

**The Economic Effects on Michigan
of the Wollin Products, Inc. Facility Location Decision**

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Abstract

Wollin Products, Inc., a custom injection molder with customers in a number of industries, but primarily in the automotive and appliance industries, is considering locating a new facility in Charlotte, Michigan. The new facility would employ 150 people by 2000. We estimate that by 2017, this location will have generated a total of 252 jobs in the state. Total state government revenues through 2017, net of MEGA costs and adjusted for inflation, would increase by \$11,423,000 (1998 dollars) due to the location of Wollin Products, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Wollin Products, Inc., a custom injection molder with customers in a number of industries, but primarily in the automotive and appliance industries, locating a new facility in Charlotte, Michigan (SIC 3089). Investment activity would take place between 1998 and 2002, with an investment of \$13.825 million, and production would begin in 1998. The new facility would employ 150 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 1998 to 2017, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 1998 to 2002. The MEGA incentive package also includes a tax credit to the company for the period 1998 to 2003 equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the project for that period, equal to 3.3 percent for the period 2004 to 2008, and equal to 2.2 percent for the period 2009 to 2017. The payroll tax credit represents 100 percent of the maximum employment credit available to a company for the period 1998 to 2003, 75 percent of the maximum credit for the period 2004 to 2008, and 50 percent of the maximum credit for the period 2009 to 2017.

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 71 jobs in 1998, 4 jobs in 1999, 5 jobs in 2000, and 29 jobs in 2002; almost all of these jobs are temporary. In 2003, the first year of full operations without investment activity, an additional 223 jobs are generated in the state. We estimate that by 2017 this facility will have generated a total of 252 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 2003-2017. 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 Wollin Products, Inc. were to locate in Michigan under the incentive program, state personal income in 2003 would be higher by \$10.5 million (in current dollars) than it would be without the facility, and in 2017 it would be \$19.7 million higher. Adjusted for inflation, these numbers in 1998 dollars would be \$8.2 million in 2003 and \$11.2 million in 2017.

The gain in economic activity results in higher state government revenues. We estimate that in 2003, the first year of full operations without investment activity, the facility would generate \$840,000 in additional gross state government revenue, and that the MEGA package would provide a \$215,000 incentive to Wollin Products, Inc. Thus, the Wollin Products, Inc. facility location would increase state government revenues in 2003 by \$625,000, net of MEGA incentive costs.

Over the period 1998-2017, gross state government revenue is projected to increase by \$20,224,000 (in current dollars) due to the location of Wollin Products, Inc. The MEGA incentive package for Wollin Products, Inc. is forecast to cost \$3,457,000 over the period, resulting in a net increase in state government revenue of \$16,767,000. Adjusted for inflation, the total net increase in state government revenue from 1998 to 2017 would be \$11,423,000 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 expansion and location decisions.

**Economic and Fiscal Effects on Michigan of the Wollin Products, Inc. Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1998	1999	2000	2001	2002	2003	2005	2010	2015	2017	Total 1998-2017
Total Employment	126	126	207	214	260	223	221	229	246	252	—
Manufacturing	50	83	152	150	154	150	150	150	150	151	—
Nonmanufacturing	76	43	55	64	106	73	71	79	96	101	—
Retail Trade	13	12	16	17	23	17	16	16	18	19	—
Services	19	15	17	20	31	22	21	25	33	37	—
Other	44	16	22	27	52	34	34	38	45	45	—
In current dollars (thousands):											
Personal income	4,600	4,700	7,700	8,600	11,400	10,500	11,300	14,000	17,800	19,700	252,800
Gross state revenue	368	376	616	688	912	840	904	1,120	1,424	1,576	20,224
MEGA cost	47	118	212	276	308	215	173	137	165	178	3,457
State revenue net of MEGA cost*	321	258	404	412	604	625	731	983	1,259	1,398	16,767
Adjusted for inflation (thousands of 1998 dollars):											
Personal income	4,600	4,389	6,481	7,144	9,253	8,222	8,446	9,484	10,783	11,157	174,011
Gross state revenue	368	351	519	572	740	658	676	759	863	893	13,921
MEGA cost	47	110	178	230	250	168	129	93	100	101	2,498
State revenue net of MEGA cost*	321	241	341	342	490	490	547	666	763	792	11,423

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