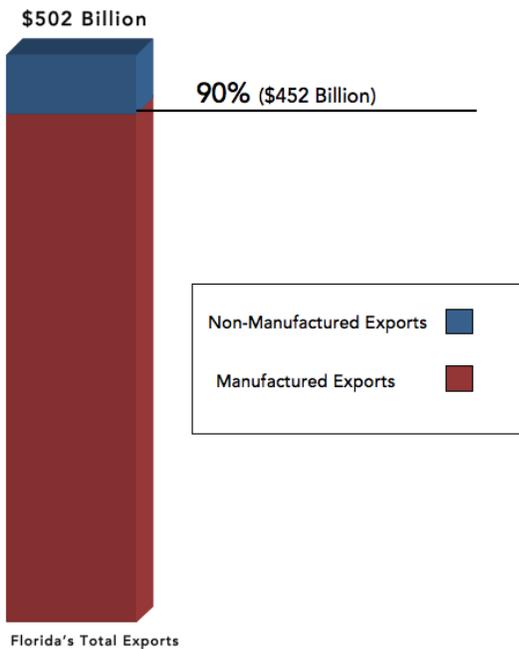




**BUILDING UP FLORIDA MANUFACTURING: A PLAN FOR FLORIDA JOBS**

**WHY focus on MANUFACTURING?**

*90% of All Florida Exports Come from Manufacturing*



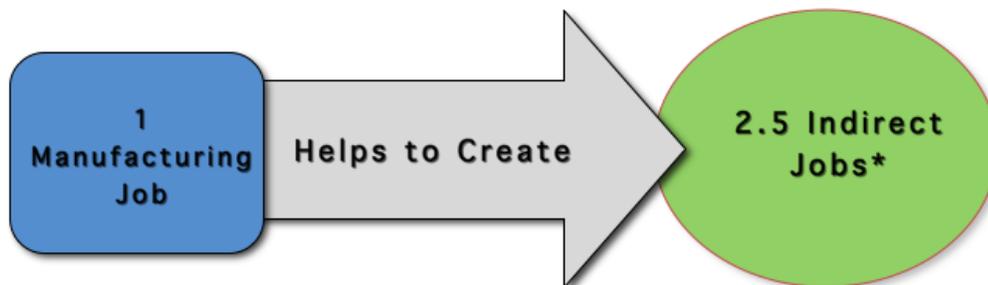
*A major ROI for Florida's ECONOMY...*

Florida's manufacturing industry is diverse and includes companies in traditional manufacturing such as plastics, food processing and printing, as well as those engaged in breakthrough technologies like electronics, medical devices, aviation and aerospace. Among Florida's largest sectors are companies specializing in computer and electronic products, transportation equipment and fabricated metal products.<sup>1</sup> With the first increase in U.S. manufacturing jobs in more than a decade in 2011,<sup>2</sup> Florida is poised to capitalize on a national movement to reinvest in manufacturing by growing jobs and opportunities faster than any other state.

- Florida ranks 44<sup>th</sup> among the states in terms of the percentage of the state's workforce employed in manufacturing (4.3%)<sup>3</sup> and 47<sup>th</sup> in its percentage of Gross State Product attributable to manufacturing (5%).<sup>4</sup>
- But, Florida ranks FIRST in manufactured exports as a percentage of the state's total exports at around 85-90% of all the state's \$502 billion in exports.<sup>5</sup>

Manufacturing has the biggest economic "multiplier" effect of all industries in Florida, meaning more economic activity is gained for investments in manufacturing than in any other industry. Each dollar invested in manufactured goods creates another \$1.43 of activity in other sectors—a multiplier that is double that of the

service sector in Florida.<sup>6</sup> As a pathway to continued job creation and economic growth, investments in manufacturing have wide ranging impacts across many other fields. Manufacturing typically generates 2.5 jobs in related industries for each direct job created.<sup>7</sup>



\*Bivens, Josh. Economic Policy Institute, Updated Employment Multipliers for the U.S. Economy. August 2003. [http://www.epi.org/page/-/old/workingpapers/epi\\_wp\\_268.pdf](http://www.epi.org/page/-/old/workingpapers/epi_wp_268.pdf).

