

**Economic Impact Analysis of  
Alexion Pharmaceuticals, Inc. Job Growth  
for the Jobs Development Act R.I.G.L. § 42-64.5-5**

---

**SUMMARY**

*Alexion Pharmaceuticals Inc. (Alexion) has grown from 13 Rhode Island employees in 2006 to 113 in 2009 with median annual compensation of \$75,000. By adding 92 qualifying jobs within a three-year period, as described in the Jobs Development Act, Alexion is eligible for a **Reduction in Corporate Income Tax Rate to 6.75%**. As Alexion has paid the minimum corporate tax of \$500 each year 2007, 2008, and 2009, we find that reducing Alexion's Corporate Tax Rate cannot reduce corporate income tax revenue to the State of Rhode Island. On the positive side, annual personal income tax receipts from Alexion employees have grown an estimated \$258,000 between 2006 and 2009. **This project has a positive net fiscal impact for the State of Rhode Island.***

---

**Purpose**

In response to Alexion Pharmaceuticals Inc.'s application for a rate reduction under the RI Jobs Development Act, the Rhode Island Economic Development Corporation has prepared the following Economic Impact Analysis as required by R.I.G.L. § 42-64.5-5.

**About Alexion Pharmaceuticals Inc.**

Alexion Pharmaceuticals Inc. (Alexion) is a global biopharmaceuticals company founded in 1992 that combines ground breaking science with a commitment to meeting the needs of patients living with severe, life threatening and often ultra-rare diseases. Alexion has a biopharmaceutical manufacturing facility in Smithfield, Rhode Island. "Purchased by Alexion in 2006, the Smithfield plant has undergone more than \$100 million in renovations and retrofitting to bring it up to global, state-of-the-art standards for manufacturing and quality. Employees in Smithfield produce Soliris for both clinical and commercial purposes as well as other compounds in clinical development by Alexion." ([www.alxn.com](http://www.alxn.com)).

**Calculating Qualifying Jobs**

Alexion has elected job growth to be calculated from 2006 as the base year through 2009. In 2006 Alexion had 13 full-time employees in Rhode Island. For companies qualifying after July 1, 2009 for rate reduction under the Jobs Development Act, new jobs are calculated based on new "full-time equivalent active employees" who:

- (1) work a minimum of thirty (30) hours per week within the state;
- (2) earn healthcare insurance benefits, and retirement benefits; and
- (3) earn no less than two hundred fifty percent (250%) of the hourly minimum wage prescribed by Rhode Island law (RIGL § 42-64.5-2 no 7).

Two hundred and fifty percent (250%) of Rhode Island's minimum wage of \$7.10 per hour in 2006 annualizes to \$36,920. Similarly 250% of the \$7.40 minimum wage effective since 2007 annualizes to \$38,480. Alexion has added 100 full-time jobs since the elected base year, 2006, 92 of which are compensated above 250% of minimum wage.

## Summary of Job Growth and Median Annual Pay 2006-2009

Applicant Company		Rhode Island All Industries			
Year		Jobs	Jobs Paying More than 250% Min. Wage	Median Annual Pay	Median Annual Pay
2006	BASE YEAR	13	13	\$95,000	\$32,430
2007	YEAR 1	72	65	\$65,000	\$33,340
2008	YEAR 2	101	90	\$65,920	\$34,150
2009	YEAR 3	113	105	\$75,000	\$34,940
	<b>CHANGE</b>	<b>100</b>	<b>92</b>		

Sources: Alexion Pharmaceuticals Inc. and RI Median Annual Pay from Bureau of Labor Statistics, Occupational Employment Statistics.

Alexion offers the following benefits to its full-time employees:

- Company-paid benefits include life insurance, short and long-term disability, an employee assistance program, tuition assistance, paid time off, and vacations.
- Cost-shared benefits include comprehensive and flexible medical insurance, prescription drug coverage, vision and dental insurance, and a 401 (k) retirement plan.
- Access to employee-paid benefits such as flexible spending accounts, supplemental long-term disability, long-term care insurance, a 529 college savings plan, and automobile and home-owners insurance discounts.

In addition, qualifying job growth must meet the statutory test set out in RIGL § 42-64.5-5d: "The median wage of qualifying jobs exceeds by five percent (5 %) the median annual wage for full-time jobs in Rhode Island and within the taxpayer's industry, with a benefit package that includes healthcare insurance plus other benefits typical of companies within the taxpayer's industry."

The \$75,000 median annual wage for jobs in Rhode Island at Alexion exceeds the \$34,940 median annual wage for all jobs in Rhode Island<sup>1</sup>. The Bureau of Labor Statistics or its Rhode Island partner at the DLT Labor Market Information Unit do not publish Rhode Island *median* annual wages by industry, however the \$82,270 *mean* pay at Alexion exceeds the \$42,199 *mean* pay for Manufacturing in Rhode Island by far more than 5 percent (2009).

