

**The Economic Effects on Michigan of the
Ford Motor Company Facility Retention Decision**

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Abstract

Ford Motor Company is considering building a new assembly facility to produce a product new to Michigan, and updating the infrastructure at the Rouge complex. The new facility would employ 3,800 existing Michigan-based Ford employees by 2005. We estimate that by 2022, this retention will have maintained a total of 16,448 jobs in the state. Through 2022, \$1,315,252,000 (2000 dollars) of total state government revenues, net of MEGA and Brownfield Credit costs and adjusted for inflation, would be retained due to the retention of the Ford Motor Company employees.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Ford Motor Company building a new assembly facility to produce a product new to Michigan, and updating the infrastructure at the Rouge complex (SIC 3711). Investment activity would take place between 2001 and 2002, with an investment of \$1 billion. The facility would employ 3,800 existing Michigan-based Ford employees and be at full production by 2005.

The estimates of the benefits include the total number of jobs retained in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue retained as a result of the job retention. Benefits net of the MEGA incentive package and the Brownfield Credit, from 2001 to 2022, are shown in the attached table. The MEGA incentive package includes relief from 50 percent of the single business tax for the period 2003 to 2020; it also includes a tax credit to the company for the period 2003 to 2022 equal to 50 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 Brownfield Credit equals \$3 million per year for the period 2004 to 2013.

The total employment effects, reported in the first line of the table, include the direct jobs retained at the facility itself plus the spin-off jobs retained. 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 6,276 jobs in 2001 and 3,033 jobs in 2002; almost all of these jobs are temporary. In 2005, the first year of full operations, 16,800 jobs are maintained in the state. We estimate that by 2022, this retention will have maintained a total of 16,448 jobs in the state. Sectoral detail on the employment retention 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 Ford Motor Company were to locate the proposed project in Michigan under the incentive program, state personal income in 2005 would be higher by \$1.09 billion (in current dollars) than it would be without the facility, and in 2022 it would be \$2.01 billion higher. Adjusted for inflation, these numbers in 2000 dollars would be \$804.9 million in 2005 and \$1.07 billion in 2022.

The retention of economic activity results in higher state government revenues. We estimate that in 2005, the first year of full operations, the retention of the facility would maintain \$87,368,000 in gross state government revenue, the MEGA package would provide a \$5,945,000 incentive to Ford Motor Company, and the Brownfield Credit would provide a \$3 million incentive to Ford Motor Company. Thus, the Ford Motor Company facility location would maintain \$78,423,000 in state government revenues in 2005, net of MEGA incentive and Brownfield Credit costs.

Over the period 2001 to 2022, gross state government revenue is projected to be higher by \$2,265,536,000 (in current dollars) due to the retention of the employees hired at the proposed Ford Motor Company project. The MEGA incentive package for Ford Motor Company is forecast to cost \$139,372,000 over the period, and the Brownfield Credit to Ford Motor Company is forecast to cost \$30,000,000 over the period, resulting in a net retention of state government revenue of \$2,096,164,000. Adjusted for inflation, the total net retention in state government revenue from 2001 to 2022 would be \$1,315,252,000 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 retention by 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 Ford Motor Company Facility Retention
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	2010	2015	2020	2022	Total 2001-2022
Total Employment	6,276	3,033	6,290	12,775	16,800	14,659	15,001	16,040	16,448	—
Manufacturing	164	453	2,456	4,976	6,454	5,845	5,839	5,954	5,995	—
Nonmanufacturing	6,112	2,580	3,834	7,799	10,346	8,814	9,162	10,086	10,453	—
Retail Trade	646	343	899	1,836	2,376	1,904	1,916	2,067	2,130	—
Services	1,213	849	1,310	2,774	3,590	2,784	3,016	3,587	3,832	—
Other	4,253	1,388	1,625	3,189	4,380	4,126	4,230	4,432	4,491	—
In current dollars (thousands):										
Personal income	263,400	177,100	385,700	786,300	1,092,100	1,276,400	1,512,700	1,852,100	2,008,600	28,319,200
Gross state revenue	21,072	14,168	30,856	62,904	87,368	102,112	121,016	148,168	160,688	2,265,536
MEGA cost	0	0	2,935	4,699	5,945	6,726	7,567	8,362	8,833	139,372
Brownfield Credit cost	0	0	0	3,000	3,000	3,000	0	0	0	30,000
State revenue net of MEGA and Brownfield Credit costs*	21,072	14,168	27,921	55,205	78,423	92,386	113,449	139,806	151,855	2,096,164
Adjusted for inflation (thousands of 2000 dollars):										
Personal income	202,832	123,818	292,026	595,164	804,870	853,181	933,961	1,033,991	1,073,745	17,800,211
Gross state revenue	16,227	9,905	23,362	47,613	64,389	68,254	74,717	82,720	85,900	1,424,017
MEGA cost	0	0	2,222	3,557	4,381	4,496	4,672	4,669	4,722	88,097
Brownfield Credit cost	0	0	0	2,271	2,211	2,005	0	0	0	20,668
State revenue net of MEGA and Brownfield Credit costs*	16,227	9,905	21,140	41,785	57,797	61,753	70,045	78,051	81,178	1,315,252

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