

**The Economic Effects on Michigan
of the Autocam Corporation Facility Location Decision**

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Abstract

Autocam Corporation is considering locating a facility in Michigan which will produce precision-machined components for automobile fuel and braking systems. By the year 2000, the facility would employ 200 people. We estimate that by 2018, this location will have generated a total of 749 jobs in the state. Total state government revenues through 2018, net of MEGA costs and adjusted for inflation, would be increased by \$29,723,000 (1997 dollars) due to the location of Autocam Corporation.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Autocam Corporation's locating a facility in the state which will produce precision-machined components for automobile fuel and braking systems (SIC 3599). Investment activity would take place between 1997 and 1998, with an investment of \$24.025 million, and operations would begin in July 1998. The facility would employ 200 workers 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 1997 to 2018, are shown in the attached table. The MEGA incentive package includes relief from 25 percent of the single business tax for the period 1999-2018 and a tax credit to the company for the same period equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the project. The payroll tax credit represents 100 percent of the maximum employment credit available to a company.

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 18 jobs in 1997 and 131 jobs in 1998; almost all of these jobs are temporary. In 2000, the first year of full operations, an additional 527 jobs are generated in the state. We estimate that by 2018 this facility will have generated a total of 749 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 location averages 3.0 over the period 2000-2018. 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 Autocam Corporation were to locate in Michigan under the incentive program, state personal income in 2000 would be higher by \$23 million (in current dollars) than it would be without the facility, and in 2018 it would be \$69 million higher. Adjusted for inflation, these numbers in 1997 dollars would be \$17.6 million in 2000 and \$33.1 million in 2018.

The gain in economic activity results in higher state government revenues. We estimate that in 2000, the first year of full operations, the facility would generate \$1,840,000 in additional gross state government revenue, and that the MEGA package would provide a \$398,000 incentive to Autocam Corporation. Thus, the Autocam Corporation facility location would generate an additional \$1,442,000 in revenue to state government in 2000, net of MEGA incentive costs.

Over the period 1997-2018, gross state government revenue is projected to increase by \$65,792,000 (in current dollars) due to the location of Autocam Corporation. The MEGA incentive package for Autocam Corporation is forecast to cost \$12,497,000 over the period, resulting in a net increase in state government revenue of \$53,295,000. Adjusted for inflation, the total net increase in state government revenue from 1997 to 2018 would be \$29,723,000 in 1997 dollars. These calculations do not include any revenue losses due to the property tax abatement. If the 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 Autocam Corporation Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1997	1998	1999	2000	2005	2010	2015	2018	Total 1997-2018
Total employment	18	261	342	527	522	584	683	749	—
Manufacturing	0	75	148	221	203	203	208	211	—
Nonmanufacturing	18	186	194	306	319	381	475	538	—
Retail trade	2	36	48	73	66	73	87	96	—
Services	3	75	92	145	151	187	244	283	—
Other	13	75	54	88	102	121	144	159	—
In current dollars (thousands):									
Personal income	700	10,200	14,300	23,000	31,500	41,700	56,900	69,000	822,400
Gross state revenue	56	816	1,144	1,840	2,520	3,336	4,552	5,520	65,792
MEGA cost	0	0	287	398	549	655	785	878	12,497
State revenue net of MEGA cost	56	816	857	1,442	1,971	2,681	3,767	4,642	53,295
Adjusted for inflation (thousands of 1997 dollars):									
Personal income	700	8,697	11,311	17,554	20,353	24,365	29,553	33,097	481,373
Gross state revenue	56	696	905	1,404	1,629	1,949	2,364	2,648	38,510
MEGA cost	0	0	274	369	440	453	468	479	8,787
State revenue net of MEGA cost	56	696	631	1,035	1,189	1,496	1,896	2,169	29,723

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