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## Steel Expansion in Porter County: An Economic Impact on Communities

John Gordon

James Brown

Wes Scharlach

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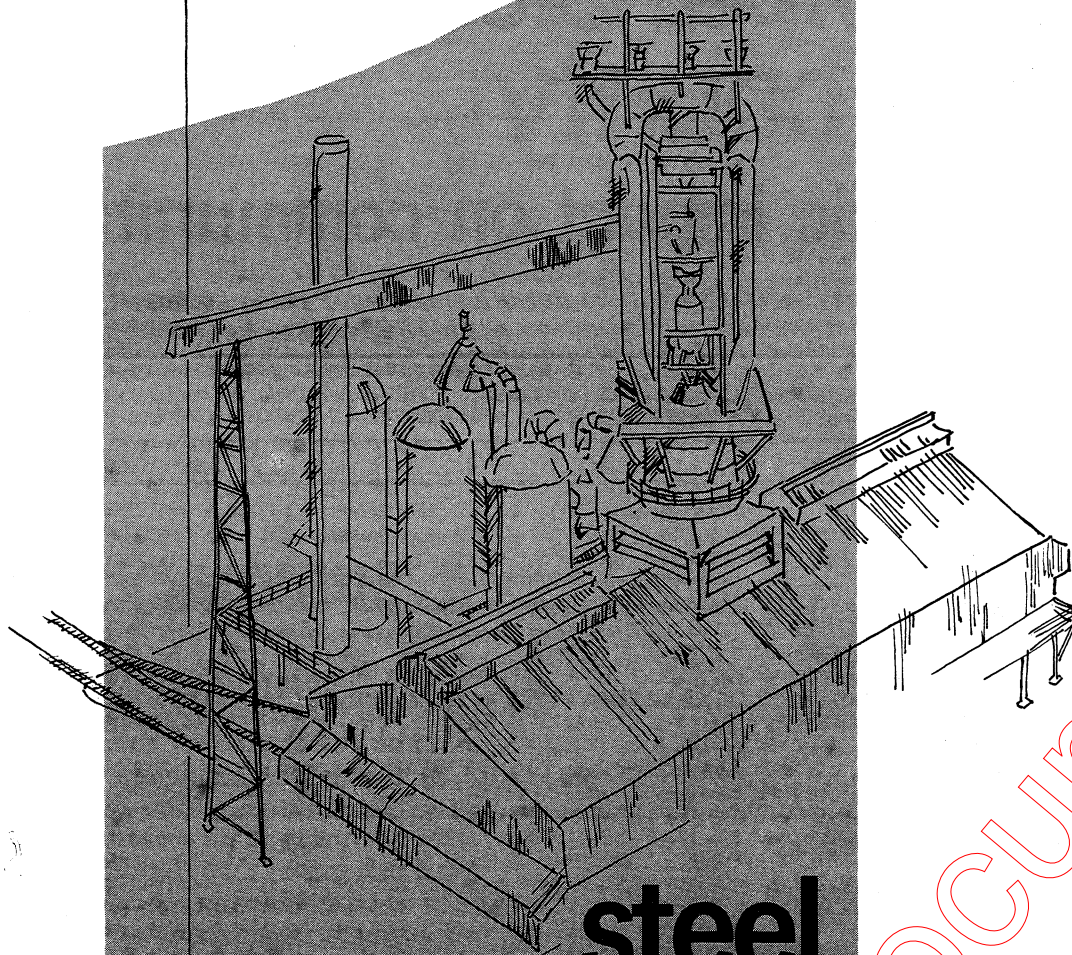
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# steel expansion in porter county

its economic impact  
on communities

*Cooperative Extension Service, Purdue University, West Lafayette, Indiana*



# steel expansion in porter county

## its economic impact on communities

John Gordon, Assistant Professor of Agricultural Economics, Purdue University  
James Brown, Cooperative Extension Agent, Porter County  
Wes Scharlach, Community Development Area Extension Agent

### summary

The annual net gain in Porter County from the Midwest Steel expansion is estimated to be \$14.2 million during a normal operating year. The majority of these gains, \$13.1 million, will accrue to the private sector of the economy. The public sector will also have a net gain of \$1.1 million, but Duneland and Valparaiso school corporations may have slight net losses.

### introduction

In the spring of 1975 National Steel Corporation announced a major plant expansion at the site of the Midwest Steel Division in Portage, Indiana, on the southern shore of Lake Michigan. Total investment in the new plant and equipment is anticipated to be about \$1.0 billion. About 2,300 new workers will be required to operate the plant when

construction is completed in 1980. Details on how this plant fits into the company's future operations are included in the National Steel Corporation 1974 Annual Report.

The impact of industrial development on the local community can generally be characterized as economic, environmental, or social. Each of these different types of impact needs to be considered as a community studies and plans for its future. This report summarizes the results of a study conducted by the Cooperative Extension Service and Purdue University to identify some of the probable economic impacts of the expansion project.

Overall objective of this study was to identify the net gain or loss of the project on Porter County and the communities of Portage, Chesterton and Valparaiso. The study was designed to identify the net gain or loss to the economy's private sector, municipal government sector, county government sector, and school district sector. The school corporations expected to sustain significant impacts are Portage, Duneland, and Valparaiso.

