An Evaluation of North Carolina's Economic Development Incentive Programs

Final Report

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The UNC Center for Competitive Economies (C^3E) is part of the Frank Hawkins Kenan Institute of Private Enterprise and UNC's Kenan-Flagler Business School of the University of North Carolina at Chapel Hill. The Center brings the considerable resources of the University to help communities in North Carolina, the United States and beyond address critical challenges of competitiveness and economic development. In that role, C^3E conducts economic policy studies for local, state and national governments across the spectrum of economic development issues.

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This plan reflects our best effort to provide an objective assessment of the state's economic development incentive programs. We acknowledge the involvement of all of these individuals, but retain the responsibility for errors of fact or interpretation that this report may contain.

Executive Summary

In March 2007, the President Pro Tempore of the North Carolina State Senate and the Speaker of the North Carolina House of Representatives established a Joint Select Committee on Economic Development Incentives to examine the state's economic incentive programs. In January 2008, the North Carolina General Assembly contracted with the University of North Carolina's Center for Competitive Economies (C^3E) to assist the Joint Select Committee on Economic Development Incentives in evaluating the performance North Carolina's economic development incentive programs.

C^3E undertook this 18-month research program with the goal of addressing a set of questions deemed key to the committee's efforts:

1. What is an economic incentive and which ones are most appropriate for the committee to assess?

2. How is the success of economic incentives to be judged and which outcomes are the highest economic development priorities for North Carolina?

3. What companies have received economic incentives, how much have they gotten, and how much more will be granted under current policies?

4. What have been the benefits from economic incentives and how do programs and types of recipients differ in their economic impact?

5. To what extent do North Carolina's economic incentives affect the state's economy?

6. How would the economic impact of reducing the state's corporate tax rate compare to that of current economic incentives?

This summary of findings discusses the importance of each critical research question under examination, reviews the research approaches utilized to examine these questions, and highlights key findings from the research. More detailed analysis and secondary research findings can be found in the complete report and appendices.

Executive Summary: Research Methodology

Study Period: 1996-2006

At the time of the committee's formation, North Carolina had recently completed its first decade of experience between 1996 and 2006 in the use of financial incentives in economic development. This span of time encompassed a dynamic period in the state's economic history. Much of the state's economic foundation in "traditional industries" – textiles, furniture, and agriculture – came under tremendous global competitive pressure, resulting in numerous plant closures and workforce reductions. Meanwhile, more technology-intensive industries such as pharmaceuticals, telecommunications, and computer hardware and software experienced both rapid growth and retrenchment in the "dot com" boom and bust of the late 1990s.

Data Sources

This economic dynamism, combined with the expanded use of incentives during the 1996 to 2006 study period, provided an abundance of both quantitative and qualitative information. Much of the required relevant information resided at the North Carolina Departments of Commerce and Revenue:

- The North Carolina Department of Commerce provided information on Job Development Investment Grant (JDIG) and One North Carolina Fund (One NC) incentive recipients.
- The General Assembly passed legislation authorizing the Department of Revenue to release tax filings for William S. Lee tax credit recipients to C^3E to complete the study. Electronic tax filings were available for companies receiving Lee tax credits from 1996 to 2006; and hard copies of tax returns, which included additional information on type of credit claimed, were released for 2002 to 2006 returns.
- The North Carolina Employment Security Commission provided quarterly employment history from 1990 to 2006 for incented firms based on information provided by the North Carolina Department of Revenue and Department of Commerce. In total, this database exceeds 250,000 observations used to track the pre- and post-employment performance of incented companies.

Executive Summary: Case Studies and Surveys

Quantitative employment and incentive data was then augmented by qualitative data from company case studies and surveys. Executives from 36 companies receiving Lee Act incentives participated in confidential interviews to discuss the impact of the Lee Act on their companies' business expansion and location decisions. Sixteen detailed case studies were conducted on JDIG/One NC companies, including documentation of local and state incentives received. Another four case studies (two in South Carolina and two in Virginia) were performed to examine companies North Carolina had unsuccessfully competed to attract into the state.

Additionally, a survey was utilized to determine the perspective of incented and non-incented companies on the importance of economic development incentives to their business expansion and location decisions and on the state's business climate.

Research Analysis

The majority of the research was completed between February and December 2008, although additional analysis will be performed to assist the legislature in its deliberations. C^3E researchers provided research results to the committee and its staff frequently in the course of the committee's meetings throughout 2008. Those findings addressed the initial key questions and are summarized below:

1) What Is An Economic Incentive And Which Ones Are Most Appropriate For The Committee To Assess?

C^3E worked with the Joint Select Committee and the legislative staff to define the relevant population of economic development incentives to be addressed in the study. As anticipated, this apparently simple question was complicated by differing understandings as to the definition of incentives and the state's history of experience in their use.

North Carolina offers a wide range of economic development assistance that could be included in an expansive definition of economic incentives. Types of assistance range from highly specialized services, such university-based technology transfer programs, to broadly available small business training programs offered through the community college system. Historically, the state has also offered direct industrial development assistance such as industrial revenue bond financing, customized job training programs and industrial development.

Studied Incentives

However, in the early 1990s the state undertook a specific effort to develop a program of economic development incentives in response to its perceived weakening competitive position with economic development rival states. This program of statutory tax credits, which came to be known as the William S. Lee Act incentives program, was later expanded through the addition of the discretionary incentive programs of the Job Development Investment Grant (JDIG) and One North Carolina Fund.

The implementation of these incentive programs marked a significant strategic shift in North Carolina's economic development efforts. Accordingly, the committee chose to limit the analysis to these programs and the state's Research and Development tax credits. The study did not measure or examine the effectiveness of local economic development incentive packages, although some data were collected on the types and amounts of local incentives in the JDIG/One NC case studies and surveys of incented companies.

2) How Can The Success Of Economic Incentives Be Judged And Which Measures Are The Highest Priorities For North Carolina?

North Carolina was a late entrant in establishing an economic development incentive program, relative to many other southern states. The William S. Lee Act was created in 1996 and has undergone multiple revisions to expand eligibility, refine criteria, and modify thresholds since the original legislation. The One North Carolina Fund and Job Development Investment Grants are also economic development incentive tools utilized by the state for economic development purposes. As North Carolina's palette of economic incentives has expanded, often in response to unanticipated circumstances, the core goals of the economic incentives may have been perceived as muddled, inconsistent, or even contradictory. Therefore, to assess the performance of North Carolina's economic incentives, it was first necessary to freshly define the standards by which such performance was to be measured.

Performance Criteria

The justification for economic incentives in the public arena is typically and simplistically presented as "job creation". But there are a wide range of other legitimate desired outcomes to consider in judging performance. The relevance and priority of these outcomes is a function of public policy as articulated by the General Assembly. Working with the Joint Select Committee and supported by legislative staff, C^3E defined three parameters to utilize in measuring the effectiveness of the state's economic development incentive programs:

Quality Job Creation

- Job creation measures included the number of new jobs created and/or existing jobs maintained after receiving an incentive, the wage level of created jobs, whether or not the job was in a targeted industry sector/cluster, the location of the job, and whether incented companies were hiring existing residents for new jobs and creating upward employment opportunities.

Distressed Areas Benefit

- Benefit measures in distressed areas included examining the share of new job creation in distressed areas (classified as Tier One counties) and the wage levels associated with those jobs. Additional prospective measures included reemployment of displaced workers and replacement of declining industries.

North Carolina's Economic Competitiveness

- Economic competitiveness was examined through the lens of economic diversification and insulation from any negative effects of globalization. Focusing on the location of headquarters, entrepreneurship, and high-value industry clusters were also prospective measures. These key measures were examined

through a portfolio approach designed to determine which economic incentive programs were offering the best return on investment.

3) What Companies Have Received Economic Incentives, How Much Have They Gotten, And How Much More Will Be Granted Under Current Policies?

The examination of the statutory and discretionary incentive programs activity between 1996 and 2006 revealed that, in many ways, North Carolina's economic incentives were being used differently than how the public widely perceived them. The study found that the focus by the media – and therefore the public – on a few "high profile" examples (such as Dell, Google, Goodyear, etc.) tended to distort the public's understanding of both the participation in and the costs of the state's incentive programs.

Incentive Use Differs from Assumptions

Between 1996 and 2006, approximately 5,000 companies participated in one or more of the North Carolina economic incentive programs covered in this research. Analysis of this population found the following disparities between public and legislative expectations and actual participation:

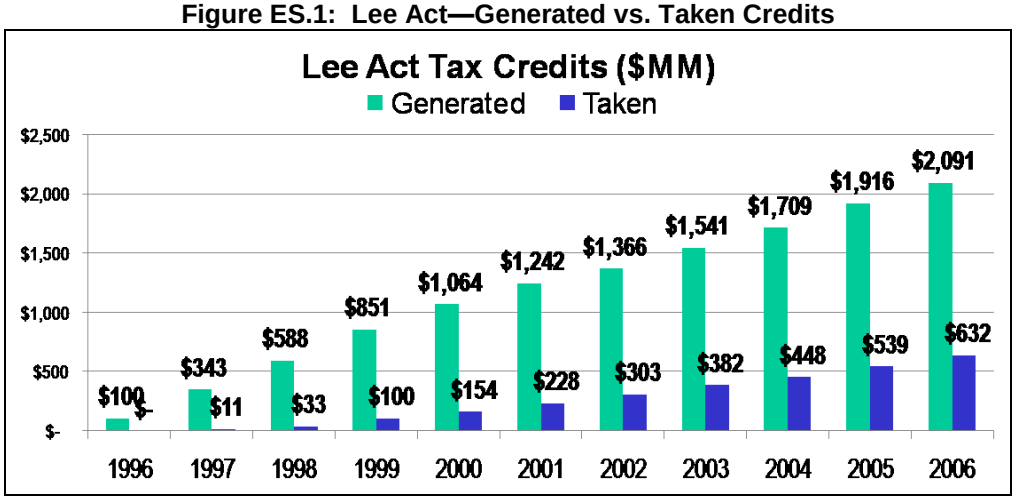
Costs are High but Typically Overstated

- By 2006 the total maximum amount of incentives "generated" or awarded by the state since 1996 exceeded $2 billion, but the eventual actual cost will be less.

- Media accounts typically cite maximum possible incentive amounts, whereas the eventual actual cost will be significantly less because most incentives are in the form of tax credits that historically are not fully utilized.

- The amount of tax credits used or "taken" in the period totaled $632 million (Figure ES.1); an estimated 35% of the $2.1 billion generated credits will never be used.

Figure ES.1: Lee Act—Generated vs. Taken Credits

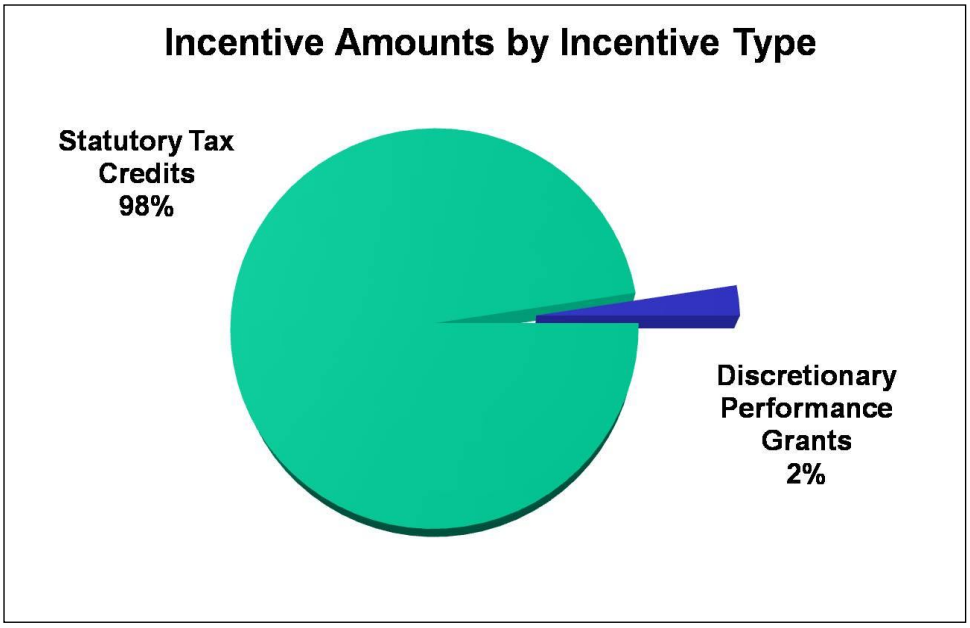


High-Profile Discretionary Incentives are Atypical

- Media studies found that discretionary incentive (JDIG, One NC) deals receive a disproportionate level of coverage compared to Lee Act tax credit recipients, thus creating a distorted perception of incentive use.

- Lee Act tax credits consume the majority of North Carolina's incentive "portfolio" allocation (Figure ES.2), representing 98% of the allocation, while discretionary incentives only comprise 2%.

Figure ES.2: Incentive Use by Type



Most Firms Get Small Incentives, Only a Few Get Large Amounts

- Media attention focused on the large incentive deals also distorts perceptions of the typical incentive amount received by a company.

- Between 2002 and 2006, 1,967 companies received $875 million in Lee Act tax credit incentives. But of these, 860 companies (44%) received less than $25,000 each, calling into question the effectiveness of such small amounts on business behavior.

- By contrast, for the same period just 46 companies (2%) received an average of more than $11 million each, for a total of $523 million or nearly 40% of the total tax credits generated.

4) What Have Been The Benefits From Economic Incentives And How Do Programs And Types Of Recipients Differ In Their Economic Impact?

The economic and job creation impact of economic incentives is an issue of much debate for policymakers. Most academic studies have demonstrated that economic development incentives, particularly statutory tax credits, yield limited effectiveness in job creation and usually succeed only under competitive scenarios where other factors are deemed equal among competing areas. Dr. Michael Luger, Dean of the Manchester Business School (UK) and former UNC professor, conducted several prior assessments of the William S. Lee Act and created a simulation model to examine the possible job creation impacts of the Lee Act. Dr. Luger's simulations found that the Lee Act had a modest impact on job creation in North Carolina.

Incentives Usage Inconsistent with Performance Criteria

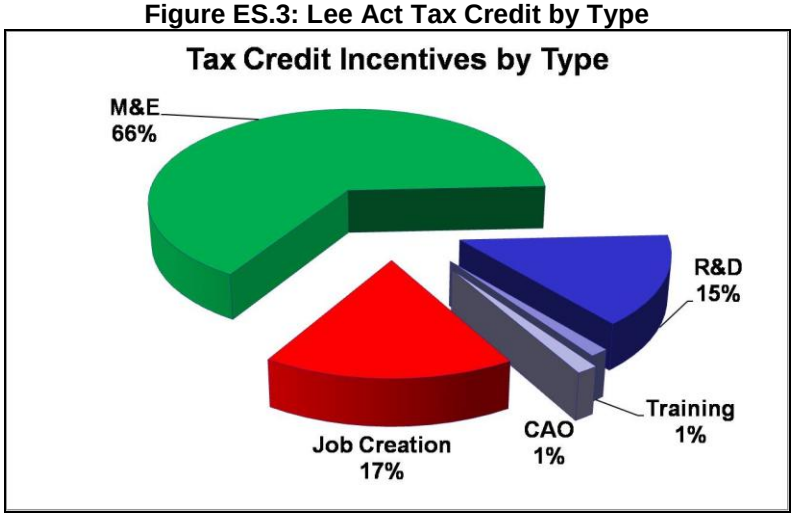
While there may be many objectives for the use of incentives in economic development, the criteria established by the Select Committee for evaluating the performance of North Carolina economic incentives specifically emphasized their contribution to job creation in the state's distressed counties. By those measures, the use of economic incentives between 1996 and 2006 failed to achieve those goals.

Most Incentives Went to Investments, Not Job Creation

- The popular perception is that job creation is the major focus on economic development incentives, yet only a small amount of Lee Act tax credits are directly attributed to job creation activities.

- Only 18% of Lee Act tax credits generated from 1996 to 2006 were used specifically for job creation or employee training, whereas two-thirds (66%) were used for machinery and equipment (M&E) investment (Figure ES.3).

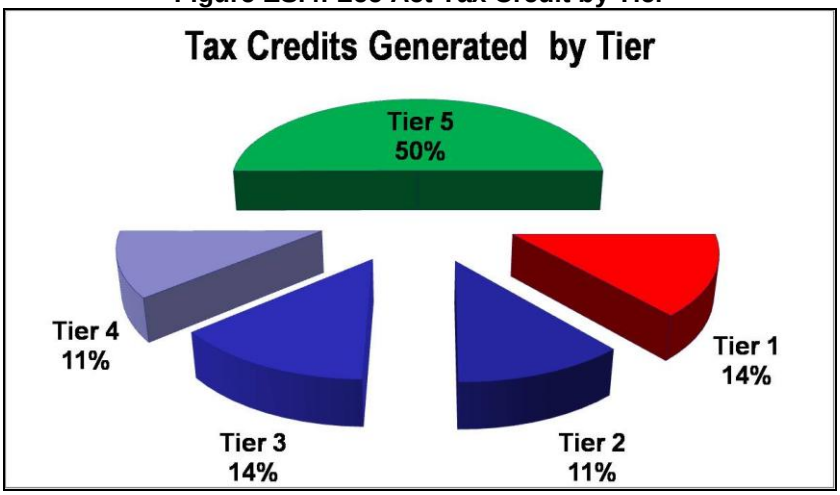
Figure ES.3: Lee Act Tax Credit by Type



Few Incentives Benefitted Distressed Areas

- While the Lee Act provided favorable incentives in the state's poorest counties (Tier 1), most tax credits went to the least distressed counties (Tier 5) (Figure ES.4).

Figure ES.4: Lee Act Tax Credit by Tier



- During the most recent period of 2002 to 2006, companies receiving Lee Act incentives generated $875 million in tax credits. Of that amount, half of the incentives went to companies in the least distressed counties (Tier 5) while only 14% went to companies in the most distressed counties (Tier 1) (Figure ES.4).

Job Creation by Incented Firms is Generally Lacking

This study was enhanced when the General Assembly legislatively empowered C^3E to obtain and analyze confidential data unavailable to previous analysts. C^3E obtained

quarterly employment history for all firms that receive a Lee Act tax credit and report employment levels to the NC Employment Security Commission. These data were analyzed to examine the pre- and post-tax-credit employment trends of incented companies. Data analysis required that C^3E hold counties' tier status constant across the analysis, using 2006 tier designations, and limit some of the analysis to companies with single locations and/or companies existing throughout the study period. Additionally, data on the type of credit claimed by companies under the Lee Act was only available from 2002 to 2006. These methodological procedures are not expected to significantly alter the findings or trends.

Single location companies in the study period were examined to determine the growth rate and levels of employment change of companies receiving one or more Lee Act tax credits from 1996 to 2006. Surprisingly, the examination revealed that only 57.46% of companies receiving a Lee Act tax credit had a positive growth rate (i.e., more employees) in 2006 than they did in 1996 (Figures ES.5 and ES.6). Over 41% of the companies had a declining growth rate, leading to fewer employees at these businesses in 2006 than in 1996. These trends were also analyzed for each tier (see subsequent sections of the full report for charts/tables).

Figure ES.5: Employment Growth Rate for Lee Act Companies

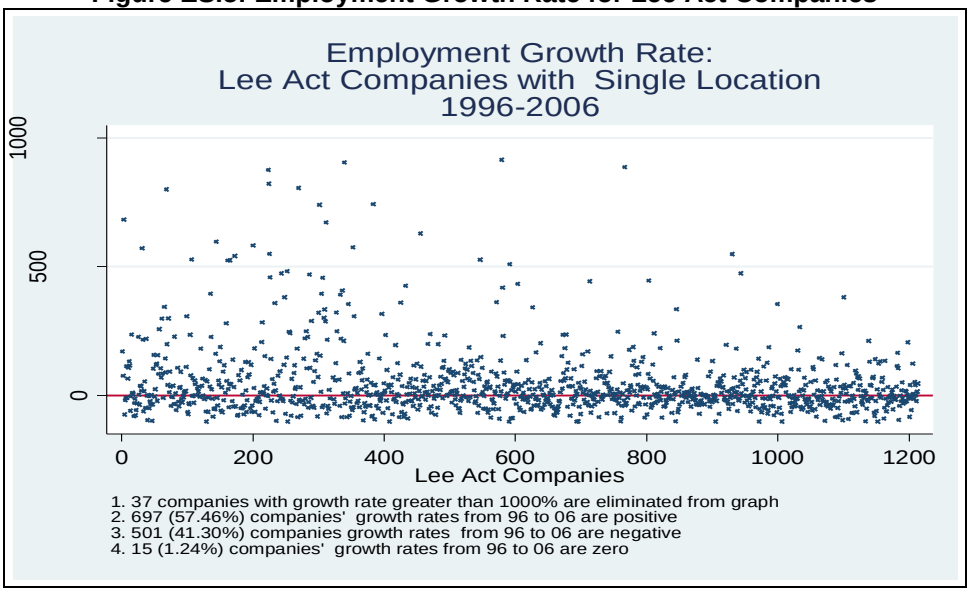
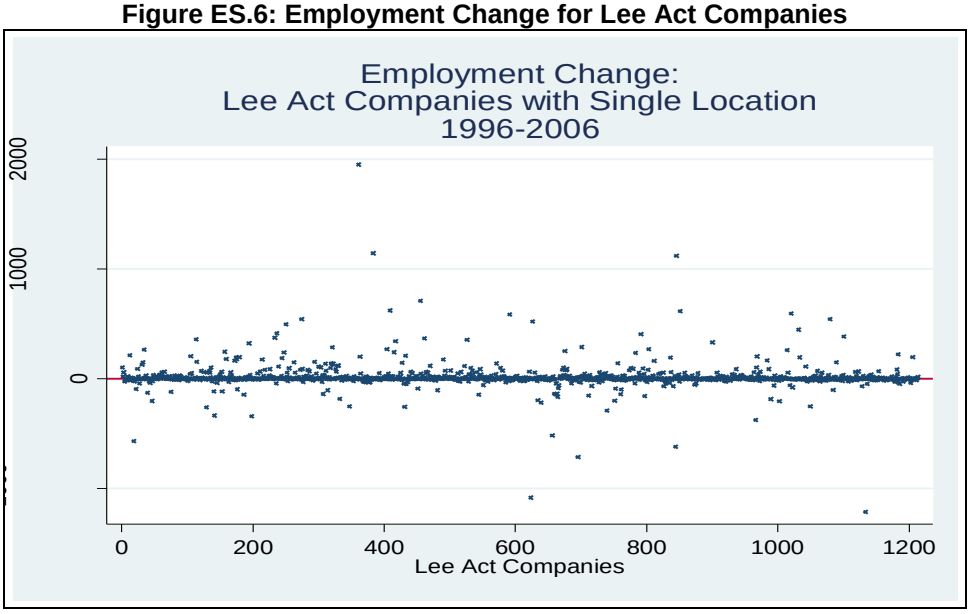


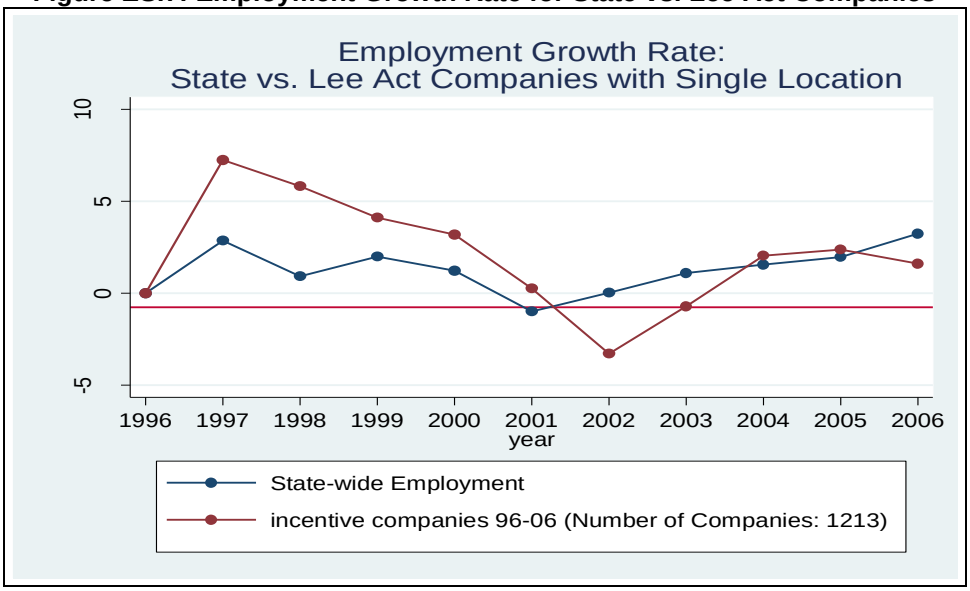
Figure ES.6: Employment Change for Lee Act Companies



Job Creation by Incented Firms Lagging State Economy in Recent Years

Next, the employment growth rates of incented firms existing from 1996 to 2006 and existing from 2002 to 2006 were examined against the overall employment growth for the state. Data on the growth rate comparison for each tier is available in the full report. Incented companies did demonstrate a slightly higher employment growth rate in the 1990s, yet the gap between incented companies and the state average closed over time and is nearly negligible now (Figure ES.7).

Figure ES.7: Employment Growth Rate for State vs. Lee Act Companies



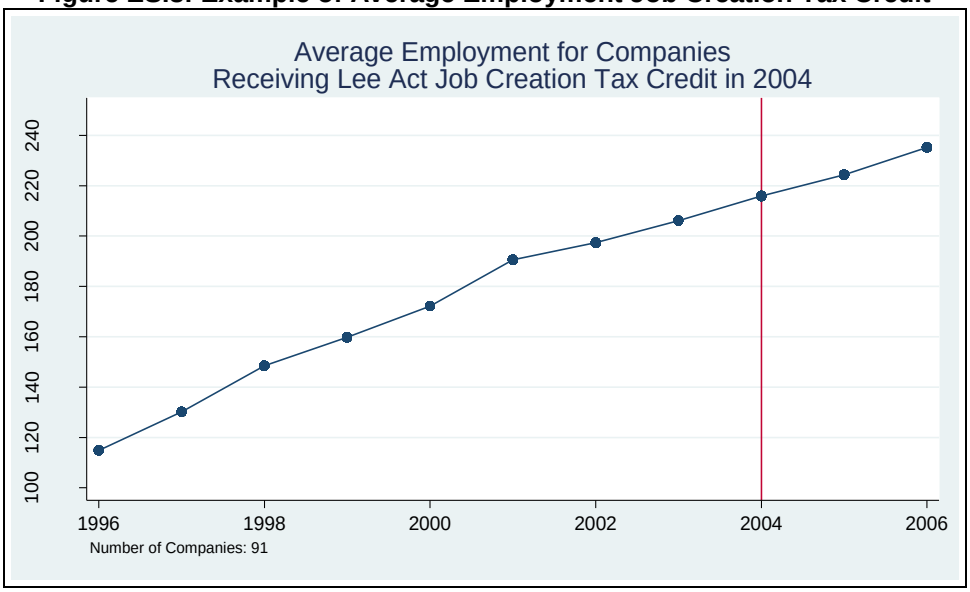
Pre- and Post-Tax-Credit Incentive Analysis Shows Lack of Job Creation

To fully assess the Lee Act's impact on employment levels, it was important to contrast the pre- and post-incentive employment levels of incented firms. An analysis was conducted to examine the difference in pre- and post-incentive employment by both tier and credit type.

As an illustration, data on companies receiving a Lee Act tax credit in 2004 are provided (Figure ES.8). Yearly performance data by credit and tier are available in the full report.

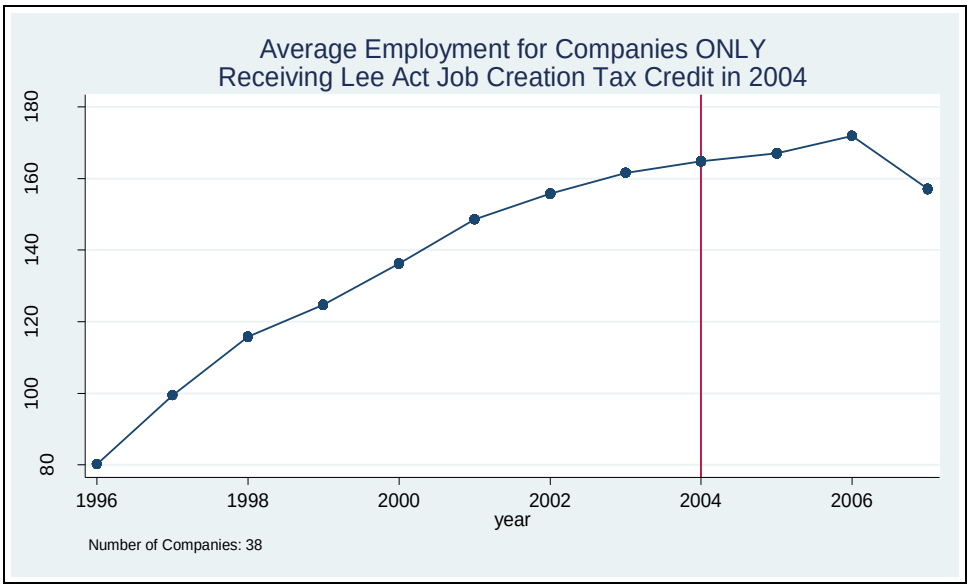
This graph illustrates the average employment for companies receiving a job creation tax credit in 2004 through the William S. Lee Act. Companies are not excluded if they also received another type of tax credit. On average, job creation after the tax credit is positive, yet the tax credit does not appear to cause an increase in the rate of job growth.

Figure ES.8: Example of Average Employment Job Creation Tax Credit



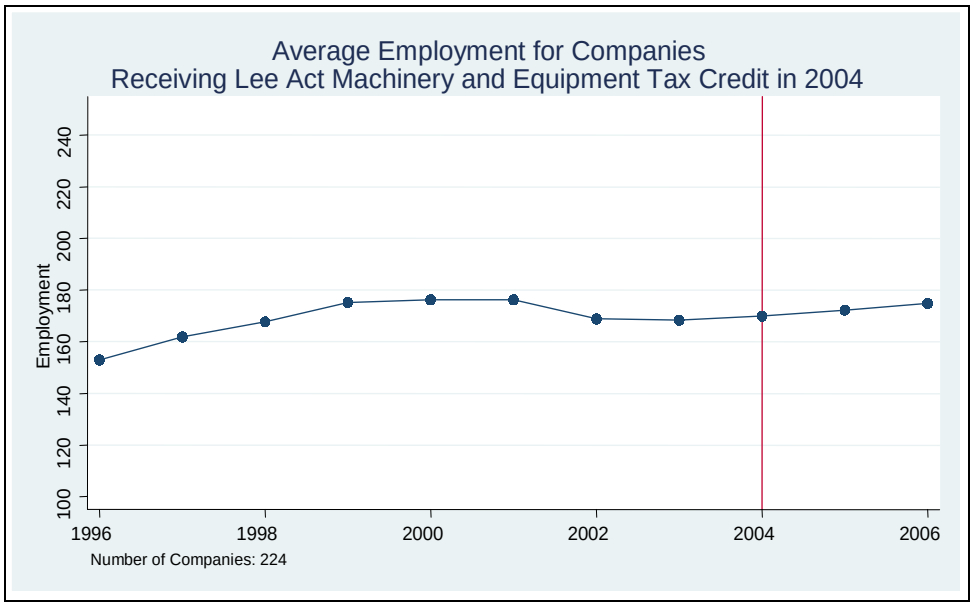
In an effort to isolate the impact of the job creation tax credit, firms only receiving a job creation tax credit and no other tax credits in 2004 were also examined (Figure ES.9). Again, the slope of average employment after the tax credit was generally positive, but the credit does not appear to influence the rate of job creation.

Figure ES.9: Example of Average Employment Job Creation Tax Credit ONLY



Similar analyses are presented for machinery and equipment and research and development tax credits for 2004. The first graph (Figure ES.10) demonstrates the average pre- and post-credit employment levels for businesses receiving a machinery and equipment tax credit in 2004, but does not exclude the company if it received other tax credits.

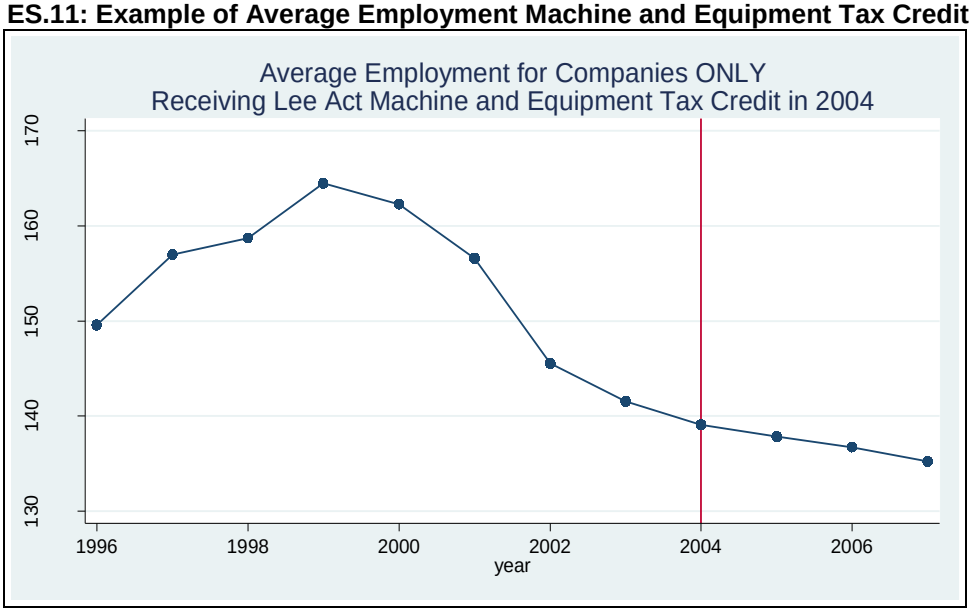
Figure ES.10: Example of Average Employment Machinery and Equipment Tax Credit



The second graph (Figure ES.11) focuses on companies only receiving a machinery and equipment tax credit in 2004. Taken in conjunction with other tax credits, the M&E credit does not appear to increase average employment levels at all. Companies only taking the M&E tax credit in 2004 demonstrate an employment loss in subsequent

years, which may illustrate that companies taking the M&E credit are more susceptible to economic downturns or that these companies are engaging in capitalization—the substitution of labor with capital (i.e., machinery and equipment).

Figure ES.11: Example of Average Employment Machine and Equipment Tax Credit ONLY



An examination of research and development tax credits for 2004 reveals positive employment growth for companies taking an R&D tax credit with other credits (Figure ES.12) and R&D tax credit only (Figure ES.13).

Figure ES.12: Example of Average Employment Research and Development Tax Credit

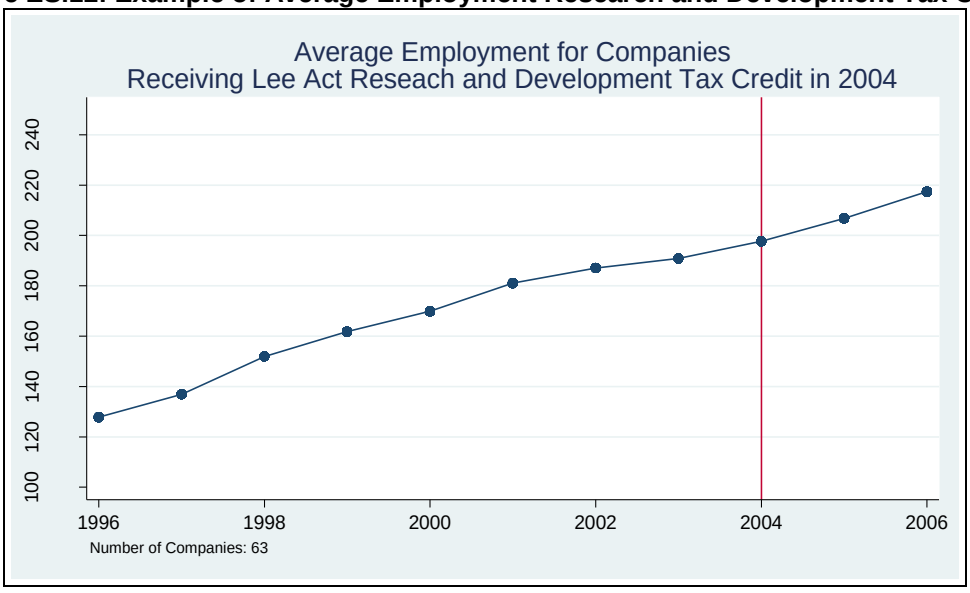
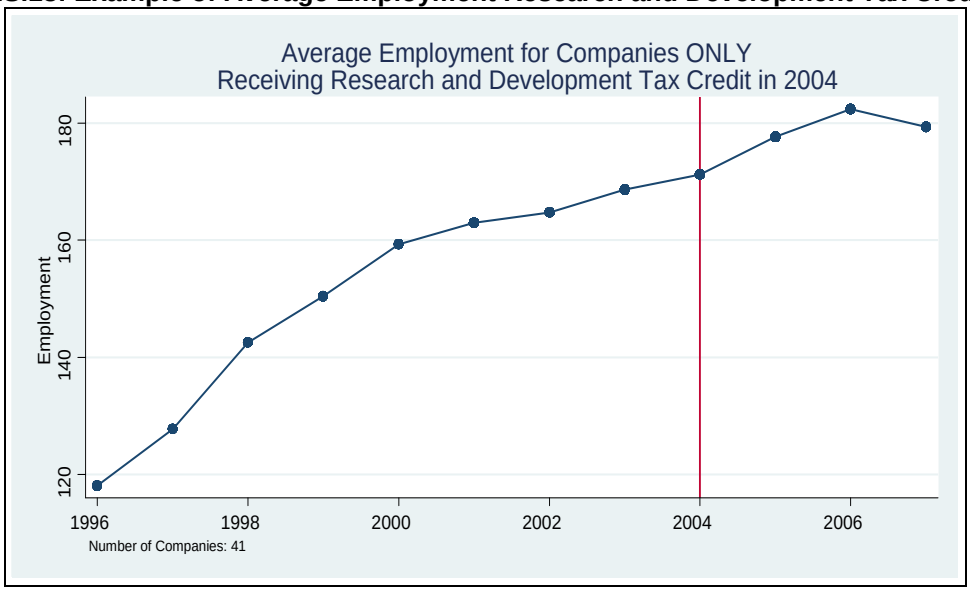


Figure ES.13: Example of Average Employment Research and Development Tax Credit ONLY



This illustrative snapshot of 2004 is indicative of the general findings on the performance of the William S. Lee Act. Statutory tax credits are having little to no effect on employment growth and a limited impact on company expansion/location decisions in North Carolina.

Discretionary Incentives Offer Advantages over Tax Credits

Unlike statutory tax credits, the state's discretionary programs are better directed toward the state's targeted industry clusters and are more likely to influence a company's location or expansion decision. In remarks to the Joint Select Committee on Economic Development Incentives, North Carolina Secretary of Commerce Jim Fain said that in the JDIG program, "81% of the jobs induced to date have been in our targeted sectors."

A panel of economic development scholars assembled by the C^3E for a Symposium on Economic Development Incentives also acknowledged that discretionary programs are more likely to allow for economic development targeting to key industry clusters, and these programs are more likely to assist in economic transformation of distressed regions. Like the statutory tax credits, the majority of discretionary economic development incentives are utilized in the state's less distressed counties.

Scholars also acknowledge that incented job creation in growing metropolitan areas must generate sufficiently large wages and investment levels to offset the fiscal costs incurred by local and state governments by the influx of new residents. Discretionary incentives leading to investment and job creation have a much larger economic impact when existing residents are employed, especially in distressed areas.

5) To What Extent Do North Carolina's Economic Incentives Affect the State's Economy?

North Carolina is a large state, ranking 10th in population (9,061,032). The state's workforce exceeds 4.6 million people and the gross state product (GSP) is $400 billion (9th largest), exceeding the GSPs of Georgia, Virginia, Michigan, and Massachusetts. If North Carolina were a country, it would have the 23rd largest national economy.

Economic Incentives Have Limited Potential

Currently, North Carolina has more than 500,000 businesses. The state is limited to providing direct assistance to only a few thousand companies per year through statutory tax credits, and to a few dozen firms annually through targeted discretionary incentives. To generate just a 1% gain in employment, the state would need to incent the creation of 90,000 new jobs.

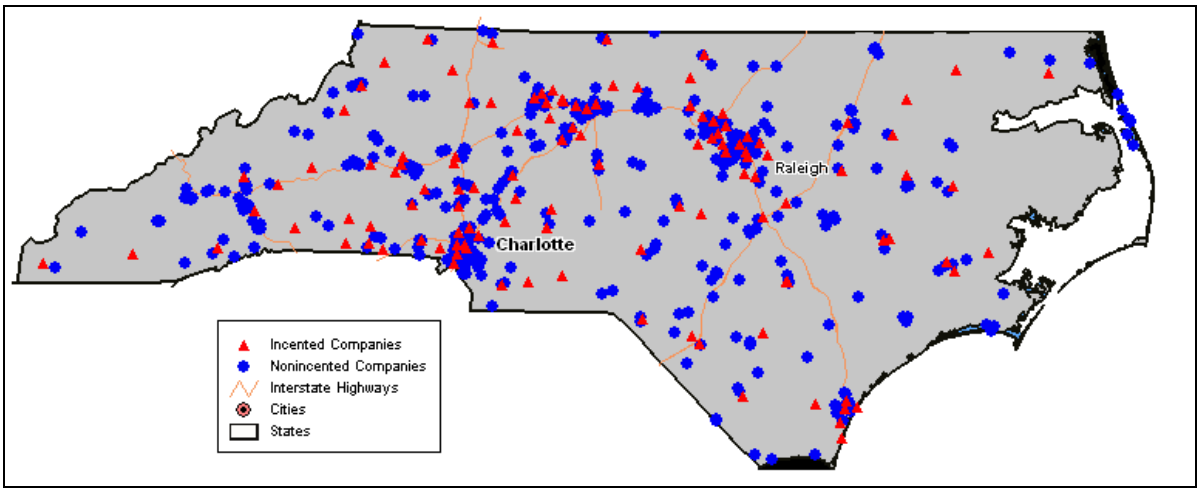
The large number of businesses claiming and generating small amounts of Lee Act tax credits suggests that the state's statutory tax credit programs are having a limited effect on the state's economy. The size of the state's economy makes it challenging for an incentive program to greatly stimulate statewide economic growth. However, discretionary programs provide an opportunity for a transformative effect on the state's most distressed regions by laying the groundwork for future growth and employment in areas struggling with economic adjustment and unemployment.

State Survey and Case Studies Indicate Incentives are Low Priority

Academic research suggests that economic development incentives play a limited role in influencing company location decisions and usually are effective only when other factors are equal among competing states. A survey of companies receiving the Lee Act tax credit indicated that incentives ranked low on the list of priorities for business executives. Similar surveys by national site selection magazines also demonstrate that incentives are generally less important than a skilled, well-educated workforce, adequate infrastructure, state tax rates, and regulatory climate.

C^3E surveyed North Carolina companies to determine their perception of the effectiveness and importance of economic development incentives. The survey included 150 Lee Act recipients and 465 non-incented companies (Figure ES.13).

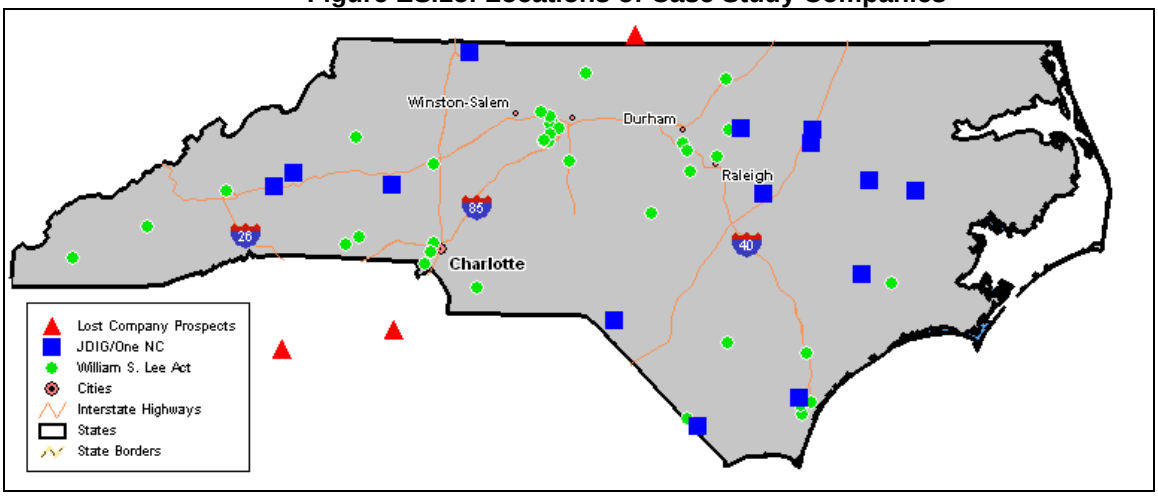
Figure ES.14: Lee Act Recipients and Non-Incented Companies



The survey revealed several interesting findings about the perception of incentives among North Carolina businesses. Incentives ranked well below other factors such as skilled labor availability, highway access, tax rates, and regulatory climate. Incented businesses ranked incentives 12th and non-incented ranked incentives 13th, respectively. Surprisingly, 62% of surveyed NC executives were unaware that their company received an incentive. This lack of awareness by a majority of executives indicates that incentives in the form of tax credits have little impact on business decisions.

Case studies were also conducted with 36 companies receiving a Lee Act tax credit, 16 companies receiving a JDIG or One NC grant, and four companies that North Carolina tried to recruit but lost to other states (Virginia and South Carolina). The map (Figure ES. 14) below identifies the general location of case study companies.

Figure ES.15: Locations of Case Study Companies



Brief highlights of case study findings are provided here. In general, interviews with executives whose company received a Lee Act credit revealed that the credit had little impact on the company's decision to engage in economic growth or expansion. Most

executives viewed the credit as an “after the fact” accounting function. Many executives interviewed were unaware that their company even received an incentive.

JDIG and One NC case studies tracked the investment levels of incented companies using publicly available data and interviews with relevant officials. These case studies documented the amount of local investment utilized to incent the company’s expansion or location choice. In most instances, the case studies revealed that consultants played a much smaller role in incentive receipt than popularly perceived. Only one of the 36 Lee Act companies interviewed had been approached by a consultant regarding available incentives. Consultants continue to play a role in some high-profile incentive deals, but the case studies revealed that few are paid as a percentage of the incentive received.

When Incentives are Most Effective

To the extent incentives have been found to substantially influence company location decisions, they are most effective when:

- the targeted prospects are highly mobile and less resource constrained
- the incentives are tailored to the company’s specific priorities
- used proactively to target growth companies with substantial job creation “upside,” rather than reacting to an individual company’s “auction” opportunities
- used to strengthen existing industrial clusters through buyer-supplier chain enhancements
- used to target firms with the best match for existing labor market availability, thus maximizing the net economic benefit of a location success

6) How would the economic impact of reducing the state’s corporate tax rate compare to that of current economic incentives?

The last major task in the study examined the extent to which the corporate tax rate could be reduced if the state abolished economic incentives. An analysis by Dr. Roby Sawyers, Professor of Accounting at North Carolina State University, revealed that if the statutory tax credits had been abolished, the corporate tax rate could have been reduced from 6.9% to 6.19% in 2003, 6.24% in 2004, and 6.25% in 2005.

Currently, North Carolina has one of the highest corporate tax rates in the southeast (Figure ES.15) which is perceived to be a significant disadvantage for North Carolina to attract companies.

Table ES.1: Corporate Tax Rate

State	Corporate Tax Rate
North Carolina	6.90%
Alabama	6.50%
Tennessee	6.50%
Georgia	6.00%
Virginia	6.00%
Florida	5.50%
South Carolina	5.00%

NC Company Surveys Reveal Preference for Tax Reduction

The study's survey of incented and non-incented firms asked the following question: "Some people believe that it is better for North Carolina's economy to offer select incentives to certain businesses, while other people believe it is better to reduce taxes impacting business taxpayers and their owners. Which strategy do you think is better for NC's economy?" Approximately 14.5% of non-incented companies and 21.7% of incented companies stated it was better to offer select incentives to certain businesses, while 85.5% of non-incented companies and 78.3% of incented companies stated it was better to reduce taxes impacting businesses taxpayers and their owners. **A majority of companies in both groups favored reduced taxes over incentives.**

Executive Summary: Research Findings Summary

NC incentives are most effective in influencing business decisions when:

- Prospects are mobile
- Prospects are well matched to local resources
- Other location factors are competitive
- Incentives are tailored to companies' specific priorities
- Benefits are front-loaded and packaged with other assistance
- Incentives are used proactively early in a firm's location process

NC incentives have the greatest economic benefit when the:

- Company employs local residents, especially displaced workers
- Location has excess capacity in local infrastructure, minimizing public service outlays
- Company has a catalytic effect on local suppliers
- Company is in growth mode, dependent on local advantage
- Company is a headquarters in an export industry
- Incentives match NC economic development strategic priorities

NC Statutory Tax Credits Findings:

- Statutory tax credit spending vastly exceeds discretionary incentive spending.
- Statutory tax credits are not tied to NC's strategic economic development goals.
- The majority of tax credits are claimed by companies in less distressed areas.
- Large numbers of claimed tax credits are too small in amount to induce businesses to change their behavior.
- The majority of tax credits claimed are for machinery and equipment investment and are not directly related to job creation.
- Lee Act incentives are often viewed as an "after the fact" tax credit or accounting function.
- Company executives were unaware that their company received an incentive.
- Statutory tax credits are not significantly benefiting distressed counties.
- Tax credits have a positive marketing effect as a program to benefit existing businesses and are utilized as a marketing tool by economic developers.

Discretionary Incentive Programs Findings:

- Discretionary incentive programs provide a better opportunity for strategic economic development targeting.
- Discretionary incentives are likely more effective than tax credits at inducing companies to create jobs and investment.
- Unlike statutory tax credits, a set of defined metrics are utilized prior to approval and disbursements of discretionary grants.
- The absence of a wage standard can undermine discretionary incentive programs' economic benefit.
- The local match requirement is a significant burden on distressed counties.

- Legislative goal setting and independent oversight would enhance the program's administration and accountability.

Corporate Tax Rate Findings:

- Reducing North Carolina's corporate tax rate is a viable alternative to statutory tax credits.
- Reducing business taxes is preferred by both incented and non-incented companies as an alternative to selected tax credits.
- Corporate tax rate reduction would bring North Carolina "in line" with our competitor states.
- Eliminating the William S. Lee Act would have allowed for a revenue-neutral offset corporate tax rate reduction of approximately 6.25% (down from 6.9%) in 2005.
- Corporate tax rate reduction has lower transaction costs than statutory tax credits for tax filings and reporting..

Economic Incentives Utilization Findings:

- North Carolina's economic incentives can affect only a few businesses and therefore should be strategically targeted to maximize benefits.
- North Carolina can gain competitive advantages over rival states through proactive use of incentives to initiate location decisions by firms in strategic industrial clusters.
- Targeting efforts should incorporate emphasis on workforce availability and development capabilities to maximize incumbent worker employment.
- North Carolina state leaders lack objective data analysis on the state of North Carolina's economy and the performance of the state's economic development programs.
- While the data analysis is complex, North Carolina does have the available data to better track the performance of the state's economy and the state's economic development programs.

Executive Summary: Recommendations

1. Retain North Carolina's Research and Development Tax Credit.

North Carolina offers a Research and Development ("R&D") tax credit based on the percentage of qualified research expenses that a business pays or incurs during the year. This credit has been modified by the legislature several times. Recently the General Assembly extended the tax credit, which had been scheduled to expire on January 1, 2009, for five years.

The R&D tax credit was the only investment-based tax credit incentive examined that was correlated with companies adding new jobs both before and after receiving the incentive. Moreover, job quality goals are admirably intrinsic as the credit is premised on companies satisfying several "employment quality" eligibility criteria, including wage standards, health insurance, and occupational safety regulatory compliance.

The R&D credit is also distinct from other investment-based tax credits in that it is available to companies regardless of their industry, business type, or size. Therefore, corporations, partnerships, and limited liability companies are eligible. This flexibility enhances the prospect of its use by firms in distressed areas and incents (or rewards) innovative corporate strategies that undergird "growth companies" regardless of industry.

North Carolina firms generated $221 million in state R&D tax credits between 2003 and 2008. Retaining the R&D tax credit will cost an estimated $250 million in credits generated and $124 million taken during 2010 to 2015.

2. Eliminate North Carolina's Statutory Tax Credits (i.e. Article 3J Program).

North Carolina's current economic incentive portfolio is heavily allocated toward the statutory tax credits constituting the William S. Lee Act and the Article 3J program. Of the more than $2 billion in economic incentives committed between 1996 and 2006, 98% of the incentives were in the form of statutory tax credits.

Such tax credits were the basis of North Carolina's original foray into economic incentives. The process that devised what became the William S. Lee Act was a thorough and thoughtful one that drew on the best available information to devise appropriate incentives for the economy of the mid-1990s. In fact, the incentives appeared to have succeeded for several years as the companies receiving them outperformed the overall North Carolina economy throughout the 1990s.

Unfortunately, by the end of that decade companies receiving statutory tax credits no longer outperformed – or even matched – the state's economy. The explanation for this performance decline may be attributable to several factors, including legislative amendments that expanded the number of eligible firms and possibly diluted the net employment effect. But the economic circumstances and growth industries of the early 1990s had clearly changed by 2001, and they have changed even more dramatically in 2009. Thus it is reasonable that an incentive portfolio highly reliant on tax credits should be reconsidered based on updated information.

Research has shown that the most effective incentives are those that can be tailored to address company-specific location decision matrices. Statutory tax credits, while having the advantage of certainty based on stated eligibility criteria, lack the flexibility needed to develop customized incentive packages. Moreover, despite significant modifications over the years, statutory tax credits have consistently failed to significantly benefit distressed counties.

Tax credits can have a positive marketing effect as a program to benefit existing businesses, and they have been commonly utilized as a marketing tool by economic developers. While employment outcome research and even the company executives themselves have minimized the effectiveness of tax credits, undoubtedly among the more than 3,000 firms receiving such tax credits in North Carolina between 1996 and 2006, there were numerous instances where such credits were essential. Unfortunately, the rigidity of the credits' statutory nature makes North Carolina's current tax credits expensively inefficient for targeting such opportunities selectively.

We recommend eliminating the Article 3J program in advance of its scheduled "sunset" date. North Carolina's statutory tax credits accounted for an estimated $783 million in credits generated between 2003 and 2008. Forecasting tax credit generation and usage is complicated by the transition from the Lee Act to Article 3J credit programs, as well as the dampening effect of the current economic downturn. Nonetheless, eliminating the Article 3J program is predicted to result in total savings of $574 million in retained tax revenues during 2010 to 2015, with the great majority of savings being realized in the later years due to the lag effect of the carry-forward nature of current credits.

3. *Expand JDIG and One NC Programs in Number of Annual Projects and Annual Threshold with Increased Amounts Targeted to Distressed Counties.*

Many of the deficiencies of North Carolina's statutory tax credit incentives have been addressed in the development and implementation of the state's discretionary incentive programs, the Jobs Development Investment Grants and the One North Carolina Fund. While to date the discretionary incentives have shown limited success in targeting distressed counties, a strong potential for enhancing such outcomes nonetheless exists within the program.

Administration of the program through the Department of Commerce provides for the deliberate evaluation of potential net economic benefits. Such analysis provides a basis for calculating the appropriate scale of offered incentives and the capability to incorporate economic incentives within a broader package of assistance resources. The inclusion of specific performance outcomes as the prerequisite for incentive payments provides a powerful enforcement mechanism absent from the statutory tax credits.

We recommend that the JDIG and One NC programs be expanded, committing additional funding to distressed counties. To maximize the net economic benefit of discretionary incentive projects, the Department of Commerce's cost-benefit model should be modified to emphasize a stronger preference for incumbent workforce utilization, location of corporate headquarters, and consistency with Commerce's targeted industry clusters.

Achieving these objectives will require a more proactive effort to use incentives in targeting firms whose workforce and other location criteria provide better matches for the characteristics of North Carolina's distressed counties. We therefore also recommend increasing state and regional economic development research and marketing budgets for proactive targeting of growth-stage companies in targeted industry clusters.

Doubling the JDIG program with increased amounts targeted to distressed counties will require an estimated additional cost of $74 million total from 2010 to 2015. Enhancing economic development research and marketing will require an additional $1.5 million per year.

4. *Utilize Savings from Elimination of Statutory Tax Credits to Support Phased Reduction of Corporate Tax Rate to Competitive Neutral Rate of 6.5%.*

North Carolina's corporate tax rate is conspicuously higher than the next highest rates of its primary rival states. We recommend that a portion of the future saving achieved by the elimination of the Article 3J statutory tax credits be used in a multi-year reduction of the current rate of 6.9% to a competitive neutral rate of 6.5%.

Reducing North Carolina's corporate tax rate was found to be a viable alternative to continuing the existing statutory tax credits. Corporate tax rate reduction is economically preferable in that it has lower transaction costs for tax filings and reporting than statutory tax credits. Our surveys also found that reducing business taxes was preferred by both incented and non-incented companies as an alternative to selected tax credits.

Such corporate tax rate reduction would bring North Carolina "in line" with our competitor states. At 6.9%, North Carolina's corporate tax rate is 0.4% higher than Alabama and Tennessee (6.5%). A reduction to 6.5% would still leave the North

Carolina rate substantially higher than South Carolina's rate of 5.0%, but it would at least neutralize the corporate tax rate as a regional competitive disadvantage.

Based on the latest available data from the North Carolina Department of Revenue (2005 tax year), reducing the corporate tax rate to 6.5% would cost $56 million annually. This should be achieved by phasing in the reduction over several years to match the gradual savings realized from the elimination of the Article 3J program.

5. *Institute a Legislative Oversight Function Specifically to Establish Priorities for and Assess Performance of State and Regional Economic Development Agencies.*

Over the past decade, economic development in North Carolina has become a complex landscape of numerous public and private organizations operating from the county to the international level. In particular, the number of agencies and organizations funded by the legislature to perform economic development functions on behalf of the state has grown, and the definition of economic development itself has expanded to near ubiquity. Each of these organizations has its own agenda, and in this mixture the broader interest of the state itself is often overlooked.

While the General Assembly is often the primary funder of these activities, it does not have an established oversight function. Instead, it relies upon periodic reports from the Department of Commerce, supplemented by information from various groups or Fiscal Research as part of the appropriation process. This situation may have been adequate in the less complicated time of the early 1990s, before economic incentives, regional partnerships, and site location consultants became everyday concerns. But today the General Assembly needs to play a stronger role in establishing economic development priorities and assessing performance among the many activities and actors it funds.

An unexpected revelation of this economic incentives assessment is that there is abundant information upon which the success of North Carolina's economic development efforts can be judged. While the initial research design and data collection process is daunting, once achieved this capability is readily maintainable. What is necessary is the designation of an appropriate legislative entity or vehicle for the continued performance-assessment role played by the Select Committee in this research.

We strongly recommend the establishment of such a legislative oversight body, as well as support for ongoing collection and analysis of strategic economic status data at the state and regional levels, as a basis for economic development performance assessment.

Chapter 1: Introduction to Full Report

In March 2007, the President Pro Tempore of the North Carolina State Senate and the Speaker of the North Carolina House of Representatives established a Joint Select Committee on Economic Development Incentives to examine the state's economic incentive programs. In January 2008, the North Carolina General Assembly contracted with the University of North Carolina's Center for Competitive Economies (C^3E) to assist the Joint Select Committee on Economic Development Incentives in evaluating the performance North Carolina's economic development incentive programs.

C^3E undertook this 18-month research program with the goal of addressing a set of questions deemed key to the committee's efforts:

- What is an economic incentive and which ones are most appropriate for the committee to assess?
- How is the success of economic incentives to be judged and which outcomes are the highest economic development priorities for North Carolina?
- What companies have received economic incentives, how much have they gotten, and how much more will be granted under current policies?
- What have been the benefits from economic incentives and how do programs and types of recipients differ in their economic impact?
- To what extent do North Carolina's economic incentives affect the state's economy?
- How would the economic impact of reducing the state's corporate tax rate compare to that of current economic incentives?

The subsequent sections of this full report and its appendices contain a more detailed analysis and secondary research findings to support the conclusions and recommendations contained in the Executive Summary. The full report provides a detailed analysis of the William S. Lee Act, the Job Development Investment Grant (JDIG), and the One North Carolina Fund (One NC). It also contains a review of the state's high-performing companies in employment growth and discusses tax savings from eliminating the state's tax credit program to support corporate income tax rate reduction. A summary of an Economic Development Symposium held with five world-renowned experts on incentives in general and use of incentives in North Carolina is also included, along with feedback from North Carolina's local economic developers about their recommendations contained in this report.

Chapter 2: William S. Lee Act Employment Analysis

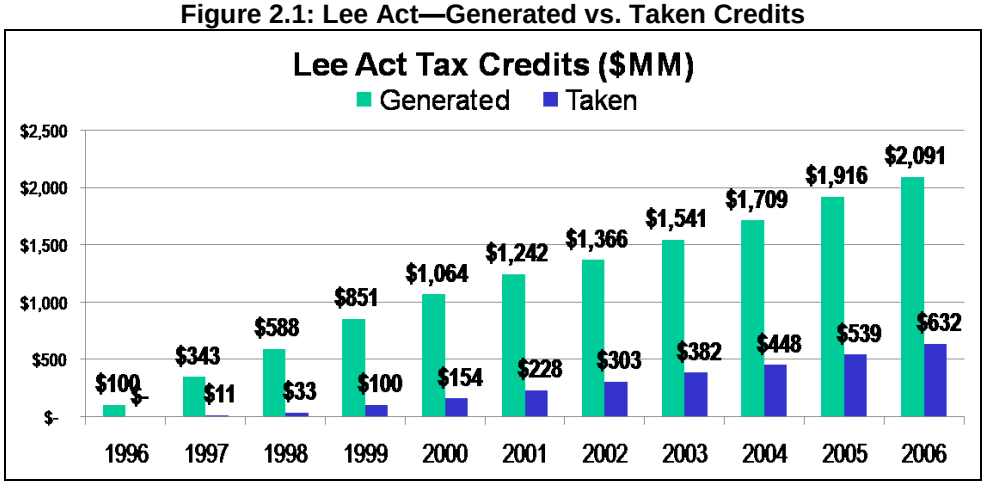
This section of the report reviews the Lee Act's legislative intent, reviews prior Lee Act studies, and discusses C^{3}E's study approach and findings in detail.

The North Carolina General Assembly passed legislation authorizing UNC's Center for Competitive Economies ("the Center") to access tax returns and employment records for companies taking tax credit(s) under the William S. Lee Act. The Center utilized data from the North Carolina Department of Revenue (DOR) and North Carolina Department of Labor's Employment Security Commission (ESC) to examine the pre- and post-incentive employment performance of companies receiving a Lee Act tax credit. The Center utilized paper and electronic copies of corporate tax returns to obtain the Federal Employer Identification Number (FEIN) for companies receiving a Lee Act tax credit. The Center supplied FEINs to the ESC, which used this number to provide employment history for companies over an 11-year period between 1996 and 2006. The Center then created a database with more than 250,000 observations matching company tax information supplied by DOR with employment history supplied by ESC.

Lee Act: History and Purpose

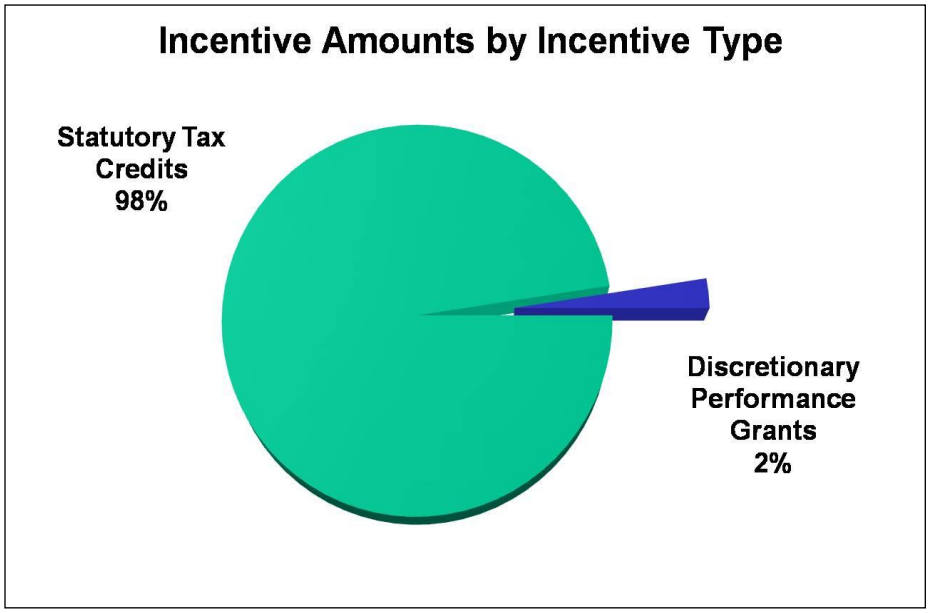
Between 1996 and 2006, approximately 5,000 companies participated in one or more of the North Carolina economic incentive programs covered in this research, including the William S. Lee Act. By 2006, the total maximum amount of Lee Act incentives "generated" or awarded by the state since 1996 exceeded $2 billion. The eventual actual cost will be less because most incentives are in the form of tax credits that historically are not fully utilized. The amount of tax credits used or "taken" in the period totaled $632 million (Figure 2.1); an estimated 35% of the $2.1 billion generated credits will never be used.

Figure 2.1: Lee Act—Generated vs. Taken Credits



While media coverage often focuses on the state's discretionary programs (JDIG and One NC), Lee Act tax credits consume the majority of North Carolina's incentive "portfolio" allocation (Figure 2.2). This represents 98% of the allocation, while discretionary incentives only comprise 2%.

