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NORTH CAROLINA
RURAL PROSPERITY TASK FORCE



REPORT

FEBRUARY 21, 2000

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LETTER FROM THE CHAIRMAN

Dear Friends,

The Rural Prosperity Task Force offers to the citizens of North Carolina a plan of action to move our state forward at the beginning of the 21st Century.

We're a state with a proud history, but we can't continue to advance with our larger cities rushing ahead and many of our smaller towns and rural counties stagnating or even declining. We cannot nor should we try to reverse global economic trends – and we surely can't prevent the weather from pummeling us from time to time – but we surely have the smarts and the strength to address the conditions that threaten to leave too many people and communities behind.

Our task force began its work with a realization that rural North Carolina had reached a pivotal point of uncommon challenges. Several pressures were coming together at once:

- Even while the state's economy was humming, tens of thousands of rural manufacturing workers were being laid off;
- Our tobacco economy was facing a crisis;
- Commodity prices were hitting 30-year lows;
- Much of rural North Carolina lacked the infrastructure to assure its ability to connect to the emerging, growing economy.

But our task force also began with an understanding that North Carolina has strong assets we can use to fight for our rural people and places – among them, our universities and community colleges, our Department of Commerce and regional economic development partnerships, the new Golden L.E.A.F. Foundation, our Rural Economic Development Center and a vast array of nonprofit and community-based organizations, our business leaders and leaders at the top of our state government – all committed to the task.

To all those ready and willing to get to work on an action plan, the Rural Prosperity Task Force suggests six big ideas. These are ideas to be carried out not only by government but also by business, foundations, grassroots organizations and most importantly, the people in our rural communities. We believe that this plan of action provides Governor Hunt and the General Assembly a strong set of ideas to move us forward, beginning this year.

- 1) We must provide high-speed, reliable Internet access to rural businesses and homes, so that all our people can participate in the emerging information economy of the 21st century.

- 2) We can create a Rural Redevelopment Authority to finance rural economic development projects, invest in business development and stimulate community capacity-building.
- 3) We must strengthen rural schools, community colleges and universities. In particular, we can upgrade training for rural workers and provide incentives to produce the teachers that rural schools need.
- 4) We can create an Agricultural Advancement Consortium to ensure that North Carolina farmers keep more of the farm dollar and that we export more products abroad.
- 5) We must build modern water and sewer systems, widen critical highways and enlarge the supply of adequate, affordable housing.
- 6) We must boost rural leadership and give our rural communities greater civic capital to work on the difficult challenges they face.

I want to thank Governor Hunt, House Speaker Jim Black and Senate President Pro-Tem Marc Basnight for establishing the Rural Prosperity Task Force and supporting its work. I want to thank the members of the Task Force, as well as the team of staff and advisers, who worked diligently to fashion a plan of action that takes into consideration how to pay for what is proposed. And I thank the many rural leaders and citizens who participated in 10 public hearings, who wrote to us and submitted ideas to our website.

I have been honored to chair the Task Force, and I am delighted that we have been able to elicit the creativity that has gone into the plan of action. But I'm not finished, and we're not finished as a state. I pledge to work hard for the enactment and implementation of these six big ideas. I ask all of you to join in the effort. This is an exciting moment, a time for action. Let's get started.



Erskine Bowles

DEDICATION

To George B. Autry (1937-1999)

His life was dedicated to finding ways to lift up the people and places throughout the South that have been left behind.

His ideas engaged us.

His work inspired us.

His death challenges us to do more and do better.

GUIDING PRINCIPLES

When Gov. Hunt announced the N.C. Rural Prosperity Task Force in July 1999, he noted a growing trend in our state: *"We're on the verge of becoming two North Carolinas,"* he said. *"One is urban and thriving; the other is rural and struggling."* Our challenge has been to find ways to bring economic prosperity to the parts of our state that are getting left behind -- places where, in many cases, poverty is persistent, young people are leaving, plants are closing, farms are struggling and hopes are fading.

The Task Force worked under a tight time frame, but we knew that we had a tremendous resource to call on for help: our friends and neighbors have already been living with these problems for years and thinking about many of the solutions. Our job, according to our chair, Erskine Bowles, was to find those ideas and turn them into specific, "doable" recommendations that, when implemented, can restore hope for this generation and the next. As we developed our recommendations, a few guiding principles emerged:

1. Rural North Carolina is facing significant – and irreversible – long-term challenges.

The international economy has led to record plant closings and permanent layoffs this year, many in our textiles and apparel industry, with more looming in the near future. More than 60% of those layoffs are occurring in rural North Carolina. The globalization of agriculture has also led to a steady decrease in the number of farmers and a steady increase in the size of farms. The devastation of the tobacco market and the bottoming out of the commodity market leave those remaining in farming – and those who depend on them – more vulnerable than ever. Add in the worst natural disaster in our state's history, and you have a series of forces at work that leave our rural communities weakened, but not defeated.

2. One size doesn't – and shouldn't – fit all.

North Carolina's diversity is its strength – and its challenge. Rural North Carolinians living near urban centers face a different set of challenges than those in more remote locations. Communities in the mountains face a different geographical challenge than those surrounded by wetlands. Our solutions, therefore, all focus on capacity building – giving folks tools they can adapt to their communities' particular needs, to nurture their own businesses, to determine their development priorities. The proposals are equally important for the female business owner in Maxton, the minority farmer in Enfield or the white factory worker in Burnsville. For example, our information technology proposal focuses on not only making the technology available to rural homes and businesses affordable access to the Internet, but also providing the people in these regions the education they need to exploit these new tools.

3. Education – at every stage of life -- is the key to the success of rural North Carolina.

Our economy – and the skills necessary to survive in it – are changing faster than they ever have. School students in rural areas need equal educational opportunity – no matter where they live. Our constitution guarantees it; our conscience should demand it. Young adults need to be able to acquire the skills to take on the new jobs and start the new companies that keep communities strong. Older workers must have affordable, convenient access to the training they need for the changing economy – so they can retrain and upgrade their skills. Our educational proposals require significant investments, but they will also bring the biggest returns. We need all of our

educational assets – public schools, community colleges, regional universities and research universities – committed to this effort if we are to be successful.

4. Taking a regional approach to economic development is hard. And it works.

North Carolina communities have traditionally viewed as their biggest rival their neighbors in the next town. But in terms of economic development, these days Murphy's biggest competitors may be in Madrid, and Ocracoke's may be in Osaka. Holding on to the local plant or recruiting a new one will require larger pools of highly skilled workers, regional transportation systems and telecommunications networks. By bringing together communities for projects that are in everyone's self-interest, our state's Economic Development Partnerships, region-based collaborative efforts such as Handmade in America and others who work across county lines offer rural communities opportunities to compete in the new economy.

5. Rural North Carolina matters – to our entire state.

Rural North Carolina is really 3.9 million people, and if taken by itself, would be our 27th most populous state. Our state's leaders grow up there. People across the state drive through, vacation, and retire there. Much of the food we eat is grown there. Many of the products we use are made there. And if we neglect it, we all eventually will pay for it. If our rural citizens thrive, our state thrives; if they suffer, they will either eventually move out or need a handout. Task Force member Tom Lambeth put it this way: *"If there is a hole in one end of the boat, you can't sit at the other end and think it won't affect you."* Ben Franklin put it another way: *"We must all hang together, or assuredly we shall all hang separately."*

Using these principles as our guide, our task force looked through every idea that had been presented to us and evaluated the ideas based on several criteria:

- Does it have the potential to make a critical difference in the short and long term for rural North Carolina?
- What are the benefits?
- Who would be held accountable for making it happen?
- What is the time schedule under which it must be done?
- How much does it cost?
- How could we pay for it?

The result is a set of focused recommendations we care about strongly, and are committed to making a reality. These recommendations do not address everything we believe needs to be done to prepare rural North Carolina for our next century: we have included at the back of this report a series of promising proposals we hope that other groups will consider for rural North Carolina. Our recommendations, we believe, are critical *first* steps – actions we can take – the Governor, the General Assembly, the Utilities Commission, local government officials, economic developers, farmers and others of us in the private sector -- to make a real and immediate difference for rural North Carolina.

As House Speaker Jim Black said as the task force was announced: *"We rise and fall – not as rural and urban – but as one state."* We urge all of you to join us in our effort to rise together in the new millennium.

EXECUTIVE SUMMARIES

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I. INFORMATION TECHNOLOGY

The availability and affordability of high speed information technology, and the ability to use it, will make it possible for rural North Carolina to compete with the rest of the country and the world in the next century.

Goal: *Provide, at affordable rates, high-speed (128K residential; 256K business) reliable Internet access to the homes and businesses of rural North Carolina.*

1. Pursue regulatory and statutory changes to promote affordable and reliable broadband connectivity statewide by:
 - a) Amending the Umstead Act and related statutes, permitting the Office of Information Technology Services (ITS) of the Department of Commerce to allow Internet service providers to share the state government's statewide high-speed communications network, and
 - b) Petitioning the Federal Communications Commission and State Utilities Commission to mandate that local telephone companies provide space in their end offices and wire centers at reasonable costs for state government and other telecommunications carriers to install equipment that connects to local phone companies' equipment.
 - ❖ *Cost and payfor:* Physical and administrative infrastructure already in place for access to highway; cost of renting space in local telephone companies for equipment approximately \$2400 per month for 104 sites borne by suppliers and users of services. No state budget impact; existing infrastructure and administration already in place.
2. Start a state Rural Broadband Access Fund to encourage private sector investment in providing high-speed information services in rural areas where it is not affordable. We would not favor one technology over another; our goal would be to use the private sector to ensure affordable access for users throughout our state. If private sector sources are unable to provide services, the state would provide them as a last resort. This would ensure access for people in all rural counties in need.
 - ❖ *Cost and payfor:* Preliminary estimate is \$5 million per year for three years to help subsidize upfront private investment. To pay for, preliminary estimate of 8 cent per month surcharge for each phone in the state; full market study underway.

Goal: *Ensure that people across rural North Carolina have the skills and knowledge necessary to take advantage of high-speed information technology.*

3. Issue an Executive Order bringing together organizations that provide information technology training. These organizations will determine how to work together collaboratively to most effectively and efficiently deliver information technology training services to students, government agencies, workers and businesses in rural North Carolina.
 - ❖ *Cost:* Most activities are already within the scope of listed agencies; additional funding could come from Rural Broadband Access Fund.
 - ❖ *Timeline:* Services available to all rural communities within 18 months of funding.
 - ❖ *Responsible:* N.C. Department of Commerce – Office of Information Technology Services.

II. RURAL REDEVELOPMENT AUTHORITY

Rural North Carolina communities must work together to identify priorities for regional economic development. Communities, businesses, the state's economic development partnerships and other economic development organizations need a place they can go to help finance critical economic development projects and expansion efforts.

Goal: *Start an organization called the Rural Redevelopment Authority that would have the money and mandate to finance rural economic development projects and invest in rural business development.*

1. Create a Rural Redevelopment Bank, capitalized with \$200 million public investment, which would:
 - a) Create the Rural Investment Fund, a revolving loan fund of \$50 million to finance loans and grants for economic development projects such as shell buildings, proposed by the state's Economic Development Partnerships or other organizations.
 - b) Create a Long-Term Development Fund, capitalized with \$150 million, which would be invested in stocks and bonds, with projected earnings of \$12 million - \$15 million a year used to subsidize revenue bonds, tax revenue bonds issued by the Rural Redevelopment Bank, or invest directly in economic development projects including sites, industrial parks, specific water and sewer improvements, site specific road improvements, low interest loans for buildings and facilities, low interest loans to lower the cost of private business investment and other economic development assistance. Economic Development Partnerships should be the primary, though not exclusive, means through which groups apply for funding. Partnerships could submit projects for consideration by this fund or provide technical assistance to communities in preparing proposals. If communities develop such proposals on their own, the Bank should seek comment from the Partnerships and other appropriate entities.
 - ❖ *Cost and payfor:* One-time capitalization of \$200 million, paid for with four yearly installments of Golden L.E.A.F. Foundation funding, other private funding or a state bond issue.
2. Create a private, for-profit Small Business Investment Corporation (SBIC), called the Rural Economic Opportunity Fund, which would invest in small growth businesses in rural North Carolina, including those engaged in new agriculture product research, development, and processing and other businesses.
 - ❖ *Cost:* One time investment of \$15 million from the state's unexpended reserves, matched with \$30 million from private sector sources. These investments would leverage up to an additional \$90 million from the US Small Business Administration (SBA) once the SBIC is licensed by the SBA.
 - ❖ *Timeline:* Rural Redevelopment Authority startup within 90 days of first funding; full capitalization over four years; SBIC upon approval of charter by US Small Business Administration.
 - ❖ *Responsible:* North Carolina Department of Commerce.

III. EDUCATION, TRAINING AND RETRAINING

The ultimate key to increasing economic development in rural North Carolina is people: better educated, better trained, more flexible workers ready for careers in high technology and other jobs of the next century.

Goal: *Improve the education, training and retraining of rural students and workers to prepare for the jobs of the next century.*

1. Extend House Bill 275's effective date by two years to provide incentives to rural community colleges to train workers for jobs that are strategically important to regional economic development goals, which would:
 - a) Retrain laid-off workers quickly;
 - b) Focus training efforts on regional employment priorities;
 - c) Create new focused industrial training centers; and
 - d) Expand literacy efforts.
 - ❖ *Cost and payfor:* \$17 million annually total; \$16 million to come from H.B. 275 revenues, diverting 20% of Unemployment Insurance (UI) contributions into a Training and Reemployment Financing Initiative, and; \$1 million from reallocation of Worker Training Trust Fund revenues. Allocation of funds as follows:
 - a) \$4 million annually in a grant fund to provide job and entrepreneurship training for workers affected by plant closings and mass layoffs in Tier One and Two counties;
 - b) \$10 million annually for increased FTE funding for courses deemed strategically important to regional economic development goals;
 - c) \$1 million annually to create and maintain new rural focused industrial training centers;
 - d) \$2 million annually for rural literacy program expansion in community colleges, literacy centers, businesses and industries.
 - ❖ *Timeline:* Startup within 90 days of initial funding.
 - ❖ *Responsible:* N.C. Community College System.

Goal: *Strengthen rural public schools, community colleges and universities in their ability to provide equal opportunities for education for their students*

2. Fully fund the state's school equity formula, to improve the ability of rural schools to educate their children.
 - ❖ *Cost:* \$33 million a year in General Fund revenues.
 - ❖ *Timeline:* Immediate upon approval of funding.
 - ❖ *Responsible:* N.C. Department of Public Instruction.

3. Boost rural teacher training, recruitment and retention efforts by fully funding expansion of NC TEACH, a joint university-community college program designed to increase the supply of well-qualified teachers in public schools by attracting mid-career professionals in other fields to teaching, and the North Carolina Model Teacher Consortium, designed to provide financial support to encourage rural classroom teaching assistants and other school personnel to pursue teacher licenses and teach in their home communities, and by funding a community college effort to provide part of the certification training for rural teachers in training.
 - ❖ *Cost and payfor:* \$11 million in General Fund revenues, including \$500,000 for NC TEACH; \$1.5 million for NC Model Teacher Consortium; approximately \$7 million for funding community college initiative to enable rural teachers to get their training at rural community colleges.
 - ❖ *Timeline:* Within 90 days of approval of funding.
 - ❖ *Responsible:* UNC System; N.C. Community College System.

4. Increase rural community college equity by putting additional state resources into rural community college budgets. These expanded financial resources will enable community colleges to compensate for lower local funding levels and to provide additional services, such as technical assistance for strategic planning initiatives, to rural communities.
 - ❖ *Cost and payfor:* \$25 million a year in General Fund revenues.
 - ❖ *Timeline:* Immediate upon securing funding.
 - ❖ *Responsible:* N.C. Community College System.

IV. AGRICULTURE

North Carolina's farmers produce food, fiber, jobs and tax revenue. As people change what they consume and agriculture faces new challenges from the world commodity market, we need to make sure North Carolina farmers have the tools they need to compete in the 21st century.

Goal: *Ensure that North Carolina farmers, agribusiness leaders, researchers and other interested parties are working together to shape the future of agriculture in our state.*

1. Create the Agricultural Advancement Consortium, which would bring together a coalition of experts and interested parties, including farm organizations, universities, the North Carolina Department of Agriculture, N. C. Cooperative Extension, State Ports and others to research trends and identify and promote opportunities to improve the state's economic development through farming and agriculture interests.

- ❖ *Cost and payfor:* \$250,000 annually for the first two years to pay for staff, research, meeting costs, and other operating expenses, and \$500,000 for years three through five, to be funded through Golden L.E.A.F. Foundation or other private sources.
- ❖ *Timeline:* Startup within 90 days of funding.
- ❖ *Responsible:* Consortium would be independent, but directed and staffed through Rural Economic Development Center.

