

## Leveraging State Economic Development Resources to Create Job Opportunities for People with Disabilities

by Allison Kopicki, Kathy Krepcio, and Carl Van Horn

*State and local economic development agencies are a largely untapped resource for increasing employment opportunities for individuals with disabilities. This brief highlights existing state, regional, and local economic development resource tools and discusses ways in which states and localities can leverage traditional loan and financing programs that enhance job creation, provide access to local employment opportunities, or help support employment for residents, including those with disabilities.*

### Introduction

The mission of state and local economic development agencies is fundamentally to provide assistance to public, private, and non-profit businesses that want to locate within a state, start a business, or expand their operations, with the overriding objectives of creating jobs, improving infrastructure for supporting economic development, and growing the state's economy. State economic development agencies (EDAs) use a number of tools to assist businesses. These generally fall into three categories:

- *Financial tools*, which are designed to give firms access to low-interest loans, loan guarantees, and tax incentives to help them locate within a state, remain in a state, expand business operations, or start a business;
- *Training and technical assistance tools*, which provide individuals with information and education to nurture the development of entrepreneurial companies to help them grow and survive during the start-up period or to expand an existing business; and
- *Policy tools*, which are designed to help businesses gain access to skilled workers as well as help the state target specific groups (i.e., women, minorities, low-income communities) for employment, or offer financing that facilitates employment for particular groups or in specially designated industries or geographic areas.

EDAs can be a viable resource to state and local efforts that are looking to expand employment and business opportunities for people with disabilities. The key to an effective partnership and collaboration with an EDA begins with understanding these basic tools and techniques that they use to enhance job creation and provide broad access to employment opportunities through their assistance to businesses.

### Financial Tools

#### Loans and Lending

All public economic development programs attempt to create greater access to affordable financial capital for firms looking to locate a business, expand a business, start a business, or remain in a state. EDA lending

programs vary from state to state; some target all businesses, while others are more focused on small and mid-sized firms or those from a particular sector such as advanced manufacturing or life sciences. Typical economic development programs include low-interest financing through bonds, loan participations, loan guarantees, lines of credit, or direct loans, usually with much lower interest rates than a business may find from private financial institutions. EDAs also work with businesses to tailor the loan terms for variable or fixed interest rates and to create longer repayment schedules than those offered by traditional lenders. An EDA's support of a business in attaining capital investment through loans differs from grant programs in that there is not only an expectation of repayment, but also of earning a return on the EDA's investment. The return on investment is smaller than those that typical banks or lending institutions receive, but it enables EDAs to attract partnerships with traditional lenders and maintain solvency in order to serve others who seek their assistance.

Evidence suggests that currently few states specifically target companies that recruit and hire individuals with disabilities or businesses owned by an individual with a disability.<sup>1</sup> EDAs, however, have the potential to develop financial loan and grant packages that give favorable consideration to firms that recruit and hire a workforce that includes people with disabilities — providing they meet other standard qualifications, such as the ability to repay the loan and meet other state public policy objectives. Further, state lawmakers have the ability to pursue legislation encouraging EDAs to set target goals for companies to diversify their workforces through the inclusion of individuals with disabilities for firms seeking state EDA financial support. State or local EDAs also have within their purview the ability to put together a financial package that can attract companies that have established programs or proven histories for employing individuals with disabilities to locate or expand operations. Examples of such companies include CVS, the Walgreen Company, and SunTrust Banks.

*The State of Maine* is unique among all other states in aligning its financial assistance program that supports the employment or entrepreneurship of persons with disabilities with its economic development mission.

