

**The Economic Effects on Michigan  
of the N-K Manufacturing Technologies, Inc. Facility Expansion  
Decision**

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### Abstract

*N-K Manufacturing Technologies, Inc. is considering building a new facility in Allendale, Michigan to expand its injection-molding operations. By the year 2011, the facility would employ 540 people. We estimate that by 2018, this expansion will have generated a total of 1,047 jobs in the state. Total state government revenues through 2018, net of MEGA costs and adjusted for inflation, would be increased by \$38,532,000 (1997 dollars) due to the expansion of N-K Manufacturing Technologies, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of N-K Manufacturing Technologies, Inc. building a new facility in Allendale, Michigan to expand its injection-molding operations (SIC 3089). Investment activity would take place between 1997 and 1999, with an investment of \$10.5 million, and operations would begin in April 1998. The facility would employ 540 workers by 2011.

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 1997 to 2018, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 1999-2018 equal to 4.4 percent of 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 62 jobs in 1997, 5 jobs in 1998, and 4 jobs in 1999; almost all of these jobs are temporary. In 2011, the first year of full operations, an additional 1,022 jobs are generated in the state. We estimate that by 2018 this facility will have generated a total of 1,047 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 1.9 over the period 2011-2018. 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 N-K Manufacturing Technologies, Inc. were to expand in Michigan under the incentive program, state personal income in 2011 would be higher by \$71.8 million (in current dollars) than it would be without the facility, and in 2018 it would be \$97.4 million higher. Adjusted for inflation, these numbers in 1997 dollars would be \$41 million in 2011 and \$47.5 million in 2018.

The gain in economic activity results in higher state government revenues. We estimate that in 2011, the first year of full operations, the facility would generate \$5,744,000 in additional gross state government revenue, and that the MEGA package would provide a \$725,000 incentive to N-K Manufacturing Technologies, Inc. Thus, the N-K Manufacturing Technologies, Inc. facility expansion would generate an additional \$5,019,000 in revenue to state government in 2011, net of MEGA incentive costs.

Over the period 1997-2018, gross state government revenue is projected to increase by \$79,600,000 (in current dollars) due to the expansion of N-K Manufacturing Technologies, Inc. The MEGA incentive package for N-K Manufacturing Technologies, Inc. is forecast to cost \$9,862,000 over the period, resulting in a net increase in state government revenue of \$69,738,000. Adjusted for inflation, the total net increase in state government revenue from 1997 to 2018 would be \$38,532,000 in 1997 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 N-K Manufacturing Technologies, Inc. Facility Expansion**  
**Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1997	1998	1999	2000	2005	2010	2011	2015	2018	Total 1997-2018
Total Employment	132	131	164	192	393	850	1,022	1,021	1,047	—
Manufacturing	68	76	96	115	223	448	543	540	540	—
Nonmanufacturing	64	55	68	77	170	402	479	481	507	—
Retail Trade	12	13	16	19	39	85	101	99	102	—
Services	20	22	26	30	67	166	199	197	211	—
Other	32	20	26	28	64	151	179	185	194	—
In current dollars (thousands):										
Personal income	5,000	5,600	7,400	9,100	22,700	58,100	71,800	86,500	97,400	995,000
Gross state revenue	400	448	592	728	1,816	4,648	5,744	6,920	7,792	79,600
MEGA cost	0	0	97	121	266	611	725	813	879	9,862
State revenue net of MEGA cost	400	448	495	607	1,550	4,037	5,019	6,107	6,913	69,738
Adjusted for inflation (thousands of 1997 dollars):										
Personal income	5,000	5,116	6,352	7,421	15,583	33,952	40,999	44,690	47,539	564,468
Gross state revenue	400	409	508	594	1,247	2,716	3,280	3,575	3,803	45,158
MEGA cost	0	0	92	111	214	428	493	494	490	6,626
State revenue net of MEGA cost	400	409	416	483	1,033	2,288	2,787	3,081	3,313	38,532

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