



EXECUTIVE SUMMARY

North Carolina offers many of the qualities companies look for in a business location.

Unfortunately, that's not always enough to win them over – in competitive situations when other locations offer business sites that match up well to ours, it is critical that N.C. have the firepower to close deals – **financial incentive tools that are proven to make a difference.**

The renamed Job Growth Reimbursement Opportunities programs better communicate how the programs actually work – **as reimbursement programs with no upfront money provided to companies.**

The JobGRO: Capital program, formerly the One NC Fund, **requires a local match and has been utilized effectively throughout the state and is an important tool for many job creation projects.** Since 2007, over 60% – more than 9,100 – of the jobs created by companies receiving an award have been located in Tier 1 or 2 counties..

The JobGRO: People program, previously known as JDIG, is an **effective, performance-based, accountable tool** often used for larger projects.

To receive money from the JobGRO: People program, **a company must actually create jobs.** Simply put, if a company does not create the required number of jobs, that pay taxes to the State treasury, it does not receive reimbursement money.

A comprehensive economic model is used to determine that the state will receive a positive economic return on investment to be eligible for a reimbursement award.

Awards cause no loss of existing revenue and the **positive financial impact to the state would not have occurred without the company's decision to locate in the state,** due to the award. Rural counties never underwrite reimbursements to urban counties under this program.

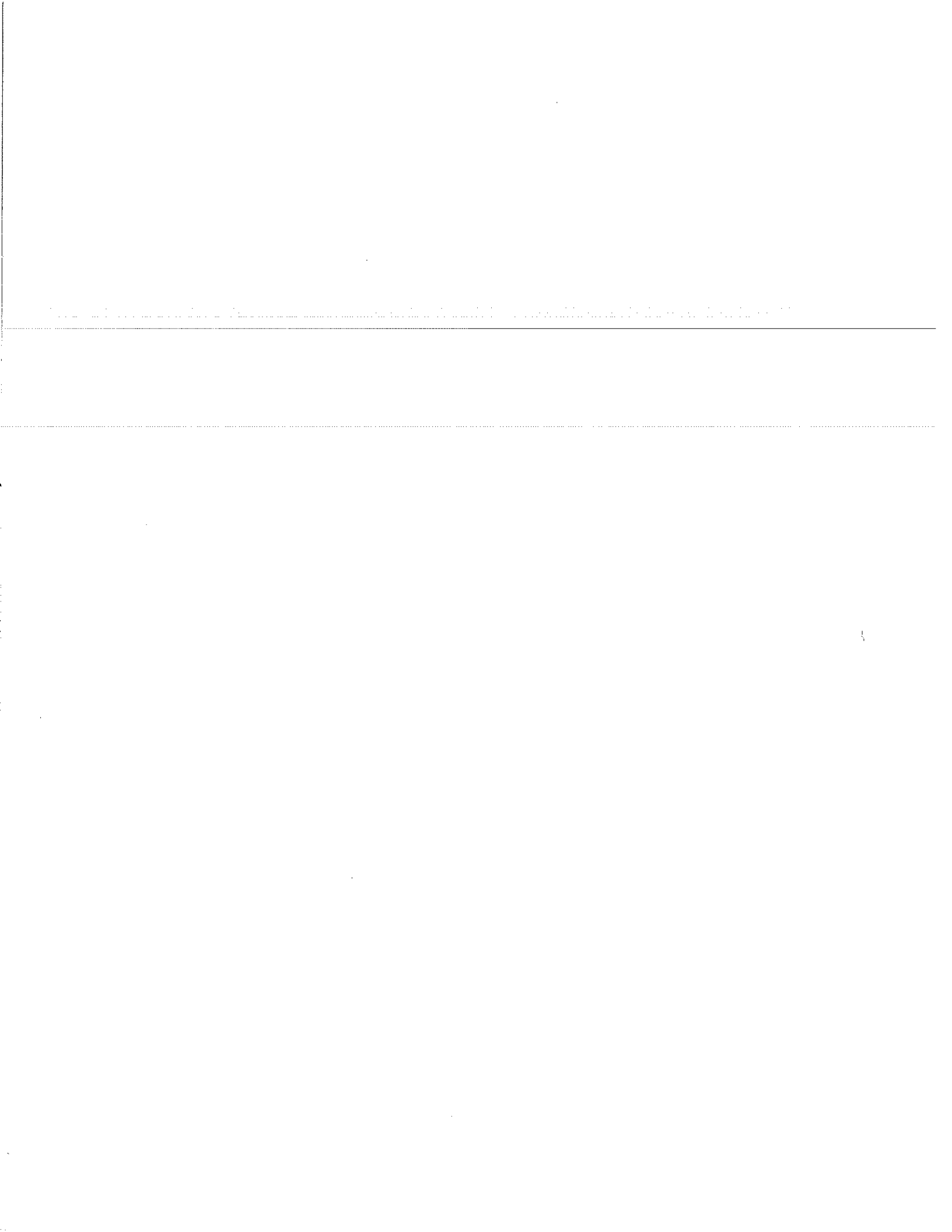
The program has **demonstrated proven results,** with an estimated \$519 million in eligible withholdings generated and reimbursement payments of \$204.7 million, including transfer to the Utility Fund, resulting in a net withholdings benefit to the state of approximately \$314 million.

