

## Which Way is Up? Mapping the Incentives Landscape

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### Common Perception About Incentives

### Effectiveness of Incentives

### Business Fundamentals Trump Incentives

- Common Essential Needs:
  - Workforce
  - Access to Inputs
  - Access to Customers
  - Transportation and Logistics
  - Research and Development Capacity
  - Quality of Life

“You need to find a location that works without incentives, because at some point of time in the future the incentives are going to go away.”

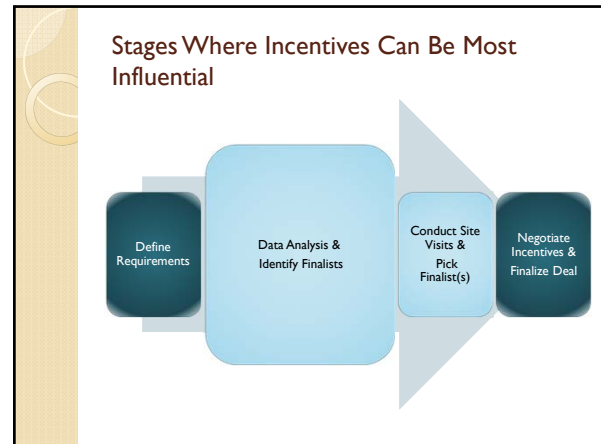
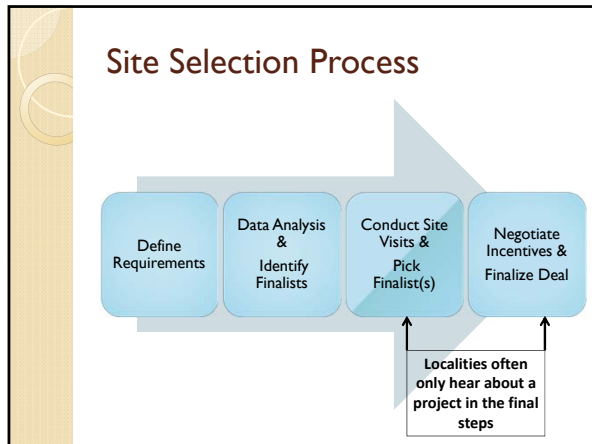
Source: International Economic Development Council. (2012). Knowledge is Power: Working Effectively with Site Selectors.

### Importance of Incentives Relative to Other Factors

| Factor   | Percent Giving Highest Score for Importance |
|--|---|
| Availability of Skilled Labor                    | 57%   |
| State Individual Income Tax Rate                 | 44%   |
| State Corporate Tax Rate                         | 42%   |
| Local Property Taxes                             | 42%   |
| Availability of Community Colleges               | 38%   |
| State Regulatory Environment                     | 37%   |
| Availability of 4-Year Colleges/Univ.            | 34%   |
| Highway Infrastructure                           | 32%   |
| Information Technology Infrastructure            | 32%   |
| Environmental Regulations                        | 28%   |
| <b>Local Economic Development Tax Incentives</b> | <b>27%</b>                                  |
| Land Prices                                      | 27%   |
| <b>State Economic Development Tax Incentives</b> | <b>26%</b>                                  |

Source: Center for Competitive Economics. (2009). An Evaluation of North Carolina's Economic Development Incentive Programs.

### Role of Incentives in the Site Selection Process



- ### Summary of Role Incentives Play in the Site Selection
- Incentives can't make up for the absence of core business needs
  - Incentives tend to matter most at the very beginning and end of process
  - Discretionary incentives more likely to influence location decisions

### Overview of State Economic Development Expenditures

- ### Major Grant Programs
- **Department of Commerce**
    - Jobs Development and Investment Grant (JDIG)
    - One NC Fund (One NC)
    - Job Maintenance and Capital Development Fund (JMAC)
  - **Community Colleges**
    - Customized Training
  - **Department of Transportation**
    - Economic Development Program
    - Short Line Infrastructure Program

- ### Jobs Development Investment Grant (JDIG)
- FY2013-14 Appropriation = \$24.4 million recurring, \$27.4 nonrecurring
- **Award Details**
    - Up to 12 years
    - Company retains 10-75% of employee withholding taxes
      - Based on # of jobs, duration, economic contribution to the State, level of investment, other financial supports provided, etc
  - **Award Criteria**
    - Can be used for attraction, expansion, or retention
    - Project results in net increase of employment
    - Project will be revenue-positive after award
    - Grant is necessary for completion of project
  - **Misc**
    - Many companies do not ultimately receive their full awards due to lower than projected performance

