2005-2006

SENATE OPPORTUNITIES & NEEDS FOR ECONOMIC GROWTH

COMMITTEE MINUTES

NORTH CAROLINA GENERAL ASSEMBLY

Senate Committee

on

Opportunities and Needs for Economic Growth in North Carolina ("ONE NC")

2005-2006 SESSION

Senator Martin Nesbitt
Chair

Senator Scott Thomas
Vice Chair

Senator David Weinstein
Vice Chair

Senator Doug Berger
Vice Chair

Senator Fletcher Hartsell
Vice Chair

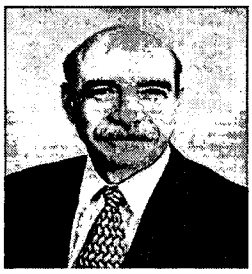
Senator Charlie Albertson

Senator Austin Allran

Senator Tom Apodaca

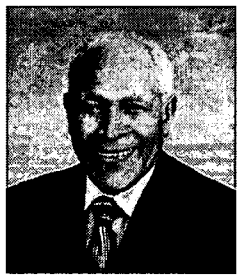
Senator Julia Boseman

Senator Harry Brown



Senator Dan Clodfelter

Senator Walter Dalton

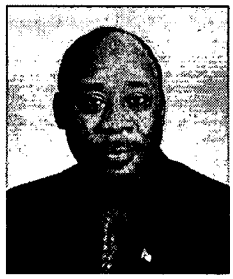


Senator Charlie Dannelly

Senator Don East

Senator Jim Forrester

Senator John Garwood



Senator Robert Holloman

Senator David Hoyle

Senator Clark Jenkins

Senator John Kerr

Senator Tony Rand

Senator John Snow

Senator R.C. Soles

Senator A.B. Swindell

Senate Committee
on
Opportunities and Needs for Economic Growth in North Carolina ("One NC")
2005-2006 Session
Membership

Senator Martin Nesbitt, Chair
300B Legislative Office Building
715-3001

Doug Berger, Vice-Chair
Room 622 – 715-8363

Fletcher Hartsell, Vice-Chair
518 LOB 733-7223

Senator Scott Thomas, Vice-Chair
300 E LOB - 733-6275

Senator David Weinstein, Vice-Chair
2108 LB - 733-5651

Senator Charlie Albertson
525 LOB -733-5705

Senator Austin Allran
516 LOB - 733-5876

Senator Tom Apodaca
1127 LB - 733-5745

Senator Julia Boseman
1119 LB - 715-2525

Senator Harry Brown
620 LOB - 715-3034

Senator Dan Clodfelter
408 LOB - 715-8331

Senator Walter Dalton
523 LOB - 715-3038

Senator Charlie Dannelly
2010 LB - 733-5955

Senator Don East
1120 LB - 733-5743

Senator Jim Forrester
1129 LB - 715-3050

Senator John Garwood
1118 LB - 733-5742

Senator Robert Holloman
623 LOB - 715-3032

Senator David Hoyle
300 A LOB - 733-5734

Senator Clark Jenkins
409 LOB - 715-3040

Senator John Kerr
526 LOB - 733-5621

Senator Tony Rand
300 C LOB - 733-9892

Senator John Snow
517 LOB - 733-5875

Senator R. C. Soles
2022 LB - 733-5963

Senator A. B. Swindell
629 LOB - 715-3030

Committee Staff:
Karen Cochrane-Brown
Barbara Riley
Legislative Research Division
733-2578
Jan Lee, Committee Assistant
715-3001

ATTENDANCE

Committee: Opportunities and Needs for Economic Growth in North Carolina ("ONE NC")

DATES	3-22-05	3-29-05	4-5-05	4-12-05	4-26-05	5-17-05	5-24-05	6-28-05								
Albertson, Charlie	x		x	x	x		e									
Allran, Austin	x	x	x	x	x	x	x	x								
Apodaca, Tom	x		X	X			x									
Berger, Doug, Vice Chair	x	x	x	x		x		x								
Boseman, Julia		x	x			x		x								
Brown, Harry	x	x	x	x	x	x	x	x								
Clodfelter, Dan		x		x			x									
Dalton, Walter	x						x									
Dannelly, Charlie		x	x		x	x										
East, Don	x			x		x		x								
Forrester, Jim	x	x	x	x	x	x										
Garwood, John	x	x			x	x		x								
Hartsell, Fletcher, Vice Chair				x	x	x										
Holloman, Robert		x	x													
Hoyle, David						x										
Jenkins, Clark																
Kerr, John	x	x		x		x	x									
Rand, Tony	x															
Snow, John	x	x	x	x	x	x	x	x								
Soles, R.C.		x	x		x	x										
Swindell, A.B.							x									
Thomas, Scott, Vice Chair		x														
Weinstein, David, Vice Chair		x	x	x	x		x									
Nesbitt, Martin (Chairman)	x	e	x	x	x	x	x	x	x							

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE
Tuesday, March 22, 2005 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Opportunities and Needs for Economic Growth in North Carolina (One NC) Committee met at 12:00 Noon on March 22, 2005, in Room 1027 of the Legislative Building. A quorum was present. Senator Martin Nesbitt, Chairman, presided.

Senator Nesbitt called the meeting to order and welcomed members and visitors.

AdvantageWest President & CED, Dale Carroll, was recognized and he thanked the committee for the opportunity to speak. He also introduced his colleague, Betty Huskins.

Mr. Carroll said that AdvantageWest is western North Carolina's regional economic development commission. Chartered by the North Carolina General Assembly in 1994, AdvantageWest is a non-profit public-private partnership whose primary focus is marketing the North Carolina mountains to corporations seeking to relocate or open a new facility, expand an existing business within our region, and those who might otherwise improve the quality of life for citizens within our region through activities such as filmmaking and tourism.

AdvantageWest's 23-County region covers nearly 10,000 square miles-larger than eight other U.S. states and roughly the size of the State of Maryland. Publications such as Money, Kiplinger's, Outside, American Style, Modern Maturity, and Forbes have ranked western North Carolina as a top destination for living, working, recreation, arts, technology, and retirement.

AdvantageWest's mission statement - The Western North Carolina Regional Economic Development Commission shall promote and advocate the creation of improved economic opportunity in our region, while encouraging stewardship of the culture, heritage and natural resources of Western North Carolina.

Major accomplishments at AdvantageWest include: dual state industrial park, which is in Southwestern North Carolina and in northern Georgia, that involved two states, as well as four local governments. It brought a new definition to "regionalism."

Organizational structure is based on 19 business leaders appointed to their Board of Directors, part of a regional ADC, a commission, but also a non-profit corporation. These business leaders govern their program of work, the policies that are in place on behalf of Western North Carolina.

Traditional existing industry is AdvantageWest's highest priority. The Blue Ridge Paper Mill in Haywood County is an example of an existing industry that was failing, and with the help of AdvantageWest, then Representative Martin Nesbitt, and the Department of Commerce, they

were able to explore and execute an employee-buyout of the mill. Now that is one of the major industries with 1500 workers that has a major impact in the region.

AdvantageWest is in the process of implementing a five-year vision plan. The plan was put together with the eleven community colleges in the region, the six private colleges and the three public universities. By working with local economic developers and higher education officials, ten emerging growth clusters for western North Carolina.

Tourism development is also important to AdvantageWest. Betty Huskins in attendance today is recognized as a national leader in the tourism industry. AdvantageWest has benefited from her expertise. Quick examples on tourism development include MountainSouth USA a cooperative initiative of AdvantageWest and other partners from both the public and private sectors. MountainSouth USA markets the region to travelers in select overseas markets; currently focusing on the United Kingdom and Germany. These markets are promising because the average vacation visit of a foreign traveler is significantly longer than most US-based travelers, meaning a greater economic impact to the region per visitor.

The Blue Ridge National Heritage Area designation has been important to western North Carolina. This distinction is drawing national attention to the region's cultural and natural heritage and qualifies western North Carolina for up to $10 million in federal funding over the next decade.

Mr. Carroll said that AdvantageWest is involved with many things at the grass-roots level, sometimes referred to as "capacity building." AdvantageWest is concerned about communities that don't have all the water and sewer capacity they need to qualify, not just for a certified site, but an entire certified industrial park. Mountainous terrain and topography have made these kinds of things very challenging.

Investment in regionalism has created a vehicle (AdvantageWest) to grow the economy in western North Carolina by creating an organization that could attract other resources to collaborate and partner to make a real difference. AdvantageWest receives state, federal, and private support.

AdvantageWest's Film Commission has stepped up its efforts to develop the region, not only a destination for Hollywood filmmakers, but also a home to a growing indigenous firm production community.

Entrepreneurial development is the most recent addition to AdvantageWest's program, having evolved over a two-year period. Early successes include: Navigational Sciences is a company they attracted to the region that will do tracking of ocean-going freight ships. AdvantageWest has raised a great deal of capital for Navigational Sciences which is going to place in the Asheville area, a miniature "control room" where they will track the ocean barge shipments, not just when they are at sea, but also when they are off-loaded in an international port. Mr. Carroll said this also has homeland defense implications because the safety component is a monitoring device that goes inside the container shipment can also detect bio-hazards and nuclear radiation. The Department of Homeland Security has already awarded two grants to Navigational Sciences to more fully develop this technology.

Genesis Molecular Discovery is another example of entrepreneurial development. They are beginning to work forward with a web-lab, that AdvantageWest is working on. A great deal of equity capital has been raised to launch this company, which is the first major life-sciences company to come through their "Blue Ridge Angel Investors Network." What they will do is reduce the live-cycle of R & D testing of bringing biological, bio-pharma breakthroughs to market.

Another example, Blue Ridge Food Ventures, is the first of its kind in North Carolina. It is a joint initiative of AdvantageWest and the North Carolina Department of Agriculture. It is a support system and a full-scale commercial kitchen operation for value-added food production in western North Carolina. The initiative enables small-scale growers and entrepreneurs such as caterers and bakers to reap much higher profit margins by selling value-added food products, such as pickled vegetables, juices, or dried fruits, rather than raw commodities or bulk products, which are less profitable.

Mr. Carroll said AdvantageWest has been very successful, but their best days lie ahead. The AdvantageWest 2004 Annual Report is attached to these Minutes as **Attachment I.**

When Mr. Carroll concluded his representation, Senator Nesbitt recognized Senator Forrester for a comment. He said that healthcare should also be noted as a growth industry.

Senator Nesbitt added that healthcare now is 20 percent of the economy in Buncombe County. It is a huge industry and consists of a lot of small businesses. Also, there is an employer in Cherokee County that is the largest filer of income tax returns on the Internet.

Senator Nesbitt recognized Thompson Greenwood, Executive Director, of the North Carolina Eastern Region.

Mr. Greenwood said the Eastern Regional Partnership is a multi-county partnership established by the North Carolina General Assembly to promote economic development in a 13-county area of eastern North Carolina, which consists of nearly 7,000 square miles and over 900,000 residents. The region is the only region that is not bordered by another state and consists of thirteen counties. Their budget for 2005 is about $1.8 million. Forty-five percent of that is state appropriation plus funds raised from an additional $5 tag fee. The $5 tag fee fund has allowed more funds, thus giving a county the option to borrow more money.

The partnership receives an annual operations appropriation form the state legislature. It is administered by a Development Commission comprised of three representatives from each of its 13 counties. The Commission employs a full-time staff of six professionals to create and execute economic development programs and policies.

It's mission is to promote and encourage economic development by fostering or sponsoring development projects to provide land, buildings, and infrastructure requirements for business and industry within the 13-county development zone. A copy of North Carolina's Eastern Region's power point presentation and a copy of "Making a Difference in North Carolina's Eastern Region" are attached to these Minutes as **Attachment II and Attachment III.**

When Mr. Greenwood concluded his presentation, Senator Nesbitt recognized Charles (Chuck) A. Hayes, President and CEO of Research Triangle Foundation of North Carolina (Research Triangle Park).

He provided background information for the Partnership, beginning with its inception in 1990 as the Raleigh-Durham Regional Association with a three-county membership. Today the Partnership encompasses 13 counties and has created a number of programs and strategies to continue the goal of creating new jobs for the Region. The Partnership has adopted a 5-year, $5 million agenda to generate 100,000 new jobs in the region and spur employment growth in all 13 counties. The Partnership's annual budget is $1,510,831 with 58 percent from state funds and 42 percent from non-state funds with a goal of reducing the state's contribution to no more than 25 percent. A copy of Mr. Hayes' power point presentation is attached to these Minutes as Attachment IV.

The meeting adjourned at 1:00 p.m.

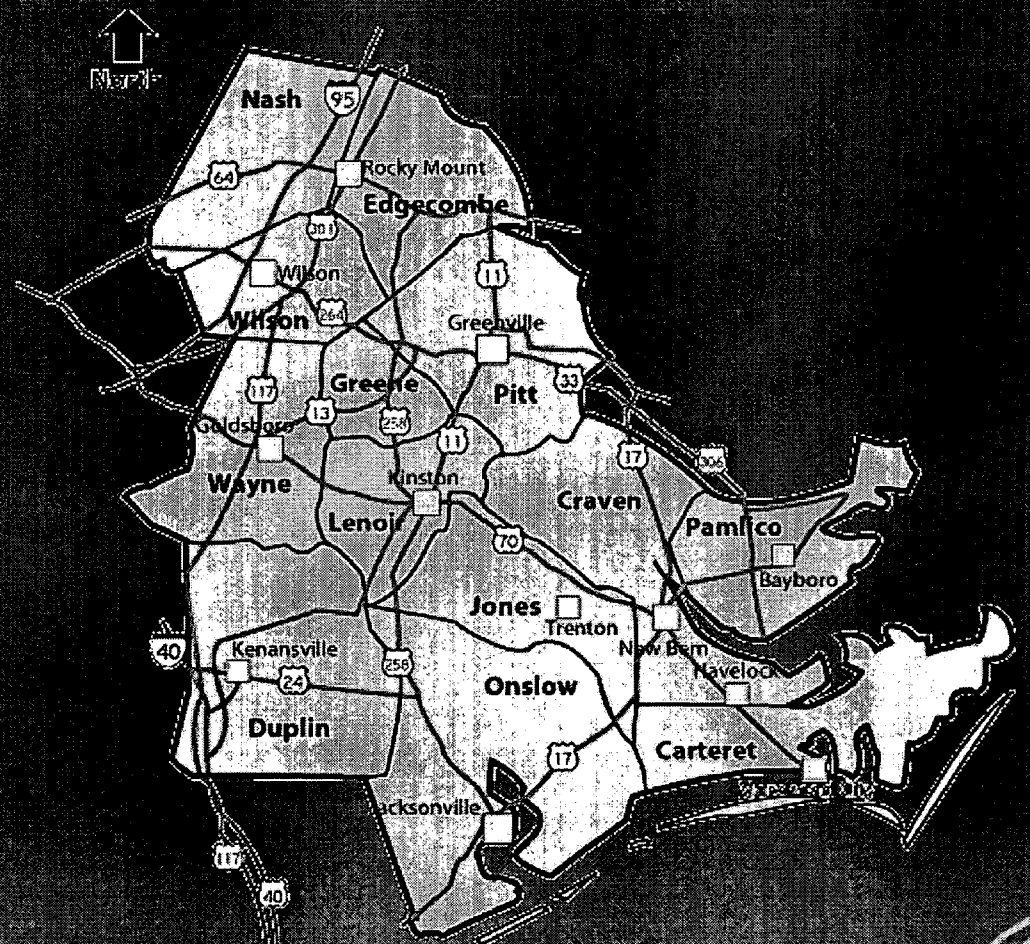
Senator Martin L. Nesbitt, Presiding

Janette W. Lee, Committee Clerk

North Carolina's Eastern Region

Attachment II

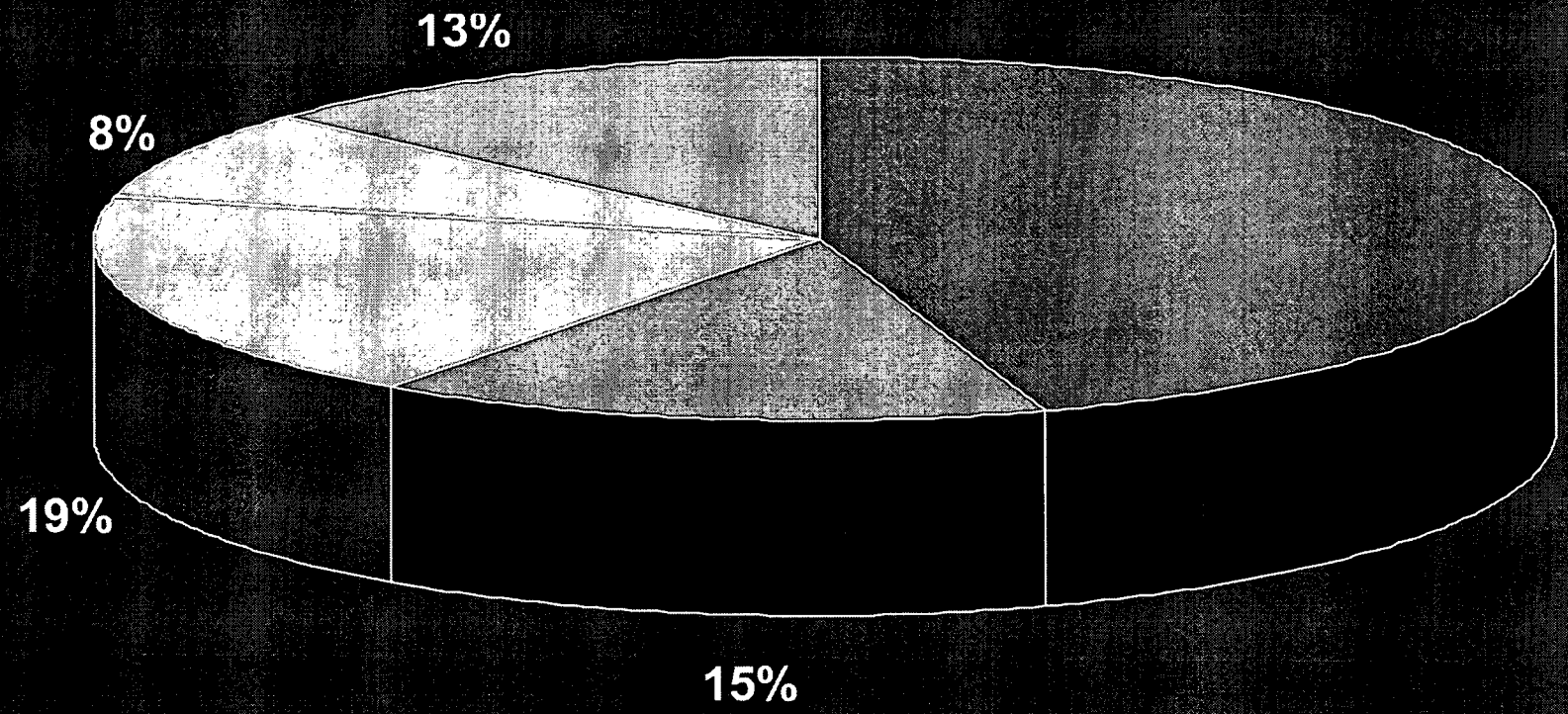
North Carolina's Eastern Region



13 Counties

Population-914,000

Budget



- Partnership Funding
- Trust Fund Balance Interest
- Loan Payment Interest
- Cash Reserve Interest
- Visioning Funding
- Miscellaneous Income

NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Personnel

Executive Director
Chief Financial Officer
Research and Web Manager
Special Projects Coordinator
Communications and Marketing Coordinator
Secretary / Receptionist

NORTH CAROLINA'S EASTERN REGION
IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Board Structure

- 3 voting members per county (39 total)
- Kenan-Flagler Study
- Legislative mandate
- Bill currently drafted recommending a Board of 19 members

NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Financial Backbone of N.C.E.R.

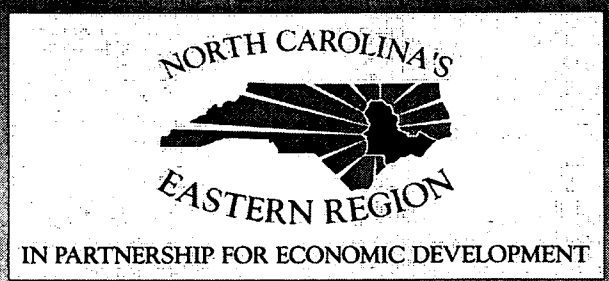
Special Taxing Authority
($5 Tag Fee)

NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Spin-off Earnings from the $5 Tag Fee assisted in the following:

- Locations and pending projects- $1.5 m
- 65 company locations with $814M private investment and 8,487 manufacturing jobs
- 4 companies pending locations with another $70M private investment and 811 jobs



Certified Site Program

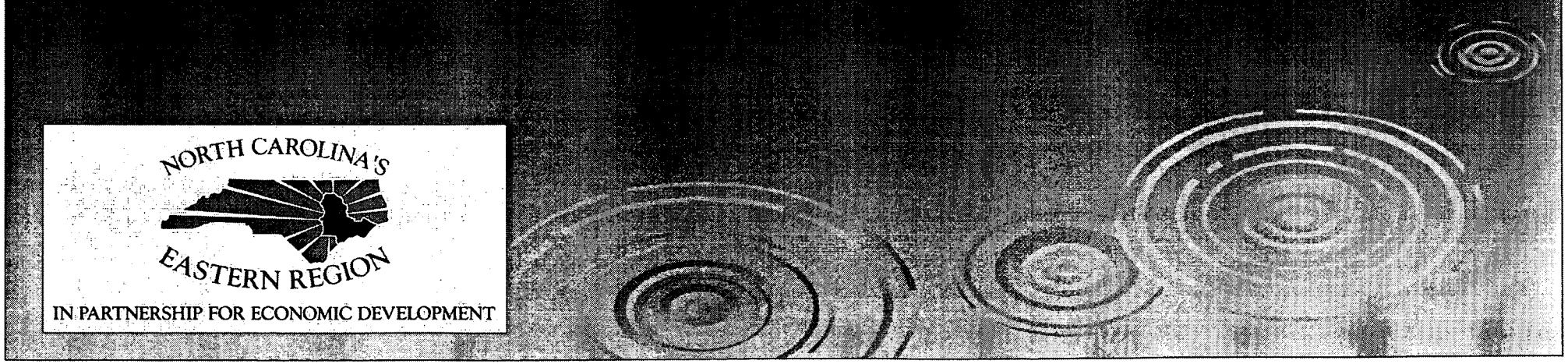
- 34 Certified Sites totaling 14,809 acres
- 14 companies have located on certified property with private investments over $300M and over 2,900 jobs
- Includes one mega-site (850 acres certified with 300+ additional acres available

NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Environmental Grant Program

In Fiscal Year 1994-1995, the Region allocated a total of $1 million for environmental planning.



NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Economic Development Assistance

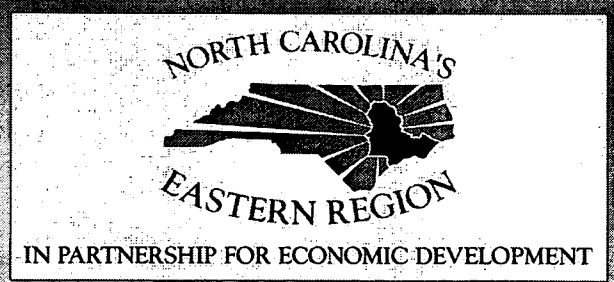
This one time grant pool established in 1995-1996, provides assistance with a variety of economic development initiatives.

NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

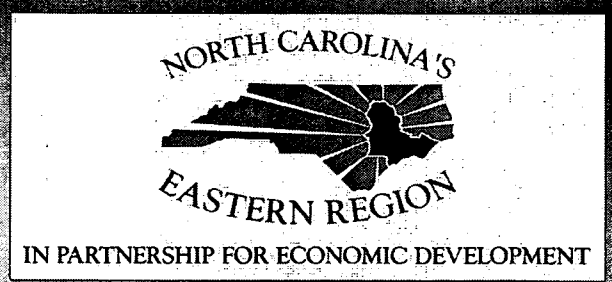
Executive Director's Discretionary Fund

Originally funded in 1998-1999 and as funds were available since that date, this program provides assistance with project proposal development and related activities.



Product Development Assistance

Funded on an "as needed" basis, the program provided assistance to counties for specific development needs.



EDC and Regional DOC Grants

The Region has provided grants as funding permitted to assist local economic developers with the cost of equipment/furniture, marketing expenses, training and material development

NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

EDI Tuition Assistance

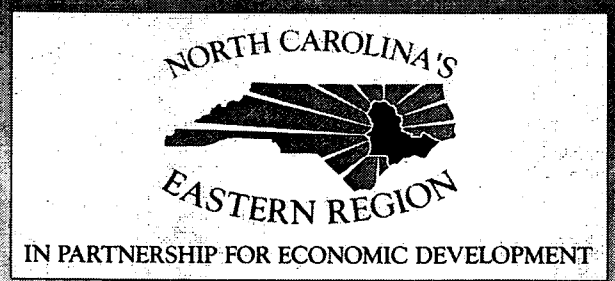
Beginning in fiscal year 1999-2000, counties can designate one individual to complete the four phases of the Economic Development Institute professional training programs.

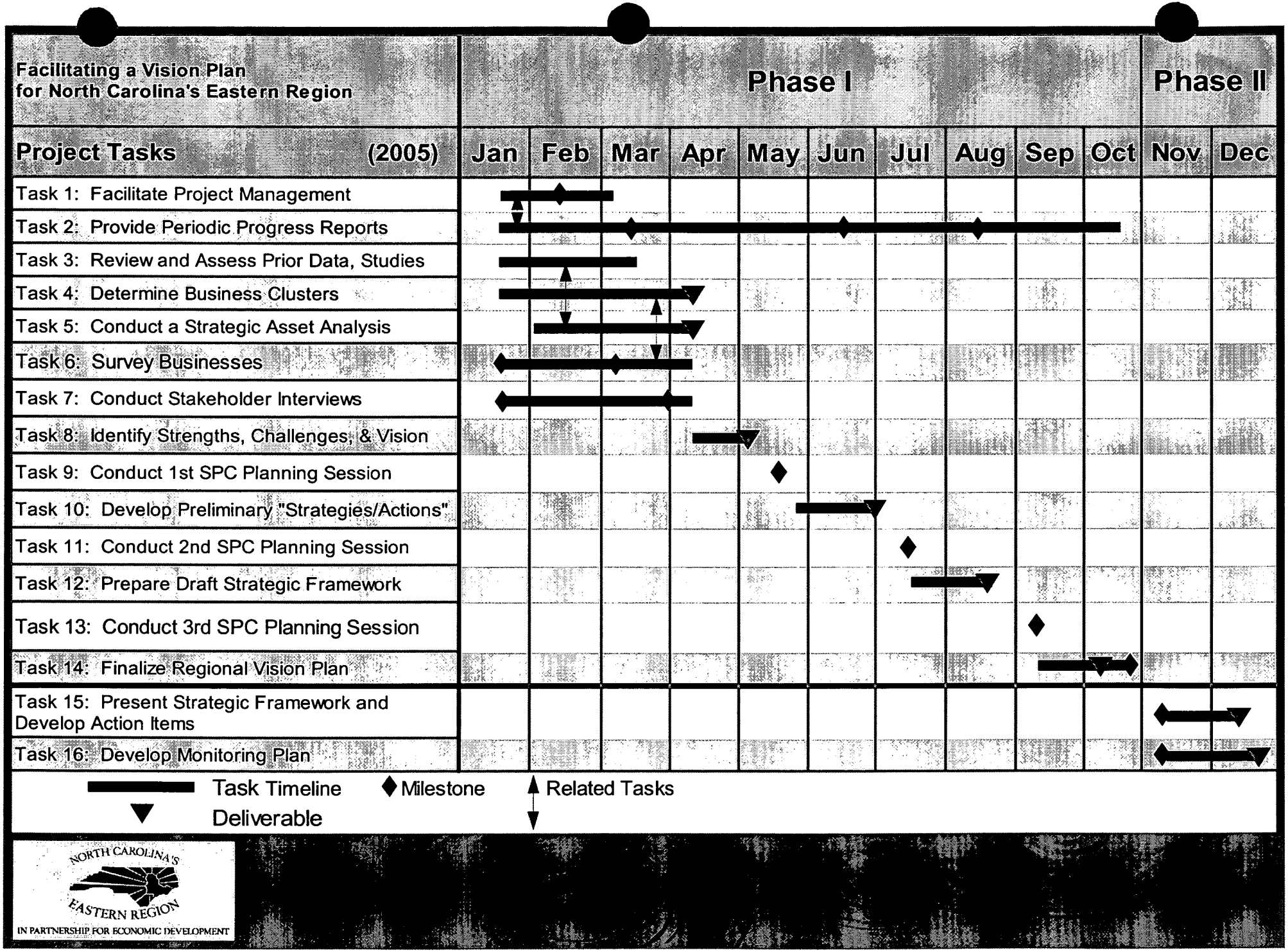
NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Marketing-Client Development

- Outreach Targeted Marketing
- Visioning Study




Facilitating a Vision Plan
for North Carolina's Eastern Region
Phase I
Phase II
Project Tasks (2005)
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Task 1: Facilitate Project Management
Task 2: Provide Periodic Progress Reports
Task 3: Review and Assess Prior Data, Studies
Task 4: Determine Business Clusters
Task 5: Conduct a Strategic Asset Analysis
Task 6: Survey Businesses
Task 7: Conduct Stakeholder Interviews
Task 8: Identify Strengths, Challenges, & Vision
Task 9: Conduct 1st SPC Planning Session
Task 10: Develop Preliminary "Strategies/Actions"
Task 11: Conduct 2nd SPC Planning Session
Task 12: Prepare Draft Strategic Framework
Task 13: Conduct 3rd SPC Planning Session
Task 14: Finalize Regional Vision Plan
Task 15: Present Strategic Framework and Develop Action Items
Task 16: Develop Monitoring Plan
Task Timeline
Milestone
Related Tasks
Deliverable
NORTH CAROLINA'S EASTERN REGION
IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

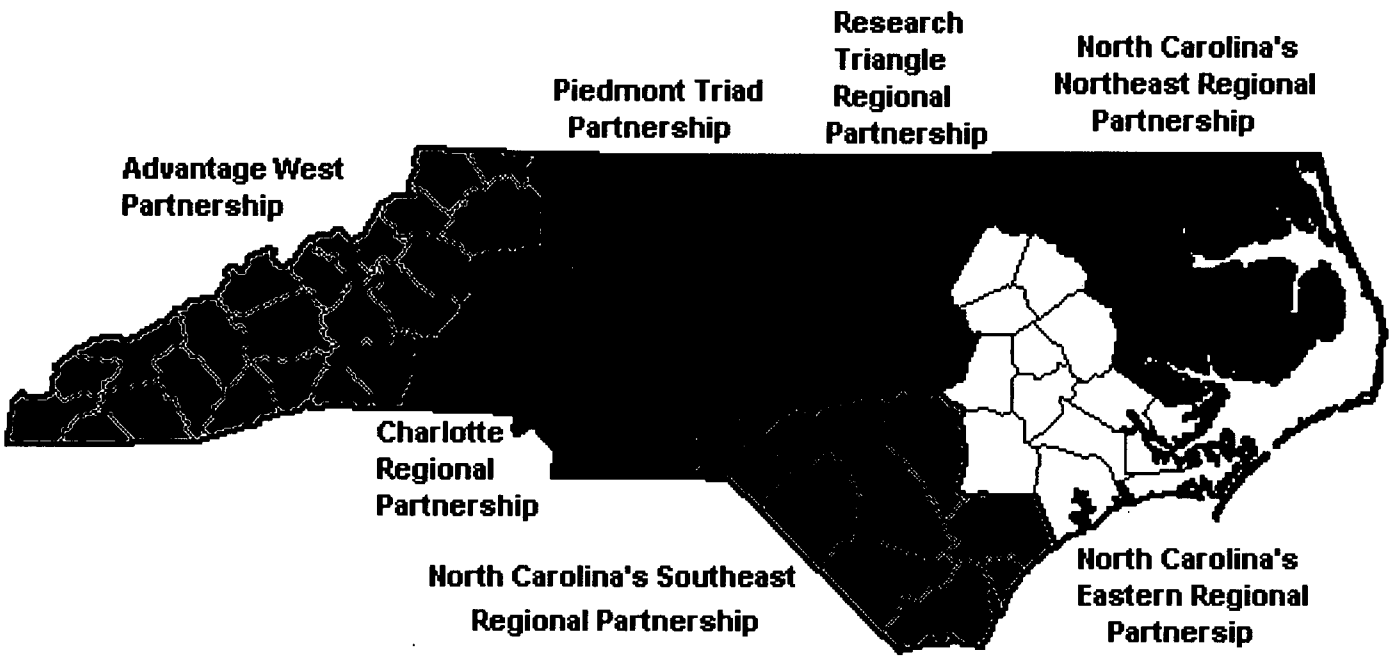
Making a Difference in North Carolina's Eastern Region

NORTH CAROLINA'S EASTERN REGION

IN PARTNERSHIP FOR ECONOMIC DEVELOPMENT

Updated February 22, 2005

North Carolina's Eastern Region is one of seven regional economic development partnerships in the state.



Our Mission

Our mission is to promote and encourage economic development by fostering or sponsoring development projects to provide land, buildings, and infrastructure requirements for business and industry within the thirteen-county development zone.

Assistance

North Carolina's Eastern Region provides assistance to its thirteen counties with a variety of product development, professional advancement, and marketing assistance programs, including:

- **Revolving Loan Trust Fund**
  Providing low-interest loans for infrastructure and development projects
- **Incentive Flex Grants**
  Assisting with project location and expansion
- **Certified Sites Program**
  Assisting with site development costs
- **Environmental Grant Program**
  Matching funds to assist with environmental planning costs
- **Economic Development Grants**
  One-time grant pool used for a variety of economic development initiatives
- **Executive Director's Discretionary Fund**
  Assisting with project proposal development and related activities
- **Product Development Grants**
  One-time grant pool designated for specific development needs
- **EDC Upgrade Grant Program**
  Assisting local development offices with equipment, training, etc.
- **EDI Tuition Program**
  Assisting with costs associated with professional advancement courses
- **Marketing Assistance**
  Providing funds and staffing for lead generation, collateral material development, advertising, trade shows, marketing missions, aerial photos, research assistance, buildings and sites database input, client handling, direct mail campaigns, site consultant visits, and public relation events

North Carolina's Eastern Region has provided assistance that has aided in the location of a virtual "Who's Who" of American and international companies.

GAF
GAF MATERIALS CORPORATION

COASTAL BEVERAGE
NAPLES, FL

Abbott Laboratories

Smithfield

tyco

World Class Catamarans

Draka USA
Cables Without Limits

QVC
QUALITY. VALUE. CONVENIENCE.

BOSCH

Universal Corporation

Fuji Silysia

Ham's Yams

UNITED STATES COLD STORAGE
WARSAW
NORTH CAROLINA

PACTIV
Advanced Packaging Solutions

RSC

PEPSI.

Parker
Parker Marine Enterprises, Inc.
Beaufort, North Carolina

Revolving Loan Trust Fund

Since FY 95/96, this $22-million fund has provided low-interest loans for infrastructure and development projects.

FY 95/96	$1,000,000	**Craven County** used these funds for infrastructure improvements which opened property to development along the US 70 corridor.
	200,000	**Nash County** purchased land to develop the Whitaker Business and Industry Center, home of McLane Company.
	499,999	**Pitt County** used these funds to develop its technology business incubator.
FY 96/97	798,000	**Duplin County** provided infrastructure to develop SouthPark and WestPark, which led to the location or expansion of US Cold Storage, Carolina Soy, Slocumb Industries, and Precision Hydraulics.
	1,200,000	**Pitt County** used these funds to further develop and up-fit its technology business incubator.
	1,200,000	**Onslow County** borrowed funds for infrastructure improvements at Burton Industrial Park.
	1,000,000	**Lenoir County** constructed a 100,750 SF shell building. West Pharmaceuticals located its new facilities in this structure in FY 03/04.
FY 97/98	1,340,875	**Wilson County** used its funds to construct a 1-million gallon water tank in Wilson Corporate Park, opening the park to further development.
	350,000	**Duplin County** borrowed funds for additional infrastructure improvements at SouthPark and WestPark.
	200,000	**Edgecombe County** purchased property for the Tarboro-Edgecombe Industrial Park, which led to the location of CST.
	200,000	**Edgecombe County** used these funds to up-fit an industrial building, leading to the location of Air Systems Components.
FY 98/99	379,000	**Edgecombe County** purchased a portion of the Kingsboro area mega-site, which led to the location of QVC's 1-million SF warehouse/distribution center.
	150,000	**Edgecombe County** used these funds to purchase additional property in the Kingsboro area.
	500,000	**Wayne County** provided up-fit for an industrial building, leading to the location of GAF Corporation.
	250,000	**Duplin County** purchased a tract of land for its Airport Industrial Park.
	300,000	**Edgecombe County** purchased the last of its Kingsboro area property.
	1,465,900	**Nash County** purchased property to expand the Whitaker Business and Industry Center, leading to the location of Poppies Bakery and Draka Elevators.
	65,000	**Jones County** used these funds for land acquisition for its first industrial park, leading to the location of Arbco Industries.
	650,000	**Craven County** provided infrastructure improvement to construct a shell building at Craven Industrial Park.
FY 99/00	261,000	**Pitt County** constructed a pump station for a 600-acre industrial corridor.
	499,500	**Pitt County** used these funds to provide a gas main to Worthington Industrial Park.
FY 00/01	1,615,000	**Onslow County** provided landscaping and roadway improvements for the Burton Industrial Park.
FY 01/02	2,324,136	**Wayne County** used these funds for site preparation and construction of a new shell building at ParkEast Industrial Park.
	475,000	**Greene County** provided funds to assist Ham's Farms with renovation costs for a new produce operation.
	175,000	**Greene County** provided funds to assist Moye Construction with the purchase of a new facility.
	110,000	**Greene County** provided funds to Brittany Ridge Quail Farm for expansion costs.
FY 02/03	150,000	**Pitt County** used these funds to assist with up-fit at its Technology Center.
FY 03/04	600,000	**Duplin County** purchased an additional tract of land for its Airport Industrial Park.
FY 04/05	250,000	**Greene County** provided funds to assist NWL Capacitors with its expansion.
	42,500	**Pamlico County** provided funds to assist P.I.N.E. with equipment costs.
	$18,250,910	

Incentive Flex Grants *(Disbursed)*

Since FY 99/00, these grants have assisted with project location throughout the Region.

Fiscal Year	County	Amount	Project	Investment	Jobs
99/00	Carteret	$25,000	Parker Marine	$ 1,393,000	125
	Duplin	25,000	National Spinning	5,375,000	50
	Edgecombe	25,000	QVC Distribution Center	65,000,000	800
	Jones	25,000	Marine and Industrial Plastics	1,300,000	40
	Lenoir	25,000	Masterbrand Cabinets	50,000,000	800
	Nash	25,000	Poppies Bakery	20,000,000	300
	Pitt	25,000	Coastal Beverage	5,000,000	85
	Wayne	25,000	Gruma Corporation	13,000,000	105
00/01	Craven	25,000	BSH Home Appliances	152,000,000	1,200
	Duplin	25,000	40-East Steel	250,000	12
	Edgecombe	25,000	Tyco	12,000,000	121
	Lenoir	25,000	Carolina Turkey	2,500,000	70
	Nash	25,000	Aegis Communications	5,000,000	800
	Nash	25,000	Draka Elevators	10,000,000	55
	Nash	25,000	Universal Leaf	100,000,000	1,000
	Pitt	10,000	Pactiv Corporation	1,750,000	31
	Pitt	25,000	NC Bio-Tech Center	30,000,000	50
	Wayne	25,000	Anchor Coupling	2,000,000	50
01/02	Carteret	25,000	I.Access Anywhere	500,000	30
	Edgecombe	25,000	World Class Catamarans	2,500,000	46
	Edgecombe	25,000	QVC Expansion	32,300,000	100
	Greene	25,000	Ham's Farms	2,000,000	10
	Jones	12,500	Act Manufacturing	100,000	35
	Jones	12,500	Blue Rock Structures	280,000	160
	Lenoir	10,000	Southern Vinyl	565,000	13
	Nash	25,000	Abbott Labs	20,000,000	50
02/03	Craven	25,000	Wirthwein AG	14,000,000	125
	Duplin	25,000	Circle S Foods	6,000,000	55
	Edgecombe	12,500	Air Systems Components	3,000,000	75
	Edgecombe	25,000	CST Expansion	10,000,000	40
	Edgecombe	12,500	Paris Frames	3,000,000	100
	Greene	5,469	Carolina Farms Pipe Division	94,000	6
	Greene	25,000	Greene Natural Fibers	4,000,000	25
	Jones	25,000	Jones Cotton Gin	1,500,000	6
	Jones	25,000	Arbco Industries	1,350,000	25
	Lenoir	5,469	William Barnet and Son	500,000	20
	Lenoir	25,000	Farval Lubricant Systems	1,500,000	25
	Lenoir	21,875	Cam International Trading	2,000,000	30
	Lenoir	21,875	West Company	16,000,000	250
	Nash	7,500	K & R Sportswear	2,000,000	20
	Pitt	25,000	DSM	100,000,000	75
03/04	Duplin	25,000	WestPark Business Tech Center	700,000	8
	Duplin	25,000	Precision Hydraulics	2,400,000	20
	Edgecombe	25,000	Riverside Printing Company	4,000,000	40
	Edgecombe	75,000	Superior Essex	16,100,000	150
	Greene	25,000	Tile Restoration, Inc.	780,000	97

Incentive Flex Grants *(Disbursed)*

Fiscal Year	County	Amount	Project	Investment	Jobs
03/04	Nash	15,625	E-Commerce Auto	1,100,000	20
	Nash	15,625	Performance Trailers, Inc.	1,200,000	20
	Nash	25,000	American Food Resources	6,000,000	50
	Nash	25,000	SEPRO Corporation	7,000,000	21
	Pitt	7,813	3 Companies/Technology Center	777,000	38
	Pitt	7,813	Dimon	3,000,000	99
	Pitt	25,000	Metaldyne	25,000,000	33
	Pitt	7,813	Industry Relocation	4,000,000	100
	Wilson	18,750	Kidde Aerospace	3,200,000	68
	Wilson	4,688	QT Corporation	238,000	32
04/05	Carteret	25,000	Atlantic Veneer	7,000,000	337
	Duplin	25,000	Case Farms	12,000,000	30
	Edgecombe	6,250	North State Millworks	224,000	18
	Greene	25,000	NWL Capacitors	700,000	25
	Nash	40,625	BSH Metal Stamping	12,000,000	200
	Nash	25,000	Engine Systems, Inc.	3,000,000	15
	Wilson	7,813	Carolina Cabinets	750,000	25
	Wilson	25,000	Equipment Sales and Service, Inc.	800,000	5
	Wilson	25,000	Carolina Forge Company	2,300,000	21
		$1,415,003		$814,026,000	8,487

Incentive Flex Grant Dollars Disbursed = $166.73 per job
For every Incentive Flex Grant Dollars disbursed, $575.28 has been returned in new investment.

TOTAL DISBURSED PER COUNTY

Carteret	$75,000	Investment	$ 8,893,000	Jobs	492
Craven	50,000		166,000,000		1,325
Duplin	150,000		26,725,000		175
Edgecombe	256,250		148,124,000		1,490
Greene	105,469		7,574,000		163
Jones	100,000		4,530,000		266
Lenoir	134,219		73,065,000		1,208
Nash	279,375		187,300,000		2,551
Pitt	133,439		169,527,000		511
Wayne	50,000		15,000,000		155
Wilson	81,251		7,288,000		151
	$1,415,003		$814,026,000		8,487

Incentive Flex Grants *(Pending)*

Fiscal Year	County	Amount	Project	Investment	Jobs
04/05	Craven	$25,000	Metal Fabricating	$ 15,500,000	11
	Nash	25,000	Food Processing Project	14,000,000	500
	Nash	3,000	Telecommunications/CAD	500,000	100
	Wayne	50,000	Automotive Support Facility	40,000,000	200
		$103,000		$ 70,000,000	811

Certified Sites Program

This program assists counties with site development costs to meet regional and state certification
NOTE: Project locations on certified sites are listed in red.

COUNTY	PROPERTY	ACRES	GRANT
Carteret	Crystal Coast Business Park	50	$ 50,000
Craven	Weyerhaeuser Property	5,081	50,000
Duplin	Airport Industrial Park	126	50,000
	SouthPark Industrial Park	85	50,000
	Precision Hydraulics		
	WestPark Industrial Park	930	50,000
Edgecombe	Kingsboro Site	122	50,000
	QVC Distribution Center		
	Kingsboro-Long Site	152	46,651
	Bourne-Long Site	543	32,310
	Long Site	154	32,421
	Fountain Industrial Park	80	12,500
	Tarboro Commerce Center	120	0
	Air Systems Components		
Greene	Greene Industrial Park	58	8,450
Jones	Jones Industrial Park	15	12,000
	Arbco Industries		
Lenoir	Lenoir County Shell #2	53	50,000
	West Pharmaceuticals		
	US-70 West Industrial Park	290	10,725
	Smithfield Foods		
	GTP Site A	308	0
Nash	Nashville Business Center	32	50,000
	American Food Resources		
	Whitaker B&I Center	327	34,506
	Draka Elevators and Poppies Bakery		
	Lewis Industrial Park	600	33,195
	Lamm Industrial Site	1,000	50,000
	Universal Leaf		
	Nash Technology Park	213	27,075
	Mid-Atlantic Site	850	49,514
Onslow	Burton Industrial Park	730	41,620
Pitt	Indigreen Corporate Park	285	0
	Fuji Silysia		
	Farmville Corporate Park	300	26,618
	Coastal Beverage Company		
	Worthington Industrial Park	120	12,023
	Ayden Industrial Park	70	19,343
	Minges Bottling Group		
	Grifton Industrial Park	50	11,467
	Greenville Industrial Park	15	3,960
	Metallix		
Wayne	ParkEast Industrial Park	500	50,000
	Mount Olive Industrial Park	100	50,000
Wilson	Woodard Parkway Site	950	50,000
	Wilson Corporate Park	500	25,000
Regional	Signage and Ceremonies		12,162
		14,809	$1,051,540

Environmental Grant Program

In FY 94/95, the Region allocated a total of $1 million for environmental planning.

Carteret	$ 20,000.00	Two environmental grants assisted in the development of the Crystal Coast Business Park, the Jarrett Bay Marine Industrial Park, and the environmental assessment of Radio Island.
Craven	29,932.38	Two environmental grants provided for soil boring studies and evaluation at the Craven Industrial Park and the Craven Convention Center project. A third environmental grant will assisted in environmental studies for Craven County Industrial Park.
Duplin	40,000.00	Four environmental grants have provided funds for studies for SouthPark, WestPark, and a county multi-purpose complex.
Edgecombe	20,000.00	Two environmental grants assisted in the studies required for the Kingsboro mega-site properties.
Lenoir	20,000.00	Two environmental grants have been used to assist the county with long-term water and sewer planning efforts.
Nash	59,636.78	Six environmental grants; two for the Whitaker Business and Industry Center, and three for the proposed Airport Industrial Park, and one for the Corbett Industrial Center.
Onslow	70,000.00	Seven environmental grants have been used for studies and planning for the 700+ acre Burton Industrial Park.
Pitt	42,174.14	Five environmental grants have assisted the county with long range water and sewer planning, water quality monitoring efforts, and environmental assessments at the Greenville Industrial Park and the county's proposed Science and Technology Park and an Environmental Education Center for Contentnea Creek.
Wayne	10,000.00	An environmental grant to assist with the studies and wetland delineation for the Mount Olive Industrial Park.
Wilson	30,000.00	Three environmental grants have assisted with the planning and studies required for an 850+ acre industrial park adjacent to US-264 and NC-58, a water re-use project, and planning and studies required for Wilson Corporate Park.
Regional	50,000.00	An environmental grant was used to conduct a regional water and sewer study, conducted by The Wooten Company, and distributed to all 13 counties in the region.
Regional	50,000.00	An environmental grant was used to assist with the study of impacts of the Central Capacity Use Area Act on the region.
Regional	86,660.48	Support of environmental conferences and task force meetings.
	$528,403.78	

Economic Development Grants

This one-time grant pool established in FY 95/96 provided assistance with a variety of economic development initiatives.

Carteret	$ 24,765.00	Used for industrial park development that led to the location of Jarrett Bay Boat Works, Southern Skimmer, Gregory Poole, and Covington Diesel.
Craven	30,290.00	Used for infrastructure improvements that allowed for the expansion of BSH Home Appliances.
Duplin	20,670.00	Used for industrial park development in Wallace and Warsaw that led to the location of US Cold Storage, Slocomb Industries, and Carolina Soy Products.
Edgecombe	22,587.50	Used to conduct a feasibility study for a proposed industry location.
Greene	12,642.50	Used to develop marketing materials to promote interest in industry locations and expansions.
Jones	11,082.50	Used to develop data which was vital to the completion and approval of an Empowerment Zone application.
Lenoir	24,375.00	Used to develop and equip a regional Cyber Campus.
Nash	31,395.00	Used for industrial park development which led to the location of McLane Company, Alflex, Owens-Brockway, Draka Elevators, and Poppies Bakery.
Onslow	36,627.50	Used for infrastructure improvements that allowed for the location of American Transtech.
Pamlico	11,830.00	Used to develop marketing materials to promote interest in industry locations and expansions.
Pitt	36,465.00	Used for infrastructure improvements that led to the location of Anderson Truss, Atwell Industries, Phoenix Fabrication, Edgcomb Metals, Stevry Manufacturing, and Tuffliner.
Wayne	35,620.00	Used to develop marketing materials to promote interest in industry locations and expansions.
Wilson	26,650.00	Used to assist the economic development organization with a European Program.
	$325,000.00	

Executive Director's Discretionary Fund

Originally funded in FY 98/99 and as funds were available since that date, this program provides assistance with project proposal development and related activities.

Carteret	$ 4,108.86	Research and GIS support for Project VentureStar
Craven	5,000.00	Research and analysis for Project Buffalo
Craven	5,000.00	Expenses incurred for the CargoLifter announcement
Greene	1,612.35	Assistance in negotiation cost for the DFI project
Onslow	5,000.00	Assist with proposal development for the AAAV project
Onslow	1,612.35	Assistance in negotiation cost for the DFI project
Pitt	5,000.00	Assistance with a feasibility study for the Science Center
Wayne	5,000.00	Assistance with a military impact study
	$32,333.56	

Product Development Grants

Funded on an "as needed" basis, the program provided assistance to counties for specific development needs.

Craven	$ 25,000.00	Exploratory costs associated with the development of property chosen for the CargoLifter Project.
Duplin	50,000.00	Assist with water and sewer services to the WestPark Business Development Center, home of Carolina Soy and US Cold Storage.
Edgecombe	16,500.00	Soil borings required for property selected by QVC for its 1-million square foot warehouse and distribution center.
Greene	50,000.00	Identification and assessment of properties designated as future industrial sites.
Jones	50,000.00	Assist with infrastructure improvements for the Jones County Industrial Park.
Nash	25,000.00	Provided assistance to Universal Leaf Tobacco Company, requiring relocation due to floods.
Pamlico	50,000.00	Evaluation and purchase of property chosen for industrial development.
	$266,500.00	

EDC Office Grants

Since FY 95/96, the Region has provided grants as funding permitted to assist local economic developers with cost of equipment/furniture, marketing expenses, training, and material development.

Carteret	$ 30,667.50
Craven	30,454.96
Duplin	32,309.75
Edgecombe	29,956.31
Greene	29,890.77
Jones	30,667.50
Lenoir	32,515.60
Nash	30,453.88
Onslow	30,455.50
Pamlico	30,519.40
Pitt	29,743.46
Wayne	30,290.40
Wilson	30,455.50
Regional DOC	30,529.75
	$428,910.28

EDI Tuition Program

Beginning in FY 99/00, counties can designate one individual to complete the four phases of the Economic Development Institute professional training program.

Carteret	$ 414.29
Craven	4,000.00
Duplin	4,000.00
Edgecombe	4,000.00
Greene	4,000.00
Lenoir	4,000.00
Nash	4,000.00
Onslow	4,000.00
Pamlico	4,000.00
Wayne	4,000.00
Regional DOC	2,600.00
	$ 39,014.29

Total Grant Assistance

Carteret County	$ 204,955.65
Craven County	249,677.34
Duplin County	451,979.75
Edgecombe County	523,175.81
Greene County	212,064.62
Jones County	203,750.00
Lenoir County	275,834.60
Nash County	702,150.66
Onslow County	189,315.35
Pamlico County	96,349.40
Pitt County	320,232.60
Wayne County	284,910.40
Wilson County	243,356.50
NC DOC Regional Office	33,129.75
Regional Assistance	198,822.48
Environmental Commitment not allocated	471,596.22
	$4,661,301.13

The grant programs in this report are made possible by the interest earnings derived from the revolving loan trust fund balance, outstanding loans, and cash reserves.

Marketing Assistance

The partnership provides funds to assist with marketing efforts for the 13-county region.

Material Development and Printing

In-house development of marketing materials, regional profiles, demographic information, building and site data sheets, newsletters, and announcements, used in client presentation packages. Packages are sent to prospects and clients in response to inquiries developed through a variety of marketing techniques, such as:

Direct Mail

Development, printing, and mailing of brochures and fliers that highlight the entire 13-county region, sent to industrial prospects and location consultants.

Marketing Trips

Direct calls to location consultants and industrial prospects, representing the entire 13-county region.

Advertising

Ad development and scheduled ad placement in industry-specific and site location publications, featuring buildings, sites, labor availability, and quality of life.

Trade Shows

Booth development, exhibit space rental, trade show registration, and traveling expenses to promote the entire 13-county region and identify prospects. For participation in Commission-sponsored trade shows, reimbursement has been given to county developers.

Photo Library

The Commission maintains a library of business-related and quality-of-life photographs for each county in the region. These photos are made available to the local developers.

Aerial Photos

The Commission contracts with aerial photographers to obtain photos of specific buildings and sites. These photos are used in advertising campaigns, marketing materials, and inclusion in the State DOC building and site database.

Prospect Visits

The Commission provides funds to assist with expenses incurred in visiting prospects or having prospects visit in the Region.

A combination of state funds and interest earnings are used to accomplish the work listed on this page.

1. Marketing Outreach Initiatives – Generate Leads and Create Awareness

Four total ads - Area Development, Plants Sites and Parks, Business Expansion Journal and Expansion Management
Sponsored two-day ECU Tourism Conference (Greenville)
Attended NCPED Marketing Council meeting (Raleigh)
Began proposal reviews and selected consultant to support Visioning Study
Participated in ElectriCities Power Pricing Seminar (Kinston)
Attended Edgecombe Community College Institute of Government Seminar (Tarboro)
Participated in FONC Site Consultant event (Pinehurst)
Co-sponsored Dimon International Job Fair (Farmville)
Participated in GTP Realtors Orientation event (Kinston)
Participated in Progress Energy Tax-Financing Seminar (Raleigh)
Hosted Annual Developers Offsite (New Bern)
Attended Nutragon Information Seminar (Duplin County)
Attended Bio-Diesel announcement (Mount Olive)
Walked IBEX Marine Trades Show
Attended DOC Boeing Project debriefing (Raleigh)
Attended NCEDA Winter Conference
Attended Roundtable in the Desert (Arizona)
Attended SEUS/Japan
Attended NCPED Quarterly Meeting (Hickory)
Toured Seymour Johnson Air Force Base with Eastern Chamber of Commerce
Sixty-five National Public Radio spots

Inquiries	
Total Inquiries	75
Inquiries with Projects	25
Visits	1

Source of Inquiries	
East Carolina Study	34
Advertising	5
Department of Commerce	0
Target Marketing Calls	14
Allies	0
Website	0
Site Consultant	2
Local Developer	20
	75

Announced DOC Visits	8

Phone Calls to Potential Clients	
Companies	1,200
Attempts (Outbound Calls)	3,068

Research Requests	44

2. Grants – Assist Region and NCDOC Developers

Locations with NCER Grant (G) Assistance

Approved in FY 03/04 – Paid in FY 04/05		
$ 25,000 (G) to Duplin County	8 jobs	$ 0.7 M investment
25,000 (G) to Duplin County	20 jobs	2.4 M investment
25,000 (G) to Duplin County	10 jobs	2.45 M investment
25,000 (G) to Jones County	45 jobs	2.04 M investment
7,813 (G) to Pitt County	100 jobs	4.0 M investment
25,000 (G) to Pitt County	33 jobs	25.0 M investment
Approved and Paid in FY 04/05		
$ 25,000 (G) to Duplin County	30 jobs	12.0 M investment
25,000 (G) to Nash County	15 jobs	3.0 M investment
7,813 (G) to Wilson County	25 jobs	0.75 M investment
25,000 (G) to Wilson County	5 jobs	0.8 M investment
25,000 (G) to Wilson County	21 jobs	2.3 M investment
$240,626	312	$55.44

Pending Locations with NCER Grant (G) Assistance

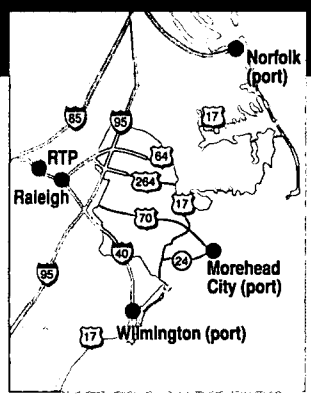
Total of 5 Counties, 7 Projects, $140,902 (G)	1,006 jobs	$80.224M investment

NCER Loan (L) Assistance

Pamlico County: $42,500 (L) to assist Pamlico Information Network Enterprise (P.I.N.E., Inc.)

NORTH CAROLINA'S EASTERN REGION.

EVERY YEAR, MORE COMPANIES ARE SEEING THE LIGHT.



Companies like Honeywell. Merck. Tiara Yachts. Bosch. Consolidated Diesel. Every year, more of them are seeing the advantages of the Eastern Region of North Carolina. A region where the policies of our business-friendly state are made even more attractive by affordable labor, low cost of living, and a lifestyle that ranks among the best in America. To learn more about the best part of America's best state for business, call **800-474-8499** or visit **www.nceast.org.**

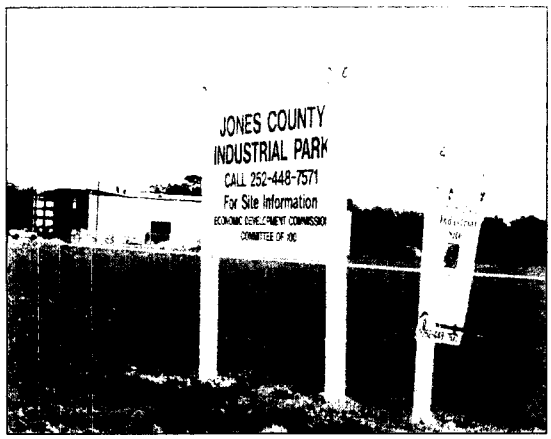
NORTH CAROLINA'S EASTERN REGION

THE BEST PART OF AMERICA'S BEST STATE FOR BUSINESS

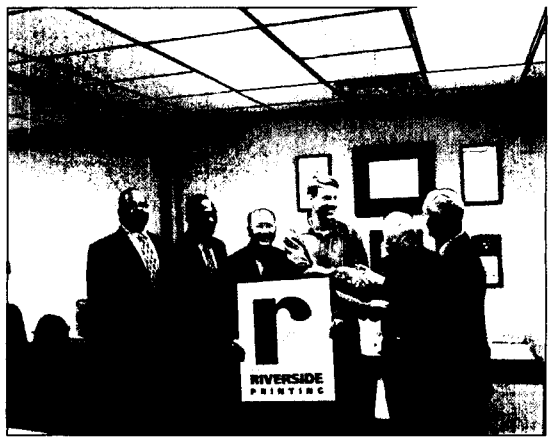
THE BEST PART OF AMERICA'S BEST STATE FOR BUSINESS.

The benefits of a North Carolina business location are well established. Receptive business climate. Favorable taxes. Outstanding job training resources. And the Eastern Region is where the benefits get even better. Where you'll find plenty of affordable and productive labor. Easy access to eastern U.S. markets. And comfortably sized communities where the cost of living is low and the lifestyle is relaxed. To learn the whole story about the best part of North Carolina, call **800-474-8499** or visit **www.nceast.org.**

NORTH CAROLINA'S EASTERN REGION



Arbco Industries in Jones County

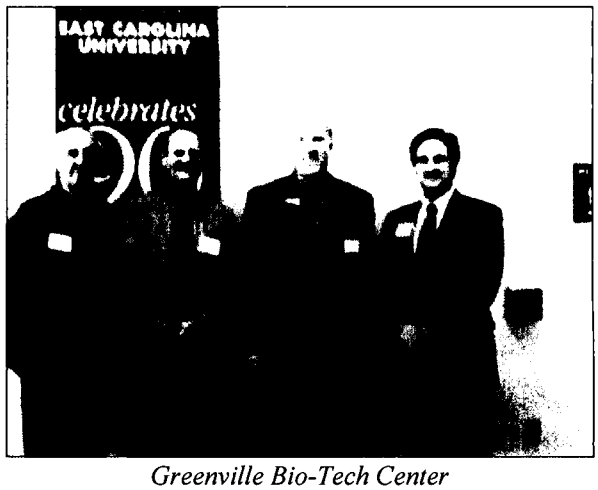


Riverside Printing Flex Grant in Edgecombe County

Mount Olive CIS Ceremony

Wilson County Environmental Grant Presentation

E-Commerce Flex Grant Presentation In Nash County



Greenville Bio-Tech Center

Superior Essex announcement in Edgecombe County

Wirthwein AG Flex Grant Presentation

NORTH CAROLINA'S EASTERN REGION

3802 Highway 58 North
Kinston, North Carolina 28504

BOARD MEMBERS

Lynda Clay, Dave Inscoe, and Bill Price	Carteret County
Alex Badger, James Davis, and Beatrice Smith	Craven County
Arliss Albertson *(Vice Chairman)*, William Fennell, and Doris Hatcher	Duplin County
Calvin Anderson, Wesley Bailey, and Jerry Spruell	Edgecombe County
Gail Edmondson *(Secretary)*, Denny Garner, and Chris Roberson	Greene County
Carol Hood *(Assistant Treasurer)*, Horace Phillips, and Frank Emory	Jones County
William Whaley *(Treasurer)*, George Graham, and Luther Ledford	Lenoir County
Bob Barnes, Tommy May, and Jimmie Smith	Nash County
David Barker, Larry Fitzpatrick, and Maxwell Gilliam	Onslow County
Ann Holton *(Assistant Secretary)*, Marion Altman, and Alfred Fisher	Pamlico County
Edward Bright *(Chairman)*, John Chaffee, and William Teel	Pitt County
Andy Anderson, Monika Barkley, and David Quick	Wayne County
Sid Boyette, Robert Brockington, and Norwood Whitley	Wilson County
Brantley Briley, Rex Edwards, and Marty Hackney	Ex-Officio Members

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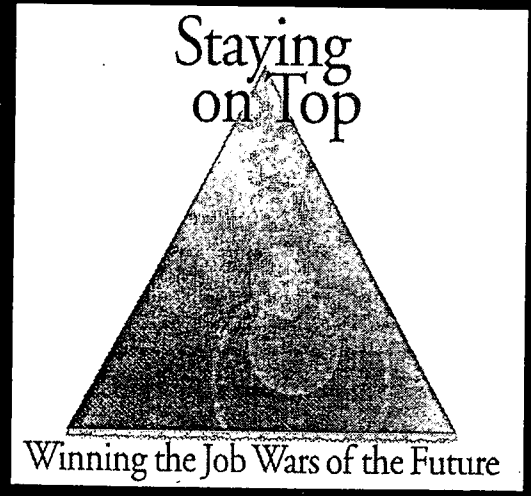
Angela A. Faulkner, Secretary/Travel Coordinator	faulkner@nceast.org

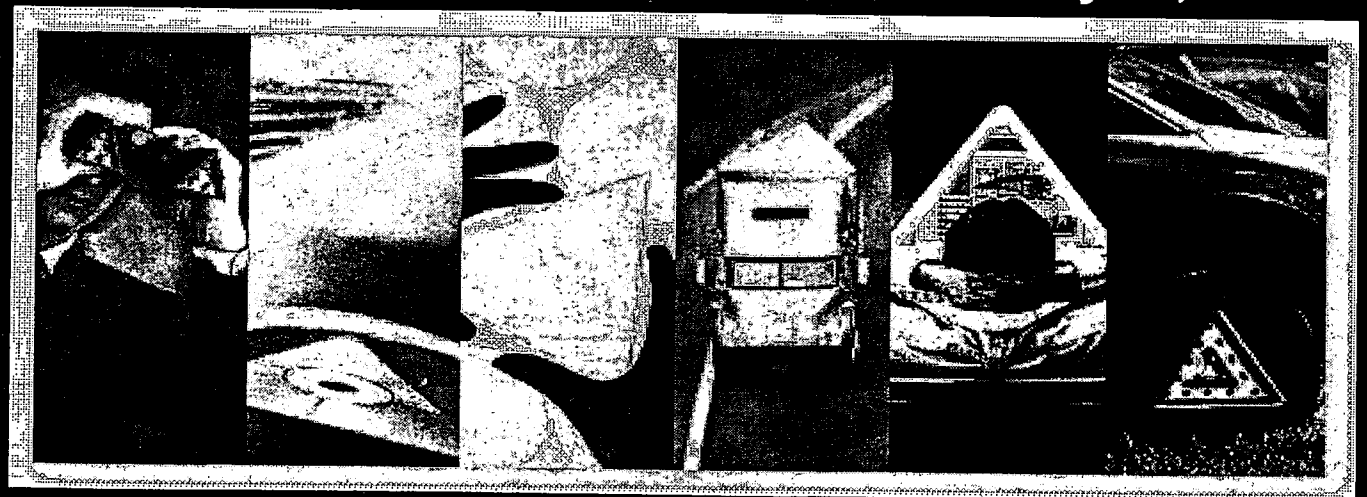
800-474-8499 252-522-2400 Fax: 252-523-9017 E-mail: info@nceast.org www.nceast.org

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Presentation to the NC Economic Development Board

February 25, 2005





Attachment IV

Timeline

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Chair - John Atkins
1990-1992

Chair - Smedes York
1992-1994

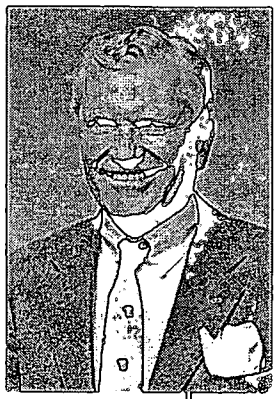
1990 1991 1992 1993 1994

Regionalism Started Here

1990: Raleigh-Durham Regional Association (3-county),
Developed by the Raleigh, Durham and Chapel Hill Chambers

1993: Raleigh-Durham Regional Association (6-county),
Expanded by the Raleigh, Durham and Chapel Hill Chambers

1994: Research Triangle Regional Partnership (13-county),
Expanded by the N.C. Legislature in regionalizing North Carolina



Timeline

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Chair - Bill Burns
1994-1996

Chair - Jim Hyler
1996-1998

1995 1996 1997 1998

1995: RTRP starts relations with DCI for Public Relations

1996: RTRP establishes client protocol

1997: DCI completes media survey to determine the national perception of the region

1997: Research Triangle Regional Partnership (Moves in new office with the Raleigh-Durham Airport Authority)

1998: Research Triangle Institute completes targeted industry assessment

Chair - John Atkins

1998-2000

Timeline

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

1999

2000

1999: RTRP chosen as a Verizon "Region of Choice"

1999: Life Science Study Released (Wet Lab Space)

2000: Opened European Office in Frankfurt, Germany within the Duke University's Fuqua School of Business Europe

2000:Board Adopts Future Focus Plan expanded the mission of RTRP to include strategic issues

Timeline

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Chair - Jim Talton

2000-2002

2001

2002

2001: Board adopts 3-year marketing plan

2001: Received International Accreditation by the International Economic Development Council (IEDC)

2002: Region shown as one of the Top 5 "Clusters of Innovation" by Michael E. Porter, Harvard Business School professor.

2002: UNC begins work on Mini-hub feasibility project

Timeline

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

2003 2004

Chair - Southgate Jones III
2002-2004

2003: Work begins on "Future Cluster Competitiveness" initiative; A task force of 36 CEOs and University presidents provide leadership for the privately funded effort.

2003: Mini-Hub study is released, and work begins to implement a pilot program in RTRP's northern tier counties.

2003: GeneSpace 2003 Conference Hosted by RTRP

2003: Life Science Report Released: A Blueprint of Life Sciences Industry Growth in the Research Triangle Region

2003: RTRP Receives Goodmon Award for exhibiting outstanding regional leadership

Research Triangle Regional Partnership

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

- Jim Roberson, Chairman – Former President & CEO of Research Triangle Foundation (RTP)
- Charles A. Hayes, President & CEO
- 55 Board of Directors
- 23 Member Executive Committee
- 5 Staff (3 of Staff Earned Top Economic Development Accreditation; All Staff has been through Basic Economic Development Course)

Timeline

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

2004 2005 2006 2007 2008

Chair - James O. Roberson
2004-2006

Chair-Elect - Bob Greczyn
2006-2008

2004: 1st Annual State of the Research Triangle Region

2004: *"Staying on Top: Winning the Job Wars of the Future"* Strategic 5-year Economic Vision for the Region Released.

2004: RTRP Receives U.S. EDA's 2004 Regional Competitiveness Excellence in Economic Development Award

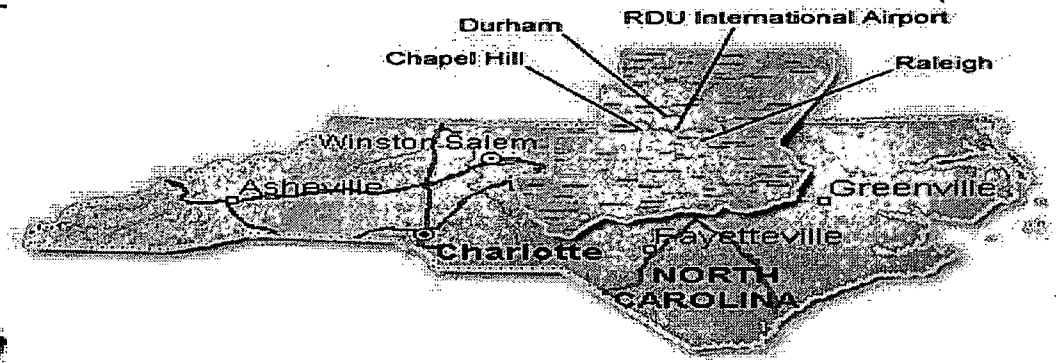
2004: GeneSpace 2004 Conference Hosted by RTRP

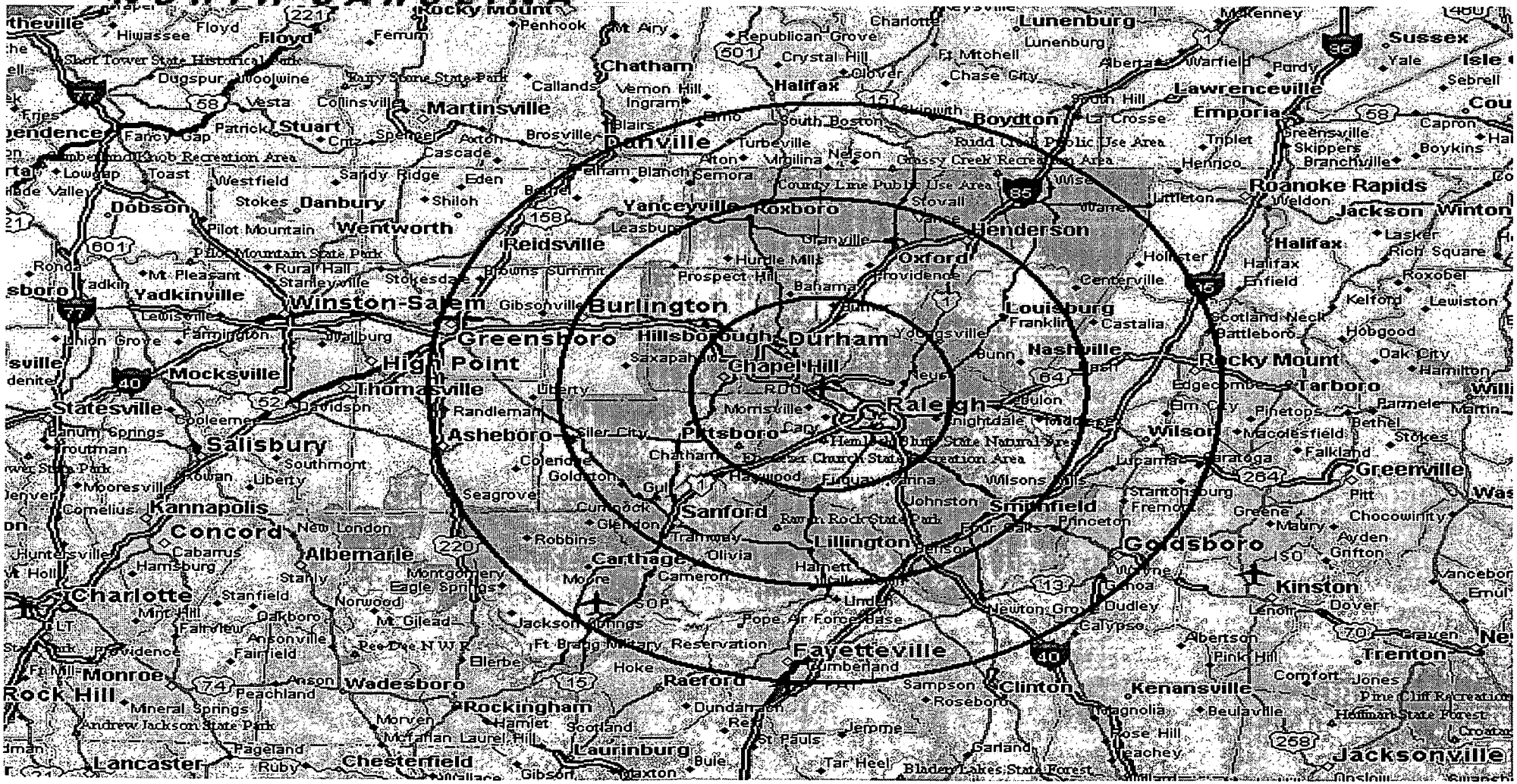
2005: State Government Radio– *"Staying On Top"* Regional Initiative

2005: Regional Legislative Agenda Unveiled Representing 25 Regional Chambers of Commerce and RTRP

Research Triangle Region

NORTH CAROLINA





RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

Selected 2004 Research Triangle Major Industry Announcements

MERCK

$300 Million
200 Jobs
(Durham County)

CREE

$306 Million
300 Jobs
(Durham County)

Silver LINE WINDOWS

$21 Million
900 Jobs
(Durham County)

novozymes

$5 Million
(Franklin County)

CertainTeed

QUALITY MADE CERTAIN, satisfaction guaranteed.

$50 Million
55 Jobs
(Granville County)

novo nordisk

$100 Million
187 Jobs
(Johnston County)

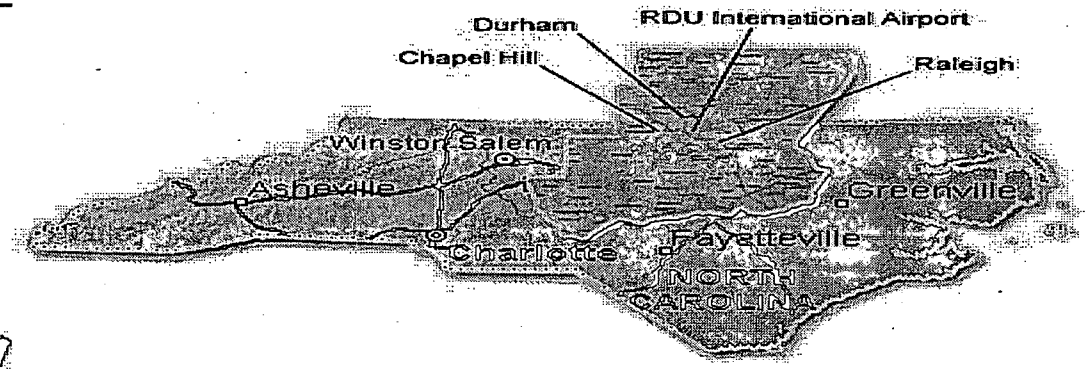
CREDIT SUISSE FIRST BOSTON

$100 Million
400 Jobs
(Wake County)

NetApp

$59 Million
361 Jobs
(Wake County)

Research Triangle Region
NORTH CAROLINA



Region (13-county, 63 city region)

- Population: 1,677,182 (20% of State)
- Employed Labor Force - 842,789 (21% of State)
- Unemployment Rate – 3.9%
- 42% of Adults have a 4-Year college degree
- Investment (Last 5 Years: $7.461 billion
  24,517 Jobs Created)

RTRP- The Specific Role We Play

Direct Strategic and Tactical Efforts to Maintain Regional Competitiveness

RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

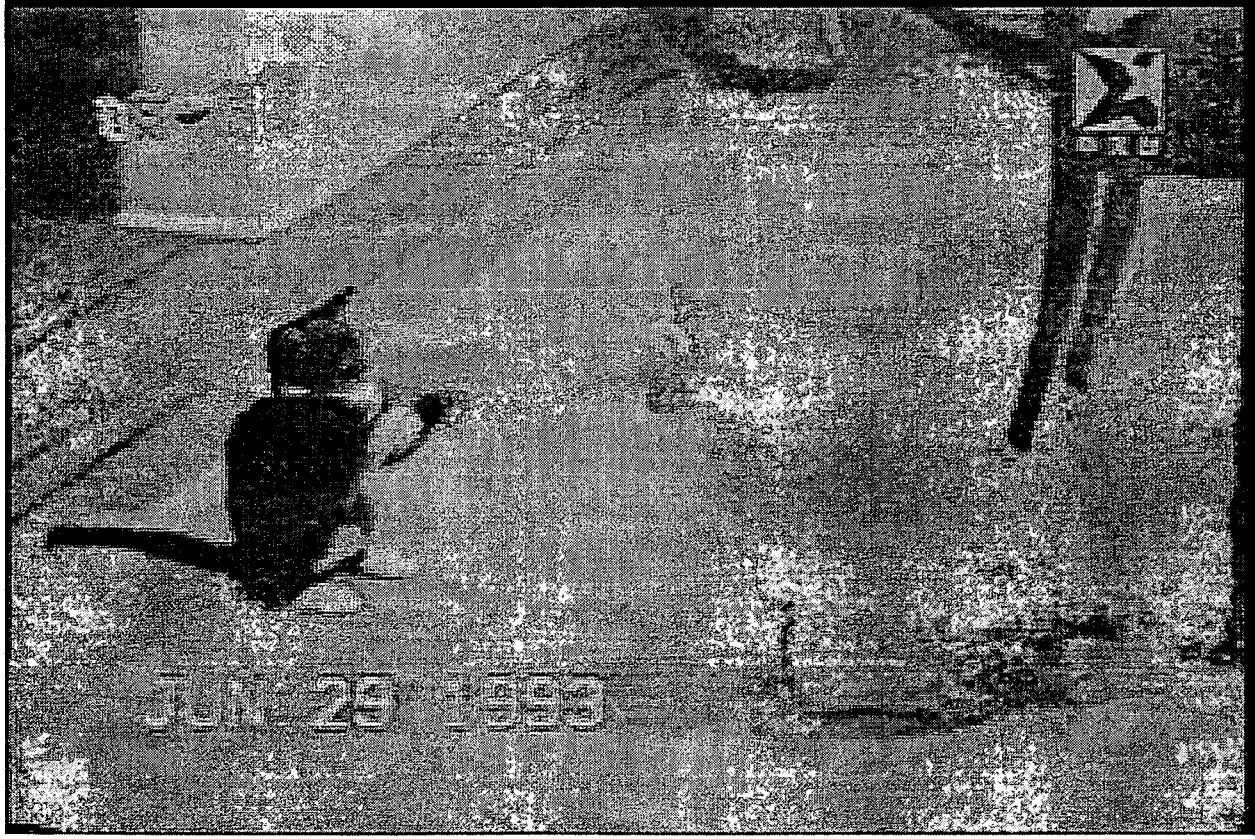
RTRP- Accolades

- U.S. EDA's 2004 Regional Competitiveness Excellence in Economic Development Award
- Goodman's 2003 Outstanding Regional Leadership Award
- International Accreditation by the International Economic Development Council (IEDC)
- Verizon's "Region of Choice"

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

"The Best Way to Predict the Future is to Invent It"

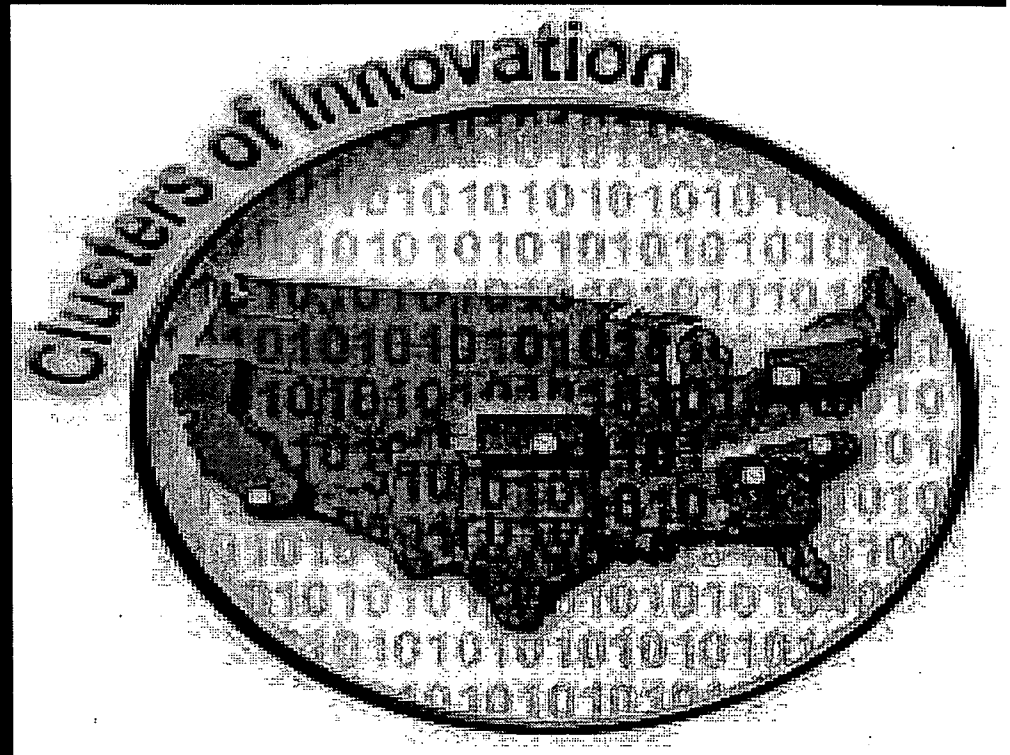
- Alan Kay



RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Dr. Michael Porter
Strategic Analysis on 5 Regions

- Atlanta
- Pittsburgh
- San Diego
- Wichita
- The Research Triangle



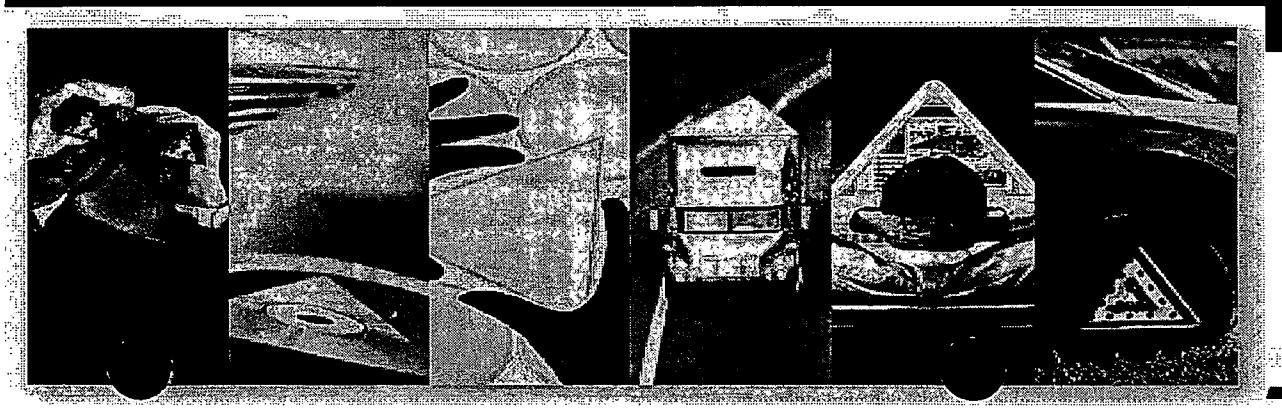
RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

Study Results

- Each region must have a distinctive strategy
- Current economic performance does not insure future performance
- Economic regions do not follow political boundaries
- Successful regions do not rely on chance- they build capacity for success

Future Cluster Competitiveness Task Force
Research Triangle Region

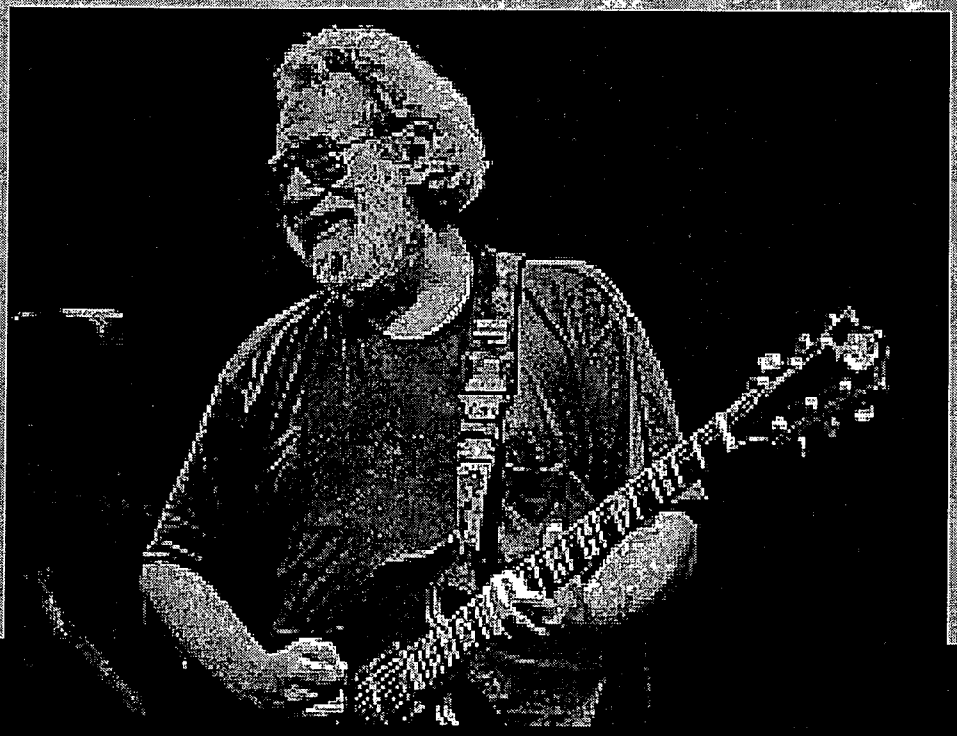
<u>Michael Porter's Clusters of Innovation Report</u>: The primary recommendation :A new economic vision is needed that builds on the foundation created by RTP, focuses on building and attracting innovative and emerging industry clusters, and expands the prosperity to a larger geographic area, including the more rural counties surrounding the urban core.



Research Triangle Region
NORTH CAROLINA

"Somebody has to do something, and it's just incredibly pathetic that it has to be us."