*The State of Maine* established the *mPower Adaptive Loan Fund* in 1987. Contracting with the Finance Authority of Maine, mPower provides low-interest loans and technical advice for individuals with disabilities and for businesses to make their workplaces more accessible to employees and customers. Loans range from \$250 to \$100,000. For loans less than \$5,000, quick decision turnarounds can be made. Alpha One, the state's Center for Independent Living, is incorporated in the application process, providing specialists to help employers and individuals select the right adaptive equipment. The first revolving loan program of its kind in the United States, mPower laid the groundwork for the national Alternative Financing Program, a federal-state initiative that supports the purchase of assistive technology through affordable financing.<sup>2</sup> Currently, mPower receives about 30 to 40 loan applications per month and lends about \$300,000 to \$400,000 on a monthly basis. Most applications are for individuals who require financial assistance for assistive technology. To date, the program has largely not been utilized by state businesses, despite a dedicated marketing program and television advertising. Further details can be found at [www.mpowerloans.org](http://www.mpowerloans.org).

### CONNECTing to Walgreens

In 2006, the Connecticut Department of Economic and Community Development, working with the Township of Windsor, the Connecticut Office of Workforce Competitiveness, the Connecticut Department of Labor, and the state Bureau of Rehabilitation Services, responded to interest from Walgreens to construct a new northeast distribution center in Windsor, Connecticut.

Responding to the company's desire to hire a skilled local workforce that included a significant portion of individuals with disabilities, the state assembled a \$5 million financial package that included a \$1.5 million grant to create a new customized training program, a \$1.5 million loan to the company for machinery and equipment, and a \$2 million grant to the town of Windsor to support its business assistance program. The customized training program provides specific skills training in jobs identified by Walgreens for both individuals with and without disabilities. The Bureau of Rehabilitation Services (BRS) serves as the single point of contact for all community disability agencies looking to help their job seekers be recruited and trained by Walgreens. BRS works collaboratively with the state Department of Labor, which serves as the single point of contact for other community workforce providers.

For more information, visit [www.ct.gov/ecd](http://www.ct.gov/ecd).<sup>3</sup>

**From Bonding to Business Development: The New Jersey Economic Development Authority and Community Options, Inc.**

Community Options, Inc. is a national non-profit located in Princeton, New Jersey that develops employment and residential support systems for individuals with cognitive disabilities. With the assistance of the New Jersey Economic Development Authority, Community Options was able to finance a \$4.84 million tax-exempt bond to refinance existing higher interest mortgages, renovate an existing building, buy equipment, and purchase a new building. The financing allowed the organization to create jobs for individuals with and without disabilities through the implementation of several entrepreneurial business ventures owned and operated by Community Options, including Vaseful, a florist shop located in New Brunswick, New Jersey, and the Daily Plan It, a business that offers professional receptionist services, high-speed copying, and on-site concierge services to other business tenants in Moorestown, Morristown, and Princeton, New Jersey. For further information, visit [www.comop.org](http://www.comop.org).

## Tax Incentives and Credits

Most states offer a variety of tax incentives to for-profit businesses that are intended to create jobs by rewarding firms that relocate to or remain in their states. Tax credits or tax exemptions are usually applied against either corporate business taxes or sales taxes. Award of the tax incentive is typically linked to the number of jobs created or retained by the firm, to the purchase of manufacturing machinery or equipment, to research and development or technology investment, or to the location of a business, such as in an urban or rural area. Tax credits or incentives may also be offered to particular industries that a state is attempting to cultivate such as manufacturing, biotechnology, or renewable energy development.

States, such as *Maryland*, *New York*, and *Tennessee*, have established state tax credit programs that encourage firms to recruit and hire people with disabilities.

As an element of its economic development activity, *Maryland* has put in place a *Disability Employment Tax Credit* whereby businesses that hire people with disabilities may be entitled to a tax credit for wages paid to employees and for child care or transportation expenses paid on behalf of employees. The tax credit is worth up to \$1,800 against a worker's wages and a credit of up to \$600 for child care or transportation expenses in the first year. In the second year, the maximum allowable credit against wages is \$1,200 per worker, and up to \$500 in expenses for child care or transportation. The credit may be taken against corporate income tax, personal income tax, state and local taxes withheld (for certain tax-exempt organizations only), insurance premiums tax, or public service company franchise tax. Full details can be found at [business.marylandtaxes.com/taxinfo/taxcredit/disability/default.asp](http://business.marylandtaxes.com/taxinfo/taxcredit/disability/default.asp).

