

MINUTES
NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD
Raleigh, North Carolina
January 17, 2007

On Wednesday, January 17, 2007, the North Carolina Economic Development Board met at the N.C. League of Municipalities, located in the Albert Coates Building.

Chairman Whichard called the meeting to order at 1:35 p.m.

He welcomed everyone to the meeting and thanked Ellis Hankins, Executive Director of the N.C. League of Municipalities, and his group for allowing the Board to meet in their Auditorium.

He said the focus of the meeting would be legislative initiatives and activities that the Board is concerned with, and prioritizing these objectives along with the Department of Commerce's priorities. Chairman Whichard noted that the Board's list would probably go beyond what Secretary Fain and Commerce put into their budget.

Chairman Whichard introduced Ellis Hankins. Mr. Hankins welcomed the group and thanked everyone on behalf of his membership of municipal elective officials for the work the Board does with them. He talked about one of the Legislative Study Commissions that is crucial to economic development. It is called the State's Local Fiscal Modernization Study Commission. He felt the General Assembly should look at the revision of the state and local structure. He offered his suggestions as to how local government, the private sector and all of our communities could work closely together for the common good.

Chairman Whichard introduced Ronnie Goswick, President of the North Carolina Economic Development Association (NCEDEA). He passed out an invitation for the legislators to attend an economic one-on-one seminar. The invitation is also for the Economic Development Board and the Commerce staff. He noted that the Department of Commerce is co-sponsors of the seminar and it would enable NCEDEA and Commerce to get their message out, and ultimately get some support in providing leadership in economic development in North Carolina. At this time, a date has not been set for this meeting. Chairman Whichard offered to get with Commerce and find out how they could work together to support this effort. Mr. Goswick said they are not asking for financial support, but endorsement from the organization. Representative Bill Daughtridge made a motion that the Board agree to partner with NCEDEA to host the event. The motion was seconded and carried.

Chairman Whichard introduced Secretary Fain. He talked about employment in North Carolina and the outlook for our economy. Using the December released numbers covering the first eleven months of the year:

- Our unemployment rate through November, 2006, was 4.9% - that compares to a national rate of 4.4%. Last year that rate was 5.1%.

- Employment went up by 13,000. Our labor force went up by 25,000. While we continue to add jobs, we are the great beneficiary of substantial in-migration and growth in this state.
- The Census Bureau reported that North Carolina passed New Jersey as the 10th largest state (around 8.8 million people). We are among the highest states in terms of percentage of increase that came from in-migration. From June 05 – June 06, about 57% of our growth comes from domestic in-migration into our state.
- Year to year gains – 54,000 jobs show up primarily in increases in education and health services, 14,000 increases in government, 11,000 in construction, 10,000 professional services and 7,500 in financial services. During that period of time we lost about 14,000 manufacturing jobs, particularly in textiles.
- We had growth in transportation. Manufacturing employment has declined and probably will continue to decline – while declining, we will continue to see the significant impact of employment in the state in areas such as non-woven textiles, as opposed to labor intensive textiles.
- Project activity during 2006 within the Department of Commerce was and continues to be very active. The number of projects assigned during the year declined by about 5% and we had fewer announcements, but overall we had about a 12 ½ % job increase that amounted to 21,300 jobs in projects that were assisted by DOC. We added about 2.6 billion. That compares to 3 billion last year.
- The website reengineering project is going well and is on schedule. It is scheduled to be completed in late May.
- DCI, our New York public relations firm that focuses on supporting economic development agencies and public relations is planning an inbound press trip. The focus of the trip will be on training collaborations for biopharma.

Secretary Fain distributed new Tourism publications, the Travel Guide, the Golf Guide, '07 Calendar of Events and the N.C. Division of Tourism, Film and Sports Development '05 Annual Report.

- He also told about the upcoming Bio 2007 meeting that is being held in Boston May 6-9, 2007. Commerce will have a large pavilion; currently we have 28 sponsors for the pavilion. Sponsorships of \$115,000 have been contributed.
- Secretary Fain also passed out the cover wrap of a *Forbes* special edition featuring North Carolina. The focus of these ads is on education and the knowledgeable workforce in North Carolina. One point is made that we have very talented people here doing 21st Century type work, and finally we make the point that North Carolina is a very attractive state where folks will want to do business and to live.
- Last week Governor Easley announced that we have designated 6 new 21st Century counties (Anson, Beaufort, Caldwell, Edgecombe, Graham and Harnett). They join 20 other counties that we have worked with since 2001.

