



ROY COOPER
Governor

ANTHONY M. COPELAND
Secretary

April 1, 2019

Dear Governor Cooper, Senator Berger and Speaker Moore,

It is my pleasure to share with you the 2019 update of the state's comprehensive economic development plan.

We have seen important successes over the past two years. Companies have announced they will create more than 40,000 jobs and invest more than \$7.5 billion – numbers the state hasn't seen since 2006.

North Carolina's unemployment rate is 3.6 percent, which is the lowest it has been in nearly 20 years. This good news does present challenges for companies who need to find and hire workers. We have to stay focused on attracting workers, upskilling employees, increasing educational attainments and other efforts to ensure we have a strong workforce for the jobs of today and tomorrow.

To attract companies and jobs, local leaders must prepare their communities for success, making sure the things a business needs are in place from the start. To support these efforts, we have granted \$96.8 million to rural communities, so they can install the industrial-grade water, gas, and other utility and infrastructure assets that are necessary for economic development. Our public investment has attracted an additional \$ 2.8 billion in private sector investment in the past two years in rural counties. Now, we are working to be more creative in our approach to lifting up rural parts of the state.

As an example, Durham-based Corning Life Sciences wanted to expand its manufacturing as well as its warehouse distribution operations. We were able to convince the company to split this expansion to benefit both Durham County and Edgecombe County. The company's agreement to bring new jobs to both Eastern North Carolina and the Research Triangle demonstrates confidence in our workforce as well as access to adequate infrastructure in many rural areas.

Another effort underway is RAMP East, an effort in Eastern North Carolina between eight community colleges and local workforce professionals to identify and train the more than 2,500 workers needed in the area in the coming years to accommodate the expected new job growth, turnover and retirements taking place at local manufacturing facilities. We fully expect to replicate this effort in other parts of the state as we work to help companies find the trained workforce they need.

We are challenged every day with helping our rural communities prepare for growth. It is about an available workforce, ready sites, natural gas, a vibrant downtown, taxes and incentives, and other infrastructure needs. We must have a strategic focus on preparation and be unified and coordinated in our efforts. Our plans for the next year ensure we will continue down this path.

We appreciate the support we have received and look forward to continuing to partner with the members of the NC General Assembly on these and other efforts to strengthen the state's growing economy.

Sincerely,
Anthony M. Copeland



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Governor

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2019 Updates to North Carolina's Comprehensive Strategic Economic Development Plan and Annual Evaluation of North Carolina Economic Performance

Pursuant to [G.S. 143B-434.01](#), the Department of Commerce annually reports on the state's Comprehensive Strategic Economic Development Plan and evaluates North Carolina's economic performance. This report outlines Commerce's economic development goals and plan for 2019, discusses the progress made towards the 2018 plan, and evaluates key economic indicators as outlined by statute.

NORTH CAROLINA'S 2019 ECONOMIC DEVELOPMENT STRATEGIC PLAN

North Carolina has a large, growing, and dynamic economy – larger than the economies of all but 21 nations in the world. Through the hard work of generations of our citizens and leaders, we have developed assets in a diversity of industries – science and technology, manufacturing, banking and finance, healthcare and medicine, education, agribusiness, transportation, and others – that make us the envy of many states. However, as we continue to make the steady transition from a traditional manufacturing and agriculture base to a vibrant, innovative knowledge-intensive and advanced manufacturing economy, not all regions and people have felt the same progress. More work is necessary to ensure that North Carolina is attractive to new industry; that our existing businesses and entrepreneurs are positioned to grow in an increasingly competitive world; and our economy works for all our people, including those who have been left behind by automation, globalization, and larger structural economic forces.

The Department plans to develop a comprehensive economic development strategic plan that provides a unifying, statewide vision for prosperity while also ensuring economic success is shared across all of North Carolina. While the current plan – the NC Jobs Plan – has been updated annually, there has not been a new strategic planning effort undertaken since 2013.

It is anticipated that the process for completion of this plan will begin in April 2019 and a new plan will be unveiled in April 2020.

Budget permitting, the Department plans to work with a consultant that will be responsible for the following components of the plan's development, along with a working group made up of representatives from the Secretary's Office, Labor and Economic Analysis Division, Rural Economic Development Division, NCWorks, and the Governor's Office:

- Review of Data, Literature and Past/Related Plans – available LEAD data, Employer Needs Survey, NCWorks Strategic Plan, Jobs Plan, past Commerce economic development plans, etc.
- Identify Key Tenants with Working Group – identification and prioritization of desired areas of focus such as: grouping of economies/regional approaches, preparing rural communities for economic opportunities, proactive strategies for workforce and infrastructure development, promoting resiliency, exploring clean energy, impacts of Medicaid expansion, etc.
- Gather Feedback and Facilitate Regional Discussion Sessions – hold at least eight regional sessions and potentially survey/interview others in effort to get reactions to a vision for the future and specific actions items for consideration; invitees should include representatives from economic development, workforce development, local government, relevant state government agencies, business and academia (all levels)
- Review Feedback Results with Working Group and Key Stakeholders – share results of feedback sessions and general direction of recommendations with working group for review and discussion; share also with key stakeholders to gain input, insights, and buy in
- Review Draft Recommendations with Working Group – preview proposed goals, objectives, and action items with working group for review and comment
- Edit and Finalize Strategic Plan Documents – incorporate feedback received from working group and prepare final documents to include research driven positioning statements, goals, objectives, and action items, along with roles, responsibilities, and estimated timelines for completion

As a part of this process, the Department plans to secure input and feedback from partner organizations such as the Department of Cultural and Natural Resources, Department of Environmental Quality, Department of Public Instruction, Department of Revenue, Department of Transportation, Golden LEAF, NC Association of Workforce Development Boards, NC Community Colleges, NC Economic Development Association, and the UNC System.

UPDATES ON REGIONAL STRATEGIC INITIATIVES

The North Carolina Department of Commerce began a pilot project in the fall of 2016 with two Prosperity Zones (the Southwest and Southeast Prosperity Zones) to develop SWOT (Strengths, Weaknesses, Opportunities, and Threats) analyses and encourage strategic initiatives within the regions.¹ By early 2019, the Department completed this work with the remaining six Prosperity Zones.

The goals of this initiative were to 1) identify meaningful economic regions of the state, as defined by labor markets of interconnected counties; 2) develop a data-driven shared understanding of regional strengths, weaknesses, opportunities and threats; 3) initiate a dialogue among state, regional, and local stakeholders; and 4) identify and advance strategic regional initiatives to improve economic conditions in each region.

