



# **Analysis of Clinton, Iowa for Administrative Back Office Operations**

Prepared for:

**Clinton Regional Development Corporation**

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## ADMINISTRATIVE BACK OFFICE ANALYSIS

Prager Company, a national economic development and location advisory firm, was retained to analyze Clinton's business costs and conditions for administrative back office operations. This includes in-house corporate functions as well as outsourced functions, such as data processing, customer support, contact centers, accounting and financial support, and an array of other activities. Clinton is located in eastern Iowa on the banks of the Mississippi River.

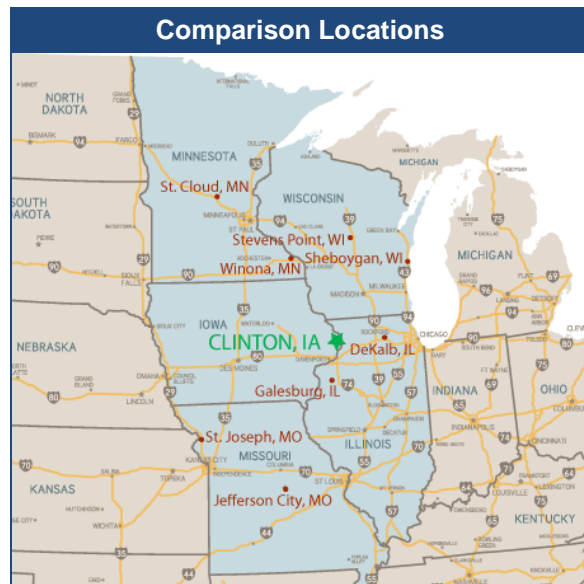
The examination performed by Prager Company is similar to that of a *Phase One Location Analysis* for companies contemplating a new facility location. Areas chosen for comparison may compete with Clinton for administrative back office and, in combination, serve as a proxy for the competitive environment in which Clinton operates. These comparison locations are: DeKalb and Galesburg, Illinois; St. Cloud and Winona, Minnesota; Jefferson and St. Joseph, Missouri; and Sheboygan and Stevens Point, Wisconsin.

The costs of administrative back office operations are overwhelmingly influenced by labor. Based on Prager Company's analysis, Clinton's labor costs for key administrative back office occupations are more affordable than any other comparison location. Companies may encounter annual workforce savings in Clinton ranging from approximately \$70,000 to \$960,000.

While labor has the greatest influence on operating costs, a number of other factors impact the bottom line as well. Most notably are real estate, utilities (power) and taxes. Even when these costs are examined in isolation of labor, Clinton is still the most cost competitive. Based on the Prager Company analysis, when all major administrative back office factors are considered,

companies may reap annual savings in Clinton of approximately \$80,000 to \$1,100,000.

In addition to its cost structure, Clinton possesses a number of other attributes that make it worth careful consideration by those seeking an administrative back office location. This includes Clinton's availability of workers well suited for jobs in the back office industry and its fully-served office park with a state-of-the-art building expressly designed for administrative operations.



**Clinton's Location Advantages for Administrative Back Office**

- Long history of customer-focused, service-oriented businesses, complimented by a strong manufacturing presence
- Abundance of available, experienced administrative office workers ready for immediate hire
- Older generation of workforce praised for their skills and work ethic
- Administrative back office operating costs lower than all comparison locations
- Labor costs almost 8% lower, on average, than the competitors
- Among the lowest office lease rates for administrative office operations and the lowest build-to-suit costs as well
- Second lowest cost of living among competitor locations
- Several fully-served properties, most notably a business and technology park expressly designed for administrative operations
- Available, pristine 18,000 square foot administrative processing building replete with full-service kitchen, newer cubicles and all furnishings
- Financially strong state with a perennially high credit rating, suggesting future fiscal stability
- Potential Year One operating cost savings ranging from about 2% to almost 19%

***Analysis Approach***

Prager Company chose eight Midwest locations deemed to be among Clinton's competitors for administrative back office operations. For this analysis, labor, real estate, power and taxes received the greatest attention because they account for a majority of industry-specific costs variable by location. A number of other location factors were also examined but not modeled.