Goal: *Develop profitable new markets and reinvigorate existing markets for North Carolina agricultural and biotechnology products.*

2. Expand state funding available to promote North Carolina agricultural and biotechnology products. These funds could be leveraged to encourage agricultural suppliers to begin or expand existing efforts, and could include hosting international trade shows, creating new markets for existing products, and providing potential markets with scientifically-based research to address concerns about tobacco, pork, beef and various transgenic crops and products.

- ❖ *Cost and payfor:* \$6 million annually; part of funding from reallocating existing NCDA funds; part through product checkoff funds, through the Golden L.E.A.F. foundation or other sources.
- ❖ *Timeline:* 3-6 months after funding.
- ❖ *Responsible:* N.C. Department of Agriculture.

3. Expand marketing of North Carolina horticultural products, enabling full utilization of farmland and farm structures as tobacco quotas fall, and replacement of some of the lost income.

- ❖ *Cost and payfor:* \$1 million annually to enhance existing checkoff funds; funding to come through the Golden L.E.A.F. foundation or other sources.
 - ❖ *Timeline:* 6 months after funding.
 - ❖ *Responsible:* N.C. Department of Agriculture.
4. Increase e-marketing and e-commerce involving North Carolina agricultural products, boosting the presence of North Carolina products and services on the Internet. The effort would enable farmers, groups of farmers, dealers, gins, packers, warehouses and other agricultural businesses to engage in business to consumer and business to business marketing efforts using the Internet.
- ❖ *Cost and payfor:* \$1 million annually; apply for funding through the Golden L.E.A.F. foundation or other sources.
 - ❖ *Timeline:* One year initial project, with continuing updates.
 - ❖ *Responsible:* N.C. Department of Agriculture.
5. Lobby the World Trade Organization and others to continue work to ensure equitable access to world markets, particularly U.S. access to China's tobacco market.
- ❖ *Cost and payfor:* No cost.
 - ❖ *Timeline:* Begin efforts immediately.
 - ❖ *Responsible:* Task Force members.

Goal: Help North Carolina farmers to retain a greater amount of the total cost of agricultural products by expanding the number of facilities we have to improve and process products.

6. Encourage the Rural Redevelopment Authority to actively seek out and fund proposals supporting on-farm and community-based agricultural enterprises, including independent animal-processing facilities and other value-added processing facilities, including biopharmaceuticals.
- ❖ *Cost and payfor:* Funding would vary year to year based on proposals presented to Rural Redevelopment Authority.
 - ❖ *Timeline:* Upon establishment of Rural Redevelopment Authority.
 - ❖ *Responsible:* N.C. Department of Commerce, N.C. Department of Agriculture; Rural Advancement Foundation International.
7. Provide additional funding for research into value-adding genetic changes of crops, including tobacco, to produce industrial enzymes, pharmaceutical proteins, vaccines, new forest products and other products.
- ❖ *Cost and payfor:* \$3 million annually for five years; funding to come through General Fund.
 - ❖ *Timeline:* Research should begin within 90 days of approval of funding.
 - ❖ *Responsible:* N.C. Biotechnology Center; UNC System.

Goal: *Determine new products North Carolina farmers could profitably produce to allow small farmers to remain in agriculture.*

8. Boost efforts to identify new high-value farm products such as herbs, fruits, vegetables and other specialty items, educate farmers in production techniques and marketing strategies and help in development of markets.
 - ❖ *Cost and payfor: \$1 million annually for five years; funding to come through General Fund.*
 - ❖ *Timeline: One year to launch program.*
 - ❖ *Responsible: N.C. Biotechnology Center; UNC System.*

9. Identify and encourage production of plants shown to promote good health, prevent disease or provide other medicinal assistance, known as nutraceuticals. These products typically represent niche markets, but can be highly profitable in small quantities.
 - ❖ *Cost and payfor: \$2 million annually; funding to come through General Fund.*
 - ❖ *Timeline: Research should begin within 90 days of approval of funding.*
 - ❖ *Responsible: UNC System research universities; N.C. Department of Commerce.*

V. INFRASTRUCTURE IMPROVEMENTS

For years, North Carolina has under-invested in the basic infrastructure our rural communities need to succeed. There is no substitute for certain kinds of hard infrastructure: water and sewer, housing, roads and rail. If we build it, existing businesses can stay and grow, and new businesses can come and prosper.

Goal: *Provide rural North Carolina with the water and sewer, affordable housing, roads and rail it needs to compete for and sustain economic development opportunities.*

1. The state should authorize an additional \$1 billion in water and sewer bonds, to enable communities that are currently unable to serve the needs of their citizens a chance to grow. For rural communities unable to afford matching funds to build additional capacity, the state should waive local matching fund requirements.
 - ❖ Cost and payfor: *To service bond debt, approximately \$7.5 million first year in General Fund revenues; \$65 million year two; \$100 million year three through five, then declining.*
 - ❖ Timeline: *Three year phase-in.*
 - ❖ Responsible: *N.C. Rural Economic Development Center.*
2. The state should increase the Housing Trust Fund by 67%, boosting the amount of funding available to leverage for affordable housing in the state from \$9 million to \$15 million beginning next year. The Housing Trust Fund is only used for direct aid to families and helps provide downpayment assistance for first-time homebuyers, repair needs of the elderly and disabled and rental housing loans for the elderly and those with special needs. The increased amount should be specifically targeted to housing needs in Tier One, Two and Three counties.
 - ❖ Cost: *\$6 million in addition to the FY 1999-2000 appropriation from the General Fund.*
 - ❖ Timeline: *Begin within 90 days of approval of funding.*
 - ❖ Responsible: *N.C. Housing Finance Agency.*
3. The state should give priority to completion of improvements to projects along three critical rural highways: Highway 70, Highway 17 and Highway 19E. Some funding for these projects is already in place, but early completion of these corridors will dramatically improve economic development in the areas served by those roads.
 - ❖ Cost and payfor: *If recommendation #4 is implemented, additional funding per year for six years needed to build each of these projects would be: Highway 70's Goldsboro Bypass: \$30.1 million per year; US 17 in Bertie County: \$2.6 million per year; Highway 19E in Mitchell, Yancey and Avery counties: \$7.6 million per year. If recommendation #4 is not adopted, DOT should seek to ensure completion in 6-10 years. We recommend exploring four funding sources:*
 - 1) *Reallocation of existing highway funds;*
 - 2) *Constructing one rural toll road on a trial basis;*
 - 3) *Searching for additional federal funds;*
 - 4) *Looking to new revenue sources, including gas tax and vehicle registration surcharges.*
 - ❖ Timeline: *All funding would be provided for these projects within 6-10 years.*
 - ❖ Responsible: *NCDOT.*

4. NCDOT should require construction time of highways be speeded up to save money and help economic development corridors become a reality sooner. Currently highway projects can take as long as 11 years to build. The Task Force recommends a six-year building requirement.
 - ❖ *Cost:* Should be no net cost; possible savings due to increased speed of construction.
 - ❖ *Timeline:* Recommend NCDOT board continue discussions of this change and implement immediately.
 - ❖ *Responsible:* NCDOT.
5. Create a small task force to work with Governor's Office and USDOT staff in Washington to secure new and additional funding for rural road priority projects.
 - ❖ *Cost:* \$125,000 per year for three years.
 - ❖ *Timeline:* Within 90 days of securing of funding.
 - ❖ *Responsible:* N.C. Governor's Office and others.
6. The NCDOT should collaborate with the N.C. Railroad and the state's railroads in maximizing the assets of the railroad to enhance rural economic development. NCDOT should immediately begin negotiations with Norfolk Southern for use of its line from Salisbury to Asheville for passenger service, as a means of boosting tourism and economic development in the Advantage West region. The NCDOT should work with the economic development community to aggressively market its Rail Industrial Access Program as a means of spurring economic development.
 - ❖ *Cost:* None; NCDOT has already purchased equipment for this service and funds have been appropriated for improvements of this route; NCDOT's Rail Industrial Access Program is established and may have the potential to expanded.
 - ❖ *Timeline:* Immediate.
 - ❖ *Responsible:* NCDOT.

VI. BUILDING COMMUNITY CAPACITY

Many rural communities have good ideas about what needs to be done to strengthen their communities, but struggle to launch and sustain projects that will produce real returns – financial, social, civic, educational and environmental – for all their citizens, whether they are black, white, Native American, Latino or Asian, young or old, wealthy or poor.

Goal: *Create an initiative designed to boost leadership in rural communities, improve their ability to design and carry out community development projects and find funding to help with implementation.*

Launch the Sustainable Communities Initiative targeted to distressed communities that will have three major components:

1. Create the Civic Enterprise Planning and Support Program (CEPSP), a one-stop center for communities working on multi-dimensional community development problems incubated in the Rural Economic Development Center. Communities could come to the center for advice and technical assistance from a variety of existing organizations in undertaking projects.
 - ❖ *Cost:* \$3 million per year recurring, to include: planning grants and technical assistance, costs to assemble the advisory board and staff costs to administer program; apply for funding through the Golden L.E.A.F. foundation and other program-related investments from other sources.
 - ❖ *Timeline:* Within six months of funding.
 - ❖ *Responsible:* N.C. Rural Economic Development Center.
2. Create the Civic Ventures Fund (CVF) to provide a dedicated source of grant money available on a competitive basis to help implement community projects developed locally or regionally that address multiple, integrated issues, result in sustainable enterprises and communities, and can demonstrate a clear return on investment, including civic, economic, social, environmental and educational returns. Both the CEPSP and CVF would initially be in the Rural Economic Development Center, then could be relocated to the Rural Redevelopment Authority.
 - ❖ *Cost:* \$6.65 million per year recurring, to cover grants and all administrative costs; apply for funding through the Golden L.E.A.F. foundation or other sources, including program-related investments.
 - ❖ *Timeline:* Within six months of funding.
 - ❖ *Responsible:* N.C. Rural Economic Development Center.
3. Boost leadership training through a Leadership Opportunities Fund, providing needs-based scholarships to existing and future rural civic leaders who wish to participate in a wide variety of leadership development programs to enhance their skills in implementing collaborative community development initiatives.
 - ❖ *Cost and payfor:* \$350,000 per year recurring for scholarship funds and annual administrative costs; apply for funding through Golden L.E.A.F. foundation and seek other program-related investments.
 - ❖ *Timeline:* Program design complete within six months of securing funding.
 - ❖ *Responsible:* N.C. Rural Economic Development Center.

VII. SUPPORT FOR FLOOD-IMPACTED COUNTIES

The Task Force voted to endorse the report of the New East Working Group, chaired by Tom Lambeth, and to forward those recommendations to the Governor, President Pro-Tem and Speaker of the House for their consideration. The report contains five guiding principles the Task Force believes the Governor and General Assembly should consider in their efforts to help with the long-term rebuilding of Eastern North Carolina:

- Communities should play an active role in development and implementation of solutions.
- Farmers, people seeking affordable housing, small business leaders and local governments need specific forms of short term help to enable them to prepare for long-term recovery.
- Efforts of outside private businesses, philanthropy, government and other groups should be coordinated on a statewide level to ensure maximum impact.
- Eastern communities will need a long-term funding source they can draw on for long-term economic development efforts.
- We must not be content with restoring the East to its former condition. In order for rural North Carolina to become all it needs to be, we must make substantial improvements.

VIII. OTHER STATEMENTS

In addition to the principal recommendations of the group, the Task Force endorsed two additional statements:

1. Electric Power

“The N.C. Rural Prosperity Task Force recognizes the importance of the issue of an adequate, reliable and competitively-priced supply of electric power to rural North Carolina, and the impact it can have on our rural communities. We encourage all parties examining the issue of the future of the electric industry in our state to work quickly to make recommendations concerning this issue, keeping in mind the importance of the availability of an adequate, reliable and competitively-priced supply of electric power for our rural communities as these communities work toward increasing their economic development activities.”

2. Changes to William S. Lee Act

“Recognizing that our Task Force has received feedback from rural communities across the state urging changes to the William S. Lee Act, and that five of the seven Economic Development Partnerships have recommended changes to that act, we support the efforts of the North Carolina Department of Commerce to seek additional changes to that Act in the upcoming session of the General Assembly, as an important means of boosting rural economic development.”

I. INFORMATION TECHNOLOGY SUMMARY

The availability and affordability of high speed information technology, and the ability to use it, will make it possible for rural North Carolina to compete with the rest of the country and the world in the next century.

Goal: *Provide, at affordable rates, high-speed (128K residential; 256K business) reliable Internet access to the homes and businesses of rural North Carolina.*

1. Pursue regulatory and statutory changes to promote affordable and reliable broadband connectivity statewide by:
 - a) Amending the Umstead Act and related statutes, permitting the Office of Information Technology Services (ITS) of the Department of Commerce to allow Internet service providers to share the state government's statewide high-speed communications network, and
 - b) Petitioning the Federal Communications Commission and State Utilities Commission to mandate that local telephone companies provide space in their end offices and wire centers at reasonable costs for state government and other telecommunications carriers to install equipment that connects to local phone companies' equipment.
2. Start a state Rural Broadband Access Fund to encourage private sector investment in providing high-speed information services in rural areas where it is not affordable. We would not favor one technology over another; our goal would be to use the private sector to ensure affordable access for users throughout our state. If private sector sources are unable to provide services, the state would provide them as a last resort. This would ensure access for people in all rural counties in need.

Goal: *Ensure that people across rural North Carolina have the skills and knowledge necessary to take advantage of high-speed information technology.*

3. Issue an Executive Order bringing together organizations that provide information technology training. These organizations will determine how to work together collaboratively to most effectively and efficiently deliver information technology training services to students, government agencies, workers and businesses in rural North Carolina.

INFORMATION TECHNOLOGY

"Information technology could be the salvation of rural North Carolina; the lack of it may be the damnation of rural North Carolina."

--Erskine Bowles, Task Force Chair

In 1920, Gov. Cameron Morrison announced a radical plan, to push policies that would "result in the speedy construction of a great system of highways, worthy of North Carolina." As the dream became reality, North Carolina became known as the "good roads state." The highways, when completed, made it possible for North Carolina farmers to bring their crops from farm to market safely and quickly, and linked people across the state with one another.

What Cam Morrison started, worked. Today North Carolina has the second largest system of state-maintained roads in the country.

Today's farm-to-market road is paved with electrons – over the Internet. People who have access to it can compete with any business throughout the world. They can advertise their products to the world – and see what the world has to offer. They can find out about business opportunities. They can access government requests for proposals, get invoices for payment – activities that increasingly are only being done electronically.

"If North Carolina is to sustain its competitive position, our schools, universities, and citizens must become leading users of digital technologies."

-- Molly Broad, President, UNC System

Citizens with Internet access in Murphy can share their ideas with people in Manteo – or Madrid – and learn from others.

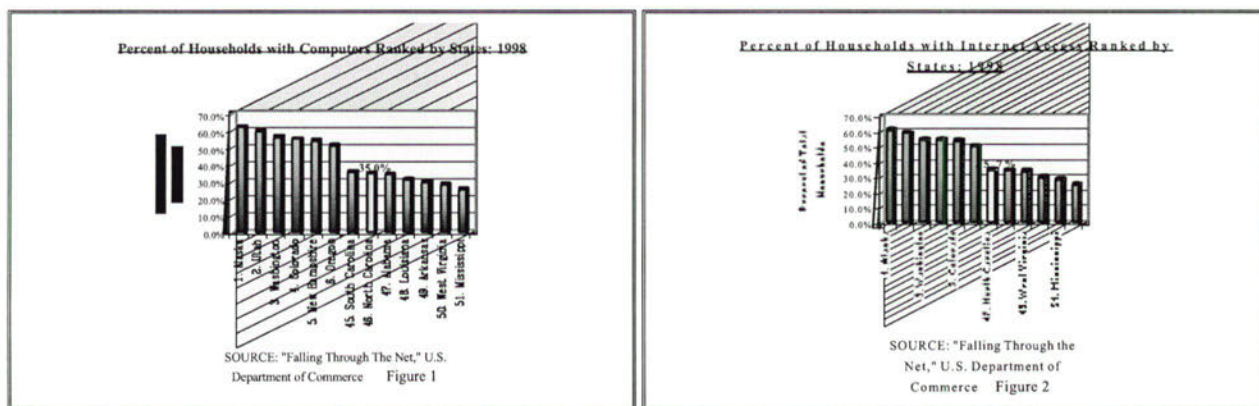
Teachers and students with Internet access in Columbia can tap into the Library of Congress – even though they don't have a public library.

Local governments with Internet access in Dobson can increase the efficiency and lower the cost of citizen services, using information technology to circulate public documents, bill customers, or post requests for proposals.

Farmers with Internet access in Pink Hill can use the Internet to find markets for crops and cattle – or hedge their crops on the commodities market.

