

# ALABAMA ANSWERS

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## ALABAMA ADVANTAGES

Alabama is a state that through its sense of tradition, strong work ethic and determination to succeed has been able to attract world-class companies to locate in the heartland of the South. In recent years, Alabama has proven itself to be a prime location for new and expanding businesses.

- World-wide connectivity through the statewide multi-modal transportation/distribution infrastructure with an easily accessible interstate and four-lane highway network connects every major city and most other communities throughout the state, motor freight terminals, rail systems, port and barge transportation, and international air service.
- A capable workforce is available at competitive wages.
- Alabama Industrial Development Training recruits, assesses and trains qualified potential employees at no cost to the industry and based on company criteria.
- A variety of advanced engineering, technology, research, and development facilities and programs is located at various universities and colleges throughout the State.
- Ranked nationally among the lowest electricity costs for industrial users (Morgan Quitno's State Rankings 2003) and a net exporter of electricity, Alabama's three major electric utilities provide dependable, low-cost power.
- Water resources are approximately 20 times greater than present usage. One-twelfth of all the ocean-flowing water in the U.S. travels through Alabama.
- Alabama's forestland covers more acres than the size of Connecticut, Delaware, Maryland, Massachusetts, New Hampshire and Rhode Island combined.
- A low cost of living complements an enviable quality of life in areas such as recreation, entertainment and cultural diversity.

- The Alabama Technology Network (ATN), a public/private partnership of the University of Alabama System, Auburn University, the Economic Development Partnership of Alabama and selected two-year technical colleges, provides worker training and technology transfer to industry in Alabama. ATN works to enhance the competitiveness of companies, strengthen the industrial base and improve the effectiveness of the work force through a coordinated network of education, training and technical assistance providers.
- Official U.S. Customs Ports-of-Entry are located at Birmingham, Mobile, and Huntsville International Airports.
- NASA's Marshall Space Flight Center is a regional transfer hub for government/industry teams who travel to industrial sites. In Alabama, an estimated 1,170 jobs were created or saved over an 18-month period through its programs and 41 new products were created.
- Auburn University's Industrial Extension Service helps small and medium-sized manufacturers solve technical and business problems, provides work force training and disseminates advanced technology.
- University of Alabama Birmingham's (UAB) office for the Advancement of Developing Industries is the state's advanced technology business incubator and is nationally recognized as a technology transfer organization.
- The state income and property taxes are among the lowest found anywhere in the United States. In addition, Alabama offers statutory incentive programs such as a corporate income tax credit for qualifying companies. This includes the cost of land, buildings, machinery and equipment. The program provides an annual corporate income tax credit of five percent of the total capital cost of the project for 20 years. Assuming a total cost of \$20 million in building and equipment, the abatement provides up to \$1 million in credit against Alabama corporate income taxes each year for a term of 20 years.
- Alabama provides industrial site preparation grants to assist new and expanding manufacturers.
- The Alabama Enterprise Zone program provides a package of business development incentives which offers businesses some of the most favorable arrangements in the country.
- One-half (1/2) of the U.S. population lives within a 500-mile radius and over two-thirds (2/3) within 750 miles.

## BUSINESS CLIMATE

Alabama continues working to create one of the most favorable business climates to be found in the United States and to compete globally. It is recognized as a state with a low overall tax structure, streamlined regulatory environmental permitting procedures, and favorable tax and business development incentives.

Among the factors that support Alabama as a site for new and expanding companies are the following:

- Alabama has proven to be a leader in its ability to form partnerships with its communities and private businesses to build special incentive packages as a means of investing in quality companies that locate in the state.

