

**The Economic Effects on Michigan  
of the Alsons Corporation Facility Expansion Decision**

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### Abstract

*Alsons Corporation, a nationwide leader in the manufacturing and distribution of hand-held and fixed shower heads, shower valves and accessories, is considering expanding its operations in Michigan. The new facility would employ 75 people by 2000. We estimate that by 2005, this expansion will have generated a total of 154 jobs in the state. Total state government revenues through 2005, net of MEGA costs and adjusted for inflation, would increase by \$695,000 (1998 dollars) due to the expansion of Alsons Corporation..*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Alsons Corporation, a nationwide leader in the manufacturing and distribution of hand-held and fixed shower heads, shower valves and accessories, expanding its operations in Michigan (SIC 3432). Investment activity would take place between 1998 and 2000, with an investment of \$14.5 million, and operations would begin in May 2000. The new facility would employ 75 people by 2000.

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 1998 to 2005, 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 2005.

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 generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The construction of the facility is expected to generate a total of 108 jobs in 1998, 15 jobs in 1999, and 2 jobs in 2000; almost all of these jobs are temporary. In 2001, the first year of full operations without investment activity, an additional 157 jobs are generated in the state. We estimate that by 2005 this facility will have generated a total of 154 additional jobs in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 2.1 over the period 2001-2005. Sectoral detail on the employment gains 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 Alsons Corporation were to expand in Michigan under the incentive program, state personal income in 2001 would be higher by \$7.3 million (in current dollars) than it would be without the facility, and in 2005 it would be \$9.1 million higher. Adjusted for inflation, these numbers in 1998 dollars would be \$6.1 million in 2001 and \$7 million in 2005.

The gain in economic activity results in higher state government revenues. We estimate that in 2001, the first year of full operations without investment activity, the facility would generate \$584,000 in additional gross state government revenue, and that the MEGA package would provide a \$566,000 incentive to Alsons Corporation. Thus, the Alsons Corporation facility location would increase state government revenues in 2001 by \$18,000, net of MEGA incentive costs.

Over the period 1998-2005, gross state government revenue is projected to increase by \$4,296,000 (in current dollars) due to the expansion of Alsons Corporation. The MEGA incentive package for Alsons Corporation is forecast to cost \$3,529,000 over the period, resulting in a net increase in state government revenue of \$767,000. Adjusted for inflation, the total net increase in state government revenue from 1998 to 2005 would be \$695,000 in 1998 dollars.

These calculations do not include any revenue losses due to the property tax abatement. If the \* Yes cost of the abatement were included, the net revenue gain to state government would be slightly less.

None of these 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.

**Economic and Fiscal Effects on Michigan of the Alsons Corporation Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1998	1999	2000	2001	2002	2003	2004	2005	Total 1998-2005
Total Employment	108	15	164	157	156	154	154	154	—
Manufacturing	8	4	88	85	84	83	82	82	—
Nonmanufacturing	100	11	76	72	72	71	72	72	—
Retail Trade	13	1	20	18	17	16	16	16	—
Services	19	3	31	29	27	27	27	26	—
Other	68	7	25	25	28	28	29	30	—
In current dollars (thousands):									
Personal income	4,200	1,200	6,900	7,300	8,000	8,300	8,700	9,100	53,700
Gross state revenue	336	96	552	584	640	664	696	728	4,296
MEGA cost	0	0	541	566	582	597	613	630	3,529
State revenue net of MEGA cost*	336	96	11	18	58	67	83	98	767
Adjusted for inflation (thousands of 1998 dollars):									
Personal income	4,200	1,172	6,145	6,141	6,604	6,690	6,648	6,995	44,595
Gross state revenue	336	94	492	491	528	535	532	560	3,568
MEGA cost	0	0	482	476	480	481	469	484	2,873
State revenue net of MEGA cost*	336	94	10	15	48	54	63	76	695

\*These estimates do not include any state government revenue losses due to the property tax abatement.