

West Virginia's



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Positive changes – positive results

The business climate in the Mountain State is getting even better, thanks to the efforts of a progressive governor and an aggressive state Legislature who are making changes to ensure a profitable future for companies that operate or locate in West Virginia.





A MESSAGE FROM THE GOVERNOR



Most professionals in our business community know it makes good business sense to locate a company in West Virginia. Now, a national magazine and a research organization have published their study that confirms the state and three of its metro areas are “magnets” for attracting and retaining new businesses.

In its May-June 2007 issue, *Expansion Management* ranked West Virginia 8th among all 50 U.S. states — and three West Virginia cities were among the top 20 small metro areas for business recruitment and attraction. Charleston was ranked 8th; Parkersburg, 14th; and Wheeling, 17th.

The ranking is significant. It is based on actual corporate relocation and expansion data from the past eight years, using the National Policy Research Council's interactive database of 19 million companies for its statistical sample.

It reinforces our efforts. Positive changes yield positive results for West Virginia's business climate:

- Workers' compensation reform has realized \$130 million in cost savings to businesses. Our state employers saw an aggregate 15 percent reduction on workers' compensation rates, with some individual employers seeing drops of as much as 25 to 40 percent.
- The state's commitment to paying off long-term debt and unfunded pension liabilities has been noted by Wall Street. In February 2007, Fitch Ratings upgraded its credit rating of the West Virginia Economic Development Authority lease revenue bonds from A to A+.
- West Virginia finished its best revenue collection year, without a tax increase, in recent history. The state government's budget year ended June 30, 2007, with a \$106.7 million budget surplus, the third year in a row with a surplus.
- Passage of civil justice and insurance reform legislation has provided cost savings to West Virginians. Our current work on tax modernization and responsible government will keep us moving in the right direction.
- Since 2005, West Virginia experienced a net gain of 19,000 new jobs and attracted more than \$3.86 billion in new investment.

The world's most well-known companies like Amazon.com, Toyota, Bayer, Coldwater Creek, Dow, DuPont, Lockheed Martin and Armstrong have located in West Virginia for important reasons. The Mountain State offers a high quality lifestyle, beautiful landscape and abundant natural and human resources.

West Virginia is open for business. Please contact the West Virginia Development Office at (800) 982-3386 to learn more or visit www.wvopenforbusiness.com.

Sincerely,

Joe Manchin III
Governor of West Virginia



Workers' compensation privatized and streamlined, saving millions

One of Gov. Manchin's first actions as governor was calling a special legislative session to move forward privatization of the state's ailing workers' compensation system. In January 2006, BrickStreet Insurance, a new private insurance company, took over the state-operated system. With privatization, West Virginia's 42,000 employers saw an aggregate 15 percent reduction in workers' compensation rates, with some seeing drops of as much as 25 to 40 percent. "West Virginia's business community in general is now paying \$130 million less a year in workers' comp premiums," Gov. Manchin said. "The rate reductions are a significant first step to level the playing field with surrounding states and create an environment that truly complements and supports business growth and development."

Beginning in July 2006, the West Virginia Office of the Insurance Commissioner, which regulates BrickStreet, adopted the job-classification codes developed by the National Council on Compensation Insurance (NCCI). West Virginia now has more than 470 different employer classifications, compared with 94 in the previous system. The NCCI classification system more accurately reflects low injury risk for employees such as clerical staff, sales people and professionals. Moving to the NCCI classification system aligns West Virginia with the majority of U.S. states and it will prove invaluable when the state workers' compensation insurance market is opened to additional private insurance carriers in 2008.

The changes are good for employers and employees. In addition to rate reductions, the state's injured workers are receiving better service. Since 2003, the time between worker's injury and his or her receipt of the initial workers' compensation wage replacement benefit has decreased from a nearly two-month wait to less than 15 days.

West Virginia tax revenue up, allowing state to pay down crippling old debt

West Virginia ended its fiscal year on June 30, 2007, with a \$106.7 million budget surplus. This was the best revenue collection year, without a tax increase, in recent history. State budget officials associate this growth with a wave of private business activity.



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Gov. Joe Manchin**

Overall employment in the state is up and personal income tax collections rose 15 percent, which is above the national average, said Mark Muchow, director of fiscal policy for the West Virginia Department of Revenue. According to the U.S. Bureau of Economic Analysis, West Virginia per capita personal income rose by 5.5 percent in 2005, versus a national average of 4.6 percent.

