

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

BILL NUMBER: House Bill 117 (Fifth Edition)

SHORT TITLE: NC Competes Act.

SPONSOR(S): Representatives S. Martin, Jeter, Collins, and Steinburg

FISCAL IMPACT					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
State Impact	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
General Fund Revenues:					
Single Sales Factor	(\$7.5)	(\$19.0)	(\$42.8)	(\$69.9)	(\$73.0)
Datacenter Infrastructure Act	(\$3.0)	(\$4.0)	(\$4.0)	(\$4.0)	(\$4.0)
Sales tax on boats/aircraft	\$3.5	\$4.8	\$4.9	\$5.1	\$5.2
Sales Tax Relative to Aviation	(\$7.5)	(\$15.0)	(\$15.0)	(\$15.0)	(\$15.0)
General Fund Expenditures (JDIG):	Maximum liability \$780M through FY 2030-31; Potential liability based on program experience ranges from \$243.7M to \$640.5M. See Assumptions and Methodology & Attachments				
Special Fund Revenues (JDIG):	Potential \$3M through FY 2029-30. See Assumptions and Methodology & Attachment				
NET STATE IMPACT	See Assumptions and Methodology & Attachments				
Local Impact					
Revenues:	(\$3.5)	(\$7.0)	(\$7.0)	(\$7.0)	(\$7.0)
NET LOCAL IMPACT	(\$3.5)	(\$7.0)	(\$7.0)	(\$7.0)	(\$7.0)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED:					
Department of Commerce, Department of Revenue					
EFFECTIVE DATE: When the bill becomes law.					
TECHNICAL CONSIDERATIONS:					
None					

BILL SUMMARY:

House Bill 117, 5th Edition, would do the following: (i) increase the amount Commerce could commit in JDIG awards, (ii) modify and extend the JDIG program, (iii) modify local government match requirements for One NC (iv) phase in single sales factor apportionment over three years, (v) enact a sales tax exemption on sales of datacenter equipment and electricity located and used at the datacenter for datacenters investing at least \$75M within a 5-year period, (vi) exempt from sales tax the sale of jet fuel for commercial aviation, (vii) change the sales tax rate on airplanes and boats from 3% with a \$1,500 cap to 4.75% with a \$2,500 cap, and (viii) change the distribution of local option sales tax revenue under Articles 29, 40, and 42 from 75% point of delivery and 25% per capita, with adjustment factors, to 50% per capita and 50% point of delivery with no adjustment factors.

ASSUMPTIONS AND METHODOLOGY:

PART I. JDIG MODIFICATIONS

BACKGROUND:

Current Program Description: The current Job Development Investment Grant (JDIG) program provides a discretionary incentive offering sustained annual grants directly to new and expanding businesses statewide. The amount of the grant is calculated using a percentage (between 10 and 75%) of the personal income tax withholdings generated by the new employees hired by the business. Grant payments to a business occur only after the Department of Revenue verifies that the company has created jobs and generated withholdings pursuant to the JDIG agreement so as to be entitled to a disbursement. A JDIG agreement may be up to 12 years and is a binding obligation of the State; the General Assembly annually appropriates funds necessary to pay existing JDIG obligations (awards already committed), an amount determined by Commerce's yearly April 1 funding study. A portion of JDIG payments to projects located in Tier 2 and 3 counties (15% and 25%, respectively) are redirected and allocated to the Utility Account for economic infrastructure grants to local governments in Tier 1 and 2 counties that are reasonably anticipated to create jobs.

Liability Cap: Current General Statutes require that the total amount paid out in any single grant year to all companies awarded a grant in the same calendar year (CY) cannot exceed \$15 million; this cap translates to a maximum potential liability of \$180 million over the maximum contract term of 12 years for a grant, for all businesses awarded a grant in the same calendar year.¹ Each new calendar year affords the JDIG program with a fresh award-making capacity (i.e. liability cap) from which to award new grants. In the event Commerce does not fully commit a year's liability cap, it may not be awarded in a subsequent year. Similarly, if a company whose award was granted under a prior year's liability cap withdraws or is terminated from the program, Commerce may not re-award that forgone portion of the liability cap.

Disbursement: Before funds are disbursed to the company the Department of Revenue certifies the company's reported withholdings and the absence of overdue tax debts.

