

**The Economic Effects on Michigan of
the Raymond James & Associates, Inc., Facility Expansion Decision**

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

**University of Michigan
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Abstract

Raymond James & Associates, Inc., is considering a relocation and expansion of their Business Contingency Operations, currently located in Detroit, Michigan, to a Regional Operations Center with significant information technology equipment and staff, as well as other operational/administrative support staff. They are considering sites in Southfield, Michigan and San Antonio, Texas. The facility would employ an additional 200 workers by 2009. We estimate that by 2015, this expansion will have generated a total of 311 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would increase by \$10,147,000 (2005 dollars) due to the expansion of Raymond James & Associates, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if Raymond James & Associates, Inc., relocates and expands its Business Contingency Operations, currently located in Detroit, Michigan, to a Regional Operations Center at a site in Southfield, Michigan (SIC 6211). The company is also considering a site in San Antonio, Texas. The operations center would house significant information technology equipment and staff, as well as other operational/administrative support staff. The facility would employ an additional 200 workers 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 2005 to 2015, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2006 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 investment activity is expected to generate a total of 38 jobs in 2005; almost all of these jobs are temporary. In 2009, the first year of full operations, an additional 364 jobs are generated in the state. We estimate that by 2015, this expansion will have generated a total of 311 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 2009 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 Raymond James & Associates, Inc., were to expand its operations in Michigan under the incentive program, state personal income in 2009 would be higher by \$23.9 million (in current dollars) than it would be without the expansion, and in 2015 it would be \$28 million higher. Adjusted for inflation, these numbers in 2005 dollars would be \$17.4 million in 2009 and \$18.4 million in 2015.

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 \$1,838,000 in additional gross state government revenue, and that the MEGA package would provide a \$291,000 incentive to Raymond James & Associates, Inc. Thus, the Raymond James & Associates, Inc., expansion would increase state government revenues in 2009 by \$1,547,000, net of MEGA incentive costs.

Over the period 2005 to 2015, gross state government revenue is projected to increase by \$17,379,000 (in current dollars) due to the expansion of Raymond James & Associates, Inc. The MEGA incentive package for Raymond James & Associates, Inc., is forecast to cost \$3,075,000 over the period, resulting in a net increase in state government revenue of \$14,304,000. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2015 would be \$10,147,000 in 2005 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 the Raymond James & Associates, Inc., Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2005	2006	2007	2008	2009	2010	2015	Total 2005-2015
Total Employment	38	171	241	304	364	349	311	—
Manufacturing	5	2	1	0	0	0	0	—
Nonmanufacturing	33	169	240	304	364	349	311	—
Finance	1	92	132	170	208	208	205	—
Other	32	77	108	134	156	141	106	—
In current dollars (thousands):								
Personal income	1,900	8,900	13,900	18,800	23,900	25,000	28,000	226,000
Gross state revenue	146	684	1,069	1,446	1,838	1,923	2,153	17,379
MEGA cost	0	123	187	248	291	331	416	3,075
State revenue net of MEGA cost*	146	561	882	1,198	1,547	1,592	1,737	14,304
Adjusted for inflation (thousands of 2005 dollars):								
Personal income	1,900	7,410	10,959	14,203	17,426	17,914	18,392	160,131
Gross state revenue	146	570	843	1,092	1,340	1,378	1,414	12,314
MEGA cost	0	102	148	187	212	237	273	2,167
State revenue net of MEGA cost*	146	468	695	905	1,128	1,141	1,141	10,147

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