The state is committed to paying off long-term debt and unfunded pension liabilities. About \$900 million in extra debt payments have been made to state retirement funds during the past two years. As a result, state employers and residents will save close to \$1 billion, preventing increases in the future as the debt is paid off.

In February 2007, Fitch Ratings upgraded its credit rating of the West Virginia Economic Development Authority lease revenue bonds from A to A+. Fitch said the upgrade reflected that the state has made responsible fiscal and management decisions and has been committed to cutting spending and consolidating control of its debt.

Fitch also assigned an A+ rating to the West Virginia School Building Authority capital improvement bonds. The state will save nearly \$14 million this fiscal year and next through refinancing of School Building Authority bonds and the savings will fund the state's school construction program.

During his 2007 State of the State address, Gov. Manchin reported the first overall reduction in the growth of state government employment in more than a decade, while putting close to \$1 billion toward debt reduction.

"As a result of continued 'Responsible Government' initiatives and a commitment to bring a more efficient and effective government to the citizens of West Virginia, the confidence level in our state government is high and the financial results have been phenomenal," said Gov. Manchin. "We're getting our financial house in order now so our children and grandchildren do not pay a price later."

Legal reform opens West Virginia to more insurers, lower premiums

Another of Gov. Manchin's early 2005 initiatives was the push for a legal reform package that established joint and several liability and limited third-party lawsuits. Thanks to bipartisan support in the state Legislature, several substantial reform bills passed at the close of the 2005 regular session and within weeks, insurers were reducing premiums and again writing policies for West Virginians.

Businesses that had seen commercial insurance rates skyrocket or policies discontinued because of lawsuit abuse praised the reform as a huge step in the right direction for employers and employees. It also opened the state to competition from more insurers, which should result in more economical premiums.

"These rate reductions are further evidence that we are meeting our goal of an available and affordable insurance market," said West Virginia Insurance Commissioner Jane Cline.

Insurance companies that had promised to lower their rates if such reform passed stood by Gov. Manchin as he signed these bills into law. As a result, West Virginia consumers received more than \$70 million in savings with reduced car and homeowner insurance premiums.

The 2005 improvements follow the state's successful 2003 medical malpractice reform, which helped to stem the loss of physicians who were closing their practices due to overwhelming malpractice insurance premiums and exploitive lawsuits. The legislation capped malpractice damages and provided tax breaks for doctors based on their insurance premiums.

It also created the West Virginia Physicians' Mutual Insurance Company, which was able to insure hundreds of state doctors at substantially lower rates and has since become a model for other states dealing with the nationwide medical malpractice issue.

By 2004, medical malpractice rates stabilized in West Virginia. Insurers experienced outstanding results for medical malpractice with the state's combined ratio of 71.4 percent outpacing the industry malpractice combined ratio of 108.6 percent.

The West Virginia Physicians' Mutual Insurance Company posted an even lower loss ratio, resulting in rate reductions in 2005. Since 2001, the paid malpractice claims have dropped significantly.



West Virginia's cost of living is
4.5 PERCENT BELOW THE U.S. AVERAGE.

Governor, legislators take action on comprehensive tax modernization

In July 2006, Gov. Joe Manchin convened a state summit on tax modernization, outlining West Virginia's current tax structure and seeking ideas on how it can be improved to encourage business growth and be fair to all taxpayers. Nearly 350 legislators, business leaders and constituent group representatives attended, evaluating all facets of taxation — including future projections, current limitations and comparisons to surrounding states.

Here is an overview of the state's tax structure reforms made in the 2006 special session and the 2007 regular session:

- The Corporate Net Income Tax rate was reduced to 8.75 percent from the previous rate of 9.00 percent.
- The Business Franchise Tax was reduced to 0.55 percent and it will be phased out by 2009.
- Effective July 1, 2007, there is a sales tax exemption for contractors whose purchases are used directly by manufacturing facilities. This reform will assist our manufacturers in their building efforts and encourage them to invest more in West Virginia.
- By 2008 the Food Tax will be reduced to three percent, effectively cutting the tax in half from its 2005 levels.
- The new Low-Income Family Tax Credit removes any disincentive to work by eliminating West Virginia Personal Income Tax on families with incomes below the federal poverty level.

