



NC DEPARTMENT  
of COMMERCE  
LABOR & ECONOMIC  
ANALYSIS

# North Carolina's Development Factors & Tiers Designations

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# What are Tiers?

- A system for ranking and grouping counties
- Originally designed to award job creation tax credits to corporations
- Changed several times since inception in 1997
  - Most recently in 2018 with removal of statutory adjustments
- Three components to Tiers
  - **Development Factors** (metrics) to be used
  - **Calculation** method for scoring and ranking county performance
  - **Assignment** of Tiers based on rankings

# Misconceptions of Tiers

- *It's an unquestioned measure of economic success/distressed*
  - **No, mix of factors – some are causes, symptoms, or unrelated to economic success**
- *Impacts which counties are eligible for economic incentives*
  - **No, incentives are available to all counties, although amounts can vary based on Tier**
- *Tiers are only used for economic development*
  - **No, according to a PED study, 9 non-ED state programs used Tiers to distribute funds**
- *Tiers are only used within state government*
  - **No, immeasurable numbers of entities and researchers use Tiers for various purposes**

# History of NC's Development Tiers

- 1996 - Initially designed to represent economic distress
  - Sole purpose to award eligibility for tax credits
  - Measured: **Unemployment rate, HH Income, Population Growth**
  - 5 Tiers ranked by distress
- 1997 - Preserved Tier 1 status for at least two years – *repealed in 2018*
- 2001 - Exemptions added for small counties & poverty – *repealed in 2018*
- 2007 - Added property tax & changed to 3 Tiers (supporting 3J tax credit program)
  - **40 Tier 1** (most distressed), **40 Tier 2**, **20 Tier 3** (least distressed)

# Today's Tier Methodology

- **Development Factors**

- Unemployment Rate (Oct 2022-Sep 2023, for 2024 Tiers)
- Population Growth Rate (2019-2022, excluding prison pop.)
- Median Household Income (2021)
- Adjusted Property Tax Rate Per Capita (FY 2023-24 adj property values / 2022 pop.)

- **Calculation**

- Each factor ranked among 100 counties
- Individual county rankings are summed
- Totals are re-ranked 1 to 100

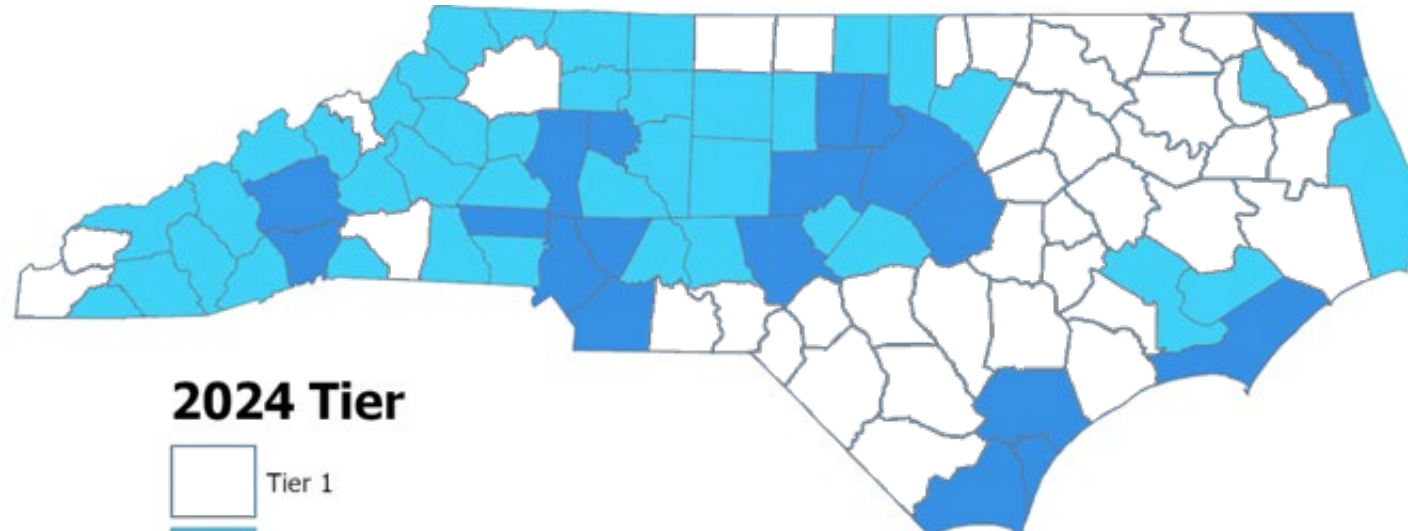
- **Assignment**

- Tier 1 = 40 lowest scoring counties (most distressed)
- Tier 2 = 40 next lowest scoring counties
- Tier 3 = 20 highest scoring counties (least distressed)

