

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

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### Abstract

*The Coca-Cola Company is considering building an addition to their existing Michigan facility to house new juice-packaging machinery and equipment for concentrated drink products. The new facility would employ 150 people by 2000. We estimate that by 2018, this expansion will have generated a total of 272 jobs in the state. Total state government revenues through 2018, net of MEGA costs and adjusted for inflation, would increase by \$13,137,000 (1998 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's building an addition to their existing Michigan facility to house new juice-packaging machinery and equipment for concentrated drink products (SIC 2089). Investment activity would take place between 1998 and 1999, with an investment of \$31.468 million, and production would begin in June 1999. The new facility would employ 150 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 2018, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 1999 through 2018 equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the expansion. 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-related activity is expected to generate a total of 21 jobs in 1998 and 167 jobs in 1999; almost all of these jobs are temporary. In 2000, the first year of full operations, an additional 257 jobs are generated in the state. We estimate that by 2018, this facility addition will have generated a total of 272 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 1.7 over the period 2000 to 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 the Coca-Cola Company were to expand in Michigan under the incentive program, state personal income in 2000 would be higher by \$11.2 million (in current dollars) than it would be without the facility, and in 2018 it would be \$24.5 million higher. Adjusted for inflation, these numbers in 1998 dollars would be \$8.9 million in 2000 and \$12.9 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 \$896,000 in additional gross state government revenue, and that the MEGA package would provide a \$211,000 incentive to the Coca-Cola Company. Thus, the Coca-Cola Company facility expansion would increase state government revenues in 2000 by \$685,000, net of MEGA incentive costs.

Over the period 1998 to 2018, gross state government revenue is projected to increase by \$26,240,000 (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 \$5,648,000 over the period, resulting in a net increase in state government revenue of \$20,592,000. Adjusted for inflation, the total net increase in state government revenue from 1998 to 2018 would be \$13,137,000 in 1998 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 Coca-Cola Company Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1998	1999	2000	2005	2010	2015	2018	Total 1998-2018
Total Employment	21	246	257	232	240	261	272	—
Manufacturing	1	106	159	151	151	155	156	—
Nonmanufacturing	20	140	98	81	89	106	116	—
Retail Trade	2	28	27	19	19	21	23	—
Services	3	45	32	23	27	37	43	—
Other	15	67	39	39	43	48	50	—
In current dollars (thousands):								
Personal income	800	10,400	11,200	13,500	16,600	21,100	24,500	328,000
Gross state revenue	64	832	896	1,080	1,328	1,688	1,960	26,240
MEGA cost	0	102	211	249	295	354	396	5,648
State revenue net of MEGA cost*	64	730	685	831	1,033	1,334	1,564	20,592
Adjusted for inflation (thousands of 1998 dollars):								
Personal income	800	8,611	8,897	9,523	10,562	11,999	12,873	209,228
Gross state revenue	64	689	712	762	845	960	1,030	16,738
MEGA cost	0	85	167	176	188	201	208	3,601
State revenue net of MEGA cost*	64	604	545	586	657	759	822	13,137

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