



# 10 Strategies for Rural North Carolina's Future

Rural North Carolina has a bright future. To secure it, the N.C. Rural Center puts forward 10 strategies that must guide our action today and be the measure of our success going forward. We must make measurable and sustainable advancement in all 10 strategic areas to fully realize economic potential for our rural communities and citizens.

We seek a collaborative and leveraged effort that focuses the resources of federal, state and local government; that seeks the engagement of the philanthropic, private business, nonprofit and faith-based sectors; and that engages rural citizens in the realization of rural prosperity for the 21st century.

## The first five strategies provide the foundation for success:

1. Vigorously advocate for innovation in education and workforce development
2. Stabilize and transform rural health
3. Expand accessible and affordable high-speed fiber broadband
4. Accelerate modernization of essential rural water and wastewater infrastructure
5. Expand and upgrade transportation and natural gas infrastructure

## Building upon a solid foundation, we can then focus on our best opportunities for new rural job creation:

6. Invest in stronger entrepreneurship and small business development systems
7. Strengthen homegrown manufacturing
8. Develop opportunities for agriculture and natural resources, including biotechnology and value-added food processing

## The final two organizational strategies focus on how we will accomplish the work we need to do:

9. Enhance regional collaboration and partnerships
10. Stabilize and leverage rural development funding, capacity building and technical assistance



The Rural Center stands ready to partner with leadership organizations in the state and to engage in effective, innovative strategies that sustain and enhance economic growth and the quality of life in rural North Carolina.

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# 1 Vigorously Advocate for Innovation in Education and Workforce Development

## VALUE PROPOSITION

Educated people with resilient, adaptive skills living in educated places with strong, collaborative institutions are required for rural North Carolina to prosper in the 21st century. In a fast-paced global economy, our educational institutions and workforce systems must strive to adapt and integrate. Fortunately, rural North Carolina's assets include K-12 public schools, a community college system with a broad rural presence, strong public and private colleges and universities, a dynamic network of workforce development boards and a sophisticated array of workforce development strategies. Combined, these assets offer the foundation on which to build increasingly competitive rural communities with the capacity to secure and retain quality jobs.

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### To make a difference, we must:

#### **Support expansion of rural educational and training innovation.**

We must bring to scale classroom innovation by expanding Science, Technology, Engineering and Math (STEM) programs, such as those being demonstrated by N.C. New Schools and explored by the N.C. State Board of Education. We should expand the Early College program to fundamentally change the pathway from high school to higher educational attainment, and we should support rigorous core standards in our public schools, including public charter schools.

#### **Reclaim rural work resiliency.**

Employers want employees with practical skills. Through project-based learning, every student should be taught basic business and personal finance principles and the abilities required to work independently or in teams. Rural students also need the skills to be entrepreneurial. Combined, these attributes will instill an ethic of lifelong learning and critical thinking that will make for a more resilient, work-ready workforce. Mentorships, work/study opportunities and job-training programs for at-risk youth and young adults, together with apprenticeships, should all be utilized more effectively and coordinated with local businesses and chambers of commerce.

#### **Support rural schools and teachers.**

Schools are the heart of rural communities, and rural students need and deserve the best teachers. We must advocate for recruitment, retention and professional development strategies that correspond to the challenges in rural communities.

#### **Enhance choice through career pathways.**

Every rural student deserves a chance to thrive, whether through a curriculum designed for a four-year college pathway, or a vocational pathway that requires intensive technical training for high-demand occupations. By improving the links among high schools, community colleges, university faculty, counselors and potential employers, rural students will have a greater variety of career pathways open to them. We applaud recent state funding that places an emphasis on this, and we encourage its long-term expansion.

# 1 Vigorously Advocate for Innovation in Education and Workforce Development



## **Advocate for increased effectiveness of rural education and workforce institutions.**

Strengthening community colleges, regional workforce development boards and NCWorks will more effectively serve rural North Carolina.

## **Encourage exploration of new models to make community college accessible and affordable.**

High school diplomas will not be enough to equip today's workers with the skills they will need to lead productive, financially sustainable lives. The goal of every citizen should be educational attainment beyond high school. We should explore every model and practice, including transportation and day-care support, to encourage higher rates of educational attainment for our rural citizens. We must advocate for expansion or restoration of key federal programs, such as year-round Pell Grants for eligible full-time students, which are especially important for adults attending community college.

## **Encourage institutional collaboration.**

Flexibility and collaboration among educational systems at all levels must be a high priority. Assets across these systems should be more readily deployable in ways that reduce costs and the need for replication. Deeper collaboration is required to offer new platforms for online learning. Furthermore, the UNC System, our private colleges and universities, and the N.C. Community College System have strong, diverse engagement strategies that benefit rural North Carolina communities in many ways. Shared learning on best practices in engagement strategies can lead to more effective collaboration that better serves rural North Carolina communities.

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## BACKGROUND

### **Education levels**

Rural North Carolina's graduation rates have improved steadily since 2000.

- > 18 percent of rural North Carolinians over the age of 25 have less than a high school degree
- > 32 percent have a high school degree
- > By comparison, 34 percent of adults in regional city/suburban counties have a high school degree; 31 percent in urban counties do
- > 18 percent of rural adults have a bachelor's or advanced degree; 32 percent have either an associate's degree or some college experience

### **Poverty and near poverty**

In rural North Carolina, 20 percent of the population — 788,718 people — lives in poverty. An additional 489,000 people have incomes between 100 and 150 percent of the poverty income. Taken together, nearly 33 percent of rural North Carolina's population is either in poverty or just above it.

