will be bad for St. Louis on several dimensions. First, the cutbacks will reduce the quality (and perhaps increase the cost) of airline service for travelers who live in St. Louis or visit from other cities. With fewer nonstop routes served from Lambert, a greater

share of passengers flying to and from St. Louis will need to change planes at another airport during their trip, reducing the convenience of travel. Airline service quality will also fall because of lower flight frequencies and the use of smaller planes on the remaining nonstop routes, which will force passengers to travel at less-preferred times on less-comfortable aircraft. In addition, because of higher operating cost per seat, greater use of small aircraft may require American to raise the fares it charges to St. Louis passengers in order to cover its costs.

The cutbacks at Lambert Field will also reduce employment in the St. Louis metro area. Two thousand jobs will be lost at the airport itself, and this loss will be compounded by multiplier effects from lower spending by the laid-off airline workers at local stores, restaurants, and other establishments. But a more important pathway for job losses arises through the connection between the quality of airline service and a metro area's business climate. By hurting the business climate, the reduction in service quality described above will lead to further job losses.

Some job losses will occur at businesses that rely on air freight to ship their output. Such firms, which include producers of compact, high-value commodities where speed of delivery is crucial, are attracted by the frequent service to many destinations offered by a major hub, and they may relocate or contract if the airport loses its hub status. But businesses also rely on air carriers for another crucial type of transportation service: transportation of their employees to far-flung destinations for meetings with clients, consultations with colleagues at branch offices, and other activities crucial to the success of the enterprise.

Although business travel is currently depressed, contributing to the overall travel slump, the need for face-to-face business contact over great distances will never abate. As a result, good airline service is a key ingredient in building and maintaining a favorable business climate for a metro area. A large hub airport, with its frequent, convenient flights to a host of business

destinations, provides unsurpassed service quality and thus offers a powerful enhancement to the business climate. Cities fortunate enough to have such a hub are then able to compete vigorously for business investment in industries whose employees are intensive users of the air transport system. Such industries represent all the knowledge-intensive sectors of the economy, where exchange of information (often on a face-to-face basis) is a crucial part of the productive enterprise.

Because the de-hubbing of Lambert Field will generate an abrupt reduction in the quality of airline service, the attractiveness of St. Louis as a business location will diminish. Large information-intensive firms may channel their future growth toward their operations in other, more-connected cities, and purely local firms may find some of their vitality sapped by the greater difficulty of maintaining outside face-to-face contacts. Newly-locating firms that could have chosen St. Louis might now look elsewhere in siting a start-up operation. As noted above, firms that rely on air freight to ship their products may also relocate or contract.

Unlike the immediate job cutbacks for airline workers, employment losses from these effects on the business climate will occur gradually as the local economy adjusts to poorer airline service. Because other economic trends will also affect employment during the adjustment process, the long-run losses from de-hubbing of Lambert may not be readily apparent. For example, improvement in the U.S. economy is likely to raise national employment over the next five years, and this positive trend may hide the negative local effects from the lower quality of airline service, with employment in the St. Louis metro area rising (not falling) over the period. However, the key observation is that, even though employment in St. Louis might grow, *employment will be lower than it would have been had Lambert Field remained a hub airport.*

A crucial question for the St. Louis economy concerns the potential magnitude of these long-term job losses. The rest of this report generates such a prediction. The methodology is

explained in the next section, and this methodology is then applied in the subsequent section.

Methodology for a generating a job-loss prediction

The methodology described in this section was developed in the author's research study entitled "Airline Traffic and Urban Economic Development," recently published in the scholarly journal *Urban Studies* (July 2003). The goal of the study was to derive the effect of airline traffic on total employment in a metro area, using recent U.S. data. Although airline service quality is what matters, as argued above, a metro area's airline traffic is a good indicator of this service quality. When an airport has a large volume of traffic, as in the case of a major hub, it undoubtedly has frequent flights to many destinations and thus a high quality of service. In the study, traffic was measured by passenger "enplanements," defined as a passenger boarding a flight at the given airport. Note that since each connecting passenger at a hub airport generates one enplanement, this traffic measure is high at hubs.

The sample for the study consisted of the 91 U.S. metro areas with the largest passenger enplanements in 1996. The goal was to find the statistical relationship between total 1996 employment in a metro area and total passenger enplanements in 1996. However, other factors aside from airline service are likely to affect employment, and these factors were captured by a number of control variables in the statistical procedure. These factors include metro area population (a higher population means more jobs), the fraction of young and old among the population (more people outside the working years means fewer jobs), the percentage of adults with a college education (education boosts employment prospects), the state personal and corporate tax burden (high state taxes may push jobs to other states), a measure of union power (a unionized work force may also divert jobs), and a "rust-belt" location, as measured by cold weather (rust-belt job losses are well known).

In carrying out the statistical work, the possibility of reverse causation must also be taken

into account. In particular, while high airline traffic (representing good service quality) should boost employment, another effect may run in the opposite direction. In other words, a metro area with a high employment level is likely to generate substantial airline traffic, as its large employee base travels on business. If this reverse causation is not taken into account, the effect of service quality on employment will be overestimated.

After controlling for reverse causation, the statistical procedure yields some striking results. An increase in airline traffic has a substantial effect on the level of total employment in a metro area. But this effect is confined to "service-related" employment, which encompasses virtually all jobs not included in the manufacturing, construction and mining sectors. This sectoral impact makes sense, however, because the quality of airline service should matter only for firms in the knowledge-intensive parts of the economy, where face-to-face contact with businesses in distant locations is needed. Most factory employees, by contrast, do not use the air transport system in the course of their jobs, making the quality of airline service largely irrelevant for the level of factory employment in a metro area.

The magnitude of the effect on service-related employment is crucial for the calculations that follow, and this magnitude is easily stated. In particular, the statistical results show that a 10 percent decrease in passenger enplanements in a metro area leads to a 1 percent reduction in service-related employment. Using this 10-to-1 relationship, the employment impact of the de-hubbing of Lambert Field is easily computed.

Job-loss calculations

To carry out the job-loss calculations, the 10-to-1 effect from above is combined with an estimate of the decrease in passenger enplanements caused by the flight cutbacks at Lambert Field. To compute the enplanement cut, the first step is to note that yet-to-published FAA data show that total enplanements of revenue passengers at Lambert equaled 12,467,757 passengers

in 2002, with American accounting for 8,762,937 of this total (a 70 percent share). As noted above, American's flight cuts imply a capacity reduction of 62 percent, and assuming enplanements fall exactly in step with capacity, the reduction in American's enplanements is then 62 percent of its total, or .62 × 8,762,937 = 5,433,021. As a percentage of Lambert's total 2002 enplanements, this reduction represents 5,433,021 ÷ 12,467,757 = 0.44, or 44 percent. Thus, American's flight reductions will cut total enplanements at Lambert by about 44 percent.

To compute job losses, this 44 percent number is combined with the 10-to-1 effect from above. Since a 10 percent enplanement cut leads to a 1 percent job loss, a 44 percent enplanement cut leads to a 4.4 percent reduction in service-related jobs. With total service-related jobs in St. Louis equal to 1,079,000 in 2002, a 4.4 percent reduction amounts to 47,500 jobs. Thus de-hubbing of Lambert Field will cost the St. Louis metro area almost 50,000 jobs.

In appraising this prediction, it is important to remember that the job impact will occur gradually as the metro area adjusts to lower-quality airline service, and that national employment trends will also have an effect. Thus, the loss of 50,000 jobs may be offset by nationwide employment growth as the economy improves, which could lead to a net increase in jobs in the St. Louis area. But, in the long run, the metro area's job total *will be 50,000 lower than if Lambert Field had remained a hub airport.*

Conclusion

Airports are powerful economic engines. This power is reflected in the author's previous calculations for O'Hare Airport, which showed that future expansion of the airport is likely to boost service-related employment in the Chicago metro area by 185,000 jobs. Unfortunately, the engine is working in reverse in the case of St. Louis, with the de-hubbing of Lambert Field likely to cost the metro area nearly 50,000 jobs once the local economy has fully adjusted to the lower quality of airline service.

A natural question is whether replacement of the flights lost through American's cuts might reverse this negative impact. While modest flight increases by American's competitors have been announced, the prospect for a major replacement of the lost American flights is slight as long as Lambert does not regain its hub status. The reason is that, in the absence of connecting traffic, the flight volume at Lambert is limited by the demand for trips to and from St. Louis. This demand, which depends on the metro area's economic fundamentals, is presumably served adequately by the new, lower Lambert flight volume.

Even though traffic at Lambert Field is constrained by the extent of demand, some stimulus could be provided if the costs that airlines incur in serving the airport were reduced. One way to achieve such a cost reduction would be to cut the landing fees that the airport charges for use of its runways and facilities. While such fees represent a relatively small portion of airline operating costs, lower fees would nevertheless allow the carriers to cut their fares, which in turn would stimulate traffic and enplanements. Even though the lost airport revenue from lower landing fees would have to be replaced by public funds from other sources, such an expenditure would be worthwhile given the importance of airline service to the health of the local economy.

Economic Impact of the TWA and American Airlines Merger in Missouri



LOCAL-REGIONAL-STATE ECONOMIC MODELING SYSTEM

LRS-0101-1



Additional information is available on-line at:
http://www.ded.state.mo.us/research

Economic Impact of the TWA and American Airlines Merger in Missouri

I. TWA Overview 2

II. Methods 6

III. Total Loss Scenario 8

IV. Overhaul Base Loss Scenario 13

V. Administrative and Corporate Loss Scenario 18

VI. Implications and Summary 23

RESEARCH AND PLANNING

I. TWA Overview

Trans World Airlines (TWA) is the oldest continuous name in U.S. commercial aviation. TWA's hub is located at Lambert Airport in St. Louis. Of the top airlines, TWA was the only carrier to lose money in 1999, $353 million, the worst financial performance since their 1995 reorganization. After struggling financially for many years, TWA has entered into negotiations with American Airlines regarding a potential buyout.

Airline History

- Incorporated in 1925.
- 1992 TWA files petition for reorganization under Chapter 11 of the Federal Bankruptcy Code.
- 1993 Chapter 11 reorganization completed with employees owning 45% of the airline; creditors own the remaining 55%.
- 1995 TWA completes a second financial reorganization.

TWA Profile

- Eighth largest U.S. air carrier.
- Employees approximately 20,500.
- Has a fleet of 189 aircraft.
- Serves 38 states, Mexico, Canada, and the Caribbean.
- Serves 83 cities with 351 daily departures.
- Serves 24 domestic and international cities from JFK with 41 daily departures.
- Carried approximately 26.4 million passengers in 2000.
- 2000 **revenue** $2.7 billion, **profit** $-115 million.

The proposed deal requires TWA to file for reorganization under Chapter 11 of the Federal Bankruptcy Code. American Airlines will then step in and provide financing. American Airlines would purchase all of TWA's assets and keep all 20,500 employees. The deal would also include an agreement between American Airlines and United Airlines to jointly operate the US Airways shuttle between Washington, New York, and Boston. American Airlines would acquire about 90% of U.S. Airways jets, dozens of gates at East Coast airports and several dozen landing and takeoff positions at LaGuardia and Reagan National airports. The deal also involves American Airlines buying a 49% stake in DC Air, a new carrier that is being crafted from United Airlines parent corporation.

The proposed merger may benefit St. Louis. Currently Lambert Airport has an annual economic impact of $5 billion on the region. That amount is expected to increase to $15 billion by the first quarter of 2005 once the Lambert expansion is complete. Lambert could become a gateway for the transfer of U.S. bound passengers, who could hub out of St. Louis to cities throughout the U.S. St. Louis could become a key hub for American Airlines, who seem to have maxed out gate space at its other Midwest hubs.

American Airlines expects its employees to accept TWA workers into their ranks without the usual turmoil experienced with traditional airline mergers. The key reason for this is that U.S. Airways will add to its workload by bringing in extra assets, but won't add a lot of additional workers. TWA's workers, on the other hand, will probably be relieved to be at a

RESEARCH AND PLANNING
Regional Economic Development

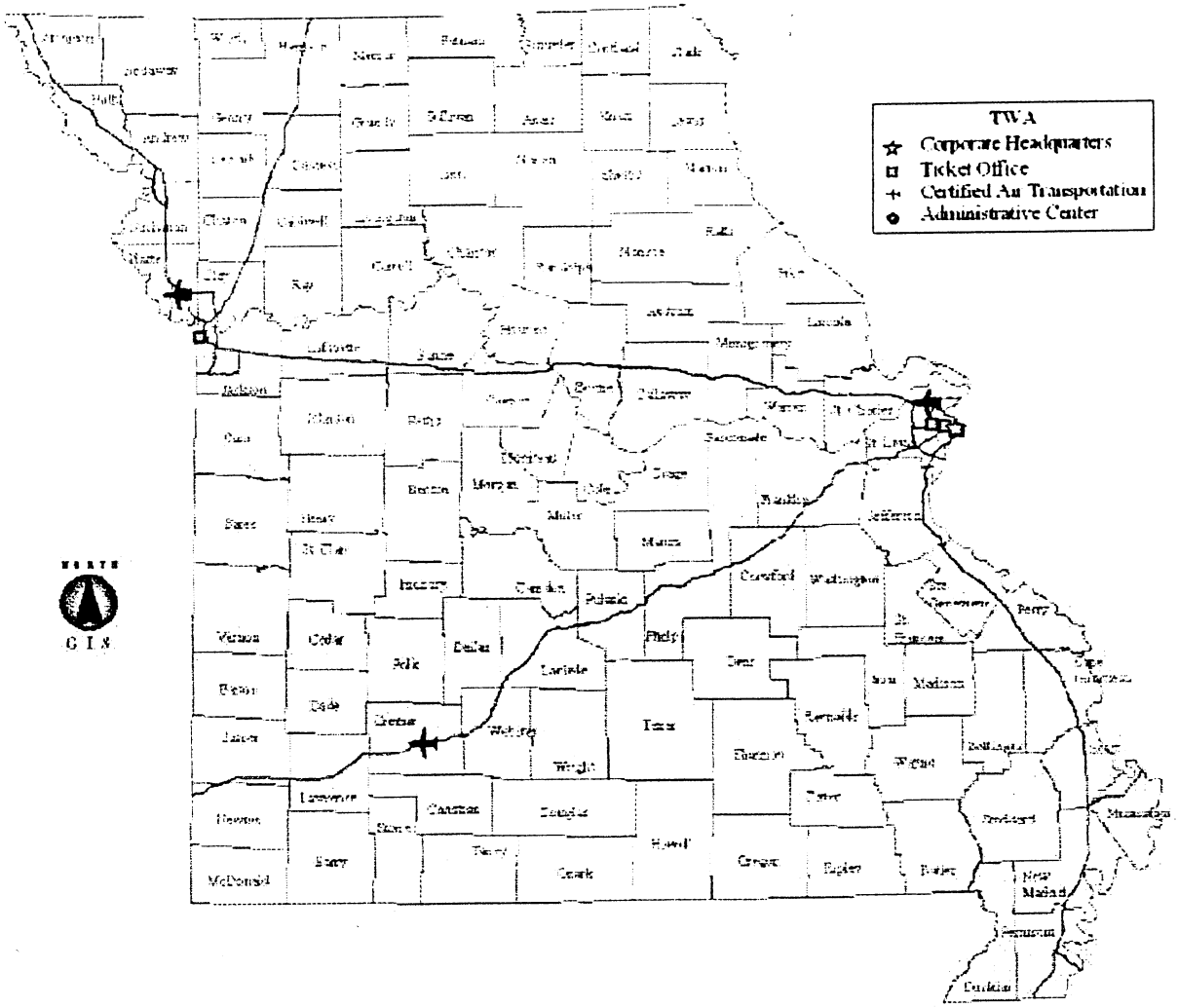
strong, stable, high-paying airline. Additionally, facing an industry wide shortage of mechanics, American decided that TWA's large maintenance facilities and experienced mechanics offer an opportunity to expand.

Table 1
Comparison of American Airlines and TWA

	American Airlines	TWA
Headquarters	Fort Worth, TX	St. Louis, MO
Ranking	2	8
Employees	92,700	20,500
Fleet Aircraft	720	189
Revenue (nine months)	$14.8 billion	$2.7 billion
Profit (nine months)	$766 million	$-115 million
Passengers in 2000	86.2 million	NA
Major Hubs	Dallas Chicago Miami San Juan	St. Louis

TWA employs 12,430 people in Missouri. Almost all of TWA's facilities are located in Kansas City, St. Louis and Springfield. The air transportation division employs the majority of TWA workers - with 10,459 employed in St. Louis County, Kansas City and Springfield. The administrative and corporate division employs 1,947 people in Kansas City and St. Louis City. Lastly, TWA employs 24 people in the ticketing division, with offices in Kansas City, St. Louis County and St. Louis City. Refer to Map 1.

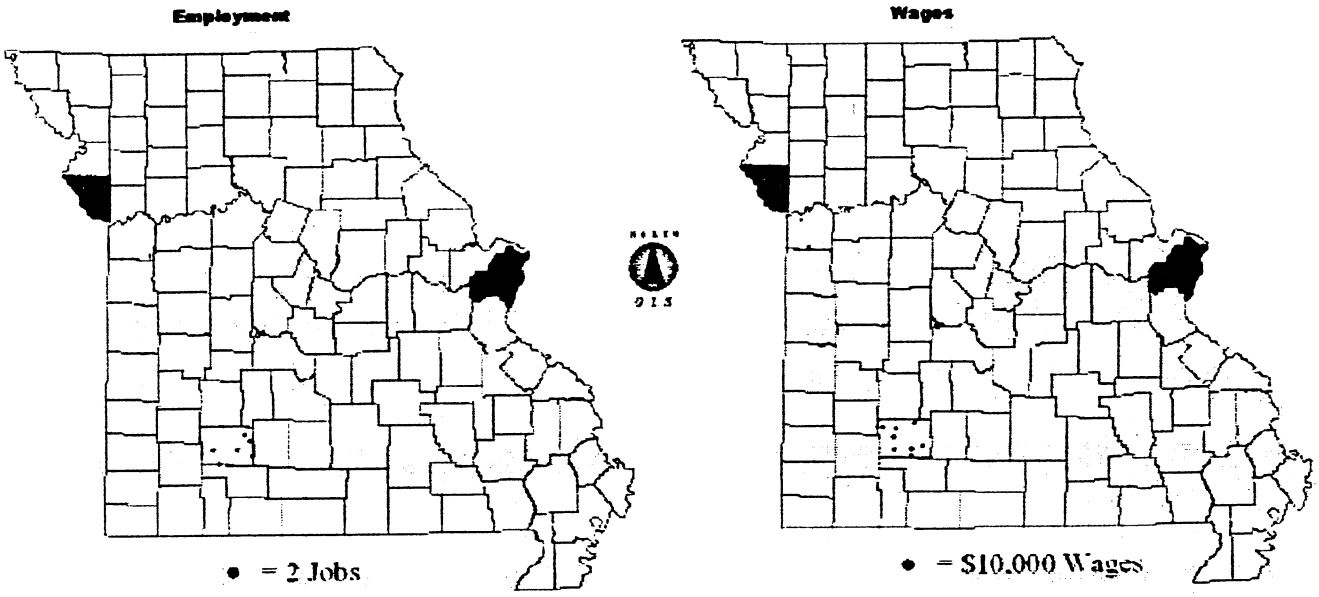
Map 1
Location of TWA Facilities in Missouri, 2000



Source: ES-202, Missouri Department of Economic Development

According to the Missouri Department of Economic Development, TWA employs 12,430 people in Missouri. Employment is concentrated in St. Louis County (7,794), Platte County (3,646), St. Louis City (974), Greene County (14) and Jackson County (2). Taken together, TWA employment accounted for $604.4 million in wages across Missouri in 2000. Refer to Map 2.

Map 2
TWA Employment and Wages in Missouri, 3rd Quarter 2000



Source: ES-202, Missouri Department of Economic Development

II. Methods

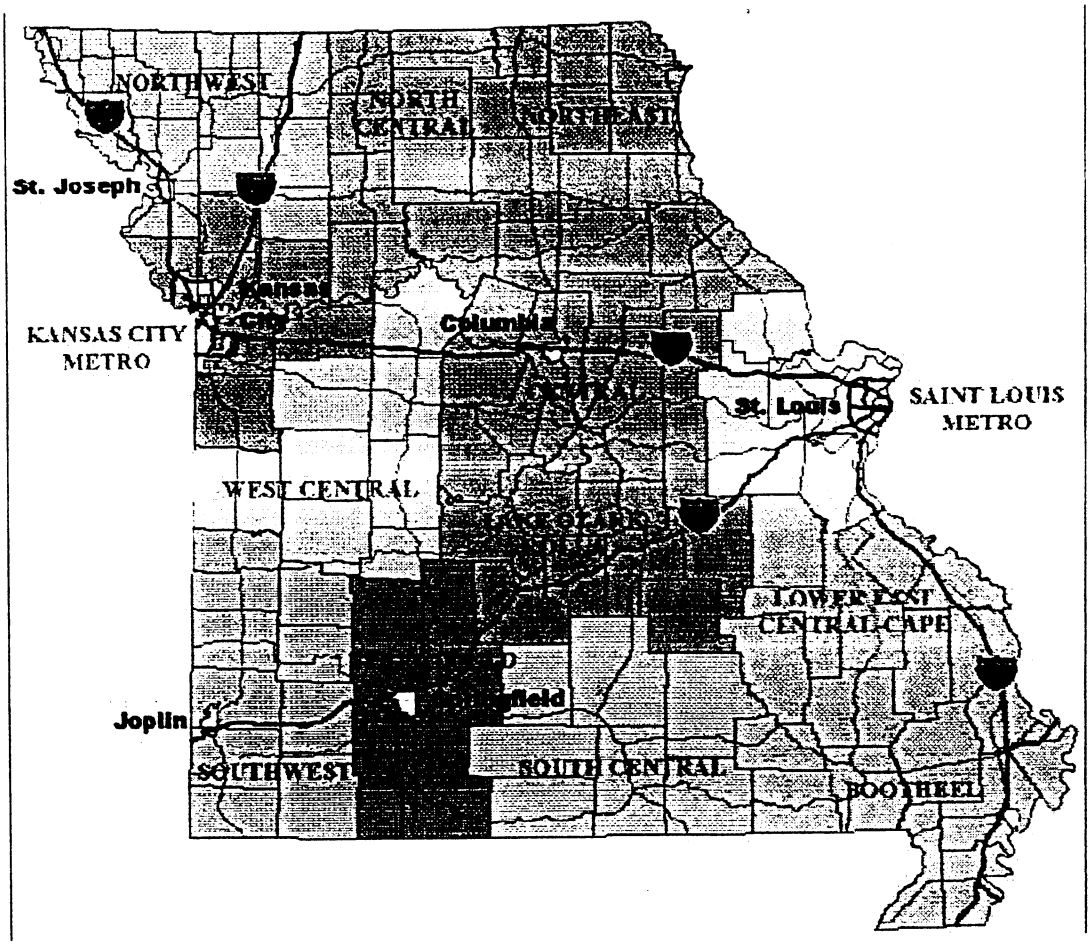
The economic impact of TWA in Missouri is analyzed using the Local-Regional-State (LRS) Economic Modeling System. The LRS model combines input-output and structural models to assess economic impacts. Employment and wage data is taken from ES-202 unemployment insurance reporting, collected by the Missouri Department of Economic Development.

The IMPLAN **input-output model** is utilized to estimate the economic impacts at the county and state level. IMPLAN is a well-established input-output model that examines the economic relationships among businesses, and between businesses and consumers. The model estimates how changes in one or several economic sectors affects an entire economy. IMPLAN derives three types of economic effects that permit one to assess changes in the economy: *direct effects* are economic impacts directly attributable to change in a sector; *indirect effects* are business-to-business economic impacts; and *induced effects* are business-to-business and business-to-consumer economic impacts (spending of discretionary income by employees). While IMPLAN is a powerful tool in examining economic changes at the local level, it is limited in that it cannot predict long-term effects. It only offers a snapshot of an area's economy at one point in time, and is therefore relatively static.

The REMI Missouri Multi-Regional **structural model** is utilized to forecast economic impacts at the state and regional level. REMI is a comprehensive economic forecasting and policy analysis model. The model incorporates a complete economic history of the state and forecasts data specific to Missouri. The model also has thousands of policy variables that can be used to show the effects of a broad range of economic development policies. The dynamic structure of the model provides the capability to evaluate tax and other changes that affect costs as an aspect of these policies. The dynamic properties of the model also show medium and long-term effects, in addition to short-term effects, on the economy of Missouri. Further, REMI is able to forecast economic impacts for Missouri's 15 economic regions. Map 3 shows the economic regions within the state that comprise the REMI Missouri Multi-Regional Model.

For this analysis, three impact scenarios were conducted: (1) a **total loss scenario** where TWA would close all operations in Missouri; (2) an **overhaul base loss scenario** where TWA would close its overhaul and maintenance base in Kansas City; and (3) an **administrative and corporate loss scenario** where TWA would close its administrative centers and corporate headquarters in Kansas City and St. Louis City. It is unlikely that the total loss scenario would come to fruition, but it provides some grounding on the total impact TWA has on the state economy. The other two scenarios are more likely to occur, yet TWA and AA have made no mention of closing any operation in Missouri.

Map 3
REMI Missouri Multi-Regional Model
Economic Regions



RESEARCH AND PLANNING
Missouri Economic Development

III. Total Loss Scenario

The following impact scenario assumes the closure of all TWA facilities in Missouri, resulting in the loss of all TWA jobs in the state. Impacts are ascertained by examining the difference between the baseline projection (no loss of jobs) and the scenario projection (loss of 12,430 jobs and $604.4 million wages). The differential indicates the number of jobs above or below what would have been expected if no change in the economy had occurred. Job losses include both direct (jobs losses attributable to TWA closing) and indirect (job losses in ancillary sectors related to TWA operations) effects.

It appears that the loss of all 12,430 TWA jobs in Missouri would result in a total loss of 32,810 jobs and $876 million wages in 2000. By 2010, the state economy regains 10,000 jobs, for a total loss of 22,960 jobs and $744.5 million in wages. As expected, the St. Louis and Kansas City metro regions would experience the largest negative impacts. In 2000, the St. Louis Metro region would lose 18,870 jobs and $541.1 million wages, with moderate recovery in 2010 with only 13,110 jobs and $462.5 million wages lost. In 2000, the Kansas City region would lose 7,480 jobs and $198.3 million in wages. By 2010 there is some recovery of jobs, but wages progressively fall - with 6,134 jobs and $209.3 million in wages lost in 2010. This may indicate the increase of low-wage jobs in the Kansas City region.

Also, the St. Louis City and the Kansas City Metro regions experience sizeable job and wage losses in 2000, yet recovers somewhat by 2010. In general, the state's economy would slowly recover from the direct and indirect job losses attributable to TWA closure. Refer to Tables 2 and 3, and Map 4.

As expected, the Transportation, Communications and Public Utilities sector would be most adversely affected by the loss of all TWA employment in Missouri - losing 14,710 jobs and $620.8 million wages in 2000, with only small recovery in 2010. The Services sector is also affected, losing 6,242 jobs and $87.9 million wages in 2000. Also, in 2000 the Retail Trade sector loses 4,783 jobs and $41.8 million in wages; and the Construction sector loses 2,577 jobs and $44.0 million in wages. However, both of these sectors recovery moderately by 2010.

Interestingly, the Manufacturing sector experiences a loss of 1,072 jobs in 2000. However, by 2004 the manufacturing sector recovers all of these previously lost jobs; and by 2010 there is an additional 371 manufacturing jobs in the state's economy. Also, wages in durable manufacturing recover by 2006; and by 2010 there is an additional $4.9 million in wages. Further, the Government sector experiences a small loss of employment in 2000, losing 325 jobs. However, by 2010 this expands to a loss of 1,427 jobs - indicating that this sector does not recover over time. Refer to Tables 4 and 5.

Map 4
Total Loss Scenario - Employment by Region, 2000-2010

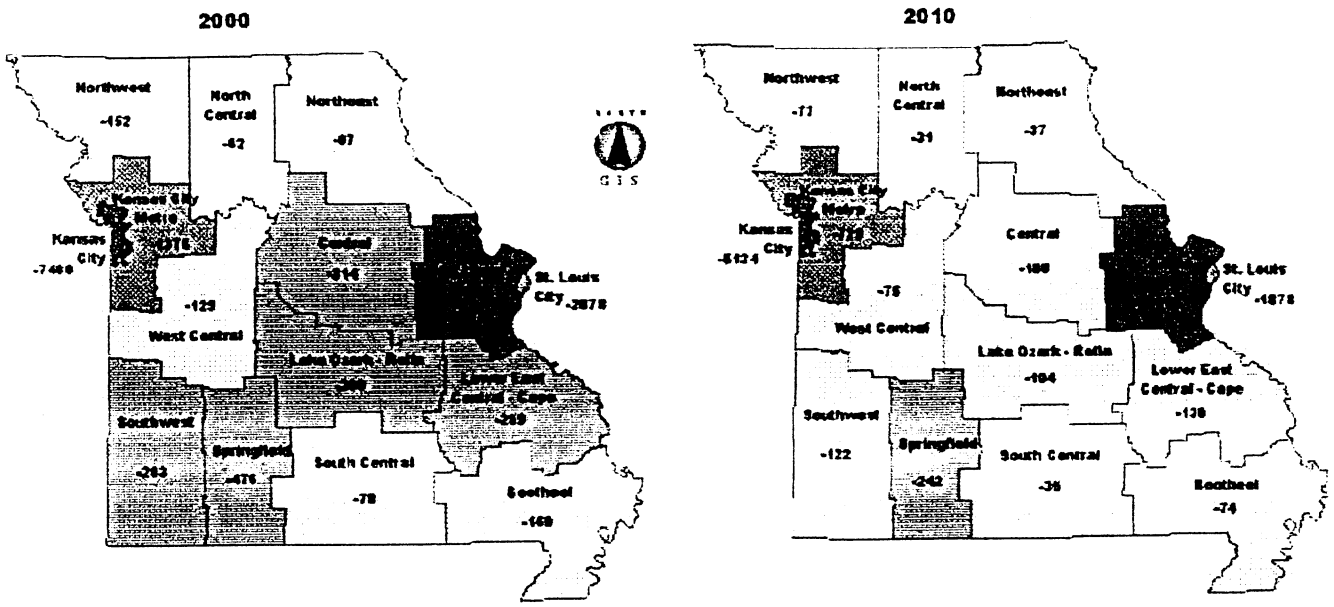


Table 2
Total Loss Scenario - Employment Change by Region, 2000-2010
Difference from baseline projection.

REGION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bootheel	-169	-154	-137	-120	-105	-93	-84	-79	-76	-75	-74
Central	-314	-304	-281	-256	-232	-212	-195	-188	-184	-180	-180
Kansas City	-7,480	-7,312	-7,069	-6,839	-6,633	-6,461	-6,325	-6,243	-6,188	-6,153	-6,134
Kansas City Metro	-1,376	-1,283	-1,160	-1,039	-933	-847	-782	-748	-731	-726	-729
LE Central/Cape	-259	-243	-218	-193	-171	-154	-141	-134	-131	-130	-130
Lake Ozark	-200	-188	-171	-153	-137	-124	-114	-109	-106	-105	-104
North Central	-62	-58	-52	-46	-41	-37	-34	-33	-32	-31	-31
North East	-87	-80	-71	-61	-53	-47	-42	-39	-38	-37	-37
North West	-152	-143	-129	-115	-102	-91	-83	-80	-78	-77	-77
South Central	-78	-72	-64	-56	-49	-44	-40	-37	-36	-35	-35
Springfield	-475	-439	-395	-351	-314	-283	-260	-249	-244	-242	-242
St. Louis	-2,878	-2,697	-2,488	-2,300	-2,145	-2,025	-1,940	-1,897	-1,876	-1,872	-1,878
St. Louis Metro	-18,870	-17,990	-16,950	-15,970	-15,130	-14,430	-13,900	-13,560	-13,330	-13,190	-13,110
South West	-283	-257	-227	-198	-173	-153	-137	-130	-125	-123	-122
West Central	-129	-124	-114	-103	-93	-85	-79	-76	-75	-74	-75
MISSOURI	**-32,810**	**-31,340**	**-29,520**	**-27,800**	**-26,310**	**-25,090**	**-24,150**	**-23,600**	**-23,250**	**-23,050**	**-22,960**

Source: ES-202, Missouri Department of Economic Development and REMI.

Table 3
Total Loss Scenario - Wage Change by Region, 2000-2010
In millions of nominal dollars.
Difference from baseline projection.

REGION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bootheel	-1.60	-1.51	-1.37	-1.20	-1.03	-0.88	-0.76	-0.67	-0.60	-0.55	-0.52
Central	-3.77	-3.66	-3.38	-3.01	-2.64	-2.31	-2.02	-1.83	-1.69	-1.56	-1.49
Kansas City	-198.30	-201.50	-204.40	-206.40	-207.90	-208.70	-209.10	-209.40	-209.60	-209.60	-209.30
Kansas City Metro	-23.52	-23.46	-22.14	-20.22	-18.16	-16.16	-14.30	-12.73	-11.41	-10.32	-9.42
LE Central/Cape	-3.29	-3.21	-2.92	-2.54	-2.15	-1.81	-1.52	-1.31	-1.15	-1.04	-0.97
Lake Ozark	-1.84	-1.78	-1.62	-1.42	-1.22	-1.04	-0.88	-0.77	-0.69	-0.63	-0.58
North Central	-0.48	-0.46	-0.42	-0.36	-0.31	-0.26	-0.22	-0.20	-0.18	-0.16	-0.15
North East	-0.82	-0.76	-0.69	-0.59	-0.50	-0.42	-0.35	-0.31	-0.27	-0.25	-0.23
North West	-1.60	-1.54	-1.41	-1.24	-1.06	-0.90	-0.76	-0.66	-0.57	-0.51	-0.47
South Central	-0.57	-0.53	-0.47	-0.41	-0.34	-0.29	-0.24	-0.21	-0.19	-0.17	-0.16
Springfield	-4.85	-4.64	-4.24	-3.76	-3.29	-2.88	-2.52	-2.28	-2.10	-1.98	-1.92
St. Louis	-81.48	-81.52	-78.67	-74.72	-70.61	-66.82	-63.47	-60.77	-58.63	-56.96	-55.71
St. Louis Metro	-541.10	-534.70	-524.10	-511.20	-498.60	-488.20	-479.70	-473.10	-468.20	-464.80	-462.50
South West	-2.47	-2.30	-2.05	-1.75	-1.48	-1.23	-1.02	-0.89	-0.79	-0.72	-0.67
West Central	-1.29	-1.26	-1.16	-1.02	-0.88	-0.76	-0.64	-0.56	-0.49	-0.44	-0.41
MISSOURI	**-867.00**	**-862.80**	**-849.00**	**-829.80**	**-810.20**	**-792.70**	**-777.50**	**-765.70**	**-756.60**	**-749.70**	**-744.50**

Source: ES-202, Missouri Department of Economic Development and REMI.

Table 4
Total Loss Scenario - Employment Change by Sector, 2000-2010
Difference from baseline projection.

SECTOR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agric, Forestry, Fishing	-163	-152	-136	-121	-108	-98	-90	-85	-83	-81	-81
Construction	-2,577	-2,302	-1,999	-1,695	-1,424	-1,199	-1,019	-897	-805	-737	-688
FIRE	-1,607	-1,510	-1,370	-1,244	-1,133	-1,042	-970	-914	-874	-844	-823
Government	-325	-700	-908	-1,067	-1,185	-1,266	-1,322	-1,361	-1,390	-1,411	-1,427
Manufacturing	-1,072	-743	-431	-164	46	199	301	352	376	381	371
Mining	-50	-45	-39	-34	-30	-26	-24	-22	-21	-19	-19
Retail Trade	-4,783	-4,471	-4,097	-3,732	-3,404	-3,131	-2,909	-2,788	-2,722	-2,684	-2,667
Wholesale Trade	-1,277	-1,162	-1,037	-914	-801	-703	-620	-574	-542	-521	-507
Services	-6,242	-5,673	-5,043	-4,492	-4,031	-3,674	-3,419	-3,276	-3,181	-3,139	-3,139
Transport, Comm, PU	-14,710	-14,590	-14,460	-14,340	-14,240	-14,150	-14,080	-14,040	-14,010	-13,990	-13,980
TOTAL	**-32,810**	**-31,340**	**-29,520**	**-27,800**	**-26,310**	**-25,090**	**-24,150**	**-23,600**	**-23,250**	**-23,050**	**-22,960**

Source: ES-202. Missouri Department of Economic Development and REMI.

Table 5
Total Loss Scenario - Wage Change by Sector, 2000-2010
In millions of nominal dollars.
Difference from baseline projection.

SECTOR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agric, Forestry, Fishing	-1.15	-1.13	-1.07	-1.00	-0.93	-0.86	-0.81	-0.77	-0.73	-0.71	-0.69
Construction	-44.00	-39.19	-34.61	-29.47	-24.63	-20.41	-16.79	-13.86	-11.43	-9.39	-7.71
FIRE	-25.46	-25.61	-24.80	-23.53	-22.14	-20.83	-19.66	-18.69	-17.96	-17.38	-16.93
Durable Manufacture	-14.96	-13.19	-10.27	-7.01	-3.94	-1.39	0.69	2.24	3.42	4.29	4.90
Non-Durable Manufacture	-10.59	-11.09	-10.34	-9.07	-7.66	-6.34	-5.17	-4.30	-3.60	-3.08	-2.68
Mining	-0.68	-0.61	-0.51	-0.42	-0.34	-0.27	-0.22	-0.18	-0.14	-0.12	-0.10
Retail Trade	-41.83	-41.99	-40.84	-38.88	-36.67	-34.59	-32.64	-31.22	-30.33	-29.64	-29.12
Wholesale Trade	-19.69	-19.76	-19.03	-17.73	-16.27	-14.89	-13.64	-12.70	-11.99	-11.47	-11.09
Services	-87.88	-89.13	-86.81	-82.95	-78.85	-75.38	-72.48	-70.12	-68.35	-67.20	-66.52
Transport, Comm, PU	-620.80	-621.20	-620.70	-619.80	-618.70	-617.70	-616.80	-616.10	-615.50	-615.00	-614.60
TOTAL	**-867.00**	**-862.80**	**-849.00**	**-829.80**	**-810.20**	**-792.70**	**-777.50**	**-765.70**	**-756.60**	**-749.70**	**-744.50**

Source: ES-202. Missouri Department of Economic Development and REMI.

Missouri would experience a 0.9% decrease in Gross State Product in 2000, which recovers to a 0.5% decrease in GSP by 2010. The St. Louis Metro and Kansas City Gross Regional Products would decrease by 1.6% and 1.4%, respectively. However, GRP for both regions recovers somewhat by 2010. Refer to Table 6.

Table 6
Total Loss Scenario - Percent Change in Gross State/Regional Product, 2000-2010
Difference from baseline projection.

	2000	2005	2010
Kansas City GRP	-1.41%	-1.13%	-1.00%
Kansas City Metro GRP	-0.53%	-0.29%	-0.23%
St. Louis GRP	-0.81%	-0.51%	-0.45%
St. Louis Metro GRP	-1.61%	-1.13%	-0.94%
MISSOURI GSP	**-0.92%**	**-0.65%**	**-0.55%**

Source: ES-202, Missouri Department of Economic Development; and REMI.

State tax revenues would also experience sharp decreases in 2000, yet would recover somewhat by 2010. General sales tax revenues would fall by $34.5 million in 2000; individual income tax revenues would fall by $29.4 million; and corporate income tax revenues would fall by $4.3 million. Refer to Table 7.

Table 7
Total Loss Scenario - State Tax Revenue Change, 2000-2010
Difference from baseline projection.

	2000	2005	2010
General Sales Tax	-34,520,000	-23,000,000	-19,400,000
Individual Income Tax	-29,440,000	-25,410,000	-24,300,000
Corporate Income Tax	-4,257,000	-3,047,000	-2,729,000

Source: ES-202, Missouri Department of Economic Development; and REMI.

Missouri would experience a sharp decline in population by 2010. In 2000, Missouri would lose 6,200 people, with over half coming from the St. Louis Metro region. By 2010, this decline expands to a loss of 27,020 people, again with over half coming from the St. Louis Metro region. Refer to Table 8.

Table 8
Total Loss Scenario - Population Change, 2000-2010
Difference from baseline projection.

	2000	2005	2010
Kansas City	-628	-2,523	-3,062
Kansas City Metro	-1,049	-4,267	-4,846
St. Louis	-479	-1,769	-1,951
St. Louis Metro	-3,403	-13,060	-14,650
MISSOURI	**-6,200**	**-24,030**	**-27,020**

Source: ES-202, Missouri Department of Economic Development; and REMI.

IV. Overhaul Base Loss Scenario

The following impact scenario assumes the closure of TWA's overhaul base facilities in Kansas City (MO), resulting in a loss of 2,661 jobs and $132.4 million wages in the state. Impacts are ascertained by examining the difference between the baseline projection (no loss of jobs) and the scenario projection (loss of 2,661 jobs and $132.4 million wages). The differential indicates the number of jobs above or below what would have been expected if no change in the economy had occurred. Job losses include both direct (jobs losses attributable to TWA closing) and indirect (job losses in ancillary sectors related to TWA operations) effects.

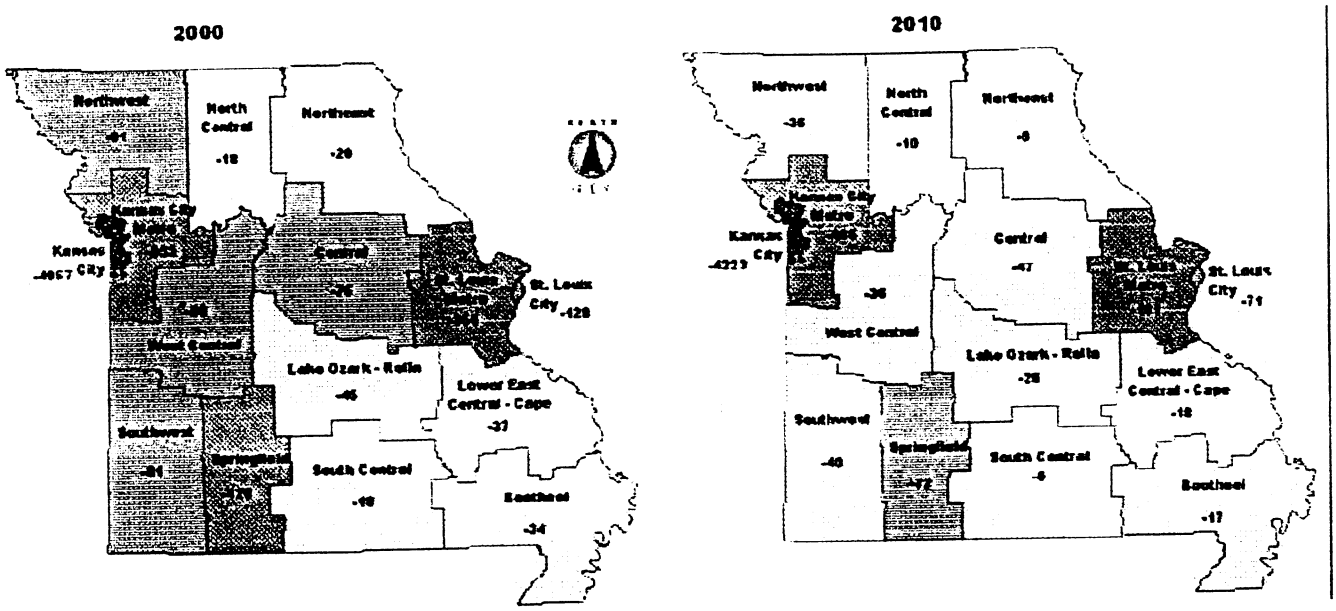
It appears that the loss of 2,661 TWA overhaul base jobs in Kansas City would result in a total loss of 6,862 jobs and $171.5 million wages statewide in 2000. By 2010, the state economy regains some of these jobs, for a total loss of 5,282 jobs and $167.1 million in wages. As expected, the Kansas City region would experience the largest negative impacts. In 2000, the Kansas City region would lose 4,957 jobs and $143.9 million in wages. By 2010, there is there is some recovery of jobs in Kansas City, yet wages progressively fall - with 4,223 jobs and $156.8 million in wages lost in 2010. This may indicate the increase of low-wage jobs in the Kansas City region.

Also, the Kansas City Metro and St. Louis Metro regions also experience sizeable job losses in 2000, yet recover a good share of these jobs by 2010. In general, the state's economy would slowly recover from the direct and indirect job losses attributable to the closure of TWA's overhaul base in Kansas City. In particular, Kansas City's regional economy would be slow to recover from this loss of jobs. Refer to Tables 9 and 10, and Map 5.

As expected, the Transportation, Communications and Public Utilities sector would be most adversely affected by the loss of TWA's overhaul base in Kansas City - losing 3,173 jobs and $135 million wages in 2000, with almost no recovery by 2010. The Services sector would lose 1,324 jobs and $12.9 million in wages in 2000. By 2010, there is some recovery of Services jobs, yet wages progressively fall - with 810 jobs lost and $15.9 million in wages lost by 2010. This may indicate the growth of low-wage service jobs in the state. Further, the Retail Trade sector would lose 932 jobs and $6.4 million in wages in 2000, yet would recover slightly by 2010.

Interestingly, the Government sector experiences only a small loss of employment in 2000, losing 75 jobs. However, by 2010 the Government sector is expected to lose over 362 jobs - indicating that this sector does not recover over time. Also, wages in durable manufacturing increase over the baseline by 2010. Refer to Tables 11 and 12.

Map 5
Overhaul Base Loss Scenario - Employment by Region, 2000-2010



RESEARCH AND PLANNING

Table 9
Overhaul Base Loss Scenario - Employment Change by Region, 2000-2010
Difference from baseline projection.

REGION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bootheel	-34	-32	-29	-26	-23	-21	-19	-18	-18	-17	-17
Central	-75	-72	-68	-62	-57	-53	-50	-48	-48	-47	-47
Kansas City	-4,957	-4,873	-4,745	-4,623	-4,512	-4,417	-4,341	-4,293	-4,260	-4,238	-4,223
Kansas City Metro	-853	-802	-732	-664	-604	-555	-517	-497	-487	-484	-486
LE Central/Cape	-37	-34	-31	-28	-25	-22	-20	-19	-19	-19	-18
Lake Ozark	-45	-43	-39	-36	-32	-30	-27	-26	-26	-25	-25
North Central	-18	-17	-16	-14	-13	-12	-11	-11	-10	-10	-10
North East	-20	-18	-16	-15	-13	-11	-10	-10	-10	-9	-9
North West	-61	-59	-55	-50	-45	-41	-38	-37	-36	-36	-36
South Central	-18	-17	-16	-14	-13	-11	-10	-10	-10	-9	-9
Springfield	-128	-120	-109	-99	-89	-82	-76	-73	-72	-71	-72
St. Louis	-128	-118	-106	-95	-85	-78	-73	-71	-70	-70	-71
St. Louis Metro	-356	-326	-290	-258	-230	-209	-194	-186	-182	-180	-181
South West	-81	-75	-68	-60	-54	-48	-44	-42	-41	-40	-40
West Central	-50	-50	-47	-44	-41	-38	-36	-35	-35	-35	-36
MISSOURI	**-6,862**	**-6,656**	**-6,366**	**-6,085**	**-5,836**	**-5,630**	**-5,468**	**-5,376**	**-5,323**	**-5,292**	**-5,282**

Source: ES-202, Missouri Department of Economic Development and REMI.

