Summary of Projections and Recommendations

This report has been prepared pursuant to N.C. Gen. Stat. § 143B-437.55(e), by the Department of Commerce ("Commerce"), on behalf of the Economic Investment Committee (the "Committee"), which administers the **Job Development Investment Grant Program** (the "JDIG Program"). Its purpose is to provide the General Assembly with information on the minimum current funding level required for the upcoming fiscal year, necessary to honor the State's obligations under Community Economic Development Agreements with JDIG grantees (the "CEDAs").

The DOC's analysis has determined that up to $57.7 million will be required to cover JDIG obligations through FY 2025-26, reflecting JDIG grantee calendar year 2024 performance, plus a few payments not yet made for prior year's performance**.** This amount reflects reductions to the maximum 2024 annual liability established for these grants, reflected in the CEDAs, with reductions based upon Commerce's assessment of actual performance reports submitted by grantees. Table 1 provides the maximum State liability over the life of all existing JDIG grants. Future grants to be made under the JDIG Program will increase these totals.

As of March 14, 2024, in FY 2024-25, the JDIG program has paid approximately $32.4 million for JDIG performance for grant years 2022 and 2023.

Background of JDIG Program

The JDIG Program is a performance-based economic development incentive program that provides annual grant disbursements for a period of up to 12 years, to new and expanding businesses based on a percentage of withholding taxes paid by new employees during each calendar year of the grant. The percentage of withholdings ranges from 10% to 75% (80% for awards after October 1, 2015 in Tier 1 counties). In adopting the JDIG Program in the 2001-2002 Session, the General Assembly intended "to stimulate economic activity and to create new jobs for the citizens of the State by encouraging and promoting the expansion of existing business and industry within the State and by recruiting and attracting new business and industry to the State." N.C. Gen. Stat. § 143B-437.50(1).

After extensive review and analysis of applications, and a determination that a company meets the required JDIG Program criteria, the Committee may make a JDIG award to a grantee, subject to an overall cap set by the General Assembly on future grant year liability, for the aggregate of grants made in a particular calendar year. The total amount paid out in any single grant year to all companies awarded a grant in the same calendar year is determined by the JDIG Statute. Given the gradual "ramp up" of new jobs by each company and the fact that in most years the annual cap is never reached, the maximum State liability is typically far less than the maximum annual cap.

For grants that were awarded through 2006, for projects to be located in Tier 4 or 5 counties under the William S. Lee Tax credit program (Article 3A), 25% of every grant disbursement is required to be transferred into the Utility Account of the State's Industrial Development Fund (the "Utility Account") to help fund rural infrastructure, pursuant to N.C. Gen. Stat. § 143B-437.61.

As of January 1, 2007, the William S. Lee tax credit program was replaced by Tax Credits for Growing Businesses, commonly referred to as "Article 3J Credits." Article 3J reduced the current five-tier structure to three tiers. Under this tier structure, for projects located in Tier 3 counties, 25% of the total annual grant payment, and for projects located in Tier 2 counties, 15% of the total annual grant payment, must be transferred to the Utility Account. HB117 reduced the amount transferred to the Utility Fund for projects located in a Tier 2 county to 10% of the total annual grant payment for awards after October 1, 2015.

Due to the Covid-19 pandemic, the Economic Investment Committee offered Compliance Relief for JDIG recipients. Grantees could request to have all obligations associated with the grant carried forward by one year and/or request that Project Employees working from home-office locations within North Carolina to be considered to be employed at the Project Facility with respect to grant years 2020 and 2021. There were 37 grantees that requested the carry forward, 40 requested both carry forward and home office locations and 25 requested home office locations.

For the purposes of this study, funds required to be transferred to the Utility Account are included as a part of the total grant liability reported. Thus, maximum liability figures provided herein include *both* the amount of the grant to be paid to each company and the amount to be transferred to the Utility Account for rural counties.

Payments under a CEDA are made annually, following each calendar year that is a grant year for the company, based on the company's compliance with performance requirements of the CEDA, as reported to Commerce by March 1 of each year. Typically, these payments will commence the 3rd quarter following the calendar year of performance. As noted above, for this funding cycle, the amount required reflects payments to be made commencing in FY 2025-26 for calendar year 2024, plus the remaining prior year's payments, and thus these payments will commence with the start of the fiscal year beginning on July 1, 2025. This study and the table that is attached describe the fiscal impact of the JDIG Program based on maximum possible payments for each grant year.

