

**The Economic Effects on Michigan of the
Forest Health Services Corporate Headquarters**

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

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Abstract

Forest Health Services is considering relocating its corporate headquarters facility to Ypsilanti, Michigan. The new facility would employ up to 488 additional people by the end of 2003. We estimate that by 2005, this location will have generated a total of 633 jobs in the state. Total state government revenues through 2005, net of MEGA costs and adjusted for inflation, would increase by \$7,380,000 (2000 dollars) due to the relocation of Forest Health Services headquarters.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Forest Health Services relocating its headquarters to Ypsilanti. Investment activity would take place between 2001 and 2003, with an investment of \$20 million. The facility would employ an additional 488 people and would be at full capacity by 2003.

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 attributable to the project. Benefits net of the MEGA incentive package, from 2000 to 2005, 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 2000 to 2005.

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. 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 1.69 over the period 2000 to 2005. 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 Forest Health Services were to locate in Michigan under the incentive program, state personal income in 2003 would be higher by \$39.9 million (in current dollars) than it would be without the facility, and in 2005, it would be \$40.9 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$30.5 million in 2003 and \$30.7 million in 2005.

Over the period 2000 to 2005, state government revenue is projected to increase by \$13,584,000 (in current dollars) due to the new Forest Health Services facility. The MEGA incentive package for Forest Health Services is forecast to cost \$4,088,000 over the period, resulting in a net increase in state government revenue of \$9,496,000.

Adjusted for inflation, the total net increase in state government revenue from 2000 to 2005 would be \$7,380,000 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 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.

**Forest Health Services
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2000	2001	2002	2003	2004	2005	Total
Total Employment	0	495	591	774	683	633	
Manufacturing	0	14	4	-1	-12	-18	
Non-Manufacturing	0	481	587	775	695	651	
Retail Trade	0	75	69	85	69	61	
Services	0	285	427	586	551	527	
Other	0	121	91	104	75	63	
In Current Dollars (Thousands):							
Personal Income	\$0	\$20,320	\$28,290	\$39,920	\$40,370	\$40,890	\$169,790
Gross State Revenue	0	1,626	2,263	3,194	3,230	3,271	13,584
Mega Cost	0	397	680	981	995	1,035	4,088
State Revenue Net of MEGA Cost*	\$0	\$1,229	\$1,583	\$2,213	\$2,235	\$2,236	\$9,496
Adjusted for Inflation (Thousands of 2000 Dollars):							
Personal Income	\$0	\$17,272	\$22,632	\$30,539	\$30,681	\$30,668	\$131,792
Gross State Revenue	0	1,382	1,810	2,443	2,455	2,453	10,543
Mega Cost	0	337	544	750	756	776	3,163
State Revenue Net of MEGA Cost*	\$0	\$1,045	\$1,266	\$1,693	\$1,699	\$1,677	\$7,380

* 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.