Table 10
Overhaul Base Loss Scenario - Wage Change by Region, 2000-2010
In millions of nominal dollars.
Difference from baseline projection.

REGION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bootheel	-0.28	-0.26	-0.24	-0.21	-0.17	-0.15	-0.12	-0.10	-0.08	-0.07	-0.06
Central	-0.79	-0.76	-0.71	-0.64	-0.57	-0.51	-0.45	-0.41	-0.38	-0.35	-0.33
Kansas City	-143.90	-146.70	-149.60	-151.90	-153.80	-155.10	-155.80	-156.40	-156.70	-156.90	-156.80
Kansas City Metro	-15.93	-16.02	-15.25	-14.07	-12.76	-11.45	-10.20	-9.12	-8.19	-7.42	-6.76
LE Central/Cape	-0.32	-0.30	-0.26	-0.22	-0.18	-0.15	-0.11	-0.09	-0.07	-0.06	-0.05
Lake Ozark	-0.34	-0.32	-0.29	-0.25	-0.21	-0.18	-0.15	-0.12	-0.10	-0.09	-0.08
North Central	-0.15	-0.14	-0.13	-0.11	-0.10	-0.08	-0.07	-0.06	-0.05	-0.04	-0.03
North East	-0.16	-0.15	-0.14	-0.12	-0.10	-0.08	-0.07	-0.05	-0.05	-0.04	-0.03
North West	-0.71	-0.70	-0.65	-0.58	-0.50	-0.42	-0.35	-0.30	-0.25	-0.22	-0.19
South Central	-0.12	-0.12	-0.10	-0.09	-0.07	-0.06	-0.05	-0.04	-0.03	-0.03	-0.02
Springfield	-1.17	-1.12	-1.02	-0.89	-0.76	-0.65	-0.54	-0.46	-0.40	-0.36	-0.33
St. Louis	-2.18	-2.11	-1.96	-1.78	-1.60	-1.43	-1.28	-1.18	-1.11	-1.06	-1.04
St. Louis Metro	-4.20	-3.96	-3.54	-3.06	-2.61	-2.16	-1.80	-1.51	-1.32	-1.16	-1.07
South West	-0.67	-0.62	-0.55	-0.47	-0.39	-0.32	-0.25	-0.20	-0.17	-0.14	-0.12
West Central	-0.56	-0.56	-0.53	-0.47	-0.41	-0.36	-0.30	-0.26	-0.22	-0.20	-0.17
MISSOURI	**-171.50**	**-173.80**	**-175.00**	**-174.90**	**-174.20**	**-173.10**	**-171.50**	**-170.30**	**-169.20**	**-168.10**	**-167.10**

Source: ES-202, Missouri Department of Economic Development and REMI.

Table 11
Overhaul Base Loss Scenario - Employment Change by Sector, 2000-2010
Difference from baseline projection.

SECTOR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agric, Forestry, Fishing	-33	-32	-29	-26	-24	-23	-21	-21	-20	-20	-20
Construction	-486	-441	-388	-334	-285	-244	-210	-187	-170	-157	-148
FIRE	-319	-305	-282	-261	-243	-227	-215	-205	-198	-192	-188
Government	-75	-163	-213	-252	-283	-306	-324	-337	-347	-356	-362
Manufacturing	-257	-208	-160	-117	-81	-55	-35	-27	-22	-22	-23
Mining	-8	-7	-7	-6	-5	-5	-4	-4	-4	-3	-3
Retail Trade	-932	-883	-823	-763	-707	-661	-622	-602	-593	-588	-587
Wholesale Trade	-255	-236	-215	-194	-174	-156	-141	-133	-127	-124	-121
Services	-1,324	-1,234	-1,130	-1,038	-959	-898	-854	-830	-815	-808	-810
Transport, Comm, PU	-3,173	-3,147	-3,121	-3,096	-3,074	-3,056	-3,041	-3,032	-3,026	-3,022	-3,019
TOTAL	**-6,862**	**-6,656**	**-6,366**	**-6,085**	**-5,836**	**-5,630**	**-5,468**	**-5,376**	**-5,323**	**-5,292**	**-5,282**

Source: ES-202, Missouri Department of Economic Development; and REMI.

Table 12
Overhaul Base Loss Scenario - Wage Change by Sector, 2000-2010
In millions of nominal dollars.
Difference from baseline projection.

SECTOR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agric, Forestry, Fishing	-0.17	-0.17	-0.17	-0.17	-0.17	-0.17	-0.16	-0.16	-0.16	-0.16	-0.16
Construction	-6.72	-6.04	-5.39	-4.60	-3.83	-3.10	-2.44	-1.89	-1.43	-1.02	-0.67
FIRE	-3.21	-3.35	-3.58	-3.79	-3.96	-4.08	-4.16	-4.21	-4.27	-4.30	-4.31
Durable Manufacture	-3.02	-2.93	-2.63	-2.21	-1.76	-1.32	-0.89	-0.55	-0.25	0.00	0.23
Non-Durable Manufacture	-1.54	-1.94	-2.17	-2.27	-2.29	-2.23	-2.12	-2.02	-1.92	-1.81	-1.70
Mining	-0.07	-0.06	-0.05	-0.04	-0.03	-0.02	-0.01	0.00	0.00	0.01	0.01
Retail Trade	-6.41	-6.65	-6.76	-6.74	-6.63	-6.46	-6.25	-6.10	-6.02	-5.94	-5.87
Wholesale Trade	-2.47	-2.61	-2.82	-2.96	-3.07	-3.12	-3.13	-3.14	-3.16	-3.17	-3.17
Services	-12.88	-14.83	-15.92	-16.53	-16.82	-16.86	-16.72	-16.56	-16.36	-16.14	-15.88
Transport, Comm, PU	-135.00	-135.20	-135.50	-135.60	-135.70	-135.70	-135.70	-135.70	-135.60	-135.60	-135.50
TOTAL	**-171.50**	**-173.80**	**-175.00**	**-174.90**	**-174.20**	**-173.10**	**-171.50**	**-170.30**	**-169.20**	**-168.10**	**-167.10**

Source: ES-202, Missouri Department of Economic Development; and REMI.

Missouri would experience a 0.2% decrease in Gross State Product in 2000, which recovers to a 0.1% decrease in GSP by 2010. The Kansas City and Kansas City Metro Gross Regional Products would decrease by 0.9% and 0.3%, respectively. However, GRP for both regions recovers somewhat by 2010. Refer to Table 13.

Table 13
Overhaul Base Loss Scenario - Percent Change in Gross State/Regional Product, 2000-2010
Difference from baseline projection.

	2000	2005	2010
Kansas City GRP	-0.93%	-0.77%	-0.69%
Kansas City Metro GRP	-0.32%	-0.18%	-0.14%
St. Louis GRP	-0.04%	-0.02%	-0.02%
St. Louis Metro GRP	-0.03%	-0.02%	-0.02%
MISSOURI GSP	**-0.20%**	**-0.15%**	**-0.13%**

Source: ES-202, Missouri Department of Economic Development; and REMI.

State tax revenues would also experience sharp decreases in 2000, yet would recover somewhat by 2010. General sales tax revenues would fall by $6.7 million in 2000; individual income tax revenues would fall by $5.6 million; and corporate income tax revenues would fall by $893,300. Refer to Table 14.

Table 14
Overhaul Base Loss Scenario - State Tax Revenue Change, 2000-2010
Difference from baseline projection.

	2000	2005	2010
General Sales Tax	-6,746,000	-4,799,000	-4,174,000
Individual Income Tax	-5,622,000	-5,152,000	-5,056,000
Corporate Income Tax	-893,300	-702,400	-652,800

Source: ES-202, Missouri Department of Economic Development; and REMI.

Missouri would experience a sharp decline in population by 2010. In 2000, Missouri would lose 1,347 people, with over three-quarters coming from the Kansas City metropolitan area. By 2010, this decline expands to a loss of 6,394 people, again with over three-quarters coming from the Kansas City metropolitan area. Refer to Table 15.

Table 15
Overhaul Base Loss Scenario - Population Change, 2000-2010
Difference from baseline projection.

	2000	2005	2010
Kansas City	-399	-1,618	-2,006
Kansas City Metro	-693	-2,878	-3,315
St. Louis	-13	-51	-57
St. Louis Metro	-79	-299	-320
MISSOURI	**-1,347**	**-5,490**	**-6,394**

Source: ES-202, Missouri Department of Economic Development; and REMI.

V. Administrative and Corporate Loss Scenario

The following impact scenario assumes the closure of TWA's administrative and corporate facilities in Kansas City (loss of 985 jobs and $41 million wages) and St. Louis (loss of 962 jobs and $36 million wages), which would result in the loss of 1,947 jobs and $77.1 million wages in the state. Impacts are ascertained by examining the difference between the baseline projection (no loss of jobs) and the scenario projection (loss of 1,947 jobs and $77.1 million wages). The differential indicates the number of jobs above or below what would have been expected if no change in the economy had occurred. Job losses include both direct (jobs losses attributable to TWA closing) and indirect (job losses in ancillary sectors related to TWA operations) effects.

It appears that the loss of all 1,947 TWA administrative jobs in Kansas City and St. Louis would result in the loss of 5,223 jobs and $104.5 million in wages statewide in 2000. By 2010, the state economy regains some of these jobs, for a total loss of 3,865 jobs and $96.7 million in wages. As expected, the Kansas City and St. Louis regions would experience the largest negative impacts. In 2000, the Kansas City region would lose 1,918 jobs and $45.2 million in wages. By 2010, there is some recovery of jobs, but wages progressively fall - with 1,610 jobs and $48.7 million in wages lost in 2010. In 2000, the St. Louis region would lose 1,665 jobs and $37.7 million in wages. Again, there is some recovery of jobs, but wages progressively fall - with 1,366 jobs and $41.5 million in wages lost in 2010. For both regions, this may indicate the increase of low-wage jobs. Displaced workers may find employment in other sectors, but their wages will be lower.

Also, the St. Louis Metro region experiences sizeable job losses in 2000, yet recovers a good share of these jobs by 2010. In general, the state's economy would recover moderately from the direct and indirect job losses attributable to the closure of TWA's administrative and corporate offices. Refer to Tables 16 and 17, and Map 6.

As expected, the Transportation, Communications and Public Utilities sector would be most adversely affected by the loss of TWA's administrative and corporate offices - losing 2,318 jobs and $78.7 million wages in 2000 with almost no recovery in 2010. The Services sector would lose 1,025 jobs and $8.9 million in wages in 2000. By 2010, there is moderate recovery of Services jobs, yet wages progressively fall - with 594 jobs and $9.8 million in wages lost by 2010. This may indicate the growth of low-wage service jobs in the state. Further, the Retail Trade sector would lose 753 jobs and $4.4 million in wages in 2000, yet would recover moderately by 2010.

Interestingly, the Manufacturing sector experiences a loss of 185 jobs and $3.1 million wages in 2000. Yet, by 2005 the manufacturing sector recovers all of these previously lost jobs; and by 2010 there is an additional 24 manufacturing jobs in the state's economy. Also, wages in durable manufacturing recover by 2007, and by 2010 there is an additional $860,000 in wages. Further, the Government sector experiences a small loss of employment in 2000, losing 57 jobs. However, by 2010 this expands to a loss of 271 jobs - indicating that this sector does not recover over time. Refer to Tables 18 and 19.

Map 6
Administrative and Corporate Loss Scenario - Employment by Region, 2000-2010

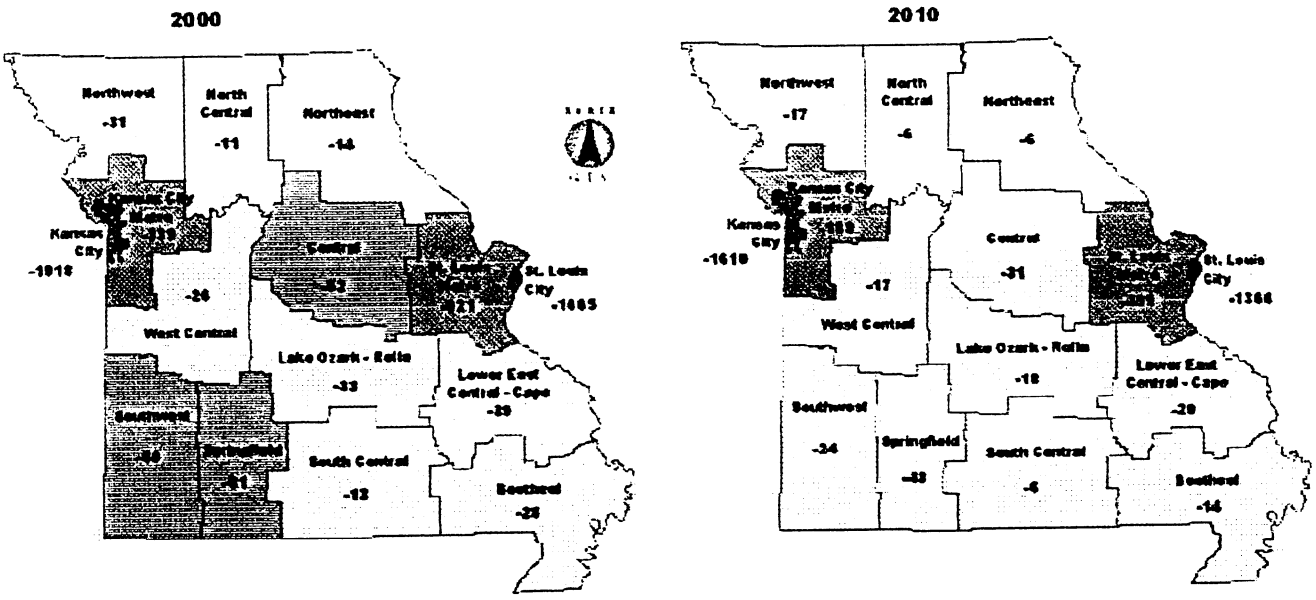


Table 16
Administrative and Corporate Loss Scenario - Employment Change by Region, 2000-2010
Difference from baseline projection.

REGION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bootheel	-28	-26	-23	-21	-18	-17	-15	-14	-14	-14	-14
Central	-52	-50	-47	-43	-39	-36	-33	-32	-32	-31	-31
Kansas City	-1,918	-1,881	-1,827	-1,774	-1,727	-1,688	-1,656	-1,637	-1,624	-1,616	-1,610
Kansas City Metro	-339	-317	-289	-261	-236	-216	-201	-192	-189	-187	-188
LE Central/Cape	-39	-36	-33	-29	-26	-23	-22	-21	-20	-20	-20
Lake Ozark	-33	-31	-28	-26	-23	-21	-19	-19	-18	-18	-18
North Central	-11	-11	-10	-9	-8	-7	-7	-6	-6	-6	-6
North East	-14	-13	-12	-10	-9	-8	-7	-7	-7	-6	-6
North West	-31	-29	-27	-24	-22	-20	-18	-18	-17	-17	-17
South Central	-13	-12	-11	-10	-9	-8	-7	-7	-7	-7	-6
Springfield	-81	-75	-68	-61	-55	-50	-46	-44	-43	-43	-43
St. Louis	-1,665	-1,622	-1,571	-1,524	-1,482	-1,447	-1,418	-1,398	-1,384	-1,373	-1,366
St. Louis Metro	-921	-848	-755	-670	-599	-545	-509	-492	-487	-490	-499
South West	-50	-46	-41	-36	-32	-29	-26	-25	-24	-24	-24
West Central	-26	-25	-23	-22	-20	-18	-17	-17	-17	-17	-17
MISSOURI	**-5,223**	**-5,025**	**-4,764**	**-4,518**	**-4,305**	**-4,133**	**-4,002**	**-3,929**	**-3,888**	**-3,868**	**-3,865**

Source: ES-202, Missouri Department of Economic Development and REMI.

Table 17
Administrative and Corporate Loss Scenario - Wage Change by Region, 2000-2010
In millions of nominal dollars.
Difference from baseline projection.

REGION	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Bootheel	-0.18	-0.17	-0.15	-0.12	-0.10	-0.08	-0.06	-0.05	-0.04	-0.03	-0.02
Central	-0.43	-0.41	-0.37	-0.33	-0.28	-0.24	-0.20	-0.18	-0.16	-0.14	-0.12
Kansas City	-45.28	-46.11	-46.95	-47.61	-48.11	-48.47	-48.61	-48.72	-48.77	-48.75	-48.72
Kansas City Metro	-5.11	-5.12	-4.86	-4.47	-4.03	-3.61	-3.20	-2.85	-2.55	-2.29	-2.09
LE Central/Cape	-0.30	-0.29	-0.25	-0.21	-0.17	-0.14	-0.10	-0.08	-0.06	-0.05	-0.03
Lake Ozark	-0.20	-0.19	-0.17	-0.14	-0.12	-0.09	-0.07	-0.06	-0.05	-0.04	-0.03
North Central	-0.07	-0.06	-0.06	-0.05	-0.04	-0.03	-0.03	-0.02	-0.02	-0.01	-0.01
North East	-0.09	-0.08	-0.07	-0.06	-0.05	-0.04	-0.03	-0.02	-0.02	-0.01	-0.01
North West	-0.27	-0.26	-0.24	-0.21	-0.18	-0.15	-0.12	-0.10	-0.08	-0.07	-0.06
South Central	-0.07	-0.06	-0.05	-0.05	-0.04	-0.03	-0.02	-0.02	-0.01	-0.01	-0.01
Springfield	-0.57	-0.54	-0.48	-0.41	-0.34	-0.28	-0.23	-0.19	-0.16	-0.13	-0.12
St. Louis	-37.71	-38.48	-39.39	-40.15	-40.78	-41.24	-41.55	-41.73	-41.77	-41.71	-41.52
St. Louis Metro	-13.67	-13.46	-12.37	-10.97	-9.50	-8.11	-6.90	-5.86	-5.05	-4.38	-3.90
South West	-0.32	-0.29	-0.26	-0.21	-0.17	-0.13	-0.10	-0.08	-0.06	-0.04	-0.03
West Central	-0.21	-0.21	-0.19	-0.17	-0.15	-0.12	-0.10	-0.09	-0.07	-0.06	-0.05
MISSOURI	**-104.50**	**-105.70**	**-105.90**	**-105.10**	**-104.10**	**-102.80**	**-101.30**	**-100.00**	**-98.86**	**-97.72**	**-96.72**

Source: ES-202, Missouri Department of Economic Development and REMI.

Table 18

Administrative and Corporate Loss Scenario - Employment Change by Sector, 2000-2010

Difference from baseline projection.

SECTOR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agric, Forestry, Fishing	-27	-25	-23	-21	-19	-18	-17	-16	-16	-16	-16
Construction	-395	-355	-311	-265	-225	-192	-165	-147	-134	-124	-117
FIRE	-257	-243	-223	-204	-188	-175	-164	-156	-150	-146	-144
Government	-57	-124	-162	-192	-215	-231	-244	-253	-261	-267	-271
Manufacturing	-185	-137	-90	-51	-20	3	17	25	27	27	24
Mining	-7	-7	-6	-5	-5	-4	-4	-3	-3	-3	-3
Retail Trade	-753	-709	-656	-603	-556	-517	-485	-469	-461	-458	-457
Wholesale Trade	-200	-183	-164	-145	-128	-113	-101	-94	-90	-87	-86
Services	-1,025	-945	-853	-774	-708	-657	-622	-604	-593	-591	-594
Transport, Comm, PU	-2,318	-2,298	-2,278	-2,259	-2,242	-2,229	-2,218	-2,211	-2,207	-2,204	-2,202
TOTAL	**-5,223**	**-5,025**	**-4,764**	**-4,518**	**-4,305**	**-4,133**	**-4,002**	**-3,929**	**-3,888**	**-3,868**	**-3,865**

Source: ES-202, Missouri Department of Economic Development and REMI.

Table 19

Administrative and Corporate Loss Scenario - Wage Change by Sector, 2000-2010

In millions of nominal dollars.

Difference from baseline projection.

SECTOR	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Agric, Forestry, Fishing	-0.13	-0.13	-0.12	-0.11	-0.10	-0.10	-0.09	-0.08	-0.08	-0.07	-0.07
Construction	-4.87	-4.29	-3.74	-3.13	-2.55	-2.01	-1.53	-1.14	-0.81	-0.52	-0.29
FIRE	-2.36	-2.43	-2.50	-2.53	-2.54	-2.52	-2.48	-2.43	-2.39	-2.35	-2.31
Durable Manufacture	-2.14	-2.00	-1.67	-1.27	-0.87	-0.48	-0.12	0.18	0.44	0.67	0.86
Non-Durable Manufacture	-0.91	-1.08	-1.16	-1.16	-1.12	-1.04	-0.94	-0.83	-0.70	-0.58	-0.45
Mining	-0.06	-0.06	-0.05	-0.04	-0.04	-0.03	-0.02	-0.02	-0.01	-0.01	0.00
Retail Trade	-4.38	-4.56	-4.59	-4.52	-4.40	-4.24	-4.06	-3.92	-3.83	-3.74	-3.67
Wholesale Trade	-1.99	-2.13	-2.21	-2.23	-2.20	-2.14	-2.06	-1.99	-1.93	-1.87	-1.82
Services	-8.99	-10.18	-10.74	-10.97	-11.01	-10.94	-10.76	-10.53	-10.29	-10.03	-9.81
Transport, Comm, PU	-78.67	-78.89	-79.07	-79.18	-79.25	-79.28	-79.27	-79.27	-79.24	-79.21	-79.17
TOTAL	**-104.50**	**-105.70**	**-105.90**	**-105.10**	**-104.10**	**-102.80**	**-101.30**	**-100.00**	**-98.86**	**-97.72**	**-96.72**

Source: ES-202, Missouri Department of Economic Development and REMI.

Table 20
Administrative and Corporate Loss Scenario - Percent Change in Gross State/Regional Product, 2000-2010
Difference from baseline projection.

	2000	2005	2010
Kansas City GRP	-0.36%	-0.30%	-0.26%
Kansas City Metro GRP	-0.13%	-0.07%	-0.06%
St. Louis GRP	-0.47%	-0.38%	-0.34%
St. Louis Metro GRP	-0.08%	-0.04%	-0.03%
MISSOURI GSP	**-0.15%**	**-0.11%**	**-0.10%**

Source: ES-202. Missouri Department of Economic Development and REMI.

State tax revenues would also experience sharp decreases in 2000, yet would recover somewhat by 2010. General sales tax revenues would fall by $5.2 million in 2000; individual income tax revenues would fall by $4.8 million; and corporate income tax revenues would fall by $702,200. Refer to Table 21.

Table 21
Administrative and Corporate Loss Scenario - State Tax Revenue Change, 2000-2010
Difference from baseline projection.

	2000	2005	2010
General Sales Tax	-5,232,000	-3,602,000	-3,149,000
Individual Income Tax	-4,758,000	-4,347,000	-4,280,000
Corporate Income Tax	-702,200	-526,300	-484,900

Source: ES-202. Missouri Department of Economic Development and REMI.

Missouri would experience sharp a decline in population by 2010. In 2000, Missouri would lose 1,055 people. By 2010, this decline expands to a loss of 4,947. Refer to Table 22.

Table 22
Administrative and Corporate Loss Scenario - Population Change, 2000-2010
Difference from baseline projection.

	2000	2005	2010
Kansas City	-157	-637	-785
Kansas City Metro	-266	-1,101	-1,264
St. Louis	-94	-373	-495
St. Louis Metro	-430	-1,755	-1,963
MISSOURI	**-1,055**	**-4,279**	**-4,947**

Source: ES-202. Missouri Department of Economic Development and REMI.

VI. Summary and Implications

The **total loss impact scenario** assumes the closure of all TWA facilities in Missouri, resulting in the loss of all TWA jobs in the state - a loss of 12,430 jobs and $604.4 million wages. It appears that the loss of all 12,430 TWA jobs in Missouri would result in a total loss of 32,810 jobs and $876 million wages in 2000. By 2010, the state economy regains 10,000 jobs, for a total loss of 22,960 jobs and $744.5 million in wages. As expected, the St. Louis and Kansas City metro regions would experience the largest negative impacts.

As expected, the Transportation, Communications and Public Utilities sector would be most adversely affected by the loss of all TWA employment in Missouri - losing 14,710 jobs and $620.8 million wages in 2000, with only small recovery in 2010. Interestingly, the Manufacturing sector experiences a loss of 1,072 jobs in 2000. However, by 2004 the manufacturing sector recovers all of these previously lost jobs; and by 2010 there is an additional 371 manufacturing jobs in the state's economy. Also, wages in durable manufacturing recover by 2006; and by 2010 there is an additional $4.9 million in wages. Further, the Government sector experiences a small loss of employment in 2000, losing 325 jobs. However, by 2010 this expands to a loss of 1,427 jobs.

The **overhaul base loss impact scenario** assumes the closure of TWA's overhaul base facilities in Kansas City (MO), resulting in a loss of 2,661 jobs and $132.4 million wages in the state. It appears that the loss of 2,661 TWA overhaul base jobs in Kansas City would result in a total loss of 6,862 jobs and $171.5 million wages statewide in 2000. By 2010, the state economy regains some of these jobs, for a total loss of 5,282 jobs and $167.1 million in wages. As expected, the Kansas City region would experience the largest negative impacts.

As expected, the Transportation, Communications and Public Utilities sector would be most adversely affected by the loss of TWA's overhaul base in Kansas City - losing 3,173 jobs and $135 million wages in 2000, with almost no recovery by 2010. Interestingly, the Government sector experiences only a small loss of employment in 2000, losing 75 jobs. However, by 2010 the Government sector is expected to lose over 362 jobs - indicating that this sector does not recover over time. Also, wages in durable manufacturing increase over the baseline by 2010.

The **administrative and corporate loss impact scenario** assumes the closure of TWA's administrative and corporate facilities in Kansas City (loss of 985 jobs and $41 million wages) and St. Louis (loss of 962 jobs and $36 million wages), which would result in the loss of 1,947 jobs and $77.1 million wages in the state. It appears that the loss of all 1,947 TWA administrative jobs in Kansas City and St. Louis would result in the loss of 5,223 jobs and $104.5 million in wages statewide in 2000. By 2010, the state economy regains some of these jobs, for a total loss of 3,865 jobs and $96.7 million in wages. As expected, the Kansas City and St. Louis regions would experience the largest negative impacts.

As expected, the Transportation, Communications and Public Utilities sector would be most adversely affected by the loss of TWA's administrative and corporate offices - losing 2,318 jobs and $78.7 million wages in 2000 with almost no recovery in 2010. Interestingly, the Manufacturing sector experiences a loss of 185 jobs and $3.1 million wages in 2000. Yet, by 2005 the manufacturing sector recovers all of these previously lost jobs; and by 2010 there is an additional 24 manufacturing jobs in the state's economy. Also, wages in durable manufacturing recover by 2007, and by 2010 there is an additional $860,000 in wages. Further, the Government sector experiences a small loss of employment in 2000, losing 57 jobs. However, by 2010 this expands to a loss of 271 jobs.

In summary, the closure of all TWA facilities in Missouri would have deleterious impacts on the Missouri economy. The state economy would recover, albeit slowly. Although this scenario is unlikely to happen, it is possible that the merger would result in the closure of maintenance bases and corporate offices in Missouri. From this analysis, it appears that the closure of the overhaul/maintenance base in Kansas City would have the greatest negative impact on the state's economy - more than the closure of TWA's administrative and corporate offices in Kansas City and St. Louis.

LRS-0101-1

Analysis and reporting by David J. Peters, Planner.
Assisted by Jeff Drake, Zachary Johnson, and Kerri Tesreau.

January 11, 2001

Direct all correspondence to David J. Peters:

620 Harry S. Truman Building
Department of Economic Development
Jefferson City, MO 65102

TEL: (573) 522-2791
FAX: (573) 751=7385
E-MAIL: dpeters4@mail.state.mo.us
WEB: http://www.ded.state.mo.us/research

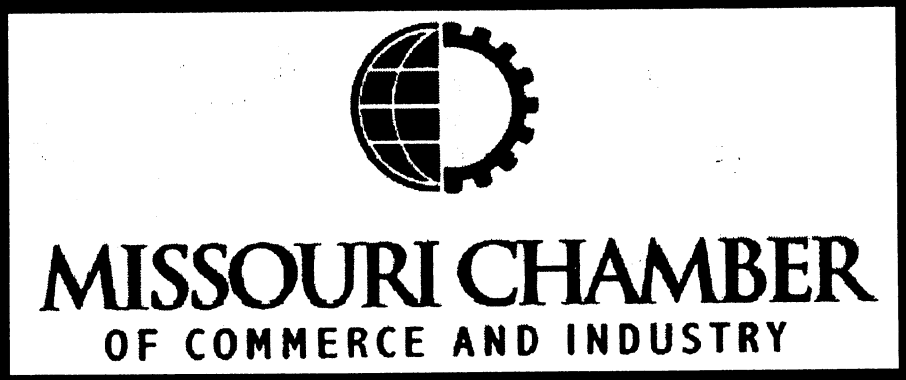
APPENDIX S

Written testimony of Mr. Ray McCarty,
Missouri Chamber of Commerce and Industry

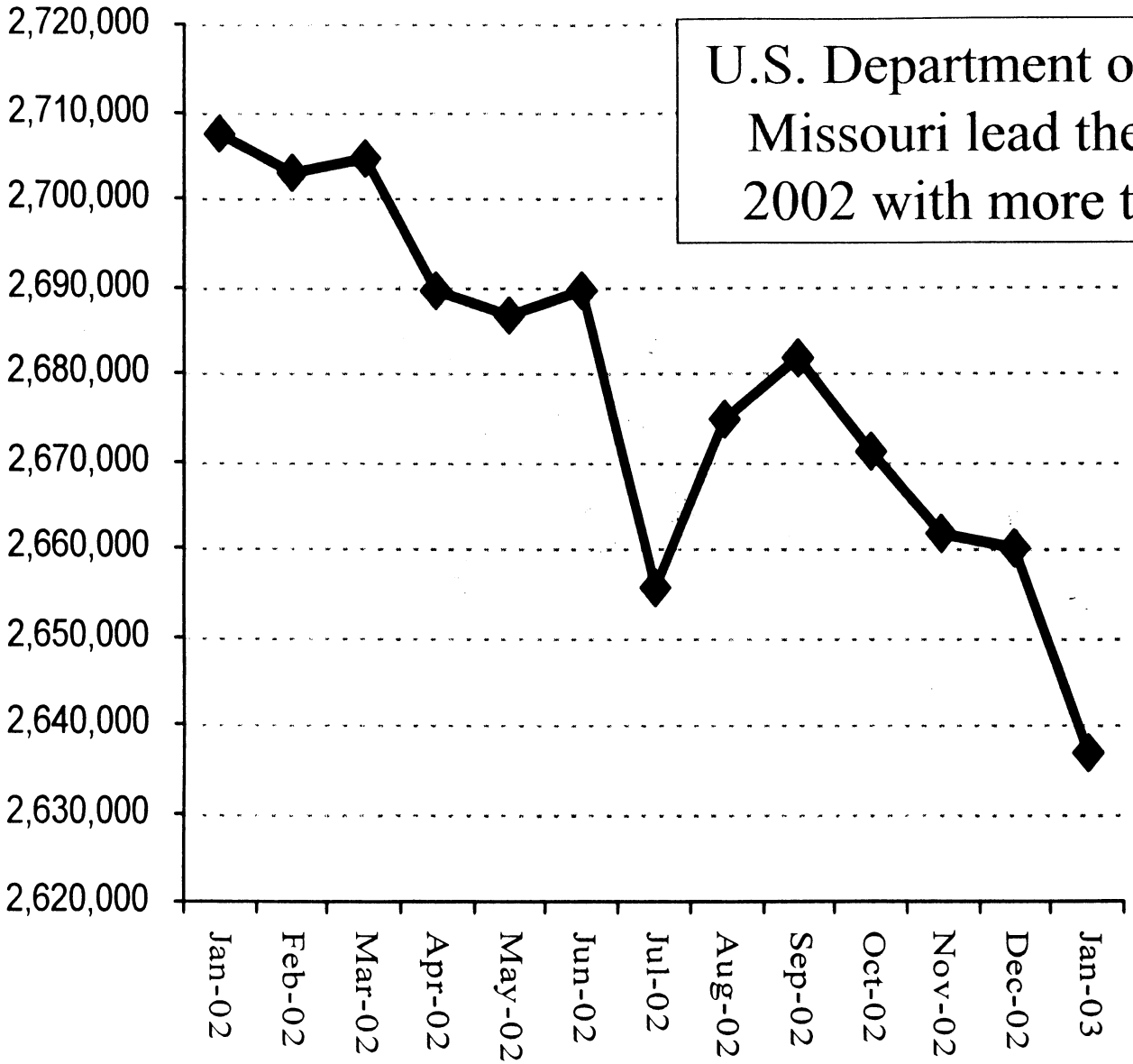
Missouri's Job Situation 2003

Ray McCarty

Director of Fiscal Affairs

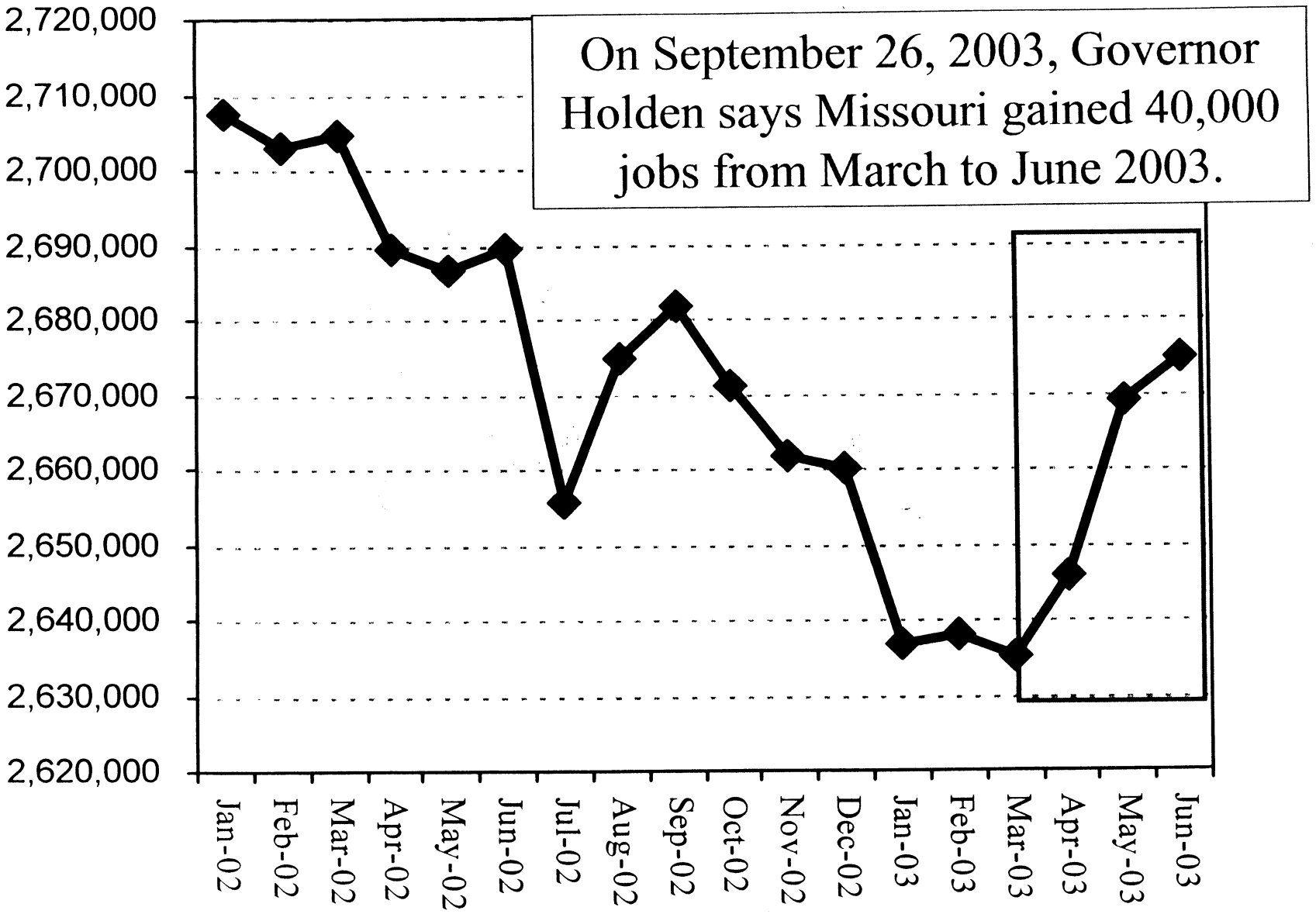


Missouri Jobs

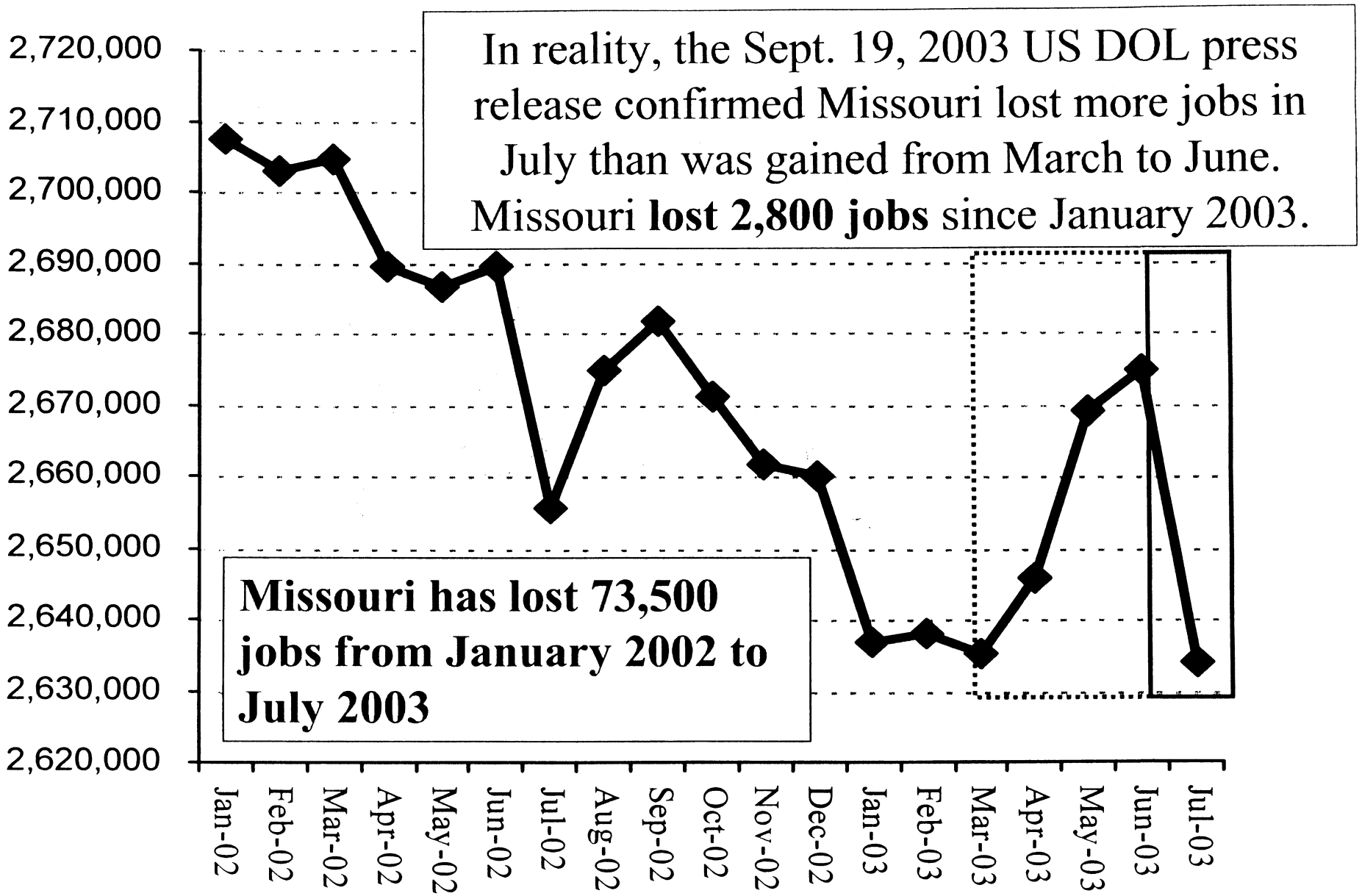


U.S. Department of Labor statistics show Missouri lead the nation in job loss in 2002 with more than 70,000 jobs lost!

Missouri Jobs

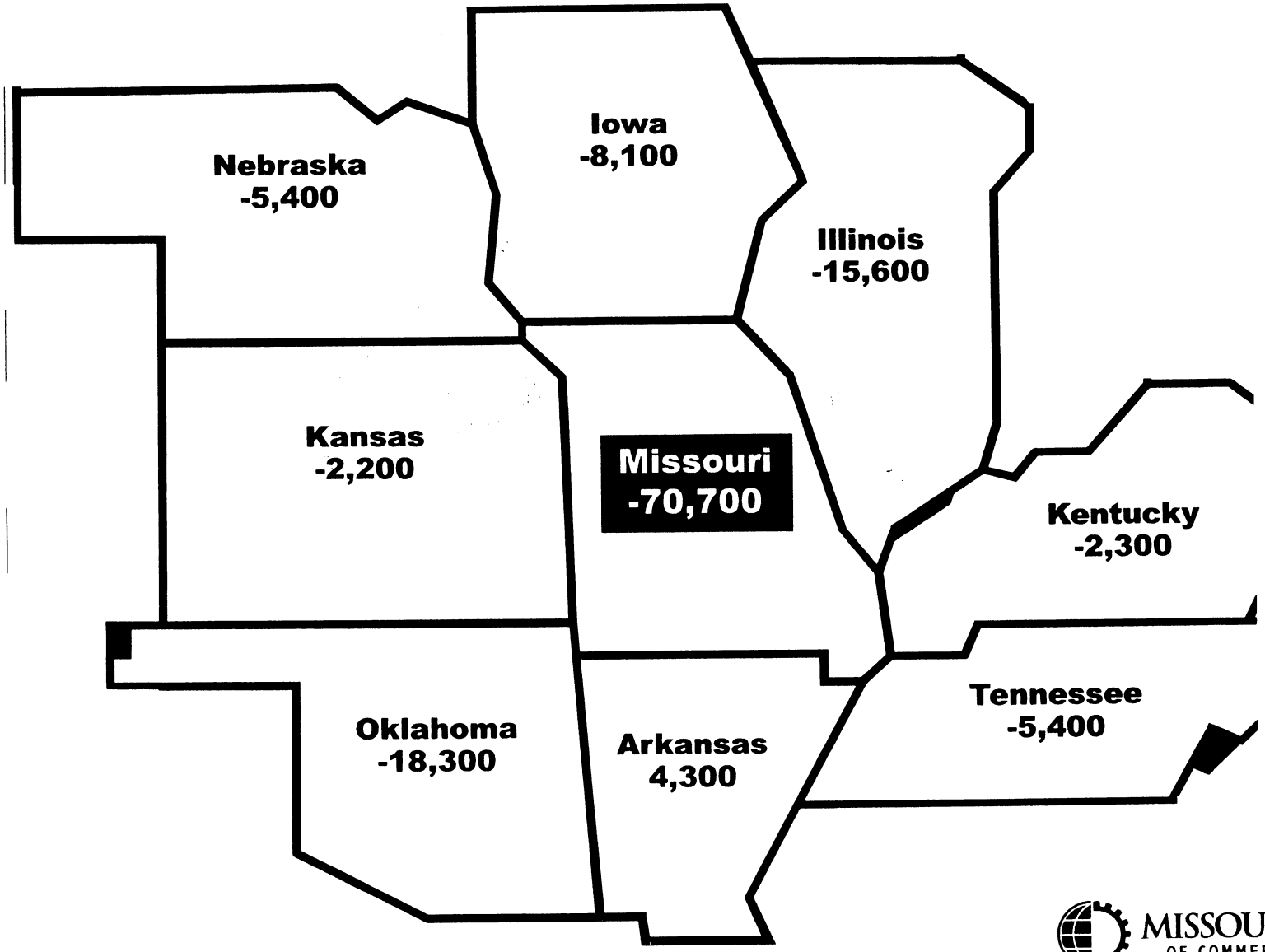


Missouri Jobs



Job loss in Missouri and surrounding states

January 2002 to January 2003



MISSOURI CHAMBER
OF COMMERCE AND INDUSTRY



Impact of Missouri's job loss on state revenues

2002 jobs lost:	**70,700 jobs**
2002 wages lost:	**$2.06 billion**
2002 state income tax lost:	**$67 million**
2002 state sales tax lost:	**$31 million**
2002 indirect revenue lost:	**$17 million**
2002 total revenue lost:	**$115 million**

MISSOURI CHAMBER
OF COMMERCE AND INDUSTRY

On October 9, 2003, MSN.com columnist Liz Pulliam Weston described Missouri as "the bankruptcy capital of America", suggesting we should change our license plate slogan from "Show Me State" to "Bankruptcy State". She was commenting on a report by the American Bankruptcy Institute which used federal bankruptcy court data showing Missouri had more Chapter 7 bankruptcy filings per 100,000 population than any other state in the nation:

Missouri bankruptcy rate per 100,000 in 2002: 699

U.S. average bankruptcy rate per 100,000 in 2002: 381

Total bankruptcy filings in MO in 2002: 34,291

Non-business (personal) filings: 33,897

Business filings: 394

In calendar year 2002, Missouri lead the nation in

job loss

and

bankruptcy filings

What can be done to reverse this trend?

What lessons may be learned from other states?

First, let's take a look at Illinois…

State of Illinois

As Governor Blagojevich took office, he constantly talked about raising taxes on employers (closing corporate tax loopholes, etc.) as the way to address budget shortfall

Governor followed through by raising taxes and fees, mainly on employers, by $2.1 billion, including reinstating death tax (decoupling), eliminating sales tax exemptions, increasing gaming taxes

Governor signed bill increasing minimum wage from $5.15 to $5.50 in 2004 and $6.50 in 2005

State of Illinois

Results:

Illinois lost 60,000 jobs since January, 2003!

Lesson:

Even talking about increasing taxes on employers or other actions that shrink an employer's bottom line can cause job loss.

State of Missouri

- Governor Holden constantly talks about "closing corporate tax loopholes" as way to address budget shortfall
- Governor vetoed bills that would have improved Missouri's business climate: tort reform, unemployment insurance reform, small business regulatory reform
- Legislation providing worker's compensation reform was blocked in Senate

State of Missouri

Results:

Although legislature passed bills that would make Missouri more attractive to employers, one of those bills was blocked and three were vetoed.

Lesson:

Stop talking about increasing taxes on employers (closing loopholes, etc.) and get serious about tort reform, worker's compensation and UI reform, small business regulatory reform, and other actions will make Missouri MORE attractive for employers.