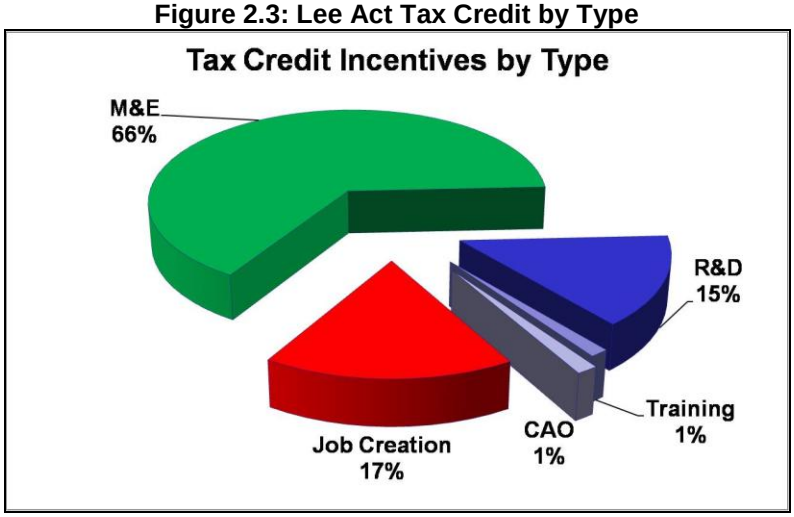
Figure 2.2: Incentive Use by Type



Media attention focused on the large, discretionary incentive deals also distorts perceptions of the typical incentive amount received by a company. For example, between 2002 and 2006, 1,967 companies received $875 million in Lee Act tax credit incentives. However, of these companies, 860 (44%) received less than $25,000 each, calling into question the effectiveness of such small amounts on business behavior. By contrast, for the same period just 46 companies (2%) received an average of more than $11 million each, for a total of $523 million or nearly 40% of the total tax credits generated.

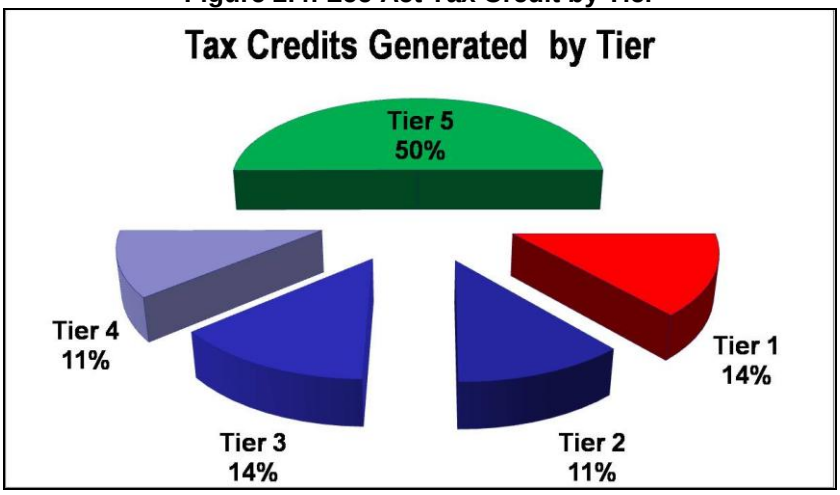
While there may be many objectives for the use of incentives in economic development, the criteria established by the Select Committee for evaluating the performance of North Carolina economic incentives specifically emphasized their contribution to job creation in the state's distressed counties. By those measures, the use of economic incentives between 1996 and 2006 failed to achieve those goals. The popular perception is that job creation is the major focus on economic development incentives, yet only a small amount of Lee Act tax credits are directly attributed to job creation activities. Only 18% of Lee Act tax credits generated from 1996 to 2006 were used specifically for job creation or employee training, whereas two-thirds (66%) were used for machinery and equipment (M&E) investment (Figure 2.3).

Figure 2.3: Lee Act Tax Credit by Type



The Center was also asked to examine the effectiveness of incentive programs in promoting job creation in distressed areas. While the Lee Act provided favorable incentives in the state's poorest counties (Tier 1), most tax credits went to the least distressed counties (Tier 5). During the most recent period of 2002 to 2006, companies receiving Lee Act incentives generated $875 million in tax credits. Of that amount, half of the incentives went to companies in the least distressed counties (Tier 5), while only 14% went to companies in the most distressed counties (Tier 1) (Figure 2.4).

Figure 2.4: Lee Act Tax Credit by Tier



Prior Lee Act Studies

The economic and job creation impact of economic incentives is an issue of much debate for policymakers. Most academic studies have demonstrated that economic development incentives, particularly statutory tax credits, have limited effectiveness in job creation and usually work only under a competitive scenario where other factors are deemed equal among competing areas. Dr. Michael Luger, Dean of the Manchester Business School (UK) and former UNC professor, conducted several prior assessments of the William S. Lee Act in 1991, 2001, and 2003. At the time of Dr. Luger's analysis, there was limited data to evaluate the employment effects associated with the Lee Act. Dr. Luger created a simulation model to examine the possible job creation impacts of the Lee Act and found that the Lee Act had a modest impact on job creation in North Carolina.

Pre- and Post-Tax Credit Employment Performance

Employment levels for Lee Act companies were analyzed to examine the pre- and post-incentive employment trends of incented companies. Data analysis required that C^3E hold counties' tier status constant across the analysis, using 2006 tier designations, and limit some of the analysis to companies with single locations and/or companies existing throughout the study period. Additionally, data on the type of credit claimed by companies under the Lee Act was only available from 2002 to 2006.[1] These methodological procedures are not expected to significantly alter the findings or trends.

Single Location Firms

First, single location companies in the study period were examined to determine the growth rate and levels of employment change of companies receiving one or more Lee Act tax credits from 1996 to 2006. Surprisingly, the examination revealed that only 57.46% of single location companies receiving a Lee Act tax credit had a positive growth rate (i.e., more employees) in 2006 than they did in 1996 (Figures 2.5 and 2.6). Over 41% of the companies had a declining growth rate, leading to fewer employees at those businesses in 2006 than in 1996.

[1] The Department of Revenue supplied electronic data scans from copies of tax returns for 1996-2001 and electronic and hard copies of tax returns from 2002-2006. The 1996-2001 data only indicated the year and amount of Lee Act tax credit, but not the type of credit. DOR supplied a 1998 tax return file that was overwritten with 1997 data, meaning that electronic data for 1998 Lee Act tax returns are missing. The 1999 electronic file supplied by DOR was considerably smaller in size and contained less company and tax return data than other years. Both DOR and Center staff suspect the 1999 file is incomplete. Obtaining hard copies of tax returns from 1996 to 2001 would require IRS approval, which and was not available within the study timeframe. The absence of full data from 1998 and partial data from 1999 is not expected to significantly alter any data trends. Employment data were generally deemed complete for the entire study period.

Figure 2.5: Employment Growth Rate for Lee Act Companies

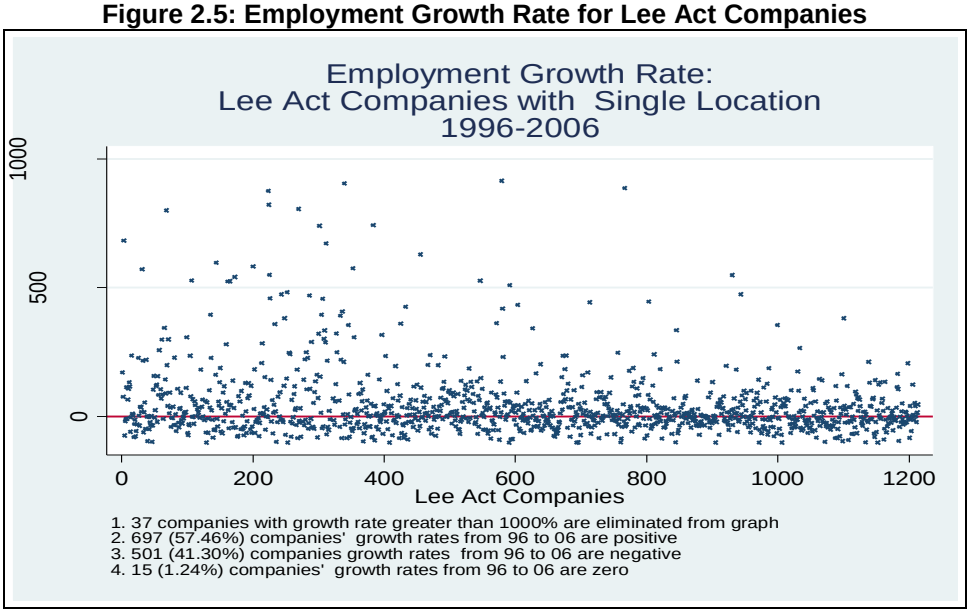
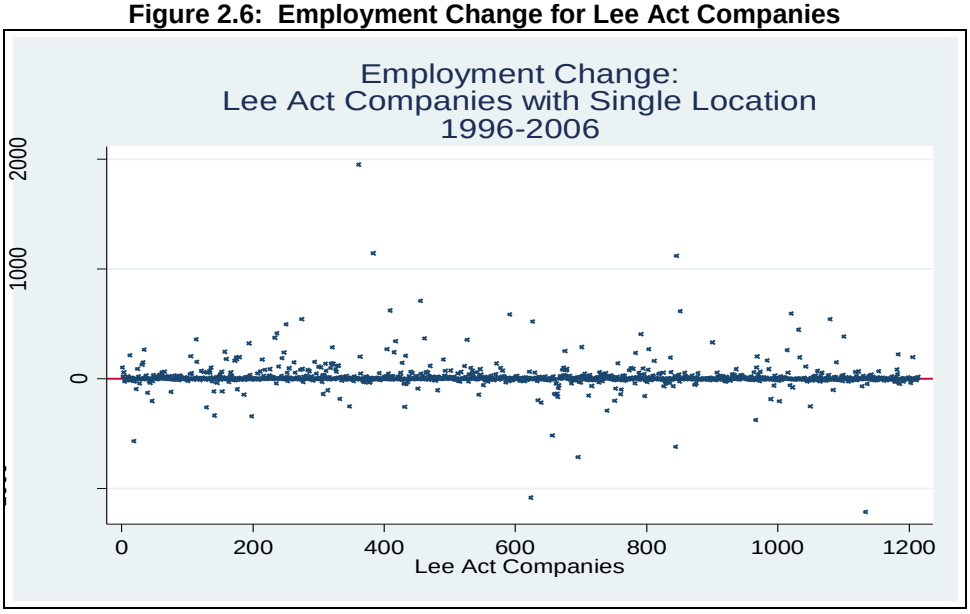


Figure 2.6: Employment Change for Lee Act Companies



These trends were also analyzed for each tier for the period 1996 to 2006. The subsequent figures demonstrate the following:

Approximately 52% of Tier 1 companies had less employment in 2006 than in 1996.
Approximately 49% of Tier 2 companies had less employment in 2006 than in 1996.
Approximately 39% of Tier 3 companies had less employment in 2006 than in 1996.
Approximately 37% of Tier 4 companies had less employment in 2006 than in 1996.

Approximately 41% of Tier 5 companies had less employment in 2006 than in 1996.

When analyzed by tier, the employment change for single location companies is remarkably similar, with nearly half of the companies having less employment in 2006 than in 1996. Even companies with positive employment demonstrate mostly modest gains, with most companies demonstrating little or no considerable employment change over the period.

Figure 2.7: Employment Growth Rate for Lee Act Companies in Tier 1

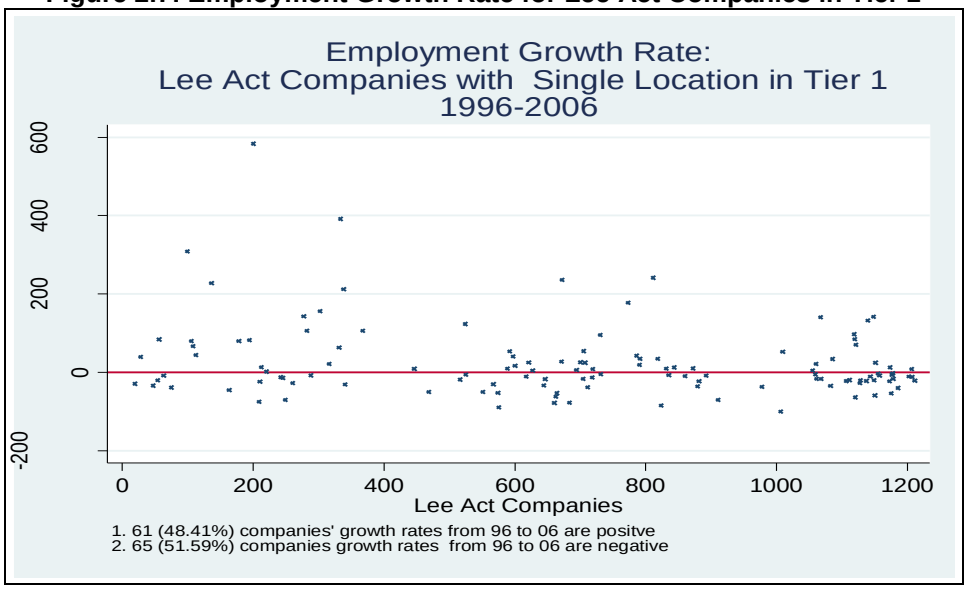


Figure 2.8: Employment Change for Lee Act Companies in Tier 1

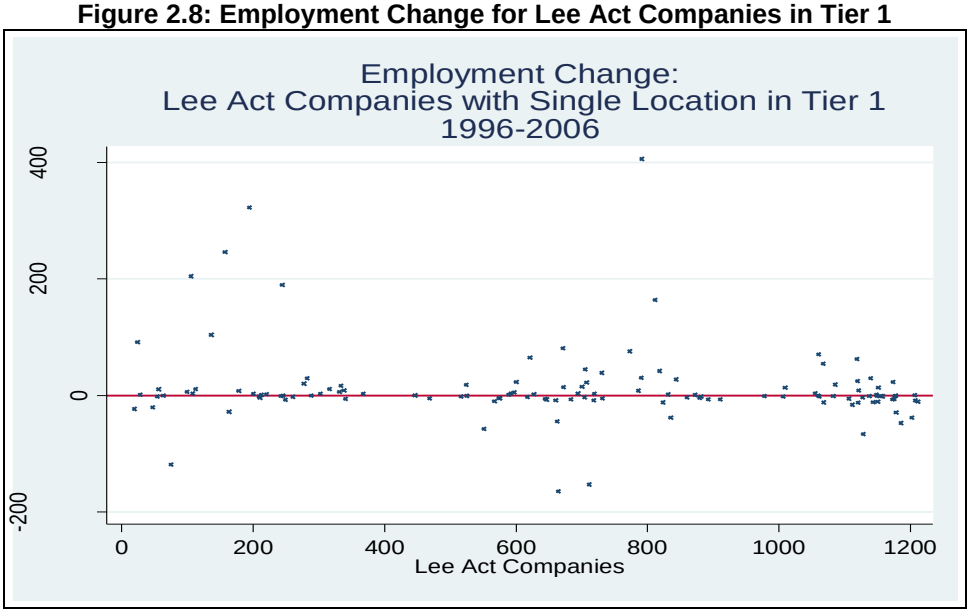


Figure 2.9: Employment Growth Rate for Lee Act Companies in Tier 2

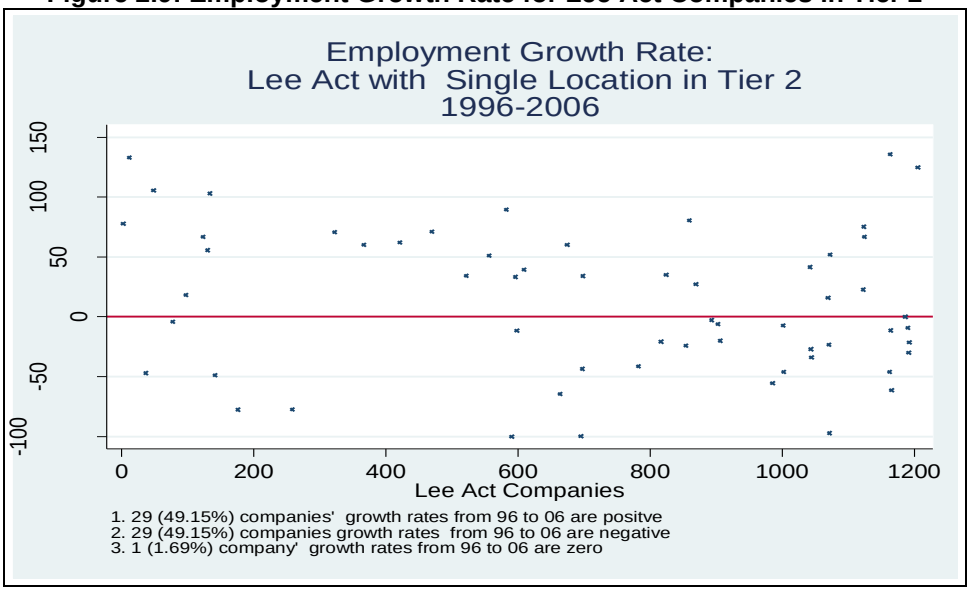


Figure 2.10: Employment Change for Lee Act Companies in Tier 2

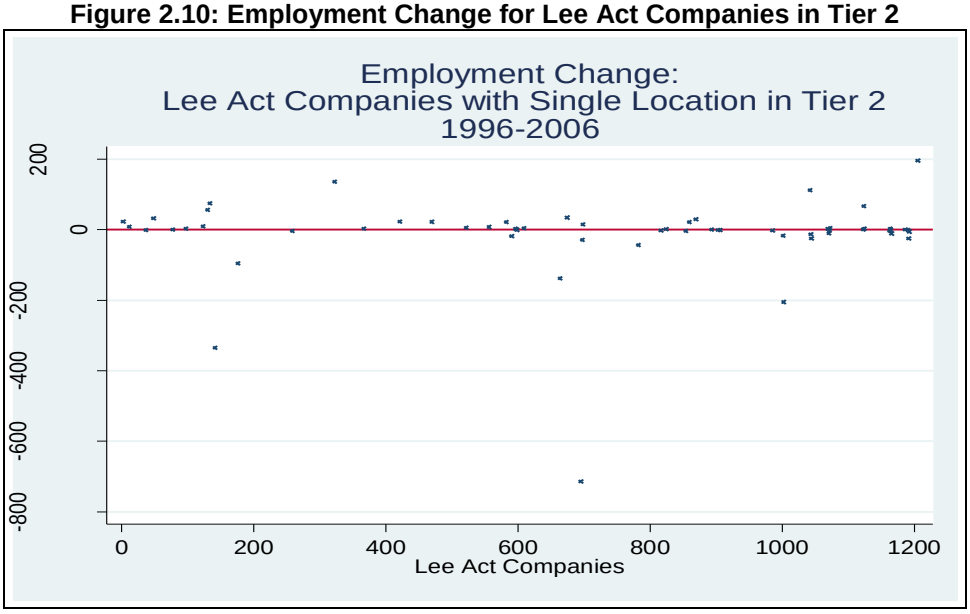


Figure 2.11: Employment Growth Rate for Lee Act Companies in Tier 3

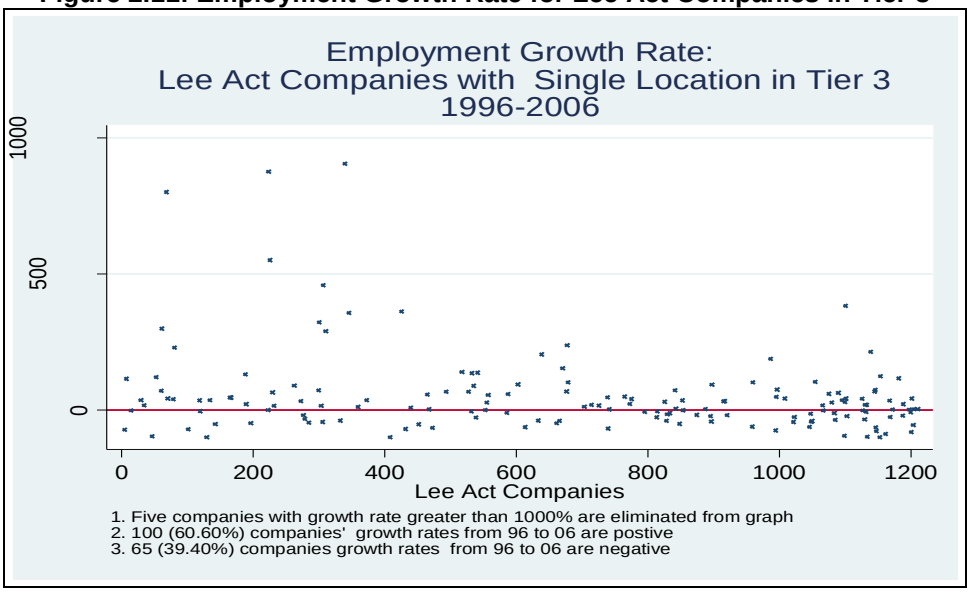


Figure 2.12: Employment Change for Lee Act Companies in Tier 3

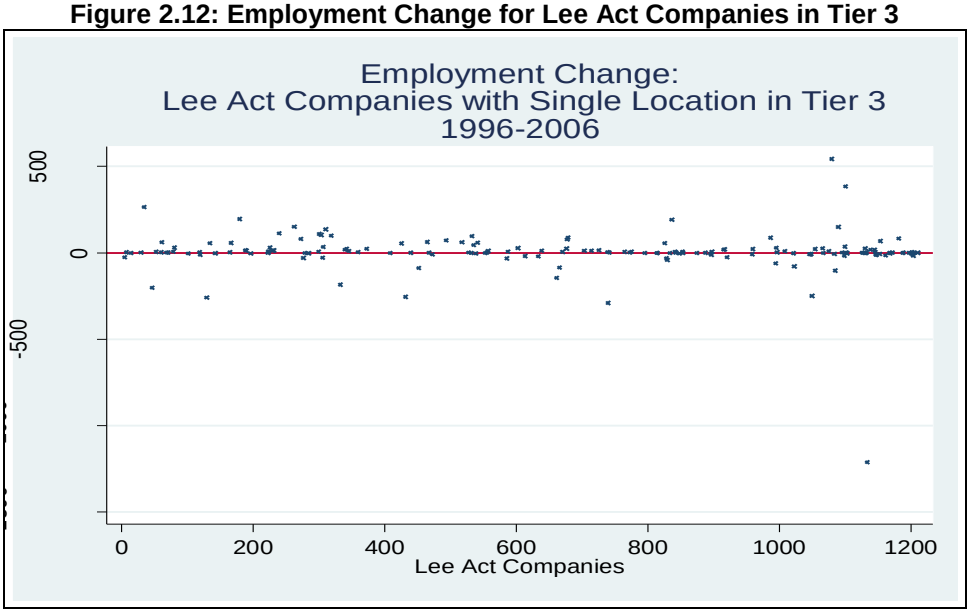


Figure 2.13: Employment Growth Rate for Lee Act Companies in Tier 4

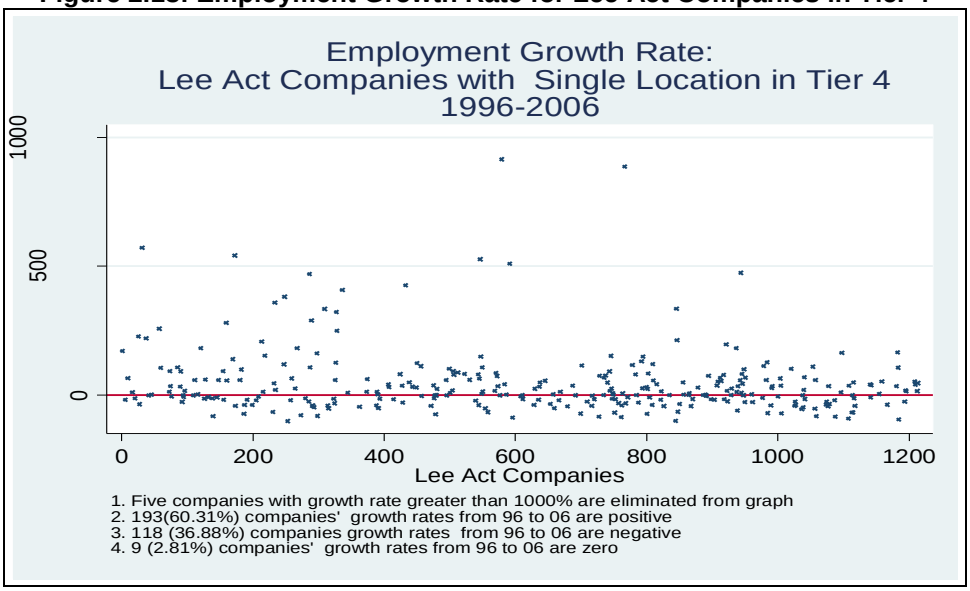


Figure 2.14: Employment Change for Lee Act Companies in Tier 4

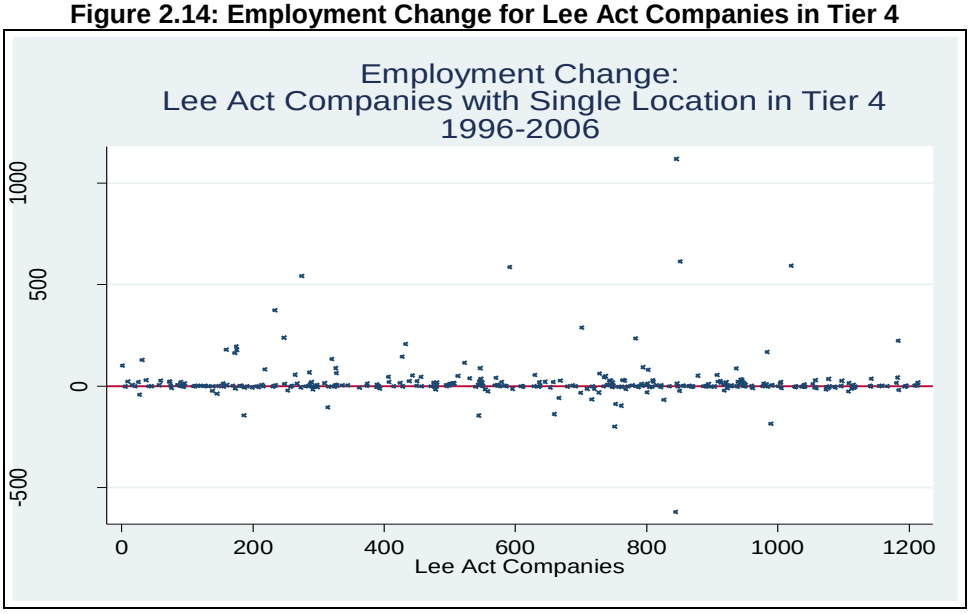


Figure 2.15: Employment Growth Rate for Lee Act Companies in Tier 5

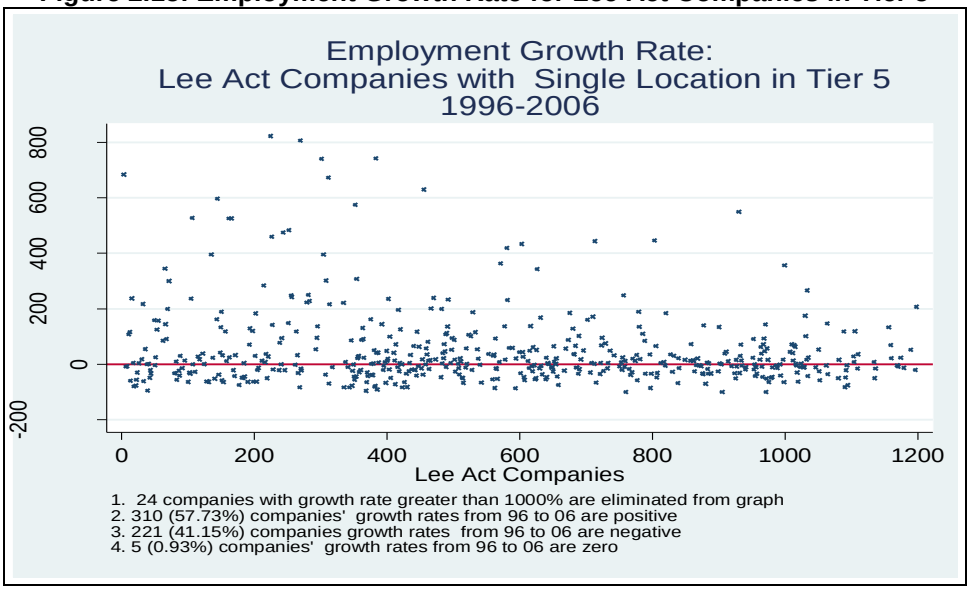
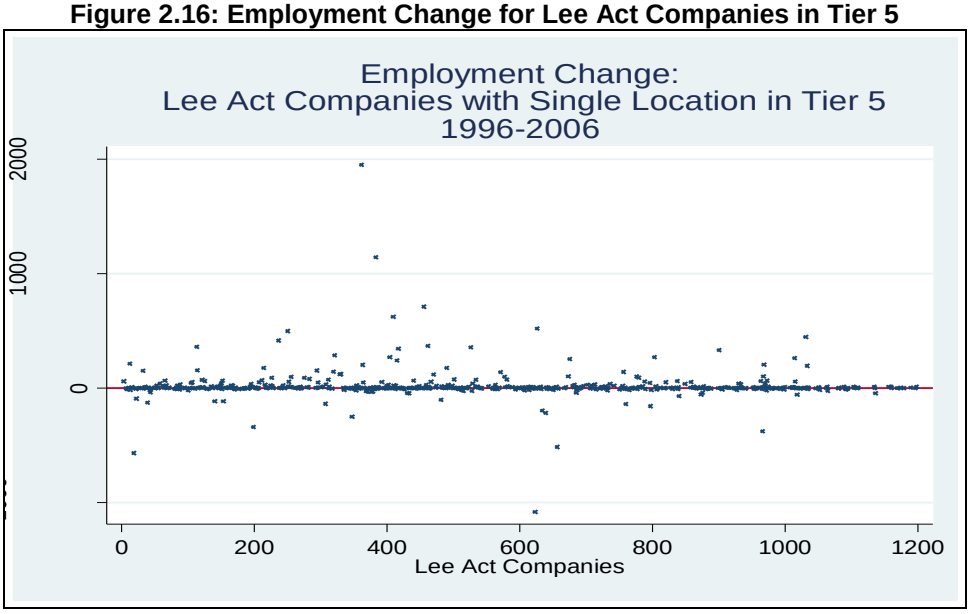
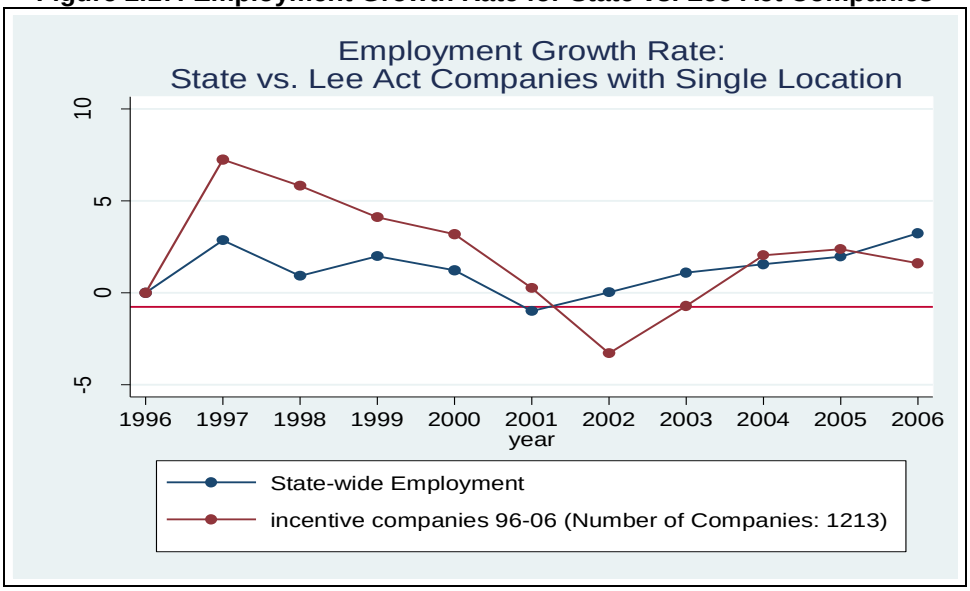


Figure 2.16: Employment Change for Lee Act Companies in Tier 5



Next, the employment growth rates of incented firms existing from 1996 to 2006 were examined against the overall employment growth for the state. Incented companies did demonstrate a slightly higher employment growth rate in the 1990s, yet the gap between incented companies and the state average closed over time, with incented companies performing at a lower growth rate in the early 2000s. The gap is nearly negligible now (Figure 2.17).

Figure 2.17: Employment Growth Rate for State vs. Lee Act Companies



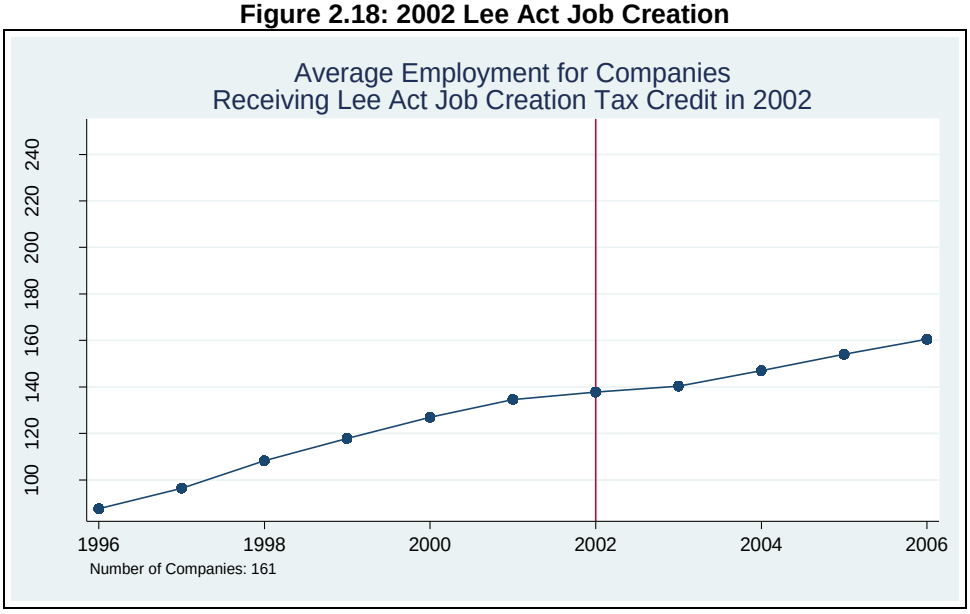
Single Location: Lee Act Job Creation Tax Credits

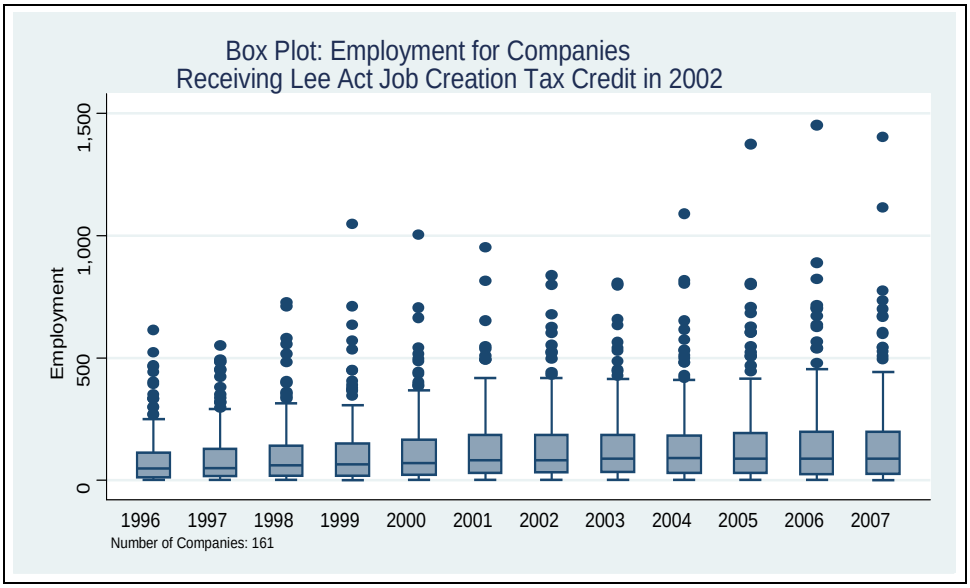
To fully assess the Lee Act's impact on employment levels, it was important to contrast the pre- and post-incentive employment levels of incented firms. An analysis was conducted to examine the difference in pre- and post-incentive employment by both tier and credit type. This analysis begins by examining the average employment for companies receiving the job creation tax credit in conjunction with other credits for each year from 2002 to 2005. An annual analysis for the jobs tax credit follows. Each yearly analysis includes 1) an average annual employment analysis, 2) a box plot graph, and 3) a table with mean, median, minimum, and maximum employment levels to assist in accounting for outliers[2].

On average, job creation after the tax credit is positive, yet the tax credit does not appear to cause an increase in the rate of job growth, as the slope of the line or rate of job increase rarely changes.

[2] The minimum employment number represents an average across four quarters for the year of study. In a small number of cases, firms with only one employee claimed the credit. Therefore, the "average" employment is less than one due to rounding for small firms whose monthly employment reports may have fluctuated from zero to one. This explains the zero minimum employment numbers presented in subsequent tables.

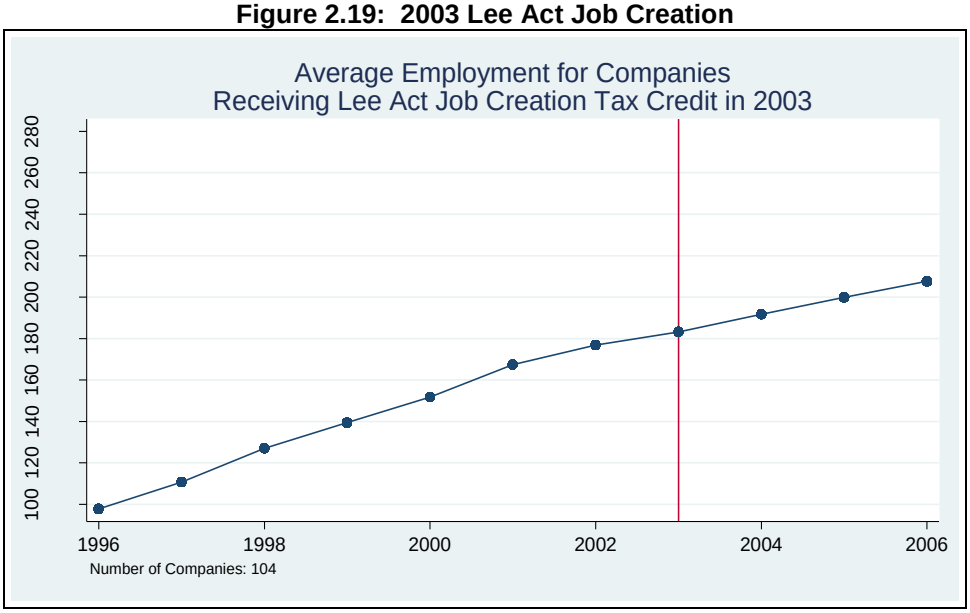
Figure 2.18: 2002 Lee Act Job Creation

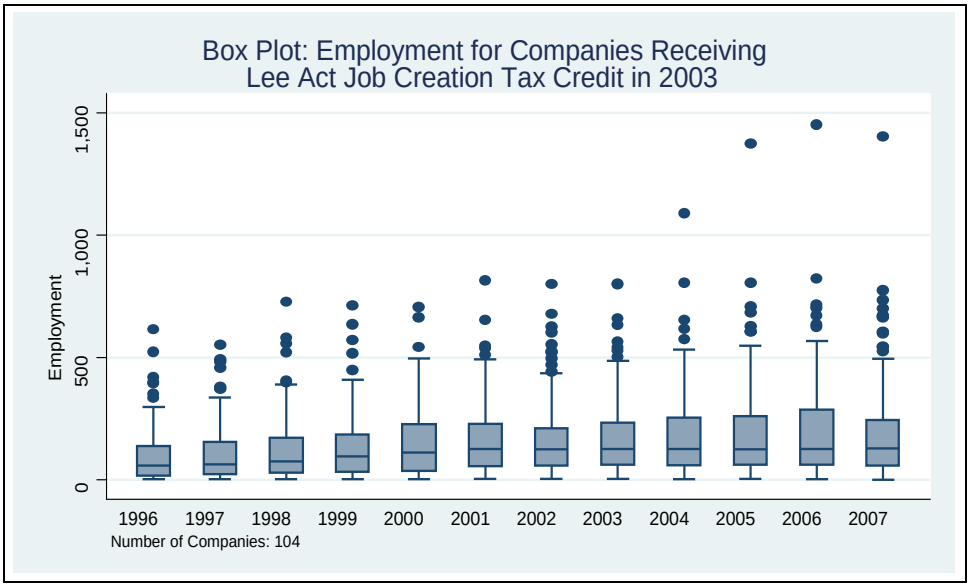




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	88	96	108	118	130	135	138	140	147	154	160
Median	48	50	60	65	70	82	83	88	91	87	87
Min	1	1	1	0	1	2	2	2	2	2	1
Max	613	551	726	1048	1004	952	838	807	1089	1374	1452

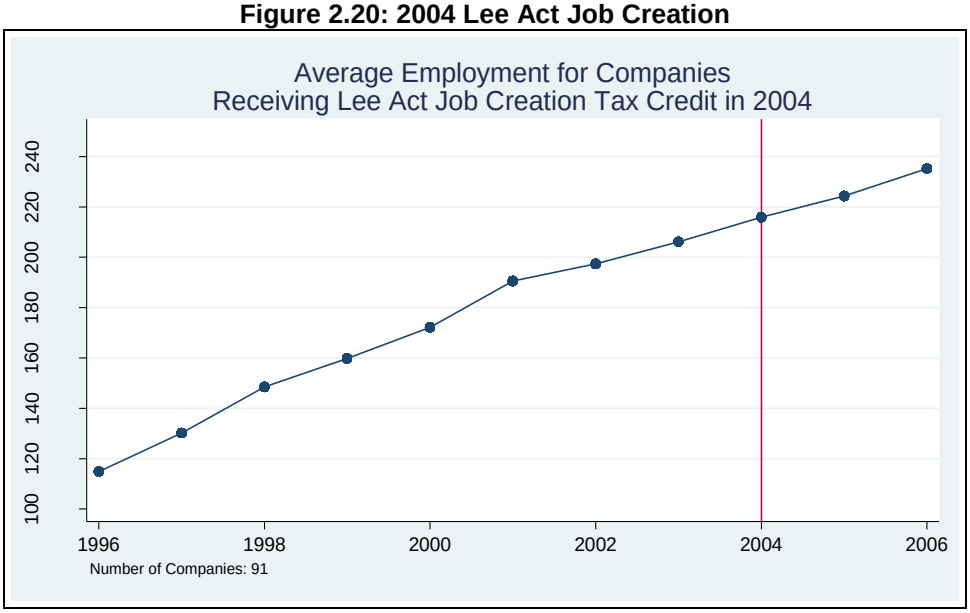
Figure 2.19: 2003 Lee Act Job Creation

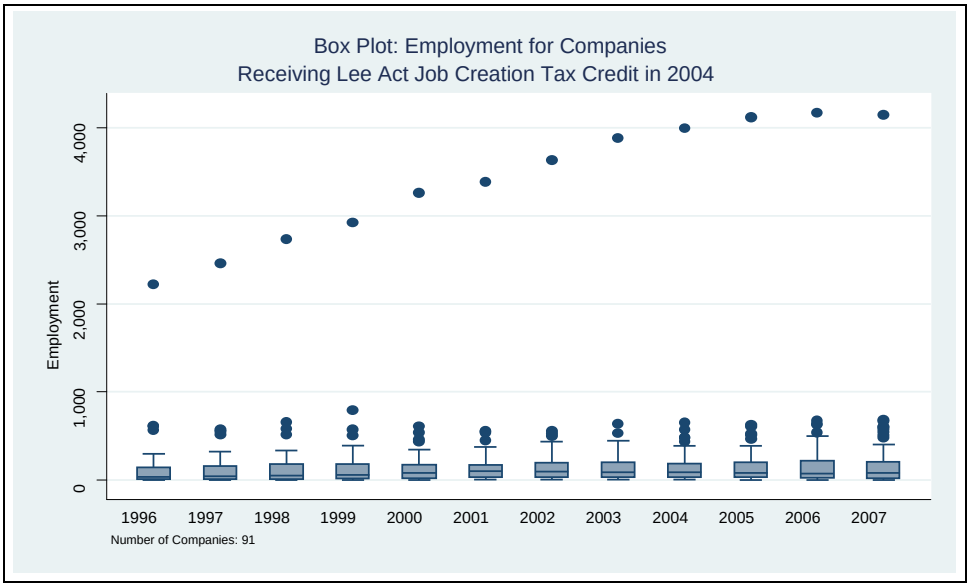




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	97	111	127	139	152	167	177	183	191	199	208
Median	55	62	74	96	111	125	124	3	125	124	126
Min	1	1	1	1	1	4	3	633	2	4	1
Max	613	551	726	712	705	815	800	802	1089	1374	1452

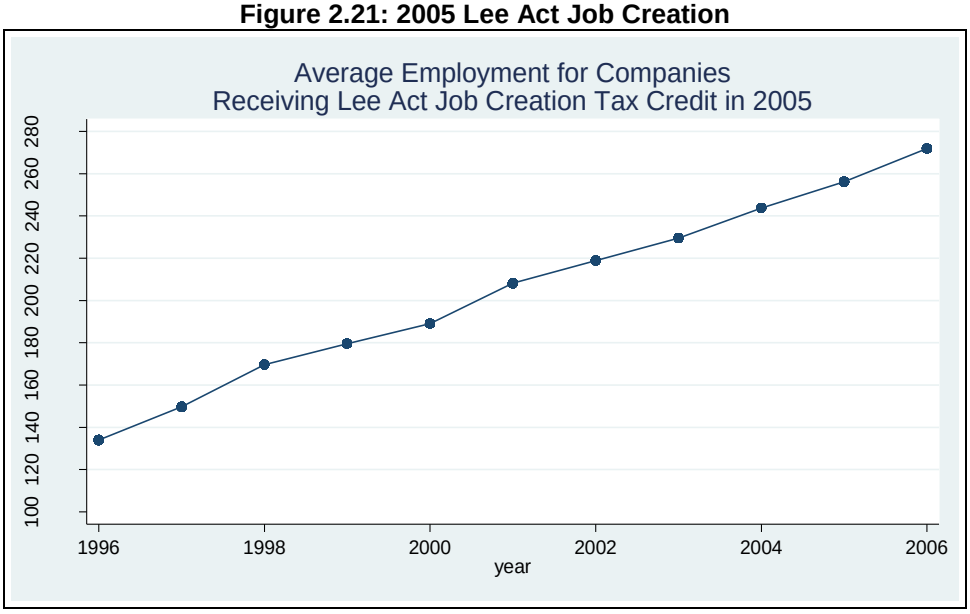
Figure 2.20: 2004 Lee Act Job Creation

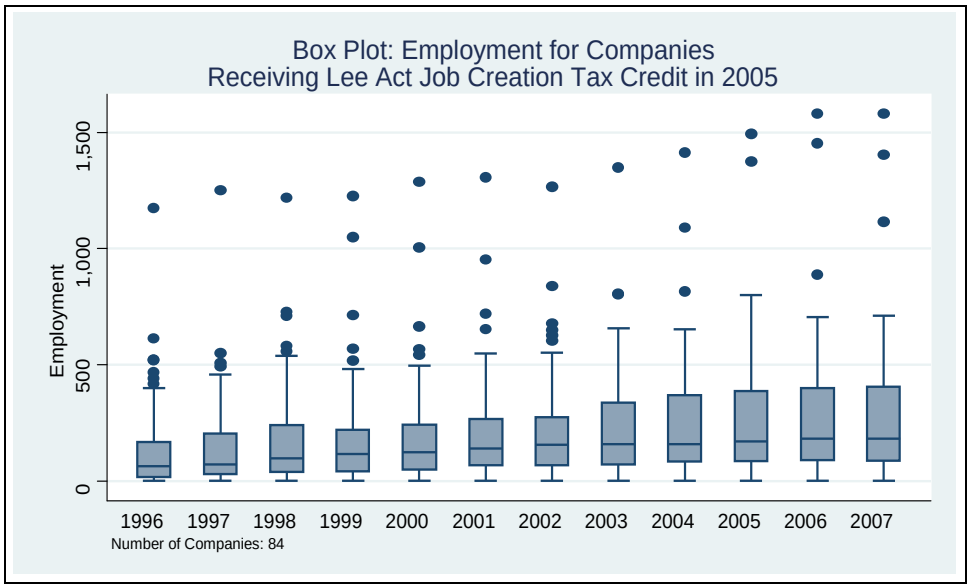




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	115	130	148	160	172	191	197	206	216	224	235
Median	56	62	83	105	115	127	139	136	130	142	143
Min	1	1	0	0	1	3	3	3	3	4	1
Max	1174	1249	1217	1226	1287	1306	1266	1349	1412	1492	1580

Figure 2.21: 2005 Lee Act Job Creation

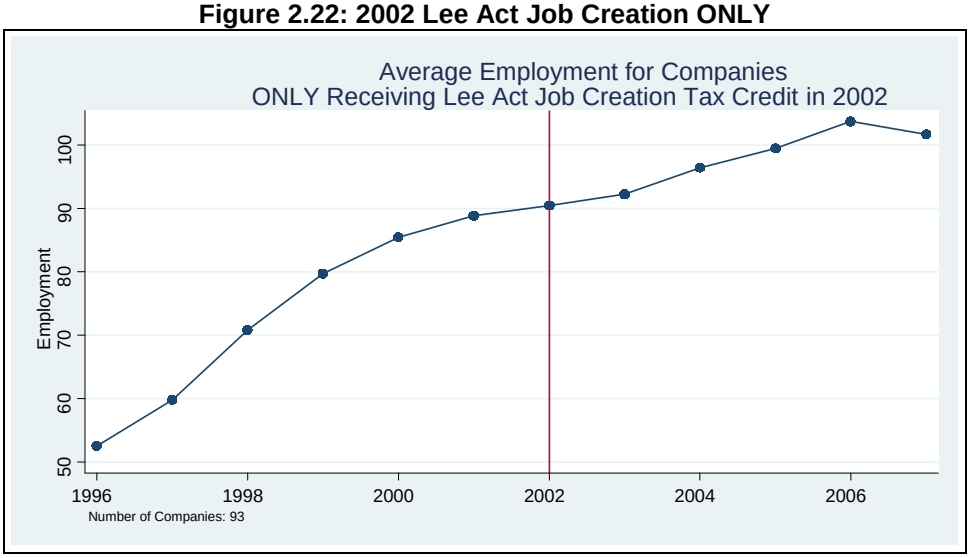


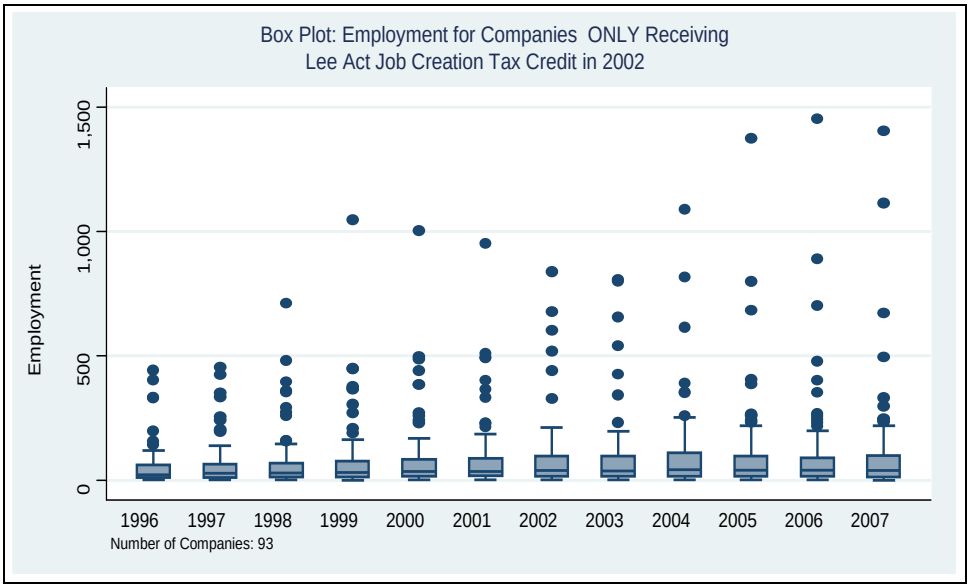


	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	134	150	150	179	189	208	219	230	244	256	272
Median	64	73	73	116	125	141	157	158	157	170	182
Min	1	1	1	1	1	2	2	1	1	1	1
Max	1174	1249	1217	1226	1287	1306	1266	1349	1412	1492	1580

Next, to isolate the impact of the job creation tax credit, firms only receiving a job creation tax credit and no other tax credits were also examined. This information is presented in the same format, with each yearly analysis including 1) an average annual employment analysis, 2) a box plot graph, and 3) a table with mean, median, minimum, and maximum employment levels to assist in accounting for outliers. Again, the slope of average employment after the tax credit was generally positive, but the credit does not appear to influence the rate of job creation.

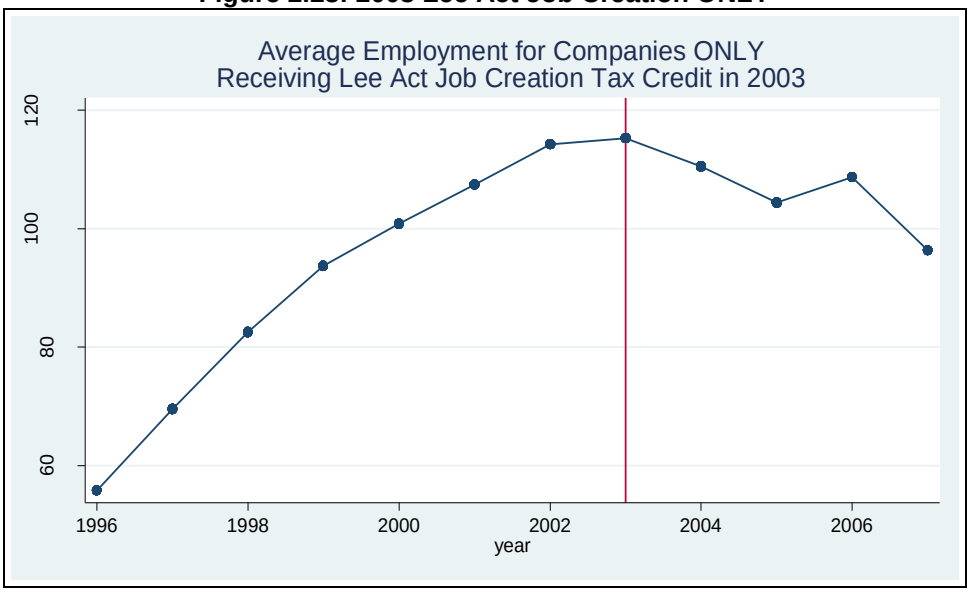
Figure 2.22: 2002 Lee Act Job Creation ONLY

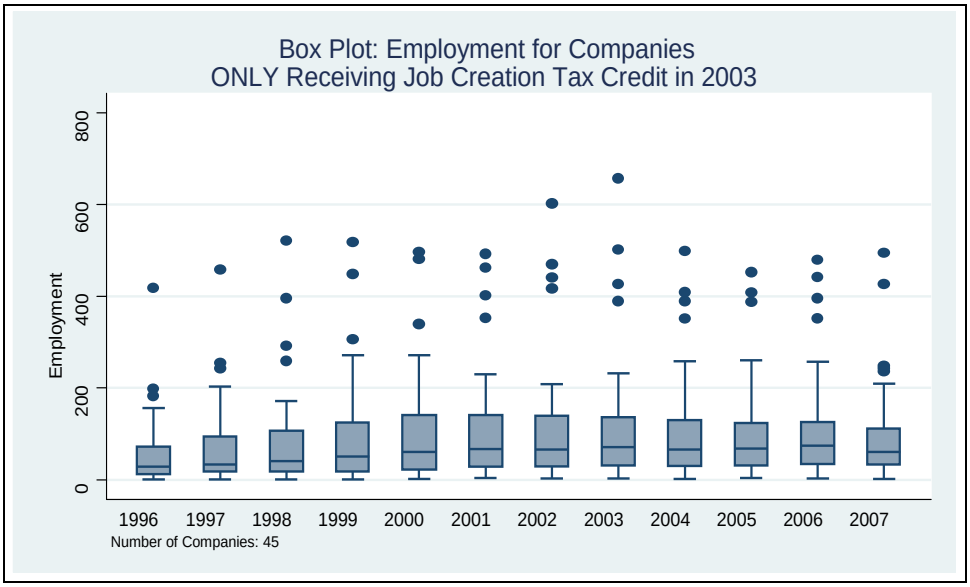




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	53	60	71	80	85	89	90	92	96	99	103
Median	22	27	29	32	36	36	49	38	43	42	41
Min	1	1	1	0	2	2	2	2	2	2	2
Max	442	454	712	1048	1004	952	838	807	1089	1374	1452

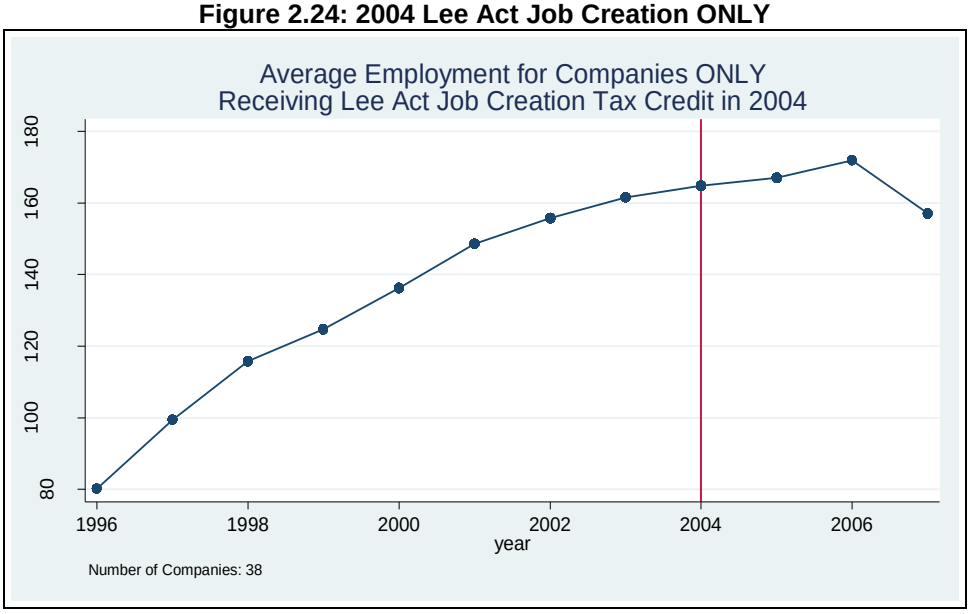
Figure 2.23: 2003 Lee Act Job Creation ONLY

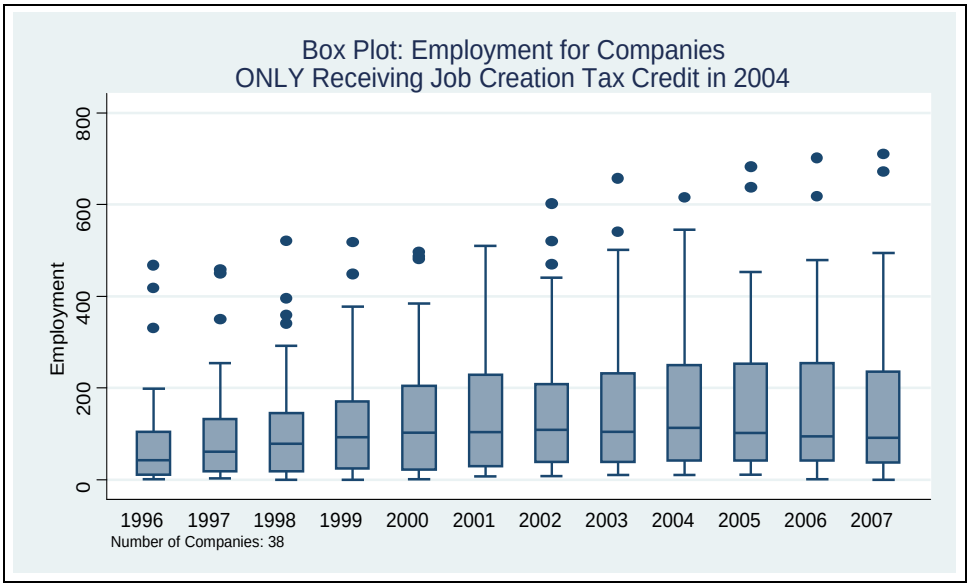




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	56	70	83	94	101	107	114	115	110	104	109
Median	28	34	40	50	61	67	66	72	66	68	74
Min	1	1	1	1	2	4	3	3	2	4	3
Max	419	458	521	517	496	493	603	658	498	453	479

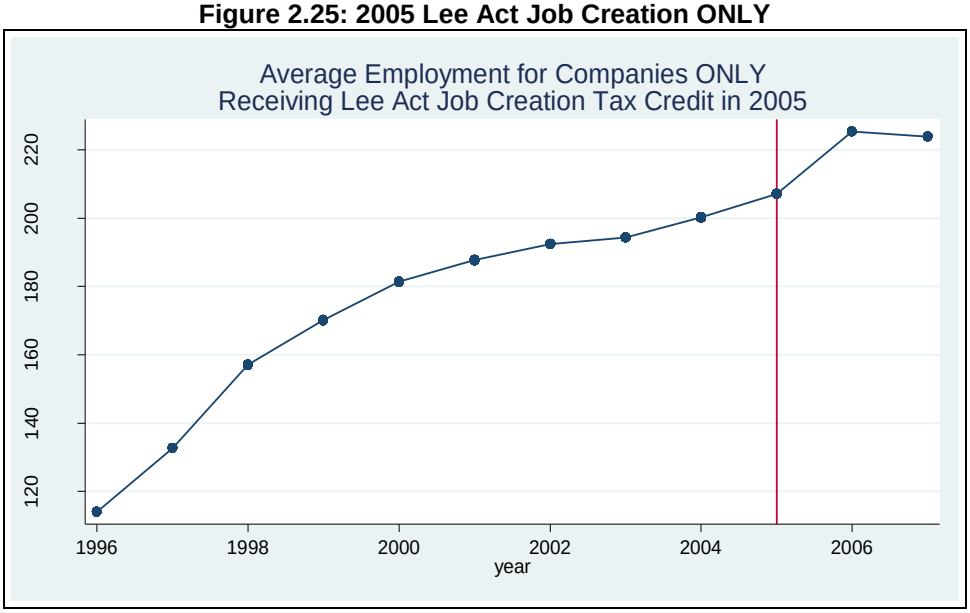
Figure 2.24: 2004 Lee Act Job Creation ONLY

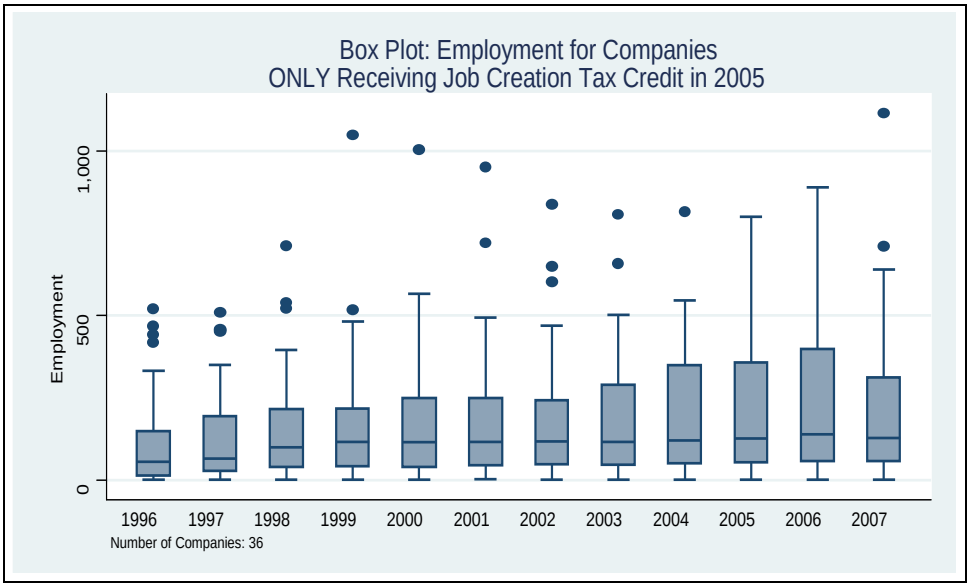




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	80	99	116	125	136	149	156	162	165	167	172
Median	43	61	78	91	103	104	108	105	112	101	94
Min	1	3	0	0	1	7	8	10	10	11	1
Max	468	521	521	517	496	510	603	658	616	683	702

Figure 2.25: 2005 Lee Act Job Creation ONLY



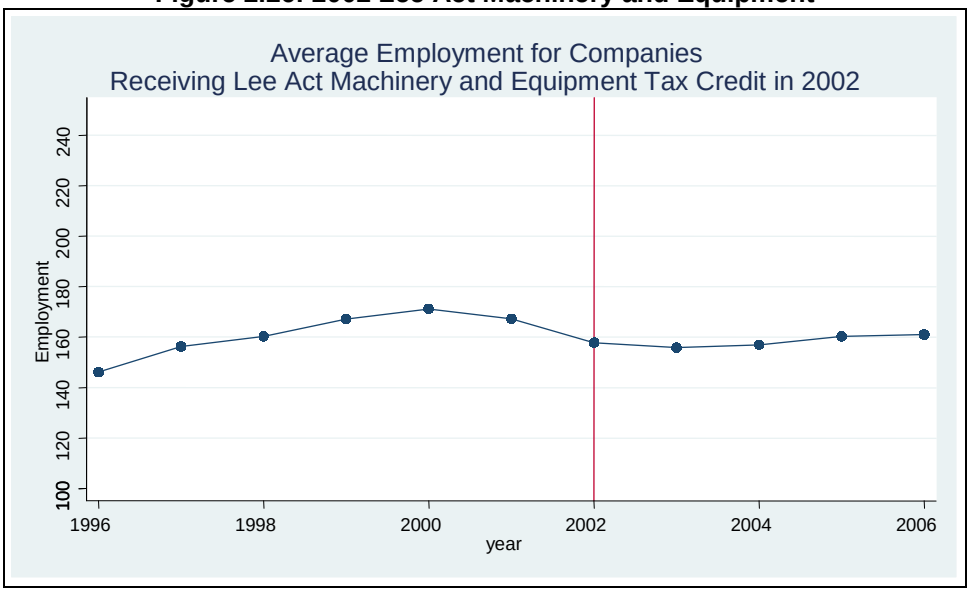


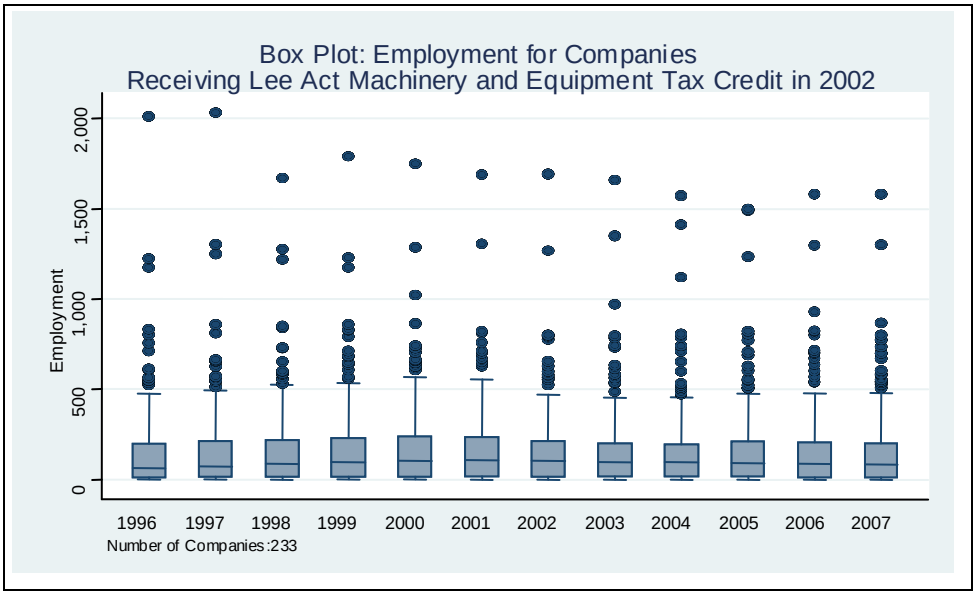
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	114	133	157	170	181	188	192	194	200	207	225
Median	56	66	99	116	114	116	117	116	120	125	138
Min	1	1	2	1	2	2	2	1	1	1	1
Max	520	508	712	1048	1004	952	838	807	816	799	889

Single Location: Lee Act Machinery and Equipment Credits

A similar analysis is presented for machinery and equipment tax credits. This analysis begins by examining the average employment for companies receiving the machinery and equipment tax credit in conjunction with other credits for each year from 2002 to 2005. An analysis for each year follows. Each yearly analysis includes 1) an average annual employment analysis, 2) a box plot graph, and 3) a table with mean, median, minimum, and maximum employment levels to assist in accounting for outliers.