Those without Internet access can't do any of those things. How significant is this? For one thing, there's big money in the Internet. The investment firm Goldman Sachs estimates that between 1998 and 2003, business-to-business Internet services will increase by 1216% - generating \$1.5 trillion in revenue. Equally important, it won't be long before people who don't have access will be shut out: major auto makers will no longer do business with suppliers that cannot do their billing electronically; the federal government will be requiring contractors to have access to this technology. Companies will either get connected, or get shut out.

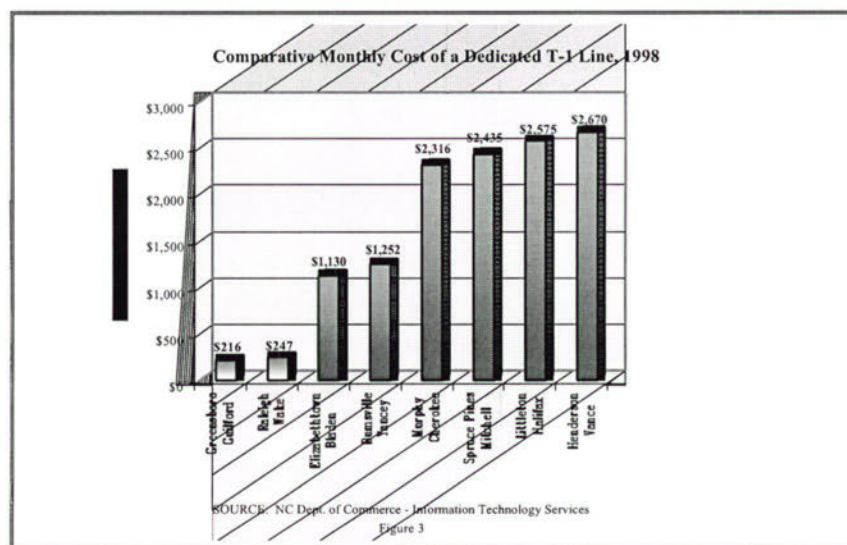
In contrast to the strength of our highway system, North Carolina lags dramatically behind in information technology: we rank 46th in the percentage of our people who have a personal computer in their home (see Figure 1); and 47th in the percentage of people who have Internet access in their home (see Figure 2). And at every income level, our rural population lags behind its urban counterparts.



"Believe me, when it comes to getting T-1, T-2 or heaven help us T-3 lines, you best have a big wallet and lots of patience."

-- Dave Inscow, Mitchell County Economic Development Commission

The "digital divide" is most significant among our rural citizens. Despite the fact that high speed telecommunications infrastructure is *available* throughout our state, monthly prices for access are typically much higher in rural areas than in urban areas. To look at one example, the monthly cost of a dedicated T-1 line, required for some kinds of high-speed connectivity, can vary dramatically – from less than \$250 a month in urban centers to more than \$2500 a month in rural areas. A wealthy urban household is 20 times more likely to have Internet access than a poor rural household.



The auto parts manufacturer in Henderson can't compete for business with a plant in Houston if it faces that kind of basic cost disadvantage. No other rural company can either, unless we find a way to lower the cost of this critical business tool.

We propose that North Carolina take steps that will make it possible for every rural citizen and every rural business to have access to high speed, affordable information technology. This effort would require the cooperation of private industry and regulatory changes, but would enable people in the rural parts of our state to compete on a level playing field with people across the world. We think the private sector will embrace these ideas as a new way of serving its rural customers. If they will not, the State should serve as a provider of last resort.

Fortunately, North Carolina has a key tool that can help make high speed Internet access possible and affordable for our rural citizens: the North Carolina Information Highway, which has vast amounts of underutilized capacity. We should use it.

Goal: Provide, at affordable rates, high-speed (128K residential; 256K business), reliable Internet access to all of the homes and businesses in rural North Carolina.

Recommendation #1a: Amend the Umstead Act and related statutes, permitting the Office of Information Technology Services (ITS) of the Department of Commerce to allow providers of Internet services to share the state government's statewide high-speed communications network.

The state has already in place a high-speed infrastructure, the North Carolina Information Highway (officially the North Carolina Integrated Information Network). This network has enormous capacity. The physical infrastructure, administrative organization and existing contracts with suppliers are already in place. By allowing the private sector to utilize the resources of the State's existing Information Highway, we propose to extend to business, non-government non-profit agencies and other rural people the services currently offered to local and state government entities. In rural communities where the private sector feels it is unable to extend affordable, reliable Internet access, the State will serve as a provider of last resort.

If exemptions are enacted to the Umstead Act, ITS can immediately offer high-speed transport services to anyone who wants to participate in providing Internet services to rural residents, whether they are Incumbent Local Exchange Carriers (ILECs), Competitive Local Exchange Carrier (CLECs) or Internet Service Providers (ISPs).

Recommendation #1b: Petition the Federal Communications Commission and the State Utilities Commission to mandate that local telephone companies provide space in their end offices and wire centers at reasonable costs for state government and other telecommunications carriers to install equipment that connects to local phone companies' equipment.

Currently local and long distance telephone companies own and operate equipment that is a critical component of the infrastructure needed to extend information technology services to rural communities. By allowing the physical co-location of information technology equipment with their existing equipment, telephone companies can be partners in providing advanced connectivity

services to rural communities. We propose using an open approach so that all providers may participate in offering Internet services regardless of the technology they employ.

- ❖ *Cost and payfor:* Physical and administrative infrastructure already in place for access to highway; cost of renting space in local telephone companies for equipment approximately \$2400 per month for 104 sites borne by suppliers and users of services. No state budget impact: existing infrastructure and administration already in place.
- ❖ *Timeline:* Services available to all rural communities within 18 months of funding.
- ❖ *Responsible:* N.C. Department of Commerce – Office of Information Technology Services.

Recommendation #2: Initiate a state Rural Broadband Access Fund (RBAF) to encourage private sector investment for providing broadband Internet access services in unserved rural areas.

"The development of a small information technology community in Cherokee County could be key in attracting other computer-related companies. Even though the virtual nature of their products allows them to collaborate even across great distances, IT companies do find synergies when they locate near other companies with related services."

-- "Technology Assessment for Cherokee County," Research Triangle Institute, 1999

The first priority for using these funds should be to help ensure that information travels quickly from local telephone offices to rural homes and businesses. In many cases, there are not enough users in rural areas for private industry to invest in the kind of equipment needed, and they may need outside financial incentives. The fund could help provide those incentives. As additional funds become available, the RBAF may be used to support e-commerce education and training programs, worker retraining, and other value-added services. The RBAF should apply for a limited time period. We recommend a three year sunset provision.

- ❖ *Cost and payfor:* Preliminary estimate is \$5 million per year for three years to help subsidize upfront private investment. To pay for, preliminary estimate of 8 cent per month surcharge for each phone in the state; full market study underway.
- ❖ *Timeline:* Services available to all rural communities within 18 months of funding.
- ❖ *Responsible:* N.C. Department of Commerce – Office of Information Technology Services.

The net impact of these efforts would be to generate reliable Internet connectivity in rural areas at roughly the same monthly cost as is available in urban areas.

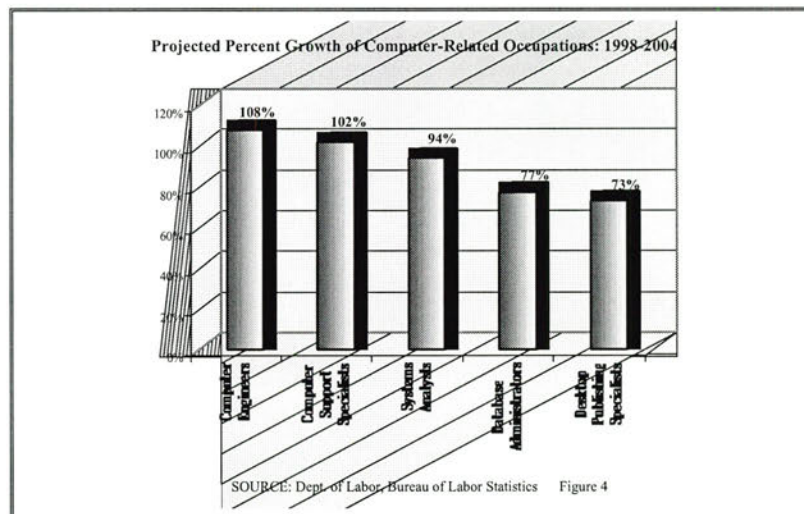
EDUCATING PEOPLE IN HOW TO USE INFORMATION TECHNOLOGY

"The ability of rural North Carolina to use information technology in the next century will make the difference between its remaining part of the first world or becoming like a third world country."

-- David Dodson, President, MDC, Inc., Task Force member

Good roads don't work if people don't know how to drive on them. Similarly, high speed Internet access won't help our rural counties unless people have the tools to be able to use it. We must mount a statewide effort to train people to use this technology, using some of the same assets that have made North Carolina strong.

How important is this training? The three fastest growing occupations in the United States projected by 2004 are these: computer scientists, computer engineers, and systems analysts. The number of people working in each of these occupations will more than double, and every one of the jobs will be a high wage job. The number of people working as database administrators and desktop publishing specialists will also be growing dramatically.



Equally important, those without a working knowledge of these new tools may be unable to perform any but the most menial jobs. The more manufacturers mechanize, the fewer workers they need, and the more important it is for their workers to understand how to operate computer-based machines.

Goal: Ensure that people across rural North Carolina have the skills and knowledge necessary to take advantage of high-speed information technology.

Recommendation #3: Governor Hunt should issue an executive order bringing together organizations that provide information technology training. These organizations will determine how to work together collaboratively to most effectively and efficiently deliver information technology training services to students, government agencies, workers and businesses in rural North Carolina.

At the turn of the last century, North Carolina's Agricultural Extension Service equipped farmers in every county with the skills and research findings they needed to outgrow the world. Today, we should consider redeploying our Cooperative Extension Service agents to provide teaching and training about information technology to farmers and small businesses.

Our statewide community college system has expressed interest in using its network of Small Business Centers to develop training and awareness programs for displaced workers and small businesses, so that these workers have the skills they need to compete in the 21st century.

The Institute of Government has proposed new efforts to train government workers in how to provide better and more cost-effective services to citizens. This is a logical extension of the services the Institute currently offers.

In addition to these resources, new companies such as Concurrent Technologies Corporation in Laurinburg have expressed interest in providing training to small businesses. Organizations such as this, that have both the experience and facilities to provide assistance to businesses on how to conduct e-commerce, should explore ways to coordinate their activities with those of the Cooperative Extension Service and community colleges.

Cisco Academies have expressed an interest in building on their existing network of schools providing training to public school students in using information technology, so that our students graduate with the skills they need to start businesses and work in information technology careers.

- ❖ *Cost and payfor: Most activities are already within the scope of listed agencies; additional funding could come from the Rural Broadband Access Fund.*
- ❖ *Timeline: Services available to all rural communities within 18 months of approval.*
- ❖ *Responsible: N.C. Department of Commerce – Office of Information Technology Services.*

CONCLUSIONS

Rural North Carolina needs to buy the technology and increase the number of knowledge workers to compete and thrive in the new century. Without these resources, rural North Carolinians will be forced to watch the new economy from the side of the road.

II. RURAL REDEVELOPMENT AUTHORITY SUMMARY

Rural North Carolina communities must work together to identify priorities for regional economic development. Communities, businesses, the state's economic development partnerships and other economic development organizations need a place they can go to help finance critical economic development projects and expansion efforts.

Goal: *Start an organization that would have the money and mandate to finance rural economic development projects and invest in rural business development.*

1. Create a Rural Redevelopment Bank, capitalized with \$200 million public investment, which would:
 - a) Create the Rural Investment Fund, a revolving loan fund of \$50 million to finance loans and grants for economic development projects such as shell buildings, proposed by the state's Economic Development Partnerships or other organizations.
 - b) Create a Long-Term Development Fund, capitalized with \$150 million, which would be invested in stocks and bonds, with projected earnings of \$12 million - \$15 million a year used to subsidize revenue bonds, tax revenue bonds issued by the Rural Redevelopment Bank, or invest directly in economic development projects including sites, industrial parks, specific water and sewer improvements, site specific road improvements, low interest loans for buildings and facilities, low interest loans to lower the cost of private business investment and other economic development assistance. Economic Development Partnerships should be the primary, though not exclusive, means through which groups apply for funding. Partnerships could submit projects for consideration by this fund or provide technical assistance to communities in preparing proposals. If communities develop such proposals on their own, the Bank should seek comment from the Partnerships and other appropriate entities.
2. Create a private, for-profit Small Business Investment Corporation (SBIC), called the Rural Economic Opportunity Fund, which would invest in small growth businesses in rural North Carolina, including those engaged in new agriculture product research, development, and processing and other businesses.

RURAL REDEVELOPMENT AUTHORITY

"As to capital it is hard to be commanded here. We can find among us but few persons who are able to command the funds necessary to put manufactories into operation. What one or two, or a few individuals cannot effect, may be accomplished by the union of many persons, each contributing a small amount, which in the aggregate, will make sums sufficient to carry through the object."

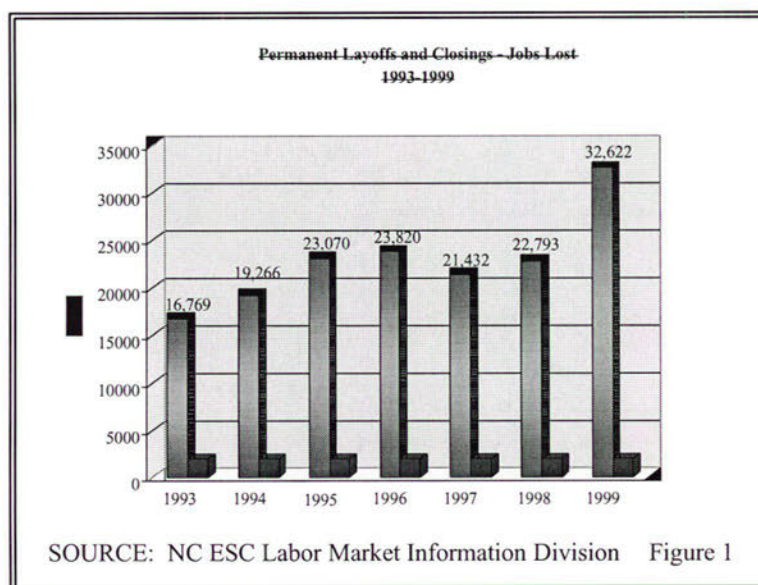
-- North Carolina House of Commons, January 1, 1828

With everything that has changed in North Carolina since 1828, one thing hasn't: it is still hard for rural communities and businesses to find the kind of money they need to do successful long-term economic development.

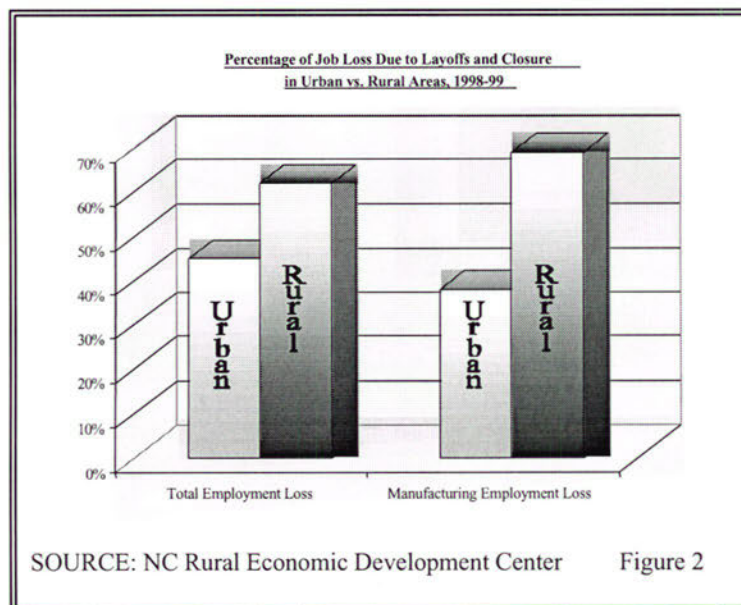
Yet there may never have been a time when rural economic development is more critical to the future of our state. Our economy is changing dramatically. The companies with the jobs rural North Carolinians have depended on – in textiles and apparel, tobacco, lumber and furniture – are increasingly either modernizing or shifting operations to areas with lower labor costs. A recent analysis by the N.C. Rural Economic Development Center shows that three out of four rural factory workers are employed in these traditional, vulnerable jobs.

Accelerating Layoffs

In 1999, the number of jobs lost in North Carolina due to plant closings and permanent layoffs in these and other industries showed a 43% increase – to 32,622 up from 22,793 in 1998. Statewide the number of people working in manufacturing dropped by 19,100 in 1999 (see Figure 1).



