H.C. DREW CENTER FOR BUSINESS AND ECONOMIC ANALYSIS (Drew CBEA) REMI PRESENTATION – 9.16.2020

McNeese State University

McNEESE
STATE UNIVERSITY
H.C. Drew Center For
Business & Economic
Analysis

TranSight Overview

- Brought in to run analysis in REMI
  - Experience with PI+ moves seamlessly to TranSight
  - Model constructed for Calcasieu Parish

- Construction
  - Funding considerations

- Avoided Economic Loss
  - Industry considerations

- New Business
  - Construction and Operations

Road Construction

- Construction of the road could be financed

    – Completely private funds

    – Blended financing
        - Need to account for the drop in government spending that would occur if local revenues were used to fund the project in part

Road Construction

- Assumed $40 million spread out over two years

  - One analysis run as completely private funds in the construction sector
  - Next analysis ran as $40 million in the construction sector with a $24 million drop in local government spending to account for the 60%-40% blending financing
    - Government spends 60% with 40% coming from private sources

Road Construction

- Private financing
  - Analysis showed an average increase in jobs of 340 in each of the two years with an average increase in GDP of $26 million in each of the two years

- Blended financing
  - Results showed an average drop in total employment of only 78 jobs (negligible) while private employment increased an average of 136
    - Employment effects from drop in public spending outweighed any increases from the increased construction
  - GDP fell on average $9.2 million in each of the two years

Avoided Economic Loss

- Numbers provided assumed that avoided economic losses would be about $1.12 million a year
  - Spread across all industries
    - REMI automatically spreads figures based on output industry share in Calcasieu Parish
  - Spread across low LQ industries
    - Certain industries picked and cross walked by NAICS to available REMI sectors
  - Analyzed over a 20 year period

Avoided Economic Loss

- Spread across all industries
  - Total employment increase of 108 with GDP increase of $18 million

- Spread across low LQ industries
  - Total employment increase of 232 with GDP increase of $28 million

New Business Construction and Operation

- Analyzed the construction and operations of new businesses that could arise from an expansion of the boulevard
  - Data Analysis/Storage
  - Retirement/Lifestyle Center
  - Home Modeling and Repair
  - Personal Health Services

New Business Construction and Operation

- Data Center is the only business that would be in existence "but for" the extension of the road
  - Treated as an exogenous production due to no other similar businesses in the area
  - Other businesses treated as "competing locally" in REMI

New Business Construction and Operation

- Construction of the new businesses was expected to take two years

- The construction of these new businesses resulted in an average increase of $42.3 million in GDP as well as average personal income growth of $35.4 million

New Business Construction and Operation

- Operations of the businesses were analyzed over a 20 year period

- The operation of these new businesses resulted in an increase in GDP of $800 million over that time period with a $674 million increase in personal income

Overall "Blended" Results

- All activities were analyzed and reported separately, but a total "overall" model was estimated to look at all activities from the first two years of construction and the next 20 years of operations
  - Some happen simultaneously and the cost effects, labor market and migration effects, etc., can be accounted for by REMI.

MCNEESE
STATE UNIVERSITY
H.C. Drew Center For
Business & Economic
Analysis

Overall "Blended" Results

- For illustration, the avoided loss across all industries and all businesses shows the following results over the entire period

  - $1.4 billion in output
  - $892 million increase in GDP
  - $791 million increase in personal income
  - 8,205 new jobs

Tax Revenue Impacts

- Tax effects had to be done manually
  - While entire Calcasieu parish could have been analyzed, kept it to the City of Lake Charles since that is the governmental body being looked at
- City budget documents were analyzed and the major tax categories were compared to REMI historical data on GDP to obtain effective rates
- Rates were applied to results to get city tax impacts

Tax Revenue Impacts

- Each analysis reported the estimated tax revenues that would come from the project
  - Around $6.7 million for analysis being discussed here
- Each analysis reported a net loss to the city if they were indeed to fund the construction of the road
- This is not surprising
  - Point of the project is not to get a positive ROI from boulevard extension