SENATE BILL 505: Rural Job Retention Act.

2019-2020 General Assembly

Committee:	Senate Rules and Operations of the Senate	**Date:**	April 18, 2019
Introduced by:	Sens. McInnis, Rabon, Brown	**Prepared by:**	Susan Sitze*
Analysis of:	Second Edition		Staff Attorney

OVERVIEW:* *Senate Bill 505 would do two things:

- ***Expand the types of business eligible for a grant from the Job Maintenance and Capital Development Fund to include a manufacturing business that has been operating in the State for more than 100 years, plans to invest $325 million of private funds in improvements over a four-year period, employs at least 1,050 full-time employees, and plans to retrain and relocate at least 400 of those employees to a facility located in a tier two area.***
- ***Increase the total aggregate cost of all agreements the Department of Commerce may enter into under the program from $139 million to $154 million.***

CURRENT LAW: The General Assembly created the Job Maintenance and Capital Development Grant Fund 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 grant from the Fund, a 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 grant from the Fund may apply for a grant. The Department is charged with the responsibility of administering the selection of projects receiving a grant. The Department 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. And it obligates the business to meet performance criteria, including maintenance of an appropriate level of employment 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 the Department. In addition, the agreement must require the business to repay or reimburse an appropriate portion of the grant for any failure to meet the performance criteria.

The Department may not enter into more than six agreements; the total aggregate cost of all agreements for grants from the Fund may not exceed $139 million; and the total annual cost of an individual agreement may not exceed $6 million. The Department must report to the Joint Legislative Commission on Governmental Operations regarding the Fund, and for each grant agreement in the report the Department must include 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.

BILL ANALYSIS: Senate Bill 505 expands the types of business eligible for an award from the Job Maintenance and Capital Development Fund to include a *heritage manufacturing employer.* 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 are 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.

If a grant is awarded, the grant agreement must include a provision that specifies that the business in not eligible for a grant in any year in which the business fails to maintain the employment level. The agreement must also require the business to repay all amounts received under the agreement and to forfeit any future grant payments if the business fails to satisfy its investment eligibility requirements.

The bill also increases the number of agreements the Department may enter into from six to seven, and it increases the total aggregate cost of all agreements that may be entered into from $139 million to $154 million. The bill does not change the total annual cost of an agreement; it remains at $6 million.

EFFECTIVE DATE: The bill becomes effective July 1, 2019.

BACKGROUND: Since its establishment in 2007, the Department of Commerce has made five awards from the Job Maintenance and Capital Development Fund for a total aggregate cost of $109 million.

**Dan Ettefagh, Cindy Avrette, and Jessica Sammons, Staff Attorneys, substantially contributed to this summary.*