¹ The 2016 pilot project was carried out in conjunction with Carolina Demography at UNC-Chapel Hill with funding provided by the Belk Foundation.

The Department of Commerce's Labor and Economic Analysis Division worked closely with regional representatives of the Division of Workforce Solutions, the Rural Economic Development Division, and the Economic Development Partnership of North Carolina, as well as other regional and local stakeholders throughout the process. Examples of regional collaborations in five of our Prosperity Zones were provided in Commerce's 2018 report on updates to the Comprehensive Strategic Economic Development Plan. This report provides highlights from the remaining three Prosperity Zones (North Central, Piedmont-Triad, and Sandhills), as well as updates from two zones highlighted last year (Northeast and Northwest).

NORTH CENTRAL PROSPERITY ZONE

(Beaufort, Bertie, Edgecombe, Halifax, Hertford, Martin, Nash, Northampton, Pitt, Wilson)

RAMP (Regional Advance Manufacturing Pipeline) East is a collaborative regional workforce initiative involving Commerce, the Carolina Gateway Partnership, community colleges, local workforce boards, economic developers, and K-12 educators. The goal of the initiative is to create interest and build skills that will meet the projected demand for the region's advanced manufacturers over the next 5 years. Customized training, work-based learning, and WIOA-funded training is being leveraged to accelerate growth of available talent in both capacity and competencies. In addition, the group is enhancing the recruitment of underserved populations within the region, including emerging workforce, transitioning veterans, and adult learners. This project encompasses ten counties and covers geography in both the North Central Prosperity Zone and the Northeastern Prosperity Zone. Currently, the workforce boards in Region Q and Turning Point, who cover the ten counties, have hired dedicated recruiters to assist in outreach efforts. Further, the region's community colleges have begun a strategic planning process for developing relevant coursework.

(Durham)

Commerce, the Economic Development Partnership of North Carolina (EDPNC), Durham Technical Community College, and the Durham Workforce Development Board are working on a collaborative effort, called Youth On, to mobilize employer engagement in work-based learning opportunities in Durham County. This project is being led by Durham's Office of Economic and Workforce Development and has established three-year goals for participation of youth aged 16-24. The goal of the initiative is to create interest and build skills that will meet the projected demand from area employers over the next 5 years. Outreach to youth participants is being administered through Durham Public Schools and Durham Technical Community College, while outreach to employers is happening through EDPNC, the Community College System, DWS, local chambers and associations, and the Office of Economic and Workforce Development. The initiative will provide 300 opportunities in summer of 2019, 600 in summer of 2020, and 1,000 work-based experiences in 2021. This initiative is open to all industries, but high levels of participation have already been demonstrated in the healthcare, information technology, and advanced manufacturing industries. In addition, the initiative hopes to ease participants' daily commutes through better connections to local employers.

PIEDMONT-TRIAD PROSPERITY ZONE

(Region-wide)

The Piedmont Prosperity Zone team has undertaken ***an effort to reduce barriers to employment for workers*** (and potential workers) across the region. On March 14, 2019, regional staff convened a

workshop focused on improving communication between regional and state resources in workforce and economic development. To best diagnose regional barriers to employment, the workshop's audience included NCWorks Career Center managers, workforce board directors in the Piedmont-Triad Region, industry leaders, and economic development resources. Regional staff also plan to assess the region's current public transportation options, how they relate to major employers, and whether transportation enhancements could help better connect workers with jobs. Further, the team is continuing to pursue a program eliminating barriers to employment created by traffic tickets with outstanding fees and fines in Forsyth County. In addition, Guilford Technical Community College is currently developing a trade pathway for incarcerated individuals, a population facing particular difficulties when reentering the workforce, that are seeing a release in two years (or less) and are currently working for Correction Enterprises.

SANDHILLS PROSPERITY ZONE

(Scotland)

The Sandhills Prosperity Zone team has created an initiative to **address the unemployment rate in Scotland County**, whose rate has remained one of the most stubbornly high in the state in recent years, through several economic development initiatives in partnership with the Scotland County Economic Development Commission. First, the team recently organized an event highlighting programs offered by the state and the Manufacturing Extension Partnership for existing companies in the region, particularly large manufacturers. A downtown revitalization and development strategy for the City of Laurinburg is also underway to assist in the attraction of new businesses and growth of existing businesses. The team is also mobilizing local career fairs for existing companies (on-site), as well as a pool of smaller local companies, to promote the services offered by NC Works for both employers and job seekers. Finally, regional staff will collaborate with local economic developers to identify businesses in need of immediate assistance with expansions, hiring, business management, training, etc., making consistent contact with all large manufacturers in the county.

(Moore, Montgomery, Richmond)

Staff in the Sandhills will also work to **grow economic development initiatives relating to hospitality, outdoor recreation (including Uwharrie), and connecting the rural/urban gap** through these initiatives. There are approximately 1.5 million visitors to Uwharrie each year, but most make day trips because there are relatively few places to stay overnight in the area, other than camping. Staff has begun to identify and help resolve this issue through a multi-pronged approach. In 2018, the team hosted an Outdoor Recreation Listening Tour initiated by the Department of Commerce to identify opportunities to grow relevant industries and those related. The development of strategic economic development plans, which include hospitality and outdoor recreation components, is underway for municipalities in the Moore-Montgomery-Richmond region. The team will identify businesses in these industries who need to hire skilled workers and connect them with a pipeline, as well as develop pipeline strategies with grade school and Community Colleges for hiring. In addition, regional staff will collaborate with the local Community Colleges (Richmond, Sandhills, and Montgomery) to develop programs that will foster a regional shift in the region towards these industries.

UPDATES FROM THE NORTHEAST PROSPERITY ZONE

(Halifax)

The Northeast Prosperity Zone team is actively working with partners and businesses to **grow and retain jobs in Halifax County** through strategic planning, productivity enhancement training, and career development opportunities. The team is working with towns in Halifax County to develop and implement customized economic development plans that create jobs and business opportunities. Staff has worked recently with Littleton, Weldon, and Halifax on updating their economic development strategies and downtown revitalization plans. Staff also worked with Town of Weldon as a partner on their February 2019 “Healthy Places for Healthy People” Implementation Plan. In addition, productivity enhancement training will continue to be offered through Halifax Community College’s customized training services for local companies hoping to increase global competitiveness, increase profits, and create jobs. Further, the team is assisting Reser’s Fine Foods (announced expansion that will create 79 jobs), Airboss of America and other manufacturing companies throughout Halifax County overcome obstacles that might hinder them from expanding. A recent Building Renovation grant from Commerce’s Rural Economic Development Division will help both companies renovate their facilities, expand their job bases, and create more investment for Halifax County. In addition, one industry-specific workforce initiative involved a collaboration between Halifax Community College, the regional NCWorks Career Center, and the Center for Energy Education to increase the potential candidates for work in the solar energy industry. This involves coordinating pre-hire classes and applicant recruitment activities to meet the needs of solar energy companies in the region. To date, 98 people have successfully completed this program and approximately 40% have been hired by solar companies. Two additional solar projects are expected to start in Spring 2019.

