

**The Economic Effects on Michigan of
the Dawn Food Products, Inc., Facility Expansion Decision**

**George A. Fulton
Peter Nicolas
Donald R. Grimes**

University of Michigan

May 18, 2004

Abstract

Dawn Food Products, Inc., is considering the relocation of its corporate headquarters to the former Jacobson's headquarters building in Leoni Township (Jackson). This 250,000 sq. ft. facility will also centralize bulk commodity purchasing and distribution, centralize Midwest distribution, and provide research and development space to the company. The facility would employ an additional 110 people by 2009. We estimate that by 2020, this expansion will have generated a total of 401 jobs in the state. Total state government revenues through 2020, net of MEGA costs and adjusted for inflation, would increase by \$18,004,000 (2004 dollars) due to the expansion of Dawn Food Products, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if Dawn Food Products, Inc., relocates its corporate headquarters to the former Jacobson's headquarters building in Leoni Township (Jackson). This 250,000 sq. ft. facility will also centralize bulk commodity purchasing and distribution, centralize Midwest distribution, and provide research and development space to the company (SIC 2099). Investment activity would take place in 2004 and 2005, with an investment of \$7 million. The facility would employ an additional 110 people by 2009.

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 2004 to 2020, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2006 to 2020 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 investment activity is expected to generate a total of 61 jobs in 2004 and 42 jobs in 2005; almost of these jobs are temporary. In 2009, the first year of full operations, an additional 403 jobs are generated in the state. We estimate that by 2020, this expansion will have generated a total of 401 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 expansion averages 3.5 over the period 2009 to 2020. 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 Dawn Food Products, Inc., were to expand its operations in Michigan under the incentive program, state personal income in 2009 would be higher by \$22.9 million (in current dollars) than it would be without the expansion, and in 2020 it would be \$33.4 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$16.2 million in 2009 and \$20.1 million in 2020.

The gain in economic activity results in higher state government revenues. We estimate that in 2009, the first year of full operations, the expanded facility would generate \$1,761,000 in additional gross state government revenue, and that the MEGA package would provide a \$165,000 incentive to Dawn Food Products, Inc. Thus, the Dawn Food Products, Inc., expansion would increase state government revenues in 2009 by \$1,596,000, net of MEGA incentive costs.

Over the period 2004 to 2020, gross state government revenue is projected to increase by \$29,714,000 (in current dollars) due to the expansion of Dawn Food Products, Inc. The MEGA incentive package for Dawn Food Products, Inc., is forecast to cost \$2,918,000 over the period, resulting in a net increase in state government revenue of \$26,796,000. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2020 would be \$18,004,000 in 2004 dollars.

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 Dawn Food Products, Inc., Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2004	2005	2006	2007	2008	2009	2010	2015	2020	Total 2004-2020
Total Employment	61	42	340	361	375	403	392	376	401	—
Manufacturing	2	1	99	105	108	116	113	110	112	—
Nonmanufacturing	59	41	241	256	267	287	279	266	289	—
Retail Trade	8	5	33	34	34	35	32	26	28	—
Services	10	5	58	57	55	56	49	39	47	—
Other	41	31	150	165	178	196	198	201	214	—
In current dollars (thousands):										
Personal income	2,800	2,300	15,100	17,900	20,200	22,900	23,700	27,100	33,400	386,400
Gross state revenue	215	177	1,161	1,377	1,553	1,761	1,823	2,084	2,568	29,714
MEGA cost	0	0	117	127	138	165	165	211	280	2,918
State revenue net of MEGA cost	215	177	1,044	1,250	1,415	1,596	1,658	1,873	2,288	26,796
Adjusted for inflation (thousands of 2004 dollars):										
Personal income	2,800	2,262	12,147	13,438	14,664	16,158	16,644	17,795	20,060	259,348
Gross state revenue	215	174	934	1,033	1,128	1,242	1,280	1,368	1,543	19,944
MEGA cost	0	0	94	96	100	117	116	138	168	1,940
State revenue net of MEGA cost	215	174	840	937	1,028	1,125	1,164	1,230	1,375	18,004