The *Workers with Disabilities Tax Credit (WETC)* is a *New York State* tax credit that can result in \$2,100 for each individual with a disability hired, and is one tool used by the state to assist people with disabilities in securing employment. WETC is an employer-friendly benefit for businesses hiring workers with disabilities. The tax credit equals 35% of the first \$6,000 in wages paid during the second year of employment, following the Federal Work Opportunity Tax Credit, which provides federal tax credits for the first year of employment. Further information about the tax credits can be found at [www.labor.state.ny.us/businessservices/EDSU/EDSU%20WETC.shtm](http://www.labor.state.ny.us/businessservices/EDSU/EDSU%20WETC.shtm).

In 2005, *Tennessee* established an excise tax credit for the employment of persons with disabilities who are receiving state services directly related to those disabilities. The credit is:

- \$5,000 for each qualifying new full-time permanent job providing at least 37.5 hours of work per week for at least 12 consecutive months with minimal health benefits.
- \$2,000 for each qualifying new part-time job providing at least 10 hours of work per week for at least 12 consecutive months.

The credit is available only to taxpayer firms that participate in an existing employment incentive program for persons with disabilities administered by a state agency. Firms wishing to obtain a credit must file a Tennessee Job Tax Credit Business Plan with the state Department of Revenue. The amount of credit that can be deducted in any tax year is limited to 33.33% of the total franchise tax liability for employers with less than 1,000 Tennessee-based full-time jobs at the end of the employer's tax year, with higher limitations depending on the size of the firm's workforce. For further information, see [tn.gov/revenue/taxguides/feguide.pdf](http://tn.gov/revenue/taxguides/feguide.pdf).

## Training and Technical Assistance Tools

Licensing, permitting, and other state regulations can be difficult to navigate for small and start-up businesses. As a result, most state EDAs offer detailed information and provide guidance to help businesses navigate through government regulations and requirements. Entrepreneurial businesses operated by individuals with disabilities can benefit from taking advantage of EDA expertise in planning and in maneuvering through government regulations. States, in many instances, provide technical assistance and informational services such as online information on development of a business plan, self-assessment tools, business classes or coordinated training through community colleges, entrepreneurship training, and customized, one-on-one training.

Many state economic development agencies have created networks of business incubators that provide young businesses with important supports they need to grow and survive during initial start-up. These efforts generally involve providing start-up businesses with business support services such as laboratory or office space, marketing or advertising assistance, and mentorship, thus allowing for a greater rate of success and sustainability. Common rationale for supporting business incubation efforts include creating jobs in a particular community or neighborhood, retaining or maintaining a viable business climate in a particular area, building or expanding growth of a particular industry, increasing a community's entrepreneurial climate, and diversifying a local economy.<sup>4</sup>

The *Community Options Incubation Network (COINet)* is a first-of-its-kind, technology-oriented small business incubator for entrepreneurs with disabilities. COINet offers office space at below-market rates, specialized support services, business planning assistance, professional development activities, technical assistance, and connections to financial assistance and strategic partnerships for individuals with disabilities who are starting businesses. Based in *New Jersey*, original sponsors and funders included Microsoft Corporation, the New Jersey Commission on Science and Technology, the New Jersey Community Loan Fund, the Rothman Institute of Entrepreneurial Studies at Fairleigh Dickinson University, and the New Jersey Council on Developmental Disabilities, along with several other entities. COINet is an example of how collaboration between a diverse group of stakeholders, including economic development, industry, education, and disability advocates, can be harnessed to create jobs and opportunities for individuals with disabilities.

