2017-2018 General Assembly

SENATE BILL 257: Appropriations Act of 2017, Sec. 15.15A: Transformative Project

Committee:		**Date:**	August 22, 2017
Introduced by:		**Prepared by:**	Trina Griffin
Analysis of:	Sec. 15.15A of S.L. 2017-57		Staff Attorney

OVERVIEW:* *Section 15.15A of S.L. 2017-57 establishes enhanced benefits under the Jobs Development Investment Grant (JDIG) program for a "transformative project," a project where a business invests at least $4 billion in private funds and creates at least 5,000 jobs in this State. This section became effective on July 1, 2017.

CURRENT LAW: 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 of the JDIG incentive to a company is calculated on up to 80% or up to 75% of withholdings created by eligible positions for tier 1 and other tier areas, respectively.[1] The JDIG agreement can be for a term of up to 12 years. The maximum of total annual liability for JDIG grants is capped at $20 million.[2] The authority to enter new JDIG agreements is currently set to expire on January 1, 2021.[3]

In 2015, the General Assembly created a new component within JDIG for the recruitment of megasites or "high-yield projects" where a business invests at least $500M and creates at least 1,750 jobs. 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.

BILL ANALYSIS: Section 15.15A of S.L. 2017-57 creates another new component within the JDIG program for the recruitment of "transformative projects" where a business invests at least $4 billion in private funds and creates at least 5,000 eligible positions.

The enhanced benefits are similar to those for high-yield projects and are as follows:

- Grant commitments for transformative projects do not apply toward and are excluded from the cap on the total annual liability for JDIG awards.
- The basis for calculating the award increases to 100% of the withholdings associated with the created, eligible positions.
- The term is extended up to 25 years (from 12).

[1] The amount of the incentive paid to a company is automatically decreased by 25% or 10% for tier 3 and tier 2 projects, respectively, with that percentage going to the Utility Account for infrastructure projects that are reasonably expected to create jobs in economically distressed counties (i.e. tier 1 and 2 counties).
[2] The $20 million cap applies for a year in which no grants are awarded for a high-yield project; the cap is $35 million for a year in which a grant is awarded for a high-yield project.
[3] Section 15.15 of S.L. 2017-57.

- Any Utility Account diversion is eliminated.
- Amounts committed per job per year for each job using One NC funds do not count toward the $28 million cap for the 2017-2018 biennium only.

In the event a project fails to meet performance metrics after receiving an augmented award in any year, the augmented benefits expire and the company cannot, thereafter, regain the augmented benefits.

BACKGROUND: While there was no public committee discussion of a particular company that this provision was aimed at enticing, this News & Observer article published shortly before the passage of the budget speculated that Foxconn, a Chinese smartphone assembler, might be considering North Carolina as a possible site location. In late July, the company announced it would build a $10 billion plant in Wisconsin.

EFFECTIVE DATE: This section became effective July 1, 2017.