

What do we know about Minnesota's Job Opportunity Building Zones (JOBZ) Program?

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News about the JOBZ Program

- "We can't have all of the growth in Minnesota occurring just in the metropolitan area. We need to make sure that there's access to good jobs in Greater Minnesota, and JOBZ has been a success in doing so."

Minnesota government employee

<http://minnesota.publicradio.org>

News about the JOBZ Program

- “The program has been used to provide tax breaks to some businesses that would have expanded in Greater Minnesota without JOBZ.”

Legislative Auditor

<http://www.auditor.leg.state.mn.us/ped/pedrep/jobzsum.pdf>

News about the JOBZ Program

- “Without the JOBZ zones we don’t have a lot of competitive edge, but this has been a real shot in the arm. We’ve had a lot of interest. We’re seeing results. And we’re going to use this to make things happen.”

Mayor of a community in Greater Minnesota

<http://www.deed.state.mn.us/bizdev/jobzprojects.htm>

News about the JOBZ Program

- "JOBZ is working well here."

Greater Minnesota economic development professional

<http://www.wcif.org/jobz/jobz.pdf>

Workshop Objectives

Participants

- Improved understanding of the JOBZ Program's performance
 - in your community or region
 - in other Minnesota communities or regions

Economic Development Researcher

- Enhanced understanding of how JOBZ is perceived in local communities

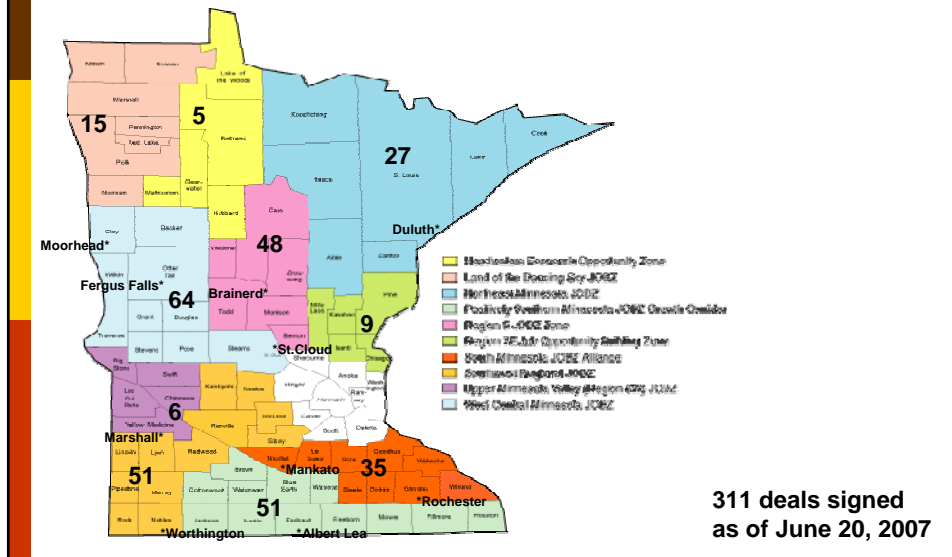
Workshop Organization

- JOBZ Program Overview
- JOBZ Program Activity Patterns

Overview of Minnesota's JOBZ Business Tax Incentive Program

- **Timing** Legislation passed in 2003; benefits available beginning in 2004 for a maximum of 12 years
- **Location** JOBZ designation reserved for locations beyond the Minneapolis-St. Paul metropolitan ring
- **Eligibility** Businesses that operate in a JOBZ
Individuals who invest in a business in a JOBZ
Property located in a JOBZ
Businesses must complete a Business Subsidy Agreement (BSA) which is also known as a "deal"
- **Exemptions** Individual income taxes (including capital gains)
Corporate franchise taxes
State and local sales and use taxes
(qualifying purchases and motor vehicles)
Property taxes (improvements only)
Wind energy production taxes
Employment tax credit (for high paying jobs)