Disbursements have consistently been less than the maximum due to a few factors (discussed in more detail under section titled "*Expenditures B. Potential Liability Based on Program Experience*"):

1. Commerce award practices: Given the gradual "ramp up" of new jobs by each company, the fact that most companies do not receive a full 12-year grant term, and that in several years of a grant cohort the annual maximum cap is not reached, the actual State liability is typically less than the maximum.

¹ The General Assembly has occasionally increased the calendar year liability cap; the highest was an increase to \$30 million in 2006. The standard statutory threshold is \$15 million. However, in the 2013 Appropriation Act, the cap was modified to be \$22.5 million for the FY 2013-15 Biennium and \$7.5 million for July 1, 2015 to December 31, 2015. The authority to award new grants expires January 1, 2016.

2. Company performance: Businesses are often not eligible for the full amount initially awarded to them due to failure to achieve 100% of the performance requirements.

Clawbacks: A clawback is a requirement that all or part of an economic development incentive be returned or forfeited if the recipient business does not fulfill its responsibilities under the incentive law, contract, or both. For JDIG, a business must maintain operations at the project location for at least 150% of the term of the grant. Commerce is required to publish a report on clawbacks twice a year; as of April 2015, 9 JDIG awards had been clawed-back.

Annual Appropriations: General Fund appropriations pay for existing award commitments made under prior years' liability cap authority. To determine the amount needed to pay awards under contract in the following fiscal year's budget, the Department of Commerce submits an annual funding study by April 1 to the General Assembly and the Fiscal Research Division; this study also includes the maximum liability associated with active grants through their full terms (Commerce's 2015 Funding Study indicated a maximum liability of nearly \$814 million through CY 2027).

Commerce's funding study does not include future costs associated with awards yet to be made, or those that are authorized under the program's liability caps but which had not been awarded at the time of the study. For example, Commerce's 2015 Funding Study does not take into account the liability associated with the \$7.5 million cap Commerce is authorized to use for the time period of July 1, 2015 through December 31, 2015; maximum total liability for that cap is \$90 million (\$7.5 million per year for 12 years).

Commerce determines the estimate for the following fiscal year's JDIG payments by accounting for metrics (job creation, average wage, and capital investment) recorded in companies' annual reports, which outline performance during the prior calendar year and are due to Commerce by March 1. Prior to FY 2013-14, the annual recurring appropriation for the JDIG program was \$27.4 million. However, due to Commerce's projected growth of JDIG obligations, the recurring appropriation was subsequently set at ~\$63 million. Based on Commerce's 2015 Funding Study, both the House and Senate budgets adjust funding for JDIG recipients over the 2015-17 Biennium (payments continue for existing obligations through 2027; future grants to be made under the program will increase obligations):

JDIG		
Appropriation	FY 2015-16	FY 2016-17
Recurring	63,045,357	63,045,357
Recurring	-	8,682,769
Nonrecurring	(5,229,142)	-
TOTAL	57,816,215	71,728,126

JDIG Fees: Application & Annual Reporting Fees: Companies applying for a JDIG must pay a fee of \$10,000 (application fees were raised from \$5,000 in 2013). Award recipients also submit performance reports by March 1, along with a reporting fee of the greater of \$2,500 or 0.03% of an amount equal to the grant less the maximum amount to be transferred to the Utility Fund (the fee was changed from \$1,500 in 2013). These fees are deposited into a special fund, used to support expenditures for Commerce administration of the program.

REVENUES & EXPENDITURES

REVENUES: GENERAL FUND & SPECIAL FUND

A. GENERAL FUND: Any projected increases in General Fund revenue due to future JDIG grants have not been included in this analysis because the exact revenue is unknown for two reasons:

1. The State provides a JDIG payment to a company based on the amount of personal income tax withholdings new employees will remit to the Department of Revenue. However, all or some part of withholdings may be refunded when these new employees file their tax returns.
2. Often the State expends additional General Funds to attract a JDIG recipient to North Carolina (e.g. other State incentives, tax credits, and workforce grants). While Commerce *models* a cost-benefit analysis for each JDIG, to ensure that an awarded grant will provide a positive net effect on the State's General Fund *over the course of a grant's term*, the exact revenue impact on an annual fiscal year basis cannot be determined.

