

**The Economic Effects on Michigan of the
Asahi Glass America New Research and Development Facility**

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

July 5, 2000

Abstract

Asahi Glass America is considering building a new high-technology research and development facility in Ypsilanti Township, Michigan. This would be the first high-technology project under PA 144 of 2000, which amended the MEGA Act and provides distinct criteria for high-technology MEGA projects. The new facility would employ up to 35 additional people by the end of 2003. We estimate that by 2019, this location will have generated a total of 83 jobs in the state. Total state government revenues through 2019, net of MEGA costs and adjusted for inflation, would increase by \$2,981,000 (2000 dollars) due to the location of Asahi Glass America.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Asahi Glass America locating a new high-technology research and development facility in Ypsilanti Township. Investment activity would take place between 2000 and 2002, with an investment of \$11.4 million. The facility would employ an additional 35 people and would be at full production by 2003.

The estimates of the benefits 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 2000 to 2019, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2000 to 2014, and 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 2000 to 2019.

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 2003, the first year of full operations, an additional 82 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 2.57 over the period 2000 to 2019. 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 Asahi Glass America were to locate in Michigan under the incentive program, state personal income in 2003 would be higher by \$5.1 million (in current dollars) than it would be without the facility, and in 2019, it would be \$8.1 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$3.9 million in 2003 and \$4.2 million in 2019.

The gain in economic activity results in higher government revenues. We estimate that in 2003, the first year of full operations without investment activity, the facility would generate \$405,000 in additional gross state revenue, and that the MEGA package would provide a \$226,000 incentive to Asahi Glass America. Thus, the new Asahi Glass America facility would increase state revenues in 2003 by \$179,000, net of MEGA costs.

Over the period 2000 to 2019, state government revenue is projected to increase by \$9,268,000 (in current dollars) due to the new Asahi Glass America facility. The MEGA incentive package for Asahi Glass America is forecast to cost \$4,725,000 over the period, resulting in a net increase in state government revenue of \$4,543,000. Adjusted for inflation, the total net increase in state government revenue from 2000 to 2019 would be \$2,981,000 in 2000 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.

**Asahi Glass America High Technology Research & Development Facility
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2000	2001	2002	2003	2004	2005	2010	2015	2019	Total
Total Employment										
Manufacturing	74	60	115	82	77	74	71	79	83	
Non-Manufacturing	13	24	30	37	36	35	35	37	37	
Retail Trade	61	36	85	45	41	39	36	42	46	
Services	9	8	14	11	9	9	8	9	10	
Other	14	12	22	15	14	13	13	17	20	
	38	16	49	19	18	17	15	16	16	
In Current Dollars (Thousands):										
Personal Income	\$3,113	\$3,204	\$5,859	\$5,066	\$5,035	\$5,066	\$5,646	\$6,927	\$8,057	\$115,842
Gross State Revenue	249	256	469	405	403	405	452	554	645	9,268
Mega Cost	50	143	169	226	226	231	254	257	299	4,725
State Revenue Net of MEGA Cost*	\$199	\$113	\$300	\$179	\$177	\$174	\$198	\$297	\$346	\$4,543
Adjusted for Inflation (Thousands of 2000 Dollars):										
Personal Income	\$3,113	\$2,723	\$4,687	\$3,875	\$3,827	\$3,800	\$3,613	\$3,948	\$4,190	\$75,721
Gross State Revenue	249	218	375	310	306	304	289	316	335	6,057
Mega Cost	50	122	135	173	172	173	163	146	155	3,076
State Revenue Net of MEGA Cost*	\$199	\$96	\$240	\$137	\$134	\$131	\$126	\$170	\$180	\$2,981

* 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.