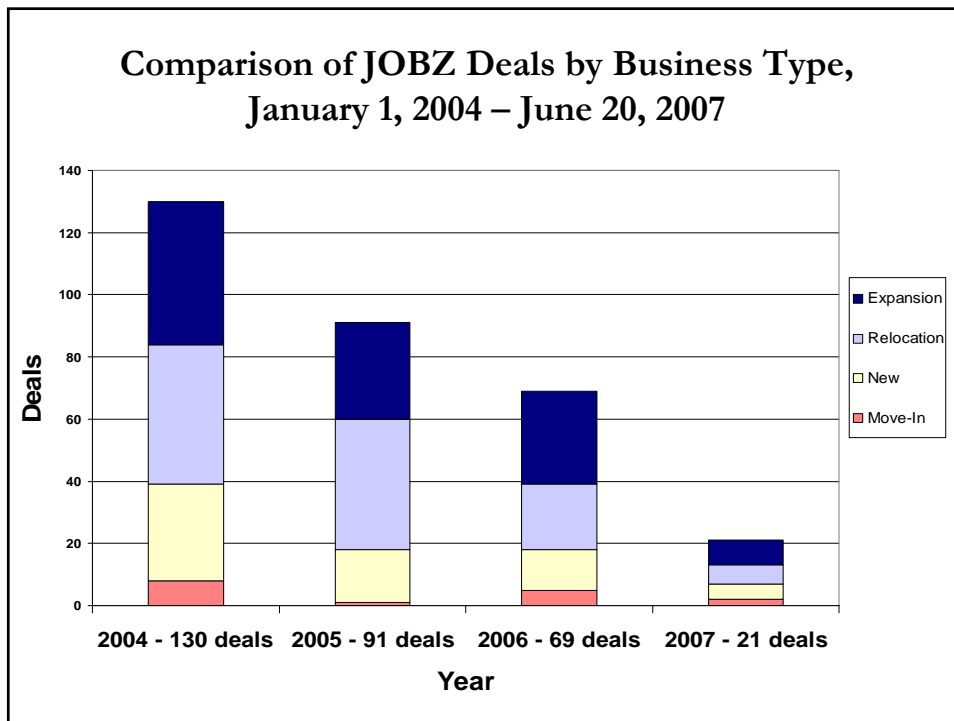
Job Opportunity Building Zones



Deals signed in 2004, actual employment and investment through 2005

Zone	deals	Employment		Investment	
		total	per deal	total	per deal
Headwaters Economic JOBZone	3	37	12	\$1,988,724	\$662,908
Northwest Land of the Dancing Sky JOBZone	6	108	18	\$5,820,000	\$970,000
Northeast Minnesota JOBZ	12	130	11	\$22,476,000	\$1,873,000
Positively Southern Minnesota JOBZ Growth Corridor	26	729	28	\$95,502,400	\$3,673,169
Region Five JOBZ	19	234	12	\$30,216,365	\$1,590,335
Region 7E (East Central) JOBZ	3	238	79	\$40,763,410	\$13,587,803
South Minnesota JOBZone Alliance	14	317	23	\$19,823,550	\$1,415,968
Southwest Regional JOBZ	20	479	24	\$136,187,000	\$6,809,350
Upper Minnesota Valley (Region 6W) JOBZone	3	34	11	\$60,371,000	\$20,123,667
West Central Minnesota JOBZ	24	259	11	\$46,796,000	\$1,949,833
All JOBZones	130	2,565	20	\$459,944,449	\$3,538,034

JOBZ deals have primarily gone to existing Minnesota companies.