B. SPECIAL FUND

This analysis assumes a \$5M cap increase will yield 6 JDIG applications and a \$20M cap will yield 25 JDIG applications. Both scenarios will generate an additional 11 years of subsequent annual reports per award at the minimum amount of \$2,500 per report. Cumulative JDIG modifications yield \$3,037,500 in special fund revenues through FY 2029-30. (See Attachment A)

Section 1.(h) increases the liability cap within the existing program by \$5 million, yielding \$225,000 in special fund revenue through FY 2026-27. This amount consists of the following: a) 6 JDIG applications will yield \$60,000 (\$10,000 per application), and b) 6 annual reports at a minimum of \$2,500 will yield \$15,000 per year over the course of 11 years, accruing to \$165,000.

Section 1.(b) & (g) increases the calendar year cap to \$20M and extends the program by three years, yielding \$2.8 million in special fund revenue through FY 2029-30. This amount is determined by applying the methodology outlined in Section 1.(h), above, while accounting for an increased number of applications (25 per year), annual reports and the three year extension.

EXPENDITURES: MAXIMUM LIABILITY & POTENTIAL LIABILITY BASED ON PROGRAM

EXPERIENCE: In the following section, two analyses are provided, one which provides for maximum liability and one that is based on program experience.

The analyses do not project a fiscal impact for the awarding of any high-yield projects. North Carolina has never successfully recruited such a project, defined as one that creates 2,000 jobs and invests \$750M. Further, any State securing such a project is a very rare occurrence.

Nor do the analyses address the following aspects of the bill, whose fiscal impacts are unknown:

- 1) Semiannual commitment limitations of the liability cap;
- 2) Modifications to the allowable grant amount as determined by project location (maximum of 80% withholdings for projects located in a tier one county).

A. MAXIMUM LIABILITY: If the maximum allowable amount is awarded in each grant year, companies achieve full performance, and the first payment is made during the subsequent first full fiscal year after the original award year, then cumulative JDIG modifications amount to a maximum potential liability of \$780 million through FY 2030-31. (See Attachment B)

Section 1.(h) increases the liability cap within the existing program by \$5 million. Rather than having a FY 2013-15 Biennium cap of \$22.5 million and a \$7.5 million cap for the last six months of CY 2015, there would be one \$35 million cap for the 30 month time period (July 1, 2013 to December 31, 2015). This cap increase translates to an additional maximum potential liability of \$60 million over a 12-year grant period (\$5 million per year for 12 years).

Section 1.(b) & (g) increases the calendar year cap to \$20M and extends the program by three years (i.e. authority to grant new awards moves from January 1, 2016 to January 1, 2019). The total amount paid out in any single grant year to all companies awarded a grant in the same calendar year cannot exceed \$20 million; this cap translates to a maximum potential liability of \$240 million over a 12-year grant period for all businesses awarded a grant in the same calendar year. Multiplying \$240 million by three years yields a potential liability of \$720 million.

B. POTENTIAL LIABILITY BASED ON PROGRAM EXPERIENCE: Based on program experience, the State could expect to pay anywhere from \$243.7 million to \$640.5 million through FY 2030-31. This range is based on the following assumptions:

For the low-end projection:

- a) Commerce awards 69% of maximum liability (commensurate with average of last 5 calendar years' experience); and
- b) Companies perform at 45% (commensurate with historical program average). (See Attachment C)

For the high-end projection:

- a) Commerce awards 89% of maximum liability (commensurate with CY 2013 practice); and
- b) Companies perform proportionate to maximum pre-recession experience (92%). (See Attachment D)

Commerce Cap Utilization: Given the gradual “ramp up” of new jobs by each company, the fact that most companies do not receive a full 12-year grant term, and that in several years of a grant cohort the annual maximum cap is not reached, the actual State liability is typically less than the

maximum. Over the past five years, the ratio of awards committed by Commerce to the authorized maximum liability has ranged from a low of 56% to a high of 89%, as depicted in the table below:

Time Frame	Authorized Cap (M)	Maximum Liability (M)	Commerce Awards (M)	% Utilized	\$ Unutilized (M)
CY 2009	\$15	\$180	\$120	67%	\$60
CY 2010	\$15	\$180	\$105	58%	\$75
CY 2011	\$15	\$180	\$101	56%	\$79
CY 2012	\$15	\$180	\$135	75%	\$45
CY 2013	\$15	\$180	\$161	89%	\$19

Company Performance: In addition, companies are often not eligible for the full amount initially awarded to them due to failure to achieve 100% of the performance requirements. For example, companies forgo a year’s grant payments for failure to achieve 80% compliance with the minimum requirements, based on a weighted average of performance factors, and may receive a pro-rated payment for compliance between 80% and 100%. At certain points of non-compliance, a company may lose its grant entirely. Of the 201 grants that have been awarded through calendar year 2014, 73 awards (36%) with an associated value of \$409 million have been terminated or withdrawn, as shown in the table below:

