

## *Statutory Funds*

### **William S. Lee Act**

In 1996, the North Carolina General Assembly enacted the *William S. Lee Quality Jobs and Business Expansion Act* to help existing firms in North Carolina stay competitive by encouraging modernization and investment in new technologies; fostering new investment in North Carolina's economy, from both new and existing industries; and ensuring that economic growth reaches all people in all parts of the state, particularly distressed rural counties and high-poverty urban areas.<sup>156</sup> In addition, the Act sought to entice existing firms to enlarge their facilities in North Carolina—so as to expand the state's economy—as opposed to expanding and/or relocating to other states; specifically encourage businesses to locate or expand in Tier 1 and 2 counties; and, finally, to assist in making North Carolina companies more profitable as a result of the Act's tax incentives, further reasons for the companies to expand employment and investment in the state.

A detailed analysis of the Act's impact was carried out by the department, and these evaluations indicate that based on the tax credit incentives provided, qualifying companies secured tax concessions for expanding employment, training employees, modernizing machinery, equipment and facilities and/or performing incremental research and development. Companies that met the requirements of the program were then eligible to receive up to a 50 percent reduction of their North Carolina corporate income or franchise tax liability. The analysis also indicated that the program did encourage investment in economically-distressed areas of the state while promoting business activities sought by state policymakers. The program also was found to be equitable as any qualifying company was eligible to receive the tax concessions, whether existing or new, large or small, in-state or out-of state.

However, the report indicated that the incentive program had not been very effective in attracting new start-up businesses to the state. A majority of the companies that took advantage of the Act were businesses already established in North Carolina. Importantly, the report also noted that there was no evidence that the expansion activities at these companies would not have taken place without the enticement of the concessions granted under the Act.

In conclusion, the analysis noted the following regarding the *William S. Lee Act*:

- » It helped firms stay competitive by encouraging modernization and investment in new technologies;
- » It encouraged investment in the North Carolina economy from both new and existing industries; and
- » It fostered economic growth that percolated to all parts of the state, particularly rural counties and high-poverty urban areas.

### **Job Development Investment Grant Program**

In the fall of 2002, the General Assembly in North Carolina added another tool to its arsenal to retain and recruit business activity in the state. The Job Development Investment Grant (JDIG) program was intended to function as a “flexible, selective, targeted and substantive incentive that can provide front-end monies to induce significant business expansions and new projects.”<sup>157</sup> Once the company meets the stipulated conditions, the statute authorizes JDIG awards from 10 percent to 75 percent of withholdings for eligible positions with a term of up to 12 years. The program became effective in January 2003.



# THE AUTOMOBILE INDUSTRY IN OKLAHOMA

## Overview

While Oklahoma does have an automobile manufacturing facility, the General Motors plant in Oklahoma City, the state's prominence in the automobile sphere is in tire production. Specifically, Oklahoma is the largest tire producing state in the country, with all the major players maintaining a significant presence in the state. In addition, the state has a series of parts suppliers that maintain operations across the state.<sup>158</sup>

As indicated, almost 5 percent of the state's workforce is employed directly in either the automobile industry or in a job dependent on the auto industry.

### State Facts

Percent of Total Workforce	5
Direct Employment	13,300
Auto-Related Employment	26,800
Auto-Dependent Employment	73,400
Wages	\$2.2 Billion
New Vehicle Dealerships	300
Dealership Annual Sales	\$8.3 Billion
Production Facilities	1
Vehicles Produced	60,177
New Registrations	182,381
Registered Vehicles	3,014,491
Publicly-Owned Vehicles	72,667
Licensed Drivers	2,295,000
Total Miles Driven	43.3 Billion

Source: 2002 Ward's Motor Vehicle Facts & Figures

### Details on Oklahoma's Auto Industry

The most significant player in the state's automobile scenario is the General Motors assembly plant, established in 1979, located in Oklahoma City. In calendar year 2001, this 3 million square foot plant manufactured 60,171 Chevrolet Malibu vehicles. In the following calendar year, the plant produced 77,637 Chevrolet Trailblazers and 43,060 GMC Envoy vehicles.<sup>159</sup> While the facility employs 3,400 workers, General Motors secured an ad valorem tax exemption in 2002 as part of an incentive package provided by the state. In 2001, General Motors also initiated an \$800 million expansion project.

The other major assembly operation in the state concerns AmTrans of OK (Navistar) which manufactures school buses. Established in Tulsa in 2001, the company currently has 1,550 employees. While this facility's initial investment extended to \$45 million,

the company qualified for state assistance under the *Quality Jobs Program* in 2001.

As noted, a number of auto parts suppliers maintain their manufacturing operations within the state. Some of these suppliers include:

- » ASEC Manufacturing, a company established in 1973 and located in Tulsa that manufactures catalytic converters and employs 500 persons;
- » BorgWarner Air Fluid Systems, Inc., yet another company established in 1973 (located in Sallisaw) that produces automotive oil and emission control air pumps and employs 300 persons;
- » Inalfa Roof Systems, a company set up in Oklahoma City in 2002, with an initial investment of \$6.75 million, that manufactures modular auto roof systems for the General Motors plant. (This facility employs 86 persons.);
- » Logistics Insights Corporation, another Oklahoma City-based company, supplying the General Motors facility (established in 2002), with an employee count of 100 persons; and
- » Textron Automotive Inc, a company established in 1999, in Oklahoma City, that assembles auto dashboards. While the company's initial investment was \$2 million, it employs 75 persons.

## **Tire Manufacturing**

As indicated previously, Oklahoma produces more automobile tires than any other state in the United States. This has resulted in the three major tire manufacturers all maintaining impressive facilities in Oklahoma City (Bridgestone/Firestone); Lawton (Goodyear Tire & Rubber); and Ardmore (Michelin North America).

The earliest facility was set up by Bridgestone/Firestone Inc. (Dayton Tire) in 1969, and this plant manufactures tires for passenger cars and light trucks. While the facility retains 1,800 employees, in 1992, the company injected \$28 million in additional investment to boost production.

Michelin North America was established next, in 1970. In February 2003, the company announced plans to augment its investments at its Ardmore, Oklahoma, tire manufacturing facility with an additional capital investment of \$144 million.<sup>160</sup> The decision to enhance the plant's capacity for producing larger tire sizes brings its total anticipated investment to \$200 million. While Ardmore, Oklahoma, competed vigorously for this additional capital investment with a number of other Michelin production facilities across the world, the 75,000 square foot expansion will be built by the Ardmore Development Authority and then leased to Michelin upon completion. (The plant currently covers an area of 1,500,000 square feet and has 1,841 employees.) The plant manufactures radial passenger and light truck tires for the original equipment as well as replacement markets. Michelin North America is headquartered in Greenville, South Carolina, and employs 24,640 individuals worldwide. Its Ardmore site is one of 22 plants in 18 locations.

Goodyear Tire & Rubber Company set up its Oklahoma facility in 1979 in Lawton. In 1992, the company implemented an expansion program estimated at \$8 million and, then more recently, announced plans to begin the largest single plant modernization effort in the company's history at its Lawton facility.<sup>161</sup> The \$250 million expansion will result in 100 new hires in the Lawton area. It will also increase the plant's ability to produce higher value-added tires and to utilize the company's new IMPACT tire manufacturing technology. The company's Lawton plant is considered one of the best and most productive in its worldwide system. Current employment at the plant amounts to about 2,500 employees. In 2002, the company took advantage of economic incentives passed during the legislative session and could receive between \$30 million and \$35 million.