2001

HOUSE ECONOMIC GROWTH & COMMUNITY DEVELOPMENT

MINUTES

HOUSE
ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE

2001 SESSION

CHAIRMEN:

REPRESENTATIVE NELSON COLE

REPRESENTATIVE MIA MORRIS

REPRESENTATIVE HUGH HOLLIMAN
VICE CHAIRMAN

NORTH CAROLINA GENERAL ASSEMBLY

HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE
2001 – 2002 SESSION



Rep. Cole
(Chair)



Rep. Morris
(Chair)



Rep. Holliman
(Vice-Chair)



Rep. Alexander



Rep. Carpenter



Rep. M. Crawford



Rep. Goodwin



Rep. Hunter



Rep. Walend



Rep. West



Rep. Womble

HOUSE COMMITTEE ON ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT
2001-2002 SESSION

MEMBER		ASSISTANT	PHONE	OFFICE	SEAT
COLE, Nelson	Chairman	Suzanne Smith Committee Assistant	733-5779	1218 LB	45
MORRIS, Mia	Chairman	Joy Feagin Committee Assistant	733-5741	1315 LB	65
HOLLIMAN, Hugh	Vice Chairman	Carol Bowers	733-5827	1221 LB	55
ALEXANDER, Martha		Ann Faust	733-5807	542 LOB	32
CRAWFORD, Mark		N/A	733-5605	1209 LB	89
CARPENTER, Marge		Betty Smith	733-5886	1015 LB	104
GOODWIN, Wayne		Kristen Corbett	733-5849	503 LOB	81
HUNTER, Howard		Barbara Phillips	733-2962	613 LOB	68
WALEND, Trudi		Ken Walend	735-3012	418A LOB	113
WOMBLE, Larry		Dorothy McLean	733-5777	537 LOB	56
WEST, Roger		Linda Johnson	733-5859	1004 LB	106
Ex-Officio Members					
BADOUR, Phillip		Elizabeth Kirkland	735-0850	2301 LB	31
DEDMON, Andrew		Donna Abu Harb	733-5732	2213 LB	12
EARLE, Beverly		Ann Raeford	733-5747	535 LOB	95
HACKNEY, Joe		Emily Reynolds	733-5752	2207 LB	69

Ms. Karen Cochrane-Brown
Ms. Wendy Graf
Committee Counsel

ATTENDANCE

ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT

2001-2002 SESSION

DATES	2/28/01	3/7/01	3/14/01	3/21/01	3/28/01	4/4/01	4/18/01	5/2/01	5/9/01	6/13/01	6/20/01			
COLE, E. Nelson **CHAIR**	X	X	X	X	X	X	X	X		X	X			
MORRIS, Mia **CHAIR**	X	X	X	X	X	X	X	X	X	ex	X			
HOLLIMAN, L. Hugh **VICE CHAIR**	X	X	X	X	X	X	X	X	X	X	X			
ALEXANDER, Martha	X	X	X	X		X	X	X	X	ex	X			
CANSLER, Lanier (resigned 4-8-01)		X	X											
CRAWFORD, Mark (appointed 4-11-01)							X	X	X	X	X			
CARPENTER, Marge		X	X	X	X	X	X	X	X	X	X			
GOODWIN, G. Wayne	X	X	X	X	X	X	X	X	X	ex				
HUNTER, Howard		X								X				
WALEND, Trudi		X	X	X	X	X	X	X	X	X	X			
WEST, Roger	X	X	X	X	X		X		X	X	X			
WOMBLE, Larry		X	X		X	X	X	X		X	X			
Ex-Officio Members														
Representative Joe Hackney, Speaker Pro Tempore														
Representative Phillip Badour, Majority Leader														
Representative Andrew Dedmon, Majority Whip														
Representative Beverly Earle, Majority Whip														
Representative W. Pete Cunningham														

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Wednesday, February 21, 2001 4:25 PM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, February 28, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

This will be an organizational meeting. No bills will be taken up.

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **4:25 p.m.** on **February 21, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

AGENDA

Joint Senate Rural Development and
House Economic Growth and Community Development
Committee

February 28, 2001
12:00 noon
Room 1027 Legislative Building

I.	Opening Remarks	Representative Cole
II.	Recognition of Pages	Representative Cole
III.	Introduction of Speakers	Representative Cole

- Billy Ray Hall
  The Rural Center
- Valeria L. Lee, President
  Golden LEAF Foundation

IV.	Questions from Committee	
V.	Adjournment	Representative Cole

Joint Senate Rural Development and
House Economic Growth and Community Development
Committee
Minutes
February 28, 2001
12:00 noon
Room 1027 Legislative Building

The Senate Rural Development and House Economic Growth and Community Development Committees met jointly on February 28, 2001 at 12:00 noon in room 1027 of the Legislative Building. Representative Nelson Cole chaired the meeting. Thirteen out of the eighteen members of the Senate were present. A visitor registration list is attached and made part of these minutes. The following members of the House committee were present:

Rep. Nelson Cole, Chair	Rep. Martha Alexander
Rep. Mia Morris, Chair	Rep. Wayne Goodwin
Rep. Hugh Holliman, Vice Chair	Rep. Roger West

Representative Cole opened the meeting, acknowledged the pages, and introduced the first speaker, Valeria L. Lee, President of the Golden LEAF Foundation. Ms. Lee spoke on issues before the General Assembly and the progress being made by the Golden Leaf Foundation. A number of changes are taking place in North Carolina with them being technological advances, part-time farming, price supports, contract farming, encroachment on farmland, and environmental regulations. Tobacco has come to reflect the eminent and present changes that are taking place in the state. As a result of new information related to the use of tobacco and law suites that focused the spotlight squarely on the industry, domestic consumption of tobacco has plummeted. The total leaf tobacco exports are at an all-time low now. The income from raising tobacco in North Carolina has been cut in half. The bright side is that for the next 10 years direct payments from the tobacco settlement to tobacco farmers will about make up for what they have lost in income. All this does is buy the farmers some time. This is where the Golden Leaf Foundation comes in. They help bridge the gap for North Carolinians. They have received $140 million and expect to receive an additional $100 million this year in payments for grants from the money received in the settlement of the case brought by the various states against the major tobacco companies.

Education is also important as the Golden Leaf gives scholarships to community colleges as well as funding for job training programs for workers who have seen their jobs eliminated.

The foundation has 427 grant requests last year totaling $155 million. They only had $5 million to disperse (39 grants) but they anticipate the amount to be $8-10 million this year. The next deadline for applications is August 1st for grant awards to be made in November, 2001. Handout #1, The Golden LEAF Foundation, gives a summary of the

grants for 2000. Discussion followed from some of the committee members. A copy of Ms. Lee's remarks are attached and made a part of the minutes. Handout #2, Officers and Board of Directors for the Golden LEAF Foundation, Inc., was also passed out.

Representative Cole then introduced the next speaker, Billy Ray Hall, President of The Rural Center. Rural is defined in 85 counties in North Carolina as outlined in handout #3, The Rural Center. These 85 counties have a population density per square mile of 200 from the census. The other 15 counties are considered as urban. See page four in this handout to compare a rural and urban county in North Carolina. He talked about the new issues facing rural North Carolina that will be brought before the committee. They are: restructuring of agriculture, shift in manufacturing, growing service economy, information infrastructure, financing small business, workforce training and environment at risk. He talked about the enduring issues that the committee will be dealing with. These issues are: the education gap, physical and fiscal weakness, persistent poverty, racism and sexism and localism. These 12 issues were the answers that citizens in rural North Carolina gave when asked what they thought were the key issues for rural areas.

Handout #4, Choices for a New Century, is the condensation of the ideas and issues raised by 1,000 people in rural North Carolina and consolidated by the Rural Center Board to use as an agenda to bring before the Legislature the issues facing rural North Carolina.

Senator Albertson asked a question concerning the handout, Net Migration into North Carolina Counties 1990-1999, which was passed out in the last meeting. It was noted that staff would research his question and get back to the committee.

The chair adjourned the meeting at 12:55 p.m. with the next meeting being on March 7, 2001 at 12:00 noon to be held jointly with the Senate committee.

Respectfully submitted:

Representative Nelson Cole
Chairman, House Committee

Suzanne Smith
House Legislative Committee Assistant

SENATE PAGES:

Name:

Kevin Hassell

Town:

Columbia

Sponsor:

Marc Basnight

Name:

Town:

Sponsor:

HOUSE PAGES:

Name:
Jessica Vargas /

Town:
Buncombe /

Sponsor:
Cansler /

Name:
Dylan Sandler

Town:
Buncombe

Sponsor:
Cansler

Handout #1

The Golden LEAF Foundation

December 13, 2000

Summary of Year 2000 Grants

Grant applications received: 427

39 projects selected to be funded, for a total of $5.12 million.

Of the 39 projects:

- 7 are expected to have impacts statewide. These 7 projects total $1.50 million, including monies set aside for the following:
  - $500,000 for North Carolina's regional economic development partnerships.
  - $300,000 for scholarships in North Carolina's community college system.
- 32 projects are concentrated in traditional tobacco-growing regions in the western and eastern regions of North Carolina, including some of the state's most economically disadvantaged counties. These 32 projects total $3.62 million.
- All are expected to have a significant impact on the long-term sustainable economic development of tobacco-dependent communities throughout North Carolina.
- The Board emphasized projects with significant and measurable outcomes, and especially (but not exclusively) projects that focused on crop substitution, economic development, and job retraining.
- Grant applications pertaining to health care will be referred to the Heath Care Trust Fund that has been established with Tobacco Settlement monies.

The Foundation supports programs that promote or sustain economic development, such as education assistance, job training, employment assistance, alternative crop research, economic hardship assistance, public works, industrial recruiting, health and human services, and community assistance.

The Foundation was established by the State of North Carolina in 1999 to distribute some of the funds North Carolina receives as a result of the settlement of *North Carolina v. Philip Morris Incorporated*, et al.

Media Contact: email to info@goldenleaf.org or call 252-442-7474

http://www.goldenleaf.org/

Golden LEAF Foundation
Results of Board Vote

Organization	Reference Number	Project Title	Request Amount	Grant Amount	Program Area	Population Served	Region	Tier[1]	Tobacco Production[2]	Conditions
Beaver Dam Community Center #1, Inc. PO Box 99 Hoffman, NC 28347	FY2000-360	Community Education and Technology	$10,260	$10,260	Education Assistance	Youth	South East	1	2	
Blue Ridge Parkway Foundation Box 10427-Salem Station Winston-Salem, NC 27108	FY2000-269	The Scenery Economic/Marketing Project	$125,000	$36,000	Economic Hardship Assistance	All Groups	Advantage West	2.4	2	
Cape Fear Community College 411 North Front Street Wilmington, NC 28401	FY2000-041	Truck Driving Training for Bladen County - Joint project of Cape Fear Community College and Bladen Community College	$235,000	$235,000	Job Training and Employment Assistance	All Groups	South East	2	2	
Carolina Kenaf Farmers Foundation 109 SE 4th Street Snow Hill, NC 28580	FY2000-193	Eastern Carolina Kenaf Initiative	$265,000	$265,000	Other	Farmers	Global Trans. Dev. Region	3.2	1	Award is contingent or 501©(3) status and having provisions for processing and at leas 5,000 acres under contract.
Center for Participatory Change, Inc. PO Box 9238 Asheville, NC 28815	FY2000-066	The Appalachian Small Farms Project	$30,000	$20,000	Economic Hardship Assistance	Tobacco Dependent (farmers, workers)	Advantage West	1	2.2	
Chinqua-Penn Foundation 1944 Wentworth Street Reidsville, NC 27320	FY2000-033	Development of a Farmer's Market in Rockingham County	$210,950	$63,450	Public Works and Industrial Recruitment	All Groups	Piedmont Triad Partnership	4.3	1.6	Fund only items that g them into business. Funds are for the cool roof repair and restroc facilities.
Craven County Government 406 Craven Street New Bern, NC 28561	FY2000-284	Eastern Regional Economic Feasibility Study for Agricultural Value - Added Processing, Marketing, Storing, and Shipping	$100,000	$100,000	Public Works and Industrial Recruitment	Farmers	Global Trans. Dev. Region	2.9	1.3	

[1] Tobacco Production ranges from 1 for the "Most Tobacco Production" to 3 for the "Least Tobacco Production."
[2] The tier ranges from 1 for the "Least Developed" to 5 for the "Most Developed."

Organization	Reference Number	Project Title	Request Amount	Grant Amount	Program Area	Population Served	Region	Tier[1]	Tobacco Production[2]	Conditions
East Carolina University, Department of Geography Brewster Building Greenville, NC 27858-4353	FY2000-247	East Carolina University Rural Development Initiative	$126,078	$60,000	Education Assistance	Economically Disadvantaged	South East	2.3	1.9	Funding does not inclu the fellowships requested.
NC Ag Foundation PO Box 400 Pink Hill, NC 28572	FY2000-182	Farmer Owned Value Added Processing Feasibility Study	$90,000	$90,000	Education Assistance	Farmers	All Regions	3.1	1.9	Proposal originally submitted by Eastern Foods Cooperative. P. Box 400, Pink Hill, NC 28572—revised to be t exempt compliant.
EnergyXchange 1081-2 Old US Hwy. 421 Sugar Grove, NC 28679	FY2000-126	Project Branch Out	$45,000	$45,000	Economic Hardship Assistance	Tobacco Dependent (farmers, workers)	Advantage West	2.6	2	
Environmental Impact (RC&D), Inc. PO Box 653 100 East Main Street Aberdeen, NC 28315-0653	FY2000-061	Growing Trees, Needles, and Jobs -- LongLeaf Pine Ecosystem Waste Management Research	$98,642	$30,000	Scientific Research	Tobacco Dependent (farmers, workers)	RTP Regional Partnership	2.6	1.8	Fund only Year 1 requ at this time. May reap for additional years if good progress in Year
Greene County Schools 301 Kingold Blvd. Snow Hill, NC 28580	FY2000-084	Greene County Family Literacy	$600,000	$125,000	Education Assistance	Youth	Global Trans. Dev. Region	3	1	1-year only contingent upon agency requestir additional Smart Start funding
Idealliance, Inc. 115 S. Chestnut Street Winston-Salem, NC 27101	FY2000-092	The Northwest Piedmont: From Tobacco-Dependent to Technology-Driven	$500,000	$200,000	Scientific Research	All Groups	Piedmont Triad Partnership	4.3	1.6	Contingent on approva tax exempt status for purposes of the grant; restricted to nicotinic research only; no indir costs will be funded by the grant; intellectual property produced will made available to the public; 2 year grant

Organization	Reference Number	Project Title	Request Amount	Grant Amount	Program Area	Population Served	Region	Tier[1]	Tobacco Production[2]	Conditions
James Sprunt Community College P. O. Box 398 Kenansville, NC 28349	FY2000-052	Middle Management Training for Business and Industry for Supervisors and Managers in the Tobacco Industry Impacted by a Decline in Demand for Tobacco and Tobacco Products.	$61,694.54	$32,000	Job Training and Employment Assistance	All Groups	Global Trans. Dev. Region	2.7	1.5	The grant requires matching funds, up to $32,000
Johnston-Lee-Harnett Community Action, Inc. PO Drawer 711 Smithfield, NC 27577	FY2000-320	Johnston-Lee-Harnett Community Action New Beginnings	$320,000	$150,000	Economic Hardship Assistance	All Groups	RTP Regional Partnership	5	1	Subject to proposer fir accessing maximum possible Title III fundi GLF then supplements to 150k
MDC, Inc. PO Box 17268 Chapel Hill, NC 27516-7268	FY2000-293	Supporting Communities in Comprehensive Change Efforts: A Collaborative Approach	$516,100	$150,000	Economic Hardship Assistance	Economically Disadvantaged	South East	3.1	1.9	Funds are for 1 year; project activities must focus on Southeastern North Carolina; the applicant must respeci the scope of work proposed and present the Board in January.
Mountain Valleys Resource Conservation and Development Council in partnership with Mountain Partners in Agriculture 94 Cox Avenue Suite 100 Asheville, NC 28801-3620	FY2000-113	Tobacco Transitions: Toward Regional Community-Based Food Systems	$176,000	$50,000	Job Training and Employment Assistance	Tobacco Dependent (farmers, workers)	Advantage West	3.2	2	
N.C. Ag Foundation PO Box 189 Kinston, NC 28502-0189	FY2000-156	Pepper Seeds for an Alternative Cash Crop	$150,000	$150,000	Scientific Research	Tobacco Dependent (farmers, workers)	All Regions	3.1	1.9	Proposal originally submitted by Harvey Foundation, P.O. Box 189, Kinston, NC. 285 Funded on condition t it is joint venture with NCSU with public oversight.

Organization	Reference Number	Project Title	Request Amount	Grant Amount	Program Area	Population Served	Region	Tier[1]	Tobacco Production[2]	Conditions
New River Community Partners, Inc. 45 North Main Street PO Box 1897 Sparta, NC 28675	FY2000-408	New River Basin Sustainable Agriculture Initiative	$225,000	$75,000	Education Assistance	Tobacco Dependent (farmers, workers)	Advantage West	1.6	2	Funding for year one f $75k
North Carolina Agricultural and Technical State University 1601 East Market Street Greensboro, NC 27411	FY2000-189	Alternative Value-Added Cash Crops for North Piedmont District Tobacco Farmers	$805,937.50	$250,000	Job Training and Employment Assistance	Farmers	Piedmont Triad Partnership	4.2	1.6	
North Carolina Department of Agriculture and Consumer Services, Plant Industry Division, Plant Protection Section PO Box 27647 Raleigh, NC 27611	FY2000-047	Development of a Cultivation System for Ramps (Allium tricoccum): A New Crop for North Carolina	$24,000	$24,000	Other	All Groups	Advantage West	2.7	2.1	
NC Agricultural Foundation, Inc. Campus Box 7645 Raleigh, NC 27695-7645	FY2000-134	Processing Food-grade Soybeans for the Natto and Tofu Market	$150,000	$150,000	Other	Farmers	South East	2.5	1.2	Project originally submitted by NC Foundation Seed Producers, Inc. 8220 Riley Hill Road, Zebulc NC, 27597-8773
North Carolina Minority Support Center PO Box 2086 Durham, NC 27702	FY2000-310	Equity Grant Fund	$200,000	$100,000	Economic Hardship Assistance	All Groups	NE Econ. Dev. Partner.	2.3	1.9	Re-propose results to achieved with reduced funding amount
North Carolina Soybean Producers Association, Inc. & Grain Growers Cooperative, Inc. 211 Six Forks Road - Suite 102 Raleigh, NC 27609-7743	FY2000-255	Grain Growers Implementation Funding Request	$750,000	$250,000	Other	Farmers	All Regions	3.1	1.9	Contingent on approva tax exempt status for purposes of the grant; 1st-year funding only
North Carolina State University - College of Agriculture and Life Sciences 22 Leazar Hall Box 7514 Raleigh, NC 27595	FY2000-387	Viable Agricultural Alternatives for North Carolina Farmers	$4,100,000	$400,000	Scientific Research	All Groups	NE Econ. Dev. Partner.	2.3	1.9	Grant restricted to dire project costs only; no indirect costs may be charged to the grant.

Organization	Reference Number	Project Title	Request Amount	Grant Amount	Program Area	Population Served	Region	Tier[1]	Tobacco Production[2]	Conditions
North Carolina State University; East Carolina University Sponsored Program Services Box 7514 Raleigh, NC 27695-7514	FY2000-086	Christmas Trees: An Alternative Cash Crop to Tobacco in Eastern North Carolina	$495,120	$152,000	Other	Tobacco Dependent (farmers, workers)	NE Econ. Dev. Partner.	2.3	1.9	1-year only
Northwestern Regional Library 111 North Front Street Elkin, NC 28621	FY2000-020	Integrated Automated System: Linking up 13 Libraries	$15,000	$15,000	Education Assistance	Migrants/Farm Workers	Advantage West	3.7	1.5	
Opportunities Industrialization Center of Wilson, Inc. 801 East Reid Street PO Box 547 Wilson, NC 27894	FY2000-184	WCET (Wilson County Employment and Training)	$850,000	$125,000	Job Training and Employment Assistance	Economically Disadvantaged	Global Trans. Dev. Region	3	1	The $125,000 is an aw for a two-year project.
Transylvania Partnership, Inc. PO Box 1578 Brevard, NC 28712	FY2000-087	Research Possibility of Cotton Linters	$300,000	$200,000	Scientific Research	Tobacco Dependent (farmers, workers)	Advantage West	3.1	1.9	Proposal initially submitted by PACE Lo 1971; Purposes retain with current grantee, i to identify cotton by-products to be used fr paper production to enhance prospects of stabilizing jobs in the region, any intellectual property produced will made available to the public.
Rural Advancement Foundation International-USA (RAFI-USA) 274 Pittsboro Elementary School Road PO Box 640 Pittsboro, NC 27312	FY2000-326	A pilot project to extend mental health outreach to North Carolina farm families in crisis	$231,301	$150,000	Health and Human Services	Farmers	Global Trans. Dev. Region	2.7	1.5	
Surry Community College PO Box 304 Dobson, NC 27017	FY2000-037	21st Century Paradigm for Agriculture	$3,127,400	$130,000	Other	All Groups	Piedmont Triad Partnership	5	1.5	Fund only Year 1 requ at this time. May reap for additional years if good progress in Year
The Hill Center 3200 Pickett Road Durham, NC 27705	FY2000-127	Hill Center-Building Rural Schools Initiative	$150,000	$150,000	Education Assistance	All Groups	All Regions	2.8	1.5	

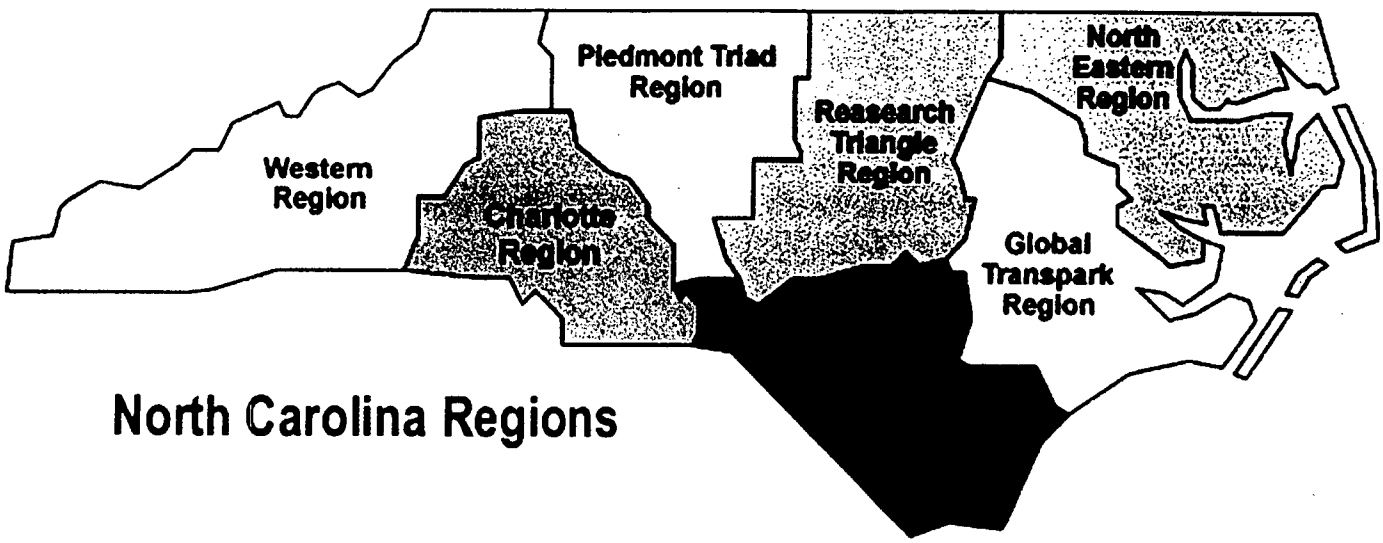
Organization	Reference Number	Project Title	Request Amount	Grant Amount	Program Area	Population Served	Region	Tier[1]	Tobacco Production[2]	Conditions
The North Carolina Institute for Health and Safety in Agriculture, Forestry, and Fisheries 600 Moye Blvd. Greenville, NC 27858-4354	FY2000-217	Designing an Affordable Farm Health Insurance Benefit: Phase 1: Assessment of the Pilot Study Population	$29,000	$29,000	Health and Human Services	Farmers	NE Econ. Dev. Partner.	1.6	2.4	
Timber Producers Cooperative Alliance 70 Woodfin Place #326 Asheville, NC 28801	FY2000-108	Timber Producers Cooperative Alliance Feasibility Study	$65,000	$50,000	Job Training and Employment Assistance	Farmers	Advantage West	2.7	2.1	Do not use grant func for administrative char
NC Tobacco Foundation, Inc. Campus Box 7645 Raleigh, NC 27695-7645 Raleigh, NC 27612	FY2000-366	TGANC	$55,500	$55,500	Education Assistance	Tobacco Dependent (farmers, workers)	All Regions	3.1	1.9	Project originally submitted by Tobacco Growers Association o North Carolina, Inc. 212 Caswell Buildinç 3700 National Drive. Grant funds restricted use for information an educational purposes only.
Watauga County Government Watauga County Courthouse Suite 1, 842 West King Street Boone, NC 28607	FY2000-421	High Country Sustainable Agriculture Project	$75,000	$50,000	Scientific Research	Tobacco Dependent (farmers, workers)	Advantage West	3.2	2	
Western North Carolina Community Development Association 594 Brevard Road Asheville, NC 28806	FY2000-391	Sustainable Community-Based Economic Development for Tobacco Dependent Communities	$170,000	$150,000	Community Assistance	All Groups	Advantage West	2.7	2	

Revised January 19, 2001

Breakdown of Requests for the Golden LEAF Foundation
December 2000

Program Area	Total Number	Total Dollars
Education Assistance	100	26,368,864
Job Training and Employment Assistance	45	25,100,495
Scientific Research	16	9,968,310
Economic Hardship Assistance	45	10,834,228
Public Works and Industrial Recruitment	55	20,970,323
Health and Human Services	85	30,048,659
Community Assistance	50	18,751,720
Other	31	12,750,959
Total Requests Received	**427**	**$154,793,558**
Education Assistance	9	880,760
Job Training and Employment Assistance	6	742,000
Scientific Research	6	1,030,000
Economic Hardship Assistance	6	501,000
Public Works and Industrial Recruitment	3	663,450
Health and Human Services	2	179,000
Community Assistance	1	150,000
Other	6	971,000
Total Requests Funded	**39**	**$5,117,210**

Golden LEAF Foundation
Proposal Impact Areas

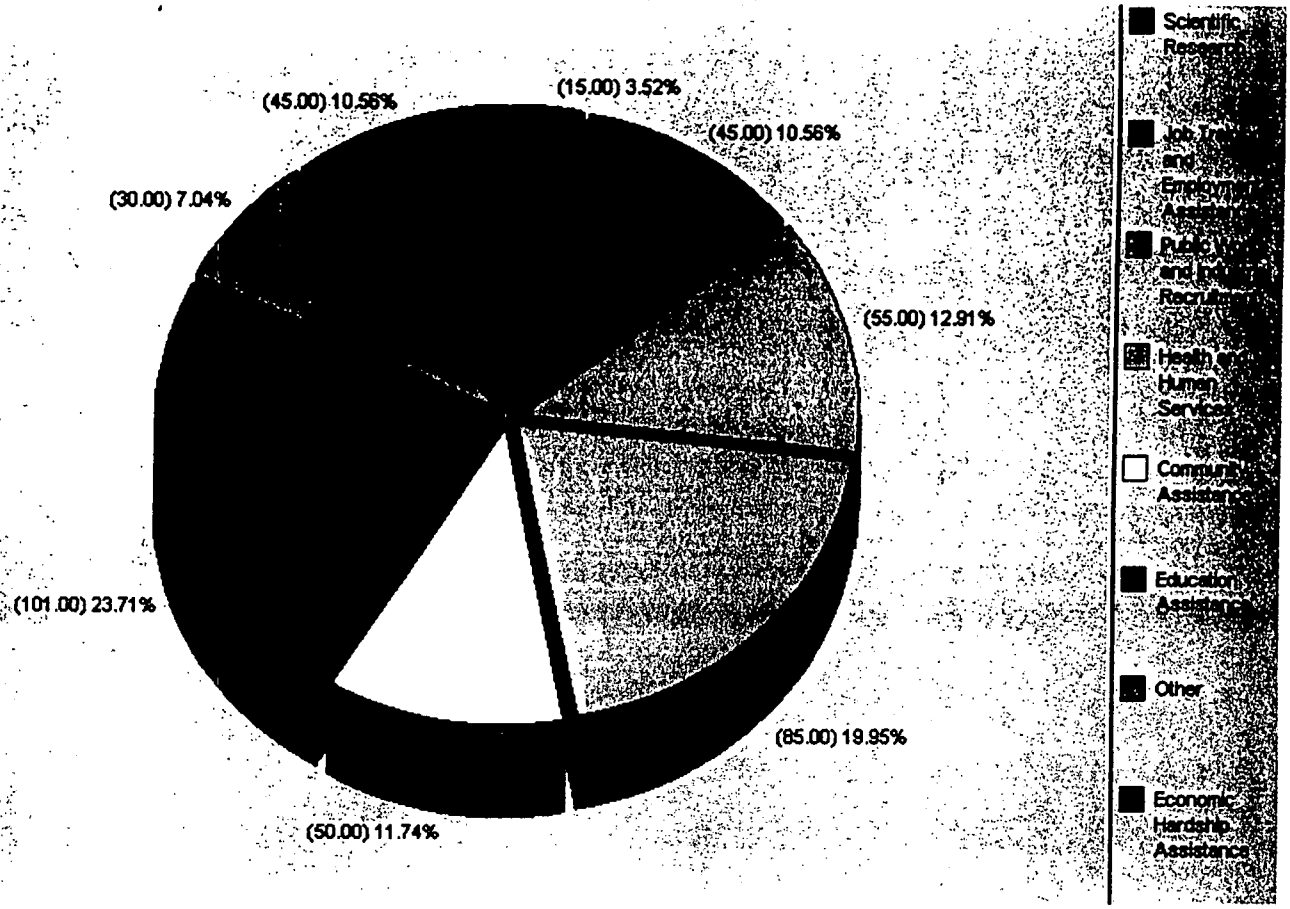


North Carolina Regions

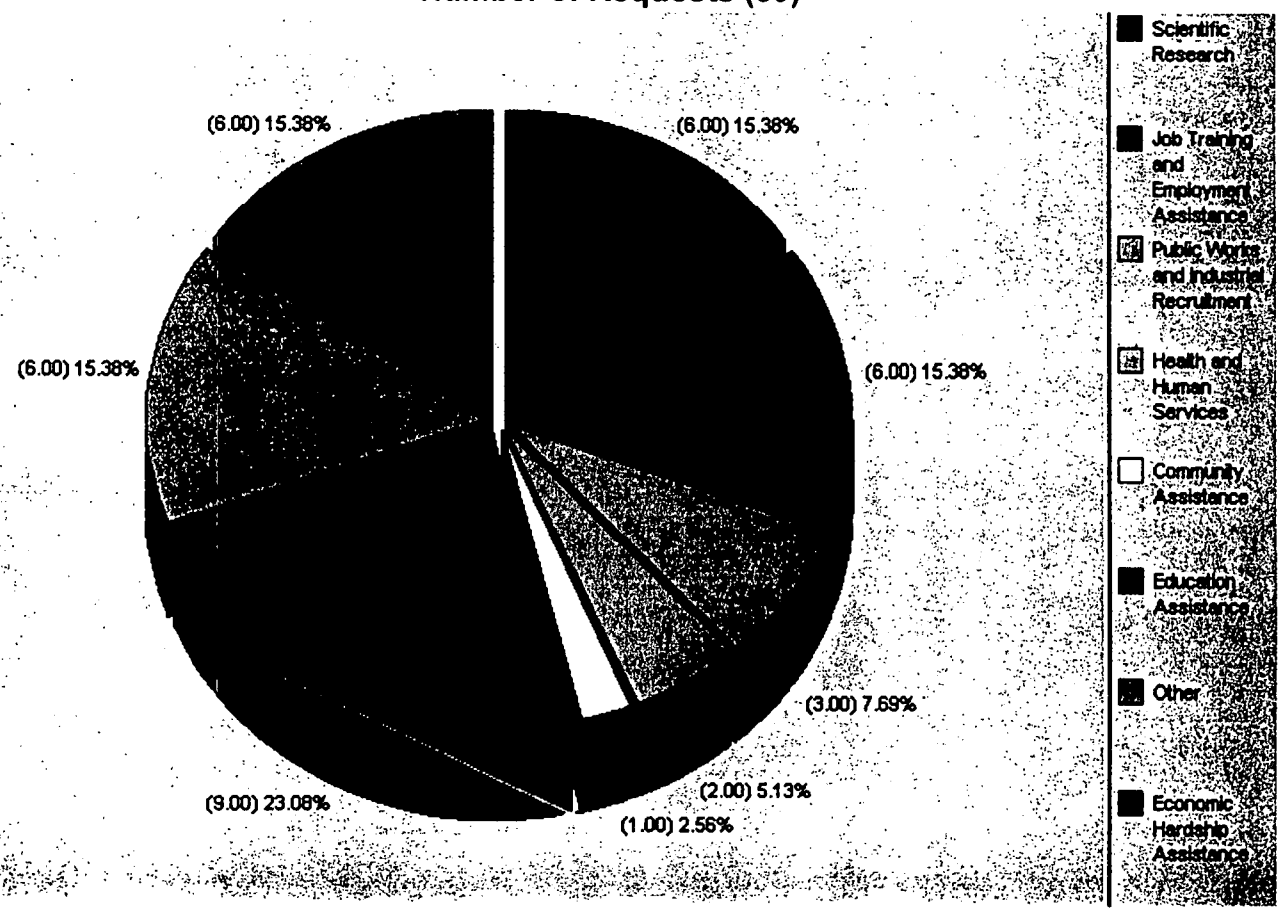
Region	Total Requests in Dollars*	Total Funded in Dollars*	Total Funded Requests
Global Transpark Region	$61,441,258	$797,000	6
South Eastern Region	36,082,979	605,260	5
Research Triangle Region	32,425,913	180,000	2
North Eastern Region	28,677,179	681,000	4
Piedmont Triad Region	14,468,216	643,450	4
Western Region	8,047,545	715,000	11
Charlotte Region	2,260,786	0	0
All Regions	15,607,490	1,495,500	7

NOTE: *Some proposals had multiple regions as impact area

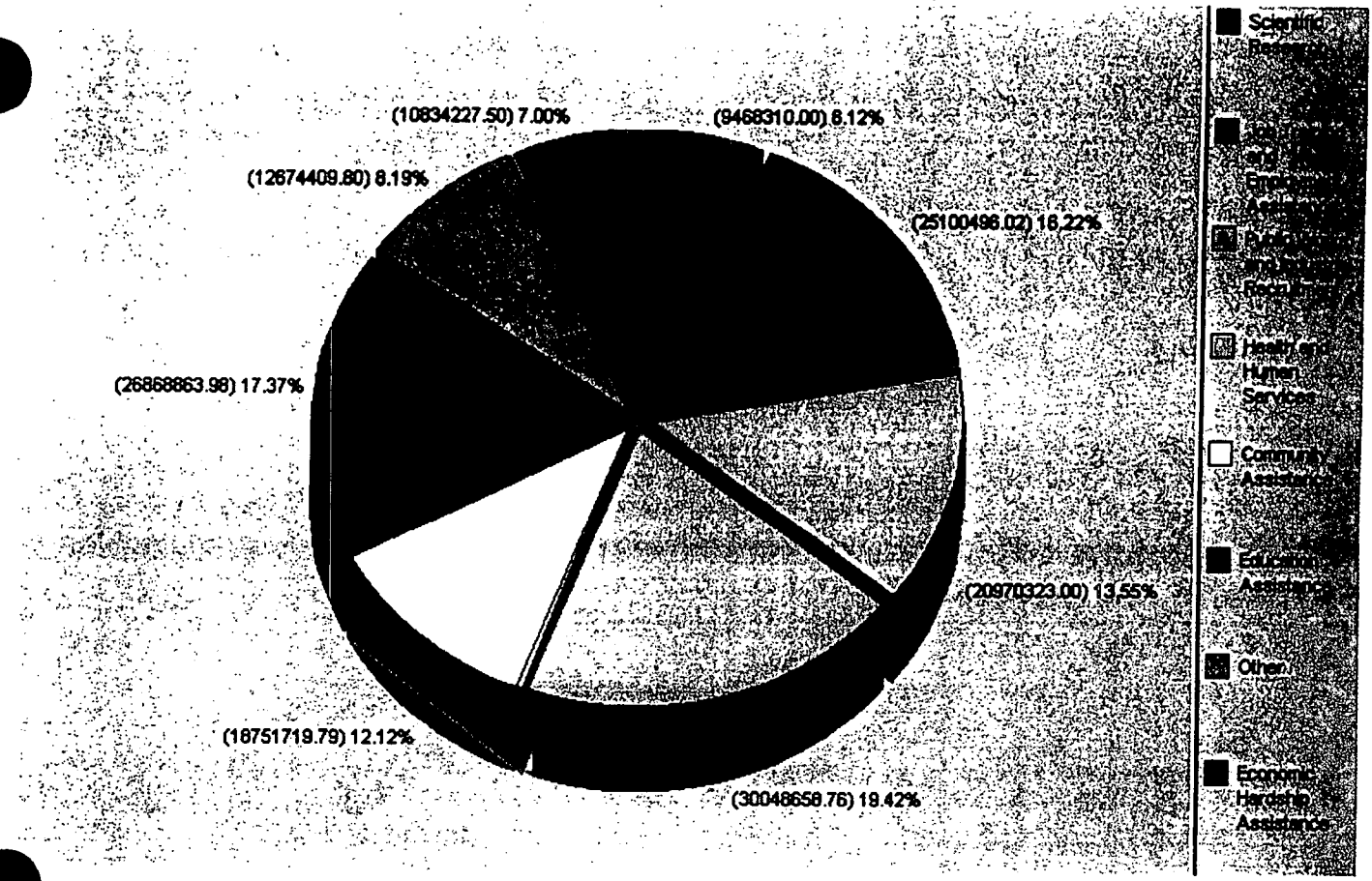
Total Requests by Program Area Served
Number of Requests (427)



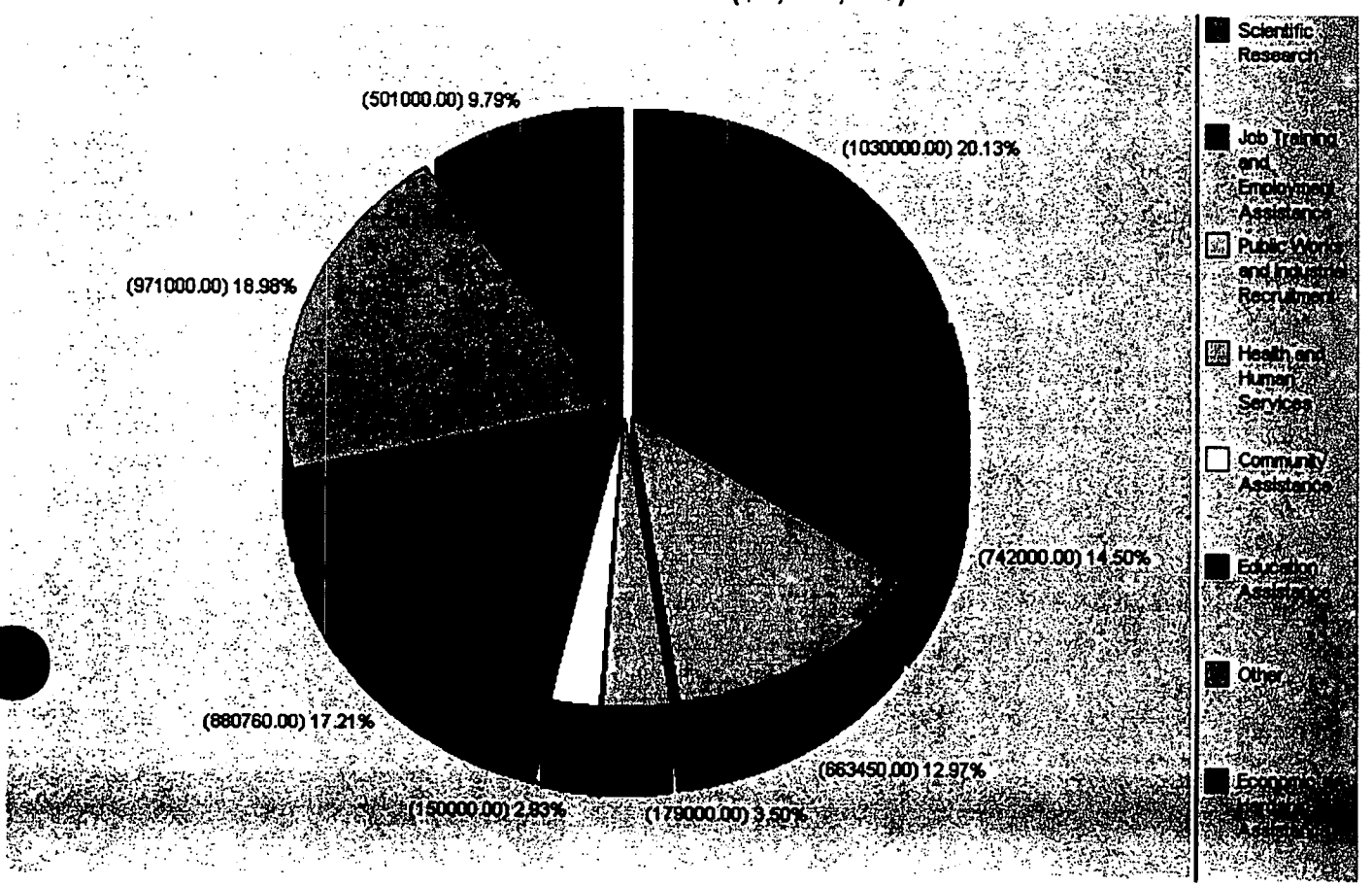
Requests Funded by Program Area Served
Number of Requests (39)



Total Requests by Program Area Served
Request Amount ($154,793,558)



Requests Funded by Program Area Served
Funded Amount ($5,117,210)



Handout #2

The Golden L.E.A.F. (Long-term Economic Advancement Foundation), Inc.
Officers and Board of Directors

Appointed by the Governor:

1. William C. Friday
Chair of the Board

University of North Carolina-Chapel Hill
Room 208, Graham Memorial, CB#6306
P.O. Box 839
Chapel Hill, NC 27514
Home Address: 521 Hooper Lane
Chapel Hill, NC 27514
919-843-8216 (office); 919-942-3569 (home)
919-962-1618 (asst.), 919-843-6452 (fax)
vrgless@email.unc.edu
Assistant: Vicky Gless

2. Cecil W. Sewell, Jr.
On Finance Committee

134 North Church Street
Rocky Mount, NC 27804; **or**
P.O. Box 1220
Rocky Mount, NC 27802-1220
Company: **Centura Bank**
252-454-4813 (office – direct); 252-454-4023 (asst.)
252-454-4800 (fax)
cws@centura.com
Assistant: Jean Smith; e-mail: jfsmith@centura.com

3. Lisbeth C. Evans
On Investment Committee

Position in Raleigh: Secretary of Cultural Resources
Address in Raleigh: 4601 Mail Service Center
Raleigh, NC 27699-4601
Number in Raleigh: 919-733-4867; fax: 919-733-1564
Assistant in Raleigh: Kelly Barham
Company: **West Third Street Management**
8 West 3rd St., Suite M7, Winston-Salem, NC 27101
336-721-1920 (office); 336-727-0919 (fax)
libba@w3sm.com
Assistant: Brooke; e-mail: brookew@w3sm.com

4. R.V. Owens III
On Programs Committee

7340 South Virginia Dare Trail
P.O. Box 935
Nags Head, NC 27959
(Restaurant Owner)
252-441-4963 (office); 252-441-8644 (fax)
252-441-4292 (cellular); 910-202-4963 (mobile)
rvo@peoplepc.com
Assistant: Barbara

5. William Ward, Jr.
On Personnel Committee

135 Ward Road
Ahoskie, NC 27910
(Businessman and Farmer)
252-332-4422 (home)

Revised-February 19, 2001

Appointed by the Speaker:

1. Michael A. Almond
On Investment Committee
and on Programs Committee

112 South Tryon Street, Suite 900
Charlotte, NC 28284
Company: **Carolinas Regional Partnership, Inc.**
704-347-8942 (voice); 704-347-8981 (fax)
malmond@charlotteregion.com
Assistant: Vicki Gail; e-mail: cgail@charlotteregion.com

2. Jessie Thomas Bunn
Chair – Personnel Committee
and on Investment Committee

3716 National Dr., Suite 114
Raleigh, NC 27612
Company: **Leaf Tobacco Exporters Association**
919-782-5151 (office); 919-781-0915 (fax)
Assistant: Willa Bea; e-mail: lteataus@aol.com

3. Julius L. Chambers
Chair – Finance Committee
and on Programs Committee

1801 Fayetteville Street
Durham, NC 27707
Chancellor at North Carolina Central University
919-560-6104 (office); 919-560-5014 (fax)
chambers@wpo.nccu.edu
Assistant: Margot Flood; e-mail: mflood@wpo.nccu.edu

4. S. Lawrence Davenport
Vice-Chair of the Board
On Programs Committee
and on Finance Committee

5961 U.S. 264 East
Greenville, NC 27834
Company: **J.P. Davenport and Son, Inc.**
252-752-6930 (office); 252-758-3071 (home)
252-757-1160 (fax)
scd@greenvillenc.com
Wife: Sarah

5. Billy Ray Hall
Secretary
On Programs Committee

Company: **North Carolina Rural Center**
4021 Carya Drive
Raleigh, NC 27610
Home Address: 7204 Spring Meadows Lane
Raleigh, NC 27606
919-250-4314 (office), 919-250-4325 (fax)
919-233-4503 (home)
brhall@ncruralcenter.org
Assistant: Tricia Johnson;
e-mail: tjohnson@ncruralcenter.org

Appointed by the President Pro Tem:

1. John D. Merritt
   Treasurer
   On Finance Committee
   and on Personnel Committee

   1209 Essex Drive
   Wilmington, NC 28403
   (Business Consulting)
   703-299-0041 (voice); 703-739-1328 (fax)
   910-343-9514 (home); 910-762-6621 (home fax)
   jasmerritt@aol.com

2. John H. Harmon
   On Programs Committee

   1017-C Broad Street
   New Bern, NC 28560; **or**
   P.O. Box 636
   New Bern, NC 28563
   (Attorney – works/lives at above address)
   252-633-2422 (office); 252-672-4075 (fax)
   jhharmon@coastalnet.com
   Assistant: Brenda

3. David T. Stephenson, III
   On Personnel Committee

   2402 Fayetteville Road
   P.O. Box 763
   Lumberton, NC 28359
   (Farmer/manages farm supply & 2 tobacco warehouses)
   910-739-3346 (private line); 910-739-4277 (fax)
   Assistant: Susie; e-mail: susie180@yahoo.com

4. Debbie E. Worley
   Chair – Programs Committee
   and on Finance Committee

   261 Talton Road
   Princeton, NC 27569
   (Farming/Cattle Operation)
   919-735-4239 (office); 919-734-2587 (fax)
   bworley@esn.net

5. William Clarke
   Chair – Investment Committee

   Roberts & Stevens
   BB&T Building, Suite 801
   Asheville, NC 28802; **or**
   P.O. Box 7647
   Asheville, NC 28802
   (Attorney)
   828-252-6600 (office); 828-253-7212 (fax)
   clarkeb@roberts-stevens.com
   Assistant: Lynne LeClerg;
   e-mail: lleclerg@roberts-stevens.com

Valeria L. Lee, **President**
The Golden L.E.A.F. Foundation
Tiffany Square Office Plaza
800 Tiffany Boulevard, Suite 200
Rocky Mount, NC 27804
252-442-7474 (office); 252-442-7404 (fax)
valerialee@aol.com

Joseph H. Gray, Jr., **Assistant Treasurer**
The Golden L.E.A.F. Foundation
Tiffany Square Office Plaza
800 Tiffany Boulevard, Suite 200
Rocky Mount, NC 27804
252-442-7474 (office); 252-442-7404 (fax)
jhgray70@hotmail.com

Davie L. Kyger, **Assistant Secretary** and Attorney for the Foundation
Smith Helms Mulliss & Moore, L.L.P.
300 North Greene Street, Suite 1400
P.O. Box 21927
Greensboro, NC 27420
336-378-5551 (direct line); 336-378-5400 (fax)
david_kyger@SHMM.com
Assistant: Rebecca (Becky) Rose – 336-378-5335
e-mail: rebecca_rose@SHMM.com

Handout #3

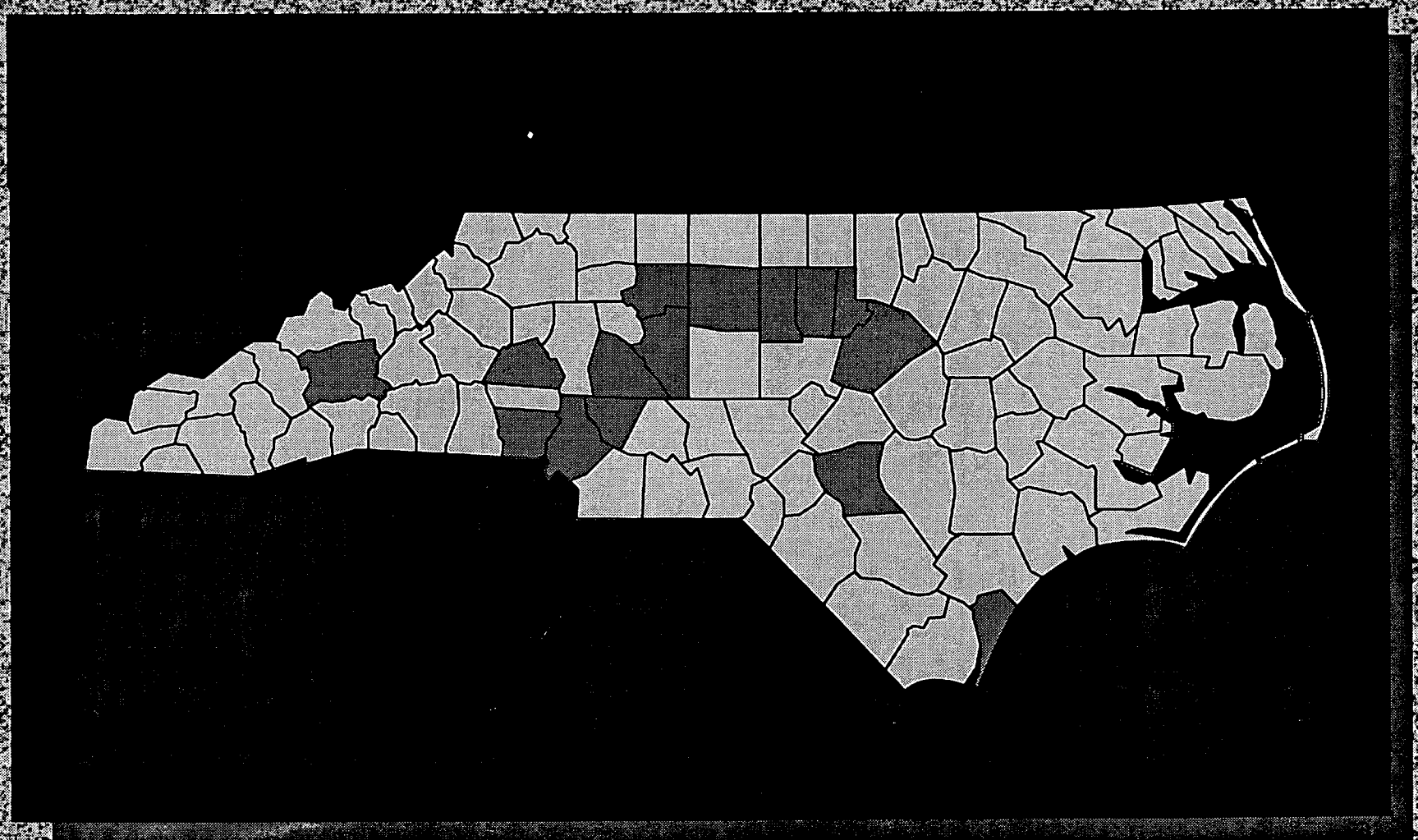


The Rural Center

Choices for a NEW CENTURY

North Carolina

(Rural/Urban Counties)



Rural and Urban:
A Tale of Two Counties

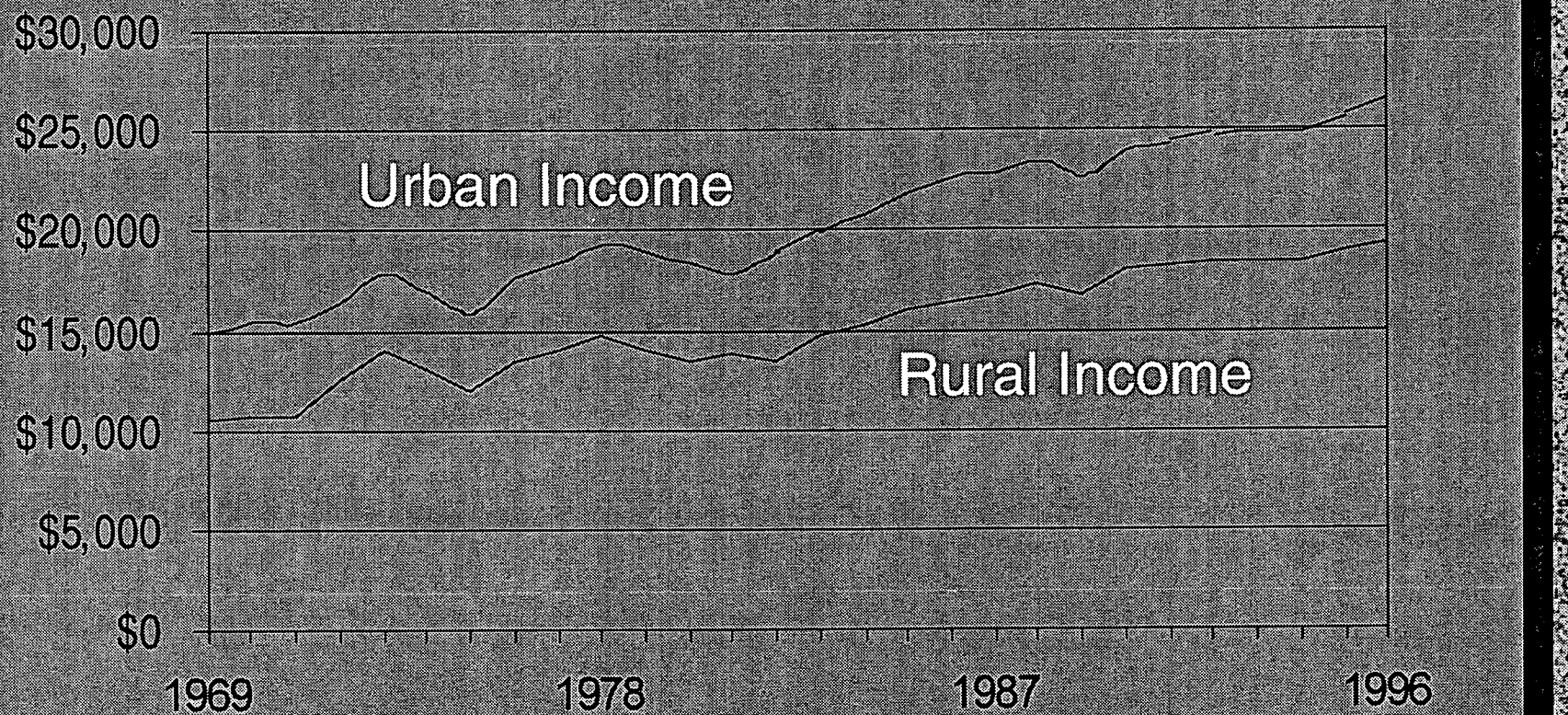
Category	Mecklenburg	Alleghany
Land Area (sq mi)	527	235
Population 7/1/1998	630,848	9,842
% Change 90-98	23.3%	2.6%
Net Migration 90-98	77,676	252
Population per Sq Mile 98	1,196	42
Per Capita Income 96	$ 30,541	19,568
Poverty Rate 95	11%	14.4%
Child Poverty Rate 95	17%	21.9
65+ Total %	9.5%	19.9
0-18 and 65+ %	36.2%	40.3%
Unemp Rate 99 %	1.8%	4.4%
Manufacturing Employment %	11%	39%
% Completed High School 90	82.9%	54.4%
Average SAT Score 1999	985	957
Per Pupil Spending 1998	$ 5,272	$ 6,110
Ability to pay	100	9

Rural North Carolina at the Turn of the Century

- The Rural Divide Remains
- The Gap Is Widening Within Rural North Carolina

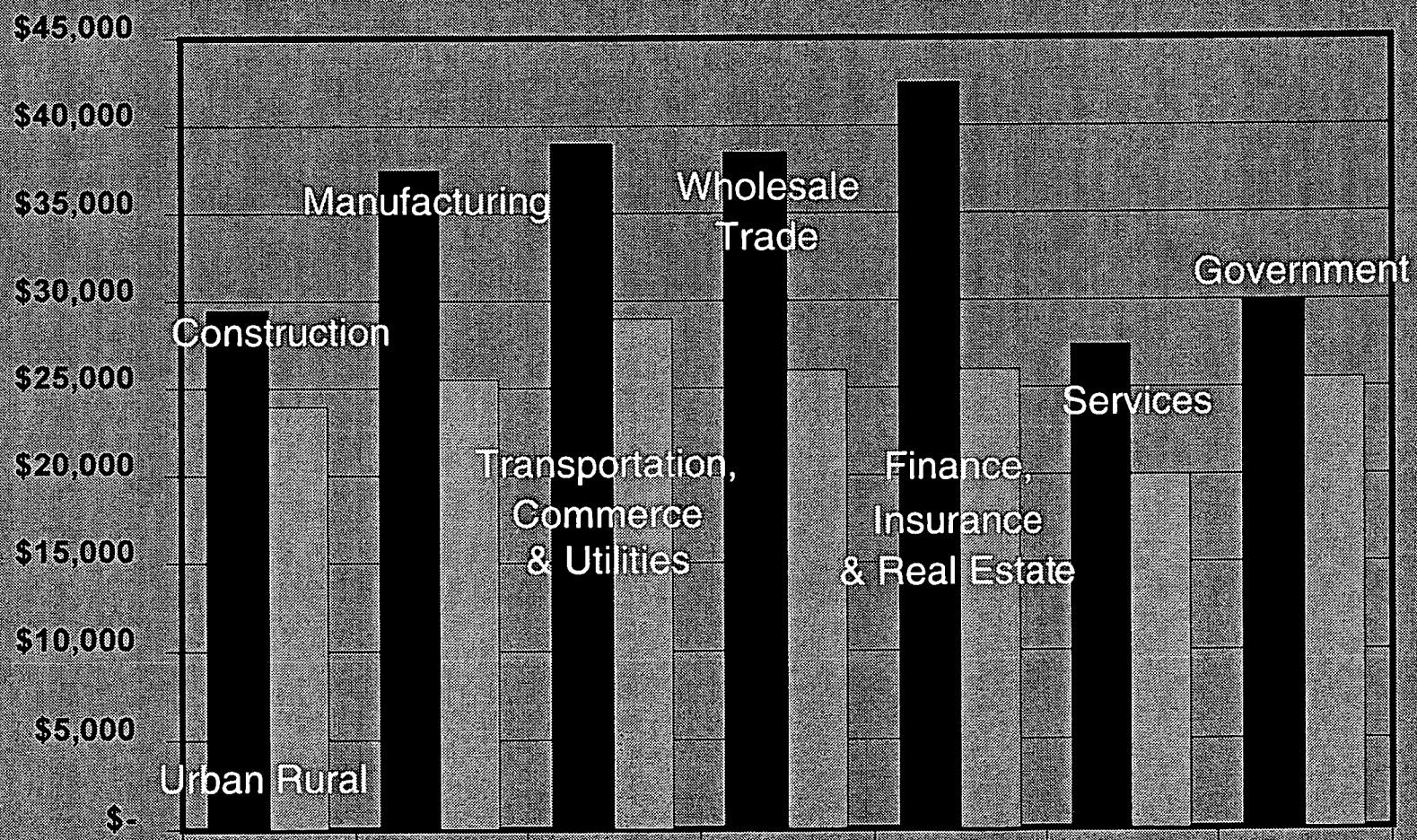
Rural NC Fails to Close Income Gap

1969-96



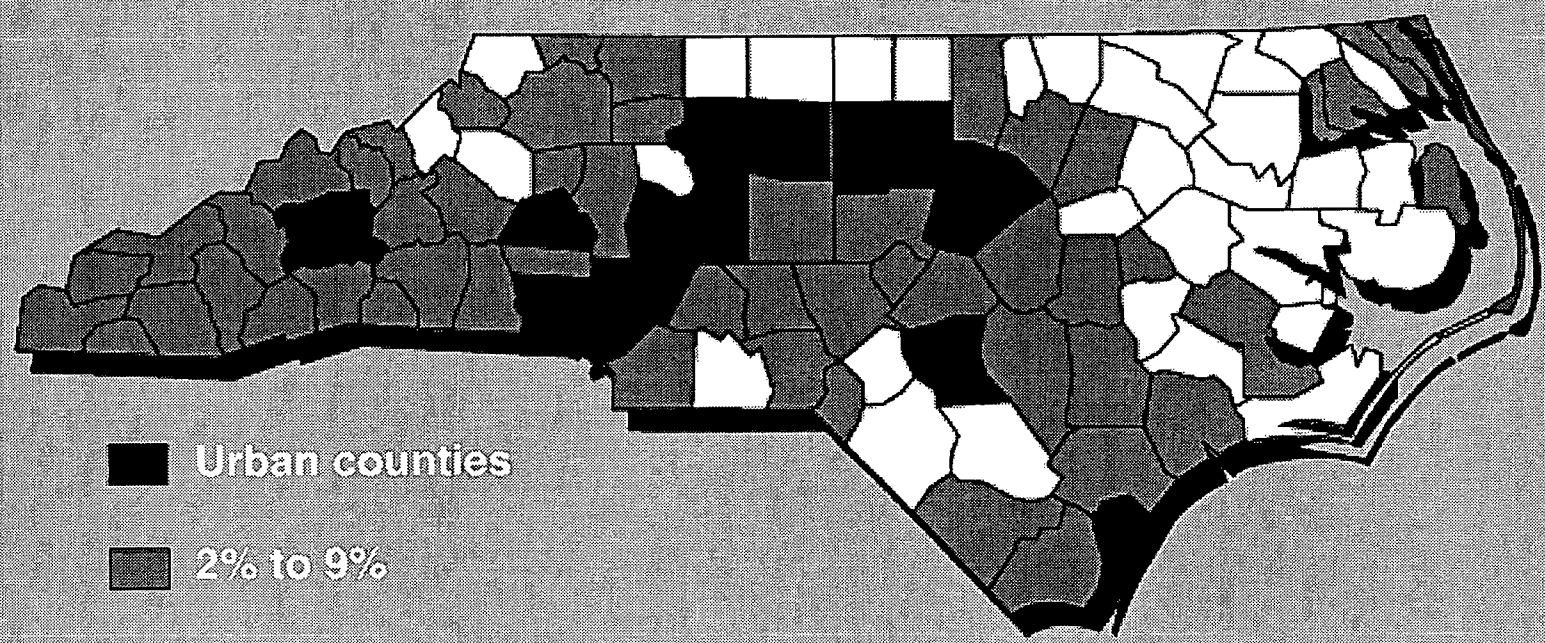
Average Wages

Rural/Urban 1997



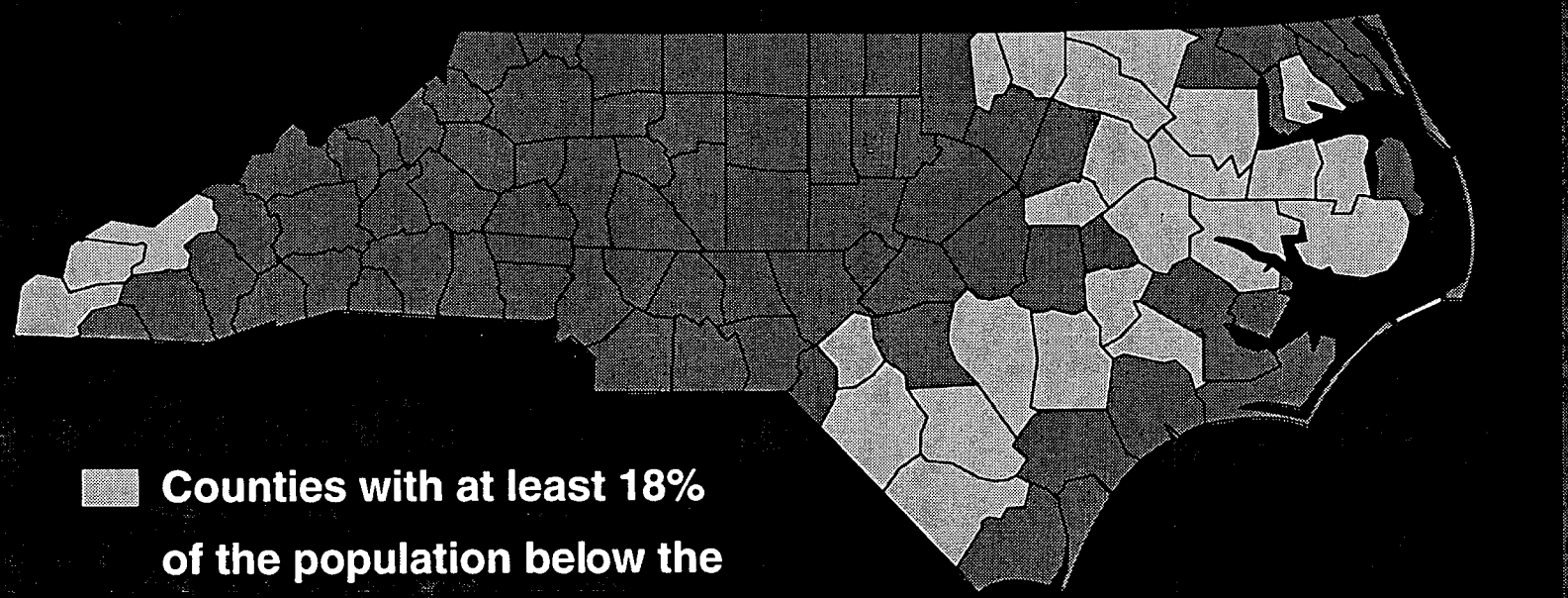
Babies Born with Low Birth Weights

(5 lbs. 8 oz. or less), 1997



Persistent Poverty in North Carolina

1980-95



Counties with at least 18% of the population below the poverty line since 1980

Guiding Principles for Rural Development

- *Recognizing that a healthy economy is a diverse economy.*
- *Recognizing that successful economic development is comprehensive development.*
- *Preserving what is best in the community.*
- *Recognizing that no community exists in economic isolation.*
- *Thinking and planning beyond municipal and county lines.*
- *Confronting and moving beyond racism, sexism and economic and social barriers.*
- *Broadening leadership.*

Emerging Issues

Restructuring of Agriculture

Shift in Manufacturing

Growing Service Economy

Information Infrastructure

Financing Small Business

Workforce Training

Environment at Risk

Emerging Issues

Restructuring of Agriculture

Shift in Manufacturing

Growing Service Economy

Information Infrastructure

Financing Small Business

Workforce Training

Environment at Risk

The Food Dollar

1974-1998



Emerging Issues

Restructuring of Agriculture

Shift in Manufacturing

Growing Service Economy

Information Infrastructure

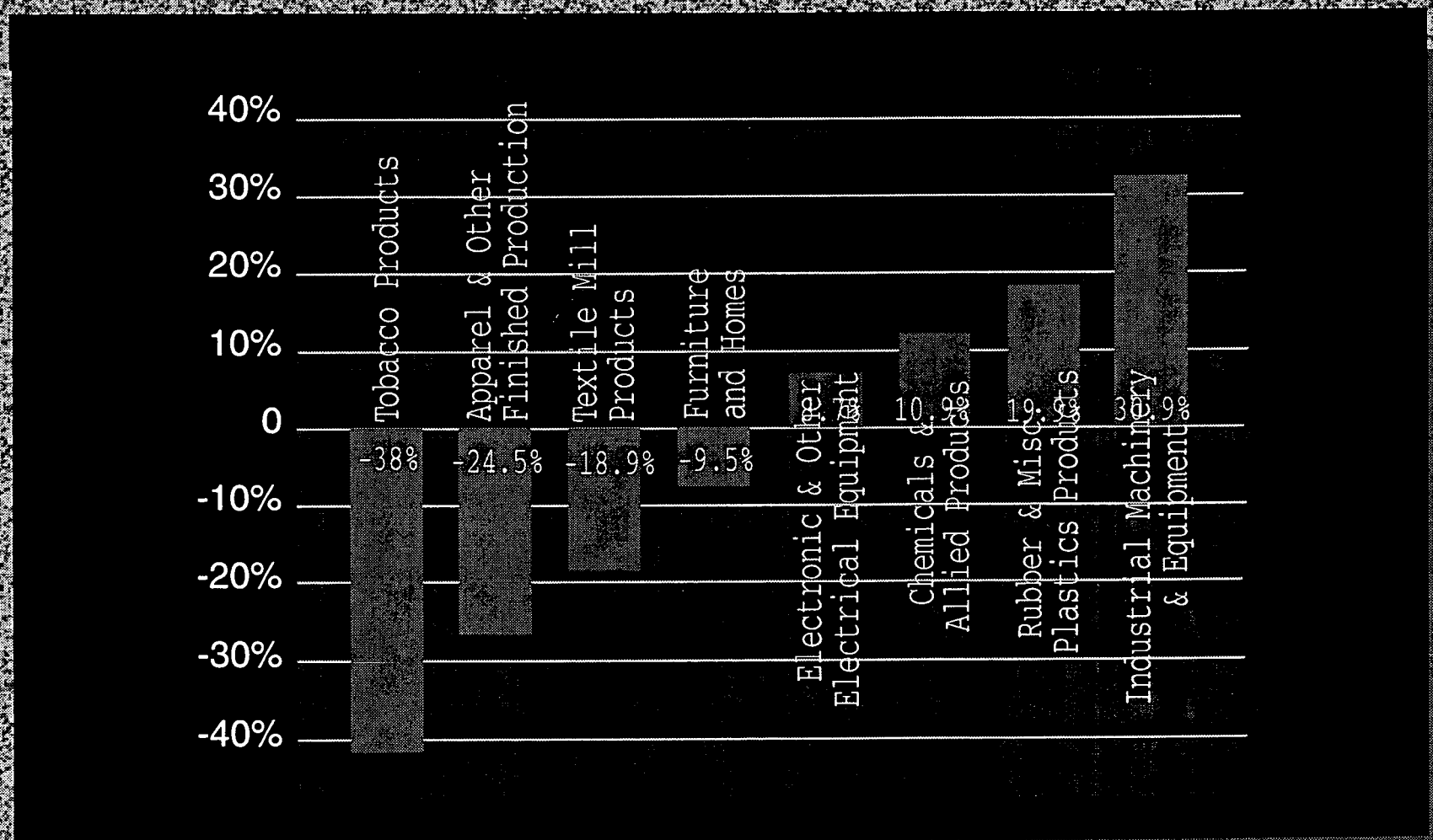
Financing Small Business

Workforce Training

Environment at Risk

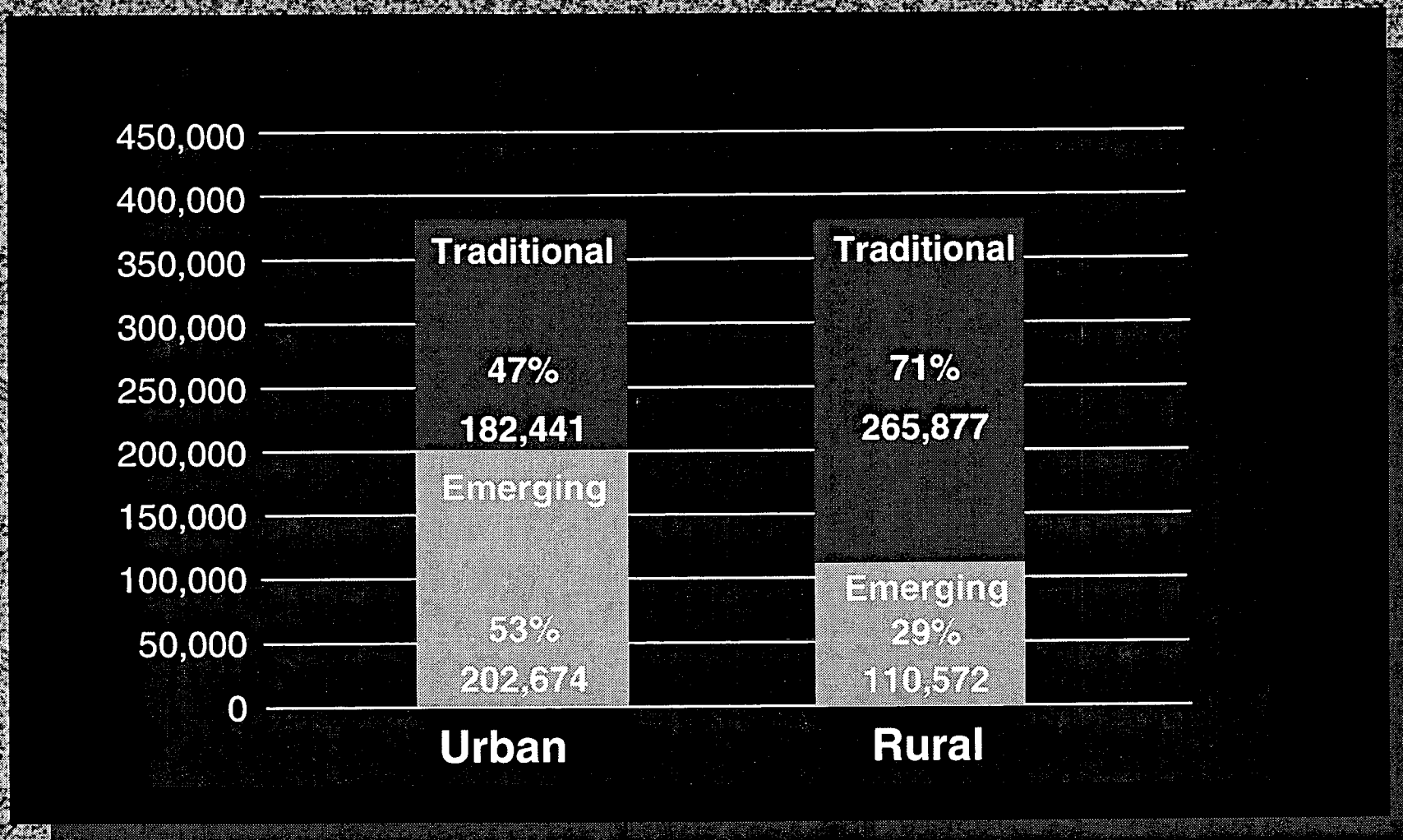
Job Losses and Gains

1988-96



Traditional Industries Dominate in Rural N.C.

