
The Fiscal Impacts of the Topship Project (Project Crawfish) in Mississippi, 2016-2035

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The Topship manufacturing plant, previously known as Project Crawfish, will be located in Harrison County, Mississippi, and employ at least 1,000 workers by 2022. Capital expenditures on this facility will total an estimated \$68.7 million. The State awarded Topship \$11 million in funding for infrastructure improvements and construction and a number of non-cash economic development incentives.

Analysis of this project indicates that it would generate a net positive annual return to Mississippi in year 1, 2017. Net cumulative returns to the State are positive starting in year one (2017).

Information from MDA

Information used in the analysis of this project was provided by the Mississippi Development Authority (MDA). The relevant characteristics of this project are:

- \$68.7 million Total investment in Building and Equipment
 - Building/Construction Costs/infrastructure – \$13,101,000
 - Manufacturing Equipment – \$53,662,000
 - Non-manufacturing Equipment – \$2,000,000
- \$32 million land purchase by the Company
- \$100.7 Total Project Investment
- 1,000 total Jobs – 700 by 12/31/2020; 300 additional by 12/31/2022
- \$40,000 average salary

- State Incentive package
 - \$10 million for Infrastructure Costs
 - \$1 million for Workforce training
 - \$25 million in Community Development Block Grant funding¹
 - \$11 million Total package
 - 10 year income tax exemption
 - 10 year franchise tax Fee-in-lieu (\$25,000 per year)
 - Sales tax exemption on New Equipment
 - 10 year standard real and personal property tax exemption
 - 10 year Advantage jobs rebate program

Assumptions

The inflation rate is assumed to be 3.5% during the study period and real wages are assumed to increase 1% annually. All dollar values are expressed in nominal dollars.

Methodology

The University Research Center (URC) uses the REMI-Tax PI software to estimate changes in State revenue and expenditures resulting from an economic development project or change in State tax policy.²

¹ CDBG funding is Federal rather than State and has no impact on the State General Fund Revenue.

² Documentation describing this model can be found at <http://www.remi.com/resources/documentation>.

The first step in the analysis of this project was to run the model to establish a baseline projection for 13 categories of State taxes. Currently, the model (REMI) will estimate these values out to 2060. The analysis of Topship was conducted to the year 2035. This baseline model run projects the taxes that would likely accrue in the absence of any net, new economic activity in the State. In REMI, this baseline run is referred to as the Regional Control. The second step is to shock the model: add a new firm (Topship) or industry. The results of the model run are referred to as the Regional Simulation. The difference between the Regional Control results and the Regional Simulation results is the estimated impact of the new firm/industry.

For the analysis of a new project, a shock to the model can be inserted in a number of ways: additional direct jobs, additional direct income, or increased production in the industrial sector. This analysis uses net new direct jobs. The values in the “Additions to State general fund revenue from operations” is the sum of the net new taxes created by the direct and secondary (indirect and induced) jobs created in Mississippi from this new industry minus the taxes foregone due to the non-cash incentive package they received.

The Regional Simulation estimates the direct, indirect, and induced effects associated with the new firm/industry. MDA provided the direct effect which was inserted into the model as the shock. The firm must purchase inputs to produce the goods or services it sells and must employ workers to produce those goods or services. When firms purchase inputs from suppliers in Mississippi it creates jobs, income, and State taxes that were not previously here. The indirect effect includes the new jobs, income, and taxes created by the suppliers as a result of increased demand from the original firm. Both the employees at Topship and at the Mississippi suppliers of inputs to Topship spend their wages in the Mississippi economy to buy the things needed to support their households (groceries, clothing, entertainment, etc.). All of these purchases made from Mississippi merchants create new jobs, income, and State tax revenue. The impact of these purchases is referred to as the induced effect. The sum of these three effects (direct, indirect, and induced) is the total impact of the project.

The increase in demand for State government services was addressed by utilizing a Balanced Budget methodology. New revenues were mapped to each expenditure category to create a balanced budget: new revenue and new expenditures resulting from this project. The new expenditures are estimated based on the demand for each category of expenditures. Due to differences in demand for each expenditure category, the new revenues augment the expenditure categories with the greatest demand. All categories benefit, some more than others.

Additions to State general fund revenue from operations is reported in nominal dollars and assumes an annual rate of inflation of 3% and a 1% increase in real wages.

Construction Impacts

An estimated \$68.7 million will be spent on construction of the Topship facility (infrastructure improvements, site preparation, building construction, and equipment installation). Construction impacts will occur for about five years. The construction of this facility will generate an estimated 841 man-years of total employment (direct plus secondary) during this five-year period. Approximately 584 of these man-years of employment will be construction jobs. The remaining 257 man-years of employment will be jobs at firms supplying construction materials as well as goods and services to employees. Detailed fiscal impacts associated with the construction of the Topship facility (Regional Simulation—Differences) are shown in Table 1. Total additions to State general fund revenue from construction are estimated to be \$1.06 million.