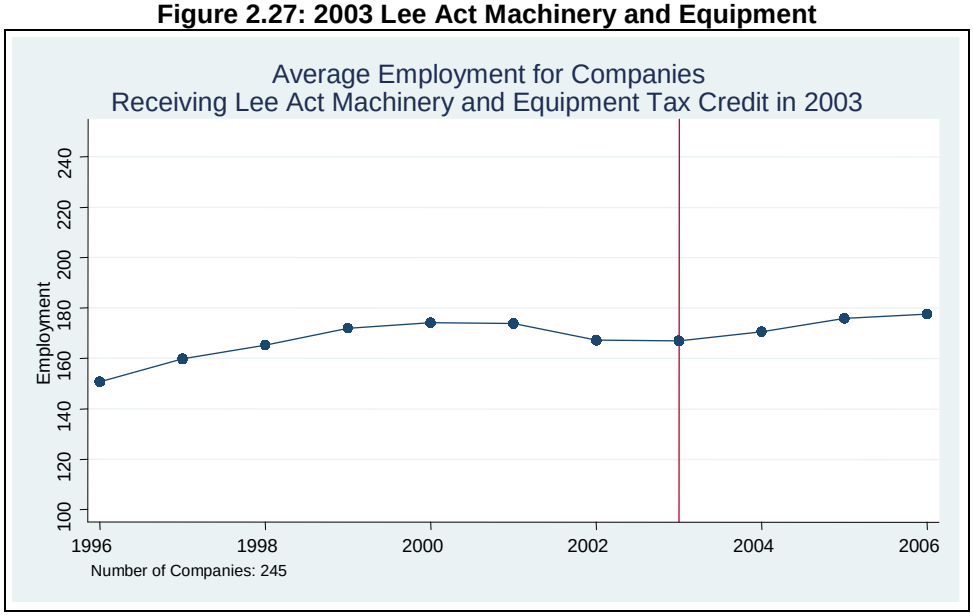
Figure 2.26: 2002 Lee Act Machinery and Equipment

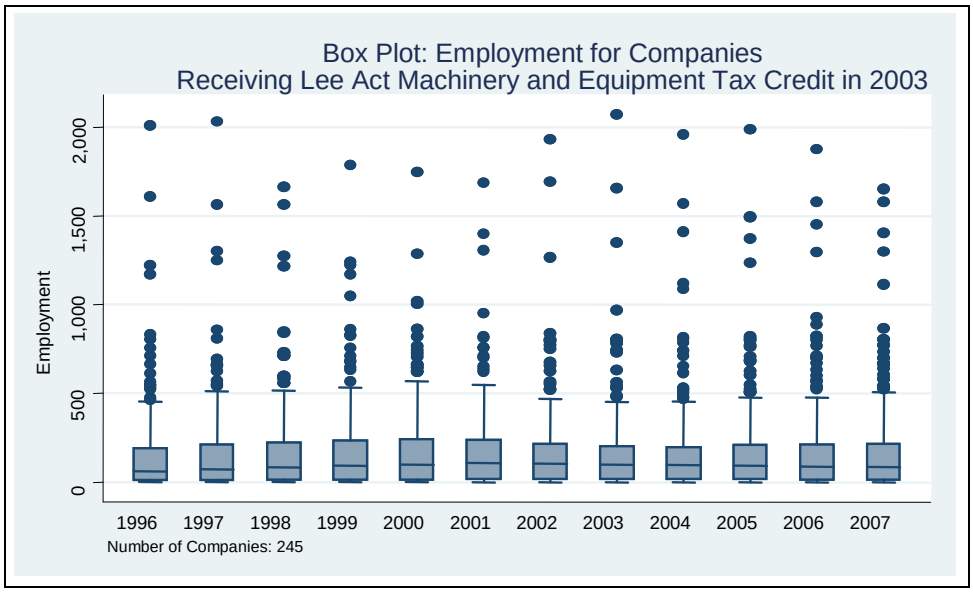




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	146	156	161	167	171	167	158	156	157	160	161
Median	64	75	87	97	105	108	105	98	98	93	87
Min	1	1	0	1	1	0	0	0	0	0	0
Max	2011	2032	1666	1788	1747	1688	1690	1657	1572	1496	1580

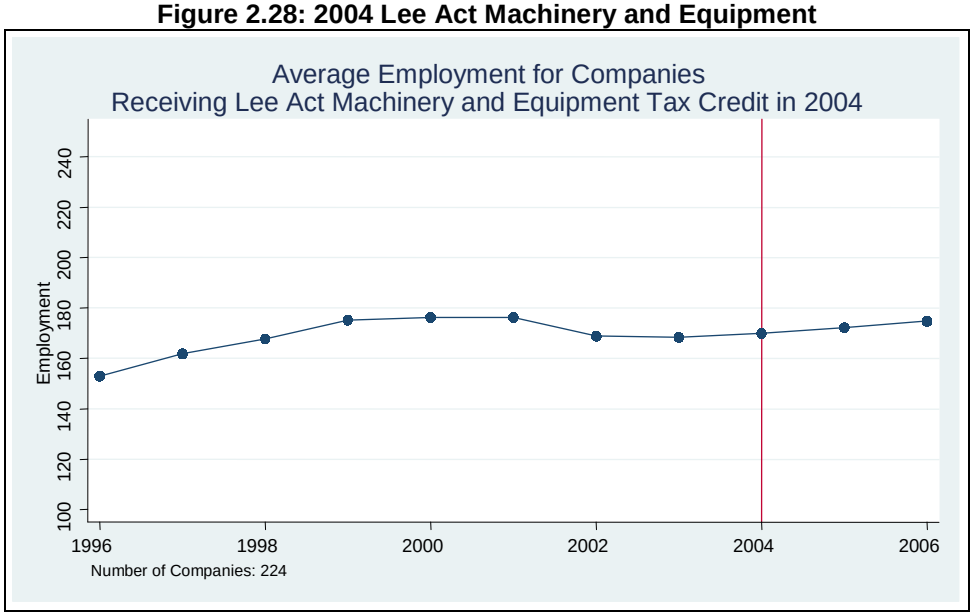
Figure 2.27: 2003 Lee Act Machinery and Equipment

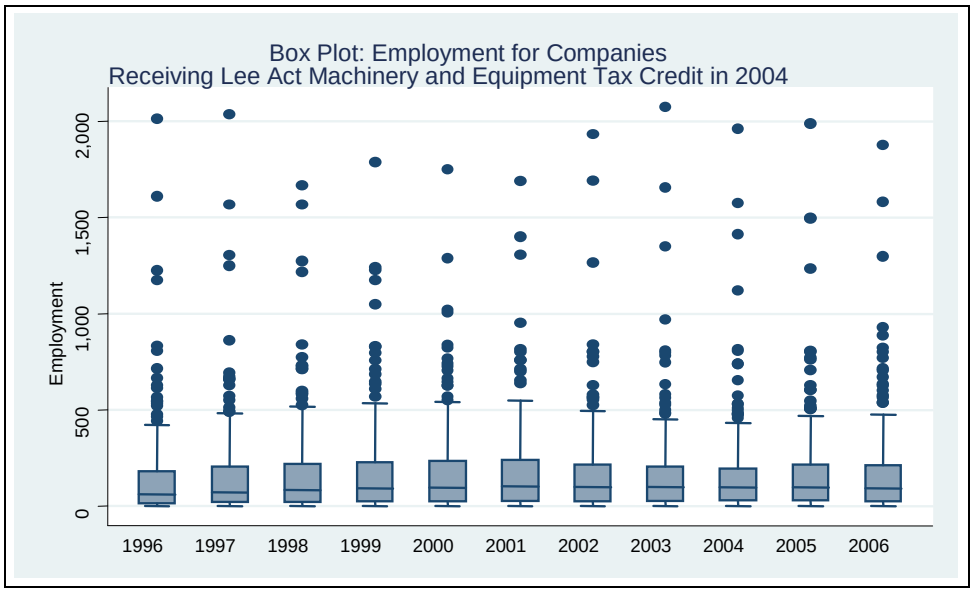




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	151	160	165	172	174	174	167	167	171	176	176
Median	64	74	84	95	101	108	106	99	98	94	89
Min	1	1	1	1	1	0	0	0	0	0	0
Max	2011	2032	1666	1226	1747	1688	1931	2072	1961	1986	1875

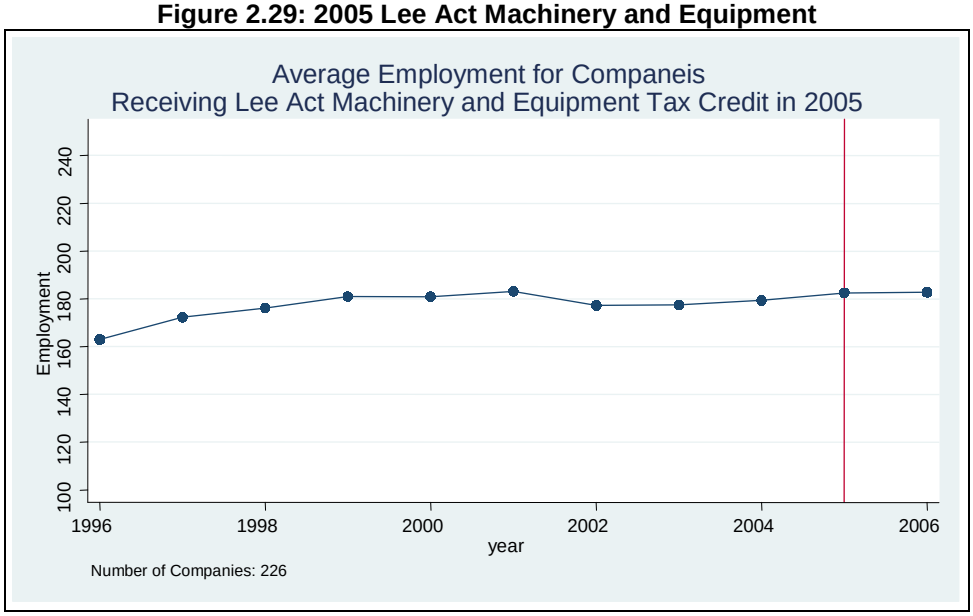
Figure 2.28: 2004 Lee Act Machinery and Equipment

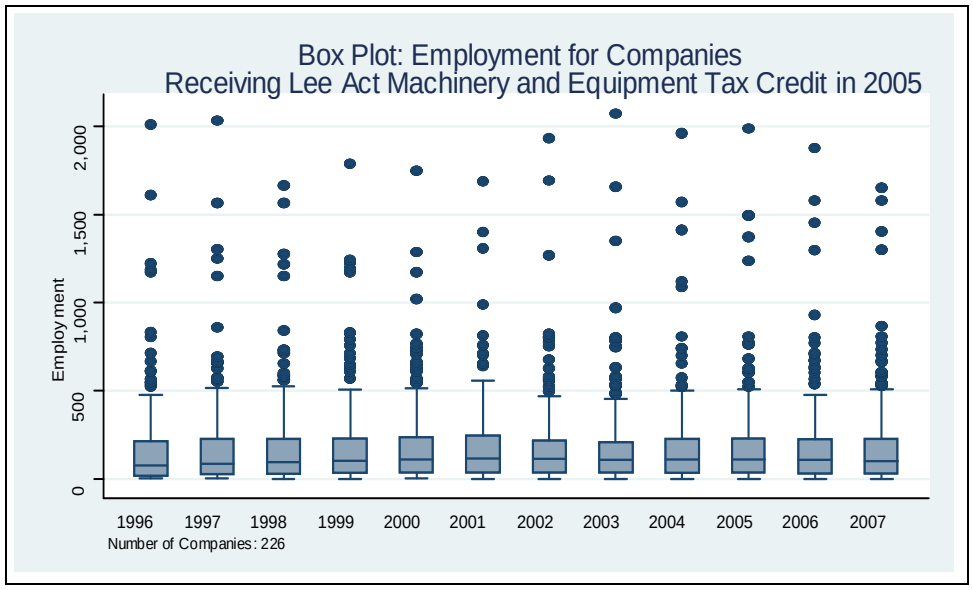




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	153	162	168	175	176	176	169	168	170	172	175
Median	62	72	84	95	97	104	100	100	99	98	93
Min	0	2	1	1	1	0	0	0	0	0	0
Max	2011	2032	1666	1788	1747	1688	1931	2071	1961	1986	1875

Figure 2.29: 2005 Lee Act Machinery and Equipment



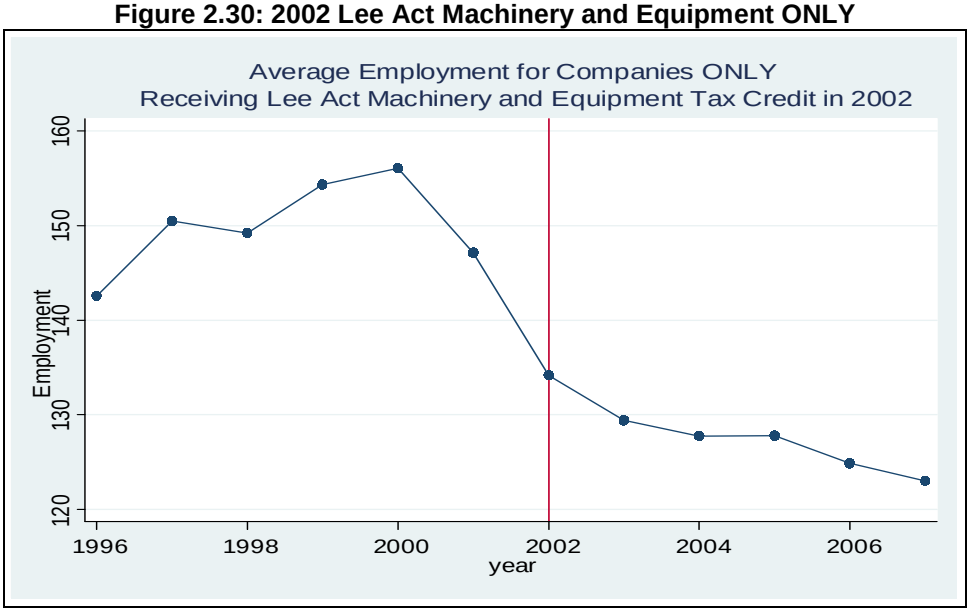


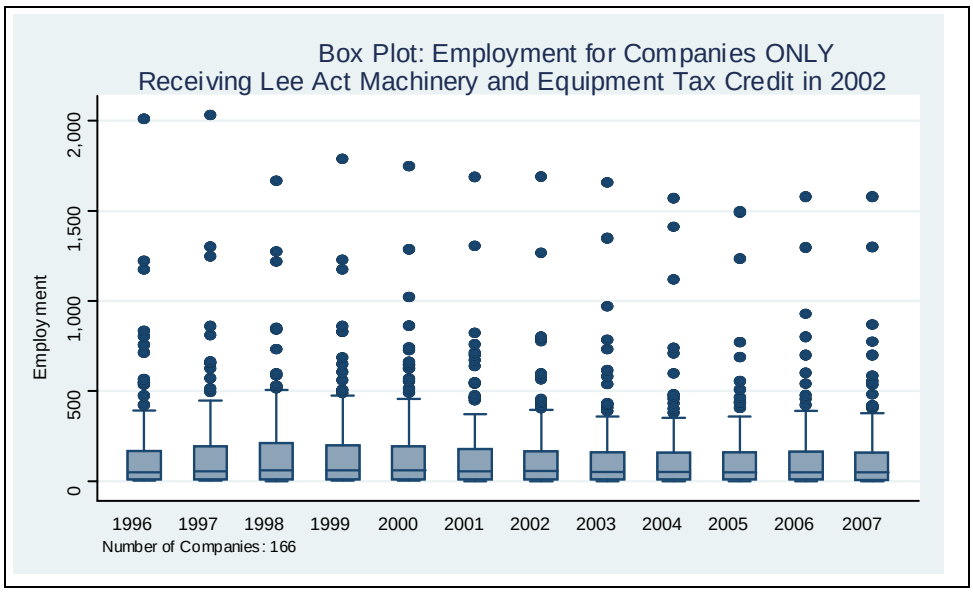
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	163	172	176	181	181	183	177	177	179	182	183
Median	76	85	93	101	110	115	113	108	109	110	108
Min	1	1	0	0	1	0	0	0	0	0	0
Max	1223	1301	1666	1788	1747	1688	1931	2072	1961	1986	1875

Next, to isolate the impact of the machinery and equipment tax credit, firms only receiving a job creation tax credit and no other tax credits were also examined. This information is presented in the same format, with each yearly analysis including 1) an average annual employment analysis, 2) a box plot graph, and 3) a table with mean, median, minimum, and maximum employment levels to assist in accounting for outliers.

Taken in conjunction with other tax credits, the M&E credit does not appear to increase average employment levels at all. Companies only taking the M&E tax credit demonstrate an employment loss in subsequent years, which may illustrate that companies taking the M&E credit are more susceptible to economic downturns or that these companies are engaging in capitalization or automation—the substitution of labor with capital (i.e., machinery and equipment).

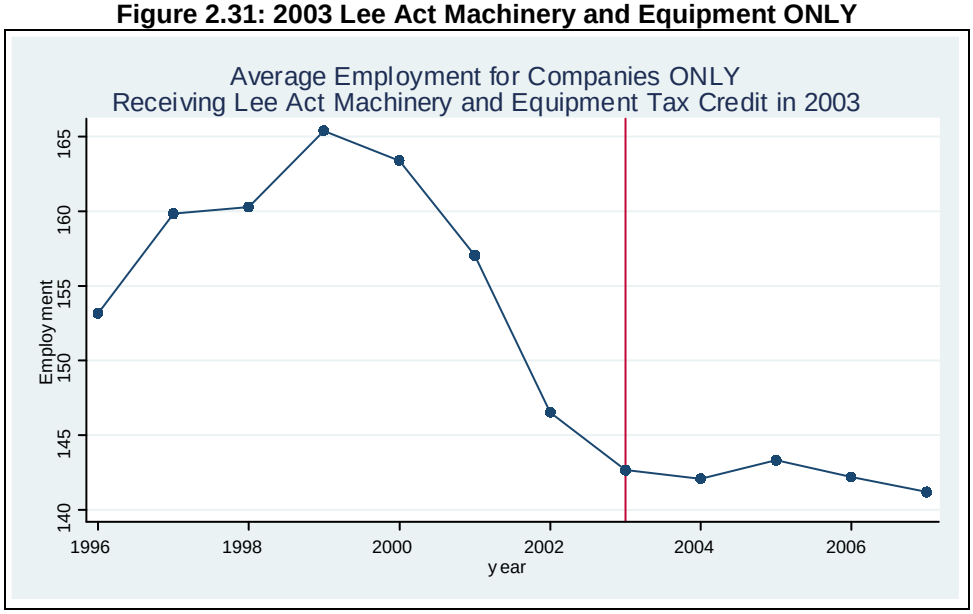
Figure 2.30: 2002 Lee Act Machinery and Equipment ONLY

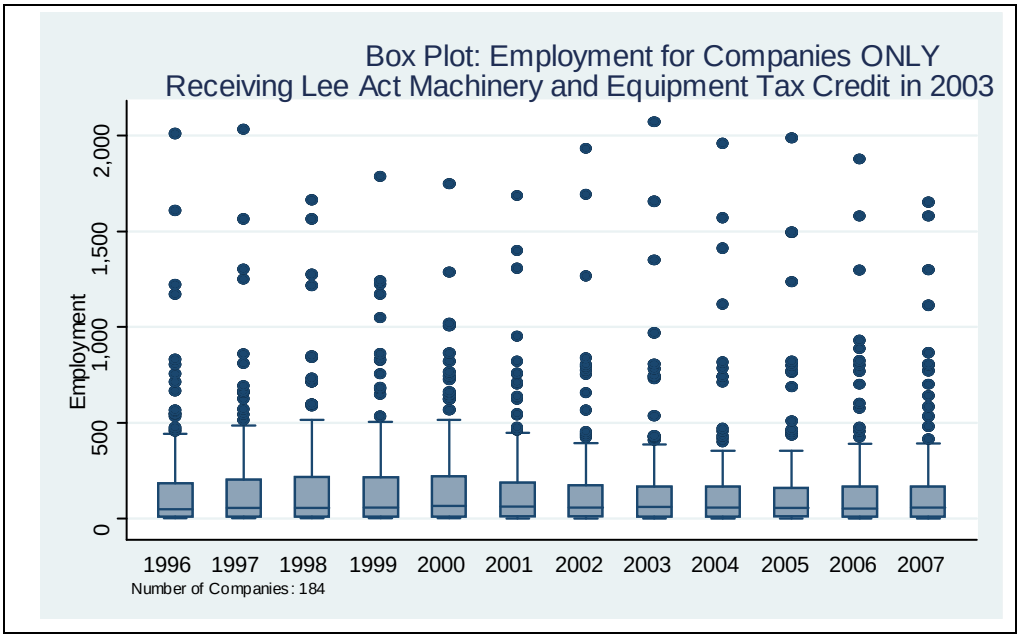




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	143	150	149	154	156	147	134	129	128	128	125
Median	50	54	58	59	58	53	55	52	50	48	49
Min	1	2	0	1	1	0	0	0	0	0	0
Max	2011	2032	1666	1788	1747	1688	1690	1657	1572	1496	1580

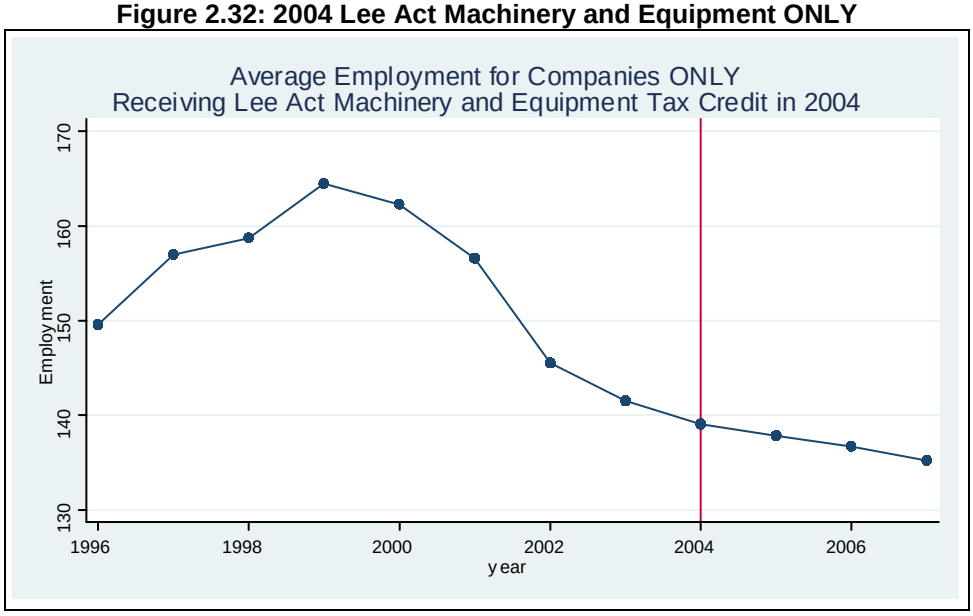
Figure 2.31: 2003 Lee Act Machinery and Equipment ONLY

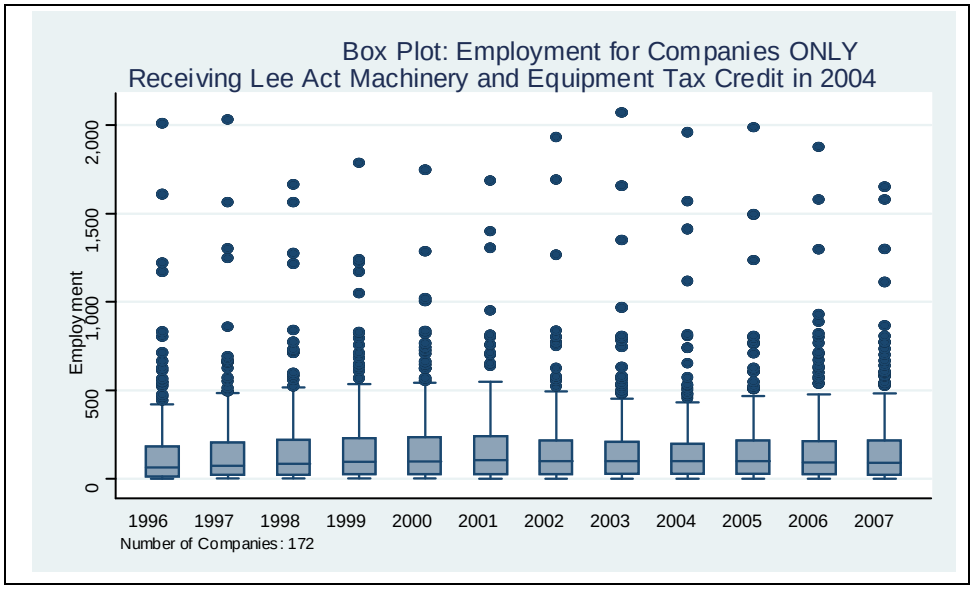




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	153	160	160	165	163	157	147	142	142	143	142
Median	50	55	56	58	64	62	58	59	57	56	53
Min	1	1	1	1	1	0	0	0	0	0	0
Max	2011	2032	1666	1788	1747	1688	1931	2072	1961	1986	1876

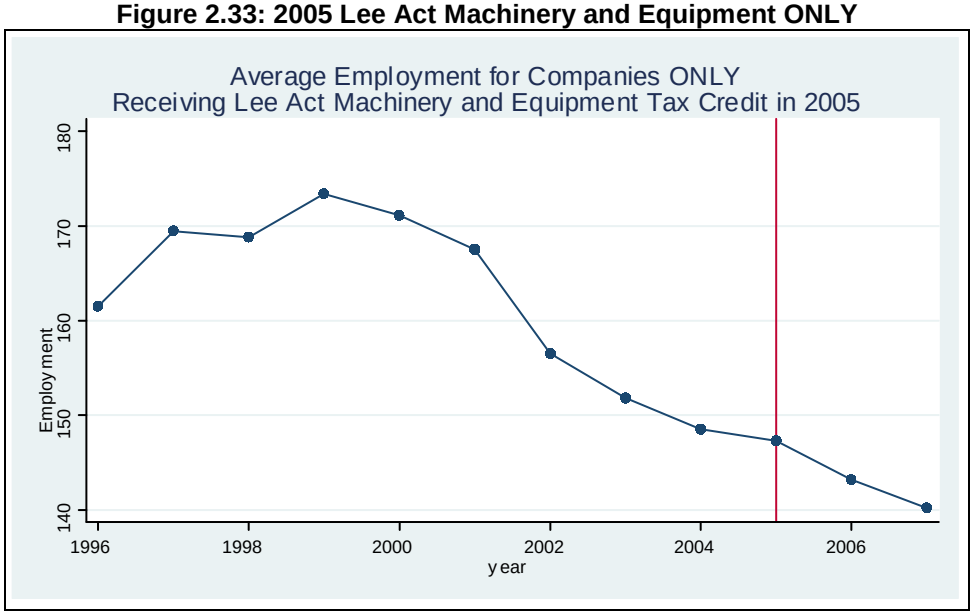
Figure 2.32: 2004 Lee Act Machinery and Equipment ONLY

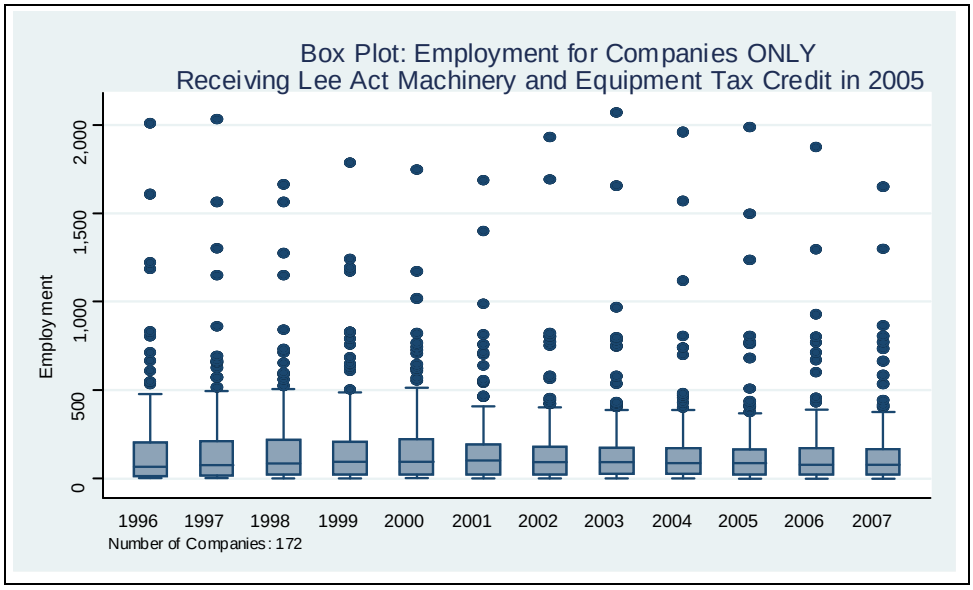




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	150	160	159	164	162	157	146	142	139	138	137
Median	56	63	72	76	79	73	72	72	75	72	61
Min	0	2	1	1	1	0	0	0	0	0	0
Max	2011	2032	1666	1788	1747	1688	1931	2072	1961	1986	1875

Figure 2.33: 2005 Lee Act Machinery and Equipment ONLY



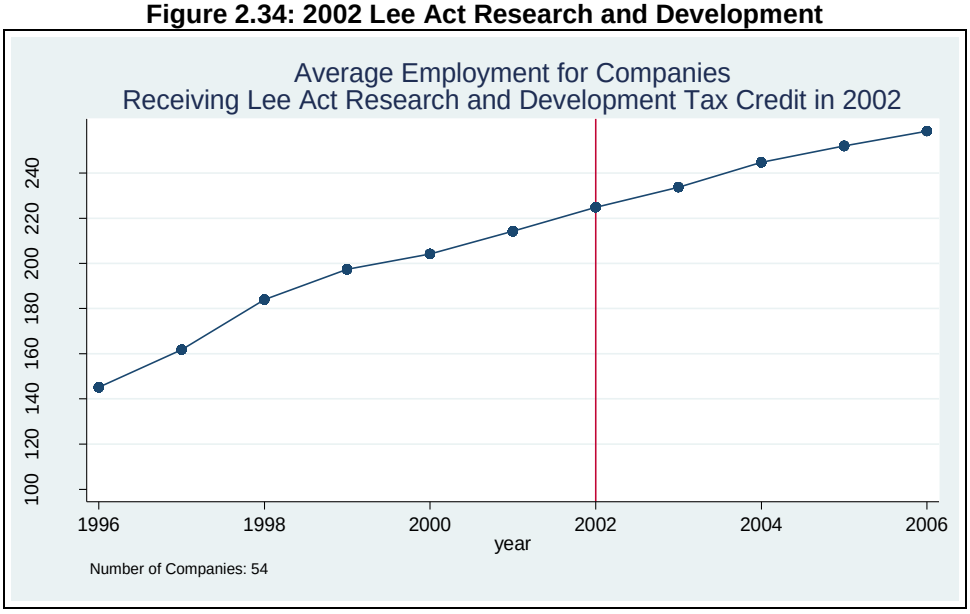


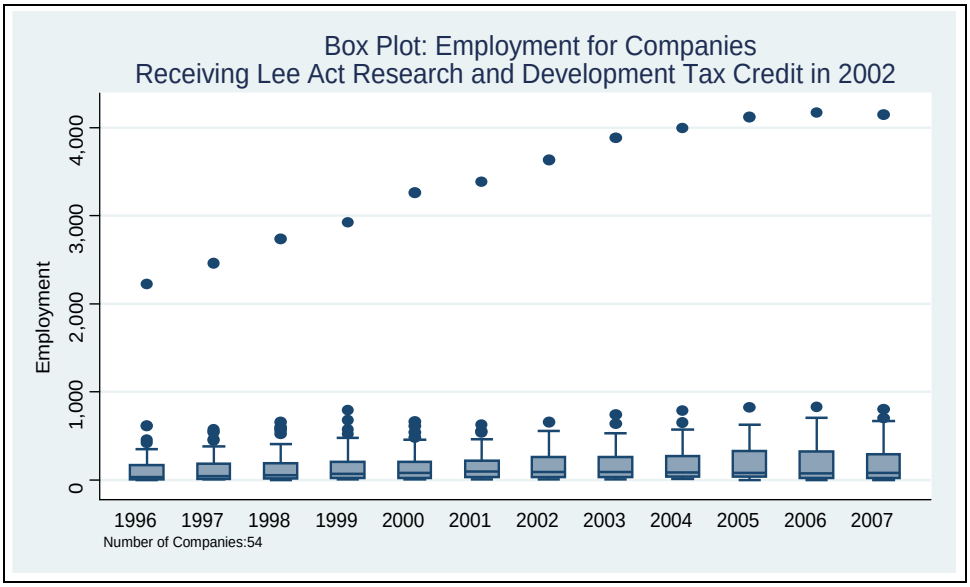
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	161	169	169	173	171	168	157	152	149	147	143
Median	66	75	84	93	95	101	93	91	87	86	79
Min	1	2	0	0	1	0	0	0	0	0	0
Max	2011	2032	1666	1788	1747	1688	1931	2072	1961	1986	1875

Single Location: Lee Act Research and Development Tax Credits

Companies receiving the research and development tax credit in conjunction with other credits for each year from 2002 to 2005 were also examined. An annual analysis for the research and development tax credit follows. Each yearly analysis includes 1) an average annual employment analysis, 2) a box plot graph, and 3) a table with mean, median, minimum, and maximum employment levels to assist in accounting for outliers. An examination of research and development tax credits reveals positive employment growth for companies taking an R&D tax credit with other credits.

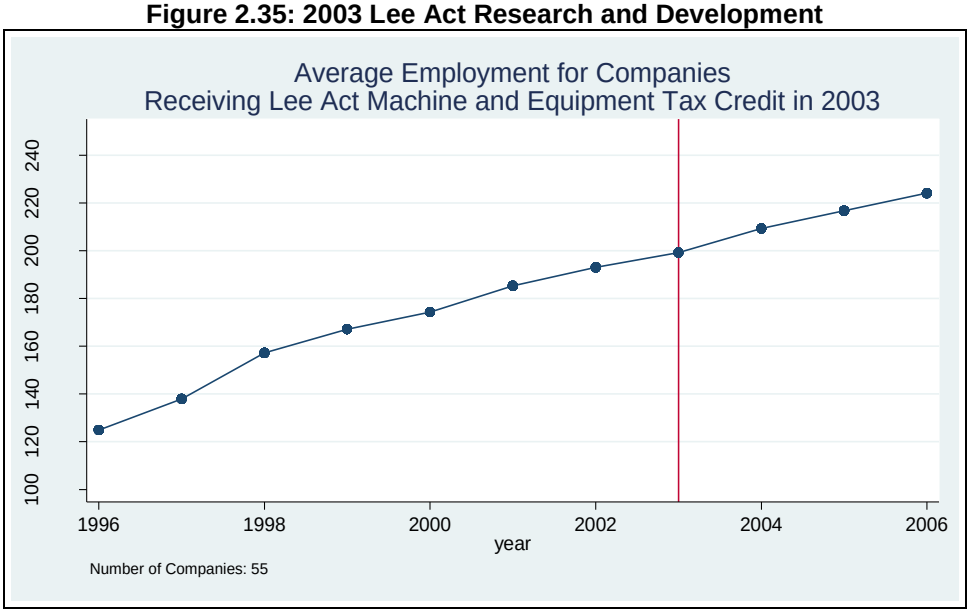
Figure 2.34: 2002 Lee Act Research and Development

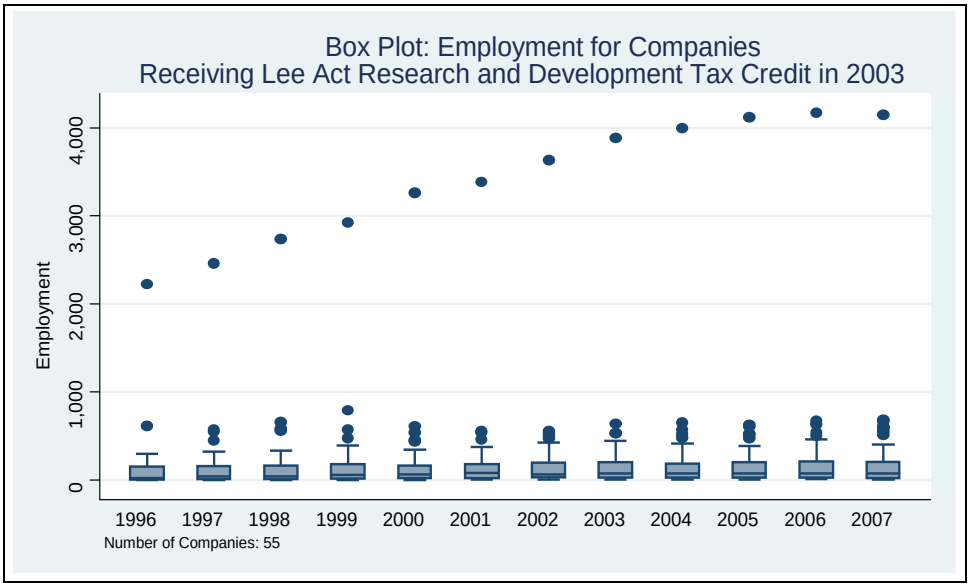




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	145	161	184	197	204	214	225	234	245	252	259
Median	29	39	53	68	80	93	91	87	84	79	75
Min	1	2	1	3	4	6	7	6. 6	8	0	1
Max	2220	2459	2735	2923	3263	3385	3633	3882	3994	4118	4169

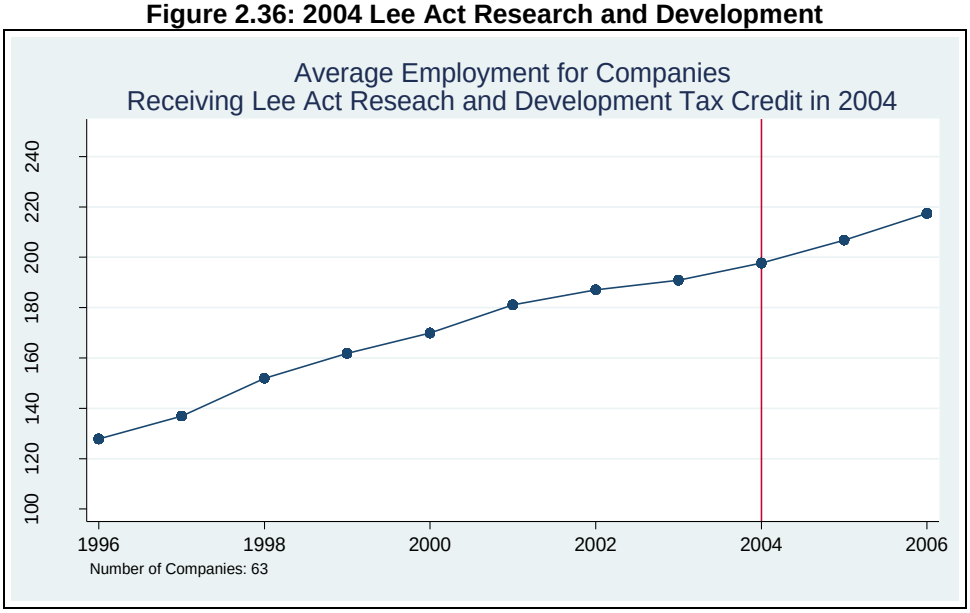
Figure 2.35: 2003 Lee Act Research and Development

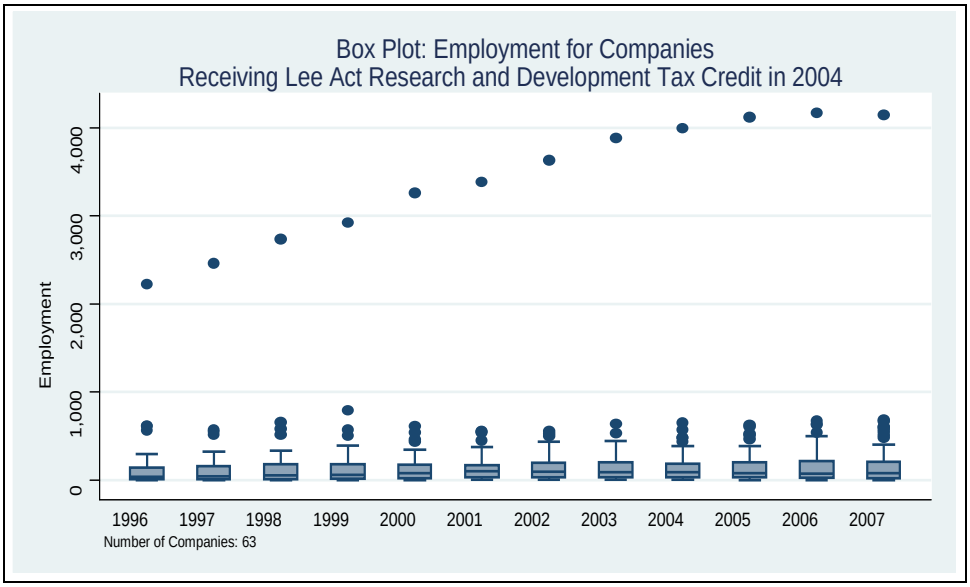




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	125	138	157	167	174	185	193	199	209	218	224
Median	22	39	41	59	61	81	62	71	71	75	75
Min	1	1	1	1	1	2	2	3	6	7	7
Max	2220	2459	2735	2923	3263	3385	3634	3882	3994	4118	4169

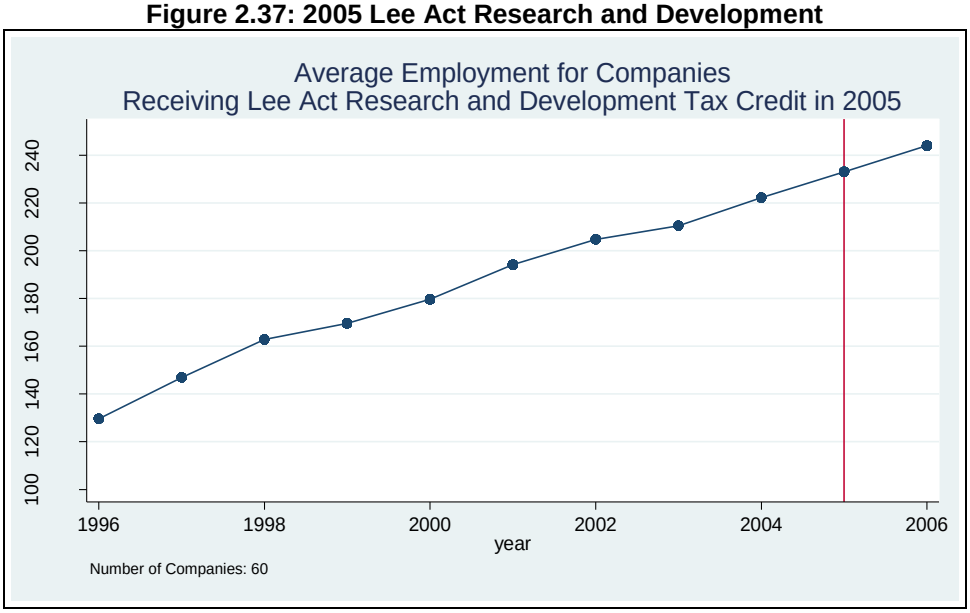
Figure 2.36: 2004 Lee Act Research and Development

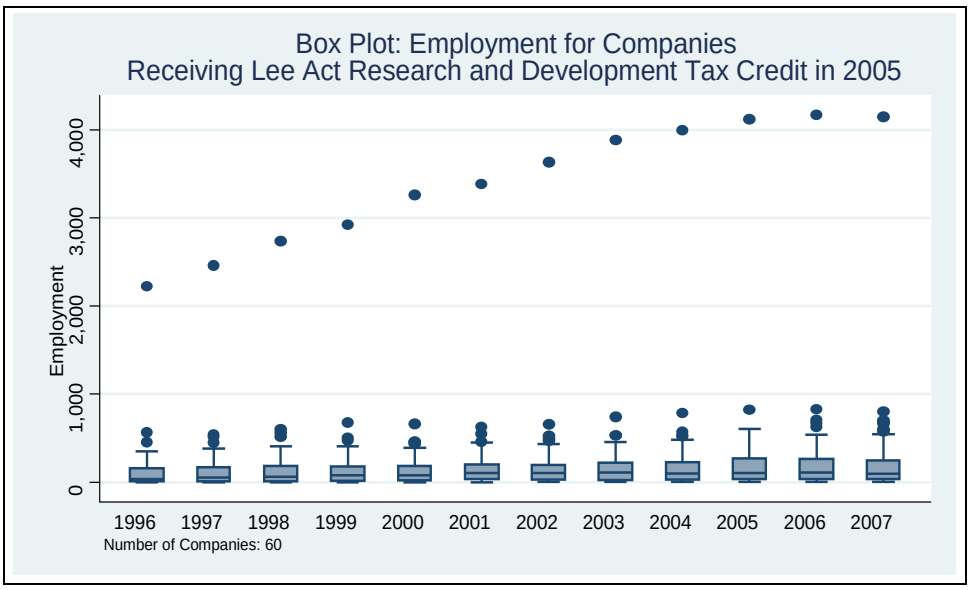




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	128	136	152	162	170	181	187	191	198	207	217
Median	34	39	52	59	77	97	93	88	88	79	76
Min	1	1	1	1	1	2	2	3	6	0	1
Max	2220	2460	2735	2923	607	3385	3634	3882	3994	4118	4169

Figure 2.37: 2005 Lee Act Research and Development

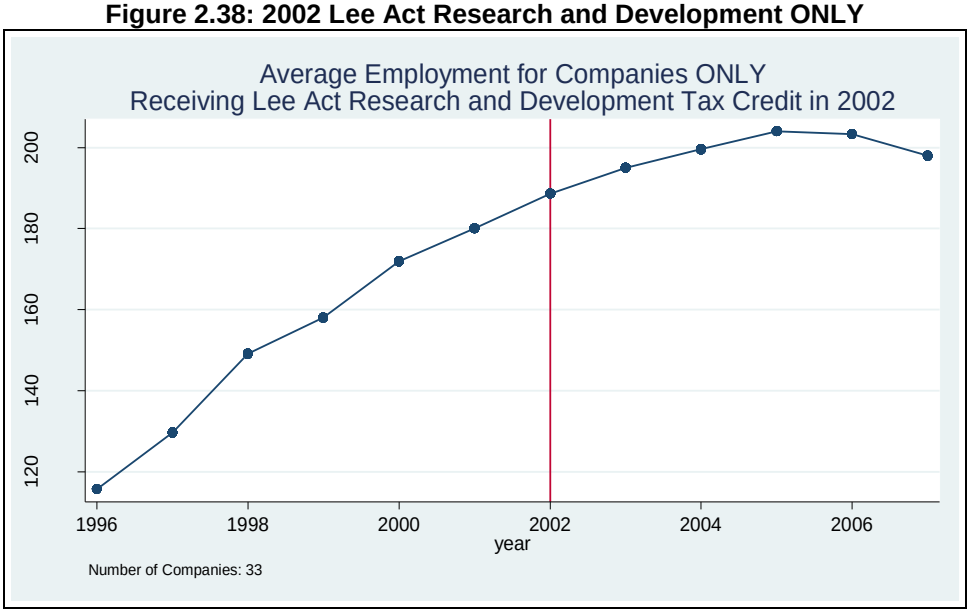


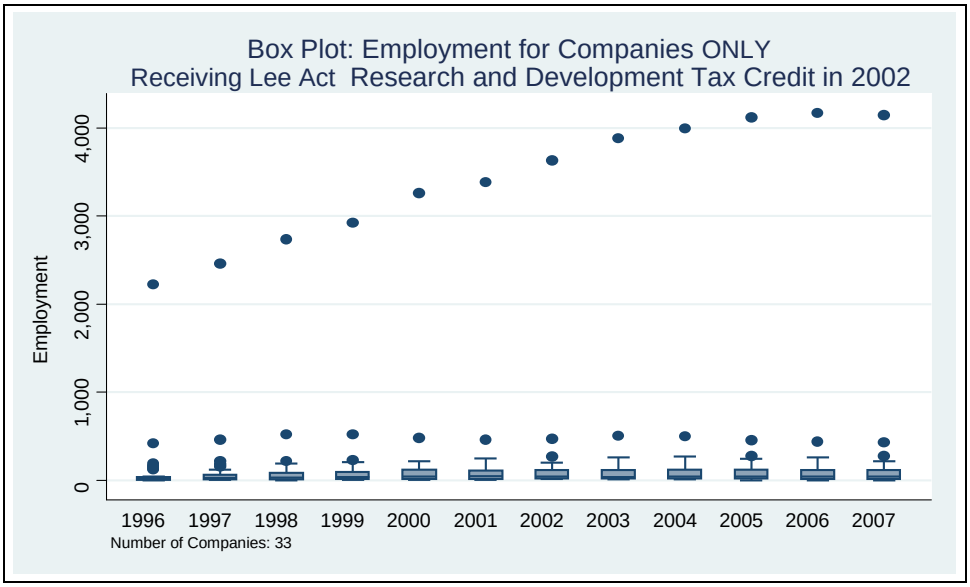


	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	130	147	163	170	180	194	205	211	222	233	244
Median	36	50	64	71	80	107	106	108	102	102	108
Min	0	1	1	1	1	1	2	3	6	7	7
Max	2220	2459	2735	2923	3263	3385	3634	3882	3994	4118	4169

Next, to isolate the impact of the research and development tax credit, firms only receiving a research and development tax credit and no other tax credits were also examined. This information is presented in the same format with each yearly analysis including 1) an average annual employment analysis, 2) a box plot graph, and 3) a table with mean, median, minimum, and maximum employment levels to assist in accounting for outliers. This analysis confirms that, in most years, the research and development tax credit is positively associated with firms that are adding jobs post incentive.

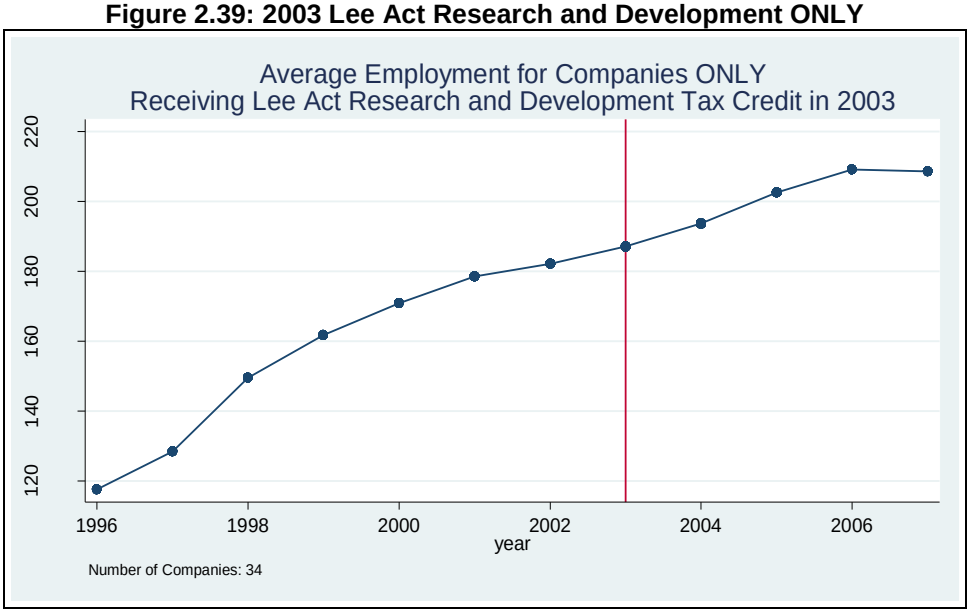
Figure 2.38: 2002 Lee Act Research and Development ONLY

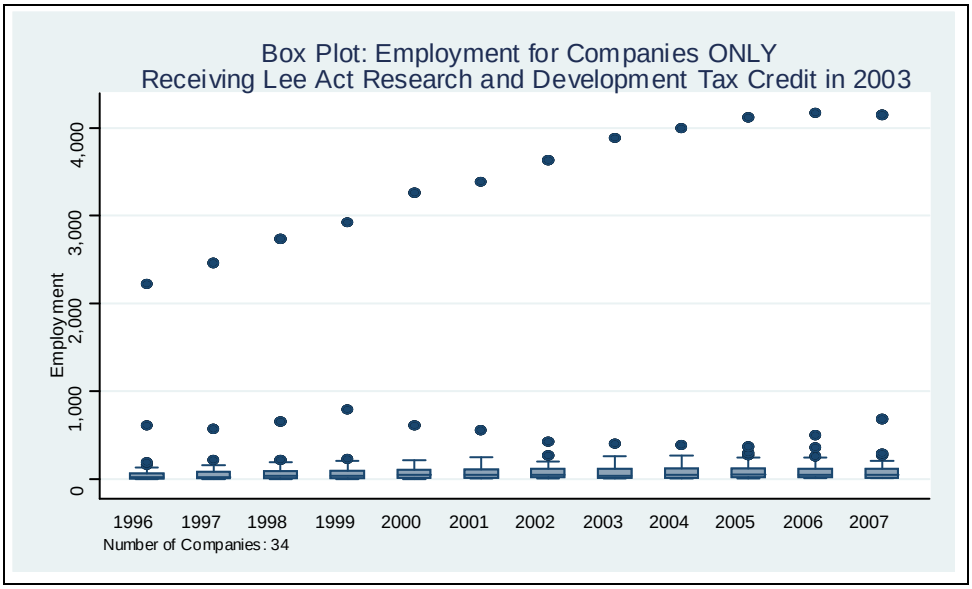




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	116	130	149	158	172	180	189	195	200	204	203
Median	21	23	33	37	40	47	43	35	40	41	42
Min	1	2	1	3	5	6	12	11	8	0	1
Max	2220	2459	2735	2923	3263	3385	3634	3882	3994	4118	4169

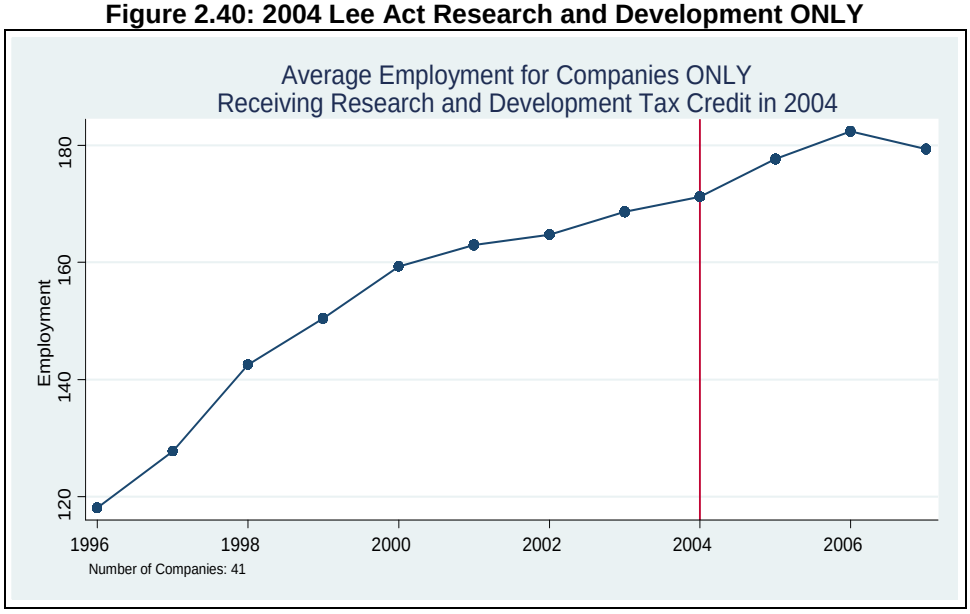
Figure 2.39: 2003 Lee Act Research and Development ONLY

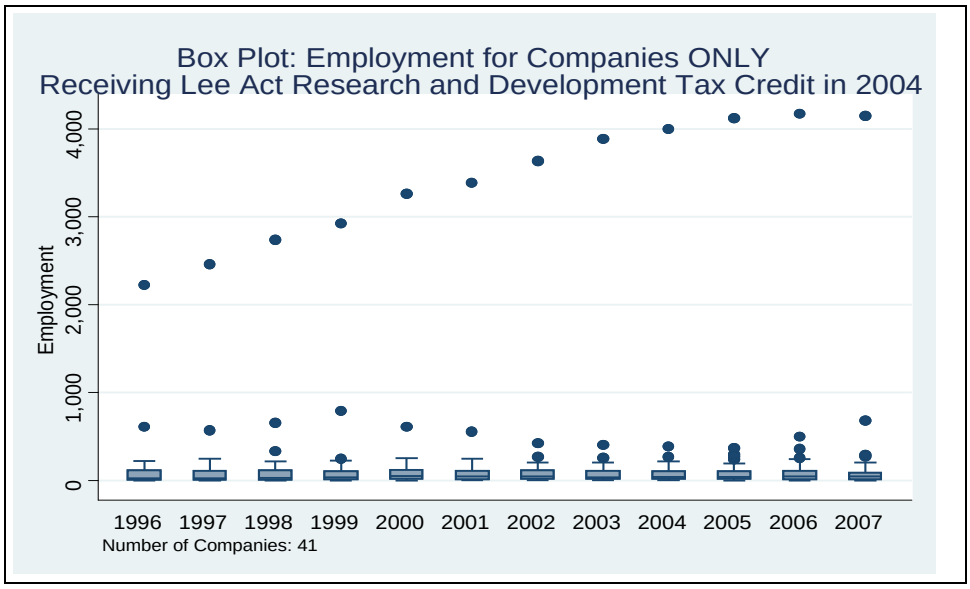




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	117	129	150	162	171	179	182	187	193	203	209
Median	18	21	34	38	49	46	46	36	47	53	45
Min	1	1	1	1	1	2	2	3	6	7	7
Max	2220	2459	2735	2923	3263	3386	3634	3882	3994	4118	4169

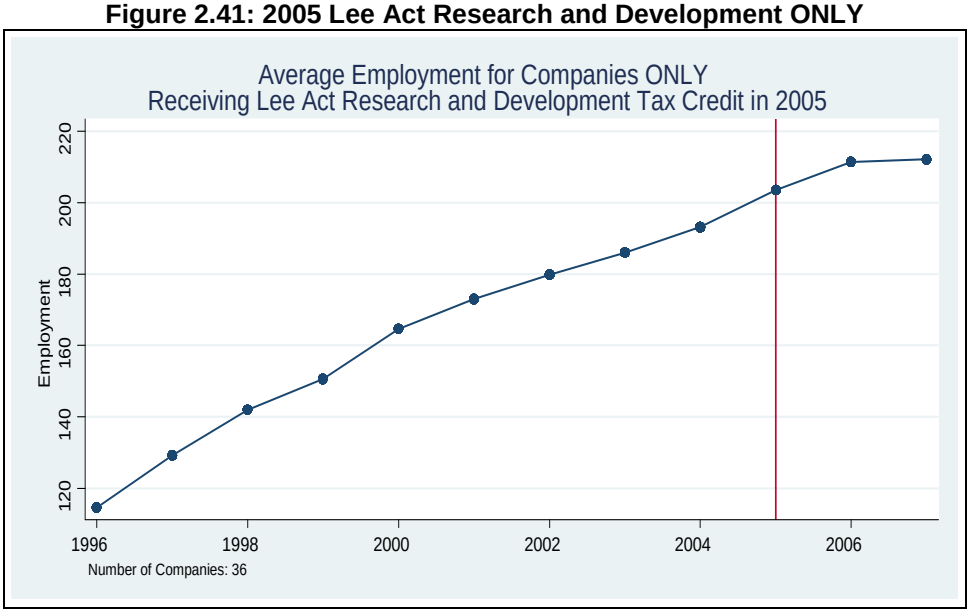
Figure 2.40: 2004 Lee Act Research and Development ONLY

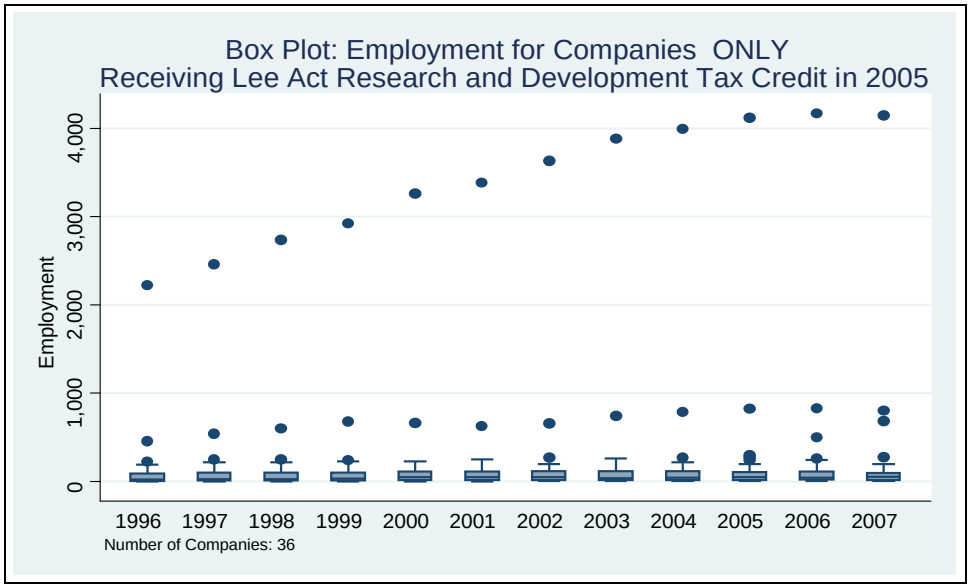




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	118	128	143	150	159	163	165	169	172	178	182
Median	24	27	33	37	52	47	49	36	41	44	44
Min	1	1	1	1	1	2	2	3	6	0	1
Max	2220	2459	218	2923	3263	3385	3633	3881	3994	4118	4169

Figure 2.41: 2005 Lee Act Research and Development ONLY

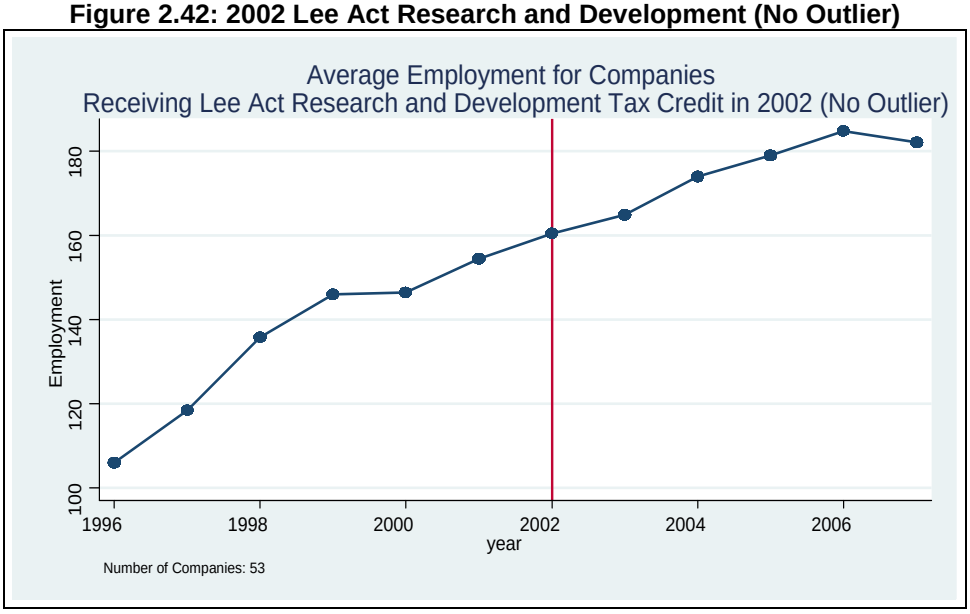


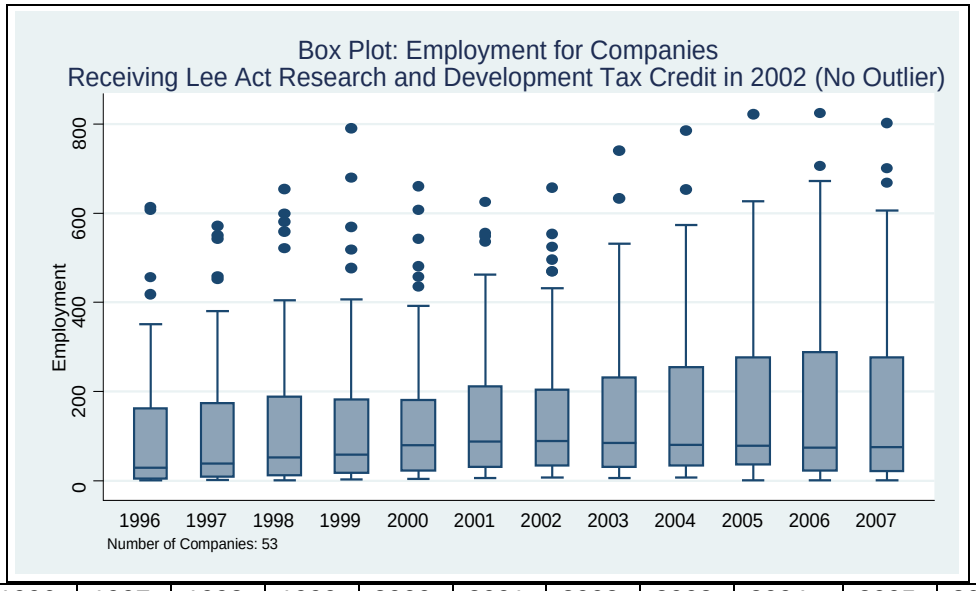


	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	115	129	142	151	165	173	180	186	193	204	211
Median	19	23	25	30	46	46	46	35	43	46	44
Min	1	1	1	1	1	1	2	3	6	7	7
Max	2220	2459	2735	2923	3263	3385	3634	3882	3994	4118	4169

The presence of a larger employer taking the research and development tax credit represented an outlier and inflated the employment numbers of companies taking the research and development tax credit. This outlier was removed from the analysis to determine whether it influenced the employment performance of firms taking the credit. Even with the removal of an outlier, the research and development tax credit is still positively associated with firms adding jobs post-incentive. The subsequent figures show the following with the large outlier removed: 1) average annual employment analysis, 2) a box plot graph, and 3) a table with mean, median, minimum, and maximum employment levels for firms taking the research and development tax credit in conjunction with other credits, and for those taking it alone.