(Chowan)

The team will also **assist Chowan County with identifying new job creation opportunities** through strategic planning, workforce services, and economic development grant funding, with a focus on expanding manufacturing and the boat-building industry in particular. Over the next year, the team will continue to work with the Town of Edenton, a NC Main Street community, to update their downtown revitalization implementation plan to identify investment-ready projects. Regional staff plan to offer an array of programs and resources to enhance the local manufacturing workforce, including vanpooling to address transportation needs, conducting applicant recruitment, screening, and assessment services to provide a well-qualified candidate pool. The team will also work with local industries to create a short-term pathway program that will create a pipeline of skilled workers for potential job openings in manufacturing. This program will be offered by College of the Albemarle’s Continuing Education Department in partnership with Northeastern Workforce Development Board. In particular, the team plans to assist Regulator Marine, and other marine related companies, in conjunction with the Town of Edenton in order to best access Commerce programs and incentives that would allow Regulator to expand their facility by \$6.5 million in new investment and create 32 new jobs over the next 2 years. The team also plans to work with Daedalus Yachts in a similar fashion in hopes that they will expand their facility with over \$5.7 million in new investment and the creation of 40 new jobs. Further, staff will work with these two boat manufacturers to provide customized industry training as they increase their workforce over the next several years, including increasing the skills of both incumbent and new hires.

UPDATES FROM THE NORTHWEST PROSPERITY ZONE

(Burke)

Work in Burke is a 10-year campaign to **educate young people and their parents about job opportunities in Burke County and the training required to pursue a career in those fields**. Campaign leaders, including the regional Commerce team, are dedicated to helping students make informed decisions about career pathways and hope to emphasize the importance of postsecondary education, gaining marketable skills and being lifelong learners. The core goals of the campaign are twofold: 1) change perceptions about local jobs and training opportunities and 2) fill the future workforce pipeline in Burke County. After interviewing and surveying over 300 parents, students, employers, and citizens, the *Work in Burke* campaign was designed and launched in 2017. Unique content that showcases local career opportunities is being continuously developed. *Work in Burke* is also coordinating with Burke County Public Schools and Western Piedmont Community College to engage local employers by making them *Work in Burke* Partners. Together they are exposing young people to local career possibilities, giving them opportunities to experience careers firsthand through internships, building deeper relationships between companies and schools, and supporting students through scholarship and mentorship programs. In the Fall of 2018, all 6th-12th graders in Burke County Public Schools completed a survey to gauge perceptions of the manufacturing, healthcare, and trade sectors to compare with 2017 baseline data. Almost all measurements moved in a positive direction by at least two percentage points.

PROGRESS ON PREVIOUS ECONOMIC DEVELOPMENT STRATEGIC PLAN

Since 2014, North Carolina has been implementing a strategic economic development plan that was originally drafted by the now defunct State Economic Development Board – a group comprised of representatives of private companies, non-profit organizations, education, and state agencies, with input from local economic development professionals, business leaders, and citizens across the state. The goals, objectives, and strategies of the plan were divided into eight categories:

- I. Targeted Growth Clusters and Branding;
- II. Business Climate;
- III. Innovation and Entrepreneurship;
- IV. Talent and Retiree Attraction;
- V. Education and Workforce Development;
- VI. Rural Prosperity;
- VII. Community Development; and
- VIII. Structure and Metrics.

Following the passage of [S.L. 2014-18](#), the Economic Development Board was dissolved and the Secretary of Commerce assumed the responsibilities of implementing and updating the plan. Progress has been made toward achieving many of the goals and objectives of that plan, as illustrated in the Jobs Plan Update section of this report.

DATA AND ANALYSIS OF KEY ECONOMIC INDICATORS

[G.S. 143B-434.01\(k\)](#) calls for analysis of the eight data points listed below. Technical tools developed by the Agency, such as AccessNC and the Demand Driven Data Delivery System (D4), enable users to readily retrieve similar information at a city, county, region, and statewide level. In addition, Commerce produces numerous publications that provide more detailed analysis than is required by statute and have a wider readership than this report. These resources include:

- [Demand Driven Data Delivery System](#) (D4) makes available a plethora of employment and business data, all of which can be categorized by region.
- [AccessNC](#) is a web-based tool that enables users to retrieve labor market, demographic, education, and other economic data on various geographies in North Carolina.
- [NC Today](#) is a monthly review of labor market conditions in North Carolina with comparative data from the United States as a whole, and from selected Southern states on various aspects of the economy. Topics include employment and unemployment statistics, unemployment insurance benefit claims, retail sales, residential building permits, manufacturing hours worked, and other economic indicators.
- [Labor Market Publications](#) by the Labor and Economic Analysis Division provide insights into the state's economy by highlighting current economic conditions in North Carolina as well as national trends.
- [NC Works Online](#) is a one-stop online resource for job seekers and employers in North Carolina. Job seekers can search for jobs, create resumes, and find education and training. Employers can find candidates, post jobs, and search labor market information.

REALIZED CAPITAL INVESTMENT

The NC Community Investment Report (CIR) is a tool that collects and analyzes project-level data from across North Carolina to measure economic development activity.² CIR relies on partners across the state to report projects, and does not necessarily capture every announced job or dollar invested in the state.

In 2018, North Carolina's economic development community reported 262 economic development projects across the state. Reported projects contributed a total of 21,736 announced jobs and \$4.47 billion in announced investment. The state's largest manufacturing capital investment project in 2018 was undertaken by Seqirus (\$140 million in Wake County). The state's largest manufacturing job creation project was House of Raeford Farms USA (488 jobs in Duplin County). The largest non-manufacturing capital investment project was Publix (\$300 million in Guilford County) and the largest non-manufacturing job creation announcements were two Amazon projects (each project 1,500 jobs in Mecklenburg & Wake Counties).

