



## The Projected Economic and Fiscal Impact of the Big River Steel Project in Arkansas

### ECONOMIC “RETURN ON INVESTMENT”

w/ Recycle, \$5 million	2013	2014	2015	2020	2025	2030	2035	2040
<b>Total Employment</b>	3,601	3,914	1,599	1,332	1,301	1,312	1,311	1,312
<b>GDP</b>	\$411	\$441	\$168	\$154	\$159	\$166	\$172	\$177
<b>State Fiscal Offset</b>	-\$4.287	-\$11.648	-\$14.863	-\$16.734	-\$16.607	\$0.275	-\$0.142	\$0.576
<b>Dollars per Job</b>	\$1,190	\$2,976	\$9,295	\$12,563	\$12,765	n/a	n/a	\$439
<b>\$ GDP for \$ Offset</b>	\$95.87	\$37.86	\$11.30	\$9.20	\$9.57	n/a	n/a	\$307.29

THE STATE HAS A COST IN THIS WORST-CASE SCENARIO OF THE FULL OPPORTUNITY COST OF THE RECYCLING TAX CREDIT FOR FOURTEEN YEARS AND THE \$5 MILLION IN BONUS PAID TO THE FIRM. THE STATE STILL HAS A RETURN TO THE OUTSIDE CAPITAL INVESTMENT AND PRODUCTION IN THE STATE, HOWEVER. THIS SHOWS THE MOST THE STATE PAYS IS APPROXIMATELY \$12,500 PER YEAR IN THE WORST YEARS, AND THE WORST “RATIO” OF GDP RETURN FOR STATE COST IS ABOUT \$9.25 OF GDP FOR EACH DOLLAR IN STATE COST. THE MOST CRUCIAL OF THE ANALYSIS YEARS ARE IN RED. TOTAL EMPLOYMENT IS THE NUMBER OF JOBS, GDP IS IN MILLIONS OF 2012 DOLLARS, THE STATE FISCAL OFFSET IS IN MILLIONS OF 2012 DOLLARS, THE DOLLARS PER JOBS IN UNITS OF 2012 DOLLARS, AND SO IS THE DOLLARS GDP FOR DOLLARS OFFSET.

