



Economic Development Grant Report

Prepared by:

North Carolina Department of Commerce
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ECONOMIC DEVELOPMENT GRANT REPORT HIGHLIGHTS

North Carolina has two main highly-competitive, performance-based discretionary incentive programs, the Job Development Investment Grant Program (“JDIG”) and the One North Carolina Fund (“One NC”). **State funds are only disbursed for actual jobs created under these grants**, which are targeted at attracting companies that are considering locating in North Carolina or considering expanding from existing operations in the state. Pursuant to § 143B-437.07(c), the Job Maintenance and Capital Development Fund (“JMAC”) and the Industrial Development Fund (“IDF”) (including the Utility Account) are also discussed in this Report.

Overall Highlights

- From January 1, 2007 to June 30, 2013, the Department of Commerce awarded 546 grants through the JDIG, One NC, JMAC, and IDF programs, for a total of over \$1 billion to be paid over the terms of the grants if all performance goals are met.¹
- Of these 546 grants, 332 are currently active (61%). After disbursements and reductions in liability due to grant terminations and failure to meet all performance goals, the current potential liability for all active grants made since 2007 is \$754,703,428.
- Because each program has different requirements and timelines, and because some grantees received more than one type of grant, it is difficult to establish overall performance measures such as cost per job. However, it is possible to establish an initial projected cost per job as well as calculate actual costs per job to date and remaining liability for each specific grant. Once grants have completely closed and reported, it will be possible to calculate actual costs and benefits for each grant.

Summary of Job Development Investment Grant (JDIG) Data

- Because grants have an average term of 10 years, **no grant has yet closed during the reporting period (2007 through June 2013, noting that JDIG grantees report annually on their performance as of December 31, so performance information is as of December 31, 2011, and award and disbursement information is as of June 30, 2013)** (the “Reporting Period”).
- 98 grants awarded during the Reporting Period are currently active.
- The average job “ramp-up” period (termed the “base period”) for JDIG grantees is 4 years, during which time jobs are created as companies ramp up to full operation. **Many companies are still in the early years of job creation and have thus not yet had the opportunity to create the Minimum Required New Jobs that are expected to be created under the grants. It is only after the job creation period has been completed for a given grant that an assessment can be made as to the total number of jobs created and the total cost per job.**
- For JDIG grants awarded since 2007, Commerce has disbursed \$15,484,643 to companies for creation of 9,945 new jobs, resulting in a state cost to date of \$1,557 per actual job created. These companies also retained 19,653 jobs that existed at the time of their awards. This represents 28 percent of the minimum required new jobs and 44 percent of the minimum required retained jobs. During this period, companies have received only two percent of the initial award amount.

¹ This report does not cover grants awarded prior to 2007, some of which have ongoing activity.

Summary of One North Carolina Fund Data

- 188 grants awarded during the Reporting Period are currently active and have reported creating 3,290 new jobs and retaining 36,174 existing jobs. This represents 15 percent of the required job creation. Companies have received \$4,838,326 in disbursements during this period, representing eight percent of the total initial award. Based on the current figures, this results on a state cost to date per job of \$1,471.
- 59 grants awarded during this period have closed with funds disbursed and have reported creating 5,460 new jobs and retaining 8,647 existing jobs. This represents 95 percent of the required job creation. These companies have received 79 percent of the total initial award. This results in a state cost per job of \$1,486.

