

**The Economic Effects on Michigan of the  
IPC Communication Services Expansion**

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

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### Abstract

*IPC Communication Services, Inc. is considering expanding their facility in St. Joseph, Michigan. This facility would expand their existing media production and distribution facility. The new facility would employ up to 106 people by the end of 2005. We estimate that by 2010, this location will have generated a total of 159 jobs in the state. Total state government revenues through 2010, net of MEGA costs and adjusted for inflation, would increase by \$6.0 million (2001 dollars) due to the IPC Communication Services Expansion.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of IPC Communication Services, Inc. locating a media production facility in St. Joseph. Investment activity would take place between 2001 and 2005 with an investment of \$2.3 million. The facility would employ an additional 106 people and would be at full production by 2005.

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 2001 to 2010, 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 2001 to 2002, 75 percent for employees hired from 2003 to 2005, 50 percent for employees hired from 2006 to 2008 and 25 percent for employees hired from 2009 to 2010.

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 2005, the first year of full operations, an additional 172 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 1.55 over the period 2001 to 2010. 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 IPC Communication Services, Inc. were to locate in Michigan under the incentive program, state personal income in 2005 would be higher by \$10.5 million (in current dollars) than it would be without the facility, and in 2010, it would be \$11.5 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$9.5 million in 2005 and \$9.4 million in 2010.

ain in economic activity results in higher government revenues. We estimate that  
06, the first year of full operations without investment activity, the facility would  
ate \$847,000 in additional gross state revenue, and that the MEGA package  
provide a \$93,000 incentive to IPC Communication Services, Inc. Thus, the new  
Communication Services, Inc. facility would increase state revenues in 2006 by  
000 million, net of MEGA costs.

the period 2001 to 2010 state government revenue is projected to increase by  
million (in current dollars) due to the new IPC Communication Services, Inc.  
y. The MEGA incentive package for IPC Communication Services, Inc. is forecast  
st \$1.0 over the period, resulting in a net increase in state government revenue of  
million. Adjusted for inflation, the total net increase in state government revenue  
2001 to 2010 would be \$6.0 million in 2001 dollars. These calculations do not  
de any revenue losses due to the property tax abatement or the investment tax  
it. If the costs of the abatement and the tax credit were included, the net revenue  
to state government would be slightly less.

Some 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.

**IPC Communication Services, Inc.  
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Total
<b>Total Employment</b>	161	155	163	166	181	172	166	161	159	159	\$97,238
Manufacturing	85	87	95	99	110	108	107	106	106	106	7,780
Non-Manufacturing	76	68	68	67	71	64	59	55	53	53	1,004
Retail Trade	18	17	17	17	17	16	14	13	13	13	\$6,776
Services	29	26	26	26	28	26	24	23	22	23	
Other	29	25	25	24	26	22	21	19	18	17	
<b>In Current Dollars (Thousands):</b>											
Personal Income	\$6,714	\$7,385	\$8,423	\$9,186	\$10,470	\$10,590	\$10,770	\$10,960	\$11,200	\$11,540	\$97,238
Gross State Revenue	537	591	674	735	838	847	862	877	896	923	7,780
Mega Cost	121	128	108	117	135	93	97	100	52	54	1,004
State Revenue Net of MEGA Cost*	\$416	\$463	\$566	\$618	\$703	\$754	\$765	\$777	\$844	\$869	\$6,776
<b>Adjusted for Inflation (Thousands of 2001 Dollars):</b>											
Personal Income	\$6,714	\$7,214	\$8,037	\$8,565	\$9,543	\$9,438	\$9,386	\$9,343	\$9,328	\$9,382	\$86,950
Gross State Revenue	537	577	643	685	764	755	751	748	746	750	6,956
Mega Cost	121	125	103	109	123	83	84	85	43	44	920
State Revenue Net of MEGA Cost*	\$416	\$452	\$540	\$576	\$641	\$672	\$667	\$663	\$703	\$706	\$6,036