

Joint Appropriations Subcommittee on NER

Responses to Follow Up Questions from Committee Members

1. For Non-profits, what is the percentage of State Funds dedicated to Salaries and how many FTEs does the organization have in total?

See attached documentation, pages 3 & 4(top right hand corner).

2. How many jobs & how much investment has been created by Article 3J Tax Credits and Job Development Investment Grants?

- The most recent Article 3J Report, “Tax Credits for Growing Businesses Act: 2011 Report,”¹ indicates that these credits have incented businesses to generate:
 - \$3.3 B in business property investment
 - \$8.2 M in real property investment
 - 12,689 jobs
- The most recent Economic Development Grant Report² sites JDIG as incenting businesses to create:
 - \$762.9 M in capital investment, and
 - 5,023 jobs

See attached document for additional detail, pages 5 through 13(top right hand corner). Commerce will be supplying additional JDIG metrics to reflect activities since program inception.

3. How many international offices does Commerce’s Tourism Division have & what is the associated cost?

- Canada (\$193,500)
- Germany (\$250,000)
- United Kingdom (\$186,300)

4. As a result of the recent UI Legislation (HB4), what is the impact on seasonal employees?

There were no changes in the bill regarding seasonal claims in HB4.

¹ Covering Process Years 2008 - 2010

² Covering Calendar Years 2007 - 2012

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5. In which locations did the “Opportunity NC” Pilot Program take place and what were the associated outcomes?

Currently, the counties participating in ONC are: Alamance, Buncombe, Cabarrus, Davidson, Durham, Edgecombe, Halifax, Macon, Madison, Mecklenburg, Nash, New Hanover, Northampton, Scotland, and Wake. Since the beginning of the pilot:

- 135 employers have been recruited and 89 have provided training to ONC participants
- 78 ONC participants have become employed due to their involvement in the program
- 24 people obtained employment within 6 months of receiving their ONC training
- 191 participants spent at least one week in ONC training and 98 completed their training
- 704 Weeks of ONC training has been completed

6. Why did Commerce’s Division of Community Assistance (DCA) experience 12 position reductions over the last biennium and how many of these positions did Commerce voluntarily offer for reduction?

Commerce’s DCA experienced a total of 12 position reductions over the last biennium, which are attributed to the elimination of the 21st Century Communities program and downsizing of operations and management. Commerce relayed that the only position voluntarily offered for reduction was one vacant planner position.

See attached document for additional detail, pages 14 to 17 (top right hand corner).

7. Attached is an organizational chart outlining Commerce’s Division of Community Assistance and the Office of Urban Development.

See attached document, page 18 (top right hand corner).

8. What are the current cash balances and encumbrances for the four conservation trust funds?

See attached document, page 19 (top right hand corner).

9. Will the elimination of the state supplement to the Earned Income Tax Credit (EITC) affect eligibility in the Individual Development Account program at the Department of Labor?

The elimination of the state supplement to the EITC will have no impact on an individual’s ability to qualify for the Individual Development Account program.

**Natural and Economic Resources Appropriations Subcommittee
Non-Profit Funding and State Supported Positions**

	FY 2011-12							
Non-Profit Name	State Funds Appropriated (per Budget Bill)	Total Expenses (all sources)	Total State Funds Expended	Total Salaries & Benefits	Total FTEs Supported	Total State-Supported Salaries & Benefits	Total FTEs - State Supported	Salaries as a % of State Funds Expended
Rural Economic Development Center	25,376,729	61,702,237	55,591,769	4,529,564	55.48	2,024,293	23.36	3.6%
NC Biotechnology Center	17,551,710	24,306,219	17,551,710	7,348,369	84.35	6,871,689	77.35	39.2%
Institute for Regenerative Medicine	8,000,000	38,512,380	4,509,201	10,812,795	164.00	1,900,000	44.00	42.1%
Regional Economic Development Commissions								
Western Regional Commission (Advantage West)	1,062,806	1,846,271	859,863	612,901	10.00	388,115	6.00	45.1%
Charlotte Regional Partnership	501,983	2,670,203	501,983	1,482,205	14.00	269,933	4.00	53.8%
Piedmont Triad Partnership	574,614	2,617,819	574,614	923,690	6.50	262,673	3.50	45.7%
Research Triangle Regional Partnership	430,730	1,491,073	493,804	801,899	5.00	190,343	2.00	38.5%
Southeastern Commission	581,969	905,898	581,969	428,174	5.00	428,174	5.00	73.6%
Eastern Region	475,113	3,198,272	585,010	663,491	6.00	109,897	0.17	18.8%
Northeast Commission	794,807	901,326	857,000	442,425	4.00	442,425	4.00	51.6%
Biofuels Center of NC	4,500,000	4,986,626	4,577,674	1,515,259	16.00	1,515,259	16.00	33.1%
Community Development Initiative	3,746,192	5,445,086	3,746,192	1,063,850	14.00	772,918	14.00	20.6%
Grassroots Science Museums	See tab entitled "Grassroots Museums for detail on all 27 museums.							
The Support Center	2,502,984	2,859,503	2,162,667	785,945	11.00	724,202	10.00	28.9%
Institute of Minority Economic Development	2,139,793	3,487,499	2,135,050	1,667,893	23.00	970,046	12.00	45.4%
Assoc of Community Development Corporations	784,548	1,013,310	830,066	676,837	9.00	595,617	8.00	71.8%
High Point Furniture Market	685,507	4,466,360	655,472	796,124	8.00	0	0.00	0.0%
PDI- Defense & Security Technology Accelerator	700,000	1,315,787	700,000	737,992	9.00	419,288	9.00	59.9%
Land Loss Prevention Project	567,973	1,095,471	503,841	705,812	10.50	347,746	4.90	69.0%
Partnership for the Sounds ¹	559,326	859,213	559,326	648,999	15.00	549,966	15.00	98.3%
Council of Governments (COGs) - 16 Total	343,184	178,499,649	343,184	30,918,065	530.00	364,633	5.92 (.37/COG)	106.3%
RTI International ²	500,000	5,020,000	476,285	Did not disclose	72.00	382,659	0.00	80.3%
Indian Development Initiative	90,000	364,229	90,000	173,065	2.75	70,000	0.82	78%
FFA Foundation	37,531	799,719	35,855	38,081	10 (part-time)	0	0.00	0.0%
Ag in the Classroom	22,077					0	0.00	0.0%
Johnson & Wales University	500,000	42,902,218	500,000	19,786,402	198.00	0	0.00	0.0%

¹ Partnership for the Sounds received \$409,326 in General Funds through the NER subcommittee and \$150,000 from the Highway Fund to support the Tyrell County Visitors Center.