Results of Missouri Jobs Summit

- 97% did not feel that jobs will return due to national economic growth as national economy rebounds
- 89% believed Missouri's efforts in job retention statewide were poor or needed improvement
- 43% believed the business climate in Missouri is the factor that most affects job retention and growth

Results of Missouri Jobs Summit

- 91% did not believe state leaders should consider raising taxes on employers, given the experience in Illinois
- 93% believed DED should be a higher priority for legislators
- 57% believed the size of Missouri's state government was impacting Missouri's attractiveness

Results of Missouri Jobs Summit

- 83% believed preserving existing businesses and helping those business expand is more important than new business creation for the state's economic well-being
- 86% rated Missouri's current tax burden on business as "about right" or "too high"
- 48% cited a better workforce as the highest priority to retain existing businesses

Results of Missouri Jobs Summit

Other thoughts expressed at the summit:

Job training credits are important to existing businesses

Missouri's DED has a relatively small number of employees and resources devoted to economic development and more resources should be allocated to their core function rather than regulation

Missouri Chamber of Commerce and Industry Recommendations

- **Enact tort reform**
- **Enact worker's compensation reform**
- **Enact UI system reform**
- **Protect job training funds**
- **Direct resources and efforts in DED on economic development and forego regulatory functions, if necessary**
- **Focus state resources on job retention as well as job creation**
- **Do not raise taxes on employers or other taxpayers**
- **Continue budget reform by controlling growth of state government to avoid need for additional tax dollars**

APPENDIX T

Written testimony of Mr. Michael Neumann,
Communications Workers of America, Local 6320

MIKE NEWMAN

COMMITTEE MEMBERS PRESIDENT LOCAL 6320 CWA

Good morning ladies and gentlemen, my name is Mike Neumann. Thank you for the opportunity to speak this morning. I speak for all members of the Communications Workers of America, who applaud you for your efforts and time you have taken to hear from those of us out in the field, fighting for jobs and economic stability.

I represent XX CWA members in the state of Missouri. These men and women are responsible for building and maintaining the backbone of the vast 100 year plus telecommunications network in our state. We are responsible for the making sure your phone call goes through to your children, your parents your friends and relatives - or to those you need in an emergency. We make sure you can travel smoothly on the information highway. We work 24 hours a day – 7 days a week on projects ranging from downed telephone poles and broken lines to splicing together miniscule pieces of fiber that carry massive amounts (specific numbers?) of data.

WE HAVE HEARD THE NECESSITY OF INVESTING IN OUR TRANSPORTATION NETWORK. THAT SAME INVESTMENT IS NEEDED IN OUR TELECOMMUNICATION INFRASTRUCTURE

([redacted]) Telecommunications is a 10-billion dollar a year industry in Missouri - a majority of that in labor and equipment. But as much revenue as our industry generates in this state…we could do so much more.

Times are tough. In the past two years, hundreds of thousands of people have lost their telecommunications jobs. 11,000 of those jobs are in Missouri. Why? Because regulation cannot keep up with new technologies – and with that environment, companies cannot and will not invest in the telecommunications infrastructure. Right now, the CWA is loaning our Missouri workers to states like Oklahoma and Arkansas, because those states do have policies in place that encourage infrastructure investment. Those are states getting our workers. We need to keep those workers in Missouri.

Over the past two years, according to national studies, telecommunications capital spending has fallen by over 40-percent. And the outlook remains bleak. The lack of industry investment has led to the collapse of the telecommunications equipment market, whose firms have seen a $1 Billion market ~~valuation~~ DEVALUATION.

Our lawmakers believed – and so did we, for that matter – that the FCC would answer many of those questions by releasing its Triennial Review Order this year. After six months of waiting, we learned that the Order did not provide hard answers to those questions...and now the whole matter is tied up in court. If Missouri had passed legislation last session that would have made sure high speed Internet providers were treated the same – there would have been more investment in the broadband network. Instead, we are left waiting and wondering.

That is why it is so important for you to set the tone, in the future. What happens when companies are not given incentives to invest? For those of us in telecommunications – those of us who contribute to the economy by buying cars, and homes, and groceries and clothes for our family - it means we have difficulty holding on to jobs. Missouri must make sure it has policies that promote job growth and encourage investments.

By adapting policies that make sure regulations keep up with technology, you are growing jobs and encouraging growth telecommunications infrastructure – which ensures a healthy economy for all Missourians.

Thank you.

APPENDIX U

Written testimony of Mr. Jerry Schlichter,
Schlichter, Bogard & Denton

ST. LOUIS POST-DISPATCH
BUSINESS

Correcting a common misconception

Partnership wants people to know that downtown occupancy is high

The popular perception of downtown St. Louis is that its buildings are emptying out and waiting to be torn down.

The Downtown St. Louis Partnership wants to change that image. And it is gathering some facts to make its case.

For the third consecutive year, the partnership has undertaken a comprehensive survey of every building — office tower or parking garage, hotel or government center — in the area bounded by the Mississippi River and Cass, Chouteau and Jefferson avenues (including some A.G. Edwards and Ralston Purina buildings just outside those boundaries).



David Nicklaus

Talking Business forum at: postnet.com/nicklaus
dnicklaus@postnet.com

The message, says Partnership president Franklin "Kim" Kimbrough, is that downtown is growing, not shrinking. The amount of space occupied by all types of users grew by more than 1 million square feet last year, to 57.2 million square feet.

Construction during the year included the first building of the St. Louis Commerce Center on Martin Luther King Boulevard, new housing in the Murphy Park development and a parking garage next to the Marquette Building.

"There's another 1.4 million square feet that's either under construction or actively under renovation that we expect to be on line by the end of 2000," Kimbrough said. That includes more construction at the Commerce Center, along with projects like Cupples Station and the new City Justice Center.

If there's a yellow light in the Partnership's go-go message, it's the fact that, in some categories, occupancy didn't quite keep up with the increase in available space.

The occupancy rate for housing downtown fell to 76 percent from 84 percent, as the amount of housing increased by 316,000 square feet. Kimbrough said that most of the vacant space is in public housing on the north edge of downtown and that the occupancy rate in market-rate housing is above 90 percent.

In the important category of Class A office space, occupancy slipped to 92.9 percent from 93.1 percent a year ago. But, Kimbrough said, occupancy would have been a healthy 95 percent if not for the bankruptcy of Edison Brothers Stores Inc., which opened up space in that retailer's former headquarters building.

Class A office buildings, the newest ones, account for less than half of all office space downtown. For all office buildings, the occupancy rate is 80.7 percent, compared with 76.4 percent in 1999.

Helping push that figure in the right direction are companies like PeopleSupport Inc., which has moved 60 people into the 555 Washington building downtown. PeopleSupport, based in Los Angeles, provides customer support for major Web sites.

Joe Jaworski, a vice president for operations here, said the company could have 600 employees by the end of this summer if it continues to win customers. He said the company chose St. Louis because the area had plenty of skilled workers, and chose downtown because it had the most attractive atmosphere for PeopleSupport's 20- and 30-something work force.

"Our people tend to be very edge-y. They're not suburban-type people," Jaworski said. "To be in a 125-year-old downtown office building that has been restored allows us to create a very cool space."

Kimbrough said Missouri's Rebuilding Communities tax credit program also was instrumental in attracting PeopleSupport. The program gives companies a tax credit to reimburse part of the cost of hiring employees and investing in equipment.

In combination with state and federal tax credits for renovating historic buildings, the Rebuilding Communities program gives downtown a powerful one-two punch for attracting development. "The historic credits get developers interested in the buildings, and Rebuilding Communities allows us to attract the users to occupy those buildings," Kimbrough said.

Some state legislators, he noted, want to place limits on the tax credits, and change the language that targets all of the Rebuilding Communities money to distressed areas such as the city of St. Louis. But Kimbrough argues strongly against taking anything away from a program that's working well.

The Partnership works as an economic-development agency with businesses that are thinking about moving downtown. "We probably have 60 deals working in this shop right now," Kimbrough said. "Probably 70 to 80 percent of those are trying to do a deal in St. Louis because of the Rebuilding Communities tax credit."

Friday, April 14, 2000
Vol. 290, No. 74 • 95¢ DOLAN MEDIA COMPANY

ST. LOUIS
DAILY RECORD

© 2000

A clickdata.com Partner

Access US opens headquarters on Landing



State and local leaders gathered Wednesday afternoon to celebrate the arrival of the corporate headquarters of Access US to Laclede's Landing. From left to right are Richard C.D. Fleming, president and chief executive officer of the St. Louis Regional Chamber and Growth Association; Franklin "Kim" Kimbrough, president of Downtown St. Louis Partnership; Francis Slay, president of the St. Louis Board of Aldermen; Tom Purcell, executive director of the Laclede's Landing Redevelopment Corp.; Rob Semaan, chief executive officer of Access US; and Missouri Gov. Mel Carnahan. Access US, a national Internet solutions provider, provides Internet connectivity, Web site development, e-commerce and hosting to more than 20,000 residential and business clients. Access US' move from southern Illinois to the Cast Iron Building on Laclede's Landing was facilitated by the state's Rebuilding Communities Program.

Photo by Donna Walter

JEREMY SCHLICHER

Mid-size cities get hip to attract young professionals



By Mike Simons for USA TODAY

Cincinnati: Rachel Bruemmer, a teacher, and Justin Hively, a loan officer, relax at the eclectic Allyn's Café.

Behind the art and music festivals, an economic incentive

By Hava El Nasser
USA TODAY

CINCINNATI — In the staid Bankers Club, young men and women mix it up with powerbrokers over beer, wine and hors d'oeuvres. Establishment luminaries work the room to welcome the twentysomethings to their inner sanctum.

Cover story

It's the hippest crowd this sedate, wood-paneled room has ever seen. Even the older CEOs are loosening up. There's the head of consumer products giant Procter & Gamble, tieless, playing host. University and chamber presidents, the newspaper publisher, bankers and executives bounce from table to table for informal chats.

What's going on? Why would Cincinnati's powers-that-be court people half their age? For the same reason Pittsburgh, Richmond, Memphis, Tampa, Indianapolis, Baton Rouge, St. Louis, Milwaukee, Tallahassee, Fla., and Fresno, Calif., are launching Web sites, organizing summits, staging arts and music festivals and investing in glitzy promotions: to lure young professionals.

"Be hip and they will come" is the motto of a new movement in second-tier cities that have lost their best and brightest to more urbane centers such as San Francisco, New York, Seattle, Atlanta, Washington and Boston. Wooing young people has never been high on cities' economic development agendas. Until now.

Cities spent decades dangling tax breaks and other financial sweeteners to attract big business. They poured billions of dollars into new stadiums, convention centers and aquariums. But their populations

See COVER STORY next page ►

APPENDIX V

Written testimony of Mr. Henry Shannon,
St. Louis Community College

TESTIMONY -- D R A F T

Interim Committee – Job Creation
11:30 a.m. Tuesday, Oct. 14

Chairman Richard, and members of the committee –

I am Henry Shannon, chancellor of St. Louis Community College. Thank you for letting me speak to you today about the vital role community colleges are playing in training workers and fostering economic development across the state.

A recent study published by the Education Commission of the States points out that the United States ranks 13th among industrialized nations in college preparation. It further states that "if policymakers do not take steps now to expand access and increase levels of postsecondary participation, it is likely that future education and training needs – particularly of underserved and disadvantaged populations – will go unmet."

I applaud your willingness and determination in addressing this issue today.

Job creation and economic development is a national, as well as a state, issue. And it is a "qualitative" as well as "quantitative" issue. We need more jobs, but we also need better jobs – we need a workforce that is academically and technologically prepared to succeed in the high-paying, technically advanced competitive workforce of today – and tomorrow.

Community colleges have served as the engine that drives economic growth in our regions. We are effectively, efficiently and -- at low cost -- training citizens to become productive, competitive workers.

I could cite success stories from across the state, but today I will highlight a few examples of what we are doing at St. Louis Community College:

- In support of Missouri's Life Sciences initiative, the college developed the state's first two-year associate degree program in biotechnology. Now in its third year, we have college-trained biotechnicians working in more than 13 local businesses. Some 70 students are currently enrolled in biotech. We also received equipment donations from Monsanto and Genomics, which show the interest and support we're getting from industry.
- When Unigroup (the nation's largest mover of household goods) acquired Mayflower Moving, it added 450 jobs to the St. Louis economy. The college, through our Center for Business, Industry and Labor (CBIL), helped screen, document and process applicants to become productive employees. With this support, the company reached its full employment goals in record time.
- Intier Automotive is a global manufacturer of component products. This year Intier identified its Integram Seating Plant in Fenton as having done the best job of its 50 world wide plants in implementing

the quality manufacturing technique "5s". Again, CBIL was Integram's lead "5s" training consultant.

We also work with elementary/secondary schools to better prepare youngsters to succeed in college and career areas. As an example, we have partnered with seven local high schools to offer pre-engineering and technology programs. We have the potential of preparing 700 students to enter the advanced engineering and technology areas.

You can see that community colleges and their students contribute in significant ways to a more robust state economy. Since 1962, a million citizens have taken classes at St. Louis Community College – as a result, more than 44 million credits of instruction is embedded in the St. Louis economy. Think of it, our students stay in town, and what they learn – and earn – enriches our state and our community.

I urge you to support the job training and job retention programs available through community college. The Community College New Jobs Program has had unparalled success in supporting job creation across the state – and it was a major component in the incentive package used to retain Ford in Hazelwood.

Customized training and workforce preparation funding boasts the best rate of return of any state economic development program.

A recent study shows that the total economic impact of St. Louis Community College is more than $3.3 billion – the equivalent of some 85,000 jobs. We are proud of our record – and, with your support, determined to strengthen the skills and success of Missouri workers.

I have copies of our most recent economic impact study available for the committee – and I welcome any comments or questions the committee may have.

APPENDIX W

Written testimony of Ms. Judith Ancel,
Institute for Labor Studies, Missouri AFL-CIO

Statement to The Interim Committee on Job Creation and Economic Development of the Missouri House of Representatives
October 28, 2003
by Judy Ancel, Director
The Institute for Labor Studies
(a joint project of UMKC and Longview Community College)
816-235-1470, ancelj@umkc.edu

I am very pleased to be given the opportunity to talk to you this morning on a subject which I have thought a lot about for a long time: jobs, good jobs, and how can we get them. I was asked by Herb Johnson, Secretary Treasurer of the Missouri AFL-CIO to speak today, and I think Herb probably asked me because he is aware of the work I do teaching working people and full time students about our labor relations system in the U.S. and also about the extensive experience I've had following our jobs out of the U.S. to Mexico over the last ten years and seeing what became of them. As a labor historian, I've thought a good deal about how the current period of globalization fits into the context of American history. So I'd like to start with that and reflect on the changes we've seen over the past few years in order to talk about what a positive job creation strategy might be.

The changes in our economic structure that have been going on in this country for at least the last 25 years are earth shaking, as wrenching to the social fabric as the industrial revolution was over a century ago, and they pose as great a challenge to our governments as those changes did. The era we are in is called by many the era of corporate-driven globalization and it is redefining relationships throughout society. It is changing the relationships of workers to their employers – making the worker much less secure and creating a kind of casualized, outsourced, just-in-time workforce in which our labor laws provide little protection to the worker. In today's workplace an increasing number of workers no longer have an expectation of employer paid health insurance, or pension, or even a living wage.

This new global economy is also changing relations within the family forcing more and more women and teenage children into the workforce while doing almost nothing to fill in the gap of the lost labor women used to provide at home so that not only are people working longer hours to make ends meet – a month more than they did a generation ago, but the kids too young to work after school get little replacement for mom or dad's attention.

It is also changing race relations, widening the income disparity between whites and African-Americans and some other minorities. Declining job prospects have particularly impacted minority youth, and offered them little else but prison as a way to get a "job." As the global economy penetrates poor countries, particularly Mexico, it forces millions off the land into a life in the growing informal economy or in desperation as undocumented immigrants in the United States working with no rights where they are used to undercut wages and working conditions here.

At the same time, the relationships between citizens and their governments at all levels has shifted. We as citizens have had to lower our expectations of government to provide a social safety net for those who are marginalized by the economy, for public supported higher education, and for health care. As the power of large multinational corporations has grown in the global economy, many have attained a size larger than countries, let alone states, and their ability to dictate to

governments has grown immensely. We see these shifting power relationships in the constant demands for incentives by companies to locate or stay in this state or in our neighbor states, forcing us into competition with one another for jobs. We see it in the constant demands to deregulate, to lower health and environmental standards, to give them tax cuts, tax abatements, or outright grants of taxpayer money.

Looking back on our history, I think of the tremendous trauma of similar power shifts in the past. I mentioned industrialization – it was a power shift brought on by the rapid rise in the wealth of a few at the top which threw our representative form of government off balance and took us years to rectify.

Today I look at the challenges you face and I can only feel for you who are charged with devising policies to grow our economy and create jobs in a world which is doing just the opposite. The structural changes I have been describing make your jobs immensely harder.

One change has to do with the imposition of more and more mandates on state governments by Congress while funding is simultaneously cut back. This disaster waiting to happen then hit us when the recession reduced state income and also made it politically difficult to raise taxes. So where do you get the money, in a down economy which isn't improving anytime soon to fund more workforce development and provide incentives for job creation and economic development?

Our trade policies make it even worse. They cost the U.S. over three million jobs from 1994 to 2000 - 68,000[1] of them in Missouri and created downward pressure on wages and benefits. Our lack of a national health policy is shifting the burden of providing for the health care of our citizens onto the backs of individuals, and when they can't pay, onto state and local government as today only 45% of employers are providing any health benefits, down from two-thirds a decade ago[2].

We are rapidly losing our manufacturing base, having lost 2.7 million manufacturing jobs just since June of 2000.[3] And now, the jobs the experts told you to count on for the future: the jobs in engineering, design, computer software, life sciences, sales and customer service and support, and many others are being "off-shored" to India or China where a $55,000 a year job rapidly turns into one worth one-tenth of that. It's estimated that one out of every ten jobs at U.S. computer-related companies will move to low-wage countries by the end of next year, and 3.3 million service sector jobs will go in the next 15 years.[4]

While you all talk about creating jobs, you've got to be aware that Missouri has lost 93,000 of them since the start of the recession between March of 2001 and May of 2003. That gives us the stellar distinction of being the state with the third highest job loss. You of course had to preside over the shrinking of our state government which cost us a chunk of the 11,000 jobs lost in the public sector, more than any

---

[1] Robert Scott, *Phony Accounting and U.S. Trade Policy*. Economic Policy Institute, www.epinet.org.
[2] Omaha world Herald, September 22, 2003 article from the Boston Globe.
[3] St. Louis Post-Dispatch, September 3, 2003.
[4] Kansas City Labor Beacon, September 15, 2003 and St. Louis Post-Dispatch July 30, 2003 from Bloomberg News.

other state in this recession, a loss that can only perpetuate the recession as those folks won't be creating any increased demand while they're unemployed. [5]

So if the context in which you must find solutions is one of a declining standard of living, a shrinking job base, and a workforce which by national standards is inadequately trained, you've got your work cut out for you. One might legitimately ask what kind of jobs can we grow? And where will be find the money to train the workers? My answer to that is three fold: first, learn from history, second, invest in creating good jobs, and third, when you give incentives to companies to come here, make sure they're accountable and worth it.

What do I mean when I say learn from history? It took the American workforce a long time to climb out of poverty into the middle class. Despite the fact that Henry Ford, not exactly the worker's friend, realized by 1914 that if you paid workers more and gave them credit, they'd buy your products and grow the market, Ford's workers and those of industrialists who weren't as smart as he was still had to fight to be treated like human beings and gain a living wage. American workers, skilled and unskilled, organized unions, gained some power to match that of their employers and forced them to share the wealth a little bit. That led to an economic boom the likes of which the world has never seen. As it turned out, unionized workers were more skilled, more productive, and they had a habit of buying things which stimulated the economy to create more jobs.

Until the era of globalization which has pulled the rug out from under them, our standard of living was going up every year. I give a lot of talks around town about the global economy, specifically focusing on that laboratory of our future just south of the border, where you find the workers who got many of the jobs that moved out of Missouri – Zenith from Springfield, Mead from St. Joe, GST from Kansas City, Lucent from Lee's Summit, Lee Jeans from St. Joe, Seymour and Lebanon, Striderite from Hamilton, Emerson Electric from Affton, Huffy from Farmington, Maytag from Jeff City, Tri-Con from Cape Girardeau, Kilark Electric from St. Louis.[6] Those Mexican workers didn't inherit the high wages our unions had fought for here in Missouri. Instead they get $4.00-$10.00 a day, all manner of industrial diseases because of the lack of safety equipment, and environmental devastation.

When I give these talks, the stumper question I always get is don't these companies understand that if they destroy the decent paying jobs in the United States, if they undercut the middle class, then eventually there won't be enough of us left to buy the products they keep shipping back here? Clearly their new workers in places like Mexico can't buy them on their low wages, and the there aren't enough rich people to buy all those Zenith TVs, Maytag washers, or Huffy bicycles. Well, that time is here, now. Yes the economy will probably pick up again eventually, but we keep replacing jobs that pay a living wage with jobs that pay far less. Our trade deficit keeps expanding. We keep borrowing to pay for it and for the goods we as individuals can't afford to buy.

---

[5] St. Louis Post-Dispatch July 2, 2003.

[6] For entire NAFTA TAA list, got to http://www.citizen.org/trade/forms/search_taa.cfm

If our governments – first of all the feds, but that's another story, but also our state governments don't start taking the high road to real economic development, we'll end up looking more and more like Mexico. That's the choice you face.

So, we need to create good jobs. That is jobs that pay a living wage, not because we can turn everyone into a highly skilled or educated worker – we should definitely invest in upgrading our workforce in school, in training programs, on the job. We should make education affordable not by raising tuition every year and starving higher ed, but by investing in the training and education of our youth. But we need to stop this race to the bottom with bigger and better incentives than Kansas or Illinois and lay out some principles for state policy for a fair economy and recognize that the low road which increases income inequality, lowers wages, increases poverty and racial disparities, takes its lead from the Wal-Martization of the economy, busts unions and fails to respect worker rights, encourages outsourcing and privatization and prison industries, that low road will only leave us in worse shape as a state. It will only make us a temporary stopover for jobs on their way overseas or to Arkansas.

Here are a few principles for high road economic development:

1. Recognize that competitiveness is achieved on the basis of quality, innovation and value – not by cutting costs or giving in to the race to the bottom
2. See government as a recognized partner in making the necessary investments in people, institutions and infrastructure that contribute to a health economy.
3. Understand that corporations' decisions on where to locate is primarily based on the quality and availability of the work force, not on incentives
4. Promote jobs that pay a living wage. Insist that government contractors pay a living wage with health care or don't get the contracts.
5. Invest in education and training which prepares workers to be productive, knowledgeable, independent thinkers.
6. Respect workers right to join unions and bargain collectively starting with your own employees in the public sector. When workers feel respected and valued, they are much more productive.
7. Make adequate provision for the unemployed, those injured on the job, the disabled. They will become much more productive citizens.
8. Provide decent child care so that parents can focus on work, not at the kid alone at home or in the inferior child care situation. This includes state support for childcare and a living wage for childcare workers.
9. Invest in public transportation so that people can get to work.
10. For our growing immigrant workforce, provide adequate language training and services to help them integrate into society. Let them get drivers licenses even if they're undocumented so they can get to work and get

insurance, and support immigration law reform which will at least give them the same labor rights on the job to protect them from abuse.

11. Start with our own State government which can leverage its millions in contracts and purchases to raise standards and promote real economic development. This includes adoption of anti-sweatshop procurement practices.

12. Develop policy tools that only give incentives to corporations who will be responsible citizens and promote the health and well being of our state rather than shift costs to the tax payers in the form of Food Stamps, Medicaid, Earned Income Tax Credits. Do an assessment of all the costs of an incentive package, not just the direct ones of abatements, bonds, etc.

13. Policy tools include setting wage and benefit standards, enforceable worker retention and job creation requriements, respect for workers' rights including neutrality and card check when workers unionize, strong clawback standards if a company does not fulfill requirements, and public disclosure of conformance with requirements set when incentives are awarded.

One new idea which comes from a visionary organization called Good Jobs First[7], which has published manuals on evaluating economic development subsidies and on attaching job quality standards to them, is the community Benefit Agreement or CBA which is a project specific contract between developers and community organizations to safeguard and ensure that local community residents share in the benefits of major developments that are subsidized. It makes perfect sense for state and local governments to involve citizens in the development process by getting their input on an on-going basis when tax dollars are used and projects will have a major impact on the community.

There's lots of new ideas out there that governments can evaluate and experiment with, and there are many critiques of the waste and inappropriate use of funds in misdirected attempts to create jobs. If our states don't give up their addiction to what amounts to corporate welfare and focus instead on investing good jobs which will benefit our communities, then we will continue on a course of devolution which will take us farther and farther away from the American Dream.

To do so, of course, will needs some fundamental changes at the national level. It's going to take the creation of the political will by all states to stop the race to the bottom – the competition with one another for jobs and investment. That's a losing game which gives away the tax base, subsidizes entities which least need it, and often leaves us in the lurch when some other state offers more goodies. And its going to take a change in federal trade and investment policies which now pit us against foreign countries in a competition for jobs based on lowered labor standards and compensation which we can't win.

---

[7] Good Jobs First is located in Washington DC. Their web page is at www.goodjobsfirst.org

Not only should state officials be concerned about this from the point of view of the escalating job loss overseas, but with each new trade and investment agreement we negotiate, more and more sovereignty of our state and local governments is given away to unelected transnational dispute resolution bodies with the power to overrule our regulations to protect our citizens' health and safety and to remove many of the tools of economic development which states currently have. Under NAFTA's Chapter 11 on Investor Rights there is already a body of cases which states have lost regarding environmental laws, and now UPS Corporation has brought a case that could force the privatization of the postal service in Canada. With the expansion of the GATS – the General Agreement on Trade and Services – part of the WTO and the Free Trade Area of the Americas, there will be further erosion of state sovereignty that is forcing privatization of public water systems as well as the elimination of state procurement laws and performance requirements, both important tools for state economic planning. I am attaching a resolution to my testimony from the National Conference of State Legislatures on the proposed Free Trade Area of the Americas which I strongly urge you to read, and also urge you to learn more about the FTAA, which is currently being negotiated and how it undercuts your power.[8]

Thank you.

[8] See Citizens Trade Campaign at **http://www.citizenstrade.org/state_and_local.php also Alliance for Repsonsible Trade at www.art**

National Conference of State Legislatures
National Association of Towns and Townships

Ambassador Robert Zoellick
The Office of the U.S. Trade Representative
1724 F Street, Northwest
Washington, D.C. 20006

Re: Comments on the Proposed Free Trade Area of the Americas
(Federal Register, July 31, 2002, Volume 67, Number 147)

Dear Ambassador Zoellick:

State and local governments enthusiastically support trade investments because they generate jobs and economic growth in our local communities. Our organizations' ardent support for free trade is balanced by our commitment to fair trade laws that respect the authority of states and municipalities to enact and enforce land-use, health, safety, welfare, and environmental measures.

Organizations representing state and local governments, like a majority of the American people, support trade liberalization and generally support new trade and investment agreements, such as the Free Trade Area of the Americas (FTAA), provided that the language in such agreements is consistent with American values and constitutional principles. In particular, state and local governments insist that international trade and investment agreements, including the FTAA, must not infringe upon our American federal system and must not afford foreign investors greater rights than those afforded to American investors and property owners, vis-a-vis state laws, local ordinances and regulations, protected under our constitution. This latter standard is, of course, parallel to the "no greater rights" language incorporated into the recently-enacted Trade Promotion Authority bill on a 98 to 0 vote of the U.S. Senate.

State and local officials are gravely concerned about the prospect that the FTAA may include an investor-to-state dispute resolution mechanism. The investment chapter of NAFTA provides for a private right of action for foreign investors to seek damages from the United States. It is also being used to seek compensation for the exercise of such traditional state government powers as the protection of the drinking water supply and the invocation of state sovereign immunity to protect taxpayer interests.

State and local governments believe that NAFTA's investment chapter is a threat to "our federalism," and that no provision remotely similar to it should be included in future agreements, including the FTAA.

U.S. negotiators, in our view, will have to meet a very high burden to show that any investor-to-state system will not grant foreign investors greater rights than those afforded to U.S. businesses and property owners under the U.S. Constitution. As stated by Senator Baucus in explaining the purpose of the no greater substantive rights language, "the rights of U.S. investors under U.S. law define the ceiling. Negotiators must not enter into agreements that grant foreign investors rights that breach that ceiling."

Will, for example, the mere diminution of the value of an investment as a result of government regulation give rise to a claim for compensation under the FTAA, in circumstances where no such claim could arise under the U.S. Constitution? Similarly, would dispute resolution panels under the FTAA consider a claim for compensation that would not be "ripe," under U.S. constitutional standards, as for example when American state law remedies have not been sought and exhausted?

And, as another example, would a reviewing tribunal under the FTAA examine a law or regulation of an American state based only on the impact of the law and regulation upon a segment of the property rather than follow the practice under the U.S. Constitution of considering the impact on the property as a whole?

As a final and most important example of the difficulty of reconciling any international investor-to-state mechanism with U.S. constitutional standards, will the definition of "investment" under the FTAA be as narrowly defined as the concept of "property" under the takings clause of the Fifth Amendment of the U.S. Constitution? Will this concept of property still be defined with primary reference to state constitutions and state legislative acts?

State and local governments believe that the world can have free trade while America at the same time preserves its federal constitution. We believe in mending, not ending our international trade and investment agreements. Thus, state and local governments urge U.S. negotiators to learn from the mistakes made in crafting NAFTA's investment chapter as they draft the new FTAA and similar agreements.

Sincerely,

William T. Pound
Executive Director
National Conference of State Legislatures

Tom Halicki
Executive Director
National Association of Towns and Townships

APPENDIX X

Written testimony of Mr. Wendell Bailey,
United States Small Business Administration,
Office of Advocacy

THE IMPACT OF REGULATORY COSTS ON SMALL FIRMS

TESTAMONY FOR

INTERIM COMMITTEE ON JOB CREATION AND ECONOMIC DEVELOPMENT

Chairman, Honorable Ron Richard
Representative, District 129
Missouri House of Representatives

OCTOBER 28, 2003

WENDELL BAILEY, REGIONAL ADVOCATE, OFFICE OF ADVOCACY
UNITED STATES SMALL BUSINESS ADMINISTRATION
REGION VII, KANSAS CITY, MO

Wendell Bailey, Regional Advocate
U. S. Small Business Administration
323 West 8th Street, Suite 307
Kansas City, MO 64105
816 374-6380
wendell.bailey@sba.gov

United States
Small Business
Administration
Office of Advocacy

SMALL BUSINESS RESEARCH SUMMARY

No. 237
October 2001

The Impact of Regulatory Costs on Small Firms

by W. Mark Crain of the Center for Study of Public Choice, George Mason University, and Thomas D. Hopkins, Dean, College of Business, Rochester Institute of Technology,
under contract SBAHQ-00-R-0027 (2001, 60 pages)

Purpose

In November 1995, Thomas Hopkins completed *Profiles of Regulatory Costs,* the first study for the Office of Advocacy calculating regulatory costs by firm size. At that time, regulatory and paperwork costs were found to be much more onerous on small firms than larger firms. The purpose of the new research was to update the study to see what, if any, changes had occurred, given legal and economic changes since publication of the first study.

Overall Findings

Small businesses bear a disproportionate share of the federal regulatory burden. This result is broadly consistent with the 1995 Hopkins report, as well as with other studies completed during the past two decades pursuant to the Regulatory Flexibility Act.

Total costs of federal regulations are estimated to be $843 billion in 2000, of which $497 billion fell on business and $346 billion fell on consumers or other governments. For firms employing fewer than 20 employees, the annual regulatory burden is $6,975 per employee—nearly 60 percent more than that of firms with more than 500 employees, at $4,463 (see table.)

Regulatory developments and new data since the earlier study clarify and in some cases, amplify the basic 1995 findings: regulatory costs continue to increase and to disadvantage small businesses.

The Incidence of Federal Regulations by Firm Size, All Business Sectors (Dollars)

Type of Regulation	Cost per Employee for Firms with: <20 Employees	500+ Employees
All Federal Regulation	6,975	4,463
Environmental	3,328	717
Economic	1,616	2,485
Workplace	829	698
Tax Compliance	1,202	562

Highlights

• Environmental regulations and tax compliance paperwork are particularly disproportionate in their effects on small businesses. Such regulations impose about 40 percent of the total business regulatory burden. Other regulatory burdens—workplace rules and constraints on pricing and the products firms can sell or buy ("economic" regulation)—are distributed more evenly.

• The report details the distribution of regulatory costs for four major business sectors: manufacturing, trade (wholesale and retail), services, and other (a residual comprising all other enterprises). The findings reveal that the disproportionate cost burden on small firms is particularly stark for the manufacturing sector. In that sector the cost per employee for small firms is more than double the cost for large

This *Small Business Research Summary* (ISSN 1076-8904) summarizes one of a series of research papers prepared under contracts issued by the U.S. Small Business Administration's Office of Advocacy. The opinions and recommendations of the authors of this study do not necessarily reflect official policies of the SBA or other agencies of the U.S. government. For more information, write to the Office of Advocacy at 409 Third Street S.W., Washington, DC 20416, or visit the office's Internet site at *www.sba.gov/advo.*

firms. In the trade sector (wholesale and retail businesses) the regulatory cost differential between small businesses and larger firms is not nearly so large—in the range of 11 to 18 percent. The disproportionate regulatory burden on small firms in the other major sectors falls between these two levels. No attempt is made to measure benefits in this study since they tend to be distributed over the entire population, whereas the costs fall disproportionately on small firms.

• The cost of economic regulations falls most heavily on large firms in two major sectors (manufacturing and other). The cost of workplace regulations falls most heavily on medium-sized firms, which most likely reflects the fact that many workplace regulations explicitly exempt small firms.

Scope and Methodology

Crain-Hopkins focused on direct effects from regulation and paperwork burdens falling on businesses (regulatory benefits are not evaluated).

Figures for the effect of environmental regulations were based on OMB estimates for the entire economy. For economic regulations, the researchers used figures from OECD and OMB as a basis. For tax compliance, they employed a 2000 report from the Tax Foundation.

Business regulatory costs were allocated into four industrial sectors: manufacturing, trade (wholesale and retail), services, and other (a residual comprising all other enterprises).

The next task involved allocating the costs of regulations into three size categories: firms with fewer than 20 employees (small), those with 20 to 499 employees (medium-sized), and firms with 500 or more employees (large). The specific allocation procedure differed for each type of regulation. The general methodology used regression analysis to estimate the relationship between costs per employee and firm size.

Comments from Advocacy

"Clearly, conditions have not improved for small businesses with the regulatory changes since the first Hopkins study," said Acting Chief Counsel for Advocacy Susan Walthall. "The regulatory playing field is still tilted toward large and medium-sized businesses, particularly with environmental regulations and in the manufacturing sector. New ways of regulating need to be developed so that the burdens are more equally distributed. Otherwise, the entry of small business into regulated areas will be discouraged, competition will be reduced, and the innovative benefits of small firm entry will be lost."

Ordering Information

For researchers in this area, the bibliography is outstanding. The complete report is available online at *http://www.sba.gov/advo/research* or from:

National Technical Information Service
U.S. Department of Commerce
5285 Port Royal Road
Springfield, VA 22161
(703) 487-4650, (703) 487-4639 (TDD)
www.ntis.gov

Order number: PB2001-107067
Price codes: TBA

Draft

TOP 10 ENTRERPENEURIAL NEEDS IN RURAL AMERICA

Background & Introduction

There are many lists of what businesses need and want to enable them to be more successful. Often these lists tend to focus on certain issues such as taxes, capital, workforce, infrastructure and the like. However, when we talk with successful entrepreneurs we generate a significantly different list. The following list was generated through a series of interviews of successful entrepreneurs across America. This work has been sponsored by the Ewing Marion Kauffman Foundation of Kansas City. {1} To provide a rural perspective the Center for Rural Entrepreneurship has conducted its own interviews and focus groups to compliment this national work. {2}

Not All Businesses are Entrepreneurial Businesses

According to the Ewing Marion Kauffman Foundation entrepreneurs are making the difference in national economies in the 21st Century. {3} In other research the National Commission on Entrepreneurship found that a relatively small percent of American businesses account for most of the net job creation and business model innovation. NCOE found that 4 to 5% of American businesses - "entrepreneurial growth companies or EGCs" - generate 2/3rds of job creation. {4} Entrepreneurs are the creative class making the difference in regional economic performance. These businesses represent the innovators creating economic development outcomes -- not the complainers arguing why they can not compete!

Top 10 Needs

#1 - Team Building. Successful entrepreneurial businesses always talk about the team they have assembled creatively envisioning the venture, but effectively growing it. Helping businesses build effective teams is fundamental to both the new startup and the rapidly expanding growth company.

#2 - Networking Infrastructure. The economy of the 21st Century is lightning fast. Successful businesses must find the right answer or resources on a real-time basis. The second most often cited key to success is access to exception networking infrastructure. Helping entrepreneurs evolve robust networking infrastructure is fundamental to success.

#3 - Capital. No business -- small or large -- can growth without capital access. In rural America access to capital is also an issue of finding the right kinds of capital ranging from seed capital to long-term equity/debt capital.

#4 - Business Planning. Small business owners typically have an idea. It is often raw and undeveloped. The process of business planning enables the polishing of ideas into

viable business models. Entrepreneurs generally dislike business planning, but successful ones come to understand the necessity of this discipline as a life long exercise.

#5 - Market Development. Even with today's great transportation systems and advanced telecommunication systems, isolation continues to be a barrier challenging rural entrepreneurs. For a rural venture to achieve sustained growth it must eventually reach external markets. Assistance with market development and marketing are critically important to helping successful local ventures break out to regional, national and international markets.

#6 - Business Services. Another challenge facing both inner city and rural entrepreneurs is the lack of business services, particularly advanced businesses services. The local attorney may be great at drafting a will, but totally unable to address the legal issues of intellectual property rights. Helping rural entrepreneurs access the right kinds of business services is critical to success.

#7 - Mentors & Peer Groups. The creative process of starting and growing a venture is challenging. Central to success is awareness of both risks and opportunities. The entrepreneur (& even their team) may be isolated and suffering from the "forest and trees" challenge. Mentors can be very helpful to entrepreneurs engaged in some kind of startup -- ranging from the new startup to an existing business expanding into a new market. Participation in peers groups can be a highly effective way for rural entrepreneurs to be able to focus periodically on the forest.

#8 - Human Resources. Interviews of successful entrepreneurs creates two significant insights regarding human resources. First, early on, the emergent entrepreneur believe they have great people skills and are good at judging potential team members and employees. Second, those emergent entrepreneurs who survive quickly discover they are not as strong at HR as they think they are or need to be. Getting good at HR is a fundamental key to entrepreneurial success.

#9 - Clusters. Scale is critically important to sustaining growth. There are may pathways to achieve necessary scale without creating a large, inflexible and costly organization. For example, there are successful ventures that mine customers via E-Bay, contract to fulfill sales and employ UPS to handle fulfillment needs. Helping growth oriented entrepreneurs create mini-clusters is a core strategy for achieving scale in a flexible and lean fashion.

#10 - Community Support. At the end of the day, an entrepreneur is a person with a family living in a community. In today's society, there is tremendous choice as to where someone lives. A community by creating a high quality of life can create the glue that retains and attracts entrepreneurs. Proactively, the community can do more than provide a high quality of life -- it can understand, recognize, support and celebrate entrepreneurs. A community's environment for entrepreneurs is fundamental and central to evolving a higher density of entrepreneurial activity.

Conclusion

The preceding ***Top 10 Entrepreneurial Needs in Rural America*** is research based on extensive interviews and focus group sessions with successful American entrepreneurs. The findings are somewhat different than typical business needs lists. We hope this information provides insights to those seeking to creates a more positive environment for entrepreneurs in rural America in the 21st Century.

End Notes

{1} This research is captured and summarized in the book Daring Visionaries – How Entrepreneurs Build Companies, Inspire Allegiance and Create Wealth by Ray Similor [Adams Media Corporation, 2001].

{2} The Center for Rural Entrepreneurship has interviewed approximately 1,000 successful entrepreneurs through the course of our work over the past four years.

{3} Global Entrepreneurship Report, 2000 Executive Summary. Ewing Marion Kauffman Foundation in partnership with Babson College, IBM, and the London School of Economics. 2001.

{4} High-Growth Companies: Mapping America's Entrepreneurial Landscape prepared by the National Commission on Entrepreneurship. July 2001.

For More Information...

Check out the following web sites for more information on the topic of entrepreneurship:

Center for Rural Entrepreneurship – www.ruraleship.org
Ewing Marion Kauffman Foundation – www.kauffman.org
National Commission on Entrepreneurship – www.ncoe.org

Questions & Additional Information

Don Macke - Co-Director - Center for Rural Entrepreneurship
317 South 12th Street - Suite 200 - Lincoln, NE 68508-2197
Voice 402.323.7339 - Fax 402=323=7349
Email - don@ruraleship.org -- *Web* www.ruraleship.org
Taina Radenslaben - Executive Assistant - 402.323-7349 - taina@ruraleship.org

END

Center:Research:SBA Top 10

Halloween Help For Small Business

By Wendell Bailey, Regional Advocate
Missouri, Kansas, Iowa, and Nebraska
Office of Advocacy, U.S. Small Business Administration
Word Count: 719
Version 10/27/2003 4:23 PM

It's Halloween and for small business owners there may be an even bigger ghoul than Ichabod Crane's Headless Horseman. It's even scarier than the haunted house on the top of cemetery hill. Yes, it scares small business and it's called government regulation.

But, are the stories true? Should small business owners be afraid of regulators? Many have heard tales of excessive fines for removing buried gasoline tanks on old service station property, or of farmers not allowed to let their cattle drink out of streams that run through their property. That's scary stuff for beleaguered small business owners.

Sometimes the stories are true. Small businesses owners are slowly being crushed under a mountain of mandates at a cost of over $6,000 per employee. That's why at the Office of Advocacy we work to ensure that small businesses get a fair hearing in Washington. That job is made easier because President Bush has delivered on a major piece of his Small Business Plan by signing Executive Order 13272. It requires federal agencies, when writing new rules and regulations, to check with small businesses first. The order requires all federal agencies to submit to the Office of Advocacy of the U.S. Small Business Administration (SBA) how they consider the views of small business before imposing new regulatory mandates. With a stroke of his pen, the President has affirmed the importance of small business in this administration.

Our research shows that small businesses create three-quarters of the net new jobs, so piling on more regulations only serves to slow our economic recovery.

For example, after the recent spring tornados that took such a devastating toll on property and life in Missouri, the U. S. Small Business Administration was quick to offer assistance to small business owners hurt by the tornados. Low interest SBA disaster loans were extended to qualified borrowers so they could rebuild their businesses. At about the same time, I received a letter from a business that has a billboard, or more accurately, had a billboard. The same tornado that blew away the entire business sections of Pierce City and Stockton had blown away this business' outdoor advertising billboard.

However, the Missouri Department of Transportation would not issue a permit to reconstruct the billboard. The irony is that the federal regulations cited in this refusal to allow the billboard reconstruction would have permitted it if the damage had been caused by vandalism.

So, while one branch of the United States Government is pouring federal dollars into the tornado-damaged area to help small business, another branch's regulation prevents a small business from repairing their billboard – a billboard essential to bringing in customers who will generate the sales necessary to get the business back on its feet.

Outcomes like this can be avoided if regulations are thoroughly reviewed as required by the Regulatory Flexibility Act, otherwise termed by Missouri Senators Kit Bond and Jim Talent

as the "Red Tape Reduction Act." These laws require federal agencies to consider their impact on small business before they regulate.

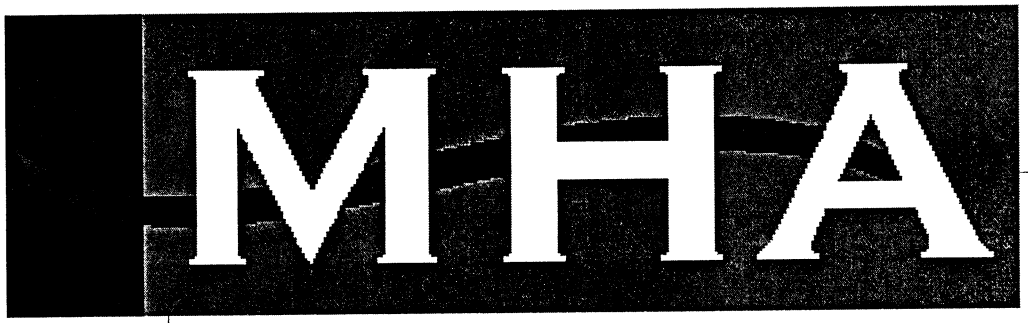
By listening to small business early in the regulatory process and choosing less burdensome alternatives, regulators can ensure that small business resources that would be spent on new regulations are instead available for hiring new employees and making new investments. At the same time, agencies will still meet their regulatory goals, such as higher environmental quality, greater travel safety, better workplace conditions, and increased family financial security.

As Regional Advocate for the Office of Advocacy, my first priority is to serve as the eyes and ears for the Chief Counsel for Advocacy, Thomas Sullivan. I know from experience that all small business asks for is a fair hearing. When federal and state agencies take the time to listen to small business, rather than rush to regulate, they can make their rules a little less scary, even on Halloween.

At this time of the year some across the country raise the specter of economic disaster and frighten citizens with scary tales of endless recessions. However, the reality is that with low inflation and low interest rates our economic fundamentals are strong. In addition, by signing Executive Order 13272 and empowering the Office of Advocacy to further protect small business, President Bush has given a boost America's small business job creators, their employees, and our economy. That treat will last long after this year's scary stories are forgotten.

APPENDIX Y

Written testimony of Ms. Mary Becker,
Missouri Hospital Association



Workforce Opportunities in Missouri's Hospitals

Testimony Presented to the Interim Committee on Job Creation and Economic Development

by the Missouri Hospital Association

October 28, 2003

What Is The Need?

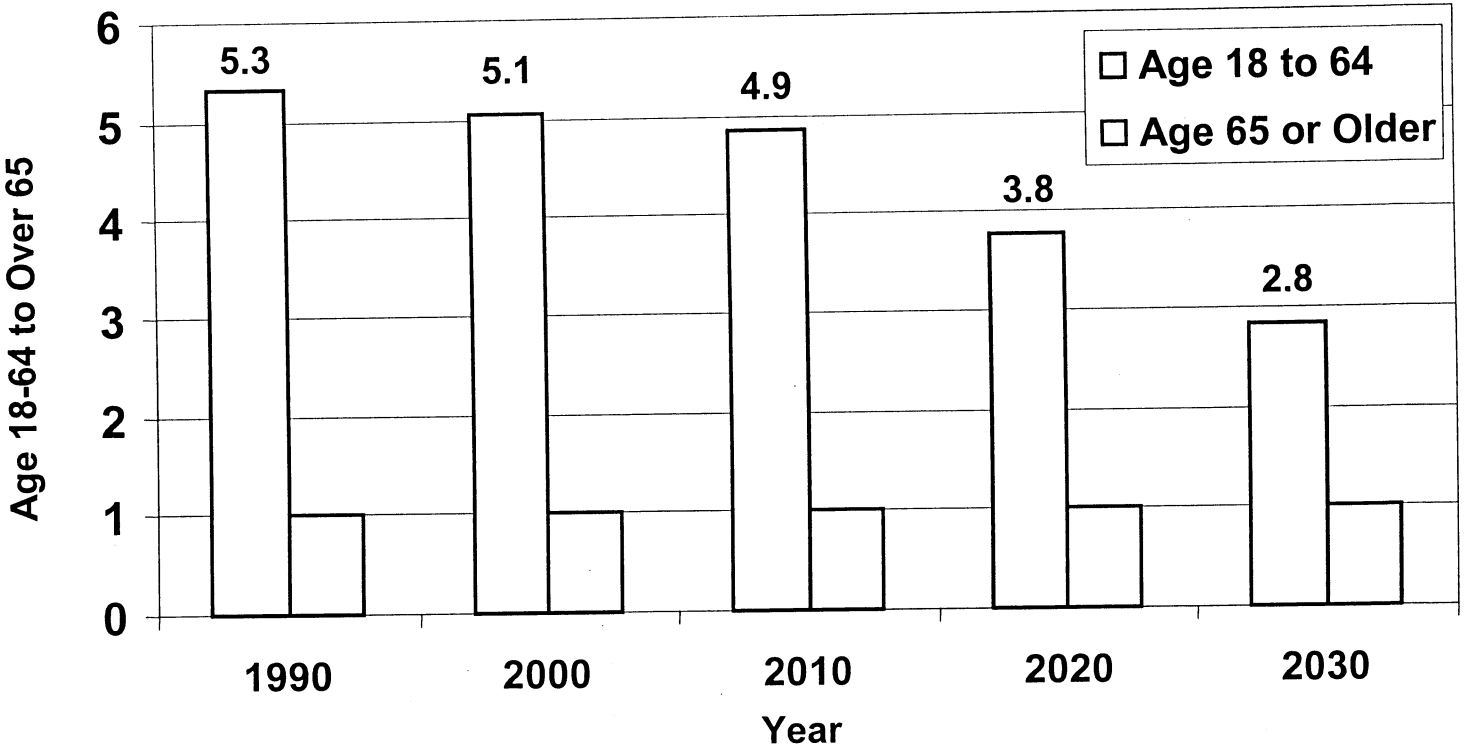
MHA

Kansas City Hospital Utilization

- Historical Utilization – 1990 - 2000:
  - increase of one million outpatient visits
  - increase of 215,000 emergency department visits

MHA

Ratio of Workers to Over 65 Population
Kansas City Metropolitan Area



Sources: Missouri Division of Budget and Planning / Kansas Division of the Budget

MHA

Where Is The Opportunity?