Prager Company created an administrative back office profile for modeling purposes based on an actual site selection project. Costs were modeled for Year One of operation assuming 100 employees in 15,000 square feet of build-to-suit office space. Although operating costs were modeled for the administrative back office industry, the findings are also applicable to other industries with a significant orientation toward customer care services.

This analysis is intended to highlight the potential order of magnitude cost variance between Clinton and the eight comparison locations. Relative differences between locations are more relevant than absolute costs.

Administrative Back Office Company Profile	
Facility	15,000 sf, Class A Single Story
Land	2.5 Acres
Building Budget	\$2.3M Max
M/E Investment	\$500,000
Employment	100 FTEs
Operations	Two Shifts Five Days per Week
Electric Usage	250,000 kWh (annual)

Prager Company modeled costs using the best available data but does not take responsibility for this third party information. Figures provided should not be used by company decision-makers to determine their own costs of operation.

Note: Criteria based on an actual administrative back office facility serving the Midwest

**Cost Summary**

When major operating factors are considered, Clinton is shown to have an advantageous cost structure for administrative back office functions. Clinton has the lowest cost labor and real estate, and offers competitive utility costs and taxes versus the comparison locations. Based on this analysis, Clinton is the least costly place among the competition to operate an administrative back office facility. Location ranking from least to most costly is as follows:

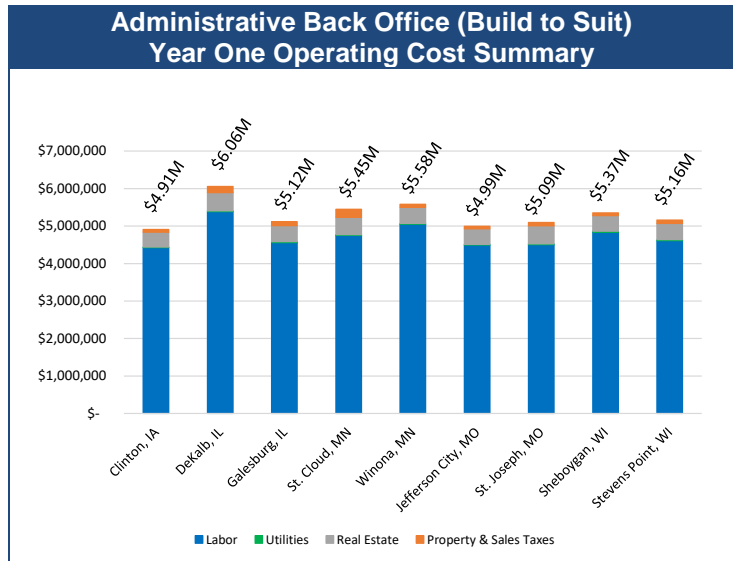
- #1 Clinton, Iowa
- #2 Jefferson City, Missouri
- #3 St. Joseph, Missouri
- #4 Galesburg, Illinois
- #5 Stevens Point, Wisconsin
- #6 Sheboygan, Wisconsin
- #7 St. Cloud, Minnesota
- #8 Winona, Minnesota
- #9 DeKalb, Illinois

When labor, real estate, power, and property and sales taxes are viewed in the aggregate, Year One savings in Clinton range from roughly \$80,000 to \$1,100,000.

Labor is consistently the most costly operating variable for administrative back office. And, as stated, Clinton’s labor costs are the lowest. Clinton’s building construction costs and electric power costs are lowest (tie) and third lowest, respectively. Its property taxes are deemed modest (fourth lowest) versus the comparison locations.

In addition to the build-to-suit scenario modeled for this analysis, Prager Company also evaluated a lease scenario.

Regardless of whether building or leasing a facility, Clinton emerges as the least costly administrative back office location among the competition. For lease operations (not shown), based on this analysis, Clinton’s Year One savings range from almost 3% to about 19%.



