

# North Carolina Should Weigh Continued Investment in the Global TransPark Authority and Consider How to Repay the Escheat Fund Loan

A presentation to the Joint Legislative  
Program Evaluation Oversight Committee

April 2011

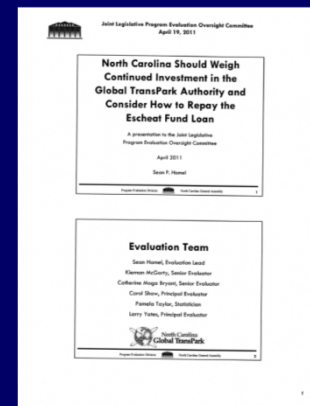
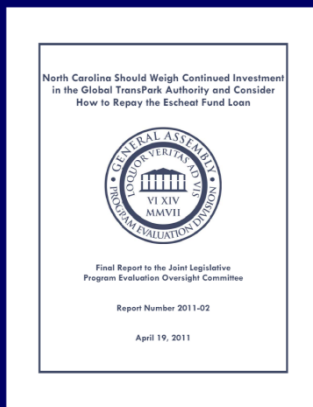
Sean P. Hamel



# Handouts

The Full Report

Today's Slides



## Two-sided Handout

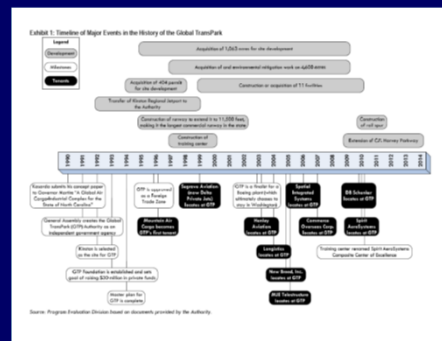


Exhibit 4

Global TransPark Authority's 2010 Strategic Plan Lacked Several Critical Features

Critical Aspect of the Strategic Planning Process	Assessment
Identifying and analyzing critical stakeholders	✖
Identifying an organization's values and vision	✖
Assessing the internal and external environment for an organization's strengths, weaknesses, opportunities, and challenge (commonly referred to as a SWOT analysis)	✖
Comparing trends and opportunities to an organization's ability to meet challenges and seize opportunities (commonly referred to as a GAP analysis)	✖
Identifying strategic issues based on SWOT and GAP analyses and formulating strategies for addressing these issues	✖
Implementing strategies	✖
Critical Elements of Strategic Plan Documents	Assessment
A mission statement that describes the purpose of an organization	✖
A vision statement that expresses the aspirations of an organization or what the organization looks and acts like when it is fulfilling its mission	✖
Thematic goals that address the strategic issues facing an organization	✖
<ul style="list-style-type: none"> <li>✖ Not fully implemented</li> <li>✖ Fully implemented</li> <li>○ Not implemented</li> </ul>	

Source: Program Evaluation Division based on review of strategic planning documents, documents provided by the Authority, and interviews with the Authority.



# Evaluation Team

Sean Hamel, Evaluation Lead

Kiernan McGorty, Senior Evaluator

Catherine Moga Bryant, Senior Evaluator

Carol Shaw, Principal Evaluator

Pamela Taylor, Statistician

Larry Yates, Principal Evaluator

Special thanks to:

Dr. Barry Boardman, Fiscal Research Division



# Our Charge

S. L. 2010-31, Section 28.3(b) directed the Program Evaluation Division to

- Conduct a comprehensive program and financial review
- Assess ability of the Authority to become self-sustaining and repay the Escheat Fund loan

Report p. 2



# Overview: Findings

- Authority has made progress towards meeting its mission and goals
- Current administrative practices and operations limit the Authority's ability to achieve and demonstrate results
- Estimated fiscal impact of direct private sector employment at the Global TransPark will exceed the state's investment in the Authority by 2025