Summary of Other Commerce-Administered Program Data

- **Industrial Development Fund (including Utility Account)**
Regular IDF is currently unfunded. IDF's Utility Account receives a percentage of grant payments made to JDIG grantees in Tier 2 (15%) and Tier 3 (25%) counties. Under Regular IDF, \$4,143,606 has been disbursed to local governments under 24 grants since 2007. Under the Utility Account, \$12,746,136 has been disbursed to local governments under 52 grants since 2007. IDF funds are provided for infrastructure expected to lead to job-creation, however, particularly with the Utility Account, creation of a specified number of jobs is not required and is not reported. This is a longer-range program designed to provide infrastructure that will attract job creation to particular localities.
- **Job Maintenance and Capital Development Fund**
JMAC is designed to encourage retention of significant numbers of high-paying, high-quality jobs and large-scale capital investment in modernizing equipment intended to assist companies in transitioning to new markets. Three grants have been awarded since 2007, with \$22,205,473 disbursed to two companies through June 30, 2013, with 4,330 jobs retained, at an average cost of \$5,128 per actual job retained. Job creation is not an element of this program, although providing grants for modernization is intended to spur future economic activity, jobs, and prosperity.

OVERVIEW OF COMMERCE-ADMINISTERED PROGRAMS

The following information summarizes activity in Commerce-administered grant programs, required by N.C. Gen. Stat. § 143B-437.07. This report (the “Economic Development Grant Report” or the “Report”) is due to the General Assembly on October 1, 2013.

Different programs have specific reporting cycles, which define what period is reported here, based on information available as of June 30, 2013. Job Development Investment Grant (“JDIG”) grantees report on March 1 for activity (job creation and retention, minimum average wage, investment, etc) as of December 31 of the prior calendar year. Commerce staff analyzes these reports, obtains additional information as needed from grantees, and obtains verification of withholdings and that no overdue tax debts exist from the Department of Revenue. This process generally results in finalization of eligibility for payments and certification by the North Carolina Economic Investment Committee (which administers the program) in the third or fourth quarter of the year following the end of the reported year. Given the reporting and verification cycle, as of June 30, 2013, the latest performance information available for JDIG grantee is for performance as of December 31, 2011. Thus, this Report contains JDIG grantee performance information through December 31, 2011, and information on disbursements, recaptures, and terminations through June 30, 2013.

JMAC grantees are not required to report until May following the end of a calendar year, so the last reported information, included here, is for 2011 performance, giving similar timing parameters for verification and certification as described above for JDIG grantees.

With respect to programs other than JDIG and JMAC, performance information is provided through June 30, 2013.

Note that with respect to JDIG and One NC reported amounts, the number of jobs and the amount of investment cannot be summed, as this would result in some double-counting. A number of grantees have received both JDIG and One North Carolina Fund awards for the same project, and that same project’s jobs and investment are included in the totals for both programs. Table 1A provides summary information on JDIG, One NC, and JMAC.

Table 1A: Summary of Economic Development Grants by Commerce Job Creation or Retention Programs, 2007-2013						
Commerce Program	Number of Awards	Total Initial Awards	Disbursements to Awardees	Jobs Created	Jobs Retained	Private Investment Made
JDIG	122	\$855,037,975	\$15,484,643	9,945	19,653	864,166,300
One NC	340	\$86,033,858	\$12,964,487	8,801	44,821	1,753,396,341
JMAC	3	\$67,000,000	\$22,205,473	Not Required	4,330	443,060,848
TOTAL	465	\$1,008,071,833	\$50,654,603	Not Applicable	Not Applicable	Not Applicable
				Due to Double-Counting	Due to Double-Counting	Due to Double-Counting

Source: NC Department of Commerce, September 2013. Date Range for Awards is 1/1/2007 to 6/30/2013

In addition, Table 1B summarizes the IDF and IDF-Utility Account, which provide grants to local governments to support infrastructure development.

Table 1B: Summary of Economic Development Grants by Other Commerce-Administered Programs, 2007-2013			
Commerce Program	Number of Awards	Total Initial Awards	Disbursements to Awardees
IDF	26	\$4,964,152	\$4,143,606
IDF-Utility Account	55	\$20,744,553	\$12,746,136
TOTAL	81	\$25,708,705	\$16,889,742

Source: NC Department of Commerce, September 2013. Date Range for Awards is 1/1/2007 to 6/30/2013

JOB DEVELOPMENT INVESTMENT GRANT PROGRAM (“JDIG”)

JDIG, N.C. Gen. Stat. § 143B 437.50 *et. seq.*, is a performance-based economic development incentive program that provides annual grant disbursements for a period of up to 12 years, to businesses that will newly locate or expand current activity in North Carolina, based on a percentage (ranging from 10% to 75%) of withholding taxes paid by new employees during each calendar year of the grant.

