The Economic Effects on Michigan of the R.L. Polk & Co. Consolidation

Prepared by the Michigan Economic Development Corporation utilizing Regional Economic Models, Incorporated (REMI) software.

March 5, 2002

Abstract

R.L. Polk & Co. is considering expanding its headquarters facility in Southfield, Michigan. This facility would house the U. S. Data Operations, Information Services and Support, and Production Teams. The new facility would employ up to 300 people by the end of 2004. We estimate that by 2020, this location will have generated a total of 383 jobs in the state. Total state government revenues through 2020, net of MEGA costs and adjusted for inflation, would increase by $29.9 million (2001 dollars) due to the location of the R.L. Polk & Co. consolidation.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of R.L. Polk & Co. expanding its headquarters facility in Southfield. Investment activity would take place in 2002 with an investment of $200,000. The facility would employ an additional 300 people and would be at full production by the end of 2004.

The estimates of the benefits attributable to the project 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 2002 to 2020, 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 2020, and a tax credit to the company equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2002 to 2020.

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 created 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 233 jobs are generated in the state. The total number of jobs (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 2002 to 2020. Sectoral detail on the employment 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 R.L. Polk & Co. were to locate in Michigan under the incentive program, state personal income in 2004 would be higher by $29.2 million (in current dollars) than it would be without the facility, and in 2020, it would be $47.5 million higher. Adjusted for inflation, these numbers in 2001 dollars would be $28.1 million in 2004 and $32.3 million in 2020.

The gain in economic activity results in higher government revenues. We estimate that in 2004, the first year of full operations without investment activity, the facility would generate $2.3 million in additional gross state revenue, and that the MEGA package would provide a $758,000 incentive to R.L. Polk & Co. Thus, the new R.L. Polk & Co. facility would increase state revenues in 2004 by $1.6 million, net of MEGA costs.

Over the period 2002 to 2020 state government revenue is projected to increase by $54.0 million (in current dollars) due to the new R.L. Polk & Co. facility. The MEGA incentive package for R.L. Polk & Co. is forecast to cost $17.3 million over the period, resulting in a net increase in state government revenue of $36.7 million. Adjusted for inflation, the total net increase in state government revenue from 2002 to 2020 would be $29.9 million 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 abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of the 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.

R.L. Polk & Co. Consolidation

Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2002	2003	2004	2005	2006	2007	2010	2020	Total
Total Employment	327	305	533	505	475	448	395	383	
Manufacturing	4	(1)	(2)	(9)	(15)	(20)	(28)	(26)	
Non-Manufacturing	323	306	535	514	490	468	423	409	
Retail Trade	33	31	54	50	46	42	35	33	
Services	244	235	415	404	393	382	361	356	
Other	46	40	66	60	51	44	27	20	
In Current Dollars (Thousands):									
Personal Income	$14,830	$16,420	$29,240	$31,460	$32,680	$33,540	$35,550	$47,490	$675,070
Gross State Revenue	1,186	1,314	2,339	2,517	2,614	2,683	2,844	3,799	54,004
Mega Cost	431	433	758	781	804	827	899	1,209	17,270
State Revenue Net of MEGA Cost*	$755	$881	$1,581	$1,736	$1,810	$1,856	$1,945	$2,590	$36,734
Adjusted for Inflation (Thousands of 2002 Dollars):									
Personal Income	$14,830	$16,106	$28,118	$29,658	$30,206	$30,394	$30,258	$32,254	$549,183
Gross State Revenue	1,186	1,289	2,249	2,373	2,416	2,431	2,421	2,580	43,932
Mega Cost	431	425	729	736	743	749	765	821	14,044
State Revenue Net of MEGA Cost*	$755	$864	$1,520	$1,637	$1,673	$1,682	$1,656	$1,759	$29,888

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