

# **Job Maintenance and Capital Development Fund:**

## **Annual Report**

**Fiscal Year 2021-2022**

## **Job Maintenance and Capital Development Fund**

### **Original JMAC Statute and Awards under Original Legislation**

The Job Maintenance and Capital Development Fund (the “JMAC”) Program (N.C. Gen. Stat. § 143B-437.012) is a discretionary incentive program that, in its original formulation, provided sustained annual grants to businesses (i) with at least 2,000 permanent full-time workers, (ii) located in Development Tier 1 counties, and (iii) which invest at least \$200 million in capital improvements within 6 years of initial expenditure. The purpose of a JMAC grant is to encourage retention of significant numbers of high-paying, high-quality jobs and large-scale capital investment, enlarge the overall tax base, and increase revenues to the State and its political subdivisions. Grant recommendations are made by the Economic Investment Committee (the “EIC”) to the Secretary of Commerce, based on a thorough review of the factors enumerated in the Criteria for Operation and Implementation of Job Maintenance and Capital Development Fund Program (the “JMAC Criteria”), adopted on December 13, 2007, and amended October 14, 2014 and June 28, 2018, pursuant to N.C. Gen. Stat. §143B-437.012(i)(1). A total of six grants may be made under the JMAC program.

Under the JMAC statute as originally enacted, two grants were awarded during fiscal year 2008-09. Goodyear Tire & Rubber Company (“Goodyear”) and Bridgestone Firestone North American Tire LLC (“Bridgestone”) were each awarded a grant for up to \$30,000,000 over ten years, to modernize their tire manufacturing facilities.

### **Amendment to Original JMAC Statute and Additional Award**

Amendment to the JMAC Statute was approved, effective July 1, 2010 (Session Law 2009-520) (the “JMAC Amendment”), which increased the amount that could be awarded under the JMAC program, from \$60,000,000 to \$69,000,000. Thus, an additional \$9,000,000 could be awarded. Eligibility requirements were expanded to include a large manufacturing employer (as defined in N.C. Gen. Stat. §105-129.81) that is converting its manufacturing process to change its product, that invests at least \$65,000,000 within a three-year period, and that employs 320 full-time workers which it agrees to maintain for the full grant term.

Domtar Paper Company, LLC (“Domtar”) was awarded a grant on April 14, 2012, for up to \$7,000,000 over ten years to convert the company’s pulp and paper mill to fluff pulp production.

### **2<sup>nd</sup> Amendment to Original JMAC Statute and 4th Award**

Amendment to the JMAC Statute was approved, effective July 1, 2014 (Session Law 2014-118) (the “2<sup>nd</sup> JMAC Amendment”), which increased the amount that could be awarded under the JMAC program from \$69,000,000 to \$79,000,000. Eligibility requirements for a large manufacturing employer (as defined in N.C. Gen. Stat. §105.129.81) were amended to include a business that is investing in its manufacturing process by enhancing pollution controls or transition the manufacturing process from coal to using natural gas for the purpose of becoming more energy efficient. In addition, the required investment was amended to \$50,000,000 within a five-year period beginning with the time the investment commences. Finally, the employment requirements were amended to include businesses in a development tier 2 with a population of less than 60,000 as of July 1, 2013, with an employment level of at least 800 full-time employees or equivalent full-time contract employees.

Blue Ridge Paper Products Inc. (“Blue Ridge”) was awarded a grant on December 19, 2014, for up to \$12,000,000 over 10 years to support conversion of critical equipment and allow the company to comply with federal EPA regulations.

### **3<sup>rd</sup> Amendment to the Original JMAC Statute**

Amendment to the JMAC Statute was approved, effective June 28, 2017 (Session Law 2017-57) (the “3<sup>rd</sup> JMAC Amendment”), which increased the amount that could be awarded under the JMAC program from \$79,000,000 to \$139,000,000 and increased the number of JMAC awards to no more than six. Eligibility requirements for businesses that have previously been awarded a JMAC as a major employer (as defined in N.C. Gen. Stat. §143B-437.012(d)(1)) were added as long as: (i) The business invests at least one hundred fifty million dollars (\$150,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a six-year period beginning with the time the investment commences. Amounts certified as invested under the 1<sup>st</sup> award may not be

included. (ii) The business must employ at least 2,000 full-time employees or equivalent full-time contract employees at the project that is the subject of the grant at the time the application is made and the business agrees to maintain at least 2,000 full-time employees or equivalent full-time contract employees at the project for the full term of the grant agreement. (iii) The project is at the same location as that for which a grant was previously awarded under subdivision (1) of this subsection.

Bridgestone Firestone North American Tire, LLC (“Bridgestone II”) was awarded a grant on October 23, 2018, for up to \$30,000,000 over ten years to modernize its tire manufacturing facility.

The Goodyear Tire & Rubber Company (“Goodyear II”) was awarded a grant on July 9, 2019, for up to \$30,000,000 over ten years to modernize its tire manufacturing facility.

#### **4<sup>th</sup> Amendment to the Original JMAC Statute**

Amendment to the JMAC Statute was approved May 16, 2019, effective July 1, 2019 (Session Law 2019-14) (the “4<sup>th</sup> JMAC Amendment”), which increased the amount that could be awarded under the JMAC program from \$139,000,000 to \$154,000,000 and increased the number of JMAC awards to no more than seven. This amendment created a new grantee category in the JMAC program for a “heritage manufacturing employer,” representing an employer having been in operation in NC for over 100 years that: (i) employs at least 1,050 employees, (i) retrain and relocates at least 400 of those employees to a development tier two area, and (iii) invests at least \$325 million in real and/or tangible personal property.

