

Economic Development Grant Report

2010

March 1, 2011

Introduction

This report provides information required by North Carolina General Statute §143B- 437.07, on the following programs administered by the Department of Commerce (the “Department”) that provide grants to businesses for economic development:

- The Job Development Investment Grant (“JDIG”) Program
- The One North Carolina Fund (“One NC”)
- The Site Infrastructure Development Fund (“SIDF”)
- The Job Maintenance and Capital Development Fund (“JMAC”)

This report also includes information on grants made under the Industrial Development Fund (“IDF”), although these grants are not made directly to businesses. Also, the One North Carolina Fund grants are made to local government applicants, based on job creation and other performance by businesses.

§143B 437.07. Economic development grant reporting.

The Department of Commerce must publish on or before March 1 of each year the following information, itemized by business entity, for all grant programs administered by the Department that disbursed or awarded grant monies to businesses during the previous calendar year:

- (1) The amount of grant monies awarded during the previous year.
 - (2) The amount of grant monies disbursed during the previous year.
 - (3) The amount of grant monies that were disbursed in earlier years to business entities that received grant monies during the previous year.
 - (4) The amount of potential future liability under the grant program.
 - (5) The number, type, and wage level of jobs created or retained during the previous year as a result of a grant.
 - (6) A description of any other financial assistance received during the previous year from all economic development incentive programs administered by the Department.
 - (7) Any amount recaptured from the business entity during the previous year for failure to comply with the grant agreement or applicable law.
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Job Development Investment Grant Program

The **JDIG Program** (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 new and expanding businesses based on a percentage of withholding taxes paid by new employees during each calendar year of the grant. The percentage of withholdings ranges from 10% to 75%.

Grants are made to qualifying companies by a 5-member Economic Investment Committee (the “EIC”), based on the Criteria for Operation and Implementation of Job Development Investment Grant Program (the “JDIG Criteria”), subject to overall caps set by the General Assembly on future grant year liability, for the aggregate of grants made in a particular calendar year. Grants awarded under the JDIG Program can result in payments to as many as 25 businesses annually. Unless increased by the General Assembly in a given year, the statutory annual liability cap for the total amount that may be paid out in any single grant year to all companies awarded a grant in that year, is \$15 million. For 2010, the actual annual maximum possible liability was \$11,043,000, with a potential twelve-year maximum liability of \$101,402,000, for all grants awarded in 2010.

Given the gradual “ramp up” of new jobs by each company and the fact that many grantees do not achieve the annual cap specified in their grant agreements, the maximum State liability is likely to be far less.

With the exception of disbursements associated with projects located in a tier one county, beginning in 2007, a portion of every grant disbursement is required to be transferred into the IDF’s Utility Account (25% for projects located in tier two counties and 15% for projects located in tier three counties), to help fund rural infrastructure. For grants awarded prior to 2007, the JDIG program utilized the five-tier structure of the William S. Lee tax credit program, and required that 25% of the total annual grant payment for projects located in tier four and five counties, be transferred to the IDF Utility Account. This report provides information on total program liability, broken down by amounts to be paid to companies and amounts to be transferred to the Utility Account.

JDIG payments are made annually, following each calendar year that is a grant year for a company. On March 1 of each year, grantees submit reports demonstrating the performance on which grant payments will be based (in particular: job creation, job retention, minimum average wages, and investment). Payments are typically made in the second quarter of the calendar year following the end of a grant year, so, at the time of this report, no payments have been made for 2010 grant year performance. Thus, this report provides information on payments made in 2010, for previous year performance.

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