Rural/Urban, 1997



Emerging Issues

Restructuring of Agriculture

Shift in Manufacturing

Growing Service Economy

Information Infrastructure

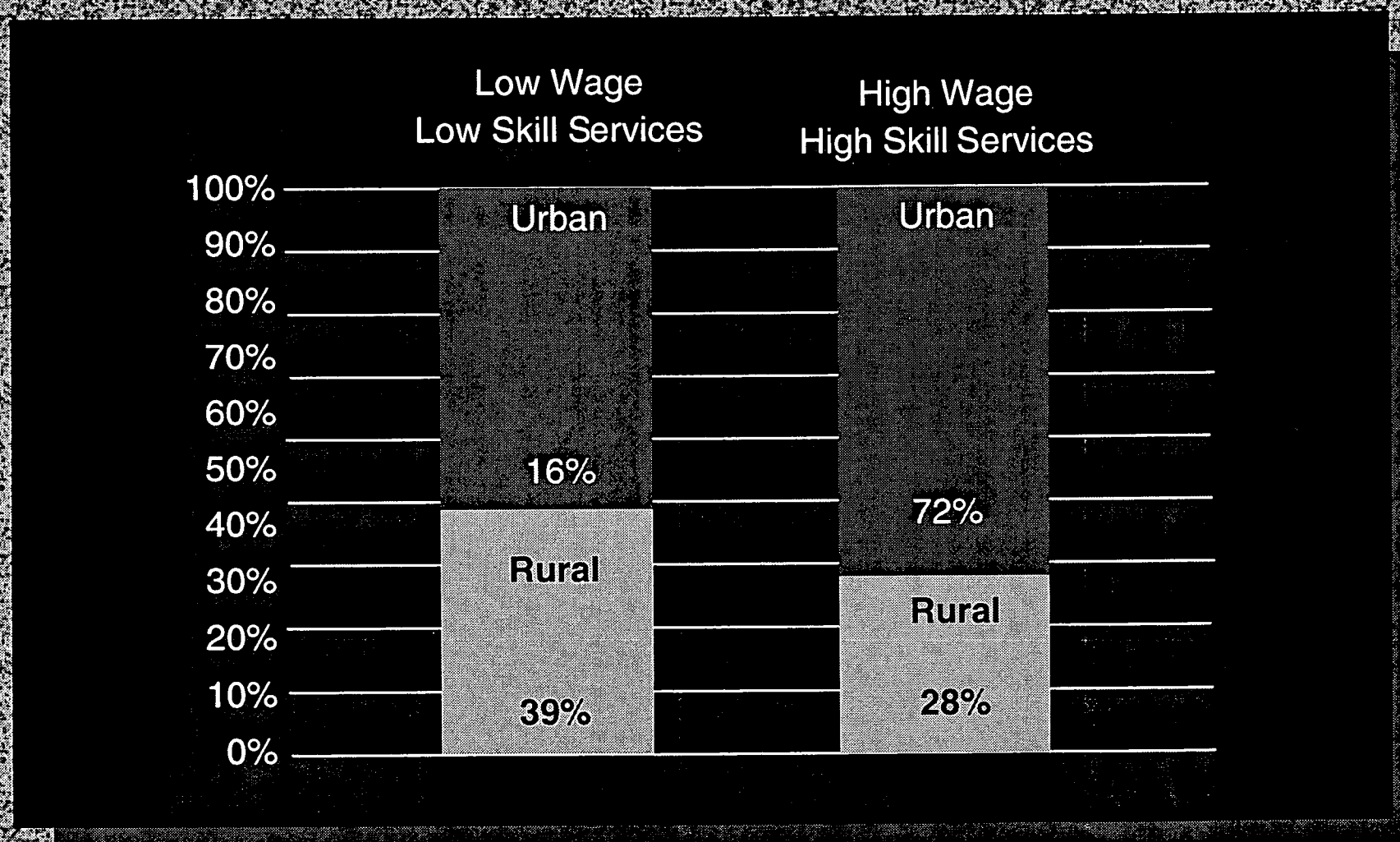
Financing Small Business

Workforce Training

Environment at Risk

Employment in Service Industry

1997



Rural Wages Trail Urban Wages

1997

Industry	Urban Average Wages	Rural Average Wages
Communications	43,424	33,633
Depository Institutions	37,476	28,849
Health Services	34,327	26,373
Engineering & Management Services	29,351	20,000
Real Estate	28,820	18,272
Business Services	23,205	14,468
Retail Trade	15,779	13,692
Social Services	15,515	13,283
Eating & Drinking Places	10,720	9,271

Emerging Issues

Restructuring of Agriculture

Shift in Manufacturing

Growing Service Economy

Information Infrastructure

Financing Small Business

Workforce Training

Environment at Risk

Rural N.C.High Cost of Connectivity

Rural/Urban1998

County	Rural/Urban	City/Town	Monthly T-1 cost
Guilford	Urban	Greensboro	216
Wake	Urban	Raleigh	247
Bladen	Rural	Elizabethtown	1,130
Yancey	Rural	Burnsville	1,252
Cherokee	Rural	Murphy	2,316
Mitchell	Rural	Spruce Pine	2,435
Halifax	Rural	Littleton	2,575
Vance	Rural	Henderson	2,670

The Digital Divide

National

- A wealthy household is 10 times more likely to have Internet access than a poor household.

Rural

- A wealthy urban household is 20 times more likely to have Internet access than a poor rural household.

North Carolina

- North Carolina ranks 40th in the percent of households with Internet access.

Emerging Issues

Restructuring of Agriculture

Shift in Manufacturing

Growing Service Economy

Information Infrastructure

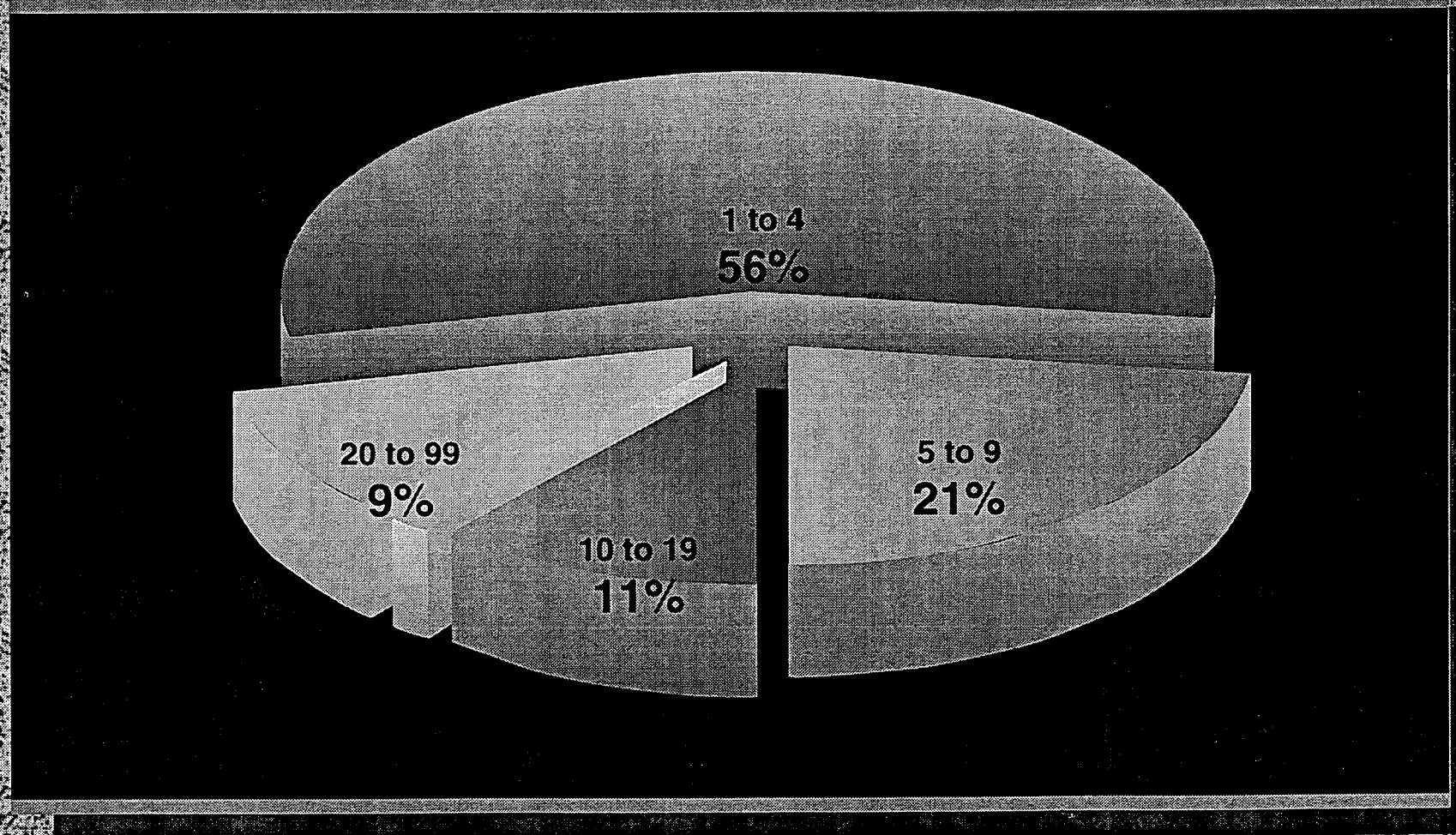
Financing Small Business

Workforce Training

Environment at Risk

Very Small Firms Dominate

1996



Emerging Issues

Restructuring of Agriculture

Shift in Manufacturing

Growing Service Economy

Information Infrastructure

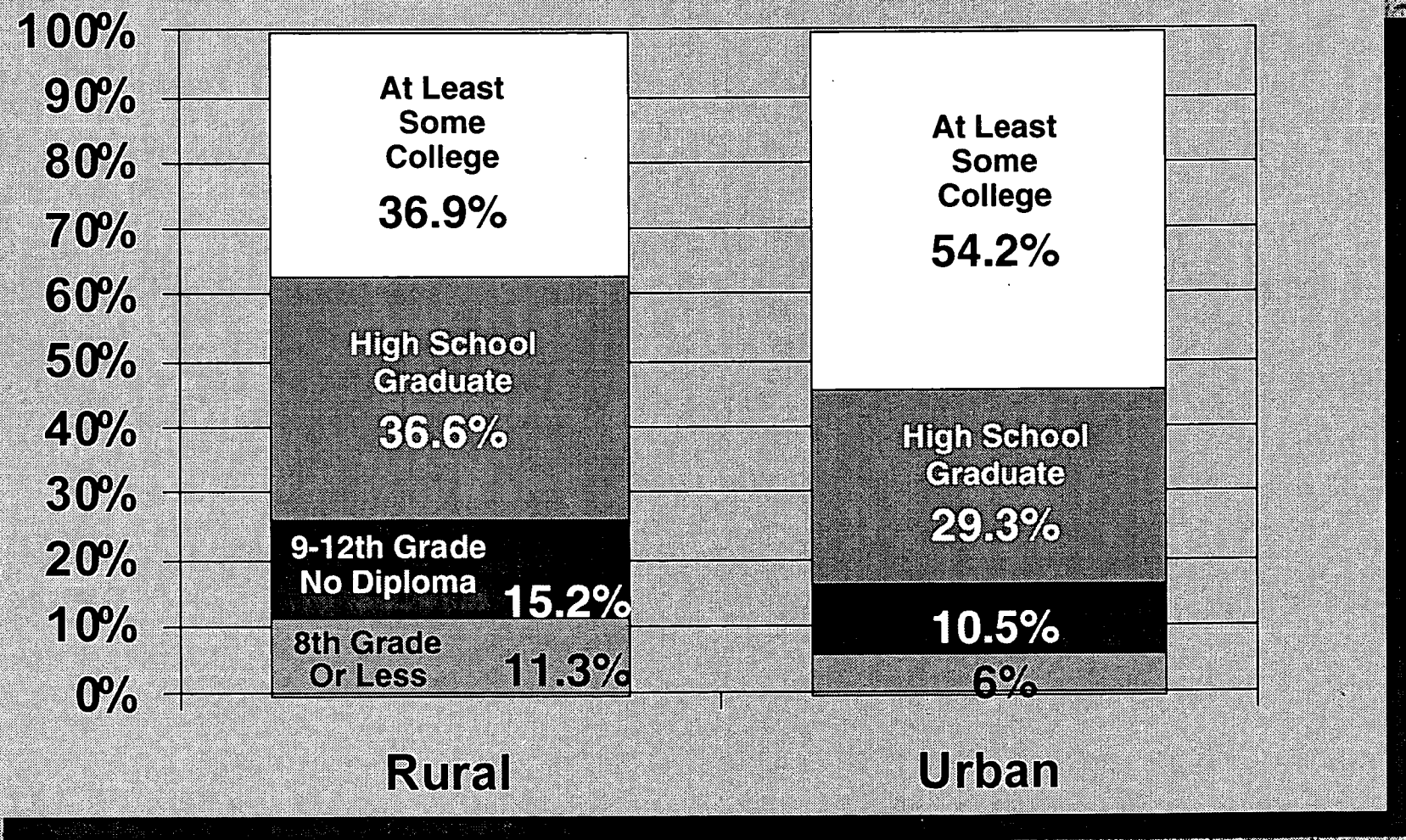
Financing Small Business

Workforce Training

Environment at Risk

Rural Workers Less Educated

Rural/Urban, 1997



Emerging Issues

Restructuring of Agriculture

Shift in Manufacturing

Growing Service Economy

Information Infrastructure

Financing Small Business

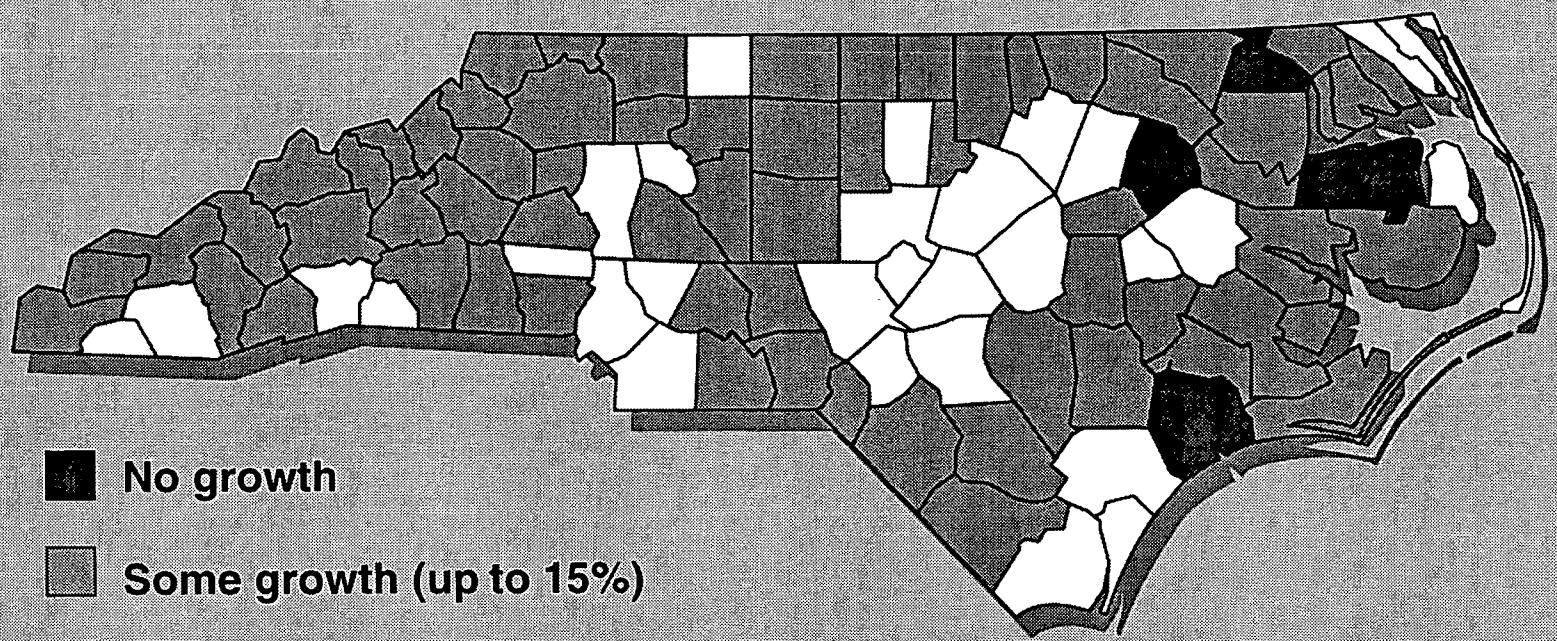
Workforce Training

Environment at Risk

Measures of Environmental Risk

- In 1996 there were 276 cases of drinking water contamination in North Carolina.
- Groundwater levels in eastern aquifers are reported to have dropped more than 150 feet in less than five years.
- There are more than 550 abandoned hog waste lagoons in the floodplains of eastern North Carolina.
- Dangerous levels of ozone pollution are responsible for the reduction of visibility in the Smoky Mountains National Park area of western North Carolina from 93 to 22 miles.
- North Carolina lost an average of 156,000 acres per year to development from 1992 to 1997. This is the fifth highest rate in the US. Much of the North Carolina land lost to development (31%) was prime and unique farmlands as defined by the USDA.

Population Growth, 1990-98



No growth

Some growth (up to 15%)

High growth (above 15%)

Enduring Issues

The Education Gap

Physical Needs, Fiscal Weakness

Persistent Poverty

Racism and Sexism

Localism

Enduring Issues

The Education Gap

Physical Needs, Fiscal Weakness

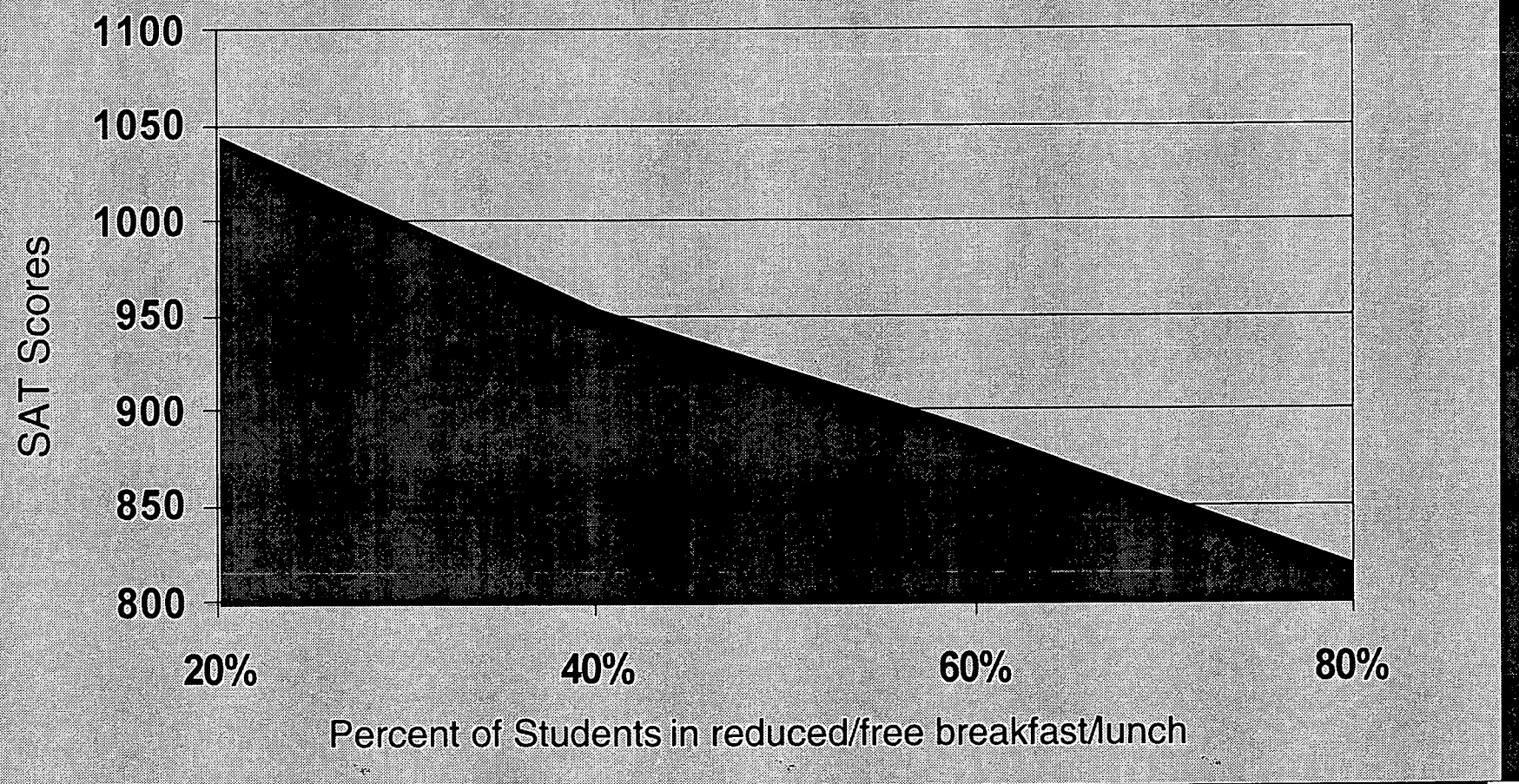
Persistent Poverty

Racism and Sexism

Localism

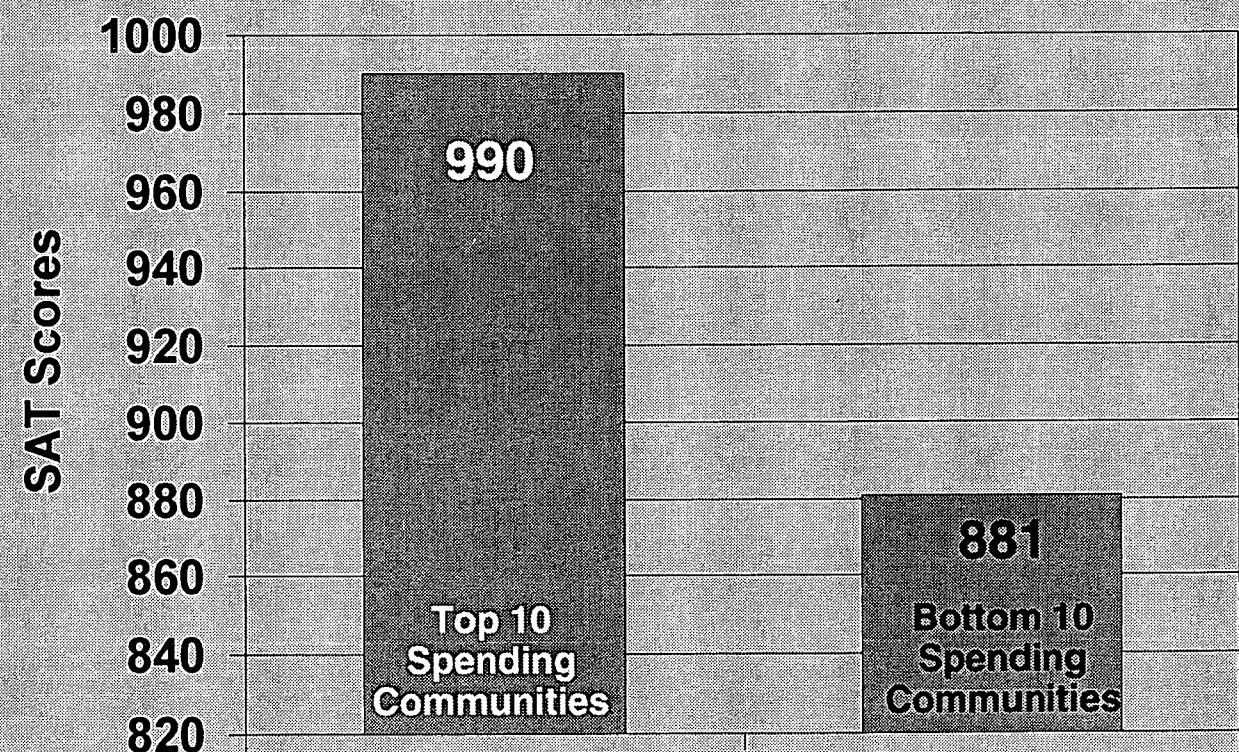
Scores Lower for Needy Students

SAT Scores, 1998



Scores Lower in Low-spending Counties

School Year, 1997-98



Enduring Issues

The Education Gap

Physical Needs, Fiscal Weakness

Persistent Poverty

Racism and Sexism

Localism

The Tale of a Town

TOWN OF MAGNOLIA **APRIL 5, 2000**

MAJOR PROBLEMS FACING US AT THIS TIME:

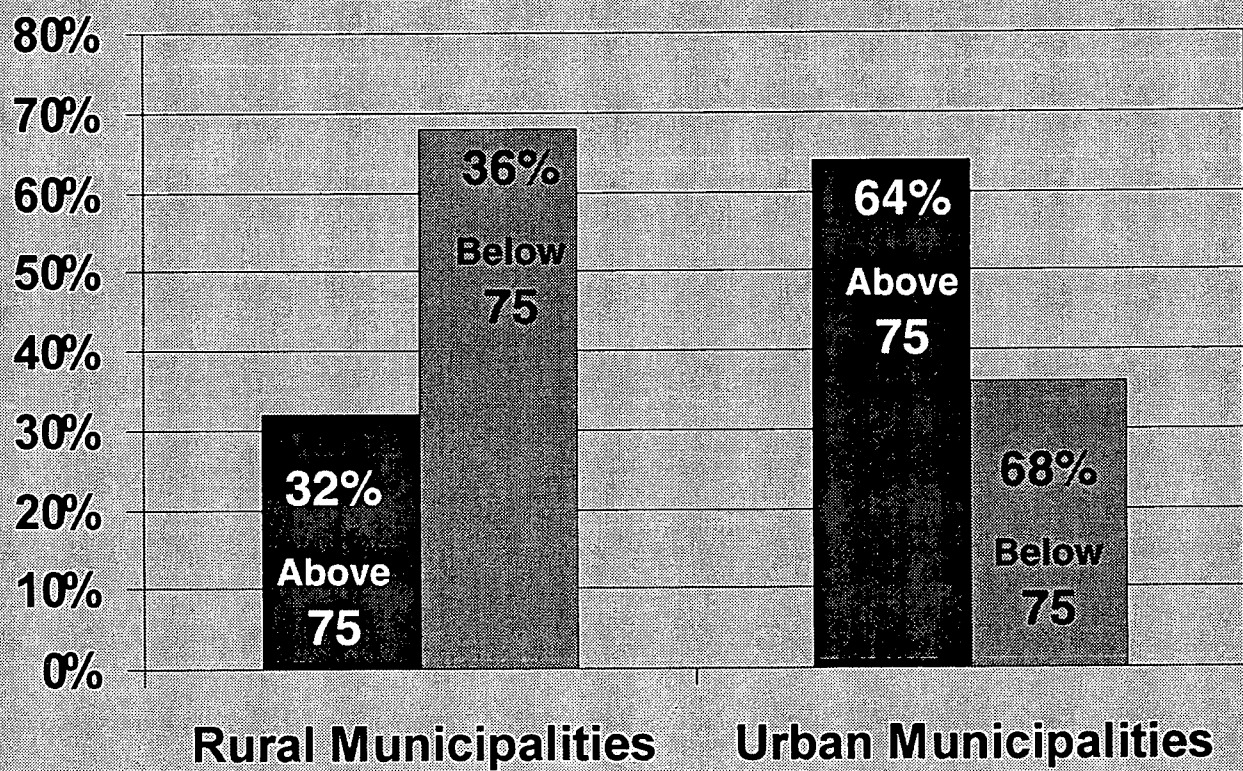
1. An overworked, worn out sewer plant in need of replacement.
2. A sewer collection system that has major "I and I" Problems and is in need of major repairs.
3. The state had informed us we couldn't put a new sewer plant "on line" until the "I and I" problem is fixed.
4. A single town water tank that is not adequate for supplying the town water needs and provide a reserve for fighting fires at the same time. A second water tank is needed.
5. Residual street drainage damages from Hurricane Floyd awaiting repairs.
6. Streets in need of resurfacing and many need to be surfaced for the first time.
7. One of our fire trucks will soon be 38 years old and is in desperate need of replacement. Other fire fighting equipment is old and should be replaced.
8. The heating and cooling system in the town hall needs replacement.
9. The largest employer in town is a two-waitress restaurant and the second largest in the Small Towns Service station.
10. No industry at all.
11. An underpaid group of town employees and we can't afford to pay them adequately.
12. Bonds from the previous bond issue for the last WWTP are as yet not paid off.
13. The nearest full time flowing stream is about nine miles away.
14. The compute software in the town office is corrupt and needs replacing; and, an additional computer is needed.
15. Many of the town vehicles need replacing.

Corbett L. Quinn, Mayor

TMAG Problem List 4-5-2000 - 1

Bond Ratings of N.C. Municipalities

1999



Tax Rates in Rich and Poor Counties

1999

County	Effective Tax Rate Per $100	Poverty Rate 1995
Perquimans	$0.71	21.2
Northampton	$0.72	24.6
Edgecombe	$0.74	22.6
Richmond	$0.76	18.2
Washington	$0.76	20.7
Scotland	$0.80	19.4
Hyde	$0.84	25.7
Hertford	$0.87	24.6
Tyrrell	$0.90	25.5
Wake	$0.53	7.8
New Hanover	$0.56	14.1
Guilford	$0.57	11.7
Cabarrus	$0.59	8.4
Buncombe	$0.60	12.2
Forsyth	$0.62	10.8
Mecklenburg	$0.69	10.9
Durham	$0.71	12.4
Orange	$0.81	10.4

Enduring Issues

The Education Gap

Physical Needs, Fiscal Weakness

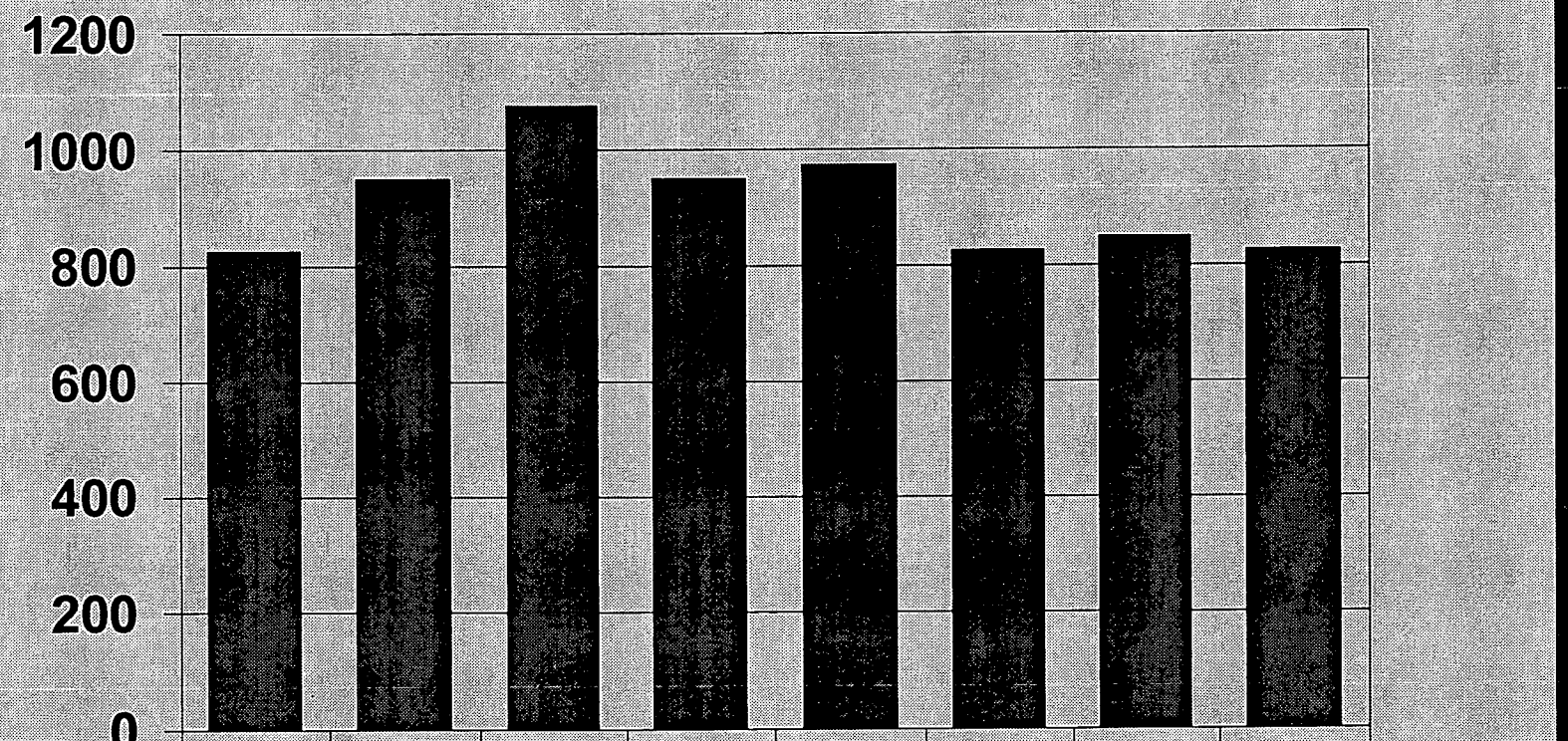
Persistent Poverty

Racism and Sexism

Localism

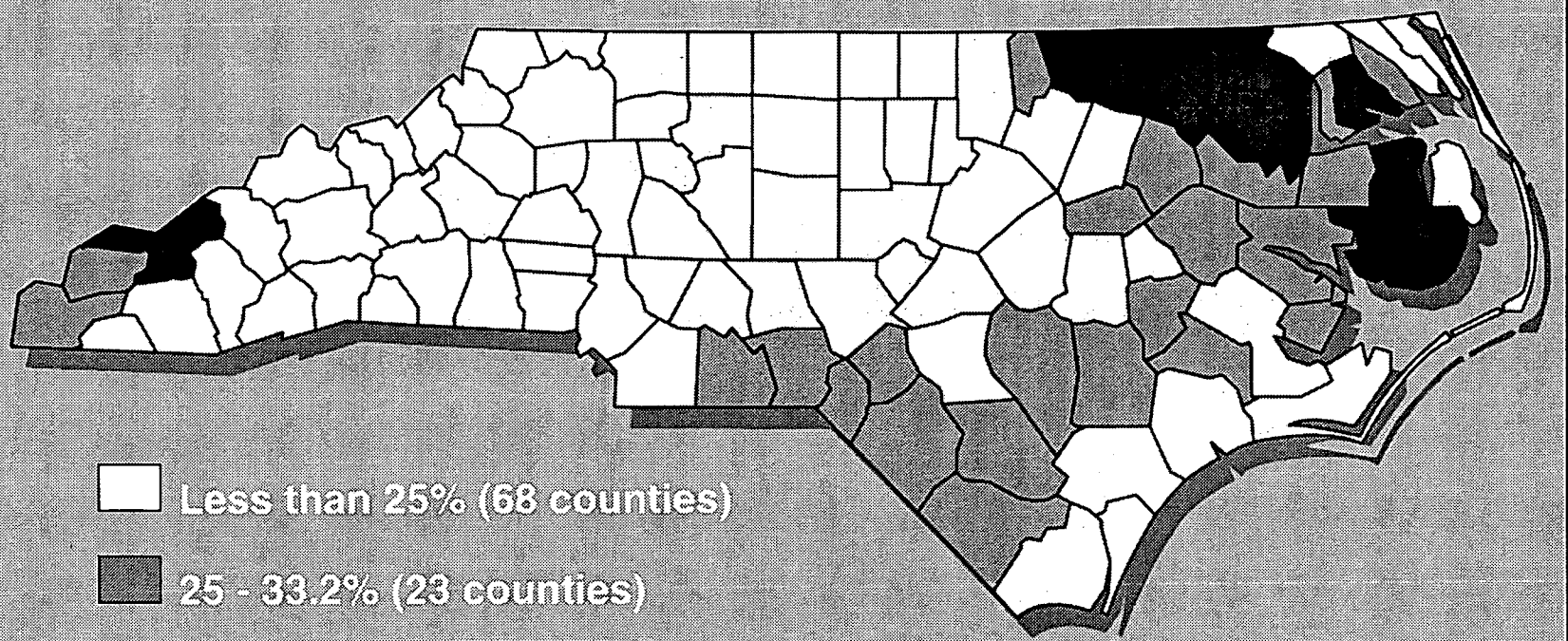
Poverty Remains High

North Carolina, 1990-97



High Rates of Child Poverty

North Carolina, 1995



Enduring Issues

The Education Gap

Physical Needs, Fiscal Weakness

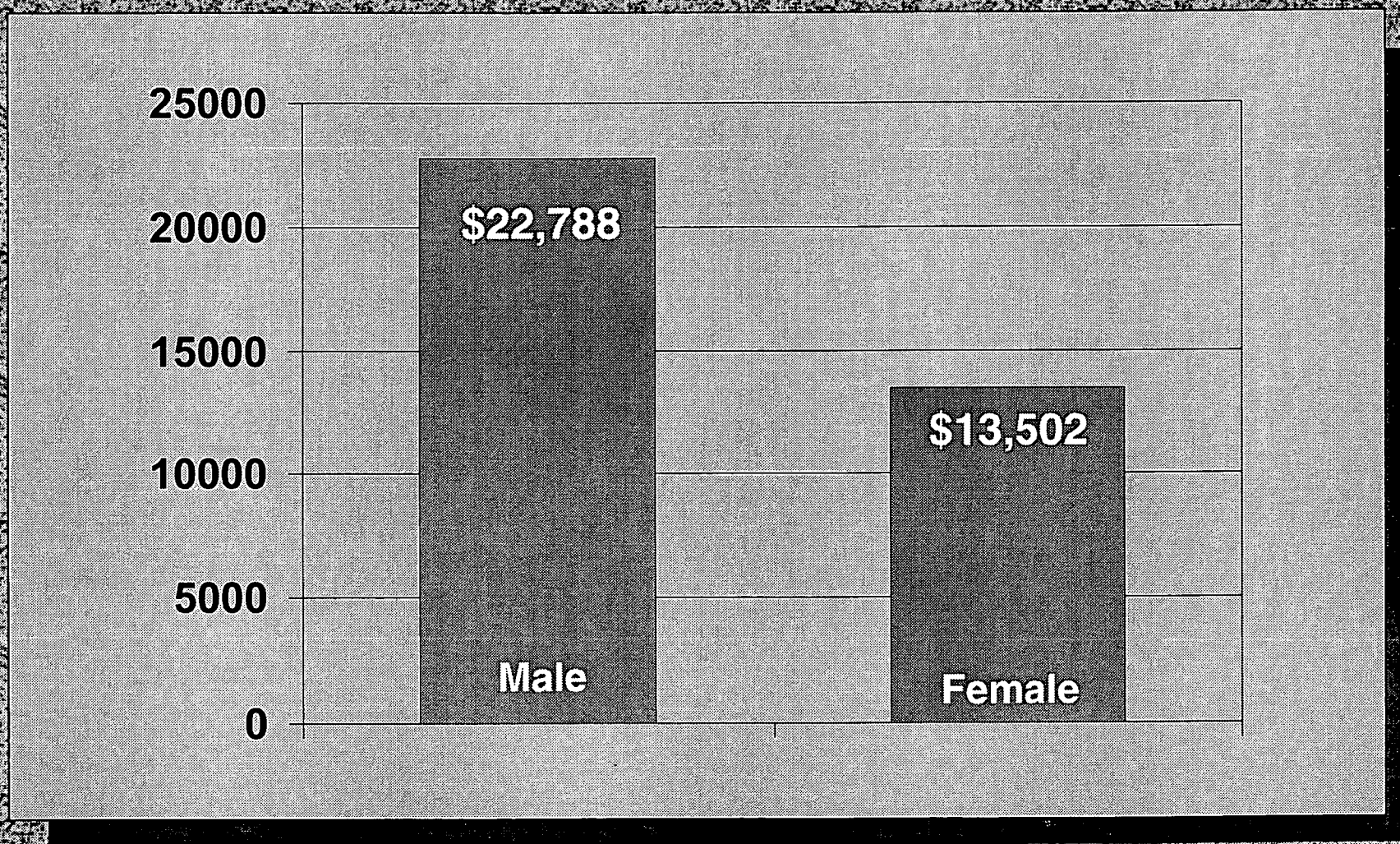
Persistent Poverty

Racism and Sexism

Localism

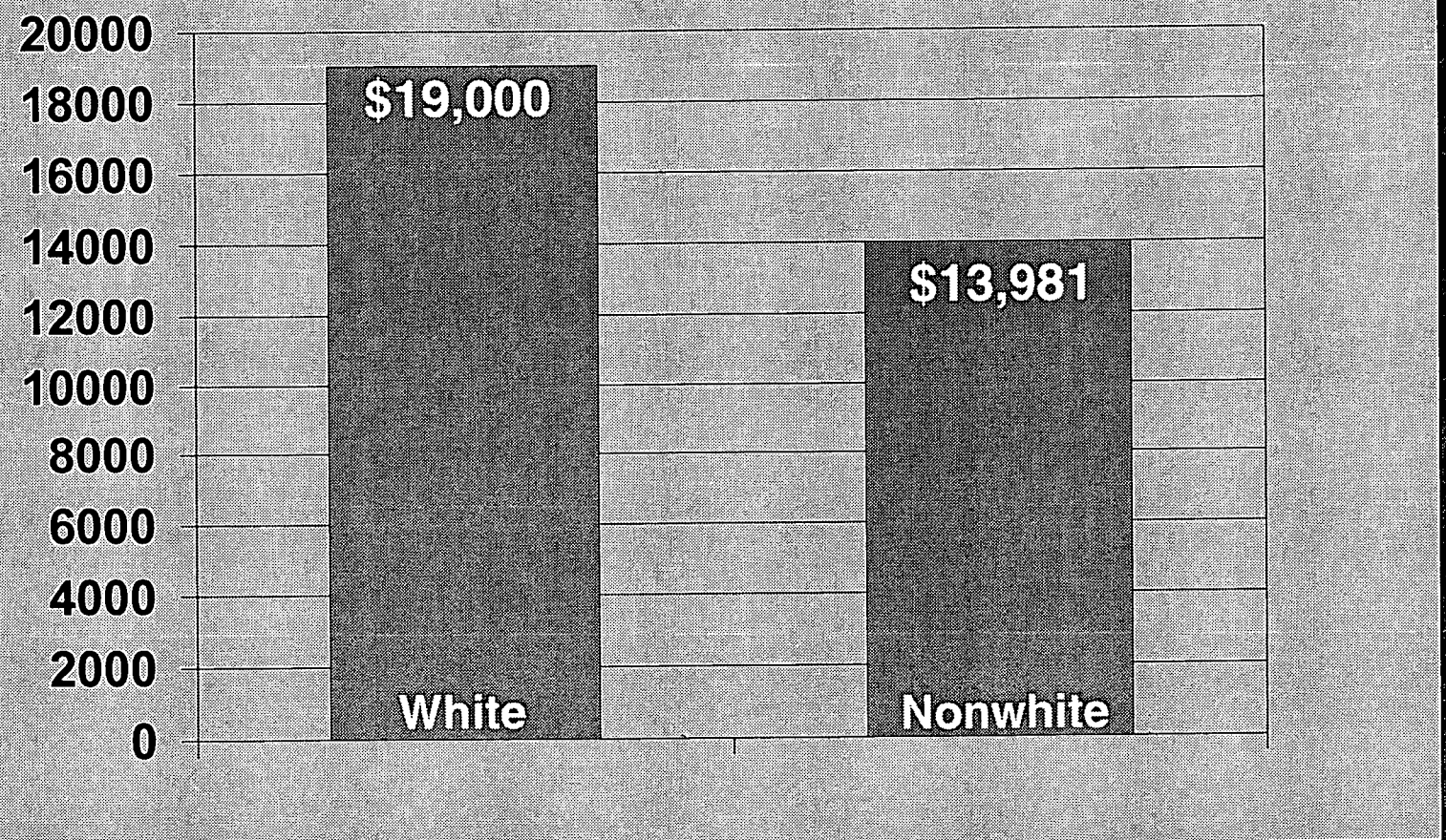
Female Incomes Lag Behind

North Carolina, 1997



Minority Incomes Lag Behind

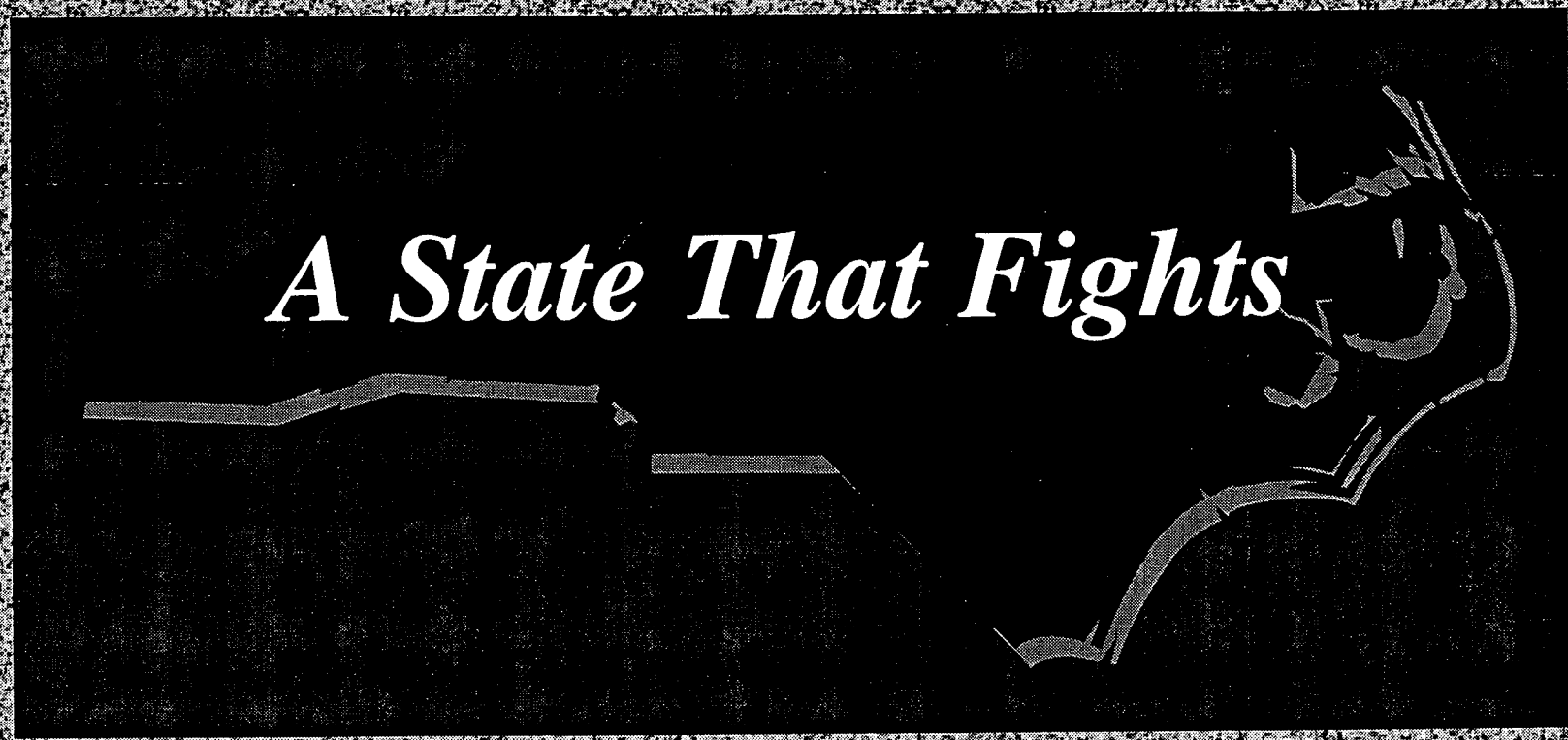
North Carolina, 1997



A Call To Action

A Call To Action

- *Establish a rural jobs strategy to grow and capture high wage jobs and high quality businesses.*
- *Equip rural communities with state-of-the-art technology to connect them with the global economy.*
- *Invest in water & sewer facilities to safeguard public health and position rural communities to compete for jobs.*
- *Protect the state's natural resource base to ensure long-term, shared prosperity.*
- *Ensure that all students receive a sound basic education regardless of where they live.*
- *Establish an integrated, accountable workforce development system that meets the needs of rural workers.*
- *Provide resources to low-income workers to remove barriers to work and support economic stability.*


A State That Fights

Choices for a New Century

A report on the sweeping economic changes in rural North Carolina and the challenges they pose for rural people and communities.

North Carolina Rural Economic Development Center, Inc.

Rural Economic Development Center Board of Directors
1998 - 1999

Kelly S. King, *Chair*

Valeria Lee, *1st Vice Chair*

William Veeder, *2nd Vice Chair*

Sandra D. Gambill, *Secretary*

Edmund Aycock, *Treasurer*

Charles W. Albertson

E.H. Alexander

Andy Anderson

Alice Ballance

Freddie Barnes

Donald Allen Bonner

Patricia O. Brinkley

Lois Britt

Eugene Bryant

Charles F. (Monroe) Buchanan

Velma Burnley

Billy E. Caldwell

Joseph D. Crocker

Brian Crutchfield

Raeford Daughtry

Layten Davis

Bill Gibson

James A. Graham

Ben Gray

Joseph W. Grimsley

Constance M. Haire

Samuel P. Hunter

James B. Hyler, Jr.

Luther Henry Jordan, Jr.

Cathy A. Lawrence

W. Joseph Mann

Stephen M. Metcalf

Harold E. Mitchell

Claude M. Odom

Allan Oocumma

Jane Smith Patterson

Richard Eugene Rogers

Barry Russell

James Sears

Cecil W. Sewell, Jr.

Cleveland Simpson

William L. Snyder

Joseph Stanley

William W. Staton

Richard C. Webb

Patrick Woodie

Larry Wooten

Fred Yates

William Friday, *Chairman Emeritus*

Charles Bishop, *Chairman Emeritus*

Billy Ray Hall, *President*

We wish to express our appreciation to the Z. Smith Reynolds Foundation
for funding the research and development of this report.

A Vision for Rural North Carolina

As we approach the 21st Century, we envision a rural North Carolina in which:

- Individuals can achieve economic independence by working in jobs that pay livable wages, are safe, and provide opportunities for growth and advancement.

- A strong entrepreneurial spirit is creating growth in all business sectors, allowing both new and existing businesses to flourish.

- Local economies are fully integrated into the global economy through an extensive network of transportation and telecommunications services.

- Rural communities offer a consistently high quality of life for their citizens, including access to excellent public schools and life-long educational opportunities, high quality health care, decent and affordable housing, a clean environment and recreational and cultural activities.

- Through strong local leadership and an active citizenry, rural communities are charting their own futures and effectively implementing sustainable, community-based strategies for economic development.

— Adopted by the Rural Center Board of Directors, August 13, 1999

Contents

Executive Summary 5

Challenges and Choices 7

Rural North Carolina at a Glance 9

The Rural/Urban Divide Remains 10

A Widening Gap Within Rural North Carolina 12

A Time of Remarkable Change 14

Emerging Issues 17

Enduring Issues 25

A Call for Action 31

Choices for a New Century

Principle Investigators, Rural Center

Chris Beacham/Phillip Black/Jean Crews-Klein/Nam Douglass

Robin Pulver/Roger Sheats/Les Twible/Diana Jones Wilson

Consulting Writer

Ferrel Guillory

Director of the Program on Southern Politics, Media and Public Life

University of North Carolina at Chapel Hill

Editor

Elaine Matthews

Rural Center

December 1999

N.C. Rural Economic Development Center, Inc.

4021 Carya Drive, Raleigh, NC 27610

Executive Summary

North Carolina enters the 21st century after a decade of robust growth. Our state has advanced in population, in jobs, in income and in quality of life.

The economy is re-shaping itself in ways that are dramatic and irreversible. North Carolina's economy, built on agriculture and manufacturing, is being transformed. To remain competitive in the global marketplace, these industries are modernizing their operations and shedding jobs at a rapid pace. The emerging economy—powered by technology and driven by knowledge—is spawning jobs in areas such as research, health care, business management, and personal services.

Some rural communities are facing unprecedented growth. The dynamic new economy has reached into a number of rural communities, especially those nearest our urban centers, bringing increased prosperity. Along with that prosperity have come substantial challenges. Former two-stoplight towns suddenly face traffic jams. Acres, even square miles, make a transition from "farmland" to "real estate." In these communities, the rural landscape and way of life are beginning to disappear.

Other communities remain untouched by the new prosperity, unprepared for the future. The rising prosperity of the past ten years has failed to lift many rural communities. Continuing declines in family farming and traditional manufacturing have put these communities at high risk. Especially vulnerable are older workers and minorities, often with limited education. One out of every four rural counties is afflicted by persistent poverty. The gulf between the state's rural areas and its prosperous urban and near-urban areas remains wide.

North Carolina's leadership is challenged to make critical choices for the future. The prospects for rural North Carolina in the 21st Century are far from bleak. Rural North Carolina has immense assets, including talented and hard-working people, exceptional scenic and natural resources and an economy that is increasingly diversified. The challenge is to harness the energy of the dynamic economy in ways that spread prosperity widely among rural people and places *and* that honor and protect the rural character.

This report presents a look into two sets of issues facing rural North Carolina at the dawn of the new century. The first are "emerging issues" raised by the new economy—the dramatic structural shifts in the various economic sectors, the rising importance of entrepreneurship, the quality of the workforce, the powerful influence of information technology and the need for environmental protection. The second are "enduring issues," which have to do with the consequences of inadequate education, poverty, infrastructure needs and lingering racial strains.

To address these complex issues, the report proposes a "Blueprint for Rural North Carolina." This blueprint calls for state and local leaders, in both the public and private sectors, to join with rural citizens to:

- **Establish a rural jobs strategy to grow and capture high wage jobs and high quality businesses.**
- **Equip rural communities with state-of-the-art technology to connect them with the global economy.**
- **Invest in water and sewer facilities to safeguard public health and position rural communities to compete for jobs.**
- **Protect the state's natural resource base to ensure long-term, shared prosperity.**
- **Ensure that all students receive a sound, basic education regardless of where they live.**
- **Establish an integrated, accountable workforce development system that meets the needs of rural workers.**
- **Provide resources to low-income workers to remove barriers to work and support economic stability.**

The fundamental choice before us is to connect to the emerging economy or to be left further behind. And that is really no choice at all.

Challenges and Choices

Consider these headlines that appeared in North Carolina's smaller daily and weekly newspapers in recent months . . .

Non-textile industries needed, economic development group says

Farmers reap whirlwind: Rapid changes strafe tobacco country

County enters global marketplace

Urban sprawl creeps into county

N.C. beach towns fear Myrtle-ization

In just a few words, these headlines point to a complex story: of a sweeping economic transition and of our need to master it.

Most rural North Carolinians live in towns or small communities because that's where they want to live. They are proud to call their state home and delighted that the state as a whole is doing so well. But their pride is mixed with anxiety as the 1990s come to a close, because the economic transition is particularly wrenching to them and to their way of life.

Rural residents seek what all North Carolinians desire: schools that educate their children well, community colleges and universities that help them and their communities thrive, affordable access to quality medical and child care, good transportation, an enjoyable, healthy environment and the opportunities to make a productive living. Indeed, what they want is what real, effective economic and community development should deliver.

Never has North Carolina been as economically strong as it is today. But in its strength, North Carolina is put to a historic test.

- **Will it preserve and enhance its rural communities that for so long defined its core character?**
- **As a state, will we take full advantage of the opportunities offered by the emerging economy?**
- **In making the transition, will we include the people and communities now left behind?**

Taking a look back

At the outset of the 1990s, the Rural Center convened a Rural Economic Summit. Its participants considered the battering that many rural communities had suffered as a result of economic shifts in the previous decade.

Nineteen counties had experienced an absolute decline in population during the 1980s. Another 15 counties had just enough births to offset out-migration. By the end of the decade, the gap in per capita income between urban and rural areas had widened to nearly $4,000.

The summit led to a period of deliberations, which in turn resulted in the publication of a report, ***Securing the Future: Rural Development Strategies for the 1990s***. In that report, the Rural Center declared that business-as-usual would no longer work in rural North Carolina, and it proposed 10 strategies for making a critical transition.

"To create conditions for success in rural North Carolina, leadership at all levels must begin to think and act in new ways," said ***Securing the Future***. Indeed, North Carolina began to do just that. The state—its governmental, for-profit and non-profit sectors—moved decisively along several paths outlined in the report. Higher educational standards were established. The Smart Start initiative was launched to ensure that young children arrive at school ready to learn. A major bond issue provided additional financing for rural infrastructure. And North Carolina dramatically diversified its rural economy.

But now, as a new century draws near, it is time to reassess the condition of rural North Carolina—and to consider afresh how the still-changing economy poses difficult challenges and requires crucial choices.

A moment of decision

This report, therefore, builds upon and expands the analysis contained in ***Securing the Future***. Its purpose is to give North Carolina citizens, their leaders and policymakers, comprehensive information and analysis on the current condition of rural North Carolina. In particular, we seek to respond to changes and trends that affect their livelihoods and the quality of their lives.

All of us in one way or another, will make important decisions about the future of our state and its rural regions. The principal premise of this document is to help us all—state and local governments, business executives, non-profit agencies, rural residents—make the best choices possible.

How the report emerged

This report is the fruit of a two-year process of data gathering and discussions among the board of directors, staff and friends of the Rural Center. In addition to research on economic conditions, the process included:

- A survey of community and business leaders, as well as public policymakers, to solicit views on the key trends and issues bearing on rural North Carolina.
- A work session of the Rural Center's board of directors for an in-depth conversation on rural trends and issues.
- Focus-group gatherings of citizens in Dublin, Rocky Mount, Waynesville, Wilkesboro and Williamston arranged by the staff of the Rural Center.
- A brainstorming session on North Carolina's Rural Future involving a dozen experienced policymakers and analysts.

The Rural Center wishes to express its gratitude to all the individuals who participated in the processes outlined above and to many more who responded graciously to our numerous phone calls asking for data and guidance. The commitment to making rural North Carolina the best possible place to live and work has never been stronger in this state. While we may sometimes run short on resources, we never run short on compassion, good ideas and the willingness to roll up our sleeves and go to work.

Rural North Carolina At a Glance

Population

3.9 million of the state's 7.5 million people
52 percent of the state's population

Counties

85 of the state's 100 counties

Municipalities

430 of the state's 541 municipalities
Five largest municipalities:
Jacksonville, Rocky Mount, Greenville, Goldsboro, Wilson
Five smallest municipalities:
Delview, Grandfather, Santeetlah, Bear Grass, Love Valley

Geographic Diversity

The highest peak east of the Mississippi and more than 3,000 miles of shoreline; home of the New River, the second oldest river in the world; more than 3,800 square miles of lakes, rivers and reservoirs and 200 peaks above 5,000 feet; more than 19 million acres of forestland and 4.7 million acres of wetlands.

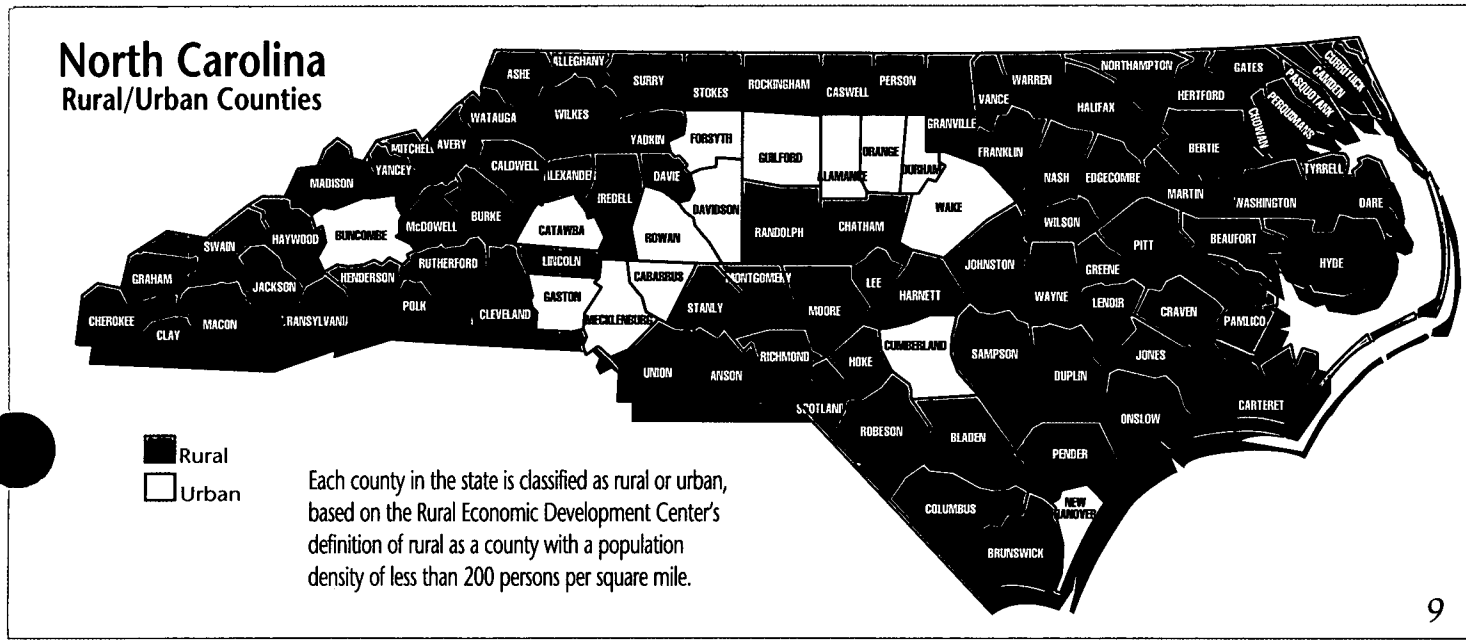
Economic Diversity

Nearly 40,000 small farms and 10,000 large farms; 800,000 manufacturing workers in 13,000 companies; a tourist industry generating $11 billion in revenue and providing more than 170,000 jobs.

Ethnic Diversity

African Americans: 851,576 (22.1% of the rural population)
Native Americans: 78,841 (2% of the rural population)
Latinos: 69,388 (1.8% of the rural population)*

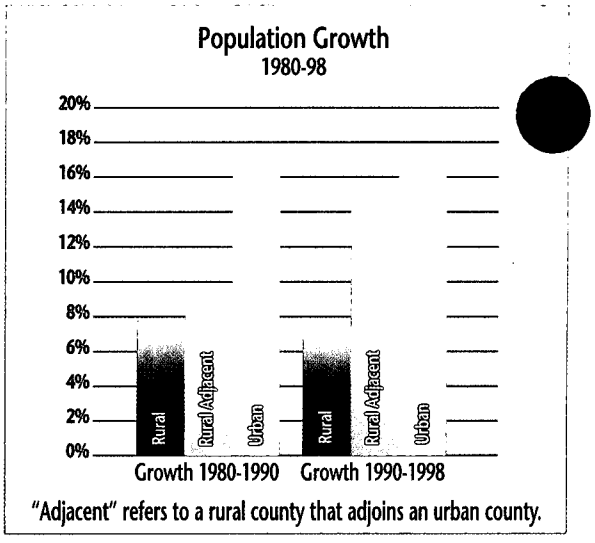
* Some estimates run as high as 4.4 percent of rural population



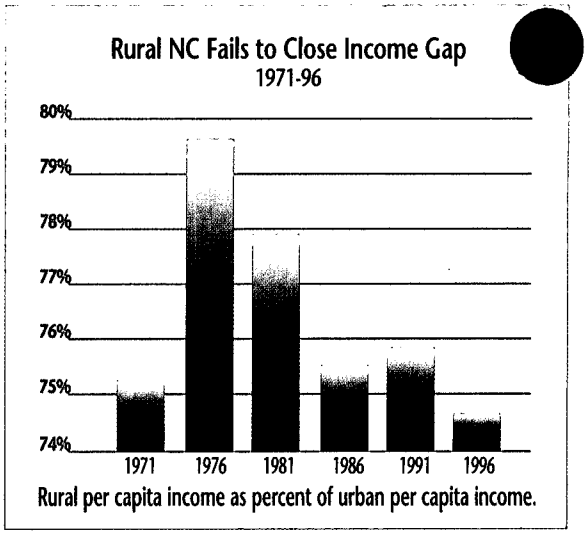
Each county in the state is classified as rural or urban, based on the Rural Economic Development Center's definition of rural as a county with a population density of less than 200 persons per square mile.

The Rural/Urban Divide Remains

When the General Assembly created the Rural Economic Development Center in 1987, lawmakers acted out of deep concern, rooted in clear evidence, that our state had become "two North Carolinas." The contrast between the booming metropolitan areas and struggling rural communities had become dramatic. Now, more than a decade later, we find that rural North Carolina has made some notable strides forward, but still lags behind in many measures of well-being.

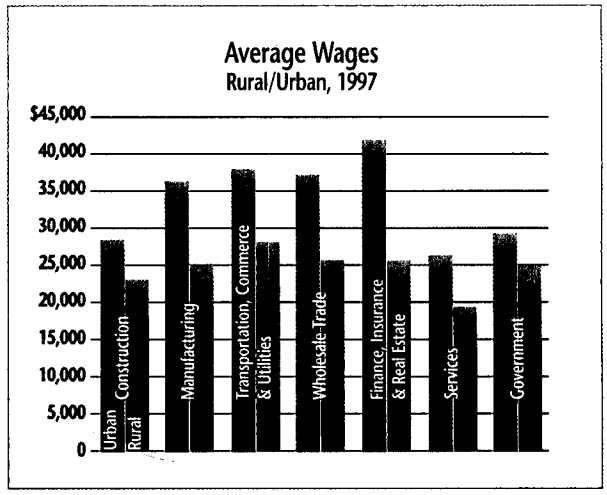


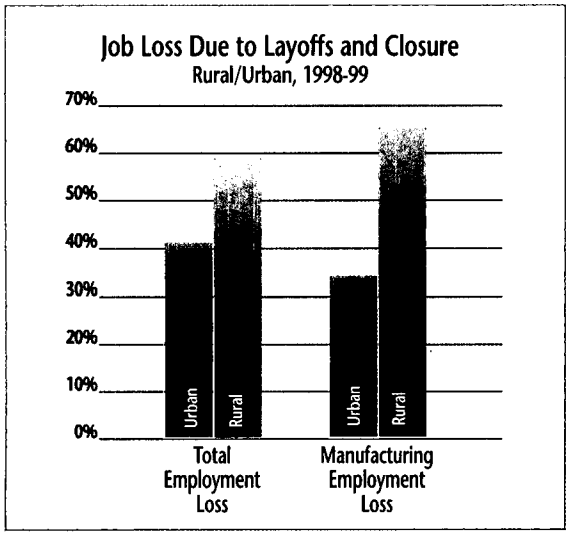
Rapid growth near cities. For much of the century, rural North Carolina lost population to the state's cities. In the 1990s, however, rural counties adjacent to urban counties—Johnston and Union, for example—experienced dramatic in-migration and population growth. Most other rural counties continued to grow at a much slower pace.



Rural/urban income gap. After narrowing in the late 1970s, the per capita income gap between rural and urban North Carolina has again widened. Rural per capita income rose from $11,266 in 1986 to $19,126 in 1996. Even with the gain, rural per capita income is only 75 percent of urban income—leaving the same gap that ex 25 years ago.

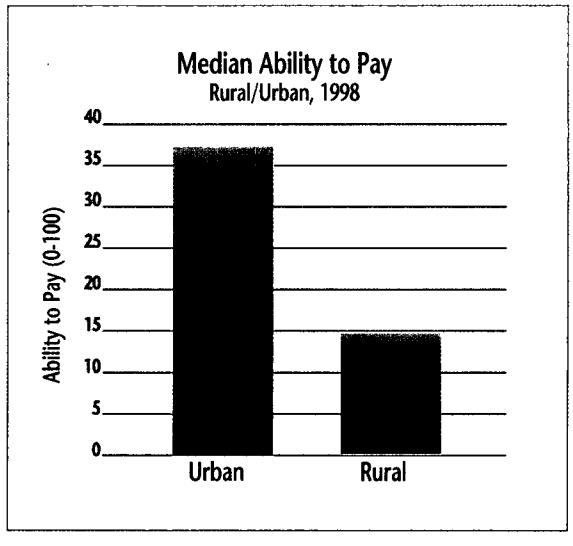
Difference in wages. Much of the income gap can be attributed to disparities in how much rural and urban North Carolinians are paid to do the same job. In some industries, rural workers make only 60 percent as much as urban workers. This translates into a difference of as much as $15,000 per year, making it less than surprising that often young people choose to move away.





Layoffs and closures. During a period of strong economic growth in the state, North Carolina has experienced an alarming number of layoffs and plant closures. These job losses have been felt in all areas of the state, but rural areas have been hit hardest. While 41 percent of the jobs are located in rural areas, nearly 60 percent of layoffs occurred there (1998-99). During the same period, rural areas experienced two-thirds of manufacturing job losses.