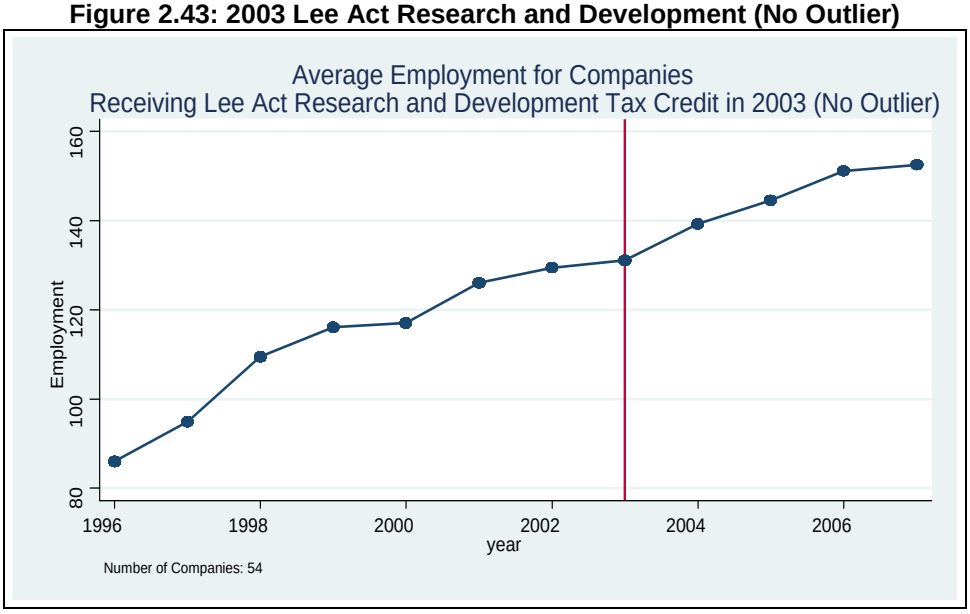
Figure 2.42: 2002 Lee Act Research and Development (No Outlier)

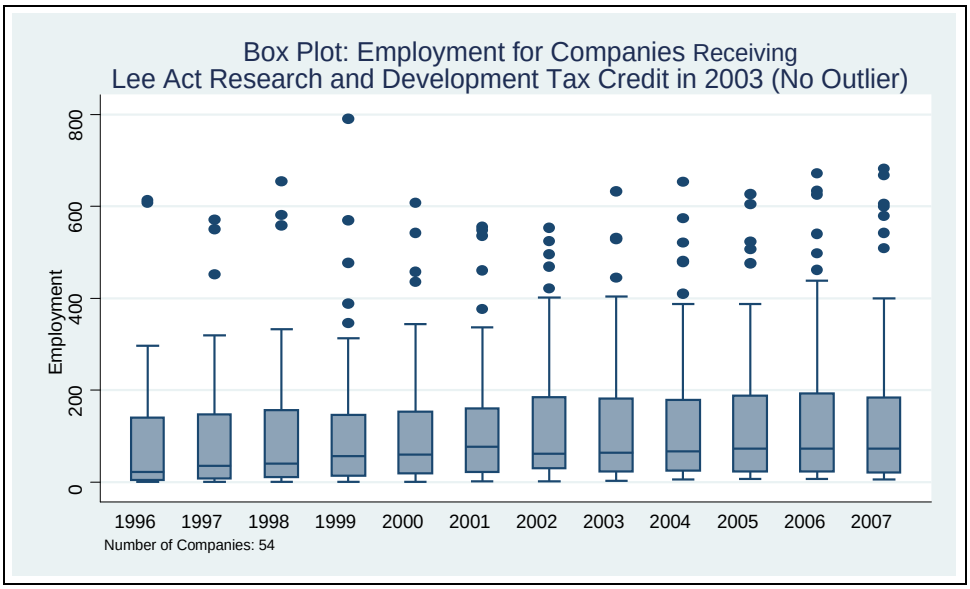




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	106	118	136	146	146	154	160	165	174	179	185
Median	29	39	52	59	80	88	89	85	80	78	75
Min	1	2	1	3	4	6	7	7	8	0	1
Max	613	571	654	790	660	624	657	740	785	822	824

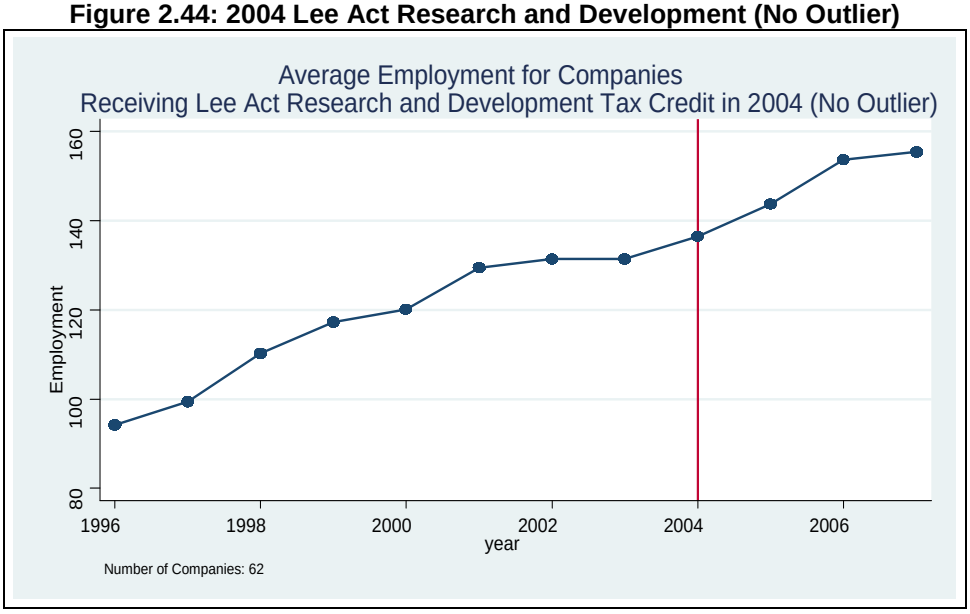
Figure 2.43: 2003 Lee Act Research and Development (No Outlier)

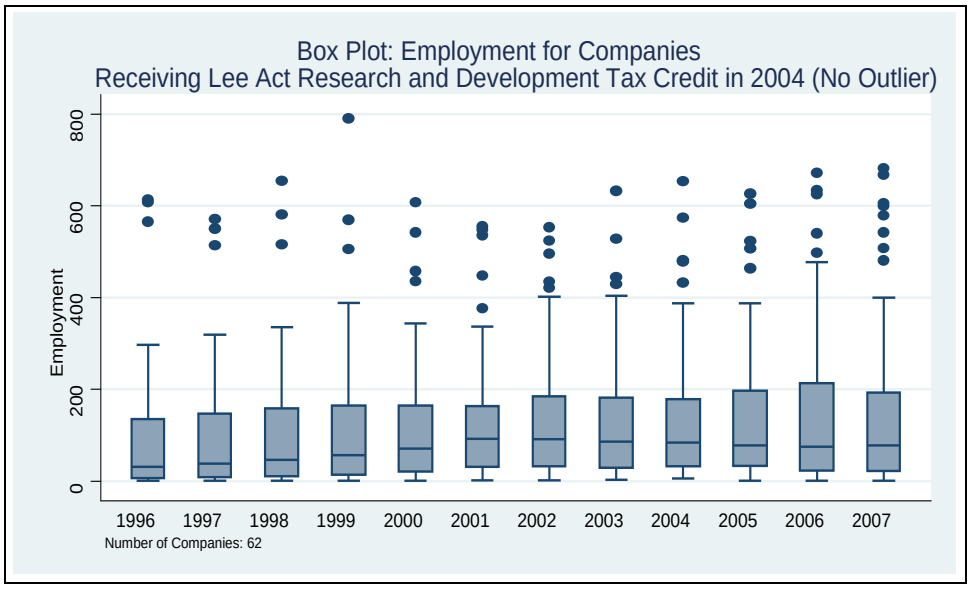




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	86	95	109	116	117	126	129	131	139	145	151
Median	22	36	41	57	59	77	62	64	67	73	73
Min	1	1	1	1	1	2	2	3	6	7	7
Max	613	571	654	790	607	555	553	633	653	627	672

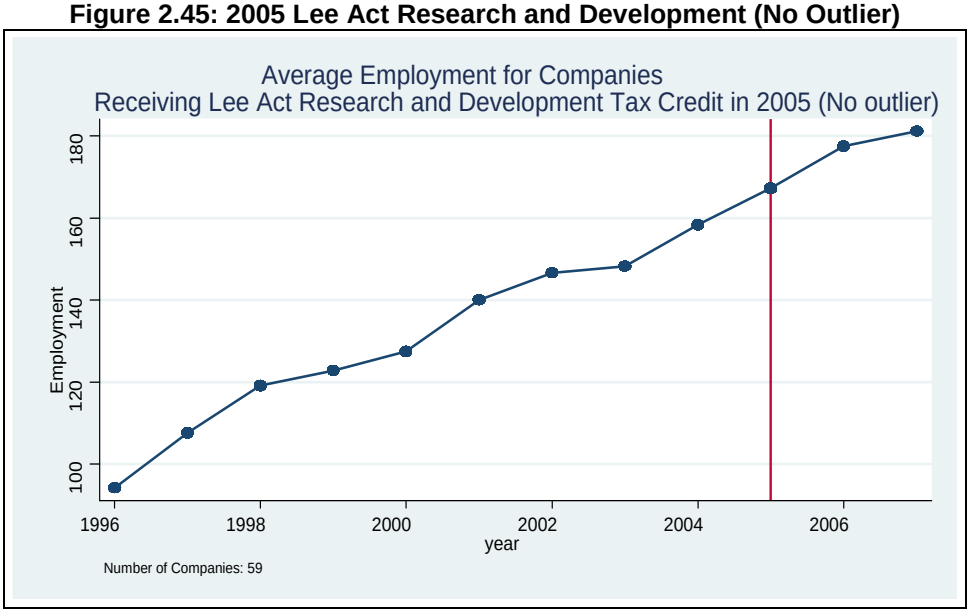
Figure 2.44: 2004 Lee Act Research and Development (No Outlier)

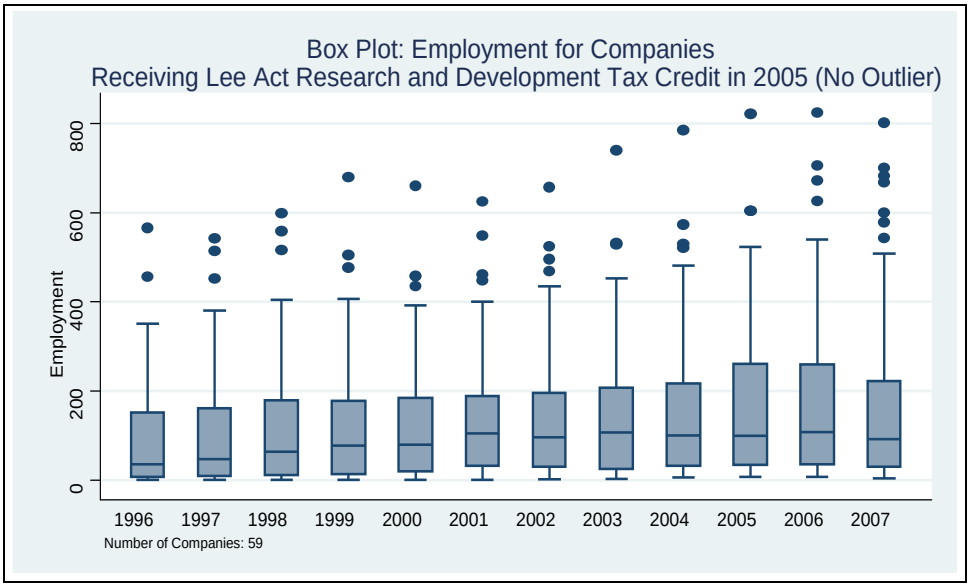




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	94	99	110	117	120	129	131	131	136	144	154
Median	32	39	46	57	71	93	91	87	84	79	75
Min	1	1	1	1	1	2	2	3	6	0	1
Max	613	571	554	790	607	555	553	633	653	627	672

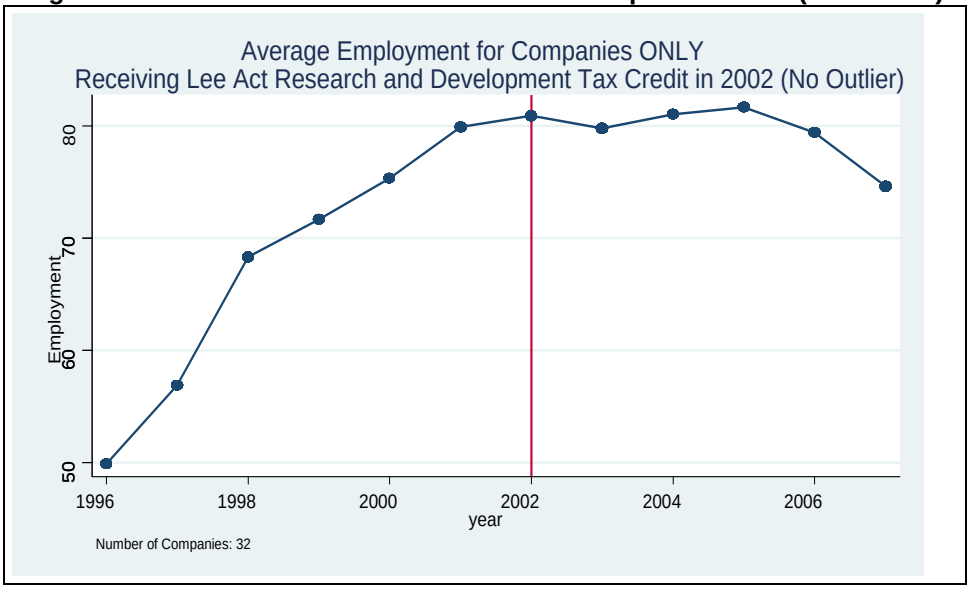
Figure 2.45: 2005 Lee Act Research and Development (No Outlier)

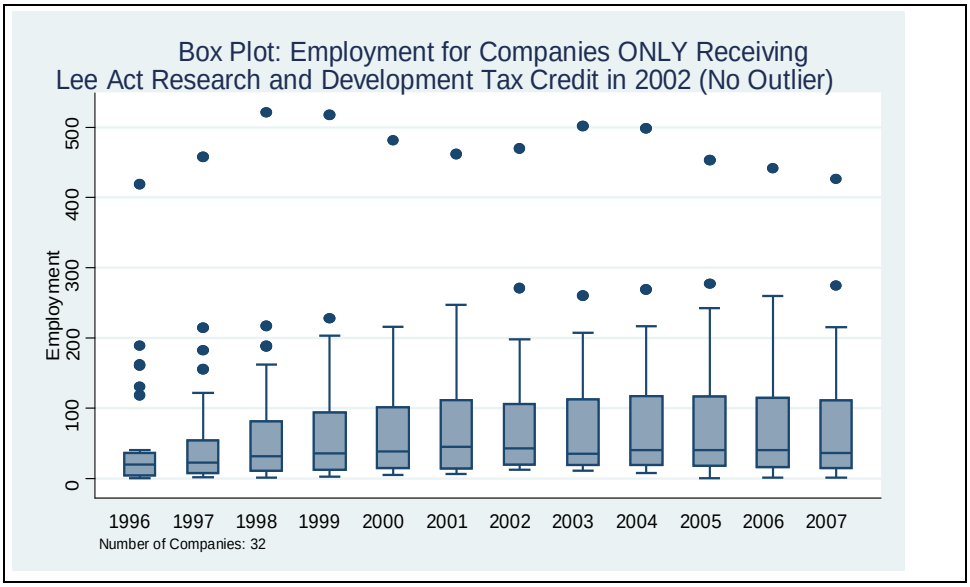




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	94	108	119	123	127	140	147	147	158	167	178
Median	35	47	63	71	80	104	96	107	101	100	108
Min	0	1	1	1	1	1	2	3	6	7	7
Max	566	542	599	679	660	624	657	740	785	822	824

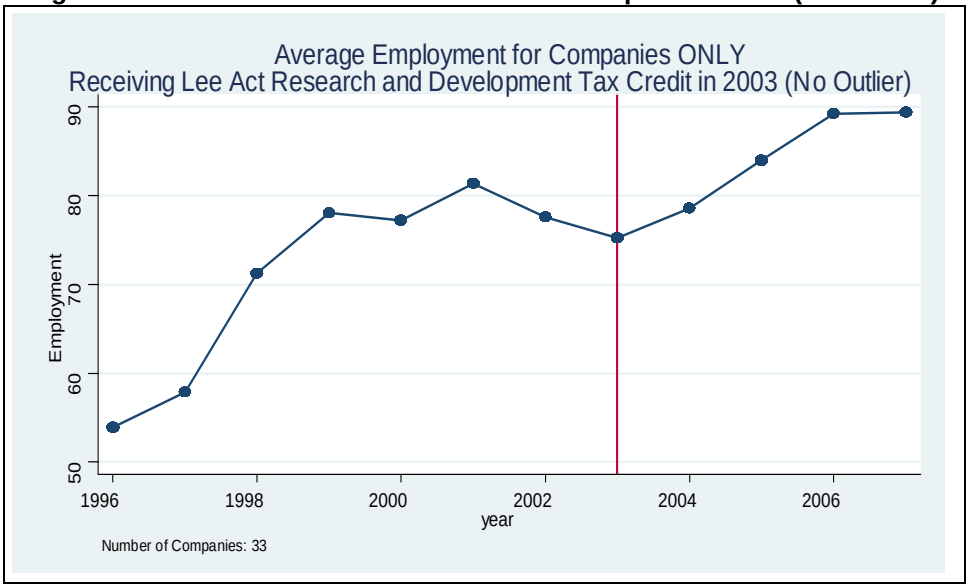
Figure 2.46: 2002 Lee Act Research and Development ONLY (No Outlier)

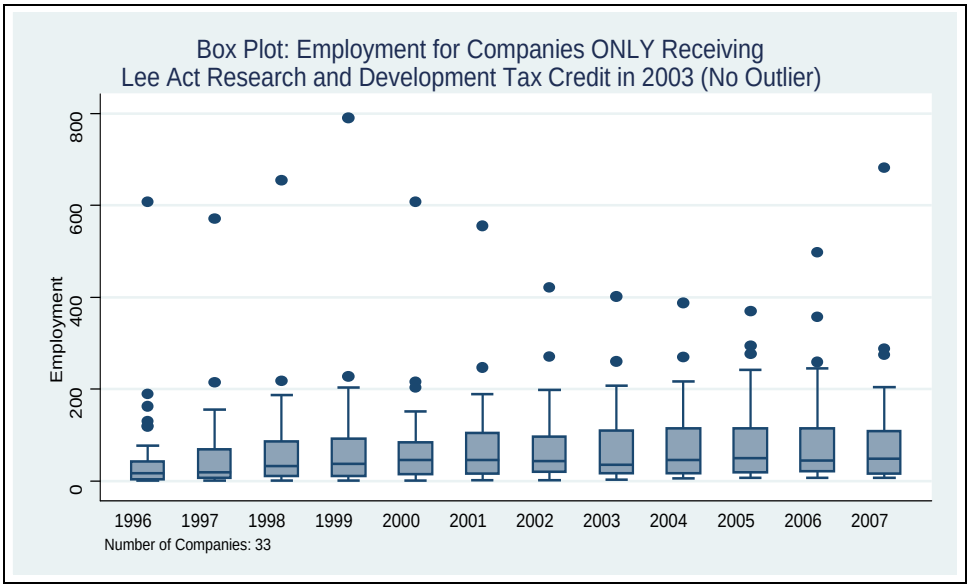




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	50	57	68	72	95	80	81	80	81	82	79
Median	20	22	32	36	39	45	43	35	40	40	41
Min	1	2	1	3	5	6	12	11	8	0	1
Max	410	458	521	517	481	462	479	502	498	453	441

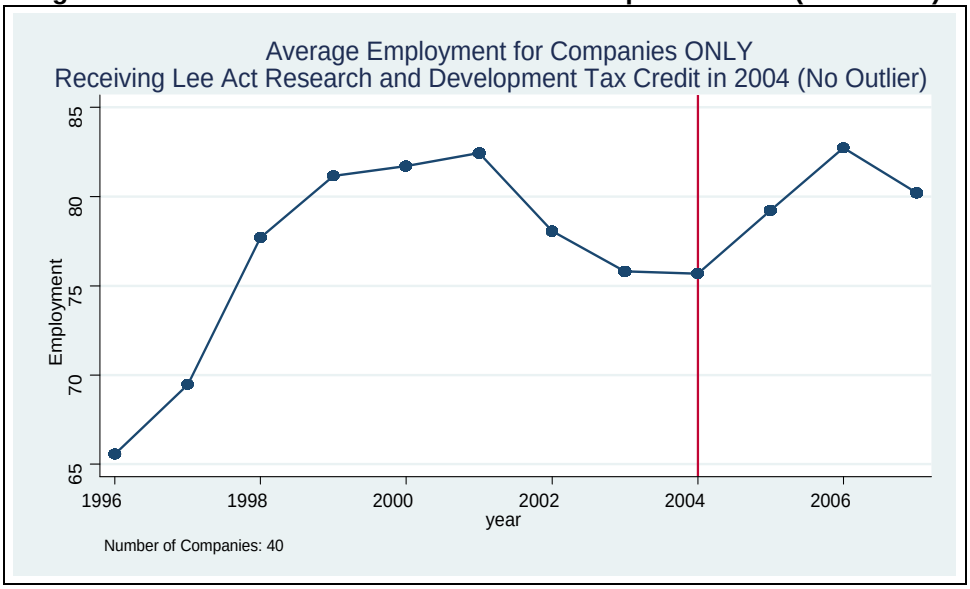
Figure 2.47: 2003 Lee Act Research and Development ONLY (No Outlier)

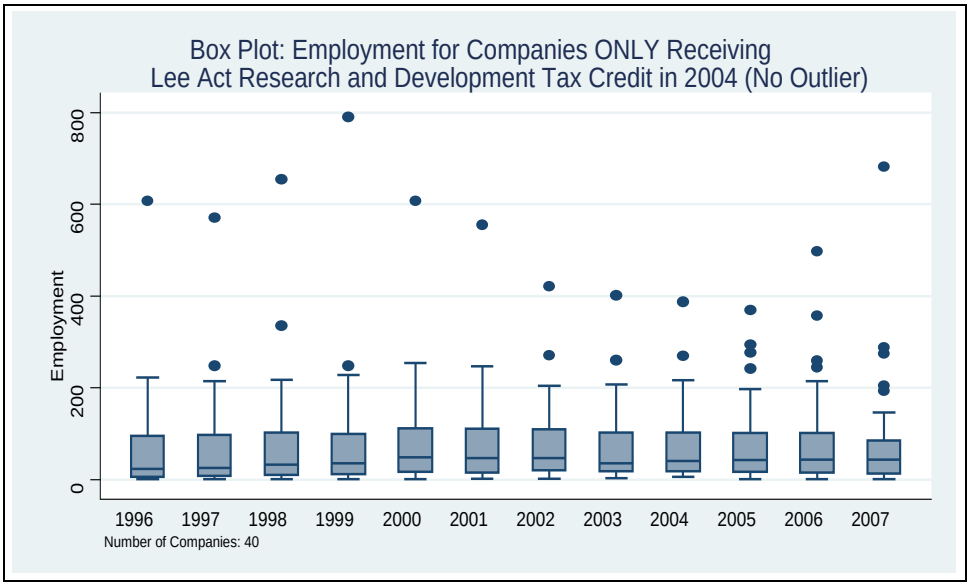




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	54	58	72	78	77	81	78	75	79	84	89
Median	18	19	33	37	46	45	44	36	45	50	44
Min	1	1	1	1	1	2	2	3	6	7	7
Max	607	571	654	790	607	555	421	402	388	369	498

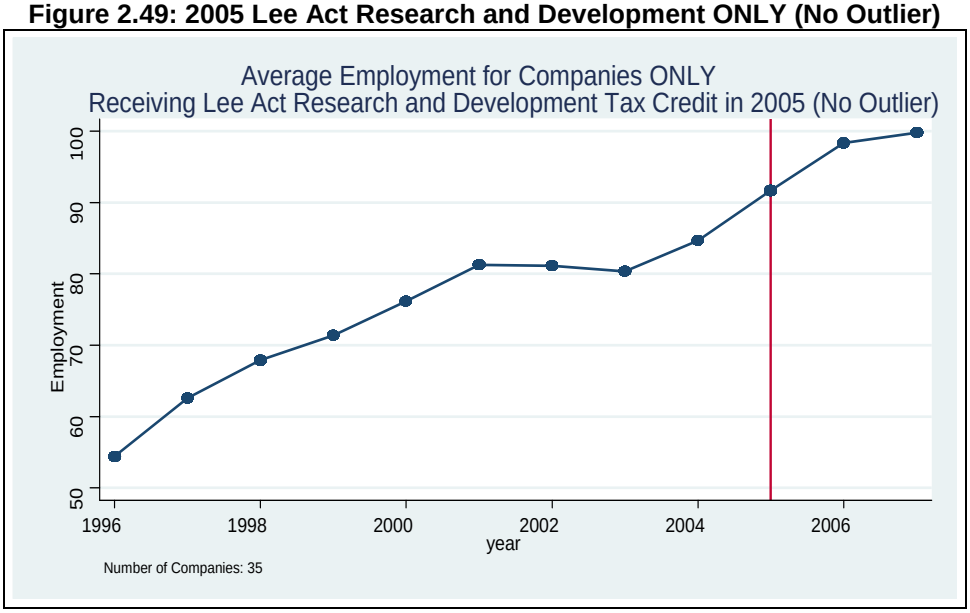
Figure 2.48: 2004 Lee Act Research and Development ONLY (No Outlier)

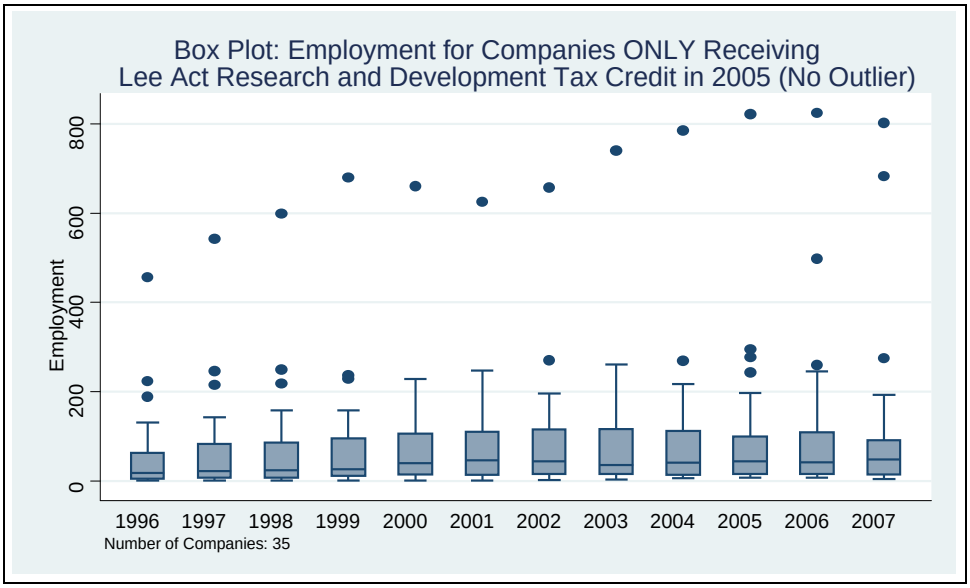




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	66	69	78	81	82	82	78	76	76	79	83
Median	23	25	32	36	49	46	46	36	40	43	43
Min	1	1	1	1	1	2	2	3	6	0	1
Max	607	571	654	790	607	555	421	402	388	369	498

Figure 2.49: 2005 Lee Act Research and Development ONLY (No Outlier)





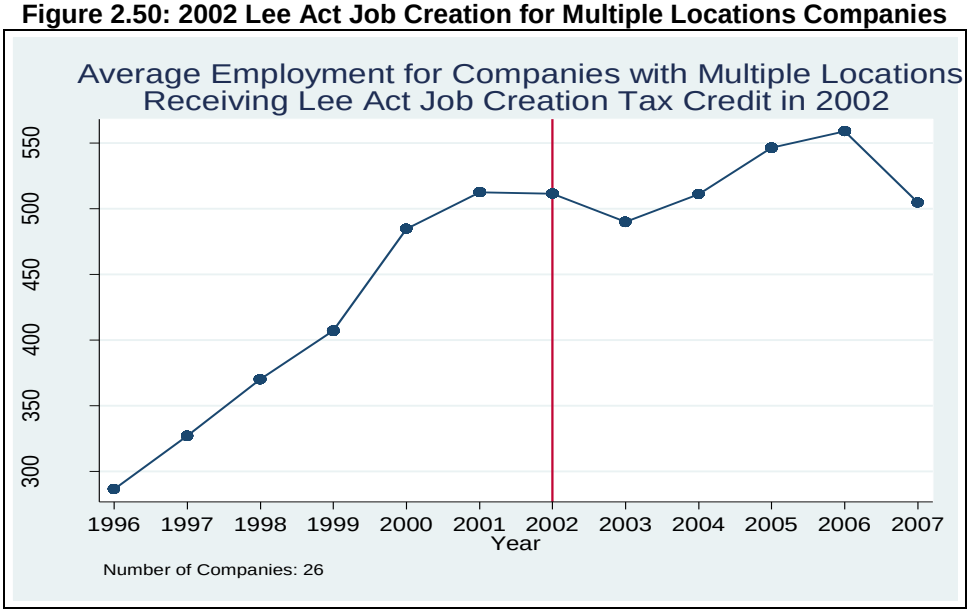
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Mean	54	63	68	71	76	81	81	80	85	92	98
Median	18	22	24	26	40	45	43	35	41	44	42
Min	1	1	1	1	1	1	2	3	6	7	7
Max	456	542	599	679	660	624	657	740	785	822	824

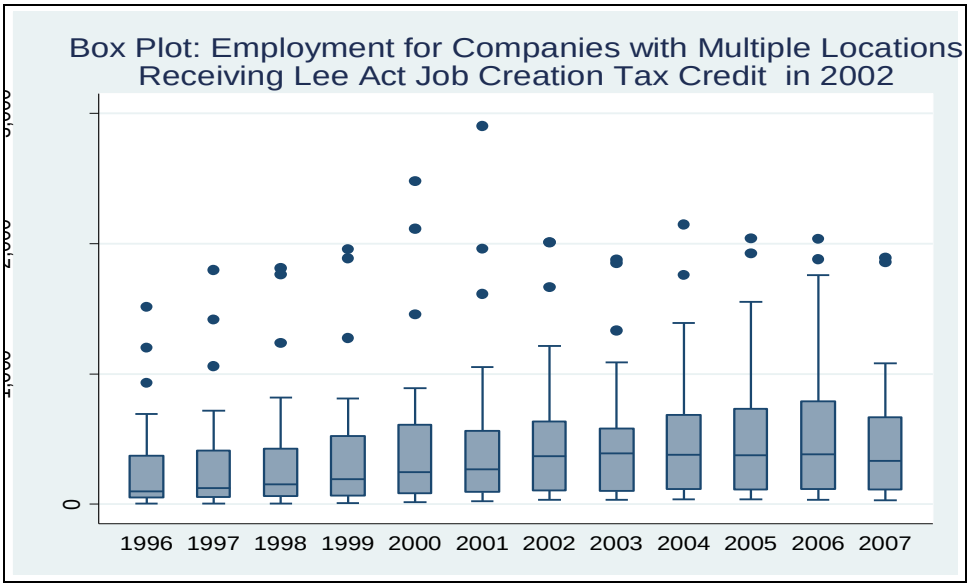
Multiple Location: Lee Act Job Creation Tax Credits

Pre- and post-incentive employment levels of firms with multiple locations claiming the Lee Act tax credit were also examined by credit type for firms in operation over the study period 1996 to 2007. This analysis begins by examining the average employment for companies receiving the job creation tax credit in conjunction with other credits for each year from 2002 to 2005. An analysis for each year of the job creation tax credit follows. Each yearly analysis includes 1) an average annual employment analysis, 2) a box plot graph, and 3) a table with mean, median, minimum, and maximum employment levels to assist in accounting for outliers. The relatively small number of multiple-location firms existing over the 12-year study period did not allow for examining companies only claiming one credit or for examining performance by tier.

Employment performance after claiming a jobs tax credit is generally positive for multiple-location firms in 2002 to 2005, but there is general inconsistency in the rate of job growth. In some post-incentive years, the average (mean) employment for firms declines or the rate of job growth slows. There is little association between the job creation tax credit and accelerated job growth for most firms.

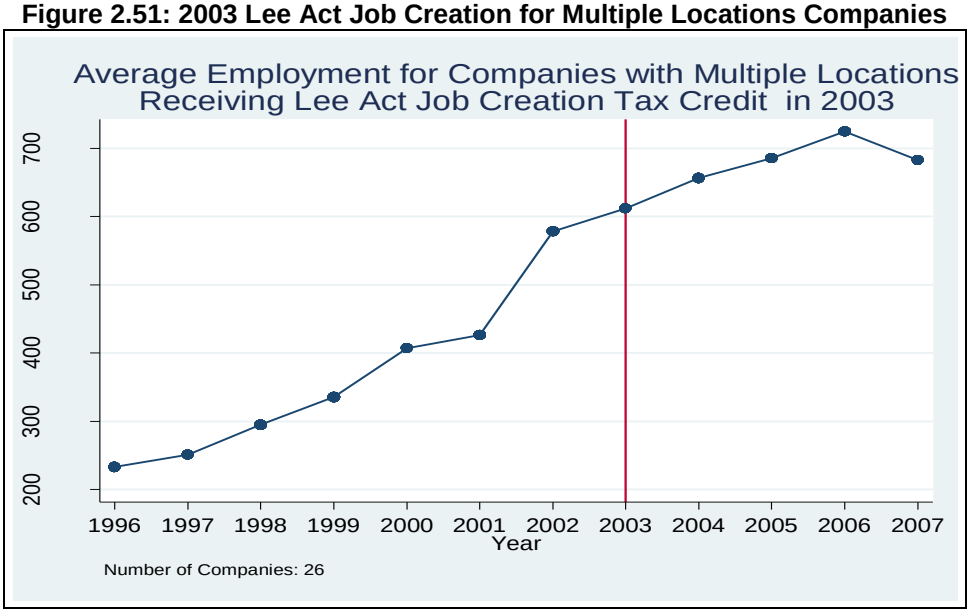
Figure 2.50: 2002 Lee Act Job Creation for Multiple Locations Companies

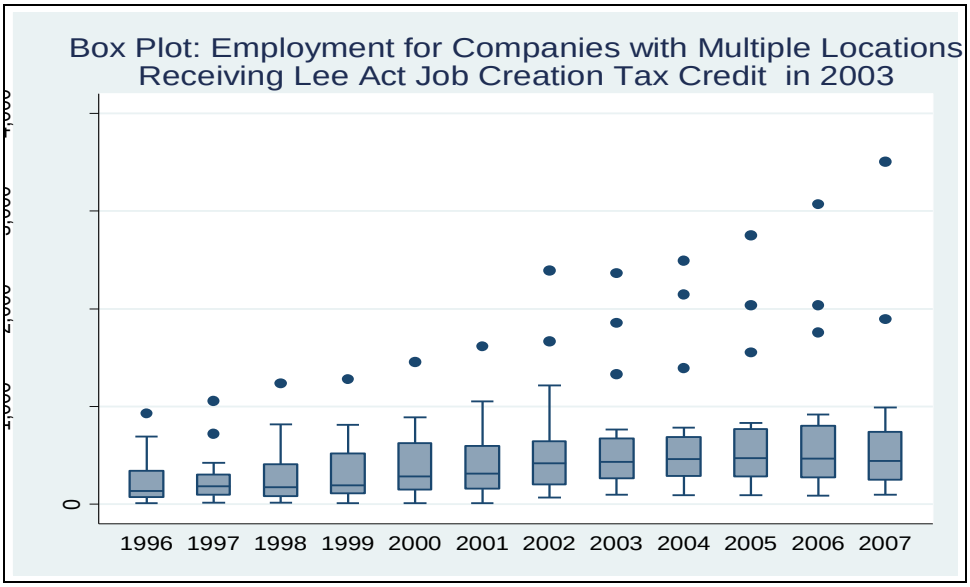




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	286	327	370	407	484	513	512	490	511	547	559	505
Median	99	123	154	194	245	268	333	370	376	378	382	391
Min	5	5	6	10	15	24	33	35	39	36	36	30
Max	1512	1798	1811	1956	2479	2901	2012	1876	2145	2038	2035	1892

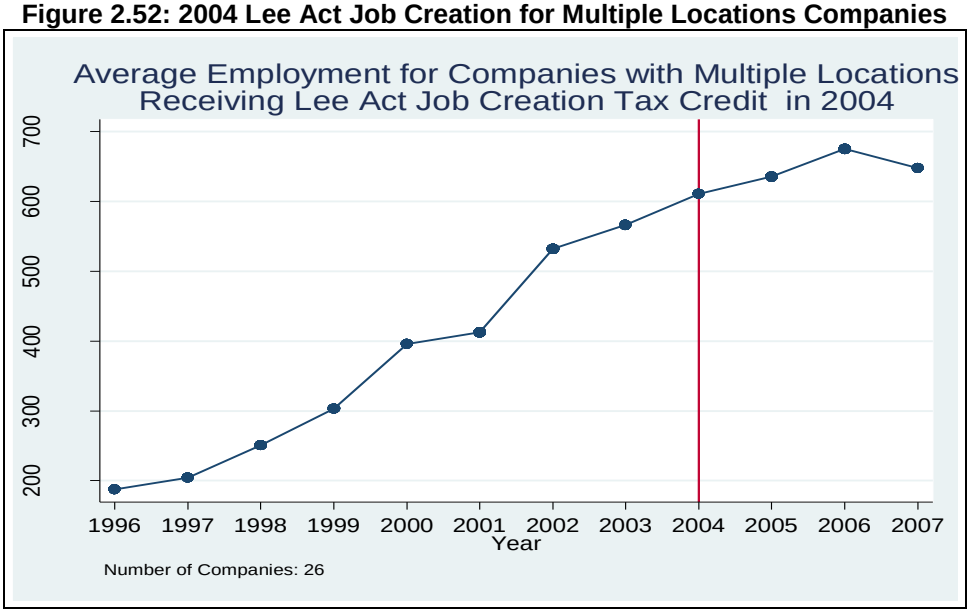
Figure 2.51: 2003 Lee Act Job Creation for Multiple Locations Companies

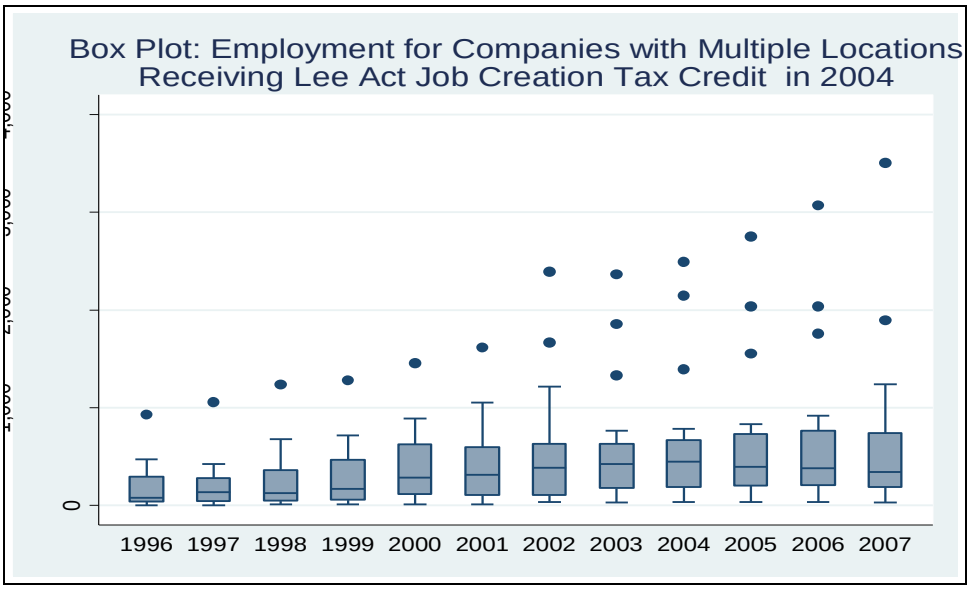




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	233	251	295	336	407	426	578	612	656	685	724	683
Median	135	175	184	194	286	312	422	436	444	465	470	471
Min	11	17	17	14	12	10	71	97	95	93	90	96
Max	930	1060	1238	1277	1456	1613	2394	2365	2493	2754	3069	3503

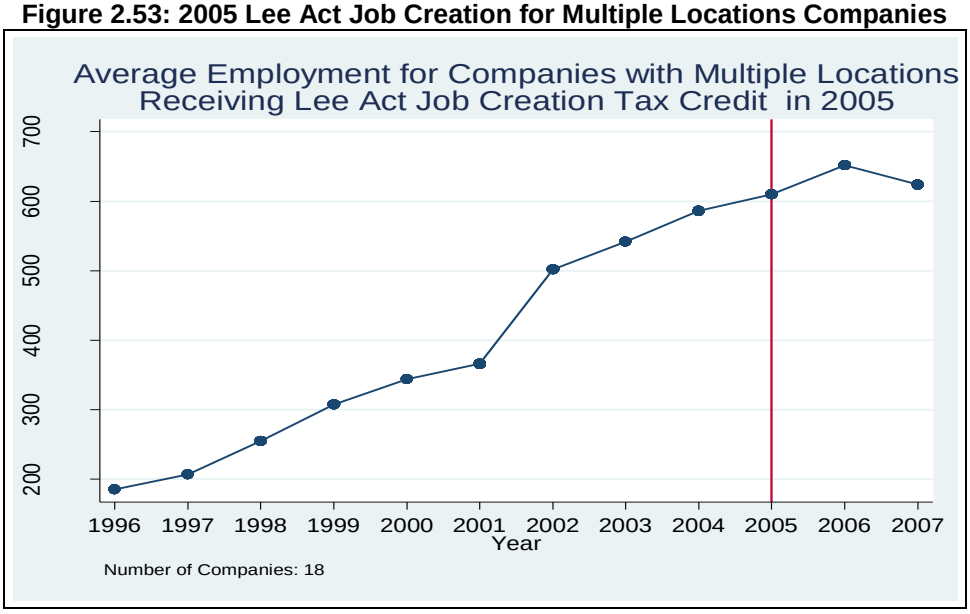
Figure 2.52: 2004 Lee Act Job Creation for Multiple Locations Companies

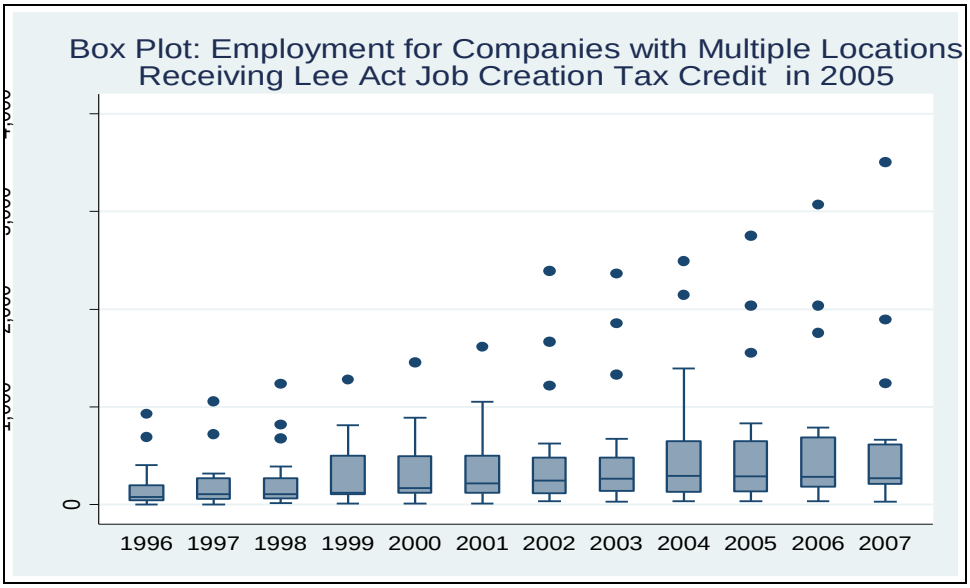




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	187	204	251	303	396	413	532	567	611	635	676	648
Median	81	126	135	172	286	312	342	382	388	394	425	448
Min	3	4	14	14	12	10	35	31	37	36	34	30
Max	930	1060	1238	1277	1456	1613	2394	2365	2493	2754	3069	3503

Figure 2.53: 2005 Lee Act Job Creation for Multiple Locations Companies



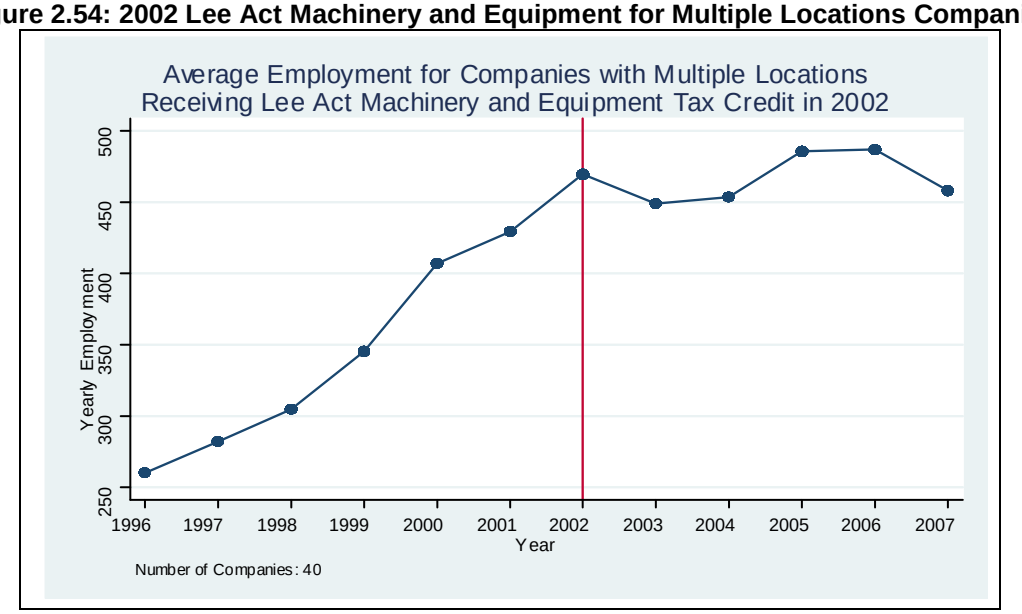


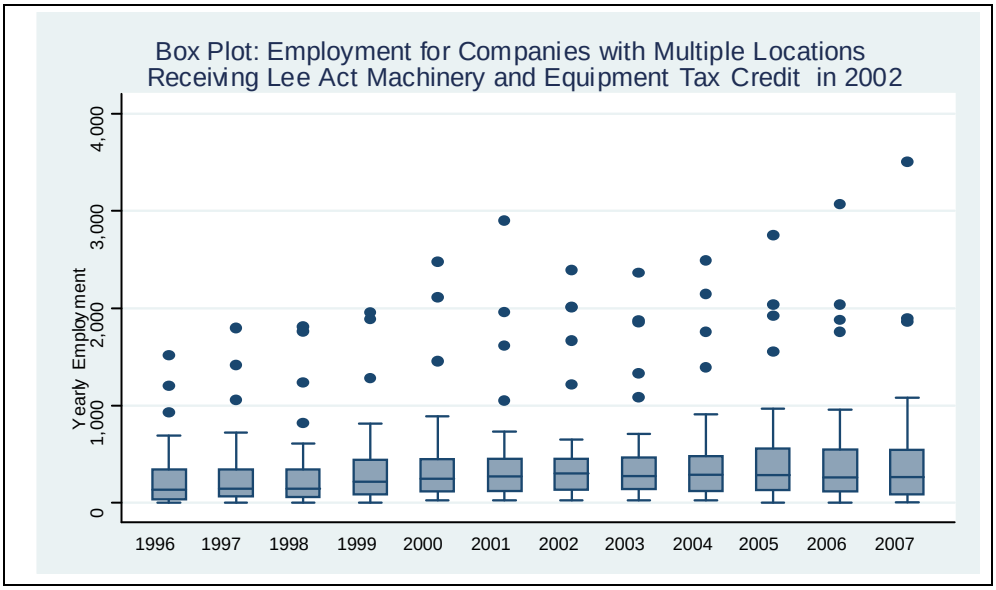
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	185	207	255	308	344	367	502	541	586	610	651	624
Median	81	109	110	124	168	218	245	268	270	285	292	295
Min	3	4	17	14	12	10	35	31	37	36	34	32
Max	930	1060	1238	1277	1456	1613	2394	2365	2493	2754	3069	3503

Multiple Location: Lee Act Machinery and Equipment Tax Credits

This same analysis was conducted for multiple-location firms claiming the machinery and equipment tax credit. The large number of single location firms allowed for isolation of firms only claiming the machinery and equipment tax credit, which revealed these firms were generally shedding jobs post incentive. The smaller number of multiple-location firms did not allow for examination of the machinery and equipment tax credit in the same isolated manner for multiple-location firms. The analysis of companies claiming machinery and equipment tax credits (alone and in conjunction with other credits) follows. The rate of job growth slows and in some cases declines post incentive.

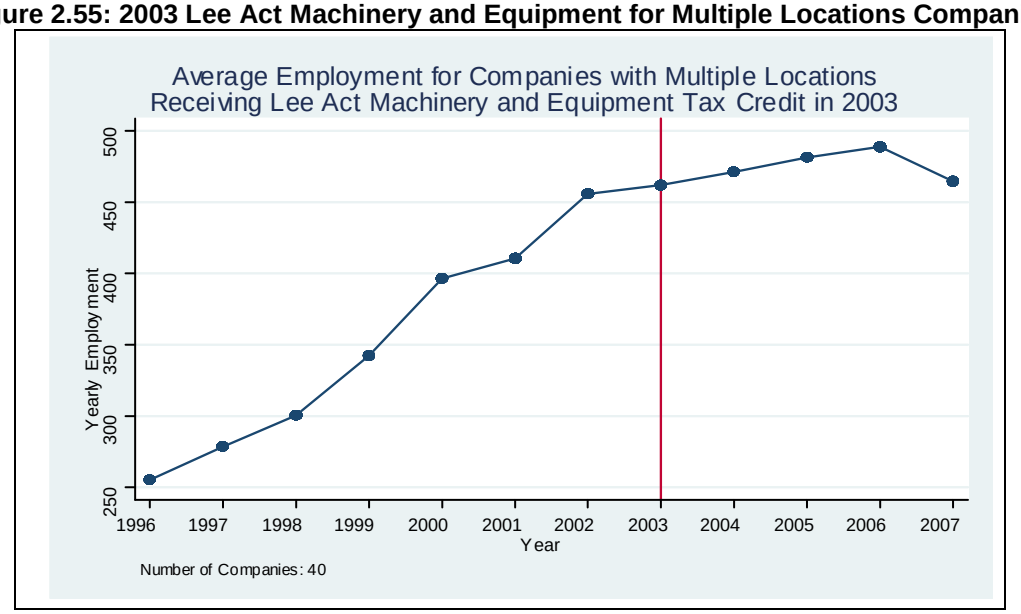
Figure 2.54: 2002 Lee Act Machinery and Equipment for Multiple Locations Companies

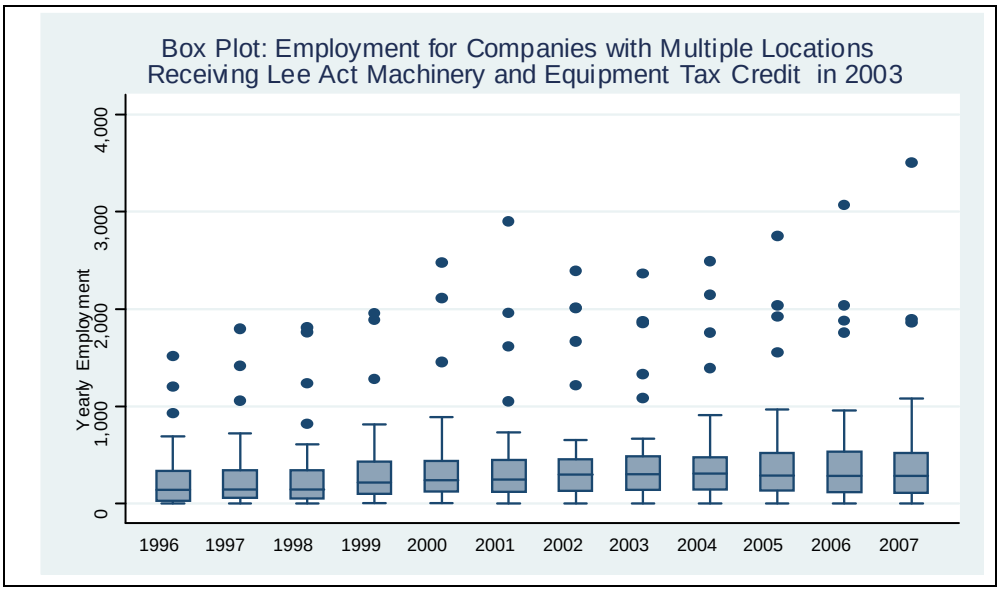




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	260	282	305	346	407	429	470	449	454	486	487	458
Median	134	144	145	220	245	262	265	269	276	286	291	303
Min	4	3	3	3	25	27	25	25	28	1	1	9
Max	1512	1798	1811	1956	2479	2901	2394	2365	2493	2754	3069	3503

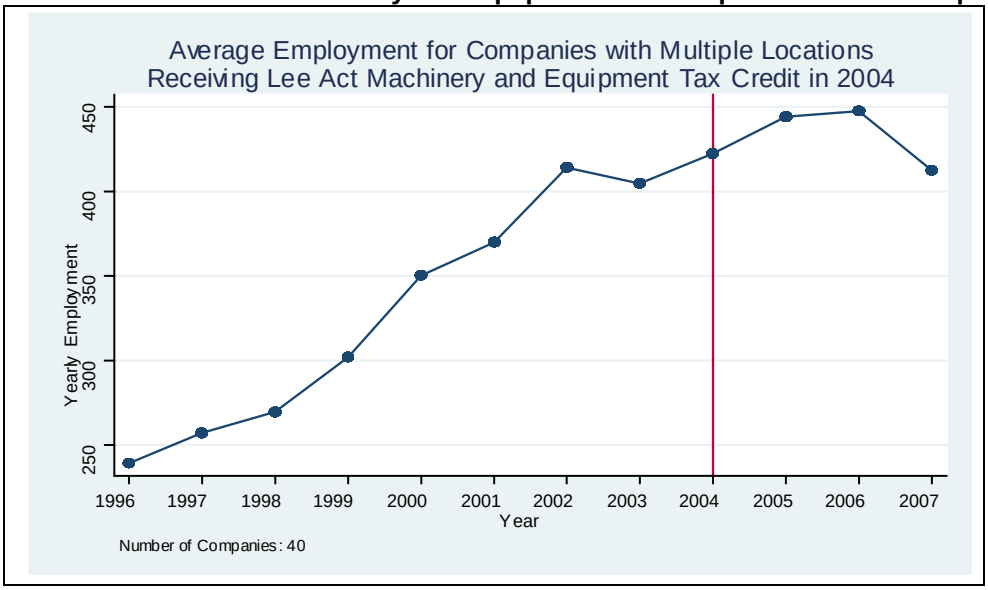
Figure 2.55: 2003 Lee Act Machinery and Equipment for Multiple Locations Companies

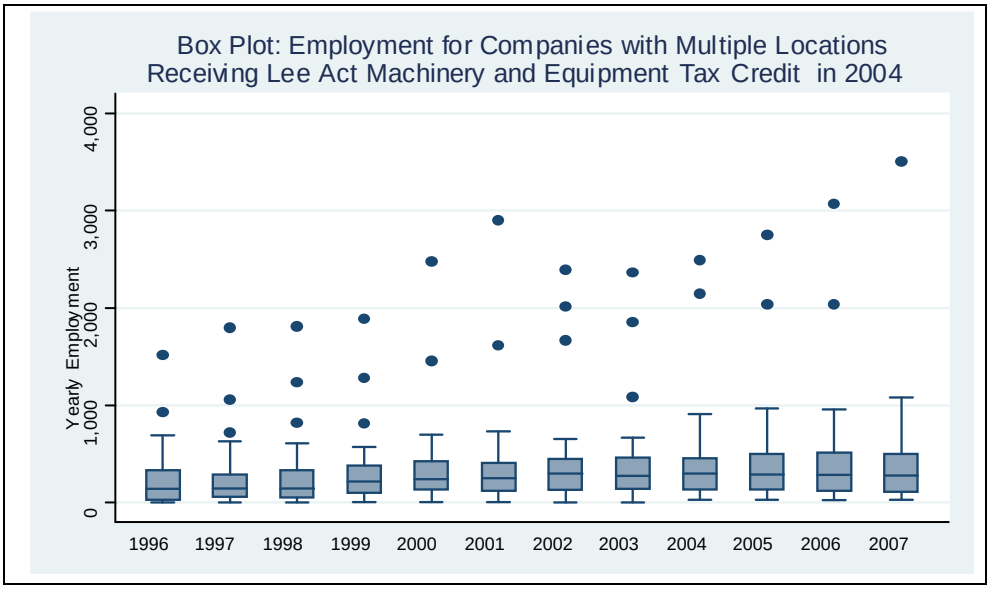




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	255	279	301	342	397	411	456	462	471	481	489	465
Median	141	146	146	217	244	248	286	286	291	302	304	310
Min	2	3	4	5	5	2	3	2	2	0	0	0
Max	1513	1798	1811	1956	2479	2901	2394	2365	2493	2754	3069	3503

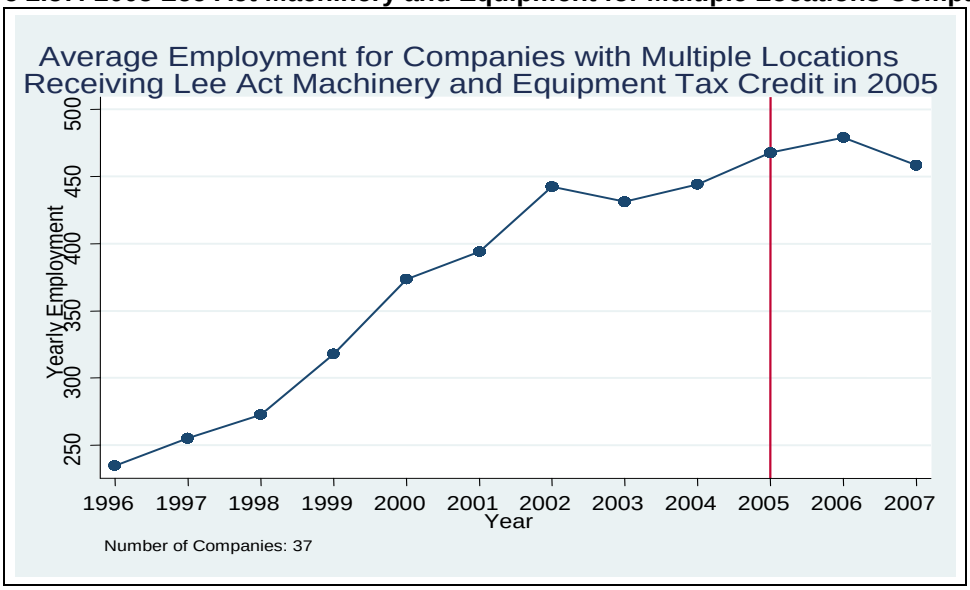
Figure 2.56: 2004 Lee Act Machinery and Equipment for Multiple Locations Companies

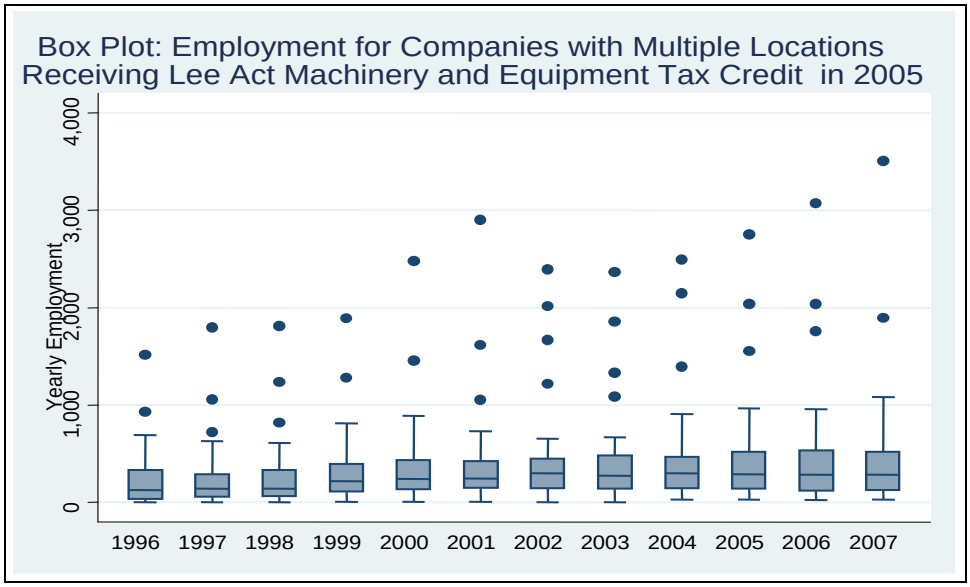




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	239	257	270	302	350	370	414	405	422	444	448	413
Median	141	146	146	217	244	251	278	282	286	291	298	302
Min	2	3	4	5	6	6	4	3	29	30	26	31
Max	1513	1798	1811	1888	2479	2901	2394	2365	2493	2754	3069	3503

Figure 2.57: 2005 Lee Act Machinery and Equipment for Multiple Locations Companies



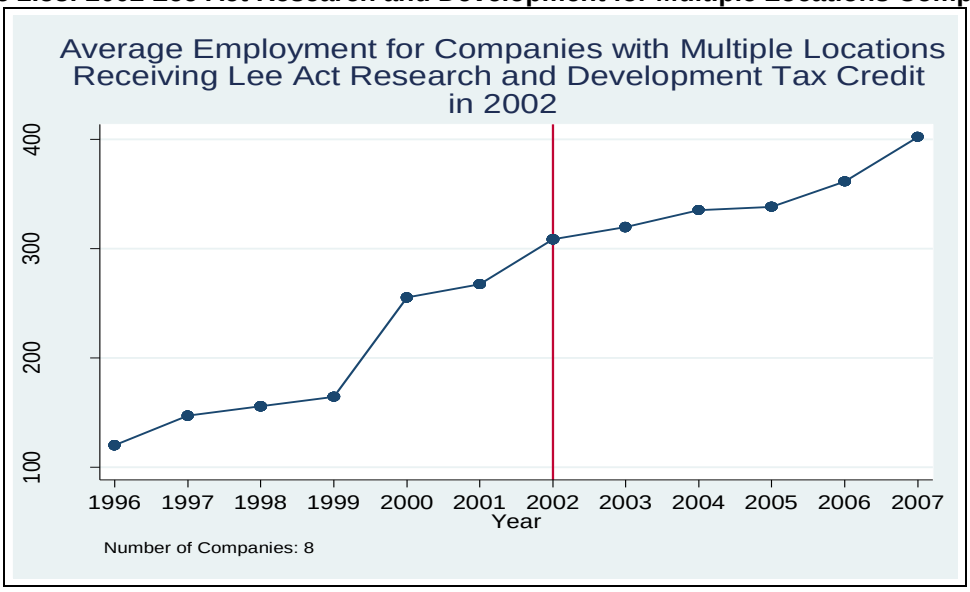


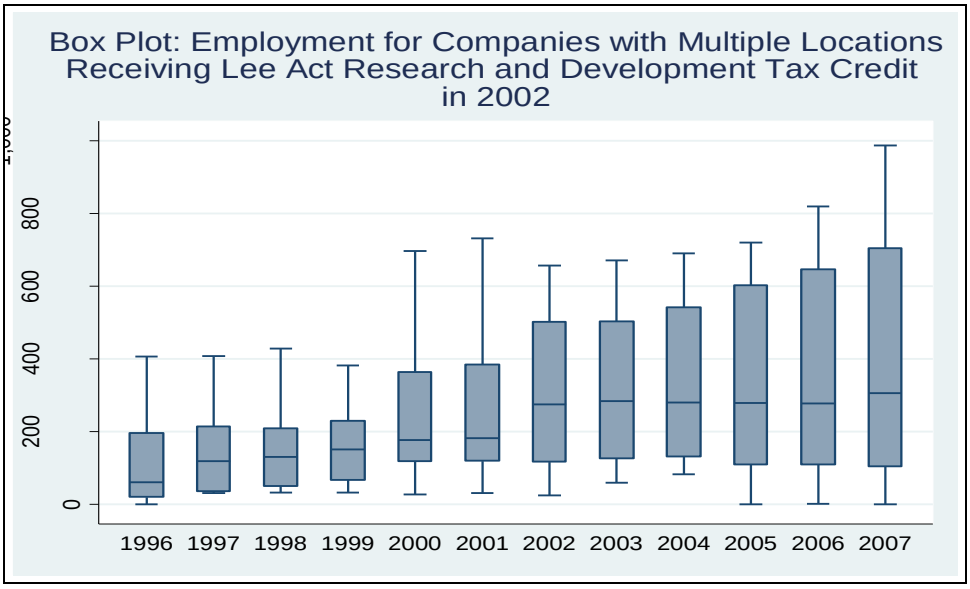
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	235	255	273	318	373	394	442	431	444	468	479	458
Median	128	141	143	217	244	248	278	285	286	291	298	302
Min	2	3	4	5	6	6	4	3	29	30	26	31
Max	1513	1798	1811	1888	2479	2901	2394	2365	2493	2754	3069	3503

Multiple Location: Lee Act Research and Development Tax Credits

Lastly, the analysis was conducted for multiple-location firms claiming the research and development tax credit. Again, the smaller number of firms did not allow for examination of the research and development tax credit in the same isolated manner for multiple location firms. The analysis of companies claiming the tax credit (alone and in conjunction with other credits) follows. The smaller sample size for multiple-location companies makes it difficult to draw inferences from this analysis; however, the findings for multiple-location companies claiming the research and development tax credit were consistent with findings from the single-location analysis. Firms claiming the research and development tax credit generally add jobs at the same or higher rate post incentive, which suggests companies in their growth mode are claiming these credits.

