

AMIDST THE RISE OF REMOTE WORK

*How Do North Carolina's
Economic Development
Incentives Perform?*

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April 2024

THE JOB DEVELOPMENT INVESTMENT GRANT (JDIG)

THE JDIG HAS 2 POLICY AIMS:

- 1 create net-increase in North Carolina jobs**
- 2 promote investment into the State**

JDIG AWARDS DEPEND ON 3 FACTORS:

1 job creation

2

3

JDIG AWARDS DEPEND ON 3 FACTORS:

- 1 job creation**
- 2 average wage**
- 3**

JDIG AWARDS DEPEND ON 3 FACTORS:

- 1 job creation**
- 2 average wage**
- 3 state investments**



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TAX WITHHOLDINGS
of Newly Created Jobs



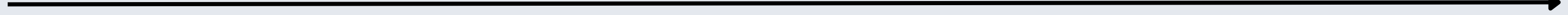
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TAX WITHHOLDINGS
of Newly Created Jobs

X

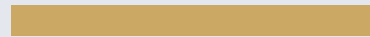
10-80%
(Based on Location
and Employee
Composition)

2003



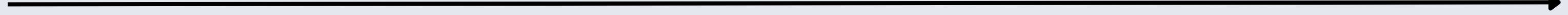
2023

406



**Projects
Approved**

2003



2023

406

**Projects
Approved**

\$489.5 mil

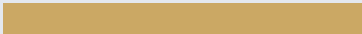
**in Disbursed
Payments**

2003



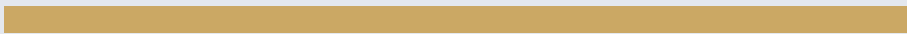
2023

406



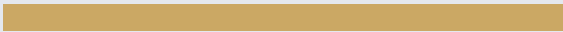
**Projects
Approved**

\$489.5 mil



**in Disbursed
Payments**

61,228



**New Jobs
Created**

DAILY NEWS

Word • Business • Finance • Lifestyle • Travel • Sport • Weather

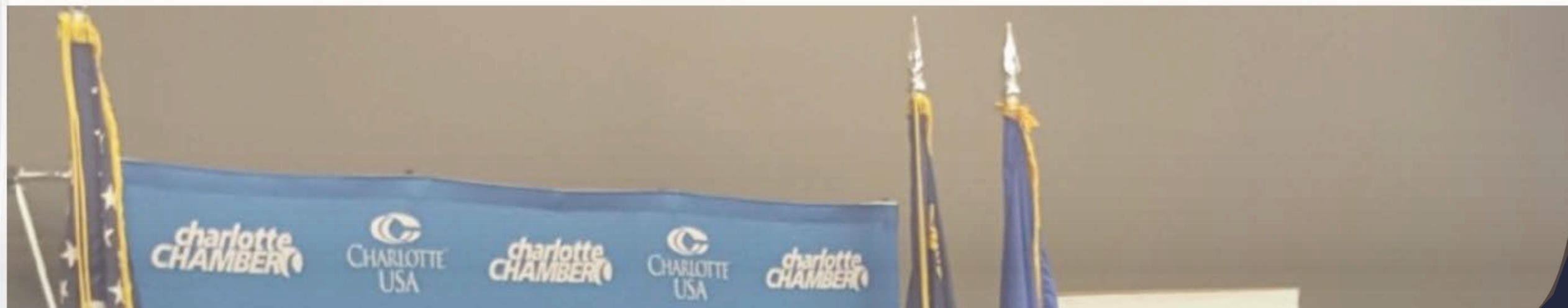
BUSINESS, STATE GOVERNMENT

Allstate's pulling out of NC incentive deal continues trend



THERESA OPEKA

JULY 26, 2023



DAILY NEWS

Word • Business • Finance • Lifestyle • Travel • Sport • Weather

BUSINESS, STATE GOVERNMENT

Another NC incentive deal falls through as Bandwidth pulls out



THERESA OPEKA

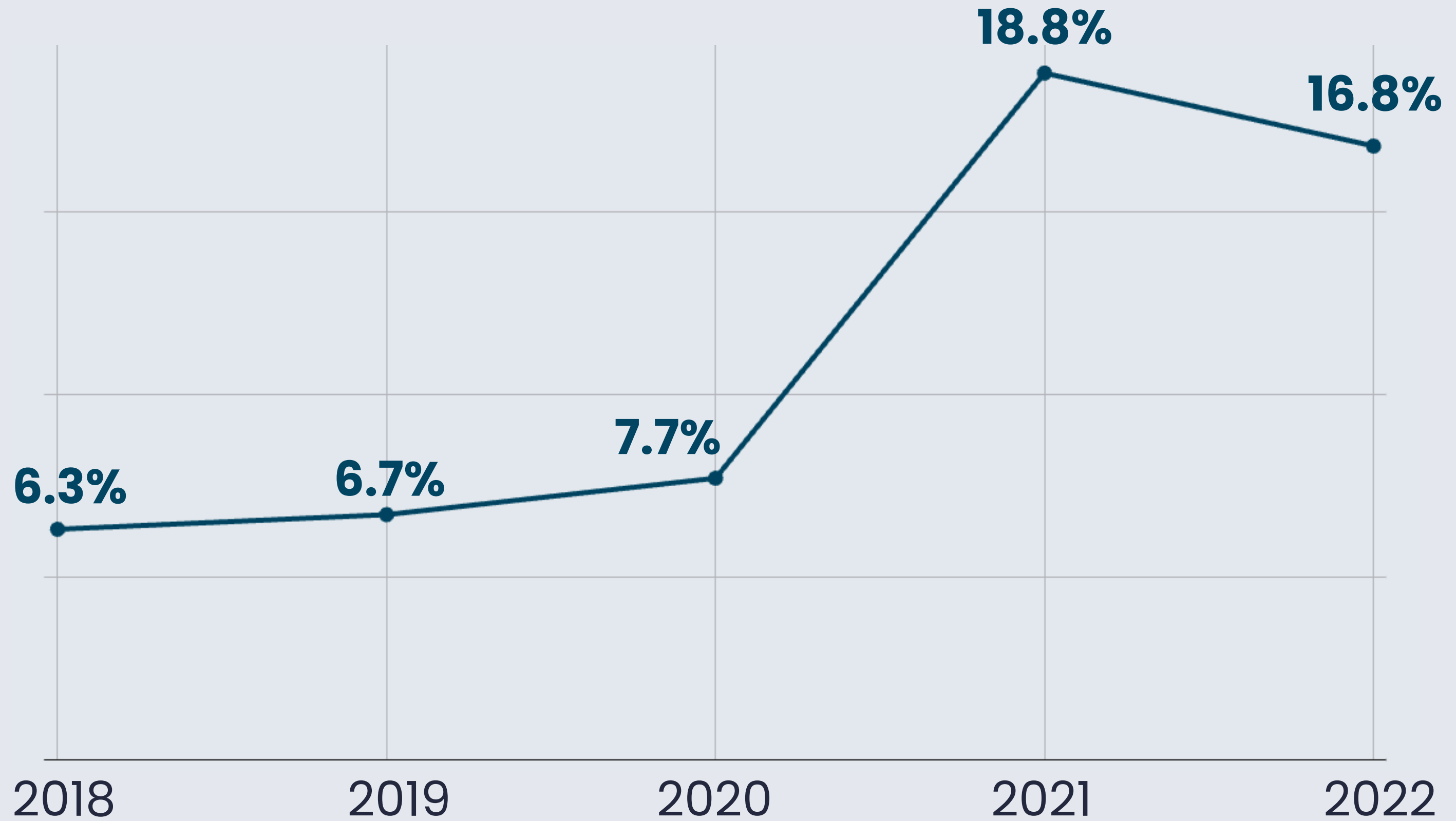
JANUARY 29, 2024





THE RISE OF REMOTE WORK INC

NC Workers Age 16+ Who Worked from Home





28%

*of businesses
implemented
remote work*



28%

*of businesses
implemented
remote work*



48%

*of businesses
offered flexible
schedules*

2021

2022

64%

vs.

of employers cited a lack of applicants as a challenge for filling **Entry-Level Roles**

68%

vs.

of employers cited a lack of applicants as a challenge for filling **Above-Entry Roles**

2021

2022

64%

vs.