JDIG Awards 2003-2014		
Award Year	Terminated/Withdrawn	Total Grant Amount
2003	4	\$30,227,331
2004	10	\$51,525,141
2005	9	\$41,030,000
2006	13	\$58,612,000
2007	11	\$72,166,000
2008	11	\$93,979,975
2009	4	\$13,956,000
2010	3	\$15,290,000
2011	7	\$25,095,000
2012	0	\$0
2013	1	\$7,138,000
Grand Total	73	\$409,019,447

Given this context, disbursements have consistently been less than the maximum liability.

The ratio of payment to liability has ranged from a low of 32% to a high of 86% for all JDIGs assessed and compensated for a particular year of performance. Further, performance by companies in one grant year cohort within one year of a grant term ranges from a low of 6% to a high of 92%.

JDIG Awards 2003-2012										
Grant Year Awarded	Performance Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Ratio of Payment to Liability									
2003	36%	80%	85%	67%	64%	41%	44%	36%	23%	23%
2004		92%	90%	88%	84%	69%	53%	53%	52%	53%
2005			40%	39%	45%	25%	28%	21%	29%	27%
2006				57%	74%	70%	45%	44%	27%	63%
2007					40%	29%	15%	6%	32%	34%
2008						30%	10%	12%	10%	16%
2009							40%	43%	67%	63%
2010								19%	67%	77%
2011									39%	48%
2012										45%
Average	36%	82%	86%	74%	72%	55%	37%	32%	36%	47%

Overall performance has averaged 45%, but it is unlikely that companies receiving awards in an improving economy will replicate the performance of JDIG recipients during the Great Recession. Commerce’s most recent annual JDIG report, submitted September 2014, noted that for performance in calendar year 2012, payments were made to active grantees (which excludes terminated or withdrawn awards) for 83% of total liability.

Ultimately, the exact fiscal impact of JDIG modifications is unknown due to the following variables:

- a) the extent to which Commerce utilizes the maximum liability cap authority,
- b) how well a company will perform in any particular year of an agreement, and
- c) the impact a “normal” business cycle will have on the program; experience to-date has been through the Great Recession.

PART II. ONE NC MODIFICATIONS

The bill modifies the local government match requirement for the program; there will be no fiscal impact to the State.

PART III. PHASE-IN SINGLE SALES FACTOR

Under current law, most multistate corporations calculate an apportionment percentage that is based on the percentage of property, payroll, and sales in the State. The apportionment percentage is used to divide income for purposes of taxation among the states where a corporation does business. The calculation is done by adding the property factor + payroll factor + two times the sales factor and dividing the sum by four. The corporation multiplies its income by that percentage to determine the amount of income subject to tax. Additionally, the corporate franchise tax base is apportioned based on this percentage, and pass-through entities with out of state ownership are required to apportion income for personal income tax purposes based on this percentage.

The bill increases the weight of the sales factor in the general apportionment calculation from two times to three times for the 2016 tax year, to four times for the 2017 tax year, and to 100% sales factor for the 2018 tax year and thereafter. The proposed calculation would be done in 2016 by adding the property factor + payroll factor + three times the sales factor and dividing the sum by five. For 2017, the calculation would be done by adding the property factor + payroll factor + four times the sales factor and dividing the sum by six. For 2018, the apportionment calculation would be based entirely on the sales factor.

The estimate is based on an analysis of tax return data. The fiscal impact was calculated based on the change in franchise and income tax liability that would have occurred had corporations used three times the sales factor in the formula instead of twice the sales factor for 2016, four times the sales factor in 2017, and the sales factor entirely for 2018 and thereafter. The result was adjusted to account for the 4% corporate tax rate in effect starting in 2016, for the 3% corporate tax rate forecasted to be in effect for 2017, and to account for fiscal impact resulting from pass through entities that are required to apportion. Timing adjustments were made to adjust for the difference in the calendar year and the State's fiscal year

PART IV. DATACENTER INFRASTRUCTURE ACT

Background

The North Carolina General Statutes exempt from State and local sales tax electricity and eligible business property sold to or used by eligible computing datacenters (G.S. 105-164.13(55)). An eligible datacenter is defined in G.S. 105-164.3(8e) as a datacenter that satisfies the following conditions:

- a. The facility is used primarily or is to be used primarily by a business engaged in software publishing... included in industry 511210 of NAICS or an Internet activity included in industry 519130 of NAICS.
- b. The facility is comprised of a structure or series of structures located or to be located on a single parcel of land or on contiguous parcels of land that are commonly owned or owned by affiliation with the operator of that facility.
- c. The facility is located or to be located in a county that was designated, at the time of application for the written determination required under sub-subdivision d. of this subdivision, either an enterprise tier one, two, or three area or a development tier one or two area pursuant to G.S. 105-129.3 or G.S. 143B-437.08, regardless of any subsequent change in county enterprise or development tier status.
- d. The Secretary of Commerce determined that at least \$250 million in private funds has been or will be invested in real property or eligible business property, or a combination of both, at the facility within five years after the commencement of construction of the facility.

The Department of Revenue estimates that under the current exemption summarized above, an estimated \$13.5 million in sales tax revenue was foregone in FY 2014-15, although neither the Fiscal Research Division (FRD) nor the Department of Revenue can know how many of the eligible datacenters would have located in other states but for this sales tax exemption.

Proposal

The bill proposes that “sales of electricity for use at a qualifying datacenter and datacenter support equipment to be located and used at the qualifying datacenter” be exempt from North Carolina State and local sales taxes. A qualifying datacenter is defined in the bill as property that is capitalized for tax purposes and is used for at least one of several purposes outlined in the bill, including for hardware and software for distributed and mainframe computers and servers, data storage devices, network connectivity equipment, and peripheral components and equipment. Also, to qualify, the datacenter must meet specified wage standards and health insurance requirements, and the Secretary of Commerce must determine that at least \$75 million in private funds has been or will be invested by one or more owners, users, or tenants of the datacenter within five years [of the date the owner, user, or tenant of the datacenter makes its first real or tangible property investment in the datacenter on or after January 1, 2012].

Potential Cost

If a corporation establishes a new qualifying datacenter that meets bill’s specifications, the proposed sales tax exemption would reduce State and local sales tax revenue from levels that might otherwise be achieved.

Though not identical, the proposed exemption with a \$75 million spending threshold is similar in scope to the current exemption with a \$250 million spending threshold. FRD believes that in many instances, a qualifying datacenter under the new language that spent over \$250 million within 5 years would also be likely to meet the criteria of a “eligible datacenter” currently in statute. Consequently, in most instances, FRD considers the cost of the bill language to be the exemption’s cost for datacenters spending between \$75 million and \$250 million within the specified time period.

However, there is not sufficient information available to estimate the number of qualifying datacenters that might locate in North Carolina if the bill becomes law. More significantly, there is not adequate data and evidence to allow FRD to determine whether any new qualifying datacenter in North Carolina would have located in the State without the proposed bill language. Therefore, no estimate is available.

FRD has contacted corporations and industry groups associated with datacenter development and has received some information on potential expenditures that would be tax exempt under the proposed bill. The information is proprietary and was provided on a confidential/ background basis. Fiscal Research continues to seek additional similar information from corporation within the datacenter industry; if enough information is obtained, FRD can aggregate the data and update this memorandum with more specific per-datacenter cost estimates.

PART V. SALES TAX RELATIVE TO AVIATION

Part V would exempt from sales tax the sale of fuel for commercial aviation. Based on industry estimates for jet fuel consumption, the fiscal impact of the exemption would be \$15 million annually for the General Fund and \$7 million for local governments. This estimate assumes an average price of \$3 per gallon and an apportionment percentage of 25%. The apportionment percentage is based on the number of miles flown in North Carolina vs. other states and determines the percentage of fuel on which NC tax is paid. A local tax rate of 2.25% is used to determine the local impact.

The tax on non-commercial jet fuel would be taxed at the combined general rate of 7.25%. All of the revenue from this tax would be appropriated to the Division of Aviation of the Department of Transportation for prioritized capital improvements to public airports and time-sensitive capital improvement projects for economic development purposes.

Part V would also exempt from sales tax service contracts on a qualifying aircraft or qualifying jet engine. A qualifying aircraft is defined as an aircraft with a maximum take-off weight of more than 9,000 lbs. but not in excess of 15,000 lbs. In addition, the bill exempts parts used in the repair or maintenance of a qualifying aircraft or a qualified jet engine. There is only one known manufacturer of qualifying jets in North Carolina. The impact is unknown, but is expected to be minimal.