Report p. 2



# Overview: Findings

- Authority cannot be self-sustaining, but options exist to reduce it's reliance on state appropriations
- Authority cannot repay the Escheat Fund loan and thus responsibility falls to the state
- Immediate divestiture in the Global TransPark is not possible

Report p. 2



# Overview: Recommendations

## The General Assembly should

- Establish a repayment schedule for the state's Escheat Fund debt
- and
- Choose between two options for the future of the Global TransPark
    - Continue supporting the Authority based on demonstrated results, or
    - Incrementally divest from the Global TransPark

Report p. 2



# Background





# Background

- Authority was established in 1991 to develop a unique industrial park dependent on multimodal transportation infrastructure
- Authorized to invest \$25 million from the Escheat Fund
  - As of February 2011 the total owed is \$39.9 million
  - October 1, 2011 maturity date

Report pp. 2, 7



# Background

- Global TransPark has received a total of \$248 million in funding from local, state, federal, and private sources since Fiscal Year 1991-92
- Global TransPark today is different from what was originally envisioned

Report pp. 7, 8



# Findings



# Finding 1.

## Authority has made progress towards meeting its mission and goals



Report p. 8

# Authority's Mission

- No statutory mission
- Authority's adopted mission
  - Create skilled, well-paying jobs in eastern North Carolina
  - Support education, research, and development efforts related to the creation of new economic opportunity
  - Attract economic investment from identified, targeted industries

