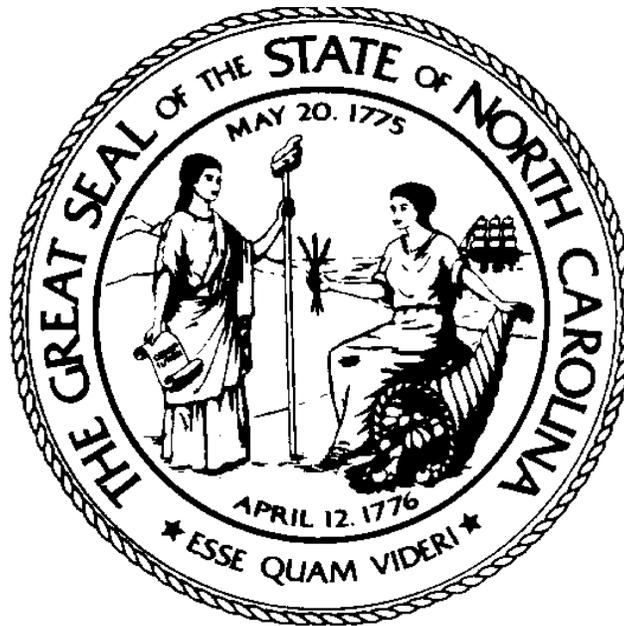


Economic Development Strategic Plan 2007 Update

Executive Summary



April 5, 2007

**Prepared by the
Interagency Economic Development Group**

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I. Foreword

The Interagency Economic Development Group (IEDG) is a team composed of staff leads from state agencies and organizations charged with the duty of assisting the Economic Development Board (EDB) in implementing and annually updating the economic development strategic plan and providing policy recommendations for Board consideration. In accordance with General Statute 143B, as staff lead, the Department of Commerce convenes the IEDG as needed to collect updates from the organizations that are responsible for implementing the goals of the strategic plan and/or to provide information as needed by the Board for future planning considerations.

Since its first policy roundtable discussion, the IEDG has worked to assess the status of the plan's goals and to begin developing recommendations for future policy steps. In 2007, the IEDG met on March second and began the process of preparing the annual Strategic Plan Update Executive Summary for presentation at the EDB meeting in early April.

The following IEDG representatives offered their expertise and support in the preparation of this executive summary:

- **Department of Commerce** (*Michael Haley, Kenneth Flowers, Beth Lucas, Christine Mackey, Gloria Nance-Sims, Jack Newman, Sara Nienow, David Rhoades, Libby Smith, Marlise Taylor*)
- **Department of the Secretary of State** (*Michael Peeler*)
- **Department of Transportation** (*Alpesh Patel*)
- **Department of Agriculture & Customer Service** (*Ron Fish*)
- **Department of State Treasurer** (*Jennifer Cohen*)
- **Department of Revenue** (*Jonathan Tart*)
- **Department of Environmental and Natural Resources** (*Gary Hunt*)
- **Department of Cultural Resources** (*Jeffrey Crow, Maryanne Friend*)
- **Department of Public Instruction** (*Rebecca Payne*)
- **Employment Security Commission** (*Lane Dyer*)
- **North Carolina Community College System** (*Stephanie Deese, Willa Dickens, Larry Keen*)
- **University of North Carolina System** (*Leslie Boney*)
- **State Ports Authority** (*Rita Harris, Jimmy Yokeley*)
- **North Carolina Board of Science and Technology** (*John Hardin, Bob McMahan*)
- **North Carolina Rural Center** (*Brett Altman, Leslie Scott*)

II. Strategic Plan Background

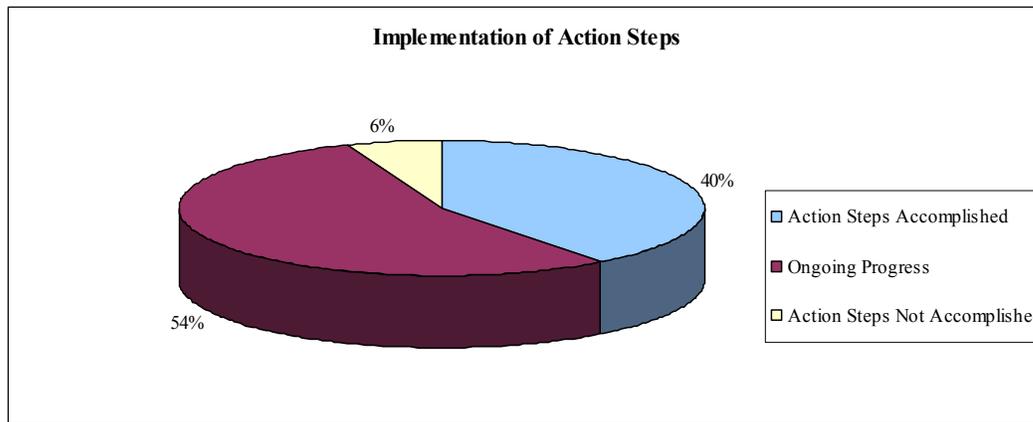
In 2001, Governor Easley charged the Economic Development Board with the task of developing a new comprehensive strategic economic development plan that takes innovative and strategic approaches to such issues as incentives, workforce development, and the development of science and future technologies. The Board unveiled its plan, entitled "We Are Changing the Way We Do Business", in October 2002 and is working to implement the plan, along with staff and advisors, through advocacy and ongoing accountability reviews with the state's economic development agencies. The strategic plan was updated 2004 and presented to the Economic Development Board during the November meeting.