Consistent with past years, there were more manufacturing projects in 2018 than any other project type. Manufacturing projects accounted for 66% of total announced jobs and 74% of total announced investment. In 2018, 61 Foreign Direct Investment (FDI) projects from 16 different countries announced 2,937 announced jobs and more than \$817 million in investment in North Carolina. Companies from Japan announced both the most jobs (556) and the most investment (\$198 million).

² Economic Development Partnership of North Carolina, <https://www.nccommerce.com/documents/community-investment-report-cir-annual-analysis-reports>

NET JOB CHANGE

Net job change is the difference in employment level between two points in time. As the following table shows, North Carolina's seasonally adjusted total nonfarm employment increased by 73,800 (1.7%) from January 2018 to January 2019.³ Eight major industry sectors reported seasonally adjusted job growth over the year.

Industry	January 2018	January 2019	Change	% Change
Trade, Transportation and Utilities	829,800	842,400	12,600	1.5%
Wholesale Trade	181,100	183,200	2,100	1.2%
Retail Trade	501,700	503,400	1,700	0.3%
Transportation, Warehouse, and Utilities	147,000	155,800	8,800	6.0%
Government	731,900	731,100	-800	-0.1%
Federal Government	72,400	73,500	1,100	1.5%
State Government	207,200	208,900	1,700	0.8%
Local Government	452,300	448,700	-3,600	-0.8%
Professional and Business Services	627,600	641,000	13,400	2.1%
Professional, Scientific and Technical	249,300	262,400	13,100	5.3%
Management of Companies	83,300	83,200	-100	-0.1%
Administrative and Waste Management	295,000	295,400	400	0.1%
Educational and Health Services	607,000	619,300	12,300	2.0%
Educational Services	93,000	96,300	3,300	3.5%
Health Care and Social Assistance	514,000	523,000	9,000	1.8%
Leisure and Hospitality Services	500,300	516,900	16,600	3.3%
Arts, Entertainment and Recreation	71,000	76,500	5,500	7.7%
Accommodation and Food Services	429,300	440,400	11,100	2.6%
Manufacturing	471,500	475,200	3,700	0.8%
Durable Goods	256,300	260,200	3,900	1.5%
Non Durable Goods	215,200	215,000	-200	-0.1%
Financial Activities	237,200	243,300	6,100	2.6%
Finance and Insurance	176,700	180,600	3,900	2.2%
Real Estate and Rental Leasing	60,500	62,700	2,200	3.6%
Construction	215,800	225,800	10,000	4.6%
Other Services	154,200	154,000	-200	-0.1%
Information	79,400	79,800	400	0.5%
Mining and Logging	5,900	5,600	-300	-5.1%
TOTAL (Nonfarm)	4,460,600	4,534,400	73,800	1.7%
TOTAL (Private)	3,728,700	3,803,300	74,600	2.0%

Source: North Carolina Department of Commerce, Current Employment Statistics

³ North Carolina Department of Commerce, Current Employment Statistics. <http://d4.nccommerce.com/CesSelection.aspx>. January 2019 estimates are preliminary and subject to revision.

MANUFACTURING CHANGES

Since the beginning of the 2007 national recession (Dec. 2007), North Carolina has lost a net 62,300 Manufacturing jobs. Although the recession officially ended in June 2009, the state's Manufacturing jobs bottomed out in February of 2010. Since then, Manufacturing experienced an increase of 45,700 jobs. Over the past year (January 2018 to January 2019⁷), not seasonally adjusted Manufacturing jobs increased by 5,400 positions. Food remains North Carolina's leading industry group in Manufacturing jobs at 56,100. Chemical Manufacturing follows with 41,600 jobs.

Industry	January 2018	January 2019 ⁷	Change	% Change
Manufacturing	468,500	473,900	5,400	1.2%
Food	55,600	56,100	500	0.9%
Chemical	41,400	41,600	200	0.5%
Fabricated Metal Product	37,500	37,900	400	1.1%
Transportation Equip.	36,200	37,900	1,700	4.7%
Furniture & Related Prod.	36,500	36,200	-300	-0.8%
Plastics & Rubber Prod.	34,200	35,300	1,100	3.2%
Machinery	34,300	35,300	1,000	2.9%
Computer and Electronic Product	32,100	32,800	700	2.2%
Textile Mills	27,700	27,000	-700	-2.5%
Electrical Equipment, Appliance, & Component	22,100	22,400	300	1.4%
Wood Product	18,300	18,600	300	1.6%
Beverage and Tobacco Product	11,400	11,200	-200	-1.8%
Printing and Related Support Activities	11,700	11,100	-600	-5.1%
Apparel	7,100	6,700	-400	-5.6%
Textile Product Mills	6,300	6,100	-200	-3.2%

Source: North Carolina Department of Commerce, Current Employment Statistics

FIRM AND ESTABLISHMENT CHANGES

A ***firm*** is defined as a business organization consisting of one or more ***establishments*** under common ownership or control. The most recently available data from the Census Bureau's Statistics of U.S. Businesses (SUSB) show that there were 174,314 firms in North Carolina in 2016 (a 1.7% increase over 2015).⁴