Since 2005, WEST VIRGINIA CREATED MORE THAN 19,000

- Reforms increased the Refundable Property Tax Credit for Seniors, doubling the value available for the credit from \$10,000 to \$20,000 and providing relief to West Virginia seniors within 150 percent of the poverty level.
- Starting in January 2008, under the West Virginia Film Industry Investment Act, up to 31% of direct production and post-production expenditures can be converted to non-refundable tax credits to offset state taxes.
- Effective January 1, 2008, high-tech manufacturing businesses making computer and peripheral equipment, electronic components or semi-conductors can receive a tax credit to offset 100% of the Business Franchise Tax and 100% of the Corporate Net Income tax for 20 consecutive years.

For more information on tax modernization, visit www.wvtax.gov.

The Mountain State's advantages

West Virginia's progress in education, work force training and the continued growth of its tourism industry contribute to the high quality of life that our businesses and employees enjoy.

Education:

- West Virginia's 21st Century Learning Skills initiative requires computer literacy in grades K to 12.
- West Virginia's public school system receives the highest marks in technology in the United States as ranked by *Education Week*. The system received an "A" in *Education Week's* national survey, "Technology Counts 2006 Report," and is consistently ranked by education publications among the nation's finest school systems for use of the Internet and emerging technology.
- West Virginia's generous PROMISE (Providing Real Opportunities for Maximizing In-state Student Excellence) Scholarship program is increasing college-going rates.
- West Virginia's higher education system includes 29 colleges, universities and community and technical colleges. It offers students degree programs in all facets of today's high-technology industries, including biometrics. The state's colleges and universities are regional leaders and

hubs around which the state is building its economic future:

- Morgantown, home to West Virginia University, was 15th on Inc. magazine's 2006 Hot Cities list and 5th on Forbes' 2006 "Best Small Places for Business" list.
- Marshall University in Huntington just completed a \$46 million biotechnology science center that focuses on education and research in cancer, heart disease, forensics and environmental issues. Recently, more than \$100 million was invested in Marshall and Huntington for high-tech research and business development.

Work force development:

West Virginia's 2007 graduation season marked the statewide rollout of the WorkKeys® Career Readiness credentialing program.

The WorkKeys certificates are part of a new WORKFORCE West Virginia initiative to help match jobs with qualified job seekers and to assure businesses that the state has a ready work force.

The program assesses abilities in applied math, locating information and reading for information. Individuals who are assessed at certain levels qualify for gold or silver certificates. "WorkKeys offers practical advantages to job seekers, employers and educators," said Ron Radcliff, executive director of WORKFORCE West Virginia.

"Workers get nationally-recognized credentials, find out what skills they need to improve and match their skill levels with particular occupations. Employers recruit qualified employees, improving training effectiveness and retention. Educators identify gaps between student skills and career-ready skills, align curricula to meet employers' needs and make graduates more employable."



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THE HIGHEST MARKS IN TECHNOLOGY
 in the United States, as ranked by *Education Week*.

To further assist businesses, WORKFORCE West Virginia coordinates state and federal training resources to meet specific employer needs. The agency's mission is three-fold:

- To provide West Virginians with job search, job training and re-training assistance.
- To help employers upgrade employees' skills to improve retention and productivity with training that can be designed for an employer's specific needs, on or off-site.
- To work with employers to forecast future job creation needs and plan for West Virginia's future.

WORKFORCE West Virginia provides a detailed analysis of labor availability in any region of the state. Its centers offer free recruitment, assessment, evaluation and candidate screening using employer-based criteria. Furthermore, any new company that creates 10 or more jobs qualifies for the Guaranteed Work Force Program, which provides training to new and for existing employees.

Tourism:

West Virginia's rich history, exhilarating whitewater, winter sports, abundant natural beauty and small-town charm attract visitors from all over the world. The state's tourism industry has seen an annual average of 11 percent growth from 2000 to 2004, according to Dean Runyan and Associates. Eleven million overnight leisure travelers visited the Mountain State in 2005, according to Longwoods International's 2007 study.

The total economic impact of tourism is more than just the dollars a visitor spends in a community. Tourism contributes to sales, income, jobs and tax revenues. Tourists spend money on lodging, attractions, food and other services — creating a direct effect on the businesses and economy in the form of income that pays wages and taxes. The tourism businesses in turn are buyers of goods and services required to meet the needs of the visitor. This spending by tourism businesses as a result of increased tourist visits creates indirect effects by contributing to wages and employment in other local businesses that supply the goods and services to the tourism business.

All of this is good news for West Virginia's economy. Dean Runyan estimates that the Direct Economic Impact of Tourism in West Virginia in 2004 was \$3.4 billion.