Figures rounded to the nearest \$10,000

	Clinton, IA	DeKalb, IL	Galesburg, IL	St. Cloud, MN	Winona, MN	Jefferson City, MO	St. Joseph, MO	Sheboygan, WI	Stevens Point, WI
Labor	\$4.42M	\$5.39M	\$4.56M	\$4.75M	\$5.05M	\$4.49M	\$4.50M	\$4.84M	\$4.61M
Real Estate	\$0.39M	\$0.49M	\$0.43M	\$0.46M	\$0.43M	\$0.41M	\$0.48M	\$0.42M	\$0.43M
Electricity	\$0.02M	\$0.02M	\$0.02M	\$0.02M	\$0.02M	\$0.02M	\$0.02M	\$0.03M	\$0.03M
Property and Sales Tax	\$0.08M	\$0.16M	\$0.11M	\$0.22M	\$0.08M	\$0.07M	\$0.09M	\$0.08M	\$0.09M
Total	\$4.91M	\$6.06M	\$5.12M	\$5.45M	\$5.58M	\$4.99M	\$5.09M	\$5.37M	\$5.16M

Year One total costs rounded to the nearest \$10,000

Albeit not modeled due to differing state formulas and the absence of precise data, Iowa has a competitive effective state income tax rate for administrative back office/call center operations. Based on a 2015 Tax Foundation/KPMG national study, Iowa’s effective tax rate for a new administrative back office/call center operation is second lowest among competitor states. Only Wisconsin was initially lower. For established operations, Iowa is considered the best state among the competitors.

Iowa’s Standard & Poor’s AAA credit rating (held since 2008) and low budget deficit appear to make it less likely the State will need to raise tax rates as others have and may again. Further, the 2016 S&P rating outlook for Iowa is Stable. By comparison, some of Iowa’s competitors have lower ratings, higher debt, and a negative outlook.

**Labor Cost**

Prager Company estimated the cost of labor for a 100-person operation in Clinton versus the comparison locations. Estimates were based on the types and numbers of employees in a “typical” administrative back office facility, their prevailing hourly wages by location, estimated annual turnover costs, and fringe benefits assumed at 30% of wages (industry standard in 2016).

**Snapshot**  
 Average labor costs in Clinton are lower than all comparison location. Savings range from roughly 2% versus Jefferson City to nearly 20% versus DeKalb. This may equate to first year labor cost savings of about \$70,000 to over \$960,000 for the administrative facility modeled. Of the occupations examined, Clinton is the lowest cost among competitors for nine of the sixteen positions modeled. In addition to comparatively low labor costs, Clinton’s major employers praise the acumen of its older workforce.

Applying this approach, total Year One labor costs in Clinton for the occupations modeled are roughly \$4.42 million. Clinton’s labor costs are lower than all comparison locations; Jefferson City is the second lowest with roughly \$4.49 million in modeled labor costs. DeKalb’s labor costs are the highest at about \$5.39 million.

Labor Costs										
Occupation	# of Emp	Clinton, IA	DeKalb, IL	Galesburg, IL	St. Cloud, MN	Winona, MN	Jefferson City, MO	St. Joseph, MO	Sheboygan, WI	Stevens Point, WI
Call Center Executive	1	\$93,500	\$114,000	\$94,500	\$98,900	\$119,500	\$96,200	\$96,300	\$102,800	\$98,100
H.R. Director	1	\$82,400	\$100,100	\$83,400	\$87,600	\$114,200	\$84,300	\$86,000	\$90,800	\$86,100
H.R. Generalist	1	\$45,300	\$56,700	\$47,300	\$48,000	\$54,700	\$45,000	\$47,000	\$49,000	\$46,500
Call Center Manager	2	\$98,000	\$121,600	\$100,000	\$105,300	\$122,500	\$99,600	\$102,400	\$108,900	\$104,000
IT App Program Manager	2	\$150,000	\$183,600	\$151,800	\$160,000	\$204,400	\$153,000	\$156,700	\$165,700	\$156,900
IT Business Systems Analyst	2	\$112,400	\$139,300	\$118,200	\$120,000	\$145,700	\$113,600	\$118,700	\$122,400	\$118,100
Financial Transaction Clerk	3	\$87,600	\$106,600	\$90,300	\$96,000	\$98,300	\$87,900	\$90,000	\$96,400	\$92,200
Financial Analyst	3	\$164,100	\$206,700	\$171,500	\$173,800	\$209,500	\$163,200	\$169,700	\$178,300	\$168,900
Customer Service Trainer	3	\$115,100	\$139,000	\$118,000	\$129,600	\$136,900	\$113,600	\$115,400	\$128,400	\$122,500
Accountant Financial Analyst	2	\$105,800	\$133,200	\$110,500	\$113,000	\$134,000	\$105,000	\$109,400	\$114,900	\$108,900
Account Analyst	2	\$93,000	\$116,700	\$96,900	\$98,600	\$113,600	\$91,900	\$95,800	\$101,000	\$95,700
Customer Service Rep. (Financial)	3	\$87,700	\$106,700	\$90,300	\$96,000	\$98,300	\$87,900	\$90,300	\$96,300	\$92,400
Customer Service Rep. (Complex)	10	\$344,800	\$422,400	\$357,100	\$377,700	\$380,200	\$346,400	\$356,700	\$378,400	\$363,300
Customer Service Rep. (General)	30	\$747,600	\$892,200	\$759,200	\$805,200	\$798,300	\$746,500	\$761,500	\$820,200	\$786,200
Data Entry Supervisor	5	\$184,200	\$228,400	\$191,000	\$200,800	\$208,600	\$186,100	\$194,400	\$201,600	\$195,400