As North Carolina encounters promising new opportunities for economic growth, it has become increasingly necessary to tailor the strategic plan to the needs of a dynamic modern economy. It is imperative that the Board continue to support the policy implementation of the plan's objectives and evaluate the progress of the organizations charged with carrying out the objectives. The following pages detail the actions that have been taken toward the plan's seven major goals as well as future policy recommendations suggested by participating IEDG agencies and organizations.

III. Strategic Plan Progress Summary

Over the last year the state has made progress on accomplishing a number of the action steps in the strategic plan. Since 2004 the state has accomplished 40% of all action steps. Another 54% of the action steps are underway. Approximately 6% of the actions steps have either intentionally not been undertaken, in some cases due to changes in strategies, or have not been accomplished, often due to lack of adequate resources.

The table below illustrates the success of the Economic Development Board’s strategic plan.



As the table below indicates, the majority of the action steps under Goal 3 and Goal 7 have been accomplished. Over the last year, a tremendous amount of progress has been made under Goal 5, which is devoted to rural development issues. The least amount of progress has been made under Goal 4, in the area of urban development.

Implementation of Action Steps			
Goal	Action Step Accomplished	Ongoing Progress	Action Step Not Accomplished
Goal 1: Workforce and Education	4	8	2
Goal 2: Science and Technology	6	8	0
Goal 3: Recruitment and Retention	9	7	0
Goal 4: Urban Development	4	5	3
Goal 5: Rural Development	7	17	0
Goal 6: Infrastructure	3	5	0
Goal 7: Tourism, Film, and Culture	7	5	1
Total	40	55	6

Action Step Accomplished = action step was completed

Ongoing Progress=action step is in process or there in ongoing effort

Action Step Not Accomplished = action step deadline was not met or there is no ongoing progress

The following pages detail the recent progress made in under each of the plan’s seven major goals.

IV. Status Report

Goal 1:

DEVELOP AN OUTSTANDING EDUCATION SYSTEM AND A HIGHLY QUALIFIED WORKFORCE.

The key to implementing the education agenda of the strategic plan is winning legislative and executive branch support and securing funding. To this end, a number of legislative proposals in support of this goal were adopted by the General Assembly. The University system, the Community Colleges, and the Department of Public Instruction all have received funding to establish new programs and improve existing ones.

The North Carolina Community College System received full funding in the 2006 Session of the General Assembly for enrollment growth, as well as a reserve to assist colleges that experience unusual enrollment surges. The General Assembly provided the community college system with a new position - Director of Joint High School-Community College Programs. This individual is currently working with apprenticeship programs, including Learn and Earn and Middle College and with dual enrollment opportunities.

To accommodate technology-oriented training, the General Assembly provided additional funding for nursing programs, which is being used to purchase equipment and supplies and supplement salaries, and thus providing enhancement to a program that trains students for a critical workforce need. The General Assembly also provided funding for specialized supplies at the BioNetwork Capstone Center and at the Kannapolis Research Campus for the Rowan Cabarrus Biotechnology Training Center and greenhouse. Work is proceeding on an online teaching and learning platform for distance education, an online helpdesk, an expansion of the NC Information highway, and two new centers for the development of distance education centers.

The Department of Public Instruction is using General Assembly funds to develop curriculum for teachers to prepare students for future opportunities in the workforce. A leading example is a career pathway guide on Biotechnology, developed with the leadership of the North Carolina Biotechnology Center. This resource, for students, parents, and teachers, presents career maps for becoming a scientist, laboratory technician, engineer, process technician, maintenance and instrumentation technician and corporate scientific professional. The career maps described the groupings of related careers, identified courses needed in high school, the postsecondary options and sample job titles. The purpose of the resource is to identify career options in the biotechnology field to help create a workforce that meets the needs of the state economy.

Entrepreneurship education has renewed interest in the high school Career and Technical Education program. The high school course, Entrepreneurship, will be placed on-line so it can be offered in schools that lack a qualified teacher in the subject area. The Department of Public Instruction participated in a joint partnership with Jr. Achievement, 4-H, NC Rural Center and NC Real to sponsor a statewide Business Plan competition called “Hop On the Bus” for any high school student. There were 196 participants. The top five finalists were presented awards at the 2007 Entrepreneurship Summit. The top award winner received \$2,000.00 cash.

