



# SENATE BILL 505: Rural Job Retention Act.

2019-2020 General Assembly

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<b>Committee:</b>		<b>Date:</b>	December 6, 2019
<b>Introduced by:</b>		<b>Prepared by:</b>	Cindy Avrette Staff Attorney
<b>Analysis of:</b>	S.L. 2019-14		

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**OVERVIEW:** *S.L. 2019-14 allows the Department of Commerce to award an additional grant of \$15 million through the Job Maintenance and Capital Development Fund (JMAC), and it adds a new category of businesses eligible to receive a JMAC grant: a heritage manufacturing employer. Assuming Commerce awards an additional JMAC grant for \$15 million over ten years, it will increase General Fund expenditures by \$1.5 million per year for ten years, beginning in fiscal year 2021-22. The current recurring appropriation of \$7.5 million to the JMAC account is expected to be sufficient to pay the expected grant payments.*

*The act became effective July 1, 2019.*

**CURRENT LAW:** The General Assembly created the Job Maintenance and Capital Development Grant Fund (JMAC) in 2007 as a non-reverting account in the Department of Commerce for the purpose of encouraging and promoting the maintenance of existing business and industry in the State. To be eligible for a JMAC grant, businesses must meet certain investment and employment levels, as well as satisfy wage, employee, health insurance, OSHA, environmental, and tax obligations. The current business categories include:

- A major employer. – A business is a major employer if it invests at least \$200 million of private funds in improvements within a six-year period and employs at least 2,000 full-time employees. The project must be located in a development tier one area.
- A large manufacturing employer. – A business is a large manufacturing employer if it invests at least \$50 million of private funds in improvements within a five-year period and employs at least 320 full-time employees at a project located in a tier one area, or 800 full-time employees at a project located in a tier two area with a population of less than 60,000 as of July 1, 2013. To qualify for a grant, the business must be in manufacturing, and is converting its manufacturing process to change the product it manufactures, or is investing in its manufacturing process by enhancing pollution controls or transitioning the manufacturing process from using coal to using natural gas.

Any business meeting the requirements for a JMAC grant can apply for a grant. Commerce is charged with the responsibility of administering the selection of projects receiving a grant. Commerce submits the project applications that it deems eligible and appropriate for a grant to the Economic Investment Committee, and the Committee recommends the appropriate grant amount for each applicant to whom it believes a grant should be given.

A grant agreement obligates the State to make a series of grant payments over a period of time, not to exceed 10 years. The total annual cost of an agreement cannot exceed \$6 million. The agreement obligates the business to meet performance criteria, including maintenance of an appropriate level of employment

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at specific compensation levels, maintenance of health insurance for all full-time employees, investment of a specified amount over the agreement term, and any other criteria considered appropriate by Commerce. The agreement must require the business to repay or reimburse an appropriate portion of the grant for any failure to meet the performance criteria.

Commerce must monitor compliance for each grant agreement and report on the status of the JMAC program to various legislative committees. The report must include, for each grant agreement, the name of the business, the cost-benefit analysis by the Committee, a project description, and the projected grant amount to be paid during the current fiscal year. The total aggregate cost of all JMAC awards cannot exceed \$139 million.

Commerce receives a \$7.5 million recurring appropriation to the JMAC account each year to pay for JMAC awards. Of the five grants Commerce has awarded, three have been paid in full. The two remaining grants to Blue Ridge Paper Products, Inc. and Bridgestone Firestone North American LLC are projected to be paid out for three and ten more years respectively.

**BILL ANALYSIS:** S.L. 2019-14 does the following:

- Expands the types of businesses eligible for a JMAC award to include a *heritage manufacturing employer*.
- Increases the number of JMAC grants Commerce can award from six to seven. As of April 2019, Commerce had awarded five grants.
- Increases the total aggregate cost of all JMAC agreements that can be entered into from \$139 million to \$154 million. As of April 2019, the total aggregate of JMAC awards totaled \$109 million.

A heritage manufacturing employer is an employer that meets all of the following requirements:

- Is in manufacturing.
- Has been operating in the State for more than 100 years.
- Has invested or intends to invest at least \$325 million of private funds in improvements within a four-year period.
- Employs at least 1,050 full-time employees at the time of the grant application, and agrees to (i) maintain at least 1,050 full-time employees in the State for the full term of the grant, and (ii) retrain and relocate to a development tier two area at least 400 of those full-time employees upon the commencement of commercial production at its tier two area facility.
- Is operating in a development tier three area at the time of the grant application and is relocating to a development tier two area with an estimated population of less than 63,000, according to the 2017 Certified County Population Estimates published by the State Demographer's Office.

Commerce makes payments to JMAC grantees after reviewing and confirming grantees' calendar year performance. If Commerce awards a JMAC grant for \$15 million to a heritage manufacturing employer in 2019, the earliest initial grantee performance year would likely be calendar year 2020, with an expected initial payment in fiscal year 2021-22. Assuming a grant term of 10 years and full use of the authorized award amounts, the General Fund impact would be an average of \$1.5 million each year for 10 years starting in fiscal year 2021-22. If Commerce awards a grant for a shorter time, the General Fund impact could be greater. The current recurring \$7.5 million appropriation for JMAC awards is expected to be sufficient to pay the expected grant payments, and this funding level will need to be continued through fiscal year 2029-30.

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**EFFECTIVE DATE:** The act became effective July 1, 2019.