

## **Job Development Investment Grant (JDIG)**

N.C. Gen. Stat. § 143B 437.50 to § 143B- 437.63

**PURPOSE/ DESCRIPTION** – Seeks to stimulate economic activity and create new jobs by providing a discretionary incentive that offers sustained annual grants directly to new and expanding businesses statewide, measured against a percentage of withholding taxes (10% to 75%) paid by new employees

**CREATED** – 2002, first grants were awarded in 2003; authority to award new grants expires January 1, 2016

**GOVERNANCE** – Overseen by the Economic Investment Committee, which consists of five members (Secretary of Commerce, Secretary of Revenue, Director of the Office of State Budget and Management, and two private sector members appointed by the North Carolina General Assembly’s House and Senate)

**ELIGIBILITY** – Awards must:

- Be competitive with another state/country and necessary for the project to locate or expand in North Carolina
- Pass an economic model that demonstrates a net benefit to North Carolina, as based on projected tax revenues
- Be provided to a business (retail & sports teams are not eligible, except for motor sports racing) that provides health insurance, has no willful serious Occupational Safety & Health Act violations, and creates a minimum number of jobs (based on the county’s tier designation; Tier 1 is 10, Tiers 2 or 3 is 20)
- The amount of a grant associated with any specific eligible position, may not exceed \$6,500 in any grant year

### **TERMS & AGREEMENTS**

- The total amount paid out in any single grant year to all companies awarded a grant in the same calendar year cannot exceed \$15 M; this cap translates to a maximum potential liability of \$180 million over a 12-year grant period (maximum term length) for all businesses awarded a grant in the same calendar year (S.L. 2013-360 modified liability to be \$22.5 M for FY 2013-15 Biennium and \$7.5 M for 7/1/15 to 12/31/15)
- Community Economic Development Agreement (CEDA):
  - “is binding and constitutes a continuing contractual obligation of the State and the business”
  - “is a binding obligation of the State and is not subject to State funds being appropriated by the General Assembly”
  - Contains recapture provisions (e.g. in the event that a business would not maintain operations at the project location, or at another approved site, for at least 150% of the term of the grant)
  - Must be reviewed and signed by the state Attorney General

**PROCESS** – Before grant disbursement,

- The grantee must file a Grantee Annual Report (GAR) by March 1 for the preceding calendar year, with a filing fee, which is the greater of \$2,500 or .03 percent of the grant amount (less the portion that will go to the Utility Account)
- The grantee must achieve at least an 80% compliance rating (calculated by job creation, average wage, and investment criteria)
- The Department of Revenue must certify:
  - That the business has no overdue tax debts, and
  - The amount of withholdings received in the preceding year from the business on eligible positions

**FUNDING** – Office of State Budget & Management cash flows the grant payments to Commerce for disbursement to companies. \$63 million recurring appropriation (in FY 2014-15), adjusted by the General Assembly as based on Commerce’s Annual Funding Study (April 1<sup>st</sup>). General Fund appropriations pay for existing award commitments made in prior years. Future grants to be made under the authority of the liability cap will increase costs. If companies perform at maximum levels and Commerce fully uses the remaining liability cap, payments could extend to FY 2028-29 or beyond and total over \$1 billion

<b>Fiscal Year</b>	<i>Actual</i> <b>2004-05</b>	<i>Actual</i> <b>2005-06</b>	<i>Actual</i> <b>2006-07</b>	<i>Actual</i> <b>2007-08</b>	<i>Actual</i> <b>2008-09</b>	<i>Actual</i> <b>2009-10</b>
Appropriation	4,500,000	9,000,000	12,400,000	12,400,000	**	19,000,000
Grant Payments	920,531	3,356,423	3,146,433	12,674,144	4,999,809	14,414,934
Transfer to Utility Account	489,538	935,778	990,214	4,021,647	1,667,268	5,147,850

\*\*The \$27.4 million appropriated for JDIG in FY 2008-09 was never placed in the JDIG Reserve as a result of a mandatory reversion that occurred late during the fiscal year (May) to help with year-end shortfall and those funds were not reinstated.

<b>Fiscal Year</b>	<i>Actual</i> <b>2010-11</b>	<i>Actual</i> <b>2011-12</b>	<i>Actual</i> <b>2012-13</b>	<i>(As of 12/31/13)</i> <b>2013-14</b>	<i>Certified</i> <b>2014-15</b>
Appropriation	20,800,000	15,400,000	20,900,000	51,823,772	63,045,357
Grant Payments	15,138,118	15,256,989	18,184,334	33,896,927	
Transfer to Utility Account	4,699,327	4,694,826	5,526,286	10,236,897	

The Industrial Development Fund’s Utility Account receives 25% of the value of every grant payment earned by companies for projects located in Tier 3 counties and 15% of the value of every grant payment earned by companies for projects located in Tier 2 counties. Funds in the Utility Account are then made available for infrastructure projects in North Carolina’s more distressed counties.