

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

Economic Development Incentives: An Overview

Joint Appropriations Committees on Agriculture and Natural
and Economic Resources

March 6, 2019

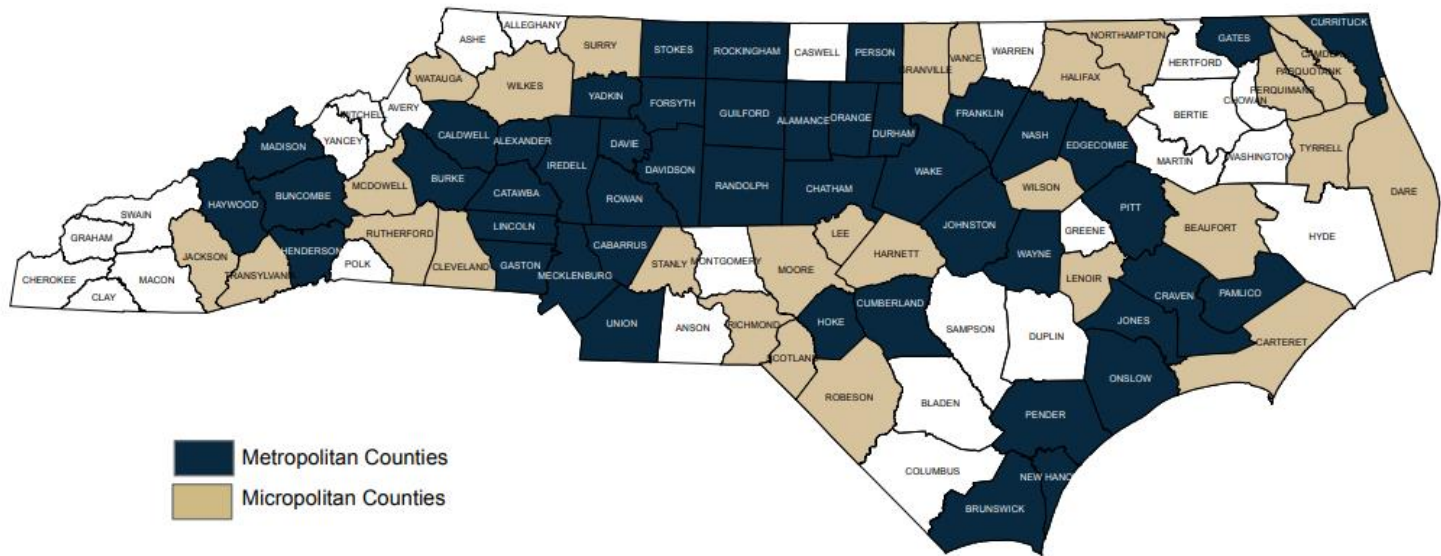
Acronyms

- CDBG – Community Development Block Grant
- CDBG-ED – Community Development Block Grant (Economic Development)
- CDBG-I – Community Development Block Grant (Infrastructure)
- DEQ – Department of Environmental Quality
- GF – General Fund
- JDIG – Job Development Investment Grant
- JMAC – Job Maintenance and Capital Development Fund
- One NC – One North Carolina Fund
- REDD – Rural Economic Development Division
- RIA – Rural Infrastructure Authority



Agenda

- North Carolina Tier System
- Grants to Businesses
- Grants to Local Governments



North Carolina Tier System

- Measure of relative economic distress across counties
- Department of Commerce updates annually
- Used to determine: eligibility, match criteria, funding priority
- Four indicators (G.S. 143B-437.08)
 - Property tax base per capita (most recent taxable year)
 - Percentage population growth (36 months)
 - Median household income (12 months)
 - Unemployment average (12 months)

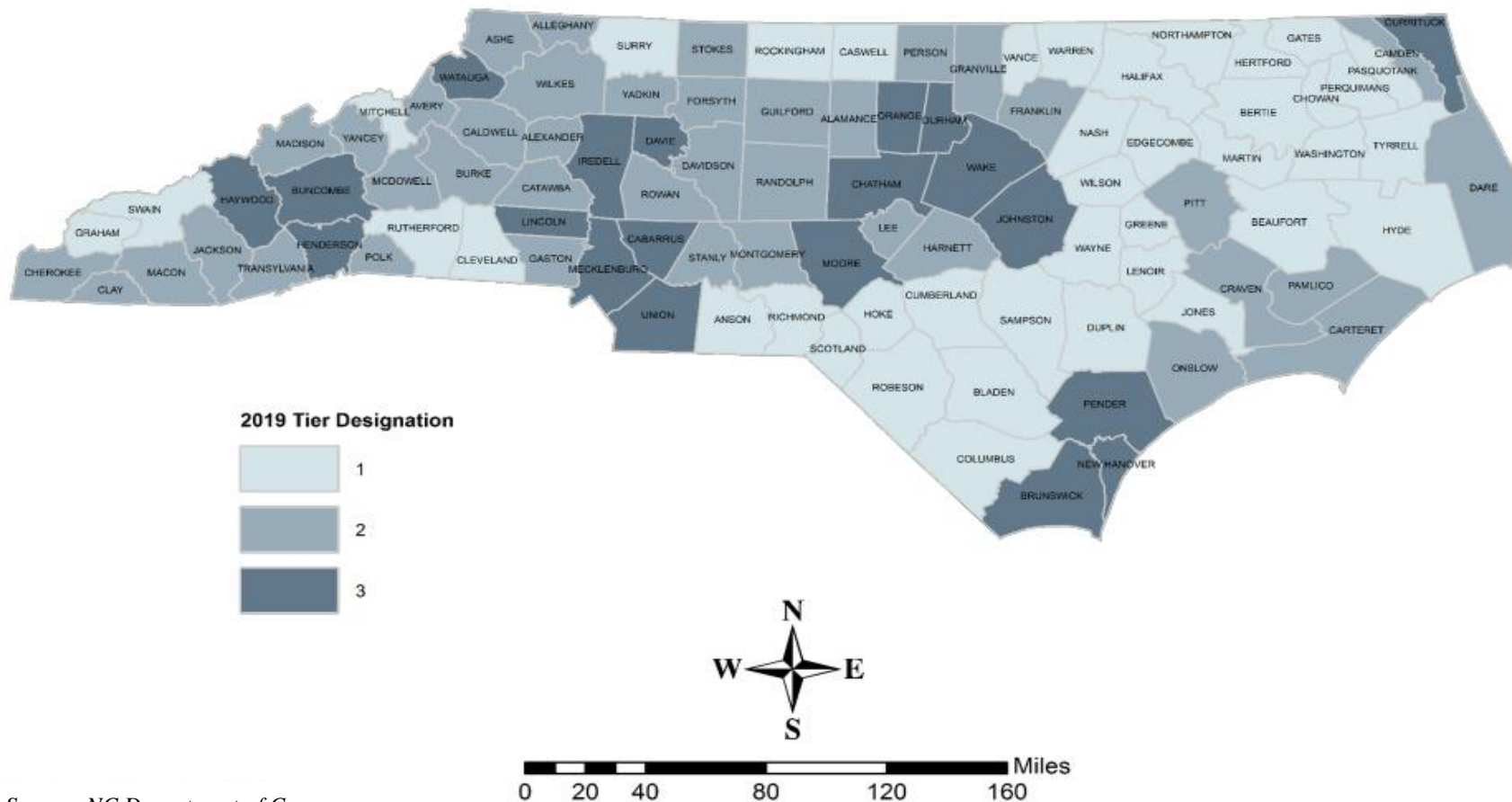


Tier Changes 2018

- S.L. 2018-5 eliminated adjustment factors to tiers
- Before 2019, county rankings were adjusted by:
 - Population $< 12,000$ = Tier 1
 - Population $< 50,000$ and poverty rate $> 19\%$ = Tier 1
 - Population $< 50,000$ and poverty rate $\leq 19\%$ = Tier 2
- Starting 2019, no population adjustments
- 28 counties changed tier rankings in 2019



2019 Tier Designations



Source: NC Department of Commerce
Map created November 2018



Overview: Economic Development Incentives to Businesses

	JDIG	JMAC	One NC	Film Grant
Administered by Commerce	✗	✗	✗	✗
Funded through GF Appropriations	✗	✗	✗	✗
Awarded as reimbursements	✗	✗	✗	✗
Have minimum job creation standards	✗	✗	✗	
Have minimum private investment	✗	✗	✗	
Subject to clawbacks	✗	✗	✗	
Require business to remain for 150% of grant term	✗		✗	