## Policy Tools

Economic development incentive and loan programs are generally targeted toward encouraging the growth and maintenance of specific types of businesses or aimed at growing the economies of specific urban or rural communities. Companies or projects that meet state-established criteria generally are considered to be good candidates for receiving financial support packages from state governments.

While only a handful of states currently focus economic development policy on supporting job creation specifically for businesses employing or owned by people with disabilities, state governments have within their policy toolkit the ability to expand their role in this area. States, for example, could institute policies to funnel economic, technical, and training resources to individuals with disabilities who own and operate businesses.

### Common State EDA Policy Criteria Categories

- Location: Firms that are located in distressed communities, on brownfield sites, or in rural areas.
- Targeted Industries: Employers that own businesses in industry sectors that meet state economic growth objectives (for example, biotechnology, transportation, logistics and distribution, health care).
- Diversity: Businesses that are owned by historically underrepresented populations such as women or minorities.
- Social Responsibility: Companies that invest in “green” buildings, alternative energy, urban renewal, telework and telecommuting jobs, and child care.

Lending criteria could be tied to diversification of workforce goals to encourage or reward companies seeking EDA financing to proactively recruit individuals with disabilities. And, as seen in the case of Connecticut and Walgreens, state economic development agencies can work hand in hand with state workforce development, vocational rehabilitation, and community disability employment providers to finance and implement customized workforce strategies that respond to business needs to recruit and hire skilled workers with and without disabilities.

Motivated by challenging national and state economies and a rapidly changing, highly competitive global economy, state governments have been working to better align their workforce policies and programs with state economic development programs and strategies. Stronger state interest in economic growth and workforce issues offers a great opportunity for states to strategically align disability employment efforts with broader state workforce and economic development activities. In pursuing this alignment, it is important to note that these systems operate differently, with workforce programs (including those efforts to assist individuals with disabilities) targeted to individuals and funded predominantly through federal funds, and economic development efforts that focus on businesses with predominantly state and local funding. According to the National Governors Association, these different funding streams add a level of complexity to already existing differences in governing, performance, reporting, and geographic areas of focus. Further complicating potential partnerships are distinct institutional cultures — workforce and human services systems are focused on helping people, while economic development agencies are focused on serving businesses and ‘making deals’.<sup>5</sup> Over the years, however, states have undertaken several strategies and tactics to achieving greater alignment between economic development and workforce development. These tactics, underway in many states, offer an opportunity for state officials to embed opportunities for people with disabilities into existing state economic development and workforce development initiatives. These tactics include:

- *Creating stronger partnerships between state workforce development agencies and employers that currently meet state economic growth objectives.* This can include developing specific strategies with businesses in a particular industry (for example, health care) and strategically coordinating communication between the providers of skilled workers (such as secondary and postsecondary educational institutions, community rehabilitation providers, and other agencies providing skills education and training) and employers in those particular industries. For example, *Minnesota* is currently working on aligning state regional prosperity initiatives with its statewide talent development activities. Specifically, the state’s FastTRAC initiative, funded by the Joyce Foundation, is developing incubator sites that will assist adults by creating a ‘fast track’ to help them gain skills for employment in several key industry sectors, including advanced manufacturing. State officials are working to include adults with disabilities in its FastTRAC manufacturing incubator efforts by creating stronger linkages among existing programs, initiatives, and funding streams that serve adults with disabilities. The long-term goal is to create a sustainable process for ongoing collaboration and a new universal framework that fully integrates adults with disabilities into the state’s regional prosperity economic development initiatives and its broader workforce development system.<sup>6</sup>