Charlotte Pipe and Foundry Company (“Charlotte Pipe”) was awarded a grant on May 12, 2020, for up to \$15,000,000 over ten years to modernize its iron foundry.

#### **Measurement of Grant Payment Eligibility for all JMAC Grantees**

The annual amount for which each JMAC grantee is eligible, if performance criteria are met, is based on the sum of the following eligible expenses: (i) 95% of certain statutorily specified eligible taxes; (ii) 100% of confirmed worker training expenses; and (iii) 100% of confirmed eligible State fees paid. Grantees generally qualify based principally on worker training expenses incurred to train workers on the new equipment purchased to modernize their facilities.

Grantees are ineligible for a grant payment for any year in which they fail to retain the required minimum number of eligible workers, fail to satisfy the wage requirement, or fail to make the required health insurance available to workers. Grants will be terminated for three consecutive years of failure to retain the required workers or to meet the wage standard. Grants must be repaid for failure to make the required investment within the specified time period.

#### **Summary of Grantee Performance Criteria**

Performance criteria for grant payment eligibility for these seven grantees are as follows:

<b>Company</b>	<b>Jobs for Full Payment</b>	<b>Jobs for Prorated Payment and minimum to avoid default</b>	<b>Investment</b>	<b>Wages</b>	<b>Other</b>
Goodyear	2,398	1,918	\$200 million by 2012	140% of average county wage in Cumberland County	Worker health insurance
Bridgestone	2,083	1,666	\$200 million by 2010	140% of the average county wage in Wilson County	Worker health insurance
Domtar	320	n/a	\$65 million by October 10, 2012	140% of the average county wage in Martin County	Worker health insurance

Blue Ridge	800	n/a	\$50 million by December 31, 2019	140% of the average county wage in Haywood County	Worker health insurance
Bridgestone II	2000	n/a	\$266,371,135 by December 31, 2021	140% of the average county wage in Wilson County	Worker health insurance
Goodyear II	2000	n/a	\$180 million by December 31, 2022	140% of the average county wage in Cumberland County	Worker health insurance
Charlotte Pipe	1050 of which 400 are employees at the Project Site)	n/a	\$325 million by December 31, 2024	140% of the average county wage in the county they are employed (Stanly, Mecklenburg and Union).	Worker health insurance

### Grant Payments

The Domtar grant, and both the Bridgestone and Goodyear grants that were awarded in FY08-09, are closed out and were not required to file an annual report. No payments were made on these grants in FY21-22.

A grant payment to Blue Ridge was made in FY21-22 for the performance year ending December 31, 2020, after Commerce's analysis and confirmation of the company's annual JMAC report. Blue Ridge received a grant payment of \$2 million, based on its report of 913 eligible employees, with an average wage of \$84,199, required average annual wage of \$51,344. The company is required to invest \$50 million in eligible machinery and equipment by December 31, 2019. The company reported an investment of \$56,061,738 by December 31, 2018.

Bridgestone II elected to take the Compliance Relief offered to grantees due to the COVID-19 pandemic. The company agreed that the terms and conditions of the 2020 Grant Year, and any associated Grant payments and obligations of the State and Grantee, be carried forward one calendar year. The grant compliance requirements for Grant Year 2020 were shifted forward one year to 2021 and so forth until the end of the grant term and the Company shall not be considered to be in default for the 2020 Grant Year with respect to their Job Retention, Investment and Wage obligations under the JMAC Agreement. No payment was made in FY21-22.

A grant payment to Goodyear II was made in FY21-22 for the performance year ending December 31, 2020, after Commerce's analysis and confirmation of the company's annual JMAC report. Goodyear received a grant payment of \$3 million, based on its report of 2,189 eligible employees, with an average wage of \$64,385, required average annual wage of \$52,760. The company is required to invest \$180 million in eligible machinery and equipment by December 31, 2022.

Charlotte Pipe's first Grant Year is 2021. No payments were made on this grant in FY21-22.

**Payments Made Through FY 2021-2022**

<b>Company</b>	<b>Total Grant Amount</b>	<b>Amount Received To-Date</b>	<b>Amount of Grant Remaining</b>
Goodyear	\$30,000,000	\$27,983,529	\$0
Bridgestone	\$30,000,000	\$27,456,554	\$0
Domtar	\$ 7,000,000	\$7,000,000	\$0
Blue Ridge	\$12,000,000	\$12,000,000	\$0
Bridgestone II	\$30,000,000	\$6,000,000	\$24,000,000
Goodyear II	\$30,000,000	\$6,000,000	\$24,000,000
Charlotte Pipe	\$15,000,000	\$0	\$15,000,000

Charlotte Pipe is eligible for up to \$1 million and Bridgestone II and Goodyear II are eligible for up to \$3 million, for their 2021 performance, if they meet the performance criteria. These annual reports are under review, and all payments are expected to be made in FY22-23.

Blue Ridge has reached its Lifetime Cap of \$12,000,000, therefore no payment is due for 2021 performance. The company is required to file grantee annual reports through the 2024 grant year. Goodyear and Bridgestone's 1st grants, as well as Domtar, have reached the end of their Agreement Term. These grants are closed out with no further payments due.