

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

**George A. Fulton
Peter Nicolas
Donald R. Grimes**

**University of Michigan
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Abstract

National TechTeam is considering creating a call-center to answer client questions regarding computer software and operation. By the year 2000, the facility would employ 218 people. We estimate that by 2006, this location will have generated a total of 277 jobs in the state. Total state government revenues through 2006, net of MEGA costs and adjusted for inflation, would be increased by \$4,500,000 (1997 dollars) due to the location of National TechTeam.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of National TechTeam's creating a call-center to answer client questions regarding computer software and operation (SIC 7389). Investment activity would take place in 1997, with an investment of \$1.762 million, and operations would begin in January 1998. The facility would employ 218 workers by 2000.

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 2006, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the project for the period 1998-2000, 2.64 percent for the period 2001-2002, and 1.32 percent for the period 2003-2006. The payroll tax credit represents 100 percent of the maximum employment credit available to a company for the period 1998-2000, 60 percent for the period 2001-2002, and 30 percent for the period 2003-2006.

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 13 jobs in 1997; almost all of these jobs are temporary. In 2000, the first year of full operations, an additional 302 jobs are generated in the state. We estimate that by 2006 this facility will have generated a total of 277 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 location averages 1.3 over the period 2000-2006. 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 locate in Michigan under the incentive program, state personal income in 2000 would be higher by \$10.6 million (in current dollars) than it would be without the facility, and in 2006 it would be \$14.6 million higher. Adjusted for inflation, these numbers in 1997 dollars would be \$7.5 million in 2000 and \$8.9 million in 2006.

The gain in economic activity results in higher state government revenues. We estimate that in 2000, the first year of full operations, the facility would generate \$848,000 in additional gross state government revenue, and that the MEGA package would provide a \$193,000 incentive to National TechTeam. Thus, the National TechTeam facility location would generate an additional \$655,000 in revenue to state government in 2000, net of MEGA incentive costs.

Over the period 1997-2006, gross state government revenue is projected to increase by \$8,176,000 (in current dollars) due to the location of National TechTeam. The MEGA incentive package for National TechTeam is forecast to cost \$925,000 over the period, resulting in a net increase in state government revenue of \$7,251,000. Adjusted for inflation, the total net increase in state government revenue from 1997 to 2006 would be \$4,500,000 in 1997 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 Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1997	1998	1999	2000	2005	2006	Total 1997-2006
Total employment	13	156	226	302	277	277	—
Manufacturing	2	1	0	0	0	0	—
Nonmanufacturing	11	155	226	302	277	277	—
Retail trade	2	14	20	25	16	16	—
Services	3	129	186	250	235	234	—
Other	6	12	20	27	26	27	—
In current dollars (thousands):							
Personal income	500	4,500	7,400	10,600	14,000	14,600	102,200
Gross state revenue	40	360	592	848	1,120	1,168	8,176
MEGA cost	0	81	131	193	70	73	925
State revenue net of MEGA cost	40	279	461	655	1,050	1,095	7,251
Adjusted for inflation (thousands of 1997 dollars):							
Personal income	500	3,546	5,575	7,523	8,290	8,862	66,547
Gross state revenue	40	284	446	602	663	709	5,324
MEGA cost	0	79	125	179	56	57	824
State revenue net of MEGA cost	40	205	321	423	607	652	4,500