

**The Economic Effects on Michigan of the
HTC Global Services Facility Expansion Decision**

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December 17, 2002**

Abstract

HTC Global Services, an information technology solution company providing services to customers globally in the automotive manufacturing, financial services, healthcare, technology, retail, and government industries, is considering consolidating its operations into an existing facility in Troy, Michigan. The facility would employ an additional 500 people by 2005. We estimate that by 2012, this expansion will have generated a total of 790 jobs in the state. Total state government revenues through 2012, net of MEGA costs and adjusted for inflation, would increase by \$23,008,000 (2002 dollars) due to the expansion of HTC Global Services.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of HTC Global Services, an information technology solution company providing services to customers globally in the automotive manufacturing, financial services, healthcare, technology, retail, and government industries, consolidating its operations into an existing facility in Troy, Michigan (SIC 7371). Investment activity would take place between 2003 and 2005, with an investment of \$3.8 million. The facility would employ an additional 500 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 2003 to 2012, are shown in the attached table. The MEGA incentive package 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 investment activity is expected to generate a total of 34 jobs in 2003; almost all of these jobs are temporary. In 2006, the first year of full operations without investment activity, an additional 910 jobs are generated in the state. We estimate that by 2012, this expansion will have generated a total of 790 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 expansion averages 1.7 over the period 2006 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 HTC Global Services were to expand its operations to Michigan under the incentive program, state personal income in 2006 would be higher by \$57.4 million (in current dollars) than it would be without the expansion, and in 2012 it would be \$67.4 million higher. Adjusted for inflation, these numbers in 2002 dollars would be \$40.5 million in 2006 and \$43 million in 2012.

The gain in economic activity results in higher state government revenues. We estimate that in 2006, the first year of full operations without investment activity, the expanded facility would generate \$4,592,000 in additional gross state government revenue, and that the MEGA package would provide a \$1,072,000 incentive to HTC Global Services. Thus, the HTC Global Services expansion would increase state government revenues in 2006 by \$3,520,000, net of MEGA incentive costs.

Over the period 2003 to 2012, gross state government revenue is projected to increase by \$44,168,000 (in current dollars) due to the expansion of HTC Global Services. The MEGA incentive package for HTC Global Services is forecast to cost \$10,607,000 over the period, resulting in a net increase in state government revenue of \$33,561,000. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2012 would be \$23,008,000 in 2002 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 HTC Global Services Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2003	2004	2005	2006	2010	2012	Total 2003-2012
Total Employment	433	785	955	910	800	790	—
Manufacturing	7	6	0	0	0	0	—
Nonmanufacturing	426	779	955	910	800	790	—
Retail Trade	64	117	141	132	109	107	—
Services	289	562	690	670	622	618	—
Other	73	100	124	108	69	65	—
In current dollars (thousands):							
Personal income	20,500	41,100	54,500	57,400	63,700	67,400	552,100
Gross state revenue	1,640	3,288	4,360	4,592	5,096	5,392	44,168
MEGA cost	392	793	1,031	1,072	1,240	1,336	10,607
State revenue net of MEGA cost	1,248	2,495	3,329	3,520	3,856	4,056	33,561
Adjusted for inflation (thousands of 2002 dollars):							
Personal income	16,596	31,630	40,050	40,495	41,779	42,985	378,410
Gross state revenue	1,328	2,531	3,204	3,240	3,342	3,439	30,273
MEGA cost	317	611	758	756	813	852	7,265
State revenue net of MEGA cost	1,011	1,920	2,446	2,484	2,529	2,587	23,008