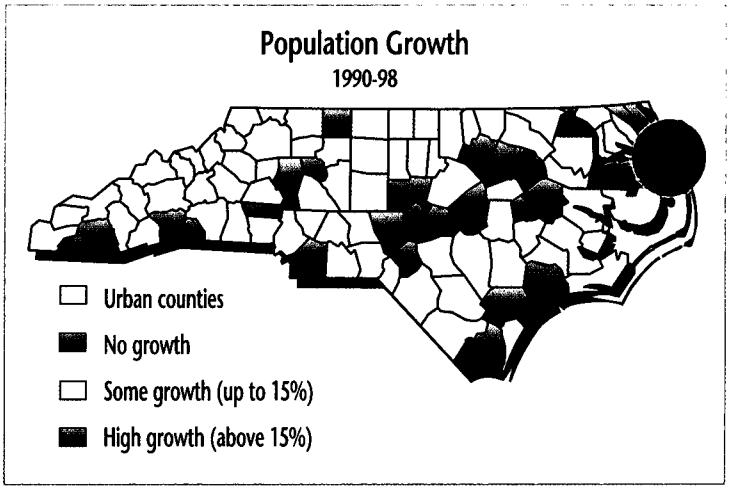
Median ability to pay. The N.C. Department of Commerce publishes a measure of the ability of each county and community to pay for services and infrastructure. Based on population, per capita income and property tax base, this measure varies from a high of 100 for Mecklenburg County to a low of 0 for Tyrrell. Low scores indicate that it is more difficult for communities to pay for investments in their future. For many of these communities, it is not an unwillingness to pay taxes for community investment. In fact, poor rural counties tend to have higher property tax rates, in an attempt to compete with stronger neighbors.



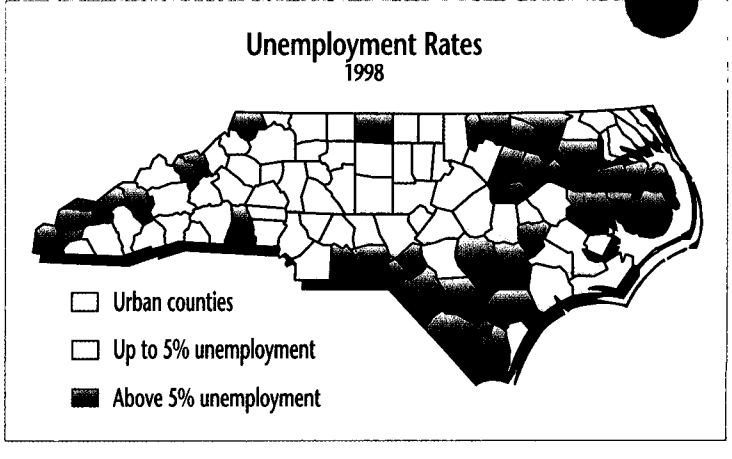
A Widening Gap
Within Rural North Carolina

The Connected. In barely a decade's time, many rural communities have joined in North Carolina's economic surge. Dozens of towns and counties have experienced growth in population, employment and educational achievement. Most of these growing places are located near a thriving urban center, on a major thoroughfare, or at a geographic or historic site that attracts retirees and tourists. Some have advanced too, because they have benefited from investments in education, new business development and forward-looking leadership.

The Disconnected. Other rural communities remain economically isolated, still unable to connect to our state's success and national and international economies. They are outside the solar system of an urban center, outside the gravitational pull of the emerging economy. In these counties, where there is little population and employment growth, decades-old problems linger. Many communities still struggle with the legacy of a low-wage, low-skill economic base. Many of their residents can be classified as the "working poor." These communities have been isolated by geography and by their own histories.

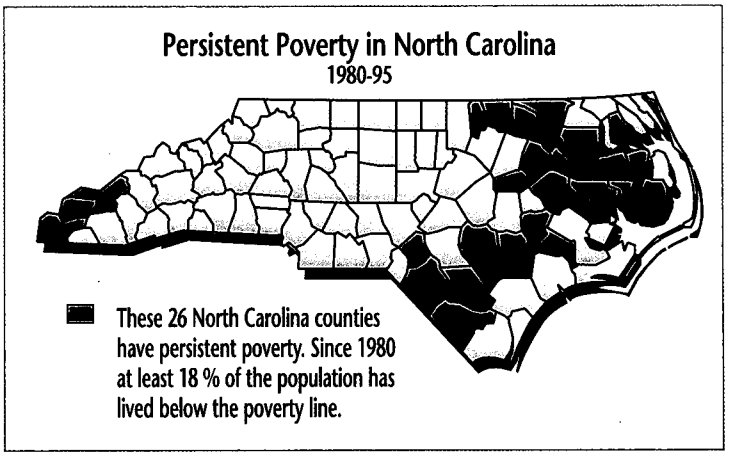


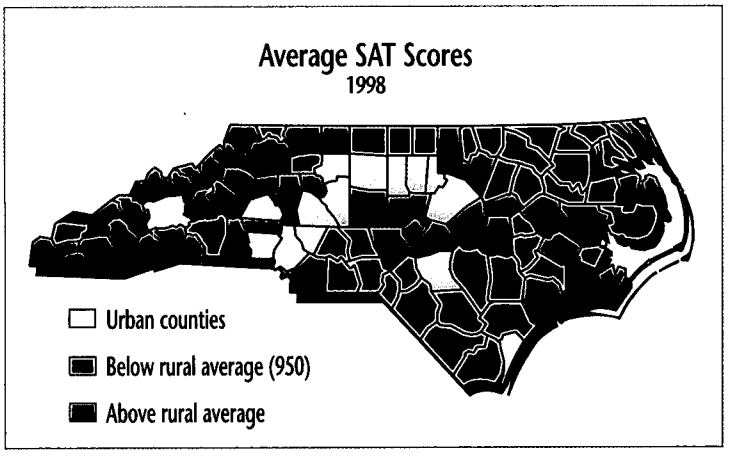
Population growth. Many rural counties located near urban areas have grown rapidly. In fact, six of the seven fastest growing counties during the 1990s were rural. Other communities in the west and east have had limited growth and some have even declined.



Unemployment rates. In 1998, 27 rural counties had unemployment rates below the state average (3.6 percent); 31 rural counties were at least 50 percent above the state average.

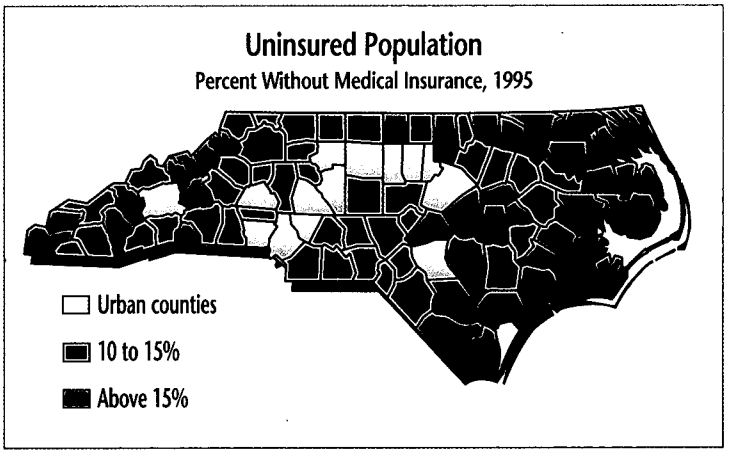
Persistent poverty. The economic boom of the 1990s has done little to reduce poverty in the state. At the beginning of the decade, 829,000 North Carolinians lived in poverty. The latest estimates show an increase to 839,000. Especially troubling are counties where poverty has remained high for years. Since 1980, 26 counties in the east and west have reported poverty rates above 18 percent. In these counties, 30 percent of the children live in poverty.

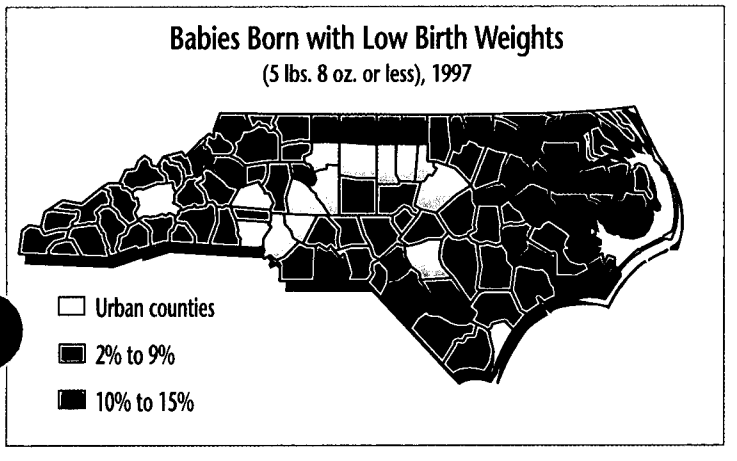




Educational achievement. SAT scores are improving in some areas, particularly the rural west where many students score above the urban average. In the east and many areas of the Piedmont, however, graduating seniors are clearly lagging behind.

Uninsured. Poverty and unemployment are also linked to decreased access to health care. In 44 counties, more than 15 percent of residents have neither private nor public (Medicaid) medical insurance.





Low birth weight babies. In the counties where we find poverty, poor economic opportunities and limited access to health care, we also find characteristics like low birth weight babies. The economic and social isolation of these counties places these children at a disadvantage at the moment of their birth.

A Time of Remarkable Change

North Carolina is confronting a special moment in time, and not simply because a decade, a century and a millennium are closing. The population is growing, fueled by separate and distinct waves of people moving in to take advantage of our economic opportunities and natural amenities. Advancing technology and shifting economic arrangements offer the prospect of linking our communities to the world and of substantially improving the lives of our people. For some, change is welcome, even exciting. For others, especially those who struggle at the economic edge, change only reinforces feelings of isolation and anxiety about the future.

In many ways, not much appears to have changed in this rural part of the state. But down the road a few miles, some students inside Alleghany High School in Sparta often can be found simultaneously using a book and a computer while getting instruction from and talking to a teacher on a video screen ... The students in the "cyber classroom"—a $270,000 distance-learning lab—are studying fourth-year Spanish.

"Left Standing by the Road?" Winston-Salem Journal, May 23, 1999

Hispanics' contribution to the economy of Eastern North Carolina amounts to $1.3 billion to $2.5 billion annually, according to a new study released Friday that is one of the first to assess the financial influence of the state's recent wave of immigrants.

"Hispanic Economic Role Large, Study Says," News and Observer, Raleigh, February 27, 1999

Groundbreaking ceremonies were held today in Asheboro for a major manufacturing expansion for Instrument Specialties Co., Inc. The expansion will create 40 jobs ... [The company produces] EMI shielding used in the telecommunications, computer hardware, aerospace and industrial equipment industries.

"Company Expansion Will Create 40 New Jobs," Randolph Guide, March 3, 1999

Lucia Inc.'s decision to close its women's clothing manufacturing plant in Elkin will result in the loss of 168 jobs. The company says it is shutting down the plant, in operation since 1976, to remain competitive in the apparel-manufacturing industry and to continue providing quality, value-priced products ... Over the past year, Surry County lost more than 1,000 jobs, but unemployment remains low at about 3.9 percent.

"Surry," Triad Business, Greensboro, March 5, 1999

Will Moore County change irrecoverably from an essentially rural, environmentally attractive area to a hodgepodge of urban [redacted] and strip development? Will [redacted]aint one-and-two-lane roads become clogged with bumper-to-bumper traffic, or be torn up and four-laned? ... A group of 21 concerned and knowledgeable residents, business people and government officials hope to head off such deterioration—while there's still time.

"Forum Looks for Solutions to Perils Posed by Growth," The Pilot, Southern Pines, November 24, 1998

Chatham newcomers and old-timers are engaged in a subtle negotiation over social customs and community. For old-timers, "rural atmosphere" means more than just scenic fields and corn silos; it means a certain way of life, a way of getting along with your neighbors ... Currently under way, the widening of highways 15-501 from Chapel Hill and 64 from Cary wi[redacted]ken the steady stream of ne[redacted]ers that has added 12,000 people [during the past 20 years].

"Chatham at the Crossroads," Independent, Durham, April 22, 1998

Farms disappeared at a rate of more than one a day in North Carolina from 1992 to 1997, new figures from the U.S. Department of Agriculture show ... At the same time, however, North Carolina exceeded all other states in improving the average value of agricultural products sold per farm.

"Farms Fading Fast in North Carolina, Census Shows," News & Observer, Raleigh, February 2, 1999

Globalization

American cigarette makers buy tobacco from Brazil and Zimbabwe as well as from North Carolina growers. Apparel, made from North Carolina yarn and sold in North Carolina stores, is sewn along the rim of the Caribbean and the Pacific. Foreign companies locate office, research and manufacturing complexes here to take advantage of our markets, transportation networks and institutions of higher education. The globalization of the economy has fostered new opportunities, even as it has heightened competition.

Restructuring

Family farming is declining. Textiles and other traditional industries are moving offshore and/or remaking themselves through higher technology. More and more people work in offices and deliver services. A new economy, built on knowledge and digital technology, is emerging.

Information Technology

Massive structural changes are afoot in the way Americans make, distribute and sell products. Increasingly people and businesses are connecting to each other and exchanging data, ideas and other things of value through wires and cables, satellite and cellular transmissions. The barrier of distance has been lowered.

Growth Born of Mobility

Our urban and suburban communities have ballooned with well-educated people who have arrived to work in the state's banking, research and high-tech sectors. Plentiful jobs have also attracted an influx of Latinos. The state's Hispanic population doubled in the '90s, with both urban and rural communities experiencing the enrichment and the stresses of cultural diversity. Retirees, attracted to the state's natural resources and cultural amenities, have continued to flock to North Carolina, especially in the mountains and along the coast.

Aging

In 2015, according to Census projections, North Carolina is expected to have half a million more people age 65 and above than it has now, and the state will have nearly one million more people age 45 to 64. Our state has a larger segment of its elderly population living in rural communities than in urban areas.

Suburbanization

A number of rural counties are growing, some swiftly, and as they do, they take on the look and feel of suburbs. Suddenly growth-management issues, hardly imaginable a decade or so ago, join the list of rural issues. Former two-stoplight towns suddenly face traffic jams. Schools grow crowded, seemingly overnight. Many acres, even square miles, make a transition from "farmland" to "real estate."

Seizing the Opportunities

It is within the context of such trends and forces that rural North Carolina moves into the 21st Century. As the Rural Center said in ***Securing the Future*** and must say again, one size doesn't fit all, and increasingly policies must be tailored to local conditions. To guide leaders at all levels in making important choices, the Rural Center offers the following principles:

Guiding Principles for Rural Development

Recognizing that a healthy economy is a diverse economy. The marketplace is dynamic, ever-changing. History has proven that rural communities that build their economies around a single industry are dangerously vulnerable to market change.

Recognizing that successful economic development is comprehensive development. "A new factory" is seldom the answer. Communities must develop all their resources—human, business, public facilities, civic—if they want to see real, sustainable change.

Preserving what is best in the community. Stewardship has an important place in economic development. Communities should identify and protect what is sacred, whether it be scenic vistas, historic sites or farmland.

Recognizing that no community exists in economic isolation. Every community has multiple ties to the larger economy. As leaders plan for the future, they should understand these connections and take advantage of the opportunities afforded by them.

Thinking and planning beyond municipal and county lines. Every community's financial resources are limited, in some cases, very limited. Regional collaboration will be essential if rural communities are to provide services and pursue growth.

Confronting and moving beyond racism, sexism and economic and social barriers. Good decisions are in the best interest of the entire community. Decisions should consider both equity (fairness to all) and access (opportunity for all).

Broadening leadership. Rural North Carolina has never had a shortage of talent, determination or willingness to work. Communities must renew their efforts to engage all citizens in government and community life.

North Carolina must have a rural strategy, and it must develop a wide range of tactics in pursuit of that strategy. The sections that follow address two sets of issues facing rural North Carolina: emerging and enduring. The emerging issues are those raised by the new economy—the dramatic structural shifts in the various economic sectors, the rising importance of entrepreneurship, the quality of the workforce, the powerful influence of information technology, and the need for environmental protection. The enduring issues have to do with the consequences of inadequate education, poverty, infrastructure needs, and lingering racial strains.

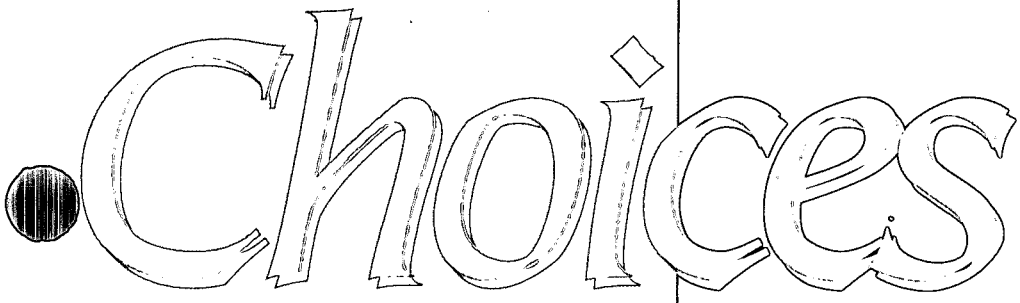
Both must be acknowledged. Both must be actively addressed.

The final section of the report presents the Rural Center's "Economic Blueprint for Rural North Carolina." This blueprint is built on the principles outlined above. It provides a comprehensive approach to the vast array of complex, interrelated rural issues. And it offers practical, "do-able" steps for achieving sustained economic development in our rural communities.

Emerging Issues

"The U.S. economy is undergoing a fundamental transformation at the dawn of the new millennium," Robert D. Atkinson and Randolph H. Court write in their recent report, *The New Economy Index* and they add that "the challenge now is to learn how to manage and govern in an era of sustained and constant innovation and adaptation."

America plunges – and indeed leads the world – into the new economy. The dynamism of the new economy will not leave rural North Carolina untouched. Indeed the fundamental choice before us is to connect to the emerging economy, or to be left farther behind. And that is really no choice at all.



Restructuring of Agriculture

North Carolina's farmers are among the most productive in the nation. To remain competitive in the future, however, farmers must be prepared to participate in a high risk, rapidly changing world market.

At the close of the 20th Century, agriculture remains a vital sector of North Carolina's economy. The agribusiness industry—from farm to retail—contributes $46 billion to the state's economy each year. North Carolina ranks third nationally in net farm income, trailing only California and Texas.

But now, as a result of globalization and policy shifts, farming has entered a period of long-term, structural change.

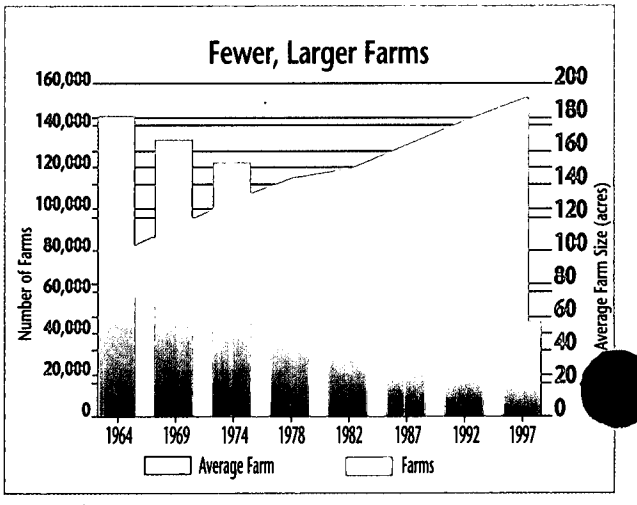
Diversification. Agriculture, to be sure, has diversified dramatically, with hogs and poultry now accounting for more overall farm sales than tobacco. In addition to the big three, North Carolina farmers produce substantial amounts of traditional crops like cotton, soybeans and corn, as well as products for speciality markets like nursery stock, organic fruits and vegetables and pond-grown fish.

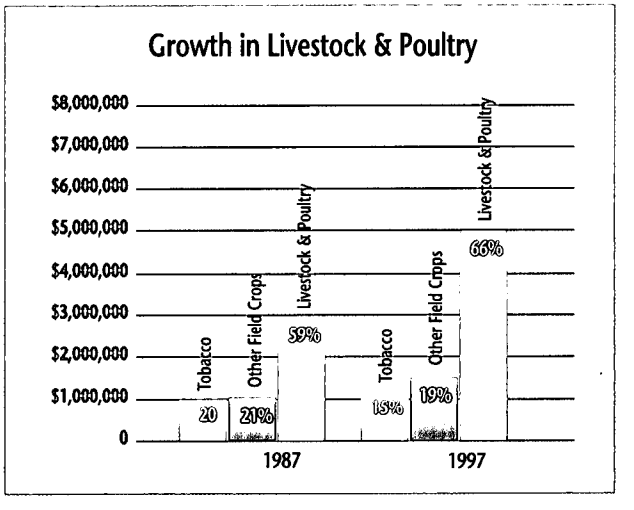
Consolidation. The trend in North Carolina is toward continued decline in small farms—the state has lost more than 150,000 farms since 1964—and consolidation into fewer, larger farms, some run by families, others by corporations. From 1987 to 1997, the number of farms in North Carolina with annual sales of $500,000 or more tripled. These larger farms, while only eight percent of total farms, accounted for 73 percent of sales.

Globalization. International markets are providing both opportunities and threats. Between 1994 and 1997, North Carolina's agricultural exports rose by $395 million, a 37 percent increase. This "good news" has been offset, however, by other market events. Hog producers saw sales drop by $800 million from 1997 to 1998 due in part to declining sales to economically-troubled Asian markets. Tobacco growers have felt the blow of competition from foreign leaf as well as depressed U.S. consumption resulting from legal settlements that raised cigarette prices.

Growing Risk. Farmers' livelihoods have always been dependent on the unpredictable forces of nature. Never has this been more evident than during the flooding spawned by Hurricane Floyd, expected to take a multi-million dollar toll on farm sales in Eastern North Carolina in 1999. Farmers also find themselves operating in a changed domestic environment. The Omnibus Farm Bill of 1996 lifted restrictions on farmers, giving them freedom to plant what they want when they want, but it also eliminated controls that reduce risk to farmers.

Required Actions. To compete in this increasingly complex marketplace, farmers—especially those that operate on a small scale—must have ready access to a full range of business support services. These services should include the latest information on new technology and value-added processes as well as assistance in designing market strategies and managing risk.





Shift in Manufacturing

Manufacturing—vital to rural employment and economic stability—is undergoing profound change. Preserving this sector will require modernization of existing firms and development of new, high growth firms.

For most of the 20th Century, factories have provided regular paychecks and fueled small town economies throughout North Carolina. As late as 1997, more than half the state's manufacturing was located in rural areas, and manufacturing supplied more than 440,000—three out of every 10—rural jobs.

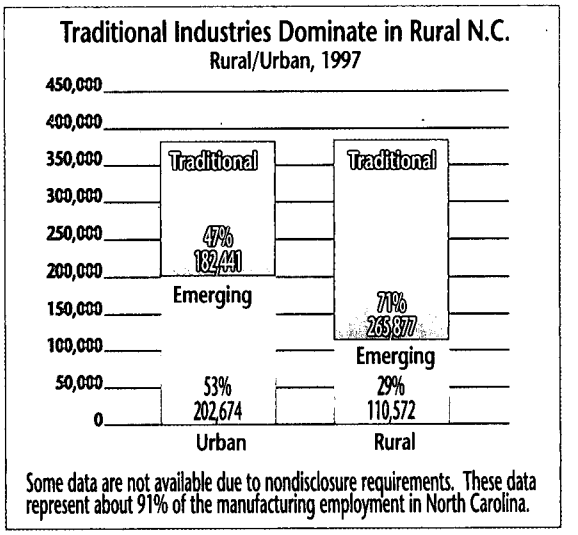
Contrary to popular belief, neither North Carolina nor the United States has de-industrialized. In fact, output has increased. But pressures from the global marketplace and fundamental changes in manufacturing are making it harder for many rural plants to stay competitive.

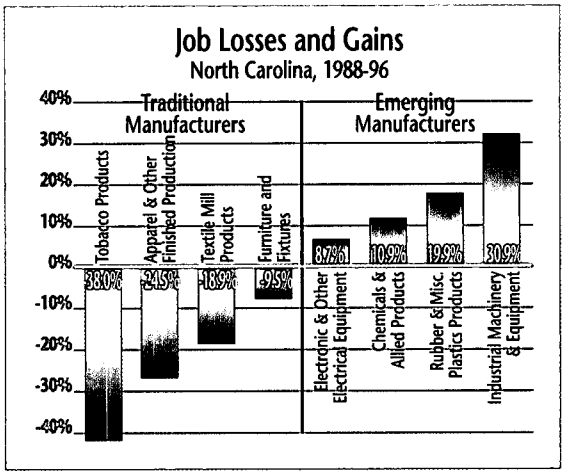
Job Losses, Income Gap. Most manufacturing jobs in rural communities are in traditional industries such as textiles, tobacco and furniture—industries that continue to shed jobs at a rapid rate. Between 1988 and 1996, tobacco employment declined by 38 percent, apparel by 25 percent, textiles by 19 percent and furniture by 10 percent. In the 18 months that ended in June 1999, plant closings and layoffs resulted in the loss of more than 22,000 rural jobs—most of which were in traditional industries. Nor has North Carolina been successful in closing the troublesome rural/urban income gap. In 1998, the average manufacturing wage in rural counties was only $26,000 compared to almost $37,000 in the 15 urban counties.

Relocation, Retooling. In some cases, rural North Carolina has lost jobs because manufacturers have moved production to other parts of the world where wages are lower. More than 35 percent of all manufacturing jobs lost between 1995 and 1998 were due to foreign relocations, mostly to Mexico, and competition from imports. In other cases, however, rural manufacturers have upgraded technology, modernizing to become more competitive. While modernization results in fewer jobs, the jobs that remain require higher skills and pay more.

Growth Industries. The fastest growing manufacturing firms include primary and fabricated metals, industrial machinery, chemicals, and electronic and transportation equipment. These firms account for about 30 percent of rural manufacturing jobs. In addition, rural North Carolina has a number of top-performing firms in traditional industries that have invested in research, innovation and high value-added operations. A recent study of 3,000 rural entrepreneurial firms indicated that these firms, which account for 4 percent of rural companies, produced 77 percent of net new manufacturing jobs.

Required Actions. Manufacturing will never be the dominant rural employer it once was, but opportunities remain if North Carolina can continue to modernize its existing plants and encourage growth in emerging industries. Securing higher wage jobs will require these steps: targeting state incentives to locations with the greatest need; improving the skills of rural workers; and investing in research and development to ensure technological advancement.





Growing Service Economy

The service economy is growing at a phenomenal pace in rural North Carolina and throughout the state. Most of the higher wage service jobs, however, continue to gravitate toward the state's larger cities.

As the old economy—dominated by thousands of labor-intensive farms and factories—is disappearing, a new economy is taking hold in rural North Carolina. This new economy is loosely termed "services," encompassing everything from the local automotive repair shop to the dentist office, bank and real estate office. In 1997, service jobs accounted for nearly 44 percent of all jobs in rural communities and the sector is growing rapidly.

The service sector is marked by stark contrasts: on one end of the spectrum are jobs paying high wages and requiring advanced skills; on the other are a range of low-paying jobs offering limited opportunities.

Current Jobs. Many of the fastest growing service jobs in North Carolina's rural areas today are associated with retirement communities and tourism. Health care services, which pay more than $26,000 in average wages, are growing especially fast near retirement centers in the mountains and on the coast. Other occupations such as cashiers, custodians and wait staff are also growing, but often pay low wages and offer little or no benefits. The average rural wage in an eating or drinking establishment in 1997, for example, was just over $9,000.

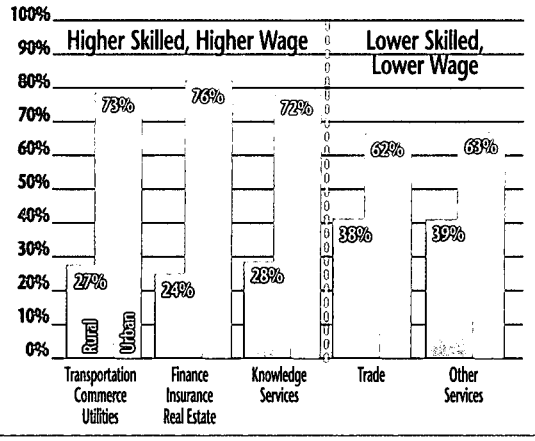
Advantages. Even the lower paying jobs, however, offer some advantages. Service jobs tend to be more stable than others and offer individuals with limited skills and experience a point of entry into the job market. This is especially important to students and others who need part-time and flexible work schedules. There are also advantages for entrepreneurs who find it much easier to launch a new business in the service sector because the outlays of capital are generally lower.

Knowledge Economy. While service jobs are growing rapidly in rural areas, most of the higher-end jobs continue to cluster around urban areas. It is these jobs—connected to research, technology and knowledge-based operations—that are driving the dynamic new economy in North Carolina and across the country. They include securities and commodities, communications, insurance, holding and investment offices, legal services and engineering services. While rural North Carolina accounts for 41 percent of the state's employment, it contains only 25 percent of the finance, real estate and communications jobs and 28 percent of jobs in knowledge-based services. In some cases, rural communities are actually losing ground: Between 1993 and 1997, the 85 rural counties had a 4 percent decline in financial jobs, while the 15 urban counties had a 27 percent increase.

Required Actions. The challenge for rural North Carolina is twofold: to capture a larger share of knowledge-based, higher paying jobs centered around the state's smaller cities and larger towns; and to help existing service firms create opportunities for improved employee compensation, benefit packages and career development.

Employment in Service Industry

1997



Rural Wages Trail Urban Wages

1997

Industry	Urban Average Wages	Rural Average Wages	% Rural Employment Change 93 to 97
Communications	43,424	33,633	2%
Depository Institutions	37,476	28,849	-4%
Health Services	34,327	26,373	29%
Engineering & Management Services	29,351	20,000	25%
Real Estate	28,820	18,272	41%
Business Services	23,205	14,468	49%
Retail Trade	15,779	13,692	13%
Social Services	15,515	13,283	37%
Eating & Drinking Places	10,720	9,271	16%

Information Infrastructure

Information technology holds immeasurable promise for removing the distance barriers that have long stymied rural communities. Yet, rural people and communities enter the digital age at a decided disadvantage.

The digital revolution is driving the new economy. Business-to-business e-commerce is expected to grow from $43 billion in 1998 to $1.5 trillion in 2004. Information technology already accounts for a sixth of the total U.S. economy and creates two-thirds more jobs than any other business sector.

As a state with major research institutions and cutting edge companies, North Carolina has emerged as a national leader in high-tech enterprises. By 2005, projections show, computer scientists, computer engineers and systems analysts will account for three of four of the fastest growing occupations in the state.

Potential. Rural North Carolina stands to gain immensely from this digital revolution. Information technology offers increased economic opportunities, higher living standards, more individual choices, and wider and more meaningful participation in government and public life. Information technology can make distance far less important that it used to be. It can link companies, small and large, to markets in the next state, the next country or another continent. Entrepreneurs can choose to live in small towns and rural communities and still engage in the global data-transmission marketplace.

Digital Divide. Yet, that dream is far from realized. The recent U.S. Commerce Department study, "Falling Through the Net," reports that North Carolina ranks 45th among the states in households with computers and 46th in the percentage of households using the Internet. The reason for the low rankings is the wide disparity among the information haves and have nots in North Carolina. The information haves tend to be white, well educated, middle-to-upper income and urban. The have nots are often rural, minority, undereducated, and poor. This disparity has become known as the "digital divide."

The Infrastructure. The "divide" did not come about because of negligence. In fact, North Carolina is a national leader in bringing information technology into institutions statewide, including public schools, community colleges, universities and libraries. But the kind of information infrastructure necessary for widespread growth and development is severely lacking in rural areas. As with other utilities and services, rural areas are often the last to be served because of the higher price of doing business. For example, the cost of being connected to a T-1 line, a basic level of connectivity, is $216 in Greensboro compared to $2,670 in Vance County.

Required Actions. The availability of advanced information technology in rural North Carolina is vital to the ability of rural people to survive and prosper in the global economy. Steps should be taken to insure that rural areas gain access to high-capacity connectivity and relevant training and support services—at affordable prices.

Rural N.C.: High Cost of Connectivity
Rural/Urban, 1998

County	Rural/Urban	City/Town	Monthly T-1 cost
Wake	Urban	Raleigh	$247
Guilford	Urban	Greensboro	216
Mitchell	Rural	Spruce Pine	2,435
Yancey	Rural	Burnsville	1,252
Bladen	Rural	Elizabethtown	1,130
Cherokee	Rural	Murphy	2,316
Halifax	Rural	Littleton	2,575
Vance	Rural	Henderson	2,670

The Digital Divide

National

- A wealthy household is 10 times more likely to have Internet access than a poor household.
- A poor white child is twice as likely to have a home computer as a poor Hispanic child.

Rural

- A wealthy urban household is 20 times more likely to have Internet access than a poor rural household.
- A rural household in the Northeast is 36 percent more likely to have Internet access than a rural household in the South.

North Carolina

- North Carolina ranks 45th in the percent of households with computers.
- North Carolina ranks 46th in the percent of households with Internet access
- Even with the Research Triangle and strong research universities, North Carolina ranks 23rd in high tech jobs and 22nd in scientists and engineers.

Financing Small Business

Small businesses create most jobs for rural North Carolinians. To flourish in the future, rural firms will require a full range of business financing, including access to equity capital funds.

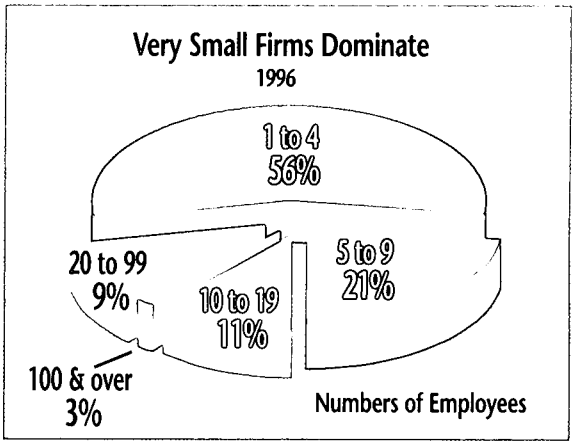
Throughout North Carolina, in both rural and urban areas, small business owners provide not only a livelihood for their families, but nearly half of all wage and salary jobs in the private sector. The N.C. Small Business and Technology Development Center reports that from 1991 to 1995, firms with fewer than 100 employees created more than two of every three net new jobs in the state. The state's smallest firms, with fewer than 20 employees, expanded their job rolls by 10 percent.

Advantages. Small businesses are an ideal match for rural communities. They take advantage of local talents, build on local economic strengths, and operate on a scale that helps preserve community character and protect the natural resource base. It is estimated today that there are about 85,000 small businesses in the state's rural counties—more than half of all small businesses in the state. Small businesses also provide opportunities for women, minorities and those left out of the economic mainstream to develop their entrepreneurial skills.

Capital Needs. North Carolina is fortunate to have one of the strongest banking systems in the country. But the smaller loans that businesses need can be hard to get due to bank regulatory issues and consolidation, centralized processing, credit scoring and other changes in the marketplace. For this reason, the state has teamed with non-profit organizations to develop an extensive system of financing alternatives to complement bank financing, that include guarantee and credit enhancement programs, revolving loan funds, and microenterprise lending.

Beyond Credit. Federal Reserve Board Chairman Alan Greenspan recently noted that "credit alone is not the answer ... the newer the firm, the greater the importance of the equity base." Equity finance and venture capital—which give investors a level of ownership in a business for the promise of high returns—have fueled the powerful growth of many high-tech businesses in urban centers. Nationwide, the private equity market grew from just $5 billion in 1980 to more than $175 billion in 1995 and continues to grow at about $30 billion a year. Only recently have state and national leaders begun to consider the potential for such tools in meeting the needs of small businesses in rural communities. A number of community development venture funds are now beginning to emerge across the country. Most involve public-private partnerships and are designed to create jobs in rural regions, provide entrepreneurs with business assistance and yield competitive long-term investment returns.

Required Actions. Equity capital needs in rural North Carolina, as in most of rural America, remain underserved. If rural entrepreneurs are to have a chance to grow their ideas, create jobs and build wealth in the community, they will need access to equity financing. North Carolina should move immediately to test the best equity finance models available and develop its own statewide program.



Shortage of Rural Equity Capital

- Nationwide, private equity capital is increasing in importance, growing from $5 billion in 1980 to $175 billion in 1995.
- Most equity capital, especially venture capital, is concentrated on the east and west coasts and in urban centers.
- Venture capital is often targeted to high-tech firms with the capacity to grow fast and deliver large returns.
- A new source of equity capital—community development venture funds—holds promise for rural areas. There are almost 50 such funds in the United States today.
- There are no equity investment firms operating in rural North Carolina.

Workforce Training

With the evaporation of thousands of jobs in traditional industries and the potential for growth in higher-tech, knowledge-based jobs, rural North Carolina faces the difficult task of preparing its people for a new world of work.

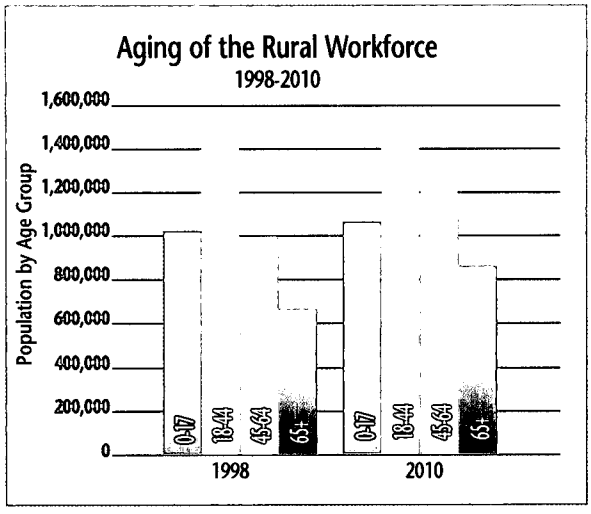
The new economy—powered by technology and driven by knowledge—is ushering in a dramatic transformation in the workplace. Farmers and small-town shopkeepers now manage inventories and accounts with advanced computer operations. Factories that once depended on line workers now rely on specialists who operate robots. Banks now use automatic teller machines and hire high-skilled technicians to install and service them.

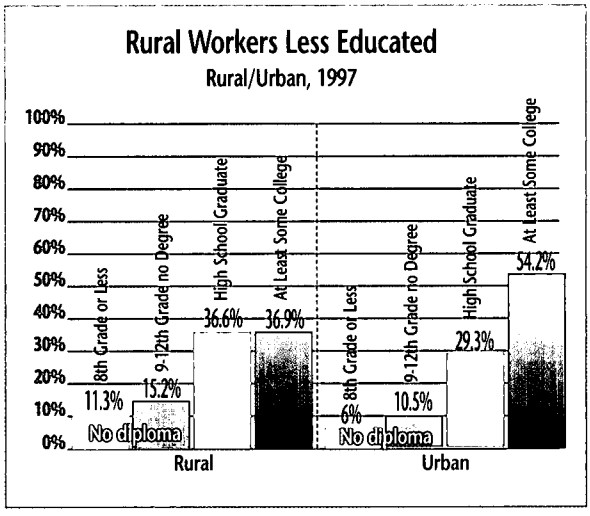
Increasing Skill Demands. In this new economy, education and skills mean everything. Gone are the days when a high school diploma was the ticket to success. Over the last two decades, the real wages of males with a high school diploma have fallen by nearly 20 percent, from $679 per week to $559. Most of today's jobs require at least 18 months of education beyond high school; a fifth require a college diploma or more. And the trend toward higher training requirements is expected to continue well into the 21st century. This poses a powerful challenge for rural communities, where low-skilled workers make up 26 percent of the workforce.

Older, More Diverse Workers. By 2010, according to Census projections, North Carolina will have 600,000 more people age 45 to 64 than it has now. Nearly everyone in this age bracket will be in the workforce—presenting a special challenge to rural North Carolina, whose population is already "older" than the state's workforce as a whole. In addition, North Carolina can expect to see a continued increase in the number of Hispanic workers seeking jobs, putting down roots and raising families. According to Faith Action, the Hispanic population grew by 363 percent from 1990 to 1999 in rural areas. Those whose English skills are limited will require specialized services.

Training Needs. Training is particularly scarce for low-skilled workers already on the job. Nationwide, employers spent an estimated $30 billion in 1997 on formal training for their employees. Two-thirds of these training dollars, however, were directed to college-educated workers, and less than $1 billion of this amount was allocated for upgrading basic skills. Training is also scarce for workers in small businesses: an estimated 90 percent of the $30 billion spent was paid out by just 15,000 employers—one-half of one percent of all employers in the nation. To meet the needs of less educated workers, the public sector, primarily at the state level, runs a wide range of programs, with varying results.

Required Actions. Clearly, one of the most formidable challenges for rural North Carolina in the 21st Century will be providing high quality, continuous job training for its adult workforce. This training must be customized for individual needs, accessible to people in even the most remote rural communities and based on the realities of the job market.





nvironment at isk

The rural economy has always been dependent on the productivity of its natural resources and beauty of its surroundings. As growth pressures increase, preservation of the environment takes on greater urgency.

North Carolina is home to some of the richest natural resources in the nation. Eight rivers flow out of the mountains across the state to the east. Freshwater wetlands cover 4.7 million acres. A two million-acre estuary in Eastern North Carolina is the second largest along the Atlantic seaboard.

This resource base has given rise to a $1 billion commercial fishing industry, an $11 billion tourist industry and an agribusiness industry worth $46 billion. It brings to rural communities new employers, young families and retirees.

Yet, in the last decade compromises to our environment have become visible and disturbing.

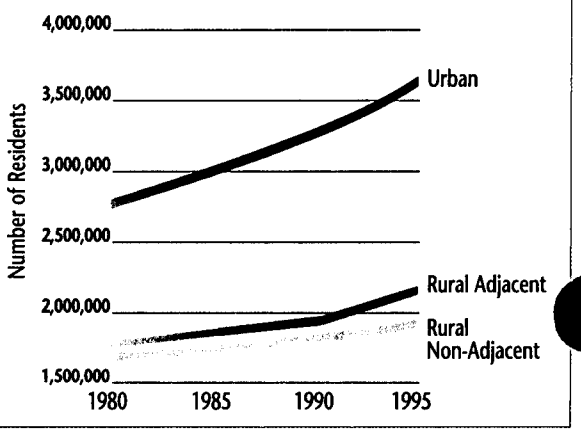
Population Pressures. North Carolina's robust economy has brought with it rapid population growth. Since 1990, North Carolina has gained 1 million people, most of whom have clustered in and around the state's urban centers. With growth has come sprawl that reaches into rural communities, consuming forests and farmland and placing pressures on water resources downstream. The fastest growing rural counties, including those most dependent on tourism, now face such challenges as managing traffic—which contributes to air pollution—controlling runoff from construction sites, and building facilities to ensure clean water.

Industrial and Agricultural Pressures. Manufacturing and agriculture, critical to rural economic well-being, take their toll on the environment. While enhancing agricultural productivity, residues of fertilizers and pesticides run off into streams. While contributing to agricultural diversification, hog production at its height results in 19 million tons of waste each year. While providing hundreds of thousands of jobs, factories consume substantial quantities of water and emit waste products into the air and water.

State and Federal Action. Government at all levels is increasingly aware that environmental degradation threatens economic advancement. That recognition stands behind major federal legislation including the Clean Water Act, the Clean Air Act and Safe Drinking Water Act. The state of North Carolina has enacted a moratorium on hog operations and new wastewater treatment limits for nutrient sensitive waters; instituted tougher requirements for sewer collection systems; and adopted a plan for improving air quality.

Required Actions. While rural communities, with their limited tax bases and staff, seldom welcome new regulations, they also realize that environmental protection is integral to economic advancement. This growing awareness was raised to new heights as nearly all of Eastern North Carolina experienced the immense environmental degradation brought on by flooding from Hurricanes Dennis and Floyd. Achieving a sound balance between economic growth and environmental preservation will require a strong collaboration between citizens and government and bold actions that include development of local growth and water management plans and a state strategic plan for the environment.

Population Growth Places Pressure on Environment
1980-98



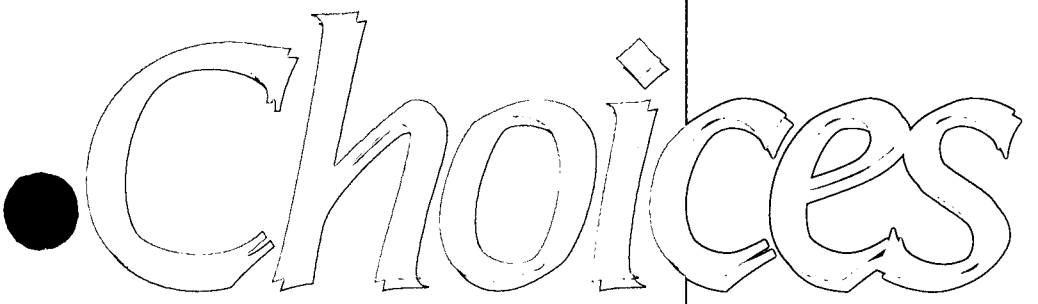
Measures of Environmental Risk

- In 1996 there were 276 cases of drinking water contamination in North Carolina.
- About 20 percent of the state's surveyed freshwater rivers and streams do not have water quality that will support aquatic life.
- Ten percent of the state's rivers do not support swimming.
- Groundwater levels in eastern aquifers are reported to have dropped more than 150 feet in less than five years.
- Approximately half of North Carolina's wetlands have been lost to development, farming and forestry practices. Wetlands now cover only 25 percent of the state's land area.
- There are more than 550 abandoned hog waste lagoons in the floodplains of eastern North Carolina.
- Dangerous levels of ozone pollution are responsible for the reduction of visibility in the Smoky Mountains National Park area of western North Carolina from 93 to 22 miles.
- Between 1982 and 1992 over 292,000 acres of prime or unique farmland were lost to development, second only to Texas.

Enduring Issues

When North Carolinians first became known as "Tar Heels," almost all of them were rural. Strong strains of individualism and independence marked the Tar Heel character, and ruralness was long a defining characteristic of the Tar Heel State. Even now, rural North Carolina preserves that which many of our people find so appealing in this state: a sense of tradition and rootedness, an appreciation for family and kin, an attachment to the land and to the water, a culture of storytelling, singing and athletic competition.

If too-much, too-fast change leaves many people anxious and uncertain about their futures, not-enough change can leave communities behind. Rural North Carolina faces a set of issues deeply rooted in its history and mind-sets.



The Education Gap

Rural educational achievement continues to lag behind, leaving many rural children and youth ill-prepared to compete in the future workforce or to live well in an increasingly complex society.

The state Supreme Court has ruled that all children in North Carolina have a constitutional right to a sound basic education—one that enables them to function in a complex and rapidly changing society; make informed choices on issues; engage in post-secondary education and training; and compete on an equal basis for gainful employment.

This guarantee poses a serious challenge to rural public schools, many of which have faced severe resource limitations for decades.

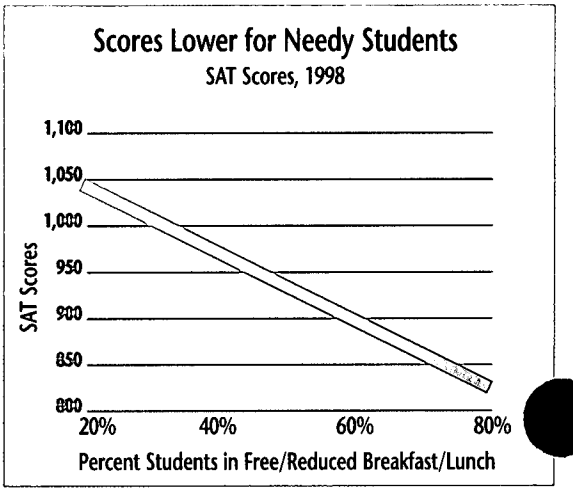
Improvements. To be sure, there are educational bright spots throughout rural North Carolina. Drop-out rates are going down, rates of graduation are going up, and a larger percentage of rural students is going on to colleges and universities. Ninety-six percent of rural 12th graders who took the state competency exam in 1997-98 passed, outperforming students in urban schools.

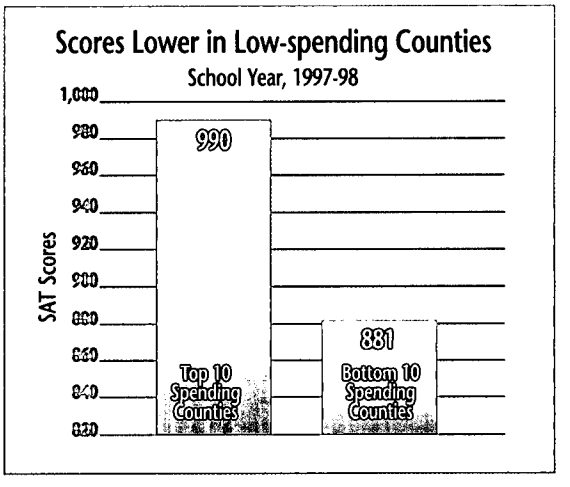
Lingering Concerns. Yet, by other measures, rural schools still have steep mountains to climb. On the Scholastic Aptitude Test (SAT), rural students scored an average 950 in 1998—50 points below the average score for urban students. In high-poverty counties, the average SAT score was a full 100 points below the average urban score. In general, as poverty and minority populations go up, test scores come down. For example, across the state in 1997-98, only 50 percent of black 8th graders passed end-of-year tests, compared to 80 percent of white 8th graders. On high school competency tests, minority students were three times more likely to fail than white students.

School Finance. Underlying the problems of achievement are a complex assortment of issues—inadequate school facilities, out-of-date materials, noncompetitive teacher salary supplements, and insufficient technology. These problems are most often found in counties where local school expenditures are the lowest. The Public School Forum reports that in 1997-98 the top spending counties outspent the lowest spending counties by more than $1,900 per pupil. That's a difference of about $51,610 per classroom and $992,000 for a school of 500.

Required Actions. While further court action will provide legislators and other decision makers with specific guidance, it is clear that protecting the constitutional right of all North Carolina young people to a sound basic education from kindergarten through high school will require new financing mechanisms from state policymakers, sustained support for public education from rural leaders and a commitment from citizens statewide.

Specific actions should include: expanding access to early childhood education, reducing the historic rural-urban gap in spending per pupil, attracting and retaining talented teachers, involving parents and businesses to work with schools, strengthening guidance and other efforts to bolster minority students and children from low-income families and instilling a spirit of high expectations.





Physical Needs, Fiscal Weakness

To meet the demands of the new economy, many rural communities will require major investments in public facilities. Unfortunately, revenue to meet those needs is declining.

All local governments in North Carolina, even the smallest, are called upon to deliver a wide range of services. These services are critical to the health and safety of their citizens, to the economic viability of their businesses and to the long-term protection of the environment. To make these services possible, local governments must construct and maintain a strong system of physical infrastructure.

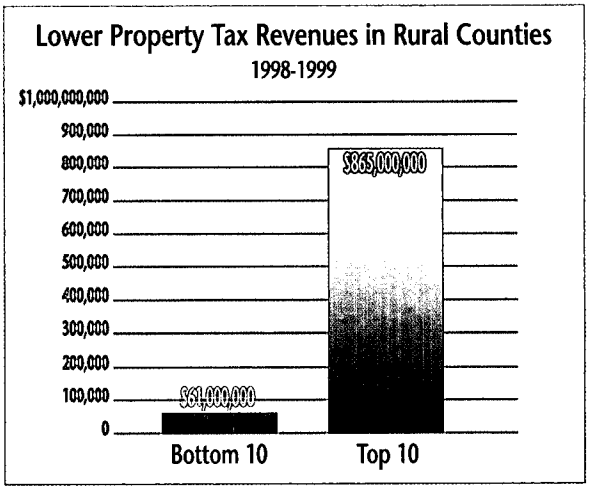
Such infrastructure, however, requires immense investments in assets such as pipes, plants, buildings, towers and wires—investments that few rural governments are prepared to handle.

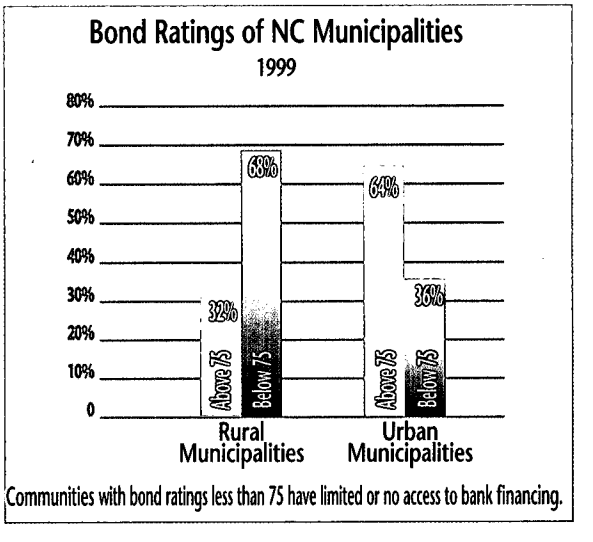
Significant Needs. Major studies in the last decade have pointed to extensive infrastructure needs in rural North Carolina. Investments totaling $4.38 billion are needed to bring rural public community water and sewer systems into compliance with 1997 regulatory requirements. An estimated $2.7 billion will be required to provide 22 unserved rural counties with natural gas service. More than $60 million will be needed to "go the first mile" of equipping rural communities with information technology.

Limited Revenue Sources. Local governments have traditionally turned to property taxes and fees for service to generate revenue for infrastructure improvements. This approach, however, is difficult for many rural governments, which have smaller population bases, larger numbers of older adults living on fixed incomes, lower property values and people with fewer assets to tax. In response, many of the state's poorest counties have set their property tax rates higher than rates in high-wealth counties. In 1998, the state's 10 poorest counties had an average tax rate of 80 cents per $100 of real estate valuation, while the 10 most affluent counties had an average tax rate of 68 cents per $100 of valuation. Fees for water and sewer service also tend to be higher in poorer counties. The combined user rates in Beaufort County, one of the state's most economically distressed counties, is twice that of communities in more affluent counties.

Ability to Pay. The ability to generate revenue—and assume debt—is also measured by bond ratings. Communities with large populations, good-paying jobs and a strong business and industry base have much greater ability to pay for needed infrastructure improvements through debt and therefore have higher bond ratings. In rural North Carolina more than 60 percent of our communities have low bond ratings and limited, if any, ability to borrow money at market rates. They are dependent on grants or heavily subsidized loans or loan guarantees. More than 90 percent of these "low bond rating" communities have populations of less than 5,000.

Required Actions. North Carolina must take steps to ensure that its rural communities have necessary public infrastructure. Of critical importance is the creation of a long-term plan for water and facilities. Consideration should be given to establishment of a dedicated revenue source for water and sewer.





ersistent overty

Overall, North Carolina has never been more prosperous than it is today. Yet, we're faced with the deeply troubling fact that—in the midst of this prosperity—thousands of rural North Carolinians remain poor.

At the end of the 1990s, North Carolina still has more than 800,000 people living in poverty, nearly the same number as it had at the beginning of the decade. To be sure, the state's poverty rate has declined and is now below the national average. But this decline is due to the growing percentage of people living in the middle class or above rather than to the actual reduction of poor people.

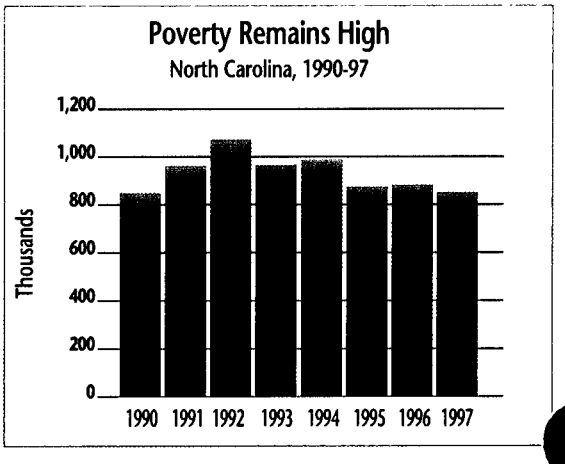
Rural Poverty. Poverty rates are especially high in the state's rural counties. In fact, 26 rural counties have had poverty rates of 18 percent or higher since 1980. Particularly hard hit are children and minority populations. In nine rural counties, one in three children lives in poverty and two in three single-mother families are poor. Nonwhites are more than twice as likely to live in poverty as whites.

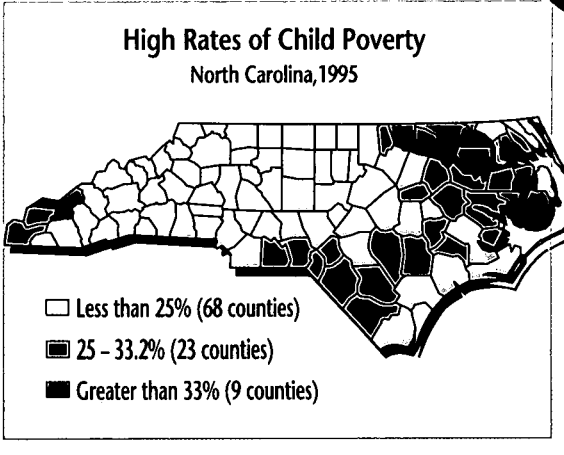
Working But Poor. Having a full-time job in North Carolina does not guarantee freedom from poverty. The N.C. Budget and Tax Center recently reported that about 78 percent of the state's poor families with children had a worker, well above the national average of 65 percent. To break through the poverty barrier (the federal poverty line for a family of four in 1997 was $16,050), an individual would need to make $7.50 an hour for full-time work. Of the nearly 400,000 job openings reported by the Employment Security Commission in 1997, 70 percent paid less than $7.50 an hour.

Welfare Reform. Many of the state's poor are moving into the workplace as a result of welfare reform. Between 1995 and 1999, more than 60,000 North Carolina families moved off welfare. Because of limited skills, most are working in low-wage jobs and many in jobs that offer less than 30 hours a week. The hope is that these workers will eventually move into jobs that pay livable wages and, at last, escape the enduring cycle of poverty.

Child and Elder Care, Transportation. Compounding the problems of working families is the shortage of good quality, affordable child care. In 1999, the number of rural children under six whose sole parent or both parents were working exceeded 380,000. This was nearly double the number in 1996. Poor families may qualify for subsidized child care, but subsidies are limited and thousands of children are on waiting lists. Also lacking is the availability of professional care for the more than 500,000 elderly in rural North Carolina and of reliable transportation for workers who must often travel in excess of 20 miles to get to work.

Required Actions. Finding solutions to the poverty issue is critical to families and the rural economy. Children who grow up poor have lower literacy skills, a higher chance of dropping out, and higher delinquency rates. It is estimated that for every year that 14.5 million American children live in poverty, society will lose $130 billion in future economic output. If rural North Carolina is to prosper in the years ahead, it will need to help the poor of today become tomorrow's trained workers. This will require targeted training programs, worker incentives such as a state earned income tax credit, and an array of child care, elder care and transportation services.





Racism and Sexism

Rural North Carolina retains vestiges of racism and sexism that deny opportunity and retard economic advancement. Leadership is required to promote reconciliation and curb stereotyping.

These "isms" cannot be fully captured in data and described by statistics. Nor are they issues only for rural people. And yet, no assessment of conditions in rural North Carolina would be complete without recognizing their imprint on the culture and the economy. To the extent that they remain embedded in attitudes, these "isms" remain barriers to rural advancement.

Race Issue. In rural North Carolina, as well as across the South, the elimination of racial segregation laws not only opened the doors to school houses and restaurants previously denied to black citizens but also helped prepare the way for expanded economic opportunities for whites as well as blacks. Southern prosperity went up as Jim Crow went out.

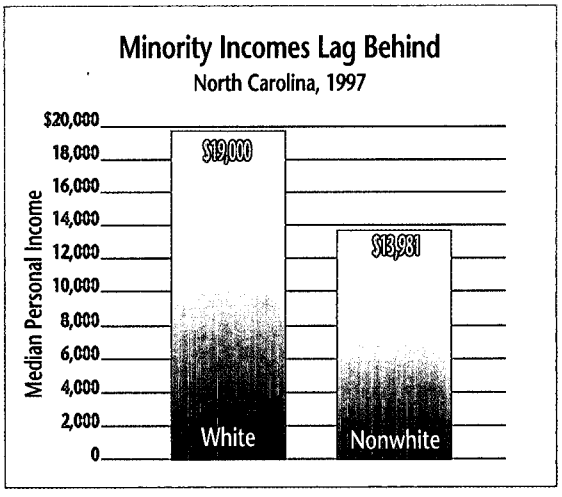
Still, stereotyping on the basis of race lingers; it shows itself in classrooms where low expectations are held for certain students and in workplaces where certain people are pigeonholed into particular jobs. Rural North Carolina will be among the regions of America tested over the next decade as the migration of Latinos transforms communities into multi-ethnic societies.

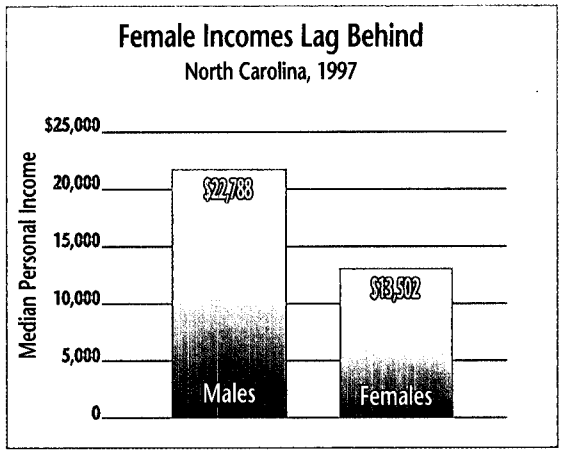
"After steady integration of the labor market and in the political process, the prospect of increasing tensions arises among Hispanics, Asians, blacks and whites as the complexion of the region changes," MDC Inc. of Chapel Hill warned us in *The State of the South 1998*. "To an alarming extent, certain jobs are the province of one ethnic group or another."

Gender Issue. In rural North Carolina, as well as across the nation, one of the major stories of our times has been the advancement of women—in education, in political leadership and in the economy. For generations, rural women have worked, not only in the home but on the farm and in factories. Now in North Carolina, women run colleges and universities, serve in the legislature and in the judiciary and have entered the professions by the thousands.

Still, an income gap lingers from the days in which certain sets of jobs were considered low-pay "women's work." A surge in educational achievement among women is closing the gap, but any stereotyping of rural women will have not only a cost to individuals but also to the dynamic new economy which will need well trained women workers.

Required Actions. While laws can prevent minorities and women from having their rights trampled, rural North Carolina needs action that goes beyond what is in the statute books. It needs public- and private-sector leadership to head off tensions that may arise from changes in the region's complexion—and to see that vestiges of racism and sexism do not stand in the way of the widely shared prosperity in our communities.





Localism

Rural North Carolinians have a pride of place. They also face an economy that does not respect boundaries—an economy that requires people, places and business to collaborate as never before.

When you ask a Tar Heel where he or she is from, you almost invariably get an answer that goes like this, "Snow Hill, North Carolina" or "Nags Head, North Carolina," or "Swain County, North Carolina." We identify ourselves, with pride, by our community or our county—and our state. On Friday evenings, pride of place expresses itself as many North Carolinians gather at the high school football stadium or the gymnasium to cheer the local team. They cheer especially hard when the opponent is a rival of long-standing from the next county.

Localism. Sometimes, however, pride of place can emerge as an unhealthy "localism," which shows up when communities turn inward and defend turf while the world changes. Localism becomes a barrier when adjoining counties fail to cooperate and to foster economic and public policy partnerships that would work to their mutual advantage. County lines, in North Carolina as elsewhere, were drawn in another century. As the *Halfway Home and a Long Way to Go* report of the Commission on the Future of the South pointed out, county seats were chosen to be within reach of a day's horse-back ride.

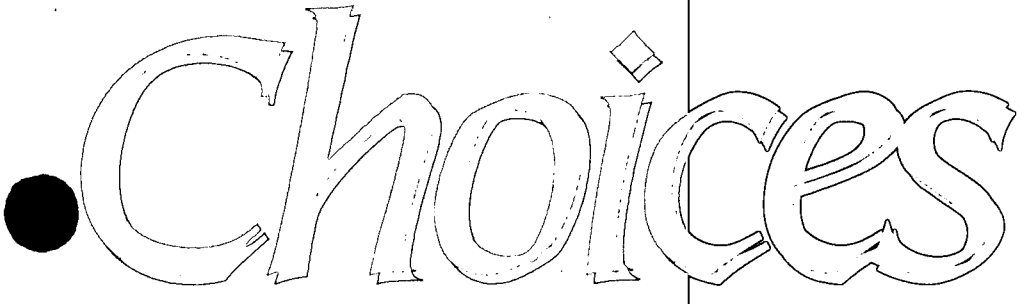
Regional Partnerships. Of course, North Carolina already has examples of local governments working together, out of necessity and out of a shared vision. We have, for instance, built regional landfills in an effort to meet the challenge of solid waste disposal. The Global Transpark is an illustration of counties and communities, working together along with state government, in a quest for regional economic advancement. Handmade in America stands as a model regional effort that works to benefit small towns. We have established regional councils of governments and regional economic commissions.

Not a Choice. Thinking regionally will not be an option in the future; it will be a matter of survival. Rural North Carolina will not get the ready, affordable access to information through telecommunications town by town but rather region by region. Rural North Carolina will not pay for its $4.38 billion in water and sewer needs unless it develops regional, and in some cases statewide, approaches. The rural economy will not produce 21st Century results if rural towns and counties remain tied too tightly by lines drawn in the 18th Century.

Required Actions. While we will continue to express our identity by our association with our home county or community, the global economy hardly respects national borders, much less county lines. Rural North Carolina must find ways to sustain pride of place and, simultaneously, to reach beyond old lines to form partnerships.

A Call for Action

In the context of enduring problems, sweeping change, and emerging opportunities, North Carolina leaders will be called on to make smart choices for the future. These choices will require a new spirit of collaboration among all sectors—government, business, philanthropy, education, human service and others. They will require a new understanding of the critical interconnections of rural and urban parts of the state and a commitment to build on those connections. They will require foresight and decisive action at both the state and local levels.



A state that fights

A Challenge to North Carolina Leaders

While shifts in manufacturing, structural changes in agriculture and the gale-force winds of the global economy are powerful, largely irreversible developments, North Carolina has not left its rural communities without assets and defenses. Indeed, this is a state that has long fought on the side of its rural people and places.

In the 1970s, the state put in place a network of rural health clinics as well as Area Health Education Centers. In the 1980s, following a report that the state had dropped to 50th in infant mortality, North Carolina launched a major initiative in infant and maternal health. Now, ruralness itself is no longer a high barrier to quality health care.

Eight years ago, the Rural Economic Development Center joined with others in recommending an array of measures to raise the quality of schools and equalize learning opportunities for all rural children. Since then, the state has moved forward on several fronts: establishing more stringent performance standards, implementing strategies to ensure that rural children start school ready to learn and providing a fund to respond to the needs of low-wealth schools. Still, more needs to be done.

The General Assembly proposed, and the voters agreed, to a $1 billion bond issue to provide water and sewer. These funds, as well as complementary state policies, have moved the state further toward eliminating outhouses, protecting vulnerable streams and generally improving the quality of rural living.

Meanwhile, the state Department of Commerce has made significant strides in steering several major corporations, in nontraditional industries, to locate in rural counties.

The Community College System, with 58 institutions dotted across the landscape, has a strong tradition of reaching rural residents in search of higher literacy skills, training for job opportunities and upgrading skills in higher technology. In addition, the 16-campus University of North Carolina system has a historic ethic of serving as the "people's university." Together, these systems offer generally affordable education beyond high school and give North Carolina educational components critical to regional economic advancement.

The challenge before us now is to strengthen and array the state's assets to ensure that rural people and places no longer get left behind. "The land, labor and capital of rural North Carolina are valuable resources that the state can ill afford to waste," said ***Securing the Future***. Nearly a decade later, given the swift development of the new economy, that message resounds with even more urgency.

After all, the land—where it meets the sky, where it blossoms forth with nature's beauty and bounty, where it dips toward the ocean—is where we go to revive our spirits. And, in an increasingly competitive world, the people of rural North Carolina are essential to our state's well-being. We need more teachers and technicians, more thinkers and doers, and we will find them, as we have throughout our history, not only in our big cities but also in our small towns.

The legacies of history, demographic trends, shifts in federal policies and the forces of economic change all combine to present rural North Carolina with some difficult issues. Reviving many rural communities won't be easy; indeed, the tasks add up to a great challenge and adventure.

Strengthened by its recent economic growth, North Carolina has an opportunity to succeed in rural advancement where many other states have faltered. Today's North Carolinians would remain true to their state's history by sticking to the fight. After all, that's why we're called Tar Heels.

An Economic Blueprint for Rural North Carolina

As this report confirms, we live in a time when the economy is reshaping itself in ways that are dramatic and irreversible. New types of work, primarily knowledge- and technology-based, are emerging while traditional jobs are being radically transformed. Within the context of this massive economic changeover, we find that many of our rural people and communities are largely unprepared for the challenges that lie ahead.

Major investments will be required to upfit rural business and industry, retrain the rural workforce, and secure needed infrastructure. The fragmented, single-issue approaches of the past will become too expensive and time-consuming for the future. Rural North Carolina needs a comprehensive plan for rural economic development that is both visionary and practical.

A call for research. As we discovered in developing this report, much research and data development remains to be done. If state and local leaders are to make critical policy decisions for the future—including decisions on how to invest public money—they must have more accurate information on which to base their decisions. We would encourage the state's research community to join together in creating a rural research agenda. Members of the research group should share the results of useful research they now have under way, identify additional research needs and seek out institutions to take lead responsibility.

A call for regionalism. Preparing this report also has magnified the importance of thinking regionally. The new economy is built around agglomerations—large pools of highly skilled workers, advanced transportation and telecommunications networks, concentrations of business and industry types and an array of strong business support systems. Only through joint efforts can small rural communities create "critical mass" and begin to compete in such an environment. We therefore encourage North Carolina leaders to develop a program of state incentives that recognizes and rewards regional approaches.

A call for action on poverty, racism and sexism. In spite of North Carolina's impressive economic strides of recent years, there still are many people and places untouched by prosperity. As growth accelerates, these people and places are likely to become increasingly invisible. Fortunately, North Carolina has been blessed with a strong philanthropic and non-profit community that has maintained its focus on the issues of poverty, race and gender for many years. We encourage these organizations to consolidate their wisdom and efforts and to lead the state in a united fight to bring opportunity to all North Carolinians. It is both a moral imperative and a wise economic strategy.

To harness the energy of the dynamic new economy and ensure that prosperity is spread widely among rural people and places, the Rural Economic Development Center recommends that North Carolina:

Establish a rural jobs strategy to grow and capture high wage jobs and high quality businesses.

As a result of dramatic changes in the marketplace, thousands of rural businesses, factories and farms are struggling to remain competitive. North Carolina must adopt a comprehensive jobs development strategy that bolsters its existing businesses, ensures the continued diversification of the rural economy and creates growth in high-wage jobs and high-quality firms.

Strategies:

Establish a program of equity finance to fuel growth of small rural businesses. Small businesses will require a full range of financing options if they are to grow their ideas and create jobs. These options must include access to equity capital, now almost non-existent in rural communities. To fill this need, North Carolina should establish a community development venture fund—based on a statewide demonstration of the concept and on the experiences of other states.

Marshal state resources to help existing manufacturers modernize their operations. North Carolina should intensify its efforts to modernize rural factories by encouraging technology transfer programs between the state's universities and industries; developing cooperative systems of industry clusters that build on manufacturers' shared needs and goals; and strengthening its program of university and community college based manufacturing extension services.

Reshape the state's business incentives program. North Carolina should focus tax incentives for business recruitment on communities with highest levels of economic distress. Decisions on use of incentives should be based on sound information regarding impacts on local infrastructure and public services and on environmental quality.

Establish a strong voice for North Carolina farmers in formulation of farm policies. State leadership should unite in its efforts to ensure that state and federal policies support continued viability of small- and medium-sized farms. A report by the National Commission on Small Farms, "A Time To Act," provides a blueprint for such efforts.

Provide farmers with increased business management training. To prosper, North Carolina farmers must increase their awareness of changing market conditions and adopt new strategies for managing risk. Steps should be taken to strengthen the emphasis placed on business management practices in college-level agricultural courses and in training offered by the Cooperative Extension Service and other farm organizations.

Equip rural communities with state-of-the-art technology to connect them with the global economy.

