

## **Summary**

### **NC Commerce, Economic Development Grant Report for 2009 Gov Ops Subcommittee-Natural & Economic Resources / Transportation**

**Secretary Keith Crisco  
March 15, 2010**

#### **Introduction**

Chairman and members of the Gov Ops Subcommittee on Natural & Economic Resources and Transportation It is a pleasure to present the NC Commerce Department 2009 Economic Development Grant Report. What follows is a summary of the more detailed report submitted March 1<sup>st</sup>. North Carolina competes globally for business and we thank the members of this committee and the General Assembly for the tools to continue in our job creation and retention effort.

#### **Job Development Investment Grant Program**

Since its inception in 2003 through 2009, JDIG has awarded \$750 million to 100 grantees to induce creation of over 40,000 jobs with average annual wages of \$55,000. Capital investment could reach \$6.8 billion. Over ¼ of these grants were awarded to companies locating in Tiers 1 and 2 counties.

Sixteen (16) awards in 2009 bring commitments of over 5,000 new jobs, with salaries ranging from \$36,000 to \$101,000. 6,000 existing jobs will be retained in the State. By statute, Commerce is allowed to make 25 awards.

JDIG is funded through roughly \$86 million in tax withholdings. \$30.6 million has been disbursed to companies and another \$9.8 million has been disbursed to the Utility Fund. More than 50% of the funds remains in general fund.

Twenty-three (23) companies reported job creation totaling 5,172 new jobs, 9,219 retained jobs for 2008. These numbers will to increase as the forty six outstanding compliance 2008 reviews are completed.

25% of all JDIG's in Tier 3 counties and 15% of all JDIG's in Tier 2 counties are transferred to the Utility Fund which provides basic infrastructure (Water / Sewer / Rail spurs and gas line extensions) to all Tier 1 and Tier 2 counties. The sum grated under this program in 2009 reached close to \$5 Million. This transfer of grants funds is an ongoing source of infrastructure funding for the Tier 1 and 2 counties.

#### **One North Carolina Fund**

From 2003 through 2009, One NC made 304 awards, totaling \$71 million for the creation of 40,000 jobs and capital investment of \$6.8 billion. Over ½ of these awards were made in Tiers 1 and 2 counties.

In 2009, \$8.5 million was committed to 40 grantees for job creation and retention of over 14,000 jobs and \$550 million in capital investment. Over ½ of the awards went to companies locating in Tiers 1 and 2 counties.

In 2009, \$6.336 million was disbursed to 25 companies reaching job creation and retention targets of over approximately 7,000 jobs.

Although the One NC program did not receive an appropriation last year, we were able use the fund balance, for which we are grateful, but the unencumbered balance in the One NC Program is presently around 2 million.

It is essential that One NC receive funding in the 2010 – 2011 fiscal year. More than two thirds of the grants awarded were in Tier 1 and 2 counties. This is a critical financial incentive that supports matching grants from these economically challenged counties.

### **Industrial Development Fund**

Sixteen (16) grants were made in 2009 to local governments in Tiers 1 and 2 for public infrastructure. In 2009, IDF awarded \$4,640,760, which is leveraged by the grantees' \$733 million private capital investment. Job creation will reach over 1,000 jobs. Funding for IDF is provided through JDIG awards located in Tiers 2 and 3 counties.

### **Site Infrastructure Development Program**

To be eligible for SIDF assistance, a business must invest at least \$100,000,000 of private funds in site development for a project that will provide jobs for at least 100 new employees. Merck & Co, Inc. received \$24,000,000 for a plant in Durham County involved in the development of a vaccine manufacturing. Merck's performance targets include creation of 200 jobs at an annual average wage of \$57,000, and investment of \$166,000,000 in construction and \$90,000,000 in machinery and equipment. For the 2008 calendar year, Merck retained 506 jobs, created 147 new jobs at an average wage of \$79,667, and invested \$423,354,150.

### **Job Maintenance and Capital Development Fund**

The Job Maintenance and Capital Development Fund (the "JMAC") Program provides sustained annual grants to businesses with at least 2,000 employees, which are located in Development Tier 1 counties, and which invest at least \$200 million in capital improvements within 6 years of initial expenditure.

Two grants were awarded to Goodyear Tire & Rubber Company and Bridgestone Firestone North American Tire LLC. For fiscal year 2009-2010, the General Assembly appropriated \$5,000,000. It is expected that the companies will each qualify for \$2,500,000. The maximum lifetime liability for each of these grants is \$30,000,000; the total of \$60,000,000 allocated to these two grants is the maximum liability under the original statutory provisions.

In order for Goodyear to qualify for the maximum annual grant amount, it must maintain a minimum of 2,398 direct employees in permanent full-time positions and invest at least \$200,000,000 in machinery for any grant year in which Goodyear has retained between 2,000 and 2,398 full-time employees, Goodyear shall be eligible for a prorated payment.

In order for BF to qualify for the maximum annual grant amount, it must maintain a minimum of 2,083 direct employees and contract workers (1,866 of the workers being BF direct employees), and invest at least \$200,000,000 in high-technology equipment for tire manufacturing at its Wilson Facility. For any grant year in which BF has retained between 2,000 and 2,083 direct employees plus contract workers, BF shall be eligible for a prorated grant payment.

