

**Economic and Fiscal Impacts of a
Prospective Medical Instrument
Manufacturing Facility along the
Interstate-85 Corridor in Alabama**

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**ECONOMIC & COMMUNITY
DEVELOPMENT INSTITUTE**
Auburn University & Alabama Cooperative Extension System



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**General Parameters Provided by
I-85 CORRIDOR ALLIANCE™**

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Prospect	Surgical and Medical Instrument Manufacturing plant
Direct Jobs	150 jobs beginning in August 2009
Hourly Rate	\$22.50 per hour (excluding benefits)
Annual Payroll	\$7,020,000
Total Capital Investment	\$15,000,000
Manufacturing Equipment	\$6,500,000
Land and Buildings Acquisition	\$7,000,000
Construction Materials	\$750,000
Construction Labor	\$750,000
Estimated Completion Date for Facilities Improvements	August 2009
Location	Within Lee County, but outside of city limits and police jurisdiction
Taxes to be Abated	N/A
Estimated Annual Capital Credit Savings, 10-year estimate	\$37,500 (The maximum annual amount of available credit against Alabama corporate income tax is 5% of the total capital investment, as defined in Act 95-187, for each year up to 20 years. The specific amount varies based upon company performance.)

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<i>Project Scope</i>	The I-85 Corridor Alliance™ is a regional partnership of government, civic, business and educational stakeholders dedicated to promoting innovation, prosperity, collaboration and competitiveness along Interstate 85 in Alabama. The organization has requested an impact analysis based upon the parameters presented above.
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Projected Local Annual Jobs and Earnings

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	Jobs	Earnings	Source
Multiplier	2.05	1.34	<i>EMSI Complete Employment – Fall 2008 Release Economic Impact, Surgical and medical instrument manufacturing (NAICS 339112), I-85 Counties.</i>
Direct – Full Capacity (August 2009) Based on 150 jobs	150	\$7,020,000	<i>Provided by I-85 Corridor Alliance™</i>
Projected Total – Full Capacity (August 2009)	307.5	\$9,406,800	<i>Computation: Direct * Multiplier Surgical and medical instrument manufacturing equipment (NAICS 339112)</i>

Data Sources and Calculations

The input-output model used in this report was created using the national Input-Output matrix provided by the federal Bureau of Economic Analysis. This was combined with the national Total Gross Output, the regional Total Gross Output, the land area of the subject region, regional DIRT data and regional in/out commuter patterns in order to calculate regional requirements, imports and exports. After using matrix algebra to calculate the regional multiplier, the resulting matrix was multiplied by the sales vector and converted back to jobs or earnings. Specifically, this data comes from the U.S. Department of Commerce, Bureau of Economic Analysis, and Industry Economic Accounts: Benchmark & Annual Input-Output (I-O) Accounts.

Applying the regional multipliers to the project parameters provided by I-85 Alliance, we have projected that the project would initially have an indirect yield of 169.5 additional jobs and \$2,386,800 in additional earnings.

Potential Annual Class II Property Tax Revenue (Without Abatements)

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	Municipal	County	State	Total	Source
Market Value (Assuming Net Property Tax Digest = Gross Property Tax Digest) ¹ - Class II	<i>Not applicable.</i>	\$15,000,000	\$15,000,000	NA	<i>Figured as Capital Investment Amount Provided by I-85 Counties</i>
Assessed Rate	<i>The proposed project site is located within the majority of the County but outside of the Authority limits.</i>	20%	20%	20%	<i>Current Alabama Class II Property Tax Rate</i>
Assessed Value		\$5,000,000	\$5,000,000	NA	<i>Computation: Product of 2 Previous Rows</i>
Millage Factor		0.028	0.0275	0.350	<i>See County Courthouse</i>
Potential Annual Class II (as defined by the State of Alabama) Property Tax Revenue ¹		\$8,500	19,500	\$105,000	<i>Computation: Product of 2 Previous Rows (Investment * Assessed Rate * Millage Factor)</i>

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Overview and Notes

This summary reflects potential property tax revenue based upon the Capital Investment parameters provided by the I-85 Alliance. Based upon these parameters, we have projected the potential property tax revenue before applying any tax abatements. This chart basically shows the direct opportunity cost associated with offering property tax abatements, in terms of potential revenue from annual Class II property taxes. It does not account for any potential indirect opportunity benefit associated with offering tax abatements, such as any impact of tax abatements upon the firm's decision to locate within the I-85 Corridor region of Alabama.

¹Applying the assumption that no business property tax exemptions would be offered, the potential annual Class II property tax revenues listed assume that the net property tax digest is equal to the gross property tax digest. Any applicable exemptions would be subtracted from the gross property tax digest to get a more accurate value for the net property tax digest, which could then be used to recalculate the other values using the formulas applied above.

Note: Alabama exempts property taxes on all business inventories, including all materials used in manufacturing goods in process, stored manufactured goods and goods in transit for a period of 12 months, with the exception of inventory used for lease or rental purposes (which would not be applicable to this project) - (Section 40-9-1 (23), Code of Alabama 1975; Act 75-1048). Thus, any "Inventory on Hand" would not affect property tax revenue.