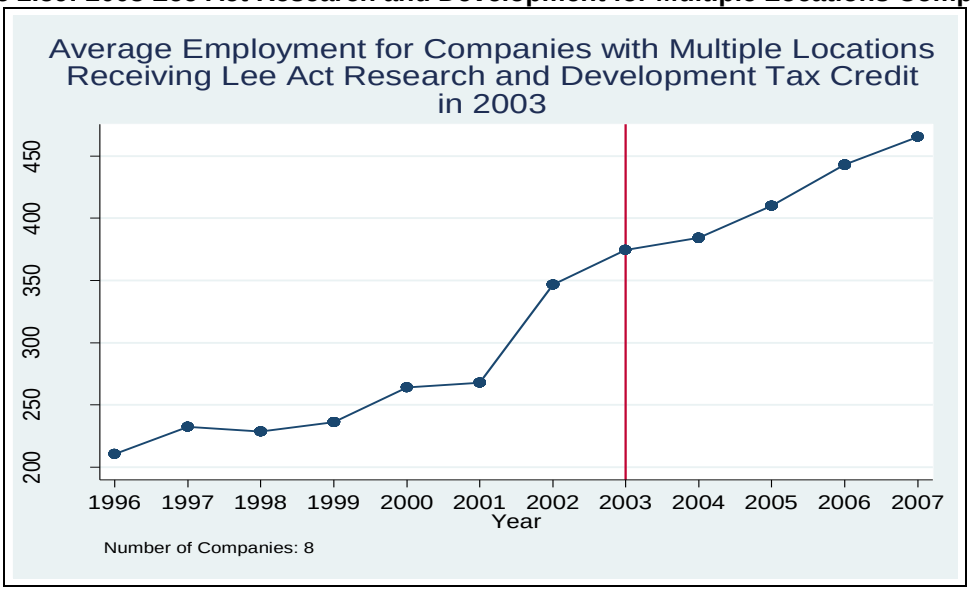
Figure 2.58: 2002 Lee Act Research and Development for Multiple Locations Companies

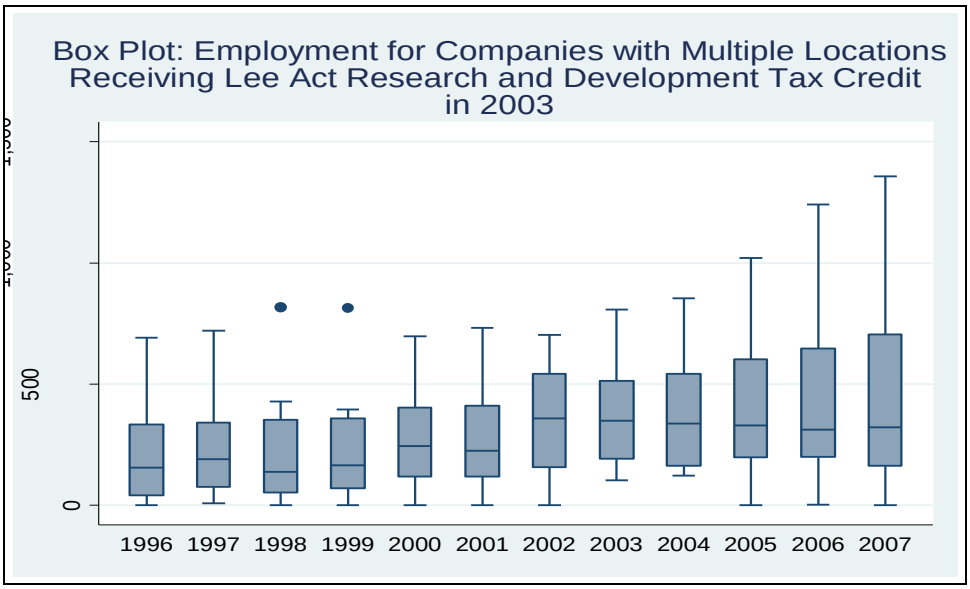




	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	120	147	156	165	255	267	309	320	335	338	361	402
Median	61	120	131	152	177	183	275	278	279	280	284	307
Min	1	32	33	32	28	31	25	60	83	1	2	1
Max	407	408	429	383	697	732	657	671	691	720	820	987

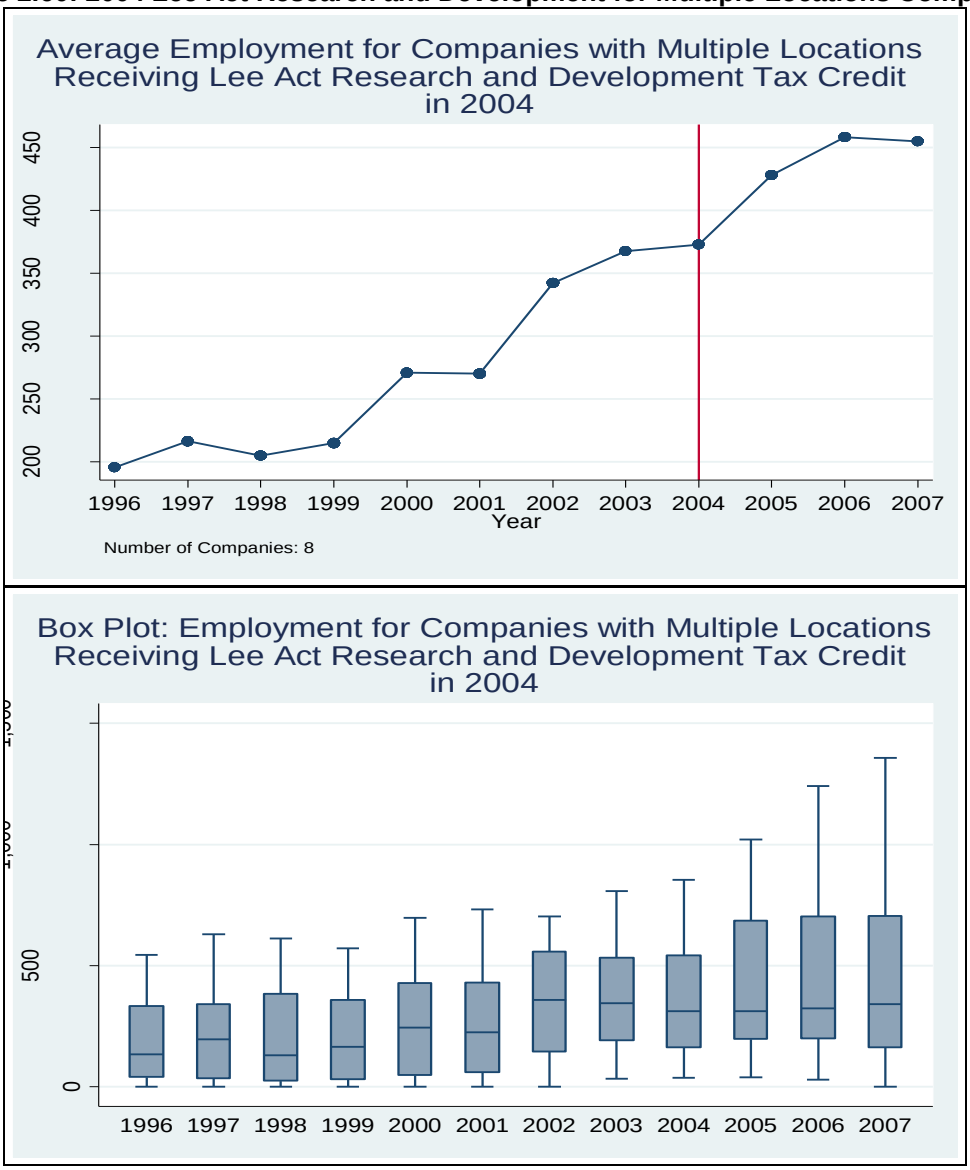
Figure 2.59: 2003 Lee Act Research and Development for Multiple Locations Companies





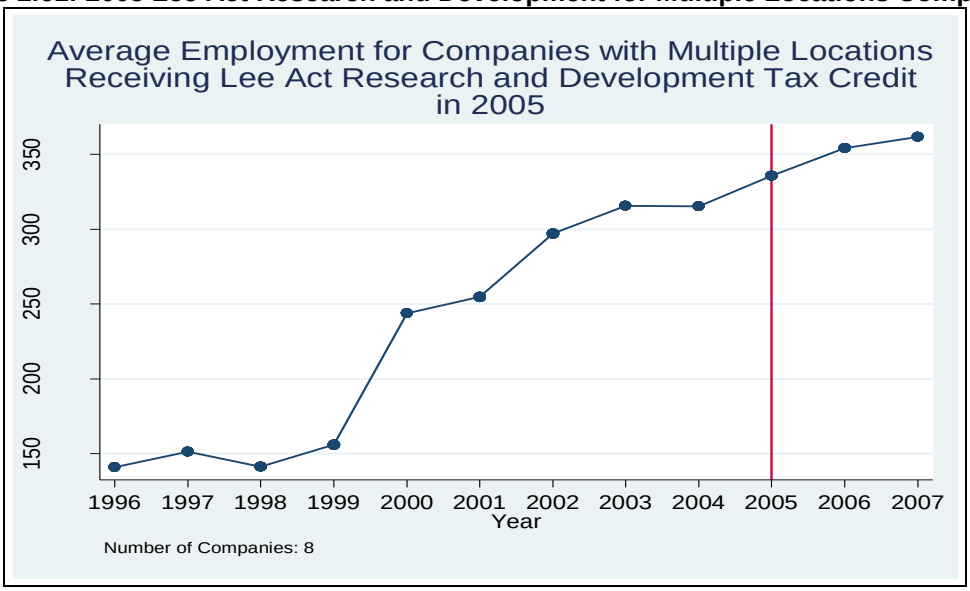
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	211	233	229	236	264	268	347	375	384	410	443	465
Median	138	155	165	190	225	244	312	322	330	337	348	359
Min	1	10	2	1	1	1	1	104	123	1	2	0
Max	691	720	818	813	697	732	704	808	854	1020	1241	1357

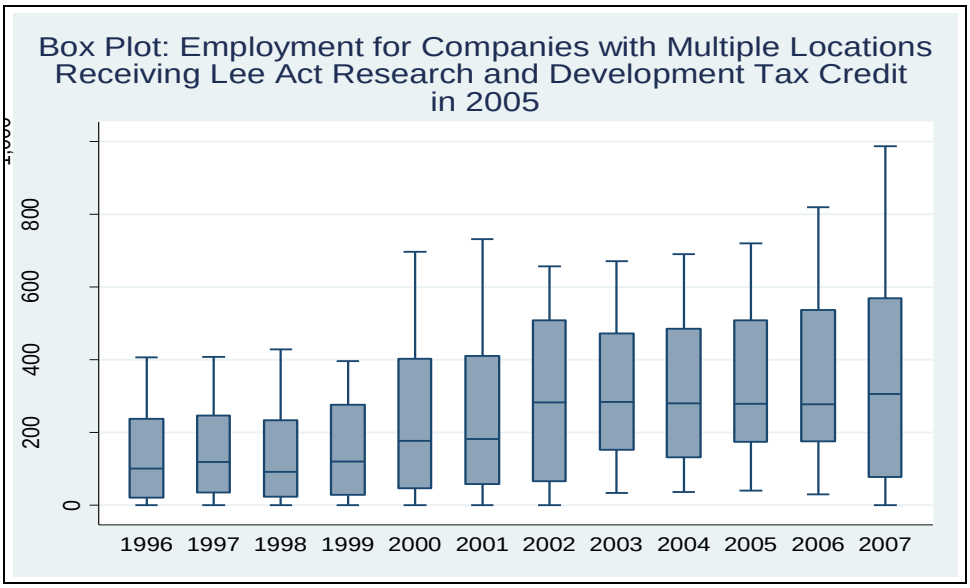
Figure 2.60: 2004 Lee Act Research and Development for Multiple Locations Companies



	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	195	216	205	215	271	270	342	368	373	428	458	454
Median	131	135	165	196	225	244	312	313	324	341	345	359
Min	1	1	1	1	0	1	1	34	37	40	30	0
Max	545	630	612	571	697	732	704	808	854	1020	1241	1357

Figure 2.61: 2005 Lee Act Research and Development for Multiple Locations Companies





	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Mean	141	151	141	156	244	255	297	315	315	336	354	362
Median	93	102	120	121	177	183	278	279	280	284	284	307
Min	1	1	1	1	0	1	1	34	37	40	30	0
Max	407	408	429	396	697	732	657	671	691	720	820	987

The pre- and post-incentive employment performance for companies claiming both the job creation and the machinery and equipment tax credits under the William S. Lee Act reveal the credits are having little to no effect on employment growth. In fact, the machinery and equipment tax credit is frequently associated with job loss post incentive. The research and development tax credit, however, is associated with positive employment gain and increased rate of job growth in most cases.

Additional Analysis of New Hires under the Job Creation of the Williams S. Lee Act

"For whom are we creating jobs?" is a frequent question for economic development policymakers. Key questions raised by the Joint Select Committee related not only to the quantity and quality of jobs associated with incentives, but also to whether these jobs were sustainable and whether they were maintained by a company post incentive. Examining this question within the context of the William S. Lee Act tax credits was challenging. Firms claiming the job creation tax credit are required to provide a new employee name, new employee Social Security number, and job hire date on Lee Act tax forms. Unfortunately, this information is not electronically coded by the NC Department of Revenue when tax forms are scanned, which makes analysis difficult and compilation of data tedious. Center researchers manually searched and separated physical tax forms for companies claiming the William S. Lee Act job creation tax credit in 2006. Not all companies claiming the job creation tax credit reported new employee name, new employee Social Security number, and job hire date on the tax forms. Forty-nine companies did report this information in 2006 for 1,179 new hires under the William S. Lee Act. The Center manually transcribed this information into a database for submission to the North Carolina Employment Security Commission (ESC). ESC was able to provide two types of information: 1) the unemployment insurance history for each hire, and 2) the year the person first received wages in North Carolina.

The unemployment insurance history for Lee Act hires provides two levels of information. First, it indicates whether the hire was previously unemployed and receiving unemployment insurance benefits, which is a proxy measure for "distressed worker." Second, the data also indicate whether an employee received unemployment insurance benefits after being hired under the Lee Act, which is a proxy for the sustainability of jobs created by tax credits. Unfortunately, the data do not indicate the duration of unemployment benefits and may be slightly inflated by manufacturing companies with routine layoffs for retooling.

Data on the year the employee first received wages in North Carolina is also important. This information serves as a proxy for whether a person is a new resident of the state. These data are not perfect either and may be inflated by counting existing residents who are new entrants to the workforce. However, both measures serve as the best proxies available to examine who is benefiting from job creation under the Lee Act and whether those jobs are sustainable.

The following table examines the number of persons receiving unemployment benefits in each year from 2003 to 2008 who were hired under the job creation tax credit provision of the William S. Lee Act. The analysis reveals that nearly 14.8% of individuals hired in 2006 by companies claiming the job creation tax credit had previously been unemployed that year. A similar percentage of people had previously been unemployed in prior years. This indicates that some "distressed workers" under this proxy measure were hired by companies claiming the job creation tax credit.

The table also reveals that jobs created under the job creation tax credit may not be sustainable. Of the 1,179 people hired in 2006, approximately 135 (11.45%) were unemployed at some point in 2007, and 220 (18.66%) were unemployed at some point in 2008. This reveals that nearly 19% of the individuals hired under the job creation tax credit were unemployed for some duration two years later.

Table 2.1: Number of Persons Receiving Unemployment Insurance Benefits for 2006 Lee Act Hires under Job Creation Tax Credit

Year	Freq.	Percent
2003	168	14.25
2004	176	14.93
2005	167	14.16
2006	174	14.76
2007	135	11.45
2008	220	18.66

The next table assesses the unemployment history of these hires. Of the 1,179 individuals hired, 667 or nearly 56.6% never received unemployment during the period 2003 to 2008. Approximately 12% of hires had received unemployment insurance benefits in 3 or more years over the period.

Table 2.2: Number of Persons Receiving Unemployment Insurance Benefits for 2006 Lee Act Hires under Job Creation Tax Credit

Total Years received Unemployment Benefit	Freq.	Percent
0	667	56.57
1	228	19.34
2	141	11.96
3	70	5.94
4	47	3.99
5	24	2.04
6	2	0.17
Total	1,179	100

Next, the year each hire first received wages in North Carolina was examined. The analysis revealed that 83.9% of hires had previously received wages (a proxy for previous NC employment) in 2005, which indicates that most of the new jobs associated with 2006 Lee Act job creation tax credits are being filled by existing North Carolina residents.

Table 2.3: Number of Persons Receiving Unemployment Insurance Benefits for 2006 Lee Act Hires under Job Creation Tax Credit

Year of Received First Wage	Freq.	Percent	Cum.
1992	411	34.86	34.86
1993	92	7.8	42.66
1994	50	4.24	46.9
1995	46	3.9	50.81
1996	34	2.88	53.69
1997	40	3.39	57.08
1998	39	3.31	60.39
1999	47	3.99	64.38
2000	60	5.09	69.47
2001	43	3.65	73.11
2002	21	1.78	74.89
2003	32	2.71	77.61
2004	31	2.63	80.24
2005	43	3.65	83.88
2006	150	12.72	96.61
2007	5	0.42	97.03
Missing	35	2.97	100
Total	1,179	100	

To gain a better understanding of the types of companies contributing to subsequent layoffs of new hires, a company-level analysis was conducted. Companies were grouped into three-digit North American Industrial Classification System (NAICS) categories. This analysis reveals that a smaller number of companies in machinery manufacturing and furniture manufacturing contributed most of the subsequent unemployment.

Table 2.4: Analysis of Types of Companies by NAICS Code

NAICS	Industry	Number of Companies /Percentage		Total Employees /Percentage		Unemployed Employees In 2007	Unemployed Employees In 2008
311	Food Manufacturing	1	2.04%	27	2.48%	7	5
313	Textile Mills	2	4.08%	6	0.55%	1	2
321	Wood Product Manufacturing	2	4.08%	13	1.19%	1	3
322	Paper Manufacturing	1	2.04%	3	0.28%	3	0
326	Plastics and Rubber Products Manufacturing	2	4.08%	18	1.65%	0	1
327	Nonmetallic Mineral Product Manufacturing	3	6.12%	5	0.46%	0	0
332	Fabricated Metal Product Manufacturing	7	14.29%	58	5.33%	0	16
333	Machinery Manufacturing	4	8.16%	233	21.42%	85	65
334	Computer and Electronic Product Manufacturing	2	4.08%	4	0.37%	1	0
336	Transportation Equipment Manufacturing	2	4.08%	13	1.19%	1	5
337	Furniture and Related Product Manufacturing	4	8.16%	226	20.77%	22	84
423	Merchant Wholesalers, Durable Goods	5	10.20%	57	5.24%	3	4
424	Merchant Wholesalers, Nondurable Goods	3	6.12%	80	7.35%	2	10
484	Truck Transportation	1	2.04%	4	0.37%	0	0
511	Publishing Industries	2	4.08%	209	19.21%	5	2
541	Professional, Scientific, and Technical Services	5	10.20%	73	6.71%	1	5
551	Management of Companies and Enterprises	1	2.04%	29	2.67%	1	0
811	Repair and Maintenance	1	2.04%	3	0.28%	0	0
999	Federal Government or Self-Employed and Unpaid Family Workers	1	2.04%	27	2.48%	1	2
Total		49	100.00%	1088		134	204

Lee Act: Case Studies/Company Interviews

The Center sought to supplement quantitative employment data for companies receiving a Lee Act tax credit with qualitative data on how the Lee Act tax credits have influenced business decisions. To obtain this data, the Center engaged in case studies/company interviews with company leaders whose firms had received one or more Lee Act tax credits. These in-person interviews with 36 companies were conducted over a six-month period in 2008. The data gathered from these in-person interviews adds another level of depth to the overall findings of the study. This section of the report describes the major findings and process for conducting interviews. Supplemental information, including an interview questionnaire, can be found in the Appendix.

Step One - Company Identification

The first step of the study was to identify companies that received William S. Lee Act tax incentives from the state of North Carolina. A large list of such companies was populated with the assistance of the North Carolina Department of Revenue. Dun & Bradstreet, a proprietary database of companies with over a million dollars in annual sales, was used to gather executives' contact information. Companies were selected at random from the larger list and added to the company interview contact list. The interview contact list represented a diverse group of companies from all regions of North Carolina.

Step Two – Contact

Once the contact list was created, companies were contacted with an interview request. The first method of contacting the identified companies was by personalized fax[3]. A fax was sent to each company describing the intent of the survey and requesting the company's participation through an in-person interview with a team of researchers organized by the Center. As expected, the vast majority of companies did not respond to the faxes. However, the faxes provided an opportunity for the Center to make follow-up telephone calls to obtain an adequate number of responses. Each company was given approximately one week to respond to the initial contact fax; and if the company did not respond, which was largely the case, a follow-up phone call was placed to try to initiate contact with the appropriate executive.

The Center carefully screened and selected a team of field researchers, mainly comprised of Center research staff and UNC graduate students. This group made hundreds of phone calls to contact and schedule appointments with executives at the identified companies. It should be noted that on a typical phone call, there was a strong trend in the lack of general awareness from companies that they had actually received any incentives from the state. In many cases, the Center had to submit documentation from the Department of Revenue to demonstrate that the company did in fact receive a

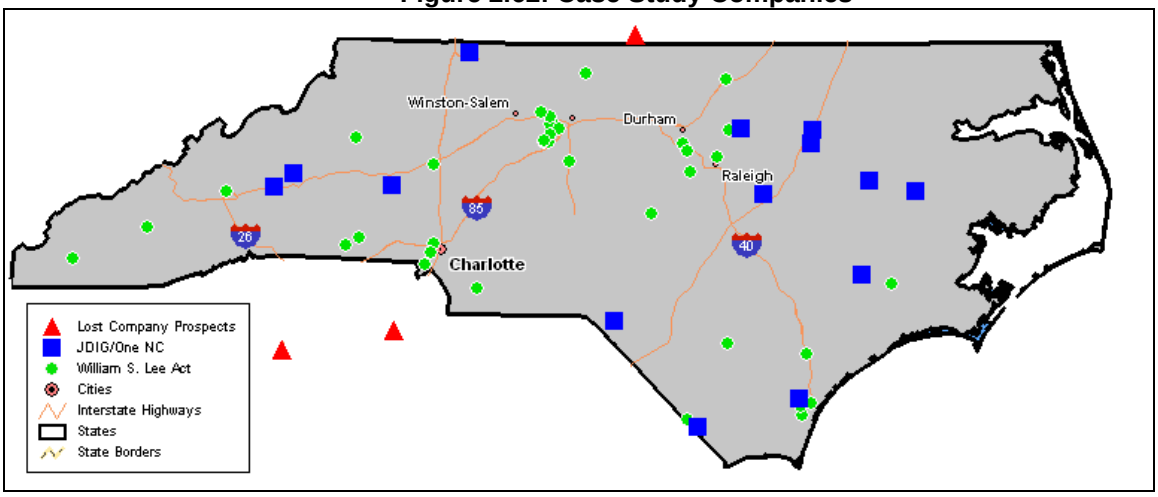
[3] It should be noted that Dun & Bradstreet does not contain email information for executives, which would have been a preferred contact method.

tax credit. Some companies were responsive to the phone calls, and arranged for research teams to visit their businesses and meet with them for approximately 30-45 minutes. Teams were comprised of two members, and were typically pairs of UNC graduate students.

Step Three – Interviews

The Center's research teams completed a total of 36 interviews with North Carolina companies that received William S. Lee Act tax incentives. The map below shows the locations (green circles) where the interviews were held, and demonstrates the diverse group of companies and regions that are represented in the study data. Northeastern North Carolina is not represented in the data, due to the lack of response from companies in that region. The original contact list contained approximately 40 companies in the Northeast NC Region. All 40 were contacted by fax and phone several times, but attempts to schedule interviews were unsuccessful.

Figure 2.62: Case Study Companies



The majority of interviews were concentrated in and around metro areas of the larger cities in North Carolina. These metro areas naturally have a higher concentration of businesses, and therefore more executives to contact, resulting in more interview requests granted. The average interview lasted approximately 45 minutes, and in some cases, at the prompting of the business executives, interviews lasted for well over an hour, with several breaking the two hour mark. The Center's research teams were generally well received by the company executives, and executives were very forthright in answering most of the questions presented in the interview protocol.

Interview Protocol

The development of the interview protocol was completed in a two-stage process. In the first stage, a draft protocol was created for testing during interviews in the greater Wilmington metro area. In this first round of interviews, a group of seven companies agreed to meet with a research team from the Center. The draft protocol was used to record information gathered in each interview, and the results led to the development of a final protocol before interviewing the rest of the regions. The test protocol is in the Appendix. A semi-structured interview format was utilized and company executives were promised confidentiality. The Wilmington interviews were conducted by Center research staff and provided an initial set of data to consider in developing a more detailed interview protocol for use by graduate student teams. A final protocol (also in the Appendix) was developed after the results of the first round of Wilmington interviews were discussed, reviewed, and analyzed. The final protocol provides a thorough overview of the company, its operations, and the executive's (or executives') impressions of the effectiveness of the tax incentives they received. In nearly one-half of the interviews, multiple company executives participated in the interviews. Interviews were conducted on-site in a generally informal setting.

Major discussion topics covered in the final survey protocol were as follows:

Introduction & Statement of Purpose
Interviewees were provided an overview of the Center's project with the North Carolina General Assembly and were promised respondent confidentiality.

Personal Background (of the executive)
Information on the executive's personal background and length of service with the company was obtained to provide context to responses. This was especially important if a company had not received a tax credit in recent years or the executive was new to the company.

Location Information
Information about the company's current and prior locations was obtained to understand if incentives had been used for relocation or expansion reasons.

Market Information and Company Growth Strategies
The target market for each company was explored, along with the company's expected growth strategy for future relocation and/or expansions.

Local Economic Development Incentive Use
Companies were also asked about their use of local economic development incentives and were queried about how they learned about the state's tax credit programs.

Company Dun & Bradstreet Background Verification
Information on the company's sales and employment acquired from the Dun & Bradstreet database was verified.

Lee Act Case Studies: Major Findings

Interviews with company executives whose company received a Lee Act credit revealed the credit had little to no impact on the company's decision to engage in job growth, expansion, or location in North Carolina. Many executives solicited for an interview were unaware the company had even received an incentive. Most executives viewed the credit as an "after the fact" accounting function primarily managed by the firm's accountants and/or an accounting function subsequent to the business decision to engage in job creation and/or investment that generated the tax credit.

Statistics & Trends: Case Study Interview Data

This section of the Appendix will analyze and provide statistics, where possible, on the results of the data from the interview protocols. It will also describe trends gleaned from the responses of executives in the interviews.

Statistics

Local Region (with Wilmington):
25% - Southeastern NC/Wilmington Metro Region (9)
20% - Triangle Metro Region (7)
25% - Greensboro Metro Region (9)
11% - Charlotte Metro Region (4)
11% - Foothills Region (4)
8% - Western North Carolina (3)

Note that to obtain a level of statistical consistency, the data from the Wilmington interviews are included only in the Region statistics above.

Year Established:
3% - Pre 1900
17% - 1900 to 1925
7% - 1926 to 1950
10% - 1951 to 1975
31% - 1976 to 2000
17% - 2001 to current
10% - Information not available

Time at Location (years):
28% - 1 to 5 years at current business location
14% - 6 to 10 years at current business location
17% - 11 to 20 years at current business location
21% - 21 to 50 years at current business location

17% - 51 years or more at current business location
3% - Information not available
*27 Years – Average time at current business location for all companies interviewed—inflated due to one company with over 100 years of employment history.

Has the Company Relocated (since establishment):
62% - Yes
38% - No
In most cases, this was due to company growth.

Planning an Expansion:
38% - Yes
59% - No
2% - Information not available
The majority of companies who responded yes said that their expansion depended upon the larger economy recovering.

Market for Goods/Services:
55% - International
28% - National
14% - Regional
3% - In-state
The majority of companies founded before 1976 started serving in-state or regional markets, and have since expanded into national and/or international markets.

Factors Driving Business Growth (multiple selections allowed):
76% - New products
62% - Overall market
38% - Marketing
28% - Export sales
17% - New customer addition
14% - Automation
14% - Labor Force
14% - Management

Expecting Growth in the Next Five Years:
79% - Yes
21% - No

Executives were surprisingly optimistic on their future growth prospects, given the state of the national economy and the financial crisis occurring at the time of the interviews. Most positive statements were accompanied with the condition of the “economy recovering”.

Used a Consultant to Gain Incentives:
97% - No

3% - Yes

Only one business interviewed had utilized the services of a consultant to gain tax incentives. The most common responses when asked why consultants were not used were that the fees were excessive, that they had simply never been approached by consultants, or that tax credits were captured by in-house or external accountants after the business decision.

Number of Employees:
7% - Less than 10
17% - 10 to 25
17% - 26 to 50
31% - 51 to 100
17% - 101 to 250
3% - 251 to 500
3% - 501 to 1000
3% - Over 1000

Most of the interviewed companies were small to medium enterprises, although 26% had more than 100 employees.

Contact with Local Economic Development Departments:
66% - Yes
28% - No
7% - Information not available

The majority of executives expressed positive sentiments on their interactions with local economic development departments. Most executives reported that they were contacted regularly by economic development members, and in some cases were alerted to tax incentives by them.

What Should the Priorities Be for NC Economic Development (multiple answers allowed):
59% - Workforce development
45% - Economic incentives
14% - Business recruitment
17% - Facilities infrastructure
28% - Expansion assistance
28% - Regulatory issues
3% - Utility services

Executives were asked about priorities for economic development in North Carolina. Workforce development and the lack of qualified workers were major concerns, despite the fact that many companies have or are establishing relationships with community colleges. Nearly every executive interviewed stated that the tax credits were “after the fact” activities that did not influence their business decisions, yet these same executives

felt some type of economic incentive should be a priority for economic development in the state.

Annual Revenues (based on Dun & Bradstreet data):
10% - Under $2.5 Million
14% - $2.6 to $5 Million
7% - $5.1 to $10 Million
14% - $10.1 to $30 Million
0% - $30.1 to $50 Million
3% - $50.1 to $100 Million
7% - $100.1 to $200 Million
7% - Over $200.1 Million
34% - Information unavailable

Facility Size:
7% - 0 to 25,000 square feet
14% - 25,001 to 50,000 square feet
17% - 50,001 to 100,000 square feet
21% - 100,001 to 200,000 square feet
10% - Over 200,001 square feet
28% - Information unavailable

Information on annual revenues and facility size reflect the diversity of companies participating in the interviews. Companies ranged from small headquarters to large branch facilities.

Lee Act: Incented and Non-Incented Company Surveys

The company case studies and executive interviews provided a depth of knowledge about the impact of the Lee Act tax credits on company behavior. However, the Center desired a breadth of information on the tax credits and their perceived benefit, from both incented and non-incented companies, to the state's business climate and economic development efforts. The Center worked with East Carolina University's (ECU) Center for Survey Research to survey 150 companies receiving a Lee Act tax credit and 465 companies not receiving a Lee Act tax credit. The Center developed a survey and ECU assisted with editing questions and administering the survey. ECU pre-tested the survey and corrections were made as necessary to improve response rates and clarify questions. The survey was submitted to the Research Advisory Panel for comments prior to execution.

The final survey was administered via telephone with an option of having respondents complete the survey online. The targeted survey respondents included a population of 4,000 companies receiving a Lee Act tax credit in North Carolina, and a random sample of 5,000 companies in North Carolina not receiving a Lee Act tax credit or other incentive. The sample of non-incented companies was drawn at random from a listing of

North Carolina companies in the Dun & Bradstreet database. Company location information was matched after the survey with Lee Act tier status (using 2006 tier designations) for comparison purposes. Incented and non-incented survey questionnaires as well as a descriptive comparison of incented and non-incented company responses, in total and by tier, are available in the Appendix[4]. The current section details major findings from the survey.

Importance of Factors on North Carolina's Business Climate

Company executives at incented and non-incented companies were provided a list of 19 factors and were asked to rate the importance of these factors for North Carolina's business climate. As the tables indicate, state economic development tax incentives ranked rather low on factors impacting the state's business climate. Based on the percentage of executives who said it was "very important," state economic development tax incentives ranked 13th for Lee Act companies and 12th for non-Lee Act companies. Among Tier 1 and Tier 2 companies, state economic development tax incentives ranked 8th and 14th, respectively. Meanwhile, for non-incented companies, these incentives ranked 7th in Tier 1 and 18th in Tier 2.. Tax incentives routinely trailed skilled labor, individual and corporate income tax rates, educational access, and infrastructure, in terms of overall importance to both incented and non-incented companies.

[4] The survey of incented companies in the Appendix contains a series of questions for incented companies on the importance of the incentive to the company's business decisions. Because a majority of companies were unaware the company received a tax incentive, the response rate for these questions was too small to allow for comparison or statistical inference among the incented firms.

Table 2.5: Importance of Factors on North Carolina's Business Climate for Incented Companies (Lee Act): Rank Based on Percentage of Highest Score for All Companies

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	148	57%
2	State individual income tax rate	148	44%
3	State corporate tax rate	147	42%
3	Local property tax rates	146	42%
5	Availability of community colleges	148	38%
6	State regulatory environment	148	37%
7	Availability of 4-year colleges/univ	148	34%
8	Highway infrastructure	148	32%
8	Information technology infrastructure	148	32%
10	Environmental regulations	147	28%
11	Local economic dev. tax incentives	148	27%
11	Land prices	147	27%
13	State economic dev. tax incentives	148	26%
13	Housing costs	148	26%
15	Workforce training programs	147	24%
16	Accessibility to major airport	148	22%
17	Availability of low cost labor	148	20%
18	Mass transit infrastructure	148	13%
19	Availability of unskilled labor	148	11%

Table 2.6: Importance of Factors on North Carolina's Business Climate for Non-Incented Companies (Non-Lee Act): Rank Based on Percentage of Highest Score for All Companies

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	464	60%
2	State corporate tax rate	460	42%
2	State regulatory environment	463	42%
4	Local property tax rates	464	40%
5	State individual income tax rate	463	37%
6	Availability of community colleges	465	34%
7	Highway infrastructure	465	30%
8	Information technology infrastructure	463	29%
9	Availability of 4-year colleges/univ	465	27%
10	Workforce training programs	462	24%
10	Environmental regulations	459	24%
12	State economic dev. tax incentives	463	23%
13	Local economic dev. tax incentives	461	23%
14	Land prices	464	23%
15	Housing costs	464	22%
15	Accessibility to major airport	464	22%
17	Availability of low cost labor	462	16%
18	Mass transit infrastructure	465	10%
19	Availability of unskilled labor	462	9%

Table 2.7: Importance of Factors on North Carolina's Business Climate for Incented Companies (Lee Act): Rank Based on Percentage of Highest Score by Tier

Tier 1:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of community colleges	8	63%
2	Highway infrastructure	8	50%
2	Land prices	8	50%
4	Availability of skilled labor	8	38%
4	Information technology infrastructure	8	38%
6	Availability of 4-year colleges/univ	8	38%
7	Availability of unskilled labor	8	25%
8	State economic dev. tax incentives	8	25%
8	Local economic dev. tax incentives	8	25%
10	State corporate tax rate	8	13%
10	Local property tax rates	8	13%
10	State regulatory environment	8	13%
10	Mass transit infrastructure	8	13%
10	Availability of low cost labor	8	13%
10	Workforce training programs	8	13%
10	Environmental regulations	8	13%
10	Accessibility to major airport	8	13%
18	State individual income tax rate	8	0%
18	Housing costs	8	0%

Tier 2:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	State corporate tax rate	7	86%
2	State regulatory environment	7	71%
3	Availability of skilled labor	7	57%
3	Local property tax rates	7	57%
5	State individual income tax rate	7	43%
5	Highway infrastructure	7	43%
5	Availability of community colleges	7	43%
5	Environmental regulations	7	43%
9	Availability of unskilled labor	7	29%
9	Mass transit infrastructure	7	29%
9	Housing costs	7	29%
9	Workforce training programs	7	29%
13	Availability of 4-year colleges/univ	7	28%
14	State economic dev. tax incentives	7	14%
14	Local economic dev. tax incentives	7	14%
14	Information technology infrastructure	7	14%

14	Availability of low cost labor	7	14%
14	Land prices	7	14%
14	Accessibility to major airport	7	14%

Tier 3:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	28	64%
2	State regulatory environment	28	57%
3	State individual income tax rate	28	46%
3	Availability of community colleges	28	46%
5	Land prices	28	43%
5	Environmental regulations	28	43%
7	State corporate tax rate	27	41%
8	Local property tax rates	28	39%
8	Highway infrastructure	28	39%
10	Housing costs	28	32%
10	Workforce training programs	28	32%
12	State economic dev. tax incentives	28	29%
12	Local economic dev. tax incentives	28	29%
14	Information technology infrastructure	28	25%
14	Availability of 4-year colleges/univ	28	25%
14	Accessibility to major airport	28	25%
17	Availability of low cost labor	28	21%
18	Mass transit infrastructure	28	11%
19	Availability of unskilled labor	28	4%

Tier 4:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	26	54%
2	Local property tax rates	25	52%
3	State individual income tax rate	26	46%
3	Availability of community colleges	26	46%
5	Information technology infrastructure	26	38%
6	State corporate tax rate	26	35%
7	Highway infrastructure	26	31%
8	State regulatory environment	26	30%
9	Local economic dev. tax incentives	26	27%
9	Availability of 4-year colleges/univ	26	27%
9	Availability of low cost labor	26	27%
12	State economic dev. tax incentives	26	23%
12	Environmental regulations	26	23%
14	Land prices	25	20%

15	Mass transit infrastructure	26	19%
15	Housing costs	26	19%
15	Workforce training programs	26	19%
18	Availability of unskilled labor	26	4%
18	Accessibility to major airport	26	4%

Tier 5:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	79	60%
2	State regulatory environment	79	42%
3	Local property tax rates	78	40%
4	State individual income tax rate	79	35%
5	Information technology infrastructure	79	30%
6	Availability of 4-year colleges/univ	79	29%
6	Availability of community colleges	79	29%
6	Accessibility to major airport	79	29%
9	Highway infrastructure	79	25%
10	State corporate tax rate	79	22%
10	Workforce training programs	79	22%
12	State economic dev. tax incentives	79	20%
12	Local economic dev. tax incentives	78	19%
14	Housing costs	78	19%
15	Environmental regulations	79	18%
16	Mass transit infrastructure	79	15%
16	Land prices	79	15%
18	Availability of unskilled labor	79	11%
19	Availability of low cost labor	79	10%

Table 2.8: Importance of Factors on North Carolina's Business Climate for Non-Incented Companies (Non-Lee Act): Rank Based on Percentage of Highest Score by Tier

Tier 1:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	33	58%
2	State individual income tax rate	33	55%
3	State corporate tax rate	33	52%
4	Local property tax rates	32	50%
5	Availability of community colleges	33	42%
6	State regulatory environment	31	35%
7	State economic dev. tax incentives	33	33%
7	Local economic dev. tax incentives	33	33%
7	Highway infrastructure	33	33%
10	Environmental regulations	33	30%
11	Information technology infrastructure	32	28%
12	Availability of 4-year colleges/univ	33	27%
12	Availability of low cost labor	33	27%
12	Workforce training programs	33	27%
15	Land prices	33	24%
16	Housing costs	32	19%
17	Availability of unskilled labor	32	13%
18	Mass transit infrastructure	33	9%
19	Accessibility to major airport	33	6%

Tier 2:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	State individual income tax rate	15	60%
2	Availability of community colleges	15	53%
3	Availability of skilled labor	15	47%
4	Local property tax rates	15	47%
5	Availability of 4-year colleges/univ	15	47%
6	Information technology infrastructure	15	40%
6	Availability of low cost labor	15	40%
6	Environmental regulations	15	40%
9	State corporate tax rate	15	33%
9	Accessibility to major airport	15	33%
11	State regulatory environment	15	27%
11	Highway infrastructure	15	27%
11	Mass transit infrastructure	15	27%
11	Housing costs	15	27%
11	Workforce training programs	15	27%
16	Availability of unskilled labor	15	20%

16	Land prices	15	20%
18	State economic dev. tax incentives	15	7%
18	Local economic dev. tax incentives	15	7%

Tier 3:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	57	54%
2	State regulatory environment	57	53%
3	Availability of community colleges	57	49%
4	State individual income tax rate	56	41%
5	State corporate tax rate	57	40%
6	Local property tax rates	57	39%
7	Environmental regulations	56	38%
8	Availability of 4-year colleges/univ	57	37%
9	State economic dev. tax incentives	57	33%
9	Highway infrastructure	57	33%
11	Local economic dev. tax incentives	57	30%
11	Land prices	57	30%
13	Information technology infrastructure	57	28%
14	Housing costs	57	25%
15	Workforce training programs	57	23%
16	Availability of low cost labor	57	21%
17	Mass transit infrastructure	57	14%
18	Availability of unskilled labor	57	12%
19	Accessibility to major airport	57	11%

Tier 4:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	107	64%
2	State individual income tax rate	107	42%
3	Highway infrastructure	107	41%
4	State corporate tax rate	105	40%
4	Local property tax rates	107	40%
4	Availability of community colleges	107	40%
7	Availability of 4-year colleges/univ	107	36%
8	State regulatory environment	107	32%
9	Land prices	106	32%
10	Housing costs	107	31%
11	Environmental regulations	106	30%
11	Accessibility to major airport	106	30%
13	Information technology infrastructure	106	28%
14	Workforce training programs	106	27%

15	Local economic dev. tax incentives	106	25%
16	State economic dev. tax incentives	107	22%
17	Availability of low cost labor	107	21%
18	Mass transit infrastructure	107	15%
19	Availability of unskilled labor	107	13%

Tier 5:

Rank	Factors	Number of Companies	Percentage of Highest Score
1	Availability of skilled labor	243	56%
2	State corporate tax rate	241	43%
3	State individual income tax rate	243	42%
4	Local property tax rates	244	40%
5	Information technology infrastructure	244	35%
6	State regulatory environment	244	34%
7	Availability of 4-year colleges/univ	244	33%
7	Availability of community colleges	244	33%
9	Highway infrastructure	244	29%
9	State economic dev. tax incentives	242	26%
11	Local economic dev. tax incentives	241	26%
11	Land prices	244	25%
11	Housing costs	244	25%
14	Environmental regulations	240	24%
15	Accessibility to major airport	244	24%
16	Workforce training programs	242	23%
17	Availability of low cost labor	242	17%
18	Mass transit infrastructure	244	11%
19	Availability of unskilled labor	242	10%

Next, rankings for the 19 factors influencing business climate were analyzed using a weighted average with a factor receiving a score of 1 for unimportant and 5 for very important. Under the weighted average measure of importance, state economic development tax incentives ranked 16th for incented companies and 15th for non-incented companies. Similar low rankings also appeared when the weighted average was calculated by tier for each group. For incented companies, state economic development tax incentives' highest weighted-average ranking was 5th in Tier 1 and its lowest ranking was 16th in Tier 4. For non-incented companies, state economic development tax incentives' highest weighted-average ranking was 11th in Tier 1 and its lowest ranking was 17th in Tiers 2 and 4. Tax incentives routinely trailed skilled labor, individual and corporate income tax rates, educational access, and infrastructure, in terms of overall importance to both incented and non-incented companies.

Table 2.9: Weighted-Average Importance of Factors on North Carolina's Business Climate for Incented Companies (Lee Act): Rank Based on Percentage of Highest Score for All Companies

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	148	4.412162
2	State regulatory environment	148	4.047297
3	State corporate tax rate	147	3.986395
4	Local property tax rates	146	3.931507
5	Availability of community colleges	148	3.891892
6	State individual income tax rate	148	3.831081
7	Highway infrastructure	148	3.817568
8	Information technology infrastructure	148	3.743243
9	Availability of 4-year colleges/univ	148	3.702703
10	Housing costs	147	3.62585
11	Environmental regulations	148	3.513514
12	Land prices	147	3.44898
13	Workforce training programs	148	3.418919
14	Accessibility to major airport	148	3.418919
15	Local economic dev. tax incentives	147	3.401361
16	State economic dev. tax incentives	148	3.331081
17	Availability of low cost labor	148	3.243243
18	Mass transit infrastructure	148	2.621622
19	Availability of unskilled labor	148	2.587838

Table 2.10: Weighted-Average Importance of Factors on North Carolina's Business Climate for Non-Incented Companies (Non-Lee Act): Rank Based on Percentage of Highest Score for All Companies

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	464	4.327586
2	Local property tax rates	464	3.965517
3	State individual income tax rate	463	3.952484
4	State corporate tax rate	460	3.882609
5	Availability of community colleges	465	3.873118
6	State regulatory environment	463	3.827214
7	Highway infrastructure	465	3.804301
8	Housing costs	464	3.739224
9	Availability of 4-year colleges/univ	465	3.735484
10	Information technology infrastructure	463	3.695464
11	Land prices	464	3.650862
12	Environmental regulations	459	3.601307
13	Workforce training programs	462	3.493506
14	Accessibility to major airport	464	3.400862
15	State economic dev. tax incentives	463	3.347732
16	Local economic dev. tax incentives	461	3.32538
17	Availability of low cost labor	462	3.311688
18	Mass transit infrastructure	465	2.795699
19	Availability of unskilled labor	462	2.640693

Table 2.11: Weighted-Average Importance of Factors on North Carolina's Business Climate for Incented Companies (Lee Act): Rank Based on Percentage of Highest Score by Tier

Tier 1:

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	8	4.250
2	Information technology infrastructure	8	4.250
3	Highway infrastructure	8	4.000
4	State corporate tax rate	8	3.875
5	State economic dev. tax incentives	8	3.875
6	Land prices	8	3.875
7	Local property tax rates	8	3.750
8	Local economic dev. tax incentives	8	3.750
9	Availability of low cost labor	8	3.750
10	State individual income tax rate	8	3.625
11	Workforce training programs	8	3.625
12	State regulatory environment	8	3.500
13	Availability of community colleges	8	3.500
14	Environmental regulations	8	3.375
15	Availability of 4-year colleges/univ	8	3.250
16	Housing costs	8	3.250
17	Accessibility to major airport	8	3.250
18	Availability of unskilled labor	8	2.750
19	Mass transit infrastructure	8	2.375

Tier 2:

Rank	Factors	Number of Companies	Average Score
1	State corporate tax rate	7	4.857
2	State regulatory environment	7	4.571
3	Local property tax rates	7	4.429
4	Availability of community colleges	7	4.429
5	Availability of skilled labor	7	4.286
6	Highway infrastructure	7	4.286
7	Workforce training programs	7	4.143
8	Environmental regulations	7	4.143
9	State individual income tax rate	7	3.857
10	Information technology infrastructure	7	3.857
11	Availability of low cost labor	7	3.571
12	Housing costs	7	3.571
13	Availability of 4-year colleges/univ	7	3.429
14	Local economic dev. tax incentives	7	3.286

15	State economic dev. tax incentives	7	3.143
16	Availability of unskilled labor	7	3.000
17	Land prices	7	3.000
18	Accessibility to major airport	7	3.000
19	Mass transit infrastructure	7	2.143

Tier 3:

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	28	4.429
2	State regulatory environment	28	4.357
3	State corporate tax rate	27	4.037
4	Local property tax rates	28	4.000
5	Highway infrastructure	28	3.964
6	Availability of community colleges	28	3.893
7	State individual income tax rate	28	3.857
8	Housing costs	28	3.857
9	Land prices	28	3.821
10	Environmental regulations	28	3.679
11	Workforce training programs	28	3.464
12	Information technology infrastructure	28	3.429
13	Availability of 4-year colleges/univ	28	3.321
14	State economic dev. tax incentives	28	3.286
15	Local economic dev. tax incentives	28	3.286
16	Availability of low cost labor	28	3.250
17	Accessibility to major airport	28	3.179
18	Mass transit infrastructure	28	2.500
19	Availability of unskilled labor	28	2.357

Tier 4:

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	26	4.346
2	Availability of community colleges	26	4.192
3	Local property tax rates	25	4.040
4	State individual income tax rate	26	4.000
5	State corporate tax rate	26	3.962
6	Highway infrastructure	26	3.923
7	State regulatory environment	26	3.846
8	Information technology infrastructure	26	3.846
9	Housing costs	26	3.808
10	Availability of low cost labor	26	3.769
11	Environmental regulations	26	3.769
12	Availability of 4-year colleges/univ	26	3.731

13	Local economic dev. tax incentives	26	3.654
14	Land prices	25	3.560
15	Workforce training programs	26	3.538
16	State economic dev. tax incentives	26	3.423
17	Accessibility to major airport	26	3.154
18	Availability of unskilled labor	26	2.692
19	Mass transit infrastructure	26	2.385

Tier 5:

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	79	4.456
2	State regulatory environment	79	4.013
3	State corporate tax rate	79	3.911
4	Availability of 4-year colleges/univ	79	3.899
5	Local property tax rates	78	3.846
6	State individual income tax rate	79	3.785
7	Availability of community colleges	79	3.785
8	Information technology infrastructure	79	3.759
9	Highway infrastructure	79	3.671
10	Accessibility to major airport	79	3.646
11	Housing costs	78	3.526
12	Local economic dev. tax incentives	78	3.333
13	Environmental regulations	79	3.329
14	State economic dev. tax incentives	79	3.278
15	Land prices	79	3.278
16	Workforce training programs	79	3.278
17	Availability of low cost labor	79	2.987
18	Mass transit infrastructure	79	2.810
19	Availability of unskilled labor	79	2.582

Table 2.12: Weighted-Average Importance of Factors on North Carolina's Business Climate for Non-Incented Companies (Non-Lee Act): Rank Based on Percentage of Highest Score by Tier

Tier 1:

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	33	4.333
2	Local property tax rates	32	4.250
3	State individual income tax rate	33	4.212
4	State corporate tax rate	33	4.121
5	Highway infrastructure	33	3.939
6	State regulatory environment	31	3.935
7	Availability of community colleges	33	3.788

8	Information technology infrastructure	32	3.781
9	Local economic dev. tax incentives	33	3.758
10	Land prices	33	3.758
11	State economic dev. tax incentives	33	3.727
12	Environmental regulations	33	3.697
13	Housing costs	32	3.688
14	Availability of low cost labor	33	3.576
15	Availability of 4-year colleges/univ	33	3.485
16	Workforce training programs	33	3.394
17	Accessibility to major airport	33	3.121
18	Mass transit infrastructure	33	2.697
19	Availability of unskilled labor	32	2.688

Tier 2:

Rank	Factors	Number of Companies	Average Score
1	State individual income tax rate	15	4.267
2	Availability of skilled labor	15	4.133
3	Availability of community colleges	15	4.133
4	State corporate tax rate	15	4.000
5	Local property tax rates	15	3.867
6	Availability of 4-year colleges/univ	15	3.867
7	State regulatory environment	15	3.733
8	Information technology infrastructure	15	3.733
9	Accessibility to major airport	15	3.733
10	Highway infrastructure	15	3.600
11	Environmental regulations	15	3.600
12	Housing costs	15	3.533
13	Availability of low cost labor	15	3.400
14	Land prices	15	3.400
15	Workforce training programs	15	3.400
16	Availability of unskilled labor	15	3.067
17	State economic dev. tax incentives	15	2.867
18	Mass transit infrastructure	15	2.867
19	Local economic dev. tax incentives	15	2.800

Tier 3:

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	57	4.193
2	Availability of community colleges	57	3.965
3	State regulatory environment	57	3.842
4	Local property tax rates	57	3.772
5	Environmental regulations	56	3.750

6	State corporate tax rate	57	3.667
7	State individual income tax rate	56	3.625
8	Highway infrastructure	57	3.561
9	Availability of 4-year colleges/univ	57	3.544
10	Workforce training programs	57	3.544
11	Housing costs	57	3.474
12	Information technology infrastructure	57	3.404
13	Land prices	57	3.333
14	Availability of low cost labor	57	3.281
15	State economic dev. tax incentives	57	3.263
16	Local economic dev. tax incentives	57	3.140
17	Accessibility to major airport	57	2.965
18	Availability of unskilled labor	57	2.684
19	Mass transit infrastructure	57	2.667

Tier 4:

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	107	4.411
2	State individual income tax rate	107	3.963
3	Availability of community colleges	107	3.963
4	Highway infrastructure	107	3.916
5	Local property tax rates	107	3.860
6	State corporate tax rate	105	3.838
7	Housing costs	107	3.794
8	Availability of 4-year colleges/univ	107	3.757
9	Land prices	106	3.726
10	State regulatory environment	107	3.692
11	Environmental regulations	106	3.670
12	Information technology infrastructure	106	3.651
13	Workforce training programs	106	3.585
14	Accessibility to major airport	106	3.462
15	Availability of low cost labor	107	3.430
16	Local economic dev. tax incentives	106	3.170
17	State economic dev. tax incentives	107	3.131
18	Mass transit infrastructure	107	2.879
19	Availability of unskilled labor	107	2.654

Tier 5:

Rank	Factors	Number of Companies	Average Score
1	Availability of skilled labor	243	4.333
2	Local property tax rates	244	4.012
3	State individual income tax rate	243	3.963

4	State corporate tax rate	241	3.905
5	State regulatory environment	244	3.852
6	Availability of community colleges	244	3.807
7	Highway infrastructure	244	3.803
8	Housing costs	244	3.799
9	Availability of 4-year colleges/univ	244	3.795
10	Information technology infrastructure	244	3.775
11	Land prices	244	3.697
12	Environmental regulations	240	3.500
13	Accessibility to major airport	244	3.475
14	Workforce training programs	242	3.467
15	State economic dev. tax incentives	242	3.426
16	Local economic dev. tax incentives	241	3.394
17	Availability of low cost labor	242	3.215
18	Mass transit infrastructure	244	2.807
19	Availability of unskilled labor	242	2.570

Figure 2.63: Lee Act Companies

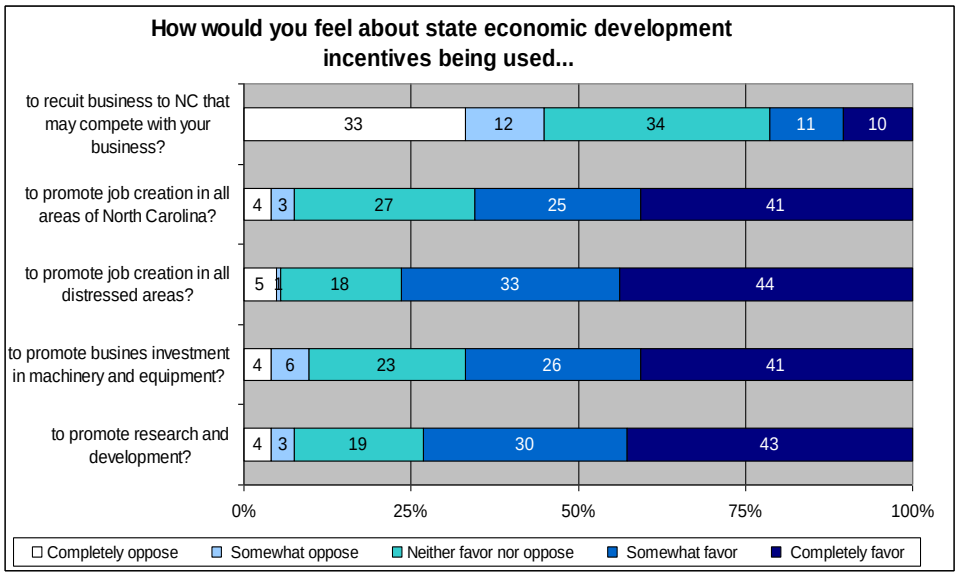
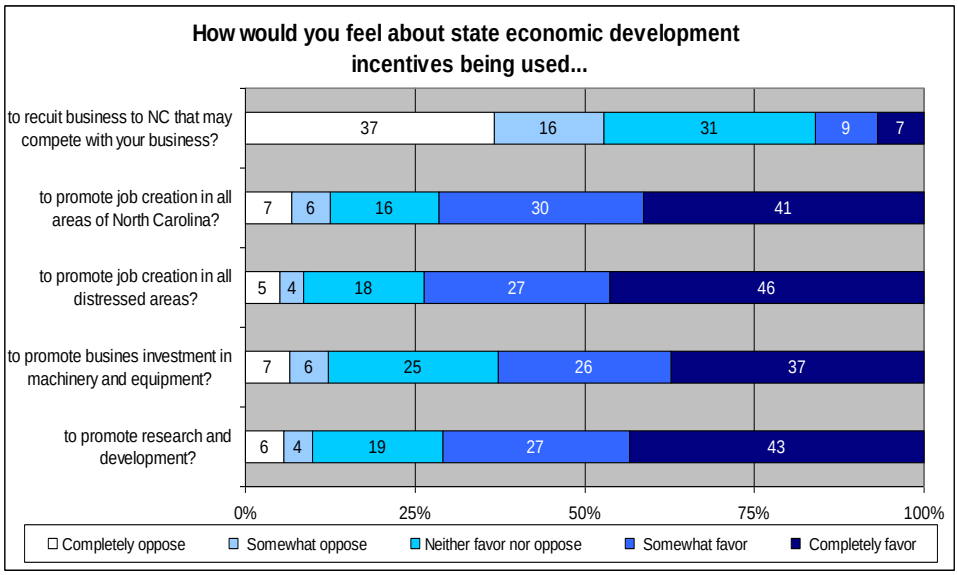


Figure 2.64: Non-Incented Companies



Lee Act: Conclusion

The William S. Lee Act is having a limited impact on company expansion/location decisions in North Carolina. The job creation tax credit is not changing the rate of job growth for most companies adding new jobs, and the machinery and equipment tax credit is being taken by companies shedding jobs. The research and development tax credit is associated with growing companies who are adding new jobs post incentive. Company interviews and surveys reveal that the Lee Act does not influence business decisions and is regarded as an "after the fact" entitlement tax credit. In most cases, company presidents, CEOs, owners, and other decision-makers were unaware their companies were even taking tax credits against the companies' job creation, investment, and/or research activities.

Chapter 3: A Review of the State's High-Performance Companies

While the pre- and post-incentive employment analysis for Lee Act tax credits found negligible employment gains for most companies, a handful of companies did demonstrate considerable employment growth over the study period. The following tables capture these high-growth companies in two ways. First, the companies with the top 10 percent in employment change over the period 1996 to 2006 and 2002 to 2006 are profiled below. Minimum starting employment was restricted to 15 employees to prevent elevated employment growth percentages from very small firms.

The first analysis examines the companies in the top ten percent in greatest positive employment change over the period 1996 to 2006 and 2002 to 2006. The years 2002 to 2006 were examined because detailed data on the type of credit taken were readily available. The 1996 to 2006 analysis reveals that most of the companies were concentrated in manufacturing, with a second highest concentration in wholesale trade. The majority of companies were in Tiers 4 and 5. Surprisingly, 25 of the 73 companies with the highest percentage employment growth rate received less than $1000 in tax credits over the 10-year period. Twenty-four of the companies received more than$100,000 in tax credits over the period. The top ten percent of employment growth from 2002 to 2006 consisted of 103 companies. The largest percentage of companies was also concentrated in manufacturing, with wholesale trade and professional, scientific, and technical services tying for second highest. The job creation and machinery and equipment tax credits were the most common taken and most credits totaled $50,000 or less over the five-year period.

Table 3.1: Top Ten Percent in Growth Percentage: High-Growth Companies from 1996-2006

By NAICS code	Industry	Number of Companies
11	Agriculture, Forestry, Fishing and Hunting	1
21	Mining	0
22	Utilities	0
23	Construction	2
31-33	Manufacturing	41
42	Wholesale Trade	11
44-45	Retail Trade	2
48-49	Transportation and Warehousing	1
51	Information	0
52	Finance and Insurance	2
53	Real Estate and Rental and Leasing	0
54	Professional, Scientific, and Technical Services	4
55	Management of Companies and Enterprises	2
56	Administrative and Support and Waste Management	1
61	Educational Services	1
62	Health Care and Social Assistance	4
71	Arts, Entertainment, and Recreation	0

72	Accommodation and Food Services	1
81	Other Services (except Public Administration)	0
99	Public Administration	0
Sum		73

By Tiers	Number of Companies
1	4
2	0
3	8
4	17
5	27
Missing	17
Sum	73

By Incentive Amount Received from 96-06	Number of Companies
<$1,000	25
$1,000-$10,000	9
$10,000-$50,000	9
$50,000-$100,000	6
>$100,000	24
Sum	73

By Average Employment Number	Number of Companies (Year 1996)	Number of Companies (Year 2006)
15-25	23	0
25-50	22	2
50-100	16	14
100-250	11	30
250-500	1	15
>500	0	12
Sum	73	73

Table 3.2: Top Ten Percent in Growth Percentage: High-Growth Companies from 2002-2006

By NAICS code	Industry	Number of Companies
11	Agriculture, Forestry, Fishing and Hunting	1
21	Mining	0
22	Utilities	0
23	Construction	3
31-33	Manufacturing	62
42	Wholesale Trade	10
44-45	Retail Trade	5
48-49	Transportation and Warehousing	1
51	Information	1
52	Finance and Insurance	2
53	Real Estate and Rental and Leasing	0
54	Professional, Scientific, and Technical Services	10
55	Management of Companies and Enterprises	1
56	Administrative and Support and Waste Management	1
61	Educational Services	0
62	Health Care and Social Assistance	4
71	Arts, Entertainment, and Recreation	0
72	Accommodation and Food Services	2
81	Other Services (except Public Administration)	0
99	Public Administration	0
Sum		103

By Tiers	Number of Companies
1	8
2	1
3	9
4	21
5	44
Missing	20
Sum	103

By Incentive Amount Received from 96-06	Create Job	Machine and Equipment	Research and Development
$0<$1,000	3	4	0
$1,000-$10,000	10	12	6
$10,000-$50,000	20	8	8
$50,000-	6	5	0

$100,000			
>$100,000	13	14	5
Sum	52	43	19

By Incentive Amount Received from 96-06	Create Job Only	Machine and Equipment Only	Research and Development Only
$0<$1,000	3	3	0
$1,000-$10,000	6	6	0
$10,000-$50,000	4	2	0
$50,000-$100,000	2	0	0
>$100,000	3	2	0
Sum	18	13	0

By Average Employment Number	Number of Companies (Year 2002)	Number of Companies (Year 2006)
15-25	20	0
25-50	34	15
50-100	23	28
100-250	14	33
250-500	6	7
>500	6	20
Sum	103	103

The second analysis examines the companies in the top ten percent in absolute employment change over the period 1996 to 2006 and 2002 to 2006. Again, the years 2002 to 2006 were examined because detailed data on the type of credit taken were readily available. The 1996 to 2006 analysis reveals that most of the companies were concentrated in manufacturing with a second-highest concentration in wholesale trade.. Again, the majority of companies were in Tiers 4 and 5. The amount of tax credits taken for these firms was widely distributed, with most of the companies taking $50,000 or more in credits over the study period. The top ten percent of absolute employment change from 2002 to 2006 consisted of 119 companies. The largest percentage of companies was also concentrated in manufacturing, with wholesale trade as the second highest. The job creation and machinery and equipment tax credits were the most common taken, and most companies were in Tiers 4 and 5. Most credits totaled $10,000 or more over the five-year period, with some exceeding $50,000 total.

Table 3.3: Top Ten Percent in Absolute Employment Change: High-Growth Companies from 1996-2006

NAICS Code	Description	Number of Companies
11	Agriculture, Forestry, Fishing and Hunting	2
21	Mining	0
22	Utilities	0
23	Construction	3
31-33	Manufacturing	69
42	Wholesale Trade	10
44-45	Retail Trade	1
48-49	Transportation and Warehousing	1
51	Information	1
52	Finance and Insurance	1
53	Real Estate and Rental and Leasing	0
54	Professional, Scientific, and Technical Services	5
55	Management of Companies and Enterprises	2
56	Administrative and Support and Waste Management and Remediation Services	0
61	Educational Services	1
62	Health Care and Social Assistance	1
71	Arts, Entertainment, and Recreation	0
72	Accommodation and Food Services	0
81	Other Services (except Public Administration)	0
Sum		97

Tiers	Number of Companies
1	10
2	5
3	18
4	24
5	40
Sum	97

Total Incentive Amount	Number of Companies
$0-$1,000	5
$1,000-$5,000	1
$5,000-$10,000	4
$10,000-$50,000	17
>$50,000	54
Sum	81

Number of Employees	Number of Companies in 1996	Number of Companies in 2006
15-25	10	0
25-50	14	0
50-100	22	3
100-500	44	71
500-1000	3	16
>1000	4	7
Sum	97	97

Table 3.4: Top Ten Percent in Absolute Employment Change: High-Growth Companies from 2002-2006

NAICS Code	Description	Number of Companies
11	Agriculture, Forestry, Fishing and Hunting	1
21	Mining	0
22	Utilities	0
23	Construction	6
31-33	Manufacturing	80
42	Wholesale Trade	14
44-45	Retail Trade	3
48-49	Transportation and Warehousing	0
51	Information	2
52	Finance and Insurance	1
53	Real Estate and Rental and Leasing	0
54	Professional, Scientific, and Technical Services	8
55	Management of Companies and Enterprises	1
56	Administrative and Support and Waste Management and Remediation Services	1
61	Educational Services	1
62	Health Care and Social Assistance	0
71	Arts, Entertainment, and Recreation	0
72	Accommodation and Food Services	1
81	Other Services (except Public Administration)	0
Sum		119

Tiers	Number of Companies
1	8
2	4
3	23
4	35
5	49
Sum	119

Total Incentive Amount	Create Job	Machine and Equipment	Research and Development
$0-$1,000	6	2	0
$1,000-$5,000	3	4	2
$5,000-$10,000	4	6	1
$10,000-$50,000	26	16	7
>$50,000	20	31	15
Sum	59	59	25

Total Incentive Amount	Create Job Only	Machine and Equipment Only	Research and Development Only
$0-$1,000	5	1	0
$1,000-$5,000	1	1	0
$5,000-$10,000	2	1	0
$10,000-$50,000	6	9	0
>$50,000	4	4	0
Sum	18	16	0

Number of Employees	Number of Companies in 1996	Number of Companies in 2006
15-25	2	0
25-50	12	1
50-100	24	12
100-500	70	84
500-1000	8	16
>1000	3	6
Sum	119	119

Chapter 4: Discretionary Incentive Programs: Job Development Investment Grant and One North Carolina Fund Employment Analysis

Job Development Investment Grant (JDIG) Employment Assessment

The Job Development Investment Grant (JDIG) awards up to 25 grants annually to new and expanding businesses. An economic impact model is utilized in the determination of the grant amount and to ensure the benefits of these projects exceed their costs to the state. From 2003 to 2007, the State of North Carolina awarded 70 JDIGs (six in 2003, 19 in 2004, 11 in 2005, 19 in 2006 and 15 in 2007). Of those 70 awarded JDIGs, five were eventually withdrawn and/or declined by the company. Excluding the withdrawn JDIGs, the revised annual awards per year are as follows: six in 2003, 19 in 2004, eight in 2005, 19 in 2006, and 14 in 2007.