82%

of employers cited a lack of applicants as a challenge for filling **Entry-Level Roles**

68%

vs.

88%

of employers cited a lack of applicants as a challenge for filling **Above-Entry Roles**

**What policy changes, if any,
should North Carolina implement in
its economic incentive programs,
in response to increases in remote work?**

What policy changes, if any,
should North Carolina implement in
its economic incentive programs, 1
in response to increases in remote work?

What policy changes, if any,
should North Carolina implement in
its economic incentive programs,²
in response to increases in remote work?

3 What policy changes, if any, should North Carolina implement in its economic incentive programs, in response to increases in remote work?

THE JOB DEVELOPMENT INVESTMENT GRANT

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graph TD; Title[THE JOB DEVELOPMENT INVESTMENT GRANT] --- Branch1((1)); Title --- Branch2((2)); Branch1 --- TierSystem[THE TIER SYSTEM]; Branch2 --- EligibleJobs["ELIGIBLE NEW JOBS"]; TierSystem --- TierDesc[A Location-Based Incentive Structure]; EligibleJobs --- EligibleJobsDesc[Eligibility for State Withholdings];
```

1

THE TIER SYSTEM

*A Location-Based
Incentive Structure*

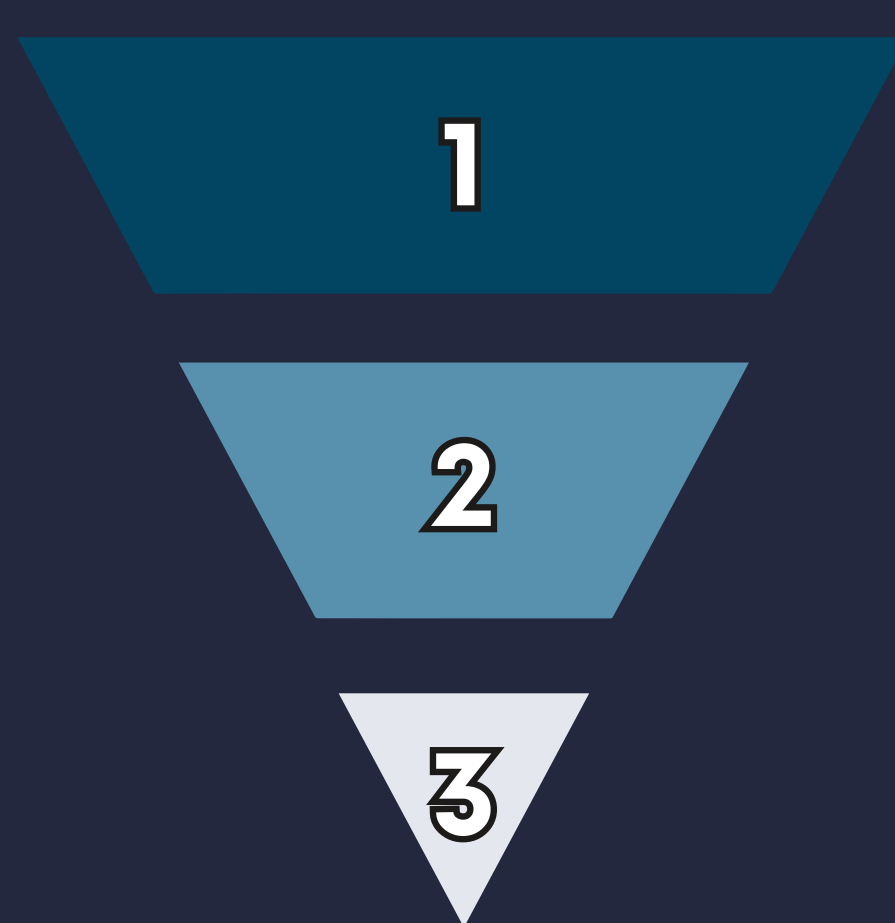
2

"ELIGIBLE NEW JOBS"

*Eligibility for State
Withholdings*

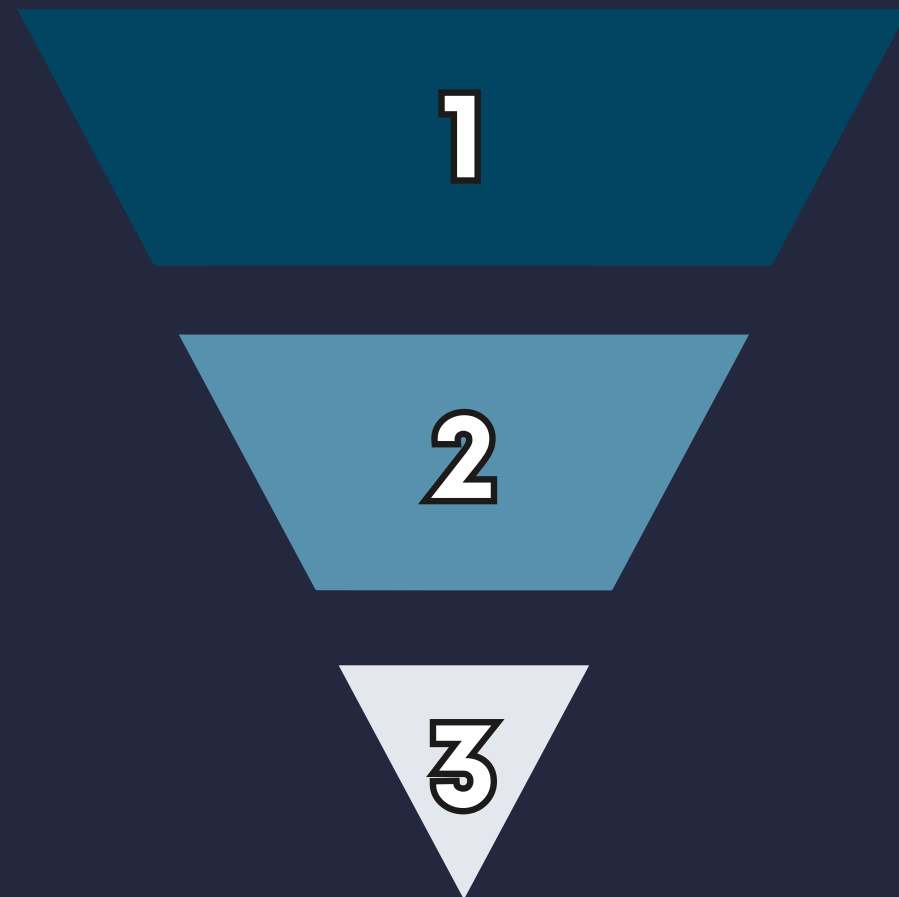
1 THE TIER SYSTEM

Most Economically Distressed