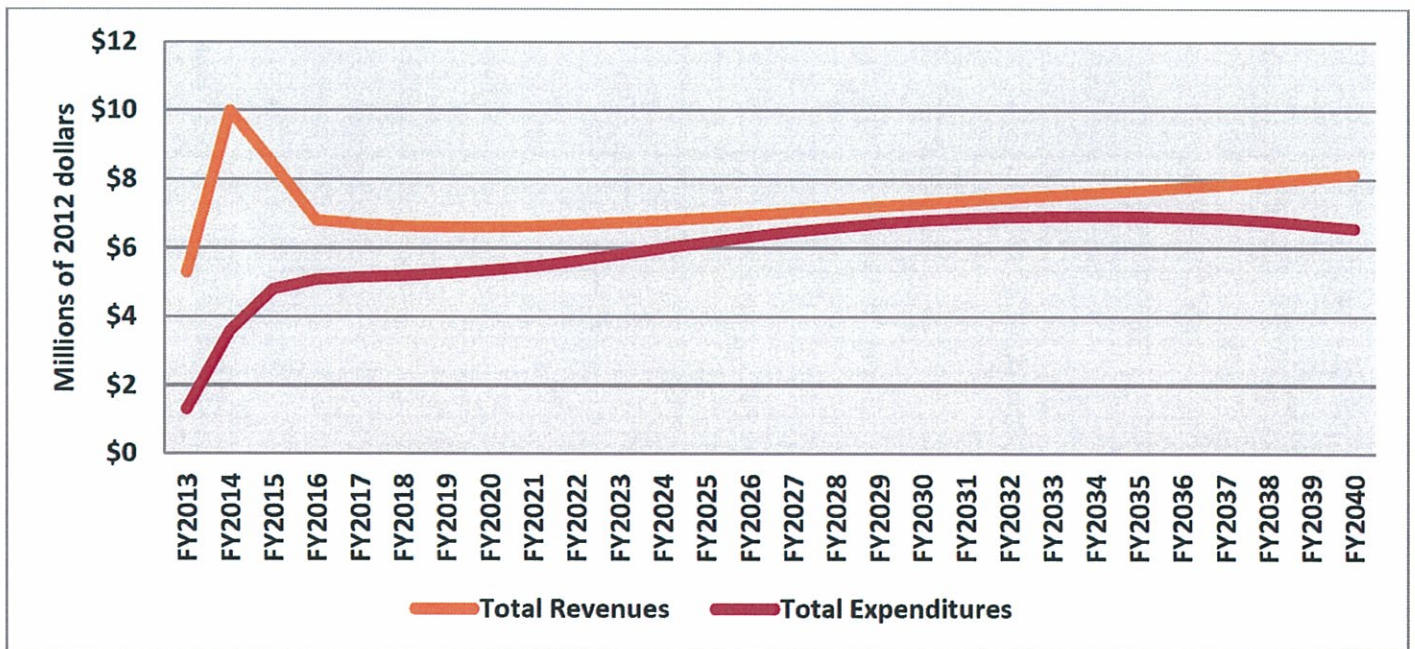
#### Summary

This report details a REMI Tax-PI analysis of the Big River Steel Project in Osceola, AR of Mississippi County for the Arkansas Bureau of Legislative Research. The \$1.1 billion investment stands to be simulative to the state economy, and it would generate approximately 3,500 jobs during construction and about 1,300 during operations. The project would create about \$400 million in additional annual gross domestic product (GDP) during construction and about \$150 million more in additional GDP in subsequent years. The fiscal impact picture can be more mixed, depending on the exact size of the incentives offered to the project and the higher “carrying costs” to the state economy for having more jobs, GDP, and especially more population. The recycling tax credit is the biggest issue. Without it, the fiscal impact to the state is generally positive, but if the opportunity cost of the foregone revenue behind the credit counts as a liability against the state budget to the tune of \$240 million, then the fiscal impact is negative. However, the net fiscal costs are relatively low compared to the economic benefits, and increasing state taxes or decreasing spending to make the budget whole again to these degrees would have a smaller effect on the state’s economy than opening and operating the steel plant. The drag on Little Rock’s budget and the process of it has, overall, less of an impact than the additional jobs, GDP, and economic vitality associated with the investment and operations.



**FISCAL IMPACT OF THE BIG RIVER STEEL MILL**  
**(EXCLUDING INCENTIVES)**

THIS CHART SHOWS THE FISCAL IMPACT OF THE BIG RIVER STEEL PROJECT FROM THE TAX-PI BUDGET MODULE. THE INITIAL BOOM IN BUSINESS ACTIVITY, PAYROLL, AND CONSUMER SPENDING IN THE CONSTRUCTION PERIOD HAS AN OBVIOUS POSITIVE IMPACT—BEFORE ACCOUNTING FOR MUCH OF IT BEING EXEMPTED BY THE INCENTIVES. OVER TIME, ON THE OTHER HAND, THE INCREASED POPULATION MEANS MUCH OF THE ADDITIONAL REVENUE MUST GO TO “MUNDANE” EXPENSES FOR EDUCATION AND HEALTHCARE, LEAVING LITTLE STRUCTURAL SURPLUS FOR THE STATE TO CONSIDER OUT OF THE PROJECT.





**FISCAL IMPACT OF THE BIG RIVER STEEL MILL**  
**(WITH INCENTIVES MINUS RECYCLING CREDIT)**

THIS SHOWS THE FISCAL IMPACT OF THE STEEL PROJECT. THIS PARTICULAR GRAPH ACCOUNTS FOR TAX REVENUE, FOREGONE REVENUE FROM THE INCENTIVES PROGRAM (TAKING AN EXPANSIVE DEFINITION OF AN INCENTIVE AS ANYTHING TAX-PI MIGHT OTHERWISE PICKUP, REGARDLESS OF ITS STATUS AS STATUTE UNDER STATE LAW OR SPECIFIC INCENTIVE FOR BIG RIVER). THE FISCAL IMPACT IS GENERALLY POSITIVE IN THE SHORT-TERM, THOUGH THE \$5 MILLION BONUS AND LONG-TERM CARRYING COSTS LEAVE THE BUDGETARY PICTURE RELATIVELY MIXED BEFORE ACCOUNTING FOR THE POTENTIAL RECYCLING CREDIT.