The Department of Public Instruction is creating curriculum programs that lead to credentials in an effort to retain students. The credential coursework may be completed in high school or started in high school and completed at a community college. For example, a student can complete the ASE certification exams for Brakes and Electrical in high school and complete two other certifications plus work-based learning experience at the community college level to attain the ASE credential. There are many other credential areas, such as for the IT and manufacturing industries, that are begun or completed in high school. In 2005-2006, over fifty percent of high school students completed four or more credits in Career and Technical Education (CTE). Based on a study of high school graduates, the Career and Technical Education is credited as being the deciding factor in keeping 53.4% of these students in school.

The UNC system benefited from strategic investments by the General Assembly during the 2006 session. The most ambitious project is the North Carolina Research Campus in Kannapolis that could create hundreds of research and technology-generated jobs. Support was extended for the Hickory Center for Engineering Technology, where Appalachian State, UNC-Charlotte, Western Carolina, community colleges and private colleges will work collaboratively to meet key workforce training needs in the area. The General Assembly also expanded funding for the Area Health Education Centers (AHEC) to help address critical needs for health care workers and other needs.

This year the University is working to improve college access and graduation rates by actively assisting in the design and implementation of Governor Easley’s Learn and Earn Program, designed to graduate students from high school with two years of college credit. The University is creating new boot camps to assist students in the transition from high school to college. Access to the University has expanded further by capping tuition rates and by developing UNC Online, which will provide access to university curriculum for people throughout the state.

The Commission on Workforce Development, in partnership with several other entities, is working on related initiatives for North Carolina to support

regional economic sectors. As part of an integrated development strategy, the community college system has actively engaged in local development boards to improve the quality of regional skills implementation plans. Two new Regional Customized Training Directors have been hired to serve in the Northeast and Southeast economic development regions of North Carolina. These Directors are adding to the community colleges' capacity to look at regional training needs for the workforce.

Goal 2:
INVEST IN SCIENCE, TECHNOLOGY, AND UNIVERSITY OUTREACH

Science and technology-based innovation fuels a knowledge-based economy; it creates new industries, makes existing ones globally competitive, and drives future economic growth. Over the coming decades, North Carolina can produce more new jobs for its citizens from the effective use of science and technology economic development policy than from any other source. Reaching top tier status in science and technology is a priority that requires increased focus on regional innovation and research and development. There have been several new initiatives started over the last year.

UNC has launched “UNC Tomorrow,” a comprehensive review of what the state needs from UNC over the next twenty years. North Carolina State University is requesting funds for the biennium to increase university alignment with regional economic development clusters. Building on the Board of Governors’ new strategic direction urging universities to work intentionally and directly to “transform the economy” of North Carolina, new regional and statewide entrepreneurship centers are being established at ASU, ECU, NCSU and WCU, and enhanced capacities are being developed at FSU and UNC-G. The UNC system also has completed Phase I of a multi-year efficiency study designed to reduce university administrative costs. Finally, UNC is seeking funding to create a joint graduate school of Nanoscience and Nanoengineering at NCA&T and UNC-G’s millennium campus, to train scientists in various nanotechnology areas.

The UNC System has strengthened technology transfer services on less research-intensive campuses through contracts with university-based spin-off companies. These initiatives were implemented based on discussions with the Council of Research Administrators, a group comprised of representatives from the various university campuses and convened by the Vice President of Research. These measures aim to increase the amount of university innovation through technology transfer and commercialization and to promote economic development activities.

This year the North Carolina Biotechnology Center is creating three Centers of Innovation built around regional bio-based academic development priorities. These centers have the potential to create clusters of bio-based industry around the state.

As a marker of progress in the science and technology sector, the total dollar amount of SBIR and STTR awards has doubled and the annual number of these awards has increased by more than 80 percent from 2002 to 2005. The Small Business Innovation Research (SBIR) Program provides competitive grants to entrepreneurs to help finance R&D, start-up, and the commercialization of innovative business. Its counterpart, the Small Business Technology Transfer

(STTR) Program promotes collaboration between small businesses and non-profit research institutions, such as universities. The amount of STTR funding in a state reflects the degree to which partnerships of small companies and non-profit research institutions are participating in funded R&D. Together, SBIR/STTR awards are primary indicators of economic growth centered on emerging technology.

The University System's Small Business and Technology Development Center (SBTDC) is the state's lead organization for the promotion and support of small business access to SBIR and STTR programs. It provides a robust range of services to entrepreneurs and university researchers aimed at increasing awareness of these programs and boosting the number of successful applications for awards. The SBTDC has invested significant efforts into preparing emerging technology firms for equity investment consideration. Activities include offering "Are You Investor Ready?" programs for owners who are seeking external investments and one-on-one coaching on successful venture presentations. As a result, SBTDC clients attracted \$100 million in equity investment funds in 2005. The SBTDC's success in this area has been noticeable, as it was selected to host the national 2007 SBIR/STTR conference in North Carolina.