High-wage job growth will be increasingly dependent on access to advanced information technology. Ensuring that rural communities are fully "connected" will require strong partnerships between private telecommunications providers and state and local leadership.

Strategies:

Conduct an inventory and assessment of rural telecommunications assets. The inventory should identify unserved geographic areas, investigate the media available (fiber, copper, microwave, radio signals, etc.) to establish connectivity for rural areas, and assess the readiness of communities to take advantage of services.

Establish a rural technology infrastructure fund. North Carolina should create a funding program to encourage and support extension of telecommunications services throughout the state. Rural leaders should monitor the experience of other states, such as Texas, where such programs are already in operation.

Establish a network of local "information technology champions." These individuals would work with 1) technology carriers to increase telecommunications services in their regions; 2) business and industry to ensure that the needs of private enterprise are met; and 3) local leadership to ensure that a full range of technology training programs are available.

Invest in water & sewer facilities to safeguard public health and position rural communities to compete for jobs.

Many of rural North Carolina's infrastructure systems—particularly water and sewer systems—are in a state of serious disrepair due to competing demands on the financial resources of local governments. To safeguard the public health and position rural communities to compete for jobs in the new economy, significant investments in water and sewer infrastructure will be required.

Strategies:

Establish a dedicated fund to finance water and sewer projects. The newly appointed State Infrastructure Council should proceed with the development of a long-range plan for providing water and sewer throughout the state and include in that plan specific provisions for funding. Sources of revenue could include a statewide tax, administratively imposed fees or a percentage of the state's ending credit balance.

Establish and maintain a statewide water and sewer data base. To make wise decisions on investments in water and sewer infrastructure, the state will need an accurate picture of what systems exist and needs for the future. The State of North Carolina should complete the inventory of systems begun in 1994 and make provisions for maintaining the inventory over time, using the state's Geographic Information System.

Protect the state's natural resource base to ensure long-term, shared prosperity.

Continued economic and population growth will bring increasing pressures on North Carolina's natural resource base. A strong collaboration among local citizens, business and government will be required to ensure that growth issues are discussed openly and that the quality of the state's natural environment is preserved.

Strategies:

Hold a Governor's Summit on Jobs and the Environment. The Governor should hold a summit to initiate statewide dialogue on the dynamic tensions between economic growth and environmental protection. Participants should include business leaders, environmental advocates, regulatory officials, local officials, economic developers and others interested in sustainable development.

Develop a state strategic plan for environmental protection and enhancement. North Carolina needs a comprehensive and systematic plan for preserving the environment. Such a plan should focus on sustainable uses of natural resources, define appropriate roles for state and local governments and the private sector, and establish measures for determining progress.

Encourage local watershed protection. Local leaders should ensure that all economic development projects are designed to be environmentally sound and sustained over the long term. Special steps should be taken to mitigate impacts on watersheds.

Strengthen collaborative programs such as EPA's Climate-Wise and Common Sense. Many communities and businesses already participate in these highly effective programs. The programs involve industry, government, agriculture and environmental sectors in the creation of industry-specific pollution prevention measures.

Ensure that all students receive a sound basic education regardless of where they live.

To compete for good jobs and live well in a highly complex world, North Carolina's children and youth must have a sound basic education. Promoting achievement for all students will require a strategic, multi-level approach that builds on best practices in rural education.

Strategies:

Create a school funding model that meets the needs of students in poor communities. North Carolina should establish a funding formula that ensures that students in low-income rural communities have access to a high quality education. One possibility would be to adopt a needs-based formula, as proposed by the Public School Forum, that provides dollars to school districts based on the number of students receiving free and reduced lunches.

Develop an incentives program for attracting highly qualified teachers to rural schools. North Carolina should develop an incentives package to help recruit qualified teachers to rural schools. Such a package could include relocation services, low interest loans for housing and construction, moving expense reimbursement, continuing education scholarships and supplemental benefits.

Invest in early childhood/early elementary education programs. Programs such as Smart Start, Head Start and family literacy programs are demonstrating success in helping children enter kindergarten ready to learn. Gains from these programs, however, can be lost once children begin elementary school. North Carolina should establish an academic transition program to build on gains from preschool programs. It also should fund early reading intervention programs to ensure students are reading at grade level by the end of the third grade.

Provide technical assistance to schools in poor and minority communities. Schools in low-wealth communities should have full access to programs that can help boost student achievement. Steps should be taken to build the capacity of these schools in curriculum review and development, instructional leadership, teaching and management.

Establish an integrated, accountable workforce development system that meets the needs of rural workers.

Rapid changes in business and industry are requiring increasingly higher skills among the rural workforce. To address these needs, North Carolina must develop an advanced system of worker training that contains the flexibility required by adult workers and that shifts the focus from segmented training to lifelong learning.

Strategies:

Develop a directory of high quality workforce training programs. Both workers and workforce development professionals need excellent sources of information on the availability of job training programs. Workforce development agencies should conduct an inventory of public and private sector programs and produce a guidebook of exemplary programs, in print and electronic formats, for widespread distribution.

Expand tax incentives for professional development and job training. North Carolina should encourage businesses to invest in workforce training using the Worker Training Tax Credit. Increased tax credits should be made available to individual workers who seek skill development training.

Provide low-skilled workers with full access to literacy and basic skills training programs. Only by increasing their skill levels can lower paid workers improve their job situations. North Carolina should mobilize its forces to ensure that every working adult is aware of and has ready access to basic skills and literacy programs. In many areas these programs will need to include instruction on English as a second language.

Design a system of specialized training for high-growth industries. If rural workers are to compete for jobs in the emerging economy, they must have advanced technical skills. North Carolina should develop an innovative program, including distance learning approaches, to train rural workers in cutting-edge technology and processes. The program should be able to adapt quickly to rapid technological change.

Provide resources to low-income workers to remove barriers to work and support economic stability.

As the new economy takes shape and welfare reform moves forward, North Carolina should take measures to ensure that rural workers—especially the working poor—and their families can participate in the state's prosperity. Initiatives should be accompanied with a communications and marketing strategy that provides full information to workers on the opportunities available to them.

Strategies:

Equip low-income workers with the skills and support base necessary to succeed on the job. North Carolina should expand its job readiness and development programs to ensure that low-income workers, new to the workforce, acquire excellent jobs skills. The state should also encourage the one-on-one coaching, mentoring and personal support efforts that are now being demonstrated through innovative partnerships among government, business and the faith community.

Provide high quality, accessible child care for low-income workers. Nothing is more critical to working parents than having safe, reliable child care for their young children. To expand child care opportunities in rural communities, North Carolina should reinvest savings realized through welfare reform measures into child care subsidies for poor children.

Establish a State Earned Income Tax Credit. North Carolina should establish a state earned income tax credit that supplements the federal earned income tax credit. If the tax credit were set at 10 percent of the federal calculation, a family receiving a federal credit of $2,700 would receive a state credit of $270.

Explore the potential of Individual Development Accounts. Initial results from a national demonstration indicate that individual development accounts have enabled low-income individuals to successfully purchase homes and pay for educational expenses. North Carolina should take a hard look at IDAs to determine their value as a means of creating wealth among lower-income individuals in rural areas.

Design: Stephen Gaj Design
Production Management: Patricia Johnson
Production Assistance: Kathryn Ernest

The N.C. Rural Economic Development Center is dedicated to the development, implementation and promotion of sound economic strategies to improve the quality of life of rural North Carolinians, with a special focus on individuals with low to moderate incomes and communities with limited resources. The center operates a multi-faceted program that includes: conducting research into rural issues; advocating for policy and program innovations; and building the productive capacity of rural leaders, entrepreneurs and community organizations.

4021 Carya Drive, Raleigh, NC 27610 Telephone: (919) 250-4314 Fax: (919) 250-4325



Comments
Valeria Lee
Executive Director
Golden Leaf Foundation
Senate Committee on

Rural Development

February 28, 2001

Thank you so very much for inviting me here today. It was kind of you to make time at this meeting for me to make comments about key issues and challenges facing rural North Carolina. I bring you greetings from Mr. Friday, chair of the Golden LEAF board of Directors, and Mr. Lawrence Davenport, vice chair of the board. I look forward to learning from you as well as sharing information that I have about the transitions in rural North Carolina that are underway.

One of the transitions about which I will be speaking is the progress being made by the Golden LEAF Foundation. I want to bring you up to date on the Foundation and how we hope to serve the state with both our short and long term vision for North Carolina. We are most grateful that this body had the foresight to make an investment in the future by making provisions for this major philanthropic resource.

A number of changes are taken place in rural North Carolina, many of which I know you are all too familiar: Technological advances, part-time farming, price supports, contract farming, encroachment on farmland, environmental regulations. We can look at any one of the changes and say that it should

good. We hope that will be so. In the meantime, rural communities and farm families are in the throes of the changes and have not been prepared to cope with them. Tobacco has come to reflect the eminent and present changes that are taken place in the state and I will therefore focus my remarks on that crop.

Tobacco has been the principle cash crop for North Carolina farmers for as long as any of us can remember. As a child, I can remember hearing folks say that a good farmer could clear at least $1,000 an acre raising tobacco. That was a lot of money in an era when a successful corporate executive often was referred to as "$10,000-a-year man." There was no other crop that could come close to producing that kind of income then, and none has ever come close to matching the profitability of tobacco over the years.

But as a result of new information related to the use of tobacco and law suits that focused the spotlight squarely on the industry, domestic consumption of tobacco has plummeted. Demand has decreased by almost half over the last three years. According to information from the Leaf Tobacco Exporters Association, U. S. leaf exports dropped by 10.6% in 1999 and an additional 10% decline in the first half of 2000. Today, the total leaf tobacco exports are at an all-time low—about half of what they were two decades ago." In turn, quotas have been reduced accordingly.

So what is the outlook for tobacco and tobacco growing in the State. My friends who are experts in this area tell me they think that the downsizing of production (if you will allow me to borrow a term from corporate America) has about bottomed out. In fact, quotas were raised a percentage or two for

this year. If exports remain stable or possibly increase a bit with aggressive marketing abroad, the most dramatic cuts could be behind us. Conventional wisdom is that we can expect tobacco to remain a mainstay in North Carolina agriculture for the foreseeable future, albeit in a far different context from what I knew as a child.

But the simple fact is that income from raising tobacco in North Carolina – our primary cash crop, mind you – has been cut in half. And there has been a ripple effect throughout the state as jobs in tobacco processing and cigarette production have been eliminated -- as well as jobs with companies that provide products or services for the industry. Individuals and communities all across North Carolina have been impacted.

If there is a bright side to this story, it is that for the next 10 years direct payments from the tobacco settlement to tobacco farmers will about make up for what they have lost in income. However, all that does is buy us some time and urge us to be creative and industrious before payments end and the next shoe falls.

That's where the Golden Leaf Foundation comes in. We have to help our North Carolina folks bridge the gap. And we already are about the business of blunting the impact of the reductions in quotas on communities and of looking for way that farmers eventually can replace the income they previously received from tobacco.

As you are perhaps well aware, our board has met and made the first round of grants from the money received in the settlement of the case brought by the various states against the major tobacco companies. We have now received

payments of about $140 million and expect to receive an additional $100 million this year. The payments are based on a fairly complex formula related to the sales of cigarettes and other factors.

Our first round of grants totaled about $5 million – income from the $100 million we had received by December of last year. Several grants were for projects that will help farmers be less dependent upon tobacco by developing alternative crops and creating new markets for existing products produced in our state. Finding the alternatives is a critical issue facing farmers and rural communities and we have to be on the lookout for promising options.

We also believe that education is important to the future of impacted communities. Our people are our greatest resource, so we set aside $300,000 for community college scholarships to give people the fundamental tools they need to enter and compete effectively in today's high- tech workplace. Going from a tractor seat to a seat in front of a computer screen is a major transition. We also funded job training programs for workers who have seen their jobs eliminated.

Economic development activities across the state benefit those impacted by tobacco cuts as well as other changes in the economy. We must support creative efforts to bring in industries that pay good wages, respect our environment and offer opportunities for personal advancement and financial independence. As we help our farm families adapt to alternative ways of working, using the internet and computers to aid in farm production, families from all parts of the state can benefit from the lessons learned.

It occurs to me that I should make the point that the Foundation is not in business to get people off the farm and into other occupations. Quite the contrary. We are in business of helping people stay on the farm and produce needed food and fiber if that is their preference. At the same time, if people are forced from the farm or lose their jobs in tobacco related industries, we want to make sure they can compete for and obtain jobs that ensure a high quality of life.

The foundation also understands that some individuals, families and communities require special assistance to help them cope with the difficult economic changes and find strength to begin again. Therefore, we support organizations in impacted communities that provide needed services to impacted individuals. I would make the point, however, that we cannot make grants directly to individuals.

New crops. New markets. New work skills. More education. More research. More employment alternatives. We see all these and more as answers. We see all of these as the critical issues facing rural North Carolina today. As such, our board has decided that those will be the priorities for our work this year.

And as I say "we," I mean the Golden Leaf Foundation board, which is no pie-in-the-sky bunch of people. The amount of practical experience and good old common sense around that table is amazing and, at the same time, reassuring as we take our first few steps. Our chairman, Dr. Bill Friday, is from the academic world but no one has a better understanding of the people of this state, including those who till the soil or process leaf, than he does

and what is required for our future progress. And no one has a greater capacity to listen and learn from others.

In our first round of grants, there were some areas in which we consciously invested very little. One is water and sewer. The reason? We just passed a statewide bond issue that will help tremendously in that area.

Another is health and human services. A separate foundation that will contain one-fourth of the tobacco settlement money will concentrate on those problems.

Though getting Internet service to rural areas is important and bridging the communication divide is important, the Rural Internet Access Authority, with its own independent resources, will tackle that area.

As you can see, the Foundation is not working alone. The leadership of our state has recognized how much must be done and put into place a number of programs, that, working together, can be the salvation of rural North Carolina and tobacco impacted communities and individuals.

I am still somewhat amazed that a new foundation such as ours had 427 grant requests totaling $155 million first time out. Regretfully, we had only about $5 million to disperse, but that amount will be larger the next time around.

When is next time? August 1 is the next deadline for applications and we expect to make grant awards in November totaling about $10 million...again using just the income from our investments.

I mentioned earlier that Golden LeAF is working in partnership with other private and public agencies. Community colleges, the universities, Smart Start, the Rural Center, co-operative extension, units of government from the local to the federal, school systems, community based non profits share a common goal of responding to the changes that are before us. Likewise we consider the state of North Carolina as our major partner and player in addressing the changes confronting us. And we can use your help in a number of ways.

First, make sure people know that we are not an eastern North Carolina foundation. Our mission is to blunt the impact on the tobacco industry wherever it occurs, and that includes workers in the Piedmont and burley growers in the west. Our first round of grants spanned the state from Asheville and the Blue Ridge Parkway to Sparta to Winston Salem to the Triangle to Snow Hill and Kenansville to New Bern on the mighty Neuse.

Second, you can help people understand that our door is open and that we welcome their ideas. You can call, email, come to see us, or we will go to see you. .

Third, let people know that we have funded proposals from some highly sophisticated organizations with lots of staff and research capabilities and, at the same time, have made grants to operations that operate on shoestrings

such as the Beaver Dam Community Center and an eastern North Carolina food cooperative. We are receptive to big and small. We all have a role to play.

Fourth, be our eyes and ears. Let us know what people are thinking and saying so that we can do our job better. Pass ideas on to us. Point people and organizations in our direction. We have a lot to learn at this point, and we are counting on people like you who have experience and resources to help us.

Let me say that we know our window of opportunity is small. The time in which we have to find answers is relatively short. We cannot spend our time contemplating how to spend our time. We have to act quickly, but deliberately, using our best judgment and combined experiences to ensure that ultimately our farm economy is not wrecked by the diminished role of tobacco. We have to take some risks. We have to provide hope and prepare workers for gainful employment in other industries. We have to enable rural communities to stay strong and viable in the face of yet one more challenge.

In closing, let me say that I believe we should view the Golden Leaf Foundation, the new resource at our disposal, and the days and years ahead as a wonderful opportunity for North Carolina and its people. Working together, we can do great things.

Thank you so very much for your attention, and I will be glad to try to answer your questions.

VISITOR REGISTRATION SHEET

ECONOMIC GROWTH & COMMUNITY DEVELOPMENT February 28, 2001

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amy Currie	Research Asst. - General Assembly
Crissie Curtis	Lt. Gov.
Estherine Davis	ElectriCities
Angie McMillan	The Nature Conservancy
Ken Waleud	vice Rep Trudi Waleud
Jay Rouse	N.C. Elect Coop
CHARLES ARCHER	HALIFAX COUNTY
Natalie Englert	Charlotte Chamber
Brian Francis	Meck Cnty
Mary Camilla	REBIC
Helen Lyon	Meck Co.

VISITOR REGISTRATION SHEET

ECONOMIC GROWTH & COMMUNITY DEVELOPMENT February 28, 2001

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Leslie Bellegarde	NCCBT
Roslyn Sawyer	NC Child Care Coalition
Anita Brown-Graham	Dept of Commerce
Doug Lassiter	NC Septic Tank Assoc.
BRUCE THOMPSON	PARKER, POE, ADAMS & BERNSTEIN
Carole Lawke	EGHS
Abby Williford	R. Smith Reynolds
DAVID RICE	W-S JOURNAL
Bill Clinton	Harlem, NY
Alice Garland	Electricities
Sherol Lappala	Eagle Water Co.

VISITOR REGISTRATION SHEET

Economic Growth + Comm Dev. 2-28-01

Name of Committee Date

VISITORS:. PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bonnie Mills	NC Metropolitan Coalition
[illegible]	NC [illegible]
Roger Bone	Bone & Assoc.
John Cyrus	N.C. State Grange
[illegible]	MFS P.A.
Katherine Joyce	NC Assoc. of Electric Cooperatives
[illegible]	[illegible]
Henry Lancaster	LCA
A Jami Craig	LCA
Leslie Boney	DOC
Billy Ray Hall	NC Rural Center
Mary D. Robertson	AP
Jon Mueller	[illegible]
Lori A Harris	LAHarris & Assoc
John Lucas III	York Properties

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Thursday, March 01, 2001 11:10 AM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, March 7, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

The following speaker will be heard:

- Jeffrey S. Spade, Executive Director
  North Carolina Rural Health Center

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **11:15 a.m.** on **March 1, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

AGENDA

Joint Senate Rural Development and
House Economic Growth and Community Development
Committee Meeting

March 7, 2001
12:00 Noon
Room 1027 Legislative Building

I.	Opening Remarks and Recognition of Pages	Senator Metcalf
II.	Introduction of Speaker	Senator Metcalf
	• Jeffrey S. Spade, Executive Director NC Rural Health Center	
III.	Questions from Committee	
IV.	Adjournment	Senator Metcalf

JOINT
SENATE RURAL DEVELOPMENT
AND
HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT
COMMITTEE MEETING
Wednesday, March 7, 2001
Room 1027, Legislative Building

Minutes

The Senate Rural Development Committee and the House Economic Growth and Community Development Committee met jointly on Wednesday, March 7, 2001, at 12:00 Noon in Room 1027 of the Legislative Building. Senator Steve Metcalf, Senate Rural Development Committee Co-Chair, presided and 13 of the 18 Senate Rural Development Committee members attended. House Economic Growth and Community Development Committee members present were: Representatives Cole and Morris, Co-Chairs, and Representatives Alexander, Cansler, Carpenter, Goodwin, Holliman, Walend, West and Womble.

Senator Metcalf opened the meeting by welcoming members and guests. He introduced the pages serving the committee: Lauren Hill from Davidson County and Stenneth Powell and Brad Butler from Wake County. Representative Alexander was recognized to introduce her honorary page for the day, Eric Stewart from Mecklenburg County.

In his opening remarks, Senator Metcalf gave a brief overview of previous meetings. He announced that this meeting's topic for discussion is rural health and introduced Jeffrey Spade, Executive Director of the North Carolina Rural Health Center, to speak.

Mr. Spade expressed his appreciation for the opportunity to be before the committee. He explained that the North Carolina Rural Health Center, established by the North Carolina Hospital Association with grant funding from the Kate B. Reynolds Foundation and the Duke Endowment, is a resource center for rural health organizations across the State of North Carolina; and through its work has been able to address many of the needs and problems of rural health organizations. After giving a brief description of his personal background, Mr. Spade proceeded with his presentation (see Attachment 1).

Following his remarks, Mr. Spade entertained questions and comments from the committee members.

Senator Metcalf closed the meeting by thanking Mr. Spade for his presentation

and, after making some general announcements, the meeting adjourned at 12:55 p.m.

Senator Steve Metcalf
Co-Chair Presiding

Jane Bagley
Committee Assistant

Joint Committee

Senate Rural Development

House Economic Growth and Community Development

Jeff Spade
Executive Director, NC Rural Health Center
March 7, 2001

Joint Economic Development Committee

I. Rural NC Trends and Facts

II. Healthcare and Economic Development

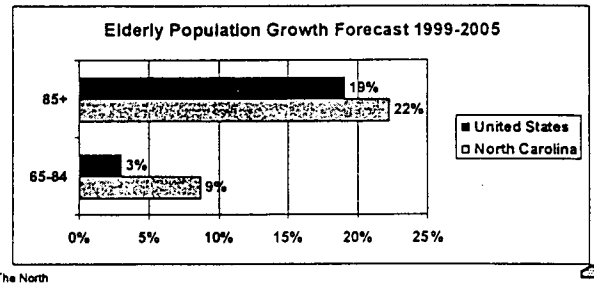
III. Rural Healthcare in Crisis

IV. Action Plan and Recommendations

Population Profile: Age Cohort Growth

The North Carolina population is growing 1.5% annually, 7.4% over five years
The senior population is growing the fastest -- with age 85+ growing 22%

Age Cohort	Actual Growth, 1995 to 1999	Projected Growth, 1999 to 2005	Percent of Population 1999	Percent of Population 2005
0-17	2.9%	4.6%	25.3%	23.6%
18-64	7.5%	7.9%	62.1%	63.3%
65-84	7.1%	8.7%	11.2%	11.6%
85+	21.0%	22.2%	1.3%	1.6%
Total	6.5%	7.4%	100.0%	100.0%

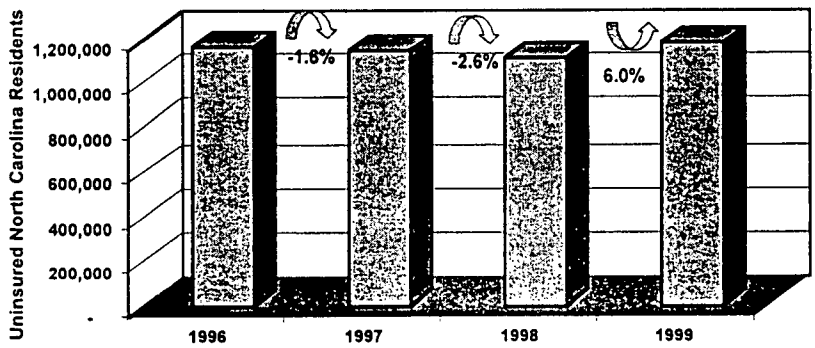


Source: US Census Bureau and The North Carolina Office of State Planning, State Demographics Unit

Uninsured Population

The number of North Carolina residents without health insurance rose by approximately 60,000 in 1999, due in part to the effects of the welfare reform law...

North Carolina Uninsured Population, 1996-99

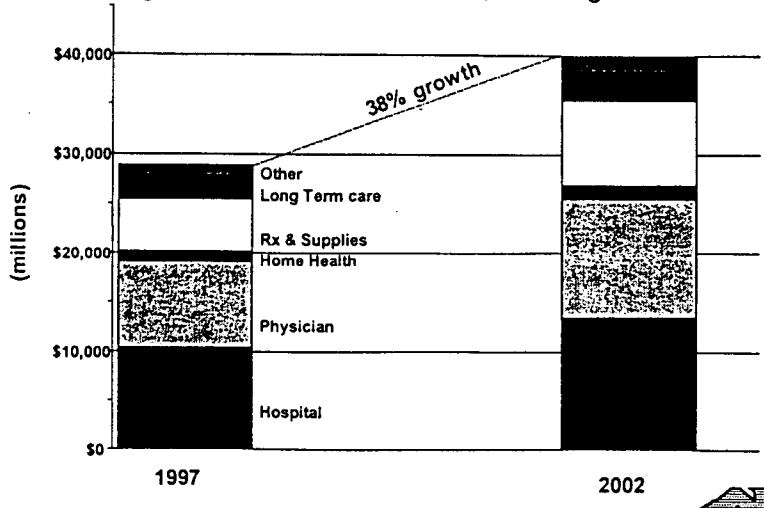


Uninsured Residents as a % of State Population	16.0%	15.5%	15.0%	15.4%

Source: US Department of Commerce, US Census Bureau Health Insurance Coverage Report, 1999

Demand for Healthcare Services

The overall demand for healthcare services in North Carolina is projected to grow 38% from 1997 to 2002, reaching $40 billion in 2002



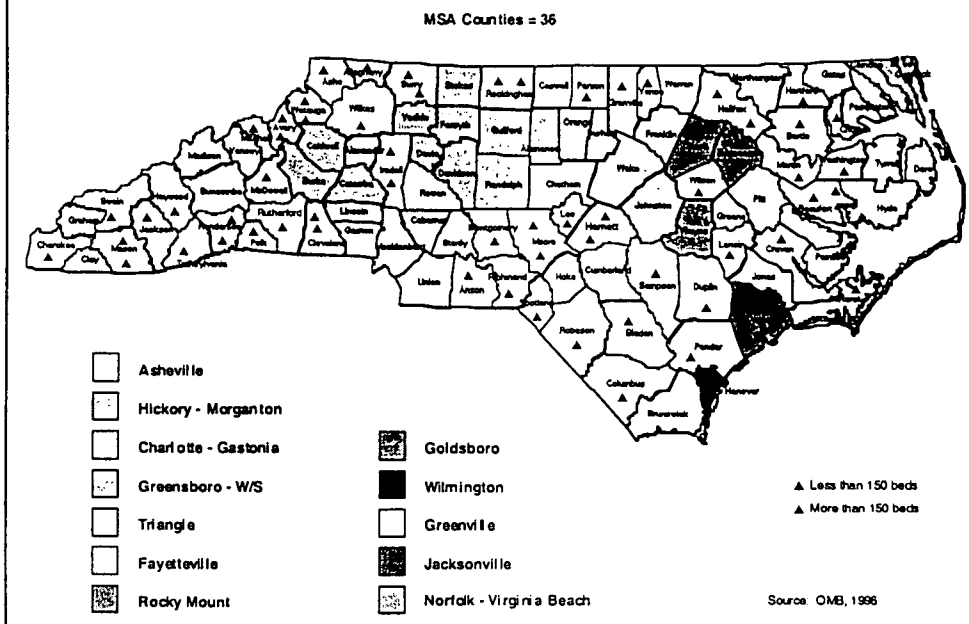
Analysis based on data provided by US Census Bureau and Health Care Financing Administration, Office of the Actuary

Rural NC Facts

- 65 rural counties (OMB designation, 1997)
- 2.5 million rural NC citizens (approximately 33% of NC population)
- 15% of rural NC population is over age 65 (vs. 11% urban)
- 17% of rural NC population lives in poverty (vs. 11% urban)
- Higher rates of unemployment, health disparities and chronic disease
- Access to primary care providers in rural NC lags behind urban NC by 50%
- Higher proportions of uninsured & underinsured
- Greater proportions of minority and immigrant populations

Rural North Carolina by MSA

Metropolitan Statistical Area Counties



Small, Rural Hospital Profile

- Approximately 60 rural hospitals serve NC's rural citizens.
- 60% of NC's rural hospitals are smaller than 100 beds.
- For small, rural NC hospitals, Medicare accounts for 48% of patient volumes and Medicaid 22%.
- For small, rural NC hospitals, 45% of revenues are generated by outpatient services
- 25% of rural NC hospitals experienced negative operating margins in 1998.

Importance of Healthcare to Economic Development

Attract and retain business

- Supports labor productivity.
- Healthcare is an important factor in quality of life.
- Low healthcare costs are a deciding factor.

Impact on local economy

- Healthcare is often one of the largest employers, accounting for 10% to 15% of employment base.
- Healthcare is a net exporter of goods and services.
- Healthcare income and employment has a multiplier effect (greater than 2) on the local economy.

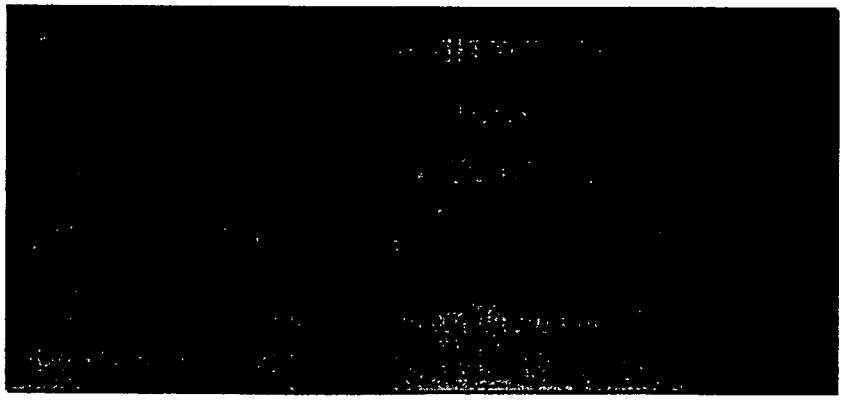


Rural Economic Development

- Rural counties depend heavily upon local hospitals for an employment base.
- Local hospital(s) rank among the three largest employers in 63% of the rural counties.
- Taking a deeper cut, hospitals rank among the five largest employers in 77% of rural counties.
- NC rural hospitals employ 27,794 FTEs.
- Salaries for NC rural hospitals totaled $965,291,886 in 1998.
- Operating revenues for NC rural hospitals totaled $2.464 billion in 1998.



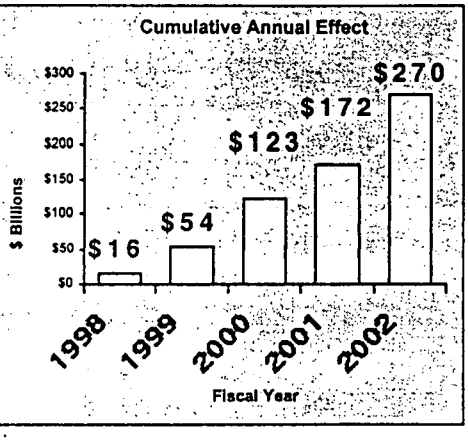
The Balanced Budget Act of 1997



BBA Overview

National BBA reductions, originally intended to total $115 billion, have grown to an estimated $270 billion, prior to subsequent modifications.

Fiscal Year	Amount	% of Total
1998	$15.8	5.8%
1999	38.4	14.2%
2000	69.0	25.8%
2001	49.0	18.1%
2002	97.8	36.1%
Total Reductions	$270.0	100%

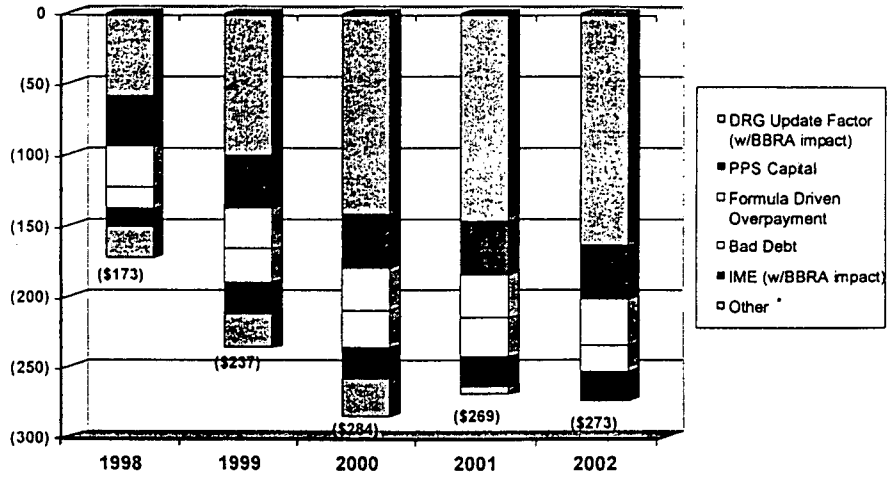


Source: "The Balanced Budget Act of 1997: Medicare and Medicaid Changes"; Deloitte & Touche, LLP

Financial Impact of the BBA on North Carolina Hospitals

The cumulative financial impact of the BBA to North Carolina hospitals is projected to be $1.2 billion over five years

Projected BBA Financial Impact on North Carolina Hospitals



Source: 1998 Medicare cost reports. Analysis includes BIPA update.
Note. Refer to Appendix 2.0 for descriptions of BBA, BBRA, and BIPA components analyzed
* "Other" in 2002 is >1 (0.7) due to payment changes for Rural DSH and HHA

Small, Rural Hospital Profile

- Approximately 60 rural hospitals serve NC's rural citizens.
- 60% of NC's rural hospitals are smaller than 100 beds.
- For small, rural NC hospitals, Medicare accounts for 48% of patient volumes and Medicaid 22%.
- For small, rural NC hospitals, 45% of revenues are generated by outpatient services
- 25% of rural NC hospitals experienced negative operating margins in 1998.

Projection of Hospitals with Negative Operating Margins

By the year 2002, 34% of acute care hospitals in North Carolina are expected to have negative operating margins

		Number of North Carolina Hospitals					
		1997	1998	1999	2000	2001	2002
Operating Margin	10% or higher	29	16	15	15	15	17
	5 to 10%	27	31	23	15	21	19
	0 to 5%	31	44	34	41	37	37
	-5% to 0%	14	11	15	15	14	14
	-10% to -5%	4	3	15	16	15	15
	-10% or lower	6	6	9	9	9	9

34%

52% of NCHA survey respondents indicated that their hospitals' financial reserves would last 12 months or less if needed to support continuing hospital operations

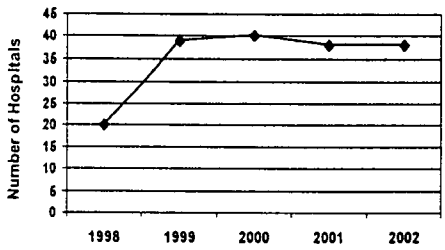
Note: Calculations assume constant operating margin from 1998 to 2002 using 1998 total operating revenue and 1998 total operating income data as the baseline; annual changes in operating margin reflect impact of the BBA, BBRA and BIPA, but not APCs

Source: 1997-1999 Medicare cost reports

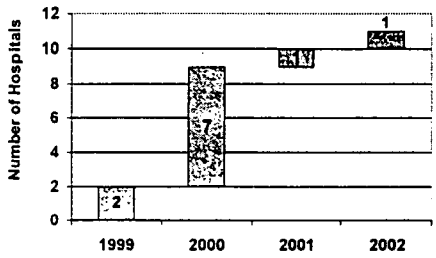
Potential Hospital Insolvency

It is estimated that by 2002, 11 North Carolina hospitals will be struggling with a negative operating margin *and* a negative cash balance

North Carolina Hospitals Projected to Have Negative Operating Margins



11 North Carolina Hospitals Projected to Have Negative Cash Balances



- The 11 hospitals with projected negative cash balances and negative operating margins comprise 639 beds in North Carolina
- Of the 11 hospitals, 5 are rural and 6 are "urban fringe" facilities

Note: Cash balance calculated as annual net income plus annual depreciation plus annual availability of cash reserves, using 1998 cash reserves as the baseline

Source: 1999 Medicare cost reports. Analysis includes BIPA update.

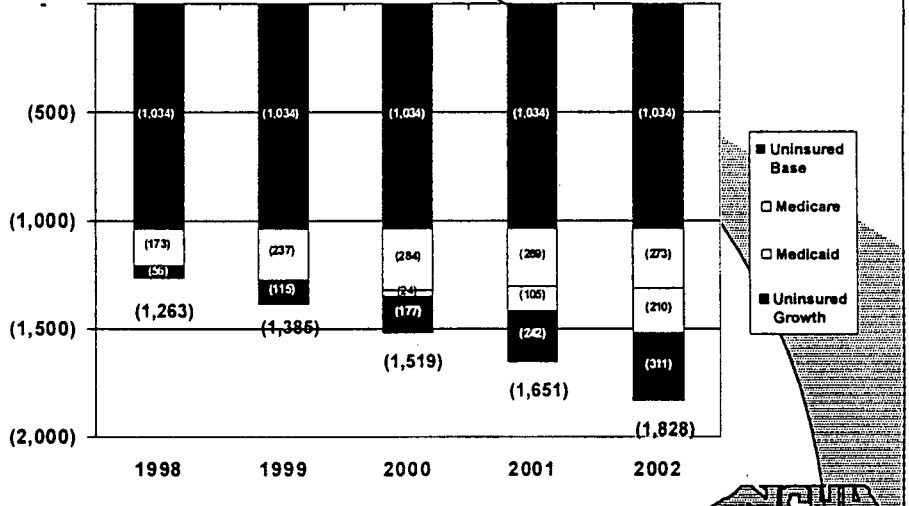
Medicaid, SEHP and Certificate of Need

- Medicaid budget deficit of $108M
- State Employee Health Plan deficit of $400M
- Certificate of Need changes will impact financial viability of hospitals

Payment for Hospital Services

By 2002, the hospital payment gap will exceed $1.8 billion, including the current base of uninsured individuals

North Carolina Hospital Reimbursement Gap, 1998-2002



Analysis based on data provided by US Census Bureau, NC Department of Health & Human Services, and Health Care Financing Administration, Office of the Actuary. Analysis includes BIPA update.

Who Will Care for Our Communities?

Primary Carte Physicians in North Carolina

- Family doctors are the medical specialty primarily caring for the state's uninsured and marginally poor populations.
- Without family doctors, 39% of our state would be designated as Primary Care Health Professional Shortage Areas
- Family medicine practices serving rural populations are experiencing serious financial jeopardy.
- Since 1996, productivity gains by family physicians outweighed compensation increases by 3:1

Workforce Shortage



- Shortage of trained health professionals - RNs, pharmacists, lab technicians
- Even less skilled jobs are difficult to hire - CNAs', housekeepers, technicians
- This shortage will be protracted and require more innovation to solve

Summary: Implications of Expected Changes

NC Hospitals are facing an enormous reimbursement gap that will have far reaching impacts for North Carolina healthcare

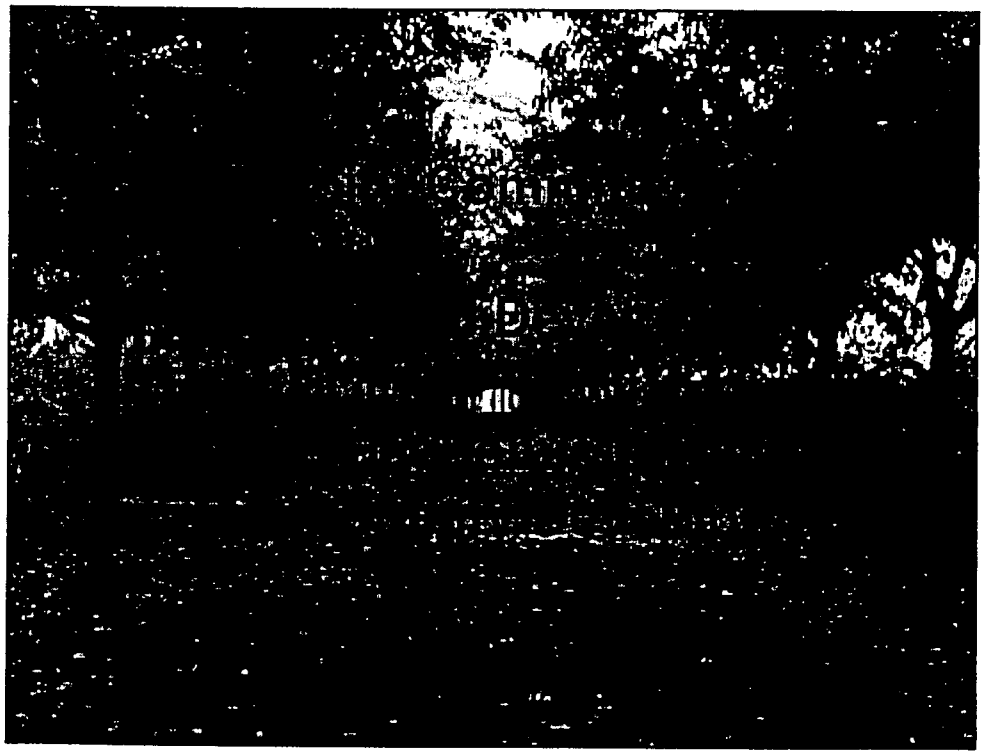
- Hospitals are facing a reimbursement gap over $1.8 billion annually
- The BBA will reduce NC hospital revenue by $1.2 billion from 1998 to 2002
- The effect on hospitals will have a domino effect on other healthcare providers, payors and consumers
  - Programs eliminated to reduce costs
  - Cost shifting to commercial payors
  - Uninsured NC residents could increase to nearly 17% by 2002
- After 10 years of cost reductions and productivity gains, and in the face of shortages of critical staff, including over 2500 RN vacancies, hospitals have relatively little to give in further cost savings
- Hospitals will be unable to raise capital for required technology, equipment and facility investment
- 34% of hospitals will have negative operating margins, and 11 hospitals will be out of cash

Summary Statements

- Rural healthcare is vital to rural economic development.
- Ensure healthcare issues - especially the viability of the rural healthcare delivery system - are considered when addressing rural economic development.
- Protect the rural healthcare delivery system by ensuring that the state's budget adequately funds programs essential for rural health services:
  - Oppose Medicaid cuts and inflation reductions
  - Oppose State Employee Health Plan cuts
  - Maintain sales and use tax exemption for non-profits

Summary Statements

- Preserve Certificate of Need.
- The economic crisis of primary care must be addressed.
- The supply and distribution of family physicians and other health professionals needs increased support and government guidance.
- New models of organizing care in communities are necessary, particularly care for the uninsured.



VISITOR REGISTRATION SHEET

SEN. COMMITTEE ON RURAL DEVELOPMENT — 3-7-01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Carol Lawen	EGAS
John Lyons	N.C. State Energy
Estherine Davis	Electricities
Anne Barland	Electricities
Andy Romont	NCEM
Jim Blackburn	County Commissioners Assoc.
Crissie Curtis	Lt Gov office
ANN LORE	DUHS
Steve McCh	MCleesConsulting
[illegible]	SPA inc
Tom B Suggs	Alcoholic Beverage Control

VISITOR REGISTRATION SHEET

SEN. COMMITTEE ON RURAL DEVELOPMENT — 3-7-01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
HUGH TIPSON	NCHA
Katherine Joyce	N.C. Assoc. of Electric Cooperatives
Robert H. Hobgood	AOC
J Carlson	UNS
Cathy Wright for	nurse practice day NCNA
Tommy Norman	Central Piedmont Comm. Coll.
Sharon Schmidt	NC Justice Center
Warren Savage	Bailey & Dixon
Anita Brown-Graham	Dept of Commerce
Lucius Fuller	Attorney
Lisa Rubin	CPPC

VISITOR REGISTRATION SHEET

SEN. COMMITTEE ON RURAL DEVELOPMENT 3-7-01

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Steve Woodson	NCFB

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Thursday, March 08, 2001 11:03 AM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet as follows:

DAY & DATE: **Wednesday, March 14, 2001**

TIME: **10:00 a.m.**

LOCATION: **Room 544 LOB**

The following bills will be heard:

HB 180 EXPAND DEVELOPMENT ZONES

SB 85 EXPAND NC BUSINESS OPPORTUNITIES

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **11:00 a.m.** on **March 8, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

AGENDA

HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE MEETING

March 14, 2001
Room 544 Legislative Office Building
10:00 AM

I. OPENING REMARKS

Representative Mia Morris, Chairman
Economic Growth and Community Development Committee

II. AGENDA ITEMS

HB 180	EXPAND DEVELOPMENT ZONES Representative Nelson Cole, Sponsor
SB 85	EXPAND NC BUSINESS OPPORTUNITIES Representative Alex Warner, Sponsor

III. ADJOURNMENT

HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE

Minutes

March 14, 2001

The House Economic Growth and Community Development Committee met on Wednesday, March 14, in room 544 of the Legislative Office Building at 10:00 AM. The following members were present: Chairman Mia Morris, Chairman Nelson Cole, Representatives Holliman, Alexander, Cansler, Carpenter, Goodwin, Hunter, Walend, West, and Womble. Staff Counselors Karen Cochran Brown and Wendy Graf were in attendance. A Visitor Registration list is attached and made a part of these minutes.

Chairman Morris called the meeting to order to consider the following bills:

Representative Alex Warner was recognized to explain Senate Bill 85, A BILL TO BE ENTITLED AN ACT TO DIRECT THE DEPARTMENT OF COMMERCE TO ENCOURAGE NORTH CAROLINA BUSINESSES TO SEEK FEDERAL CONTRACTS WITH THE DEPARTMENT OF DEFENSE AND TO COLLABORATE WITH OTHER GOVERNMENT AND NONPROFIT ENTITIES TO DEVELOP A PLAN TO EFFECTIVELY PROMOTE AND MARKET THE DEPARTMENT OF DEFENSE AS AN INDUSTRY IN THIS STATE. After discussion, Rep. Womble moved that the bill receive a favorable report. The Committee voted for a favorable report.

The Chair recognized Representative Cole, sponsor of the bill, to explain HB 180, A BILL TO BE ENTITLED AN ACT TO MAKE MORE MUNICIPALITIES ELIGIBLE FOR DEVELOPMENT ZONES. Representative Cole, explained the bill and called upon Don Hobart, from the Department of Commerce who indicated that he was not in a position to endorse this legislation. After discussion, Rep. Alexander moved that the bill receive a favorable report.. The Committee voted for a favorable report with a referral to the House Committee on Finance.

There being no further business, Rep. Morris adjourned the meeting at 10:25 A.M.

Respectfully submitted,

Mia Morris

Representative Mia Morris
Chairman, House Committee

Joy Reagin

Joy Reagin
House Legislative Committee Assistant

2001 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representative(s) **Mia Morris, Nelson Cole** (Chair/Chairs) for the Committee on **Economic Growth and Community Development.**

☐ Committee Substitute for
S.B. 85 A BILL TO BE ENTITLED AN ACT TO DIRECT THE DEPARTMENT OF COMMERCE TO ENCOURAGE NORTH CAROLINA BUSINESSES TO SEEK FEDERAL CONTRACTS WITH THE DEPARTMENT OF DEFENSE AND TO COLLABORATE WITH OTHER GOVERNMENT AND NONPROFIT ENTITIES TO DEVELOP A PLAN TO EFFECTIVELY PROMOTE AND MARKET THE DEPARTMENT OF DEFENSE AS AN INDUSTRY IN THIS STATE.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to (original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

3/14/01

FOR JOURNAL USE ONLY

____ Pursuant to Rule 36(b), the bill is placed on the Calendar of _____.

____ The (committee substitute) bill/resolution (, as amended,) is (ordered engrossed and) re-referred to the Committee on _____.

____ The bill/resolution is re-referred to the Committee on _____.

____ On motion of (Rep. _____,) (the Chair,) the (committee substitute) bill/resolution is (ordered engrossed and) re-referred to the Committee on _____.

____ Pursuant to Rule 36(b), the (House)committee substitute bill (No. ____)/resolution is placed on the Calendar of _____. (The original bill) (House Committee Substitute Bill No. ____)/resolution is placed on the Unfavorable Calendar.

____ On motion of Rep. _____, (the rules are suspended) (Rule ____ is suspended) and the bill/resolution is placed on today's calendar. (for immediate consideration.)

____ On motion of Rep. _____, Committee Amendment No.(s) _____ is/are adopted (by EV____ ____).

____ On motion of Rep. _____, Committee Amendment No.(s) _____ is/are adopted (by EV____ ____).

____ Rep. _____ offers Amendment No. _____ which (is adopted.) (fails of adoption.) (by EV ____ ____.) ( ) This amendment changes the title.

____ The bill/resolution (, as amended,) passes its second reading (by following vote, ____ ____ RC) (, by EV ____ ____,) and (remains on the Calendar,) (and there being no objection is read a third time).

____ The bill/resolution (, as amended,) passes its third reading (by the following vote, ____ ____ RC) (, by EV ____ ____,) and is ordered
____ sent to the Senate.
____ without engrossment. ____ by Special message.
____ sent to the Senate for concurrence in
_____ House amendment (s).
_____ House committee substitute.
____ enrolled.

____ On motion of Rep. _____, the House concurs in the (material) Senate _____ (by the following vote, ____ ____ RC) (, by EV ____ ____,) and the bill is ordered enrolled.

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

S 2

SENATE BILL 85*

Commerce Committee Substitute Adopted 2/28/01

Short Title: Expand NC Business Opportunities. (Public)

Sponsors:

Referred to:

February 7, 2001

A BILL TO BE ENTITLED

AN ACT TO DIRECT THE DEPARTMENT OF COMMERCE TO ENCOURAGE NORTH CAROLINA BUSINESSES TO SEEK FEDERAL CONTRACTS WITH THE DEPARTMENT OF DEFENSE AND TO COLLABORATE WITH OTHER GOVERNMENT AND NONPROFIT ENTITIES TO DEVELOP A PLAN TO EFFECTIVELY PROMOTE AND MARKET THE DEPARTMENT OF DEFENSE AS AN INDUSTRY IN THIS STATE.

The General Assembly of North Carolina enacts:

SECTION 1. Working Group. – The Secretary of Commerce shall convene a working group of interested parties knowledgeable in the different facets of doing business with the Department of Defense. The working group must include representatives from the following government agencies and nonprofit organizations: the Department of Commerce, the Community Colleges System, the Employment Security Commission, the Department of Administration, the Department of the Secretary of State, Concurrent Technologies Corporation, the Small Business Technology and Development Center, the Procurement Technical Assistance Center, the Governor's Advisory Commission on Military Affairs, the DoD Business Committee of the Governor's Advisory Commission on Military Affairs, and any other organization that the Department of Commerce or this working group may identify with an expertise in this area.

SECTION 2. Meetings. – The Secretary of Commerce must convene the working group created in Section 1 of this act at least once quarterly. The Secretary may chair the meetings or designate another member of the working group to chair the meetings.

SECTION 3. Goals and Objectives. – The working group created in Section 1 of this act is charged with the goal of increasing the amount of dollars from federal contracts paid to businesses in North Carolina and of utilizing the skilled workforce represented by the more than 17,000 service members which transition from active duty each year in North Carolina. In fulfilling its goals, the working group should consider

studies prepared by agencies and organizations in this area, including the studies prepared by the DoD Business Committee of the Governor's Advisory Commission on Military Affairs and by Concurrent Technologies Corporation. To accomplish these goals, the working group should strive to meet the following objectives:

(1) Investigate requirements for and establish a Single Point Registration for North Carolina vendors with automatic linked registration to DLIS Central Contractor Registration, VendorLink, and other established programs.

(2) Coordinate within the various agencies and organizations that help North Carolina businesses obtain federal contracts to develop a unified approach to delivering these services in an efficient and effective manner.

(3) Determine the gaps between government needs and industry capability and needs and develop an approach to encourage industry to utilize its capabilities to meet those government needs.

(4) Complete a skills assessment program for transitioning Department of Defense personnel and develop a job placement database that may be used to promote this skilled workforce with industries that need employees with those particular skills.

(5) Any other issue the working group determines needs to be addressed to meet its goals.

SECTION 4. Consultants. – The Department of Commerce may contract for consultant services as determined necessary by the working group.

SECTION 5. The Department of Commerce shall report on the progress of the working group to the Natural and Economic Resources-Governmental Operations Subcommittee by April 2002 and by January 2003.

SECTION 6. This act is effective when it becomes law.

HOUSE BILL 66:
Expand NC Business Opportunities

BILL ANALYSIS

Committee:	Economic Growth & Commuity Development	**Introduced by:**	Representative Warner
		Summary by:	Karen Cochrane Brown Committee Counsel
Date:	March 14, 2001		
Version:	First Edition		

SUMMARY: *House Bill 66 is a recommendation of the LRC Impact of Military Bases on Public Services and Taxes Committee. This bill would require the Secretary of Commerce to create a working group charged with the goal of increasing the amount of revenue flowing from Department of Defense contracts to North Carolina businesses and utilizing the 17,000 persons in service in North Carolina who transition from active duty each year.*

BILL ANALYSIS:

Working Group Members. This bill requires the Secretary of Commerce to create a "working group" that would meet at least once quarterly and is made up of persons representing the following agencies and organizations:

1. Department of Commerce
2. Community Colleges System
3. Employment Security Commission
4. Department of Administration
5. Secretary of State
6. Concurrent Technologies Corporation
7. Small Business Technology and Development Center
8. Procurement Technical Assistance Center
9. Governor's Advisory Commission on Military Affairs
10. Any other organization that the Department of Commerce or the working group identifies as having expertise in doing business with the Department of Defense.

Working Group Activities/Reporting Requirements. The working group is charged with the goal of increasing the amount of revenue flowing from Department of Defense contracts to North Carolina businesses and utilizing the 17,000 persons in service in North Carolina who transition from active duty each year.

The Department of Commerce may contract with consultants for the working group. The working group must report to the Natural and Economic Resources-Governmental Operations Subcommittee by April 2002 and by January 2003.

EFFECTIVE DATE:

This bill is effective when it becomes law.

This summary was contributed to by Esther Manheimer.

2001 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representative(s) **Mia Morris, Nelson Cole** (Chair/Chairs) for the Committee on **Economic Growth and Community Development.**

☐ Committee Substitute for
H.B. 180 A BILL TO BE ENTITLED AN ACT TO MAKE MORE MUNICIPALITIES ELIGIBLE FOR DEVELOPMENT ZONES

☐ With a favorable report.

☒ With a favorable report and recommendation that the bill be re-referred to the Committee on ~~Appropriations~~ ☐ Finance ☒ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to (original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

3/14/01

FOR JOURNAL USE ONLY

____ Pursuant to Rule 36(b), the bill is placed on the Calendar of _____.

____ The (committee substitute) bill/resolution (, as amended,) is (ordered engrossed and) re-referred to the Committee on _____.

____ The bill/resolution is re-referred to the Committee on _____.

____ On motion of (Rep. _____,) (the Chair,) the (committee substitute) bill/resolution is (ordered engrossed and) re-referred to the Committee on _____.

____ Pursuant to Rule 36(b), the (House)committee substitute bill (No. ____)/resolution is placed on the Calendar of _____. (The original bill) (House Committee Substitute Bill No. ____)/resolution is placed on the Unfavorable Calendar.

____ On motion of Rep. _____, (the rules are suspended) (Rule ____ is suspended) and the bill/resolution is placed on today's calendar. (for immediate consideration.)

____ On motion of Rep. _____, Committee Amendment No.(s) _____ is/are adopted (by EV____ ____).

____ On motion of Rep. _____, Committee Amendment No.(s) _____ is/are adopted (by EV____ ____).

____ Rep. _____ offers Amendment No. _____ which (is adopted.) (fails of adoption.) (by EV ____ ____.) ( ) This amendment changes the title.

____ The bill/resolution (, as amended,) passes its second reading (by following vote, ____ ____ RC) (, by EV ____ ____,) and (remains on the Calendar,) (and there being no objection is read a third time).

____ The bill/resolution (, as amended,) passes its third reading (by the following vote, ____ ____ RC) (, by EV ____ ____,) and is ordered
____ sent to the Senate.
____ without engrossment. ____ by Special message.
____ sent to the Senate for concurrence in
_____ House amendment (s).
_____ House committee substitute.
____ enrolled.

____ On motion of Rep. _____, the House concurs in the (material) Senate _____ (by the following vote, ____ ____ RC) (, by EV ____ ____,) and the bill is ordered enrolled.

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2001

HOUSE BILL 180

Short Title:	Expand Development Zones.	(Public)
Sponsors:	Representatives Cole; Alexander, Barefoot, Church, Davis, Dedmon, Fox, Goodwin, Hall, Hurley, McLawhorn, Morris, Oldham, Redwine, Tolson, and Womble.	
Referred to:	Economic Growth and Community Development.	

February 20, 2001

A BILL TO BE ENTITLED

AN ACT TO MAKE MORE MUNICIPALITIES ELIGIBLE FOR DEVELOPMENT ZONES.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 105-129.3A(a) reads as rewritten:

"(a) Development Zone Defined. – A development zone is an area comprised of one or more contiguous census tracts, census block groups, or both in the most recent federal decennial census that meets all of the following conditions:

(1) Every census tract and census block group in the zone is located in whole or in part within the primary corporate limits of a ~~city~~ municipality with a population of more than ~~5,000~~1,000 according to the most recent annual population estimates certified by the State Planning Officer.

(2) It has a population of 1,000 or more according to the most recent annual population estimates certified by the State Planning Officer.

(3) More than twenty percent (20%) of its population is below the poverty level according to the most recent federal decennial census.

(4) Every census tract and census block group in the zone meets at least one of the following conditions:

a. More than ten percent (10%) of its population is below the poverty level according to the most recent federal decennial census.

b. It is immediately adjacent to another census tract or census block group that is in the same zone and has more than twenty percent (20%) of its population below the poverty level according to the most recent federal decennial census.

(5) None of the census tracts or census block groups in the zone is located in another development zone designated by the Secretary of Commerce."

SECTION 2. This act becomes effective January 1, 2002.

HOUSE BILL 180:
Expand Development Zones

BILL ANALYSIS

Committee:	House Economic Growth and Community Development Committee	**Introduced by:**	Representative Cole
		Summary by:	Wendy Graf Committee Counsel
Date:	March 14, 2001		
Version:	First Edition		

SUMMARY: The bill would expand the definition of development zone, and apply to tax years 2002 and thereafter.

CURRENT LAW: The General Assembly has provided for the designation of economically distressed areas located within municipalities as State Development Zones, and authorized enhanced tax incentives for businesses that locate in a development zone. A development zone is defined as an area that meets the following conditions:

1. Every census tract and census block group in the zone is located in whole or in part within the corporate limits of a city with a population of more than 5,000 according to the most recent annual population estimates certified by the State Planning Officer.
2. The zone has a population of at least 1,000.
3. More than 20% of the total population of the zone is below the poverty level according to the most recent federal decennial census.
4. **Every** census tract and census block group in the zone meets **at least one** of the following conditions:
    a. More than 10% of its population is below the poverty level.
    b. It is immediately adjacent to another census tract or census block group that is in the same zone and has more than 20% of its population below the poverty level.
5. None of the census tracts or census block groups in the zone is located in another development zone designated by the Secretary of Commerce.

If a business locates in a State Development Zone, the wage standard it has to meet is the same as for Tier One counties - slightly lower than the standard for other counties. In addition, if a business locates in a development zone, its maximum worker training credit is $1,000 rather than $500, it receives an additional $4,000 per job on its jobs tax credit, and there is no threshold for the credit for investing in machinery and equipment.

The Secretary of Commerce designates State Development Zones upon the request of a taxpayer or a local government. In addition to the enhanced tax incentives discussed above, a development zone may qualify for priority in receiving community development block grants if the municipality's governing body adopts a strategy to improve the zone and establishes a committee to implement the strategy, in accordance with guidelines established by the Department of Commerce. Attached is a list of the currently designated State Development Zones.

BILL ANALYSIS: The bill would increase the number of municipalities that may qualify as a development zone by reducing the municipality's population requirement from 5,000 to 1,000. Approximately 100 additional municipalities would be eligible to have an area within their limits designated as a development zone. Attached is a list provided by the Department of Commerce of the municipalities likely to be included.

EFFECTIVE DATE: The act would become effective January 1, 2002.

This summary was contributed to by Cindy Avrette and Erika Churchill.

Potenial SDZ's (1000 Threshold)

MUNICIPALITY	POP. JULY 1997
Vanceboro	1031
Gaston	1047
Norlina	1047
Rich Square	1060
Highlands	1071
Fair Bluff	1087
Garysburg	1095
North Topsail Beach	1100
Rowland	1102
Bryson City	1106
West Jefferson	1108
Dobbins Heights	1115
Ellerbe	1171
Surf City	1172
Aulander	1207
Beulaville	1210
Walnut Cove	1210
Shallotte	1241
Spring Hope	1283
Weldon	1284
Blowing Rock	1334
Biltmore Forest	1347
Jefferson	1425
Rose Hill	1428
Snow Hill	1519
Roseboro	1521
Pinetops	1558
Burnsville	1570
Princeton	1587
Murphy	1588
Jonesville	1660
Elm City	1736
Bethel	1742
Fremont	1786
Four Oaks	1789
Andrews	1797
Sharpsburg	1886
Kenly	1897
Spruce Pine	1909
Robersonville	1928
Sparta	1932
Sunset Beach	1932
Bladenboro	2002
Laurel Park	2035
Chadbourn	2049
Pittsboro	2072
Princeville	2152
Saint Pauls	2169
Franklinton	2194
Boiling Spring Lakes	2205

Potenial SDZ's (1000 Threshold)

Leland	2213
Belhaven	2240
Murfreesboro	2241
Taylorsville	2306
East Spencer	2312
Windsor	2313
Hertford	2333
Tabor City	2407
Scotland Neck	2470
Grifton	2545
Red Oak	2576
Southport	2591
Pembroke	2687
Fairmont	2855
Maxton	2877
Landis	2882
Yanceyville	2883
Dallas	2993
Warsaw	3000
Lillington	3003
La Grange	3010
Enfield	3032
Maiden	3041
Wilkesboro	3088
Hudson	3165
Spencer	3241
Stanley	3245
Woodfin	3349
Wallace	3386
Franklin	3452
Winterville	3467
Pineville	3497
Louisburg	3500
Wadesboro	3617
Wadesboro	3617
Gamewell	3621
Rutherfordton	3635
Burgaw	3643
Aberdeen	3648
Granite Falls	3665
Troy	3698
Benson	3704
Canton	3718
Elkin	3807
North Wilkesboro	3850
Red Springs	3856
Elizabethtown	3865
Plymouth	3931
Spindale	3945
Beaufort	4039
Raeford	4097

Potenial SDZ's (1000 Threshold)

Erwin	4299
Ahoskie	4370
Farmville	4394
Zebulon	4431
Ayden	4486
Mount Olive	4929

Designated NC State Development Zones

Zone #	Municipality	Designation Date	Contacts
001	Dunn	11/5/98	Carl Dean (910) 892-2633
002	Kinston	11/5/98	Ralph Clark (252) 939-3115
003	Forest City	11/5/98	Chuck Summey (828) 248-5202
004	Shelby	11/5/98	Hal Mason (704) 484-6829
005	Asheboro	11/5/98	O. Lynn Priest (336) 626-1226
006	Lumberton	11/5/98	Kirk Mattson (910) 671-3816
007	New Bern	11/5/98	Sue Steinhauser (252) 636-4031
008	Raleigh	11/5/98	Lauren Swift (919) 890-3664 Charlene Willard (919) 890-3662
009	Rocky Mount	11/5/98	Stephen Raper (252) 972-1331
010	Charlotte	11/12/98, 9/30/99	Pamela Wideman (704) 336-2115 Tom Warshauer (704) 336-4522
011	Charlotte	11/12/98, 9/30/99	Tom Warshaurer (704) 336-4522
012	Clayton	11/12/98	Steve Biggs (919) 533-8919
013	Henderson	11/13/98, 7/21/99	Benny Finch (252) 492-2094
014	Clinton	11/17/98	Tommy Combs (910) 590-3127
015	Reidsville	11/17/98	D. Kelly Almond (336) 349-1030
016	Williamston	12/21/98	Don Christopher (252) 792-5142
017	Laurinburg	12/21/98	Ann B. Slaughter (910) 276-8324
018	Eden	12/21/98	Radford L. Thomas (336) 623-4041
019	Roanoke Rapids	12/21/98	Rick Benton (252) 533-2809
020	Hamlet	12/21/98	Lee Matthews (910) 582-2651
021	Whiteville	12/21/98	Hazen Blodgett (910) 642-8046
022	Hendersonville	12/21/98	Roger Briggs (828) 697-3088
023	Waynesville	12/21/98	John Swift (828) 452-0401
024	Greenville	12/21/98	Marvin Davis (252) 329-4430
025	Hickory	12/21/98	J.R. Steigerwald (828) 323-7422
026	High Point	12/21/98	Steve Smotherman (336) 883-3116
027	Greensboro	12/21/98	C. Thomas Martin (336) 373-2922
028	Jacksonville	12/21/98	Bruce Payne (910) 455-6761
029	Gastonia	1/8/99, 5/10/99	Susan Hinely (704) 864-9732
030	Lenoir	1/8/99	Charles Beatty (828) 656-2200 X 216
031	Oxford	1/8/99	C. Leon Turner (919) 693-5911
032	Monroe	1/8/99	Chris Plate (704) 226-2311
033	Wilmington	1/8/99	Mary Gornto (910) 341-7810
034	Washington	2/1/99	Bobby Roberson (252) 975-9318
035	Elizabeth City	1/13/99	Steve Harrell (252) 338-2365
036	Sanford	2/1/99	Leonard Barefoot (919) 775-8202
037	Winston Salem	2/1/99	Derwick L. Paige (336)727-2880
038	Asheville	2/1/99	Charlotte Caplan (828) 259-5721

Zone #	Municipality	Designation Date	Contacts
039	Boone	2/4/99	Jim Byrne (828) 265-3206
040	Salisbury	2/4/99	Aaron H. Arnett (704) 638-8437
041	Marion	2/15/99	Robert Dunn (828) 652-9391
042	Burlington	2/15/99	Robert R. Harkrader (336) 222-5110
043	Edenton	2/24/99	Anne Marie Knighton (252) 482-7377
044	Morehead City	2/24/99	Linda Stabb (252) 726-5243
045	Wilson	2/25/99	Jennifer Lantz (252) 237-1115
046	Durham	4/6/99	Ted Abernathy (919) 560-4965
047	Fayetteville	4/16/99	John B. (Ben) Brown (910) 997-5546
048	Rockingham	4/16/99	Johnny Sutton (910) 997-5546
049	Smithfield	5/5/99	Pete Connet (919) 934-2116 x109
050	Lexington	6/4/99	Tammy Absher (336) 248-3900
051	Goldsboro	6/4/99	Don Chatman (919) 580-4333
052	Brevard	6/14/99	Donald Brookshire (828) 883-3880
053	Concord	6/14/99	Steve Osborne (704) 789- 2502 Susie Zakraisek (704) 786-6161 x 414
054	Kannapolis	7/21/99	Ron Smith (704) 933-5999
055	Kannapolis	7/21/99	Ron Smith (704) 933-5999
056	Kings Mountain	8/9/99	Steve Killian (704)734-0333
057	Lincolnton	9/7/99	Brad Guth (704)736-8915
058	Lincolnton	9/7/99	Brad Guth (704)736-8915
059	Statesville	9/23/99	David Currier (704) 878-3577
060	Mooresville	1/3/00	Erskine Smith (704) 663-3188
061	Albemarle	4/14/00	Robert Sasser (704) 984-9426
062	Bessemer City	3/2/01	Joe Albright (704)629-2238

HOUSE PAGES:

Name:
Lindsey Jordan

Town:
High Point

Sponsor:
Jarell

Name:
Matthew Oettinger

Town:
Rocky Mount

Sponsor:
Gene Arnold

VISITOR REGISTRATION SHEET

ECONOMIC GROWTH & COMMUNITY DEVELOPMENT 3-14-01

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Katherine Joyce	NC Assoc. of Electric Cooperatives
John Cyrus	N.C. State Grange
Paul Fogleman	City of Hickory
DON HOBART	Dept of Commerce
CLERK SIMPSON	DEPT OF COMMERCE
Bill McNeil	Department of Commerce
Grady McLaughlin	N.C. Conservation Network
Tim Minton	NC-Home Builders Assn
[illegible]	NC PP
Alice Garland	Electricities
Kim Hibbard	NCLM

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Thursday, March 15, 2001 2:50 PM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, March 21, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

The following speaker will be heard:

A representative from the Department of Commerce.

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **3:00 p.m.** on **March 15, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

AGENDA

Joint Senate Rural Development and
House Economic Growth and Community Development
Committee

March 21, 2001
12:00 noon
Room 1027 Legislative Building

I.	Opening Remarks	Representative Cole
II.	Recognition of Pages	Representative Cole
III.	Introduction of Speaker	Representative Cole

- Don Hobart
  Department of Commerce

IV.	Questions from Committee	
V.	Adjournment	Representative Cole

JOINT SENATE RURAL DEVELOPMENT and
HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT
COMMITTEE
Minutes
March 21, 2001
12:00 noon
Room 1027 LB

The Senate Rural Development and House Economic Growth and Community Development Committee met jointly on March 21, 2001 at 12:00 noon in room 1027 of the Legislative Building. Representative Nelson Cole presided. Eight members out of 13 members of the Senate committee were present. A visitor registration list is attached and made part of these minutes. The following members of the House committee were present:

Rep. Nelson Cole
Rep. Mia Morris
Rep. Hugh Holliman
Rep. Martha Alexander
Rep. Marge Carpenter
Rep. Wayne Goodwin
Rep. Trudi Walend
Rep. Roger West

Representative Cole opened the meeting, acknowledged the pages, and introduced Don Hobart, General Council and Liaison with the Department of Commerce. He presented handout #1, Tax Credits-The William S. Lee Act. This act serves as tax strategies to encourage economic growth where it will do the most good across the state. The purpose of this act is to attract new companies and quality jobs across the state, to encourage existing companies to expand, invest provide worker training, and meet sound health, environmental and safety standards, target larger incentive to more distressed areas of the state, and increase our state's overall competitiveness. The counties in the state are ranked from tier one (being higher economic distress factors) to tier five (lower economic distress factors). This act is targeted to the businesses that will provide the best return on that investment to justify getting the benefits. The types of businesses are: manufacturing, warehousing, wholesale trade, data processing, central administrative offices (that create at least 40 new administrative jobs), electronic mail order houses (that create at least 250 new jobs and locate in tier one or two areas), air courier services, and customer service centers (located in tier one or two areas).

The basic tax credits given under the William S. Lee Act are to companies creating new full-time jobs, investing in machinery and equipment, research and development, worker training, and investment in central administrative office property. Questions and answered followed. Credit is given for eligible businesses that employees five or more full-time employees and is allowed credit for each additional full-time job created. The amount of credit is based on the tier area where the job is located (50% or more of the employee's duties are performed there). The amount of credit for each tier is in the chart on page three of handout #1.

Joint Senate Rural Development and
House Economic Growth and Community Development Committee
March 21, 2001

Under the William S. Lee Act a company will always be paying at least 50% of its taxpayer's liability for the taxable year. He stated that this is the most studied, most closely watched and most strategic tax incentive program that the state has and it is set to expire in 2006.

Mr. Stuart Dickinson, Director of the Department of Commerce Finance Center, was then introduced and talked about the Enterprise Tier formula for the William S. Lee Act, as outlined in handout #1. The three components to rank the counties are calculated using the following three factors: average unemployment for the preceding three years, average per capita income for the preceding three years, and the population growth. Discussion followed. A list of the counties in the state and how they are ranked are on page seven of the handout. Questions and answers followed.

There being no further discussion, the chair adjourned the meeting at 12:55 p.m. The next meeting will be on March 28, 2001 at 12:00 noon.

Respectfully submitted:

Representative Nelson Cole
Chairman, House Committee

Suzanne Smith
House Legislative Committee Assistant

HOUSE PAGES:

Name:
Hillarey Rohn

Town:
Jackson County

Sponsor:
Rep. Carpenter

Name:
Tiffany Kelley

Town:
Wake County

Sponsor:
Rep. Capps

SENATE PAGES:

Name: Joshua Bellamy

Town:

Sponsor: Senator Miller

Name:

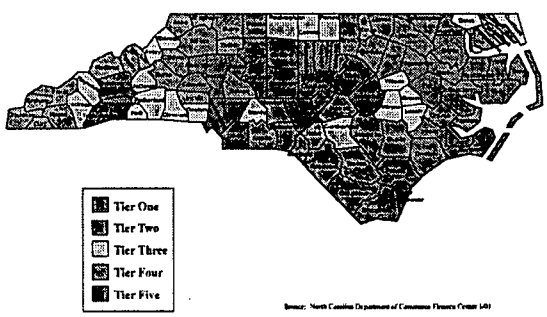
Town:

Sponsor:

Tier calculations...