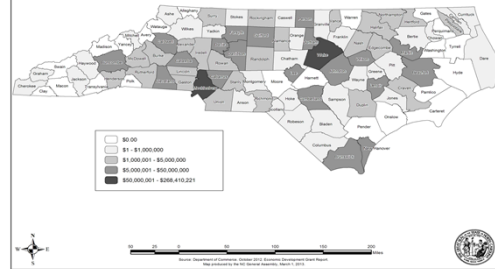
## One NC Fund

FY2013-14 Appropriation = \$9 million

- **Award Details**
  - Can be used for attraction or retention
  - Fund transferred to local government, then to company
  - Targeted at high value-added and knowledge-driven industries
  - Grants can be used for
    - Purchasing equipment, renovations to existing facilities, construction or new facilities
- **Award Criteria**
  - Economic impact of project
  - Strategic importance of project
  - State \$ must be matched by local governments
    - Local gov'ts can kick in cash, fee waivers, services, free land or buildings, or building infrastructure

## All Commerce Grants

All Grant Awards by County January 2006 through June 2012



## Community College Customized Training

FY2013-14 Appropriation = \$12.5 million

- **Award Details**
  - New or existing companies
  - Specific programs designed to meet needs of individual companies
  - Can be used for
    - Pre-employment training
    - Pre-employment assessment
    - Post-hire training
- **Award Criteria**
  - Job growth
  - Technology investment
  - Productivity enhancement

## Transportation Economic Development Program

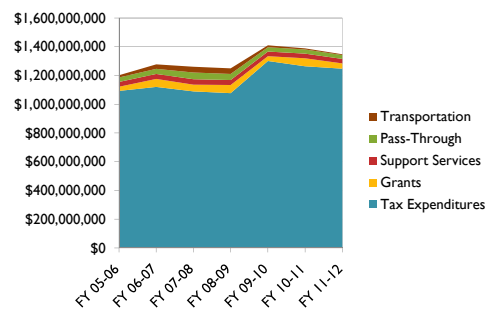
FY2013-14 Allocation = \$3.3 million

- **Award Details**
  - Used for major attraction and expansion projects
  - Local governments generally also contribute funding

## State Entities Providing Business Support Services

- **Commerce**
  - Office of International Trade
  - Business and Industry
  - Rural Development
- **Universities**
  - NC Cooperative Extension Service
  - NCSU Industrial Extension Service
  - Small Business Technology Development Center
  - Reach NC
  - Other offices with specific missions
- **Community Colleges**
  - Small Business Center Network
  - Other offices with specific missions

## Historical Expenditures by Type



## Selected Resources on State Programs

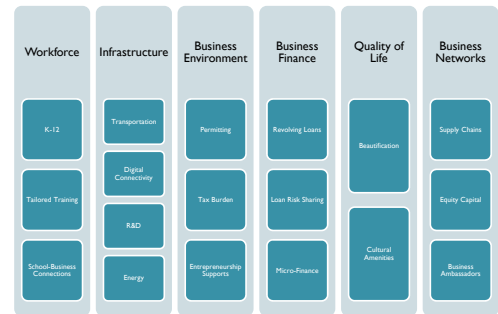
- Economic Development Inventory
  - [http://www.ncga.state.nc.us/FiscalResearch/inventories/2012\\_edr\\_2013-03-11.pdf](http://www.ncga.state.nc.us/FiscalResearch/inventories/2012_edr_2013-03-11.pdf)
- Dept. of Commerce (General)
  - <http://www.thrivenc.com/incentives/financial>
- Dept. of Commerce (Rural Division)
  - <http://www.nccommerce.com/rd/rural-grants-programs>
- Community Colleges Customized Training
  - [http://www.nccommunitycolleges.edu/Business\\_and\\_Industry/CustomizedTraining.htm](http://www.nccommunitycolleges.edu/Business_and_Industry/CustomizedTraining.htm)

## Thinking About Incentives at the Local Level

## When Considering Financial Incentives

- Do the Math
  - Measure economic and fiscal return on investment
- Know the Consultant/Company
  - Contingency Pay
  - Reputation
- Know the Landscape
  - What other locations are in the running?
  - Are other incentives being offered (state, municipal, non-profit)?
- Routinize decisions
  - Match incentives to local needs and goals
  - Consider pros/cons of formalized policy

## Thinking Beyond Direct Financial Incentives



Financial Incentives

Everything Else