

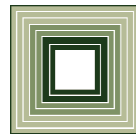
# The North Carolina Economic Development Inventory

**Barry Boardman, Ph.D.**

**Fiscal Research Division**

**Joint Select Committee on Economic Development Incentives**

**December 11, 2007**



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly

# Economic Development Inventory

- What spending is in the Economic Development Inventory (EDI)?
- What are the different types of spending?
- How was spending estimated?
- And what were the challenges?
- Results

# EDI Highlights

- State spending on economic development for FY 2006-07 was \$1.26 billion
- Spending compares to 6.8 percent of General Fund tax revenues
- General Fund appropriations were 0.61% of total appropriations
- General Fund and Transportation appropriations have increased over 150 percent
  - \$69.5 million FY 2002-03
  - \$179.4 million FY 2006-07

# What spending is included in the EDI?

- All State spending with an economic development purpose
  - **Three spending areas:**
    - Tax Incentives
    - General Fund Appropriations
      - Commerce
      - NCCCS
      - UNC
    - Transportation

# Economic Development Inventory

## NC Community College System NEW AND EXPANDING INDUSTRY TRAINING (NEIT)

Created in 1958, the NEIT program provides customized training assistance in support of new, full-time production positions created in the State of North Carolina. Resources may support training, assessment, program development, instructional costs, and training delivery.

Budget and Expenditures														
Fiscal Year	2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		2008-09	
Appropriation	\$	6,028,541	\$	6,028,541	\$	6,033,126	\$	6,028,541	\$	6,028,541	\$	6,028,541	\$	6,028,541
HB 275	\$	5,217,577	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Carryforward	\$	9,645,548	\$	9,989,181	\$	9,053,569	\$	10,930,286	\$	11,094,476				
Total	\$	20,891,666	\$	16,017,722	\$	15,086,695	\$	16,958,827	\$	17,123,017	\$	6,028,541	\$	6,028,541
Expended	\$	5,456,139	\$	4,324,263	\$	4,156,409	\$	5,864,351	\$	6,431,095				
Balance	\$	15,435,527	\$	11,693,459	\$	10,930,286	\$	11,094,476	\$	10,691,922				

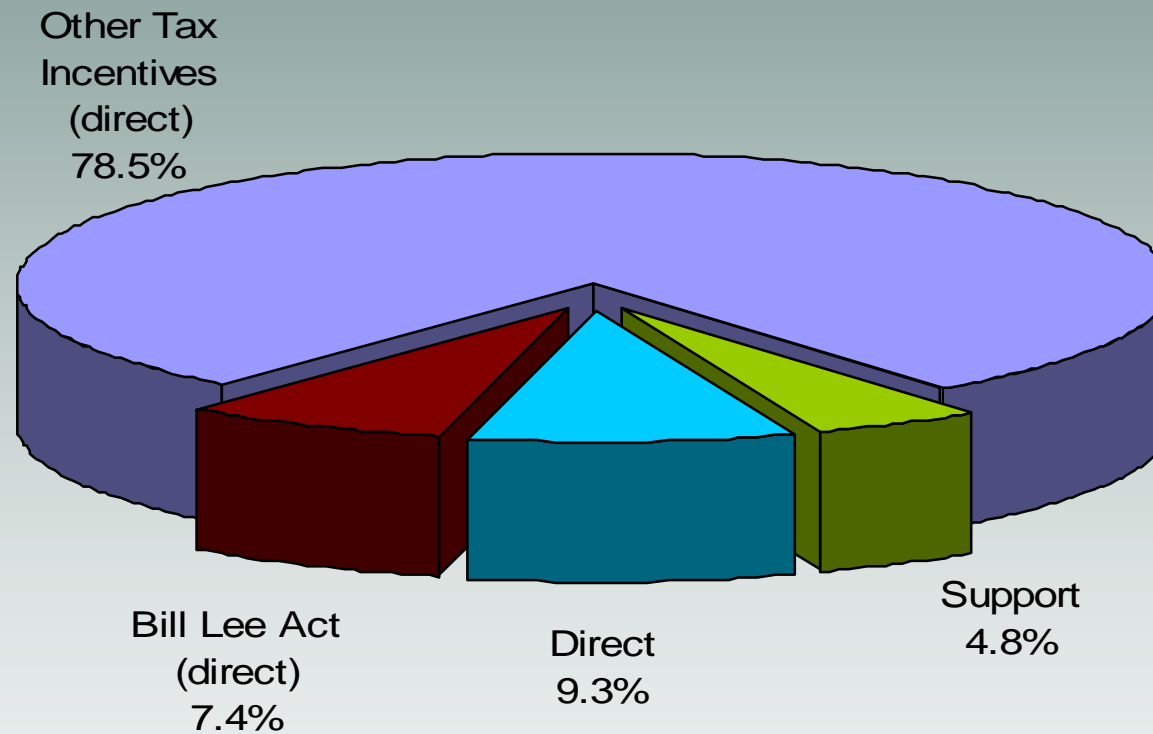
**General Statute Authorization:** G.S. 115D-5.1

**Eligibility:** Companies creating 12 or more production jobs in excess of their previous 3-year maximum employment level are eligible for assistance through NEIT. Eligible trainees include new front-line personnel involved in the direct production of goods and services and their first-line supervisors.