MHA

Hospital Workforce Vacancy Rates – 2003

Position	Kansas City	Missouri
Radiology Techs-certified	9.0%	8.1%
Registered Nurses	10.7%	10.0%
Respiratory Therapists	9.6%	8.5%
Medical Laboratory Techs	21.4%	10.7%
Licensed Practical Nurses	12.0%	9.2%
Radiology Techs-noncertified	10.2%	10.6%
Operating Room Techs	16.3%	7.3%
Certified Respiratory Therapy Techs	6.4%	7.4%
Pharmacists	4.9%	7.7%
Medical Techs	5.7%	5.5%

MHA

Nursing Workforce

- Registered Nurse Average Age
  - Missouri 45 years
  - Kansas City 46 years
  - Only 9 percent of nurses in Missouri are under age 30
- 63 percent of all Missouri licensed registered nurses work in hospitals
- 434,000 additional registered nurses and 136,000 licensed practical nurses will be needed in the United States by 2020

MHA

Financial and Educational Assistance

- Hospitals Provide Assistance
  - tuition reimbursement
  - on-the-job training
  - scholarships
  - flexible scheduling

MHA

Why Is This Important?

MHA

Kansas City Hospitals Economic Contribution

- 35,000 employees
- 38 hospitals
- $1.1 billion in payroll
- $3 billion in total revenues
- 370,000 visits from patients outside the Kansas City metropolitan area

MHA

Kansas City Community Efforts

- Communitywide Awareness
  - 200 attendees at April 2003 meeting
- Steering Committee Formed
  - education
  - health providers
  - business

MHA

Kansas City Community Efforts

- Strategic Plan Developed
  - health career promotion
  - minority, displaced worker, welfare to work outreach
  - educational capacity
- Implementation recommendation forthcoming in December 2003

MHA

APPENDIX Z

Written testimony of Mr. Jack Bitzenburg,
Business & Technology College of MCC

NEW JOBS TRAINING PROGRAM

The New Jobs Training Program (NJTP) was established by state law. The first project was funded in 1991 through the Metropolitan Community Colleges. The program was intended to provide assistance to companies creating a substantial number of new jobs in Missouri. The program is designed to assist with the costs of training employees in the newly created jobs whether the company is expanding its workforce or locating a new facility in Missouri.

The community college initially finances training through the sale of its certificates. The certificates are repaid by using tax investments from the employer's regular withholdings that is based on a percentage of the gross wages paid to employees in the new jobs. The tax investment is equal to 2.5% of gross wages for the first 100 new jobs and 1.5% for the remaining new jobs. The tax investment for projects in excess of $500,000 may be claimed up to eight years; and those projects not in excess of $500,000 may be claimed up to ten years.

Funding is used to reimburse eligible training costs. Training activities such as skill assessment, orientation, occupational skill training, and on-the-job training as well as training materials and supplies are eligible.

The community college initially submits a "Notice of Intent" for a potential project to the Missouri Department of Economic Development's Division of Workforce Development (DWD). DWD determines company eligibility and reviews for training duplication. Then, the community college and the company submit an application for the New Jobs Training Program outlining training details. Upon approval of the application by DWD, the college enters into a formal contract agreement with the company. The college's board of trustees must approve all final project agreements.

The program has a proven track record of creating new jobs since its inception in 1991.

Statewide:

- Over 80 total projects
- Over $84,796,543 in total issuances
- Over 26,059 net new jobs have been created
- 58 company sites benefited

Metropolitan Community Colleges' Projects:

- 26 projects
- Over $25 million in total issuances
- 8,776 net new jobs have been created
- 14 companies

* According to a study completed by the Division of Workforce Development last year, the NJTP provides the state an approximate 9:1 return on the investment.

Community College New Jobs Training Program

Active (approved) and Completed (closed) projects
Senate and Representative Districts (10-24-03)

College	Status	Company	City	Senate District	Rep. District
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Adt Security Systems	Kansas City	34	30
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Amdocs	Chesterfield	7	86
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Amdocs	Chesterfield	7	86
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Amdocs	Chesterfield	7	86
OZARKS TECHNICAL COMMUNITY COLLEGE	Approved	Bank One (First Usa)	Springfield	30	136
OZARKS TECHNICAL COMMUNITY COLLEGE	Approved	Bank One (First Usa)	Springfield	30	136
OZARKS TECHNICAL COMMUNITY COLLEGE	Approved	Bank One (First Usa)	Springfield	30	136
OZARKS TECHNICAL COMMUNITY COLLEGE	Approved	Bank One (First Usa)	Springfield	30	136
MINERAL AREA COLLEGE	Approved	Biokyowa INC	Cape Girardeau	27	158
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Closed	Boeing Corporation	Hazelwood	14	78
EAST CENTRAL COLLEGE	Closed	Briggs & Stratton	Rolla	16	149
MINERAL AREA COLLEGE	Approved	Centene Corporation	Farmington	3	106
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Cerner Corporation	Kansas City	17	31

MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Cerner Corporation	Kansas City	17	31
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Cerner Corporation	Kansas City	17	31
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Cerner Corporation	Kansas City	17	31
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Cerner Corporation	Kansas City	17	31
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Charter Communications	Saint Louis	7	92
STATE FAIR COMMUNITY COLLEGE	Closed	Conagra Company, INC.	Marshall	21	26
MOBERLY AREA COMMUNITY COLLEGE	Closed	Conagra Frozen Foods	Macon	21	8
CROWDER COLLEGE	Closed	Convergent Label (Graphic Tech)	Joplin	32	128
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Convergys	Saint Louis	15	93
OZARKS TECHNICAL COMMUNITY COLLEGE	Approved	Copeland Corporation	Ava	29	143
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Closed	Daimlerchrysler - North Assembly Plant	Fenton	15	95
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Daimlerchrysler - North Assembly Plant	Fenton	15	95
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Closed	Earthgrains Company	Saint Louis	24	73
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Edward Jones	Saint Louis	24	94
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Ferguson Company	Saint Louis	24	79
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Ford Motor Company	Kansas City	17	33
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Ford Motor Company	Kansas City	17	33
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Ford Motor Company	Kansas City	17	33
STATE FAIR COMMUNITY COLLEGE	Closed	Gardner Denver, INC.	Sedalia	28	118

MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Gateway 2000	Kansas City	10	37
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Gateway 2000	Kansas City	10	37
MOBERLY AREA COMMUNITY COLLEGE	Approved	Ge Capital	Moberly	19	22
STATE FAIR COMMUNITY COLLEGE	Approved	Gets Global Signaling (Ge Harris Harmon)	Warrensburg	31	121
STATE FAIR COMMUNITY COLLEGE	Closed	Gets Global Signaling (Ge Harris Harmon)	Warrensburg	31	121
THREE RIVERS COMMUNITY COLLEGE	Closed	Good Humor-Breyers	Sikeston	27	160
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Haldex (Midland Grau)	Kansas City	34	32
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Harley Davidson	Kansas City	34	32
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Harley Davidson	Kansas City	34	32
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Harley Davidson	Kansas City	34	32
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Harley Davidson	Kansas City	34	32
STATE FAIR COMMUNITY COLLEGE	Closed	Hayes Lemmerz International	Sedalia	28	118
STATE FAIR COMMUNITY COLLEGE	Approved	Hayes Lemmerz International	Sedalia	28	118
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Closed	Home Savings Of America	Earth City	7	78
MINERAL AREA COLLEGE	Closed	Huffy Bicycles	Farmington	3	106
MINERAL AREA COLLEGE	Closed	Huffy Bicycles	Farmington	3	106
STATE FAIR COMMUNITY COLLEGE	Closed	Ikon Office Solutions	Jefferson City	6	114
STATE FAIR COMMUNITY COLLEGE	Approved	International Multifoods, INC.	Sedalia	28	118
		Kohl's Distribution			

MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Center	Grain Valley	8	55
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Kohl's Distribution Center	Grain Valley	8	55
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Closed	Lear Corporation	Hazelwood	7	78
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Lockton Companies, INC.	Kansas City	10	39
ST. CHARLES COMMUNITY COLLEGE	Approved	Mcl Worldcom	Saint Charles	2	14
MINERAL AREA COLLEGE	Approved	Nordenia Usa	Jackson	27	157
CROWDER COLLEGE	Approved	Owens Corning-Vinyl Operations (Norandex)	Joplin	32	128
THREE RIVERS COMMUNITY COLLEGE	Approved	Patriot Homes, INC.	Sikeston	27	160
CROWDER COLLEGE	Approved	Pechiney Plastic Packaging	Joplin	32	128
CROWDER COLLEGE	Approved	Pechiney Plastic Packaging	Joplin	32	128
MINERAL AREA COLLEGE	Closed	Procter & Gamble	Cape Girardeau	27	158
MINERAL AREA COLLEGE	Approved	Procter & Gamble	Cape Girardeau	27	158
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Quintiles INC	Kansas City	9	45
CROWDER COLLEGE	Closed	Schreiber Foods	Carthage	32	127
STATE FAIR COMMUNITY COLLEGE	Closed	Schreiber Foods, INC.	Clinton	28	120
STATE FAIR COMMUNITY COLLEGE	Closed	Schreiber Foods, INC.	Clinton	28	120
STATE FAIR COMMUNITY COLLEGE	Approved	Schreiber Foods, INC.	Clinton	28	120
CROWDER COLLEGE	Approved	Schreiber Foods-Mount Vernon	Mount Vernon	29	132
STATE FAIR COMMUNITY COLLEGE	Closed	Sierra Bullets, LLC	Sedalia	28	118

MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Sprint	Kansas City	10	39
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	St. Joseph Foods (Seitz-Sara Lee)	Saint Joseph	34	28
MINERAL AREA COLLEGE	Approved	Tg Missouri Corporation (Tg Usa)	Perryville	27	106
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Transamerica Life	Kansas City	10	37
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Transamerica Life	Kansas City	10	37
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Twa	Saint Louis	14	76
STATE FAIR COMMUNITY COLLEGE	Closed	Tyson Foods (Cargill)	Marshall	21	26
THREE RIVERS COMMUNITY COLLEGE	Closed	Tyson Foods (Hudson)	Dexter	25	159
CROWDER COLLEGE	Closed	Tyson Foods (Hudson)	Noel	29	131
STATE FAIR COMMUNITY COLLEGE	Closed	Tyson Foods-Sedalia	Sedalia	28	118
STATE FAIR COMMUNITY COLLEGE	Closed	Tyson Foods-Sedalia	Sedalia	28	118
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Unigroup	Fenton	15	95
SLCC CENTER FOR BUSINESS, INDUSTRY & LABOR	Approved	Union Pacific	Saint Louis	5	63
MCC BUSINESS & TECHNOLOGY COLLEGE	Approved	Wal-Mart, INC.	Harrisonville	31	124
MOBERLY AREA COMMUNITY COLLEGE	Approved	Wal-Mart, INC.	Moberly	19	22
EAST CENTRAL COLLEGE	Approved	Wal-Mart, INC.	Saint James	16	149
MCC BUSINESS & TECHNOLOGY COLLEGE	Closed	Wilcox Electric	Kansas City	17	31
STATE FAIR COMMUNITY COLLEGE	Approved	Wire Rope (Broderick & Bascom)	Sedalia	28	118

APPENDIX AA

Written testimony of Mr. Ted Dorton,
Monett RI Schools and
Southwest Area Career Center

HOUSE INTERIM COMMITTEE ON JOB CREATION AND ECONOMIC DEVELOPMENT
October 28th 2003
12:35 PM

Ted Dorton, Director
Southwest Area Career Center
Monett, Missouri

Frank Washburn, Technology Research Analyst
Jack Henry & Associates
Monett, Missouri

The Southwest Area Career Center (SWACC) has a long history of partnering with local and area employers to meet their employment needs. Covering all of two and portions of two additional counties, SWACC has a large geographical base that serves students from 14 area school districts. These districts represent 14 communities all of which have businesses and industries requiring trained employees. The school receives input through employers' participation in advisory committees, internship programs and customized training agreements. SWACC has been successful in developing working relationships with local and area businesses and industries, both blue and white collar, in providing workers and retraining opportunities for existing employees. SWACC's overall placement rate of trained employees is 65% and as high as 100% in some skilled trade areas. The statewide average is approximately 58%

SWACC has both dual credit and articulation credit agreements with local two and four-year colleges. Students can earn college credit and high school credit in addition to learning a marketable skill while attending the Career Center. This gives students the option of continuing their education at the post-secondary level or entering the workforce. Employers utilize the Career Center facilities and faculty for customized training of their employees. Working with Crowder College in Neosho and Missouri Southern State University in Joplin, SWACC develops training upgrades and retraining opportunities to meet the employment demands of local and area businesses. SWACC has been responsive in developing new training programs based on requests of businesses and industries in Southwest Missouri. As previously mentioned, SWACC has active advisory committees for each training and ancillary program. These committees are made up of representatives from businesses correlating to the training program. The committee provides suggestions and guidance in the areas of technology purchases/updates, curriculum, facility modification, placement of graduates and development of new programs.

On the secondary level, enrollment in vocational-technical programs is increasing and students realize both the opportunity and options available versus a four-year liberal arts degree. In the majority of SWACC programs, graduates can enter the workforce earning a good salary with benefits. On the existing employee level, workers can increase their earning power by updating and upgrading their skills whether it be in the hard skill, i.e. welding, machine tool, or soft skill, i.e. computers, drafting, child care.

Statistics indicate that only 20% of new jobs will require a four-year degree. 60% of the remaining jobs will require some type of technical training. Statistics also indicate that of every 100 students entering college, only 29.5% will graduate with a bachelor's degree. It does little good to create new jobs without having trained workers available for those jobs or the mechanism in place for training existing workers. Career and Technical education serves the purpose of training new workers and upgrading the skills of existing employees, however, the key component and mandate is a close and responsive relationship with businesses and industries.
The Southwest Area Career Center at Monett has been extremely active and responsive to these needs.

APPENDIX BB

Written testimony of Mr. William P. Duncan,
Kansas City Area Life Sciences Institute

Missouri House of Representatives
Testimony to House Interim Committee on
Job Creation and Economic Development

William P. Duncan, Ph.D.
President
Kansas City Area Life Sciences Institute
October 28, 2003

Thank you Chairman Richard, and members of the House Interim Committee on Job Creation and Economic Development for this opportunity to provide testimony regarding job creation and economic development from the perspective of the life sciences community in the Kansas City region. My name is Bill Duncan, and I am President of the Kansas City Area Life Sciences Institute — a not-for-profit institution formed in 1999 to drive life sciences research in the Kansas City Area. The eight key stakeholder institutions that form the foundation of the Life Sciences Institute include: our private research institutions: (1) the Stowers Institute for Medical Research, (2) Midwest Research Institute; our local universities, (3) the University of Missouri–Kansas City, (4) the University of Health Sciences, (5) the University of Kansas and (6) its Medical Center; and two of our hospital systems, (7) Children's Mercy Hospital and the (8) Saint Luke's Health System. Six of these eight institutions are located in Missouri.

With our eight key stakeholders, the Life Sciences Institute is driving research collaborations, attracting funding, facilitating the sharing of resources and information, and assisting with work force development, and advocating for, related economic development. The underlying principle of the Kansas City region's vision for life sciences is if we increase the life sciences research base focused on humans, animals and plants, it means more intellectual property, which leads to development and commercialization of new products and new quality jobs which benefit the health and well-being of our citizens. The goal is to become one of the top ten to fifteen nationally recognized regional centers of excellence for life sciences research and commercialization. Quantitatively, this translates to realizing $500M per year in annual life sciences research expenditures by our eight key stakeholder institutions.

In the Kansas City region, we are making the life sciences a major economic and community development driver. In our efforts to form an alliance between our eight key stakeholders, we have to a large extent brought down the barriers to collaboration that once existed between these institutions. We are now working toward a common vision

of achieving our goal to make Kansas City a center of excellence in life sciences research and business.

When the Kansas City Area Development Council and the Civic Council of Greater Kansas City assembled 100 of Kansas City's thought leaders in 1999 to develop the vision and devise a strategy for making life sciences a major driver of our future, it was immediately recognized that if we did not build our research base and pursue workforce development initiatives and commercialization infrastructure we would not be successful in building a life sciences community.

Major universities and non-profit research institutions are not only the key to basic research discoveries, but also create an environment where life sciences companies can flourish. When world-class scientists consider the opportunity to conduct their research in the Kansas City region, they want to join a thriving, creative community with other high-caliber scientists. The success of the Stowers Institute in recruiting this level of scientists is having a positive impact not only on the recruitment efforts at our other key stakeholder institutions, but also our region's ability to recruit scientists to existing or new life sciences companies.

The level of investment in basic research and workforce development, while seemingly distant from the products marketed by our life sciences companies, are the underpinnings of success for life sciences communities. Without a significant investment in the world-class researchers and facilities needed to drive basic research as well as workforce development it is extremely difficult to build and maintain momentum in the life sciences business sector — i.e. there is little opportunity for homegrown ideas to evolve into companies with highly successful life sciences products.

In Kansas City, we have made considerable progress in the past few months toward achieving our goal of developing a critical mass of life sciences research in the region as evidenced by:

- The increase in life sciences research expenditures at our stakeholder institutions from $104 million in 1999 to $201 million in 2002. This increase represents a 25% per year increase over the four year span and we are confident we will experience a similar increase in 2003. I urge you to please recognize that life sciences research

is an economic development activity in its own right. It is certainly noteworthy that according to the U.S. Department of Commerce, 41 jobs are supported by every million dollars in research in our region. Based on our current projections, we estimate that to reach our critical mass goal of $500 million dollars in annual research expenditures by our key stakeholder institutions, we will support more than 14,000 jobs in the community—and this does not take into account jobs generated as a result of the development and commercialization of products by new and/or existing companies. Further, these are knowledge-based technology jobs that are widely accepted as having a 2X value compared to the value of the average job created in the region.

Progress is further evidenced by:

- A corresponding rate of increase in NIH funding over the same time period with similar results expected for 2003.
- Ongoing or approved public and private capital investment of $1.5B , which, incidentally, does not include the 7 year, $1B expansion planned by Cerner Corporation. Such capital investment equates to substantial construction and related industry jobs which provide tangible benefits to the region now.
- The ever increasing ability of our stakeholders to recruit world class scientific talent, especially the Stowers Institute, who is experiencing an 80% acceptance rate of offers made.
- Our ability to garner over $12M in federal and private funding for the Kansas City Proteomics Consortium to build research infrastructure and capacity at our stakeholders thus increasing their competitiveness when seeking external funding.
- The formation of several start-up companies as a result of research conducted at our stakeholder institutions, e.g. Sceptor Industries, Proquest, Crititech, Xenotech, Proteon, and a host of others. New company formation fuels the need for professional legal, accounting, regulatory, and consulting support.
- The development of commercialization infrastructure including support organizations, e.g. KC Catalyst

Clearly we are seeing a significant regional momentum increase in the life sciences initiative but to be a truly successful center of life sciences research and commercialization, we must have programmatic legislative support and funding from numerous, diverse sources to ensure that we reach our goal. The ideas for new drugs and therapies for humans and animals, plants as factories, and healthier foods need a

place for inception and nurturing. There is no better place than the research laboratories at our state-funded higher learning institutions. But we must create an environment that can sustain and support basic research, bridge the gap between basic and applied science, and then carry the commercially valuable ideas forward.

While Missouri and the region has an impressive array of economic development incentives and workforce development and training programs in place, and, indeed the legislation passed this past year potentially securing tobacco settlement funds supporting life sciences research and commercialization is noteworthy, there remains legislative agenda initiatives for consideration. For example, in addressing research goals:

- Pursue support aimed at acquisition of key world class researchers/leaders at stakeholder institutions, especially the universities
- Expand support of life sciences focused education and workforce development programs, and
- Ensure legislation is not pursued that will unduly restrict life sciences research in addressing facilities and equipment goals:
- Support development of critical infrastructure and capacity directed toward making Missouri research institutions highly competitive when seeking external research funding
- Support the acquisition of resources to construct and subsidize the operation of ~50,000 sqft wet lab incubator in the Kansas City region, and
- Support Phase II of the UMKC Health Sciences Building project

In addressing commercialization goals:

- Pursue legislation that enhances the attractiveness of Missouri and the Kansas City region to companies/investors
- Support development of infrastructure and capacity aimed at making regional commercialization partners increasingly successful in supporting life sciences entrepreneurs, and
- Consider approaches that streamline the ability of companies to undertake R&D in partnership with research universities

Bonds or TIF approaches could perhaps be utilized to fund and support life sciences research in qualified universities, medical centers and selected non-profit institutions by paying for: (a) key researchers/leaders; (b) real property purchases, improvement, and renovations; and (c) laboratory equipment and supplies.

A number of legislative approaches have been pursued in other states that address the creation of incentive programs for private enterprise investment in the life sciences. Such programs include: (1) a Net Operating Loss (NOL) provision permitting the sale of life sciences company's NOL to corporate taxpayers (modeled after New Jersey and Colorado); (2) Investment tax credits for construction of new bioscience facilities or expansion of existing facilities (modeled after Arkansas); (3) Individual income tax exemptions for a company's employees, officers and directors (modeled after Hawaii); (4) sales tax exemptions on the purchase of equipment (modeled after Connecticut); (5) Investor tax rate reduction for individual or corporate taxpayers investing in the stock of bioscience companies located in the state; (6) research and development voucher program that encourages firms to engage in joint research programs with state universities (modeled after Kentucky); and (7) matching fund endowment utilizing matched public and private funds for recruiting world class life sciences researchers/leaders to universities and research institutes (modeled after Kentucky). There are, of course, other possibilities but I mention the above as representative examples.

In closing, I would like to mention advise from a colleague of mine in Texas who always reminds me..."Vision without legislative support/funding borders on hallucination." Legislative action aimed at stimulating regional ongoing life sciences initiatives by supporting life sciences research, commercialization, workforce development and training such as some of those suggested above ensures that we have the support needed to help us reach our statewide objectives including our critical mass goals in the Kansas City region. Programs based on sound concepts that raise Missouri and each of our life sciences hubs in the state to a competitive level with the other life sciences corridors in the United States and the world are clearly needed. With such support, Missouri and the Kansas City region will become a leading life sciences center of excellence — supporting our economy through job and wealth creation, while at the same time enhancing the attractiveness of our communities, and the health and well-being of our citizens.

APPENDIX CC

Written testimony of Ms. Kay Gerken,
Missouri Association of REALTORS

Good morning, my name is Kay Gerken and I am the 2004 President of the Missouri Association of REALTORS.

I appreciate the opportunity to come and meet with you today. Several of you I know, and I look forward to visiting with all of you during the upcoming session and becoming better acquainted.

As I'm sure you know, the Missouri Association of REALTORS has always been a proponent of an individual's private property rights and our mission statement includes our obligation to protect those rights.

Through our lobbyist, Sam Licklider, and the grassroots efforts of our members, we have enjoyed a good working relationship with the legislature on addressing private property issues.

In 2004, the Association will be including another issue that we will be addressing with you, and that is economic development in Missouri.

The future of Missouri's real estate industry, and the future of Missouri, depends on economic growth and jobs.

Jobs mean families are able to buy homes and keep our communities growing.

Over the past six or seven years, the Association has worked on Economic development with the Missouri Dept. of Econ. Dev.

It has been helpful to build a relationship with that Dept., however, we feel it is time to widen our efforts.

Too many businesses are not considering Missouri, or are moving to other states that are more business friendly.

As REALTORS, and I'm sure as legislators, this is an important issue.

I'm asking our 22,000 members to become proactive in their communities and in the State to help create a business friendly environment throughout Missouri.

We will be encouraging our legislators and our local community leaders to be pro business. Missouri must be able to compete with neighboring states.

In September, I and four other REALTORS attended the Midwest-US Japan Association Conference in Chicago.

That Association consists of 10 midwest states and Japan.

There were six Governors and one Lieutenant Governor present.

Unfortunately, Missouri's was not one of them.

Each one of them had an opportunity to "sell" their state to the Japanese business investors.

Japan is Missouri's number one foreign investor!

In Ohio, Honda has built a plant there.

The vehicle is assembled there using American labor. AND it is being built with 100% American parts!

I talked to a representative from Nissan. He told me that they had looked at building a plant in Kansas City.

However, they ended up building in TN because it was more cost effective.

I'm told that CFI Trucking has talked about closing their location in Joplin and moving to Pittsburgh, KS because they could savings in Workmen's Comp.

The Ford plant in St. Louis had announced that they were going to close that plant. They said it cost $150 per vehicle more to build in MO than at their plant in KY.

Fortunately, that plant will now stay open and those jobs have been saved. All of Missouri will benefit from those jobs.

We all hear of the businesses that are moving to Mexico or some other foreign country because of cheap labor. Much of that will not change.

However, we should NOT be losing jobs to bordering States!!!

Many times when you talk to people about economic development, they think it means some mega company like GM or GE building a plant in their city.

However, look at where the majority of jobs are created—small business!

Whether large city or small town, small business is the backbone that supports our economy.

We must find ways to make Missouri attractive to businesses, large AND small.

REALTORS will be asking their legislators to work in a bi-partisan way to let businesses know that Missouri is laying down the welcome mat.

We all SAY we want economic growth, but are we all willing to work for it?

The members of the Missouri Association of REALTORS will be using their power of influence to BUILD Missouri—we know we will all reap the benefits.

Thank you again for giving me this opportunity to meet with you. I'll be happy to answer any questions.

I'm in Dallas
if we get bus. investors to take
a look @ MO, but we
~~don't~~ if our neighboring
states have a
more bus friendly

APPENDIX DD

Written testimony of Mr. Samuel C. Jones,
U.S. Small Business Administration

Remarks of:
Samuel C. Jones,
Regional Administrator, Region VII
U.S. Small Business Administration

Before:
Interim Committee on Job Creation and Economic Development
Hon. Ron Richard, Chairman

October 28, 2003
Stowers Institute
Kansas City, Missouri

Chairman Richard, Members of the Committee, honored guests: Thank you for the opportunity to appear today on behalf of the Administration of President George W. Bush and Hector V. Barreto, Administrator, U.S. Small Business Administration, SBA.

2003 is a special year for SBA. On July 30, 1953, President Eisenhower signed the Small Business Act creating the SBA, the first federal agency created in the Eisenhower Administration. In the half century since, SBA has been pursuing the mandate of the Small Business Act of 1953 to "...counsel, aid, assist and...protect..." the 25 million small businesses in America. Our fiftieth year, just ended, has been our best year ever. In 2003 SBA helped a record number of small business access needed capital. Our loan volume was up 29 percent. Loans to women, minorities and veterans were up even more sharply. Six hundred thousand jobs were preserved or created by SBA loan activity. To celebrate this banner year, we launched the SBA 50th Anniversary Jobs and Growth Tour. We began on August 1, 2003, at the Eisenhower Library in Abilene,

Kansas and will wind up on April 12, 2004 in Springfield, Missouri. On behalf of Administrator Barreto, please accept SBA's invitation for this committee to come celebrate with us.

Ninety-nine percent of America's employers are small businesses and they employ over half our work force and generate over half our gross domestic product (GDP). Similarly, ninety-five percent of exporting companies are small businesses. The majority of patent applications come from small businesses. Most important, three-fourths of all new jobs are created by small business.

The Jobs and Growth theme of the SBA 50th Anniversary Celebration echoes the small business agenda of President George W. Bush. In recognition of the dominant role small businesses play in job creation our President has made expanded investment in small business the cornerstone of his economic recovery strategy. With passage of the three-fold increase in the capital expenditure deduction for small business, increasing the deduction from $25,000 per year to $100,000, the Administration has paved the way to grow this economy out of the 2000 recession one job at a time. Not by cooking the books. Not by inflating the Wall Street value of stock. By taking the recovery to the street, Main Street, we are building a gradual, sustainable recovery that Wall Street will eventually recognize.

Missouri recently garnered a good deal of unwelcome publicity when it was revealed that we had lost 70,000 jobs, more than states ten times our size, more than any state in the union. While I am a bit suspicious of that job loss number in light of the fact that our unemployment rate remained lower than the majority of states, I remain saddened. I am, after all, a Missouri chauvinist. What can be done to make sure Missouri

leads the way as our economy recovers? As with any job creation effort, small business must be at the forefront.

There are roughly 140,000 employer small businesses in Missouri. If HALF those small businesses took advantage of HALF the additional capital expenditure deduction available this year, they would re-create the 70,000 jobs lost. In addition, state and local sale tax revenue would be boosted by $183.7 million and state income tax revenue by $50.4 million for a total revenue boost of almost a quarter billion dollars in the first round of investment. As we all know, a capital expenditure continues to create economic activity as it flows through the economy. The ultimate impact of Missouri small businesses demonstrating their confidence in the economy would become a self-fulfilling prophecy. Missouri can grow its way out of recession and small business can lead the way.

To further encourage small business investment and job creation, SBA has streamlined its products and procedures to expedite delivery of its loan guaranty services. Expansion of our ExpressLoan product to 2,400 non-SBA lenders and allowing banks to use their own closing documents and underwriting procedures has produced an explosion of loan activity. Opening the SBA loan programs to credit unions has the potential of creating 10,000 new SBA loan outlets. Increasing our marketing and outreach focus on minority communities has spurred economic development in previously underserved areas.

In FY2003 SBA made loans to over 70,000 small businesses. Our goal for FY2004 is 100,000. With the help of this committee, the House membership, your counterparts in the other body, our executive branch, SBA and, most importantly, the

small business owners of Missouri who are willing to risk their time, talent and capital, we will continue on the path to sustainable economic growth and full employment.

Thank you for allowing me to participate in this hearing. I will be happy to answer your questions.

U.S. SMALL BUSINESS ADMINISTRATION
KANSAS CITY REGIONAL OFFICE
323 W 8TH ST STE 307
KANSAS CITY MO 64105

September 29, 2003

Hon. Ron Richard, Chairman
House Interim Committee on Job Creation and Economic Development
State Capitol, Room 206A
201 W. Capitol Avenue
Jefferson City, Missouri 65101

Dear Chairman Richard:

Thank you for the opportunity to appear before the House Interim Committee on Job Creation and Economic Development in Kansas City yesterday morning.

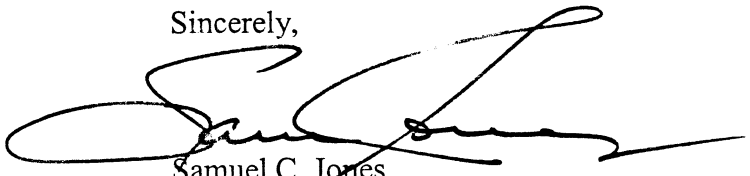
At the conclusion of my testimony Representative El-Amin asked about SBA's lending to the minority communities. In preparing my remarks I reviewed the information but did not have it with me. To address Representative El-Amin's question the following information is provided. Set out below are the numbers of 7(a) and 504 loans (SBA's primary loan programs) in each minority community. The percentage following each minority community is the percentage of 7(a) and 504 loans to that community. The number in parentheses is the percentage of businesses, nationwide, owned by members of that community. You and the members of your committee will note that SBA lending to each minority community exceeds that community's share of business ownership. I trust you will find this information useful.

African-American	3,765	5.07%	(4.0%)
Hispanic	6,103	8.22%	(5.8%)
Asian	9,494	12.80%	(4.4%)
Native American	789	1.06%	(0.9%)
Other Minorities	681	0.91%	
Women	15,463	20.84%	

Representative Salva asked about a SBA direct loan program for businesses not qualifying for conventional financing. I replied that, outside the context of disaster loans, SBA did not make direct loans. After meeting with Representative Salva during the break I was able to refine my answer. SBA has a MicroLoan program. To offer these smaller loans (maximum $35,000) SBA loans money to partner organizations. These partner organizations then make the loan to the business. RMI in Jefferson City, Justine Petersen Housing and Reinvestment Corporation in St. Louis and GoConnection in Kansas City are among several micro-lenders in Missouri.

I will send copies of this letter directly to Representatives El-Amin and Salva. Please share it with the other committee members.

Sincerely,



Samuel C. Jones
Regional Administrator

Copy: Representative El-Amin
Representative Salva

APPENDIX EE

Written testimony of Mr. Gary Kemp,
Greater Kansas City Building & Construction Trades Council

Testimony Presented by Garry Kemp, Business Manager
Greater Kansas City Building & Construction Trades Council
Kansas City Missouri to the House Interim Committee on
Job Creation & Economic Development
October 28, 2003

The current state of the non residential construction industry in the Kansas City area could be described as lethargic. The Building & Construction Trades Council as an organization that represents craft persons in the metropolitan area in both Kansas and Missouri I can report to you that many of the crafts are reporting unemployment numbers not seen since the recessions of the 80's. My unscientific estimate would be 11% to 15% for area craft workers in commercial and industrial construction. Those numbers will increase as we seasonally adjust to area road and bridge resurfacing and maintenance completion.

Future trends or outlook would be described as less than enthusiastic. Economists describe an emerging economy in 04. The Greater Kansas City Chamber Economic Forecast expects 21,000 more jobs by the fourth quarter next year. I, however see little relief for the construction industry. Witnessing economic cycles in the construction industry for thirty five years I find this one uniquely different in that funding for public works, maintaining roads, bridges, water, sewer, basic infrastructure is simply not there. The state and municipalities are financially strapped and 04 budgets will again be challenging.

I would additionally point to the striking difference in construction work type that has shifted from a balanced mix of industrial and commercial to principally retail and commercial construction. Industrial work is virtually non existent. Loses of such facilities as GST Steel have cost not only manufacturing jobs but thousands of craft hours for maintenance and retooling.

The construction industry raises and falls with economic trends, being an industry that is the last to come down and the last to emerge from an economic downturn. This is a national trend, however the depth and recovery of a state, a region or municipality is dependent on many factors such as regional economic diversity, a skilled workforce, competitive programs and incentives for retention and recruitment of business and industry.

Those programs and incentives that help the construction industry are the same as those that spur basic economic development. The future of Missouri economic development rests with those of you that have been entrusted by the people of Missouri to legislatively make collective decisions that provide for a competitive market place while protecting living standards within our state. This requires a bipartisan partnership at all levels of state government not seen in recent legislative sessions, anything short of such a partnership will result in future Missouri job loses.

The competition that states face now when vying for new or expanding businesses is not just for incentive dollars or how much money a state can give a business, but it is increasingly competition for a trained workforce. More resources need to be focused on skill upgrades for Missouri's workforce. The organized construction industry in the Kansas City area is well positioned to continue to provide privately funded tuition free apprentice programs for all construction crafts. I would point out the private investment of over ten million dollars annually to train area craft workers. Other than union apprentice programs no one can document a track record of training hundreds of workers annually and placing them in the workplace. These programs are not publically funded with state education dollars.

I would issue an invitation to our public officials to tour our collective facilities to see first hand the important resources that support economic development with private dollars.

The construction industry, as other industries needs, your collective and legislative influence in promoting educational curriculum that supports innovative programs that introduce the construction industry to teachers and students through creative applications of math, science, technology and communication skills. Such programs as the Middle School Design Competition through the Center for Construction Excellence housed at the University of Missouri at Kansas City should be promoted by the Missouri Department of Elementary and Secondary Education.

New Jobs Training program and Customized Training Program need additional funding. The New Jobs Training program creates the revenue stream that funds the training. There is no reason to even cap the program. Trained workers are a fundamental investment by Missouri in its people. Companies may relocate or declare bankruptcy, but a trained labor force generally will remain to reshape Missouri's future.

Missouri needs to better position itself in comparison with numerous other states to provide incentives that actually make sense. For example, Kansas up fronts money through loans to companies repaid with future income tax revenues (and even, on some occasions, forgiving the loan), thereby making the business' decision to locate or expand in Kansas much easier. Missouri, on the other hand, has no economic development programs that provide this kind of front-end contribution. Most of Missouri's programs are based on tax credits the business may claim over a 10-year period, which may be a cost savings for the company, but cannot compete on the same level as funds provided at the beginning of the project.

Missouri also lacks business retention incentives. Businesses in border communities such as Kansas City, Joplin and Hannibal face the immediate prospect of a business that can relocate to another state and keep its existing labor force. The state has to formulate or amend programs that can address the need to reduce an employer's cost in Missouri when they are in the process of relocating their business.

Rumor has it that there will be a major push in the Legislature this year to cap Historic Preservation Tax Credits. This program has been vital to the construction industry and unions for the past several years, as it has created numerous jobs throughout the state, as developers work to renovate historic buildings. This program has provided additional housing for an urban workforce that wants the niche housing market of downtowns. The dollars spent on this program actually create a trickle down effect, spurring investments throughout the city and state, and producing significant job growth. In fact a cap on this program would have a devastating affect on the current revitalization of downtown Kansas City.

In conclusion I would say that I expect that you will today and in the course of your other hearings, hear reoccurring suggestions that would make a significant difference for the Missouri Jobs and development picture, however I would again point out that only a bipartisan partnership in addressing our States needs will result in anything other than a committee report.

APPENDIX FF

Written testimony of Ms. Nancy C. Kimak,
Kimak's Pest Control, Inc.

As I began to review our company's history over the last 23 years in an effort to capture the most specific, salient discussion points, I began to realize the challenge of this assignment. As an entrepreneur our cheese is always moving, our stage is akin to live TV and the bombardment from the artillery of communication is riveting.

So, I would like to focus my discussion on three current areas of high impact to small business development.

1) HEALTHCARE

Our company is blessed with the talents of a dozen individuals who work hard every day and in turn as managers we prioritize the reward of strong competitive wages and a comprehensive benefits package. As of September 1, 2003, we were notified that our provider's self funded health insurance program was approaching insolvency and that our health insurance would be terminated October 1, 2003. Based upon timeliness and other factors, our company decided to offer a discretionary bonus which equaled the current dollar amount of 100% of the insurance cost for the employee. Many of us began the drill of transitioning from group health insurance coverage to what I now know to be the slippery, slimy, moving target, now-you see-it-now-you-don't-premium-rates of non-group health insurance.One employee in our group,who has missed one day of work in 6 years, was denied health insurance coverage. After 6 weeks of "consideration," I too was turned down by Blue Cross and Blue Shield and while I was told last week by a senior underwriter with Humana that I would be issued coverage, I was informed yesterday that I was denied coverage (and in 23 years I have missed about 2 days of work!). I am now persuing health care coverage through the Missouri Group Health Insurance Pool. For about $250.00 more a month I will have less coverage but I will have coverage-God Bless the State of Missouri! However, provider beware, this pool is going to become the most popular destination spot in Missouri, for who in this room hasn't had an owie or booboo or a serious health situation. I find that in the land of non group health insurance your health history must be essentially non-existent, otherwise the insurance companies do not want you- The insurance companies will frown, increase the quote from the published rate to the approximately allowed 350%,discrimate against persons with particular health conditions, and wash their hands of the applicant, tossing the file without any possible rebuttal to the underwriter-

CASE CLOSED! How much longer are we going to be able to afford the abusive ever-rising cost of health care insurance as an individual, a company, or the State of Missouri?

2) BUSINESS FRIENDLY

Providing our services in Missouri and Kansas we see examples of how Missouri is more business friendly than the Sunflower state and we love that! Let me share two examples.

For example, currently Kansas has initiated a new retailer's city sales tax program in conjunction with the existing Kansas retailers compensating sales tax. What has evolved from this action? Shrieks from the retailers, new software to define these measurements,

confusion for all, and a decree from the Governor that this is a transition time period till the end of the year if you want to participate you may, if not that's OK too????

Example 2: In Kansas the certification, credentialing program, and recordkeeping requirements issued by the Department of Agriculture for those pest management professionals providing services in Kansas are much more complicated and cumbersome than those in Missouri. . I have known of some companies in Missouri that will not provide services in Kansas because of the hassle. Turning away business is a tough pill to swallow.

As the Independence Council for Economic Development points out in their October issue the Small Business Survival Committee, a national, non-profit small business advocacy group ranks Missouri #19 and Kansas #32 nationally for the climate their policies create for small business. Most small business owners pay personal income tax rather than corporate income taxes. Missouri ranks #27 at 6 percent for personal income tax while Kansas ranks #31 at 6.45 percent. Missourians know that it's production that drives the economy and fuels taxes not paper pushing and bottlenecking the sales force.

3. KISS (Keep It Simple Stupid)
Here's my professional world: for the past 23 years I have worked (excluding vacations) 60-80 hours a week to help develop our company and to provide the best that we can for our employees and the best services for our clients. I volunteer about 10-20 hours a week in business associations as a Director on various boards because I care about our city of Sugar Creek, the Greater Kansas City Area, Jackson County and our pest management industry.

Let me share with you a packet I recently received outlining the scope of services that our human resource agency would be providing: This template is _____ pages covering state and federal laws and regulations, discrimination and sexual harassment standards, guidelines to hire and terminate an employee, HIPAA, OSHA, and Missouri's current buzz topic of the right to carry concealed guns or in general weapons in the workplace(For the record I opposed the legislature's approval of the right to carry concealed guns). As you can see we spend hours daily with compliance issues.
Most respectfully, I don't need any conveyances designed by the State of Missouri to prohibit me from charging on with our productive business. Again our business energy is in the push for production that drives the economy and fuels taxes, not paper pushing and bottlenecking the sales force. And with the present business climate the drive to capture the and retain the client is were our time, dollars, and energy should be spent.

IN CONCLUSION,
I would like to share a story:
Once upon a time, in a small city called Sugar Creek there was a former AMOCO BP Refinery. With the signing of a lease agreement in September of 2002, between our shining Knight Corporate Citizen BP and the City of Sugar Creek, and with the kiss of a

fairy godmother, this ugly brownfield is becoming transformed into a beautiful industrial business park. We call our Cinderella THE BLUFFS at Sugar Creek.

Conceptual plans align this 121 acre business park as an eco-industrial park supporting by-product exchange services and high-end technological services.

When we come to the State for Assistance please remember this brief introduction today and show through your discussion and vote that Missouri is the nation's leader in economic development and help us make this Cinderella a reality.

Thank you Representative Salva for today's consideration and are there any questions?

APPENDIX GG

Written testimony of Mayor Karen Messerli ,
City of Lee's Summit

ECONOMIC DEVELOPMENT IN MISSOURI

COMMENTS TO LEGISLATIVE COMMITTEE

Economic Development is Everybody's business

- At a time when Missouri, along with many other states, are loosing thousands of jobs, I'm encouraged by this Committee's focus on how we can best compete.

DEPARTMENT FUNDING

- It is my understanding that Mo Tourism receives money from a dedicated source while MoDed does not and that while tourism is currently funded at about $9M for marketing, new business attraction is funded at about $500,000. We would like to see funding for the department as a whole addressed in a way that is reflective of their critical mission and how it relates to the economic times of Missouri.

INCENTIVES ARE TOOLS

- Missouri must have appropriate tools that are available for extraordinary opportunities that provide significant capital investment and jobs and may deserve to go beyond "normal programs".
- Those of us that are on the front lines in economic development have to find ways to be less bureucratic and more responsive, often on incredible time tables. But that is the arena we are in. In general, we believe

INCENTIVES

- Front loaded as much as possible
- Increased Flexibility
  - Funds could be used for relocation costs
  - Moves are expensive and use much needed operating capital. Incentives which remove the cash flow burden help the company remain on target for cash flow purposes.

Cash Value

- Incentives should be cash or near cash as much as possible.
  - Make all credits marketable – transferable – saleable

Walk the Walk

- If our focus is on Life Science, Information Technology and Advanced Manufacturing
  - We need for special incentives/tax treatments to provide substance to that focus
  - Too often, incentives are results of special legislation and not available for overall programs statewide. While that may be good for specific projects, it hurts us in overall programs, that should be available to every company that meets criteria.

Border Competition

- Agreement with bordering states re incenting new jobs or…
- Missouri must count retained jobs in it's formula

Retained Jobs

- **Retained Jobs are Important**
  - Lee's Summit currently working with two firms considering move to Kansas
    - Combined employment
      - 500 jobs
      - Average wage - $35,000 per year
      - Their combined electric bills exceed 1M$ annually
      - Combined property taxes (city & county) $500,000 annually
  - Lacking necessary tools to compete because our focus is on "new jobs"

Kansas Offer?

- $5M$ - combined
  - Reduced electric ~~power~~ rates
  - Construction sales tax exemptions
  - Underwritten land costs
  - $500,000 manpower training grants, etc

Missouri?

- None of these are available

Cut to the Chase

- In the development arena…time IS money
- Limited amount of time to respond

Make It Happen Mentality

- Every company needs to feel they are important
  - Relate Pfizer story

    EVERY company I work with IS the most important and Every loss is significant both to Lee's Summit and to the State of Missouri.

▪ Appropriate Legislation

- Example – we can provide incentives for outbound call centers but not inbound call centers.

▪New Legislation

- Should be targeted to the 21 Century with high value added to industries such as Life Sciences, Information Technology and Advanced Manufacturing. If this is our focus….we need programs to back it up and provide substance to targeted industries. Other examples/needs….

▪Build Program

- One of the most flexible incentives
  - Highest return for dollars expended
  - Unfortunately it is capped at $11M per year

▪Development Tax Credits

- High yield return on investment
- Capped at $4 million dollars per year
- Not well targeted and too often serve single purpose industries or constituencies
- Administration is both confusing and cumbersome

▪Missouri Customized Training Program

- Job Training is one of the most preferred economic development incentives
- Once funded at nearly $20M, now 6M.

- Missouri Venture and Seed Capital Funds are tapped out

Encouraged

By your committee's focus on competition in economic development and would encourage your continued review of all programs for expansion of those programs which result in the most new tax revenues. Further constraint of good programs will not help us, in the trenches of economic development, be competitive.

Funding is all too often what projects hinge on. The overall perception of our transportation crisis in Missouri is a critical component of economic development.

More opportunities

- 50 Highway/291 South
  - Calmar, Pfizer, Metro Auto Auction
  - Excellent Example of Redevelopment
  - Transportation Infrastructure will be the key
  - How we approach it and what tools we have to work with will determine our success at both the local and state level.