### **Uncertainty of future labor demand**

The February 2016 Institute for Emerging Issues forum highlighted the uncertainty surrounding technology's role in job loss or creation.

### **Rural Broadband**

All of North Carolina's K-12 schools and community colleges have access to high-speed fiber through the MCNC fiber network. Specialized educational content is available. Classrooms need wireless access and students need affordable fiber-quality broadband into their homes for rural North Carolina to maximize broadband as an educational asset.

### VALUE PROPOSITION

The health of an individual is tightly woven with the health of their community. Health indicators and capacity are both symptoms and drivers of economic vitality. Employers need a healthy workforce. Rural citizens need access to high-quality health professionals and institutions. Quality healthcare providers contribute greatly to the quality of life of existing residents, and access to health care and services is essential to attracting new residents, new business investment and good jobs. Informed rural leaders can increase the state's understanding of our rural health challenges. Stabilizing and transforming the rural health system will require serious changes in how rural North Carolinians manage their own health.

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#### To make a difference, we must:

##### **Facilitate the rural transition to accountable care communities.**

The N.C. Rural Health Leadership Alliance, inclusive of public leadership within the N.C. Department of Health and Human Services and the N.C. Office of Rural Health and Community Care, should implement a targeted demonstration initiative in several regions of diverse rural counties. Results will guide the development and implementation of strategies that deliver better health outcomes, such as coordinated telehealth and enhanced primary care facilities. The goal is to deliver the right treatment, at the right time and at a lower cost.

##### **Strengthen local, state and federal efforts to reduce opioid and methamphetamine drug addiction.**

Addiction from these drugs is a national crisis with particular rural health implications. We should continue to assess the progress of Project Lazarus<sup>1</sup> and other proven programs — whether public, private or faith-based — that are aimed at stemming prescription drug addiction. We should support federal and state programs for early detection, effective law enforcement strategies and first-responder training, and advocate for increased resources to address substance abuse and addiction.

##### **Stabilize rural health system revenue.**

Access to health care services is threatened. Reducing uncompensated care and further expanding the patient mix to include additional Medicare and Medicaid patients along with those who have private insurance, will provide a stronger balance. This should be accomplished either through an expansion of the federal Medicaid program or through the implementation of an effective state-based alternative plan. Time is of the essence if rural North Carolina's health systems are to stabilize revenue.

##### **Support the establishment of the N.C. Rural Health Leadership Alliance as the new state chapter of the National Rural Health Association.**

North Carolina was the first state in the nation to establish an Office of Rural Health. Now every state has one. The National Rural Health Association is the national leader on rural health advocacy, education, communications and research. Most states now have state chapters of NRHA. North Carolina should establish a state chapter through the N.C. Rural Health Leadership Alliance.

# 2 Stabilize and Transform Rural Health



## BACKGROUND

Our national health system is rapidly changing and innovating, which is disrupting long-established ways of doing business. We are experiencing an historic shift from a post World War II fee-for-services model to a payment system based on health outcomes. Market forces and policy decisions are transforming health platforms that have been stable — though arguably inefficient — for generations. Health care systems must measure and reward keeping people healthy as opposed to measuring expenditures or the number of rural hospital beds. What is evolving is an “accountable care system.” The transition will not be easy, especially for rural communities.

The graying of rural North Carolina is one of its most distinguishing characteristics, having profound consequences for rural health systems. In rural North Carolina, 18 percent of the population is age 65 or older, compared with 15 percent of the North Carolina population as a whole. In addition to a native population that is aging in place, many rural communities are attractive to retirees from North Carolina cities, as well as other states. The state now has a Certified Retirement Community Program, an economic development niche that some communities are pursuing.

An ominous health threat has emerged: opioid drug addiction. Opioids are a class of drugs common to prescription painkillers. Medication-related overdose deaths have increased 300 percent since 1999.<sup>2</sup> Consumption, prescription overuse and the illegal manufacturing of methamphetamines are each increasing rapidly across the country, and in rural areas in particular. Reports suggest that 30,000 people a year are killed by overdoses — there was a 28 percent increase in these deaths between 2013 and 2014.

Effectively transitioning to an accountable care model requires new financing and reimbursement structures, especially if we are to keep our current rural hospitals on sound financial footing. Three rural hospitals have closed in North Carolina in the past year. Nationally, there are 673 rural hospitals vulnerable to closure, with 16 of those in North Carolina. Many of the most vulnerable hospitals are in states that have not expanded Medicaid under the Affordable Care Act or have not adopted a state-based alternative plan.<sup>3</sup>

Rural Center analysis of research<sup>4</sup> on the economic consequences of Medicaid expansion estimates that the 80 rural counties will generate \$5.6 billion of additional economic impact, and \$46 million in local tax revenue between 2016 and 2020. Other states have commissioned similar economic impact analysis that also found significant economic impact.<sup>5</sup> North Carolina must come to terms with either accepting an expanded federal Medicaid program, or adopting an effective state-based alternative plan. Failing to do so will have profound long-term economic consequences for rural health systems and every rural citizen. The Rural Center must monitor the effort by the state to restructure Medicaid, ensuring the impact on rural communities is being carefully evaluated and addressed.

<sup>1</sup> Project Lazarus is a private nonprofit effort that formed in Wilkes County in 2008 to address the county’s extremely high overdose death rates. The project is now a statewide effort through a partnership with Community Care of North Carolina.

<sup>2</sup> Dellapenna, Jr., Alan and Proescholdbell, Scott. North Carolina’s Response to the Drug Overdose Epidemic. NC Division of Public Health. 2014.