- *Bringing together an array of federal and state funding streams to support a large, single coordinated state or regional worker education and skills training program.* For example, *Michigan* has developed a wide-scale strategy for providing all Michigan workers (including people with disabilities) with the opportunity to transition to new jobs and careers through its *No Worker Left Behind* program.<sup>7</sup> *No Worker Left Behind's* primary focus is on the attainment of certificates or associate degrees leading to a job in high-demand occupations, emerging industries, and entrepreneurial endeavors. A mix of federal training resources, including vocational rehabilitation dollars, are being used to fund and offer a comprehensive, integrated program to all workers meeting eligibility criteria.
- *Aligning location-specific state or regionally led economic development strategies with broader workforce development goals in the state.* For example, *Maryland*, anticipating job growth in and around several counties as a result of the 2005 Base Realignment and Closure Commission (BRAC) military base reduction plan, has disability state officials working closely with the state's BRAC subcommittee to align and integrate training and preparation programs for adults with disabilities, as well as housing and infrastructure considerations, into the state's broader BRAC economic development efforts.
- *Financing and developing customized employment and training programs in partnership with industries targeted for future economic development assistance.* Most states and large cities actively seek to attract or maintain the presence of a major industry and have specific funds or initiatives directed at businesses in growing sectors, such as alternative energy or "green jobs". Training and educational service agencies looking to increase employment opportunities for individuals with disabilities should understand emerging state industry growth targets and seek alignment with these sectors that the state is attempting to grow, as well as with emerging state education and training initiatives that will likely be put in place to support state economic growth initiatives.

Other tactics that could also be developed include:

- *Enacting legislation* to codify the priority consideration of state economic development and workforce development resources to include individuals with disabilities for consideration of jobs to be created, thus providing guidance and permanence to state economic development agencies when considering applications from firms for public financial support.
- *Establishing targeted training through state and local EDAs* for individuals with disabilities on such entrepreneurship strategies as business start-ups, revitalization of mature businesses, or creating spin-off businesses, including one-on-one mentoring and "kitchen-table" style individualized training that has been shown to be successful with business entrepreneurs with disabilities.
- *Creating partnerships by matching businesses receiving assistance from the EDA with public or non-profit agencies that work with job seekers with disabilities, especially businesses with a track record of recruiting and hiring a diversified workforce that includes individuals with disabilities.* Businesses looking to begin a new venture or expand their operations generally need to build a workforce, and an effective economic development tool is to have an available workforce and customized training at the ready. Partnerships of state economic development officials and government or non-profit agencies that provide training and job development assistance to people with disabilities can be established to create a pipeline of competent, skilled job seekers to support employers' workforce needs.

## Conclusion

As states look to meet the challenges of improving employment opportunities for individuals with disabilities, state and local economic development agencies can be active partners in the creation of a more inclusive workforce by targeting their economic tools toward individuals with disabilities or businesses that increase employment opportunities for individuals with disabilities. In much the same way that local and state EDAs have allocated resources and financing for revitalizing communities or specific sectors, the EDAs' access to capital funds, entrepreneurship training, and regulatory assistance can help individuals and businesses within the disability community achieve independence and build wealth.

In most places across the nation, economic development agencies lack awareness of the need to encourage employers to recruit and hire individuals with disabilities or make them aware of the supply of talent available among youth and adults with disabilities. And many stakeholders in the disability employment field are unfamiliar with the mission and the tools available through their state economic development agencies. Much more can be done to create systemic collaboration between economic development strategies and efforts to position individuals with disabilities in the labor force. Economic development tools for business expansion — access to capital, training, and other technical assistance — should be maximized as a resource by those working in the disability employment arena. Developing a significant and ongoing relationship with state and local EDA officials and implementing a regular exchange of information is the first step in growing entrepreneurial and job opportunities for adults with disabilities.

