

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

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HOUSE BILL 795
PROPOSED COMMITTEE SUBSTITUTE H795-PCS10376-TMf-18

Short Title: Economic Development Incentives Modifications.

(Public)

Sponsors:

Referred to:

April 13, 2017

1 A BILL TO BE ENTITLED
2 AN ACT TO MAKE CERTAIN CHANGES TO ECONOMIC DEVELOPMENT
3 INCENTIVES OF THE STATE AND TO THE USE OF DEVELOPMENT TIERS AND
4 RANKINGS.

5 The General Assembly of North Carolina enacts:

6
7 **PART I. DISCRETIONARY ECONOMIC DEVELOPMENT FUND MODIFICATIONS**

8 **SECTION 1.1.(a)** G.S. 143B-437.51 reads as rewritten:

9 **"§ 143B-437.51. Definitions.**

10 The following definitions apply in this Part:

11 ...

12 (6a) High-yield project. – A project for which the agreement requires that a
13 business invest at least five hundred million dollars (\$500,000,000) in
14 private funds and create at least 1,750 eligible ~~positions~~positions for
15 projects located in a high-growth area, at least 1,600 positions for projects
16 located in a development tier three area, at least 1,200 positions for projects
17 located in a development tier two area, or at least 800 positions for projects
18 located in a development tier one area. If a project will be located in more
19 than one area, the location with the highest designation determines the job
20 creation requirements due under this subdivision.

21 (6b) High-growth area. – The classification assigned to an area pursuant to
22 G.S. 143B-437.08.

23"

24 **SECTION 1.1.(b)** G.S. 143B-437.52 reads as rewritten:

25 **"§ 143B-437.52. Job Development Investment Grant Program.**

26 (a) Program. – There is established the Job Development Investment Grant Program to
27 be administered by the Economic Investment Committee. In order to foster job creation and
28 investment in the economy of this State, the Committee may enter into agreements with
29 businesses to provide grants in accordance with the provisions of this Part. The Committee, in
30 consultation with the Attorney General, shall develop criteria to be used in determining whether
31 the conditions of this section are satisfied and whether the project described in the application
32 is otherwise consistent with the purposes of this Part. Before entering into an agreement, the
33 Committee must find that all the following conditions are met:

34 (1) The project proposed by the business will create, during the term of the
35 agreement, a net increase in employment in this State by the business.



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- (2) The project will benefit the people of this State by increasing opportunities for employment and by strengthening this State's economy by, for example, providing worker training opportunities, constructing and enhancing critical infrastructure, increasing development in strategically important industries, or increasing the State and local tax base.
- (3) The project is consistent with economic development goals for the State and for the area where it will be ~~located~~located, including the anticipated affect the project described in the application will have on the development factors, as calculated pursuant to G.S. 143B-437.08, of the area.
- (4) A grant under this Part is necessary for the completion of the project in this State.
- (5) The total benefits of the project to the State outweigh its costs and render the grant appropriate for the project.
- (6) For a project located in a development tier three area, the affected local governments have participated in recruitment and offered incentives in a manner appropriate to the project.

...
 (c) Award Limitations. – The following limitations apply to grants awarded under this Part:

- (1) Maximum liability. – The maximum amount of total annual liability for grants awarded in any single calendar year under this Part, including amounts transferred to the Utility Account pursuant to G.S. 143B-437.61, is twenty million dollars ~~(\$20,000,000) for a year in which no grants are awarded for a high yield project and is thirty five million dollars (\$35,000,000) for a year in which a grant is awarded for a high yield project.~~(\$20,000,000). No agreement may be entered into that, when considered together with other existing agreements governing grants awarded during a single calendar year, could cause the State's potential total annual liability for grants awarded in a single calendar year to exceed the applicable amount. The Department shall make every effort to ensure that the average percentage of withholdings of eligible positions for grants awarded under this Part does not exceed the average of the range provided in G.S. 143B-437.56(a). The limitation in this subdivision does not apply to high-yield projects or to projects located wholly within a development tier one area.

...."

SECTION 1.1.(c) The statutory changes to G.S. 143B-437.51 and G.S. 143B-437.52(a) in this section become effective July 1, 2017, and apply to agreements entered into on or after that date. The statutory change to G.S. 143B-437.52(c) in this section becomes effective January 1, 2017, and applies to liability for grants awarded on or after that date.