### Estimated Personal Income Tax Revenue

It is estimated that the new direct full-time jobs result in \$258,000 in new state personal income tax revenue per year. The worksheet that follows details the distribution of employee salaries by income category and breaks down the estimated personal income tax payments.

<sup>1</sup> U.S. Bureau of Labor Statistics. (BLS), Occupation Employment Statistics (OES).

## Personal Income Tax Estimation Worksheet

Time Period	Income Category	Jobs	Average Annual Pay	Total Annual Payroll	Estimated RI Personal Income Tax
2006	Under 250% min wage (\$36,920)				
2006	250% min wage to under \$50,000				
2006	\$50,000 to under \$75,000	5	\$ 62,850	\$ 314,252	\$ 8,829
2006	\$75,000 to under \$100,000	2	\$ 91,180	\$ 182,360	\$ 5,967
2006	\$100,000 to under \$200,000	6	\$ 134,157	\$ 804,940	\$ 32,367
2006	\$200,000 or more				
<b>2006</b>	<b>TOTAL</b>	<b>13</b>	<b>\$288,187</b>	<b>1,301,552</b>	<b>\$47,163</b>
2007	Under 250% min wage (\$38,480)	7	\$ 32,812	\$ 229,685	\$ 5,378
2007	250% min wage to under \$50,000	8	\$ 43,412	\$ 347,295	\$ 9,692
2007	\$50,000 to under \$75,000	32	\$ 61,782	\$ 1,977,034	\$ 54,441
2007	\$75,000 to under \$100,000	10	\$ 87,684	\$ 876,843	\$ 26,896
2007	\$100,000 to under \$200,000	15	\$ 126,921	\$ 1,903,818	\$ 72,173
2007	\$200,000 or more	-			\$-
<b>2007</b>	<b>TOTAL</b>	<b>72</b>	<b>\$ 352,612</b>	<b>5,334,675</b>	<b>\$168,580</b>
2008	Under 250% min wage (\$38,480)	11	\$ 33,238	\$ 365,617	\$ 8,513
2008	250% min wage to under \$50,000	11	\$ 42,998	\$ 472,975	\$ 12,780
2008	\$50,000 to under \$75,000	38	\$ 60,675	\$ 2,305,657	\$ 62,230
2008	\$75,000 to under \$100,000	20	\$ 86,392	\$ 1,727,843	\$ 51,114
2008	\$100,000 to under \$200,000	19	\$ 125,938	\$ 2,392,818	\$ 88,432
2008	\$200,000 or more	2	\$207,500	\$ 415,000	\$ 13,350
<b>2008</b>	<b>TOTAL</b>	<b>101</b>	<b>\$556,741</b>	<b>\$ 7,679,910</b>	<b>\$236,419</b>
2009	Under 250% min wage (\$38,480)	8	\$ 33,244	\$ 265,949	\$ 6,096
2009	250% min wage to under \$50,000	10	\$ 41,135	\$ 411,354	\$ 10,579
2009	\$50,000 to under \$75,000	38	\$ 60,227	\$ 2,288,625	\$ 73,717
2009	\$75,000 to under \$100,000	25	\$ 84,194	\$ 2,104,860	\$ 58,373
2009	\$100,000 to under \$200,000	30	\$ 127,629	\$ 3,828,871	\$ 140,308
2009	\$200,000 or more	2	\$ 219,402	\$ 438,804	\$ 16,566
<b>2009</b>	<b>TOTAL</b>	<b>113</b>	<b>\$ 565,831</b>	<b>\$ 9,338,463</b>	<b>\$305,638</b>
Increase in Estimated Personal Income Tax 2006-2009					<b>\$ 258,000</b>

### Estimation Method

Tax Estimation Worksheet shows actual employment and earnings for years 2006-2009 provided by Alexion alongside personal income tax revenues estimated by RIEDC. It is assumed that half of employees earning under \$50,000 file as single, half as married (joint returns) and that standard deductions are taken. For incomes over \$50,000, the assumed percent filing as married (joint returns) increases as calculated from the annual RI Statistics of Income published by the RI Division of Taxation, Department of Revenue. For incomes

above \$50,000 average numbers of exemptions and itemized deductions are assumed also using values from the RI Statistics of Income.