Least Economically Distressed

Job Creation Quota

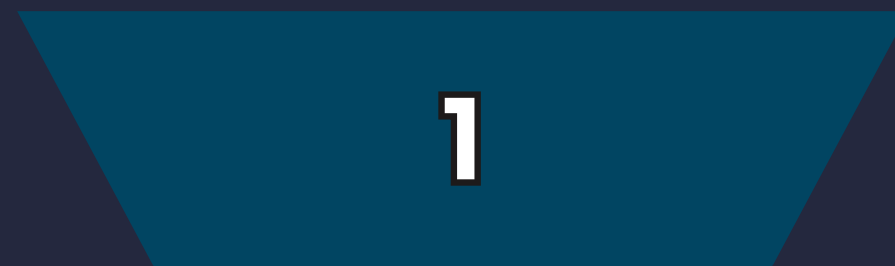


\geq 10 jobs

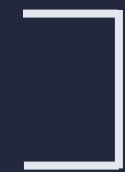
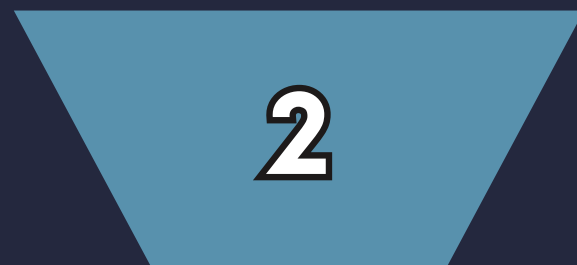


\geq 20 jobs

Maximum % of Withholdings Awarded



80%

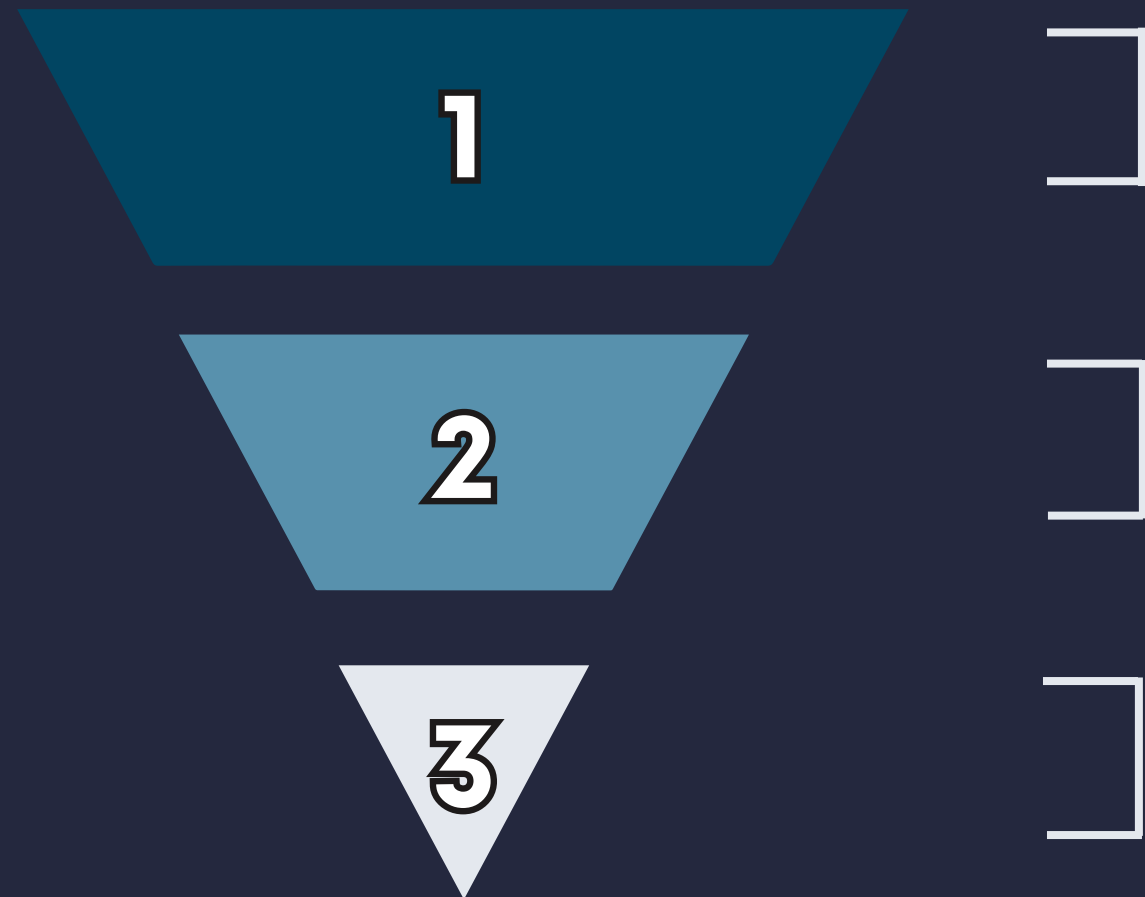


75%



75%

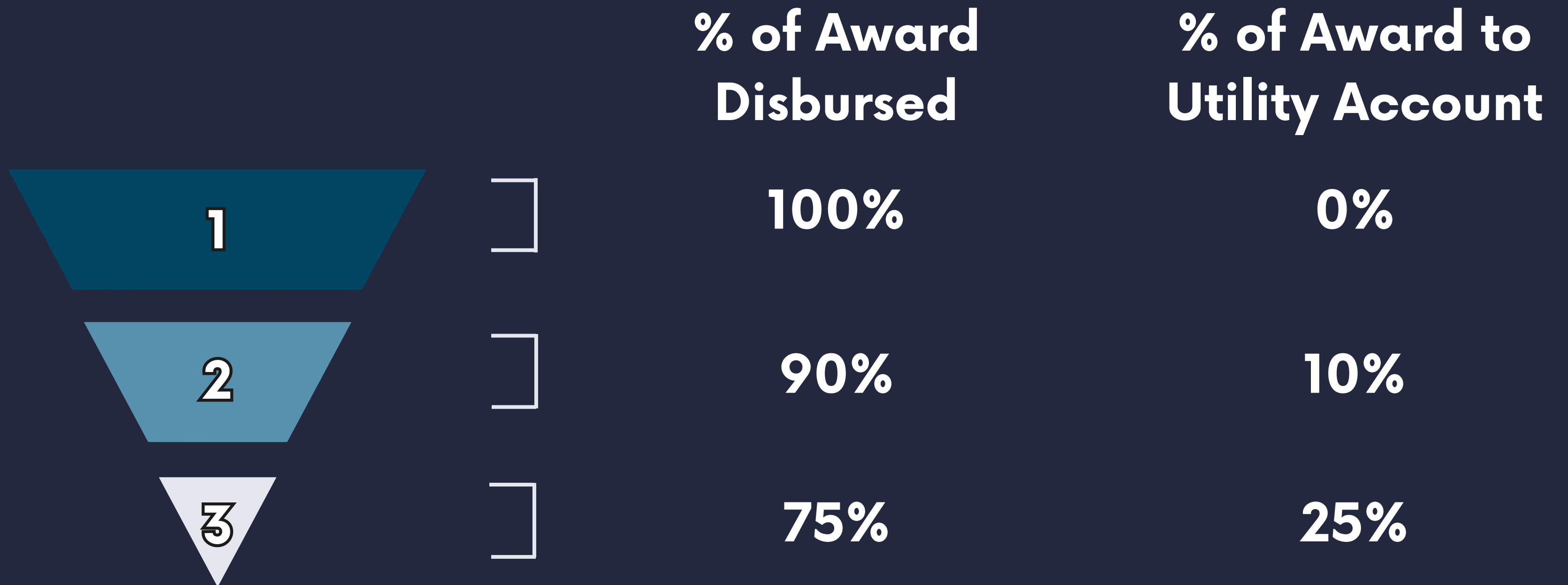
% of Award Disbursed



100%

90%

75%



\$100,000

TAX WITHHOLDINGS
of Newly Created Jobs

	MAX AWARD	MAX DISBURSED	MAX to UTILITY ACCOUNT
Tier 1			
Tier 2			
Tier 3			

\$100,000

TAX WITHHOLDINGS
of Newly Created Jobs



	MAX AWARD	MAX DISBURSED	MAX to UTILITY ACCOUNT
Tier 1	\$80 K		

\$100,000

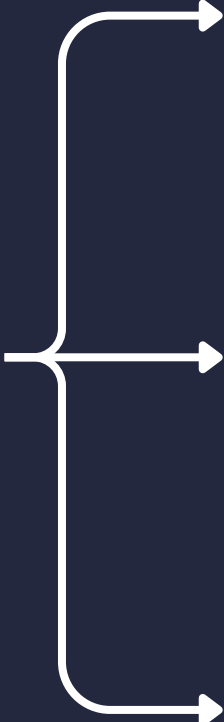
TAX WITHHOLDINGS
of Newly Created Jobs



	MAX AWARD	MAX DISBURSED	MAX to UTILITY ACCOUNT
Tier 1	\$80 K	\$80 K	\$0

\$100,000

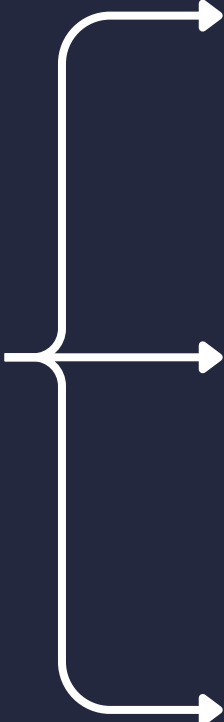
TAX WITHHOLDINGS
of Newly Created Jobs



	MAX AWARD	MAX DISBURSED	MAX to UTILITY ACCOUNT
Tier 1	\$80 K	\$80 K	\$0
Tier 2	\$75 K		
Tier 3	\$75 K		

\$100,000

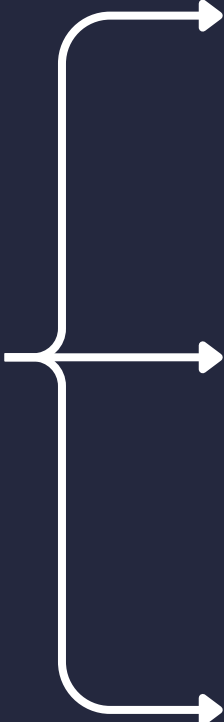
TAX WITHHOLDINGS
of Newly Created Jobs



	MAX AWARD	MAX DISBURSED	MAX to UTILITY ACCOUNT
Tier 1	\$80 K	\$80 K	\$0
Tier 2	\$75 K	\$67.5 K	\$7.5 K
Tier 3	\$75 K		

\$100,000

TAX WITHHOLDINGS
of Newly Created Jobs



	MAX AWARD	MAX DISBURSED	MAX to UTILITY ACCOUNT
Tier 1	\$80 K	\$80 K	\$0
Tier 2	\$75 K	\$67.5 K	\$7.5 K
Tier 3	\$75 K	\$56.25 K	\$18.75 K

