

**Summary Report to the Natural & Economic Resources Subcommittee  
of the Joint Legislative Commission on Governmental Operations  
Provided by the N.C. Department of Commerce  
Feb. 6, 2008**

Overview

The N.C. Department of Commerce is required to submit a number of reports to the General Assembly outlining information about performance-based incentive grants and other funds. Per request of the NER Subcommittee, we have prepared the following FY 2007-2008 summary of activities for the One North Carolina Fund, the Industrial Development Fund and the Utility/Utility Clean Water Funds.

***One North Carolina Fund, FY 2007-2008***

The One North Carolina Fund helps recruit and expand quality jobs in high value-added, knowledge-driven industries. It also provides financial assistance to those businesses or industries deemed vital to a healthy economy that are making significant efforts to expand in North Carolina. The fund currently consists of nonrecurring appropriations made by the N.C. General Assembly for companies seeking to undertake new expansion or locate new operations in the state. The fund is competitive and the location or expansion must be in competition with another location outside the state. Companies can receive money for installation or purchase of equipment; structural repairs, improvements, or renovations of existing buildings to be used for expansion; construction of or improvements to new or existing water, sewer, gas or electric utility distribution lines, or equipment for existing buildings. The company must agree to meet an average wage test, and local units of government (city or county) must agree to match financial assistance to the company. Since 2001, 247 One NC grants have been awarded.

Note: Grantees do not receive any up-front funds. Disbursements are paid out as the company meets its job-creation commitments. Payments are made to a local unit of government, which then provides the funds to the company.

For FY 2007-2008 (through January 2008):

- 28 grants were awarded, totaling \$3,111,000, representing 2,497 new jobs and \$322,565,400 in new investment.
- Grants went to 23 counties: 9 in Tier 1, 8 in Tier 2 and 6 in Tier 3.
- Disbursements were made to 14 grantees, totaling \$910,250.
- Grants made to 23 companies were deobligated, i.e., the grant award period expired before all funds had been disbursed. Of the \$4.5 million originally awarded, \$3.1 million in deobligated funds was returned to the One NC Fund.

***Industrial Development Fund, FY 2007-2008***

The Industrial Development Fund is designed to assist local governments in the state's 66 most distressed counties in conjunction with a project company that commits to create new jobs. Applicants must use the grants for improvements to publicly owned and maintained infrastructure. The improvements help the local governments accommodate new or expanding companies' needs. The grants may be used for construction or improvements to water, sewer, gas, rail and publicly owned electric utility systems. Funding is based on the availability of funds and the merits of the project. IDF grants for any one project may not exceed of \$500,000 or \$5,000 per job created, whichever is less. No local match requirement for the top 27 most distressed counties. All other units of local government must match one local dollar for every three IDF dollars.

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Federal or state grant funds may not be used to meet the local match requirement, with the exception of funds granted through the N.C. Rural Center. Initial funding for the IDF came from a state appropriation; this fiscal year, funding comes from a state appropriation and repayments of loans made through the program.

For FY 2007-2008 (through January 2008):

- 4 grants were made, totaling \$992,134.
- 2 were in Tier 1 counties and 2 were in Tier 2 counties.
- Company projects related to the grants represented new 204 jobs and \$16,200,000 in new investment.

### ***Utility and Clean Water Utility Grants***

These grant programs are also designed to encourage economic development in the state's 66 most distressed counties. The program, initially funded through a state appropriation, since FY 2004-2005 has been funded through a percentage of withholding-tax payments from companies that have been awarded Job Development Investment Grants. The JDIG program is a performance-based incentive program that provides annual grants to new and expanding businesses measured against a percentage of withholding taxes paid by new employees. In adopting JDIG, the General Assembly sought "to stimulate the economic activity and to create new jobs for the citizens of the State by encouraging and promoting the expansion of existing business and industry within the State and by recruiting and attracting new business and industry to the State."

There is no job-creation requirement, but applicants – units of local government – must demonstrate that projects can be expected to lead to job creation in eligible industries in the near future. Applicants must use the grants for improvements to publicly owned and maintained infrastructure. This includes construction or improvement to water, sewer, gas, and publicly owned electric utility systems. Funding is based on the availability of funds and the merits of the project. Utility grants for any one project may not exceed of \$500,000. There is no local match requirement for the top 27 most distressed counties. All other units of local government must match one local dollar for every three IDF dollars. Note: Federal or state grant funds may not be used to meet the local match requirement with the exception of funds granted through the N.C. Rural Center.

Funding for the Clean Water Utility grants comes from Clean Water bond money from the 1990s. This pool of funds has been fully disbursed or encumbered for specific projects.

From FY 2004-2005, when JDIG recipients began making their payments, through January 2008, the Utility Fund has received nearly \$3.8 million transferred from the JDIG program. During the same time period, grants totaling \$3.7 million have been awarded. For JDIG grants awarded to companies located or expanding in Tier 3 counties, by statute, the companies must contribute 25 percent of each grant payment to the Utility Fund; for Tier 2 counties, the amount is 15 percent of each grant payment.

For FY 2007-2008 (through January 2008):

- 8 Utility and Clean Water Utility grants were made.
- Of the 8 grants awarded, 7 grants totaling \$2.3 million went to Tier 1 counties.
- 1 Clean Water Utility grant totaling \$226,000 was awarded to a Tier 2 county.
- Although the Utility Fund has no job-creation requirement, its funds have contributed to the creation of 1,209 jobs and \$40 million in new investment in these counties.