- Grants are made to qualifying companies by the five-member Economic Investment Committee (the “EIC”), based on the Criteria for Operation and Implementation of Job Development Investment Grant Program.
- There is a cap of \$15 million on liability in any future grant year for the aggregate of grants made in a particular calendar year.
- 15% of the grant payment for which a company is eligible for a project in a Tier 2 county, and 25% of the grant payment for a project in a Tier 3 county is transferred to the Industrial Development Fund’s (“IDF”) Utility Account (the “Utility Account”) to help fund rural infrastructure.
- **Given the gradual job “ramp up” of new jobs by each company and the fact that many grantees do not reach the annual cap specified in their grant agreements, the maximum State liability is likely to be far less than that suggested by the total award amount.**

Table 2, below, shows activity based on the status of JDIG awards made since January 1, 2007 and whether or not a grant is currently active, terminated prior to completion, withdrawn prior to commencement of the grant, or closed as a result of the grant term being completed. **As the first grants were made in 2003, and grants have an average term of 10 years, no grant has completed its term and closed yet.** Table 2 shows grantee performance reported as of December 31, 2011, with respect to jobs created, jobs retained, and investment. It also shows the amount of the JDIG award made to the company, with the portion targeted for the Utility Account separately shown, as well as funds recaptured from grantees through early 2013, and the resultant cost per job actually created. For active grants, this table also shows the remaining potential JDIG liability to companies, the minimum number of jobs that must be created to receive that amount, and the projected cost per job, if a company were to be eligible for the full amount.

It is expected that ultimately the Remaining Potential Liability will be reduced as grants run their course, as often a grantee is not eligible for the full amount available in a given year (as a result of lower withholdings or failure to achieve 100% of the performance requirements). **The State’s liability is reduced every year by the difference between the particular amount set as the annual maximum amount a grantee may receive and the payment for which a grantee is actually eligible for a given year. For the active grants, this means that the Remaining Potential Liability to Companies has been reduced by approximately \$15.9 million in State liability that no longer exists under those grants as of June 30, 2013. (Again, it is expected that additional reductions from State liability will be realized as a result of disbursements in lower amounts than that set as annual maximums, as grants run their course.) Taken with approximately \$125 million in reduced State liability to companies from terminated and withdrawn JDIG grants, total State liability to these companies has been reduced as of June 30, 2013, from the Amount of Initial Award to Companies, by approximately \$141 million.**

It should also be noted that the Projected Cost per Job amount is over the life of a grant, such that the currently indicated \$19,344 represents State projected cost per job of approximately \$1,934 per year on a grant of 10 years, for a job that may be paying a salary of \$60,000.

In JDIG, each grant has a job “ramp-up” period (termed the “base period”), which may run from one to five years; most JDIG awards have a four or five year period during which jobs are created as companies ramp up projects to full operation. The total grant term during which the jobs must be maintained can run up to 12 years. The first year of the base period may start a year or more after the grant award date, given the anticipated timing of construction, government approvals, and the company’s hiring plans.

Many companies are still in the early years of job creation and have thus not yet had the opportunity to create the Minimum Required New Jobs that are expected to be created under the grants. It is only after the job creation period has been completed for a given grant that an assessment can be made as to the total number of jobs created and the total cost per job.