Report p. 8



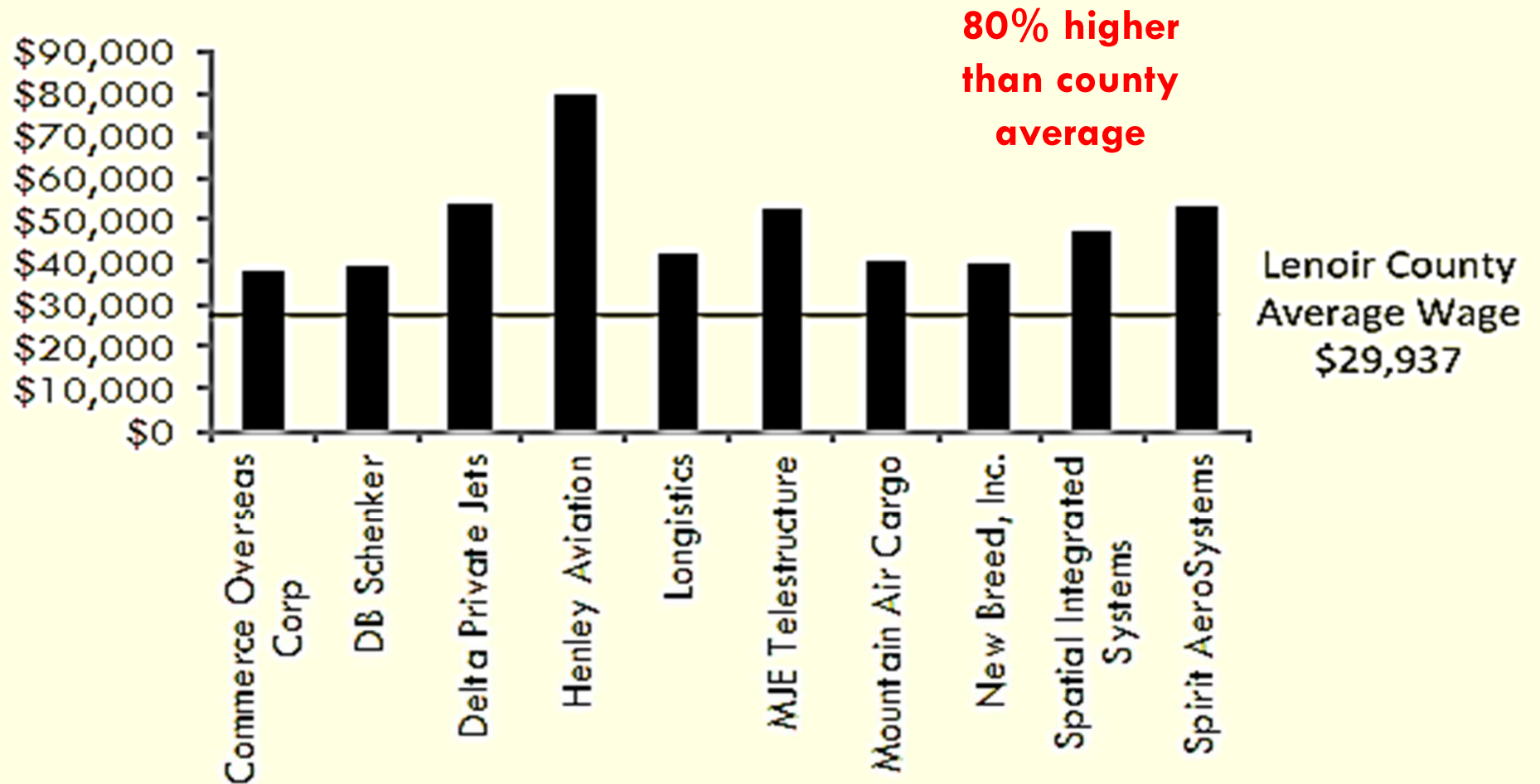
# More Than a 1,000 Jobs by 2014

- Global TransPark currently has 14 tenants in four of its targeted industries that employ 372 people
- By 2014, Spirit AeroSystems alone will have created 1,031 jobs at the Global TransPark



Report p. 9

# Attracts Well Paying Jobs



**Finding 2.**  
**Administrative practices and  
operations limit the Authority's  
ability to achieve and  
demonstrate results**

Report p. 9





# Authority Lacks a Results-Based Approach

- Strategic Planning
  - Missing or inadequate implementation of steps fundamental to strategic planning
  - Core components of product are missing or inadequately implemented
- Performance Management System
  - No formalized Performance Management System in place

Report p. 11



# Authority Lacks Economic Development Capacity

- Less than 10% of Authority staff are dedicated to economic development
- Strategic partnerships are still developing
- Governing board has limited representation from targeted industries and three regions of the state

