



# **Business Incentives and North Carolina's Tier 1 Counties: Have They Worked?**

Presentation to the NC Joint Select Committee on Economic  
Development Incentives

December 16, 2008

By Frank DiSilvestro and Bill Schweke, CFED



# GOALS OF PRESENTATION

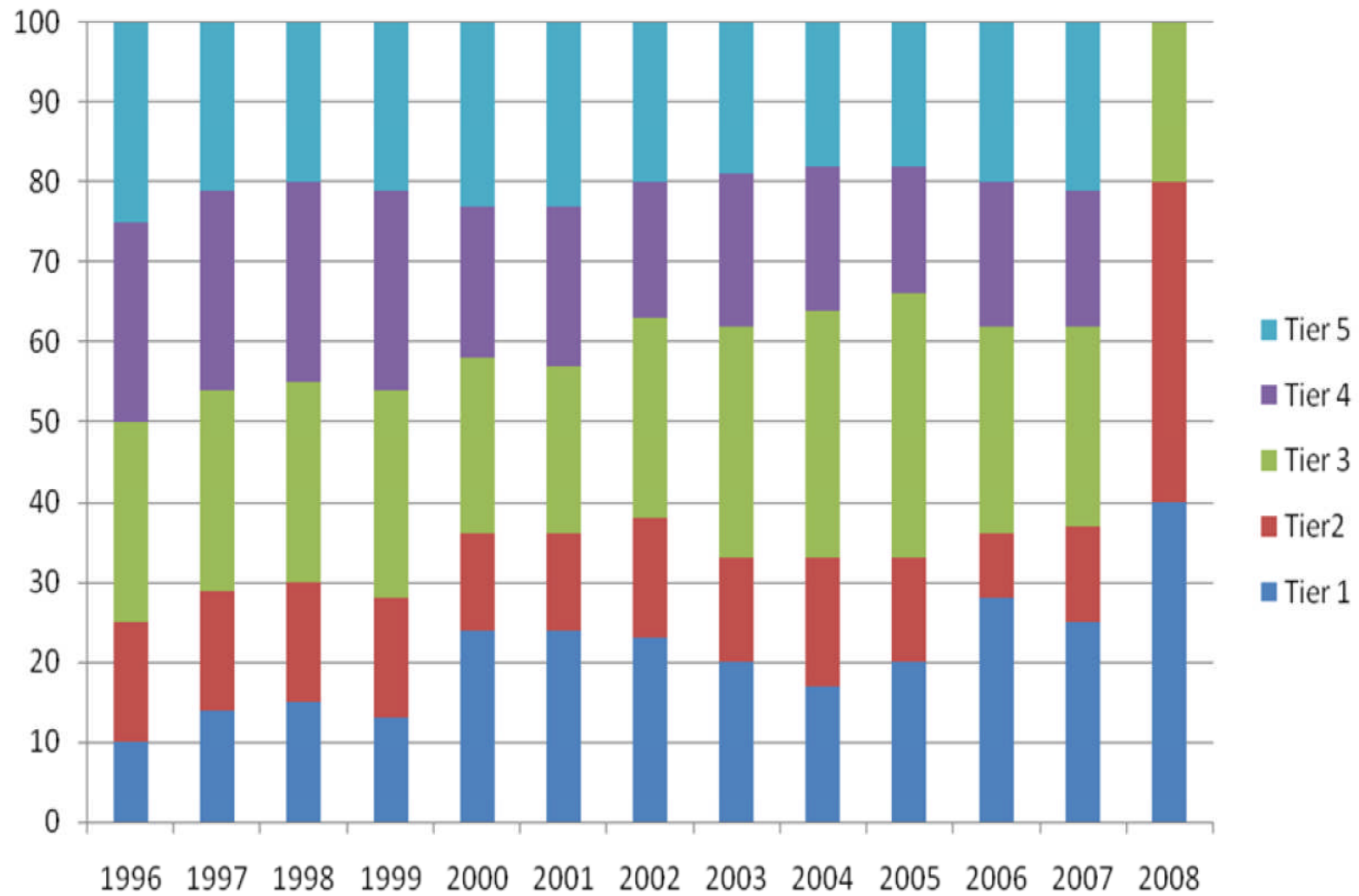
- Review three key incentive programs in NC– are they benefiting Tier 1 counties?
- Discuss alternative approaches toward helping Tier 1 counties.
  - A “homegrown” approach focusing on business climate
  - Alternative subsidies given economic downturn