Labor Costs										
Occupation	# of Emp	Clinton, IA	DeKalb, IL	Galesburg, IL	St. Cloud, MN	Winona, MN	Jefferson City, MO	St. Joseph, MO	Sheboygan, WI	Stevens Point, WI
Data Entry Operator	30	\$724,000	\$854,800	\$734,400	\$777,000	\$779,300	\$725,800	\$736,100	\$793,700	\$756,900
Fringe Benefits (30%)		\$970,700	\$1,176,600	\$994,300	\$1,046,000	\$1,115,400	\$973,800	\$997,900	\$1,064,700	\$1,017,600
Annual Turnover Costs		\$216,000	\$288,000	\$252,000	\$216,000	\$216,000	273,600	\$180,000	\$223,200	\$201,600
Total	100	\$4,422,200	\$5,386,600	\$4,560,700	\$4,749,500	\$5,049,400	\$4,493,400	\$4,504,300	\$4,836,700	\$4,611,300

Year One labor costs. Assumes 2,080 hours paid per year (1,920 hours + benefits); figures rounded to the nearest \$100  
 Source: U.S. Bureau of Labor Statistics, ERI Research/Salary Assessor, 2016; total turnover costs vary based on market conditions, but based on \$12,000 per employee costs, per industry standards (QATC.org); Turnover costs include: recruiting, hiring, training, training materials, unproductive training time, supervisory time, and overtime costs

For modeling purposes, wage data by occupation was gathered at the community level. However, Clinton and its competitors draw from a regional labor shed. Labor costs are a function of several factors, including availability of skilled and semi-skilled workers, ability to attract talent from outside the area, and presence of applicable training programs. The 10+ counties comprising the Clinton area labor shed have a labor force of roughly 250,000 with an unemployment rate (May 2016) of approximately 5%.

**Labor Availability**

Administrative employers and job placement agencies interviewed by Prager Company voice their satisfaction with the Clinton area’s availability of back office workers. Interviewees state that today’s supply of industry-experienced workers in the immediate area is not only plentiful but noticeably higher than in years past.

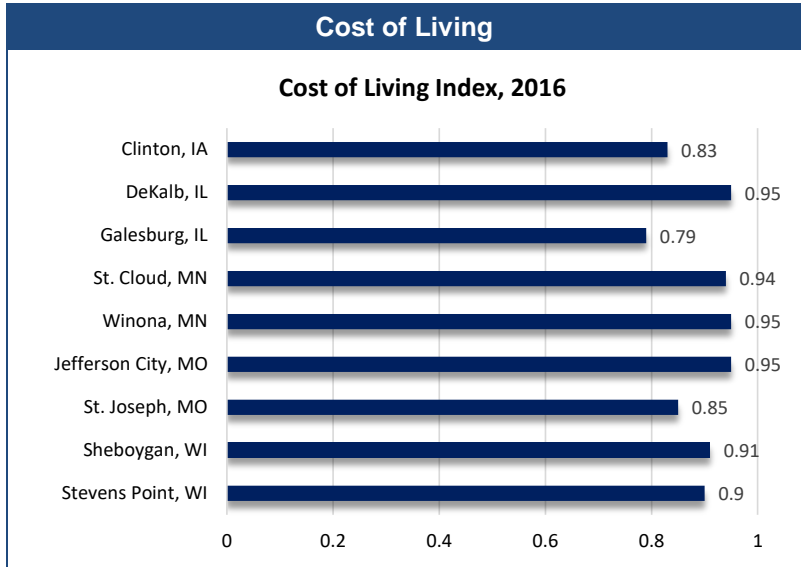
**Snapshot**  
 Based on recent experiences of local employer and job placement agencies, Clinton has an abundance of administrative office workers trained and immediately available for work. This includes customer service, telemarketing, data entry and other back office personnel. Due to recent office-related layoffs in the community, the available of administrative workers is noticeably higher than in years past. The turnover rate in Clinton among back office personnel is lower than in any of its competing locations.