SECTION 1.2.(a) G.S. 143B-437.55(b) reads as rewritten:

"(b) Application Fee. – When filing an application under this section, the business must pay the Committee a ~~fee of ten thousand dollars (\$10,000)-fee.~~ The amount of the fee for projects that are not high-yield projects is ten thousand dollars (\$10,000) for projects located in a development tier three area, five thousand dollars (\$5,000) for projects located in a development tier two area, and one thousand dollars (\$1,000) for projects located in a development tier one area. The amount of the fee for high-yield projects is ten thousand dollars (\$10,000). If a project will be located in more than one development tier area, the location with the highest development tier area designation determines the fee due under this section. The fee is due at the time the application is filed. The Secretary of Commerce, the Secretary of

1 Revenue, and the Director of the Office of State Budget and Management shall determine the
2 allocation of the fee imposed by this section among their agencies. The proceeds of the fee are
3 receipts of the agency to which they are credited. Within 30 days of receipt of an application
4 under this section but prior to any award being made, the Department of Commerce shall notify
5 each governing body of an area where a submitted application proposes locating a project of
6 the information listed in this subsection, provided that the governing body agrees, in writing, to
7 any confidentiality requirements imposed by the Department under G.S. 132-6(d). The
8 information required by this subsection includes all of the following:

- 9 (1) The estimated amount of the grant anticipated to be awarded to the applicant
10 for the project.
- 11 (2) Any economic impact data submitted with the application or prepared by the
12 Department.
- 13 (3) Any economic impact estimated by the Department to result from the
14 project."

15 **SECTION 1.2.(b)** This section becomes effective July 1, 2017, and applies to
16 applications filed on or after that date.

17 **SECTION 1.3.(a)** G.S. 143B-437.56(d) reads as rewritten:

18 "(d) For any eligible position that is located in a development tier three area,
19 seventy-five percent (75%) of the annual grant approved for disbursement shall be payable to
20 the business, and twenty-five percent (25%) shall be payable to the Utility Account pursuant to
21 G.S. 143B-437.61. For any eligible position that is located in a development tier two area,
22 ninety percent (90%) of the annual grant approved for disbursement shall be payable to the
23 business, and ten percent (10%) shall be payable to the Utility Account pursuant to
24 G.S. 143B-437.61. For any eligible position created for a high-yield project in years in which
25 the business receives the enhanced percentage pursuant to subsection (a1) of this section,
26 irrespective of the location of the project, ninety-five percent (95%) of the annual grant
27 approved for disbursement shall be payable to the business and five percent (5%) shall be
28 payable to the Utility Account pursuant to G.S. 143B-437.61. A position is located in the
29 development tier area that has been assigned to the county in which the project is located at the
30 time the application is filed with the Committee. ~~This subsection does not apply to a high-yield~~
31 ~~project in years in which the business receives the enhanced percentage pursuant to subsection~~
32 ~~(a1) of this section.~~"

33 **SECTION 1.3.(b)** This section becomes effective July 1, 2017, and applies to
34 grants awarded on or after that date.

35 **SECTION 1.4.(a)** G.S. 143B-437.58(a) reads as rewritten:

36 "(a) No later than March 1 of each year, for the preceding grant year, every business that
37 is awarded a grant under this Part shall submit to the Committee an annual payroll report
38 showing withholdings as a condition of its continuation in the grant program and identifying
39 eligible positions that have been created during the base period that remain filled at the end of
40 each year of the grant. Annual reports submitted to the Committee shall include social security
41 numbers of individual employees identified in the reports. Upon request of the Committee, the
42 business shall also submit a copy of its State and federal tax returns. Payroll and tax
43 information, including social security numbers of individual employees and State and federal
44 tax returns, submitted under this subsection is tax information subject to G.S. 105-259.
45 Aggregated payroll or withholding tax information submitted or derived under this subsection
46 is not tax information subject to G.S. 105-259. When making a submission under this section,
47 the business must pay the Committee a fee of ~~the greater of two thousand five hundred dollars~~
48 ~~(\$2,500) or three one-hundredths of one percent (.03%) of an amount equal to the grant less the~~
49 ~~maximum amount to be transferred pursuant to G.S. 143B-437.61. The fee is due at the time~~
50 ~~the submission is made. The Secretary of Commerce, the Secretary of Revenue, and the~~
51 ~~Director of the Office of State Budget and Management shall determine the allocation of the~~

1 fee imposed by this section among their agencies. The proceeds of the fee are receipts of the
2 agency to which they are credited."