All N.C. communities benefit from the program, regardless of which part of N.C. the company chooses to locate. If a company selects an urban community, a portion of the company's reimbursement (15-25%) is transferred to the Utility Fund for use in rural areas to build infrastructure (roads, water, sewer, etc.) that position a community for future development.

Any funds awarded are recaptured if the company exits the state – Dell Computer repaid all of the JDIG payments it received and Chiquita Brands will return 100% of its JDIG and One NC awards by end of the year.

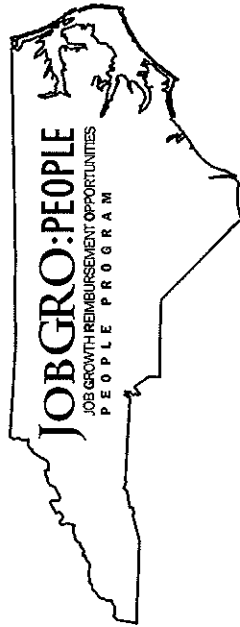
N.C.'s approach to incentives has received national **recognition for transparency** from third-party, independent evaluations.

An increase of the cap and an extension of the program's sunset is **needed immediately so N.C. can return to its previous competitive stature.**



YES, A SUPERIOR LOCATION FOR BUSINESS!
North Carolina offers many of the qualities companies look for in a business location: Quick access to their customers, thanks to a strong transportation network and centralized location; Exceptional availability of talented and productive workers; Strong university and community college systems; Low state and local tax burdens, affordable utility rates and other costs of doing business.

UNFORTUNATELY, THAT'S NOT ALWAYS ENOUGH TO WIN THEM OVER
Companies put locations under the microscope, especially when facing a relocation or expansion decision. Companies have global choices – they look at China, Mexico, Germany, or closer to home in another southeastern U.S. state. When the situation is competitive and other locations offer business sites that match up well to ours, it is critical that N.C. have the firepower to close deals - financial incentive tools that are proven to make a difference.



“Job growth will be the measure of our success in moving North Carolina forward.”

- N.C. Commerce Secretary John Skvarla

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PROVEN RESULTS

Through the JDIG program, since 2003 N.C. has recruited 201 companies to locate or expand in the state, resulting in 73,313 jobs announced and approximately \$11.9 billion in capital investment. In the past two years, companies like **Sturm Ruger**, **Gildan Yarns** and **GKN Driveline** have provided jobs in rural areas. Companies such as **Electrolux**, **HCL** and **Sealed Air** have plans to establish major headquarters, research & development and operational functions in the state. Over the life of the program, companies have generated two and a half times the amount of eligible withholdings than the state actually reimbursed.

EVERY COMMUNITY BENEFITS

All N.C. communities benefit from the program, regardless of which part of N.C. the company chooses to locate. If a company selects an urban community, rural communities also benefit. A portion of the company's reimbursement (15-25%) is transferred to the Industrial Development Fund/Utility Fund for use in rural areas only. This money allows rural areas to build infrastructure like roads, water or sewer lines that position a community for future development.