### **Net Fiscal Impact**

Alexion paid the minimum corporate tax payment of \$500 for tax years 2007, 2008, and 2009. Tax payments cannot decline from this level by qualifying for a Corporate Tax Rate reduction under the Jobs Development Act. It is estimated that job growth at Alexion between 2006 and 2009 resulted in \$258,000 in new state personal income tax revenue. **This economic impact analysis finds that this application for a corporate tax rate reduction under the RI Jobs Development Act has a positive net fiscal impact for the State of Rhode Island.**

### **STATUTORY SUMMARY**

While most of these points have been addressed above, this section of the analysis addresses the specific requirements of R.I.G.L. § 42-64.5-5 (in italics) one by one.

#### ***(i) The impact on the industry or industries in which the applicant will be involved;***

By supporting Alexion Pharmaceuticals in growing employment at its Rhode Island biomanufacturing facility, this incentive is supporting the growth of high skill, high wage manufacturing jobs in Rhode Island. The opportunity to solidify Alexion's commitment to operations in Rhode Island is particularly beneficial, as Alexion has advanced into the production stage for FDA-approved pharmaceuticals. The State's strategic focus on growing the bioscience industry is evidenced by the 2005 Tech Collective report "Biotech Rhode Island: An Analysis of Opportunities for Growth" produced through support from the Governor's Workforce Board and the RI Economic Development Corporation. Rhode Island has been investing in education and training for biomanufacturing jobs through the Governor's Workforce Board, the Tech Collective (its industry partner), and through the creation of education programs at the University of Rhode Island and the Community College of Rhode Island.

#### ***(ii) State fiscal matters, including the state budget (revenues and expenses);***

In tax years 2006 through 2009, Alexion paid the \$500 minimum corporate tax. Corporate taxes cannot decline below the \$500 minimum. It is estimated that job growth at Alexion between 2006 and 2009 resulted in \$258,000 in new state personal income tax revenue.

#### ***The financial exposure of the taxpayers of the state under the plans for the proposed investment and negative foreseeable contingencies that may arise therefrom;***

The State of Rhode Island is not taking on any risk through approval of the rate reduction under the Jobs Development Act.

#### ***(iii) The approximate number of full-time, part-time, temporary, seasonal and/or permanent jobs projected to be created, construction and non-construction;***

Alexion is qualifying for the rate reduction with actual jobs added 2006-2009. Alexion created 92 permanent full-time jobs that meet the qualifying criteria under the statute.

Alexion employed 113 permanent full-time employees in Rhode Island in 2009 with a median salary of \$75,000. No construction jobs are associated with this application.

***(iv) Identification of geographic sources of the staffing for identified jobs;***

The current jobs at Alexion have been filled from the Providence Metropolitan Labor Market Area as well as from adjoining labor market areas. The biomanufacturing programs at the Community College of Rhode Island and the University of Rhode Island as well as biology programs in other colleges and universities in the state are preparing Rhode Islanders for jobs in this field.

***(v) The projected duration of the identified construction jobs;***

No construction jobs are associated with this application.

***(vi) The approximate wage rates for each category of the identified jobs;***

The wage profile of Alexion employees is as follows in 2009

\$30,000 to 250% of min wage (\$38,480)	8
250% min wage to under \$50,000	10
\$50,000 to under \$75,000	38
\$75,000 to under \$100,000	25
\$100,000 to under \$220,000	32

***(vii) The types of fringe benefits to be provided with the identified jobs, including healthcare insurance and any retirement benefits;***

Alexion offers the following benefits to its full-time employees:

- Company-paid benefits include life insurance, short and long-term disability, an employee assistance program, tuition assistance, paid time off, and vacations.
- Cost-shared benefits include comprehensive and flexible medical insurance, prescription drug coverage, vision and dental insurance, and a 401 (k) retirement plan.
- Access to employee-paid benefits such as flexible spending accounts, supplemental long-term disability, long-term care insurance, a 529 college savings plan, and automobile and homeowners' insurance discounts.

***(viii) The projected fiscal impact on increased personal income taxes to the state of Rhode Island; and***

The expansion of employment at Alexion from 2006 to 2009 has expanded state personal income collections by an estimated \$258,000.

***(ix) The description of any plan or process intended to stimulate hiring from the host community, training of employees or potential employees, and outreach to minority job applicants and minority businesses.***

Alexion has been engaged with work of the Rhode Island Governor's Workforce Board and the University of Rhode Island in a number of ways. Alexion has been assisting and advising the University of Rhode Island on the design of their Biotech program. Additionally Alexion is advising on the design of the Pilot Plant, which is currently in development. Alexion is a member of the Tech Collective, Rhode Island's technology industry association. The Tech Collective is also one of the Governor's Workforce Board industry partner organizations. Through the Tech Collective, Alexion participates in the "Rhode Island Biotech Academies" outreach program, which works to engage Rhode Island high school students in the diverse bioscience field.

Alexion provides employee training throughout the year. Several training programs are held on the Campus of Bryant University.