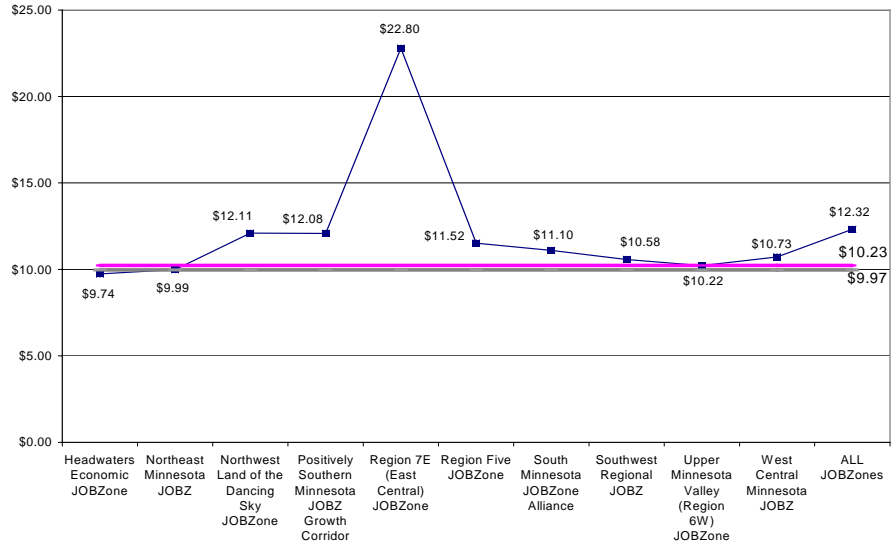


What we can say about JOBZ deals:

- Since benefits expire in 2015, we expect to see most deals signed in the early years of the program.
- JOBZ deals have primarily gone to existing Minnesota companies.
 - Expansions, relocations
- New businesses make up a significant share of total deals.
 - Are these businesses that would not have been created otherwise, or is this acceleration of business creation?
- The smallest share of deals were completed by companies moving into Minnesota.

**JOBZ has increased
employment and investment
in Greater Minnesota.**

Comparison of Average Hourly Wage of “Created” Jobs across JOBZones (2004 deals)

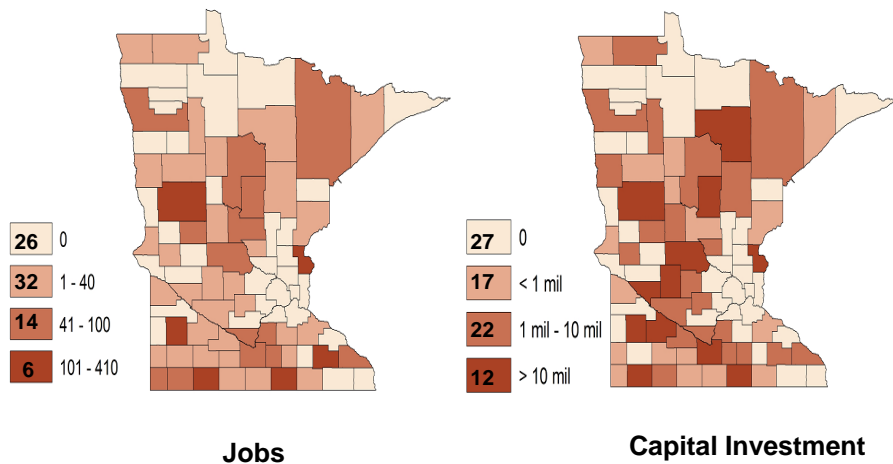


What we can say about the effect of JOBZ on wages in Greater Minnesota:

- ❑ The average wage rate associated with JOBZ deals in 9 of 10 zones ranged from just under \$10 to just over \$12 per hour.
- ❑ The average wage rate associated with JOBZ deals in the East Central JOBZone was nearly \$23 per hour.
- ❑ When deals in all JOBZones were considered, the average wage rate was \$12.32 per hour.
- ❑ According to M.S. 469.310 Subd. 11(g), every employee must be paid wages and benefits (including those not mandated by law) equaling at least 110 percent of the federal poverty rate for a family of four. This value was \$9.97 in 2004 and \$10.23 in 2005.

Comparison of “Creation” of Jobs and Capital Investment by County (2004 deals)

- Job “creation” was less dispersed than capital investment “creation.”