The Center sought to examine the pre- and post-incentive employment performance of the 65 JDIG businesses to determine their progress toward employment goals outlined in their respective grant agreements. Acquiring data to assess the performance of the JDIG (and One North Carolina Fund) programs was far more difficult than Lee Act data acquisition. Legislation enabling the Center to acquire employment and tax records for incented firms specifically mentioned the William S. Lee Act, but did not explicitly mention firms receiving a JDIG or One NC grant. A Federal Employer Identification Number, or FEIN, is a unique company identifier, which was utilized by the Employment Security Commission to match employment histories for each incented company.

After consulting with their legal staff, North Carolina Department of Commerce leadership did not feel the legislation legally authorized or obligated the agency to provide the confidential FEINs for companies receiving a JDIG or One NC grant. NC Commerce did provide to the Center a publicly available list of companies receiving JDIG and One NC grants, the grant amount, and projected job creation numbers associated with the project. While NC Commerce would not provide FEINs to the Center, the agency did provide the North Carolina ESC with a list of FEINs for these companies, which the ESC utilized to compile quarterly employment records from 1996 to 2007 for each company. Employment records, minus the FEINs, were submitted by ESC to the Center. The Center was required to match the NC Commerce database of JDIG and One NC companies with the ESC database of those same companies by matching company names from each database. Frequently companies operated under a “doing business as” (DBA) designation that differed from their legal name, especially in cases with multiple locations in the state. The Center successfully matched 65 companies receiving a JDIG with some employment history (including companies where a JDIG was withdrawn or not accepted); however, complete employment history was only found for 39 companies receiving a JDIG.

For 2007 companies, we suspect that the companies did not yet have employment or had minimal employment in North Carolina at the time the data was received from ESC.

For example, only five of the 14 companies receiving a JDIG in 2007 were successfully matched. Companies that were awarded a JDIG and subsequently declined the award are included in the NC Commerce JDIG totals, but not analyzed here since no state money was awarded to these companies. Several other companies were matched by name, but the location specified in the JDIG award did not match the employment location provided by ESC; a common problem in matching multi-location facilities was separating individual locations from companywide employment. These factors contributed to the lower match rate.

An employment evaluation of the 39 companies receiving a JDIG was conducted to determine each company's progress toward the total stated job creation goal specified in the grant agreement. In most cases, the grant agreement timeline for adding the jobs extended well beyond 2007; therefore, it was reasonable to expect that most companies had not yet met their total employment goals. This was especially true for more recent JDIG recipients. Certified job creation numbers reported on an annual basis by NC Commerce in the JDIG annual reports were also matched against companies, where possible, to assist in ensuring complete employment records were being examined. In most cases, the information provided by ESC was consistent with certified employment numbers in the JDIG annual reports. Following is an employment performance analysis for companies receiving a JDIG in each year from 2003 to 2007. For consistency, the starting date for calculating employment was January of the year the JDIG was received, and the end date was December 2007.

Table 4.1: Job Development Investment Grant (JDIG) Companies

2003 Job Development Investment Grant (JDIG) Companies	
Company	Progress Toward Claimed Job Creation, as of Dec. 2007
Company 1	163%
Company 2	79%
Company 3	70%
Company 4	50%

2004 Job Development Investment Grant (JDIG) Companies	
Company	Progress Toward Claimed Job Creation, as of Dec. 2007
Company 1	163%
Company 2	143%
Company 3	139%
Company 4	99%
Company 5	97%
Company 6	89%
Company 7	85%
Company 8	71%
Company 9	67%
Company 10	67%
Company 11	64%
Company 12	58%
Company 13	32%
Company 14	13%

2005 Job Development Investment Grant (JDIG) Companies	
Company	Progress Toward Claimed Job Creation, as of Dec. 2007
Company 1	113%
Company 2	31%
Company 3	28%
Company 4	22%

2006 Job Development Investment Grant (JDIG) Companies	
Company	Progress Toward Claimed Job Creation, as of Dec. 2007
Company 1	130%
Company 2	112%
Company 3	87%
Company 4	86%
Company 5	58%
Company 6	34%
Company 7	33%
Company 8	20%
Company 9	18%
Company 10	16%
Company 11	15%

2007 Job Development Investment Grant (JDIG) Companies	
Company	Progress Toward Claimed Job Creation, as of Dec. 2007
Company 1	28%
Company 2	22%
Company 3	20%
Company 4	19%
Company 5	6%
Company 6	6%

As the analysis reveals, only a few JDIG companies have met or exceeded their claimed job creation amounts. However, most companies are making strong progress toward their anticipated job creation amount specified in the JDIG award.

One North Carolina Fund (One NC) Employment Assessment

As discussed in the previous JDIG section, the Center did not have access to Federal Employer Identification Numbers (FEINs) for companies receiving a One NC grant. Instead, the Center had to match NC Commerce One NC grant recipients with ESC employment records by name. This was an especially difficult and onerous process and the researchers had considerable difficulty in tracking and identifying a majority of the One NC grantees. To improve matching, the Center focused on companies receiving a One NC grantin 2004, 2005, or 2006. Over the period, the Center matched employment records for 64 companies.

For each company the initial employment level was taken as the employment for the month in which the Governor's Announcement Letter was released, and the ending employment was December 2007.

Table 4.2: ONE NC Companies

2004 ONE NC Companies	
Company	Progress Toward Claimed Job Creation, as of Dec. 2007
Company 1	373%
Company 2	295%
Company 3	112%
Company 4	108%
Company 5	80%
Company 6	39%
Company 7	-27%
Company 8	-28%

2005 ONE NC Companies	
Company	Progress Toward Claimed Job Creation, as of Dec. 2007
Company 1	211%
Company 2	163%
Company 3	140%
Company 4	124%
Company5	109%
Company 6	102%
Company 7	100%
Company 8	95%
Company 9	89%
Company 10	71%
Company 11	71%
Company 12	64%
Company 13	56%
Company 14	53%
Company 15	38%
Company 16	26%
Company 17	25%
Company 18	24%
Company 19	13%
Company 20	7%
Company 21	4%
Company 22	-17%
Company 23	-19%
Company 24	-30%
Company 25	-59%
Company 26	-66%
Company 27	-94%

2006 ONE NC Companies	
Company	Progress Toward Claimed Job Creation, as of Dec. 2007
Company 1	411%
Company 2	229%
Company 3	126%
Company 4	113%
Company 5	97%
Company 6	90%
Company 7	82%
Company 8	67%
Company 9	65%
Company 10	54%
Company 11	54%
Company 12	51%
Company 13	47%
Company 14	45%
Company 15	40%
Company 16	38%
Company 17	37%
Company 18	34%
Company 19	34%
Company 20	31%
Company 21	29%
Company 22	29%
Company 23	28%
Company 24	27%
Company 25	24%
Company 26	19%
Company 27	9%
Company 28	1%
Company 29	-51%

JDIG and One NC Case Studies

Prepared by Glenn D. Schronce, Jr., Consultant

The Center supplemented the quantitative analysis of the JDIG and One NC programs with detailed case studies. The case studies were designed to provide additional information on company progress toward investment goals, to examine North Carolina's competitiveness in attracting new companies, and to determine the role site selection consultants played in the recruitment process. Additionally, case studies of four projects that North Carolina lost to other states were also conducted. To assist in conducting these case studies, the Center subcontracted with Mr. Glenn D. Schronce, Jr. (hereafter consultant), President of Ashwood Consulting Enterprises, Inc. Mr. Schronce is a lifelong economic developer with considerable economic development experience in North Carolina. This analysis represents the consultant's case study work, methodology, and findings.

For the duration of the year of 2008, the consultant undertook a case study review of 32 economic development projects in North Carolina, two in Virginia, and two in South Carolina, and he reviewed seven consultant activities associated with the case studies. In addition, the consultant prepared detailed reports of 20 of these case studies. The consultant also provided analyses of the case studies and consultant activities. Finally, the consultant provided recommendations based on the preceding case studies and analyses.

Section 1—Methodology

In order to ensure that the same quality and quantity of data were collected for each case study, an information-gathering process was developed. This process, with the related attachments, can be reviewed in Appendix E. In general, a total of 32 projects were selected for review. Of these 32 projects, 16 projects were reviewed in greater detail through in-depth analysis and data collection. Depending on the project, interviews were conducted with public and private officials as well as company representatives. Later, four case studies were developed, two for South Carolina and two for Virginia; they utilized essentially the same process as outlined in Appendix E. Along with the case study development, when private sector consultants were identified they were contacted and an interview was conducted. The interview questions are also observable in Appendix E. Although most of the data reported here were gathered from publicly available sources and/or from interviews with economic developers, consultants, and/or company representatives, company information and interviewee information is presented anonymously in this report.

Background Information

For the period 2002 to 2008, North Carolina economic conditions have varied and a fair number of new businesses have been announced. Utilizing the press releases of the

Office of the Governor of North Carolina, Section 2 provides an in-depth look at 16 projects that located their businesses in the state. The research looks at both state and local incentives and, when possible, the outcome of the project to date. Section 3 takes a look at two case study projects in two competitive states, South Carolina and Virginia. These two states were the most cited in the 16 in-depth case studies as our competitors. Here, the consultant looks at two projects that chose to locate their businesses in these states instead of in North Carolina. Section 4 examines how private sector consultants influenced the 16 projects reviewed in Section 2 and four of the projects that located in South Carolina and Virginia. While not all projects had consultants, a fair number did and those results are provided in Section 4. Finally, Section 5 provides summary findings and offers some recommendations for economic development incentives for North Carolina in the coming years.

Section 2—JDIG/One NC: North Carolina Case Studies

For the years 2002 to 2008, hundreds of businesses have chosen to locate their new facilities in North Carolina. Many businesses locate in North Carolina without any governmental assistance, while others request and receive millions of dollars of public sector assistance for their location. The case studies investigated by the consultant were projects that were identified and tracked by the North Carolina Department of Commerce and were eligible for either the One North Carolina Fund (One NC) grant program or the Job Development Incentive Grant (JDIG) program. Essentially, the objectives of an economic development program are two-fold: 1) to create new employment opportunities, and 2) to increase the tax base of a community by increasing the business fixed assets. With this information in mind, the following discussion will review the case studies completed by the consultant for North Carolina.

<u>North Carolina Case Study Discussion</u>

Early in the study, it was determined that the case studies would be located from each economic development region in North Carolina. Map 1 provides a detailed view of the counties located within each economic development region of North Carolina, and stars represent the 32 case study locations. In addition, it was determined that the case studies would examine projects located in years 2002 to 2008. Finally, it was determined that the case studies would only examine new announced projects in North Carolina; no expansions were analyzed.

Map 1: Case Studies by Economic Development Regions

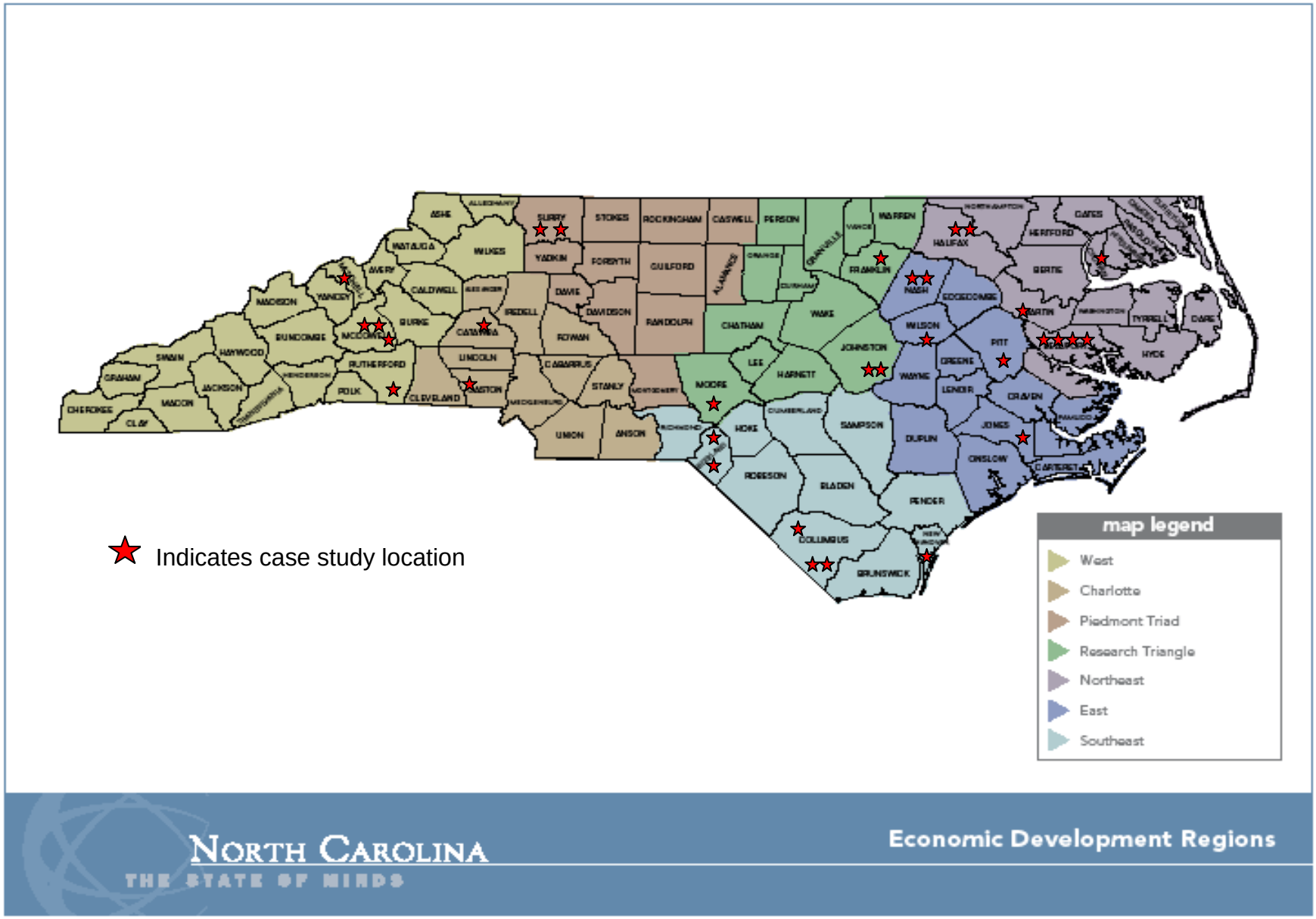


Table 4.3: Historical Analysis of Case Studies by Economic Development Regions of North Carolina

Regions	Years							
	2002	2003	2004	2005	2006	2007	2008	Total
West	0	0	0	4	0	1	0	5
Charlotte	0	0	2	0	0	0	0	2
Piedmont Triad	0	0	0	2	0	0	0	2
Research Triangle	1	1	0	1	1	0	0	4
Northeast	0	0	0	2	2	3	1	8
East	0	0	0	3	2	0	0	5
Southeast	1	2	1	1	1	0	0	6
Total	2	3	3	13	6	4	1	32

Initially, 32 projects that were publicly announced by the Office of the Governor of North Carolina were selected for initial review. Table 4.3 provides a review of these projects by year and economic development region in North Carolina. One can see that the majority (69%) were for the years 2004, 2005, and 2006. This time frame should have given each project the opportunity to complete its construction and training and be in full operation, as well as provide public information about its asset acquisition, by 2008.

These 32 projects were selected completely at random. The consultant reviewed press releases on the Office of the Governor of North Carolina's official website and selected projects without predetermined criteria. Copies of the press release were then used to follow the information-gathering process as outlined in Appendix E.

The next section and Appendix F provide an in-depth look at the 32 companies randomly chosen for analysis. One can see that the following section provides detailed reports of 16 case studies that were selected for in-depth analysis and will be reviewed in detail later. Appendix F also provides an overview of 16 case studies where information was unavailable for detailed analysis or the projects were not chosen for in-depth analysis.

Table 4.4 provides an analysis of the announced business project investments by economic development regions. This table provides information that indicates that 78% of the projects reviewed were below ten million dollars of investment, with 53% being between 1 million and 5 million dollars. In fact, 62% of the projects were under 5 million dollars in investment and 69% were between $1 and $10 million dollars in investment. Only 22% of theprojects were greater than $10 million in investment.

Table 4.4: Proposed Investment Categories by Economic Development Regions of North Carolina

Regions	Investment Ranges					
	<$1 Million	$1 million-$5 million	$5 million-$10 million	$10 million-$25 million	>$25 million	Total
West	0	4	1	0	0	5
Charlotte	0	1	0	0	1	2
Piedmont Triad	0	0	1	1	0	2
Research Triangle	0	2	0	1	1	4
Northeast	3	4	1	0	0	8
East	0	3	1	1	0	5
Southeast	0	3	1	1	1	6
Totals - %	3-9%	17-53%**	5-15%**	4-13%	3-9%	32
Cumulative - %	3-9%	20-62%	25-78%	29-91%	32-100%	
**Note: Investments between $1 million and $10 million total 69% of all investments.						

For the total population of case studies, Table 4.5 looks at the job creation proposals by economic development regions. Clearly, Table 4.5 shows that 76% of the projects had job creation goals of less than 200 people per project. In fact, 57% had plans to hire fewer than 100 persons. In contrast, only 25% were going to provide employment for more than 200 people per project.

Table 4.5: Proposed Job Creation Categories by Economic Development Regions of North Carolina

Regions	New Jobs to Be Created					
	<50	50-74	75-99	100-200	>200	Total
West	2	1	1	0	1	5
Charlotte	0	0	0	1	1	2
Piedmont Triad	0	1	0	1	0	2
Research Triangle	0	0	1	1	2	4
Northeast	2	3	2	1	0	8
East	1	2	0	0	2	5
Southeast	1	1	0	2	2	6
Total - %	6-19%	8-25%	4-12.5%	6-19%	8-25%	32
Cumulative	6-19%	24-44%	18-57%	24-76%	32-100%	100

In summary, the 32 case study projects, chosen at random, were for the years 2002 to 2008 with a concentration in years 2004, 2005, and 2006. The majority of the case studies were for projects sized under $5 million in capital investment. Finally, the majority of the projects planned to hire less than 100 persons. From the population of 32 case study projects, 16 were selected for in-depth analysis.

North Carolina Case Studies: In-depth Analysis

For all practical purposes, the 16 case studies selected from the population of 32 projects were selected by availability of data, the ability to find local information about the projects, and the ease of accessing information from local and state economic development offices. Every effort was made to be as geographically varied as possible

and to go where the data took the consultant.

The 16 in-depth case studies can be viewed in the next section. Each case study contains a plethora of information, and that information is provided in a readable format with footnotes in the next section. Effort was made to look at local and state investment in each project and then access local tax documents to see if the projects met their proposed investment or job goals. While it is impossible to list all of the information, a summary of the important elements in each case study is provided in Table 4.6.

Table 4.6: Cumulative Economic Development Incentives and Investment Case Study Report Estimates

Company Name	Announcement Date	Proposed Investment/Jobs	Actual Investment/Jobs	Estimated Local Government Investment	Annual Estimated Local Government Property Tax	Projected State Government Investment	Estimated State Government Investment to Date	Estimated Federal Government Investment
Company 1	2005	$1.5 million/79 jobs	$909,517/50 jobs	$76,500	$5,457	$169,847	$113,597	$0
Company 2	2005	$6.2 million/292 jobs	$3.2 million/85 jobs	$1,752,00	$19,239	$4,406,521	$549,238	$1,900,000
Company 6	2004	$28.8 million/200 jobs	$48,444,940/185 jobs	$2,356,288	$482,027	$3,648,450	$282,601	$0
Company 8	2005	$19 million/50 jobs	$6,661,245/- jobs	$2,625,752	$105,714	$1,139,000	$61,211	$0
Company 9	2005	$7.8 million/108 jobs	$5,877,317/48 jobs	$696,211	$93,273	$122,805	$22,805	$4,002,000
Company 12	2002	$20 million/1,500 jobs	$7,861,672/0 jobs	$5,303,503	$61,712	$500,000	$2,538,101	$1,500,000
Company 13	2005	$37 million/600 jobs	$45,412,200/286 jobs	$5,369,322	$584,377	$5,823,500	$1,139,751	$0
Company 16	2008	$2.8 million/50 jobs	$2,243,127/73 jobs	$263,000	$26,916	$3,292,600	$2,536,600	$0
Company 20	2007	$3.25 million/120 jobs	$1,912,730/82 jobs	$80,000	$62,252	$2,596,692	$1,344,919	$0
Company 23	2005	$2 million /25 jobs	$1,172,132/7 jobs	$1,284,958	$11,300	$832,500	$325,000	$100,000
Company 24	2005	$5 million /250 jobs	$4,897,579/61 jobs	$107,813	$34,766	$1,638,112	$73,778	$0
Company 25	2005	$10 million/200 jobs	$7,749,331/40 jobs	$675,000	$96,867	$2,680,625	$290,625	$0
Company 26	2006	$2.1 million/50 jobs	$189,922/15 jobs	$25,000	$2,817	$605,584	$40,784	$0
Company 27	2005	$78 million/200 jobs	$161,199,186/200 jobs	$2,350,000	$757,636	$3,400,000	$2,722,441	$0
Company 28	2003	$10 million /250 jobs	$20,368,342/84 jobs	$7,736,098	$305,526	$4,456,090	$181,090	$0
Company 29	2006	$4.5 million/180 jobs	$4,888,129/100 jobs	$264,000	$69,656	$1,294,437	$131,437	$0
GRAND TOTAL	16	$237.95 million/4,154 jobs	$318,421,292 /1356 jobs	$30,894,547	$2,719,536	$41,745,139	$12,653,978	$7,502,000

Table 4.6 : Cumulative Economic Development Incentives and Investment Case Study Report Estimates (Continued)

Company Name	Announcement Date	Estimated Federal Government Investment	Estimated Total Government Investment	Private Sector Investment	Private Sector Consultant	Competing States	Competing NC Counties	Miscellaneous Information
Company 1	2005	$0	$629,847	$0	no	GA	McDowell, Mitchell, Yancey, Madison	No One NC money since 2006, no WSL tax credits taken
Company 2	2005	$1,900,000	$8,017,521	$40,000	yes	SC, FL	Wayne, Cumberland, Edgecombe	JDIG default concern
Company 6	2004	$0	$6,265,656	$0	yes	KY, TN, VA	n/a	Met investment goals, JDIG default, no WSL tax credits taken
Company 8	2005	$0	$3,764,963	$75,000	no	VA	Surry, Iredell	No One NC money ever expended, no WSL tax credits taken
Company 9	2005	$4,002,000	$5,319,516	$0	yes	VA	Surry, Iredell	No One NC money ever expended, no WSL tax credits taken
Company 12	2002	$1,500,000	$11,006,911	$0	no	GA, SC	n/a	Company closed in 2008, no WSL tax credits taken
Company 13	2005	$0	$11,413,763	$0	yes	VA	Wake	Company exceeded investment goal and jobs goal for first 3 years
Company 16	2008	$0	$3,555,600	$0	no	SC	n/a	No One NC or WSL tax credits taken
Company 20	2007	$0	$2,676,692	$0	no	VA, CA	n/a	ALL One NC monies expended, only $2,217 in WSL tax credits
Company 23	2005	$100,000	$2,217,458	$540,000	no	VA	n/a	No One NC or WSL tax credits taken
Company 24	2005	$0	$1,745,925	$0	no	SC, VA	n/a	No WSL tax credits
Company 25	2005	$0	$2,748,125	$0	no	VA, SC, PA	n/a	No One NC or WSL tax credits taken
Company 26	2006	$0	$605,584	$0	no	TN	n/a	No One NC or WSL tax credits taken
Company 27	2005	$0	$5,750,000	$0	No	TN, CA, NH, MA	n/a	Met investment goal and jobs goal, no WSL tax credits taken
Company 28	2003	$0	$12,192,188	$0	Yes	OH	n/a	Parent Company - took $2,567,000 in WSL tax credits
Company 29	2006	$0	$1,558,437	$0	no	7	n/a	No WSL tax credits taken
GRAND TOTAL	16	$7,502,000	$73,723,936	$655,000	5	SC - 5, VA - 8 TN - 3, GA - 2	n/a	13 - no WSL tax credits taken

Table 4.6 provides a cumulative listing of the economic development incentives by case study. In addition, the consultant attempted to determine the estimated amount of State government investment to date for each of the 16 projects. This was done by collecting data from a wide variety of sources, including Internet searches, interviews, public documents, NC Department of Commerce, NC Department of Revenue, NC Department of Transportation, NC Department of Community Colleges, and others. The data was then aggregated and measured against the proposed investment offered by the State during negotiations.

Table 4.7 summarizes the findings of the 16 in-depth case studies as they relate to new fixed asset investments and new job creation. Surprisingly, for the 16 in-depth case studies, the companies together were able to invest 34% more in their projects, or $80,471,292 more than they proposed, with the help of state incentives. The companies only created one-third of their proposed jobs, 67% below target.

Table 4.7: Analysis of Proposed Investment and New Job Creation versus Actual Investment and Actual New Jobs

Creation from 16 in-depth case studies (Estimates)						
Proposed Investment		**Actual Investment**		**Difference**		**Percentage**
$237,950,000		$318,421,292		$80,471,292		34% overage
Proposed New Jobs		**Actual New Jobs**		**Difference**		**Percentage**
4,154		1,356		-2,798		67% underage

Table 4.8 provides an analysis of the State Government Investment Analysis for the 16 in-depth case studies. This table shows that actual State Government investments were roughly one-third (31%) of proposed investment. The actual investment per job for the North Carolina State Government was approximately $9,332 per job, when using the estimated actual investment figures.

Table 4.8: North Carolina State Government Investment Analysis for the 16 in-depth case studies: (Estimates)

Estimated State Government Investment - %		**Estimated New Jobs - %**		**Est. Investment per Job**
$41,745,139 – 100%		4,154 – 100%		$10,049.38
Actual Estimate of State Government Investment - %		**Actual New Jobs - %**		**Actual Cost per Job**
$12,653,978 – 30%		1,356 – 33%		$9,332.00

Table 4.9: Projected and Actual State Government Investments by Investment Ranges and Economic Development Regions (Estimates)

State Government Investment	West		Charlotte		Piedmont Triad		Research Triangle		Northeast		East		Southeast		Total	
	P	A	P	A	P	A	P	A	P	A	P	A	P	A	P	A
<$499,999	0	1	0	1	0	2	0	0	0	0	0	4	0	2	0	10
$500,000-$1,000,000	1	1	0	0	1	0	0	0	0	0	2	0	0	0	4	1
$1,000,001-$3,000,000	0	0	0	0	1	0	0	2	1	2	2	0	1	0	5	4
$3,000,001-$5,000,000	1	0	1	0	0	0	1	0	1	0	0	0	2	1	6	1
>$5,000,000	0	0	0	0	0	0	1	0	0	0	0	0	0	0	1	0
Total	2	2	1	1	2	2	2	2	2	2	4	4	3	3	16	16
P=Proposed, A=Actual																

Finally, Table 4.10 analyzes the local government investments in the 16 in-depth case studies. Overall, local governments are investing nearly $22,068 per job for these projects, and it is estimated that it will take at least 11.36 years for them to recoup these investments through property tax collections.

Table 4.10: Local Government Analysis of 16 In-depth Case Studies (Estimates)

Estimated Local Government Investment	Estimated Actual New Jobs Created	Investment per Job	Estimated Annual Property Tax	Years to Recoup Investment
$30,894,547	1356	$22,784.00	$2,719,336	11.36

Some general insights that are also observable from the in-depth case studies are shared below.

- The federal government invested in only four of the projects, totaling $7,502,000.
- Private sector investments were made by utility companies operating in the state; three projects received a total of $655,000.
- Only four companies had private sector consulting assistance for site selection.
- Virginia was listed in eight of the projects as a competing state, and South Carolina was listed as competition in five of the projects.
- Thirteen of the projects did not take William S. Lee Act tax credits.
- Only one company was able to fully utilize the One North Carolina Fund grant program.
- No company was able to fully utilize the Job Development Investment Grant program.

In summary, the 16 in-depth case study analyses indicated that companies were overperforming on their investment goals and underperforming on their job goals. The analyses also revealed that the State of North Carolina was expending one-third of its

proposed investment, roughly equal to one-third of the commitment of new jobs created. This would suggest that the more new jobs created, the more the State would expend. The State and local governments are investing roughly $31,116 per job in the economic development projects analyzed. The biggest state competitors for these projects are Virginia and South Carolina. Finally, of the 16 in-depth case study analysis, three companies utilized the William S. Lee Act tax credit program.

Section 3—Virginia and South Carolina Case Studies

As outlined in the first section, the second purpose of this research was to develop case study profiles of projects in adjoining states to allow comparison to North Carolina case studies. The analysis of the 16 in-depth case studies for North Carolina identified South Carolina and Virginia as the two states offering the most competitionfor business project locations. Of the 16 in-depth case studies, eight indicated they had considered Virginia and five indicated they had considered South Carolina.

South Carolina and Virginia Case Study Methodology

In order to ensure that a similar process was used in the collection of case study data for South Carolina and Virginia, the information-gathering process discussed in Section 1 and identified in Appendix E was utilized. Using the press releases from the Office of the Governor in South Carolina and Virginia, companies were selected for review. Next, information requests were submitted to the NC Department of Commerce for the companies and copies of the files were obtained where possible. The consultant then went to the project locations and collected relevant data so as to compare the other states' investments with the NC proposals, where possible. Of the four case studies analyzed, two projects were completed in Virginia, one project was just announced in South Carolina and one project was pending construction in South Carolina. Table 4.11 provides an estimate of the local and state government investments for projects that selected South Carolina or Virginia over North Carolina, as well as some general information about the projects. Each state's projects will be discussed in detail.

Table 4.11: Estimated Local and State Government Investments for Projects that Selected South Carolina or Virginia over North Carolina

Company	Year	Project size/jobs		Estimated Local Investment			Estimated State Investment			Estimated Total Investment	
		Phase 1		NC	VA		NC	VA		NC	VA
Company 1 in VA	2006	$81 million/ 200 jobs		$4,000,000	$4,800,000		$18,553,500	$7,750,000		$22,553,500	$12,550,000
Company 2 in VA	2007	$50 million/ 20 jobs		n/a	$3,000,000		n/a	$1,200,000		n/a	$4,240,000
				NC	SC		NC	SC		NC	SC
Company 1 in SC	2006	$50 million/ 200 jobs		$2,590,000	$17,435,500		$10,783,000	$4,264,500		$13,373,000	$21,700,000
Company 2 in SC	2008	$85 million/ 50 jobs		$8,168,375	$6,630,609		$5,995,950	$11,115,000		$14,164,325	$17,780,609

Virginia and South Carolina Case Study Discussion

Virginia

Two case study projects were reviewed in Virginia: Company 1 and Company 2. The Virginia case studies are observable in the next section. Each case will be reviewed individually, with particular attention given to the deal process and how it relates to North Carolina.

Company 1 in Virginia

Company 1 in Virginia selected a county in Virginia over a county in North Carolina in 2006. When one looks at the case study documents in the next section or on Table 4.11, it appears that North Carolina offered considerably more in incentives than Virginia did for this project. North Carolina offered an estimated $22,553,500 in incentives and Virginia offered a mere $12,550,000 – a difference of $10,003,500. One might question why this large amount of money failed to entice the company to locate in North Carolina. It may be in the type of incentive; a closer look at the incentives North Carolina offered reveals that $17,410,000, or 77%, was in the form of tax credits, and $3,715,000, or 16%, was in job performance funds. So, North Carolina offered only $5,143,500 in cash or equivalents for the project that planned to invest $81 million and create 250 jobs in Phase I. Compare this to Virginia's offer of $12,550,000 in cash or equivalents for the same project, with no tax credits involved.

Discussions with officials at the Virginia area economic development offices indicated that they felt they won the project because they had a site that was already partially permitted for "wood products" by the environmental department in Virginia. In addition, they felt that they had the upper hand in that they were told North Carolina would not offer its best site – they were supposedly holding it for a project from another company. Finally, the Virginia officials indicated that the company's management personnel were

going to live in one North Carolina city where the commute to the Virginia site was much easier and shorter. When one combines these factors with the increased cash incentives, one could see why the company selected Virginia over North Carolina.

Company 2 in Virginia

Company 2 in Virginia selected a county in Virginia over sites in New Jersey, Pennsylvania, Maryland, West Virginia, and North Carolina. The North Carolina Department of Commerce does not have any records that indicate the project looked at North Carolina, although the press release from the Governor of Virginia lists North Carolina as a competitor. When one looks at Table 4.11 or the next section, one can see that each project, including Company 2 in Virginia, was committing to at least $50 million in new investment and creating at least 20 new jobs in Phase I. Each project was projected to invest over $100 million and produce at least 125 new jobs when all phases of the project were completed.

Additionally, when the consultant met with the local economic developer in the Virginia county, the economic developer indicated that the company was located in a Technology Zone that offered the company an 80% rebate on their local taxes for three years. To date, Company 2 in Virginia has not requested this assistance. Also, when the consultant spoke with the Virginia Department of Business Assistance, the representatives indicated that the company had not requested any funds for training or recruiting its new employees. Finally, when the consultant spoke with the private sector consultant, the latter indicated that he did not show the company any sites in other states.

The small amount of funds provided for this project suggests that either the location decision was not very driven by incentives, or that the company was not very good at negotiations. A project this size, and with its technology, could have garnered much higher incentives than it received.

South Carolina

Two case study projects were reviewed in South Carolina: Company 1 and Company 2. The South Carolina case studies are observable in the next section. Each case study will be reviewed individually, with particular attention given to the deal process and how it relates to North Carolina.

Company 1 in South Carolina

Company 1 in South Carolina selected a county in South Carolina over a county in North Carolina in 2006. As observable in Table 4.11, it is easy to see that South Carolina offered substantially more at the local level than North Carolina did, almost $14,845,500. These funds were essentially cash offered through the South Carolina Fee-in-Lieu of Taxes arrangement and the state's special Source Revenue Bond provisions. The local government in North Carolina offered only $2,590,000 in cash. For

the statewide incentives it is estimated that South Carolina offered only $4,264,500 to North Carolina's $10,783,000. However, a closer look at North Carolina incentives shows over $8,393,000 for tax credits and the remainder for infrastructure.

From discussions with the local economic developers in both North Carolina and South Carolina, the following information was surmised by the consultant.

- Both economic developers felt that their State Department of Commerce did not step up with dollars to help them land this project.

- The regional partnership in the Charlotte region did not really go to the plate, even though both competing counties, while in different states, were members of its partnership effort.

- The South Carolina County was/is very anxious for new business and spent a lot of money for this project – maybe more than required for a business of this type.

- The consultant questions whether the North Carolina site was actually considered, rather than merely used to acquire more incentives from South Carolina.

Company 2 in South Carolina

Company 2 in South Carolina selected a county in South Carolina over a county in North Carolina in 2008, almost two years to the date that Company 1 chose South Carolina over North Carolina. In fact, both projects looked at the same site in North Carolina. The investments were similar, with Company 2 having fewer jobs. Again, looking at Table 4.11, one can see that the North Carolina local government outbid the South Carolina local government by $1,537,766; however, the state of South Carolina provided $5,119,410 more than North Carolina for the project. Again, North Carolina only offered $422,000 in cash and the rest in tax credits – specifically, William S. Lee Act tax credits.

From meetings with two local economic developers in North Carolina and South Carolina, the following information concerning South Carolina Company 2 was surmised by the consultant.

- The North Carolina economic developer felt that the State of North Carolina Department of Commerce did not step up to help them land the project.

- The North Carolina site had a serious natural gas pressure problem; it was estimated that it would take several million dollars to convert and the local supplier was not willing to do so.

- As the project neared announcement, the consultant wondered how seriously the North Carolina site was considered in the final decision.

In summary, the four case studies in other states indicate that the kinds of incentives offered are as important as the dollar amounts. In at least two cases, Company 1 in Virginia and Company 1 in South Carolina, the consultant believed the state of North Carolina was used to increase the incentive offers from Virginia and South Carolina for the projects. Additionally, Company 2 in Virginia appears to be one where the company was not very serious about looking elsewhere and was happy to get any amount of dollars to help with project costs. Finally, Company 2 in South Carolina appears to be a project where the best site, best incentives, and best fit were made. However, if the South Carolina economic developers had known about the severe limitations of the North Carolina site, they may have been able to offer a smaller incentive package and still win the deal.

Section 4—Private Sector Consultants and Case Studies

Private sector consultants are becoming increasingly more prevalent in the economic development process, and are sometimes criticized for increasing the costs of projects for local and state governments. While undertaking the case studies discussed in previous sections, the consultant found that 30%, or 7 of the 23 case study companies reviewed, hired private sector consultants to assist them in the new business facility site location. Table 4.12 provides an overview of the seven companies that utilized consultants. On average, the investments were worth $37.257 million dollars and 239 jobs. The average estimated total governmental investment was more than $9,092,208, or $38,043 per job. Overall, when comparing this number to the average cost per job of $31,116 from all case studies in North Carolina (in Section 2), this indicates that private sector consultants added approximately $6,927 in costs per job to each project. For North Carolina companies alone, their estimated cost per job was $20,963, or $10,153 below the average for all 16 case studies.

Table 4.12: Case Studies with Private Sector Consultants

State	Company Name	Date	Investment	Number of Jobs	Estimated Total Local Investment	Estimated State Investment	Estimated Total Investment
NC	Company 2	2005	$6.2 million	292	$1,752,000	$4,406,521	$6,158,521
NC	Company 9	2005	$7.8 million	108	$696,211	$621,305	$1,317,516
NC	Company 6	2004	$28.8 million	200	$2,285,390	$3,980,266	$6,265,656
NC	Company 13	2005	$37 million	600	$5,369,322	$6,044,441	$11,413,763
	NC Subtotal Average		**$19.95 million**	**300**	**$2,525,731**	**$3,763,133**	**$6,288,864**
VA	Company 1	2006	$81 million	250	$4,800,000	$7,750,000	$12,550,000
VA	Company 2	2007	$50 million	20	$3,000,000	$1,240,000	$4,240,000
SC	Company 2	2006	$50 million	200	$17,435,500	$4,264,500	$21,700,000
	Total Average		**$37.257 million**	**239**	**$5,048,346**	**$4,043,862**	**$9,092,208**

Taking a closer look at the private sector consulting, Table 4.13 provides an overview of the results from interviews for the seven case studies reviewed by the consultant.

For Table 4.13, all seven private sector consultants were contacted and asked the questions outlined in Appendix E. From the interviews, this table identifies the most important aspects. All but one of the private sector consultants provided site location analysis for their client. Sometimes the consultant was an engineer, or a real estate broker, or an industry specialist, but all were involved in assessing the sites in question. Only one firm offered tax and incentives negotiations, and that firm refused to fully participate in the survey. The information on the firm was taken from North Carolina Department of Commerce documents and from a limited phone call from a principle.

Table 4.13: Private Sector Consulting Report

State	Company Name	Type of Services Provided	Compensation	Negotiate/Assist with Incentives	Value of Incentives (1-10)	Referred other service providers
NC	Company 2	Site Location Analysis	Hourly Rate/ Expenses	yes	very important for upfront expenses	yes, legal
NC	Company 9	Site Location Analysis	Daily Rate/Expenses	no	meaningful, not decisive	no
NC	Company 6	Site Location Analysis	Flat Rate Fee	no	5, makes a good site better	yes, legal
NC	Company 13	Real Estate and Site Location Analysis	One Flat Fee for All Services	yes	very important, no incentives, no NC location	yes, legal
VA	Virginia Company 1	Site Location Analysis; Incentives Negotiation; Engineering	Hourly Rate	yes	7, important to this project	yes, engineering
VA	Virginia Company 2	Site Location Analysis; Incentives Negotiation	One Flat Fee for All Services	yes	important	yes
SC	South Carolina Company 2	Tax and Incentives Negotiation	*	yes	*	*

* Indicates that consultant information was unavailable; consultant either would not answer question or indicated a confidentiality agreement did not permit them to respond.

By far, most of those consultants were paid like all consultants – hourly rates, fixed flat fee plus expenses. None indicated that they were provided a bonus for negotiating incentives for the project discussed. Five of the seven consultants indicated they did negotiate for the company on incentives, and five of the seven also felt that the value of the incentives were important to the site location. In fact, one consultant for the project indicated that if no incentives were offered, there would have been no North Carolina location. Five of the seven consultants also indicated that they referred other service providers, attorneys and engineers, to the project.

In summary, private sector consultants perform a valuable role in helping corporations select profitable sites for their new business locations. Unfortunately, the local governments and state governments do not hire consultants to help them make sure that North Carolina is providing the best site and incentives for the particular project. As one consultant said, “North Carolina did not do their homework for my client, they were really unaware of the project’s importance and the value of the company, and thus, lost the project to another state.” In addition, another consultant said, “I am not aware of the company looking at any other site or states for a location.” These two statements indicate that North Carolina may have lost projects, and the state needs a strategy to interact with private sector consultants.

Section 5—Conclusion

A review of 23 case studies of economic development projects in three states, using an economic development incentive perspective, has provided the consultant with a plethora of information for digestion and review.

Summary and Findings

Overall, two concepts come to mind when reviewing all the information: 1) the transfer of wealth and 2) the types of industry.

One could conclude that the incentives process in the United States, and particularly in North Carolina, is a process that transfers wealth from the people of North Carolina to corporate boardrooms and owners. This money could be used to build new schools, upgrade environmental resources like new sewer plants, and rebuild our transportation network. These funds are instead directed to corporations for their shareholders or owners. Companies are demanding and receiving more incentives every year from North Carolina, and consultants are striving to remain in the loop, increasing the cost of projects. Desperate communities are paying more each year for projects. Typically, counties are investing in assets while the State of North Carolina is investing in jobs. This incentive policy may be outdated, and there appears to be no real cooperation between the two parties (local and state economic developers.) Each party independently offers incentive packages to the prospective company.

The types of industry that are being given incentives cuts across all manufacturing sectors and other types of businesses in North Carolina. However, little thought has been given to the concept of “footloose” industries versus “infrastructure” industries. The companies that are “footloose” can locate nearly anywhere and therefore can drive a hard bargain with incentives. For example, a plastics manufacturing company needs a good railroad, access to interstates, a good supply of electricity and employees with only limited skills. This company is considered “footloose”; it can locate in nearly any state of the Southern United States – or, in this analysis, in North Carolina, South Carolina, or Virginia – to service the eastern half of the United States. As such, it can demand incentives for its location. On the other hand, a metal stamping business is very tied to a location that offers “infrastructure”. The company has a very heavy product which requires it be close to its business due to shipping costs. Additionally, it requires a skilled workforce and a location that provides it an opportunity to acquire new business. This type of business can not drive as hard a bargain for incentives. The point is that some industries locate in an area because they have to, and others do so because it is the best financial position. The dilemma is to determine what type of business is requesting incentives. From the consultant’s review of the North Carolina Department of Commerce’s information, little effort is spent analyzing a company’s operations and its real reasons for considering North Carolina. Rather, all the effort is spent on a site location – leaving all the real questions about incentives to be answered by consultants. In a perfect world, all information is provided by all parties; in reality, as little information as possible is released about projects.

Recommendations

The recommendations are provided in categories: Points for the State Government to Consider for an Incentive Policy, and Points for the State Government to Consider for Private Sector Consulting.

Points for the State Government to Consider for an Incentive Policy

- Some methodology needs to be developed to determine a statewide incentive policy. The types of industry (footloose or infrastructure), size of investments, jobs created, local investment in incentives, and other factors need to be used to develop a standard incentive policy. This policy should be available for all companies in a readable format for two-year increments, then reviewed for change. There could be different incentives for different companies but a maximum of three methodologies for incentives.

- A tax increment financing program for local governments needs to be developed. This program must give flexibility to the local government. It is suggested that projects as little as $5 million be given permission to utilize tax increment financing. “Footloose” industries are looking for cash up front and this is the easiest way for local economic development organizations to provide it.

- The state government should undertake a total review of tax credits as incentives. It appears that few newly located companies utilize the William S. Lee Act tax credits, and even fewer use the JDIG program. Tax credits are corporate welfare that may need to be removed. Also, the current programs do not appear to be flexible to meet the new business needs; see Table 4.14 for more information on JDIG funding.

- The One North Carolina Fund also needs to be reviewed; in the 16 case studies, only one company received full funding and only five of 15 received particular funding. Table 4.14 provides an overview of estimated funding announced and received for the One North Carolina Fund program.

- Economic Development Project records at the State of North Carolina Department of Commerce should contain all investment information pertinent to a project. For example, the NC Department of Transportation, North Carolina Rural Center, the local inducement package, utility investments, and tax credit information should be a part of the files. This would allow for analysis of projects and follow-up with all the pertinent contacts. This information should allow the NC Department of Commerce to develop targets, goals and guidelines for updating its incentive policy.

Table 4.14: Estimate of Funding and Disbursements from One North Carolina Fund and JDIG for 16 Case Studies

Company Name	Year		One NC			JDIG	
			Announced	Received		Announced	Received
Company 1	2005		$75,000	$18,750		n/a	n/a
Company 2	2005		n/a	n/a		$2,360,000	$130,716
Company 6	2004		n/a	n/a		$1,700,000	$3,685
Company 8	2005		$150,000	$0		n/a	n/a
Company 9	2005		$100,000	$0		n/a	n/a
Company 12	2002		$500,000	$0		n/a	n/a
Company 13	2005		n/a	n/a		$5,200,000	$481,213
Company 16	2007		$75,000	$0		n/a	n/a
Company 20	2007		$240,000	$80,000		n/a	n/a
Company 23	2006		$100,000	$0		n/a	n/a
Company 24	2005		$150,000	$40,666		n/a	n/a
Company 25	2005		$375,000	$0		n/a	n/a
Company 26	2006		$250,000	$0		n/a	n/a
Company 27	2005		$300,000	$300,000		$3,100,000	$2,360,749
Company 28	2003		$250,000	$62,500		n/a	n/a
Company 29	2006		$180,000	$45,000		n/a	n/a
Total			**$2,520,000**	**$546,916**		**$12,360,000**	**$2,976,363**

- Require all local government incentive packages for economic development to be reviewed by the North Carolina Local Government Commission. Hundreds of millions of dollars from local governments are being spent each year and there appears to be no state review.

- An Annual Report by County for economic development (investment, incentives, jobs, and government expenditures), for release to the public, should be completed by the North Carolina Department of Commerce.

Points for State Government to Consider for Private Sector Consulting

- The North Carolina Department of Commerce should have a third-party representative to review facts, projects, and the investment of an incentive agreement. Like consultants for the private business, this independently contracted party would look into the project and ask the hard questions, trying to find out if North Carolina is in competition or is being used by a company to get dollars in incentives from another state. It is suggested that projects with a private sector consultant be required to work with this party, who would represent the interests of the state of North Carolina and local governments. Any deal over a certain threshold should utilize this third-party review.

- Economic development consultants work both sides of the economic development equation; they represent North Carolina economic development organizations and clients considering the state. This presents a situation similar to real estate sales persons. Private sector consultants should declare, in written form, that they are representing a local government, a company, or both. This could eliminate some conflict-of-interest situations.

- Private sector consultants should register their clients at the North Carolina Department of Commerce in a written form. This registration should clearly mark their intentions and should offer information to determine if this is a “footloose” or “infrastructure” firm. The North Carolina Department of Commerce should quickly determine its interest in the project, leaving blind projects to walk.

- An analysis of projects involving private sector consultants should be completed annually by the North Carolina Department of Commerce. This information would provide details about the types of companies utilizing consultants, costs per job, and the types of companies (“footloose” or “infrastructure”) that are represented.

- Establish a review process for consultants working on North Carolina projects. Like some lobbyists, private sector economic development consultants are attempting to hitchhike hundreds of millions of dollars for corporations. An annual list of the most influential consultants should be available to local economic developers.

The process of economic development is one that requires planning: information review, strategy formation, analysis of activities, and review for better results. The current system in North Carolina appears to be a reactionary process: we get calls, look at sites, and then put dollars to the deal. Somehow, North Carolina must come back to investing in its people and infrastructure by offering a low-cost method of doing business in the state. Then, we will attract good companies, not ones that just want to move cash to their corporate boardroom or owners. As one consultant said, “Incentives make a good site better.” We in North Carolina economic development need to say, “A good site doesn’t always need incentives.”

This research report has shown that incentives and private sector economic development consultants are important to the economic development process in North Carolina. The pivotal incentive decisions lie in determining the amount, type, purpose, and destination of North Carolina incentive dollars, and discovering methods to manage private sector economic development consultants.

Chapter 5: JDIG and One NC Case Studies

Company 1:

Announcement: 2005
Location: A North Carolina county
Other States/Sites Competing for Project: Georgia
Private Sector Consultant: None
Specifics: $1.5 million investment, 79 new jobs created

Project Introduction (1):

A manufacturer of high-end, custom wood and steel garage doors and entrance gates announced its first east coast location in a North Carolina county in 2005. The project supposedly looked at other North Carolina locations and other states (NC Office of the Governor Press Release, 2005). According to the president of the company, "They chose the North Carolina county because of a qualified labor force and the sustainability of the facility in this location" (NC Office of the Governor Press Release, 2005). The company promised an investment of $1.5 million over three years and the creation of 79 new jobs at the 57,786-square-foot facility. The new jobs were to pay an average weekly wage of $490 per week, $12.25 per hour or $25,480 per year (Office of the Governor Press Release, 2005.)

Table 5.1: Case Study for North Carolina Company 1

Estimated Local Government Investment (2):		
Building upgrades/improvements:	$75,000	(actual)
Water/sewer/tap fee waivers	$1,500	(estimate)
Subtotal	$76,500	
Estimated State Government Investment (3):		
One North Carolina Fund:	$75,000	(budget)
	$18,750	(actual)
Com. Coll. Job Training Grant:	$94,847	(budget)
(NC Dept. of Community Colleges)		
William S. Lee Act Tax Credits	$383,500	
Subtotal:	$553,347	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$629,847	
Private Sector Investment (4):	None	

Estimated 2008 Investment and Jobs Update (5):		
INVESTMENT		
Land	$130,570	
Building	$649,930	
	$780,500 x .60/100 =	$4,683 per year property taxes
Equipment	$129,017 x .60/100 =	$ 774 per year property taxes
Subtotal	$909.52	$5,457 est. county property taxes

JOBS	
50 persons employed x $25,480 per year	= $1,274,000 annual payroll estimated

Project Summary (6):

Company 1 entered into an economic development agreement that would see the creation of 79 new jobs and an investment by the company of at least $1.5 million ($750,000 in machinery and equipment and $750,000 in land and buildings) to produce custom wood and steel garage doors and entrance gates over a three-year period. The local agreement is near the end of its second year and the company has only created employment opportunities for 50 people and invested approximately $909,517. In addition, the company agreed to pay an average weekly wage of $490 per week, $12.25 per hour or $25,480 per year. The site manager for Company 1 indicated that they were paying wages lower than this to some employees and were getting better employees at lower wages. She added that all wages were reviewed quickly to reward better employees.

The only claw back provision in the local economic development agreement relates to employment generation. Should the company only reach 40 employees, it will have to reimburse the county $37,500.

The State of North Carolina and Company 1 entered into an economic development agreement for the One North Carolina Fund (One NC) grant. This program matched the local economic development grant of $75,000. After speaking with the company, it was discovered that Company 1 did have a number two site from Georgia that was competing with the North Carolina site. The company representative indicated that the real driver in the site search was the location next to a major interstate.

The company has not received a One NC payment since 2006. The major reason appears to be the lack of job creation.

Company 1's Footnotes

1) Information was obtained by phone interview with:
    a. Site Manager, Company 1
    b. President and CEO, Company 1 regional partner representative

2) Information was attained from the 2005 edition of a North Carolina county newspaper, pages 1 and 2A, and by personal interview with:
    a. County Manager and Executive Director of a North Carolina economic development association.

3) Information for the One North Carolina Fund grant was obtained from the State of North Carolina Office of the Governor News Release from 2005.

    Information on the New and Expanding Industry Training (NEIT) was obtained by phone from the Regional Director, North Carolina Department of Community Colleges. The site manager for Company 1 said the company currently employs 50 persons.

4) The value of the land and building was provided by the North Carolina County Tax Department on a hard appraisal card. The depreciated 2007 value of the machinery and equipment was provided by a Business/Personal Property Appraiser in a North Carolina county, who also indicated that the tax rate of .60 cent per $100 of value was a good estimate to use for calculating the North Carolina County property tax bills.

    The site manager for Company 1 provided the current number of jobs at Company 1 via telephone. The average annual wage information was provided by an NC Office of the Governor Press Release in 2005.

5) Information was provided in a phone interview with Company 1. The information on the incentive agreement was provided in a legal economic development agreement provided by a County Manager for the North Carolina County.

Company 2

Announcement:	2005
Location:	A North Carolina county
Other States/Sites Competing for Project:	South Carolina and Florida
Private Sector Consultant:	Yes
Specifics:	$6.2 million investment, 292 new jobs to be created

Project Introduction (1):

Company 2, LLC- a subsidiary of a company in Florida and a manufacturer of salt water fishing boats, announced the location of a new facility in a North Carolina county in 2005. The project supposedly looked at sites across North Carolina and the Southeast searching for the ideal facility and workforce (Press Release, 2005). According to Company 2's President, "the workforce and training opportunity offered in [a North Carolina county] was too good to pass up" (Press Release, 2005). The company promised an investment of $6.2 million over the next five years and the creation of 292 new jobs at the 106,500-square-foot building. The new jobs were to be mainly manufacturing jobs that would pay an average wage of $31,000 per year ($596.15/week or $14.90 per hour) (North Carolina Office of the Governor Press Release, 2005).

The project crossed the state of North Carolina four or five times looking for sites and buildings. The company finally narrowed the search down to four North Carolina counties and one county in South Carolina. The company was not interested in looking at coastal sites or buildings due to the hurricane threats of shutting down production. The owner was looking for an existing building that he could quickly up-fit to start production, and he found one in a North Carolina county. The North Carolina county had had two deals fall through on the shell building property and was anxious to find an owner for the location. The county offered the lowest net cost alternative for the company, utilizing a net present value analysis by a paid consultant to the company.

A private sector consulting company for the project was initially brought in by a company in NC and served as initial site locator for the State of North Carolina Department of Commerce. This company is under retainer to another company and was later hired by Company 2 to help them in their site selection activities. The consulting company was paid an hourly fee by Company 2 to assist in the site location process.

Table 5.2: Case Study for North Carolina Company 2

Estimated Local Investment (2):		
Item	**Value**	
Free land (39 acres):	$350,000	(actual cost)
Site Grading:	$225,000	(actual cost)
Free Shell Building:	$1,140,000	(actual cost)
Free Water, Sewer Hookup:	$35,000	(estimate)
Free Title Insurance:	$2,000	(estimate)
Subtotal	$1,752,000	
Estimated State Investment (3):		
Job Development Investment Grant:	$2,600,000	(projected)
(NC Dept. of Commerce)	$130,716	(actual cost)
Comm. Coll. Job Training Grant:	$379,418	(budget)
(NC Dept of Community Colleges)		
NCDOT Road Access Program:	$27,103	(actual)
(NC Dept. of Transportation)		
Advantage West EDI Grant	$12,000	(actual)
Williams S. Lee Act Tax Credits	$1,388,000	(estimate)
Subtotal:	$4,406,521	
Estimated Federal Investment (4):		
SBA 504 Loan:	$1,859,000	(actual)
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$8,017,521	
Private Sector Investment (5):		
Duke Energy-Carolina's Investment Fund:	$40,000	(actual)

Estimated 2008 Investment and Jobs Update (6):			
INVESTMENT			
Land	$313,420		
Building	$2,551,590		
Subtotal:	$2,865,010 x .60/100 =	$17,190	est. property tax
Equipment	$341,512 x .60/100 =	$2,049	property taxes
Total New Investment	$3,206,522	$19,239	est. 2008 county tax bill

JOBS	
85 persons employed x $31,000 per year	= $2,635,000 annual payroll estimate

Actual payroll $2,348,441 = (90 x $27,164)	(NC Dept. of Commerce, 08)

Project Summary (7):

A North Carolina county and Company 2, LLC entered into an economic development agreement that would see the creation of a new facility and business that planned to invest $6.2 million in a North Carolina city over five years, producing fiberglass boats and creating employment opportunities for 292 people. To date, the company has only invested $1,113,010 and created 85 new jobs. Should one consider that the $1,752,000 invested by the county and given to the company is an investment, the company investment then rises to $2,865,001, still less than 50% of the originally promised investment. The local agreement is near the end of its third year and the company was due to receive its final large incentive payment of $250,000 from the county on July 1, 2008. The company has been given five years, or until September 20, 2010, to meet its employment goal of 250 full-time equivalent employees. Should the company only reach 200 employees, it will have to reimburse the county $689.00 per employee, or $34,000. This was the only claw back provision provided in the agreement. The incentive agreement was prepared with assistance from a man with a law firm in a city in North Carolina.

The State of North Carolina and Company 2, LLC entered into an economic development agreement for the Job Development Investment Grant (JDIG). The JDIG program was used because the county was a bottom tier county and the project was creating over 200 jobs. Boat building was a current industry being targeted by the state, which was willing to step up its investment to compete with another state.

The company did not meet its employment goals in 2007 and was in jeopardy of defaulting on its JDIG agreement in 2008, if employment did not increase. Currently, the company and the boating industry are experiencing difficulties in sales of units and thus the prospects for employment increases look dim, making a default in the JDIG seem apparent.

Company 2's Footnotes

1) Information was attained by phone interviews with:
    a. Employee, NCTDC
    b. Manager, Economic Development, Duke Energy
    c. Electric Cities of NC, Economic Development
    d. Employee, a Development Company
    e. President and CEO, a Company in North Carolina

2) Information was attained from a 2005 edition of a North Carolina newspaper, pages 1 and 2A, and by personal interview with:
    a. A North Carolina County Manager and Executive Director of an Economic Development Association.

3) Information for the Job Development Investment grant (JDIG) was obtained from the State of North Carolina Office of the Governor News in 2005.
Information on the New and Expanding Industry Training (NEIT) was obtained by phone from a Regional Director in New and Expanding Industrial Training, North Carolina Department of Community Colleges, a North Carolina Community College. After speaking with a representative of Company 2, LLC, at the time of this report, the company employed 85 persons.
The Road Access Program information from the North Carolina Department of Transportation was provided by a District Engineer.

4) The information on the Small Business Administration's 504 loan was obtained on the internet at www.fedspending.org.

5) The information was obtained by phone interview with a representative of Duke Energy.

6) The value of the land and building was provided by a North Carolina County Tax Department on a hard appraisal card, and the depreciated 2007 value of the machinery and equipment was provided by a Business/Personal Property Appraiser from the North Carolina county. The Appraiser also indicated that the tax rate of .60 cent per $100 of value was a good estimate to use for calculating the county's property tax bills.
A representative provided the current number of jobs at Company 2, LLC via telephone, and the average annual wage information was provided by an NC Office of the Governor Press Release in 2005.

7) Information was provided in a phone interview with a representative of a development company. The information on the incentive agreement was provided in a legal incentive document provided by a County Manager for the North Carolina county. The representative is an attorney for a North Carolina law firm.

Company 8

Announcement:	2005
Location:	A North Carolina County
Other States Competing for Project:	Virginia
Private Sector Consultant:	
Specifics:	$19 million investment, 50 new jobs

Project Introduction (1):

Company 8, a joint venture, is an injection molding company that makes a wide range of finished and assembled plastic parts for the trucking industry. According to Company 8's president, "We chose North Carolina because of its proximity to some of our largest customers, as well as the state's business-friendly climate, attractive incentives and quality worker training programs" (North Carolina Office of the Governor Press Release, 2005). The company promised an investment of $19 million in the state during the next three years to build and equip a 165,000-square-foot facility and employ 50 new employees who would be paid $540 per week plus benefits.

Table 5.3: Case Study for North Carolina Company 8

Estimated Local Government Investment (2):		
City in North Carolina:		
Free Land:	$385,506	
Site Work Grant	$700,000	
Incentive Grant (80% of property taxes)	$286,176	
Subtotal	$1,371,682	
County in North Carolina:		
Free Land	$267,894	
Site Work Grant	$700,000	
Incentive Grant (80% of property taxes)	$286,176	
Subtotal	$1,254,070	
Subtotal Local Government Investment	$2,625,752	
Estimated State Government Investment (3):		
One North Carolina Fund	$150,000	(budget)
Comm. College Job Training Grant (NEIT)	$61,211	(budget)
William S. Lee Act Tax Credits	$928,000	(estimate)
Subtotal State Government Investment	$1,139,211	
Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL GOVERNMENT INVESTMENT	$3,764,963	
Private Sector Investment (4):		
Duke Energy-Carolina's Investment Fund:	$75,000	

Estimated 2008 Investment and Jobs Update (5):						
INVESTMENT		**City taxes**		**County taxes**		**Total**
Land	$604,400		$5,784		$3,808	$9,592
Building	$4,542,380					
Subtotal	$5,146,780	x .957/100	$43,471	x .63/100	$28,617	$72,088
Equipment	$1,514,465	x .957/100	$14,493	x .63/100	$9,541	$24,034
Total	**$6,661,245**		**$63,748**		**$41,966**	**$105,714**

JOBS	
40 jobs x $28,080 per year	= $1,123,200 annual payroll estimate

Project Summary (6):

Company 8, LLC has built a 111,360-square-foot facility with a property tax appraisal value of $5,146,780 and has invested $1,854,524 in machinery and equipment in the North Carolina county. Currently, the company employs 40 people and creates an annual payroll of over $1,123,200. In summary, the company has not met the investment or job creation goals and no funds from the One North Carolina Fund have been distributed to the company. Additionally, the company has not taken any William S. Lee Act Tax Credits.

Company 8's Footnotes

1. Information was obtained by phone or personal interviews with:
    a. City Manager, City in North Carolina
    b. President, The North Carolina County Economic Development Partnership

2. Information was attained from: three 2005 editions of City's newspaper

3. Information for the One North Carolina Fund was obtained from the State of North Carolina Office of the Governor News Release dated 2005. Information on the New and Expanding Industry Training (NEIT) was obtained by phone from Regional Director—North Carolina Region, New and Expanding Industrial Training, a North Carolina Technical Community College.

4. The information on the Duke Energy Investment was provided by a representative of Duke Energy.

5. The value of the land and building was provided by the North Carolina county's Tax Administration Office on an appraisal card.

   Property tax rates were taken off the internet web site for the county government. For the City in North Carolina, the highest rates were used and this assumes the industrial park is located in the county.

   The current number of jobs was provided in a phone call with the Marketing Manager for Company 8, LLC.

Company 9

Announcement: 2005
Location: A North Carolina County
Other States Competing for Project: Virginia, Georgia
Private Sector Consultant: Yes
Specifics: $7.8 million investment, 108 new jobs

Project Introduction (1):

Company 9, LLC, a wholly owned subsidiary of a company in Colorado and a producer of bread products for wholesalers, restaurants and franchises, and grocery chains, announced the location of a new bakery in a North Carolina county on a date in 2005. The project spent the last three years looking at North Carolina for a location. According to Company 9's president, "We chose this site because of the excellent location to main highways, the quality of the labor force and the incentives offered by state and local officials to help support our business expansion" (North Carolina Office of the Governor Press Release, a date in 2005). The company promised an investment of $7.5 million and the creation of 108 jobs over the next three years at the 77,000-square-foot building.

Table 5.4: Case Study for North Carolina Company 9

Estimated Local Government Investment (2):		
A City in North Carolina:		
Free Land:	$208,650	
80% Rebate of Property Taxes for 8 Years	$158,234	
Subtotal	$366,884	
A North Carolina County:		
Free Land	$208,650	
80% Rebate of Property Taxes for 8 Years	$120,677	
Subtotal	$329,327	
Subtotal	$696,211	
Estimated State Government Investment (3):		
One North Carolina Fund	$100,000	(projected)
Comm. College Job Training Grant (NEIT)	$22,805	(actual)
William S. Lee Act Tax Credits	$498,500	(budget)
Subtotal	$621,305	

Estimated Federal Government Investment (4):		
USDA Rural Development Loan Guarantee	$2,400,000	(actual)
Small Business Administration	$1,602,000	(actual)
Subtotal	$4,002,000	
ESTIMATED TOTAL GOVERNMENT INVESTMENT	$5,319,516	
Private Sector Investment:	none	

Estimated 2008 Investment and Jobs Update (5):						
INVESTMENT		City taxes		County taxes		Total
Land	$278,550					
Building	3,079,090					
Subtotal	$3,357,640	x .957/100	$32,133	x .63/100	$21,153	$53,286
Equipment	$2,519,677	x .957/100	$24,113	x .63/100	$15,874	$39,987
Total	$5,877,317		$56,246		$37,027	$93,273

JOBS	
48 jobs x $28,080 per year	= $1,347,840 annual payroll estimate

Project Summary:

Company 9, LLC has built a 69,472-square-foot facility with a property tax appraisal value of $3,357,640 and has invested $2,519,677 in machinery and equipment in a North Carolina county. Currently, the company employs 48 people and creates an annual payroll of over $1,347,840. In summary, the company has not met the investment or job creation goals and no funds from the One North Carolina Fund have been distributed to the company. Additionally, the company has not taken any William S. Lee Act Tax Credits.

