

**The Economic Effects on Michigan of the  
E.A.B. Fabrication, Inc., Relocation and Expansion**

Prepared by the Michigan Economic Development Corporation utilizing Regional  
Economic Models, Incorporated (REMI) software.

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### Abstract

*E.A.B. Fabrication, Inc., is considering building a manufacturing facility in Quincy, Michigan. This facility would manufacture metal material handling containers (racks). The new facility would employ up to 75 people by the end of 2009. We estimate that by 2014, this location will have generated a total of 137 jobs in the state. Total state government revenues through 2014, net of MEGA costs and adjusted for inflation, would increase by \$3.7 million (2004 dollars) due to the location of the E.A.B. Fabrication, Inc., relocation and expansion.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of E.A.B. Fabrication, Inc., locating a manufacturing facility in Quincy. Investment activity would take place between 2005 and 2009 with an investment of \$900,000. The facility would employ an additional 75 people and would be at full production by 2009.

The estimates of the benefits attributable to the project 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 2005 to 2014, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 75 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2005 to 2014.

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 created from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2009, the first year of full operations, an additional 133 jobs are generated in the state. The total number of jobs (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 1.37 over the period 2005 to 2014. Sectoral detail on the employment 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 E.A.B. Fabrication, Inc., were to locate in Michigan under the incentive program, state personal income in 2009 would be higher by \$6.9 million (in current dollars) than it would be without the facility, and in 2014, it would be \$9.6 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$6.3 million in 2009 and \$7.8 million in 2014.

The gain in economic activity results in higher government revenues. We estimate that in 2010, the first year of full operations without investment activity, the facility would

generate \$587,000 in additional gross state revenue, and that the MEGA package would provide a \$47,000 incentive to E.A.B. Fabrication, Inc. Thus, the new E.A.B. Fabrication, Inc. facility would increase state revenues in 2010 by \$540,000 million, net of MEGA costs.

Over the period 2005 to 2014 state government revenue is projected to increase by \$4.6 million (in current dollars) due to the new E.A.B. Fabrication, Inc., facility. The MEGA incentive package for E.A.B. Fabrication, Inc., is forecast to cost \$378,000 over the period, resulting in a net increase in state government revenue of \$4.2 million. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2014 would be \$3.7 million in 2004 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 the 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.

**E.A.B. Fabrication, Inc.**  
**Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
<b>Total Employment</b>											
Manufacturing	27	43	62	89	133	135	134	132	135	137	
Non-Manufacturing	12	24	34	48	72	71	70	69	70	71	
Retail Trade	15	19	28	41	61	64	64	63	65	66	
Services	3	3	5	7	11	11	11	11	11	11	
Other	6	9	13	20	30	30	29	29	29	30	
	6	7	10	14	20	23	24	23	25	25	
<b>In Current Dollars (Thousands):</b>											
Personal Income	\$1,068	\$1,923	\$2,960	\$4,517	\$6,927	\$7,629	\$8,026	\$8,484	\$8,911	\$9,583	\$60,028
Gross State Revenue	82	148	228	348	533	587	618	653	686	738	4,621
Mega Cost	7	15	22	30	45	47	49	52	54	57	378
State Revenue Net of MEGA Cost*	\$75	\$133	\$206	\$318	\$488	\$540	\$569	\$601	\$632	\$681	\$4,243
<b>Adjusted for Inflation (Thousands of 2004 Dollars):</b>											
Personal Income	\$1,050	\$1,847	\$2,784	\$4,161	\$6,252	\$6,747	\$6,957	\$7,209	\$7,423	\$7,826	\$52,256
Gross State Revenue	81	142	214	321	481	519	536	555	571	603	4,023
Mega Cost	6	15	21	28	41	42	43	44	45	46	331
State Revenue Net of MEGA Cost*	\$75	\$127	\$193	\$293	\$440	\$477	\$493	\$511	\$526	\$557	\$3,692

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