

**Estimating the Economic Impact of a  
New T-Mobile Customer Experience  
Center in Nassau County, New York**

December 2019

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**Prepared for:**  
T-Mobile USA, Inc.



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## **ABOUT CGR**

Founded in 1915, CGR is an independent nonprofit management consulting organization delivering expertise in government and education, economic impact and public finance, health and human services, and nonprofits and communities. We improve the quality of communities through impactful research, analysis, consultation and data management for the public, nonprofit and philanthropic organizations that serve them. To learn more, visit [www.cgr.org](http://www.cgr.org).

All economic analysis, including development of the impact model, was led by Michael Silva, Senior Data Analyst. The report was authored by Mr. Silva, David Riley, M.U.P., Senior Associate, and Paul A. Bishop, M.P.A., Principal.

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# Executive Summary

In November 2019, T-Mobile US and Sprint Corporation announced plans to locate the fourth of five New T-Mobile Customer Experience Centers in Nassau County, New York, pending a proposed merger of T-Mobile US and Sprint Corporation. This project is expected to be a significant jobs hub for T-Mobile, creating up to 1,000 positions. This would be the second New T-Mobile Customer Experience Center in New York State, following T-Mobile's announcement in February 2019 of plans to construct a similar Center in the Greater Rochester, New York area.

T-Mobile engaged CGR in November 2019 to assess the potential economic and fiscal impacts of this project across the region (i.e. Nassau and Suffolk Counties). T-Mobile previously engaged CGR to conduct a similar analysis of the Rochester-area Center. Given the similarities between the Centers and their anticipated hiring, CGR modeled this analysis closely after its earlier Rochester-area study.

Key findings include:

## **New York State impacts**

- The two Centers planned in New York State will employ up to 2,300 people combined, according to T-Mobile's estimates. When operational, we estimate that the Centers have potential to generate an additional 940 to 1,090 spillover positions, for a combined total of 3,140 to 3,390 jobs.
- For the combined Centers, we estimate construction phase impacts in New York State of 390 to 470 direct and spillover positions, with total payroll of \$24.0 to \$29.5 million, and combined income and sales tax revenue of \$1.8 to \$2.2 million.
- In combination, we estimate that the two Centers will generate approximately \$190.9 to \$218.3 million in total compensation for both direct and spillover jobs, and combined income and sales tax revenue of \$13.0 to \$15.0 million.

## **Nassau County, NY impacts**

- Construction phase impacts during the Center's buildout will amount to between 160 and 240 direct and spillover positions, payroll of \$11 to 16.5 million, and combined income and sales tax generation of \$0.9 to \$1.3 million.
- When operational, new positions at the Center will generate approximately \$74 to \$83 million annually in total compensation, income tax revenue of \$3.8 to \$4.2 million, and sales tax revenue of \$1.7 to \$1.9 million.

- Spillover effects of the projected investment are capable of generating 440 to 490 additional positions within the region, with payroll impacts of \$23 to \$25.5 million, and combined income / sales tax revenue generation of \$1.7 to \$1.9 million.
- T-Mobile will be providing regionally competitive health benefits at rates that CGR finds to be, both in percentage and real dollar terms, comparable to – or more generous than – the regional average.
- The Center will draw from a labor shed populated by nearly 265,000 workers within a 15-minute drive, and more than 1 million workers within a 30-minute drive.
- Absent incentives, which T-Mobile does not intend to pursue, and subject to location, the Center will contribute municipal, special district and county property taxes of approximately \$240,000 to \$300,000, and school taxes of approximately \$330,000 to \$430,000 per year.
- The Center will give the region access to various T-Mobile corporate citizenship programs, including T-Mobile Foundation matches of employee charitable contributions and volunteer hours directed toward nonprofits and community causes.

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# Introduction

In 2018, T-Mobile US and Sprint Corporation announced plans to merge and create the New T-Mobile, in which Sprint would become an indirect wholly owned subsidiary of T-Mobile. Following completion of the merger, the companies plan to open five Customer Experience Centers to serve customers nationwide.

In February 2019, T-Mobile and Sprint announced plans to locate the second of the new Centers in the Greater Rochester, New York area. In November 2019, T-Mobile and Sprint announced plans to locate the fourth Customer Experience Center in Nassau County, New York.

The Experience Centers provide customers direct access to a dedicated team of support specialists. Cumulatively, efforts to enhance New T-Mobile's approach to customer care are projected to create up to 5,600 jobs nationwide by 2021, according to the company. Including the Customer Experience Centers, the company estimates that by 2024, its Team of Experts (TEX) customer care model will employ 7,500 more professionals than the stand-alone companies would have employed.