## WHY is FLORIDA the right place for manufacturing?

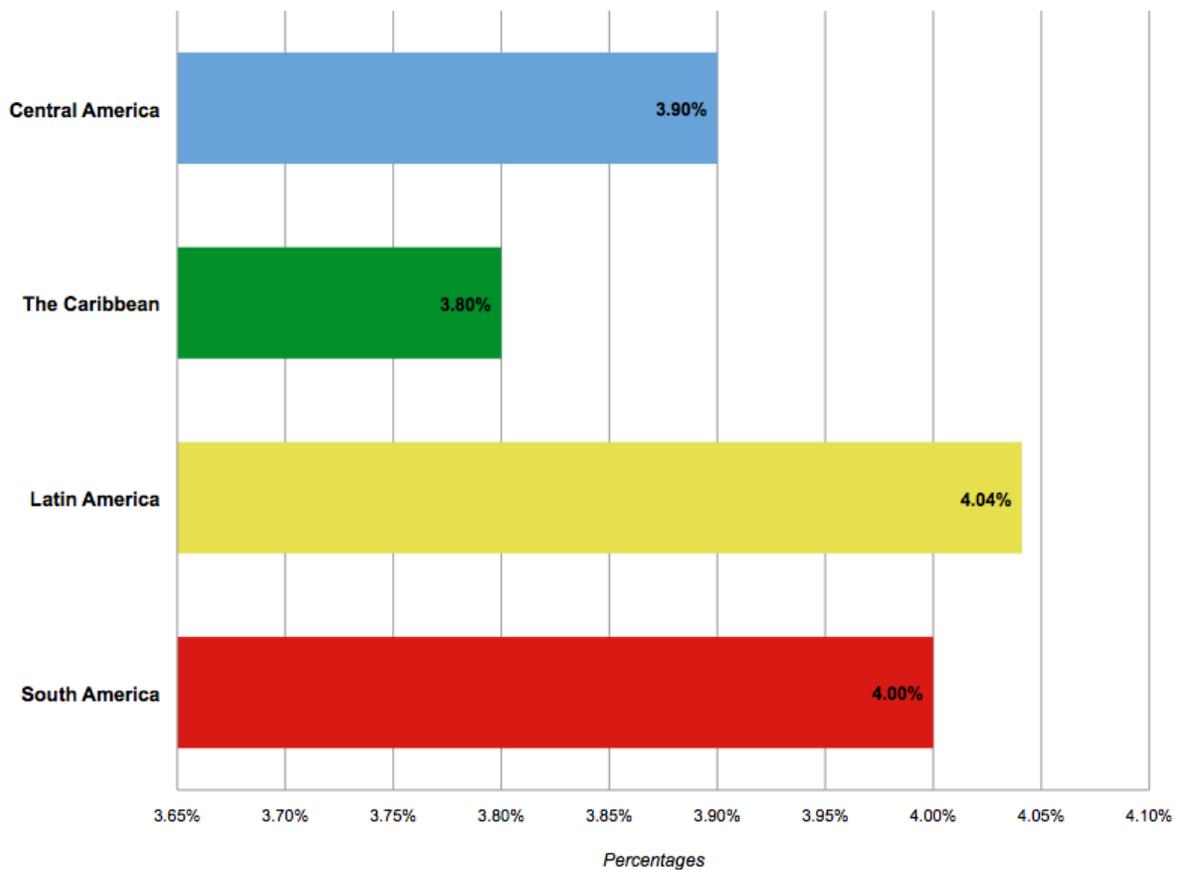
*Uniquely POSITIONED for SUCCESS...*

It is hard to imagine any location better positioned to lead the world in job growth and economic activity than the state of Florida. All indicators point toward success for Florida...

- Recent signing of free trade agreements with Panama and Colombia
- Strong growth in the economies of Central and South America
- Completion of the expansion of the Panama Canal
- Focus on critical infrastructure investments particularly around Florida ports

Because 95 percent of manufacturer's potential customers lie outside of the United States,<sup>8</sup> Florida represents an attractive gateway to expanding international economies. In addition to the Port of Miami, where \$2 billion in improvements are underway to double cargo traffic,<sup>9</sup> Florida boasts 14 deep-water ports to facilitate the movement of manufactured goods. Other similar investments have been targeted to help expand and develop ports throughout the state, including the Port of Tampa, Port Everglades, Port Manatee, Port Canaveral and JaxPort in Jacksonville.

