

**The Economic Effects on Michigan of the
Sensicore, Inc. Expansion**

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

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Abstract

Sensicore, Inc. is considering an expansion of their clean room and production facility in Ann Arbor, Michigan. This facility would allow the company to launch their water and wastewater testing product which has been under development for over ten years. The new facility would employ up to 156 people by the end of 2008. We estimate that by 2011, this location will have generated a total of 338 jobs in the state. Total state government revenues through 2011, net of MEGA costs and adjusted for inflation, would increase by \$8.2 million (2004 dollars) due to Sensicore's expansion.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Sensicore, Inc. expanding their clean room and production facility in Ann Arbor. Investment activity would take place between 2004 and 2008 with an investment of \$3.2 million. The facility would employ an additional 156 people and would be at full production by 2008.

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 2004 to 2011, are shown in the attached table. The MEGA incentive package includes 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 2004 to 2007, 75 percent of the state income tax rate on the payroll (gross wages) for the period of 2008 to 2009 and 50 percent of the state income tax rate on the payroll (gross wages) for the period 2010 to 2011.

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 2008, the first year of full operations, an additional 378 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 1.79 over the period 2004 to 2011. 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 Sensicore were to expand in Michigan under the incentive program, state personal income in 2008 would be higher by \$22.2 million (in current dollars) than it would be without the facility, and in 2011, it would be \$24.5 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$20.8 million in 2008 and \$21.8 million in 2011.

The gain in economic activity results in higher government revenues. We estimate that in 2009, the first year of full operations without investment activity, the facility would generate \$1.8 million in additional gross state revenue, and that the MEGA package would provide a \$266,000 incentive to Sensicore. Thus, the new Sensicore facility would increase state revenues in 2009 by \$1.5 million, net of MEGA costs.

Over the period 2004 to 2011 state government revenue is projected to increase by \$10.5 million (in current dollars) due to the expanded Sensicore facility. The MEGA incentive package for Sensicore is forecast to cost \$1.6 million over the period, resulting in a net increase in state government revenue of \$8.9 million. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2011 would be \$8.2 million in 2004 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.

Sensicore, Inc.
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2004	2005	2006	2007	2008	2009	2010	2011	Total
Total Employment	98	176	253	292	378	360	346	338	
Manufacturing	42	78	114	135	176	173	171	169	
Non-Manufacturing	56	98	139	157	202	187	175	169	
Retail Trade	14	26	37	42	53	50	47	46	
Services	24	43	63	72	93	88	83	80	
Other	18	29	39	43	56	49	45	43	
In Current Dollars (Thousands):									
Personal Income	\$4,425	\$8,667	\$13,310	\$16,360	\$22,190	\$22,950	\$23,620	\$24,480	\$136,002
Gross State Revenue	341	667	1,025	1,260	1,709	1,767	1,819	1,885	10,473
Mega Cost	75	159	215	268	254	266	186	196	1,621
State Revenue Net of MEGA Cost*	\$266	\$508	\$810	\$992	\$1,455	\$1,501	\$1,633	\$1,689	\$8,852
Adjusted for Inflation (Thousands of 2004 Dollars):									
Personal Income	\$4,425	\$8,529	\$12,886	\$15,581	\$20,784	\$21,139	\$21,395	\$21,813	\$126,552
Gross State Revenue	341	656	992	1,200	1,601	1,628	1,648	1,680	9,746
Mega Cost	75	157	208	256	238	245	169	175	1,523
State Revenue Net of MEGA Cost*	\$266	\$499	\$784	\$944	\$1,363	\$1,383	\$1,479	\$1,505	\$8,223

* 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.