



# NORTH CAROLINA GENERAL ASSEMBLY

Session 2019

## Legislative Fiscal Note

**Short Title:** Rural Job Retention Act.  
**Bill Number:** Senate Bill 505 (Second Edition)  
**Sponsor(s):** Senators McInnis, Rabon, and Brown

### SUMMARY TABLE

#### FISCAL IMPACT OF S.B. 505, V.2 (\$ in millions)

|                            | <u>FY 2019-20</u> | <u>FY 2020-21</u> | <u>FY 2021-22</u> | <u>FY 2022-23</u> | <u>FY 2023-24</u> |
|----------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>State Impact</b>        |                   |                   |                   |                   |                   |
| General Fund Revenue       | -                 | -                 | -                 | -                 | -                 |
| <u>Less Expenditures</u>   | <u>-</u>          | <u>-</u>          | <u>1.5</u>        | <u>1.5</u>        | <u>1.5</u>        |
| <b>General Fund Impact</b> | -                 | -                 | (1.5)             | (1.5)             | (1.5)             |
| <b>NET STATE IMPACT</b>    | -                 | -                 | (1.5)             | (1.5)             | (1.5)             |

### FISCAL IMPACT SUMMARY

S.B. 505 adds a new category of businesses eligible to receive funding through the Job Maintenance and Capital Development Fund (JMAC) and increases the total aggregate cost of all JMAC awards by \$15 million, from \$139 million to \$154 million. One additional award of \$15 million, paid out over 10 years (the maximum term for a JMAC grant) would increase General Fund expenditures by \$1.5 million per year for ten years, starting in FY 2021-22.

### FISCAL ANALYSIS

Under current statute, the Department of Commerce (Commerce) may award a maximum of six grant awards from the JMAC program totaling up to \$139 million. As of April 9, 2019, Commerce has awarded five grant awards totaling \$109 million. S.B. 505 increases the number of awards to seven and the total award amount to \$154 million.

This estimate assumes that Commerce will award one JMAC grant for \$15 million over ten years to a company that meets the requirements added in 2019. Commerce makes payments to JMAC grantees after reviewing and confirming grantees' calendar year performance. So, Commerce would pay a grantee for the grantee's calendar year 2018 performance in FY 2019-20. If this legislation becomes law, the soonest an award could be made using the increased total award cost would be in 2019. The earliest initial grantee performance year would likely be calendar year 2020, with an expected initial payment in FY 2021-22. Assuming a grant term of ten years and full use of the

authorized award amounts, the General Fund appropriation to JMAC would have to increase beyond expected levels by an average of \$1.5 million each year for ten years starting in FY 2021-22. If Commerce makes an award for \$15 million over a shorter grant term, the General Fund impact would be greater for a shorter time (e.g. an average of \$3 million each year for five years starting in FY 2021-22).

*Current General Fund appropriation to JMAC and grant payment schedule*

Commerce receives a \$7.5 million recurring appropriation to the JMAC account each year to pay for JMAC awards. Of the five grants that Commerce has awarded, three have been paid in full. The two remaining grants to Blue Ridge Paper Products Inc. (Blue Ridge) and Bridgestone Firestone North American LLC (Bridgestone) are projected to be paid out for three and ten more years, respectively. The tables below show projected payments, assuming 100% compliance, with and without legislative changes.

| <b>JMAC payment projections with no legislative changes and current maximum awards</b> |                    |                    |                    |                    |     |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|-----|--------------------|--------------------|
|  | FY 2019-20         | FY 2020-21         | FY 2021-22         | FY 2022-23         | ... | FY 2028-29         | FY 2029-30         |
| Recurring Appropriation  | \$7,500,000        | \$7,500,000        | \$7,500,000        | \$7,500,000        | ... | \$7,500,000        | \$7,500,000        |
| Blue Ridge   | \$2,000,000        | \$2,000,000        | \$2,000,000        |                    | ... |                    |                    |
| Bridgestone  | \$3,000,000        | \$3,000,000        | \$3,000,000        | \$3,000,000        | ... | \$3,000,000        |                    |
| <i>Grant 6</i>   |                    |                    | \$3,000,000        | \$3,000,000        | ... | \$3,000,000        | \$3,000,000        |
| Subtotal payments  | \$5,000,000        | \$5,000,000        | \$8,000,000        | \$6,000,000        | ... | \$6,000,000        | \$3,000,000        |
| <b>Total excess/shortfall</b>  | <b>\$2,500,000</b> | <b>\$2,500,000</b> | <b>(\$500,000)</b> | <b>\$1,500,000</b> | ... | <b>\$1,500,000</b> | <b>\$4,500,000</b> |