² RTI International information only based on projects using state dollars.

**Natural and Economic Resources Appropriations Subcommittee
Non-Profit Funding and State Supported Positions**

	FY 2011-12							
Museum	State Funds Appropriated (per Budget Bill)	Total Expenses (all sources)	Total State Funds Expended	Total Salaries & Benefits	Total FTEs Supported	Total State-Supported Salaries & Benefits	Total FTEs - State Supported	Salaries as a % of State Funds Expended
Aurora Fossil Museum	49,000	144,064	49,000	72,101	5.38	18,000	1.34	36.7%
Cape Fear Museum	132,125	1,726,205	132,125	949,413	14.50	120,185	1.84	91.0%
Carolina Raptor	92,050	1,181,337	92,050	656,163	13.00	53,654	1.06	58.3%
Catawba Science Center	120,100	2,101,458	120,100	1,082,494	31.56	90,100	2.63	75.0%
Colburn Earth Science Museum, Inc	61,170	268,018	61,170	114,078	3.89	45,020	1.54	73.6%
Core Sound Waterfowl Museum	49,000	587,927	49,000	181,286	7.50	26,000	1.08	53.1%
Discovery Place	543,945	14,490,514	543,945	5,605,506	118.19	315,576	6.65	58.0%
Eastern NC Regional Science Ctr/GO-Scien	49,000	97,893	49,000	53,727	1.00	40,121	0.75	81.9%
Fascinate-U	66,530	542,721	66,530	184,856	3.00	47,596	0.77	71.5%
Granville County Museum	49,000	165,913	49,000	91,252	7.00	19,865	1.52	40.5%
Greensboro Children's Museum	110,845	1,651,159	110,845	952,718	25.00	66,503	1.75	60.0%
The Health Adventure	127,695	1,365,748	127,695	879,295	33.00	86,429	3.24	67.7%
Highlands Nature Center	65,050	249,163	65,050	57,414	1.96	44,068	1.50	67.7%
Imagination Station	70,600	601,880	70,600	236,890	6.28	44,892	1.19	63.6%
The Iredell Museums	50,310	235,850	50,310	125,442	2.50	32,410	0.65	64.4%
Kidsenses	66,700	439,914	66,700	182,571	5.20	66,700	1.90	100.0%
Museum of Coastal Carolina	64,025	468,618	64,025	183,943	5.38	64,025	1.87	100.0%
The Natural Science Center of Gboro	152,920	3,532,268	152,920	1,879,552	25.00	108,182	1.44	70.7%
NC Museum of Life and Science	311,685	8,779,010	311,685	4,237,239	87.85	200,404	4.15	64.3%
Pisgah Astronomical Research Institute	49,000	960,114	49,000	661,914	11.78	48,200	0.86	98.4%
Port Discover	49,000	127,011	49,000	65,039	3.00	31,500	1.45	64.3%
Rocky Mount Children's Museum	59,290	529,555	59,290	291,255	8.70	38,005	1.14	64.1%
Schiele Museum of Natural History	188,370	3,068,930	188,370	471,205	8.00	143,832	2.44	76.4%
Sci Work Science Center	120,215	1,639,286	120,215	753,780	22.30	103,180	3.05	85.8%
Sylvan Heights Waterfowl Park	49,000	743,245	49,000	386,197	9.69	49,000	1.23	100.0%
Western North Carolina Nature Ctr	92,630	1,062,000	92,630	584,100	15.50	0	0.00	0.0%
Wilmington Children's Museum	60,630	560,305	60,630	313,846	9.24	33,209	0.98	54.8%
	2,899,885	47,320,106	2,899,885	21,253,276	485.40	1,936,656	48.02	66.8%

CREDITS FOR GROWING BUSINESSES (ARTICLE 3J CREDITS)

In July, 2006, the NC General Assembly passed legislation ([House Bill 2170](#)) that created a new tax credit program, Article 3J Credits. Article 3J provides three types of tax credits to eligible taxpayers that undertake qualifying activities in North Carolina: 1) Credit for Creating Jobs, 2) Credit for Investing in Business Property, and 3) Credit for Investment in Real Property (tier 1 only). These credits may be combined to offset up to 50% of the taxpayer's state income and franchise tax liability, and unused credits may be carried forward for up to five years (15-year carry-forwards apply to the Credit for Investing in Real Property and 20-year carry-forwards exist for taxpayers that invest at least \$150 million over a two-year period).

Article 3J Credits should not be confused with William S. Lee Credits. Although these tax credit programs are similar, they are not the same. Article 3J is not a revision to the Lee Act; it replaces the Lee Act. The distinction is subtle, but significant.

In general terms, Lee Credits are repealed for taxable years beginning on or after January 1, 2007 and Article 3J Credits take effect for taxable years beginning on or after January 1, 2007.

County Tier Designations (§143B-437.08)

The Department of Commerce annually ranks the state's 100 counties based on economic well-being and assigns a tier designation to each. The 40 most distressed counties are designated as tier 1, the next 40 are tier 2, and the 20 least distressed are tier 3. This tier system is incorporated into various state programs, including Article 3J Credits, to encourage economic activity in the less prosperous areas of the state.

Urban Progress Zones (UPZ) and Agrarian Growth Zones (AGZ)

Municipalities with a population of at least 10,000 have the ability to define qualifying areas of poverty as Urban Progress Zones. Counties that do not have a municipality with a population of at least 10,000, have the ability to define qualifying areas of poverty as Agrarian Growth Zones. Projects located within these zones receive enhanced Article 3J Credits.