-- *Jerry Garcia of The Grateful Dead*



RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

Future Clusters Competitiveness Task Force

Task Force Members:

James B. Hunt Jr. – Chair, Womble Carlyle Sandrigdge & Rice, PLLC
Leslie Alexandre, North Carolina Biotechnology Center
James Ammons, North Carolina Central University
John Atkins, O'Brien-Atkins
Molly Broad, University of North Carolina
Shauneen Bruder, RBC Centura
Bill Coley, Duke Power
Pat Corso, Pinehurst Resorts
Fred Day, Progress Energy
Barry Eveland, IBM
Marye Anne Fox, North Carolina State University
Kip Frey, InterSouth Partners
Dennis Gillings, Quintiles Transnational
Jim Goodmon, Capitol Broadcasting
James Goodnight, SAS Institute
Bob Greczyn, Blue Cross & Blue Shield of North Carolina
Andrea Harris, N.C. Institute of Minority Economic Development
Victoria Haynes, RTI International

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Future Clusters Competitiveness Task Force

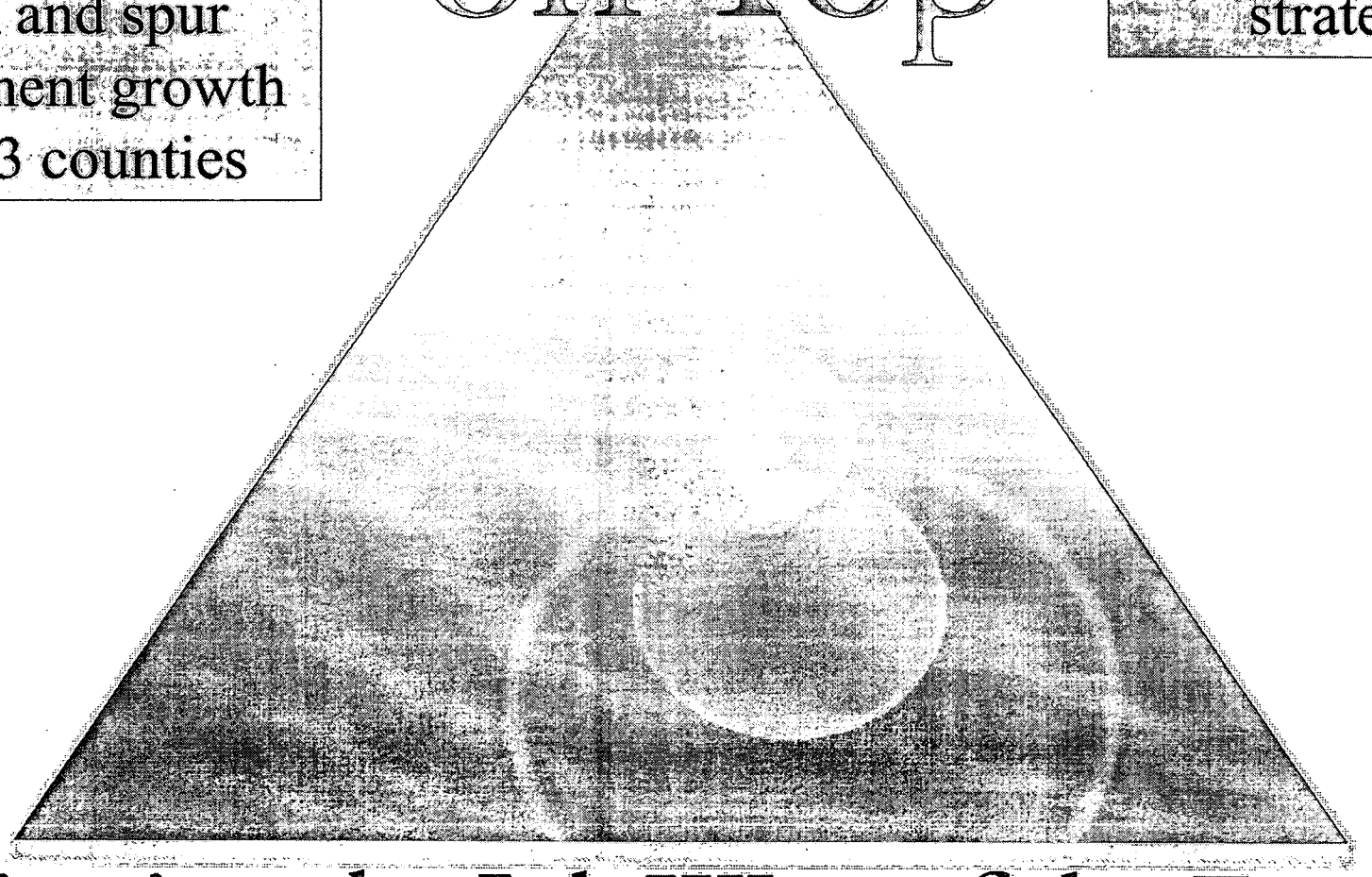
Task Force Members:
James Hyler, First Citizens
Bob Ingram, GlaxoSmithKline
Nannerl Keohane, Duke University
Martin Lancaster, North Carolina Community College System
James Moeser, The University of North Carolina – Chapel Hill
William Muse, East Carolina University
George Perkins, Frontier Spinning
Frank Plastina, Proxim Corporation
Hal Price, Biogen Idec
Orage Quarles, The News & Observer
David Rizzo, MCNC
Jim Roberson, Research Triangle Foundation
Raymond Stone, Franklin County
E.C. Sykes, Flextronics International
Matthew Szulik, Red Hat
James Talton, Impact Design Build, Inc.
Krista Tillman, BellSouth
Max Wallace, Emerging Issues Institute
Lee Yarbrough, Novozymes North America Inc.

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

A 5-year, $5 million action agenda to generate 100,000 new jobs in the region and spur employment growth in all 13 counties

Staying on Top

61 different organizations aligned to carry out 30 different strategies



Winning the Job Wars of the Future

The Research Triangle Region's Economic Vision

To be a world leader in intellectual capacity, education and innovation in order to enhance productivity and economic growth and achieve a superior quality of life for all our citizens.

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Strategy One

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Promote the growth of *industry clusters* where the region has a competitive advantage.

- Develop/Manage Cluster Support Networks for Targeted Clusters
- Develop Community College Strategy to Support Clusters
- Create Regional Workforce Coordination Plan
- Attract Cluster Events & Conferences
- Update Cluster Research

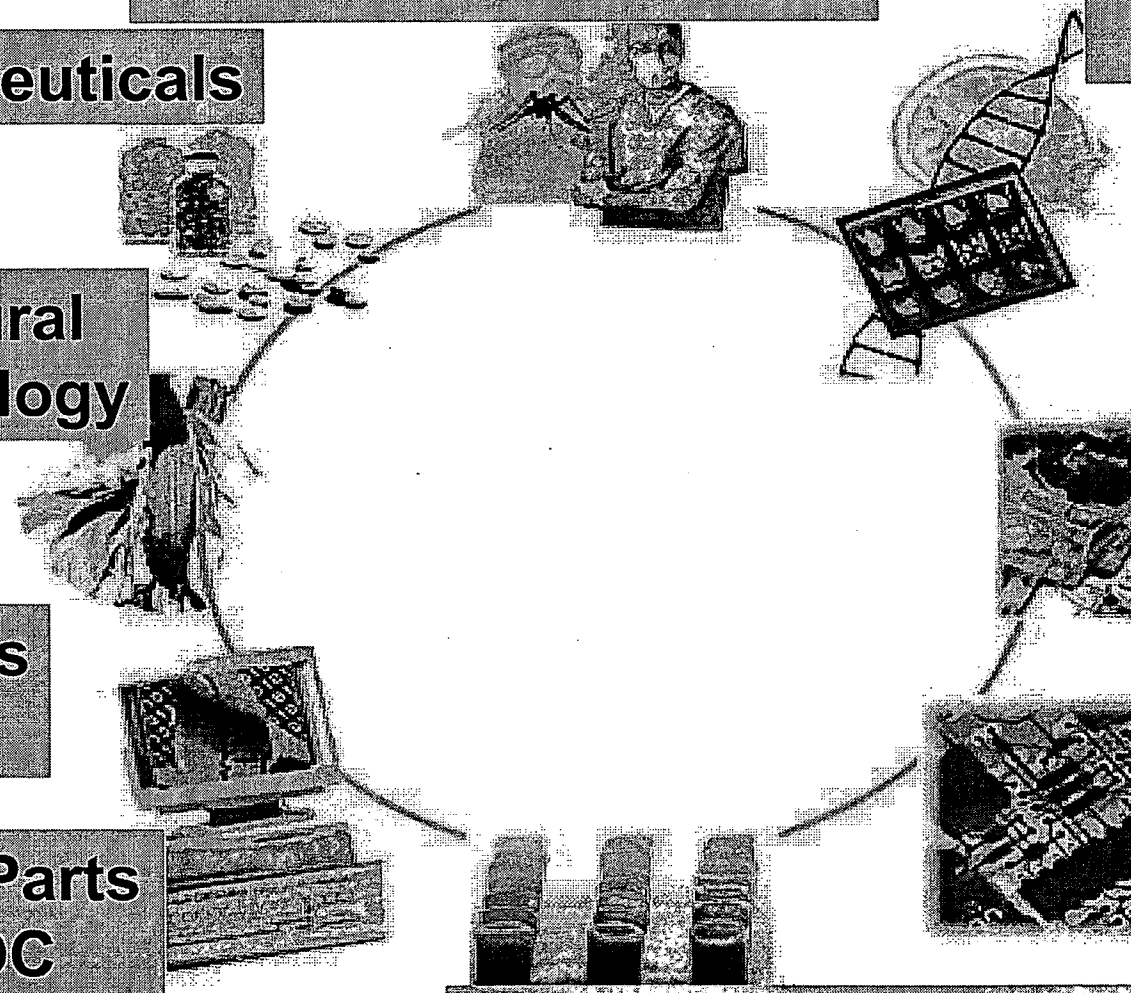
Cluster Networks

Biological Agents and Infectious Disease RTI

Logistics

Advanced Medical Care RTI

Pharmaceuticals



Agricultural Biotechnology

Analytical Instruments

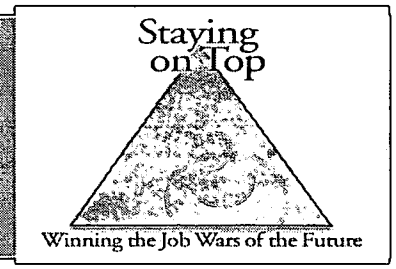
Informatics RTI

Pervasive Computing

Vehicle Parts NCDOC

Nanoscale Technologies

Examples



- Pharmaceuticals (proteomics)
- Biological Agents (environmental protection, sensors, data management)
- Pervasive Computing (sensors networks, wearables, advanced handhelds, medical devices)
- Advanced Medical Care (injectable nanomachines)
- Analytical Instrumentation (Photonics for sensors, tunable lasers, combinatorial methods for modeling and simulation)
- Informatics (Distributed computing, analytical software, imaging and visualization systems

RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

Strategy Two

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Use a balanced approach of targeted recruitment, global branding, business creation and existing business retention

- Develop 5-year Marketing Plan
- Initiate Cluster Driven Recruitment Effort
- Implement Global Branding Campaign
- Create a Regional Retention & Expansion Program
- Expand Management Education Services to High-growth Companies
- Expand "Leadership Circle" Entrepreneurial Program
- Expand "Expert Teams Program" to Link Businesses-Universities
- Media Strategy to Promote Entrepreneurial Impact
- Implement Strategy to Increase Capital

Marketing Strategies

Direct Contact Marketing

- Targeted marketing missions
- Special events
- Trade shows in conjunction with team NC
- Occasional other trade shows
- Targeted direct mail (Limited)

RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

New "Application Cluster" Recruitment Targeting

Determine Competitive Differentiations

10 targeted clusters

Identify Companies In Targeted Sub-cluster Codes

Biological therapeutics, Diagnostic & orthopedic medical devices, photonic instrumentation, sensors, electronic vehicle components, wearable electronics. 10,000 companies

Use Predictive Model to Identify Companies Likely to Expand

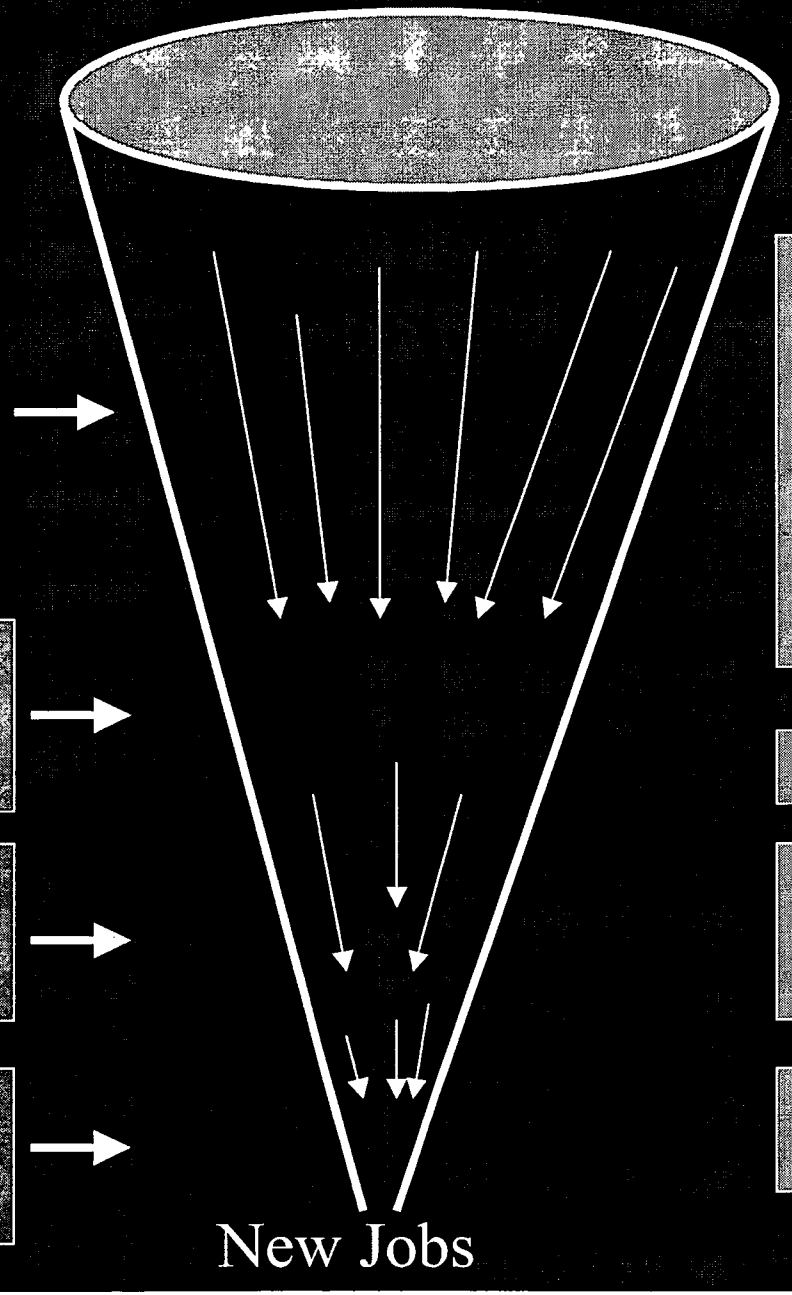
Predictive Model

Contact Companies To Determine Interest

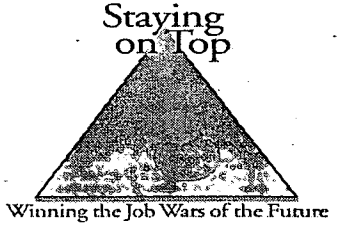
400 Companies Identified as Needing Capacity- Contacts All

Go Visit Company

Regional Company Calls 10-20



"Staying On Top" Implementation Strategies



Targeted Recruitment (Began summer 2004)

- 2 active projects identified to date

Marketing Strategies

Information Marketing

- Web site (updated)
- Site selection consultant briefings
- Venture Capital briefings
- Print materials
- Alliances

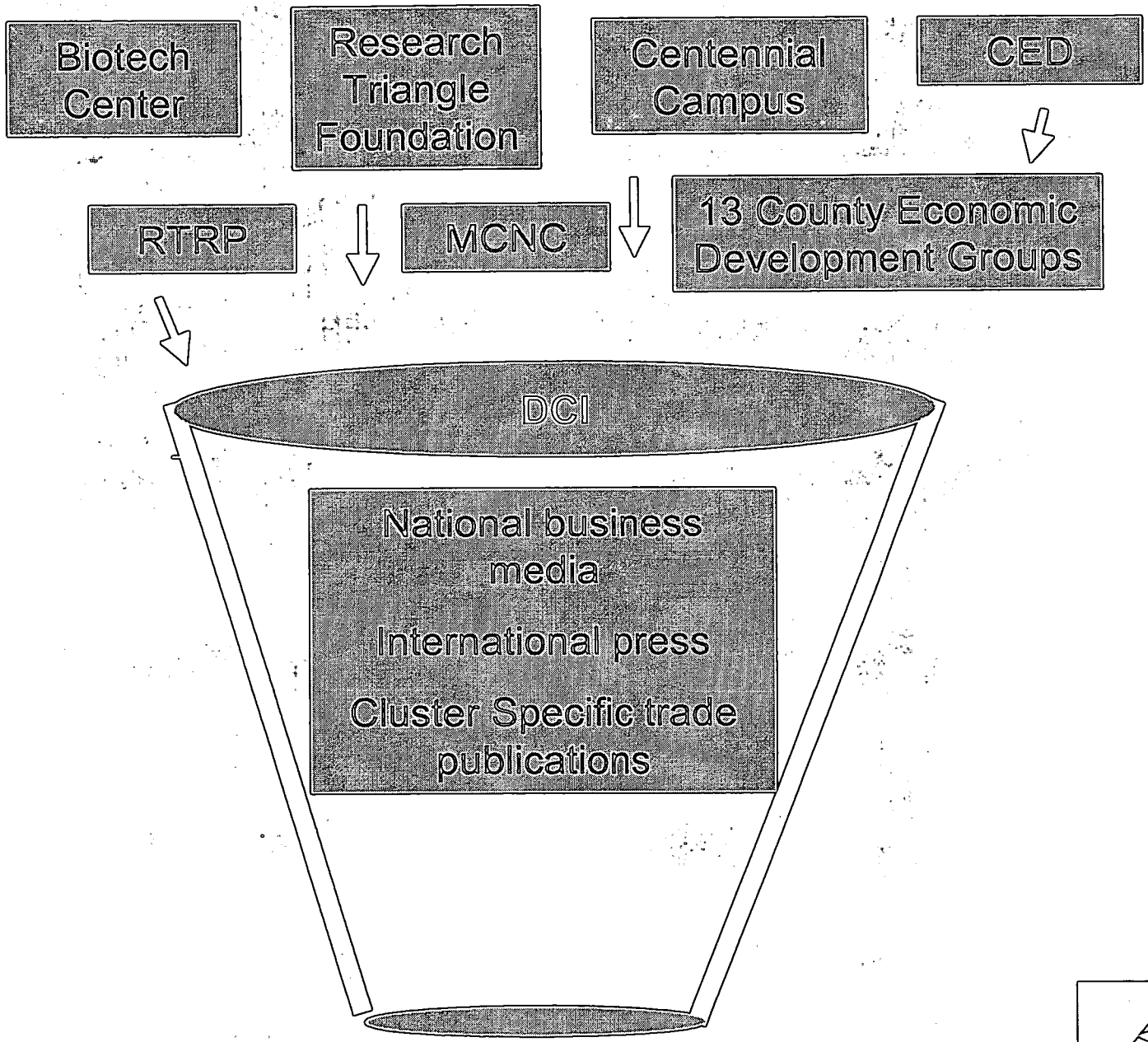
RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

Marketing Strategies

Public Relations

- Media tours
- Individual or group press trips
- Telephone interviews
- Press releases
- Bylined stories

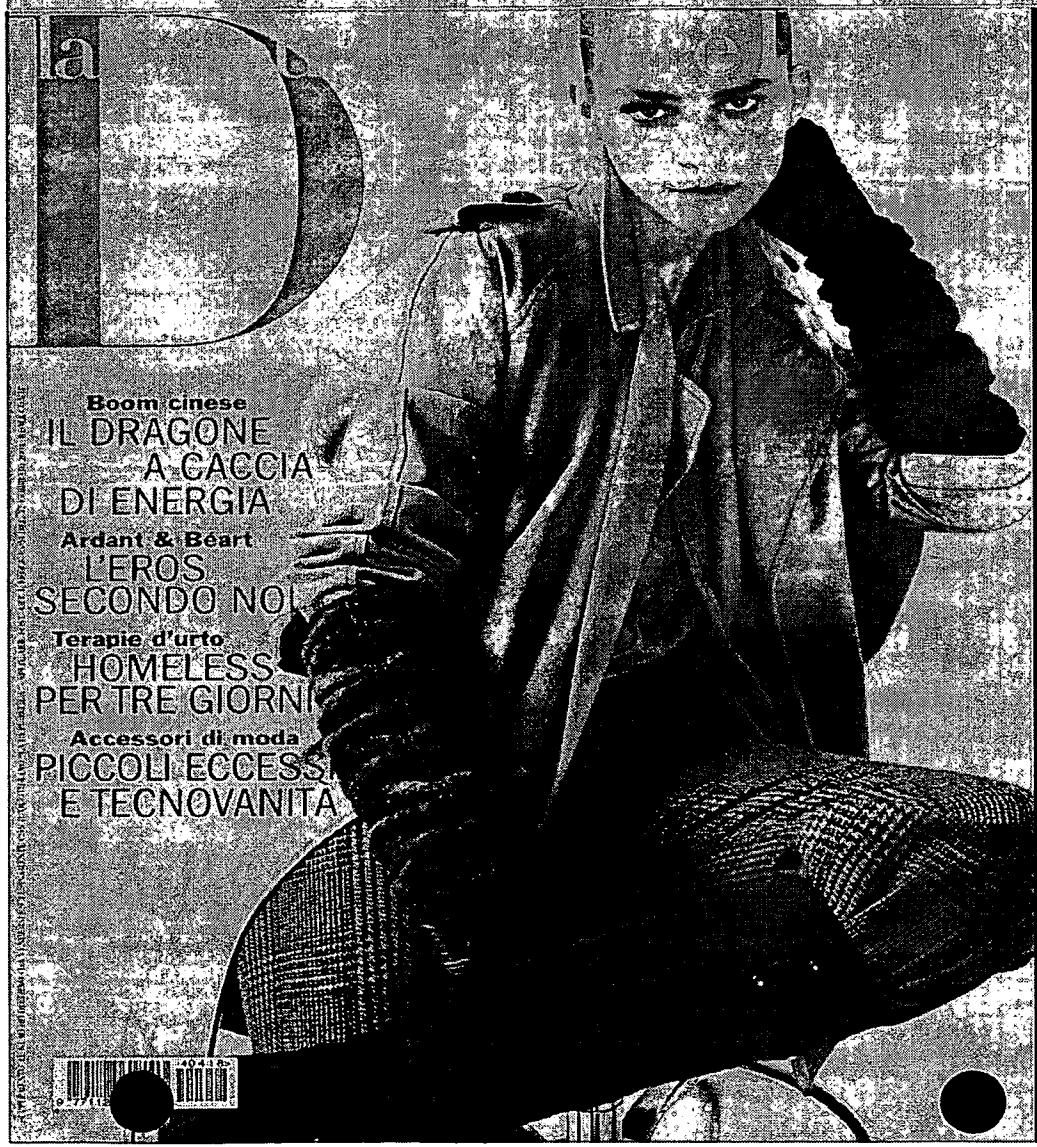
RESEARCH TRIANGLE REGIONAL PARTNERSHIP



Stories About the Region

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Media Placement



July – Dec. 2004

Advertising Equivalency- $29,731

Advertising Impact- $148,656

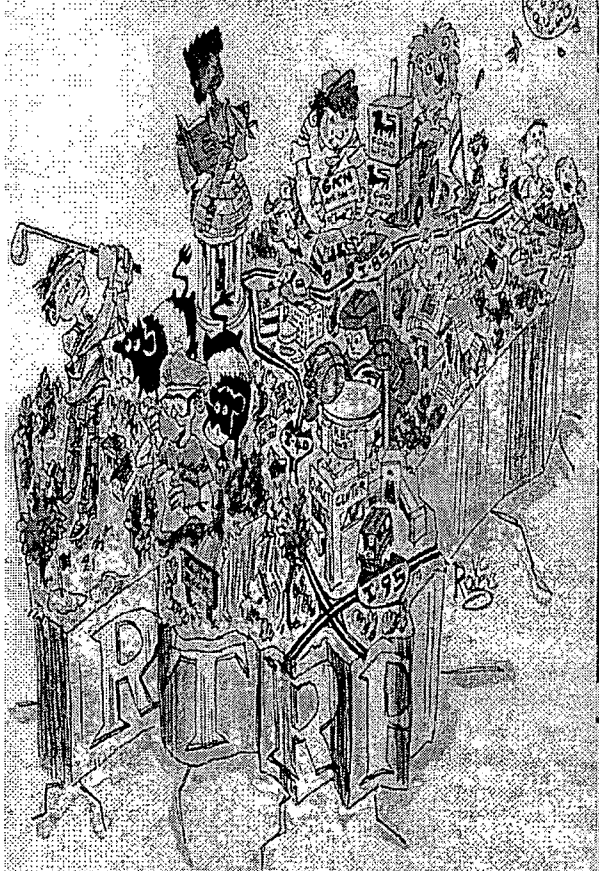
RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Internal Media

North Carolina

THE VOICE OF NCCBI, NORTH CAROLINA CITIZENS FOR BUSINESS AND INDUSTRY

Research Triangle Region Finds Strength in Diversity



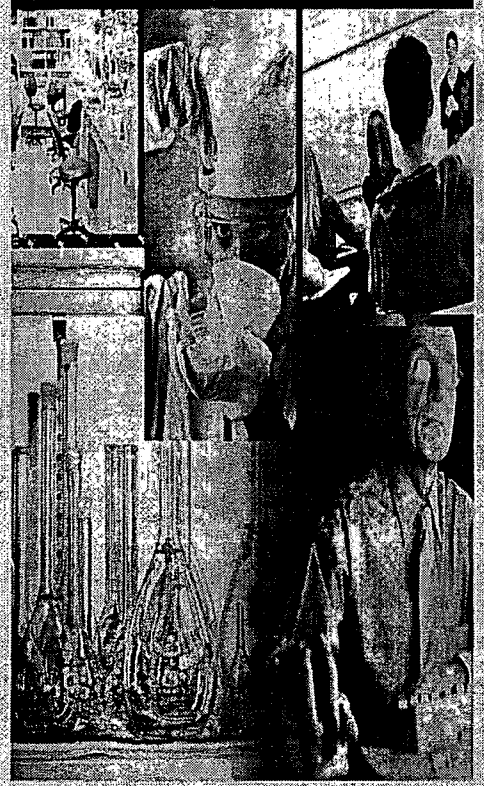
A Special Section Supplement to North Carolina Magazine

SPECIAL ADVERTISING SECTION

REGIONAL FOCUS

NEW ANGLE

THE TRIANGLE REGION PLANS TO STAY ON TOP



In early 50 years ago, leaders from business, academia and industry came together with a vision of creating a research park between Duke University in Durham, N.C., State University in Raleigh and the University of North Carolina at Chapel Hill. Through careful planning and collaboration that park became a reality. Today, Research Triangle Park encompasses 7,000 acres and houses more than 170 organizations, from research-and-development labs, to branches of multinational corporations such as Armonk, N.Y.-based computer maker IBM, London-based drug manufacturing GlaxoSmithKline and San Jose, Calif.-based router maker Cisco Systems.

About 40,000 people work in RTP, where the average salary is $49,000. Last May, Forbes magazine rated the park the nation's second-best place for business —

15TH ANNIVERSARY ISSUE

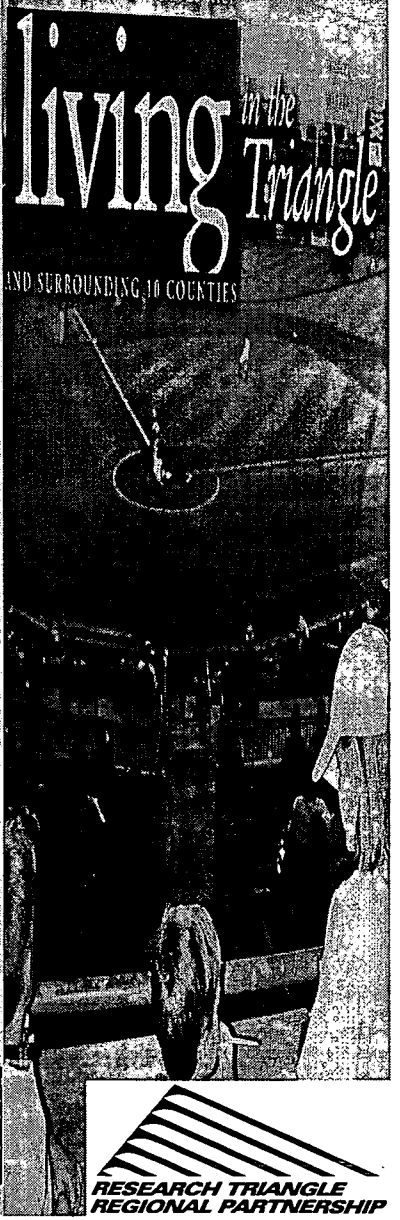
BUSINESS LEADER

engaging the minds of business

OCTOBER 2004 | US $3.50 | VOL. 14, NO. 5 | BUSINESSLEADER.COM

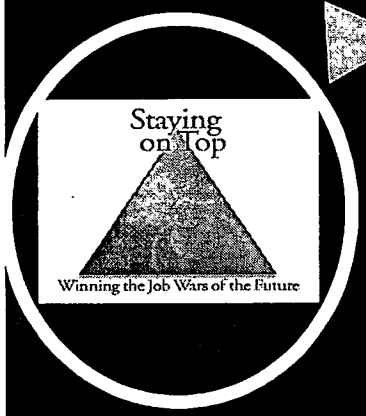
The Power of Regionalism

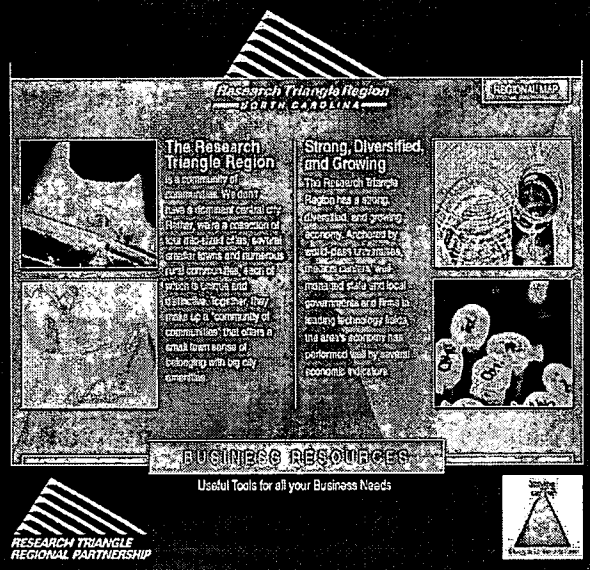
Celebrating the Leaders, Companies, Institutions and Partnerships that make the Research Triangle Region...

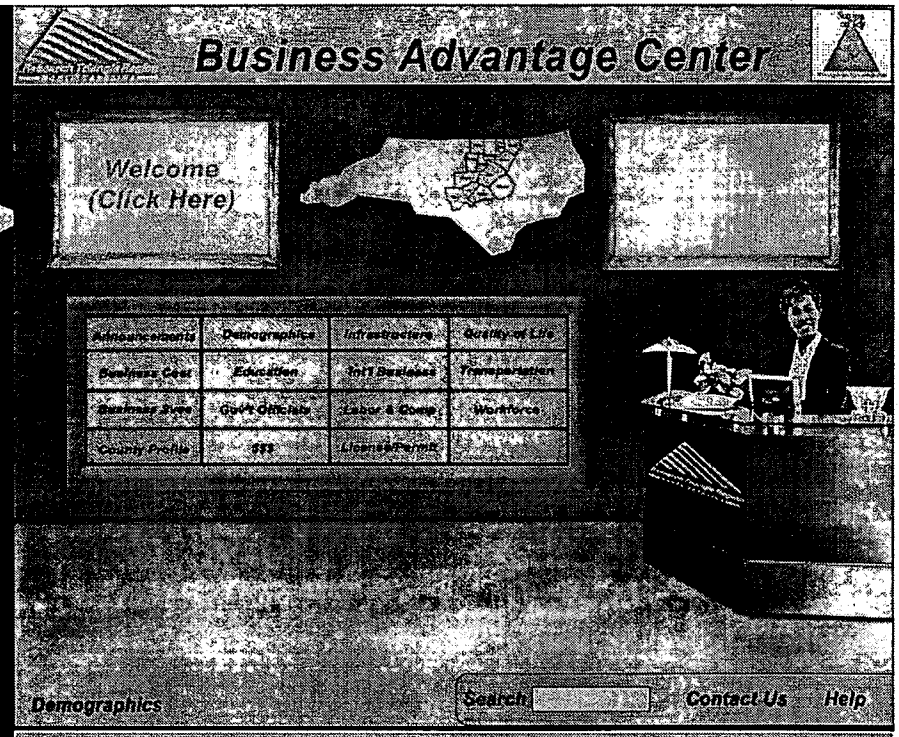


RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Business Growth & Innovation







RTRP will produce 10,000 CDs to be distributed by partner organizations to existing businesses, beginning with businesses in targeted clusters

CD has a home page for each partner organization. The CD case artwork is also customized for each organization.

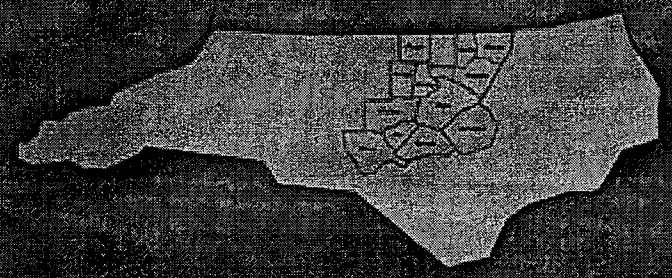
Information on CD (Updated on Server)

Provided by 61 institutional partners and dozens of other organizations

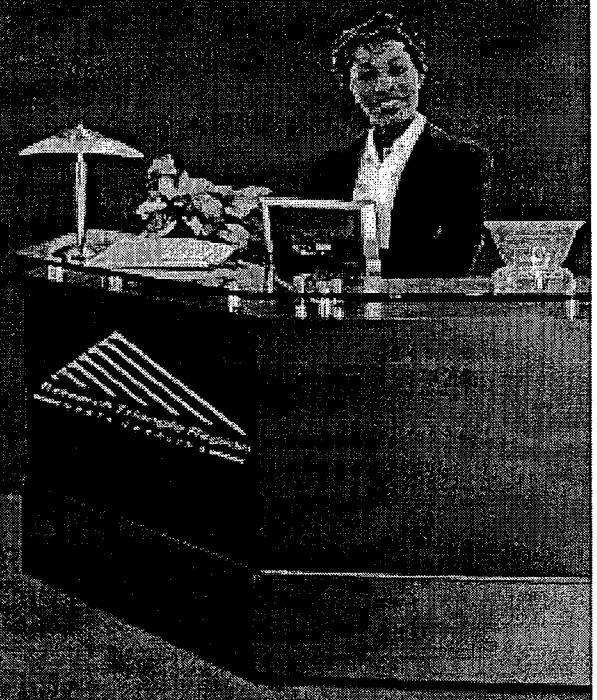
- **Regulations and Incentives (NCDOC)**
- **Financial Assistance Guide (SBTDC)**
- **Demographics (Rural Center)**
- **Entrepreneurial Assistance (CED, SBTDC, Community Colleges)**

Business Advantage Center

Welcome
(Click Here)



Announcements	Demographics	Infrastructure	Quality of Life
Business Cost	Education	Int'l Business	Transportation
Business Svcs	Gov't Officials	Labor & Comp	Workforce
County Profile	$$$	License/Permit	

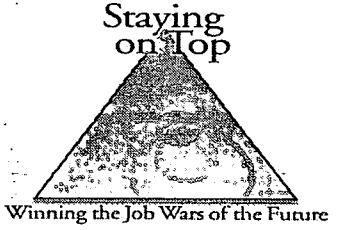


Demographics

Search

Contact Us Help

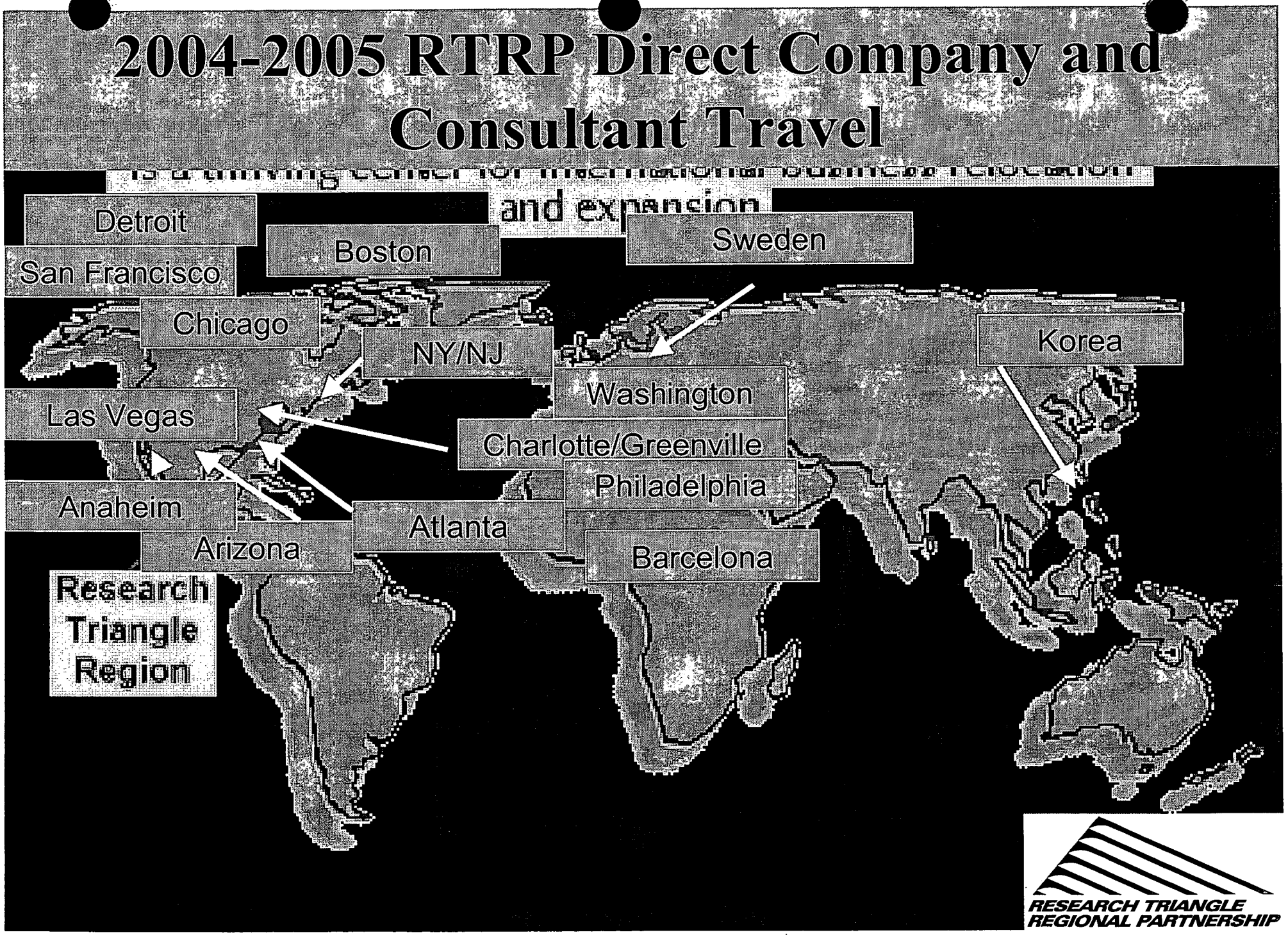
"Staying On Top" Implementation Strategies



- **Capital Attraction**
  - VC trip with CED planned for California in March. CED legislative agenda includes new public VC funds

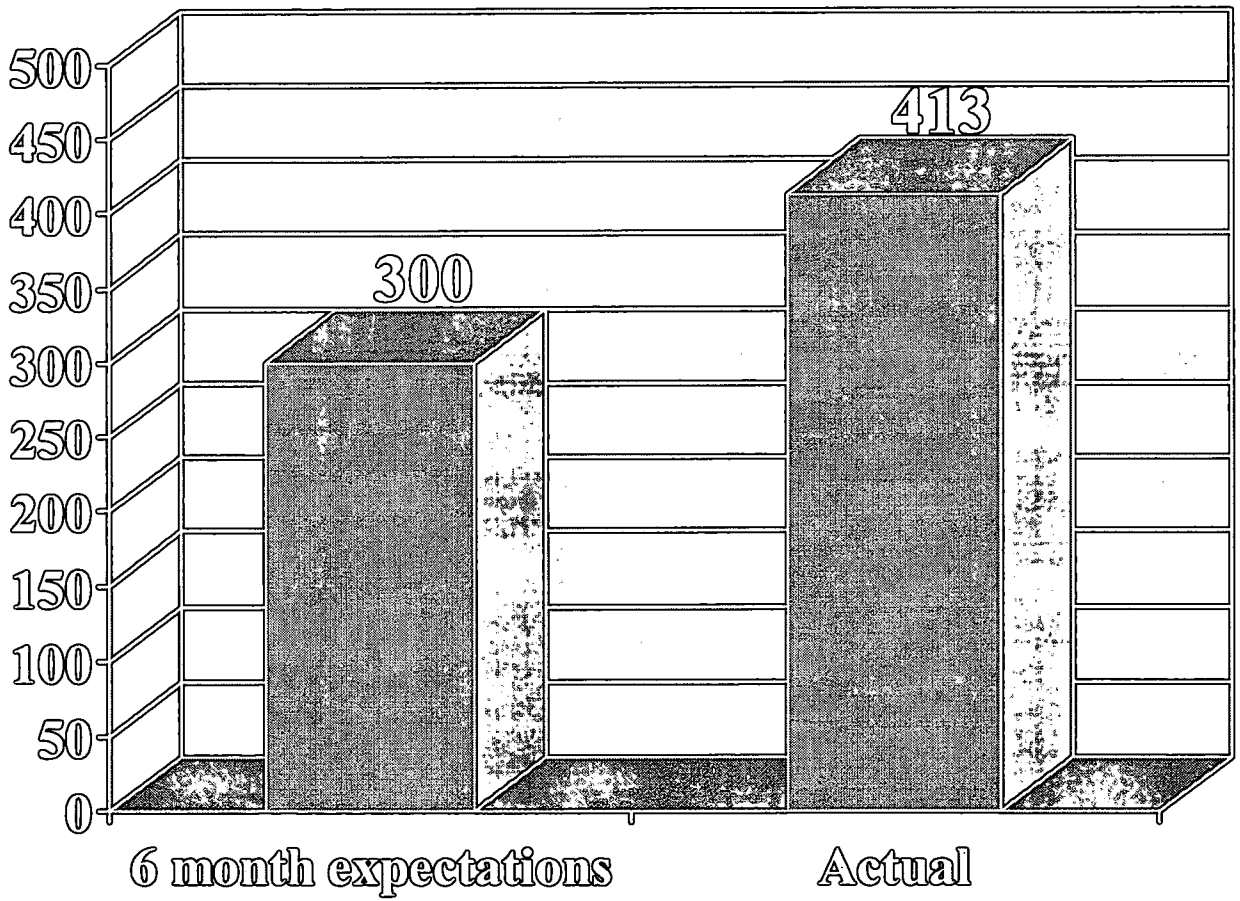
- **Entrepreneurial Development** – CED sponsored
  - New entrepreneurial conference
  - NC Innovation Foundation & NC Entrepreneurial Association formed
  - New entrepreneurial support programs including "Engage" series, and "Entrepreneurial Only" groups formed

2004-2005 RTRP Direct Company and Consultant Travel



RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Marketing Plan Expected Results



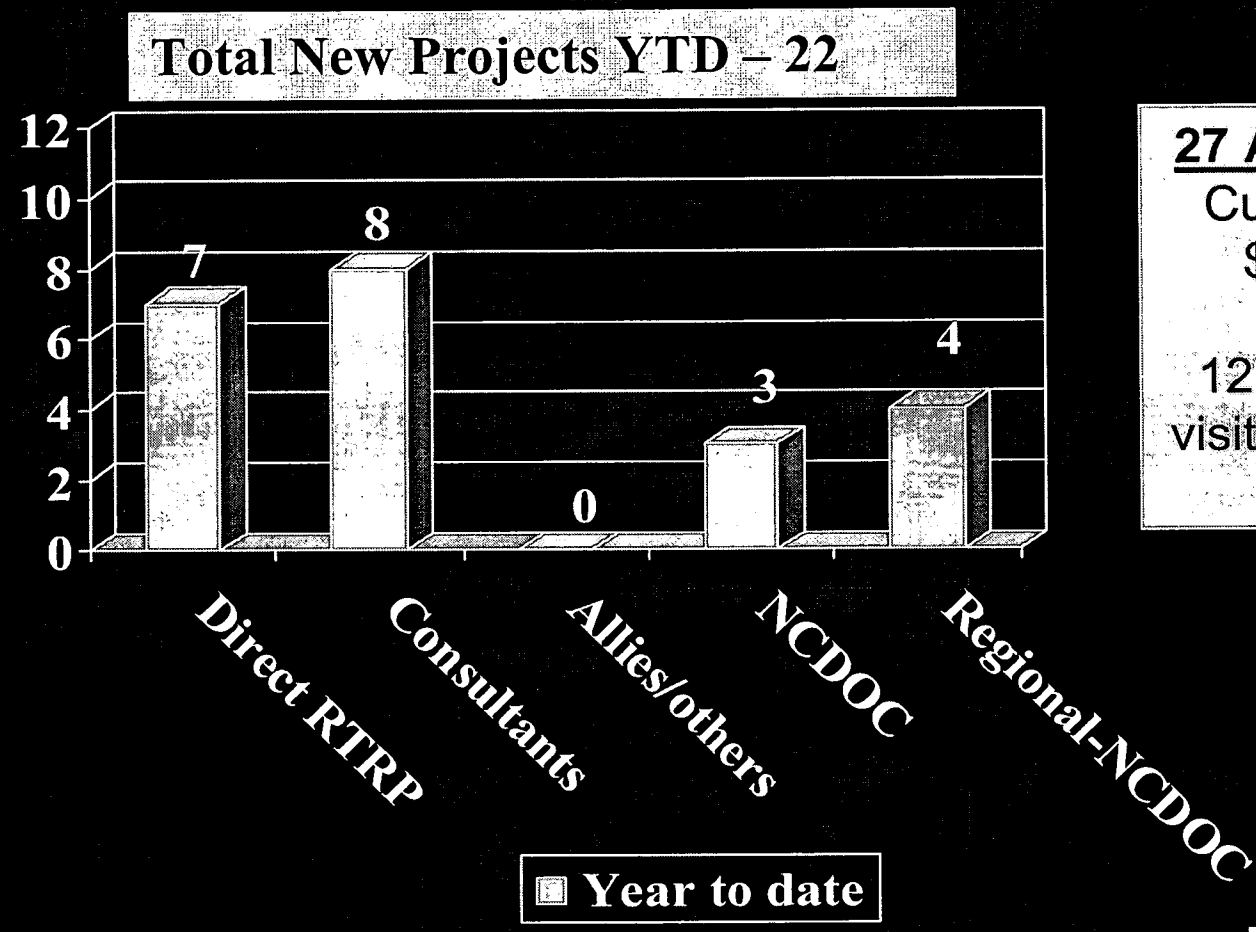
July - Dec 2004

Inquires to RTRP

5.71 Inquiries per work day

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Sources of New Active Projects



27 Active Projects

Current projects-
$2 billion and
6,800 jobs
12 of the 27 have
visited or scheduled
a visit

Results July 1, 2004- December 31, 2004

RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

Client Management

Consultant Visits

Public Relations

Direct Client Calls

Alliances

Special Events

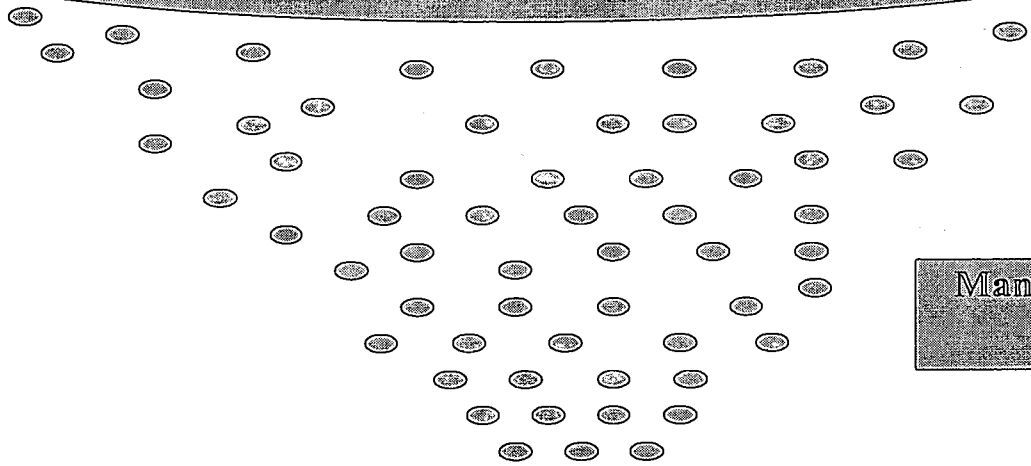
Web Pages

Trade Shows

GENERATION OF INQUIRES

Client Generators

NCDOC, Regions, Locals, Allies



Management of information exchange until visit – The Role of RTRP

Visiting Inquires

Regional guide and deal management
NCDOC Regional Rep & Local Developer

SUCCESS

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Strategy Three

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Integrate higher education into economic development

- Develop Economic Development Portals at Universities
- Develop University Cluster Rapid Response Teams
- Develop Community College Cluster Capacity
- Connect Education-Business to Improve Industry Training

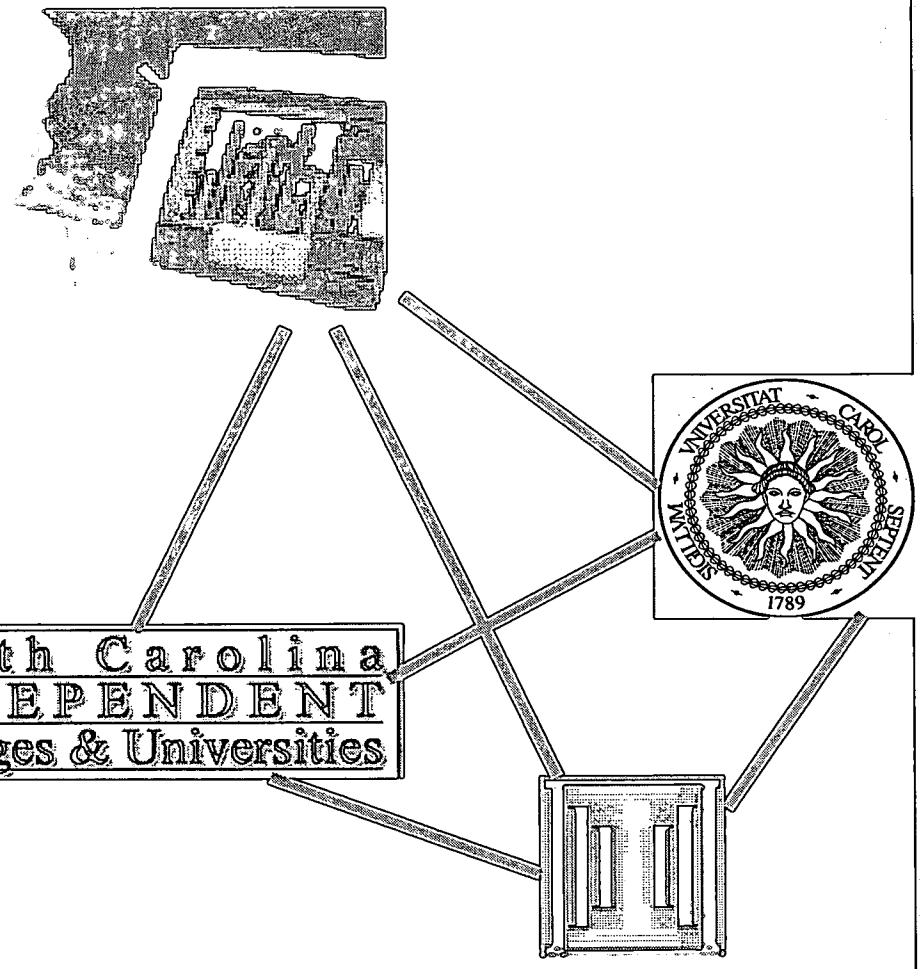
Integrate Higher Education

Higher Education

- Develop of an economic development portal detailing all resources available to economic development community

- Campus Alliances- Single points of contact on all campuses with established rapid response teams to assist with clients

- One-stop economic data and research for North Carolina



RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

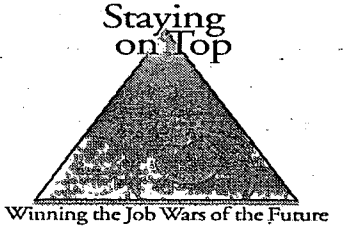
Strategy Four

RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Develop creative, inclusive approaches to rural prosperity

- Develop Rural "Mini-Hub"
- Develop Rural Entrepreneurial Initiative
- Build Synergy Between Urban and Rural CVBs

"Staying On Top" Implementation Strategies



- **Kerr Tar Hub Project** – Site selection for initial hub site picked in February

- **Rural Entrepreneurship** - NC Rural ED Center operating major new initiative, training for local developers this spring

Strategy Five

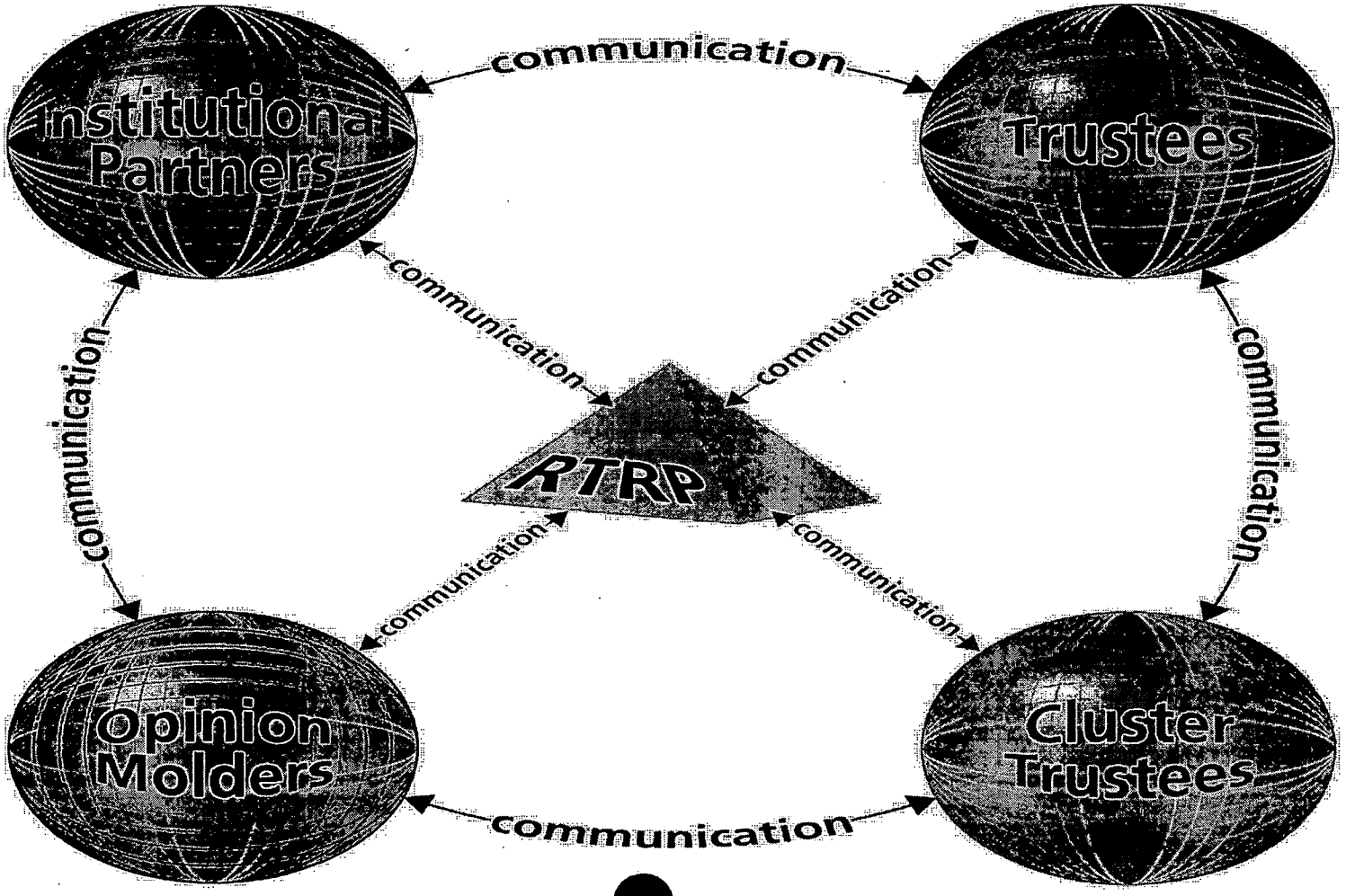
RESEARCH TRIANGLE REGIONAL PARTNERSHIP

Create agile leadership networks to respond to market challenges, changes and opportunities

- Create New Triangle Leadership Network
- Create Annual Unified State & Federal Legislative Agenda
- Create Economic Information Program for Local Elected Officials
- Increase Air Service at RDU International
- Annual "State of the Region" Event to Benchmark Progress
- Broader Collaboration for Transportation Solutions
- Network Urban & Rural Industry Leaders
- Create Regional Development Capacity Plans
- Create Economic Development Education Program

"Staying On Top" Implementation Strategies

Staying on Top
Winning the Job Wars of the Future



Staying On Top
Regional Legislative Agenda

February 22nd – Public Announcement of Research Triangle Region Legislative Agenda

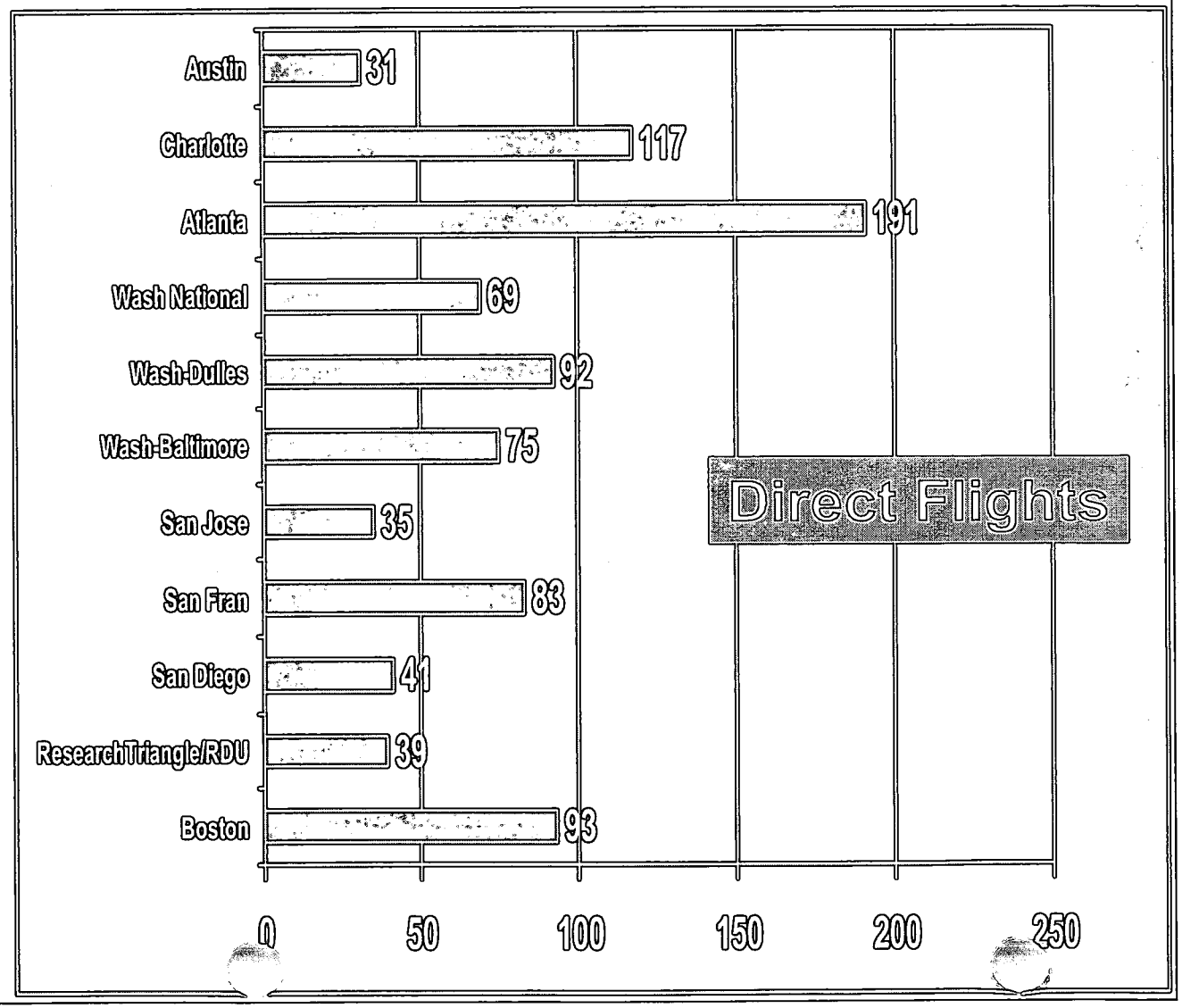
RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

"Staying On Top" Implementation Strategies

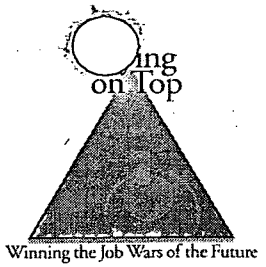
Staying on Top
Winning the Job Wars of the Future

Air Service

- Research under way to determine current complete air patterns. Final report March.
- Business Survey to determine markets most needed began Feb. 15th.
- Marketing to carriers to secure additional flights in Spring '05



Implementation Strategies



- Cluster Network Development
- Air Service Expansion
- Mini-Hub Project
- Capital Attraction
- Rural Entrepreneurship
- Unified Legislative Agenda
- Leadership Network
- Regional Benchmarking
- Business Growth & Innovation
- Targeted Recruitment

RESEARCH TRIANGLE
REGIONAL PARTNERSHIP

Why Is This Important to Business Community?

- It focuses and aligns resources (creating efficiencies and synergies)
- It creates leadership networks that can react to the uncertainty and speed of the "new economy"
- It expands the regional approach from just recruitment to existing business assistance, entrepreneurial activities, CVBs, and workforce development.
- It will improve the region's global competitiveness and improve our chances of continued growth and development, *(of winning the global competition for jobs and investment.)*

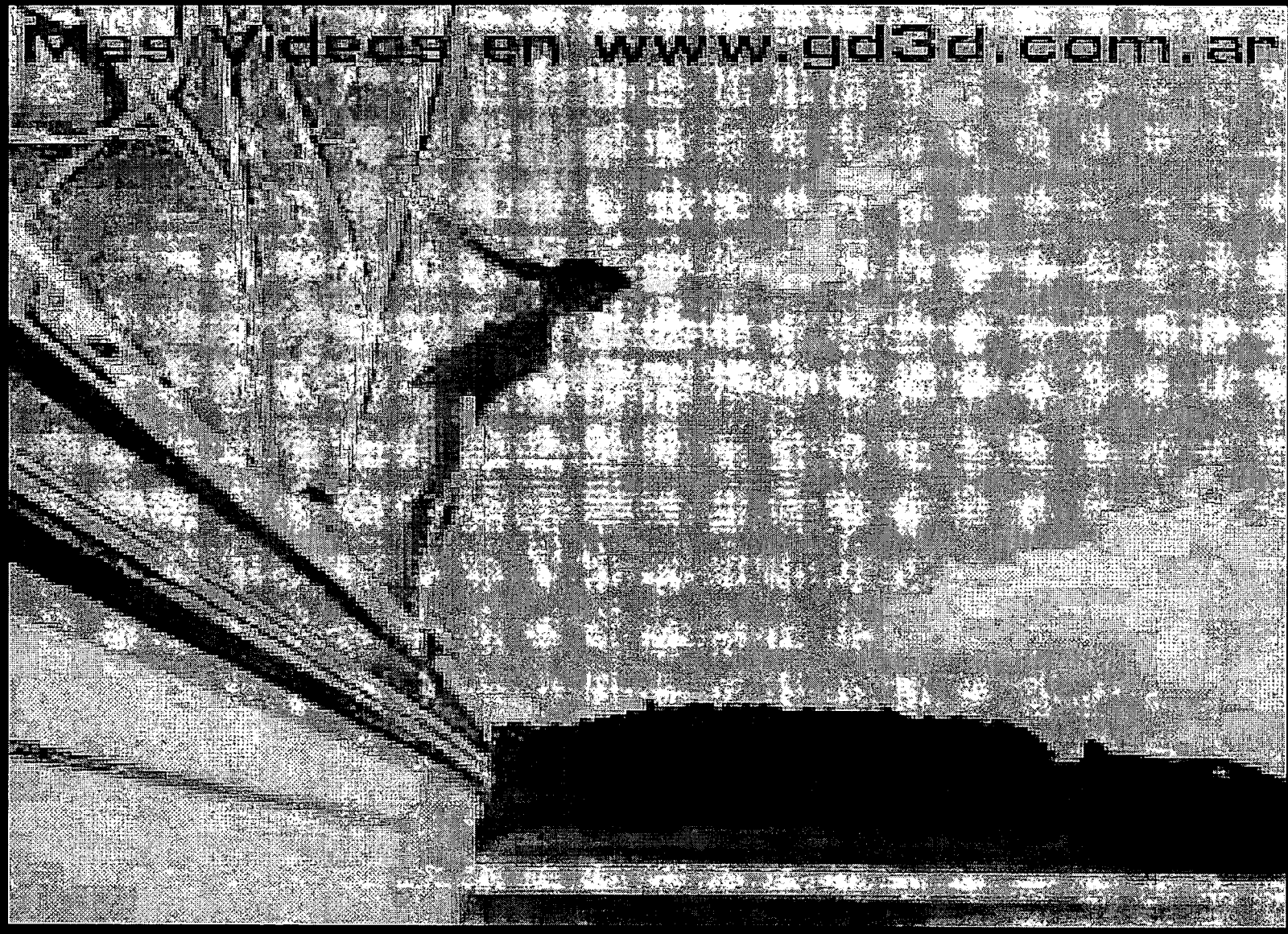
Where Are We Now?

Last 5 Years (1999-2004)

Created 24,517 Net New Jobs

Next 5 Years (2004-2009)

Create 100,000 Net New Jobs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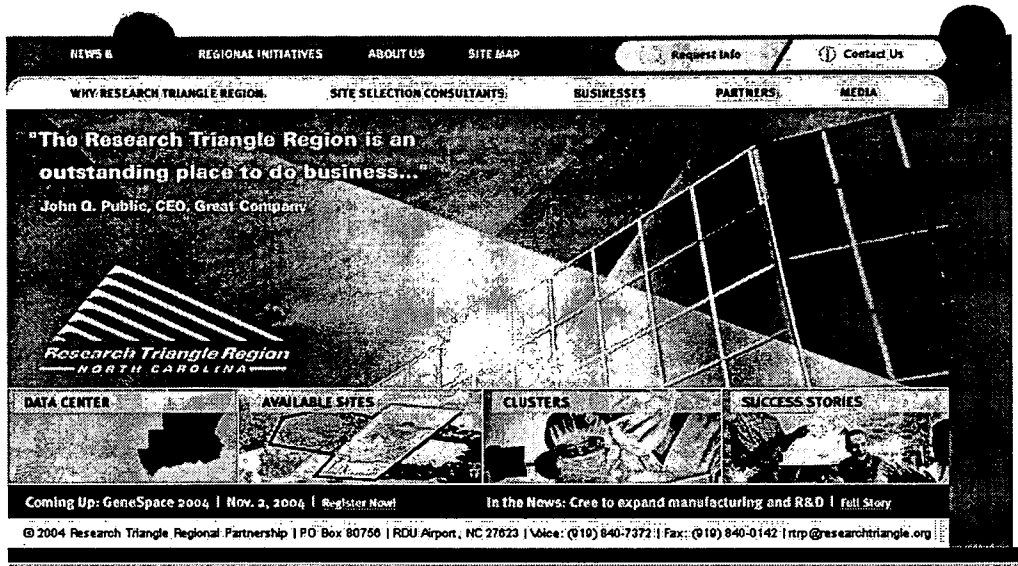
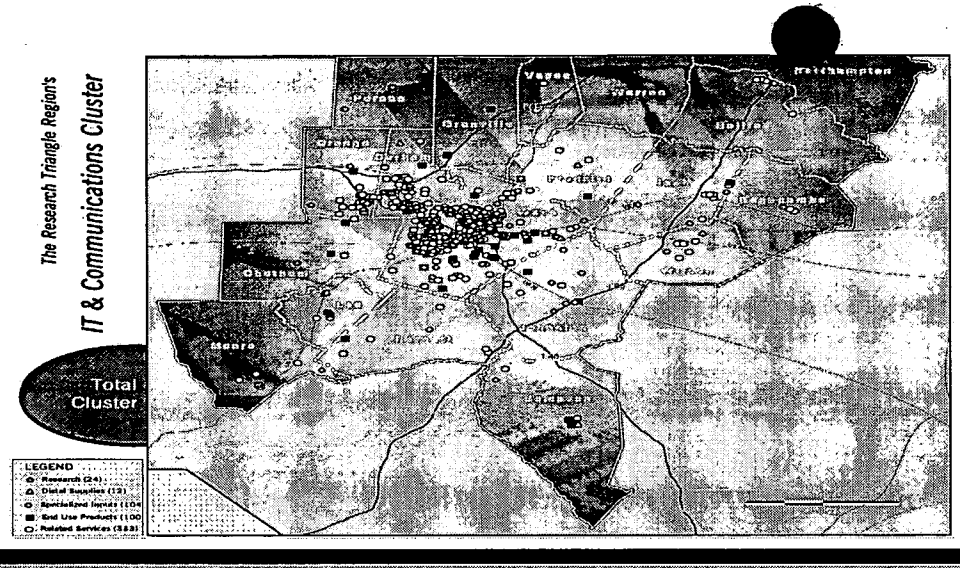
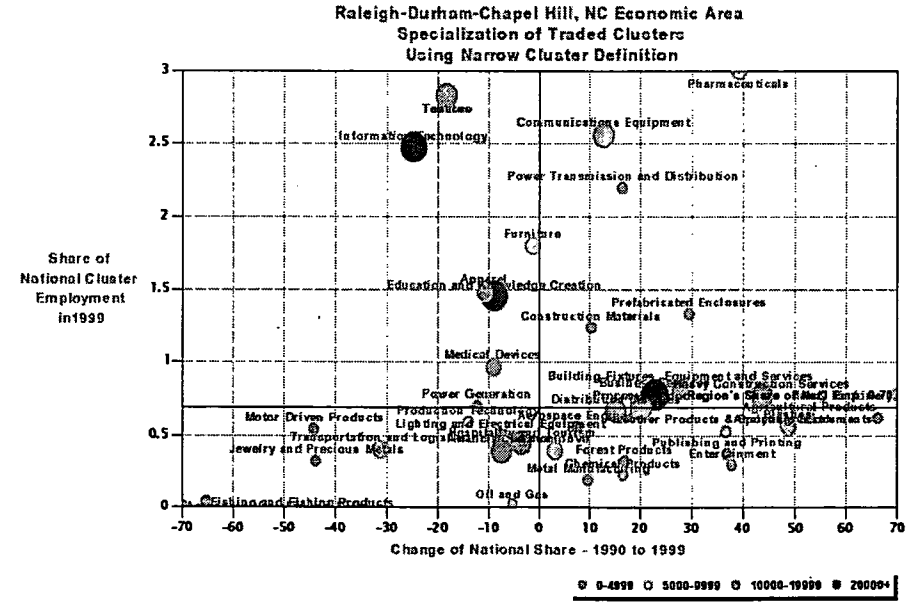
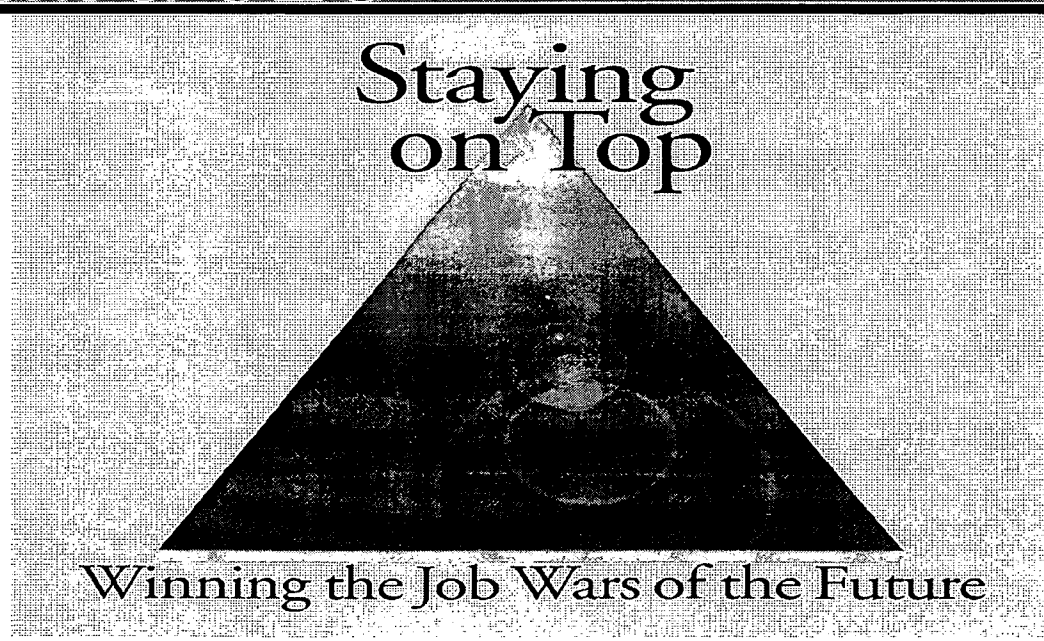




Research Triangle Regional Partnership
Charles A. Hayes
President & CEO





AGENDA

Opportunities and Needs for Economic Growth in North Carolina ("ONE, NC")

Senator Martin L. Nesbitt, Chair

Senator Scott Thomas Vice-Chair
Senator David Weinstein, Vice-Chair

Tuesday, March 22, 2005
12:00 noon
Room 1027

1. Call Meeting to Order.

2. Recognize members, staff, and guests.

3. Presentations from the following NC Regional Partnerships:

   AdvantageWest
   Speaker — Dale Carroll, President & CEO

   North Carolina's Eastern Region
   Speaker — Thompson Greenwood, Executive Director

   Research Triangle Regional Partnership
   Speaker — Chuck Hayes, President & CEO

4. Discussion period.

Adjournment.

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 3-22-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
[signature]	John Locke Fdn
[signature]	Progress Energy
[signature]	NC Department of Commerce
Ronnie Boswick	RTRP
CHARLES A. HAYES	RTRP
[signature]	NC Eastern Region
Meredith L. Norris	NCBCD
PETER RIGGS	FORUM on DEMOCRACY & TRADE
Bill Warth	Forum on Democracy & Trade
[signature]	NCCCO
[signature]	Hobbs & Co

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 3-22-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DON HABART	NC DOC
Bob Sumner	NC Forestry Assoc.
R. Paul Wilms	NCHBA
Sharon Miller	CUCA
John Quinterno	NCATL
Lee Holz	NCLH
Elizabeth Dillon	NCCBI
Mark Beason	Capitol Group
Chuck Allen	US Airways
John Bleuso	NCEDA
DREW MORETZ	RALEIGH CHAMBER

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 3-22-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Beam	NC Envirs Defense
Ed Bradley	CBS
John Russell	Quintiles

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE
Tuesday, March 29, 2005 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Committee on Opportunities and Needs for Economic Growth in North Carolina (ONE NC) met at 12:00 p.m., in Room 1027 of the Legislative Building. A quorum was present.

Vice Chair, Senator Doug Berger, called the meeting to order and told the Committee that today's agenda included Mr. Kenny McDonald, Vice-President of the Charlotte Regional Partnership, Mr. Paul Butler, Executive Director of the North Carolina Southeast Partnership, and Ms. Cathy Scott, the Economic Development Specialist with the Northeast Partnership.

Sen. Berger recognized Mr. McDonald who thanked the Committee for the opportunity to speak.

Mr. McDonald described the Charlotte Regional Partnership as a sixteen (16) county partnership with twelve of those counties in North Carolina. Those twelve counties comprise a little over 2 million people, with a workforce of about 1.2 million. About 40 percent of the region is rural, so most of their recruitment is in the area of manufacturing. He explained that Charlotte is primarily a manufacturing and distribution center, so all targeted activities, including the work that UNC-CH is doing for them, centers around manufacturing and distribution. Eighty percent (80%) of the partnership's funding goes toward that effort.

The partnership's annual operating budget is between $2.5-$3 million each year and about 50-60 percent of that budget is from the private sector, which matches the funds that the Legislature and local communities provide. The premise of regionalism is the driving force of the partnership. The City of Charlotte is very urban with a lot of amenities, but about 40 percent of the region is very rural. So it is said, "so goes the region, so goes Charlotte." Outlying counties depend on Charlotte for a lot of services, and, likewise, the City of Charlotte and Mecklenburg County rely very heavily on the region doing well for them to do better in the long-term.

The partnership's organizational focus is a three-part mission with about 80 percent of that mission being to market the area, to get leads for the partnership's counties, and to develop job opportunities for their citizens. The second part of that mission is to maintain their public-private partnership and continue to secure private funds. The third part of the mission is to plan for the future, for five to ten years, and that is where their original vision planning comes up. In the last three to five years about $3 million worth of studies have been conducted for the partnership by other organizations in the region and UNC-CH is compiling those studies to find common denominators, to identify strengths and weaknesses, and matching those with cluster analysis and target industries. He said they would be holding a major conference to talk about some of those issues at the end of this month, bringing together all of their allies, their board, and all the

economic development people within the region to discuss that plan. Brent Lane and Dr. Luger from UNC-CH are assisting with that effort, as they are with several other endeavors.

When Mr. McDonald finished his power-point presentation, discussion began. Sen. John Kerr asked Mr. McDonald about the partnership's relationship with Raleigh and the economic development forces that are here. He also asked, "what, if anything else, would be needed in the partnership's arsenal, other than money."

Mr. McDonald said the coordination with the Department of Commerce and the seven regional partnerships is phenomenal and, in other parts of the country, they are continually used as a model for that coordination. He has been very impressed that the partnerships' directors get together on a periodic basis, as well as staff in marketing and research, to coordinate those activities. They work very hard to cooperate with the Department of Commerce to coordinate their marketing missions.

Senator Soles asked what states the partnership had been visiting, as opposed to going overseas.

Mr. McDonald emphasized that the partnership was very focused on manufacturing. They go to states like New Jersey. This means flying somewhere, getting into a rental car, and taking some lonely trips out to family-owned manufacturing companies. These are usually private, small companies.

Senator Soles asked what specific things in North Carolina attract businesses to our state.

Mr. McDonald said that, to some extent, it is the cost competitive nature of North Carolina, as well as the quality of life and the accessibility we have in the Carolinas. He said they were blessed with a strategic location, but they have done all they can, with the state's assistance, to provide a very cost-competitive environment, not only locally, by keeping taxes and the cost of doing business low, with low energy costs and things like that, but he said they were also aggressive in recruiting.

Senator Soles asked what incentives were being given to these companies to come to North Carolina.

Mr. McDonald said that it was really "the whole toolbox" and it depended upon the project. At a local level, keeping taxes low, especially in the first five years of a company's operation is critical. Also the pro-active things that local communities do to provide sites, and the Certified Site Program in North Carolina have been very beneficial to that. These are pro-active incentives that are offered before clients show up at the table, which is essential. At the state level, it is critical that they have tools to help them close deals, especially the larger deals. The Job Development Investment Program has been fantastic. The William S. Lee Tax Credit Program, or a version thereof, is vital to long-term competitiveness, and the ONE NC Fund is critical to those projects as well. He said that local communities are there really to create a product and that they look to the state to close deals.

Senator Allran wondered whether a county like Catawba should be in the Charlotte Regional Partnership as opposed to being in a high-country region.

Mr. McDonald said that the Hickory metro area is kind of an "in between" area, but he said their fortunes are tied very closely to Charlotte. Specifically, their competitive advantage, most of the time with clients, is the airport, and the access that airport provides around work. The Hickory metro area is a 45-minute drive to the airport. That allows Hickory to play the game in terms of headquarters re-location in that area and any manufacturing companies bringing clients in and out of their facilities. This gives the Hickory area a clear advantage. Most of the time, that is what clients demand. So he concluded that Hickory's star was hitched very closely to the Charlotte region more than the AdvantageWest region.

Senator Kerr said the State is looking at a substantial deficit this year, and he was excited about what Mr. McDonald said about the present North Carolina tax arrangements, that those we have now have been no impediment to companies coming in from other states. He said he does get letters from some executives from Charlotte who explain about things, but he wanted to know "what you think about our tax structure and what changes would you make, other than not having any taxes?"

Mr. McDonald said that the message is that "we need to be very diligent as we are in a race every day and there are a lot of states making wholesale tax changes that we have to be aware. He said the current tax structure certainly hasn't been an impediment, that they are in very competitive area, and have to keep up to make the case in the future." He added, that being a "border" community, there is nothing more important for them because they are in a constant race with South Carolina and even West Virginia.

Senator Snow asked Mr. McDonald about the rural counties in the Charlotte Regional Partnership and asked what success he has had in bringing industry to the rural counties. Is there emphasis on that or any priority to getting something to those counties?

Mr. McDonald said that they put a major priority on that and some of their targeting efforts in the future will be even more robust, targeting existing industries. A specific example is a company that is in the process of considering Alexander County, where they helped the County close the deal by providing funding. That is the kind of thing that the partnership can do for rural counties, that is, to give them access to partnership funding, to help them close deals as well as give them modern technology, laptops and things like that, so they can present themselves in a professional way.

Mr. McDonald said that the Charlotte Regional Partnership is inclusive on as many projects as they possibly can. They push the rural areas, just like the state of North Carolina to try to promote jobs in those areas because that is where the state is "really hurting." That is a reason that they target manufacturing industries for rural counties.

A copy of the CHARLOTTE REGIONAL PARTNERSHIP Power Point presentation is attached to these minutes as **Attachment I.**

When Mr. McDonald had concluded his remarks, Senator Berger recognized Paul Butler, Executive Director for the North Carolina Southeast Partnership.

Mr. Butler thanked the Committee for asking him to speak. He pointed out that the presentation he was about to give was prepared for the State Economic Development Board and that he had been asked to give the same presentation to the Committee. He also said that the North Carolina General Assembly created the regional partnerships eleven years ago and that North Carolina is the only state in the country that is blanketed by regional partnerships with effective boards, budgets, and professional staff. North Carolina is a model for the nation.

Mr. Butler said that each region has developed its own personalities and priorities, just like the politics of any senatorial district. The Southeast Partnership's mission is lead-generating. They are committed to generating leads, which are handed off to the NC DOC Regional Economic Developer, who in turn, handles the project with local developers. Their Board consists of fifteen people, five appointed by the Speaker of the House and five appointed by the President Pro-tem of the Senate. They also have a local development advisory group.

Mr. Butler said the budget for the partnership this year is $1.3 million, $917,000 from the state, $250,000 (state appropriation) is in a special corporation for the Vision/Custer study, a $100,000 is in the "deal closing" Partnership I and $40,000 is out of Partnership II. Partnership I is a 501(c)(6) in which the money given to the partnership is written off as a business deduction by the private side. Partnership II is a 501(c)(3), and the money is used as a "charitable gift." The Partnership uses this to promote their technology programs. Partnership I has raised over $1.2 million This is "non-public" money that they put into deals and they are a small-deal driven organization. Their typical project is less than a $5 million investment, less than 50,000 square feet, and less than 50 jobs.

Partnership II is Internet technology for economic development in rural areas. When the partnerships were started, there was only one computer located in one economic development office. Now they buy the software, do the training and are the "go to" entity, for the technology side for the county economic development programs.

Mr. Butler said the Partnership provides organizational support, research technology; they are the "poster child" for The Golden Leaf Foundation in their first year, putting the money together to keep open the Alamance facility in Robeson. They are strong advocates of federal recognition of the Lumbee Tribe in Robeson County in Southeastern North Carolina.

Mr. Butler said they had received national award winning presentations for their customized presentation, and they do all the buildings and sites for the local developers. He is the guy "who puts the plane in the sky, puts somebody in the building, puts together building information, and puts it on the DOC North Carolina One site." He said they are also making a genuine effort to do GIS mapping, as getting water and sewer lines from place to place is a challenge.

Mr. Butler showed an inventory of their products, about eighty buildings, and about sixty sights that are available. One of the great assets for the State of North Carolina is the Center for Geographic Information.

Mr. Butler said the partnership's current initiative was sharpening their focus. That is the title they have given to their "Cluster/Vision" study. Some clusters that have come out of this are automotive building products-non-woven, warehousing and distribution. He said they were concentrating on "mega-sites," and want to walk away from the vision study leaving as many as three mega-sites, tied down, under control, option, legally- binding instrument that will control that piece of property. He said they have one of those in Hoke County and one that they are working on in Scotland County, and one in Richmond County. They are also part of the "Enterprise Team" with Commerce, a part of the enterprise team on textiles, they are participants in the military gap analysis, and they do a regional data book in conjunction with UNC-Wilmington and Fayetteville State in Pembroke. They participate in Friends of North Carolina, and Stoneybrook Steeple Chase is their signature event. They put the first money in that to install water and sewer lines and, he said, if they could get "para-mutual betting," it would be just wonderful.

To date, he said, they have generated 2800 inquires, 188 of those have become real projects, 62 have located, and in 30 instances, he said they have a paper from the company and local developer, that says they were the sole source for generating the lead. To 32, he said, they added tangible value, something you can touch, like for instance, the phase I environmental, wrote a check, did soil boring, and something that added true value. That which gets measured, he said, gets done.

He said to date, there is an investment of 1/3 of a billion dollars, and 6600 jobs have been created.

Senator Forrester asked about the movie industry. Mr. Butler said the industry was spun-off from the Partnership. The City of Wilmington and New Hanover County provide financial incentives for the industry.

Sen. Soles asked about the pork industry. Mr. Butler said he "put the hog plant on the ground." That good, bad, or indifferent, he is the guy that located Smithfield Foods. He said if you want to create 5,000 jobs overnight, permit another plant.

Mr. Butler suggested that the Committee take a look at coordination. He said they did not have a handle on how economic development is delivered in North Carolina on the local level and recommended that one of the State's universities do a study on how it is delivered at the ground level. Economic development should be a part of land-use planning.

A copy of North Carolina's Southeast Partnership Power Point Presentation is attached to these Minutes as **Attachment II.**

Senator Berger introduced Cathy Scott, Economic Development Specialist for the North Carolina Northeast Partnership.

Ms. Scott called on Jack Runyon, Chairman of the Partnership for a few comments. He thanked the Committee for the opportunity to come before them.

Ms. Scott did a power point presentation of the Northeast Partnership featuring the highway structure and pointed out that part of their economy is driven by the southeastern Virginia economy.

Ms. Scott said the mission of the Partnership is to increase standard of living for their citizens in its sixteen-county region through industrial, business, and tourism development by marketing the region's excellent business, tourism and quality of life amenities.

The Northeast Partnership was established by the General Assembly in 1994. They have a 20-member board appointed by the Governor, the Senate President Pro tem, and the Speaker of the House. In addition to the board, there are several advisory boards. They have an Economic Development advisory board that oversees the programs that are implemented by the Partnership. The NorthEast Economic Developers (Need) group is made up of economic developers in the 16 counties in Northeastern North Carolina. They meet monthly to develop strategies and activities for implementation and bring to the table any needs and issues they may have. There are five staff members. The major focuses are: Business recruitment, business/industry expansion, and tourism development.

With such a major focus on tourism, they meet tourism specialists once a month. These specialists help provide the focus of where their money is spent for tourism and tourism development

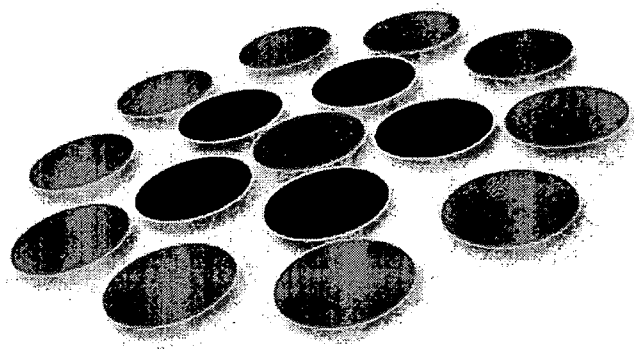
The NE Partnership shares the same office facility as the Department of Commerce Regional office. There is also a shared staff member between the Partnership and DOC, Van Roberson.