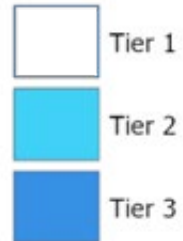
# 2024 Tiers

[www.commerce.nc.gov/grants-incentives/county-distress-rankings-tiers](http://www.commerce.nc.gov/grants-incentives/county-distress-rankings-tiers)

Published annually on or before November 30



## 2024 Tier



### 2024 North Carolina Development Tier Designations

Raleigh, N.C. – Since 2007, North Carolina has used a three-level system for designating county development tiers. The designations, which are mandated by state law, determine a variety of state funding opportunities to assist in economic development. This report documents the process for calculating tiers and lists counties that have changed tiers since 2023. A statewide county tier map and tier calculations are included for reference.

#### How Tier Rankings Are Calculated

The Development Tier Designation statute ([§143B-437.08](#)) provides specific guidelines for calculating annual tier rankings. This process assigns each county to a designation of Tier One (most distressed), Tier Two, or Tier Three (least distressed). Assuming no ties in rankings, the statute requires **40 Tier One**, **40 Tier Two**, and **20 Tier Three** counties each year. In the event of a tie for the final position as a Tier One or Tier Two county, both counties will be placed in the lower tier.

#### Tier Rankings use Four Factors

- **Average unemployment rate** for the most recent twelve months for which data are available (October 2022 – September 2023, NC Dept. of Commerce, LAUS)
- **Median household income** for the most recent twelve months for which data are available (2021, U.S. Census, Small Area Income & Poverty Estimates)
- **Percentage growth in population** for the most recent 36 months for which data are available (July 2019 – July 2022, NC Office of State Budget & Management)
- **Adjusted property tax base per capita** for the most recent taxable year (FY 2023-24, NC Dept. of Public Instruction)

Each county is ranked from 1 to 100 on each variable, making the highest possible County Rank Sum 400, and the lowest 4. After calculating the County Rank Sum, counties are then ranked from most distressed (1) to least distressed (100) in order to determine their Economic Distress Rank. Note that the 2018 Appropriations Act ([S.L. 2018-5](#), Section 15.2.(a)) eliminated several "adjustment factors" that will no longer be used to calculate the final tier ranks, adjustments that previously factored small population sizes and poverty rates into the calculations. In