During the 2006 legislative session, the General Assembly appropriated \$5 million in non-recurring funds on the Governor's recommendation to support the One North Carolina Small Business Account. With these funds, the Department of Commerce is offering grants under the North Carolina SBIR/STTR Incentive Program and matching grants under the North Carolina SBIR/STTR Matching Funds Program for fiscal year 2006-2007.

Several additional proposals passed during the 2006 legislative session to boost North Carolina's position in science and technology. Specifically, the General Assembly included a provision in its budget to reduce the sales tax on R&D equipment to promote technology-based growth in North Carolina. The General Assembly also voted to amend the Umstead Act with House Bill 1539. This bill established a panel that can rule on whether the university system has the authority to undertake an activity in competition with a nongovernmental entity. This measure aims to improve the ability of the University of North Carolina System to commercialize its technologies while protecting private enterprises from unfair competition.

Goal 3:
ENSURE A COMPETITIVE ENVIRONMENT FOR THE RECRUITMENT AND RETENTION OF BUSINESS, CAPITAL INVESTMENT, AND JOBS CREATION.

State and private agencies have taken significant steps in 2006 and 2007 to provide a competitive business environment for industries locating in North Carolina. In 2006 the General Assembly presented the Department of Commerce with \$10 million to create an economic development reserve fund for the purpose of awarding grants for site acquisition and economic development projects that promise to boost regional economies. These funds will assist 11 government and non-profit entities with local and regional economic development projects. The fund received seventy-nine applications for consideration.

Several other initiatives of the Department of Commerce are nearing completion or in the process of being undertaken. The first version of the Economic Development Intelligence System (EDIS), an online application that will help economic and community development professionals recruit and retain businesses around the state, will become available to the public in 2007. The Department will submit the final William S. Lee evaluation of results in May 2007. The William S. Lee Act was replaced in 2006 by Article 3J Tax Credits for Growing Businesses.

Another significant undertaking by the Department of Commerce is the restructuring of its marketing infrastructure and materials. Advertising and public relations agencies have been engaged (Trone Advertising, DCI) and initial campaigns to market the state as a business destination have begun to appear in national and international media. The Marketing Council group is meeting regularly and is coordinating a strategic marketing planning meeting in preparation for the 2007-08 budget year. "North Carolina - The State of Minds" logo and identity system is now incorporated into all advertisements and promotional materials. Finally, the marketing division of the Department of Commerce is developing a strategy to increase the amount of private donations used for marketing initiatives.

The General Assembly approved new funding in 2005 for the Department of Commerce's web site improvements, systems, and marketing enhancements. The comprehensive redesign of the website will provide a new platform to build the state's brand among business audiences, communicate news to relevant stakeholders, and explain in-depth the wide spectrum of economic development programs underway in the state. The web site will be ready in late spring 2007.

The General Assembly took a significant step last year to improve the business climate in North Carolina. In 2007, the “Article 3J Tax Credits for Growing Businesses” legislation replaced the William S. Lee tax credit program. Changes in the tax credit program included converting to a three-tier approach; revising tax credit rates, thresholds, and qualification requirements; and abolishing certain provisions in the original act. These changes aim to enhance North Carolina’s economic competitiveness by helping the state attract new businesses and continue the state’s economic growth.

As an additional development stimulus, the General Assembly passed several pieces of legislation to provide special incentives to local manufacturers. A tax reduction on electricity purchased by manufacturers and the small business health insurance tax credit both hold the potential to stimulate corporate growth. On the consumer level, several tax reductions passed by the General Assembly promise to foster economic development and expansion. The reduction of the sales tax from 4.5 percent to 4.25 percent and the reduction of the top personal income tax rate from 8.25 percent to 8.0 percent will allow state citizens to spend and invest more heavily in the North Carolina economy.

There continues to be a large amount of state support for developing the military and defense industries. Most recently, the North Carolina Military Foundation was established. The Foundation is a non-profit corporation whose mission is to help grow the state’s defense and security economy. The Foundation will work with the state’s leaders in government, military, business, and academic communities to identify emerging defense and security requirements, and present those opportunities to North Carolina stakeholders as business opportunities.

Connecting businesses to defense and other federal agency contracts continues to be an important effort in the state’s economic development plan. The North Carolina Military Business Center, in concert with the North Carolina Community College System Small Business Center Network, has continued to promote the development of industries related to the needs of the military community since its opening in 2004. In calendar year 2005, center-assisted companies obtained 36 contracts with a value of \$26 million. The center’s results in 2006 were even more impressive. Center-assisted companies received 162 contracts worth a minimum of \$158 million.

