

**The Economic Effects on Michigan of the
Mold Masters Company Facility Expansion Decision**

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Abstract

Mold Masters Company, an automotive supplier of plastic injected parts – including secondary operations such as flocking and assembly – is considering relocating their operations from Imlay City to an existing facility in Lapeer, Michigan due to company expansion. The facility would employ an additional 300 people by 2004. We estimate that by 2011, this expansion will have generated a total of 435 jobs in the state. Total state government revenues through 2011, net of MEGA costs and adjusted for inflation, would increase by \$10,726,000 (2001 dollars) due to the expansion of Mold Masters Company.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Mold Masters Company, an automotive supplier of plastic injected parts – including secondary operations such as flocking and assembly – relocating their operations from Imlay City to an existing facility in Lapeer, Michigan due to company expansion (SIC 3089). Investment activity would take place between 2001 and 2002, with an investment of \$6.3 million. The facility would employ an additional 300 people by 2004.

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 2001 to 2011, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2002 to 2011; it also includes a tax credit to the company for the same period equal to 50 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. In 2004, the first year of full operations, an additional 510 jobs are generated in the state. We estimate that by 2011, this expansion will have generated a total of 435 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 1.5 over the period 2004 to 2011. 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 Mold Masters Company were to expand in Michigan under the incentive program, state personal income in 2004 would be higher by \$22.5 million (in current dollars) than it would be without the facility, and in 2011 it would be \$28 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$16.9 million in 2002 and \$17.8 million in 2011.

The gain in economic activity results in higher state government revenues. We estimate that in 2004, the first year of full operations, the facility would generate \$1,800,000 in additional gross state government revenue, and that the MEGA package would provide an \$244,000 incentive to Mold Masters Company. Thus, the Mold Masters Company facility expansion would increase state government revenues in 2004 by \$1,556,000, net of MEGA incentive costs.

Over the period 2001 to 2011, gross state government revenue is projected to increase by \$17,888,000 (in current dollars) due to the expansion of Mold Masters Company. The MEGA incentive package for Mold Masters Company is forecast to cost \$2,251,000 over the period, resulting in a net increase in state government revenue of \$15,637,000. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2011 would be \$10,726,000 in 2001 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 tax abatement and the Investment Tax Credit 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 Mold Masters Company Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	2010	2011	Total 2001-2011
Total Employment	15	161	290	510	494	438	435	—
Manufacturing	1	84	170	310	304	300	300	—
Nonmanufacturing	14	77	120	200	190	138	135	—
Retail Trade	2	17	29	48	44	31	30	—
Services	3	28	40	65	57	34	34	—
Other	9	32	51	87	89	73	71	—
In current dollars (thousands):								
Personal income	600	6,300	12,100	22,500	24,100	27,300	28,000	223,600
Gross state revenue	48	504	968	1,800	1,928	2,184	2,240	17,888
MEGA cost	0	72	146	244	247	261	265	2,251
State revenue net of MEGA cost*	48	432	822	1,556	1,681	1,923	1,975	15,637
Adjusted for inflation (thousands of 2001 dollars):								
Personal income	600	5,193	9,386	16,890	17,162	17,796	17,843	153,439
Gross state revenue	48	415	751	1,351	1,373	1,423	1,428	12,275
MEGA cost	0	59	113	183	176	170	169	1,549
State revenue net of MEGA cost*	48	356	638	1,168	1,197	1,253	1,259	10,726

*These estimates do not include any state government revenue losses due to the Investment Tax Credit or the property tax abatement.