Table 2: Job Development Investment Grants, 2007 -2013

	Initially Projected						Actual Performance					Remaining Potential Liability to Companies
	Number of Awards	Initial Awards Available to Companies	Initial Awards Available to Utility Fund	Minimum Required New Jobs	Minimum Required Retained Jobs	Initial Projected Cost Per Job	Disbursement to Companies	Recaptured Funds	Jobs Created	Jobs Retained	Cost per Actual Job Created	
Active	98	\$535,705,900	\$157,543,100	27,693	31,985	\$19,344.45	\$14,593,285	\$0	8,492	12,715	\$1,718	\$505,182,800
Terminated	23	\$123,684,003	\$35,881,972	8,237	12,613	\$15,015.66	\$891,358	\$297,297	1,453	6,938	\$409	\$0
Withdrawn	1	\$2,223,000	\$0	N/A	N/A	N/A	\$0	\$0	0	Unknown	\$0	\$0

Source: NC Department of Commerce, September 2013. *Date for awards, disbursements, recaptures, and remaining liability is as of June 30, 2013; job data is as of December 31, 2011 for most grant:

Cost per Actual Job Created = (Disbursements to Companies less Recaptured Funds) divided by Jobs Created. Cost per Job does not include retained jobs.

Initial Projected Cost per Job = Amount of Initial Award available to Companies divided by Minimum Required New Jobs.

ONE NORTH CAROLINA FUND PROGRAM (“ONE NC”)

One NC, N.C. Gen. Stat. § 143B 437.70 *et. seq.*, was created in 1993 (as the Governor’s Industrial Recruitment Competitiveness Fund) to help North Carolina achieve economic growth and prosperity across the State. It provides matching grants to local governments to help recruit new and expanding businesses to create jobs. Grant payments are generally provided in four equal disbursements over three years, based on demonstrated job creation, investment, and other performance criteria. For companies that have also received a JDIG award, performance is tied to performance required under their JDIG awards.

Table 3 shows data for One NC awards that are still active, those that have closed without grant disbursements, and those that were closed after disbursement and completion of the grant term. **Final performance data and actual costs per job can only be provided for grants that have been completed.**

- 188 grants awarded during the Reporting Period are currently active and have reported creating 3,290 new jobs and retaining 36,174 existing jobs. This represents 15 percent of the required job creation. **As with JDIG, the Minimum Required New Jobs is greater than the Jobs Created, as 188 companies are still in the process of job creation, which takes several years.** Companies have received \$4,838,326 in disbursements during this period, representing eight percent of the total initial award. Based on the current figures, this results on a state cost to date per job of \$1,471.
- 59 grants awarded during this period have closed with funds disbursed and have reported creating 5,460 new jobs and retaining 8,647 existing jobs. This represents 95 percent of the required job creation. These companies have received 79 percent of the total initial award. (The lower amount disbursed may be a result of the local match not being fully met, or other factors that made a company ineligible for the full grant amount.) This results in a state cost per job of \$1,486.

The table shows total State liability under closed One NC grants reduced by approximately \$19.8 million from the amount reflected in the Total Award Amount.

Table 3: One North Carolina Grants, 2007-2013										
	Number of Awards	Initially Projected			Actual Performance					Remaining Potential Liability
		Total Initial Awards	Minimum Required New Jobs	Initial Projected Cost Per Job	Disbursements	Recaptured Funds	Jobs Created	Jobs Retained	Cost Per Actual Job Created	
Active	188	\$58,079,768	22,258	\$2,609	\$4,838,326	\$0	3,290	36,174	\$1,471	\$50,700,586
Closed, \$0 Disbursed	93	\$17,674,590	10,209	\$1,731	N/A	N/A	N/A	N/A	N/A	\$0
Closed, Funds Disbursed	59	\$10,279,500	5,728	\$1,795	\$8,126,161	\$15,000	5,460	8,647	\$1,486	\$0

Source: NC Department of Commerce, September 2013. *Date for awards, disbursements, recaptures, and remaining liability is as of June 30, 2013; job data is as of December 31, 2012 for most grants.

Cost per Actual Job Created = (Disbursements less Recaptured Funds) divided by Jobs Created. Cost per Job does not include retained jobs.

Initial Projected Cost per Job = Amount of Total Award divided by Minimum Required New Jobs.