However, the project will have an impact on other counties, primarily Lake and LaPorte, and on other communities and school districts. But this study concentrates on Porter County, the communities of Portage, Chesterton, and Valparaiso and the school corporations of Portage, Duneland and Valparaiso because an examination of the situation revealed that these communities and school corporations will probably receive the majority of the impact from the project. In addition, impact during the construction phase of the project was not estimated in this study and no attempt was made to identify the distributional impact of costs and benefits among individuals.

### results

The results of the study as outlined by the computer model, "Evaluating the Economic

Impact of New Industry," can be summarized as follows:

Net Gain to:

Community's Private Sector	\$13,071,000
Municipal Government Sector	381,000
County Government Sector	124,000
School District Sector	610,000
<b>Total County Net Gain</b>	<b>\$14,186,000</b>

Total county net gain from the project is substantial, \$14.2 million. It is distributed: \$13.1 million to the private sector, \$381,000 to the municipal government sector, \$124,000 to the county government sector, and \$610,000 to the school district sector. These figures represent estimated annual impact, in 1974 dollars, during the first five years of operation of the plant.

Additional detail on benefits, costs, and net gain or loss for the different sectors, communities, and school districts is shown in the accompanying tables. Net gain or loss is the result of subtracting total costs from benefits. Increased revenue exceeds additional costs in each case except for the Duneland and Valparaiso school corporations.

#### Benefits, Costs and Net Gains to Porter County Government Sector

Item	Total
<b>Benefits:</b>	
Property Taxes, New Homes	\$32,000
Property Taxes, New Plant	127,000
Utility Revenues, New Plant	0
Other Taxes, New Residents	61,000
Shared Taxes from State	103,000
Secondary Tax Revenues	88,000
<b>Total Benefits</b>	<b>413,000</b>
<b>Costs:</b>	
New Plant Services	0
New Resident Services	174,000
New Commuter Services	27,000
Government Tax Incentives	0
Services for Former Residents	88,000
<b>Total Costs</b>	<b>289,000</b>
<b>Net Gain:</b>	<b>\$124,000</b>

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### **Benefits, Costs and Net Gains to the Municipal Government Sector**

<b>Item</b>	<b>Portage</b>	<b>Chesterton</b>	<b>Valparaiso</b>	<b>Total</b>
<b>Benefits:</b>				
Property Taxes, New Homes	\$23,000	\$26,000	\$38,000	\$87,000
Property Taxes, New Plant	300,000	0	0	300,000
Utility Revenue, New Plant	0	0	0	0
Other Taxes, New Residents	32,000	12,000	27,000	71,000
Shared Taxes from State	41,000	22,000	49,000	112,000
Secondary Tax Revenues	43,000	10,000	46,000	99,000
Total Benefits	439,000	70,000	160,000	669,000
<b>Costs:</b>				
New Plant Services	0	0	0	0
New Residents Services	60,000	27,000	58,000	145,000
New Commuters Services	55,000	0	0	55,000
Services for Former Residents	36,000	8,000	44,000	88,000
Total Costs	151,000	35,000	102,000	288,000
Net Gain:	\$288,000	\$35,000	\$58,000	\$381,000

### **Benefits, Costs and Net Gains to the School District Sector**

<b>Item</b>	<b>Portage</b>	<b>Duneland</b>	<b>Valparaiso</b>	<b>Total</b>
<b>Benefits:</b>				
Property Taxes, New Homes	\$68,000	\$38,000	\$77,000	\$133,000
Property Taxes, New Plant	887,000	0	0	887,000
State Aid for New Students	67,000	16,000	80,000	163,000
Federal Aid for New Students	7,000	2,000	7,000	16,000
Total Benefits	1,029,000	56,000	164,000	1,249,000
<b>Costs:</b>				
New Pupils' Capital Expenses	19,000	3,000	25,000	47,000
New Pupils' Operating Expenses	152,000	236,000	204,000	592,000
Total Costs	171,000	239,000	229,000	639,000
Net Gain:	\$858,000	-\$183,000	-\$65,000	\$610,000

### **Benefits, Costs and Net Gains to the Private Sector**

<b>Item</b>	<b>Portage</b>	<b>Chesterton</b>	<b>Valparaiso</b>	<b>Rest of county</b>	<b>Total</b>
<b>Benefits:</b>					
Wages & Salaries	\$3,231,000	\$1,945,000	\$3,950,000	\$560,000	\$9,686,000
Secondary Income	1,293,000	467,000	1,580,000	45,000	3,385,000
Total Benefits	4,524,000	2,412,000	5,530,000	605,000	13,071,000
<b>Costs:</b>					
	0	0	0	0	0
Net Gain:	\$4,524,000	\$2,412,000	\$5,530,000	\$605,000	\$13,071,000

## **a final note**

Input information for the computer model was obtained from Midwest Steel Corporation, financial reports of each of the communities and the county auditor, annual financial reports of the school corporations, census reports, and field research. It should be remembered that these benefit and cost figures are estimates of what is likely to hap-

pen based on our present understanding of the situation. Changes will no doubt occur which will alter the actual impact experienced in Porter County.

If you are interested in further information or in discussing this study, please contact one of the authors.