When Ms. Scott concluded her remarks, the committee adjourned.
A copy of North Carolina's Northeast Partnership Power Point presentation is attached to these Minutes as **Attachment III.**

Senator Doug Berger, Co-Chair, Presiding

Janette W. Lee

Janette W. Lee, Committee Assistant



CHARLOTTE REGIONAL PARTNERSHIP

NC Economic Development Board

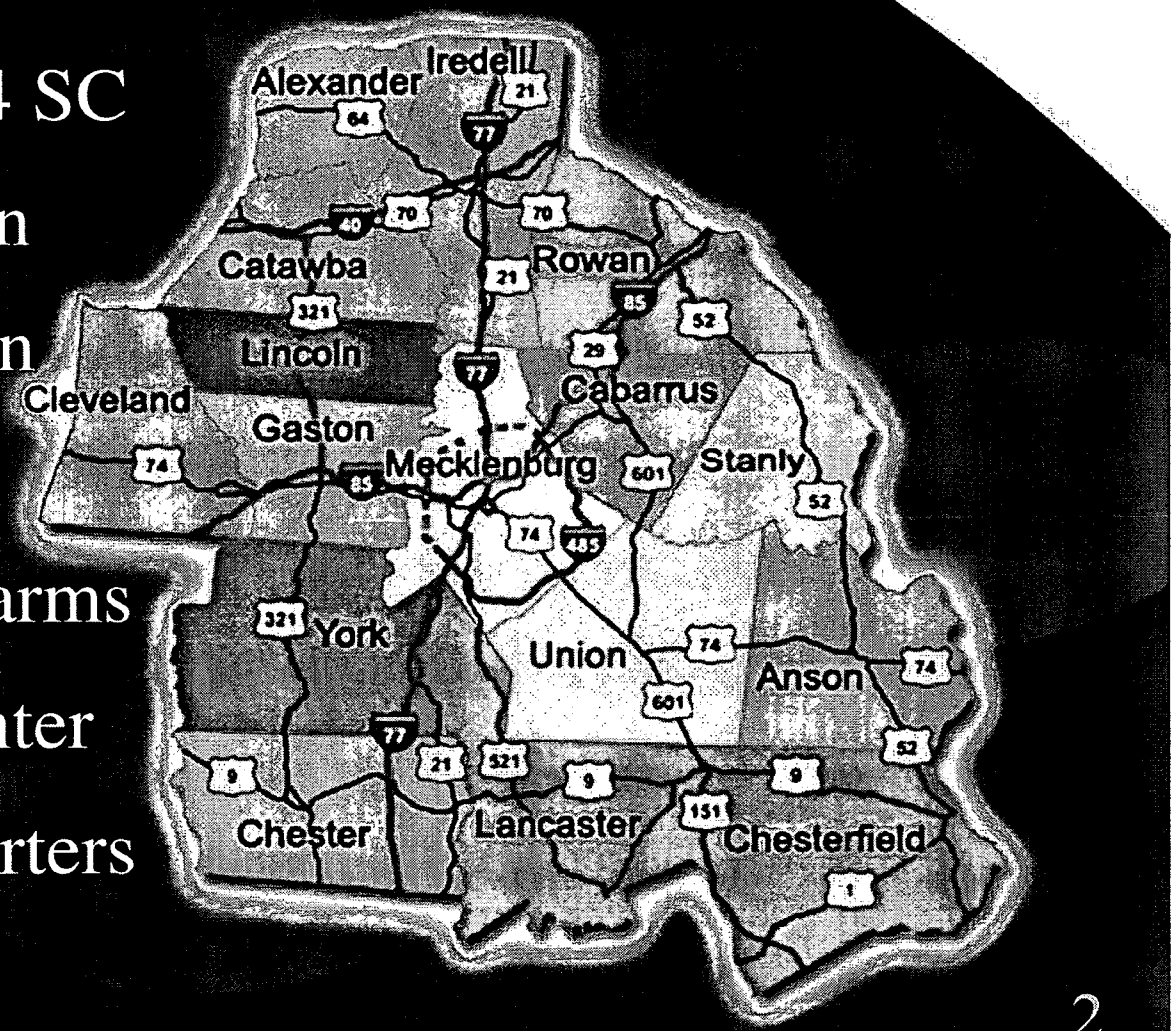
February 25, 2005

Attachment I

CHARLOTTE REGIONAL PARTNERSHIP

The Charlotte Region

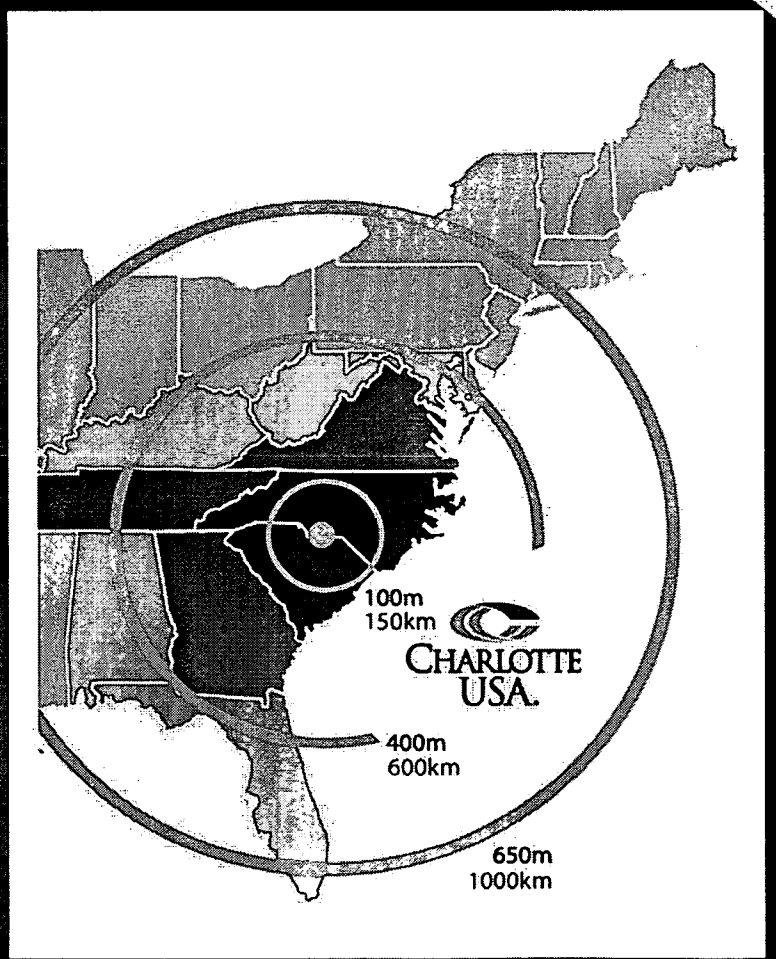
- 16 counties – 12 NC / 4 SC
- > 2.2 million population
- Workforce > 1.2 million
- 42% live in rural areas
- > 25% land in family farms
- 2nd largest financial center
- 9 *Fortune 500* headquarters



CHARLOTTE REGIONAL PARTNERSHIP

The Charlotte Region

- Manufacturing & Distribution Center
  - 57% of U.S. population & 62% of U.S. industry within 1 day motor freight / rail or 2 hour flight time
- Growing & dynamic region
  - Since 1991, more than 12,000 new firms have created more than 230,000 new jobs in the Charlotte region and invested almost $30 billion in new facilities.



CHARLOTTE REGIONAL PARTNERSHIP

Charlotte Regional Partnership

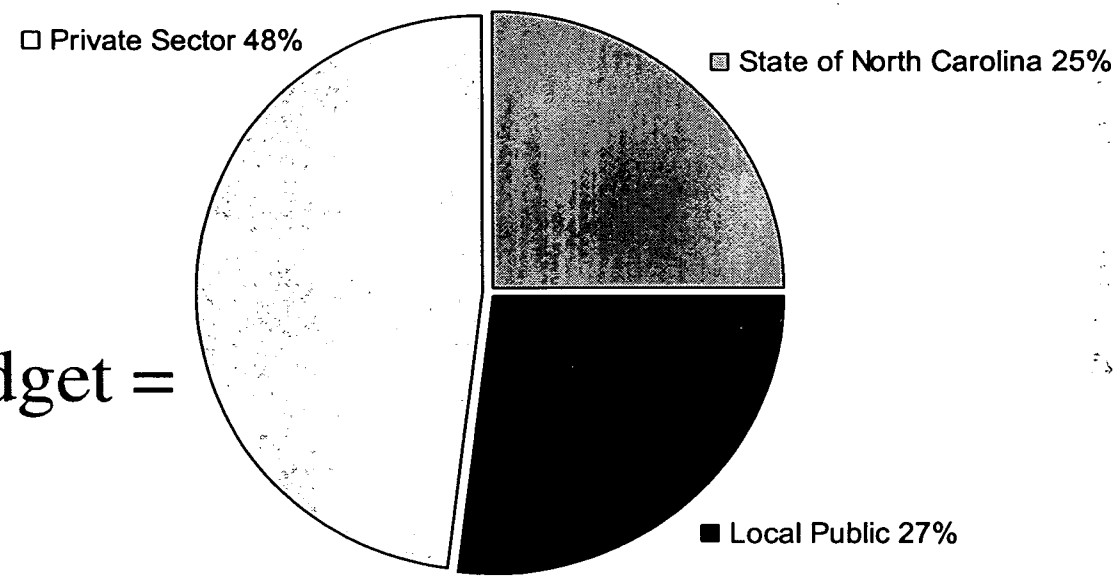
- Organized in 1991
- Non-profit, public-private economic development consortium representing dynamic 16-county region
- 91 board members
- Board represents private sector, all 16 counties, local economic development professionals, elected officials

Michael Mayer
Bank of America
Chairman, 2004-2005

Marshall Larsen
Goodrich Corporation
Chairman, 2005-2006

Charlotte Regional Partnership

- Michael A. Almond, President & CEO (1999-present)
- Staff of 11 full-time professionals
- Annual operating budget = $2.9 million
  - State of NC = 25%
  - Local government = 27%
  - Private business = 48%



CHARLOTTE REGIONAL PARTNERSHIP

Charlotte Regional Partnership

- *Regionalism* is the driving force behind everything we do at the CRP

> *"Charlotte and its sister communities are one region, one economy, one environmental area, one society. …The Charlotte area is becoming a major national and world economic region."*
>
> *1995 Peirce Report*

CHARLOTTE REGION

The Carolinas Partnership Quarterly

Vol. IV, No. 3

The Peirce Report: The Charlotte Region As Citistate

CHARLOTTE REGIONAL PARTNERSHIP

Organizational Focus

- *Southern Business & Development* magazine named the Charlotte Regional Partnership one of the top 10 economic development organizations in the nation.

The Charlotte Regional Partnership "has pioneered the concept of regional cooperation ..."

The Charlotte Observer
September 3, 2003

"Kudos to the Charlotte Regional Partnership ... and kudos to their "Charlotte USA" branding campaign. ... Being ranked so highly by prominent relocation specialists is certainly one indicator that they are getting their point across!"

Editorial
Greater Charlotte Biz
February 2005

CHARLOTTE REGIONAL PARTNERSHIP

Charlotte Regional Partnership

- New Strategic Plan for CRP approved by Board at February 2005 meeting

PURPOSE

To allocate and leverage regional economic development resources to sustain and enhance the economic growth, prosperity, and global competitiveness of the Charlotte region

MISSIONS

- Business Development & Marketing
- Sustain and enhance public/private resource base
- Planning for our region's future

CHARLOTTE REGIONAL PARTNERSHIP

Mission I: Bus. Dev. & Marketing

- Annual CRP Business Development Plan & Program of Work
  - Target industries:
    - Automotive
    - Plastics
    - Medical device/pharmaceutical manufacturing
    - Industrial machinery manufacturing
    - Financial services
- Emphasis on *face-to-face*, *business-to-business* contacts w/business leaders, site selection consultants, and project managers worldwide

CHARLOTTE REGIONAL PARTNERSHIP

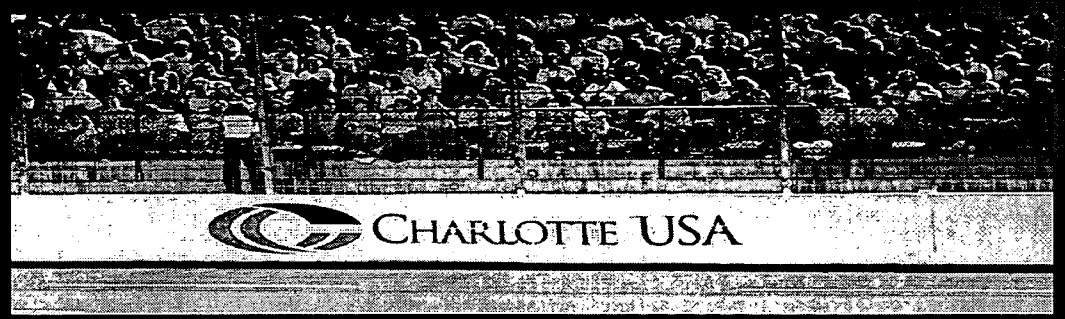
Mission I: Bus. Dev. & Marketing

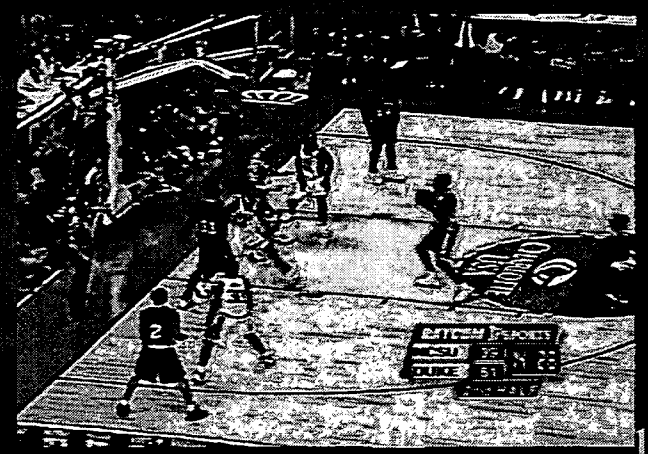
- FYTD 2005 (July 2004 – January 2005):
  - 39 CRP generated projects
  - 12 CRP-assisted company visits
  - 72,447 Web site visitor sessions (3.34 million total hits)
  - 56,727 Web site building/site searches & property views
  - 641 qualified leads generated by missions, trade shows & marketing events and programs
- As of February 2005:
  - 34 active projects
    - 19 international / 15 domestic
    - 21 manufacturing; 7 HQ / office; 4 distribution; 2 other

CHARLOTTE REGIONAL PARTNERSHIP

Mission II: Resource Development

- Raised $2.5 million for 2-year national marketing and advertising campaign
  - Charlotte USA commercials broadcast nationwide on CNN, CNBC, CBS & USA Network
  - 6 magazine cover wraps (*Fortune, Forbes & T&L Golf*)
  - Email based "Eblast" to 10,000 companies
- Logo placement on regional venues for hosted events





CHARLOTTE REGIONAL PARTNERSHIP

Mission II: Resource Development

- January 2005 launched 5-year, $7 million "Full Engagement 2010" fund development campaign
- Private sector campaign leadership co-chairs:

Ruth G. Shaw
President & CEO
Duke Power Company

Ken Thompson
Chairman, President & CEO
Wachovia Corporation

Ken Lewis
Chairman, President & CEO
Bank of America

CHARLOTTE REGIONAL PARTNERSHIP

Mission III: Regional Planning

- New CRP 5-Year Strategic Plan completed
- 2005-2006 Program of Work under development
- Kenan Institute of Private Enterprise at UNC-Chapel Hill engaged to assist in development of 5-Year Regional Economic Development Vision Plan as mandated by NCGA

CHARLOTTE REGIONAL PARTNERSHIP

CRP Special Initiatives

- International Business Development & Recruitment – "Elbow Strategy"
  - Over 1,800 foreign firms in Carolinas
  - Employ over 350,000 workers
  - 34 countries represented / > 100 industries
  - NC = 11th in % of workforce employed by foreign-owned companies
  - Almost 700 foreign-owned companies located in Charlotte region

CHARLOTTE REGIONAL PARTNERSHIP

CRP Special Initiatives

- International Business Development & Recruitment
  - CRP "Elbow Strategy"
    - Focus on Western Europe
    - Answer to "outsourcing" is "insourcing"
  - 164 German; 92 UK; 43 Swiss; 43 Italian; 40 French companies in Charlotte region
  - Nonstop flights to London, Frankfurt & Munich

"Because of its strategic foresight and success in attracting foreign direct investment, the Charlotte Regional Partnership has helped 'globalize' the greater Charlotte area, integrating a large swath of the Southeast into the global economy."

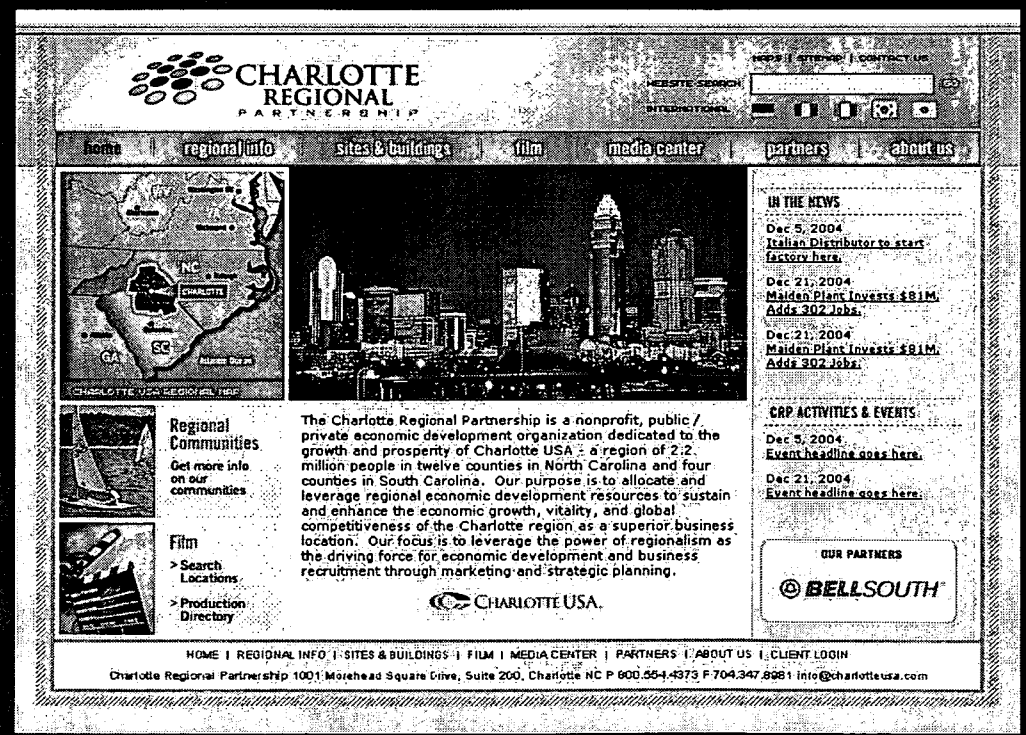
D. Hamilton & J. Quinlan

Partners in Prosperity: The Changing Geography of the Transatlantic Economy

CHARLOTTE REGIONAL PARTNERSHIP

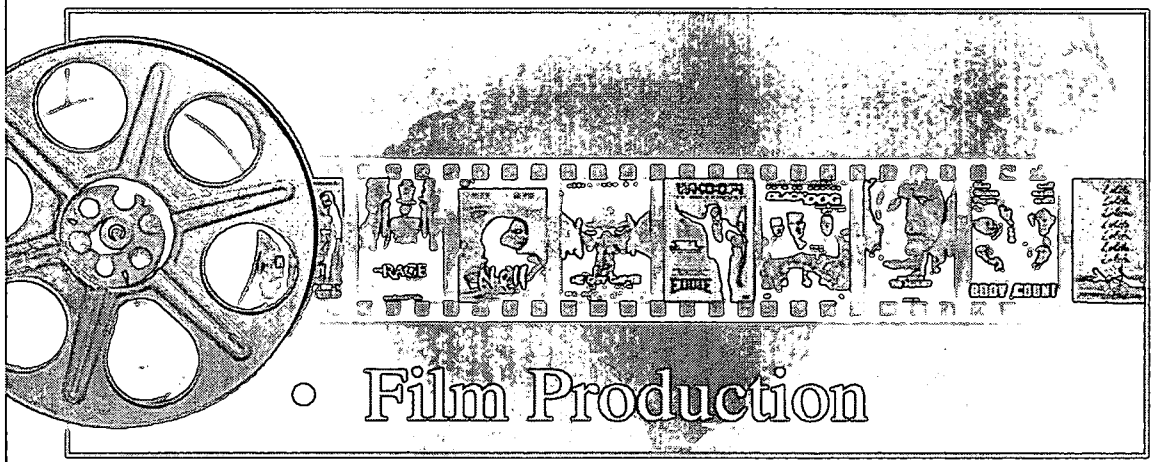
CRP Special Initiatives

- CharlotteUSA.com – CRP's interactive Website
  - –Brought online in 2000; now being totally renovated
  - –Designed to be a tool for economic development, marketing & research
  - –"Site Selection Wizard" = database of > 1,000 sites & buildings
  - –Traffic has increased 47x



CHARLOTTE REGIONAL PARTNERSHIP

CRP Special Initiatives



- Film Production
  - NC ranks 3rd nationally in dollar value of film production
    - > 60% of statewide total generated by Charlotte region in 2003
  - Annually, > $125 million in *direct* economic impact in Charlotte region
  - CRP providing leadership in effort to develop statewide incentives for film production industry

CHARLOTTE REGIONAL PARTNERSHIP

CRP: Our Future

- Coalition is united – all 16 counties actively involved & memberships paid
- CRP Strategic Plan in place and driving Program of Work
- By FYE June 30, 2005:
  - Fund development campaign to be completed
  - 5-Year Regional Economic Development Plan to be completed
  - Transition to new executive staff leadership to take effect

NORTH CAROLINA'S SOUTHEAST™

Presentation to the North Carolina Economic Development Board

February 25, 2005

Attachment II

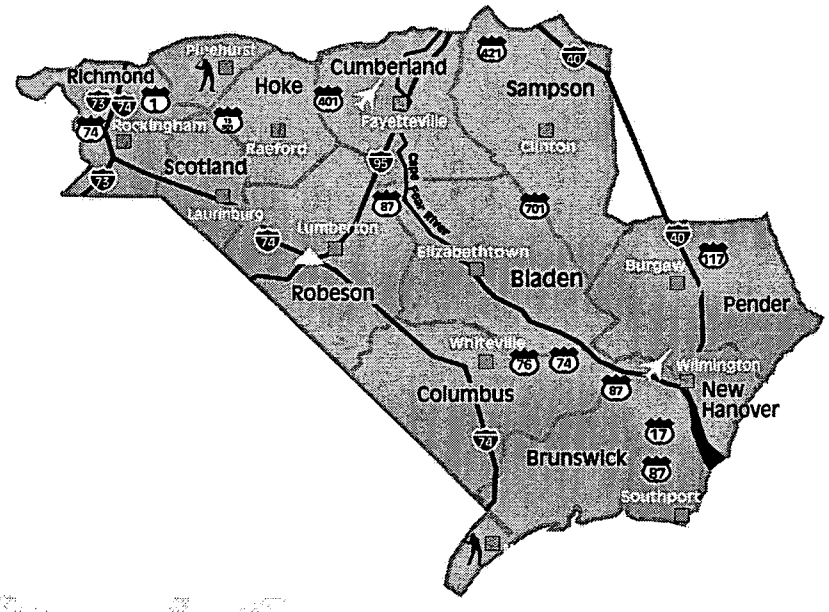
Mission

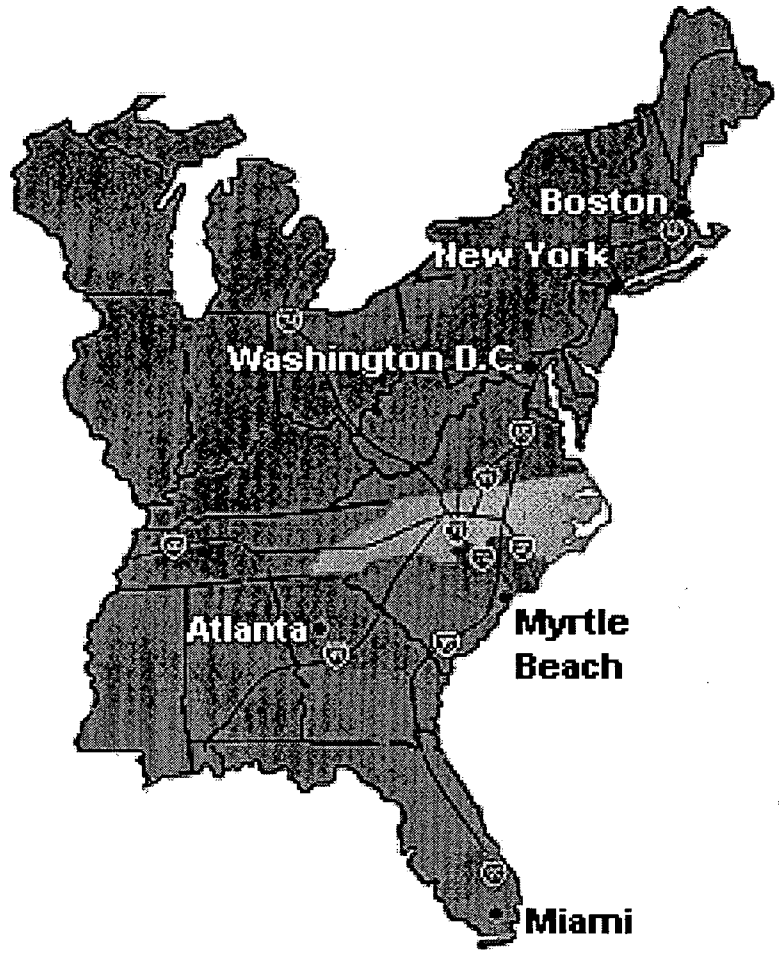
NORTH CAROLINA'S SOUTHEAST

Implement a regional economic development marketing program which generates leads that will consider southeastern North Carolina as a viable business destination, thereby creating opportunities for the regional NCDOC representative, Steve Yost, and local economic developers to show buildings and sites, and bring projects to closure.

Geography

NORTH CAROLINA'S SOUTHEAST™





- 11 counties
- Approximately 7,500 square miles
- Over 1,000,000 people
- Anchor cities: Fayetteville & Wilmington
- Office located in Elizabethtown, exact center of region

Governance

NORTH CAROLINA'S SOUTHEAST™

- Board of Directors consists of 15 appointed business leaders:
  - 3 by the Governor
  - 2 by the Lt. Governor
  - 5 by the President *Pro Tem* of the Senate
  - 5 by the Speaker of the House
- Technical Advisory Group (TAG) consists of:
  - Local economic developers
  - Private-sector allies (utilities, banks, contractors, etc.)

Funding for FY 04-05

NORTH CAROLINA'S SOUTHEAST

- $917,000 State Appropriation
- $250,000 State Appropriation (Vision/Cluster Study)
- $100,000 Southeastern Partnership (Not-for-profit deal-closing funds)
- $ 40,000 Southeastern Partnership II (Not-for-profit technology funds)

- $1,307,259 Total

Added Value

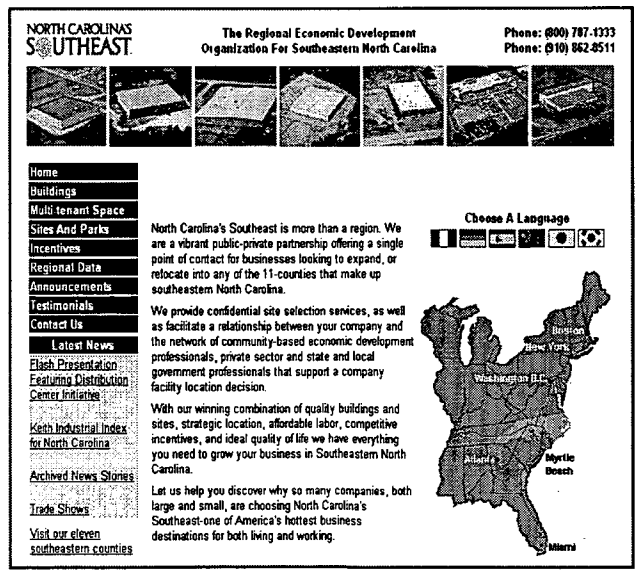
NORTH CAROLINA'S SOUTHEAST

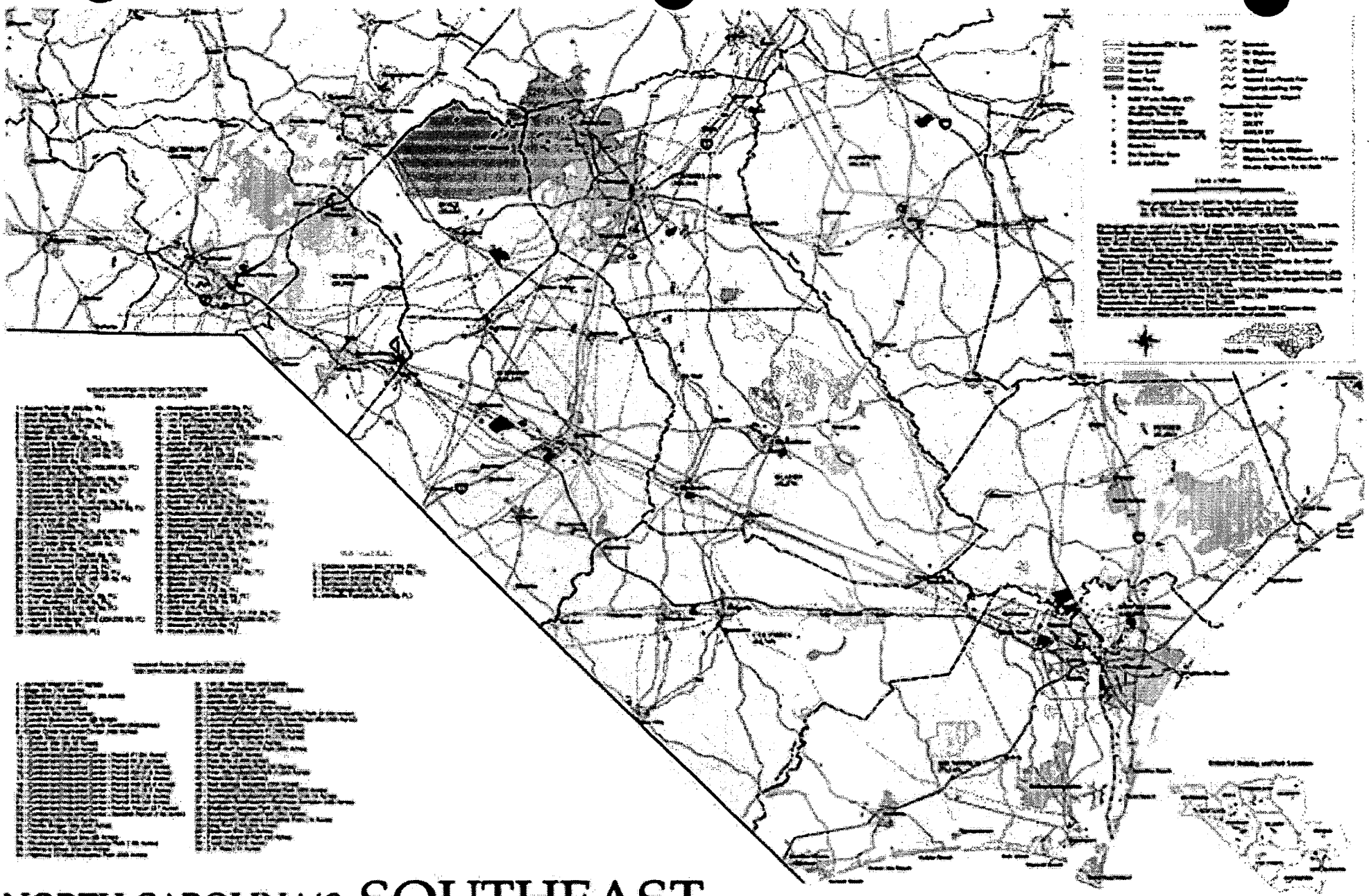
- Financial Support
  - The Southeastern Partnership, Inc., a 501(c)(6) not-for-profit organization, has contributed over $1,200,000 in private funds to 30 projects since 1994
  - The Southeastern Partnership II, Inc., a 501(c)(3) not-for-profit organization, has received $183,729 to enhance regional technology efforts

Added Value (cont'd.)

NORTH CAROLINA'S SOUTHEAST™

- Organizational Support
  - Technology
  - Research
  - Grant-writing *(Golden LEAF Foundation)*
  - Advocacy *(Lumbee Federal Recognition; I-73/74)*
  - Award-winning customized presentations
  - Buildings and sites
    - Preparation of data sheets
    - Populate NC Site Search database
    - Current local, regional, and state incentives on website (www.ncse.org)
    - Aerial photos and virtual tours
  - Mapping
    - Obtaining GIS information





NORTH CAROLINA'S SOUTHEAST

The regional economic development marketing organization for Southeastern North Carolina

707 West Broad Street • Elizabethtown, NC 28337 • 1-800-787-1533 • Website: http://www.ncse.org • e-mail: info@ncse.org

Current Initiatives

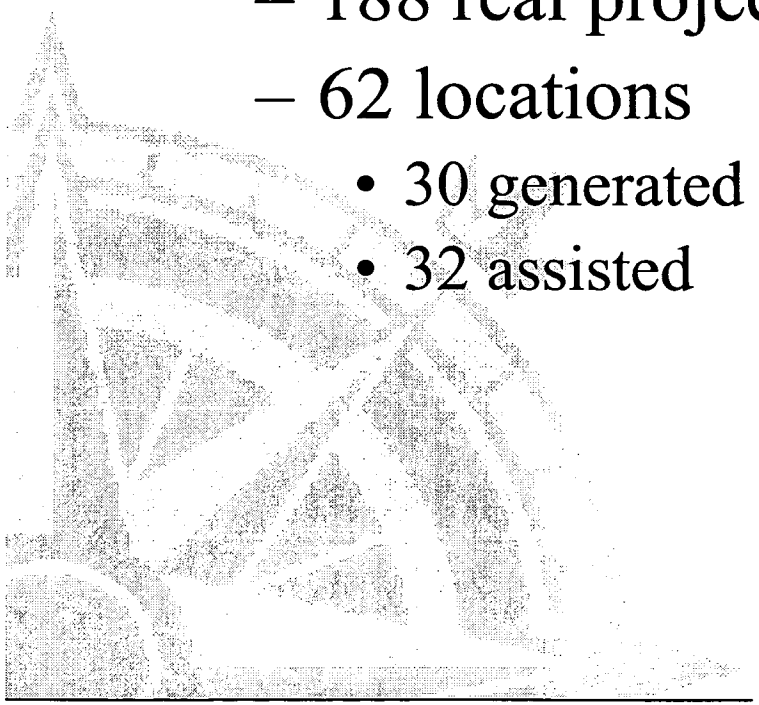
NORTH CAROLINA'S SOUTHEAST™

- Vision/Cluster Study: "Sharpening Our Focus: Growing Jobs and Investment with Cluster-based Tools"
  - Automotive
  - Building Products
  - Nonwoven Textiles
  - Warehousing & Distribution
- Mega Site Development
- NCDOC Distribution Center Enterprise Team
- NCDOC Textiles Enterprise Team
- Military Gap Analysis
- Regional Data Book – Volume VII
- Friends of North Carolina
- Stoneybrook Steeplechase – *Signature Event*

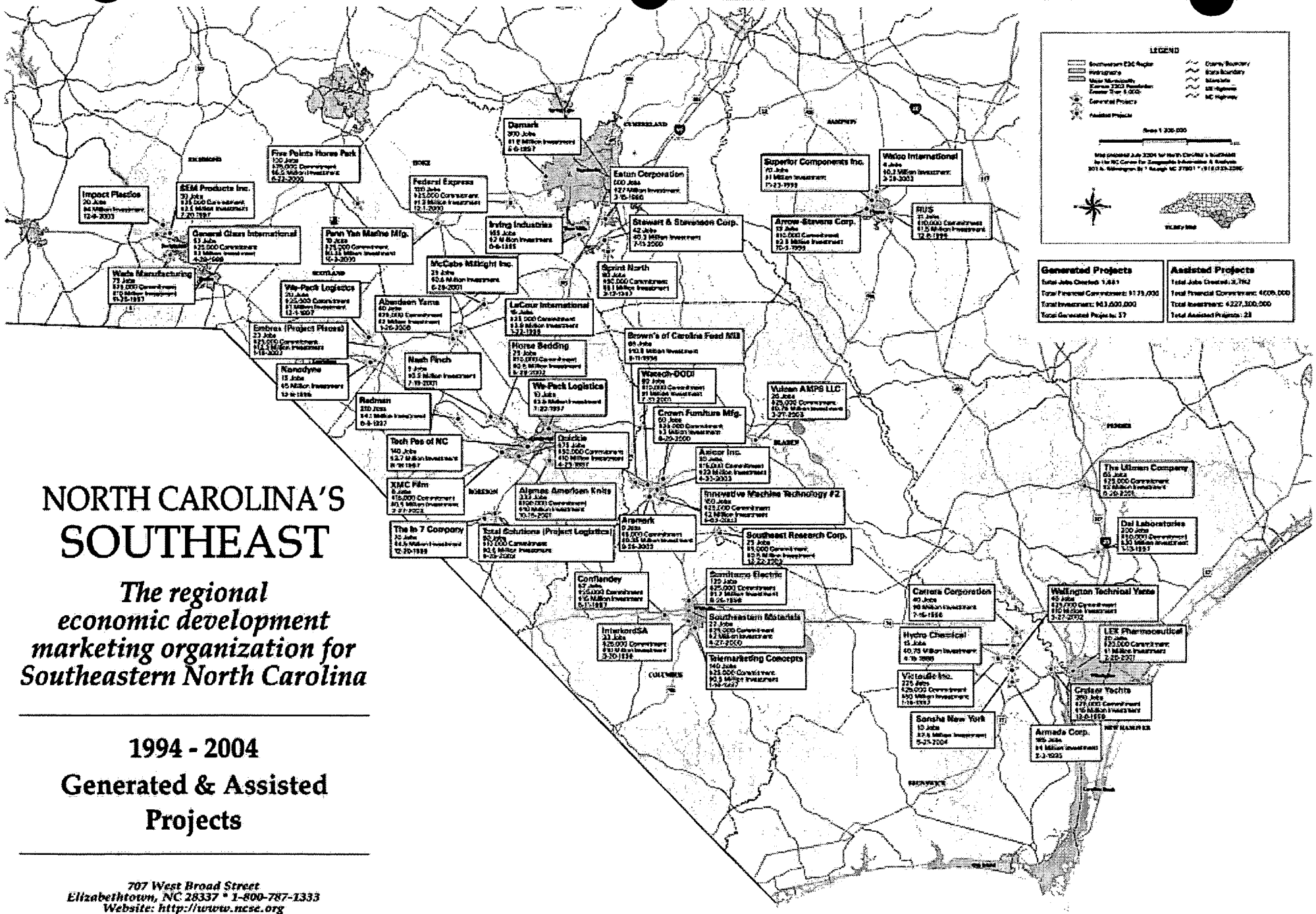
Accomplishments

NORTH CAROLINA'S SOUTHEAST™

- Marketing initiatives to date have generated *(from 1994 to present)*:
  - 2,300 inquiries
  - 188 real projects
  - 62 locations
    - 30 generated
    - 32 assisted



"That which gets measured, gets done." *PGB*



NORTH CAROLINA'S SOUTHEAST

The regional economic development marketing organization for Southeastern North Carolina

1994 - 2004
Generated & Assisted Projects

707 West Broad Street
*Elizabethtown, NC 28337 * 1-800-787-1333*
Website: http://www.ncse.org
e-mail: info@ncse.org

Results

NORTH CAROLINA'S SOUTHEAST™

$343,000,000 INVESTMENT

6,586 JOBS CREATED

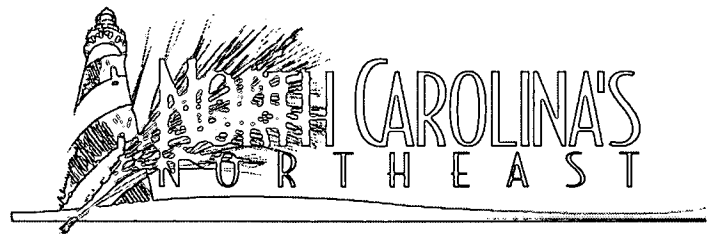
1994 to Present

NORTH CAROLINA'S SOUTHEAST™

"N.C.'s Southeast region has the most focused scope of work -- on the recruitment of manufacturing jobs. It has a very clearly specified and executed program of promotion, information packaging, and deal-closing money. Although some would say it is hard to attribute jobs and investment to partnership actions, this partnership collects written letters from clients stating the specific contribution that N.C.'s Southeast made."

Improving North Carolina's Economic Development Delivery System:
A Report to the NC General Assembly
UNC Office of Economic Development
March 2003

North Carolina's Northeast Partnership, Inc.

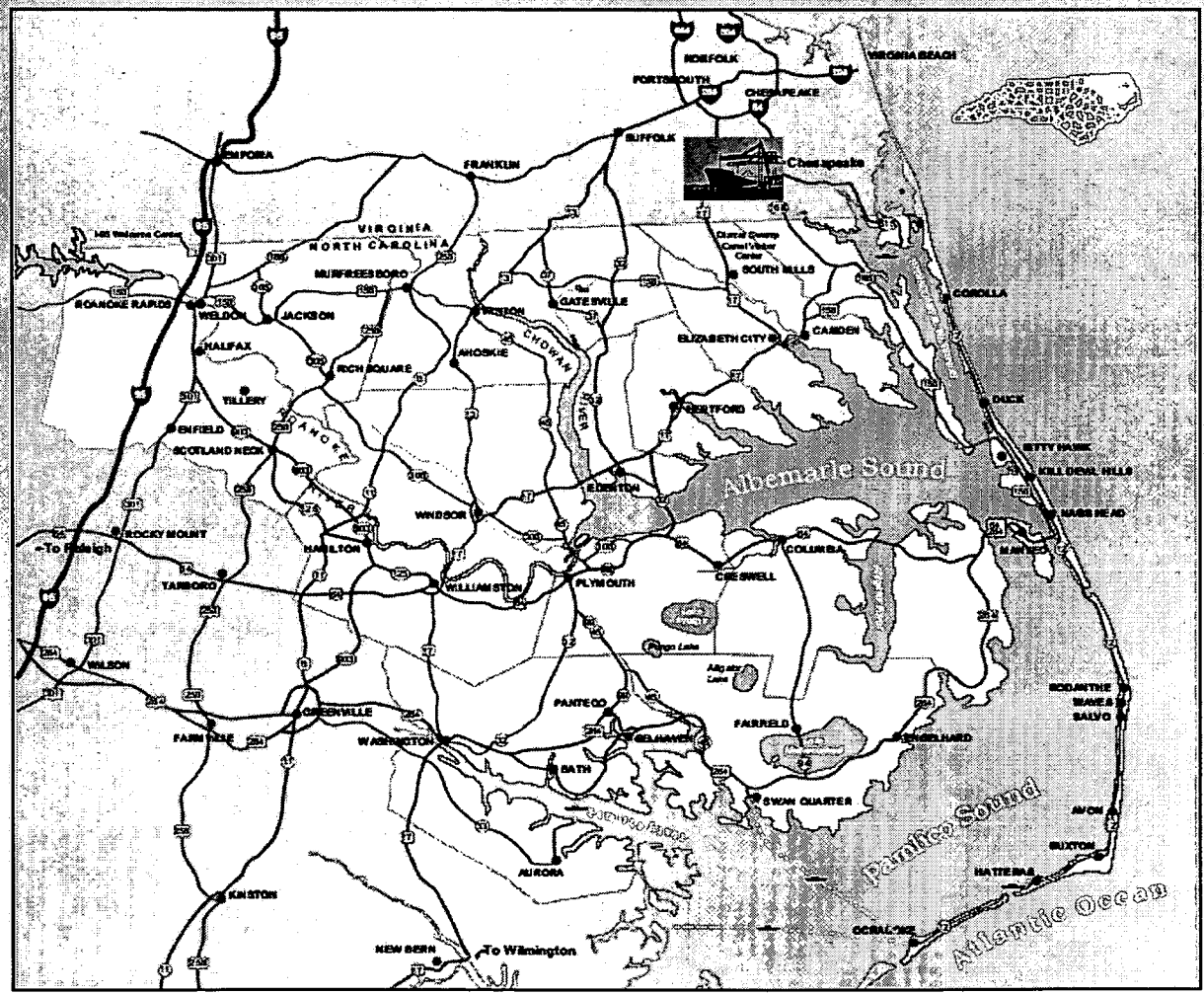


Discover the Difference

North Carolina Economic Development Board
February 25, 2005

Attachment IIII

North Carolina's Northeast Region



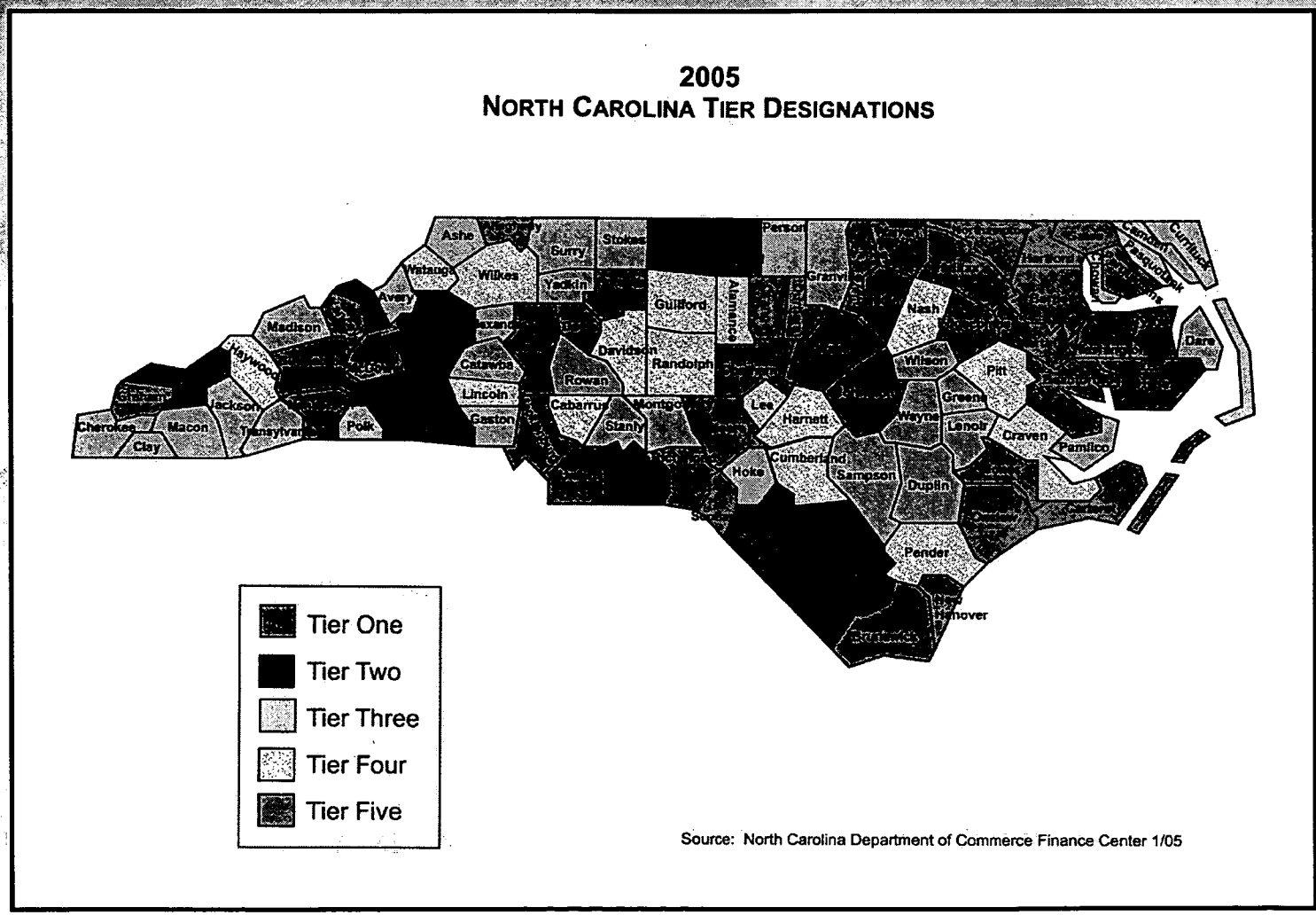
Our Mission Statement

- *The mission of the Northeastern North Carolina Regional Economic Development Commission & North Carolina's Northeast Partnership, Inc., is to increase the standard of living for citizens in its sixteen-county region through industrial, business and tourism development as well as improve economic conditions in Northeast North Carolina by marketing the region's excellent business, tourism and quality-of-life amenities*

Organizational Structure

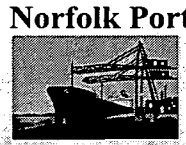
- Established in 1994 by NC General Assembly
- 20 member board
  - Advisory boards provide input in economic development activities and initiatives
    - Economic Development Advisory Board (EDAC)
    - NorthEast Economic Developers (NEED)
    - Tourism Advisory Board (TAB)
    - NorthEast Tourism (NET) Group
- 5 staff members
  - Specialized consultants
- Business/Industry Recruitment
- Business/Industry Expansion
- Tourism Development

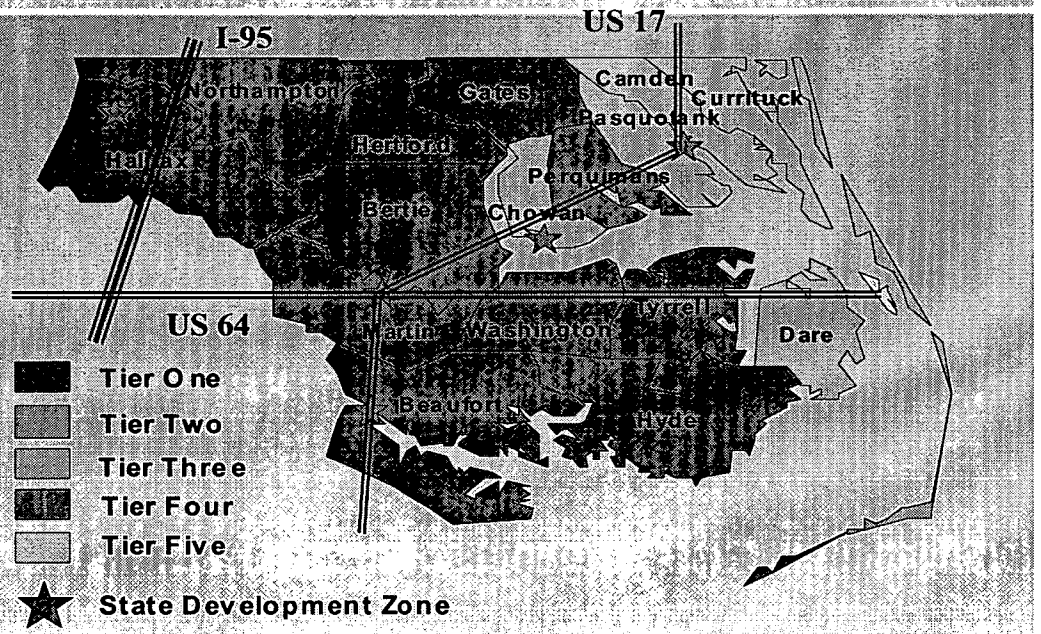
2005 Enterprise Tier Designations



Regional Overview (cont.)

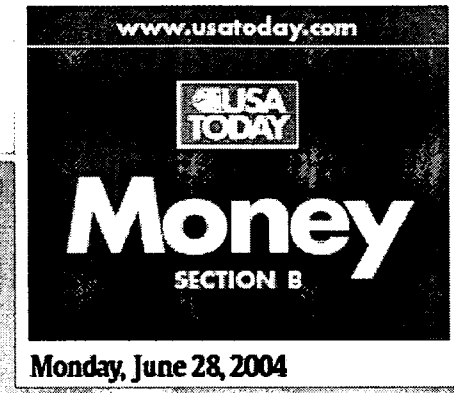
- Distressed Economic Development Region
  - 11 Enterprise Tier One Counties
  - 5 Enterprise Tier Three Counties
  - 5 State Development Zones

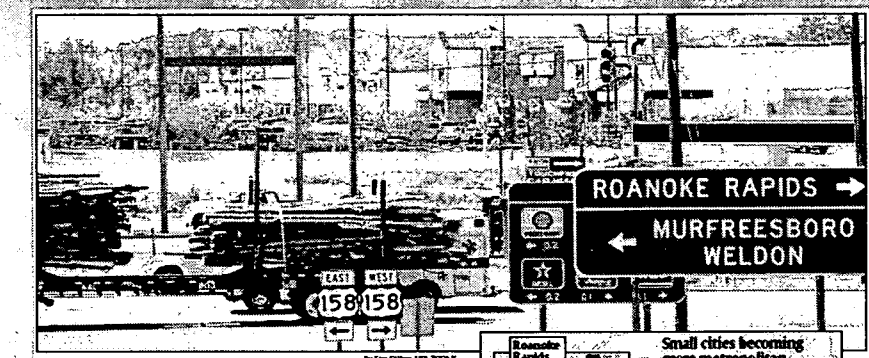




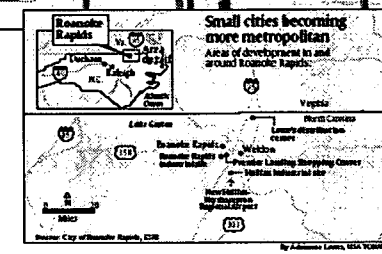
Regional Overview

- Emerging Economic Development Region
  - Interstate 95 and regional commercial/industrial appeal
  - New 4-laned highways
    - US Highways 64 & 17
    - US Highway 17 in Virginia
  - Natural gas and high-speed telecommunications
  - Norfolk Port
    - 2nd busiest port on the East Coast
  - 1500 commuters daily to Virginia
  - Growing international business interest





Tiny, but mighty: Roanoke Rapids, N.C., anchors an area of 76,000 people.



Small-town USA goes 'micropolitan'

Not quite rural or metro, newly minted areas are ripe for growth

By Haya El Nasser
USA TODAY

Cover story

ROANOKE RAPIDS, N.C. — For many travelers on Interstate 95, this old mill town is merely a pit stop halfway between New York and Florida.

They fill their tanks, satisfy their craving for Carolina barbecue, crash for the night at the Sleep Inn and drive away from the fields of peanuts, cotton and tobacco. Avid fishermen sometimes stay an extra day to catch rockfish in the Roanoke River.

But for residents of two largely rural counties just south of the Virginia border, Roanoke Rapids is "the city" that anchors an area of 76,000 people. Wal-Mart and Lowe's just opened stores, helping replace jobs that vanished with the textile industry. A multiplex theater is on the way. Business is booming for Ruby Tuesday, Cracker Barrel and other chain restaurants. And in the ultimate sign that this isn't the backwoods anymore, Starbucks is coming.

Roanoke Rapids and hundreds of small cities like it were long written off as rural outposts where population was sparse and the economy sleepy. They were known simply as "non-metropolitan" areas.

Until now.

The government has created a new label for these

Please see COVER STORY next page ▸

Regional Accomplishments

- Named one of the "Top 10 Economic Development Organizations in the U.S. & Canada" by Site Selection Magazine in 1996
- 16,754 jobs created since 1996
- $3.5 billion in business/industry investment since 1996
- 54% increase in tourism revenues since 1996
- $124 million in federal, state, and other resources to support new job creation and investment and tourism development

Economic Development Efforts

- **New Business/Industry Recruitment**
  - Source of Prospects
    - 62% Partnership; 23% County; and 15% Commerce
  - Prospect Distribution
    - 77% Industrial; 16% Commercial; and 7% Tourism
  - Serve as economic development representative for 38% of our counties
  - Creative financing packages
    - Syfan Manufacturing, Martin County
    - PCB Piezotronics, Halifax County
  - Highly successful job Fairs to support employee recruitment

Existing Business & Industry Support

- Work collaboratively with DOC regional office, NCSU Industrial Extension, and local community colleges
- Focus on small businesses AND industries
- Local business/industry associations to foster communications between communities and businesses
- Internet-based buyer-supplier network

Major Recruitment/Expansion Projects

- Nucor Steel, Hertford County
  - 350 jobs, $350 million investment
- Lowe's Regional Distribution Center, Northampton County
  - 800 jobs, $50 million investment
- Syfan Manufacturing, Martin County
  - 61 jobs, $11 million investment
- PCB Piezotronics, Halifax County
  - 500 jobs, $5 million investment
- Fruit of the Loom Expansion, Martin County
  - $60 million expansion
- PCS Phosphate expansion, Beaufort County
  - $73 million investment

Tourism Development Efforts

- Cooperative advertising with region and counties
- Regional Visitors Guide
- Tourism Web Portal
- Northeast Heritage Trails
  - Aviation, Civil War & African American
- Regional Heritage Initiative
- 14 million visitors annually
  - 7 million to Coast
- Inner Banks "hot" land development opportunity
  - Golf, housing, waterfront development
  - Housing creep from Southeast Virginia

Major Initiatives

- Regional Vision Plan, including Southeast Virginia
- Advanced Vehicle Research Center
- NC State Centennial Campus East Biotechnology Park
- Theater/Entertainment District
- Minority Business Development
- Phase II Certified Sites
- New Revolving Loan Fund

VISITOR REGISTRATION SHEET

Senate ONE NC Committee — March 29, 2005

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jack A. Runion	N.C. Northeast Partnership (Edenton, N.C.)
Rick WATSON	NC Northeast Partnership Edenton NC
Cathy Scott	North Carolina's Northeast Partnership, Inc
JOHN GURGANUS	NC Department of Commerce - NE Region
PAUL Butler	N.C. Southeast
Kaye Gattis	NC State Ports Authority
Rita Harris	Speaker Black's Office
JOHN PETERSON	NCEDA
Alice Garland	NC DOC
Brent Lane	UNC-CH
[signature]	NCRA

VISITOR REGISTRATION SHEET

Senate ONE NC Committee — March 29, 2005

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
James L. Forte	OSA
Sam Watts	N.C. Center for Public Policy Research
Gary Brown	Northampton EDC

VISITOR REGISTRATION SHEET

Senate ONE NC Committee — March 29, 2005

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Tom Beasley	LBA

AGENDA

Opportunities and Needs for Economic Growth in North Carolina ("ONE, NC")

Senator Martin L. Nesbitt, Chair
Senator Doug Burger, Vice-Chair
Senator Scott Thomas Vice-Chair
Senator David Weinstein, Vice-Chair

Tuesday, April 5, 2005
12:00 noon
Room 1027

1. Call Meeting to Order.

2. Recognize members, staff, and guests.

3. Presentations from the following:

   - Piedmont Triad Partnership
     Greg Brownstein
     Vice President Marketing

   - Martin Lancaster
     President
     North Carolina Community College System

4. Discussion period.

Adjournment.

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE
Tuesday, April 5, 2005 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Opportunities and Needs for Economic Growth in North Carolina (One NC) Committee met at 12:00 Noon on April 5, 2005, in Room 1027 of the Legislative Building. A quorum was present. Senator Martin L. Nesbitt, Chairman, presided.

On the Agenda was a presentation from the Piedmont Triad Partnership by Greg Brownstein, Vice President of Marketing. Senator Nesbitt recognized Mr. Brownstein who thanked the committee for the opportunity to speak.

He explained that the goal of the Piedmont Triad Partnership is to "market and promote North Carolina's Piedmont Triad Region as a superior place in which to work and live, and to develop and encourage collaborations among individuals, organizations, and institutions within the Region." There are 12 counties in the Piedmont Triad Partnership Region and funding typically runs $1.2 to $1.3 million annually with 56 percent of the funding from the state, 22 percent from private sources, 20 percent from local governments and 2 percent from other sources. A copy of Mr. Brownstein's Power Point Presentation is attached to these Minutes as **Attachment I.** Mr. Brownstein distributed a package of three magazines that provide a Piedmont Triad Overview and this is attached as **Attachment II.**

When Mr. Brownstein has finished his presentation, Senator Nesbitt asked him if the state hadn't been a large participant in a lot of the Partnership's successes: Dell, Fed Ex, etc, to which Mr. Brownstein agreed. Senator Nesbitt said that most of these successes are located in Alamance, Guilford, and Forsyth Counties. Senator Nesbitt asked about Surry, Stokes, and other counties not mentioned.

Mr. Brownstein said there were problems in those counties in terms of available infrastructure, educated workforce, and even highway access. He said that the rural counties are on "their radar." Whenever possible, the Partnership tries to involve the rural counties in response to a request for a site or a building. But, he said, it is ultimately up to the clients to decide which counties they want to visit and more often they tend to migrate towards the more urban centers.

Senator Nesbitt asked if there were any programs within the Partnership aimed at what can be developed in Stokes, Surry, Yadkin counties, etc.

Mr. Brownstein said that there was no formal program, just awareness that these counties are a part of their constituent and warrant the same kind of attention that the urban counties do. They see bio manufacturing, bioprocessing as an option that might avail itself to the rural counties.

Senator Snow asked if the partnerships share leads and information. Mr. Brownstein said that he wasn't aware of that kind of information sharing.

Senator Nesbitt told the committee that the Department of Commerce is supposed to generate leads, which the partnerships follow up on. He asked Mr. Brown if that was still the case and Mr. Brown said that it was.

Senator Nesbitt observed that rural and outlying counties often suffer near such developments as the Research Triangle Park.

There was discussion about having the Department of Agriculture come before the committee to see what it is doing in terms of economic development. Senator Nesbitt also would like to have the Industrial Extension Service appear before the committee.

Community College President Martin Lancaster was recognized. He thanked the committee for the opportunity to speak.

President Lancaster said it is the mission of the North Carolina Community College System to provide high quality, accessible training and services for industries throughout the state. The community colleges enable North Carolinians to acquire the knowledge and skills to obtain and maintain prosperous careers, which enhances their quality of life. A major part of the mission is to provide North Carolina businesses and industries with a world-class workforce and create a competitive advantage as a result of their presence in North Carolina.

President Lancaster also explained various legislation filed during the 2005 session that directly affects the Community College System. A copy of President Lancaster's Power Point Presentation is attached to these Minutes as **Attachment III**.

When President Lancaster concluded his remarks, Senator Nesbitt told the committee that the North Carolina law currently does not allow the community colleges to provide help to existing companies who are experiencing down times, but this is something that the General Assembly can do (change the existing law), which, would create help for economic development in rural counties.

The meeting adjourned at 1:00 p.m.

Senator Martin L. Nesbitt, Presiding

Janette W. Lee, Committee Assistant

AGENDA

Opportunities and Needs for Economic Growth in North Carolina ("ONE, NC")

Senator Martin L. Nesbitt, Chair
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Senator Scott Thomas Vice-Chair
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     Vice President Marketing

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     President
     North Carolina Community College System

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Adjournment.

Piedmont Triad Partnership

Presented to NC Economic Development Board

The Right Place. The Right Pace.

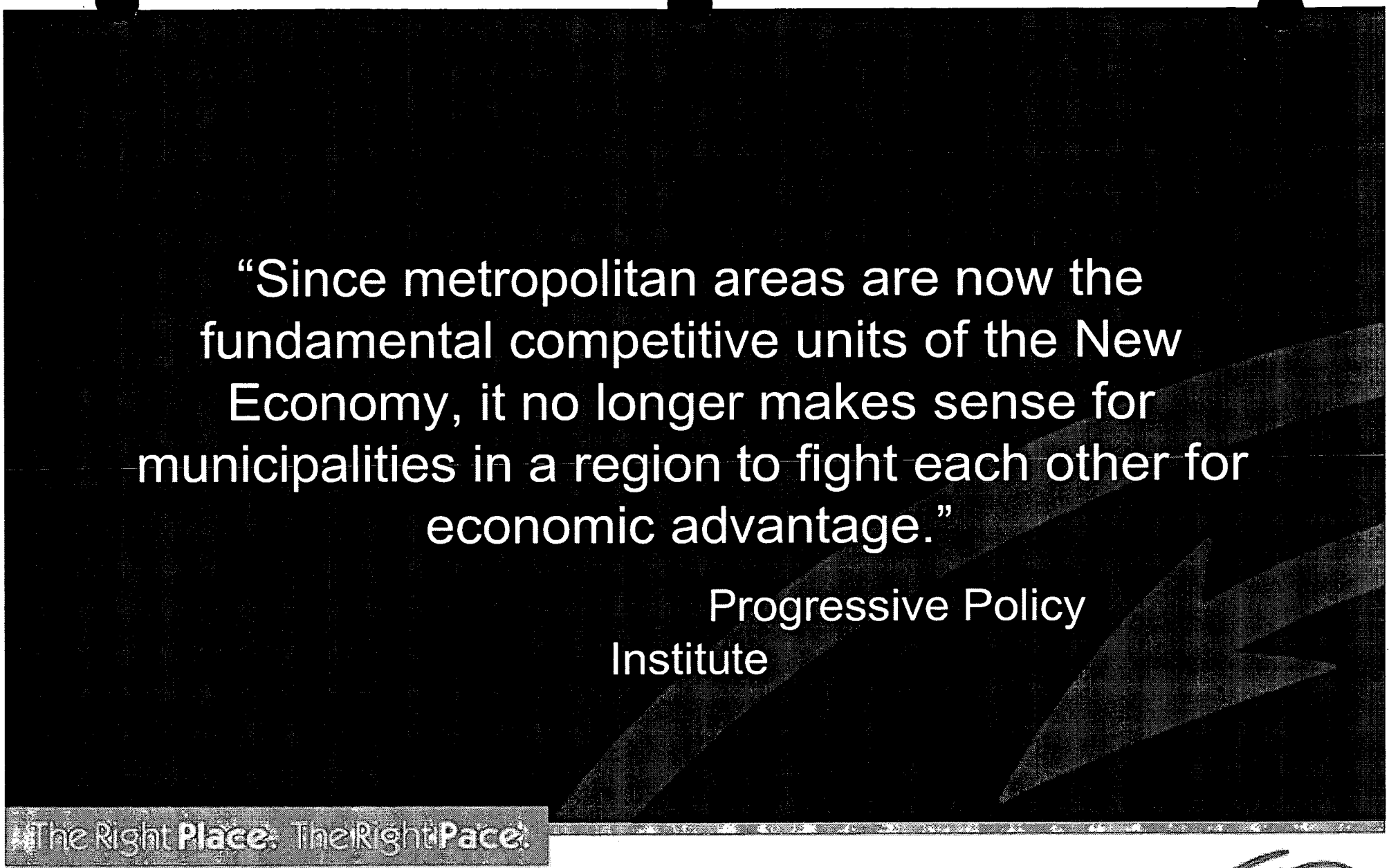
February 25, 2005

NORTH CAROLINA'S

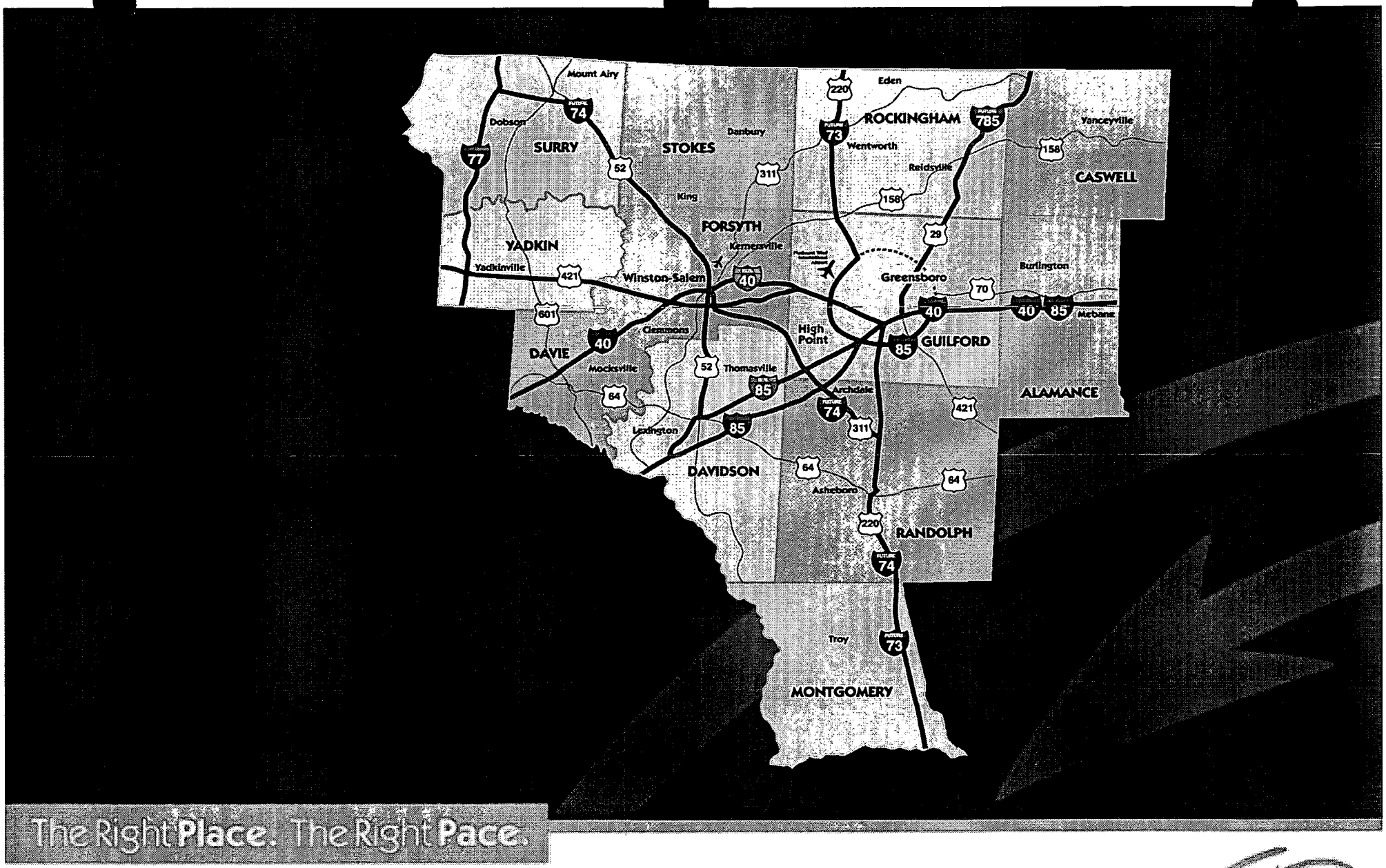
Piedmont Triad

GREENSBORO WINSTON-SALEM HIGH POINT

Attachment I



NORTH CAROLINA'S
Piedmont Triad
GREENSBORO WINSTON-SALEM HIGH POINT



The Right Place. The Right Pace.

NORTH CAROLINA'S

Piedmont Triad

GREENSBORO WINSTON-SALEM HIGH POINT

Vision Statement

North Carolina's Piedmont Triad Region will be recognized around the world as a superior place in which to live and work.

Mission Statement

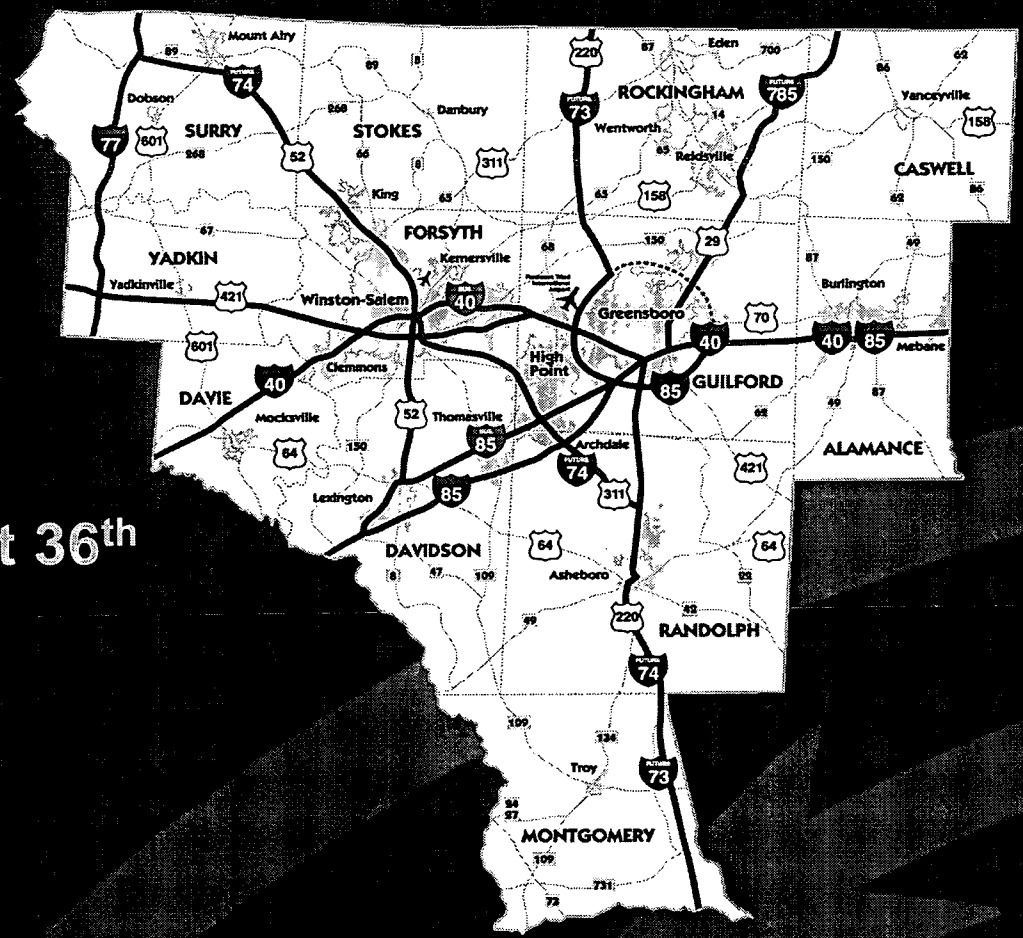
The Piedmont Triad Partnership will market and promote North Carolina's Piedmont Triad Region as a superior place in which to work and live, and to that end will encourage collaborations among individuals, organizations and institutions within the Region.

The Right Place. The Right Pace.

NORTH CAROLINA'S
Piedmont Triad
GREENSBORO WINSTON-SALEM HIGH POINT

Metro Rankings

- Charlotte 33rd
- New Orleans 34th
- Salt Lake City 35th
- **Greensboro/W-S/High Point 36th**
- Austin 37th
- Nashville 38th
- Providence 39th
- Raleigh/Durham 40th



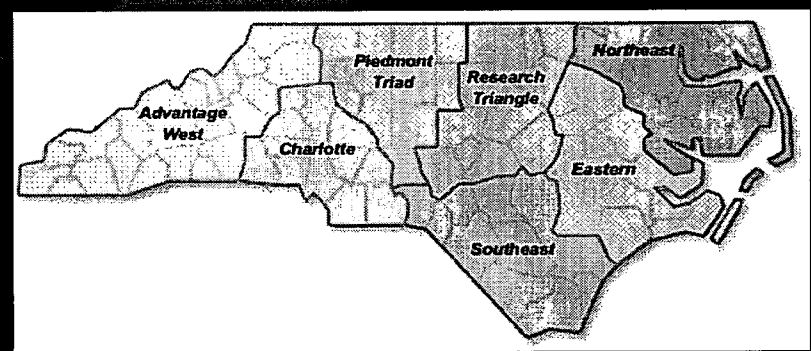
Source: 2000 Census

The Right Place. The Right Pace.

NORTH CAROLINA'S
Piedmont Triad
GREENSBORO WINSTON-SALEM HIGH POINT

Piedmont Triad Partnership

- 56-member board includes all ED offices, NCDOC, county appointees, private and municipal investors, and at-large members
- Funding from state (56%), private (22%), local governments (20%), and other (2%)
- Staff of seven
- 501(c)(3) corporation



The Right Place. The Right Pace.

NORTH CAROLINA'S
Piedmont Triad
GREENSBORO WINSTON-SALEM HIGH POINT

Piedmont Triad Partnership

- Marketing and Lead Generation
  - Targeted Industries
  - Consultant and Ally Relationships
  - International Marketing
  - Public & Media Relations
- Research Support for Local Offices
- Foreign Trade Zone #230
- Piedmont Triad Partnership Foundation

The Right Place. The Right Pace.

NORTH CAROLINA'S
Piedmont Triad
GREENSBORO WINSTON-SALEM HIGH POINT

Marketing Emphasis (2003-2004)

- 135 site location consultants in New York, Detroit, Colorado, Dallas and throughout the Southeast
- 307 new leads, 66 qualified prospects, 45 client visits, over 300 research requests filled
- Industry call missions in Detroit and Chicago
- Domestic and international trade shows for medical and automotive industries
- Recent articles appeared in Attaché, Biotech Today, Montreal Business Magazine, Our State, American Journal of Transportation, Wine Enthusiast

Piedmont Triad - Key Advantages

- Mid-Atlantic Location
- Interstate Highways
  I-40, I-85, I-77, I-73, I-74
- 1.5 Million Population
- 775,000 Labor Force
- 11 Four-Year Colleges & Universities
- 9 Community Colleges
- Fed Ex Mid-Atlantic Hub
- Quality of Life
- International Home Furnishings Market

The Right Place. The Right Pace.

NORTH CAROLINA'S
Piedmont Triad
GREENSBORO WINSTON-SALEM HIGH POINT

Recent Piedmont Triad Major Industry Announcements

- Dell
- Citigroup
- Unilin
- AFG Wipes
- Daimler-Chrysler/ Thomas Built Buses
- Honda
- Bank of America
- Energizer Battery
- Reynolds American
- Ford Motor Company

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"Economic development led by an advanced technology transportation and distribution cluster in the Triad puts a special premium on something that government and business leaders throughout the Triad historically have not been good at—regional cooperation."

Regional Technology Strategies

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Piedmont Triad Partnership

Greg Brownstein
VP, Marketing

April 5, 2005

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Vision Statement

North Carolina's Piedmont Triad Region will be recognized around the world as a superior place in which to live and work.

Mission Statement

The Piedmont Triad Partnership will market and promote North Carolina's Piedmont Triad Region as a superior place in which to work and live, and to that end will encourage collaborations among individuals, organizations and institutions within the Region.

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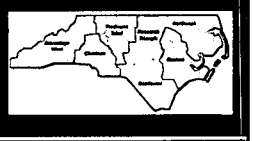
Piedmont Triad Partnership

- 56-member board includes all ED offices, NCDOC, county appointees, private and municipal investors, and at-large members
- Funding from state (56%), private (22%), local governments (20%), and other (2%)
- Staff of seven
- 501(c)(3) corporation



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Piedmont Triad Partnership

- Research Support for Local Offices
- Foreign Trade Zone #230
- Piedmont Triad Partnership Foundation
- Marketing and Lead Generation
  - Targeted Industries
  - Consultant and Ally Relationships
  - International Marketing
  - Public & Media Relations

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Key Targets: Recruitment / Growth

- Manufacturing
- Distribution / Logistics / Transportation
- Headquarters
- Service / Administration / Operational Centers

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Other Target Industries

- Medical Technologies
- Electronic Components
- Commercial Printing
- Electrical Equipment
- Chemicals and Plastics
- Aviation/Aerospace
- Automotive Components
- Financial Services
- Engineered Textiles
- Design
- Nanotechnologies

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Marketing Emphasis (2003-2004)

- 135 site location consultants in New York, Detroit, Colorado, Dallas and throughout the Southeast
- 307 new leads, 66 qualified prospects, 45 client visits, more than 300 research requests filled
- Industry call missions in Detroit and Chicago
- Domestic and international trade shows for medical and automotive industries
- Recent articles appeared in Attaché, Biotech Today, Montreal Business Magazine, Our State, American Journal of Transportation, Wine Enthusiast

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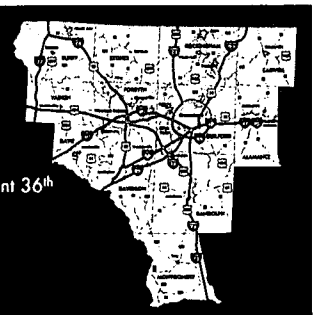
Metro Rankings



- Charlotte 33rd
- New Orleans 34th
- Salt Lake City 35th
- Greensboro/W-S/High Point 36th
- Austin 37th
- Nashville 38th
- Providence 39th
- Raleigh/Durham 40th

Source: 2000 Census

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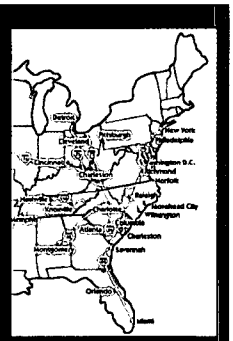
Piedmont Triad - Key Advantages



- Mid-Atlantic Location
- Interstate Highways I-40, I-85, I-77, I-73, I-74
- 1.5 Million Population
- 775,000 Labor Force
- 11 Four-Year Colleges & Universities
- 9 Community Colleges
- Fed Ex Mid-Atlantic Hub
- Quality of Life
- International Home Furnishings Market

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Recent Piedmont Triad Major Industry Announcements

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- Energizer Battery
- Reynolds American
- Ford Motor Company

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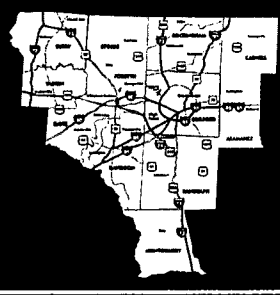
Challenges / Opportunities:



- Competition
- Regionalism
- Differentiation
- Infrastructure

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Attachment II

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Piedmont Triad Overview

REGION

- North Carolina's Piedmont Triad Region comprises 12 diverse counties in central North Carolina surrounding the cities of Greensboro, Winston-Salem and High Point.

POPULATION

- The 12-county region has a total population of more than 1.5 million residents, and the region is growing at a rate of approximately 1.5% per year.
- The Triad is the 36th largest MSA in the nation. By comparison, Charlotte is 33rd, New Orleans is 34th, Salt Lake City is 35th, Austin is 37th, Nashville is 38th, Providence is 39th, and Raleigh-Durham is 40th.
- The combined population of the Piedmont Triad, Charlotte, and Research Triangle metro areas is approximately 4 million residents, ranking it slightly behind the metro Atlanta population.

EMPLOYMENT

- With a workforce of more than 775,000 workers, the Piedmont Triad is part of the growing economy along the I-85 corridor between Charlotte and Raleigh.
- North Carolina has the lowest union enrollment rate in that nation.
- The economy is based on a diversifying manufacturing and distribution base, with important and growing office/headquarters, medical/health care.
- The average unemployment rate for the Piedmont Triad Region in 2003 was 6.6%; the November 2004 rate was 5.1%.

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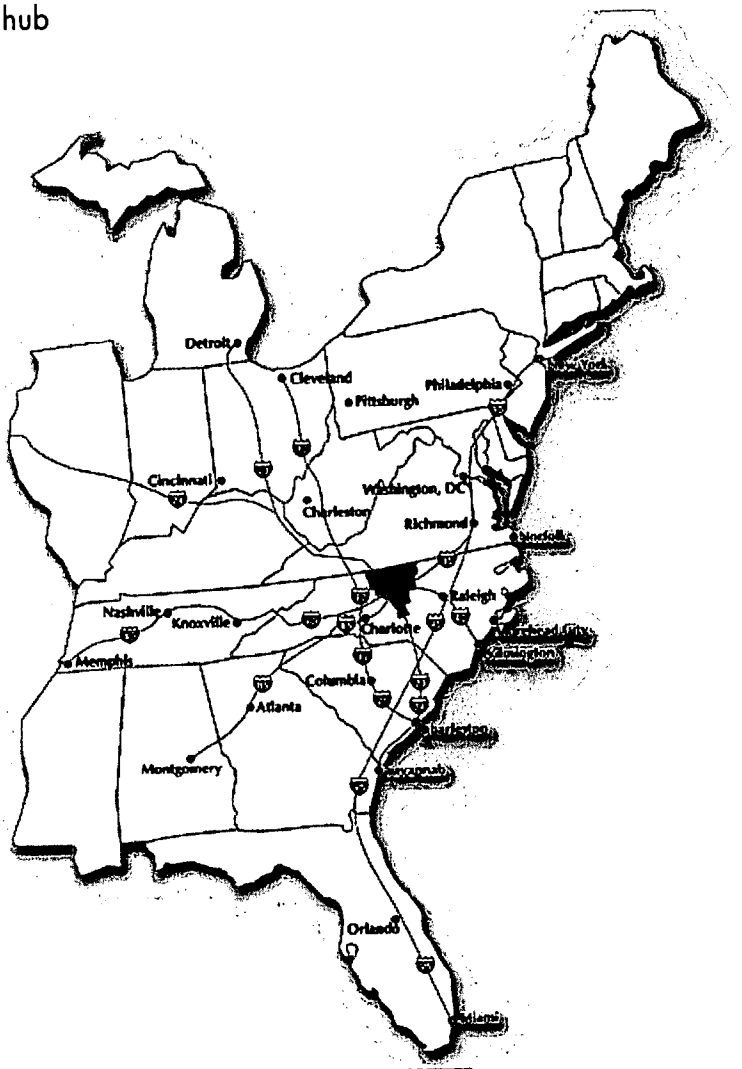
Location

North Carolina

- Centrally located on the East Coast
- Ranked by *Site Selection* magazine as #1 in business climate; ranked by DCI CEO survey as #2 in business climate
- Diverse geography with mountains, coast, urban and rural landscapes

Piedmont Triad

- Located midway between New York and Miami; Washington D.C. and Atlanta
- Centrally located in North Carolina's I-85 corridor between Raleigh and Charlotte
- Site of planned FedEx Mid-Atlantic sorting hub
- Ranked by *Expansion Management* as second "hottest city" for manufacturing and second best real estate market



Piedmont Triad's Largest Cities

- Greensboro – 231,241
- Winston-Salem – 192,916
- High Point – 88,056
- Burlington – 47,239
- Thomasville – 20,662
- Asheboro – 22,672

Piedmont Triad Partnership
www.piedmonttriadnc.com

February 2005

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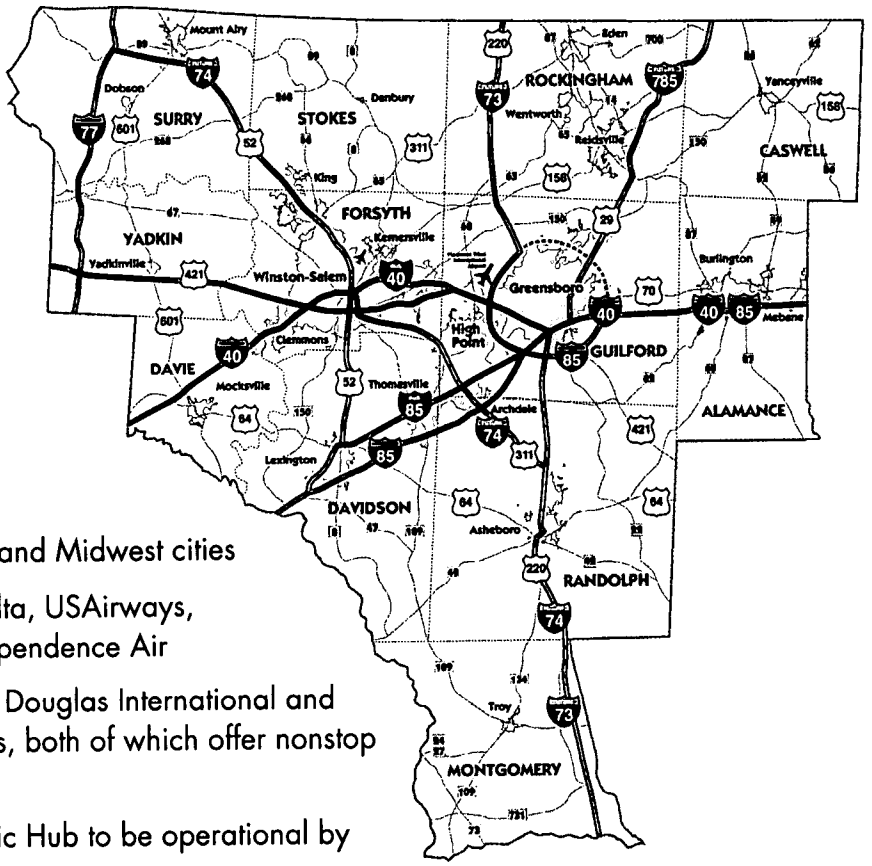
Transportation

Interstate System

- Interstates I-85, I-40 and I-77 traverse the region
- New Interstates I-73 and I-74 will bisect the region
- Dispersed population avoids congestion of other metro areas



Piedmont Triad International Airport

- Approximately 101 daily flights
- Nonstop service to many East Coast and Midwest cities
- Carriers include American Eagle, Delta, USAirways, Continental, Northwest, United, Independence Air
- PTIA is 1-1/2 hour drive to Charlotte Douglas International and Raleigh-Durham International Airports, both of which offer nonstop service to Europe and Canada
- Site of the planned FedEx Mid-Atlantic Hub to be operational by 2009

Rail

- Region served by CSX, Norfolk Southern and short lines
- Many industrial sites/buildings served by rail

Ports

- North Carolina offers deep water ports in Wilmington and Morehead City; intermodal terminal in Greensboro serves the port of Wilmington
- Easy access to ports of Charleston, Savannah and Norfolk

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Workforce

2004 Layoffs/Closings

County	Closings	Layoffs	Number Affected
Alamance	5	2	420
Caswell	0	0	0
Davidson	10	9	553
Davie	0	0	0
Forsyth	30	8	2,313
Guilford	25	9	945
Montgomery	1	3	282
Randolph	4	1	314
Rockingham	0	0	0
Stokes	0	0	0
Surry	2	0	173
Yadkin	0	0	0

In the Piedmont Triad Region, there were ***77*** reported closings affecting **1,770** people, and **32** layoffs affecting **3,230** people, a total of over **5,000** displaced workers from January 2004 through December 2004.