- Alabama is home to eight *Inc. Magazine* Top 500 companies (2002). Alabama is also home to 24 manufacturing headquarters and a total of 49 corporate headquarters, which ranks the state 21st nationally.
- More than 5,200 manufacturing and distribution companies employ 312,300 Alabamians and export over \$8.3 billion worth of goods and services.
- Major capital investment continues to flow into the state with 57 new company investments and 307 company expansions announced in 2002 – a total of \$3.5 billion in capital investment and more than 17,800 jobs, earning *Southern Business and Development's* "State of the Year" status for Alabama.
- Alabama has 14,707 black-owned businesses, which ranks the state 9th in the nation. The number of black-owned firms has risen by 46 percent since 1987.
- The Center for Enterprise Development named Alabama the No. 1 state for business vitality.
- Alabama has the 3rd highest concentration of High-Tech employees in the Southeast - AEA, *Cyberstates* (2002).
- *Financial World* ranked Alabama as the fifth best in the nation for operating a business when it came to energy, labor and taxes.
- The state ranks 9th nationally in the percentage of African American-owned firms according to figures released in March 2001 by the U.S. Commerce Department's Census Bureau.
- Alabama was recently ranked 10th in the Small Business Survival Index compiled by the Small Business Survival Committee 2002.
- "Alabama has become one of the new leaders of North America's automotive industry," states *Area Development* magazine in its September 2003 cover story.
- *Plants Sites & Parks* magazine (*Bizsites Monitor* – May 2003) "Top 25 U.S. Business Projects Based on New Jobs" included announcements from four small Alabama cities: Luverne, Enterprise, Oxford and Shorter.
- Ranked 10th among the Top 20 U.S. States for Small Town Projects for 2000-2002-*Site Selection Magazine* (March 2003).
- *Expansion Management Magazine* 2002 ranked Alabama among the Top 10 for pro-business State Legislatures.
- Alabama was named one of the 10 best states to start a business by Louis Rukeyser's *Book of Lists*.
- Alabama ranks 15th among states for foreign-owned manufacturing investments. More than 200 businesses from 25 nations are represented - *Expansion Management Magazine* 2002.
- The School of Medicine at the University of Alabama at Birmingham made the nation's Top 25, according to *U.S. News and World Report*.
- The major permitting agencies involving air, sewer, water, solid and hazardous waste are all coordinated through one umbrella agency, a single point of contact for all state environmental regulations.
- Alabama's economic development incentives are designed to compete nationally.
- Alabama is a "Right-to-Work" state, which means that employees are free to work for your company without third party representation as a group or as individuals if they choose.

# LAND AND CLIMATE

<b>Area:</b>	51,718 square miles (133,950 km <sup>2</sup> ), including 968 sq. mile (2,507 km <sup>2</sup> ) of inland water but excluding 519 sq. mi. (1,343 km <sup>2</sup> ) of coastal water
<b>Elevation:</b>	<i>Highest</i> - Cheaha Mountain, 2,407 ft. (734 m) above sea level <i>Lowest</i> - sea level along the Gulf of Mexico
<b>Coastline:</b>	53 mi (85 km)
<b>Forests:</b>	Second largest commercial forest in the nation with nearly 23 million acres (9.3 million hectares) of timberland growing almost 16 billion trees.
<b>Bordering states:</b>	Florida, Georgia, Mississippi, Tennessee
<b>Climate:</b>	Year-round mild conditions; occasional snowfalls in northern sectors of the state; rainfall evenly spread throughout the state.
<b>Record high temperature:</b>	112 degrees F (44 degrees C) at Centreville on Sept. 5, 1925.
<b>Record low temperature:</b>	27 degrees F (-33 degrees C) at New Market on Jan. 30, 1966.
<b>Average July temperature:</b>	80 degrees F (27 degrees C)
<b>Average January temperature:</b>	46 degrees F (8 degrees C)

Sources: U.S. Department of Agriculture, Center for Business and Economic Research, The University of Alabama; WorldAtlas.com

# POPULATION

This vital part of the American south is known worldwide for its *Southern Hospitality* and as a cutting-edge center for U.S. space and defense research, biotechnological and medical research.

<b>Population:</b>	4,447,100 (2000 Census)
<b>Rank among the states:</b>	23 <sup>rd</sup>
<b>Distribution:</b>	55 percent urban, 45 percent rural

## Largest cities in Alabama:

Birmingham	242,820
Montgomery	201,568
Mobile	198,915
Huntsville	158,216
Tuscaloosa	77,906
Hoover	62,742

## Metropolitan Statistical Areas: (2000 definition)

Birmingham	921,106
Montgomery	333,055
Mobile	540,258
Huntsville	342,376
Tuscaloosa	164,875
Columbus (GA)/Phenix City (AL)	274,624

Dothan	57,737	Decatur	145,867
Decatur	53,929	Florence	142,950
		Dothan	137,916
		Auburn/Opelika	115,092
		Anniston	112,249
		Gadsden	103,459

Sources: U.S. Bureau of the Census, 2000 Census of Population, P.L. 94-171 file;  
Center for Business and Economic Research, The University of Alabama

## ECONOMY

### *Chief Products and Services*

<b>Agriculture:</b>	Poultry, cattle and calves, dairy, greenhouse, nursery and sod products, cotton and peanuts
<b>Manufacturing:</b>	Paper products, chemicals, textiles, primary metals, food products and clothing, wood products, printing, and motor vehicles and other transportation equipment (19% of Gross State Product – GSP)
<b>Wholesale and Retail Trade:</b>	(18% of GSP)
<b>Services:</b>	Hotels and lodging, personal and business, health, educational and legal services (16.7% of GSP)
<b>Finance, Insurance and Real Estate</b>	(13.8% of GSP)
<b>Mining:</b>	Coal, natural gas, petroleum, crushed stone and limestone (1.0%)