INDUSTRIAL DEVELOPMENT FUND (“IDF”) & IDF UTILITY ACCOUNT

IDF, N.C. Gen. Stat. § 143B 437.01 *et. seq.*, provides grants to units of local government for construction of or improvements to new or existing water, sewer, gas, telecommunications, high-speed broadband, electrical utility distribution lines or equipment, or transportation infrastructure for existing or new or proposed buildings conducting eligible industrial operations.

- Grants are made for public infrastructure for projects in Tier 1 and 2 counties (effective until July 1, 2012) and, from July 1, 2012, for projects in counties with one of the 65 highest development tier rankings
- Grants are generally capped at the lesser of \$10,000 per job or \$500,000 per project
- The infrastructure funded must be located at the building site or directly related to the industrial activity
- **This program is currently unfunded**

The Utility Account of the Industrial Development Fund is financed through statutory deductions from the grant payments for which JDIG grantees are eligible (25% of the grant payment for JDIG projects located in Tier 3 counties and 15% for JDIG projects located in Tier 2 counties).

- Grants are made to projects in Tier 1 and 2 counties (effective until July 1, 2012) and, from July 1, 2012, for projects in counties with one of the 65 highest development tier rankings
- The infrastructure funded must be located at the building site or directly related to the industrial activity
- To receive an award, the local government applicant must demonstrate that the infrastructure funded by the grant is reasonably expected to lead to job creation in eligible industries
- A specific job commitment is not required, and thus no cost per job can be calculated even though jobs are often created

The tables below show the total Commerce awards made to local governments for reimbursement for infrastructure costs for grants made since 2007, and disbursements made for those projects under the IDF Program (Table 4) and under the Utility Account of the IDF (Table 5).

	Number of Awards	Total Initial Awards	Disbursements	Remaining Potential Liability
Active	12	\$2,812,765	\$2,493,642	\$319,123
Closed, \$0 Disbursed	2	\$347,134	\$0	\$0
Closed, Funds Disbursed	12	\$1,804,253	\$1,649,965	\$0

	Number of Awards	Total Initial Awards	Disbursements	Remaining Potential Liability
Active	31	\$12,173,021	\$5,725,303	\$6,447,718
Closed, \$0 Disbursed	3	\$1,370,000	\$0	\$0
Closed, Funds Disbursed	21	\$7,201,532	\$7,020,833	\$0

Source: NC Department of Commerce, September 2013. Date Range for Awards is 1/1/2007 to 6/30/2013

JOB MAINTENANCE AND CAPITAL DEVELOPMENT FUND (“JMAC”)

JMAC, N.C. Gen. Stat. § 143B-437.012, is a discretionary incentive program, available for projects in Tier 1 counties, designed to encourage retention of significant numbers of high-paying, high-quality jobs and large-scale capital investment, enlarge the overall tax base, and increase revenues to the State and its political subdivisions. Grant recommendations are made by the EIC to the Secretary of Commerce, based on a thorough review of the factors enumerated in the Criteria for Operation and Implementation of Job Maintenance and Capital Development Fund Program.

- A total of five grants and awards totaling \$69 million may be made under the JMAC program; as of June 30, 2013, \$67 million and three 10-year grants have been awarded.
- Two grants were awarded on September 17, 2008, under the original statutory provisions (Goodyear and Bridgestone). Eligibility for these two grants required that the companies employ at least 2,000 workers and commit to invest at least \$200 million in capital improvements within six years of initial expenditure.
- One grant was awarded on June 14, 2012 (Domtar), under the amendments to the program statute, which became effective July 1, 2010. These amendments expanded eligibility to include large manufacturing employers converting their manufacturing process to change their product, that invest at least \$65 million within a three-year period, and that employ and will continue to employ at least 320 full-time workers.
- Annual grant payments for all three grants are based on grantees’ actual expenditures on eligible expenses related to modernization (typically, worker training).
- State liability under JMAC was reduced by approximately \$800,000 (from the Total Award Amount) as a result of Bridgestone being eligible for less than the full amount available in prior years.
- JMAC is intended to provide funds that will enable a large facility to modernize and thus retain existing jobs; new jobs are not required and not reported.