Job Development Investment Grant (JDIG)

- Existing or new businesses creating new jobs
 - Tier 1: min. 10 jobs
 - Tier 2: min. 20 jobs
 - Tier 3: min. 50 jobs
- Maximum grant term: 12 years
- Maximum annual cap: \$35 million per year
- Grants are calculated as a percentage of employee income withholdings
- 10% of Tier 2 awards and 25% of Tier 3 awards are diverted to the Utility Account

FY 2019-20
Appropriation
\$71.1 million



JDIG Cap: Example

- Award Year 1: \$10m in grant to Company W
- Award Year 2: \$7m in grant to Company X
- Grants paid out in equal increments over 10 payment years

	Payment Year 1	Payment Year 2	Payment Year 3	Payment Year 4
<i>Company W: \$10m</i>	\$1 million	\$1 million	\$1 million	\$1 million
	<i>Company X: \$7m</i>	\$700,000	\$700,000	\$700,000
		<i>Company Y: \$20m</i>	\$2 million	\$2 million
			<i>Company Z: \$15m</i>	\$1.5 million
Total Annual Liability	\$1 million	\$1.7 million	\$3.7 million	\$5.2 million



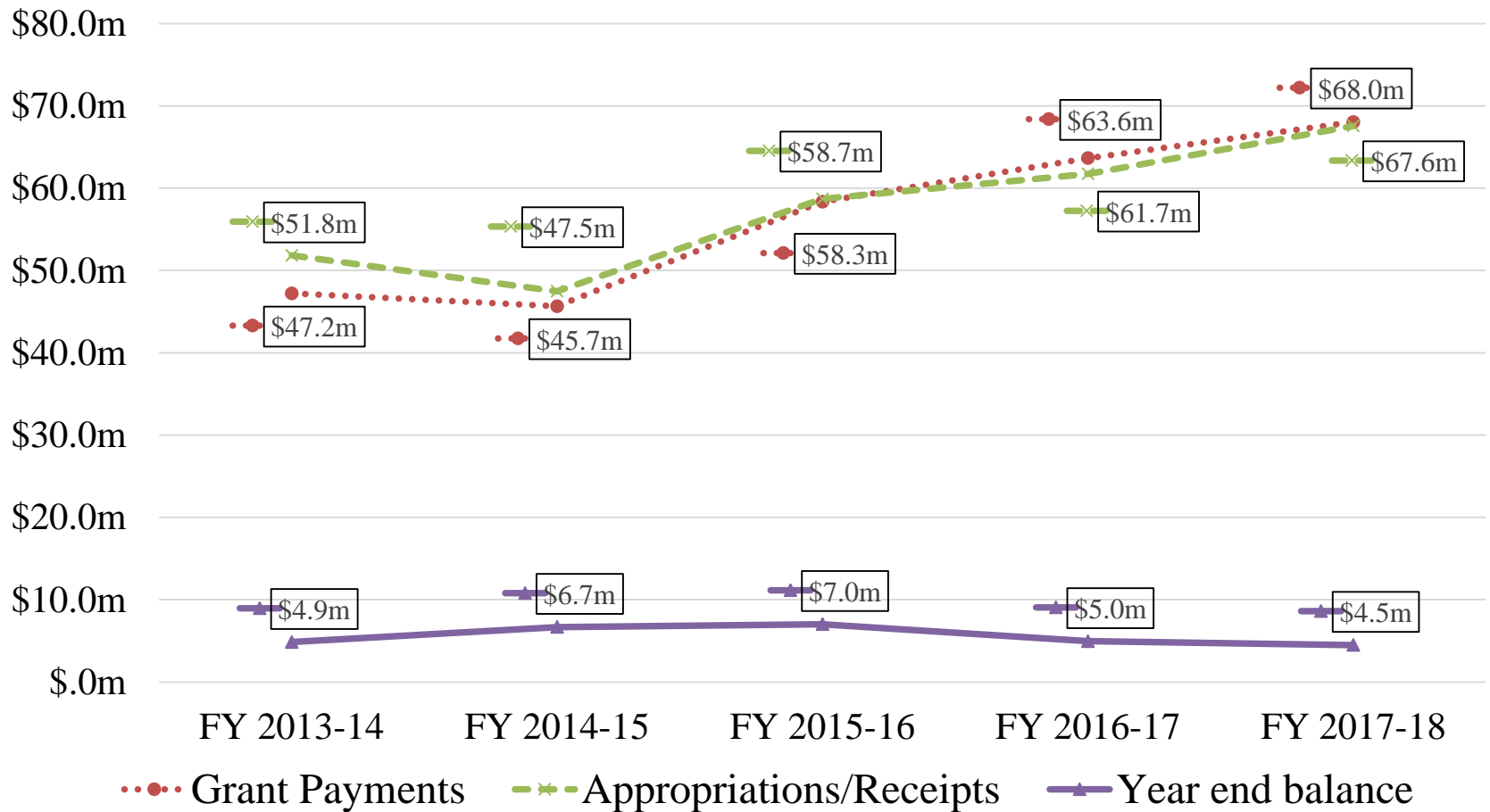
JDIG: Major Legislative Changes

- S.L. 2018-5: Modified transformative projects
- S.L. 2018-5: Maximum annual cap changed from \$20 million to \$35 million
 - \$20 million limit for projects in counties with 500,000+ employment
 - \$5 million for counties in top 50% of economic distress rankings
- S.L. 2018-137: Maximum per-person income withholding used in grant calculations increased from \$6,000 per person to \$16,000 per person



JDIG Funding History

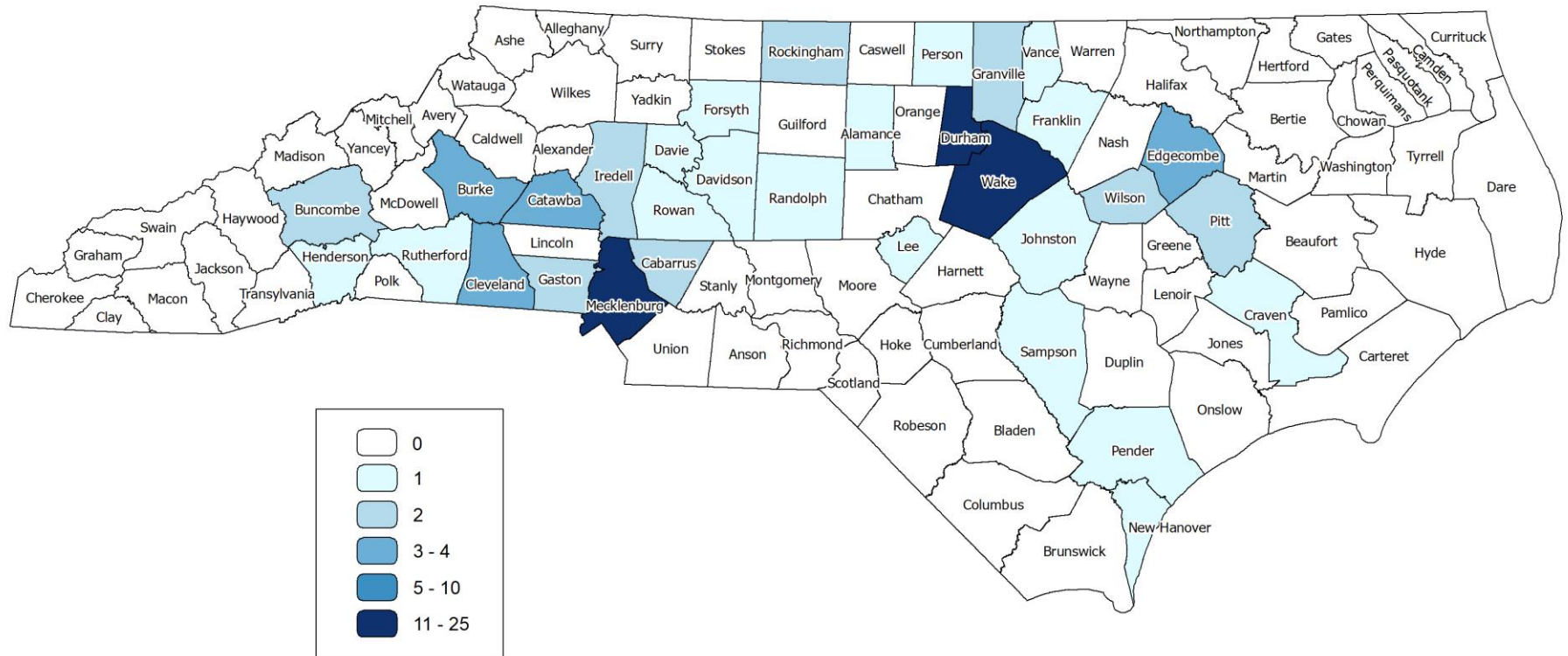
JDIG Special Fund Balance, FY 2013-14 to FY 2017-18