Several reasons account for the availability of administrative back office workers in Clinton. The community recently experienced closure of several office-oriented operations. Due to declining enrollment nationally, Ashford University closed its Clinton campus and its online call center. The university had employed more than 100 people locally. In addition, Ipsco, a manufacturer with a sizable office contingent, recently shut its doors. Consequently, many administrative office-related personnel have become available in a relatively short period of time.

Within a 50-mile radius of Clinton, eight community/technical schools have an overall enrollment of more than 19,000 students. In addition, over 2,500 degrees/certificates are awarded annually to business administration and information technology-focused students.

In many high cost of living areas, employers may need to pay a premium to attract and retain workers. This is not the case in Clinton or in any of the comparison locations. In each, living costs are lower than the U.S. average.

The cost of living in Clinton is lower than all but one of the comparison locations. Clinton also has the third lowest median home price listing among competitors. This is particularly appealing to back office workers whose annual salary (for Customer Service Representatives) averages less than \$30,000.



Source: Sperling Cost of Living Index, 2016. US average = 1.00

Back office work is demanding and high-pressured. Consequently, turnover rates can be higher than in other industries. Therefore, the need for readily available, replenishable labor is paramount. Based on local interviews, the estimated turnover rate of administrative back office workers is lower in Clinton than in the comparison locations. On average, Clinton’s turnover rate is estimated at 30% versus an average of 32% for the eight comparison locations. DeKalb’s turnover rate is the highest; estimated at 40%. Turnover can result in significant employee replacement and training costs as well as lost productivity. When this is taken into consideration, Clinton’s lower turnover rate is a notable cost advantage.



**Real Estate**

Clinton has a number of available commercial sites equipped with advanced telecommunications and well suited for administrative operations. Rare for a community its size, Clinton has an office park dedicated primarily to administrative office and technology businesses. Its Lyons Business and Technology Park is a 109-acre planned property tailor-made for back office operations seeking a full-complement of amenities in a setting with like-minded businesses.

Even more unique than the Lyons Park itself is its availability of a pristine, state-of-the-art 18,000 square foot building expressly designed for administrative office operations. Until early 2016, this turnkey facility served as the home for Ashford University’s call center and customer service operations. The building is subdividable and replete with a full-service kitchen and dining facility, over 150 new office cubicles and furnishings, an advanced security system, and ample parking for all employees and visitors.

**Snapshot**

Constructing a 15,000 square foot administrative back office facility in Clinton is more cost effective than doing so in any of the comparison locations. Built-to-suit plus land costs for single-story, Class A space in Clinton are about 5% lower than the nearest cost location (Jefferson City). Amortized land and building costs in Clinton are about \$50,000 lower than the average of its competing locations.

For companies preferring a lease option, Clinton offers a turnkey office building expressly designed for administrative back office operations and in a pristine office park setting. Whether building or leasing a facility, Clinton is the lowest cost location.