Table 1 assumes that Commerce makes one additional award in 2019 to a business that meets the current eligibility requirements to receive a JMAC grant (Grant 6) for \$30 million over a ten year grant term. The total excess/shortfall row shows the extent to which the \$7.5 million appropriation to JMAC will exceed or underfund anticipated grant payments from the fund in that scenario. In all years except for FY 2021-22, \$7.5 million would exceed expected payments from the JMAC account. FY 2023-24 through FY 2027-28 are excluded because they are identical to FY 2022-23 and FY 2028-29.

| <b>JMAC payment projections with proposed legislative changes</b> |                    |                    |                      |             |     |             |                    |
|---|--------------------|--------------------|----------------------|-------------|-----|-------------|--------------------|
|   | FY 2019-20         | FY 2020-21         | FY 2021-22           | FY 2022-23  | ... | FY 2028-29  | FY 2029-30         |
| Recurring Appropriation   | \$7,500,000        | \$7,500,000        | \$7,500,000          | \$7,500,000 | ... | \$7,500,000 | \$7,500,000        |
| Blue Ridge  | \$2,000,000        | \$2,000,000        | \$2,000,000          |             | ... |             |                    |
| Bridgestone   | \$3,000,000        | \$3,000,000        | \$3,000,000          | \$3,000,000 | ... | \$3,000,000 |                    |
| <i>Grant 6</i>  |                    |                    | \$3,000,000          | \$3,000,000 | ... | \$3,000,000 | \$3,000,000        |
| <i>Grant 7 (new with S.B. 505)</i>                                |                    |                    | \$1,500,000          | \$1,500,000 | ... | \$1,500,000 | \$1,500,000        |
| Subtotal payments   | \$5,000,000        | \$5,000,000        | \$9,500,000          | \$7,500,000 | ... | \$7,500,000 | \$4,500,000        |
| <b>Total excess/shortfall</b>                                     | <b>\$2,500,000</b> | <b>\$2,500,000</b> | <b>(\$2,000,000)</b> | <b>\$0</b>  | ... | <b>\$0</b>  | <b>\$3,000,000</b> |

Table 2 assumes that Commerce makes two additional awards in 2019 to businesses that meet the current or new eligibility requirements to receive a JMAC grant (Grant 6 and Grant 7) for \$30 million and \$15 million, respectively, over a ten year grant term. Grant 7 represents the additional award made possible by legislative changes. In this scenario, the \$7.5 million appropriation underfunds

expected payments by \$2 million in FY 2021-22. From FY 2022-23 through FY 2028-29, the current \$7.5 million appropriation neither exceeds nor underfunds expected payments in this scenario.

While S.B. 505 would likely increase the total General Fund expenditures to the JMAC program, the scenarios above illustrate that the current recurring appropriation to JMAC would be sufficient in almost every year to pay out expected grant payments. Additionally, because these funds are appropriated to a special fund, any cash balance in the fund during a shortfall year could be used to cover increased payments without action by the General Assembly. With no legislative changes, the General Assembly could expect to redirect at least \$1.5 million recurring of the \$7.5 million appropriation to other programs starting in FY 2022-23. With legislative changes, the General Assembly would likely have to fund the JMAC program at its current level through FY 2029-30.

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### **TECHNICAL CONSIDERATIONS**

N/A.

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### **DATA SOURCES**

Department of Commerce, JMAC Annual Reports

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### **LEGISLATIVE FISCAL NOTE – PURPOSE AND LIMITATIONS**

This document is an official fiscal analysis prepared pursuant to Chapter 120 of the General Statutes and rules adopted by the Senate and House of Representatives. The estimates in this analysis are based on the data, assumptions, and methodology described in the Fiscal Analysis section of this document. This document only addresses sections of the bill that have projected direct fiscal impacts on State or local governments and does not address sections that have no projected fiscal impacts.

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### **CONTACT INFORMATION**

Questions on this analysis should be directed to the Fiscal Research Division at (919) 733-4910.

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### **ESTIMATE PREPARED BY**

Madison Kaye Lahey

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### **ESTIMATE APPROVED BY**

Mark Trogdon, Director of Fiscal Research  
Fiscal Research Division  
April 11, 2019



Signed copy located in the NCGA Principal Clerk's Offices