Most Affected Firms:

Candor Hosiery Mills, Inc.
Intex Corporation
Jones Apparel Group, Inc.
Monarch Hosiery Mills, Inc.
Oakwood Homes
R.J. Reynolds Tobacco Co.
Sara Lee Branded Apparel
Thomasville Furniture Industries, Inc.
Unifi, Inc.
GE Corporate Financial Services

Most Affected Industries:

NAICS 31
Manufacturing
10 Closings & 17 Layoffs
Affecting over 3,508 Workers

NAICS 52
Finance & Insurance
4 Closings & 1 Layoff
Affecting over 220 Workers

NAICS 44
Retail Trade
25 Closings & 1 Layoff
Affecting over 408 Workers

NAICS 54
Professional, Scientific & Technical Services
2 Closings & 4 Layoffs
Affecting over 180 Workers

Source: N. C. Employment Security Commission, Annual Report 2004

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Colleges and Universities

Institution	Type	Highest Degree	Enrollment	Faculty	Degrees Conferred	Location
UNC Greensboro	Public	PhD	14,870	686	2,680	Greensboro
NC A&T State University	Public	PhD	10,030	307	1,196	Greensboro
Wake Forest University	Private	PhD	6,444	434*	1,698	Winston-Salem
Elon University	Private	MA	4,584	252	924	Elon
Winston-Salem State	Public	MA	4,102	170	521	Winston-Salem
High Point University	Private	MA	2,918	119	602	High Point
Guilford College	Private	BA	2,101	91	253	Greensboro
Greensboro College	Private	BA	1,217	63	170	Greensboro
Salem College	Private	MA	1,091	51	151	Winston-Salem
NC School of the Arts	Public	MA	792	123	150	Winston-Salem
Bennett College	Private	BA	729	57	87	Greensboro
Piedmont Triad Totals			**48,578**	**2,314**	**8,432**	

*Figure for Faculty at Wake Forest University Excludes Medical School Instructors

Source: Statistical Abstract of Higher Education in North Carolina, 2003-2004

Community Colleges

North Carolina's New and Expanded Industry Training Program provides low cost and no cost training for companies creating jobs in North Carolina. There are eight branches of the community college system in the Piedmont Triad, with more than 14 separate campuses.

Community colleges represented in the Piedmont Triad Region are:

Alamance Community College
Davidson County Community College
Forsyth Technical Community College
Guilford Technical Community College
Montgomery Community College
Piedmont Community College*
Randolph Community College
Rockingham Community College
Surry Community College

*Serving Caswell County

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Incentives

The State of North Carolina provides tax credits for job creation and machinery/equipment investment, workforce training and R&D; information on incentives can be found on the NC Department of Commerce web site at: http://www.nccommerce.com/finance/

Business assistance programs currently available include:

One North Carolina Fund — The One North Carolina Fund may provide financial assistance to those businesses or industries deemed by the Governor to be vital to a healthy and growing State economy and are making significant efforts to expand in North Carolina. The fund is a competitive fund and the location or expansion must be in competition with another location outside of North Carolina. Criteria for the program is available through the NC Department of Commerce Finance Center.

Industrial Revenue Bonds — The State's principal interest in Industrial Revenue Bonds is assisting new and expanding industry while seeing that North Carolinians get good jobs at good wages.

Tax Credits — The William S. Lee Quality Jobs and Expansion Act rewards eligible companies expanding or relocating in North Carolina that hire within the North Carolina workforce to fill positions.

Job Development Investment Grant — This discretionary incentive may provide sustained annual grants to new and expanding business measured against a percentage of withholding taxes paid by new employees. The program is competitive and the Economic Investment Committee, which oversees it can award up to 15 grants in a calendar year. Contact the NC Department of Commerce Finance Center for the detailed criteria.

Community Development Block Grants — These funds may be accessed by local government applicants (municipal or county, excluding entitlement cities or designated urban counties) with proposed projects that involves a specific business creating or retaining jobs.

The Industrial Development Fund — IDF provides incentive industrial financing in the form of grants and loans. These funds may be accessed by local government applicants (municipal or county).

Golden LEAF Foundation — The Golden LEAF Foundation is committed to using the funds entrusted to it for projects that show the most potential for strengthening North Carolina's long-term economy, especially in communities that have been tobacco-dependent or are economically distressed.

- Community college system provides free customized training
- Local incentives provided on a case-by-case basis based on number of jobs, investment amount, and wage rates

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Economic Diversity

The Piedmont Triad can support virtually any size or type of economic development project, including manufacturing, distribution, service, office or research & development.

MANUFACTURING

- The Piedmont Triad is the manufacturing center of North Carolina
- Major manufacturers include:
  - Reynolds American
  - Sara Lee Corporation
  - Thomas Built Buses
  - Klaussner Furniture
  - RF Micro Devices
  - Ciba Specialty Chemicals
  - Procter & Gamble
  - General Dynamics ATS

DISTRIBUTION/LOGISTICS/TRANSPORTATION

- Mid-Atlantic location is ideal for distribution and logistics
- FedEx hub is perfect complement to outstanding interstate transportation system
- Distributors/logistics providers include:
  - Polo-Ralph Lauren
  - Ford Motor Company
  - Liberty Hardware
  - USPS Bulk Mail Center
  - United Parcel Service
  - New Breed Corporation
- More than 100 trucking companies with more than 60 terminals:
  - Old Dominion Freight Lines Inc.
  - Roadway Express Inc.
  - Epes Transport System Inc.

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Economic Diversity

HEADQUARTERS

- **The Boyd Company ranked the Piedmont Triad Region as the lowest cost location for Fortune 500 corporate headquarters of 30 major U.S. metro areas studied**

- National/North American headquarters location for:
  - BB&T
  - VF Corporation
  - Jefferson Pilot Financial
  - Sealy
  - LabCorp
  - Volvo Trucks North America
  - R.J. Reynolds Tobacco
  - Syngenta
  - Banner Pharmacaps
  - R.F. Micro Devices
  - Unifi
  - Thomas Built Buses
  - Lowes Foods
  - Burlington Industries
  - Thomasville Furniture
  - Lexington Home Brands
  - Lorillard
  - TIMCO
  - Cone Mills Corp.

SERVICE

- More than 73,500 employed in the health services industry
  - Wake Forest University Baptist Medical Center
  - Moses H. Cone Memorial Hospital
  - Novant Health/Forsyth Medical Center
  - High Point Regional Health System
  - UnitedHealthcare
- More than 39, 000 employed in the financial services industry
  - BB&T
  - Wachovia Corporation
  - GMAC Insurance
  - Jefferson Pilot Financial

ADMINISTRATIVE/OPERATIONS CENTERS

- American Express
- Bank of America
- Aetna/US Healthcare
- US Airways
- RMH, Inc.

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International Presence

International Firms in the Region

There are more than **200** International Firms in the Piedmont Triad Region, representing **27** countries

International Firms by Country

UK	45	Austria	4	Norway	2
Germany	31	Belgium	4	Spain	2
Canada	27	Brazil	3	Argentina	1
Italy	25	China	3	Chile	1
Japan	24	Denmark	3	Ireland	1
Sweden	10	Israel	3	Portugal	1
France	9	Australia	2	Russia	1
Switzerland	8	Finland	2	S. Africa	1
Netherlands	5	India	2	Turkey	1

Source: NC DOC International Firms Directory, 2004

Major International Employers

Klaussner Furniture
Ciba Specialty Chemicals
Siemens
Volvo Trucks North America
Kobe Copper
Banner Pharmacaps
Kayser Roth Corp
TDK Corporation
Rexam Release
Syngenta
Marconi Commerce Systems
GKN Automotive
Novartis Animal Health
Stockhausen
KAO Specialty Chemicals
Konica Manufacturing
MWG Biotech
Pass & Seymore LeGrand
BankNote Corporation of America
Honda Power Equipment

Foreign Trade Zone 230

- Foreign Trade Zone 230 is a multi-site General Purpose Zone located in the Piedmont Triad of North Carolina. Sites are located in Surry, Forsyth, Davidson, and Guilford Counties in a variety of industrial settings. The Piedmont Triad Partnership is the Grantee of the Zone, and the PTP markets it to businesses that can utilize it to create jobs and increase economic activity in the Piedmont Triad.

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Recent Activity

U.S. COMPANY MANUFACTURING

Kao Specialties Americas LLC celebrates the start up of their recently completed $13 million expansion of their polyester resin manufacturing plant at its headquarters in High Point, North Carolina. The new19,000 square foot facility will produce polyester toner binder resins, which are formulated into toner for use in copiers, printers, and fax machines.. KSA is a leading USA supplier of specialty chemicals for the reprographics, personal care, concrete additives, petrochemical, food/fermentation, and plastics markets. Kao Specialties Americas LLC is a wholly owned subsidiary of Kao Corporation, Tokyo, Japan.

Ameri-Kart/Southern Division (www.amerikart.com), formerly Diakon Molding, announces plans to expand in Reidsville. The company will add 70 new jobs, primarily molding operators and management positions and make a $2 million investment in equipment over the next three years. Ameri-Kart, a national plastics molding company based in Bristol Indiana, is a comprehensive manufacturer of custom and proprietary products. Reidsville's plant manufactures a line of carts for residential and commercial waste hauling and custom products for the automotive, consumer, and lawn and garden industries. The company also plans to develop a custom molding business in Reidsville.

RF Micro Devices, the Greensboro-based microchip manufacturer is undergoing a $75 million expansion of its wafer-fab facility. The expansion will also create 75 new jobs. The announcement marks a major expansion for RF Micro Devices, founded in 1991 is a global supplier of radio frequency components for the world's leading wireless providers.

Transportation Systems Solutions (TSS), LLC, will begin manufacturing operations in High Point in February 2005. TSS will hire approximately 90 people over a three-year period and will invest $1.65 million in equipment and building renovations. The company will produce the CoreToughTM family of composite transportation panels, which are made of a recyclable honeycomb structure plastic that is highly resistant to damage. Their panels are both lighter and will last longer than plywood based or steel and aluminum based transportation panels.

Dell Inc., a leading manufacturer and distributor of computers and related products, plans to build and equip a state-of-the-art, 400,000-square-foot manufacturing and distribution facility in the Piedmont Triad, investing $100 million during the next five years. The project is expected to generate approximately 1,500 jobs at the plant within five years. Dell has chosen the Alliance Science and Technology Park in Winston-Salem as the site for the Piedmont Triad facility that will produce desktop computers for Dell's East Coast business and consumer customers.

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Recent Activity

Opus Aircraft, LLC has selected Rockingham County/Shiloh Airport in Stoneville as the location of its new headquarters and aircraft manufacturing plant. The startup company manufactures the ARV Super 2 aircraft, which is a two-seater plane in the light sport category designed for flight training and recreational flying. The facility in Rockingham County is the only place in the world where these planes are produced. Opus Aircraft's production facility will be located in the former main hangar at Shiloh Airport and it will move its offices into the current terminal building once the new terminal is complete. The company plans to begin production early next year and will hire ten to 20 employees within the first year and more as demand for the planes grows.

Southern Film Extruders, one of the leading producers of high quality polyethylene film for the packaging industry, will be creating up to 50 new jobs and adding $1.8 million to High Point's tax base. The news comes on the heels of the company adding 25 jobs and investing $6 million over the past year. The company will have approximately 150 workers at its High Point operations once the just-announced jobs are added. The company's films are used in a broad range of manufacturing and packaging applications – including plastic bags, shrink films, laminations, release sheets, masking films, and skin packaging. Southern Film Extruders services the automotive, food, industrial, and medical industries.

Purolator Facet Inc., a manufacturer of high-tech filtration products, has confirmed it will move ahead with an expansion that will add 36 jobs and consist of a $7 million capital investment. The company will relocate its Total Filtration Technology company from North Chelmsford, Mass., to a 97,000-square-foot site in Greensboro that Purolator purchased in February. Purolator received a total of $186,000 in city and county incentives. The new jobs will include four management positions, 10 engineering and technical positions and 22 production employees.

Basalt Specialty Products, Inc. has announced plans to locate a new venture in the former CMI #4 facility in Elkin. Basalt Specialty is producing and marketing a new product, the Basalt fiber mat, which will be in demand to replace current high temperature fiber products and to increase the reliability and strength of composite materials. The Basalt fiber mat is a non-woven insulation material for use in high-temperature thermal application.

INTERNATIONAL COMPANY MANUFACTURING

Neuhofer Holz announced that it has chosen Greensboro for its first ever United States location. The 350-year-old Austria based company manufactures and supplies mouldings systems for the Flooring, Kitchen Cabinet, and Furniture markets. Neuhofer Holz will begin operations in January 2005 with 5-10 employees and plans to expand to 15-20 employees in the manufacturing sector. Neuhofer Holz supplies products to over 65 countries.

Recent Activity

Unilin Flooring, the maker of Quick-Step laminate flooring, will expand its operations in Davidson County, bringing 330 jobs and up to $80 million in additional investment to the area. Unilin Flooring is the world's largest manufacturer of Uniclic glueless products and is based in Belgium. Quick-Step's North American division is headquartered in Thomasville.

TECHNOLOGY

Lowe's Companies, Inc. announced that it has selected a facility in Winston-Salem to establish a new corporate data center. Lowe's projects the three-story 86,000 square foot building in the Madison Park office complex will have 20-25 employees. The company plans to invest $100 million in equipment and facility renovations over the next ten years. The new data center will be a hub for the company's computer processing and information technology operations. Lowe's, headquartered in North Carolina, is the second-largest home improvement retailer in the world.

QuarTek International, Inc. will expand its operations a start-up nanotechnology company, is considering beginning operations in High Point. QuarTek International is a privately-held North Carolina corporation that will invest $3-4 million dollars in state-of-the-art facilities and equipment over the next 2-3 years.

TransTech Pharma, Inc., based in High Point, NC, and **Merck & Co**, Inc. announced a research collaboration using TransTech's proprietary TTP Translational Technology® to discover and develop novel small molecules for a therapeutic target of interest to Merck. TransTech's Translational Technology® is a highly automated and fully integrated drug discovery process including proprietary software modules. The technology already has shown promise against a wide range of biological targets including protein-protein interactions, receptor modulators and enzyme inhibitors, and delivered small-molecule-based pre-clinical and clinical drug candidates for the treatment of diabetes, cancer, inflammation, Alzheimer's disease and thrombosis.

N.C. A&T signed a significant deal with the U.S. Department of Agriculture, which will place one of three **National Technology Support Centers** in Greensboro. The center, with A&T's help, will study water conservation for crops, build relationships with farmers and find ways to convert animal waste into fertilizer and fuel. This partnership will bring about 80 mostly advanced-degree scientists and technologists earning about $93,000 from across the country to the Triad and could expand or attract related government offices or private-sector companies.

LOGISTICS & DISTRIBUTION

Comair Inc. has announced that it has chosen Greensboro, N. C. for its Southeastern Maintenance Facility location. Comair is a wholly owned subsidiary of Delta Air Lines. Comair will create 53 new jobs in Greensboro in 2005 and approximately $2.8 million investment in

real property. The new facility will serve as a maintenance base for Comair regional jets. Comair and Delta combine for 34 daily flights, making Delta the largest commercial carrier at PTIA.

Lowe's Companies, Inc. will occupy the former Burlington Industries building in Stokesdale. Lowe's, the world's second-largest home improvement retailer, will utilize the 480,000-square-foot building as a distribution center for imported product and a collection and holding center for inbound freight. The project will create 70-100 new jobs and $5-6 million in new capital investment for Guilford County. The facility will consolidate imported merchandise such as lighting and lawn and garden fixtures, and distribute the products to Lowe's Regional Distribution Centers across the U.S.

MGM Transport Corp. is expanding in Eden, creating 300 jobs and an investment of $6 million to convert a former Pillowtex plant into a state-of-the-art trucking facility. The expansion is made possible in part by a $250,000 grant from the One North Carolina Fund and workforce training incentives. Founded by brothers Michael and George Massood in 1952, MGM ("Michael-George-Massood") Transport serves two-thirds of the furniture manufacturers nationwide with daily deliveries to more than 20 states. MGM Transport added a warehousing division about two years ago.

FedEx Freight, the trucking division of Federal Express, will begin construction on a $5 million, 57,000 sq. ft. facility that will expand its operations in Greensboro. The addition of new jobs, as a result of the expansion, has not been announced, but is expected. Currently, FedEx Freight has about 150 workers in Greensboro. Engineering Consulting Services Ltd, of Greensboro, will handle construction materials testing.

NEW DEVELOPMENTS

Liberty Property Trust celebrates the opening of Eagle Hill Three in High Point, with formal remarks by executives of Liberty followed by a Caribbean-themed reception. Eagle Hill Three is a 104,000 sq ft warehouse building that offers the flexibility of being sub-divided to a minimum of 16,000 sq ft of space and a maximum of 104,000 sq ft of space.

Carolina Investment Properties has begun construction on its first building in Premier Center in High Point. Premier One will be the first of more than a dozen buildings to be built in the park. The three-story, Class "A" office building will offer 63,650 square feet. Premier Center is devoting significant land to green space within the park and, coupled with unique site amenities. Additional sites in Premier Center are available from 5 to 25 acres.

Economic & Workforce Development
One NC
H. Martin Lancaster, President

NCCCS, April 2005

Economic & Workforce Development
Mission

Support North Carolina's community colleges to provide high quality, accessible training and services

Enable North Carolinians to acquire knowledge and skills to obtain and maintain prosperous careers, enhance their quality of life

Provide North Carolina businesses and industries with a world-class workforce

Create a competitive advantage as a result of their presence in North Carolina.

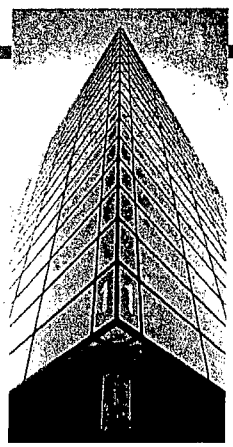
NCCCS, April 2005

Economic & Workforce Development Solutions/Opportunities

- New & Expanding Industry Training
- Workforce Continuing Education
- Small Business Center Network
- Human Resources Development
- Focused Industrial Training
- Workforce Initiatives
- BioNetwork

NCCCS, April 2005

Economic Development Issues and Opportunities



Rapid changes in the economic structures and business cycles worldwide effects the workforce

Workforce that is multi-skilled, motivated, creative and innovative is the key

Information economy requires a workforce that constantly upgrades itself to accommodate new technologies, procedures and opportunities

Speed of change, churn in the economy and the impact on the workforce is faster: the new normal in our world

NCCCS, April 2005

ECONOMIC DEVELOPMENT OPPORTUNITIES

Accommodate business/industry growth, retention and stabilization via new programs

Stimulate new entrepreneurial creation and expansions to small business enterprises statewide

Provide for newer, higher technology/higher skilled programs for economic structures

Ensure the continuation of the BioNetwork

NCCCS, April 2005

Customized Industry Training: HB 552 (S700)

- **Maintains the local tax base**
- **Augments NEIT & FIT**
- **Retains jobs in local NC areas**
- **Provides for faster recovery of local economies and creates reemployment sooner**
- **New capital/technologies, higher wages, annual report**
- **$4,000,000 FY05-06 & 06-07**

NCCCS, April 2005

HB 553 (S378)
Increase Funding for Small Business Center Network

Stimulates enhancements of training, counseling, workshops and seminars designed to start and nurture new business

Available for "all" areas of the state and creates stronger tax base for the local communities

Enhances contact with entrepreneurs in local economies...

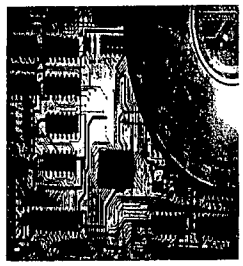
Expand instructional offerings in wider variety of offering

Systemic professional development

$1,000,000 FY 05-06 and $1,000,000 FY 06-07

NCCCS, April 2005

HB 554 (S378)
Increase Community College Equipment Funds



Provide the tools to educate and train the existing workforce and the new workforce for growth industries

Automated and advanced manufacturing requires sophisticated skills...

Allied Health requires technological skills...

Growth industries (biotech, aviation, automotive, logistics/warehousing, etc.) requires new tools...

$10,000,000 FY 05-06 and $10,000,000 FY 06-07

NCCCS, April 2005

HB 573 (S613)
Fund High Cost Community College Programs

Not all educational/training programs are created equal...some are more expensive to operate

Equipment, staff, facilities and ongoing connection to the healthcare industry is demanded...

Desperate need for additional personnel to fill vacant positions in many healthcare operations statewide

Employment opportunities abound!

$21,000,000 FY 05-06 and $21,000,000 FY 06-07

NCCCS, April 2005

HB 588 (S676)
Funds for Community College Biotechnology Centers

•Significant job growth opportunities

•Statewide effort: "genuine progress"

•Golden Leaf "seed money clearly stated"

•From 8 to 48 colleges now engaged and from a few counties to 80 now involved/growing

•$7,000,000 FY05-06 and $7,000,000 FY06-07

NCCCS, April 2005

HB 577 (=S565)
Amend Umstead Act/Comm. Coll. Facilities

Section 1. G.S. 666-58 © is amended by adding a new subdivision to read:

" (c) The provisions of subsection (a) shall not prohibit:

(3c) The use of community college facilities by a private business enterprise that has loaned or donated instructional equipment to the college to demonstrate that equipment to customers. This use of college facilities shall be in accordance with policies adopted by the board of trustees of the college."

NCCCS, April 2005

HB 582
In-State Community College Tuition for NC Workers

AN ACT TO MAKE ADDITIONAL EMPLOYEES WORKING IN THE STATE AND ADITIONAL FAMILY MEMBERS OF EMPLOYEES TRANSFERRED INTO THE STATE ELIGIBLE FOR IN-STATE COMMUNITY COLLEGE TUITION.

SECTION 1. G.S. 115D-39(a) reads as rewritten:

"...The legal resident limitation with respect to tuition, set forth in G.S. 116-143.1 and G.S.116-143.3, shall apply to students attending institutions operating pursuant to this Chapter, except that the following shall be charged the in-State tuition rate:

(1) An employee domiciled outside the State who is employed at a North Carolina business location;
(2) A dependent relative of a person transferred by a company into the State, while sharing the domicile of that person;
(3) A refugee who lawfully entered the United States and who is living in this State; and
(4) A nonresident of the United States who has resided in North Carolina for a 12-month qualifying period and has filed an immigrant petition."

NCCCS, April 2005

HB 583
Community College/Lead Agency for Job Training

~~AN ACT DESIGNAT~~ING THE COMMUNITY COLLEGE SYSTEM AS THE PRIMARY LEAD AGENCY FOR DELIVERING WORKFORCE DEVELOPMENT TRAINING, LITERACY, AND ADULT EDUCATION IN THE STATE.

"...The North Carolina Community College System is designated as the primary lead agency for delivering workforce development training, literacy, and adult education programs in the State."

The delivery network is well established and effective

Our focus is service to the local populations in service areas

NCCCS, April 2005

HB 622
Community College Massage Therapy Programs

~~AN ACT TO EXEM~~PT COMMUNITY COLLEGE MASSAGE AND BODYWORK THERAPY FROM LICENSURE BY THE NORTH CAROLINA BOARD OF MASSAGE AND BODYWORK THERAPY.

Section 1. G.S. 90-631 as rewritten:

"...The Board shall maintain a list of approved schools and a list of community college programs operating pursuant to subsection (b) of this section.

(b) A massage and bodywork therapy program operated by a North Carolina community college that is accredited by the Southern Association of Colleges and Schools is exempt from the approval process, licensure process, or both, established by the board.

NCCCS, April 2005

HB 622

Community College Massage Therapy Programs

~~Students who complete~~ the program shall qualify for licenses from the Board as if the program were approved, licensed, or both, by the Board."

The accountability, type of training programs for which the SACs accreditation requirements are set forth will allow us to ensure quality and comply with the standards necessary by the State Board of Community Colleges in serving the needs of the local markets in the State.

NCCCS, April 2005

Economic and Workforce Development

Economic Development equals Workforce Development because ~~of the foundations and~~ the people required to fuel the economic engines in North Carolina.

Our commitment is to provide the resources, expertise and attention to the needs of the Industrial Sectors and the people who must staff them.

Your leadership, confidence and trust in our abilities accompanied with the funding and authority to fulfill these needs will allow us to continue the services to these Industry Sectors.

NCCCS, April 2005

NCCCS and Economic Development

Our State and local communities are suffering from the some of the most notable economic changes in our history that impact our collective economic prosperity and future.

If we have the tools to accommodate the changes we can continue to contribute significantly to the solutions required for success. If not, we will suffer the consequences in each of our communities and collectively at the State level.

We look forward to working with members of the House, Senate and the Governor to meet the challenges that face us and to embrace the opportunities the economy has presented.

NCCCS, April 2005

NCCCS and Economic Development

Thank You!

For Your Work
For Your Confidence in Our System Statewide
For Your Trust in Our Commitment to the Citizens
For Your Support of Our Efforts to Serve the Industrial Sectors

NCCCS, April 2005

Economic & Workforce Development
One NC
H. Martin Lancaster, President

NCCCS, April 2005

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) — 4-5-05

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Haye Gattis	NC State Ports Authority
Tony Keen	NCCCS
Anne Garland	DOC
Bill McNeil	NC Rural Center
Paul Haleman	Infotech
Gary Harris	NCPMA
Doug Havey	NCPMA
DON HEIBERT	NC DOC
LUKE A HARRIS	LOHHA
Lenwood V. Long	NCMSC
John Herrera	SBA

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 4-5-05

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Jim Lowry	NC Utility Contractors Assn
Bill Rowe	NC Justice Center
Carolina Koch	NC Justice Center (Student)

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE
Tuesday, April 12, 2005 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Opportunities and Needs for Economic Growth in North Carolina (One NC) Committee met at 12:00 Noon on April 12, 2005, in Room 1027 of the Legislative Building. A quorum was present. Senator Martin L. Nesbitt, Chairman, presided.

Senator Nesbitt welcomed the members and visitors. He told the committee that a consultant had been hired by Duke Energy to do a study of the Department of Commerce to help determine ways to improve and enhance the 's efficacy in economic development efforts. The consultant was Tom Ticknor. Senator Nesbitt said the governor's budget had not included funding to make the improvements that Mr. Ticknor recommended, but he has introduced a bill to provide that funding to the .

He recognized Secretary Jim Fain from the North Carolina Department of Commerce.

Secretary Fain thanked the committee for the opportunity to speak. He recognized Don Hobart, Legislative Liaison, Alice Garland, Assistant Secretary in Communications and External Relationships, Tony Copeland, Assistant Secretary for Business Development, Jordan Whichard, Chairman of the Economic Development Board, and Department of Revenue, Secretary Norris Tolson who were in attendance.

Secretary Fain said that economic development, at its core, is a set of long-term strategies that positions the state to be successful in day-to-day recruiting and retention activities. It begins with a vision of what the state can be; a vision based on a self-assessment of "where we are and what we're all about." A copy of the Department's Vision, Mission Statement, Key Challenges and Long-Term strategies is attached to these Minutes as **Attachment I.**

He thanked the committee for its support of economic incentives and said North Carolina is well regarded for its incentives programs. Potential investors are aware of the fact that North Carolina has a valuable central east coast location, that this is an attractive place to live, that we as a state have a good educational system, that we are known as a progressive state, and a business friendly state. However, businesses are paying close attention to the kinds of economic incentives that may be offered as a part of their consideration in making major investments here. Companies look for the best business locations "around the world." Sec. Fain said that it was the Department's view that North Carolina has chosen to compete, based on the qualities of its Universities, the quality of life, rather than based on incentives and that can, and has, kept North Carolina off of some companies' short lists.

He said ways in which the General Assembly enhances the Department's ability to be competitive include increased funding for the One North Carolina Fund, and enacting the Job Development Investment Grant (JDIG). Also, the tax code has been amended, which makes North Carolina competitive, not just based on what kind of place it is, but also on the ability to

offer incentives. This is what he hears from consultants who consider North Carolina an attractive place to recommend to their clients. Since 2003 the Department has awarded 24 Job Investment Grants, with a $1.4 billion investment, and created about 10,000 new jobs, most of which are high paying, in the kinds of sectors that the Department feels can sustain themselves in the 21 Century economy. The One NC Fund has allowed the Department to ratchet up the impact of those grants since 2001. Fourteen thousand news jobs have been created in 54 counties with a total investment of $1.8 billion. Those grants were awarded to about 60 % new companies and about 40 % to expanding companies in the state. These programs have been very successful and have made the difference.

Sec. Fain said there are a couple of ways a project may show up. Either the Department is contacted, or there are targeted marketing activities. It is beneficial to make the case for North Carolina well in advance. There are basically five steps of marketing activities:

- Is quality of one's website, an electronic exercise to maintain that website and update daily.
- 2. Targeted calls, which involves going to go see the decision-making leadership of a company, under girded by research,
- 3. Public relations, which involves advertising North Carolina is an important type of pro-media to market the state.
- 4. Targeted advertising focused on a decision-making audience and which, for example, perhaps watches CNBC.
- 5. Special events also build relationships. For example, the US Open focused the country on North Carolina and people from around the world see North Carolina.

Sec. Fain paused to take questions from the members. Sen. Snow asked him about the Department's initiatives to bring industry and jobs to the rural counties.

Sec. Fain said that they don't presume that rural areas should be excluded from results that are generated by the kinds of marketing activities he has described. When a potential project comes to the Department, "they tell us what they are looking for," and the Department attempts to expand their interest. If, for example, they say they have to be 45 minutes from an airport, the Department tries to get them to consider perhaps being an hour, or an hour and fifteen minutes from an airport. Finally, he said they initiated a program for the 21st Century. They go through a training process with a county to assess its strengths and weaknesses and try to tilt grants for infrastructure, and other opportunities to those counties.

Senator Nesbitt asked about the JDIG Program's 24 grants, how many were outside the Mecklenburg area, the Triad, and the Triangle partnerships. Sec. Fain said that it should be understand that client drives the project. Sen. Nesbitt said that he understood that the clients drive the project, but he observed that most of the JDIGs have been driven into those three areas. Sec. Fain said clearly there has been a lot of project activity in the Triad and the Triangle, but said the point to be made that the Triad lost about 30,000 jobs last year. Senator Nesbitt said he understood that and told Sec. Fain that he didn't need to get defensive.

Senator Brown was recognized. He said there was a perception in his area (on the coast) that the Department of Commerce didn't do much for them. He said General Dynamics is an example of his area being overlooked. General Dynamics was exploring the possibility of placing its facility in Onslow County, but the Department of Commerce referred them to Greensboro, NC. That is an example of why that perception is out there.

Senator Allran agreed that places like the Charlotte area, the Triad, and Research Triangle did indeed get most of the Department's, but his area has also gotten a project.

Senator Snow advocated for specific funding that could only be designated for rural areas.

Senator Nesbitt recognized Jordan Whichard, Chairman of the North Carolina Economic Development Board. Mr. Whichard said that in his "day job" he was the publisher of the Daily Reflector in Greenville and a group of dailies and non-daily newspapers in eastern North Carolina. So he knows about the rural areas and the problems that exist there. He assured those who had concerns about how the rural areas fare in the state's economic development efforts, and said that there are a number of board members who share those concerns. He said that rural economic development is critical to the future well being of this state.

Mr. Whichard told the committee about the Ticknor study, which was done at the Department of Commerce. He said Mr. Ticknor did the study after the Economic Development Board thought that it would be a good idea to focus and highlight areas in the economic process in Commerce and other areas across the state, where they could enhance the economic development delivery system. To do this he said the Board decided engaged the Ticknor Group. The Board went to private partners to fund this study, and Duke Energy agreed to fund the project.

Highlights of the study: North Carolina is underinvested, not to a significant extent, but underinvested in critical, relatively inexpensive, high-benefit economic development fundamentals. The goods news is, that with a highly targeted investment, this can be fixed. Mr. Whichard said that the study underscores the state's positive position as being a good place to live, a good place to do business, with a good educational system, and so on. The project was formulated as an analysis of, not only what is going on in Commerce and other economic communities across the state, but also benchmarking some of the states across the nation that who are doing the best job in economic development. Teams were interviewed in North Carolina, including all the regional partnerships. Virginia, Georgia, Pennsylvania, Michigan, Ohio and South Carolina are states benchmarked by the Ticknor study. Some of these states are doing things differently than North Carolina, and some are doing better than North Carolina. He said they were not trying to copy any of these, but to take the best practices that would best fit into North Carolina's economic development system to see if the system can be "tweaked" for a relatively small investment.

Mr. Whichard said that North Carolina has already invested $700 million in a transportation package, the Qualified Venture Credits, the JDIGs, the "customized investment incentives" which was passed by the legislature to get Merck Corporation and Dell. Investing in places like the Rural Center, the Biotech Center, Film development and the rural partnerships enhances the State's economic development abilities. For the 2005 Session, Mr. Whichard said they would like to see continued investment in tweaking with the William S. Lee Act, extending the JDIGs, increasing the One North Carolina Fund and, perhaps, a favorable reduction of the upper income tax bracket.

The study recommends that the resources be focused to build organizational systems, to build business development capabilities, and to increase fundamental competitiveness. In the first year of the biennium, this is going to cost $2.75 million and not a lot of this is in the Governor's budget. In the second year of the biennium, a total of $4.7 million will be needed in these areas. This would make a huge difference in the state's effectiveness and competitiveness.

Mr. Whichard said that the study recommended superior customer information systems, website (second to none), GIS Mapping, develop intelligence gathering, smart marketing and the leveraging of private investment to accomplish the goal of enhancing the state's effectiveness and competitiveness. Database information must be maintained and there is a need to develop allies with other websites and to make sure all are effectively linked. This initiative would cost $900 thousand in the first year of the biennium, and an incremental $1 million in the second year of the biennium. This is critical investment that the Ticknor Study recommends for the state.

Senator Nesbitt thanked Mr. Whichard for appearing before the committee.

Senator Nesbitt told the committee that the Department is doing a good job with JDIGs, but nobody is looking for portal of entry. Big companies get through to the Governor and/or the Sec. of Commerce and these companies get attention.

The meeting adjourned at 12:50 p.m.

Senator Martin L. Nesbitt, Chairman

Janette W. Lee, Committee Assistant

North Carolina Department of Commerce

Attachment I

Vision

- A state of well-educated people, trained to do the work of the 21st Century and to think critically – to solve problems and to innovate – to create the new ideas to drive productivity and reduced costs, new product creation and hence new entrepreneurial enterprises---and new jobs.
- A state where wise, consistent investment in infrastructure, the germination of new science and practical technology and the quality of life will sustain our reputation and tradition as the state of innovation.
- A state which differentiates itself in a global economy as the state of knowledge workers – where business succeeds because we have better, more creative workers and because we're the state of new ideas and approaches – always on the cutting edge – a true state of minds
- An exceptional business climate characterized by low business costs, high value services and a peerless quality of life.
- An economy which creates sustainable new jobs -- based on innovation, commercialization of research and a skilled, continuously trained workforce – and which creates new jobs at a pace that will always exceed the loss of jobs no longer competitive in a globally open and dynamic marketplace.

Mission Statement

To improve the economic well-being and quality of life for all North Carolinians.

Key Challenges

- How do we nurture the transformation of our economy from a predominantly labor-intensive manufacturing base to one which features nimble, knowledge-driven enterprises and sustainable jobs in a fiercely competitive global economy?
- How do we promote widely shared prosperity in all parts of our state? How do we create One North Carolina?

Long Term Strategies

- Invest in education and train a globally competitive workforce.
- Develop communities prepared for economic success and well-connected with a comprehensive, contemporary infrastructure.
- Nurture innovation and the commercialization of ideas through investment in science, technology and university outreach –to bring the innovations of the lab and classroom into the marketplace.
- Maintain an exceptional business climate with affordable costs, which attracts new companies to North Carolina, supports the growth and success of existing businesses – large and small – and encourages entrepreneurial startups.

(OVER)

Roles of N.C. Economic Development Board and Department of Commerce

The Board's Comprehensive Economic Development Strategic Plan and the Commerce Department's programs, advocacy and collaborations are organized around these long-term strategies

- The Board's Plan, revised in Fall 2004, is available at the Board's website: www.ncedb.com.
- Examples of activities by Commerce Department divisions to address strategic objectives:
  - The Division of Community Assistance provides planning and technical assistance and HUD-funded grants for community development to local governments.
  - The Division of Employment and Training regrants federal Workforce Investment Act funds to the area workforce boards to pay for worker training programs.
  - The Office of Science and Technology works to identify technologies of the future and to design programs to ensure N.C. is positioned to become a world leader in developing and commercializing those technologies.

Michael F. Easley, Governor

James T. Fain III, Secretary

North Carolina Department of Commerce

LEGISLATIVE PRIORITIES
2005 General Assembly Session

Department of Commerce

Program and Policy Recommendations

- Replace the William S. Lee Act with a new series of tax credits for new and expanding industry.
  - Create new stand-alone credits for activities such as job creation and investment in machinery and equipment and real property.
  - Credits should be simple, accountable, and provide incentive for rural investment.

- Extend sunset date for the Job Development Investment Grant (JDIG) program to December 31, 2007.

- Provide additional funding as needed to the One NC Fund for continued recruitment of competitive projects.
  - Continue to authorize portion of funds for administration of incentive programs.
  - Governor's budget allocates $5 million for coming fiscal year.
  - Authorize Secretary of Commerce to allocate a portion of One NC Fund to fund matching grants for small businesses seeking federal SBIR and STTR grants for research and technology commercialization.

- Establish a workable schedule for corporate income tax relief to North Carolina's businesses through, e.g., appropriate reductions in the tax rate or exemptions from the tax.

- Permit the sunset of the 8.25% upper income tax bracket to increase competitiveness.

- Develop and fund effective programs to provide angel, pre-seed and seed capital for entrepreneurial businesses and to speed technology transfer from universities to N.C. entrepreneurs.
  - Treasurer has recommended use of Escheats Fund as a vehicle for such investments.
  - Authorize use portion of One NC Fund for matching grants and technical assistance to small businesses seeking federal SBIR and STTR grants.

- Establish incentives to secure new film productions to North Carolina.
  - Eliminate 1% sales tax on goods used in production.
  - Allow occupancy tax refunds for productions that use hotel rooms for 30 full days (current law abates this tax, but only for 90-day stays)
  - Create grant program to recruit competitive productions to North Carolina. Fund with $4 million recurring appropriation.

Governor's Budget Recommendations

- Secure continued funding to build world class, web-based Economic Development Intelligence System (EDIS)
  - Will help state, regional and local economic teams gather critical data to recruit business, identify clusters, and plan strategically for state and regional economic growth.
  - Supported by broad coalition of interests – universities, regional partnerships, local economic developers, nonprofit economic development agencies.
  - Governor budget recommends 1 position and $297,000 in funding.

- Provide funding to continue Deputy Science Advisor and Policy Analyst position for N.C. Board of Science & Technology.
  - University funding for current position runs out this year.
  - Governor budget recommends 1 position and $60,000 in recurring funds.

- Permit reallocation of $250,000 in unused appropriations from NC Motorsports Testing and Research Complex to Travel & Tourism Division to promote NC motorsports nationally and internationally.

AGENDA

Opportunities and Needs for Economic Growth in North Carolina ("ONE, NC")

Senator Martin L. Nesbitt, Chair
Senator Doug Berger, Vice-Chair
Senator Fletcher Hartsell, Vice-Chair
Senator Scott Thomas Vice-Chair
Senator David Weinstein, Vice-Chair

Tuesday, April 12, 2005
12:00 noon
Room 1027

1. Call Meeting to Order.

2. Recognize members, staff, and guests.

3. Presentations from the following:

   Secretary Jim Fain, Department of Commerce

   Jordan Wichard, Chair
   Economic Development Board (Will discuss the Ticknor Study)

4. Discussion period.

Adjournment.

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 4-12-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
John Correll(s)	NC Dept. of Commerce
Donna Saffley	NC Dept of Commerce
Kelly Keller	NC Dept of Commerce
JOHN PEFERSON	NCEDD
Tony Caudill	NCDC
Austin Bunch	ECU
Erin Schaettpely	UNC
John Bardo	WCU
CLEVE SIMPSON	NC DEPT OF COMMERCE
Kaye Gattis	NC State Ports Authority
Kathy Hawkins	Progress Energy

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 4-12-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Joanna Wright	e-NC Authority 4021 Carya Raleigh
Sara Nienow	NC-DOC Policy Research & Planning
Tammy Lesta	NC Commerce
Lorin Baumhover	Appalachian State University
Kelly Huffstetler	UNC-General Adm.
Don Hobart	NC DOC
Mark Lanier	UNCW
Rosemary DePaolo	UNCW
John McAlister	Duke Energy
Eric Schmidt	NC Justice Center
Elaine Marjon	NC Budget & Tax Center

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 4-12-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sandra McCullough	Campbell University
Lyle Bergemann	Campbell University

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE
Tuesday, April 26, 2005 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Opportunities and Needs for Economic Growth in North Carolina (One NC) Committee met at 12:00 Noon on April 26, 2005, in Room 1027 of the Legislative Building. A quorum was present. Senator Martin Nesbitt, Chairman, presided.

SB 1102 (Funds for Economic Dev. Study Recommendations) was on the agenda. A copy of SB 1102 and a Bill Analysis are attached to these Minutes as **Attachments I and II.**

Senator Nesbitt recognized Jordan Whichard, Chairman of the Economic Development Board, who thanked the Committee and said that the Economic Development Board decided to do a close examination of how North Carolina's economic development delivery system to see if it could be "tweaked." With the support of Duke Power Company, the Board engaged Tom Ticknor, President of Ticknor & Associates, economic development consultant, to analyze and identify ways to enhance the state's economic development delivery system. Mr. Whichard presented the Committee with a copy of a NC DOC Economic Development Board "Resolution in Support of the Recommendations of The Ticknor Report on Economic Development." (See **Attachment III**). Mr. Whichard recognized Tom Ticknor.

Mr. Ticknor told the committee that after conducting numerous interviews with Department of Commerce staff, principals of North Carolina's seven Regional Partnerships, members of North Carolina's corporate community and economic development principals from Georgia, Michigan, Ohio, Pennsylvania, South Carolina, Tennessee, and Virginia, recommendations are as follows:

- Build Department of Commerce Organizational Systems
  1. *Create superior Information Technology and Customer Information systems*
     a. World-class Economic Develop website & GIS
     b. Maintain EDIS information base
     c. Build retention & expansion CIS
     d. Develop ally website in concert with NC Economic Developers Association

Mr. Ticknor said that at the Department of Commerce in Virginia, there are twenty-three people who are information technology specialists, research specialists, or website development specialists. At the North Carolina Department of Commerce, there are "roughly" one and a half persons devoted to that. It is critically important that that gap be closed. The system needs to be maintained, and needs constant investment. His firm has surveyed the commerce departments in several states about the most important way to market their state and asked what was the most important way to stay in touch with businesses in the state. The most predominant answer was through their websites.

Mr. Ticknor said that North Carolina needs to do business retention and expansion far more strategically. While a large number of firms are called on, there is no systematic database, no systematic intelligence gained from those calls. There is no systematic feedback for the

Legislature, for example, about what the most important business climate requirements are. There is no systematic counting of referrals to various economic development groups, community colleges, the University, or the Biotech Center about whether those referrals are effective. There is a need to develop information technology, as well as the staff to do that. That is what a business would do in order to make the most money and it is what North Carolina should do in order to create the most jobs and investments for North Carolinians.

2. *Improve performance management*
   a. Results & Customer Service
   b. Build in Regional Partnerships, local EDC's
   c. DOC Annual Report

Mr. Ticknor said that there is a real need to develop better communication with all the economic developers in the state. Good, modern management sets goals and measures whenever it can and this is something that should come from the state's agencies. Productivity and performance should be measured. Ohio is taking this so seriously, that they have hired Proctor and Gamble to advise their commerce department about how they can market most effectively and track what they are doing.

3. *Expand competitive compensation and staff development*
   a. More closely tie compensation to results
   b. Greatly expand management & Economic Development professional training

The Department of Commerce is the closest interface with the business world of any of the state departments. Many of the states surrounding North Carolina not only have higher salary levels in their commerce departments, but they also have incentive systems. So when an employee works day and night on projects, with an incentive system, there are actual rewards for it. This is done in the regional partnerships.

More funding is needed in the training budget for commerce. Most people in Commerce are not allowed to participate in national economic development training. And yet this is a very fast-moving field and North Carolina needs to keep up. Bring the trainers here or budget more resources to go there. Michigan, for example, has created a statewide certification program for local, regional, and state department of commerce economic developers. He recommended that North Carolina do the same.

- <u>Strengthen DOC Business Development Programs</u>
  1. *Strengthen business development market research by creating 6 new competitively funded research positions supporting Business & Industry*
  2. *Close marketing resource gap by building full marketing mix/integrated communications plan*

Customers in economic development require a great deal of information. This is often true of North Carolina companies, as well, if they are communicating with headquarters outside the state. They must determine whether they should get new equipment, whether they should expand, or whether they could survive downsizing. Understanding your customer helps you compete. Virginia has twenty-three people in research and development because they want to know about the companies they are working with. It will give them an edge and might allow

them to land those companies more cost-effectively, in terms of the incentive business, than they could otherwise.

- Increase Statewide Organizational Competitiveness
  1. *Create a public/private NC Economic Development Foundation*
     a. Involve business & public leadership
     b. Strategic planning
     c. Expansion of Friends of North Carolina marketing effort
     d. $1.575 million annual budget

Formal marketing is needed. If you can build a long-term relationship, you have a major advantage. Of the total marketing that the state does, if you combine even "The Friends of North Carolina," which is private funding supporting the statewide system, with the very parsimonious budget allocation for marketing in the Department of Commerce, that combines to about $600 thousand. Two million dollars is the average. Ohio has spent as much as $8 million. In Georgia, they have an interesting way to leverage private funds. They have set up a foundation and built a website. The resources to achieve this are lacking in North Carolina.

  2. *Update the DOC Strategic Business Development Plan*
     a. Cluster marketing and retention & expansion integration with Regional Partnership Vision Plans
     b. Specifics for 06/06 DOC marketing plan
     c. Performance measures/accountability
     d. Regional Partnership & ally involvement

Mr. Ticknor said the state needs to be in the economic development business all the time. Wisely, North Carolina created and supported Cluster strategies for each of the Regional partnerships, but the state also needs to look at how those are integrated. In South Carolina, for example, they have clusters on a statewide basis, not just a on regional basis. Mr. Ticknor recommended one-time funding to better integrate all of the players. If there is a strong Department of Commerce, that integration will be easier and more effective because they'll be a stronger center. Failure to enact these recommendations will keep North Carolina behind most competitors. (A copy of Mr. Ticknor's power-point presentation is attached to the Minutes as **Attachment IV**.)

Committee discussion followed. Senator Snow wondered how these recommendations would impact the rural areas. Mr. Ticknor said that it would help in a number of ways. For instance, if a company has great latitude of where to search, the Department of Commerce's website doesn't do a good job for the state as a whole, but especially with the rural areas. Secondly, interviews with economic developers across the state, he learned that they were not happy with the leads they get from Commerce Right now, the potential business is depending on the familiarity with the folks at Commerce. They are not going to know the rural areas as well as they know the urban areas. Third, one of the challenges in rural areas is often "workforce." So the more research capabilities one has to analyze how far people will have to commute for a good job in rural area, the more marketable you will be. Lastly, if you have more systematic outreach, a "rising tide will raise all boats." Mr. Ticknor felt that implementation of these recommendations would benefit rural and smaller counties even more than it will help places like Charlotte, the Research Triangle, or the Triad.

Senator Nesbitt made the observation that Senator Snow's county was only referred to as a "rural part of Western North Carolina," and that's the message that is being given to everyone, not that the area is a bedroom community for Atlanta, that it are closer to Atlanta than to Raleigh, that there are four-lane highways all the way to the end of the state, that the area is now "wired," and that the second largest filer of income tax forms via the Internet is in Murphy, North Carolina, employing 600 people. So when people come or call in, whether it is an Internet company or a biotech company, they won't know, for instance, that Haywood and Transylvania Counties have trained workers that desperately need jobs. They have been industrial workers for years. Also not revealed on is the community college in that region that could help train workers?

Mr. Ticknor said that he would focus on one issue: the Community College system. The state tends to take that for granted and it is not marketed well. The detailed information that companies want is not how far are you from each of the colleges and universities, they want to know what kind of degrees these are producing, both at the University level and at the community college level. If you have the research capability and if you do have under-employed, highly skilled labor base, you can market that, you can bind it. Right now, it is not in your mindset to communicate that wealth as a state.

Senator Nesbitt added that the problems as he sees it at this time is that if a very large company wants to establish in North Carolina, it gets to the head of the class and finds out what is going on. Or the company hires a location expert who comes in and gathers all this information. But for various areas of the state, Buncombe County, for example, its future is smaller companies. A lot of them are jobs of the future, high tech or biotech and those firms can locate anywhere they want to as long as they have access to the "Web" and a skilled workforce. At this time, the way the Commerce website is set up, small companies looking for a great place to locate that is wired, find only a dead-in.

Mr. Ticknor agreed. He said the current website mostly portrays text about your programs and how Commerce is organized.

Senator Forrester was recognized and said that South Carolina was looking to revamp its tax structure. He wondered if that is some that North Carolina should look into. For instance, he said, that the corporate income tax is lower than the tax in North Carolina. Is that an important consideration?

Mr. Ticknor said that it was important in two ways. It is important to communicate the changes that you make, if you do make changes, and it very important to systematically communicate that sort of thing to the outside world. It is also very expensive to fix.

Mr. Ticknor said that generally North Carolina still stacks up very well in terms of location, in terms of transportation, in terms experienced manufacturing workforce and some key technology areas. The tax rates are the biggest challenge that he sees. However, the recommendations that he put before the commerce are less expensive than it would be to lower taxes. He strongly recommended focusing on issues like education, infrastructure, and incentive programs.

Senator Brown told the committee that he felt that the state's military bases are an asset and the dependents of the military are a very strong workforce. He thinks the state is not doing enough to market that kind of workforce to bring in industries that could relate to the military.

Mr. Ticknor agreed that they are a very special labor market and it makes sense to focus on them, first in terms of strategy, and then in terms of detailed labor-market information on Commerce's website. The best departments of commerce are highly entrepreneurial. They're thinking of the changes that are afoot in the state and how to meet those changes. By under-resourcing the Department of Commerce, they cannot be as entrepreneurial as one would like for them to be.

Senator Nesbitt said that someone in commerce could be dedicated to a specific industry, to work it and go out and mine it.

Senator Snow had a question about site information. Mr. Ticknor said that with a good research staff, the Department of Commerce could not only tell you very quickly of the location, but they could also GIS map it and deliver extraordinary service. Mr. Ticknor said that other states invest very heavily in that and North Carolina should as well.

When there was no further discussion, Senator Hartsell moved to give **SB 1102** a favorable report and that it be re-referred to the Appropriations Committee. The motion carried.

The meeting adjourned at 1:00 p.m.

Senator Martin Nesbitt, Presiding

Janette W. Lee, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 2005

S 1

SENATE BILL 1102

Short Title:	Funds for Economic Dev. Study Recommendations.	(Public)
Sponsors:	Senator Nesbitt.	
Referred to:	Appropriations/Base Budget.	

March 24, 2005

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS TO THE DEPARTMENT OF COMMERCE TO IMPLEMENT THE NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD STUDY RECOMMENDATIONS.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Department of Commerce the sum of two million seven hundred fifty-two thousand five hundred dollars ($2,752,500) for the 2005-2006 fiscal year and the sum of three million nine hundred fifty thousand dollars ($3,950,000) for the 2006-2007 fiscal year to implement the study recommendations of the North Carolina Economic Development Board. The funds shall be used for information technology and technology systems, for marketing and marketing research, including support for business development, for staff development and training, and for an integrated statewide business development plan.

SECTION 2. This act becomes effective July 1, 2005.

SB 1102:
Funds for Econ. Dev. Study Recommendations

BILL ANALYSIS

Committee:	Senate Committee on Opportunities and Needs for Economic Growth in NC (One NC)	**Introduced by:**	Senator Nesbitt
		Summary by:	Barbara Riley Committee Counsel
Date:	April 26, 2005		
Version:	1st Edition		

SUMMARY:

Senate Bill 1102 appropriates the sum of $2,752,500 for the 2005–2006 fiscal year and the sum of $3,950,000 for the 2006-2007 fiscal year to implement the recommendations of the North Carolina Economic Board Study.

BACKGROUND:

The North Carolina Economic Development Board commissioned Ticknor and Associates to analyze the State's economic development system and develop recommendations to improve North Carolina's competitive position. In conducting the study, Ticknor interviewed key personnel in the State's Department of Commerce, and the CEO's and Board Chairs of the 7 Regional Partnerships. They also conducted interviews with economic development executives in 7 other states including Virginia, South Carolina, Georgia, Tennessee, Michigan, Ohio and Pennsylvania. The study concluded that North Carolina was "underinvested in critical, relatively inexpensive, high benefit economic development fundamentals." The recommendations from the study include upgrading the Department of Commerce organizational system, strengthening the Department's business development capabilities, and expanding efforts to increase competitiveness. Some of the specific recommendations to accomplish these goals include developing and maintaining a world class economic development website, improvement of GIS capabilities, more closely tying compensation of economic development personnel to results, creating 6 competitively funded marketing research positions within the Department, and the creation of a public/private NC Economic Development Foundation.

BILL ANALYSIS:

The bill appropriates $2,752,500 from the General Fund to the Department of Commerce for fiscal year 2005-2006 and $3,950,000 for fiscal year 2006-2007 to implement the recommendations of the study. The funds shall be used for information technology and technology systems, marketing and marketing research, staff development and training, and for an integrated statewide business development plan.

The act becomes effective July 1, 2005.

North Carolina Department of Commerce
Economic Development Board
Resolution in Support of the Recommendations of

THE TICKNOR REPORT ON ECONOMIC DEVELOPMENT

WHEREAS, the Ticknor analysis, "Why Not the Best?" was sponsored by the Economic Development Board and funded by Duke Power Company to identify ways to enhance the state's economic development delivery system to meet competitive challenges from neighboring states and the world; and

WHEREAS, research was performed by Tom Ticknor, President, Ticknor & Associates, Economic Development Consultants, Winnetka, Illinois and Miles Friedman, President, National Association of State Development Agencies, Woodbridge, Virginia; and

WHEREAS, interviews were conducted by Messrs. Ticknor and Friedman with principals of the North Carolina Department of Commerce, the seven Regional Partnerships, Duke Power Company, Small Business & Technology Development Center, Progress Energy, University of North Carolina, Research Triangle Park, and economic development entities in Georgia, Michigan, Ohio, Pennsylvania, South Carolina, Tennessee and Virginia; and

WHEREAS, recommendations from the findings of interviews and research indicate that North Carolina has an immediate need to:

- Improve Department of Commerce statewide economic development operating systems including more sophisticated web sites, GIS systems, and effective customer information systems,
- Invest more in statewide business attraction marketing,
- Be more strategic in its business retention and attraction efforts,
- Form a more solid, better-resourced statewide public-private economic development partnership,
- Involve business and public leadership to foster catalytic strategic planning, and
- Appropriate additional state funds in the amounts of:
    - $2,752,000 in FY 05-06
    - $4,700,000 in FY 06-07
- Secure legislation stipulating state match to private and local donations, and
- Leverage those state funds to generate $900,000 in matching funds from the private sector, Regional Partnerships, local economic development organizations, and other state economic development organizations.

WHEREAS, the above recommendations would enable North Carolina to be more competitive nationally or internationally in attracting private sector job creation and capital investments, particularly in attracting major economic development projects,

NOW THEREFORE BE IT RESOLVED that the North Carolina Economic Development Board adopts the recommendations of the Ticknor Report as set forth above.

This, the 25th day of February 2005.

James T. Fain III, Secretary
N. C. Department of Commerce

Robert H. Stolz, Chairman
N. C. Economic Development Board

Why Not the Best?

Priorities for Enhancing the NC Economic Development Delivery System

Opportunities and Needs for Economic Growth in North Carolina

April 26, 2005

Presented by:
Tom Ticknor
Ticknor & Associates

Presentation Purpose

1. To review EDB recommendations about how to make NC more competitive re:
   - ✓ *critical*
   - ✓ *relatively inexpensive*
   - ✓ *high benefit*

   economic development fundamentals.

2. To answer your questions.

The EDB Project

- Focus on greatest short-term gain
  - Business attraction
  - Retention & expansion of NC firms
- Inputs
  - 34 NC interviews & Project review team
  - In-person interviews in 7 benchmark states for good practice analysis
  - Consultant knowledge/experience
    - North American ED practice
    - Corporate location background
    - National Association of State Development Agencies

The Competitive Challenge

- Virginia
  - VEDP structure, resources
  - 26 GIS/IT/Research staff for Business & Industry function
  - Superb website and ED information system
- Georgia
  - Looking to increase Commerce resources
  - Integrated public/private ED network & ED data
  - $1.2 million Georgia Allies Budget
    - 50% private/50% state match
- Pennsylvania
  - $180 million high tech budget
  - Substantial new marketing resources
  - Comprehensive support for regional R&E

The Competitive Challenge

- Michigan
  - Dedicated % of slot machine $ to MEDC
  - Strategic retention & expansion
    - Supported by $900k customized CIS
- Ohio
  - New $8.3 million marketing budget
  - Public/private board headed by P&G executive
- South Carolina
  - Coming back from the bottom resource-wise
  - Statewide Competitiveness Council for clusters

NC Invests a Lot in ED

- $700 million transportation package
- Qualified Business Venture Credit
- JDIG & One North Carolina Fund
- Customized Merck & Dell incentives
- Rural Center, Bio Tech Center, Film development, Regional Partnerships
- Lee Act Renewal
- Investments in education

But NC is Underinvested in DOC Fundamentals

- Effective DOC operating systems
- Proactive statewide ED marketing & sales resources
- Strategic Retention & Attraction programs
- A comprehensive statewide Business Development plan
- A strategic statewide public/private ED partnership

Summary Recommendations

I. Build DOC Organizational Systems
II. Build DOC Business Development Capabilities
III. Enact Statewide ED Organizational Strategies

Budget increment to enact recommendations

- **$2.75 million in FY 05/06** (over 04/05)
- **$4.7 million in FY 06/07** (over 04/05)

I. Why Build Superior Organizational Systems?

- Customer needs
  - Centralized Internet sites are critical to location & expansion decisions
  - You must know what NC companies are thinking & planning
- Maximum performance
  - Advanced communications, performance measures, and competitive staff incentives

Technical

I-Competitive DOC Organizational Systems

1. Superior IT & Customer Information Systems

- Recommendations
  - World-class NC ED website & GIS capabilities (VA, GA)
  - Maintain EDIS information base (VA, GA)
  - Build retention & expansion Customer Information System (PA, MI)
  - Develop ally website with NC Economic Developers Association
- Required Resources:
  - 05/06 $900,000
  - 06/07 $1,000,000

I-Competitive DOC Organizational Systems

2. Performance Management

- Set Goals for Results & Customer Service
  - Attraction (OH, VA, GA, PA)
  - Retention & Expansion (MI, PA)
  - Ally Relationships (MI, TN)
- Build in Regional Partnerships, local EDC's
- DOC Annual Report (GA, VA)

- Required Resources
  - 05/06 $35,000

I-Competitive DOC Organizational Systems

3. Compensation & Staff Development

- More closely tie compensation to results
  - Broadband salaries
  - Spot & annual bonuses (VA, SC, MI)
  - Upgrade entry B&I salary ranges (most benchmark competitors)
- Management & ED training (MI, PA, GA)

- Required Resources
  - 05/06 $375,000
  - 06/07 $400,000

II. Why Strengthen Business Development?

- Customers require vast amount of information
- Customer understanding is a competitive edge
- The best ED marketing consistently builds relationships

II-Strengthen DOC Business Development Programs

1. Business Development Market Research

- Create 6 new competitively funded research positions supporting DOC Business & Industry
  - Support competitive website and EDIS
  - "Whatever it takes" client response
  - Build case for competitive advantage
  - Maintain performance measurement system
- Required resources
  - 05/06 $355,000
  - 06/07 $375,000

II- Strengthen DOC Business Development Programs

2. Close Marketing Resource Gap

- Build full marketing/integrated communications (VA, PA, GA, OH)
  - Core contact targets by cluster
  - Cluster-specific website content
  - Mail, e-mail, telephone contact
  - Public Relations
  - Trade show & events
  - Personal calling
  - Relationship building

- Required resources
  - 05/06 $500,000
  - 06/06 $1,500,000

III. Why Enact Statewide Organizational Strategies?

- Maximize effectiveness
- Maximize efficiency
- Leverage DOC and state resources
- Encourage long term continuity of best state ED practices

III-Increase Statewide Organizational Competitiveness

1. Create a Public/Private NC Economic Development Foundation

- Involve business & public leadership (GA, VA, MI, OH)
- Strategic planning, plug key system gaps
- Fund/broaden Friends of North Carolina marketing
- $1.575 million annual budget
  - $600k private
  - $300 RP, local EDO's, other state ED organizations
  - $675k state match on Georgia model

- Required Resources
  - 05/06 $337,500
  - 06/07 $676,000

III-Increase Statewide Organizational Competitiveness

2. Update the DOC Strategic Business Development Plan

- Cluster marketing and retention & expansion integration with Regional Partnership Vision Plans
- Specifics for 06/06 DOC marketing plan (VA, PA, GA, MI)
- Performance measures/accountability (MI, VA)
- Regional Partnership & ally involvement (MI, GA)

- Required Resources
  - 05/06 $250,000

Why Not the Best?
A Call to Action

- *Failure to enact these recommendations will keep NC behind most competitors*
- *These changes will bring high return—they are a long-term investment, not an expense*
- *Enhancements will help every NC region*

North Carolina needs your support and advocacy to get this done.

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) — 4-26-05

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
DON HOBART	NCDOC
TONY ALMEIDA	DUKE ENERGY
LARRY KEEN	NC CCS
Norman Smit	NCCCS BioNetwork
Bill Merrell	NC Rural Center
Beth Lucas	NC DOC
Laura Spivey	NC Dept. of Commerce
Sara Nienow	NC DOC
JOHN P. BLACK	DEPT. OF COMMERCE
John Hardin	NC Dept of Commerce
Deatrice Williams	CUCA

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 4-26-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Drew Moretz	GRCC
John Peterson	NCEDA
Uche Nwagbara	NC DOC
John Correllus	NCDOC
John Padgett	NCDOC
Gene Kp	NCDOC
Kelly Keller	NCDOC
Tony Copeland	NCDOC
Tim Alton	NCDOC
Tommy Lester	NC DOC
Hal Miller	NCDACT

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 4-26-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Betty Turner	Bank of America
Sam Taylor	NCBIO
W. Randolph Sumner	Mullen, Holland & Cooper
John McAlister	Duke Energy
Elaine F. Marshall	SOS
Sheila Talton-DeWitt	JWP Civitas Institute
Nicholas Sandler	Davey Square Group
Richard S. Chess	Raleigh & Chess & Assoc.

AGENDA

Opportunities and Needs for Economic Growth in North Carolina ("ONE, NC")

Senator Martin L. Nesbitt, Chair
Senator Doug Burger, Vice-Chair
Senator Fletcher Hartsell, Vice-Chair
Senator Scott Thomas Vice-Chair
Senator David Weinstein, Vice-Chair

Tuesday, April 26, 2005
12:00 noon
Room 1027

1. Call Meeting to Order.

The following bills will be heard:

SB 1102 (Funds for Economic Dev. Study Recommendations)

- Tom Tichnor, Economic Development Consultant,
  Will present the Ticknor Report "Why Not the Best"

SB 676 (Community College BioNetwork Funds) presentation by

- Susan Seymour, BioNetwork Director,
  North Carolina Community College System

4. Discussion period.

Adjournment.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE REPORT
Senator Martin L. Nesbitt, Jr., Chair

Tuesday, April 26, 2005

Senator NESBITT, JR.,
submits the following with recommendations as to passage:

FAVORABLE

S.B. **1102** Funds for Economic Dev. Study Recommendations.
Sequential Referral: Appropriations/Base Budget
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE
Tuesday, May 17, 2005 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Opportunities and Needs for Economic Growth in North Carolina (One NC) Committee met at 12:00 Noon on May 17, 2005, in Room 1027 of the Legislative Building. A quorum was present. Senator Martin L. Nesbitt, Chairman, presided.

Senator Nesbitt called the meeting to order and welcomed members and visitors. He told the members that he is making an effort, through ONE NC committee to bring to them information. He said that the bill before the committee, (SB 676) has already been funded in the Senate budget bill, and he felt that it was appropriate that the members learn what the bill would do.

SB 676 (Community College BioNetwork Funds) *appropriates $7,101,864 for each year of the 2005-2006 biennium to fund the North Carolina Community College System's BioNetwork Initiative. The Bionetwork is a Statewide program connecting the community colleges of the State for the provision of specialized training curricula, and equipment to train new workers, retrain dislocated workers, and upgrade the skills of those currently employed in the biotechnology, pharmaceutical and life sciences industries. BioNetwork serves as an economic development catalyst by helping to meet the demands of these industries for a trained workforce. (A copy of Senate Bill 676 and the Bill Analysis are attached to these Minutes as* ***Attachments I and II.***

Senator Nesbitt recognized Susan Seymour, Director of the North Carolina Community College System BioNetwork.

Ms. Seymour thanked the committee and Senator Nesbitt for their support. She said that the NC Community College System has been called upon by the State to develop the workforce for knowledge and skill training to be able to meet the Global economy's workforce development issues. BioNetwork has the resources that are required for the system to expand the capacity to provide North Carolina's workforce with the specialized productivity and the specialized skills that are needed and required by this highly regulated industry.

BioNetwork holds great promise for North Carolina. This will help to position the State to be able to attract, to obtain, and to be able to expand this industry in the State. It is a statewide training initiative through the community colleges, and will offer tremendous economic development opportunities for the State.

There are 370 different products that are bio-based, or vaccines, that are going through the clinical stage approval processes. Across the world, the facilities to manufacture these products are almost saturated. This means that North Carolina is well positioned to be able to realize tremendous economic development investment in the State in facilities to manufacture these products. Additionally, this means the creation of thousands of 21st Century, knowledge-based jobs. Two-thirds of these jobs will require specialized education and training at the community

college level to meet this highly regulated industry's workforce requirements and stringent protocols.

Ms. Seymour said that this initiative has been in place for approximately a year, and is in full implementation mode. NCCCS BioNetwork has already positively impacted site-selection decisions. This is where industries will be deciding where to locate facilities, with these facilities costing hundreds of millions of dollars worth of investment. In the next four years, recent studies indicate, there will be $4.1 billion worth of new facilities necessary to manufacture these products.

Ms. Seymour told the committee that "Biotechnology" is a collection of technologies that uses living cells and/or biological molecules to solve problems and make useful products. It has tremendous impact that can help improve crops, the environment, foods, medicines and other products used in daily life.

Industry Facts:

- NC ranks third in biotechnology in the United States.
- NC has about 150 biotechnology companies that generate about $3 billion in annual revenues.
- NC has 75 contract research organizations generating $5 billion in annual revenue.
- Annual salaries for entry-level technicians start at $25,000 to $30,000 and can progress to $50,000 in as little as five years.
- The average salary for all pharmaceutical manufacturing jobs is $68,200.
- NC is a worldwide leader in agricultural biotechnology, ranked second in the nation.
- NC biotechnology employees represent a payroll of $1.7 billion and $100 million in state income taxes each year.
- The biotechnology industry in NC is growing 10-15% per year. At that rate 125,000 workers will be needed by 2025 with revenues approaching $24.billion.

Industry Examples:

- Bayer Crop Science, Research Triangle Park
- Baxter, Marion (employs 2350)
- Biogen Idec, Research Triangle Park (employs 600)
- DSM, Greenville
- Novo Nordisk, Clayton
- Novozymes North America, Franklinton (employs 380)
- Purdue Pharmaceutical, Wilson
- Wyeth Vaccines, Sanford (employs 1400)

Return on investment:
(NC Biopharmaceutical Industry Taxation Statistics)

- 1.3 billion in personal Income Tax Revenues (State, Local Federal)
- Corporate Income Taxes of $140.8 million
- Total Sales Revenue of $17.7 Million from product sales and related Customer Purchases.

Biomanufacturing and Pharmaceutical Training Consortium (BPTC) ($64.5 Million in funding provided by GOLDEN LEAF, INC.)

BioNetwork – NCCCS Statewide Network
BTEC – NCSU "Pilot Plant" Training Center
BRITE – NCCU Undergraduate and Graduate Programs

Ms. Seymour said that a year ago, the Golden Leaf Foundation requested that the Biotech Center conduct a survey to determine the workforce needs of the biotech industry. The survey indicated that 3,000-3,200 jobs will be created each year for the next three years. Of those 3,000 jobs, 67% would require specialized educational training at the community college level.

There was discussion about the funding provided in SB 676 and that the funding was to continue the program and would be reoccurring.

Senator Nesbitt asked about the seven centers and clarification about what each center does.

BioNetwork Centers in the State:

- Capstone Center, Wake County – Ms. Seymour said this center faculty will be teaching aseptic and sterile processing training and bio process training at the Pilot Plant training facility.
- BioAgriculture Center, Robeson County - This has statewide applications. Ms. Seymour said that BioAg is where therapeutics are growing within these plants.
- BioBusiness Center, Buncombe County – Hosted by A-B Tech Community College in Asheville. This center is an incubator for start-up companies.
- BioEducation Center, Gaston County – This center focuses on "short course" development and will have distance learning that can be shared with other community colleges around the state.
- BioProcessing Center, Pitt County – This center is developing two specialized programs called bioprocessing in the workplace. The center will conduct training programs, written textbooks and this entire curriculum is available in a secure website within the NCCCS BioNetwork's website.
- Pharmaceutical Center, Hosted by a consortium of two colleges: Forsyth Tech and Guilford Tech in the Piedmont Triad. A team there is working on things like good manufacturing process training, solid dose – oral dose manufacturing and packaging for the biotech industry.

A copy of Ms. Seymour's Power Point Presentation and Executive Summary are attached to these Minutes as **Attachments III and IV.**

Senator Soles moved to give SB 676 a favorable report and the motion passed.

The meeting adjourned at 12:50 p.m.

Senator Martin L. Nesbitt, Presiding

Janette W. Lee, Committee Clerk

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

S 1

SENATE BILL 676

Short Title:	Community College BioNetwork Funds.	(Public)
Sponsors:	Senators Nesbitt; Apodaca, Berger of Franklin, Dorsett, Forrester, Hartsell, Presnell, and Snow.	
Referred to:	Appropriations/Base Budget.	

March 17, 2005

A BILL TO BE ENTITLED

AN ACT TO APPROPRIATE FUNDS FOR THE NORTH CAROLINA COMMUNITY COLLEGE SYSTEM'S BIONETWORK INITIATIVE.

The General Assembly of North Carolina enacts:

SECTION 1. There is appropriated from the General Fund to the Community Colleges System Office the sum of seven million one hundred one thousand eight hundred sixty-four dollars ($7,101,864) for the 2005-2006 fiscal year and the sum of seven million one hundred one thousand eight hundred sixty-four dollars ($7,101,864) for the 2006-2007 fiscal year for the operation of the North Carolina Community College System's BioNetwork Initiative.

SECTION 2. This act becomes effective July 1, 2005.

SB 676:
Community College BioNetwork Funds

BILL ANALYSIS

Committee: Senate Committee on Opportunities and Needs for Economic Growth in NC (One NC)
Date: April 26, 2005
Version: 1st Edition

Introduced by: Senator Nesbitt
Summary by: Barbara Riley
Committee Counsel

SUMMARY:

Senate Bill 676 appropriates $7,101,864 for each year of the 2005-2006 biennium to fund the North Carolina Community College System's BioNetwork Initiative.

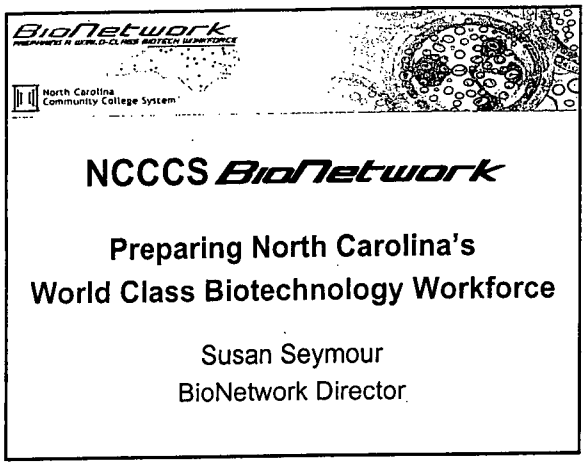
BACKGROUND:

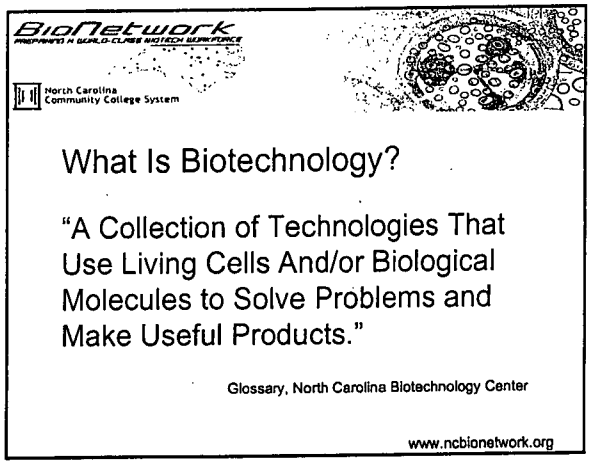
The North Carolina Community College System's BioNetwork is a Statewide program connecting the community colleges of the State for the provision of specialized training, curricula, and equipment to train new workers, retrain dislocated workers, and upgrade the skills of those currently employed in the biotechnology, pharmaceutical and life sciences industries. BioNetwork serves as an economic development catalyst by helping to meed the demands of these industries for a trained workforce.

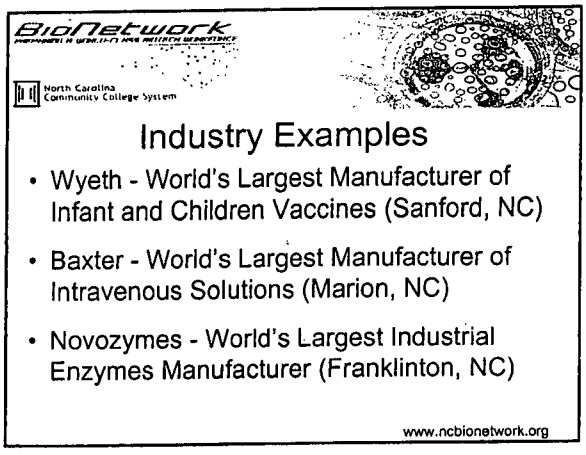
BILL ANALYSIS:

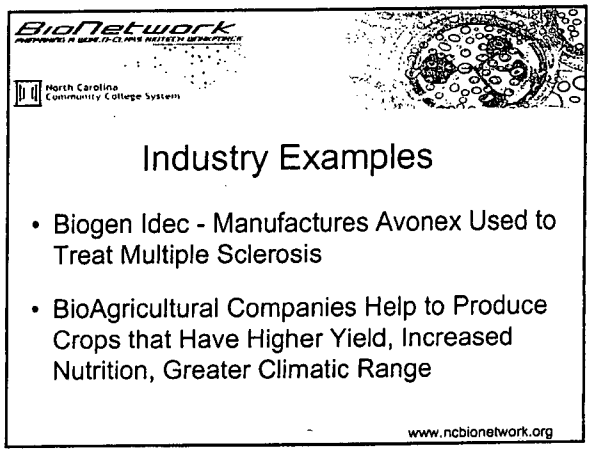
Senate Bill 676 appropriates $7,101,864 for each fiscal year of the 2005-2006 biennium for the operation of the Community College System's BioNetwork Initiative.

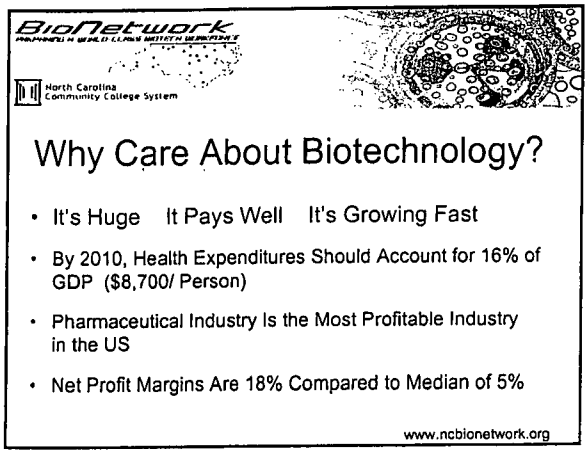
The act becomes effective July 1, 2005.

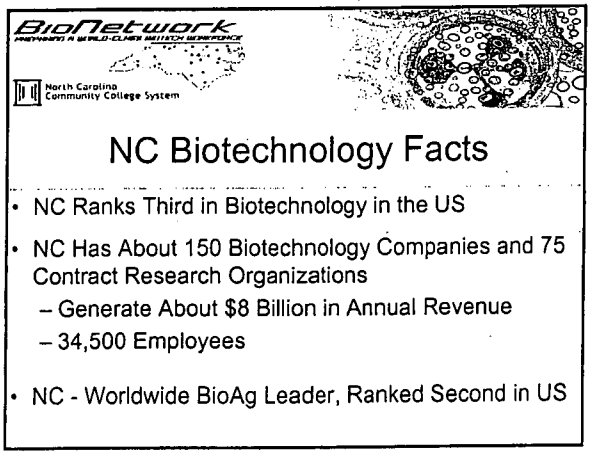

BioNetwork
North Carolina Community College System
NCCCS BioNetwork
Preparing North Carolina's World Class Biotechnology Workforce
Susan Seymour
BioNetwork Director


BioNetwork
North Carolina Community College System
What Is Biotechnology?
"A Collection of Technologies That Use Living Cells And/or Biological Molecules to Solve Problems and Make Useful Products."
Glossary, North Carolina Biotechnology Center
www.ncbionetwork.org


BioNetwork
North Carolina Community College System
Industry Examples
• Wyeth - World's Largest Manufacturer of Infant and Children Vaccines (Sanford, NC)
• Baxter - World's Largest Manufacturer of Intravenous Solutions (Marion, NC)
• Novozymes - World's Largest Industrial Enzymes Manufacturer (Franklinton, NC)
www.ncbionetwork.org


BioNetwork
North Carolina Community College System
Industry Examples
• Biogen Idec - Manufactures Avonex Used to Treat Multiple Sclerosis
• BioAgricultural Companies Help to Produce Crops that Have Higher Yield, Increased Nutrition, Greater Climatic Range
www.ncbionetwork.org


BioNetwork
North Carolina Community College System
Why Care About Biotechnology?
• It's Huge It Pays Well It's Growing Fast
• By 2010, Health Expenditures Should Account for 16% of GDP ($8,700/ Person)
• Pharmaceutical Industry Is the Most Profitable Industry in the US
• Net Profit Margins Are 18% Compared to Median of 5%
www.ncbionetwork.org


BioNetwork
North Carolina Community College System
NC Biotechnology Facts
• NC Ranks Third in Biotechnology in the US
• NC Has About 150 Biotechnology Companies and 75 Contract Research Organizations
– Generate About $8 Billion in Annual Revenue
– 34,500 Employees
• NC - Worldwide BioAg Leader, Ranked Second in US

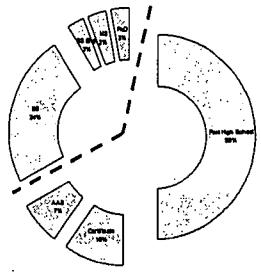
BioNetwork
North Carolina Community College System

NC Biopharmaceutical Industry Taxation Statistics

(Milken Institute, October, 2004)

- Personal Income Tax Revenues $1.3 Billion (State, Local, Federal)
- Industry Contribution
  - Total Sales Revenue of $17.7 Million From Product Sales and Related Consumer Purchases
  - Corporate Income Taxes of $140.8 Million

The Biomanufacturing Workforce



67% of Biomanufacturing and Pharmaceutical Employees Employees Have < Baccalaureate Degree

Appropriately Trained at the Community College Level

BioNetwork
North Carolina Community College System

Biomanufacturing and Pharmaceutical Training Consortium (BPTC)

GOLDEN LEAF, INC

Backing Biotechnology with $64.5 Million

- BioNetwork - NCCCS Statewide Network
- BTEC - NCSU "Pilot Plant" Training Center
- BRITE - NCCU Undergrad. & Grad. Programs

BioNetwork
North Carolina Community College System

BioNetwork

- Develops Continuous Pipeline of New Trained Workers
  2000 Workers Trained at the Community College Level Needed Per Year for the Next 3 Years
- Upgrades Skills of Incumbent Workers
- Retrains Dislocated Workers
- Serves As an Economic Development Catalyst

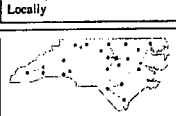
www.ncbionetwork.org

BioNetwork Management Team
- Provides Leadership, Expertise And Coordination Across Program Boundaries
- Coordination For External Partners

Capstone Center
- Clean Room/Aseptic Suite
- Students, Incumbent Workers, And Faculty
- Machinery And Facilities Too Expensive To Replicate Locally

Centers
- Bioprocessing
- Pharmaceutical Manufacturing
- Agricultural Biotech
- Continuing Education
- Biotechnology Enterprise

Mobile Biotechnology Laboratory
- Outfitted With Faculty And Specialized Equipment
- Incumbent Worker Training
- Lab Courses In Remote Areas
- Sent To Company Sites



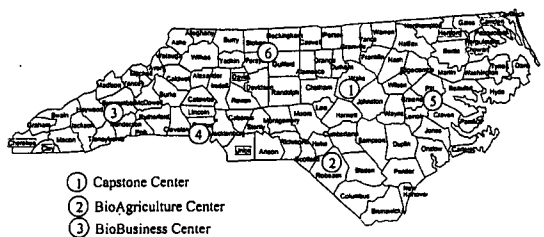
BioNetwork

Validation Academy
- Trained Validation Workers
- Increased Company Profitability

Innovation Funds
- Updating Or New Curricula
- Faculty Development
- Access To Historically Under-Served Populations And Access To Rural Areas

Equipment and Facility Enhancement Funds
- Purchase Of New Or Used Laboratory Equipment
- Retrofitting Existing Community College Space For New Equipment

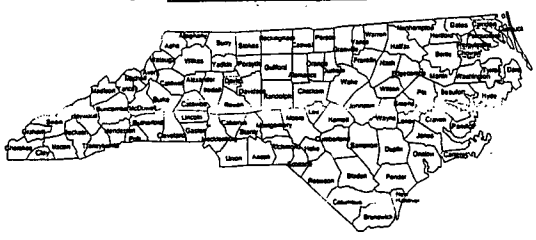
BioNetwork Center Locations



1. Capstone Center
2. BioAgriculture Center
3. BioBusiness Center
4. BioEducation Center
5. BioProcessing Center
6. Pharmaceutical Center

NC Counties Served by BioNetwork Awards

and Partnership Colleges (1 + 1)



30 Colleges Served Directly, 14 Additional (1+1) Partnership Colleges Total Colleges Served = 44

48 Counties Served Directly, 32 Additional Counties served by (1+1) Partnership Colleges Total Counties Served = 80

BioNetwork

North Carolina Community College System

BioNetwork Accomplishments

- Centers
  - Capstone Center Temporary Aseptic Training Facilities
  - Custom-designed Mobile Laboratory in Production
- Grants
  - 65 Grants to Community Colleges to Keep Pace With Changing Industry Needs and Technologies
  - Expands Specialized Biotechnology Training Across NC
- Coverage
  - 30 Colleges (48 Counties) Served Directly by Grant Awards
  - 14 Other Colleges (32 Counties) Served by (1+1) Partner Colleges
  - Total 44 Colleges and 80 Counties Served

BioNetwork

North Carolina Community College System

Statewide Budget Summary

Budget Category	2005-06
Personnel Services	306,047
Purchased Services	408,400
Recruiting and Marketing NC	700,000
Supplies	5,600
Distance Learning Equipment	75,000
Other Equipment	10,000
Other Expenses	1,000
CC Education and Training Development Grants	1,000,000
CC Equipment Grants	2,000,000
Capstone Center	745,817
Competitiveness Centers	1,850,000
TOTAL REQUIREMENTS:	**7,101,864**

www.ncbionetwork.org

BioNetwork

North Carolina Community College System

Summary: BioNetwork

- Is in Full Implementation
- Is Already Positively Impacting Site Selection Decisions
- Helps Attract, Expand, and Retain NC Biotechnology Business
- Reacts Swiftly to Market Demands by Deploying Directly to Local Colleges the Expertise, Curricula, and Equipment/facility Enhancement Resources Necessary for Workforce Education and Training.

www.ncbionetwork.org

BioNetwork

North Carolina Community College System

Conclusion

Without continued funding,
all the momentum developed
by this comprehensive statewide program
will be lost.

Questions?

www.ncbionetwork.org

The North Carolina Biomanufacturing and Pharmaceutical Training Consortium (BPTC): A Summary of Expectations and Accomplishments

April 19, 2005

The biomanufacturing, pharmaceutical, and agribiotechnology industries in North Carolina are poised to become the largest such industry cluster in the world. Over the last 2-3 years, these industries have attracted at least a billion dollars of investment to North Carolina and have spawned more than 2,000 jobs. This economic success can only continue if we educate people to be part of a skilled workforce for the new economy in North Carolina. The number one determinant of North Carolina's success in establishing this cluster will be the availability of highly trained skilled workers, scientists, and engineers. The North Carolina Biomanufacturing and Pharmaceutical Training Consortium (BPTC or the Consortium) - comprised of the North Carolina Biomanufacturing Training and Education Center (BTEC) at North Carolina State University (NC State), the Biomanufacturing Research Institute and Training Enterprise (BRITE) at North Carolina Central University (NCCU), and BioNetwork, a statewide initiative of the North Carolina Community College System (NCCCS) - is focused on delivering an integrated, cooperative, and coherent educational program that provides essential hands-on training and high-quality education with sufficient numbers of trainees and students to meet and exceed the needs of this industry cluster now and into the future.

The consortium will build upon the existing strengths of NC State's Land Grant Research One University history, NCCU's history of excellence in undergraduate and graduate education (especially in the life sciences, law and business) and its research institutes, and the national reputation of the NCCCS New and Expanding Industry Training Program (NEIT), a customized workforce training program that offers a competitive advantage to companies locating or expanding in North Carolina. This consortium is prepared to educate and train in excess of 3,000 students/trainees each year in topics that meet the biomanufacturing industry's needs, as well as in next generation techniques applicable to biomanufacturing and bioprocessing.

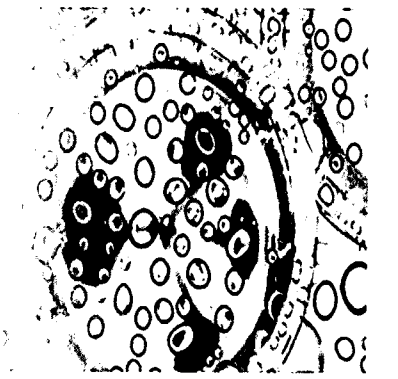
The Consortium components are complementary and provide a broad spectrum of educational opportunities for trainees. Certificate programs and short courses within NCCCS BioNetwork will enable high school graduates, displaced workers and career changers to qualify for entry-level positions. Biomanufacturing and bioprocess technology courses at 44 local community colleges will provide associate degrees, diplomas and certificates in fields that will facilitate hiring into manufacturing technician and associate positions at biomanufacturing companies that constitute as many as two-thirds of the new jobs available. This preparation will be capstoned with hands-on experiences at the unique facilities with large-scale process equipment offered at BTEC and BRITE. BioNetwork provides a mechanism to swiftly react to market demands by deploying expertise, curricula, and equipment/facility enhancement resources directly to local colleges necessary for workforce education and training.

New degree programs and significantly enhanced existing degrees are being readied at NC State and NCCU to take full advantage of the new facilities under construction at BTEC and BRITE. Professional science masters degrees and PhDs in bioprocessing and biopharmaceutical sciences will produce future technical and business leaders, a development that will ensure this industry cluster remains vital and innovative well into the future. All of the proposed training and education will be made available to students and trainees throughout the State through synchronous and asynchronous web-based distance education, and the incorporation of advanced process analytical and control technologies will enable remote learning and data acquisition by off-site students and trainees. Additionally, the consortium offers the ideal mechanism for provision of short courses to FDA regulatory personnel; thus enhancing industry/government/ academe collaborations and strengthening the cluster.

By satisfying workforce development needs, the BPTC will position North Carolina as the leading location for capital investment and job creation within the biomanufacturing, pharmaceutical and agribiotechnology industry cluster. The attached white paper provides more depth and description of this much-needed partnership among industry, academe, and government.

