

**The Economic Effects on Michigan of
the Dispomedic 2000, Ltd. Facility Location Decision**

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July 15, 2003

Abstract

Dispomedic 2000, Ltd., a manufacturer of safety syringe products primarily for the medical industry, is considering purchasing and renovating an existing 60,000 square foot building in Port Huron, Michigan. The facility would employ an additional 200 people by 2008. We estimate that by 2015, this location will have generated a total of 415 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would increase by \$13,380,000 (2003 dollars) due to the location of Dispomedic.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Dispomedic 2000, Ltd., a manufacturer of safety syringe products primarily for the medical industry, purchasing and renovating an existing 60,000 square foot building in Port Huron, Michigan (SIC 3841). Investment activity would take place in 2004, with an investment of \$9 million. The facility would employ an additional 200 people by 2008.

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 2006 to 2015, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2006 to 2015 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 investment activity is expected to generate a total of 42 jobs in 2004; almost all of these jobs are temporary. In 2008, the first year of full operations, an additional 456 jobs are generated in the state. We estimate that by 2015, this location will have generated a total of 415 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 location averages 2.1 over the period 2008 to 2015. 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 Dispomedic were to locate its operations in Michigan under the incentive program, state personal income in 2008 would be higher by \$27.5 million (in current dollars) than it would

be without the location, and in 2015 it would be \$34.1 million higher. Adjusted for inflation, these numbers in 2003 dollars would be \$19.5 million in 2008 and \$21.9 million in 2015.

The gain in economic activity results in higher state government revenues. We estimate that in 2008, the first year of full operations, the new facility would generate \$2,115,000 in additional gross state government revenue, and that the MEGA package would provide a \$239,000 incentive to Dispomedic. Thus, the Dispomedic location would increase state government revenues in 2008 by \$1,876,000, net of MEGA incentive costs.

Over the period 2006 to 2015, gross state government revenue is projected to increase by \$22,101,000 (in current dollars) due to the location of Dispomedic. The MEGA incentive package for Dispomedic is forecast to cost \$2,487,000 over the period, resulting in a net increase in state government revenue of \$19,614,000. Adjusted for inflation, the total net increase in state government revenue from 2006 to 2015 would be \$13,380,000 in 2003 dollars.

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 Dispoedic 2000, Ltd. Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2006	2007	2008	2010	2015	Total 2006-2015
Total Employment	357	408	456	428	415	—
Manufacturing	164	186	209	202	200	—
Nonmanufacturing	193	222	247	226	215	—
Retail Trade	42	47	51	45	40	—
Services	69	74	79	66	62	—
Other	82	101	117	115	113	—
In current dollars (thousands):						
Personal income	17,900	23,000	27,500	29,500	34,100	287,400
Gross state revenue	1,377	1,769	2,115	2,268	2,623	22,101
MEGA cost	171	207	239	240	307	2,487
State revenue net of MEGA cost*	1,206	1,562	1,876	2,028	2,316	19,614
Adjusted for inflation (thousands of 2003 dollars):						
Personal income	13,916	16,934	19,464	20,274	21,869	196,072
Gross state revenue	1,070	1,302	1,497	1,559	1,682	15,078
MEGA cost	133	153	169	165	197	1,698
State revenue net of MEGA cost*	937	1,149	1,328	1,394	1,485	13,380

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