

**The Economic Effects on Michigan of the
Coca-Cola Company Facility Expansion Decision**

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Abstract

The Coca-Cola Company is considering adding two new processing lines and four new packaging plants at its juice blending and packaging facility in Paw Paw, Michigan, known as the Minute Maid plant. The expanded facility would employ an additional 150 people by 2002. We estimate that by 2017, this expansion will have generated a total of 333 jobs in the state. Total state government revenues through 2017, net of MEGA costs and adjusted for inflation, would increase by \$17,493,000 (2000 dollars) due to the expansion of the Coca-Cola Company.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of the Coca-Cola Company adding two new processing lines and four new packaging plants at its juice blending and packaging facility in Paw Paw, Michigan, known as the Minute Maid plant (SIC 2086). Investment activity would take place between 2000 and 2001, with an investment of \$54.2 million. The facility would employ an additional 150 people and be at full production by 2002.

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 2017, 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 2017; it also includes a tax credit to the company for the same period equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project.

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 activity is expected to generate a total of 106 jobs in 2000 and 246 jobs in 2001; almost all of these jobs are temporary. In 2002, the first year of full operations, an additional 314 jobs are generated in the state. We estimate that by 2017, this expansion will have generated a total of 333 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 2.0 over the period 2002 to 2017. 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 the Coca-Cola Company were to expand in Michigan under the incentive program, state personal income in 2002 would be higher by \$17.2 million (in current dollars) than it would be without the facility, and in 2017 it would be \$30.5 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$14.3 million in 2002 and \$18.3 million in 2017.

The gain in economic activity results in higher state government revenues. We estimate that in 2002, the first year of full operations, the facility would generate \$1,376,000 in additional gross state government revenue, and that the MEGA package would provide a \$387,000 incentive to the Coca-Cola Company. Thus, the Coca-Cola Company facility expansion would increase state government revenues in 2002 by \$989,000, net of MEGA incentive costs.

Over the period 2000 to 2017, gross state government revenue is projected to increase by \$31,288,000 (in current-dollars) due to the expansion of the Coca-Cola Company. The MEGA incentive package for the Coca-Cola Company is forecast to cost \$7,019,000 over the period, resulting in a net increase in state government revenue of \$24,269,000. Adjusted for inflation, the total net increase in state government revenue from 2000 to 2017 would be \$17,493,000 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 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 Coca-Cola Company Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2000	2001	2002	2005	2010	2015	2017	Total 2000-2017
Total Employment	211	520	314	291	298	324	333	—
Manufacturing	63	169	168	162	161	164	165	—
Nonmanufacturing	148	351	146	129	137	160	168	—
Retail Trade	26	63	36	29	28	31	32	—
Services	43	107	50	43	48	61	65	—
Other	79	181	60	57	61	68	71	—
In current dollars (thousands):								
Personal income	9,000	23,900	17,200	18,200	21,900	27,900	30,500	391,100
Gross state revenue	720	1,912	1,376	1,456	1,752	2,232	2,440	31,288
MEGA cost	0	176	387	449	432	414	403	7,019
State revenue net of MEGA cost*	720	1,736	989	1,007	1,320	1,818	2,037	24,269
Adjusted for inflation (thousands of 2000 dollars):								
Personal income	9,000	20,561	14,322	14,255	15,778	17,825	18,297	282,053
Gross state revenue	720	1,645	1,146	1,141	1,262	1,426	1,464	22,564
MEGA cost	0	152	323	352	311	264	242	5,071
State revenue net of MEGA cost*	720	1,493	823	789	951	1,162	1,222	17,493

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