Summit Technology Campus/Summit Woods Retail Center

- City of Lee's Summit used Chapter 100 Financing for a 1.3 million sf facility that had at it's height had produced 7,000 jobs. Less than 25% of the building was being utilized.
- Existing interchange at Level of Service "F" at peak hour.
- Summit Woods – 800,000 sf power retail center, 80M capital investment, creating 4000 job at a time when we had an estimated 67M leakage in annual sales.
- Summit Woods provided the opportunity for TIF for existing road problems and TDD for needed infrastructure to facilitate the development.
- By working with the Innovative Financing Committee, MoDED and MoDot we were able to partner a solution beneficial to all parties. Out of a package that totals approximately $45M of transportation improvements, MoDot and MoDed is providing approximately $21M.
- Both departments were extremely responsive and proactive.

New Legislation

Our economic development programs should be targeted to the 21 Century with high value added to industries such as Life Sciences, Information Technology and Advanced Manufacturing. If our focus is here….we need programs to back up that focus and provide substance to targeted industries.

Engage Local Communities as Partners

We need to understand the priorities of the Department of Economic Development and not just operate from the "entitlement theory". All of us in government are faced with tough decisions, but we can all be more successful when we work as a team.

APPENDIX HH

Written testimony of Mr. Gary Sage,
Economic Development Corporation, City of Kansas City, Missouri

EDC 2004 Legislative Agenda

State

1. Distressed Communities

Goal: Amend the definition of distressed community as it is used in 8 tax incentive programs to make these programs more accessible to Kansas City, Missouri businesses in the Crossroads area, West Bottoms, the Northeast Industrial area, and the Blue Valley.

Summary of the Issues: The tax incentive programs that use the distressed communities definition as a criteria for acceptance include: Rebuilding Communities, Transportation Development Tax Credits, CAPCO, Seed Capital Tax Credits, Capital Tax Credits, BUILD Missouri, Neighborhoods Preservation Program, and Business Facility Tax Credits. All of these programs generate significant tax credits to companies building in or relocation to "distressed communities" in Kansas City.

The boundaries of the distressed community definition are based on demographic specifications. Some entire cities qualify as a distressed community. Alternatively, in Kansas City, Missouri's case, only "areas" in the city can qualify based on census block group demographics. However, large portions of western Kansas City (mainly commercial and industrial areas where Kansas City would like to see business growth) are not considered "distressed" as the Missouri Legislature defines it. Kansas City is adversely affected because 1) the distressed community criteria often exclude older commercial and industrial census blocks due to low levels of population, and 2) the criteria, which is tied to census boundaries, often ties low-income renters with high-end real estate.

Because of the problems listed above, the program benefits have been skewed to the City of St. Louis due to the criteria including the whole of the City of St. Louis, but excluding the primary business and industrial areas of Kansas City. For example, in 2001, $35.5 million of tax incentives were distributed from the above-mentioned programs tied to the

distressed communities criteria. Of that $35.5 million, 85% ($30.2 million) of the benefits have been directed to the City of St. Louis, with only $1 million directed to Kansas City, Missouri.

2. Enterprise Zone Tax Credit and New & Expanded Business Facility Tax Credit

Goal: Add inbound customer service call centers as a business eligible to receive Enterprise Zone benefits, along with New & Expanded Business Facility tax credits.

Summary of the Issues: Current language in the Missouri Revised Statutes limits both of these tax credit programs to only "Office" operations.

The "Office" definition (in RSMo 135.100) reads "a regional, national or international headquarters, a telemarketing operation, an insurance company, a passenger transportation ticket/reservation system or a credit card billing and processing center."

The Missouri Department of Economic Development has interpreted "a telemarketing operation" to mean only outbound call centers and not inbound call centers. The EDC feels this omission should be rectified.

3. Transportation Tax Credits

Goal: Disengage the Transportation Tax Credit program from the Rebuilding Communities distressed criteria.

4. BUILD Missouri Program and Development Tax Credits

Goal: Raise the cap on both programs to better serve Missouri businesses.

Summary of the Issues: The BUILD Missouri program is an incentive tool that allows the Department of Economic Development (DED) and the Missouri Development Finance Board to finance a portion of the costs of qualifying capital investments for eligible businesses that seek to locate or expand in Missouri. The incentives offered by the BUILD Missouri program are designed to offset infrastructure and other capital costs of certain large projects by making the cost of investing in Missouri more competitive. The Board finances the costs through the issuance of bonds or notes, and the principal and interest is repaid by the business. Businesses are then reimbursed for these repayments through the Board's issuance of Missouri state income tax credits.

The current cap on the BUILD Missouri program is $11 million per year of

tax credits. This appropriation amount has already been exhausted for this year, and projects which have already been approved by DED will exhaust the yearly tax credits allowance for the next three years. **The yearly tax credit cap on this highly successful program needs to be raised to at least $15 million to better serve Missouri businesses.**

The Development Tax Credit program (DTC) offers state tax credits to eligible donors who make contributions to a non-profit corporation for projects approved by DED. The credits are based on 50% of the contribution of cash or the value of certain types of property. The non-profit corporation will use the cash to purchase certain assets, which will then be leased to a business. The lease payments are structures to facilitate the project.

The current cap on the DTC program is $4 million in state tax credits. This amount has already been exhausted for the current fiscal year, and projects currently approved by DED will exhaust the yearly tax credit allowance for at least the next three to four years. **The cap on this program needs to be doubled to $8 million.**

Economic Development Corporation

Memo

To: Honorable Mayor Kay Barnes

From: Gary Sage

Date: September 23, 2003

Re: Economic and Fiscal Benefit of American Airlines

Mayor,

The EDC has completed an economic and fiscal impact analysis of the American Airlines overhaul base and its employees located at Kansas City International Airport. As you know, American employs roughly 2,300 people and, when combined with the operations of the overhaul base, contributes significantly to the tax revenue of Kansas City, Missouri and Missouri. The focus of the analysis was to estimate the tax revenue for both the city and state from the operations of the overhaul base and its employees. The analysis was completed with out the use of economic multipliers; therefore all estimates should be considered highly conservative.

The tables below summarizes on an annual average and twenty-five year basis both the fiscal impact, or in other words tax revenue, and economic impact, or dollars in the economy attributable to the base, of the overhaul base and its employees to the city and state.

Economic Impact	Kansas City	Missouri
Average Annual Impact	$268,062,467	340,867,370
25 Year Total Impact	$6,701,561,671	$8,521,684,245

Fiscal Impact	Kansas City	Missouri
Average Annual Impact	$4,392,573	$12,055,149
25 Year Total Impact	$109,814,326	$301,378,737

APPENDIX II

Written testimony of Mr. Craig S. Schroer,
United Technical Industries, Inc.

UNITECH
A Division of United Technical Industries, Inc.

816.554.6530
Fax: 816.554.6595
www.unitedtechnical.com

2300 NE Independence Ave. • Lee's Summit, MO 64064

Support Manufacturing to Grow Jobs

Ladies and Gentlemen:

Thank you for allowing me to address this subcommittee on job creation in Missouri, and to share with you the views of a Missouri manufacturer.

I am Craig Schroer, President of United Technical Industries, Inc. Our plant is located in Lee's Summit, Missouri. I am also President of the Kansas City Chapter of the National Tooling and Machining Association, a National organization representing the Tool and Die Industry.

Wealth can only be created in several ways:

- **Mining the resources of the earth;**
- **Growing crops and raising animals;**
- **Using your skill and energy to manufacture a product;**
- **Creating an idea so unique that others are willing to buy it.**

In other words, you have to create something of value. Owners of manufacturing companies understand that our industry creates wealth for all Americans by using our skills to manufacture and create goods that improve our employees' lives and support good jobs at the top of the economic food chain. Every dollar a manufacturer creates is recycled many times over throughout our economy. Without manufacturers there would be no market for doctors, lawyers or fast food restaurants. Without manufacturing in our county, we all loose opportunities to increase our wealth and security.

The Pacific Rim manufacturing nations also understand that manufacturing is the key to increase their countries' wealth. In the 1950's the Japanese Ministry of Trade and Industry developed a coordinated government strategy to subsidize their country's excess production capacity for export to the United States. This continued until the early 1970's when the United States said "enough is enough", and reached a compromise solution that required Japanese companies to build plants and manufacture in the United States.

Taiwan and South Korea used the Japanese model of a government-organized strategy to export subsidized goods to America in the 1980's. Today China has religiously copied this same model. With an endless supply of cheap labor, and fueled by high unemployment, government financed factories and machinery, and a currency that is held at an artificially low exchange rate verses the dollar, China has been successful in exporting their goods to America and in displacing American manufacturers at record levels.

Wall Street and the large transnational corporations have participated in this transfer of American manufacturing jobs. Transnational corporations are fenced into the Wall Street mindset that increasing quarterly earnings is more important than creating long-lasting value and equity. If they meet quarterly profit estimates, the stock price increases and executives are rewarded; if the quarterly targets are not met then heads will roll. Since the executives and directors of large corporations are also major stockholders, they are under inordinate pressure to insure that stock price will increase. Wall Street's 'quarterly profit or die' mentality puts insane pressure on pricing from suppliers.

The cost structures of U. S. companies support our American standard of living, and help pay for government programs through taxes. However, transnational corporations view those costs as regulatory burdens that impede their need for continuously lowered costs to increase the quarterly profit. When they can no longer extract cost savings by beating up their American supply chain, the production is moved to a lower cost nation. The results are that the large global corporations are freed from the constraints of US law and are freed from the contributing to government programs that occurs when they purchase goods from American companies. Instead, they are able to exploit the prices that are available through other nations subsidized exports. The result is that the American manufacturing supply chain is being decimated in the process.

At no time since World War II have U. S. manufacturers been under greater pressure to survive. Of the 7000 tool and die firms in the United States, approximately 600 have gone out of business in the last 3 years. Canada accounted for 41% of the U. S. tool, die and mold imports in 2001. China, Portugal and South Korea are fast increasing their percentage of imports. When tool and die shops loose business, the trickle down effect of their lost business also rains on the parties of every small business you can imagine.

Having been involved in manufacturing since 1980, **I personally believe that the relocation of manufacturing and service jobs outside the United States represents a permanent and fundamental change in the business practices of global companies. The practice is gaining momentum, and more jobs will be lost in the next few years. Of the 77,000 jobs that have been lost over the last two years in Missouri, many manufacturing-related jobs will not return.**

How should we as Americans respond? How can we increase jobs in Missouri? Please consider the following suggestions from an industry that has been fighting job loss for many years:

- **It is time for a national discussion on the purpose of our economy in this rapidly changing world.** I believe that our economy should benefit its citizens by creating wealth and by providing for their security. Other nation states have organized their companies to reduce the wealth and power of the United States by decimating entire American industries. Why shouldn't we as Americans review the rules by which we decide to participate in trade? For example, our Missouri State Government could make a statement of purchasing policy indicating that 'Made in America' products will be preferred over imported products whenever possible.

- **It is time to recognize that the economy of America should primarily benefit Americans, not American headquartered global corporations.** American companies should be seated at the table to discuss our future economy…multinational corporations deserve only observer status.

- **Missouri should only consider tax breaks to attract companies that certify that 90% of their manufactured content will be made in America, rather than imported.** Major corporations create bidding wars between states in order to receive the best package of tax breaks for new plants or to keep existing plants in operation. These multinational corporations demand tens of thousands of dollars in tax abatement for each job that is kept in the United States, while they clearly state their intention to outsource many of their manufactured items overseas.

- **Missouri should consider extending the same tax breaks to smaller companies that are offered to global companies.** If Missouri wants to eliminate the economic swings in our state economy caused by the loss of a major multinational plant, then think small. Small businesses produce the majority of jobs in our country and small business owners clearly understand the impact of economic conditions on American families. Almost everything produced by small firms is made in America. Think of the hundreds of jobs that could be created by offering the same tax breaks to dozens of small firms instead of several large multinational firms.

- **Train every employee in Missouri 40 hours each year.** Can you think of a better reason for a business to locate to Missouri than a fully trained work force? The Business and Technology College in Kansas City is one of only a few facilities in a several state area that offer certification of manufacturing employees to the National Institute of Metalworking Standards.

- **Change Missouri's anti-business bankruptcy law**. An entrepreneur in Missouri is allowed to keep only $5,000 of value if his or her business fails. Kansas allows a bankrupt individual to keep the equity in their home. This is important because it encourages, rather that penalizes the entrepreneur to start a business.

- **Remove all business personal property tax on manufacturing equipment that is fully depreciated.** The current tax policy in Jackson County taxes fully depreciated manufacturing machinery based on 30% of the original purchase price. This is regressive tax policy, and gives Missouri a black eye for not being business friendly to manufacturing.

Ladies and gentlemen, it is simply short sighted to allow our manufacturing base to be lost permanently in order that global companies can increase quarterly profit this year. **Once the skills of a toolmaker or machinist are lost, it will cost a generation of lost opportunities to replace. Can we as a nation afford to lose our skills?**

Respectfully submitted by:

Craig S. Schroer
President
United Technical Industries, Inc.
2300 NE Independence Avenue
Lee's Summit, Mo. 64064

(816) 554-6530
(816) 554-6595 (Fax)

cschroer@unitedtechnical.com

APPENDIX JJ

Written testimony of Ms. Rebecca L. Snow-Cessor ,
Acutek, Incorporated

Testimony for Creation of Jobs – State of Missouri

Outline:

A. Thank you
B. Introduction of myself and Acutek
C. Problems Facing Job Creation in USA and State of MO
    1. What types of jobs will be available?
    2. Employee Benefits?
    3. Competitiveness?
D. Employee Problems
    1. availability and education of current employees
    2. jobs available vs. employee base
        a. absentee rate
        b. Social Services/Parole Officers/loss of benefits
E. Role of the Global Economy
F. Acutek Strategies for Future Employment

Good Morning. I am Rebecca L. Snow-Cessor, Vice President of Acutek, Incorporated, and I want to thank you for the opportunity to address the committee regarding job creation located at the beautiful Stowers Institute.

Acutek, Incorporated is a small women-owned and operated plastic injection molder located in Odessa, Missouri. We were founded in 1974 by Kenneth Ploeger, my father. We custom injection mold and own 4 proprietary product lines. In 1995, my sisters and I suddenly inherited the business due to his death, and are currently purchasing the company from our mother. At the time of his death, we had approximately 25 fulltime employees. This expanded to approximately 70 full-time employees at one time. At the present time, we have 25 full-time employees.

Most of the jobs we had that included assembly shifted to Mexico. The customer molding industry has been largely moved offshore to other countries. We also face fierce competition in our propitiatory product lines with similar products that are produced offshore. These products sell at or below our cost, even at the retail level.

In the last several years, there has been much discussion and rhetoric regarding the implementation of salvation theories for the manufacturing sector in the USA. The creation of jobs is the nomenclature we have been hearing of late, when only months ago the savings of jobs was the topic.

As you know, 1.9 million manufacturing jobs have been lost in the last year, 70,000 in the State of Missouri alone. Acutek, Inc has been impacted by jobs leaving the USA, and we have lost work due to lack of qualified employees. Recently, at an economic forecast meeting with the local Chamber of Commerce, it was forecasted that the Kansas City area was predicted to increase jobs by 21,000 or 4.5%. I question what kind of jobs will be available, and do we have qualified and WILLING employees? We strive to provide competitive benefits as a small manufacturer, including 401K retirement and 90% employer paid health benefits.

Last year, Acutek experienced a 15 percent increase in premiums for health care, which is lower than most other plastics firms. Even so, some of this increase had to be shifted to the employee. Along with the premium increase, the deductible was increased to $1000.00. This is no small load for an employee to bear.

We currently have an 8 percent absentee rate with our newer employees and had at one time a 30 percent turnover. This makes it difficult to plan our production and meet our customer needs. There are also significant training expenses incurred by the employer. It is very difficult in our area to find willing and qualified employees. Our employee base is either over-qualified, unwilling to come to work everyday or on release from their parole officer.

Is there an answer to why the high turnover and absentee rate? Wages? Benefits?

Is our education system and social system bringing up employees that are willing to take on jobs that are not high-tech manufacturing jobs? Acutek Inc. recently dropped a much needed night shift which would have employed 5 people because no one would come to work.

These are some of the problems facing employers in today's business world. What are some of the solutions?

Acutek, Inc. has been working with Missouri Enterprise through a federal grant to explore some of our problems. Through this process, we are changing our marketing strategy to increase customer bases that are not directly in competition with offshore products. Our anticipation is that

by finding new uses for our current products, we will once again increase production, thus necessitating the need for additional employees.

We no longer look at projects with the same view. We are taking the risk to procure short runs, difficult runs and nontraditional product lines that five years ago would not have passed through the front door. This is "being creative". But you know some days, being creative is not as easy as it sounds, and it gets awful tiring.

Becoming a global economy is going to be costly for the American worker and the employer. It is very difficult to look at your employees of 20 years and state that we did not get a new job because the competitors' employees only make .08 an hour and have no benefits. There are no OSHA, Clean air, or Workers' Compensation regulations to keep up with.

We know that we cannot pay our employees less, they need more. There are some very necessary regulations to be complied with, but are they all necessary? One day we had a person from the Department of Natural Resources show up to test our air. The only piece of equipment that was visible was his nose. That wasted one hour of our time on an interview and tour.

We have worked diligently to keep our Workers' Compensation from soaring to a previous year's high of $68,000.00. We want to work with our attorneys to obtain FAIR resolutions to settlements.

Employers in the State of Missouri need assistance with Workers' Compensation reform, unemployment reform, Tort reform. We need a strong educational system that will build a competent and dependable workforce.

Employers also face the increase of raw materials and the aging of equipment. At the present time, we are operating with vintage (1960's) equipment that, although it runs, is not competitive in efficiencies. We have experienced a 20 percent increase in raw material cost. We have been told that offshore industries are compensated in raw material costs in order to be competitive.

The State of Missouri offers programs for consultations, training, etc., which is all appreciated, but this does not alleviate the long-term effects of high regulations, and the increased cost of Workers' Compensation insurance and employee benefits. It also does not get new equipment put on the manufacturing floor. These are the issues that need to be addressed in order to assist manufacturing in the State of Missouri.

I thank you for your time.

APPENDIX KK

Written testimony of Mr. Frank Washburn ,
Monett Southwest Career Center and
Jack Henry & Associates

As Ted stated SWACC, has been responsive to the needs of the area employers. I represent Jack Henry & Associates (JHA). We are a company that provides data processing needs for financial institutions across the U.S. and are based in Monett, where the career center is located. JHA has been in business since 1976 with 4 employees and has grown to over 2200 employees nationwide and over 800 of those located in Monett.

Five years ago JHA started growing so quickly that it was very difficult to find qualified technical people to work on the main computer that we use, an IBM iSeries computer. We are a business partner with IBM, which allows us to resell their equipment with our software, and discovered a program that IBM had developed called Partners in Education. This program provided some cost reduction in equipment cost for educational institutions that were willing to use that equipment to train students. The education institution had to "partner " with an IBM business partner for technical assistance in equipment requirements and installation as well and purchase of the equipment. We contacted SWACC, informed them about the program, and gave them a contact at IBM for further information. They were excited about the potential and within a year we had worked out a way for an iSeries programming class to be instituted at SWACC. I might mention that the iSeries is a very successful computer for IBM . There are a number of companies all over Missouri who use them, CFI trucking, Bass Pro Shops, and O'Reilly Auto are just a few of which I am aware in Southwest Missouri.

There are 3 companies in Monett that use the IBM iSeries computers and when the program first started, those three companies and representatives from some of the area colleges, had advisory committee meetings on a quarterly basis to help shape the curriculum that was developed. We were stepping out on uncharted ground since almost all of the Partners in Education programs were in colleges. But, working with Mr. Dorton and his staff we were able to define a curriculum that has been very successful in training students in the skills they need to compete for jobs in today's marketplace.

SWACC has not only offered the business computer programming classes as secondary education classes but has also created night classes for training in this area also. There have been at least 20 JHA employees that have taken the night classes to help them either do their jobs better or provide training for new positions within JHA. In addition there are at least 10 people, either traditional high school students or adults in a retraining program who have gone through the day career center program who are now employed at Jack Henry & Assoc. Three of the area colleges offer articulated credit for the course offered at SWACC as well.

I can't think of a better way of developing the economy in the Southwest Missouri than to provide the skills that are needed to allow our

companies to expand and I can't think of a better way of doing that than to provide "proven programs" with funds that they need to continue doing their jobs well.

APPENDIX LL

Written testimony of Ms. Sharon A. Berberich,
Chlorogen, Inc.

Talking Points for Chlorogen – Bootheel Meeting with MO State Legislature

Chlorogen is a Missouri-based biotechnology company.

- Located in St. Louis at the Nidus Center (incubator for plant biotechnology).
- Secured Series A financing late spring this year.
- Chlorogen uses patented technology to produce therapeutic proteins and antibodies in tobacco.

Chlorogen technology makes tobacco an ideal production system for biopharmaceuticals.

- High level of protein in leaf tissue and lots biomass, multiple harvests.
- Can lower the cost of producing a therapeutic protein compared to other platforms (cell culture, animals, other plants)
- Help companies to avoid significant capital costs which would normally be needed for cell culture facility.

Success in Missouri is dependent on future economic development.

- Establish on-going research programs with local Universities
    - Field and Agronomic systems
    - Engineering for biomass harvest/in-field processing
    - Environmental and biological studies
- Build expertise in tobacco biomass production, connect to local growers (mention meeting in Glasgow last week).
- Develop processing center(s) for extraction and purification of protein
- Envision a seamless partnership between field expertise and downstream processing centers

Why are we interested in the bootheel?

- Delta Center has excellent research programs and experienced faculty
- Bootheel is a prime agricultural region with skilled growers
- Proximity to Chlorogen base and future processing facility(ies)

Chlorogen's vision is to become a world-class provider of beneficial proteins and antibodies for human therapy.

We need your support and guidance in developing the infrastructure to grow our business in Missouri.

APPENDIX MM

Written testimony of Mr. David B. Brewer, City Manager,
City of Charleston

David B. Brewer
City Manager, Charleston, MO
1-573-683-3325
charcity@Midwest.net

November 18, 2003

Mr. Chairman, members of the committee. My name is David B. Brewer. I am City Manager of the City of Charleston.

In the early 1990's, the late Congressman Bill Emerson set up some meetings with a group of citizens along the Highway 60 corridor and some folks in Kentucky to see about getting a bridge across the Mississippi River connecting Western Kentucky with Missouri and getting a 4-lane highway connecting I-24 with Highway 60, I-57 and I-55. This connection will further tie Southern Missouri into the east coast as well as I-65 and I-75 to the south and southeast and with I-44 to the west.

It was recognized early on by those involved that this would put Southern Missouri and Western Kentucky in the center of a tremendous hub. Since the early 90's, Missouri and MoDOT, have been very non-supportive of our efforts. Kentucky, on the other hand, initiated a $500,000 feasibility study in 1995 and when that study was complete they initiated another $500,000 location study. That study is nearing completion and we expect it to conclude that a highway should be built connecting I-24 across western Kentucky into Missouri through Mississippi County.

You see, Kentucky realizes that the old two lane bridges that connect Kentucky and Missouri are only 10 years younger than the old two lane bridge at Cape Girardeau that is about to be replaced by the Bill Emerson Bridge. Kentucky also recognizes that greatest way to create jobs and stimulate economic growth is to build an interstate highway through a depressed area. Western Kentucky is in the same shape Southeast Missouri is. They are lagging way behind the rest of the state and this is a way to stimulate growth.

We are also in support of completion of I-412 further south in Missouri for the same reasons, that is, job creation and economic growth. The State of Arkansas is hard at work on I-412 to the west of Missouri and the State of Tennessee to the east, is way ahead of us. We are not talking about building a lot of highway. There is not that many miles of highway to construct to complete I-412 in Missouri and very few miles to make the Missouri to Kentucky connection. Kentucky has even agreed to pay for the bridge across the Mississippi River.

It's time for Missouri to truly "wake up" and get these jobs done!

APPENDIX NN

Written testimony of Mr. Gary Capps,
Bootheel Regional Planning & Economic Development Commission

Gary B. Capps
Economic Development Coordinator
Stoddard County Industrial Development Authority
573-568-4400
idasc@brick.net

The importance of Regional Planning and Economic Development Commissions (RPC's)

Mr. Chairman, Members of the Committee. My name is Gary Capps and I am the Economic and Community Developer for Stoddard County.

For more than 35 years, the 'Bootheel' area, consisting of six counties has depended on the Bootheel Regional Planning and Economic Development Commission for assistance in dealing with the complex issues that face local governments. These issues deal with many things besides the securing and administration of grants, although most people think that is their primary function. A snapshot of the activities of the Bootheel Regional Planning Commission and Economic Development Commission is attached to this brief.

There are contributions to the six-county region that are crucial, but are not always apparent. In a location that is so far removed from the seat of government and that is so very different from the rest of the State, it is essential that there be a clearinghouse for projects that require Federal, State and local funding. The Bootheel RPC serves this function, and just as importantly, they serve as the catalyst that binds the area into a region and caused the Bootheel to function as a region and not as a myriad of smaller and less effective groups. It is only through their eyes that members can see that what is good for any community is a boon for the entire region.

Missouri is served by nineteen such commissions and they range from very active and aggressive to passive in nature. I have lived in several places in Missouri and have been fortunate to only live in one place where the Commission was not very active.

In 2003, the State of Missouri, through the Office of Administration, provided direct funding to the Planning Commissions of only $200,000. In the prior year, no funding was provided, and was only reinstated through a campaign by interested groups, including SECURA from this area and Missouri Association of Councils of Governments (MACOG). Funding for the Commissions is essential for their fiscal survival. Bootheel Regional Planning Commission only received $9,000 in 2003. This was down from $25,000 in the recent past.

Assistance from the Department of Economic Development has been seriously curtailed, including the closing of the Regional Office in Dexter. Many communities do not have the expertise or staff to deal directly with DED, but rely solely on the RPC to intervene and use their expertise when assistance from DED or other State Entities is needed.

If funding should be restored to previous levels of $25,000 per commission, the expenditure would be less than a half-million dollars for the entire state. I can think of no more useful and logical place to allocate this meager amount of funds, to assist the greatest number of people.

I strongly recommend that immediate steps be taken to reinstitute this allocation.

The Bootheel Regional Planning Commission was established in August, 1967 by the six counties and 63 cities of the Bootheel area of Missouri, following authorization of Regional Planning Commissions in the State of Missouri through enabling legislation signed by then Governor Warren E. Hearnes. The Economic Development Council was added in January, 1969 to further serve the goals and objectives of the Bootheel region as a whole.
Since that time, the Bootheel Regional Planning and Economic Development Commission has served the six counties and 63 cities of the Bootheel Region in developing regional plans for state and federal agencies which have a direct impact on local and regional government. The Bootheel Regional Planning and Economic Development Commission serves most of these agencies through the development of grant applications and subsequently the implementation of those grants through the Commission. This gives the Commission an excellent working knowledge of OMB A-102 and A-95 for their administration programs. In approximately 1980, the Commission began to serve its communities and counties directly by administering the federal grants developed by the Commission for the various communities.

Few of the cities of the region have the capability of meeting the programmatic and administrative requirements of those grants. As it became a tremendous burden along with the city's or county's administrative functions to be an administrator of a grant, it was felt that a need was there for the Commission to assist in those roles. Prior to that time, we had been assisting with the administration of those grants, though not directly involved, by providing advice and technical assistance with the various programs.

It was at that point that the Department of Housing and Urban Development began to allow outside administrators to work with the various programs which directly affected various cities and counties. The Commission then geared itself toward this effort in 1980 and began administering contracts. When the State of Missouri, through the Department of Economic Development, began making grants of the DHUD funds in 1982, the Commission continued its role in assisting with the administration. It was at this time that the Department of Economic Development recommended using outside administrators for programs and the Regional Planning Commissions became heavily involved in that particular role.

- The following are partners in community and economic development-
- The Economic Development Administration
- The Missouri Department of Economic Development
- USDA/Rural Development
- The Missouri Department of Natural Resources
- The Missouri Division of Tourism
- State Senators and Representatives
- The Missouri Office of Administration
- The Missouri Department of Transportation
- Lincoln University Extension Services
- The Missouri Department of Social Services
- Municipal and County Elected Officials
- Bootheel Community Development Corporation
- Financial Institutions throughout the Bootheel Region
- BRPC Membership and Board of Directors
- Numerous Volunteers

COMMUNITY DEVELOPMENT

The primary and major activities during the past year of the community development staff pertained to public infrastructure and housing. Although most all projects cover periods longer than one year, the following is a list of projects currently being administered by the Commission staff.

ECONOMIC DEVELOPMENT

The economic development staff of the Commission continues to work with cities and counties in the area, developing new projects and providing technical assistance whenever possible.

The following is a summation of the economic development projects performed by Commission staff for the past fiscal year:

SUMMARY OF ECONOMIC DEVELOPMENT PROJECTS

JOBS CREATED: 141
GRANTS OBTAINED
FOR THE REGION: $ 972,135
CAPITAL INVESTMENT
INTO THE REGION: $15,400,000

GROW MISSOURI FUND

The Commission is working with a new loan program in conjunction with the State Department of Economic Development and the National Development Council. The purpose of the program is to provide low interest loans for small businesses in the Region. Several applications have been processed through the Commission office over the past year.

DELTA REGIONAL AUTHORITY

The Delta Regional Authority (DRA) is a new federal grant program established to provide assistance to severely distressed and underdeveloped areas. The DRA provides services to eight states, including Missouri, Mississippi, Arkansas, Tennessee, Illinois, Alabama, Kentucky and Louisiana. There are 29 counties in the State of Missouri that qualify for assistance through the DRA.

City of Lilbourn - Rail Spur Project
FUNDING: $ 11,000.00 - DRA
350,000.00 - CDBG
70,000.00 - LOCAL IN-KIND
$431,000.00 - TOTAL

Scott County - Road Improvements

FUNDING:	$ 127,500	- DRA
	140,250	- COUNTY
	$ 267,750	- TOTAL

New Madrid County Port Authority - Street Improvements

FUNDING:	$ 127,870	- DRA
	105,000	- COMPANY
	3,050	- APPLICANT IN-KIND
	6,800	- COUNTY IN-KIND
	$ 242,720	- TOTAL

SEMO REGIONAL PORT AUTHORITY - FILL

FUNDING:	$ 50,000	- DRA
	2,500	- APPLICANT
	50,000	- COMPANY
	6,500	- APPLICANT IN-KIND
	$ 109,000	- TOTAL

Pemiscot County Port Authority - Sewer Collection

FUNDING:	$ 200,000	- DRA
	54,000	- APPLICANT
	$ 254,000	- TOTAL

Pemiscot County Port Authority - Railroad Safety Devices

FUNDING:	$ 200,000	- DRA
	50,000	- STATE
	54,000	- APPLICANT
	$ 304,000	- TOTAL

Semo University - Kennett Higher Education Center

FUNDING:	$ 200,000	- DRA
	150,000	- STATE
	50,000	- APPLICANT
	$ 400,000	- TOTAL

Pemiscot County - Road Improvements

FUNDING:	$ 164,000	- DRA
	45,000	- STATE
	$ 209,000	- TOTAL

REVOLVING LOAN FUND PROGRAM

The Revolving Loan Fund Program was established with a grant from the Economic Development Administration. The program was also funded with matching funds from the Missouri Department of Economic Development. A total of nine low interest loans were made to manufacturing and related industries, with seven loans outstanding at this time. A total of $849,750 in loan funds has been extended.

CURRENT RLF PORTFOLIO

BORROWERS	AMOUNT
7	$521,000

REGIONAL TOURISM COMMITTEE

The tourism industry ranks second in the State of Missouri, as to economic benefit to the State. The six county Bootheel area is considered a pass through region regarding tourism, as it is situated with the State boundaries touching four other states. Therefore, the Bootheel Regional Planning and Economic Development Commission has had a committee of volunteers from throughout the region, devoting considerable time and effort in developing marketing materials to entice visitors to spend time and tourism dollars on their way to other destinations.

SOLID WASTE MANAGEMENT

The Bootheel Solid Waste Management District continues to work toward a better environment for the Six County Region. State law provides funding for solid waste districts in the state, to assist cities and counties in a wide variety of reduction, reuse and recycling projects and activities to reduce the flow of solid waste to area landfills. **The total funding for 8 solid waste management projects in the region will be $155,453.**

REGIONAL TRANSPORTATION PLANNING AND COORDINATION

The Missouri Department of Transportation, through the Department's District 10 office in Sikeston, is a major partner with the BRPC as regarding transportation planning and coordination in the six county region. During the past fiscal year, the primary focus in this region, as well as throughout the State, has been the Department's work on a long range planning process to determine the future focus of the Department.

FISCAL ADMINISTRATION

A major work program of the BRPC and its staff is providing fiscal administration to a large number of grant projects awarded in the region from both state and federal funding agencies. Public work projects, for both community development and economic development programs and projects in the region require fiscal oversight of public dollars. The complexity of fiscal reporting continues to increase as guidelines are changed to allow additional projects while overall funding decreases. BRPC staff provides the expertise needed to fill general accounting, payroll, grant requirements and state and federal audit requirements.

BOOTHEEL REGIONAL PLANNING
AND
ECONOMIC DEVELOPMENT COMMISSION

Project List

EDA Grant	$52,000.00
State of Missouri S.B. 68	9,150.00
Village of Wilson City	474,900.00
County of New Madrid PSWD#2	451,800.00
Transportation Advisory (TAC)	36,000.00
Howardville ND '99	1,530,800.00
Village of Haywood City	357,450.00
Wilson City	151,100.00
City of Lilbourn	212,270.00
Solid Waste Administration	26,666.00
Solid Waste District Grants	150,486.00
EDA Revolving Loan Fund	503,750.00
Sikeston ND	518,000.00
Morehouse	626,000.00
Dexter/Arvin	1,336,000.00
Dunklin County Sewer District #1	1,631,500.00
Malden Falcon Door	1,200,080.00
Morley	2,150,000.00
New Madrid County PWSD #5	2,470,000.00
Malden - Drainage	260,700.00
City of Malden	408,900.00
City of East Prairie	357,500.00
Mississippi County PWSD#1	1,226,645.00
Stoddard County PWSD#3	340,000.00
Stoddard County	544,984.00
City of Chaffee	216,418.00
City of Sikeston	772,553.00
City of Vanduser	206,125.00
City of Malden/SEMO Ethanol	298,240.00
Scott County	235,900.00
TOTAL:	**$19,876,147.00**

APPENDIX OO

Written testimony of Mr. William O. Green,
Sikeston Department of Economic Development

TESTIMOMY PROVIDED TO
THE INTERIM COMMITTEE ON JOB GROWTH &
ECONOMIC DEVELOPMENT
IN SIKESTON, MO
NOVEMBER 18, 2003

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE, MY NAME IS BILL GREEN. I AM THE DIRECTOR OF ECONOMIC DEVELOPMENT FOR THE CITY OF SIKESTON, HAVING SERVED IN THAT CAPACITY SINCE 1992. PRIOR TO THAT I WAS A MANAGER OF BUSINESS ATTRACTION WITH THE MO DEPARTMENT OF ECONOMIC DEVELOPMENT FROM 1987 THROUGH 1991. I GRADUATED FROM THE UNIVERSITY OF MISSOURI-COLUMBIA LAW SCHOOL IN 1971 AND WAS IN PRIVATE PRACTICE.

AS THE GENERAL ASSEMBLY AND THE ADMINISTRATION IN JEFFERSON CITY STRUGGLES TO RIGHT THE STATE'S ECONOMIC SHIP OVER THE NEXT SEVERAL SESSIONS, THERE WILL BE A COMPELLING TEMPTATION TO REINVENT THE ECONOMIC DEVLOPMENT WHEEL BY JETTISONING PROGRAMS AND CREATING NEW ONES. I COME BEFORE YOU THIS MORNING TO SPEAK ON BEHALF OF TWO PROGRAMS WHICH, IT IS MY HOPE, WILL SURVIVE AND, IN THE BEST CASE SCENARIO, BE STRENGTHENED. EACH OF THESE, I BELIEVE, HAS BEEN VERY EFFECTIVE, PARTICULARLY IN RURAL MISSOURI, AND HAS LITTLE, IF ANY, NEGATIVE IMPACT UPON STATE REVENUES.

THE FIRST OF THESE PROGRAMS IS TAX INCREMENT FINANCING. FOR THOSE OF YOU UNFAMILIAR WITH THE PROCESS, TAX INCREMENT FINANCING, OR "TIF" AS IT HAS BEEN BECOME KNOWN, ALLOWS A CITY OR COUNTY TO IDENTIFY A PARTICULAR GEOGRAPHIC TRACT OF LAND WITHIN ITS BOUNDARIES AS "BLIGHTED" OR OTHERWISE IN NEED OF REDEVELOPMENT. HAVING DONE SO, THE GOVERNMENTAL ENTITY ESTABLISHES THE AD VALOREM AND SALES TAX BASE CURRENTLY BEING GENERATED UPON THE TRACT, AND THEN DESIGNATES A DEVELOPER FOR THE SITE. THE DEVELOPER DESIGNS A REDEVELOPMENT PLAN FOR THE SITE, AND IDENTIFIES CERTAIN "EXTRAORDINARY" DEVELOPMENT COSTS WHICH COMPRISE SOME PORTION OF THE PLAN. THE DEVELOPER ALSO MAKES PROJECTIONS REGARDING THE POST-DEVELOPMENT TAX BASE. THE INCREMENTAL INCREASE IN THE PRE-DEVELOPMENT AND POST-DEVELOPMENT TAX BASE MAY THEN BE ALLOCATED TO REIMBURSE THE DEVELOPER FOR THE "EXTRAORDINARY" COSTS INCURRED, TO THE EXTENT OF 50% OF THE INCREASE IN SALES TAXES AND UP TO 100% OF THE AD VALOREM TAXES.

THIS PROGRAM HAS BEEN USED SPARINGLY OUTSIDE THE METROPLOLITAN AREAS IN MISSOURI, BUT WHEN COUPLED WITH

POLITCAL RESTRAINT ON THE PART OF CITY COUNCILS AND COUNTY COMMISSIONS, ITS USE HAS BEEN VERY EFFECTIVE. WE ALL KNOW THAT SALES TAX REVENUES ARE THE FUEL OF LOCAL AND COUNTY GOVERNMENTS. OUR PROPERTY TAX RATES IN SOUTHEAST MISSOURI ARE. IN SOME INSTANCES, HALF OR LESS THAN THE RATES BEING LEVIED IN THE METROPOLITAN AREAS OF MISSOURI. ACCORDINGLY, AN ELECTION IS MADE AT THE LOCAL LEVEL TO EXPAND ECONOMIES THROUGH RETAIL EXPANSION. THIS SHOULD BE THE PREROGATIVE OF LOCAL GOVERNMENTS.

UNFORTUNATELY, THERE IS NO SUCH THING AS A LEVEL PLAYING FIELD IN THE RECRUITMENT OF RETAIL BUSINESSES. TEN YEARS AGO IT WOULD HAVE BEEN INCONCEIVABLE TO ATTRACT A LOWE'S HOME IMPROVEMENT STORE TO SIKESTON OR TO ANY OTHER CITY IN MISSOURI WHOSE POPULATION WAS LESS THAN 100,000. BUT WE HAVE ONE TODAY, AND WE HAVE IT BECAUSE THE CITY COUNCIL WAS WILLING TO COOPERATE WITH A DEVELOPER WHO PROPOSED A $5 MILLION TIF PLAN WHICH ADDRESSED THE ABSENCE OF STREETS, WATER, SEWER AND TRAFFIC SIGNALIZATION ON THE TRACT SELECTED BY LOWE'S. SINCE LOWE'S OPENED, WE HAVE HAD FOUR NEW RESTAURANTS, AN AUTO PARTS STORE, AND AN OFFICE SUPPLY STORE LOCATE WITHIN THE REDEVELOPMENT AREA. IT'S IMPOSSIBLE TO SAY THAT WE WOULD NEVER HAVE HAD A LOWE'S STORE IN SIKESTON, BUT MOST ASSUREDLY THE PACE OF THAT DEVELOPMENT, AND THE CORRESPONDING DEVELOPMENT WITHIN THE AREA, WAS INFLUENCED SIGNIFICANTLY BY THE TAX INCREMENT FINANACING PROGRAM.

WE HAVE ALL READ, AND I SUSPECT THAT YOU MEMBERS OF THE COMMITTEE ARE FREQUENTLY REMINDED OF, WHAT I CALL THE "EXCESSES OF TIF". REIMBURSABLE COSTS ARE APPROVED FOR ITEMS WHICH ARE NOT "EXTRAORDINARY" EXPENSES. THE DEFINITIONS OF "BLIGHT" AND "REDEVELOPMENT" AREAS ARE LOOSELY APPLIED. THESE "HORROR" STORIES MAKE THE HEADLINES AND FREQUENTLY DOMINATE THE POLITICAL DEBATE. BUT THE SOLUTION LIES NOT WITH THE ELIMINATION OF THE PROGRAM, BUT IN STRENGTHENING THE THRESHHOLD FOR DEVELOPERS AND GOVERNING BODIES. TO ELIMINATE THE PROGRAM WOULD BE A DISSERVICE TO RESPONSIBLE CITY COUNCILS AND COUNTY COMMISSIONS AND COULD FAIRLY BE CHARACTERIZED AS "THROWING THE BABY OUT WITH THE BATH WATER."

THE SECOND PROGRAM WHICH I BELIEVE DESERVES SPECIAL ATTENTION IS THE ENTERPRISE ZONE PROGRAM. FIRST ADOPTED IN 1983, THIS PROGRAM RECOGNIZES THAT THERE ARE CERTAIN GEOGRAPHICAL REGIONS OF THE STATE WHICH, BECAUSE OF THEIR

DEMOGRAPHICS, REQUIRE SPECIAL TAX INCENTIVES TO EXPAND THEIR JOB AND CAPITAL IMPROVEMENT BASE. THE PROGRAM INCLUDES A COMPLICATED AND, AT TIMES CONVOLUTED, SET OF CREDITS WHICH MAY BE EARNED THROUGH JOB AND INVESTMENT CREATION WHICH ARE APPLIED AGAINST THE COMPANY'S INCOME TAX LIABILITY TO MISSOURI. I AM NOT DEFENDING, NOR DO I NECESSARILY RECOMMEND THE CONTINUATION OF THE TAX CREDIT PORTION OF THE PROGRAM; BUT RATHER IT IS THE LOCAL OPTION TO ABATE PROPERTY TAXES FOR NEW DEVELOPMENT WHICH I BELIEVE IS CRITICAL TO THE ECONOMIC RECOVERY OF RURAL MISSOURI.

IN EVERY REGION OF THE STATE, PROFESSIONAL ECONOMIC DEVELOPERS COMPETE WITH THEIR NEIGHBORS FOR PROJECTS. FREQUENTLY THE COMPETITION IS NOT WITH ANOTHER MISSOURI COMMUNITY, BUT WITH A CITY IN AN ADJOINING STATE. IN SOUTHEAST MISSOURI, MY COMPETITION IS NOT JUST CAPE GIRARDEAU AND POPLAR BLUFF, BUT PADUCAH, KY, JONESBORO, AR, AND JACKSON, TN, AS WELL. ALL OF THE STATES WHICH SURROUND US HAVE AGGRESSIVE TAX ABATEMENT PROGRAMS, NOT JUST WITH REAL PROPERTY IMPROVEMENTS, BUT WITH THE PERSONAL PROPERTY TAXES ON MACHINERY AND EQUIPMENT. THE MISSOURI CONSTITUTION PRECLUDES PERSONAL PROPERTY TAX ABATEMENT IN MISSOURI, AND I AM NOT SUGGESTING THAT WE CHANGE THAT PHILOSOPHY, BUT IN ORDER TO REGAIN OUR COMPETITIVE POSITION, WE MUST CONTINUE TO HAVE A STRONG AD VALOREM TAX ABATEMENT PROGRAM.

I PROPOSE LEGISLATION WHICH WOULD ALLOW ALL 50+ ENTERPRISE ZONES IN MISSOURI TO EXTEND THEIR TAX ABATEMENT PROGRAMS FOR AN ADDITIONAL 20 YEARS. COUPLED WITH THAT, THE MO DEPARTMENT OF ECONOMIC DEVELOPMENT SHOULD BE REQUIRED TO EVALUATE THE TAX CREDIT PROGRAMS ASSOCIATED WITH THE ENTERPRISE ZONE AND TO CONSIDER REDUCING THE AMOUNT OF CREDITS WHICH MAY BE EARNED BY A NEW OR EXPANDING COMPANY SO THAT, AT MINIMUM, THE CREDITS EARNED DO NOT EXCEED THE COMPANY'S ACTUAL TAX LIABILITY TO THE STATE IN THE FIRST 5 YEARS OF OPERATIONS, AND NOT MORE THAN 50% OF THE COMPANY'S ACTUAL LIABILITY IN YEARS 6-10.

THE MISSOURI ECONOMIC DEVELOPMENT COUNCIL, OF WHICH I AM A LONG-STANDING MEMBER, AND THE REGIONAL DEVELOPERS ASSOCIATION OF THE MISSOURI BOOTHEEL STAND PREPARED TO WORK WITH THE GENERAL ASSEMBLY TO HELP MISSOURI RECOVER FROM THIS ECONOMIC NIGHTMARE WE HAVE BEEN GOING THROUGH FOR THE PAST 2-3 YEARS. WE APPLAUD THE LEADERSHIP FOR INITIATING THIS EFFORT TO FIND OUT WHAT'S NECESSARY TO GET US

BACK ON TRACK. I HOPE THAT THE SOLUTIONS CAN BE FOUND THROUGH RESPONSIBLE, BIPARTISAN DEBATE WITH FAIR AND DELIBERATE CONSIDERATION OF THESE AND OTHER SENSIBLE OPTIONS PROMOTED IN THIS AND IN OTHER REGIONS OF THIS GREAT STATE. I THINK WE WOULD ALL AGREE THAT TIME IS OF THE ESSENCE. WE MUST PUT MISSOURIANS BACK TO WORK IN JOBS WHICH PROVIDE A LIVING WAGE. ANYTHING LESS IS UNACCEPTABLE AND WOULD MOVE US EVER CLOSER TO THE PRECIPICE OF ECONOMIC RUIN.

THANK YOU FOR YOUR TIME AND ATTENTION. I WOULD BE HAPPY TO ANSWER ANY QUESTIONS WHICH YOU MAY HAVE.

APPENDIX PP

Written testimony of Ms. Bev Hickam,
Mineral Area College and
Missouri Association for Customized Training

Testimony Relating to Missouri's Customized Training Program
for the Interim Committee on Job Creation and Economic Development
November 18, 2003, 10:55 a.m.
Sikeston, Missouri

I am Bev Hickam, Director of Business and Industry Programs at Mineral Area College and Legislative Chairman for the Missouri Association for Customized Training (MACT). The MACT organization is mainly made up of individuals from educational institutions who administer training programs. I appreciate the opportunity to speak to you today concerning the Missouri Customized Training Program (MCTP) and its impact on economic development.

A wide variety of manufacturing and related companies from across Missouri have received assistance from the MCTP program. These companies have primarily been retraining their existing employees to work with new technology or expanding (adding new jobs). Funded companies include large (500+) and small manufacturers from both metropolitan and rural Missouri. Historically, over 500 companies have annually received funding and over 50,000 employees annually receive the benefits of this training.

The Missouri Customized Training Program is administered primarily through the Division of Workforce Development (in addition the Department of Elementary and Secondary Education also allocates money for training efforts). Currently, Missouri's community colleges, four-year colleges and several vocational schools participate in the program. These institutions write training grants on behalf of manufacturing companies and

related industries requesting funding. Once funded, these schools administer the projects and in many cases conduct the training.