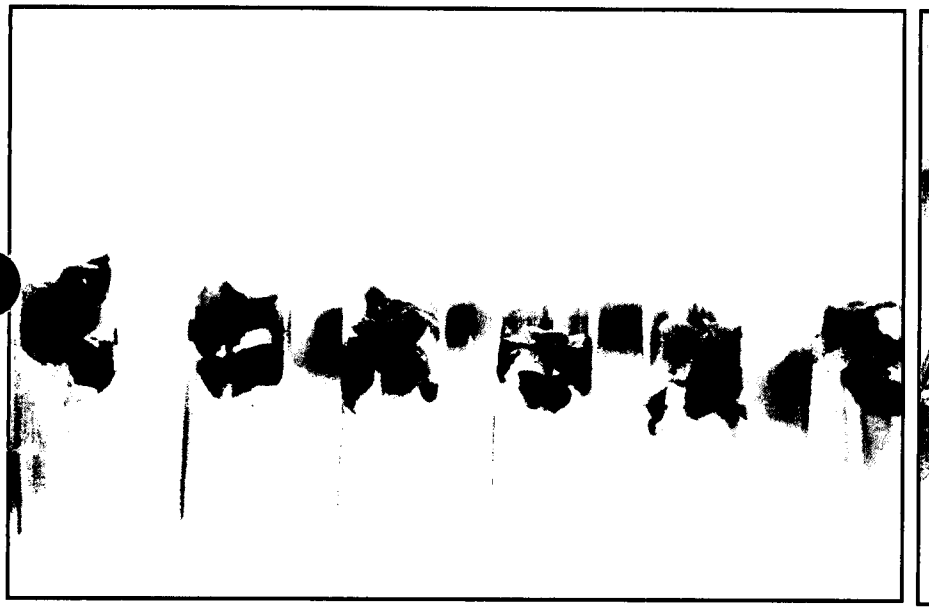
BioNetwork
PREPARING A WORLD-CLASS BIOTECH WORKFORCE

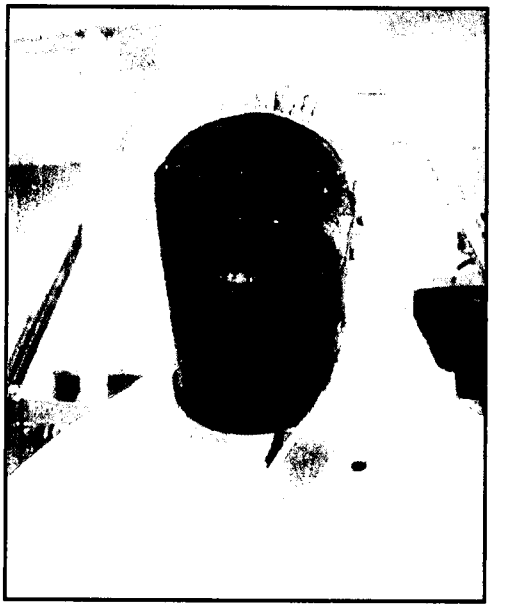
North Carolina
Community College System



NCCCS BioNetwork

INFORMATION SHEET
Senate Bill 676
House Bill 588





NCCCS BIONETWORK

Growing Biotechnology in North Carolina

NCCCS BioNetwork is a state-wide initiative connecting community colleges providing specialized training for the pharmaceutical and biomanufacturing industry. BioNetwork's training is a significant economic development catalyst, considered vital by the highly-regulated biomanufacturing industry. A pool of well-trained biotechnology workers is the #1 incentive to attract new biomanufacturing facilities to locate in North Carolina. Two thirds of biopharmaceutical workers require training at the community college level. BioNetwork provides a continuous supply of well-trained workers, gives dislocated workers from traditional industry new skills, allows career changers to enter the biotechnology field, and upgrades the skills of incumbent workers at all levels.

STARTUP FUNDING PROVIDED BY LEAF

NCCCS BioNetwork

67% OF BIOMANUFACTURING WORKERS IN NC REQUIRE TRAINING AT THE LEVEL PROVIDED BY NCCCS BIONETWORK

NORTH CAROLINA'S BIOINDUSTRY FACTS

NC is ranked 3rd in the US in biotechnology
NC is ranked 2nd in agricultural biotechnology
NC is home to several of the world's largest biomanufacturing facilities
The biotechnology industry & CROs employ more than 34,500 in NC
$4.5bn in gross state product in 2003 in NC ***(Milken Institute – Oct 2004 report)***
$1.3bn NC tax revenues in 2003 ***(Milken Institute – Oct 2004 report)***

BIONETWORK – PARTNERING WITH INDUSTRY

BioNetwork's specialized training programs are an economic development catalyst that helps attract, expand & help retain existing biotechnology business in NC.

BIONETWORK - THE IMPACT

- BioNetwork has accelerated & expanded the specialized education and training that community colleges offer statewide.
- BioNetwork has reached 80 of 100 counties in NC.
- BioNetwork has networked resources, expertise, and specialized courses statewide, maximizing their effect and leveraging resources.
- BioNetwork increased the numbers of students/workers trained.

WHAT OTHERS SAY ABOUT BIONETWORK

..."BioNetwork has an effective structure that can provide us with a model to develop our biotechnology industry. " ***Northern Ireland Bureau, Washington DC***

..."Massachusetts falls behind NC in preparing biotech industry workers" ***Boston Business Journal – in an article on BioNetwork 02/18/05***

..."The strength of North Carolina's community college training system was an important consideration in Merck's decision to locate our new vaccine manufacturing facility in Durham, NC" ***Raymond Gilmartin, Merck Pres. & CEO***

THE BIONETWORK BILLS

Senate Bill # 676 and House Bill # 588

STARTUP FUNDING

Golden LEAF provided startup funding. BioNetwork needs $7.1 million in FY 2005-2006 to continue to effectively serve this industry. A detailed budget of the statewide initiative is available.

CONTINUED FUNDING

BioNetwork is in full implementation and is already positively impacting site selection decisions, helping to grow biotechnology business in NC. Continued funding for BioNetwork is needed to ensure the gains, momentum and the world-class team – are not lost.

CONTACT

For more information, budgets or supporting documentation, contact Susan Seymour, NCCCS BioNetwork Director – (919) 807-7155
email – seymours@ncbionetwork.org
www.ncbionetwork.org

The Team

Susan Seymour
BioNetwork Director
Seasoned veteran and project leader in economic & workforce development with 30 years with State Government

Dr. Lin Wu
Dean – Capstone Center
Former COO and President of Fresenius Kabi, NC, brings industry and academic experience to BioNetwork.

Cheryl Shenaut
BioBusiness Center Manager
Former state biotech venture capital and angel fund President

Bill Cooper
Bioprocessing Center Manager
World-renowned Chemical Plant Operations Executive

J.D. Brooks
BioAg Center Manager
International BioAg Executive with 26 years of experience in agrochemical, animal health and biotech industries

Dr. David Brigham
BioEd Center Manager
Designer & manager of a 13,000sq ft biotech pilot plant training facility

Philip King
Pharmaceutical Center Manager
22 years of international experience in chemical and pharmaceutical companies

Jeff Odum
Validation Academy Manager
Nationally acclaimed expert and author on regulatory compliance, commissioning and biopharmaceutical facility validation, with more than 20 years of experience.

BioNetwork Budget Fiscal Year 2005-2006

Budget Category (explanation)	2005-06
Personnel Services Director, Coordinator, Recruitment Director, Grants Management Assistant, Administrative Assistant	306,047
Purchased Services BioForum to share project results statewide; BioOps training program for related professionals; BioQuality training program; facility expertise for aseptic suite design; contracted instructional design expertise for Validation Academy, Distance Learning, web-based instruction with Americans with Disabilities Act compliance, and other BioNetwork programs; travel; mailings; and telecommunication	408,400
Recruiting and Marketing NC Costs to recruit 2000 students per year to fill industry pipeline Costs to market training programs to inform industry in NC and elsewhere	700,000
Supplies Educational and general office supplies	5,600
Distance Learning Equipment Supports distance learning to remote colleges to share instruction including broadcast content from the Capstone Center aseptic interim facility	75,000
Other Equipment Office equipment, furniture	10,000
Other Expenses Memberships, subscriptions	1,000
CC Education and Training Development Grants Accelerate growth and improvement; establish industry skill standards; expand back-to-industry experiences for faculty; develop specialized courses for incumbent workers such as multiple cGMP courses, Quality Assurance, Fermentation Technology, Product Isolation, Purification of a Protein, Packaging Engineering, Microbial Identification, Genetics, Viticulture, Forestry, and Aquaculture	1,000,000
CC Equipment Grants Equipment and related facility enhancements to keep pace with changing industry needs/technologies, encourage the support of new and expending industries by spreading biotechnology student/worker training into new NC areas	2,000,000
Capstone Center Dean, Bioprocess Instructor, Aseptic Process Instructor, Mobile Laboratory Instructor, Facilities Technician, Day and evening Administrative Assistants, Curriculum development, Maintenance Agreement, Mobile Laboratory equipment/supplies, travel, temporary facility costs until BTEC is operational, educational and general office supplies, telecommunication	745,817
Five Competitiveness Centers Each center - $370,000): Manager, Curriculum Coordinator, Administrative Assistant, curriculum development costs, related community college project support, travel, telecommunication, educational/office supplies and equipment	1,850,000
TOTAL REQUIREMENTS:	**7,101,864**

AGENDA

Opportunities and Needs for Economic Growth in North Carolina ("ONE, NC")

Senator Martin L. Nesbitt, Chair
Senator Doug Berger, Vice-Chair
Senator Fletcher Hartsell, Vice-Chair
Senator Scott Thomas Vice-Chair
Senator David Weinstein, Vice-Chair

Tuesday, May 17, 2005
12:00 noon
Room 1027

Call Meeting to Order.

For consideration:

SB 676 Community College BioNetwork Funds

Presentation from the following:

Susan Seymour, NCCCS BioNetwork Director

Discussion period.

Adjournment.

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE REPORT
Senator Martin L. Nesbitt, Jr., Chair

Tuesday, May 17, 2005

Senator NESBITT, JR.,
submits the following with recommendations as to passage:

FAVORABLE

S.B. **676** Community College BioNetwork Funds.
Sequential Referral: Appropriations/Base Budget
Recommended Referral: None

TOTAL REPORTED: 1

Committee Clerk Comments:

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE
Tuesday, May 24, 2005 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Opportunities and Needs for Economic Growth in North Carolina (One NC) Committee met at 12:00 Noon on May 24, 2005, in Room 1027 of the Legislative Building. A quorum was present. Senator Martin Nesbitt, Chairman, presided.

Senator Nesbitt called the meeting to order and welcomed guests. He told the members that today's agenda featured "The Progress Board" which was established in 1995 by the state legislature to develop long-term strategic goals for North Carolina. Its oversight was transferred to North Carolina State University during the 1999 Session of the General Assembly

Tom Covington, with The Progress Board, was recognized. He told the committee that there would be 4 million more people in North Carolina in 24 years, which will bring the state's population to 12 million. Half of the state's population is located between Johnston and Gaston Counties (51 %). The population is also going to age considerably, with the elderly being the fastest growing. Also, there will be a lot of "baby boomers" retiring in 2006-2008. In North Carolina, only 40% of the people who retire will have no more than Social Security to live on. Those that have pension programs came from low-wage industries to begin with, so this is a potential problem in the future.

Mr. Covington said that The Progress Board goes back to the 1970s when Governor Scott established the first policy board for the state, by Executive Order. Every governor following him did the same thing. Governor Hunt expanded it in 1983 by having a *North Carolina 2000 Commission* with committees all over the state. Those committees came together and wrote a major report, which was published in 1984 just before Governor Jim Martin came into office. That report was widely disseminated, however, Governor Martin had other priorities so he dealt with those priorities. Then in 1993, another commission looking down the road called the "Competitive Commission" was formed. That was a large study commission that proposed, among other things, that North Carolina should have a Progress Board. The Progress Board is a little different than those that came before because it is charged with keeping score of how the state is doing. Goals and measures were established which were recommended by the 2001 study. The Board has 120 measures, which it targets.

Mr. Covington said that he felt that the population changes would be one of the major changes that the state will face. He pointed out that North Carolina's drop-out rate is the second highest in the nation, and the state has the second highest incidence of juvenile diabetes in the country, with 14 % more poor people than we had 10 years ago. With the problems with health, with aging, with jobs, it is really time to take some long-term views seriously. Mr. Covington said that it was time for the legislature to look down the road and determine what is really important. He thought the ONE NC Committee is a good opportunity to do that.

Mr. Covington said that other issues like environment, infrastructure – huge programs would be impacted by the increased population, but as a whole, wondered how improvements will be funded? Is the local government going to pay for water, sewage, and solid waste? One recommendation will be that the legislature follows up on this, in terms of infrastructure, so the state will know what it will be facing with an additional 4 million people.

Senator Nesbitt took a few minutes to tell the committee about Tom Covington, who had until 2001, been Director of the Legislature's Fiscal Research Division.

Senator Nesbitt recognized Robert Melville who works as a consultant to The Progress Board.

Mr. Melville thanked the committee for having him appear. He said he has worked as a management consultant for over 30 years, and he is passionate about what the Progress Board is doing.

Mr. Melville said The Progress Board feels it is vital for a state or company, for that matter, to take a long view of its future. This gives a competitive edge. In North Carolina leaders have learned well, which is exemplified in establishing the Research Triangle Park, for example, as well as banking legislation in prior decades which has allowed the banking business to flourish in the state. The educational systems in North Carolina are an incredible draw to the state. But the state faces daunting challenges, both externally (globally) and internally. The internal challenge is stress that the state deals with on a daily basis.

Mr. Melville spoke of measuring and tracking and of assessing North Carolina competitiveness. The Progress Board is, in short, a strategic compass for setting specific targets and for studying the progress on the state's behalf. Under Mr. Covington's leadership, the Board has done work to be proud of, which will make North Carolina more competitive, both nationally and internationally. The Board, however, is most concerned that the state's strategic focus is evaporating, and this could not come at a worse time. It is understandable that in a time of a fiscal crisis, the first things that local and state entities often cut are "planning offices" or any staff function that has to do with looking out beyond the next couple of years. This is what North Carolina has done and it will seriously hurt the State in the days ahead.

Mr. Covington was again recognized and suggested that the Committee invite James Johnson from the Kenan-Flagler School of Business to give an analysis of what the increase in population will mean for the state. Mr. Covington said he had just talked with the State Controller about business systems in the state. These include the State Personnel System, the Purchasing System, the Taxation and Accounting System. These are the systems that run the state government, and all of these systems are considered to be at serious risk. These systems are not integrated and the cost for fixing this would be about $350 million. As business gets bigger, there will be more problems, not less. Mr. Covington encouraged the committee to have the Controller appear and discuss this.

The final thing Mr. Covington told the committee was that with half the population in North Carolina living between Johnston County and Gaston County, and with another 4 million coming in over the next 10 years, the jobs are not and will not be evenly distributed. A lot of counties will still have citizens traveling from one county to another for employment. What kind of economy will there be? There is a promising new approach, which is called "place-based economies." This includes jobs unique to a certain area such as tourism, construction, or craft jobs. The Legislature needs to consider whether it would actually fund an initiative like that to

see the economy go forward. Mr. Covington reminded members that $242 million had been put up to land Dell, and that other areas of the state should be given the same consideration.

Mr. Covington recommended that the Legislature re-establish a state planning office, which was eliminated in 2001. He said not have a planning office is like running an airline without a reservation system. It can't be done. These kinds of directions are not coming from the Executive Branch or from the legislature. Without a planning operation and with $2 billion in loopholes in this state, the General Assembly will never find enough money. Mr. Covington suggested that the General Assembly publish all the loopholes in taxation in North Carolina in the front of the Budget bill to see what the fiscal impact of these are in terms of one year, five years, or ten years. All expenditures are documented, so why not document all of the loopholes?

When Mr. Covington had concluded his comments, Senator Nesbitt told the committee that North Carolina has no long-range plan for the future and the ONE NC Committee is an excellent opportunity to create a plan. Each year the Legislature tries to figure out how to get to the next year. Budget writers try to figure out how to get enough money to not increase class size, to not shut down people on Medicaid, but there is no effort to look to the future. On our economic items, the Legislature generally responds to a special session called by the Governor on something that he didn't even know he liked until about a month before. Legislators are not responding to any long-range plans about creating jobs where our citizens live or about having some balanced growth in this state. Sen. Nesbitt said that agencies don't tell the Legislature what their needs are, and there is virtually no input from the Governor. The Progress Board is essential in that it is the only source that tells legislators how the state ranks on various categories.

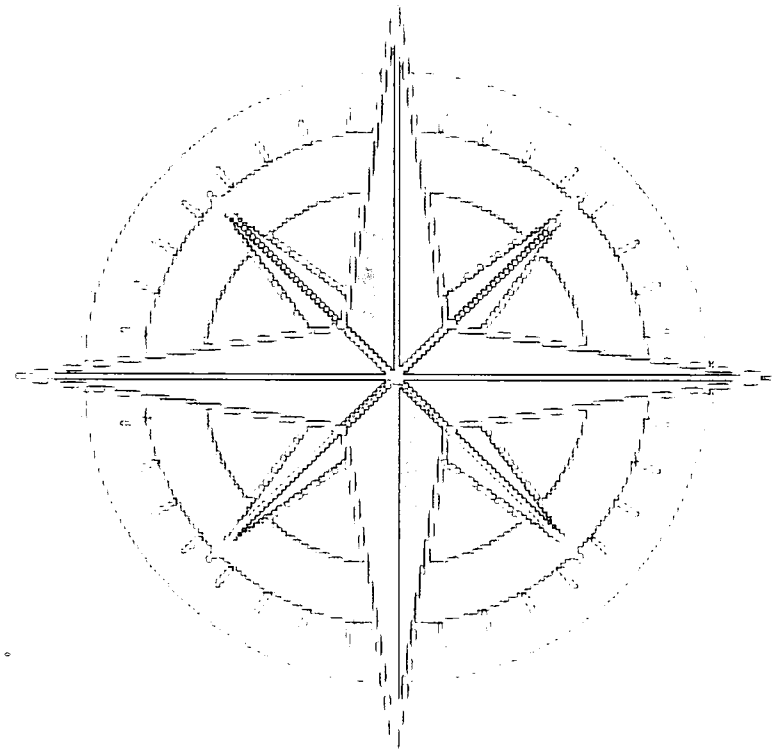
Senator Nesbitt told the committee that the General Assembly needs to work toward these goals.

A copy of A Summary of Finds, Facts, Visions, Goals, and Targets from the Report, NC20/20 of The North Carolina Progress Board and a copy Mr. Melville's Power Point presentation are attached to these Minutes as ***Attachment I and II.***

The meeting adjourned at 12:50 p.m.

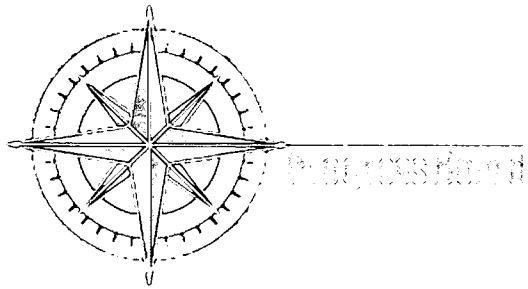
Senator Martin L. Nesbitt, Presiding

Janette W. Lee, Committee Clerk



Presentation – May 3, 2005

Attachment II

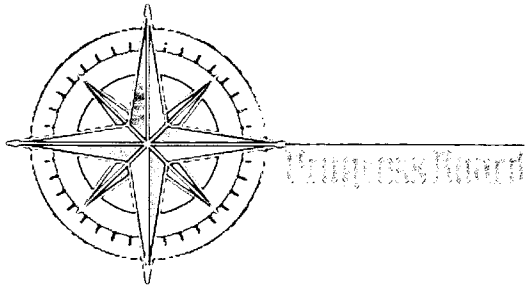


North Carolina Progress

...*Charting a Better Future*

Overview

- **Assessing NC's competitiveness**
- **Ensuring strategic accountability**
- **Facing the future**
- **Setting a new course**
  - New value-added information products
  - Fast information delivery (Progress Portal)
  - Regional engagement & competitiveness
  - Sustainable organizational capacity

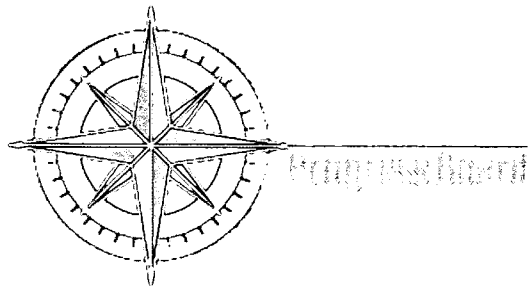


North Carolina Progress

...*Charting a Better Future*

Assessing NC's Competitiveness

- High school attainment – 46th in US & 7th in SE
- College attainment – 36th in US & 4th in SE
- Transportation efficiency (VMT) – 44th in US & 9th in SE
- Energy affordability – 39th in US & 9th in SE
- Household internet access – 42nd in US & 6th in SE
- Relative tax investment (state & local taxes as percent of personal income) – 11th in US & 5th in SE)
- Violent crime rate – 31st in US & 7th in SE
- Home ownership – 30th in US & 9th in SE
- Child poverty rate – 40th in US & 6th in SE
- Health insurance coverage – 32nd in US & 8th in SE
- Air quality (AQI ozone days) – 46th in US
- Drinking water quality – 35th in US & 9th in SE

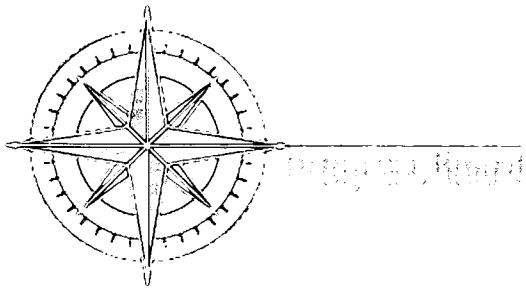


North Carolina Progress
...*Charting a Better Future*

Ensuring Strategic Accountability

When you don't know where you're going, any road will you take you there.
– Lewis Carroll

- Strategic vision provide competitive edge (e.g., RTP, roads, banking & higher education)
- Strategic success requires measurement
  - Child immunization (bottom tier to 1st in US & SE)
  - Teacher pay (43rd to 23rd) & reading/math proficiency
- Progress Board created as strategic compass to:
  - Set statewide targets for public policy imperatives
  - Keep score (e.g., NC 2020 Report & Our State Our Money)

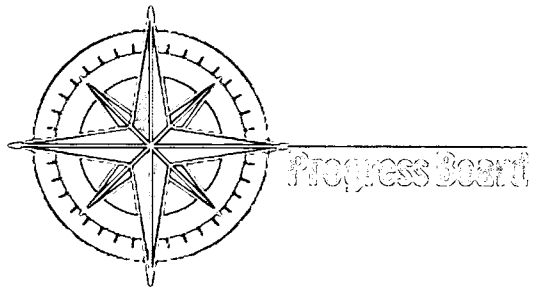


North Carolina Progress

...*Charting a Better Future*

Facing the Future

- NC faces daunting competitive challenges
  - Global economic competition
  - Fiscal stress with mounting investment needs
- NC losing strategic focus as competition intensifies
  - Short-term crises & ad hoc issues overwhelm strategic focus
  - State fiscal difficulties curtailed planning & monitoring
  - Progress Board's structure, funding & approach limited impact
- Strategic success depends on facing future with:
  - Cohesive vision, measurable targets & sound strategies
  - Clear, continuous legislative focus on strategic targets



North Carolina Progress

...*Charting a Better Future*

Setting a New Course

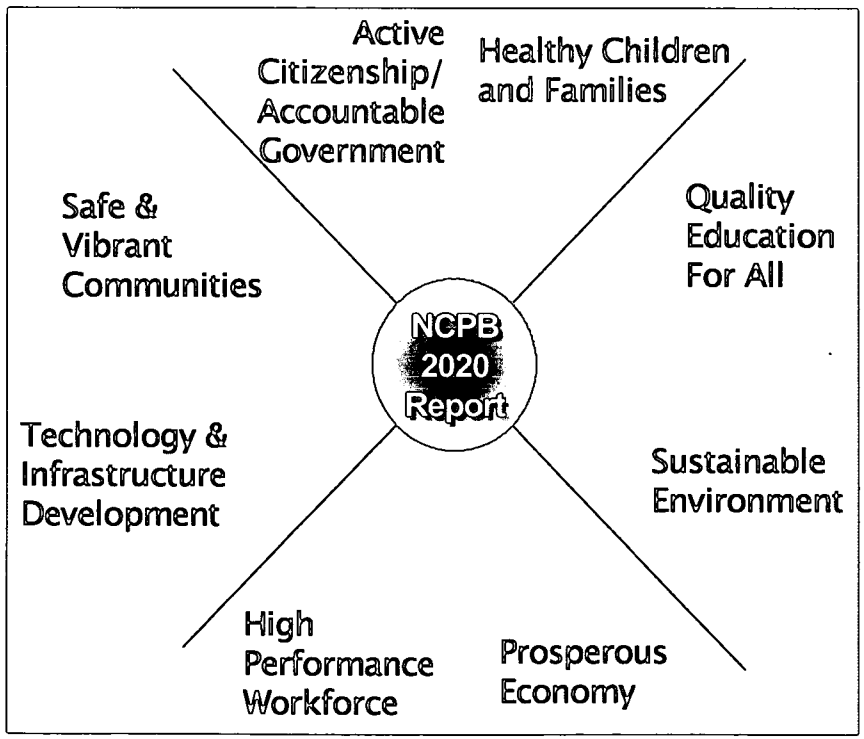
- ✓ A permanent, fact-based campaign for NC's future around value-added data products
- ✓ Improved communications & data distribution
- ✓ An entrepreneurial, sustainable business model

North Carolina Progress

...*Charting a Better Future*

A Fact-Based Campaign for NC's Future

Strategic Imperatives



Value-Added Data Products

- ☐ Automated, cost-effective strategic scorecard system
- ☐ More concise legislative reports (*NC 20/20 Update*)
- ☐ Visually compelling formats for reporting progress (*NC 20/20 Scorecards*)
- ☐ Practical, non-partisan solutions (*Progress Points*)
- ☐ Other value-added products (*Progress Digests & Links*)

Concise Legislative Reports

20/20 Update Report

Goal 3.1 — Offer a first-class, comprehensive public K-12 education

Measure: Reading Proficiency

Target 3.1.1:
Rank among top 10 states in reading proficiency

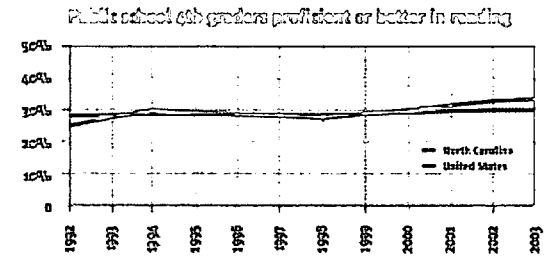
Grade: A-

Trend: ⇧ Improving

U.S. Rank in 2003: 16th (tied)
(up from 23rd in 1998)

Southeast Rank in 2003: 2nd
(up from 4th in 1998)

The reading proficiency rate of NC's 4th graders improved from 27% in 1998 to 31% in 2003. Moreover, after many years of sub par performance, NC's 4th grade reading proficiency rate has risen above the national rate, giving NC the 16th best score in the nation and the 2nd best score in the region. The NAEP, a standard national assessment of students, provides a relative measure of public school quality for grades 4-8 by testing pupil competence in key subject areas such as reading, math and science.



Source: US Dept. of Education, National Center for Education Statistics, NAEP 2003 Reading Assessment

In 2003, 83% of pupils grades 3-8 scored at Level 3 or better in reading, up from 78% in 2002. In 2003, per the Nation's Report Card, NC tied for the 19th best average 4th grade reading score in the US, but only the 31st best 8th grade reading score. In 2003, NC tied for 6th in the US in 4th grade writing proficiency scores and 8th in the US in 8th grade writing proficiency scores.

Measure: Math/Science Proficiency

Target 3.1.2:
Rank among top 10 states in math proficiency

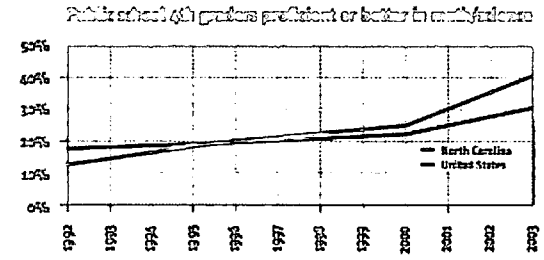
Grade: B+

Trend: ⇧ Improving

U.S. Rank in 2003: 32nd
(up from 37th in 2000)

Southeast Rank in 2003: 1st
(same as 2000)

The math proficiency rate of North Carolina's 4th graders improved from 25% in 2000 to 41% in 2003. In addition, North Carolina's 4th grade math proficiency rate is significantly higher than the national rate. In 2003, NC enjoyed the best math proficiency score for 4th graders in the region. The NAEP, a standard national assessment of students, provides a relative measure of public school quality for grades 4 - 8 by testing pupil competence in key subject areas such as reading, math and science.



Source: US Dept. of Education, National Center for Education Statistics, NAEP 2003 Math Assessment

In 2003, 87% of NC's pupils grades 3-8 scored at Level 3 or better in math, up from 83% in 2002. In 2003, per the Nation's Report Card, NC tied for the 2nd highest average 4th grade math scores in the US. In 2003, NC tied for the 14th highest 8th grade math proficiency scores. However, our science proficiency is less impressive. In 2003, NC tied for 27th in the US in 4th grade science proficiency scores and ranked 23rd in the US in 8th grade science proficiency scores.

Visually Compelling Progress Reports

NC 20/20 Scorecards

20/20

Math/Science Proficiency

North Carolina 20/20: 2005 Update of the Report of the North Carolina Progress Board

Target 3.1.2: Rank among top 10 states in math proficiency

North Carolina Progress Board

www.theprogressboard.org

Goal 3.1:
Offer a first class, comprehensive public K-12 education

Imperative 3:
Quality Education for All

Grade: B+

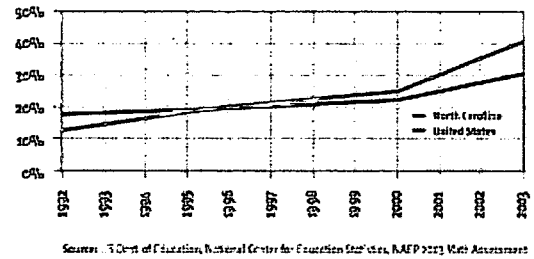
Trend: ↑ (improving)

U.S. Rank in 2003: 31st
(up from 37th in 2000)

Southeast Rank in 2003: 1st
(same as 2000)
Southeast Region = AL, FL, GA, KY, MI, NC, SC, TN, VA & WV

Data Trends

Public school 4th graders proficient or better in math/science



Source: US Dept of Education, National Center for Education Statistics, NAEP 2003 Math Assessment

2010 Target: Math/science proficiency of 4th graders will be at least 100% of the national average

- The math proficiency rate of North Carolina's 4th graders improved from 25% in 2000 to 41% in 2003.
- In addition, North Carolina's 4th grade math proficiency rate is significantly higher than the national rate.
- In 2003, NC enjoyed the best math proficiency score for 4th graders in the region.

Other Highlights

North Carolina: In 2003, 87% of NC's pupils grades 3-8 scored at Level 3 or better in math, up from 83% in 2002. In 2003, per the Nation's Report Card, NC tied for the 2nd highest average 4th grade math scores in the US. In 2003, NC tied for the 14th highest 8th grade math proficiency scores. However, our science proficiency is less impressive. In 2003, NC tied for 27th in the US in 4th grade science proficiency scores and ranked 23rd in the US in 8th grade science proficiency scores.

Definition

Math proficiency per NAEP, a standard national assessment of students in grades 4-8 in various subject areas (e.g., math, reading and science), using four achievement levels (Below Basic, Basic, Proficient and Advanced, where Proficient represents a demonstrated academic mastery over challenging subject matter for specified grade level.

Relevance

Standardized national exam provides a relative measure of public school quality for grades 4-8 by testing pupil competence in key subject areas such as reading, math and science.

Related Links

- US Dept. of Education, National Center for Education Statistics (http://nces.ed.gov)
- National Education Association (www.nea.org)
- Southern Growth Policies Board (www.southern.org)
- The Smartest State Award (www.statestats.com)

Practical, Non-Partisan Solutions

Progress Points

20/20

North Carolina Progress Points

North Carolina Progress Board

Issue: Water Capacity

Imperative 7:
A 21st Century Infrastructure

Goal:
Develop ample and efficient public utility capacity

1. Summary	North Carolina should adopt a comprehensive development strategy for ensuring adequate water capacity for spurring sustainable economic growth and ensuring full compliance with the federal Safe Drinking Water Act (SDWA). Nationally, our aging water infrastructure, due to unprecedented demands, increasing federal mandates, costly technology upgrade requirements and a 70% decline in federal support, is facing a $2 trillion investment deficit ove the next twenty years.
2. North Carolina Now	• Legislation – North Carolina §xxxxxx • Responsible agencies – North Carolina Department of xxxxx, Division • Programs – • Funding – Our projected water capacity needs over next 20 years total $11.3 billion; federal funding for water capacity development in North Carolina decreased by 26% in 15 years (43%, 1981 to 17%, 1997) • Other factors: – Only 25% of all water systems have 100,000 gallon excess capacity required for industrial development – 80% of our water systems rely on groundwater; only 25% of groundwater-reliant water systems have excess capacity needed for economic growth – Small water systems (e.g. systems serving < 3,300 customers) represent 90% of total water systems operating in state
3. Model Legislation	• National Governor's Association – • National Conference of State Legislatures –
4. Promising Practices	• Prior federal investments in water infrastructure (e.g., 1972 Clean Water Act) yielded substantial improvements in water quality and capacity, spurring $500 million fishing industry in Lake Erie and $120 million investment in Lower Potomac River • Virginia, West Virginia and Georgia, by adopting development plans based on Association of State Drinking Water Administrators (ASDWA) recommendations, have improved water capacity • Virginia, since adopting its new state water development strategy in 2000, improved the federal compliance rate of its 1,867 state water systems from 97% to 100% • Kentucky consolidated water systems from 698 in 1999 to 595 in 2002, meeting growing demands while reducing inadequate water systems from 41 to 25 • Washington has initiated a strategy with multiple control points and successfully made inter-system water purchases to augment existing water capacity • Arizona has successfully created community development councils to provide advice and oversight to water systems • Virginia's Peer Review Program provides expert volunteers to rural communities (upon request) to provide free on-site water system assessments in accord with SDWA guidelines and offer recommendations for enhancing system performance • Several North Carolina jurisdictions have used improved water conservation and system interconnections to significantly increase water capacity (e.g., High Point, Asheboro and Guilford County)
5. Potential Policy Initiatives for North Carolina	• Provide sufficient state funding to ensure stable long-term funding source, solve water/wastewater infrastructure capital investment gap and promote regional water planning, conservation and supply expansion • Develop state mechanism (e.g., state water and wastewater maintenance trust fund) for improving coordination of state and local water and wastewater capital resources, achieving financing economies of scale and adopting uniform infrastructure standards • Centralize state-wide authority for water infrastructure planning and monitoring efforts under the authority of a state agency

Practical, Non-Partisan Solutions

Progress Points

North Carolina Progress Points continued

Issue: Water Capacity

	• Establish market protocols for inter-system purchase/selling of excess water supply • Prioritize systems to receive capacity development funding, based on current water system adequacy, projected capacity demand and system efficiency, and establish fund-matching program between state and federal rural developments agencies • Provide incentives for consolidation of multiple small water systems and transfer control of non-community water systems from localities to state • Establish more rigorous standards for local water systems (e.g., require business plan, long-term water supply forecasts and annual infrastructure assessment) and offer fiscal incentives (e.g., low interest loans) to local systems that comply with standards • Strengthen state oversight and regulation to ensure viable water system capacity (e.g., establish permit programs for infrastructure construction, system ownership, and system operation to ensure a statewide standard for water capacity) • Develop long-term strategy to target water capacity development towards attracting sustainable industry • Provide state support for alternative methods of developing water capacity (e.g. desalination, reverse osmosis, and water reclamation) • Encourage localities through regulation, monitoring and fiscal incentives to use practical techniques to improve water capacity (e.g., water reclamation and inter-basin water transfer programs, water shortage response programs, excess use rate structures, water reuse for non-potable water needs and better interconnections) • Promote outsourcing of system operation, maintenance and technical assistance • Designate universities as regional resource centers for water systems; organize, fund and maximize leverage of higher education resources (e.g. community college system) to provide training and technical assistance • Integrate statewide water system databases (e.g., sanitary surveys, financial reports, technical assessments and customer, supply, monitoring, capacity databases)
6. Rationale for Policy Change	• Adequate water capacity produces substantial benefits (e.g., higher property values, stronger tax base, better job creation and more viable ecosystems) • Privatization of system operations and maintenance functions can achieve up to 25% annual savings over public utilities due to improved operating efficiencies • Local solutions alone (e.g., privatization, cost-reduction technology or private financing) are not sufficient to finance capital investment gap; water infrastructure investments will fall short without significant state role in financing
7. Potential Fiscal Impact	• An estimated $xx billion capital investment in water and wastewater systems is needed to meet the state's long-term infrastructure needs
8. Potential Implementation Barriers	• Limited public understanding of water infrastructure problems could undermine public acceptance for increased investments or water utility fees • Financing solutions requiring increased user fees may be politically infeasible • Resistance of local systems to regional cooperation or restructuring • Inability of municipal systems to adequately fund system maintenance and upgrades • Economies of scale present obstacle for poorer rural water systems. • Inadequate administrative and operational capacity prevents many small water systems from meeting capacity standards • Economic disparity between 15 "urban" counties and 75 "rural" counties in North Carolina continues to increase, resulting in poorer rural areas lacking funds needed to maintain adequate water capacity
9. Recommended Contacts	Water Infrastructure Network (WIN) Environmental Protection Agency Appalachian Regional Commission Association of State Drinking Water Administrators NC Rural Economic Development Center
10. Recommended Links	http://www.amsacleanwater.org/advocacy/winreport/winreport2000.pdf www.asdwa.org/pubs/capdev/ ftp://ftp.denovo.net/rural/CleanWaterReport99.pdf
10. Recommended Links	http://www.amsacleanwater.org/advocacy/winreport/winreport2000.pdf www.asdwa.org/pubs/capdev/

Other Value-Added Information Products

Progress Digest

North Carolina Progress Digest

Issue: Water Capacity

20/20

Progress Board

Goal:
Develop ample and efficient public utility capacity

Imperative 7:
A 21st Century Infrastructure

Title: Report on the Efficacy of the State of Virginia's Capacity Development Strategy

Author: Robert B. Taylor, Director, Division of Drinking Water, Virginia Department of Health

Publication Date: September 2002

1. Summary	This assessment identifies structural, legal and demographic factors affecting water capacity in Virginia. Provides updated recommendations in response to new regulations to ensure compliance with 1996 Safe Drinking Water Act (SDWA). Builds on success of initial state development strategy (adopted May 2000).
2. Primary Findings	Water system capacity development remains a low priority for local and state agencies. • Development efforts undercut by reliance on state funding and exacerbated by low state funding due to FY2002 budget crisis. • Since 4–5 years are required to implement recommended programs (e.g. technical assistance), initial capacity development improvements will be marginal.
3. Primary Policy Proposals	Transfer control of non-community water systems from localities to state • Compile and maintain statewide database (e.g., annual sanitary surveys, managerial and financial report, and technical assessments). • Require development of comprehensive business plan by all water systems. • Outsource on-site technical assistance to private providers. • Establish stakeholder advisory committees to oversee system planning efforts (e.g., water system management, operators and consumers). • Organize, fund and maximize leverage of higher education resources (e.g. community college system) to provide training and technical assistance. • Regulate local zoning authority as needed to ensure viable water system capacity. • Provide funding to encourage regional water supply expansion.
4. Implementation Barriers	Insufficient financial incentives for municipal systems to make adequate investments. • Failure of municipal systems to adequately fund system maintenance and upgrades. • Limited knowledge of water capacity issues among general population. • Demographically challenged areas (e.g. low-income, low pop., high unemployment) require most capacity development initiatives.
5. Track Record	In 2000, 45 of 1,867 state water systems were non-compliant with state capacity standards, but, in 2002, no state water systems were non-compliant.
6. Other Information	**Project sponsors/partners:** Virginia Health Department, Division of Drinking Water **Relevant source information:** Source available at: http://www.vdh.state.va.us/dw/files/capdevstrategy.pdf **Other studies of interest:** Due to its large rural population, Virginia has instituted a "Peer Review Program" where expert volunteers from surrounding communities (upon request) provide free on-site water system assessments in accord with SDWA guidelines and offer recommendations for enhancing system planning, development and performance. The Peer Review program is in preliminary trials in conjunction with the Virginia Rural Water Association.

Other Value-Added Information Products

Progress Links

North Carolina Progress Portal

A compass for public policy decisions

- Home
- Welcome
- Scorecard
- Current Issues
- Future Strategies
- Facts & More
- Agency Links
- Hot Topics
- About Us

Search this site

Go!

Agency Links

Public Policy Groups
National Governor's Association (NGA)

Overview – The National Governor's Association (NGA) is the collective voice of the nation's governors that lobbies on behalf of state governments and provides a bipartisan forum to help solve state problems and shape national policy.

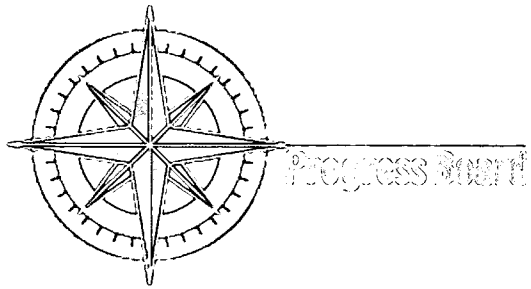
Directory of Sub-Links (North Carolina Progress Links)

Home page	Recent news articles and links to opinion articles and general information
Features	Includes index of NGG positions on various public policy issues
Center for Best Practices	Policy research, mbest practices information, and other technical assistance in the following areas: **Education** - Early childhood education, teacher quality, school performance, high school reform & post secondary education. **Social, Economic and Workforce** - Economic growth, workforce, human services, crime control & corrections. **Health** - Insurance, aging & long term-care, Medicare & Medicaid, children's health & public policy. **Homeland Security** - Infrastructure protection, communications, bio-terrorism, agro-terrorism, nuclear terrorism & cyber terrorism. **Environment, Energy & Natural Resources** - Land use, environmental & energy leadership.
Newsroom	News releases and photos.
Federal Relations	NGA policy positions pertaining to federal policy, reflecting the Governors principles on federal laws and regulations.
NGA Reports	Index of reports and issue briefs, plus a link to the Chairman's 2003-2004 long-term health care initiative.
Hot Topics	Features various hot topics for America's governors.

Featured Article or Paper

Redesigning the American High School

Summary – Virginia Governor Mark Warner has decided to focus the NGA's efforts in the coming year on improving American high schools. Because tomorrow's economy will require jobs that require education, skills and training that reach beyond high school, the NGA believes that a more challenging and meaningful high school education is critical. The NGA's goals are to raise national awareness about the need to improve America's high schools, with a particular focus on the senior year, and create common definitions for

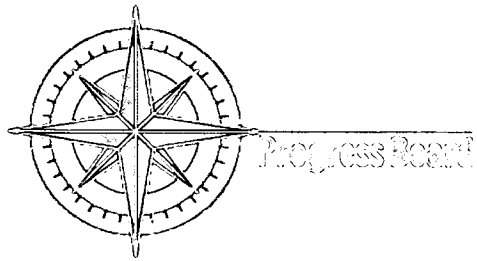


North Carolina Progress

...Charting a Better Future

Improved Communications

- Real-time data delivery (Progress Portal)
- Regional progress networks & capacity building
- Community-based engagement
- Quick strike response capabilities



North Carolina Progress

...*Charting a Better Future*

Improved Communications (Cont.)

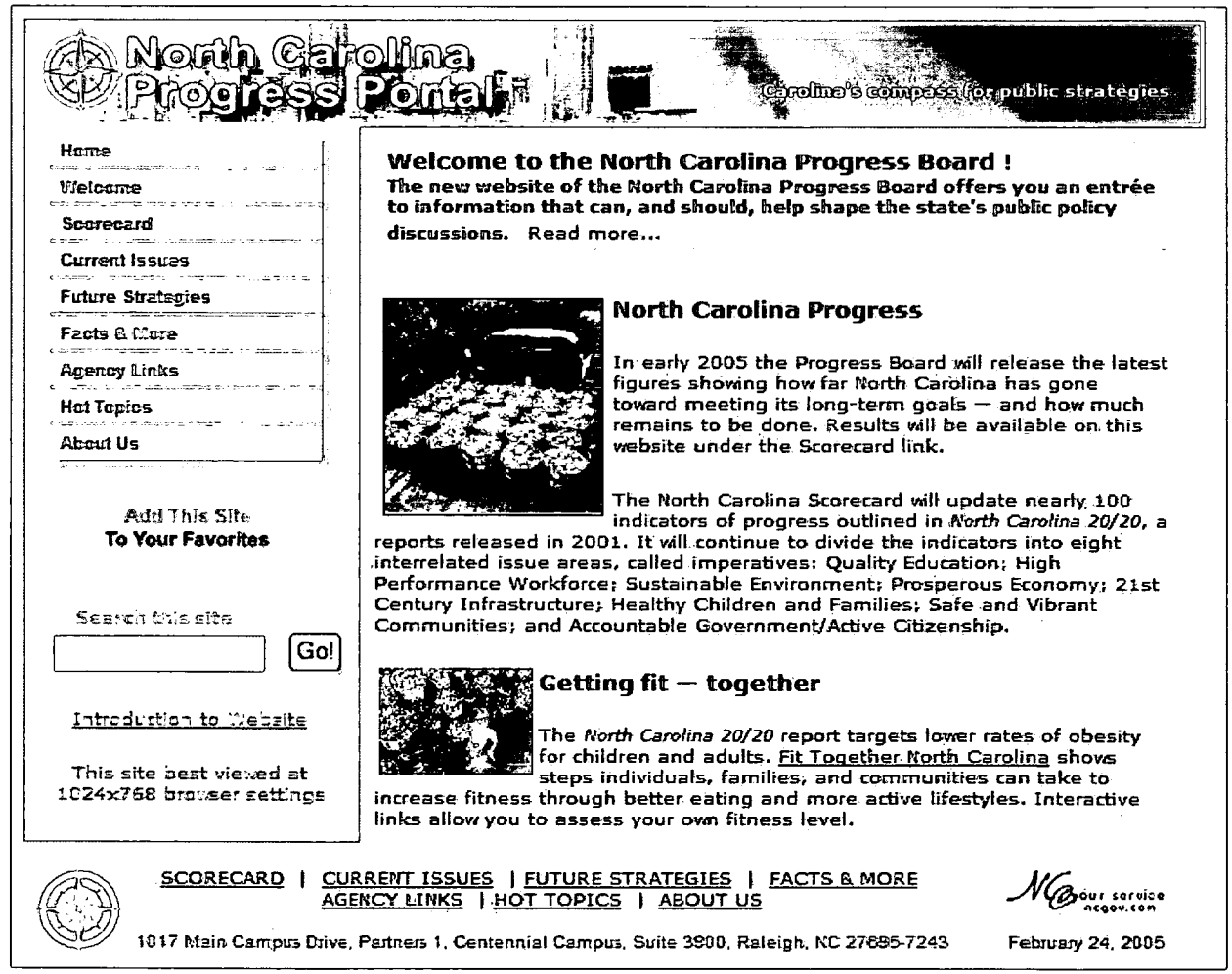
- Regional progress networks & capacity building:
  - Build regional progress networks to promote regional competitiveness
  - Bridge gap between Raleigh-centric policy centers & NC's diverse communities of interest
  - Use scorecard system to set targets for tracking regional competitiveness
- Community-based engagement:
  - Use existing local leadership networks to engage regions in target setting & scorekeeping
  - Form partnerships to facilitate community involvement (e.g., Cooperative Extension)
- Quick strike response capabilities
  - Build faculty councils to track & respond to new issues
  - Build networks of non-partisan issue advocacy groups

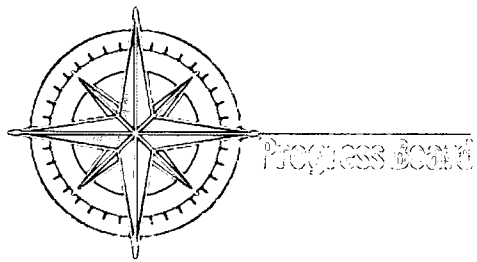
North Carolina Progress

...Charting a Better Future

New Progress Portal

- ✓ Enhanced curb appeal
- ✓ Complete, credible & contemporary data (continual quality control)
- ✓ Accessible & useful data (easy links & navigation)
- ✓ Dynamic & efficient web service capabilities
- ✓ On-line "discussion" features (e.g., electronic issue forums & surveys)
- ✓ Quick & efficient response capabilities



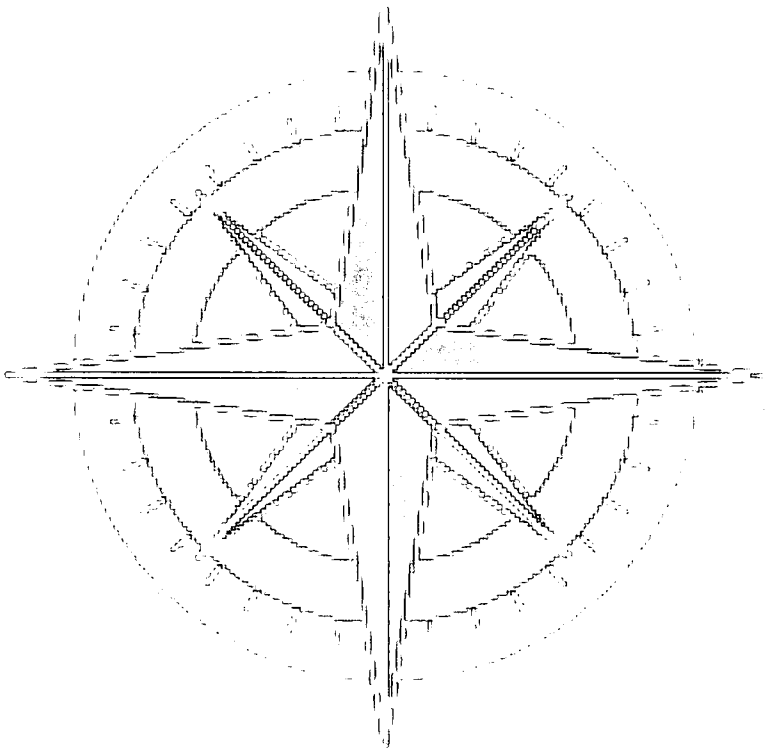


North Carolina Progress

...*Charting a Better Future*

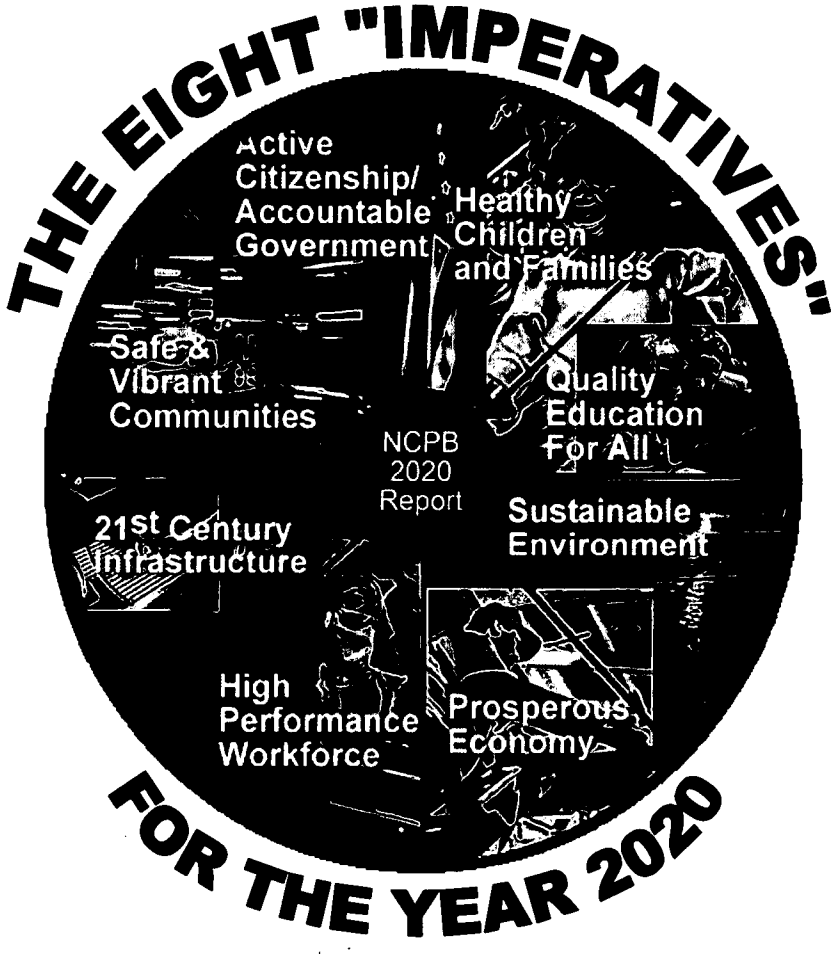
An Entrepreneurial, Sustainable Business Model

- Establish prominent, independent board
- Build virtual organization with small core staff & agile contract capacity
- Leverage NC's vast academic resources
  - Researching policy data & best practices
  - Expanding & maintaining Progress Portal
  - Facilitating regional leader engagement
- Develop entrepreneurial business unit to support core business
- Pursue emerging collaborative opportunities
- Provide scaleable administrative infrastructure for partners



Website – www.ncprogress.org

NORTH CAROLINA



A SUMMARY OF FINDINGS, FACTS, VISIONS, GOALS, AND TARGETS

FROM THE REPORT, ***NC20/20****, OF* ***THE NORTH CAROLINA PROGRESS BOARD***

December, 2001

Visions, Goals, Measures, Targets

You will be seeing these terms repeatedly in the pages that follow, so let us define them up front.

- **Vision:** a special, unusual foresight that represents our highest and best expectations for one of the eight issue areas, at a future time (the year 2020).

  Example: All families and children are healthy and live in safe and vibrant communities.

- **Goal:** a "word picture" of where we want to be, and the conditions or standards that have to be in place, i.e., sketching out what we mean by making our economy, our communities and our people and their lives "better."

  Example: North Carolinians will have adequate and affordable housing options.

- **Measure:** a quantitative indicator of progress toward the target.

  Example: Percentage of households paying more than 30% of their income for housing.

- **Target:** a measurable milestone of where the state must be along the timeline toward 2020 to achieve the goal

  Example: The proportion of North Carolina renters paying 30% of their income or more in rent will decline to 25%. The proportion of homeowners with housing expenses exceeding 30% of income will decline to 13%.

THE
NORTH CAROLINA PROGRESS BOARD

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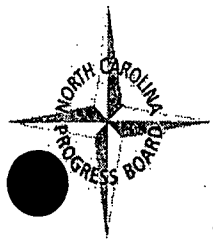

The North Carolina Progress Board is a permanent, independent state board made up of twenty four [1] members, appointed by the Governor, leaders of the General Assembly, and the Board itself to represent a cross section of the state. The Board is chaired by the Governor and, for administrative purposes, reports to the University of North Carolina Board of Governors.

The North Carolina Progress Board's mission is to define a long-term vision for the future of the state, set clear goals for attaining that future, and measure North Carolina's progress in reaching those goals. The vision allocated to eight "imperatives" that must be attained – sustained. They are: ***Healthy Children and Families, Quality Education for All, A High Performance Workforce, A Prosperous Economy, A Sustainable Environment, 21st Century Infrastructure, Safe and Vibrant Communities, and Active Citizenship/Accountable Government.***

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[1] Membership amended from 20 to 24, in SL2001-424, Senate Bill 1005, Regular Session, 2001.
(Statutory Authority: North Carolina General Statute 143B-372.1)

North Carolina 20/20

Anyone who has followed the state budget crises of the past two years understands that North Carolina is at a critical juncture. Questions abound about how the state can press forward with improvements in education, mental health care, early childhood development, and criminal justice while remaining fiscally sound. Other concerns reverberate as more of our traditional manufacturers close their doors and the up and coming "New Economy" industries retrench. Is any job safe anymore? Speaking of safety, on the drive to work this morning . . . . While these immediate issues grab our attention, it is more important than ever to keep a long-term perspective. The decisions our state makes today and tomorrow will carry forward for generations to come — for good or ill.

The North Carolina General Assembly recognized the need for such foresight when it established the N.C. Progress Board in 1995. The board's charge is to look down the road as far as possible: taking stock our strengths, reflecting on current needs, and recognizing the challenges to come. From that, the General Assembly said, we were to establish a set of goals describing where North Carolina wants to be 20 years hence and, equally important, a system for measuring our progress toward those goals. To this end, the Progress Board undertook a multi-year process that involved hundreds of people across the state and culminated in December 2001 with the release of the *North Carolina 20/20* report. The document you hold in your hands summarizes the findings and conclusions of that report.

"That's all well and good, but what are we supposed to do about it?"

We've heard such statements a number of times in our process so perhaps we should pause here to mention what we don't do. Our job is not to design programs or advocate specific policies. There can be many different approaches to solving a common problem, and more than one can be equally valid. We are not here to dictate (or even try to dictate) *which* policy or program the state adopts or rejects or expands. Instead, we offer what we hope is an objective measuring stick, a way to reflect coolly on whether the right issues are being discussed, whether programs address the most critical challenges, and whether promised solutions are in fact delivering the intended results.

As for what we will do: We *will* challenge our leaders to look beyond the day's headlines and be guided by the long-term needs of the state and her people. It's way past time to settle for the expedient solution or the short-term fix. Neither has worked in the past; and neither ever will.

For the most part, we'll allow the findings of the *20/20* report to speak for themselves, but it is worth pointing out one striking conclusion. In its instructions, the General Assembly outlined eight key issue areas for our work:

- Healthy Children and Families,
- Safe and Vibrant Communities,
- Quality Education for All,
- A High-Performing Workforce,

- A Prosperous Economy,
- A Sustainable Environment,
- A 21st Century Infrastructure, and
- Active Citizenship and Accountable Government.

We organized our findings according to these divisions, but throughout our work, we were struck repeatedly by the interconnections of these broad concepts. That are, in fact, inextricably intertwined. Touch an issue in one area, and it will reverberate throughout them all.

Consider, for example, the issue of poverty. We have made reducing poverty the No. 1 goal under Healthy Children and Families. People who live in poverty are at high risk of poor physical and mental health and often lack access to health care. Child abuse and neglect occur 22 times more often in low-income families and often lead to an endless cycle of poverty and abuse. All of these issues are covered under the Healthy Children and Families umbrella. But poverty doesn't stop there. It also is related to:

Safe and Vibrant Communities. Statewide, North Carolina suffers from a severe shortage of affordable housing, leaving poor families in crowded or inadequate housing — or paying far more than they can afford to keep a roof over their heads. Poor people also are far more likely to become victims of crime and to live in areas vulnerable to natural disaster, as we saw in the aftermath of Hurricane Floyd.

Quality Education for All. Poverty is closely tied to low educational achievement, which in turn stymies efforts to produce the High Performance Workforce, which is required to create a Prosperous Economy.

21st Century Infrastructure. A lack of dependable transportation has been cited as one of the greatest roadblocks to steady employment and advancement among participants in the state's Work First welfare program. If people can't get to work, they'll lose their jobs. High turnover affects the employers' bottom line, and without an adequate workforce, those employers can't expand or build new plants or in general help create a Prosperous Economy.

Active Citizenship and Accountable Government. Government outlays for Medicaid, which helps pay for health care for poor people, are a growing strain on the state's fiscal resources. In addition, localities with high levels of poverty lack the resources to invest in the Quality Education and Infrastructure that could help them attract better paying jobs (Prosperous Economy), protect the Environment, and make their Communities better, healthier, safer places to live.

Nor is poverty an exception in its widespread ramifications. Education ties in closely with Workforce Preparation and the ability of the state and its localities to attract and grow business, particularly the higher-wage jobs in emerging industries and in the competitive, modernized companies of our traditional industrial base (Prosperous Economy). Investments in higher education enable the research that creates business opportunities as well as educated workers. The higher incomes these jobs bring correlate with better health and retirement savings (Healthy Children and Families), greater civic participation (Active Citizenry), and higher property values that generate the revenues that enable an Accountable Government to provide better services and invest in Infrastructure and Education.

Urban sprawl provides another example. Driven in part by local planning decisions (Accountable Government) and in part by housing costs (Safe and Vibrant Communities), it is taxing our highways (21st Century Infrastructure), eating up open space and polluting our air

and water (Sustainable Environment). Long commuting times stress Families and deprive communities of Active Citizen involvement in local affairs. An inefficient and overburdened transportation system also costs businesses through lost work time as well as delays and higher costs in the delivery of goods and services. Business opportunities can be lost all together (Prosperous Economy).

You get the picture. Throw a pebble into any one of these issue areas, and eventually the ripples encompass them all. For this reason, we believe it is a serious error to consider any issue area or its related visions, goals, measures, or targets, without considering the total package. We have come to call the issue areas "imperatives" because we feel that none of them is dispensable; each one is essential.

While this report marks a milestone for us, we realize that the work has just begun. We must share our findings with you — and others like you all across this state, learn from your expertise, and incorporate your opinions as we refine our work in the years to come. We also take seriously our charge to measure the state's progress in moving toward its goals, to report that progress to the people and their leaders, and to press everyone to keep the big picture - the long-term results - in mind in their decisions every day.

No matter what course we follow now, what North Carolina is becoming is quite different from what we've been. We want to join you in make sure that the changes lead to a quality of life for all of North Carolina.

All of our lives we've heard the saying "hindsight is 20/20." It's time to make *foresight* 20/20.

What is in this report and why

The N.C. Progress Board. The Progress Board was created by the General Assembly in 1995, upon the recommendation of the Commission for a Competitive North Carolina. The board is chaired by the Governor and made up of 23 members appointed by the Governor, Speaker of the House of Representatives, President Pro Tem of the Senate, and the Board itself to represent a cross-section of the state. Initially housed in the Department of Administration, the Board now is attached administratively to the Board of Governors of the University of North Carolina system.

Our charge. Our mission is to help the state's leaders and citizens pause, reflect, take stock, and keep score, based upon a long-term view of what the state is to become, together with what it needs. That includes setting milestones and checking progress.

Reporting to North Carolinians. A key role of the Board is to report the results of its research and analysis in ways that are useful to North Carolinians and North Carolina institutions. Our first report, issued in 1997, covered four of the eight imperatives defined by the Competitiveness Commission: A Prosperous Economy, Quality Education for All, Sustainable Environment, and Healthy Children and Families. With this 2001 report, we are refining and updating the first four areas and fleshing out the rest: Safe and Vibrant Communities, A High Performance Workforce, 21st Century Infrastructure, and Accountable Government/Active Citizenship.

Organizing NC 20/20 findings and conclusions. To make sense of the huge volume of data that describe our state, and us, we had to adopt a structure that would suggest a manageable set of visions, goals, and measures for North Carolina in the year 2020. We imposed some tough limits on the numbers of goals and measures. We found we could only work with so many puzzle pieces at once.

In this condensed version of the *20/20* report (the full text is available online at the address below), you will notice the following organization:

- The imperative with its vision, representing our highest and best expectations for the year 2020.
- Under each imperative, a limited number of goals that help sketch out what we mean by the vision. We've included a short explanation and a few facts elaborating on why we find this goal to be critical.
- Specific targets for the measures we selected to track our progress. Except where noted, these targets are for the year 2020.

The citizen's role. Our work is -- and always will be, by definition -- a work in progress. To reach this point, we talked with several hundred North Carolinians in interviews, listening sessions, and other public meetings to get their sense of where North Carolina is

and where we should be headed. Now it's your turn. We need to hear from you. Have we spelled out the right vision? Do the goals, measures, and targets make sense? Is this where you *really* want North Carolina to be in the year 2020? In our effort to be concise, have we omitted critical goals or measures?

At the back of this book is a response form. We hope you'll take a few minutes to fill it out. If you're attending one of our citizen assemblies, you may leave it with us then. If not, mail it to us or fill out the online version on our website. Don't feel limited by the questions we've asked. Take as many pages, and address as many issues, as you like. We look forward to including your thoughts as we continue to sharpen North Carolina's vision for 2020.

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Imperative 1: Healthy Children and Families

Healthy Children and Families

Vision for 20/20:

Families and individuals of all ages thrive in North Carolina. From early childhood well past retirement, our citizens are mentally and physically fit, with no significant differences in health across racial, ethnic, or geographic lines. Our most vulnerable citizens -- children and the elderly -- are surrounded by a supportive family and community.

♦♦♦

Goal 1: Fewer North Carolinians will live in poverty and near poverty.

Poverty puts people at risk of nearly every negative factor we can measure, including poor health, lack of health insurance, failure in school, child abuse and neglect, inadequate housing, and crime victimization. All of these factors create a drain on the rest of the community as well. High levels of poverty make communities less attractive places to visit or locate businesses and prevent those communities from investing in their own futures, including the very support systems many families need to survive and thrive. Unless we tackle this core problem, we will forever be addressing its consequences.

Facts:

- 28% of all North Carolinians have incomes below 200% of the federal poverty level. This 200% level approximates a living income standard.
- A disproportionate number of our most vulnerable citizens -- 38.4% of all children and 33% of seniors -- live in households below 200% of the federal poverty level.
- Of the state's elderly population, rural African-American women are particularly likely to be poor, with poverty rates exceeding 80% in some counties. (p16, f32)
- The gap between the rich and poor North Carolinians is growing. (p.13, f18)
- In 1997, North Carolinians earned $26,672 compared with a national median of $30,336.
- Women earn less than men do: about 74 cents to the dollar.
- Single mothers and minority women are clustered in jobs that tend to pay even less.
- Only 40% of Baby Boomers now employed in NC can expect a pension on retirement. (p16f33)
- Although 73% of non-Hispanic white families in NC own their homes, only half of minorities do. (p17f35)

Targets:

1) **Poverty.** Reduce by one-half the proportion of the population living below 200% of poverty. Better than average improvements should be made among the elderly, minorities, and rural residents.

2) **Annual Wage.** North Carolinians will earn at least the national average annual wage. North Carolinians currently earn about 88% of the national average.

3) **Retirement incomes.** Increase by one-third (to 70%) the percentage of North Carolinians 65 and older with retirement incomes beyond Social Security.

4) **Home Ownership.** Increase the overall rate of home ownership by 2 percentage points (to 73%) through emphasis on raising homeownership among minorities and first-time buyers.

Goal 2: North Carolinians will follow good health practices.

Health behaviors are estimated to account for 50 percent of a person's health status. If our citizens are to be healthy and if we're to lower the cost of health care, increase our productive capacity, and enjoy life to its fullest, we should first look at how we live. In North Carolina, the answer is none too well. We see a high prevalence of lifestyle-related ails, such as heart disease, stroke, chronic obstructive pulmonary disease, and diabetes.

Facts:

- 2/3 of North Carolina's preventable deaths (and a $6 billion annual drain on the economy) stem from three factors: tobacco, poor nutrition, and lack of physical activity.
- Tobacco use alone accounts for 40% of those deaths.
- Smoking rate: 30% overall; 19% of 12 to 17 year olds, 45% of 18 to 25 year olds, and 29% among those 26 years and older.
- 56% of adult North Carolinians are overweight and 19.8% are obese.
- 25% of high schoolers and middle schoolers are overweight.
- In Eastern North Carolina, the rate of death by strokes is double the national rate. (P18 f45)
- Nationwide, NC ranked 1st in the number of cases of syphilis and 4th in the rate of the disease in 1998.
- HIV/AIDS is rising among African-Americans and women. In 1999, African-Americans accounted for 70% of all AIDS cases in the state and women for 27%.
- The economic costs of substance abuse and addiction in NC are estimated at $5 billion to $7.6 billion annually. (p22f67)
- Binge drinking rate: 16.6% overall; 9% of 12 to 17 year olds; 31% of 18 to 25 year olds; 15% of those 26 and older.
- Illicit drug use rate: 11.5% of 12 to 17 year olds, 15% of 18 to 25 year olds, and 4% among those 26 years and older.
- In 2000, 87.2% of 2 year olds had received all of the recommended vaccines against childhood diseases. (p23f84)
- In 1998, less than half of the state's elderly had been vaccinated against the flu and pneumonia. (p23f86)

Targets:

1.) **Smoking.** Reduce the overall rate of smoking by two-thirds so that no more than 10 percent of adults or teens smoke.

2) **Obesity.** The percentage of overweight children will decline to 7%. No more than 37% of adults will be overweight, and no more than 13%, obese. This figures represent a reduction in the occurrence of overweight and obesity among children by 50% and among adults, by 33% or more.

3) **Syphilis/HIV.** Eradicate syphilis in North Carolina, and reduce the rate of new HIV infections by half to 9 per 100,000 population. Syphilis has been declining, but North Carolina's rate (9.6 per 100,000 population) remains one of the highest in the nation.

4.) **Substance Abuse.** Cut in half the percentage of the population who indulge in binge drinking or use illicit drugs, across every age group. Fewer North Carolinians drink alcohol than on average nationally, but those who do apparently drink significantly more.

5.) **Vaccinations.** Substantially increase the percentage of the target populations who receive recommended vaccinations. All children should receive recommended vaccinations, a 15% improvement over 2000. The rate of flu and pneumonia vaccinations among the elderly should double, to 85 percent.

Goal 3: North Carolinians will have access to health care.

Lack of access to health care carries a high price tag. People avoid or are unable to obtain preventative services. Delays in treatment result in later diagnoses when illnesses are more difficult and more expensive to treat. Those high costs in turn get passed along to the public purse and to private individuals and companies with the ability to pay, through an indirect process called cost-shifting.

Facts:

- 1.5 million North Carolinians (15.5%) lack health insurance; another 1 million are underinsured.
- 225,000 children are not covered by health insurance.
- 60% of those uninsured have incomes below 200% of the federal poverty level.
- 21 counties and parts of 23 other counties are considered areas of persistent health professional shortages.
- A 1995 survey showed that only 4% of adults who needed substance abuse treatment received it. (p27,f115)
- Almost 10% of private substance abuse treatment beds closed during 1999-2000. (p27,f116)
- Suicide ranks in the top 10 causes of death for nearly all age groups in North Carolina.
- North Carolina's suicide rate exceeds the nation's. (p28f120).

Targets:

1) **Health Insurance.** All North Carolinians will be covered by health insurance. Currently, 15.5% lack health insurance. Even though N.C. Health Choice has brought down the number of uninsured children and Medicaid coverage has increased, the number of uninsured adults has increased.

2) **Health Care Professionals.** The number of primary, dental, and mental health care professionals will be adequate to serve all North Carolinians, regardless of where they live. Currently, the supply of such professionals fails to meet the needs of roughly 10% of the population.

3) **Substance Abuse Treatment.** The number of adults receiving comprehensive substance abuse treatment, as a percentage of those who need it, should more than triple. Even this substantial increase would represent a treatment rate of only 20%.

4) **Suicide Death Rate.** Reduce the overall rate of death by suicide to no more than 6 per 100,000 population and the rate of youth suicide to no more than 4 per 100,000. The age-adjusted death rate in North Carolina for 1996-98 was 11.8. Among youth, it was 6.8 in 1998.

Goal 4: Safety and stability will be at the heart of every family.

No matter how young or how old, if we're to thrive -- physically, mentally, emotionally -- we need to feel safe and nurtured in our own homes. Infants who are not held, stroked, and talked to fail to develop normally. Growing children and teens need a secure home base from which to explore the world. Adults, too, need the support and balance that friends and family provide. For the purpose of this report, however, we limit our measures to two of the most detrimental aspects of family life in America -- spousal and child abuse.

Facts:

- Nationwide, domestic violence results in medical costs totaling $44 billion annually. (p30,f137)
- Evidence suggests that the North Carolina rate of domestic violence is 12.1 incidents per 1,000 adult female -- a 63% increase over data gathered in 1993.
- Nearly 70% of women murdered in North Carolina are killed by a current or former intimate partner; 2/3 of these murders were preceded by a documented episode of domestic violence.
- In 1997, there were nearly 35,000 *substantiated* reports of child abuse and neglect in NC.
- Children in families with alcohol problems are three times as likely to suffer abuse or neglect.
- Children in low-income families are 22 times more likely to suffer abuse or neglect.

Targets:

1) **Spouse/Partner Abuse.** Reduce the rate of spouse/partner abuse by 5 incidents per 1,000 adult females, less than half the current rate.

2) **Child Abuse/Neglect.** Ensure that no child dies as a result of abuse or neglect (contrasted with 23 in 1998) while reducing the rate of substantiated cases of abuse and

neglect by more than half (to 9 cases per 1,000 children). Reports of abuse and neglect increased 250% between 1989 and 1998.

Imperative 2: Safe and Vibrant Communities

Safe and Vibrant Communities

Vision for 20/20

Communities of every size and in every region of the state offer their citizens a desirable quality of life. Citizens live in safety and in harmony. Communities achieve economic and environmental sustainability as home, civic, and cultural life prospers. And everywhere, communities celebrate vitality evident in the proportion of young people who choose to remain at home, or to return home, for their adult years.

♦♦♦

Goal 1: All members of the community will be valued, and their civic participation will be welcomed.

For all the ties that bind North Carolinians together, there remain wedges that drive us apart. Lingering racism is suspect in the gaps in income, health, and school achievement. Newcomers to our communities are too often greeted with misunderstanding and hostility. Our elders and our youngsters seldom receive the respect they are due. The poor become "them," rather than part of "us." Stereotypes and cronyism lock women out of business opportunities. Yet our communities will never achieve their potential, will never be truly vibrant places to live and grow, until we embrace all members of the community equally and profit from their contributions to civic life.

Facts:

- Charlotte scored next to last out of 40 metropolitan communities across the nation on a measure of interracial trust.
- African-Americans are about 10 percentage points less likely to register to vote than are whites. (p37, f161)
- Only 1/4 of Hispanic citizens in North Carolina are registered to vote.
- Black males are sent to prison 27 times as often as whites for drug-related crimes, but surveys show drug use varies little between the two races.
- Minorities are represented in the state's prisons at more than twice their proportion of the overall population. (p38, f163)
- Racial minorities accounted for only 18.3% of persons in higher-earning jobs.
- African-Americans accounted for only 13% of persons in higher-earning jobs.

Targets:

1.) **Voter Registration.** Voter registration and turnout will be equally high across all racial/ethnic groups. Available data indicate that voter registration by minorities lags behind that of whites.

2.) **Law Enforcement Treatment.** Substantially improve the perception of equal treatment by law enforcement (to 40%) and of protection of rights by the courts (to 70%) among all racial groups. To do this requires doubling the percentage of African-Americans

who perceive law enforcement as even-handed and a 40% improvement in the percentage of African-Americans who view the courts as concerned about defendants' rights.

3.) **High Wage Jobs.** Representation of minorities and women in the top wage-earning categories and among business owners will be equal to their proportion of the workforce. This reflects raising minority representation in these areas by about 70% and women's representation by roughly one-third.

Goal 2: Residents will feel safe in their homes and neighborhoods.

No community will thrive unless its people feel safe. North Carolina has been making progress in many types of crime in recent years, but safety is not merely safety from crime. People also need to feel safe from disasters and secure that, in an emergency, they will receive prompt and competent assistance. Natural disaster planning, in particular, takes on added importance given long-term hurricane forecasts and the growing population in vulnerable areas.

Facts:

- Of North Carolina's 50,000 fire fighters, 45,000 are volunteers.
- Among people 65 and older, women, and lower-income citizens, a majority indicated they did not feel safe going out at night.
- 1/2 of North Carolinians surveyed expected violent crimes to increase during the next three years.
- In 1999, North Carolina exceeded the national rate in property crimes by 25%.
- NC's rate of motor vehicle theft has exceeded the national rate for 20 years.
- Juvenile arrests for violent crimes were 50% higher in 1999 than in 1989.
- Juvenile arrests for property crimes were 20% higher in 1999 than in 1989.
- A capabilities assessment of North Carolina's readiness for handling disasters scored the state about a 4 on a scale of 1 to 5.

Targets:

1.) **Safe at Home.** Improve the percentage of residents who feel safe in their homes and neighborhoods by 10%. Surveys show that a majority of North Carolinians feel safe in various settings, but the size of the majority ranges from 59% to 90%.

2.) **Crime Rate.** The violent crime index rate will decline to 520 per 100,000 population. The property crime rate will decline to no more than 4,370 per 100,000 population. North Carolina exceeds the national average in both types of crime, with a violent crime index rate of 549.7 per 100,000 population and a property crime index rate of 4,683.5. The state's property crime rate has increased while the national rate decreased over the last decade.

3.) **Emergency Preparedness.** The N.C. Emergency Management Program will become the first state emergency management program to receive national accreditation.

Goal 3: North Carolinians will have adequate and affordable housing options.

Most people understand intuitively the difference good housing makes, not only for individuals and their families, but to the community as a whole. North Carolina, however, faces a significant challenge in meeting the demand for adequate and affordable housing. A lack of affordable housing in central cities drives the urban sprawl that increases traffic congestion, worsens pollution, and consumes farms, forest, and other open spaces. In Eastern North Carolina, Hurricane Floyd's lingering effects have exacerbated existing problems with substandard and overcrowded housing.

Facts:

- More than 1/3 of NC renters cannot afford the fair-market rent for a two-bedroom home (in some communities: 50%).
- 30% of NC renters cannot afford the fair-market rent for a one-bedroom home.
- In the Charlotte area, 30,000 citizens pay more than half of their income on housing.
- At least 44,000 North Carolinians are homeless (1/4 of them are children, most younger than 5).
- 20% of North Carolina households (some 250,000) are at the risk of becoming homeless.
- Only 44% of all adults younger than 35 own homes.
- In 14 northeastern counties, more than 7% of all homes either lacked plumbing, were overcrowded, or both.
- The gap between housing prices and income levels is growing.

Targets:

1.) **Affordable Housing.** Only 25% of North Carolina renters will pay 30% or more of their income in rent, and no more than 13% of homeowners will pay more than 30% of income on housing costs. These figures represent an improvement of 25%.

2.) **Housing Prices.** Average families in North Carolina will be able to afford a home of their own. In 1997, the median price of homes sold was $17,000 more than the average family could afford, and the gap has more than tripled since that time.

3.) **Complete Plumbing/Overcrowded Housing.** The percentage of households lacking complete plumbing has declined slowly, but steadily over the last 10 years. By 2020, the last 1.5 percent of households will have complete plumbing. Eliminate two-thirds of overcrowded housing in the state, reducing it to 1% of all housing units. As of 2000 1.85% of households were overcrowded.

Goal 4: In every community, residents will have access to essential programs and services.

Just as it takes a village to raise a child, it takes that same village to nurture an adolescent, support the parents (and aunts and uncles), encourage the grandparents, and -- increasingly -- lend a helping hand to the great-grandparents. Support services can make the difference between a family that thrives and contributes to the community, on the one hand, and a family torn apart by physical and emotional overload on the other. There are numerous

services, both formal and informal, that communities need to create healthy environments for their residents. We focus here on a few that answer the essential needs of families and individuals: the care of the young and the elderly.

Facts:

- 16,388 children remain on waiting lists for child-care subsidies.
- Teacher turnover in child-care facilities remains high at 31% annually.
- 57% of children in 2000 were cared for in facilities rated 3 stars or higher (out of 5).
- The number of North Carolinians age 65 and older is expected to reach 2 million by 2020.
- By 2010, the number of people 18 or older requiring assistance with daily living will increase by 20%, to 420,000.

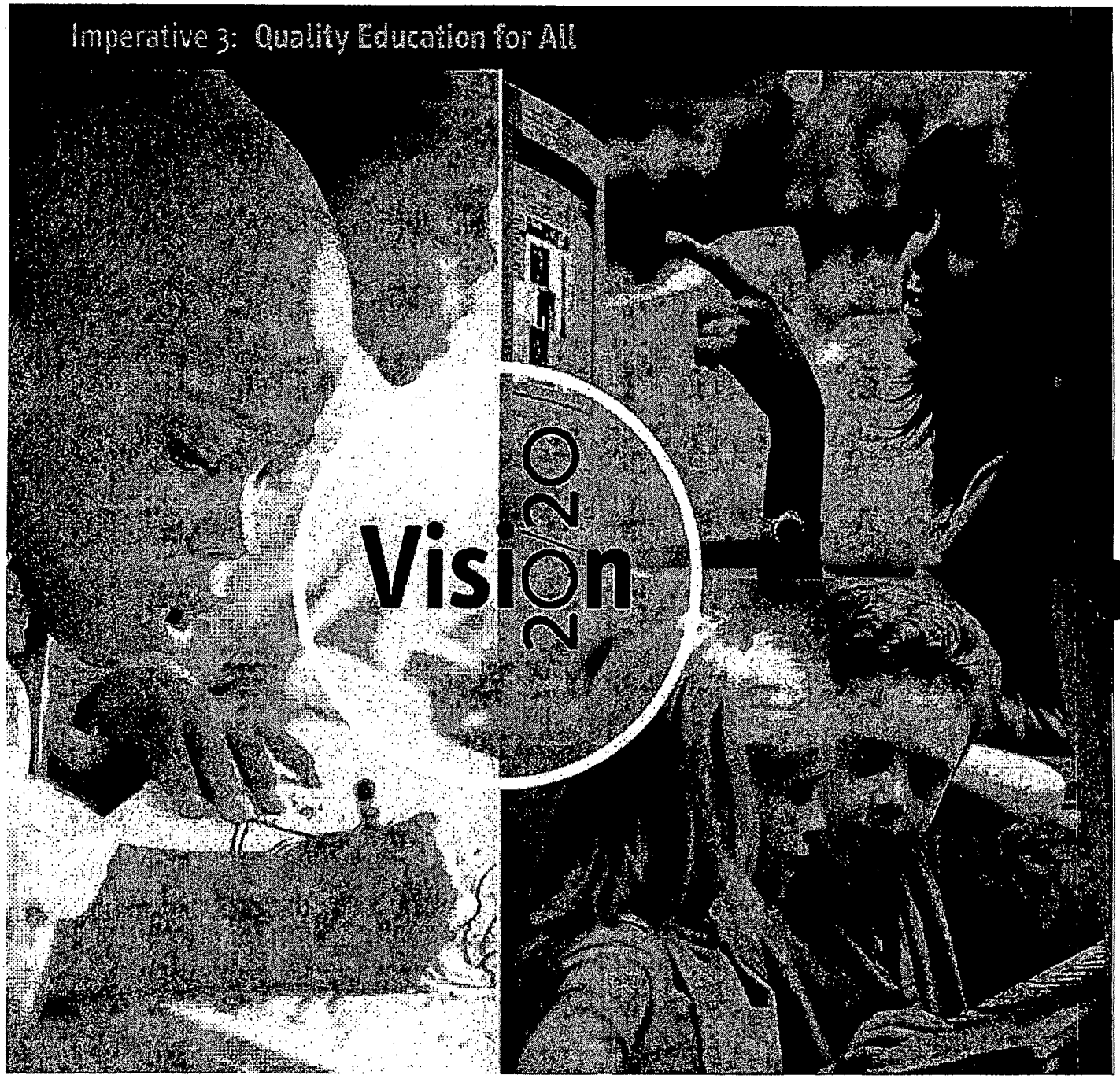
Targets:

1.) **Day Care.** 85% of children in day care will be in facilities rated with three stars or higher. The state is in the process of converting to the star system for licensing. About four out of five facilities had obtained star licenses by the end of 2000. If those prove representative of all facilities, the target represents a 50% improvement (from 57% to 85%).

2.) **Long-Term Care.** Every North Carolinian will have ready access to a core set of long-term care services. The current status is unclear.

3.) **Caregiver Resource Centers.** North Carolina will have at least 10 comprehensive caregiver resource centers to provide support for family members caring for impaired older adults. Currently, no such centers exist.

Imperative 3: Quality Education for All



Quality Education For All

Vision for 20/20

A quality education is essential to success in an increasingly competitive, ever changing workplace. In order for citizens to be contributors to the state's economy, culture, and social and religious communities, as well as the overall well-being of the state, a sound education is necessary to provide the tools needed to make wise and informed decisions. So that North Carolina's children and adults will also actively participate in our democratic government, it is crucial they are offered a quality education from early childhood past retirement.

North Carolina's education system will strengthen public schools so every child has an equal opportunity to succeed and every graduate is ready for work or additional education. All citizens will have access to continuing education opportunities through a seamless education partnership between the secondary and post-secondary educational systems in the state.

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Goal 1: North Carolinians have a basic 14-year education, and graduates will have the knowledge and skills needed to be competitive in the global economy and fully participate in our democratic system.

Both jobs and daily life are becoming more complex and demanding higher levels of skill than they did a generation ago. The national 21st Century Workforce Commission outlines the elements of 21st century literacy as "the ability to read, write, and compute with competence, think analytically, adapt to change, work in teams, and use technology."

Facts:

- 85% of all jobs by 2010 will require 14 or more years of education.
- North Carolina ranks 34th in college going rates among the 50 states.
- Less than 80% of adult North Carolinians have completed high school. (p65, F278)
- Only 3 states have lower high school completion rates than North Carolina.
- Less than a third of NC's fourth and eighth graders scored in the proficient range on standardized tests. (p64, NAEP chart)
- NC students rank in the middle among international competitors in science and math skills. (p 64, NCDPI/TIMSS chart)
- NC places 47th in a state comparison of SAT scores. The placement improves to 32nd when the scores are adjusted for the number of students being tested. (p. 66, chart)

Targets:

1.) **Student Testing.** By 2010, nine out of 10 students score at or above grade level on End-of-Grade (EOG) and End-of-Course (EOC) examinations. To reach the target, the percentage of students passing end-of-grade tests in grades 3-8 on average must move from 75% to 90% in reading and from 80% to 90% in math. On the end-of-course exams,

current scores at or above grade level range from 47% in history to 73% for physics. Students must improve from 17 to 43 percentage points in end-of-course exams.

2.) **National Assessment of Educational Progress.** NC will rank among the top 10 states in NAEP proficiency by 2010. To reach this, students must move up between two and 12 spaces in various grade levels.

3.) **Global Rank.** NC students rank above the national average on The Third International Mathematics and Science Study (TIMSS) and have scores competitive with the countries in the top tier of the study. In these global comparisons of educational achievement, North Carolina and the nation must move up at least 5 spaces to be among the top tier nations in the world.

4.) **High School Diplomas.** 95% of North Carolina students finish high school, and 60% will have at least two years of education beyond high school by 2010. To do this, an additional 16% of the current adult population over 25 must get a diploma or GED.

5.) **SATs.** The average SAT score (math and verbal) will be equal to the national average by 2010. Whether the comparison is on adjusted or raw scores, North Carolina must increase SAT scores by 14 to 28 points to reach the national average by 2010.

Goal 2: All public school students will have access to schools that create a supportive learning environment, and every student is provided an equal opportunity to reach his or her potential.

A supportive learning environment for students includes involvement of parents in activities, resources for schools to help students achieve their potential, quality teaching, and strong administration support. The challenge of creating such an environment is magnified by a rapid growth rate (fourth fastest among public school systems nationwide) and the increasing diversity of the student body. Of particular concern is an unacceptable achievement gap between white and minority students. North Carolina has focused considerable effort on improving public schools over the past two decades, yet *Education Week* graded North Carolina a "D-" for a category including class size, student engagement, parent involvement, choice, and autonomy. Efforts to improve teacher quality earned a "B+."

Facts:

- African-American students in North Carolina are 4 times more likely than white students to be designated as mentally retarded.
- African-American students in North Carolina are 2.76 times more likely than white students to be designated as emotionally disturbed.
- The nonwhite population in the schools is projected to outnumber the white population later this century, yet 85% of the teaching force is white.
- In the 1990s, a high school dropout was 4.5 times more likely to be unemployed than a college graduate.
- 12% of teens 16 to 19 are not enrolled in school and are not high school graduates.
- North Carolina needs 10,000 teachers each year for the growing student population and to replace the teachers who leave.
- The turnover rate for teachers has increased to 13.44% annually.

- Only 66% of secondary teachers are teaching in the field in which they are licensed.
- Only 41% of Hispanics have a high school diploma.

Targets:

1.) **Dropout Rates.** North Carolina will be among the 20 states with the lowest high school dropout rate. The state currently has one of the nation's highest dropout rates, with 12% of children age 16 to 19 dropping out of school. Between 1997-2000 69,715 students dropped out, about 23,000 each year.

2.) **Qualified Teachers.** North Carolina will be among the top 10 states in the percentage of fully licensed teachers and in the percentage of teachers teaching in their licensed field of expertise. The state currently is slightly above the national average in the percentage of teachers meeting license requirements, but needs to move up 13 spaces to reach the top 10 by 2010. With only 66% of teachers teaching in field, NC is about average among states, but would need to move up 12 spaces to be among the top 10. The top 10 group begins at a total of 72% (and above) teaching in field.

3.) **ABCs.** 90% of schools will be recognized as Schools Making Everyday Growth/Gains or meeting Expected Growth/Gains Standards as designated by the NC ABCs of Public Education. Looking at all categories under the ABCs of Education, 20% of schools do not meet expected improvement standards.

4.) **Attention to Students.** 90% of parents will agree that their child is known and cared about as an individual at school. Only 79% of parents surveyed say their child is known and cared about in school.