3 **SECTION 1.4.(b)** This section becomes effective July 1, 2017, and applies to
4 annual payroll reports submitted on or after that date.

5 **SECTION 1.5.** G.S. 143B-437.62 reads as rewritten:

6 "**§ 143B-437.62. Expiration.**

7 The authority of the Committee to award new grants expires January 1, ~~2019~~2025."

8 **SECTION 1.6.(a)** G.S. 143B-437.01(a) reads as rewritten:

9 "(a) Creation and Purpose of Fund. – There is created in the Department of Commerce a
10 special account to be known as the Industrial Development Fund Utility Account ("Utility
11 Account") to provide funds to assist the local government units of the most economically
12 distressed counties in the State in retaining or creating jobs~~jobs~~, including expanding the
13 existing job base. The Department of Commerce shall adopt rules providing for the
14 administration of the program. Those rules shall include the following provisions, which shall
15 apply to each grant from the account:

16 (1) The funds shall be used for construction of or improvements to new or
17 existing water, sewer, gas, telecommunications, high-speed broadband,
18 electrical utility distribution lines or equipment, or transportation
19 infrastructure for existing or new or proposed buildings. To be eligible for
20 funding, the water, gas, telecommunications, high-speed broadband,
21 electrical utility lines or facilities, or transportation infrastructure shall be
22 located on the site of the building or, if not located on the site, shall be
23 directly related to the operation of the job creation activity. To be eligible for
24 funding, the sewer infrastructure shall be located on the site of the building
25 or, if not located on the site, shall be directly related to the operation of the
26 job creation activity, even if the sewer infrastructure is located in a county
27 other than the county in which the building is located.

28 ...

29 (2) The funds shall be used by the city and county governments for projects that
30 are reasonably anticipated to result in the creation of new jobs, including
31 expanding the existing job base or retention of existing jobs. There shall be
32 no maximum funding amount per new job to be created or per project.

33"

34 **SECTION 1.6.(b)** This section is effective when it becomes law and applies to
35 grants awarded on or after that date.

36 **PART II. DEVELOPMENT TIER MODIFICATIONS**

37 **SECTION 2.(a)** G.S. 143B-437.08 reads as rewritten:

38 "**§ 143B-437.08. Development tier designation.**

39 ...

40 (b) Development Factor. – Each year, on or before November 30, the Secretary of
41 Commerce shall assign to each county in the State a development factor that is the sum of the
42 following:

43 (1) The county's rank in a ranking of counties by ~~average rate of unemployment~~
44 ~~from lowest to highest~~, ratio of employment to population for the civilian
45 population aged 25 to 64, from highest to lowest, for the most recent ~~42~~
46 ~~months~~ 5-year period for which data are available.

47 (2) The county's rank in a ranking of counties by ~~median household income~~
48 average annual wage from highest to lowest, for the most recent 12 months
49 for which data are available.
50

1 ~~(3) The county's rank in a ranking of counties by percentage growth in~~
2 ~~population from highest to lowest, for the most recent 36 months for which~~
3 ~~data are available.~~

4 (4) The county's rank in a ranking of counties by adjusted assessed property
5 value per capita as published by the Department of Public Instruction, from
6 highest to lowest, for the most recent taxable year.

7 (c) Annual Ranking. – After computing the development factor as provided in this
8 ~~section and making the adjustments required in this section~~, the Secretary of Commerce shall
9 rank all the counties within the State according to their development factor from highest to
10 lowest. The Secretary shall then identify all the areas of the State by development tier and
11 publish this information. A development tier designation is effective only for the calendar year
12 following the designation.

13 (c1) High-Growth Area. – The Secretary of Commerce shall determine the statewide
14 value for the economic indicators listed in subdivisions (1), (2), and (4) of subsection (b) of this
15 section. The Secretary shall separately designate any county with performance greater than all
16 of these statewide indicators as a "high-growth area." A high-growth area designation is
17 effective only for the calendar year following the designation.