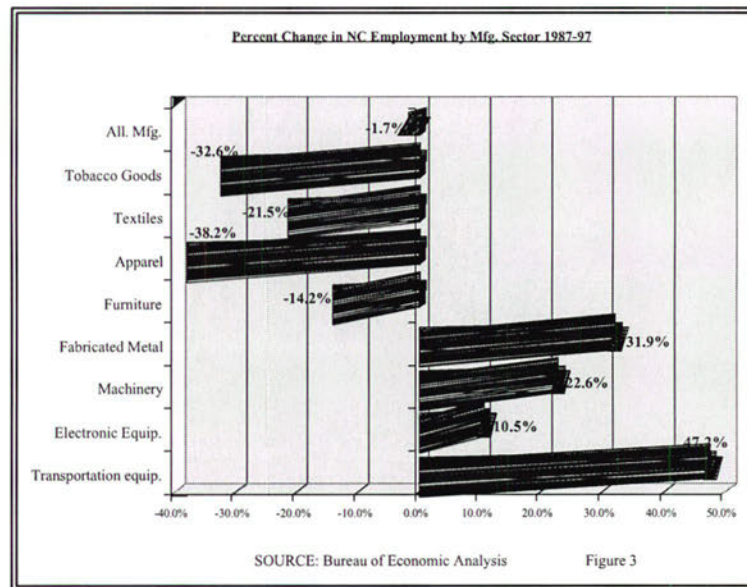
North Carolina's overall economy is still growing at a healthy rate. We had a net *increase* of 27,400 jobs overall in 1999. But the impact of these layoffs is falling disproportionately on the people in our rural communities – while only 41% of our jobs are in rural areas, nearly 60% of the layoffs have occurred there. Nearly two-thirds of manufacturing job losses affected rural workers (see Figure 2).



New Opportunities

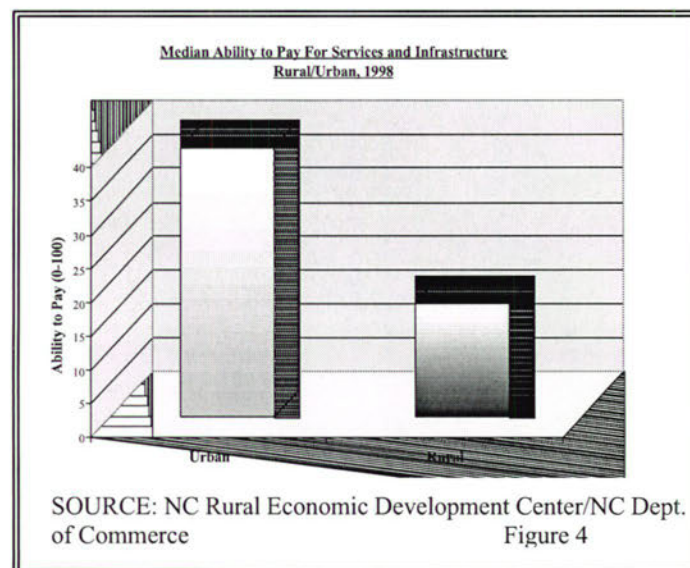
At the same time that there are challenges for rural North Carolina, there are also tremendous opportunities – if communities are poised to take advantage of them.

- The service sector is growing quickly in rural North Carolina. Nearly 44% of all jobs created in rural communities in the U.S. in 1997 were in the service sector, ranging from jobs in health care services to banks to restaurants. The overwhelming number of these jobs are in small, homegrown businesses.
- Over the past ten years, while some sectors have been declining, North Carolina has seen significant growth in the number of jobs in several areas, including fabricated metal, machinery, electronic equipment and transportation equipment. Any of these growing sectors are potential candidates to locate in rural North Carolina (see Figure 3).



- Information technology now makes it possible for knowledge workers to perform their jobs from virtually anywhere if they have the proper equipment.
- Entrepreneurship is alive and well in rural North Carolina. Given the capital they need to grow, rural business people can and will grow strong businesses throughout our state.

Taking full advantage of these opportunities surely requires the right education, technology, infrastructure and leadership, but in many cases, it also takes money. And North Carolina's rural counties are typically constrained by limited resources. The N.C. Department of Commerce ranks each county based on its "ability to pay." A recent analysis of these figures by the Rural Center finds, that on the average, the 85 counties with fewer than 200 residents per square mile have less than half as much money as their urban neighbors to pay for investments in their future (see Figure 4).



The result is that many rural communities lack the ability to finance developmental infrastructure (water and sewer, appropriate sites, transportation links, available and appropriate buildings) or provide amenities such as low-cost land for new industrial projects or industry expansions. This severely hampers their economic development.

A Place To Turn To For Investment

We propose that North Carolina create a place that rural governments, economic development organizations and small businesses can go for money to help finance critical economic development projects and expansion efforts.

Goal: Start an organization called the Rural Redevelopment Authority that would have the money and the mandate to finance rural economic development projects and invest in rural business development.

The Rural Redevelopment Authority would have three operating companies. The Rural Redevelopment Bank would include two of these entities, the Rural Investment Fund and the Long-Term Rural Development Fund. The Rural Investment Fund would provide grants and revolving loans for investments in land, buildings, site development, project-specific infrastructure and project-specific grants. The Long-Term Rural Development Fund would issue bonds and provide low-cost to market-rate long-term financing for rural development projects. The third company, the Economic Opportunity Fund, would provide equity and higher risk debt financing for small growth companies.

The Authority would be created via legislation as an independent public authority with all the requisite powers to conduct its business. The Governor, the Speaker of the House and the President Pro-Tem of the Senate would appoint the board of directors. The board would have eight directors, with at least five representing private sector financial institutions. One director would represent regional economic development partnerships and one would be the Secretary of Commerce. The CEO of the Authority would also serve on the board.

Here is how each of the component parts would work.

Recommendation # 1. Create a Rural Redevelopment Bank, capitalized with a \$200 million public investment, which would include the Rural Investment Fund and the Long-Term Rural Development Fund.

A. The Rural Investment Fund would be a revolving loan fund of \$50 million to fund loans and grants for economic development projects, including those that were recommended by the Economic Development Partnerships or other organizations.

In some cases, rural communities simply need short term funds to help pay for the cost of projects that have a high probability of encouraging start-up businesses, helping existing businesses, or attracting new businesses. The Rural Investment Fund would provide a source for such funds. These projects for the most part would be self-liquidating – for example, a

community might borrow funds to build a shell building, repaying the loan when the project was sold, though in some cases communities might be eligible for grants. Projects could be proposed by the state's Economic Development Partnerships or other organizations.

B. The Long-Term Rural Development Fund would be capitalized with \$150 million, which would be invested in stocks and bonds, with projected earnings of \$12 million - \$15 million a year used to subsidize bond debt service or to invest directly in economic development.

In addition to short-term grants and loans, many communities need funding for longer term projects. The earnings from the Long-Term Rural Development Fund could be used to directly invest in economic development projects, including sites, industrial parks, small business incubators, specific water and sewer improvements, site-specific road improvements, low-interest loans for buildings and facilities, low-interest loans to reduce the cost of private business investment and other economic development assistance. For example, if a group of people is interested in developing a value-added agricultural processing facility, the group could apply to this fund for assistance.

In addition, part of the capital investment would serve as reserves for the issuance of tax-exempt revenue bonds.

The revenue bonds would both be issued to finance economic development projects with projected revenue adequate to retire the bonds, or jointly financed by the Rural Redevelopment Authority and the economic development project. In both cases, the RRA could also pledge a portion of its own revenues to underwrite the carrying cost of the bond issue for projects that are subsidized.

Eligibility for funding

Economic Development Partnerships should be the primary, though not exclusive, means through which groups apply for funding. Partnerships could submit projects for consideration by this fund or provide technical assistance to communities, individual developers, or non-profit economic development organizations in preparing proposals. If communities prepare such proposals on their own, the Bank should seek comment from the Partnerships and other appropriate entities.

❖ *Cost and payfor: One-time capitalization of \$200 million, paid for with four yearly installments of \$50 million from the Golden L.E.A.F. Foundation or other private sources or a state bond issue. Alternatively, we would encourage the General Assembly to authorize a \$200 million general obligation bond, with proceeds invested in the Rural Redevelopment Authority. The General Assembly would then appropriate sufficient funds annually to retire the debt (approximately \$15-\$20 million a year).*

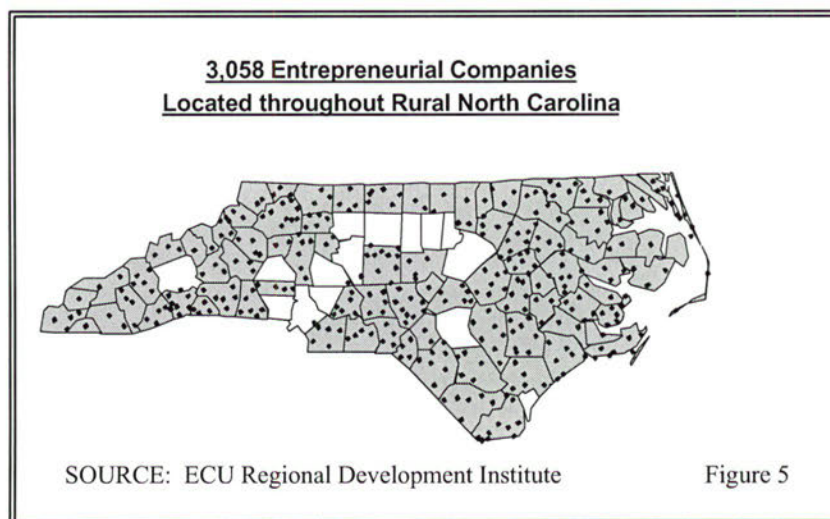
The Rural Redevelopment Authority would invest \$150 million of the initial capitalization in stocks and bonds with projected earnings of 8 to 10% a year. The income generated, \$12 to \$15 million per year, would be used to pay operating costs, subsidize revenue bonds and tax increment financing bonds issued by the Rural Redevelopment Bank, or invest directly in economic development project-related financing, through market rate or low-interest long term debt. The \$50 million in funding for the Rural Investment Fund would be used to provide financing in the form of loans, grants or other vehicles to specific economic development projects. Earnings on the assets held by the bank could be applied to increasing the capital base and, hence, the lending capacity of the Rural Investment Fund.

The General Assembly or the Golden L.E.A.F. Foundation could make additional investments from time to time in the Rural Redevelopment Authority, as needed or justified by the funds' performance. If, for example, the Golden L.E.A.F. Foundation continued to invest \$50 million a year for ten years, this would generate \$500 million in investments and create a potential revenue stream of \$50 million annually.

- ❖ *Timeline: Rural Redevelopment Authority startup within 90 days of first funding; full capitalization over four years.*
- ❖ *Responsible: N.C. Department of Commerce.*

Recommendation #2. Create a private, for-profit Small Business Investment Corporation (SBIC), called the Rural Economic Opportunity Fund, which would invest in small growth businesses in rural North Carolina, including those engaged in new agriculture product research, development, and processing and other businesses.

North Carolina has a strong entrepreneurial community. Between 1975 and 1995, entrepreneurs started 3,058 firms that grew to more than \$2 million in annual revenues (see Figure 5). While they represent only 4% of all the new rural firms, these small, fast growing companies create a disproportionate percentage of the net new rural jobs – 36% of all new jobs, and 77% of the new manufacturing jobs.

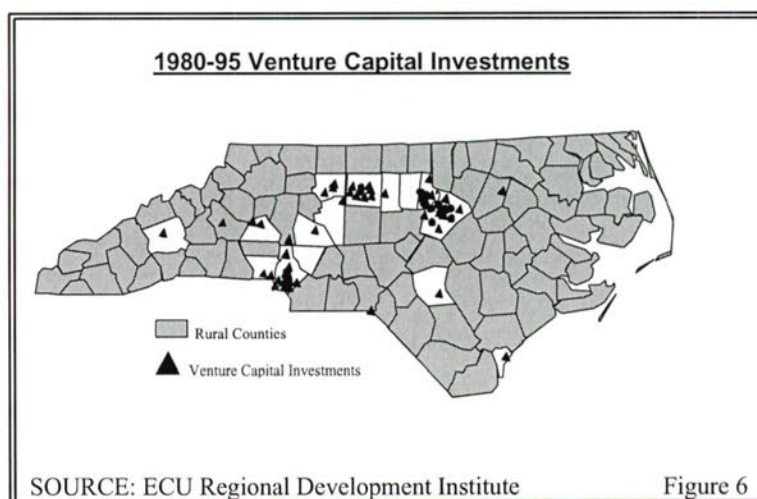


For the majority of these firms - those whose capital requirements increased incrementally with the expansion of business operations - bank financing is sufficient. However, an increasing number of rural North Carolina's most successful young firms have financing needs beyond conventional commercial debt. They are competing aggressively in global markets by investing in new products, increased productivity, and expanding into new markets. More rapid expansion, coupled with capital intensive productivity improvements, requires greater investment amounts sooner in the life of these companies.

Under such circumstances, the financing requirements of rural North Carolina's best entrepreneurial firms will exceed these young companies' debt capacity. Instead, they require equity capital to fuel rapid growth. Unfortunately, conventional sources for equity investment, such as venture capital, have been conspicuously absent in rural North Carolina.

Venture Capital Missing

The historic absence of venture capital investment in rural North Carolina is understandable. Not only do venture capital firms lack familiarity with rural entrepreneurial industries, they also tend to ignore firms that are expanding steadily, but don't have skyrocketing growth rates. As a result, rural North Carolina has a number of firms that fall between the cracks. They are not able to borrow all the money they need to grow, but are not growing quickly enough to attract traditional venture capital. Between 1980 and 1995, only three rural firms received professional venture capital investment (see Figure 6).



"In fast growth industries, we don't have the luxury of time and we can't always afford to tie up our capital as bank collateral. When we need money, we need it now. If you have to wait six months, you could lose your market."

-- Joan Maxwell, Co-President, Regulator Marine, Task Force member

The Rural Economic Opportunity fund would search out firms that are 5 to 10 years old, have current revenues of \$1 to \$5 million and have strong growth prospects or other characteristics that make them worthy of investment. A survey of the state in 1995 located 214 rural companies throughout the state that fit this profile.

Equity investments in such firms could provide a critical shot in the arm for rural growing businesses, and could provide adequate returns for those who invest in them.

- ❖ *Cost and payfor: One time investment of \$15 million from the state's unexpended reserves, matched with \$30 million from private sector sources. These investments would leverage up to an additional \$90 million from the U.S. Small Business Administration (SBA) once the SBIC is licensed by the SBA.*

The North Carolina Economic Opportunities Fund, LP would be a private, for profit federally-licensed Small Business Investment Company (SBIC) of up to \$150 million, making equity and debt security investments principally in the expansion of established entrepreneurial companies located in rural areas of North Carolina.

The Fund's investment strategy will focus upon early-stage, expansion, recapitalization and buyout financings to lower-market companies with proven operating histories located within the rural areas of North Carolina. Initial financings would typically range from \$500,000 to \$2 million with investments generally in the form of preferred and/or common stock or subordinated debt with warrants. A fund of \$150 million could invest in 40 to 50 growth companies over a ten-year period.

The objective of the Fund would be to generate a rate of return in excess of 20% per annum to its Limited Partner investors over a five to ten year horizon through the realization and distribution of capital gains on portfolio investments. Capital gain distributions, if any, would be expected to occur between the fourth and tenth years of the Partnership's life.

- ❖ *Timeline: Rural Redevelopment Authority startup within 90 days of first funding; full capitalization over four years; SBIC upon approval of charter by U.S. Small Business Administration.*
- ❖ *Responsible: N.C. Department of Commerce.*

CONCLUSIONS

Rural North Carolina communities need a secure source of funding to make smart economic development projects possible. To do this will take significant short-term investments "which, in the aggregate, will make sums necessary to carry through the object," making rural North Carolina more prosperous.

III. EDUCATION, TRAINING AND RETRAINING SUMMARY

The ultimate key to increasing economic development in rural North Carolina is people: better educated, better trained, more flexible workers ready for careers in high technology and other jobs of the next century.

Goal: *Improve the education, training and retraining of rural students and workers to prepare for the jobs of the next century.*

1. Extend House Bill 275's effective date by two years to provide incentives to rural community colleges to train workers for jobs that are strategically important to regional economic development goals, which would:
 - a) Retrain laid-off workers quickly;
 - b) Focus training efforts on regional employment priorities;
 - c) Create new focused industrial training centers; and
 - d) Expand literacy efforts.