Source: NCAS History

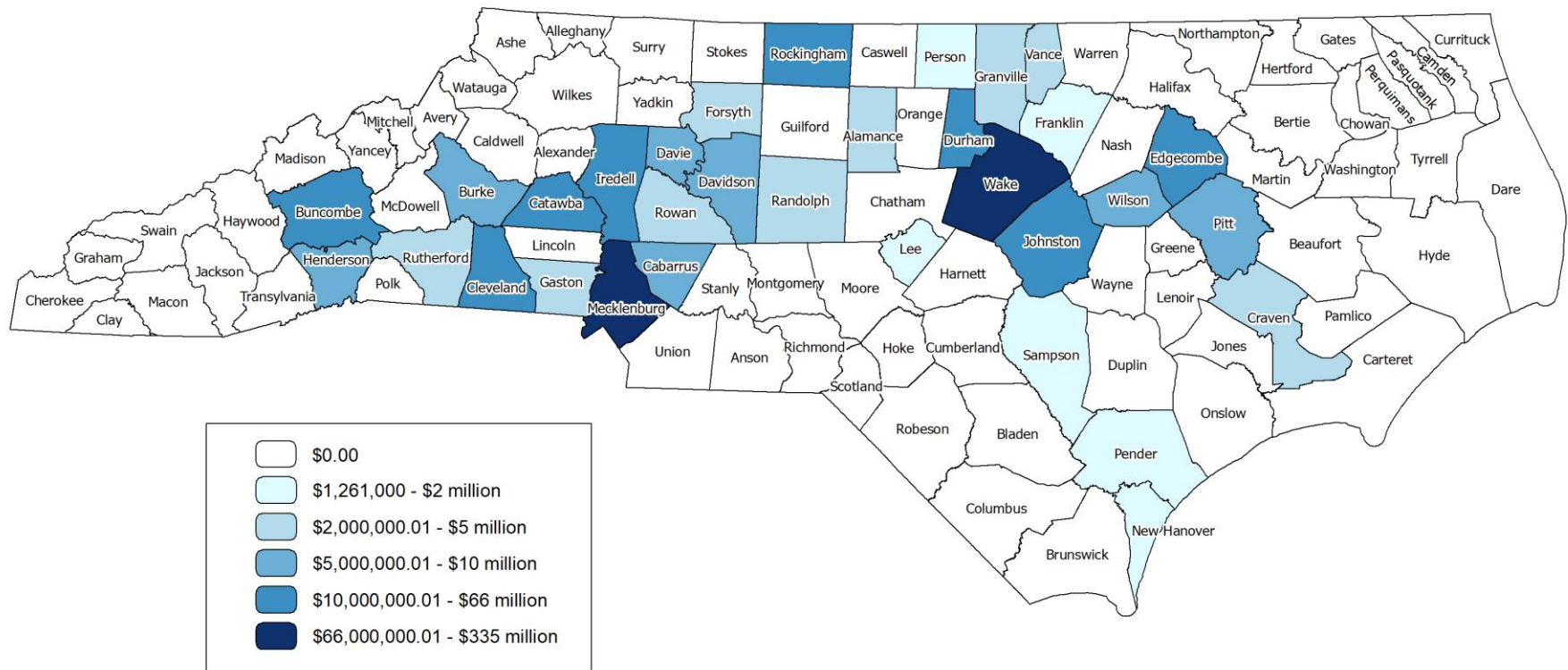


JDIG Number of Awards by County, 2013 -18



Source: NC Department of Commerce,
Economic Development Grant Report Data
Map created February 2019

JDIG Total Award Amount by County, 2013-18



Source: NC Department of Commerce,
Economic Development Grant Report Data
Map created February 2019



Job Maintenance and Capital Development Fund (JMAC)

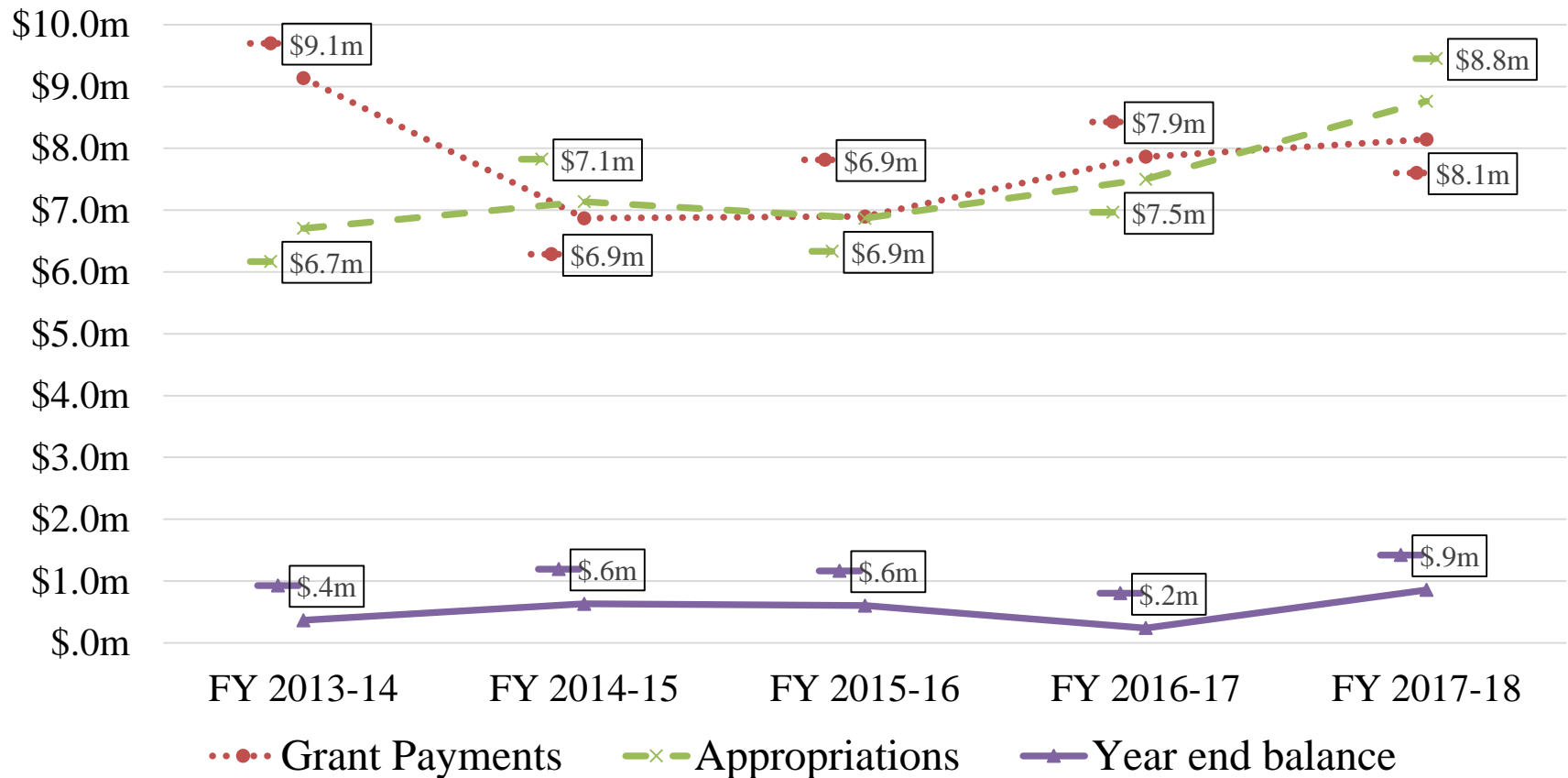
- Major employers
 - Invest \$200 million
 - Maintain 2,000 employees
 - Eligible for subsequent grants
 - Tier 1 counties
- Large manufacturing employers
 - Invest \$50 million
 - Maintain 320 employees
 - Tier 1 counties or Tier 2 counties with pop.<60,000
- 5 of 6 grants have been awarded

FY 2019-20
Appropriation
\$7.5 million



JMAC Funding History

JMAC Special Fund Balance, FY 2013-14 to FY 2017-18



Source: NCAS History



One North Carolina Fund (One NC)