Photo: T-Mobile Customer Experience Center in North Charleston, SC (Frampton Construction)

T-Mobile engaged CGR in November 2019 to assess the potential economic and fiscal impacts of the Nassau County project. T-Mobile previously engaged CGR to conduct a similar analysis of the Rochester-area Center. Given the similarities between the Centers and their anticipated hiring, CGR modeled this analysis closely after its earlier Rochester-area study.

This report presents the results of that assessment across a series of dimensions:

- **Economic impact:** We estimate the direct, indirect and induced (i.e. spillover) impacts created by the project, both during the construction and operational phases;
- **Fiscal impact:** We estimate the sales tax and income tax activity attributable to the jobs created by the project;
- **Fringe benefits:** We document the non-salary compensation components (e.g. health insurance, tuition assistance) that will be associated with the jobs created by the project;

- **Labor shed:** We estimate the size of the labor force living within designated commuting distances of the proposed Center, in order to document the size of the labor shed from which up to 1,000 jobs will most likely draw;
- **Property tax impact:** We estimate the recurring municipal- and county-level property taxes that will be paid by the new Center; and
- **Corporate citizenship:** Drawing from the experience of existing T-Mobile Centers, we discuss the new facility's "corporate citizenship" impact on the surrounding community and region.

## Economic and Fiscal Impact

CGR's economic impact analyses principally estimate the wages and jobs that a project or institution stimulates as a result of its economic activity. Our technical approach to analyzing economic impact is consistent with standard practice and seeks to answer the question, "How is the economy larger because of this institution's activity in the community?"

This question is answered by observing two types of effects.

- **Direct effects:** In this case, direct economic effects come from the actual expenditures of New T-Mobile in the Long Island region. Examples include payroll expenditures for staff, purchases of goods and services from a variety of suppliers, and payment to construction firms for a capital improvement project.
- **Spillover effects:** Spillover effects result from the subsequent spending of the recipients of the direct expenditures. This is generally subdivided for analysis into "indirect" and "induced" impacts. For example, a vendor company that supplies a product or service to the New T-Mobile Center uses the proceeds of that sale to make expenditures of its own (an "indirect" impact). Similarly, employees of the Center itself spend their wages, which become income for other businesses in the region (an "induced" impact).

## Data Sources

Our analysis draws on data provided by T-Mobile and uses IMPLAN, a regional input-output modeling system, to estimate economic impacts. The IMPLAN database, created by MIG, Inc., is a widely accepted model of economic activity. It consists of two major parts: 1) a national-level technology matrix and 2) estimates of sectoral activity for final demand, final payments, industry output and employment for each county in the U.S. along with state and national totals. Data are updated annually. IMPLAN estimates the direct, indirect and induced impacts of economic change

through the use of multipliers, and estimates the impact of an increase in demand in a particular sector on 536 different industries / sectors in the economy.

For the purposes of this analysis, we use NAICS<sup>1</sup> Code 56142, Telephone Call Centers multipliers. This analysis uses Nassau and Suffolk counties as the scope of the economic region for the Center's activities. Although there is likely to be some ramp-up of the Center, we estimate the operational impacts at full capacity.

## Construction Phase Impact

Our construction phase impact assessment assumes T-Mobile intends to retrofit existing space rather than build to suit new offices. Retrofitting an existing location is typically cheaper and faster than constructing from the ground up and, therefore, our estimate of construction phase expenditures would be conservative in the event of a new build. T-Mobile projects the Nassau County Center will receive a total construction investment of \$20 to \$30 million during the buildout period. T-Mobile also has committed to use union labor in the construction of the Customer Experience Center. Given the range of potential spending by T-Mobile, we provide estimated impacts as ranges below.

**CGR's analysis estimates that the economic impacts during this construction phase investment of existing office space will include 140 to 210 direct (and 20 to 30 spillover) jobs, total combined payroll of \$11 to \$16.5 million, and combined income and sales tax revenue generation of \$0.9 to \$1.3 million.**

### Economic Impact of Construction Phase

(\$ in millions)

	Direct	Spillover	Total
Employment	140 - 210	20 - 30	<b>160 - 240</b>
Payroll	\$9.7 - \$14.5	\$1.3 - \$2.0	<b>\$11.0 - \$16.5</b>
Income Tax	\$0.5 - \$0.7	\$0.1 - \$0.1	<b>\$0.6 - \$0.9</b>
Sales Tax	\$0.2 - \$0.3	\$0.0 - \$0.0	<b>\$0.3 - \$0.4</b>

Note: Totals may not sum due to rounding

**Along with the Rochester-area Customer Experience Center for which CGR conducted an earlier analysis, we estimate combined construction phase impacts from T-Mobile's plans in New York State of 390 to 470 direct and spillover positions, with payroll of \$24.0 to \$29.5 million, and combined income and sales tax generation of roughly \$2 million.**

<sup>1</sup> North American Industry Classification System.