## Useful Resources

- *One-Stop Career Centers* provide job seekers with a full range of assistance under one roof. One-Stops operate in all 50 states and offer training referrals, career counseling, job listings, and similar employment-related services. One-Stops can provide information about nearby economic development programs. The location of the nearest Career Center can be found at [www.careeronestop.org/Reemployment/ChangeCareers/FindCareerOneStopCenter.aspx](http://www.careeronestop.org/Reemployment/ChangeCareers/FindCareerOneStopCenter.aspx).
- The *Council of Development Finance Agencies (CDFA)* is a national association for state, county, and municipal development finance agencies, including over 265 public, private, and non-profit development entities. CDFA gathers economic development news articles and has a searchable online library of resources related to development financing and tax policy at [www.cdfa.net](http://www.cdfa.net).
- The *National Association of Development Organizations* is an association for the nation's regional development organizations, primarily comprised of rural and smaller metropolitan areas. Links to dozens of members of regional and local economic development organizations can be found at [www.nado.org](http://www.nado.org).
- The *National Governors Association's Center for Best Practices* provides policy guidelines and best practices for state leaders to develop entrepreneur-friendly environments and to align workforce development with economic development efforts. A 2004 report promotes the development of industry clusters and other strategies to support entrepreneurship: [www.nga.org/Files/pdf/0402GOVGUIDEENTREPRENEUR.pdf](http://www.nga.org/Files/pdf/0402GOVGUIDEENTREPRENEUR.pdf).
- *Employmentincentives.com* offers information about state and federal tax deductions, tax credits, tax incentives, and grants for building a company and training staff by hiring and retaining workers with disabilities. For more information, visit [www.employmentincentives.com](http://www.employmentincentives.com).
- The *Job Accommodation Network*, a service provided by the U.S. Department of Labor's Office of Disability Employment Policy, provides a comprehensive listing of state economic development and funding resources at [www.jan.wvu.edu/entre/sedfr.htm](http://www.jan.wvu.edu/entre/sedfr.htm).

## End Notes

1. The John J. Heldrich Center for Workforce Development, with the assistance of the New Jersey Economic Development Authority, sent out an email query in July 2008 through the Council of Development Finance Agencies inquiring about state programs that could be accessed by workers with disabilities or by companies that employ workers with disabilities. Only the state of Maine responded affirmatively.
2. The Alternative Financing Program (AFP) is a federal-state program that supports the purchase of assistive technology through affordable financing, which varies from state to state. According to the Rehabilitation Engineering and Assistive Technology Society of North America, about 30 states have AFP or telework financial loan programs; for state-by-state contact information, see <http://69.89.27.238/~resnaorg/AFTAP/state/RESNA.html>.
3. Interview with Brenda Moore, Director, Bureau of Rehabilitation Services, Connecticut Department of Social Services, December 31, 2008. State of Connecticut, *Governor Rell Announces Walgreen Company's Expansion in Connecticut*, January 17, 2006, retrieved from <http://www.ct.gov/ecl/cwp/view.asp?a=1104&Q=308888&PM=1>.
4. National Business Incubator Association. *What are Business Incubators?* Retrieved from [http://www.nbia.org/resource\\_center/bus\\_inc\\_facts/index.php](http://www.nbia.org/resource_center/bus_inc_facts/index.php).
5. National Governors Association. *Issue Brief: Aligning State Workforce Development and Economic Development Initiatives*. (Washington, D.C., 2005).
6. NTAR Leadership Center. *State Leaders Innovation Institute: Summary of State Action Plans*. Retrieved from <http://www.ntarcenter.org>.
7. State of Michigan. *No Worker Left Behind Fact Sheet*. July 2008. Retrieved from <http://www.michigan.gov/nwlb>.



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## About ODEP

The Office of Disability Employment Policy (ODEP) provides national leadership on disability employment policy by developing and influencing the use of evidence-based disability employment policies and practices, building collaborative partnerships, and delivering authoritative and credible data on employment of people with disabilities.

## About the NTAR Leadership Center

Founded in 2007 under a grant/contract with the Office of Disability Employment Policy at the U.S. Department of Labor, the NTAR Leadership Center's mission is to build capacity and leadership at the federal, state, and local levels to enable change across workforce development and disability-specific systems that will increase employment and economic self-sufficiency for adults with disabilities.

## Consortium Partners

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