- Small County Provisions
  - Counties with less than 10,000 population and more than 16% of its population below federal poverty level will be designated tier 1 areas
  - Counties with less than 50,000 population and more than 18% of its population below federal poverty level will be designated one tier level lower
  - A county with less than 25,000 population that would otherwise be designated a tier 4 or tier 5 area will be designated a tier 3 area

2001 Tier Designations



2001 Tier Designations

TIER 1	TIER 2	TIER 3	TIER 4	TIER 5
ALLEGHANY	ANSON	AVERY	BRUNSWICK	ALAMANCE
ASHE	BLADEN	CASWELL	BURKE	ALEXANDER**
BEAUFORT	DUPLIN*	CHOWAN	CALDWELL	BUNCOMBE
BERTIE	HOKE	CLEVELAND	CARTERET	CABARRUS
CAMDEN	MADISON	CUMBERLAND	CRAVEN	CATAWBA
CHEROKEE	MITCHELL	CURRITUCK	DARE**	CHATHAM
CLAY	MONTGOMERY	GASTON*	FRANKLIN	DAVIDSON**
COLUMBUS	ONSLOW	GATES	GRANVILLE	DAVIE
EDGECOMBE	PAMLICO	GREENE	HARNETT	DURHAM
GRAHAM	PASQUOTANK	HAYWOOD	LINCOLN	FORSYTH
HALIFAX	ROBESON	JACKSON	MACON**	GUILFORD
HERTFORD	VANCE	LENOIR	NASH	HENDERSON
HYDE		MCDOWELL	PENDER	IREDELL
JONES		PERSON*	PITT	JOHNSTON
MARTIN		POLK	ROWAN	LEE
NORTHAMPTON		ROCKINGHAM	SAMPSON**	MECKLENBURG
PERQUIMANS		RUTHERFORD**	STOKES*	MOORE
RICHMOND		STANLY	SURRY	NEW HANOVER
SCOTLAND		WATAUGA	WILKES	ORANGE
SWAIN		WAYNE	YADKIN*	RANDOLPH
TYRRELL		WILSON		TRANSYLVANIA
WARREN				UNION
WASHINGTON				WAKE
YANCEY				

* The county's 2001 Tier designation is one one tier lower than its 2000 designation
** The county's 2001 Tier designation is one one tier higher than its 2000 designation

Tier calculations

- County tier designations are calculated using three factors:
  1. Average unemployment for the preceding three years
  2. Average per capita income for the preceding three years.
  3. Population growth

The most current data available is used

Tier calculations...

- Each County is ranked from 1 to 100 for each of the three factors
- A distressed county sum is assigned to each county based on the sum of its ranking using the three criteria
- Tier designations are assigned to each county based on distressed county sum
  - Tier 1 - highest 10
  - Tier 2 - next 15
  - Tier 3 - next 25
  - Tier 4 - next 25
  - Tier 5 - next 25

Tier calculations...

- Several provisions have been added to the act allowing counties to drop tier designations from initial calculations
  - Counties designated as tier one must remain tier one for at least two years
  - Counties designated as tier two must remain tier one or two for at least two years

Credit for CAO property

- A taxpayer that has purchased or leased real property and begins its use for a central administrative office (CAO) is allowed credit equal to 7% of the eligible investment amount ($500,000 cap)
- The taxpayer must hire at least 40 new office jobs in the year the office real property is placed in service

CAO credit is taken in equal installments over 7 years

Other Issues

- Cap - credits possible under Article 3A may not exceed 50% of the taxpayer's tax liability for the taxable year
- Carry-forwards - The unused portion of all credits may be carried forward for:
  - Five years (Investments < $50 MM)
  - Ten years (Investments > $50MM & < $150 MM)
  - Twenty years (Investments > $150 MM)

Enterprise Tier Designations William S. Lee Act

Credit for investing in M&E...

Tier area	Threshold $ amount
1	-0-
2	$100,000
3	$200,000
4	$500,000
5	$1,000,000
Development Zone	-0-

M&E credit is taken in equal installments over 7 years

Credit for R&D

- A taxpayer claiming federal income tax credit for increasing research is allowed a NC credit of 5% of the state's share of the amount determined for the research
- A taxpayer claiming the alternative credit is allowed credit equal to 25% of the state's share of the federal credit claimed

Credit for worker training

- A taxpayer providing eligible training for 5 or more eligible employees is allowed a credit equal to wages paid the eligible employees during the training
- Credit per employee trained cannot exceed $1,000 during the tax year for tier 1 locations and state development zones, or $500 per employee trained in tiers 2, 3, 4 or 5

Credit for creating jobs

- An eligible business with 5 or more full-time employees is allowed credit for each additional full-time job created
- Amount of credit is based on the tier area where the job is located (50% or more of the employee's duties are performed there)

Credit for creating jobs...

Tier area	Credit per job
1	$12,500
2	$4,000
3	$3,000
4	$1,000
5	$500
Development Zone	Additional $4,000

Job credit is taken in equal installments over 4 years

Credit for investing in M&E

- Eligible investment in machinery and Equipment (M&E) placed in service during the tax year may allow a credit of 7% of excess over the applicable $ threshold for the tier area
- M&E may be purchased or leased, but must be capitalized by the taxpayer applying for the credit

Eligible business types

- Manufacturing
- Warehousing
- Wholesale trade
- Data processing
- Central administrative offices (that create at least 40 new administrative jobs)
- Electronic mail order houses (that create at least 250 new jobs and locate in tier 1 or 2 areas)
- Air courier services
- Customer service centers (located in tier 1 or 2 areas)

Job quality enhancements

- The taxpayer must meet an applicable wage standard in order to qualify for any of the 3A credits.
- The taxpayer must provide health insurance to all full-time jobs and pay at least 50% of the premiums
- The taxpayer must certify that it has no pending or prior (up to 5 years) significant environmental violations of programs implemented by NC DENR
- Tax credit applicants must also certify that it has no pending or prior (up to 3 years) outstanding workplace safety citations under OSHA

Basic tax credits are for

- **Creating new, full-time jobs**
- **Investing in machinery & equipment**
- **Research and development**
- **Worker training**
- **Investment in central administrative office property**

Tax Credits
William S. Lee Act

Purposes of the Act

- Attract new companies and quality jobs
- Encourage existing companies to expand, invest, provide worker training, and meet sound health, environmental and safety standards
- Target larger incentives to more distressed areas of the state
- Increase NC's overall competitiveness

NC enterprise tiers

- Annually designated county enterprise tiers are key to targeted tax incentives
- Designation factors include unemployment, per capita income, and population growth
- Counties are ranked from tier 1 (higher economic distress factors) to tier 5 (lower economic distress factors)

Tiering will be discussed in greater detail later in the presentation

VISITOR REGISTRATION SHEET

ECONOMIC GROWTH & COMMUNITY DEVELOPMENT 3/21/2001

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
TED BOGGS	DEPT. OF COMMERCE
Laura Dunn	DENR
J Ramsey	NCDHA

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Thursday, March 22, 2001 2:06 PM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, March 28, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

The following speaker will be heard:

A representative from the Department of Transportation.

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **2:30 p.m.** on **March 22, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

Principal Clerk _____
Reading Clerk _____

SENATE
NOTICE OF COMMITTEE MEETING

The Senate Committee on **Rural Development** will meet **jointly with the House Committee on Economic Growth and Community Development** at the following time:

DAY	DATE	TIME	ROOM
Wednesday	March 28, 2001	12:00 Noon	1027, LB

The following speaker will be heard:

- A representative from the Department of Transportation

Senator David Weinstein, Co-Chair
Senator Steve Metcalf, Co-Chair

JOINT
SENATE RURAL DEVELOPMENT
AND
HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT
COMMITTEE MEETING
Wednesday, March 28, 2001
Room 1027, Legislative Building

Minutes

The Senate Rural Development Committee and the House Economic Growth and Community Development Committee met jointly on Wednesday, March 28, 2001, at 12:00 Noon in Room 1027 of the Legislative Building. Senator Steve Metcalf, Senate Rural Development Committee Co-Chair, presided and 14 of the 18 Senate Rural Development Committee members attended. House Economic Growth and Community Development Committee members present were: Representatives Cole and Morris, Co-Chairs, and Representatives Carpenter, Goodwin, Holliman, Walend, West and Womble.

Senator Metcalf opened the meeting by welcoming members and guests. He introduced the pages serving the committee: Christopher McLawhorn from Pitt County, Tripp Carroll from Charlotte (Mecklenburg County), Arthur Goudey from Wake County and Ashley Willoughby from Lumberton (Robeson County).

Janet D'Ignazio, Chief Planning and Environmental Officer for the Department of Transportation (DOT), was recognized by Senator Metcalf to give a presentation on transportation funding and expenditures for Rural North Carolina (see Attachment 1). During her remarks, a special request was made by Senator Albertson that Ms. D'Ignazio provide the committee with a graph of where the roads have been paved by the Highway Trust Fund and information on what counties have not had any Highway Trust Fund money.

Following her presentation, Ms. D'Ignazio entertained questions and comments from the committee members. Senator Bingham requested that DOT provide the committee with a chart of counties with the greatest highway maintenance needs and Senator Carter requested that DOT provide him with information on non-betterment costs with regards to local governments.

Senator Metcalf closed the meeting by thanking Ms. D'Ignazio for her presentation and stating that, since the committee was so interested in highway maintenance, the speaker for the next meeting would be someone from DOT maintenance. After some comments by committee members and a special request by Senator Dalton that DOT furnish the committee with a copy of the county highway rating report issued by UNC Charlotte, the meeting adjourned at 12:47 p.m.

Senator Steve Metcalf
Co-Chair Presiding

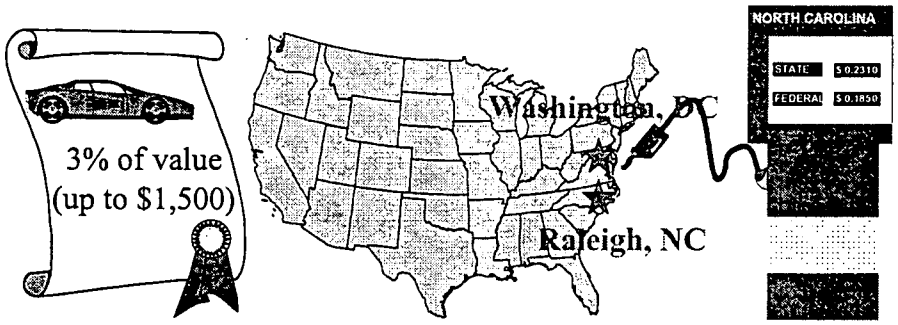
Jane Bagley
Committee Assistant

Transportation Funding and Expenditure Overview

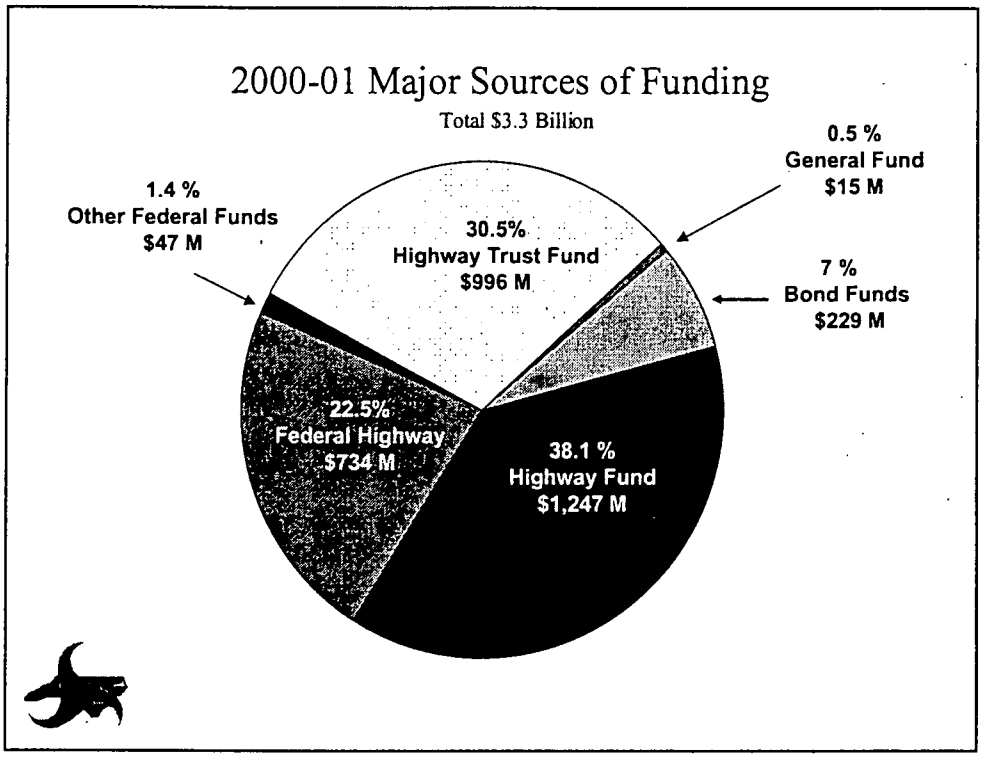
Presented at a Joint Meeting of
Senate - Rural Development and
House - Economic Growth and Community
Development Committees

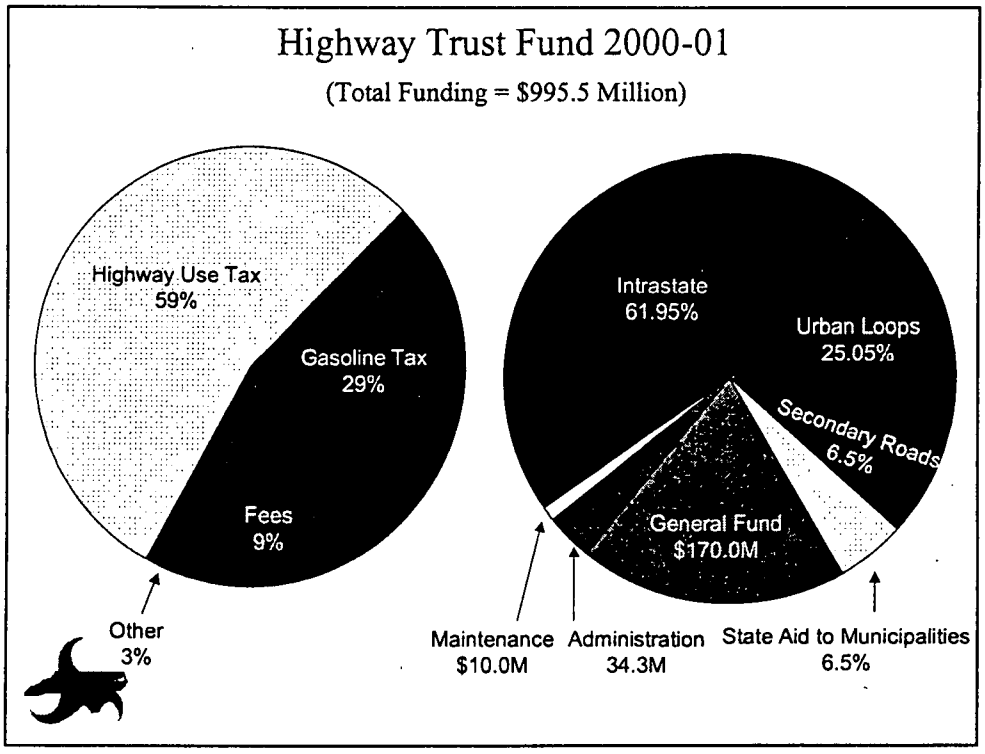
Raleigh, NC
March 28, 2001

Transportation Revenue Sources

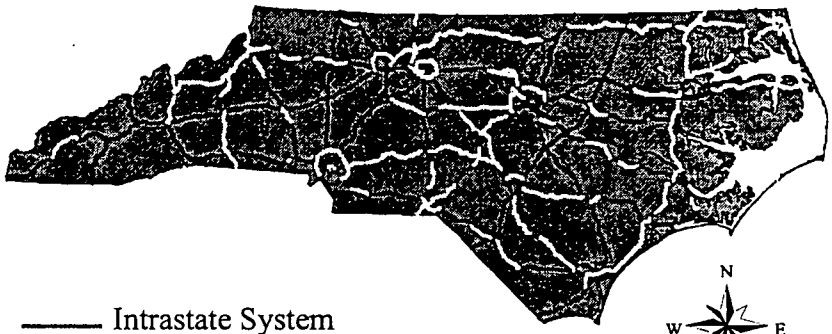


- Highway Use Tax
- Fees
- Interest
- Gasoline Taxes


2000-01 Major Sources of Funding
Total $3.3 Billion
0.5 %
General Fund
$15 M
1.4 %
Other Federal Funds
$47 M
30.5%
Highway Trust Fund
$996 M
7 %
Bond Funds
$229 M
22.5%
Federal Highway
$734 M
38.1 %
Highway Fund
$1,247 M


Highway Trust Fund 2000-01
(Total Funding = $995.5 Million)
Highway Use Tax
59%
Gasoline Tax
29%
Fees
9%
Other
3%
Intrastate
61.95%
Urban Loops
25.05%
Secondary Roads
6.5%
General Fund
$170.0M
Maintenance
$10.0M
Administration
34.3M
State Aid to Municipalities
6.5%

Highway Trust Fund
Intrastate and Loop System

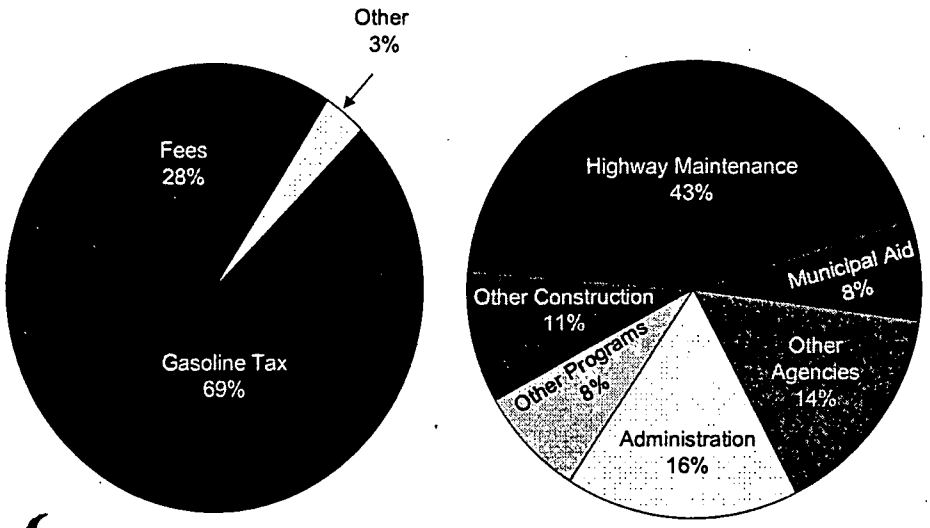


Intrastate System
TIP Projects to Complete System

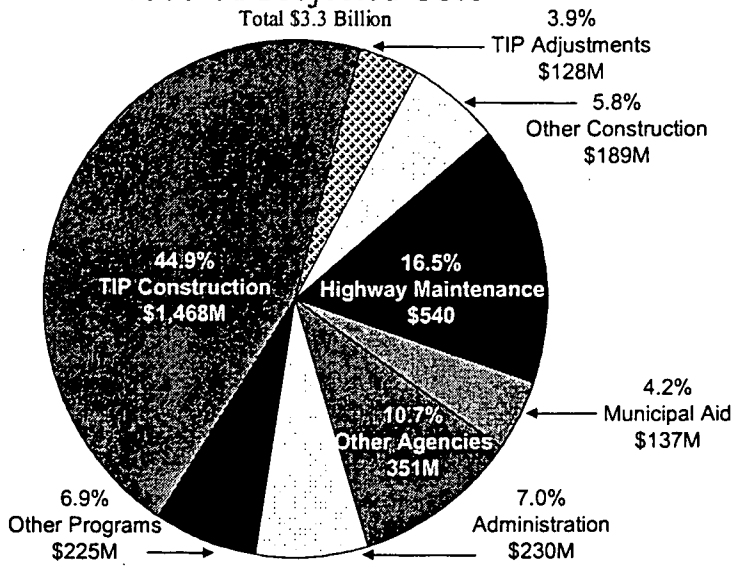
N
W E
S

Highway Fund for 2000-01

(Total Funding = $1,247 Million)

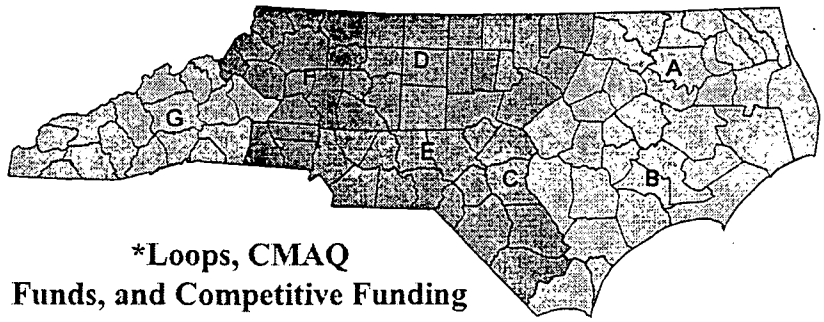


2000-01 Projected Uses



Equity Formula*

50% POPULATION OF REGION AS PERCENT OF STATE	25% REMAINING INTRASTATE SYSTEM MILES	25% Equal Share



*Loops, CMAQ Funds, and Competitive Funding Excluded

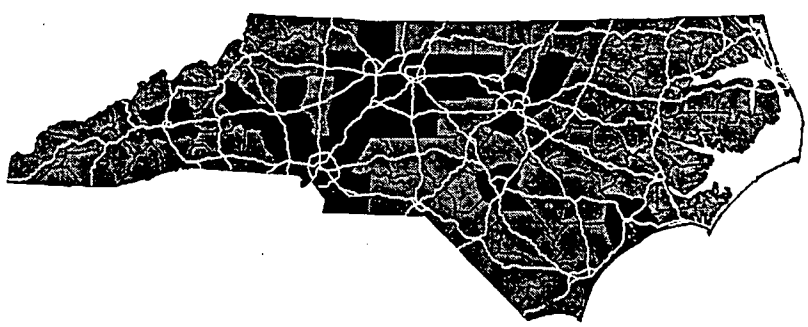
County Designation



Rural
Urban

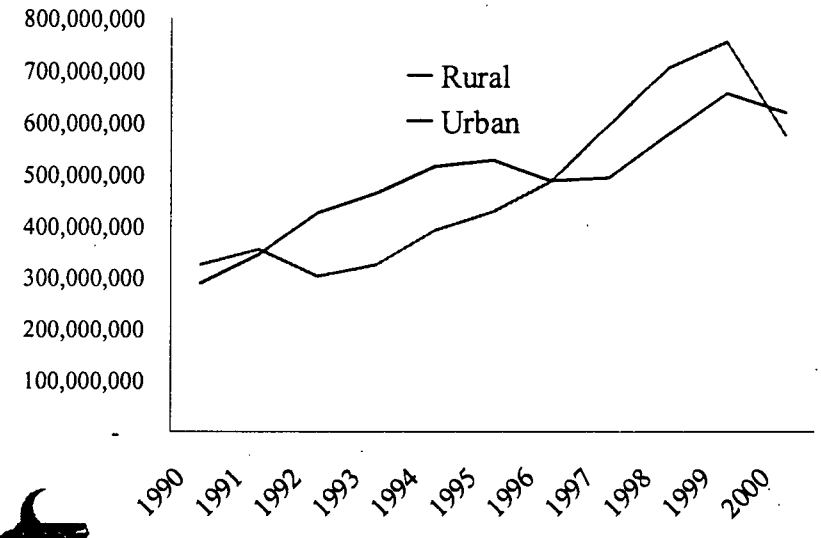
Source: Others

Highway Trust Fund
Intrastate and Loop System



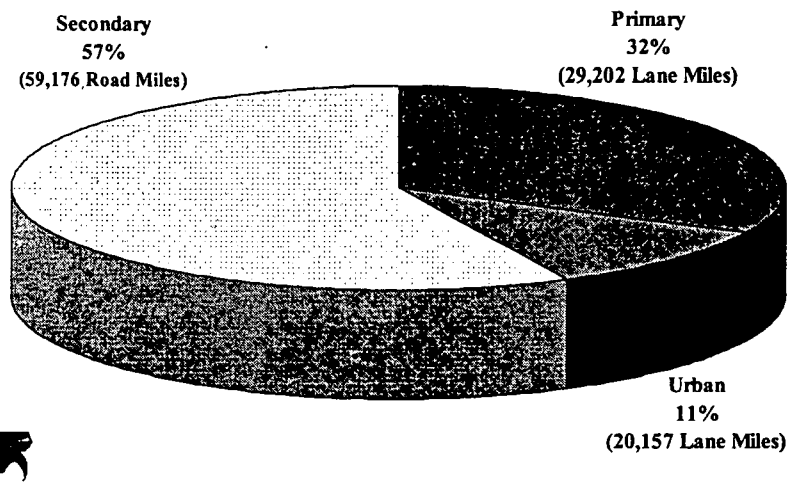
Rural
Urban
Intrastate & Loops

Construction Expenditure



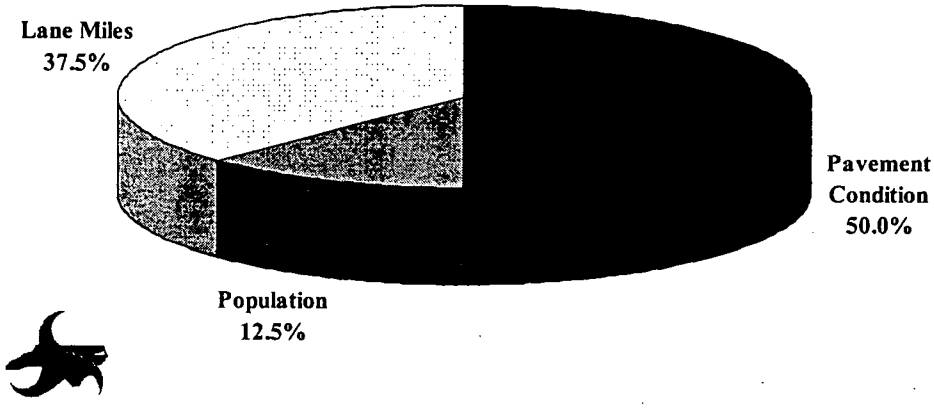
Maintenance Fund Allocation

FY 2000/01 ($ 384.4 Million)

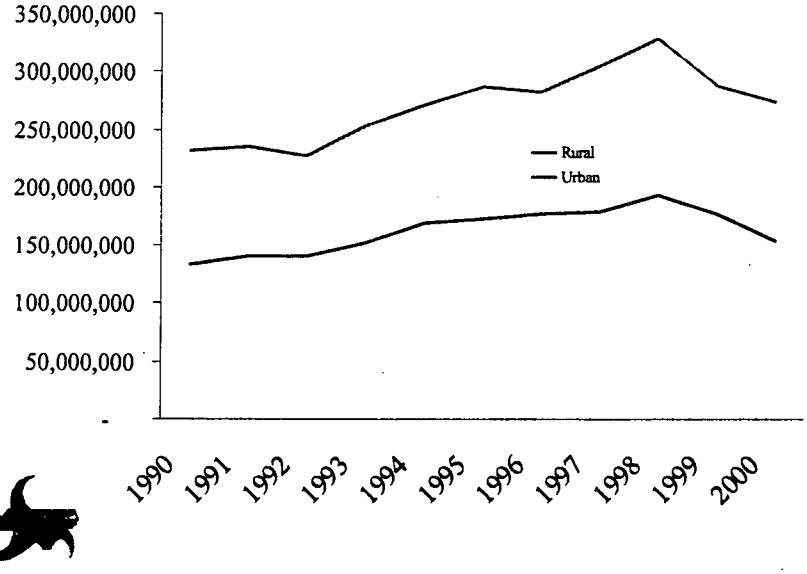


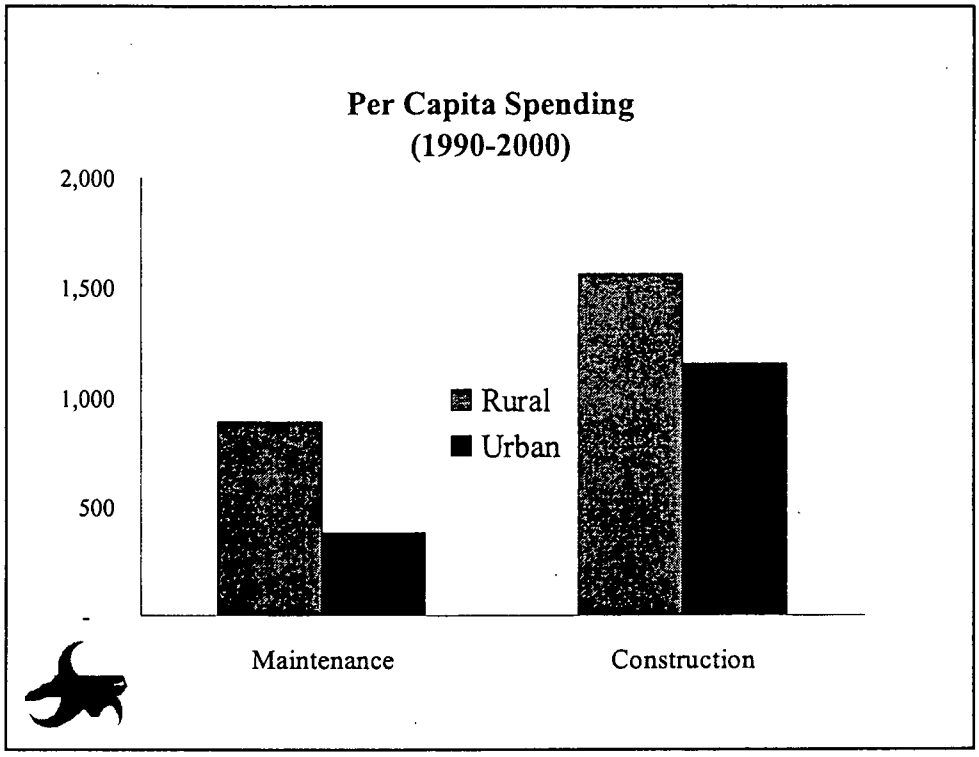
Contract Resurfacing Allocation

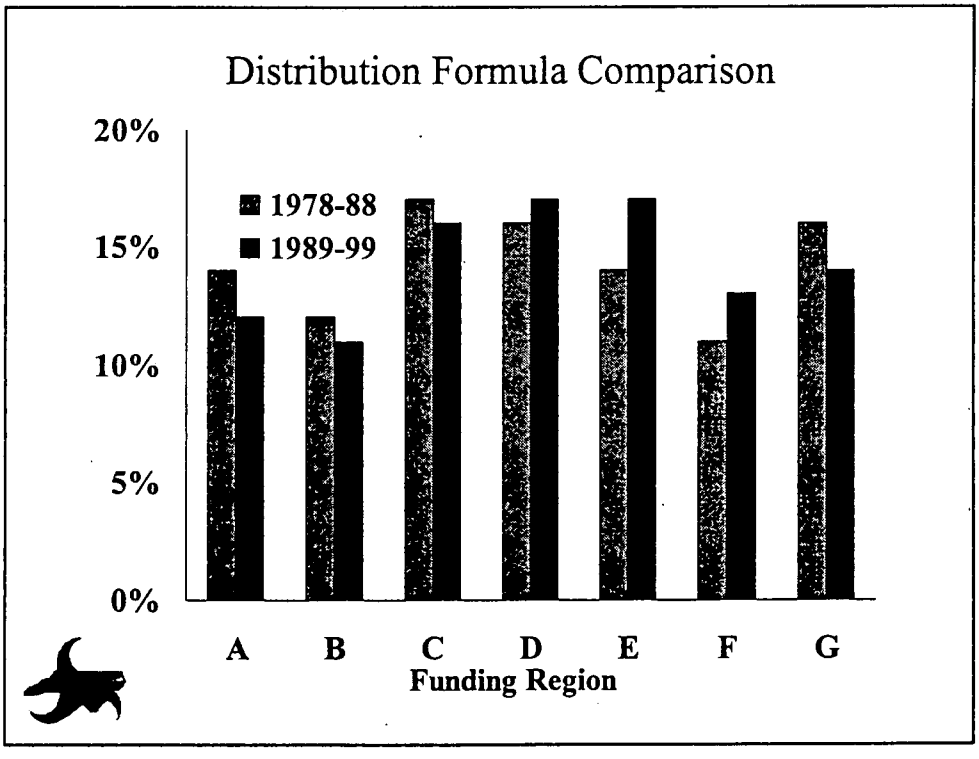
FY 2000/01 ($ 135.5 Million)



Maintenance Expenditures




Per Capita Spending
(1990-2000)
2,000
1,500
1,000
500
-
Rural
Urban
Maintenance
Construction


Distribution Formula Comparison
20%
15%
10%
5%
0%
1978-88
1989-99
A
B
C
D
E
F
G
Funding Region

VISITOR REGISTRATION SHEET

SEN. COMMITTEE ON RURAL DEVELOPMENT — 3-28-01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ross M. Smith	PCS Phosphate
Katherine Joyce	NC Assoc. of Electric Cooperatives
Richard Wodak	United Transportation Union
Glenn Lamm	United Transportation Union
Beau Mills	NC Metropolitan Coalition
Wiley Chi Otie	Roadrunner, NC
Natalie English	Charlotte, NC
Ann Garland	Electricities
Charles Archer	Halifax County
Hal Miller	NCAACT
Lynn Davis	DENR

VISITOR REGISTRATION SHEET

SEN. COMMITTEE ON RURAL DEVELOPMENT — 3-28-01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Angie McMillan	The Nature Conservancy, NC Chapter
Andy Romanet	NCLM

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Thursday, March 29, 2001 1:30 PM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, April 4, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

The following speaker will be heard:

David A. Allsbrook, Jr., P.E.
Deputy Chief Engineer, Operations
Department of Transportation

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **2:00 p.m.** on **March 29, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE

Minutes

April 4, 2001

The House Economic Growth and Community Development Committee met jointly with the Senate on Wednesday, April 4, in room 1027 of the Legislative Building at 12:00 PM. The following members were present: Chairman Mia Morris, Chairman Nelson Cole, Representatives Holliman, Alexander, Carpenter, Goodwin, Walend, and Womble. A Visitor Registration list is attached and made a part of these minutes. Chairman Morris recognized the pages who were assigned to the meeting.

Chairman Morris recognized David Allsbrook, Deputy Chief Engineer of the Department of Transportation who presented a slide presentation entitled, "Condition Assessement and Funding Needs for North Carolina's Highway system." Along with a handout, Mr. Allsbrook indicated that the Department of Transportation had grown 40% since 1990 and that department is diligently working to assure each county gets its "fair share" of the 1,247 million spent on maintenance in North Carolina.

Mr. Allsbrook extended a second handout to the committee, which was the summary of expenditures for the Department of Transportation. He indicated that the department focused on three methods of maintenance, which included an annual "Maintenance Condition Survey", bi-annual "Bridge Condition Survey" and a bi-annual "Pavement Condition Survey". After explaining various projects and debts of the Department of Transportation, Mr. Allsbrook indicated that they are facing a 154.2 million dollar shortfall in this budget year.

Representative Morris thanked Mr. Allsbrook for his presentation and opened the floor to recognize the members of the committee for questions and comments. Upon discussion, Mr. Allsbrook recognized other members of the Department of Transportation to offer details of the agreements with the Department of Corrections and the states "litter sweep" campaign. Speaking for the Department of Transportation were: Rhonda Johnson, Jennifer Brandenburg, and Lacy Love.

There being no further business, Rep. Morris adjourned the meeting at 12:55 P.M.

Respectfully submitted,

Representative Mia Morris
Chairman, House Committee

Joy Feagin
House Legislative Committee Assistant

SENATE PAGES:

Name: Fletch
Hutchs L. Hutton

Town:
Thomasville

Sponsor:
Sen. Bingham

Name:

Town:

Sponsor:

Sen Newton suggested
we take a collection from
the Centre to raise
the $ for Billie needs
78 mil

220 mil

HOUSE PAGES:

Name:
Brandon Robinson

Town:
Fayetteville, Cumberland

Sponsor:
Mia Morris

Name:

Town:

Sponsor:

Handout

Condition Assessment & Funding Needs



for

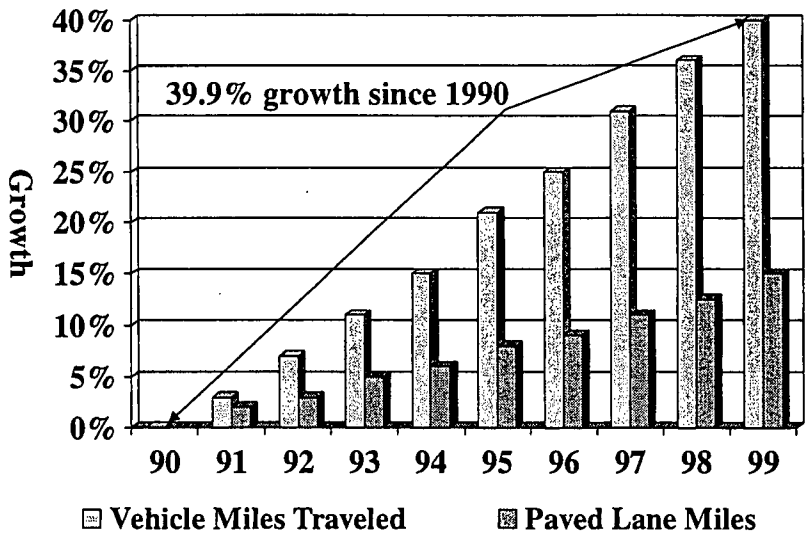
North Carolina's

Highway System

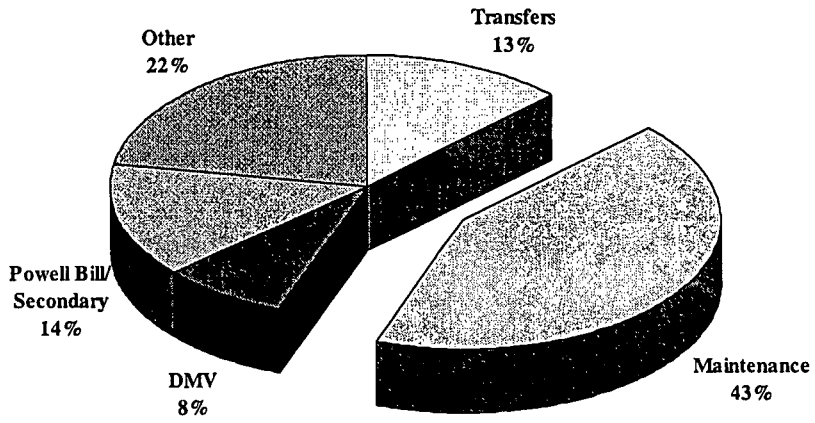
Maintenance $ Budget

Highway System Usage

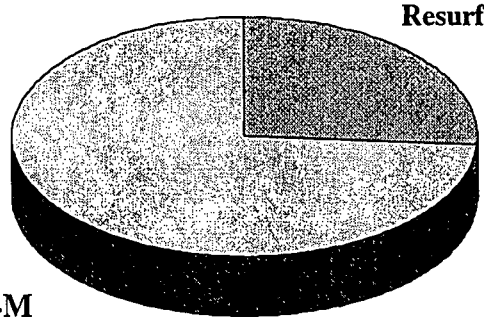
(Vehicle Miles Traveled)



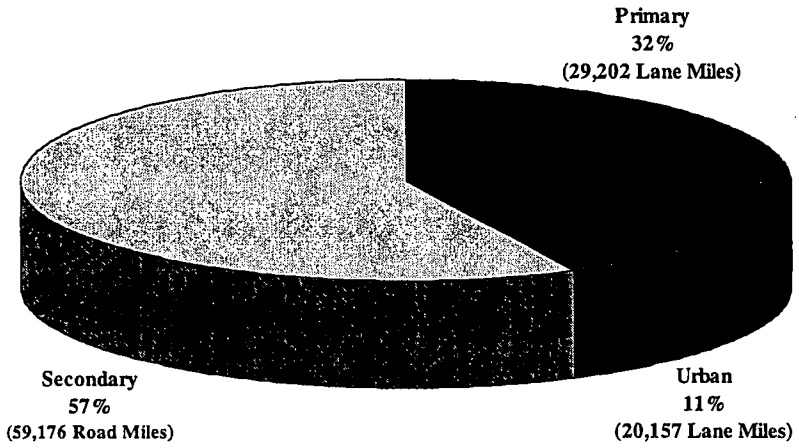
Highway Fund Appropriations
(FY 2000/01 $1,247 Million)



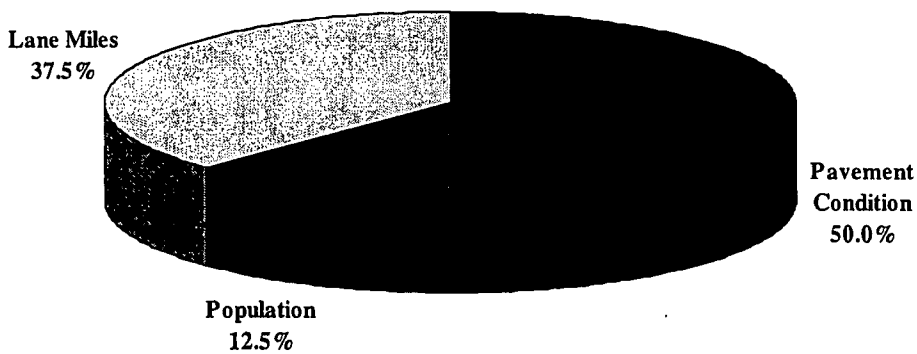
Maintenance Appropriations
(FY 2000/01 $520 Million)



Maintenance Fund Allocation
Total System
FY 2000/01 ($ 384.4 Million)



Contract Resurfacing Fund Allocation
Total System
FY 2000/01 ($ 135.5 Million)

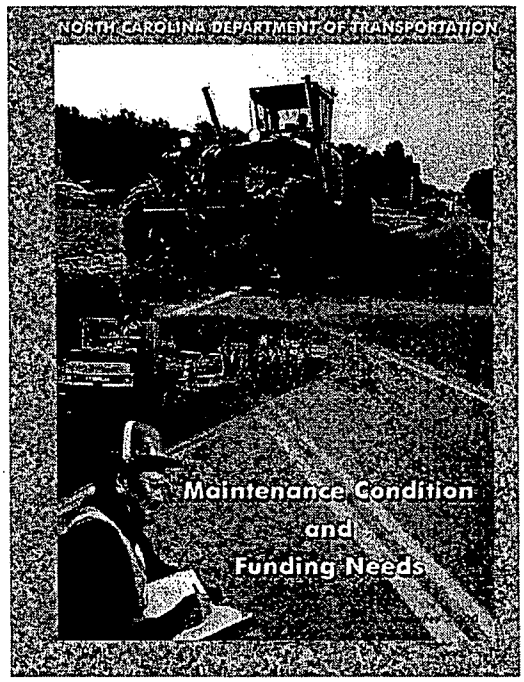


How Funds Were Expended in FY 1999/2000

Asphalt Patching	$ 66.4 million
Mowing	$ 21.5 million
Striping	$ 10.1 million
Snow and Ice Control	$ 26.0 million
Traffic Signals (Includes Power)	$ 12.9 million
Contract Resurfacing	$ 116.5 million

Condition Assessment & Funding Needs For North Carolina's Highway System

- Roadway and Bridge Maintenance
- Contract Resurfacing
- FEMA Emergency/Disasters



Rating the Condition of the Highway System

- Maintenance Condition Survey
- Bridge Condition Survey
- Pavement Condition Survey

Maintenance Condition Elements

Bridge
- ✔Decks
- ✔Rails
- ✔Expansion Joints
- ✔Superstructure
- ✔Substructure

Pavement
- ✔Flexible
- ✔Rigid

Roadway
- ✔Low Shoulder
- ✔High Shoulder
- ✔Lateral Ditches
- ✔Lateral Ditch Erosion

Roadside
- ✔Mowing
- ✔Brush and Tree Control
- ✔Litter & Debris
- ✔Slope
- ✔Guardrail

Drainage
- ✔Crossline Pipe
- ✔Driveway Pipe
- ✔Curb & Gutter
- ✔Catch Basin & DropInlets
- ✔Other Drainage Features

Environmental
- ✔Turf Condition
- ✔Miscellaneous Vegetation Management

Traffic Control Devices
- ✔Traffic Signs
- ✔Pavement Striping
- ✔Words and Symbols
- ✔Pavement Markers

Maintenance Funding Needs (Millions)

	Needs	Continuation Budget (01-02)	Shortfall
Routine Maintenance (Roads & Bridges)	$ 521.6	$ 367.4	$ 154.2

Contract Resurfacing

Resurfacing Cycles:

Primary System - 12 Years

All Other Systems - 15 Years

Maintenance Funding Needs (Millions)

	Needs	Continuation Budget (01-02)	Shortfall
Routine Maintenance (Roads & Bridges)	$ 521.6	$ 367.4	$ 154.2
Contract Resurfacing	$ 229.0	$ 128.5	$ 100.5

Emergency/Disaster
(FEMA)

Fran, Floyd, etc.	**$ 47 million**
Frozen FEMA Funds	**$ 19 million**
TOTAL	**$ 66 million**

Fiscal Year	Debt	New Storms	Total
2001/02	$ 23.0	$ 12.0	$35.0
2002/03	$ 24.0	$ 15.0	$39.0

Maintenance Funding Needs (Millions)

	Needs	Continuation Budget (01-02)	Shortfall
Routine Maintenance	$ 521.6	$ 367.4	$ 154.2
Contract Resurfacing	$ 229.0	$ 128.5	$ 100.5
Disaster Recovery	$ 35.0	$ 0	$ 35.0
Grand Total	**$ 785.6**	**$ 495.9**	**$ 289.7**

Statewide Annual Maintenance Funding Plan

Maintenance Programs	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Disasters/Emergencies	35.00	39.00	15.00	15.00	15.00
Total Maintenance Needs	521.68	547.04	573.68	601.66	631.06
Total Resurfacing Needs	228.96	240.26	252.11	264.56	277.62
Grand Total Needs	***785.64***	***826.30***	***840.79***	***881.22***	***923.68***

Maintenance $ Budget

VISITOR REGISTRATION SHEET

Joint Senate Rural Development and House Economic Growth and Community Development — 4-4-01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Rhonda Johnson	NCDOT
Jennifer Brandenburg	NCDOT
Lacy Love	NCDOT
David Allsbrooks	NCDOT
Anthony Yousefnejad	NC State Student
Michael Beattie	Methodist College
Kurtis Fisher	Methodist college
Marylou O'Connor	Methodist College
Loreta Lekaite-Narvaez	Methodist College
Melonde Colvin	Methodist College
Michelle Prasnik	Methodist College
Susan Cheek	Methodist College

VISITOR REGISTRATION SHEET

Joint Senate Rural Development and House Economic Growth and Community Development — 4-4-01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Hal Miller	NCACICT
Hannah Pal	East Carolina University
Deanna McAlee	East Carolina Uni.
Jenni for Sullivan	Nat'l Assoc of SW's - NC
Paul Kenyon	East Carolina Univ.

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Thursday, April 12, 2001 3:10 PM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, April 18, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

The following speaker will be heard:

To be announced

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **3:00 p.m.** on **April 12, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

JOINT
SENATE RURAL DEVELOPMENT
AND
HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT
COMMITTEE MEETING
Wednesday, April 18, 2001
Room 1027, Legislative Building

Minutes

The Senate Rural Development Committee and the House Economic Growth and Community Development Committee met jointly on Wednesday, April 18, 2001, at 12:00 Noon in Room 1027 of the Legislative Building. Senator David Weinstein, Senate Rural Development Committee Co-Chair, presided and 8 of the 18 Senate Rural Development Committee members attended. House Economic Growth and Community Development Committee members present were: Representatives Cole and Morris, Co-Chairs, and Representatives Alexander, Carpenter, Crawford, Goodwin, Holliman and Walend.

Senator Weinstein opened the meeting by welcoming members and guests. He introduced the pages serving the committee: Melissa Plummer of Raeford (Hoke County), Matthew Tharrington of Franklin County and Jason Bunch of Wake County. Senator Weinstein then introduced Representative Mark Crawford, a new member of the House Economic Growth and Community Development Committee.

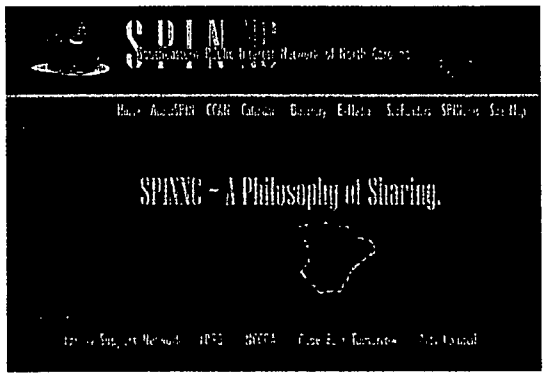
Hunter Thompson, Chair of the North Carolina Connectivity Council, was introduced by Senator Weinstein to give a presentation focused on delivering information to rural North Carolina via the Internet. Mr. Thompson began by explaining that the NC Connectivity Council, formerly the North Carolina Information Highway Policy Committee, has expanded its context and role and his presentation would show ways connectivity is helping citizens of rural North Carolina. He then proceeded with a slide presentation of how one of their projects, SPIN, NC, (a model they are promoting to the Internet Access Authority) could empower citizens to use information better to help them on the contents side, not just the access side (see Attachment 1).

Mr. Thompson entertained questions and comments from the committee members.

Senator Weinstein closed the meeting by thanking Mr. Thompson for his presentation. He announced that the next meeting would be on May 2, 2001, at which time the speaker would be Jane Patterson, Executive Director of the Rural Internet Access Authority. The meeting adjourned at 12:35 p.m.

Senator David Weinstein
Co-Chair Presiding

Jane Bagley
Committee Assistant



http://www.spinnc.org

Mission

The Southeastern Public Interest Network of North Carolina (SpinNC) facilitates sustainable solutions to the communication and information resource challenges of the citizens in New Hanover, Pender, Brunswick, Columbus, Duplin, Bladen, Onslow, Cumberland, and Sampson counties.

Fact:

Cape Fear Memorial Foundation awarded SpinNC $45,000 to begin CCAN.

During Hurricane Floyd the Onslow Community Ministries used SpinNC to assist the homeless.

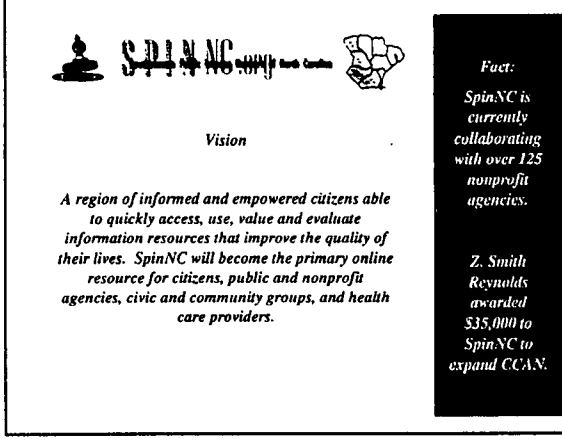
Vision

A region of informed and empowered citizens able to quickly access, use, value and evaluate information resources that improve the quality of their lives. SpinNC will become the primary online resource for citizens, public and nonprofit agencies, civic and community groups, and health care providers.

Fact:

SpinNC is currently collaborating with over 125 nonprofit agencies.

Z. Smith Reynolds awarded $35,000 to SpinNC to expand CCAN.



http://www.spinnc.org/calendar_frameset.html

9 Counties.

1 Calendar.

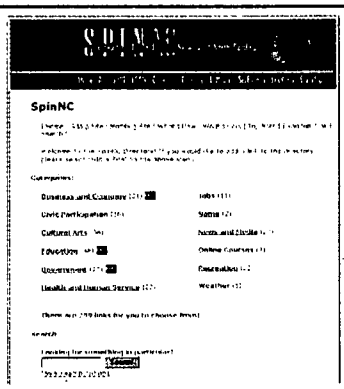
No problem.

SpinNC's regional calendar was created to serve as the a planning tool for nonprofit agencies, but it turned out to be a great way to find out what's going on.

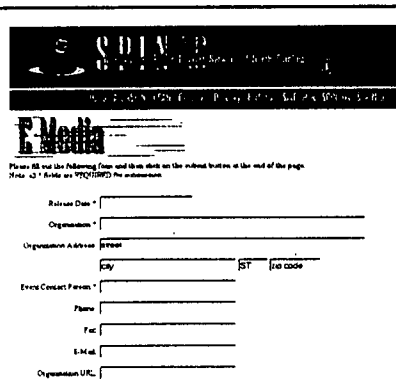
Hate dead links. So do we.

The SpinNC directory of links uses a Yahoo-style database to display links to sites throughout the region and state.

The software ensures no dead or unfound links.



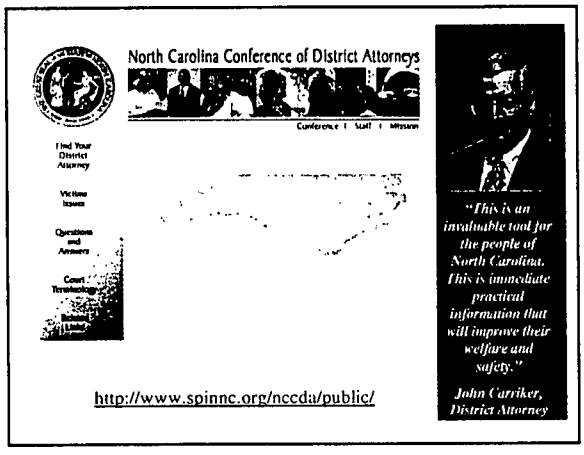
http://www.spinnc.org/links2/



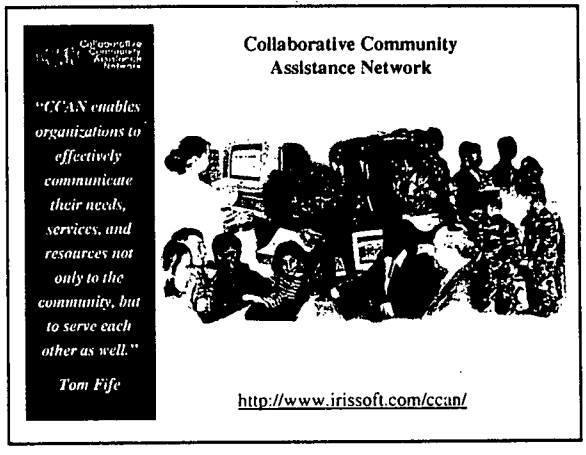
http://www.spinnc.org/emedia

By popular demand:

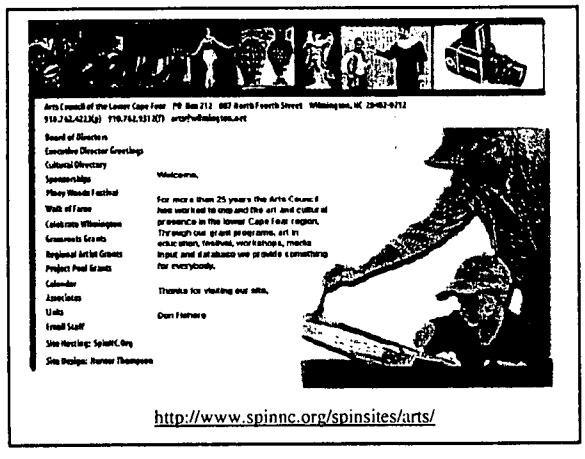
Nonprofits asked SpinNC to create this service. E-media is an online press release form that allows agencies to broadcast their releases to media outlets across the state.



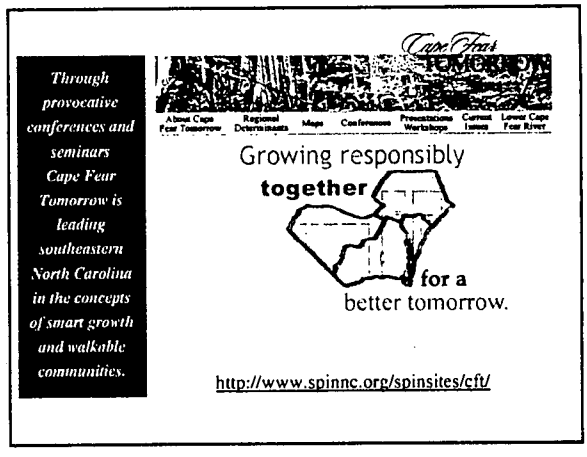
http://www.spinnc.org/nccda/public/



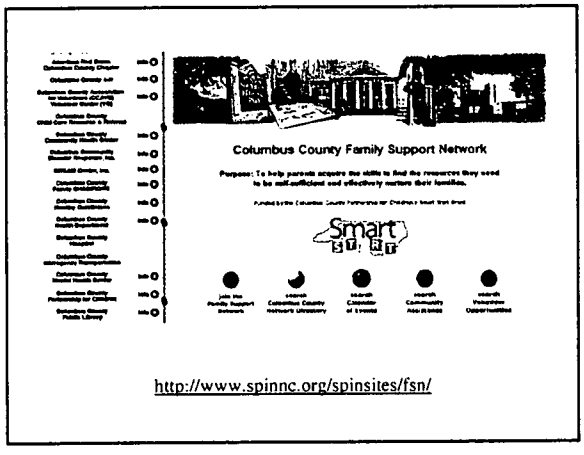
http://www.irissoft.com/ccan/



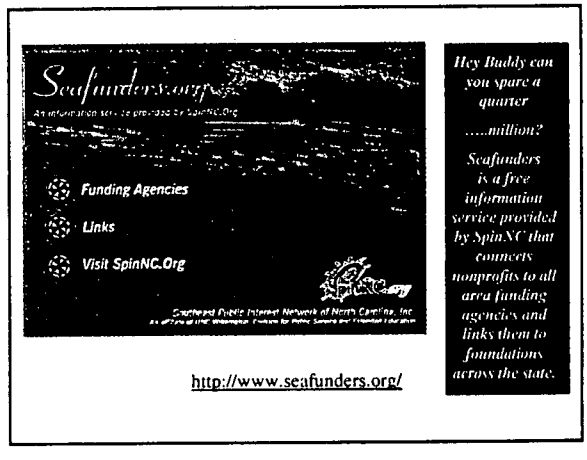
http://www.spinnc.org/spinsites/arts/



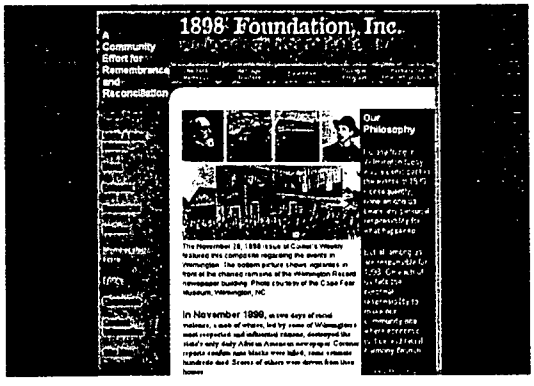
http://www.spinnc.org/spinsites/cft/



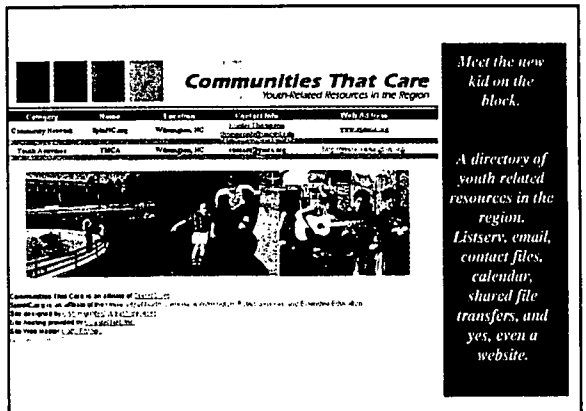
http://www.spinnc.org/spinsites/fsn/



http://www.seafunders.org/



http://www.spinnc.org/spinsites/1898/



An affiliate of the University of North Carolina at Wilmington

and

Public Service and Extended Education and

For more information please contact:

Michelle R. Howard-Vital 910.962.4138 vitalm@uncwil.edu

Hunter Thompson 910.962.3138 thompsonh@uncwil.edu

Greg Gulas 910.962.3347 gulasg@uncwil.edu

VISITOR REGISTRATION SHEET

SEN. COMMITTEE ON RURAL DEVELOPMENT 4-18-01

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bob Bellamy	DPI
Sonni Schmidt	NC Justice Center
DON MOSLEY	DOC
John Cymus	N.C. State Troopers
BOB BRINSON	CORRECTION
Tanika Charleston	The Initiative (NCCDI)

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Wednesday, April 18, 2001 10:58 AM
To: @House/Economic Growth & Community
Subject: THIS MEETING IS FOR TODAY!

April 18, 2001

TO: Staff and members of Ec. Growth & Comm. Development Committee

FROM: Rep. Cole and Rep. Morris

RE: Brief meeting right after Session

Ec. Growth & Comm. Development will meet briefly right after Session around Rep. Cole's desk for a meeting to take up HB 1090 RURAL INTERNET ACCESS AUTHORITY MEMBERSHIP. Please plan to be there.

Thanks.

HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE
Minutes
April 18, 2001
Immediately following Session
House Chamber at Representative Cole's desk (seat 45)

The House Economic Growth and Community Development Committee met on April 18, 2001 immediately following Session in the House Chamber at Representative Nelson Cole's desk, seat 45. The following members were present:

Rep. Nelson Cole
Rep. Mia Morris
Rep. Hugh Holliman
Rep. Martha Alexander
Rep. Mark Crawford
Rep. Marge Carpenter
Rep. Wayne Goodwin
Rep. Trudi Walend
Rep. Roger West
Rep. Larry Womble

Representative Nelson Cole called the meeting to order and stated that the purpose of the meeting was to take up HB 1090 A BILL TO BE ENTITLED AN ACT PROVIDING THAT THE PRESIDENT OF THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER SHALL SERVE AS AN EX OFFICIO MEMBER OF THE RURAL INTERNET ACCESS AUTHORITY. After discussion, Rep. Walend moved that the bill have a favorable report.

There being no further discussion or bills to be heard, Representative Cole adjourned the meeting at 4:20 p.m.

Respectfully submitted:

Representative Nelson Cole
Chairman, House Committee

Suzanne Smith
House Legislative Committee Assistant

2001 COMMITTEE REPORT
HOUSE OF REPRESENTATIVES

The following report(s) from standing committee(s) is/are presented:
By Representative(s) **Nelson Cole and Mia Morris** (Chair/Chairs) for the Committee on **Economic Growth & Community Development**.

☐ Committee Substitute for
H.B. 1090 A BILL TO BE ENTITLED AN ACT PROVIDING THAT THE PRESIDENT OF THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER SHALL SERVE AS AN EX OFFICIO MEMBER OF THE RURAL INTERNET ACCESS AUTHORITY.

☒ With a favorable report.

☐ With a favorable report and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report, as amended.

☐ With a favorable report, as amended, and recommendation that the bill be re-referred to the Committee on Appropriations ☐ Finance ☐ ☐.

☐ With a favorable report as to committee substitute bill (#), ☐ which changes the title, unfavorable as to (original bill) (Committee Substitute Bill #), (and recommendation that the committee substitute bill #) be re-referred to the Committee on .)

☐ With a favorable report as to House committee substitute bill (#), ☐ which changes the title, unfavorable as to Senate committee substitute bill.

☐ With an unfavorable report.

☐ With recommendation that the House concur.

☐ With recommendation that the House do not concur.

☐ With recommendation that the House do not concur; request conferees.

☐ With recommendation that the House concur; committee believes bill to be material.

☐ With an unfavorable report, with a Minority Report attached.

☐ Without prejudice.

☐ With an indefinite postponement report.

☐ With an indefinite postponement report, with a Minority Report attached.

☐ With recommendation that it be adopted. (HOUSE RESOLUTION ONLY)

2/15/01

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2001

H 1

HOUSE BILL 1090

Short Title:	RIAA Membership.	(Public)
Sponsors:	Representative Tolson.	
Referred to:	Economic Growth and Community Development.	

April 11, 2001

A BILL TO BE ENTITLED

AN ACT PROVIDING THAT THE PRESIDENT OF THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER SHALL SERVE AS AN EX OFFICIO MEMBER OF THE RURAL INTERNET ACCESS AUTHORITY.

The General Assembly of North Carolina enacts:

SECTION 1. G.S. 143B-437.42(b) reads as rewritten:

"(b) Commission. – The Authority is governed by a Commission that consists of 21 members, six members appointed by the Governor, six members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, six members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, and the following three ex officio, voting members: the State's Chief Information Officer, the ~~chair~~ president of the North Carolina Rural Economic Development Center, and the Secretary of Commerce.

It is the intent of the General Assembly that the appointing authorities, in making appointments, shall appoint members who represent the geographic, gender, and racial diversity of the State, members who represent rural counties, members who represent regional partnerships, and members who represent the communications industry, which may include local telephone exchange companies, rural telephone cooperatives, Internet service providers, commercial wireless communications carriers, and other communications businesses."

SECTION 2. This act is effective when it becomes law.

Suzanne Smith (Rep. Cole)

[redacted]om: Joy Feagin (Rep. Morris)
[redacted]ent: Thursday, April 26, 2001 3:16 PM
To: @House/Economic Growth & Community Dev
Subject: Committee Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES

COMMITTEE MEETING NOTICE

2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: Wednesday, May 2, 2001

TIME: 12:00 noon

LOCATION: Room 1027 LB

The following speaker will be heard:

Jane S. Patterson, Executive Director, Rural Internet Access Authority, NC Rural Economic Development Center

[redacted]spectfully,

Representative Nelson Cole, Chair

Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at 3:15 p.m. on April 26, 2001

___Principal Clerk

___Reading Clerk - House Chamber

Joy Feagin, Committee Assistant

[redacted]

HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE

Minutes

May 2, 2001

The House Economic Growth and Community Development Committee met jointly with the Senate on Wednesday, May 2, in room 1027 of the Legislative Building at 12:00 PM. The following members were present: Chairman Nelson Cole, Chairman Mia Morris, Representatives Holliman, Alexander, Carpenter, Crawford, Goodwin, Walend, and Womble. A Visitor Registration list is attached and made a part of these minutes. Chairman Cole recognized the pages who were assigned to the meeting.

Chairman Cole recognized Billy Ray Hull, Chair of the Rural Committee. Mr. Hull indicated that their committee was not asking for any budget increases and that their primary purpose was to discuss the Rural Economic Development plan and report on various legislation that his committee is working with. Mr. Hull introduced the handout on Rural Internet Access Authority and Jane Patterson, Executive Director for the Rural Internet Access Authority and the N.C. Rural Economic Development Center. Mr. Hull the relinquished the floor to Mrs. Patterson for her presentation.

Mrs. Patterson, explained the "e-NC" program that is being developed for the rural areas of North Carolina. She introduced the logo and stationery indicating that e-business will eventually account for two-thirds more jobs than any other industry. She explained the North Carolina advantage and what is available within distance barriers and the realities of the current internet situation in rural North Carolina. She explained the tier system that has been established and concluded with the goals of their department to bring rural North Carolina more on par with the urban areas. She asked the members for their participation and partnership in this effort.

Representative Cole thanked Mr. Hull and Mrs. Patterson for their presentation and opened the floor to recognize the members of the committee for questions and comments. After discussion, the presentations were concluded by each member receiving an invitation to attend the annual September meeting and to observe the final product being developed.

There being no further business, Rep. Cole adjourned the meeting at 12:45 P.M.

Respectfully submitted,

Representative Nelson Cole
Chairman, House Committee

Joy Teagle
House Legislative Committee Assistant

5-2-01

SENATE PAGES:

Name:
Jenni Moore

Town:
Lincolnton

Sponsor:
Jim Forrester

Name:
Quinn West Godwin

Town:
Pembroke

Sponsor:
Sen. David Weinstein

5-2-07

HOUSE PAGES:

Name:
Lauren Jones

Town:
Granville

Sponsor:
Rep. Stan Fox

Name:
Cindy Eubanks

Town:
Garner

Sponsor:
Rep. Sam Ellis

Handout #1

Creating vibrant electronic communities

Representative Mia Morris
NC House of Representatives
16 West Jones Street
Raleigh, NC 27601

Dr. James Leutze
Chairman

Donald P. Altieri
Wally Bowen
John Carringer
Jim Fain
Patricia Ferguson
Joe W. Foster
Cecil L. Groves
L.S. Guy, Jr.
Billy Ray Hall
Jon R. Hamm
C. Don Hathcock
Ronald P. Hawley
Oppie N. Jordan
William R. Kress
Bo McNeill
Paul C. Ridgeway
Ed Turlington
Robert O. Wells
Curtis Wynn

Jane Smith Patterson
Executive Director

www.e-nc.org

July 27, 2001

Dear Representative Morris:

I would like to take a moment to update you on the presentation made by the Rural Internet Access Authority to the Joint Select Committee on Information Technology chaired by Senator Eric Reeves and Representative Joe Tolson.

At the committee meeting on July 9th, leaders of the Rural Internet Access Authority announced that all citizens of North Carolina can now access the Internet by placing a local telephone call. As you will recall, dial-up access was the first goal set by the North Carolina General Assembly. I am pleased to share with you that long-distance telephone charges for Internet access should now be a thing of the past in North Carolina. We encourage you to tell all of your constituents that if they are still paying long distance to get to the Internet, they can now choose to use a local Internet service provider to avoid paying these excess charges. Any citizens still paying long distance to get to the Internet should contact us at 1-866-NCRURAL or ncisp@ncruralcenter.org, to receive information on Internet service providers serving their local calling areas.

Attached for your review is a briefing package highlighting our accomplishments, along with background information and upcoming objectives.

Should you or your staff require additional information or clarification, please contact Jane Smith Patterson, Executive Director of the Rural Internet Access Authority, at (919) 250-4314 or jane@ncruralcenter.org.

Sincerely,

James R. Leutze
Chairman

The Rural Center

N.C. Rural Economic
Development Center, Inc.
4021 Carya Drive
Raleigh, NC 27610
919 250 4314
FAX 919 250 4322
www.ncruralcenter.org

RURAL
INTERNET
ACCESS
UTHORITY

Creating vibrant electronic communities

www.e-nc.org

FOR IMMEDIATE RELEASE

For more information contact:
Elaine Matthews, (919) 250-4314
ematthews@ncruralcenter.org

LOCAL, DIAL-UP INTERNET ACCESS AVAILABLE STATEWIDE

Rural Internet Access Authority Meets First Goal in Statewide e-NC Initiative

RALEIGH, N.C. (July 9, 2001) – Leaders of the Rural Internet Access Authority announced today that all citizens in North Carolina can now access the Internet by making a local telephone call.

This comes as welcome news to state lawmakers who created the authority during the last session to make affordable, high-speed Internet access available to all North Carolinians by December 2003. The first goal set by the General Assembly was to ensure that local, dial-up access was available from every telephone exchange in the state within one year.

"This state's economic future will be driven by the Internet and no one should be left out because of cost or where they live," said Billy Ray Hall, president of the N.C. Rural Economic Development Center and member of the authority. "We are pleased to announce today that long-distance charges for Internet access are now a thing of the past."

Hall called the announcement a milestone for economic development in the state. "We've moved one step closer to providing opportunity for everyone – even those in the most remote rural areas – to do business online and to access a growing number of educational, health care and government services." Hall and other authority officials spoke before the legislature's joint select committee on information technology, co-chaired by Sen. Eric Reeves of Raleigh and Rep. Joe Tolson of Pinetops.

Since January of this year, the authority has conducted an intensive study to document all companies that provide Internet services to North Carolina communities. The study revealed that, as of June 30, North Carolina had 120 internet service providers, which served every telephone exchange in the state. Reports from across the state just six months earlier had indicated there were still pockets of people in rural areas that remained unserved.

The authority will launch a Web site, www.e-nc.org, in late August 2001, enabling citizens to identify internet service providers in their areas. The site's database will be continuously updated to reflect the most accurate information available. Between now and the end of August, individuals can obtain information on local ISPs by calling 1-866-NCRURAL from 8:00 a.m. to 5:00 p.m., Monday through Friday, or e-mail to ncisp@ncruralcenter.org. This toll free number will remain in operation after August to help citizens who do not yet have service to locate an ISP for the first time.