NATIONALLY RECOGNIZED OPENNESS

N.C.'s approach to incentives has received national recognition for transparency. In 2012, the Pew Center named N.C. one of 13 states, "leading the way in generating much-needed answers about tax incentives' effectiveness." A 2014 report by Good Jobs First ranked N.C. No. 3 among the 50 states in terms of transparency of job creation incentive programs.

GOVERNANCE AND CONTROL

Job recruiters don't make award decisions. Accountable public managers do. A five-member committee, including three Executive Branch officials and two appointees of the N.C. General Assembly make the decisions. With benefit caps, the program provides policymakers with control and greater budgetary certainty.

BUSINESS AVOIDS UNCERTAINTY

Under current law, North Carolina's key incentive program is scheduled to sunset on January 1, 2016 – less than 10 months from now. Businesses plan in advance and are asking where N.C. stands.

Ashley Jones, Director of Legislative Affairs
(919) 208-8416 ■ ashley.jones@nccommerce.com

Alice Miller, Legislative Liaison
(919) 410-0457 ■ alice.miller@nccommerce.com

THE REASONABLE TOOL THAT CAN HELP

Currently known as JDIG, the new Job Growth Reimbursement Opportunities – People Program (JobGRO:People) is effective, performance-based and accountable. The new name better communicates how the program actually works.

NO PERFORMANCE? NO REIMBURSEMENT

To receive money from the JobGRO:People program, a company must perform. Targets for jobs, wages and capital investment are set. The Departments of Commerce and Revenue review company results for compliance. Simply put, if a company does not create the required number of jobs, it does not receive money from N.C. All JobsGRO:People applications undergo an economic impact review using the analytical model developed by N.C. State's Dr. Mike Walden, a respected expert on the N.C. economy. A company's potential impact is well understood before any award is made and each project must forecast a positive economic return on investment to be eligible for a reimbursement award.

POSITIVE RETURN ON INVESTMENT: N.C. MAKES MONEY

When a company locates or expands in the state, among the many benefits is the new money that enters our economy, including new income and property tax revenue. **Even better, awards cause no loss of existing state revenue.** A company cannot receive reimbursement for more than 75% of the estimated withholdings attributed to the new jobs, and reimbursement is made only after the new jobs and other performance criteria have been met.



FORMERLY ONE NC

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UNFORTUNATELY, THAT'S NOT ALWAYS ENOUGH TO WIN THEM OVER

When companies have global choices and other locations offer business sites that match up well to ours, it is critical that N.C. have the firepower that can close deals – financial tools that do make a difference.

EXTRA SUPPORT TO TIP THE SCALE

The new Job Growth Reimbursement Opportunities – Capital Program (JobGRO:Capital) helps local governments leverage their limited economic development dollars and better compete for jobs. The program funds needed infrastructure to attract new businesses and help existing businesses expand. Without a match from the state, businesses may look elsewhere. The JobGro: Capital Program, by making relatively small, performance-based grants, sends a strong signal to businesses that they are welcomed and encouraged by the state.

IMPROVING N.C.'S INFRASTRUCTURE TO SUPPORT JOB GROWTH

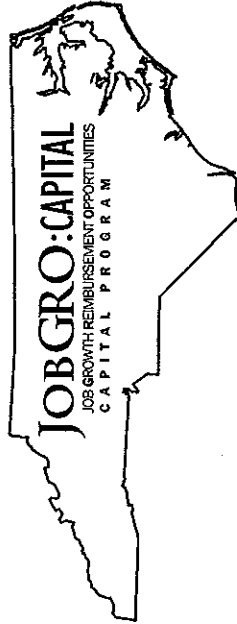
The JobGRO:Capital Program is specifically designed to invest in the infrastructure needed to empower employers to grow jobs. Qualifying investments include: equipment purchases; building repairs or improvements; and construction / enhancements of utilities for new or existing buildings.

LOCALLY LED, STATE MATCHED

North Carolina's local communities are critical in the JobGRO:Capital award process. Funds are only awarded as a match to local investments such as: financial incentives; fee-waivers; in-kind services; land / facility donations; and infrastructure.

