

Rhode Island Commerce Corporation
Qualified Jobs Incentive Tax Credits – Economic Impact Analysis
Alliance Paper Company, Inc. Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Alliance Paper Company, Inc. (“the Company”), a Fall River, Massachusetts-based manufacturer of paper towel and tissue products. The credits would be issued in connection with the Company’s decision to relocate its operations to Rhode Island in 2018.

The Company would bring 20 jobs from Fall River to Pawtucket, where it plans to purchase an existing building. Based on the relocation and retention of these 20 jobs, the Company is requesting Qualified Jobs Incentive tax credits with an estimated value of approximately \$297,000 over ten years.

This analysis was prepared by Appleseed, a consulting firm with more than twenty years of experience in economic impact analysis.

Jobs Analysis

The impact of ongoing operations

As noted above, the Company intends to relocate 20 employees to its new location in 2018. Table 1 summarizes the categories in which these jobs will be created, and median earnings for each category.

Table 1: Projected employment in 2018

Position	Employees	Median Salary
Operators	16	\$32,240
Management and support staff	4	50,000
Total jobs/median salary	20	\$33,280

Based on data provided by the Company, and using the IMPLAN input-output modeling system (a modeling tool commonly used in economic impact studies), Appleseed estimates that in 2018,

ongoing operations associated with the 20 full-time jobs the Company would relocate to Rhode Island would directly and indirectly support:

- 28 full-time-equivalent (FTE) jobs in Rhode Island;
- \$1.386 million in annual earnings (in 2018 dollars);
- \$6.338 million in statewide economic output¹; and
- An increase of \$1.85 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 2. The project’s *direct impact* is the impact of the Company’s direct spending on payroll, purchasing and other expenses at its new location. Its *indirect impact* is the effect of spending by the Company’s in-state suppliers and contractors for goods and services (rent, utilities, insurance, etc.) purchased from other Rhode Island businesses.

Table 2: Direct and indirect annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2018 dollars)

	Employment	Earnings	Value added	Output
Direct Effect	20	\$0.783	\$0.947	\$4.716
Indirect Effect	8	0.603	\$0.903	1.622
Total Effect	28	\$1.386	\$1.850	\$6.338

In addition to the impacts on employment, earnings, output and state GDP cited in Table 2, in 2018 the Company’s operations in its new location would generate a projected increase of approximately \$81,000 in annual state tax revenues, including:

- \$52,000 in state personal income taxes paid by workers employed by the Company at its new location, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s operations at that site;
- \$23,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$6,000 in state business corporation taxes.

Workers employed by the Company are expected to be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

¹ Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the Company at its new location.

Benefits

The Company offers health insurance under Tufts Health Plan, and a 401(k) retirement plan.

Hiring

The Company posts all available positions on Indeed.com. Received resumes are reviewed, and phone interviews are conducted with selected applicants. Those whom the hiring manager selects for further consideration are then scheduled for a second interview. After the second interview, background checks are conducted, and offers are extended to the selected candidates. The Company also hires employees through “temp-to-perm” agencies.

Impact

The state fiscal impact of the requested tax credits is estimated to be approximately \$297,000 in foregone state revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$1.85 million in 2018, the estimated associated job creation, and a gross increase of approximately \$972,000 in personal income, sales and business corporation tax revenues during the twelve-year commitment period beginning in 2018. These benefits are detailed in the foregoing analysis.

In addition to the economic and tax revenue impacts cited above, the Company’s relocation to Pawtucket would benefit Rhode Island in other ways, including:

- The potential hiring of 10 additional employees in 2018 and 2019, for a total of 30.
- Diversification of Rhode Island’s manufacturing base
- Increasing local tangible personal property tax revenues

Beyond the fiscal impact noted above, there is no anticipated financial exposure to the state. Various features of the program of the Qualified Jobs Incentive program mitigate risk to the state. In particular, Qualified Jobs Incentive tax credits will be determined on the basis of the number of people actually employed and the wages actually paid by the Company.