

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1999

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HOUSE JOINT RESOLUTION 1469

Sponsors: Representative Insko.

Referred to: Rules, Calendar and Operations of the House.

May 13, 1999

1 A JOINT RESOLUTION AUTHORIZING THE LEGISLATIVE RESEARCH
2 COMMISSION TO STUDY AND RECOMMEND A PROCESS TO MONITOR
3 WHETHER TAX INCENTIVES AND OTHER ECONOMIC DEVELOPMENT
4 INCENTIVES MEET THE PUBLIC'S GOALS IN A COST-EFFECTIVE
5 MANNER.

6 Whereas, over the years, North Carolina has offered various economic
7 development incentives, including grants, loans, and industrial development bonds for
8 businesses; and

9 Whereas, in the last several years, North Carolina has enacted a number of
10 targeted tax incentives designed to enhance economic development and lure specific
11 companies to the State; and

12 Whereas, some of these incentives included standards and conditions relating
13 to number of jobs created, level of wages paid, size of investment, type of business,
14 location in a distressed area, and other eligibility requirements; and

15 Whereas, some of the incentives also included "clawback" provisions requiring
16 forfeiture of the incentive if the business failed to meet the eligibility requirements or
17 later fell below the standards set in those requirements; and

18 Whereas, the State has had only a limited ability to assure that eligibility
19 requirements were met before businesses received incentives and even fewer resources to
20 monitor businesses afterward to determine when forfeiture should be required; and

21 Whereas, as a result, the State does not know whether its targeted incentives
22 are cost-effective in producing the desired benefits to the State's economy or whether

1 they are in fact being claimed by businesses that do not qualify or do not maintain the
2 level of jobs, wages, or investment that was expected to result from the incentives; Now,
3 therefore,

4 Be it resolved by the House of Representatives, the Senate concurring:

5 Section 1. The Legislative Research Commission shall study and recommend
6 a process by which the State can evaluate tax incentives and other public assistance to
7 businesses to determine whether they are meeting the State's economic development
8 goals in a cost-effective manner and are not having any unintended negative
9 consequences. This study shall cover the following issues and any other issues the
10 Commission considers relevant:

- 11 (1) Establishing consistent standards for all economic development
12 incentives, including a minimum number of jobs created per dollar of
13 public funds, wage standards, location in distressed areas, level of
14 investment, type of business, and other requirements that benefit the
15 State's economy.
- 16 (2) Measuring, to the extent possible, how the businesses that have received
17 incentives in the past have measured up to these standards.
- 18 (3) Determining the extent to which past incentives have been a factor in
19 intercounty competition.
- 20 (4) Determining the extent to which past incentives have given a
21 competitive market advantage to large businesses over small businesses,
22 and to particular business entities over their North Carolina competitors
23 engaged in the same business.
- 24 (5) Establishing an enforceable disclosure requirement to allow the State to
25 verify eligibility before granting incentives and monitor adherence to
26 standards after an incentive has been granted.
- 27 (6) Establishing an effective and consistent program for monitoring all
28 businesses that receive incentives to assure that eligibility requirements
29 are met, standards are maintained after incentives are granted, and
30 forfeitures are enforced where required by law.
- 31 (7) Establishing an effective system to gather adequate data to not only
32 monitor businesses that receive incentives but also measure the effect of
33 incentives on intercounty competition and on creating competitive
34 advantages for large businesses or for specific businesses competing
35 against similar North Carolina companies.

36 Section 2. The Commission may call upon the Department of Revenue and the
37 Department of Commerce to cooperate with it in its study.

38 Section 3. The Commission shall make a final report of its findings and
39 recommendations to the 2000 Regular Session of the 1999 General Assembly.

40 Section 4. This resolution is effective upon ratification.