2 “ELIGIBLE NEW JOBS”

- perform full-time work within NC to pay withholdings

THE JOB DEVELOPMENT INVESTMENT GRANT:

Remote Work Revisions

1



**THE TIER
SYSTEM**

2



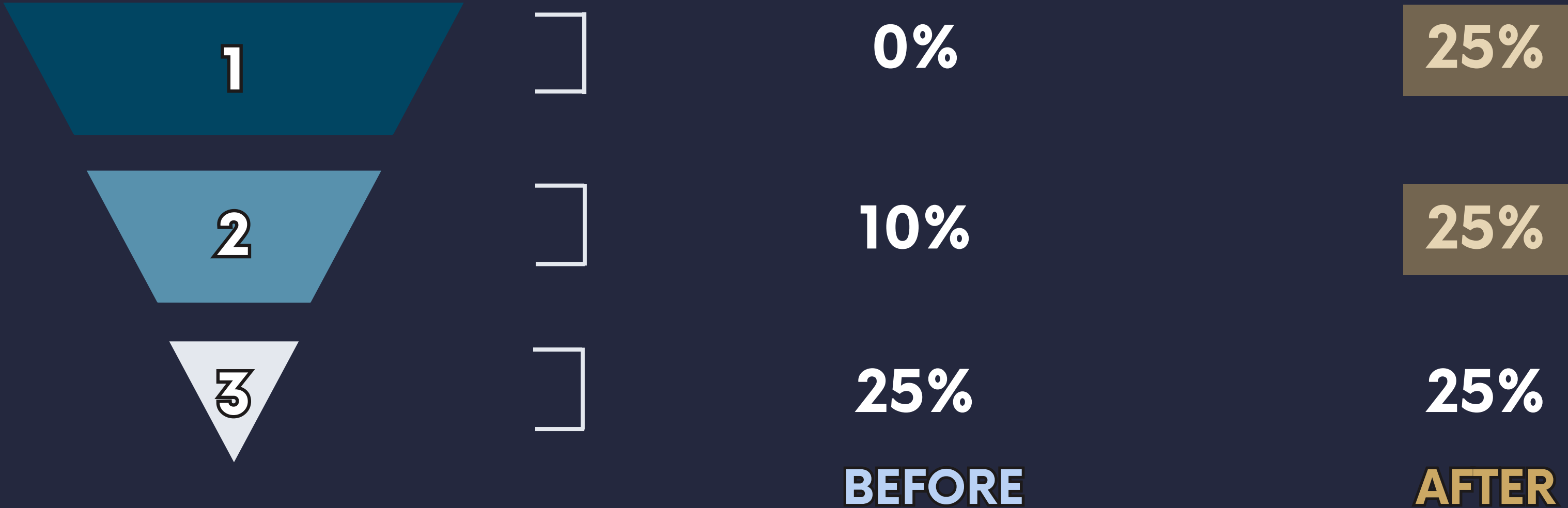
**“ELIGIBLE
NEW JOBS”**

1

THE TIER SYSTEM

If more than 34% of eligible new workers work remotely

% of Award to Utility Account



*If more than **34%** of eligible new workers work remotely*

		MAX AWARD	MAX DISBURSED	MAX to UTILITY ACCOUNT
<div><div>\$100,000</div><div>TAX WITHHOLDINGS of Newly Created Jobs</div></div>	Tier 1	\$80 K	\$60 K	\$20 K
	Tier 2	\$75 K	\$56.25 K	\$18.75 K
	Tier 3			

*If more than **75%** of eligible new workers work remotely*

% of Award Disbursed



0%



10%



25%

BEFORE

**REQUIRES
LOCAL
GOVERNMENT
APPROVAL**

AFTER

2 “ELIGIBLE NEW JOBS”

BEFORE

- perform full-time work within NC

AFTER

- perform full-time work from **home or a satellite location** within NC

3 Temporary Compliance Relief

A. carry forward compliance obligations by one year

3 Temporary Compliance Relief

- A. carry forward compliance obligations by one year**
- B. have Project Employees working from home offices in North Carolina to be considered employed at the project facility**

3 Temporary Compliance Relief

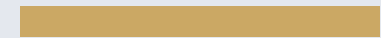
- A. carry forward compliance obligations by one year**
- B. have Project Employees working from home offices in North Carolina to be considered employed at the project facility**