Types of training conducted are classroom instruction, hard skills training, vendor training, job profiling, leadership/management/supervisory skills, ISO certification, lean manufacturing, etc. Substantial effort and money has been invested by these institutions in training instructors and acquiring equipment to assist these companies in their training efforts. This has resulted in strong relationships between Missouri employers and the education sector.

Customized training does work for Missouri and encourages economic development by:

- Enticing new companies to locate to Missouri
- Encouraging existing companies to invest in their employees, their facilities and their communities
- Offering an incentive for companies to expand their operations
- Supporting positive relationships between employees, employers, education agencies and the State of Missouri
- Enhancing employee career opportunities through increased skills and knowledge; and
- Strengthening communities through efficient and successful companies

In 2000 the Customized Training Program's funding level through the Division of Workforce Development was at $15 million; for fiscal year '04 the funding is $8.7 million. The Department of Elementary and Secondary Education funding level has

declined from $5.2 million in 2000 to $2.4 in 2004. The average award in the last 5 years has decreased from $60,000 per company to $30,000. The need continues to grow; however, the less money available, the fewer companies, employees and communities that are able to be helped. The industries in Missouri, the educational institutions and the Missouri Association for Customized Training urge you to sustain funding for this program which helps train workers for our businesses so they can remain competitive in the marketplace.

Attached are quotes from company personnel who have received funding through this program. In addition, two companies are represented here this morning to testify regarding the impact of this program on their organization: Clare Urhahn, Human Resource Supervisor, Rubbermaid Closet and Organization Products, located in Jackson, Missouri and Tony Myers, Human Resource Director, Centene Corporation, located in Farmington, Missouri.

I want to thank the committee for the chance to speak about the Missouri Customized Training Program. We will be glad to answer any questions you may have at the conclusion of the industry representatives remarks.

MCTP Works for Missouri

*Our partnership with the State and St. Louis Community College has played a critical role in developing our people and our processes. This assistance allows us to more fully develop and empower our employees, and is **vital to keeping us competitive in the marketplace.***

Mary Jane Harris
Plant Manager
Procter & Gamble
St. Louis, Missouri

*Our company underwent a total reorganization and MCTP funds assured our employees of obtaining the additional technical and supervisory training that was needed. During this time a substantial number of our **plants closed** throughout the U.S. **Fortunately, we were not one of those plants.** Missouri's commitment to our facility, demonstrated to our Corporate officials how important Standard Register is to, not only the city and county, but the state of Missouri.*

Harold Pechie, Plant Manager
Standard Register Company
Kirksville, Missouri

*We are small business owners and really appreciate all of the assistance the Customized Training Program gives us. It seems in this day and age that we take one step forward and get pushed ten steps back with all the requirements of owning a business. It is nice to feel that we are getting a "hand up" once in a while. We used MCTP to help us conduct training in ISO-9001 quality standards and on various machines in our shop. I feel that **all businesses can benefit from this program!***

Suzanne Reiker, Owner
Progressive Tool & Die, Inc
Union, Missouri

*The MCTP provided a valuable foundation to help our associates **prepare for and successfully complete our ISO certification audit**. As we continue implementing new methods and ideas, we are confident the ongoing training will prepare our associates to integrate successfully into our processes.*

L. Herbert King
CEO, President
King Safety Products
St. Charles, Missouri

***MCTP played a role** in the decision **to locate Fantasia in Missouri.** With our second expansion, we can see how MCTP continues to make a difference in our ability to remain profitable, to invest in cutting edge technologies, and to continue to make an investment in this community. The support and educational opportunities provided by State Fair Community College completed our positive experience with MCTP.*

Dennis Winnett,
Regional Plant Manager
Multifoods
Sedalia, Missouri

*Sara Lee Foods has benefited from the customized training funds by developing a well-trained workforce. This training ensures customer satisfaction by producing quality products. The training also provides a **mechanism for employees to better themselves** professionally while positioning them for advancement in the company.*

Sara Lee Foods
St. Joseph, Missouri

*The training we have been able to provide through this program has become an important part of our business for both SUSA and our employees. Our sales over the years have continuously increased along with our customer base. The amount of our **sales today is nearly 5 times what it was eight (8) years ago. Our turnover rate has averaged just 11%.** I contribute this as well as our growth to having a well-trained workforce which we couldn't do without the help of MCTP.*

Allen Redfearn, President
Starting USA Corporation (SUSA)
Poplar Bluff, Missouri

*The maintenance training enabled us to develop and utilize our internal talent as opposed to outsourcing jobs that cost more. We estimate that we have **reduced outsourcing maintenance costs by 25%.** Prior to our Basic Supervisory training program, our turnover was nearly 33% annually. At the conclusion of this training, our **turnover was reduced to 13% annually**. Our partnership with Mineral Area College and MCTP has been very successful to the structural improvements of our company.*

Rhonda Ruark, SPHR, Human Resource Manager
TG Missouri Corporation, Perryville, Missouri

*MCTP gives us the ability to teach our employees the technical skills necessary to survive in today's printing plant. **We are able to hire many more Missouri employees** as a result of this program.*

Jerry Himmelberg
Training Administrator
Banta Publications
Kansas City, Missouri

*This is Cott's first year utilizing the MCTP. There has been an immediate gain from this training—untrained lead supervisors come back from training with skills that they did not previously have. Our mechanics (PLC and pneumatics training) have come back with new skills. I would really hate to see the state eliminate this type of program for **it is a powerful tool for the state of Missouri** to get the skills that are required to attract new business or expand current business.*

Dave Strokoff, Plant Manager
Cott Beverages
Sikeston, Missouri

Our goal is to implement Lean Manufacturing Systems. MCTP is providing assistance in allowing current and potential customers to recognize RX Systems as the leader in service and quality, while developing a positive culture where employees take pride in working for RX Systems and increasing profits so monies are available for growth.

Richard B. Jensen, President
RX Systems, Inc.
St. Charles, Missouri

*Our residential and commercial cabinetry producing company has received funding through MCTP to develop job aides to give the employees a resource to find critical information needed to keep vital machinery operating efficiently, for training in strategic planning and problem solving, WorkKeys Job Profiling, and supervisory training. Without this assistance from MCTP through Mineral Area College, our company's training programs would not be as extensive and our workforce would not be as efficient. We strongly support the continuance of this program and view it as a **strong economic tool for Missouri**.*

Steve Seyer, President
S&W Cabinets
Chaffe, Missouri

*We strive for excellence in training. We achieve this goal in large part due to the assistance we receive from MCTP. **When the opportunity arises for us to create new jobs, we feel comfortable doing so due in part to the assistance we receive**. The number of employees at this facility has more than doubled and we have opened a new facility in the Springfield, MO area. We look forward to a continued relationship as a participant in the Missouri Customized Training Program as a means for us to continue growing and making Missouri a place of opportunity for employees.*

Bill Allen, CFO
Central Detroit Diesel- Allison, Liberty, Missouri

*The MCTP, through OTC, has enabled us to train our employees to **upgrade automation and expand our product line** while maintaining our quality standards, job efficiencies, and Altrisat core values.*

Vickie Darrow, Controller
Unimark Plastics Company
Springfield, Missouri

*Increased productivity. Higher morale. Effective change management are goals of our organization. The money provided by the MCTP has assisted us in all of these areas. For example, one large need was for electronic technicians to maintain our equipment. **Using MCTP and O'Sullivan funds**, these individuals received training in electronics, PLC and electrical skills. This training dramatically **improved the up-time of our equipment**. Employees also benefit with improved job performance and the ability to be promoted into higher paying jobs.*

Larry Edge, Director of Training and Development
O'Sullivan Industries, Lamar, Missouri

Noranda Aluminum is a world wide commodity. Higher power costs in the U.S. and growing competition from Russia and China (cheap labor) are changing the face of our industry. In the end, the prize will go to the low cost producer, which in our industry is the company that improves its efficiencies, eliminates waste, and keeps its processes under control. The low cost producer is also the company that has the best trained workforce...a workforce that is taught not only what to do, but why they are doing the work process a certain way.

***Effective training is not costly. It pays dividends**. It helps companies survive in a competitive world market. Without this continued investment through the MCTP, companies like ours will have a harder time remaining profitable and competitive.*

Steve McPheeters
Superintendent -Training and Development
Noranda Aluminum
New Madrid, Missouri

*Lone Star Industries, Inc. has participated in the MCTP to promote career training that increases the knowledge base of our employees, and is a **winning combination for employer and employee**. We have employees that are progressing though the organization, and assuming greater responsibility at an accelerated pace. I feel that management and the rank and file both have benefited from this funding, and I would respectfully request that it be continued.*

Steve Leus, Plant Manager
Lone Star Industries
Cape Girardeau, Missouri

*We are in a Global Economy and remaining competitive is one of our Key Operating Indicators. ... It is critical that we remain competitive as jobs are going to Mexico every day and we depend on **MCTP as a critical element of our ongoing success**.*

James D. Pry, Plant Manager **Gates Rubber Company** **Poplar Bluff, Missouri**

APPENDIX QQ

Written testimony of Mr. Charlie Kruse,
Missouri Farm Bureau

House Interim Committee on Job Creation and Economic Development
November 18, 2003
Sikeston

Mr. Chairman, members of the Committee, on behalf of Missouri Farm Bureau, the state's largest farm organization, thank you for the opportunity to participate in this hearing. I'm Charlie Kruse, President of Missouri Farm Bureau and a fourth generation crop farmer from Dexter in Stoddard County just 30 miles from here.

Missouri Farm Bureau reached a milestone this year surpassing 100,000 member families, an achievement that we are very proud of and one that reflects the commitment of county Farm Bureau volunteer leaders, county staff in offices throughout the state, and home office staff.

Today I'd like to give you Farm Bureau's perspective on agriculture as an economic engine at the local, state and national levels. The official source of statistical information pertaining to agriculture is the U.S. Department of Agriculture's National Agricultural Statistics Service and its state branch offices. The following statistics are from the *2002 Missouri Farm Facts* report issued by the Missouri Agricultural Statistics Service:

- Missouri's 108,000 farms produced and sold about $4.82 billion worth of crops, livestock, poultry and aquaculture products in 2001.

- Among the states, Missouri ranks in the top ten in the number of farms overall and in cattle, hog and milk cow operations, and in production of soybeans, corn, rice, cotton, hay and watermelon.

- Leading counties in production of corn and soybeans are in the Bootheel region and north Missouri. Hay production is lead by counties in north, central and southwest Missouri. Leading cattle counties are in central and southwest Missouri and milk cows in southwest and south central. Poultry and hogs are somewhat more dispersed with concentrations in southwest and north/central counties, respectively.

- Horticultural crops are becoming an increasingly important component of Missouri's agricultural production. Vegetable production generated more than $32 million in gross sales in 2001, led by Dunklin and Mississippi Counties here in the Bootheel in acreage planted. Grapes, apples, peaches and watermelon are Missouri's primary fruit crops. In 2000 floriculture and nursery product sales generated nearly $250 million in cash receipts and $40 million in wholesale value, respectively.

These statistics clearly highlight the importance of Missouri agriculture to the state's economy as well as two distinct features: diversity in production and a high population of relatively small operations. Public policy targeting job creation and economic development should build on these and other features specific to Missouri agriculture.

Cutting regulatory costs through meaningful regulatory reform is a key public policy initiative related to economic viability that we strongly urge the committee to pursue. Legislation to reform the environmental rulemaking process passed both chambers this year but was stopped by a filibuster in the Senate in the last few days of the legislative session. Tracking the promulgation of regulations by state and federal agencies over the course of months or years for any one proposal and calculating costs imposed by regulations, especially cumulative costs, is no simple task. We support refining existing requirements to direct agencies to provide more meaningful cost estimates on regulations. We also support requiring agencies to identify alternatives to proposed regulations and disclose the rationale for selecting the proposed regulation. In addition, we support requiring that regulations be based on sound science. These measures would set a higher standard for agencies to meet to justify new regulations early in the rulemaking process before even proposing regulations.

A few years ago the chief production assistant to Orion Samuelson, who is and has long been one of the nation's best-known and respected agricultural broadcasters, told me that in talking with people across the country more than one person said that Missouri has a reputation as a state unfriendly to agriculture - - that Missouri's regulations were tougher than almost anywhere else. At a water quality hearing in Branson in October, DNR Director Steve Mahfood told the committee that criticism of the department for overregulation of agriculture is unfounded. As evidence, he cited the fact that there are more than 100,000 farms in Missouri and only 450

livestock operations are permitted. If only permitted operations were regulated, this statement might carry more weight.

To their credit, DNR has been a strong ally fighting for the state's interests with regard to the Missouri and Mississippi Rivers, natural resources on which many livelihoods depend. On the Missouri river, regional economic benefits derived from commerce are estimated at $75-200 million annually. When upriver states pressed the U.S. Army Corps of Engineers to reduce the river flow this summer to less-than-minimum navigation service levels, navigation operations and river grain terminals lost approximately $7 million. In this part of the state, management of the Missouri River is also a serious concern because the Mississippi River flow can fluctuate dramatically due to the Missouri River. One of the alternative management plans currently under consideration by the Corps would have an estimated $7.5-30 million annual economic impact on Mississippi River commerce and industry.

The Mississippi River has also been embroiled in controversy. The Corps is studying future management of the 1,200 mile river stretch and considering navigation projects that could cost up to $2.3 billion and the cost of environmental projects exceeding $8 billion. Missouri Farm Bureau strongly supports plans for seven new 1,200 foot locks on the Illinois and Mississippi Rivers. Aside from making our farm products more competitive in foreign markets, a single 15 barge tow takes 870 semi trucks off our roads and reduces emissions by up to 60 percent.

Tax relief is another critical aspect of job growth and economic development. This year the Missouri Department of Revenue proposed new limitations on sales tax exemptions for farm machinery, equipment and supplies. Thanks to action by the Missouri General Assembly, existing exemptions remain unchanged. Especially in difficult years like the past five when farm income has lagged due to weather, input costs, and weak markets, these sales tax exemptions that are available to every farmer and rancher for big-ticket items like combines or less costly parts and supplies can influence many purchases. Moreover, if Missouri's sales tax exemptions become less favorable than those in neighboring states, Missouri equipment dealers and ag supply retailers will inevitably lose sales.

Missouri's rural economy depends on the profitability of farmers and ranchers. Controlling regulatory and tax burdens strengthens a farmer or

rancher's bottom line. Increasing sales by expanding domestic and overseas markets strengthens the industry's bottom line and creates jobs not only in agriculture but other sectors. Missouri's potential to lead the Midwest and perhaps the nation in biotechnology offers unique opportunities for Missouri agriculture.

The Life Sciences Center under construction at the University of Missouri in Columbia represents an investment in research capabilities that can give Missouri an edge in the highly competitive world of biotechnology and other state-of-the-art life sciences technologies.

Value-added agriculture in Missouri covers a broad range of ventures. One common element is the need for investment capital. In 1999 legislation creating the New Generation Cooperative Tax Credit Program was passed and signed into law with bipartisan support. To show our support for value-added agriculture and at the same time put cash in farmers' pockets, Missouri Farm Bureau purchased tax credits at 100% face value from farmers who invested in Missouri's ethanol facilities and other qualified processing facilities. However, until administrative or legislative action is taken to allow the use of these credits against quarterly tax liability, we have suspended purchases. As you know, legislation to address this situation was passed this year but vetoed.

Other non-traditional production opportunities include "specialty crops" that may be an option for farmers who can meet specific production criteria for pharmaceutical and other products whose value is greater than conventional commodities. Legislation proposed this year by the Missouri Soybean Association would have enabled farmers to organize what would be called "grower districts" and to collectively enter into agreements to produce specialty crops under terms that might require limited authority to operate as a political subdivision. This proposal needs further refinement, but it is a proactive approach to promoting high-value agricultural production in Missouri.

At a recent Congressional hearing on U.S.-China trade, I testified on behalf of the American Farm Bureau. China is a huge untapped market for American agricultural and other exports. Middle class consumers in developing countries are our most promising potential customers, and China's middle class is projected to grow from approximately 340 million in 1996 to 525 million in 2006. According to USDA, agricultural exports

support 850,000 jobs in rural and metropolitan America, both on and off the farm. Agricultural exports generate a greater share of total employment benefits to rural communities than other export industries. In 2003, U.S. agricultural exports valued at $57 billion are projected to generate $84.4 billion in additional economic activity for a total of $132 billion.

The value of Missouri's agricultural exports in 2001 was $1.14 billion, up 14% from 2000, led by soybeans and feed grains and products derived from these commodities. As Director of Agriculture during the Ashcroft Administration, I had the good fortune to work with talented and dedicated individuals in the International Marketing Program at the Missouri Department of Agriculture when we opened offices in Taipei and Guadalajara to keep up with demand for Missouri agricultural products. Sales and trade activity generated in these and other export markets mean job creation and economic development at home.

In addition to cutting regulatory costs and expanding markets, keeping productive land in production and supporting the viability of rural communities means protecting farmers and ranchers who want to farm from being forced to sell. Directly or indirectly, many farmers are feeling the pressure from urban development. Tomorrow a hearing on eminent domain is scheduled in St. Charles County, the county with the fastest population growth in Missouri. Local Farm Bureau leaders have worked closely with county officials as several land use planning proposals have been considered. Although most of these landowners prefer to keep their land in production, some want to reserve the right to sell. Public policy decisions about eminent domain and land use planning will affect landowners who find themselves in the position of deciding whether to be a willing seller or an unwilling seller who sells.

Missouri's recent record of job losses is disturbing but solvable. Agriculture is one of Missouri's most vital economic engines. The Missouri dairy industry is a prime example of how economically important agriculture is to rural communities. Once a thriving part of many areas in our state, over the past few years the dairy industry has faced significant losses in number of producers, average milk production per cow and total milk production. The Missouri Dairy Growth Council, a coalition of dairy industry organizations and business entities, has recognized the importance of revitalizing dairy production in Missouri and have worked together to implement the Missouri Dairy Industry Plan. The plan contains actions, goals and objectives to

breathe life back into the dairy industry which will in turn create jobs and an economic stimulus for the state. I hope the General Assembly will support these efforts and assist where possible to help make this endeavor successful.

On behalf of Missouri Farm Bureau, we look forward to working with you on job creation, economic development and other public policy issues. Thank you again for the opportunity to participate in this hearing.

APPENDIX RR

Written testimony of Ms. Missy Marshall,
Sikeston Area Chamber of Commerce

Summary of comments made by Sikeston Area Chamber of Commerce Executive Director, Missy Marshall

Thank you Mr. Chairman and committee members for this opportunity to speak to you today.

I am here today to stress the importance of continued funding for customized training in Missouri and particularly here in southeast Missouri. Almost two years ago the Bootheel Regional Training Group was formed with six area businesses/manufacturers participating. The BRTG now has 10 members that include Noranda Aluminum, Cott Beverage, Nestle/Purina, Alan Wire, Associated Electric, Good Humor-Breyer, Rowe Furniture, Duckett Truck Center, Ferguson Medical Group, and Arvin. They represent over 3,000 workers who reside in an eight county area of southeast Missouri.

The Bootheel Regional Training Group (BRTG) works closely with the Sikeston Area Higher Education Center, Southeast Missouri State University and Three Rivers Community College to meet the areas industrial training needs. The BRTG meets monthly to discuss and plan future training programs some of the training programs conducted to date include hydraulics, supervisory leadership training, basic electricity, and OSHA safety and accident inspection training just to name a few.

The members of the BRTG have found this consortium to be a great savings in time and money. For example a class may consist of employees from Good Humor-Breyer, Cott Beverage, Noranda Aluminum, and Duckett Truck Center. It may take 15 people to "make the class" so there may be 5 employees from Noranda, 4 from Cott, 4 from Good Humor-Breyer and 2 from Duckett. By combining the employees the employer does not shoulder the burden of having enough students. This shared method is more cost and time effective for the employer allowing them to send employees when it works out best for the employer and employee. The employers can rotate employees through as the class becomes available. It makes since to contract one instructor to come in and teach employees from multiple businesses the employees and businesses also benefit from the sharing of problems and solutions that takes place between the employees. The classes are held at the Sikeston Area Higher Education Center so the employees do not have to travel far from their workplace, again a savings of time and money for the businesses.

My point is that the BRTG has been able to use and maximize the state's customize training dollars to improve the quality of our area workforce and therefore improve their production. The manufacturers and businesses in our area are like everyone everywhere and watching their bottom line. The trainings conducted the last two years through the Bootheel Regional Training Group and the state dollars have

improved that bottom line which helps keep those companies in southeast Missouri providing a payroll, which rolls over several times in the various communities the employees live and conduct business supporting our local economies. Missouri can not afford to lose anymore jobs and these training dollars are an enticement to get businesses to stay and allows the area workforce to become more skilled at the same time.

This year the BRTG was successful in obtaining over $50,000 in training funds and will training over 300 employees that breaks out to just over $166.00 per employee which is "cheap" for customized training. The Bootheel Regional Training Group has found a way to make a difference with state funds and it would be a shame to not support it.

I would also like to speak to the group about funding of Higher Education. This actually ties into to our workforce development needs in southeast Missouri. Thanks to centers such as the Sikeston Area Higher Education Center individuals who do not have a degree or who are wanting to change careers and need specific courses are able to work, go to school, and stay close to home. Centers such as these are appealing to perspective businesses. It shows them the education opportunities available to the area work force.

We in rural Missouri are dealing with the economics issues of high school students trying to further their education and the centers allow families who can not afford to send a child off to school to still provide higher education opportunities while living at home. Once again this is improving the workforce pool which makes the area more attractive to potential businesses.

Missouri needs jobs and the state needs to do everything in its power to create a positive environment for training and learning. Funding of customized training and higher education will help make our state and our area more attractive to new business, and will help existing business stay in Missouri.

APPENDIX SS

Written testimony of Mr. Barry Martin,
Monsanto

MO Interim Committee on Job Creation & Economic Development

Show Map of Monsanto Soybean Production Facilities in U. S.

- The Matthews facility is Monsanto's Southern most Soybean Production Facility.

I'd like to begin by giving you a little history about the Matthews facility then mention a few of our contributions towards community service, economic impact and employment.

Matthews Facility History:

- In 1982, Asgrow Seed Company purchased 20 acres of land just off I-55 at the Matthews, Mo exit.

- In 1983, soybean seed production was contracted with local growers and a conditioning plant was built that would process approximately 350,000 units/year. Volumes continued to grow each year thereafter.

- 1998 – Monsanto acquired Asgrow Seed Company

- Today – due to market growth, Monsanto has responded with capital improvements over the years to allow the facility to now have a capacity of approximately 2,000,000 units/year.

- In August, 2000 – the Matthews facility went on record as being the first agricultural site in North America to receive OSHA's highest honor in safety which is the STAR status in the Voluntary Protection Program.

- In December, 2001 – the Matthews facility achieved ISO 9000 certification. The International Standards of Organization certification is awarded for meeting the highest standards of management practices while having consistent quality performance. The Matthews facility is among a select group of seed facilities that are currently registered as being ISO 9000 certified.

- Product stewardship and quality management are core values at Monsanto and this ISO initiative will carry our continuous improvement efforts to a new level of performance.

To Give a Perspective of our Growing Area:

- Matthews facility manages soybean seed production in Southeast Missouri, NE Arkansas, West Kentucky and North Carolina.

- In North Carolina, we work with what we refer to as tollers. These are businesses that are under contract to produce, package and distribute soybean seed that meets Monsanto's specifications to our customers on the East Coast.

- To bring this to a local level, of this total production, we generally have around 50,000 acres of seed production within a 50 mile radius of the Matthews facility.

- The average # of seed production growers per year in this Southeast Missouri area is around 300.

- This year we are producing 16 varieties in maturity groups 4.6 – 6.2.

In reference to our distribution area for packaged product:

- Matthews facility is responsible for producing and conditioning varieties that service approximately 20 states in the Mid South and East Coast regions.

A Few Items in Reference to Community Service:

- In the past the Matthews facility has received the Sikeston, MO Community Service Award for Fire Safety.

- In the past the Matthews facility has received the honor of being chosen as the Sikeston Area Chamber of Commerce Industry of the Month.

- We donate annually to local United Way Chapter.

- In 2001 we donated new fire suits to local fire department (Marston, MO) through Monsanto fund grant.

For Financial Contributions to Surrounding Area in 2002

- Monsanto places a premium on grower education. This emphasis is designed to help Monsanto recoup high quality seed to deliver to the market place while allowing the grower to realize the full financial benefit of being a seed grower.

To put this in monetary form, in 2002:

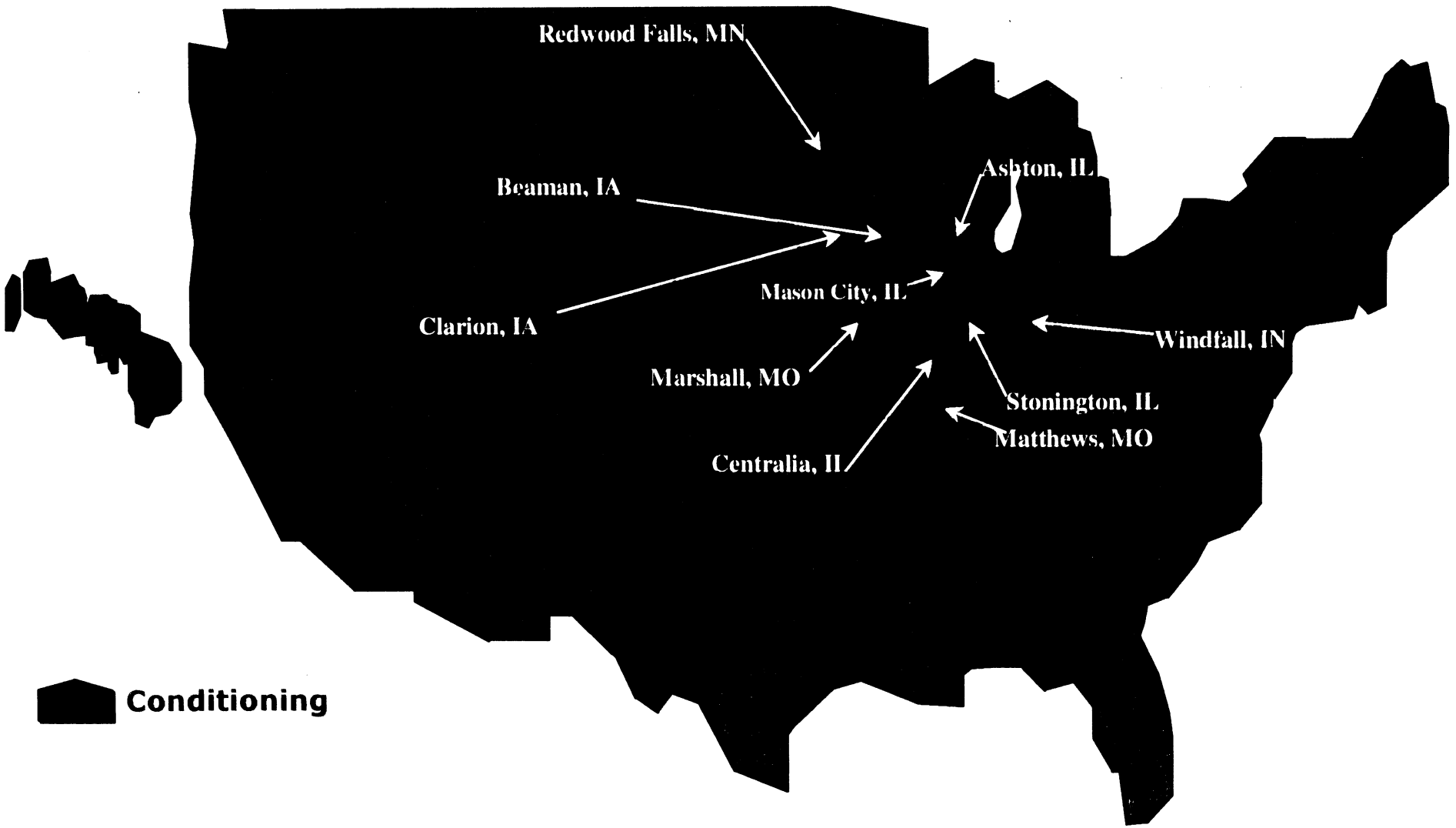
- Payments to Growers - $17,000,000
- Payments to Vendors - $3,200,000
- Employee Wages - $953,000

Employment:

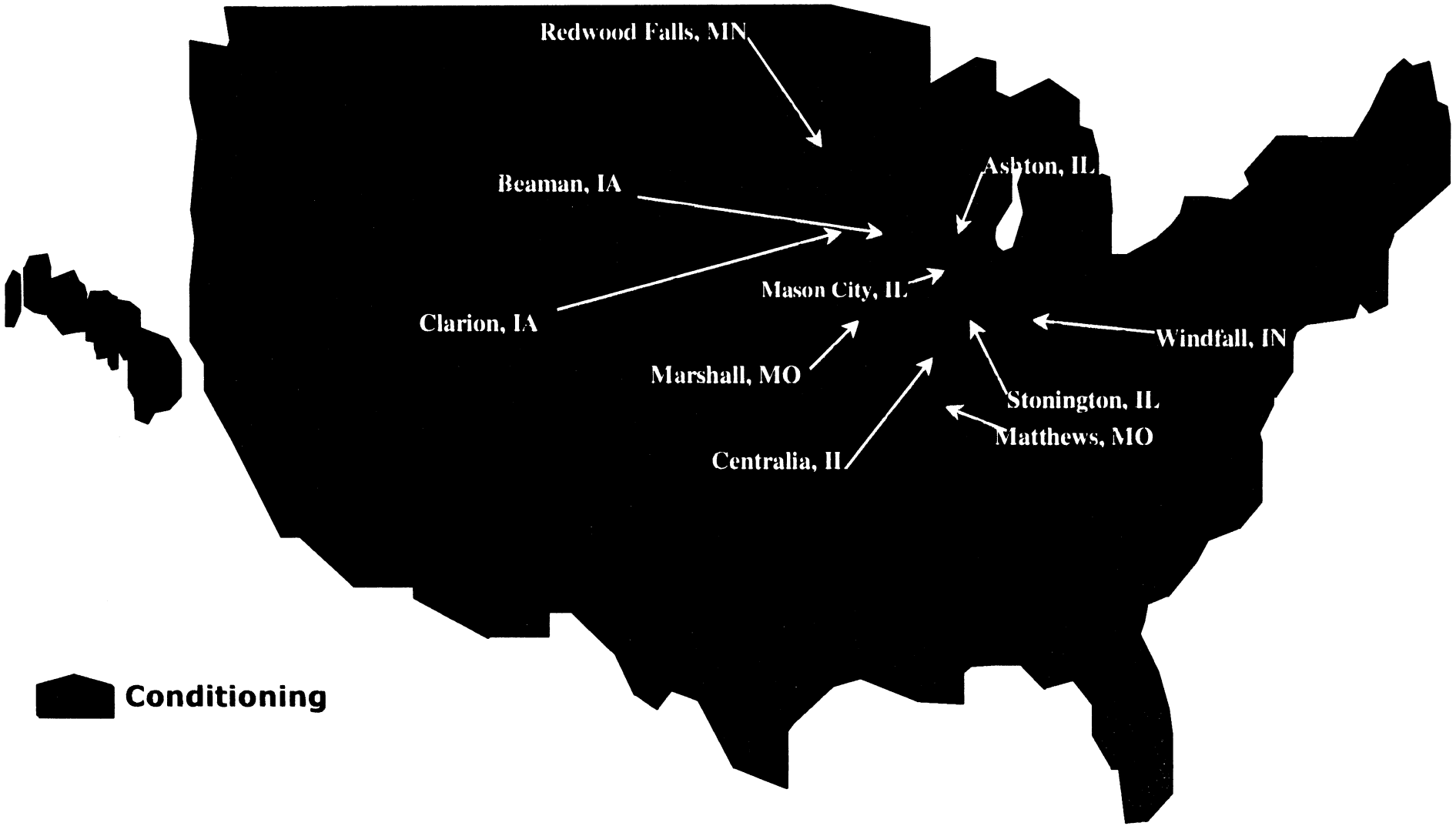
- Resources For Employment Candidates:
  1. Solicit via local newspaper ads
  2. Post job opening at our facility
  3. Post on Monsanto website
  4. Current employee referrals
  5. Local employment agencies (i.e. Manpower)
- Experience in the area of any job opening is to the candidate's advantage but generally not required. We have training programs on site that will prepare a person for job duties.
- We are currently at peak employment timeframe (Oct – April)
- Current employee status:
  61 total - 24 Fulltime (45% diversified 9 female, 2 Hispanic)
  37 Seasonal
- Current workforce represents 15 different surrounding communities.
- We are fortunate that approximately 50% of our seasonal workforce are returning Employees from the previous year.

With that I conclude my ~~presentation~~ testimony & defer to any questions.

North America Soybean Production



North America Soybean Production



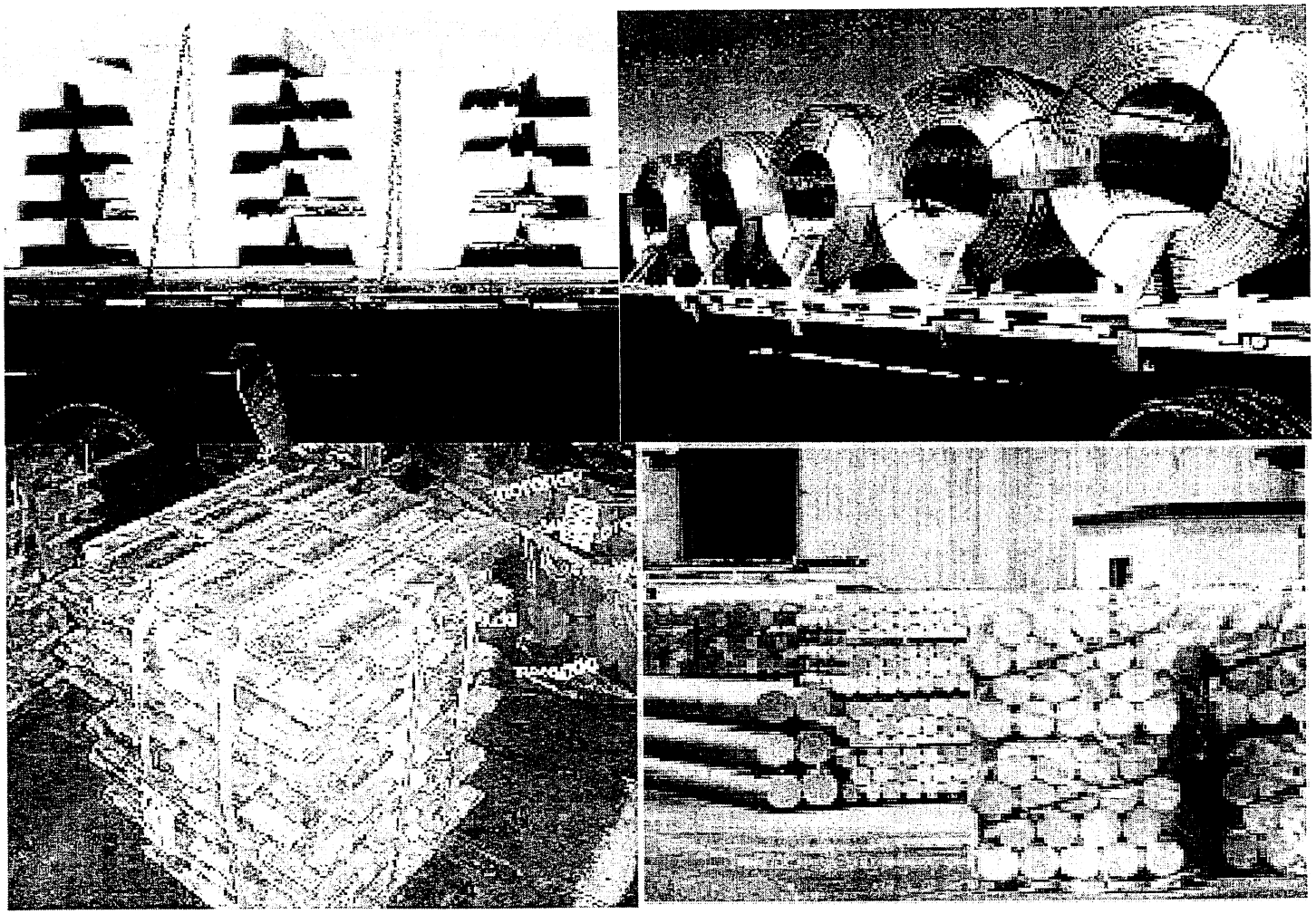
APPENDIX TT

Written testimony of Mr. Steve McPheeters,
St. Jude Industrial Park and Noranda Aluminum, Inc

House Interim Committee on Job Creation and Economic Development 11/18/03

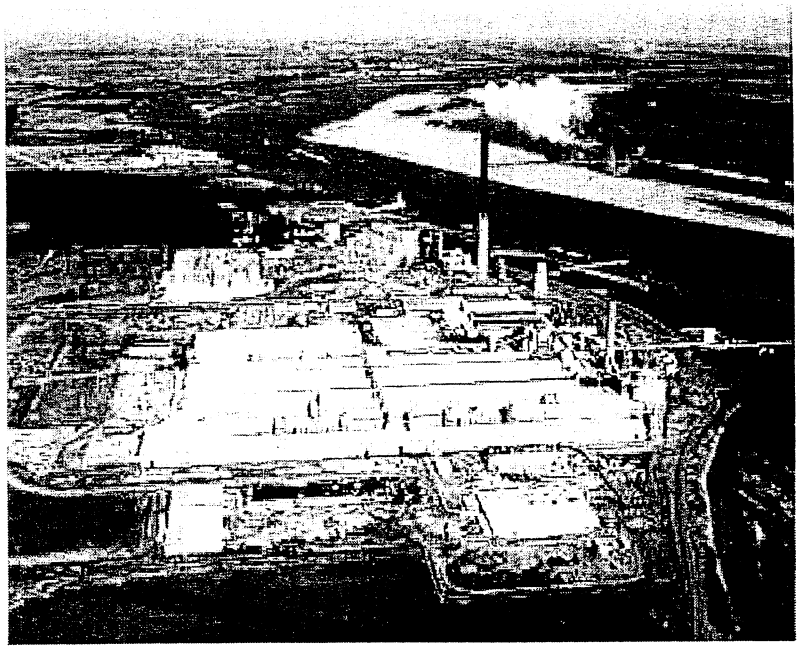
Testimony – Steve Mc Pheeters – Mgr.
St. Jude Industrial Park – Supt.
Training & Dvlp – Noranda Aluminum,
Inc. In New Madrid, Mo.

Noranda Aluminum Inc.
Primary Products Division
New Madrid, Missouri



Noranda Aluminum, Inc.
Primary Products

Our Profile



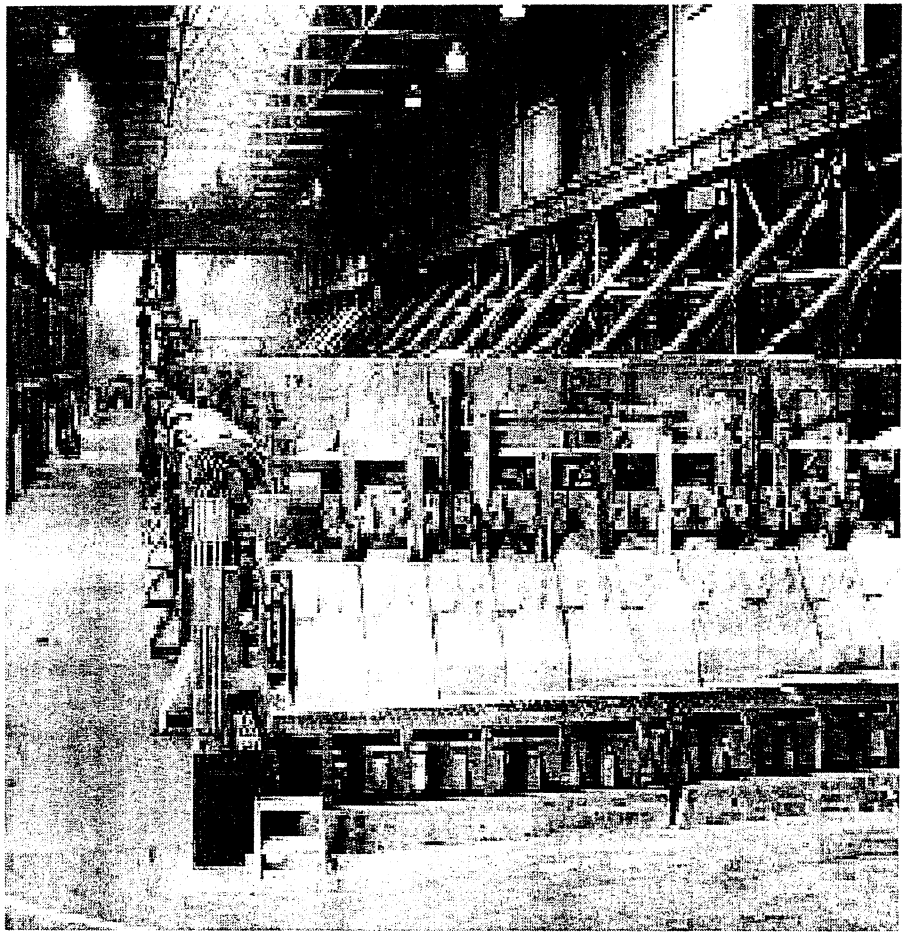
- **Over 544 million pounds of primary aluminum products per year**
- **Annual revenues: $380 million** (2002)
- **Net fixed assets: $270 million**
- **1,100 Employees**
- **$75 Million Annual Payroll**
- **$22 Million in locally purchased Goods and Services**

Noranda Aluminum, Inc.
Primary Products
Energy and Our Industry Go Hand In Hand

- **Largest single consumer of power in the state of Missouri**

- **Power: 470 MW power demand**
  - **Approximately $110 Million/year**
  - **Represents 30% or 21 cents/pound**

- **Natural Gas: 1.46 bcf/year**
  - **Approximately $8 million/year**



Noranda Aluminum, Inc.
Primary Products

Energy: Costs escalating at an alarming rate

Energy costs represent 1/3 of cash operating costs today.

Power: Increase of approximately $27 million per year in mid-2003, or roughly 4.5-4.7 cents per pound.

Natural gas: Cost increase three-fold over three years.



Noranda Aluminum, Inc.
Primary Products



- **Primary aluminum production requires affordable power.**
  - **Under $30/MWhr**
  - **Average global aluminum power rate is about $18/MWhr**
    - **75% aluminum production below $25/MWwh**
    - **U.S. in top quartile**
- **1.5 million tonnes capacity curtailed in Pacific Northwest due to power cost.**
- **Aluminum reduction plants in Kentucky, Indiana, South Carolina, New York operate under long-term contracts.**

Noranda Aluminum, Inc.
Primary Products



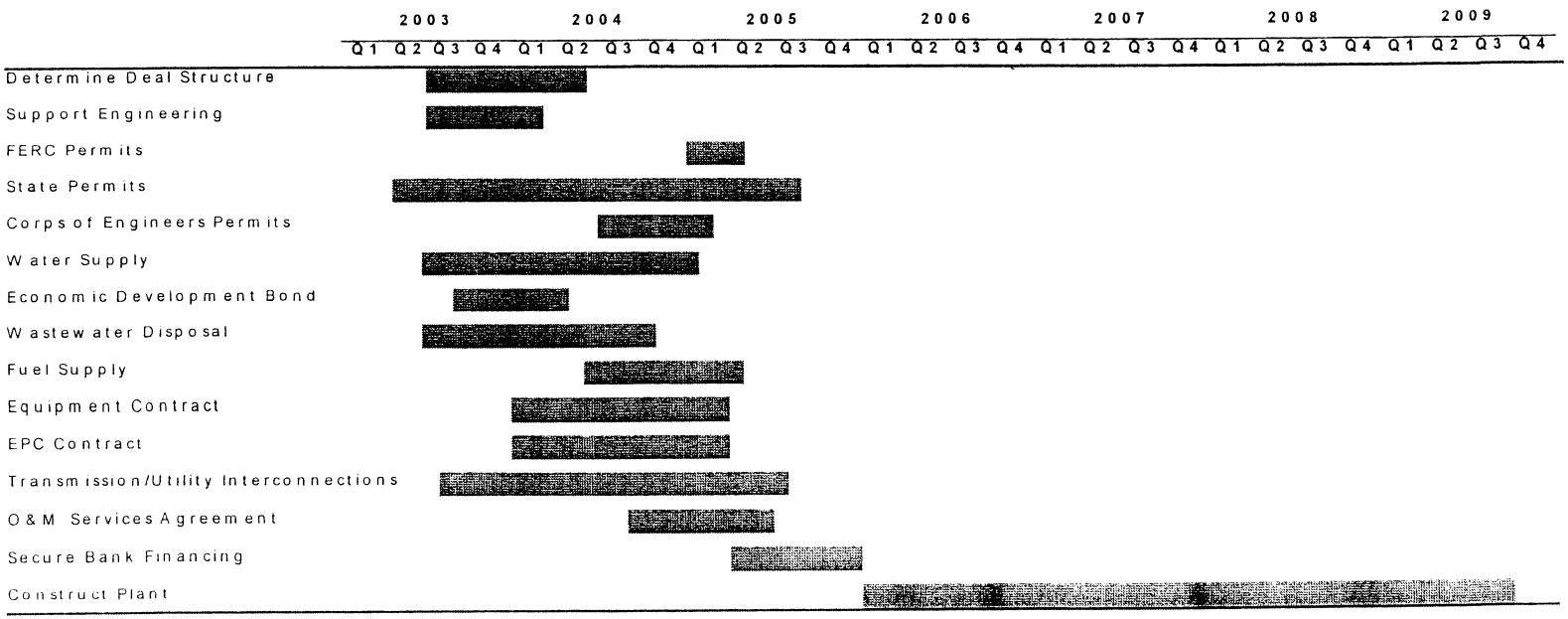
- Noranda has not been able to find an affordable long-term power contract.
- Energy costs, unless addressed, could very likely result in Noranda's closure as near as 2 years from now.
- Legislation passed in 2003 added a great deal of flexibility, but doesn't guarantee affordable power.
- Can the legislative process effectively safeguard the manufacturing base in this state?

ABC's of Electric Generation Planning

A. Our society continues to use more and more electrical energy. Forecast show increases of over 2% per year
B. Our existing generation fleet is aging and facing significant new environmental expenses.
C. New Generation is capital intensive and takes long lead times
D. We are all in this for the long haul

C-1: Coal Requires 6-7 Years to Develop

- Construction – 42 Months for 600 MW unit
- Air Permit – At least 12 Months after accepted by MDNR as complete – after obtaining background air data – after designing what you are going to build
- Landfill Permit – 24 to 36 Months
- Transmission Interconnection Request – 12 Months
- Site Identification and Land condemnation ?
- Negotiating in excess of $1B in contracts ?