## Operational Impact

According to estimates provided by T-Mobile, the Center is projected to have up to 1,000 positions at full operation. Reflecting T-Mobile's anticipated hiring, CGR assumed 900 to 1,000 positions at the Center. For the purpose of this analysis, we assumed the workforce would be similar in organizational makeup as the Rochester Center. In headcount terms, the majority of positions are assumed to be frontline representatives (75 percent), followed by varied professional roles (14 percent), first-level managers (7 percent) and mid-level managers (4 percent). The Center's staffing would also include a small number (less than 1 percent) of director-level positions.

Employees at the Rochester Center will earn on average \$63,000 annually in base compensation, variable compensation, overtime and annual stock grants. CGR used this average in our estimation after adjusting for cost-of-living differences in Nassau County.

**CGR conservatively estimates the direct economic impacts from 900 to 1,000 positions to be \$74.8 to \$83.1 million in direct compensation, \$3.8 to \$4.2 million in income tax revenue and \$1.7 to \$1.9 million in state and local sales tax revenue. Beyond direct impacts, we estimate the spillover effects of the investment will generate 440 to 490 additional positions within the region, with payroll impacts of \$23.0 to \$25.5 million and combined income / sales tax revenue generation of \$1.6 to \$1.9 million.**

**While the Center's non-personnel operating costs do contribute some additional indirect impact to the region, spillover effects will be primarily induced in nature. The catalytic impact of Center employees spending their earnings is estimated to account for more than 97 percent of the spillover positions.**

### Economic Footprint of New T-Mobile Customer Experience Center

(\$ in millions)

	Direct		Spillover		Total	
	Low	High	Low	High	Low	High
Employment	900	1,000	440	490	1,340	1,490
Payroll	\$74.8	\$83.1	\$23.0	\$25.5	\$97.8	\$108.6
Income Tax	\$3.8	\$4.2	\$1.1	\$1.3	\$5.0	\$5.5
Sales Tax	\$1.7	\$1.9	\$0.5	\$0.6	\$2.3	\$2.5

Note: Totals may not sum due to rounding

**The two Centers planned in New York State will employ up to 2,300 people combined, according to T-Mobile's estimates. When operational, we estimate**

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**that the Centers have potential to generate an additional 940 to 1,090 spillover positions, for a combined total of 3,140 to 3,390 jobs.**

**When operational, positions at the two Centers will generate approximately \$190.9 to \$218.3 million in total combined compensation for both direct and spillover jobs, and combined income and sales tax revenue of \$13.0 to \$15.0 million.**

## Fringe Benefits

### Health Coverage

[**Note:** The following section compares T-Mobile's health benefit offerings to regional averages. Any *economic* impact related to spending on benefits is assumed to be included in the impact numbers cited above.]

In addition to the direct compensation described above, T-Mobile plans to offer benefits packages, including health coverage. CGR used benefits estimates for the Rochester-area Customer Experience Center, adjusted for cost of living in Nassau County, and applied this figure to a potential headcount of 900 to 1,000 employees. Combined, estimated benefits for the employees at the Nassau Customer Experience Center total between \$14.3 and \$15.9 million. Most of this spending would go toward benefits for frontline representatives, who represent the vast majority of employees anticipated at the new facility.

T-Mobile's benefits contribution rates appear to be competitive in the region. Deductibles for all three of T-Mobile's current health plans are lower for both individuals and families than the average for large NYC Metro employers, according to data from the U.S. Department of Health & Human Services.<sup>2</sup>

In 2019, T-Mobile employees are offered three types of health plans, two options for dental coverage, and a vision plan. Depending on which health plan employees choose and their level of coverage (family vs. individual), T-Mobile contributes between 80 percent and 90 percent of the premium costs in 2019.