Goal: *Strengthen rural public schools, community colleges and universities in their ability to provide equal opportunities for education for their students.*

2. Fully fund the state's school equity formula, to improve the ability of rural schools to educate their children.
3. Boost rural teacher training, recruitment and retention efforts by fully funding expansion of N.C. TEACH, a joint university-community college program designed to increase the supply of well-qualified teachers in public schools by attracting mid-career professionals in other fields to teaching, and the North Carolina Model Teacher Consortium, designed to provide financial support to encourage rural classroom teaching assistants and other school personnel to pursue teacher licenses and teach in their home communities, and by funding a community college effort to provide part of the certification training for rural teachers in training.
4. Increase rural community college equity by putting additional state resources into rural community college budgets. These expanded financial resources will enable community colleges to compensate for lower local funding levels and to provide additional services, such as technical assistance for strategic planning initiatives, to rural communities.

EDUCATION, TRAINING AND RETRAINING

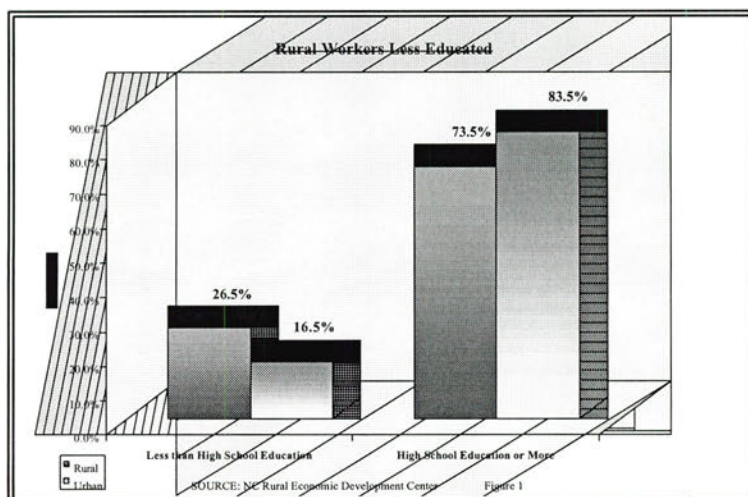
"In a market economy our earnings are based on what we can sell. Most of us can sell one thing – our skills. So if we lack strong skills, we won't have much chance to earn a good income. It's that simple."
 -- C.E. Bishop, MDC Economist and President Emeritus of the University of Houston System

As more companies move labor-intensive, lower-skill jobs to other countries, the competitive advantage the United States offers is its educational system. Those people who have the skills and knowledge for the jobs and the future will prosper: those who don't will not.

To a greater extent than ever before, securing a job with a livable wage requires that workers, whether urban or rural, be well-educated and well-trained. Workers with no education or training beyond high school are increasingly at risk of spending their working lives in low-wage jobs that may not bring their families out of poverty. Communities with a less-skilled workforce stand at a growing disadvantage in generating and retaining the kinds of economic development that can improve the standard of living of their residents.

An Education Gap

The education gap between North Carolina's urban and rural counties is reflected in the share of their population that has completed some years of education beyond high school. According to a recent report by the N.C. Rural Economic Development Center, in 1997, 26.5% of rural adults – more than 1 in 4 – had less than a high school education, compared with 16.5% of urban adults. This education gap translates into higher rates of people in rural counties who are working, but poor, since the real wages of those with a high school education or less have fallen dramatically over the past two decades.



"I spoke at a high school graduation last year in a rural county and asked for a show of hands of who was going to stay there after graduation. Not a single hand went up."
 -- Sen. Marc Basnight, N.C. Senate President Pro-Tem

The links between rural prosperity and the quality of education at all levels are many. A high-quality kindergarten through high school education system gives rural residents the basic skills they need to succeed in the workforce and to pursue advanced training and higher education. A good school system makes rural communities attractive to families as a place to raise their children. Over the 1980s, rural areas across the country suffered a net loss of their college-educated residents. This “brain drain” to urban areas undercuts the ability of rural communities to attract and retain higher wage industry. And when young people move away, they take with them the hopes and dreams of their family and their community. Again and again in public testimony, the Task Force heard that rural residents desperately want help in finding ideas that will make their communities places where their sons and daughters will be able to stay and raise children of their own.

In order to cope with the effects of a rapidly shifting national and global economy, rural communities also need access to high quality post high school education and training through the state’s community college system and regional universities. This is particularly true of those communities attempting to create higher-wage jobs for their citizens. When employers decide where to locate facilities that produce innovative products or use advanced production techniques, the skill level of the local labor force and the quality and flexibility of available worker training programs are at the top of their list of criteria.

A High Price for Low Wealth

Unfortunately, rural school systems and colleges stand at a significant disadvantage when it comes to providing the high quality education and training that their communities require. First, rural counties tend to be low-wealth counties. In spite of high tax rates, these counties have fewer financial resources to devote to schools, even if they set education as their number one priority. Second, low-wealth rural counties must educate large numbers of children living in poverty – 26 rural counties in the east and west have consistently had more than 18% of their adults and 30% of their children growing up in poverty (see Figure 2). Students growing up in poverty require intensive educational services to bring their skills in line with those of middle and upper income students. With a few notable exceptions, North Carolina schools serving low-income students under-perform those that serve higher-income students. Third, rural school systems face intense competition with wealthier urban school systems for attracting and retaining qualified teachers.

The education challenges of low-wealth counties continue beyond high school. The loss of manufacturing and agriculture-related jobs has created a growing population of “dislocated workers” in rural areas that community colleges and other training institutions must respond to on both an emergency and longer-term basis.

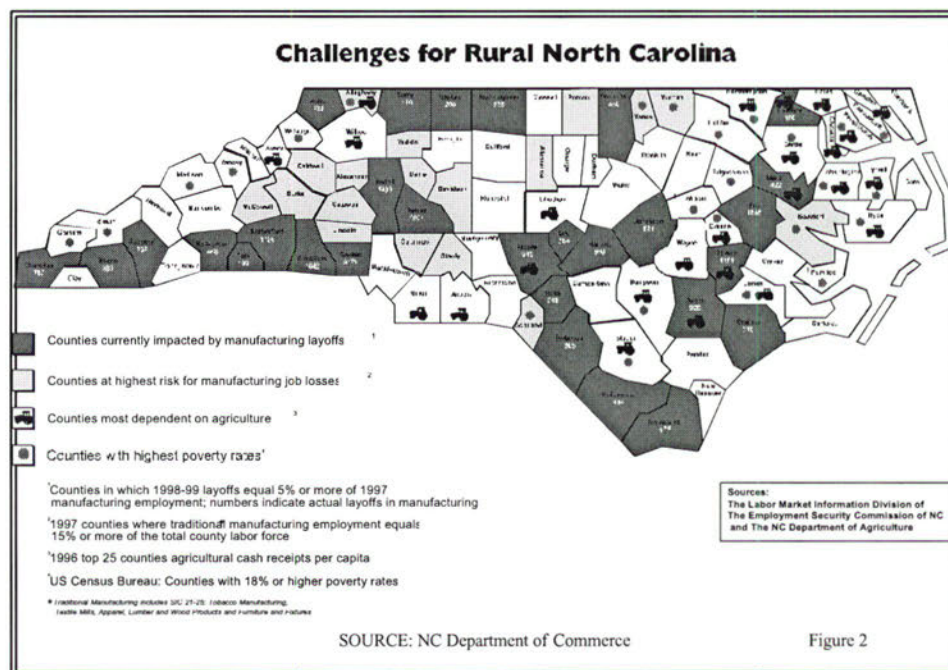
Retrain to Retain

“I’ve got \$1,700 worth of bills a month. My husband only brings in \$1,200 a month. Where am I going to get the rest of the money?”

-- Sherry Freeman, Lumberton textile worker, laid off in August 1999

An assessment done by the N.C. Department of Commerce for the Task Force found that many rural counties are facing serious challenges in retraining their workers over the next few years. Some counties have already experienced layoffs of more than 5% of their manufacturing workforce. Others have more than 15% of their workers still involved in traditional

manufacturing jobs – those that are most vulnerable to plant closings and layoffs. Still others are heavily dependent on our threatened agricultural economy (see Figure 2). Without a strong, proactive retraining effort, rural North Carolina is a vulnerable link in our economy.



Lastly, the rates of adult illiteracy in rural counties remain high, which in turn makes the problems of both dislocated workers and families in poverty more difficult to address.

The ultimate key to increasing economic development in rural North Carolina is people: better educated, better trained, more flexible workers ready for careers in technology and other jobs of the new century.

Goal: Improve the education, training, and retraining of rural students and workers to prepare for the jobs of the new century.

Recommendation #1a: Extend the effective date of House Bill 275 by two years to provide funding to 1) create a rolling reserve fund to underwrite new programs to retrain dislocated workers and 2) a Rural Training Development Fund to finance entrepreneurship training, basic skills programs, and sectoral-based industry training programs.

The most immediate educational challenge rural communities face is in retraining and upgrading the skills of current workers, who are facing a workplace where skill requirements are changing rapidly and workers must adapt and gather new skills quickly.

Rural counties have felt the impact of declining employment in agriculture and manufacturing, particularly in the textiles and apparel industries. When major layoffs occur, many displaced workers need immediate, short-term training to enhance their prospects of finding new employment at a wage equal to or higher than their old job. When a plant closes or downsizes in rural communities, the demand for training is often high because there are relatively fewer other jobs to turn to that don't require new training.

Community colleges face severe challenges in providing adequate services in the event of large layoffs because of the means by which Federal funds for dislocated worker programs are disbursed. Rather than going to individual community colleges directly, funds for dislocated worker programs first go into the state's General Fund. As a result, community colleges do not receive any additional funding for increased dislocated worker training until after the training is completed, sometimes as much as a year later. This hampers the ability of community colleges to hire staff and develop programs to respond to layoffs on a short-term basis when they are most needed.

Reacting to Mass Layoffs

The Rural Dislocated Worker Training Rolling Reserve Fund would provide grants to community colleges when mass layoffs or plant closings occur in rural Tier One or Tier Two counties. Grants could be a maximum of \$1,000 per dislocated worker and could be used to hire new staff, do program development, and purchase needed equipment and supplies. Eligible colleges would submit proposals to the North Carolina Community College System. The Rural Training Development Fund would be created from available funds in excess of \$4 million, and would support development and provision of a variety of training programs, including entrepreneurial training, basic skills and human resource development programs and sectoral-based industrial training programs.

- ❖ *Cost and payfor:* \$ 4 million fund initially created by a diversion of non-recurring funds to the NC Community College system from Unemployment Insurance taxes (House Bill 275). Subsequently, tuition payments paid by registered dislocated workers would maintain the fund, up to \$4 million. Fund depletion would be addressed by a diversion of Unemployment Insurance tax funds to the community college system at the start of the following fiscal. Funding in excess of \$4 million would go to the Rural Training Development Fund.
- ❖ *Timeline:* Startup within 90 days of initial funding.
- ❖ *Responsible:* N.C. Department of Community Colleges.

Setting Regional Employment Priorities

"The new economy will have little use for people who cannot read, write, compute, communicate, and think critically. Already we see many jobs that formerly required a high school diploma now calling for a community or technical college degree. More and more jobs require four years of college. And fewer employers look twice at an application from a high school dropout."

-- "Walking the Talk, Increasing Educational Options for Southern Youth," a publication of MDC, 1996.

Recommendation #1b: Extend the effective date of House Bill 275 by two years to provide funding for incentives to rural community colleges to train workers for jobs that are strategically important to regional economic development goals.

Regional economic development efforts increasingly target their marketing and recruiting efforts on specific industry groups, hoping to capitalize on new and existing industry clusters. Ideally, community college education and training programs should coordinate with these regional economic development initiatives and enlist the support of the state's university system in order to enhance the development potential of the region.

However, community colleges often face challenges and economic disincentives in offering programs that are strategically important to regional economic development efforts. Colleges receive full-time equivalency (FTE) funding based on how many hours students spend in class, regardless of whether they are learning cosmetology or electronics. This lack of differential funding creates an economic disincentive for colleges to offer more technically-intensive programs that require higher instructor salaries and equipment costs despite the value of those programs to a community's economic development.

Industry Skill Clusters

This proposal changes the full-time equivalency reimbursement formula to give greater weight to curriculum and continuing education programs that fall within industry skill clusters that the regional Economic Development Partnership designates as strategic. Thus, industry skill clusters may vary from region to region, based on the economic development plan of the Partnership. This effort will result in the development of a pool of skilled workers in industry areas that are the focus of regional economic development efforts. Currently, industry skill clusters have already been developed for sixteen industries that are strategically important to the state's economy. Examples of industries for which skill clusters have been developed include Agribusiness; Marine Technologies and Occupations; Telecommunications; Plastics and Packaging; Bio/Chemical Technologies; Electronics/Robotics and Automation/Semiconductors; and Financial and Customer Services.

- ❖ *Cost and payfor:* \$10 million annually for increased FTE funding for courses deemed strategically important to regional economic development goals; paid for through extension of HB 275.
- ❖ *Timeline:* Startup within 90 days of initial funding.
- ❖ *Responsible:* N.C. Community College System.

Recommendation #1c: Extend the effective date of House Bill 275 by two years to provide funding to create new focused industrial training centers.

The Focused Industrial Training (FIT) Program supports centers at North Carolina community colleges. The centers provide a dedicated manufacturing training outreach specialist and funds for retraining essential manufacturing personnel at North Carolina companies. The program targets support to small and mid-sized traditional manufacturing companies that are investing in both technology and people to enhance their productivity. This support enhances the likelihood that those companies will maintain and expand their operations in North Carolina.

Many of the companies that need the greatest assistance are located in rural communities. However, FIT directors are not located in the most rural areas because those areas don't have the required number of 9,000 or more manufacturing employees in their service areas. Thus, while the most rural areas of the state have access to some FIT instructional funds to assist in retraining, the lack of *dedicated* staff in these areas of the state too often acts as a barrier to rural manufacturing companies receiving retraining assistance. Consequently, some rural manufacturing companies most in need are least likely to receive it.

This proposal reduces the threshold for dedicated FIT Centers from 9,000 to 7,000 manufacturing workers for an individual college and creates consortium FIT Centers among the remaining colleges that serve the most rural areas of the state. In total, this funding will support eight new FIT Centers that will complete the FIT network across the state.

- ❖ *Cost and payfor:* \$1 million annually to create and maintain new rural focused industrial training centers; paid for through extension of House Bill 275 or reallocation of \$1 million in funds from the Worker Training Trust Fund.
- ❖ *Timeline:* Startup within 90 days of initial funding.
- ❖ *Responsible:* N.C. Community College System.

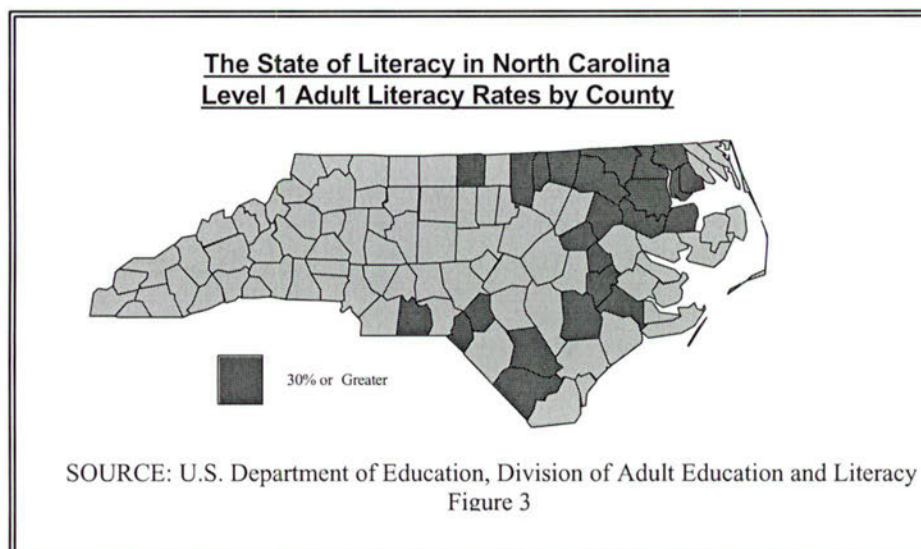
Recommendation #1d: Extend the effective date of House Bill 275 by two years to provide funding to expand existing literacy efforts; increase funding for volunteer literacy organizations and community college literacy programs.

"Too many Southern men see their careers based on their ability to do specific things: make things, drive things, dig things, lift things, or pick things. The economy, meanwhile, is rewarding those – regardless of race, gender and ethnicity – who have the ability to think things."

-- MDC, State of the South, 1998

The ability to think things – to be rewarded for what you know – is a critical component of success in today's economy. But adapting to the latest changing conditions quickly is much harder if you can't read or compute.

North Carolina ranks in the bottom eleven states in the nation in adult literacy. According to the 1997 National Adult Literacy Survey, twenty-five rural counties have 30% or more of their adults with level 1 literacy skills, meaning they lack even the most basic writing and computing skills. Smaller studies turn up troubling pockets of illiteracy: as one example, a study by the Mountain Resources Center at Western Carolina University reveals a 46% functional illiteracy rate among adults in Mitchell, Avery and Yancey counties.