-more-

The Rural Internet Access Authority is spearheading an initiative called e-NC, whose purpose is to expand the state's information technology infrastructure and help citizens take advantage of the Internet. As part of the initiative, the authority will be tackling the goals set forth by Senate Bill 1343, including completion of an inventory of the state's telecommunications infrastructure by November 2001 and establishment of model tele-centers by January 2002.

"The e-NC initiative is extremely significant to the future of North Carolina," said Jane Smith Patterson, executive director of the authority. "The first part of our mission is to get people connected to the Internet. The second part is help them make the most of this powerful tool," said Patterson. "There is much work to be done, but North Carolinians are very smart people. They will take full advantage of this opportunity."

For more information on the authority, visit www.ncruralcenter.org/internet/index.html or e-mail the authority at riaa@ncruralcenter.org. The authority is housed in the N.C. Rural Economic Development Center, 4021 Carya Drive, Raleigh.

###

Creating Vibrant electronic communities

Local, Dial-up Internet Access Available Statewide

presented by the

RURAL INTERNET ACCESS AUTHORITY

NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER

Three Sources of Information

- Telephone Numbers
  - Received from NC OITS
  - Updated with data from http://www.nanpa.com/home/index.html
- Telephone Company (Telco) Database
  - Calling Plan: Local calls between exchanges at no addition cost
- Internet Service Provider (ISP) Database

NC Telephone Numbers

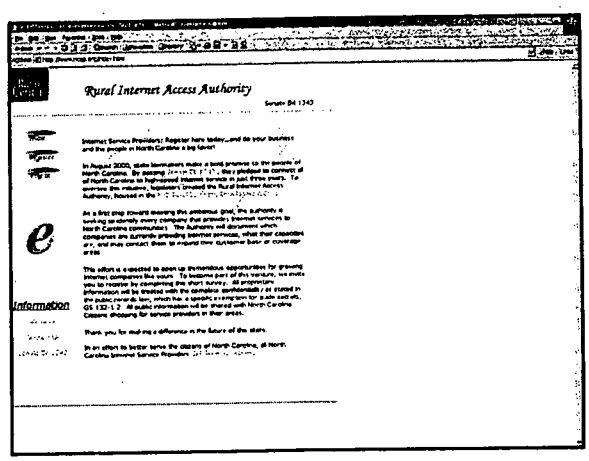
- Obtained list of all phone numbers in North Carolina from the state's Information Technology Services agency.
  - Approximately 10,000 pages of data
    - Each telephone number has a potential of "X" ISPs
  - Roughly equivalent to 40 phone books stacked one on top of another

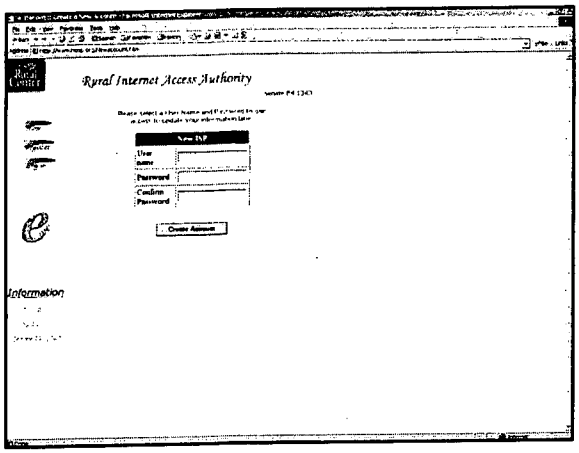
Telco Database

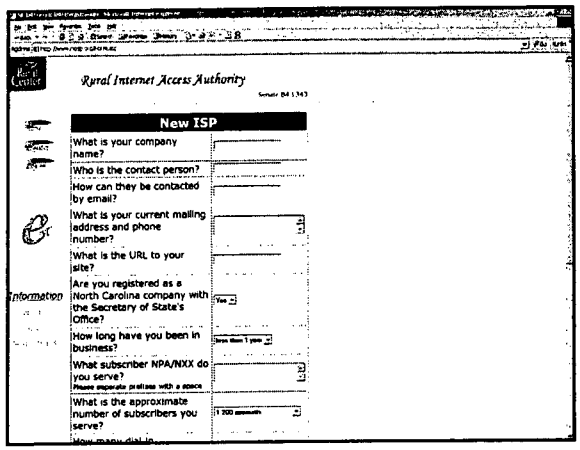
- Information gathered from telcos on telephone exchanges
  - An exchange is a set of numbers
  - determined what phone numbers included in each exchange
  - found which exchanges can call other exchanges with a local call

ISP Database

- Information gathered on what exchanges each ISP serves
  - Field research conducted
  - ISPs that registered on www.ncisp.org







Validation Process

- Compared list of exchanges against exchanges covered by ISPs.
  - *Purpose*: determine if any exchanges not covered
- If exchange not covered, used telco database to search for nearby exchanges providing local telephone service that had ISP coverage

Areas in Question

- Fourteen areas required further research
- Research team called local officials and ISPs in uncovered areas to determine if local, dial-up access was available

Areas Served by Other States

- Five exchanges in North Carolina near the state borders receive phone service from neighboring states
- Authority researched online and contacted local officials to verify if an ISP covered that portion of North Carolina with a local call

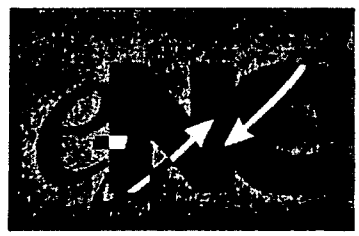
Conclusion

- North Carolina is the first state to develop a methodology for ensuring statewide, local, dial-up Internet access.
- The authority's research indicates that every citizen of North Carolina currently has access to the Internet with a local phone call.

Other Considerations

- There are additional ISPs out there, and the authority will continue to identify them.
- Some ISPs are reluctant to share information, including coverage area, so other sources will be utilized to gather missing data.
- The authority will maintain an up-to-date database to ensure that information is as accurate as possible.

RURAL INTERNET ACCESS AUTHORITY



1-866-NC-RURAL

Or E-mail to

ncisp@ncruralcenter.org

Current List of Internet Service Providers in North Carolina

North Carolina Rural Internet Access Authority

July 9, 2001

FIRMS PROVIDING INTERNET SERVICE IN NORTH CAROLINA

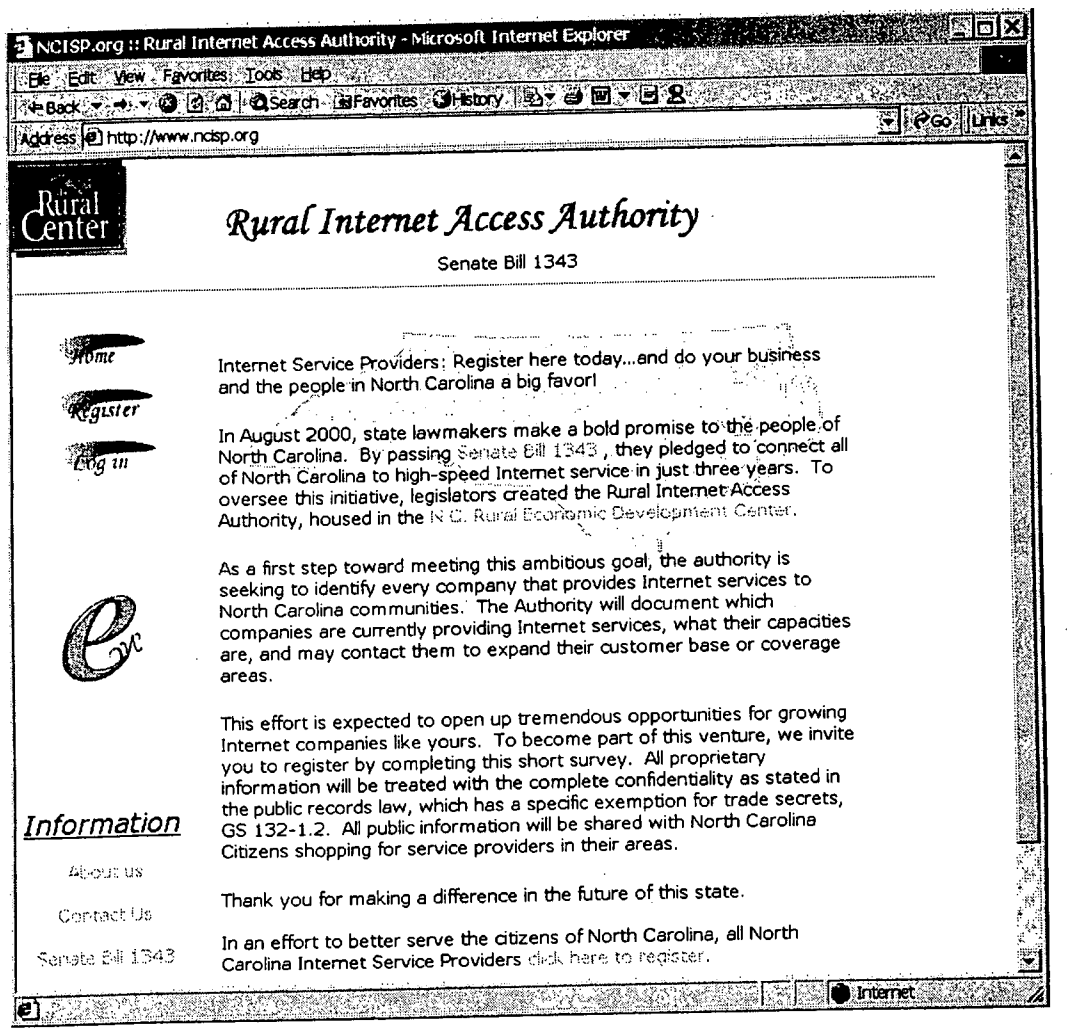
When the General Assembly created the Rural Internet Access Authority in August 2000, it set as the authority's first goal ensuring that all North Carolina citizens have local dial-up access to the Internet within one year.

Access to the Internet is made possible by Internet Service Providers (ISPs), firms or organizations that provide individuals and companies with connections to the Internet by means of various technologies. To determine if all places in the state had local dial-up access, it was necessary for the authority to identify ISPs, in state and out of state, that provide service in North Carolina. ISPs were asked to register their coverage areas and their contact information. From the collected information, the authority built a database that will be available to North Carolinians online (www.e-nc.org beginning August 31, 2001) to locate ISPs in their areas.

Attached is a list of currently identified ISPs. This is a dynamic industry, and we will continue to update the list as new information is received. Registered ISPs are identified with asterisks (*) and their contact information is listed. Un-registered ISPs are listed by name only. To locate an area's ISPs, you may send an e-mail request to ncisp@ncruralcenter.org.

The Rural Internet Access Authority cannot endorse any particular ISP or validate its service.

Unregistered ISPs should visit www.ncisp.org.



Registered ISPs

www.ncisp.org

Company name	City	Phone Number	URL	Registered
Aginet	Kitty Hawk	252-261-2675	http://www.aginet.com	*
Always Online	New Bern	252-634-9046	http://www.always-online.com	*
ASAP Communications	Waynesville	828-456-9661	http://www.asapgroup.com	*
Blue Ridge Inc dba WNC Online	Marion	828-652-9370	http://www.wnconline.net	*
BTCSNet	Shelby	704-480-1720	http://www.btcsnet.com	*
Cape Lookout Internet Service	Morehead City	252-240-2335	http://www.clis.com	*
Carolina Online	Lumberton	910-618-9790	http://www.carolina.net	*
Centernet div Carolina Adavanced Digital, Inc.	Siler City	910-663-2211	http://www.cadinc.com	*
Chudy International	Oxford	919-690-1231	http://www.gloryroad.net	*
Citcom/Citizens Telephone Co.	Brevard	828-884-9011	http://www.citcom.net	*
Coastalnet	New Bern	252-633-9997	http://www.coastalnet.com	*
Connect Incorporated	Hickory	704-345-1886	http://www.conninc.com	*
DarrCam Computer and Accessories	Lawndale	704-538-1130	http://www.darrcam.com	*
Dasia.Net	Indian Trial	704-821-8802	http://www.dasia.net	*
DataLink Consulting, Inc.	Edenton	252-482-1145	http://www.datalinkc.com	*
Digiverge	Fayetteville	910-321-1345	http://www.digiverge.net	*
Dnet Internet Services	Franklin	828-349-1110	http://www.dnet.net	*
DockPoint, Llc	Clayton	919-550-7611	http://www.dockpoint.net	*
Electronic Solutions Inc.	Roxboro	336-597-2433	http://www.esinc.net	*
Ellerbe Telephone Internet	Ellerbe	910-652-4638	http://www.etinternet.net	*
EMJI	Apex	919-303-3217	http://www.emji.net	*
Entersoft, LLC	Goldsboro	919-778-4611	http://www.esn.net	*
Gamewood Data Systems, Inc.	Danville, VA	804-799-4611	http://www.gamewood.net	*
Gate811	Aulander	252-345-1013	http://www.gate811.net	*

Geeksnet	Winterville	252-355-3339	http://www.geeksnet.com	*
Global Systems, Inc.	Kenansville	910-296-2001	http://www.gsiwave.com	*
GloryRoad Internet Services	Oxford	252-690-1231	http://www.gloryroad.net	*
Harbour Communicaton, Inc	Morganton	828-437-8691	http://www.hci.net	*
Highlands Cable Group	Highlands	282-526-4248	http://www.macon.main.nc.us	*
InteliPort, Inc.	Hertford	252-426-4600	http://www.inteliport.com	*
Interlink Communications, Inc.	La Grange	252-566-2813	http://www.icomnet.com	*
Internet of Beaufort	Belhaven	252-943-2246	http://www.beaufortcounty.com	*
Internet Of Salisbury, Inc.	Salisbury	704-210-1046	http://www.salisbury.net	*
Internet of the Sandhills	Southern Pines	910-695-7068	http://www.pinehurst.net	*
Internet Technologies	Wilmington	910-792-1786	http://www.inttek.net	*
Internt Blueridge, Inc.	Ruthorfordton	828-286-1771	http://www.blueridge.net	*
InterStar Communications, Inc.	Clinton	409-687-9066	http://www.intrastar.net	*
Intrex Internet Services	Durham	919-406-1578	http://www.intrex.net	*
Maximum Internet Services of Minnesota, Inc	Grandy	252-453-3681	http://www.compueasy.com	*
MebTel Communications	Mebane	919-563-9111	http://www.mebtel.com	*
Mountain Area Information Network	Asheville	828-255-0182	http://www.main.nc.us	*
NC Freedom Internet	Jacksonville	919-353-0901	http://www.ncfreedom.net	*
NCEZ.NET	Whiteville	910-640-3377	http://www.ncez.net	*
NCisp.net	Goldsboro	919-736-9775	http://www.ncisp.net	*
NCOL.NET	Henderson	252-492-4317	http://www.ncol.net	*
North State Communications	High Point	336-886-4683	http://www.northstate.net	*
Pinnacle Online	Norfolk, VA	757-455-5959	http://www.pinn.net	*
PortBridge Internet Services	Cary	919-388-1915	http://www.portbridge.com	*
River City Online	Elkin	910-526-7286	http://www.rivercto.net	*
RTMX Networking	Hillsborough	919-644-6456	http://www.rtmx.net	*
Rural-Matters	New Bern		http://www.rural-matters.com	*
Rutherford County Internet	Forest City	828-247-1061	http://www.rfci.net	*

Simflex Corporation	Wilson	252-237-2843	http://www.simflex.com	*
Skantech	Greenville	252-752-6832	http://www.skantech.net	*
Skybest Communications Inc	Jefferson	336-877-3111	http://www.skybest.com	*
Starfish Internet Service	Morehead City	252-727-0303	http://www.starfishnet.com	*
SurrealNET, LLC	Coats	877-897-7972	http://www.surrealnet-online.com	*
Surry Telephone Membership Corp.	Dobson	385-374-4535	http://www.surry.net/community_tel.html	*
TelePlex Communications	Spartanburg, SC	864-585-7539	http://www.teleplex.net	*
The Peoples Internet	Tabor City	910-653-4006	http://www.ffast.net	*
Trellis Technologies inc	Matthews	704-849-7789	http://www.trellis.net	*
Tri-County Communications, Inc.	Belhaven	252-964-8000	http://www.gotricunty.com	*
Vance Net, Inc.	Henderson	252-430-0058	http://www.vance.net	*
Vcitynet	Winston-Salem	336-748-1001	http://www.vcitynet.com	*
VisionNet Network Services	Hillsborough	919-732-9885	http://www.visionet.org	*
Vista Technology	Morganton	828-433-6023	http://www.vistatech.net	*
WaveNet, Inc.	Jacksonville	252-523-3103	http://www.wave-net.net	*
WebKorner Internet Services	Charlotte	704-370-0833	http://www.webkorner.com	*
WebWorkz Inc.	Murphey	828-837-6120	http://www.webworkz.com	*
WisperNet, Inc.	Kinston	252-523-3103	http://www.wispernet.net	*
Xaranda Internet Inc	Shallotte	910-755-0105	http://www.xaranda.com	*

Unregistered ISPs				
Advanced Internet Service				
Beach Link				
Beacon Internet Service				
Bits, Byts, and Pieces 1				
Carolina Computer Link				
Carolina Connection.net				
Carolina Internet				

Charlotte Online				
Clickcom				
Computer Centeral				
Computer visions				
Connect				
Davie Online				
DestinyPC LLC				
Dial Star				
Dilyns Com Internet Access				
Faynet				
Integrity Online of Eastern NC				
Internet America Inc.				
Intrex.net				
LPM Online				
M-Y Communications				
Net Quick				
Net Unlimited				
Net-Change Consulting				
Netpath				
Networks				
Nowait.net Internet Services				
Perigee.net				
Precisionet Inc				
Randolph Telephone Membership Corp.				
Red Barn Data Center				
Sandtech.net				
Skyline Telephone Membership				
The 3rd Door Inc				
The NetShoppe of Pamlico				

TNT Internet Express, Inc				
Todd Alan Communications				
Town ISP				
Worldlink, Inc				

RURAL INTERNET ACCESS AUTHORITY

Creating vibrant electronic communities

www.e-nc.org

JULY 2001 UPDATE

ANNOUNCEMENT OF LOCAL DIAL-UP ACCESS

On Monday, July 9, 2001, the Rural Internet Access Authority will announce that local dial-up access is available throughout North Carolina. In doing so, the Authority will have met, ahead of schedule, the first goal set down by the North Carolina General Assembly. Prior to this effort, no group had assessed where local dial-up service was available in North Carolina. The result of this effort will be that citizens will be able to search for their local Internet Service Providers (ISPs) through the Authority's website that will be launched next month.

OTHER MAJOR GOALS OF THE AUTHORITY

- Telecommunications inventory available by November 31, 2001
- At least two Telework Centers operational by January 1, 2002
- Affordable broadband access available to all North Carolina citizens and businesses by December 31, 2003
- An increase in the number of computers and access devices to the Internet and in the number of citizens and businesses using the Internet.

SIX MONTHS AND COUNTING

Since January 7, 2001, the Rural Internet Access Authority has held 40 committee meetings, 20 subcommittee sessions, and 6 Commission meetings. Four of the Commission meetings have been in Raleigh. Commission meetings have also been held at UNC Wilmington in Wilmington and Southwestern Community College in Sylva. In July, the Commission is planning to meet in Ahoskie. Information sessions have been held in Sparta in Alleghany County, Edenton in Chowan County, and Raleigh. Numerous meetings have been held with community and government leaders around the state.

STAFF

Six persons serve as core staff. They are located in Raleigh.

Jane Patterson, Executive Director
Dan McAuley, Subscriber Technologist
Charles Stanback, Outreach Director
Charles Clark, Network Technologist
Beth Murphy, Program Associate
Angie Bailey, Executive Assistant

In addition, the Authority is currently hiring Regional Program Officers that will be located in Asheville, Edenton, Kinston and Wilmington. The Authority is also currently negotiating with a major technology corporation to bring on one loaned employee for a year. From time to time, the Authority also may hire consultants to work on special projects as well as assist with staffing of committee work.

COMMITTEES

Seven standing committees address the work of the Authority. These committees have now studied their areas and have made major recommendations to the Commission that have resulted in Requests for Proposals, budget actions, and approved committee reports.

- **Applications Committee.** The Applications Committee has focused on the types of replicable applications that can be available to all of the North Carolina economic development regions. This committee has been focusing on e-government, e-health, e-learning, e-commerce and e-community. The chair of the Applications Committee is Cecil Groves and the vice chairs are L.S. Guy and John Carringer.

- **Communications Committee.** A web development company and a communications firm have signed on to assist the Authority with the design of a website and to deliver messages to the citizens of North Carolina about telecommunications services available to them. The chair of the Communications Committee is Billy Ray Hall.

- **Legal, Legislative, and Regulatory Committee.** This committee has completed an ethics policy and bylaws, which have been adopted by the Commission. This committee has also held interviews for retained counsel and has led discussions with the N.C. Attorney General's Office on numerous issues. The committee currently also reviews all documents for the other committees that deal with issues in its purview. The chair of the Legal, Legislative, and Regulatory Committee is Ed Turlington and the vice chair is Bob Wells.

• **Technical Committee.** A bidders conference was held for the telecommunications inventory to inform the more than 40 representatives of companies interested in placing a bid. Bids were due by June 29. Proposals were received from nine companies and are currently being reviewed. This inventory will provide the background information the Authority will use to develop an affordable broadband access strategy for North Carolina. The chair of the Technical Committee is Ron Hawley and vice chair is Don Hathcock.

• **TeleCenter Committee.** On May 15, more than 75 individuals at 6 sites (the N.C. Information Highway interactive video sites and audio bridges) spread from Mayland to Manteo, from Edgecombe County to Wilmington, and Raleigh to Asheville, heard the description of the grants application to apply for one of the four TeleCenters. Applications for these grants are due July 15 and awards will be made in October. The chair of the TeleCenter Committee is Patricia Ferguson and the vice chair is Curtis Wynn.

• **Outreach Committee.** This committee has recently completed its plan for the Authority, which was presented for approval at the Commission's May meeting. It was received with great enthusiasm. Major efforts on digital literacy, public access, public and business engagement, and training were the focus areas of the report. Regional technology councils are to be established where none exist. Funding was also approved for the awarding of grants to communities to work on many of these areas as well as funding for development of a database on public access and training resources. The chair of the Outreach Committee is Oppie Jordan and vice chair is Don Altieri.

• **Budget and Finance Committee.** This committee has worked on reviewing all budget and finance items prior to submission to the Commission. In addition, it provides an oversight role for the Request for Proposal/Quote Process. The RFP/RFQ Subcommittee only operates when RFP/RFQs are being processed. Paul Ridgeway of the Budget and Finance Committee serves as the chair of all RFP/RFQs subcommittees, which review all requests for proposals/quotes released by the Authority and evaluates the responses. The chair of the Budget and Finance Committee is James Leutze.

Rural Internet Access Authority - A New Organizational Model

The N.C. General Assembly established the Rural Internet Access Authority. The N.C. General Assembly and the Governor appoint 18 of the 21 members of the Commission. Three additional members serve as ex-officio members. The Authority was legislatively placed within the N.C. Rural Center. The Rural Center is to provide administrative and fiscal oversight as well as staffing. Currently, no funds have been granted by the N.C. General Assembly to the Authority. Funds for the work of the Authority have initially come from MCNC, formerly a state-funded organization, which is now privately funded through its contracts and sale of spin-offs of technologies, which it has developed. MCNC has committed $30 million to the work of the Authority.

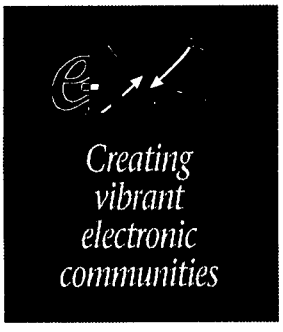
1-866-NCRURAL

Citizens can now call the Authority and the Rural Center via a statewide toll free number. This is another example of the ability of telecommunications to open up the rural areas of North Carolina. Any North Carolina citizen, with access to a telephone, can now call the Authority about its programs as well as share ideas about connectivity for North Carolina. Approximately 93.6 percent of North Carolinians have a phone in their homes due to the Life-Line and Link-Up program started back in the early 1980s. North Carolina ranks among the top states in the United States in percentage of its citizens who have access to a telephone.

Upcoming Events of 2001

▪ Telecommunications Inventory Contract Award	July
▪ Website is launched	August 31
▪ Regional meetings	September 26
▪ Survey of Internet Readiness and Usage released	
▪ Survey of e-government Released	
▪ TeleCenter grants winners announced	October
▪ Telecommunications Inventory available to public	November
▪ Query-Based GIS Tools deployed on Web Site	
▪ Rural Forum (e-NC Announcement)	November 29, 30
▪ Survey of Public Access and Digital Literacy released	December

RURAL INTERNET ACCESS AUTHORITY



www.e-nc.org

Background

The digital revolution is driving today's economy. Information technology accounts for a sixth of the total U.S. economy and is creating jobs five times faster than the rest of the economy.

As a state with major research institutions and cutting edge companies, North Carolina has emerged as a national leader in high-tech enterprises. By 2005, projections show, computer scientists, computer engineers and systems analysts will account for three of four of the fastest growing occupations in the state.

Rural North Carolina stands to gain immensely from this digital revolution. Information technology offers increased economic opportunities, higher living standards, more individual choices, and wider and more meaningful participation in government and public life. Information technology can make distance far less important than it used to be. Entrepreneurs can choose to live in small towns and rural communities and still engage in the global data-transmission marketplace.

Yet, that dream is far from realized. The recent U.S. Commerce Department study, "Falling Through the Net," reports that North Carolina ranks 45th among the states in households with computers and 46th in the percentage of households using the Internet. The computer "have-nots" are often rural, minority, undereducated and poor.

The kind of infrastructure necessary for widespread growth and development is severely lacking in rural areas. As with other utilities and services, rural areas are often the last to be served because of the higher price of doing business. Rural subscribers in North Carolina paid roughly $230 per month for a 128K Internet connection compared to $50 per month in the state's urban areas, according to a study by the state Department of Commerce's Office of Information Technology Services.

Understanding that advanced information technology is vital if rural people are to survive and prosper in the global economy. The Governor's Rural Prosperity Task Force and the Vision 2030 project recommended the creation of an organization that would address information and communication technology issues in rural areas.

Project Plan

The North Carolina General Assembly in its 2000 session approved the creation of a new organization, the Rural Internet Access Authority, to oversee efforts to provide rural areas with high-speed broadband Internet access.

The authority's main goals are ambitious: to provide local dial-up Internet access from every telephone exchange in North Carolina within one year; and to provide high-speed Internet access at competitive prices (at least 128K for residential customers and at least 256K for business customers) to all North Carolinians within three years.

The authority is established within the state Department of Commerce, with the Rural Center providing administrative and professional staff support. The authority is governed by a 21-member commission, which includes members of state government, business and education leaders, members of the Microelectronics Center of North Carolina (MCNC) and representatives from the state's telecommunications companies, including Internet service providers, rural telephone cooperatives, local telephone exchange and independent telephone companies, commercial wireless communications carriers, and the cable industry.

Other goals of the Rural Internet Access Authority include:

- Increasing the ownership of computers, related Web devices, and Internet subscriptions throughout the state.
- Providing two model Telework Centers to be established by January 2002 (Only one-fourth of the state's telephone central offices are located in the most economically distressed areas.)
- Providing accurate and current information via the Internet to state residents concerning the availability of telecommunications and Internet services. Also providing updates on future telecommunications and Internet services.
- Developing Internet applications for government agencies that will make receiving services easier and more convenient. These applications can also facilitate the delivery of more comprehensive government programs, including training, education, and health care.
- Employing open-technology approaches that encourage all potential providers to participate in the implementation of high-speed Internet access.
- Coordinating activities, conducting and sponsoring research, and recommending and advocating actions, including regulatory and legislative actions, to achieve the authority's goals and objectives.

Funding

Funding for the Rural Internet Access Authority will come from a variety of different sources.

Next Steps

The 21-member Internet Access Commission was named in early December 2000. Because of the 36-month time frame for the authority's main initiatives, the group will meet frequently to work toward these goals.

One of the commission's first tasks is the inventory of Internet providers and equipment in the state's rural areas, to be conducted during the fall/winter of 2000-2001.

Members

Dr. James Leutze, Chairman, Wilmington
Billy Ray Hall, Raleigh
Bo McNeill, Lake Waccamaw
C. Don Hathcock, Charlotte
Cecil L. Groves, Sylva
Curtis Wynn, Ahoskie
Donald P. Altieri, Polkton
Ed Turlington, Raleigh
Jim Fain, Raleigh
Joe W. Foster, Durham
John Carringer, Murphy
Jon R. Hamm, Wake Forest
L.S. Guy, Jr., Faison
Oppie N. Jordan, Rocky Mount
Patricia Ferguson, Colerain
Paul C. Ridgeway, Raleigh
Robert O. Wells, Raleigh
Ronald P. Hawley, Raleigh
Wally Bowen, Asheville
William R. Kress, Research Triangle Park

Rural Center Contact:

Jane S. Patterson, Executive Director
Rural Internet Access Authority
N.C. Rural Economic Development Center
4021 Carya Drive
Raleigh, NC 27610
Telephone: 919-250-4314
Fax: 919-250-4325
E-Mail: riaa@ncruralcenter.org

Rural Internet Access Authority to usher in new economic era in rural North Carolina

December 2003 set as target date for delivering high-speed Internet access statewide

In August 2000, state lawmakers made a bold promise to the people of North Carolina. By passing Senate Bill 1343, they pledged to connect all of North Carolina to affordable, high speed Internet service in just three years. By "all," they meant every town, farming community and mountain hollow, even those places with one foot in North Carolina and the other in South Carolina, Tennessee, Georgia or Virginia.

"Information technology is driving economic growth in this country and transforming the way we live our everyday lives," said state Senator Eric Reeves, a sponsor of the bill and co-chairman of the legislative committee on information technology. "Our choice in the General Assembly was really pretty simple. We could let the market dictate who would benefit and who wouldn't — or we could take action to make sure every North Carolinian, including those in our most rural areas, has access to the Internet."

And act they did. The General Assembly passed a wide-ranging law, designed to expand information technology infrastructure statewide within three years and to prepare North Carolinians to take full advantage of it. Charged with carrying out this agenda is a new organization, the Rural Internet Access Authority, which began its work in January 2001.

"I look at rural North Carolina as this state's great economic frontier," said Rep. Joe Tolson of Pinetops, co-sponsor of the bill. "Just imagine what computer technology can do for our rural communities." Tolson said he envisions clean, environmentally friendly e-companies locating in small towns across the state and local businesses getting connected to the global economy. "Who knows, maybe our kids will begin to return home after college if they see that the opportunities are here," he said.

Certainly, this dream is already coming true in some rural places. In western North Carolina, for example, crafts people are selling their wares on a public web market hosted by the Mountain Area Information Network (MAIN). On the opposite end of the state, patients in the northeast are remaining in their hometowns while receiving expert help from professionals at the medical school in Greenville through what is known as "tele-medicine."

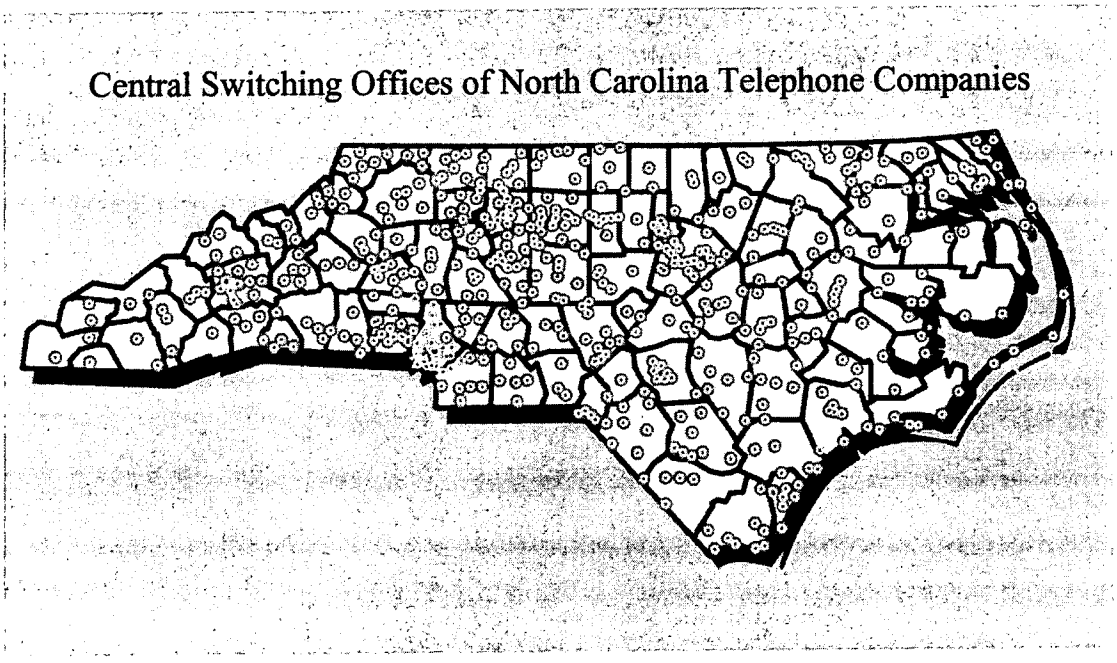
What will it take to give other people and communities a shot at such success? Billy Ray Hall, president of the Rural Economic Development Center where the new Internet Access Authority is housed, believes timing is everything. "The window is open right now for us to get this technology into everyone's hands," Hall said. "We've got tremendous momentum going in North Carolina. Public and private leadership is united behind this effort, our best minds are at work on solutions, and new technological opportunities are opening up every day."

Rural North Carolina on the losing side of the digital divide

At the same time, Hall admits, for many rural North Carolinians the world of e-commerce is as remote as space travel. According to recent estimates, more than 800,000 people are living in poverty in rural North Carolina and in 26 rural counties, one out of every four children is poor. "If you've got to choose between putting food on the table, covering the month's rent, or paying for prescription drugs, you're not likely to be thinking about a computer and Internet service – even though the technology could open up a whole world of government services, medical help, and skills needed to get a decent job."

In fact, a recent U.S. Commerce Department study, "Falling Through the Net," reported that North Carolina ranks 45th among the states in households with computers and 46th in the percentage of households using the Internet. The computer "have-nots" are typically rural, minority, undereducated and poor.

As with other utilities and services, rural areas are often the last to be served because of the higher price of doing business. Rural Internet subscribers in North Carolina pay roughly $230 per month for a 128K Internet connection compared to $50 per month in the state's urban areas, according to a study by the state Department of Commerce's Office of Information Technology Services in 1999.



Nearly 55 percent of households in North Carolina are without computers and many more without access to the high-speed Internet service that the legislature is promising. The map above shows the location of all central office switches of the state's telephone companies and their high-speed Internet service areas. If rural citizens are to have access to local dial-up services, the remaining areas of the state must also receive service —

whether through telephone, satellite, wireless or cable technology. A thorough study of telecommunications infrastructure, to be completed in late fall under the direction of the authority, will provide more complete information on the state's needs.

What the Rural Internet Access Authority is charged to do

The statute establishing the Rural Internet Access Authority sets forth two basic responsibilities. First, it directs the authority to "manage, oversee, and monitor efforts to provide rural counties with high-speed broadband Internet access." Second, it designates the authority as "the central rural Internet access policy planning body" for North Carolina and directs it to work with public agencies and the private sector to carry out a coordinated policy agenda.

The law also lists eight specific goals, summarized below:

- To provide local dial-up Internet access from every telephone exchange in North Carolina within one year;
- To provide high-speed Internet access at competitive prices (at least 128K for residential customers and at least 256K for business customers) to all North Carolinians within three years;
- To significantly increase the numbers of individuals, businesses, and organizations who own computers and computer devices and who subscribe to the Internet;
- To establish "tele-work centers," located in the state's most economically distressed areas;
- To establish a web site to provide North Carolinians with complete information on Internet and telecommunications services, how they can be obtained, and what kinds of services will be available in the future;
- To develop Internet applications that improve government services in areas such as education and health care — and that make it easier and more convenient for citizens to receive services;
- To encourage all potential Internet service providers to participate in the effort, regardless of the technologies they employ (telephone, cable, wireless, satellite); and
- To recommend to the Governor and General Assembly actions to improve Internet access statewide.

"The goals are a starting point for this massive effort, but we know there will be much more to do," said Sen. Reeves. "Getting the infrastructure out there is only half the battle. Getting people ready to take advantage of it is another."

To oversee the effort, the act creates a 21-member commission, which includes state government officials, business and education leaders, and representatives from the state's telecommunications companies, including Internet service providers, rural telephone cooperatives, local telephone exchange and independent telephone companies, commercial wireless communications carriers and the cable industry.

The legislation requires that the N.C. Rural Economic Development Center provide administrative and staff support to the authority and that it work with the state's regional economic development commissions to study and report on North Carolina's information technology infrastructure and the information technology needs of the state.

Senate Bill 1343:
Deadlines for action by the Rural Internet Access Authority

August 2001	Local dial-up access available statewide
November 2001	Inventory of state's telecommunications infrastructure completed
January 2002	Model tele-work centers established
December 2003	High speed Internet access available statewide

Task force, telephone companies, MCNC set the stage

Like most large-scale initiatives, this one didn't spring up overnight.

The impetus for creation of the authority came from several groups, including the Rural Prosperity Task Force appointed by Governor Jim Hunt in 1999 and chaired former White House chief of staff Erskine Bowles. After more than a year's work, the task force issued a report of recommendations in February 2000. The centerpiece of the report was a call for development of affordable, high-speed Internet access for all North Carolinians, including those in rural communities. Others supporting expanded access to information technology include the N.C. Board of Science and Technology and the Rural Center.

A second critical action was taken in April 2000 when the state's three largest communications companies, BellSouth, Sprint and GTE, signed an agreement pledging to work with Internet service providers, telephone cooperatives, and others in the communications industry to provide high-speed Internet access statewide within three years. Hunt and President Clinton announced the agreement in Whiteville.

The challenge faced by the companies is how to pay for extension of service to areas where the population is sparse and cost recovery, at least in the near future, unlikely. To jumpstart the Rural Internet Access project the Microelectronics Center of North Carolina (MCNC) pledged $30 million for the effort in May 2000. To date, the MCNC funds are the sole source of money for the project, but the additional fund-raising is expected to begin in the next few months.

Commission members roll up their sleeves and set to work

Chosen by Hunt to lead the 21-member commission that oversees the authority is long-time technology advocate Dr. Jim Leutze, chancellor of the University of North Carolina at Wilmington. "Many of us have been championing distance learning, telemedicine, electronic commerce, and other benefits of information technology in our communities and regions for years. It's thrilling to be part of this massive effort to build technological capacity statewide, " said Leutze.

Leutze said that the commission is taking its mission very seriously and, in spite of a large agenda and daunting deadlines, is confident in its ability to deliver on its obligations. "The final appointments were made in December, and we've already met three times as a full commission and divided our efforts among six committees that are churning out work," Leutze said. He expects announcements to be made by the summer regarding plans for ...

- A statewide inventory of information technology needs;
- A survey of citizen perceptions of technology;
- Outreach meetings to discuss local technology needs and ideas for meeting them;
- Provision of local dial-up access statewide by August 2001; and
- Development of model tele-work centers.

Heading up the day-to-day operation of the Rural Internet Access initiative is its executive director, Jane Smith Patterson. Most recently Patterson served as Governor Hunt's top policy adviser for science and technology and has held numerous leadership positions in the public and private sectors during her 30-year career.

"I believe the people of rural North Carolina are going to be pleasantly surprised at the scope and nature of this effort," said Patterson. "Yes, we are on a forced march to see high-speed Internet access deployed throughout this state. But we are also going to spend time dealing with the real human issues around technology — getting people excited about and prepared to go online.

"We plan to activate a network of volunteers in communities throughout this state to provide training that suits individual needs," said Patterson. "If you like a regular classroom setting, fine, we can hook you up with those opportunities. If you would rather sit a local meeting hall or at church with a couple of friends, we think we can arrange that, too.

"I honestly believe that in less than three years we will see people who have yet to touch a computer going online, conducting their business and improving their lives."

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 1999

SESSION LAW 2000-149
SENATE BILL 1343

AN ACT TO CREATE THE NORTH CAROLINA RURAL INTERNET ACCESS AUTHORITY AND TO DIRECT THE REGIONAL PARTNERSHIPS, WITH THE ASSISTANCE OF THE NORTH CAROLINA RURAL ECONOMIC DEVELOPMENT CENTER, TO STUDY AND REPORT ON THE INFORMATION TECHNOLOGY INFRASTRUCTURE AND INFORMATION TECHNOLOGY NEEDS OF THE STATE.

The General Assembly of North Carolina enacts:

Section 1. Article 10 of Chapter 143B of the General Statutes is amended by adding a new Part to read:

"Part 2E. North Carolina Rural Internet Access Authority.

"**§ 143B-437.40. Short title and intent.**

This Part is the `North Carolina Rural Internet Access Authority Act.' The General Assembly finds as follows:

(1) Access to computers and the Internet, along with the ability to effectively use these technologies, are becoming increasingly important for full participation in America's economic, political, and social life.

(2) Affordable, high-speed Internet access is a key competitive factor for economic development and quality of life in the New Economy of the global marketplace.

(3) In the digital age, universal connectivity at affordable prices is a necessity for business transactions, education and training, health care, government services, and the democratic process.

(4) Unequal access to computer technology and Internet connectivity by income, educational level and/or geography could deepen and reinforce the divisions that exist in our society.

(5) The intent of the Rural Internet Access Authority is to close this digital divide for the citizens of North Carolina.

"**§ 143B-437.41. Definitions.**

The following definitions apply in this Part:

(1) Authority. -- The North Carolina Rural Internet Access Authority.

(2) Commission. -- The governing body of the Authority.

(3) High-speed broadband Internet access. -- Internet access with transmission speeds of at least 128 kilobits per second for residential customers and at least 256 kilobits per second for business customers.

(4) Regional partnership. -- Defined in G.S. 143B-437.21.

(5) Rural county. -- A county with a density of fewer than 200 people per square mile based on

the 1990 United States decennial census.

"§ 143B-437.42. Creation of Authority and Commission.

(a) Creation. -- The North Carolina Rural Internet Access Authority is created within the Department of Commerce and, notwithstanding any other provision of law, is subject to the direction and supervision of the Secretary of Commerce only with respect to the management functions of coordinating and reporting. These functions of the Secretary of Commerce are ministerial and shall be performed only pursuant to the direction and policy of the Commission.

The purpose of the Authority is to manage, oversee, and monitor efforts to provide rural counties with high-speed broadband Internet access. The Authority shall also serve as the central rural Internet access policy planning body of the State and shall communicate and coordinate with State, regional, and local agencies and private entities in order to implement a coordinated rural Internet access policy.

(b) Commission. -- The Authority is governed by a Commission that consists of 21 members, six members appointed by the Governor, six members appointed by the General Assembly upon the recommendation of the President Pro Tempore of the Senate in accordance with G.S. 120-121, six members appointed by the General Assembly upon the recommendation of the Speaker of the House of Representatives in accordance with G.S. 120-121, and the following three ex officio, voting members: the State's Chief Information Officer, the chair of the North Carolina Rural Economic Development Center, and the Secretary of Commerce.

It is the intent of the General Assembly that the appointing authorities, in making appointments, shall appoint members who represent the geographic, gender, and racial diversity of the State, members who represent rural counties, members who represent regional partnerships, and members who represent the communications industry, which may include local telephone exchange companies, rural telephone cooperatives, Internet service providers, commercial wireless communications carriers, and other communications businesses.

(c) Oath. -- As the holder of an office, each member of the Commission must take the oath required by Section 7 of Article VI of the North Carolina Constitution before assuming the duties of a Commission member.

(d) Terms; Commencement; Staggering. -- Except as provided in subsection (f) of this section, all terms of office shall commence on August 1 of the year the appointment is made. The appointing officers shall designate one-half of their appointees to serve one-year terms; members may serve up to four consecutive one-year terms. The appointing officers shall designate their remaining appointees to serve three-year terms; members may serve up to two consecutive three-year terms.

(e) Chair. -- The Governor shall designate one of the members appointed by the Governor as the Chair of the Commission. The Governor shall convene the first meeting of the Commission.

(f) Vacancies. -- All members of the Commission shall remain in office until their successors are appointed and qualify. A vacancy in an appointment made by the Governor shall be filled by the Governor for the remainder of the unexpired

term. A vacancy in an appointment made by the General Assembly shall be filled in accordance with G.S. 120-122. A person appointed to fill a vacancy must qualify in the same manner as a person appointed for a full term.

(g) Removal of Commission Members. -- The Governor may remove any member of the Commission for misfeasance, malfeasance, or nonfeasance in accordance with G.S. 143B-13(d). The Governor or the person who appointed a member may remove the member for using improper influence in accordance with G.S. 143B-13(c).

(h) Compensation of the Commission. -- No part of the revenues or assets of the Authority shall inure to the benefit of or be distributable to the members of the Commission or officers or other private persons. The members of the Commission shall receive no salary for their services but may receive per diem and allowances in accordance with G.S. 138-5.

(i) Staff. -- The North Carolina Rural Economic Development Center, Inc., shall provide administrative and professional staff support for the Authority under contract.

(j) Conflicts of Interest. -- Members of the Authority shall comply with the provisions of G.S. 14-234 prohibiting conflicts of interest. In addition, if any member, officer, or employee of the Authority is interested either directly or indirectly, or is an officer or employee of or has an ownership interest in any firm or corporation, not including units of local government, interested directly or indirectly, in any contract with the Authority, the member, officer, or employee must disclose the interest to the Commission, which must set forth the disclosure in the minutes of the Commission. The member, officer, or employee having an interest may not participate on behalf of the Authority in the authorization of any contract.

"§ 143B-437.43. Powers, duties, and goals of the Authority.

(a) Powers. -- The Authority shall have the following powers:

(1) To employ, contract with, direct, and supervise all personnel and consultants.

(2) To apply for, accept, and utilize grants, contributions, and appropriations in order to carry out its duties and goals as defined in this Part.

(3) To enter into contracts and to provide support and assistance to local governments, nonprofit entities, and regional partnerships, in carrying out its duties and goals under this Part.

(4) To review and recommend changes in all laws, rules, programs, and policies of this State or any agency or subdivision thereof to further the goals of rural Internet access.

(b) Duties. -- The Authority shall have the following duties:

(1) To develop and recommend to the Governor, the General Assembly, and the North Carolina Rural Redevelopment Authority a plan to provide rural counties with high-speed broadband Internet access.

(2) To propose funding that may be needed from the North Carolina Rural Redevelopment Authority established in Part 2D of this Article and from other appropriate sources for incentives for the private sector to

make necessary investments to achieve the Authority's goals and objectives.

(3) To set specific targets and milestones to achieve the goals and objectives set out in subsection (c) of this section.

(c) Goals. -- The goals and objectives of the Authority are:

(1) Local dial-up Internet access provided from every telephone exchange within one year.

(2) High-speed Internet access available to every citizen of North Carolina within three years, at prices in rural counties that are comparable to prices in urban North Carolina.

(3) Two model Telework Centers in either enterprise tier one or enterprise tier two area established by January 1, 2002. To the extent practicable, the Centers should be established in existing facilities.

(4) Significant increases in ownership of computers, related web devices, and Internet subscriptions promoted throughout North Carolina.

(5) Accurate, current, and complete information provided through the Internet to citizens about the availability of present telecommunications and Internet services with periodic updates on the future deployment of new telecommunications and Internet services.

(6) Development of government Internet applications promoted to make citizen interactions with government agencies and services easier and more convenient and to facilitate the delivery of more comprehensive programs, including training, education, and health care.

(7) Open technology approaches employed to encourage all potential providers to participate in the implementation of high-speed Internet access with no technology bias.

(8) To coordinate activities, conduct and sponsor research, and recommend and advocate actions, including regulatory and legislative actions to achieve its goals and objectives.

(d) Limitations. -- The Authority does not have the power of eminent domain or the power to levy any tax.

(e) Reports. -- The Authority must submit quarterly reports to the Governor, the Joint Select Committee on Information Technology, and the Joint Legislative Commission on Governmental Operations. The reports must summarize the Authority's activities during the quarter and contain any information about the Authority's activities that is requested by the Governor, the Committee, or the Commission."

Section 2. G.S. 120-123 is amended by adding a new subdivision to read:

"(71) The North Carolina Rural Internet Access Authority created in Part 2E of Article 10 of Chapter 143B of the General Statutes."

Section 3. Each regional partnership, as defined in G.S. 143B-437.21, shall, with the assistance of the North Carolina Rural Economic Development Center, study the information technology infrastructure and information technology needs of

each county within its particular region. Each study shall include an inventory of existing information technology infrastructure, an inventory of information technology needs, an analysis of how the information technology needs affect industrial and business recruitment, and recommendations that address the information technology needs of each region. In conducting the studies required by this section, the regional partnerships shall consider the findings of the Connect NC study. The regional partnerships may contract with the North Carolina Rural Economic Development Center as needed to undertake these studies. No later than November 1, 2001, each regional partnership shall report the results of its study, including any legislative proposals, to the Joint Select Committee on Information Technology.

Section 4. This act does not obligate the General Assembly to appropriate funds.

Section 5. This act is effective when it becomes law. The North Carolina Rural Internet Access Authority created in this act is dissolved effective December 31, 2003. This act is repealed effective December 31, 2003. Part 2E of Article 10 of Chapter 143B of the General Statutes and G.S. 120-123(71), as enacted by this act, are repealed effective December 1, 2003.

In the General Assembly read three times and ratified this the 10th day of July, 2000.

s/ Marc Basnight
President Pro Tempore of the Senate

s/ James B. Black
Speaker of the House of Representatives

s/ James B. Hunt, Jr.
Governor

Approved 9:24 a.m. this 2nd day of August, 2000

VISITOR REGISTRATION SHEET

Economic Growth + Comm Dev. 5-2-01

Name of Committee Date

VISITORS: PLEASE SIGN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tanika Scales Charleston	NCDDI - "The Initiative"
Margaret Westbrook	Kennedy Covington
Bill Scoggin	"
Jennifer McKagan	Sen. Reeves NCGA
Tom Murray	Sprint
Tam Wescott	Sprint
Austin Burnett	ECA
Tom Coley	CWA
Linda Le Duc	NCDPI
Evelyn Hawthorne	UNC Chapel Hill
Barbara Conklin	Manning, Fulton & Skinner
Al Coda	Parker, Poe, Adams & Bernstein LLP

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Monday, May 07, 2001 3:33 PM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, May 9, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

The following speaker will be heard:

Bill Glynn, Co-founder and Partner of Southeast Interactive Technology Fund

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **4:00 p.m.** on **May 7, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

JOINT
SENATE RURAL DEVELOPMENT
AND
HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT
COMMITTEE MEETING
Wednesday, May 9, 2001
Room 1027, Legislative Building

Minutes

The Senate Rural Development Committee and the House Economic Growth and Community Development Committee met jointly on Wednesday, May 9, 2001, at 12:00 Noon in Room 1027 of the Legislative Building. Senator Steve Metcalf, Senate Rural Development Committee Co-Chair, presided and 9 of the 18 Senate Rural Development Committee members attended. House Economic Growth and Community Development Committee members present were: Representatives Morris, Co-Chair, and Representatives Alexander, Carpenter, Crawford, Goodwin, Holliman, Walend and West.

Senator Metcalf opened the meeting by welcoming members and guests. He introduced the pages serving the committee: Amy Denson of Richmond County, Chase Mackey of Kinston (Lenoir County), Josh Jones of Kenly (Johnston County) and Jarrette Pittman of Halifax County.

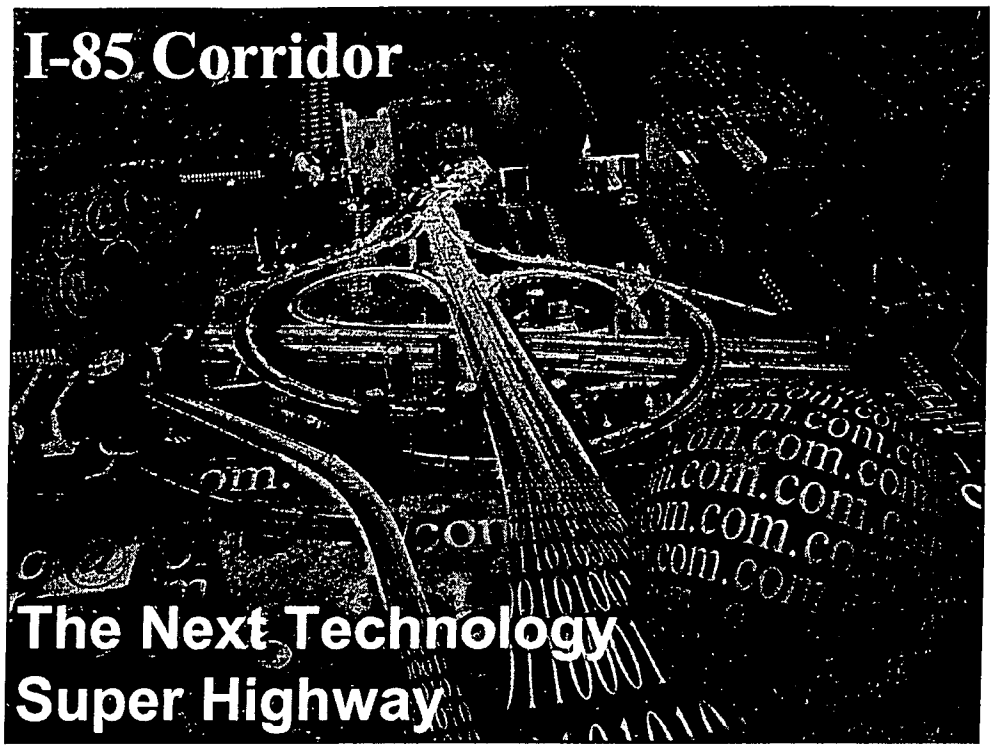
Bill Glynn, Co-founder and Partner of Southeastern Interactive Technology Funds, was introduced by Senator Metcalf to give a presentation focused on how North Carolina is beginning to position itself for advantages in the new economy, which is driven by the technology industry. Mr. Glynn's presentation presented some facts and figures on what North Carolina's position is on technology and where we stand on a national basis (see Attachment 1).

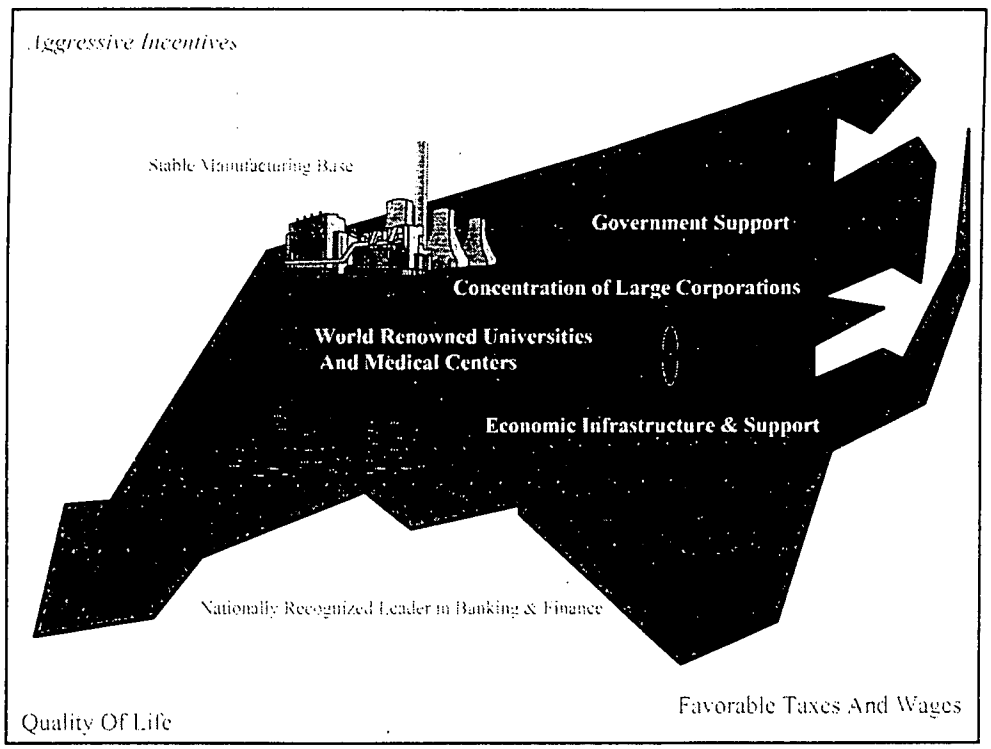
After his presentation, Mr. Glynn entertained questions and comments from the committee members.

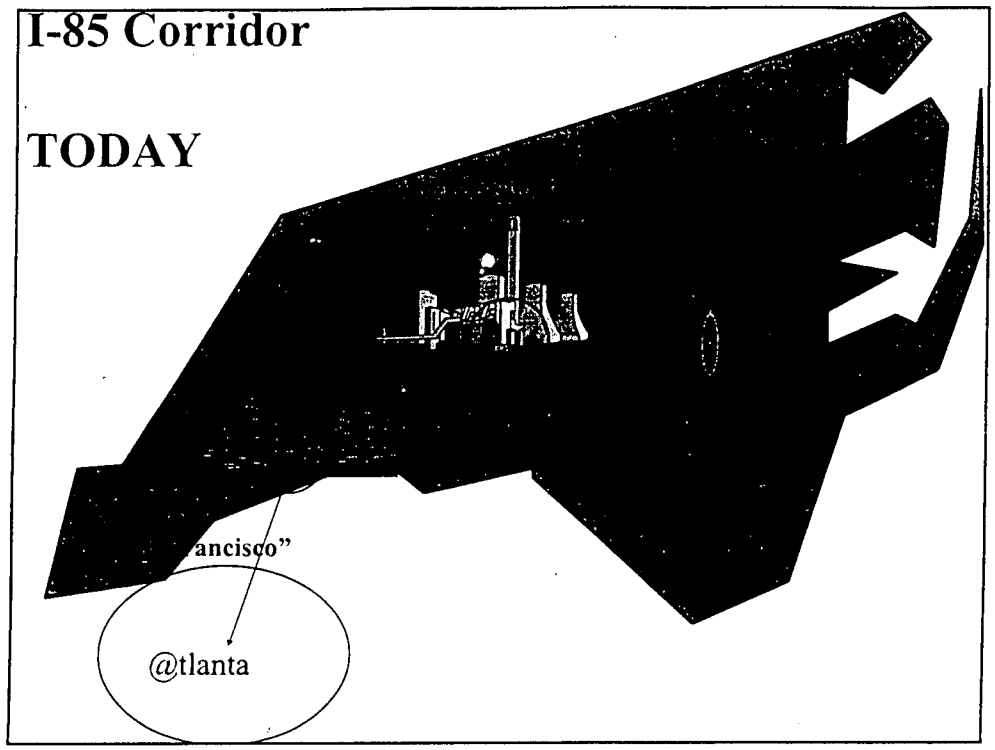
Senator Metcalf closed the meeting by thanking Mr. Glynn for his presentation. The meeting adjourned at 12:50 p.m.

Senator Steve Metcalf
Co-Chair Presiding

Jane Bagley
Committee Assistant

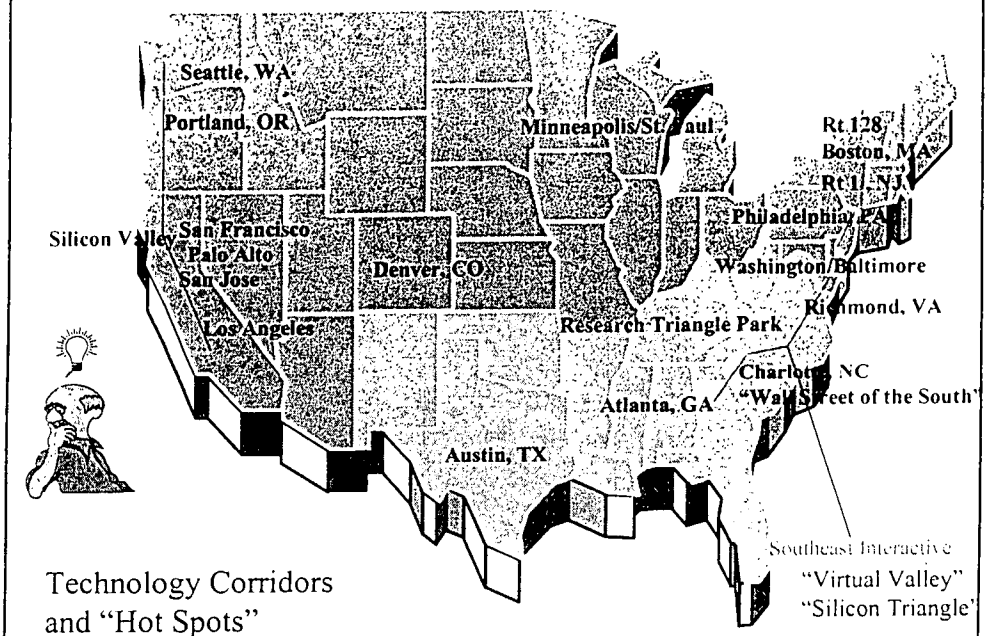

I-85 Corridor
The Next Technology
Super Highway


Aggressive Incentives
Stable Manufacturing Base
Government Support
Concentration of Large Corporations
World Renowned Universities
And Medical Centers
Economic Infrastructure & Support
Nationally Recognized Leader in Banking & Finance
Quality Of Life
Favorable Taxes And Wages



North Carolina
National Comparison

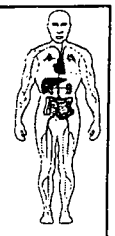
- Ranked 4th In High Tech Growth - Wall Street Journal
- Ranked top 5 In High Tech Employment Growth
- 3 Research Universities Rank in top 15 in the country
- Top 10 Emerging Centers of Growth
- Ranked 2nd In Banking Resources
- Ranked top 5 In Manufacturing
- RTP Ranked #1 Place To Live And Work - Money Magazine, Forbes & Fortune
- 40% Of World's Fiber Optic Created Here (Hickory)
- Over 15% Of World's Visual Technologies Created Here
- Top 5 Telecom Centers in The World



Technology Corridors
and "Hot Spots"

Emergence Of The Technology Market In North Carolina







- Phase I - Top Down Approach

  Government Incentive Programs

  Economic Infrastructure Development.