The Defense and Security Technology Accelerator (DSTA), located in Fayetteville, North Carolina, is a new and innovative program designed to create collaborations with the military, entrepreneurs and innovators that will drive technology business development, technology commercialization, and job creation. This program will leverage two unique assets in North Carolina: the military bases in the Fayetteville/Cumberland County area, and the excellent research and innovation in the Research Triangle Park (RTP) and

other regions in the state. The DSTA will operate as a business incubator assisting entrepreneurs with generating new, just-in-time security and defense technology solutions to meet the military's technology needs, as well as business demands. The state legislature funded this program with a \$2 million appropriation and the project received an additional \$300,000 from the North Carolina Department of Commerce' Economic Development Reserve Fund. The North Carolina Technology Association initially proposed the Accelerator and the Partnership for Defense Innovation administers the program.

Goal 4:
**CREATE STRONG METROPOLITAN GROWTH CENTERS THAT
GENERATE REGIONAL BUSINESS DEVELOPMENT, SHARED
PROSPERITY, AND A HIGH QUALITY OF LIFE, IN PARTNERSHIP
WITH SURROUNDING AREAS.**

In the last year, several changes have taken place to improve the state's capacity to engage in urban development. The General Assembly granted the Small Town Main Street program funds to hire one additional community development planner to serve the western part of North Carolina. As of 2007, the program operated in ten officially designated towns and worked with nearly forty others on small town development issues. Due to a steady rise in the number of towns seeking assistance, the Small Town Main Street program stands ready to take full advantage of continued legislative support and funding provided in the future.

The 2006 General Assembly also approved two new development zone categories in the Article 3J tax credit program. Entitled agrarian growth zone and urban growth zones, they replace the less-targeted development zones in the William S. Lee Act. The Department of Commerce anticipates that these new designations will foster greater reinvestment in urban centers and rural areas. The approval of the Mill Rehabilitation Income Tax Credit legislation in 2006 will enhance this effort by providing tax credits to people who redevelop abandoned mills, many of which are in urban areas.

In 2004, North Carolina became the 49th state in the nation to approve the use of self-financing bonds for local development purposes. This amendment provides a significant finance tool for local governments. While only one community has used the bonds thus far, they have the potential to stimulate redevelopment and new development across the state.

Finally, the Division of Community Assistance within the Department of Commerce has begun collecting investment data from large cities to document and quantify their financial impact. This project should allow the department to evaluate the economic profile of North Carolina's metropolitan areas.

Goal 5:
DEVELOP THRIVING RURAL AREAS THAT MAINTAIN A HIGH QUALITY OF LIFE; ACHIEVE ONE NORTH CAROLINA BY MOBILIZING THE STATE'S RESOURCES TO CREATE STRONG REGIONAL PARTNERSHIPS AND PROGRAMS THAT FOSTER BROADER ECONOMIC DEVELOPMENT OPPORTUNITIES IN RURAL NORTH CAROLINA.

The state's economic development agenda places a large emphasis on improving the quality of life in rural areas of North Carolina. This goal encompasses improvements in physical infrastructure, technical assistance, and better access to state programs.

The Strategic Highway Corridors Initiative, adopted by the Department of Transportation as part of their 2004 Statewide Transportation Plan, is an ambitious plan to improve transportation infrastructure in critical areas. When finished, fifty-five critical highway corridors will efficiently transport people and goods across the state. This enhanced transportation system will better integrate rural counties with the rest of the state.

The North Carolina Rural Center's WATER 2030 Initiative completed an extensive assessment of the state's water resources and engaged state leaders and citizens in the discussion of water issues and the development of a statewide water management plan. The investment of approximately \$9 million in 34 water and sewer projects created 1,466 new, full-time jobs, involving 44 businesses in 27 counties. With the fiscal year 2006 investment, the Rural Center helped to create 403 jobs and 801 customers will benefit from new or improved sewer service. In 2007, the General Assembly will consider issuing another \$250-\$500 million in clean water bonds.

In August, the General Assembly approved legislation to extend the E-NC Authority for five additional years. The Authority works to expand access to technology across the state. As of late 2006, 82 percent of North Carolina households have access to high-speed Internet service if they choose to subscribe. However, five counties still have less than 50 percent access and another 21 counties have less than 70 percent access.

The state's capacity to provide technical development assistance grew considerably in 2006. The Department of Commerce's successful 21st Century Communities program has selected six new counties to participate in the 2007 round of the program. This brings the number of counties served by the program to twenty-six. The General Assembly granted additional funds of \$244,699 in 2006 to hire three full-time community planners and to expand this county development program across the state. Counties will be added to

the program every year and has a goal of reaching 50 percent of rural counties by 2011.

The Department of Commerce's Small Cities Community Development Block Grant Program (CDBG) has allocated \$1,000,000 in funds to start a new small business/entrepreneurs program to assist businesses in the state's small cities and towns. The program will request another \$1,000,000 in the draft CDBG Investment Plan to continue this economic development program in 2008. The North Carolina Rural Center continued a program with the North Carolina Department of Commerce to support rural business incubation as a tool to strengthen economic development through entrepreneurship.