Eligibility (§105-129.83)

To qualify for Article 3J Credits, the following eligibility requirements must be met:

1. The primary activity at the business establishment must be an eligible type of business, which includes:
 - aircraft maintenance and repair; air courier services hub; company headquarters that creates at least 75 new headquarters jobs; customer service call centers; electronic shopping and mail order houses; information technology and services; manufacturing; motorsports facility; motorsports racing team; research and development; warehousing; and wholesale trade.
2. The average wage of all full-time workers employed by the taxpayer at the establishment during the taxable year must meet or exceed the applicable wage standard of the county in which the establishment is located. Note: There is no wage standard for taxpayers located in a tier one county.
3. The taxpayer must offer qualifying health insurance for all full-time positions at the establishment and pay at least fifty percent (50%) of employee premiums.

4. The taxpayer must not have received any significant environmental violations with the North Carolina Department of Environment and Natural Resources within the prior five years.
5. The taxpayer must not have received any "willful" or "failure to abate" serious OSHA violations at the establishment within the prior three years.
6. The taxpayer may not have overdue taxes.

Credit for Creating Jobs (§105-129.87)

Eligible taxpayers that meet a minimum threshold of new full-time jobs created during the taxable year may claim a credit for each new job created. The credit is taken in equal installments over four years following the year the jobs are created. The job threshold and the credit amount per job are determined by the tier designation of the county in which the jobs are created.

	County Tier Designation			UPZ/AGZ
	1	2	3	
Job Threshold	5	10	15	5
Credit per Job	\$12,500	\$5,000	\$750	+ \$1,000*

** If the job is filled by a resident of the zone or a long-term unemployed worker, add an additional \$2,000.*

Credit for Investing in Business Property (§105-129.88)

Eligible taxpayers may claim a credit based on a percentage of the cost of capitalized tangible personal property that is placed in service during the taxable year, in excess of an applicable threshold. This credit is taken in equal installments over four years, beginning the year after the property is first placed in service. The credit percentage and threshold are based on the tier designation of the county where the property is placed in service.

	County Tier Designation			UPZ/AGZ
	1	2	3	
Threshold	\$0	\$1million	\$2million	\$0
Credit %	7%	5%	3.5%	7%

Credit for Investment in Real Property (§105-129.89)

Eligible taxpayers that invest at least \$10 million in real property within a three-year period and create at least 200 new jobs within two years at an establishment located in a tier 1 county are allowed a credit equal to 30% of the eligible real property investment. This credit is taken in equal installments over seven years, beginning the year after the property is used in an eligible business. To qualify for this credit, the taxpayer must obtain a written determination from the Department of Commerce.

This summary is not meant to be exhaustive. Taxpayers should review the Article 3J statutes prior to claiming credits. Taxpayers that are uncertain about their eligibility or ineligibility to claim credits after reviewing the Article 3J statutes should consult with the Department of Revenue. No application is required to claim Article 3J credits.

Table 3. Business and Real Property Investment, Jobs Created, and Credits Generated by Industry

Article 3J Business & Real Property Investment, Jobs Created and Credits Generated by NAICS Code, PY 2008-2010								
NAICS Code	Industry	Investment			Credits Generated			
		Business Property	Real Property	Jobs	Business Property	Real Property	Jobs	TOTAL
111	Crop Production	\$ 144,200	\$ -	-	\$ 10,094	\$ -	-	\$ 10,094
212	Mining (except Oil & Gas)	\$ 597,838	\$ -	-	\$ 29,892	\$ -	-	\$ 29,892
238	Specialty Trade Contractors	\$ 144,554	\$ -	58	\$ 10,119	\$ -	725,000	\$ 735,119
311	Food Manufacturing	\$ 64,649,789	\$ -	571	\$ 3,782,070	\$ -	6,490,000	\$ 10,272,070
312	Beverage & Tobacco Product Manufacturing	\$ 75,978,953	\$ -	102	\$ 3,852,641	\$ -	76,500	\$ 3,929,141
313	Textile Mills	\$ 7,916,010	\$ -	39	\$ 428,364	\$ -	195,000	\$ 623,364
314	Textile Product Mills	\$ 5,948,209	\$ -	18	\$ 213,454	\$ -	13,500	\$ 226,954
315	Apparel Manufacturing	\$ 4,782,269	\$ -	-	\$ 334,759	\$ -	-	\$ 334,759
321	Wood Product Manufacturing	\$ 6,257,367	\$ -	13	\$ 396,831	\$ -	162,500	\$ 559,331
322	Paper Manufacturing	\$ 75,961,338	\$ -	209	\$ 2,964,555	\$ -	908,750	\$ 3,873,305
323	Printing & Related Support Activities	\$ 3,791,339	\$ -	-	\$ 265,384	\$ -	-	\$ 265,384
325	Chemical Manufacturing	\$ 641,092,585	\$ -	831	\$ 30,313,845	\$ -	2,070,625	\$ 32,384,470
326	Plastics & Rubber Products Manufacturing	\$ 93,883,478	\$ -	447	\$ 3,988,787	\$ -	1,753,750	\$ 5,742,537
327	Nonmetallic Mineral Product Manufacturing	\$ 10,712,995	\$ -	8	\$ 687,599	\$ -	100,000	\$ 787,599
331	Primary Metal Manufacturing	\$ 208,588,288	\$ -	15	\$ 7,350,358	\$ -	187,500	\$ 7,537,858
332	Fabricated Metal Product Manufacturing	\$ 52,067,168	\$ 3,656,244	197	\$ 2,336,434	\$ 1,096,873	1,578,500	\$ 5,011,807
333	Machinery Manufacturing	\$ 20,047,264	\$ -	427	\$ 1,222,232	\$ -	1,475,000	\$ 2,697,232
334	Computer & Electronic Product Manufacturing	\$ 59,214,701	\$ -	185	\$ 2,113,120	\$ -	138,750	\$ 2,251,870
335	Electrical Equipment, Appliance, & Component Manufacturing	\$ 37,620,091	\$ -	486	\$ 2,633,407	\$ -	4,124,500	\$ 6,757,907
336	Transportation Equipment Manufacturing	\$ 99,533,297	\$ -	357	\$ 5,752,274	\$ -	1,168,500	\$ 6,920,774
337	Furniture & Related Product Manufacturing	\$ 217,450	\$ -	294	\$ 15,222	\$ -	1,852,500	\$ 1,867,722
339	Miscellaneous Manufacturing	\$ 49,525,042	\$ -	207	\$ 2,408,410	\$ -	1,567,250	\$ 3,975,660
421	Wholesale Trade, Durable Goods	\$ 14,012,201	\$ -	-	\$ 517,179	\$ -	-	\$ 517,179
423	Merchant Wholesalers, Durable Goods	\$ 23,104,774	\$ -	57	\$ 1,124,544	\$ -	512,750	\$ 1,637,294
424	Merchant Wholesalers, Nondurable Goods	\$ 14,284,269	\$ -	80	\$ 999,899	\$ -	447,750	\$ 1,447,649
454	Nonstore Retailers	\$ 1,346,197	\$ -	-	\$ 94,233	\$ -	-	\$ 94,233
481	Air Transportation	\$ 127,426,838	\$ -	-	\$ 4,459,939	\$ -	-	\$ 4,459,939
493	Warehousing & Storage	\$ 10,211,291	\$ -	61	\$ 692,769	\$ -	575,000	\$ 1,267,769
511	Publishing Industries	\$ 30,904,490	\$ -	227	\$ 1,081,658	\$ -	170,250	\$ 1,251,908
514	Motion Picture & Sound Recording Industries	\$ 9,581,445	\$ 4,046,266	257	\$ 670,701	\$ 1,213,880	3,212,500	\$ 5,097,081
518	Internet Service Providers, Web Search Portals, & Data Processing Services	\$ -	\$ -	284	\$ 2,517	\$ -	3,256,572	\$ 3,259,089
519	Other Information Services	\$ -	\$ -	64		\$ -	48,000	\$ 48,000
524	Insurance Carriers & Related Activities	\$ -	\$ -	1		\$ -	2,000	\$ 2,000
541	Professional, Scientific, & Technical Services	\$ 42,069,066	\$ -	1,313	\$ 1,608,118	\$ -	1,768,500	\$ 3,376,618
551	Management of Companies & Enterprises	\$ 33,242,206	\$ -	328	\$ 2,167,302	\$ -	346,000	\$ 2,513,302
621	Ambulatory Health Care Services	\$ 32,673	\$ -	-	\$ 2,287	\$ -	-	\$ 2,287
713	Amusement, Gambling, & Recreation Industries	\$ 505,895	\$ -	-	\$ 17,706	\$ -	-	\$ 17,706
811	Repair & Maintenance	\$ -	\$ -	36	\$ -	\$ -	27,000	\$ 27,000
-	Unknown	\$ 1,493,221,553	\$ 474,354	5,389	\$ 77,571,589	\$ 142,307	32,187,750	\$ 109,901,646
TOTAL		\$3,321,615,740	\$8,176,864	12,689	\$162,225,243	\$2,453,060	\$67,238,197	\$231,916,500