He explained how the county qualifies for the 21st Century program and the importance of this program to the counties in North Carolina.

- Tier I Counties – The General Assembly asked the Department of Commerce in consultation with the Rural Center to develop additional challenges to enhance economic growth in distressed counties (Tier 1). After visiting several counties, a report is in process to submit to the General Assembly within the next week or so. The report will offer some things that should help fast forward economic development in those counties.

In conclusion, Secretary Fain said that he hopes there will be something in North Carolina to make our kids return here. We need to make sure our schools have the resources they need. “We need a lot of things and in the right place.” “There is no silver bullet.”

Don Hobart, Legal Counsel and Legislative Liaison, reminded the Board of what happened in the last General Session and how that affects the upcoming session. Regarding the recommendations put forward, based on the Ticknor Study, there are some important elements of funding put into place:

- Increased the Marketing budget for the State of North Carolina
- Received additional funding for our Website and Information Technology needs
- Increased capacity in research as well as a couple of other items filed on the Ticknor Report.
- Received annual funding for the One North Carolina Fund - \$15 million in the last session and probably will be further recommendation for continued sustained funding for that program. Same thing goes for the One North Carolina Small Business Fund.
- Other items that received funding last year include initiatives like the Biotechnology Center, the Advanced Vehicle Research Center and other minor elements in economic development.
- The William S. Lee tax credits were revamped and extended through the Year 2010 – thanks to the hard work of members of this Board.
- The JDIG program was extended through 2009
- A number of sales tax related incentives were put in place to assist with the recruitment of certain financial services operations, provided tax breaks for motor sports teams and purchasing component parts (a provision that made the state attractive for internet data center equipment and electricity, and facilities in particular in the state’s poorest counties) There were also reductions in the electricity tax for manufacturers and tax breaks for research and development companies as they purchase equipment used for manufacturing. The Film Tax Credit was addressed by the legislature and changes were made that should enhance credits. The legislature also enacted and expanded the state’s credit for ethanol production facilities.
- The approval of the Ethics’ related changes and changes to the state’s lobbying statutes are being implemented and we are in process of getting direction as to how this law will affect the companies that are looking to locate in North

Carolina. The Secretary of State's Office and the State's Ethics Commission are very active in dealing with all these issues.

Secretary Marshall explained that anyone with questions about lobbying should go to the Secretary of State's webpage located at sosnc.com and read the law. There is tremendous confusion and misunderstanding because folks have not stayed current. Advisory opinion authority will come from the Ethics Board. March 15, 2007 is the due date for the new ethics forms. There is a \$250.00 penalty for failure to comply with the March 15, 2007 deadline.

Chairman Whichard welcomed Al Delia, President & CEO of the North Carolina's Eastern Regional Commission, and thanked him for his work with the Southeast Crescent Authority. Mr. Delia said that Representative McIntyre reintroduced legislation this year, through House Resolution 66, that established the Southeast Crescent Authority. He explained how this bill would help the southern states of the region. This proposal is very well accepted by Congress. Almost the entire North Carolina delegation, both the House and the Senate have been very supportive.

Chairman Whichard asked Mr. Delia if this Board might consider writing a letter of support to encourage the House Resolution 66 bill and if that would help the cause. Mr. Delia said that all Council of Government Boards have stated their support. Several states have offered their support and the Southern Governor's Association passed unanimously a resolution urging Congress to pass this legislation. The Eastern Region will request their legislative leadership to pass some kind of legislation endorsing this concept and asking Congress to consider this passage.

Representative Bill Owens made a motion for the Board to write a letter to the congressional delegation encouraging them to pass this legislation. The motion was seconded. There being no further discussion, the motion passed unanimously. Secretary Fain and Libby Smith, Commerce staff for the Board, will draft a letter from the Board to the congressional delegation.

Chairman Whichard explained how the Board created committees and appointed board members and staff to serve on each committee: these committees would look at the Board's Strategic Plan and be prepared to make recommendations/suggestions on how to strengthen and implement the Plan. Some would require legislation and others would be included in Commerce's Action Plan. There was much discussion on how to refine and enhance the Plan. The next Strategic Plan is due by April for 2007.

