

**The Economic Effects on Michigan of the
Jackson Precision Die Casting Facility**

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

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Abstract

Jackson Precision Die Casting is considering building a new manufacturing facility in Jackson, Michigan. This facility would manufacture aluminum die cast parts, primarily for the automotive industry. The new facility would employ up to 90 people by the end of 2002. We estimate that by 2010, this location will have generated a total of 220 jobs in the state. Total state government revenues through 2010, net of MEGA costs and adjusted for inflation, would increase by \$10.2 million (2000 dollars) due to the location of the Jackson Precision Die Casting Facility.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Jackson Precision Die Casting locating a new manufacturing facility in Jackson. Investment activity would take place between 2001 and 2005, with an investment of \$13,100,000. The facility would employ an additional 90 people and would be at full production by 2002.

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 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 2002, the first year of full operations, an additional 280 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 2.78 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 Jackson Precision Die Casting were to locate in Michigan under the incentive program, state personal income in 2002 would be higher by \$15.4 million (in current dollars) than it would be without the facility, and in 2010, it would be \$17.5 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$14.7 million in 2002 and \$14.1 million in 2010.

The gain in economic activity results in higher government revenues. We estimate that in 2006, the first year of full operations without investment activity, the facility would

generate \$1,284,000 in additional gross state revenue, and that the MEGA package would provide a \$144,000 incentive to Jackson Precision Die Casting. Thus, the new Jackson Precision Die Casting facility would increase state revenues in 2006 by \$1,140,000 net of MEGA costs.

Over the period 2001 to 2010, state government revenue is projected to increase by \$13.0 million (in current dollars) due to the new Jackson Precision Die Casting facility. The MEGA incentive package for Jackson Precision Die Casting is forecast to cost \$1.4 million over the period, resulting in a net increase in state government revenue of \$11.6 million. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2010 would be \$10.3 in 2000 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.

**Jackson Precision Die Casting Facility
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	2006	2010	Total
Total Employment								
Manufacturing	356	280	264	250	240	227	220	
Non-Manufacturing	84	90	86	83	80	78	77	
Retail Trade	272	190	178	167	160	149	143	
Services	47	38	35	32	30	27	25	
Other	80	67	62	58	56	53	53	
	145	85	81	77	74	69	65	
In Current Dollars (Thousands):								
Personal Income	\$16,110	\$15,380	\$15,630	\$15,930	\$16,080	\$16,050	\$17,490	\$162,290
Gross State Revenue	1,289	1,230	1,250	1,274	1,286	1,284	1,399	12,982
Mega Cost	109	132	133	134	139	144	165	1,420
State Revenue Net of MEGA Cost*	\$1,180	\$1,098	\$1,117	\$1,140	\$1,147	\$1,140	\$1,234	\$11,562
Adjusted for Inflation (Thousands of 2000 Dollars):								
Personal Income	\$15,761	\$14,727	\$14,648	\$14,610	\$14,432	\$14,092	\$14,055	\$144,004
Gross State Revenue	1,261	1,178	1,171	1,168	1,154	1,127	1,124	11,518
Mega Cost	107	126	125	123	125	127	133	1,255
State Revenue Net of MEGA Cost*	\$1,154	\$1,052	\$1,046	\$1,045	\$1,029	\$1,000	\$991	\$10,263

* 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.