CREDIT FOR INVESTING IN REAL PROPERTY

Only large investments in Tier 1 counties are eligible for the credit for investing in real property. The taxpayer must purchase and use at least \$10 million of real property in an eligible business within a three-year period and create at least 200 new jobs within two years of the time the property is first used. The tax credit is 30 percent of the total investment amount and is claimed over a seven year period.

Table 13. Article 3J Investment in Real Property and Credits Generated, PY 2008-2010

	Total Investment	Credits Generated
PY 2008	\$4,208,572	\$1,262,572
PY 2009	\$3,089,073	\$926,722
PY 2010	\$879,219	\$263,766
TOTAL	\$8,176,864	\$2,453,060

Source: N.C. Department of Revenue

For Process Years 2008 – 2010, nearly \$8.2 million of eligible investment in real property was made in Tier 1 counties, generating \$2.4 million in credits [Table 13].

ARTICLE 3J CREDITS TAKEN

Credits taken represent only that amount which a particular taxpayer may take in a given tax year based on business profitability, tax liability, and required installment schedules. Article 3J limits credits taken each year to 50 percent of the amount of tax against which it is claimed, reduced by the sum of all other tax credits allowed against that tax. In addition, credits for job creation and business property investment must be taken in equal installments over four years while credits for investing in real property must be taken in equal installments over seven years provided the taxpayer has sufficient tax liability to take the full amount of the installment. Unused credits may be carried forward.

Data are only available for Article 3J credits taken for Process Years 2009 and 2010. Based on data available at the time of this report, taxpayers have taken \$19,685,558 worth of \$232 million of credits generated.

Table 14. Article 3J Credits Taken, PY 2008-2010

Year	Job Creation	Business Property Investment	Real Property Investment	TOTAL
PY 2009	\$1,541,450	\$3,860,202	\$23,542	\$5,425,194
PY 2010	\$2,182,538	\$11,352,905	\$724,921	\$14,260,364
TOTAL	\$3,723,988	\$15,213,107	\$748,463	\$19,685,558

Source: N.C. Department of Revenue

ECONOMIC DEVELOPMENT GRANT REPORT HIGHLIGHTS

North Carolina has two main highly-competitive, performance-based discretionary incentive programs, the Job Development Investment Grant Program (“JDIG”) and the One North Carolina Fund (“One NC”). **State funds are only disbursed for actual jobs created under these grants**, which are targeted at attracting companies that are considering locating in North Carolina or considering expanding from existing operations in the state. Pursuant to § 143B-437.07(c), the Job Maintenance and Capital Development Fund (“JMAC”) and the Industrial Development Fund (“IDF”) (including the Utility Account) are also discussed in this Report.

Summary of Job Development Investment Grant Data

- The first grants under the JDIG program were made in 2003. Because grants have an average term of 10 years, **no grant has yet closed during the reporting period (2007 through June 2012, noting that JDIG grantees report annually on their performance as of December 31, so performance information is as of December 31, 2010, and award and disbursement information is as of June 30, 2012)** (the “Reporting Period”).
- 81 grants awarded during the Reporting Period are currently active.
- The average job “ramp-up” period (termed the “base period”) for JDIG grantees is 4 years, during which time jobs are created as companies ramp up to full operation. **Many companies are still in the early years of job creation and have thus not yet had the opportunity to create the Minimum Required New Jobs that are expected to be created under the grants. It is only after the job creation period has been completed for a given grant that an assessment can be made as to the total number of jobs created and the total cost per job.**
- Since 2007, seven grantees have completed their job creation period and have together created 82% of the minimum required jobs, for which they received 7% of the total amount payable under their respective grants. These seven grantees paid between 100% and 248% of their respective minimum required wage, and invested an average of 123% of their respective minimum required investment.
- For JDIG grants awarded since 2007 that are still in the process of creating jobs, Commerce has disbursed \$5,410,945 to companies for creation of 4,099 new jobs, resulting in a cost of \$1,320 per actual job created. These companies also retained 8,612 jobs that existed at the time of their awards.
- For the 16 JDIG grants that have been terminated (and not completed) during the Reporting Period, Commerce paid \$38,453 (after accounting for amounts recaptured) for 924 jobs created, for a total cost of \$42 per job. For these grants, 5,608 jobs that existed at the time of the grant were also retained. These companies may have created additional jobs after leaving the program, but as companies are not required to report after termination, this information is not known.