Report p. 12



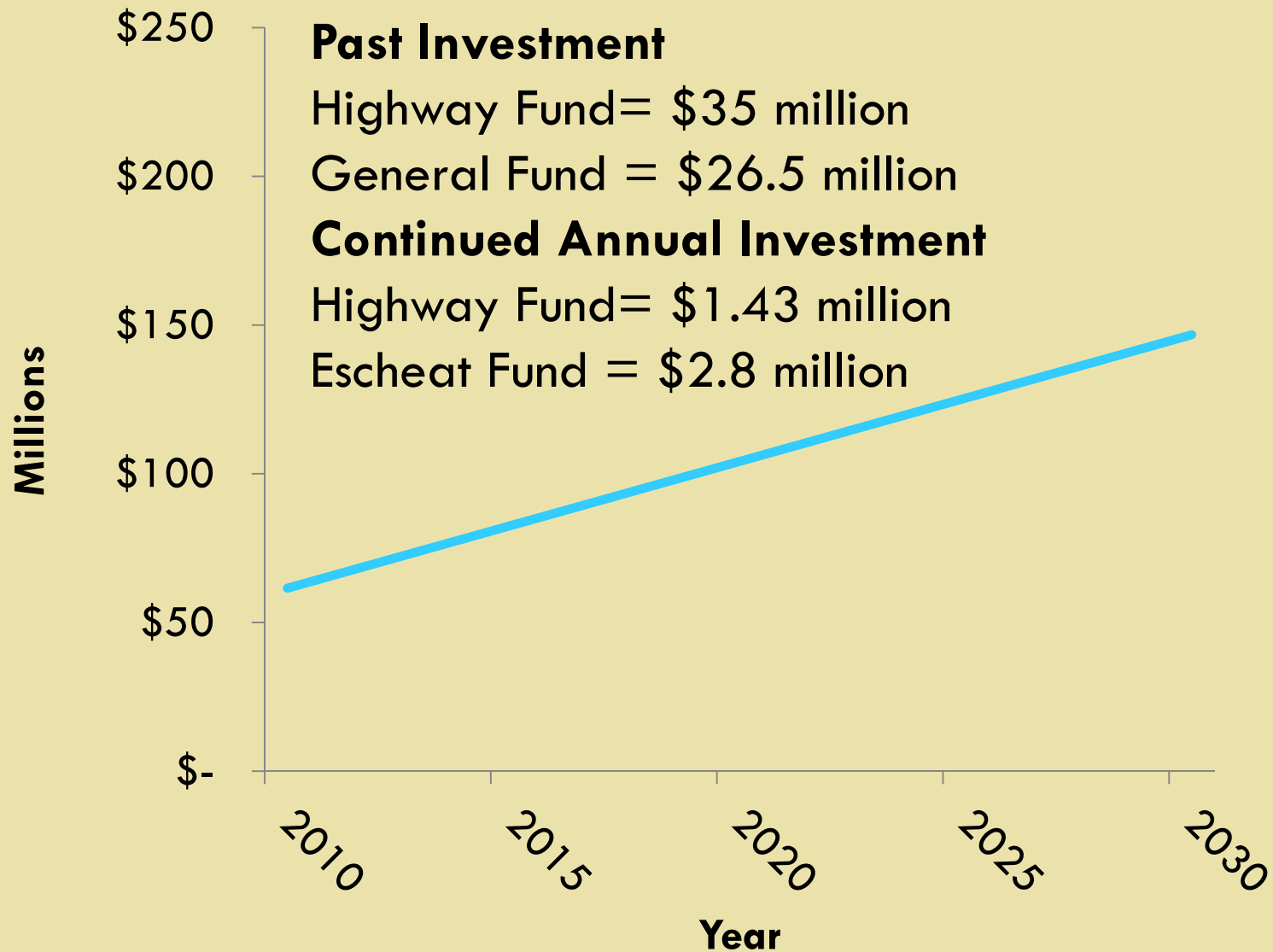
## **Finding 3.**

**Estimated cumulative benefit to the General Fund from direct private sector employment at the Global TransPark will exceed the state's investment in the Authority by 2025**

