

**Testimony of Paul Scheuren, Impact DataSource, Austin, Texas
January 24, 2012**

Good morning.

I am Paul Scheuren, a principal of Impact DataSource and an economist. I'm here today to discuss the results of an economic impact analysis of the National Bio and Agro-Defense Facility in Manhattan that I performed for Kansas State University.

First, let me tell you about our firm.

Impact DataSource is an 18-year old Austin, Texas economic consulting, research and analysis firm. We specialize in economic impact analysis and have done 2,500 economic impact analyses in 26 states, including Kansas.

On some of our Kansas experience:

In 1999, prior to me joining the firm, Impact DataSource developed an economic impact computer model for the League of Kansas Municipalities. The League distributed the model to cities and economic development organizations throughout the state to enable the cities and organizations to perform economic impact analyses of their economic development projects.

Over the last five years, we've performed about 30 economic impact analyses for the Greater Topeka Chamber of Commerce of their economic development projects and other analyses. We have also done economic impact analyses for projects in Kansas City and other cities in the state.

As mentioned previously, we did an economic impact analysis of the National Bio and Agro-Defense Facility and now I will discuss how we performed this analysis and summarize the results. The report estimated the economic and fiscal impact of the facility during its construction and over the first 25 years of its operations. In addition, we estimated the possible economic and fiscal impact that the facility may have on the bioscience industry in Kansas. We believe that new bioscience firms will be created or may choose to locate in the state as a result of the facility, as businesses have clustered near other research facilities around the country.

We began the analysis by researching the proposed facility and by compiling state and community tax rates as well as other demographic data. We reviewed the previous environmental impact study

Veteran/Military/Homeland Security Comm.

Date: JAN 24, 2012

Attachment #: 2

prepared by the Department of Homeland Security and conducted as part of the federal site selection process for the facility. Using this research, we prepared the analysis entitled, "A Report of the Economic Impact of the National Bio and Agro-Defense Facility in Manhattan, Kansas, dated January 11, 2011". You have a copy of my report, I believe. Let me briefly summarize the analysis.

During Construction:

The facility is estimated to cost approximately \$600 million to build over five years. In total, the construction of the facility will pump \$817 million into the state's economy, create and support an estimated 1,335 direct, indirect and induced construction jobs per year and support \$288 million in total construction salaries over the period.

This temporary construction activity is estimated to create more than \$500,000 in tax revenues for the City of Manhattan and other local taxing districts. In addition, these construction activities will generate more than \$9 million in sales, income taxes and other revenues for the State of Kansas.

During the First 25 Years of the Facility's Operations:

Initially, the facility will have estimated annual funding of \$45 million per year, 326 jobs and \$25 million in annual salaries and benefits. Over 25 years, the operations of the facility will have the following economic impact:

- Generate \$2.4 billion in revenues for businesses in the state,
- Create 688 direct, indirect and induced jobs in Kansas,
- Create total workers' earnings for Kansas workers of \$1.3 billion.

Over 25 years, the operations of the facility will generate \$16 million in sales, property and other taxes for the City of Manhattan, Riley County and the area school district. Further, over 25 years, the operations of the facility and its workers will generate the following taxes for the State of Kansas:

Sales taxes	\$13 million
Personal Income taxes	\$30 million
Corporate Income taxes	\$2.2 million
Property taxes	\$42,000

In total, over 25 years of operations, the facility will generate \$45 million in revenues for the State of Kansas.

Potential Economic Impact on Bioscience Industry in Kansas:

While the economic impacts discussed above focuses on the construction and operations of the facility and firms supplying goods and services to the facility and workers at the facility, the facility will likely provide an additional boost to the bioscience industry in Kansas, with new bioscience firms locating or being created near the facility and in other parts of the state.

Federally funded facilities can help attract related researchers and commercialization, creating an industry cluster. The bioscience industry in Maryland is buoyed by the federal facilities in its state. Similarly, the Centers for Disease Control has similarly helped foster a bioscience cluster in Atlanta.

We modeled a 10% increase in the bioscience industry, phased in over a 15-year period as a result of the facility. If this industry clustering occurs, the state could add approximately 1,100 new bioscience industry jobs during this period.

This expansion in the bioscience industry would support nearly \$18 billion in revenues for direct, indirect and induced businesses in Kansas over 25 years, concurrent with the facility's first 25 years of operations. The bioscience industry expansion of this scale may support nearly 2,609 direct, indirect and induced jobs in Kansas and total workers' earnings of more than \$6.2 billion over the first 25 years.

These economic impacts could generate \$234 million in tax revenues for the State of Kansas and \$113 million in tax revenues for local taxing districts in the state the 25-year period. On average, this would translate into approximately \$9.4 million in tax revenues for the state and \$4.5 million in local tax revenues for cities, counties and school districts in the state per year.

Conclusion:

Overall, our study found that the facility will have a large, positive economic impact on the state and generate substantial tax revenues for communities and the state, as well as likely encourage growth in the private bioscience industry in Kansas.