What we can say about the effect of JOBZ on Employment “creation” in Greater Minnesota:

- We do not know with certainty that any of the job growth was a consequence of JOBZ.
- No jobs were “created” in 26 Greater Minnesota counties.
- 20 of 78 Greater Minnesota counties “created” more than 40 jobs.
- All except two zones (Headwaters & Upper MN Valley) included at least one county with over 40 “created” jobs.
- The six counties with the largest job “creation” are located in close proximity to the Interstate Highway System (I-29, I-35, or I-90).
- 729 of 2565 “created” jobs occurred in the Positively Southern JOBZone.

What we can say about the effect of JOBZ on Investment “creation” in Greater Minnesota:

- ❑ We do not know with certainty that any of the investment growth was a consequence of JOBZ.
- ❑ 34 of 78 counties in Greater Minnesota “created” more than \$1 million of capital investment.
- ❑ Every zone included at least one county with more than \$1 million of “created” capital investment.
- ❑ 7 of 10 zones included at least one county with more than \$10 million of “created” capital investment.
- ❑ Despite strong job “creation” in the South MN JOBZ Alliance, this zone joined the Headwaters and the Land of the Dancing Sky zones as the zones with less than \$20 million of “created” capital investment.

Concluding Remarks

- ❑ JOBZ deals (January 1, 2004 through June 20, 2007) have primarily gone to existing Minnesota companies.
- ❑ JOBZ businesses signing deals in 2004 reported “creating” 2,565 jobs and \$460 million of capital investment by the end of 2005.
- ❑ We do not know with certainty that any of this employment or capital investment activity was a consequence of JOBZ.
- ❑ Because the patterns of employment and capital investment activity for businesses in the JOBZ program vary across Greater Minnesota counties and zones, it is not surprising that individuals hold differing opinions of the program’s performance.

Acknowledgements & Contact Information

- ❑ Dr. Laura Kalambokidis (Faculty Mentor, ApEc, University of Minnesota)
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 - ❑ Dr. Erik Nelson (Stanford University)
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- ❑ For additional information, contact
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Administrative Background

Relationship with Faculty Mentor, Dr. Laura Kalambokidis

- ❑ Funded my Research Assistant position
- ❑ Collaborated during presentation development
- ❑ Co-presented research findings to University of Minnesota Extension Educators with a Community Development focus
- ❑ Advises my dissertation research
- ❑ Mentors my development in Extension programming

Implementation of Extension Program in Minnesota

- ❑ Co-presented to Extension Educators with a Community Development focus on June 26, 2007
- ❑ Focused on the four statements listed on the assessment handouts
- ❑ Generated over two hours of discussion and questions

Implementation of Extension Program in Minnesota

❑ Achieved objectives

Extension Educators expressed that their knowledge of the JOBZ program increased following our presentation.

Extension Educators' comments guided inclusion/elimination of some variables in the regression analyses associated with the research.

Progress since Summer 2007

Database

- ❑ The original workshop slides used only data related to employment and capital investment of JOBZ deals signed in 2004.
- ❑ Database now includes data for JOBZ deals from subsequent years.
- ❑ The Minnesota Department of Employment and Economic Development updated the status (active/inactive) of JOBZ deals as of the end of June 2008.
- ❑ Inactive JOBZ deals were removed from my database and associated graphs and maps are currently being updated.

Progress since Summer 2007

Regression Analyses

- Ran preliminary regression analyses in Fall 2007 and related regressions are in progress

Dependent variables: Economic Growth Measures (employment growth, population growth, personal income per capita growth)

Independent variables: Infrastructure variables, Business climate variables, Workforce variables, JOBZ jobs, and JOBZ capital investment

Moving Forward . . .

- Develop zone and/or county level fact sheets summarizing JOBZ employment and capital investment activity for years 2004-2007
- Disseminate final research findings by:
 1. Directly delivering the workshop to regional audiences or
 2. Delivering the workshop to Extension Educators with a Community Development focus and training them to deliver the workshop to local audiences using:
 - Presentation Slides
 - Fact Sheets
 - Assessments
 - Database

Questions?

