

# Does Economic Distress Affect County Incentive Policies?

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**Background:**

Economic development incentives are used at state and local levels to recruit and retain firms for tax base expansion and job creation purposes

More than half of NC counties offer economic development incentive grants through various means, including cash grants and tax credits

Empirical studies of how NC counties use performance control measures , such as wage standards and employment thresholds, have been limited

**Methodology:** Comparative case study of two incentive-granting counties in North Carolina

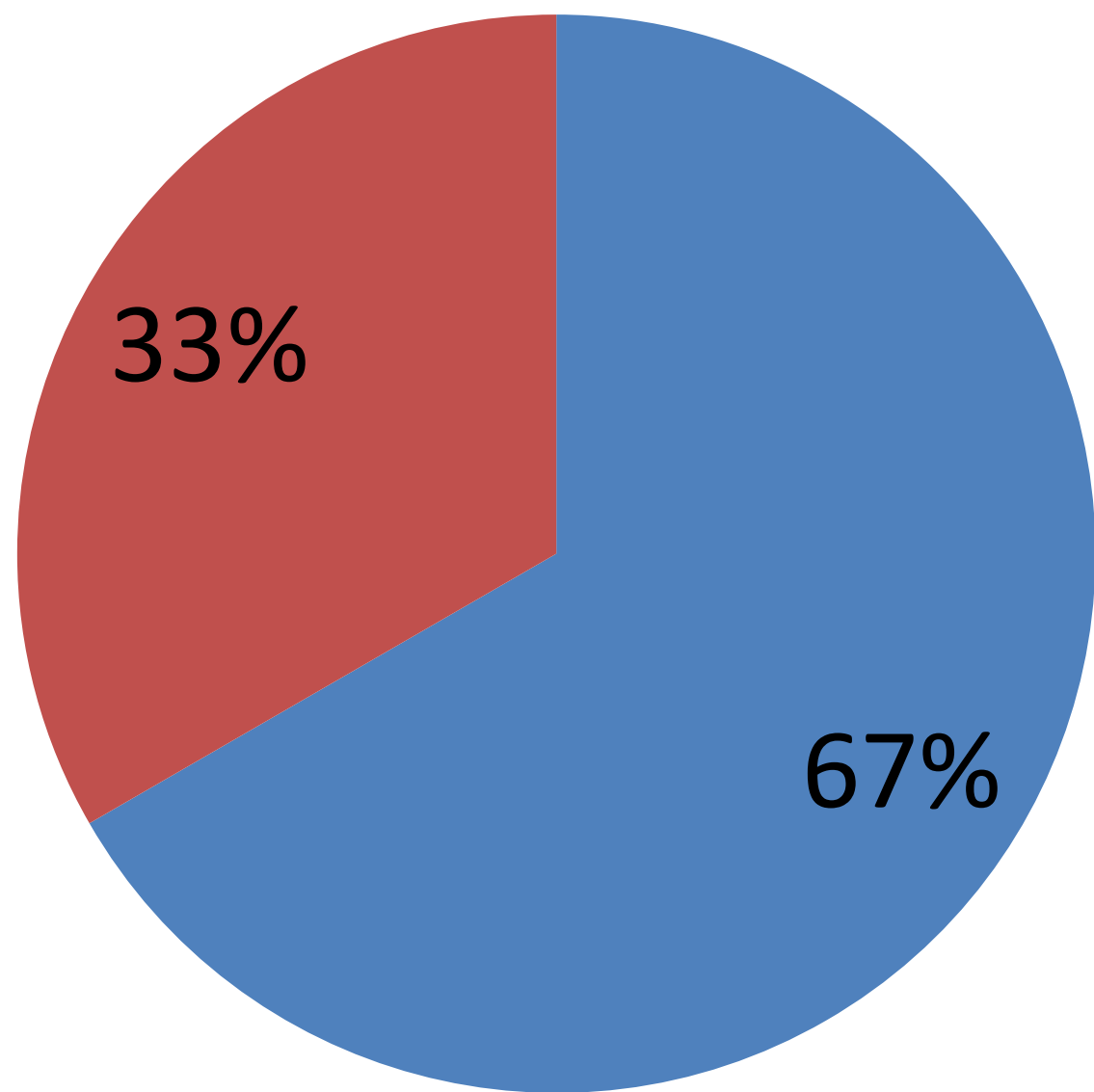
- County Identification: Tier 1 from North Carolina’s Eastern Region, Tier 3 from Research Triangle Regional Partnership
- Data collection: Interview economic developers and review six to ten economic development agreements per county
- Analysis: Identify performance control measures, including job, wage, and investment minimums and clawback provisions