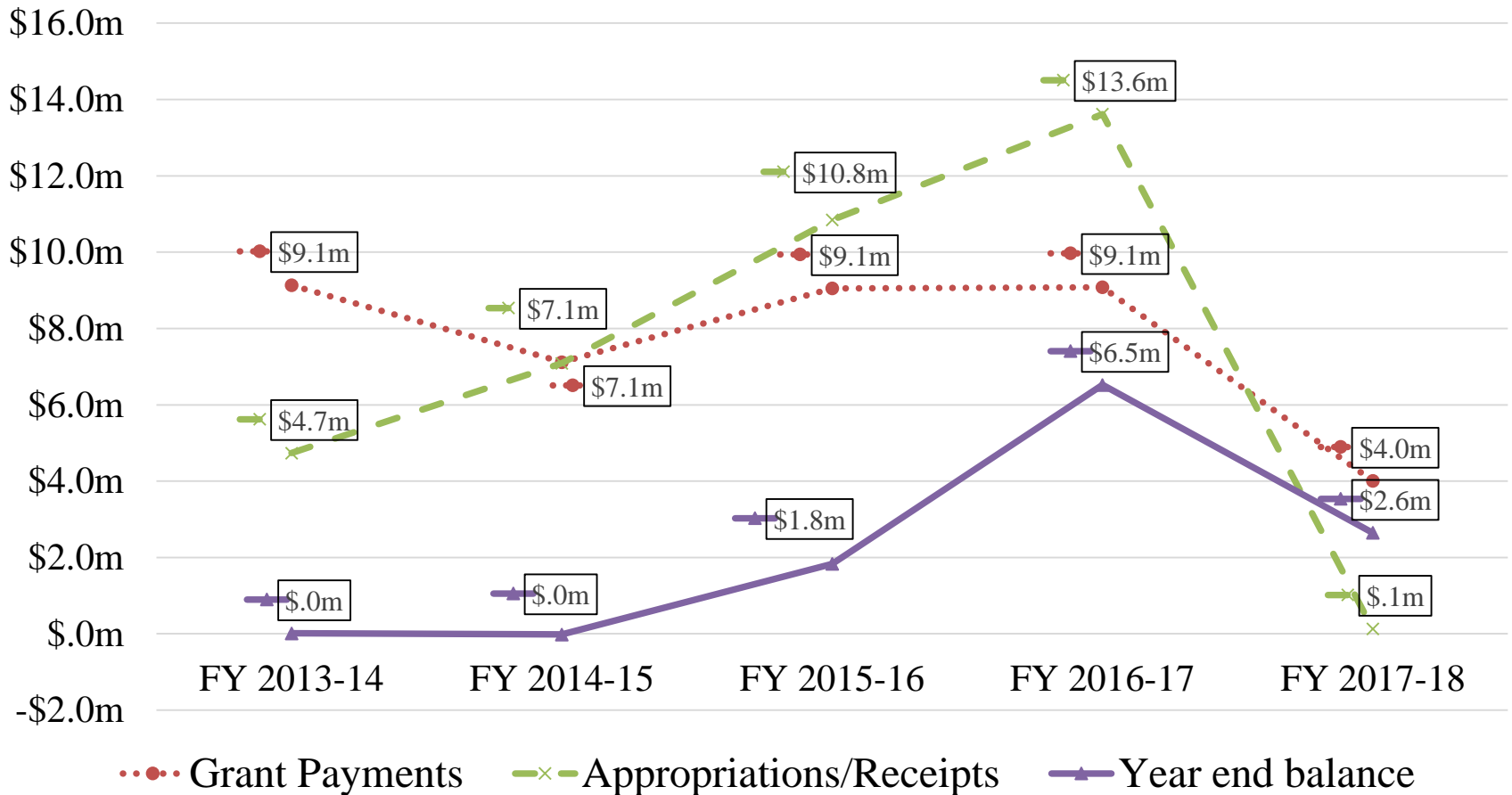
- Awards granted to local governments to be allocated to businesses
 - Tier 1: Local match \$1 per \$3
 - Tier 2: Local match \$1 per \$2
 - Tier 3: Local match \$1 per \$1
- Average grant (2007-2018): \$287,000
- No more than \$28 million total per biennium

FY 2019-20
Appropriation
\$9 million



One NC Funding History

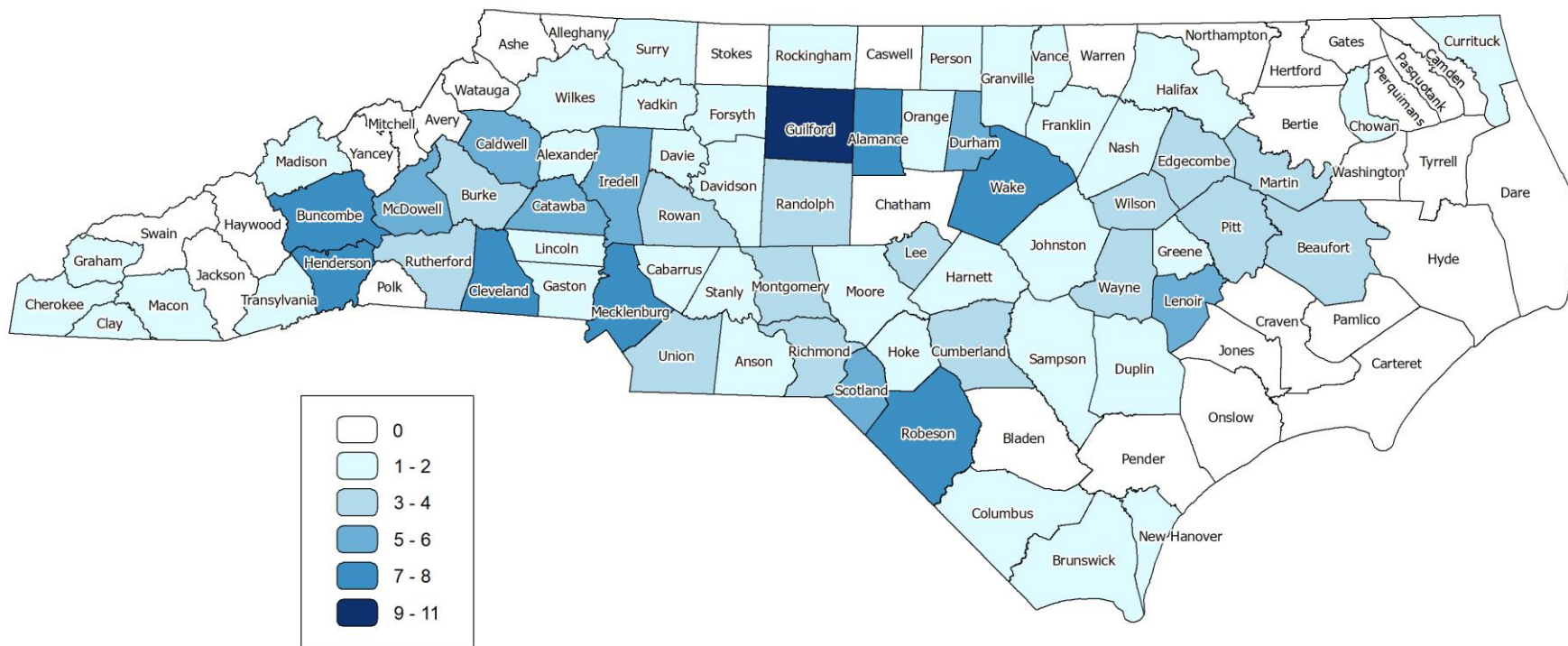
One NC Special Fund Balance, FY 2013-14 to FY 2017-18