To some extent in the past, our state's illiterate have been relatively insulated from the impact of the knowledge gap by working hard at jobs that value hard work more than literacy. But as many of our traditional manufacturing jobs disappear, we can no longer afford high rates of illiteracy.

Rural communities need to expand literacy services, as well as increase participation in existing literacy programs. This can be accomplished by increasing the number of community college, community-based, and workplace literacy programs in rural areas.

- ❖ *Cost and payfor:* \$2 million annually for rural literacy program expansion in community colleges, literacy centers, businesses and industries; paid for through extension of HB 275.
- ❖ *Timeline:* Startup within 90 days of initial funding.
- ❖ *Responsible:* N.C. Community College System.

Goal: Strengthen rural public schools, community colleges, and universities in their ability to provide equal opportunities for education for their students.

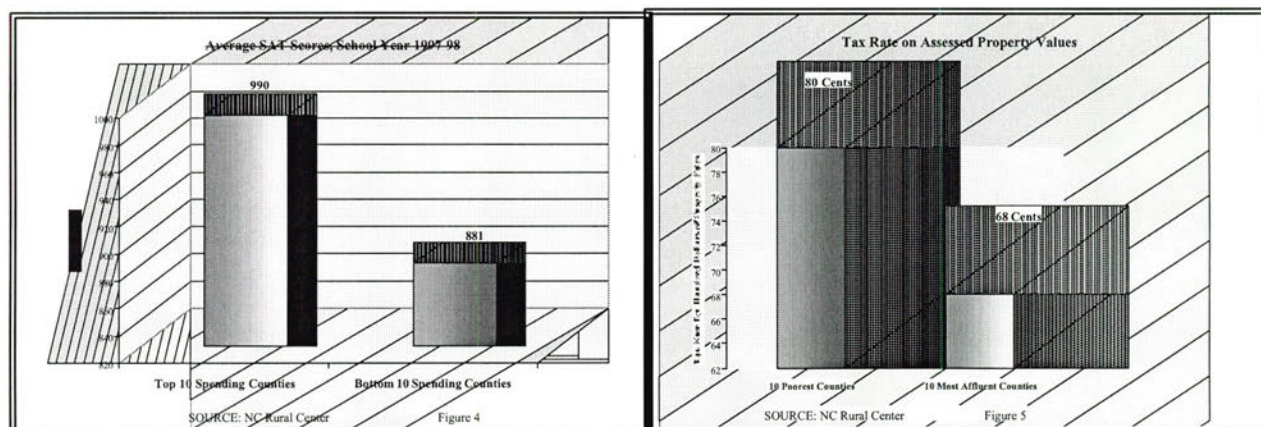
Recommendation #2: Fully fund the school equity formula in low-wealth counties.

"Where does this (uncertain economic future) leave the factory worker on layoff or the plain dirt farmer who has neither the education nor marketable skills to find new employment? We are... looking for solutions."
-- Veida Ayers, Blue Ridge Reading Team

Rural school systems don't have as many resources as urban school systems for supplementing the State's expenditures on their children. In 1997-98, the top spending counties spent an average of \$51,610 more per classroom than the bottom ten spending counties.

The added investment shows up in student performance. When it comes time to test for college, students in our ten top spending counties score more than 100 points better on the SAT than students from our lowest spending counties (see figure 4).

But simply raising rural taxes to make up for that difference may not be possible. Already the state's poorest counties tax their citizens at the rate of 80 cents per hundred dollars of assessed property value compared with only 68 cents per \$100 in the state's ten most affluent counties (see figure 5).



"The county is stretched to the limit in its ability to tax. There has been a tax increase this year of 10 cents above our tax rate of 75 cents, making Camden one of the highest tax rates in the area. There's a wide disparity between what is needed to build and what it is possible to get in funding."

-- Elsie Pugh, Camden County resident, Northeast Partnership board member

The state has begun to address this problem through its Low Wealth and Small School Supplemental Fund. Begun in 1991, this fund has made a major contribution toward closing the fiscal capacity gap between low and high-wealth county school systems. This funding effort recognizes that school funding must be based on need and fiscal capacity, not simply a "per pupil" allocation. However, the program has never been fully funded and the need remains far greater than available resources. Fully funding this program under the existing formula will result in new educational dollars targeted to schools that most need an infusion of additional revenue.

- ❖ *Cost:* \$33 million a year in General Fund revenues.
- ❖ *Timeline:* Immediate upon approval of funding.
- ❖ *Responsible:* N.C. Department of Public Instruction.

Recommendation #3: Boost rural teacher training, recruitment, and retention by expanding North Carolina TEACH, the North Carolina Model Teacher Consortium, and a community college program designed to help train rural teachers.

"Our challenge is to locate and educate residents who will make good teachers but who are also dedicated to the community and will stay."

-- H. Martin Lancaster, President of the N.C. Community College System, Task Force steering committee member

"In school systems across North Carolina – but particularly in poor, rural areas – administrators are struggling to find qualified applicants to fill existing vacancies and accommodate enrollment growth."

-- Molly Corbett Broad, President, the University of North Carolina

Rural school systems must compete for teachers not only within the state, but also with school districts outside North Carolina. Competition for teachers is so fierce that many school systems feel they must offer salary bonuses to attract qualified applicants. Rural school systems,

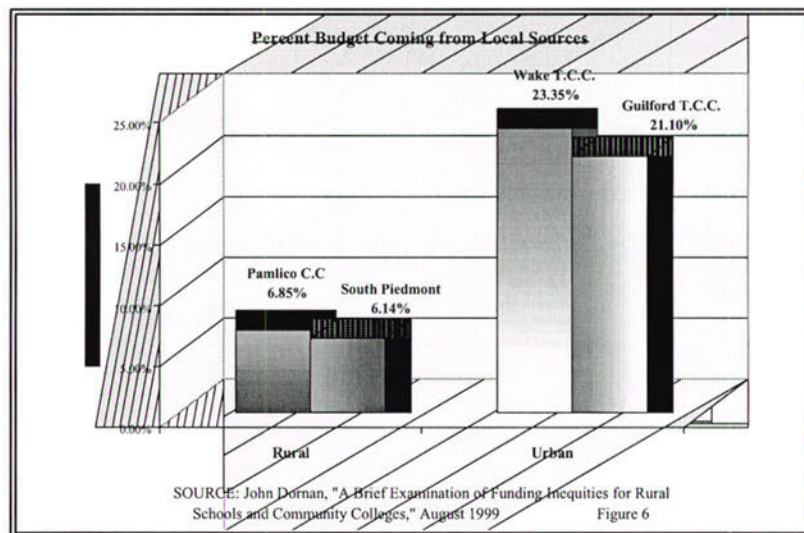
especially in low wealth counties, are rarely able to match the financial resources of urban schools in this competition for teacher recruitment. They become, in the words of Johnston County superintendent Jim Causby, like “minor league training clubs” for urban school systems.

In order to increase the supply of teachers in rural school districts, both UNC System President Molly Broad and North Carolina Community College System President Martin Lancaster strongly recommend that the state expand two successful existing programs: N.C. TEACH and the North Carolina Model Teacher Consortium. N.C. TEACH increases the supply of well-qualified teachers in public schools by attracting mid-career professionals in other fields to teaching. The North Carolina Model Teacher Consortium provides financial support to encourage rural classroom teaching assistants and other school personnel to pursue teacher licenses and teach in their home communities. Finally community colleges can provide some of the training needed to get certification for rural teachers in training. We should provide funding to make this effort possible.

- ❖ *Cost and payfor:* \$11 million in General Fund revenues, including \$500,000 for N.C. TEACH; \$1.5 million for N.C. Model Teacher Consortium; approximately \$7 million for funding community college initiative to enable rural teachers to get their training at rural community colleges.
- ❖ *Timeline:* Within 90 days of approval of funding.
- ❖ *Responsible:* UNC System; N.C. Community College System.

Recommendation #4: Increase community college funding equity by putting additional state resources into rural community college budgets.

Expanding the financial resources available to rural community colleges will enable them to compensate for the lower local funding levels that result from being located in counties with a lower tax base. The gap in funding for community colleges located in the state’s wealthiest counties and those located in the state’s poorest counties is stark. For example, in 1998-99 less than 7% of the local community college budget at South Piedmont Community College and Pamlico Community College came from county sources; more than 21% of the budget for Guilford Tech and Wake Tech came from county supplements.



Greater financial resources for rural community colleges will also allow them to provide additional services to rural communities, such as technical assistance for strategic planning initiatives. In order to enable rural communities to collectively address issues that affect their quality of life and economic status, community college resources must be enlisted to identify and implement the most effective community planning models. These resources would play a key role in making that possible.

- ❖ *Cost and payfor:* \$25 million a year in General Fund revenues.
- ❖ *Timeline:* Immediate upon securing funding.
- ❖ *Responsible:* N.C. Community College System.

CONCLUSIONS

The skills and knowledge of rural people – young, college age and older workers – will determine whether their communities will struggle or soar. With the proper tools, smart rural workers can compete with the world – and succeed.

IV. AGRICULTURE SUMMARY

North Carolina's farmers produce food, fiber, jobs and tax revenue. As people change what they consume and agriculture faces new challenges from the world commodity market, we need to make sure North Carolina farmers have the tools they need to compete in the 21st century.

Goal: *Ensure that North Carolina farmers, agribusiness leaders, researchers and other interested parties are working together to shape the future of agriculture in our state.*

1. Create the Agricultural Advancement Consortium, which would bring together a coalition of experts and interested parties, including farm organizations, universities, the North Carolina Department of Agriculture, N. C. Cooperative Extension, State Ports and others to research trends and identify and promote opportunities to improve the state's economic development through farming and agriculture interests.

Goal: *Develop profitable new markets and reinvigorate existing markets for North Carolina agricultural and biotechnology products.*

2. Expand state funding available to promote North Carolina agricultural and biotechnology products. These funds could be leveraged to encourage agricultural suppliers to begin or expand existing efforts, and could include hosting international trade shows, creating new markets for existing products, and providing potential markets with scientifically-based research to address concerns about tobacco, pork, beef and various transgenic crops and products.
3. Expand marketing of North Carolina horticultural products, enabling full utilization of farmland and farm structures as tobacco quotas fall, and replacement of some of the lost income.
4. Increase e-marketing and e-commerce involving North Carolina agricultural products, boosting the presence of North Carolina products and services on the Internet. The effort would enable farmers, groups of farmers, dealers, gins, packers, warehouses and other agricultural businesses to engage in business to consumer and business to business marketing efforts using the Internet.
5. Lobby the World Trade Organization and others to continue work to ensure equitable access to world markets, particularly U.S. access to China's tobacco market.

Goal: *Help North Carolina farmers to retain a greater amount of the total cost of agricultural products by expanding the number of facilities we have to improve and process products.*

6. Encourage the Rural Redevelopment Authority to actively seek out and fund proposals supporting on-farm and community-based agricultural enterprises, including independent animal-processing facilities and other value-added processing facilities, including biopharmaceuticals.
7. Provide additional funding for research into value-adding genetic changes of crops, including tobacco, to produce industrial enzymes, pharmaceutical proteins, vaccines, new forest products and other products.

Goal: *Determine new products North Carolina farmers could profitably produce to allow small farmers to remain in agriculture.*

8. Boost efforts to identify new high-value farm products such as herbs, fruits, vegetables and other specialty items, educate farmers in production techniques and marketing strategies and help in development of markets.
9. Identify and encourage production of plants shown to promote good health, prevent disease or provide other medicinal assistance, known as nutraceuticals. These products typically represent niche markets, but can be highly profitable in small quantities.

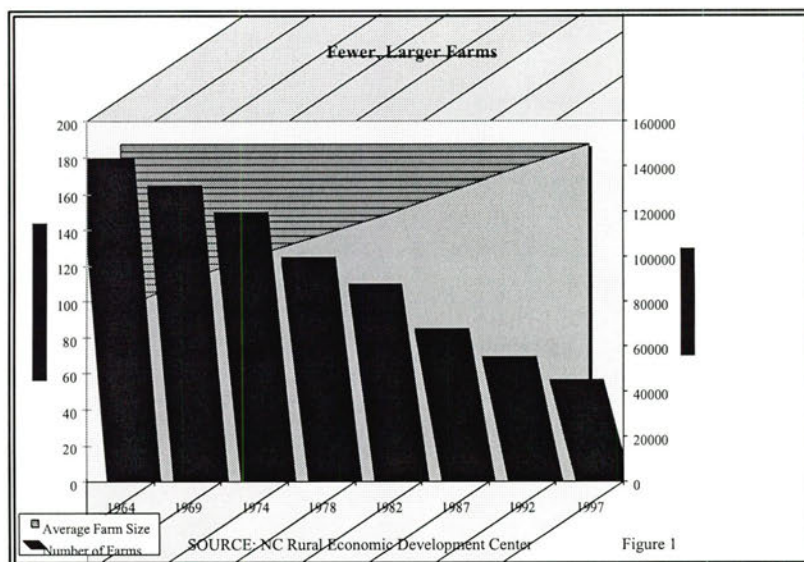
AGRICULTURE

"The rural economies have really taken it on the chin. I don't know what else you can hit them with. Boll weevils?"

-- Mark Vitner, Economist, First Union

North Carolina farmers keep getting better at producing products. We produce more tobacco, turkeys and sweet potatoes than any other state. We rank second in hogs, Christmas trees and trout. We rank third nationally in farm profits with statewide net farm income of nearly \$3.5 billion. We are becoming more efficient every year.

But since 1964, the number of farms in North Carolina has been steadily declining – we've lost 150,000 farms, and the average size of farms has been increasing. The North Carolina Rural Economic Development Center estimates that 8% of North Carolina's farms produce 73% of the state's farm income. More and more small farmers are getting out.



Part of this change is inevitable, as North Carolina farm commodities like textiles and apparel and dozens of other products, become part of a global market. But the ongoing transition of farmers out of farming, and farmland out of production, presents a challenge to our state. We need to take active steps to help those farmers transitioning out of the business by using the retraining programs we are recommending in our education section. We must preserve our best farmland and support the remaining farmers, so that we can have a secure food source, retain jobs and preserve wealth in our rural communities.

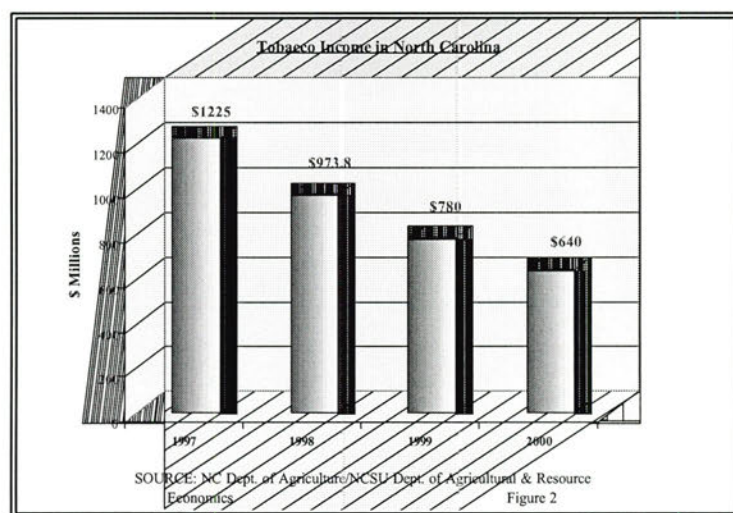
Three Big Challenges

The pressure on North Carolina farmers is coming from at least three directions. First, what is probably a short-term downturn in world commodity prices is hitting home. In 1998, cash income to North Carolina hog farmers was down 38.8%. Cash income from corn was down 40.2%. The downturn in commodity prices continued in 1999. For now, government subsidies are enabling farmers to make ends meet. But over the long term, a worldwide glut in commodities will drive even more farmers out of the business.

"We work the same hours. We pay the same for our equipment. We still pay our property taxes. Our children's education still costs as much. But we're going to be making half as much off our tobacco crop this year as we did three years ago. What would you think if somebody cut your paycheck in half?"

-- Mary Betty Kearney, Greene County tobacco farmer

The second major challenge to North Carolina farmers comes from the ongoing threat to what has traditionally been the state's most profitable crop, tobacco. It is a challenge approaching the proportions of the boll weevil that began wiping out cotton crops in North Carolina in the 1920's. Since 1997, when farmers sold more than \$1.2 billion in tobacco, income from the crop has plummeted due to declining quotas, decreased consumption and international competition. This year, farmers will face the lowest quota in history; estimates are for tobacco sales of about \$640 million. Payments to farmers from the Master Settlement Agreement with tobacco companies will replace some of that income for tobacco farmers in the short term, but smaller quotas will drive some farmers out of the business. In short, we are facing a future where fewer people are able to depend on growing what has traditionally been our most profitable cash crop.