C-2: Coal is Expensive and Raises Financial Concerns

- Cost to build 600 MW Coal plant ~ $1.2 Billion
- For an IOU, development of an owned facility will require large capital market issues for debt and equity, and timing of recovery of costs will strain balance sheet
  - Low Rates of Return
  - Long depreciation
  - Regulatory lag
  - No CWIP in rate base

Job Creation and Economic Development

- Level the playing field
- Benchmark Surrounding States
- Make Missouri Competitive

Jobs and Economic Development

- St. Jude Industrial Park
- 4,300 Acres
- Interstate Highway
- New Madrid County Port
- Good neighbors – Associated Electric and Riceland Foods.
- Available workforce- Training Facilities
- Why wouldn't people want to locate here

Missouri Costs of Doing Business Too High

- Kentucky, Tennessee, Arkansas – Right To Work States
- Workman's Compensation has been reformed in those states to reflect fairness and balance
- Other costs are much higher in Missouri
- A host of reforms needed, proposed but not passed in 2003
- Not a Republican versus Democrat Issue/ It's Survival for Missouri Companies

Benchmarking Jobs and Economic Development

- Western Tennessee Industrial Association, involving Cities, Counties and C of C's
- 2410 New Jobs in 2002 in Western Tennessee
- $213,000,000 in Investments in Western Tennessee
- Southeast Missouri netted approximately 120 new jobs in 2002.
- Should we not investigate/benchmark?

Regional Economic Development

- Many examples of counties, cities and chambers working together toward regional economic development.
- 6 Southeast Missouri Counties exploring the idea of a Regional Economic Development in order to compete with surrounding states.
- Missouri legislature can help by passing common sense legislation to improve the overall business climate in our state.

Support Higher Education and Customized Training

- Sikeston Area Higher Education Center is a model for the state in meeting needs
- Southeast and Three Rivers partnering to support educational needs of citizens and training needs of business and industry
- SAHEC has nearly 1,600 students and 300 business and industry people taking training through the Bootheel Regional Training Group – A 10 member training consortium.

Support Higher Education and Customized Training

- Keep as much funding in higher education and training as possible
- Continue to fund customized training to regional training consortiums and business and industry
- Missouri training and education model is a good one
- Keeping these dollars in place is a good investment/strategy for job and industry retention and new recruitment as well

APPENDIX UU

Written testimony of Mr. Tony Myers,
Centene Corporation and
Missouri Customized Training Program

Customized Training

As a current member of MTEC, the state board for training and employment, a former provider of Customized Training, and a recipient/administrator for the past 12 years, my support of the Missouri Customized Training program is based on facts and proven experience.

Serving on the Governor's Council for the past two years has given me the opportunity to be a part of many strategic planning sessions in which we discuss the state of our state and what it takes to retain and recruit businesses which create jobs and taxes for the State of Missouri. Many people don't want to discuss this; some call it "corporate welfare", but the bottom line is the State of Missouri is in a competitive situation. We lost more jobs last year than any state in the Union. Overcoming and replenishing that loss stems back to what we have to offer these companies.

Two of the most important selling points for businesses to consider in Missouri are directly related to the Customized Training program. That is the money available to assist businesses in the training and development of our most precious resource---**People.** Without the funding to assist in this investment for the citizens of our state, we lose pace with our competitors; and then these job producing, tax paying companies go elsewhere. It is simple: It takes an investment to make money. We cannot continue to fall behind with this program.

As a former provider of Customized Training and a program administrator for my employers the past 12 years, I can tell you without Customized Training assistance, hundreds of great employees would have missed out on opportunities to develop themselves and would not have contributed to the leadership needed for success. This program develops

people so they become more valuable, get promoted, make more income, and ensures Missouri companies stay here to prosper. Potential new businesses ask the questions, "Do you have the productive people and proven leaders to help us succeed in Missouri?" Without Customized Training, we lag behind.

I can tell two true stories. The company I am with right now had many states who recruited them. The state's Customized Training program and the opportunity to utilize the benefit in the development of people was a major factor in deciding on Missouri. With the help of Customized Training, we are now six times larger and still growing. Without the Customized Training program, we question our ability to continue the development needed in our projections to triple in size again. Our business can be conducted anywhere. Currently we choose Missouri, and Customized Training is a major factor. The company which I worked previously made the decision to purchase a competitive business in another state and moved it to Missouri because of the assistance Customized Training offered here. The had other options. They picked Missouri because of Customized Training.

You must understand that this program is not nice to do. It is a necessity. We need this program for the opportunity to prosper. Without it, we are at a definite disadvantage. We shouldn't have to discuss this every year and continue to see the program be cut. The budgeted amount should never be an option. Other states have passed legislation to ensure these programs are apriority. We cannot continue to fall behind. Believe me, I understand the budget shortfall, but this is a program that supports income generation for the state budget through job creation and taxes.

People are the difference between good companies and great companies. Customized Training is the key ingredient in that important equation. It is a necessity for Missouri.

Thank You!

APPENDIX VV

Written testimony of Mr. D. Mitch Robinson,
Cape Girardeau Area Industrial Recruitment Association
and MEDC

CAPE GIRARDEAU AREA
INDUSTRIAL RECRUITMENT ASSOCIATION

Cape Girardeau • Jackson • Scott City
• Cape Girardeau County •

CAPE GIRARDEAU AREA INDUSTRIAL RECRUITMENT ASSOCIATION
1267 N. Mount Auburn Road • Cape Girardeau, Missouri 63701
Phone 573-334-5000 • Toll Free 800-314-3345
Fax 573-335-4686 • Email cgaira1@ldd.net
www.CapeAreaEconomicDevelopment.com

Testimony for Interim Committee on Job Creation and Economic Development November 18, 2003

Good morning! I want to thank Chairman Ron Richard and the Committee Members for being here in Southeast Missouri this morning. The work of the Job Creation and Economic Development Committee is of major importance to everyone here in this room today. I also want to thank Representative Scott Lipke of Jackson for working with me concerning today's public hearing. Representative Lipke has been a great addition to the Cape Girardeau County delegation to Jefferson City.

This morning I am wearing two hats, so to speak. First I will talk briefly about my full time position as Executive Director of the Cape Girardeau Area Industrial Recruitment Association which provides economic development services to the cities of Cape Girardeau, Jackson and Scott City along with rural Cape Girardeau County. I have held this position since the organization was founded in June of 1993.

The issue I want to very briefly touch on is the relationship between the Missouri Department of Natural Resources (DNR) and its impact on the ability of Missouri and its communities to attract new jobs. In 1999, Cape Girardeau County began working with the Houston, Texas based Kinder Morgan Power Company for the location of a $350 million gas-fired power plant. The plant was going to create 15 high-paying jobs plus provide a major economic benefit to a rural area of west Cape Girardeau County, especially the Delta School District. The project had the support of the Cape Girardeau County Commission, our state legislators and the overall community for the positive impact. From the very first step, there was a negative reception from DNR. At every step of the process DNR exceeded its own internal time periods for review of the various permits needed for this plant. The major stumbling block was the air quality permit. After reaching no agreement with DNR and the state missing all the legally mandated time requirements, the issue was taken to an administrative law judge.

The Missouri Department of Natural Resources was violating its own guidelines by requiring Kinder Morgan Power to meet standards that were more stringent than the national standards set by the Environmental Protection Agency. This very same plant model had already been approved in Michigan, Arkansas and several other states. DNR was requesting that additional equipment be placed on this state-of-the-art plant which would provide no additional improvements to the environment yet would add undue operating costs as well as $2 million in equipment costs.

In late 2002 the company withdrew its application to DNR due to the total stone wall put up by the regulators at the Missouri Department of Natural Resources. The delay tactics caused this investment to be canceled and will never take place in Cape Girardeau County or anywhere else in the State of Missouri.

This negative reception by the Missouri Department of Natural Resources has caused this project and many others to be delayed or moved out of state. We must change this confrontational attitude with the department. These individuals need to have a more cooperative attitude without having to have the Governor of the state get involved. We must make this department more business friendly or we will not have any businesses in Missouri for them to be concerned about.

Now, I am going to put on my second hat this morning. I am currently serving my second year as President of the Missouri Economic Development Council. This organization represents over 400 economic development professionals and volunteers from all parts of Missouri, from our two major urban centers as well as many developers from here in Southeast Missouri. To say the least, the last several years have been difficult for those of us in the economic development field. The loss of the DED Regional offices, reduction of staff by over 50% and huge cuts in the programs that we use to attract companies as well as get our existing companies to expand or maybe just to keep jobs here in Missouri. These reductions have caused major problems for the State of Missouri to compete not just against the surrounding states but also against many foreign countries that are competing for jobs in our global economy.

MEDC is looking at both the short term and the long term. Let me address the short term first. MEDC is currently developing a survey of its membership to provide valuable data from the individuals who use the various state programs on a daily basis. This information will include a ranking of the many programs that are currently in use. This survey should be completed and tabulated prior to the start of the 2004 Legislative session. Our intent is to get this information to each member of the House and Senate for your review and study. We want you to rely on members of MEDC as your authority on economic development.

Also in the short term MEDC will hold its annual Legislative Retreat on Thursday afternoon in Jefferson City. Chairman Richards is scheduled to be on the program. During that session we will plan our priorities for this upcoming legislative session. MEDC will also provide the results of this meeting to each of you for your review during the session. I want to outline several of the items that will be high on the list.

Item number one is job training. If you ask any developer that has been in the business very long and this will be the number one item that we need to be able to offer to growing companies. Missouri's Customized Job Training Program is one of the best programs in the nation to assist companies. Two years ago we had $16 million in this program. This past session we had the fund bumped up to $8.7 million on the last day of the session. This year we must hold the line on job training and start to raise it as much as financially possible. We understand the budget crisis you are facing, but these funds create jobs which create income and spending in Missouri enabling more tax revenues for state and local governments. Customized training is one of the few programs we have that can assist existing industries with their needs. Many of our programs are geared toward the recruitment of only new industry.

Moving quickly to item number two is the need for the extension of the Missouri Enterprise Zone Program. Those of us with Enterprise Zones know that the life of the zones is about to expire for many communities. This program allows the local community to abate real property taxes for companies that locate within the zone for up to 25 years from 50% up to 100% with the local community deciding the amount. The state portion of the program provides tax credits depending on the number of new

employees to be hired and if they meet certain criteria. The company can earn up to $1200 per employee if all the criteria is met. This program has been another excellent use of state and local funds. This program needs to be retained and extended for the future or revised to better meet the needs of today's manufacturers.

The next item MEDC believes is important is the empowerment of local communities. Currently four counties in Northwest Missouri have the legal right to have a sales tax for economic development. These communities have used this tax to raise money for infrastructure needs and to assist their community in attracting new business. We feel that the entire state should have this right as well and will work to seek that addition. With fewer state programs we feel the local counties and cities will have to pick up more of the burden from state government. The state of Texas has this sales tax tool and it has worked extremely well for their cities.

And the final item for the short term will be to assist the various organizations that support the improvement of the overall Missouri business climate. We would like to see changes made in the worker's compensation area. Tort reform is very important as are the ever increasing health care costs facing all Missourians.

Now let me briefly touch on the one long term item that MEDC is very interested in. We are in the very early stages of developing an RFP to go out to various consultants in the economic development arena for an independent, third party review of the economic development programs of Missouri. We are seeking a non-partisan, independent look at how Missouri is doing with its economic development programs and policies. We want to be compared against all the states that we border against and those states that currently have the best practices in economic development. We believe this will provide the governor's office, the legislature, the Department of Economic Development and local communities a tool to truly look at ourselves and see how we compare. Many in Missouri feel that we once were a leader in economic development but now many states have caught up with us and even surpassed our one positive standing. By meeting with the top consultants in economic development and companies that have looked at Missouri we hope to gain important information on how we stack up as a state.

We realize this will not be cheap but we are committed to leading the effort to raise the funds and support for this effort. We have already talked to many groups about the project including DED Director Joe Driskill who is supportive of this effort. The leadership of MEDC believe this report which we will not allow to sit on a shelf somewhere will provide the administration a new direction for the future of all Missourians.

Thank you for your time and consideration. Please ask me any questions that you might have.

D. Mitch Robinson

D. Mitch Robinson, CEcD
Executive Director
Cape Girardeau Area Industrial Recruitment Association
1267 N. Mount Auburn Road
Cape Girardeau, MO 63701

APPENDIX WW

Written testimony of Mr. Dennis Dale Roedemeier,
Southwest Missouri University

House Interim Committee on Job Creation & Economic Development
11/18/03

It has been accurately stated that the future of a state and the stability of its government rest on three pillars: TECHNOLOGY-CAPITAL-LABOR. Many countries and political theorists have challenged this concept-most recently the Soviet Union prior to its collapse. After all, the dust settles and the fog clears, we again return to the fundamental elements of TECHNOLOGY-CAPITAL-LABOR.

We also know and appreciate that none of these three can stand alone. They must strive, thrive and survive in unison. They are interdependent; no two can prevail without the other. This doctrine has been preached and understood by Americans for years. But now there is a new dimension, a new force to deal with.

To relate the impact of technology on the state of Missouri, I am not going forward into the future as you may expect. For the significance of this message, I want to take you back in time. Back to 1870, the year in which many in the Legislature thought that St. Louis would be named the Nation Capital.

What happened?

In the 1840's, the Federal Government encouraged the Missouri legislature to make internal improvements to the rivers, clearing, widening, etc. But, the legislature refused to spend the money because the rivers were "good enough." At the same time, a number of Missouri legislatures tried to push their colleagues into an appreciation and acceptance of new transportation technology called the railroad. They tried to convince them that this technology had made weather, water and topography irrelevant. As Paul Nagel writes in Missouri: A History, it was a human triumph over natural barriers and, better yet, most of the railroad technology leadership had Missouri roots. We not only knew how to build them, we had people who knew how to manage them. In 1849, Sen. Thomas Hart Benton addressed a group in St. Louis on this issue. Some say it was one of his most eloquent speeches. The convention and Missourians were unmoved. It was decided to let a small town in northern Illinois take the lead with this technology, if they so desired- Chicago.

It has taken us 150 years to again stand in Missouri, to visit with legislative leadership and acknowledge that Missouri is once again attempting to receive international acclaim in science and technology.

The focus of the Legislature to improve per capita income in Missouri is, I believe, on target. Another way of saying this may be that we want to increase the wealth of Missouri families. Improvement in per capita income occurs in one of two ways, fewer poor people or improved productivity. Productivity is improved not by emotion or desire, but by marginal efficiency of investment in labor or capital stock. Productive workers through the improvement of skills and more productive operations through innovation and technology increase productivity.

So we again reiterate the premise "We must focus on labor, capital and technology if we are to improve per capita income or family wealth."

Today, I will focus on the importance of technology to Missouri. The relationship between technology and per capita income is well known and well documented. Two-thirds of all improvement in per capita income comes from technology and innovation. So, the question to be asked is "Does Missouri embrace technology?" Some states in the Midwest have invested heavily into technology while Missouri has often put itself in reverse.

MO: Per Capita Investment.... 80 cents

Midwest: Per Capita Investment... $3-5

Why?

1. The belief by many Missourians is that math, science and technology are difficult to understand. It is interesting to note that this belief is created in sixth grade
2. One Governor openly stated that Missourians should do honest work with their hands and that technology was not the driver of an economy.
3. Investing in technology is assumed by those who wish to be elected or re-elected to office to be a "non starter." Some political leaders have openly stated that the issue of technology is to complex for them and the voters.

However, the Battell Institute, after its recent study, established that Missouri needs to invest $35 million per year in technology and innovation if it wants to participate in the New Economy. The current Missouri budget reflects that our entire dedication of money to technology this year alone is $33 million short of where we must be. This is not an issue we can financially deal with at this time, but the problem is one that causes us to reflect back in time 5-10 years ago and ask the question, "What should we have done when we did have the resources to invest in technology and productivity issues?" If we are to use the goal of per capita income as our focus and if we are to accept the premise that technology plays an important role in productivity, where do we begin?

1. We must increase research at our Universities. In 1994, the average level of research per year by a UMC professor was $37,000. Today, it is $100,000 and UMR is $60,000. The natural average for research for a professor per year is $300,000. We are at one-third the national average and continued to be regarded as the lower 25% of research

universities. Our goal is to compete with Georgia Tech and MIT, whose average is $600,000. This would put our leading technological universities at 10 to 15% of the goal.

2. License and Patents

   Missouri's struggle in National Research at this time is Washington University. If you look at the state in total, one would expect us to generate 6-8 patents per year for the amount of research we guarantee. Over the last 3 yrs we have issued on one patent.

3. Southern Global Policy Board Report

   Last year in the SGPB issued a report on the 12 southern states as it related to research activity. They evaluated Federal Research, University Research and Private Research. Only Missouri lost ground nationally in all three areas.

4. SBIR's Small Business Innovation Research

   Missouri ranks 47th in the nation in funded proposals.

5. Research Tax Credits-Three Companies

This program is currently on hold because of the states financial situation, when we report this program we should ask the question who benefits from this investment of 8-10 million dollars per year. How does this significant annual investment drive productivity for Missouri companies when 80% goes to 3 or 4 companies.

a) Purchase Orders vs. Tax credits and Commercialization

Research and commercialization become of importance when the deans, chancellors, presidents, curators, legislators and governors decide it is important. If we are to create entrepreneurs, that group that creates 75% of the state product, we must have unique products and services. We must recruit the talent and we must create the optimum environment that promotes efficient research and celebrates professors who create business. We are not there, but leadership can make this happen. At the beginning of this presentation I discussed the pillow of our economy; people capital and technology. However I also mentioned that there is a new dynamic, a new force we must deal with called speed. Just because you are bigger, more

powerful and wealthier than your competition it does not mean you will win the economic race. Missourians must learn to enjoy our limited resources on target and fast. Missourians are not out of this race, but we must come to grips with the issue we discussed quickly.

APPENDIX XX

Written testimony of Mr. Harry Rogers,
Harry S. Truman Coordinating Council

HSTCC

Harry S. Truman Coordinating Council

24943 DeMott, P.O. Box 388
Webb City, MO 64870

1-800-788-3515
417-782-3515
Fax: 417-782-2043
www.hstcc.org

Job Creation and Economic Development Committee

Testimony
11-18-03

Good Afternoon, and thank you Mr. Chairman, for this opportunity to address your Committee.

My name is Harry Rogers, I am the Executive Director of the Harry S Truman Coordinating Council located in Southwest Missouri, our offices currently are located in a Suburb of Joplin called Airport Drive.

I am also President of the Missouri Association of Councils of Governments. This organization ~~is~~ has a membership of all of the 19 active Councils in the State of Missouri. The Executive Board of this organization is made up of the Directors of these Councils.

It is hard to imagine a more necessary discussion for Missouri's future than Job Creation and Economic Development. Our mission as Economic Developers is critical to our creation of long term financial stability in our regions. Finding the correct balance of programs that make us successful is important.

The Councils of Governments in the State of Missouri provide many local services. The Councils provide Job Training, many are affiliated with the Economic Development Administration, all use the USDA/RD and CDBG programs to build on their local economies.

Let me review these programs from our perspective.

United State Department of Agriculture, Rural Development

These programs have a direct impact on local businesses. There are Rural Business Opportunity Grants, Rural Business Enterprise Grants and the Business Investment (B&I) loan programs.

Of course these are all Federal Grants and require varying degrees of local match. In some cases State funds can be used to match these programs.

The USDA/RD program also supports many infrastructure grants for rural communities. These projects provide assistance for water and wastewater projects that give the community capacity for industrial and commercial expansions along with the ability to increase affordable housing in the area.

Economic Development Administration

These are also Federal funds that are leveraged locally to provide economic development activity. The EDA has provided valuable services for Missouri with its Revolving Loan Funds and Infrastructure development funds. A local Board of Directors controls all of the projects that a Council uses with EDA. This connection locally is vital to the distribution of scarce resources. Once again the Federal share of the funds must be matched by local resources and State resources. If the current authorization passes Congress there will be an expansion of these funds and Economic Development Districts will bring badly needed programs to Missouri.

Community Development Block Grant Programs

The CDBG programs are well know to the general public and typically target Low to Moderate Income persons. Jobs created by the Infrastructure program also have an investment requirement to assure benefits for local economic impact.

Job Training Programs

Each Council of Governments decides what programs it offers to its local members. Job Training is provided by several of the Councils. As you know this is one of the most valuable services for economic development. When Job Training is part of a proposal to an industry to expand or to locate in an area it is a strong incentive. This is particularly true with rural areas of the state.

Tax Credits

Although controversial in some quarters, tax credits do allow the highest level of competition for our growth areas of Missouri. It is a critical element in many decisions by large well paying industries in deciding where to expand or relocate. Of course, these tax credits must be negotiated at the State level and are subject to intense scrutiny.

Councils of Governments

The role of our Councils of Governments is to facilitate the development needs of our local communities and counties. In growth areas the Councils provide the coordination of resources to bring quality development infrastructure for local communities. Areas that are depressed economically use the Councils to facilitate planning that can

bring local resources to provide for a local pathway to rebuilding and expanding their economies.

Job creation and economic development are always a function of planning. The better a region is at looking at cooperative solutions and providing needed resources, the more successful they are at creating jobs.

There are a host of programs provided by the Councils across the State that increase the ability of local governments to compete in economic development. Transportation planning, loan packaging, economic development planning, emergency planning (LEPC, and Hazardous Mitigation), Comprehensive planning for local governments, housing development, infrastructure development, communication development and information management services (GIS).

As resources become more scarce it is necessary to focus on what provides our citizens with the best value for their tax dollars. The Councils provide cooperation, communication, and local control of these resources. It is our coordination of these local governments and attention to local needs that brings success to our local job creation and economic development efforts.

Thank you for the time you are spending in this effort and if MACOG or any of our Councils can provide information to your Committee please let me know.

Harry Rogers
President
MACOG

APPENDIX YY

Written testimony of Mr. Joe Rozier,
Workforce Employment Solutions and
Ste. Genevieve Chamber of Commerce

Holcim's Ste. Genevieve Plant ...

- Means economic growth for Ste. Genevieve, the extended St. Louis region, & Missouri
- Is one of the largest economic development projects in Missouri in recent history
- Will be built and operated in an environmentally sound manner
- Will reduce our region's dependence on imported cement

Clarksville Plant 30+ Yrs 200 employees

Ste. Genevieve Project (Total Benefits)

- SEMO Study Conclusions:
  - 536 additional jobs in Missouri
  - $24 million increase in annual personal income for the two-county (Ste. Genevieve, Jefferson counties) region
  - $1.3 million increase in annual sales and income tax for Missouri

Ste. Genevieve Project Overview

- State-of-the-art cement manufacturing facility
  - Produce 4 million tons/year
  - Serve the Mississippi River market, including Missour
- 3,900 acre project site
  - 1,322 acres impacted overall
- Project elements:
  - Plant
  - Harbor
  - Quarry
  - Natural Buffer Area (more than 50% of total project site)

Ste. Genevieve Project (Direct Benefits)

Ste Genevieve Has Been For

- Approximately $600 million investment
- 1,000 construction jobs at peak, 3 million man hours of work overall
- 200+ employees for full-time for operations
- $10 million annual payroll for operations

Why the Ste. Genevieve site?

- High quality natural resources
  - Superior end-product and lower air emissions
- Quality local workforce, familiar to mining industry
  - Cement and lime plants in area
- Access to transportation
  - River, Rail, Interstate highway
- Already impacted, not a greenfield site
- Willing sellers

APPENDIX ZZ

Written testimony of Ms. Barbara Shepard,
The Doe Run Company

Remarks Submitted by The Doe Run Company
November 18, 2003
to the
Interim Committee on Job Creation and Economic Development
Sikeston, Missouri

Rep Richardson and other members of the Interim Committee on Job Creation and Economic Development, thank you for holding this session and allowing us to submit information on what the state can do to support Missouri industries.

The Doe Run Company announced on September 10, 2003 that is was suspending operations at its facility in Glover, Missouri and placing the facility on care and maintenance. This was a difficult decision for the company and one that was made only after considerable analysis and search for alternatives. As a result of this decision 158 employees will be either laid-off or terminated. These are production positions that pay between $15.55 and $18.69 and include health, life and pension benefits. The average gross earnings of an employee are $40,000 annually. For some employees this is the only facility at which they have worked; for others, it is a job that paid more wages and benefits than others in the area. All together this is a dedicated and loyal group of employees at our facility we call the Glover smelter.

The Doe Run Company has been faced with historic low metal prices for the past 3 years. Although a cyclical business, this down market has been longer than most cycles and prices, in constant dollars have been lower than the company has experienced previously. This is the result of a global market place that includes ever increasing competition from markets such as China.

China's labor costs are only a fraction of the first world and even developing countries like our operations in Peru. They have been increasing their capacity in the last five years and have attracted concentrates and caused the closure or reduction of a number of plants worldwide,

mainly in Europe. In addition, the US / China currency exchange rate works against the US at this time.

We are seeing our customers move their operations to China. Companies that in the not too distant past moved their operations to Mexico are now going to China. This has resulted in decreased demand for lead metal in North America; while demand for concentrates, the product produced by our mines in Missouri, remains constant. This reality is what led us to suspend our operations at Glover and continue our mining operations in the Viburnum trend area and operations at our smelter in Herculaneum.

We are keeping Glover on "stand by" status with all operating permits maintained.

If market conditions change we may again operate the Glover smelter.

For our remaining Missouri operations and for the future potential of Glover we need to be able to operate in such a manner that allows us to be competitive in a global market place. The ingenuity and abilities of the people of Missouri can make that difference. Today we talk in terms of China, in the 90's it was Mexico and in the 80's it was Japan. For each decade we were able to identify what we need to do to remain competitive. We'll again face that challenge in this new decade. Some of which may be activities that the State of Missouri can take on to be of assistance to corporations.

The Doe Run Company has identified three broad areas:

1) Electric power;
2) Exploration; and
3) Regulatory support.

The first area is electric power. The Doe Run Company consumes on average between $15 and $16 million per year of electricity. Behind labor, electricity is one of our single largest expenses.

We need the power at our smelters and just as important at our mines to keep the pumps running so that our mines don't flood.

Ameren and Black River Electric Cooperative currently service us. Ameren notifies us annually that we are one of their twenty largest purchasers of electric energy and we have been told by Black River that we are their single largest customers. On at least two occasions over the last two years, Ameren has demanded that we place a $3.2 million deposit with them or risk having our power cut. They believed they were entitled to this deposit under the Public Service Commission Regulations even though we had not missed a single payment to the utility. This was during a time when the company was struggling to restructure its debt and other suppliers were accepting extended terms from the company.

At the same time, Black River worked with the company to arrange payments that met the needs of Doe Run and Black River. Moreover, Black River had the capacity and was willing to provide additional service to Doe Run, but despite repeated appeals to Ameren, Ameren remained steadfast in its position to not let Black River or any other electric supplier service the Doe Run load within its protected, regulated territory. Interestingly enough, Ameren's rates were substantially higher than those of Black River and Black River did not charge its industrial customers a 60% premium for power used during the four summer billing months.

Doe Run met with Ameren on numerous occasions and their only solution, short of requiring Doe Run to post the $3.2 million deposit, was to require Doe Run to make weekly payments.

Doe Run considered requesting an Amendment to Senate bill 555, which did provide the relief needed by Noranda Aluminum to continue operating in Southeast Missouri. We did not pursue this option, as it appeared it might complicate the passage of that legislation. Doe Run

does remain committed that the state needs to take action with regard to the utilities in this state. Specifically, we believe the state needs to protect user industries by allowing them to seek out lower cost electric providers.

Missouri is blessed with deposits of galena, the mineral from which we get our lead. Lead mining has a long history in the state. Some of which was as simple as mining the out-croppings on the surface in the 18th and 19th centuries to our current mines a thousand feet underground. What does remain constant is that you must go to where the mineralization is contained.

Exploration is critical to our future. Without locating new ore bodies, we anticipate the life of our current mines to be between 5 and 12 years, depending upon the price of metals.

Our mining division employs 625 people and the estimated multiplier affect of our operations is 6-10 depending on which economist you talk to. Although our requests for exploration permits are submitted to the federal government, the state can assist in this area by:

1. Reconsidering allowing exploration on state controlled lands if the state can become comfortable with the operational plan
2. Although it may not open tomorrow, finalize the Missouri Metallic Minerals permit for the Higdon Mine.

Ours is a business that is highly regulated by the Missouri Department of Natural Resources and the Federal Environmental Protection Agency. Most activities require a permit whether it is for building, operating, discharging or closing operations.

Time is money, whether that is the time required to complete a permit or not being able to make progress while waiting for a permit to be issued.

The MDNR has an important role in the state in protecting its environment; however, needless bureaucracy or baseless procedures don't accomplish that objective and are a strain on companies already struggling.

MDNR needs to streamline its organization to allow for rapidly addressing permits such as Higdon. In general, the state needs more engineers in its organization to complement the regulatory employees. Currently the agency is unable to review the technical merits of the proposals it receives. An alternative is to maintain Missouri engineering companies on retainer to address these reviews. With regard to regulation, the state needs to raise salary scales to retain more qualified people and reduce the total number of staff to become more decisive.

Thank you for permitting The Doe Run Company to submit its comments to the committee.

APPENDIX AAA

Written testimony of Ms. Clare Urhahn,
Rubbermaid Closet and Organization Products

I am Clare Urhahn, Human Resource Supervisor, Rubbermaid Closet and Organization Products located in Jackson, MO. We currently employ over 700 associates at our Jackson facility. I appreciate the opportunity to speak with you today on what Customized Training Grants have done for Rubbermaid. For the past seven years we have been recipients of Customized Training Grants. We have been extremely fortunate to receive these grants as it has allowed us to expand our operations and helped us remain competitive with domestic and overseas markets.

In 1998, we moved our Wood Laminate Manufacturing operations from Memphis, TN to our Jackson, MO location. This was in part due to the Customized Training Grants that we received. It allowed us to retrain our current work force in this new operation. Training funded through the Customized Training Grant included hard skills training such as Electrical troubleshooting, Lean Manufacturing, Edgebander training (Maintenance and Operator levels) and European Electrical Schematics. The combination of this training helped reduce machine down time, improve productivity by 10% and reduce scrap ($10,000 per week – conservative estimate). This training not only helped with our Wood Mfg. operations but also carried over into the wire side of the business and helped reduce scrap and down time and year over year increases in productivity and efficiency.

Changing customer expectations, availability of a skilled labor pool, new technology and new competitors (both domestic and import) continue to challenge us. In this fast-paced ever-changing marketplace, Rubbermaid has had to develop an aggressive skill based and frontline leadership-training curriculum to help associates/managers translate broad business objectives into measurable results. Because of this training, we have improved our associate's ability to:

- Adapt to change constructively
- Improve communication and listening skills
- Work within a team environment
- Set and meet performance objectives
- Make day-to-day decisions regarding priorities (problem solving)

This has dramatically reduced our turnover rate – in 1999, we had a 74% turnover rate, and to date we are tracking in single digits. The results of the training programs have allowed Rubbermaid to make continued improvement in the following areas year after year:

Scrap Reduction
Productivity
Production efficiencies
Inventory Turns
Line Fill
On Time Shipments
Employee Retention
New Business
Increased speed to market time for new products

In addition, Rubbermaid belongs and is very actively involved with the Southeast Missouri Regional Industrial Training Group, comprised of 16 employers (5000 employees). This consortium is also a recipient of Customized Training Funds.

I currently serve on the Jackson Chamber of Commerce Board of Directors and understand how important economic development is to our state. As a member of the Missouri Employers Committee I know state wide how many employers are concerned with the issue of job training and the lose of jobs in Missouri.

I want to stress again, that without the assistance of the Customized Training Grants, we would not have been able to provide the opportunity to train our existing workforce. This funding has helped us remain competitive in the marketplace and stay located in the state of Missouri. Thank you again for allowing me to speak with you today.

APPENDIX BBB

Written testimony of Mr. Rob Welge,
Glister-Mary Lee Corporation

GILSTER-MARY LEE CORPORATION
PERRYVILLE, MISSOURI

TO: Interim Committee on Job Creation and Economic Development

FROM: Rob Welge, Personnel Director

DATE: 11/18/03

CONCERNING: Rural Transportation for Job Creation and Retention in Missouri

In 1969, Gilster-Mary Lee Corporation began leasing a closed shoe factory in Perryville, Missouri. A few dozen employees began manufacturing baking mixes at this site. Since that time, Gilster-Mary Lee has purchased a second closed shoe factory, built an additional plant, and established a truck repair facility in Perryville. In addition, the Company has built three (3) plants in McBride, Missouri. Gilster-Mary Lee currently employs approximately 1,300 people between these two communities in rural Perry County.

Due to the influx of new business into Perry County over the past 15 years, the unemployment rate has remained low. This has had a significant impact on Gilster-Mary Lee expanding or maintaining its facilities in Perry County.

In 2000, the lack of applicants locally had reached a critical stage. Production began to suffer. Due to higher unemployment in surrounding counties, workers were available but many had no reliable transportation to travel a long distance. In September of 2000, Gilster-Mary Lee entered a partnership with Workforce Employment Solutions, Cape County Transit, and Kelly Transportation to provide busing from the Cape Girardeau County area to our plants in Perry County. Currently, we have seven (7) van routes running six and seven days a week (24 hours per day) providing low cost, reliable transportation to approximately seventy-one (71) people from Cape Girardeau County and the surrounding area.

In September 2003, Gilster began an additional partnership with East Missouri Action Agency to provide van transportation from St. Francois County. Currently, this program has three (3) van routes delivering twenty-five (25) workers a day to our Perry County plants.

Van transportation has been very important not only to Gilster-Mary Lee but also the individuals lacking transportation in rural counties who want full-time employment. Without a transportation program, Gilster would lose almost one hundred (100) full-time workers. The Company could not maintain full scale manufacturing in Perry County.

Since much of Southeast Missouri is still quite rural, large pockets of employment are spread miles apart. Many residents lack reliable transportation to continuously drive long distances for employment. There is a widening gap between the jobs and the people to fill them. Lack of transportation results in people moving out of the counties where they grew up and have the support of their family for issues such as childcare. In addition, the lack of opportunities to work creates an added burden on the State and its welfare system.

I feel rural transportation is a vital part of keeping good jobs available to the residents of rural counties in Missouri. I urge this Committee to further investigate this important part of sustaining economic growth for Missouri.

APPENDIX CCC

Written testimony of Ms. Fay Fleming,
Fleming Communications

Ms. Fleming testified at the St. Louis hearing.
Her testimony was given to the committee after the hearing.

My name is Fay Fleming, and I am the President and CEO of Fleming Communications, a St. Louis-based marketing and research company specializing in national work with Fortune 100 companies.

I am also:

- Immediate Past President of the National Assn. of Women Business Owners
- A business owner for almost 10 years
- And I have the additional advantage of having conducted research with small businesses in our marketplace

I'm here because:

- Small business is the backbone of our economy. Women represent the fastest growing sector with African-Americans leading the charge.

Here's what we need:

- Technology, and especially telecommunications is critical to the operation of mine and other small businesses.

- We count on the internet and telecommunications to help us compete against larger, national companies in our industry.

- This means I must have confidence that the infrastructure is in place and is being maintained or I'm out of luck and out of business.

Let me share a personal example. The last time we moved, we had to wait for high speed Internet availability. Imagine what that means for any business…no email, no Internet access. We should make sure companies that build out those networks have the incentive to invest in them, so businesses like mine can grow and thrive.

Ninety-five percent of my business is done out of state. The less I spend on traveling to see my clients, the more revenue I can keep right here in St. Louis. That's why technology is an essential part of the small business environment. Nearly all of my business is done electronically.

As I close, I urge you to assist those of us working in the trenches. Missouri should make sure it has strong policy and a regulatory climate that encourages investment in all infrastructures – including telecommunications. Telecommunications and its accessibility for all Missouri businesses should be a priority.

APPENDIX DDD

Written testimony of Mr. James R. Moody,
James R. Moody & Associates.

Mr. Moody testified at the Kansas City hearing.
His testimony was given to the committee after the hearing.

James R.Moody & Associates

Presentation To

House Interim Committee on Job Creation and Economic Development

October 28, 2003

James R. Moody

- Former State Budget Director
- Former Commissioner of Administration
- Former Executive Deputy Director, Department of Social Services
- Governmental Relations Consultant For 11 Years

Purpose of Presentation

- Discuss "Structural" Budget Issues
- Document Reasons For Revenue Weakness
- Discuss Tax Structure In The Future
- Discuss Relationship With Federal Tax System
- Discuss Reasons For Growth in Expenses
- Talk About Options For The Future

Missouri Revenues Compared To Hancock Limitation

Fiscal Year	**Refund/(Under Refund)**
1995	$147.1 million
1996	$235.3 million
1997	$324.2 million
1998	$169.7 million
1999	$101.9 million
2000	($388.2 million)
2001	($528.6 million)
2002	($1.238 billion)
2003 (est.)	($1.9 billion)

Article X Overview

- The Original Hancock Limit At The State Level Will Not Impact Decisions. Voter Approved Tax Increases Are Exempt.
- Carnahan/Farm Bureau Limit ($74.5 Million) Is Very Relevant, And Will Govern Missouri Tax Policy In The Future

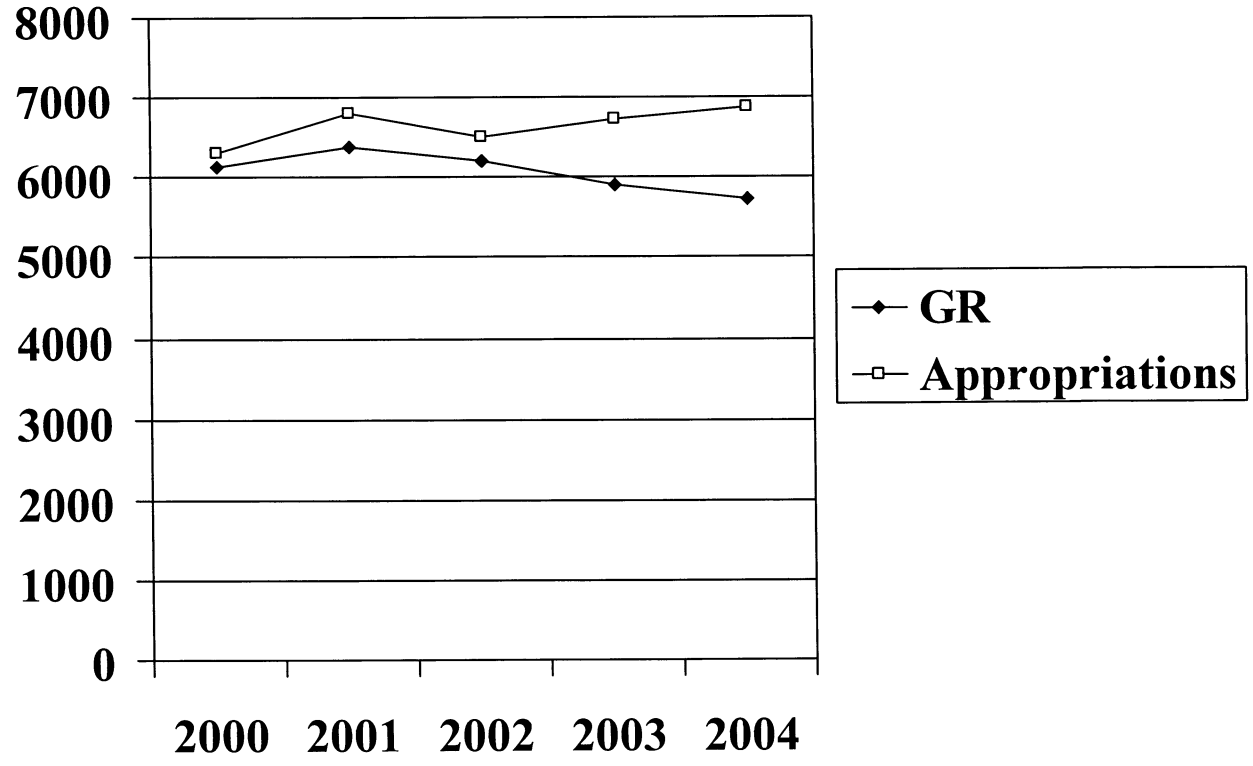
What Is A Structural Budget Problem?

A Basic Imbalance Between Revenues and Expenditures That Will Not Be Resolved By A Better Economy.

Budget Balance In Retrospect

Fiscal Year	GR Revenue Over/(Under) GR Expenditures (in millions)
Fiscal Year 1996	$288
Fiscal Year 1997	$271
Fiscal Year 1998	$280
Fiscal Year 1999	($12)
Fiscal Year 2000	($188)
Fiscal Year 2001	($331)
Fiscal Year 2002	($416)

General Revenue Growth vs. Appropriations



General Revenue Growth FY 2000 to FY 2003

Fiscal Year	General Revenue Growth (in millions)
Fiscal Year 2000	$5.3
Fiscal Year 2001	$256.6
Fiscal Year 2002	($179.2)
Fiscal Year 2003	($284.6)
Total	($201.9)

How Much Increased Funding Did The State Plan To Appropriate To Elementary and Secondary Education Receive During This Period?

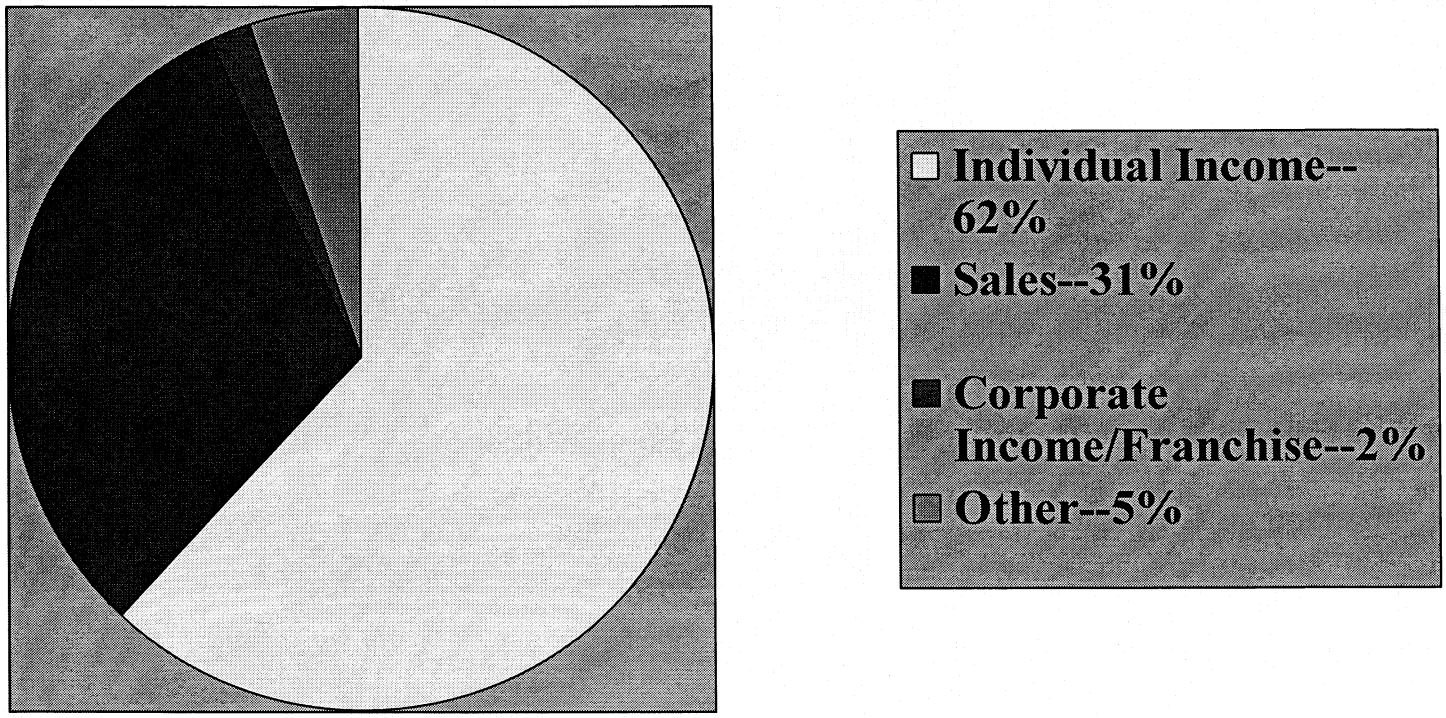
$800 Million Required For Ongoing Annual Budget.

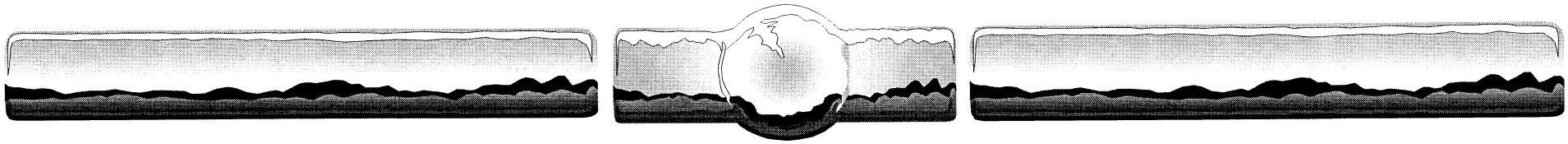
$2.37 Billion Total

How Many Eligibles Did Missouri Add To Medicaid Since September 1998?