Goal 3: More North Carolinians will complete two- and four-year degrees in preparation for a knowledge-oriented economy and society.

Education pays. In strictly dollar terms, it pays a typical college graduate $20,000 a year more than a high school graduate earns. As low-skill jobs vanish, increasing the state's education level becomes more critical. Despite significant investments in its public universities and community colleges, North Carolina lags significantly in the number of adults who hold college degrees. Furthermore, compared with other states, we're dropping further behind, from 37th to 39th. Increasing tuition rates could make it even more difficult for typical North Carolinians — especially first-generation college-goers — to afford post-secondary education.

Facts:

- Between 1977 and 1997, the average income of men and women with only a high school diploma decreased by 4% in real dollars.
- Between 1977 and 1997, the income advantage associated with a college degree increased by 28% in real dollars.
- North Carolina has dropped from 37th to 39th in the US for the number of adults over 25 with a college degree.
- Only 14.7% of blacks over age 18 have a bachelor's degree.

- Only 11.3% of Hispanics over age 18 have a bachelor's degree.
- High-school graduates from lower-income families lag 32 percentage points behind higher-income families in the rate of college attendance.
- North Carolina provided $158 million in student financial aid programs during 1999-2000, but only 1/3 of these funds went to students with a demonstrated financial need.

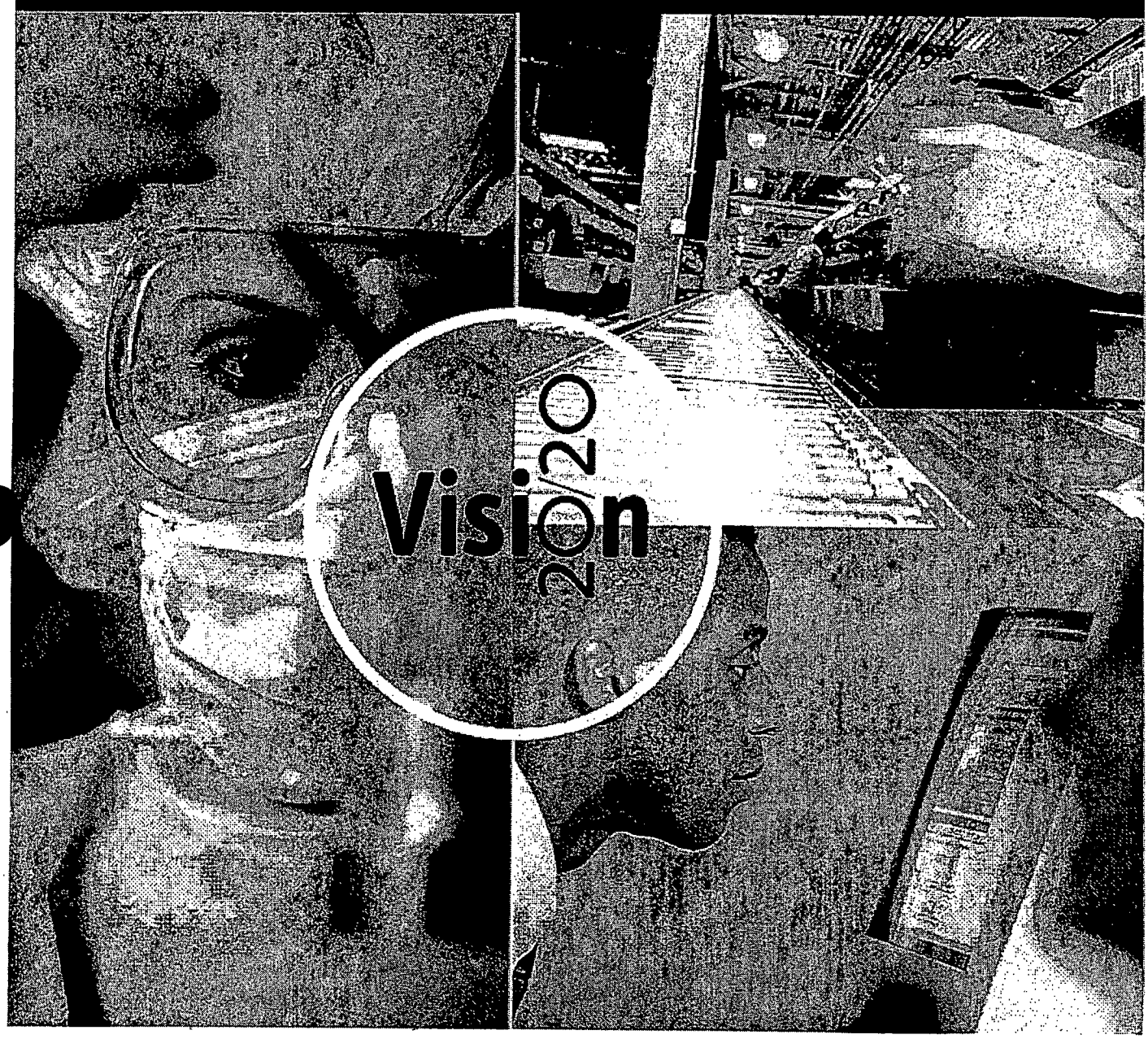
1.) **Bachelor Degrees.** North Carolina will move up 3 percentage points to reach the national average in bachelor's degree attainment by 2010, and the minority achievement gap, now 10 to 14 percentage points behind whites, will be narrowed.

2.) **Community Colleges.** 60% of the fall students of community colleges will complete their program or still be enrolled the following fall at the community college. The system has just started collecting the data, and it will not be reported until the fall of 2001.

3.) **Financial Aid.** By 2010 grants will make up 50% of student financial aid with loans and work-study programs accounting for the rest. Of the total financial aid available for students seeking higher degrees, loans and work-study are now a greater proportion (56%) than grants. This discourages entry into higher education and delays completion of degrees.

Recommendation: A Blue Ribbon Study Commission should investigate education needs for the 21st century and develop a *seamless* education system.

Imperative 4: A High Performance Workforce



High Performance Workforce

Vision for 20/20

North Carolina workers will adapt quickly to changing demands of the global workplace through their abilities to use information, think analytically, work in teams, and use technology. North Carolina workers will be prepared for these changes as a result of a partnership between the public and private sector that recognizes the importance of family-sustaining wages and benefits for all jobs. This combination will result in establishing a standard for a prosperous economy. Employers will recognize employees as an important asset and provide compensation and work environments that value workers.

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Goal 1: North Carolinians will have the knowledge, competencies, and skills needed to adapt to the ever-changing global economy.

The globalization of the economy hits home especially hard in the way it affects jobs. North Carolina competes for jobs not just with Ohio and Georgia, but with South Korean, Germany, and Mexico. Sadly, many North Carolina workers today lack the knowledge and skills they need for the changing workplace.

Facts:

- By 2006, nearly 1/2 of all US workers will be employed in industries that produce or intensively use information technology products and services.
- 60% of new jobs in the early 21st century will require skills possessed by only 20% of today's workforce.
- North Carolina has an average of 170,295 jobs that need to be filled each year.
- The top 3 fastest growing occupations in North Carolina are computer engineers, system analysts, and health care aides.
- The workforce between the ages of 25 and 34 is expected to decrease in the next few years.
- 60% of layoffs from 1998-1999 were in rural areas even though rural areas possess only 41% of total jobs.
- 31 rural counties were at least 50% above the state average in unemployment rates.
- In 1997, 52% of adults scored at the lowest two levels of literary proficiency.
- Only 43% of NC employers were satisfied with how colleges and universities prepared students for work, according to the Institute for Research in Higher Education.

Targets:

1.) **Adult Literacy.** North Carolina will move up 22 places to become one of the nation's top 20 states in adult literacy.

2.) **Employer Satisfaction with Graduates.** By 2010, nine out of 10 graduates of NC's education system will be rated satisfactory or better. While 9 out of 10 university graduates now are rated satisfactory or better by their employers, only 71 percent of high school vocational graduates achieve that rating. Comparable data on community college students are not yet available.

3.) **Technical education.** By 2020 North Carolina will increase by 30% the number of students with certificates or diplomas in computer science, engineering, and related technical training programs. North Carolina must increase its ranking by eight places to rank in the top 20 states in the number of graduates with a master's or a doctorate in science and engineering.

Goal 2: Employees will have access to continuous learning opportunities to remain competitive in the global economy.

Workers today must be continuously learning new skills. Technology brings rapid changes to the workplace, and economic restructuring means people today face more frequent job changes than their parents did. North Carolina's community college system has earned high marks for its workforce training programs. *Expansion Management* magazine ranks ranked those programs best in the nation two years in a row. Moving forward, classes offered over the Internet and other distance education initiatives are expected to play an increasingly important role in workforce training and retraining.

Facts:

- Low-skill manufacturing jobs are declining. NC lost more than 110,000 jobs in textile and apparel manufacturing alone in the 1990s. (p83, f314)
- Overall manufacturing losses continue. Between February 2000 and February 2001, the state lost 3% of its manufacturing jobs. (p83, f314)
- 12,740 students took Basic Skills courses at community colleges in 1998-99. Just under 10% went on to enroll in occupational extension courses or curriculum programs.
- Nationally, 28% of noncredit, community college students had already attained a bachelor's degree or higher.

Targets:

1.) **Continuous Learning.** By the year 2010 North Carolina will have 4% of the working age population, or 75,000 additional people, enrolled in vocational/ technical community college programs, an increase of 2 percentage points.

2.) **Basic Skills Training.** By 2010 the number of Basic Skill students who enroll in community college occupational extension and curriculum programs will increase by 30%.

Future Measure: As part of planning, the Community College System is collecting information on the percent of high demand occupations encompassed by training programs and that information will be available in 2001 and will be used as a future measure.

Goal 3: Workplaces in North Carolina will be safe places for employees to work, provide competitive salaries, offer growth opportunities, and respect workers.

Just as workers must adapt to new realities, so must employers. Increasing social mobility gives good workers opportunities to seek new jobs with better compensation and benefits. The benefits they seek often include the flexibility to deal with the demands of young children and elderly parents. At a minimum, both workers and society demand that every workplace provides a safe, healthy environment.

Facts:

- The share of workers to receive defined-benefit pension plans has fallen from 30% to 20% over the past 15 years.
- The average North Carolinian earns $2,000 less than the average US citizen.
- The average earnings per week in Wake County are nearly twice as high as those earned in some rural counties.
- North Carolina is rated 4th in the nation for highest fatal occupational injuries.
- In North Carolina, violence is the 2nd highest reason for fatalities in the workplace.

Targets:

1.) **Per Capita Income.** North Carolina will rank among the top 20 states in per capita income and in workers earning a living wage. The average North Carolinian currently makes $26,603 a year -- $2,000 less than the average US citizen. North Carolina must move up 11 places to be among the top 20 states in per capita income by 2010.

2.) **Workplace Safety.** The rate of workplace injuries and illnesses will decrease to 4 per 100 full-time workers by 2010. This means reducing workplace injuries by 1.6 injuries per 100 workers.

Recommendation: A program will be designed to prepare workers for the changing global economy through a partnership that links government, education, and employers.

Imperative 5: A Sustainable Environment

A Sustainable Environment

Vision for 20/20

As stewards of the environment, North Carolinians preserve and protect the state's vast resources. The quality of the air, water, and land will be maintained and enhanced. The collection and dissemination of environmental data will reflect advanced technology and communication.

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Goal 1: In 2020, North Carolina's air and water will be of the highest quality.

In some respects, North Carolina has made significant progress in protecting its air and water over the past 20 years. Four of the six primary air pollutants -- including lead and sulfur dioxide -- have declined since the 1970s. In addition, municipal and industrial sewage treatment plants are dumping less noxious waste into rivers. All is far from well, however. Ground-level ozone, which triggers asthma and other respiratory illnesses, has been on the increase since 1995, placing North Carolina among the least healthy states in terms of air quality. Non-point source pollution -- such as runoff from roads and agricultural lands -- presents a critical challenge in maintaining the quality of streams, rivers, and estuaries over the next 20 years. Meanwhile, both pollution and dwindling aquifers pose problems for ground water supplies.

Facts:

- In 1998, high ozone triggered "unhealthy" air advisories on 70 days.
- In 1999, North Carolina had the country's 5th highest number of unhealthy air days.
- Of the most ozone-polluted metropolitan areas in the nation, Charlotte ranked 8th and Raleigh-Durham ranked 11th.
- 27% of NC 7th and 8th graders reported either diagnosed asthma or undiagnosed wheezing.
- As of March 2001, 9,035 leaking underground storage tanks needed repair to prevent or halt contamination of groundwater by petroleum or other chemicals.
- 23% of the 32,392 active underground storage tanks are not in compliance with regulations designed to detect or prevent future leaks.
- Over the past 10 years, there have been 2,199 chemical, biological, and petroleum leaks and spills that contaminated ground water at unregulated sites.

Targets:

1.) **Air Quality.** Air quality throughout the ozone season will be assessed as "good." Half of this improvement will take place by 2010. In 2000 there were 35 "unhealthy" ozone alert days.

2.) **Surface Water Quality.** A significant improvement in the percentage of water bodies supporting their designated uses will be achieved. Specifically:
20% improvement in stream miles (500 miles cleaned up);
43% improvement in lake acres (13,600 acres cleaned up); and
20% improvement in estuary acres (14,000 acres cleaned up).

3.) **Drinking Water.** All North Carolina residents will have access to drinking water meeting water quality standards. Today 71% of the population has access to drinking water meeting federal water quality standards. In conjunction with this measure, all 100 counties will have and enforce well construction standards by 2010. Today only 30 counties have such standards.

4.) **Contaminants.** All contaminant incidents threatening damage to ground water will be properly managed. The scope of the current problem is unclear, but more than 9,000 leaks from underground storage tanks have yet to be remediated, and 7,000 tanks still in use lack the required systems for detecting and preventing future leaks. Landfills and hazardous waste sites also present threats.

5.) **Ground Water Quantity.** Withdrawal from major aquifers will not exceed the recharge rate of each aquifer. Currently, two major aquifers in the coastal plain, the Black Creek and the Upper Cape Fear, have significantly declined and are being used beyond their capacity to be replenished.

Goal 2: North Carolina will ensure healthy and productive natural resources.

The renewable natural resources that have provided sustenance and income to generations of North Carolinians are in danger. Significant steps will be necessary to allow these resource to regenerate and then to keep them diverse and productive.

Facts:
- About 55,000 acres of shellfish beds are closed to harvesting each year.
- More than 90% of shellfish acreage closures are attributed to storm water runoff.
- Of the marine fish stocks studied, more than three-quarters are in danger of depletion. (p124)
- Every year North Carolina loses about 150,000 acres of forest and agricultural land to development.
- Timber harvests clear 500,000 acres of forest land per year.
- Since colonial times wetlands have decreased by 49% in the coastal plain, 28% in the Piedmont, and 89% in the mountains.

Targets:
1.) **Shellfish.** 100% of the current acreage for saltwater shellfish will remain open for harvesting through 2020. Approximately 4% of the state's shellfish acreage (56,191) already has been closed because of pollution.

2.) **Marine Fish Stock.** 100% of evaluated fish stocks will improve and be classified as either Viable, Recovering, or under an approved rebuilding plan. Only 23% of stocks evaluated in 2000 were considered viable.

3.) **Forest land.** 100% of the current forest acres will be maintained through 2010, and forest diversity will be maintained as to age, class and type. Between 1982 and 1997, North Carolina lost an estimated 77,200 acres of forest every year.

4.) **Wetlands.** 100% of the current wetlands and riparian functions will be preserved through 2010. North Carolina currently has 5 million fully functioning acres of wetlands and 2.5 million acres of degraded wetlands.

Goal 3: North Carolina will preserve and enhance the quality of rural and urban life.

While the state's growing population aids economic vitality, it also challenges policy makers to control urban sprawl. Today that sprawl is gobbling farm and forest land, generating unhealthy air, and increasing gasoline consumption. Some of the development is occurring in sensitive natural areas.

Facts:

- The state's population is projected to grow from 8 million in 2000 to 9.6 million in 2020.
- The population of state's five largest counties (Mecklenburg, Wake, Guilford, Forsyth, and Cumberland) grew an average of 26% during the 1990s. (p129, f413)
- The coastal counties of Brunswick, Pender, Currituck, Dare, and New Hanover all grew by more than 20%. (p129, f413)
- Some 2.8 million acres of land was under protection from development in 2001. Most of it was owned by the federal government.
- 21 counties lack countywide plans for managing and directing growth.

Targets:

1.) **Land Use Plans.** All local governments will have and use plans incorporating growth management strategies, development monitoring measures, and natural resource conservation policies. Growth is directed to areas with existing infrastructure, including transportation, and water and wastewater systems. Currently 79 counties have land use plans.

2.) **Protected Land.** North Carolina will protect from development an additional 1 million acres of land, reserving it for such uses as parks, forests, floodplains, and wildlife areas. This represents a 35% increase over the acreage under protection in 2000. Present funding levels allow for the protection of only 43,000 to 63,000 acres per year.

3.) **Brownfields.** By 2010, some 2,000 current brownfield properties will be fully utilized. Brownfields are abandoned, idled, or underused industrial properties where expansion or redevelopment is complicated by real or perceived contamination.

Imperative 6: A Prosperous Economy

A Prosperous Economy

Vision for 20/20

North Carolina's growing, dynamic economy is competitive in the global marketplace. It is diversified. High-quality jobs are plentiful across all economic, geographic and demographic sectors, without undue reliance on too few industries. "Knowledge workers" dominate the workforce and citizens take advantage of modern communications and technology to create new economic opportunities.

Sound, strategic investments in people and infrastructure have accelerated our transition from traditional to knowledge-based economies. Through our willingness to think boldly -- and our faith in ourselves -- we have built a "New Economy" laboratory on the foundation of our traditional economic strengths. Through research and reinvention, we have made our agrarian and manufacturing past a vital part of today's prosperous economy.

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Goal 1: Promote dynamic, diverse, and sustainable economic growth across all regions and demographic groups.

The economic transition of the past two decades has left many in our state battered and bewildered. To ensure that no North Carolinian is left behind, the state should work to create not only a strong economy but one that is diverse enough to weather the ups and downs of global markets and can be sustained over the long term.

Facts:

- Measured in dollar terms, manufacturing represents the largest sector of the state's economy (27%). The services sector, on the other hand, accounts for the largest proportion of jobs (26.2%).
- In 2000, non-farm employment totaled nearly 4 million.
- In 2000, NC ranked 21st in the US in per capita Gross State Product.
- From 1990 to 2000, NC ranked only 26th in the nation in long-term employment growth.
- In terms of short-term economic growth (measured by employment, personal income, and population), NC fell from a national ranking of 6th in 1997 to 15th in 1998 and to 22nd in 2000.
- In terms of lowest unemployment rate, NC fell from a national ranking of 12th in 1996 to 13th in 1998 and to 15th in 2000.
- 26 counties in North Carolina had a poverty rate of at least 18% continuously from 1980 to 1999.
- In 1998-1999, rural areas (with only 41% of all jobs) incurred nearly 60% of the layoffs and 2/3 of manufacturing job losses.

- From 1980-1998, North Carolina's average income increased by 39.5% for the wealthiest 1/5 of households, but by only 0.1% for the poorest 1/5 of households.

Targets:

1.) **Long-term growth.** NC will rank in the top 10 states for long-term growth for Gross State Product (GSP). From 1977 to 1997, NC ranked 12th in its GSP growth rate, but NC is ranked only 22nd in the US in per capita GSP in 2000.

2.) **Short-term growth.** NC will rank in the top 10 states in ratio of net business starts. The state ranked 7th in 1998, but fell to 11th in 1999.

3.) **Employment.** NC will rank in the top 10 states for long-term growth rate for jobs. From 1990 to 2000, NC ranked only 26th in long-term employment growth.

4.) **Personal Income.** NC will rank in the top 20 states for per capita income (or 100% of the average US per capita income). From 1990 to 1999, NC's per capita personal income grew from 87% of the US level to 91%, and its per capita income national rank rose from 35th to 32nd.

5.) **Economic disparity.** Non-metro per capita income will be at least 80% of metro per capita income. The per capita income gap between rural and urban NC was 75% in 1996.

Goal 2: Expand the emerging economy sectors, including technology and other knowledge-based businesses.

If North Carolina is to profit from "New Economy" opportunities, both public and private investments will be required. The state will need to stimulate *private* investment in technology and innovation while it makes necessary *public* investments in education, training, and infrastructure ranging from telecommunications to transportation.

Facts:

- NC's largest New Economy cluster is information technology and instruments.
- NC's greatest relative job growth is in communications services, software, and the chemical and plastics cluster.
- North Carolina is one of the nation's leading biotechnology states. The industry is expected to bring in $24 billion in annual sales and to employ 125,000 North Carolinians by 2020.
- North Carolina ranks 30th in overall New Economy measures, 39th in workforce education, and 29th in initial public offerings.
- Since 1994, NC has produced 31,100 high-tech jobs, but its national ranking has remained at 14th.
- In 1997, NC was ranked 25th in the US in the number of patents issued per 1,000 workers.
- In 1997, NC was ranked 22nd in the US in the number of managers, professionals, and technicians as a percent of its total workforce.

Targets:

1.) **Economic Transformation.** NC will rank in the top 10 states for economic transformation, judged by the Progressive Policy Institute's State New Economy Index. In 1999, NC was ranked 30th in the overall new economy measure of the index.

2.) **Economic Dynamism.** NC will rank in the top 10 states in the value of initial public offerings as a percent of Gross State Product. In 1998, NC was ranked 29th in the US by this measure.

3.) **Innovation Capacity.** NC will rank in the top 10 states in research and development spending as a percent of GSP. In 1999, NC was ranked 27th.

4.) **New Economy Jobs.** NC will rank in the top 10 states in the number of high-tech workers per 1,000 jobs. In 1999, NC was ranked 23rd by this measure and 22nd in the percent of civilian scientists and engineers.

Goal 3: Revitalize the traditional economic sectors and ensure their competitiveness in national and global markets.

The transformation of North Carolina's traditional economy — including the manufacturing and agricultural industries — is well under way. In economic terms, this transformation involves a shift from traditional to knowledge-based manufacturing and a greater focus on international trade. In human terms, it often means layoffs and economic hardships, a burden felt disproportionately by rural communities. Strengthening these industries for the long term will require investments in innovation, modernization, and new ventures.

Facts:

- Apparel, textiles, and wood products account for 415,000 jobs in the state. (p. 149, f475)
- Three out of 10 rural jobs are in manufacturing. (149, f476)
- The agribusiness industry contributes $46 billion to the state's economy annually. (p149, f478)
- North Carolina ranks fourth among states in net farm income. (p151, f492)
- North Carolina lost 49,000 manufacturing jobs from July 2000 to July 2001.
- In July 2001, the unemployment rate reached 5.3% (the highest since April 1993). In 1997, NC was ranked 43rd in the US in manufacturing capital investment.
- North Carolina ranked 20th in traded sector strength, 27th in traded sector strength change, and 10th in traded sector competitiveness (these ratings have declined since 1995).

Targets:

1.) **Industrial Transition.** NC will reach 110% of the US ratio of average wages for major growth sectors compared with average wages for declining sectors. In 1997, NC's industrial transition ratio was 106.7% of US ratio (97.3 for NC v. 90.4 for US).

2.) **Traded Sector Strength**. NC will rank in the top 10 states for traded sector strength. In 2000, NC was ranked 20th in traded sector strength and 10th in traded sector competitiveness.

3.) **Manufacturing Vitality**. NC will rank in the top 10 states in the percent of manufacturing jobs of total non-farm jobs. Despite declines in manufacturing jobs, including sharp drops in textile and apparel jobs, NC ranked 4th in 1998 in manufacturing employment as a percent of total employment.

4.) **Agriculture Vitality**. NC will rank in the top 10 states in net farm income. In 1997, despite restructuring and other challenges, NC ranked 4th in the US in net farm income and 8th in total agriculture cash receipts.

Goal 4: Promote the expansion of international markets and facilitate access to foreign capital and commerce.

Competitiveness in the global economy requires a new way of thinking. Instead of deciding which products to export, we will determine what we produce based on what the global market needs. Ultimately, this new perspective, coupled with disappearing trade barriers, will result in more exports and more high-quality jobs throughout the state and will make the state a force to be reckoned with in the global market place.

Facts:

- By 1997, foreign investment generated 225,000 jobs -- 3rd highest in the nation. In 1998, 738 foreign-owned companies from 35 countries had operations in NC.
- NC ranks 25th in the nation in the ratio of exports to Gross State Product.
- NC ranks 37th in the nation in export-oriented jobs.
- From 1997 to 1998, NC's national ranking in foreign direct investment fell from 3rd to 14th.

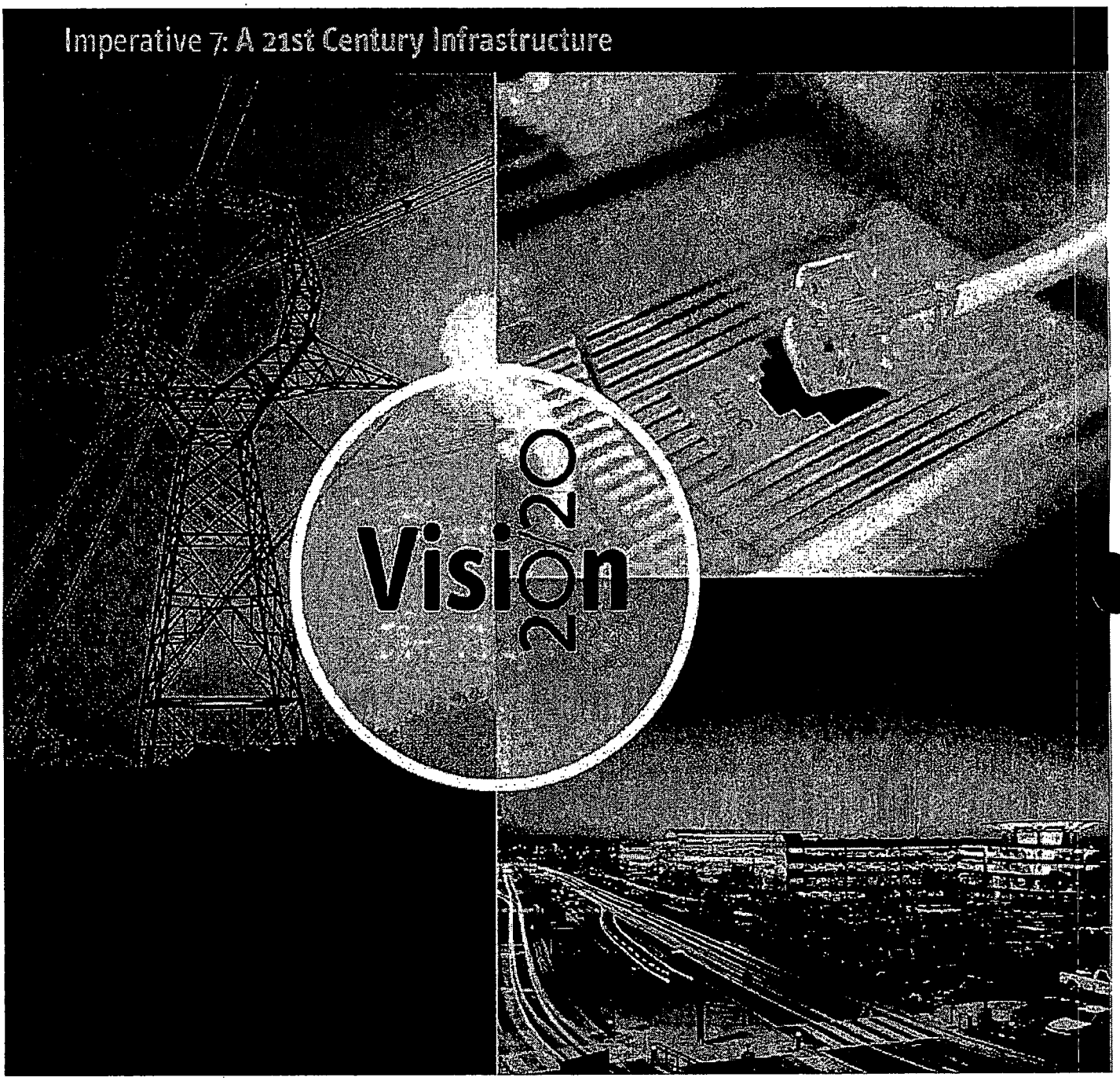
Targets:

1.) **Global trade**. NC will rank in the top 10 states in merchandise exports as a percent of GSP. In 1997, NC's export intensity ratio was below the US average, ranking it only 25th in the nation.

2.) **Export-Oriented Jobs**. NC will rank in the top 10 states in the share of manufacturing jobs dependent on exports. Based on 1992 data, NC ranked 37th in the US in its percent of jobs in export-oriented companies.

3.) **Foreign Capital.** North Carolina will rank in the top 10 states in foreign direct investment. In 1997, NC ranked 3rd in the nation in foreign direct investment, but our national rank in workers employed by foreign companies, a FDI indicator, shows signs of slipping.

Imperative 7: A 21st Century Infrastructure



21st Century Infrastructure

Vision for 20/20

North Carolina -- long recognized as the *good roads state* -- wins renewed acclaim for a globally competitive public infrastructure and is considered *the best practice state* for public infrastructure -- both *hard* and *soft* public infrastructure.

Its *hard* infrastructure effectively integrates efficient transportation modalities, reliable and affordable energy generation and distribution networks, and safe and extensive water, sewer, storm water, and solid waste management systems. Coupled with low-cost, high-bandwidth information and telecommunication networks, the hard infrastructure provides the platform for the state's prosperous economy and renowned quality of life.

The *soft* infrastructure encompasses the state and local government fiscal, regulatory, and financing framework. In enables public officials and business leaders, together with heads of non-profit agencies, to respond creatively and quickly to new challenges. This soft infrastructure energizes the state to compete in a dynamic, knowledge-based, and communications-driven global environment.

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Goal 1: Develop and maintain a balanced, nationally recognized transportation system.

The state's transportation system must be about efficient commerce — not just good roads — to be truly competitive. In the years ahead, North Carolina's leaders will be forced to make some tough choices as they allocate scarce resources for transportation. To reconcile competing transportation demands and make each dollar count, we will have to reassess our traditional commitment to highway access and explore more efficient ways to move people, goods, and services.

Facts:

- NC has the 9th highest vehicle miles traveled per capita in the nation. North Carolinians on average drive 21% more than their national counterparts.
- In 2000, NC ranked 2nd in the nation in the total number of highway miles under state control.
- During the 1990s the state added over 4,600 lane miles to the state highway system (a 2.5% increase).
- North Carolina ranked 23rd in the nation in highway quality in 1999, according to the Corporation for Enterprise Development.
- North Carolina has the nation's 14th highest highway fatality rate.
- In 1998, NC ranked 37th in the US in urban mass transit system availability.
- NC needs an estimated $1 billion per year in new highway construction and an additional $300 million per year to meet highway maintenance standards.

Targets:
1.) **Transportation efficiency**. The average North Carolinian will drive less than does the average American. The number of vehicle miles traveled (VMT) per capita has risen every year since 1980 and NC currently has the 9th highest VMT per capita in the US.

2.) **Highway quality**. NC will rank in the top 10 states for the percent of state-controlled roads rated in fair or better condition. In 1999, NC ranked 23rd in US in highway quality, a significant improvement from its 1995 ranking of 47th.

3.) **Mass transit service**. NC will rank in the top 20 states for the total carrying capacity for urban public mass transit systems. In 1998, NC was ranked 37th in US in urban mass transit system availability.

4.) **Air service**. NC will rank in the top 10 states in per capita spending on state and local air transport. The state fell from 34th in the 1999 rankings to 36th in the 2001.

5.) **Inter-modal service.** NC will develop at least 4 inter-modal transportation facilities (linking aviation, rail, and highway systems) near the largest metropolitan centers or ports.

Goal 2: Ensure affordable energy, including electricity and natural gas.

Plentiful, reliable, and affordable energy will be required for a competitive economy. This in turn will require that the state maintain adequate oversight of energy supply and distribution, even in a deregulated environment. In the interests of energy independence and a clean environment, further emphasis should be placed on conservation and on alternative energy sources, including wind and solar power.

Facts:
- From 1990 to 1997, NC's per capita energy consumption grew by 11%.
- In 1997, NC was 22nd in the US in the portion of energy it consumed from renewable energy sources.
- From 1991 to 2000, NC's national rank fell from 23rd to 33rd in terms of the lowest residential electricity costs.
- As of May 2000, 26 of NC's rural counties had no natural gas service.
- Extending natural gas service to 22 of those rural counties would cost $2.7 billion.
- In 1998, NC was 33rd in the US for affordability of natural gas.
- From 1992 to 1999, NC's natural gas prices rose from 108% to 126% of the national average.

Targets:
1.) **Energy efficiency**. NC will rank in the top 10 states in for energy efficiency, that is, with the lowest per capita energy consumption. In 1997, NC had the 18th lowest rate of per capita energy consumption in the nation, but its per capita usage is rising.

2.) **Energy renewability**. NC will rank in the top 10 states in the share of energy from renewable sources, such as solar or wind. In 1997, NC was 22nd in the country, up from 24th the prior year.

3.) **Power affordability**. NC will rank in the top 10 states in affordable electricity, as measured by the average cost of residential electricity service. The state has dropped from 23rd in affordability in 1991 to 33rd in 1999.

4.) **Natural gas service**. 100% of NC counties will be served by, or have adequate access to, natural gas. In 2000, 74% of NC's counties had natural gas service; this represents an increase in service over 1990.

5.) **Natural gas affordability**. NC will rank in the top 10 states in natural gas affordability, as measured by average industrial natural gas cost. In 1998, NC was 33rd, and its natural gas costs are rising at a faster rate than the national average.

Goal 3: Provide safe and cost-effective water, wastewater, stormwater, and waste management systems.

North Carolina's unmet water and sewer demands are troubling, if not overwhelming. It is estimated that the state faces $11.3 billion in water and sewer capital improvement needs. This does not include stormwater system requirements. The state's ability to manage its solid waste likewise is being tested. Per capita tonnage sent to landfills continues to rise. At the current rate, within 20 years, North Carolina will need twice its existing landfill capacity.

Facts:

- Of the $11.3 billion in water and sewer capital improvement needs, 61% is required for the state's 15 urban counties and 39 percent for the 85 rural counties.
- NC is ranked 26th in the US in the percent of water systems with health-based violations.
- Of the NC water systems inventoried, 67% reported the need to replace or repair distribution lines.
- In 1998, NC was 31st in the nation in the capacity of its sewage treatment facilities to meet future needs.
- In 1989, North Carolina set a goal of reducing to 0.64 tons per capita the amount of solid waste going to landfills. Today, we send twice that amount to the landfill.

Targets:

1.) **Water safety**. 100% of residents will be served by public drinking water systems meeting established health standards. 7% of NC's water systems have reported monitoring violations, ranking the state 26th in the US in this water safety indicator.

2.) **Water capacity**. 80% of water systems will have adequate capacity for economic growth. About 45% of NC residents rely on groundwater sources for drinking water, often a source with limited excess capacity.

3.) **Sewer safety**. 100% of residents will be served by sewage disposal systems meeting established health standards. Of systems surveyed by the NC Rural Economic Development Center, 62% need to replace sewer lines and over 50% have inflow and infiltration problems.

4.) **Sewer capacity**. NC will rank in the top 20 states in the capacity of sewer systems to meet future needs. In 1998, NC was 31st in US in ability of its sewage treatment facilities to meet future needs.

5.) **Stormwater Management**. NC will establish a strategic measure for stormwater management. The state lacks such a measure now. Effective stormwater systems are critical to water quality and other environmental issues.

6.) **Solid waste**. North Carolinians on average will send less than a ton of solid waste to landfills each year. In 1999, NC generated solid waste of 1.22 tons per capita, up about 20 percent from 1992.

Goal 4: Support a modern technology infrastructure that will help residents, communities, and businesses achieve their economic, educational, and social goals.

In North Carolina, we are astute enough to see the need for innovation, but not always bold enough to pay for it. Despite early movement to establish affordable, high-speed access to the Internet, the state today lags behind most others in its performance on technology infrastructure issues. Perhaps the greatest challenge lies in determining the state's appropriate role in promoting technology and identifying the most cost-effective opportunities for public investment.

Facts:

- North Carolina was ranked 45th in the nation in the percentage of households with computers in 1998.
- Only 35% of NC households had computers and only 20% had Internet access in 1998.
- In 1999, NC was ranked 48th in the nation in the number of students per Internet-connected computer.
- NC is 33rd in the nation in the digital delivery of governmental services (28th in using digital technologies to improve public services).
- Nationally, households with incomes of at least $75,000 are 20 times more likely to have access to the Internet than are lower-income households.

Targets:
1.) **Personal technology access.** At least 90% of households will have personal computers and Internet access. In 1998, only 35% of NC households had computers and only 20% had Internet access.

2. **School technology access.** NC will rank in the top 20 states for the ratio of students to Internet connections. In 2001 there were 5.7 students per Internet connected computer. National rankings put NC 48th in students per Internet-connected computer based on 1999 data, 47th in students per multimedia computer, and 43rd in classrooms with Internet access.

3. **Digital government.** NC will rank in the top 10 states for its digital delivery of governmental services. In 1998, NC was 28th in the US in using digital technologies for improving public services.

4. **Digital divide.** At least 90% of counties will have affordable access to the latest data delivery technology. The rural/urban connectivity cost ratio is over 10:1 (based on the cost of a T-1 line).

Goal 5: Adopt flexible public policies and partnerships with regard to infrastructure development.

As the pace of economic and social change accelerates, the way in which our public agencies make decisions will have to become more "foresighted," far-sighted, flexible, fleet of foot, collaborative, *and* competitive. We will need government structures that can make quick, effective shifts in direction and respond to lightning-like changes in conditions and requirements. To remain competitive in the 21st century, we will have to reinvent what are largely 19th century governmental structures.

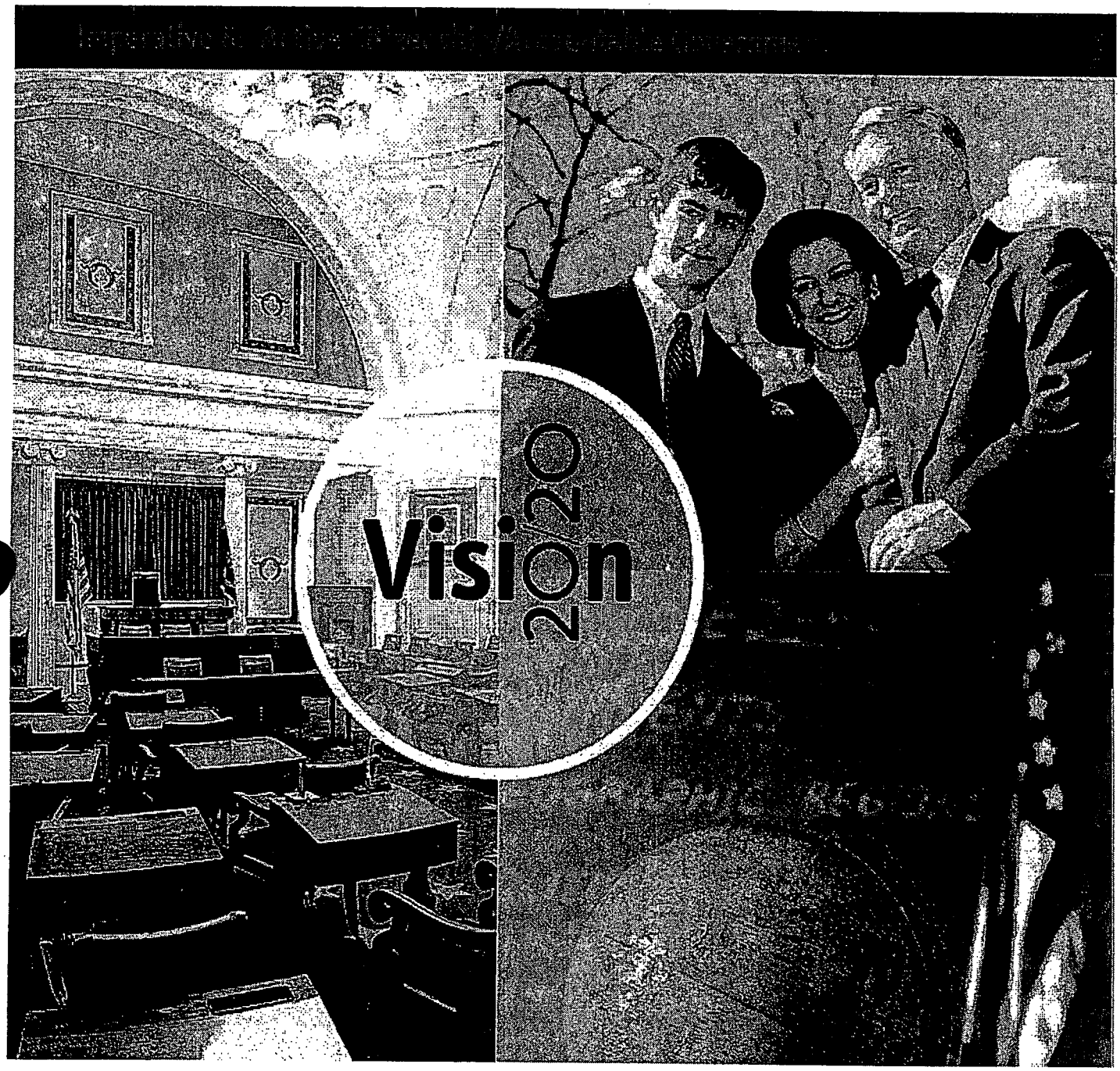
Facts:
- North Carolina was 43rd in the nation in per capita highway spending.
- Over 60% of NC's rural communities have low bond ratings.
- 90% of NC's water systems serve fewer than 3,300 customers.
- Only 33% of North Carolinians are served by water systems with more than 100,000 customers.

Targets:
1.) **Business climate.** NC will rank in the top 10 states as a place to do business. In 2000, *Site Selection* magazine ranked NC 2nd, 4th and 5th in the nation for three key business climate indicators (new and expanded facilities, new jobs, and capital investments), but two of these rankings had dropped from the previous year.

2.) **Public-private partnerships.** NC will rank in the top 10 states for university R&D spending and spin-outs. In 1997-98, NC was 10th in the US in university R&D spending and 24th in university spin-outs.

3.) **Capital investment.** NC will rank in the top 10 states for per capita state and local capital expenditures. In 2000, NC ranked 39th in per capita state and local government debt and 35th in debt as a percent of revenue.

4.) **Infrastructure planning.** At least 90% of residents will be served by large water systems (i.e., those serving more than 100,000 persons). Currently only 33 percent of NC residents are served by large water systems.


Vision
2020

Active Citizenship/Accountable Government

Vision for 20/20

Knowledgeable, informed citizens actively participate in their state and local governments and hold their governments accountable for the resources they receive and the services they provide. Citizens are empowered and actively engaged in government. As the owners of government, they have a vested interest in governance, demanding accountability, effective and appropriate services, and responsiveness.

Accountable government is effective, efficient, and responsive government. It addresses the changing needs of the state and its citizens in an efficient, appropriate, and equitable manner. It demonstrates sound planning and fiscal management. It encourages its citizens to be informed participants in civic affairs and actively involved in the governing process.

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Goal 1: Citizens assume an active, informed, and meaningful role in civic affairs at all levels.

Civic involvement is no mere luxury. In a democracy, the power to govern derives from the people. Voting is the most fundamental form of civic engagement, but also important are the voluntary activities and services that enable us to create a community out of a disparate collection of individuals. To be most effective as citizens, we must come to the task armed with a basic understanding of our government and of domestic and international issues.

Facts:

- An estimated 71% of citizens 18 and older are registered to vote.
- Voter turnout in the 2000 presidential election was 58.2%, the lowest since 1972.
- Voter turnout in the non-presidential election of 1994 was only 28.6%.
- North Carolina has the 36th worst voter participation rate in the nation.
- Students in service learning programs are more likely to vote, stay in school, and participate in the community, and they have a higher academic performance, according to the Education Commission of the States.
- Americans are 15-20% less interested in politics and 25% less likely to vote in 1994 than in 1973.
- Only 4.2% of high schoolers in 1999-2000 took courses in International Relations or World Cultures.

Targets:

1.) **Voting.** 80% of eligible voters will be registered to vote. In addition, 85% of registered voters will cast ballots in presidential elections, 75% will vote in even-year, non-presidential elections, and 60% will vote in odd-year, local elections. Voter turnout in the 2000 presidential election (58%) was the lowest recorded voter turnout since 1972.

According to the Corporation for Enterprise Development, NC is ranked 36th in the US in voter participation.

2.) **Community service.** By 2010, 50% of all high schools will require community service hours for graduation. No data are available on high schools that require community service hours for graduation, but 59 schools offer the curriculum-based "Learn and Serve" programs.

3.) **Civic knowledge.** More citizens will understand their governments and the way they work. The Civic Education Consortium of the UNC Institute of Government has developed a *Civic Index* that will create a way to track civic knowledge.

4.) **Global knowledge.** At least half of all high school students will take a course in international studies. Their teachers in turn will have demonstrated competency in the field. In 1999-2000, only 4.2% of high schoolers took an international studies class. Furthermore, a secondary social studies teacher must demonstrate competency in several areas (e.g., economics, geography, history and sociology), but not international studies.

Goal 2: State and local governments are accountable and accessible to all citizens.

If the power to govern derives from the people, then the first responsibility of any government is to ensure that the people have an effective means of participation. This includes opening government to public scrutiny and eliminating barriers to participation.

Facts:

- Only 33 counties in North Carolina use automated touch-screen voting systems.
- 15 counties still use punch card or lever machines.
- NC was tied for 26th in the US in the percent of adult Internet users visiting state or local government web sites.
- 41% of all county governments serving more than 100,000 residents and 62% of all cities serving more than 50,000 residents have received the Government Finance Officers Association budget award; state government has not.

Targets:

1.) **Election system integrity**. Every eligible and interested citizen will find it easy to register and vote, and every vote cast will be accurately counted. In North Carolina, all citizens may register to vote when they obtain a driver's license, but voter registration rolls at the voting booth are not always current. Only 33 of North Carolina's counties use modern, automated touch-screen voting systems.

2.) **Public information access.** NC will rank among the top 10 states in state government web site use and quality. In 2000, NC was tied for 26th in the US in the percent of adult Internet users visiting state or local government web sites. A Brown University study found that NC's state government web site was tied for 11th in the US in terms of quality, accessibility, and security.

3.) **Government performance measurement.** State and local governments will use performance measures for planning, budgeting, decision-making, and monitoring. In 2001, data were not available on the status of the state government's performance measurement initiative (the NC Performance Measures Status Report 2000).

4.) **Government financial accountability.** The state and local governments will maintain the Government Finance Officers Association (GFOA) Distinguished Budget Presentation Award. As of 2001, the state had not yet received this award. In contrast, 41 local governments in North Carolina, including 43% of all county governments serving over 100,000 residents and 62% of all cities serving over 50,000 residents, had earned the GFOA budget presentation award.

Goal 3: State and local governments are effective, efficient, financially sound, and responsive to all citizens.

Fiscal health is a prerequisite to effective government. Government also depends on qualified elected leaders and on trained, knowledgeable, and inventive appointment officials. To recruit and retain the best people, governments of the 21st century will have to commit substantial resources to training and development.

Facts:

- North Carolina earned a "B" rating in finances, human resources, information technology, capital management, and results-oriented management in the Government Performance Project of Syracuse University's Maxwell School of Citizenship and Public Affairs. (p. 202)
- In 1998, NC was ranked 28th in the nation for using digital technologies for improving public service.
- In 2000, NC had the 34th highest state and local government expenditures per 10,000 residents. NC has the 19th most state employees and the 28th most local government employees per capita in the nation.
- Employee turnover in state government is speeding up. The three-year retention rate from 1987 to 1990 was 60%. Ten years later, it was less than 50%.
- In 2000, approximately $9 billion of the $14.2 billion state budget was spent on personnel.

Targets:

1.) **Governmental effectiveness.** 100% of NC's largest cities (with 25,000 or more people) and counties will have a council-manager form of government, and NC will be among the top 10 states in using digital technologies for improving public service. In 1995, 100% of NC's largest cities (serving at least 25,000 persons) and 99% of NC's counties employed the council-manager form of government. In 1998, NC was ranked 28th in the US in using digital technologies for improving public service.

2.) **Governmental efficiency.** State and local governments in North Carolina will provide public services while maintaining per capita expenditures below the national average. In 2000, NC ranked 34th in state and local government expenditures per 10,000 residents.

3.) **Fiscal health.** The state will maintain its AAA bond rating, and all local governments will maintain or improve their bond ratings by 2010. The state has maintained its AAA bond rating since 1963. Most local governments are fiscally strong; 69 of North Carolina's counties are rated "A" or above by one or more of the bond rating agencies, 5 are rated "BB'" or higher, and 26 are unrated.

4.) **Public sector training.** 90% of local elected officials will complete leadership and training courses. Furthermore, 2% of public personnel costs will be devoted to employee training and skill development. In the 1990s, an average of 90% of new county commissioners and 70% of municipal office holders completed training offered through the NC Institute of Government. As of 2001, public training and development expenditures were not tracked.

The full text of **North Carolina 20/20** report is available on the World Wide Web at
www.theprogressboard.org
It contains endnotes, a key word index, and searchable text

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VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 5-26-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Taylor McLawhorn	Clean Water Management
John Quinlan	NC Budget & Tax Coalition
Mark Lanier	UNC Wilmington
Bean Mills	NC Metropolitan Coalition
Anne Barkley	NCDOC
Chris Valauri	NC Beer & Wine
BRUCE THOMPSON	PARKER POE
Ken Melton	D.O.R.

ROBERT MELVILLE

POSITION	Principal, Performance Management Partners, Chapel Hill, North Carolina.
EDUCATION	JD, Cleveland-Marshall School of Law MPA, Cleveland State University BA, Government, Ohio State University, Magna Cum Laude.
RANGE OF EXPERIENCE	Over 30 years as a proven management consultant and advisor for governments. Mr. Melville managed Price Waterhouse's government consulting practices in Denver and St. Louis for 8 years and led DMG-MAXIMUS' public sector consulting practice in the Southeast for 5 years. He has managed over 200 successful financial, organizational, productivity improvement and change management projects and offers broad expertise in public finance, organizational change, management reform, accounting, technology, state and local government law and virtually all public sector programs.
PROFESSIONAL HISTORY	Performance Management Partners, Principal, 2000 to date. DMG-MAXIMUS: Director, 1995 to 2000. Melville Public Advisors: Principal, 1989 to 1995. Price Waterhouse: Senior Manager, 1986 to 1989; Manager, 1982 to 1986; Senior Consultant, 1981 to 1982. San Francisco VNA: Manager of Fiscal Affairs, 1977 to 1979. Cuyahoga County, Cleveland, Ohio: Assistant Director, Office of Budget and Management, 1979 to 1981; Business Administrator, Human Services Department, 1974 to 1977.
SUMMARY OF RELEVANT EXPERIENCE	Managed productivity analysis and improvement projects for numerous public sector entities, including Amtrak, State of Texas, State of Illinois, State of New York, State of Colorado, Commonwealth of Virginia, State of North Carolina, State of Alaska, District of Columbia, City of San Antonio, City of Sacramento, City of Los Angeles, City of St. Louis, City and County of Denver, Hillsborough County (FL), Orange County (CA), National Association of Counties, Chicago Public Schools, Dallas Public Schools, Port Authority of Seattle, Denver Regional Transportation District, Washington Suburban Sanitary Commission and Washington University.
PROFESSIONAL AFFILIATIONS	Missouri Bar Association

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE
Tuesday, June 28, 2005 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Opportunities and Needs for Economic Growth in North Carolina (One NC) Committee met at 12:00 Noon on Tuesday, June 28, 2005 in Room 1027 of the Legislative Building. A quorum was present. Senator Martin Nesbitt, Chairman, presided.

Senator Nesbitt called the meeting to order and welcomed members and visitors.

He told the committee that Senate Bill 898 (Study of Workforce Preparation in Schools), introduced by Senator Harry Brown, was before the committee. Senator Brown was called upon to explain his bill.

Senator Brown explained that the bill was an act to establish a commission to study workforce preparation in North Carolina public schools. He said today's students need a solid academic preparation, not just for college, but also for trades such as automotive repair, high-tech manufacturing and other jobs that provide self-supporting incomes. *See Senate Bill 898 Bill Analysis as **Attachment I.***

Senator Brown has learned a great deal about vocational education by becoming involved in the programs, both in Jones and Onslow Counties. He has observed:

- Opportunities being missed, 300 classes could be offered, but only 19 of these are offered in his district of Jones and Onslow Counties, (See **Attachment II** "2004 Numbers Report for Career Technical Education"),
- Vocational programs' funding continually cut,
- Endorsement and support from the business community. As a businessman, he is already involved in an apprenticeship program.

Another consequence of SB 898 would be to help the North Carolina Community College system get back into vocational education. He felt that having more vocational education in public schools would decrease dropout rates.

When Senator Brown concluded his comments Senator East was recognized and he moved to give SB 898 a favorable report.

Senator Nesbitt said that years ago a pilot program was put in place having vocational education in the middle schools. It was a resounding success, in that it found that if students who were not good traditional students were given a hammer, a saw, a compass, a protractor, ruler, for example, all of a sudden, they could learn math. Senator Nesbitt said children learn in different ways and once you can spark that interest, then they begin to learn in all ways.

Senator Snow expressed concerns about cuts to vocational education and said he was in support of the bill.

An amendment proposed by J.B. Buxton from the Governor's Office was before the committee. Senator Nesbitt explained that the amendment would add to the study commission, someone from the Community College system and a representative from a New High School, funded by the North Carolina New Schools Project.

Senator Brown moved to adopt the amendment and the motion passed. The bill was before the committee, as amended, and there was a motion that the bill, as amended, become a committee substitute, that committee substitute be given a favorable report, unfavorable as to original bill and that it be referred to the Committee on Rules. The motion carried. (See **Attachment III**).

Senator Nesbitt told the committee that Senator Doug Berger had requested that the committee be given a presentation about a new concept in his district to create the state's first multi-county business park which communities in his area are pooling their resources to create.

The project was taking place in Vance, Granville, Franklin, and Warren Counties. Senator Berger said if the project succeeds, it could very well be the prototype for rectifying the inequities between rural and urban North Carolina.

Mr. Ernest Pearson, Managing Partner with The Sanford Holshouser Business Development Group, was recognized. He said that this is not a small effort being undertaken in the Kerr-Tar Hub, but rather on the scale of the Research Triangle Park. The measure has four counties joining together to develop four mega-sites within the four-county region. This is a massive undertaking that is focused on bio-pharma because in the cluster study done in the RTP, headed by former Governor Jim Hunt, bio-pharma was identified as a targeted area of interest. It will equip this area to be successful, whereas in the past, economic development efforts have been "hit or miss." Mr. Pearson said he thought this would be a prototype for the whole state.

When Mr. Pearson had concluded his comments, Sen. Nesbitt recognized Mr. Neil Mallory, Executive Director of the Kerr-Tar Regional Council of Governments who thanked the committee for the opportunity to speak. He said that the Kerr-Tar Hub Project began in March 2003 with a feasibility study commissioned by the Research Triangle Regional Partnership, funded by the Golden LEAF (Long-Term Economic Advancement Foundation) and conducted by the Center for Competitive Economies at the University of North Carolina at Chapel Hill.

Mr. Mallory said that the recession has hit the Kerr-Tar region hard with their rural counties losing more than 5500 jobs from 2000 to 2003. One county had the highest unemployment rate in the state for six months in a row. Citizens in that region make, on average, 15-20 percent less than the citizens in the state and 20 percent less than the rest of the nation.

Even before the recession, the Kerr-Tar region was left out of the Triangle's growth. Too many of the region's citizens commute to the metro counties of Orange, Wake, and Durham. Industrial recruitment is handicapped by the over-supply of traditional sites and buildings and fierce competition from nearby states. Even with an upturn in the general economy, Mr. Mallory said his council sees little on the horizon to change the region's economic decline unless steps are taken to change things.

Mr. Mallory said their goal is to attract investments from companies that are expected to grow in the future. They are particularly interested in companies that are expanding out of the Research Triangle Park or being created by research development activities underway in the region's universities and private laboratories. A Kerr-Tar Hub *Project Summary* is attached to these Minutes as **Attachment IV**.

Mr. Mallory called on Alice Garland from the Department of Commerce who said that the Department was very supportive of the project, and felt that it will render many benefits for the citizens in the region.

When Mr. Mallory had concluded his presentation, discussion followed.

Senator Nesbitt asked if the property for these projects have been bought. Mr. Mallory said no, that funding was needed to purchase this property.

Senator Nesbitt asked how did council talked all the landowners to participate? Mr. Mallory said they met with citizens and worked through the county commissioners.

Senator Berger said the exciting thing about all of this was that there is a merger of the economic development around the community colleges, so that people can actually walk from the job site to the college. Working out the costs and benefits of these projects will be a problem. Also, Senator Berger said that the North Carolina law relating to "tier counties" would have to be changed to allow the Kerr-Tar Project to move forward.

The meeting adjourned at 12:50 p.m.

Senator Martin Nesbitt, Chairman

Janette W. Lee, Committee Assistant

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2005

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SENATE BILL 898
PROPOSED COMMITTEE SUBSTITUTE S898-PCS55256-RO-37

Short Title: Study of Workforce Preparation in Schools. (Public)

Sponsors:

Referred to:

March 23, 2005

A BILL TO BE ENTITLED

AN ACT ESTABLISHING A COMMISSION TO STUDY WORKFORCE PREPARATION IN THE PUBLIC SCHOOLS.

Whereas, for today's youth, life after high school holds both the opportunity of getting one of the many well-paying, high-skilled jobs in the global economy and the challenge of getting the education and skills necessary to get and keep one of those jobs; and

Whereas, students must leave high school with a solid grounding in the academic, social, and workplace skills needed for the next step, whether it be postsecondary education, an apprenticeship, or a career; and

Whereas, today's youth, living and working in the 21st century, need solid academic preparation not just for college but for the trades, automotive repair, high-tech manufacturing, and other jobs that provide self-supporting income; and

Whereas, today's youth also need the skills to manage their personal lives, guide their families, and actively exercise the rights and responsibilities of citizenship; and

Whereas, North Carolina must raise the expectations of its young people and use its resources to expand their opportunities; and

Whereas, entirely too many high school students are dropping out of school in North Carolina; and

Whereas, entirely too many high school graduates are not adequately prepared for success in the workforce, community college, or a four-year college; and

Whereas, it is essential that the State assess the quality of high school graduates leaving North Carolina schools, develop strategies for improving student preparedness for the workforce or higher education, and improve upon current strategies regarding vocational training; Now, therefore,

The General Assembly of North Carolina enacts:

SECTION 1. There is created the Study Commission on Workforce Preparation in the Public Schools. The Commission shall consist of 12 members as follows:

(1) One businessperson, one school administrator, one representative from the Community College System, and one other educator, appointed by the President Pro Tempore of the Senate;

(2) One businessperson, one vocational education teacher, one representative of a new high school funded through the North Carolina New Schools Project, and one other educator, appointed by the Speaker of the House of Representatives;

(3) Two senators appointed by the President Pro Tempore of the Senate; and

(4) Two representatives appointed by the Speaker of the House of Representatives.

The President Pro Tempore of the Senate shall appoint a cochair, and the Speaker of the House of Representatives shall appoint a cochair for the Commission. The Commission may meet at anytime upon the joint call of the cochairs. Vacancies on the Commission shall be filled by the same appointing authority as made the initial appointment.

SECTION 2. In the course of the study, the Commission shall:

(1) Consider the State's progress in meeting the student performance benchmarks required by the No Child Left Behind Act of 2001;

(2) Assess the effectiveness of workforce preparation strategies;

(3) Assess efficiency within workforce preparation strategies;

(4) Evaluate the preparedness of North Carolina high school graduates by:

a. Studying remediation rates and efforts at the community colleges,

b. Studying remediation rates and efforts at the constituent institutions of The University of North Carolina, and

c. Surveying representatives of business and industry and of the United States Department of Defense. The survey shall elicit information on how well high school graduates are prepared with regard to basic skills and knowledge, how well high school graduates are prepared with regard to job-oriented skills, and how business, industry, and the military are addressing any deficiencies they encounter; and

(5) Study any other issues the Commission considers relevant.

SECTION 3. The Commission, while in the discharge of its official duties, may exercise all powers provided for under G.S. 120-19 and G.S. 120-19.1 through G.S. 120-19.4. The Commission may contract for professional, clerical, or consultant services as provided by G.S. 120-32.02.

Subject to the approval of the Legislative Services Commission, the Commission may meet in the Legislative Building or the Legislative Office Building. The Legislative Services Commission, through the Legislative Services Officer, shall

assign professional staff to assist the Commission in its work. The House of Representatives' and the Senate's Supervisors of Clerks shall assign clerical support staff to the Commission, and the expenses relating to the clerical employees shall be borne by the Commission. Members of the Commission shall receive subsistence and travel expenses at the rates set forth in G.S. 120-3.1, 138-5, or 138-6, as appropriate.

SECTION 4. The Commission shall submit a final report to the State Board of Education, the Department of Labor, and the 2006 Regular Session of the 2005 General Assembly. The report shall include recommended changes to workforce preparation strategies to ensure efficiency such as (i) strategies for consolidating State worker training programs and (ii) State partnerships with business and industry to support private training programs.

The Commission shall terminate upon submission of its final report.

SECTION 5. This act becomes effective July 1, 2005.

SENATE BILL 898:
Study of Workforce Preparation in Schools

BILL ANALYSIS

Committee:	Re-ref to Opportunities and Needs for Economic Growth in North Carolina (One NC). If fav, re-ref to Rules and Operations of the Senate	**Date:**	June 27, 2005
Introduced by:	Sen. Brown	**Summary by:**	Barbara Riley Committee Counsel
Version:	First Edition		

SUMMARY:

Senate Bill 898 establishes a Commission, membership to be appointed by the President Pro Tempore of the Senate and the Speaker of the House, to study the workforce preparedness of the State's high school students.

BILL ANALYSIS:

Senate Bill 898 creates the Study Commission on Workforce Preparation in the Public Schools. The Committee will have 10 members. The President Pro Tempore of the Senate shall appoint 2 senators, one businessperson, one school administrator and one other educator to the Commission and the Speaker of the House shall appoint 2 representatives, one businessperson, one vocational education teacher, and one additional educator. The President Pro Tem and the Speaker shall each appoint a cochair.

The Commission shall:

- Analyze the State's progress in meeting the student benchmarks required by the No Child Left Behind Act of 2001.
- Assess the effectiveness of, and efficiency within workforce preparation strategies.
- Evaluate the preparedness of North Carolina high school students by

  - Studying remediation rates and efforts at the community colleges and constituent institutions of The University of North Carolina.

  - Surveying representatives of business, industry and the Department of Defense on how well high school graduates are prepared with regard to basic skills and job oriented skills and how these groups address deficiencies they encounter.
- Study any other issues the Commission deems relevant.

The Commission is to submit a final report to the 2006 Regular Session and to the State Board of Education and the Department of Labor. The report shall include recommended changes to workforce preparation strategies, strategies for consolidating State worker training programs, and State partnerships with business and industry to support private training programs.

EFFECTIVE DATE:

The act becomes effective July 1, 2005.

S0898e1-SMRF

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2004 Numbers Report for Career-Technical Education

Download the CTE 2004 Numbers Report [44KB Acrobat file] in PDF format for offline viewing and/or printing. Requires the Free Adobe Acrobat Reader.

Enrollment Grades 9–12 • 2003–2004

Some students are enrolled in more than one career-technical education program.

	Number	Male	Female
Agriculture	33,676	24,123	9,553
Business	161,134	83,161	77,973
Career Development	9,552	5,214	4,338
Community College Courses	4,921	2,651	2,270
Family & Consumer Sciences	90,658	19,952	70,706
Health Occupations	32,445	4,389	26,395
Marketing	22,110	16,663	15,782
Technology	21,757	18,838	2,919
Trade & Industrial	82,896	71,587	11,309
Statewide Total	**511,225**	**221,355**	**240,221**

Enrollment Grades 6–8 • 2003–2004

Some students are enrolled in more than one career-technical education program.

	Number	Male	Female
Agriculture	9,411	5,336	4,075
Business	168,014	88,291	79,723
Career Development	70,194	37,612	32,582
Family & Consumer Sciences	55,611	26,920	28,691
Marketing	100	57	43
Technology	57,096	35,835	21,261
Trade & Industrial	719	456	263
Statewide Total	**361,145**	**194,507**	**166,638**

Student Participation in Career-Technical Education, Grades 9–12* • 2003–2004

Total students in Grades 9–12	368,598
Total students in Grades 9–12 in career-technical education courses	270,418
Percent of students taking at least one career-technical education course	73%

*Students are counted only once

Fiscal Expenditures • 2000–2001*

Expenditures in Career-Technical Education		
State	$290,618,533	88.8%
Federal	21,612,646	6.6%
Local	15,011,435	4.6%
Total	**$327,242,614**	**100%**

Expenditure per student in Career-Technical Education courses (grades 6–12)	$518
Expenditure per student in all school programs*	$6,696
Expenditures for all school programs*	$9,324,804,030
Percent of Career-Technical Education expenditures to all school programs	4%

*Prepared by IAS/NCDPI-110602

Professional Staff • 2003–2004

Career-Technical Education Administrators	142
Career-Technical Education Teachers	5,384
Career Development Coordinators	240
Special Populations Coordinators	129

Career-Technical Education Student Organizations • 2003–2004

	No. Chapters	Members
CECNC	45	5,058
DECA	150	5,147
Family Career & Community Leaders of America (FCCLA)	184	5,697
FBLA	255	8,831
FFA	221	14,833

HOSA	189	3,329
SkillsUSA-VICA	194	8,987
TSA	59	3,536
Statewide Total	**1,297**	**55,418**

Concentrator Data*• 2003 Graduates

Total Concentrators	29,648
Percent Employed full-time or part-time*	51%
Percent Continuing education*	80%
Percent in Military	4%
Percent in Homemaking	0%

*Some students are included in more than one category.

Unemployment Comparisons

Percent of career-technical education completers* not employed, seeking full-time work	2.92%
Percent of all youth 16-19 statewide not employed, seeking full-time work	19.9%

*Completer courses are those in a program sequence that have at least one prerequisite and that provide job skills training.

Program Area Course Offerings • 2003–2004

Agriculture	15
Business	18
Career Development	2
Family & Consumer Sciences	16
Health Occupations	7
Marketing	12
Technology	9
Trade & Industrial	46
Total	**125**

Special Populations Served in Workforce Development Education Programs, Grades 9–12* • 2003–2004

	Disadv.	Handi.	Limited English Proficient
Agriculture	14,837	5,045	275
Business	71,147	13,853	78
Career Development	3,867	1,530	442

Community College Courses	1,466	287	34
Family & Consumer Sciences	54,030	12,623	1,410
Health Occupations	10,589	1,041	262
Marketing	14,696	2,019	323
Technology	9,525	2,459	323
Trade & Industrial	37,894	11,315	1,104
Statewide Total	**218,055**	**50,172**	**7,073**

Total Special Populations Served = 275,300

*Some students are enrolled in more than one program area.

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High School

Apprenticeship

Handbook

high school apprenticeship

Issued by
the North Carolina Department of Labor, Apprenticeship and Training
and the Public Schools of North Carolina. Workforce Development

Preface

This handbook serves as a guide for local education agencies to use in developing and administering high school/youth apprenticeship programs. High school/youth apprenticeship is an instructional method that provides an intense work-based learning opportunity that leads individuals to a career in the primary job market.

The contents of this handbook will define high school/youth apprenticeship how to establish a program and the responsibilities of each key player. Apprenticeship is the highest form of workbased learning and will magnify the role and effectiveness of high school workforce development education.

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UNIT 1
What is Apprenticeship?

Apprenticeship is one of the oldest methods of career preparation. High school/youth apprenticeship is an industry-driven education and career training program based on recognized industry standards. It is a means by which employers address current and projected employment needs. This program is a partnership among business, industry, education, government, parents and youth apprentices.

Apprenticeship is a system of skilled occupational training that combines practical work experiences with related academic and technical instruction. An apprentice works on the job for a sponsor and is taught and supervised by a journeyman in that occupation. The preplanned progressively challenging apprenticeship experiences usually extends two to four years. The apprentice must successfully complete related instruction chosen by the employer. High school apprenticeship related training is usually taught at the high school. The employer may apply hours earned in high school toward the adult apprenticeship. The apprentice is formally evaluated periodically and granted wage increases for satisfactory progress. Upon completion of the work process and the related instruction, the apprentice is skilled and knowledgeable and will receive certification as a journeyman in the field.

Characteristics of Apprenticeship

- A system of voluntary employee training.
- A system of training that combines classroom related instruction with structured work- based learning. Apprentices attend class and are taught skills on the job.
- A system that utilizes a skilled journeyman to instruct the apprentice. This is accomplished as part of the work-based training.
- A system of training that requires employment by an employer who has a direct need for trainees in the occupation.
- A system of training that must be sponsored by an employer, a group of employers, or an employer associated entity.
- A system of training that can be jointly sponsored by an employer, a group of employers an individual employer and/or an organized labor organization.
- A system that provides for a portable credential.

- A system of training that is established for the highly skilled technician, craftsperson or mechanic. As a matter of practicality apprenticeship programs are not usually established in occupations that do not have a good wage potential.
- A system that usually takes two to four years to complete and requires at least 144 hours of related instruction for each 2,000 hours of work-based instruction.
- A system that is registered and monitored by the N.C. Department of Labor, Apprenticeship and Training Division. The Division provides assistance to the employer and to the apprentice and certifies both the training program and the newly trained journeyman.

Characteristics of High School Apprenticeship

- Provides work-based learning opportunities for young people that are at least 16 years of age and pursuing a high school diploma or its equivalent.
- Provides work-based learning for students in a real job environment with specific objectives and competencies.
- Provides income for the student.
- Creates an environment that requires students to relate academics to work-based activities.
- Involves employers directly with the local school district and the high school. Employers are directly involved as a participant in the program. A natural consequence is direct communications and a continuing relationship between the high school, community college, N.C. Department of Labor Apprenticeship and Training Division and employers.
- Provide students an opportunity to learn skills necessary for a career with high earning potential, personal growth and continued workplace learning after graduation.
- Provides a seamless career pathway.
- Provides a head start to adult apprenticeship.

UNIT 2
Developing A High School Apprenticeship Program

High school apprenticeship programs must be jointly developed by the local school district, a sponsoring business partner, and the N.C. Department of Labor Apprenticeship and Training Division. Only programs that involve the local N.C. Department of Labor Apprenticeship Consultant and programs that register their apprentices will be considered a high school/youth apprenticeship. The following decisions should be considered when developing a high school apprenticeship program.

Program Development Decisions

- Contact the local N.C. Department of Labor Apprenticeship Consultant.
- Decide what type of high school apprenticeship model will work best.
- Review the local labor market to determine possible occupations for training.
- Recruit prospective employers.
- Develop program guidelines applicable to the Local Education Agency (LEA) as delineated in Unit 3.
- Secure appropriate resources including support staff, travel funds, postage, etc.
- Develop an articulation with post-secondary education.
- Recruit the prospective student apprentices.
- Inform students and employers that apprentices under the age of 18 must obtain a work permit.
- Match students with the employers and occupations.
- Register the program with the N.C. Department of Labor Apprenticeship and Training Division. This will be accomplished via the apprenticeship consultant.
- Evaluate the program and apprentices.

It is important to remember that the program will begin in high school and may continue with the community college leading to an associate of applied science degree or a two year certificate. After graduation the student will be able to continue the apprenticeship. Related instruction will be articulated between the high schools and the community college. Registered high school apprenticeship program hours are applied toward the journeyman certificate.

How The Program Works

Apprenticeship is an industry driven program based on industry standards. It must be administered in accordance with the Standards of Apprenticeship. The standards are agreed to by all parties when the program is developed and registered.

- After considering individual employment and training needs, an employer or group of employers, in collaboration with the North Carolina Department of Labor, develops the - content for the "Standards of Apprenticeship." The components of the standards include:
    - Program Operation
    - Schedule of Work Process
    - Schedule of Related Instruction
    - Progressive Wage Schedule

Programs are then expected to operate in accordance with their own registered standards.

- Upon approval of the standards the employer and apprentice enter into a written agreement. The employer agrees to train the apprentice in accordance with the registered standards. The apprentice agrees to work at assigned tasks and to master related instruction. The work-based training component includes competencies that must be mastered on the job These competencies are called The Work Process.
- During the training period the employer evaluates the progress made by the apprentice both on the job and in the classroom. Satisfactory progress results in wage increases for the apprentice. The Progressive Wage Schedule is included in the apprenticeship agreement.
- During the training period the apprenticeship consultant will regularly visit the employer and apprentice to provide assistance and to assure that the program is operating within the guidelines of the "Standards of Apprenticeship." The consultant is available to assist the employer with improvement of quality and to help solve any training problems that may occur during the implementation of the program. Once the training is satisfactorily completed the North Carolina Department of Labor will issue a nationally recognized Certificate of Completion to the new journeyman.
- During the development and operation of the program the school partner will collaborate with the Department of Labor Apprenticeship and Training Division and the business partner to monitor the student's education and progress.

Key Player Responsibilities

The various key players in the high school/Youth apprenticeship partnership have specific responsibilities relating to the overall operation of the system. All of the key players must be prepared to work within the team and take the initiative for their special responsibilities. A list of the responsibilities include:

Responsibilities of Participating Business/Industry

- Participate in developing skill standards for the industry with the N.C. Department of Labor Apprenticeship and Training Division.
- Work with the N.C. Department of Labor Apprenticeship Consultant and schools to create a comprehensive Work Process for the apprentice.
- Interview and select potential high school/youth apprentices.
- Pay a progressive wage to the apprentice.
- Provide an appropriate and safe work environment for the apprentice.
- Assess the apprentice's progress and adapt work processes as necessary.
- Provide a work-site mentor and supervisor for the apprentice.
- Provide work-based learning experiences in all aspects of the industry.
- Maintain apprenticeship training records.
- Certify technical skill proficiency.

Responsibilities of the N. C. Department of Labor

- Facilitate the development of a comprehensive apprenticeship program including a detailed Work Process that identifies a clear career path with industry standards and educational requirements.
- Promote high school/youth apprenticeship with local business and industry.
- Interpret for schools and employers the application of child labor laws that apply to high school/youth apprenticeship programs. (See Appendix 2)
- Guide industries in developing skill standards.
- Issue a certificate for hours completed during high school.
- Initiate and monitor an on-the-job training record system.
- Develop the "Standards of Apprenticeship" including:
    - Program Operation
    - Schedule of Work Process
    - Schedule of Related Instruction
    - Progressive Wage Schedule

Responsibilities of the School

- Assist with apprentice selection.
- Provide a coordinator/school mentor who will give career counseling and guidance to the high school/youth apprentice.
- Coordinate school-based and work-based learning activities.
- Coordinate the apprenticeship program with the N.C. Department of Labor, Apprenticeship and Training Division, business partners and appropriate governmental agencies.
- Provide flexibility for the apprentice in course scheduling.
- Evaluate the program and award credit toward high school graduation.
- Maintain contact with parents.
- Register the high school work based experiences with the N.C. Department of Labor Apprenticeship and Training Division.
- Promote high school/youth apprenticeship with local business and industry.

Responsibilities of the High School Apprentice

- Comply with guidelines established by the school and the employer for the apprenticeship program.
- Commit to a long-term occupational and educational program.
- Assume the dual role of employee and student at the worksite.
- Maintain apprenticeship training records.
- Obtain a work permit when under the age of 18.
- Maintain satisfactory performance in the work-based and school based environments.

Responsibilities of Parents

- Provide consent for students to participate in the program.
- Provide the apprentice encouragement to perform at a high level of academic and technical skill attainment relating to all aspects of the industry.
- Meet with the school, the Department of Labor Apprenticeship and Training Consultant and the employer during establishment of the program.

UNIT 3
Writing The Program Guidelines

Each LEA will need to develop program guidelines. Apprenticeship standards are established by the N. C. Department of Labor Apprenticeship and Training Division and are the minimum for any program. Local program standards may vary depending on the local needs and should be developed in conjunction with all participating constituencies. The school and LEA will take the lead in the development of guidelines but should include employers, parents, and other stakeholders in the process. Issues that should be considered may include the following:

- How much credit does the student receive for the apprenticeship program?
- Does the apprentice need to maintain a minimum grade point average?
- How will student GPA be monitored?
- If the apprentice falls below the established grade point average, will he\she be given a grace period to improve the grade?
- What steps will be involved in the screening process that determines which students are allowed to participate in the program?
- Must certain forms be developed or adapted for the program?
    - Application for admission to the apprenticeship program
    - Recommendation
    - Evaluation report
    - Notice of Acceptance
    - Other forms deemed necessary by the LEA or School
- How does a student apply for acceptance?
- What are the rules that must be followed by students enrolled in the high school/ youth apprenticeship program concerning attendance, summer experiences, termination of an agreement or other necessary considerations?

- Is it necessary to have an application and acceptance process within the school or LEA?
- How are students and parents notified of acceptance into the program?
- What are other standards that may be necessary for a particular LEA or school?

Program guidelines are very important for insuring that all stakeholders in the program understand what is expected and what the consequences will be if guidelines are not followed. Standards must be reasonable and real world. Apprenticeship is not a simulation of the world of work but rather a real world step toward meaningful employment for the apprentice. If guidelines and processes are given adequate consideration before implementation many problems with the apprenticeship program will be avoided. (See Appendix # 3)

UNIT 4
Questions and Answers

What is High School Apprenticeship?

High School Apprenticeship is a system of education that involves skills and knowledge development. The apprentice is required to complete 144 hours of classroom training for each 2,000 hours of on-the-job training. This system involves the Apprenticeship and Training Division of the N.C. Department of Labor, the high school, and the employer. The work experience is applied to the term of apprenticeship and will lead toward completing training necessary for a journeyman certificate.

What special requirements apply to high school apprentices?

A high school apprentice must be 16 years of age and pursuing a high school diploma or equivalent. The sponsor must conform to all federal and state child labor laws. Before beginning employment all workers under 18 must obtain a work permit. Some exemptions to the child labor laws do exist that allow apprentices to perform otherwise hazardous jobs.

What occupations are apprenticeable?

The Bureau of Apprenticeship and Training officially recognizes more than 800 occupations as apprenticeable. Apprenticeable occupations can be found in almost every industry in the state. A minimum of 144 related hours and (2,000 hours) on-the-job must be included for each year of training. An apprenticeable occupation requires a minimum of one year of on-the-job training.

What will prevent a high school apprentice from dropping out of school?

An apprentice must be a high school graduate, a high school completer, have completed the equivalency examination (GED), or currently be enrolled in an academic program that will lead to a diploma. If a high school apprentice drops out of school, he/she will be dropped from the apprenticeship program and risk losing the job. Employers that encourage apprentices to drop out may have their program discontinued.

How does apprenticeship encourage high school students to continue their education?

A high school apprentice is required to take related training classes. Classes that are taken at the community college can be applied to a college degree or certificate program. Many apprentices go on to complete a college degree and in many cases the successful completion of an apprenticeship has been the first step toward supervisory and management positions.

Should all students be involved with high school apprenticeship?

Not everyone can be an apprentice. Students that secure apprenticeships must be committed, academically prepared, hard working, and motivated. Students should have good academic skills as well as technical skills. High school apprenticeship is not a replacement for existing vocational programs but rather a strategy that will give relevance to high school studies and allow the focused student a fast track into the primary job market.

How are high school apprentices supervised?

High school apprentices should be supervised in the same way and by the same school personnel that supervise other high school work-based programs. The N.C. Department of Labor Apprenticeship Consultants visit the sponsor and apprentice periodically to ensure that the program is being operated in accordance with the standards. Each high school apprentice is assigned to a recognized craftsperson or technician and will receive work-based supervision from that person.

Who will recruit employers for the high school apprenticeship program?

School personnel will have many good contacts within the local community. The apprenticeship consultant and school representative must share information, coordinate contacts, and sometimes travel together to meet potential sponsors. Recruitment of committed employers is essential for the success of the high school apprenticeship program. School personnel must take the initiative for recruiting local employers and must also maintain close contact with the local apprenticeship consultant.

What are examples of High School/Youth Apprenticeship related courses?

A high school/youth apprentice that is apprenticing as a machinist may take courses such as Computer Assisted Design, Metals Manufacturing, Related Math and/or other courses that are essential to the machinist occupation.

Glossary

Child Labor Laws
That portion of the N.C. Wage and Hour Act that applies to the employment of individuals under the age of 18. This can be found in the N.C. Labor Laws Manual Chapter 95, Article 2A. (95 25.5. Youth Employment)

Department of Labor Apprenticeship Consultant
The individual that is responsible for registering the apprenticeship program and apprentice. This person represents the N.C. Department of Labor Apprenticeship and Training Division. Apprenticeship Consultants serve various sections of North Carolina.

Director of Apprenticeship
The Director of Apprenticeship is appointed by the Commissioner of Labor and confirmed by the North Carolina Apprenticeship Council. The Director is authorized by general statute to administer the provisions of the labor laws governing Apprenticeship. (See G.S. 94.1-94.1 1, Appendix 6)

High School Apprenticeship Agreement
A written and signed training agreement between the employer, parent or legal guardian, and the high school apprentice that is submitted for approval to the N.C. Department of Labor Apprenticeship and Training Division.

High School Youth Apprenticeship
High school apprenticeship is an industry driven education and career training program based on recognized industry standards. The program is a partnership among business, industry, education, government, parents and youth apprentices. The process combines work experience with related academic and technical instruction. The apprenticeship is registered by the N.C. Department of Labor Apprenticeship and Training Division.

Journeyman (Skilled Craftsperson)
An experienced reliable worker. A person that has completed a prescribed course of training in an apprenticeship program and is expected to be able to complete assigned tasks without supervision.

LEA
Local Education Agency

Mentor
The individual that is responsible for the work-based learning of the apprentice. The supervisor and mentor may be the same individual. The mentor is more concerned with the learning process and imparting knowledge and skills than with day-to-day supervision.

NCDOL
North Carolina Department of Labor

PSNC
Public Schools of North Carolina

Registration Agency
This is the agency responsible for registering the apprenticeship program and the apprentice. In North Carolina, this agency is the North Carolina Department of Labor Apprenticeship and Training Division.

Related Instruction
Related instruction is technical classroom instruction that is job specific and essential to the completion of the apprenticeship program. A minimum of 144 hours of related instruction is required for each year (2000 hours) of work-based instruction.

Standards of Apprenticeship
A written document that describes the sponsor's operation of the apprenticeship program including the Program Operation, a Schedule of Work Processes, a Schedule of Related Instruction, and a Progressive Wage Schedule.

Supervisor
The individual that is assigned to the task of directing the apprenticeship during work-based activities.

Work Permit (Youth Employment Certificate)
All workers under the age of 18 must obtain a work permit. This document is issued by the Department of Social Services Office or designee.

Appendix

The Fitzgerald Act, The National Apprenticeship Act 1

Limitations and Exceptions for 16 and 17-Year-Old Youths, (Nonfarm) 2

Sample Program Guidelines Adaptation of existing Catawba County Guidelines 3

High School Completion Certificate 4

Training Record 5

North Carolina General Statutes XXIII. Apprenticeship Chapter 94 6

[The Fitzgerald Act]

The National Apprenticeship Act

(50 Stat. 664; 29 U.S.C. 50)

To enable the [U.S.] Department of Labor to formulate and promote the furtherance of labor standards necessary to safeguard the welfare of apprentices and to cooperate with the States in the promotion of such standards.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Secretary of Labor is hereby authorized and directed to formulate and promote the furtherance of labor standards necessary to safeguard the welfare of apprentices, to extend the application of such standards by encouraging the inclusion thereof in contracts of apprenticeship, to bring together employers and labor for the formulation of programs of apprenticeship, to cooperate with State agencies engaged in the formulation and promotion of standards of apprenticeship, and to cooperate with the National Youth Administration and with the Office of Education of the Department of the Interior in accordance with Section 6 of the Act of February 23, 1917 (29 Stat. 932), as amended by Executive Order Numbered 6166, June 10, 1993, issued pursuant to an Act of June 30, 1932 (47 Stat. 414) as amended.

Sec. 2. The Secretary of Labor may publish information relating to existing and proposed labor standards of apprenticeship, and may appoint national advisory committees to serve without compensation. Such committees shall include representatives of employers, representatives of labor, educators, and officers of other executive departments, with the consent of the head of any such department.

Sec. 3. On and after the effective date of this Act the National Youth Administration shall be relieved of direct responsibility for the promotion of labor standards of apprenticeship as heretofore conducted through the division of apprentice training and shall transfer all records and papers relating to such activities to the custody of the Department of Labor. The Secretary of Labor is authorized to appoint such employees as he may from time to time find necessary for the administration of the Act, with regard to existing laws applicable to the appointment and compensation of employees of the United States: Provided, however, That he may appoint persons now employed in division of apprentice training of the National Youth Administration upon certification by the Civil Service Commission of their qualifications after nonassembled examinations.

Sec. 4. This Act shall take effect on July 1, 1937 or as soon thereafter as it shall be approved.

Approved, August 16,1937.

Standards for 16- and 17-Year-Olds (Nonfarm)

The following standards apply to 16- and 17-year-old youths employed in nonfarm jobs.

Hours Limitations

None under FLSA: federal law does not limit either the number of hours or the time of day that youths 16 years of age and older may work (see late night work limitations page A 2–3).

Occupation Limitations

Students who are 16 and 17 years of age may perform all work except in 17 occupations considered too hazardous and six considered too detrimental for all youth under the age of 18 (see page A 2–4 for the six detrimental occupations in which employment is prohibited under North Carolina law). The Hazardous Occupations Orders (HOs) are:

HO 1	Manufacturing and storing explosives
HO 2	Motor-vehicle driving and outside helper, including driving motor vehicles or working as outside helpers on motor vehicles or driving as a part of any occupation
HO 3	Coal mining
HO 4	Logging and sawmilling
HO 5*	Work using power-driven woodworking machines, including the use of saws on construction sites
HO 6	Work where exposed to radioactive substances
HO 7	Work involving the operation of power-driven hoisting devices, including the use of fork lifts, cranes, and nonautomatic elevators
HO 8*	Work using power-driven metal forming, punching, and shearing machines, but HO8 permits the use of a large group of machine tools used on metal, including lathes, turning machines, milling machines, grinding, boring machines and planing machines
HO 9	All mining other than coal mining, including work at gravel pits
HO 10*	Work involving slaughtering or meat-packing, processing, or rendering, including the operation of power-driven meat slicers in retail stores
HO 11	Work involving the operation of power-driven bakery machines
HO 12*	Work using power-driven paper-products machines, including the operation and loading of paper balers in grocery stores
HO 13	Work in manufacturing of brick, tile, and kindred products
HO 14*	Work involving the use of circular saws, and guillotine shears
HO 15	All work involving wrecking, demolition, and ship-breaking
HO 16*	All work in roofing operations
HO 17*	All work in excavating, including work in a trench as a plumber

Exceptions to Occupation Limitations

Special Provisions for Student-Learners and Apprentices – All detrimental occupations and the seven HOs identified with an asterisk permit the employment of apprentices and student-learners in vocational education programs under certain conditions. Student-learners in STW programs will meet the student-learner exemption if the student is employed under a written agreement which provides that:

(1) all hazardous work will be performed under the direct and close supervision of a qualified and experienced person;

(2) safety instructions will be given by the school and reinforced by the employer with on-the-job training;

(3) the job training follows a schedule that reflects organized and progressive skill developments; and

(4) the work in the hazardous occupation is *intermittent* and for *short periods of time* and is under the direct and close supervision of a journeyman as a necessary part of such apprenticeship training.

The written agreement must be signed by the employer and placement coordinator (or school principal). Copies of the agreement must be kept on file by both the school and the employer.

Note: To qualify as an apprentice, one must obtain the appropriate certificate from the Apprenticeship and Training Division of the N. C. Department of Labor. For more information, contact N. C. Department of Labor, Apprenticeship and Training Division, 4 West Edenton Street, Raleigh, NC 27601-1092, telephone 1-800-LABOR-NC.

North Carolina Youth Employment Laws for Nonfarm Jobs

North Carolina law adopts the federal employment standards for 14- and 15-year-old youths and 16- and 17-year-old youths employed in nonfarm jobs, as well as the exceptions to those limitations. Thus, nonfarm businesses not covered by the FLSA must nevertheless comply with the same limitations on the employment of youth that apply to FLSA covered businesses. Farm work is completely exempt from any regulation under North Carolina youth employment laws.

In addition, the following requirements of North Carolina youth employment law apply to all nonfarm businesses in this state, whether or not they are covered by the child labor provisions of the FLSA:

Youth Employment Certificate

An employer may not employ any youth under 18 years of age until that youth has obtained a youth employment certificate. Such certificates are issued by the local county department of social services or its designees either in the county where the youth will work or in the county where the youth resides. In some counties, certain school personnel may have been designated to issue these certificates. Each certificate issued is reviewed by the N. C. Wage and Hour Division and may be revoked if found to have been issued for a job not permitted by state or federal law. Such a revocation may be appealed by filing a petition for a hearing with the Office of Administrative Hearings pursuant to the procedures contained in Article 3 of Chapter 150B of the General Statutes.