# **TIER 1 COUNTIES and INCENTIVES**

- What is a Tier 1 County?
  - 1) Unemployment rate
  - 2) Median Household Income
  - 3) Population growth
  - 4) Property value per-capita
- Recent changes in Tier designations
- Relationship to Incentives programs

## Lee Act /3J Tier Designations (1996-2008)

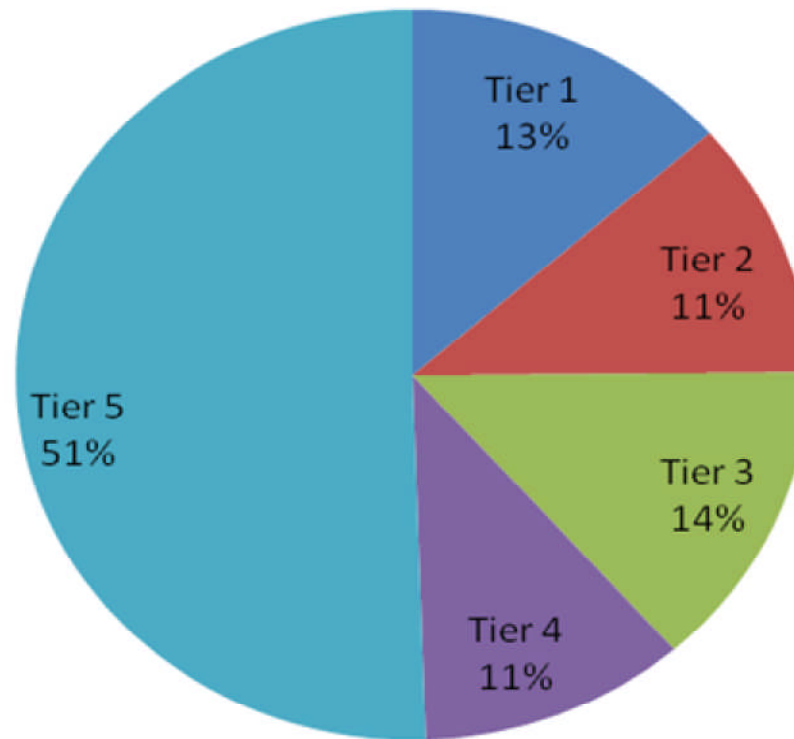




# PRIMARY INCENTIVE PROGRAMS

- Bill Lee Credits (replaced by Article 3J in 2007)
- Job Development Investment Grant Program (JDIG)
- One NC Fund