Funding Analysis

As of March 14, 2025, the Committee has publicly awarded 441 grants. Of these grants, 131 were required to report for 2024 performance. Of these, approximately 78 are expected to be eligible for payments in FY 2025-26. Typically, there is some time lag between the awarding of grants and the beginning of operations; 43 of the 441 grantees are not required to have created jobs for the 2024 grant reporting year (and thus will not be eligible for payment in FY 2025-26) but will create program liabilities based on jobs created and retained in future years. 216 of the 441 grantees have terminated or withdrawn from the program, and 51 of the 441 grantees have completed their grant term.

In evaluating projected liability indicated in this study, it is important to emphasize that maximum liability is stated based on the actual maximums possible under each award. Actual costs to the State are expected to be a lesser amount, as not all companies that are awarded grants will perform at the maximum level. Businesses that miss their minimum job creation requirement may receive reduced grant payments for the year based on a weighted average demonstrating at least 80% compliance with jobs, wages, and investment requirements (for two years during the job ramp up period, at which point the company is required to be in full compliance in order to receive a payment). The CEDA also provides for termination of the grant after a period of non-performance.

Table 1. Total Maximum Liability for Existing Grants – in million

Award Year	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	Transform-ative/ High Yield Yrs 2038-2061	Grand Total
2011				1.103	1.103	1.103															3.309
2012			0.196	2.371	1.673	0.196															4.436
2013	0.266	0.266	10.227	12.029	12.029	1.075	0.343	0.343													38.048
2014		0.668	0.668	5.454	5.454	5.454	0.262														17.960
2015		0.342	2.556	4.855	4.855	4.855	4.855	3.844	1.797	1.797	1.797										31.553
2016		0.610	0.928	2.486	2.486	2.486	2.486	2.486	1.170												15.138
2017		0.397	0.441	2.588	2.588	2.588	2.588	2.588	2.588	2.108	1.948	0.360									20.782
2018		0.517	3.955	13.629	13.799	14.034	13.723	13.225	13.225	13.225	10.959	3.816	1.330	1.330							116.767
2019	0.078	0.155	2.026	11.809	12.084	12.394	12.582	12.591	12.591	12.591	12.591	4.866	2.005	0.975	0.866						110.204
2020			2.628	5.925	6.904	7.878	8.279	8.382	8.587	8.587	8.587	8.587	6.738	4.974	0.696	0.696					87.448
2021		0.072	2.582	9.475	18.730	25.134	29.908	34.280	36.724	37.470	38.854	46.255	46.255	40.431	38.138	34.891	33.003	33.003	33.003	645.435	1183.643
2022			0.404	5.132	9.413	17.649	20.190	21.123	22.486	26.112	26.112	25.951	25.951	25.951	24.331	23.419	21.707	21.707	21.707	245.242	584.587
2023				0.830	1.756	2.973	3.353	3.793	3.903	3.903	3.903	3.903	3.903	3.903	3.903	2.251	1.384				43.661
2024				0.073	1.331	2.715	5.460	8.950	10.920	12.680	13.831	14.047	14.047	14.047	14.047	13.791	10.151	9.021	3.777		148.888
2025						0.391	0.557	0.710	0.828	0.828	0.828	0.828	0.828	0.828	0.828	0.828	0.828				9.110
Total	0.344	3.027	26.611	77.759	94.205	100.925	104.586	112.315	114.819	119.301	119.410	108.613	101.057	92.439	82.809	75.876	67.073	63.731	58.487	890.677	2414.064

Remaining Payments to be made in FY25-26 for previous grant years		$29,982,000
Estimated grant year 2024 payments to be made in FY25-26	+	$57,700,000
Total funds for JDIG payments	=	$87,682,000

Current cash balance for traditional JDIG awards as of 3/14/2025	(Cash)	$18,261,841
Plus: 4th Quarter Allotment FY24-25		$17,932,032
less Transfer to Utility Fund per G.S. 143B-437.020(g) (FY23-25 Biennium)	(Utility Fund) -	$2,500,000
plus Recurring Appropriation (budget code 24609)	+	$71,728,126
Total Funds Available for Payments	=	$105,421,999

Total Funds Available for Payments		$105,421,999
Total Funds for JDIG Payments	-	$87,682,000
Excess funds (shortfall) for FY25-26	=	$17,739,999