Late Night Work Limitations

During the regular school term, no youth under 18 years of age who is enrolled in grade 12 or lower may be employed between 11 p.m. and 5 a.m. where there is school for the youth the next day. This restriction does not apply to youths 16 and 17 years of age if the employer receives written approval for the youth to work beyond the stated hours from the youth's parent or guardian and from the youth's principal or the principal's designee.

Detrimental Occupation Limitations

In addition to the 17 hazardous occupations prohibited to youths under 18 years of age by federal law, the North Carolina Commissioner of Labor has adopted regulations identifying six detrimental occupations in which youths under 18 may not be employed:

1. Welding
2. Any process where quartz or any other form of silicon dioxide or an asbestos silicate is present in powdered from
3. Any work involving exposure to lead or any of its compounds in any form
4. At any work involving exposure to benzol or any benzol compound which is volatile or which can penetrate the skin
5. Spray painting
6. Handling of unsterilized hides or animal or human hair

Exceptions to Detrimental Occupations

Youths and employers working under the supervision of bona fide apprenticeship and student-learner programs, as defined by the Fair Labor Standards Act and the rules and regulations promulgated thereunder, are exempt from the prohibition against employment of youths in detrimental occupations under the same conditions as the exemption from certain hazardous occupation limitations.

ABC Limitations

No person who holds any ABC permit issued pursuant to the provisions of Chapter 18B of the General Statutes for the on-premises sale or consumption of alcoholic beverages, including any mixed beverages, shall employ a youth:

1. under 16 years of age on the premises for any purpose

2. under 18 years of age to prepare, serve, dispense, or sell any alcoholic beverages, including mixed beverages

Youths under 16 years of age employed by their parents may be employed on the premises of an establishment owned solely by one or both of their parents who hold an ABC permit issued pursuant to the provisions of Chapter 18B of the General Statutes for the on-premises sale or consumption of alcoholic beverages so long as another employee at least 21 years of age is in charge and present at the licensed premises and the youth does not prepare, serve, dispense, or sell any alcoholic beverages, including any mixed beverages.

Sample Guidelines
High School Apprenticeship Program
(Description and Application Process)

WHAT IS HIGH SCHOOL APPRENTICESHIP?

High School Apprenticeship is a special educational program that provides a qualified student the opportunity to begin learning an occupation using a system that combines on-the-job learning and related academic and technical classroom instruction. The North Carolina Department of Labor, a participating employer, and the school cooperatively put together an apprenticeship agreement that will require at least 2,000 hours of on-the-job learning plus an additional amount of classroom instruction. It is intended that upon high school graduation, the high school apprentice will continue as an adult apprentice until all of the apprenticeship requirements are fulfilled.

WHO MAY PARTICIPATE?

In order to be considered as a high school apprentice a student must meet the following criteria:

be a high school junior or senior.
be in good academic standing
be in no academic trouble.
have a good citizenship record.
be willing to make a firm commitment to the apprenticeship program.
be recommended by at least two teachers.
have a good attendance record.

If the student is enrolled in a vocational/technical skill development course, then one teacher recommendation must come from the teacher of that course. The first priority will be to place students enrolled in skill development courses into apprenticeship opportunities directly related to the respective courses. The high school apprenticeship program will not be used to replace a given student's involvement in a skill development course. All operations will be performed without regard to race, sex, color, national origin or handicap. Apprenticeship positions will be open to students who are not enrolled in a vocational course.

How Does One Apply?

There are three categories of students who may be apprenticeship applicants.

Category 1: Students responding to apprenticeship vacancy announcements.

Category 2: Students who currently have jobs and are interested in getting into the apprenticeship program.

Category 3: Students who are interested in being placed in an apprenticeship position that is not related to any current apprenticeship vacancy announcement.

For each category the application process will be as follows:

Step 1: Student asks school counselor for an APPRENTICESHIP APPLICATION. Teacher recommendation forms are included with the application. Students err responsible for having the application forms completed and returned to the counselor.

Step 2: Student submits completed application to school counselor. Teacher recommendations do not have to be attached at this time.

Step 3: Counselor forwards application to the school Apprenticeship Coordinator. Recommendations may or may not be attached at this time.

Step 4: Apprenticeship Coordinator will collect the following data:

Copy of most recent SIMS summary of grades
Copy of student's transcript from SIMS;
Copy of daily Attendance profile for current
Copy of discipline Tracking Profile.

Step 5: After teacher recommendations are received, the Apprenticeship Coordinator will contact the school counselor to schedule an interview with the applicant at the school.

Step 6: After interviewing the applicant, the Apprenticeship Coordinator will inform the counselor and the applicant concerning the status of the applicant by using the appropriate form (Applicant's Status Form). The form will indicate one of the following:

Name of company with whom the student is scheduled to interview;
Position on waiting list, if immediate placement is not possible;
Reason for disqualification, if so determined.

Step 7: If scheduled for interview, the applicant reports back to the counselor immediately after the interview with the employer.

Step 8: Employer notifies the applicant and the apprenticeship coordinator regarding the employer's decision;

Step 9: Apprenticeship Coordinator notifies school counselor about the employer's decision using the appropriate form.

Step 10: If selected, the N.C. Department of Labor Apprenticeship Consultant and the Apprenticeship Coordinator schedule an appointment with the employer to develop a training plan and to register the student with the N.C. Department of Labor Apprenticeship and Training Division.

Note: Students selected for an apprenticeship position are responsible for arranging their course schedule so that they may begin employment at the beginning of the semester or school term following notification that they have been admitted into the apprenticeship program.

WHAT ARE THE STUDENT'S RESPONSIBILITIES?

1. Be able to provide own transportation to and from your place of employment.
2. Agree to all of the conditions outlined in the "Training Agreement" and the "Rules and Regulations for High School Apprentices."
3. Set up a meeting with parents and school apprenticeship coordinator to give input and sign apprenticeship registration documents.
4. Provide, in a timely manner, any and all required documents to the N.C. Department of Labor Apprenticeship Consultant and to the High School Apprenticeship Coordinator.
5. Participate in a high school course of study that is designed to accent the apprenticeship training program.

Note: One unit of high school credit may be earned during the course of the school year. One additional unit may be earned by a student who began the apprenticeship program as a junior and who continues the apprenticeship program by working at least 450 full time hours during the summer months between his/her junior and senior year.

A4 SAMPLE

North Carolina Department of Labor

COMPLETION OF HIGH SCHOOL APPRENTICESHIP

Certificate Awarded to

John Doe

In recognition of successful completion of Phase I Apprenticeship
in anapproved High School Apprenticeship Program in the trade of

Machinist

OJT HOURS COMPLETED (1042)
RELATED INSTRUCTION HOURS COMPLETED (360)

Brimmer's Machine Shop

June 6, 1996

Director of Apprenticeship

Commissioner of Labor

North Carolina Department of Labor

APPRENTICE/TRAINEE TRAINING RECORD

for the month of _____ 19____

Published as a service to Program Sponsors by:
North Carolina Department of Labor
Apprenticeship Division
4 West Edenton Street
Raleigh, North Carolina 27601-1092
(919) 733-7533

INSTRUCTIONS: The apprentice or trainee will enter the time spent in each aspect of the occupation in column relating to the day of the month, showing the type of on-the-job training in the left hand column. At the end of the month the apprentice or trainee will sign the form and return it to the program sponsor's supervisor of apprentices. The supervisor of apprentices will verify the training reported by the apprentice or trainer, sign the form, and place it in the apprentice's or trainee's training file.

		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31		
Type of On-the-Job Training	Hours Absent																																Total Hours	Trainer Rating
Total Hours																																		

The above is a true representation of time spent in the types of on-the-job training as shown.

Apprentice's signature _____ Date _____

Trainer's signature _____ Date _____

Job objective _____

Sponsor's name _____ Program number _____

III.12.1926 4/96

XXIII. APPRENTICESHIP

Chapter 94.

For information about Apprenticeship, contact the Apprenticeship and *Training Division, 4 West Edenton Street, Raleigh, NC 27601-1092, (919) 733-7533 or 1-800-LABOR-NC.*

94-1. Purpose.

The purposes of this Chapter are: to open to young people the opportunity to obtain training that will equip them for profitable employment and citizenship; to set up, as a means to this end, a program of voluntary apprenticeship under approved apprentice agreements providing facilities for their training and guidance in the arts and crafts of industry and trade, with parallel instruction in related and supplementary education; to promote employment opportunities for young people under conditions providing adequate training and reasonable earnings; to relate the supply of skilled workers to employment demands; to establish standards for apprentice training; to establish an Apprenticeship Council and apprenticeship committees and sponsors to assist in effectuating the purposes of this Chapter; to provide for a Director of Apprenticeship within the Department of Labor; to provide for reports to the legislature and to the public regarding the status of apprentice training in the State; to establish a procedure for the determination of apprentice agreement controversies; and to accomplish related ends. (1939, c. 229, s. 1; 1979, c. 673, s. 1.)

94-2. Apprenticeship Council.

The Commissioner of Labor shall appoint an Apprenticeship Council composed of four representatives each from employer and employee organizations respectively and three representatives from the public at large. One State official designated by the Department of Public Instruction and one State official designated by the Department of Community Colleges shall be a member ex officio of said council, without vote. The terms of office of the members of the Apprenticeship Council first appointed by the Commissioner of Labor shall expire as designated by the Commissioner at the time of making the appointment: two representatives each of employers and employees, being appointed for one year and one representative of the public at large being appointed for two years; and one representative each of employers, employees, and the public at large being appointed for a term of three years. Any member appointed to fill a vacancy occurring prior to the expiration of the term of his predecessor shall be appointed for the remainder of said term. Each member of the Council not otherwise compensated by public moneys, shall be reimbursed for transportation and shall receive such per diem compensation as is provided generally for boards and commissions under the biennial maintenance appropriation acts for each day spent in attendance at meetings of the Apprenticeship Council. The Commissioner of Labor shall annually appoint one member of the Council to act as its chairman.

The Apprenticeship Council shall meet at the call of the Commissioner of Labor and shall aid him in formulating policies for the effective administration of this Chapter. Subject to the approval of the Commissioner, the Apprenticeship Council shall establish

standards for apprentice agreement which in no case shall be lower than those prescribed by this Chapter, shall issue such rules and regulations as may be necessary to carry out the intent and purposes of said Chapter, and shall perform such other functions as the Commissioner may direct. Not less than once a year the Apprenticeship Council shall make a report through the Commissioner of Labor of its activities and findings to the legislature and to the public. (1939, c. 229, s. 2; 1973, c. 476, s. 138; 1977, c. 896.)

§94-3. Director of Apprenticeship.
The Commissioner of Labor is hereby directed to appoint a Director of Apprenticeship which appointment shall be subject to the confirmation of the State Apprenticeship Council by majority vote. The Commissioner of Labor is further authorized to appoint and employ such clerical, technical, and professional help as shall be necessary to effectuate the purposes of this Chapter. (1939, c.229, s.3.)

§94-4. Powers and Duties of Director of Apprenticeship.
The Director, under the supervision of the Commissioner of Labor and with the advice and guidance of the Apprenticeship Council is authorized to administer the provisions of this Chapter; in cooperation with the Apprenticeship Council and apprenticeship committees and sponsors, to set up conditions and training standards for apprentice agreements, which conditions or standards shall in no case be lower than those prescribed by this Chapter; to act as secretary of the Apprenticeship Council; to approve for the Council if in his opinion approval is for the best interest of the apprenticeship any apprentice agreement which meets the standards established under this Chapter; to terminate or cancel any apprentice agreement in accordance with the provisions of such agreement; to keep a record of apprentice agreements and their disposition; to issue certificates of completion of apprenticeship; and to perform such other duties as are necessary to carry out the intent of this Chapter, including other on-the-job training necessary for emergency and critical civilian production: Provided, that the administration and supervision of related and supplemental instruction for apprentices, coordination of instruction with job experiences, and the selection and training of teachers and coordinators for such instruction shall be the responsibility of State and local boards responsible for vocational education. (1939, c. 229, s. 4; 1951, c. 1031, s. 1; 1979, c. 673, s. 2.)

§94-5. Apprenticeship Committees and Program Sponsors.
(a) As used in this Chapter:
(1) "Apprenticeship program" means a plan containing all terms and condition the qualification, recruitment, selection, employment, and training of apprentices, including such matters as the requirement for a written apprenticeship agreement.
(2) "Apprenticeship agreement" means a written agreement between an apprentice and either his employer or an apprenticeship committee or sponsor acting as agent for employer(s), which agreement satisfies the requirements of G.S. 94

(3) "Sponsor" means any person, firm, corporation, organization, association committee operating an apprenticeship program and in whose name the apprenticeship program is approved.
(4) "Employer" means any person, firm, corporation or organization employing an apprentice whether or not such person, firm, corporation or organization is a party to an apprenticeship agreement with the apprentice.
(5) "Apprenticeship committee" means those persons designated by the sponsor, and approved by the Apprenticeship Council, to act for it in the administration of the apprenticeship program. A committee may be "joint," i.e., it is composed of an equal number of representatives of the employer(s) and of the employees represented by a bona fide collective bargaining agent(s) and has been established to conduct, operate or administer an apprenticeship program and enter into apprenticeship agreements with apprentices. A committee may be "unilateral" or "nonjoint" which shall mean a program sponsor in which employees or a bona fide collective bargaining agent is not a party.

(b) An apprenticeship committee may be appointed by the Apprenticeship Council in any trade or group of trades in a city or trade area, whenever the apprentice training needs of such trade or group of trades justifies such establishment.

(c) The function of the apprenticeship committee, or sponsor when there is no apprenticeship committee, shall be: to cooperate with school authorities in regard to the education of apprentices; in accordance with the standards set up by the apprenticeship committee for the same trade or group of trades, where such committee has been appointed, to work in an advisory capacity with employers and employees in matters regarding schedule of operations, application of wage rates, and working conditions for apprentices and to specify the number of apprentices which shall be employed locally in the trade under the apprenticeship agreements under this Chapter; and to adjust apprenticeship disputes, subject to the approval of the director; to ascertain the prevailing rate for journeymen in the city or trade area and specify the graduated scale of wages applicable to apprentices in such trade in such area to ascertain employment needs in such trade or group of trades and specify the appropriate current ratio of apprentices to journeymen; and to make recommendations for the general good of apprentices engaged in the trade or trades represented by the committee. An apprenticeship committee may appoint a representative and delegate to such representative the authority for implementation and performance of any standards adopted by the committee pursuant to any of the aforementioned functions. (1939, c. 229, s. 5; 1979, c. 673, s. 3.)

§94 6. Definition of an Apprentice.

The term "apprentice" as used herein, shall mean a person at least 16 years of age who is covered by a written apprenticeship agreement approved by the Apprenticeship Council, which apprenticeship agreement provides for not less than 2,000 hours of reasonably continuous employment for such person for his participation in an approved schedule

of work experience and for organized, related supplemental instruction in technical subjects related to the trade. A minimum of 144 hours of related supplemental instruction for each year of apprenticeship is recommended. The required hours for apprenticeship agreements and the recommended hours for related supplemental instruction may be decreased or increased in accordance with standards adopted by the apprenticeship committee or sponsor, subject to approval of the Commissioner of Labor. (1939, c. 229, s. 6; 1979, c. 479, ss. 1, 2; c. 673, s. 4.)

§94-7. Contents of Agreement.

Every apprentice agreement entered into under this Chapter shall contain:

(1) The names of the contracting parties.

(2) The date of birth of the apprentice.

(3) A statement of the trade, craft, or business which the apprentice is to be taught, and the time at which the apprenticeship will begin and end.

(4) A statement showing (i) the number of hours to be spent by the apprentice in work on the job, and (ii) the number of hours to be spent in related and supplemental instruction, which is recommended to be not less than 144 hours per year: Provided, that in no case shall the combined weekly hours of work and of required related and supplemental instruction of the apprentice exceed the maximum number of hours of work prescribed by law for a person of the age of the apprentice.

(5) A statement setting forth a schedule of the processes in the trade or industry division in which the apprentice is to be taught and the approximate time to be spent at each process.

(6) A statement of the graduated scale of wages to be paid the apprentice and whether the required school time shall be compensated.

(7) A statement providing for a period of probation of not more than 500 hours of employment and instruction extending over not more than four months, during which time the apprentice agreement shall be terminated by the Director at the request in writing of either party, and providing that after such probationary period the apprentice agreement may be terminated by the Director by mutual agreement of all parties thereto, or canceled by the Director for good and sufficient reason. The Council at the request of a joint apprentice committee may lengthen the period of probation.

(8) A provision that all controversies or differences concerning the apprentice agreement which cannot be adjusted locally in accordance with G.S. 94-5 shall be submitted to the Director for determination.

(9) A provision that an employer who is unable to Fulfill his obligation under the apprentice agreement may with the approval of the Director transfer such contract to any other employer: Provided, that the apprentice consents and that such other employer agrees to assume the obligations of said apprentice agreement.

(10) Such additional terms and conditions as may be prescribed or approved by the Director not inconsistent with the provisions of this Chapter. (1939, c. 229, s. 7; 1945, c. 729, s.1; 1977, c. 550, s. 1; 1979, c. 673, s. 5.)

§94-8. Approval of Apprentice Agreements; Signatures.
No apprentice agreement under this Chapter shall be effective until approved by the Director. Every apprentice agreement shall be signed by the employer, or by an association of employers or an organization of employees as provided in G.S. 94-9, and by the apprentice, and if the apprentice is a minor, by either of the minor's lawful parents, or by any person, agency, organization or institution standing in loco parentis. Where a minor enters into an apprentice agreement under this Chapter for a period of training extending into his majority' the apprentice agreement shall likewise be binding for such a period as may be covered during the apprentice's majority. (1939, c. 229, s. 8; 1977, c. 550, s. 2.)

§94-9. Rotation of Employment.
For the purpose of providing greater diversity of training or continuity of employment, any apprentice agreement made under this Chapter may in the discretion of the Director of Apprenticeship be signed by an association of employers or an organization employees instead of by an individual employer. In such a case, the apprentice agreement shall expressly provide that the association of employers or organization of employees does not assume the obligation of an employer but agrees to use its best endeavors to procure employment and training for such apprentice with one or more employers who will accept full responsibility, as herein provided, for all the terms and conditions of employment and training set forth in said agreement between the apprentice and employer association or employee organization during the period of each such employment. The apprentice agreement in such a case shall also expressly provide for the transfer of the apprentice, subject to the approval of the Director, to such employer or employers who shall sign in written agreement with the apprentice, and if the apprentice is a minor with his parent or guardian, as specified in G.S. 94-8, contracting to employ said apprentice for the whole or a definite part of the total period of apprentices under the terms and conditions of employment and training set forth in the said agreement entered into between the apprentice and employer association or employee organization. (1939, c. 229, s. 9.)

§94-10.
Replealed by Session Laws 1945, c. 729, s.2.

§94-11. Limitation.
Nothing in this Chapter or in any apprentice agreement approved under this Chapter shall operate to invalidate any apprenticeship provision in any collective agreement between employers and employees, setting up higher apprenticeship standards; provided, that none of the terms or provisions of this Chapter shall apply to any person, firm, corporation or crafts unless, until, and only so long as such person, firm, corporation or crafts voluntarily elects that the terms and provisions of this Chapter shall apply. Any person, firm, corporation or crafts terminating an apprenticeship agreement shall notify the Director of Apprenticeship. (1939, c. 229, s. 11; 1945, c. 729, s. 3.)

NORTH CAROLINA GENERAL ASSEMBLY
SENATE

OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE REPORT
Senator Martin L. Nesbitt, Jr., Chair

Tuesday, June 28, 2005

Senator NESBITT, JR.,
submits the following with recommendations as to passage:

UNFAVORABLE AS TO BILL, BUT FAVORABLE AS TO COMMITTEE SUBSTITUTE BILL

S.B. **898** Study of Workforce Preparation in Schools.

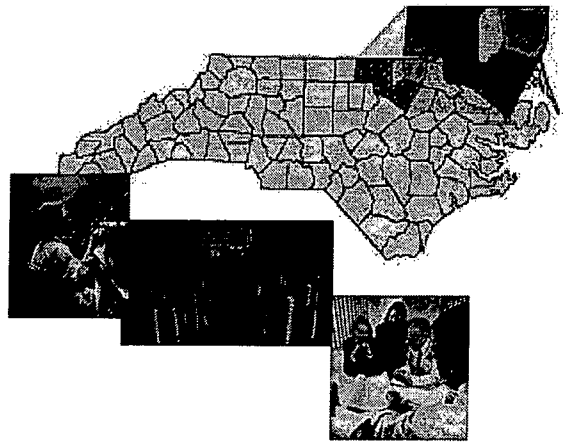
Draft Number:	PCS55256
Sequential Referral:	Rules and Operations of the Senate
Recommended Referral:	
Long Title Amended:	No

TOTAL REPORTED: 1

Committee Clerk Comments:

Kerr-Tar Hub

Attracting 21st-century jobs and opportunity



Project Summary

June 2005

- The Kerr-Tar Hub Project is an innovative regional strategy – the first multi-county business park in North Carolina – designed to spur economic development in the Kerr-Tar Region. The concept of a multi-jurisdictional park calls for each county to jointly participate in the costs of developing the park and sharing in the tax revenue generated from the development. The development is positioned to be a magnet for business investment in the Region K counties of Franklin, Granville, Vance and Warren counties.

- The project began in March 2003 with a feasibility study commissioned by the Research Triangle Regional Partnership, funded by the Golden LEAF (Long-Term Economic Advancement Foundation) and conducted by the Center for Competitive Economies (formerly Office of Economic Development) at the University of North Carolina at Chapel Hill. The study recommended the creation of "mid-tech parks" in the Research Triangle Region to capture spin-off development from the region's most successful industry clusters. The Hub will be an enhanced technology park with special facilities and other enhancements that will attract and support the growth of businesses in a targeted industry cluster. The enhancements could be incubators or accelerators, testing/research labs, advanced IT capability or shared meeting and conference space.

- Building on a history of effective multi-county collaboration, local government leaders from the Kerr-Tar Region in the fall of 2003 local formed an Exploratory Committee of county commissioners, county managers, economic development commissions, economic development directors and community college senior staff. The Committee developed an implementation plan for the Hub.

- In the spring of 2004, each county submitted sites of 500 acres or more to be considered for development as the Hub sites and the process of site certification and prioritization began, conducted under contract by the Sanford Holshouser Business Development Group and Engineering Consulting Services Ltd.

- The sites:
  - **Vance-Granville Combined** – 1,000 acres along I-85 at exit 209, adjoining Vance-Granville Community College. The site offers some infrastructure in place, transportation access to East-Coast markets, a nexus of workforce commuting pattern and flexible site plan.
  - **Franklin County Site** – 500 acres on US 1, west of Youngsville, with a mix of building size options and access to higher-skilled technology workers to attract technology companies.
  - **Warren County Site** - 860 acres off I-85 in Manson, offering large tracts for larger buildings coupled with low development costs to attract distribution and logistics companies.

- Through the fall of 2004 and into spring 2005, each of the sites was evaluated using the N.C. Department of Commerce Certified Site Program criteria. The program assesses sites under a detailed set of qualification criteria, such as soil testing, environmental review, site planning, infrastructure analysis, means of control and data gathering on the properties. Sites in Vance, Granville, Franklin and Warren Counties were certified by the N.C. Department of Commerce in

May of 2005. The sites, totaling more than 2,300 acres, are among the state's largest certified sites.

- After the assessment process was complete, site selection began. The Sanford Holshouser Business Development Group was contracted to conduct the site selection process that would determine which of the submitted sites had the greatest potential for success. Site selection criteria were jointly developed by local economic developers in the region and the consulting team.

- In February 2005, the consulting team announced its recommendation to combine sites in Vance and Granville counties for the Hub Site and to include Warren and Franklin counties' sites as part of a network of Hub sites. The sites in Vance and Granville counties run along the north and south sides of I-85 at exit 209, adjoining Vance-Granville Community College. The recommendation to network the sites was born out of the complementary nature of the sites. The Vance-Granville Hub Site is well suited for mid-technology companies and the location of the Hub will attract workers from across the region. The Warren County site is suitable for distribution companies with its good location, but the worker pool is smaller. Franklin County is situated closest to the Research Triangle and can attract a higher-skilled, technology-focused workforce. The sites can work together attracting a variety of companies to the Kerr-Tar Region.

- A study is under way by the Center for Competitive Economies to identify which cluster to target, what enhancements will be needed to attract companies in that cluster, what the development costs will be under various scenarios. The business-recruitment strategy of the Hub will be to target a cluster that can leverage spin-offs from regional growth industries, such as pharmaceuticals, advanced manufacturing products of all types, entrepreneurial companies and start-ups.

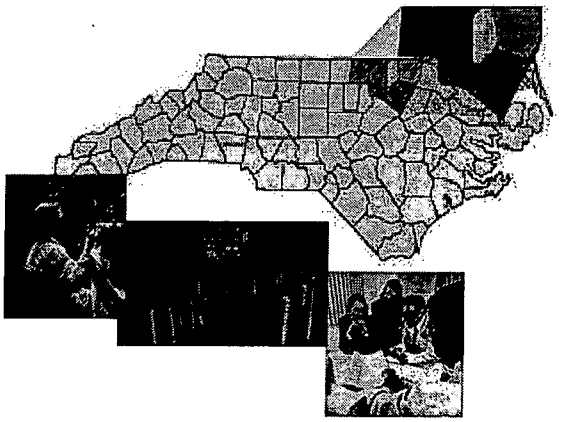
- A multi-jurisdictional nonprofit entity is forming to govern and manage the development of the Hub. The nonprofit board of directors includes representatives from each county.

- The next steps in developing the Hub are to raise funds to secure the property long-term and begin the first phase of development. The cost to concurrently develop phase one of each site in the Hub network is $34 million, plus the cost of securing property, which could be through purchase, installment or a public-private partnership arrangement.

- The Kerr-Tar Hub has garnered state and national interest and recognition for its innovative regional approach. The Hub attracted more than $600,000 from a variety of sources (including a U.S. Economic Development Administration grant) to pay for plan development, site selection and certification, formation of the nonprofit corporation that will own and develop the Hub, and the marketing study.

Kerr-Tar Hub

Attracting 21st-century jobs and opportunity



Contact: Neil Mallory
(252) 436-2040

FOR IMMEDIATE RELEASE
February 8, 2005

Kerr-Tar Hub Project Announces First Hub Site, Governance Plans

Kerr-Tar Region, N.C. – Two major milestones were announced Feb. 8 in the development of the Kerr-Tar Hub project, a multi-county collaboration to create a technology center to serve as a magnet for business investment in the Region K area of Franklin, Granville, Person, Vance and Warren counties of North Carolina.

Hub officials announced:

- They will recommend for approval by participating county governments that two large adjacent sites in Vance and Granville counties be combined and developed as the first Hub site for the five-county region, and that sites in Franklin and Warren counties be developed concurrently, targeting distinct but complementary markets.

- Participating counties will move forward on creating a multi-jurisdictional nonprofit entity to develop and manage the Hub site. Attorneys have drafted a letter of intent for review and approval by county officials. The letter of intent spells out the terms by which the nonprofit will operate and how counties will share in both costs and revenues.

Both announcements represent significant steps forward in developing North Carolina's first-ever multi-jurisdictional business park to bring new jobs and economic opportunity to the Kerr-Tar Region.

With the initial planning complete, the region will proceed with developing the nonprofit governing entity, identify specific target markets and cost projections for the site, and raise the funds needed to develop the site.

"The Kerr-Tar Hub is an innovative and pioneering rural development," said N.C. Commerce Secretary Jim Fain. "I salute the leaders of this promising effort who will help develop a new approach to economic development in the state."

"We see this project as a catalyst for economic growth that can replace the jobs and businesses lost in recent years in our traditional industries," said Neil Mallory, executive director of the Kerr-Tar Regional Council of Governments, which is coordinating the Hub project. "By working together, we have the opportunity to transform the economic climate of the entire region, and restore jobs and opportunity for our citizens."

Site Recommendations

Each of the five Kerr-Tar Region counties submitted sites to be considered for the first regional Hub. The Sanford Holshouser Business Development Group led the team that evaluated the sites to determine which would have the greatest potential for success in attracting investment and jobs to the five-county region. The selection process used criteria developed by representatives of all five counties.

The firm recommended combining the sites submitted by Vance and Granville counties to develop as the first Hub site. The Vance site, about 500 acres, extends east on the southern side of Interstate 85 near

exit 209. The Granville site, also about 500 acres, extends along the northern side of Interstate 85 from exit 209 south to 206. Vance-Granville Community College, located at Exit 209, is located in the center of the two sites.

The combined Vance-Granville site offers:

- Infrastructure – water, sewer, electric and natural gas utilities already in place.
- Transportation – easy access to East Coast markets via I-85.
- Workforce – the area has significant workforce commuter traffic, both in and out of the region.
- Flexibility – the site can accommodate a mix of building types, from small to large.
- Training resources – Vance-Granville Community College's close proximity offers tremendous opportunities for on-site and customized training and facilities that can enhance the competitiveness of Hub companies.

The firm recommended that sites in Franklin and Warren counties be developed concurrently because of their connectivity to the Vance-Granville Hub. Each site offers distinct advantages for specific markets:

- Warren County's site, 860 acres off I-85 and US 1/158 in Manson, offers large tracts of land suitable for larger buildings, such as distribution and logistics companies.

- Franklin County's site, about 500 acres on US 1 west of Youngsville, can accommodate a mix of building sizes. Its close proximity to the Research Triangle Park allows it to draw technology workers from the area to support the growth of technology companies.

Person County did not obtain ownership option agreements that were required for the site certification and selection process, but county representatives continue to be involved in the Hub project.

"Our research and analysis resulted in three different types of parks with great potential for attracting investment, each drawing from different types of companies and workers," says Crystal Morphis, managing partner for The Sanford Holshouser Business Development Group. "By developing each site based on its strengths, the region can diversify its business base with a wider range of complementary, not competing, sites."

The Kerr-Tar Region sites, all in excess of 500 acres, will double the state's portfolio of large (500-plus acres) certified sites. The state's certification process is a key marketing tool that lets potential investors know that sites have been qualified for industrial development.

Hub Governance

The Kerr-Tar Region counties will be the first in North Carolina to share costs and revenues across county lines to develop an industrial/business park. The Sanford Holshouser Law Firm is leading the process of developing the multi-jurisdictional nonprofit entity that will develop and manage the Hub site.

Each of the four Kerr-Tar Region counties that proposed Hub sites is reviewing draft letters of intent to participate in the multi-jurisdictional project. Hub officials expect to incorporate the nonprofit in February.

Targeted Industries

With the Hub site recommendations in place, officials plan to contract with the Center for Competitive Economies to analyze which targeted industries are most suited for the Hub and to develop financial models for its development. The Center (formerly The University of North Carolina at Chapel Hill's Office of Economic Development) conducted the 2003 feasibility study that led to the Hub project. It also participated in research conducted by the Research Triangle Region Partnership (RTRP) for the 13-county region, which includes the Kerr-Tar counties, to identify 10 most promising industry and technology clusters on which the broader region is focusing its economic development efforts.

Building on that work, the Center will analyze the range of potential businesses most suited to the region and the Hub site, develop a list of prospects, and conduct focus groups to determine the type of enhancements that would attract them. The Center also will develop financial models to estimate the costs of Hub development and phasing under various scenarios.

Funding

The Kerr-Tar Regional Council of Governments is seeking funding to move forward on master planning and development of the Hub project. That work includes securing (through purchase or other means) the Hub site property, expanding some infrastructure, preparing the sites and recruiting new and expanding businesses. Costs will depend on the findings of the target market research, the manner in which the Hub secures the property for use, and the phasing of the development. Hub officials plan to raise money for the Hub's initial development, then use revenues from the sale of property to new businesses to fund further development.

The innovative nature of the Hub project and its regional approach helped officials attract more than $650,000 from regional, state and federal agencies over the last three years to fund the initial planning of the project. The Golden LEAF's grant of $40,000 to the RTRP funded the feasibility study that conceived the Hub project. Additional investments were made by the U.S. Economic Development Administration ($250,000), North Carolina Department of Commerce Community Development Block Grant program ($180,000), Kerr-Tar Workforce Development Board ($100,000), North Carolina Rural Economic Development Center ($60,000) and Z. Smith Reynolds Foundation ($20,000).

Hub Project Background

The feasibility of the Hub concept was established in the February 2003 study conducted by the Center for Competitive Economies for the RTRP. It determined that creating a series of "mini-hubs" could stimulate investment in rural areas of the Research Triangle Region. Researchers recommended the creation of two or three "mid-tech parks" in the region to encourage spin-off development from the Research Triangle Region's most successful industrial clusters.

Community leaders in the Kerr-Tar Region recognized the significant growth opportunity a Hub would offer the region. Local government leaders formed a five-county Exploratory Committee of county commissioners, county managers, economic development commissioners, economic development directors, workforce development board members and community college presidents to develop an implementation plan for the Hub.

The Kerr-Tar Regional Council of Governments (COG) stepped forward to facilitate the process. During the fall of 2004, the COG oversaw the team of consultants that certified each proposed site and recommended the first Hub site. Consultants for the site evaluation process were:

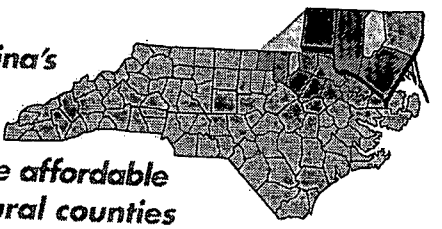
- The Sanford Holshouser Business Development Group – managed the site selection and certification process.
- Engineering Consulting Services Ltd. -- conducted all technical work for site certification, including soil analysis, Phase 1 Environmental, and reviews for endangered species, archeologically significant areas and wetlands.
- O'Brien/Atkins Associates PA – created site development plans.
- Koontz-Bryant PC – developed boundary, flood plain and other maps of the sites.
- Aerial Dimensions – produced aerial photographs for the site certification process.

For more information on the Hub project, visit www.kerrtarhub.org or contact Neil Mallory, executive director of the Kerr-Tar Regional Council of Governments, (252) 436-2040.

# # #

Kerr-Tar Hub

Attracting 21st-century jobs and opportunity



North Carolina's first regional technology center linking the affordable assets of five rural counties to the technology centers of the Research Triangle Region.

The Kerr-Tar Hub is a bold multi-county collaboration creating a technology center that will serve as a magnet for business investment in the Region K area of Franklin, Granville, Person, Vance and Warren counties.

It will target innovative and growing companies making advanced products, offering on-site training, services, facilities and networks to help firms remain globally competitive and continue to hire. Jobs created in the Hub will offer attractive wages for local technicians and others ready to train for needed skills.

The Hub will provide businesses access to the combined assets and reasonable costs of the Region K area, as well as linkages to the world-class Research Triangle Park, RDU International Airport, regional research universities and many nearby amenities.

Innovation in Action

The Kerr-Tar Hub's range of enhancements requires more substantial investment than any single county can provide. The Hub will be a focused, attractive, tech-intensive, locally driven regional park. It has garnered interest and attention of federal, state and foundation leaders, who can no longer support each county trying to go it alone.

The general feasibility of the Hub concept was established by UNC-Chapel Hill's Office of Economic Development in a 2003 Golden LEAF-funded study for the Research Triangle Regional Partnership.

A Kerr-Tar Collaborative

Capitalizing on a history of effective multi-county collaboration, community, government, business and community college leaders in the five-county region are collaborating to plan and implement this long-term vision for the sustainable economic benefit of the citizens of Region K.

The Kerr-Tar Hub coalition has identified the first site to be developed as a Hub. It is a 1,000-acre tract located along both sides of Interstate 85 at exit 209. Two sites – one in Vance and one in Granville County – adjoin Vance-Granville Community College. The coalition is forming a nonprofit corporation to own and develop the Hub. A marketing study is under way to identify what industry clusters should be targeted, specific enhancements to be made to the Hub site, and the development costs.

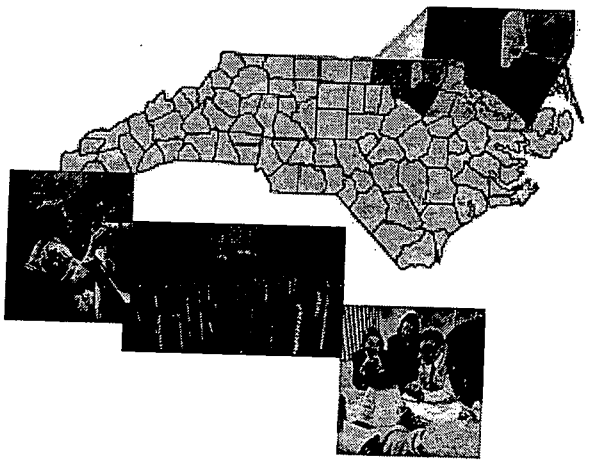
To compete in the knowledge economy, Hub planners envision a continually innovating partnership between business and education, facilitated by local governments working together.

www.kerrtarhub.org

For information, contact Neil Malllory, Executive Director
Kerr-Tar Regional Council of Governments
P.O. Box 709, Henderson, NC 27536
Phone (252) 436-2040
Toll Free (866) 506-6223
Fax (252) 436-2055
E-mail info@kerrtarcog.org

Kerr-Tar Hub

Attracting 21st-century jobs and opportunity



HUB INFO

June 2005

The Kerr-Tar Hub is:

An **innovative regional strategy** to create a magnet for business investment in the Region K counties of Franklin, Granville, Franklin and Warren, located just north of the Research Triangle Park.

Leaders in these counties have agreed to share both costs and revenues – **for the first time ever in North Carolina** – to create this special, multi-county business park in North Carolina that will serve all of the four counties.

The Information Booklet contains:

- **One-page overview** of the Hub project and **contact information** for Neil Mallory, Executive Director of the Kerr-Tar Regional Council of Governments, who is coordinating the Hub project.
- **Project summary**, outlining the key steps taken to plan for and develop the Hub.
- Copy of **PowerPoint presentation** (slides and script) on the rationale, goals and progress of the Hub project.
- **February 2005 news release** announcing key milestones and copies of **local media coverage.**

The Nonprofit Board that will own and develop the Hub:

- **Has been formed**, board members appointed and bylaws adopted.
- Is moving forward to **develop and approve Interlocal Agreements** that spell out, among many other things, how counties will share costs and revenues.

Funds are needed to:

- **Control** (purchase, lease, etc) **the Hub sites**, which are under options set to expire in spring 2006.
- **Develop needed infrastructure** (water, sewer, roads, storm drainage, etc.). A **phased approach** is anticipated, with revenues from first tenants funding future development.

The regional Hub concept is popular and fundable:

The Hub has garnered great **state and national recognition** and **attracted more than $600,000** from a variety of sources (including a U.S. Economic Development Agency grant) to pay for plan development, site selection and certification, formation of the nonprofit corporation that will own and develop the Hub, and the marketing study.

For more information:

www.kerrtarhub.org
Neil Mallory, Executive Director
Kerr-Tar Regional Council of Governments
P.O. Box 709, Henderson, NC 27536
Phone (252) 436-2040
Toll Free (866) 506-6223
Fax (252) 436-2055
E-mail info@kerrtarcog.org

AGENDA

Opportunities and Needs for Economic Growth in North Carolina ("ONE, NC")

Senator Martin L. Nesbitt, Chair
Senator Doug Berger, Vice-Chair
Senator Fletcher Hartsell, Vice-Chair
Senator Scott Thomas Vice-Chair
Senator David Weinstein, Vice-Chair

Tuesday, June 28, 2005
12:00 noon
Room 1027

Call Meeting to Order.

For consideration:

SB 898 (Study of Workforce Preparation in Schools), Sen. Brown, Sponsor

Presentation from the following:

Mr. Neil Mallory, Executive Director of the Kerr-Tar Regional Council

Discussion period.

Adjournment.

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 6-28-05

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
J.B. Buxton	Gov's office
Linda Suggs	DPI
Alice Garland	NC DOC
[illegible]	NCCVE
Randall Gitterman	Am Viewpoint
[illegible]	NCBIO

2006

NORTH CAROLINA GENERAL ASSEMBLY
SENATE COMMITTEE
ON
OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA
("ONE NC")
2005-2006 Session

Chairman
Senator Martin L. Nesbitt

Vice Chairs
Senator Doug Berger
Senator Julia Boseman
Senator Fletcher Hartsell
Senator David Weinstein

NORTH CAROLINA GENERAL ASSEMBLY

Senate Committee

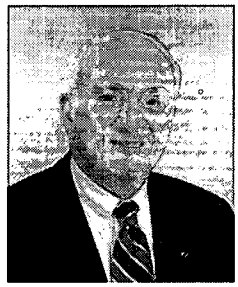
on

Opportunities and Needs for Economic Growth in North Carolina ("ONE NC")

2005-2006 SESSION

Senator Martin Nesbitt
Chair

Senator Julia Boseman
Vice Chair



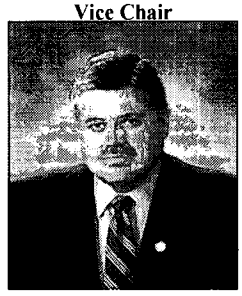
Senator David Weinstein
Vice Chair

Senator Doug Berger
Vice Chair

Senator Fletcher Hartsell
Vice Chair

Senator Charlie Albertson

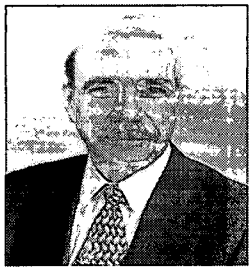
Senator Austin Allran



Senator Tom Apodaca

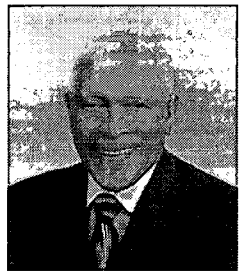
Senator Pete Bland

Senator Harry Brown



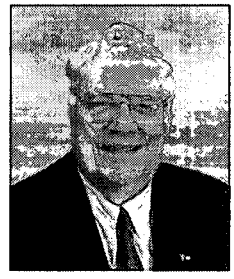
Senator Dan Clodfelter

Senator Walter Dalton



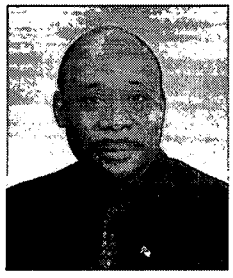
Senator Charlie Dannelly

Senator Don East

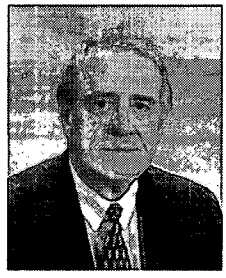


Senator Jim Forrester

Senator John Garwood



Senator Robert Holloman

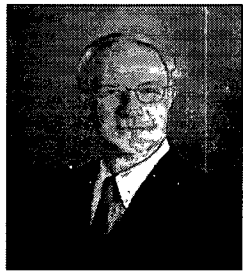


Senator David Hoyle

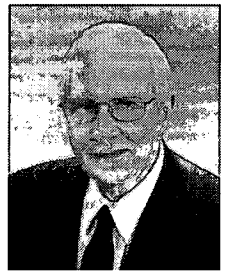
Senator Clark Jenkins

Senator John Kerr

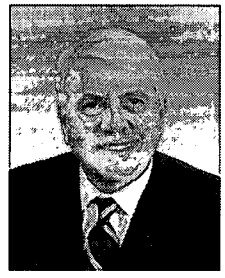
Senator Tony Rand



Senator John Snow



Senator R.C. Soles



Senator A.B. Swindell

2006

NORTH CAROLINA GENERAL ASSEMBLY
SENATE COMMITTEE
ON
OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA
("ONE NC")
2005-2006 Session

Chairman
Senator Martin L. Nesbitt

Vice Chairs
Senator Doug Berger
Senator Julia Boseman
Senator Fletcher Hartsell
Senator David Weinstein

Senate Committee
on
Opportunities and Needs for Economic Growth in North Carolina ("One NC")
2005-2006 Session
Membership

Senator Martin Nesbitt, Chair
300B Legislative Office Building
715-3001

Doug Berger, Vice-Chair
Room 622 – 715-8363

Fletcher Hartsell, Vice-Chair
518 LOB 733-7223

Julia Boseman, Vice-Chair
309 LOB – 715-2525

Senator David Weinstein, Vice-Chair
2108 LB - 733-5651

Senator Charlie Albertson
525 LOB -733-5705

Senator Austin Allran
516 LOB - 733-5876

Senator Tom Apodaca
1127 LB - 733-5745

Senator Pete Bland
313 LB, 733-6275

Senator Harry Brown
620 LOB - 715-3034

Senator Dan Clodfelter
408 LOB - 715-8331

Senator Walter Dalton
523 LOB - 715-3038

Senator Charlie Dannelly
2010 LB - 733-5955

Senator Don East
1120 LB - 733-5743

Senator Jim Forrester
1129 LB - 715-3050

Senator John Garwood
1118 LB - 733-5742

Senator Robert Holloman
623 LOB - 715-3032

Senator David Hoyle
300 A LOB - 733-5734

Senator Clark Jenkins
409 LOB - 715-3040

Senator John Kerr
526 LOB - 733-5621

Senator Tony Rand
300 C LOB - 733-9892

Senator John Snow
517 LOB - 733-5875

Senator R. C. Soles
2022 LB - 733-5963

Senator A. B. Swindell
629 LOB - 715-3030

Committee Staff:
Karen Cochrane-Brown
Barbara Riley
Legislative Research Division
733-2578
Jan Lee, Committee Assistant
715-3001

SENATE OPPORTUNITIES AND NEEDS FOR ECONOMIC GROWTH IN NORTH CAROLINA (ONE NC) COMMITTEE

Tuesday, June 20, 2006 at 12:00 Noon
Room 1027, Legislative Building

MINUTES

The Senate Opportunities and Needs for Economic Growth in North Carolina (One NC) Committee met at 12:00 Noon on Tuesday, June 20, 2006 in Room 1027 of the Legislative Building. A quorum was present. Senator Martin Nesbitt, Chairman, presided.

Senator Nesbitt called the meeting to order and told the members that ***HB 2047/SB 1559*** "Video Service Competition Act" was quickly making its way through the legislative process. The legislation would affect local franchise agreements by capping the amount of PEG funding that channels and media centers receive. At this time the cap is $125 thousand, and if this legislation is ratified, this funding would be reduced to $25 thousand. There was concern among the members that resources would be pulled from rural areas and low-wealth neighborhoods as the telephone and cable companies begin competing for the more affluent areas.

In an effort to address this possibility, should this legislation pass, Senator Nesbitt said he would make a motion to amend the Video Service Competition Act to keep that from happening. *HB 2047 was being heard at 1:00 p.m. that day by the Senate Finance Committee.*

Senator Nesbitt recognized Jane Smith Patterson, Executive Director, e-NC Authority. He told the members that the Authority had been in place for years, working to get Broadband access to rural areas, with very limited funding.

Ms. Patterson introduced e-NC Authority Board member Herb Crenshaw, who is with BellSouth, and employees, Joanna Wright and Charlie Pittman. She said the Authority is a small organization that has a total of four full-time and two part-time employees. Original funding of $30 million to start the Authority came from MCNC, and they have been able to leverage another $270 million to that. The first state funding was received in 2005.

Ms. Patterson distributed to the following to the members:

- *Request for Legislative Action*: That asks for $7.5 million for Connectivity in the 26 counties that don't meet 70 % of their households able to get Broadband, -$1.6 Million BTT support Grants Program and $300,000 Competitive Innovation Grants Program. (*Attachment I)*
- *Critical Facts That Support Economic Competitiveness in the 21st Century and Why You Should Support HB 1980/SB 1840. (Attachment II)*
- *High-Speed Internet Access in North Carolina* – Data as of 12/31/05 Executive Summary. (*Attachment III)*
- *Measuring Broadband's Economic Impact (Attachment IV)*
- *The e-NC Authority – 2005 Annual Report (Attachment V)*
- *e-NC: A critical Link in Connecting One NC (Attachment VII)*

Ms. Patterson said issues of importance regarding Broadband access include the creation of jobs, facilitation of better healthcare through the monitoring of healthcare in homes, and benefiting education through the "Virtual Learning School."

The e-NC Authority elected to look at really "tough" counties, those counties that were distressed, and it created what is called "Business and Technology Telecenters." For example, there is a telecenter in Murphy, one in Rutherfordton, another in Allegany, one in Rockingham, one in Northampton, one in Williamston, and one in Anson-Wadesboro. At this time the e-NC Authority is working on getting one started in Columbus County as well. Ms. Patterson didn't think one of these is needed in every single area, only in the most distressed counties.

Ms. Patterson pointed out that some of these centers are "recaptured shopping centers." One is a 40 thousand-foot shutdown cotton mill, another is a recaptured painting facility in a Community College up in Murphy, or Peachtree, NC. These are places that try to "tech-up" entire communities. They work with schools, businesses, individual entrepreneurs, with both public and private sectors.

Mack Pearsall, Vice Chair of the North Carolina Progress Board, was recognized to comment on this initiative. He said to him the Video Competition Act now before the Legislature was not about having another entertainment channel; rather it is all tied in with economic development.

He said Media Centers are actual incubators for economic development and it is the lifeblood of connectivity to the world of globalization. Both students and adults need to become media-literate to participate in the world of competitiveness.

Mr. Pearsall said that he was paying a lobbyist to advocate for the e-NC Authority because the issue was so important. He asked the members of the committee to please think about the collaborative implications of this legislation as it goes through the system.

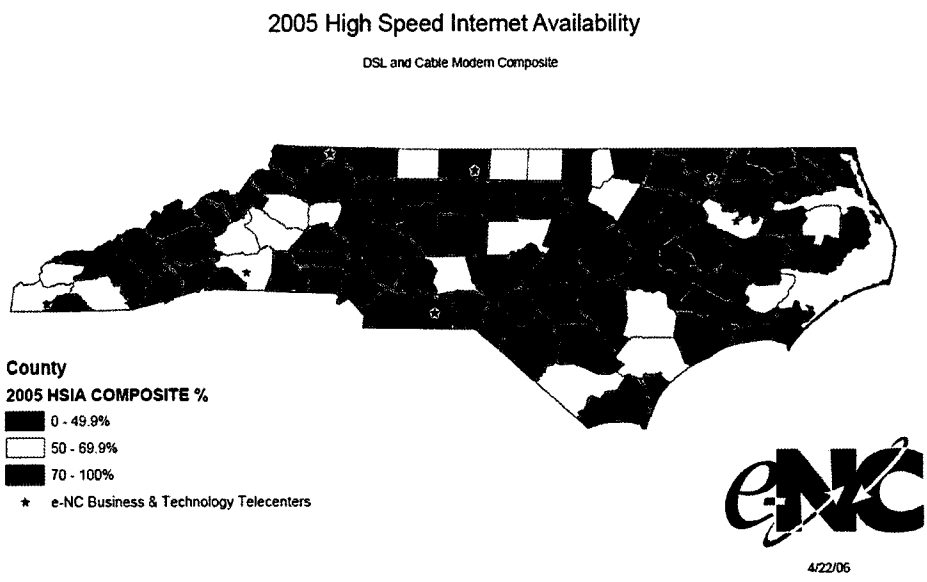
The meeting adjourned at 12:45 p.m.

Respectfully submitted,

Senator Martin L. Nesbitt, Chair

Janette W. Lee, Committee Assistant

e-NC Authority - Request for Legislative Action

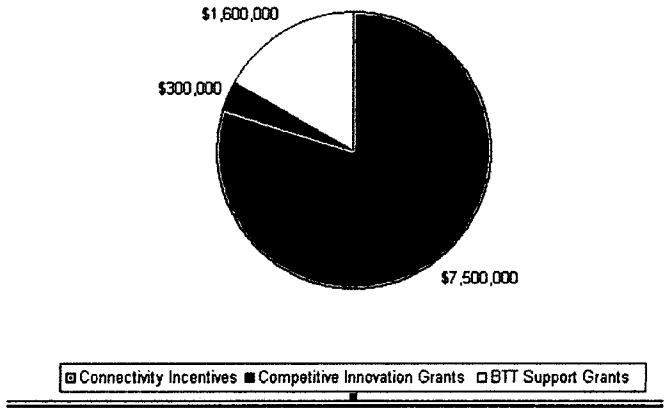


High-speed Internet access and the broadband applications it delivers are a necessary platform to support development of emerging technology-based sectors of great economic promise. Since January 2001, the e-NC Authority (formerly the Rural Internet Access Authority) has led rural and distressed urban communities towards a more competitive position where affordable broadband access is improving the quality of life and creating high-value jobs. Serious disparity in Internet access and the resources it delivers remains, with 26 rural counties significantly lagging urban counties in their ability to access and utilize the high-speed Internet (meaning less than 70% of the households in these 26 counties have the ability to access high-speed Internet services, compared to the state average of 82%). e-NC Business and Technology Telecenters (BTTs) are transforming the prospects and perceptions of 7 rural regions, creating the base for a strategic structure for a statewide business development support and service delivery system. Interest and need for the presence of e-NC BTTs remains in the other distressed regions in NC's border and coastal counties. The following requests constitute an integrated package of initiatives that are needed to secure and extend to other regions of need the benefits of investments already made by the NC Legislature.

- **Ever-Green the e-NC Authority:** There is a recognized need for an on-going organized one-stop effort to ensure that the citizens and businesses of NC keep pace with the ever-faster technological changes in telecommunications and information infrastructure networks in order to assure the economic competitiveness of NC with special focus on rural and urban distressed areas. The e-NC Commission requests that the legislature revise Session Law 2003-425 to remove the e-NC sunset date of December 31, 2006, with all powers, duties and goals remaining as stated in Section 143B-437.47.
- **Continue $500,000 e-NC Operating Funds Appropriation.**

Expansion Initiatives - $9.4 million:

- **$7.5 million Connectivity Incentives Fund**
- **$1.6 million BTT Support Grants Program**
- **$300,000 Competitive Innovation Grants Program**



- **$7.5 million Connectivity Incentives Fund**: Five counties (Gates, Greene, Jones, Madison and Warren) have broadband access rates below the critical 50% threshold; another 21 rural counties have access rates of less than 70%. While the counties will still not reach the state average for connectivity, the incentive funds will enable providers to narrow the gap and bring these counties to at least the 70% threshold and to a more competitive economic position. E-NC will push towards 80% access for all households by the end of 2008.

- **$1.6 million BTT Support Grants Program:** e-NC requests continued and expanded funding of e-NC BTT program to support existing e-NC telecenters as they move toward sustainability. Funds will be distributed through a competitive grants process that identifies BTT initiatives that have strong potential to enhance a BTT's sustainability as well as the initiative that has the capacity to scale throughout the BTT system. This $1.6 million is for Phase II development ($400k each) for 4 BTTs funded in 2004.

- **$300,000 Competitive Innovation Grants Program:** e-NC works with e-NC BTTs and e-communities statewide to develop model programs and value-added products that enhance the economy of their regions. e-NC also provides assistance with new technologies for citizens and businesses and conducts research to prototype programs that can support the sustainability of these BTTs' effort to become engines of innovation. Seed and matching funds will be made available through a competitive grants program to support the development of initiatives and their extension to other communities and BTTs across North Carolina.

Expected Results

A recent report from researchers at MIT and Carnegie Mellon universities has provided conclusive evidence that "broadband enhances economic activity, helping to promote job creation both in terms of the total number of jobs and the number of establishments in communities with broadband." (Gillett and Sirbu. Measuring Broadband's Economic Impact, 2005). This confirms our experience with our Business and Technology Telecenters and their job creation of more than 900 jobs since the initial BTTs inception in 2002. Validation of this impact was found by a third party review of our BTTs (RTI, 2005). The RTI study further noted that transformation of the entire community surrounding the BTTs had taken place with children making better scores in school and unemployment being lower than in other communities with similar economies and demographics.

Based on the leveraging performance of existing BTTs, requested appropriations for the BTTs will generate a matching amount of funds in the respective communities. As a result, higher wage, higher skilled jobs will be created and new and expanded businesses will emerge. New opportunities for online learning and work force certifications will be offered within these distressed communities. (Selection of BTTs has been limited to Tier l and Tier 2 areas.)

Connectivity incentives funds will bring all 100 counties up to the point where at least 70% of each county's households can purchase high-speed Internet. From the MIT/Carnegie Mellon study, "one would expect the mean growth in rent, employment, number of [business] establishments and share of establishments in IT intensive sectors to be higher in the communities with broadband."

The work of the e-NC Authority (formerly the RIAA) with the citizens and businesses of North Carolina enabled North Carolina to move from 47th in 2001 to 11th in 2004 in the citizens' ability to purchase broadband. Evidence from the Federal Communications Commission (FCC) states that our citizens are purchasing broadband at higher rates than other states' rural areas. The interactive work of the e-NC with NC communities and citizens has proved to be very productive. Citizens, businesses and local governments benefit from assistance received from a one-stop place to assist them with their communities' connectivity issues and needs. The e-NC has brought to this initiative the technical hands-on leadership and fiduciary oversight that has driven this broadband deployment through an award winning model of collaborative, public private partnerships.

Critical Facts That Support Economic Competitiveness in the 21st Century And Why You Should Support HB1980, SB1840

Through Senate Bill 1840 and House Bill 1980 the e-NC Commission is seeking to have the sunset provision repealed from the e-NC Authority and to appropriate funds to the e-NC Authority for high-speed Internet connectivity incentive grants and for job creation through economic development and support of e-NC Business and Technology Telecenters. In the related H2671 funds are being sought to expand the Martin County telecenter.

- The need for focused and on-going attention to the adequacy and distribution of broadband Internet infrastructure is critical.

- Rural North Carolina and the distressed regions of urban counties in particular need a strong advocate working on their behalf to ensure that they have the broadband connectivity and other technology resources needed to compete in the global economy we live in today.

- To find evidence of this need we don't have to look far. Even though 82% of the NC households have access to availability of broadband, 26 NC counties do not meet even a minimal baseline of connectivity, as less than 70% of their citizens have access to high-speed broadband service.

- We have made significant progress: in 2000 NC ranked 47th in the percentage of its citizens with access to high-speed broadband; today NC ranks 11th. This progress is even more impressive against the backdrop of the decline of the United States overall from 1st to 16th place internationally in connectivity over the same period. Our local telephony, cable and wireless companies have worked with the Authority and communities to see that North Carolina can compete in access to and use of broadband technologies. Many NC Citizens worked hard to create the ecommunities plans in 85 rural counties.

- Current trends toward convergence of technologies and the development of companies who offer telecom, data, video, and television services may have an impact on under-served communities. Small and local Internet Service Providers are disappearing in this more competitive environment or are being acquired, and less densely populated rural regions may find it difficult to get the increasing broadband services they need.

- In 2000, the NC General Assembly created the Rural Internet Access Authority to provide the push to see that rural communities had access to broadband technologies. Later, the name was changed to the e-NC Authority.

- e-NC made great strides on connectivity, as noted above, and the need for on-going attention to connectivity disparities was recognized by the 2003 legislature when it extended the original sunset date of the Authority through 2006.

- The thing about broadband technologies is that it does not stand still. We are seeing absolutely explosive development of new web-based education, training, entertainment, government and business services and products that require ever-higher bandwidth and speeds.

- The need for NC to have a vigilant watchdog focused on ensuring that all regions of our state are not left behind is obvious. **It is important to remove the sunset provision** and charge e-NC with the evergreen mission to empower all regions of NC to be competitive through technology-enabled economic and community development. When e-NC applies for grants to help communities it is difficult to get private funding agencies to be willing to provide community assistance funds when the Authority sunsets in two or three years.

Critical Facts That Support Economic Competitiveness in the 21st Century And Why You Should Support HB1980, SB1840

- E-NC is a model public-private partnership. With a staff of only 4 full time and 2 part-time professionals **e-NC has leveraged $500,000 in state operational money with more than $207 million** to support local technology-based economic and community development initiatives. On-going support for e-NC will continue to provide excellent return-on-investment for our citizens and businesses.

- e-NC is creating high-value technology-based jobs in some of our most economically-distressed counties through the three original e-NC Business and Technology Telecenters (BTTs). The Martin County e-NC telecenter illustrates this point. This Tier 1 county has leveraged the presence of the Northeast Technology and Business Center to successfully recruit technology dependent high-wage firms to the county and to lower unemployment to a level matched in only one other month since 1992. **The Martin County BTT is at a critical point in its growth and is seeking a $400,000 investment from the legislature through H2671** to support their efforts. Results to date strongly support their request.

- The 2004 legislature provided start-up funds for four new e-NC telecenters. All have begun operations and are emerging as important regional technology resource, training and business development centers. A second round **of investment totaling $1.6 million ($400k each) is needed to bring them to full power as economic engines for their regions.** Given the track record of the first 3 telecenters, we can expect this critical investment to deliver significant and sustainable returns.

- Technology infrastructure can best begin to develop sustainable benefits once a critical baseline has been achieved. Investment by the legislature of **$7.5 million will bring broadband access in all 100 counties to the point where broadband Internet will be available to at least 70% of all citizens** by 2008. In this public-private competitive effort, providers will match at least 1:1 the state's one-time investment.

- e-NC's support for innovative grassroots efforts in e-government, e-communities, digital literacy, public access or e-commerce has brought the benefits of the Internet to individual citizens and businesses in every county in the state. Creative local-effort models through e-NC seed money have been scaled across the state and leveraged significant public and private investments. A **$300,000 competitive innovation grant program** would underwrite creative initiatives that will create wealth and improve the quality of life at many levels.

- e-NC and its legislatively-supported initiatives are catapulting our state's reputation as a leader in innovative public policy and technology-based economic development. e-NC's efforts have been recognized by the US Department of Commerce's Technology Administration, the Southern Growth Policies Board, the National Association of State Information Officers, the Z. Smith Reynolds and Golden LEAF Foundations, and Microsoft Corporation as being a model for public stewardship of technology infrastructure investments. Our state will benefit though continued support of e-NC and its efforts to ensure a more competitive future for all.

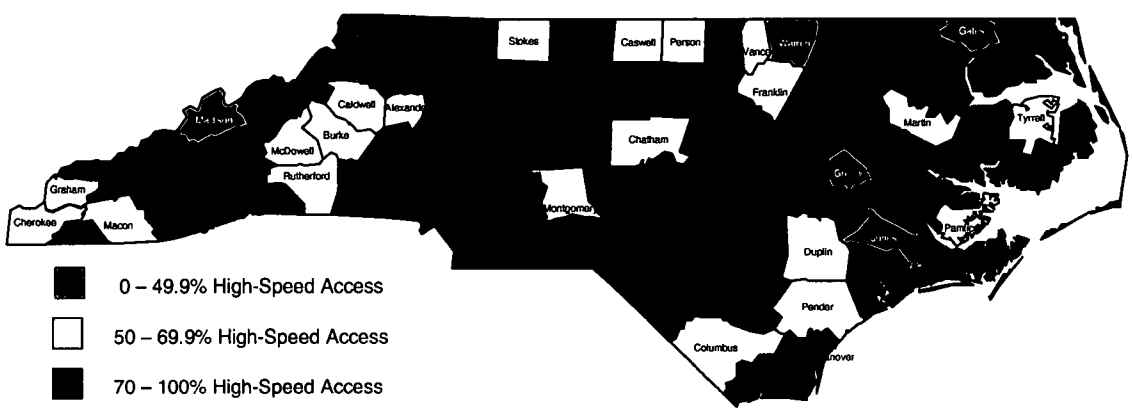
Attachment III

eNC Connecting North Carolina to a Better Future

High-Speed Internet Access in North Carolina

High-Speed Internet Access In North Carolina

Data as of 12/31/05



Executive Summary

High-Speed Internet Access in North Carolina

This Report is prepared for the North Carolina General Assembly and the people of North Carolina by the e-NC Authority, formerly the Rural Internet Access Authority (RIAA), as a part of its compliance with Session Law 2003-425.

Prepared by Charles G. Pittman

Connecting North Carolina to a Better Future

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Please visit the www.e-nc.org website to view data and maps on each of North Carolina's 100 counties. Select Research Projects and 100 County Reports.

Also under Research Projects are our GIS Infrastructure Map and the GIS Training Manual.

1.1 Purpose

One of the goals set by the NC General Assembly for the e-NC Authority is "to maintain a web site with accurate, current, and complete information about the availability of the present telecommunications and Internet services with periodic updates on the deployment of new telecommunications and broadband Internet services, as well as information on public access sites and digital literacy training programs in North Carolina," Session Law 2003-425.

The purpose of this project is to: (a) evaluate the technologies that are available to provide high-speed Internet access, (b) develop a profile for each county showing the high-speed technologies that are available, (c) determine the percentage of households that can have access to high-speed Internet access and the percentage of households that can have access to each technology as a percentage of the total households in each county.

The study addresses high-speed Internet access for residential and small office/ home office (SOHO) customers. High-speed Internet access required by large business customers is provided by PRI ISDN, T-1, ATM, Frame Relay, MPLS and business class cable modem services. These services are usually distance sensitive, requiring a specific address to determine pricing, and so are not covered in this study. Generic information for business customers can be found in KPMG's RIAA North Carolina Telecommunications Infrastructure and Services Assessment and Recommendations Report, 2002, located at: http://www.e-nc.org/elmprovement/tool/tech_inventory.asp.

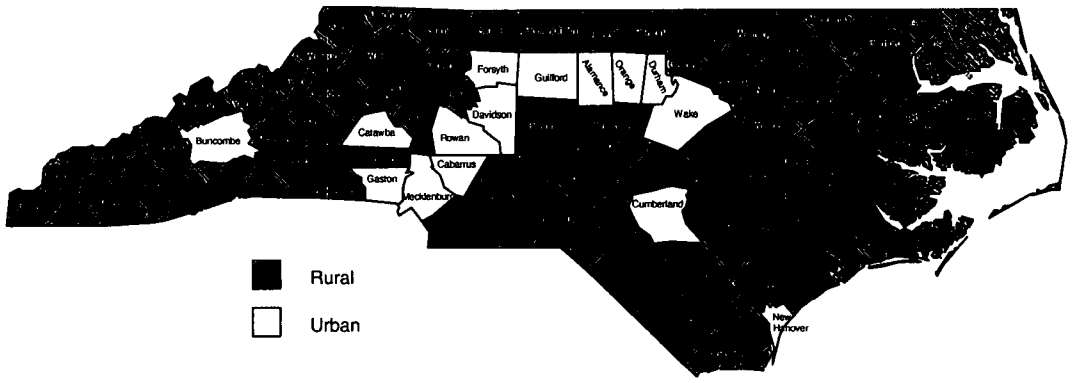
The statistics in this report indicate the percentage of households that have access to high-speed Internet services, not the number of households that are subscribing to the services. For information on citizens' use of the Internet, go to: http://www.e-nc.org/pdf/NCsOnline.pdf. This report from e-NC, *North Carolinians Online, Trends from the Citizen Surveys 1999-2004*, looks at Internet usage rates among citizens in North Carolina.

For information on the usage of broadband service, got to http://www.fcc.gov/wcb/iatd/recent.html.

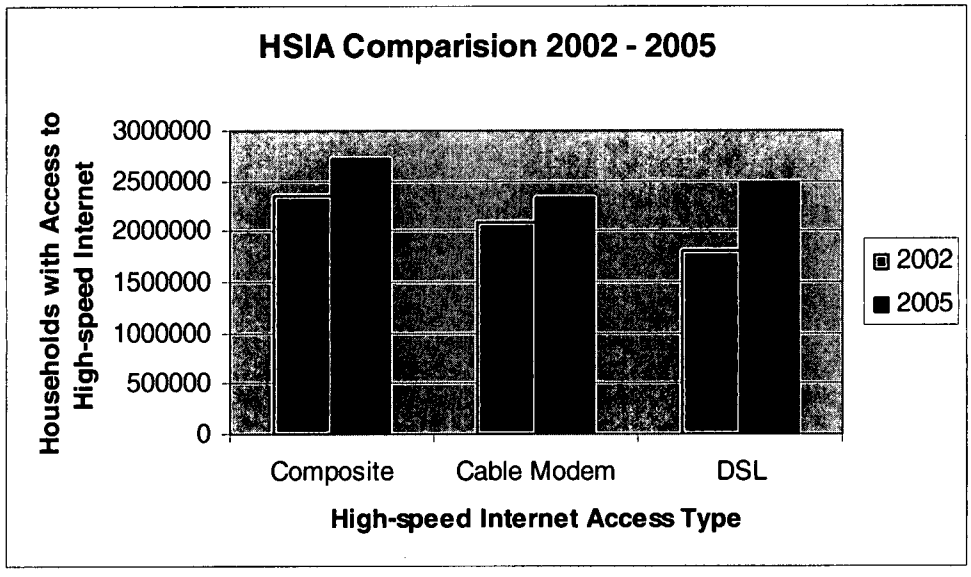
1.2 Executive Summary

1.2.1 High-Speed Internet Access

According to the US Census Bureau, North Carolina has 3,320,090 households, of which 1,663,642 or 50.11% are located in the 85 rural counties and 1,656,448 or 49.89% are located in the 15 urban counties.



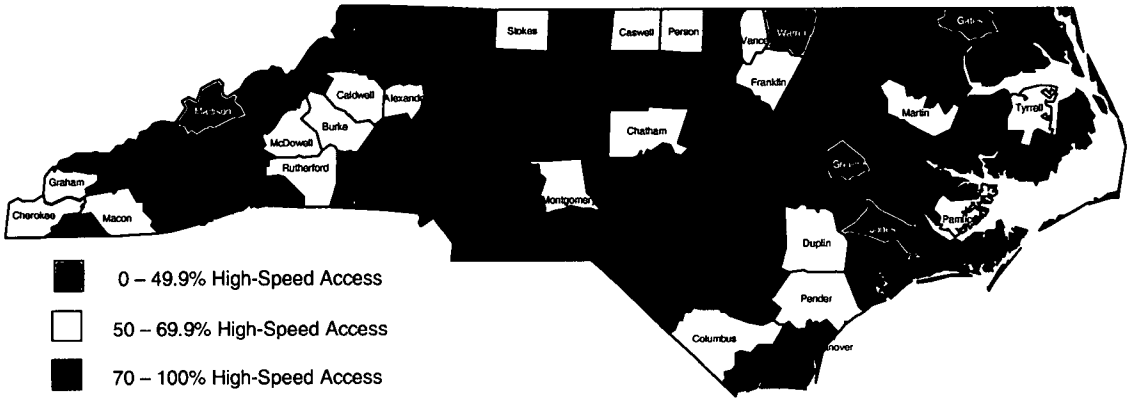
By the end of 2005, 82.01% of the households in North Carolina had the ability to access high-speed Internet services via cable modem or DSL services compared to 74.88% in 2002.



High-Speed Internet Access in North Carolina

High-speed Internet is available to 2,722,737 of the households in North Carolina. High-speed access is available to 1,293,975 or 77.78% of the rural households and 1,428,762 or 86.25% of the urban households.

2005 Households with Access to High-Speed Internet Service

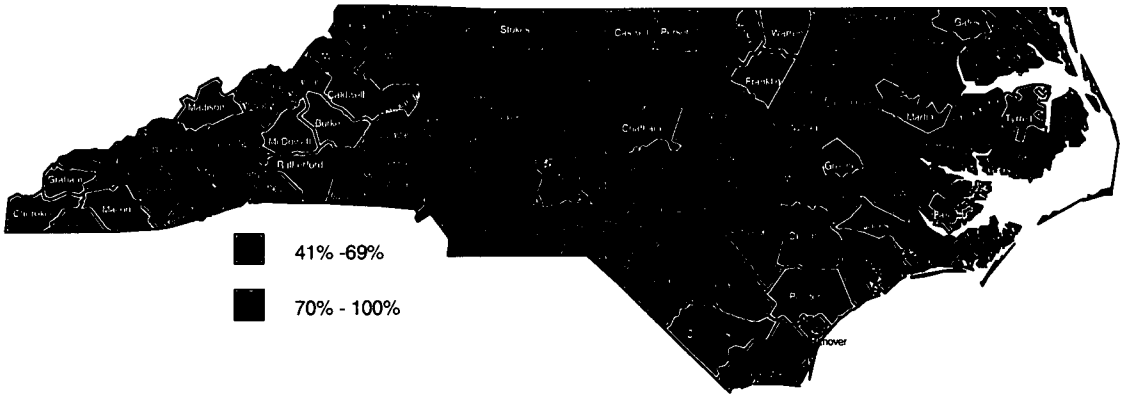


DSL deployment exceeded cable modem deployment in 2005. Growth will continue in 2006. The Telcos will continue the deployment of DSL in their rural areas. Time Warner has purchased the Adelphia Communications areas in North Carolina and will begin upgrading the Adelphia network for digital TV and cable modem service. Charter Communications and Cox Communications, Northland Communications and a number of the other cable companies will continue to upgrade and expand their systems.

Counties with Less Than 70% High-Speed Internet Availability

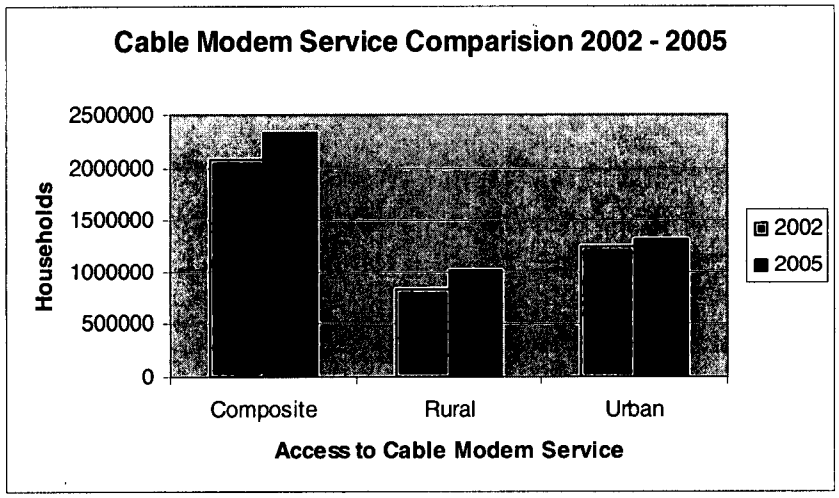
2005 DSL and Cable Modem Composite

State Average – 82%

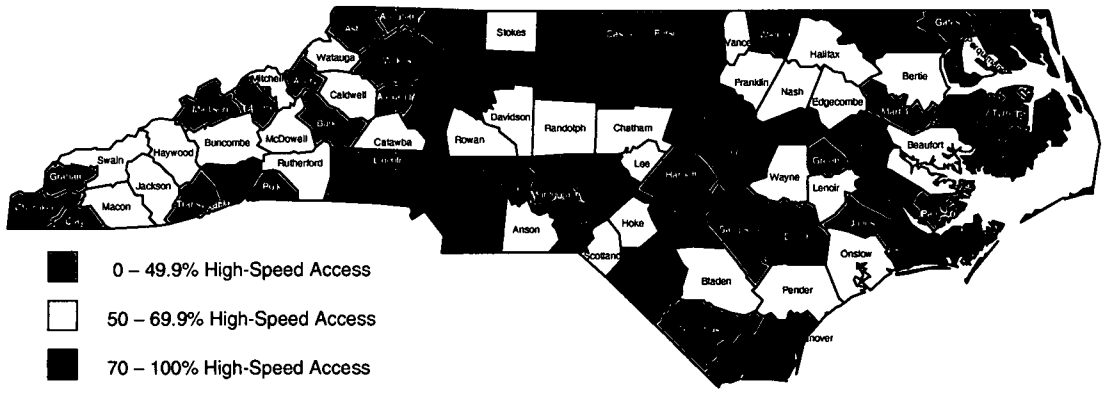


1.2.2 Cable Modem Access

Cable companies will continue to upgrade their infrastructure to handle digital TV and will offer cable modem Internet as a vertical service. Cable modem service is available to 2,338,460 households or 70.43% of the households in North Carolina, with 1,019,310 or 61.27% of the rural households and 1,319,150 or 79.64% of the urban households having access.

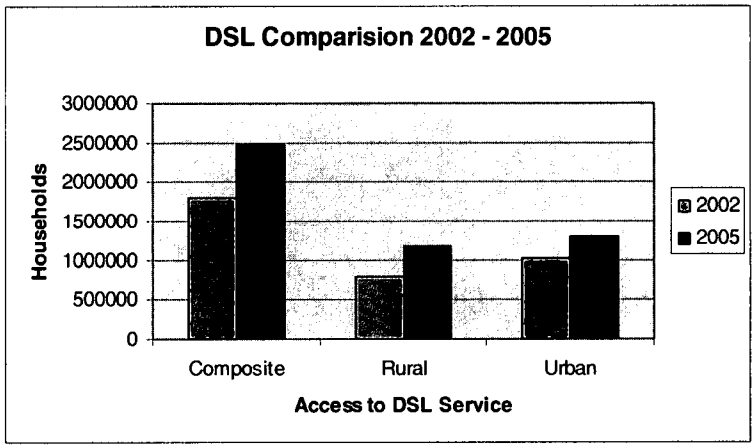


2005 Households with Access to Cable Modem Internet Service

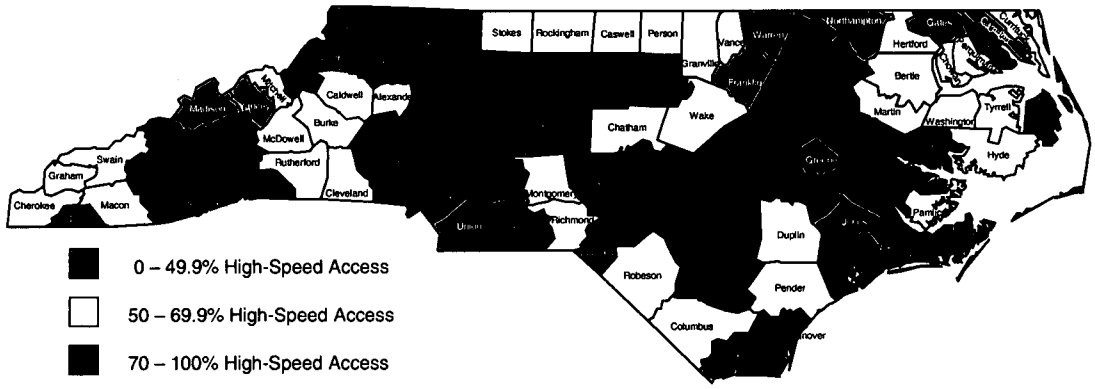


1.2.3 DSL Access

The Rural Telephone Membership Corporations (RTMCs) and the independently owned companies provide access to 80 - 100% of their subscribers now, with most already providing DSL service to 100% of their subscribers. Bellsouth and Sprint have deployed DSL in all of their central offices. Verizon still has several without DSL service. It is expected that they will continue to deploy DSL in their rural areas.



2005 Households with Access to DSL Internet Service



Overall, 2,467,865 or 74.33% of the households in North Carolina have access to DSL service with 1,166,696 or 70.13% of the rural households and 1,301,169 or 78.55% of the urban households having access.

1.2.4 Satellite Access

Satellite is considered the ubiquitous service, although it requires a clear view of the southern sky for service. It can be purchased from numerous resellers and is available from chains such as Best Buy and Circuit City. Satellite service normally requires an upfront purchase of hardware and a professional installation. Satellite, along with wireless, will be the only means of obtaining high-speed Internet service for some of the rural areas of North Carolina for many years to come. Satellite providers declined to share subscriber data for North Carolina. Therefore satellite service is not included in the high-speed Internet access data.

1.2.5 Wireless Access

Broadband wireless is being deployed to provide high-speed Internet service in a number of areas in North Carolina. It is normally a line of sight service and uses unlicensed frequencies in most cases. A number of Internet Service Providers (ISPs) are using it to expand their service offerings and to eliminate the "last mile charges" incurred in providing service.

Many areas of North Carolina have wireless service providers, but deployment is rather spotted. Most providers cover a county or only a portion of a county. A few have networks that cover several counties. Some companies would provide subscriber data, but could not provide households that have access. Therefore wireless service is not included in the high-speed Internet access data. Wireless, along with satellite, will be the only means some areas of North Carolina have of obtaining high-speed Internet access.

Staff is available to talk with interested parties.

1.2.6 Conclusions

In 2002, twenty-five counties had less than 50% access to high-speed Internet service with three counties, Clay, Graham and Swain having 0%. In 2005, that number was reduced to five counties with less than 50% access and 26 counties having less than 70% access to high-speed Internet service.

The cable companies continue to upgrade their networks and are deploying cable modem Internet service upon completion. Time Warner has purchased the Adelphia Communication properties in North Carolina. (Adelphia has been in bankruptcy proceedings for several years.) Time Warner has begun the process to rebuild these areas with cable modem capable facilities. Cable companies have also begun to build into the 100 home plus subdivisions that are being built in some counties. Most companies still maintain their 20 homes per mile (approximate) requirements and therefore have not begun deploying in the most rural areas of North Carolina.

With the exception of Verizon, the telcos have equipped all of their central offices with DSL. The Telephone Membership Corporations and the independent telcos are serving 90 to 100% of their customers. The larger telcos are serving 40 to 60% of most of their rural areas. They are increasing their deployment in pair gain systems, but will require several years before they reach the 90 –100% bracket in the rural areas.

1.3 Recommendations

There are many ways for North Carolina to address the remaining gaps in high-speed Internet access across the state. It is essential that all these paths be pursued in order to see that the opportunity for technology-based economic development, which requires a high-speed Internet platform for success, is available to all North Carolina communities and businesses.

In increasing cable modem access, it is essential that local governments are well informed when negotiating their contracts with cable television companies. Normally, these franchise agreements provide for annual or bi-annual reviews of required reports, or reports can be requested at certain intervals during the contract. Municipal and county managers should address deployment issues such as upgrading infrastructure to handle digital and high definition television and deployment of cable modem service, and timelines for upgrades. High-speed Internet deployment should definitely be a consideration in cases of franchise renewals.

In increasing DSL and other telecommunications services, it is essential for citizens, businesses, and federal, state and local governments to continually push the telecommunications companies to expand their services. The companies must be constantly encouraged to provide service to the unserved

rural areas. In conjunction with this process, government leaders must remain abreast of the issues and needs around telecommunications infrastructure, and the benefits of high-speed Internet as an economic development tool. Citizens and businesses, especially in rural areas, must be engaged in technology expansion and adoption, and have comprehensive digital literacy training available so that they will not be left behind. A need for increased broadband speed will be essential for rural communities to compete in a regional, national and global economy. It is also required for education, healthcare, and entertainment. They must also contact their legislators and remind them of the importance of high-speed access to all of their constituents. This awareness in turn, will increase demand and create business cases for the deployment of additional infrastructure.

Finally, in regards to satellite and wireless access, support for and knowledge of emerging technologies is essential in increasing the affordability, quality and accessibility of these technologies.

Encourage elected local, state and federal officials to meet with the service providers and express the need for high-speed Internet access in their areas. Political persuasion normally receives attention by service providers.

The e-NC Authority, mandated by the North Carolina General Assembly to provide leadership, coordination and support for telecommunications policy assessment as it relates to providing high-speed Internet access to rural and urban distressed areas, continues to work to see that affordable high-speed access becomes available to all areas of the state. The e-NC Authority fills a role occupied by no other state entity. Continued support for e-NC is essential in ensuring the voice for rural and urban distressed areas of the state is heard.

1.4 Definitions

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."

Defined by North Carolina Session Law 2000 - 149.

Since the Session Law did not state whether the rates are symmetrical (up and down rates are the same) or asymmetrical (up or down rate are different) the RIAA (the original name of the Authority post 2004) Technical Committee determined that if the service provided the 128 or 256 kilobits per second asymmetrical rate, it met the requirements of the Session Law.

Rural/Urban

Rural County – A county with a density of fewer than 250 people per square mile based on the 1990 United States decennial census.

Defined by North Carolina Session Law 2003-245.

Tiers

As provided in the William S. Lee Quality Jobs and Business Expansion Act, the N.C. Department of Commerce annually evaluates North Carolina's 100 counties and assigns each a tier designation ranking from 1 to 5.

Designations are based on each county's ranking in unemployment, per capita income, population growth, and population size. Counties in tiers 1, 2, and 3 are considered "distressed" and are eligible for business incentive programs offered through the N.C. Department of Commerce.

Percentage

All percentages indicate the percentage of households that have access to the services, not the number of households that are subscribing to the services. The only public information about subscription rates appear in the FCC report "High-Speed Services for Internet Access located at http://wwwfcc.gov/wcb/iatd/recent.html.

1.5 Methodology

1. High-Speed Internet access is defined by Session Law 2000 - 149 "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". The RIAA Technical Committee determined that any

service that provides 128 KB – residential or 256 KB - business either transmitting or receiving (asynchronous) complies with the Session Law 2000 - 149 definitions.

2. To assess the availability of high-speed Internet access in North Carolina, the e-NC Authority collected data from the cable, telephone, and wireless companies. The Authority then verified the data when possible, compared deployment by the different providers and derived an overall percentage of deployment.

3. Satellite and wireless companies provide access to a large area of North Carolina, especially the rural areas. Satellite companies would not provide information on the number of customers served in North Carolina.

4. Wireless technology is a relatively new service in providing high-speed Internet access. Only a few providers serve more than one county. Information on the number of households with access is hard to determine because wireless is a line of site service. Because of these reasons, satellite and wireless households are not included in the composite ratings. Never the less, the e-NC Authority works with the wireless providers and monitors their deployments.

5. The composite rating is the percentage of households that have access to cable modem, DSL, or both services. In locations having access to both services, only the households of the service covering the largest number of households is used.

1.6 Technologies

The following technologies are used to provide high-speed Internet access in North Carolina: cable modem, DSL, satellite, and wireless.

1.6.1 Cable Modem

Cable Modem service is normally available in areas in which the cable TV company has upgraded its coax system to a Hybrid Fiber Coax (HFC) system. This upgrade provides bi-directional communications channels and increased

channel capacity. Utilizing a broadband cable modem at the subscribers premise, the cable company can provide high-speed Internet access.

HFC is a shared medium and up to 2000 cable modems can share a set of upstream and downstream TV channels. Expect download speeds in the range 400Mbps to 2.9 Mbps. Uploads are advertised as "capable of 128KB to 384KB, expect less. Most companies limit upload speeds, but a number of the companies are offering higher download and upload speeds for an additional charge.

Deployment of cable modem service first occurred in the metropolitan areas and then spread to the larger towns. As the cable companies upgrade their systems, they have started to pick up smaller communities and crossroad areas, especially along their trunk routes. Cable companies usually require 15 to 20 households per route mile before installing service. This prohibits some rural areas of North Carolina from having access to cable modem service.

A number of North Carolina's cable companies, Charter, Cox, Multimedia, Murphy, etc. have or are in the process of converting their systems to Hybrid Fiber Coax systems. With the exception of Pamlico County, Time Warner provides cable modem service in its other franchised areas. Time Warner has also purchased the Adelphia properties in North Carolina and will be upgrading those areas in the future. Charter and Cox are expanding their cable modem service in a number of areas. Mediacom has most of its systems updated with a few exceptions in the western part of the state. A number of the smaller companies such as Andrews/Murphy, Country Cable and Northlands Communications are upgrading and expanding their systems.

1.6.2 ADSL/DSL

Broadband or high-speed service, normally offered by the Incumbent Local Exchange Carrier, is known as Asynchronous Digital Subscriber Loop (ADSL or DSL) service. DSL provides high-speed digital services on the existing twisted copper network without interfering with the traditional analog telephone service.

DSL has a maximum distance of 18,000 ft. from the central office or Digital Subscriber Line Access Multiplexer (DSLAM). Upstream/downstream speeds range from 1.7Mbps/76Kbps at 18,000 ft. to 8Mbps/1.5 Mbps at 9,000 ft, but are limited by most companies to 1.5Mbps to 384 KB on the downstream and 60KB to 512KB on the upstream. A number of the companies are now offering higher

bandwidths for an additional charge. The subscriber has unshared access to the central office or the DSLAM, but service from that point is shared with many other subscribers and is therefore dependent upon trunk engineering, the number of other subscribers vying for access, and network conditions. DSL's limiting factors are its range of 12,000 to 18,000 ft. from the central office or DSLAM and the limited number of rural areas in which it is presently deployed.

Internet service is usually provided with the DSL service by the telephone company, but can be provided by other ISPs. The ISPs may sell Internet service only or may resell the DSL and Internet service as a package.

Deployment of DSL greatly increased in 2005. With the exception of Verizon, the Telcos in North Carolina have installed DSL in all of their central offices. Customers within 18,000 feet of these locations can usually receive DSL service. Deployment of DSL equipment into smaller remotes, DSLAMs, and digital subscriber carriers located further from the central offices has increased in 2005 and will continue to see increase deployment in 2006.

Customers in counties being served by most of the Rural Telephone Membership Corporations (RTMC) and Independent Companies have 80% to 100% coverage. The other companies are in the planning or implementation stages and should raise total coverage to the 50% to 100% range.

1.6.3 Satellite

Satellite is considered the ubiquitous service, capable of providing service everywhere. In actuality, Satellite requires an unobstructed view of the southern sky, making it unsuitable in some areas of the mountains, some metropolitan areas, and heavily wooded areas. Service is often affected by the weather.

Satellite companies have improved their service by adding a transmitter to their product. Previously, customers had to use their telephone line to upload their request. Upon verification of subscription, their requested information was downloaded to them via satellite. With the addition of a transmitter, uploads and downloads are provided over the satellite service.