OVERVIEW OF COMMERCE-ADMINISTERED PROGRAMS

The following information summarizes activity in Commerce-administered grant programs, required by N.C. Gen. Stat. § 143B-437.07. This report (the “Economic Development Grant Report” or the “Report”) is due to the General Assembly on October 1, 2012.

Different programs have specific reporting cycles, which define what period is reported here, based on information available as of June 30, 2012. Job Development Investment Grant (“JDIG”) grantees report on March 1 for activity (job creation and retention, minimum average wage, investment, etc) as of December 31 of the prior calendar year. Commerce staff analyzes these reports, obtains additional information as needed from grantees, and obtains verification of withholdings and that no overdue tax debts exist, from the Department of Revenue. This process generally results in finalization of eligibility for payments and certification by the North Carolina Economic Investment Committee (which administers the program) in the third or fourth quarter of the year following the end of the reported year. Given the reporting and verification cycle, as of June 30, 2012, the latest performance information available for JDIG grantee is for performance as of December 31, 2010. Thus, this Report contains JDIG grantee performance information through December 31, 2010, and information on disbursements, recaptures, and terminations through June 30, 2012.

JMAC grantees are not required to report until May following the end of a calendar year, so the last reported information, included here, is for 2010 performance, giving similar timing parameters for verification and certification as described above for JDIG grantees.

With respect to programs other than JDIG and JMAC, performance information is provided through June 30, 2012.

Note that with respect to JDIG and One NC reported amounts, the number of jobs and the amount of investment cannot be summed, as this would result in some double-counting. A number of grantees have received both JDIG and One North Carolina Fund awards for the same project, and that same project’s jobs and investment are included in the totals for both programs.

Table 1A: Summary of Economic Development Grants by Commerce Job Creation or Retention Programs, 2007-2012

Commerce Program	Number of Awards	Total Award Amount	Disbursements to Awardees	Jobs Created	Retained Jobs	Private Investment Made
JDIG	98	\$649,011,575	\$5,746,695	5,023	14,220	\$762,900,900
One NC	282	\$71,943,098	\$7,436,935	4,916	7,816	\$798,007,265
JMAC	3	\$67,000,000	\$16,591,455	Not Required	4,426	\$443,060,848
TOTAL	383	\$787,954,673	\$29,775,085	Not Applicable Due to Double-Counting	Not Applicable Due to Double-Counting	Not Applicable Due to Double-Counting
Source: NC Department of Commerce, September 2012. Date Range for Awards is 1/1/2007 to 6/30/2012						

JOB DEVELOPMENT INVESTMENT GRANT PROGRAM ("JDIG")

JDIG, N.C. Gen. Stat. § 143B 437.50 *et. seq.*, is a performance-based economic development incentive program that provides annual grant disbursements for a period of up to 12 years, to businesses that will newly locate or expand current activity in North Carolina, based on a percentage (ranging from 10% to 75%) of withholding taxes paid by new employees during each calendar year of the grant.

- Grants are made to qualifying companies by the five-member Economic Investment Committee (the "EIC"), based on the Criteria for Operation and Implementation of Job Development Investment Grant Program.
- There is a cap of \$15 million on liability in any future grant year for the aggregate of grants made in a particular calendar year.
- 15% of the grant payment for which a company is eligible for a project in a Tier 2 county, and 25% of the grant payment for a project in a Tier 3 county is transferred to the Industrial Development Fund's ("IDF") Utility Account (the "Utility Account") to help fund rural infrastructure.
- **Given the gradual job "ramp up" of new jobs by each company and the fact that many grantees do not reach the annual cap specified in their grant agreements, the maximum State liability is likely to be far less than that suggested by the total award amount.**

Table 2, below, shows activity based on the status of JDIG awards made since January 1, 2007 and whether or not a grant is currently active, terminated prior to completion, withdrawn prior to commencement of the grant, or closed as a result of the grant term being completed. **As the first grants were made in 2003, and grants have an average term of 10 years, no grant has completed its term and closed yet.**

Table 2 shows grantee performance reported as of December 31, 2010, with respect to jobs created, jobs retained, and investment. It also shows the amount of the JDIG award made to the company, with the portion targeted for the Utility Account separately shown, as well as funds recaptured from grantees through early 2012, and the resultant cost per job actually created. For active grants, this table also shows the remaining potential JDIG liability to companies, the minimum number of jobs that must be created to receive that amount, and the projected cost per job, if a company were to be eligible for the full amount.

It is expected that ultimately the Remaining Potential Liability and Projected Cost Per Job numbers will be reduced as grants run their course, as often a grantee is not eligible for the full amount available in a given year (as a result of lower withholdings or failure to achieve 100% of the performance requirements). **The fact that the State's liability is reduced every year by the difference between the particular amount set as the annual cap on the amount a grantee may receive and the payment for which a grantee is actually eligible for a given year, means that, for the active JDIG grants reported here, in arriving at the Remaining Potential Liability to Companies, the Amount of Initial Award Available to Company has been reduced by approximately \$13 million in State liability that no longer exists under those grants, as of June 30, 2012. (Again, it is expected that additional reductions from State liability will be realized as a result of disbursements in lower amounts than that set as annual caps, as grants run their course.) Taken with approximately \$93 million in reduced State liability to companies from terminated and withdrawn JDIG grants, total State liability to these companies has been reduced as of June 30, 2012, from the Amount of Initial Award to Companies, by approximately \$106 million.**

It should also be noted that the Projected Cost Per Job amount is over the life of a grant, such that the currently indicated \$17,635 represents State projected cost per job of approximately \$1,763 per year on a grant of 10 years, for a job that may be paying a salary of \$60,000.