<sup>3</sup> Rural Relevance — Vulnerability to Value: A Hospital Strength Index Study. iVantage Health Analytics. 2016.

<sup>4</sup> The Economic and Employment Costs of Not Expanding Medicaid in North Carolina: A County-Level Analysis. Center for Health Policy Research, The George Washington University. 2013. Funded by the Cone Health Foundation and the Kate B. Reynolds Charitable Trust.

<sup>5</sup> Kentucky commissioned the financial analysis firm DeLoitte. The Rand Corporation conducted the analysis for Arkansas.

# 3

## Expand Accessible, Affordable High-Speed Fiber Broadband

### VALUE PROPOSITION

Access to reliable and affordable high-speed Internet service is essential to business development, education and day-to-day life in today's global economy. Without it, rural North Carolina cannot benefit from advances in telemedicine, public safety and K-12 education, including the use of digital textbooks. North Carolina, including the rural parts of our state, is exceptionally well-positioned to leverage a robust middle-mile fiber network that already connects many of our vital anchor institutions, and to improve broadband access to more rural businesses and residential customers. Rural communities should have the ability to maximize every opportunity to extend affordable fiber broadband within their communities.

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### To make a difference, we must:

#### **Raise the speed standard for federal investments in rural broadband.**

Current standards for federal funding require only a minimum 10 mbps download speed. This is low by current national standards and risks putting rural communities and businesses at a competitive disadvantage. We urge the FCC to raise its standard to 25 mbps minimum download speed, which is the standard that the U.S. Small Business Administration sets as the minimum required for workers to telecommute.

#### **Leverage federal investments to expand rural fiber.**

We encourage North Carolina to invest at least \$10 million annually to incent carriers who accept Connect America Funding from the FCC to deploy as a top priority at least 25 mbps download fiber to homes and businesses. Where current providers/recipients of CAF funding are not able or willing to provide fiber service, rural communities should have the opportunity to explore the interest of other qualified private or nonprofit providers to do so.

#### **Continue to prioritize the connection of anchor institutions to higher-speed broadband, particularly our public libraries.**

The MCNC middle-mile fiber network is a remarkable accomplishment that distinguishes North Carolina from other states. It already connects major anchor institutions: public universities, community colleges, public schools, most public health departments and many rural hospitals. Excess capacity exists, and we should seek ways to leverage this network to extend last-mile fiber to more underserved places. Public libraries are a primary access point for many in our rural population who either do not have or cannot afford home broadband service, and they should be a priority for increased levels of connectivity.

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# 3 Expand Accessible, Affordable High-Speed Fiber Broadband



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## BACKGROUND

- North Carolina is the 17th most connected state in the nation. However, statistics also show that subscription rates don't mirror the availability, and where available, rural areas lag urban areas in utilization.
- 13 percent of the population lives in underserved areas that are almost exclusively rural, yet some of the cities in North Carolina with the fastest broadband speeds are rural communities, including Wilkesboro, Manteo and Roanoke Rapids.
- There are 1.1 million North Carolinians who have access to only one wired provider, leaving them no competition in pricing or accessibility.
- 235,000 mostly rural North Carolinians live in homes without access to any wired Internet providers.
- 91.2 percent of North Carolinians have access to wired broadband 25 mbps or faster, 22.4 percent have access to broadband 100 mbps or faster, and 6.1 percent have access to 1 gigabit broadband.
- Since 2010, \$120.7 million has been awarded to broadband infrastructure projects in North Carolina. This accounts for 3.5 percent of all federal infrastructure grants.
- The U.S. Small Business Administration states that the minimum requirement for telecommuting is 25 mbps download speed, with 50 mbps preferred. High-speed, fiber-based broadband is a necessity for all parts of North Carolina, including our rural areas.

# 4 Accelerate Modernization of Essential Rural Water and Wastewater Infrastructure

## VALUE PROPOSITION

The presence of quality, affordable and safe water and wastewater systems is a foundational requirement for a prosperous rural North Carolina. Like any asset, water infrastructure must be acquired, operated, maintained and eventually replaced. The local governments that own these systems are responsible for funding their fair share, but they must also have access to federal and state funding streams that are supplemental, predictable, accessible and reliable. Federal and state agencies provide long-term financing tools that help ensure quality, affordable and safe water and wastewater services for rural North Carolinians.

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### To make a difference, we must:

#### **Clearly define the state's role in funding rural water infrastructure.**

Smaller, less densely populated communities lack the customer base to solely fund the replacement of aging water infrastructure. Yet the needs of the community still exist and growth is limited without well-maintained and functioning systems. Long-term funding must be stabilized. Rural localities need up-to-date, long-term capital improvement plans and cannot succeed unless they can count on the state as a partner.

#### **Make the water infrastructure allocation from the Connect NC Bond count.**

Monitor demand for and deployment of Connect NC Bond proceeds that are designated for water infrastructure improvements. The \$309 million is a critical contribution, and we must be certain that it is having maximum impact.

#### **Create regional economies of scale that will benefit everyone.**

Encourage, incentivize and monitor our progress toward the regionalization and consolidation of rural water and sewer systems, including the potential for privatization in some places.

#### **Plan for the future.**

Anticipate the needs of a growing state and monitor the increasing demands that growth will place on finite water resources. Encourage water efficiency efforts such as water retention, water reuse, groundwater recharge, careful inter-basin transfer planning, and other practices that focus on water supply.

#### **Promote and expand best practices.**

Support the delivery of training and technical assistance to those who own and manage rural water and sewer systems.

#### **Leverage federal and state resources to create greater impacts.**

Encourage alignment of USDA Rural Development funding programs and state-appropriated funding programs for more effective leverage.



