

**The Economic Effects on Michigan of the
GyriconMedia, Inc. Facility Location Decision**

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Abstract

GyriconMedia, Inc., is considering locating an electronic paper manufacturing facility in Scio Township as a new start-up venture with backing from Xerox. The facility would employ an additional 634 people by 2005. We estimate that by 2012, this location will have generated a total of 1,031 jobs in the state. Total state government revenues through 2012, net of MEGA costs and adjusted for inflation, would increase by \$33,569,000 (2001 dollars) due to the location of GyriconMedia, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of GyriconMedia, Inc., locating an electronic paper manufacturing facility in Scio Township as a new start-up venture with backing from Xerox (SIC 3679). Investment activity would take place between 2002 and 2004, with an investment of \$29 million. The facility would employ an additional 634 people by 2005.

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 2002 to 2012, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2003 to 2007; it also includes a tax credit to the company for the period 2003 to 2012 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 construction activity is expected to generate a total of 79 jobs in 2002, 6 jobs in 2003, and 20 jobs in 2004; almost all of these jobs are temporary. In 2005, the first year of full operations, an additional 1,218 jobs are generated in the state. We estimate that by 2012, this location will have generated a total of 1,031 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 1.72 over the period 2005 to 2012. 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 GyriconMedia, Inc. were to locate in Michigan under the incentive program, state personal income in 2005 would be higher by \$72.8 million (in current dollars) than it would be without the facility, and in 2012 it would be \$90 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$53.49 million in 2005 and \$57.27 million in 2012.

The gain in economic activity results in higher state government revenues. We estimate that in 2005, the first year of full operations, the facility would generate \$5,824,000 in additional gross state government revenue, and that the MEGA package would provide an \$1,129,000 incentive to GyriconMedia, Inc. Thus, the GyriconMedia, Inc. facility location would increase state government revenues in 2005 by \$4,695,000, net of MEGA incentive costs.

Over the period 2002 to 2012, gross state government revenue is projected to increase by \$60,568,000 (in current dollars) due to the location of GyriconMedia, Inc. The MEGA incentive package for GyriconMedia, Inc. is forecast to cost \$11,918,000 over the period, resulting in a net increase in state government revenue of \$48,650,000. Adjusted for inflation, the total net increase in state government revenue from 2002 to 2012 would be \$33,569,000 in 2001 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 tax abatement and the tax credit 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 GyriconMedia, Inc. Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2002	2003	2004	2005	2010	2012	Total 2002-2012
Total Employment	337	641	931	1,218	1,040	1,031	—
Manufacturing	158	356	515	650	634	634	—
Nonmanufacturing	179	285	416	568	406	397	—
Retail Trade	41	78	112	150	116	114	—
Services	62	94	136	187	121	121	—
Other	76	113	168	231	169	162	—
In current dollars (thousands):							
Personal income	16,300	34,000	52,900	72,800	84,800	90,000	757,100
Gross state revenue	1,304	2,720	4,232	5,824	6,784	7,200	60,568
MEGA cost	0	575	1,130	1,129	1,325	1,425	11,918
State revenue net of MEGA cost*	1,304	2,145	3,102	4,695	5,459	5,775	48,650
Adjusted for inflation (thousands of 2001 dollars):							
Personal income	13,265	26,881	40,362	53,486	55,750	57,274	522,316
Gross state revenue	1,061	2,150	3,229	4,279	4,460	4,582	41,785
MEGA cost	0	454	862	829	871	907	8,216
State revenue net of MEGA cost*	1,061	1,696	2,367	3,450	3,589	3,675	33,569

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