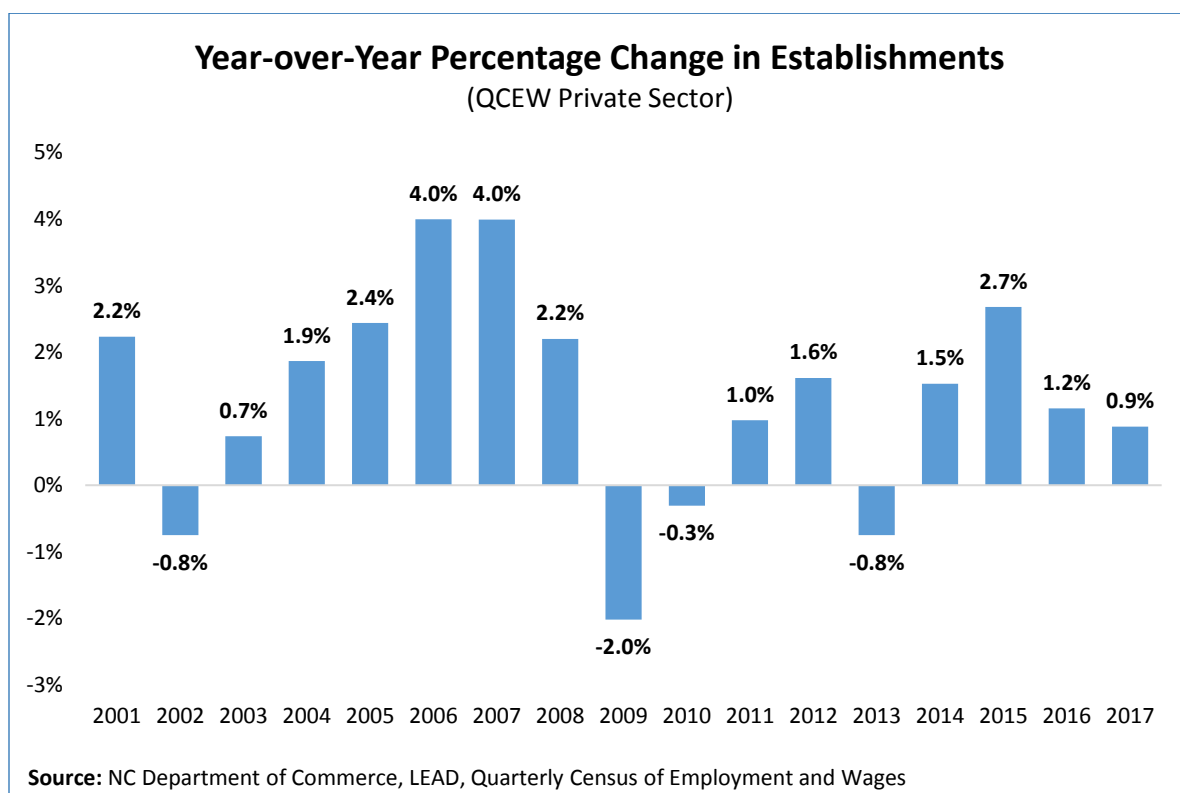
SUSB does not produce data on firm-level dynamics, but does provide dynamic establishment change data, including the number of establishment births, deaths, expansions, and contractions.

⁴ U.S. Census Bureau, Statistics of U.S. Businesses, <http://www.census.gov/programs-surveys/susb.html>

According to the most recently available data, North Carolina experienced the following establishment changes between 2015 and 2016:

- 20,439 establishment births
- 16,223 establishment deaths
- 58,246 establishment expansions
- 46,274 establishment contractions

A more recent source for establishment data is the Quarterly Census of Employment and Wages (QCEW). According to QCEW, the number of private sector establishments in North Carolina reached its post-recession low in 2010, when there were 244,440 establishments across the state.⁵ By 2017, the number of establishments in North Carolina had grown to 264,805, an 8.3% increase relative to 2010. Establishment growth is generally a helpful indicator of business opportunities and macroeconomic conditions in the economy. The number of establishments tends to decline during recessionary periods, as indicated by the graph below.



⁵ Bureau of Labor Statistics, Quarterly Census of Employment and Wages, <https://www.bls.gov/cew/data.htm>

STATUS AND PERFORMANCE OF KEY SECTORS

One of the most common ways to measure a state's overall economic performance or strength is to look at state gross domestic product (state GDP). In the years before the recession, the state experienced significant economic growth and, in 2008, North Carolina's real GDP (in 2012 dollars) reached \$447 billion.⁶ Since 2009, North Carolina's real GDP has grown 13.4%, while the nation's real GDP has grown 18.7%. In two recent years (2015 and 2017), North Carolina's year-over-year real GDP growth has exceeded that of the U.S.

North Carolina Real GDP by Industrial Sector, 2016 –2017

(in millions of chained, 2012 dollars)

Industry	2016	2017	Change	% Change
All Industry Total	\$473,034	\$484,308	\$11,275	2.4%
Private Industries:	\$410,028	\$421,295	\$11,268	2.7%
Manufacturing	\$85,804	\$89,509	\$3,705	4.3%
Finance, insurance, real estate, rental, and leasing	\$87,620	\$88,096	\$476	0.5%
Professional and business services	\$57,314	\$60,043	\$2,729	4.8%
Educational services, health care, and social assistance	\$38,638	\$39,459	\$821	2.1%
Wholesale trade	\$29,280	\$30,581	\$1,301	4.4%
Retail trade	\$26,208	\$27,070	\$862	3.3%
Information	\$20,435	\$21,106	\$671	3.3%
Arts, entertainment, recreation, accommodation, and food services	\$16,341	\$16,587	\$246	1.5%
Construction	\$15,541	\$15,823	\$282	1.8%
Transportation and warehousing	\$10,279	\$10,835	\$556	5.4%
Other services (except government and government enterprises)	\$9,261	\$9,346	\$85	0.9%
Utilities	\$7,264	\$7,109	-\$155	-2.1%
Agriculture, forestry, fishing, and hunting	\$6,221	\$6,135	-\$85	-1.4%
Mining, quarrying, and oil and gas extraction	\$598	\$548	-\$50	-8.4%

Source: Bureau of Economic Analysis, *Gross Domestic Product by State*

From 2016 to 2017, real state GDP grew by 2.4% as North Carolina continued its post Great Recession growth. The state's private goods-producers and service-providers both grew over the year. Goods-production grew by 3.7%, led by Nondurable goods manufacturing (e.g. chemicals, food, etc.) growth of 4.8%. Durable goods (e.g. cars, appliances, etc.) grew 3.6% and construction grew 1.8% over the year. Private sector service providers grew by 2.4% over the year and were led by: Transportation and warehousing; Professional and business services; and Wholesale trade. State GDP growth was constrained by a -2.1% decline in the Utilities industry. A -0.5% decline in Finance and insurance was offset by 1.3% growth in Real estate, rental and leasing. A -5.4% decline in Educational services was offset by 3.7% growth in Health care and social assistance.

⁶ Bureau of Economic Analysis, available at <http://bea.gov/regional/index.htm>

RURAL BUSINESS DEVELOPMENT

The following table displays changes in employment and business establishments between North Carolina's urban and rural counties.⁷ From the third quarter of 2017 through the third quarter of 2018, employment grew more slowly in rural counties than in urban counties. In addition, rural counties' business establishments declined slightly over this time, while establishments in urban counties increased slightly. Looking back five years to 2013, rural counties have experienced much slower job and business establishment growth than their urban counterparts.