# 4 Accelerate Modernization of Essential Rural Water and Wastewater Infrastructure



## BACKGROUND

- North Carolina is served by approximately 535 public water systems and 409 public sewer systems, the majority of which are rural. These systems are generally owned by local governments and lack the customer base and economies of scale that allow larger systems to finance their own maintenance.
- North Carolina needs approximately \$15 billion to meet water and wastewater demands through 2030, putting it in the top third of the nation in terms of needs.
  - > N.C. ranks 9th based on \$10 billion in water system needs
  - > N.C. ranks 13th based on \$5.2 billion in wastewater system needs
- According to the 2015 State Water Infrastructure Authority Annual Report issued by the N.C. Department of Environmental Quality, the replacement of aging infrastructure is our state's most pressing issue: "The degradation of existing assets in this state is occurring to a point that is beyond a practical means to resolve them."
- In 2013, North Carolina's local governments carried \$8 billion in water and sewer debt, constituting 25 percent of all outstanding local government debt. The state's two largest municipalities own one-third of that debt. The amount of debt per customer served is much higher for smaller local governments. Local government water and sewer debt is now \$1 billion higher than it was in 2009.
- Grants and principal forgiveness are important components of the total financing picture. The per capita costs of building, operating and maintaining systems is significantly higher for rural systems. Grants or principal forgiveness, in combination with loans, allow rural systems to modernize degrading infrastructure and maintain services at rates their customers can afford.
- North Carolina appropriates approximately \$10 million per year as the state's match for federal EPA revolving-loan dollars. Half of North Carolina's allocation for the Small Cities Community Block Grant Program, approximately \$25 million, is designated for water and sewer infrastructure.
- Present demand for project funding would require 300 percent of available finances in any given recent year. In 2015, the state Division of Water Infrastructure received \$601 million in requests for \$218 million in funds. We believe this demand is the tip of the iceberg.
- North Carolina's water supply is largely located in rural areas. The state is growing rapidly and this growth is highly concentrated in the state's urban/suburban corridor. Now more than ever, regional cooperation between rural and urban communities is essential to assuring dependable, affordable and safe water supplies for everyone. Water is a finite resource, and North Carolina, a traditionally water-rich state, will need to be proactive in understanding the long-term trends and issues as more and more demands are placed on our water resources.

### VALUE PROPOSITION

Safe, efficient roadways are a fundamental requirement for thriving rural communities. The creation of new transportation routes and the maintenance of current ones is a long-term commitment that cannot waiver or diminish. Natural gas is emerging as the cheapest source of energy to fuel economic development, particularly in the manufacturing sector, and its expansion in rural North Carolina is required to create new competitive advantages.

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#### To make a difference, we must:

##### **Build a world-class highway system.**

North Carolina must continue its commitment to maintain our extensive primary and secondary highway system. Major progress was made in the last session of the N.C. General Assembly to significantly increase the level of transportation funding for the next several years. Further expansion and new federal investments will inspire regional collaboration and have economic development benefit. Rural leaders must constantly evaluate local and regional needs and communicate priorities to state leaders.

##### **Strengthen freight-rail infrastructure and multi-modal hubs.**

Through public/private partnerships, freight rail and multi-modal hubs can be a critical component for economic advancement. A new hub would contribute to competitive advantages in rural eastern North Carolina.

##### **Expand natural gas infrastructure to maximize competitive advantage.**

Natural gas production is high and prices are low. The ability of rural businesses to compete and survive may depend on extending natural gas distribution lines to critical business locations. We support efforts to explore rapid-response options for industries in need of natural gas access, to map the natural gas distribution network and to determine expansion corridors.

# 5 Expand and Upgrade Transportation and Natural Gas Infrastructure



## BACKGROUND

- North Carolina has the second largest state-maintained highway system in the nation, with nearly 80,000 miles of roads — 65,000 of which are secondary roads.
- North Carolina’s 25-year transportation plan notes, “overall funding levels for investment in infrastructure are insufficient.” There is a growing gap between current infrastructure needs and future needs, and there is decreased revenue to close this gap.<sup>1</sup>
- Transportation funding was a major focus of the 2015 budget debate, with the legislature eventually adding more than \$1.1 billion over the biennium. The legislature increased allocations to the bridge, contract resurfacing, pavement preservation and secondary road maintenance and improvement funds by a total of \$189 million in FY15-16 and \$216.4 million in FY16-17.
- An addition of \$10 million to the Shallow Draft Navigation Channel and Dredging Fund will benefit coastal commercial and recreational fishing interests. In addition, \$70 million has been appropriated for port improvements in Morehead City and Wilmington.
- The General Assembly also appropriated an additional \$2 million to the Rural Capital Grant Program for public transportation. The overall budget for the Public Transportation Division is \$88 million. We support the development of more efficient management and regulations for public transportation services in rural North Carolina.
- Rural economic development opportunities will be considerably better with multi-modal hubs where rail and truck transportation leverage one another and facilitate shipping in and out of North Carolina’s ports. This substantially increases the export capacity for all North Carolina businesses. The state should prioritize working with CSX and relevant local governments to select a suitable site in rural Eastern North Carolina.
- America has significantly increased its production of natural gas, which in turn has created lower prices. Companies in urban areas with access to natural gas have a competitive advantage over companies that do not. North Carolina has a history of supporting natural gas expansion, both through a \$144 million natural gas expansion fund and the 1998 Clean Water and Natural Gas Critical Needs Bond Act, which authorized the issuance of \$200 million in bonds for three projects. As of 2014, only four counties — Alleghany, Clay, Cherokee and Graham — did not have a natural gas franchise, though there are also other counties that do not have extensive coverage.<sup>2</sup> The Industrial Development Fund Utility Account grant program is also used periodically for specific economic development projects. Since the inception of the N.C. Rural Infrastructure Authority in 2013, \$2.5 million in grants were awarded for four projects. In addition, the Expanded Gas Products Service to Agriculture Fund provides grants to pay excess infrastructure costs for projects that meet specific guidelines.