The 2006 General Assembly approved a special provision that directs the Department of Commerce to study and report on agribusiness funding and programs as a means of assessing the economic potential of agriculture-based industry in North Carolina. As an emerging catalyst for rural economies, agri-product incubators continue to be developed and supported at North Carolina's community colleges. In 2006 the Department of Agriculture, working primarily with Advantage West, established a value-added food business incubator in Asheville. Because of this project, more small food business incubators are being planned or have opened throughout the State. The Department of Commerce, through the Community Development Block Grant program, is supporting a kitchen incubator in Ashe County and another incubator in Pender County.

In an effort to promote environmental sustainability, the Department of Agriculture continues to offer a variety of programs that support alternatives for farm families who wish to practice farmland preservation. Agriculture Commissioner Steve Troxler has identified himself as an advocate of federal and state incentive programs targeted at farm operators who conserve and restore wildlife habitats, streams, and rural landscapes. In recognition of the potential of agriculture-based tourism in rural areas of North Carolina, the Department of Agriculture has maintained an agri-tourism office in Raleigh since 2003.

Goal 6:
***DEVELOP A COMPETITIVE REGIONALLY BASED INFRASTRUCTURE
AND PROMOTE SUSTAINABLE ECONOMIC DEVELOPMENT.***

As North Carolina competes in a competitive global market, the need for sustainable economic growth has increased. To meet these emerging needs, the Interagency Leadership Team (ILT), a consortium of state and federal agencies, has met quarterly since 2004 to discuss ways to align the goals of economic development and environmental sustainability. In 2005, the ILT issued a strategic plan with a mission statement stating that the state transportation system “should be planned hand-in-hand with economic development and the protection and enhancement of our State’s cultural and natural resources”.

In a move that embraces the future of sustainable growth, the 2006 General Assembly approved a measure that would award tax credits to state ethanol production facilities. This measure will support ethanol-manufacturing businesses in the state, enhance jobs creation, and promote a sustainable transition to a future in alternative energy.

The promotion of sustainable businesses that use industrially generated by-products in manufacturing is another successful effort run jointly by the Department of Commerce and the Department of Environmental and Natural Resources. Through the Recycling Business Assistance Center (RBAC), these two departments have actively recruited by-product recycling industries to the state. Since 2004, RBAC has awarded grant funding totaling \$1.06 million to recycling companies operating in North Carolina. This investment has leveraged an additional \$13.3 million in matching funds from private sector recycling companies. As a result of this increased recycling capacity, recycling industries have created additional jobs and played a key role in stimulating regional economies.

The environmental permitting process in North Carolina also has undergone a significant expansion. Under the direction of the Customer Service Center, the One-Stop Permit program and the Express Permit program are operating in each region designated by the Department of Environmental and Natural Resources. One Stop Permit Coordinators serve as a single point of contact to help businesses, local governments, citizens, and others identify potential environmental requirements and guide applicants through the permitting process. The Express Permitting program offers quicker permit decisions and certification than that standard program and provides consultation to help clients identify necessary environmental requirements. The Express Permitting Program has issued over 1,500 permits since the program started in 2004.

The current growth in the state port system has enhanced North Carolina’s regional infrastructure. The North Carolina Ports Authority has made

tremendous strides to make the state's ports an international leader. The Authority operates the state ports at Wilmington and Morehead City and inland terminals in Charlotte and Greensboro. Business coming through the ports now supports approximately 85,000 jobs and \$299 million a year in state and local tax revenues. Ongoing construction and redevelopment projects managed by the North Carolina Ports Authority promise to deliver a statewide economic impact of \$14.4 billion in jobs, taxes, and industry over the span of ten years, beginning in 2006. These projects include the expansion and development of the Port of Wilmington and the Port of Morehead City Radio Island. Planning is also underway on the North Carolina International Port, a major international port terminal that could catapult North Carolina's port system into the ranks of the top U.S. ports.

Goal 7:
MAINTAIN AND STRENGTHEN TOURISM, FILM, AND SPORTS INDUSTRIES; PRESERVE, PROTECT, AND PROMOTE OUR STATE'S CULTURAL, NATURAL, AND HERITAGE ASSETS.

Travel and tourism is one of North Carolina's leading industries. Visitors to North Carolina spent more than \$15 billion in 2006, an increase of 8.3 percent from 2005 and the largest single-year increase since data collection began in 1990. In 2005, tourism-related spending generated over \$2.3 billion in tax receipts—\$1.1 billion in federal taxes, \$747.7 million in state taxes, and \$461 million in local taxes. More than 45 million people visited North Carolina last year.

The impact of the tourism industry ripples across several sectors of the state's economy. In 2005, tourism had a \$1.6 billion impact on retail, \$1.6 billion on public transportation, \$2.4 billion on auto transportation, \$2.5 billion on lodging, \$4.7 billion on foodservice, and \$1.4 billion on recreation. This impact on the North Carolina economy has continued to increase as annual visitor expenditures rose from \$12.38 billion in 2000 to over \$15 billion in 2006.