Part V would increase the sales tax rate on boats and aircraft from 3% to 4.75%. The sales tax on boats would continue to be capped at \$1,500. The bill would increase the sales tax cap on aircraft from \$1,500 to \$2,500. The estimate is based on an analysis of historical tax return data provided by the Department of Revenue. Timing adjustments were made to account for the October 1 effective date.

SOURCES OF DATA: Department of Commerce; North Carolina Department of Revenue Biennial Tax Expenditure Report, 2013; Moody's Analytics; Airlines for America

TECHNICAL CONSIDERATIONS: None

FISCAL RESEARCH DIVISION: (919) 733-4910

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note



Attachment A

Fiscal Analysis of Changes to the Job Development Investment Grant (JDIG) Program
Special Fund Revenue

Special Fund Revenue - Fees associated with new applications (\$10,000) and annual grantee reports (greater of \$2,500 or .03% of total grant award less portion transferred to the Utility Account)
Assumption- Every \$5M cap increase will yield 6 JDIG applications; a \$20M cap will yield 25 JDIG applications. Both scenarios will generate an associated 11 years of annual reporting.
(Between 2009 and 2013, an average of 19 awards were made annually under the calendar year cap of \$15M).

Part I - Section 1.(h) Provide additional \$5M liability cap authority for current time period (July 1, 2013 to Dec 31, 2015)

Part I - Section 1.(b) Increase Maximum Calendar Year Cap from \$15M to \$20M

Part I - Section 1.(g) Extend the Sunset Date 3 Years (From January 1, 2016 to January 1, 2019)

Part I - Section 1.(h) - Provide additional \$5M liability cap authority for current time period (July 1, 2013 to Dec 31, 2015) (Increase of \$5,000,000 per year for 12 years)

Grant Year	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Additional Annual Amount	\$ 60,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
Cumulative Amount	\$ 60,000	\$ 75,000	\$ 90,000	\$ 105,000	\$ 120,000	\$ 135,000	\$ 150,000	\$ 165,000	\$ 180,000	\$ 195,000	\$ 210,000	\$ 225,000

Part I - Section 1.(b) & (g) - Increase Cap to \$20M & Extend the Sunset Date by 3 Years

Grant Year	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
2016 Awards		\$ 250,000	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500		
2017 Awards			\$ 250,000	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	
2018 Awards				\$ 250,000	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500	\$ 62,500
Cumulative Amount	\$ -	\$ 250,000	\$ 562,500	\$ 937,500	\$ 1,125,000	\$ 1,312,500	\$ 1,500,000	\$ 1,687,500	\$ 1,875,000	\$ 2,062,500	\$ 2,250,000	\$ 2,437,500	\$ 2,625,000	\$ 2,750,000	\$ 2,812,500

Total Potential Special Fund Revenue

\$3,037,500

Attachment B

Fiscal Analysis of Charges to the Job Development Investment Grant (JDIG) Program
Maximum Liability

Part I - Section 1.(h) Provide additional \$5M liability cap authority for current time period (July 1, 2013 to Dec 31, 2015)

Part I - Section 1.(b) Increase Maximum Calendar Year Cap from \$15M to \$20M

Part I - Section 1.(g) Extend the Sunset Date 3 Years (From January 1, 2016 to January 1, 2019)

Part I - Section 1.(h) - Provide additional \$5M liability cap authority for current time period (July 1, 2013 to Dec 31, 2015) (Increase of \$5,000,000 per year for 12 years) *

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Additional Annual Amount	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Cumulative Amount	\$ 5,000,000	\$ 10,000,000	\$ 15,000,000	\$ 20,000,000	\$ 25,000,000	\$ 30,000,000	\$ 35,000,000	\$ 40,000,000	\$ 45,000,000	\$ 50,000,000	\$ 55,000,000	\$ 60,000,000

* Assumes the additional maximum amount of \$15,000,000 will be awarded and that first payments will begin in 2016-17.

Part I - Section 1.(b) & (g) - Increase Cap to \$20M & Extend the Sunset Date by 3 Years**

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
2016 Awards		\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	
2017 Awards			\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	
2018 Awards				\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000	\$ 20,000,000
Cumulative Amount	\$ -	\$ 20,000,000	\$ 60,000,000	\$ 120,000,000	\$ 180,000,000	\$ 240,000,000	\$ 300,000,000	\$ 360,000,000	\$ 420,000,000	\$ 480,000,000	\$ 540,000,000	\$ 600,000,000	\$ 660,000,000	\$ 700,000,000	\$ 720,000,000

** Estimate based on maximum cap of \$20M (cap for a year in which no grants are awarded for a high-yield project) allowing for payments to be made up to 12 years following the first year of payment; assuming first payment is made during the subsequent full fiscal year after the award year.

