

NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD
RALEIGH, NORTH CAROLINA
February 13, 2008

On Wednesday, February 13, 2008, the North Carolina Economic Development Board met in Room 1128 in the Legislative Building in Raleigh, North Carolina. At 12:00 noon, Chairman Whichard called the meeting to order. He thanked everyone for coming to the meeting and read the Ethics Awareness & Conflict of Interest Reminder.

Chairman Whichard told the board members that since Leslie Boney was given so little time in the last Board meeting to talk about UNC Tomorrow, he was allocating the majority of this meeting for that topic. He asked him to put together a panel that would include representatives of contingent universities to talk about UNC and how the university system will help to catalyze the economic transformation of the state.

Chairman Whichard thanked the members that joined him at Fins Restaurant on Tuesday evening and said he missed those that were not available to attend.

A motion was made and seconded to approve the minutes from the November 29-30, 2007 Board meeting. The motion carried.

The next scheduled Economic Development Board meeting will be held May 28-29, 2008, at a place to be determined.

Secretary Fain updated the Board members on current Commerce activities and 2007 year-end statistics.

- 5% unemployment rate – up 1/10 percent from the previous year
- Using the monthly payroll survey measure, North Carolina added 68,600 jobs in 2007; 4th largest total in the nation – behind Texas, Florida and California.
- The Job Development Investment Grant (JDIG) program has induced 27,500 jobs from 80 grants. 22,500 of those jobs have gone into the desired areas that are being targeted.
- 2001 – N.C. was the 4th most industrial state in the nation, as measured by the percentage of employment in manufacturing. By 2003, N.C. was 6th in the country and at the end of 2007, 13.1% of employment in North Carolina was in manufacturing, and that ranked #11 in the country. Secretary Fain reported that this represents a healthy diversification and movement of the economy into sectors which can play in the global workplace of the 21st Century.
- The volume of Commerce led projects in 2007 was parallel with the last 2-3 years, which have been very active and fruitful. Announcements were down 7%, investments were up 39%, employment was down 28%.
- Population growth for the period ended June 30, 2007 – NC added about 185,000 residents and became the 10th largest state passing New Jersey.

- Commerce objectives for 2008 are: Salesforce.com based application, remake of building and sites software, working on a business plan for a mainland China office (Shanghai or Beijing), re-carpet and repaint the Commerce offices.
- Building a network service provider to service North Carolina businesses. Gene Byrd, Director of Existing Business, is leading this project, assisted by Tim Cole in the Policy and Research Division.
- Announced five new counties to the core of counties that are members of the 21st Century Counties Program – they are Alexander, Camden, Clay, Nash and Scotland counties.
- A new program that will begin February 15 – fostered in the General Assembly by Economic Development Board member, Lt. Governor Beverly Perdue. The Legislature approved the program and allocated \$1 million in the first year. This is a grant program open to small businesses in both profit and non-profit organizations. These grants are to encourage development and commercialism of green and alternative energy technologies, development of environmentally-friendly products and services, and getting those things in the marketplace. The office of Board of Science and Technology is working to get this program in place.
- Commerce is now hosting an office for Nagoya University – this is their first technology transfer office in the United States. It is collaboration with North Carolina State and UNC Chapel Hill, and their technology transfer programs and the universities to explore possibilities for two-way technology commercialism.
- Crandall Bowles has been working with Commerce for about three months to coordinate, integrate and lead consistent effort with the industry sector teams.
- Textiles and Apparel Industry is still the largest employer in the state.

Secretary Fain introduced Stacey Frederick with NCSU College of Textiles. She talked about North Carolina Textile Connect and stated that the goal is to connect all the textile companies to all the resources available in North Carolina, and give them new ideas on how to compete in today's global industry. The website can be found at www.nctextileconnect.com.

Lynn Minges, Executive Director of Travel, Sports & Film Development, gave a briefing of her recent travel to New York City. A delegation of 40 leaders from across the state of North Carolina went on this visit. One hundred (100), top caliber, national journalists attended. Mrs. Minges was very excited about how the event went and expects to see North Carolina's travel industry blossom, from contacts and exposure as a result of this event.

Secretary Fain gave some personnel updates that included the notice that Tony Copeland, former Assistant Secretary of Business Development, returned to the business sector. Richard Wiley has joined Commerce as Executive Director of Recruiting. Dr. Bob McMahan, Executive Director of Science and Technology, will be assuming a post as the Dean of the Kimmel School at Western Carolina University. John Hardin has been named Acting Director of Science and Technology. He also announced that Kenny Flowers, who ran the 21st Century Communities Program, has joined East Carolina University in an economic development and outreach role. His replacement is Mark Roberts.

Chris Harder, Senior Economist for Policy, Research and Strategic Planning Division of the Department of Commerce presented the Board with an economic update and gave a presentation on a report on the economy that should be published later in the month. Jenna Bryant, also an economist with the Department of Commerce, assisted Mr. Harder with the presentation. He introduced the North Carolina Economic Index, explained what it is, the purpose of the Index and previewed some of the findings from the indicators in the report. Eighteen indicators were chosen with approximately 45 different measures. North Carolina was benchmarked against six other states which are Georgia, South Carolina, Virginia, Michigan, Pennsylvania and Massachusetts. The goal of the report is to provide a detailed and objective snapshot of the state's economy using the most recent data. While not a forecasting tool, it will help the state identify its strengths, weaknesses, and opportunities on a broad set of indicators and be able to look historically overtime. There was much discussion and questions asked regarding the report. Mr. Harder promised to get back to the Board with answers to their questions. A request was made for a copy of the Power Point presentation to be sent to each Board member.