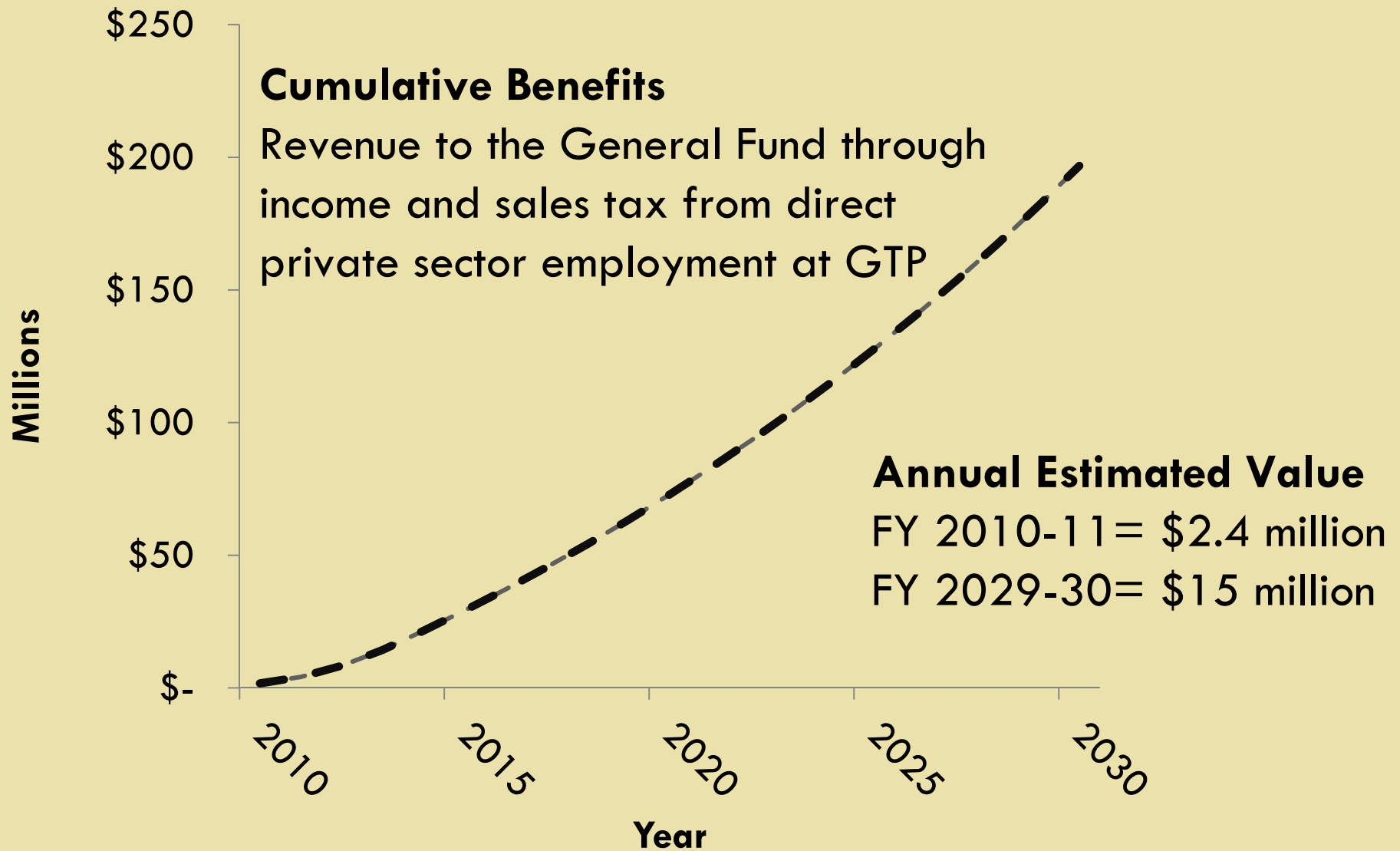
Report p. 13



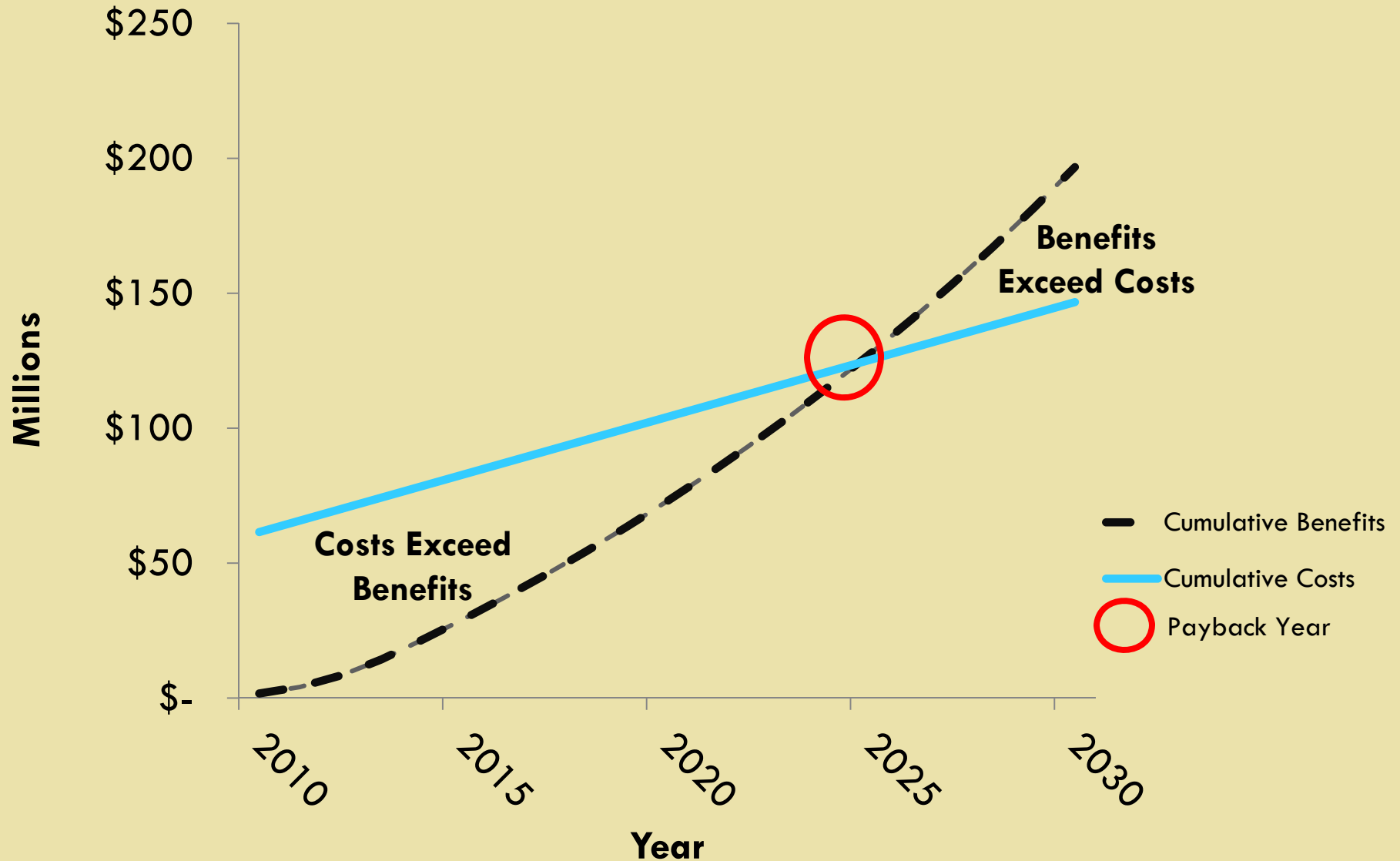
# Cumulative Costs



# Cumulative Benefits



# Estimated Payback Year 2025

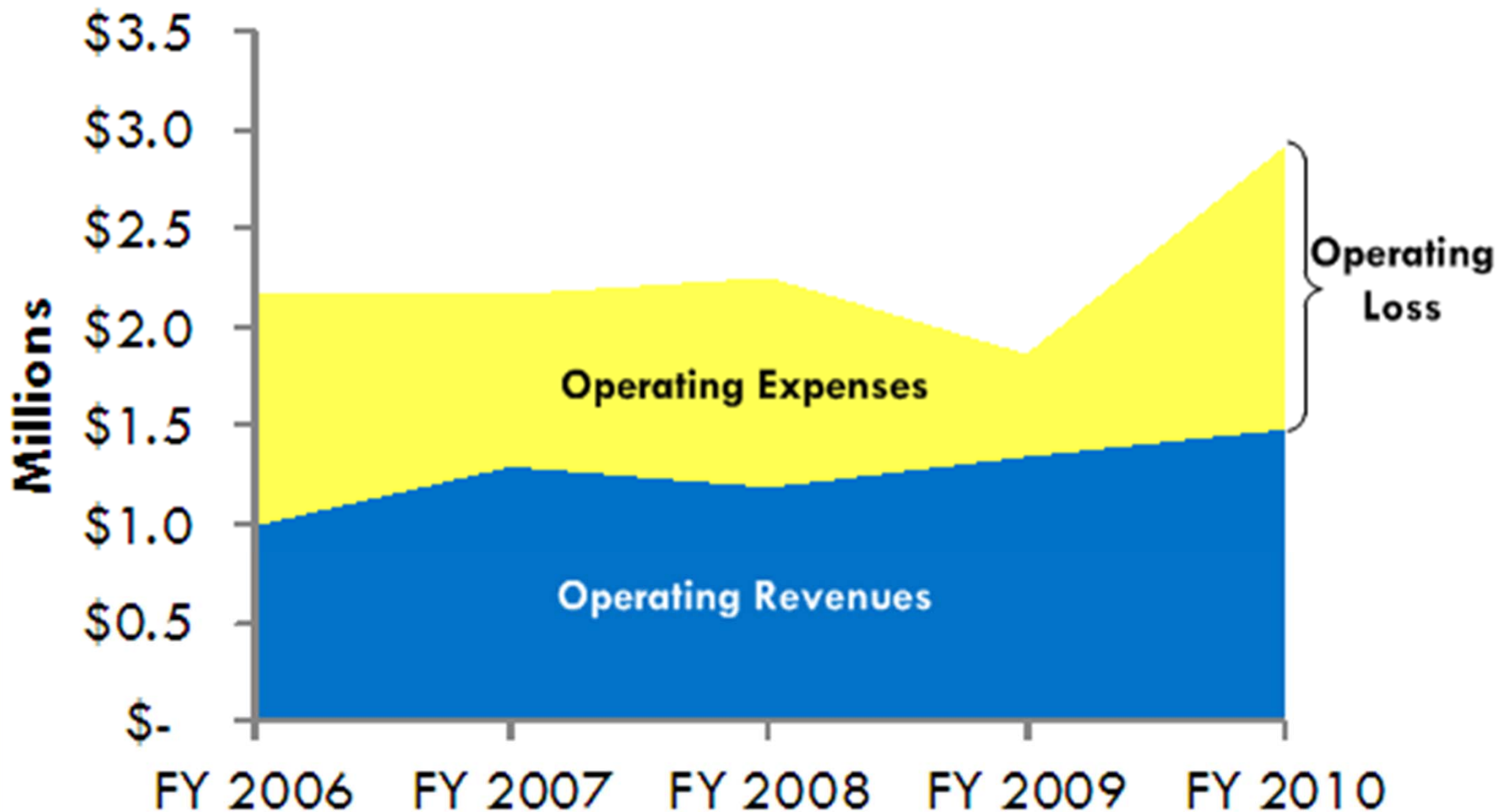


**Finding 4.**  
**Authority cannot be self-**  
**sustaining, but options exist to**  
**reduce it's reliance on state**  
**appropriations**

Report p. 14



# Expenses Exceed Revenues





# Authority's Ability to Become Self-Sustaining is Compromised

- The State uses Global TransPark assets as economic development incentives
  - Spirit AeroSystems lease of 304 acres → \$100 annually
  - Spirit AeroSystems given priority use of the training center free of charge

Report p. 16



## **Finding 5.**

**Authority does not generate sufficient revenue to repay the Escheat Fund loan; therefore, the responsibility for repayment of the debt falls to the state**

Report p. 21



# \$39.9 Million Escheat Fund Debt

- Maturity date extended 5 times
- Repayment of the Escheat Fund loan by the Authority is impossible
- Treasurer does not believe options presented by the Authority to address the debt are viable strategies

Report pp. 21, 22



# Responsibility for the Debt Falls to the State

G.S. § 147-69.2.(b)(11) states:

“In the event of a loss to the Escheat Fund . . . it is the intention of the General Assembly to hold the Escheat Fund harmless from any such loss by appropriating to such Escheat Fund funds equivalent to such loss”

Report p. 22



# **Finding 6.**

## **Immediate divestiture in the Global TransPark is not possible**



Report p. 24

# Why Immediate Divestiture is Not Possible

- According to the Federal Aviation Administration, the airport must maintain operations for public use
- The training center has obligations
  - Must maintain operation for public use until 2017
  - Spirit AeroSystems has priority use until 2020
- Commercial real estate has encumbrances