Table 6: Job Maintenance and Capital Investment Fund Awards, 2007-2013

Grantee	Initially Projected			Actual Performance					
	Total Initial Awards	Minimum Required Retained Jobs	Initial Projected Cost per Retained Job	Disbursements	Recaptured Funds	Jobs Retained	Cost per Actual Retained Job	Remaining Potential Liability	Private Investment Made
Bridgestone Firestone North American Tire, LLC	\$30,000,000	2,083	\$14,402	\$10,705,473	\$0	1,815	\$5,898	\$18,500,000	\$211,210,315
Goodyear Tire & Rubber Company	\$30,000,000	2,398	\$12,510	\$11,500,000	\$0	2,515	\$4,573	\$18,500,000	\$231,850,533
Domtar Paper Company, LLC	\$7,000,000	320	\$21,875	\$0	\$0	TBD	TBD	\$7,000,000	TBD
Total	\$67,000,000	4,801	\$13,955	\$22,205,473	\$0			\$44,000,000	

Source: NC Department of Commerce, September 2013. Reporting date as of December 2011.

Cost per Actual Retained Job = (Disbursements less Recaptured Funds) divided by Retained Jobs

Initial Projected Cost per Job = Amount of Total Award divided by Minimum Required Retained Jobs.

LOCAL INCENTIVES

Local Government incentive awards are typically provided in the form of cash grants or based on a percentage of property taxes expected to be paid on the company’s new investment for the proposed project. Investment and job creation minimums are typically required.

Given that the value of local incentives are generally investment-driven, local governments usually provide funds after a company has paid its annual taxes on investments made, typically after a ramp-up/construction period. These incentive payments usually begin a year or two after the grant is awarded, or later. Thus, the local government’s first grant payment year is usually different than the first grant payment year of the Commerce incentive.

As required by statute, local information is reported commencing with Commerce awards as of **July 1, 2011**, where the locals are incenting a project that has received a JDIG award, a One NC award (or both), or an IDF-Utility Account award. For the IDF-Utility Account, local incentives awarded since July 1, 2011 amounted to \$3,927,575, none of which has yet been disbursed.

The table below outlines data for the two job creation programs, JDIG and One NC; as discussed elsewhere, this is minimal given normal ramp-up periods for projects to commence. The Minimum Required New Jobs represents the number of required jobs that must be created over the life of the grants to receive full disbursement under JDIG and One NC; local job requirements may differ. If that number of jobs is created, then the Local Projected Cost per Job (based on the number of required Commerce jobs) would be the amount reflected in the last column of the table.

Table 7: Local Incentives associated with JDIG, One NC, and IDF-Utility for Awards made from July 1, 2011 through June 30, 2013						
Program	Initially Projected			Actual Performance		
	Local Funds Awarded	Required New Jobs*	Local Projected Cost per Job	Local Funds Disbursed	Jobs Created	Local Cost per Job
IDF-Utility Account	\$3,927,575	433	Not applicable	\$0	0	\$0
JDIG	\$18,240,831	6,056	\$3,012	\$1,858,145	0	Unknown
One NC	\$77,295,482	6,761	\$11,433	\$5,038,543	633	\$7,960
JDIF & One NC	\$76,139,401	7,123	\$10,689	\$24,006,066	5	\$4,801,213
Total	\$175,603,289	20,373	\$8,619	\$30,902,754	638	Unknown

Source: Local Governments and NC Department of Commerce, September 2013

Local Cost per Job = Local Funds Disbursed divided by Jobs Created

Local Projected Cost per Job = Local Funds Awarded divided by Minimum Required New Jobs

*Although IDF-Utility Account Grants do not include minimum required numbers of jobs, select recipients have committed to job targets