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# The Revenue Impacts of Project Atlas in Mississippi

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## **INTRODUCTION**

Project Atlas will be located in Madison County, Mississippi. The incentive package negotiated by the state is evaluated in this report. Please note the local government has costs and benefits that are not evaluated in this report as URC focuses on state-level costs and benefits. The estimated cost to the state is \$38.1 million. This amount includes state-provided training, state agency administrative costs and the cost of securing bonds. The bonds will be secured by the state and repaid by Madison County. The total value of the capital investment is \$10 billion. The firm will support 1,000 jobs by 2027. Of the 1,000 jobs created, 371 will be direct employees of the company. All 1,000 positions are expected to have an average salary of \$66,000 per year. Next, we will discuss the methodology used, followed by state tax revenue impacts of capital and employment.

## **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. The first step in the analysis of this project is to run the model to establish a baseline projection for each category of State taxes. This baseline model projects the taxes that would likely accrue in the absence of any net, new economic activity in the State. The second step is to shock the model by adding a new firm, in this case Project Atlas. The difference between the baseline results and the results after adding the new firm is the estimated impact of the new firm.

The Regional Simulation estimates the direct, indirect, and induced effects associated with the new firm. Direct effects are “inside the plant gate” effects. Mississippi Development Authority provided the direct effect which was inserted into REMI-Tax PI to shock the model. 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, they create 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 Project Atlas and the Mississippi suppliers of inputs to Project Atlas spend their wages in the Mississippi economy to buy the things needed to support their households (groceries, clothing, entertainment, etc.). When these purchases are made from Mississippi merchants, they 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.

## **INITIAL INVESTMENT**

This project is heavy on capital investment. We expect \$10 billion in construction and equipment investment. Construction and equipment impacts are typically strong and short lived. Once the construction is complete and equipment is installed, firms move to the next project and many of the economic benefits of having had those firms and workers present dissipate. URC estimates the construction phase should create approximately \$41.3 million in state tax revenue over a five-year period. This estimate includes direct, indirect, and induced effects. The state-level tax revenue generated during this period will cover the state’s cost of \$38.1 million.

## **OPERATION**

The operation will begin in 2025 with 268 total employees including 112 hired as direct employees of the firm. By 2027, Atlas should reach 1,000 total employees with 371 hired as direct employees of the firm. The estimated wages for Atlas are higher than the average wages for the ‘data processing, hosting, and related services’ category in the state as

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estimated by REMI. We calculate the adjustment to wages by subtracting the category wage predicted for the state in REMI from the company-specific wage estimated by Mississippi Development Authority (MDA). We then adjust the REMI wage by that amount so that REMI's wage and MDA's wage is the same.

URC estimates that over the first 15 years of operation, Project Atlas will create \$153.7 million in tax revenue. If Madison County makes the bond payments for the duration of this period, the entire amount of revenue will be a net benefit to the state.

### ALTERNATIVE CALCULATION

The state will be issuing approximately \$220.1 million in bonds. If we assume an interest rate of 4%, the total cost of the bond should be approximately \$323.9 million. If the county couldn't repay the bonds and the state had to repay them all, the breakeven date for the state would be FY2049.

### CONCLUSION

URC estimates Project Atlas will create \$41.3 million in state tax revenue during the construction phase and \$153.7 million in state tax revenue during the first 15 years of operation for a total of \$195 million in state tax revenue. URC estimates that the state will recover the \$38.1 million in state appropriated funds by FY2027 (although the full appropriation may not be made until FY2029). URC further estimates that if the state repays the bonds it secured, the state's breakeven date will be FY2049.