

NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD  
RALEIGH, NORTH CAROLINA  
September 10, 2009

On Thursday, September 10, 2009, the North Carolina Economic Development Board gathered for their first meeting during the Perdue administration. The meeting convened at 10:00 a.m. at the RBC Bank in Raleigh. Chairman Allen Joines called the meeting to order and welcomed the new Board members. He then read the State of North Carolina Ethics Awareness & Conflict of Interest policy.

Chairman Joines introduced Scott Custer, CEO, RBC Bank and host for today's meeting. Mr. Custer thanked the Board for meeting at the RBC Bank. He noted that when the bank was built as part of downtown Raleigh's revitalization program, having groups such as the Economic Development Board to visit was part of the vision. He thanked Bill Redding, Economic Development Board and RBC Bank member, for his role in getting the Board to meet at the bank.

Since this was the first meeting of the new board, Chairman Joines asked each member to introduce themselves. He asked Secretary Keith Crisco, Secretary of Commerce, to give an update on Commerce's activities. Secretary Crisco introduced Kenneth Lay, Secretary of Revenue and Linda Carlisle, Secretary of Cultural Resources as being members of the best Cabinet in the history of North Carolina. He thanked his Assistant Secretaries of Commerce for assisting him with the task of obtaining his goals and challenges as Secretary of Commerce. He also acknowledged and thanked Stephanie McGarrah, Assistant Secretary for Policy, Research and Strategic Planning, and Kay Langston, EDB Staff Support for their work on putting this meeting together.

Chairman Joines talked about Governor Perdue's charge to the Board. He said Governor Perdue will be a hands-on economic development Governor that is ready to go to work and ready for the Board to go to work. He briefly went over the agenda for the meeting and talked about the three working committees on which the members would be asked to serve.

The Honorable John R. Jolly, Jr., Special Superior Court Judge was introduced by Chairman Joines. Judge Jolly administered the Economic Development Board Oath to the members and asked them if they accepted. They all jointly responded "I do" and he acknowledged they are now officially sworn-in.

Secretary Crisco gave an update on the Commerce activities during the past eight months that included:

- Lynn Minges was promoted from Director of Tourism to Assistant Secretary for Tourism, Marketing and Global Branding
- Joe Crocker is the new Assistant Secretary for Community Development

- Energy was brought from many areas of state government into the Department of Commerce to focus on green business and weatherization issues aided by recovery money. John Morrison has joined Commerce as Assistant Secretary for Energy to head up this area.
- Secretary Crisco made 172 economic development calls in 71 counties in eight months.
- Credited with assisting Secretary Crisco with many projects are Scott Ralls, President of the North Carolina Community College System, Dan Gerlach, President of the Golden Leaf Foundation, Billy Ray Hall, President of the North Carolina Rural Economic Development Center.
- Talked about this past legislative session and all the assistance given by Rita Harris, Legislative Affairs Director, North Carolina Department of Commerce.
- Discussed his successful trip to Europe that included the Air Show, Canada, Dallas, Chicago, New York and the upcoming trip with the Governor to Asia in October. Wherever people are that want a business in North Carolina, Secretary Crisco said that he and his team are going to be there.
- Seven of the last eight years North Carolina has ranked Number One by *Site Magazine*. Congratulations to everyone for a job well done!
- He stressed that the number one priority in this administration is: jobs, jobs, jobs!

Dale Carroll, Deputy Secretary for the Department of Commerce told the board that one of his roles included managing the Federal Recovery dollars that are coming through Commerce. There are three buckets - \$79 million coming through the Department of Labor, Workforce Investment Act, over \$12 million through the Community Development Block Grant Program. With the reorganization of state government, the Weatherization staff with the Department of Health and Human Services is now under the Department of Commerce. The State Energy Office has also moved to the Department of Commerce under the leadership of Assistant Secretary John Morrison. The third bucket of money is coming from DOE on the federal level - \$104 million for energy-related programs across North Carolina and \$132 million in weatherization. All the federal money that Commerce is managing totals \$327 million.

