

# JOINT SELECT COMMITTEE ON ECONOMIC DEVELOPMENT INCENTIVES

## Understanding How Incentives Work Best for North Carolina

*Proposed Workplan*

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UNC Center for Competitive Economies (C<sup>3</sup>E)

# Task 1: Definition of Relevant Incentives

## “What Is An Economic Incentive?”

- Clarify types of economic incentives commission intends to address?
- Identify the possible population of program to be considered.
- Establish clear parameters for program inclusion.

## **Task 2: Definition of Incentives Goals**

**“What is Economic Incentive Success?”**

- What were the initial goals of NC’s incentive programs at their establishment?
- How and why have those goals evolved?
- Are the goals of individual incentive programs consistent with NC economic development priorities?
- Have some programs changed in ways that are non-strategic or even counter-productive?

## **Task 3: Describe Incentives Recipients**

**“What Companies Have Received Economic Incentives, How Much, And How Much More?”**

- Geographic distribution of recipients and amounts
- Industry distribution of incentives
- Size of firms in incentive programs
- Changes in distribution of incentives over time
- Cost of incentives granted to date and future forecast



## **Task 4: Identify Incentives Outcomes**

**“What are Incentive Outcomes and how do Recipients Differ In Economic Impact?”**

- Post-incentive performance by type of company, incentive, and location
- What has been the relative return on investment of North Carolina’s incentive programs
- “Investment portfolio” describing relative returns of economic incentive programs

## **Task 5: Significance of Incentive Outcomes**

**“Do NC’s Incentives Significantly Affect the Economy?”**

- Determine which companies do or don’t receive incentives ...and why
- Compare performance and impact of “incented” companies to “non-incented” peer firms
- Assess significance of economic incentives impact on the North Carolina economy

## **Task 6: Incentives Use Process**

**“How is the Economic Incentives Game Played?”**

- Examine rate and reasons for increasing economic incentive competition
- Develop case studies of incentive deals to describe process and player roles
- Describe consultants' role and compensation

## **Task 7: Incentive Use in Rival States**

**“How Do Our Rivals Play the Incentives Game?”**

- Identify primary rival states in incentive competitions
- Compare NC incentive to rivals in recent locations
- Interpret the role of those differences in the outcome in each competition
- Assess how NC incentive offerings could be altered or augmented to offset rival advantages



## **Task 8: Corporate Tax Reduction Option**

**“Reduce the corporate tax rate instead”**

- Calculate revenue-neutral tax rate offset to incentives
- Calculate the economic and fiscal impact of reduction
- Analyze the distribution of economic impact and compare to incentives impact
- Assess the relative performance in meeting NC priorities

# Research Workplan

## “Who, how long, how much?”

- Lead by C<sup>3</sup>E, a research center of Kenan Institute
- Inter-institutional UNC system research team:  
ASU ECU FSU NCA&T NCCU NCSU  
UNCG UNCW UNCC UNCP WCU WSSU
- Coordination with parallel legislative research efforts
- 18 month research period
- Maximum cost <\$350,000

# Deliverables

**“A better understanding of how and how well incentives are working in north carolina”**

- What is NC spending, and expecting to spend, on incentives
- What are NC's goals for this spending
- How are those goals being best met
- What changes would increase performance
- Tax reduction alternatives to incentives strategies