Source: NCAS History

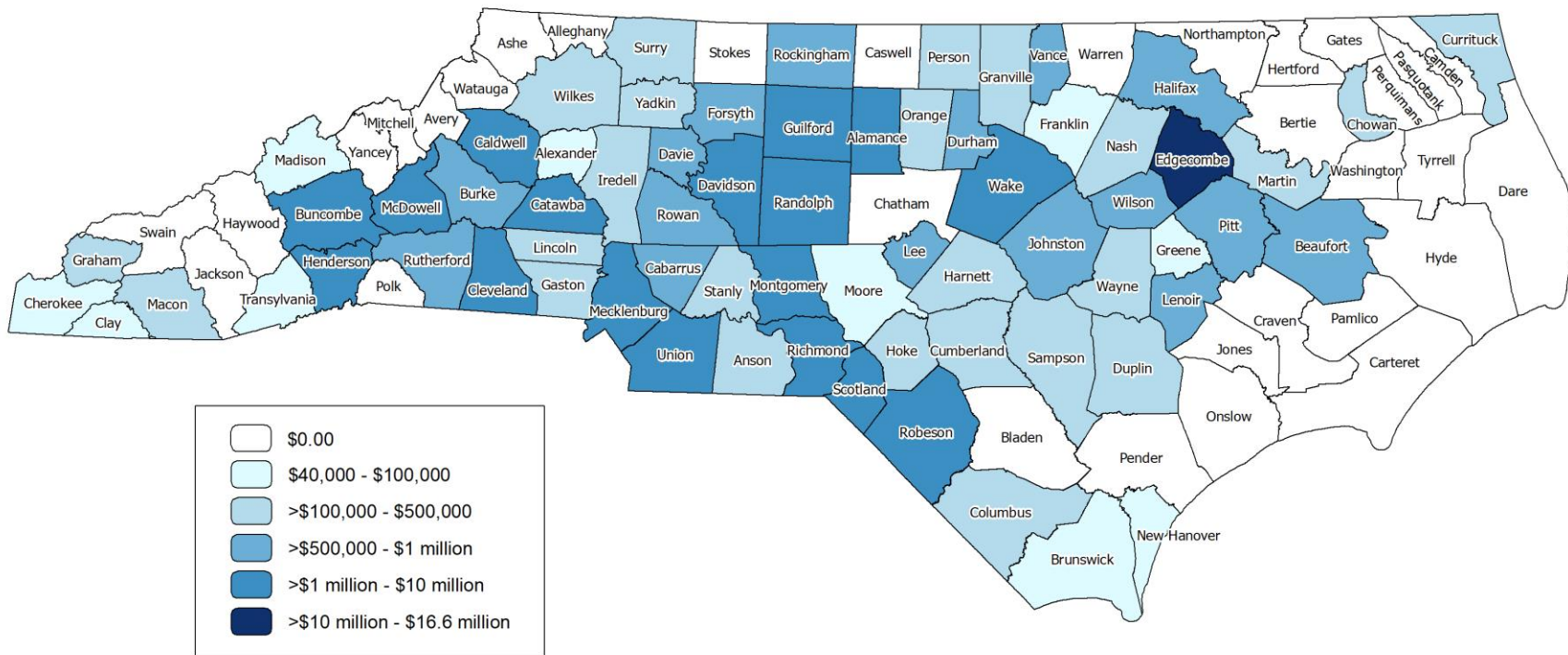


One NC Number of Awards by County, 2013-18



Source: NC Department of Commerce,
Economic Development Grant Report Data
Map created February 2019

One NC Total Award Amount by County, 2013-18



Source: NC Department of Commerce,
Economic Development Grant Report Data
Map created February 2019

Film Grant

- Filmed in NC
- Maximum 25% of qualifying expenses
 - Purchases
 - Wages
 - Employee benefits
 - Per diems
- Previously Film Production Tax Credit, changed to grant in 2014

FY 2019-20
Appropriation
\$31 million



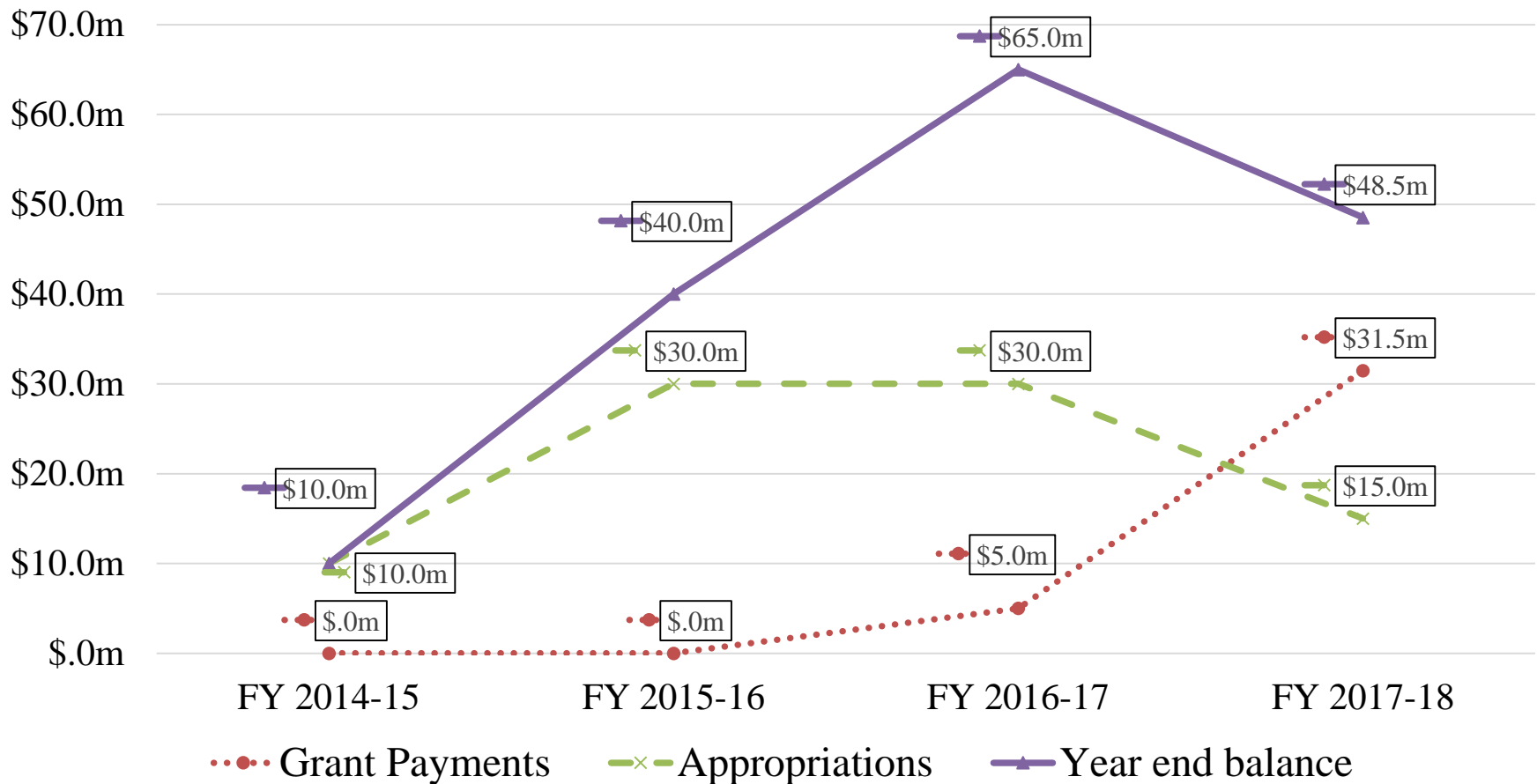
Film Grant

Media type	Minimum expenditure to qualify	Maximum grant (25% of qualifying expenditures)
Films for theater	\$3 million	\$7 million
TV films	\$1 million	\$7 million
TV episodes	\$1 million	\$12 million (per season)
Commercials	\$250,000	\$250,000