18 (d) ~~Data.~~ – ~~In measuring rates of unemployment and median household income,~~
19 ~~employment-population ratio and average annual wage,~~ the Secretary shall use the latest
20 available data published by a State or federal agency generally recognized as having expertise
21 concerning the data. ~~In measuring population and population growth, the Secretary shall use the~~
22 ~~most recent estimates of population certified by the State Budget Officer. For the purposes of~~
23 ~~this section, population statistics do not include people incarcerated in federal or State prisons.~~

24 ~~(e) Adjustment for Certain Small Counties.~~ – ~~Regardless of the actual development~~
25 ~~factor, any county that has a population of less than 12,000 shall automatically be ranked one of~~
26 ~~the 40 highest counties, any county that has a population of less than 50,000 shall automatically~~
27 ~~be ranked one of the 80 highest counties, and any county that has a population of less than~~
28 ~~50,000 and more than nineteen percent (19%) of its population below the federal poverty level~~
29 ~~according to the most recent federal decennial census shall automatically be ranked one of the~~
30 ~~40 highest counties.~~

31 ~~(f) Adjustment for Development Tier One Areas.~~ – ~~Regardless of the actual~~
32 ~~development factor, a county designated as a development tier one area shall automatically be~~
33 ~~ranked one of the 40 highest counties until it has been a development tier one area for at least~~
34 ~~two consecutive years.~~

35 (g) Exception for Two-County Industrial Park. – An eligible two-county industrial park
36 has the lower development tier designation of the designations of the two counties in which it is
37 located if it meets all of the following conditions:

38 (1) It is located in two contiguous counties, one of which has a lower
39 development tier designation than the other.

40 (2) At least one-third of the park is located in the county with the lower tier
41 designation.

42 (3) It is owned by the two counties or a joint agency of the counties, is under
43 contractual control of designated agencies working on behalf of both
44 counties, or is subject to a development agreement between both counties
45 and third-party owners.

46 (4) The county with the lower tier designation contributed at least the lesser of
47 one-half of the cost of developing the park or a proportion of the cost of
48 developing the park equal to the proportion of land in the park located in the
49 county with the lower tier designation.

50 (5) Expired, effective July 1, 2012, pursuant to Session Laws 2009-524, s. 2.

1 (h) Exception for Certain Multijurisdictional Industrial Parks. – An eligible industrial
2 park created by interlocal agreement under G.S. 158-7.4, and parcels of land located within the
3 industrial park that are subsequently transferred and used for industrial or commercial purposes
4 authorized for cities and counties under G.S. 158-7.1, have the lowest development tier
5 designation of the designations of the counties in which they are located if all of the following
6 conditions are satisfied:

- 7 (1) The industrial park is located, at one or more sites, in three or more
8 contiguous counties.
- 9 (2) At least one of the counties in which the industrial park is located is a
10 development tier one area.
- 11 (3) The industrial park is owned by three or more units of local government or a
12 nonprofit corporation owned or controlled by three or more units of local
13 government.
- 14 (4) In each county in which the industrial park is located, the park has at least
15 250 developable acres. A transfer of acreage that reduces the number of
16 developable acres below 250 developable acres in a county does not affect
17 an industrial park's eligibility under this subsection if the transfer is to an
18 owner who uses or develops the acreage for industrial or commercial
19 purposes authorized for cities and counties under G.S. 158-7.1. For the
20 purposes of this subdivision, "developable acres" includes acreage that is
21 owned directly by the industrial park or its owners or that is the subject of a
22 development agreement between the industrial park or its owners and a
23 third-party owner.
- 24 (5) The total population of all of the counties in which the industrial park is
25 located is less than 200,000.
- 26 (6) In each county in which the industrial park is located, at least sixteen and
27 eight-tenths percent (16.8%) of the population was Medicaid eligible for the
28 2003-2004 fiscal year based on 2003 population estimates.