**Analysis of Development Agreements**

	Tier 1	Tier 3
Average Local Incentive Value	\$1.33M	\$1.63M
Average Number of Jobs Created	161	416
Average New Investment	\$43.68M	\$61.3M
Deals Setting Minimum Job Creation Standards	67%	89%
Average Annual Wage Standard	Exempt	\$52,116
Incentive-Investment Ratio	4%	2%
Incentive-New Job Value Ratio	\$7,402.04	\$3,789.68

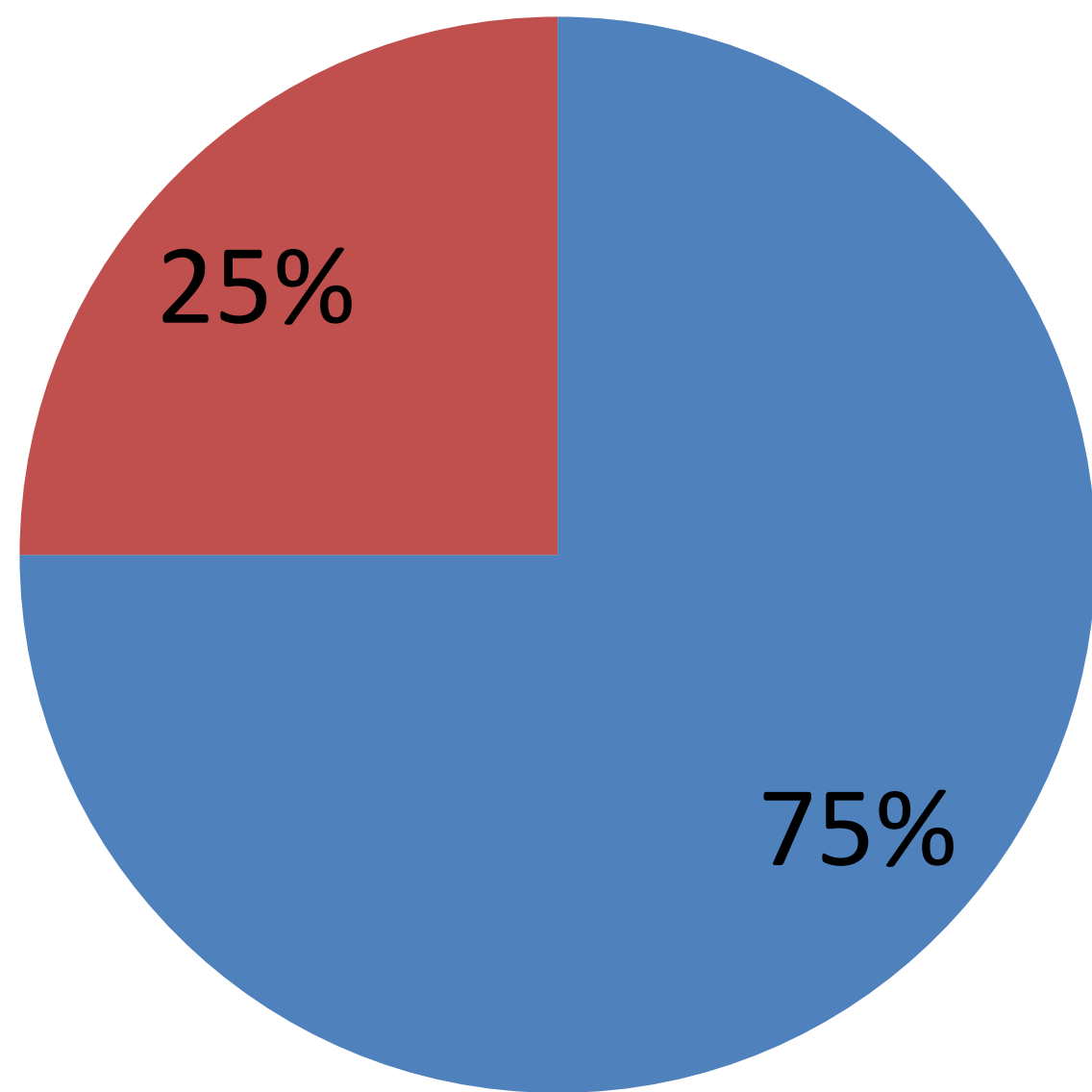
**Tier 1 Incentive Sources**

State Presence Local Only

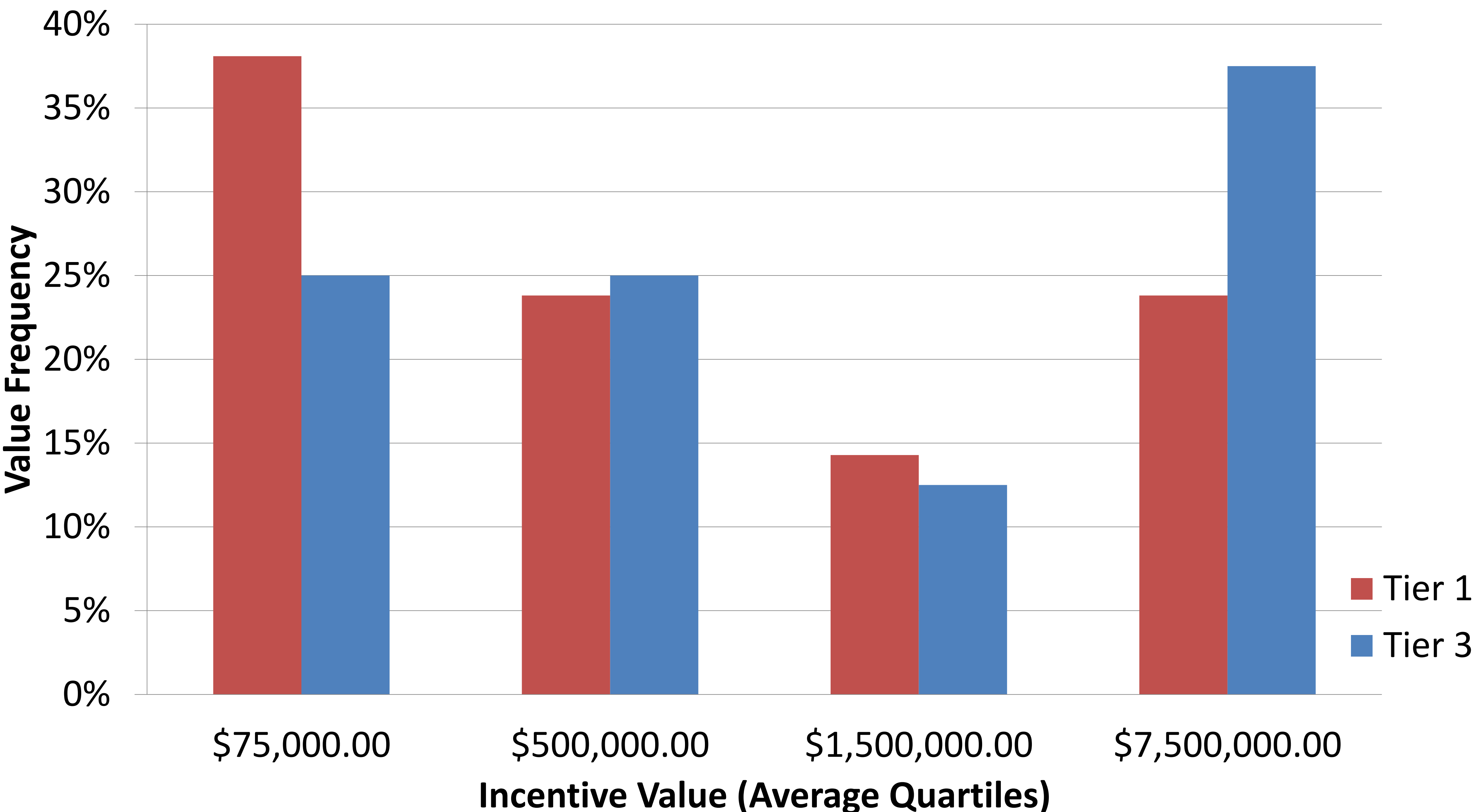


**Tier 3 Incentive Sources**

State Presence Local Only



**Incentive Values by Tier**



**County Comparison**

	Tier 1	Tier 3
Unemployment Rate	19.3%	9.6%
Per Capita Income	\$20,521	\$36,339
Annual Population Growth Rate (2000-2009)	-0.40%	3.8%
Population Density (Pop/Sq Mi)	143	1,031

Source: NC Commerce EDIS

**Conclusions:**

Economic distress, business climate, and population size can affect the motivations and performance control policies of a county

Both counties utilized performance-based agreements in which annual grants were made only after benchmarks were met

Tier 3 county maintained explicitly defined incentive eligibility requirements; Tier 1 evaluated on case-by-case basis

State level incentive policies influence the wage standards set by a county

Opportunity for state to encourage greater adoption of wage standards and performance controls at local level