GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2007

Legislative Fiscal Note

BILL NUMBER: House Bill 1761 (First Edition)

SHORT TITLE: JDIG Amendments.

SPONSOR(S): Representatives Brubaker, Crawford, Dickson, and Glazier

FISCAL IMPACT

Yes ( ) **No (X)** **No Estimate Available ( )**

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
REVENUES					
EXPENDITURES					
POSITIONS (cumulative):					

PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: NC Department of Commerce, JDIG Program

EFFECTIVE DATE: When the bill becomes law

CURRENT LAW: The Job Development Investment Grant (JDIG) Program was created in 2002 as a new economic development tool for new and expanding businesses in North Carolina. JDIG is used to attract businesses to the State by allowing a five-member committee to award grants to businesses based on income tax withholdings from new jobs that will be created by the businesses. Currently, the use of JDIG incentives is limited to companies creating new or expanding jobs. Grant awards are based on a percentage (between 10% and 75%) of the personal income tax withholdings of eligible positions. Grants may not be awarded to existing businesses unless their expansion will create net new jobs in the State. Grants are awarded by the Economic Investment Committee, staffed by the Department of Commerce.

BILL SUMMARY: H.B. 1761 modifies the current law by allowing the use of JDIG for the retention of existing "multinational heavy industry manufacturing" companies. These types of companies would not be subject to the job creation requirement; instead, they would have to demonstrate that a grant is necessary to retain existing jobs. Grant awards could be based on a percentage (between 10% and 75%) of the personal income tax withholdings paid on existing jobs.

ASSUMPTIONS AND METHODOLOGY: The maximum amount of total annual liability under the JDIG program is $15 million for agreements entered into in any single calendar year, except for grants awarded in 2006, when the total liability is $30 million. Although grants awarded under the amended language may reduce the availability of JDIG funds for grants to businesses creating new jobs, no additional General Fund appropriation would be required to implement this change. The new grants would be provided from funds available for JDIG.

SOURCES OF DATA: North American Industry Classification System; NC Department of Commerce; N.C.G.S. Chapter 143B Article 10, Part 2G.

TECHNICAL CONSIDERATIONS:
1. The bill does not define "multinational heavy industry manufacturing facility" clearly, and no definition for it exists in the North American Industry Classification System (NAICS). This lack of clarity could lead to confusion if the term is meant to limit the type of firm that would be eligible for these grants.

2. The bill is not clear on how retention of existing jobs is to be measured. Current law states that companies in Tier One counties must create at least 10 new jobs to qualify for grants; in Tiers Two and Three at least 20 jobs must be created. It is unclear if these minimums will apply to the new grants, and if they do, how they will be used. The General Assembly may want to consider creating a separate minimum standard or clarifying how the minimums will be applied for companies that would qualify for JDIG under this bill.

3. Conforming changes will need to be made in G.S. 143B-437.55-57. These statutes relate to the Economic Investment Committee, JDIG grant applications, fees, reports, calculation of grant amounts, and agreement terms.

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