The Flood

"Farmers will either plant 'For Sale' signs or plant crops this month."

-- Billy Ray Hall, President, N.C. Rural Economic Development Center, Task Force steering committee member

The third challenge to farmers comes from the devastation left by flooding from hurricanes in the fall of 1999, which ruined fall crops across eastern North Carolina. The flooding damaged some 30,000 farms in the East. Farmers lost more than \$800 million in crops and livestock (including one-third of this year's cotton crop), and more than \$280 million in farm structure and equipment. The floods washed away and oversaturated acres of rich topsoil. They drowned four million turkeys and chickens and inundated 47 hog waste treatment lagoons. Cash-strapped farmers bear the costs of repairing these treatment systems, and those in floodplain areas risk being flooded again, causing more risk to animals and more public safety issues.

"When the farmers in Sampson County get hit, everybody in Sampson County feels the pain."
 -- Raeford Daughtry, Task Force member

What happens to farming affects everyone in North Carolina. In communities throughout rural North Carolina, farmers are a key asset. Farmers serve on town boards and commissions, advise charities and churches. They have deep roots in their communities and a commitment to their long-term future. Farm money pays farm workers, fuels feed and supply stores, strengthens banks, supports grocery stores and pays property taxes that support schools and critical government services. In Greene County, the N.C. Cooperative Extension Service estimates that agricultural revenue accounts for roughly 60% of the tax base.

Four Solutions

Those who remain in farming in North Carolina will continue to play a critical role in our state's economy and the health of our rural communities. And those who remain will have a critical need for new tools to survive and thrive. North Carolina should take proactive steps to strengthen the future of agriculture by: 1) Organizing a consortium of interested parties to assess where we are and analyze how we can most effectively address our needs; 2) Developing new and expanded national and international markets; 3) Researching value added crops and boosting processing efforts; 4) Actively searching for and developing alternative agricultural enterprises for farmers.

Goal: Ensure that North Carolina farmers, agribusiness leaders, researchers and other interested parties are working together to shape the future of agriculture in our state.

Recommendation #1: Create the Agricultural Advancement Consortium, which would bring together a coalition of experts and other interested parties to research trends and identify and promote opportunities to improve the state's economic development by focusing on farming and agricultural interests.

"Farming's changed. We can't just grow, grow, grow anymore. We need to do careful market analysis and development and put together strategic business plans that help us decide what we grow, where we grow it best and who we sell it to."

-- Larry Wooten, President, N.C. Farm Bureau, Task Force member

In this time of unprecedented change, North Carolina needs an organized group of people who meet regularly to research trends and promote opportunities to improve our state's economic development through farming and agribusiness. This is the goal of the Agricultural Advancement Consortium.

This Consortium would bring together a diverse group of people interested in the future of agriculture in the state to:

- Assess trends in agriculture;
- Determine which initiatives to pursue;
- Review state priorities in funding for agribusiness; and
- Determine ways to reduce barriers to agricultural exports and take other efforts to increase exports.

The group would also provide technical assistance to local and regional agribusiness projects, including helping groups of people prepare business plans and proposals for consideration by potential investors.

The Consortium would serve as an entity that convenes and focuses on farming and agriculture interests and also follows up on and evaluates the effectiveness of proposals, projects and initiatives. The Consortium would serve as a clearinghouse for new ideas, including marketing, cooperatives, value-added enterprises and others. Ultimately, the Consortium will become a partnership of agricultural interests charged with finding ways to transcend the traditional barriers to profitable farming, thereby stabilizing the rural farming economy.

We encourage local groups of agribusiness people, or others seeking help in developing their ideas for agricultural advancement, to work closely with regional economic development partnerships, either prior to their discussions with the Consortium or as a result of those discussions.

The Consortium should, when appropriate, help facilitate local groups' applications for funding through the Rural Redevelopment Authority (see Chapter II). The consortium would meet at least quarterly, and should include as permanent members, among others, Administrative heads from the N.C. Department of Agriculture, the N.C. Department of Commerce and the N.C. State Ports Authority, appropriate deans from NCSU and NCA&T, agricultural non-profit and farm membership Organizations. Advisors should be called on for assistance with specific issues, including regional economic development partnerships, farmers, medical schools, other universities, the N.C. Biotechnology Center and other agricultural and business leaders.

- ❖ *Cost and payfor:* \$250,000 annually for the first two years to pay for staff, research, meeting costs, and other operating expenses and \$500,000 for years three through five, to be funded through Golden L.E.A.F. Foundation or other private sources.
- ❖ *Timeline:* Startup within 90 days of funding.
- ❖ *Responsible:* Consortium would be independent, but directed and staffed through the N.C. Rural Economic Development Center.

Goal: Develop profitable new markets and reinvigorate existing markets for North Carolina agricultural and biotechnology products.

Recommendation # 2: Expand state funding available to promote North Carolina agricultural and biotechnology products.

Product check-off funds and current agricultural appropriations permit some efforts to promote North Carolina products. Research and experience indicate that North Carolina agricultural suppliers are willing and able to expand marketing activities when initial marketing seed funds are made available. And once positive results begin, companies are more likely to invest their own resources in such efforts.

Past marketing efforts such as those mounted by Cotton, Incorporated show the positive impact concerted promotion of a product can generate. Such attention could take the form of:

- Hosting and helping to send people to international trade shows to showcase all North Carolina products;
- Beginning campaigns to help find new markets for existing products such as North Carolina sweet potatoes;
- Disseminating scientifically-based research to address concerns in certain markets about tobacco, pork, beef or various other products; or
- Creating markets for new products.

❖ *Cost and payfor:* \$6 million annually; part of funding from reallocating existing NCDA funds; part through product checkoff funds, through the Golden L.E.A.F. foundation or other sources.

❖ *Timeline:* 3-6 months after funding.

❖ *Responsible:* N.C. Department of Agriculture.

Recommendation #3: Expand marketing of North Carolina horticultural products, enabling full utilization of farmland as tobacco quotas fall, and replacement of some of the lost income.

The North Carolina fruit and vegetable industry is an important segment of North Carolina agriculture. Many farmers have already diversified into producing these horticultural crops as well as their traditional field crops. Right now North Carolina farmers lack the resources to effectively market their horticultural products. Increased efforts would drive up demand and enable farmers transitioning away from tobacco to plant more acres with high-value horticultural products.

- ❖ *Cost and payfor:* \$1 million annually to enhance existing checkoff funds; funding to come through the Golden L.E.A.F. foundation or other sources.
- ❖ *Timeline:* 6 months after funding.
- ❖ *Responsible:* N.C. Department of Agriculture.

Recommendation #4: Increase e-marketing and e-commerce involving North Carolina agricultural products, boosting the presence of North Carolina products and services on the Internet.

Electronic commerce is growing rapidly and is gaining acceptance in a variety of industries. The agriculture industry in North Carolina would benefit from expanded e-commerce and e-marketing efforts as farmers, groups of farmers, dealers, gins, packers, warehouses and other businesses become able to engage in business-to-consumer and business-to-business marketing efforts using the Internet.

- ❖ *Cost and payfor:* \$1 million annually; apply for funding through the Golden L.E.A.F. foundation or other sources.
- ❖ *Timeline:* One year initial project, with continuing updates.
- ❖ *Responsible:* N.C. Department of Agriculture.

Recommendation #5: Lobby the World Trade Organization and others to continue work to ensure equitable access to world markets, particularly U.S. access to China's tobacco market.

"When I first took office in 1964, tobacco income accounted for 46% of gross farm income. We are now looking at percentages in the low teens (14%), and may be looking at single digits in the near future."

-- Jim Graham, N.C. Agriculture Commissioner

North Carolina is an important producer and exporter of agricultural products, particularly through our State Ports. In 1997, we ranked 12th among all 50 states in the value of agriculture exports. These exports help boost farm prices and income, while supporting about 25,800 jobs both on the farm and off the farm in food processing, transportation, and manufacturing. Measured as exports divided by farm cash receipts, the state's reliance on agricultural exports has held steady at 18-19% since 1993. If North Carolina's farmers, ranchers, and food processors are to compete successfully for the export opportunities of the 21st century, they must have fair trade and fair access to growing global markets.

One of the most damaging trade barriers impacting North Carolina export markets is China's non-tariff trade barrier against US tobacco due to Blue Mold. Research has demonstrated that Blue Mold is not spread through cured and processed tobacco, contrary to China's claims. In addition, China already permits imports of tobacco with Blue Mold from other countries, such as Greece and Brazil.

Removal of the import ban on US tobacco could increase exports of US tobacco by at least 10 to 20 percent. This would boost farm and rural incomes in North Carolina at a crucial

time when the demand for tobacco in domestic markets is declining. The future potential for maintaining our tobacco economy is in international markets.

Many other commodities are faced with unfair trade practices. Recently the U.S. has been in negotiations with the European Union to lift sanctions against pork, beef, and various genetically improved crops. For U.S. and N.C. farmers to compete globally, such barriers must come down.

- ❖ *Cost and payfor:* No cost.
- ❖ *Timeline:* Begin efforts immediately.
- ❖ *Responsible:* Task Force members.

Goal: Help North Carolina farmers to retain a greater amount of the total cost of agricultural products by expanding the number of facilities available to improve and process products.

Recommendation #6: Encourage the Rural Redevelopment Authority to actively seek out and fund proposals supporting on-farm and community-based agricultural enterprises, including independent animal-processing facilities and other value-added processing facilities, including biopharmaceuticals.

North Carolina farmers have traditionally done a good job of getting crops out of the ground and into the market. But much of the total food dollar derives from processing, preparing and improving raw products. We need to make intentional efforts as a state to ensure that those interested in developing value-added processing facilities in rural communities find strong support in their efforts.

- ❖ *Cost and payfor:* Funding would vary year to year based on proposals presented to Rural Redevelopment Authority.
- ❖ *Timeline:* Upon establishment of Rural Redevelopment Authority.
- ❖ *Responsible:* N.C. Department of Commerce, N.C. Department of Agriculture; Rural Advancement Foundation International.

Recommendation #7: Provide additional funding for research into value-adding genetic changes of crops, including tobacco, to produce industrial enzymes, pharmaceutical proteins, vaccines, new forest products and other products.

Plants may be genetically altered to effectively generate new products. These products can make a major contribution to energy, industrial chemicals and materials, the environment and the economy, as well as improving the food supply. Plants with value added and customized traits could be grown under contract to pharmaceutical and other companies. To find these products we need stronger research capabilities.

- ❖ *Cost and payfor:* \$3 million annually for five years; funding to come through General Fund.

- ❖ *Timeline:* Research should begin within 90 days of approval of funding.
- ❖ *Responsible:* N.C. Biotechnology Center; UNC System.

Goal: Determine new products North Carolina farmers could profitably produce to allow small farmers to remain in agriculture.

"My grandson will be an eighth generation farmer. I'd like to think that he will have the same opportunities I've had to feed and clothe the nation."
 -- Garrett Strickland, Duplin County farmer

Recommendation #8: Boost efforts to identify new high-value farm products such as herbs, fruits, vegetables and other specialty items, educate farmers in production techniques and marketing strategies and help in development of markets.

- ❖ *Cost and payfor:* \$1 million annually for five years; funding to come through General Fund.
- ❖ *Timeline:* One year to launch program.
- ❖ *Responsible:* N.C. Biotechnology Center; UNC System.

Recommendation #9: Identify and encourage production of plants shown to promote good health, prevent disease or provide other medicinal assistance, known as nutraceuticals. These products typically represent niche markets, but can be highly profitable in small quantities.

- ❖ *Cost and payfor:* \$2 million annually; funding to come through General Fund.
- ❖ *Timeline:* Research should begin within 90 days of approval of funding.
- ❖ *Responsible:* UNC System research universities; N.C. Department of Commerce.

Since Jim Graham took office, North Carolina agriculture has diversified impressively from its tobacco-dominated roots. We currently rank third behind California and Texas in agricultural diversity. Our farmers grow 80 different commodities.

But in the future we will need to diversify still more.

As the average size of North Carolina farms increases and the number of farmers growing tobacco- historically our most profitable crop - decreases, small farmers must find new, highly profitable crops to replace lost income.

CONCLUSIONS

Agriculture will continue to play a critical role in the economic and cultural life of rural North Carolina. By working aggressively and proactively now to address the challenges farmers are facing, we can ensure a better future for all of our rural citizens.

V. INFRASTRUCTURE IMPROVEMENTS SUMMARY

For years, North Carolina has under-invested in the basic infrastructure our rural communities need to succeed. There is no substitute for certain kinds of hard infrastructure: water and sewer, housing, roads and rail. If we build it, existing businesses can stay and grow, and new businesses can come and prosper.

Goal: *Provide rural North Carolina with the water and sewer, affordable housing, roads and rail it needs to compete for and sustain economic development opportunities.*

1. The state should authorize an additional \$1 billion in water and sewer bonds, to enable communities that are currently unable to serve the needs of their citizens a chance to grow. For rural communities unable to afford matching funds to build additional capacity, the state should waive local matching fund requirements.
 2. The state should increase the Housing Trust Fund by 67%, boosting the amount of funding available to leverage for affordable housing in the state from \$9 million to \$15 million beginning next year. The Housing Trust Fund is only used for direct aid to families and helps provide downpayment assistance for first-time homebuyers, repair needs of the elderly and disabled and rental housing loans for the elderly and those with special needs. The increased amount should be specifically targeted to housing needs in Tier One, Two and Three counties.
 3. The state should give priority to completion of improvements to projects along three critical rural highways: Highway 70, Highway 17 and Highway 19E. Some funding for these projects is already in place, but early completion of these corridors will dramatically improve economic development in the areas served by those roads.
1. NCDOT should require construction time of highways be speeded up to save money and help economic development corridors become a reality sooner. Currently highway projects can take as long as 11 years to build. The Task Force recommends a six-year building requirement.
 2. Create a small task force to work with Governor's Office and USDOT staff in Washington to secure new and additional funding for rural road priority projects.
 3. The NCDOT should collaborate with the N.C. Railroad and the state's railroads in maximizing the assets of the railroad to enhance rural economic development. NCDOT should immediately begin negotiations with Norfolk Southern for use of its line from Salisbury to Asheville for passenger service, as a means of boosting tourism and economic development in the Advantage West region. The NCDOT should work with the economic development community to aggressively market its Rail Industrial Access Program as a means of spurring economic development.

INFRASTRUCTURE

"In the past, investments in roads and electricity literally brought rural North Carolina out of the mud and into the light. Now we must reverse decades of under-investment in that same kind of basic infrastructure to allow our rural communities to meet the demands of the next century head on."

-- Tom Lambeth, Task Force member

Physical infrastructure and amenities – highways, housing, water and sewer facilities, gas and electric generators, cultural institutions – form the basic foundation upon which businesses and communities are built. They are crucial in attracting and keeping the employees that enable businesses to grow and communities to thrive.

In a very basic sense, economic development is the product of an unspoken and informal agreement between business and industry and the public sector. If government builds and maintains public projects, the private sector will produce goods and services and jobs. The more responsibly government performs its task, the more attractive the location will be and the more likely businesses will start up, relocate, or expand here. If government fails to address both the day to day management of and budgeting for this public infrastructure, the area eventually will become less and less attractive for both business and residential development and the economy will decline.

A History of Under-investment

Unfortunately, a long history of under-investment in basic infrastructure has left our state's rural communities at a growing competitive disadvantage. Many rural North Carolina communities face over-taxed water and sewer treatment plants, a lack of affordable housing coupled with a deteriorating housing stock, and roads and rails that are inadequate for the quick and efficient access that new businesses require. Each is an obstacle to the communities' ability to undertake desperately-needed development initiatives and to improve the health and quality of life of their citizens.

In an economy in which most goods are transported by truck, good quality highways are a fundamental requirement of competitiveness. Without adequate sewage treatment plant capacity, existing businesses are constrained and new businesses must seek other sites. The lack of adequate housing makes it difficult for rural communities to attract new businesses or expand existing ones that need quality housing for their employees. Without sufficient housing opportunities, many rural communities find it increasingly difficult to recruit new teachers and other professionals that they need, or to make room for the next generation of young families that ensure the communities' vitality.

Not Falling Further Behind

Because infrastructure investments are so central to the process of economic revitalization, many states and communities are rededicating themselves to restoring and enhancing these public amenities. However, while rural leaders across North Carolina recognize the need for

increased infrastructure investment in key areas, traditional sources of revenue to meet those needs are declining. Keeping our rural communities from falling further behind will thus require both careful planning and creative thinking on financing. We believe North Carolina should immediately make infrastructure investments in four critical areas: water and sewer, housing, highways, and railways.