For most of the last 20 years, North Carolina has ranked third nationally in film, television, and commercial production revenues. Since 1980, communities in 75 of the state's 100 counties have hosted motion pictures, television series, commercials, and other productions generating over \$6.5 billion in direct revenue for local economies and more than 100,000 jobs. The General Assembly recently revised film incentives to provide qualified productions with up to a 15% rebate on purchases and expenses in North Carolina.

The North Carolina Tourism Satellite Account has allowed the Department of Commerce's Division of Tourism, Film, and Sports Develop and the Department of Cultural Resources to better integrate research data into decision-making processes. In early 2007, the updated Tourism Satellite Account demonstrated that the travel and tourism industry in North Carolina had a \$23 billion impact on the economy.

There are several heritage and cultural tourism projects in implementation to introduce North Carolina citizens and tourists to the rich history of the state. The North Carolina Civil War Trails program outlines the historic events from the war on markers located throughout the state. Currently, the program is in phase 2 and is focusing on western North Carolina sites, while still growing the number of sites in the eastern and central portions of the state. There are now 140 markers and more planned. Another exciting project is the upcoming

300th anniversary of John Lawson's *A New Voyage to Carolina*. The anniversary is the backdrop for collaboration with the British Museum to bring artifacts from Lawson's historic exploration back to North Carolina.

North Carolina has an abundance of cultural resources that play a prominent role in the state's economy. *Clusters of Creativity: The Role of Arts and Design in North Carolina's Economy*, estimates the creative sector plays a prominent role in the state's economy. The report states that the creative sector accounts for nearly three percent of total employment the state, employing nearly 132,000 people with total wages of more than \$3.9 billion.

V. An Economic Snapshot of North Carolina

As North Carolina advances toward a position of economic distinction, state organizations and community development leaders continue to demonstrate remarkable skill in helping the state successfully adapt to the 21st century economy. In a dynamic economic environment, North Carolina's economic development agencies persist in taking steps to create high-quality jobs that will boost incomes and enhance the quality of life for all North Carolinians.

North Carolina's economy is undergoing a transformation from that of traditional manufacturing to a new economy driven increasingly by knowledge-intensive, business services activities. Fostering knowledge-based growth is necessary as North Carolina strives to position itself strategically in the competitive global marketplace. The state must work to equip its existing industries with innovative new technologies and strategic planning policies. To achieve these goals, all sectors of state government must engage in a common economic planning vision to spur development and ensure sustained industry growth.

To adapt to the modern economy, North Carolina must examine the unique characteristics of its workforce. The North Carolina Employment Security Commission predicts that the number of employed North Carolinians will increase by nearly 700,000 between 2007 and 2017. This is a rate of employment growth of 17 percent or 1.58 percent annually. This rate is slightly higher than that of the nation. However, the growth of employment within the state is not homogenous due to the tremendous economic diversity among the various the regions of North Carolina. The majority of new job creation is concentrated in the fast-growing metropolitan areas, while growth is not simultaneously occurring in many of the rural areas of the state. This notion calls for inventive and creative approaches to economic development in less populated areas.

Additionally, many of the smaller communities once relied on manufacturing companies, which now are either closed or downsized. The dislocated workers in these rural or micropolitan areas are discovering they do not have the skill levels and/or education required by new knowledge-intensive jobs. Many of them do not have access or the resources to take advantage of education opportunities making specialized training and retraining of utmost importance in ensuring that North Carolina's economy is better suited for changing business and new industry needs. Hence, the future prosperity of North Carolina depends on achieving higher education attainment levels in its workforce and its leaders must consider this when shaping policy or other improvement actions.

Forecasts predict that the professional & business services, along with healthcare services, will be the fastest growing employment sectors in North

Carolina over the next ten years. Healthcare-related occupations, such as medical records and health information technicians, are the fastest-growing occupations in the state, generating thousands of jobs and taking advantage of the growth in new research and technology tools. North Carolina's Commission on Workforce Development, the NC Community College System, the University of North Carolina System, and private industry partners are working together to create and improve educational programs to ensure the state has a workforce to meet this upcoming need.

