

IMPACT OF MERCURY MARINE ON FOND DU LAC COUNTY – August, 2009

- As a result of a potential Mercury Marine job loss in Fond du Lac County, an estimated **5,900 jobs will be lost throughout the county**. This is due to the direct impact on suppliers of Mercury Marine and the indirect impact on government and business as a result of the lost income of the employees. This comes with an estimated loss of annual earnings (total compensation to all workers) at \$353 million. ¹
- The impact extends well beyond Fond du Lac County. The direct and indirect impact is expected to result in the loss of almost 8,000 jobs and \$450 million loss in annual earnings in the 7-county region (Fond du Lac and adjoining counties); and loss of over 11,000 jobs and \$600 million annual earnings in the State. ¹
- Virtually all businesses will be affected. Approximately 250 companies in Fond du Lac County provide products or services to Mercury Marine (and over 1,000 Wisconsin companies outside the County). Among the hardest hit industries will be ¹
 - **local government,**
 - **restaurants and retail,**
 - **health care,**
 - **a wide-range of manufacturing businesses.**
- The company is a significant water and sewer customer of the City of Fond du Lac. If no new customers took their place, the water and sewer rates would have to increase by up to 5.5% which equates to approximately \$44 a year for the typical residential customer. ²
- Mercury Marine pays over \$620,000 in total property tax (\$219,000 to City of Fond du Lac portion). If the buildings were vacated, the value would decrease significantly leaving the other property taxpayers in the City, County, School District, and technical college district to pick up the difference.
- It is also anticipated that property values for homes and businesses would decline significantly over time due to the depressed economy. In a declining real estate market, it is common for a disproportionate tax shift to businesses because the housing valuations are updated more often and the lower property values will be reflected more quickly.
- Moraine Park Technical College relies on property taxes for 60% of its budget. While dealing with reduced tax income from declining property valuations, the college will be faced with increasing enrollment for workforce retraining. The college anticipates a great need for basic skills remediation, which they are required to provide at no charge.
- The negative impact will be felt in all communities in Fond du Lac County. Nearly 400 of Mercury Marine's employees live in Fond du Lac County, outside the three City of Fond du Lac zip codes. The potential loss of population could impact some of the smaller "bedroom" communities quite severely, for example Oakfield is home to many Mercury Marine employees and their families. The loss of the

company could directly affect over 12% of the 1,038 residents. This is not taking into account supply chain and other job losses. Each community will be affected.

- Unemployment for Fond du Lac County was 9.5% in June. The loss of these jobs would take the rate to over 13%³. During times of high unemployment, social problems tend to be magnified leading to increased crime, health care issues, and of course need for assistance with basic needs for food and shelter.
 - Non-profit social service agencies, while likely experiencing falling contributions, will see a dramatic increase in the number of clients and in the extent of services needed. As County unemployment has risen from the 4.7% in 2008 to the six-month average of 9.1% in 2009, the 17 United Way of Fond du Lac County partner agencies report a 25% increase in men, women and children served. Extending this correlation to a potential unemployment rate of 13.1%, these agencies could be looking at serving 40% more clients in the coming years compared to 2008.
 - Likewise, the County Human Services budgets will be greatly affected by the increase in case load for social services. According to Kim Mooney, Director of Social Service for the County, the situation is already bad. Programs have been cut (50% cut in W2 programs for the next 2 years) while people on rolls have doubled this year. As unemployment runs out for displaced workers, the food share program, Medicaid, and utility assistance will dramatically increase.
 - Health care organizations will be affected by the increase in uninsured patients, who tend to overwhelm emergency services due to lack of preventative care.
- The school districts around the county would suffer from declining property tax values as well as declining enrollments.
- Local housing starts are already down over 60%. They would likely come to a complete halt, further impacting the already suffering construction and real estate sectors. According to real estate broker and homebuilder, Scott Swick, Fond du Lac has seen a 24 percent decline in home sales this year compared to last, and that pace could possibly double. He estimates the potential drop in home prices by comparing to other communities that have had major job losses. Detroit saw home prices drop 23.6% from one year ago and Janesville experienced a price drop of 12.1% in the same period. A home in Fond du Lac County worth \$138,749 would then be worth \$123,772 with a 12% drop; and only \$112,256 with a 23.6% price drop.⁴
- Arts & Recreation – Many have worked hard to develop an emphasis on arts in Fond du Lac County. Obviously, with growing unemployment, the limited resources will be diverted to food, shelter, and workforce retraining needs.

Sources of information:

1 – Economic Modeling Specialists, Inc. Strategic Advantage Economic Impact Modeling. www.economicmodeling.com (by subscription) 08.12.09 – Further information on EMSI data sources, calculations, and additional detail is available upon request.

2 – City of Fond du Lac tax and utility records.

3 – Wisconsin Department of Workforce Development, Bureau of Workforce Training – Labor Market Information, Query Results – Created on August 13, 2009, <http://WORKnet.Wisconsin.gov> – calculated 6-month average labor force and unemployment, recalculated with loss of 2,384 jobs.

4– As published in The Reporter, Tuesday, August 4, 2009.