Table 1. Project Crawfish Construction Phase, REMI Tax-PI, Regional Simulation—Differences (Millions of Dollars)

Category	FY2016	FY2017	FY2018	FY2019	FY2020
Sales Tax	0.1666	0.0668	0.0129	0.0762	0.0040
Individual Income Tax	0.3038	0.1188	0.0137	0.0276	-0.0022
Corporate Income Tax	0.0631	0.0243	0.0022	0.0037	-0.0005
Use Tax	0.0198	0.0080	0.0015	0.0091	0.0005
Gaming Fees and Tax	0.0023	0.0006	0.0007	0.0033	0.0003
Insurance Premium Tax	0.0160	0.0064	0.0012	0.0073	0.0004
Tobacco Tax	0.0043	0.0028	0.0028	0.0215	0.0014
Alcoholic Beverage Tax	0.0019	0.0013	0.0013	0.0098	0.0006
Beer and Wine Tax	0.0050	0.0020	0.0003	0.0009	0.0000
Oil and Gas Severance Tax	0.0130	0.0052	0.0008	0.0024	0.0000
Privilege Tax	0.0017	0.0007	0.0001	0.0003	0.0000
Highway Safety Patrol	0.0034	0.0014	0.0002	0.0006	0.0000
All other Taxes	0.0123	0.0049	0.0007	0.0023	0.0000
TOTAL	0.6135	0.243	0.0385	0.165	0.0045

Operations

The operation of this facility is scheduled to commence in 2017 and grow to 700 employees by 2020. Employment will ramp-up to 1,000 by the end of 2022. As employment and production increase, additions to State general fund revenue also increase. As shown in Table 2, annual additions to State general fund revenue increase from \$6.12 million in 2018 to \$11.12 million in 2023 when the firm reaches its full employment goal of 1,000. By 2035, annual additions to State general fund revenue are estimated to equal \$17.36 million.

Table 2. Project Crawfish Operations Phase, REMI Tax-PI, Regional Simulation—Differences (Millions of Dollars) for years 2017-2025

Category	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Sales Tax	0.719	1.609	1.963	2.311	2.670	2.983	3.180	3.364	3.545
Individual Income Tax	1.292	2.846	3.375	3.854	4.329	4.693	4.827	4.935	5.033
Corporate Income Tax	0.357	0.780	0.919	1.050	1.185	1.292	1.340	1.381	1.422
Use Tax	0.085	0.191	0.234	0.275	0.317	0.355	0.378	0.400	0.421
Gaming Fees and Tax	0.057	0.058	0.059	0.060	0.060	0.061	0.062	0.062	0.063
Insurance Premium Tax	0.069	0.155	0.189	0.223	0.257	0.287	0.306	0.324	0.341
Tobacco Tax	0.018	0.054	0.089	0.124	0.158	0.193	0.223	0.251	0.277
Alcoholic Beverage Tax	0.008	0.025	0.040	0.056	0.071	0.087	0.101	0.114	0.125
Beer and Wine Tax	0.026	0.058	0.068	0.078	0.089	0.096	0.099	0.101	0.104
Oil and Gas Severance Tax	0.067	0.150	0.178	0.203	0.229	0.249	0.257	0.263	0.269
Privilege Tax	0.009	0.020	0.024	0.028	0.030	0.033	0.034	0.035	0.036
Highway Safety Patrol	0.018	0.039	0.047	0.053	0.060	0.065	0.068	0.069	0.071
All other Taxes	0.064	0.141	0.168	0.192	0.216	0.236	0.242	0.249	0.255
TOTAL	2.790	6.125	7.353	8.506	9.673	10.630	11.117	11.549	11.962

Table 2. Project Crawfish Operations Phase, REMI Tax-PI, Regional Simulation—Differences (Millions of Dollars) for years 2026–2035