- C. both**

JDIG PERFORMANCE



1 Few Projects Complete Their JDIG Terms

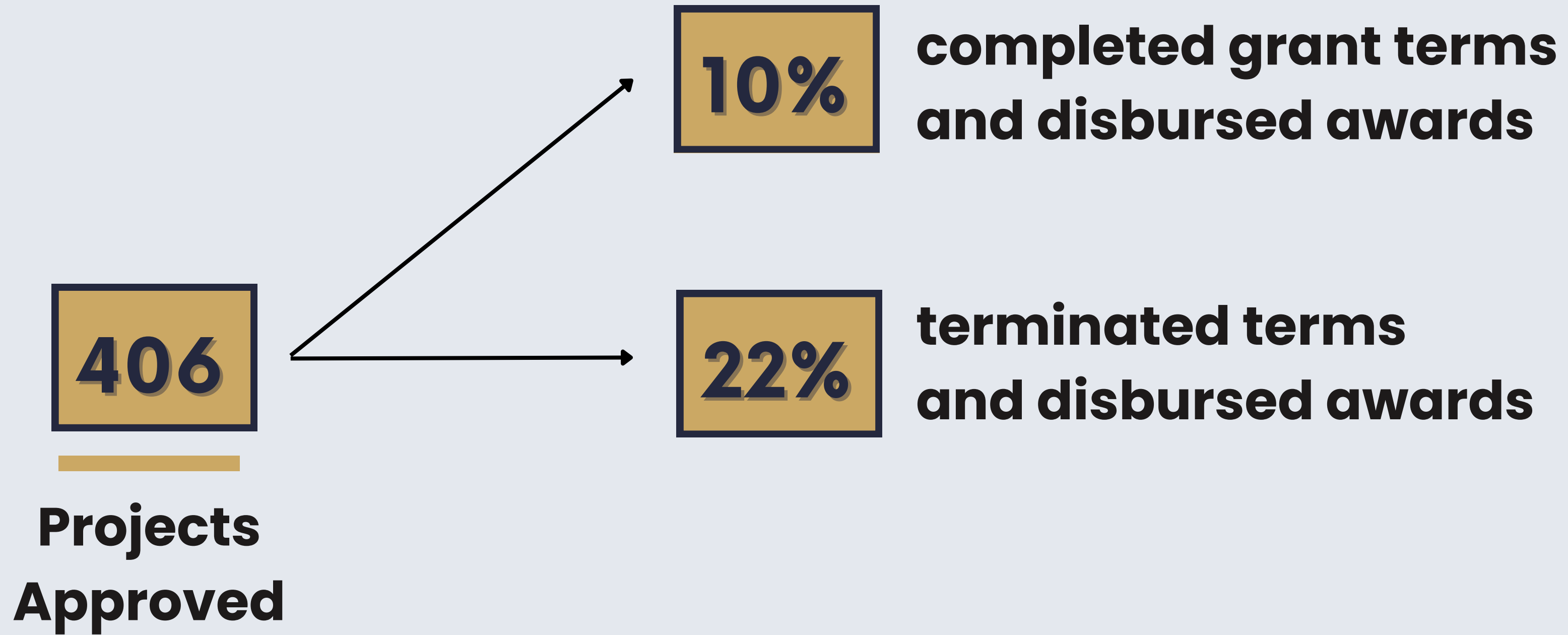
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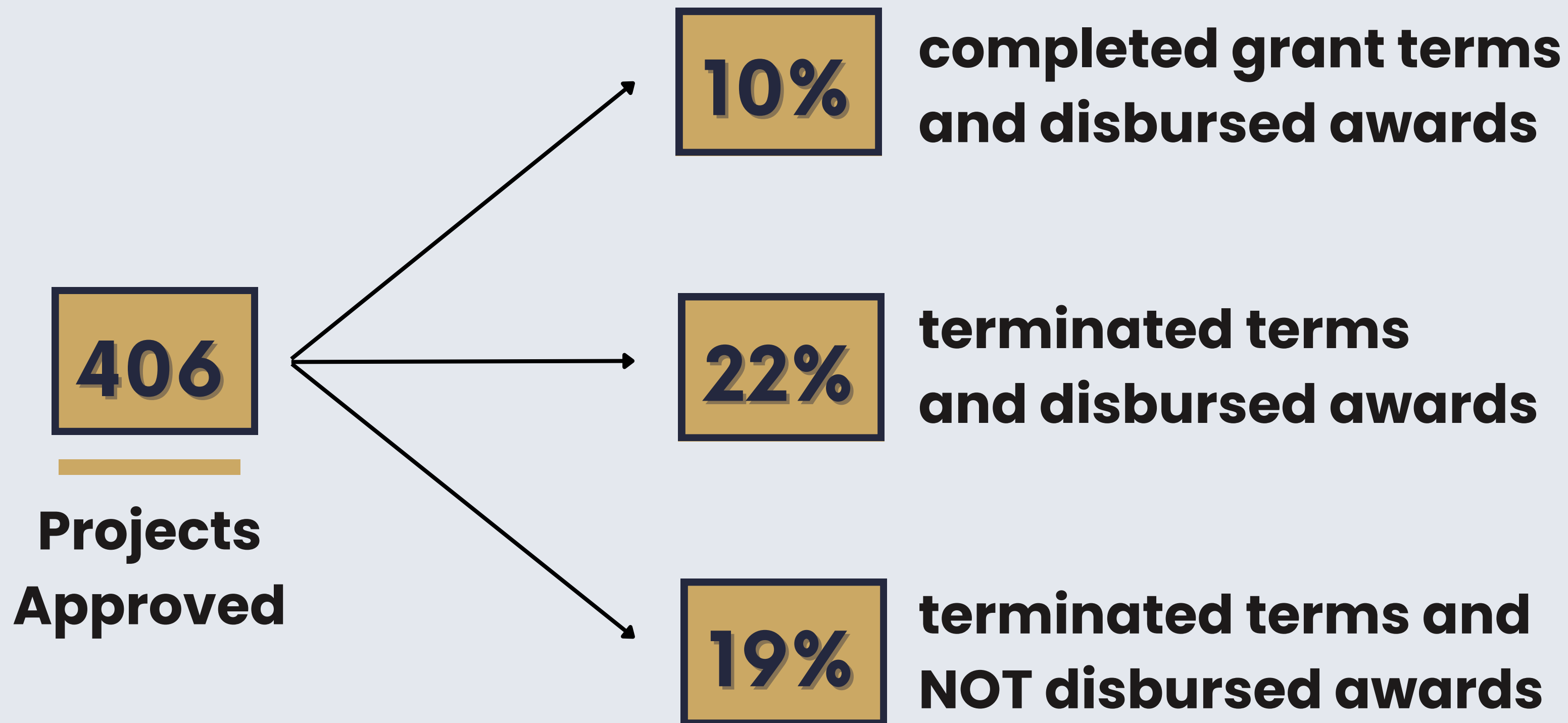


**Projects
Approved**

Source: NC DOC Economic Development Grant Report, 2023







2 Fewer JDIG Awards Disbursed During Covid-19

77

requested a carry forward

77

requested a carry forward

65

requested home office locations

77

requested a carry forward

65

requested home office locations

40

**requested a carry forward AND
home office locations**

3 2022 Had the Most JDIG Terminations

11 of 20

terminated projects were

OFFICE-BASED

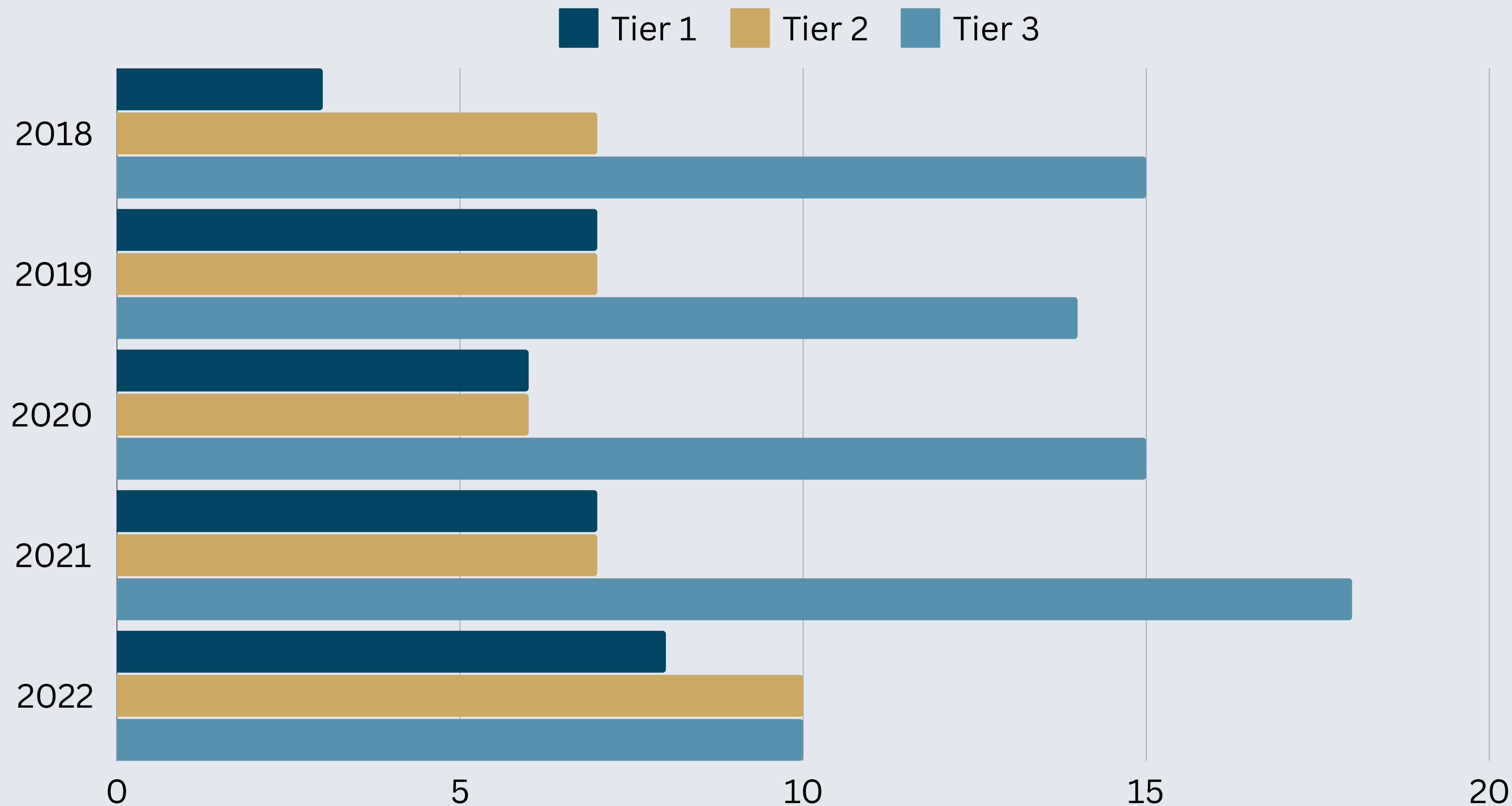
Arch Capital Services

Advance Stores Company

Centene

Conduent Business Services

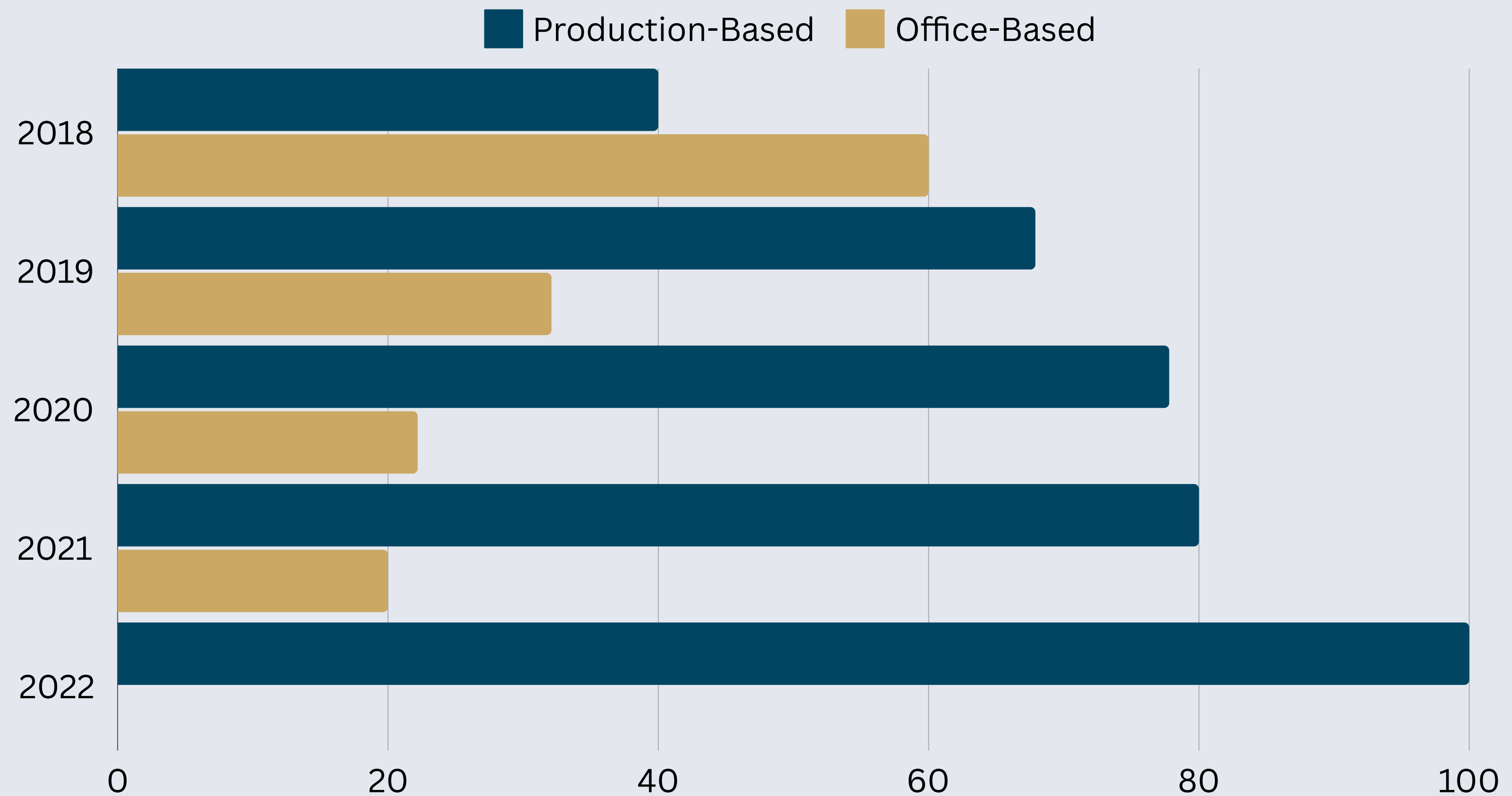
4 Tier 3 Projects are Generally the Most Awarded



Number of Projects Awarded a JDIG Grant By Tier

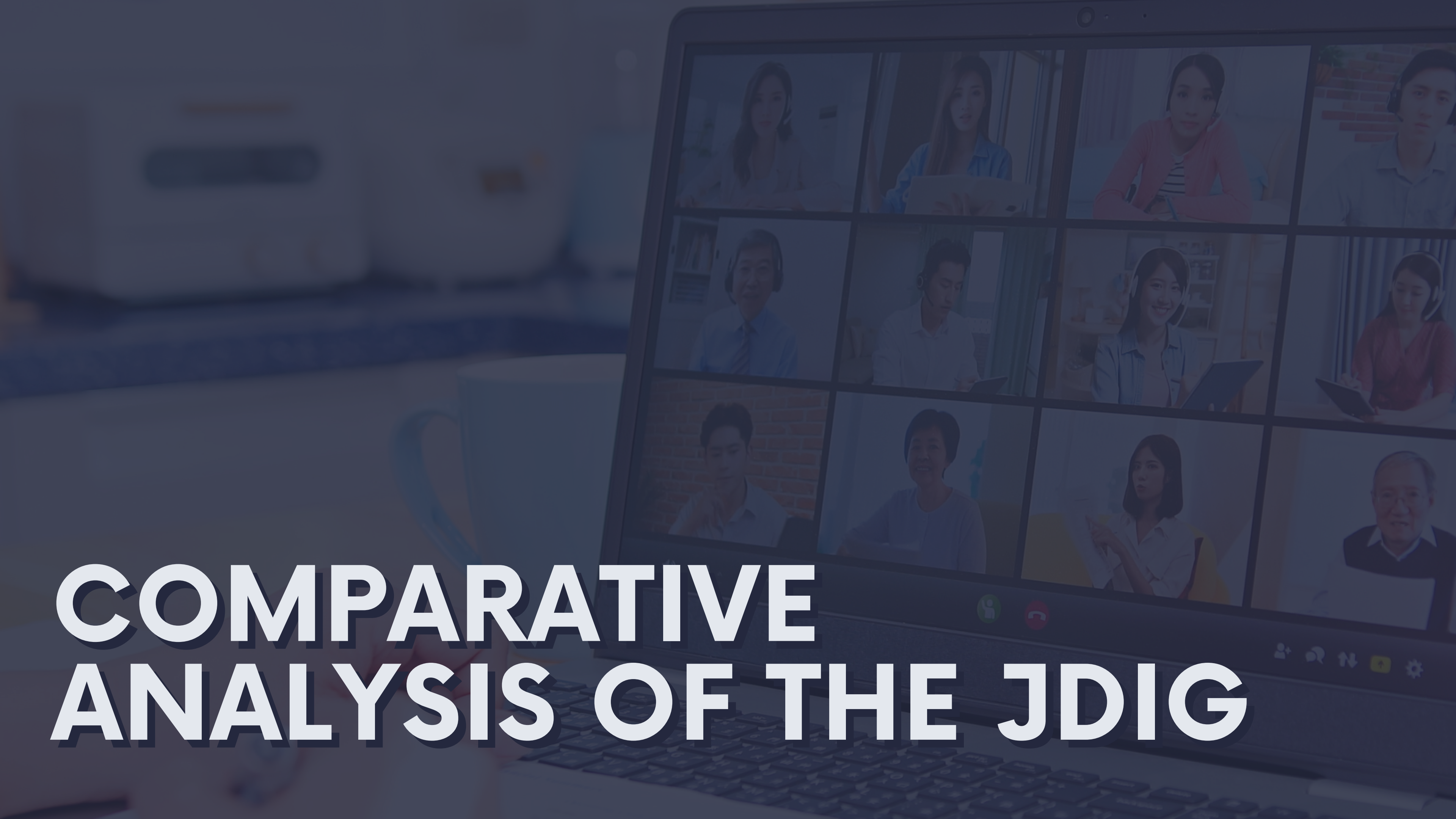
Source: NC DOC Annual JDIG Report, 2018-2022

5 Office-Based Grantees Have Declined



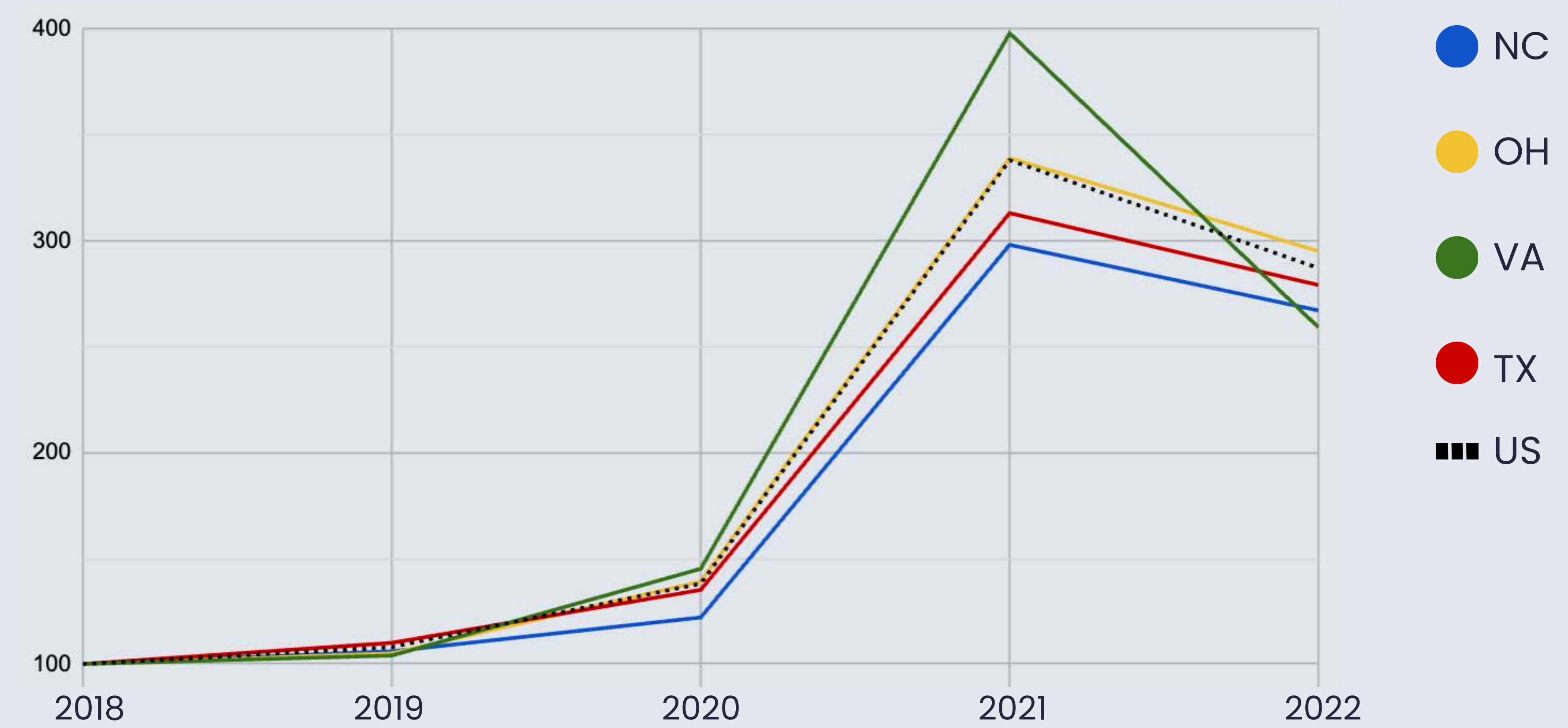
Percentage of JDIG Grantees

Source: NC DOC Economic Development Grant Report, 2023



COMPARATIVE ANALYSIS OF THE JDIG

Percentage of Workers of Worked from Home (Indexed)





OHIO

Economic Development Grant

THE EDG HAS 2 POLICY AIMS:

- 1 create net-increase in Ohio jobs**
