

**The Economic Effects on Michigan of the
Whirlpool Technologies, LLC Facility Location Decision**

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Abstract

Whirlpool Technologies, LLC is considering renovating an existing facility for use by its Customer Assistance and Service Organizations operations. The renovated facility would employ an additional 206 people by 2004. We estimate that by 2018, this location will have generated a total of 323 jobs in the state. Total state government revenues through 2018, net of MEGA costs and adjusted for inflation, would increase by \$24,392,000 (2001 dollars) due to the location of Whirlpool Technologies, LLC.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Whirlpool Technologies, LLC renovating an existing facility for use by its Customer Assistance and Service Organizations operations (SIC 8731). Investment activity would take place in 2002, with an investment of \$16.78 million. The facility would employ an additional 206 people by 2004.

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 2002 to 2018, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2012 to 2018; it also includes a tax credit to the company for the period 2002 to 2018 equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project.

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 activity is expected to generate a total of 45 jobs in 2002; almost all of these jobs are temporary. In 2004, the first year of full operations, an additional 395 jobs are generated in the state. We estimate that by 2018, this location will have generated a total of 323 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 1.6 over the period 2004 to 2018. 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 Whirlpool Technologies, LLC were to locate in Michigan under the incentive program, state personal income in 2004 would be higher by \$30 million (in current dollars) than

it would be without the facility, and in 2018 it would be \$46.6 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$22.65 million in 2004 and \$26.88 million in 2018.

The gain in economic activity results in higher state government revenues. We estimate that in 2004, the first year of full operations, the facility would generate \$2,400,000 in additional gross state government revenue, and that the MEGA package would provide a \$553,000 incentive to Whirlpool Technologies, LLC. Thus, the Whirlpool Technologies, LLC facility location would increase state government revenues in 2004 by \$1,847,000, net of MEGA incentive costs.

Over the period 2002 to 2018, gross state government revenue is projected to increase by \$48,344,000 (in current dollars) due to the location of Whirlpool Technologies, LLC. The MEGA incentive package for Whirlpool Technologies, LLC is forecast to cost \$11,473,000 over the period, resulting in a net increase in state government revenue of \$36,871,000. Adjusted for inflation, the total net increase in state government revenue from 2002 to 2018 would be \$24,392,000 in 2001 dollars. These calculations do not include any revenue losses due to the Renaissance Zone Savings. If the costs of Renaissance Zone Savings 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 Whirlpool Technologies, LLC Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2002	2003	2004	2005	2010	2015	2018	Total 2002-2018
Total Employment	393	412	395	370	309	313	323	—
Manufacturing	10	0	0	0	0	0	0	—
Nonmanufacturing	383	412	395	370	309	313	323	—
Retail Trade	63	66	63	59	48	49	51	—
Services	255	286	281	271	243	242	246	—
Other	65	60	51	40	18	22	26	—
In current dollars (thousands):								
Personal income	22,900	28,000	30,000	30,900	34,700	41,400	46,600	604,300
Gross state revenue	1,832	2,240	2,400	2,472	2,776	3,312	3,728	48,344
MEGA cost	424	526	553	569	667	794	831	11,473
State revenue net of MEGA cost*	1,408	1,714	1,847	1,903	2,109	2,518	2,897	36,871
Adjusted for inflation (thousands of 2001 dollars):								
Personal income	18,982	21,887	22,652	22,354	23,189	25,280	26,875	399,778
Gross state revenue	1,519	1,751	1,812	1,788	1,855	2,023	2,150	31,982
MEGA cost	352	411	417	412	446	485	479	7,590
State revenue net of MEGA cost*	1,167	1,340	1,395	1,376	1,409	1,538	1,671	24,392

*These estimates do not include any state government revenue losses due to the Renaissance Zone Savings.