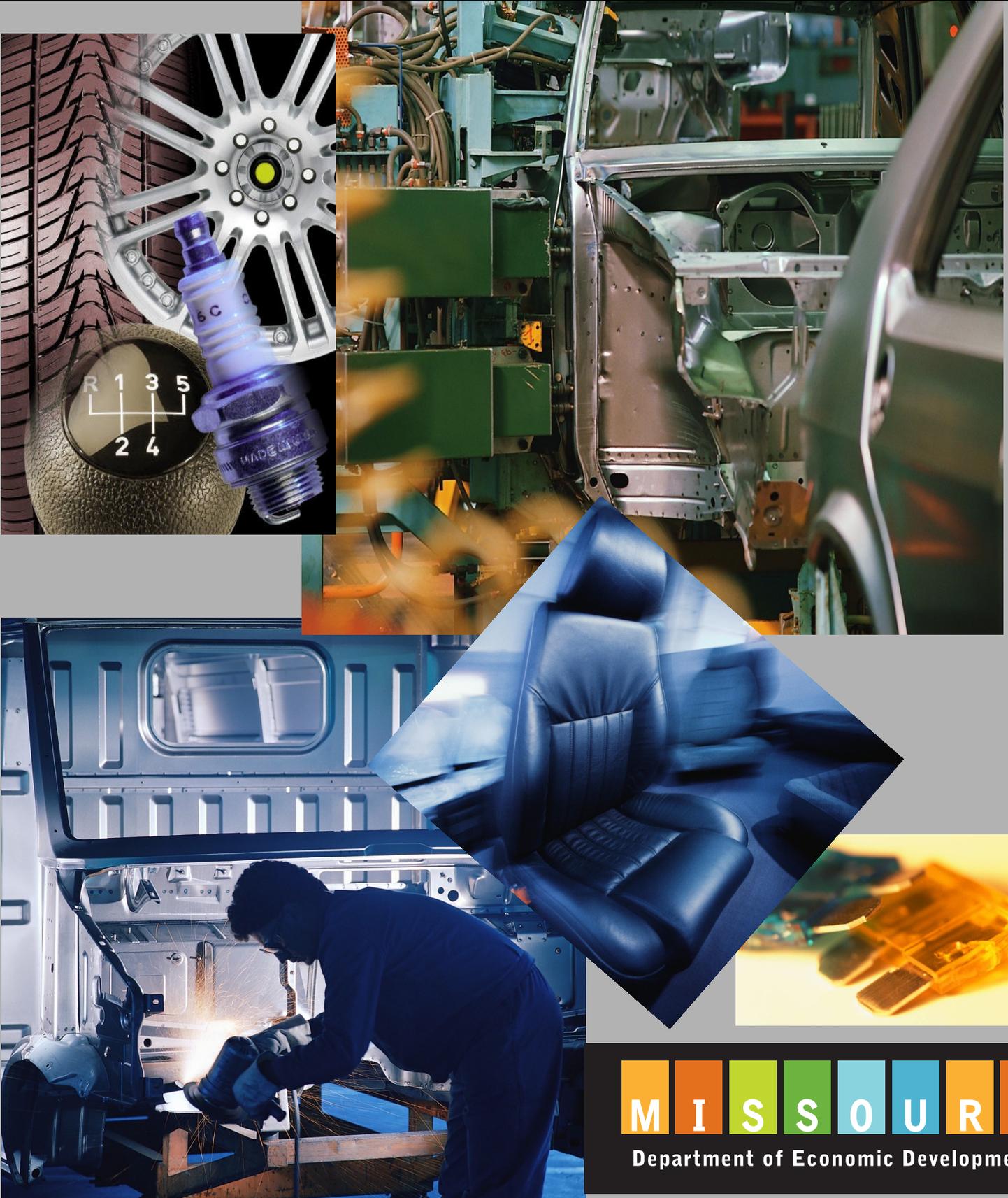


MISSOURI AUTOMOTIVE MANUFACTURING JOBS

2011 ANNUAL REPORT



M I S S O U R I

Department of Economic Development

Missouri Automotive Manufacturing Jobs Act Annual Report for 2011

The Missouri Automotive Manufacturing Jobs act was introduced and passed during the 2010 Legislative Special Session, and Section 620.1910, RSMo became effective on October 12, 2010. The purpose of the program is to allow qualified manufacturing facilities or suppliers that invest next-generation production lines in existing Missouri facilities to retain withholding taxes typically remitted to the state. During 2011, two retention projects were approved for qualified manufacturers to participate in the program. No suppliers have sought approval under this program for calendar year 2011.

Program Requirements

The program provides incentive for job retention to automotive manufacturing facilities for a period of 10 years and for job creation to suppliers of automotive manufacturing companies in the state for 3 to 5 years, depending on the wages of the new jobs. A Notice of Intent (NOI) is submitted by the company and the Department provides either an approval or rejection within 30 days of receipt. Failure by the Department to provide a response within that timeframe is deemed an approval. Within six months of the Notice of Intent approval, the qualified manufacturing company shall enter into an agreement with the department that memorializes the content of the NOI, the requirements of the program and the consequences for failing to meet such requirements.

Qualified manufacturer eligibility requirements are as follows:

- NAICS code is 33611,
- Manufacture goods at a facility in Missouri throughout the period in which the company receives benefits and;
- Make a capital investment of at least \$75,000 per retained job for a new product or \$50,000 per retained job for the modification or expansion of an existing product within two years of beginning to retain withholding taxes.