A cross-functional team has been established within the DOC, headed up by Deputy Secretary Carroll with assistance from Libby Smith, Policy, Research and Strategic Planning staff to implement these funds and support this team. Also assisting with the efforts of managing the federal funds are Denise Sessoms, Assistant Secretary for Administration and her staff with Fiscal Management, Human Resources and IT, Roger Shackelford, Executive Director for Workforce Development Commission and Joe Crocker, Assistant Secretary of Community Development. After the first meeting a decision was made to expand and bring in folks from the State Auditor's Office and attorneys from the Department of Justice.

Chairman Joines acknowledged Governor Perdue and said that he was honored to introduce her and welcomed her to present her charge to the Economic Development Board.

Governor Perdue thanked Trish Willoughby, Executive Director, North Carolina Business Committee for Education for attending the meeting. She said that education and economic development are tied – you cannot have one without the other!

She thanked Chairman Allen Joines and all the members of the Board for their willingness to serve on the Board. Governor Perdue was very complimentary of Chairman Joines and his service to not only Winston-Salem but to North Carolina as a whole. Her comments about Secretary Crisco and Deputy Secretary Dale Carroll were very impressive; therefore she is expecting great things with this great leadership. Governor Perdue personally acknowledged each member for their contributions to North Carolina.

Governor Perdue stated ***“despite the blow we’ve been dealt by the global recession, we are poised for recovery because NC has some of the best economic development pieces in America. But those pieces are split up into many silos. The goal is to break down the walls of those silos and make the pieces fit together in a single, powerful and well-coordinated economic development machine. You are my first Economic Development Board – I have hand-picked many of you.”*** She charged the Board to come up with a plan that:

- Integrates and maximizes all of NC’s economic development tools
- And helps position NC to grow a robust global 21<sup>st</sup> century economy.

Governor Perdue said the plan developed would have to be one that is new, different and goes the extra mile to ensure North Carolina is the most competitive and attractive state in America to do business in this country and around the world. North Carolina must be a player in a global economy! She said this plan will be the blueprint for her administration’s legislative and economic agenda.

To reach that goal, she said NC must:

- Ensure the infrastructure and incentives at the state and local level are available to spur growth in NC
- Streamline and maximize economic development efforts to obtain maximum value with no duplication
- Come up with different kind of marketing plan for NC to sell to the country and world. Cannot rely on taxpayers to fund that market plan singularly. Need to come up with a new paradigm that will convince private sector to help market NC as a state
- Lay foundation to key emerging industries to flourish in our state – key emerging industries meaning green – defense and aerospace, advanced materials and high-value manufacturing
- Make sure regardless of how the economy changes that NC is positioned for innovation and adaptation and economic success.

She continued to address the Board by speaking specifically to NC's economic majority – small businesses. She stated that small businesses are vital to the state's economy, and following are ways to create, recruit and grow small business jobs in NC:

- Continue to give some kind of tax incentives to small businesses
- Provide hands-on assistance to help small businesses get started and help them to succeed
- Explore ways to promote recruiting
- Work at community levels through Main Street programs and other programs in rural communities to grow small businesses

Other challenges and related topics addressed by the Governor to the Board are as follows:

- Technology is integral to every school in our state
- Continue to focus on low performing schools and the need to graduate more children
- Seamless, affordable education system that allows a child to navigate from the first day of school to their final graduation day
- Governor is going to create an Innovation Council Board to help attract more venture capital funding to NC to build a robust 21<sup>st</sup> century economy.
- Education system is the fundamental key to NC's future – wants the ED Board to fight for public schools in this state as diligently as they fight for jobs
- Ensure kids get an education that will allow them to work in their trade anywhere in the world
- And, to brand NC as the “state of innovation”

Governor's Marching Orders to EDB:

- Outline of Plan due by January 31, 2010 to Governor Perdue
- Don Hobart, Governor's Deputy Chief of Staff, will be giving his energy, effort and time to this cause until January 31, 2010
- Between January and March, Don will work with the Board to develop an aggressive legislative agenda with other legislative partners to ensure we a focused, targeted legislative agenda with a clear understanding between the Board and legislators of the Board's goals.
- The Governor asked the Board to help her convince the General Assembly to pass critical laws needed to accomplish these goals.

Chairman Joines told the Board that their work has been laid out by the Governor and that he is excited with the task ahead. He encouraged the Board to start to work on this plan

immediately to accomplish the January 31, 2010 deadline. He pledged to have the committees in place by September 21.