Source: Alabama Agricultural Statistics Service 2001-2002; US Bureau of the Census, Center for Business and Economic Research, the University of Alabama

## NATURAL RESOURCES

- There are substantial reserves of coal, lignite, limestone, marble, sand, gravel and clay resources.
- Approximately ten percent of the nation's surface water resources pass through Alabama.
- The state's forest resources support a world-class forest products industry with approximately 23 million acres (9.3 million hectares) of commercial timberland, the second largest in the United States.

- Soils in Alabama support a diverse and global agri-business industry, with top national rankings in such commodities as catfish, broilers, peanuts, sweet potatoes, and Irish spring potatoes.
- Vast reserves of natural gas in Mobile Bay, coal-bed methane gas in the Warrior Basin and several processing facilities provide a competitive, stable supply of natural gas.

## TRAINING, WORKFORCE AND EDUCATION

Alabama can provide a capable workforce at competitive wages.

- *Alabama Industrial Development Training (AIDT)* was established to recruit, assess and train qualified potential employees at no cost to the industry and based on company criteria for both new and expanding industries. Job-specific pre-employment and on-the-job training programs are provided in addition to trainee recruitment and screening; and a full range of customized technical training programs that are free to the employers and to the trainees. Management and supervisory training programs such as Total Quality Management (TQM) and ISO 9000 are also available.
- The *Alabama Department of Postsecondary Education (DPE)* oversees the state's system of 21 community colleges, 5 technical colleges and an upper division college, offering a host of economic and workforce development programs. DPE provides a unified system of technical education, customized business and industry training and adult education with programs that use the best available technology and offer easy access to lifelong education and training for all Alabamians and corporate citizens.
- Seventeen state-sponsored universities and sixteen independent colleges and universities, include:
  - Highly respected schools of accountancy, engineering, medicine, pharmacy, and veterinary programs;
  - Internationally recognized optometry, dental, agricultural, and forestry schools.
- A long-term strategic alliance between Alabama's higher education community and advanced electronics firms guarantee a steady stream of technologically capable workers.
- Training and retaining a qualified and productive workforce also remains a challenge. The *Alabama Technology Network* provides hands-on business and technical assistance using experts located at seven centers of excellence and at the University of Alabama, Auburn University, and the University of Alabama in Huntsville.
- The Workforce Development Division of the Alabama Department of Economic and Community Affairs (ADECA) administers three workforce initiatives: Alabama's Career Center System, Alabama School-to-Careers System and the Alabama Welfare-to-Work Program. In addition to these initiatives, the Division administers the state level Workforce Investment Act and workforce investment programs in the 65-county Alabama Workforce Investment Area.

- The Safe State Occupational Safety and Health Consultation Program is designed to help employers control costs by reducing accidents, illnesses, and problems with regulatory compliance.
- Employment, unemployment and occupational statistics are readily available for all 67 Alabama counties.
- Magnet schools, offered by more than 40 school districts, pattern curricula after colleges, providing intensive study in several areas.
- Birmingham, Huntsville and Tuscaloosa all host certified Japanese Saturday Schools.
- Advanced schools such as the Alabama School of Fine Arts (one of only three state-supported creative arts schools in the nation) and the Alabama School for Mathematics & Sciences nurture impassioned students by guiding and inspiring them to discover and fulfill their individual intellectual and creative abilities.

## **COMPETITIVE TAXES & INCENTIVES**

### ***State Corporate Income Tax***

- The rate of corporate income taxation is 6.5%. With a net effective rate (after the federal income tax deduction) of 4.42%, Alabama still maintains one of the lowest corporate income tax rates in the nation. (Alabama Constitution, Amendment 212)
- The Capital Investment Tax Credit, available each year for 20 years, is calculated at five percent (5%) of the total capital costs of the qualifying project and the credit begins in the year the qualifying project is "placed in service." The capital credit is available to all types of business entities, including, but not limited to: C corporations, S corporations, limited liability companies (LLCs), partnerships, trusts, and sole proprietorships.
- Act 2001-965 amended the income tax capital credit law to allow for lower thresholds for the requirements for new employees and for capital costs for projects locating or expanding in a "favored geographic area."

### ***Inventory Tax***

- Unlike many other states, Alabama does not levy property tax on inventory (*Section 40-9-1 (23), Code of Alabama 1975*). There are also exemptions for raw materials inventory (*Section 40-9-1(13), Code of Alabama 1975*) and finished goods inventory (*Section 40-9-1(14), Code of Alabama 1975*).