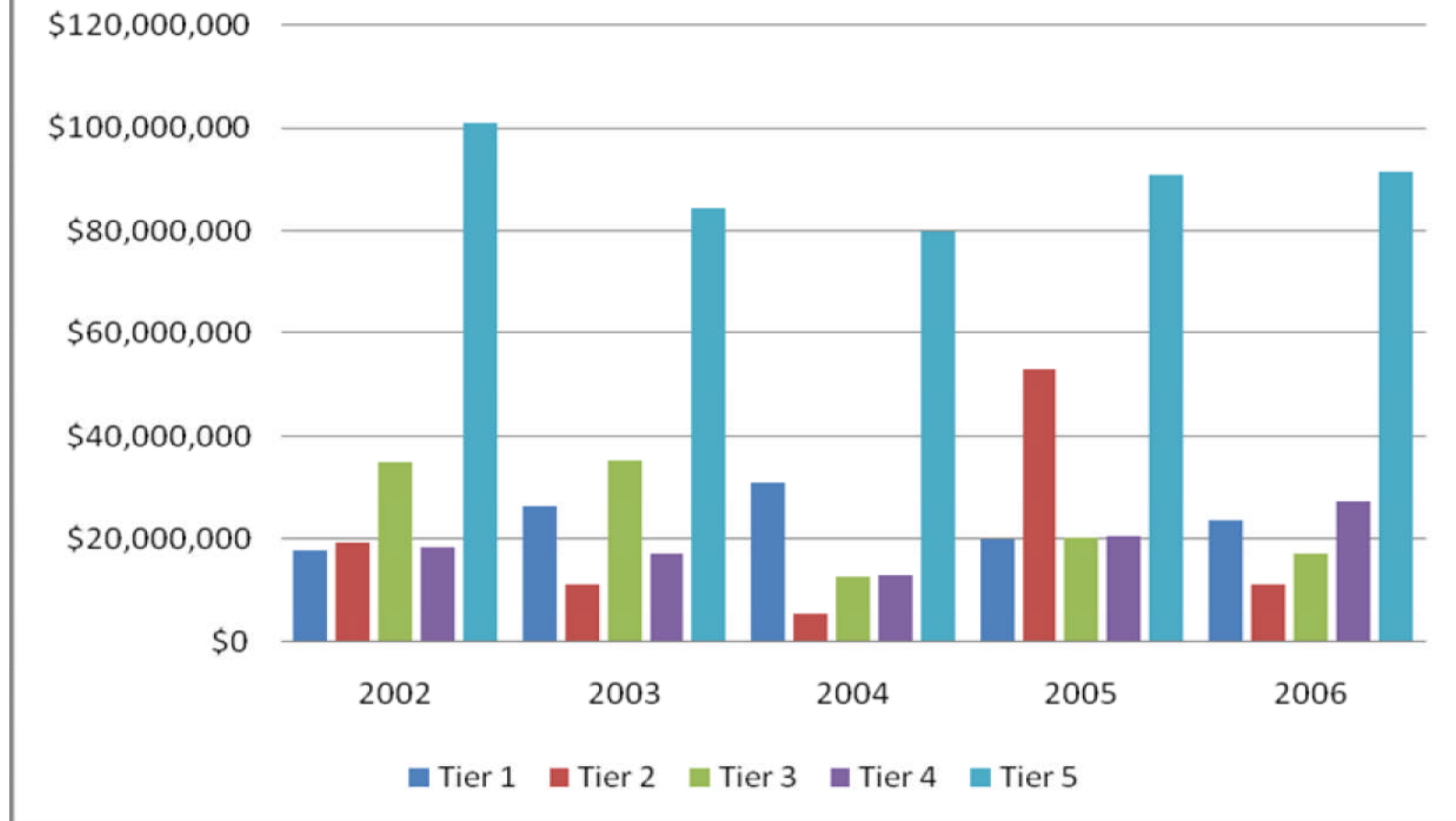
## Bill Lee Credits Generated By Tier (2002-2006)