- 2 make Ohio “the most business friendly state”**

1

TARGET INDUSTRIES

for newly created jobs

Advanced Manufacturing

Aerospace & Aviation

Automotive

Energy & Chemicals

Financial Service

Food & Agribusiness

Healthcare

Logistics & Distribution

Military & Federal

Technology

2

ELIGIBLE COSTS

for the EDG to be spent on

Land

Building

Machinery

Site Development

Relocation of Equipment

Planning Costs

Engineering

Software Development

Infrastructure

Leasehold Improvement

VIRGINIA

***VIRGINIA ECONOMIC DEVELOPMENT
INVESTMENT GRANT (VEDIG)***

THE VEDIG HAS 2 POLICY AIMS:

- 1 create net-increase in Virginia jobs**
- 2 enhance Virginia's economic competitiveness**

VEDIG REQUIRES:

- 1 job creation**
- 2 State investment**
- 3 infrastructure investment**
- 4 business competition**

BUSINESS COMPETITION

- new economic activity
- with revenue generated from outside the State
- active site competition with other states

AWARD DEPENDS ON METRO STATUS

**METROPOLITAN
STATISTICAL AREA**

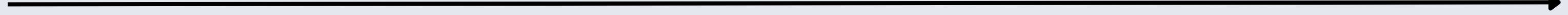
*Lower Awards,
Higher Job Creation*

**NON-METROPOLITAN
STATISTICAL AREA**

*Greater Awards,
Lower Job Creation*

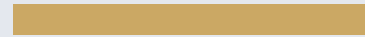


2017



2021

1 PROJECT



completed grant terms

\$0.79 ROI



per dollar spent

Source: Economic Development Incentives Evaluation Series, 2023

2 ACCOMMODATIONS TO REMOTE WORK

① 2019 STATUE REVISION