Film Grant Funding History

Film Grant Special Fund Balance, FY 2014-15 to FY 2017-18

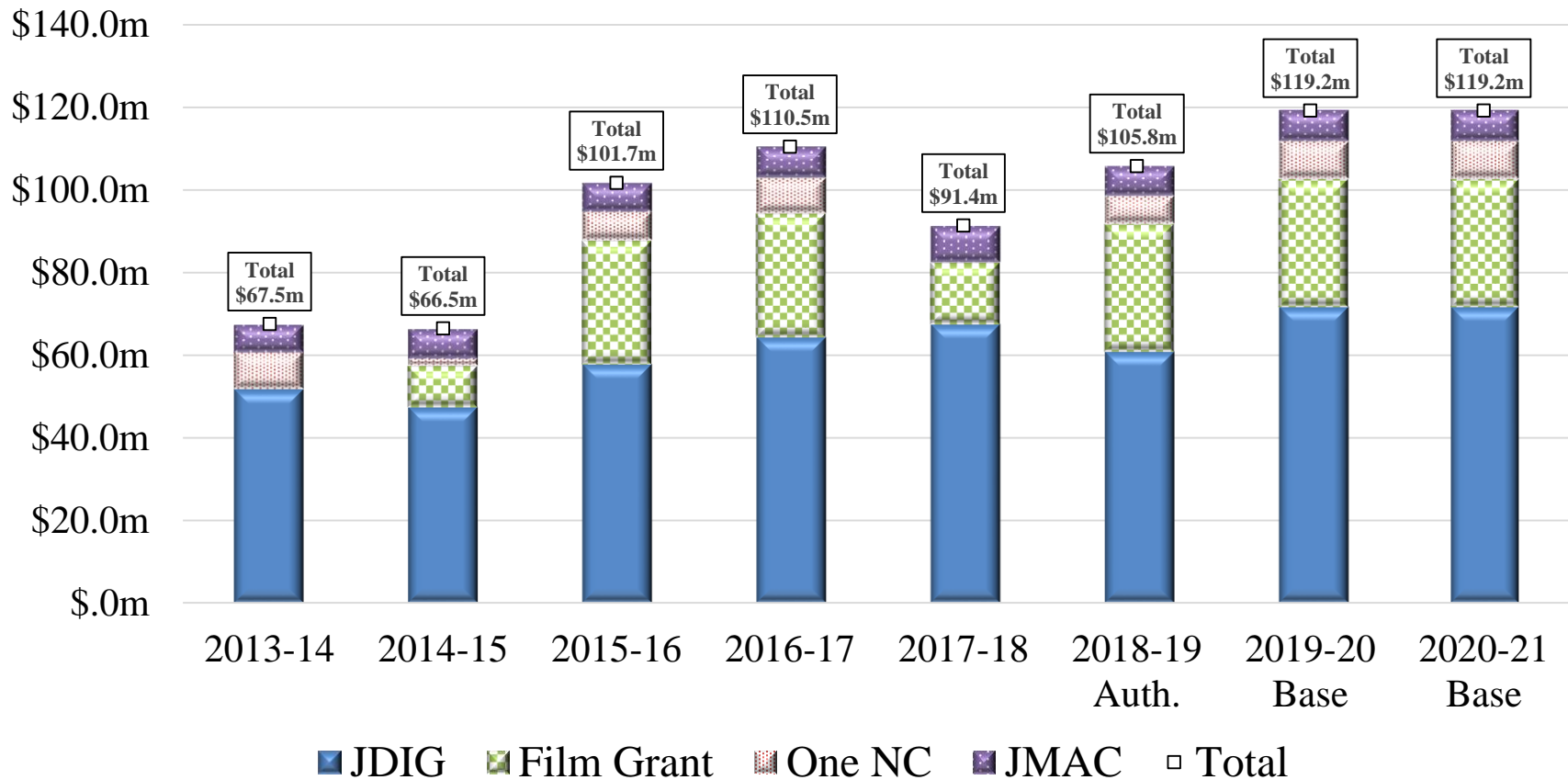


Source: NCAS History



Grants to Businesses: Funding History

Net General Fund Appropriations History, FY 2013-14 to FY 2020-21

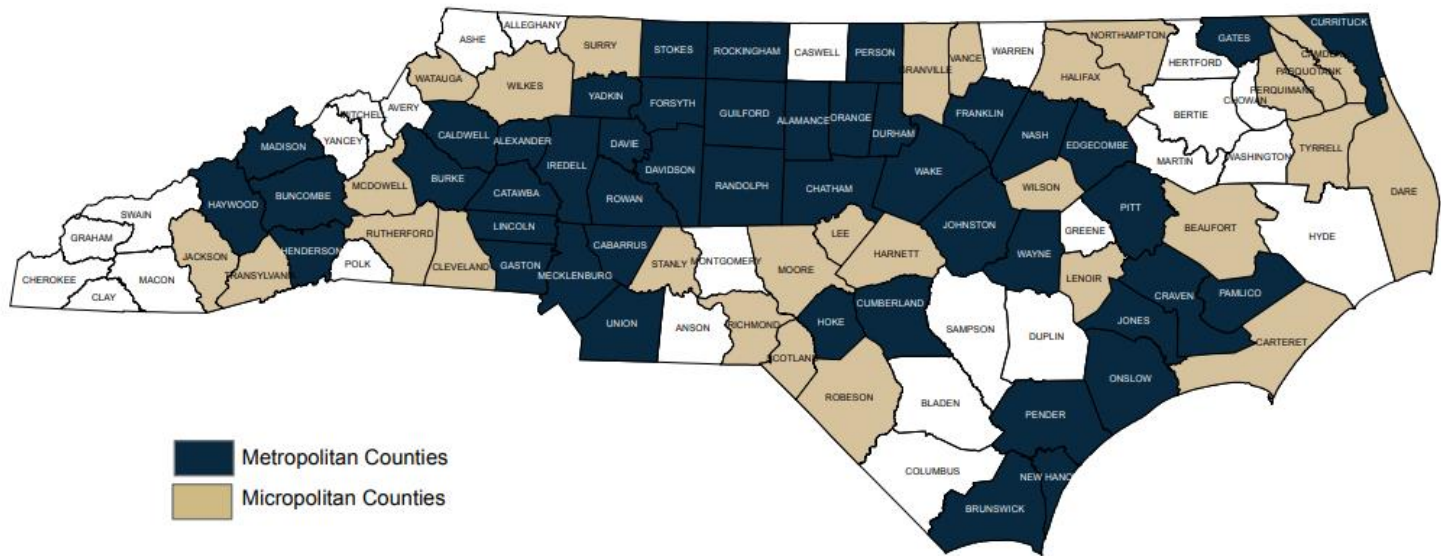


Source: NCAS history, Base Budget Worksheet I



Agenda

- North Carolina Tier System
- Grants to Businesses
- Grants to Local Governments



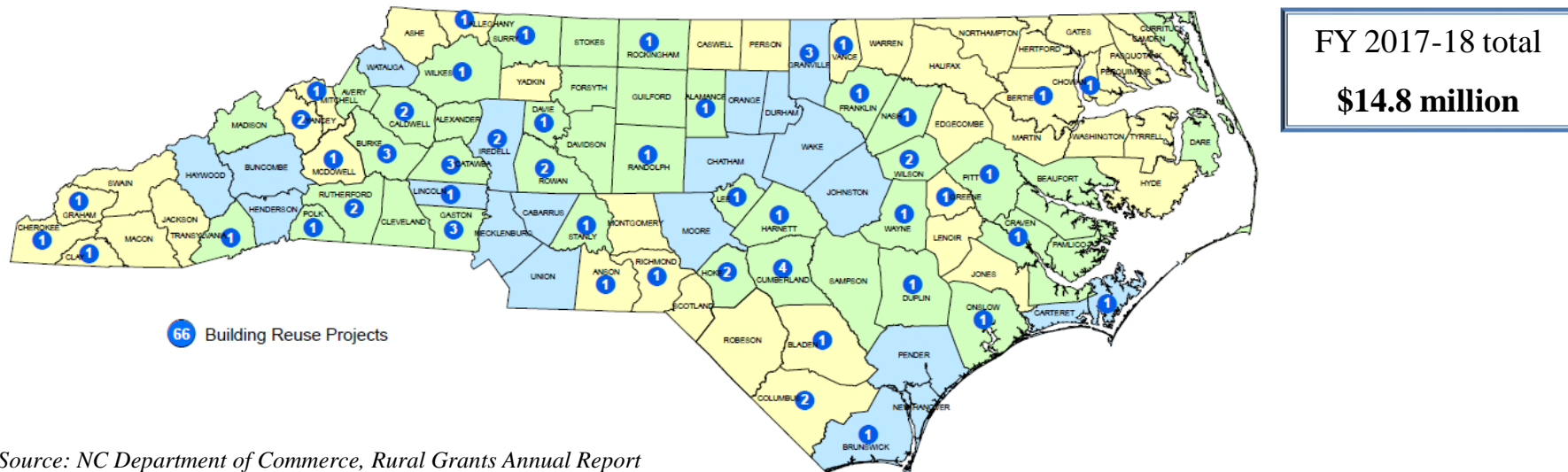
Rural Economic Development Incentive Programs

- All REDD grants are awarded to local governments
- The Rural Infrastructure Authority awards all grants
- Grants often have multi-year payment schedules
- All grants have clawback provisions if job creation terms are not met



