

GOVERNOR PAWLENTY UNVEILS 'GREEN JOBS INVESTMENT INITIATIVE' -- November 10, 2008

Saint Paul – Using Minnesota’s nation-leading energy initiatives as a springboard for job growth, Governor Tim Pawlenty today unveiled his “Green Jobs Investment Initiative” for the 2009 legislative session.

The potential for job growth in green jobs is significant. According to a study released last month, 750,000 Americans work in what are considered green jobs. That number is expected to grow 4.2 million by 2038, accounting for 10 percent of new job growth over the next 30 years.

“The development of green jobs will be one of the biggest changes in our economy since the industrial revolution,” Governor Pawlenty said. “The proposals we are announcing today will fuel job growth by incentivizing new technology and innovation.”

Governor Pawlenty’s “Green Jobs Investment Initiative” includes:

- New tax-free incentives through a “Green JOBZ” program that will provide the same tax exemptions found in the state’s JOBZ program to qualifying green job projects
- A new Job Growth Investment Tax Credit, 50 percent of which will be targeted to green job projects that will promote the state’s renewable energy goals (\$20 million)
- A new Small Business Investment Tax Credit for investments in qualified Minnesota businesses, 50 percent of which will be targeted to green job projects (\$60 million)



- Incentives to expand the production and infrastructure for biomethane, solar and other renewable energy projects
- Creation of a clean and green technology category as part of the Minnesota Cup competition to reward innovation and spark invention
- Tracking energy usage by state government and holding government accountable for reducing greenhouse gas emissions and pollution

The study showing strong potential for green job growth was prepared by Global Insight for the U.S. Conference of Mayors. It noted that “the vast majority of Green Jobs are not location dependent, so future Green Jobs will be located in cities or metropolitan areas that are currently the most attractive for investment, or in areas that actively increase their attractiveness relative to competing areas.”

According to the Minnesota Department of Employment and Economic Development, approximately 15,000 Minnesotans work in green jobs with the potential to grow more than 114,000 such jobs in the next 30 years.

Green JOBZ

Governor Pawlenty proposes creation of a new “Green JOBZ” program aimed at attracting investments in projects that further the state’s renewable energy goals and grow jobs.

- Businesses qualifying for Green JOBZ will be those that support Minnesota’s 25 x ‘25 renewable energy standard by improving energy efficiency and conservation, and by reducing emissions, pollution and greenhouse gases. This may include:

- o Renewable energy creation from a variety of sources
- o Increased transportation fuel-source alternatives
- o Production of green building components
- o Manufacturing of products, services or research that support renewable industries such as wind turbine components, plug-in electric vehicles and the like

Qualifying projects would receive the same package of tax exemptions available to companies in the state’s JOBZ program (exemption from corporate franchise tax; income tax for operators or investors, including capital gains tax; sales tax on goods and services used in the zone if the goods and services were purchased during the duration of the zone; property tax on commercial and industrial improvements but not on land; wind energy production tax, and; employment tax credit for high paying jobs) for 12 years on any agreements executed through 2015.

Projects could be located anywhere in Minnesota, including the Twin Cities metropolitan area. Investments would be required to be

new to the state, not expansions of existing facilities. The estimated cost of the tax incentives to the general fund would be \$3.65 million in Fiscal Years 2010-11 and \$6.6 million in Fiscal Years 2012-13.

Job Growth Investment Tax Credit

A lack of access to investment capital is one of the major hurdles facing start-up companies and entrepreneurs. With venture capital funds focusing more on later-stage deals, small companies looking to get off the ground are seeking financing from regional investment funds as they begin to create jobs.

Governor Pawlenty is proposing the creation of a new Job Growth Investment Tax Credit in order to make more financing available to emerging companies around Minnesota. Half of the tax credits would be focused specifically on green jobs.

This proposal would create tax incentives for investments in regional investment funds, stimulating formation of early-stage capital to invest in new emerging businesses. The total amount of tax credits available would be \$20 million over a four-year period. Half of the tax credits would be focused on green job growth.