29 ~~(i) Expired, effective July 1, 2013, pursuant to Session Laws 2009-505, s. 2, as
30 amended by Session Laws 2012-36, s. 1.~~

31 ~~(j) Exception for Eco Industrial Park. – An Eco Industrial Park has a development tier
32 one designation. An Eco Industrial Park is an industrial park that the Secretary of Commerce
33 has certified meets the following requirements:~~

- 34 ~~(1) It has at least 100 developable acres.~~
- 35 ~~(2) It is located in a county that is not required under G.S. 143-215.107A to
36 perform motor vehicle emissions inspections.~~
- 37 ~~(3) Each building located in the industrial park is constructed in accordance with
38 energy efficiency and water use standards established in G.S. 143-135.37
39 for construction of a major facility.~~
- 40 ~~(4) Each business located in the park is in a clean industry sector according to
41 the Toxic Release Inventory by the United States Environmental Protection
42 Agency.~~

43 (k) Report. – By November 30 of each year, the Secretary of Commerce shall submit a
44 written report to the Joint Legislative Commission on Governmental Operations, the Senate
45 Appropriations Committee on Natural and Economic Resources, the House of Representatives
46 Appropriations Subcommittee on Natural and Economic Resources, and the Fiscal Research
47 Division of the General Assembly on the tier rankings required by subsection (c) of this
48 section, including a map of the State whereupon the tier ranking of each county is designated."

49 **SECTION 2.(b)** G.S. 143B-437.01(a1) reads as rewritten:

50 "(a1) Definitions. – The following definitions apply in this section:

51 ...

- 1 (4) Economically distressed county. – A county that is defined as a development
2 tier one or two area under ~~G.S. 143B-437.08 after the adjustments of that~~
3 ~~section are applied.~~ G.S. 143B-437.08.

4"

5 **SECTION 2.(c)** G.S. 143B-472.127 reads as rewritten:

6 **"§ 143B-472.127. Programs administered.**

7 (a) The Rural Economic Development Division shall be responsible for administering
8 the program whereby economic development grants or loans are awarded by the Rural
9 Infrastructure Authority as provided in G.S. 143B-472.128 to local government units. The
10 Rural Infrastructure Authority shall, in awarding economic development grants or loans under
11 the provisions of this subsection, give priority to local government units of the counties that
12 have one of the 80 highest rankings under ~~G.S. 143B-437.08 after the adjustment of that~~
13 ~~section.~~ G.S. 143B-437.08. The funds available for grants or loans under this program may be
14 used as follows:

- 15 (1) To construct critical water and wastewater facilities or to provide other
16 infrastructure needs, including, but not limited to, natural gas, broadband,
17 and rail to sites where these facilities will generate private job-creating
18 investment. The grants under this subdivision shall not be subject to the
19 provisions of G.S. 143-355.4.
- 20 (2) ~~To provide matching grants or loans to local government units located in~~
21 ~~either (i) a development tier one or tier two area or (ii) a rural census tract in~~
22 ~~a development tier three area that will productively reuse or demolish~~
23 ~~buildings and properties or construct or expand rural health care facilities,~~
24 ~~with priority given to towns or communities with populations of less than~~
25 ~~5,000. The development tier designation of a county shall be determined as~~
26 ~~provided in G.S. 143B-437.08. For purposes of this section, the term "rural~~
27 ~~census tract" means a census tract having a population density of less than~~
28 ~~500 people per square mile according to the most recent decennial federal~~
29 ~~census.~~
- 30 (3) Recipients of grant funds under this Part shall contribute a cash match for
31 the grant that is equivalent to at least five percent (5%) of the grant amount.
32 The cash match shall come from local resources and may not be derived
33 from other State or federal grant funds.
- 34 (4) In awarding grants under this Part, preference shall be given to a project
35 involving a resident company. For purposes of this Part, the term "resident
36 company" means a company that has paid unemployment taxes or income
37 taxes in this State and whose principal place of business is located in this
38 State. An application for a project that serves an economically distressed
39 area shall have priority over a project that does not. A grant to assist with
40 water infrastructure needs is not subject to the provisions of G.S. 143-355.4.
- 41 (5) Under no circumstances shall a grant for a project be awarded in excess of
42 twelve thousand five hundred dollars (\$12,500) per projected job created or
43 saved.
- 44 (6) Local government units that receive grants or loans under this section shall
45 be located in either (i) a development tier one or tier two area or (ii) a rural
46 census tract in a development tier three area that is not a high-growth area.
47 For purposes of this section, the term "rural census tract" means a census
48 tract having a population density of less than 500 people per square mile
49 according to the most recent decennial federal census.

