

ELECTRIC COOPERATIVES OF MICHIGAN ECONOMIC IMPACT ANALYSIS

From 2018 to 2022, the G&T and distribution co-ops in Michigan spent **\$6.2 Billion** on capital investment, operations, and maintenance activities and retired **\$63.6 Million** in capital credits paid to consumer-members. Through these expenditures, co-ops drive economic benefits throughout the state, including impacts specifically in the local communities they serve. Over the 5-year period, electric co-ops in Michigan are responsible for:

STATEWIDE IMPACT

- **\$5.3 Billion** to Michigan's Gross State Product (GSP)
- An average of **7,388 jobs** in Michigan each year
- **\$2.7 Billion** in labor income in Michigan
- **\$413 Million** in federal taxes and **\$594.6 Million** in state taxes

LOCAL COMMUNITY IMPACT WITHIN COUNTIES SERVED BY CO-OPS

- **\$5 Billion** in value added to the local economy
- An average of **6,885 jobs** per year in their communities
- **\$2.4 Billion** in local labor income
- **\$374 Billion** in local taxes



DIRECT IMPACT

The economic sector under study – electric co-ops and their immediate expenditures



INDIRECT IMPACT

Industries in the supply chain, such as equipment manufacturers and professional services



INDUCED IMPACT

Industries affected by employees in the direct and indirect sectors spending



TOTAL IMPACT

The total contribution of co-ops in the economy and their communities

DESCRIPTION OF ANALYSIS

To measure the impact of electric co-ops in Michigan, CFC and NRECA engaged Strategen Consulting, Inc. to conduct an economic analysis, as part of a broader study on the impact of electric co-ops nationwide. Using IMPLAN, an input-output model of the U.S. economy, Strategen calculated the impact of direct co-op expenditures, as well as the “indirect” effects throughout the supply chain and the “induced” effects from consumer spending by employees of co-ops and their suppliers.

For more information on these results and the collaborative study, please contact Jan Ahlen at jan.ahlen@nrucfc.coop or Michael Leitman at michael.leitman@nreca.coop.



National Rural Utilities
Cooperative Finance Corporation



NRECA
America's Electric Cooperatives

FREQUENTLY ASKED QUESTIONS

What is economic impact analysis?

Economic impact analysis measures the effects that a business, project, policy, or other economic activity has on the economy. It models how spending from these activities ripples through the economy, creating additional economic activity and value. For this project, Strategen Consulting used the IMPLAN model to estimate the total economic impact for each electric co-op in Michigan, calculating the effect that co-op expenditures and activity have on the local community and throughout the state.

What is IMPLAN?

IMPLAN is an input-output model of the U.S. economy, which is used to calculate the impacts of economic activity. IMPLAN and other input-output models examine all of the industries in a local economy and estimate all of the ways that spending in one sector influences each of the other sectors in the area's economy. "Multipliers" are used to designate how much spending in one sector will affect another sector, and to calculate the added indirect and induced impacts throughout the economy.

What are direct, indirect, and induced impacts?

The direct impact is the effect of co-op spending, such as investment in new electric infrastructure or spending on operations and maintenance. The indirect impact is the effect that direct economic activity has on other industries, such as the suppliers of purchased goods and services. The induced impact reflects the effect of employees of direct and indirect businesses spending their income in the economy.

What is the relationship between state-level impacts and impacts in the local community?

For this study, electric cooperative expenditures and economic activity were applied to the counties within Michigan where co-ops operate. This activity generates additional economic value in the counties served by co-ops, as well as in other areas in Michigan outside of co-op service territories. As such, state-level impacts should be interpreted as the total impact of Michigan's electric co-ops across the entire state, while the local impacts are a subset of that total state-wide impact, reported just for the counties in Michigan served by electric co-ops.

What is gross state product?

Gross state product (GSP) is the total net value added to the state's production of goods and services from all industries, resulting from co-op operations within the state. GSP is the state counterpart to gross domestic product (GDP), which is used to measure net output at the national level. Likewise, local value added is a measure of gross local product.

What data were used in this analysis?

Form 7 data (for distribution co-ops) and Form 12 data (for G&Ts), detailing co-op expenditures related to capital investment, operations, and maintenance activities, as well as the number of employees, payroll, and capital credits paid by distribution cooperatives to consumer-members, were provided by CFC under a confidentiality agreement with Strategen Consulting. These data were used as inputs into the IMPLAN model to estimate the economic impact.



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