Category	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Sales Tax	3.728	3.915	4.107	4.308	4.523	4.747	4.975	5.211	5.460	5.718
Individual Income Tax	5.131	5.239	5.356	5.490	5.643	5.809	5.987	6.179	6.386	6.610
Corporate Income Tax	1.465	1.510	1.558	1.610	1.667	1.727	1.789	1.856	1.926	2.000
Use Tax	0.443	0.466	0.489	0.513	0.538	0.564	0.592	0.620	0.649	0.680
Gaming Fees and Tax	0.064	0.064	0.065	0.066	0.066	0.067	0.068	0.068	0.069	0.070
Insurance Premium Tax	0.359	0.377	0.396	0.415	0.435	0.457	0.478	0.502	0.526	0.551
Tobacco Tax	0.302	0.325	0.349	0.372	0.395	0.419	0.444	0.470	0.497	0.525
Alcoholic Beverage Tax	0.136	0.146	0.157	0.166	0.177	0.188	0.197	0.209	0.219	0.231
Beer and Wine Tax	0.106	0.109	0.112	0.115	0.118	0.122	0.125	0.129	0.134	0.139
Oil and Gas Severance Tax	0.275	0.282	0.289	0.296	0.305	0.315	0.324	0.335	0.347	0.359
Privilege Tax	0.037	0.038	0.039	0.040	0.041	0.042	0.044	0.045	0.047	0.048
Highway Safety Patrol	0.073	0.074	0.076	0.078	0.080	0.082	0.085	0.088	0.091	0.094
All other Taxes	0.261	0.267	0.273	0.281	0.289	0.298	0.307	0.317	0.328	0.339
TOTAL	12.380	12.812	13.265	13.751	14.279	14.837	15.417	16.028	16.679	17.363

Conclusions

Both annual and cumulative additions to State general fund revenue are positive in every year from 2017 through 2035 as shown in Table 3. By 2023, cumulative additions to State general fund revenue are estimated to be \$45.53 million, \$127.46 million by 2030 and \$486.79 million by 2035.

Table 3. Project Crawfish General Fund Additions and State Costs, 2017-2035

	Annual Additions to State General Fund Revenue from Construction	Annual Additions to State General Fund Revenue from Operations	Annual Costs to the State	Net Annual Additions to State General Fund Revenue	Net Cumulative Additions to State General Fund Revenue
2016	\$613,500	\$0	\$703,611	-\$90,111	-\$90,111
2017	\$243,000	\$2,790,127	\$703,611	\$1,674,316	\$1,584,205
2018	\$38,500	\$6,124,941	\$703,611	\$4,743,790	\$6,327,996
2019	\$16,500	\$7,352,989	\$703,611	\$5,850,388	\$12,178,384
2020	\$45,000	\$8,505,701	\$703,611	\$6,938,918	\$19,117,302
2021	\$0	\$9,673,081	\$703,611	\$8,053,594	\$27,170,896
2022	\$0	\$10,629,785	\$703,611	\$8,962,094	\$36,132,991
2023	\$0	\$11,117,468	\$703,611	\$9,420,855	\$45,553,846
2024	\$0	\$11,549,149	\$703,611	\$9,822,746	\$55,376,592
2025	\$0	\$11,962,163	\$703,611	\$10,205,076	\$65,581,668
2026	\$0	\$12,379,511	\$703,611	\$10,590,820	\$76,172,488
2027	\$0	\$12,811,860	\$703,611	\$12,108,249	\$88,280,737
2028	\$0	\$13,265,210	\$703,611	\$12,561,599	\$100,842,336
2029	\$0	\$13,751,228	\$703,611	\$13,047,617	\$113,889,953

Table 3. Project Crawfish General Fund Additions and State Costs, 2017-2035 (continued)

	Annual Additions to State General Fund Revenue from Construction	Annual Additions to State General Fund Revenue from Operations	Annual Costs to the State	Net Annual Additions to State General Fund Revenue	Net Cumulative Additions to State General Fund Revenue
2030	\$0	\$14,278,581	\$703,611	\$13,574,970	\$127,464,923
2031	\$0	\$14,836,935	\$703,611	\$14,133,324	\$141,598,247
2032	\$0	\$15,417,290	\$703,611	\$14,713,679	\$156,311,926
2033	\$0	\$16,028,313	\$703,611	\$15,324,702	\$171,636,629
2034	\$0	\$16,679,004	\$703,611	\$15,975,393	\$187,612,022
2035	\$0	\$17,363,363	\$703,611	\$16,659,752	\$204,271,774

The net new jobs created in Mississippi associated with the operations of Topship are estimated to be 841 when the firm reaches full employment of 1,000. Total employment (direct, indirect, and induced) continues to grow in the future as more suppliers locate in Mississippi.

An estimated 75% of the jobs will go to current Mississippi workers. About 25% will go to new economic migrants. Current workers in Mississippi who take these new jobs will be moving up from a lesser job to a better job (better pay and benefits). Less skilled or less experienced workers will compete for the jobs they leave behind. Some new workers will move to Mississippi to take a job at Topship and some will take jobs at firms that provide the firm production inputs or firms that provide goods and services to the firms' employees. Many workers will "ratchet up" to a better job as an opportunity is created for many workers to move up the economic ladder.