In JDIG, each grant has a job “ramp-up” period (termed the “base period”), which may run from one to five years; most JDIG awards have a four or five year period during which jobs are created as companies ramp up projects to full operation. The total grant term during which the jobs must be maintained can run up to 12 years. The first year of the base period may start a year or more after the grant award date, given the anticipated timing of construction, government approvals, and the company’s hiring plans. **Many companies are still in the early years of job creation and have thus not yet had the opportunity to create the Minimum Required New Jobs that are expected to be created under the grants. It is only after the job creation period has been completed for a given grant that an assessment can be made as to the total number of jobs created and the total cost per job.**

Thus, to summarize the information in the JDIG tables, out of the 98 JDIG awards made between January 1, 2007 and June, 2012, 81 are currently active. Of these 81 grants, 52 companies are not yet required to begin reporting, and have thus not received any JDIG disbursements. The remaining 29 companies have filed performance reports, per program requirements. As of June 30, 2012, seven of these 29 companies have completed their base periods.

Thus, the only conclusive numbers at this point, are the following: For the 16 grants that have been terminated prior to the end of their grant terms, Commerce paid \$38,453 (after accounting for monies recaptured) for 924 jobs created, for a total cost of \$42 per job. For these grants, 5,608 jobs that existed at the time of the grant were also retained. For grants that are still in the process of creating jobs, Commerce has disbursed \$5,410,945 to companies for creation of 4,099 new jobs, resulting in a cost per job of \$1,320. These companies also retained 8,612 jobs that existed at the time of the award. The seven grantees that have completed their job creation period have together created 82% of the Minimum Required New Jobs, for which they received 7% of the total amount payable under these seven grants. These seven grantees paid between 100% and 248% of the minimum required wage, and invested an average of 123% of the minimum required investment.

Table 2: Job Development Investment Grants, 2007-2012

JDIG	Number of Awards	Amount of Initial Award Available to Companies	Amount of Initial Award Available to Utility Fund	Disbursements to Companies	Recaptured Funds	Jobs Created	Cost Per Actual Job Created	Retained Jobs	Private Investment Made	Remaining Potential Liability to Companies	Minimum Required New Jobs	Projected Cost per Job	Minimum Required Retained Jobs
Active	81	\$408,973,354	\$118,681,158	\$5,410,945	\$0	4,099	\$1,320	8,612	\$709,552,566	\$390,482,515	22,143	\$17,635	28,284
Terminated	16	\$91,916,099	\$27,217,364	\$335,750	\$297,297	924	\$42	5,608	\$53,348,334	\$0	None	\$0	None
Withdrawn	1	\$2,223,000	\$0	\$0	\$0	0	\$0	Unknown	Unknown	\$0	None	\$0	None
Closed	0	\$0	\$0	\$0	\$0	0	\$0	0	\$0	\$0	0	\$0	0

Source: NC Department of Commerce, September 2012. Date for awards, disbursements, recaptures, and remaining liability is as of June 30, 2012; job data is as of December 31, 2010.

Cost Per Actual Job Created = (Disbursements to Companies less Recaptured Funds) divided by Jobs Created. Cost Per Job would be lower if it reflected retention of jobs that would have otherwise been lost if a grant had not been provided, which would have occurred in the case of some companies, as expressed in their certified application.

Projected Cost per Job= Remaining Potential Liability to Companies divided by Minimum Required New Jobs (reflecting a State cost distributed over an average of 10 years, for an avg annual projected cost per job of \$1,763)

Table 3: Job Development Investment Grants Percentage of Jobs Created and Awards Received, 2007-2012 for All 7 Grants with Completed Base Periods (Job Creation Periods)

JDIG	% of Jobs Created	% of Award Received				
Active- Base Period Completed	82%	7%				
Active- In Base Period	Job Creation in Process					
Terminated	Unknown	0%				
Withdrawn	Unknown	0%				
Closed	No Grants have Yet Closed					
Source: NC Department of Commerce, September 2012. Data as of December 31, 2010.						
% of Jobs Created = Jobs Created divided by Minimum Required New Jobs						
% of Award Received= Disbursements to Companies divided by Amount of Initial Award Available to Companies						

LOCAL INCENTIVES

Local Government Incentive awards are typically provided in the form of cash grants or based on a percentage of property taxes expected to be paid on the company's new investment for the proposed project. Investment and job creation minimums are typically required.

Given that the value of local incentives are generally investment-driven, Local Governments usually provide funds after a company has paid its annual taxes on investments made, typically after a ramp-up/construction period. These incentive payments usually begin a year or two after the grant is awarded, or later. Thus, the Local Government's first grant payment year is usually different than the first grant payment year of the Commerce incentive.

As required by statute, local information is reported commencing with Commerce awards as of July 1, 2011, where the locals are incenting a project that has received a JDIG award, a One NC award (or both), or an IDF-Utility Account award. For the IDF-Utility Account, local incentives awarded since July 1, 2011 amounted to \$3,927,575, none of which has yet been disbursed.

The table below outlines data for the two job creation programs, JDIG and One NC; as discussed elsewhere, this is minimal given normal ramp-up periods for projects to commence. The Minimum Required New Jobs represents the number of required jobs that must be created over the life of the grants to receive full disbursement under JDIG and One NC; local job requirements may differ. If that number of jobs is created, then the Local Projected Cost Per Job (based on the number of required Commerce jobs) would be the amount reflected in the last column of the table.

Table 9: Local Incentives associated with JDIG and One NC for Awards made from July 1, 2011 through June 30, 2012

Program	Local Funds Disbursed	Jobs Created	Local Cost per Job	Local Funds Awarded	Minimum Required New Jobs	Local Projected Cost per Job
JDIG	\$0	420	\$0	\$16,864,112	2,056	\$8,202
One NC	\$2,810,966	0	Unknown	\$34,308,822	3,192	\$10,748
JDIG & One NC	\$0	0	\$0	\$20,445,451	2,417	\$8,459
Total	\$2,810,966	420	Unknown	\$71,618,385	7,665	\$9,344
Source: Local Governments and NC Department of Commerce, September 2012						
Local Cost per Job = Local Funds Disbursed divided by Jobs Created						
Local Projected Cost per Job = Local Funds Awarded divided by Minimum Required New Jobs						

2011 Annotated Committee Report

FY 11-12**FY 12-13****Administration****129 Administrative Assistant**

(\$54,640) R (\$54,640) R

Eliminates the salary and benefits for one filled administrative assistant position (60077162).

