

## **Comparison of S660 (v2) and the House Finance PCS for S660:**

### **Areas of consonance:**

1. Modification of JDIG agreement mandatory pre-requisites: changes requirement that the project be consistent with State and local economic development goals by adding that the anticipated effect the described project will have on the area's development factors (used to calculate tier ranking). See S660, p. 2, l. 47 to p. 3, l. 22; PCS, p. 2, ls. 13-27.
2. Elimination of county-level adjustment factors and adjustment factor for eco-industrial parks. See S660, p. 7, ls. 10-15, 37-47, p.8, l. 42 to p. 9, l. 12; PCS, p.4, l. 48, to p. 9, l. 30.<sup>1</sup>
3. Improvement of project impact through annual progress reports comparing each county's performance on development factors to the State's indexed value and the county's previous year performance. See S660, p. 11, ls. 29-34; PCS, p. 10, l. 36, to p. 11, l. 30.
4. Creation of an index and a sub-T3 class for counties outperforming the State in all measured benchmarks (attainment versus high-growth areas). See S660, p. 7, ls. 16-30; PCS, p. 8, l. 38, to p. 9, l. 2.
5. Retention of all development factors, as currently enacted statutorily, for tier ranking system (however, S660 eliminates non-county-based adjustment factors and the PCS retains them. See S660, p. 6, l. 41 to p. 7, l. 9; p. 7, l. 48 to p. 8, l. 41; PCS, p. 8, l. 38, to p. 9, l. 2.

### **Areas where the same problem is identified but different solutions are presented:**

1. JDIG award limitations re: geography:

a. S660: disallows more than 50% of annual commitment authority to go to T3 projects (of which, only 50% may go to attainment areas (or those areas outperforming the State with respect to each development factor)<sup>2</sup>. No change is made to the additional \$15M granted to the commitment cap in a year in which a HYP is awarded. See S660, p. 3, l. 23 to p. 4, l.3.

b. PCS: Eliminates T1 awards from being included in the annual commitment authority. See PCS, p. 2, l. 2, to p. 3, l. 33.

2. County improvement reports, plans, and assistance:

a. S660 requires Commerce to create a plan for improving performance of counties that underperform the State average in one or more indexed State benchmarks. See S660, p. 11, ls. 23-28.

b. H795 requires Commerce to report on counties underperforming the State average in one or more indexed State benchmarks, to provide the applicable part of the report to each county, and to provide assistance upon county request on improving performance. See PCS, p. 10, l. 36, to p. 11, l. 30.

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<sup>1</sup> Although the PCS eliminates the statutes mandating the use of the adjustment factors, it also calls for a study of those factors for purposes of retention if a department currently using the adjustment factors for department-specific programs identify why the use of such factors remains warranted. In such case, the department would make recommendations to its respective oversight committee which would need to ensure further legislative enactment for importation of those adjustment factors into their respective statutory provisions prior to the sunset for the adjustment factors called for in the draft. PCS, p. , l. 31, to p. 10, l. 34.

<sup>2</sup> HYPs are (and, presumably TPs would be) excluded from this limitation.

### 3. Rural assistance:

a. S660 requires annual updates of economic development plans for the State (with annual reporting of the same), with collating region-specific information re: the strategic plan and underutilized assets in each region (along with best potential industries for maximizing beneficial impact of the asset and additional infrastructure needs anticipated for identified industrial suitors). See S660, p. 9, l. 45 to p. 10, l. 7.

b. The PCS requires a study of "data-driven analysis and assistance" for prosperity zones and labor market areas, with publication of available facilities and potential uses, accompanied by annual reporting. See PCS, p. 11, ls. 31-38.

### 4. Utility Account expansion:

a. S660 expands permissible uses of Utility Account funds from projects that create jobs to projects that create jobs (including expansion of existing job base) or retain jobs. See S660, p. 6, ls. 8-35.

b. The PCS calls for a study of expanding the core uses of UA, including using the Account for projects that will retain jobs. The study also calls for an analysis of the 5 previous fiscal years on funding of and expenditures from the Account. PCS, p. 1, ls. 7-31.