Chris Harder, Director of Economic Analysis, NC Department of Commerce gave an overview of North Carolina's economy and impacts of the current recession. North Carolina unemployment rate (11.0%) has been consistently higher than the nation (9.4%). Mr. Harder noted that part of the reason the state's unemployment rate has stayed level is because the labor market has dropped significantly. The main reason NC's unemployment is so high is that the state is still heavily concentrated in manufacturing. During recessions manufacturing usually gets hit harder than other sectors. He also talked about taxable sales and collections being down from the same time last year. In the housing market, North Carolina's foreclosure rate is competitive. He ended his presentation talking about when the recession will end and concluded that a lot of experts think economic growth will return later this year.

Dr. Michael L. Walden, Reynolds Distinguished Professor, North Carolina State University, gave a presentation on the economic trends in NC. He talked about the structural changes in the economy, how North Carolina's economy has been re-made from 20<sup>th</sup> Century leaders being tobacco, textiles (and apparel) and furniture, to 21<sup>st</sup> Century leaders being finance, technology, pharmaceuticals, food processing and vehicle parts. Overall, North Carolina has benefited from these changes. He discussed the economic challenges but cautioned everyone to remember that problems create opportunities for solutions. He also said not to dismiss manufacturing – it's still alive. He talked about the manufacturing sectors that are expected to grow in the next decade and cutting edge industries.

Chairman Joines introduced Jonathan Morgan, Assistant Professor Administration and Government, UNC-Chapel Hill. He gave a presentation on the overview of economic development in North Carolina. He said the Board's responsibility would be to update the state's economic development plan and that should trickle down to the regions and communities. He noted that sometimes the short-term goals are not connected to the longer-term kinds of outcomes that will be achieved in the state and community.

Secretary Crisco said that most new companies ask for incentives and most get some. About half of the incentives go to existing North Carolina firms. He encouraged the Board to call any member of the Commerce staff including himself with any questions on incentives or any item that was covered during the meeting.

Stephanie McGarrah, Assistant Secretary for Policy, Research and Strategic Planning, spoke on the retrospective of past economic development boards. She talked about the General Statutes that define the Board's primary responsibilities, timeline of Board's progress, common themes for economic development and the lessons learned during the years. In 1993, the

Legislature put together the Government Performance Audit Committee. They looked at government overall, in particular economic development, and came up with several recommendations. They wanted to see more statewide coordination and they felt like the state as a whole needed to have a competent economic development plan. The Legislature passed the law that changed the structure and duties of the Board. In 1994, the state's first economic development plan came out: *Making North Carolina a High Performance State*. The plan was updated in 1999 by the Board and in 2002 the Board created a new strategic plan entitled: *We are Changing the Way We Do Business*. Updates were made to the Strategic Plan in 2004, 2006 and 2007. North Carolina is frequently used as a model for other states.

Don Hobart said the Governor is interested in the thinking of this Board and encouraged the Board to look at the existing plan with fresh eyes. He recommended coming up with elements that should be added and/or taken in a different direction due to the changing times. By January 31, the Governor wants to see the outline of what the plan or ideas would look like. Recommended action steps should be included in the outline. That would allow time to pursue these ideas by the time the General Assembly meets for their short-session.

Chairman Joines encouraged the members to consider the Governor's charge to the Board and to express their concerns and wishes that they felt should be considered going forward with the work of completing the strategic plan outline. There was much discussion on this subject.

He emphasized the importance of the sub-committees and promised the committees would be sent out by the 21<sup>st</sup>. The committees would need to meet at least twice before the next full Board meeting in November. Chairman Joines encouraged folks to call him anytime for feedback or concerns about the committees set up.

The next Board meeting will be held in Winston-Salem on November 19-20, 2009. Chairman Joines suggested committing most of the 19<sup>th</sup> to committee work with a possible dinner to follow. The meeting will be hosted at the Piedmont Triad Research Park on Thursday, November 20. He mentioned there was discussion about meeting in Charlotte for the January, 2010 EDB meeting.

For planning purposes, Chairman Joines will look at the calendar and lock in future dates for the Board to meet. Richard Sullivan, EDB member, suggested getting an energy speaker at a future meeting.

Being there was no further business to discuss; the meeting was adjourned at 2:00 p.m.