-1.00 -1.00

130 Attorney General Contracts

\$235,558 R \$235,558 R

Directs the Department to properly budget its Attorney General contracts as a separate 2x account line.

131 Assistant Secretary for Community Development

(\$125,101) R (\$125,101) R

Transfers the salary and benefits for the Assistant Secretary for Community Development position (60077156) from the Administration fund code (1111) to the Division of Community Assistance fund code (1620) so that the funding can be properly aligned in the correct division. The Department shall physically locate the Assistant Secretary in the same building as the majority of the division's employees.

-1.00 -1.00

132 Assistant Secretary for Policy, Research, and Strategic Planning (PRSP)

(\$125,720) R (\$125,720) R

Transfers the Assistant Secretary position (60077183) from the Administration fund code (1111) to the PRSP fund code (1130) so that the funding can be properly aligned in the correct division.

-1.00 -1.00

133 Director of Rural Development Programs

(\$99,308) R (\$99,308) R

Eliminates the salary and benefits for the position of Director of Rural Development Programs (60077188). This position oversees the 21st Centuries Communities Program, which is eliminated, and administers Community Development Block Grant (CDBG) programs which can be handled by existing CDBG staff. The Certified Retirement Communities Program shall be transferred to the Division of Tourism, Film, and Sports Development and administered by existing staff.

-1.00 -1.00

134 Public Affairs Staff Reduction

(\$42,289) R (\$42,289) R

Eliminates the salary and benefits for one filled position (60077186) in the Secretary's Office, Public Affairs section.

-1.00 -1.00

BLNC - Business Link North Carolina**135 Director Position**

(\$131,110) R (\$131,110) R

Eliminates the salary and benefits for the director position (60080987) for BLNC. Employees in this division will report to the Director of Business and Industry.

-1.00 -1.00

Commerce

Excerpt from Money Report

2011 Annotated Committee Report

FY 11-12

FY 12-13

144 Broadband Connectivity

Provides \$1 million non-recurring for the CDBG-Economic Development section to incent private businesses to provide broadband connectivity. Priority shall be given to unserved areas in mixed urban-rural counties and then to unserved areas in mainly rural counties. The Department shall work with the Rural Economic Development Center in developing and implementing this grant program.

\$1,000,000 NR

Community Assistance**145 Assistant Secretary Position**

Transfers the salary and benefits for the Assistant Secretary for Community Development position (60077156) from the Administration fund code (1111) into the Division of Community Assistance fund code (1620) so that the funding can be properly aligned in the correct division. The Department shall physically locate the Assistant Secretary in the same building as the majority of the division's employees.

\$125,101 R

\$125,101 R

1.00

1.00

146 Senior Advisor/Director Position

Eliminates the salary and benefits for the position of director (60081167). This division also has an Assistant Secretary, and thus the director position is eliminated to more properly align span of control.

(\$117,624) R

(\$117,624) R

-1.00

-1.00

147 Vacant Position

Eliminates the salary and benefits for one Planner position (60081202) vacant for more than one year as of March 2011.

(\$71,536) R

(\$71,536) R

-1.00

-1.00

148 21st Century Communities

Eliminates operating funding for the 21st Century Communities program and the salaries and benefits for three filled positions. This program was designed to certify counties to be ready for the 21st Century and is no longer needed.

(\$244,699) R

(\$244,699) R

-3.00

-3.00

60081236 Planner \$58,074

60081237 Planner \$55,541

60081238 Planner \$63,013

(S.L. 2011-145, Sec. 14.3C)

2011 Annotated Committee Report

FY 11-12**FY 12-13****149 Filled Positions**

(\$296,177) R

(\$296,177) R

Eliminates the salaries and benefits for five filled positions and associated operating costs within the Division. Funding will still be sufficient to meet Community Development Block Grant (CDBG) match requirements.

-5.00

-5.00

60081178 Office Assistant IV \$31,634

60081182 Comm Dev Planner I \$57,511

60081198 Comm Dev Planner II \$62,238

60081205 Office Assistant IV \$34,305

60089504 Comm Dev Planner I \$74,135

Operating Expenses \$36,354

Energy**150 Pass-through Funding to Universities**

(\$1,855,500) R

(\$1,466,090) R

Reduces pass-through funding to the Energy Centers at North Carolina A&T State University, North Carolina State University, and Appalachian State University. Provides \$500,000 in FY 2011-12 and \$617,603 in FY 2012-13 for the Solar Center at North Carolina State University to continue energy programs. \$200,000 of this funding shall be used for the Energy Management Program within the Energy Efficiency and Environmental Research Program in the Department of Mechanical & Aerospace Engineering.

Provides \$50,000 in FY 2011-12 and \$261,215 in FY 2012-13 to the Appalachian Energy Center at Appalachian State University.

Provides \$100,000 in FY 2011-12 and \$210,592 in FY 2012-13 to the Center for Energy Research and Technology at North Carolina A&T State University.

(S.L. 2011-391, Sec. 38.2, 2011 Budget Technical Corrections, amends this item such that \$100,000 is provided for Appalachian State University in FY 2011-12. The Committee Report for S.L 2011-391 also changed "energy efficiency programs" to "energy programs" and removed the restriction that the NCSU Solar Center could not use funds for advertising or promotion of the Center.)

151 Operating Reduction

(\$21,120) R

(\$21,120) R

Reduces operating expenses (2x-5x) in the division by \$21,120, leaving \$154,716 for these purposes.

152 Filled Position

(\$78,880) R

(\$78,880) R

Eliminates the salary and benefits for one filled Engineer position (60014891) who currently is assigned to the Utility Savings Initiative program.

-1.00

-1.00

Commerce

Excerpt from Money Report

2012 Annotated Committee Report

Commerce

GENERAL FUND

FY 12-13

Total Budget Approved 2011 Session

\$33,250,463

Budget Changes

Department-wide

34 Management Flexibility Reduction

(\$665,009) R

Implements a necessary management flexibility reduction to pay for unbudgeted overpayments, penalties and unachieved reductions in the Medicaid Program.