### Topics addressed by one draft but excluded entirely from the other:

#### a. S660 topics excluded from PCS:

(1) Commerce request to disallow EDPNC (i) from performing site certification functions and activities and (ii) from contracting with other departments for functions of other departments. See S660, p. 1, ls. 8-28, p. 2, ls. 31-34.

(2) Increase reporting detail re: job performance directed towards anticipated jobs and economic development:

(a) EDP contract modifications requiring more detail in the report of jobs anticipated to result from EDPNC efforts. See S660, p. 1, l. 30 to p. 2, l. 7.

(b) Increased reporting by Commerce personnel in each prosperity zone re: jobs anticipated and project location resulting from Commerce personnel efforts and project leads that did not result in landed projects. See S660, p. 10, ls. 8-15.<sup>3</sup>

(3) JDIG and One NC restriction disallowing incentives for jobs for H-1B visa workers. See S660, p. 2, ls. 39-46; p. 5, ls. 1-35.

#### (4) Additional efforts to drive JDIG/One NC funding to lower-tier counties:

(a) Stratification of max award calculation from 80/75% (for T1 vs. T2/3, respectively) to 80% for T1, 70% for T2, 60% for T3 non-attainment counties, and 50% for T3 attainment counties. See S660, p. 4, ls. 5-32.

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<sup>3</sup> Section 15.10 of S.L. 2017-57 includes the addition several specific reporting requirements for community planners for the Prosperity Zones. Commerce has already submitted a report based upon the new requirements.

(b) Increase Utility Account diversion from T3 attainment county awards from 25% to 50% and from T3 non-attainment county awards from 25% to 30%. See S660, p. 4, ls. 33-48.<sup>4</sup>

(c) Increase local match for One NC grants for T3 attainment counties from 1:1 to no more than one State dollar for every four local dollars. See S660, p. 5, l. 36, to p. 6, l. 7.

(d) Modification of statutory policy statement for Commerce to specify that economic development dollars should emphasize maximizing the return on investment by proper selection of projects and locations that provide the greatest anticipated relief to counties with the greatest chronic economic distress. Also requires a report of how Commerce plans to change evaluation models so as to effectuate the announced change in policy. See S660, ls. 19-40.

(e) Limiting EDPNC salary bonuses to T1 and T2 work (unless it is a T3 HYP) and calling for overall structure to ensure T1 efforts have the greatest performance incentives. See S660, p. 2, ls 8-30.

b. PCS topics excluded from S660:

(1) Stratification of HYP requirements from creation of 1,750 jobs, irrespective of tier ranking, to 1,750 jobs for T3 high-growth-areas, 1,600 jobs for T3 non-high-growth areas, 1,200 jobs for T2 areas, and 800 jobs for T1 areas. See PCS, p. 1, l. 21, to p.2, l. 12.

(2) Stratification of JDIG application fee from flat \$10,000 to \$10k for HYPs and non-HYP in T3 areas, \$5k for T2-area projects, and \$1k for T1- area projects. See PCS, p. 3, l. 34, to p. 4, l. 8.

(3) New UA diversion for HYPs, irrespective of location of 5% of JDIG award. See PCS, p. 4, ls. 9-26.

(4) Modification of JDIG reporting fee from greater of \$2,500 or .03% of award to .05% of the award. See PCS, p. 4, ls. 27-47.

(5) EDGE study and legislative recommendations re: purpose of tier system, alternatives to the tier system, proposals for more accurate identification of level of economic development in the counties, proposals regarding rebranding of tiers with possible changes to economic indicators, proposals to promote regional economic development efforts, EDPNC recommendations regarding Economic Development Advisory Council, and study of workforce factors and customized training in the State, including apprenticeship programs. PCS, p. 11, l. 40, to p. 12, l. 14.

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<sup>4</sup> Does not apply to HYPs (and, presumably, would not apply to TPs).