### Latin America, the Caribbean and South America: GDP Growth Rates, 2013



Further, Florida is leading the nation in tax and regulatory reform that make the state extremely attractive to manufacturers. In the 2010 Global Manufacturing Competitiveness Index, 53.1 percent of companies rated corporate tax policies as a competitive disadvantage for the United States.<sup>10</sup> In contrast, Florida is leading the way in eliminating the state's corporate income tax, as Governor Rick Scott has pushed to eliminate the tax for 75% of all businesses through his first two years in office. Further, as of December 2012, the state has seen the creation of almost 200,000 private sector jobs,<sup>11</sup> a reduction of 2,300 burdensome regulations<sup>12</sup> and the second largest drop in unemployment of any state.<sup>13</sup>

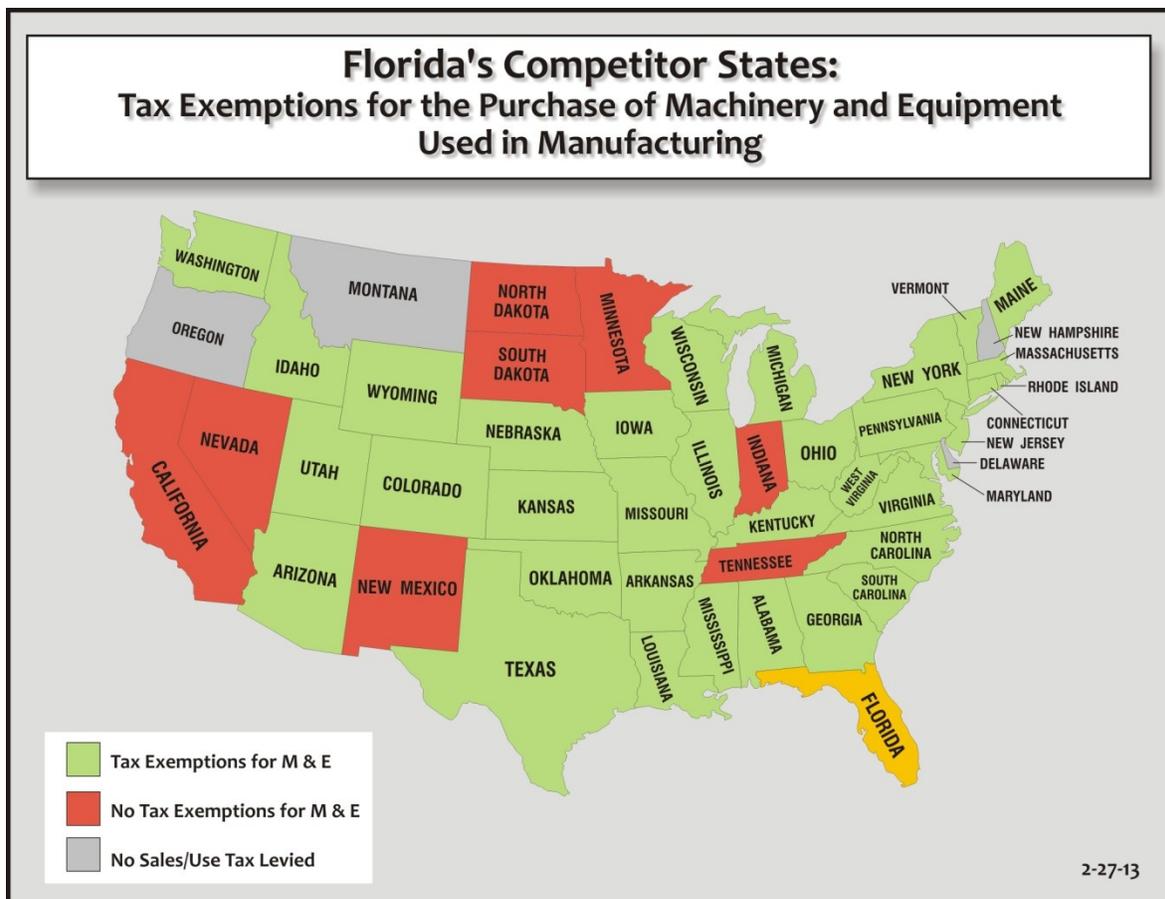
## WHY eliminate the manufacturing EQUIPMENT SALES TAX?

### *Making FLORIDA more COMPETITIVE...*

Despite its record of economic success and unrivaled potential for economic growth, Florida finds itself with a competitive disadvantage in manufacturing as it pursues private sector companies to create jobs in the Sunshine State. A National Bureau of Economic Research working paper shows evidence that Florida is losing out when it comes to economic development by manufacturing.<sup>14</sup>

#### But, WHY?

- A prime example is that Florida taxes manufacturing capital formation through sales taxes on machinery and equipment.<sup>15</sup>
- These taxes on production equipment reduce the amount of capital investment made and keep Florida manufacturing firms from being able to increase their competitiveness or expand.<sup>16</sup>
- They can also negatively impact the relocation decisions of out-of-state manufacturing companies.<sup>17</sup>
- Eliminating this tax would leave \$141 million annually in the hands of Florida's manufacturing industry, allowing that money to be directed toward capital investments, expansion and job creation.



