

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

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### Abstract

*Decision Consultants, Inc.—a \$200 million per year information technology company that provides managed services, staff supplementation, vendor management, educational services, and support centers for a wide variety of clients—is considering locating a divisional headquarters operation in Michigan that would house its managed services business sector. We estimate that by 2015, this location will have generated a total of 492 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would increase by \$17,311,000 (1999 dollars) due to the location of Decision Consultants, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Decision Consultants, Inc.—a \$200 million per year information technology company that provides managed services, staff supplementation, vendor management, educational services, and support centers for a wide variety of clients—locating a divisional headquarters operation in Michigan that would house its managed services business sector (SIC 7373). Investment activity would take place between 2000 and 2002, with an investment of \$15.8 million, and production would begin in January 2001. The new facility would employ 250 people and be at full production by 2003.

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 2000 to 2015, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2001 to 2015 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 42 jobs in 2000, 23 jobs in 2001, and 181 jobs in 2002; almost all of these jobs are temporary. In 2003, the first year of full operations, an additional 393 jobs are generated in the state. We estimate that by 2015, this location will have generated a total of 492 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 1.7 over the period 2003 to 2015. 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 Decision Consultants, Inc. were to locate in Michigan under the incentive program, state personal income in 2003 would be higher by \$25.0 million (in current dollars) than it would be without the facility, and in 2015 it would be \$50.3 million higher. Adjusted for inflation, these numbers in 1999 dollars would be \$17.6 million in 2003 and \$27.1 million in 2015.

The gain in economic activity results in higher state government revenues. We estimate that in 2003, the first year of full operations, the facility would generate \$2,000,000 in additional gross state government revenue, and that the MEGA package would provide a \$736,000 incentive to Decision Consultants, Inc. Thus, the location would increase state government revenues in 2003 by \$1,264,000, net of MEGA incentive costs.

Over the period 2000 to 2015, gross state government revenue is projected to increase by \$40,576,000 (in current dollars) due to the location. The MEGA incentive package for Decision Consultants, Inc. is forecast to cost \$12,627,000 over the period, resulting in a net increase in state government revenue of \$27,949,000. Adjusted for inflation, the total net increase in state government revenue from 2000 to 2015 would be \$17,311,000 in 1999 dollars. These calculations do not include any revenue losses due to the investment tax credit. If the cost of the tax credit 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 Decision Consultants, Inc. Facility Location  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2000	2001	2002	2003	2005	2010	2015	Total 2000-2015
Total Employment	42	229	592	393	386	419	492	—
Manufacturing	2	4	10	0	0	0	0	—
Nonmanufacturing	40	225	582	393	386	419	492	—
Retail Trade	6	37	91	60	57	57	64	—
Services	6	151	323	293	297	328	380	—
Other	28	37	168	40	32	34	48	—
In current dollars (thousands):								
Personal income	1,700	11,500	30,400	25,000	27,700	36,400	50,300	507,200
Gross state revenue	136	920	2,432	2,000	2,216	2,912	4,024	40,576
MEGA cost	0	336	727	736	755	910	1,098	12,627
State revenue net of MEGA cost*	136	584	1,705	1,264	1,461	2,002	2,926	27,949
Adjusted for inflation (thousands of 1999 dollars):								
Personal income	1,429	9,106	23,146	17,624	18,586	21,963	27,109	314,944
Gross state revenue	114	729	1,852	1,410	1,487	1,757	2,169	25,196
MEGA cost	0	266	554	519	507	549	592	7,885
State revenue net of MEGA cost*	114	463	1,298	891	980	1,208	1,577	17,311

\*These estimates do not include any state government revenue losses due to the Investment Tax Credit.