Stephanie McGarrah, Assistant Secretary, Policy, Research and Strategic Planning, updated the Board on the status of the North Carolina drought. Commerce leads the Economic Impact Taskforce for the Drought Management Advisory Council. She told the Board that no other state has been able to assess the economic impact of the drought. All the counties across the state are still in severe, extreme or exceptional drought conditions. The entire southeast is facing this problem. In North Carolina, there are 13 Tier I drought systems and there are 400-500 public water systems in the state. Of the 400-500 public water systems, 13 are Tier I Drought Systems, which means they have less than 100 days of water and/or their system could be in a crisis mode if conditions persist. The State needs about 22-30 inches over the next six months to get us out of the drought, which is not likely to happen. Mrs. McGarrah said that DENR, Commerce and the Governor's Office have been talking to North Carolina companies. Thus far, they aren't aware of any problems with it affecting recruitment or retention, but there is concern if conditions continue. The good news is they have seen a lot of companies doing a lot to conserve water and being good corporate citizens.

Chairman Whichard talked about the status of the Development Hub Study. He said a proposal has been received from Ticknor and Associates. He reported that some funding is in place but more would be needed. Progress Energy is contributing a significant amount of funding toward this effort. The study will do some of the following: Define what development hubs mean, examine North Carolina's resources and how they have been deployed in the past to assess how well the programs are working. The study would include a study of best practices in both rural and urban economic and community development from around the nation with specific attention to southeastern states. There are at least two UNC faculty members, Dr. William Lambe and Dr. Mike Walden, who are working on concepts related to development hubs. Mr. Ticknor will connect with their research. The Board would then recommend some specific actions that the Board and the Department of Commerce could undertake within the next 12-18 months that would help address the prosperity gap that still exists in North Carolina. The goal is to have recommendations by late spring, before the legislature convenes, and have some work done for the rest of this Board's term.

Leslie Boney, Associate Vice President for Economic Development Research, Policy, and Planning, talked about the University's approach to economic transformation and UNC Tomorrow. **Mandate from UNC President: "In partnership with business, government and other sectors of education, (we) must continue to seek out ways to help every region of North Carolina foster and stimulate economic development."** *UNC President Erskine Bowles, Inaugural Address, March 2006*

Mr. Boney stated that over the next ten years, about 40% more students will be attending the 16 public universities in the UNC system. He stated that the University system has made a commitment to increase the accountability so that when the General Assembly gives them money, they can tell them what happened to it. UNC Tomorrow is the universities' attempt to meet the supply and demand issues that face the state. Increase the systems of K-12 came up in every meeting. The ultimate goal is to have a more responsive UNC. Over the next few months, campuses are going to be developing their response for the UNC Commission Report – they will report back in May. By January 2009, they will have set clear goals with measurable objectives on the back end with short term implementation of those goals.

UNC has formed an Economic Transformation Council:

- 1) A lead representative on economic development has been chosen from each of the campuses
- 2) A web site has been set up that is specifically for economic developers and businesses
- 3) Set up a research competitiveness fund which the General Assembly gave some funding to last year, and hopefully they will give more to this year
- 4) Created a series of clusters or partnering with other groups to create a series of clusters
- 5) Created within the teaching function, UNC Online, which offers more degree in certificate programs than any other university in the world – 160 different degree programs you can get on line.
- 6) Memorandum of Understanding with the Department of Commerce

A panel from several universities made presentations on innovative ideas from their respective universities. Among those presenting were the following:

- Ruthann Cage, NCSU Economic Development Partnership – Supporting Strategic Sectors
- Ron Blackmon, Provost, Elizabeth City State University – Strengthening the Profession
- Scott Daugherty, Executive Director, SBTDC – New Finance Vehicles
- Mike Almond, Director, Appalachian Regional Development Institute, Appalachian State University – Connecting the Local and Regional Dots
- Ted Morris, ECU – Responding to UNC Tomorrow

There was much discussion about how the programs that the universities already have in place are communicated to the public, and how people would know where to go to find out about these programs. Mr. Boney said a lot of emphases are being put on innovation. He said that the bulk of the universities' services have been to existing industries.

Secretary Fain said that he and a group of other folks are working on how to communicate to North Carolina's businesses all the services that exist.

Mr. Morris noted that at the end of the day, the best recruiter is a happy existing company. They tell their colleagues as they travel around the country and that is the best advertising anyone could have.

In conclusion, Mr. Boney said if North Carolina could find a way to add value to clusters like the textile connect, graduate more economic developers, create more early-stage capital, hands-on assistance to entrepreneurs and train scholars on how to work with communities, then North Carolina will have really worked itself into the economic development future of our country and our state. That is the goal over the next few years.

Chairman Whichard thanked Mr. Boney and all the presenters and said it is great to have the University as a full partner in the economic development efforts.

Chairman Whichard welcomed Norris Tolson as a new and former Board member. Mr. Tolson served on the Board by virtue of office as Secretary of Revenue, but has now been reappointed. He wished him much success in his new role at the North Carolina Biotechnology Center.

Being there was no further business to discuss; the meeting was adjourned at 12:05 p.m.