**Lyons Business and Technology Park**

**Land**

- Attractive image ideal for administrative back office operations
- 109 acres with multiple sites of 3 to 10 acres for small to medium-sized users
- Comprehensive utilities in place, including advanced telecommunications -- dedicated voice and data services including digital T-1 trunks, private VoIP, SIP trunking, dedicated Internet, ethernet over copper, virtual LAN services and private MPLS
- Parkway frontage two miles from U.S. Highway 30
- Several well-established existing administrative office tenants in the park

**Building**

- Class A office building constructed in 2003, nestled in a tech park setting
- 18,000 square foot facility (subdividable)
- Ready for turnkey occupancy, including back office cubicles and complete furnishings
- On-site kitchen, dining facilities and recreational space
- Previous home of Ashford University’s call center and back office hub, operational until 2016

Scant few locations have a plug-and-play administrative facility like that available in Clinton. Consequently, in order to model and compare location costs, a build-to-suit scenario was assumed rather than the lease or purchase of an existing structure. According

to Marshall Swift, Clinton’s average cost to build a 15,000 square foot, Class A single story office structure is about \$153 psf. Including land (assumed at 2.5 acres), this makes Clinton the low cost real estate provider -- about 10% lower on average than the competitors. This equates to savings of more than \$50,000 per year when amortized over a ten year period. Real estate costs are highest in DeKalb and St. Joseph.

Real Estate Costs (Build to Suit)									
	Clinton, IA	DeKalb, IL	Galesburg, IL	St. Cloud, MN	Winona, MN	Jefferson City, MO	St. Joseph, MO	Sheboygan, WI	Stevens Point, WI
Commercial Land per Acre	\$43,600	\$67,000	\$29,900	\$104,100	\$60,000	\$95,000	\$210,800	\$39,000	\$100,200
Building Construction per Square Foot	\$153.00	\$188.19	\$169.83	\$171.36	\$166.77	\$153.00	\$162.18	\$163.71	\$160.65
Amortized Total (Land & Building)	\$391,200	\$486,700	\$426,800	\$460,700	\$431,500	\$412,100	\$481,700	\$415,500	\$432,900

Total real estate costs are annual. Based on 2.5 acres and 15,000 building square feet; ten year amortization at 10% cost of capital; figures rounded to the nearest \$100

Source: Marshall Swift, 2015; Economic development websites; Location One Information System – sampling of commercial sites in each location, 2016

For those preferring to lease a facility, lease rates for compatible property were reviewed in each competitor location. As of June 2016, Clinton’s \$10 per square foot lease rate places it second lowest; higher than only Galesburg at \$9.50 psf. Office lease rates for comparable, competitor properties average close to \$12.50 psf. Regardless of a lease or build-to-suit scenario, Clinton is the lowest cost option when all factors are considered.

Real Estate Costs (Lease Rates)									
	Clinton, IA	DeKalb, IL	Galesburg, IL	St. Cloud, MN	Winona, MN	Jefferson City, MO	St. Joseph, MO	Sheboygan, WI	Stevens Point, WI
Lease Rate per Square Foot (NNN)	\$10.00	\$15.00	\$9.50	\$14.00	\$10.50	\$11.00	\$14.00	\$14.50	\$10.50

Source: LoopNet – sampling of commercial lease rates in each location, June 2016

**Utilities**

Energy for administrative back office and customer care-related facilities typically accounts for a modest share of overall operating costs. The majority is often for equipment and telecommunications, with a lesser amount for lighting and temperature control.

For electric power, average utility commercial rates were used and applied to an assumed 250,000 kWh consumption per year. Based on this user profile, the cost of electric power

**Snapshot**  
 Electric power costs for administrative back office or similar functions are more competitive in Clinton than most comparison areas. Only Jefferson City and St. Joseph offer a slightly lower cost for electric power. Power reliability is very important and Alliant Energy receives solid marks for customer satisfaction via third-party rating entities, such as JD Powers.

cost in Clinton for the proxy facility is roughly \$21,000 per year. This ranks Clinton third lowest cost among the comparison locations, though the cost differentials are relatively insignificant; \$7,000 per year separates the lowest and highest cost locations.

Electric Power Costs									
	Clinton, IA	DeKalb, IL	Galesburg, IL	St. Cloud, MN	Winona, MN	Jefferson City, MO	St. Joseph, MO	Sheboygan, WI	Stevens Point, WI
Cost per kWh	\$0.084	\$0.086	\$0.089	\$0.097	\$0.094	\$0.081	\$0.082	\$0.109	\$0.108
Total Power Cost	\$21,000	\$21,500	\$22,250	\$24,250	\$23,500	\$20,250	\$20,500	\$27,250	\$27,000

Year One power costs; electric power costs are utility-specific and commercial rates; figures rounded to the nearest \$10  
 Source: EIA, 2015

The frequency and duration of power outages can influence bottom line utility costs to administrative back office facilities. New practices, such as electricity efficiency spending programs and new designs to upgrade distribution systems, can also have a pronounced impact on energy costs. Clinton’s electric power provider, Alliant Energy, receives solid marks from JD Power for overall customer service/reliability.