**Projected Local
FISCAL AND ECONOMIC IMPACTS OF FACILITY CONSTRUCTION
(Without Abatements)**

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	Data / Computation	Source
2008 Location Quotient for Building Materials Supplies Dealers (NAICS 4441) in Lee County, Alabama	1.06	<i>EMSI Complete Employment – Fall 2008 Release, Economic Forecaster, Building Materials Supplies Dealers (NAICS 4441), I-85 Counties</i>
Anticipated Capital Investment: Construction Materials (i.e. Sales)	\$750,000	<i>Provided by I-85 Corridor Alliance</i>
Estimated Construction Materials Sales within Lee County	\$750,000 ¹	<i>Refer to note at end of this chart.</i>
Sales Multiplier for Building Materials Supplies Dealers (NAICS 4441) in I-85 Counties	1.40	<i>EMSI Complete Employment – Fall 2008 Release, Economic Impact, Building Materials Supplies Dealers (NAICS 44410, 444120, 444130, and 444190), I-85 Counties</i>
Anticipated Total Local Change in Sales, Based on Construction Sales	\$1,050,000	<i>Computation: Product of 2 Previous Rows</i>
State Tax Rate	8%	<i>Provided by I-85 Corridor Alliance</i>
Anticipated Total Sales Tax Revenue	\$84,000	<i>Computation: Product of 2 Previous Rows</i>
2008 Location Quotient for Nonresidential Building Construction (NAICS 2362) in Lee County, Alabama	1.18	<i>EMSI Complete Employment – Fall 2008 Release, Economic Forecaster, Nonresidential Building Construction (NAICS 2362), I-85 Counties</i>
Anticipated Capital Investment: Construction Labor (i.e. Earnings)	\$750,000	<i>Provided by I-85 Corridor Alliance</i>
Estimated Construction Earnings within Lee County	\$750,000 ¹	<i>Refer to note at end of this chart.</i>

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	Data/ Computation	Source
Earnings Multiplier for Nonresidential Building Construction (NAICS 2362), I-85 Counties	1.52	<i>EMSI Complete Employment - Fall 2008 Release, Nonresidential Building Construction (NAICS 236210, 263220), I-85 Counties</i>
Projected Total Local Change in Earnings, Based on Construction Earnings	\$1,140,000	<i>Computation: Product of 2 Previous Rows</i>
Total Projected Jobs Change	39	<i>EMSI Complete Employment - Fall 2008 Release, Economic Impact, Based on direct construction earnings of \$750,000 in the Nonresidential Building Construction Industry (NAICS 2362) and direct sales of \$500,000 from Building Material Supplies Dealers (NAICS 4441), I-85 Counties.</i>
Construction Jobs:	16	
Retail Trade Jobs:	12	
Local Government Jobs:	2	
Healthcare and Social Services Jobs:	2	
Accommodation and Food Services Jobs:	1	
Administrative and Waste Services Jobs:	1	
Manufacturing Jobs:	1	
Professional and Technical Services Jobs:	1	
Transportation and Warehousing Jobs:	1	
Wholesale Trade Jobs:	1	
Other Services, Except Public Administration:	1	

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Data Sources and Calculations

The input-output model used in this report was created using the national Input-Output matrix provided by the federal Bureau of Economic Analysis. This was combined with the national Total Gross Output, the regional Total Gross Output, the land area of the subject region, regional DIRT data and regional in/out commuter patterns in order to calculate regional requirements, imports and exports. After using matrix algebra to calculate the regional multiplier, the resulting matrix was multiplied by the sales vector and converted back to jobs or earnings. Specifically, this data comes from the U.S. Department of Commerce, Bureau of Economic Analysis, and Industry Economic Accounts: Benchmark & Annual Input-Output (I-O) Accounts.

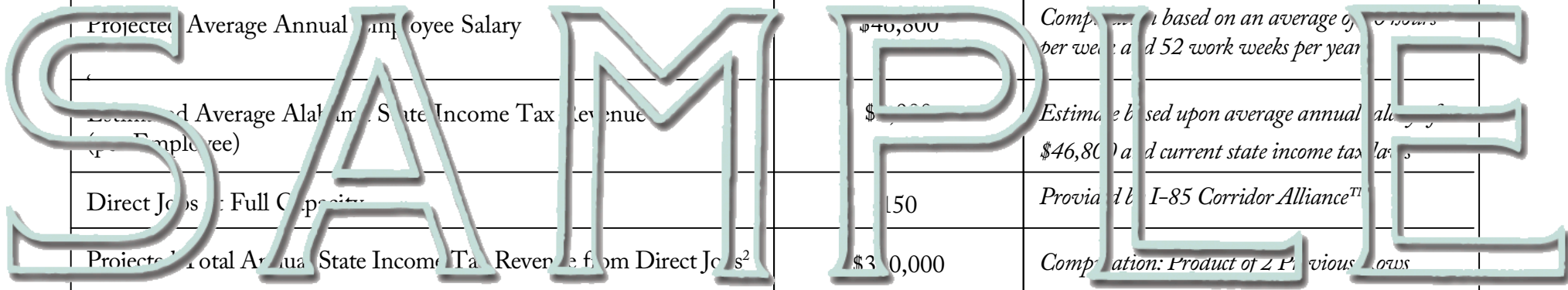
¹ “As is standard practice, we assume that a location quotient greater than or equal to 1.0 indicates that 100% of the spending in the industry will occur [within the region] (Miller 1985). On the other hand, a location quotient less than 1.0 suggests that the industry is less concentrated [within the region] than in the United States as a whole. In this case, we use the calculated value of the location quotient as an estimate of the proportion of industry spending that is likely to occur [within the region]” (Gabe et al., November 2005, p. 13).