<sup>1</sup> Governor McCrory’s 25 Year Vision for North Carolina: Mapping our Future. 2014

<sup>2</sup> Report of the Public Utilities Staff, North Carolina Utilities Commission to the Joint Legislative Commission Government Operations. Analysis and Summary of Expansion Plans of North Carolina’s Natural Gas Utilities and the Status of Natural Gas Service in North Carolina. April 29, 2014.

# 6 Invest in Stronger Entrepreneurship and Small Business Development Systems

## VALUE PROPOSITION

Communities realize job creation in three ways: recruitment of new enterprise from outside the community, retention of existing enterprises within the community by understanding what they need in order to grow, and the creation of new enterprises through entrepreneurship. The public economic development conversation focuses 90 percent of its attention on recruitment. Yet recruitment accounts for only 1 to 4 percent of total job creation each year. Comparatively, 87 percent of private-sector jobs created between 1995 and 2013 stemmed from in-state businesses. These jobs were created by startups and entrepreneurs, or through the expansion of employment at existing companies. Many of these are bread-and-butter businesses that would not be characterized as high-growth. The entrepreneurial spirit is alive and well in rural North Carolina, on the farm and on Main Street, but we could do a far better job of building, directing and coordinating our vast inventory of business services and resources to meet the need of existing businesses and entrepreneurs. Homegrown businesses, the unsung heroes of economic development, are key to a prosperous rural North Carolina.

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### To make a difference, we must:

#### **Better integrate entrepreneurship training as a core element of workforce training.**

Entrepreneurship and self-employment are vital components of the rural North Carolina economy. Entrepreneurship training should be prioritized as a core element of our workforce development system and be eligible for federal workforce development funding.

#### **Advocate for increased state and federal small business and entrepreneurship development assistance.**

Entrepreneurship and small business assistance networks that serve rural North Carolina are an underappreciated asset that needs to be better known in our business community. Rural North Carolina cannot significantly accelerate its business formation or the growth of existing businesses without significantly increasing the resources that are allocated to retention and entrepreneurship activities. We should increase and improve coordination of North Carolina's considerable business resources network, including the N.C. Main Street Center, SBTDC, Small Business Centers, local chambers of commerce and SCORE chapters.

#### **Adopt a statewide small business development framework based on economic clusters, supply and value chains.<sup>1</sup>**

North Carolina should more strongly recognize and seek to develop economic clusters that are emerging or growing, such as aerospace and automotive. This framework should be used in prioritizing assistance to small and mid-sized rural businesses.

#### **Assess and inventory best practices to support and grow small businesses through local and regional economic and community development organizations.**

Across rural North Carolina, there are different levels of capacity to support existing small businesses and entrepreneurship. County and regional economic development efforts vary enormously from economic development corporations to chambers of commerce to committees of 100 to county-based

# 6 Invest in Stronger Entrepreneurship and Small Business Development Systems



development offices. We lack readily available data for assessment of effectiveness. We need to inventory local economic development organizations to identify and share best practices, and increase the effectiveness of local economic development organizations.

## **Examine strategic opportunities for focusing rural entrepreneurship efforts.**

Target populations include young adults age 18-35, dislocated workers with the skill and mindset to start businesses, exiting members of the military with highly transferable skills and a desire to remain in North Carolina, and social entrepreneurs intent upon operating businesses that fulfill a social need.

## **Improve the regulatory/business environment.**

Efforts to streamline and create more customer-friendly regulatory permitting processes for start-ups and existing small businesses will increase investment and job creation.

## **Fill gaps in the capital access markets to meet the needs of rural business owners and entrepreneurs.**

Working closely with the North Carolina staff of the U.S. Small Business Administration and USDA Rural Development, North Carolina lenders should continually evaluate the gaps in the capital market that are limiting the ability of rural business owners to acquire funds. Where gaps are identified, work must be done to find programmatic solutions.

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## BACKGROUND

- In 2013, 88 percent of private firms in rural North Carolina had fewer than 20 employees.<sup>2</sup> This is a higher percentage than in either urban (84 percent) or regional city/suburban counties (85 percent). Rural North Carolina, a place of dispersed populations, tiny crossroads and small towns, understands small business.
- There are 883,107 small and medium-sized enterprises in North Carolina. Of these, 163,606 employ persons other than the owner and immediate family members. Collectively, they account for 97.9 percent of all businesses in the state and employ 1.6 million people. They contribute 45 percent of total business employment and nearly half of the gross state product.<sup>3</sup>
- The average wage for sole proprietors in rural North Carolina is \$21,484, compared with \$23,169 in suburban/regional city counties and \$43,470 in the core urban counties. Sole proprietor average wages have been volatile since 2010, in the wake of the recession.<sup>4</sup>
- North Carolina ranks in the top third of states in the number of self-employed workers. For laid-off workers, self-employment is an important career option for those seeking to remain, return or locate in a rural community. In addition, self-employment often serves as an income-generating strategy during a career transition or lifestyle change. The new federal Workforce and Innovation and Opportunity Act places increased emphasis on entrepreneurship and self-employment, and as a result, the NCWorks Commission and the N.C. Community College system have included self-employment goals in their most recent strategic plans.