Building Reuse

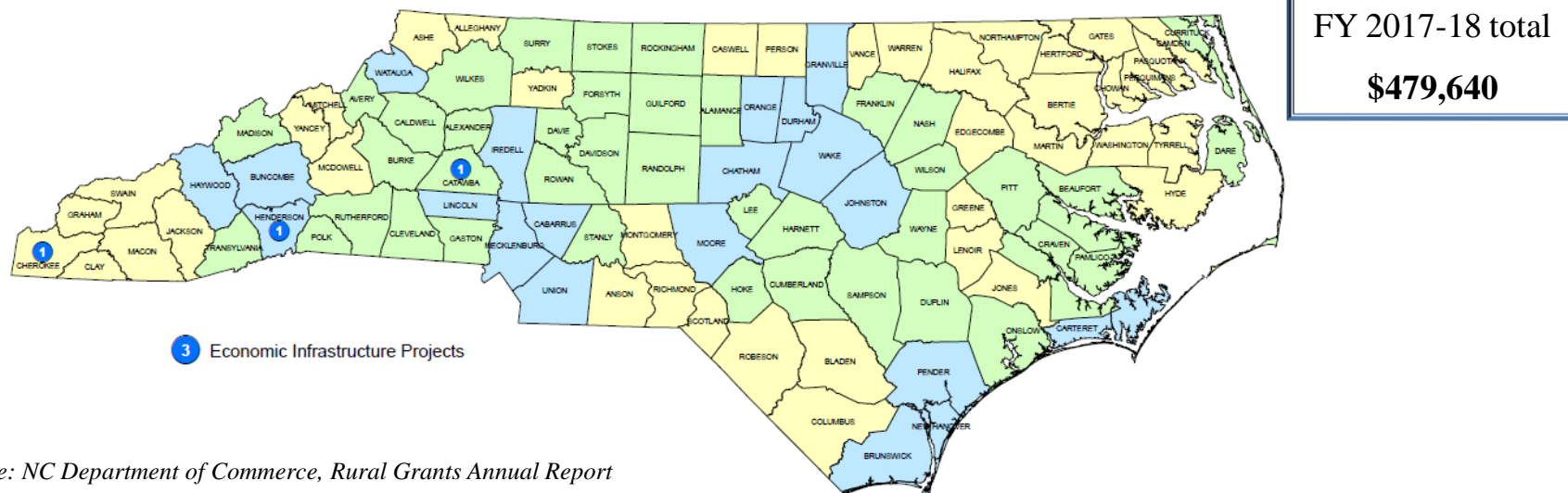
- **Fund source:** Net General Fund
- **Eligible projects:** Improving vacant or older buildings; constructing or expanding rural health care facilities
- **Eligible areas:** Tier 1 and 2 counties; rural census tracts in Tier 3
- **Grant terms:** Tied to job creation; \$500k max grant; \$12,500 max per job; 5% local match



Source: NC Department of Commerce, Rural Grants Annual Report

Economic Infrastructure

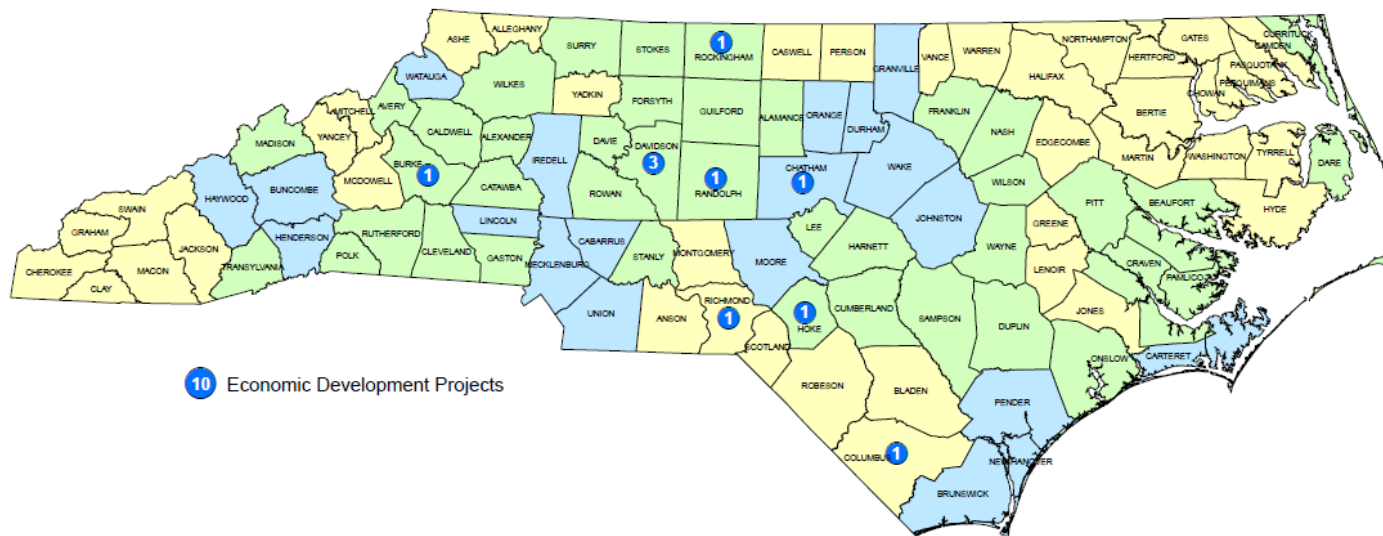
- **Fund source:** Net General Fund
- **Eligible projects:** Public infrastructure, including water, sewer, electric, non-State roads, rail, etc.
- **Eligible areas:** Tier 1 and 2 counties
- **Grant terms:** Tied to job creation; \$500k max grant; \$12,500 max per job; 5% local match



Source: NC Department of Commerce, Rural Grants Annual Report

CDBG-ED

- **Fund source:** Federal CDBG grant
- **Eligible projects:** Building reuse, shell building loans, public infrastructure
- **Eligible areas:** All small cities, except 23 directly funded
- **Grant terms:** 60% of jobs must be made available to low and moderate income persons (earning 80% or less of median income); 25% local match except for 25 most distressed counties

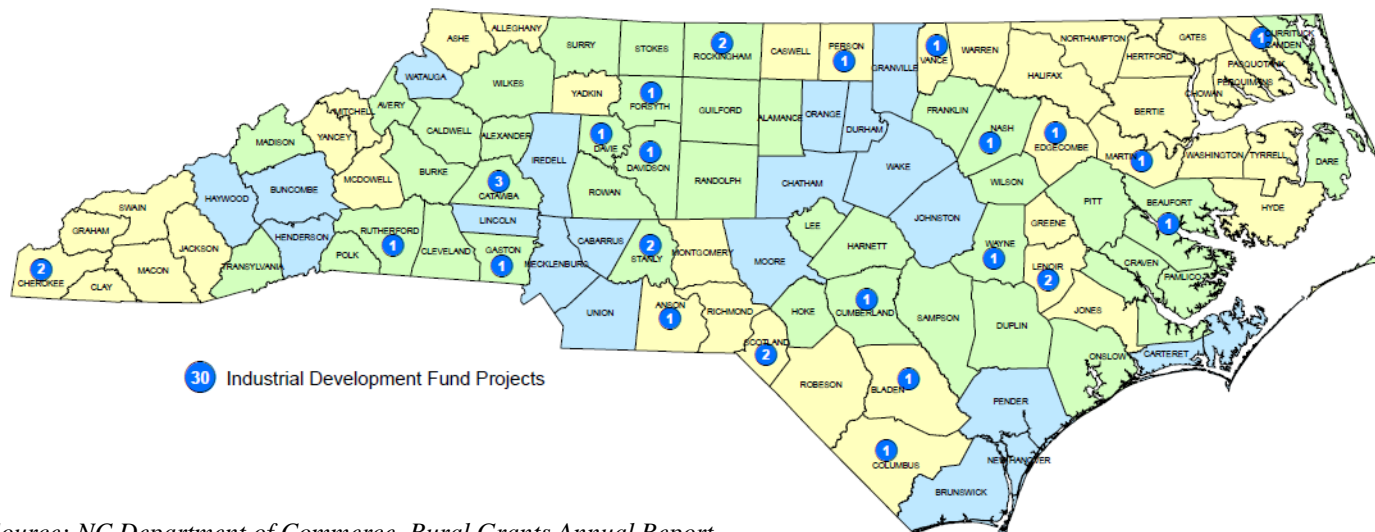


FY 2017-18 total
\$9.8 million

Source: NC Department of Commerce, Rural Grants Annual Report

Utility Account

- **Fund source:** Diversions from JDIG awards in Tier 2 and 3 counties
- **Eligible projects:** Public infrastructure, including water, sewer, electric, non-State roads, rail, etc.
- **Eligible areas:** Tier 1 and 2 counties
- **Grant terms:** Does not require job creation; 25% local match except 25 most distressed counties

