

**The Economic Effects on Michigan of the
ICG Berrien, Inc. Expansion**

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

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Abstract

ICG Castings is considering locating an expanded production facility in Bridgman, Michigan. This facility would manufacture die cast components for the automotive and appliance industries. The new facility would employ up to 240 people by the end of 2009. We estimate that by 2014, this location will have generated a total of 341 jobs in the state. Total state government revenues through 2014, net of MEGA costs and adjusted for inflation, would increase by \$11 million (2004 dollars) due to ICG's relocation and expansion project.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of ICG Castings locating a production facility in Bridgman. Investment activity would take place between 2005 and 2009 with an investment of \$12 million. The facility would employ an additional 240 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 100 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 374 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 1.2 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 ICG Castings were to expand in Michigan under the incentive program, state personal income in 2009 would be higher by \$22.5 million (in current dollars) than it would be without the facility, and in 2014, it would be \$28.3 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$20.8 million in 2009 and \$24 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 \$1.8 million in additional gross state revenue, and that the MEGA package

would provide a \$325,000 incentive to ICG Castings. Thus, the new ICG Castings facility would increase state revenues in 2010 by \$1.5 million, net of MEGA costs.

Over the period 2005 to 2014 state government revenue is projected to increase by \$14.9 million (in current dollars) due to the new ICG Castings facility. The MEGA incentive package for ICG Castings is forecast to cost \$2.6 million over the period, resulting in a net increase in state government revenue of \$12.2 million. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2014 would be \$11 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.

ICG Berrien, 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
Total Employment											
Manufacturing	141	128	244	235	374	359	355	349	343	341	
Non-Manufacturing	61	59	117	116	185	183	182	181	180	180	
Retail Trade	80	69	127	119	189	176	173	168	163	161	
Services	20	19	35	33	52	49	49	47	46	46	
Other	31	27	52	50	79	75	73	71	69	70	
	29	23	40	36	58	52	51	50	48	45	
In Current Dollars (Thousands):											
Personal Income	\$6,561	\$6,775	\$13,240	\$14,070	\$22,580	\$23,680	\$25,020	\$26,120	\$27,100	\$28,290	\$193,436
Gross State Revenue	505	522	1,019	1,083	1,739	1,823	1,927	2,011	2,087	2,178	14,894
Mega Cost	85	85	183	188	310	325	341	358	377	397	2,648
State Revenue Net of MEGA Cost*	\$420	\$437	\$836	\$895	\$1,429	\$1,498	\$1,586	\$1,653	\$1,710	\$1,781	\$12,246
Adjusted for Inflation (Thousands of 2004 Dollars):											
Personal Income	\$6,457	\$6,559	\$12,609	\$13,178	\$20,798	\$21,449	\$22,294	\$22,892	\$23,353	\$23,965	\$173,554
Gross State Revenue	497	505	970	1,014	1,602	1,651	1,717	1,762	1,798	1,845	13,361
Mega Cost	84	82	174	176	285	294	304	314	324	336	2,373
State Revenue Net of MEGA Cost*	\$413	\$423	\$796	\$838	\$1,317	\$1,357	\$1,413	\$1,448	\$1,474	\$1,509	\$10,988

* 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.