*allows in-state telework positions
to be counted towards awards*

2 SB 1418

waives or reduces financial prerequisites for telework projects

TEXAS

TEXAS ENTERPRISE FUND (TEF)

TEF REQUIRES:

- 1 job creation**
- 2 average wage**
- 3 infrastructure investment**
- 4 site competition**

TEF AWARDS DEPEND ON REGION TYPE

RURAL

Greater Awards

URBAN

Lower Awards



TEXAS

Different Circumstances

- 1 Past COVID Policies**
- 2 In-migration of Remote Workers**

DAILY NEWS

Word • Business • Finance • Lifestyle • Travel • Sport • Weather

Governor says "closing down Texas again will always be the last option" as coronavirus cases surge

CORONAVIRUS IN TEXAS

Texas Gov. Greg Abbott says "there is no shutdown coming" as coronavirus cases surge

A Remote Worker Migration

Reasons for in-migration:

- Low cost of living
- Low land and labor costs
- High quality of life

Who is moving?

- Remote workers
- People who live in expensive urban centers like NY and LA

TEXAS

TEXAS ENTERPRISE ZONE PROGRAM (TEZP)

1

HB 1515

expands radius from site for remote workers to be factored into awards

ON-SITE

50 miles

HYBRID

50 miles

REMOTE

BEFORE

ON-SITE

50 miles

HYBRID

50 miles

REMOTE

25 miles

promotes:

- **development** in less prosperous areas
- **employment** in less prosperous areas

AFTER

KEY TAKEAWAYS



1

**Remote Work Affects Incentive Performance
Among Office-Based Projects**