Of the comparison locations, Clinton is deemed competitive with regard to the number of broadband service providers.

Broadband Service Providers									
	Clinton, IA	DeKalb, IL	Galesburg, IL	St. Cloud, MN	Winona, MN	Jefferson City, MO	St. Joseph, MO	Sheboygan, WI	Stevens Point, WI
Providers of 3 MBS Service	9	12	6	11	8	9	7	10	8
Providers of 100MBS Service	1	1	1	6	2	2	0	1	1

Source: Broadbandmap.gov – most recent data available from 2014

***Taxes and Fiscal Conditions***

In much of the country, taxes can fluctuate greatly as government policies change to address budget deficits and as other intervening programmatic and fiscal decisions are made. By contrast, Iowa’s policies and taxes have remained rather stable over the years, and this stability bodes well for administrative back office operations.

Site selection tax analyses tend to emphasize two variables; the tax rates themselves and government tax policies and trends. Both impact the company’s bottom line today, but the latter is also an indicator of possible future tax conditions. In Iowa, changes to tax codes in the past were made to reconcile the need for a balanced, financially stable State budget with the desire for a competitive business climate for administrative, finance and insurance and customer care functions.

Iowa has a single factor corporate income tax, advantageous for firms selling a majority of their products and services outside the State. Combined with a decision in the 1980s to support and grow finance, insurance and support (administrative back office) functions, this has helped Iowa firms maintain a competitive edge. The State does, however, have high corporate income tax rates, particularly at the upper most brackets. But relatively few firms are subject to these brackets.

**Snapshot**

Iowa has a relatively accommodating tax structure, particularly for firms who serve or sell products outside the State. Its corporate income tax rates are higher, but this is mitigated by a single factor formula. Iowa offers the second lowest combined average state and local sales tax among competitor locations, whereas Illinois has the highest.

Workers compensation rates in Iowa are moderate and the State’s unemployment insurance costs are relatively low for new firms but high at the top bracket. As with most other states, Iowa offers tax credits and job training funds for job-generating firms. Iowa is fiscally sound as evidenced by its AAA credit rating and low debt, making it a stable, predictable place for business. This is in sharp contrast to some of Iowa’s competitors struggling with fiscal challenges and escalating taxes.

The comparison states vary in their fiscal condition and the impact this has had on taxes. For instance, about five years ago, Illinois increased its corporate income tax rate to address a multi-billion dollar budget deficit. Illinois has since brought the rate back down but its budget deficit continues to grow.

Corporate Income and Sales Taxes					
	IA	IL	MN	MO	WI
Corporate Income Tax	6.0%-12.0%	7.75%	9.8%	6.25%	7.90%
Combined Average Local and State Sales Tax	6.79%	8.64%	7.27%	7.86%	5.41%

Source: Tax Foundation, 2016

Among the comparison locations, Iowa’s sales tax is deemed moderate, has been relatively stable, and is not expected to increase in the near future. By comparison, Illinois is considering an increase to its sales tax to help address fiscal woes. Sales tax in Wisconsin is the lowest among the comparison locations.

Property taxes can vary greatly by location and often can be reduced at the discretion of local authorities. Based on available data, Clinton’s property taxes are moderately competitive for administrative back office operations. None of the comparison locations imposes a tax on inventory, however, Clinton is one of only two locations with no tax on telecommunications equipment. Based on the examination performed, Clinton ranks fourth

lowest for property and initial sales taxes, but its costs are well below the average. Property taxes appear to be lowest in Jefferson City and highest in St. Cloud and DeKalb.