- Phase II - Bottom Up Approach

  University & Business Collaboration

  Acceleration in Start-Ups and Investment Activity

  Intellectual Worker Migration

- Phase III - Capitalization

Phase I - Top Down Approach

- Government

  20 Years - Highly Successful Recruitment of Large Corporations

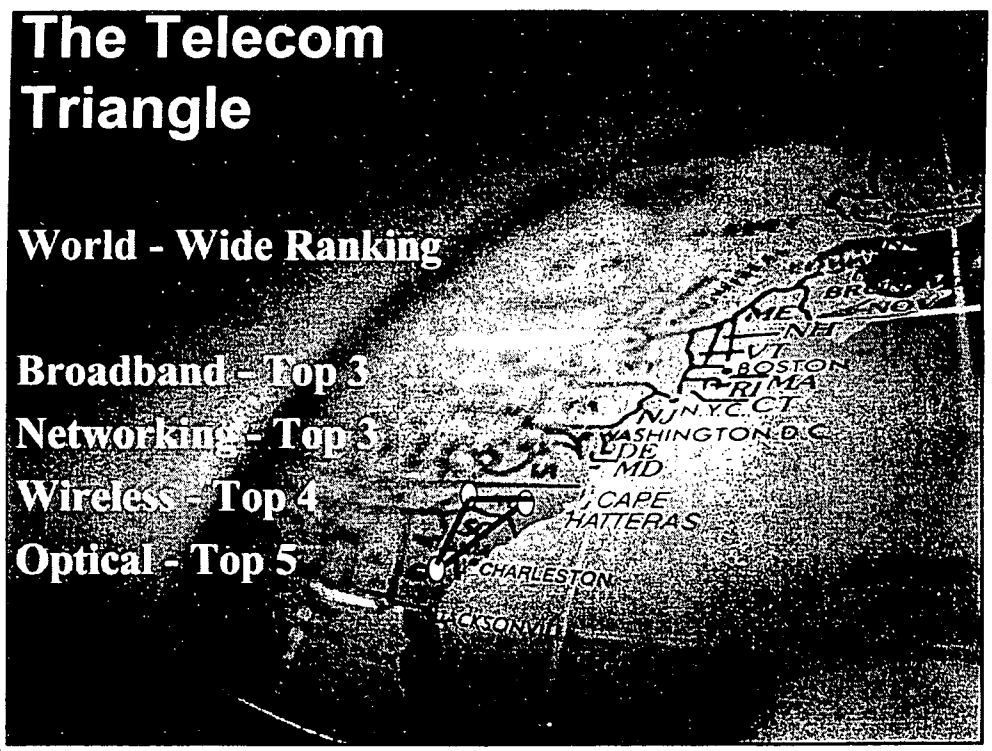


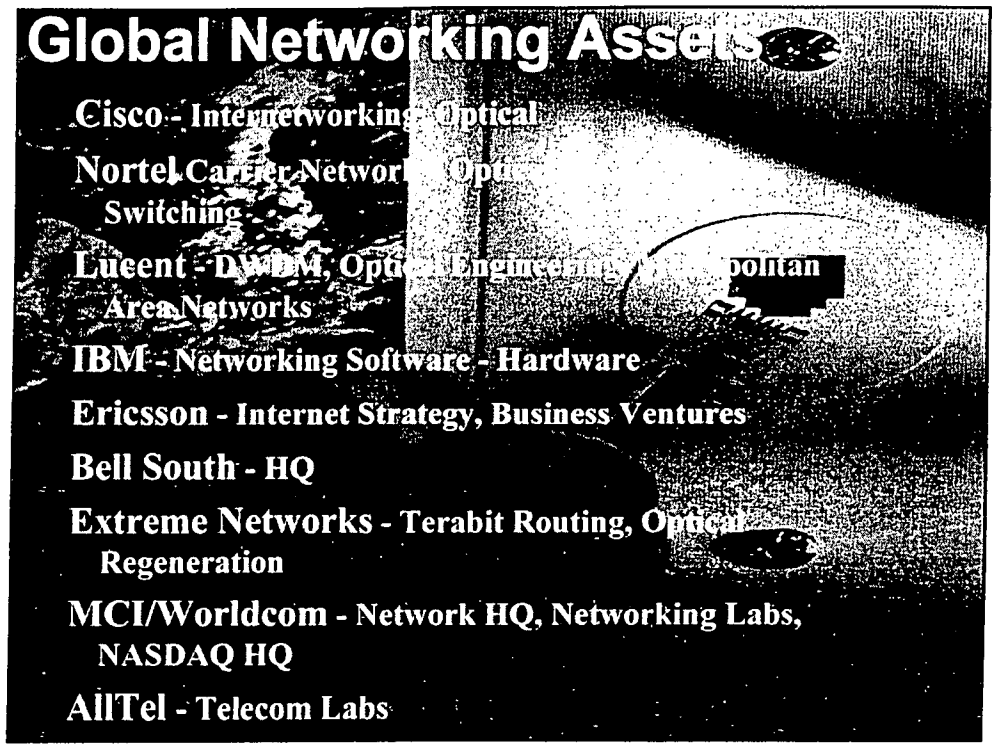
  Aggressive Corporate Incentive Program
  Quality of Life
  Collaborative Environment
  Very Strong University System
  Favorable Tax & Wage Standards
  Solid Intellectual Worker Base

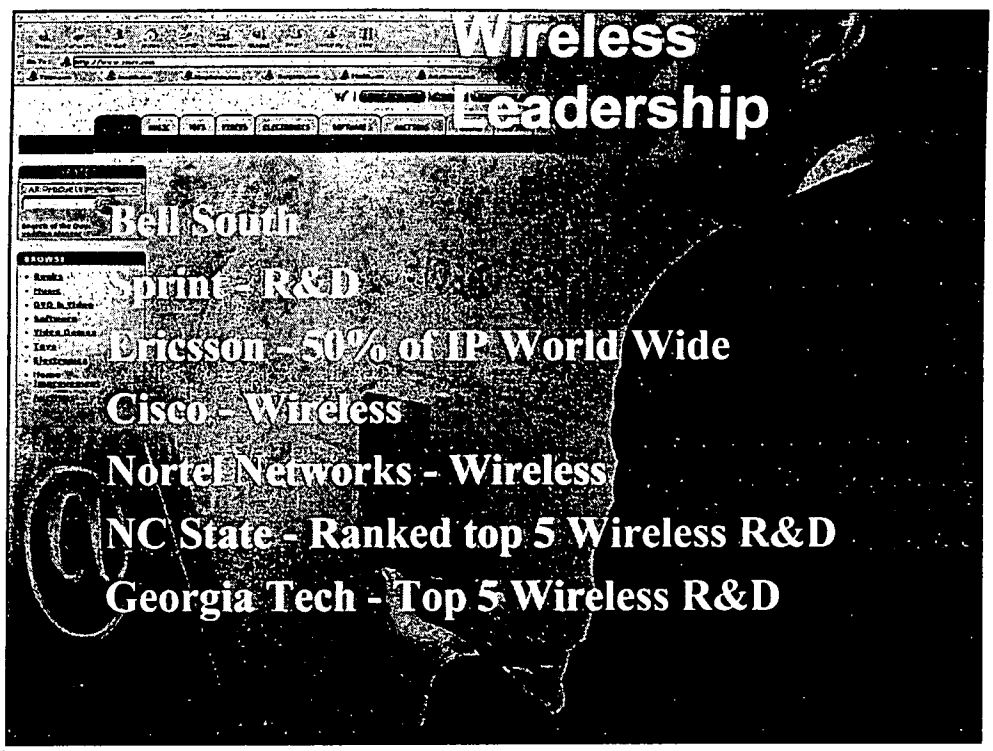


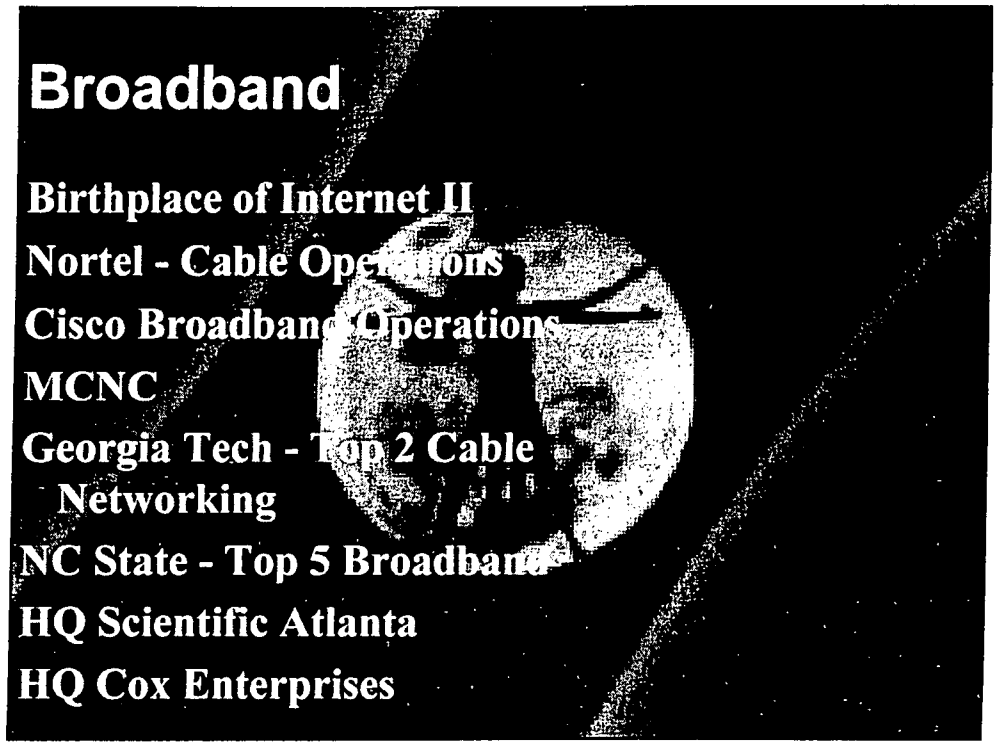
- Hence Success of Research Triangle Park






Global Networking Assets
Cisco - Internetworking, Optical
Nortel Carrier Networks, Optical
Switching
Lucent - DWDM, Optical Engineering, Metropolitan
Area Networks
IBM - Networking Software - Hardware
Ericsson - Internet Strategy, Business Ventures
Bell South - HQ
Extreme Networks - Terabit Routing, Optical
Regeneration
MCI/Worldcom - Network HQ, Networking Labs,
NASDAQ HQ
AllTel - Telecom Labs


Wireless
Leadership
Bell South
Sprint - R&D
Ericsson - 50% of IP World Wide
Cisco - Wireless
Nortel Networks - Wireless
NC State - Ranked top 5 Wireless R&D
Georgia Tech - Top 5 Wireless R&D



Economic Infrastructure & Support

- Development of Government Technology Agencies

NC Biotechnology Center
Microelectronics Center of NC (MCNC)
Technological Development Authority (TDA)



Support Agencies and Counsels

- NC Electronics and Information Technology Assoc. (NCEITA)
- Research Triangle Regional Partnership (RTRP)
- The Counsel For Entrepreneurial Development (CED)
- Regional Transportation Committee
- NC Economic Developers Assco.
- NC Venture Capital Assoc.
- Partnership For Entrepreneurial Development



Phase II - Bottom-Up Approach



- Catalytic Business Models
- Make or Buy



Corporations - University Collaboration - Residual Technology Laden Throughout System (spawns spin outs - licensing opportunities - start-ups)

Mergers & Acquisitions (Glaxo-Wellcome- Red Hat IPO) - Billion$ in thepast 5 yrs (exited entrepreneurs - new money - spawns new business - talented professionals dislocated - new ideas - Glaxo-Wellcome purges R&D)

- Corporate Collaboration
- Entrepreneurial success stories
- Heightened IPO activity



Universities & Medical Centers



- Duke University

  Fuqua School of Business

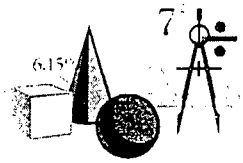
  Duke University Medical Center

- University Of North Carolina At Chapel Hill

  Kenan Flagler School of Business

  UNC Medical Center

  UNC Visualization Center



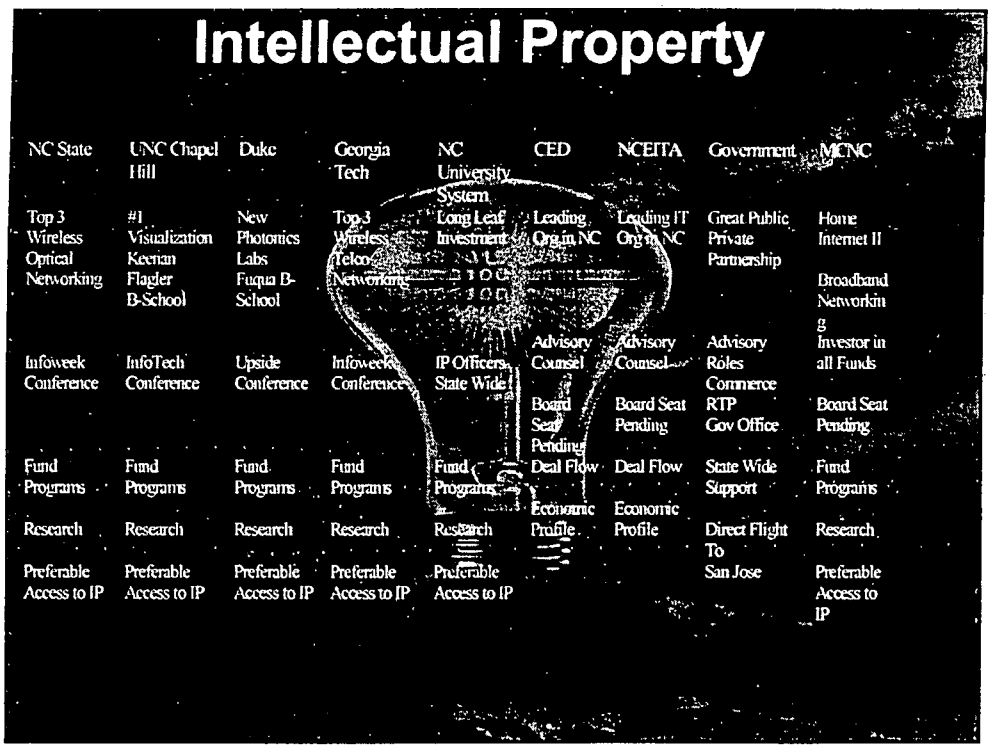
- NC State University
- Wake Forest University

  Bowman Gray Medical Center

- ECU Medical Center

University - Rankings

- Duke Ranks 5th In Technology Transfer And 3rd In Funded Research
- UNC Chapel Hill Ranks 7th In Tech Transfer And 5th In Funded Research
- NC State Ranks 12th In Tech Transfer And 15th In Funded Research
- NC State Ranks #4 In Engineering
- UNC Ranks #1 In 3D Visualization
- Duke's Fuqua School Ranked #5 Among B-Schools



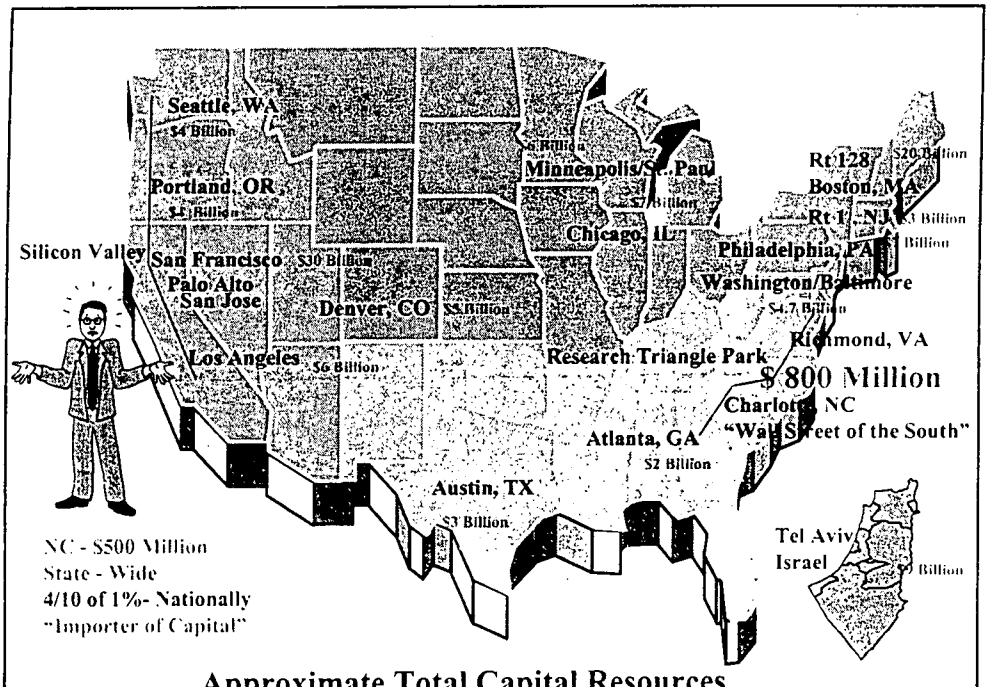


Phase III - Capitalization

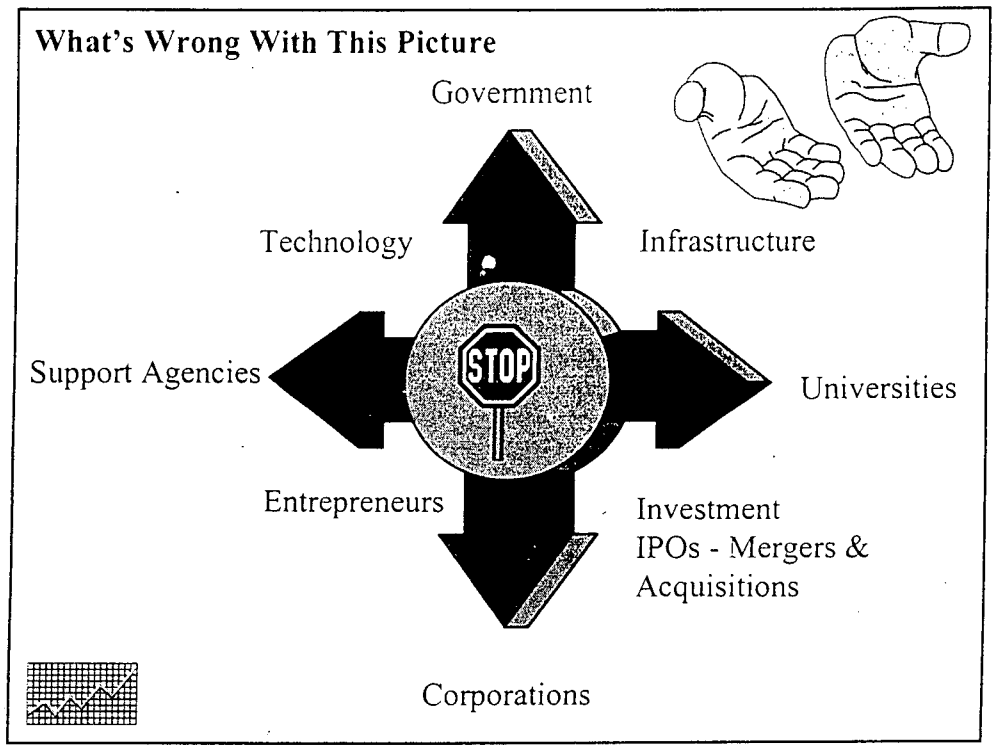


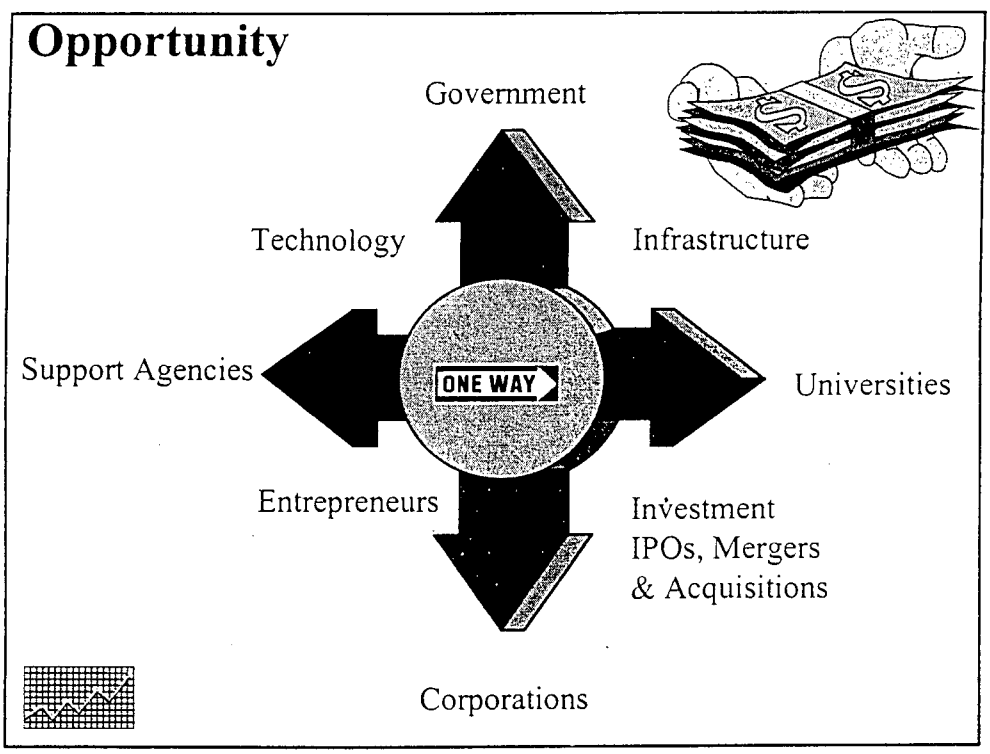


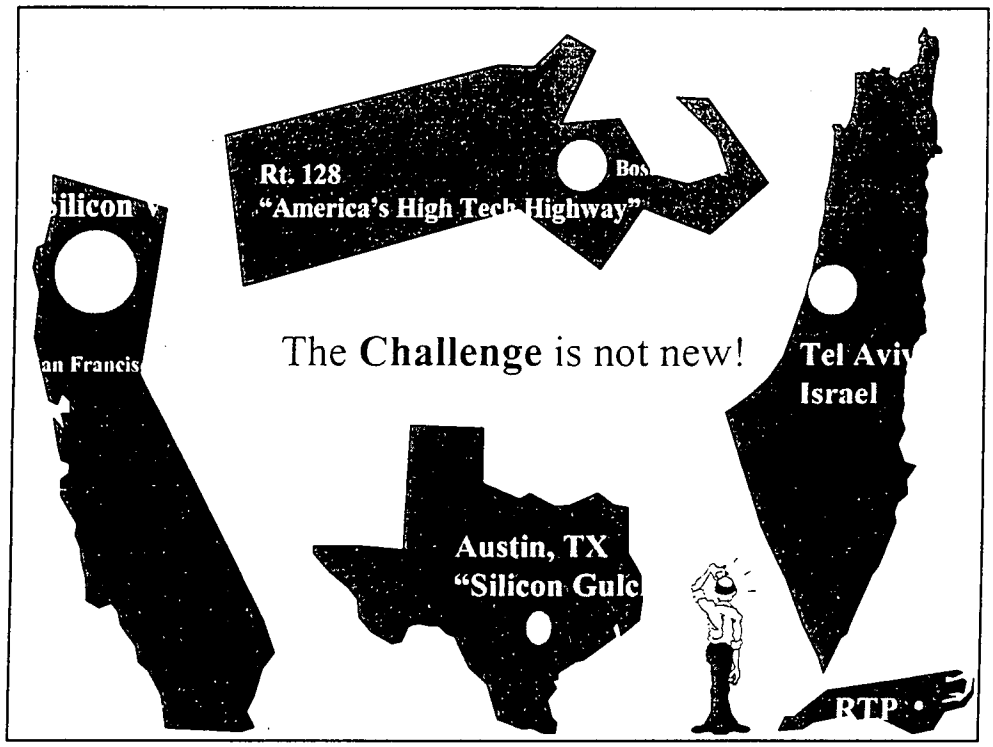
- **Government**
  - Aggressive Incentives
  - Global Marketing
  - Legislative Actions
- **Venture Capitalists**
  - Seed Stage Equity
  - Aggressive Recruitment
  - National Market
- **Agencies**
  - Continued Funding
  - Enhanced Programs
  - Entrepreneurial Support
- **Universities**
  - Aggressive Technology Licensing & Transfer
  - Incubator Support
  - Direct Equity Investment
- **Financial Institutions**
  - More Aggressive In State
  - More Investment
  - Continued Augmentation
- **Business Development**
  - More Commercialization
  - Direct Marketing
  - Entrepreneurial Support

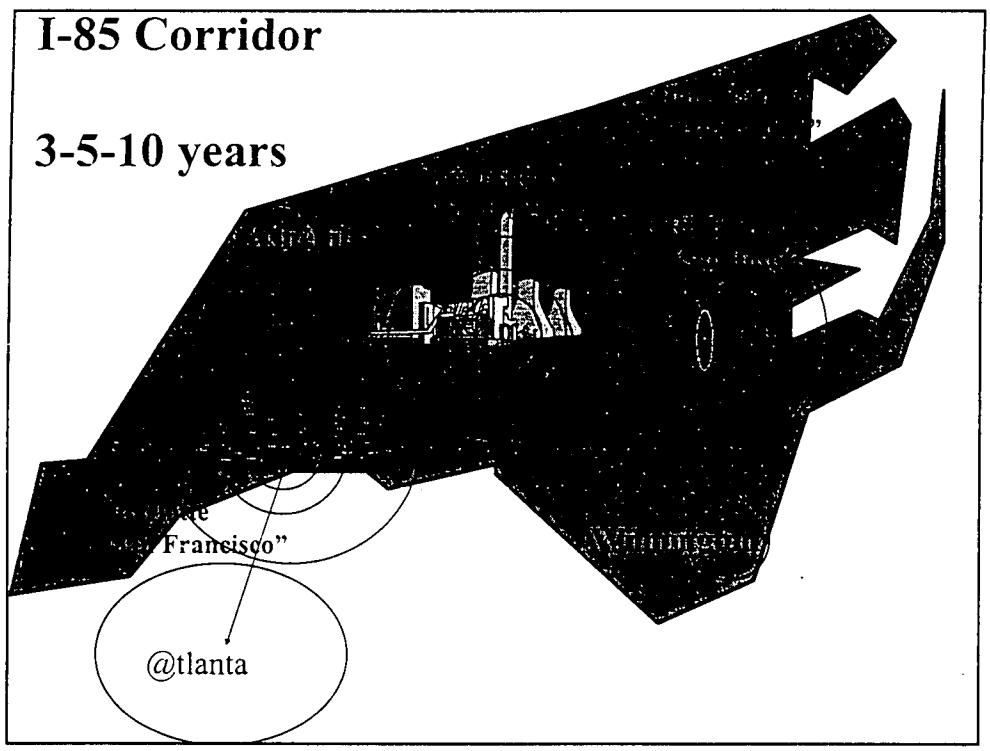


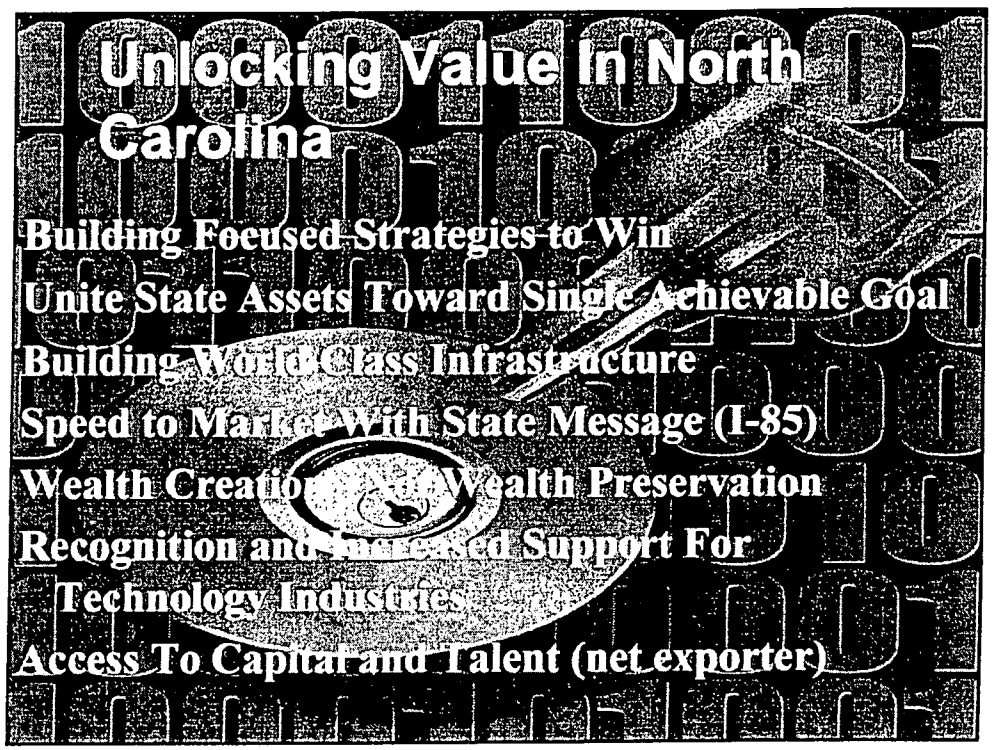
Approximate Total Capital Resources Available In Entrepreneurial Markets


What's Wrong With This Picture
Government
Technology
Infrastructure
Support Agencies
STOP
Universities
Entrepreneurs
Investment
IPOs - Mergers &
Acquisitions
Corporations


Opportunity
Government
Technology
Infrastructure
Support Agencies
ONE WAY
Universities
Entrepreneurs
Investment
IPOs, Mergers
& Acquisitions
Corporations


Rt. 128
"America's High Tech Highway"
The Challenge is not new!
Tel Aviv
Israel
Austin, TX
"Silicon Gulc
RTP


I-85 Corridor
3-5-10 years
Francisco"
@tlanta


Unlocking Value In North Carolina
Building Focused Strategies to Win
Unite State Assets Toward Single Achievable Goal
Building World Class Infrastructure
Speed to Market With State Message (I-85)
Wealth Creation and Wealth Preservation
Recognition and Increased Support For
Technology Industries
Access To Capital and Talent (net exporter)

VISITOR REGISTRATION SHEET

SEN. COMMITTEE ON RURAL DEVELOPMENT May 9, 2001

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tanika Charleston	NCCDI (The Initiative) P.O. Box 97148 Raleigh NC 27624
Ken Melton	Alley Associates
Katherine Joyce	NC Assoc. of Electric Cooperatives
John Cyprus	n.c. state Grange
[signature]	NC Commerce
[signature]	Electric Cities
Margie Boccieri	Southeast Interactive
Bill Glynn	Southeast Interactive
Nic Heinke	NLEITA
[signature]	NTCA/C

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Thursday, June 07, 2001 12:06 PM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, June 13, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

The following speaker will be heard:

James E. Brown, Jr., Economic Development Officer
Capital Markets Group, Centura Bank

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **12:00 p.m.** on **June 7, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

AGENDA

JOINT SENATE RURAL DEVELOPMENT AND HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE MEETING

June 13, 2001
12:00 NOON
Room 1027 Legislative Building

I.	**Opening Remarks and Recognition of Pages**	**Representative Nelson Cole**
II.	**Introduction of Speaker**	**Representative Nelson Cole**

- **James E. Brown, Jr., Economic Development Officer**
  Capital Markets Group, Centura Bank

III.	**Questions from Committee**	
IV.	**Adjournment**	**Representative Nelson Cole**

HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT COMMITTEE

Minutes

June 13, 2001

The House Economic Growth and Community Development Committee met jointly with the Senate on Wednesday, June 13 in room 1027 of the Legislative Building at 12:00 PM. The following members were present: Chairman Nelson Cole, Representatives Holliman, Carpenter, Crawford, Hunter, Walend, West and Womble. A Visitor Registration list is attached and made a part of these minutes. Chairman Cole recognized the pages that were assigned to the meeting.

Chairman Cole recognized James Brown, Economic Development Officer from the Capital Markets Group of Centura Bank. Mr. Brown explained that leadership was vital in regard to the economic developments in North Carolina, particularly in the area of county commissioners and county management. He extended a booklet to each member entitled, "Economic Development Handbook – making North Carolina's Economy Competitive: and encouraged each person to read it.

Mr. Brown indicated that the primary areas on which economic development needs to focus are in three areas. First, the state needs to provide quality education to produce an educational workforce and provide excellent "human capital" in counties. Second, the state must have the transportation to move products. Third, the state needs to develop products and more importantly, develop buildings that are industry-ready with all basic services to attract new industries to the state. Finally, he encouraged the legislators to create flexible and creative incentives to attract businesses to the state.

Representative Cole thanked Mr. Brown for his presentation and opened the floor to recognize the members of the committee for questions and comments. After discussion, Mr. Brown recognized Kevin Harris who heads the Community Reinvestment Program and indicated that members are welcome to contact him for further discussion.

There being no further business, Rep. Cole adjourned the meeting at 12:40 P.M.

Respectfully submitted,

Representative Nelson Cole
Chairman, House Committee

Joy Feagin
House Legislative Committee Assistant

SENATE PAGES:

Name: Stacie Jo McKinney

Town: Bakersville

Sponsor: Dan Robinson

Name: TAMEIKA LANGSTON

Town: GATES

Sponsor: MARC BASNIGHT

Diana Summers
Raleigh
Sen-Miller

HOUSE PAGES:

Name: Roslyn Banks

Town: Columbus County

Sponsor: Dewy Hill

Name: Andrea Shehan

Town: Hoke County

Sponsor: Rep. Doug Yongue

Handout #1

NORTH CAROLINA
NCEDA
ECONOMIC DEVELOPERS ASSOCIATION

ECONOMIC DEVELOPMENT HANDBOOK

Making North Carolina's Economy Competitive

ECONOMIC DEVELOPMENT HANDBOOK:

Making North Carolina's Economy Competitive

PREFACE

Entering the 21st Century, North Carolina faces numerous challenges. Atop the list is how to preserve and enhance the standard of living for North Carolina's over 8 million residents amid a rapidly changing economy in which the state must compete for its share of domestic and foreign investment against not only other southeastern states, but the entire U.S. and the world.

When it comes to economic development, the state has a strong record. Its long list of assets — including its exceptional leadership, mid-Atlantic location, moderate climate and renowned workforce — have made it an outpost for many of the world's best known companies. Equally important are hundreds of less well-known names that are key contributors to the state's economic base. Driving the migration of top firms to North Carolina, along with their continued success and expansion, are a myriad of people, programs, organizations, tools and policies. Many outside this network lack a complete understanding of the participants and the process that make economic development occur through good times and bad.

The North Carolina Economic Developers Association (NCEDA) has prepared this document as a basic introduction to economic development. It is offered as a resource to legislators, policymakers, community leaders and interested citizens across the state who share NCEDA's desire to keep North Carolina competitive in the quest for new jobs and investment in the coming decades.

We hope that you find the guide valuable, and that you will join us in advancing innovative solutions for providing high-quality jobs for all North Carolina citizens.

May 2001

Introduction to Economic Development

Economic development is a means toward an end, and that end involves ensuring the highest standard of living possible for those residing in a given community. Driving economic development is business: businesses of all sizes relocating in an area or those already there undergoing expansion. They may be involved in manufacturing, distribution, agriculture, transportation, research & development or other activities. From their impact springs a range of business services and related commercial activities. Residential growth also occurs, and with it comes a wide variety of retail, consumer service, recreational, tourism and other commercial enterprises.

The "ripple effect" of new jobs is tremendous. The analytical model used by the N.C. Department of Commerce to gauge economic impact shows, for example, that every 100 new electronics manufacturing jobs generate an additional 116 jobs as a result of indirect and induced economic activity. The model estimates that that every $5 million in investment spurs another $4.4 million in local spending. New jobs and investment in turn fill government coffers with additional income, sales and property tax revenues.

Economic Development can be defined as activities and programs aimed at improving local, regional, state and national economies by:

- attracting or creating investment to expand the tax base; and
- increasing jobs, wages and personal incomes.

These efforts produce other highly desirable outcomes. One example is the broadening of the community's leadership base as incoming industries bring in new managers and executives who participate in various local organizations and programs. Another example is the social capital provided by new companies in the form of philanthropy and community volunteerism.

Driving economic development is a network of professionals using an array of tools designed to support business growth and community development.

WHY NORTH CAROLINA IS INVOLVED

HISTORY

Economically, North Carolina has undergone considerable change over the past 300 years. Since the early settlers, North Carolina prospered in trade, fishing and farming. As new railroads and highways began criss-crossing the state, the economy shifted toward other types of business and industry. The Piedmont Triad became the focus of manufacturing; the Triangle emerged as a center for government and higher education; and Charlotte established itself as a financial and distribution hub.

In the 1950s, a milestone in North Carolina's economic development occurred as Governor Luther Hodges and a handful of business leaders purchased acreage between Raleigh and Durham that would become Research Triangle Park (RTP). RTP became a catalyst in developing high-technology businesses and attracting the attention of global industry. At the same time, North Carolina experienced a rapid expansion in its traditional industries: tobacco, textiles and furniture.

North Carolina has benefited from visionary leadership, and government and the private sector have worked together to make the state attractive to new businesses. The state's initiatives included the expansion of the North Carolina Community College System and free workforce training for new and existing industry, and the construction of an outstanding highway network. Businesses could easily get workers trained and move their product to market. Until the mid 1990's, these measures, along with a consistent push to maintain a pro-business regulatory environment, resulted in North Carolina being regularly ranked #1 in the nation as a destination for industry by Site Selection magazine, a leading economic development journal. Despite its solid record over the past decade, North Carolina slipped in 1998 to #5 in the Site Selection rankings. The past few years have seen mixed results in our ranking.

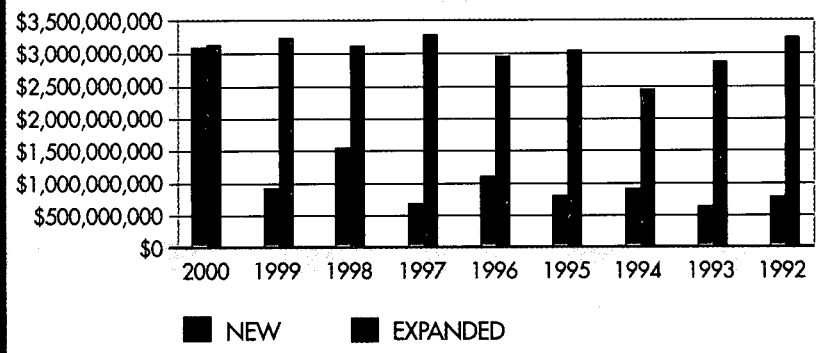
Table One illustrates North Carolina's record of strong growth.

NEW AND EXPANDED INDUSTRY INVESTMENT, 1992-2000

	NEW	EXPANDED	TOTAL
2000	$3,114,185,482	$3,114,185,482	$6,262,450,168
1999	952,959,762	3,148,264,686	4,202,931,527
1998	1,563,828,345	3,148,219,508	4,712,047,853
1997	691,011,236	3,274,451,198	3,965,462,434
1996	1,100,943,143	2,962,336,924	4,063,280,067
1995	812,595,000	3,072,549,188	3,885,144,188
1994	915,465,000	2,449,586,379	3,365,051,379
1993	636,567,430	2,889,577,932	3,526,145,362
1992	779,076,130	3,239,152,994	4,018,229,124

Table Two

NORTH CAROLINA NEW AND EXPANDED INDUSTRY, 1992-2000

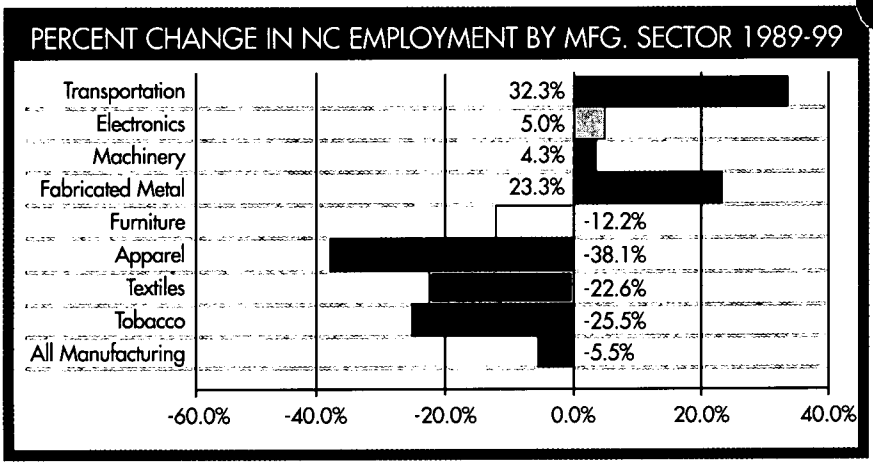


Source: North Carolina Department of Commerce

The recent trend of declining employment in traditional industries has been significant and North Carolina's reputation as an economic development leader is now threatened. Agriculture, long a leading economic engine, suffers from a sector-wide decline that is impacting large and small growers. Tobacco, in particular, has suffered as tobacco production and cigarette manufacturing have declined. Similarly, erosion of manufacturing jobs — particularly in textiles, apparel and furniture — has adversely impacted urban and rural areas alike. The state's cities, towns

and rural communities all require economic development tools to remain competitive with their counterparts across the U.S.

Table Three illustrates the change that is taking place in our state economy.



Source: U.S. Bureau of Economic Analysis

THE NEED FOR ECONOMIC DEVELOPMENT PROGRAMS

Every state in the country has an economic development program working to recruit industry. There are also over 2,500 cities, towns and counties across the United States with full-time economic development professionals competing for new business.

With more and more communities developing aggressive economic development strategies, North Carolina must boost its competitive position. This requires more than a commitment to the programs that led to past success; it requires a renewed effort to remain innovative in the face of new economic realities.

In the past, North Carolina's ideal location, climate, quality of life, outstanding educational institutions, excellent roads and positive business climate made the state a leader in economic development. But as other states have begun recognizing the value of economic development, they have implemented aggressive new programs for recruiting industry. Alabama, Virginia and South Carolina, for example, adopted incentive

policies that have resulted in their selection by the likes of Mercedes, BMW, Michelin and Motorola. States that fell behind the southeast in recent years — including Ohio, Pennsylvania and even New York — have also developed successful new initiatives. Many site selection consultants do not even consider North Carolina for large, capital intensive projects because the state is not competitive with incentive programs offered by some other southeastern states.

Local communities are also developing programs to make them more attractive as business destinations. These include financial incentives, public/private partnerships to develop business parks and speculative buildings, and community programs focused on the needs of business. The result is that there are far more communities seeking development than there are projects. That, in turn, creates supply and demand imbalances and increasingly aggressive competition for every project.

COMPANIES AND COMMUNITIES MUST COMPETE

Companies know they bring value to their host communities, value that is easily measured by the new jobs, higher wages and additional tax revenue they produce. But they also know that they are in business to make a profit and that the bottom line is critical. American companies now operate in a global economy, competing with firms across the world. In many other countries, the costs of doing business are sharply lower. The result is that most U.S. firms now must constantly seek new ways to operate more efficiently in order to stay in business.

What businesses are looking for in a location is simple: the most cost effective place from which to operate. This means finding an environment that enables them to produce the greatest profit which means the highest revenue at the lowest cost. North Carolina must be a cost effective location if new companies are to locate here.

The factors that a North Carolina location provides that increase revenues for a company include:

- A PRODUCTIVE LABOR FORCE — comprised of educated, skilled people who are the products of strong schools. They must understand how to produce more products, with higher quality in a shorter period of time.

- ACCESS TO CUSTOMERS — good roads, rail, airports and ports in order to safely move product to a larger number of consumers in a shorter period of time.

The factors that North Carolina provides that lower costs — operating and capital costs — include:

- Low labor costs
- Free, customized worker training programs
- Minimal state and local tax rates
- Minimal government regulations that inflate the cost of a product or facility
- Adequate and affordable utility infrastructure — water, sewer, electricity, natural gas and modern telecommunications (access to broadband Internet and digital wireless networks are increasingly crucial in today's site selection)
- Access to raw materials (transportation is again critical)
- Low-cost construction for sites and buildings
- Direct financial assistance/incentives

PARTICIPANTS

Economic development professionals work in a diverse array of agencies and organizations and represent a range of functional interests. They may be employed at the:

- municipal level
- county level
- multi-county level
- regional level
- state level

They are employed by an equally diverse assortment of entities:

- public
- quasi-public
- private
- non-profit

In most cases, they all are united by a common purpose of serving the needs of industrial clients and advancing the economic development objectives set forth earlier. These organizations, along with the network itself, are constantly being reshaped to meet new and changing demands, and there is an ongoing effort to minimize instances of confusion and overlap in economic development. What follows is an effort to list the participants and clarify their roles.

LOCAL DEVELOPERS

Local economic developers may work for:

- a chamber of commerce or other private organizations such as a Committee of 100
- a public/private entity which may be chartered as an economic development corporation
- a semi-autonomous economic development commission
- a county or city government

Each model offers its own advantages and disadvantages given the local business environment, the level of financial resources available to fund the program and the overall nature of governance driving the community. In some cases, multiple counties and municipal governments have partnered to maintain joint programs.

Local developers lead in the production of promotional and informational materials, making sure that the latest data about the community are available and easy to obtain. Such community profiles also contain information about existing business and industry, and local developers strive to keep local business leaders informed about their programs. It is also their responsibility to ensure that available sites and buildings are listed in local, state and regional databases. Local development professionals also stay current on all relevant state and local laws, regulations and ordinances. That means keeping in touch with city council members, county commissioners, state legislators and other elected officials, whose help, at some point, will be needed. Local developers interface closely with allies (described below) on issues like product development, infrastructure, workforce readiness and project financing.

Local development professionals are at the center of the economic development process, serving a project leadership role and ensuring that stakeholders at all levels work as a team. Their facilitative role is particularly important today as the timeline for industrial projects has collapsed from 18-24 months to as little as 4-6 months. For example, in selecting Edgecombe County for an $85 million project, representatives of QVC Corporation made their initial contact with development officials in February 1999. Formal announcements were made in July.

STATE DEVELOPERS

States also administer economic development organizations. These may be units of state government or freestanding private commissions. In North Carolina, the Department of Commerce is the lead agency for statewide economic development initiatives. Commerce officials are often the first point of contact with potential industrial clients. They provide information from communities to the client and help match community assets (sites, buildings, workforce availability and skills, etc.) with client site selection criteria. Other state agencies playing important supportive roles in economic development include:

- the Department of Community Colleges
- the Department of Transportation
- the Department of Environment and Natural Resources
- the General Assembly
- the Office of the Governor

Commerce performs a national and global marketing and outreach role, and its programs and resources are designed to prompt business leaders to consider North Carolina. This is done through the state's five overseas offices, attendance at industry trade shows and other promotional initiatives. Commerce maintains regional economic development offices that collaborate closely with the regional partnerships (described below) in marketing and client handling activities.

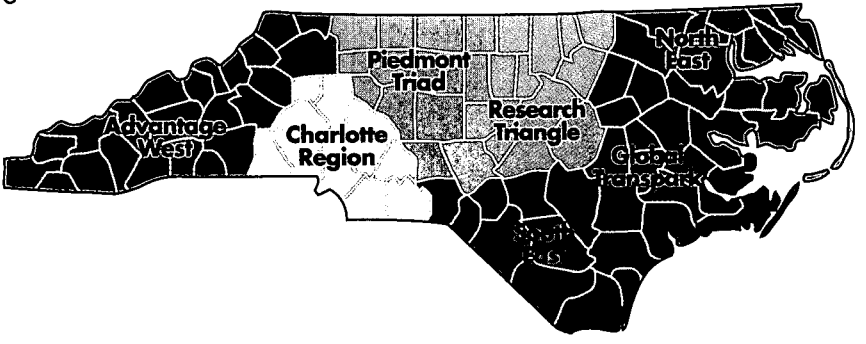
Commerce also maintains regional offices across the state to support the needs of existing businesses on such matters as facility expansions, state regulatory programs and trade issues.

REGIONAL DEVELOPERS

In recent years, North Carolina has emerged as a leader in regional economic development programs, with regional organizations supporting development in every county. Regional organizations coordinate national and international marketing programs customized to market the unique assets of their respective regions, and they also work closely with local developers to address regional economic issues, promote product development, provide research assistance and publicize transportation, infrastructure, labor force and other improvements. Seven public-private regional development partnerships serve North Carolina:

- ADVANTAGE WEST-NC — Fletcher. Supports 23 surrounding counties;
- CHARLOTTE REGIONAL PARTNERSHIP — Charlotte. Supports 12 sur rounding counties;
- GLOBAL TRANSPARK REGION — Kinston. Supports 13 sur rounding counties;
- NORTH CAROLINA'S NORTHEAST — Edenton. Supports 16 surrounding counties;
- NORTH CAROLINA'S SOUTHEAST — Elizabethtown. Supports 11 surrounding counties;
- PIEDMONT TRIAD PARTNERSHIP — Greensboro. Supports 12 sur rounding counties; and
- RESEARCH TRIANGLE REGIONAL PARTNERSHIP — RDU Airport. Supports 13 surrounding counties.

Although these organizations are regional in scope, they all receive state financial support. Some also leverage additional private sector and local government resources.



Additionally, there are private commercial interests and other local government interests involved in economic development. All collaborate on some level with the development programs described previously. These allies include, among others:

- banks and financial institutions
- electric utilities
- natural gas companies
- railroads
- real estate brokerage and development firms
- construction contractors
- architects and engineering firms
- telecommunications companies
- consultants
- community colleges and universities
- K-12 school systems
- councils of governments
- environmental firms
- chambers of commerce
- law firms

THE ROLE OF ELECTED OFFICIALS

Elected officials — be they federal, state, county or municipal — must strongly support economic development if it is to succeed. In North Carolina, state legislators, county commissioners and city council members support professional organizations that handle economic development by providing resources, and by keeping the state and community an attractive destination for business. This requires public investment. Elected officials should view economic development as a tool for creating quality jobs and investment, generating tax revenue, maintaining a skilled workforce and improving the standard of living of North Carolina residents.

The key responsibilities of elected officials are:

1. SUPPORTING PROFESSIONAL ECONOMIC DEVELOPMENT ORGANIZATIONS — Whatever their organizational structure, the main elected body — city councils, county commissioners and the General Assembly — provide the financial resources necessary to support economic development at the state, regional and local levels.

Examples of costs incurred by economic development organizations are:

- administration
- travel
- client recruitment
- advertising/marketing
- staff
- technology
- research
- office space

2. INVESTING IN INFRASTRUCTURE — In locating new facilities, industries need basic infrastructure — water, sewer, natural gas, electricity, telecommunications (including high-speed Internet and digital wireless),rail, industrial parks and highways. Building it requires investment — tax dollars — from elected bodies. Infrastructure is thus an investment because it creates a tangible asset for the community and provides industries with the tools they need. Officials serving in a statewide capacity work to effect legislation that ensures a competitive infrastructure across North Carolina.

   Eighty percent of all companies seeking a location search for an available building in which to locate, according to data compiled by the North Carolina Department of Commerce. Communities can respond to this reality by investing in shell buildings, which are effective tools because they can be customized to fit companies' exact needs and the company can save time and money. Local governments can provide funding to construct the facility or partner with organizations such as "Committees of 100," banks and private developers to build them.

3. PROVIDING INCENTIVES — Incentives — whether they are offered at the state, regional or local level by public or private entities — are simply the investments necessary to be competitive in attracting new industries and retaining existing ones. Like any investment, they must offer a suitable rate of return to the public or private investor. With the guidance of economic development organizations, elected officials make investment decisions that influence the site selection choices companies make. *(This issue is further discussed in a later section.)*

4. HELPING EXISTING INDUSTRIES — Existing firms create the majority of new jobs, and elected officials encourage their economic development

organizations to maintain a strong existing industry program to promote retention and expansion.

5. BUILDING A STRONG BUSINESS ENVIRONMENT — Elected officials support their states, counties and communities in creating an appealing overall business climate. In addition to organization, infrastructure, industrial parks, shell buildings and incentives, this includes promoting workforce development, quality education from kindergarten through post-secondary, reasonable tax and utility rates, and planning. It also means advocating for a regulatory environment that does not impede a business's success and offering support structures that assist firms in complying with all necessary regulations.

A high level of support for these activities demonstrates a commitment to existing and prospective industries. It shows that elected officials are serious about improving their communities and that they are partners with businesses, not adversaries.

THE PROCESS

STRATEGIC PLANNING

Sound planning is key to successful economic development, and the initial step in that process involves building an organizational team to cultivate the attitudes and develop the programs that are needed. Individuals with experience and expertise in the following areas are invaluable to any economic development team:

- Promotion/Marketing
- Labor/Workforce Training
- Sites and Available Buildings
- Transportation
- Community Services
- Community Financing
- Land Use Planning/Permitting
- Taxes
- Utilities and Telecommunications
- Construction and Insurance
- Industrial Resources
- Incentives
- Public Relations
- Community Attitudes

Six questions highlight key points for consideration by community leaders planning for economic development:

1. WHERE HAS THE COMMUNITY BEEN? This requires a review of economic growth patterns and trends.
2. WHERE IS THE COMMUNITY NOW? This requires taking account of the community's assets and liabilities, as well as identifying major challenges and opportunities.
3. WHERE IS THE COMMUNITY GOING? This requires projecting a future economic base based on present trends.
4. WHERE DOES THE COMMUNITY WANT TO GO? This is a goal-setting step that requires narrowing down the types of businesses it wants to attract and foster.
5. HOW DOES IT GET THERE? This is where plans are made and actions taken. It requires an action plan that includes strategies for accomplishing the goals established previously.
6. MEASURING PROGRESS. A thorough and ongoing evaluation of progress is required.

STRATEGIES

Listed below are five economic development strategies. Depending on whether a community is urban or rural, oriented toward manufacturing, agriculture, tourism or another industry segment, strategic priorities will vary. Each involves employing resources more effectively, and each requires the energy, skill and commitment of local communities.

1. RETAINING AND EXPANDING EXISTING FIRMS

The first strategy is to support existing businesses — i.e., keep them in place and encourage their growth. Expansions can occur as local businesses:

- increase sales of their current products;
- diversify and begin marketing new products;
- lower their cost of production through the adoption of innovative technologies or more efficient processes; or
- consolidate from other operations.

Ensuring the success and satisfaction of existing business and industry is important in recruiting new firms to an area as business leaders considering a new location frequently seek the input of business leaders already there. If existing industry is not happy with its community, new industry will not come.

2. IMPROVING LOCAL LINKAGES

This strategy seeks better ways to link local sellers with local buyers. The more a dollar circulates in the local economy before moving out, the more wealth will be generated. A survey of spending patterns of institutional buyers in the community — the hospital, school district and governments (municipal, county, state or federal), for example — could identify new market opportunities for local businesses.

3. CREATING NEW FIRMS & PROMOTING ENTREPRENEURSHIP

Communities can actively help new businesses get started. New businesses are created to sell products or services to replace those "imported" into the area or to provide products and services that have never been available locally. New businesses are also started to produce new products. Many communities also form investment funds or loan programs to support local start-ups, and business incubators are an effective mechanism for channeling business expertise to potential entrepreneurs. Colleges and universities often spin off new companies through technology transfer, as well as support entrepreneurs through research and training.

4. CAPTURING NEW DOLLARS

There are numerous ways to capture outside dollars. A few examples include:

- A local government receiving a grant from another governmental entity, non-profit or similar organization;
- An out-of-state investor purchasing local property and building an office park;
- A transplanted retiree spending monthly Social Security and pension benefits on local goods and services; and
- A family of tourists renting a beach house for the week.

5. RECRUITING NEW FACILITIES

A key activity in which most communities are engaged is the quest for new industrial or corporate facilities for firms engaging in manufacturing, research & development, transportation, distribution, technology and other activities. Recent North Carolina examples include:

- QVC's choice of Edgecombe County for a new distribution center;
- Midway Airline's corporate headquarters relocation from Chicago to Wake County;
- Federal Express's selection of the Piedmont Triad for a mid-Atlantic sorting hub;
- Nucor Steel's selection of Hertford County for a recycling plant;
- The selection by UPM Raflatak, a Finnish maker of adhesive labels, of Henderson County for a new production facility; and
- Sumitomo Electric's choice of Columbus County for a fiber optics plant.

TOOLS

Communities must appraise their assets and liabilities in order to successfully recruit new companies. The following questions must be answered to give a realistic assessment of a community's likelihood of success at attracting new jobs and investment.

- What types of firms will find a competitive advantage in the community?

  Does the community have product (e.g., buildings, sites), infrastructure (highways, utilities) and workforce that business requires?
- What barriers exist that may hamper a community's ability to compete for new projects?

Driving these strategies is a list of marketing and promotional tools and activities. These must be in place if relocating industries are to be familiar with North Carolina's many advantages. Marketing messages should be unified, coordinated and complementary across counties, regions and the

state. Communities' assets may be shown through a combination of tools that include, among others:

- DIRECT MAIL — Targets should include both likely prospects and consultants.
- PROSPECT VISITS — There is no better way to communicate than face-to-face.
- BROCHURES — Should be attractive and describe in detail the benefits of locating in the area.
- COMMUNITY DATA BOOKS — Should be customizable to fit a prospect's unique needs.
- WEB SITE — A high-quality Web presence should be both concise and easy to navigate.
- PRINT ADVERTISING — There are numerous local, state and national publications geared toward industrial location searches.
- MEDIA RELATIONS — The public must be familiar with local economic development programs if support is to be expected.
- TRADE SHOWS — Visibility is crucial in economic development.

THE NEED FOR PRODUCT

In today's quick turnaround economy, North Carolina must have product to sell when an industry is looking; therefore, it is critical to have existing industrial buildings and sites in place before prospects arrive in a community. Most clients request an available building rather than an undeveloped site. In some cases, the prospect likes the community but not the building. Consequently, other "shovel ready" sites should be available with infrastructure in place, approvals and permits granted and site development ready to proceed. Initiatives such as the Certified Industrial Site (CIS) and Certified "Mega-site" programs are designed to ensure a basic level of site readiness (e.g. zoning, environmental surveys, grading, initial engineering work, infrastructure, etc.) exists prior to the arrival of corporate relocation professionals.

These are fundamental expectations made of communities by virtually all business as distinct from incentives, which occur later in the process and are usually customized to fit client needs.

HOW A PROJECT HAPPENS

Projects can originate from many sources and can work through the system from many starting places. For example, an inquiry may begin as a result of an advertisement in a magazine, by word of mouth from a customer or supplier who is already located in North Carolina or from a trade show. A prospect may call the local developer directly if they know exactly where they want to be, or a regional developer if they know their approximate target location. Often the inquirer will call the NC Department of Commerce first. The following is an example of how a project works through the system when starting with a general inquiry about North Carolina.

The inquirer may be a representative of the company itself or a site selection consultant. Their first call will usually be a request for information about communities that match their site selection criteria. The state developer who is assigned to the project then contacts the local developers in the communities that have the assets the company is seeking. The local developers submit proposals to the state developer who sends all of the community packages to the prospect. After many calls back and forth between the parties to clarify and gather additional information, the state developer will schedule and coordinate a visit by the client to at least some of the proposed communities. The company will generally eliminate many of the proposed communities based on the information they receive in the proposals.

At this point in the process, the client is usually "comparison-shopping" among several states and many communities; consequently, the first visit is a critical point in the sales process. Generally, the client will be visiting several communities in one day. Thus, time is at a premium. Both the state and local developer must be prepared with the precise information the client wants to view in that short time. From the company's point of view, the purpose of the visits is to eliminate most of the communities down to a short list of two or three with whom they can further negotiate.

Generally the state developer will be the primary contact with the prospect until the company picks a short list. Once the negotiations begin, the local developer takes the lead and is the primary contact and closer of the deal. During these negotiations, the local developer must call on all

of his or her allies and resources for support and coordination. The terms and conditions that the company requests of the community during these negotiations may span a broad spectrum of issues ranging from sites to schools to permits to financing. As in any negotiation, the local developer and his or her support team must know what the value of the project is, and the limits of the local investment to meet a targeted return. In this case, local investment means locally coordinated investment from all resources including public dollars from all levels within the state, combined with private dollars that might have an interest in the project.

One issue in the process that is often misunderstood is the need for confidentiality. Participants in the process must understand the needs of the company to maintain confidentiality, primarily, because companies do not want their competitors to be made aware of strategic decisions such as new locations or expansions. Many communities have lost projects as a result of a confidentiality breach.

The time frame for what has been described above can take years or weeks, depending on how fast the company is willing to make decisions. In today's competitive economy, the time is getting shorter and shorter. The participants in the economic development process must be prepared to be successful.

Financial Incentives

All businesses make an investment in order to achieve a return. So too must states and localities if they are to be competitive for new industry.

Most costs associated with relocating a business occur in the first 18 months, and many economic development policies are now designed to help companies ramp-up new operations with minimal disruption and financial drain. The most successful transactions occur when the community and the company see the location as a win-win for both. Each makes an investment, divides the risks and shares the rewards.

Incentive policies at all levels must be measurable. Quantifiable results must be gathered to show that the community or the state has derived benefits that outweigh the cost of the incentives. "Claw-back" provisions

must be included that require firms to reimbursement incentive providers should they fail to meet agreed investment and jobs targets.

Far from being "corporate welfare," incentives are comparable to other key site selection factors such as access to skilled labor, adequate buildings and facilities and high-quality infrastructure in making a state or community the most cost effective destination for industry. With firms seeking to maximize shareholder value, financial support from communities that genuinely bolsters the bottom line is a critical site selection criterion. Because site searches are largely a process of elimination, communities and states refusing to offer reasonable incentives are not viewed as serious about economic development and are frequently eliminated quickly from consideration by companies and site selection consultants.

State and local governments striving to capture their share of new jobs and investment offer long-term advantages to new and expanding firms including a balanced menu of incentives that makes good economic sense. This means determining in advance the nature of tax benefits and supporting legislation needed, both of which may vary from location to location. In the end, any financial support for new or expanding industry must be predicated upon a targeted return on investment. Like any sound investment, incentives should more than pay for themselves in yielding additional jobs and investment and an expanded tax base.

CURRENT FINANCIAL ASSISTANCE PROGRAMS

North Carolina provides companies meeting certain requirements with financial assistance designed to lower the costs of doing business. The following programs are available as of April 2001. The amount of money available in each program is limited.

STATE PROGRAMS

The state's COMMERCE FINANCE CENTER (CFC) serves as a "one-stop" financial center for relocating companies and existing employers needing information and advice on financing alternatives in North Carolina.

The WILLIAM S. LEE ACT, enacted in 1996 and amended in 1998, provides tax credits that may be taken against state income, franchise or gross premiums tax burdens. These credits are for job creation, investment, worker training, and research and development in any of the state's 100 counties, though benefit levels are calculated based upon a county's level of economic distress. Counties are assigned a "Tier" ranking that ranges (poorest to wealthiest) from 1-5.

Additionally, the STATE DEVELOPMENT ZONE PROGRAM offers enhanced benefits to firms settling in one of over 50 development zones, which are typically located inside municipal limits. The program gives an enhanced tax credit for jobs created in these zones. The credit per job is $4,000 more than the amount it would otherwise have been for the county's tier level.

Funds from the INDUSTRIAL RECRUITMENT COMPETITIVE FUND may be used to provide financial assistance to a business or industry making significant efforts to establish or expand in North Carolina if the business or industry is considered vital to the state's economy. Funds may be used only for the purchase or installation of equipment, renovation of existing buildings to be used for expansion, utility lines for existing buildings, and utility lines or equipment for new or proposed manufacturing or industrial buildings.

THE NORTH CAROLINA SMALL CITIES COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM offers grants to local governments (municipal and county) for projects involving a specific business that will create new jobs. In addition, working with participating banks, loans may be made to private businesses to fund machinery and equipment, property or construction. Project activities must predominantly benefit persons living for the preceding 12 months in a low or moderate family income status.

The INDUSTRIAL DEVELOPMENT FUND (IDF) is available to assist the local governments of the most economically distressed counties in the state. An eligible county or city applies for the funds on behalf of a private manufacturing business located or locating in its jurisdiction. IDF funds may be used for the construction of water, sewer, gas and electric lines to the site or for the construction or repair of industrial buildings.

Funds available for a single project are determined by multiplying the number of jobs committed to be created by $5,000 up to a maximum of $500,000 or the cost of the project, whichever is less.

The North Carolina Community College System's NEW AND EXPANDING INDUSTRY TRAINING PROGRAM (NEIT) is a national model for providing industry with customized training. The service is available to those firms creating at least 12 new jobs in the state. NEIT pays for instructors' wages and travel expenses (even if the trainer is a company employee) as well as classroom materials and suitable training faculties.

The INDUSTRIAL ACCESS/ROAD ACCESS FUND is administered by the N.C. Department of Transportation. The program provides funds for the construction of roads to provide access to new or expanded industrial facilities.

BUSINESS ENERGY LOANS may be used by businesses for facilities or projects that demonstrate energy efficiency or the use of renewable energy resources resulting in energy cost savings.

THE RAIL INDUSTRIAL ACCESS PROGRAM provides grant funding to aid in financing the cost of constructing or rehabilitating railroad access tracks required by a new or expanded industry. Funding is contingent upon the expectation of a significant number of jobs created or capital investment made.

REGIONAL PROGRAMS

Each of the state's seven regional partnerships maintains its own set of policies and procedures for providing financial support for industrial projects. Some regions provide loans and grants. The Global TransPark Commission, for example, operates an incentive flex-grant fund that typically allocates $25,000 to counties in support of project expenses at the discretion of local development officials. In the past, these project expenses have included necessary site upgrades such as access roads and small-scale infrastructure and telecommunications improvements.

Similarly, companies relocating to one of North Carolina Southeast's eleven counties may be eligible for county-region matching grants equivalent to $1,000 per new job up to a maximum of $25,000. Awards are presented in a lump sum and may be used to offset costs of site development, shell building purchase, executive relocation expenses and a broad range of other areas. Approval of funds is typically based on wage levels of new jobs, and consideration is made for industrial projects going into economically distressed communities.

Other regions operate similar programs, though amounts and guidelines vary.

LOCAL PROGRAMS

County and city incentive programs vary widely, but most offer cash benefits that are calculated based upon a formula of anticipated local tax revenue and job increases over a designated period of time. Robeson County, for example, maintains a three-tiered Industrial Development Incentive Grant Program, eligibility for which is based upon capital investment, jobs and wage levels. Land grants and other types of assistance are also negotiated on a case-by-case basis.

Another example is Forsyth County, which has established incentive guidelines based on new capital investment (building and equipment) and on the number and value of new jobs created. The county requires a minimum investment of $3 million and the creation of at least 25 new jobs. Incentives must be approved by vote of the Board of Commissioners. Using a formula that calculates the annual tax return from the investment and the sales tax increase from the new jobs, the county will provide up-front financial assistance to companies based on a 3-5 year payback. The money can be used for site, facility and infrastructure improvements, land credits, site analysis, employee training and lease reductions. Jobs must meet identified wage thresholds.

Scotland County, a third example, awards incentives that include free land, extension of water and sewer lines, relocation assistance, waiver of building permit fees and cash grants equivalent to 50-85% of county property taxes. These enticements are extended based upon the amount of capital investment and the number of jobs anticipated within a period of three years.

Counties may establish authorities to issue INDUSTRIAL REVENUE BONDS (IRBs) or INDUSTRIAL DEVELOPMENT BONDS, which provide tax-exempt financing for eligible new or expanded manufacturing facilities, distribution centers and R&D facilities necessary to the manufacturing process. The maximum bond amount is $10 million. Qualifying projects must include:

- a written commitment of local support called an "inducement letter";
- a commitment either to pay wages above the county manufacturing average, 10% above the state average or locate in an area of severe unemployment;
- the procurement of required environmental permits;
- the creation of a sufficient number of jobs to impact the local economy (a minimum of six jobs per $1 million in bonds); and
- the assurance that the new financing will not result in the company closing another facility in North Carolina.

RESOURCES

The following organizations offer information, education and support on an array of economic development topics:

North Carolina Economic Developers Association
1201 Edwards Mill Road, Suite 102
Raleigh, NC 27607
Contact: John Peterson, Executive Director
Toll-Free: (888) 24NCEDA
Fax: (919) 882-1902
Web Site: www.nceda.org

The NORTH CAROLINA ECONOMIC DEVELOPERS ASSOCIATION (NCEDA) is the statewide association of professional economic developers and their allies. Members promote the state and their respective communities as places for new economic activity. Traditionally, this work focused on recruitment of manufacturing industries, but it has recently expanded to include trade, services, tourism, downtown development, business retention and more. Serving its members for over 30 years,

NCEDA's mission is to be (a) North Carolina's leading organization for economic development professionals and allies, and (b) North Carolina's leading advocacy organization for economic development.

NC Department of Commerce
301 N. Wilmington Street
Raleigh, NC 27601
Contact: Doug Byrd, Director of Industrial Recruitment
Phone: (919) 733-4985
Web Site: www.investnc.com

The N.C. DEPARTMENT OF COMMERCE is North Carolina's lead agency for economic, community and workforce development. The mission of the Department is to improve the economic well-being and quality of life for all North Carolinians. Services to businesses include: assistance with exporting; helping start-up firms, small but growing businesses and disadvantaged persons in inner cities and rural areas; business recruitment; retention and expansion services; and maintaining a comprehensive database of available commercial and industrial properties.

North Carolina Economic Development Course
University of North Carolina
Chapel Hill, NC
Contact: Emil Malizia
Phone: (919) 962-4759

The ECONOMIC DEVELOPMENT COURSE is a comprehensive educational experience on the theory and practice of economic development. The course's core curriculum is augmented by region-specific subject matter. The one-week training course is designed to serve development professionals with public, civic or private development agencies, and it provides the background necessary for organizing, planning and operating economic development activities.

Southern Economic Development Council
41 Marietta Street N.W., Suite 420
Atlanta, GA 30303
Contact: Gene A. Stinson, President
Phone: (404) 523-3030
Fax: (404) 523-0406
Web Site: www.sedc.org

The SOUTHERN ECONOMIC DEVELOPMENT COUNCIL (SEDC) traces its roots to the fall of 1946, making it the oldest and largest regional economic development association in North America. SEDC is a non-profit, 501(c)(6), membership organization serving more than 1,200 economic development professionals in 17 states. Its membership is diverse, including leaders from across business and industry, chambers of commerce, utilities, transportation, finance, education, and local, regional and state development agencies.

American Economic Development Council
1030 Higgins Road, Suite 301
Park Ridge, IL 60068
Contact: Paul Lawler, President
Phone: (847) 692-9944
Fax: (847) 696-2990
Web Site: www.aedc.org

The AMERICAN ECONOMIC DEVELOPMENT COUNCIL (AEDC) is a membership organization for professionals committed to economic development. The largest and oldest national economic development society, AEDC currently serves over 2,400 members. It helps members create sustainable local economic development capabilities which are globally competitive; gives leadership in building knowledge, forming alliances and managing key issues; and serves as a career anchor for economic developers who are — or who wish to become — leaders in their profession.

International Development Research Council
35 Technology Parkway, Suite 150
Norcross, GA 30092
Contact: Lawrence L. Edge, Executive Director
Phone: (770) 446-8955
Fax: (770) 263-8825
Web Site: www.idrc.org

The INTERNATIONAL DEVELOPMENT RESEARCH COUNCIL (IDRC) is the world's leading professional association for managers of corporate assets including commercial real estate, facilities, information technology, human resources, finance and other support units that define corporate infrastructure. IDRC holds a World Congress twice annually in North America as well as in Europe and Asia and has a network of local chapters.

North Carolina Economic Developers Association

"Economic Development Handbook" Editorial Committee

Robin Hiott Spinks, *Chairman*
Greenfield Development Company
Wrightsville Beach

Raymond Burrows
N.C. Department of Commerce
Fletcher

Doug Byrd
N.C. Department of Commerce
Raleigh

Brenda Daniels
ElectriCities of N.C.
Raleigh

Jim Fain
N.C. Department of Commerce
Raleigh

Oppie Jordan
Carolinas Gateway Partnership
Edgecombe County

Robert E. Leak, Jr., CED
Winston-Salem Business, Inc.
Winston-Salem

Dianne Reid
Orange County Economic
Development Commission
Hillsborough

Steve Yost
N.C. Department of Commerce
Fayetteville

Lawrence Bivins, *Editorial Consultant*
Raleigh



1201 Edwards Mill Road, Suite 102, Raleigh, NC 27607
(888) 24NCEDA • Fax (919) 882-1902 • www.nceda.org

VISITOR REGISTRATION SHEET

Joint Senate Rural Development and House Economic Growth and Community Development — 6-13-01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Robynn Steen	ACLU
BRENT LANE	NC Commerce
Sonia Schmidt	NC Justice Center
Nicole Dusenberry	NC Bounty
Adam Hall	INTERN
Martha Leatherman	Intern (Sen. Gunnigham)
DON HOBART	DOC
Tammy Lester	OSBPM
John Cyrus	N.C. State Grange
Carol Lauer	EGHS
Ken McHon	Alley Associates Inc

VISITOR REGISTRATION SHEET

Joint Senate Rural Development and House Economic Growth and Community Development — 6-13-01

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bob Ross	ACLU

Suzanne Smith (Rep. Cole)

From: Suzanne Smith (Rep. Cole)
Sent: Tuesday, June 19, 2001 4:46 PM
Subject: Committee Meeting Notice

NORTH CAROLINA HOUSE OF REPRESENTATIVES
COMMITTEE MEETING NOTICE
2001-2002 SESSION

You are hereby notified that the Committee on **ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT** will meet **jointly with the Senate** as follows:

DAY & DATE: **Wednesday, June 20, 2001**

TIME: **12:00 noon**

LOCATION: **Room 1027 LB**

The following speaker will be heard:

Betty Bailey, Executive Director
The Rural Advancement Foundation International -USA

Respectfully,

Representative Nelson Cole, Chair
Representative Mia Morris, Chair

I hereby certify this notice was filed by the committee assistant at the following offices at **4:45 p.m.** on **June 19, 2001**.

___Principal Clerk
___Reading Clerk - House Chamber

Suzanne Smith, Committee Assistant

JOINT
SENATE RURAL DEVELOPMENT
AND
HOUSE ECONOMIC GROWTH AND COMMUNITY DEVELOPMENT
COMMITTEE MEETING
Wednesday, June 20, 2001
Room 1027, Legislative Building

Minutes

The Senate Rural Development Committee and the House Economic Growth and Community Development Committee met jointly on Wednesday, June 20, 2001, at 12:00 Noon in Room 1027 of the Legislative Building. Senator David Weinstein, Senate Rural Development Committee Co-Chair, presided and 10 of the 18 Senate Rural Development Committee members attended. House Economic Growth and Community Development Committee members present were: Representatives Morris and Cole, Co-Chairs, and Representatives Alexander, Carpenter, Crawford, Holliman, Walend, West and Womble.

Senator Weinstein opened the meeting by welcoming members and guests. He introduced the pages serving the committee: Julia Donaldson of Wake County, Matt Eckler of Eden (Rockingham County), Allison Griffin of Anson County, Bianca Kemp of Guilford County, Ashley Ganoe of Guilford County and Morgan Kethro of Chowan County.

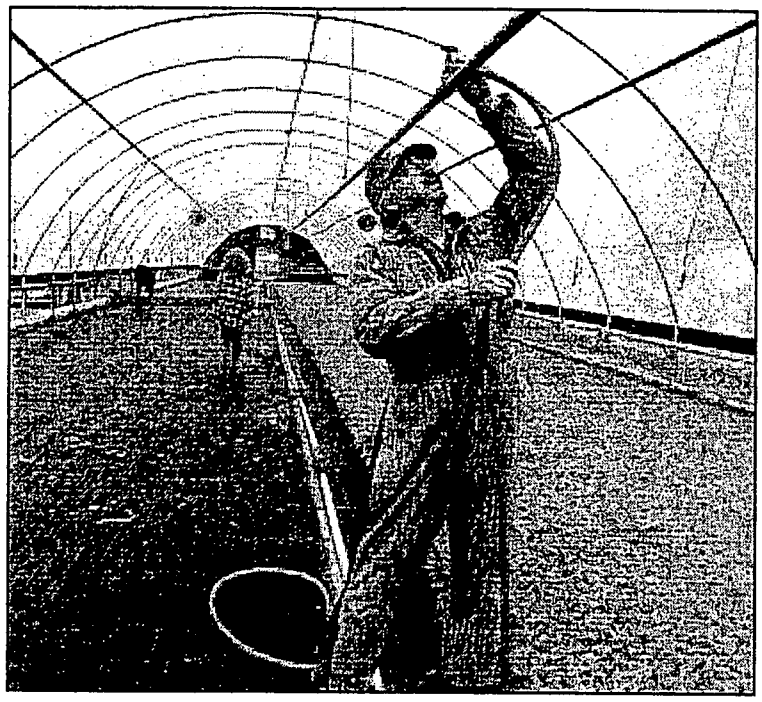
Betty Bailey, Executive Director of The Rural Advancement Foundation International – USA (RAFI-USA), was introduced by Senator Weinstein to give a presentation focused on a pilot program RAFI-USA has operated for the last three years that has been successful in helping farmers and farm communities increase income from agriculture entrepreneurship. Ms. Bailey stated that agriculture entrepreneurship is a very important direction to look at and emphasized that we should not give up on agriculture entrepreneurship as one of the elements in revitalizing rural communities. She explained that RAFI-USA is a non-profit organization; their headquarters are in Pittsboro, N. C.; they work directly with family farmers in a hands-on capacity; and they work on pilot programs and policies to help change the system to better benefit family farmers. Ms. Bailey pointed out that one of their big interests is in sustaining the farmers and the land but they recognize that we are in a different kind of economy now and different strategies need to be used. She then proceeded with a video based on the Tobacco Communities Reinvestment Fund, which provides cost-share support to individual farmers and communities for projects to increase income from agricultural efforts. (See Attachment 1 for a summary of the program.)

After her presentation, Ms. Bailey entertained questions and comments from the committee members.

Senator Weinstein closed the meeting by thanking Ms. Bailey for her presentation. The meeting adjourned at 12:45 p.m.

Senator David Weinstein
Co-Chair Presiding

Jane Bagley
Committee Assistant



AGRICULTURAL REINVESTMENT

A Producer Cost-Share Grant Program

Rural Advancement Foundation International-USA (RAFI-USA)

February 2001

AGRICULTURAL REINVESTMENT

A Producer Cost-Share Grant Program

Rural Advancement Foundation International-USA (RAFI-USA)

February 2001



AGRICULTURAL REINVESTMENT

A Producer Cost-Share Grant Program

I. Executive Summary

The situation of North Carolina tobacco farmers and rural communities is gravely threatened by changes in the tobacco industry, low commodity prices, and plant closings. A number of initiatives are underway to address the economic needs of tobacco farmers and rural communities. The General Assembly has dedicated one-half of the Phase I Tobacco Settlement funds to the Golden LEAF Foundation for tobacco-dependent communities and one-quarter of the Phase I funds to a Tobacco Trust Fund for growers and workers. The Rural Prosperity Task Force, Small Farm Commission, and Agricultural Awareness Commission have made recommendations including support for an agricultural enterprise cost-share program.

We have a historic opportunity to strengthen rural North Carolina through these initiatives. One focus of our investment should be agriculturally-based entrepreneurship. An enterprise cost-share program is one proven way to support agricultural entrepreneurship. With modest resources, cost-share programs can support the necessary research and development and can make use of the human and physical resources we already have in place.

RAFI-USA has operated a pilot Tobacco Communities Reinvestment Fund for the last four years. Funding for the project came from private foundations and individuals. The Reinvestment Fund currently supports 17 demonstration projects in six major tobacco-producing counties in eastern North Carolina. The program provides cost-share grants to individual producers and to communities for researching and developing enterprises which have the potential to supplement or replace tobacco income.

The program allows farmers and communities to test out their own ideas for increasing agricultural income.

In 1997 and again in 1999, Wake Forest University and RAFI collaboratively surveyed 1200 active tobacco farmers in 14 top tobacco-producing counties. The majority were interested in diversifying income sources and in staying on the farm. When asked what stood in the way, they identified as key barriers lack of profitability, capital, marketing outlets, and processing facilities. The Tobacco Communities Reinvestment Fund was designed to address these barriers.

The program targets support to those enterprises which add value to agricultural products at the farm and community level. It recognizes that tobacco farmers produce many other farm products at low and, often, raw-commodity value. Most of the market value for food and fiber products is received in processing and distribution. This program supports innovative marketing and production strategies which return more value to the farm and local community.

Technical support in business development, marketing, production, and processing is provided to grantees by RAFI-USA staff, Reinvestment Fund volunteer board members, and a set of cooperators. Cooperators include cooperative extension agents, NCDA market specialists, university researchers, town and county councils, civic organizations, churches, and farmers with relevant expertise.

A number of initiatives are underway to address the economic needs of tobacco farmers and rural communities. An enterprise cost-share program is one proven way to support agricultural entrepreneurship.

The grant-making process is designed to be accessible to farmers who may not have a lot of formal education or grant-writing experience. A direct-delivery process is used to distribute funds, and the program is designed to have as few bureaucratic layers as possible. Every effort is made to make decision-making criteria transparent.

Producers receive grants up to $10,000, and community grants are up to $30,000. Cost-share grants are targeted to modest sized farms and to cooperative community projects.

Funded community projects include market feasibility studies, farmers' markets, and cooperative processing initiatives. Funded producer projects include tobacco greenhouse conversions for high-value vegetable production and innovations for adding value to row crops such as soybeans. Direct-market projects include pick- and fish-your-own operations. Some projects are developing new farm-based businesses such as equine services. Others—a sod production and a youth education project—take advantage of suburban development in rural areas.

The Tobacco Communities Reinvestment Board developed the criteria and application and review processes for the pilot program. These were based on studies of other successful programs and draw on the expertise of farmers and administrators involved with similar programs.

Half the members of the Reinvestment Board are farmers with practical experience in diversifying farm income. Other board members come from the state's major agriculture institutions and bring marketing and production expertise. Some represent banking, public health, or the faith communities.

Outcome data from the producer grantees show that half have developed income-diversification projects with major financial impact on their farming operations in just two years of operation. Two entirely replaced tobacco income and one replaced income by 50%. Others reported more modest, but still significant, success in supplementing their tobacco income. While their net profit figures were below the tobacco benchmark of $1,000-per-acre net profit, the projects still provided significant supplemental income in the context of their farming operations.