Qualified supplier eligibility requirements are as follows:

- Attest to the Department that it derives more than 10% of its total annual sales revenue from sales to a qualified manufacturing company;
- Adds five or more new jobs;
- Pays wages for the new jobs that are equal to or exceeds the county average wage for Missouri as determined by the department using the NAICS industry classifications but are not less than 60% of the statewide average wage; and provides health insurance for all full-time jobs and pays at least 50% of the insurance premiums.

Annual Benefit

The benefits for the MO Automotive Manufacturing Act are retained withholdings for both retention under the qualified manufacturer or new job under the qualified supplier. Beginning January 1, 2012, the qualified manufacturer may retain 100% of the withholding taxes from full-time jobs at the facility

for 10 years if it manufactures a new product or retain 50% of withholding taxes from full-time jobs for seven years if it modifies or expands an existing product.

The benefits for a qualified supplier are to retain 100% of the withholding taxes from new jobs for three years. If the qualified supplier pays wages for the new jobs that are equal to or greater than 120% of the county average wage for Missouri as determined by the department using NAICS industry classifications, it can retain the withholding taxes for five years.

The funding limit for this program is \$10 million per year for any one qualified manufacturing company and limits the aggregate amount of retained withholding taxes by all qualified manufacturing companies to \$15 million per year. There are no limits on the aggregate amounts for qualified suppliers under this program.

Currently, the program has authorized benefits for two qualified manufacturing companies and no suppliers for the calendar year 2011. The maximum amount of retained withholdings of \$15,000,000 per year has been allocated for 2012 through 2021.

Net State Fiscal Impact

The Missouri Economic Research Center has estimated the economic impact of the Missouri Automotive Manufacturing Jobs Act using the REMI Missouri Regional Economic Model. The two qualified manufacturing companies were calculated separately to ensure a succinct and concise representation of their individual contribution to the state. Key findings for each of the manufacturing company’s impact include:

General Motors

Wentzville, MO

Annual Average Economic Impact based on the retention of 1,348 jobs to the state is:

| | |
|-------------|---|
| 3,459 | new JOBS each year paying an average wage of \$62,187 |
| \$17.610 | million new NET GENERAL REVENUES each year |
| \$245.531 | million new PERSONAL INCOME each year |
| \$594.836 | million new VALUE-ADDED / GSP each year |
| \$1,730.196 | million new ECONOMIC OUTPUT each year |

Ford Motor Company

Claycomo, MO

Annual Average Economic Impact based on the retention of 3,850 jobs to the state is:

| | |
|-------------|---|
| 8,077 | new JOBS each year paying an average wage of \$59,353 |
| \$43.814 | million new NET GENERAL REVENUES each year |
| \$498.358 | million new PERSONAL INCOME each year |
| \$1,283.049 | million new VALUE-ADDED / GSP each year |
| \$3,889.558 | million new ECONOMIC OUTPUT each year |

| BENEFIT : COST ANALYSIS (includes only state revenue impacts) | | | |
|--|---------------------------|---|---|
| GENERAL MOTORS | CY 2011 ACTUAL | Other Fiscal Period (10 years) | Derivation of Benefits Investment: (a) \$102,000,000 in durable equipment spending in 2012 – 2013. Employment: (a) 0 new jobs in motor vehicle manufacturing. (b) 1,348 jobs retained in motor vehicle manufacturing at a specified wage rate of \$68,051 in 2012 – 2021. Other Assumptions: (a) real wage growth starting in 2013. Incentives: (a) authorized to retain estimated withholdings \$36,806,460 during 2012-2021. Maximum allowed \$50,000,000 (\$5 million per year) Impacts occur in the St. Charles Region. Assumptions provided by DED. Estimated using REMI-Regional Model (remi-fiscal_popv1.2.6-aug11) |
| BENEFITS | | | |
| Direct Fiscal Benefits | \$0 | \$116,073,979 | |
| Indirect Fiscal Benefits | \$0 | \$60,025,366 | |
| Total | \$0 | \$179,099,345 | |
| COSTS | | | |
| Direct Fiscal Costs | \$0 | \$32,654,664 | |
| Indirect Fiscal Costs | \$0 | \$0 | |
| Total | \$0 | \$32,654,664 | |
| BENEFIT: COST | N/A | 5.39 | |

| BENEFIT : COST ANALYSIS (includes only state revenue impacts) | | | |
|--|---------------------------|---|---|
| FORD MOTOR COMPANY | CY 2011 ACTUAL | Other Fiscal Period (10 years) | Derivation of Benefits Investment: (a) \$288,750,000 in durable equipment spending in 2012 – 2013. Employment: (a) 0 new jobs in motor vehicle manufacturing. (b) 3,850 jobs retained in motor vehicle manufacturing at a specified wage rate of \$61,708 in 2012 – 2021. Other Assumptions: (a) real wage growth starting in 2013. Incentives: (a) authorized to retain estimated withholdings \$91,828,531 during 2012-2021. Maximum allowed \$100,000,000 (\$10 million per year) Impacts occur in the Greater Kansas City Region. Assumptions provided by DED. Estimated using REMI-Regional Model (remi-fiscal_popv1.2.6-aug11) |
| BENEFITS | | | |
| Direct Fiscal Benefits | \$0 | \$313,403,403 | |
| Indirect Fiscal Benefits | \$0 | \$124,733,190 | |
| Total | \$0 | \$438,136,593 | |
| COSTS | | | |
| Direct Fiscal Costs | \$0 | \$81,539,681 | |
| Indirect Fiscal Costs | \$0 | \$0 | |
| Total | \$0 | \$81,539,681 | |
| BENEFIT: COST | N/A | 5.37 | |