50"

51 **SECTION 2.(d)** G.S. 143B-472.128 reads as rewritten:

1 **"§ 143B-472.128. Rural Infrastructure Authority created; powers.**

2 ...
3 (j) Powers and Duties. – The Authority has the following powers and duties:

- 4 ...
5 (2) To award grants or loans as provided in G.S. 143B-472.127. In awarding
6 grants or loans under G.S. 143B-472.127(a), priority shall be given to local
7 government units of the counties that have one of the 80 highest rankings
8 under ~~G.S. 143B-437.08~~ after the adjustment of that
9 ~~section~~. G.S. 143B-437.08.

10"

11 **SECTION 2.(e)** This section becomes effective January 1, 2018, and applies to
12 economic development awards made and related determinations occurring on or after that date.

13
14 **PART III. IMPROVE PROJECT IMPACT**

15 **SECTION 3.(a)** G.S. 143B-437.07 reads as rewritten:

16 **"§ 143B-437.07. Economic development grant reporting.**

17 (a) Report. – The Department of Commerce ~~must~~ shall publish on or before October 1
18 of each year the information required by this subsection, itemized by business entity, for each
19 business or joint private venture to which the State has, in whole or in part, granted one or more
20 economic development incentives during the relevant time period. The relevant time period
21 ends June 30 preceding the publication date of this subsection and begins (i) for incentives not
22 awarded under Part 2G of this Article with the 2007 calendar year and (ii) for incentives
23 awarded under Part 2G of this Article with the 2002 calendar year. The information in the
24 report ~~must~~ shall include all of the following:

- 25 ...
26 (3) The name, mailing address, telephone number, and Web site of the business
27 recipient, or recipients if a joint venture, and the physical location of the site
28 receiving the incentive. If the physical location of the site is undecided, then
29 the name of the county in which the site will be located. The information
30 regarding the physical location ~~must~~ shall indicate whether the physical
31 location is a new or expanded facility.

32 ...
33 (b) Online Posting/Written Submission. – The Department of Commerce ~~must~~ shall
34 post on its Internet Web site a summary of the report compiled in subsection (a) of this section.
35 The summary report ~~must~~ shall include the information required by subdivisions (2), (9), (11),
36 and (12) of subsection (a) of this section. By October 1 of each year, the Department of
37 Commerce ~~must~~ shall submit the written report required by subsection (a) of this section to the
38 Joint Legislative Commission on Governmental Operations, the Revenue Laws Study
39 Committee, the Senate Appropriations Committee on Natural and Economic Resources, the
40 House of Representatives Appropriations Subcommittee on Natural and Economic Resources,
41 and the Fiscal Research Division of the General Assembly.

42 (c) Economic Development Incentive. – An economic development incentive includes
43 any grant from the following programs: Job Development Investment Grant Program; the Job
44 Maintenance and Capital Development Fund; One North Carolina Fund; and the Utility
45 Account. The State also incents economic development through the use of tax expenditures in
46 the form of tax credits and refunds. The Department of Revenue ~~must~~ shall report annually on
47 these statutory economic development incentives, as required under G.S. 105-256.

48 (d) County Performance Reports and Assistance. – The Department of Commerce,
49 using the economic indicators required by G.S. 143B-437.08, shall create an annual report on
50 the performance of each county underperforming the statewide value in one or more economic
51 indicators, shall provide the applicable portion of the report to each county, and shall offer

1 assistance to each county, upon request, regarding improving performance relative to the
2 statewide values identified. The Department shall publish and submit an annual progress report
3 to the Joint Legislative Economic Development and Global Engagement Oversight Committee
4 on providing, at a minimum, a (i) comparison of the performance of each county to the
5 statewide performance in each economic indicator where the county underperformed the
6 statewide value for the year and (ii) comparison of that performance to the county's
7 performance in the previous year. The Department shall submit a copy of the progress report on
8 or before April 1 of each year."

10 **PART IV. RURAL ASSISTANCE**

11 **SECTION 4.** The Department of Commerce shall study methods to support
12 data-driven analysis and assistance for each Collaboration for Prosperity Zone and each labor
13 market area within a Prosperity Zone, including publication of available facilities for
14 commercial development and potential uses of the facilities. The Department of Commerce
15 shall report to the Joint Legislative Economic Development and Global Engagement Oversight
16 Committee by January 1, 2018.