### 2024 COUNTY DEVELOPMENT TIER RANKINGS (§ 143B-437.08)

NEW TIER	COUNTY	Adjusted Property Tax Base Per Capita FY 2023-2024		Population Growth July 2019-July 2022		Median Household Income 2021		Unemployment 12 Mth Avg Oct 22-Sept 23		County Rank Sum	ECONOMIC DISTRESS RANK (#1 = most distressed)	2024 TIERS
		Value	Rank	% Change	Rank	Income	Rank	Rate	Rank			
	ALABAMA	\$99,209	34	4.8%	84	\$38,867	75	3.5%	89	238	52	2
	ALEXANDER	\$92,864	22	-0.2%	35	\$32,989	52	2.1%	84	133	46	2
	ALLEGHANY	\$172,829	84	3.7%	80	\$45,239	24	4.2%	23	211	53	2
	ANSON	\$108,078	47	-1.8%	22	\$40,773	6	4.0%	28	103	15	1
	ASHE	\$187,022	81	0.6%	40	\$45,251	25	3.1%	85	240	54	2
	AVERY	\$119,230	99	1.8%	54	\$48,470	34	3.0%	89	276	77	2
↓	BEAUFORT	\$144,900	69	-1.9%	19	\$50,312	41	3.9%	34	143	34	1
	BERTIE	\$95,701	20	-5.8%	2	\$41,289	9	4.4%	19	50	7	1
	BLADEN	\$110,192	49	-3.2%	9	\$42,288	11	4.2%	24	93	13	1
	BRUNSWICK	\$21,887	93	14.1%	100	\$67,286	85	4.3%	21	299	83	3
	BUNCOMBE	\$178,312	86	2.4%	68	\$63,838	82	2.7%	100	336	94	3
↑	BURKE	\$93,616	24	1.2%	55	\$33,758	55	3.3%	66	200	50	2
	CABARRUS	\$229,140	58	7.5%	93	\$79,148	94	3.6%	74	319	90	3
	CALDWELL	\$105,011	41	0.9%	52	\$44,705	20	3.3%	61	174	41	2
	CAMDEN	\$128,718	57	5.4%	89	\$79,362	95	3.4%	96	297	82	3
	CARTERET	\$266,156	97	2.7%	70	\$61,846	89	3.2%	64	311	85	3
	CASWELL	\$82,965	12	-1.9%	20	\$50,879	44	3.6%	42	118	18	1
	CATAWBA	\$128,134	56	3.1%	73	\$59,841	73	3.2%	69	271	73	2
	CHATHAM	\$177,577	88	4.9%	86	\$82,764	98	2.9%	96	364	98	3
	CHEROKEE	\$133,939	61	0.0%	38	\$44,211	17	3.8%	35	151	32	1
	CHOWAN	\$118,869	53	0.1%	40	\$48,568	35	3.7%	40	168	37	1
	CLAY	\$185,456	88	3.2%	75	\$51,537	46	3.6%	43	252	69	2
	CLEVELAND	\$106,388	42	1.3%	57	\$49,009	37	3.5%	48	184	43	2
	COLUMBUS	\$89,800	16	-2.4%	13	\$41,206	8	3.7%	38	75	11	1
	CRAVEN	\$108,597	48	2.1%	64	\$57,628	68	3.5%	46	226	58	2
	CUNYERSLAND	\$76,589	5	1.6%	59	\$52,463	50	4.8%	11	125	23	1
	CURRITUCK	\$466,474	98	12.7%	99	\$82,759	97	3.0%	79	373	100	3
	DARE	\$446,844	100	3.4%	77	\$68,682	86	4.0%	26	289	80	2
	DAVIDSON	\$100,960	37	3.5%	78	\$53,473	53	3.9%	63	231	60	2
↑	DAVIE	\$124,415	55	3.2%	74	\$67,224	84	3.1%	82	295	81	3
	DUPLIN	\$103,023	39	-1.5%	23	\$45,149	23	3.4%	57	142	29	1
	DURHAM	\$156,388	78	3.8%	81	\$71,436	91	3.0%	88	338	95	3
	EDGEWATER	\$74,223	2	-2.0%	18	\$41,657	7	5.9%	3	30	1	1
	FORSYTH	\$110,365	50	2.9%	69	\$60,238	74	3.2%	52	245	67	2
	FRANKLIN	\$99,258	35	11.3%	98	\$63,687	81	3.5%	51	265	72	2
↓	GASTON	\$99,027	33	5.0%	87	\$56,027	62	3.4%	54	236	61	2
	GATES	\$93,862	28	-2.4%	12	\$59,762	72	3.8%	16	169	18	1
	GRAHAM	\$165,336	80	-2.4%	14	\$43,647	15	4.9%	17	126	25	1
	GRANVILLE	\$99,730	36	2.3%	66	\$62,715	79	3.0%	90	271	73	2
	GREENE	\$74,799	3	-2.7%	11	\$42,884	13	2.8%	95	122	20	1
	GUILFORD	\$114,020	51	1.8%	61	\$60,915	76	3.9%	31	221	56	2
	HALIFAX	\$90,665	19	-3.5%	7	\$38,944	2	5.2%	6	35	3	1
	HARNETT	\$77,787	6	4.6%	83	\$61,201	77	3.9%	31	197	49	2
	HAYWOOD	\$157,308	79	2.1%	65	\$51,817	47	3.0%	92	383	78	2
	HENDERSON	\$154,021	77	2.6%	72	\$60,384	75	2.9%	97	321	91	3
	HERTFORD	\$85,193	13	-3.6%	6	\$40,461	4	4.8%	12	35	3	1

# Common Critiques of Tiers

- **Development Factors**

- Relevance/value of development factors themselves (causes vs symptoms of distress)
- Inconsistency of time periods used by development factors
- Non-taxed residential land can lower per capita property values
  - Military bases, university housing, Native American land, etc.

- **Calculation**

- Negligible differences in development factor measures can impact rankings
- Negligible differences in overall score can impact counties at the border of their Tier

- **Assignment**

- Wealthy communities can mask areas of poverty within a county
- Some feel the number of low- or high-performing counties does not reflect reality
- Creates equal number of “winners/losers” regardless of economic performance

# Options for Addressing Tier Concerns

- **Development Factors**

- Utilize new metrics that consider causes of distress and within the same period
- Align metrics with economic goals for all counties
  - e.g. income, employment, job quality, skilled workforce

- **Calculation**

- Consider a new scoring system that appreciates differences in magnitude
- Index county performance to the U.S. so all counties and NC can show progress

- **Assignment**

- Reconsider 40-40-20 Tiers or eliminate entirely and rely on index performance
- Utilize regional Tiers that reflect labor markets instead of counties
- Incorporate Tiers over 2+ years instead of annually



# Tiers...

- Are less important to economic development than originally conceived
- Are used across a growing number and variety of programs
- Do not adequately represent ranking of economic health despite perceptions
- Have changed many times since inception



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# Thank you.

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