Source: NC Department of Revenue

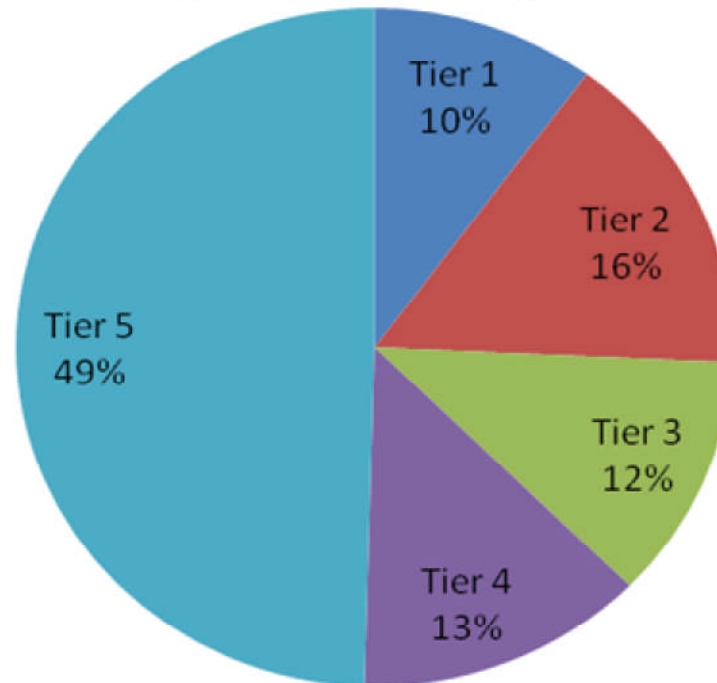


## Lee Credits Generated by Tier (2002-2006)



Source: NC Department of Revenue

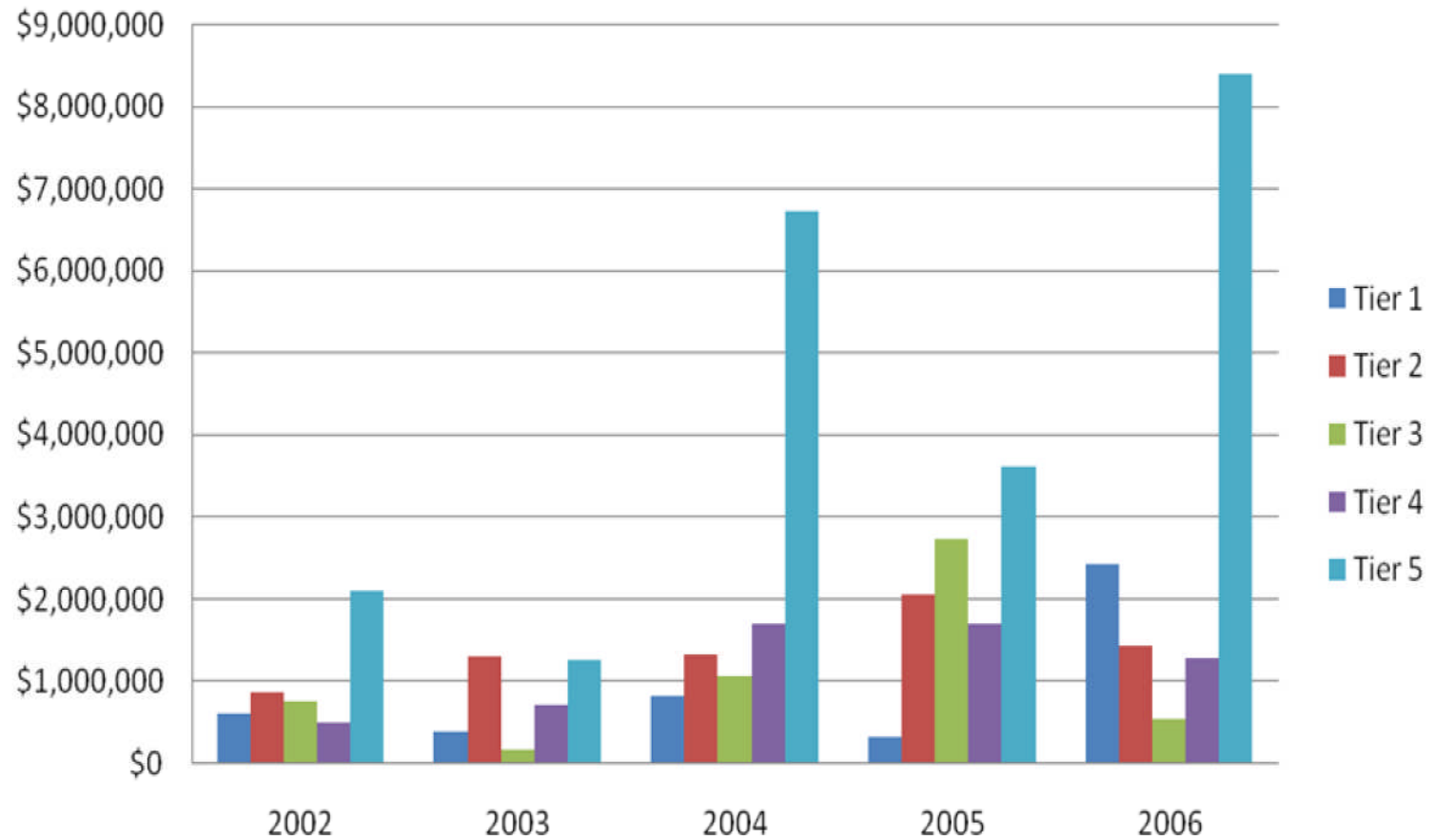
## One NC Fund Commitments By Tier (2002-2006)