Chairman Whichard thanked everyone for their participation in the discussions and preparations of the committee recommendations.

Don Hobart gave an update on the 2007 General Assembly Session:

- Support Key DOC Economic Development Budget Initiatives.
 - Increase Funding to Promote North Carolina Nationally and Internationally as a Destination for Business Location and Expansion.
 - Fund Expansion of NC’s China-based Trade Offices to Help NC Businesses Find Trading Partners in China.
 - Fund “Client Relationship Management” Software and System for DOC to Provide Better and More Coordinated Service and Assistance to Existing NC Businesses.
 - Fund Additional Industry-Focused Research and Analytical Tools to Help NC Target and Recruit and Retain High-Value New Industries.
 - Fund Additional Staff to Maintain the DOC Website – NC’s “Front Door” for Industries Considering Locating or Expanding in the State.
 - Continued Annual Sustained Funding for the One North Carolina Fund.
 - Continue Annual Sustained Funding for Small Business Innovative Research and Technology Transfer Grants Program.
 - Increase Funding to DOC for Monitoring and Oversight of Non-Profit Organizations Receiving State Funds and CDBG Compliance.
- Support Additional Funding to NC Community Colleges NEIT Program for Training of Workers at New Industries.
- Support Increased Funding to NC Community Colleges CIT Program to Retrain Workers in Existing Industries with Enhanced Skills.
- Support Issuance of Water and Sewer Bonds for Rural Infrastructure Development, Including DOC Funding for Project-Related Water & Sewer Infrastructure.
- Support Program Enhancements to Increase Attractiveness of Tier Distressed Counties to Industry.
- Support Collaboration Between Golden LEAF Foundation and DOC to Develop Programs To Attract High-Impact Private Industries to Distressed Tier 1 Counties.

- Support Funding and Development of Management Academy for high growth companies by UNC-Chapel Hill Kenan Flagler Business School.
- Support Funding of New UNC School of Government Programs to Train Local Government Leaders in Economic Development and to Support Economic Development Capacity-Building.

Secretary Fain thanked the Board for their support and all the hard work that has been done by the members of the General Assembly. He said that our incentive portfolio is in good shape. In Commerce, we will add things to focus on in 2007 and those are embedded in this budget request.

- Continued efforts to run faster, jump higher and think better and be effective in competitive in economic development
- Market the state as a business destination

Secretary Fain said that we should make sure that we have thought carefully about our efforts to support existing businesses in the state. We need to identify other things that need to be done by other partners and build a matrix that ensures the right people are providing the product and that we have no redundancies. We want to know how we can take all these resources in the state and really get them focused in a market driven way on how we serve businesses. An example in Commerce's budget is the Client Management System.

Secretary Fain also stressed the need to really put substance behind building One North Carolina. Our division of Community Assistance is focused on this need. He also praised the efforts of the 21st Century Communities program.

Chairman Whichard said that he wants to ensure there is good collaboration between NCEDA, NCCBI, Partnerships and our legislative allies.

Secretary Fain said that he had heard lots of good, noble things during this meeting. He would be interested in hearing discussion of how this Board wants to put their shoulders behind these things to push for support of all these priorities mentioned.

Chairman Whichard opened the floor for discussion. He said that these are Commerce related issues and he cannot speak for Commerce. They have been formed by the Board's Strategic Plan, therefore the members need to let the legislators know they support the efforts and would like to see them endorsed.

Secretary of State, Elaine Marshall asked if all this would be in the Governor's Budget and Secretary Fain advised her that it would be in Commerce's budget.

Chairman Whichard advised everyone that he is now serving as the new Legislative Liaison for the Economic Development Board to the State Ethics Office. He reminded everyone to be aware of the rules and laws and that they should file their Statement of Economic Interest. If there are any questions about these rules, refer to the

Secretary of State's website or call Chairman Whichard or the Commerce staff for guidance.

A motion was made and seconded to approve the minutes of the October 26, 2007, meeting as presented. The motion carried.

Our next meeting is scheduled for April 4-5, 2007 – location still to be determined. Representative Owens suggested having our next meeting on April 5-6 due to the legislators being in session and unable to attend. Chairman Whichard assured him that we would look at the dates and make sure we are coordinated.

As there was no further business to come before the Board, the meeting was adjourned at 4:50 p.m.