### Tuition Assistance

After 90 days of employment with the company, T-Mobile offers tuition assistance for employees to attend courses related to their position or another role with the company. Up to \$5,250 in tuition-reimbursement benefits are available annually to full-time employees, or \$2,500 for part-time employees. In 2018, 14 percent of eligible customer care employees took advantage of the program at an average cost of \$2,100,

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<sup>2</sup> [https://meps.ahrq.gov/data\\_stats/summ\\_tables/insr/state/series\\_9/2018/tixb2.pdf](https://meps.ahrq.gov/data_stats/summ_tables/insr/state/series_9/2018/tixb2.pdf)

according to T-Mobile. If Long Island-area employees were to participate at the same rate, CGR estimates this would represent about 120 to 140 workers accessing more than \$264,000 to \$294,000 in tuition assistance benefits.

## Other Benefits

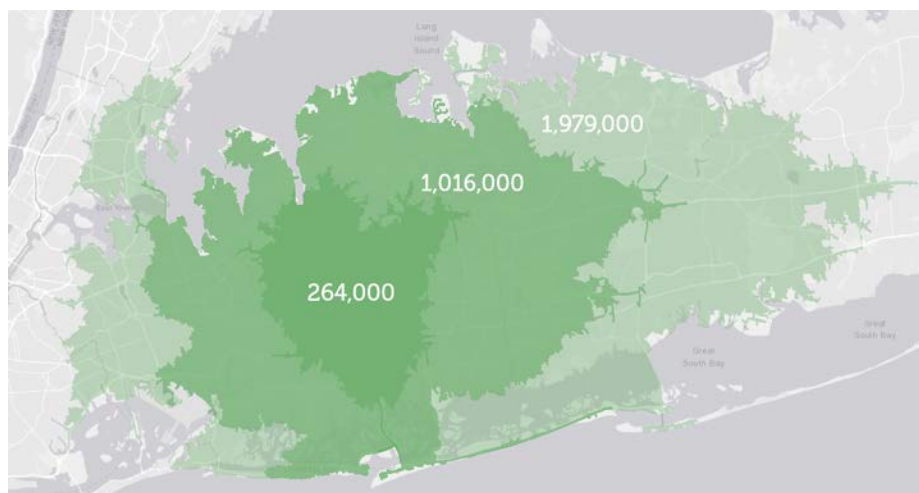
T-Mobile offers 401(k) savings plans, and matches 100 percent of the first 3 percent of employees' contributions, and 50 percent of the next 2 percent. Other financial benefits include up to seven weeks paid maternity leave, and child care assistance for employees whose adjusted household income is less than \$99,000.

## Labor Shed

Since much of what employees earn typically gets spent in the area where they reside, it is worth assessing the geographic reach of the regional labor shed. Using U.S. Census Bureau Longitudinal Employer-Household Dynamics data, CGR modeled the distribution of the labor pool from which the Center will likely draw.

Approximately 264,000 workers live within a 15-minute drive from a likely location for the proposed Center. It is likely that a large share of employees will be drawn from this area. However, experience from T-Mobile's Center in North Charleston, South Carolina suggests the labor shed reach could extend further. For the Nassau County Center, a 30-minute commute captures over 1 million workers; a 45-minute commute captures just under 2 million workers.

### Labor Market Area for Proposed Customer Experience Center in Nassau County, New York (15/30/45-minute commute reach)



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## Property Tax Impact

As a final site selection has not been made, CGR modeled the potential property tax impacts of the Center by reviewing several properties in Nassau County of the size and scale that New T-Mobile requires. CGR computed the average property tax bill per square foot for these properties, and applied it to the proposed Nassau Customer Experience Center.

We estimate the combined town / county / special district property tax revenue in 2019 would be in the neighborhood of \$240,000 to \$300,000, depending on the scale of the building. School taxes constituted an additional \$330,000 to \$430,000.

We note that these estimates are admittedly rough. Property tax rates in Nassau County can vary widely based on the municipality where the parcel is located. Consequently, these estimates are subject to change, based on location, site / facility improvements that may be made to accommodate the new Center, any potential tax incentives or abatements, and / or other factors.

## Corporate Citizenship

T-Mobile encourages employees to contribute to their communities through programs focusing on volunteer work and charitable donations. This type of work offers a fuller picture of the role a Customer Experience Center might play in Nassau county. T-Mobile reported that nationwide in 2018, its corporation, foundation and employees donated more than \$15.4 million and 59,000 volunteer hours to nonprofits supporting youth development, education, veterans, disaster relief and environmental work, among other causes. Nationally, call center employees alone contributed nearly \$500,000 and more than 8,000 volunteer hours in 2018, per T-Mobile.

Key T-Mobile charitable initiatives include the Huddle Up Volunteer Program, which connects employees with service projects supporting after-school programs in their communities. The program also offers grants of \$5,000 to employees to support volunteer work with youth-focused nonprofits. In addition, the T-Mobile Foundation matches employees' contributions to many charities, up to \$2,000 per year.