<sup>1</sup> Clusters are geographic concentrations of economic sub-sectors. They are often linked via supply chains between primary firms and suppliers, and through value chains where active coordination results in mutual gain for the cluster.

<sup>2</sup> United State Census Bureau. County Business Patterns. 2013

<sup>3</sup> N.C. Small Business and Technology Development Center. 2015 State of Small Business and Entrepreneurship.

<sup>4</sup> BEA CA30 Economic Profile. 2013.

### VALUE PROPOSITION

Our manufacturing economy is at the center of a global economic transition — a transition that has negatively impacted many North Carolina families in the textiles, tobacco and furniture industries. Yet even after losing more than 310,000 jobs since 2000, manufacturing remains North Carolina’s largest single employment sector. Manufacturing has added more than 30,000 new jobs since 2010 in pharmaceuticals, electronics and a range of smaller clusters. Manufacturing is especially important in rural North Carolina and pays higher average wages than any other employment sector. The time is now for a renewed statewide strategic focus on growing manufacturing, one that will serve all of North Carolina’s 100 counties: rural, urban and suburban alike.

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#### To make a difference, we must:

##### **Highlight the importance of homegrown manufacturing.**

Rural North Carolina’s existing businesses are as worthy of support and attention as recruited out-of-state firms. We must encourage manufacturing leaders to have a voice, both generally and in manufacturing subsectors, and to participate in state and local chambers of commerce.

##### **Advance innovation in rural manufacturing.**

We should focus on strengthening not just individual firms, but the supply chains of companies in growing clusters in rural North Carolina. We must advocate for a cost-share program for small and midsize firms to establish quality control certification, support re-shoring strategies that bring manufacturing jobs back to North Carolina, support expanded funding for small business research and development, and include smaller companies as eligible for N.C.’s Job Maintenance Grant Program.

##### **Build a stronger rural manufacturing workforce.**

We must encourage stakeholders to expand apprenticeship programs and opportunities for rural young adults. We will advocate for the adoption and continued maturation of the Work Ready Community partnerships at the N.C. Chamber of Commerce, and support the rural expansion of Career Readiness Certificates and WorkKeys, which facilitate the entry of high-quality employees into rural manufacturing firms.

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### BACKGROUND

#### **Manufacturing remains North Carolina’s largest economic sector**

- It contributes \$88 billion annually to the state economy and accounts for 20 percent of total GDP — the largest sector contribution. It has the largest economic multiplier of any economic sector.
- It employs 10.6 percent of our workforce (compared with 8.1 percent nationally).
- 85 percent of state exports are in manufactured goods.
- In 2011 and 2012, manufacturing employment rose after declining in each of the previous 16 years.
- 2015 manufacturing employment totaled 460,954, an increase of more than 30,000 jobs since 2010.

# 7 Strengthen Homegrown Manufacturing



## **Manufacturing is especially important in rural North Carolina**

- 14.6 percent of rural jobs are in manufacturing.
- In 17 rural counties, over 20 percent of the workforce is in manufacturing (2015).
- Rural manufacturing wages total \$8.3 billion (2015).

## **Manufacturing pays good wages**

- Manufacturing wages statewide average about 28 percent higher than private, nonmanufacturing jobs. But rural manufacturing wages are 44 percent higher than other rural private non-manufacturing jobs.
- Statewide, the average manufacturing wage is \$55,129 (2015).
- In rural counties, the average manufacturing wage is \$43,166 (2015).

## **N.C. manufacturing is increasingly diverse**

- Today, North Carolina manufacturing includes food processing, electronics, transportation, medical instruments, aviation/aerospace, and biotechnology — industries that were scarcely present in the state 20 years ago.
- Statewide, fabricated metal manufacturing represents the largest manufacturing cluster group, with 35,479 workers and an average wage of \$47,087.
- Textiles and apparel is the state's second largest industry group, with 35,188 workers and an average wage of \$30,644.

## **Business climate**

North Carolina's manufacturers operate in a highly complex business environment. From the largest company to the smallest supplier of parts, manufacturers are affected by national and international events, global competitors, federal and state policies and rapid changes in technology.

## **Homegrown businesses**

We have many fine manufacturing companies in North Carolina that were born in this state, have put down roots here, and have become an essential part of our business and social fabric. When it comes time to consider incentives and other programs, these homegrown businesses deserve the same considerations as new prospects from outside North Carolina.

## **The "rural" lens**

Our vision for a manufacturing strategy is designed to serve all of North Carolina. A statewide perspective is important for three reasons: 1) Manufacturing knows no geographic boundaries. 2) An estimated 188,000 rural people travel to nearby urban areas to work. 3) We need a serious, unified state strategy to lead a manufacturing revival, one that builds on good examples like the NCSU College of Textiles — Textile Connect cluster initiative. That said, small rural communities and businesses do have a range of challenges unique to their size and location, and we must focus on actions to help them increase their competitiveness.

## **It's not just the links, but the whole chain**

We cannot view manufacturers as hundreds of firms operating independently within their own orbits. Nor can we view manufacturing as a giant monolith. Instead, we must see manufacturing as a highly complex network of firms — small and large — and that every part of the supply chain has value and growth opportunity.



