

**The Economic Effects on Michigan  
of the Jabil Circuit, Inc. Facility Expansion Decision**

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### Abstract

*Jabil Circuit, Inc. is considering building a new 150,000 square foot circuit board manufacturing plant in Auburn Hills, Michigan. The facility will manufacture circuit board assemblies and systems for international original equipment manufacturers in the communications, computer peripheral, personal computer, automotive and consumer products industries. The new facility would employ 451 people by 2003. We estimate that by 2019, this expansion will have generated a total of 1,088 jobs in the state. Total state government revenues through 2019, net of MEGA costs and adjusted for inflation, would increase by \$48,072,000 (1999 dollars) due to the expansion of Jabil Circuit, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Jabil Circuit, Inc. building a new 150,000 square foot circuit board manufacturing plant in Auburn Hills, Michigan. The facility will manufacture circuit board assemblies and systems for international original equipment manufacturers in the communications, computer peripheral, personal computer, automotive and consumer products industries (SIC 3672). Investment activity would take place between 1999 and 2001, with an investment of \$38 million, and production would begin in February 2001. The new facility would employ 451 people 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. Benefits net of the MEGA incentive package, from 1999 to 2019, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2000 to 2019, and a tax credit to the company for the same period equal to the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project. The payroll tax credit represents 100 percent of the maximum employment credit available to a company.

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 of the facility is expected to generate a total of 16 jobs in 1999, 157 jobs in 2000, and 53 jobs in 2001; almost all of these jobs are temporary. In 2003, the first year of full operations, an additional 926 jobs are generated in the state. We estimate that by 2019, this facility addition will have generated a total of 1,088 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

2.1 over the period 2003 to 2019. 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 Jabil Circuit, Inc. were to expand in Michigan under the incentive program, state personal income in 2003 would be higher by \$48.7 million (in current dollars) than it would be without the facility, and in 2019 it would be \$110.1 million higher. Adjusted for inflation, these numbers in 1999 dollars would be \$35.6 million in 2003 and \$53.6 million in 2019.

The gain in economic activity results in higher state government revenues. We estimate that in 2003, the first year of full operations, the facility would generate \$3,896,000 in additional gross state government revenue, and that the MEGA package would provide a \$1,180,000 incentive to Jabil Circuit, Inc. Thus, the Jabil Circuit, Inc. facility expansion would increase state government revenues in 2003 by \$2,716,000, net of MEGA incentive costs.

Over the period 1999 to 2019, gross state government revenue is projected to increase by \$106,136,000 (in current dollars) due to the expansion of Jabil Circuit, Inc. The MEGA incentive package for Jabil Circuit, Inc. is forecast to cost \$23,491,000 over the period, resulting in a net increase in state government revenue of \$82,645,000. Adjusted for inflation, the total net increase in state government revenue from 1999 to 2019 would be \$48,072,000 in 1999 dollars. These calculations do not include any revenue losses due to the property tax abatement. If the cost of the abatement 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 Jabil Circuit, Inc. Facility Expansion**  
**Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1999	2000	2001	2002	2003	2005	2010	2015	2019	Total 1999-2019
Total Employment	16	157	331	917	926	885	883	983	1,088	—
Manufacturing	1	11	167	480	483	464	451	454	462	—
Nonmanufacturing	15	146	164	437	443	421	432	529	626	—
Retail Trade	2	19	43	120	118	108	103	117	134	—
Services	3	31	70	176	171	155	159	207	262	—
Other	10	96	51	141	154	158	170	205	230	—
In current dollars (thousands):										
Personal income	600	6,600	15,300	43,200	48,700	54,300	67,000	87,500	110,100	1,326,700
Gross state revenue	48	528	1,224	3,456	3,896	4,344	5,360	7,000	8,808	106,136
MEGA cost	0	430	1,122	1,159	1,180	1,197	1,223	1,240	1,244	23,491
State revenue net of MEGA cost*	48	98	102	2,297	2,716	3,147	4,137	5,760	7,564	82,645
Adjusted for inflation (thousands of 1999 dollars):										
Personal income	600	5,529	12,051	33,396	35,590	36,693	40,528	47,461	53,580	782,192
Gross state revenue	48	442	964	2,672	2,847	2,936	3,242	3,797	4,286	62,576
MEGA cost	0	360	884	896	863	809	740	673	605	14,504
State revenue net of MEGA cost*	48	82	80	1,776	1,984	2,127	2,502	3,124	3,681	48,072

\*These estimates do not include any state government revenue losses due to the property tax abatement.