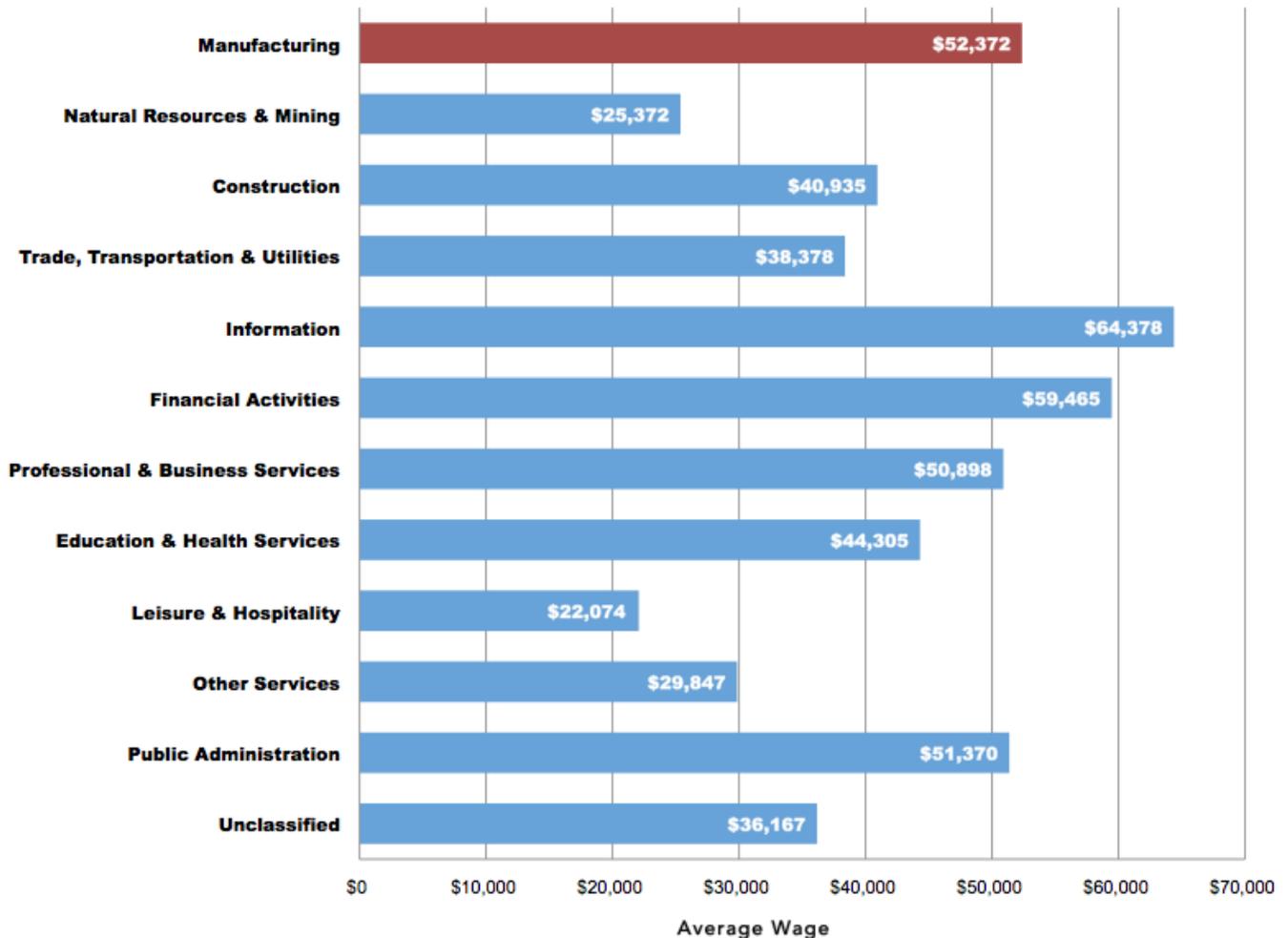
Governor Scott's proposal to eliminate the current sales tax on manufacturing machinery and equipment will allow Florida's existing manufacturers to take advantage of reduced costs to expand and make additional capital investments. Further, for manufacturers considering relocating or expanding, reducing costs by eliminating this tax barrier will lead to more out-of-state and international firms considering Florida. By removing \$141 million in annual state-imposed taxes on the machinery and equipment that help to grow manufacturing businesses and create jobs, the state can have a major impact on expanding manufacturing opportunities in Florida. Because of the significant multiplier that occurs when investments are made in manufacturing, eliminating this tax will allow Florida to experience increases in economic activity and growth in jobs in other related areas.