Source: NC Department of Commerce

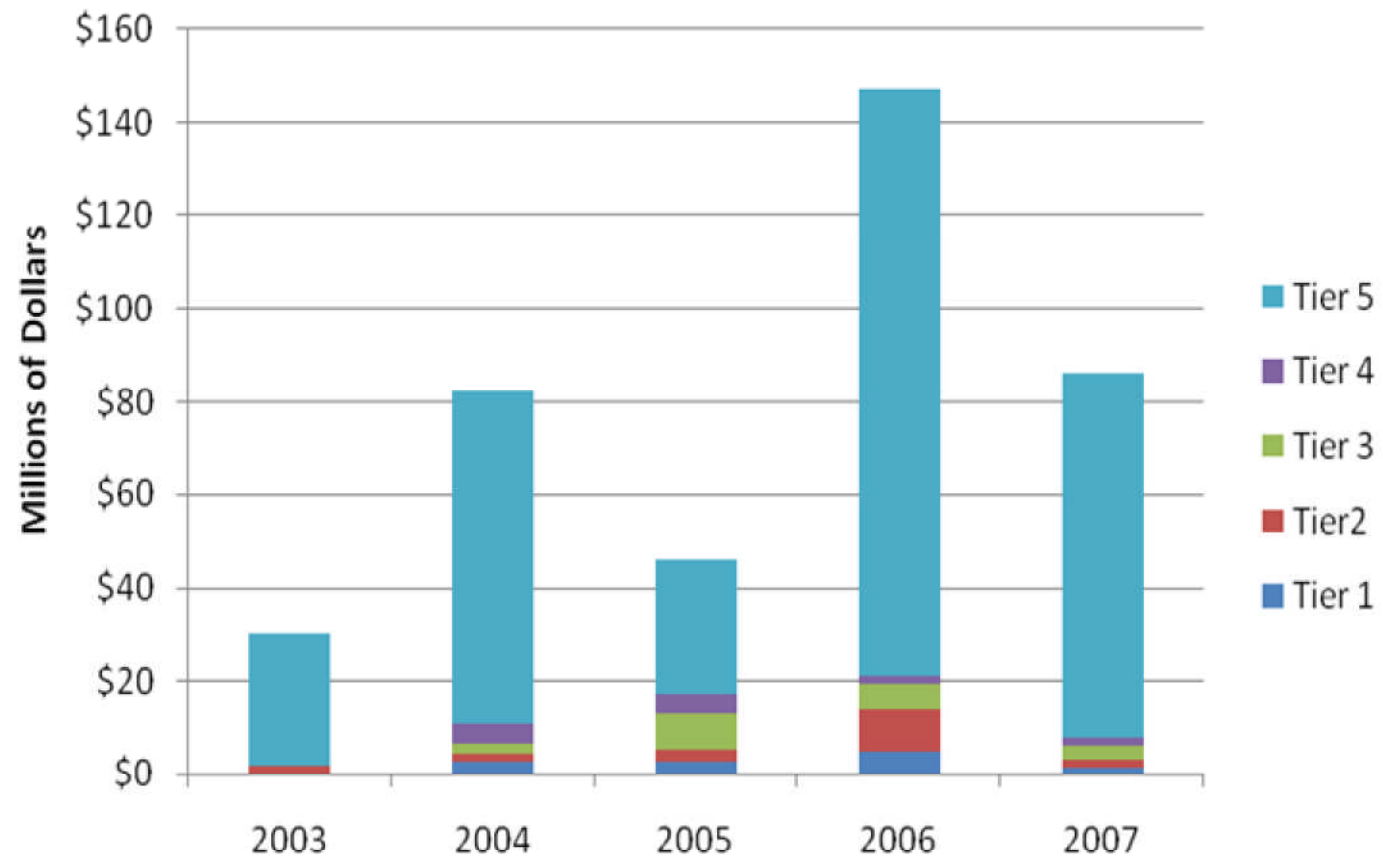


## One NC Fund Commitments (2002-2006)



Source: NC Department of Commerce

## JDIG Compensation (2003-2007)





# PROPOSAL

Encourage wider efforts to build community capacity through education, research, tool development, benchmarking, leadership and organizational development, partnerships, use of new technologies, and creating learning communities.



# PROPOSAL

1. Intelligent leadership and strong community capacity are prerequisites for effective economic development. Economic development is more than the “art of the deal,” it is the “art of collaborative problem solving.”



## PROPOSAL

2. Community capacity includes local organizational and leadership skills, the sense of common purpose, and the ability to monitor performance. It is as important a community asset as labor force skills, natural resources, infrastructure, financial capital, or entrepreneurial initiative.



## PROPOSAL

3. Successful communities must have breadth of involvement, depth of local skills, and heightened relationships to external resources.





## **EXAMPLES in NORTH CAROLINA**

- Golden Leaf Foundation Community Assistance Initiative
- North Carolina Business Resource Alliance



# COUNTER-RECESSIONARY SUBSIDIES

- Job Growth Tax Credit
- Targeted Job Creation Grant Program



# CONCLUSIONS

- Current Incentives programs are not serving those parts of the state that need the most help
- Changing Tier designations masks the problem
- JDIG approach, while helpful, can still disadvantage distressed areas

A new approach is needed...