

**The Economic Effects on Michigan
of the National TechTeam Facility Expansion Decision**

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Abstract

National TechTeam is considering expanding its Southfield, Michigan facility, which delivers computer services for major companies on an international scale, providing computer training, corporate computer support services, call center services, networking services and systems integration. By 1998, the facility would employ 650 people. We estimate that by 2004, this expansion will have generated a total of 884 jobs in the state. Total state government revenues through 2004, net of MEGA costs and adjusted for inflation, would be increased by \$19,917,000 (1996 dollars) due to the expansion of National TechTeam.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of National TechTeam's expanding its Southfield, Michigan facility, which delivers computer services for major companies on an international scale, providing computer training, corporate computer support services, call center services, networking services and systems integration (SIC 7379). Renovation activity would take place between 1996 and 1998, with an investment of \$6.51 million, and production would begin in July 1996. The facility would employ 650 workers by 1998.

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 1996 to 2004, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 1996-2004 equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the project between 1996 and 1998, 2.64 percent of the payroll in 1999 and 2000, and 1.32 percent of the payroll between 2001 and 2004. The payroll tax credit represents 100 percent of the maximum employment credit available to a company between 1996 and 1998, 60 percent in 1999 and 2000, and 30 percent between 2001 and 2004.

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 renovation of the facility and investment in machinery and equipment is expected to generate a total of 19 jobs in 1996, 16 jobs in 1997, and 15 jobs in 1998; almost all of these jobs are temporary. In 1999, the first year of full production without renovation activity, an additional 923 jobs are generated in the state. We estimate that by 2004, this facility will have generated a total of 884 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 1.4 over the period 1999-2004. 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 National TechTeam were to expand in Michigan under the incentive program, state personal income in 1999 would be higher by \$47.9 million (in current dollars) than it would be without the facility, and in 2004 it would be \$63.8 million higher. Adjusted for inflation, these numbers in 1996 dollars would be \$35.1 million in 1999 and \$39.5 million in 2004.

The gain in economic activity results in higher state government revenues. The renovation of the facility, investment in machinery and equipment, and production activity would generate \$704,000 in 1996 (in current dollars) in additional gross state revenue, and the MEGA package would provide a \$138,000 incentive to National TechTeam. Thus, the National TechTeam facility would generate an additional \$566,000 in revenue to state government in 1996, net of MEGA incentive costs. We estimate that in 1999, the first year of full production without renovation activity, the operation of the facility would generate \$3,832,000 in additional gross state government revenue, and that the MEGA package would provide a \$531,000 incentive to National TechTeam. Thus, the National TechTeam facility would generate an additional \$3,301,000 in revenue to state government in 1999, net of MEGA incentive costs.

Over the period 1996-2004, gross state government revenue is projected to increase by \$33,328,000 (in current dollars) due to the expansion of National TechTeam. The MEGA incentive package for National TechTeam is forecast to cost \$3,884,000 over the period, resulting in a net increase in state government revenue of \$29,444,000. Adjusted for inflation, the total net increase in state government revenue from 1996 to 2004 would be \$19,917,000 in 1996 dollars.

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 National Tech Team Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1996	1997	1998	1999	2000	2004	Total 1996-2004
Total Employment	240	661	942	923	906	884	—
Retail Trade	30	59	83	79	75	67	—
Services	173	529	759	749	741	724	—
Other	37	73	100	95	90	93	—
In current dollars (thousands):							
Personal income	8,800	27,300	43,200	47,900	51,600	63,800	416,600
Gross state revenue	704	2,184	3,456	3,832	4,128	5,104	33,328
MEGA cost	138	536	838	531	560	346	3,884
State revenue net of MEGA cost	566	1,648	2,618	3,301	3,568	4,758	29,444
Adjusted for inflation (thousands of 1996 dollars):							
Personal income	8,800	23,470	34,013	35,089	36,061	39,535	291,096
Gross state revenue	704	1,878	2,721	2,807	2,885	3,163	23,288
MEGA cost	138	516	775	472	479	253	3,371
State revenue net of MEGA cost	566	1,362	1,946	2,335	2,406	2,910	19,917