Property Tax and Equipment Sales Tax									
	Clinton, IA	DeKalb, IL	Galesburg, IL	St. Cloud, MN	Winona, MN	Jefferson City, MO	St. Joseph, MO	Sheboygan, WI	Stevens Point, WI
Real Property	\$3.25 @ 100%	\$13.30 @ 33.3%	\$9.00 @ 33.3%	\$7.70 @ 100%	\$2.90 @ 100%	\$5.68 @ 32%	\$7.08 @ 32%	\$1.92 @ 102%	\$2.51 @ 100%
Sales Tax (on Equipment)	N/A	6.50%	6.50%	N/A	N/A	4.225%	4.225%	5.00%	5.00%
Total	\$78,100	\$162,000	\$111,100	\$218,000	\$76,900	\$67,200	\$88,200	\$75,000	\$91,600

Year One property tax total for real property and M&E combined; all locations exempt inventory; rates per \$100 and assessment ratio; figures rounded to the nearest \$100. Rates may vary within locations, change over time and/or be abated at the discretion of local authorities  
Sources: Individual community websites; state websites; Tax Foundation.org

In the context of the states examined, Iowa’s workers compensation rate (\$1.88 per \$100) is below average. Iowa’s recently reduced unemployment insurance costs for new employers are the lowest among comparison locations. However, its maximum unemployment insurance costs are comparatively high.

Workers Compensation and Unemployment Insurance					
	IA	IL	MN	MO	WI
Workers Compensation Index Rate <sup>1</sup>	\$1.88	\$2.35	\$1.99	\$1.98	\$1.92
Unemployment Insurance Rate (New Employer)	1.0%	3.75%	3.52%	3.51%	3.6%
Maximum Unemployment Insurance (Taxable Wage Threshold) <sup>2</sup>	\$27,300 7.5%	\$12,960 8.15%	\$29,000 10.81%	\$13,000 13.65%	\$14,000 12.0%

<sup>1</sup>Average per \$100 payroll across all industries (index rate)

<sup>2</sup>Maximum rate is 7.5% but (according to the Iowa Workforce Development), the 2015 average rate for all industry is 1.6%

Sources: Oregon Department of Consumer Services, (Workers Compensation) and ADP, 2016 State Fast Wages and Facts; Insurance Journal Online, 2015

Iowa and Missouri have the best S&P credit ratings (AAA), whereas Illinois has the worst (BBB+). Iowa is also considered to have a low fiscal deficit as a percentage of state spending, a stable credit rating outlook, and is ranked competitively for fiscal solvency. This suggests Iowa is relatively strong fiscally and more likely than not to have predictable taxes and business policies moving forward.

State Fiscal Condition					
	IA	IL	MN	MO	WI
S&P Credit Rating	AAA	BBB+	AA+	AAA	AA
Deficit as Percent of Spending	11.6%	20.08%	18.2%	15.53%	15.64%
Standard & Poor Credit Outlook	Stable	Negative	Positive	Stable	Stable
Overall Fiscal Solvency Rank	25th	47th	26th	14th	29th

Credit ratings, fiscal solvency ratings, and deficits as a percent of spending are 2015. Standard & Poor's Outlook is 2016 and assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). In determining a rating outlook, consideration is given to any changes in the economic and/or fundamental business conditions of a State

Sources: Standard & Poor's (2016); USGovernmentSpending.com (2016); Mercatus.org (2016-revised)

Iowa and most of the comparison states offer a variety of incentives designed to lessen business operating costs and enhance competitiveness. Tax credits and job training assistance are among the most common. Iowa's more compelling incentives relevant to administrative back office operations include:

- (1) State High Quality Jobs Program - includes investment tax credits, sales tax refunds on building materials, refundable research & development tax credits, and potential direct financial assistance (when negotiated)
- (2) State 260E Job Training Program - based on a ten-year forward look at new employee' withholding taxes available to fund job training via community colleges
- (3) State 260F Incumbent Worker Training Program - intended to increase skills of the existing workforce. Deemed more beneficial to smaller and mid-sized firms
- (4) Local Property Tax Abatement or Tax Increment Financing - State authorization for Iowa locales to abate property taxes or use the tax increment for projects
- (5) Miscellaneous state tax advantages, including property tax exemption on machinery and equipment, and a single factor corporate income tax

Prager Company is an economic and management consulting firm with almost two decades of market-driven experience. Prager Company helps cities, regions and states grow their economies and companies maximize location-specific investment.

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