Surveys of the Reinvestment Board and other process-evaluation measures indicate that this pilot project is replicable. Administrative costs were calculated at $860 per application processed, a figure comparing favorably with other agricultural entrepreneur grant programs such as the USDA SARE producer grant program. Based on our survey and pilot-program work, we estimate the annual number of fundable requests to be 107 with a funding cost of $2,140,000.

II. Background

The situation of North Carolina tobacco farmers and rural communities is gravely threatened by changes in the tobacco industry, low commodity prices and plant closings. Tens of thousands of rural manufacturing jobs have been lost. Farm commodity prices are at 30-year lows. There has been an enormous increase in foreign production of tobacco and imports over the last 20 years, lowering the demand for domestic leaf. The shrinking overall quota level has led to increased competition for quota pounds by farmers on the local level, driving up rental rates and pushing out small farmers unable to spread these higher costs over larger operations. With a 44% reduction in flue-cured quota over three years and with cigarette companies requiring barn retrofitting and contracting for as much as 75% of the tobacco in 2001, the pressures are tremendous. Modest-sized farmers and tobacco-dependent communities are under particularly great pressure to find new sources of income. Evidence shows that Phase II tobacco settlement payments, designed to compensate farmers for income losses resulting from the settlement between the states and tobacco companies, will not help with development of other enterprises for the following reasons:

1. A policy has been established which limits fund

payments to farmers still producing tobacco, so those who have already left tobacco or are putting less emphasis on it will receive less or no payments.

2. Survey data indicate that farmers are using Phase II payments to pay down debt on now de-valued farm equipment, land, and operating loans. In a 1999 Wake Forest University/RAFI survey of 1,200 tobacco farmers, 47% said they would use settlement funds to pay down debt.



Making matters worse, many quota holders have raised rental rates to offset quota reductions. This means farmers must pay what's left of Phase II funds to the quota holders. The results are that farmers' debt-to-assets ratios are worsening, and most farmers have few, if any, funds left for developing or expanding other enterprises.

At the same time, raw commodity prices have plummeted. This means that many of the side enterprises cannot be depended on to make up for tobacco losses or even maintain an income contribution without the use of value-adding marketing and processing strategies.

A number of initiatives are underway to address the economic needs of tobacco farmers and rural communities. The General Assembly has dedicated one-half of the Phase I Tobacco Settlement funds to the Golden LEAF Foundation for tobacco-dependent communities and one-quarter of the Phase I funds to a Tobacco Trust Fund for growers and workers. The Rural Prosperity Task Force, Small Farm Commission, and Agricultural Awareness Commission have made recommendations, many of which are already being acted on. One or a combination of these efforts should include cost-share support for on-farm and community-based agricultural enterprises among other initiatives. RAFI recommends a comprehensive approach in which a cost-share program is one key ingredient.

Any farmer-assistance program should have the same level of sophistication in addressing the full range of credit, production, processing, and marketing issues as the tobacco program has had. The tobacco program is a successful model of a sophisticated marketing system, which links supply, demand, and infrastructure needs. This has ensured a fair rate of return to the farmer, providing stability and a stronger equity position in the credit market.

What Farmers Tell Us

In 1997 and again in 1999, Wake Forest University and RAFI collaboratively surveyed 1,200 active tobacco farmers in 14 top tobacco-producing counties. The majority were interested in diversifying income sources and in staying on the farm. When asked what stood in the way, they identified as key barriers lack of profitability, capital, marketing outlets, and processing facilities. The Tobacco Communities Reinvestment Fund (TCRF) was designed to address these barriers.

The program targets support to those enterprises which add value to agricultural products at the farm and community level. It recognizes that tobacco farmers produce many other farm products at low and often raw-commodity value. Most of the market value for food and fiber products is received in processing and distribution. This program supports innovative marketing and production strategies which return more value to the farm and local community.

The TCRF was funded by the Robert Wood Johnson Foundation, the Duke Endowment Rural Church Division, the Z. Smith Reynolds Foundation, and by church and individual contributors. It was evaluated by a consortium including Wake Forest University and the Research Triangle Institute.

RAFI's TCRF project provided grant money, through a competitive process, to tobacco farmers who submitted proposals for an enterprise that could supplement or decrease their dependence on their tobacco income. This cost-share grant program was also extended to community organizations, under the theory that groups of farmers, farm co-ops, farmer associations, churches, local businesses, and civic organizations may all play a role in creating new enterprise efforts that implement new methods of producing, processing, or marketing products grown on the farm.

The TCRF project recognized that the farmer share of the American food dollar declined from 46% in 1947 to 23% in 1996, according to USDA figures. Meanwhile, the share going to the processing and

marketing sectors expanded. Any plans for continued agricultural viability in North Carolina must include opportunities for farmers to recapture a greater portion of that dollar.



At this point, the Tobacco Community Reinvestment Fund pilot program has operated for three funding cycles, and most of the one- to two-year projects are completed. Our experience with this pilot program reveals some critical lessons. In making its recommendations, RAFI will draw on this experience as well as two other sources: RAFI based its TCRF pilot project on a thorough study of several outstanding producer grant programs in the United States. RAFI staff also have 30 years of experience working with North Carolina farmers who specialize in many different enterprises and who have adapted to structural changes in the farm economy. From this background, RAFI will make recommendations on establishing a statewide enterprise cost-share program.

III. Agricultural Economic Development

Some would contend that revitalization of tobacco and rural communities must depend on a new paradigm. The argument is made that modest-sized farms have been a declining industry in North Carolina, as in other states, for many years, and that the momentum of that agricultural shift towards consolidation should not be opposed. Under this scenario, economic development should concentrate solely on infrastructure development, education and training, and industrial policy and recruitment to prepare the area for its next stage of evolution.

We should look carefully at the past before we accept such a scenario. To begin with, it is commonly assumed that large farms are more efficient because of economies of scale. However, recent research suggests the opposite: that family farms can be as efficient as large consolidated operations.[1]

There are additional reasons why the benefits of modest-sized farms should not be so easily written off. An increasing body of literature suggests that large-scale agricultural production does not bode well for conditions in farming communities. University of California researcher Dean MacCannel has written:

> As farm size and absentee ownership increase, social conditions in the local community deteriorate. We have found depressed median family incomes, high levels of poverty, low education levels, social and economic inequality between ethnic groups, etc. ... associated with land and capital concentration in agriculture.... Communities that are surrounded by farms that are larger than can be operated by a family unit have a bi-modal income distribution, with a few wealthy elites, a majority of poor laborers, and virtually no middle class. The absence of a middle class at the community level has a serious negative effect on both the quality and quantity of social and commercial service, public education, local governments, etc.[2]

In contrast, tobacco communities in North Carolina, at least in part because of the comparatively large number of family farms, have traditionally had cohesive community institutions. Additionally, family farms are small businesses, and there is considerable literature documenting the job-creation impacts of small businesses in the United States.[3] Finally, not only does farm preservation compare well with industrial development, farmlands contribution to the tax base is greater than if that same land is turned into residential development, after taking into account cost of community services.[5]

Farmers want to develop agricultural enterprises and they want to stay on the farm. Sixty-three percent of farmers responding to the 1997 Wake Forest University survey said they would like to further increase their tobacco-supplementation efforts; 57% had taken some action during the year to make that desire a reality. Our 1999 survey indicates that, despite the very real threat to their livelihood, only 5% indicated they would get an off-farm job. Only 2% said they would retire, and most said they would keep farming.

This paper will show how a cost-share program using traditional economic development tools can be applied effectively to agricultural economic development. Agricultural entrepreneurship can and should

be an important contributor to rural prosperity .

IV. The Case for a Cost-Share Agricultural Enterprise Fund

Success has been achieved with RAFI's Tobacco Communities Reinvestment Fund and similar programs in Kentucky, Minnesota, and North Dakota. There are also the successes of the USDA's Sustainable Agriculture Research and Education (SARE) program and the Ways to Grow Program of North Carolina A&T State University. These offer strong reasons for adopting a statewide program at this time. These programs have shown that farm innovation can be a powerful rural economic development force. RAFI has extracted and refined several principles of operation for cost-share grants in the past four years of running a pilot Tobacco Community Reinvestment Fund in eastern North Carolina counties. These principles could be successfully transposed to a full-scale, state-level program.

A cost-share program can help diversify not just crops but also income through program support for value-added processing, value-added marketing, on-farm research, and small business entrepreneurship.

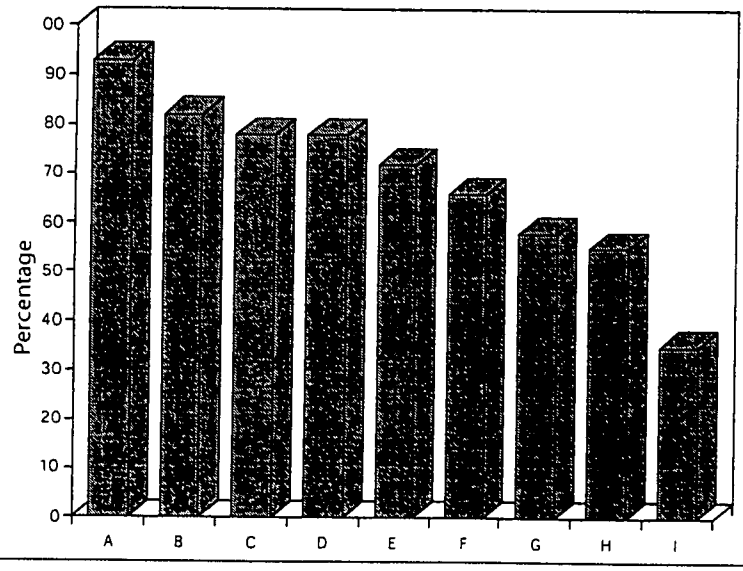
Key Principles

- Direct delivery of funds—with as few bureaucratic layers as possible—is needed for efficiency of the program and credibility in the farming community.
- Local communities, farmers, and practical expertise should drive the decision-making process.
- A wide array of skills and experience will foster good decision-making.
- Applicants have diverse technical-assistance needs that can be met by organizing a network of existing technical-assistance resources. New bureaucracies are not required.
- The program should stress collaborative efforts.
- Marketing of the program through all available community communication channels is important; face-to-face meetings with potential farmer applicants are crucial.
- There should be an accessible process that helps applicants develop plans and decide whether or not to move forward.
- Proposal evaluation sessions should include face-to-face interviews.
- Innovative growers and communities should be rewarded by giving them a forum to disseminate ideas.

Will a Cost Share program turn up that Silver Bullet?

Everyone wants to know what the one crop is to replace tobacco. The answer is that there is no one crop or even a group of crops. The answer has more to do with what we do with what we grow *after* we grow it. The secret of tobacco's profitability is not the crop

Barriers to Supplementation



A: Nothing is as profitable as tobacco
B: Lack of processing plants in tobacco communities
C: No place to sell new products
D: Low supply of quality labor
E: Lack of capital for new business ventures
F: Lack of low interest loans or grants
G: Lack of support from leaders
H: Need additional skills
I: No interest in anything but tobacco

but the tobacco program and the market management tools it has given farmers as a group. In our 1997 and 1999 surveys, we found that the farmers are diversified in what they grow—94% raise other crops and livestock as well. These include soybeans, grain, cattle, fruits, and vegetables. They are just not making money from those other enterprises.

In a RAFI/Wake Forest University survey of 1,200 active tobacco farmers, the majority were interested in diversifying income sources and in staying on the farm. They identified as key barriers lack of profitability, capital, marketing outlets, and processing facilities.

A cost-share program can help diversify not just crops but also income through program support for value-added processing, value- added marketing, on-farm research, and small business entrepreneurship.

RAFI's cost-share program and the other successful programs studied address the key barriers identified by farmers. (See graph below.)

It can be difficult to get capital to try value-adding processes and market innovations. The risks of enterprises and activities that have not been attempted previously seem high to potential lenders. A cost-share program enables farmers to explore opportunities by developing sound business proposals which can then be used to leverage additional credit from the financial community. Where there is no or little history on the farm or in the community of a particular enterprise, traditional lenders can be reluctant to invest. This is particularly true for the modest-sized farmer who may have good ideas but is already operating on a razor-thin profit margin. In this situation, a cost-share grant can be a productive mechanism to relieve some of the risk.

Farmers have a natural tendency to create new enterprises, to tinker, to invent, to see new connections, to become disgusted with the inefficient or ineffective or unexciting. A cost-share grant fund takes advantage of this natural tendency by finding ways to accelerate the pace of innovation and to increase the percentage of successful innovation attempts. The inventiveness within the community is a great resource of which any economic development plan should make use.

Not only are tobacco farmers motivated to diversify, but all major segments of the local tobacco communities support those efforts. At the same time that we surveyed tobacco farmers, we also surveyed community leaders by telephone in the 14 study counties. These community leaders came from the fields of public health, government, local economic development, service organizations, and religious institutions. A majority of all respondents indicated they believed that diversification efforts were relevant to their organization's mission, and from 85–90% indicated they believed that government should help tobacco farmers supplement or diversify their operations.

In summary, building on resources, skills, and organizations already in place only makes sense. In tobacco communities these include: tobacco farmers' individual entrepreneurial skills, farmers' tendency to be inventive, the farm and community organizations that can coordinate collective efforts, and the local businesses and agencies that are intertwined with farming enterprise. These include farm supply and equipment dealers, warehouses, agricultural lenders, and advisors such as Cooperative Extension.

Not all supplemental enterprise grant projects will be successful. It should be remembered, however, that not all job-training efforts are successful; not all education efforts are successful; not all infrastructure efforts are successful; not all traditional economic development efforts are successful—in meeting the objective of increasing the number of well-paying jobs and the ability of local residents to compete for those jobs. The point of investing in farmer-developed supplemental enterprises is that, overall, the percentage of farmers making new attempts can be raised, and the percentage of successful new enterprise attempts can be improved. In a sense, a decision to fund a cost-share grant at the individual level is a method of spreading the investment risk. The resulting impact can, we believe, lead to more profitable farm operations and, ultimately, to overall community economic stability.

V. RAFI's Tobacco Community Reinvestment Fund

In this section we first describe programs in other settings that provided models for RAFI's cost-share grant program. We then describe the operation of RAFI's

TCRF in some detail, together with the key principles for establishing such a fund. Finally we describe some initial results of RAFI's pilot fund.



Programs that provided models for RAFI's TCRF project

In researching how to conduct a cost-share grant program, RAFI built upon a history of experimentation by various organizations which have attempted to determine how best to quicken the pace of farmer invention and how best to increase the percentage of successful projects.

USDA's Sustainable Agriculture Research and Education Program (SARE)

SARE administers a competitive grants program first funded by Congress in 1988 and began offering a small grants program for farmers to run their own on-site research experiments in 1992. Nationally, from 1992-1997, SARE funded 490 producer farm enterprise projects of up to $10,000, totaling over $1,983,802 dollars in grants[2]. Note that SARE's experience also supports the contention that there is a demand for such grants: In recent years only around 20% of applicants received SARE awards in the Southern SARE region because of limited funds.

Kentucky Commodity Growers Co-op Program

In 1997 the Commodity Growers Cooperative Association (CGC), a subsidiary of the Kentucky-based Burley Tobacco Growers Cooperative, established a Tobacco Communities Reinvestment Fund as part of CGC's efforts to provide farmers with access to capital for diversification. The fund provides both grants and access to low interest loans. Over a two-year period the program made 39 grants to farmers and agricultural organizations in 28 counties. Total project awards have been $350,000. Funds were provided through the Kentucky Attorney General's Office. The fund was established in parallel to the RAFI fund, using many of the same principles and drawing on RAFI's design.

Farmers submit applications to an Advisory Board which makes recommendations to the CGC board for final approval. Preference is given to farmers and farm groups with involvement in tobacco, to communities that are highly dependent on tobacco income, and to projects that call for farmers and groups to work together in cooperatives. All applicants must submit a full budget, work plan, and outreach plan. Upon receipt, farmers sign a contract with CGC. Grants are for one year and farmers can receive up to 40% of the grant up front.

Many more applications have been received than can be funded. CGC considers strengths of the program to be that the funds go directly to farmers and farm groups; that as demonstrations, the projects encourage cooperation and promote diversification; that the board represents a diverse group of agriculture leaders; and that the review process enables networking and collaboration that might not otherwise happen.

A compete analysis of the program and its impact is not possible at this time.

North Dakota Agricultural Products Utilization Commission

The North Dakota Agricultural Products Utilization Commission (ND-APUC) administers a grants program with the objective of creating new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. The Commission recommends that applicants work with a representative from the regional APUC or with a local economic developer. Applications can focus on one or more of four areas: (a) Basic and applied research; (b) Marketing and utilization; (c) Cooperative marketing; and (d) Farm diversification. From 1993–97, ND-APUC funded more than 160 proposals across the four grant categories. A North Dakota State University study found that the nearly $875,000 that had been invested by ND-APUC by 1996 in the Cooperative Marketing category alone created businesses and industries that added more than $84 million annually to the state's economy. The report asserted that secondary jobs and commerce of more than $150 million were created by the initial economic activity. A detailed analysis of three of the 11 new businesses in question indicated that they created over 2,200 new jobs. These

new jobs had a significant positive impact on employment in their respective communities. (Examples of funded projects may be found in Appendix B)



Minnesota Department of Agriculture's Sustainable Agriculture Grant Program

Minnesota Sustainable Agriculture Grant Program (SAGP) grants are made available to fund demonstrations on farms of practices that promote environmental stewardship and conservation of resources, improve long-term viability and productivity, improve the quality of life for farm families, and support rural communities. Grants may total as much as $25,000 over as many as three years. Since 1989, the program has funded 152 projects and disbursed $1.68 million in agricultural grants. (Examples of funded projects may be found in Appendix C).

Ways to Grow Program of North Carolina A&T State University

Ways to Grow was an on-farm demonstration and granting program operated by North Carolina A&T State University for three years with support from the W. K. Kellogg Foundation. It was designed to support development of new on-farm enterprises. Eligibility requirements limited applicants to farmers with income below $50,000 and to those farms where the farmer and family members provide most of the labor and management for the demonstration project and had to have controlling interest in the land and other farm resources. Support from Cooperative Extension and/or private agricultural agencies and organizations was also required.

A short, farmer-friendly application was required. It gave information about the current operation and the demonstration proposed and on how the demonstration would contribute to the overall farm operation and the program.

Participants were selected by members of an Advisory Council. Farmers received funds on a reimbursement basis, with funds going directly to vendors. Participating farmers were required to make the demonstration site accessible to the public and to share what they learned with other farmers and university personnel. Participants attended training and planning sessions. Farmers were required to keep accurate records of production costs and income generated by the demonstration.

Other programs

To design the RAFI Tobacco Communities Reinvestment Fund, RAFI also studied other economic transition programs, including the timber-related Northwest Economic Adjustment Initiative, the Canadian Tobacco Transition Adjustment Initiative, the 1980s U.S. Dairy Termination Program, and transition programs created to offset negative effects of American military base closings and NAFTA.

Operation of RAFI's Cost-Share Fund

The operation of a cost-share fund is simple, although there are several critical decision points. A key task is to recruit a representative decision-making body which would, in turn:

(1) determine the definition of supplemental enterprises to be solicited and criteria for applicant eligibility.

(2) release a solicitation and encourage farmers to write proposals for grant funding for supplemental enterprise ideas.

(3) evaluate proposals submitted based on pre-determined (and publicized) criteria, and make awards.

(4) specify, and contract with the farmer/group for deliverable products, including (a) collection of outcome data (revenue and cost); and (b) presentation of results to relevant farm and community groups.

(5) monitor ongoing project progress towards completion and the collection and submission of outcome and financial data.

(6) develop a network of technical-assistance resources which can be applied to specific projects in a timely manner;

RAFI expended significant effort in testing all materials targeted at potential applicants. The request for proposals was reviewed and revised by farmer members of the Review Board, then compiled into a concise application package (see Appendix D). Farmers were required to:

- document their own cost-share resources that they contributed to the project to supplement the grant resources.

- to create outreach plans to teach other farmers and the community about their effort.
- collect outcome data documenting the costs and revenues achieved in their enterprise .
- compare the project to tobacco earnings.

The inventiveness within the farm community is a great resource of which any economic development plan should make use.

Key Principles for RAFI's Cost-Share Grant Project

The following are principles that have been tested in RAFI's Tobacco Community Reinvestment Fund pilot project, and which we believe would be critical to successful implementation at the state level:

(1) Decision-making boards should bring practical expertise in farming, marketing, and rural community needs. Farmers and local communities should help drive the decision-making process. Members of the TCRF Board were recruited from North Carolina farms and institutions. We believe that the local comnnection gave farmers and communities much more confidence in the solicitation and proposal evaluation processes. In addition, the ideas and designs for each of the funded projects originated with local communities and farmers. Local communities and farmers should drive the decision-making process.

(2) A wide array of skills and experience will foster good decision-making; farmers should predominate on the decision-making body. The RAFI Tobacco Community Reinvestment Fund Board includes:

- a NC A&T special assistant to the Dean of Agriculture; livestock scientist who directed the Ways to Grow Program which provided small grants to producers for alternative enterprise development.
- a Guilford County tobacco farmer and nurseryman who is also a former member Flue-cured Stabilization Board and Tobacco Growers Association Board.
- a Martin County poultry, fish, and shiitaki mushroom farmer, tobacco quota holder, and farm advocate who assists farmers with farm plan restructuring.
- a Vice-President, Community Development lending at First Citizens Bank, Raleigh, NC and former finance officer of the NC Rural Center.
- The Director of Small Farm Programs, NC Department of Agriculture.
- a Sampson County produce farmer with expertise in value-added and cooperative production and marketing.
- an Alamance County diversified vegetable, fruit, and cutflower farmer who is also chair of the producer grant committee of the Southern Region SARE Program of USDA.
- a Wake Forest University Medical School social scientist with a special interest in the welfare of tobacco farmers.
- a Pasquotank County farmer specializing in high value organic vegetable production and marketing.
- a Presbyterian minister on the staff of the Duke Endowment who has a special interest in the welfare of tobacco communities.
- a tobacco specialist at NCSU, director of the tobacco farmer leadership program with experience with diversified greenhouse production and rotations.
- a vegetable marketing specialist, formerly with the NC Department of Agriculture.

All of the farmers had prior experience with cost-share grant programs, and several had experience with value-added commodities and cooperative marketing efforts.

The TCRF Board decision-making experience has validated our initial decision as to the composition of the Board. Selected technical expertise (e.g. farm lending; marketing techniques) has proved invaluable for certain decisions, but the experience of tobacco and vegetable farmers has also been critical in proposal evaluation and supplemental enterprise definition decisions. Board members have also used these same skills in providing technical assistance to selected projects as necessary.

(3) The diverse technical-assistance needs of applicants are better served by organizing a network of existing technical-assistance resources rather than by the development of a new bureaucracy. In addition to Board members, RAFI developed a network of individuals with special expertise who agreed to provide consultation on specific problems. RAFI also encouraged direct contact with technical assistance resources by grantees.

(4) The project should stress collaborative efforts involving farmers, agriculture extension, non-governmental groups, community leaders, and others, and should emphasize producers' contacts and agreements with co-operators as a major criteria of the grant proposal.

(5) Marketing of the program through all available community communication channels is important; face-to-face meetings with potential farmer applicants are crucial. The TCRF publicized its grants program through many diverse mechanisms: through various organizational community newsletters and websites; through RAFI's own newsletter directly to more than 8,000 tobacco farm families; through radio announcements; and through posters at agricultural centers. However, holding community meetings also proved valuable; face-to-face dialogue can clarify issues, and question-and-answer sessions can be held, especially for some farmers for whom written communication mechanisms might not be as salient.

Everyone wants to know what the one crop is to replace tobacco. The answer has more to do with what we do with what we grow after we grow it.

(6) There should be an accessible process that helps farmer-applicants develop plans and decide whether or not to move forward. Applicants were given several opportunities to improve their proposals by getting both positive and negative feedback before the final proposal evaluation session. The proposal evaluation criteria and rating system were shared with applicants before they wrote their proposals. Providing several opportunities to screen down the number of applicants and for applicants to self-screen proved effective.

(7) Proposal evaluation sessions should include the possibility of face-to-face interviews. For some proposals, especially those where there were diverse opinions among Board reviewers, face-to-face interviews with grant applicants proved invaluable. Clarification led, in some situations, to enthusiastic endorsement; in others to a realization that the applicant's proposal was not planned well enough to warrant funding at this time.

(8) Innovative growers and communities should be rewarded by giving them a forum to disseminate ideas. Not only does this nourish entreprenuerial spirit, it provides a non-threatening credible source of useful information.

Results of RAFI's Tobacco Community Reinvestment Fund pilot project

In response to RAFI's three calls for proposals (the 3rd RFP was released on 1/20/99), 51 applications were received from the target seven counties. Appendix G gives a detailed description of the applications, including the types of enterprises proposed and funded and a profile of applicants. The complete list of RAFI grantees, with a brief description of their projects, is given in Appendix H.

Outcome data from the producer grantees show that half have developed income diversification projects with major financial impacts on their farming operations in just two years of operation. Two entirely replaced tobacco income and one replaced income by 50%. Others reported more modest but still significant success in supplementing their tobacco income. While their net profit figures were below the tobacco benchmark of $1,000 per acre net profit, the projects still provided significant supplemental income in the context of their farming operations.

The five community projects include two feasibility studies, a youth education and marketing project, and two new farmers markets. These do not lend themselves to the traditional financial profit calculus of per acre profits used for the producer grants. Their successes and impact will be best determined through further years of development.

The four enterprises described below take advantage of residential growth in rural counties:

- **High Value Hay Production and Boarding and Training Services** for the growing base of new horse owners in rural areas.
- **Historical Educational Farm and Tour Site** increases farm income and provides local educational opportunities by hosting tours of this working farm for elementary and secondary school classes.
- **Sod Marketing** supplies farm-produced sod for the expanding residential market in a rural county.
- **Lillington Farmers' Market** provided start-up costs for new direct market as an outlet for area farmers, including those who have converted tobacco greenhouses for vegetable production. The farmers' market group is also exploring cooperative marketing ventures tied to the school lunch program.

The next six described enterprises convert existing facilities for new use and add value to existing farm products by using new production, processing, and marketing techniques:

- **Tobacco Greenhouse Conversion and Marketing Projects** convert tobacco greenhouses for vegetable production and marketing at high value during the months when field production is not possible. Producers sell tomatoes, cucumbers, squash, and bell peppers to North Carolina grocery chains—replacing imports from California, Mexico, Holland, and Florida. They also direct-market their produce from the farm and at farmers' markets. Last year approximately one-third of the tobacco greenhouses were empty due to quota cuts. These farmers earned an average $2/lb for greenhouse-grown produce.



- **Specialty Soybean Production, Storage, and Marketing** responds to new market demand for seed and edible soybeans. According to a survey of 1,200 eastern North Carolina tobacco farmers, the second most commonly grown crop is soybeans. The medical community is urging Americans to consume more soy products (soy burgers, soy milk, tofu) to improve health. Other countries, Japan in particular, have more demand for special varieties of soybeans than they can produce. Project farmers earned greater income by growing specialty and seed soybeans than they would have with conventional beans and by having the capacity to hold the beans for the optimal market openings by converting existing grain bins for storage.
- **Catfish and Grapes** combines a fish-your-own catfish operation and a pick-your-own grape vineyard. The farmer saves labor costs of harvesting, converts a tobacco barn into a packing and grading shed, cuts input costs by irrigating grapes from fish ponds, and provides recreational and social opportunities for rural customers.
- **Columbus County Farmers' Market** increases farmer income from direct produce sales and increases business activity in downtown Whiteville. In its first year the market had 5,749 customer visits and 27 participating farmers. The project has a special focus on using tobacco greenhouses to expand the product base for the market and anticipates using abandoned manufacturing facilities for a flash-freeze plant to process and market additional produce. Market sponsors include the Cooperative Extension Service, Farm Services Agency, Chamber of Commerce, Downtown Development Commission, and the Columbus County Commissioners.
- **Carolina Recycling Cooperative** will increase income from poultry production by supporting start-up for a cooperative to share the costs and profits of collecting and treating dead poultry for re-use as fertilizer or pet food. Dead birds, normally a liability for the farmer, are turned into value-added products for the farmer cooperative, while the water and land are better protected from environmental pollution. This project works closely with North Carolina State University, environmental agencies, and other agencies.
- **Johnston County Goat Producers** supports a market and processing cooperative in conducting a market feasibility study to assess the needs and demand for goat meat among the growing Hispanic community. A market survey done with the assistance of North Carolina A&T State University will determine customer preferences, such as cut of meat and age of goat, and will identify best ways to link sellers and buyers. Currently, much of the goat meat sold in North Carolina is bought wholesale or shipped in from Texas.

Profit/acre returns from the following projects are encouraging:

- **Increased Profits Through Hay Production**. This proposal by a farmer in Princeton, NC was to grow and square-bale hay for the burgeoning horse market in the area. Total production included 200 square bales of alfalfa, selling at a premium price of $4.00/bale.
- **Operation Grain Storage**. Through the TCRF grant, this farmer was able to purchase and reconstruct two used grain bins. The additional grain storage capacity has allowed him an increased net profit of $20/acre, due primarily to added revenue from seed sales of $.60/bushel. The two new bins will thus add $4,400 of value this year through soybean

storage alone, and there is potential for wheat storage, as well.



Resource Inputs Required to Run the Program

Coordination and administration of the program through three rounds of grant awards required the following resources:

Staff time: approximately .75 FTE

Board time: approximately 1,690 hours total, or 130 hours for each of 13 Board members.

(See Appendix E for a list of required Board and Staff tasks).

Additional Evaluation Measures

Survey of tobacco farmers in project counties to detect ripple effect of the project. In January–March, 1999, Wake Forest University researchers re-surveyed over 1,200 tobacco farmers. A final survey is being conducted in 2001. Tobacco farmers are asked explicitly whether they are attempting to diversify, and what new enterprises they are attempting, as well as a battery of other questions. This survey will provide an indication of the community-wide impacts of the Reinvestment Fund grant project and other RAFI efforts to foster tobacco supplementation efforts.

Survey of community leaders in project counties. RAFI will repeat its survey of community leaders in 2001 to detect level of organizational commitment to tobacco farm diversification efforts and organizational actions taken to further diversification efforts in each community.

VI. Funding, Administrative Costs, and Implementation Issues

Proposed funding for grant awards

RAFI forecasts a demand level of 320 applications per grants cycle, based on our evaluation of telephone surveys of over 1,200 tobacco farmers in 14 of the largest tobacco-producing communities in North Carolina. Of those surveyed, 13.3% of farmers indicated that they would like to attempt a supplemental enterprise, or that they had attempted to secure funding during that year, but that funding for their effort was a major bottleneck. Extrapolating this percentage to the approximate total of 12,000 North Carolina tobacco farmers, and assuming that only one-fifth of these would apply during any given year, yields 320. If awards averaging $20,000 are made to only one-third of the applicants (107), this would require total funding of $2,140,000 per year.

Estimate of costs to administer a producer grant program of this size

The administrative costs of RAFI's TCRF program are approximately $860 per application processed. This compares favorably with the Southern SARE Region and with the North Dakota project, each of which spends over $1,000 per application. The total administrative cost (which includes coordination of all technical assistance to farmer-awardees) would thus be in the range of $275,200 (320 applications x $860/application).

Estimating the workload costs for Board members is more difficult. RAFI-TCRF Board members spent a significant amount of Year-1 time in the development of the program. Board members each spent aproximately 148 hours on the project, or 3.7 hours/application/Board member. However, this probably overstates the work that would ultimately be required of Board members. The Board member workload for the Southern SARE region was estimated at around 40 total hours, or .5 hours/application received. If we use a compromise figure of 75 hours/Board member/application, then this would yield a total estimate of 240 hours/Board member/year. As this would likely be too time-intensive for any one group of Board members, we would propose two or three teams of reviewers.

Administrative and grant costs are relatively modest, but constitute significant investments in critical resources in tobacco communities, farmers' ingenuity, and farmland that will mesh well with other rural economic development initiatives.

Issues to be addressed during implementation

Any producer cost-share program will encounter difficult implementation issues. These range from the definition of "innovative" in a Request for Proposals to decisions on how to prioritize technical-assistance requests from grantees. A recent process evaluation of one SARE region's Producer Grant program indicated that the issues encountered by RAFI and those encountered by other programs are very similar. These issues can be dealt with, but knowing the issues up-front will enhance the ability of a newly formed program to deal with them. Appendix F cites these key issues.

The cost-share grants program is an essential part of the solution for those tobacco farmers who want to remain in farming.

VII. Conclusion

The proposed program and funding levels would be a significant investment in critical resources in tobacco communities—farmers, their ingenuity, and their farmland. This investment and its potential outcomes will mesh well with other rural economic development initiatives. The proposed Board would supplement existing federal, state and local agriculture-based development programs. It would operate as a liaison between various resource agencies involved with farmer issues and grantees. There are many diverse stakeholders in the tobacco communities under discussion, and tobacco farmers themselves are in many different situations. The cost-share grants program is an essential part of the solution for those tobacco farmers who want to remain in farming.

References

(1) *A Time To Act A Report of the USDA National Commission on Small Farms.* 1998. U.S. Department of Agriculture. Miscellaneous publication #1545 (MP-1545)

(2) MacCannell, Dean. "Agribusiness and the Small Community," Background Paper to Technology, Public Policy and the Changing Structure of American Agriculture, Office of Technology Assessment, U.S. Congress, Washington, D.C. 1983.)

(3) Kirchhoff, Bruce A., and Greene, Patricia G. "Response to Renewed Attacks on the Small Business Job Creation Hypothesis" in *Frontiers of Entrepreneurship Research,* 1995 Edition @: http://www.babson.edu/entrep/fer/papers95/kirchof.htm.

(4) Peterson, Willis L., "Are Large Farms More Efficient?" Staff Paper P97-2. University of Minnesota, Dept. Of Applied Economics. January, 1997.

(5) "Cost of Community Services Studies" Fact Sheet. American Farmland Trust Farmland Information Center. @: http://farm.fic.niu.edu/fic-ta/tafs-cocs.html

(6) Den Biggelaar, Christoffel, and Suvedi, Murari. *An Evaluation of the North-Central Region SARE Producer Grant Program.* 1999. AEE Center for Evaluative Studies, Michigan State University.

Appendix A

SARE Producer Grants, 1992 - 1997

(Data Supplied by Dr. Kim Kroll, USDA-SARE National office. 2/19/99).

	US		Southern Region	
Category	# projects	$ invested	# projects	$ invested
Crop Production	155	$601,107	19	$143,321
Animal Production	132	$518,060	14	$106,816
Pest Management	97	$314,796	9	$60,528
Economics/Marketing	37	$234,948	6	$50,734
Education	20	$99,981	2	$19,638
Natural Resources	17	$62,886	1	$2,317
Integrated Farming Systems	16	$77,740	5	$32,248
Soil Management	8	$31,084	0	
Community Development	3	$24,045	0	
Quality of Life	3	$10,800	0	
Other	2	$8,355	0	
Total	490	$1,983,802	56	$415,602

In 1998 there were an additional 133 grants made in all SARE regions combined; 18 of these were made in the Southern region. The Southern region Producer Grant program started in 1994.

Appendix B

Examples of 1998 Projects Funded by the North Dakota Agricultural Products Utilization Commission

- Spiritwood Dairy Cooperative in Lawton received a $10,000 farm diversification grant to cover the development costs for a potential $5 million dairy with the capacity to milk 1,600 cows and utilize 3,500 acres of irrigated forages. The grant was approved to cover legal fees, business plan development, site selection, and engineering.
- A $52,744 cooperative marketing grant was awarded to fund the development of a business plan to sell equity share in an oil seed crushing cooperative and to purchase an oil seed crushing facility. The plant crushes safflower, canola, flax, and crambe.
- The Dickinson Research Center received a $35,400 research grant to evaluate the optimum level at which field peas can replace soybean meal in sow lactation diets.
- A marketing and utilization grant was awarded to American Dairy Corporation (ADC) for $62,000. ADC is an innovative dairy company established to market dairy products as national brands, supported by a national advertising campaign.
- Prairie Pasta Producers in Crosby received a cooperative marketing grant for up to $120,000 to fund the development of a business plan and an equity drive prospectus for the creation of an international cooperative, comprised of U.S. and Canadian producers, to process durum wheat into dry pasta.

Appendix C

Examples of Producer Grants Funded by the Minnesota Department of Agriculture's Sustainable Agriculture Grant Program

- Funding of an experiment to determine whether the use of soy oil as a carrier can reduce the amount of herbicides needed for effective weed control in corn and soybeans.
- As part of a diversified truck farm operation, a grantee is developing a system for producing and direct marketing dry edible beans, organically grown.
- A farm is experimenting with composting urban grass, leaves and brush as a way to enrich the farm's soil and attract visitors to a small farm on the edge of an expanding city.

Appendix D

Producer Grant Application Package

TOBACCO COMMUNITIES REINVESTMENT FUND

Announces

1998 Grant Program

Call for Proposals

Please distribute the Call for Proposals to those you think will be interested.

The goal of the Tobacco Communities Reinvestment Fund is to keep farmers on the farm and to sustain rural communities. The Fund is set up to support on-farm and community demonstrations . Grants will be made for producer and community projects that are designed to supplement tobacco income and reduce dependency on tobacco income through production, marketing and processing of other farm products.

The 1998 Reinvestment Fund is a pilot. It will make grants to farmers, farm and other community organizations in Wayne, Wake, Johnston, Pitt, Harnett, Columbus and Edgecombe Counties.

We will give high priority to innovative projects which show farmers a new direction or opportunity. We are particularly interested in projects which make new or additional uses of tobacco facilities or equipment and those which demonstrate value added marketing.

For a copy of the Producer Grant Application Package or for the Community Grant Application Package, please contact:

Betty Bailey
Tobacco Communities Reinvestment Fund
RAFI-USA
P.O. Box 640
Pittsboro NC 27312
Phone: 919-542-1396 Fax: 919-542-0069 email: bbailey@rafiusa.org

Write a Successful Proposal

Please type or print **clearly.** Remember that each reviewer has to read dozens of proposals. They volunteer their time and will probably read your proposal after their working hours are over.

Don't use small type, like this! (use 12 point or larger)**Make Your Application Easy to Read!**

Develop clear goals. Whether you are trying to solve a marketing project or do something no one's even thought of yet, simple and clear goals let the reviewers know **WHAT** your goal is. Then - as they read your application - they can see **HOW** you are going to reach your goal.

Plan ahead on how to accomplish your project. Think about the details before you fill out the proposal. This helps you and also lets the reviewers know that you have thought through all the steps of your project.

Measure your results. Chances are you are going to measure something. So, whether it is crop yield, increased market share, make sure that what you are measuring will give you the information you need to tell if you have accomplished your objectives.

Timing is everything. Let the reviewers know **WHEN** you will be doing the things you plan to do. A **detailed** timetable lets them know that you have given this work some thought and that you have a clear idea of the time it will take.

Choose cooperators to complement your skills. When you enlist the cooperation of people who have expertise in areas that you don't - research, marketing, outreach, whatever - they'll help you make your project better and increase your chances of receiving funding. **Pick your cooperators carefully, and make sure each one has the skills you need for your project.** Your cooperators may be other farmers with expertise in production, marketing or other enterprise skills. You may also want to involve extension agents, crop consultants, non profit groups, university or Department of Agriculture specialists. **Include letters of intent from cooperators with your proposal.**

Develop a clear outreach plan to share what you learn from your project. Outreach activities can include field days, workshops, publications or any method to get the results of your project to people who can use them.

Develop a realistic budget. Please carefully itemize your expenses on the budget worksheet and enter your sub-totals for funds requested and for matching contributions. Then enter the project totals on the last line of the second page of the budget worksheet for each year that funds are requested. Look at the sample budget. You can round the cents to the nearest dollar.

Attend Workshop to learn how to prepare a proposal. Workshops are being organized to help applicants learn the "dos and don'ts" of writing a proposal. If you are interested in attending a workshop contact the RAFI-USA office or staff.

If you have questions about completing your proposal, you can call me at (919-542-1396). Just remember, the earlier you call the more I'll be able to help you. Good luck!

Betty Bailey, Tobacco Communities Reinvestment Fund
RAFI-USA, P.O. Box 640, Pittsboro, NC 27312, Fax: 919-542-0069, email: bbailey@rafiusa.org

Tobacco Communities Reinvestment Fund
1998 Producer and Community Grant Program

Introduction

The goal of the Tobacco Communities Reinvestment Fund is to keep farmers on the farm and to sustain rural communities.

As adjustments in the tobacco industry are being made, farmers, farm organizations, and communities are being encouraged to reduce dependency on tobacco income. The Tobacco Communities Reinvestment Fund has been set up by RAFI-USA to help farmers and communities develop enterprises that can supplement tobacco income. It is a pilot project with limited funding for two years. Support for the pilot project comes from RAFI-USA donors, church and foundation sources.

Two types of grants

There are two types of grants:

1. Producer grants of up to $10,000.00
2. Community grants of up to $30,000.00.

Who can apply?

In November 1998 the pilot Reinvestment Fund will make its second round of producer and community grants to farmers and community groups in **Wayne, Wake, Johnston, Harnett, Columbus, Edgecombe, and Pitt Counties.** RAFI is now putting out a call for proposals to farmers and community groups from those counties.

Producer Grants:

Farmers who are actively engaged in full or part-time farming and who derive a major part of their income from tobacco are eligible for producer grants. Producer projects that supplement tobacco income and reduce dependency on tobacco income by either producing, processing or marketing other non-tobacco farm products or by implementing new methods of producing, processing or marketing non-tobacco products grown on the farm are eligible. Farmers may or may not own quota. Farms can be of any size.

We are giving high priority to proposals that are innovative and will give farmers new directions and opportunities. We are also very interested in projects that make new uses of tobacco facilities and equipment.

Community Grants:

Groups of farmers, farm coops, farmer associations, churches, local business and civic organizations or combinations of these are eligible for community grants. Eligible community projects are those that supplement tobacco income and reduce dependency on tobacco income by either producing, marketing, or processing other on-farm products or by implementing new methods of producing, processing or marketing products grown on the farm.

Examples of producer grants: Projects which use and adapt existing resources including farm equipment, farmer skills, and local materials. Projects which show a good likelihood of success in adding income that would replace lost tobacco income. Projects which develop new uses for greenhouses. Projects which add value to existing farm products by processing, packaging or marketing them in a special way. Projects that make new use of tobacco facilities and equipment.

Examples of community grants: Projects which develop new uses for greenhouses or other facilities or equipment. Projects that establish new markets for local products and use local labor. Projects which retrofit existing local facilities such as warehouses for additional or new uses. Projects which add value to non-tobacco agricultural products by handling, processing or labeling. Community projects must be a collaborative effort among groups of farmers, farm coops, farmer associations, churches, local businesses and civic organizations or combinations of these. Several farmers may combine and apply for a community grant.

What expenses will grants cover?

The grants will be used to cost-share on-farm and in-community research, development and education for new and expanded enterprises. They will support farmer and community efforts in trying and testing new enterprises.

Grants can be used to offset increased labor, **special equipment, adaptation of existing equipment**, or supply needs associated with project activity. They can be used for sampling, analysis, scouting and outreach expenses. Grant funds can also be used to investigate the feasibility of a new project and as partial support for new marketing, handling or processing operations. Labor costs can include time you have to put in above your normal work load and can pay for extra labor you cannot do yourself.

Cost Share Must Be Listed

An applicant's cost share must be shown as part of the budget. Cost share means matching grant income with labor, use of equipment and other farm inputs. This is to recognize the contribution producers and communities are making to the project and to help applicants think through what will be involved in fully doing the project. **No set cost share amount is required.**

Outreach and Records Are Required

Farmers and communities who get grants are required to have an outreach plan to educate others about what they are learning from their projects. This can be done by hosting farm tours or field days or by having articles written about the project or by making a presentation at a farm or community meeting. Grantees will also be expected to keep good records of costs, income, practices, and experience. If you receive a grant, RAFI staff will help you with your outreach program.

What Criteria Is Used for Evaluating Grants

In the proposal packet is a sample review sheet. The review sheet shows the questions the reviewers will be using to evaluate your proposal. Applicants will be sent a copy of the completed review sheet once the board has made decisions about grants.

Who makes the decision about grants?

The Reinvestment Fund Board will review proposals and make recommendations to the RAFI-USA Board. Half of the Reinvestment Fund Board members are farmers with backgrounds in tobacco and diversification. Farmers who serve on the board are not eligible for grants. Other board members are university and marketing specialists, lending, church, health and community leaders. The RAFI-USA Board will review the recommendations of the Reinvestment Fund Board and award grants. The decision of the RAFI Board is final.

Proposal Deadline

Applications for Grants are due to the RAFI-USA office by October 1, 1998. If you intend to submit a proposal please contact the RAFI office to request an application package and to have any additional questions answered. Grant decisions will be made November 10, 1998 and you will be notified if your proposal has been approved.

RAFI staff may contact applicants between October 1 and 15 if additional proposal information is needed to complete the application. The Reinvestment Board will meet with grant finalists October 27.

Applicants may request an advance review of their proposals for feedback by sending in the proposal by September 1.

Payment Schedule

RAFI-USA staff and Board and the Reinvestment Fund Board will review progress of funded proposals over the designated grant period of one or two years. Installment of grant payments will be made provided satisfactory progress is demonstrated.

Workshops on Preparing Proposals

Workshops on preparing proposals are being offered. Enclosed is a schedule of upcoming workshops. If you would like to attend one, please contact the RAFI office or project staff.

For more information contact Betty Bailey, RAFI-USA, P.O. Box 640, Pittsboro NC 27312, 919-542-1396, bbailey@rafiusa.org, Fax: 919-542-0069. Proposals must be mailed to the RAFI office by January 6, 1998. Please do not use Fax or e-mail in sending a proposal.

Appendix E

Administrative Tasks Involved in the Coordination of a Cost-Share Grant Program

(1) Coordinating the deliberations of the Board on the Request for Proposals, eligibility rules, proposal evaluation criteria; publicity and other outreach.

(2) Coordinating the initial administrative review of the proposals for adherence to administrative requirements, eligibility criteria, etc., and contact with applicants to acquire needed information.

(3) Coordinating the publicity and outreach efforts.

(4) Answering (or referring) questions from potential applicants.

(5) Coordinating the copying of all submissions and distribution to all Board members for review.

(6) Coordination of all Board reviews of proposals (or pre-proposals), compilation of Board member ratings, and re-distribution of rankings to Board members.

(7) Coordination of Board member final proposal evaluation meetings, including interviews with candidates as required.

(8) Coordination of award, contracts, and contract contingency provisions in contact with grantees.

(9) Monitoring grantee progress.

(10) Coordination of technical-assistance input as requested by grantees.

(11) Coordination and monitoring of grantee outreach and education.

(12) Monitoring of grantee collection of data and report submission.

Appendix F

Implementation Issues in a Producer Cost-Share Grant Program

(1) Should there be different categories of eligible producers so that well-resourced producers who can write the best grants are not the major recipients?

(2) What is a working definition of "innovative enterprise"? Should "innovative" include a small change in production technique, or only larger experiments with totally new enterprises, or both?

(3) To what degree should specific innovations be specified in the RFP? That is, should the administrative agency request proposals that address specific issues such as the development of a market for goat meat in eastern North Carolina?

(4) What level of administration is required for the review team?

(5) What level of technical assistance is appropriate, and how are priorities for provision of technical assistance decided? Could more technical assistance on the front-end stimulate more and better proposals?

(6) What is the lag time for obtaining evaluation information that will allow program directors to know whether the program as a whole is succeeding? What should those measures be? What percent of projects should we expect to succeed and how should success be measured?

Appendix G

Response to RAFI's Call for proposals

Proposals were sought from two types of applicants:

Producer proposals were sought from individual tobacco farmers. Farmers could request funds of up to $10,000 for innovative projects that would supplement tobacco income through production, marketing, and processing of other farm products. The RFP emphasized projects which made new or additional uses of tobacco facilities or equipment and those which demonstrated value-added marketing. RAFI requires, from each grantee:

- record of costs and income
- comparison of net profit/acre of new enterprise to net profit/acre on tobacco acres record of all practices used, and a narrative of the experience with each

Community proposals were sought from groups of farmers, farm co-ops, farmer associations, churches, local business and civic organizations, or combinations of the above. Groups could request funds of up to $30,000 for innovative projects with objectives similar to those for producer grants.

Eligibility for each type of grant, and the criteria to be used in evaluating the proposals, was explained in detail in the grant package (See Appendix D)

In the initial Request for Proposals (Round-1), residents of only two counties were eligible (Wayne and Johnston). In Round-2 and Round-3, all seven Tobacco Community Reinvestment Fund project counties were eligible.

Table 1 below lists RAFI outreach mechanisms, and gives an indication of the level of response, by county. Note that RAFI conducted one community-level workshop prior to the Round-1 proposal deadline, and three workshops (in different communities) prior to the Round-2 deadline. Table 1 shows that there were at least three times as many proposals as RAFI could afford to fund. Table 2 shows that proposals focused on a broad array of possible enterprises. Table 3 gives a profile description of farmers who applied for producer grants. It indicates that these tobacco farmers were, on average, dependent on tobacco for 65% of their income, with an average of 61 acres of tobacco farmed, and had been farming for an average of 18.4 years.

Table 1: RAFI Outreach and Level of Response to Call for Tobacco Community Reinvestment Proposals

	Publicity Mechanisms	**Face-to-face workshops**		**Response (Number of proposals submitted / Number funded)**		**Target Counties (# Proposals Received/Funded from County)**
		Location	Attendance	Producer Proposals	Community Proposals	
Round-1 (Award Date: 2/3/98)	-RAFI's Tobacco Community Newsletter (All tobacco households in 2 counties) -Press release to local newspapers, radio and farm publications -County extension offices publicize through their networks -Flyers to local farm suppliers, community organizations, churches, and public official	Four Oaks (11/18/97)	22	12 / 5	1 / 0	Johnston (5 / 2) Wayne (8 / 3)
Round-2 (Award Date: 10/27/98)	-RAFI's Tobacco Community Newsletter (All tobacco households in 7 counties) -Press release to local newspapers, radio and farm publications -County extension offices publicize through their networks -Flyers to local farm suppliers, community organizations, churches, and public officials	Whiteville (8/17/98) Greenville (8/18/98) Smithfield (8/20/98)	22 17 22	11 / 3	7 / 2	All 7 Target counties: Johnston (1 / 1) Wayne (4 / 0) Wake (2 / 1) Harnett (1 / 0) Edgecombe (2 /1) Pitt (4 / 0) Columbus (4 / 2)
Round-3 (Award Date: 4/10/99)	-RAFIs Tobacco Community Newsletter (All tobacco households in 7 counties) -Press release to local newspapers, radio and farm publications -County extension offices publicize through their networks -Flyers to local farm suppliers, community organizations, churches, and public officials -NC Goat Growers Assn advertised in their newsletter	No workshops targeted specifically towards the fund, but 2/16 community forum and 2/22 aquaculture workshop promoted.	N.A.	18 / 6	2 / 1	Johnston (4 / 3) Wayne (2 / 0) Wake (2 / 0) Harnett (4 / 3) Edgecombe (1 / 0) Pitt (1 / 0) Columbus (6 / 1)
Total	Total			41 / 14	10 / 3	

Table 2: Focus of Enterprises Proposed by Applicant Producers and Communities and Those Funded by RAFI

Focus of Proposed Enterprise	Producer Proposals		Community Proposals		Total
	# Funded	# Not Funded	# Funded	# Not Funded	
Row Crops	4	4	1	4	13
Livestock		5			5
Aquaculture	1	3			4
Hay	1				1
Computer/World Wide Web		1		1	2
Horse facility	1				1
Tree Farm		1			1
Tour Site / Education Site	1			2	3
Waste/by-product mgmt or recycling		1	1		2
Non-Agriculture		1		1	2
Greenhouse conversion to vegetables	4	3			7
Farmers Market			2		2
Goat production, processing, marketing	1	7			8
Nursery		1			1
Sod production	1				1

Table 3: Profile of Applicants for Tobacco Community Reinvestment Fund Producer Grants

	Avg. # of Years Farming (Range)	Average # of Acres of Tobacco Farmed (Range)	Average % of all Income from Tobacco (Range)
Total All Applicants (37)	18.4 (1 - 36)	61 (5 - 200)	65% (25 - 90)
Successful Applicants (13)	18.6 (1 - 36)	59 (6 - 120)	76% (60 - 90)
Unsuccessful Applicants (24)	18.3 (2 - 35)	62 (5 - 200)	59% (5 - 90)

Appendix H

RAFI Cost-Share Grantee Project Descriptions

1. Hay Production for the Horse Business. Mark Massengill, Princeton

Mark began his project in 1998 with eight acres of coastal Bermuda grass and four acres of alfalfa. He bought a square-baler midsummer and began square-baling that hay. He is now up to 50 acres of coastal Bermuda and six acres of alfalfa. He square-baled 24 acres of the coastal and all six acres of the alfalfa, while round-baling the rest due to a shortage of time and some untimely rain. He's also doing some custom baling of wheat straw for a neighbor. In addition, he has begun experimenting with other grains, planting two acres of oats to cut green for hay and six acres of oats for the grain, which he bagged and sold to the same people that bought the hay.

"Growing for the horse market requires a whole different standard of quality; alfalfa is a tricky crop that requires intensive management," says Mark. "I am continuing to look at other horse hays and grains for the future. Once I got in to this new area of the horse business and started talking to people, opportunities seemed to keep popping up."

2. Growing Vegetables with Adequate Irrigation. Royce Gray, LaGrange

Royce began growing produce for the first time in 1998, investing in irrigation equipment to keep his long green cucumbers alive through the hot summer. The following year, he switched to pickling cucumbers, preferring the more flexible quality standards and lower production costs of the processing market. This year, he is growing both fresh and pickling cucumbers. "I had planned to add bell peppers and sweet corn, but I didn't want to spread myself too thin," said Royce. "Produce is different; one insect bite out of that long green cucumber and it's cattle feed. Also, with the cuts in tobacco quota, the sweet corn market seemed saturated last year."



Since he was new to the world of produce, Royce relied heavily on the expertise of others to get started. "Bill Jester of Cooperative Extension was a big help; he was always available and quick to come out to the farm for any questions. Johnny Raiford of Seven Springs, the President of the NC Vegetable Growers Association, was a big help in leading me to production and marketing assistance."

3. Complete Equine Facility. Greg Smith, Goldsboro

Greg is creating a full-service equine facility. When complete, this will include 50 fenced acres, coastal Bermuda grass, a barn and riding rings for boarding and training horses, and a series of riding trails for recreation. "We are looking to do more of our farming activities right here at home," Greg comments. "People trying to make it completely on field crops are having to expand on more and more rented land, which means that they have to ride all over the county tending large acreage."

"Our primary activities at the equine facility so far have been breaking horses for other people and selling hay. One thing I like about horses is that there are so many different markets associated with them," Greg says. "Between boarding, breaking, riding lessons, breeding, tack shop, feed, and grooming, there's always something new to learn. Also, it spreads out my risk much better."

"Putting up the barn and riding rings probably took about 120 man-hours of labor, and the Reinvestment Fund support was only a small portion of what we've spent so far. But the Fund motivated us to go ahead with it."

4. Operation Grain Storage. Erwin Massengill, Princeton

Erwin has been growing some seed beans for six years, but the lack of on-farm storage capacity left him at the mercy of the current marketplace. "I took a look at average monthly soybean prices over the course of the year, and I saw that I could make a bit more money just by letting them sit in my bins until prices rose in the summertime. When I put that

together with growing Certified seed, I knew that I could increase my bottom line by taking more control over my product and marketing than just going the conventional route. With no more government controls over production, there's only one direction that regular soybean prices could go, and there wasn't a whole lot of profit in beans to start out with."



Erwin bought two used grain bins to store soybeans for Certified seed sales in spring 1998, had a cement foundation poured, and hired a contractor to disassemble and reassemble the bins. He stored soybeans from the fall 1998 harvest in the bins and sold the beans at a premium this spring. He is now storing wheat in one of the bins through the summer; he plans to sell the wheat in October, when he'll begin storing this fall's beans.

"There's nothing that fancy about this project," Erwin admits, "but every little bit counts at this point."

5. Refrigeration and Direct Marketing Strawberries and Corn. Jack Smith, Goldsboro

In the summer of 1997, Jack bought a used cooling unit and shell. He hired a contractor to install the refrigeration unit inside the shell near his produce stand. The following winter, he built a 40-by-50-foot shelter for the produce stand. "At present, the shelter is open-sided, though we are considering the option of closing it in at some point in the future," says Jack. "Since the stand is only open in the hot summer months at present, we figure that the breeze from an open-air design is more important than keeping the warmth in during colder months."

"Installing refrigeration keeps my corn and strawberries at their highest quality on hot days," Jack continues. "This allows me to look at a variety of local markets, since I have that freshness advantage over out-of-state competition. Before we got the cooler, sweet corn, strawberries, and cabbage could only last about six hours on hot days. If we couldn't sell it the day we picked it, it was hog feed. Now, the post-harvest life span of these items is three to seven days. If I have a few days where our harvest exceeds our drive-up customers, I can put items in the cooler and look to sell to local groceries or other produce outlets around the area. The whole thing reduced my stress level with regards to the weather."

6. Youth Education and Ag Marketing, Community Project, Andre & Gillistine Richardson and Griffin and Patricia Todd, Zebulon

This community project is developing a youth education program focused on agricultural awareness, life skills, and agricultural marketing. Working with the farmer teachers, youth will develop and document a buy-local strategy including U-pick, community supported agriculture, agricultural recreation, and youth horticultural marketing projects.They are also working in collaboration with a local elementary school, a youth camp, NCDA and Cooperative Extension to carry out the program.

Students will learn about agricultural practices and about implementing a marketing strategy. Income will come from the marketing project and from school tours of the demonstration farm projects.

Located in an area of Wake County with high development pressures and very few remaining African American farmers, this project is working to develop profitable enterprises in farming and is providing mentors for young people. "Young people need to know where their food is coming from and they need to know that there is a future in agriculture." says Gillistine Richardson, one of the project coordinators.

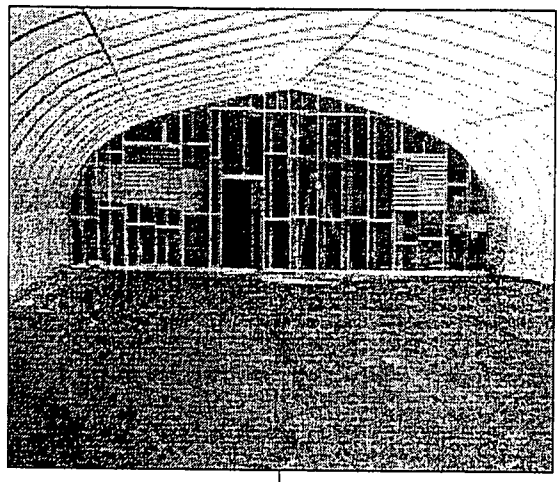
7. Pick Your Own Grapes and Fish. Billy Enzor, Fair Bluff

Billy had a grader dig out two ponds in the spring of 1999, with one slated for bream and the other for bass. After the paths were cleared and the ponds treated to eliminate weeds and balance the pH, Hurricane Floyd hit, wiping out one pond and flooding the other. He is in the process of rebuilding and hopes to have one pond stocked with bream this summer, with the first harvest planned for 2001. He is also looking at planting fruit trees around the ponds.

After clearing, leveling, and drainage work, Billy installed a trellising system and planted 250 grapevines on his 1.1-acre vineyard this past spring. He has also converted an old tobacco shed to a packhouse for

the fruit and fish, once his harvest begins.

"I'm enjoying establishing these new enterprises, though the storms have been a difficult setback, both in terms of time and money," says Billy. "There's always something new to learn. I've already been getting people stopping by asking when grapes and fish will be ready, so I think I'm on the right track."



8. Columbus County Farmers' Market. Coke Gray, Whiteville

The market opened in the spring of 1999. It is given direction by a 15-member advisory committee, consisting of a diversity of interested growers and community leaders from Whiteville and across the county. The market is supported by many downtown Whiteville businesses and churches as a stimulus to local economic development and community cooperation. The market received financial assistance from a number of public and private sources to plan, develop, and promote the market. The Chamber of Commerce has donated the market site in a downtown parking lot. The County Health Department has also welcomed the market as a way to promote its 5-A-Day program, to encourage the use of WIC coupons for fresh healthy food, and to show its support for local farmers.

Extension agent Milton Parker has a long-term vision for growers in southeastern North Carolina, and the market is the first step. "Growers can start selling locally here in Whiteville. If they want to increase production, they can connect with the new state farmers' market in Lumberton. We're also working on a plan for a potential flash-freezing plant to expand processing and marketing options for a variety of local produce. In addition, the market can also offer ways for growers to make more use of their tobacco greenhouses, which sit empty for most of the year."

Twenty-seven growers participated in the market the first year, and 5700 customers were counted by the market manager over the course of the year.

9. Carolina Producers Recycling Cooperative. S. L. Allen, Pinetops

This is a feasibility project. The Cooperative has been researching methods of disposing of on-farm swine and poultry mortality, with an eye towards creating an end-product that could be sold as a pet food or fertilizer ingredient. The original concept was to have a grinder-mixer on each farm to preserve the product in a tank for later pick-up. Currently, it appears that on-farm freezer boxes will be more practical for storage.

The cooperative is still attempting to overcome two primary challenges. First, the storage technology that they are investigating has yet to receive approval from the NCDA and USDA as a disposal practice. Second, they are still looking for a buyer for their end-product.

"We've talked with a lot of people," says S. L. Allen, "but we haven't found the perfect situation yet. We're still working at it."

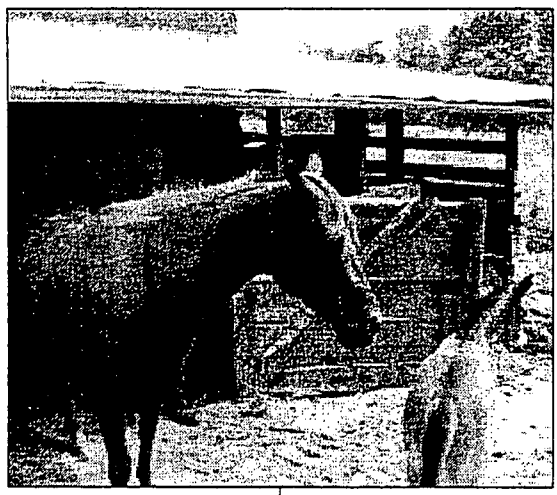
10. Black Plastic and Drip Irrigation. Janice Massengill, Princeton

"We grew two-thirds of an acre of vegetables using black plastic and drip irrigation," said Janice. "We also grew small amounts using black plastic and overhead irrigation, along with a few rows of late squash with drip and no plastic. This was mostly a year for experimentation, so we wanted to try a variety of combinations. I would estimate that we saw a 75 percent increase in yield where we used both drip irrigation and plastic."

"Drip irrigation is especially valuable in a dry year. With last summer's drought conditions, we would have run our pond dry if we weren't using drip irrigation. I found that plants would produce for longer on plastic than they do on bare ground, since we could keep a steady amount of moisture and warmth to the roots. This allowed us a constant supply of produce from Memorial Day to Labor Day. We also found that the plastic kept such good heat and wetness that most everything did as well direct seeding as transplanting. That will cut down on the cost of the starts that we have to buy or the labor costs of starting plants in the greenhouse."

"With continued cuts in tobacco quota, we're seeing a lot of farmers growing produce for the first time. This is flooding the wholesale market and dropping prices. Next year, we're going to rent out our stand on

Highway 70 and begin selling produce here on the farm instead. Hopefully, the visibility of the stand has allowed us to develop a local reputation. "



11. Tobacco Greenhouse Conversion for Tomato Production. Kendall Hocutt, Kenly

"In July 1999, we built a new mini-greenhouse to start our tomato plants," says Kendall. "We seeded them in flats in August and moved them to 4-inch pots in September. Meanwhile, we began retrofitting our existing greenhouse for vegetable production. In October, we moved the plants to bags and into the big house.

"Our production stayed strong through May. I've been really pleased with the output, which was close to 12 pounds per plant; this was a target that older growers told me to shoot for. After the big increase in fuel costs this winter, we decided to convert to wood heat, since we have a good supply of timber in our woods. This water stove has been a big cost savings. We've been able to do virtually everything with family labor, between myself and my father, along with my mother and wife. It takes us an average of 35 hours a week altogether, though it was more during the start-up period.

"Marketing has gone well, at a number of small groceries and right here off the farm. I've found that if you always deliver a quality product and are honest about what you will do, everything works out fine. I was worried that the market might be flooded this year, but we've been able to maintain our price throughout."

12. Tobacco Greenhouse Conversion for Vegetable Production. Jimmy and Jan Bartley, Evergreen

The Bartleys converted an existing tobacco greenhouse to tomato production in August 1999. The crop was completed in January. The first year was split between tomatoes and peppers, and they have moved almost entirely to peppers this year due to the marketing opportunities, including the new Columbus County Community Farmers' Market.

In addition to greenhouse vegetables, the Bartleys are raising sweet corn, tomatoes, peppers, and butter beans in the field; much of this is on black plastic. They also built two bean shellers to add value to the product.

"This project has completely changed the way we look at farming," says Jimmy. "Two years ago, we felt the only way to farm was to raise tobacco, corn, and soybeans. We now see there are a number of different things we can produce that will help us on the farm."

13. Peppers in the Greenhouse. Randy Pollard, Smithfield

Randy has built a greenhouse to produce vegetable seedlings and high-value colored peppers that are currently being imported from Holland. After last year's storms wiped out his fall vegetable crops, he was set back in terms of time and finances, so he won't get his first crop in the greenhouse until next spring. In the meantime, Randy has bought several pea and bean shellers and is renovating an old tobacco barn for on-farm processing and sales of vegetables.

"With more people getting into produce and yields up due to black plastic, the bottom is falling out of the wholesale market. I'm looking for any angle I can take to find a piece of the market that's just mine."

"Once I started growing vegetables on a serious scale," Randy says, "I got out of tobacco and grains. The management required to grow high-quality vegetables is more than a full-time job, so I decided to jump in with both feet. It's running me ragged right now, but I can't tell you how nice it is not to have that mountain of debt hanging over my head all year long."

14. Sod Production and Marketing. Ronnie Fish, Angier

Ronnie has planted 83 acres of fescue, 10 acres of Bermuda grass, and 10 acres of centipede grass. He's selling everything to landscapers and nurseries who buy it right off the farm, trucking it up to the Triangle to create "instant lawns" for the booming building market.

"Sod is very expensive to get started in and took a lot of research to know what I wanted to do, but I'm enjoying it," says Ronnie. "It takes my full attention, so I'm not doing any other farming. I wish I could say that I miss growing tobacco, but when I can take a Saturday off in July to go fishing with my family, I'm awfully glad to be in the sod business."

15. Goat Meat Marketing Cooperative. Woody Wheeler, Benson



The Johnston County Goat Producers Association (JCGPA) is a newly formed group, working to improve goat production and marketing in the Greater Triangle area. Some of the members have been selling goats individually from the farm or at auction, but quantity and margins are minimal through these channels. At the urging of Extension Agent Ron Hughes, the JCGPA is investigating the feasibility of adding value to their goats through cooperative processing and marketing efforts. North Carolina A&T State University is currently conducting a survey of area restaurants, markets, and groceries for the JCGPA.

"It's encouraging to see these farmers willing to work together to improve their production and marketing," says Hughes. "Farmers are generally an independent bunch, so I'm impressed that they want to take this on."

Says Selma goat producer Leslie Averill, "There are new groups of people moving into North Carolina. From immigrant groups who traditionally eat goat to more affluent and health conscious consumers who are looking for a lower fat meat, there seems to be potential to sell more goat meat into our region. If we don't take a look at this market, you can be sure that someone else will."

16. Harnett County Farmers' Market. Dave Spahr, Lillington

The market is in its second year of existence, and growers and customers are pleased with its progress. "With so many farmers taking up produce as a sideline to replace lost tobacco income," says grower director Dave Spahr, "this market provides an excellent outlet for a grower either to sell small quantities of a bumper crop or to be a regular year-long fixture with a variety of items. Also, we want to encourage our growers to learn as much as they can about new innovations, so we've funded scholarships to the annual Vegetable Expo in Greensboro and a greenhouse tomato school in Mississippi."

The market is working closely with the Extension Service on establishing a permanent home for the market with new facilities. To learn more, check out the market's website at: http://harnett.ces.state.nc.us/hort/farmersmarket.html.

17. Tobacco Greenhouse Conversion for Tomato and Cucumber Production. Ryan Patterson, Broadway

Ryan expanded his greenhouse tomato business by adding another house in August 1999. Since he had been growing tomatoes and cucumbers in the greenhouse for two years, the Reinvestment Fund gave him the opportunity to supply the markets he had already developed. Ryan also had the opportunity to work with several other Reinvestment Fund projects, selling at the Harnett County Farmers Market and helping Kendall Hocutt get started in greenhouse tomatoes.

"The greenhouse income now provides half my farm income. With just 40 acres of tobacco there is no way my grandfather, father, and I could survive depending on just tobacco cash income alone," Ryan reports.

Appendix I

Recommendation from the North Carolina Rural Prosperity Task Force

Erskine Bowles, Chair, February 21, 2000

Goal: *Help North Carolina farmers to retain a greater amount of the total cost of agricultural products by expanding the number of facilities we have to improve and process products.*

6. Encourage the Rural Redevelopment Authority to actively seek out and fund proposals supporting on-farm and community-based agricultural enterprises, including independent animal-processing facilities and other value-added processing facilities, including biopharmaceuticals.

- *Cost and payfor: Funding would vary year to year based on proposals presented to Rural Redevelopment Authority.*
- *Timeline: upon establishment of Rural Redevelopment Authority.*
- *Responsibility: N.C. Department of Commerce; N.C. Department of Agriculture; Rural Advancement Foundation International.*

Appendix J

News & Observer *Editorial: What besides tobacco?*

THE NEWS & OBSERVER

Editorial

TUESDAY, MARCH 23, 1999

What besides tobacco?

North Carolina tobacco farmers' deep concern for their futures, so obvious during their recent "tractorcade" in Raleigh, is entirely understandable. After all, circumstances beyond their control now threaten the businesses in which many growers have invested their lives.

Also understandable, though, is the shortage of sympathy some fellow Tar Heels evidently have for those growers and quota holders who seem determined to keep doing what they've always done. A feeling of entitlement occasionally comes through in some farmers' remarks. Who can blame citizens for bristling when they've never enjoyed the type of subsidy that has long propped up tobacco?

It's encouraging to learn, then, that not all tobacco growers cling so tightly to the past, and that trying new things can pay off. With help from a Pittsboro nonprofit, farmers in some Eastern North Carolina counties already are proving that "life after tobacco" isn't necessarily a contradiction in terms.

For almost three years now, the Rural Advancement Foundation International has distributed grants of $10,000 to $30,000 to help tobacco farmers in seven eastern counties branch out. RAFI's Tobacco Communities Reinvestment Fund focuses on turning a profit from existing sidelines, which many leaf farmers have. Among the creative ways growers are enhancing their bottom lines and future prospects:

- A Johnston County farmer is catering to suburban horse-owners' demand for premium alfalfa hay, which fetches up to twice as much as the regular stuff.
- In Columbus County, a farmer is combining a pick-your-own grapes operation with a catch-your-own catfish farm.
- Growers in Edgecombe County are getting together to open a rendering plant that will turn otherwise unusable chicken carcasses into fertilizer.

Of course, it's too early to say how profitable those ventures will be, and, no, they probably won't yield as much profit as tobacco. There likely is no single substitute crop or venture to replace the golden leaf. But RAFI's work shows that tobacco farmers do indeed have other options and that, with encouragement and help, some are willing to pursue them.

VISITOR REGISTRATION SHEET

SEN. COMMITTEE ON RURAL DEVELOPMENT June 20 - 2001

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tamika Scales Charleston	NorthCarolina Comm Dev Initiative
Robynn Steen	ACLU
Henry M Lancaster III	LCA
Matthew Leatherman	Intern (Cunningham)
Adam N. Hall	Intern (Rep. Oates)
Matt Brady	CCNC
John Cyrus	N.C. State Employee
Leigh [illegible]	NC Sierra Club
Katherine Joyce	NC Assoc of [illegible] Conservation