Administration

35 Military Support Funds

Provides funds to ensure military base continuity in North Carolina.

\$500,000 NR

Commerce Finance Center

36 Job Maintenance and Capital Development Fund (JMAC)

Provides \$7.5M nonrecurring for JMAC. \$6 million shall be allocated to fulfill existing agreements with Bridgestone/Firestone and Goodyear. \$1.5 million shall be allocated to fulfill year 2 of a pending agreement with Domtar.

\$7,500,000 NR

37 NC Broadband Rigor in Mapping (BRIM) Project

(\$200,000) R

Replaces \$200,000 in General Fund appropriation with funds from a cash balance that existed when the e-NC Authority was abolished. \$175,730 will remain in General Fund appropriations for this purpose. The NC BRIM project is expected to be completed in October 2014.

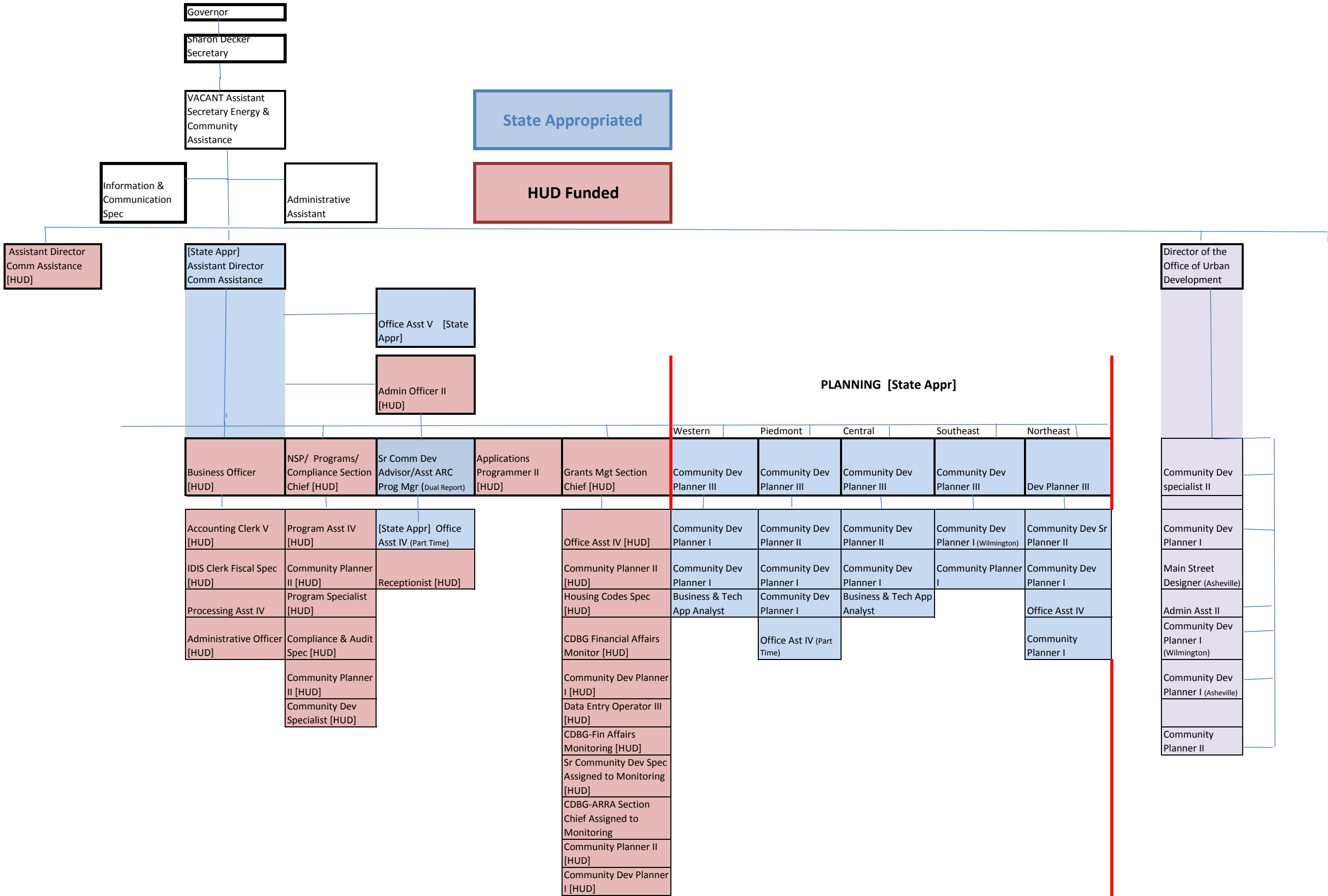
Community Assistance

38 Assistant Secretary Position

(\$129,228) R

Eliminates the Assistant Secretary Position (60077156) and associated salary and benefits. Employees in this division will now report to the Assistant Secretary for Energy, which will be retitled to be the Assistant Secretary for Energy and Community Assistance.

-1.00



<p align="center">Conservation Trust Fund's Budget Summaries</p>

<p>Natural Heritage Trust Fund (NHTF)</p>	<p align="right">FY 2012-13 (YTD 3/22/13)</p>
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Expenditures YTD	9,164,933
Revenues YTD	10,432,407
Encumbrances YTD	4,267,939
Cash Balance YTD	10,066,860

<p>Parks and Recreation Trust Fund (PARTF)</p>	<p align="right">FY 2012-13 (YTD 3/22/13)</p>
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Expenditures YTD	19,372,458
Revenues YTD	22,934,666
Encumbrances YTD	16,822,982
Cash Balance YTD	28,826,085

<p>Clean Water Management Trust Fund (CWMTF)</p>	<p align="right">FY 2012-13 (YTD 3/22/13)</p>
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Expenditures YTD	20,165,462
Revenues YTD	9,307,243
Encumbrances YTD	53,234,250
Cash Balance YTD	57,435,350

<p>Agricultural Development and Farmland Preservation Trust Fund (ADFP)</p>	<p align="right">FY 2012-13 (YTD 3/22/13)</p>
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Expenditures YTD	678,002
Revenues YTD	1,666,930
Encumbrances YTD	4,338,925
Cash Balance YTD	4,081,393