

**The Economic Effects on Michigan
of the Trumack Assembly Facility Location Decision**

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October 14, 1998**

Abstract

Trumack Assembly, LLC, a newly formed joint venture organized to manufacture Ford Motor Corporation's class A motor-home chassis, is considering locating a facility in the Detroit Renaissance Zone. The new facility would employ 345 people by 2000. We estimate that by 2019, this location will have generated a total of 477 jobs in the state. Total state government revenues through 2019, net of MEGA costs and adjusted for inflation, would increase by \$20,797,000 (1998 dollars) due to the location of Trumack Assembly, LLC.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Trumack Assembly, LLC's locating a facility in the Detroit Renaissance Zone to manufacture Ford Motor Corporation's class A motor-home chassis (SIC 3714). Investment activity would take place in 1999, with an investment of \$28.7 million, and production would begin in November 1999. The new facility would employ 345 people 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 1999 to 2019, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2000 through 2019 equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the location, and relief from 100 percent of the single business tax for the period 2006 through 2008. The payroll tax credit represents 100 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 298 jobs in 1999; almost all of these jobs are temporary. In 2000, the first year of full operations, an additional 387 jobs are generated in the state. We estimate that by 2019, this facility addition will have generated a total of 477 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 location averages 1.2 over the period 2000 to 2019. 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 Trumack Assembly, LLC were to locate in Michigan under the incentive program, state personal income in 2000 would be higher by \$15.4 million (in current dollars) than it would be without the facility, and in 2019 it would be \$41.7 million higher. Adjusted for inflation, these numbers in 1998 dollars would be \$11.8 million in 2000 and \$22.7 million in 2019.

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 \$1,232,000 in additional gross state government revenue, and that the MEGA package would provide a \$400,000 incentive to Trumack Assembly, LLC. Thus, the Trumack Assembly, LLC facility location would increase state government revenues in 2000 by \$832,000, net of MEGA incentive costs.

Over the period 1999 to 2019, gross state government revenue is projected to increase by \$44,592,000 (in current dollars) due to the location of Trumack Assembly, LLC. The MEGA incentive package for Trumack Assembly, LLC is forecast to cost \$12,417,000 over the period, resulting in a net increase in state government revenue of \$32,175,000. Adjusted for inflation, the total net increase in state government revenue from 1999 to 2019 would be \$20,797,000 in 1998 dollars. These calculations do not include any revenue losses due to the property tax abatement, the Renaissance Fund infrastructure grant, or the Capital Acquisition Deduction. If the cost of the abatement, the grant, or the deduction 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 expansion and location decisions.

**Economic and Fiscal Effects on Michigan of the Trumack Assembly Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1999	2000	2005	2010	2015	2019	Total 1999-2019
Total Employment	348	387	376	410	453	477	—
Manufacturing	79	345	345	345	345	345	—
Nonmanufacturing	269	42	31	65	108	132	—
Retail Trade	45	25	17	21	26	30	—
Services	54	8	0	5	21	35	—
Other	170	9	14	39	61	67	—
In current dollars (thousands):							
Personal income	13,800	15,400	20,600	26,800	34,700	41,700	557,400
Gross state revenue	1,104	1,232	1,648	2,144	2,776	3,336	44,592
MEGA cost	0	400	505	601	721	838	12,417
State revenue net of MEGA cost*	1,104	832	1,143	1,543	2,055	2,498	32,175
Adjusted for inflation (thousands of 1998 dollars):							
Personal income	11,041	11,783	14,704	17,704	20,998	22,720	360,856
Gross state revenue	883	943	1,177	1,416	1,680	1,817	28,868
MEGA cost	0	306	361	397	436	456	8,071
State revenue net of MEGA cost*	883	637	816	1,019	1,244	1,361	20,797

*These estimates do not include any state government revenue losses due to the property tax abatement, the Renaissance Fund infrastructure grant, or the CAD deduction.