Direcway and Starband are the providers of satellite service and sell through Best Buy, Circuit City, Earthlink, and numerous independent resellers. Wild Blue offers a slightly faster service and can be contacted at www.wildblue.com..

Speeds of 60KB for upload and 400KB for the download are the norm. Higher speeds are available for business customers.

Satellite's limiting factors are the initial cost; a clear view of the southern sky and service is affected by weather. Even considering these factors, high-speed Internet access via satellite may still be the only means of service for some rural areas of North Carolina for several years.

1.6.4 Wireless – Unlicensed Frequencies

In September of 1999, the FCC allocated 300 MHz of spectrum for unlicensed operation in the 5-GHZ and 2-GHz block. Fast deployment, inexpensive equipment and IEEE 802.11 standards make unlicensed wireless attractive to ISPs.

Deployment of wireless service is in the early stage. Many are dial-up ISPs expanding their customer base by providing wireless high-speed Internet service in areas, which have neither cable modem, nor DSL service. In total, a number of areas of North Carolina are covered by wireless service, but deployment is rather spotted throughout the state. Most providers cover only a county or a portion of a county. Only a few have networks that serve several counties.

Wireless is a line of site service with trees, buildings and weather being its most limiting factors. Multiple systems in an area can degrade service. Other forms of interference are also a problem. Customers may have to purchase hardware and in some cases, a professional installation is required. In a few cases, non-line of site has been deployed in the last 2 years.

Wi-Fi has been out for a number of years. Wi-Max is the newest technology with promises of more bandwidth and greater range. Wi-Max equipment is in the early stages of deployment. A wait and see attitude would be prudent until there is documentation available on real world deployments of WiMAX. The reason for this is that the cost of equipment change out will be expensive until IEEE standards are completed.

Wireless customers have the least pricing options of all services. Few areas are covered by more than one provider. Although wireless has several limitations, it may be the only choice of service in some areas of North Carolina.

1.6.4 Broadband Over Powerline – BPL

Broadband over Power Line (BPL) is a technology that allows Internet data to be transmitted over utility power lines. (BPL is also sometimes called Power-line Communications or PLC.) In order to make use of BPL, subscribers use neither a phone, cable nor a satellite connection. Instead, a subscriber installs a modem that plugs into an ordinary wall outlet and pays a subscription fee similar to those paid for other types of Internet service.

BPL works by modulating high-frequency radio waves with the digital signals from the Internet. These radio waves are fed into the utility grid at specific points. They travel along the wires and pass through the utility transformers to subscribers' homes and businesses. Little, if any, modification is necessary to the utility grid to allow transmission of BPL. This mode has not yet been widely deployed in the United States, but it has been implemented in a few other countries, with varying results. The Federal Communications Commission (FCC) is currently working on a set of rules according to which BPL may be implemented in the United States. If it is put into use, BPL will be an unlicensed service, and will be governed by rules similar to those that apply to cordless telephones, television remote controls, and other consumer electronic devices.

Some people say BPL represents an ideal solution for people in rural areas. But many engineers, along with officials in the National Telecommunications and Information Administration (NTIA) and the Federal Emergency Management Administration (FEMA), fear that BPL will interfere with fire, police, shortwave, land mobile, and other radio systems important to national security. Amateur radio operators have voiced their concerns as well. BPL subscribers may also be adversely affected by the electromagnetic fields that radio transmitters generate in the course of their normal and licensed operations. The utility power lines are not shielded, as is coaxial cable, and some of the frequencies suggested for BPL operation lie within the spectra assigned to essential wireless services. (Source: Whatis.com)

COVER STORY

Measuring Broadband's Economic Impact

From 1999 to 2002, American communities with broadband access did significantly better than those without

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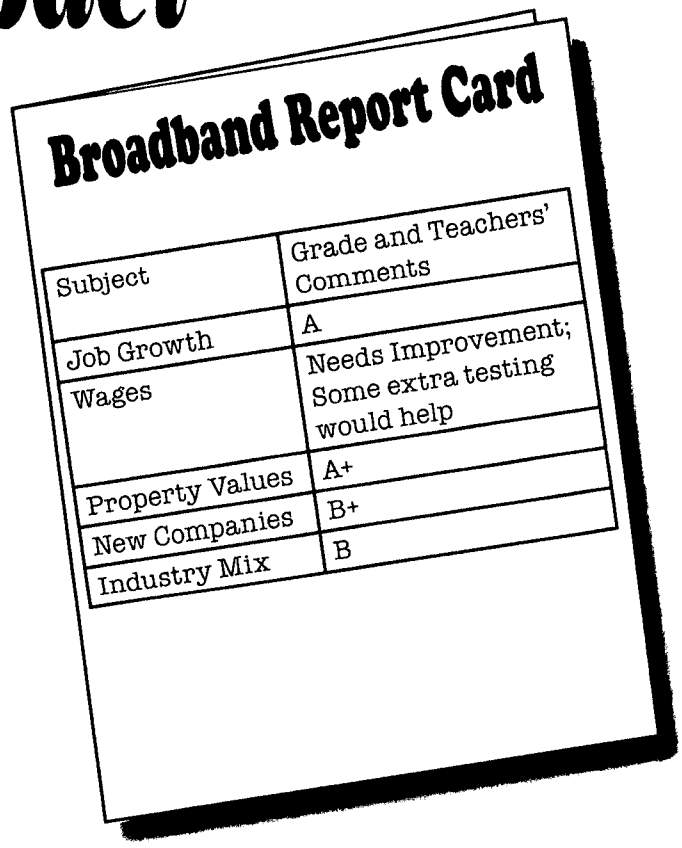
" . . . broadband access does matter to the economy, just as common sense would say it should . . ."

" . . . broadband enhances economic activity, helping to promote job creation both in terms of the total number of jobs and the number of establishments in communities with broadband . . ."

" . . . the mean growth in rent . . . employment, number of establishments, and share of establishments in IT-intensive sectors were all higher in the communities with broadband . . ."

" . . . we find a substantial positive impact for broadband availability on the growth in total employment."

" . . . broadband has a significant positive effect on the growth in the number of business establishments . . . "



" . . .broadband access does enhance economic growth and performance, and . . . the assumed (and oft-touted) economic impacts of broadband are real and measurable.

"The present study has several clear implications for policy-makers. The most obvious and important implication is that broadband does matter to the economy."

"Broadband is clearly related to economic well-being and is thus a critical component of our national communications infrastructure."

Table 1: Data sources

Type of Data	Description	Availability Source	
Business Activity Indicators	Used for employment, establishments, wages (payroll), industry sector and size mix. Reported at zip code level; aggregated for state-level analysis.	Collected annually; most recent data from 2002. Industry sectors coded by SIC (1994-7) and NAICS (1998-2002).	U.S. Census Bureau -ZIP Code Business Patterns (ZCBP)
Demographic Indicators / Controls	Used for income, rent, educational attainment, and # of households. Reported at both zip code and state level. Also used to compute % of population in urban areas for state-level analysis.	Collected every 10 years; most recent data from 2000.	(1) U.S. Census Bureau - 2000 Decennial Census (2) GeoLytics – CensusCD ("1990 Long form in 2000 boundaries")
Geographic Controls	Used to indicate how urban or rural a zip code is, based on its population and proximity to metropolitan areas.	Computed every 10 years; most recent coding from 2003.	Economic Research Service, U.S. Department of Agriculture - Urban Influence Code (UIC)
Broadband Metrics	Reports number of high-speed Internet providers by zip code, and number of lines in service by state.	Collected every 6 months (end of June and December) since 12/1999.	U.S. Federal Communications Commission - Form 477 databases

For the first time, we can say unequivocally that broadband access does matter to the economy, just as common sense suggests it should. We estimate that between 1998 and 2002, communities in which mass-market broadband was available by December 1999 experienced more rapid growth in employment, the number of businesses overall, and businesses in IT-intensive sectors. In addition, the effect of broadband availability by 1999 can be observed in higher market rates for rental housing in 2000.

Now that we've said it, however, we feel compelled to explain how we think we know all this. After all, your company or your taxpayers may be investing a lot of money based on our findings.

There are indeed practical limits on what research can tell us at this early point in the broadband revolution. Widespread availability and use of inexpensive, always-on, faster-than-dialup access to the Internet is a relatively recent phenomenon in the U.S. The first commercial deployments appeared only in the second half of the 1990s. About a third of U.S. households subscribed to broadband by 2004.[1]

National economic data is only now becoming available to examine whether broadband actually does act on the economy in ways that have generally been assumed – accelerating growth, expanding productivity, and enhancing the quality of life.

Estimates of broadband's economic impact are an essential input to the development of broadband-related public policies. They can, for instance, help predict potential benefits obtainable from government investments that directly or indirectly subsidize broadband deployment or use. Examples of such investments – in place or proposed – include targeting of Universal Service Funds toward broadband; the broadband loan program of the U.S. Department of Agriculture; digital divide grants and technology-led economic development programs; and municipal broadband networks.

Corporate officials certainly understand the financial impact of public policies such as the Supreme Court's *Brand X* decision (described in detail in *Broadband Properties*, January, February and July 2005), the FCC's order making DSL an information service, state prohibitions on municipal networking, and debates over video franchising for next-generation networks such as Verizon's FiOS.

To the general public, however, such issues can easily seem inscrutable. By defining the stakes involved for the economy as a whole, an estimate of broadband's impact helps inform the public, government officials, and investors.

A Short History

The challenges inherent in developing reliable estimates of broadband's value are reflected in the progression of empirical work to date. The first generation of studies appeared in 2001-2, before broadband had been significantly adopted in the United States. These studies were thus somewhat hypothetical and forward-looking. As a report from the U.S. Department of Commerce put it at the time: Because broadband technologies are so new (and continue to evolve), there are no definitive studies of their actual impact on regional economic growth and tech-led economic development. Of course that never prevents economists and technologists from speculating or estimating.[2]

A well-known report from this period was prepared for Verizon by Criterion Economics.[3] It developed several forward-looking models to estimate broadband's economic impact. The study estimated that broadband, acting through changes to consumers' shopping, commuting, home entertainment and health

Table 2: Number and share of ZIP Codes with broadband, December 1999 - December 2002

Date	ZIP Codes added with Broadband	Cumulative %	
Up to December 99	17,683	54.44%	
Jun-00	2,725	8.39%	
Dec-00	1,970	6.07%	
Jun-01	2,026	6.24%	
Dec-01	910	2.80%	
Jun-02	957	2.95%	
Dec-02	894	2.75%	
No Broadband by Dec 2002	5,316	16.37%	
Total	32481	100.00%	

Source: The authors, based on data from FCC Form 477 and US Census Bureau's Decennial Census and Zip Code Business Patterns.

care habits, would contribute an extra $500 billion in GDP by 2006.

Other forward-looking studies from the time include the New Millennium Research Council's estimate of 1.2 million jobs to be created from the construction and use of a nationwide broadband network.[4] There was also a Brookings Institution report estimating that failure to improve broadband performance could *reduce* U.S. productivity growth by 1% per year or more. [5]

By 2003, studies started becoming available based on the experiences of individual communities. One was a case study of a municipal fiber network built in 2001 in South Dundas Ontario. It was prepared for the UK's Department of Trade and Industry.[6] There was also a study comparing Cedar Falls, Iowa, which launched a municipal broadband network in 1997, against its otherwise similar neighboring community of Waterloo.[7]

Each of these studies found positive economic impacts from the local government investment. More recently, Ford and Koutsky compared per capita retail sales growth in Lake County, Florida, which invested in a municipal broadband network that became operational in 2001, against ten Florida counties selected as controls based on their similar retail sales levels prior to Lake County's broadband investment. They found that sales per capita grew almost twice as fast in Lake County compared to the control group.[8]

Given the passage of time, increased availability and adoption of broadband in the U.S., and newer data from the biennial (2002) business Census, it is now possible to begin looking for broadband's economic impacts more generally and at a larger geographic scale. To do that, we compared various economic outcome measurements in different communities based on when broadband became available in the community. We controlled for other factors known to affect broadband availability and levels of local economic activity.

We combined Census data on business activity from the 1990s through 2002, and community demographics through 2000, with a broadband availability indicator developed from the FCC's publicly available Form 477 data.[9]

Measuring the economic impact of broadband confronts the same types of measurement challenges that led to the so-called Productivity Paradox of Information Technology (IT), best articulated by economist Robert Solow's famous quip that we see computers everywhere but in the productivity statistics.

Broadband does not act on the economy by itself, but in conjunction with other IT (primarily consisting of computers and software during the period studied here) and associated organizational changes. As with computers, the effects of broadband may be strongest in non-farm, non-manufacturing industries, where productivity improvements are typically less well captured by economic data.

A particular challenge for this study is that data to distinguish localities by their actual use of broadband – which would seem to be a pre-requisite for most types of economic impact – is not generally available. For example, the FCC's Form 477 data only distinguishes among communities by their broadband availability, and provides no metrics of broadband adoption or use below the state level.

These early prospective studies suggest that broadband should make individuals and businesses more productive through behaviors such as online procurement and telecommuting, but national data is generally not available to observe these behaviors at the local level. We will discuss these measurement and data availability challenges in more detail.

Study Design

The essence of our study's design is to differentiate geographic areas by their availability and use of broadband, then look at economic indicators for these areas over a long enough period to see if consistent deviations from the secular trend are observable, controlling for other factors known to distinguish among the areas.

Broadband does not act on the economy in isolation, but as a complement to other information technologies. In the pre-2003 period studied here, broadband typically consisted of always-on, faster-than-dialup access to the Internet, with the user's experience typically mediated

Table 3. Penetration of broadband in residential and small business

State	2000	2001	2002
New York	6.06%	12.77%	21.77%
Massachusetts	9.29%	16.24%	21.10%
Connecticut	7.04%	12.43%	20.04%
California	8.20%	13.17%	19.96%
Alaska	0.20%	16.18%	18.62%
Rhode Island	6.29%	13.06%	17.66%
N.Hampshire	6.87%	10.96%	16.12%
Washington	6.51%	11.43%	16.01%
Georgia	1.98%	9.78%	16.00%
Florida	3.33%	10.17%	15.92%
Oregon	4.34%	8.59%	15.89%
Nevada	5.87%	10.73%	15.81%
Kansas	5.40%	10.15%	15.62%
Arizona	6.21%	10.26%	15.26%
Nebraska	6.70%	9.11%	14.98%
Maryland	1.67%	10.15%	14.84%
Minnesota	4.79%	8.32%	14.33%
North Carolina	2.26%	8.46%	14.31%
Texas	4.95%	8.81%	14.16%
Colorado	4.70%	8.19%	13.86%
D.C.	5.03%	9.92%	13.71%
Utah	3.70%	7.94%	13.39%
Michigan	2.73%	8.80%	13.32%
Virginia	2.68%	8.47%	13.18%
Tennessee	3.04%	8.00%	12.94%
New Jersey	6.88%	15.00%	12.91%
Wisconsin	2.40%	6.58%	12.80%
Ohio	3.51%	7.47%	12.68%
Delaware	0.68%	6.70%	12.55%
Louisiana	2.10%	7.71%	12.53%
Illinois	3.60%	6.46%	12.19%
Oklahoma	2.73%	6.64%	11.62%
South Carolina	2.02%	6.32%	11.00%
Alabama	1.60%	5.95%	10.03%
Pennsylvania	1.94%	5.84%	9.73%
Maine	3.67%	6.88%	9.71%
Vermont	2.27%	6.55%	9.36%
Missouri	3.12%	6.47%	9.30%
Idaho	2.39%	2.39%	8.77%

State	2000	2001	2002
Iowa	4.27%	6.03%	8.75%
West Virginia	0.63%	3.56%	8.38%
Arkansas	2.14%	5.16%	7.79%
Indiana	0.88%	3.79%	6.46%
New Mexico	2.62%	3.46%	6.30%
North Dakota	1.90%	1.68%	6.18%
Mississippi	0.34%	2.37%	5.96%
Wyoming	*	2.87%	5.61%
South Dakota	3.20%	2.45%	4.89%
Kentucky	0.69%	2.59%	4.35%
Montana	1.49%	2.67%	4.13%
Hawaii	*	*	*
Total	3.61%	7.91%	12.46%

by software running on a personal computer. Broadband is a critical enabler for the use of computer-based applications that need to communicate. Adoption of broadband-enabled IT applications can affect the economy by changing the behaviors and productivity of both firms and individuals.

Rappoport, Kridel and Taylor demonstrated how the convenience and responsiveness of broadband led people to use it more intensively than its narrowband (dialup) predecessor.[10] Forman, Goldfarb and Greenstein,[11] and others, have focused on changes to firm behavior, finding that these generally lie on a spectrum, with the highest payoffs in enhanced productivity appearing in the firms that commit most intensively to integration of IT into new business processes.

Forman and his colleagues distinguish between IT using and IT enhancing firms. The former simply adopt existing Internet applications to make current business processes more productive. The latter develop and integrate more complex e-business applications that can enable whole new business processes and models, such as automated online supply chain management and online sales into geographically distant markets. To the extent that the availability and use of broadband fosters either type of IT adoption and usage by firms, we would expect productivity improvements and other associated economic impacts to follow.

Other studies have focused on the effects of IT on individual workers. IT tends to complement workers that perform non-routine problem-solving and complex communication tasks, but substitutes for workers who perform cog-

Table 4: broadband impact on growth of selected economic variables

Variable	State	ZIP	Matched Panel
Employment	Mixed impact because within-state circumstances vary widely. But relationship between broadband and employment was stronger in states showing positive relationship; in no states were negative relationships significant.	Positive relationship*	Positive relationship*
Wages	Mixed but never statistically strong link	Weakly negative, not significant at 90%	Weakly negative, not significant at 90%
Rental rates	Positive relationship*	Positive relationship*	Weakly positive; not significant at 90%
Establishment growth	Mixed impact; states with negative relationship more signficant	Positive relationship*	Weakly positive; not significant at 90%
IT-intensive share of establishments	Mixed impact; states with positive impact more significant	Positive relationship*	Weakly negative; not significant

(=significant at 90% or above)*

Table 5: Mean percentage change for communities with (and without) broadband by December 99

Variable	With Broadband by Dec 99 (N=15,020) Mean (Std. Dev.)	With No Broadband by Dec 99 (N=7,370) Mean (Std. Dev.)	
Dependent Variables			**Sources**
Median Housing Rent, 2000	6.306 (0.341)	6.039 (0.298)	US Census, 2000 Decennial
Ratio of Average Salaries of 2002/1998	0.072 (0.131)	0.059 (0.206)	(Ln) US Census, 2002 and 1998 ZCBP
Share of Establishments in IT-Intensive Sectors	0.240 (0.088)	0.195 (0.088)	2002 US Census, 2002 ZCBP
Ratio of Employment 2002/1998	0.049 (0.263)	0.015 (0.401)	US Census, 2002 and 1998 ZCBP
Share of Establishments with fewer than 10 Employees	0.768 (0.087)	0.834 (0.102)	2002 US Census, 2002 ZCBP
Ratio of # Establishments 2002/1998	0.054 (0.150)	0.027 (0.204)	US Census, 2002 and 1998 ZCBP
Independent Variables			Sources
"dUrban" variable	0.739 (0.438)	0.374 (0.483)	Degree of urbanization, from USDA data
URinfl03 - Urban Influence Code 2003*	2.882 (2.632)	5.294 (3.253)	US Dept. of Agriculture 2003
Growth Rate in the Number of Employees 1994 -- 1998	0.434 (7.356)	0.289 (1.315)	US Census 1994 and 1998 ZCBP
Growth Rate in the Number of People (25+) with College Degree or Higher 1990 – 2000	11.526 (96.28)	3.310 (24.549)	US Census, 2000 Decennial Census; GeoLytics, 1990 Decennial Census
Growth Rate in the Number of Establishments 1994 - 1998	0.169 (1.428)	0.104 (0.425)	US Census, 1994 and 1998 ZCBP
Growth Rate in Median Family Income 1990 – 2000	1.046 (64.969)	0.501 (0.370)	US Census, 2000 Decennial Census; GeoLytics, 1990 Decennial Census
Growth of the Civilian Employed Labor Force 1990 – 2000	6.487 (79.518)	2.046 (18.969)	US Census, 2000 Decennial Census; GeoLytics, 1990 Decennial Census
Growth Rate of Share of Establishment in IT Intensive Sectors 1998 – 2000	0.030 (0.193)	0.053 (0.334)	US Census, 1998 and 2000 ZCBP
Growth Rate on Average Salary 1994 –1998	0.180 (0.243)	0.212 (0.432)	US Census, 1994 and 1998 ZCBP
Median Housing Rent, 1990 (Ln)	5.995 (0.403)	5.711 (0.369)	GeoLytics, 1990 Decennial Census
Share of Population (25+) with College Degree or Higher, 2000	22.387 (14.684)	14.211 (9.096)	US Census, 2000 Decennial
Share of Establishments, 1998	0.029 (0.133)	0.024 (0.042)	US Census, 1998 ZCBP
Share of Establishments in IT-Intensive Sectors, 1998	0.232 (0.085)	0.191 (0.087)	US Census, 1998 ZCBP
Share of Establishments with less than 10 Employees, 1998	0.772 (0.086)	0.832 (0.102)	US Census, 1998 ZCBP

**: Urban Influence Code ranges from 1 (large metro area of 1+ million residents) to 12 (no urban or town core and not adjacent to metropolitan area)*

nitive and manual tasks that can be accomplished by following explicit rules. While both effects could be expected to increase productivity, the overall effect on employment is ambiguous and would depend on the mix of different types of jobs in the economy.[12]

While much of the IT productivity literature has focused on workplace usage, much of the focus of broadband policy has been on residential deployments. Broadband at home may of course be used for leisure pursuits, but it can also be expected to affect the economy both directly and indirectly.

For many knowledge workers, a residential broadband connection is a prerequisite for working at home (enabling productive use of non-traditional working hours, flexible work arrangements, or remote employment), or for establishment of a home-based business.

Less directly, expanded broadband availability at home may raise the quality of the labor force, for example through improved access to educational opportunities via distance education programs, thus making a locale more attractive to potential employers. Similarly, home-based access may improve quality of life, for example by enabling more participation in community and civic activities, making a locale more attractive to potential residents.

Somewhat more directly, home access may enable online job hunting, thus reducing unemployment by making labor markets more efficient. It may also make workers more productive by reducing the overall time needed for them to fulfill non-work obligations, such as paying bills, shopping, telemedicine, and so forth. As with corporate use of IT, however, the overall effect of home-based broadband usage on local economic indicators is also mixed. While online banking and shopping may make local workers more productive, it is also likely to put competitive pressure on local banks and retail stores, leading to ambiguous effects on the number of local jobs.

Most of these hypothesized impacts are not measurable directly. Broadband availability varies by community, but statistics are not tallied at the community level to measure local output (GDP) or use of capabilities like e-commerce and telemedicine. To create hypotheses testable with available data, we focus instead on how broadband is likely to change other indicators that describe local economies. They include:

- Employment rate, share of high-skilled/high-wage jobs in the community, wage rates, and rate of self-employment).
- Wealth as measured by personal income, housing values, or rents.
- Quality of the local labor force, as measured by educational attainment, dropout rates, or share of workforce in more skilled jobs.
- Community participation and quality of life as measured by voting participation, mortality rates, or local prices.

Our ability to test the complete list of indicators is limited by the collection frequency for different types of Census data, and geographic unit limitations for other types of data (voting participation is not tallied by ZIP code, for instance).

For most indicators, it is reasonable to expect that broadband's impacts will be felt only after some time lag. Broadband has to be not only available, but adopted and then used. While the expected length of this process may vary depending on the particular indicator, for most indicators it is not reasonable to expect to see impacts in the most recent decennial (2000) Census data, given that the FCC's earliest measurement of community broadband availability was taken only at the end of 1999.

This limited our ability to test broadband's impacts at the ZIP-code level on workforce-related indicators such as self-employment, the share of white-collar workers, educational attainment levels, and per capita expenditures on public assistance. We were, however, able to use 2000 rent as a wealth indicator, justified because only broadband availability (not its actual use) should be necessary to in-

Home access may make workers more productive by reducing overall time needed to fulfill non-work obligations, such as paying bills, shopping, doctor appointments, and so forth.

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Table 6: Impact (Controlled) on economic variables in broadband-enabled ZIP codes (those that had broadband by December 1999):

Employment (Jobs)	Employment annual growth rate about 1% higher, 1998 - 2002.
Wages	No statistically measurable impact observed in data by 2002.
Property Values	Housing rental rates over 6% higher in 2000.
Business Establishments (proxy for firms)	Almost 0.5% higher rate of growth in the number of establishments, 1998 - 2002.
Industry Mix	Over 0.5% increase in the share of establishments in IT-intensive sectors, 1998 – 2002. About 1% reduction in share of small establishments.

fluence the value of rental housing, and the effect should be immediate.

Despite these limitations on workforce and societal impacts, the use of business Census data (for which 2002 is the most recent available at the time of this writing) does allow testing of broadband's impacts on five key indicators of business activity:

- Total employment.
- Wages.
- Number of business establishments (used as a rough proxy for number of firms).
- Indicators of industry mix by sector. In particular, we examine broadband's effect on the share of business establishments in IT-intensive industry sectors. This is interesting in its own right because such jobs are about a fifth of all US jobs, but also as a proxy for the skill level of jobs in the community.
- Indicators of establishment mix by size (small vs. large).

Data Availability

Table 1 summarizes the sources used to construct the ZIP code and state-level data sets. Most of the variables are straightforward, other than the broadband metric that we discuss below.

We report statistics for both the full sample of ZIP codes, and the sub-sample that results from matching across all the variables. Because results did not differ substantially for the full and sub-samples, we simplify the analysis by using the consistent sub-sample throughout.

Ideally, we would be able to differentiate among communities by their actual use of broadband. However, the FCC's Form 477 data does not provide any indication of broadband adoption or use at the ZIP code level. You simply are told whether a Zip code has at least one broadband user getting a provider's bill.

At the state level, the FCC reports the number of broadband lines in service, segmented by lines serving residences and small businesses vs. those serving larger businesses, government, or other institutions. We convert the mass-market (residential and small business) segment, about 75 percent of the total in 2000, to a statewide penetration rate and use this broadband indicator to test for effects at the state level, because in theory penetration should provide a better indicator for broadband's impact than simple availability.

In practice, however, the state level is too coarse an aggregate, as we discuss in more detail below. We used the FCC's high-speed classification to define broadband: any line with a speed higher than 200 Kilobits per second (Kbps) in at least one direction. Although we do not expect availability to serve as a perfect proxy for broadband use, this metric is the best available.

We identify the communities where broadband was available as those that report having broadband in the FCC's Form 477 data for 1999 (Table 2). Since this is the first date for which the FCC zip-code-level data is available, it includes communities that have had broadband for a number of years, as well as communities where broadband had become available only recently. For example, the relatively high penetration in 2000 in California, Connecticut, Massachusetts and New York (Table 3) attests to the fact that a number of communities in these states were early broadband adopters. Communities that show up in the Form 477 data in later periods are treated as non-broadband-available communities because we believe that it takes time for the impact of broadband to become available and we would not anticipate being able to see a measurable effect in the 2002 economic data.

Measuring Economic Activity

Because there is no simple summary statistic with which to measure total economic activity (total output or GDP) by community, we examine a collection of economic variables for which we could reasonably expect to see a measurable impact of broadband (employment, wages, rent, and industry structure or mix). For each category of variables, we tested three approaches:

(1) Impact of broadband at the state level. Although in general we expect states to be too high a level of geographic aggregation to show interesting results (broadband variation within states is typically higher than among them), we conducted this analysis because the FCC data provides information on the total number of broadband consumers (i.e. penetration) only at the state level. Thus testing at the state level was necessary to conduct any analysis using penetration as a broadband metric. State-level analysis also provides an important connection to previous research on information technology's (IT's) economic impacts.

(2) Impact of broadband using community (ZIP-code) level data with controls.
(3) Extend the community-level analysis with a matched sample analysis as the means to control for non-broadband, unobserved effects.

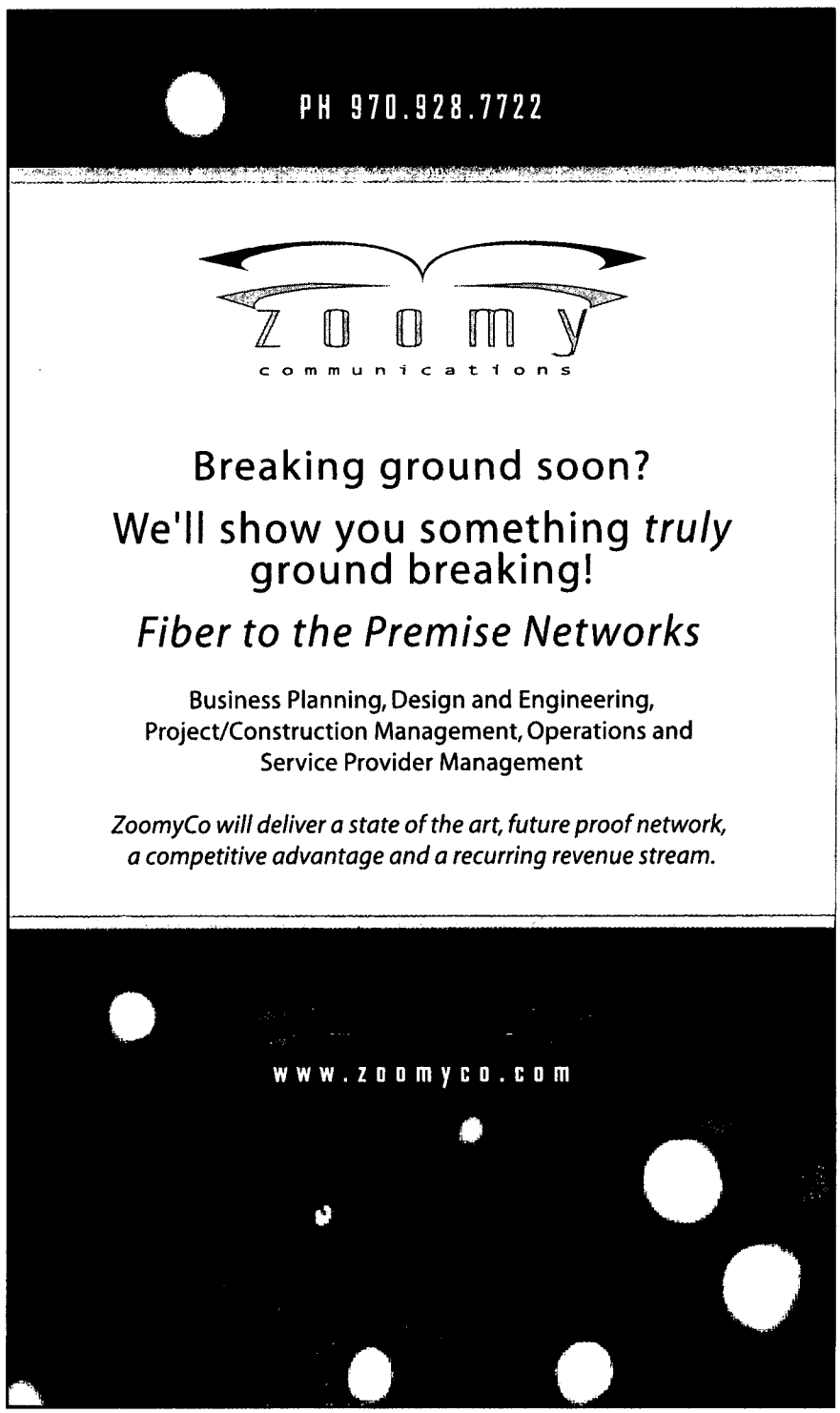
We have a time series panel dataset and are thus looking for variations in the overall trend of an economic indicator as a function of broadband availability or penetration. We use regression analysis to estimate the impact of broadband on each of our metrics of economic activity, while controlling for other factors that might reasonably be expected to impact our measure of economic activity.

At the state level, we have data on the actual number of broadband lines in use. We normalize this data to a penetration rate by dividing the number of residential and small business lines by the number of households and small businesses in the state. Across the states, as shown in Table 3, penetration varied from near zero to as high as 22% by 2002.

Because broadband will be adopted within a state first by those who get the greatest benefit, and we expect later adopters within a state will realize a lesser benefit, we do not expect our dependent variables to be linearly related to statewide broadband penetration. Consequently, at the state level, we modify our equations to incorporate both linear and quadratic terms for the impact of broadband penetration.

We also know that the decision by providers to deploy broadband is related to economic characteristics of the community, such as income and population density. As a result, if we look solely for an association between broadband availability and our economic variables, it may be hard to distinguish the direction of causality. So we introduce control variables in an attempt to separate the effects of broadband from the a priori economic characteristics of the ZIP code.

When analyzing data at the ZIP code level, we also use a matched sample approach to control for non-broadband-related factors affecting changes in our metrics of economic activity. Within our sample, a majority of ZIP codes already reported having broadband available in 1999. These ZIP codes are on average in higher density, more urban areas, with greater proportions of college graduates, and higher growth rates in income and labor force. These communities are significantly different from the types of communities that did not have broadband until after 1999 or still do not. As an alternative to using control variables to account for the systematic differences in the characteristics of the broadband "haves" and "have-nots," we used a technique that matches comparable communities in the two broadband classes to see if there is a measurable difference in the economic activity metric because of broadband.



Results

Our results are generally consistent with the view that broadband enhances economic activity, helping to promote job creation both in terms of the total number of jobs and the number of establishments in communities with broadband (see Table 4). The positive impact on establishment growth was higher for larger establishments and for IT intensive sectors of the economy.

We did not observe a significant impact of broadband on the average level of wages, but we do observe that residential property values (proxied by the average level of rent paid for housing) are higher in broadband-enabled communities.

Another way to see the results is to compare the sample averages for communities with and without broadband (haves vs. have-nots) as of December 1999 (Table 5). This comparison shows that the mean growth in rent, salaries, employment, number of establishments, and share of establishments in IT-intensive sectors were all higher in the communities with broadband, while only the share of small establishments declined.

Employment and Wages

As explained earlier, theory does not provide strong guidance as to the expected impact of broadband on total employment. On the one hand, broadband might stimulate overall economic activity resulting in job growth; while on the other hand, broadband might facilitate capital-labor substitution, resulting in slower job growth.

Furthermore, we might anticipate that broadband would have asymmetric effects by industry sector and for occupation mix. These additional share effects might result in ambiguous changes in the direction of total employment growth.

However, when we turn to the ZIP code regressions and matched-sample regressions, we find a substantial positive impact for broadband availability on the growth in total employment. Our analysis suggests that the availability of broadband added over 1 percent to the employment growth rate in the typical community (coefficient on the variable indicating whether or not even one broadband customer was billed in a ZIP Code area is 0.01046). We also observe that the controls, growth in employment from 1994 to 1998 and urbanization are significant and have positive signs as expected.

This result is also supported by the matched sample results. Interestingly, the impact of broadband on employment appears substantially higher in the matched sample results, suggesting that broadband increased employment by over 5 percent. This is consistent with the view that broadband had an especially large impact in smaller, rural communities.

Wages

Perhaps the most likely place to expect to see an impact of broadband would be on wages. If one believes that broadband enhances productivity in a number of ways, it is reasonable to expect that some of the benefits of these effects would be captured by workers.

There is an extensive empirical literature that demonstrates the positive effects of IT for wages and employment mix effects. Furthermore, one might expect that these wage effects might be observed in the economic data more quickly than shifts in employment mix (by occupation or by industry sector) or the number of firms (reflecting entry and exit into the community) since the changing wages help drive the other changes.

Thus, we initially approached the analyses of community wage data (measured as total payroll associated with all businesses in the community) with the hope of finding significant measurable impacts. Unfortunately, although some of the simplest regressions looked promising, once we controlled for all the variables, we do not observe any significant effect attributable to broadband.

Rent and Property Values

The third group of regressions we run look at the impact of broadband on rental rates as reported in the 2000 Census. Our measure of broadband availability only tells us whether a community had broadband by December 1999 or not. It does not tell us how long the community has had broadband. However, it seems reasonable that if broadband has an effect on rental rates, that effect ought to be observed relatively quickly. Since broadband is desirable, we would expect to see the availability of broadband resulting in higher rental rates.

Our results support the conclusion that rental rates were significantly higher in 2000 in communities that had broadband. The most meaningful ZIP-code regression shows that rental rates were almost 7 percent higher (coefficient on whether or not even one broadband customer was billed in 1999 is 0.06563) for broadband communities. However, when we move to the matched sample results, although the sign remains positive, the rent-effect is no longer significant.

Industry Structure and Mix

The last group of results we will discuss relate to the impact of broadband on industry structure and the mix of businesses by industry sector and size. Broadband has a significant positive effect on the growth in the number of business establishments, increasing growth, by almost one-half of a percent (coefficient with whether or not there was at least one broadband customer in the ZIP Code area in 1999 is 0.00485) from 1998 to 2002.

This positive effect is even larger in the matched sample regressions. The state-level regressions also support this result. Moreover, in the ZIP-code regressions, the controls have the appropriate positive sign: growth in number of establishments from 1994 to 1998, urbanization, and the growth in labor force from 1990 to 2000.

Second, the share of firms in IT intensive sectors is higher in broadband communities. In the best of the ZIP code regressions, the share of establishments that are in IT intensive sectors increased by an additional one half percent between 1998 and 2002 in communities that had broadband by December 1999. This is a large effect and it is hardly surprising since we would expect there to be a positive feedback process underlying this observation. That is, IT intensive sectors are the most likely to demand and use broadband services, and if availability is

an issue, IT intensive firms are more likely to expand operations in locales with broadband. This effect complements the positive effect we observe on total employment.

Unfortunately, the matched sample results are no longer significant and the sign is reversed. Because of the data issues noted earlier, we do not regard this change in sign and lack of significance as overly important. Similarly, the state-level regressions show conflicting results that suggest that broadband's impact on the change in the share of firms in a state that are in IT intensive sectors is negative for low penetration and becomes positive only for relatively high penetration. But almost all of the variability in the share of IT intensive firms is already explained by the share of IT intensive firms in 1998.

Third, and in some ways most interesting, our data provides some suggestive results as to the impact of broadband on firm organization and the size of business establishments. One theory is that the availability of enhanced communication services facilitates more geographically distributed types of firm organization (death of distance). If true, this could explain why the number of establishments per 2000 population is higher in broadband communities (0.030 in haves v. 0.024 in have-nots, see Table 5).

Additionally, broadband might lower entry barriers for new firms and may encourage the growth of self-employment. Since most of these establishments are likely to be quite small, we might expect to see faster growth in the number of small establishments in broadband enabled communities.

We also looked at the results of estimating the impact of broadband on the change in the share of firms that are small (less than 10 employees) between 1998 and 2002. At the ZIP code level, we observe a significant effect that is contrary to our expectation. We observe that the share of firms that are small declined in broadband enabled communities relative to non-broadband communities by over one percent.

In the overall sample, the relative size mix of establishments declined only slightly, but the decline was greater in broadband communities. The matched sample results are consistent with the ZIP-code results.

When we tried to explore this further by looking at regressions with the number of establishments per population or using different measures of the size composition, the regressions failed to indicate a measurable impact for broadband.

Because we cannot control for the growth in the relative number of firms by different size classes (we observe only the number of establishments by industry sector and size class), our data do not really allow us to infer the impact of broadband on firm organization. To address this question, it may be more appropriate to use enterprise-level data like the data used by Greenstein, Forman et al.

Conclusions

The analysis presented in this paper represents a first attempt to measure broadband's impact by applying controlled econometric techniques to national-scale data. The results support the view that broadband access *does* enhance economic growth and performance, and that the assumed (and oft-touted) economic impacts of broadband are real and measurable.

We find that between 1998 and 2002, communities in which mass-market broadband became available by December 1999 experienced more rapid growth in employment, number of businesses overall, and businesses in IT-intensive sectors.

While the available data does not demonstrate statistically significant impacts on wages, the effects of broadband availability by 1999 can also be observed in higher market rates for rental housing (a proxy for property values) in 2000.

Table 6 summarizes the estimated magnitude of impacts resulting from our analysis at the ZIP code level, after controlling for other community-level factors known to affect both broadband availability and economic outcomes, including income, education, and urban vs. rural character.

This analysis is of course preliminary; additional data and experience are needed to more accurately address the fundamental question of how broadband affects the economy. Nevertheless, the magnitude of impacts estimated by our models are larger than we expected.

We interpret our results cautiously, in light of the methodological challenges inherent in disentangling causality in any study of the relationships between infrastructure availability and economic development. Further research is required to properly address the causality issue. However, our cautious findings of a positive impact of broadband are encouraging.

The present study has several clear implications for policy-makers. The most obvious and important implication is that broadband *does* matter to the economy.

Policy makers who have been spending their time or money promoting broadband should take comfort that their efforts and investments are not in vain. Many significant public policy reforms and programs are in place or under consideration at the federal, state, and local levels to ensure competitive availability of broadband to all U.S. citizens, stimulate ongoing investment in broadband infrastructure, and facilitate the education and training that small business and residential customers need to make effective use of broadband's capabilities.

Such policies are indeed aimed at important goals. Broadband is clearly related to economic well-being and is thus a critical component of our national communications infrastructure.

Local policy-makers in particular may wish to understand whether the economic advantages conferred by broadband are temporary (i.e. growth in the early have communities came at the expense of the early have-nots) or longer-lasting (i.e. broadband stimulated growth of the overall economic pie). If the advantages are temporary, then the benefits to be gained from local public investments to speed broadband availability will be muted once neighboring communities catch up.

On the other hand, if broadband affects the base growth rate of the local economy, then the benefits from getting it sooner will continue to compound into the future. Because the present

study only looks at one time period, it cannot address this important question directly. The results of our study can be seen as consistent with either hypothesis. Once broadband is available to most of the country, differences in economic outcomes are likely to depend more on how broadband is used than on its basic availability.

The implication for policy makers is that a portfolio of broadband-related policy interventions that is reasonably balanced (i.e., also pays attention to demand-side issues such as training) is more likely to lead to positive economic outcomes than a single-minded focus on availability.

Finally, the present study highlights the fundamental role that government data plays in shaping our understanding of how communications technologies and policies relate to national economic performance. As discussed above, public data about broadband focuses primarily on the supply side (availability), especially at the local level. Economic performance, however, also depends on demand-side factors such as broadband adoption and use. Such factors are of course competitively sensitive.

Given how important broadband appears to be to the economy, however, the time has come for policy makers to engage in a dialogue with industry and develop reasonable ways to measure more of the broadband indicators that matter. **BBP**

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The complete report is available at www.broadbandproperties.com and at **http://cfp.mit.edu/groups/broadband/docs/2005/MeasuringBB_EconImpact.pdf**

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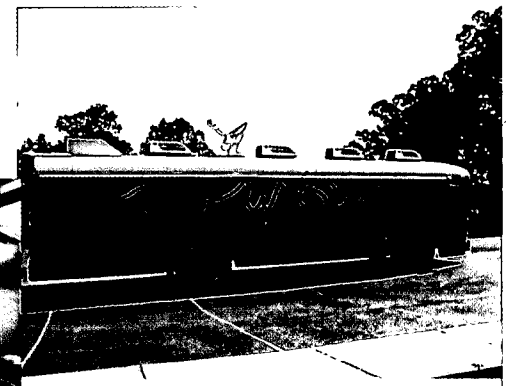
The e-NC Authority

Bringing Broadband to Rural NC

Learning to Connect, Teaching to Thrive



Pioneering Digital Roads

2005 Annual Report

www.e-nc.org

e-NC

Connecting North Carolina to a Better Future

2005 Annual Report

The e-NC Authority

Connecting North Carolina to a Better Future

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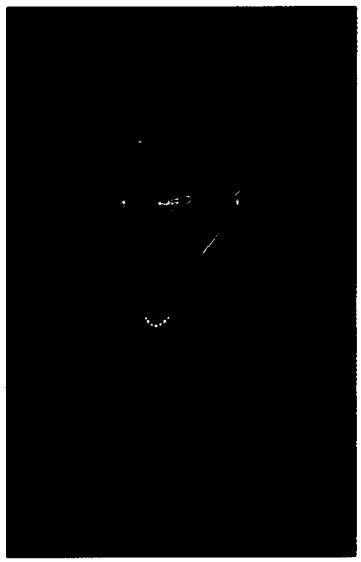
Special points of interest:

- The work of the e-NC Authority has positively impacted North Carolina since its inception.
- The e-NC Authority believes its work must extend beyond 2006 to continue to assist NC citizens and communities in moving forward with technology-based economic development.
- The e-NC Authority would like to thank all of its supporters.

A Message from the Chair



Oppie N. Jordan,
e-NC Authority Chair

Connecting North Carolinians to the Internet and a better future has been the goal of the e-NC Authority for the past five years. This goal drives the work that has earned e-NC support from public and private sectors, and a reputation as a model for technology-based economic development.

In *Measuring Broadband's Economic Impact*, the December 2005 issue of Broadband Properties stated, "The mean growth in rent, employment, number of establishments, and share of establishments in IT-intensive sectors were all higher in the communities with broadband."

The article goes on to say, "The present study has several clear implications for policy-makers. The most obvious and important implication is that ***broadband does matter to the economy***."

Underlying every initiative pursued by e-NC is this concept that technology access and know-how will drive economic development. Work completed and sponsored by e-NC has benefited people, governments and businesses across the state since 2001.

The authority's 100 County Report and GIS maps have been utilized by citizens and industries, as well as by the NC Utilities Commission and the NC General Assembly. Connectivity projects have helped Bed & Breakfasts in the Outer Banks utilize online booking, and enabled groups in the western part of the state to develop a Web Market showcasing local goods.

The e-NC Business & Technology Telecenters have directly created new jobs, and have made rural citizens more employable. They have assisted small businesses with start-up and self-sustaining activities, in addition to providing communities with free computer courses and professional development seminars. For example, the Tri-County Community College TeleCenter offers certificate programs as well as shorter courses on everyday computer-based activities, such as online banking. Local bank employees were invited to attend the first sessions, and now the banks recommend the course to their customers.

In addition to its own endeavors, e-NC supports the work of public and private entities, and often links resources with ongoing state projects in order to ensure broadband connectivity is an embedded component. Beyond performing its own research, e-NC seeks independent, third party evaluations of its work in order to identify and seize every opportunity to drive technology-based economic development on behalf of the citizens of this great state.

But our work is not complete. By its very nature, technology continually evolves, and so must we. We must continue our work with telecommunications providers to ensure broadband services for everyone in this state. We must continue to research and implement new technologies and ensure North Carolina is on the forefront of economic development.

In 2005, the e-NC Authority continued to pursue initiatives which assist communities in improving the economic promise of the state of North Carolina, and which provide the nation with a model for broadband deployment. Efforts backing e-NC's community-driven initiatives span across four primary areas: research and policy, supply-building initiatives, demand-creating programs, and technology-based economic development through the e-NC telecenters.

"Broadband access does enhance economic growth and performance, and... the assumed (and oft-touted) economic impacts of broadband are real and measurable."

Measuring Broadband's Economic Impact
Broadband Properties
December 2005

By William H. Lehr & Carlos A. Osorio

Sharon E. Gillett
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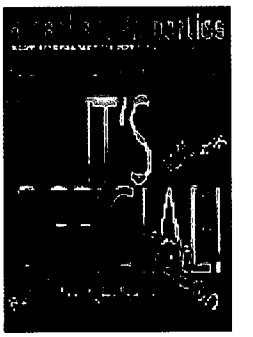


www.broadbandproperties.com

Research & Policy

The e-NC Authority strives to ensure North Carolina keeps pace with changes in technology so the state will be economically competitive and able to protect and increase local jobs. As part of that effort, e-NC conducts research on topics such as technology-based economic development initiatives, and citizens' use of the Internet, in addition to tracking telecommunications infrastructure and emerging technologies.

In 2005, e-NC sponsored several major studies and evaluations:

- ***High-Speed Internet Connectivity in NC's Distressed Urban Areas***
  By Dr. Robin Howarth and Dr. William Rohe, Center for Urban & Regional Studies, The University of North Carolina at Chapel Hill
  (Released May 2005)

- ***North Carolinians Online: Trends from the Citizens Surveys 1999-2004***
  By Dr. Ed Feser, The University of Illinois, Urbana-Champaign
  (Released May 2005)

- ***e-NC Business & Technology Telecenter Evaluation 2005***
  By Dr. Catherine Renault, Research Triangle Institute International
  (Released December 2005)

- ***North Carolina Local E-Government Utilization Project, External Evaluation Report***
  By Dr. Harvey A. Goldstein, UNC-CH
  (Released December 2005)

- ***Creating Wealth, Regional Development through Cross-Border Collaboration***
  By Nick Maynard, Aaron McKethan, and Rawley Vaughan, Carolina Center for Competitive Economies, Kenan Institute for Private Enterprise, Kenan Flagler Business School, UNC-CH
  (Released March 2006)

- ***The Time for Technology-Based Economic Development is Now: e-NC Business & Technology Telecenter Tool Kit***
  By The e-NC Authority
  (To Be Released May 2006)

For more information and to download complete copies of e-NC's studies and evaluations, please visit www.e-nc.org

Research & Policy Contd.

In addition to these studies, e-NC continues its regular tracking of telecommunications infrastructure through its annual 100 County Report, ***High-Speed Internet Access in North Carolina***, and through its GIS mapping.

A considerable percentage of e-NC's work is gathering research by speaking directly with the public regarding their connectivity concerns. Since its inception, e-NC has received service inquiry calls on a weekly basis. Sometimes callers want providers to upgrade their service from dial-up access to high-speed. Sometimes, ISPs have cut service or gone out of business, leaving a shortage of service options. E-NC representatives listen to callers' stories and concerns, then explain their options.

Usually, if e-NC receives a large volume of calls from one area, a strong enough business case can be established to convince service providers to speed up plans to provide access there – such as on Cedar Island where Sprint decided to extend service in 2005 as a result of a petition put together by a citizen who called e-NC with a service inquiry regarding high-speed capabilities in his area.

The authority also sponsors annual conferences on connectivity. For the past three years, e-NC has held the Southeast Wireless Symposium, which draws some of the nation's foremost Internet technology leaders, as well as political officials, Internet service providers, educators and local economic development officials. In 2005, the conference focused on the latest in the deployment and legal issues surrounding municipal networks.

SOUTHEAST WIRELESS 2005

Information Infrastructure Supply-Building Initiatives

The e-NC Authority helps North Carolinians by funding projects that speed the delivery of services. The authority supported multiple collaborative, public-private, supply-building projects throughout the state in 2005.

In western North Carolina, e-NC and AdvantageWest worked with public and private partners on fiber infrastructure expansion. In late 2002, the economic development group was granted $1.45 million by e-NC to implement a middle-mile solution enabling providers to offer service to homes and businesses in the targeted counties.

With support from e-NC, AdvantageWest completed a study of the existing infrastructure and built alliances. After locating existing available fiber, AdvantageWest identified fiber and data gap areas. Then the group set about the long process of singling out willing partners, negotiating contracts and creating a complete loop. In 2005, the primary focus of the project was on building out that infrastructure. The project is on schedule for completion in 2006.

Another one of e-NC's bigger supply-building projects has been a fiber ring in northwestern North Carolina. Research by e-NC highlighted the need for the ring, which was constructed to ensure continuous telecommunications services for surrounding areas. Construction was put on hold for many months when a citizen filed a claim seeking compensation for infrastructure installation planned across his property, reflecting one of many difficulties projects like these face. The issue was resolved in 2005 and now seven counties will have a secure, reliable means of conducting business via a redundant information fiber ring, set for completion in 2006.

In addition to funding the fiber-electronics portion of the fiber ring project, e-NC networked with several organizations to ensure its overall success: New River Community Partners and Blue Ridge Business Development Center worked to gain local support. Blue Ridge Electric Membership Corporation installed the fiber. DukeNet, a private company, handles the administration of the ring, along with sales and marketing. Moreover, by requiring that resellers be offered a 25 percent discount off market price in exchange for project funding, e-NC ensured the early success of small, private Internet service providers.

To serve rural citizens, wireless antennas have been installed on fence posts in cow pastures.

In the east, e-NC has been working with Sprint and APEC (the Albemarle Pamlico Economic Development Corporation) on an e-Learning Pilot Project to bring connectivity to schools. This partnership also includes the University of North Carolina System, University Health Systems of Eastern Carolina, and MCNC (via NCREN), and is one piece of the broader Eastern North Carolina Broadband Initiative launched in 2002.

As part of this effort e-NC has been working with local school systems in northeastern North Carolina to evaluate the current level of connectivity at the schools, and to select participants for the pilot project. Participating schools will receive connectivity funding, through a $2 million grant from the Golden LEAF Foundation and matching funds from e-NC and the University Health Systems of Eastern Carolina. The program will run for five years and will provide multi-megabit connectivity to participating schools, allowing enough bandwidth to accommodate needs for instructional curriculum and administrative functions.

Information Infrastructure Demand-Building Programs

The e-NC Authority recognizes that the best way to raise awareness is to work with stakeholders in the local community. By providing leadership, coordination and support for grassroots efforts, e-NC is building demand and laying the foundation for technology-based economic development.

The e-communities program is a grassroots effort to engage local citizens in bringing high-speed Internet access and training to their local areas. Counties were taught how to assess their local areas in terms of technology infrastructure, with all 85 rural counties putting together e-communities plans and becoming officially designated "e-communities." The e-NC Authority has awarded more than $2.5 million to the e-communities program since its 2001 inception.

In 2005, e-NC began the next phase of the program, adding urban counties and acting as a champion, advocate, technological resource, grant-writing assistant, and policy-proposing organization on behalf of e-communities across the state. In 2005 the program focused on providing training free of charge to the e-champions, or local technology leaders, in each e-community.

Four training sessions were held in 2005, covering connectivity, grant writing, e-government and wireless infrastructure. In addition, e-Communities Action Grants totaling $22,693, were awarded to support ongoing e-communities efforts such as providing public Internet access, building county Web sites, and developing digital literacy training programs. The authority is also working to complete an e-communities toolkit to teach communities how to develop grassroots technology initiatives.

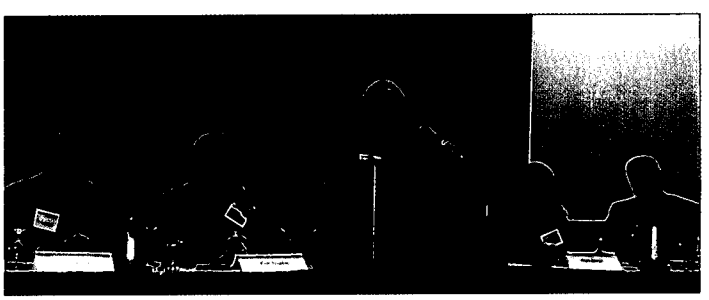
Another primary demand-building effort has been e-NC's Local E-government Utilization Program (LEG-UP). Launched in early 2003, via a grant from the U.S. Department of Commerce, the effort was designed to improve the delivery of public services. The 55 LEG-UP counties and municipalities received training, equipment and funds to help them bring transactional e-government services to local citizens and businesses.

Services made available through LEG-UP include online utility billing and bill-pay, access to various permits and applications, and admittance to title and deed records, as well as other customized applications. Another service enabled citizens to see pictures of animals up for adoption and to keep track of newly rescued animals. One participating area launched a GIS-based application, which assisted FEMA and county officials in the recovery effort when Hurricane Ivan caused deadly flooding in the area.

Having accomplished all of the goals set out for the program, including an external evaluation, e-NC completed the successful program in December 2005.

Rutherford County is wired for business. For more information, please visit www.rutherfordcountync.gov

The e-NC Authority's Deborah Watts and other panel members present information on LEG-UP to e-champions from across the state.



Technology-Based Economic Development

Since 2002, the e-NC Authority's Business & Technology Telecenters (BTTs) have encouraged technology-based economic development in the most economically distressed areas of the state. There are currently seven e-NC BTTs operating in North Carolina, with three of these launched in 2002 and four additional centers opened in 2005. In 2005 alone, the original telecenters created more than 400 jobs and provided business, technology and/or technical services to nearly 800 different clients across the state. The centers held approximately 700 classes for rural citizens and business owners, and more than 4,100 North Carolinians utilized the centers' public Internet access sites.

"Broadband enhances economic activity, helping to promote job creation both in terms of the total number of jobs and the number of establishments in communities with broadband."

-- Measuring Broadband's Economic Impact, Broadband Properties

Four new e-NC Business & Technology Telecenters launched in 2005:

- New Ventures Business Development, Inc. serves Anson and Union counties and focuses on outreach and education. The center is educating entrepreneurs on starting and growing a business; women and minorities on becoming HUB certified; and local leaders on the benefits of developing entrepreneurs. (www.nvbdi.org)
- The Roanoke Center in Northampton County launched its e-NC telecenter in April. The center offers a wide range of services to small business owners and to those starting their own businesses, with a special focus on the construction industry. Specialties include business planning, growth strategy, management strategy and loan packaging. (www.roanokecenter.org)
- The Rockingham County Business and Technology Center opened in July. The center is working to create economic growth in Rockingham County by supporting business activity through technology applications and managerial support. Among other things, the center offers technology and business training, as well as counseling for entrepreneurs and small business owners. (www.rcbtc.org)
- Rutherford County's Foothills Connect Business & Technology Center held its grand opening in November, with the objective of generating local economic growth through entrepreneurs, small businesses and the relocation of technology-based business to the region. The telecenter offers public Internet access; hourly office space for home businesses; a technology resource library; training and assistance for starting or growing a business; basic computer help; and increased visibility through space on the county Web site. (www.foothillsconnect.com)

Rockingham County telecenter ribbon cutting and official opening

The e-NC authority awarded Columbus County a planning grant in 2005 for a telecenter to be located in Tabor City. The business and operations plan for the center has been developed and local leaders are working to identify the optimal site for the BTT. The identified mission of the center is to create jobs, to empower residents through access to technology, and to build an effective border strategy between North and South Carolina. Implementation plans will continue in 2006.

Microsoft Corp. awarded e-NC a $50,000 Unlimited Potential grant in support of the telecenters in summer 2005.

In addition to supporting existing centers, e-NC created the e-NC Business & Technology Telecenter ToolKit to assist other areas and organizations in duplicating the program. The toolkit will be available in May 2006.

Connectivity

Since its inception, the work of the e-NC Authority has significantly and measurably impacted North Carolinians' access to, understanding of, and use of the technology that drives the economy of the 21st century. This work has not only kept the state's workers competitive in the new economy, it also has helped employees, entrepreneurs, new businesses and local economies thrive.

As much as e-NC has accomplished on community, state and regional levels, e-NC's work is not complete. Technology continues to evolve, and so will our economy, and so must e-NC. North Carolina must continue to invest in infrastructure in order for local communities to succeed.

The December 2005 issue of *Broadband Properties* featured a Carnegie Mellon/MIT study on the economic impact of broadband. Among other positive conclusions, the study's authors stated, "**we find a substantial positive impact for broadband availability on the growth in total employment.**"

The study presented proof of economic success in communities offering broadband Internet services, and through this research affirmed the importance of the work of the e-NC Authority, as envisioned by the Rural Prosperity Task Force and the N.C. General Assembly in the creation of e-NC.

In 2006, e-NC will further work to bring economic prosperity to the rural and distressed urban areas of the state by continuing to promote, manage and monitor efforts to provide areas with affordable high-speed Internet access through supply- and demand-building endeavors and connectivity projects.

In order to make important policy recommendations, e-NC must continue to thoroughly study the potential impact of new technology trends and developments on North Carolina's economy. Supporting the e-NC BTTs also remains a top priority for the e-NC Authority in 2006.

One specific connectivity project planned for 2006 is the BETA Project:

Wireless equipment is installed on this forest service tower on Big Knob mountain.

BETA Project: At the request of the NC General Assembly, and as part of Lt. Governor Beverly Perdue's Business Education Technology Alliance (BETA) project, the e-NC Authority is conducting a baseline study on regional education networks for submission to the legislature in the 2006 regular session. The authority is collaborating with broadband service providers, the NC Office of Information Technology Services, MCNC, representatives from local school administrative units, the University of North Carolina, private colleges, the State Board of Education, and the Community College System to gather essential data for the formulation of the study.

Cross-Borders Initiative

In 2005, the e-NC Authority began a Cross-Borders Initiative intended to ease the ability of neighboring regions to collaborate, and therefore to do business and share technology resources.

In 2006, e-NC will continue to work with South Carolina and Virginia, and will begin work with Tennessee on initiatives to help border areas grow their economies by planning together, and to make certain that high-speed telecommunications services are accessible to local businesses so they can grow their client base.

The authority will also make available a study, funded by the Z. Smith Reynolds Foundation, conducted to highlight the regulations governing neighboring municipalities in hopes of easing the restrictions placed on border communities and businesses as they seek to thrive in the 21st century economy. Titled, *Creating Wealth, Regional Development Through Cross Border Collaboration*, the study can be downloaded on e-NC's Web site. The study was conducted by Ph.D. candidates in public policy under the auspices of the Carolina Center for Competitive Economies, a unit of the Kenan Institute for Private Enterprise. The Institute is part of the Kenan Flagler Business School at the University of North Carolina at Chapel Hill.

"Broadband is clearly related to economic well-being and is thus a critical component of our national communications infrastructure."

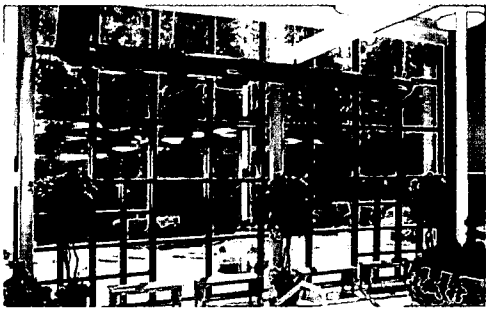
-- Measuring Broadband's Economic Impact, *Broadband Properties*

e-NC Business & Technology Telecenters

Continuing to support the seven existing BTTs remains a primary component of the e-NC Authority's work in 2006.

Through project TEE-OFF (Technology-Enabled Entrepreneurship – Opportunities Fueling the Future), funded by The Golden LEAF Foundation; e-NC, the Blue Ridge Business Development Center (BRBDC), and NC REAL are working together to develop an integrated set of technology-rich educational and training tools and resources designed for delivery on site at e-NC's BTTs and statewide via broadband Internet.

Project goals include updating entrepreneurial training products and methods, developing new modules focused on emerging technology-based opportunities, improving outreach and marketing efforts, and the establishment of a "technopreneur," at the BTTs to guide entrepreneurs to the successful launch of a new business. Technopreneurs do not replicate the work of other service providers in the area, rather they work as a liaison ensuring that clients know about, and are referred to all appropriate and available providers.



Front lobby of the Blue Ridge Business Development Center, once a textile mill

The Blue Ridge Business Development Center was selected as a pilot for the program and in 2005 became the first of the telecenters to have a technopreneur on site.

The program will be expanded to the BTTs in Martin, Rockingham and Rutherford counties in 2006.

In 2005, a team led by the NC Rural Economic Development Center was awarded a $2 million grant from the W.K. Kellogg Foundation to create a comprehensive entrepreneurship development system to serve rural and minority entrepreneurs in low-wealth areas of the state. Key project roles for e-NC, one of 21 partner organizations, include working with the BTTs on expansion of the TEE-OFF program and the technopreneur model, and energizing communities to work with entrepreneurs.

Urban Distressed Program

In 2006, e-NC plans to conduct pilot projects in two urban distressed areas, replicating the e-NC e-communities model with the goal of raising public awareness and use of technology, and of assessing needs relative to public Internet access and digital literacy at the community level.

The authority will continue to be a proponent of technology-based economic development in urban distressed areas of North Carolina via an Internet platform.

"We find a substantial positive impact for broadband availability on the growth of total employment."

-- Measuring Broadband's Economic Impact, Broadband Properties

Staff

Jane Smith Patterson
Executive Director

Donna Sullivan
Senior Associate,
Programs & Outreach

Angie Bailey
Senior Associate,
Programs & Operations

Deborah Watts
Senior Director,
Research & Development

Charlie Pittman
Senior Director,
Telecommunications

Joanna Wright
Senior Director,
Programs & Planning

Jane Smith Patterson,
e-NC Executive Director

Commission Members

Oppie N. Jordan, Chair
Rocky Mount

George Bakolia
Raleigh

John Bardo
Cullowhee

Herb Crenshaw
Raleigh

Jim Fain
Raleigh

Craig Fowler
Hickory

Billy Ray Hall
Raleigh

Jon R. Hamm
Wake Forest

Lewis C. Hoggard
Windsor

Joseph Hurdt
Shelby

Lee Mandell
Raleigh

Bo McNeill
Lake Waccamaw

Rhonda Raney
Raleigh

Rebecca Troutman
Raleigh

Curtis Wynn
Rich Square

The Rural Center's Billy Ray Hall, Congressman Brad Miller's District Director Pam Kohl, Microsoft's Tim Macklin, Sen. Walter Dalton, e-NC Chair Oppie Jordan, e-NC Executive Director Jane Smith Patterson, and Rep. Joe Tolson celebrate a gift from Microsoft Corporation.

2005 Financial Statements

e-NC Authority
Statement of Financial Position (Unaudited)
December 31, 2005

Assets:		
Cash and cash equivalents	$	4,287,546
Accounts receivable		125,817
Prepaid expenses and other assets		9,389
Total assets	$	4,422,752
Liabilities and net assets:		
Liabilities:		
Accounts payable	$	688
Accrued leave		38,448
Deferred revenue		2,719,189
Total liabilities		2,758,325
Net assets:		
Unrestricted		25,000
Temporarily restricted		1,639,427
Total net assets		1,664,427
Total liabilities and net assets:	$	4,422,752

The e-NC Authority thanks all of its supporters for helping bring technology-based economic development to the rural and distressed urban areas of the state, and for making the work of e-NC possible.

2005 Contributors

In 2005, e-NC received financial contributions from the NC General Assembly, Microsoft Corporation, Golden LEAF Foundation, Z. Smith Reynolds Foundation, and the U.S. Department of Commerce.

The NC General Assembly appropriated $500,000 to the e-NC Authority for support of e-NC programs. In addition, e-NC received an appropriation of $100,000 to complete a feasibility study on education networks for the Business Education Technology Alliance.

The $1,992,500 received by e-NC from the NC General Assembly in 2004 continued to provide support for the e-NC Business & Technology Telecenters in 2005. Microsoft Corporation awarded $50,000 to the e-NC Authority, also in support of the telecenters program.

Also in 2005, e-NC launched its Technology-Enabled Entrepreneurship – Opportunities Fueling the Future, or TEE-OFF, program. This program, a partnership with the Blue Ridge Business Development Center and NC REAL, was funded by a $150,000 grant from the Golden LEAF Foundation.

E-NC completed the second year of a $30,000 Z. Smith Reynolds grant to conduct a study on economic development challenges faced by counties that sit on the geographic border with South Carolina, Virginia and Tennessee.

The $700,000 multi-year LEG-UP grant, or Local E-government Utilization Program, awarded by the US Department of Commerce's Technology Opportunities Program, was completed in the fall of 2005.

In addition to the 2005 contributors, funding from nonprofit MCNC continued to provide support for e-NC programs and operations. In 2000, nonprofit MCNC provided $30 million allowing for the early work of e-NC.

2005 Financial Statements

e-NC Authority
Statement of Activities (Unaudited)
Year Ended December 31, 2005

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Grants and gifts:			
Federal government	$ -	$ 178,458	$ 178,458
State of North Carolina	250,000	1,094,535	1,344,535
Foundations	50,000	77,800	127,800
Contract revenue	2,032,637	-	2,032,637
Interest income	137,353	-	137,353
Other income	7,616	-	7,616
Net assets released from restrictions:			
Satisfaction of program restrictions	737,616	(737,616)	-
Total revenues	3,215,222	613,177	3,828,399
Expenses:			
Technology based programs	1,036,834	-	1,036,834
Other grant programs	1,099,201	-	1,099,201
	2,136,035	-	2,136,035
Management and general	1,054,187	-	1,054,187
Total expenses	3,190,222	-	3,190,222
Change in net assets	25,000	613,177	638,177
Net assets:			
Beginning	-	1,026,250	1,026,250
Ending	$ 25,000	$ 1,639,427	$ 1,664,427

All of the financial activity of the e-NC Authority is reported in the financial statements of its fiscal agent, the N.C. Rural Economic Development Center, Inc. The N.C. Rural Economic Development Center, Inc.'s financial statements have been audited annually, and the center has received unqualified audit opinions on them. No audit exceptions have been noted.

In Closing

Connecting people to the Internet and a better future is the continual goal of the e-NC Authority – a goal that has earned the organization support from public and private sectors, and a reputation as a model for technology-based economic development. In 2006, the e-NC Authority will continue to be a proponent of positive economic change. We will focus on increasing the integration of technology infrastructure, access to this infrastructure, and the development of necessary skill sets within our North Carolina communities and among their citizens in order to operate effectively within a 21st century innovation economy.

The e-NC Authority

The e-NC Authority is housed by legislative mandate in the NC Rural Economic Development Center.

www.e-nc.org

4021 Carya Drive

Raleigh, NC 27610

Toll Free: 866.627.8725

Phone: 919.250.4314

Fax: 919.250.4325

E-mail: info@e-nc.org

About the e-NC Authority:

Devoted to connecting people to the Internet and a better future, the e-NC Authority works with all 100 of North Carolina's counties with a focus on rural and distressed urban areas.

Created by the NC General Assembly, the authority is dedicated to increasing prosperity for North Carolina citizens and businesses by creating jobs through technology-based economic development, which requires a broadband Internet platform for success.

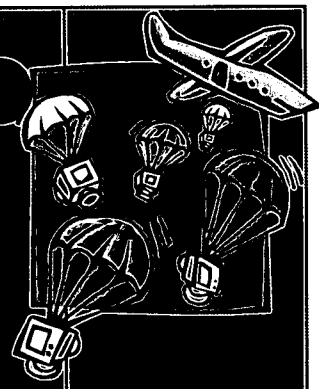
The authority operates statewide from a base in Raleigh, N.C., and is supported through contributions from foundation, nonprofit, public and private entities. For more information, visit www.e-nc.org or call 1-866-627-8725.

e-NC

Connecting North Carolina to a Better Future

FUNDsearch News
October 2005
35th Edition

4021 Carya Dr.
Raleigh, NC 27610
Phone: 919-250-4314
Website: www.I-NC.org
I-NC.ORG



Technology Preparedness

During a disaster, your organization may find itself involved in providing emergency services such as:

- *Communications Liaison*
- *Equipment Support (Computers, Faxes or Other)*
- *Language Translation Services*
- *Management Support (Planning, Logistics, Finding Resources)*
- *Procuring Emergency Provisions (Food, Clothing, Housing)*
- *Public Health Support (Counseling, First Aid)*
- *Transportation*
- *Victim Registrations*

Technology Planning for Civil Emergencies
http://www.techsoup.org/howto/articles/techplan/page2685.cfm

Preparedness Checklist

- √ Appoint Disaster Services Coordinator to maintain,disburse & manage emergency equipment and information;
- √ Elevate Computer Hard Drives
- √ Install Jump Drives sufficient to Remove Critical Hard Drives for Security in Disasters
- √ Store Records in Flood-Proof Location
- √ Office Space to have Natural Light / Natural Ventilation / Emergency Lighting
- √ Printouts of Staff & Volunteer Contact Information at Multiple Locations
- √ Printouts of Contact Database and Address Books at Multiple Locations
- √ Train staff on basic First Aid. Have Guidebooks and Kits in office, vehicles, communications & computing emergency cases.
- √ Actions taken to safeguard critical data including:
  1. *Financial Data;*
  2. *Copies of Signed Awards & Contracts;*
  3. *Databases,*
  4. *Custom Software*
  5. *Human Resource Files*
  6. *Insurance Files*
  7. *Proof of Ownership/Proof of Loss*

Preparedness Equipment

Communications Case	√ Hand-Held UHF Radios for Short Distances √ Satellite Phones for Longer Distances √ Cell Phones with Roaming Capabilities √ Car Adapters for Charging/Using Cell Phones, Laptops, and Other
Computing Case	√ Laptop √ Extra Batteries for Laptop, Cell Phone, Printer, GPS & Other √ Cordless Printer √ Modem-Equipped Mobile Telephone √ Optional—Global Positional System *(GPS)* √ First Aid Kit
Office	√ UPS System *(Uninterruptible Power Supply)* √ Generator & Fuel Supply √ Building Equipment & Generator(s) to be Installed in Flood Proof Location √ System-Wide Surge Protector √ Phone Line Lightning Protection

AT&T Foundation

The AT&T Foundation invests globally in projects that are "at the intersection of community needs and AT&T's business interests."

The Foundation's giving focuses on cities and regions with large concentrations of AT&T employees and business operations, with the majority of funds supporting U.S.-based institutions.
The AT&T Foundation awards grants in the following areas:

Arts & Culture
"Technologies for Arts Innovation & Access"

Education
"Technology for Effective Teaching"

Civic & Community
"Projects to serve as models" & *"Address community needs and civic engagement"*

Grants
Awarded by Invitation

Range:	$500 - $6,755,000
Average:	$20,000 - $100,000
Total Giving:	$23,389,000

AGENDA

Opportunities and Needs for Economic Growth in North Carolina ("ONE, NC")

Senator Martin L. Nesbitt, Chair

Senator Doug Berger Vice-Chair
Senator Julia Boseman, Vice Chair
Senator Fletcher Hartsell, Vice Chair
Senator David Weinstein, Vice-Chair

Tuesday, June 20, 2006
12:00 noon
Room 1027

Call Meeting to Order.

Recognize members, staff, and guests.

Presentations from Jane Patterson, Executive Director, e-NC Authority:
"e-NC - A Critical Link in Connecting North Carolina."

Discussion period.

Adjournment.

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 6-20-06

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Doris Weaver	Communications Workers of America
Tom Coley	"
MACK B. PEARSALL	Citizen — Asheville, NC
Adam Keith	NGGA Intern
[illegible]	TWC
S. Coplin	NC DOT
J. Quintero	NC - BTC
Michael Williams	City of Raleigh
Eric Curry	State Government Radio
Adam Parker	Citizen - Winston - Salem
Mike Nelson	Conservation Council

VISITOR REGISTRATION SHEET

Opportunities and Needs for Economic Growth in North Carolina (ONE NC) 6-20-06

Name of Committee **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Chad Johnston	NC Coalition of Community Medical Centers
	NC Rural Center

e-NC: A Critical Link in Connecting One NC

Jane Smith Patterson
e-NC Authority
June 20, 2006

www.e-NC.org

Attachment VI
6

e-NC Research & Evaluations 2005-2006

- ***High-Speed Internet Access in North Carolina: A 100 County Report***
  By The e-NC Authority (Released June 2006)

- ***Developing Regional Education Networks***
  By The e-NC Authority (Released May 2006)
  (Feasibility Study for the NC General Assembly Per Session Law 2005-276)

- ***The Time for Technology-Based Economic Development is Now:***
  e-NC Business & Technology Telecenter Tool Kit
  By The e-NC Authority (Released May 2006)

- ***Creating Wealth, Regional Development through Cross-Border Collaboration***
  By Nick Maynard, Aaron McKethan, and Rawley Vaughan, Carolina Center for Competitive Economies, Kenan Institute for Private Enterprise, Kenan Flagler Business School, UNC-CH (Released March 2006)

- ***e-NC Business & Technology Telecenter Evaluation 2005***
  By Dr. Catherine Renault, Research Triangle Institute International (Released December 2005)

- ***North Carolina Local E-Government Utilization Project, External Evaluation Report***
  By Dr. Harvey A. Goldstein, UNC-CH (Released December 2005)

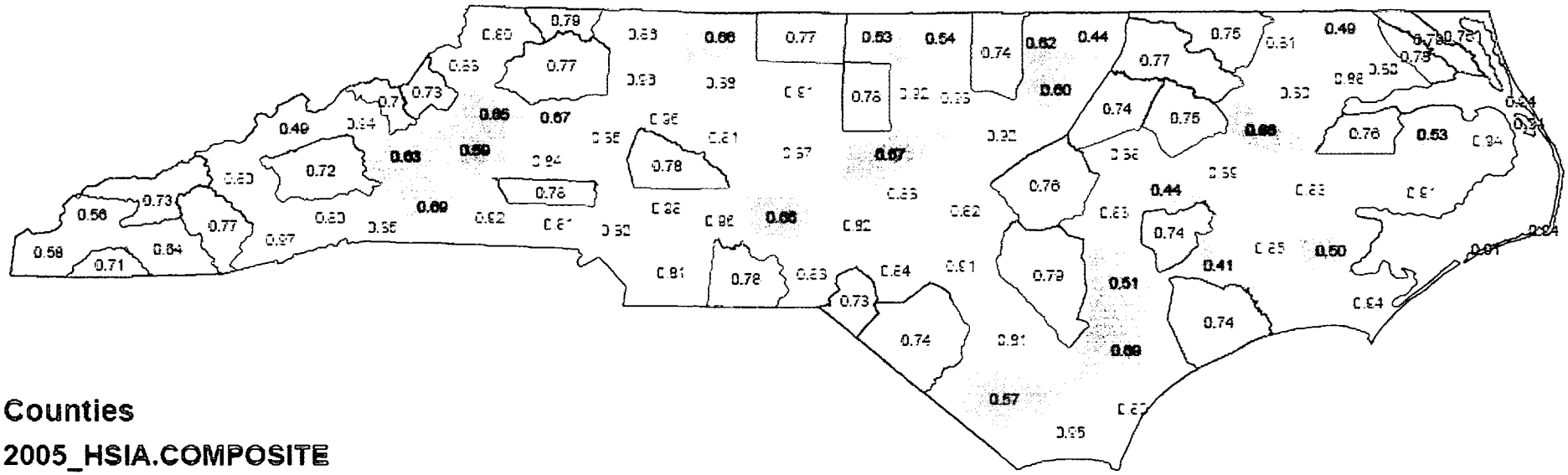
- ***North Carolinians Online: Trends from the Citizens Surveys 1999-2004***
  By Dr. Ed Feser, The University of Illinois, Urbana-Champaign (Released May 2005)

- ***High-Speed Internet Connectivity in NC's Distressed Urban Areas***
  By Dr. Robin Howarth and Dr. William Rohe, Center for Urban & Regional Studies, The University of North Carolina at Chapel Hill (Released May 2005)

www.e-NC.org

Counties with Less Than 70% High Speed Internet Availability

2005 DSL Cable Modem Composite
State Average – 82%



Counties

2005_HSIA.COMPOSITE

- 0.41 - 0.69
- 0.70 - 0.79
- 0.80 - 0.98

www.e-NC.org

Measuring Broadband's Economic Impact

- "From 1999 to 2002, American communities with broadband access did significantly better than those without.."
- "...broadband enhances economic activity, helping to promote job creation both in terms of the total number of jobs and the number of establishments in communities with broadband..."
- "...the mean growth in rent ...employment, number of establishments, and share of establishments in IT-intensive sectors were all higher in the communities with broadband ..."

Gillett, Sharon E., William H. Lehr, Carlos A. Osorio (MIT) and Marvin A. Sirbu (Carnegie Mellon), "**Measuring Broadband's Economic Impact,**" *Broadband Properties* (2005) <www.broadbandproperties.com>(December 2005) Complete report -http://cfp.mit.edu/groups/broadband/docs/2005/MeasuringBB_EconImpact.pdf

www.e-NC.org

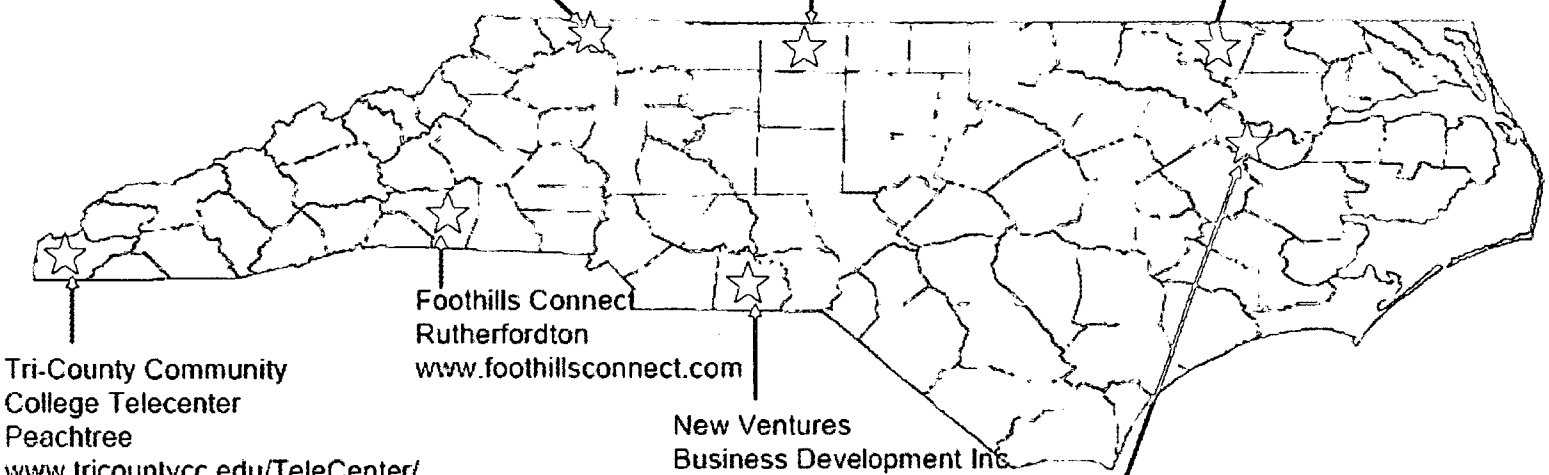
Measuring Broadband's Economic Impact

- "We estimate that between 1998 and 2002, communities in which mass-market broadband was available by December 1999 experienced more rapid growth in employment, the number of businesses overall, and businesses in IT-intensive sectors. In addition, the effect of broadband availability by 1999 can be observed in higher market rates for rental housing in 2000. "

Gillett, Sharon E., William H. Lehr, Carlos A. Osorio (MIT) and Marvin A. Sirbu (Carnegie Mellon), "**Measuring Broadband's Economic Impact,**" *Broadband Properties* (2005) <www.broadbandproperties.com>(December 2005) Complete report -http://cfp.mit.edu/groups/broadband/docs/2005/MeasuringBB_EconImpact.pdf

www.e-NC.org

e-NC Business & Technology Telecenters



Blue Ridge Business
Development Center
Sparta www.blueridgebdc.org

Rockingham County
Business & Technology Center
Wentworth
www.rcbtc.org

The Roanoke Center
Rich Square
www.roanokecenter org

Foothills Connect
Rutherfordton
www.foothillsconnect.com

Tri-County Community
College Telecenter
Peachtree
www.tricountycc.edu/TeleCenter/

New Ventures
Business Development Inc
Wadesboro & Monroe
www.nvbdi.org

Northeast Technology
& Business Center
Williamston
www.nctelecenter.com

www.e-NC.org

CREATE A FOCUS ON TECH BASED INITIATIVES

BUILD AN ENTREPRENEURIAL REGION

e-NC

www.e-NC.org

Jobs Created ...

e-NC Business & Technology Telecenters

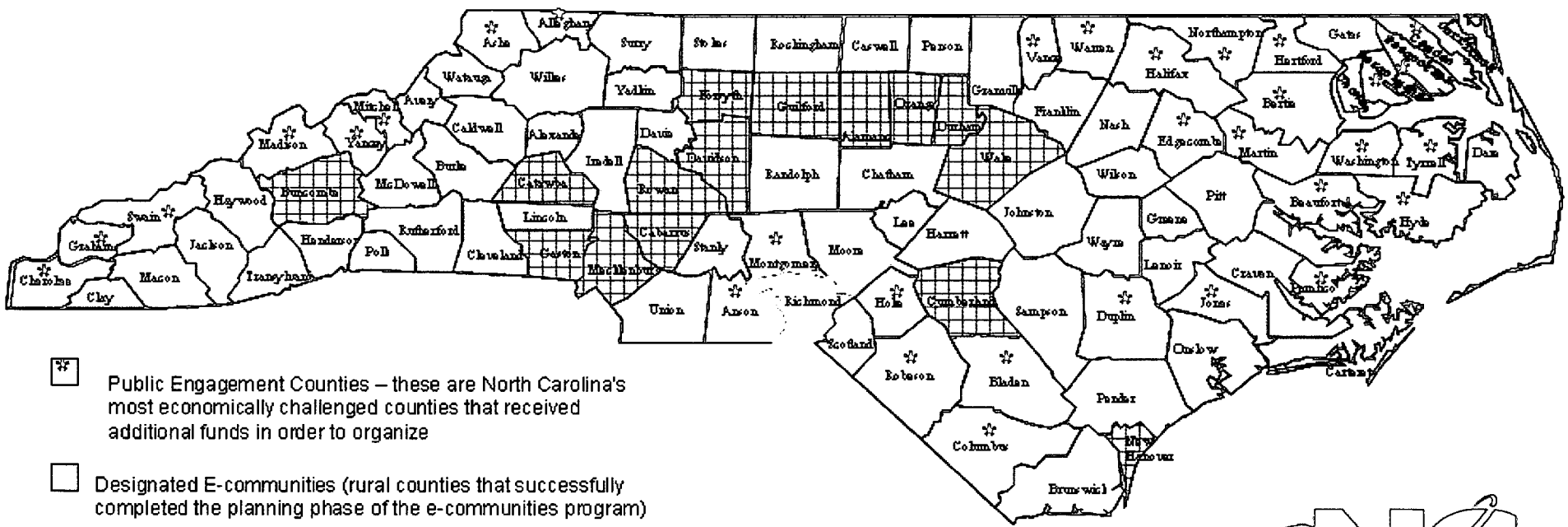
PERFORMANCE METRICS

	2005: Seven Existing BTTs	2001-2004: Four Original BTTs	Totals to Date
Jobs Created	403	488	891
Business Tenants Located in BTTs	19	56	75
Number of Individuals who used Public Internet Access	4,103	97,015	101,118
Number of Clients to whom Technology or Business Services were Provided	785	17,753	18,538
Money Leveraged by e-NC Investment Funds			$8,854,889

www.e-NC.org

Building Demand....

E-Communities Program



Public Engagement Counties – these are North Carolina's most economically challenged counties that received additional funds in order to organize

Designated E-communities (rural counties that successfully completed the planning phase of the e-communities program)

Urban Counties (Note: 2003 legislation authorized E-NC to work with distressed areas of urban counties)

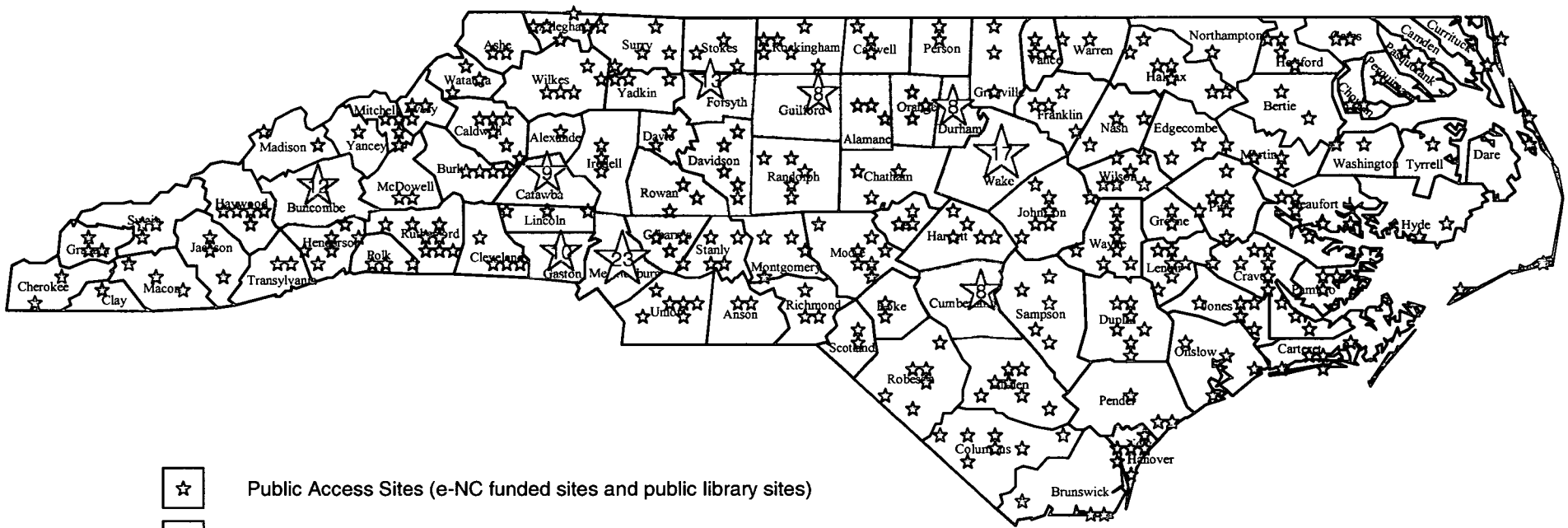
Rural: A county with a density of fewer than 200 people per square mile based on the 1990 U.S. Census (as defined in N.C. Senate Bill 1343)

http://www.e-NC.org

www.e-NC.org

Building Demand...

Public Access Centers



www.e-NC.org

To Reach Us ....

Connecting
North Carolina
to a Better Future

Jane Smith Patterson, Executive Director

e-NC Authority

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