Total Maximum Liability Impact **\$780,000,000**

Attachment C

Fiscal Analysis of Changes to the Job Development Investment Grant (JDIG) Program
 Program Experience: Feasible Low-End Cost Projection

Part I - Section 1.(h) Provide additional \$5M liability cap authority for current time period (July 1, 2013 to Dec 31, 2015)
 Part I - Section 1.(b) Increase Maximum Calendar Year Cap from \$15M to \$20M
 Part I - Section 1.(g) Extend the Sunset Date 3 Years (From January 1, 2016 to January 1, 2019)

Part I - Section 1.(h) - Provide additional \$5M liability cap authority for current time period (July 1, 2013 to Dec 31, 2015) (Increase of \$5,000,000 per year for 12 years) *

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
IF												
a) Commerce awards 69% of the \$60M maximum liability (commensurate with average of last 5 calendar years' experience);	\$ 2,833,333	\$ 3,333,333	\$ 3,833,333	\$ 4,333,333	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000	\$ 4,333,333	\$ 3,333,333	\$ 2,833,333	\$ 1,666,667	\$ 1,666,667
AND												
b) Companies perform at 45% (commensurate with historical program	\$ 1,275,000	\$ 1,500,000	\$ 1,725,000	\$ 1,950,000	\$ 2,025,000	\$ 2,025,000	\$ 2,025,000	\$ 1,950,000	\$ 1,500,000	\$ 1,275,000	\$ 750,000	\$ 750,000
Cumulative Amount	\$ 1,275,000	\$ 2,775,000	\$ 4,500,000	\$ 6,449,999	\$ 8,474,999	\$ 10,499,999	\$ 12,524,999	\$ 14,474,999	\$ 15,974,999	\$ 17,249,999	\$ 17,999,999	\$ 18,749,999

Part I - Section 1.(b) & (g) - Increase Cap to \$20M & Extend the Sunset Date by 3 Years

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
IF												
a) Commerce awards 69% of the \$240M maximum liability (commensurate with average of last 5 calendar years' experience);	\$ 11,333,333	\$ 13,333,333	\$ 15,333,333	\$ 17,333,333	\$ 18,000,000	\$ 18,000,000	\$ 18,000,000	\$ 17,333,333	\$ 13,333,333	\$ 11,333,333	\$ 6,666,667	\$ 6,666,667
AND												
b) Companies perform at 45% (commensurate with historical program average)	\$ 5,100,000	\$ 6,000,000	\$ 6,900,000	\$ 7,800,000	\$ 8,100,000	\$ 8,100,000	\$ 8,100,000	\$ 7,800,000	\$ 6,000,000	\$ 5,100,000	\$ 3,000,000	\$ 3,000,000

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
2016 Awards		\$ 5,100,000	\$ 6,000,000	\$ 6,900,000	\$ 7,800,000	\$ 8,100,000	\$ 8,100,000	\$ 8,100,000	\$ 7,800,000	\$ 6,000,000	\$ 5,100,000	\$ 3,000,000	\$ 3,000,000		
2017 Awards			\$ 5,100,000	\$ 6,000,000	\$ 6,900,000	\$ 7,800,000	\$ 8,100,000	\$ 8,100,000	\$ 8,100,000	\$ 7,800,000	\$ 6,000,000	\$ 5,100,000	\$ 3,000,000	\$ 3,000,000	
2018 Awards				\$ 5,100,000	\$ 6,000,000	\$ 6,900,000	\$ 7,800,000	\$ 8,100,000	\$ 8,100,000	\$ 8,100,000	\$ 7,800,000	\$ 6,000,000	\$ 5,100,000	\$ 3,000,000	\$ 3,000,000
Cumulative Amount	\$ -	\$ 5,100,000	\$ 16,200,000	\$ 34,199,999	\$ 54,899,999	\$ 77,699,998	\$ 101,699,998	\$ 125,999,998	\$ 149,999,998	\$ 171,899,998	\$ 190,799,997	\$ 204,899,997	\$ 215,999,997	\$ 221,999,998	\$ 224,999,998