Report pp. 24,25



# Recommendations



**Recommendation 1.**  
**General Assembly should**  
**establish the terms and repayment**  
**schedule for the Escheat Fund debt**

Report p. 26





# Establish Payment Terms and Schedule for the Escheat Fund Debt

- Treasurer prepared scenarios for a 10-, 15-, or 20-year repayment plan
- All the repayment options show a positive benefit-to-cost ratio for the state in 2030
- It is in the best interest of the state for the General Assembly to authorize a 20-year repayment plan for the Escheat Fund debt; \$2.8 million annually

Report p. 26



**Recommendation 2.**  
**General Assembly should choose  
between two options for the future of  
the Global TransPark**

Report p. 27



# Option 1: Continue funding the Authority based on demonstration of results

## General Assembly should

- Establish the Authority's mission
- Modify the Authority's board composition
- Revise the Authority's reporting requirements

## Direct the Authority to

- Revise 2010 Strategic Plan to be reviewed by the Program Evaluation and Fiscal Research Divisions
- Develop and implement a formalized performance management system based on the revised strategic plan

Report p. 27



# Option 1: Continue funding the Authority based on demonstration of results

- Authority to issue a special report February 1, 2017
  - Assess if fiscal impact to the General Fund is on track to meet estimated payback year of 2025
- General Assembly should reconsider continued investment if payback year estimate is lagging

Report p. 27



# Option 2: Incrementally divest from the Global TransPark by 2019

- Direct Department of Transportation to develop and implement divestiture plan
  - Identifying outstanding financial operating commitments
  - Identifying assets that would require transfer of operations
  - Identifying the assets that can be liquidated
  - Developing a timeline and strategy for the incremental sale of assets
  - Establishing a mitigation bank to liquidate excess mitigation credits

Report p. 28



## **Option 2: Incrementally divest from the Global TransPark by 2019**

- Divestiture plan by January 1, 2012
- Annual report on divestiture progress
- Full divestiture completed by 2019
- Authority will require funding until divestiture is complete

Report p. 28



# Findings Summary

- Authority has made progress towards meeting its mission and goals; however administrative practices and operations limit the Authority's ability to achieve and demonstrate results
- State investment in the Authority is estimated to reach its payback year in 2025
- Authority cannot be self-sustaining or repay the Escheat Fund loan; responsibility for this debt falls to the state
- Immediate divestiture from the Global TransPark is not possible

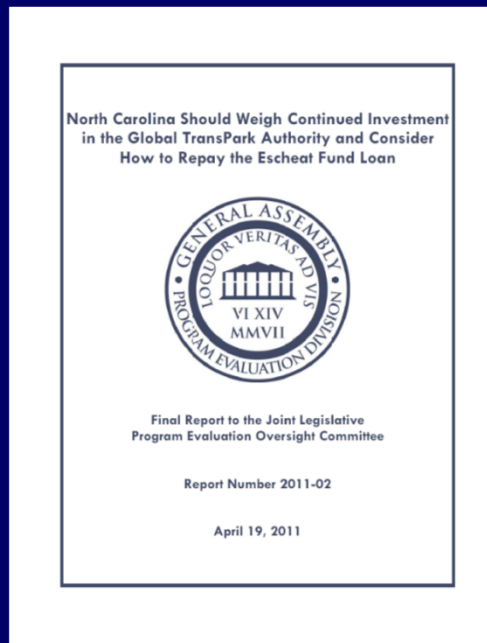
# Recommendations Summary

- The General Assembly should:
  - Establish terms and repayment schedule of the Escheat Fund debt
  - Choose between two options for the future of the Global TransPark
    - Continued investment based on demonstrated results
    - Incremental divestiture





**Report available online at  
[www.ncleg.net/PED/Reports/reports.html](http://www.ncleg.net/PED/Reports/reports.html)**



**Sean P. Hamel, Program Evaluator**

**[Sean.Hamel@ncleg.net](mailto:Sean.Hamel@ncleg.net)**