

**The Economic Effects on Michigan of
American Communications Network's (ACN's)
Headquarter and Call Center Expansion**

Prepared by the Michigan Economic Development Corporation utilizing Regional
Economic Models, Incorporated (REMI) software.

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Abstract

American Communications Network (ACN) is considering locating a headquarters and call center in Farmington Hills, Michigan. This facility would serve as an expanded headquarters and call center of ACN because they have outgrown their current Farmington Hills facility. The new facility would employ up to 575 people by the end of 2012. We estimate that by 2017, this location will have generated a total of 848 jobs in the state. Total state government revenues through 2017, net of MEGA costs and adjusted for inflation, would increase by \$18.4 million (2005 dollars) due to the location of the ACN headquarters.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of ACN locating a headquarters and call center in Farmington Hills. Investment activity would take place between 2008 and 2012 with an investment of \$3.9 million. The facility would employ an additional 575 people and would be at full production by 2012.

The estimates of the benefits attributable to the project include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2008 to 2017, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2008 to 2017.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are created from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2012, the first year of full operations, an additional 829 jobs are generated in the state. The total number of jobs (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 1.12 over the period 2008 to 2017. Sectoral detail on the employment is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if ACN were to locate in Michigan under the incentive program, state personal income in 2012 would be higher by \$3.4 million (in current dollars) than it would be without the facility, and in 2017, it would be \$4.7 million higher. Adjusted for inflation, these numbers in 2005 dollars would be \$3.0 million in 2012 and \$3.7 million in 2017.

The gain in economic activity results in higher government revenues. We estimate that in 2013, the first year of full operations without investment activity, the facility would

generate \$3.7 in additional gross state revenue, and that the MEGA package would provide a \$960,000 incentive to ACN. Thus, the new ACN facility would increase state revenues in 2013 by \$2.7 million, net of MEGA costs.

Over the period 2008 to 2017 state government revenue is projected to increase by \$29.7 million (in current dollars) due to the new ACN facility. The MEGA incentive package for ACN is forecast to cost \$7.6 million over the period, resulting in a net increase in state government revenue of \$22.0 million. Adjusted for inflation, the total net increase in state government revenue from 2008 to 2017 would be \$18.4 million in 2005 dollars. These calculations do not include any revenue losses due to the property tax abatement or the investment tax credit. If the costs of the abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of the estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**American Communications Network
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2008	2009	2010	2011	2012	2013	2014	2015	2017	Total
Total Employment										
Manufacturing	110	247	425	627	829	836	839	841	848	
Non-Manufacturing	2	4	6	8	9	7	4	2	1	
Retail Trade	108	243	419	619	820	829	835	839	847	
Services	8	18	31	46	61	61	61	61	60	
Other	30	67	117	174	235	238	240	244	253	
	70	158	271	399	524	530	534	534	534	
In Current Dollars (Thousands):										
Personal Income	\$4,669	\$11,290	\$20,540	\$31,650	\$44,740	\$48,310	\$51,480	\$54,570	\$60,610	\$385,419
Gross State Revenue	360	869	1,582	2,437	3,445	3,720	3,964	4,202	4,667	29,678
Mega Cost	103	248	437	655	920	960	1,003	1,050	1,157	7,632
State Revenue Net of MEGA Cost*	\$257	\$621	\$1,145	\$1,782	\$2,525	\$2,760	\$2,961	\$3,152	\$3,510	\$22,046
Adjusted for Inflation (Thousands of 2005 Dollars):										
Personal Income	\$4,374	\$10,360	\$18,470	\$27,894	\$38,652	\$40,917	\$42,744	\$44,418	\$47,416	\$321,176
Gross State Revenue	337	797	1,423	2,148	2,976	3,151	3,291	3,420	3,651	24,731
Mega Cost	96	227	393	577	795	813	833	854	905	6,371
State Revenue Net of MEGA Cost*	\$241	\$570	\$1,030	\$1,571	\$2,181	\$2,338	\$2,458	\$2,566	\$2,746	\$18,360

* These estimates do not include any state government revenue losses due to the Investment Tax Credit, the Renaissance Zone Credit or the property tax abatement.