# What spending is included in the EDI?

- **Two types of spending**
  - **Direct Incentives** – such as
    - Bill Lee Act incentives
    - JDIG
    - One NC
  - **Support Programs** – such as
    - Community College's Small Business Centers
    - Commerce's Regional Offices

# Direct and Support Spending (\$ millions), FY2006-07



# How was State spending determined?

- Budgeted appropriations and actual expenditures
- Department of Revenue reports
  - Bill Lee Act reports
  - Biennial Tax expenditure reports, 2005 and 2007

# Economic Development Inventory

## Challenges

- Identifying all development spending by the State
  - Is the purpose economic development?
  - Is the spending actually State spending?
- Some spending may not be identified or quantified
- Consistently account for spending over time

# Tax Incentives

- William S. Lee Act tax incentives
  - Job creation and business investment
  - Tax Credits
    - Corporate and Personal Income
    - Franchise Tax
    - Gross Premiums Tax
- In 2006,
  - Generated \$174.6 million
    - 12 percent less than in 2002
  - Credits taken \$93.8 million
    - 26 percent more than in 2002

# Tax Incentives

- Other tax incentives (tax law changes)
  - Exemptions
  - Deductions
  - Refunds
  - Caps
  - Preferential rates
- In FY 2006-07 these tax incentives were an estimated \$992.3 million
  - Sales tax expenditures were \$486.9 million (49.1%)

# General Fund Appropriations

- **Commerce** – the primary agency for economic development
- FY 2007-08,
  - \$95.2 million appropriated
  - 5 *direct incentive* programs received an appropriation, totaling \$32.6 million
  - JDIG and One NC Fund receive 81% of *direct incentive* appropriations
  - \$65 million for *support programs*, 87% is pass-through funding to non-State entities

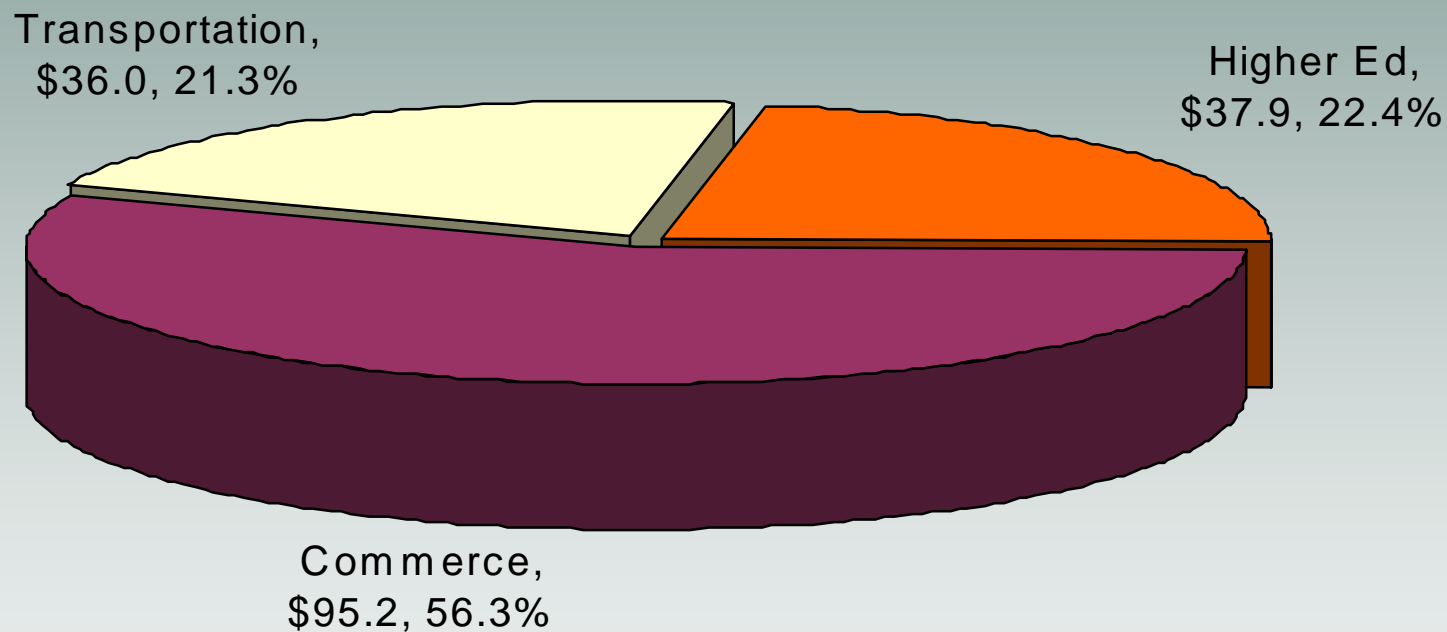
# General Fund Appropriations

- Higher Education
  - Community Colleges (FY 2007-08)
    - \$12.7 million for direct, company specific support and training
    - \$8.7 million for support programs such as the Textile Center
  - Universities (FY 2007-08)
    - \$16.3 million in support (quasi-direct) programs
    - Many campuses have created their own economic development centers

# Transportation

- There is a close relationship between a State's transportation infrastructure and economic development
- Direct programs (FY 2007-08)
  - \$36 million appropriated
  - Includes small scale programs for individual projects and railroad improvements

# General Fund and Transportation Appropriations (\$ millions), FY 2007-08



# Total Economic Development Spending (\$ millions), FY 2006-07

Total State spending = \$1.26 billion