Private Employment and Establishments in Rural and Urban Counties

	Jobs				Establishments		
	2018 Q3	Change since 2017 Q3	Change since 2013 Q3		2018 Q3	Change since 2017 Q3	Change since 2013 Q3
Rural Counties	1,200,698	1.1%	6.4%		90,900	-0.4%	1.6%
Urban Counties	2,414,212	2.1%	14.3%		157,959	0.6%	11.2%
North Carolina	3,735,593	2.0%	12.4%		267,226	0.5%	7.4%

Source: NC Department of Commerce, LEAD, Quarterly Census of Employment and Wages

STATUS OF MINORITY-OWNED BUSINESSES

The timeliest data for assessing minority-owned business changes in North Carolina is available through the Census Bureau's Annual Survey of Entrepreneurs (ASE), which is published annually, but does not include the self-employed.⁸ According to the ASE, 13% (20,826) of North Carolina's firms were minority-owned in 2016. These firms employed about 5% of all paid workers in the state. From 2015 to 2016, the number of minority-owned firms grew 6.6%, while the overall number of North Carolina firms grew by 2.5%.

More comprehensive data is available through the Census Bureau's 2012 Survey of Business Owners and Self-Employed Persons (SBO).⁹ In 2012, 23% (over 183,000) of firms in North Carolina were considered minority-owned; associated receipts amounted to over \$20.7 million. Between 2007 and 2012, minority-owned firms grew 39%, significantly faster than all North Carolina firms (1%). Minority-owned firm receipts also grew significantly faster (29%) than all statewide firms (4%).

DEVELOPMENT CAPACITY

The N.C. Department of Commerce annually ranks the state's 100 counties based on economic well-being and assigns each a Tier designation. The 40 most distressed counties are designated as Tier 1, the next 40

⁷ For the purposes of this report, urban counties are designated as those with at least 70% of their populations living in urban areas, according to the 2010 U.S. Census. Under this definition urban counties include Alamance, Buncombe, Cabarrus, Craven, Cumberland, Dare, Durham, Forsyth, Gaston, Guilford, Mecklenburg, New Hanover, Onslow, Orange, Pitt, Union, and Wake. Available at <https://www.census.gov/geo/reference/ua/urban-rural-2010.html>.

⁸ Census Bureau, 2015 Annual Survey of Entrepreneurs (ASE), <https://www.census.gov/programs-surveys/ase.html>

⁹ Census Bureau, 2012 Survey of Business Owners and Self-Employed Persons (SBO), <https://www.census.gov/programs-surveys/sbo.html>

as Tier 2, and the 20 least distressed as Tier 3. This Tier system is incorporated into various state programs to encourage economic activity in the less prosperous areas of the state.

For more information about the Tier system, please refer to:

<https://www.nccommerce.com/grants-incentives/county-distress-rankings-tiers>

As part of the strategic regional initiatives carried out during 2017 and early 2018, members of the Prosperity Zone teams provided input on regional economic and workforce needs and barriers to addressing challenges, including assessing current programs and addressing the need for additional resources. Feedback was received from the Northeast, Southeast, Western, Northwest, and Southwest Prosperity zones and is summarized below:

Workforce needs were most frequently mentioned as the largest challenge in the regions. Specifically, the teams reported regional businesses struggle with finding enough qualified/skilled workers to meet their needs. Negative perceptions of industries, such as manufacturing and skilled trades, as well as some negative regional perceptions were cited as possible contributors to this challenge. Potential solutions include better engagement of employers as well as working with younger workers and students to build a larger and more qualified workforce. Programs available through NCWorks and the Customized Training Program at the Community Colleges were mentioned as valuable tools.

Marketing and Communication was also frequently mentioned as an ongoing need in these regions. This included communicating the existing resources available through the workforce development system to both employers and jobseekers, as well as marketing the regions' available employment opportunities. Some team members expressed the need for a statewide marketing campaign highlighting our existing workforce and economic development resources, as well as promoting jobs in manufacturing.

Infrastructure needs were also frequently mentioned, including transportation (especially public transportation), water and sewer capacity, as well as broadband infrastructure. One regional team member cited three expansion projects currently held up as towns and counties struggle to fund water and sewer upgrades. Transportation was also frequently mentioned as a need which would help regions address workforce challenges. Programs such as the IDF Utility Account and the Building Reuse programs were specifically cited as important resources.

Small business development was also mentioned as an area of need, particularly around access to capital for smaller businesses who may not qualify for existing incentive programs. Regional team members cited the important role of the Small Business Centers (SBC) and the Small Business and Technology Development Center (SBTDC) and encouraged the state to provide additional resources to those groups so they can serve more businesses.

One common theme among many of the respondents was that the state has several successful programs and resources in economic and workforce development, but that ***these tools need to be better communicated to and utilized by employers and workers in the region.***

Jobs Plan Update

April 2019

I. TARGETED GROWTH CLUSTERS

Goal: Identify key growth industries to maximize statewide growth for high quality, sustainable jobs

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| I. 1. | Identify and Target industries for jobs attraction and retention based on wage rate and projected growth statistics. | <p>NC DOC completed a redesign of its website to reflect the needs of its various audiences and users.</p> <p>Key industries highlighted include: Aerospace & Defense; Automotive, Truck & Heavy Machinery; Biotechnology & Pharmaceuticals; Business & Financial Services; Corporate Headquarters; Energy; Food Processing & Manufacturing; Furniture; Information Technology; Plastics & Chemicals; Textiles; and Tourism.</p> |
| I. 2. | Maximize North Carolina's existing connections to global growth opportunities. | <p>NC DOC works to maximize global growth opportunities by utilizing the relationships the Governor and Secretary of Commerce have with new and existing international firms. The Governor and Secretary have both traveled internationally to meet with company prospects.</p> <p>Since 2004, more than 26,000 jobs and \$10 billion in capital investment have been attributed to foreign owned firms.</p> |

II. BUSINESS CLIMATE

Goal: Create a competitive business climate that drives job growth, retention and attraction in every sector of the economy statewide

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| II. 1. | Ensure that North Carolina's tax climate receives adequate and ongoing focus. | <p>Effective January 1, 2019, personal income tax rates fell from 5.499 percent to 5.25 percent, the corporate income tax rate fell from 3 percent to 2.5 percent, and the franchise tax rate for S corporations was reduced. The standard deduction (the amount on which people pay no income taxes unless they itemize) was also increased.</p> |
| II. 2. | Continue to improve North Carolina's legal climate. | <p>The Business Court Modernization Act (SB 853) modernizes the Business Court by making technical, clarifying, and administration changes to the procedures for complex business cases, to streamline the process of corporate reorganization utilizing holding companies, and to establish a Business Court Modernization Subcommittee of the Joint Legislative EDGE Oversight Committee.</p> |
| II. 3. | Enhance the state's discretionary economic development incentive programs. | <p>The Job Development Investment Grant was enhanced to increase the amount of the annual program cap from \$20 million each year to \$35 million.</p> |

III. INNOVATION AND ENTREPRENEURSHIP

Goal: Promote innovation, attract early-stage investment and support entrepreneurs

III. 1. Convert university innovation into jobs.

Legislation passed in the 2015 session of the NC General Assembly authorized the Department of State Treasurer to create the Venture Capital Multiplier Fund (VCMF) to create a pool of capital to be used to promote early stage investing in our State. See House Bill 97. Session Law 2015-241 section 6.3.(a). In November 2016, Hatteras was selected to manage the \$60 million North Carolina Venture Capital Multiplier Fund.

