

**The Economic Effects on Michigan of the
MS Truck Body Parts and Handling Facility**

Prepared by the Michigan Economic Development Corporation utilizing Regional
Economic Models, Incorporated (REMI) software.

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Abstract

MS Truck Body Corporation is considering building a parts and handling facility in Sturgis, Michigan. This facility would consolidate the parts business. The new facility would employ up to 264 people by the end of 2007. We estimate that by 2007, this location will have generated a total of 420 jobs in the state. Total state government revenues through 2007, net of MEGA costs and adjusted for inflation, would increase by 4.5 million (2003 dollars) due to the location of the MS Truck Body Parts and Handling facility.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of MS Truck Body locating a parts and handling facility in Sturgis. Investment activity would take place in 2003 with an investment of \$1.25 million. The facility would employ an additional 264 people and would be at full production by 2003.

The estimates of the benefits attributable to the project 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 2003 to 2007, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2003 to 2007.

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 created from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2003, the first year of full operations, an additional 293 jobs are generated in the state. The total number of jobs (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 1.34 over the period 2003 to 2007. Sectoral detail on the employment 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 MS Truck Body were to locate in Michigan under the incentive program, state personal income in 2003 would be higher by \$10.7 million (in current dollars) than it would be without the facility, and in 2007, it would be \$20.5 million higher. Adjusted for inflation, these numbers in 2003 dollars would be \$10.7 million in 2003 and \$18.9 million in 2007.

The gain in economic activity results in higher government revenues. We estimate that in 2004, the first year of full operations without investment activity, the facility would generate \$1.0 million in additional gross state revenue, and that the MEGA package

would provide a \$213,000 incentive to MS Truck Body. Thus, the new MS Truck Body facility would increase state revenues in 2004 by \$776,000, net of MEGA costs.

Over the period 2003 to 2007 state government revenue is projected to increase by \$5.9 million (in current dollars) due to the new MS Truck Body facility. The MEGA incentive package for MS Truck Body is forecast to cost \$1.2 million over the period, resulting in a net increase in state government revenue of \$4.7 million. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2007 would be \$4.5 million in 2003 dollars. These calculations do not include any revenue losses due to the property tax abatement or the investment tax credit. If the costs of the abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of the 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.

MS Truck Body
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2003	2004	2005	2006	2007	Total
Total Employment						
Manufacturing	293	319	351	383	420	
Non-Manufacturing	160	176	193	213	234	
Retail Trade	133	143	158	170	186	
Services	37	39	44	47	51	
Other	55	60	66	73	80	
	41	44	48	50	55	
In Current Dollars (Thousands):						
Personal Income	\$10,710	\$12,850	\$15,170	\$17,670	\$20,540	\$76,940
Gross State Revenue	825	989	1,168	1,361	1,582	5,925
Mega Cost	191	213	244	269	312	1,228
State Revenue Net of MEGA Cost*	\$634	\$776	\$924	\$1,092	\$1,270	\$4,697
Adjusted for Inflation (Thousands of 2003 Dollars):						
Personal Income	\$10,710	\$12,581	\$14,537	\$16,571	\$18,850	\$73,249
Gross State Revenue	825	968	1,119	1,276	1,452	5,640
Mega Cost	191	208	234	252	286	1,171
State Revenue Net of MEGA Cost*	\$634	\$760	\$885	\$1,024	\$1,166	\$4,469

* These estimates do not include any state government revenue losses due to the Investment Tax Credit, the Renaissance Zone Credit or the property tax abatement.