A STATE OF ACHIEVEMENT

West Virginia's welcoming business climate

"The Development Office was terrific. There was complete transparency, which builds a lot of confidence that you're working with an organization where there will be no surprises. The incentives were top shelf."

Peter Longo, President, Macy's Logistics and Operations

Maintaining the momentum of fiscal accountability, the State of West Virginia is entering into a new and dynamic chapter of economic growth with a strong diversified economy.

The state's approach to responsible government has produced a positive business climate and is clearing the way for business growth through tax cuts, workers' compensation reform, investment in university research and other strategic economic development initiatives.

Since 2005, more than $20 billion worth of new business investments have been made in the state's economy, including more than $6.2 billion since 2010 under the administration of Governor Earl Ray Tomblin.

West Virginia has thrived on traditional energy and manufacturing industries such as coal, chemicals and polymers, aerospace, automotive and wood products. These remain valued contributors to the state's economy. Today, West Virginia's economy is driven by innovative, technology-based businesses, piloted by a highly skilled workforce. Emerging sectors include biometrics and biosciences, advanced energy, distribution and business and information services.

Global companies and major brands such as Amazon.com, Alcon Research, Armstrong World Industries, Bayer, Coldwater Creek, Dow, DuPont, Gestamp, Hino Motors Manufacturing U.S.A., Lockheed Martin, Macy's, Pratt & Whitney and Toyota have discovered the advantages and benefits of locating to West Virginia.

BUSINESS ADVANTAGES

West Virginia advantages include:

- Skilled and flexible workforce that has earned a reputation for dedication, loyalty and low absenteeism
- Low manufacturing-industry employee turnover rate
- A cost of doing business that is 14 percent lower than the U.S. average. According to Moody's, West Virginia ranks as fourth-lowest in the country
- Utility rates among the lowest in the nation
- A strategic location within an eight-hour drive to more than half the U.S. population and more than one-third of the Canadian market
- The Community and Technical College System that is highly responsive to business and workforce needs
- A state that led the nation in the percentage of growth in exports, reaching a record level of $9 billion
- High quality of life, low cost of living and unparalleled outdoor recreational activities

PRO-GROWTH TAX REFORMS

- The Business Franchise Tax is being phased down and will be eliminated in 2015. From the time the first reduction was made, until the eventual elimination, taxpayers will have saved an estimated $50 million.
- While some states are raising taxes, West Virginia is reducing them. West Virginia is the only state to cut taxes in 2012.
- The Corporation Net Income Tax rate will drop to 6.5 percent by 2014. Corporations are expected to save more than $53 million per year when the rate reductions are fully implemented.
- West Virginia has removed approximately $126 million of business tax burden in FY 2012 and more than $450 million during the past six years.

"The abundance of natural resources, the low cost of electricity, provides us a significant competitive advantage. In total, it's millions of dollars a year."

Karl J. Boelter, Plant Manager, DuPont Washington Works

"I just find the accessibility to government officials is a very nice thing in this state. The ongoing communication and knowledge of our company from the state's leaders is reassuring."

Andrew Waterston, General Manager, Pratt and Whitney Engine Services

STRONG FINANCIAL PERFORMANCE

- West Virginia closed its 2012 fiscal year with a surplus of roughly $90 million; the seventh year in a row with a surplus – without a tax increase. West Virginia is one of only 18 states that have not had to borrow federal funds to pay unemployment compensation benefits.
- West Virginia's 4.5 percent increase in gross state product was the third-highest rate of growth in economic production of any U.S. state in 2011, with real GDP totaling $55.8 billion.
- West Virginia has one of the strongest Rainy Day Funds of any state. The Revenue Shortfall Reserve Fund of more than $912 million is equal to 20 percent of the general revenue budget. It is the fourth-best Rainy Day Fund in the United States.
- Fitch Ratings, an independent credit rating company, raised its rating of the state's general obligation debt from "AA" to "AA+" – the second highest rating possible. Fitch's cited "the state's consistently positive financial operations, including the expansion of reserves, and an ongoing commitment to reducing long-term liabilities."
- Overall Workers' Compensation rates have declined significantly since the privatization of the system in 2006. Rate decreases in loss cost rates account for a cumulative decrease of 60.9 percent from pre-reform levels.

"The changes that we've seen in West Virginia, such as the privatization of workers' compensation and the WorkForce West Virginia training programs, have really increased our stability."

Michael Evans, Manager, Klöckner Pentaplast

"The gas-bearing shales that underlie West Virginia will yield so much ethylene that the United States will become the world's lowest-cost source of feedstock in the world outside of the Persian Gulf."

Cal Dooley, CEO, President, American Chemical Council

WORKFORCE RESOURCES AND TRAINING

To stay competitive in today's global economy, West Virginia invests in developing a skilled and adaptable labor force. The Governor's Guaranteed Work Force Program provides new and expanding businesses with technical and financial assistance to train, retrain and upgrade the skills of their employees. In fiscal year 2012, the Governor's Guaranteed Work Force Program, administered through the West Virginia Development Office, enabled more than 9,000 workers to receive training.

WorkForce West Virginia is a network of workforce development services designed to provide West Virginia's employers the opportunity to compete in today's competitive global economy by making available appropriate educational and training opportunities.

A STATE OF ENERGY

Energy stands as one of the traditional strengths of West Virginia's economy. The state leads the nation with its advanced energy research and a diverse energy portfolio that includes coal, natural gas, biomass, hydrogen, hydro, wind and solar power. West Virginia has some of the largest coal and natural gas reserves in the world.

The state has long been — and remains today — one of America's leading producers of electricity. Two-thirds of the electricity West Virginia generates is exported to the rest of the country. The state ranks third in the country in net interstate sales of electricity and remains a leader in low-cost electricity.

The state's Energy Blueprint calls for the environmentally responsible development of all forms of feasible energy technologies. Due to new market opportunities, major energy companies are investing in the state, including Dominion, Antero Resources, MarkWest Energy Partners, L.P. and Williams Partners, L.P.

SIGNIFICANT ECONOMIC IMPACT: MARCELLUS AND UTICA SHALE

West Virginia ranks among the world's top 10 most attractive jurisdictions for oil and gas development, according to a survey released by the Fraser Institute's Global Petroleum Survey.

West Virginia's designation takes on even more significance with the discovery of vast gas reserves in the Marcellus and Utica Shale formations beneath portions of the Appalachian region. Statewide employment in the oil and gas industries has increased almost 10 percent since 2008 while average wages have increased nearly 19 percent.

West Virginia's economy will be a major benefactor from Marcellus and Utica shale fields. Ethane, a byproduct found in certain pockets of natural gas, is a key ingredient in plastics. The low cost of producing natural gas and related byproducts is expected to expand the state's chemical industry.

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