A portion of the VCMF has been committed to the latest Hatteras venture capital fund, Hatteras Venture Partners V, LP (HVP V). The remainder and significant majority of VCMF capital has been allocated to co-investments in North Carolina Nexus companies. For the purposes of the VCMF, NC Nexus companies are those that: a) are headquartered in NC, b) have significant operations in NC, c) are commercializing intellectual property developed in NC, or d) as a result of investment, would initiate, expand, or restructure significant operations in NC.

III. 2. Create a new tax credit model to attract venture capital to North Carolina.

OSTI worked with the OSBM to determine the fiscal impacts of an exemption from NC capital gains taxes on investments in NC-headquartered (i.e., sited) startups in NC.

OSTI also investigated the experience of several other states that have similar credits. No further action to be taken.

III. 3. Re-fund the One North Carolina Small Business Fund.

For the FY 19-20 budget, Gov. Cooper proposed \$2 million in non-recurring dollars to fund the One NC Small Business Fund.

A total of \$1 million was appropriated for FY 2019. Those funds are currently being awarded under the FY 2019 solicitation, during which 23 awards have been made to small businesses in 13 cities to date. Program funds will be fully obligated by the end of the FY.

In 2017, a detailed analysis of the One NC Small Business Matching Funds Program impacts was conducted. The evaluation found that, since its inception in 2006, the program has helped enable:

- the creation and retention of nearly 900 private sector jobs statewide – more to come as more companies benefit and grow.
- more than 250 small businesses bring to market biotechnology, nanotechnology, medical technologies, computer software, military/defense technologies, pharmaceuticals, textiles, and other high-tech applications.
- more than 77 percent of the small businesses to remain in operation.
- the small businesses to attract more than \$515 million in external investment, including more than \$122 million in follow-on federal funds.

- 60 percent of NC matching grant winners to win Phase II federal grant awards, each with a considerably larger average value of \$1 million (nationally, 54 percent of Phase I award winners graduate to Phase II awards).
- the small businesses to produce more than \$125 million in total sales resulting directly from the technology developed with Program funding.
- significant technology/business-development partnerships among NC universities & businesses

III. 4. Streamline entrepreneurial resources.

For the 19-20 budget, Gov. Cooper proposed \$1 million in non-recurring dollars for the Community Innovation Fund – a new competitive grant program to assist rural, small and medium-sized communities in transitioning to a knowledge- and innovation-based economy, by building out the infrastructure needed for entrepreneurial activities.

IV. TALENT AND RETIREE ATTRACTION

Goal: Attract the creative class and retiree population to North Carolina.

IV. 1. Establish North Carolina as the destination for creative talent.

Grassroots efforts across the state are expanding to develop and foster inclusive communities of entrepreneurs including HQ Raleigh, HQ Charlotte at Packard Place, HQ Greensboro, and American Underground's four locations in the Research Triangle region.

IV. 2. Build a platform for retiree attraction and business creation.

The Certified Retirement Community designation means a city has completed a comprehensive evaluation process with requirements outlined by the NC General Assembly. These Certified Retirement Communities are recognized for providing the amenities, services and opportunities retirees need to enjoy active and productive lives. There are currently 18 Certified Retirement Communities.

IV. 3. Attract and retain highly skilled military retirees and returning veterans.

NCWorks Online provides platform to connect transitioning military personnel with existing job opportunities.

NC4ME established as public-private partnership that takes and employer-centric approach to strengthening the flow of military talent into North Carolina's businesses.

V. EDUCATION AND WORKFORCE DEVELOPMENT

Goal: Develop and retain a globally competitive workforce within the knowledge and skills for high quality, sustainable North Carolina jobs.

V. 1 Increase North Carolina's competitive advantage by further developing and enhancing Career and Technical Education (CTE) that provides students the skills to create, make and build things.

In December 2018, Gov. Roy Cooper today announced a free, first-of-its-kind online tool to lead the way in connecting education to career. The new work-based learning tool, called "The Navigator," brings together members of the business, education, and workforce development communities in a space where they can post, search for and measure work-based learning opportunities. These opportunities are hands-on learning activities ranging from

guest speaking roles to apprenticeships, posted by businesses and used by educators.

The Navigator platform was developed through a partnership between the Governor's Office, Fidelity Investments and the North Carolina Business Committee for Education (NCBCE). It is populated by employers who list virtual and in-person work-based learning activities. Educators, counselors and job coaches then go online to 'shop' for those opportunities. There is no cost to list and no cost to shop.

V. 2. Enhance, integrate and market North Carolina's education and workforce development programs, initiatives and resources to maximize economic development.

Gov. Cooper announced NC Job Ready in February 2018. Cooper's initiative is built on three core principles: skills and education attainment so North Carolinians are ready for the jobs of today and tomorrow, employer leadership to remain relevant to evolving industry needs, and local innovation to take great ideas and apply them statewide.

In February 2019, as part of his NC Job Ready initiative, Gov. Cooper awarded six local partnerships with grants totaling almost \$1.5 million from the NCWorks Local Innovation Fund. The fund supports efforts by communities across North Carolina to meet workforce challenges through a competitive grant process and enables communities to pilot innovative programs or adapt and replicate successful program models that address local or regional workforce issues.

Since May 2015, 35 NCWorks Certified Career Pathways have been established in information technology, advanced manufacturing, health care, transportation, hospitality, tourism and other growing industries. In the regions of the state that have been served by these Career Pathways, worker training and preparation have improved, employers are finding more well-trained, qualified workers and the North Carolina workforce is finding career opportunities that provide family-sustaining jobs. Career Pathways have provided the foundation to build strong sector partnerships with employers across the state.

