



SENATE BILL 820: High-Pay JDIG Job Cap Modification.

2017-2018 General Assembly

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| Committee: | Senate Finance. If favorable, re-refer to Rules and Operations of the Senate | Date: | November 27, 2018 |
| Introduced by: | Sens. Tillman, Newton, Alexander | Prepared by: | Cindy Avrette Staff Attorney |
| Analysis of: | Filed Edition | | |

OVERVIEW: Senate Bill 820 would increase the per job grant maximum for the Job Development Investment Grant Program (JDIG) from \$6,500 per job to \$16,000 per job.

CURRENT LAW: JDIG is a discretionary grant program by the State that provides funds to incentivize new or expanding businesses to create jobs in the State. To receive a JDIG award, the business must meet several conditions, including a finding that the benefits of its project to the State outweigh its costs and render the grant appropriate for the project, and that it will create a negotiated number of new full-time employee positions during a specified period of time. If a business fails to meet the conditions of the grant agreement, the amount of the grant may be reduced or the grant may be terminated.

The amount of the JDIG award is calculated as a percentage of the personal income tax withholdings of eligible positions for a period of years. The grant amount in a conventional award¹ may not exceed 75% of the personal income tax withholdings of eligible created positions, provided that the amount of the award for a single position does not exceed \$6,500. Based upon 2019 withholding tables and the maximum grant allowed in a development tier 2 or 3 county, the \$6,500 cap effectively allows the maximum JDIG grant to be based on the first \$175,000 of wages for each eligible position.

The maximum of total annual liability for JDIG grants is capped at \$35 million.² There are also geographic limitations: no more than \$20 million may be used for projects located in Mecklenburg and Wake counties and \$5 million is reserved for projects located in development tier 1 counties.

BILL ANALYSIS: The per job cap of \$6,500 was originally enacted with the creation of the JDIG program in 2002 and has not been modified for conventional awards since that time. Senate Bill 820 would increase the cap to \$16,000. Based upon 2019 withholding tables and the maximum grant allowed in a development tier 2 or 3 county, a \$16,000 per job cap effectively allows the maximum JDIG grant to be based on the first \$410,000 of wages for each eligible position. From 2015-2017, approximately 400 positions awarded JDIG grants may have been constrained by the cap. Based upon the increased cap amount proposed by this bill, around 20% of the JDIG grants awarded from 2015-2017 may have realized an increase of 19% in the amount of the award granted. The change in the per job cap does not change the cap on the amount of maximum total liability that may be awarded in a calendar year; it may mean that the cap is reached more quickly.

¹ A conventional award is an award given to a business located in a development tier 2 or 3 county, and the term of the grant may not exceed 12 years. The percentage may be increased to 80% if the eligible positions are located in a development tier 1 county. The percentage may be enhanced to as high as 100% if the grant is awarded for a high-yield or transformative project, and the term of the grant may be longer for a high-yield or transformative project.

² The cap is \$45 million for a year in which a grant is awarded for a high-yield project.

Karen Cochrane-Brown
Director



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Legislative Analysis
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EFFECTIVE DATE: This act is effective when it becomes law and applies to awards granted on or after that date.

Dan Ettefagh, Bill Drafting Division, and Emma Turner, Fiscal Research Division, contributed to this summary.