Company 9's Footnotes

1. Information was obtained by phone or personal interviews with:
    a. A City manager, A City in North Carolina
    b. President, a North Carolina County Economic Development Partnership

2. Information was attained from: two 2005 editions of a North Carolina newspaper, page 1 and related pages; a personal interview with a city representative.

3. Information for the One North Carolina Fund was obtained from the State of North Carolina Office of the Governor News Release, dated 2005.

   Information on the New and Expanding Industry Training (NEIT) was obtained by phone from a Regional Director, New and Expanding Industrial Training, a North Carolina Technical Community College.

4. The information on the small Business Administration 504 loan program was obtained at the North Carolina county's Register of Deeds.

   The information on the USDA loan guarantee was obtained from a North Carolina newspaper, dated 2005.

5. The value of the land and building was provided by the North Carolina county's Tax Administration Office on an appraisal card. The Business property information was provided by a Business/Personal Property Appraiser in the North Carolina county.

   Property tax rates were taken off the internet web site for the North Carolina county government. For the City in North Carolina, the highest rates were used and this assumes the industrial park is located in the county.

   The current number of jobs was provided by a representative in a personal interview.

Company 12

Announcement: 2002
Location: A North Carolina County
Other States/Sites Competing for Project: Georgia, South Carolina
Private Sector Consultant: None known
Specifics: $20 million private investment, 1,500 new jobs to be created

Project Introduction (1):

Company 12 announced in 2002 that it would locate its key East Coast design and manufacturing facility, focused on optical technology, in a North Carolina city in a North Carolina county.. The North Carolina city campus would serve as Company 12's East Coast technology center for the design and manufacture of high technology electronic products, and would be one of its two major U.S. locations. The campus would design, engineer, test, and manufacture optical communications products.

Company 12 is the leading electronics manufacturing services provider in the world, with 100 facilities on four continents and over 70,000 global employees. The North Carolina city, and a facility in another state, would act as Company 12's key locations in the U.S.

The new North Carolina city campus would employ approximately 1,900 people, including 300 employees from the existing North Carolina city facility, and many employees from the Company 12 facility in another North Carolina city, which closed in late 2002. The campus is located on 75 acres in North Carolina city commerce park and is scheduled to grow to nearly 825,999 square feet over the next five years.

The facility would create 1,500 new jobs over a three-year period and would invest $20 million in the North Carolina county.

Table 5.5: Case Study for North Carolina Company 12

Estimated Local Government Investment (2):		
A North Carolina County		
Investment/Quality Jobs Program	$450,000	(budget)
Sewer Investment	$4,853,503	(budget)
Subtotal	$5,303,503	
Estimated State Government Investment (3):		
NC Department of Commerce-IDF-clean water	$500,000	(actual)
NC Department of Commerce-CDBG	$750,000	(actual)
NC Rural Center	$400,000	(budget)
NC Community College System	$78,408	(actual)

Golden Leaf Foundation	$1,975,000	(budget)
One North Carolina Fund Grant	$500,000	(budget)
Subtotal	$4,203,408	
Estimated Federal Government Investment (4):		
EDA	$1,500,000	(budget)
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	**$11,006,911**	
Private Sector Investment :	**$0**	

Estimated 2008 Investment and Jobs Update (5):		
INVESTMENT		
Land	$2,543,635 x .79/100 =	$20,095
Building	$750,804	$5,931
Equipment	$4,517,233	$35,686
Total New Investment	$7,811,672	$61,712 est. property tax

JOBS	
0 persons employed x $0 per year	= $0 annual payroll estimate

Project Summary:

A representative of the North Carolina county Economic Development Commission noted in a personal interview that Company 12 is no longer located in the county. The corporation purchased an electronics manufacturing company, located in a North Carolina city, and then shut down Company 12 in 2007 because duplicate work was being conducted in both facilities. In late 2007, the corporation shut down and sold its land and buildings. Company 12's employees who wished to relocate from one facility to the other were moved.

Company 12 still owns approximately 155,694 square feet of facilities with a property tax appraisal value of $750,804, and it owns land with a property tax appraisal of $2,543,635. Currently the company has at least $4,517,233 in machinery and equipment in the North Carolina county. At the time of this report, the company employed zero people in the county. In summary, the company has not met the investment and job creation goals it announced in 2002. Additionally, the company has not taken any William S. Lee Act Tax Credits since 2003.

Company 12's Footnotes

1. Information attained from a release from the Governor of North Carolina's Office in 2002, pgs. 1-2. Information also attained from a North Carolina newspaper, 2002 edition; pgs. 1, 18.
2. Information attained from a personal interview with a representative from the North Carolina county's Economic Development Commission. Information was also provided by the NC Department of Commerce documents.
3. Information was provided by the NC Department of Commerce documents.
4. Information was provided by the NC Department of Commerce documents**.**
5. The value of the land and building was provided by the North Carolina county Tax Administration Department on an appraisal card. The Business Personal Property information was also provided by the North Carolina county's Tax Administration Department.
6. Property tax rates were taken off the county's Tax Administration website.
7. The current number of jobs was provided by information from the NC Department of Commerce and an article in a North Carolina newspaper in 2007.

Company 13

Announcement:	2005
Location:	A North Carolina County
Other States/Sites Competing for Project:	Virginia
Private Sector Consultant:	Yes
Specifics:	$37 million private investment, 600 jobs to be created

Project Introduction (1):

Company 13, the largest foodservice, marketing and distribution organization in North America, announced its plans to build a 300,000-square-foot distribution center in a location in North Carolina, in 2005. The new facility would create nearly 600 jobs over the next seven years and would invest $37 million in the area. The average annual salary for the new 600 jobs would be approximately $45,000, plus benefits. The company would locate the new facility on the 80 acres it purchased off the US 70 bypass in a county in North Carolina.

Company 13 generated sales last year that totaled more than $29.5 billion, and it operates in more than 155 distribution locations in the United States and Canada. The corporation is headquartered in Texas, and it currently employs more than 46,000 people in North America and over 701 North Carolina citizens in locations in North Carolina.

A company 13 representative said that “our business continues to expand and this new distribution center will allow us the opportunity to become a viable part of this community.” Company 13 chose to locate in a county in North Carolina because of “the outstanding workforce available, the lifestyle and amenities afforded by the community and the willingness of the city, county, and state officials to assist in securing economic development incentives and other assistance”, the Company 13 representative stated.

Table 5.6: Case Study for North Carolina Company 13

Estimated Local Government Investment (2):		
A Town in North Carolina:	Project Total	
Site Acquisition Costs	$60,000	(actual)
Economic Development Grant (property tax rebates)	$976,800	(budget)
Grading and Site Improvement	$1,000,000	(actual)
Construction Completion Grant	$150,000	(actual)
Expansion Grant	$250,000	(actual)
Electrical Project	$740,922	(actual)
Subtotal	$3,177,722	
A County in North Carolina:	Project Total	
Site Acquisition Costs	$60,000	(actual)

Project Construction Costs	$150,000	(actual)
Expansion Incentive Grant	$250,000	(actual)
Economic Development Grant (property tax rebates)	$1,731,600	(budget)
Subtotal	$2,191,600	
Total Local Government Investment	$5,369,322	
Estimated State Government Investment (3):		
Job Development Investment Grant	$5,200,000	(budget)
NC Department of Transportation C Road Access Improvement Fund	$288,000	(budget)
William S. Lee Act Tax Credits	$335,500	(budget)
NC Department of Community College System-NEIT	$220,941	(actual)
Subtotal	$6,044,441	
Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$11,413,763	
Private Sector Investment:	$0	

Estimated Investment, Property Taxes and Jobs Update (4):						
INVESTMENT	Value	City Taxes		County Taxes		Total
Land	$1,165,600	x .57/100	$6,643.92	x .78/100	$9,091.68	$15,735.60
Building–Dry Warehouse	$11,488,900	x .57/100	$65,486.73	x .78/100	$89,613.42	$155,100.15
Building – Cooler/Freezer	$9,317,390	x .57/100	$53,109.12	x .78/100	$72,675.64	$125,784.76
Building – Garage Building	$447,070	x .57/100	$2,548.30	x .78/100	$3,487.15	$6,035.45
Subtotal	$22,418,960		$127,788.07		$174,867.89	$302,655.96
Equipment	$20,868,230	x .57/100	$118,948.91	x .78/100	$162,722.19	$281,721.10
Total New Investment	$43,287,190		$246,736.98		$337,640.08	$584,377.06

JOBS	
995 existing persons employed x $57,860 per year	= $57,570,700 annual payroll estimate
286 new persons employed x $57,860 per year	= $16,547,960 annual payroll estimate
1281 persons employed, generating $74,118,660 annual payroll estimate	

Project Summary:

Company 13 has built a 376,546-square-foot facility with a property tax appraisal value of $22,418,960 and has invested at least $43,287,190 in machinery and equipment in acounty in North Carolina. Currently, the company employs 1281 people in NC and creates an annual payroll of over $74,118,660. In summary, the company has met the investment and job creation goals and $481,213 has been distributed to the company from the JDIG program. Additionally, the company has taken $149,597 of William S. Lee Act Tax Credits since 2005.

Company 13's Footnotes

1. Information attained from release from the Governor of North Carolina's Office, dated 2005.

2. Information attained from a NC county's Board of Commissioners 2005 Meeting Minutes, provided by the county manager's Deputy Clerk.

3. Information attained from an internet source: an online article of a North Carolina newspaper announcing Company 13's JDIG grant.

Information regarding the Road Access/Improvement grants was provided by a representative of the North Carolina Department of Transportation, Transportation Improvement Local Division Office, in a phone interview. $200,000 of the budgeted grant amount was taken from the Public Access Fund and $88,000 was taken from the Senate Bill 1005 Fund, which holds discretionary funds to be dispersed by the Department of Transportation.

4. The value of the land and building were provided by the county's Tax Department on an Appraisal Card; the depreciated 2007 value of the Business Personal Property (Equipment) was provided by a Tax Assistant from the county Tax Department.

The property tax rate information for the county was taken off the internet website for the county government.

The current number of jobs was provided by reviewing information from the NC Department of Commerce JDIG summary sheets.

Company 16:

Announcement:	2007
Location:	A North Carolina county
Other States/Sites Competing for Project:	South Carolina
Private Sector Consultant:	None known
Specifics:	$2.8 million private investment, 50 new jobs to be created

Project Introduction (1):

Company 16, an industrial machine company providing component repair, announced in 2007 that it would expand its manufacturing facility in a North Carolina county. In addition to component repair, Company 16 also provides rebuilding and fabrication services to the pulp and paper, mining, chemical and other process-related industries.

The expansion would create $1 million in private investment in the area and 50 new jobs for the North Carolina county. While the wages would vary by job duty and skill, the average weekly wage would be $800 plus benefits, a value significantly higher than the North Carolina county's average weekly wage of $571 without benefits. The expansion was made possible, in part, by a $75,000 One North Carolina Fund grant.

Table 5.7: Case Study for North Carolina Company 16

Estimated Local Government Investment (2):		
A North Carolina County	$188,000	(actual)
A North Carolina County (ONCF match)	$75,000	(budget)
Subtotal	$263,000	
Estimated State Government Investment (3):		
NC Community College System (NEIT)	$62,600	(actual)
William S. Lee Act Tax credits	$681,000	(budget)
NC Department of Commerce IDF Grant	$250,000	(actual)
One North Carolina Fund Grant	$75,000	(budget)
Golden Leaf Foundation (equipment)	$1,000,000	(actual)
CDBG	$850,000	(actual)
Other - sewer	$374,000	(actual)
Subtotal	$3,292,600	
Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	**$3,555,600**	

Private Sector Investment:	**$0**	

Estimated 2008 Investment and Jobs Update (4):						
INVESTMENT	Value	City		County		Total
Land	$126,883	x .60/100	$761	x .60/100	$761	$1,522
Building	$413,066		$2,478		$2,478	$4,956
Subtotal	$539,949		$3,239		$3,239	$6,478
Equipment	$1,703,178		$10,219		$10,219	$20,438
Total New Investment	$2,243,127		$13,458		$13,458	$26,916

JOBS	
73 persons employed x $41,600 per year	= $3,036,800 annual payroll estimate

Project Summary (7):
Company 16 occupies a facility of approximately 26,552 square feet, with a property tax appraisal value of $539,949. It has invested over $1,703,178 in machinery and equipment in the North Carolina county. Currently, the company employs 73 people and creates an estimated annual payroll of over $3,036,800. In summary, the company has not met the investment and job creation goals and none of the funds from One NC have been distributed to the company. Additionally, Company 16 has not taken any William S. Lee Act Tax Credits for the years 2007 to 2008.

Company 16's Footnotes:

1. Information attained from a press release from the State of North Carolina Governor's Office in 2007.

2. Information attained from a document from an Assistant County Manager/Finance Officer from the North Carolina county.

3. Information attained from following sources:
    a. Document from the North Carolina Department of Commerce.
    b. City Council Minutes of a North Carolina city from 2007 for a CDBG grant.
    c. A webpage award of $1,000,000 to the county's Committee of 100 for equipment lease for Company 16.
    d. City Council Minutes from 2006 indicate "an investment on $1,662,000 to extend sewer for Company 16, $188,000 local match, results in other amount of $374,000."

4. Information attained from the county's Tax Administration Office. Property tax rates are for year 2006/2007 and were attained from the website for the NC Department of Revenue. (www.dor.state.nc.us/publications/efectivetaxrates2006-07.pdf)

Company 20

Announcement:	2007
Location:	A North Carolina County
Other States/Sites Competing for Project:	Virginia, California
Private Sector Consultant:	None known
Specifics:	$3.25 million private investment, 120 new jobs to be created (announced)

Project Introduction (1):

Company 20, a national supplier of retail store fixtures, décor, and display graphics, announced in 2007 that it would expand its manufacturing facility in a North Carolina county. The company is headquartered in Virginia and currently employs more than 160 people at its facility in a city in NC. The facility in a city in NC will be renovated and expanded.

The expansion will create a private investment of $3.25 million in the area and will create 120 new jobs over a three-year period. The average weekly wage of the jobs will be $611, not including benefits. The founder and president of Company 20 stated that "since opening our manufacturing facility in a NC city in 2001, we have grown from an initial employee base of 25 to our current level of over 160 employees." "The support we have received from both local and state agencies has been an integral part of our success. This support, when combined with the loyal and dedicated employees we have found in [a North Carolina county], made the decision to renovate our … facility and expand our North Carolina operations and employee base a relatively easy one."

The expansion was made possible in part by a $240,000 One North Carolina Fund grant.

Table 5.8: Case Study for North Carolina Company 20

Estimated Local Government Investment (2):		
A North Carolina County	$40,000	(actual)
A City in North Carolina	$40,000	(actual)
Subtotal	$80,000	
Estimated State Government Investment (3):		
NC Department of Community Colleges (NEIT)	$40,202	(actual)
Golden Leaf Foundation	$1,128,000	(budget)
William S. Lee Act Tax Credits	$1,108,490	(budget)
One North Carolina Fund Grant 2005	$80,000	(budget)
One North Carolina Fund Grant 2007	$240,000	(budget)

Subtotal	$2,596,692	
Estimated Federal Government Investment:	**$0**	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	**$2,676,692**	
Private Sector Investment:	**$0**	

Estimated 2008 Investment and Jobs Update (4):						
INVESTMENT	Value	City		County		Total
Land	$389,700	x .60/100	$2,338	x .60/100	$2,338	$4,676
Building	$2,885,379	x .60/100	$17,312	x .60/100	$17,312	$34,624
Subtotal	*$3,275,079*	*x .60/100*	*$19,650*	*x .60/100*	*$19,650*	*$39,300*
Equipment	$1,912,730	x .60/100	$11,476	x .60/100	$11,476	$22,952
Total Investment/Taxes	$5,187,809		$31,126		$31,126	$62,252

JOBS	
163 persons employed x $27,496.56 per year	= $4,481,939.20 annual payroll estimate
160 employees on June 1, 2007, 252 on EDC webpage as of July 31, 2008.	

Project Summary:
Company 20 leases a facility of approximately 400,000 square feet from the city in NC, with a property tax appraisal value of $3,275,079. It has invested $1,912,730 in machinery and equipment in the North Carolina county. An estimate has the company employing 163 people and creates an annual payroll of over $4,481,939. In summary, the company has not met the investment or job creation goals outlined in the press announcement, but it has met the NC Department of Commerce goals of creating 82 new jobs and retaining 78 jobs. It has invested almost $300,000 for equipment and machinery, and $80,000 in One North Carolina Funds have been distributed to the company. Additionally, the company has only taken $2,217 in William S. Lee Act Tax Credits.

Company 20's Footnotes:

1. Information attained from a press release from the State of North Carolina Governor's Office in 2007.

2. Information attained from a document obtained from Assistant County Manager/Finance Officer, A North Carolina County, North Carolina.

3. Information was also provided by the North Carolina Department of Commerce—Finance Division via the Office of Public Information.

4. Information was attained from a webpage.
   Information was also provided by the NC Community College System for the NEIT program costs.

5. Information was attained from the county's Tax Administration Office.

   Information was also provided by the North Carolina Department of Commerce—Finance Division via the Office of Public Information.

Company 23

Announcement: 2006
Location: A North Carolina County
Other States/Sites Competing for Project: Virginia
Private Sector Consultant: None known
Specifics: $2 million private investment, 25 new jobs to be created

Project Introduction (1):

Company 23 announced it would open a new operations and technology development facility in a North Carolina county on October 5, 2006. Company 23 is headquartered in Virginia, and it is a military research and development services firm which specializes in systems engineering, information science, and technical program management services for the federal government. At the time of this report, the company has 54 employees in 10 locations around the United States, and it is planning on building a multipurpose facility in a city in North Carolina.

This multipurpose facility would manage work for military customers throughout North Carolina, conduct research and development in the use of high-performance photoluminescent materials for military and commercial applications, convert bulk photoluminescent materials into finished products, and assemble leading-edge metal fiber brush kits used in electric motors for the US Navy submarine fleet. The president and CEO said, "We believe that many talented veterans and their spouses leaving the military from their last assignment in North Carolina would prefer to stay here if the right opportunities existed." The average weekly wages of the new 25 jobs created would be about $880, plus benefits – a wage that is almost double the county's currently weekly average of $488, excluding benefits. The new facility was made possible in part by a $100,000 One North Carolina Fund grant.

Table 5.9: Case Study for North Carolina Company 23

Estimated Local Government Investment (2):		
A North Carolina County (building construction)	$1,170,022	(actual)
Lease Forgiveness (first year)	$114,936	(actual)
Total	$1,284,958	
Estimated State Government Investment (3):		
Flex Grant - Region	$25,000	(budget)
One North Carolina Fund Grant	$100,000	(budget)
Golden Leaf Foundation	$300,000	(budget)
William S. Lee Act Tax Credits	$407,500	(estimate)

Total	$835,500	
Estimated Federal Government Investment (4):	**$100,000**	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	**$2,217,458**	
Private Sector Investment(5):	**$540,000**	**(loan)**

Estimated 2008 Investment and Jobs Update (6):		
INVESTMENT		
Land and Building:	$1,170,022 x .66/100 =	$11,286
Equipment:	$2,110	$14
Total Investment:	$1,172,132	$11,300 est. property taxes

JOBS	
7 persons employed x $38,400 per year	= $268,800 annual payroll estimate

Project Summary:

Company 23 has occupied the 23,000-square-foot facility with a property tax appraisal value of $1,170,022 and has invested $2,110 in machinery and equipment in the North Carolina county. At the time of this report, the company employs 7 people and creates an annual payroll of over $268,800. In summary, the company has not met the investment or job creation goals and no funds from the One North Carolina Fund have been distributed to the company. Additionally, the company has not taken any William S. Lee Act Tax Credits.

Company 23's Footnotes:

1. Information attained from a release from the State of North Carolina Governor's Office in 2006.

2. Information attained from County Board of Commissioners Meeting Minutes, 2007, in a compilation packet provided by the County Manager.

3. Information attained from County Board of Commissioners Meeting Minutes, 2007, in a compilation packet provided by the County Manager.

4. Information was also provided by the North Carolina Department of Commerce—Finance Division via the Office of Public Information.

5. Information was also provided by the North Carolina Department of Commerce—Finance Division via the Office of Public Information.

6. Information was provided by the County Tax Office. The jobs information was provided in a phone conversation with a representative of Company 23 in 2008.

Company 24

Announcement:	2005
Location:	A county in North Carolina
Other States/Sites Competing for Project:	Virginia, South Carolina
Private Sector Consultant:	None known
Specifics:	$5 million private investment, 250 new jobs to be created

Project Introduction (1):

Company 24, a manufacturer of cleaning supplies, announced that it would locate its first East Coast operation in a city in North Carolina in 2005. Company 24 is a family-owned and -operated company headquartered in Iowa. Company 24 makes more than 600 cleaning supply products, ranging from industrial push brushes to industrial and household mops and other cleaning products.

The company purchased a former manufacturing facility in a city in North Carolina and plans to rehire many of those employees over the next three years; the new 250 positions will be primarily manufacturing, production, and distribution jobs with overall average wages at $15 an hour.

The President and CEO of Company 24 said, “We are delighted to be in [a city in North Carolina] in such a receptive environment, and we are enthusiastic about what this great location means to [Company 24].” “This excellent facility and the skilled workforce will help us reach our manufacturing capacity, as well as enable us to deliver our products more efficiently to our customers in the eastern third of North America.”

Table 5.10: Case Study for North Carolina Company 24

Estimated Local Government Investment (2):		
North Carolina County	$57,813	(actual)
North Carolina County Committee of 100	$50,000	(actual)
Subtotal	$107,813	(actual)
Estimated State Government Investment (3):		
William S. Lee Act Tax Credits	$1,455,000	(budget)
One North Carolina Fund Grant	$150,000	(budget)
NC Eastern Regional	$7,813	(actual)
NC Community College System (NEIT)	$25,299	(actual)
Subtotal	$1,638,112	
Estimated Federal Government Investment:	$0	

ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$1,745,925	
Private Sector Investment:	$0	

Estimated 2008 Investment and Jobs Update (4):		
INVESTMENT	Value	County
Land	$859,950 x .71/100	$6,106
Building	$2,865,433	$20,345
Subtotal	$3,725,383	$26,451
Equipment	$1,172,196	$8,315
Total Investment/Taxes	$4,897,579	$34,766 est. annual prop. tax

JOBS	
61 persons employed x $541/week	= $1,716,052 annual payroll estimate

Project Summary :
Company 24 has land and building facilities with an appraised value of over $4,897,579 and has invested at least $1,716,052 in machinery and equipment in the North Carolina county. Currently, the company employs 61 people in NC and creates an annual payroll of over $1,716,052. In summary, the company has met the investment goals but did not meet the job creation goals, and $40,666 has been distributed to the company from the One North Carolina Fund grant. To date, $300,000 in One North Carolina Funds has also been disbursed. Additionally, the company has not taken any William S. Lee Act Tax Credits since 2005.

Company 24's Footnotes

1. Information was attained from the State of North Carolina Governor's Office official release in 2005; pg. 1.

2. Information was attained from a North Carolina newspaper, 2005 edition. Additional information was attained from the North Carolina Department of Commerce.

3. Information was attained from the North Carolina Department of Commerce.

4. The value of the land and building were provided by the County Tax Department on an appraisal card and the depreciated 2007 value of the Business Personal Property (Equipment) was provided on a Business Personal Property Listing. Information about the jobs information was attained from the North Carolina Department of Commerce.

The tax rate for the county was also provided by the county Tax Department.

Company 25

Announcement: 2005
Location: A North Carolina County
Other States/Sites Competing for Project: PA, SC, VA
Private Sector Consultant: None known
Specifics: $10 million private investment, 200 new jobs to be created

Project Introduction (1):

Company 25, a metal stamping and fabrication manufacturer, announced it will open a plant in a North Carolina county in 2005. The plant will be located in a 117,000-square-foot existing facility, formerly occupied by another company, outside another North Carolina city.

The facility in North Carolina was made possible, in part, by a $375,000 grant from the One North Carolina Fund. The corporation will bring $10 million in investment to the area and will create 200 new jobs over a three-year period. The new jobs will have average salaries of $13.70 per hour, plus benefits.

The Company president said, “The increasingly competitive pressures presented with the global economy and our commitment to having our core manufacturing on American soil necessitate that [Company 25] have a presence in the region. The business-friendly attitude of North Carolina, and the receptive manner in which the state and local representatives worked with us, has set the stage for a real win-win partnership.”

Table 5.11: Case Study for North Carolina Company 25

Estimated Local Government Investment (2):		
A City in North Carolina	$275,000	(budget)
A North Carolina County	$275,000	(budget)
Carolinas Gateway Partnership	$125,000	(budget)
Subtotal	$675,000	
Estimated State Government Investment (3):		
Economic Flex Grant - NC Region	$40,625	(actual)
NC Department of Transportation	$40,000	(budget)
One North Carolina Fund	$375,000	(budget)
NC Rural Center	$250,000	(budget)
William S. Lee Act Tax Credits	$1,875,000	(budget)
NC Department of Environment and Natural Resources	$100,000	(budget)
Subtotal	$2,680,625	

Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$2,748,125	
Private Sector Investment:	$0	

Estimated 2008 Investment and Jobs Update (4):						
INVESTMENT						
Item		Tax rate	City	Tax Rate	County	Total
Land	$145,500	.55/100	$800	.70/100	$1,019	$1,819
Building	$3,805,288		$20,929		$26,637	$47,566
Subtotal	$3,950,788		$21,729		$27,656	$49,385
Equipment	$3,798,543		$53,729		$96,867	$47,482
Total Investment	$7,749,331		$42,621		$54,246	$96,867

JOBS	
40 persons employed x $28,496 per year	= $1,139,840 annual payroll estimate

Project Summary:
Company 25, LLC has land and building facilities with an appraised value of over $3,950,788, and it has invested at least $3,798,543 in machinery and equipment in the North Carolina county. Currently, the company employs 40 people in NC and creates an annual payroll of over $1,139,840. In summary, the company has not met the investment and job creation goals and no money has been distributed to the company from the One North Carolina Fund program. Additionally, the company has not taken any William S. Lee Act Tax Credits since 2005.

Company 25's Footnotes

1. Information was attained from the State of North Carolina Governor's Office official release, dated 2005; pgs. 1-2.

2. Information was attained from a copy of the Inducement Agreement between a company, the North Carolina county, the city in North Carolina, and Company 25, provided by the County Manager's Office. The agreement outlines the economic incentives that Company 25 will be given if it meets certain employment and investment milestones.

3. Information was attained from a copy of the Inducement Agreement between a company, the North Carolina county, the city in North Carolina, and Company 25, provided by the County Manager's Office. The agreement outlines the economic incentives that Company 25 will be given if it meets certain employment and investment milestones.

Information was also provided by the North Carolina Department of Commerce—Finance Division via the Office of Public Information.

4. The value of the land and building was provided by the County Tax Administration Department on an appraisal/property record card. The value of the business personal property was also provided by the County Tax Administration Department.

The tax rate for the county was provided by the County Tax Administration Department on its website.

The current number of jobs was provided in a phone interview with an Executive Director of a Partnership. The information was his estimate.

Company 26

Announcement:	2006
Location:	A North Carolina County
Other States/Sites Competing for Project:	Tennessee
Private Sector Consultant:	None known
Specifics:	$2.1 million private investment, 50 new jobs to be created

Project Introduction (1):

Company 26, a manufacturing company for the hot rod car and truck markets, announced it would relocate to North Carolina and open a facility in a city in 2006. The new facility will continue normal operations of Company 26, which includes creating and supplying thermoformed plastic parts and seats for automotive interiors.

The new facility in North Carolina will create 50 new jobs for North Carolina and will invest $2.1 million in the area. The new jobs will have wages that vary by job function; the average weekly wage is $585, which is significantly higher than the North Carolina county's average weekly wage of $476, not including benefits. The company's relocation to North Carolina was made possible in part by a One North Carolina Fund grant of $25,000.

The owner of Company 26 stated that "North Carolina's highly experienced workforce in plastics production will enable us to attract and retain skilled workers."

Table 5.12: Case Study for North Carolina Company 26

Estimated Local Government Investment (2):		
Carolina Gateway Project	$17,187	(budget)
NC's Eastern Region	$7,813	(budget)
Total	$25,000	
Estimated State Government Investment (3):		
NC Workforce Investment Act Training Funds	$75,000	(budget)
NCER	$12,500	(budget)
William S. Lee Act Tax Credits	$327,300	(budget)
NC Community College System (NEIT)	$100,000	(budget)
NC Rural Center	$40,784	(actual)
One North Carolina Fund Grant	$25,000	(budget)
Total	$580,584	
Estimated Federal Government Investment:	$0	

ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$605,584	
Private Sector Investment:	$0	

Estimated 2008 Investment and Jobs Update (4):						
INVESTMENT	Value	City Tax		County Tax		Total
Land	$29,988	x .58/100	$174	x .70/100	$210	$384
Building	$113,336		$660		$793	$1,453
Equipment	$76,586		$444		$536	$980
Total New Investment	$189,922		$1,278		$1,539	$2,817

JOBS	
15 persons employed x $585.00 per week	= $456,300 annual payroll estimate

Project Summary:

Company 26 has land and building facilities with an appraised value of over $143,324 and has invested at least $76,586 in machinery and equipment in a North Carolina county. Currently, the company employs 15 people in NC and creates an annual payroll of over $456,300. In summary, the company has not met the investment and job creation goals and no money has been distributed to the company from the One North Carolina Fund program. Additionally, the company has not taken any William S. Lee Act Tax Credits since 2006.

Company 26's Footnotes:

1. Information attained from the State of North Carolina Governor's Office official release in 2006.

2. Information attained from a North Carolina newspaper in 2006.

3. Information was provided by the North Carolina Department of Commerce.

4. The value of the land and building was provided by the county Tax Administration Department on an appraisal/property record card. The value of the business personal property was also provided by the county Tax Administration Department representative.

The tax rate for the North Carolina county was provided by the North Carolina county Tax Administration Department on its website.

The current number of jobs was provided by a website with information about economic development in North Carolina, dated summer 2008.

Company 27

Announcement: 2005
Location: A North Carolina County
Other States/Sites Competing for Project: Tennessee; California
Private Sector Consultant: None known
Specifics: $78 million private investment, 200 new jobs to be created (as stated in the Governor's Announcement)

Project Introduction (1):
Company 27 announced that it would expand its North Carolina facility in 2005. The expansion, over the next five years, would create 200 new jobs and invest about $78 million in the area. Company 27 planned to expand and renovate its nuclear and aircraft operations that were jointly operated by two Company 27 Business divisions at the North Carolina facility. The nuclear business would relocate its inspection and field services, contracts and new plants business from two other states, while the aircraft engine division would add new products to support civilian and military contracts.

Company 27 employs approximately 330,000 people in 100 countries. About 6,000 are employed in North Carolina, at 20 different locations. Company 27 planned to build 18,000 square feet of new office space and renovate another 20,000 square feet of existing space in North Carolina for this project. The president and CEO of Company 27's nuclear business said the expansion would assist Company 27 in its efforts to become competitive and efficient.

The expansion was made possible in part by a $300,000 One North Carolina Fund grant and a $3.1 million Job Development Investment Grant (JDIG). The expanded North Carolina facility would invest $78 million in the area and create 200 new jobs with average salaries of $65,000, plus benefits –well above the county's average wage of $26,860.

Table 5.13: Case Study for North Carolina Company 27

Estimated Local Government Investment (2):		
A North Carolina County	$2,100,000	(budget)
A City in North Carolina	$250,000	(budget)
Subtotal	$2,350,000	
Estimated State Government Investment (3):		
One North Carolina Fund Grant	$300,000	(actual)
JDIG	$3,100,000	(budget)
Subtotal	$3,400,000	

Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$5,750,000	
Private Sector Investment:	$0	

Estimated 2008 Investment and Jobs Update (4):			
INVESTMENT			
Land	$33,160,712	x .47/100=	$155,855.34
Building	$27,205,873	x .47/100=	$127,867.60
Subtotal	$60,366,585	x .47/100=	$283,722.94
Equipment	$100,832,601	x .47/100=	$473,913.23
Total New Investment	$158,849,186	x .47/100=	$757636.17 estimated annual property tax

JOBS		
200 new persons employed x $86,372 per year =	$17,274,400	annual new payroll
2062 jobs retained x $86,372 per year =	$178,099,060	annual payroll estimate
2262 jobs x $86,372 =	$185,373,460	annual payroll estimate

Project Summary:

Company 27 has land and building facilities with an appraised value of over $60,366,585 and has invested at least $100,832,601 in machinery and equipment in a North Carolina county. Currently, the company employs 2262 people in NC and creates an annual payroll of over $185,373,460. In summary, the company has met the investment and job creation goals and $2,772,441 has been distributed to the company from the JDIG program. To date, $300,000 in One North Carolina Fund grants have also been disbursed. Additionally, the company has not taken any William S. Lee Act Tax Credits since 2005.

Company 27's Footnotes:

1. Information was attained from the State of North Carolina Governor's Office official Release, dated 2005; pgs. 1-2.

2. Information was attained from a North Carolina newspaper, 2005 edition. Information was also attained from a copy of a county Contract and Incentive Agreement between the county and Company 27. A copy of this document was provided by the county's Legal Department.

3. Information was attained from the State of North Carolina Governor's Office official Release, dated 2005; pgs. 1-2.

4. The value of the land and building were provided by the county Tax Department on an appraisal card. The 2007 Depreciated Value of Business Personal Property (Equipment) was also provided by the county Tax Department.

The tax rate for the county was provided by the county Tax Department on its website. The jobs information was provided by the NC Department of Commerce.

Company 28

Announcement: 2003
Location: A North Carolina County
Other States/Sites Competing for Project: Ohio
Private Sector Consultant: Yes
Specifics: $10 million private investment, 250 new jobs to be created

Project Introduction (1):

Company 28, manufacturer of hand hygiene and skincare products, announced it would locate a manufacturing facility in a city in North Carolina. Company 28 will occupy an existing facility that was donated by another company. This facility will, over time, hire 250 employees – a significant development for a North Carolina county with a 12 percent unemployment rate. The company president remarked that "we are excited not only about what this new venture means for [this North Carolina] County, but also for the opportunities it offers Company 28 and its strong [product] brand. Together, we can make products that help the world stay well."

Company 28 received $250,000 from the One North Carolina Fund. This money can be used for new equipment and building renovation.

Table 5.14: Case Study for North Carolina Company 28

Estimated Local Government Investment (2) :		
A City in North Carolina	$216,000	(estimate)
Development Corporation	$6,936,098	(actual)
A North Carolina County	$584,000	(estimate)
Total	$7,736,098	
Estimated State Government Investment (3):		
William S. Lee Act Tax Credits	$4,087,500	(estimate)
One North Carolina Fund	$250,000	(budget)
NC Dept. of Community Colleges (NEIT)	$118, 590	(actual)
Total	$4,456,090	
Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$12,192,188	

Private Sector Investment:	$10,000	(actual)

Estimated 2008 Investment and Jobs Update (4):						
INVESTMENT		Tax rate	City	Tax Rate	County	Total
Land	$341,000	x .4/100 =	$1,366	x 1.10/100 =	$3,755	$5,121
Building	$6,594,718		$26,379		$72,542	$98,921
Subtotal			$27,745		$76,297	$104,042
Equipment	$13,432,244		$53,729		$147,755	$201,484
Total	$20,368,342		$81,473		$224,052	$305,526

JOBS	
84 persons employed x $30,879.68 per year	= $2,593,893 annual payroll estimate

Project Summary:

Company 28 has acquired a facility of approximately 300,000 square feet with a property tax appraisal value of $6,594,718. It has invested $13,432,244 in machinery and equipment in a North Carolina county. Currently, the company employs 84 people and creates an annual payroll of over $2,593,893. In summary, the company has met the investment and job creation goals, and $62,500 of funds from the One North Carolina Fund program have been distributed to the company. Additionally, the company's parent has taken $2,567,002 in William S. Lee Act Tax Credits, for the years 2004 to 2007.

Company 28's Footnotes:

1. Information was attained from the State of North Carolina Governor's Office official release, dated 2007, pgs. 1-2.

2. Information was provided by the county Clerk to Board. A copy of the Inducement Agreement was provided.

3. Information was provided on the NEIT program by The North Carolina Department of Community Colleges, and One North Carolina Fund information was provided by the NC Department of Commerce.

4. The value of the land and building was provided by the county Tax Department on an appraisal card, and the depreciated 2008 value of the Business Personal Property (Equipment) was provided on a Business Personal Property Listing.

   The tax rate for the county was provided by the NC Department of Revenue on its website.

   Information was also provided by the North Carolina Department of Commerce—Finance Division via the Office of Public Information.

Company 29

Announcement: 2006
Location: A North Carolina County
Other States/Sites Competing for Project: Mississippi, Alabama
Private Sector Consultant: None known
Specifics: $4.5 million private investment, 180 new jobs to be created

Project Introduction (1):

Company 29 announced it would open a new facility in a city in North Carolina in 2006. The corporation is owned by a company and is headquartered in Michigan. As the leading manufacturer of air distribution and vent products for forced-air heating and air conditioning systems, the company maintains seven other company sites in North America. In addition to heating and air conditioning systems, the corporation also manufactures grills, registers and diffusers; flexible duct, gas vent and chimney systems; and duct system components.

The new facility in a city in North Carolina was made possible, in part, by a $180,000 One North Carolina Fund grant. It will create $4.5 million in private investment in the area and 180 new jobs. The new jobs will have average weekly salaries of $495, plus benefits, which is comparable to the county's average weekly wage of $494, excluding benefits.

Table 5.15: Case Study for North Carolina Company 29

Estimated Local Government Investment (2):		
A City in North Carolina	$125,000	(estimate)
A County in North Carolina	$138,600	(budget)
Total	$264,000	
Estimated State Government Investment:		
William S. Lee Act Tax Credits	$1,028,000	(budget)
North Carolina Community College System (NEIT)	$86,437	(actual)
One North Carolina Fund Grant	$180,000	(budget)
Total	$1,294,437	
Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL GOVERNMENT INVESTMENT:	$1,558,437	(estimate)

Private Sector Investment:	$0	

Estimated 2008 Investment and Jobs Update (5):						
INVESTMENT		*City taxes*		*County taxes*		*Total*
Land	$107,400	x .66/100 =	$709	x .765/100 =	$822	$1,531
Building	$1,611,000	x .66/100 =	$10,633	x .765/100 =	$12,324	$22,957
Subtotal	$1,718,400	x .66/100 =	$11,342	x .765/100 =	$13,146	$24,488
Equipment	$3,169,729	x .66/100 =	$20,920	x .765/100 =	$24,248	$45,168
Total	$4,888,129		$32,262		$37,394	$69,656

JOBS	
100 persons employed x $25,740 per year	= $2,574,000 annual payroll estimate

Project Summary:

Company 29 has acquired a facility of approximately 135,000 square feet with a property tax appraisal value of $1,718,400. It has invested $3,169,729 in machinery and equipment in a county in North Carolina. Currently, the company employs 100 people and creates an annual payroll of over $2,574,000. In summary, the company has not met the investment or job creation goals, and $45,000 of funds from the One North Carolina Fund have been distributed to the company. Additionally, the company has not taken any William S. Lee Act Tax Credits.

Company 29's Footnotes:

1. Information was attained from the State of North Carolina Governor's Office official release, in 2006, pgs. 1-2.

2. Information was provided by the county's Economic Development Commission Executive Director. A copy of the proposed Economic Incentive Grant Agreement was provided.

3. The value of the land and building was provided by the county Tax Department on an appraisal card, and the depreciated 2008 value of the Business Personal Property (Equipment) was provided on a Business Personal Property Listing.

   The tax rate for the county was provided by the county Tax Department on its website.

   The current number of jobs was provided by a representative of the city in a phone conversation in 2008.

   The average salary rate was provided in a news release from the North Carolina Governor's Office in 2006.

   Information was also provided by the North Carolina Department of Commerce—Finance Division via the Office of Public Information.

Chapter 6: Virginia and South Carolina Case Studies

Virginia Company 1

Announcement: 2006
Location: A County in Virginia
Other States/Sites Competing for Project: South Carolina, Tennessee
Private Sector Consultant: Yes
Specifics: $281 million investment over four phases with 740 new jobs;
Phase 1: $81 million and 250 jobs in first three years

Project Introduction (1):

Virginia Company 1, a furniture manufacturer and subsidiary of another company, announced that it would build its North American manufacturing operation in a Virginia location, an industrial park jointly developed by a county and a city in Virginia. The company, which produces furniture for another company in North America, would begin work at the site in 2006. The project, over the next seven to ten years, would create 740 new jobs and invest about $281 million in the area. Virginia Company 1 planned to supply its product lines, including its popular furniture lines, to 45 retail stores in the eastern United States and Canada.

Virginia Company 1, headquartered in another country and established in 1991, is a wholly owned subsidiary of an industrial group of more than 35 production units mainly in another continent, whose primary functions are to manufacture and distribute furniture. Currently, Virginia Company 1 employs more than 13,000 employees globally.

Virginia Company 1 had its grand opening in 2008. The 930,000-square-foot facility was built on 209 acres and is estimated to be valued at over $27 million. The factory is the company's first furniture production location in the United States, and produces a variety of wood-based products such as bookshelves, coffee and side tables, and modular entertainment systems. By a certain date, more than 175 coworkers will have joined the Virginia Company 1 family.

The project was made possible in part by an investment of the State of Virginia of approximately $7.75 million, and a more than $5 million investment by the local governments of the city and county in Virginia.

Table 6.1: Case Study for Virginia Company 1

Estimated Virginia Local Government Investment (2):		
City in VA and VA County	$4,800,000	(budget)
Total	$4,800,000	
Estimated Virginia State Government Investment (3):		
Virginia Governors Opportunity Fund	$3,000,000	(budget)

Virginia Investment Partnership	$1,000,000	(budget)
Virginia Tobacco Indemnification and Com. Rev.	$2,400,000	(budget)
Virginia Rail and Road Fund	$1,350,000	(budget)
Total	$7,750,000	(budget)
Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL VIRGINIA GOVERNMENT INVESTMENT:	$12,550,000	
Private Sector Investment:	$0	

Estimated 2008 Virginia Investment and Jobs Update (4):			
INVESTMENT			
Item	Amount	Tax rate	Property tax
Land	$1,017,500	x .53/100 =	$5,393
Building	$26,007,900	x .53/100 =	$137,842
Subtotal	$27,025,400	*x .53/100* =	$143,235
Equipment	*$55,974,600*	*x .1 x 4.50/00* =	*$251,886*
Total New Investment	$83,000,000		$396,121

JOBS	
200 new persons employed x $30,000 per year =	$6,000,000 annual new payroll estimate

Project Summary:

Virginia Company 1 has land and building facilities in Virginia with an appraised value of over $27,025,400, and it has invested an estimated $55,974,600 in machinery and equipment in a county in Virginia. Currently, it is estimated that the company employs 200 people in Virginia and creates an annual payroll of over $6,000,000. In summary, the company has met the phase one investment goal but is short of its job creation goals.

Virginia Company 1's Footnotes:

1. Information was attained from the State of Virginia Governor's Office official release, dated 2006; pgs. 1-2.

2. Information was attained from personal interviews with:
   Assistant Director, City Economic Development
   Executive Director, County Economic Development

3. Information was attained from the State of Virginia Governor's Office official release, dated 2006; pgs. 1-2.

4. The value of the land and building was provided by the county Commissioner of Revenue on an appraisal card. The 2008 Depreciated Value of Business Personal Property (Equipment and Machinery) was estimated, with information provided by interviews with persons in (2) above. The tax rates for the county in Virginia were provided by the county Commissioner of Revenue.

   The jobs information was estimated from news articles and conversations.

Virginia Company 2

Announcement:	2007
Location:	A County in Virginia
Other States/Sites Competing for Project:	New Jersey, North Carolina, Pennsylvania
Private Sector Consultant:	Yes
Specifics:	$270 million investment over five phases with 250 new jobs
Phase 1:	$50 million and 20 jobs in first three years

Project Introduction (1):

Virginia Company 2, a global player in integrated internet exchanges and managing information, announced it would invest $270 million over the next five to seven years to build and operate a data-center campus just outside a town in Virginia. Virginia Company 2 expects to create about 250 new area jobs with salaries that will average about $90,000 a year. It will have an annual payroll of $22.5 million with top salaries of $180,000. The Florida-based company, which serves about 600 high-profile internet companies, plans to build five buildings with a total of 250,000 square feet of space. The campus, which will include a 75,000-square-foot office building, will be on 30 acres just off a State Route adjacent to an institute of higher learning.

The Virginia Governor presented the County with a check for $1 million for the Governor's Opportunity Fund to help with utility and site work costs on the project. The Virginia county also sweetened the pot with an additional $3 million in tax incentives over a three-year period. According to an Economic Development Director, Virginia Company 2 will pay an estimated $4 million a year in county taxes when the data-center campus opens. The developer indicated that the County offered Virginia Company 2 an 80% rebate on its taxes for three years.

The company representative chose the location, "because the people here showed us that they really wanted us," ample fiber-optic capability and enough electric power were also available at the site, and "the location is outside the federal security-blast zone - which covers a 50 mile radius." The representative said that state and local incentives and attitudes convinced him to choose the location over proposed sites in New Jersey, North Carolina and Pennsylvania.

In 2008, the high-tech data campus officially opened. About 50 people are now working at the facility. The facility was completed on time and on budget, said the VA Company 2 Chairman and CEO.

Table 6.2: Case Study for Virginia Company 2

Estimated Virginia Local Government Investment (2):		
City and County	$3,000,000	(budget)
Total	$3,000,000	
Estimated Virginia State Government Investment (3):		
Virginia Governors Opportunity Fund	$1,000,000	(budget)
Virginia Dept. of Business Assistance -Training	$	(budget)
Total	$	(budget)
Estimated Federal Government Investment:	$0	
ESTIMATED TOTAL VIRGINIA GOVERNMENT INVESTMENT:	$	
Private Sector Investment:	$9,000,000	

Estimated 2008 Virgina Investment and Jobs Update (4):			
INVESTMENT			
Item	Amount	Tax rate	Property tax
Land	$1,807,200	x .56/100=	$10,120
Building	$8,481,700	x .56/100=	$47,498
Subtotal	$10,288,900	x .56/100=	$57,618
Equipment	$ unknown at this time		
Total New Investment	$10,288,900		$57,618

JOBS	
50 new persons employed at $90,000 per year =	$4,500,000 annual new payroll estimate

Project Summary :

VA Company 2 has land and building facilities in a county in Virginia, with an appraised value of over $10,000,000. Since the facility was only opened in 2008, the machinery and equipment investment will not be available until the middle of 2009, so no estimate of value or taxes can be completed. Currently, it is estimated the company employs 50 people in Virginia and creates an annual payroll of over $4,500,000. In summary, it cannot be determined whether the company has met the phase one investment goal.

Virginia Company 2's Footnotes:

1. Information was attained from the State of Virginia Governor's Office official release, dated 2007; pg.1.

2. Information was attained from personal interviews.

3. Information was attained from the State of Virginia Governor's Office official release.

4. The value of the land and building was provided by the County Commissioner of Revenue on an appraisal card.

South Carolina Company 1

Announcement: 2008
Location: A county in South Carolina
Other States/Sites Competing for Project: South Carolina, Tennessee, Georgia and Kentucky
Private Sector Consultant: None known
Specifics: $150 million investment over two phases with 125 new jobs
Phase 1: $85 million and 50 jobs in first three years

Project Introduction (1):

South Carolina Company 1, a Brazilian manufacturer of polypropylene nonwoven fabrics, will invest and locate its new North American operations in a city in South Carolina. South Carolina Company 1 plans to invest $150 million and create 125 jobs at its South Carolina facility. South Carolina Company 1 will initially construct a 225,000–square-foot facility that will have expansion capabilities in the years ahead. South Carolina Company 1 will be the inaugural tenant of an industrial park.

South Carolina Company 1 is one of the largest polypropylene nonwoven producers in the world. South Carolina Company 1's nonwovens are used as a raw material in numerous everyday products, including disposable diapers and hygiene products, medical apparel, home furnishings and mattresses. Other product applications include agriculture, automotive, construction, footwear and luggage, industrial disposables and packaging.

Table 6.3: Case Study for South Carolina Company 1

Estimated South Carolina Local Government Investment (2):		
Free Land—20 acres	$358,750	(estimate)
Site Grading	$231,000	(estimate)
Super FILOT with 60% SSRB for 10yrs	$6,040,859	(estimate)
Total	$6,630,609	
Estimated South Carolina State Government Investment (3):		
SC Job Development Fund	$1,100,000	(estimate)
SC Rural Infrastructure Fund	$550,000	(estimate)
SC Sales Tax Refund	$7,000,000	(estimate)
SC Job Tax Credits	$2,500,000	(estimate)
SC Community College Job Training	$0	
Total	$11,150,000	
Estimated Federal Government Investment:	$0	

ESTIMATED TOTAL NC GOVERNMENT INVESTMENT:	$17,780,609	
Private Sector Investment (4):	$340,000	

Estimated 2008 South Carolina Investment and Jobs Update (5):			
INVESTMENT			
Item	Amount	Tax rate	Projected Fee
Land/Building	$21,447,000	4% FILOT, 60% SSRB	
Equipment	$101,664,000		
Total New Investment	$123,111,000		$558,823

JOBS	
50 new persons employed x $42,224 per year =	$21,112,200 annual new payroll estimated

Project Summary:
A company plans to invest $21,447,000 in the land and building facilities in a city in a South Carolina county and plans to invest $101,664,000 in machinery and equipment. At the time of this report, it is estimated the company will employ 50 people in year one and create an annual payroll of over $21,112,200. In summary, the company is currently meeting with contractors for the construction project.

South Carolina Company 1 Footnotes:

1. Information was attained from the State of South Carolina Governor's Office official release.
2. Information was obtained from a meeting with a County Development Corporation.

South Carolina Company 2
Announcement: 2006
Location: A County in South Carolina
Other States/Sites Competing for Project: North Carolina
Private Sector Consultant: Yes
Specifics: $100 million investment with 420 new jobs over five years
Phase 1: $50 million and 20 jobs in first three years

Project Introduction (1):
South Carolina Company 2, a leader in the highest quality polyethylene products and a national supplier of trash bags, geosynthetics and construction film, has announced plans to locate a new manufacturing plant in a county in South Carolina. The new plant represents a $100 million investment by the company and is expected to create 400 new jobs. The privately held company was founded in the late 1970s.

"Locating our next manufacturing and distribution facility in South Carolina will enable us to meet a number of strategic logistical objectives and will facilitate us in better servicing our customers in the Southeast, Mid-Atlantic and Northeast regions," said the South Carolina Company 2 Executive Vice President. According to the area economic developer, South Carolina Company 2 is an exceptional company and is a wonderful fit for the county and the region. This was a hard fought competitive project and ads to a growing list of plastics companies within the region.

After considering a Carolinas plant for ten years, the company selected the South Carolina county over a North Carolina county that could not match the SC county's incentives, said a North Carolina County Council Vice Chairman. The South Carolina county offered $16.2 million in tax incentives over 20 years. South Carolina Company 2 is trying to sell a 105-acre county tract it has owned since 1996 at the intersection of two interstates.

Table 6.4: Case Study for South Carolina Company 2

Estimated South Carolina Local Government Investment (2):		
Super FILOT with 72% SSRB for 10 yrs	$17,435,500	(estimate)
Total	$17,435,500	
Estimated South Carolina State Government Investment (2):		
Total	$4,264,500	(estimate)
ESTIMATED TOTAL SC GOVERNMENT INVESTMENT:	$21,700,000	
Private Sector Investment (4):	$400,000	

Estimated Federal Government Investment:	$0	

Estimated 2008 South Carolina Investment and Jobs Update (2):			
INVESTMENT			
Item	Amount	Tax rate	Projected Fee
Land/Building	$30,000,000	6% FILOT, 72% SSRB	403.6 mils
Equipment	$70,000,000		
Total New Investment	$100,000,000		$1,743,550

JOBS	
200 new persons employed x $30,000 per year =	$6,000,000 annual new payroll estimated

Project Summary:
South Carolina Company 2 plans to invest $30,000,000 in the land and building facilities in the South Carolina county and plans to invest $70,000,000 in machinery and equipment. Initially, it is estimated that the company will employ 200 people in year one and create an annual payroll of over $6,000,000. The company planned to start construction on the project in April 2008.

South Carolina Company 2's Footnotes:

1. Information was attained from the State of South Carolina Governor's Office, official release.
2. Information was attained from personal interviews.

Chapter 7: Corporate Tax Reduction as an Alternative to Incentives

Prepared by Dr. Roby Sawyers, North Carolina State University

The revenue-neutral corporate income tax rate is defined as the rate that would result in the same revenue being collected by the state, absent the income tax and franchise tax lost as a result of the William S. Lee Act tax credits (Lee Act credits) and other non-tax-code related expenditures designed to encourage companies to move to North Carolina and increase jobs in North Carolina. These other expenditures include those made as part of the North Carolina Department of Commerce's Job Development Investment Grant (JDIG) program and the One North Carolina Fund (One NC).

Other tax "incentives" described in the North Carolina Economic Development Inventory published by the Fiscal Research Division of the North Carolina General Assembly (January 2008) are not included in the analysis. Such incentives include special sales and use tax exemptions and special weighting of the corporate tax apportionment formula.

Williams S. Lee Act Tax Credits

Credits provide dollar for dollar reductions in tax liability. Lee Act tax credits can be taken against the North Carolina income tax, franchise tax, or gross premiums tax. The taxpayer elects the tax against which the credit will be claimed and the election is binding. The total Lee Act tax credits claimed may not exceed 50% of the tax against which they are applied, reduced by the sum of all other credits allowed against the tax. Unused credits may be carried forward – generally for five years. While the amount of Lee Act credits generated and claimed by taxpayers is published on an annual basis by the North Carolina Department of Revenue, the publicly available information does not include detailed taxpayer-level information describing the type of tax against which the credits are claimed. In addition, the data is provided for returns processed by the Department of Revenue during each calendar year, not for returns filed by tax year. Data used in this project were provided by the North Carolina Department of Revenue under a confidentiality agreement and include actual tax return data for all taxpayers claiming Lee Act credits in 2002 through 2006.[5] Using the tax return data provided by the North Carolina Department of Revenue, the Lee Act credits claimed on tax returns for each year were broken down by entity type and by the tax the credit was claimed against.[6]

[5] An analysis of the revenue-neutral rate for 2006 is not included in this report. As of June 11, 2009, the North Carolina Department of Revenue has not released its Corporation Income and Business Franchise Taxes Statistics and Trends report for tax year 2006.

[6] As a result of differences in how the credits are reported by tax year or calendar year, it should be noted that the amount of credits shown as being claimed in any given tax year by corporations does not agree to the amount of credits shown as being processed by the Department of Revenue in any given calendar year.

Lee Act Credits Claimed on 2005 Tax Returns
As shown in Exhibit 1, an analysis of Lee Act credits claimed on 2005 tax returns indicates that C corporations claimed $47,157,462 of Lee Act credits against the corporate income tax and another $33,284,959 against the franchise tax.

Exhibit 1: Amount of Lee Act Credits Claimed against Income and Franchise Tax

Credits claimed by C Corporations against corporate income tax	$47,157,462
Credits claimed by C Corporations against franchise tax	$33,284,959
Credits claimed by S Corporations against franchise tax	$597,281
Credits claimed by individuals against individual income tax	$6,784,847
Credits claimed by other entities against individual income tax	$2,346,166
Credits claimed by entities that could not be classified	$559,822
Total credits claimed on 2005 tax returns	$90,730,537

Lee Act Credits Claimed on 2004 Tax Returns
As shown in Exhibit 2, an analysis of Lee Act credits claimed on 2004 tax returns indicates that C corporations claimed $46,974,415 of Lee Act credits against the corporate income tax and another $30,319,451 against the franchise tax.

Exhibit 2: Amount of Lee Act Credits Claimed against Income and Franchise Tax

Credits claimed by C Corporations against corporate income tax	$46,974,415
Credits claimed by C Corporations against franchise tax	$30,319,451
Credits claimed by S Corporations against franchise tax	$990,593
Credits claimed by individuals against individual income tax	$7,013,468
Credits claimed by other entities against individual income tax	$2,606,912
Credits claimed by entities that could not be classified	$187,036
Total credits claimed on 2004 tax returns	$88,091,875

Lee Act Credits Claimed on 2003 Tax Returns
As shown in Exhibit 3, an analysis of Lee Act credits claimed on 2003 tax returns indicates that C corporations claimed $34,856,431 of Lee Act credits against the corporate income tax and another $30,817,371 against the franchise tax.

Exhibit 3: Amount of Lee Act Credits Claimed against Income and Franchise Tax

Credits claimed by C Corporations against corporate income tax	$34,856,431
Credits claimed by C Corporations against franchise tax	$30,817,371
Credits claimed by S Corporations against franchise tax	$1,979,778
Credits claimed by individuals against individual income tax	$5,538,763
Credits claimed by other entities against individual income tax	$2,912,613
Credits claimed by entities that could not be classified	$92,600
Total credits claimed on 2003 tax returns	$76,197,556

Lee Act Credits Claimed on 2002 Tax Returns
As shown in Exhibit 4, an analysis of Lee Act credits claimed on 2002 tax returns indicates that C corporations claimed $35,290,789 of Lee Act credits against the corporate income tax and another $27,847,571 against the franchise tax.

Exhibit 4: Amount of Lee Act Credits Claimed against Income and Franchise Tax

Credits claimed by C Corporations against corporate income tax	$35,290,789
Credits claimed by C Corporations against franchise tax	27,847,571
Credits claimed by S Corporations against franchise tax	676,429
Credits claimed by individuals against individual income tax	5,297,763
Credits claimed by other entities against individual income tax	2,451,728
Credits claimed by entities that could not be classified	$ 158,526
Total credits claimed on 2002 tax returns	$71,722,806

JDIG and One NC Expenditures

The amounts used in the tax calculations for JDIG and One NC incentives were provided by the North Carolina Department of Commerce and only include actual disbursements made, not the amount of grants made during the year.

Exhibit 5: JDIG and One NC Disbursements

Year	JDIG disbursements	One NC disbursements
2002	$ 0	$ 942,786
2003	$ 0	$ 1,477,989
2004	$ 466,080	$ 2,193,250
2005	$ 2,178,094	$ 3,426,772

Revenue-Neutral Tax Rate Calculations[7]

The North Carolina corporate income tax applies to those corporations (C – corporations) that do business in North Carolina and do not elect to be taxed under subchapter S of the Internal Revenue Code as flow through entities.[8] The tax is assessed at a flat rate of 6.9% on taxable income. Revenue-neutral corporate income tax rate calculations were made for tax years 2002 through 2005.

Tax Year 2005: For tax year 2005, 80,167 corporate income tax returns were filed with net tax liability (after credits) of $958,482,337. As shown in Exhibit 1, credits claimed against the corporate income tax included $47,157,462 of Lee Act credits. Absent these credits, the statutory corporate income tax rate of 6.9% could have been reduced to 6.59% in order to generate the same net tax collections of $958,482,337. As shown in Exhibit 5, $5,604,866 of disbursements were made from the JDIG and One NC programs during 2005. Absent these disbursements, the corporate income tax rate could have been reduced to 6.55% in order to generate the same net revenue of $952,877,471 to the state. An additional $33,284,959 of Lee Act credits were claimed by C corporations against the franchise tax on 2005 tax returns. Eliminating these credits and applying the savings toward reductions in the corporate income tax rate results in a revenue-neutral corporate income tax rate of 6.33%.

Tax Year 2004: For tax year 2004, 80,629 corporate income tax returns were filed with net tax liability (after credits) of $899,663,264. As shown in Exhibit 2, credits claimed against the corporate income tax included $46,974,415 of Lee Act credits. Absent these credits, the statutory corporate income tax rate of 6.9% could have been reduced to 6.57% in order to generate the same net tax collections of $899,663,264. As shown in Exhibit 5, $2,659,330 of disbursements were made from the JDIG and One NC programs during 2004. Absent these disbursements, the corporate income tax rate could have been reduced to 6.55% in order to generate the same net revenue of $897,003,934 to the state. An additional $30,319,451 of Lee Act credits were claimed by C corporations against the franchise tax on 2004 tax returns. Eliminating these credits and applying the savings toward reductions in the corporate income tax rate results in a revenue-neutral corporate income tax rate of 6.33%.

Tax Year 2003: For tax year 2003, 79,896 corporate income tax returns were filed with net tax liability (after credits) of $726,941,265. As shown in Exhibit 3, credits claimed against the corporate income tax included $34,856,431 of Lee Act credits. Absent these credits, the statutory corporate income tax rate of 6.9% could have been reduced to 6.59% in order to generate the same net tax collections of $726,941,265. As shown in

[7] Data on the amount of corporate income tax collected by the state for 2003, 2004 and 2005 is taken from North Carolina Corporation Income and Business Franchise Taxes - Statistics and Trends, published by the North Carolina Department of Revenue's Policy Analysis and Statistics Division for tax years 2003, 2004, and 2005. Data on corporate income tax collections in 2002 is taken from the Statistical Abstract of North Carolina Taxes – 2005, also published by the North Carolina Department of Revenue.

[8] In some cases, limited liability companies (LLCs) are also taxed as corporations.

Exhibit 5, $1,477,989 of disbursements were made from the JDIG and One NC programs during 2003. Absent these disbursements, the corporate income tax rate could have been reduced to 6.58% in order to generate the same net revenue of $725,463,275 to the state. An additional $30,817,371 of Lee Act credits were claimed by C corporations against the franchise tax on 2003 tax returns. Eliminating these credits and applying the savings toward reductions in the corporate income tax rate results in a revenue-neutral corporate income tax rate of 6.30%.

Tax Year 2002: For tax year 2002, 80,073 corporate income tax returns were filed with net tax liability (after credits) of $736,810,205. As shown in Exhibit 4, credits claimed against the corporate income tax included $35,290,789 of Lee Act credits. Absent these credits, the statutory corporate income tax rate of 6.9% could have been reduced to 6.59% in order to generate the same net tax collections of $736,810,205. As shown in Exhibit 5, $942,786 of disbursements were made from the JDIG and One NC programs during 2002. Absent these disbursements, the corporate income tax rate could have been reduced to 6.58% in order to generate the same net revenue of $735,867,419 to the state. An additional $27,847,571 of Lee Act credits were claimed by C corporations against the franchise tax on 2002 tax returns. Eliminating these credits and applying the savings toward reductions in the corporate income tax rate results in a revenue-neutral corporate income tax rate of 6.34%.

Chapter 8: Economic Development Incentives Symposium

On December 5, 2008, the Center convened a symposium on economic development incentives. This section of the report contains a synopsis of the symposium. Dr. Jesse White, Jr., Director of the UNC Office of Economic and Business Development, moderated the symposium. Dr. White's summary comments to the Joint Select Committee on Economic Development Incentives are provided, as well as written comments submitted by two of the panelists, Mr. Brian Dabson and Dr. Dagney Faulk.

Comments to Joint Select Committee on Economic Development Incentives of the North Carolina General Assembly on December 16, 2008

Summary Conclusions of Economic Development Incentives Symposium
Chapel Hill
December 5, 2008

Jesse L. White, Jr., Ph. D.
Director
Office of Economic and Business Development
University of North Carolina at Chapel Hill

On December 5, 2008, the Carolina Center for Competitive Economies (the Center) of the Kenan Institute of Private Enterprise (Kenan Institute) convened a remarkable seminar to discuss the state of scholarship on the use of economic development incentives and to discuss a major study being undertaken by the Center for the General Assembly. Five world-renowned experts joined about 60 North Carolinians in a robust four-hour examination of incentives in general and their use in North Carolina in particular. The North Carolinians included the Secretary of Commerce and senior staff, six members of the General Assembly and staff, three presidents of regional partnerships, local economic developers, researchers in the field, and senior administrators and faculty from UNC-Chapel Hill. There were also faculty and graduate students from North Carolina State University, Western Carolina University, and Duke University.

After a welcome by **Dr. Jack Kasarda**, Director of the Kenan Institute, **Brent Lane**, Director of the Center, laid out the general charge for the day. At that point, he turned the moderation of the rest of the day to **Dr. Jesse White**, Director of the Office of Economic and Business Development. The panel of experts included the following:

Dr. Michael Luger, Dean, Manchester Business School, Manchester, England
Dr. Ed Feser, Professor of Urban and Regional Planning, University of Illinois at Urbana-Champaign
Dr. Dagney Faulk, Director of Research, Center for Business and Economic Research, Ball State University

Brian Dabson, President, Rural Policy Research Institute, and Professor, Truman School of Public Affairs, University of Missouri, Columbia
Dr. Timothy Bartik, Senior Economist, Upjohn Institute for Employment Research, Kalamazoo, Michigan

One of the overall themes of the day was the degree to which North Carolina is willing to continuously reexamine its policy on incentives for economic development. The contract with the Center is the latest of several examinations of the effectiveness and structure of the incentive programs in this state, which date only to 1996 and the William S. Lee Act. To have assembled some of the world's best experts and to engage in public discussions about these issues is a singular and remarkable achievement.

The major substantive themes of the day are presented below. The reader should note that these conclusions are based on national research and are not North Carolina-specific, although many might apply.

1. The overall research suggests that economic development incentives are at best mixed in their effectiveness and are often cost-ineffective. Some estimate that only 5-10% of location decisions are affected by incentives.

2. There is considerable evidence that companies often play off one state or community against the other and have learned to "game" the system. Location consultants do the same, sometimes for their own pecuniary interests. These "auction" scenarios can attain a life of their own and put states and communities into quick and ill-thought-out decision modes. One scholar goes so far as to say these scenarios begin to look like "legalized bribery."

3. Other factors overwhelm incentives in terms of business relocation and growth: basic infrastructure, the quality of the workforce, high-speed or broadband internet access, quality of life, the quality of the public school system, a robust system of higher education, etc. A community that neglects investing in these fundamental assets in order to fund incentives is paying a huge opportunity cost for economic development in the future.

4. Statewide tax incentives appear to be the least-effective form of economic development policy for several reasons: (a) their complexity, (b) their delayed impact over a long horizon, (c) the low utilization rate because most corporations do not pay income tax (up to 65% in North Carolina) and many others are not even aware of the tax incentives, and (d) it is a broad and blunt instrument.

5. Discretionary incentives seem to work better than broad-based tax incentives for several reasons: (a) they can be deployed strategically based on the particular deal, (b) they can bolster strategic economic development policies based on clusters or other factors, and (c) they can be more effective in closing a deal because of their "up front" nature. Discretionary incentives can include specific workforce training, infrastructure, or cash grants.

6. Human resource incentives seem to provide the best return to the community. One scholar estimates that up-front customized training can be 10 times more effective to a location decision than other types of incentives. Plus, it trains local employees for the jobs instead of relying on labor recruitment, and the human capital formation as a result of the training redounds to the benefit of the individual worker.

