

**RESOLUTIONS OF THE BOARD OF DIRECTORS OF THE  
RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION**

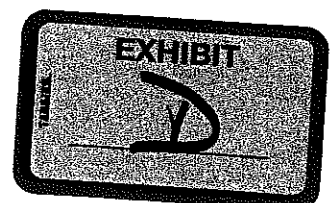
**WITH RESPECT TO JOBS DEVELOPMENT ACT**

**January 29, 2007**

**(With Respect to Jobs Development Act Determination for FedEx Ground)**

**VOTED:** That the Rhode Island Economic Development Corporation, pursuant to the economic impact analysis attached and in accordance with R.I.G.L. §42-64.5-5 of the Jobs Development Act, hereby determines that:

- (a) But for the incentives available under the Jobs Development Act, FedEx Ground is not likely to retain, expand, or add employment in Rhode Island; and
- (b) That FedEx Ground has provided reasonable evidence supporting a finding that the jobs retained, expanded, or added would generate new tax revenue for the State that is at least equivalent to the value of the incentives granted pursuant to the Jobs Development Act.



## Draft 1-9-2007

### **RHODE ISLAND ECONOMIC DEVELOPMENT CORPORATION ECONOMIC ANALYSIS OF FEDEX GROUND EXPANSION FOR JOB DEVELOPMENT ACT PURSUANT TO R.I.G.L. § 42-64.5-5**

As required by §42-64.5-5 of the Rhode Island General Laws, the Rhode Island Economic Development Corporation ("EDC") has prepared the following economic analysis of the expansion of FedEx Ground in Johnston, Rhode Island.

FedEx Ground is on the midst of a \$1.8 billion expansion of its North American business-to-business and business-to-residential small package transportation network. This expansion will increase the company's daily package volume capacity by 67%, as a result, there is significant internal competition for capital within the company. FedEx Ground is being forced to strictly evaluate proposed projects from a return on investment perspective. The company has asked for assistance from the State of Rhode Island in the form of the ability to use the Job Development Act in order to make the proposed Johnston, Rhode Island location competitive for the location of a new facility.

The proposed expansion would be more than double the size of the existing facility and would allow the company to significantly increase its staffing over the next several years. FedEx Ground will be spending approximately \$7.3 million on building construction and another \$4.5 million in material handling equipment. Construction and equipment purchases would result in approximately \$569,000 in sale tax receipts to Rhode Island. Construction payroll is also estimated to result in an additional \$85,000 in Rhode Island income tax. FedEx Ground expects to hire 100 new FTE employees and another 34 full-time independent contractors. Currently FedEx ground has 64 FTE employees and 83 full-time independent contractors in Rhode Island. New direct employment is estimated to result in an additional \$127,110 in personal income tax over a three year period.

FedEx Ground actual corporate income tax totaled \$179,234 in FY 2005 and is estimated to reach \$276,500 in FY 2006. With the new facility and added capacity FedEx Ground anticipates that their Rhode Island corporate tax liability will rise to over \$387,000. If employment climbs as projected the Job Development Act would allow the Company to reduce its 9% Corporate tax rate to 8% over the statutory three year period from the base election. While the rate is lower, the additional profitability more than offsets the loss of revenue from the rate reduction. It is anticipated that even with the lowered rate, Rhode Island Income tax liability will rise, resulting in a net increase of Corporate income tax to the State of over \$94,000 by 2010. The use of the Job Development Act would be revenue neutral.

In addition to the net increase in corporate income tax, the new jobs and the construction labor resulting from this expansion, as well as the sales tax will generate far more revenue than the Job Development Act Incentive.

**Draft 1-9-2007**

Corporate Income Tax	Job Growth	Rate Reduction	RI Corp. Inc Tax	
Base employment A 2006	64		\$276,500	current revenue
Added 2007	27.5	0.5	\$267,278	
added 2008	53	0.5	\$279,227	revenue positive
added 2009	10.5	0	\$309,938	revenue positive
added 2010	9.5	0	\$344,036	revenue positive
<b>Additional Corporate Income Tax to RI over 4 years with JDA Rate Reduction:</b>				<b>\$94,478</b>
<b>Income Tax From New Direct Employment 2007-2009</b>				
<b>Income Tax From Construction Payroll</b>				<b>\$127,110</b>
<b>Sales Tax</b>				<b>\$85,089</b>
				<b>\$569,000</b>
<b>Total Net New Revenue by 2010:</b>				<b>\$789,677</b>