NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE

BILL NUMBER: SB 538

SHORT TITLE: Bill Lee Two-County Projects

SPONSOR(S): Senator Scott Thomas

FISCAL IMPACT

Yes ( ) **No (X)** **No Estimate Available ( )**

PRINCIPAL DEPARTMENTS AFFECTED: The Department of Commerce handles Bill Lee Act tax credit applications and the Department of Revenue administers the tax credit. The enactment of the bill is should not affect either agency's budget requirements.

EFFECTIVE DATE: Tax years beginning on or after January 1, 2001.

BILL SUMMARY: The Bill Lee Act is the package of state tax incentives that was first adopted in 1996 and has been modified in each subsequent year. The incentives are primarily in the form of tax credits for investment in machinery and equipment, job creation, worker training, and research/development. For many of the credits, the counties of the State are divided into five economic distress tiers based on the unemployment rate, per capita income, and population growth. In general, the lower the tier of a county, the more favorable the incentive.

Under the Act, there are specific conditions for two-county industrial parks that must be met if the park is to receive the lower designation of the designations of the two counties in which a park is located. One of the conditions is that the county with the lower tier designation contribute at least 50% of the cost of developing the park. **The bill would amend this condition by allowing the lower tier designation if the county contributed the lesser of (1) 50% of the cost of developing the park; or (2) a share of the cost of developing the park equal to the proportion of the land in the park that is located in the lower tier county.**

ASSUMPTIONS AND METHODOLOGY: This analysis was based on the details of a planned project for Craven County (currently Tier 4) and Jones County (Tier 1). The analysis was based on discussions with the economic developer for Craven County and with a representative of the Department of Commerce who has been active in recruiting the project. The project is expected to involve a $260 million investment, with $130 million of costs incurred in 2004 and the remaining amount phased-in over 7 years. The project could involve 360 jobs in 2004 and an additional 370 positions over the following 6 years. The average salary is expected to be $45,000 (current dollars).

The determination of the impact of the legislation on state General Fund Revenues involves a comparison between the Bill lee Act credits from the project under the proposed bill and the credits under current law. The information on the specifics of the proposed project are useful in computing potential Bill Lee Act credits for the proposed project.

The analysis issue then falls back an estimate of the “current law” or baseline cost. This is the amount of credits that would take place if SB 538 did not exist. The discussions with the Craven County Economic Developer and the N.C. Department of Commerce suggested two possible scenarios. First, the magnitude of the project and the benefits of Tier 1 credits are substantial enough that Jones County will find a way to fund the 50% cost of developing the industrial park. Under this scenario, Tier 1 credits will be received under current law and thus the enactment of the bill would have no impact.

The other possibility is that Jones County will be unable to come up with the 50% financing. In this case, the industrial park would not be developed and the planned project would not occur at this location. This scenario would make the fiscal cost a moot point.

The stated intent of the bill is to restructure the cost-sharing for the industrial park so that the Tier 1 county is able to get more credit for the land it is contributing to the park.

TECHNICAL CONSIDERATIONS: Although the bill is intended to address a particular local situation, the language in the bill is statewide in nature. In addition, the bill contains no minimum percentage threshold for the lower tier county’s contribution. This could lead to a situation in which a lower tier county would only have to contribute a small portion of the total cost of the project if that a small percentage of the total project acreage was contained in the lower tier county. On the other hand, the narrow nature of the issue addressed by the bill may mean the number of investments affected by the bill would be limited.

FISCAL RESEARCH DIVISION 733-4910

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