² All construction-related transaction taxes will be abated for this project, except for those construction-related taxes levied for educational purposes or for capital improvements for education.

Projected Annual State State Income Tax¹ Revenue from Direct Jobs

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	Data / Computation	Source
Hourly Rate, Employees at Proposed Facility	\$22.50/hour	<i>Provided by I-85 Corridor Alliance™</i>
Projected Average Annual Employee Salary	\$46,800	<i>Computation based on an average of 20 hours per week and 52 work weeks per year</i>
Estimated Average Alabama State Income Tax Revenue (per Employee)	\$46,800	<i>Estimate based upon average annual salary of \$46,800 and current state income tax laws</i>
Direct Jobs at Full Capacity	650	<i>Provided by I-85 Corridor Alliance™</i>
Projected Total Annual State Income Tax Revenue from Direct Jobs ²	\$30,000	<i>Computation: Product of 2 Previous Rows</i>



<u>Notes</u>	<p>¹ There is no applicable occupational tax.</p> <p>² This analysis has not accounted for state income tax revenue from indirect jobs. This additional revenue source should be included if the Alliance wishes to pursue a more comprehensive cost-benefit analysis.</p>
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DATA SOURCES AND CALCULATIONS

Software: The economic impact analysis included in this report draws from a proprietary, integrated database created by Economic Modeling Specialists, Inc. EMSI processes data from over 80 official government sources to produce a best-in-class source of detailed and comprehensive economic information. This means that EMSI's data will usually differ from what is published by any single government agency. This database also powers EMSI's web-based regional analysis suite, Strategic Advantage, which the Economic & Community Development Institute at Auburn University has access to for the entire state of Alabama. For more information about EMSI-based reports, data, and analysis tools, please contact Amelia Stehouwer (ECDI) at hallame@auburn.edu.

Input-Output Data: The input-output model used in this report is created using the national Input-Output matrix provided by the federal Bureau of Economic Analysis. This is combined with the national Total Gross Output, the regional Total Gross Output, the land area of the subject region, regional DIRT data and regional in/out commuter patterns in order to calculate regional requirements, imports and exports. After using matrix algebra to calculate the regional multiplier, the resulting matrix is multiplied by the sales vector and converted back to jobs or earnings. Specifically, this data comes from the U.S. Department of Commerce, Bureau of Economic Analysis, and Industry Economic Accounts: Benchmark & Annual Input-Output (I-O) Accounts.

Industry Data: In order to capture a complete picture of industry employment, EMSI basically combines covered employment data from Quarterly Census of Employment and Wages (QCEW) produced by the Department of Labor with total employment data from the Regional Economic Information System (REIS) published by the Bureau of Economic Analysis (BEA) augmented with County Business Patterns (CBP) and Nonemployer Statistics (NES) published by the U.S. Census Bureau. Projections are based on the latest available EMSI industry data, 5-year past local trends in each industry, growth rates in state-wide and (where available) sub-state level industry projections published by individual state agencies, and (in part) growth rates in national projections from the Bureau of Economic Analysis.

Occupation Data: Organizing regional employment information by occupation provides a workforce-oriented view of the regional economy. EMSI's occupation data are based on industry data and regional staffing patterns taken from the Occupational Employment Statistics program (U.S. Bureau of Labor Statistics). Wage information is partially derived from the American Community Survey. The occupation-to-industry program (SOC-to-CIP) crosswalk is based on data from the U.S. Department of Education, with customizations by EMSI.

State Data Sources: This report uses state data from the following agencies: Alabama Department of Industrial Relations

ADDITIONAL LIMITATIONS

The parameters provided by the I-85 Corridor Alliance™ were not sufficient for estimating public costs associated with the locations, construction, and operation of the proposed facility, or public investments related to any new residential development or education spending. Before allocating public dollars for this project, the EDA should calculate net public revenues by applying the value of public goods and services provided to offset any overestimates in projected (gross) revenues.

In addition to these public expenditures, there are also potential sources of public revenue that have not been covered in this overview. The limited parameters provided did not support projections related to the following: utility revenues and franchise fees, permit fees, taxable value of any new residential property for company employees, or other related user and franchise fees.

While the general parameters presented at the beginning of this report cite an estimated 10-year Alabama Capital Credit Savings of \$521,250 based upon 5% of the anticipated capital costs of \$10,425,000, the study parameters provided were not sufficient for calculating any applicable corporate income tax revenue. Thus, the findings reported here do not include this potential revenue source.

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