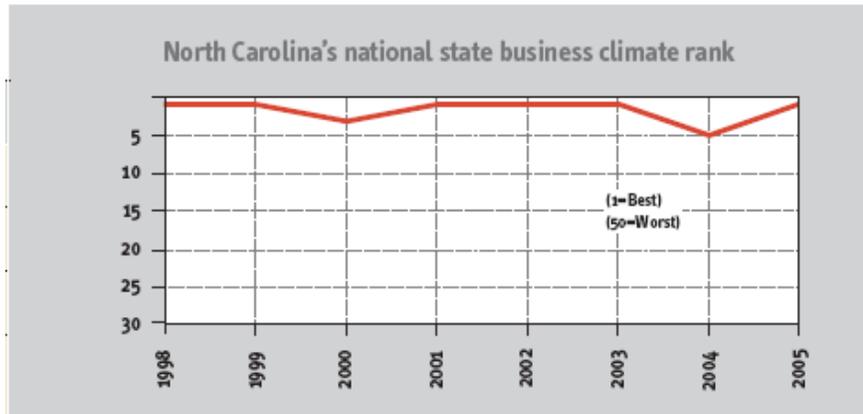
North Carolina also continues to take measures to enhance the technology environment of the state. The North Carolina Board of Science and Technology focuses on accelerating North Carolina's next generation of technology and technology companies. The Board encourages, promotes and supports scientific, engineering, and industrial research applications in North Carolina as well as works with the General Assembly and the Governor to put into place infrastructure that keeps North Carolina on the cutting edge of science and technology. It also administers programs that support the federal SBIR and STTR grant programs. The North Carolina SBIR/STTR Phase I Incentive Program reimburses qualified North Carolina firms for a portion of the costs incurred in preparing and submitting Phase I proposals for the U.S. Government's Small Business Innovation Research Program and Small Business Technology Transfer Program. The North Carolina SBIR/STTR Phase I Matching Funds Program awards matching funds to North Carolina firms who have been awarded a Small Business Innovation Research Program or Small Business Technology Transfer Program Phase I award.

The North Carolina Board of Science and Technology has also played a key role in the Biotechnology Industry in the state with its creation of the North Carolina Biotechnology Center. In the past two years, the NC Biotech Center, located in the Research Triangle, park has opened four regional offices around the state, with a fifth office planned for Charlotte. These offices are aim to boost biotechnology resources, opportunities and job creation in regions statewide.

North Carolina's natural and cultural assets have been another main driver of economic development in the state. Tourists spend more than \$15 billion in 2006, an increase of 8.3 percent from 2005, contributing significantly to regional economies. In 2005, the state also achieved \$300 million in estimated revenues from major films and television productions taking advantage of these assets. This came about in part by an incentive passed by the General Assembly whereby any production company that spends at least \$250,000 on a motion picture or televised production is eligible to receive a tax credit of 15% on in-state spending for goods, services, and labor.

North Carolina continues to provide visionary leadership in helping North Carolina businesses compete in the global economy. The business environment

in North Carolina is one of the state's most outstanding successes. In 2005, North Carolina's total aggregate taxes were 27.8 percent of personal income, giving it the 18th lowest aggregate tax ratio in the United States and the 7th lowest ratio in the Southeast region. In 2006, the State was ranked 1st in the US and Southeast in overall state business climate according to Site Selection Magazine. North Carolina ranked among the national and regional leaders in state business climate for new and expanding business most of the last eight years and earned the top national position in 2001, 2002, 2003 and 2005.



Source: *Insight: North Carolina's Labor and Economic Outlook*, April 2006

In early July, Governor Mike Easley signed the budget agreement passed by the General Assembly for fiscal years 2006-2007. The budget contains many adjustments favoring K-12 and higher education and several allocations for technology-based growth initiatives.

Economic development programs received some increased financial support in the 2006 budget. The General Assembly provided additional support for growing industries through biotechnology programs and motorsports incentives and expanded the One North Carolina Fund by \$15 million. The One North Carolina Fund was established in 1993 to assist companies with the costs of new equipment and repairs. The Job Development Investment Grant (JDIG) Program, which provides grants to new and expanding businesses, was given legislative approval to expand its financial capacity from its current \$15 million to \$30 million in fiscal year 2006-2007. The change came at the request of the Department of Commerce to provide more flexibility in financing several large economic development projects.

The new budget also invests in research initiatives at state universities. The medical school at the University of North Carolina at Chapel Hill will use \$2.5 million to expand its translational medicine program, which connects basic research with applied pharmaceutical development. Biotechnology programs at North Carolina Central University and North Carolina State University will receive \$4.5 million and the North Carolina Biotechnology Center, and its

regional offices, will receive a \$2.5 million budget increase. The new North Carolina Research Campus in Kannapolis will receive \$6.7 million through the UNC and Rowan-Cabarrus Community College Training Center and Greenhouse to fund its first year of operations, and Fayetteville State University intends to begin capital planning on a new science and technology complex with a \$1 million allocation. The budget also provides \$20 million for a new competitive grant program for state universities that can be used to attract faculty, purchase equipment, and undertake allied health projects.¹

¹ From *SSTI Weekly Digest*, A Publication of the State Science and Technology Institute (2006 report)

VI. Conclusion

2007 will continue to be a year of great progress for economic development initiatives in North Carolina. With greater legislative investment and staff for economic programs, state agencies are in a better position than ever before to coordinate economic activities and provide additional programs and services to professional economic developers across the state.

Aligning the economic development tools, programs and technical assistance across state agencies will help North Carolina realize its potential. The creation of the North Carolina Economic Development Board's 2007-2009 Action Plan provides an opportunity for the board to renew and add to the existing development priorities.

This update provides a measurement of progress on existing objectives, summarizes new economic trends, and details recent effects that have influenced the state agencies' ability to fulfill the action steps corresponding to the Economic Development Board's stated objectives.