### ***Sales and Use Tax***

- Alabama's sales and use tax statutes contain four state rate differentials which include: a 1-1/2% rate for manufacturing and farm machinery, a 2% rate for automotive vehicles, a 3% rate for food sold through vending machines, and a 4% general rate for all other items. Local governments may also impose sales and/or use tax.
- The state sales and use taxes and non-education portions of local taxes on building construction materials and equipment may be abated for eligible projects, subject to local approval.

### ***Property Tax***

- Real and personal property is subject to property tax unless specifically exempted by law. Section 214 of the Alabama Constitution limits the state millage rate on both real and personal property to 6.5 mills or \$6.50 for every \$1,000 of assessed value. In addition, counties and cities may levy additional millage rates.
- Amendment 373 provides that business property, both real and personal, will be taxed on 20% of its fair market value.
- Cities, counties, and public authorities are granted the ability to abate non-educational state, county, and city property taxes; state sales and use taxes; and non-educational county and city sales and use taxes for up to 10 years except school taxes. (Tax Incentive Reform Act of 1992, Acts 92-598 & 599)

### ***Enterprise Zones***

- Twenty-seven designated areas throughout the state offer a tax credit/exemption to help encourage economic growth in areas considered to have depressed economies.
  - "Section 5" allows for a tax credit up to \$2500 per new permanent employee to be applied against the income tax liability and/or the business privilege tax liability of the entity qualifying for the enterprise zone credit. (Act 87-573, Section 41-23-24)
  - "Section 11" allows for an exemption(s) against certain taxes from enterprise zone operations. An exemption can be applied to the income, sales and use, as well as the business privilege tax liability. (Act 87-573, Section 41-23-30)

### ***Educational Tax Credit***

- Employers who provide or sponsor a program which enhances basic educational skills of employees up to and including the 12th grade level qualify to receive a 20% tax credit.

### ***Pollutions Control Equipment***

- All equipment, facilities, or materials constructed or acquired primarily for the control, reduction, or elimination of air or water pollution are statutorily exempt from property taxation (Section 40-9-1 (20) Code of Alabama 1975).

## **FINANCING**

- Industrial Revenue Bond (IRB) financing is available for land, buildings and equipment.
- Local and regional development organizations (more than 100) throughout the state help in securing loan assistance.
- Federal loan guarantees (SBA, EDA, USDA/Rural Development) are available in the majority of Alabama's counties.
- SBA Section 108 loan guarantee provides communities with an efficient source of financing for economic development and large-scale physical development projects.
- Aggressive commercial lending sources such as banks, insurance companies, and savings and loan associations are situated in more than 2,300 locations with assets of more than \$60 billion.

- Federal and state infrastructure programs are available including Community Development Block Grants (CDBG), which can be used to fund the extension of water, sewer, and road facilities.

# TRANSPORTATION

## ***Highway Network***

Almost 80,000 miles of all-weather state and local roads are anchored by 23,500 miles of federal highways.

- Five interstates and a strong network of four-lane highways connect every major city and most other communities throughout the state.
- Diversified motor freight services for business and industry are available through more than 1,600 trucking and warehousing firms.

## ***Railroad System***

Five Class I and twenty-three Class III, or shortline, competitively priced railroad companies operate in Alabama along approximately 4,728 miles of rail lines hauling 93.5 million tons of cargo annually.

- These mainline railroads provide the majority of Alabama's service:
  - Norfolk Southern Corporation
  - Burlington Northern/Santa Fe Railway
  - CSX Transportation
  - Illinois Central Railroad
  - Kansas City Southern

## ***Air Service***

- Birmingham International Airport is home to 11 airlines (6 major and 5 regional carriers), operating at 19 gates. With 72 departing and 72 arriving flights daily, Birmingham International Airport handles over 3,000,000 passengers annually. Birmingham International Airport has 3 cargo carriers, INS, U. S. Customs on site, plus a Foreign Trade Zone.
- Located within minutes of downtown Mobile, and an easy drive from anywhere in southwest Alabama, west Florida, and southeast Mississippi, Mobile Regional Airport offers all the services and amenities you expect without the stress of expansive terminals, delays, and huge crowds. With our growing schedule of flights connecting to six major hub airports—Atlanta, Dallas, Houston, Memphis, Orlando and Charlotte—you have access to domestic and international destinations throughout the world.
- The Port of Huntsville is an inland port comprised of Huntsville International Airport, the International Intermodal Center and Jetplex Industrial Park. In addition to convenient passenger service provided by American Airlines, American Eagle, ASA, COMAIR, Continental Express, Delta Air Lines, Northwest AirlinK, US Airways and US Airways Express, they also offer air and rail cargo services and business location opportunities.
- Dothan, Tuscaloosa and the Shoals also provide regional air service. In addition, Alabama communities are served by ninety-six public-use airfields in the state.

