

Rhode Island Commerce Corporation
Qualified Jobs Incentive Tax Credits – Economic Impact Analysis
Epiq Systems, Inc. Application

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to Epiq Systems, Inc. (“the Company”), a Kansas City-based provider of data, analysis, electronic discovery and other litigation support services to law firms, companies and government agencies worldwide. The credits would be issued in connection with the Company’s decision to open a new innovation center in Rhode Island. The Company’s new office would employ 19 people in 2019, rising to 25 in 2020. The Company is expected to request Qualified Jobs Incentive tax credits with an estimated value of approximately \$1.21 million.

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

Jobs Analysis

Capital investment

The Company expects to open its new innovation center in leased space in Rhode Island in 2019. In addition to costs associated with furniture and basic office equipment, the Company would invest approximately \$750,000 in computer equipment needed to support its data science and services. The Company is not, however, seeking any incentives related to this investment.

For purposes of this analysis, Appleseed assumes that all of this computer equipment would be procured out-of-state.

Annual operations

As noted above, the Company intends to hire 19 employees at its new facility in 2019, rising to 25 in 2020. Table 1 summarizes the categories in which these jobs will be created (as of 2020), and median earnings for each category.

Table 1: Projected employment, 2020

Job category	New positions (as of 2020)	Median salary
Chief data scientist	1	\$200,000
Data scientists/analysts/product developers	21	\$110,000
Process engineers	3	\$100,000
Total	25	\$110,000

Based on data provided by the Company, and using the IMPLAN input-output modeling system, Applesseed estimates that in 2020, ongoing operations associated with the 25 full-time jobs the Company would be committed to creating and maintaining would directly and indirectly support:

- 55 full-time-equivalent (FTE) jobs in Rhode Island;
- \$4.8 million in annual earnings (in 2020 dollars);
- \$14.1 million in statewide economic output; and
- An increase of \$7.1 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 2.

Table 2: Direct, indirect and total annual impact of ongoing operations (employment in FTE; income, value-added and output in millions of 2020 dollars)

	Jobs	Earnings	Value added	Output
Direct	25	\$3.0	\$4.0	\$9.0
Indirect	30	1.8	3.1	5.1
Total	55	\$4.8	\$7.1	\$14.1

In addition to the impacts on employment, earnings, output and state GDP cited above, the Company’s operations in Rhode Island would generate a projected increase of approximately \$284,000 in annual state tax revenues, including:

- \$182,000 in state personal income taxes paid by workers newly employed by the Company in its new operations in Rhode Island, or by Rhode Island workers whose jobs are indirectly attributable to the Company’s new facility;
- \$79,000 in state sales taxes paid on those workers’ taxable household spending; and
- \$23,000 in state business taxes.

Benefits

All full-time Company employees are eligible for a comprehensive package of benefits after being employed for 90 days. Benefits include a choice among three CIGNA health insurance plans; dental and vision care; health savings accounts; pre-tax flexible spending accounts funded through payroll deductions; life and short-term disability insurance; pre-tax commuter transit and parking accounts; and an employee life assistance program.

Hiring

Hiring is managed through the Company's corporate human resources department, located in Kansas City. The Company recruits globally for all open positions through postings on its corporate website, social media, job boards and other channels.

Impact

The state fiscal impact of the requested tax credits is estimated to be approximately \$1.21 million in foregone state revenue. Direct and indirect economic and fiscal benefits of the proposed project include the estimated increase in annual state GDP of \$7.1 million in 2020, the estimated associated job creation, and a gross increase of nearly \$3.34 million in personal income, sales and business tax revenues during the twelve-year commitment period beginning in 2019. These benefits are detailed in the foregoing analysis.

In addition to the economic and tax revenue impacts cited above, the Company's new facility would benefit Rhode Island in other ways, including:

- Highlighting Rhode Island's attractiveness as a location for global companies' data science and analytics divisions
- Providing new opportunities in data science and analytics for graduates of Rhode Island's colleges and universities
- 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 Qualified Jobs Incentive program mitigate risk to the state. The value of Qualified Jobs Incentive tax credits would be determined on the basis of the number of people actually employed and the wages actually paid by the Company.