A RECRUITMENT TOOL FOR NEW AND EXPANDING BUSINESSES

Since the JobGRO:Capital Program can be used for a variety of job-growing infrastructure improvements, it is an attractive and flexible tool for recruiting companies to N.C. that can appeal to projects large and small.



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- N.C. Commerce Secretary John Skvarla

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Old buildings, aging infrastructure, and fast-changing technologies sometimes makes it cheaper for an established firm to pack up and move elsewhere. JobGRO:Capital enables North Carolina's local businesses to grow and stay right where they are – preserving jobs as well as creating new ones.

FLEXIBILITY FOR SMALL PROJECTS

The speed and flexibility of the JobGRO:Capital Program allows small projects with immediate needs to take advantage of North Carolina's job development incentives. Typical JobGRO:Capital projects are in range of 25-150 jobs.

NO JOBS, NO PAYMENTS

To receive money from the JobGRO: Capital program, a company must follow through with their commitment to growing new jobs. Targets for jobs, wages and capital investment are set. Simply put: if a company does not create the required number of jobs, it does not receive money from N.C.

N.C. INVESTS IN INFRASTRUCTURE - BUSINESSES INVEST IN N.C.

State and local governments are not the only ones to invest in the growth of businesses and jobs. The 407 private businesses awarded in the previous One NC program since 2007 have invested significantly as well.

CREATING JOBS ACROSS N.C.

Over 60% of the jobs created by companies receiving a One NC award since 2007 were in Tier 1 or 2 counties – **more than 9,100 jobs**. Additionally, companies invested more than \$2.6 billion in Tier 1 and 2 counties.

Recent One NC announcements include: Butterball expanding in Hoke County; Shalag expanding in Granville County; and Tosaf USA in Gaston County.

DEMONSTRATED IMPACT AND RETURN

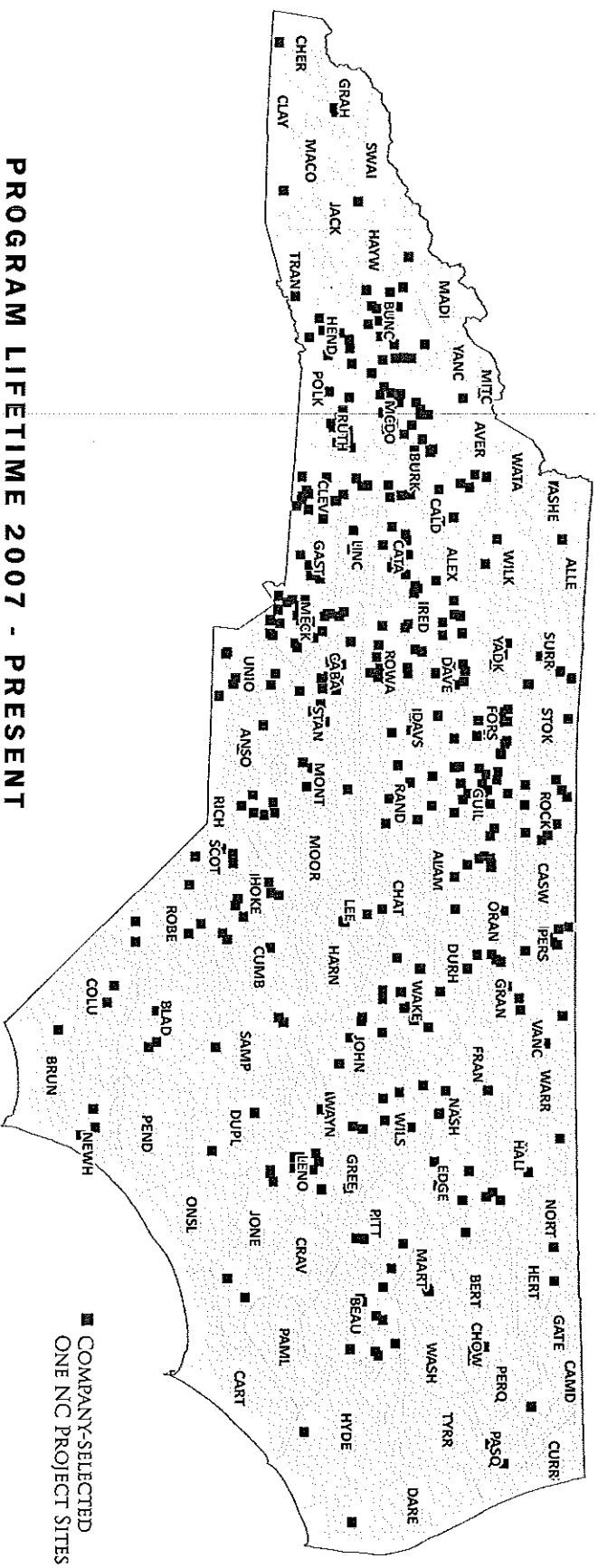
When a company locates or expands in the state, among the many benefits is the new money that enters our economy, including new income and property tax revenue. One NC award recipients have created 14,768 jobs and made \$4.4 billion in investments in North Carolina since 2007.

