

**The Economic Effects on Michigan
of the Pollard (U.S.) Ltd. Facility Expansion Decision**

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Abstract

Pollard (U.S.) Ltd. is considering expanding its operations in Michigan by building an instant lottery ticket-printing facility in Ypsilanti Township, Washtenaw County. The new facility would employ 124 people by 2001. We estimate that by 2010, this expansion will have generated a total of 204 jobs in the state. Total state government revenues through 2010, net of MEGA costs and adjusted for inflation, would increase by \$4,639,000 (1998 dollars) due to the expansion of Pollard (U.S.) Ltd.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Pollard (U.S.) Ltd.'s expanding its operations in Michigan by building an instant lottery ticket-printing facility in Ypsilanti Township, Washtenaw County (SIC 2750). Investment activity would take place between 1998 and 1999, with an investment of \$8.05 million, and production would begin in June 1999. The new facility would employ 124 people by 2001.

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 1998 to 2010, are shown in the attached table. The MEGA incentive package includes relief from 50 percent of the single business tax for the period 1999 to 2008, and a tax credit to the company for the period 1999 to 2010 equal to 3.3 percent of the payroll (gross wages) of employees hired at the facility as a result of the project. The payroll tax credit represents 75 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 40 jobs in 1998 and 26 jobs in 1999; almost all of these jobs are temporary. In 2001, the first year of full operations, an additional 224 jobs are generated in the state. We estimate that by 2010, this facility will have generated a total of 204 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 1.7 over the period 2001 to 2010. 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 Pollard (U.S.) Ltd. were to expand in Michigan under the incentive program, state personal income in 2001 would be higher by \$9.5 million (in current dollars) than it would be without the facility, and in 2010 it would be \$13.6 million higher. Adjusted for inflation, these numbers in 1998 dollars would be \$7.1 million in 2001 and \$8.1 million in 2010.

The gain in economic activity results in higher state government revenues. We estimate that in 2001, the first year of full operations, the facility would generate \$760,000 in additional gross state government revenue, and that the MEGA package would provide a \$247,000 incentive to Pollard (U.S.) Ltd. Thus, the Pollard (U.S.) Ltd. facility expansion would increase state government revenues in 2001 by \$513,000, net of MEGA incentive costs.

Over the period 1998 to 2010, gross state government revenue is projected to increase by \$10,264,000 (in current dollars) due to the expansion of Pollard (U.S.) Ltd. The MEGA incentive package for Pollard (U.S.) Ltd. is forecast to cost \$3,366,000 over the period, resulting in a net increase in state government revenue of \$6,898,000. Adjusted for inflation, the total net increase in state government revenue from 1998 to 2010 would be \$4,639,000 in 1998 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 Pollard (U.S.) Ltd. Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1998	1999	2000	2001	2005	2010	Total 1998-2010
Total Employment	40	117	163	224	204	204	—
Manufacturing	1	66	102	133	127	126	—
Nonmanufacturing	39	51	61	91	77	78	—
Retail Trade	5	13	18	25	20	18	—
Services	6	20	24	34	26	26	—
Other	28	18	19	32	31	34	—
In current dollars (thousands):							
Personal income	1,500	4,500	6,600	9,500	11,300	13,600	128,300
Gross state revenue	120	360	528	760	904	1,088	10,264
MEGA cost	0	179	228	247	293	336	3,366
State revenue net of MEGA cost*	120	181	300	513	611	752	6,898
Adjusted for inflation (thousands of 1998 dollars):							
Personal income	1,500	3,735	5,186	7,066	7,323	8,080	86,376
Gross state revenue	120	299	415	566	586	647	6,910
MEGA cost	0	149	179	184	190	200	2,271
State revenue net of MEGA cost*	120	150	236	382	396	447	4,639

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