355,641

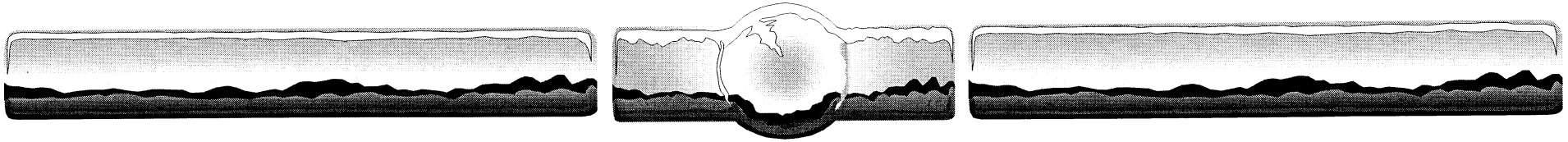
Overview Of General Fund Revenue Sources





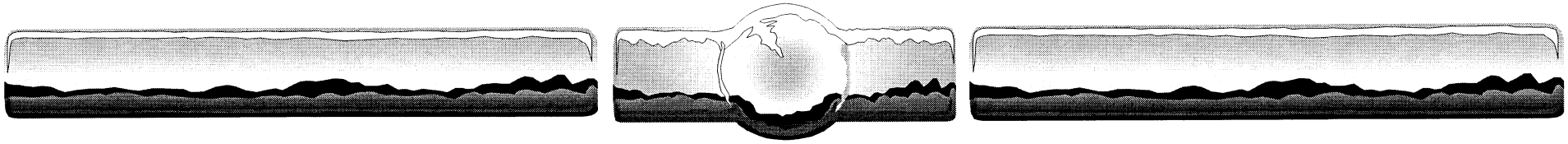
Fiscal Year 2005 Trainwreck
On The Horizon—Appropriations Not Supported By Ongoing Revenue

Source	Amount (in millions)
Rev. Estimate Below Appropriations	$383.1
One-Time Funds Legislation	$67.2
Revenue Bonds	$124.5
Federal Fiscal Relief	$387.0
Total	$961.8



Variables Not Considered In The Trainwreck Scenario

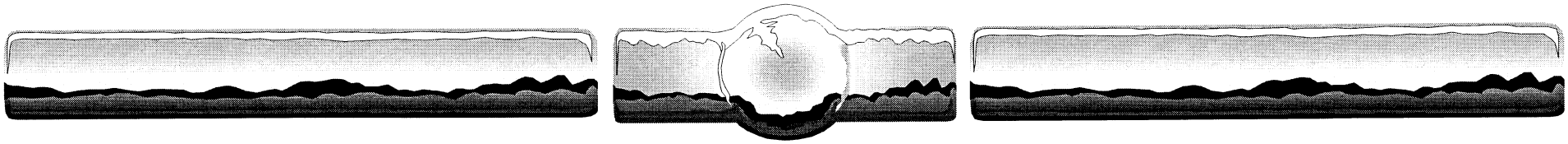
- No Increase In General Fund Revenues Are Taken Into Account
- No Mandatory Spending Increases Are Taken Into Account
- The Moody View Is That Mandatory Increases Will Exceed New Revenues



The Basic Imbalance In The General Fund

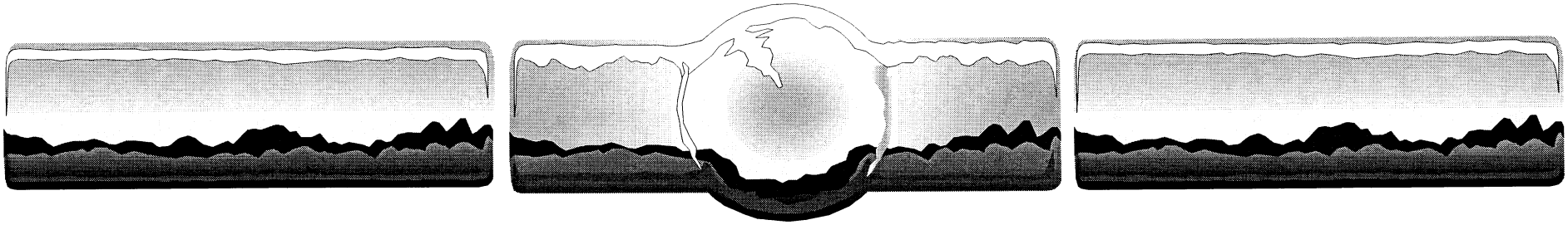
- Tax Derived Revenues-- $5.78 billion (Office of Administration Current Revenue Estimate)
- Transfers From Other Funds-- $141 million
- Total Ongoing Resources— **Approximately $5.9 Billion**

- Operating Appropriations Regular Budget--$6.8 billion
- Estimated Requirement For Supplemental Budget Not In Current Budget Estimate-- $114.3 million
- Total Appropriations— **Approximately $6.9 Billion**



Differences In General Revenue 2004 Revenue and Spending Estimates

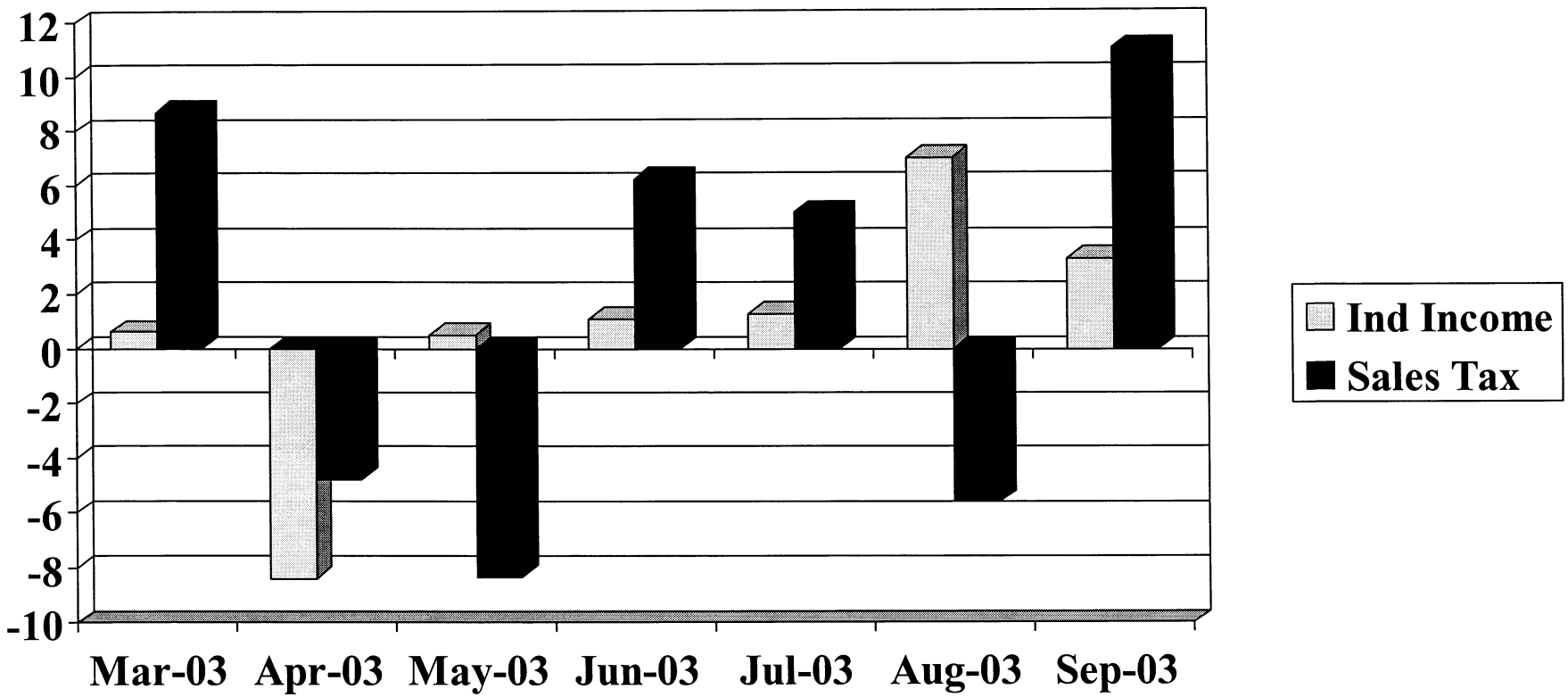
Budget Item	Difference (in millions)
Growth in Gross GR Collections	$369.1
Changes in Refunds	$33.9
Medicaid Supplementals	$94.3
Other Supplementals	$20
Federal Fiscal Relief	$277
Total	$790.3

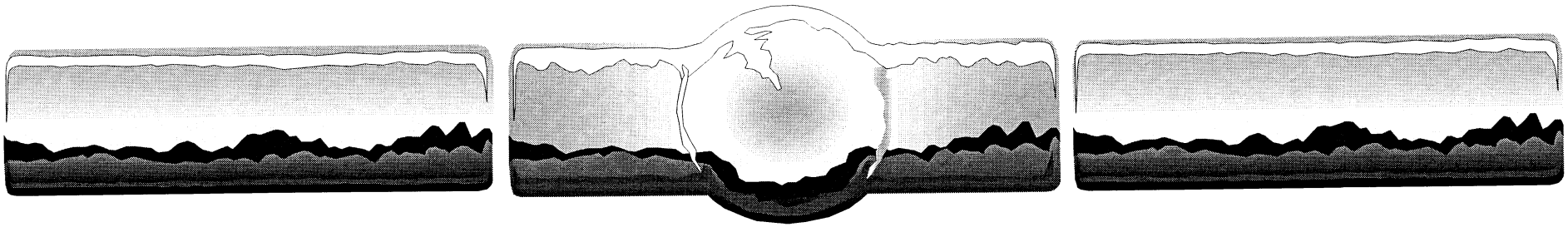


Governor's Additional Withholdings

$240 Million

Individual Income and Sales Tax March 2003 to September 2003





Year To Date Growth In Individual Income Tax and Sales Tax

Individual Income Tax 4%

Sales Tax 2.4%

Where Is General Revenue Spent?

Elementary and Secondary Education	$2.46 Billion
Higher Education	$839 million
Corrections	$523 million
Social Services	$1.2 billion
Mental Health	$509 million
All Other Departments	$1.25 billion
Total	$6.8 billion

Federal Tax Law Changes

- Federal Tax Law Changes Enacted In 2001 and 2003 Are Having A Negative Impact On Missouri's Revenues.
- The Largest Is Repeal Of The Inheritance Tax, Which Will Cost Missouri General Revenue $165 Million Between Fiscal Years 2003 and 2006.
- Other Federal Tax Law Changes Enacted in 2001Will Cost Missouri About $60 Million In Lost Revenue By Fiscal 2006.
- Federal Tax Law Changes Enacted In 2003 Will Cost Missouri Approximately $95 Million In Lost Revenue.

The Future Will Be Tied To Jobs
(Annual Employment Business Survey)

Calendar Year	Job Growth/(Loss)
1995	50,500
1996	46,500
1997	71,900
1998	44,700
1999	42,800
2000	21,900
2001	(22,300)
2002	(44,600)

Average Increase In State Per Pupil Funding Fiscal Years 1993 to 2003

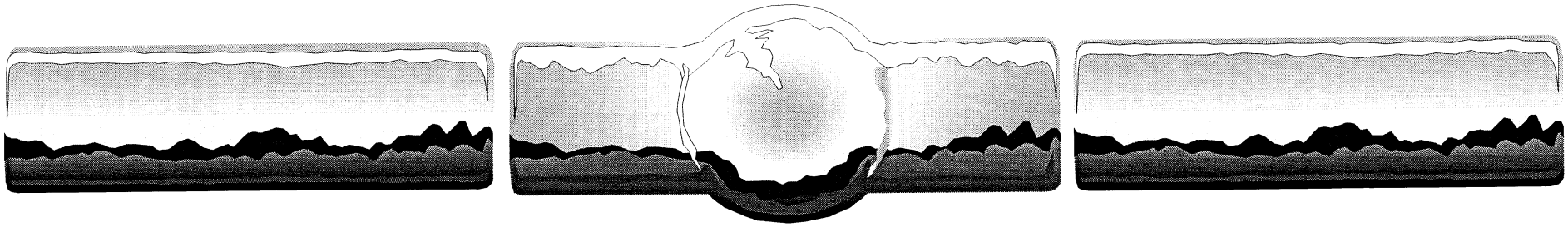
Two Year Period	Formula Payments Per EP	Two Year % Increase
Base Year 1992-1993	$1,108	
1994 and 1995	$1,324	19.49%
1996 and 1997	$1,708	29.00%
1998 and 1999	$1,827	6.97%
2000 and 2001	$2,231	22.11%
2002 and 2003 (full fund)	$2,538	13.76%
Cum. Per Pupil Increase	$1,430	
% Increase Per Pupil	129.06%	

Medicaid Eligibles 1993 to 1998

Month	Statewide Eligibles
Jan 93	510,788
Jan 94	560,891
Jan 95	592,705
Jan 96	592,961
Jan 97	580,587
Jan 98	581,098

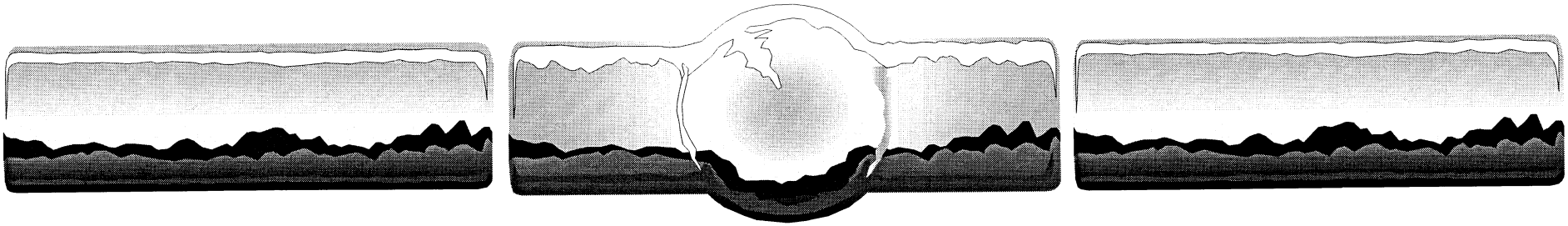
Medicaid Eligibles Sept. 1998 to Sept. 2002

Month	**Medicaid Eligibles**	**Increase**
Sept. 1998	580,363	
Sept. 1999	699,304	118,941
Sept. 2000	769,612	70,308
Sept. 2001	853,184	83,572
Sept. 2002	902,743	49,559
Increase		**322,380**



Medicaid Eligibles In June 2003

950,204



Medicaid Eligibles In August 2003

955,226

Important Questions For Policy Makers Regarding Economic Development Tax Credits

1) What Is The "Tail"?
2) What Impact Do Changes Have On Jobs?
3) Total Amount Of Credits We Can Afford.

Prison Population, Calendar Years 1994 Through 2002

Year	Average Prison Population	Inmate Increase
1994	17,334	1,925
1995	18,704	1,370
1996	21,329	2,625
1997	23,652	2,323
1998	24,978	1,326
1999	26,227	1,249
2000	27,295	1,068
2001	28,606	1,311
2002	29,871	1,265

Budget Process Recommendations

- It Does Not Matter What Budget Process Is Used If Revenues And Expenditures Are Not Balanced.
- Budget Decisions Need To Be Made With A Multiple Fiscal Year Outlook.
- Policymakers Need A Better Understanding Of One-Time Funds.
- Quit Using One-Time Funds To Pay For Ongoing Financial Commitments.

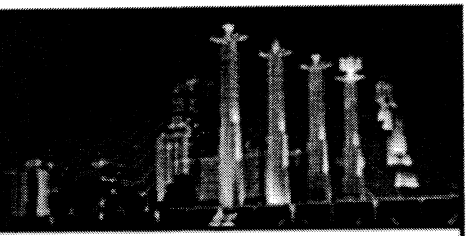
Final Thoughts

- There Is No Free Lunch;
- You Get What You Pay For;
- Nothing Is Going To Come In The Mail.

APPENDIX EEE

Written testimony of Mr. Bob Marcusse,
Kansas City Area Development Council

Mr. Marcusse testified at the Kansas City hearing.
His testimony was given to the committee after the hearing.



Presented By

Bob Marcusse

President and CEO
Kansas City Area
Development Council



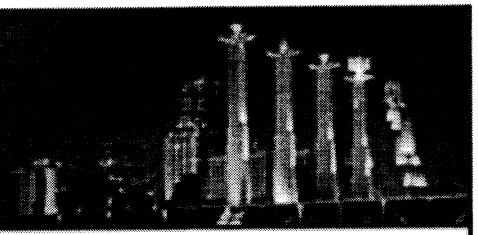
KANSAS CITY
Area Development Council

Competition and Prosperity… Thoughts for Missouri

October 27, 2003

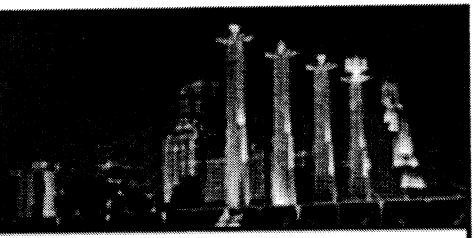
Presented to
Missouri Interim Committee on Job Creation
and Economic Development

What is KCADC?



- 18 county, bi-state regional economic development group
- Funded by Kansas City business community – 90%
- Local Chambers, EDC, cities – 10%
- 250 corporations and communities
- 27 year old organization
- Have attracted almost 500 companies to Kansas City since 1976

History



KANSAS CITY
Area Development Council

- KCADC funded by Kauffman Foundation to review opportunities for technology focus in Kansas City
- KCADC and Civic Council form Life Sciences Task Force
- Task Force reports opportunity for critical mass in Life Sciences
  - Stowers Institute *sine qua non*
  - Sets 10-year goal of $500M in research (2000 $104M)
  - Recommends formation of Kansas City Life Sciences Institute

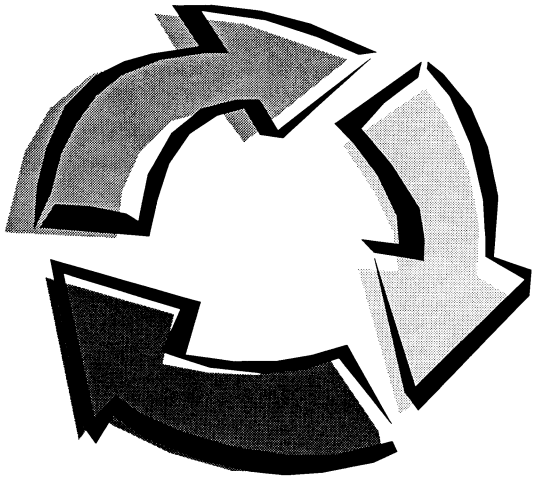
Premise

KANSAS CITY Area Development Council

Economic and scientific progress are dependant upon ever increasing levels of research, much of which must occur at our research universities.

Discovery

University Collaboration



Translation

Corporate Attraction

Commercialization

Company Formation

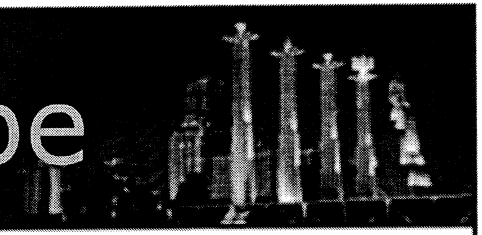
The Competitive Environment



South Carolina – Pilot Therapeutics

- 14 employees
- $2M headquarter and R & D center
- Promise to create 100 jobs
- South Carolina granted
  - $10M in tax credits
  - Grants, loans, training funds

The Competitive Landscape

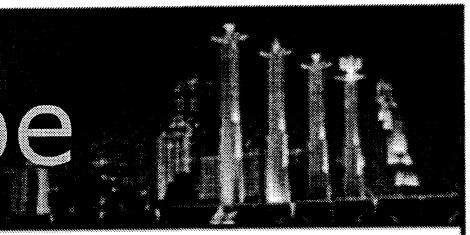


Maryland

"Cross Town Rivals Johns Hopkins and University of Maryland, Baltimore Work Together" ~*Baltimore Business Journal*

- Johns Hopkins
  - $800M biotech research park
  - 2,000,000 sq. ft.
- University of Maryland, Baltimore
  - Six new research buildings
  - Could total 600,000 sq. ft.

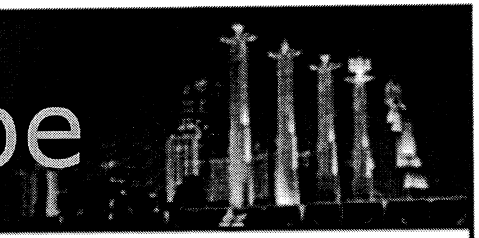
The Competitive Landscape



Ohio – The Third Frontier Program

- $500M to build research facilities (biotech industry)
- $500M to support early stage capital formation and new product development
- $500M in G.O. Bonds - Nov. 4 vote
- $100M in low interest loans

The Competitive Landscape

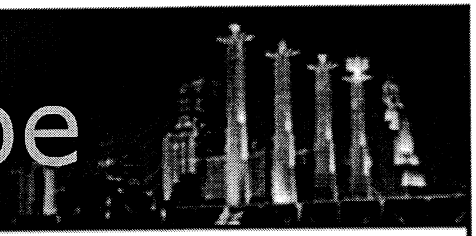


Florida – The Scripps Research Institute

"For Florida, this is the economic equivalent of the decisions by NASA and Disney to build in Florida." ~Gov. Jeb Bush

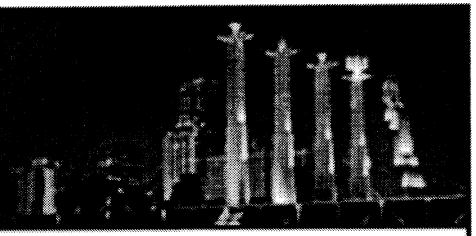
- New 300,000 sq. ft. facility
- Will employ 575 researchers and related
- 10 year economic impact — $1.6B State of Florida committed $310M to Scripps

The Competitive Landscape



Missouri – The best opportunity of all

Stowers Institute



January 15, 2002

"The Stowers Institute acknowledged that it must eventually build a second campus.... (We) would prefer to confine future growth to Greater Kansas City, but this will only be feasible if the local, state supported research institutions are strengthened."

William B. Neaves, Ph.D.
President and CEO
Stowers Institute for Medical Research

Kansas City Star—October 23, 2003

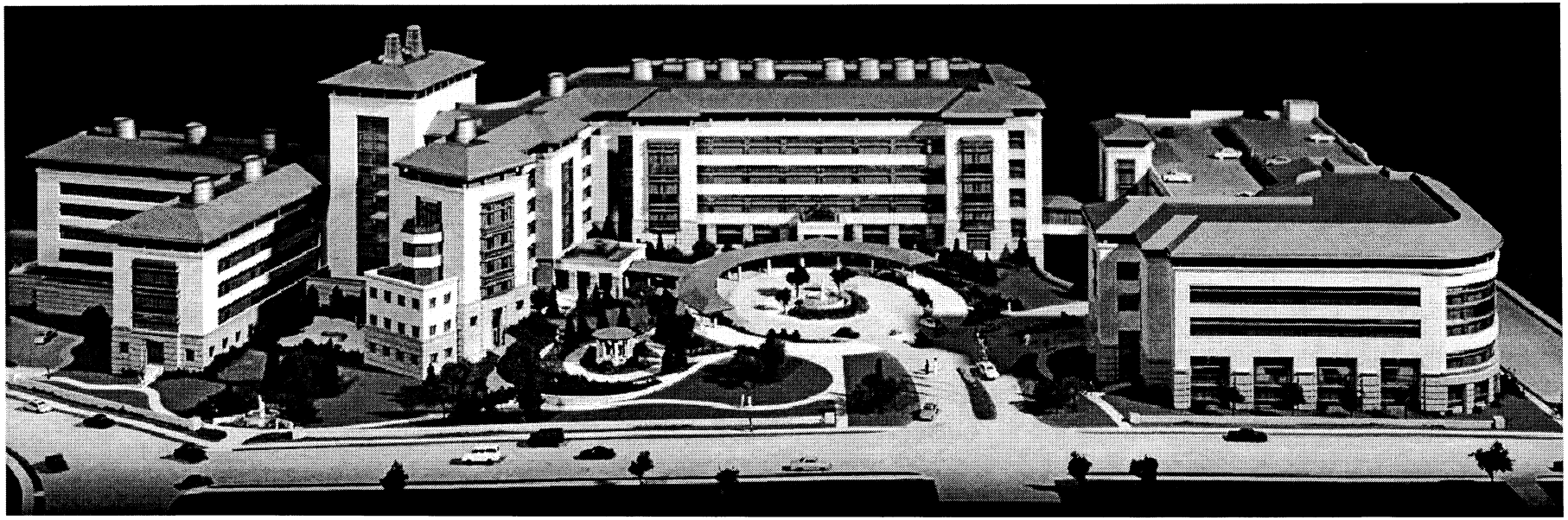


"Scientists at The Stowers Institute have taken important steps toward identifying where blood-forming stem cells are nurtured in bone marrow, a discovery that has eluded researchers for 25 years."

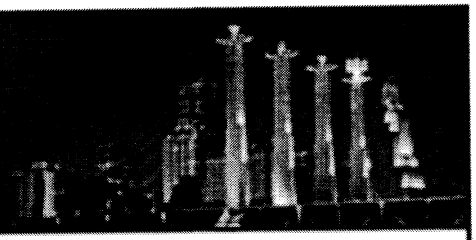
Collaborative Institutions:

- UMKC School of Dentistry
- National Institute of Health – Environmental Health Sciences
- Harvard University
- University of Rochester

Stowers Institute



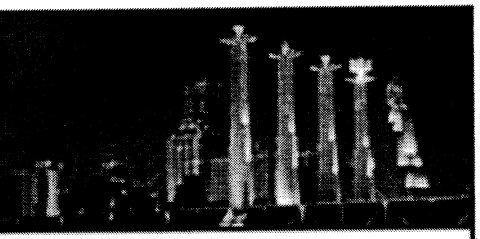
Stowers Institute – Second Campus



Andersen Study – January 2002

- Direct employment
  - 900
- Additional indirect employment
  - 750
- Direct earning
  - $54.9 million per year
- Indirect earning
  - $49.9 million per year

Stowers Institute – Second Campus (cont'd)

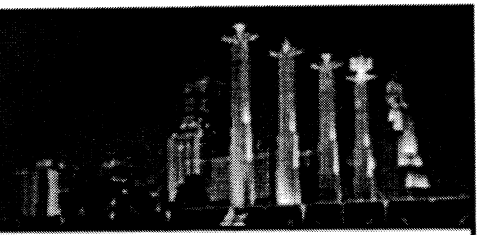


- Building 1,000,000 sq. ft.
- Direct construction employment
  - 2,112 person years
  - Indirect construction employment
  - 3,500 person years

<u>Summary</u>

Total economic benefits to Kansas City over 10 years, $1,400,000,000

Funding

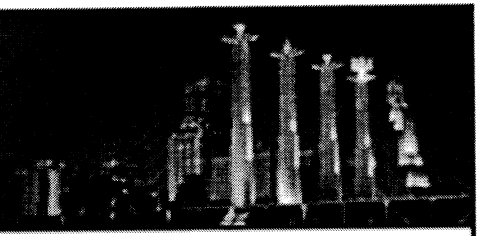


KANSAS CITY
Area Development Council

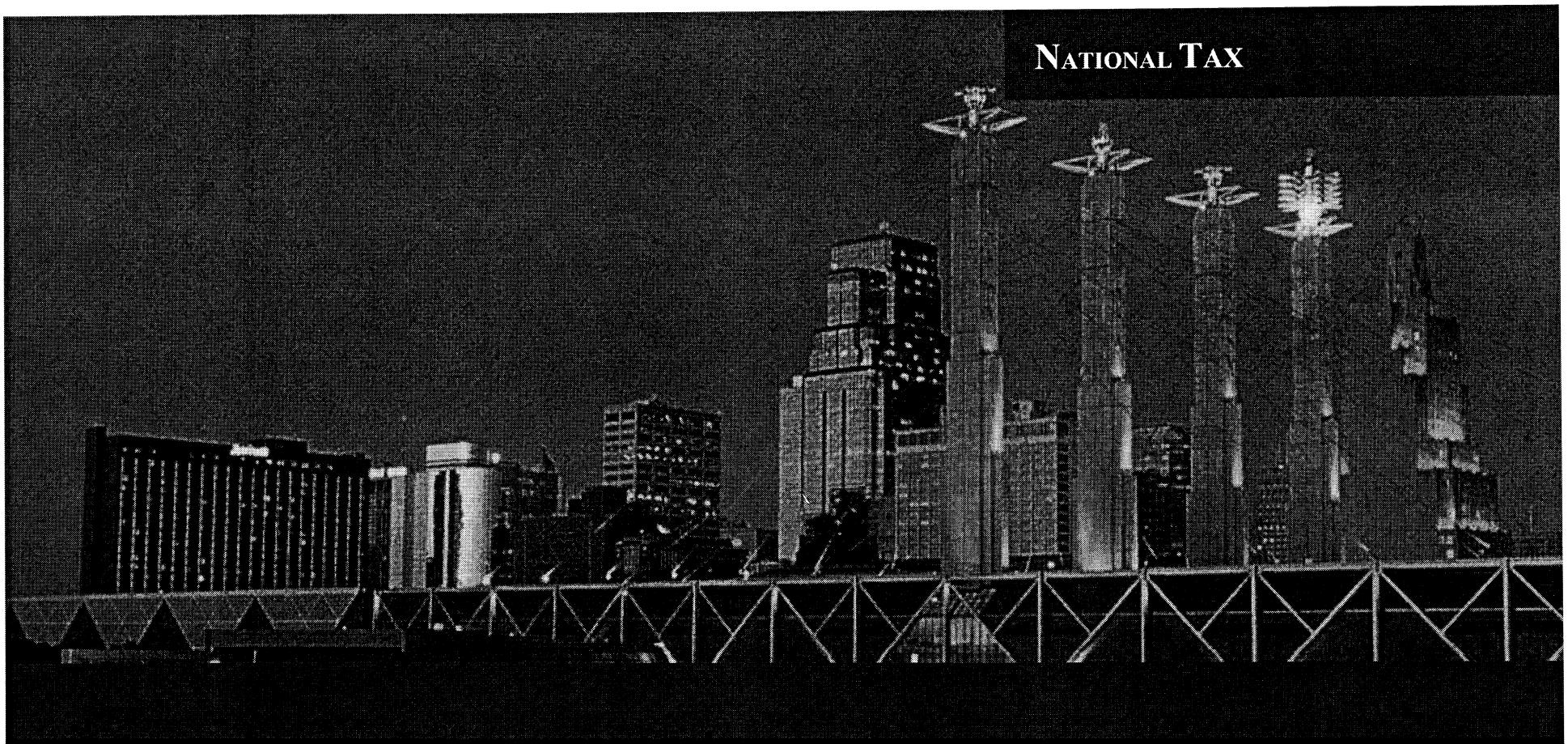
How do we fund more research at UMKC and KU?

- State budget allocation – UMKC Pharmacy Building
  - Missouri/$30M – 2004
- Funds from National Tobacco Settlement – 2001
  - Missouri – not available
- Tax increase on tobacco products – 2002
  - Missouri - failed
- Federal tobacco dollars – 2006
  - Maybe

A New Funding Strategy



- Identify the amount of taxes generated by current life sciences companies and their employees within a region
- Continue to disburse those taxes
- Divert a portion of future growth in taxes to life sciences research
  - Missouri growth in KC region to UMKC
  - In other areas to other Missouri universities
- Create legislation to accomplish this



Estimates of Incremental Kansas City Area Life Sciences Revenues, 2002-2011

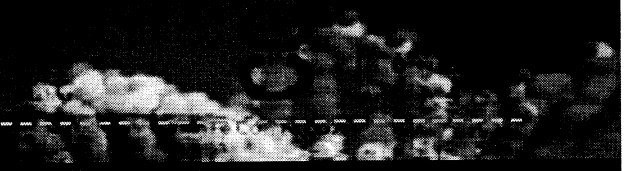
Presentation to the Kansas City Area Development Council

Purpose



- To provide the KCADC with an estimate of the magnitude of the incremental state and local revenues that would accrue during the 2002-2011 period as a result of establishing a dedicated revenue financing mechanism.
- Jackson County was used an example case to measure the size and growth of the life sciences industry in the Kansas City area.

Approach



- Determine the direct jobs and income in the life sciences industry in Jackson County in 2002.
- Determine the baseline state and local taxes directly related to the incomes and economic activity of the industry in 2002.
- Forecast Jackson County life science industry jobs and income through 2011.
- Estimate the total and incremental state and local taxes directly related to the economic activity for each year through 2011.
- Calculate the incremental revenues through 2011 as the difference between estimated annual tax revenue impacts and the 2002 baseline estimate of state and local taxes directly related to the Jackson County life sciences industry.

Baseline 2002 Employment Estimate

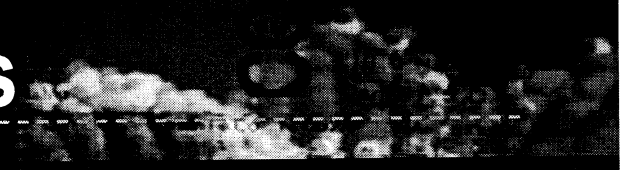
2002 life sciences employment was used to estimate the baseline economic contribution of the Jackson Co. life sciences industry.

Life Sciences Industry	*2002 Employment*
General Medical and Surgical Hospitals	19,320
Pesticide, Fertilizer, and Other Agricultural Chemical Mfg	1,984
Cerner Corporation	1,600
R&D in the Physical, Engineering, and Life Sciences	1,461
Laboratory Apparatus and Furniture Manufacturing	764
Medical Laboratories	398
Dairy Product Manufacturing	398
Surgical Appliance and Supplies Manufacturing	294
Soap, Cleaning Compound, and Toilet Preparation Mfg	294
Diagnostic Imaging Centers	105
Testing Laboratories	88
Non-cellulosic Organic Fiber Manufacturing	64
Fats and Oils Refining and Blending	64
Analytical Laboratory Instrument Manufacturing	64
Other Basic Organic Chemical Manufacturing	11

Baseline Economic Impact Estimate

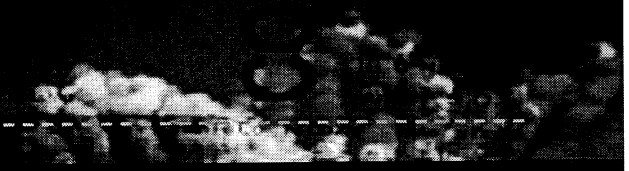
- Employment levels for each of the life sciences industries were used as inputs for the IMPLAN economic model.
- The economic model was used to estimate the life sciences industries' baseline direct personal income contribution to the Jackson County economy.
- Based on 2002 employment of 28,246, the life sciences industry generates $2.12 billion in local personal income.

Projected Industry Growth Rates



Life Sciences Industry	*Growth Rate*
Cerner Corporation	20.00%
R&D in the Physical, Engineering, and Life Sciences	3.43%
Testing Laboratories	3.43%
Medical Laboratories	1.08%
Diagnostic Imaging Centers	1.08%
General Medical and Surgical Hospitals	0.95%
Fats and Oils Refining and Blending	0.62%
Ophthalmic Goods Manufacturing	0.35%
Dairy Product Manufacturing	0.02%
Laboratory Apparatus and Furniture Manufacturing	-0.11%
Analytical Laboratory Instrument Manufacturing	-0.11%
Pharmaceutical and Medicine Manufacturing	-0.48%
Soap, Cleaning Compound, and Toilet Preparation Manufacturing	-0.48%
Pesticide, Fertilizer, and Other Agricultural Chemical Manufacturing	-0.48%
Other Basic Organic Chemical Manufacturing	-0.48%
Surgical Appliance and Supplies Manufacturing	-1.52%

Tax Revenue Estimates



Annual life sciences tax revenues were calculated as:

- Ratios of tax collections to economic activity, or
- Estimated tax bases times statutory tax rates.

Tax Type	*Estimation Method*
Sales Taxes on Business Inputs	Taxable purchases times rate
Individual Income Tax	Ratio to personal income
Corporate Net Income Tax	Ratio to value added
Local Property Tax	Real and TPP times rate
Public Utility Taxes	Ratio to personal income
Excise Taxes	Ratios to personal income

Incremental Revenue Impacts

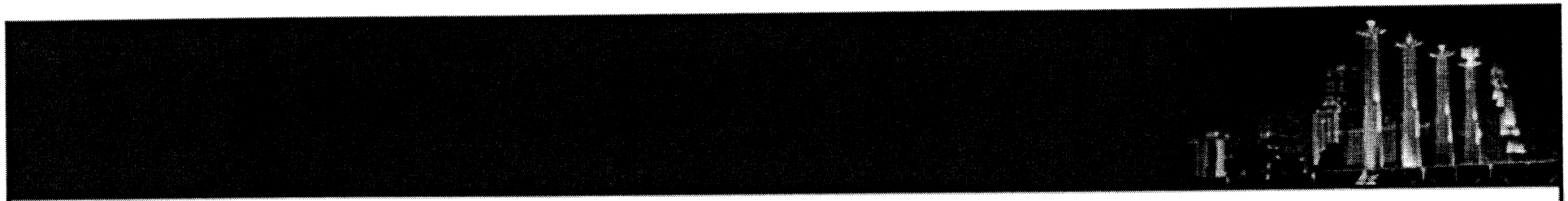


Based on the projected industry growth, ten-year incremental revenues total $661 million.

State Taxes	*($millions)*
State Property	$0.9
General Sales	139.4
Selective Sales	54.6
License	22.7
Individual Income	202.5
Corporate Net Income	11.4
Other Taxes	7.4
Incremental State Tax	**$439.0**

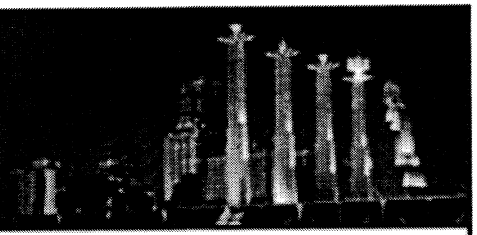
Local Taxes	*($millions)*
Local Property	$73.2
General Sales	10.5
Selective Sales	55.9
Individual Income	63.4
Other Taxes	19.1
Incremental Local Tax	**$222.1**

State and Local Total Incremental Revenue	$661.1 million



	Scripps Institute - Florida	***Stowers II - Missouri***
Employment	575	900
Facility	300,000 sq. ft.	1,000,000 – stages
Eco. Impact	$1.6B – 10 yrs	$1.4B – 10 yrs
Cost to start	$310M directly to Scripps	$0 to Stowers but "Strengthen UMKC"

Status



Missouri – 2003

- SB 648 introduced in 2003 session by Senator Shields
- Heard in committee

2004

- To be improved and reintroduced by Senator Shields, Representative Dempsey

APPENDIX FFF

Written testimony of the Missouri Hospital Association

The Association testified at the Kansas City hearing.
This additional testimony was given to the committee after the hearing.


MHA

What Is The Need?

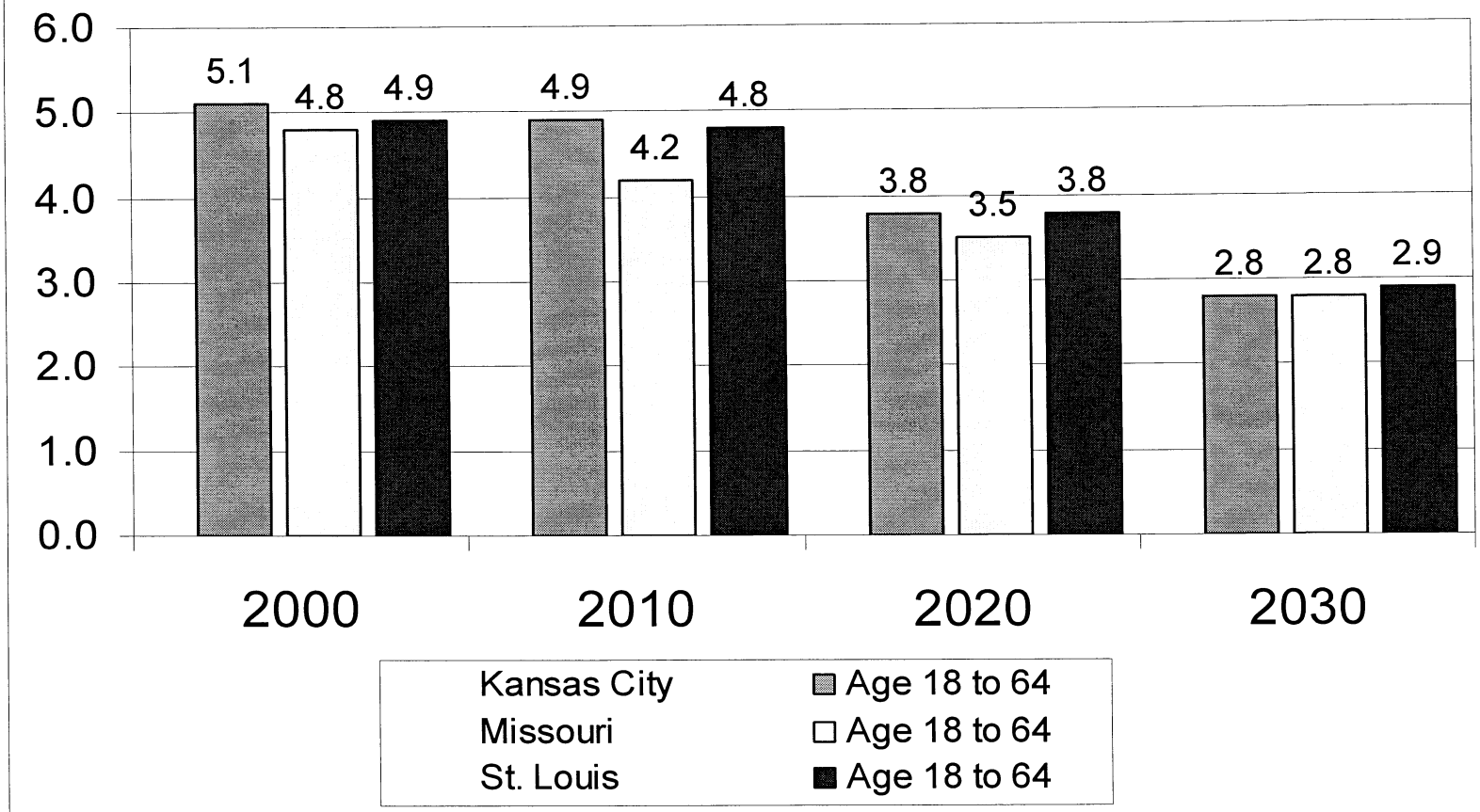
MHA

Missouri Hospital Utilization

HISTORICAL UTILIZATION — 1990 to 2000	
	Increase of Outpatient Visits
Kansas City Metro Area	**1 Million**
Missouri	**5.4 Million**
St. Louis Metro Area	**1.9 Million**

MHA

Ratio of Workers to Every Person Over 65
Kansas City/Missouri/St. Louis



MHA

Where Is The Opportunity?

MHA

Hospital Workforce Vacancy Rates – 2003

Position	Kansas City	Missouri	St. Louis
Radiology Techs-certified	9.0%	8.1%	7.2%
Registered Nurses	10.7%	10.0%	11.0%
Respiratory Therapists	9.6%	8.5%	11.2%
Medical Laboratory Techs	21.4%	10.7%	19.8%
Licensed Practical Nurses	12.0%	9.2%	11.7%
Radiology Techs-noncertified	10.2%	10.6%	15.2%
Operating Room Techs	16.3%	7.3%	3.1%
Certified Respiratory Therapy Techs	6.4%	7.4%	6.9%
Pharmacists	4.9%	7.7%	10.7%
Medical Techs	5.7%	5.5%	6.8%

MHA

Nursing Workforce

- Registered Nurse Average Age
  - Kansas City 46 years
  - Missouri 45 years
  - St. Louis 46 years
  - Only 9 percent of nurses in Missouri are under age 30
- 63 percent of all Missouri licensed registered nurses work in hospitals
- 434,000 additional registered nurses and 136,000 licensed practical nurses will be needed in the United States by 2020

MHA

Financial and Educational Assistance

- Hospitals Provide Assistance
  - tuition reimbursement
  - on-the-job training
  - scholarships
  - flexible scheduling

MHA

Why Is This Important?

MHA

Missouri Hospitals Economic Contribution

	Employees	Hospitals	Payroll	Total Revenue
Kansas City	35,000	38	$1.1 Billion	$3 Billion
Missouri	130,000	140	$4.4 Billion	$11.5 Billion
St. Louis	60,000	42	$2 Billion	$5 Billion

MHA

Missouri Hospitals Efforts

- Created $1 million scholarship program that has provided up to $6,000 per student for 174 students to-date
- Created a Web site for career exploration – *www.mohealthcareers.com*
- Created a comprehensive database that tracks the vacancy and turnover rates of 10 key patient care positions in Missouri's hospitals

MHA

Missouri Hospitals Efforts

- Created a career directory that details health care careers and educational programs and is available online
- Created a series of reports on the recruitment, retention and education of Missouri's health care workforce

MHA

Kansas City Community Efforts

- Communitywide Awareness
  - 200 attendees at April 2003 meeting
- Steering Committee Formed
  - education
  - health providers
  - business

MHA

Kansas City Community Efforts

- Strategic Plan developed addressing:
  - health career promotion
  - minority, displaced worker, welfare to work outreach
  - educational capacity
- Implementation recommendation forthcoming in December 2003

MHA

St. Louis Health Care Workforce Partners

- Formed in Fall 2000
- Participants
  - Hospitals
  - Vocational schools
  - Nursing schools
  - Medical Explorers
  - U.S. Dept. of Labor
  - Chamber of Commerce

MHA

St. Louis Health Care Workforce Partners

- Year One Activities:
  - High school counselors' breakfast
  - First Health Career Fair for ninth-grade students
  - Creation of PSAs for the *St. Louis Post-Dispatch*
  - Facilitated articles for health career "special sections" for the *St. Louis Post-Dispatch*
  - Worked with the UMSL Public Policy Research Center on development of a health services industry career ladder report

MHA

St. Louis Health Care Workforce Partners

- Year Two Activities:
  - Creation of a strategic plan
  - Developed a branding identity for the collaborative
  - Second Health Career Fair for ninth-grade students
  - Began development of health career directory and brochure promoting health careers in St. Louis

MHA

St. Louis Health Care Workforce Partners

- Year Two Activities cont'd:
  - Contributed to the creation of a Medical Science and Biotechnology Academy at the high school level
  - Explored development of apprenticeship opportunities for health careers
  - Began planning to engage the business community

MHA

St. Louis Health Care Workforce Partners

- Year Three Activities:
  - Advised and assisted the International Institute in the creation of a new certified nurse assistant program for refugees
  - Produced a health career awareness video that promotes St. Louis as a great place to live and work in health care
  - Held a Mini Medical School for high school science teachers and counselors to expose them to health careers and provide them with classroom resources to use with students

MHA

APPENDIX GGG

"Incentives Prompt Datacore to Leave KC for Westwood"
The Kansas City Star
October 28, 2003

1ST STORY of Level 1 printed in FULL format.

Copyright 2003 The Kansas City Star
All Rights Reserved
The Kansas City Star

October 28, 2003 Tuesday

LENGTH: 527 words

HEADLINE: Incentives prompt Datacore to leave KC for Westwood

BYLINE: By KEVIN COLLISON; The Kansas City Star

BODY:
Datacore Marketing Inc.is relocating from downtown Kansas City to Westwood, citing economic development incentives from Kansas as a key factor in its decision.

"It was the only financially responsible decision for me to make," said Jeff Yowell, Datacore's president. "When I went into this, my desire was to stay downtown. I want downtown to prosper, but once I got into it, it was a no-brainer decision."

The move indicates that economic development border skirmishing is continuing along the state line. Two years ago, Kansas provided several million dollars in incentives to lure Midland Loan Servicesfrom downtown to Overland Park. Kansas City has been trying to pull Waddell & Reedfrom Overland Park to downtown. Tax preparation company H&R Block Inc.is weighing Missouri and Kansas options in its search for a new headquarters location.

Kansas development officials said Monday they don't focus on companies on the Missouri side of the state line.

"We have not marketed in the Kansas City area," said Steve Kelly, director of business development for the Kansas Department of Commerce and Housing. "We don't target companies or make calls. We respond to companies or their representatives."

Datacore, which is at 934 Wyandotte St., plans to move its 80 employees to the Westwood Plaza building, 1900 W. 47th Place, before the end of the year. It will occupy 20,000 square feet on the second floor with another 2,700 square feet for mailroom and storage on the first floor.

The fast-growing company provides data-based marketing services to such big companies as Bayer Corp., Eli Lilly & Co., Hill's Pet Nutritionand Michelin. The Greater Kansas City Chamber of Commercehonored it with the 2003 Small Business of the Year award. Founded in 1992, Datacore has grown from 27 employees and $3 million in revenue in 1997 to 80 employees and $13 million in annual revenue today.

"Westwood will allow us to grow to 130 employees," Yowell said.

Neither Yowell or Kelly would discuss specifics about the incentives offered. But as a new company to Kansas, Kelly said Datacore would be eligible for money to train employees; tax credits for creating new jobs and capital investment; enterprise zone tax credits; and possible incentives for providing jobs that

pay above-average wages.

Yowell said incentives offered by the city were not competitive with Kansas. Officials at the Economic Development Corp.of Kansas City were unavailable for comment.

Earlier this year, the EDC played a major role in persuading state lawmakers to approve the Missouri Downtown Economic Stimulus Act. The legislation allowed the state to offer sales and income tax incentives for new downtown development but is less effective as a tool to retain existing employers.

The landlord of the building in Westwood, Midwest Transplant Network, was represented by Ashlie Dillard of Acacia Commercial Real Estate. Datacore was represented by Greg Swetnam of Kessinger/Hunter & Co.

To reach Kevin Collison, development reporter, call (816) 234-4289or send e-mail to kcollison@kcstar.com

LOAD-DATE: October 28, 2003