

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

Introduction

The Rhode Island Commerce Corporation (the “Corporation”) may issue Qualified Jobs Incentive tax credits to iXblue Defense Systems, Inc. (“the Company”), a global provider of navigation, positioning and imaging systems and services for defense and other industries. The credits would be issued in connection with the Company’s decision to relocate an existing operation from Natick, Massachusetts to either Lincoln or Woonsocket, Rhode Island, and to expand at its new location. As of January 2019, the Company would employ 17 people in Rhode Island, increasing to 22 by January 2020.

The Company is requesting Qualified Jobs Incentive tax credits with an estimated value of \$1.032 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 is not planning any capital investment in connection with its move to Rhode Island.

Annual operations

As noted above, the Company intends to employ 22 people (managers and supporting staff) at its new Rhode Island location by 2020. The median annual salary for these employees would be \$110,000.

Based on data provided by the Company, and using the IMPLAN input-output modeling system, Appleseed estimates that in 2020, ongoing operations associated with the 22 full-time jobs the Company would be committed to relocating or creating and maintaining in Rhode Island would directly and indirectly support:

- 36 full-time-equivalent (FTE) jobs in Rhode Island;
- \$3.6 million in annual earnings (in 2020 dollars);
- \$9.9 million in statewide economic output; and
- An increase of \$5.0 million in Rhode Island’s annual GDP.

These impacts are summarized below in Table 1. The *direct impact* of the Company's operations reflects the company's direct employment, its direct spending on wages and salaries, the value its operations add to Rhode Island's GDP, and the total value of the goods and services it produces. Its *indirect impact* is the effect of the Company's spending on purchases of goods and services from other Rhode Island businesses.

Table 1: 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 Effect	22	\$2.6	\$3.5	\$7.5
Indirect Effect	14	1.0	1.4	2.4
Total Effect	36	\$3.6	\$4.9	\$9.9

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 \$210,000 in annual state tax revenues, including:

- \$134,000 in state personal income taxes paid by workers newly employed by the Company at its new location in Rhode Island, or by Rhode Island workers whose jobs are indirectly attributable to the Company's new Rhode Island operations;
- \$59,000 in state sales taxes paid on those workers' taxable household spending; and
- \$17,000 in state business taxes.

Benefits

All full-time Company employees are eligible for a comprehensive package of benefits, including 100 percent employer-paid health, dental and vision insurance; health reimbursement and flexible spending accounts; employer-paid long-term and short-term disability insurance; a 401(k) plan; 20 days paid vacation (25 days after five years), and 5 days of paid sick leave.

Hiring

Because most of its positions are senior-level technical jobs, the Company typically uses an executive recruiter, who seeks to identify candidates both from the local area and from elsewhere in the eastern U.S. The Company offers to relocate candidates who are hired from outside the local area.

Impact

The state fiscal impact of the requested tax credits is estimated to be approximately \$1.032 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 \$4.9 million, the estimated associated job

creation, and a gross increase of nearly \$2.472 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 defense-related companies
- Adding to the growth of the state's ocean economy

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.