

# Economic Impact Analysis

## Summary

The Rhode Island Commerce Corporation (the “Corporation”) may issue tax credits under the Rhode Island Qualified Jobs Incentive Act of 2015, R.I.G.L. § 44-48.3 (the “Act”), to Greystone of Lincoln, Inc. (the “Company”), a manufacturer of high volume, precision computer numerical control, or CNC, turned parts primarily for the automotive industry, in connection with the Company’s decision to invest in the expansion of its existing manufacturing operations in Rhode Island. The project will result directly in the creation of 25 new jobs in the state’s manufacturing sector with an annual median salary of \$52,000, and is projected to indirectly support 7 full-time-equivalent jobs elsewhere in Rhode Island.

This analysis was prepared by Appleseed, Inc., a consulting firm with more than 20 years of experience in economic impact analysis.

## Jobs Analysis

### *Annual operations*

The Corporation estimates that a Rhode Island company employing 25 people in the manufacture of parts for the automobile industry would directly and indirectly account for:

- 32 full-time equivalent jobs in Rhode Island, consisting of 25 direct jobs and 7 indirect jobs;
- Approximately \$2.093 million in annual earnings (in 2016 dollars);
- \$7.284 million in annual State-wide economic output;
- A projected net increase<sup>1</sup> of \$481,000 in personal income taxes paid to the State during a commitment period of not less than twelve years, as well as \$12,000 in personal income taxes paid during construction; and
- An increase of \$2.528 million in Rhode Island’s annual GDP.

**Table 1: Direct and indirect impact of annual operations (employment in FTE; income, value-added and output in thousands of 2016 dollars)**

|                     | <b>Employment</b> | <b>Earnings</b>  | <b>Value added</b> | <b>Output</b>    |
|---------------------|-------------------|------------------|--------------------|------------------|
| Direct Effect       | 25                | \$1,632.8        | \$1,832.6          | \$5,838.8        |
| Indirect Effect     | 7                 | \$460.1          | \$695.5            | \$1,445.4        |
| <b>Total Effect</b> | <b>32</b>         | <b>\$2,092.9</b> | <b>\$2,528.1</b>   | <b>\$7,284.2</b> |

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<sup>1</sup> This does not include the value of the income taxes generated over 10 years by the 25 new jobs created by Greystone, as those income taxes will be offset by the tax credit paid to Greystone under the Act.

Fringe benefits associated with the direct jobs are expected to include medical and dental insurance, a 401(k) plan, life insurance, supplemental life insurance, accidental death and dismemberment insurance, and disability insurance.

To fill these jobs, the Company will advertise and recruit locally, recruit from local technical schools, recruit from engineering programs locally as well as top programs nationally, and attend regional/East Coast military hiring conferences.

**Construction**

Based on a conservative budget estimate for design and construction for the Company to expand its Lincoln facility in Rhode Island, the Corporation estimates that spending on design and construction will directly and indirectly generate:

- 6 person-years<sup>2</sup> of work in Rhode Island;
- Approximately \$336,100 in earnings;
- \$897,300 in State-wide economic output<sup>3</sup>;
- A projected one-time increase of approximately \$12,000 in personal income taxes paid to the State during construction; and
- A one-time increase of \$432,000 in Rhode Island’s GDP.

These impacts are summarized below in Table 2. The project’s *direct impact* is the impact of the company’s direct spending on design and construction. Its *indirect impact* is the effect of spending by the architect and the contractor for goods and services (insurance, construction materials, etc) purchased from other Rhode Island businesses. The *induced impact* (the impact associated with household spending by Rhode islanders employed on the project) is not included in this analysis.

**Table 2: Direct and indirect impact of construction spending (employment in person-years; income, value-added and output in thousands of 2016 dollars)**

|                     | Employment | Earnings       | Value added    | Output         |
|---------------------|------------|----------------|----------------|----------------|
| Direct Effect       | 5          | \$293.1        | \$367.7        | \$775.0        |
| Indirect Effect     | 1          | \$43.0         | \$64.3         | \$122.3        |
| <b>Total Effect</b> | <b>6</b>   | <b>\$336.1</b> | <b>\$432.0</b> | <b>\$897.3</b> |

The duration of the construction jobs created directly by the Company is expected to be no more than six months. (The estimate of 5 person-years of direct employment shown in Table 2 is thus likely in practice to represent approximately 10 people employed for six months.)

Fringe benefits associated with these jobs are expected to be in accordance with industry norms, with the cost of such benefits generally ranging between 22 and 28 percent of wages. Workers

<sup>2</sup> A person-year is equivalent to the time worked by one person who is employed full-time for a year. It could for example represent the work of two people who are each employed full-time for six months; or the work of one person who is employed half-time for two years.

<sup>3</sup> Output is a measure of the total sales by Rhode Island companies (including the “sale” of labor by Rhode Island households) generated by the project.

who fill these jobs would be drawn primarily from the Providence-Warwick RI-MA New England City and Town Area (NECTA).

### **State Fiscal Impact**

Based upon the foregoing analysis, the Corporation anticipates that the issuance of the tax credits will have a positive impact on the State's revenues, as indicated in the estimate of net income tax revenues provided above. As the tax credit amounts are limited to reasonably expected W-2 withholdings for the new, directly-created, jobs, any potential exposure for State taxpayers, or any other foreseeable negative contingencies, is limited.