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ONE NC: COMPANY-SELECTED PROJECT SITES

JOBGRO:CAPITAL
 JOB GROWTH REIMBURSEMENT OPPORTUNITIES
 CAPITAL PROGRAM



PROGRAM LIFETIME 2007 - PRESENT

PROJECTS	JOB	PRIVATE CAPITAL INVESTED
407	14,768	\$4.4
		BILLION



OPINION

THEATRE OF THE ABSURD

by John E. Skvarla, III, North Carolina Commerce Secretary
submitted for publication March 2, 2015

In the editorial "No More Bait," the editorial board of the News & Observer relies on a study by the left-wing North Carolina Justice Center to attack Governor McCrory's support for competitive economic incentive programs to create new jobs.

Two positions in the study's conclusions are of particular interest.

First, that because only 40 percent of the employer reimbursements have been made since inception of the Job Development Investment Grant (JDIG) program in 2003, it must follow that there is an unacceptably high failure rate of 60% making the program worthless. Second, this incentive money would be better spent if given directly to the needy.

The first line of attack is really nothing more than a negative way of saying that companies don't always hit their forecasts, which is true. Let's discuss a real-life example.

In 1995, the McClatchy newspaper group purchased the N&O with more than 600 employees, for \$373 million. McClatchy subsequently acquired the Knight Ridder chain with almost 15,000 employees, for a price tag of essentially \$6 billion.

Now, did McClatchy forecast correctly that the entire nationwide group would be worth \$213 million today, or \$160 million less than they paid for the N&O alone? With employee count at the N&O today being approximately 300 in the downtown Raleigh location, and the entire McClatchy group total less than 7,500, should McClatchy just go ahead and close the doors and distribute what assets remain (if any) to the needy?

Or is trying to save 300 tax-paying, wealth-creating Raleigh jobs worthwhile? McClatchy, like many others, badly missed its forecast. Ah, you say: but McClatchy did not take any taxpayer-funded JDIG money. Guess what - neither did any of those other companies who missed their forecasts.

So should those 300 Raleigh jobs be eliminated and those 300 current employees be put on the street - including the highly compensated editorial staff?

In my world, the tens of thousands of jobs actually created and currently existing under the effective JDIG reimbursement program are well worth having. Why don't you ask the remaining N&O employees what they think?

(Over)



Payments are not made in advance and no reimbursement is made if companies do not create the required number of jobs. The accountability built into this program has made it one of the more effective economic development tools for the citizens of North Carolina and has created significant growth opportunities for our state that would otherwise be lost.

The JDIG program is successful based on the number of new jobs created and held by North Carolinians who are supporting their families and building their financial future. This is the relevant measure, not overly-optimistic employer job estimates.

In responding the way it did, the editorial board showed its willingness to dismiss obvious and fundamental economics simply for the opportunity for a political dig against Governor McCrory.

This reminds me of the Theatre of the Absurd, which as a genre is characterized by clichés, wordplay, nonsense and dismissal of reality.

North Carolina's premier economic incentive program is an efficient, accountable and effective performance-based job creation program that is rooted in the reality of today's competitive environment.