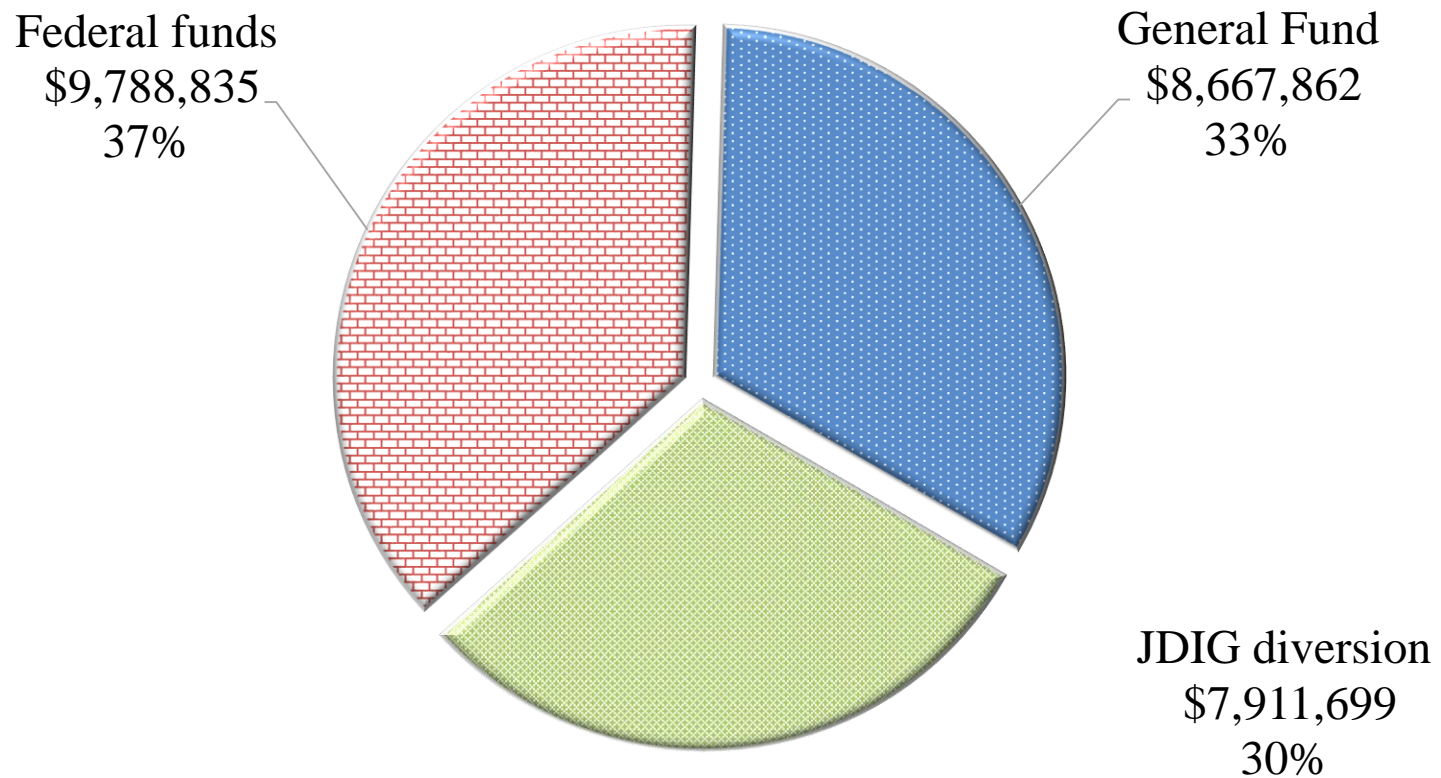


FY 2017-18 total
\$28.8 million

Source: NC Department of Commerce, Rural Grants Annual Report

Grants to Local Governments: Funding Sources

REDD Expenditures by Funding Source, FY 2017-18

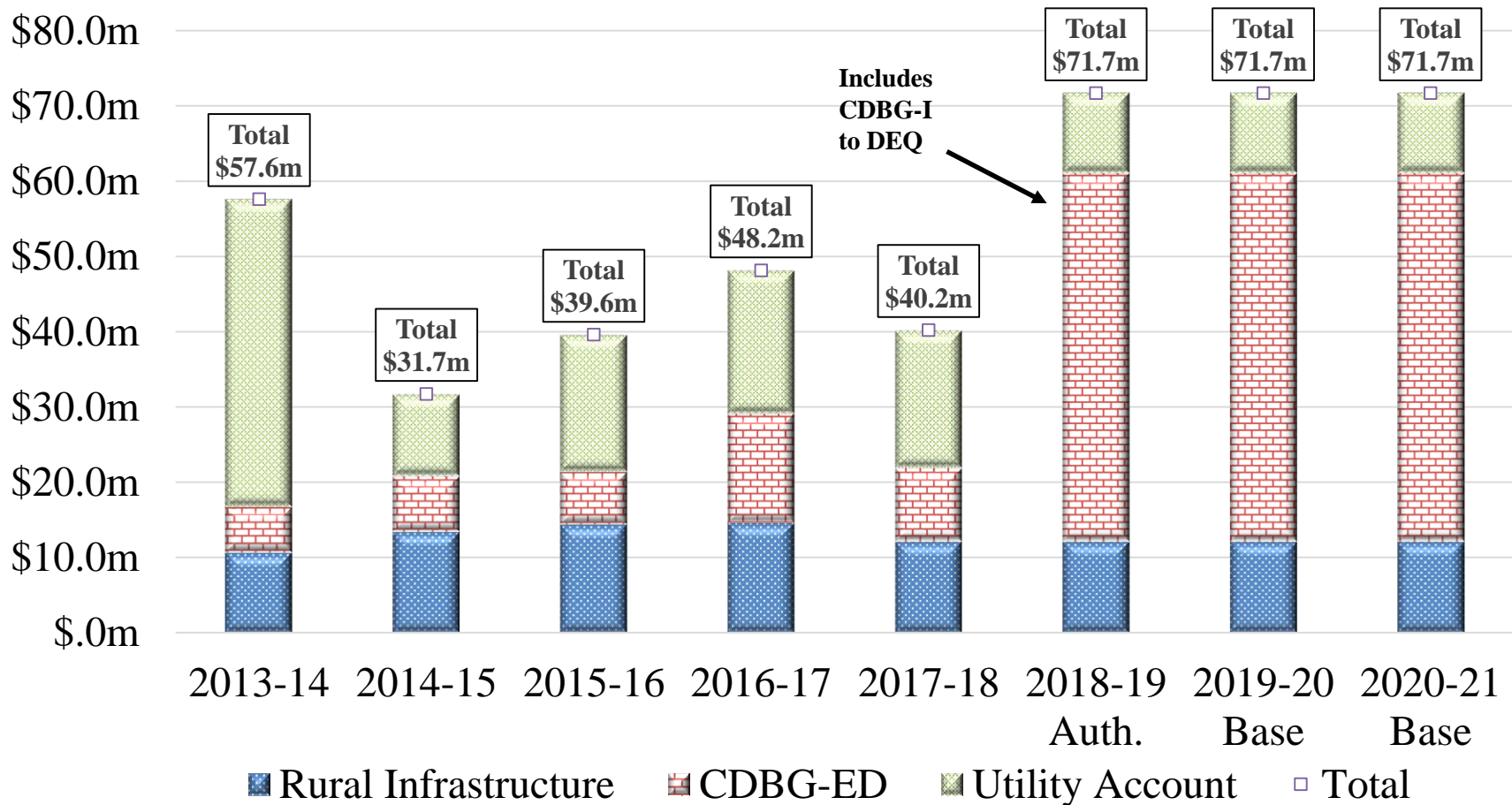


Source: NCAS History



Grants to Local Governments: Funding History

Net GF Appropriations, FY 2013-14 to FY 2020-21



Source: NCAS History, CDBG breakdown provided by Commerce, Base Budget Worksheet I



Other Grant Programs

- One NC Small Business Grant
 - Matching funds for federal grants for innovation/technology
 - Last appropriation: 2018 budget – \$1m NR
- Expanded Gas Products to Agriculture Fund (Ag-Gas)
 - Excess infrastructure costs of agricultural operations requesting natural gas or propane
 - Funding: \$5m transfer from Utility Account per biennium
- Main Street Solutions Fund
 - Downtown development for micropolitan (pop. 10k-50k) in Tiers 2 and 3
 - Last appropriation: 2017 budget – \$500k NR



Questions?

