

**The Economic Effects on Michigan of the
Expansion of Saturn Electronics and Engineering, Inc.**

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

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Abstract

Saturn Electronics and Engineering, Inc. is considering expanding a research, design and manufacturing facility in Coopersville, Michigan. This facility would design and build electronic – hydraulic devices. The new facility would employ up to 125 people by the end of 2009. We estimate that by 2013, this location will have generated a total of 247 jobs in the state. Total state government revenues through 2013, net of MEGA costs and adjusted for inflation, would increase by \$7.28 million (2004 dollars) due to the expansion of the facility.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Saturn Electronics and Engineering, Inc. expanding a design and manufacturing facility in Coopersville. Investment activity would take place between 2004 and 2008 with an investment of \$18 to 20 million. The facility would employ an additional 125 people and would be at full production by 2009.

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 2004 to 2013, 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 2005 to 2013.

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 2009, the first year of full operations, an additional 282 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 1.59 over the period 2004 to 2013. 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 Saturn Electronics and Engineering, Inc. were to locate in Michigan under the incentive program, state personal income in 2009 would be higher by \$17.27 million (in current dollars) than it would be without the facility, and in 2013, it would be \$19.59 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$15.91 million in 2009 and \$16.88 million in 2013.

The gain in economic activity results in higher government revenues. We estimate that in 2010, the first year of full operations without investment activity, the facility would

generate \$1.36 million in additional gross state revenue, and that the MEGA package would provide a \$253,000 incentive to Saturn Electronics and Engineering, Inc. Thus, the expanded Saturn Electronics and Engineering, Inc. facility would increase state revenues in 2010 by \$1.11 million, net of MEGA costs.

Over the period 2004 to 2013 state government revenue is projected to increase by \$9.81 million (in current dollars) due to the expanded Saturn Electronics and Engineering, Inc. facility. The MEGA incentive package for the company is forecast to cost \$1.81 million over the period, resulting in a net increase in state government revenue of \$8.00 million. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2013 would be \$7.28 million in 2004 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.

Saturn Electronics & Engineering, Inc.
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
Total Employment											
Manufacturing	66	77	114	174	237	282	265	258	252	247	
Non-Manufacturing	12	30	49	83	115	139	136	135	134	133	
Retail Trade	54	47	65	91	122	143	129	123	118	114	
Services	10	12	17	25	33	39	37	35	34	33	
Other	19	24	31	40	53	62	55	53	51	49	
	25	11	17	26	36	42	37	35	33	32	
In Current Dollars (Thousands):											
Personal Income	\$2,777	\$3,723	\$5,859	\$9,552	\$13,640	\$17,270	\$17,640	\$18,370	\$19,010	\$19,590	\$127,431
Gross State Revenue	214	287	451	736	1,050	1,330	1,358	1,414	1,464	1,508	9,812
Mega Cost	0	57	88	141	191	243	253	265	277	290	1,805
State Revenue Net of MEGA Cost*	\$214	\$230	\$363	\$595	\$859	\$1,087	\$1,105	\$1,149	\$1,187	\$1,218	\$8,007
Adjusted for Inflation (Thousands of 2004 Dollars):											
Personal Income	\$2,777	\$3,664	\$5,673	\$9,099	\$12,779	\$15,914	\$15,988	\$16,375	\$16,666	\$16,885	\$115,820
Gross State Revenue	214	282	437	701	984	1,226	1,231	1,260	1,283	1,300	8,918
Mega Cost	0	56	85	134	179	224	230	236	243	250	1,637
State Revenue Net of MEGA Cost*	\$214	\$226	\$352	\$567	\$805	\$1,002	\$1,001	\$1,024	\$1,040	\$1,050	\$7,281

* 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.