7. Targeting incentives to distressed areas makes policy sense; however, there is scant evidence that they *really* make a difference in location decisions. This is because distressed areas often lack the fundamentals of a good business climate (infrastructure, skilled workforce, etc.) so that they never get in the "game." A wiser use of public funds might be in building up the basic infrastructure for economic development.

8. Conversely, using incentives in growing urban or metro areas (which is often where they end up being utilized) is of marginal importance; and to the degree that incentives *do* promote growth, they actually contribute to *growth management* problems like increased congestion, housing shortages, and pollution.

9. Replacing incentives with adjustments in the corporate income tax structure should be considered.

10. Data, information, and research are critical in making these decisions about appropriations and tax expenditures. The data analysis being undertaken by the Center at the request of the Joint Committee, funded by the General Assembly, and utilized by this Joint Committee could be the most comprehensive and path-breaking research ever undertaken on the subject.

Economic Development Incentives Symposium: Comments by Brian Dabson, Rural Policy Research Institute

1. Have been paying attention to the issue of business incentives since 1994 when Bill Schweke, Carl Rist and I wrote a report, *Bidding for Business: Are Cities and States Selling Themselves Short?* Concluded then that the bidding wars were at best ineffective and at worst undermining tax bases and starving resources for essential investments that really determine competitiveness of states and cities.

2. Since that time the use of incentives has continued unabated in spite of mounting evidence of their doubtful effectiveness – now about $50 billion/year (Peters & Fisher)

3. The key points to be made from all the scholarly analyses over the past 15-20 years seem to be:
    a. Impact on individual business decisions is marginal – average manufacturing payroll is 11 times tax bill (Peters & Fisher); may be 3 out of 10 up to 3 out of 100 depending on size of incentive (Bartik).
    b. Where they may make a difference is on choice between neighboring counties (in state or border) but this is not net gain but redistribution.
    c. Impact on employment change may be negligible or even negative (Gabe & Kraybill); impact on tax revenues usually negative as impact on jobs is less than expected or companies close or move away.
    d. Difference between induced and gross effects (Luger & Bae) or actual and announced – in Kentucky just 12% (Hoyt) – supporting idea of public relations, being seen to be doing something.
    e. Most effective incentives relate to workforce training yielding both higher job increases and higher earnings; also more targeted efforts in areas of higher unemployment and low population mobility – the *people* and the *place*.

4. Rural perspective is that incentives to attract business relocations are largely irrelevant or representative of inappropriate policy.
    a. Ball park estimate is that only 1 in 10 counties have the locational attributes that would put them in the running for footloose investment – skilled workforce, quality educational facilities, high accessibility, amenities and public services, business networks…and favorable and stable tax environment.

b. Elected officials still believe that way forward depends on external investment induced by state and local incentives – to the extent that other options are not considered. Reality is that rural counties can no longer compete on basis of cheapness, but officials are under pressure to do something.
c. Growing articulation and acceptance of notion that entrepreneurship development is a critical part of, and in many cases only viable option for, economic development in rural America. Instead of looking for external implants, look to build on existing/latent regional and local assets through homegrown development.
d. If incentives are still to be offered then parallel efforts have to be made to link existing businesses and entrepreneurs into supply chains so as to broaden benefits and stimulate homegrown development.

5. State strategy for most rural counties should focus on three strands:
    a. Entrepreneurship – community readiness, assistance with start-ups – both homegrown and relocatees/returnees.
    b. Critical stage of conversion from start-up to established businesses – mix of equity capital, working capital loans, technical and business skill development.
    c. Continual upgrading of established rural businesses – workforce skill development, technology applications, enabling expansion in community rather than moving elsewhere.

6. The state's role is to create an environment in which these ventures can take hold, grow, and flourish (RUPRI/MACED).
    a. Make a serious commitment to entrepreneurship – make it a central pillar of economic development in the state, increase the share of resources devoted to it.
    b. Be a strong advocate for entrepreneurship, create a commission to oversee the implementation of an entrepreneurship development system, use research and analysis to develop indicators of entrepreneurial performance, convene an annual summit, and create a consortium for entrepreneurship education K-16.
    c. Invest in an entrepreneurial system – gear investments in organizations and institutions that are willing to collaborate and go the extra mile to ensure that entrepreneurs get the best support possible in education, training, capital, networking and so on.

Background Notes

Business incentives generally refer to:

- Tax instruments – property tax abatements, tax increment financing, sales tax exemptions and credits, corporate income tax exemptions and credits;
- Non-tax incentives – business grants, loans, loan guarantees, free land or buildings;

In spite of widespread belief by public officials, it is not possible to influence the course of their state or local economies to the extent they believe (Peters & Fisher 2004). Many of these look like "legalized bribery" (Bartik 2004).

Some agreement that overall business incentives are often wasteful – policymakers overestimate their benefits and local debate dominated by business interests (self-interested supporters where costs are borne by all taxpayers); although there may be some social benefits – more companies are footloose, more employment yields social plus (Bartik 2004).

Some agreement that business incentives do stimulate growth in state and local economies.
But:

- Even though total cost of incentives is close to $50 billion/year, the scale is too small to have any major impact on state economies – average manufacturing payroll is 11 times tax bill (Peters & Fisher 2004). 10% reduction in effective tax rates may increase business activity by 2-3% (Bartik 2004).
- Kentucky spent $925 million from 1996 to 2004 – without incentives employment would have been 2% lower. Tax incentives positively associated with growth – 10% increase in incentives ($91,000) led to 3.4 jobs, and $218,000 earnings in a typical county; 10% in skills training ($7,000) led to 2.79 jobs and $160,000 earnings increase; financing programs had no impact (Hoyt et al 2007).
- Significant difference between incentives announced and incentives actually given – Kentucky 1992 to 2002 only 12% claimed (Hoyt et al 2008). Luger's distinction between "induced effects" – changing behavior of a firm regarding investment and employment as a direct result of tax incentive, and "gross effects" – alleged changes in the whole economy of state or county based on all taxpayers reporting where claims are made irrespective of real impacts (Luger & Bae 2005). Effect on "announced" employment growth more important than real (Gabe & Kraybill 2002).
- May have limited impact on locational decisions – perhaps 3 out of 10 (high) to 3 out of 100 (average) depending on level of subsidy (Bartik 2004).
- Incentives do not substantially increase (may even decrease) the amount of employment change two years after launching expansion (Gabe & Kraybill 2002).

- Targeting to areas of economic disadvantage makes sense but incentives unlikely to be significant counterweight to inherent location or other disadvantages (Peters & Fisher 2004).
- Impact on tax revenues is usually negative as impact on jobs is less than anticipated and/or companies move on or close (Peters & Fisher 2004).
- Wassmer and Anderson pose three broad options – "free for all" if incentives are there only to compete with neighbors and not to create positive impacts, this is a waste; "ban" – would have obvious impact on costs but may lead to lost opportunities to create social benefit; "targeted" – aimed at low mobility poorer populations where impact would be significant and long-lasting (Wassmer & Anderson 2001).
- Can be effective at local level where all other factors are equal (lower transportation costs, telecommunications – more locations in play (Bartik 2004)), but this is really spatial redistribution not overall net gain (Peters & Fisher 2004).

Policymakers always feel pressure to do something – in face of economic downturn or perceived competition from neighbors (Bartik 2004).

- Other options such as locally generated capital (Schuman), unique assets (may be difficult to differentiate), other types of upfront services such as customized training, roads etc. that have both specific and community benefits (Bartik 2004).
- Also retool incentives such as generally lower corporate taxes (but reduce tax base for essential services), lower marginal tax rates on specific activities (danger of entitlements), capping number and dollar amounts of incentives: make more selective, competitive; make more transparent; encourage regional cooperation to prevent local municipal bidding wars; improve cost-benefit analyses; introduce standards for job quality etc.; make incentives more front-loaded to equate to corporate discounting; clawbacks on non- or under-performance; focus on high unemployment areas, first source hiring, etc. (Bartik 2004).
- Training and tax incentives have positive effect on county employment though the impact depends on type of county – impact greater in border counties than in interior counties; issue of interstate competition (Hoyt et al 2008).
- 10% increase in training incentives yields 7 jobs, 10% increase in tax incentives yields 4.5 jobs (Hoyt et al 2008).
- Training incentives work equally well in MSAs (urban) and non-MSAs (rural) – training brings people back into the labor market; tax incentives create jobs for unemployed workers already in labor market. (Hoyt et al 2008).

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Economic Development Incentives Symposium: Comments by Dagney Faulk, Ph.D., Ball State University

My research focuses on statutory tax credits that are available to businesses meeting certain characteristics, such as being in a targeted industry and creating a minimum number of jobs, and applying for the credits. In the analysis I have conducted, I use data for firms taking or eligible to take (but not taking) Georgia’s Jobs Tax Credit (JTC). This credit is similar to North Carolina’s Lee Employment Tax Credit. I’ll also make a few comments about Indiana’s statutory and discretionary tax incentives and local property tax abatement.

Concerning Georgia’s Job Tax Credit, I would like to focus on the participation rate and the issue of whether higher credit amounts influence job creation in distressed areas.

According to my estimates the participation rate is Georgia’s JTC is 19 percent for the 1993-95 period. This means that 19 percent of eligible firms took the credit. The low participation rate suggests that the costs of taking the credit are larger than the benefit. One reason that the participation rate is low (or the cost of taking the credit is greater than the benefit) is that a large portion of companies have no state corporate income tax liability and therefore would not benefit from taking the credit. In Georgia about 75 percent of C-corporations have no corporate income tax liability in a given year. (It is

about 65 percent in North Carolina). The low participation rate suggests that these credits are not particularly effective in creating jobs.

I have also examined a broad array of statutory individual and corporate income tax credits in Indiana that are meant to impact economic development. While I was not able to estimate participation rates due to data constraints, I found that usage of these credits is quite low again, suggesting that they are particularly effective in creating jobs.

Georgia's JTC is structured so that jobs created in distressed areas (determined by the tier designation of the county where the business is located, like the North Carolina credit) receive a higher credit. The original intent of this credit structure was to encourage and reward the creation of jobs in distressed areas. My analysis of Georgia's JTC program suggests that the higher credit amount for jobs created in distressed areas is not a significant determinant of a firm taking the credit. This suggests that the credit is not effective at encouraging job creation in distressed areas. Gabe and Kraybill (1998) show a similar result for Ohio's Job Creation Tax Credit. The Ohio credit is structured as a percentage of income taxes withheld from workers. The only study that I am aware of that does show that geographic targeting works for this type of credit is the Sohn and Knapp (2005) analysis of Maryland's Job Creation Tax Credit. They show that the Maryland credit does concentrate jobs in urban areas for certain industries. The credit was designed to target urban areas to mitigate sprawl.

While these credits may not be effective in creating jobs in targeted areas or otherwise, they may serve as a way to signal a positive business climate and the higher credit amount in distressed areas may signal that policymakers "care" about these areas. The low participation rate results in a relatively low tax expenditure attributable to these credits. The total tax expenditure for Georgia's Job Tax Credit from 1993-1995 was around $5 million, making this program a relatively inexpensive economic development tool.

A few comments on Indiana's discretionary economic development incentives: Indiana state government has 20 tax credits/loan funds/grants that it is able to use to encourage business locations and expansions in the state. The Indiana Economic Development Corporation recently published a report detailing the usage of these credits for the last half of 2007. This is the first report of this kind to be issued. The report showed that 12 of the credits/loan funds/grants had no takers during the reporting period. The highest usage (30 companies) was the Small Business Innovation Research and Small Business Technology Transfer Matching Program, which provides matching funds to leverage federal money for projects focused on developing new technology. The next most utilized (17 businesses) was the Skill Enhancement fund, which pays 50 percent of training costs. The other incentives, including the Economic Development for a Growing Economy (EDGE) tax credit, only had a few takers. This limited data suggests that firms receive the most benefits from incentives focusing on training and R&D [and incentives that firms receive up front rather than over time].

I have also done some analysis of local property tax abatement and have found that in aggregate, local property tax abatement is larger than any other type or combination of state economic development incentive. The magnitude of local property tax abatement raises questions about the distribution of the property tax burden among taxpayers, the level of competition among local jurisdictions to attract or keep jobs, and the ultimate effect on local government budgets.

ADDENDUM

I did not make this point during the symposium but the study commission may find it interesting. In my analysis of Georgia's JTC, I found that companies taking the JTC created 23% to 28% more jobs than eligible firms not taking the JTC. (That is 1800 to 2200 more jobs and an associated tax expenditure of $2300 to $2600 per job .) This estimate is an upper bound, meaning that these numbers represent the maximum number of jobs attributable to the credit.

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Chapter 9: Feedback from Local Economic Developers

The University of North Carolina's Center for Competitive Economies solicited feedback from local economic developers on the Center's evaluation of the state's economic development incentive programs for the North Carolina General Assembly. The Center was able to cover a representative sample by holding meetings across the state. At least one, and in some cases multiple, county-level developers from the surrounding area were invited to attend each meeting. Meetings were held in Buncombe, Chatham, Gaston, Pasquotank, and Wilkes Counties. Economic developers from 27 different companies attended these meetings.

Attendees were asked to share their reaction to the Center's economic development incentive evaluation, to draft legislation to change the state's incentive programs (Senate Bill 575), and to make recommendations on process improvements with the current incentive programs. Several general themes emerged which are captured here.

Proposal to Eliminate William S. Lee Act/Article 3J Tax Credits

The position of local developers on this issue was not as monolithic has one might suppose. Instead, the attendees demonstrated a dichotomy of opinions on the proposed elimination:

- A majority of attending economic developers preferred that the tax credits be retained. While often acknowledging the validity of study findings that said most tax credits are not correlated with new job creation, several reasons were given to support their retention:
    - Tax credits are a bargain to the state because a smaller percentage of credits are claimed than those generated.
    - Tax credits have a marketing value and allow economic developers to "check the box" early in the site selection process, which allows the state to pass early screens and remain competitive in the site selection process.
    - Tax credits benefit existing companies too, thus mollifying important employers in their areas.
    - Tax credits have a clear job creation benefit in the cases of company relocations into the state.
    - While machinery and equipment is negatively correlated with job growth, it provides increased local property tax revenue to local governments.
    - Tax credits would have more value if they were "monetized" and companies could sell credits generated but not claimed.
    - Some developers supported an application process to provide more visibility to the tax credit and allow for better enforcement and performance measures.
    - Economic developers from Tier 2 and 3 counties generally supported elimination of the tier system.

- A significant minority of attending economic developers favored eliminating the tax credits, especially if the amount and number of discretionary incentives were increased. Several reasons for eliminating the tax credits were commonly cited:
    - Tax credits by their nature are deferred benefits, thus lessening their persuasiveness in influencing company behavior
    - The uncertainty of a company's ability to fully utilize generated tax credits was perceived as a negative factor
    - Tax credits were rarely included in discretionary incentive "packages", and even hindered the ability of Tier 1 counties to qualify prospects for JDIC incentives
    - Most tax credits were used without economic development intent or engagement
- While often acknowledging the validity of study findings that said most tax credits are not very effective, some developers suggested that the legislature wait until Article 3J sunsets in 2011 before making changes to the economic development incentive programs, to avoid a negative marketing effect among rival locations.

One NC

- Nearly every attending local economic developer recommended the elimination of the local match for the One North Carolina Fund. Several reasons were given to support this recommendation.
    - Some localities lack the ability to provide financial matches for projects.
    - Matches are limited to projects with high levels of capital investment which generate offsetting property tax revenues. Some projects with lower levels of capital investment but more jobs cannot be supported without net revenue lost.
    - Local economic developers feel NC Commerce fails to inform them about prospective One NC projects until later in the process, and therefore the local developers are often placed in a precarious position of matching the state One NC funds or losing the project.
    - Even in cases when the state and localities both match a project, each is using differing revenue streams to support the match. Property taxes are often not assessed and/or collected until the following year, which makes it difficult for localities to match the One NC fund from property tax revenue generated from the project.

Job Development Investment Grant (JDIG)

- Local developers were supportive of the JDIG program, but many felt it could be improved to better benefit their counties. Recommendations included:
    - Revise the criteria to allow JDIG to be used for smaller projects in distressed counties. For example: use a job creation limit of 25-50 jobs in distressed counties.
    - Continue to allow for flexibility in the JDIG program, but provide better guidelines about what a company could expect to receive under the

program. Other states cite incentive numbers in early letters, while NC Commerce considers these TBD (to be determined) in correspondence with companies.

These were the more specific and substantive recommendations expressed regarding proposed incentive changes. A number of additional recommendations about economic development strategic and organizational issues were thoughtfully discussed. Those ideas warrant attention equal to the incentives-related insights.

Appendix A: Introductory Fax Sent to Businesses that Received Incentives

THE UNIVERSITY
of NORTH CAROLINA
at CHAPEL HILL

KENAN-FLAGLER BUSINESS SCHOOL

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www.kenaninstitute.unc.edu

«CONTACT_PERSON»
«TAXPAYER_NAME»
«STREET_ADDRESS»
«MAIL_CITY_STATE__ZIP»
FAX: «FAX»

Dear «CONTACT_PERSON»:

I am writing to request a meeting with you to discuss how North Carolina's economic incentive programs can best help grow the State's economy. Your suggestions can play an important role in guiding the state's economic development efforts.

The State of North Carolina has several "economic incentive" programs intended to help businesses locating and expanding in the state. A special committee of the North Carolina legislature is currently reviewing some of these incentive programs. They hired my research center at the UNC Kenan-Flagler Business School to help them.

From my experience the best people to tell you how to help businesses are the people who start and run businesses. So we're traveling to meet with a select group of executives whose companies have received some type of State economic incentive to see how it helped them.

I got your company's name as an incentive recipient from the North Carolina Department of Revenue. Each year they publish a list of companies that have received help through the state's most used incentive programs at (www.dor.state.nc.us/publications).

I'd like to get your insights on this issue. One of my 2-person teams would meet with you at your location for 30-45 minutes to cover some basic questions. Your identity and responses would be kept confidential unless you decide otherwise.

We're scheduling discussions in your area on weekdays from Thursday, September 11 through Friday September 19, 2008. My office will contact you soon about available dates. If you are willing to meet but unavailable then, we will arrange for a meeting at a later date.
I look forward to hearing your ideas on this important topic. If you would like to contact me directly, please email me at Brent_Lane@unc.edu or contact me or my team at 919-843-7304.

Brent Lane
Director, C^3E

Appendix B: Interview Protocol – Wilmington Semi-Structured Interview Protocol Guidelines

Company:
Executive:
Date:

Business Description:

Company profile:

How important were incentives (local and state) to your selection of a North Carolina community for this project?

In state/out of state balance:

Avg. wage: warehouse:

Is the company satisfied with the project location, incentives assistance and business opportunities in North Carolina?

Appendix C: Interview Protocol – Final Version

The purpose of this protocol is to provide a framework for your discussions. It is not intended that the questions be asked in strict linear fashion. Let the conversation evolve, interjecting key questions as appropriate to gather the information sought. Not all questions may be relevant.

Introduction and statement of purpose

Thank you for agreeing to meet with us. We're [Planning, MBA, etc] students at UNC Chapel Hill working with the Center for Competitive Economies on a NC General Assembly-sponsored project to assess the usefulness of economic development incentives to companies like yours who have received them in the past.

This study will assist the General Assembly in refining economic development incentives and other business assistance programs to better serve the state's economic development goals related to job creation.

Any information you provide will be treated as confidential. Findings from this research will only be reported in aggregate form. However, we might later ask you if we can identify your company to illustrate important points or even quote you on some of your insights and suggestions.

We don't want to take up a lot of your time, and in general, it will take about 30-45 minutes to run through some of the questions we have today.

Company Name:_____ Date:_____

Company executive:_____

Interviewers:_____

Personal Background

What was your role in founding the company?

Were you born in this area, in North Carolina, in the Southern United States, in the United States?

How old were you when the company was founded?

Did you attend a college or university in your current area? One of the 16 public universities in North Carolina?

Location Information

Is this location your company's headquarters?

How long has the company headquarters been in its current location?

Why is your company located here?

Has the company relocated since its founding? From where? Why?

Are you satisfied with the current location or are you considering expanding in another location or moving to another location? [Where?]

Market Information

At your company's founding, was its market local, in-state, multi-state, national, or international?

Is your company's market currently local, instate, multi-state, national, or international?

Do you expect your market to change much over the next five years? How?

Company Growth Strategies

How would you describe your company’s growth over the past 5 years since 2001? Rapid, slow, steady, uneven?

What has been driving/affecting that growth?

Export sales
Financing

Management team
Labor force
Marketing/sales strategies
New products/processes
Automation
Overall market growth?
Strategic customer addition?

What are your growth plans for the next five years?

What does that growth depend on?

Economic Development Incentive Use

North Carolina lists the companies that have received state incentives each year on its website. Those records show that you received [jobs, equipment, R&D] incentives in [year].

Can you tell me how those incentives have been useful to your company?

How did you hear about the availability of incentives?

Did private consultants provide assistance?

How did you compensate the consultants?

How many employees does your company have?

Where do you get your employees from? Mostly in-state or do you recruit nation-wide?

What is the average starting wage at your company?

Are you in touch with the local economic developers in the area?

If so, how have they helped your business?

If you've received local incentives, how would you characterize the balance between local and state money received by your company? [90-10, 75-25, 50-50, other]

What should be the priorities for economic development in NC?

Workforce development
Regulatory issues
Facilities/infrastructure
Utility services
Expansion assistance
Business recruitment
Economic incentives

How can NC improve its incentives program?

Company D&B Background Verification

One of the sources of data we use to contact companies is Dun & Bradstreet. It's important for us to know if that information is accurate. May I ask if the following D&B information we have on your company is accurate?

	D&B Reported Data	Company Response (#s/degree of accuracy)
Revenues:	_____	_____
Employment:	_____	_____
Year est'd:	_____	_____
Location type:	_____	_____
Plant size:	_____	_____
Industry:	_____	_____

Closure

Thank you for your time. Would it possible to see some of your business operations?

Appendix D: Company Survey Instrument and Statistics

Incented Company Survey of North Carolina Businesses

The North Carolina General Assembly has hired the University of North Carolina at Chapel Hill to examine the effectiveness of the state's economic development incentive programs. The State of North Carolina offers a variety of economic development incentive programs which provide tax credits or other assistance to new and expanding businesses for job creation, machinery and equipment investment, research and development, and other business activities. This study will assist the General Assembly in refining economic development incentives and other business assistance programs to better serve the state's economic development goals related to job creation.

As part of this study, East Carolina University is conducting a survey of North Carolina businesses to determine the factors they believe are important to improving the state's business climate, helping their business grow, and growing the state's economy. Both companies that have received incentives and companies that have not received incentives are included in this survey. Responses will be combined for statistical purposes and individual responses will remain anonymous. This survey will take approximately 10 to 15 minutes to complete.

1. Please indicate your name:
   First and Last Name _____

2. What is your title?
   Title _____

3. What is your level of management?
   - □ CEO
   - □ President
   - □ Owner
   - □ Other executive management role_____

3a. ID Code for Company
   Code _____

4. How many employees are located in your current facility? Please record full time and part time and label each.
   Number of employees _____

5. Do you have multiple facilities in NC?
   - □ Yes
   - □ No

5a. How many total employees are located at other NC facilities? Please record full time and part time and label each.
Number of employees _____

Elected officials are often concerned about whether or not new jobs are going to existing NC residents or to newcomers to the state.

6. Approximately how many employees were NC residents at the time of hiring?
Number of employees _____

Business climate is often used as a measure of a state's competitiveness in attracting and retaining business and industry. Business climate may refer to a state's regulatory environment, tax rate, or other business factors. The next question asks - How important do you feel the following factors are to North Carolina's business climate?

7. Please indicate your responses concerning the importance of the following factors on North Carolina's business climate. Please rate each factor on a scale from 1 to 5, where 1 is unimportant and 5 is very important.

Importance Level

	1	2	3	4	5
Availability of skilled labor	☐	☐	☐	☐	☐
Availability of unskilled labor	☐	☐	☐	☐	☐
State corporate tax rate	☐	☐	☐	☐	☐
State individual income tax rates	☐	☐	☐	☐	☐
Local property tax rates	☐	☐	☐	☐	☐
State regulatory environment	☐	☐	☐	☐	☐
State economic development tax incentives	☐	☐	☐	☐	☐
Local economic development tax incentives	☐	☐	☐	☐	☐
Highway infrastructure	☐	☐	☐	☐	☐
Mass transit infrastructure	☐	☐	☐	☐	☐
Information technology infrastructure	☐	☐	☐	☐	☐
Availability of four-year colleges/universities	☐	☐	☐	☐	☐
Availability of community colleges	☐	☐	☐	☐	☐
Availability of low cost labor	☐	☐	☐	☐	☐
Land prices	☐	☐	☐	☐	☐
Housing costs	☐	☐	☐	☐	☐
Workforce training programs	☐	☐	☐	☐	☐
Environmental regulations	☐	☐	☐	☐	☐
Accessibility to major airport	☐	☐	☐	☐	☐

As mentioned at the beginning of the survey, North Carolina and many of its local governments use a variety of economic development incentives. Economic development incentives include grants and state tax credits, such as job creation tax credits, machinery and equipment tax credits as well as research and development. Local government may include property tax abatement, worker training assistance, or infrastructure improvements.

8. Has your company ever received an economic development incentive from the State of North Carolina?
- □ Yes
- □ No
- □ Unsure

Public records indicate that your company has received an economic development incentive.

9. How did your company learn about these economic development incentives? (You may select more than one answer)
- □ Local economic developer
- □ Attorney
- □ Accountant
- □ Site selection consultant
- □ NC Department of Commerce
- □ Other _____

10. Did your company compensate a consultant or other individual for assisting you in preparing to receive these tax credits or other economic development incentives?
- □ Yes
- □ No

10a. How was this person compensated?
- □ Flat fee
- □ Hourly rate
- □ As a percentage of the incentive received
- □ Don't know
- □ Other _____

11. Was your company located in NC prior to receiving an economic development incentive?
- □ Yes
- □ No

11a. Please indicate your responses to the following questions concerning the importance of economic development incentives to your company. Please rate each

factor on a scale of 1 to 5, where 1 is unimportant and 5 is very important.

How important were the economic development incentives in allowing your company to:

	1	2	3	4	5
Create new jobs	□	□	□	□	□
Retain existing jobs	□	□	□	□	□
Increase profitability	□	□	□	□	□
Remain in business in NC	□	□	□	□	□
Expand your current facilities	□	□	□	□	□
Create new facilities in NC	□	□	□	□	□

11b. Prior to receiving an economic development incentive, were you considering locating to another state?

□ Yes
□ No

11c. If so, which states?

States _____

11d. Were you offered economic development incentives to locate or expand to another state?

□ Yes
□ No
□ Unsure

11e. How important were the economic development incentives in allowing your company to select NC over competing states? Please rate each factor on a scale of 1 to 5, where 1 is unimportant and 5 is very important.

□ 1
□ 2
□ 3
□ 4
□ 5

11f. What other states were you considering?

States _____

11g. Were you offered economic development incentives to locate or expand to another state?

□ Yes
□ No
□ Unsure

11h. What percentage of your company's upper management relocated from another state with your company?

Percentage _____

11i. What percentage of your company's upper management were NC residents at the time of hiring?

Percentage _____

11j. Please indicate your responses to the following factors concerning the importance of each on your decision to relocate or expand your company to NC. Please rate each factor on a scale from 1 to 5, where 1 is unimportant and 5 is very important.

Factors:

	1	2	3	4	5
Availability of skilled labor	□	□	□	□	□
Availability of unskilled labor	□	□	□	□	□
State corporate tax rate	□	□	□	□	□
State individual income tax rates	□	□	□	□	□
Local property tax rates	□	□	□	□	□
State regulatory environment	□	□	□	□	□
State economic development tax incentives	□	□	□	□	□
Local economic development tax incentives	□	□	□	□	□
Highway infrastructure	□	□	□	□	□
Mass transit infrastructure	□	□	□	□	□
Information technology infrastructure	□	□	□	□	□
Availability of four-year colleges/universities	□	□	□	□	□
Availability of community colleges	□	□	□	□	□
Availability of low cost labor	□	□	□	□	□
Land prices	□	□	□	□	□
Housing costs	□	□	□	□	□
Workforce training programs	□	□	□	□	□
Environmental regulations	□	□	□	□	□
Accessibility to major airport	□	□	□	□	□

12. Has your company ever received an economic development incentive or tax credit from a city or town in North Carolina?

□ Yes
□ No
□ Unsure

12a. Which of the following types of economic development incentives did you receive from a city or town? You may select more than one program:

□ Property tax
□ Road improvements
□ Water extension
□ Sewer extension
□ Workforce training assistance
□ Other _____

13. Has your company ever received an economic development incentive or tax credit from a county in North Carolina?

□ Yes
□ No
□ Unsure

13a. Which of the following types of economic development incentives did you receive from a county? You may select more than one:

- □ Property tax
- □ Road improvements
- □ Water extension
- □ Sewer extension
- □ Workforce training assistance
- □ Other _____

Many states continue to use tax incentives as part of their economic development programs. The following questions relate to where North Carolina should focus its incentive efforts if the state continues to use incentives.

14. How would you feel about the following uses of state economic development incentives? Please answer on a scale of 1 to 5, where 1 = completely oppose, 2 = somewhat oppose, 3 = neither favor nor oppose, 4 = somewhat favor, and 5 = completely favor.

How would you feel about state economic development incentives being used:

	1	2	3	4	5
to recruit businesses to NC that may compete with your business?	□	□	□	□	□
to promote job creation in all areas of North Carolina?	□	□	□	□	□
to promote job creation in distressed areas?	□	□	□	□	□
to promote business investment in machinery and equipment?	□	□	□	□	□
to promote research and development?	□	□	□	□	□

15. What do you believe should be the most important priority for state economic development incentive programs?

- □ Job creation
- □ Machinery and equipment investment
- □ Research and development investment
- □ Worker training
- □ Other _____

16. Some people believe that it is better for North Carolina's economy to offer select tax incentives to certain businesses, while other people believe it is better to reduce taxes impacting business taxpayers and their owners. Which strategy do you think is better for North Carolina's economy?

- □ Offer select tax incentives to certain businesses
- □ Reduce taxes impacting business taxpayers and their owners

17. Does your company plan to expand your existing North Carolina facilities?

- □ Yes
- □ No

□ Unsure

17a. In how many years do you plan to expand?
Number of Years _____

18. Does your company plan to relocate your existing North Carolina facilities?
□ Yes
□ No
□ Unsure

18a. In how many years do you plan to relocate?
Number of Years _____

19. What is the most important step the State of North Carolina could take to help you expand your business?

_____
_____
_____

20. What is the most important step the State of North Carolina could take to improve the state's business climate?

_____
_____
_____

Those are all the questions I have for you today. Thank you for your participation. If you have any questions about this study, please contact Jason Jolley at Jason_Jolley@unc.edu.

Non-Incented Company Survey of North Carolina Businesses

The North Carolina General Assembly has hired the University of North Carolina at Chapel Hill to examine the effectiveness of the state's economic development incentive programs. The State of North Carolina offers a variety of economic development incentive programs which provide tax credits or other assistance to new and expanding businesses for job creation, machinery and equipment investment, research and development, and other business activities. This study will assist the General Assembly in refining economic development incentives and other business assistance programs to better serve the state's economic development goals related to job creation.

As part of this study, East Carolina University is conducting a survey of North Carolina businesses to determine the factors they believe are important to improving the state's business climate, helping their business grow, and growing the state's economy. Both companies that have received incentives and companies that have not received incentives are included in this survey. Responses will be combined for statistical purposes and individual responses will remain anonymous. This survey will take approximately 10 to 15 minutes to complete.

1. Please indicate your name:
   First and Last Name _____

2. What is your title?
   Title _____

3. What is your level of management?
   □ CEO
   □ President
   □ Owner
   □ Other executive management role _____

3a. ID Code for Company
   Code _____

4. How many employees are located in your current facility?
   Number of employees _____

5. Do you have multiple facilities in NC?
   □ Yes
   □ No

5a. How many total employees are located at other NC facilities?
   Number of employees _____

Elected officials are often concerned about whether or not new jobs are going to existing NC residents or to newcomers to the state.

6. Approximately how many employees were NC residents at the time of hiring?

Number of employees _____

Business climate is often used as a measure of a state's competitiveness in attracting and retaining business and industry. Business climate may refer to a state's regulatory environment, tax rate, or other business factors. The next question asks - How important do you feel the following factors are to North Carolina's business climate?

7. Please indicate your response to the importance of the following factors on North Carolina's business climate? Please rate each factor on a scale from 1 to 5, where 1 is unimportant and 5 is very important.

Importance Level

	1	2	3	4	5
Availability of skilled labor	☐	☐	☐	☐	☐
Availability of unskilled labor	☐	☐	☐	☐	☐
State corporate tax rate	☐	☐	☐	☐	☐
State individual income tax rates	☐	☐	☐	☐	☐
Local property tax rates	☐	☐	☐	☐	☐
State regulatory environment	☐	☐	☐	☐	☐
State economic development tax incentives	☐	☐	☐	☐	☐
Local economic development tax incentives	☐	☐	☐	☐	☐
Highway infrastructure	☐	☐	☐	☐	☐
Mass transit infrastructure	☐	☐	☐	☐	☐
Information technology infrastructure	☐	☐	☐	☐	☐
Availability of four-year colleges/universities	☐	☐	☐	☐	☐
Availability of community colleges	☐	☐	☐	☐	☐
Availability of low cost labor	☐	☐	☐	☐	☐
Land prices	☐	☐	☐	☐	☐
Housing costs	☐	☐	☐	☐	☐
Workforce training programs	☐	☐	☐	☐	☐
Environmental regulations	☐	☐	☐	☐	☐
Accessibility to major airport	☐	☐	☐	☐	☐

As mentioned at the beginning of the survey, North Carolina and many of its local governments use a variety of economic development incentives. Economic development incentives include state tax credits, such as job creation tax credits, machinery and equipment tax credits, and research and development. Local government may include property tax abatement, worker training assistance, or infrastructure improvements.

8. Has your company ever received an economic development incentive from the State of North Carolina?
- □ Yes
- □ No
- □ Unsure

8a. From which economic development incentive program did your company receive a tax credit or other benefit? You may select more than one program:
- □ William S. Lee Act
- □ One North Carolina Fund
- □ Job Development Investment Grant (JDIG)
- □ Article 3(J)
- □ Unsure

9. Has your company ever received an economic development incentive or tax credit from a city or town in North Carolina?
- □ Yes
- □ No
- □ Unsure

9a. Which of the following types of economic development incentives did you receive from a city or town? You may select more than one program:
- □ Property tax
- □ Road improvements
- □ Water extension
- □ Sewer extension
- □ Workforce training assistance
- □ Other _____

10. Has your company ever received an economic development incentive or tax credit from a county in North Carolina?
- □ Yes
- □ No
- □ Unsure

10a. Which of the following types of economic development incentives did you receive from a county? You may select more than one:

- □ Property tax
- □ Road improvements
- □ Water extension
- □ Sewer extension
- □ Workforce training assistance
- □ Other _____

11. Has your company ever been contacted by a consultant or other private individual or company offering to help your company receive economic development incentives?

- □ Yes
- □ No
- □ Unsure

12. Has your company ever been solicited or recruited to locate in or expand to another state?

- □ Yes
- □ No
- □ Unsure

12a. To which states has your company been solicited or recruited?

State1 _____
State2 _____
State3 _____
State4 _____
State5 _____

12b. Were you offered economic development incentives to locate or expand to another state?

- □ Yes
- □ No
- □ Unsure

Many states continue to use tax incentives as part of their economic development programs. The following questions relate to where North Carolina should focus its incentive efforts if the state continues to use incentives.

13. How would you feel about the following uses of state economic development incentives? Please answer on a scale of 1 to 5, where 1 = completely oppose, 2 = somewhat oppose, 3 = neither favor nor oppose, 4 = somewhat favor, and 5 = completely favor.

How would you feel about state economic development incentives being used:

	1	2	3	4	5
to recruit businesses to NC that may compete with your business?	□	□	□	□	□
to promote job creation in all areas of North Carolina?	□	□	□	□	□
to promote job creation in distressed areas?	□	□	□	□	□
to promote business investment in machinery and equipment?	□	□	□	□	□
to promote research and development?	□	□	□	□	□

14. What do you believe should be the most important priority for state economic development incentive programs?

□ Job creation
□ Machinery and equipment investment
□ Research and development investment
□ Worker training
□ Other _____

15. Some people believe that it is better for North Carolina's economy to offer select tax incentives to certain businesses, while other people believe it is better to reduce taxes impacting business taxpayers and their owners. Which strategy do you think is better for North Carolina's economy?

□ Offer select tax incentives to certain businesses
□ Reduce taxes impacting business taxpayers and their owners

16. Does your company plan to expand your existing North Carolina facilities?

□ Yes
□ No
□ Unsure

16a. In how many years do you plan to expand?

Number of Years _____

17. Does your company plan to relocate your existing North Carolina facilities?

□ Yes
□ No

□ Unsure

17a. In how many years do you plan to relocate?
Number of Years _____

18. What is the most important step the State of North Carolina could take to help you expand your business?

_____
_____
_____

19. What is the most important step the State of North Carolina could take to improve the state's business climate?

_____
_____
_____

Thank you for your participation. If you have any questions about this study, please contact Jason Jolley at Jason_Jolley@unc.edu.

Table A.1: Descriptive Analysis Comparing Non-Lee Act to Lee Act Companies [9]

Questions[10]	Significant Difference Exist?	P-Value[11]	Mean	
			Non-Incented (Did not receive Lee Act)	Incented (Ever Received Lee Act)
Total employees in current facilities (Q4) (Incentive > Non-incentive)	Yes	0.0034 (0.0961)	30.21	147.55
Total employees located at other NC facilities (Q5a)	No	0.5909 (0.3256)	32837.16	529.5
Importance of factors on North Carolina's business climate (Q7): Availability of skilled labor	No	0.3267 (0.2916)	4.33	4.41
Availability of unskilled labor	No	0.6625 (0.6477)	2.64	2.59
State corporate tax rate	No	0.3618 (0.3459)	3.88	4.00
State individual income tax rates	No	0.2780 (0.2930)	3.95	3.83
Local property tax rates	No	0.8664 (0.8672)	3.96	3.95
State regulatory environment (Incentive>Non-incentive)	Yes	0.0365 (0.0278)	3.83	4.05
State economic dev. tax incentives	No	0.8956 (0.8898)	3.34	3.33
Local economic dev. tax incentives	No	0.5530 (0.5272)	3.32	3.40
Highway infrastructure	No	0.8994 (0.8988)	3.80	3.82
Mass transit infrastructure	No	0.1528 (0.1551)	2.79	2.62
Information technology infrastructure	No	0.6664 (0.6555)	3.69	3.74
Availability of 4-year colleges/univ.	No	0.7585 (0.7665)	3.73	3.70
Availability of community colleges	No	0.8574 (0.8525)	3.87	3.89
Availability of low cost labor	No	0.5445 (0.5363)	3.31	3.24
Land prices (Non-incentive>Incentive)	Yes	0.0599 (0.0641)	3.65	3.45
Housing costs	No	0.2393 (0.2307)	3.73	3.63
Workforce training programs	No	0.5141 (0.5241)	3.49	3.42
Environmental regulations	No	0.4376 (0.4280)	3.60	3.51

[9] Number of companies receiving Lee Act: 150; number of companies not receiving Lee Act: 465.
[10] Question numbers in this table come from non-incentive companies' survey.
[11] P-value in the top is the t-test P-value assuming equal variance; P-value in the parenthesis is the t-test P-value assuming unequal variance.

Accessibility to major airport	No	0.8770 (0.8778)	3.40	3.42
Has your company ever received an EDI or tax credit from a city or town in NC? (Q9) (Incentive>Non-incentive)	Yes	0.0000 (0.0031)	.019	.093
Property tax	No	0.5299 (0.5741)	.012	.025
Road improvements (Incentive>Non-incentive)	Yes	0.0180 (0.1281)	.002	.02
Water extension (Incentive>Non-incentive)	Yes	0.0877 (0.2477)	.002	.013
Sewer extension (Incentive>Non-incentive)	Yes	0.0180 (0.1281)	.002	.02
Workforce training assistance (Incentive>Non-incentive)	Yes	0.0425 (0.1422)	.006	.027
Other (Incentive>Non-incentive)	Yes	0.0007 (0.0242)	.006	.047
Has your company ever received an EDI from a county in NC? (Q10)	Yes	0.0004 (0.0087)	.024	.090
Property tax	No	0.2331 (0.3115)	.017	.033
Road improvements	Yes	0.0004 (0.0451)	0	.027
Water extension	Yes	0.0022 (0.0833)	0	.02
Sewer extension	Yes	0.0000 (0.0138)	0	.04
Workforce training assistance	No	0.2321 (0.3616)	.004	.013
Other	No	0.1426 (0.2626)	.006	.02
How would you feel EDI is being used: (Q13)				
To recruit businesses to NC that may compete with your business? (Incentive>Non-incentive)	Yes	0.0879 (0.0998)	2.33	2.54
To promote job creation in all areas of North Carolina?	No	0.9230 (0.9195)	3.93	3.94
To promote job creation in distressed area?	No	0.7479 (0.7396)	4.06	4.10
To promote business investment in machinery and equipment?	No	0.2582 (0.2432)	3.81	3.94
To promote research and development?	No	0.6117 (0.5987)	3.98	4.04
What do you believe should be the most important priority for state EDI programs? (Q14)				
Job creation (Incentive>Non-incentive)	Yes	0.0263 (0.0265)	.462	.567
Machinery and equipment investment	No	0.7071 (0.7160)	.064	.073
Research and development investment	No	0.3277 (0.3016)	.138	.107
Worker training (Non-incentive>Incentive)	Yes	0.0172 (0.0067)	.174	.093
Other	No	0.5934	.144	.127

		(0.5837)		
Which strategy is better for NC's economy?				
Offer select tax incentives to certain business (Incentive>Non-incentive)	Yes	0.0887 (0.1136)	.141	.2
Reduce taxes impacting business taxpayers and their owners (Non-incentive>Incentive)	Yes	0.0403 (0.0263)	.834	.753
Does your company plan to expand your existing North Carolina facilities (Q16) (Non-incentive>Incentive)	Yes	0.0282 (0.0215)	.335	.24
Does your company plan to relocate your existing North Carolina facilities (Q17)	No	0.8499 (0.8523)	.075	.08

Table A.2: Comparing Non-Lee Act to Lee Act Companies by Tiers

Tiers	Non-Incented (never received Lee Act)	Incented (Lee Act)	Total
1	33	8	41
2	15	7	22
3	57	28	85
4	107	26	133
5	244	81	325
Total	456	150	606

Table A.3: Descriptive Analysis Comparing Non-Lee Act to Lee Act Companies in Tier 1

Questions[12]	Significant Difference Exist?	P-Value[13]	Mean	
			Non-Incentive	Incentive
Total employees in current facilities (Q4) (Incentive>Non-incentive)	No	0.1646	37.22	101.63
Total employees located at other NC facilities (Q5a)			142.8	4
Importance of factors on North Carolina's business climate (Q7): Availability of skilled labor	No	0.8241	4.33	4.25
Availability of unskilled labor	No	0.9081	2.69	2.75
State corporate tax rate	No	0.5428	4.12	3.88
State individual income tax rates	No	0.1561	4.21	3.63
Local property tax rates	No	0.1453	4.25	3.75
State regulatory environment	No	0.2719	3.93	3.5
State economic dev. tax incentives	No	0.7409	3.72	3.88
Local economic dev. tax incentives	No	0.9865	3.76	3.75
Highway infrastructure	No	0.8828	3.94	4.00
Mass transit infrastructure	No	0.4869	2.70	2.375
Information technology infrastructure	No	0.2367	3.78	4.25
Availability of 4-year colleges/univ.	No	0.6146	3.48	3.25
Availability of community colleges	No	0.5439	3.79	3.5
Availability of low cost labor	No	0.7027	3.58	3.75
Land prices	No	0.7828	3.76	3.88
Housing costs	No	0.2233	3.69	3.25
Workforce training programs	No	0.6384	3.39	3.63
Environmental regulations	No	0.4605	3.70	3.38
Accessibility to major airport	No	0.7626	3.12	3.25
Has your company ever received an EDI or tax credit from a city or town in NC? (Q9)	No	0.1106	.06	.25
Property tax	No	0.6285	.03	0
Road improvements	No		0	0
Water extension (Incentive>Non-incentive)	Yes	0.0406	0	.13
Sewer extension (Incentive>Non-incentive)	Yes	0.0406	0	.13
Workforce training assistance	No	0.2760	.03	.13

[12] Question number in this table comes from non-incentive companies survey
[13] P-value is the two sample t-test P-value assuming equal variance

Other	No	0.2760	.03	.13
Has your company ever received an EDI from a county in NC? (Q10) (Incentive>Non-incentive)	Yes	0.0326	.03	.25
Property tax	No	0.6285	.03	0
Road improvements	No		0	0
Water extension	No		0	0
Sewer extension (Incentive>Non-incentive)	Yes	0.0406	0	.13
Workforce training assistance	No	0.0406	0	.13
Other	No	0.0406	0	.13
How would you feel EDI is being used: (Q13)				
To recruit businesses to NC that may compete with your business?	No	0.7903	2.39	2.25
To promote job creation in all areas of North Carolina?	No	0.7378	3.84	4
To promote job creation in distressed area?	No	0.8234	4.22	4.13
To promote business investment in machinery and equipment?	No	0.9382	3.97	4
To promote research and development?	No	0.5146	3.81	3.5
What do you believe should be the most important priority for state EDI programs? (Q14)				
Job creation	No	0.1207	.58	.88
Machinery and equipment investment	No	0.2706	.03	.13
Research and development investment	No	0.3884	.09	0
Worker training	No	0.3884	.09	0
Other	No	0.2011	.18	0
Which strategy is better for NC's economy? (Q15)				
Offer select tax incentives to certain business (Incentive>Non-incentive)	Yes	0.0424	.09	.38
Reduce taxes impacting business taxpayers and their owners (Non-incentive>Incentive) (Non-incentive>Incentive)	Yes	0.0911	.88	.63
Does your company plan to expand your existing North Carolina facilities (Q16)	No	0.7034	.30	.38
Does your company plan to relocate your existing North Carolina facilities (Q17)	No	0.7774	.09	.13

Table A.4: Descriptive Analysis Comparing Non-Lee Act to Lee Act Companies in Tier 2

Question	Significant Difference Exist?	P-Value	Mean	
			Non-incentive	Incentive
Total employees in current facilities (Q4) (Incentive> Non-incentive)	No	0.1504	29.8	68
Total employees located at other NC facilities (Q5a)	No		37.33	11
Importance of factors on North Carolina's business climate (Q7): Availability of skilled labor	No	0.7231	4.13	4.29
Availability of unskilled labor	No	0.9236	3.07	3
State corporate tax rate (Incentive>Non-incentive)	Yes	0.0194	4.00	4.85
State individual income tax rates	No	0.4720	4.27	3.86
Local property tax rates	No	0.3238	3.87	4.43
State regulatory environment	No	0.1008	3.73	4.57
State economic dev. tax incentives	No	0.6193	2.86	3.14
Local economic dev. tax incentives	No	0.4102	2.8	3.29
Highway infrastructure	No	0.1780	3.6	4.29
Mass transit infrastructure	No	0.3320	2.87	2.14
Information technology infrastructure	No	0.8208	3.73	3.86
Availability of 4-year colleges/univ.	No	0.4923	3.87	3.43
Availability of community colleges	No	0.5025	4.13	4.43
Availability of low cost labor	No	0.7868	3.4	3.57
Land prices	No	0.4656	3.4	3
Housing costs	No	0.9441	3.53	3.57
Workforce training programs	No	0.1888	3.4	4.14
Environmental regulations	No	0.4025	3.6	4.14
Accessibility to major airport	No	0.1827	3.73	3
Has your company ever received an EDI or tax credit from a city or town in NC? (Q9)	No	0.1473	0	.14
Property tax	No	0.1473	0	.14
Road improvements	No		0	0
Water extension	No		0	0
Sewer extension	No		0	0
Workforce training assistance	No		0	0
Other	No		0	0
Has your company ever received an EDI from a county in NC? (Q10)	No	0.1473	0	.14
Property tax	No		0	0
Road improvements	No		0	0
Water extension	No		0	0
Sewer extension	No	0.1473	0	.14
Workforce training assistance	No		0	0
Other	No		0	0
How would you feel EDI is being used: (Q13)				
To recruit businesses to NC that may compete with your business?	No	0.4212	2.27	2.71
To promote job creation in all areas of North Carolina?	No	0.9875	3.87	3.86
To promote job creation in distressed area?	No	0.8944	4.2	4.14
To promote business investment in	Yes	0.0739	3.6	4.57

machinery and equipment?				
To promote research and development?	No	0.3664	4.13	4.57
What do you believe should be the most important priority for state EDI programs? (Q14)				
Job creation	No	0.4759	.4	.57
Machinery and equipment investment	No	0.1473	0	.14
Research and development investment	No	0.0896	. 33	0
Worker training	No	0.9545	. 13	.14
Other	No	0.9545	.13	.14
Which strategy is better for NC's economy? (Q15)				
Offer select tax incentives to certain business	No	0.1439	.27	0
Reduce taxes impacting business taxpayers and their owners	No	0.1439	.73	1
Does your company plan to expand your existing North Carolina facilities (Q16) (Non-incentive>Incentive)	Yes	0.0286	.47	0
Does your company plan to relocate your existing North Carolina facilities (Q17)	No	0.2217	.2	0

Table A.5: Descriptive Analysis Comparing Non-Lee Act to Lee Act Companies in Tier 3

Question	Significant Difference Exist?	P-Value	Mean	
			Non-incentive	Incentive
Total employees in current facilities (Q4) (Incentive>Non-incentive)	Yes	0.0099	39.68	106.5
Total employees located at other NC facilities (Q5a)	No	0.4022	96.93	216.28
Importance of factors on North Carolina's business climate (Q7): Availability of skilled labor	No	0.3236	4.19	4.43
Availability of unskilled labor	No	0.2621	2.68	2.36
State corporate tax rate	No	0.2471	3.66	4.04
State individual income tax rates	No	0.4783	3.63	3.86
Local property tax rates	No	0.4285	3.77	4
State regulatory environment	No	0.0872	3.84	4.36
State economic dev. tax incentives	No	0.9498	3.26	3.29
Local economic dev. tax incentives	No	0.6849	3.14	3.29
Highway infrastructure	No	0.1747	3.56	3.96
Mass transit infrastructure	No	0.6127	2.67	2.5
Information technology infrastructure	No	0.9359	3.40	3.42
Availability of 4-year colleges/univ.	No	0.4871	3.54	3.32
Availability of community colleges	No	0.8041	3.96	3.89
Availability of low cost labor	No	0.9189	3.28	3.25
Land prices	No	0.1938	3.36	3.79
Housing costs	No	0.1593	3.47	3.86
Workforce training programs	No	0.7845	3.54	3.46
Environmental regulations	No	0.8249	3.75	3.69
Accessibility to major airport	No	0.5120	2.96	3.18
Has your company ever received an EDI or tax credit from a city or town in NC? (Q9) (Incentive>Non-incentive)	Yes	0.0697	. 04	.14
Property tax	No	0.3216	.04	0
Road improvements	No	0.4867	.02	0
Water extension	No	0.4867	.02	0
Sewer extension	No	0.6085	.02	.04
Workforce training assistance	No	0.6085	.02	.04
Other	No	0.0416	0	.07
Has your company ever received an EDI from a county in NC? (Q10)	No	0.9884	.04	.04
Property tax	No	0.4867	.02	0
Road improvements	No		0	0
Water extension	No		0	0
Sewer extension	No	0.1548	0	.04
Workforce training assistance	No		0	0
Other	No	0.4867	0.02	0
How would you feel EDI is being used: (Q13)				
To recruit businesses to NC that may compete with your business?	No	0.4431	2.32	2.57
To promote job creation in all areas of North Carolina?	No	0.4431	3.80	4.04

To promote job creation in distressed area?	No	0.1697	3.89	4.29
To promote business investment in machinery and equipment?	No	0.2455	3.70	4.04
To promote research and development?	No	0.6371	3.79	3.93
What do you believe should be the most important priority for state EDI programs? (Q14)				
Job creation	No	0.3235	.46	.57
Machinery and equipment investment	No	0.3624	.05	.11
Research and development investment	No	0.6726	.14	.11
Worker training (Non-incentive>Incentive)	Yes	0.0181	.18	0
Other	No	0.5272	.16	.21
Which strategy is better for NC's economy? (Q15)				
Offer select tax incentives to certain business (Incentive>Non-incentive)	Yes	0.0006	.07	.36
Reduce taxes impacting business taxpayers and their owners (Non-incentive>Incentive)	Yes	0.0019	.91	.64
Does your company plan to expand your existing North Carolina facilities (Q16)	No	0.7075	.18	.14
Does your company plan to relocate your existing North Carolina facilities (Q17)	No	0.2007	.12	.04

Table A.6: Descriptive Analysis comparing Non-Lee Act to Lee Act Companies in Tier 4

Question	Significant Difference Exist?	P-Value	Mean	
			Non-incentive	Incentive
Total employees in current facilities (Q4) (Incentive>Non-incentive)	Yes	0.0045	24.80	161.54
Total employees located at other NC facilities (Q5a)	No	0.6072	210.89	313.88
Importance of factors on North Carolina's business climate (Q7): Availability of skilled labor	No	0.7411	4.41	4.35
Availability of unskilled labor	No	0.8896	2.65	2.69
State corporate tax rate	No	0.6371	3.84	3.96
State individual income tax rates	No	0.8772	3.96	4.00
Local property tax rates	No	0.4941	3.86	4.04
State regulatory environment	No	0.5386	3.69	3.85
State economic dev. tax incentives	No	0.3278	3.13	3.42
Local economic dev. tax incentives	No	0.1123	3.17	3.65
Highway infrastructure	No	0.9777	3.92	3.92
Mass transit infrastructure	No	0.0778	2.88	2.38
Information technology infrastructure	No	0.3640	3.64	3.86
Availability of 4-year colleges/univ.	No	0.9160	3.76	3.73
Availability of community colleges	No	0.3112	3.96	4.19
Availability of low cost labor	No	0.1585	3.43	3.77
Land prices	No	0.4990	3.72	3.56
Housing costs	No	0.9517	3.79	3.81
Workforce training programs	No	0.8556	3.58	3.54
Environmental regulations	No	0.6866	3.67	3.80
Accessibility to major airport	No	0.2577	3.46	3.15
Has your company ever received an EDI or tax credit from a city or town in NC? (Q9) (Incentive>Non-incentive)	Yes	0.0376	0.01	.08
Property tax (Incentive>Non-incentive)	Yes	0.0420	0	.04
Road improvements			0	0
Water extension			0	0
Sewer extension	No		0	0
Workforce training assistance (Incentive>Non-incentive)	Yes	0.0420	0	.04
Other	No	0.6239	.01	0
Has your company ever received an EDI from a county in NC? (Q10) (Incentive >Non-incentive)	Yes	0.0000	0.01	.19
Property tax (Incentive>Non-incentive)	Yes	0.0043	0.01	.12
Road improvements (Incentive>Non-incentive)	Yes	0.0036	0	.08
Water extension (Incentive>Non-incentive)	Yes	0.0036	0	.08
Sewer extension (Incentive>Non-incentive)	Yes	0.0036	0	.08
Workforce training assistance	No		0	0
Other	Yes	0.0420	0	.04

(Incentive>Non-incentive)				
How would you feel EDI is being used: (Q13)				
To recruit businesses to NC that may compete with your business?	No	0.7729	2.36	2.42
To promote job creation in all areas of North Carolina?	No	0.2370	3.73	4.04
To promote job creation in distressed area?	No	0.1824	3.90	4.24
To promote business investment in machinery and equipment?	No	0.4635	3.85	4.04
To promote research and development?	No	0.9301	4.02	4.04
What do you believe should be the most important priority for state EDI programs? (Q14)				
Job creation (Incentive>Non-incentive)	Yes	0.0405	.43	.65
Machinery and equipment investment	No	0.5399	.05	.08
Research and development investment	No	0.1843	.13	.04
Worker training	No	0.4909	.21	.15
Other	No	0.1090	.16	.04
Which strategy is better for NC's economy? (Q15)				
Offer select tax incentives to certain business	No	0.6029	.11	.08
Reduce taxes impacting business taxpayers and their owners	No	0.5085	.86	.81
Does your company plan to expand your existing North Carolina facilities (Q16)	No	0.9321	.36	.35
Does your company plan to relocate your existing North Carolina facilities (Q17)	No	0.5399	.05	.08

Table A.7: Descriptive Analysis Comparing Non-Lee Act to Lee Act Companies in Tier 5

Question	Significant Difference Exist?	P-Value	Mean	
			Non-incentive	Incentive
Total employees in current facilities (Q4) (Incentive>Non-incentive)	Yes	0.0539	29.20	167.91
Total employees located at other NC facilities (Q5a)	No	0.6387	53959.63	860.27
Importance of factors on North Carolina's business climate (Q7): Availability of skilled labor	No	0.2912	4.33	4.46
Availability of unskilled labor	No	0.9427	2.57	2.58
State corporate tax rate	No	0.9654	3.90	3.91
State individual income tax rates	No	0.2427	3.96	3.78
Local property tax rates	No	0.2402	4.01	3.85
State regulatory environment	No	0.2471	3.85	4.01
State economic dev. tax incentives	No	0.3865	3.43	3.28
Local economic dev. tax incentives	No	0.7204	3.39	3.33
Highway infrastructure	No	0.3362	3.80	3.67
Mass transit infrastructure	No	0.9866	2.81	2.81
Information technology infrastructure	No	0.9210	3.77	3.76
Availability of 4-year colleges/univ.	No	0.4720	3.80	3.90
Availability of community colleges	No	0.8740	3.81	3.78
Availability of low cost labor	No	0.1428	3.21	2.98
Land prices (Non-incentive>Incentive)	Yes	0.0027	3.69	3.28
Housing costs (Non-incentive>Incentive)	Yes	0.0341	3.80	3.53
Workforce training programs	No	0.2377	3.47	3.28
Environmental regulations	No	0.2629	3.50	3.33
Accessibility to major airport	No	0.2755	3.48	3.65
Has your company ever received an EDI or tax credit from a city or town in NC? (Q9) (Incentive>Non-incentive)	Yes	0.0128	.01	.06
Property tax	No	0.7361	.01	.01
Road improvements (Incentive>Non-incentive)	Yes	0.0024	0	.04
Water extension	No	0.0826	0	.01
Sewer extension	No	0.0826	0	.01
Workforce training assistance	No	0.4124	.00	.01
Other (Incentive>Non-incentive)	YES	0.0040	.01	.05
Has your company ever received an EDI from a county in NC? (Q10)	No	0.2643	.02	.05
Property tax	No	0.8222	0.2	.02
Road improvements	No	0.0137	0	.02
Water extension (Incentive>Non-incentive)	Yes	0.0826	0	.01
Sewer extension	No	0.0826	0	.01
Workforce training assistance	No	0.7361	.01	.01
Other	No	0.4124	.00	.01
How would you feel EDI is being used: (Q13)				
To recruit businesses to NC that may compete with your business?	No	0.1395	2.32	2.57

To promote job creation in all areas of North Carolina?	No	0.1758	4.08	3.88
To promote job creation in distressed area?	No	0.1594	4.17	3.97
To promote business investment in machinery and equipment?	No	0.8732	3.83	3.81
To promote research and development?	No	0.7727	4.05	4.09
What do you believe should be the most important priority for state EDI programs? (Q14)				
Job creation	No	0.6324	.48	.51
Machinery and equipment investment	No	0.2845	.09	.05
Research and development investment	No	0.6995	.13	.15
Worker training	No	0.2198	.17	.11
Other	No	0.9150	.13	.13
Which strategy is better for NC's economy? (Q15)				
Offer select tax incentives to certain business	No	0.6597	.16	.19
Reduce taxes impacting business taxpayers and their owners	No	0.3270	.82	.77
Does your company plan to expand your existing North Carolina facilities (Q16) (Non-incentive>Incentive)	Yes	0.0518	.36	.25
Does your company plan to relocate your existing North Carolina facilities (Q17)	No	0.3961	.07	.10

Appendix E: Information Gathering Process and Related Documents

Case Studies: Information Gathering Process

1. Review NC Governor's New Business Announcements on website
2. Review NC Department of Commerce's general information on website
3. Review NC Department of Revenue Tax Credit information on website
4. Develop a preliminary list of potential companies to analyze

   See Attachment A: Case Study Targets
5. Select at least two companies per region for data collection
6. Go to local library and check local paper(s) for information
7. Go to local government offices for review of public meeting minutes
8. Request public documents from local government minutes
9. Request public documents from the tax office of local government

   -business equipment and real property appraisal reports
10. Request public documents from the county register of deeds office

    -property deeds and maps
11. Perform Internet search of company for background and financial information
12. Review all information and develop a summary of the case study profile

    -financial and local information
13. Devise a list of questions for the project

    See Attachment B: General Questions for Public/Local Interviews
14. Select local/regional persons for personal and phone interviews. Including, but not

limited to:

Local Economic Developer

County Manager

Community College Representative

Utility Consultants (electric, gas, phone)

NC ESC Manager

Plant Manager for the Company

NC Department of Commerce Regional Staff

Local Attorneys for County and Company

Area Industry Persons

Local Newspaper Reporter

15. Conduct interviews and update case study profile
16. Determine the private sector consultant(s) and their role in the project
17. Devise a list of questions for private sector consultant(s) interviews

See Attachment C: Specific Questions for Private Consultant Interviews

18. Conduct interviews and update case study profile
19. Devise a list of information to be obtained from state sources

North Carolina Department of Commerce

See Attachment D: Specific Information Requests from Commerce Finance Center

North Carolina Department of Community Colleges

New/Expanding Industry Training Grants

Focused Industrial Training Programs

North Carolina Department of Revenue

Tax Credits

20. North Carolina Department of Transportation

    Access Road Program

21. Request information, review and update case study profile

22. Devise a list of questions for state personnel interviews about project

    See Attachment E: Specific Questions for State Personnel Interviews

23. Devise a list of State contacts for personal and phone interviews

    NC Department of Commerce staff

    NC Department of Community Colleges staff

    NC Department of Transportation

    NC Department of Revenue

24. Conduct interviews and update case study profile

25. Contact the owner/management of the case study company for an interview

26. Send case study profile to company representative

27. Devise a list of questions for the company representative interview

    See Attachment F: Specific Questions for Company Interviews

28. Conduct interview(s) and update case study profile

29. Case study profile completed

ATTACHMENT A: Case Study Targets

COMPANY NAME	TYPE	YEAR
Company 1	New	2005
Company 2	New	2005
Company 3	Expansion	2005
Company 4	Expansion	2007
Company 5	New	2005
Company 6	New	2004
Company 7	New	2004
Company 8	New	2005
Company 9	New	2005
Company 10	New	2003
Company 11	Expansion	2006
Company 12	New	2002
Company 13	New	2005
Company 14	Expansion	2006
Company 15	Expansion	2007
Company 16	Expansion	2007
Company 17	Expansion	2005
Company 18	Expansion	2006
Company 19	New	2007
Company 20	Expansion	2007
Company 21	New	2006
Company 22	Expansion	2005
Company 23	New	2006
Company 24	New	2005
Company 25	New	2005
Company 26	New	2006
Company 27	Expansion	2005
Company 28	New	2003
Company 29	New	2006
Company 30	New	2002
Company 31	Expansion	2003
Company 32	Expansion	2004

ATTACHMENT B: General Questions for Public/Local Interviews

Did the company meet the new investment goal?

Did the company meet the job creation goals?

Who was the competition for the project?

Who were the private sector consultants on this project?

Who were the public sector consultants on this project?

Did you or the company have any legal, accounting, or real estate assistance?

Did you have a written incentive agreement for the project?

Can you suggest any people to talk about this project?

ATTACHMENT C: SPECIFIC QUESTIONS FOR PRIVATE CONSULTANT INTERVIEWS

How were you compensated for your services?

What services did you provide for the project?

Did the company have competitive bids from other counties in North Carolina?

Did the company consider other states or countries for this project?

Describe how incentives were used in this project.

Were incentives requested by the company or offered by the community?

How important were the State of North Carolina incentives?

How valuable were incentives for the location of this project?

Have you provided additional work for the company?

How do you view free land and building incentives: as investments or gifts?

Did you bring other service providers into the project? If so, who?

Did you assist the company with negotiations for the local/state incentive agreement?

ATTACHMENT D: Specific Information Requests from Commerce Finance Center

Was the incentive package from the One North Carolina Fund or the Job Development Investment Grant Program?

One North Carolina Fund:

Copy of any economic impact analysis on the case study project
Copy of Company Performance Agreement
Copy of Local Government Grant Agreement
Actual amount of grant disbursement to the County per quarter or annum
Copy of any job creation information

Job Development Investment Grant Program:

Copy of any cost/benefit analysis for the case study project
Copy of the Community Economic Development Agreement
Copy of each Annual Report by Grantee
Actual amount of grant to the company per quarter or annum
Copy of any job creation information

ATTACHMENT E: Specific Questions for State Personnel Interviews

There were no specific questions developed; each case study led the researcher to specific governmental agencies and they were then asked very specific questions concerning each case study. For example, the North Carolina Community College System was asked to provide the number of persons who were trained with the particular project and the approved budget for the training.

ATTACHMENT F: Specific Questions for Company Interviews

After reviewing the project profile, do you have any concerns or questions?

How important were incentives (local and state) to your selection of a North Carolina community for this project?

Have you been able to utilize/access the incentives from local and state sources?

Which incentives have been most favorable for your business?

Did the private sector consultant(s) provide useful assistance?

How did you compensate the consultant(s)?

Has the company met its investment goal for this project?

Has the company met its employment goal for this project?

Is the company satisfied with the project location, incentives assistance and business opportunities in North Carolina?

Appendix F: Additional Case Studies Reviewed

Announced Date	Investment/Jobs	Announced State Investment	Announced State Spent	Actual Dollars Outcome
2003	$1.5 million/60	$57,000	$0	plant closed
2004	$1.0 million/38	$75,000	$75,000	put in railroad spur
2006	$3.6 million/78	$37,000	$0	did not occur in NC
2005	$4.1 million/52	$63,000	$0	did not occur in NC
2005	$4.7 million/45	$100,000	$0	did not occur in NC
2007	$1.0 million/68	$140,000	$0	no records available
2007	$685,000/30	$45,000	unknown	no records available
2002	$8 million/100	$2,000,000	unknown	plant closed 05.06
2005	$800,000/22	$50,000	$0	could not meet jobs
2006	$1.6 million/81	$81,000	unknown	project completed
2005	$10 million/86	$150,000	unknown	project completed
2003	$1 million/180	$125,000	unknown	unknown
2004	$2.5 million/100	$0	unknown	unknown
2005	$2.4 million/37	$31,775	unknown	unknown
2007	$2.3 million/70	$70,000	unknown	unknown
2006	$400,000/60	$120,000	unknown	unknown

END