- Allow a 25 percent tax credit for investments in funds that invest in businesses that meet certain criteria; to encourage longer term investments, the credit would be allowed only after an investment has been held for three years.
- A maximum of \$5 million in credits would be granted per year for four years; a maximum credit of \$200,000 per investor and \$1 million per fund each year.
- Up to 20 funds, geographically dispersed, would be qualified, and each fund would need to invest at least 60 percent of its funds in qualified businesses within the fund's region.
- 50 percent of the program would be directed to green job investments.

Small Business Investment Tax Credit

According to the Small Business Administration, since the mid-1990s, small businesses have created 60 to 80 percent of net new jobs across the country. In the most recent year with data (2005), employers with fewer than 500 employees created 979,102 net new jobs, or nearly 80 percent of the total.

In order to provide a boost in investment for small business, Governor Pawlenty proposes the creation of a Small Business Investment Tax Credit. The Small Business Investment Tax Credit program will provide \$60 million in tax incentives to insurance companies for investments in certified capital companies, which would be required to invest in qualified businesses in Minnesota with less than 100 employees each. Half of the tax credits would be focused on green job growth.

Certified capital companies are state-sanctioned venture capital firms that are funded by insurance companies. Seven states have authorized these companies as a way to increase available capital for small businesses located within a state or region. In Texas, certified capital companies have invested in 47 small businesses since 2005. The Texas Legislature approved additional funding for the program in 2007.

The Minnesota Small Business Investment Tax Credit would:

- Allow a 60 percent tax credit, in the form of an insurance premium tax credit, for insurance company investments in approved certified capital companies; the credit would only be allowed in the third calendar year after the investment is made, not to exceed 15% of the qualified investment per year over four years.
- Investments totaling \$100 million would be eligible for the credit, creating a large pool of capital for investment in small emerging businesses.
- 50 percent of the program would be directed to green job investments.

Biomethane and Solar Power Conservation Credits

Countries including Sweden and Switzerland are using significant amounts of biomethane, an alternative to natural gas that is produced from organic sources.

A local example of biomethane production is Seneca Foods in Montgomery, Minnesota, where they are converting vegetable processing waste into renewable biomethane to replace a significant portion of natural gas currently used at the facility.

Incentives to expand the production and related infrastructure for biomethane and other renewable energy projects will help Minnesota jump start the next round of technologies related to renewable energy development.

These policies will provide needed incentives to expand opportunities for projects like landfill waste-to-energy methane digesters and on-farm anaerobic methane digesters, attracting manufacturing and other infrastructure related jobs to this clean energy technology.

- Provide natural gas utilities a credit toward their annual energy savings for meeting the state's energy conservation policy goal for biomethane purchased by or produced on their distribution system.
- Provide electric utilities a credit toward their annual energy savings for meeting the state's energy conservation policy goal for solar power purchased by or produced on their distribution system for projects larger than currently allowed in state law.

Minnesota Cup: Governor's Green Tech Competition

The Minnesota Cup competition began in 2005 to discover, support, and promote Minnesota's newest and most innovative business ideas. The contest connects winning Minnesota entrepreneurs with the state's leading business executives, investors, and the University of Minnesota.

There have been a number of success stories, including 2006 finalist ID Insight, a start-up that has developed tools and technology to tackle the problem of identity theft. Since participating in the Minnesota Cup, ID Insight has successfully promoted their solutions, signing a contract with one of the nation's largest check printers, a partnership with a provider of loan origination solutions serving seven of the top 10 banks in the United States and many new contacts.

Through the state's partnership with the Minnesota Cup, Governor Pawlenty will create a new clean and green energy category to advance breakthrough ideas and entrepreneurship in renewable energy and the products and services that support it.

This annual competition runs from March through September each year, and the new category will be added to the 2009 competition. Award recipients will be selected by a panel of recognized entrepreneurial and clean tech experts and will receive a cash prize.