## HOW does this HELP FLORIDA FAMILIES?

### **PERMANENT investment in Florida... HIGHER, STABLE earnings...**

Supporting these investments in manufacturing will lead to higher economic output by manufacturers and tangible benefits for all Floridians—stable, high-wage jobs and increased business opportunities for companies that supply and support Florida manufacturers. In evaluating which business sectors provide the greatest potential for Floridians, manufacturing has a clear advantage. The average annual wages paid in Florida’s manufacturing sector are higher than the state average annual private sector wage.

**Florida Employment and Wages by Industry, 2011**



As of 2010, Florida private sector average annual wages for manufacturing were over \$50,000 per capita, compared to slightly over \$40,000 per capita for all Florida private sector average annual wages.<sup>18</sup> Moreover, manufacturing has the smallest volatility in personal income streams over time of all employment sectors in Florida. This is true even when compared to occupational sectors usually associated with steady employment and income, such as the military, federal civilian and other categories.<sup>19</sup>

<sup>1</sup> Enterprise Florida, Manufacturing Map. <http://www.eflorida.com/Maps/Manufacturing.aspx?id=1408>.

<sup>2</sup> Deloitte University Press, "Manufacturing Opportunity: A Deloitte series on making America stronger." [http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Federal/us\\_fed\\_Election\\_Series\\_MANUFACTURING\\_072412.pdf](http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/Federal/us_fed_Election_Series_MANUFACTURING_072412.pdf)

<sup>3</sup> Employ Florida Banner Center for Advanced Manufacturing, "Manufacturing Workforce Pipeline Study." May 2012.

<sup>4</sup> Employ Florida Banner Center for Advanced Manufacturing, "Manufacturing Workforce Pipeline Study." May 2012.

<sup>5</sup> Employ Florida Banner Center for Advanced Manufacturing, "Manufacturing Workforce Pipeline Study." May 2012, and Florida TaxWatch Research Report, "Manufacturing: An Economic Driver for Jobs and Florida's Future." August 2011.

<sup>6</sup> <http://www.floridatxwatch.org/resources/pdf/20110808Manufacturing.pdf>

<sup>7</sup> Florida TaxWatch Research Report, "Manufacturing: An Economic Driver for Jobs and Florida's Future." August 2011.

<sup>8</sup> Deloitte University Press, "Manufacturing Opportunity: A Deloitte series on making America stronger."

<sup>9</sup> Deloitte University Press, "Manufacturing Opportunity: A Deloitte series on making America stronger."

<sup>10</sup> Cargo Gateway of the Americas, PortMiami. Miami-Dade County. <http://www.miamidade.gov/portmiami/cargo-main.asp>

<sup>11</sup> 2010 Global Manufacturing Competitiveness Index. Deloitte and the U.S. Council on Competitiveness. 2010. [http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Manufacturing/dtt\\_2010%20Global%20Manufacturing%20Competitiveness%20Index\\_06\\_28\\_10.pdf](http://www.deloitte.com/assets/Dcom-Global/Local%20Assets/Documents/Manufacturing/dtt_2010%20Global%20Manufacturing%20Competitiveness%20Index_06_28_10.pdf)

<sup>12</sup> Bureau of Labor Statistics Payroll Employment reporting as of December 2012. United States Department of Labor. <http://www.bls.gov/>

<sup>13</sup> Florida Office of Fiscal Accountability and Regulatory Reform.

<sup>14</sup> Bureau of Labor Statistics Unemployment Rate reporting as of December 2012. United States Department of Labor.

<sup>15</sup> Fiscal Zoning and Sales Taxes: Do Higher Sales Taxes Lead to More Retailing and Less Manufacturing? Burnes, D., Neumark, D., and White, M. National Bureau of Economic Research. Working Paper 16932. April, 2011. [http://www.nber.org/papers/w16932.pdf?new\\_window=1](http://www.nber.org/papers/w16932.pdf?new_window=1)

<sup>16</sup> Florida TaxWatch Research Report, "Manufacturing: An Economic Driver for Jobs and Florida's Future." August 2011.