18 **PART V. USE OF ECONOMIC DEVELOPMENT TIERS AND RANKINGS**

19 **SECTION 5.(a)** All entities, including, but not limited to, the entities listed in this
20 section, shall, no later than January 1, 2018, elect whether to continue or discontinue the use of
21 the development tier designations determined pursuant to G.S. 143B-437.08 for all purposes
22 and programs, including taxes, the North Carolina Development Farmland Preservation Trust
23 Fund, the Spay and Neuter Program, the Abandoned Manufactured Home Cleanup Grants
24 Program, the State Wastewater Reserve, the State Drinking Water Reserve, the Public Safety
25 Assistance Points Grant Program, Oral Health Preventive Services, Medication Assistance,
26 Qualified Allocation Plan for Low-Income Housing Tax Credits, and the Strategic
27 Prioritization Funding Plan for Regional Impact Transportation Investment Projects. This
28 section applies to the following:

- 29 (1) The Department of Agriculture and Consumer Services.
- 30 (2) The Department of Environmental Quality.
- 31 (3) The Department of Information Technology.
- 32 (4) The Department of Health and Human Services.
- 33 (5) The North Carolina Housing Finance Agency.
- 34 (6) The Department of Transportation.
- 35 (7) The Department of Revenue.

36 **SECTION 5.(b)** Each entity electing to discontinue the use of the development tier
37 designations pursuant to subsection (a) of this section shall independently develop criteria
38 designed to achieve each program's objectives to be used in place of development tier
39 designations and shall report by October 1, 2017, on the developed criteria to the Fiscal
40 Research Division, the Joint Legislative Economic Development and Global Engagement
41 Oversight Committee, and to their respective joint oversight committees, including, but not
42 limited to, the following:

- 43 (1) The Departments of Agriculture and Consumer Services and Environmental
44 Quality to the Joint Legislative Oversight Committee on Agriculture and
45 Natural and Economic Resources.
- 46 (2) The Department of Information Technology to the Joint Legislative
47 Oversight Committee on Information Technology.
- 48 (3) The Department of Health and Human Services to the Joint Legislative
49 Oversight Committee on Health and Human Services.
- 50 (4) The North Carolina Housing Finance Agency to the Joint Legislative
51 Oversight Committee on General Government.

1 (5) The Department of Transportation to the Joint Legislative Transportation
2 Oversight Committee.

3 (6) The Department of Revenue to the Revenue Laws Study Committee.

4 **SECTION 5.(c)** An entity electing to discontinue use of the development tier
5 designations pursuant to subsection (a) of this section shall continue to update, as of January 1
6 of each calendar year, usage of the development tier designations to those published latest by
7 the Department of Commerce until the developed replacement criteria are enacted into law.

8 **SECTION 5.(d)** Each entity electing to continue the use of the development tier
9 designations pursuant to subsection (a) of this section shall report by October 1, 2017, on the
10 analysis that supports the continued use of the development tier designations, including an
11 analysis of how targeted programs match the use of the tier designations, to the Fiscal Research
12 Division, the Joint Legislative Economic Development and Global Engagement Oversight
13 Committee, and to their respective joint oversight committees.

14 **SECTION 5.(e)** The Joint Legislative Economic Development and Global
15 Engagement Oversight Committee shall study and make legislative recommendations in the
16 following matters to the 2018 Regular Session of the 2017 General Assembly:

17 (1) Study the purpose of the economic development tier system including the
18 appropriate factors to designate the level of economic development in
19 counties and multicounty areas.

20 (2) Study the use of the tier system for noneconomic development purposes
21 including the appropriate factors to identify counties for targeted programs.

22 (3) Propose legislation that renames and redefines the "Commerce Tiers" to
23 more accurately identify counties based on economic indicators and that
24 defines an alternative tier system for noneconomic development for targeted
25 programs.

26 (4) Propose legislation that renames the economically distressed counties to
27 more appropriately describe the classification.

28 (5) Study methods to promote regional economic development activities.

29 (6) Solicit and study any recommendations from the EDPNC Economic
30 Development Advisory Council.

31 (7) Study the NCWorks Apprenticeship program.

32
33 **PART VI. EFFECTIVE DATE**

34 **SECTION 6.** Except as otherwise provided, this act is effective when it becomes
35 law.