The Governor's Office, NC Department of Commerce, NC Community College System Office, NC Department of Health and Human Services, Department of Public Instruction, State Education Assistance Authority, and CFNC have partnered to build "NCcareers.org," a career exploration platform to help guide the future workforce to high-demand, good-paying careers. NCcareers.org will leverage the data and programs across education and economic development systems to create a user-friendly online platform to help bridge the gap between employer needs and education training pathways.

V. 3. Invest in North Carolina's educational workforce.

Gov. Cooper has presented budget proposals to make multi-year investments in the educational workforce, including NC GROW (Getting Ready for Opportunities in the Workforce) to provide

tuition-free community college training in the state’s most high-demand industries.

In 2018 Gov. Cooper announced the Finish Line Grants initiative to provide assistance to community college students that have a financial emergency. NC DOC funding can provide eligible students up to \$1,000 per semester that will allow the students to complete their program of study. The Finish Line Grants program has been launched at all 58 community colleges, and over 570 grants have been distributed to help students stay on track to complete their training.

VI. RURAL PROSPERITY

Goal: Spread prosperity, jobs and investment to the rural areas of the state.

VI. 1. Improve the infrastructure to rural communities.

The Rural Infrastructure Authority (RIA) meets bi-monthly to award grants that support public infrastructure and building renovation projects in rural communities. Since 2013, the Authority has awarded 559 grants totaling more than \$227 million that led to the announcement of nearly 19,000 new, full-time jobs.

Since the inception of the Main Street program in NC in 1980, designated Main Street & Small Town Main Street community downtown districts, have experienced \$2.98 billion in public and private investment, 6,726 facade improvements, 6,375 building renovations, 24,833 new jobs created (net gain), and 6,158 new businesses that opened (net gain).

In 2018, the Appalachian Regional Commission invested \$7.9 million in 42 projects. These projects are being matched by \$11.9 million in other funds and will attract and additional \$4.7 million in leveraged private investments.

VI. 2. Realign Agriculture and Commerce efforts for rural job growth.

The Appropriations Act of 2017 (SB 257) provided \$.4. million in funding for the North Carolina Food Processing Innovation Center (FPIC). The new center, set to open in 2018, will also receive \$700,000 in recurring funds for operational support.

The 10,000-square-foot facility – to be housed in the North Carolina Research Campus (NCRC) Core Laboratory Building – will be the only of its kind in the country. While there are other university-based food innovation centers nationwide, the FPIC will be the only one that is cGMP certified, which means that an FDA-regulated system of controls will ensure a high level of quality at every step.

The FPIC is an initiative of NC State University, the Department of Agriculture and Consumer Services, and NCRC, with representatives of the NC DOC and EDPNC also participating on the advisory board.

VI. 3.	Support travel and tourism for rural communities.	Travel and tourism is a growth industry for rural communities. Tier 1 and Tier 2 counties make up five of the top 20 NC counties for visitor spending and seven of the top 20 for tourism employment.
VI.4.	Create more capacity to assist rural development.	<p>In 2018, the NC Main Street & Rural Planning Center staffed a Prosperity Zone Planner in each of the eight prosperity zones to work closely with other state agencies with representatives located in Prosperity Zones. Since July 2018, the planners provided 67 strategic planning, implementation and technical assistance projects in 86 rural communities and counties, and contacted 362 communities about the services offered through the Center.</p> <p>The NC Main Street & Rural Planning Center provided strategic economic development planning, technical assistance, program guidance, education and training to 151 North Carolina Main Street and rural communities that resulted in more than \$229 million in public and private investment, 389 facade improvements, 280 building renovations, 1,410 new jobs created (net gain); and 275 new businesses that opened (net gain) in FY 2017-18 in Main Street and Small Town Main Street downtown districts.</p>

VII. COMMUNITY DEVELOPMENT

Goal: Develop programs that provide local communities with the opportunity to thrive.

VII. 1.	Develop tools that encourage local communities to invest in critical infrastructure for economic growth.	<p>With passage of Connect NC bond, more than \$300 million now slated for investments in water and sewer infrastructure in the state.</p> <p>The Appropriations Act of 2017 provided funding for the Neighborhood Revitalization Program to help address housing related challenges throughout North Carolina. In 2018, 22 communities were awarded \$15.5 million through this program.</p> <p>In 2018, NC DOC launched the Rural Ready Sites Program, a \$14 million infrastructure initiative to provide units of government in distressed counties around the state additional opportunities to develop industrial sites as part of an overall economic development strategy. The Governor's FY 19-20 budget, requests additional funding for this program.</p>
VII. 2.	Ensure that the state directs support to those communities most in need.	As authorized in the Disaster Recovery Act of 2016, NC DOC has obligated the \$10 million appropriation received to support the repair or replacement of infrastructure impacted by Hurricane Matthew. NC DOC awarded 16 grants to nine counties and work is underway in those communities.

VII. 3. Ensure that communities have the technical expertise to take advantage of resources to maximize their effectiveness.

The NC Main Street & Rural Planning Center delivered 53 Downtown Revitalization Presentations and conducted 30 Main Street Trainings including that annual North Carolina Main Street conference that attracted 715 people from 150 North Carolina communities and Honored 57 Main Street and Small Town Main Street Communities with 64 Awards and Champions Recognitions.

VIII. STRUCTURE (DELIVERY OF SERVICES) AND METRICS OF SUCCESS

Goal: Streamline economic, workforce and community development functions and measure the effectiveness of state development activities.

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| VIII. 1. | Develop a bold statewide approach to (i) coordinate the state's economic, workforce and community development efforts, (ii) maximize state resources, and (iii) provide high-quality customer service to citizens across the state. | <p>Continuing effort of the NC DOC, EDPNC and partners.</p> <p>In February 2018, the Governor's Office developed and announced the Hometown Strong initiative to catalyze rural economic development efforts within State agencies and in partnership with external stakeholders. NC DOC's Assistant Secretary for Rural Development serves on the Hometown Strong Leadership Team.</p> |
| VIII. 2. | Develop measures of success through conducting an annual review of metrics and a benchmarking of competitors. | <p>Included in contract between EDPNC and NC DOC and reviewed by the Economic Development Accountability and Standards Committee.</p> |
| VIII. 3. | Integrate Key Economic Indicators Dashboard and NC Today Report for the public to access. | <p>NC Today redesigned to be: shorter – reduced the size from 21 pages down to just two; more visual – more data visualization, charts, maps and graphs to show trends and the direction of key economic indicators; and with more data – new data sets and additional data to help show current statistics in context with historical measures – most of which are displayed over five years.</p> |