## Develop Opportunities for Agriculture and Natural Resources, including Biotechnology and Value-Added Food Processing

### VALUE PROPOSITION

Rural North Carolina's culture and livelihood is shaped in large part by a strong, enduring economic connection to land and water. The sustainable, productive use of land, timber and marine fisheries is one of the defining characteristics of rural life, despite the inherent physical and financial challenges. North Carolina's strategic location in the middle of the eastern seaboard places its agricultural production near a large percentage of the country's population. The topographical variety and temperate climate makes North Carolina an agriculturally diverse state, second only to California. One of the greatest job creation opportunities available to rural North Carolina is the focused effort to increase the amount of value-added production that occurs near where the product is grown. Continued good stewardship of our state's immense natural resources affords us the opportunity to maintain a desirable quality of life.

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### To make a difference, we must:

#### **Help farmers get more income for what they grow and raise.**

We must advocate for increases in extension, business support services and technologies that help farmers put earnings in the bank as well as they put food on the table. This includes stronger support of existing cooperative extension systems, public/private partnerships for regional markets and fostering partnerships that link producers to processors or distributors for urban markets. The NCSU Plant Science Initiative is a vital resource for world-class research, and consists of the on-campus Plant Science Research Complex and 10 field laboratories located across rural North Carolina.

#### **Support food-manufacturing business opportunities.**

The N.C. Department of Agriculture and Consumer Services and NCSU are leading the way in supporting efforts to diversify food-manufacturing opportunities in rural North Carolina, through the work of the N.C. Food Manufacturing Task Force. This significant work merits widespread support. It will create new opportunities for entrepreneurs to start and grow rural-based food processing businesses.

#### **Increase biotechnology opportunities for rural businesses.**

Support strategies and programs that bring biotechnology innovation and opportunity to rural producers and small businesses. Education and training delivered by community colleges is important, including apprenticeships and internships.

#### **Increase the entry of youth and young adults into farming and other natural-resource businesses.**

Support pathways for the recruitment, training and financing of farm and natural resource-based entrepreneurs and small businesses.

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# 8 Develop Opportunities for Agriculture and Natural Resources, including Biotechnology and Value-Added Food Processing



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## BACKGROUND

- The 2012 Census of Agriculture identifies 50,000 farms in North Carolina, 87 percent of which are family businesses. There are also an estimated 3,000 commercial fishermen in North Carolina, and an estimated 2,867 people employed in various forms of mining.
- There are 8.4 million acres of farmland across North Carolina — or 13,125 square miles — making agriculture the state's largest economic sector based on land use. This represents a 2.3 percent reduction in agricultural land since 2007.
- In 2014, the market value of agricultural sales was \$13.1 billion. The N.C. Department of Agriculture estimates that the agricultural industry (inclusive of food, fiber, and forestry) has a broad multiplier statewide impact of \$78 billion.
- The advanced age of workers is a challenging condition of the rural natural resource economy. The average age of a North Carolina farmer is 59 years old, compared to the average age of 55 in 1997. In 2014, 34.8 percent of all farm operators were over 65 years old; another 30 percent were between 55 and 65 — only 14 percent of operators were under the age of 45. Age is similarly skewed in the commercial fishing industry.
- Migrant farm workers are a vital part of the North Carolina's natural resource economy. The approximately 7,000 seasonal H-2A workers in 2012 added a conservatively estimated \$248 million to \$371 million to the North Carolina economy.
- NCSU estimates that every \$1 spent on agricultural research in North Carolina returns \$19.90 in economic benefits to the state.
- In 2014 the N.C. General Assembly funded a task force to help diversify and add value to agricultural-based businesses through food processing. The goal is to expand agriculture and agribusiness to \$100 billion by 2025.

### VALUE PROPOSITION

Rural North Carolina must increasingly look to regional collaborative approaches to economic development in order to achieve better economies of scale, widespread impacts and greater efficiency. With reduced and limited federal and state resources available for rural communities, together with increasing pressures on local governments with limited resource options, we should strengthen our resolve to build more effective regional cooperation. Good examples exist of rural regional collaborations around water infrastructure, public transportation, shared industrial parks/sites and educational consortiums.

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### To make a difference, we must:

#### **Advocate for federal and state program support of collaborative regional development efforts.**

Across federal and state agencies, regional economic development projects should be prioritized. This includes program support through the U.S. Economic Development Administration, the U.S. Department of Agriculture, the Appalachian Regional Commission and the Southeast Crescent Commission. At the state level, this includes the N.C. Department of Commerce, N.C. Department of Environmental Quality, N.C. Department of Information Technology, N.C. Department of Natural and Cultural Resources and the N.C. Department of Transportation. Increased collaboration should include local governments, the private sector and educational institutions.

#### **Support research on rural/urban economic connections.**

North Carolina has limited data and understanding of the dynamic economic connections that exist between rural and urban areas. We should support research that identifies strategic opportunities that benefit and connect rural and urban stakeholders. The Rural Center believes there are far more connections and possible partnerships than we currently see.

#### **Convene regional rural/urban roundtables.**

Regional convenings of rural and urban leaders to specifically address common challenges and potential opportunities will have positive and practical policy outcomes.<sup>1</sup> The Rural Center will seek rural and urban partners to design and convene these roundtables.

#### **Provide region-focused leadership development.**

Stronger collaboration through leadership development training is needed among rural leaders within their regions in order to identify assets, create a critical mass of idea exchange and mobilize action at a regional level.

## **Advocate for focused collaboration and partnership strategies in North Carolina's chronically distressed rural regions.**

The N.C. General Assembly's Program Evaluation Division recommended that an appointed commission re-examine the state's strategy for identifying and assisting chronically distressed communities. We support that recommendation and the emergence of a significant, closely coordinated state effort to provide technical assistance and financial resources to our most distressed regions of rural North Carolina.