To support its industry, the West Virginia Division of Tourism manages a Matching Advertising Partnership



West Virginia's tourism industry has seen an average annual **11 PERCENT GROWTH FROM 2000 TO 2004**, with 11.4 million overnight leisure travelers in 2006.

Program (MAPP) to enable West Virginia tourism businesses to increase their advertising dollars through matching partnerships with other tourism businesses and the state. This program has resulted in significant growth in West Virginia's tourism industry by encouraging businesses, small towns, large cities and entire regions to work together to build West Virginia's tourism image and bring more visitors to the state.

The success of the MAPP program is evidenced through considerable increases in tax receipts. State tax receipts generated by travel spending in 2004 were estimated to be \$526 million, compared with \$189 million in 1994, prior to the program's inception.

Film:

During 2006, one of the significant accomplishments of the West Virginia Film Office was the filming of the Joseph "McG" Nichol-directed Warner Bros. feature, "We Are Marshall." Filming in April planted \$3.8 million in direct expenditures, with an economic impact estimated at more than \$8 million. The movie was released in December 2006 and starred Matthew McConaughey, Matthew Fox and David Strathairn.

In addition to motion picture studio productions, the Film Office supports independent films, television productions, music videos, television commercials and commercial photography clients. During 2006, 75 productions chose West Virginia locations for filming, including: National Geographic, MTV, the History Channel, the Travel Channel, A&E Channel, the Discovery Channel and NBC/Sci Fi Channel.

*“Open for Business” is not just a saying;
it’s a road map for improvement, opportunity and growth.*

What does this mean for your BUSINESS?

Regardless of the size of your business, the changes Gov. Manchin, the Legislature and state agencies have made during the past few years are significant for you.

West Virginia’s leaders — in government, labor and business — are working hard to attract more businesses to the Mountain State and to assist those businesses that are already here. Hundreds of employers have seen dramatic savings in their workers’ compensation and insurance costs. The state is working hard to pay down long-term debt and liabilities, creating savings for employers and residents.

Recent tax modernization has placed the state in a position to assure business leaders that West Virginia continues to improve its business climate and encourage development.

The results of these accomplishments are immediate, positive changes and cost-savings for Mountain State businesses. Workers’ compensation reform, improving efficiencies of state services and progressive tax modernization make it clear that Gov. Manchin’s “Open for Business” stand is more than a saying; it’s a road map for improvement, opportunity and growth.

Find out more about what these changes can mean for you. Call the West Virginia Development Office and make an appointment to learn how the state’s open-for-business philosophy will make a difference for you.

Sign up to receive the monthly
Open for Business Report by e-mail:
www.wvopenforbusiness.com



Expansion Management magazine

RANKED WEST VIRGINIA EIGHTH

for business recruitment and attraction.



West Virginia's strategic location has attracted many companies that rely on our capacity for overnight delivery to more than 50 percent of the U.S. population and more than a third of the Canadian population.

The state's highways represent an extensive and reliable transportation network. Six interstate routes traverse West Virginia, providing quick and easy access to major population and industrial centers in the Northeast, South and Midwest. They are links in an inter-modal transportation system, providing strategic access to transshipment points by rail, water and air. These transportation modes combine to offer West Virginia businesses unmatched versatility and convenience in serving regional, national and global markets with the most advanced "just-in-time" delivery.

BUSINESS INCENTIVES:

West Virginia offers a competitive development assistance program to lower your cost of startup and operations:

- Training funds are available to existing and new employers through programs such as the award-winning Governor's Guaranteed Work Force Program.
- For qualified companies that create at least 20 new jobs (10 jobs in the case of qualified small business) as a result of their business expansion project, the State's Economic Opportunity Tax Credit can offset up to 80 percent of specified business taxes for a period of up to 13 years. If a qualified company that creates the requisite number of jobs pays an annual median wage higher than the statewide average non-farm payroll wage, then the qualified company can offset up to 100 percent of the specified taxes for up to 13 years.
- The state offers a Strategic Research and Development Tax credit. Direct R&D expenses are eligible for a state tax exemption.
- Low-interest, direct business loans are available from the West Virginia Economic Development Authority (WVEDA) for business location or expansion projects. Loans are available at rates as low as 4 percent, with 15-year terms available. Loan guarantees are also available through the state's capital access program in conjunction with participating commercial banks.
- Low-interest financing is available to public or private entities through the West Virginia Infrastructure and Jobs Development Council for infrastructure improvements (land, building and machinery acquisition or improvements; utility improvements, etc.) that will support job creation. Emphasis is placed on development in business and industrial parks and projects resulting in immediate job creation.