### ***Waterways***

- The Port of Mobile is the global deepwater gateway for Alabama. The Port handles a variety of cargos, including containers, forest products, metals, and bulk cargo. The Mobile ship channel has a maximum depth of 45 feet, able to handle most of the world's ships. The Port of Mobile is one of the largest deepwater ports in the U.S., served by more than 130 steamship lines providing substantial shipping capabilities connected to 14 public and 155 private inland dock facilities.
- The Alabama State Docks, which comprise the public facilities of the Port of Mobile, are located along the Intercoastal Waterway approximately 32 miles from the Gulf of Mexico. The Alabama State Docks also has ten inland docks on four river systems (Tennessee, Chattahoochee, Alabama, and Warrior/Tombigbee).
- The entire port complex has direct access to more than 1,500 miles of navigable inland barge routes, as well as to the 16,000 miles of interstate barge lanes in the Tennessee-Tombigbee Waterway. Channel depths in the Port range from 40 feet to 45 feet.
- Extensive system of water transportation includes approximately 1,300 miles of navigable water on six different waterways.

## **INTERNATIONAL INVESTMENT & TRADE**

- Alabama is situated in the center of the fastest-growing region in the country, the Southeast United States.
- Located on the Gulf of Mexico, Alabama is a gateway to the rapidly growing markets in Mexico, Central America and South America. The state is capitalizing on NAFTA through participation in such agreements as the States of the Gulf of Mexico Initiative, a regional effort designed to promote economic, educational and cultural exchanges between Mexican and U.S. states bordering the Gulf of Mexico.
- More than 200 foreign-based manufacturers from 23 countries account for more than \$14.5 billion dollars in capital investment.
- The state's top export sectors include automotive; forest products; industrial machinery including computers; organic chemicals; plastics and plastic articles; oil seeds, miscellaneous grain, seed, fruit, plants; aircraft, spacecraft, and parts; apparel articles and accessories (except knit) etc.; and miscellaneous chemical products.
- The Alabama State Port Authority operates a full-service port on the Mobile River, 33 miles from the Gulf of Mexico. Transportation advantages include unencumbered access, adjacent to two main interstate highways, 5 class 1 railroads, 15,000 miles of barge lane; container/intermodal general cargo & bulk terminals with dedicated truck control gate, 27 general cargo berths dredged to 40 foot water depth, over 2.4 million square feet of warehouses and over 4 million square feet of covered and open storage; State Port expansion plan features a 40-acre container and multi-user intermodal terminal, two 2,000-foot berths on 45 ft. channel, adjacent to two major interstate highways and air cargo terminal, with dedicated value-added warehousing and distribution areas.

- The U.S.-Mexico rail-ferry service from the ports of Mobile, Alabama and Coatzacoalcos, Mexico, features multi-vessel sailings and fast transit time (3 days on the water.)
- The Port of Huntsville is an innovative and unique inland port comprised of Huntsville International Airport, the International Intermodal Center and Jetplex Industrial Park. The Port provides a single hub location that specializes in a wide range of services including passenger service to domestic and international destinations; receiving, transferring, storing and distributing air, rail, and highway cargo to domestic and international markets; a public use foreign trade zone, 24-hour U.S. Customs and USDA inspectors and freight forwarders; and business location opportunities.
- Six Foreign Trade Zones (FTZs) and numerous sub zones currently operate in Alabama. They are located in Anniston, Birmingham, Dothan, Huntsville, Mobile and Montgomery.
- Public/private grant programs are designed to assist Alabama companies in expanding export activities through participation in foreign trade shows and missions.
- Six Alabama banks provide complete international banking services for companies located in Alabama and throughout the Southeast.
- Additional export assistance is available through a number of non-profit trade associations, chambers of commerce, customhouse brokers, foreign freight forwarders, university programs, federal agencies and honorary consulates.
- Alabama Development Office offers trade promotion services to Alabama manufacturers, including
  - participation in overseas catalog shows, trade shows, and trade missions;
  - opportunities to meet one-on-one with foreign buyers visiting Alabama; and
  - a listing in the Alabama International Trade Directory, a worldwide publication.
- Alabama Development Office officials representing Germany and Japan are available to lend assistance to Alabama manufacturers, international buyers, licensees and other potential business partners.