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## **BACKGROUND**

- There are 26 rural counties that are within North Carolina's metropolitan regions. These are mostly counties adjacent to core urban counties. The 2014 population in these 26 counties makes up 46 percent of North Carolina's total rural population.<sup>2</sup>
- 2014 U.S. Census Bureau data indicates that on any given workday, approximately 188,184 residents in rural counties commute to work in one of the six core urban counties. Another 122,000 rural residents commute to work in regional city and suburban counties.<sup>3</sup> The 310,000 rural commuters to urban and suburban North Carolina are a critical part of the metropolitan region's economy — and of the state economy. In contrast, a total of 96,293 urban and regional city/suburban commuters commute to rural counties. The economic connection between urban and rural is far stronger than we realize.
- North Carolina's poorest counties are clustered in two main regions of eight to 10 counties each, depending on the metrics used. Using the Appalachian Regional Commission definition of distressed, there is also a cluster of three counties in the far southwestern part of the state. These counties have a particular need for inter-county collaboration, as well as between the state and the regions. A regional, multi-programmatic approach is the best and perhaps only way to secure measurable improvements to the economic conditions and quality of life of people within these persistently distressed regions. An engagement strategy based on long-term commitment to stabilized funding, capacity building and technical assistance is required.

<sup>1</sup> North Carolina can build on the good work on rural-urban connections by the National Association of Development Organizations (NADO), and others.

<sup>2</sup> U.S. Census Bureau. American Community Survey: Pep\_2014.

<sup>3</sup> U.S. Census Bureau. American Community Survey 2009-2013: Residence County to Workplace County Commuting Flows.

### VALUE PROPOSITION

Rural North Carolina communities need a sustainable approach to rural development funding, with a clear understanding of the relationships, obligations and partnerships among rural communities, community philanthropy, and state and federal funding agencies. Rural development funding should be rational, transparent and equitable. To maximize the effective use of available funding, rural communities must leverage multiple resources. Non-funding resources that target capacity building and technical assistance to communities are critically necessary.

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#### To make a difference, we must:

##### **Target solutions for rural North Carolina's most economically distressed regions.**

By virtually any measure, North Carolina's most severely and persistently distressed rural counties tend to cluster in geographically isolated parts of our state, particularly the northeast, the central/southeast, and the far west. Separate initiatives from numerous entities have targeted counties in these regions through the years, yet persistent distress still exists. We should explore a different approach – long-term, highly coordinated and regionally based leveraging of all forms of development capital to achieve high-impact results. Such an approach should include local, state, federal, nonprofit, business, philanthropic and faith-based action and commitment.

##### **Accelerate rural community philanthropy to supplement rural development priorities.**

Harnessing homegrown philanthropy can, over time, be a critical contributor to rural development projects. No rural county is so distressed that it cannot better invest in itself. Demonstrably doing so will better leverage outside resources. Local and state economic developers need to engage in a sustained dialogue to link the growth of rural philanthropy to community economic development outcomes.

##### **Assure adequate, reliable and transparent funding of rural development programs.**

Rural local governments need grant and loan dollars to undertake successful economic development projects. The funding role of state and federal government related to rural economic development should be clearly articulated.

##### **Increase region-based technical assistance to build capacity.**

Smaller rural local governments need access to stronger technical assistance support to facilitate strategic economic development projects and key planning functions, from the local regional level as well as from the Council of Government regions and Prosperity Zones.

# 10

## Stabilize and Leverage Rural Development Funding, Capacity Building and Technical Assistance



### BACKGROUND

#### **Shared responsibility**

We need a reasoned middle ground regarding the shared responsibility to fund rural development efforts. It is not reasonable or effective to simply throw money at the problem. It is equally unreasonable and ineffective to fail to make necessary investments and expenditures to enable rural North Carolina to meet its current needs and future potential. What is needed is a clear and strong partnership among rural communities, their state and federal agency partners, philanthropy at all levels, the faith and nonprofit sectors and the private sector.

#### **Building capacity for the most distressed rural areas**

Ask any state, federal or private funder about the competitive quality of applications they receive for funding, and they will tell you that the most economically distressed rural communities face legitimate capacity challenges in submitting highly competitive and fundable applications. For our most economically distressed rural communities, the long-term technical assistance to build leadership capacity can be as important as grant dollars.

Technical assistance and professional consultation delivered by staff within the Division of Rural Development and the Economic Advancement and planning office in Commerce, or through one of the regional Councils of Governments (COGs), have held great value to smaller towns and counties across rural North Carolina that do not have the financial capacity to house planning functions.

#### **Homegrown philanthropy**

Rural North Carolina must do more for itself to tap private and community-based philanthropy to supplement community improvements. According to 2012 IRS data, rural North Carolinians gave more than \$1.7 billion in itemized charitable donations. While we can't track those donations to their destination charity, we do recognize the cumulative power of rural giving and the opportunity to better direct rural giving to community-based organizations and rural development priorities. Homegrown philanthropy is a strategy for long-term improvement. It is a supplement — but not a replacement — for local, state and federal funding. Strengthening rural philanthropy will reinvigorate a bedrock rural ethic: We can make things better for ourselves.

#### **Stabilize state funding for rural development**

The N.C. General Assembly, through the Joint Committee on Economic Development and Global Engagement, is engaged in a critical conversation to examine the appropriate state role in providing rural development grants, loans and technical assistance to rural communities, the prioritization for funding disbursement and the focal point for disbursement. Rural communities need stabilized state-funded rural development programs with reliable funding streams, well-defined application processes and procedures, and well-articulated goals and objectives. The Rural Division should be the focal point for delivering rural-specific, state-funded development programs.