T-Mobile's Birmingham, Alabama Customer Experience Center serves as one potential example of T-Mobile's volunteer and charitable work in a single community. The Birmingham Center has a longstanding relationship with a local YMCA and has worked to refurbish its facility for after-school programs. The Center also has partnered with a local community college to facilitate workshops on job application and interview skills, and its employees volunteer annually with fundraisers for various nonprofits, including the Glenwood Center for Autism and Girls Inc.

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## Conclusion

T-Mobile US and Sprint Corporation have announced plans to locate the fourth of five New T-Mobile Customer Experience Centers in Nassau County, New York. The facility, which would result from the merger of T-Mobile US and Sprint Corporation, is expected to create up to 1,000 positions. T-Mobile engaged CGR to assess the potential economic and fiscal impacts of this project across the region (i.e. Nassau and Suffolk Counties). CGR modeled its analysis closely after an earlier study of the potential impacts of a similar Customer Experience Center that T-Mobile announced in February 2019 that will be located in the Rochester, NY area.

During buildout of the facility, T-Mobile's investment is capable of creating between 160 and 240 direct and spillover jobs with associated payroll of \$11 to \$16.5 million. At full operations, CGR estimates the facility would employ 900 to 1,000 direct positions with payroll of \$74-83 million and associated income / sales tax generation of approximately \$5-6 million. Beyond direct impacts, spillover effects are capable of generating roughly 440-490 additional positions within the region, with payroll of \$23-25 million and associated income / sales tax of approximately \$1.7-1.9 million.

A review of T-Mobile's health benefit rates finds them to be regionally competitive. The company's fully built out Center will pay an estimated \$570,000 and \$730,000 in county, municipal, special district and school property taxes per year.

When combined with the announced Rochester Customer Experience Center, New York State is poised to see a total impact of 390 to 470 jobs during the construction phase of the two Centers and a combined total of 3,140 to 3,390 direct and spillover jobs once operational. These two projects could generate \$24.0 to \$29.5 million in payroll during the construction phase and \$190.9 to 218.3 million annually once operational. The combined income and sales tax impacts are \$1.8 to \$2.2 million during the construction phase and \$13.0 to 15.0 million once operational.

### Statewide Construction Phase Impact of New T-Mobile Customer Experience Centers

(\$ in millions)

	Direct	Spillover	Total
<b>Employment</b>	<b>340 - 410</b>	<b>50 - 60</b>	<b>390 - 470</b>
Rochester	200	30	230
Nassau	140 - 210	20 - 30	160 - 240
<b>Labor Income</b>	<b>\$21 - \$25.8</b>	<b>\$3.0 - \$3.7</b>	<b>\$24.0 - \$29.5</b>
Rochester	\$11.3	\$1.7	\$13.0
Nassau	\$9.7 - \$14.5	\$1.3 - \$2	\$11.0 - \$16.5
<b>Income &amp; Sales Tax</b>	<b>\$1.5 - \$1.8</b>	<b>\$0.5 - \$0.5</b>	<b>\$1.8 - \$2.2</b>
Rochester	\$0.8	\$0.4	\$0.9
Nassau	\$0.7 - \$1.0	\$0.1 - \$0.1	\$0.9 - \$1.3

Note: Totals may not sum due to rounding

### Statewide Operational Phase Impact of New T-Mobile Customer Experience Centers

(\$ in millions)

	Direct	Spillover	Total
<b>Employment</b>	<b>2,200 - 2,300</b>	<b>940 - 1,090</b>	<b>3,140 - 3,390</b>
Rochester	1,300	500 - 600	1,800 - 1,900
Nassau	900 - 1,000	440 - 490	1,340 - 1,490
<b>Labor Income</b>	<b>\$145.8 - \$166.8</b>	<b>\$45.1 - \$51.5</b>	<b>\$190.9 - \$218.3</b>
Rochester	\$71.0 - \$83.7	\$22.1 - \$26.0	\$93.1 - \$109.7
Nassau	\$74.8 - \$83.1	\$23.0 - \$25.5	\$97.8 - \$108.6
<b>Income &amp; Sales Tax</b>	<b>\$9.9 - \$11.4</b>	<b>\$3.2 - 3.7</b>	<b>\$13.0 - \$15.0</b>
Rochester	\$4.3 - \$5.2	\$1.5 - \$1.8	\$5.8 - \$7.0
Nassau	\$5.6 - \$6.2	\$1.7 - \$1.9	\$7.2 - \$8.0

Note: Totals may not sum due to rounding