**JDIG's Remote Work Policy is Consistent With
Its Policy Goals**

A JDIG's Remote Work Policy is Consistent With Its Policy Goals

B The JDIG Offers a Loophole for Projects Hiring Remote Workers



JDIG's Remote Work Policy is Consistent With Its Policy Goals



The JDIG Offers a Loophole for Projects Hiring Remote Workers

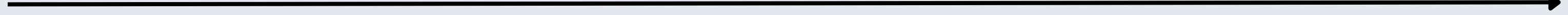


Texas' HB 1515 Attempts to Address the Location-Based Loophole

2

Incentive Uptake Shifted Towards Production-Based Projects as Remote Work Rose

2018



2022

100% DECREASE



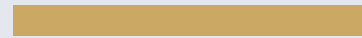
in Office-Based Projects

2018



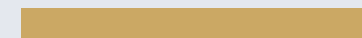
2022

100% DECREASE



in Office-Based Projects

12% INCREASE



in Total Number of Projects

3

Discretionary Grants are One Part of a Grander Incentive Strategy



infrastructure

**natural
resources**

The JDIG

**workforce
training
programs**

land

Lilly

**STEM
programs**

The JDIG

**local
labor
force**

transportation

RECOMMENDATIONS

1

**Modify the JDIG to Hold Grantees Accountable
to Local Job Creation**

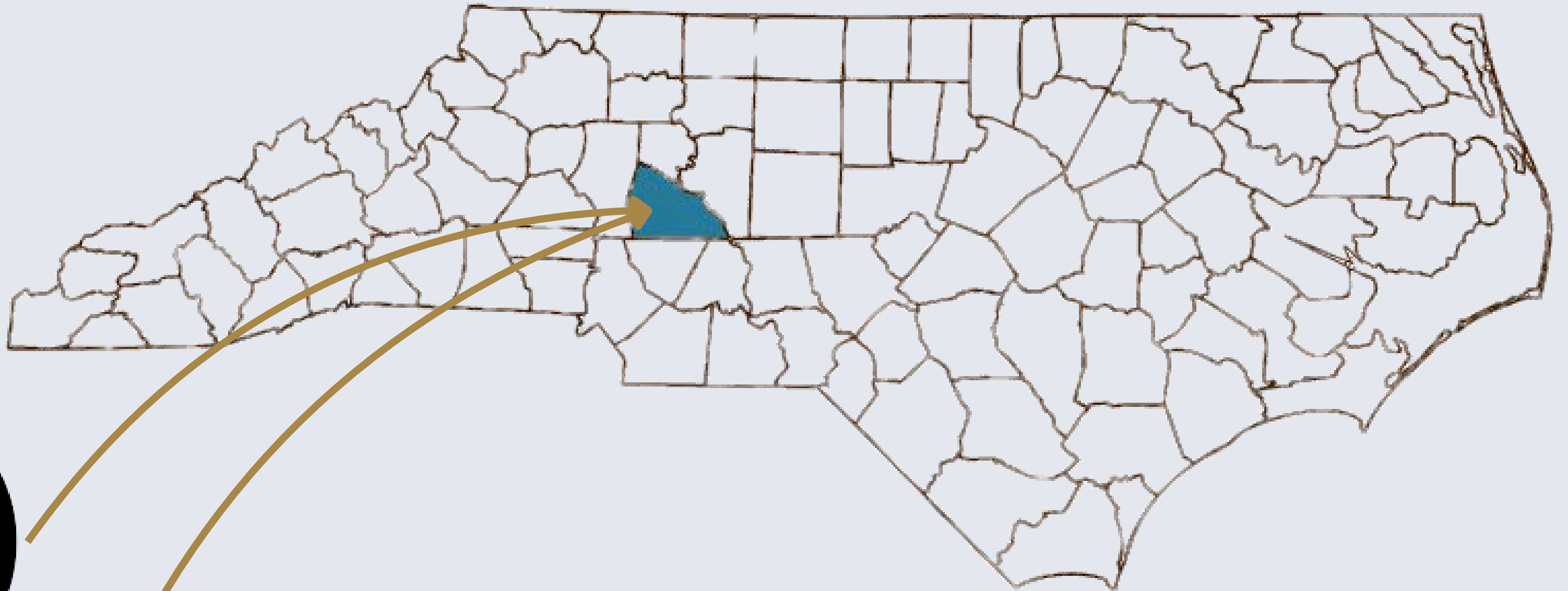
better promotes the Tier System's goal:

**“
encourag[ing] economic
activity in less prosperous
areas of the State.
”**

2

Recognize Remote Work as an Opportunity for Rural Revitalization

Rowan County





ASCEND

WEST VIRGINIA

**Remote Work Is
Leading To Better
Quality Of Life**

Thank You