2015-2016 General Assembly

HOUSE BILL 117: North Carolina Competes Act, Parts I and II: Job Development Investment Grant Program (JDIG) and One North Carolina Modifications

Committee:		**Date:**	
Introduced by:		**Prepared by:**	Dan Ettefagh Staff Attorney
Analysis of:	Parts I and II of S.L. 2015-259		

SUMMARY: Parts I and II of S.L. 2015-259 do the following:

- ***JDIG Modifications. - Section 1 of the act, as amended by Section 91 of S.L. 2015-264, extends the program, increases the amount that may be committed as grants under the program, provides additional commitment authority for high-yield projects, and makes other changes to the program. Except for a change in reporting requirements and the increase in the amount that may be committed, both of which became effective September 30, 2015, the remainder of this Part became effective October 1, 2015.***
- ***One NC. - Section 2 of the act modifies the local match requirements to a tiered requirement: 3 State dollars for 1 local dollar for tier 1; 2 State dollars for 1 local dollar for tier 2; and an even local match for tier 3. This change became effective September 30, 2015.***

JDIG MODIFICATIONS

CURRENT LAW & BILL ANALYSIS: JDIG is a discretionary program of the State that provides funds to incentivize new or expanding business to create jobs in the State. The amount that can be committed in JDIG grants has statutorily been capped at $15M per calendar year. Prior to enactment of this act, the current period was not based on the calendar year but was based on the 2013-15 biennium (with a $22.5M cap) and a half-year period of 7/1/15 through 12/31/15 (with a $7.5M cap).

Regarding commitment availability, Part I of this act (i) collapses the prior biennium with the current half-year period, (ii) adds $5M of additional capacity for that collapsed period (iii) increases the calendar year statutory cap from $15M to $20M on an on-going basis, and (iv) extends the program three years, allowing JDIG commitments through 1/1/19.

The amount a business receives via JDIG is changed in two ways: (i) the JDIG award calculation is changed from a flat 10-75% the personal income tax withholdings generated by the eligible created positions to a tiered maximum percentage of withholdings (80% of withholdings if the project is in Tier 1 and 75% for all other areas) and (ii) the portion of the award diverted to the Utility Account[1] in tier 2 areas is changed from 15% to 10%.

Minimum criteria for participation in the program are increased for job creation requirements, increasing from 20 jobs to 50 jobs for tier 3.

---

[1] Utility account is used to assist local governments in tier 1 and 2 counties to create jobs and can be used for construction of/improvement to new/existing water, sewer, gas, telecom, high-speed broadband, electrical utility distribution lines/equipment, transportation infrastructure for existing/new/proposed buildings. No local match is required for the top 25 most economically distressed counties and a 25% match is required for the remainder of eligible counties.

The act creates a component for recruitment of megasites or high-yield projects where a business invests at least $500M and creates at least 1,750 jobs. Programmatically, when a high-yield project is landed, the annual JDIG commitment cap for that year increases from $20M to $35M. If the business meets the job creation and investment requirement and meets all performance metrics for three consecutive years, the business' JDIG award is augmented 3 ways: (a) the basis for calculating the award increases to 100% of the withholdings associated with the created, eligible positions; (b) up to 8 years is added to the 12-year term limitation; and (c) any UA diversion is eliminated. In the event the high-yield project fails to meet performance metrics after receiving the augmented award in any year, the augmented benefits expire and the company cannot, thereafter, regain the augmented benefits.

The act addresses concerns that Commerce consumed JDIG availability too quickly each calendar year by splitting the single year $20M basis for commitment caps into 2 equal semiannual installments of $10M. Within the calendar year, amounts not utilized in a period roll over to the next period.

Final miscellaneous changes to JDIG include (i) adding a pre-requisite finding that the local has appropriately participated in recruit efforts and in incentives offered; (ii) strengthening the recapture provision for failure to maintain operations for 150% of the grant term; (iii) modifying the relevant time period against which increases in employment are measured;[2] and (iv) adding to the annual reporting requirement a tier-itemized listing of unaccepted offers and their aggregate value and adding a one-time report requiring the Department to study factors contributing to grant termination in view of other states' efforts with the goal of identifying ways to decrease the incidence of terminations.

EFFECTIVE DATE: The additional requirement for the annual report and the JDIG commitment authority changes became effective when the act was signed by the Governor on September 30, 2015. The remainder of this Part became effective on October 1, 2015, and applies to awards made on or after that date.

ONE NC MODIFICATIONS

CURRENT LAW & BILL ANALYSIS: The One NC fund is a discretionary fund by the State to provide money to locals to secure commitments for recruitment, expansion, or retention of new or existing businesses. Part 2 of the bill would modify the local match requirement of the One NC Fund to a tiered requirement: 3 State dollars for 1 local dollar for tier 1, 2 State dollars for 1 local dollar for tier 2, and an even local match for tier 3.

EFFECTIVE DATE: This Part became effective when the act was signed by the Governor on September 30, 2015.

---

[2] Under current law, the business must maintain employment levels at the level of the year immediately preceding the base period. The bill would change the relevant comparison point for employment levels from immediately preceding the base period to the greater of the employment levels at the date of application or date of award.