

**The Economic Effects on Michigan of the
Advanced Technology Services Regional Service Center**

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

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Abstract

Advanced Technology Services is considering opening a Regional Service Center in Livonia, Michigan. This facility would service industrial and computer technology equipment for manufacturing companies throughout the United States. The new facility would employ up to 132 people by the end of 2007. We estimate that by 2009, this location will have generated a total of 218 jobs in the state. Total state government revenues through 2009, net of MEGA costs and adjusted for inflation, would increase by \$4.1 million (2002 dollars) due to the location of the Advanced Technology Services Regional Service Center.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Advanced Technology Services locating a Regional Service Center in Livonia. Investment activity would take place between February 2003 and June 2003 with an investment of \$4.6 million. The facility would employ an additional 132 people and would be at full production by 2004.

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 2004 to 2009, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2003 to 2005, 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 2003 to 2009.

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 158 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 1.51 over the period 2003 to 2009. 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 Advanced Technology Services were to locate in Michigan under the incentive program, state personal income in 2003 would be higher by \$6.0 million (in current dollars) than it would be without the facility, and in 2009, it would be \$12.9 million higher. Adjusted for inflation, these numbers in 2002 dollars would be \$5.9 million in 2003 and \$11.2 million in 2009.

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 \$478,000 in additional gross state revenue, and that the MEGA package would provide a \$137,000 incentive to Advanced Technology Services. Thus, the new Advanced Technology Services center would increase state revenues in 2003 by \$341,000, net of MEGA costs.

Over the period 2003 to 2009 state government revenue is projected to increase by \$5.6 million (in current dollars) due to the new Advanced Technology Services center. The MEGA incentive package for Advanced Technology Services is forecast to cost \$1.1 million over the period, resulting in a net increase in state government revenue of \$4.5 million. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2009 would be \$4.1 million in 2002 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.

**Advanced Technology Services
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2003	2004	2005	2006	2007	2008	2009	Total
Total Employment								
Manufacturing	158	168	184	208	233	225	218	
Non-Manufacturing	5	3	2	1	0	(1)	(3)	
Retail Trade	153	165	182	207	233	226	221	
Services	16	17	18	20	22	21	19	
Other	105	117	132	152	173	170	169	
	32	31	32	35	38	35	33	
In Current Dollars (Thousands):								
Personal Income	\$5,981	\$7,294	\$8,575	\$10,220	\$12,080	\$12,450	\$12,880	\$69,480
Gross State Revenue	478	584	686	818	966	996	1,030	5,558
Mega Cost	137	191	112	136	162	168	175	1,080
State Revenue Net of MEGA Cost*	\$341	\$393	\$574	\$682	\$804	\$828	\$855	\$4,478
Adjusted for Inflation (Thousands of 2002 Dollars):								
Personal Income	\$5,866	\$7,014	\$8,084	\$9,446	\$10,947	\$11,062	\$11,206	\$63,625
Gross State Revenue	469	562	647	756	875	885	896	5,090
Mega Cost	135	183	106	125	147	149	152	997
State Revenue Net of MEGA Cost*	\$334	\$379	\$541	\$631	\$728	\$736	\$744	\$4,093

* 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.