Total Min Impact Based on Program Experience \$ 243,749,997

Attachment D

Fiscal Analysis of Changes to the Job Development Investment Grant (JDIG) Program
 Program Experience: Feasible High-End Cost Projection

Part I - Section 1.(h) Provide additional \$5M liability cap authority for current time period (July 1, 2013 to Dec 31, 2015)

Part I - Section 1.(b) Increase Maximum Calendar Year Cap from \$15M to \$20M

Part I - Section 1.(g) Extend the Sunset Date 3 Years (From January 1, 2016 to January 1, 2019)

Part I - Section 1.(h) - Provide additional \$5M liability cap authority for current time period (July 1, 2013 to Dec 31, 2015) (Increase of \$5,000,000 per year for 12 years) *

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
IF												
a) Commerce awards 89% of \$60M maximum liability (commensurate with CY 2013 practice);	\$ 3,105,333	\$ 4,512,000	\$ 4,800,333	\$ 4,989,667	\$ 4,998,667	\$ 4,998,667	\$ 4,951,000	\$ 4,851,000	\$ 4,643,333	\$ 4,097,333	\$ 3,828,333	\$ 3,773,667
AND												
b) Companies perform commensurate with maximum pre-recession experience (92%)	\$ 2,856,906	\$ 4,151,040	\$ 4,416,306	\$ 4,590,494	\$ 4,598,774	\$ 4,598,774	\$ 4,554,920	\$ 4,462,920	\$ 4,271,866	\$ 3,769,546	\$ 3,522,066	\$ 3,471,774
Cumulative Amount	\$ 2,856,906	\$ 7,007,946	\$ 11,424,253	\$ 16,014,746	\$ 20,613,520	\$ 25,212,294	\$ 29,767,214	\$ 34,230,134	\$ 38,502,000	\$ 42,271,546	\$ 45,793,613	\$ 49,265,386

Part I - Section 1.(b) & (g) - Increase Cap to \$20M & Extend the Sunset Date by 3 Years

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
IF												
a) Commerce awards 89% of \$240M maximum liability (commensurate with CY 2013 practice);	\$ 12,421,333	\$ 18,048,000	\$ 19,201,333	\$ 19,958,667	\$ 19,994,667	\$ 19,994,667	\$ 19,804,000	\$ 19,404,000	\$ 18,573,333	\$ 16,389,333	\$ 15,313,333	\$ 15,094,667
AND												
b) Companies perform commensurate with maximum pre-recession experience (92%)	\$ 11,427,626	\$ 16,604,160	\$ 17,665,226	\$ 18,361,974	\$ 18,395,094	\$ 18,395,094	\$ 18,219,680	\$ 17,851,680	\$ 17,087,466	\$ 15,078,186	\$ 14,088,266	\$ 13,887,094

Grant Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
2016 Awards		\$ 11,427,626	\$ 16,604,160	\$ 17,665,226	\$ 18,361,974	\$ 18,395,094	\$ 18,395,094	\$ 18,219,680	\$ 17,851,680	\$ 17,087,466	\$ 15,078,186	\$ 14,088,266	\$ 13,887,094		
2017 Awards			\$ 11,427,626	\$ 16,604,160	\$ 17,665,226	\$ 18,361,974	\$ 18,395,094	\$ 18,395,094	\$ 18,219,680	\$ 17,851,680	\$ 17,087,466	\$ 15,078,186	\$ 14,088,266	\$ 13,887,094	
2018 Awards				\$ 11,427,626	\$ 16,604,160	\$ 17,665,226	\$ 18,361,974	\$ 18,395,094	\$ 18,395,094	\$ 18,219,680	\$ 17,851,680	\$ 17,087,466	\$ 15,078,186	\$ 14,088,266	\$ 13,887,094
Cumulative Amount	\$ -	\$ 11,427,626	\$ 39,459,413	\$ 85,156,425	\$ 137,787,785	\$ 192,210,079	\$ 247,362,240	\$ 302,372,107	\$ 356,838,561	\$ 409,997,387	\$ 460,014,720	\$ 506,268,639	\$ 549,322,185	\$ 577,297,545	\$ 591,184,639

Total Max Impact Base on Program Experience \$ 640,450,025

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2015

Legislative Fiscal Note

PREPARED BY: Rodney Bizzell, Denise Canada, Aubrey Incorvaia, and Jonathan Tart

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DATE: August 10, 2015



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