

Debate Over Economic Development Tools Takes Center Stage During Another Abbreviated Week At The General Assembly

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For a second consecutive week, inclement winter weather thwarted the plans of legislators and lobbyists at the General Assembly. Heavy snow and ice accumulation throughout much of the state caused House and Senate leadership to cancel most of the last week's committee meetings and floor votes, putting off several pieces of already delayed legislation for another week. In addition to declaring a state of emergency, Governor Pat McCrory told the media that he would need to evaluate the state's costs of responding to recent storms before unveiling his proposed budget.

Before the snow arrived, the Joint Legislative Program Evaluation Oversight Committee heard a presentation from State Auditor Beth Wood last Monday about her recent audit of the state's information technology contracts. Wood explained to a room packed with legislators, lobbyists, and media that her audit uncovered significant inconsistencies between state agencies in terms of how IT contracts are reviewed and monitored. She also said she uncovered unenforceable state contracts that have cost the state millions of dollars in unperformed work and undelivered goods. Wood provided an example of one contract in which the state paid a vendor a hefty sum in 2010 but has yet to receive the contract's deliverables due to the governing contract being poorly written.

On the heels of House Democrats' Job Development Investment Grant (JDIG) bill filing last week, House Republicans filed their own economic development bill last Tuesday. House Bill 117 - The NC Competes Act, would raise the existing cap on JDIG awards by \$15 million through the end of 2015, partially replenishing the almost depleted fund. If enacted, the bill also would extend tax credits and refunds for qualifying datacenters and passenger airlines, but the bill did not make concessions for the recently expired film production and historic rehabilitation tax credits.

Last Wednesday, the Senate Finance Committee dedicated much of their meeting to reviewing the House proposal, raising serious questions about the effectiveness of the proposed economic development tools and their costs to the state. The committee also heard two presentations from staff about the history of economic development in North Carolina. Senator Bob Rucho, one of the largest critics of these programs in the past, said that the committee would devote additional time to reviewing House Bill 117 this week.

Senator Rucho has long preferred a simple, business friendly tax structure to draw businesses to North Carolina and even authored a significant tax overhaul for the state in 2013. Part of that tax reform legislation authorized reductions in the state's corporate income tax if specific state revenue collection thresholds were met. The 2013 legislation already has reduced corporate income tax rates from 6.9% in 2013 to the current 5%, but the General Assembly's Research Division reported to legislators that collections would likely not be sufficient to further decrease the rate to 4% for 2016 based on current projections.

Ward and Smith, P.A.'s Government Relations team is looking forward to a busy week of additional debate over economic development programs and the Governor's budget proposal this week. We will share updates on those and other legislative happenings in this Friday's blog post.

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