WATER AND SEWER NEEDS

"You can't dance if you can't flush."
 -- Sen. John Kerr, Goldsboro

Goal: Improve citizen health, economic development opportunities, and environmental quality by expanding and upgrading water and sewer facilities in rural communities.

As Senator John Kerr reminded us at our September meeting in Kenansville, when a community runs out of water and sewer capacity, it stagnates. Clean water for drinking, for irrigation, to support industry and to ensure environmental quality is a cornerstone of present and future rural prosperity. No family in North Carolina should have to endure the health risks and inconvenience of outhouses or straight pipes that carry raw sewage into neighborhood creeks where their children play, but many rural families still do. The state's distressed areas shouldn't continue to lose desperately-needed jobs because they lack the water and sewer capacity to accommodate growth, but many rural areas still do. The state's rivers and marine estuaries shouldn't be compromised by contaminated runoff, threatening the livelihoods of those who depend on farming, fisheries, and tourism, but many rivers and estuaries still are.

Without the means to provide safe drinking water and adequate disposal of wastewater, communities cannot safeguard the health of their citizens or provide a suitable environment for needed development. For many communities in the state's rural counties, the need for improvements to water and sewer systems is a matter of survival. According to a recent comprehensive assessment by the N.C. Rural Economic Development Center, these rural communities have close to \$9.5 billion dollars of unmet water and sewer needs. Their problems include deteriorating lines, inflow and infiltration in sewer systems, and a lack of excess plant capacity to meet state requirements or to permit planning for growth. We are still number one among states in outhouses.

Upgrades are Overdue

The Rural Center survey found that:

- More than 50% of the state's water systems are more than 40 years old;
- Only 6% have made major line repairs since the original installation;
- 75% of those surveyed have no excess capacity to handle additional water needs;
- More than 72% of those surveyed say their sewer systems have no excess capacity.

For the most part, rural counties are unable to afford the expensive costs of providing water and sewer services at an affordable cost to our citizens and business. Where there is no water and sewer, growth will not exist.

-- Jerry Ayscue, Vance County Manager

The challenge of operating and maintaining water and sewer systems can easily overwhelm many of our state's small, rural communities. At the same time that regulations increase and enforcement tightens, funding is either difficult to find or, once found, is difficult for the community to access. Over the past decade, loans have replaced outright grants for water and sewer improvements; however, many communities are "loan ineligible."

In order to meet the demands of a quickly changing economic and regulatory environment, small communities need assistance in planning for their water and sewer infrastructure needs. Small communities also need a stable source of funding.

In recognition of the unmet water and sewer infrastructure needs across the state, the 1998 Critical Needs Bond Act was enacted as an important first step in providing funds to communities in need. However, the demand for these funds outstripped supply by a ratio of two to one in the first round of applications. Many rural communities, which had hoped to be able to use these bond funds, will not be able to make critically needed improvements. An ongoing and dependable source of funds for water and sewer improvements is needed to fill this gap.

Recommendation #1: The state should authorize an additional \$1 billion in water and sewer bonds, to enable communities that are currently unable to serve the needs of their citizens a chance to grow. For rural communities unable to afford matching funds to build additional capacity, the state should waive local matching fund requirements.

- ❖ *Cost and payfor: To service bond debt, approximately \$7.5 million first year in General Fund revenues; \$65 million year two; \$100 million years three through five, then declining.*
- ❖ *Timeline: Three year phase-in.*
- ❖ *Responsible: N.C. Rural Economic Development Center.*

HOUSING

"Affordable housing for families living and working in rural counties is a critical need, second only to education and a good job. If we are going to grow, there's a fundamental requirement: We need more affordable housing, and what housing we have needs to be better."

-- Bob Jordan, Task Force member

Goal: Expand the availability of affordable housing in rural North Carolina.

Even before the devastating effects of Hurricane Floyd, the North Carolina Housing Finance Agency estimated that almost 200,000 rural low-income families had a housing problem. Rural housing needs fall into two major areas: affordability (families paying more than 30% of their income for housing) and inadequate quality. To address these issues, a strategic investment of public funds is needed to leverage private capital that can build new, affordable housing on a broader scale.

The North Carolina Housing Trust Fund was created by the N.C. General Assembly in 1987 and is the only resource – state, federal, or private – that invests in the state’s full range of housing needs. The Trust Fund is only used for direct aid to families – the N.C. Housing Finance Agency pays all administrative costs – and helps provide lower payment assistance for first-time homebuyers, pay for repair needs of the elderly and disabled, and facilitate rental housing loans for the elderly and those with special needs.

Loan programs are designed and overseen by a thirteen-member Housing Partnership Board that has extensive rural representation. The Trust Fund has leveraged five dollars of total development for each \$1 of public investment. Of the \$228 million in new real estate development the Fund has financed, 63% has benefited rural counties.

Differences in housing needs among rural communities require the flexible investment strategies that the Fund has been able to provide. The Trust Fund needs more funding to have an impact of greater scale on rural housing availability and conditions. On average, the General Assembly has appropriated \$3 million each year to the Trust Fund since 1986. The General Fund appropriation for FY 1999-2000 was increased to \$9 million. The Task Force recommends that we increase that appropriation by 67% in the coming year, to \$15 million.

Recommendation #2: Boost the Housing Trust fund by an additional \$6 million dollars over appropriations for the 1999-2000 fiscal year, to \$15 million.

- ❖ *Cost: \$6 million in addition to the FY 1999-2000 appropriation from the General Fund. The increased amount should be targeted specifically to housing needs in Tier One, Two and Three counties.*
- ❖ *Timeline: Begin within 90 days of approval of funding*
- ❖ *Responsible: N.C. Housing Finance Agency.*

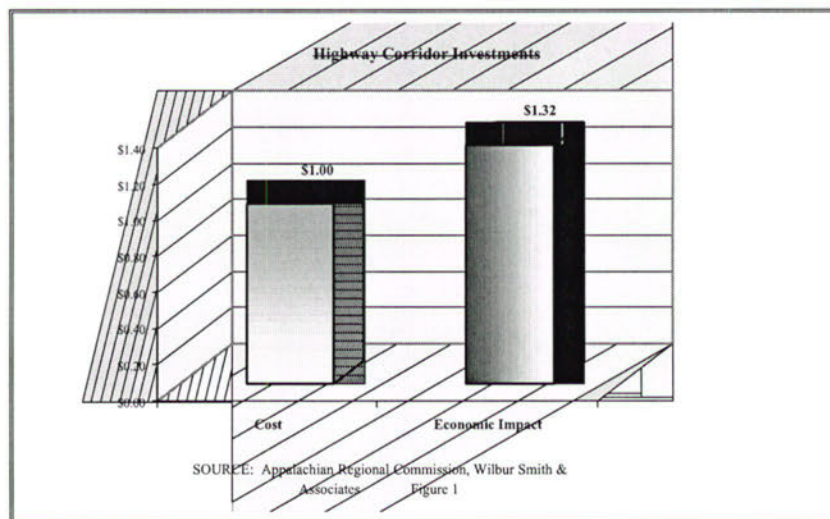
HIGHWAY CORRIDORS

“When people are looking at starting a business, expanding it, or moving it, highway transportation is one of their biggest concerns. If we have it, we have a chance. Sometimes if we don’t have it, we’re not even in the game.”

-- Gordon Myers, Task Force member

Goal: Improve rural communities by increasing access to multi-lane highways and railways.

The continued economic development of the state's rural areas will depend heavily on a reliable and efficient highway system. Major highway routes play an important role in providing safe and efficient access to rural communities. Providing funds for completion of the intrastate highway system will improve the ability of people and goods to move into, out of and around rural communities, thereby enhancing the potential for increased economic development and an improved quality of life for rural residents. While construction costs are high, highways are an investment that delivers significant returns. According to a study done for the Appalachian Regional Commission, each \$1.00 invested in highway corridors returned \$1.32 in economic impacts, such as growth in jobs, wages, population, and value-added production.



When businesses decide where to locate or expand, the ability to move people and goods efficiently remains a fundamental requirement. For example, manufacturing firms typically make site location decisions based on a list of criteria that are weighted by importance to the project in question. Transportation access is consistently one of the top criteria due to new manufacturing processes that require just-in-time deliveries and integrated manufacturing groups. In addition to moving products, companies are also concerned about employee traffic during shift changes. Simply put, firms are driven by finding the most cost-effective and trouble-free location.

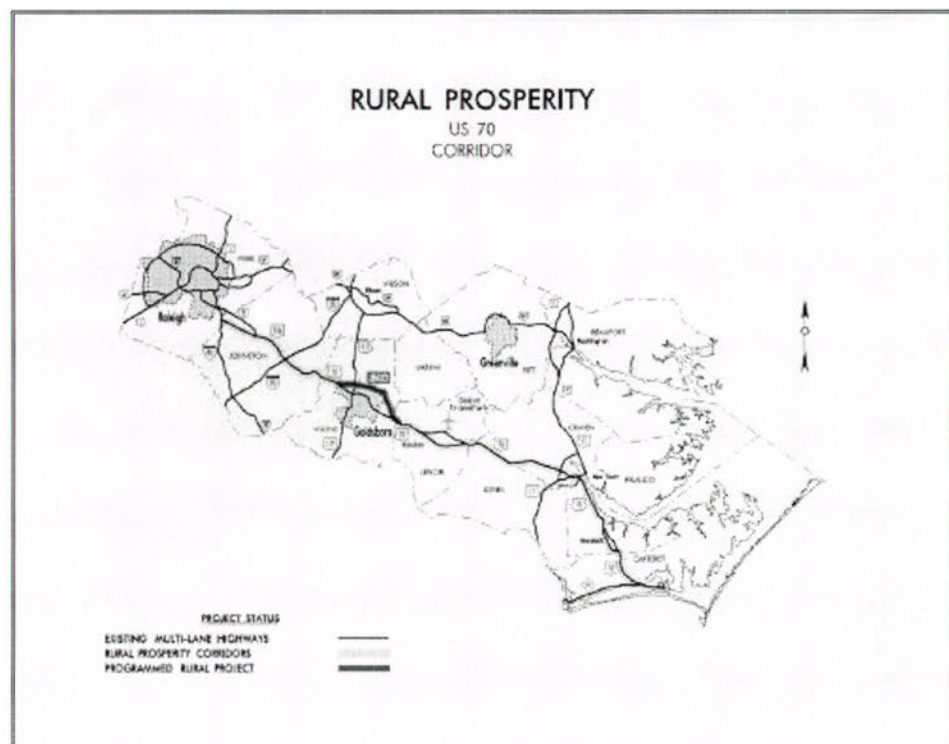
"We have over 100 stoplights between Raleigh and the State Port of Morehead City, and no stoplights from Raleigh to California! How's that for effective movement of goods and services?"
-- Leigh McNairy, Task Force member

An upgraded and expanded transportation system is not only necessary for commerce, it is also a vital link for those living in small communities. Better roads make it possible for rural residents to travel more easily, which in turn opens up expanded access to new training, better jobs, more education, and improved health care and child care services. Upgrading North Carolina's labor force will only be possible if workers can travel to education and training opportunities and get to their jobs.

While the Task Force would like to include the completion of all unfinished sections of rural highways as one of its primary goals, financial realities make this impossible. A more comprehensive list of rural highway priorities is included in our list of additional recommendations. We encourage the N.C. Department of Transportation (NCDOT) to review all these projects and give them priority in the future as funds become available. For now we recommend three specific projects.

Recommendation #3: Give priority to completion of improvements to projects along three critical rural highway corridors: Highway 70, Highway 17, and Highway 19E.

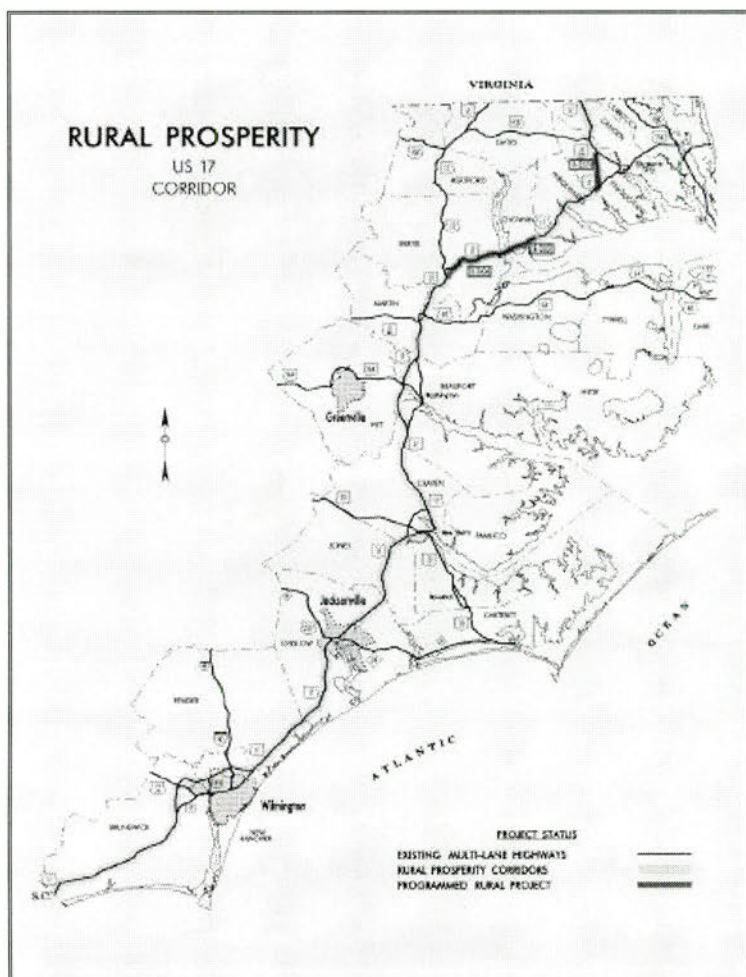
The Task Force selected three highway corridor segments as its top priority because of their strategic importance for rural economic development. As priority number one, the Task Force recommends the Goldsboro Bypass along U.S. Highway 70 (TIP number R-2554).



SOURCE: NC Department of Transportation

The Goldsboro Bypass will open up the middle part of the state to the benefits of Interstate 95 and Interstate 40, links that have increased in importance since the devastation brought by Hurricane Floyd. The Goldsboro Bypass runs from west of NC 581 to east of State Road

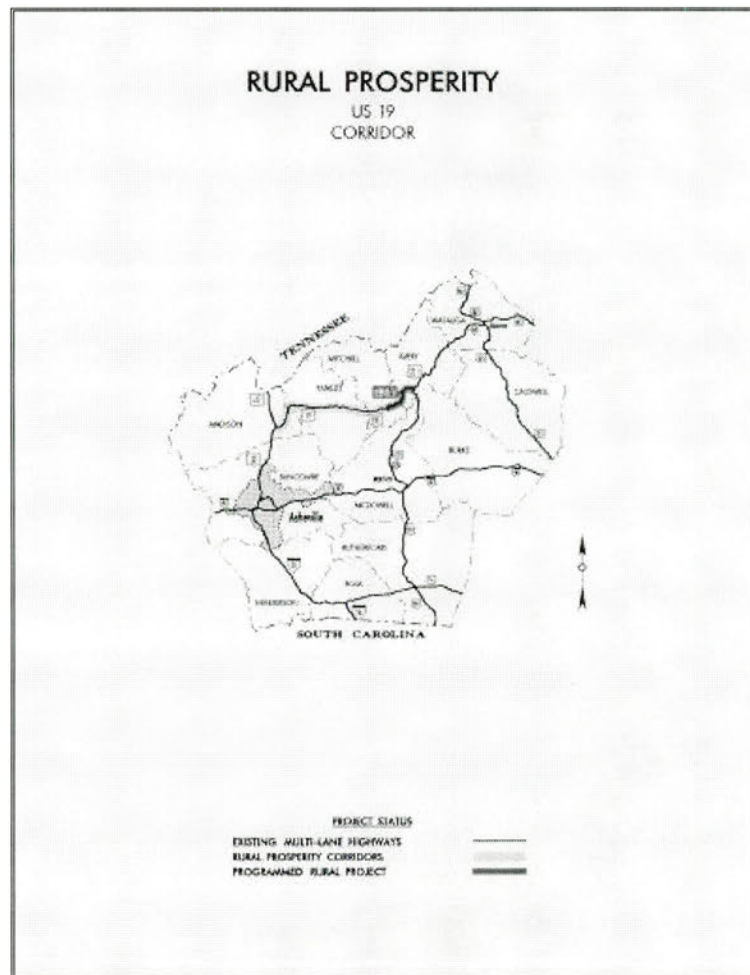
1323 in Lenoir County. This project connects the North Carolina Global TransPark to U.S. Highway 117, a controlled access freeway, that will when completed connect to Interstate 95. The link between North Carolina's Global TransPark and I-95 will greatly facilitate transportation into and out of our state facility, and will significantly boost the TransPark's potential for significant economic impact for the entire state. The Goldsboro Bypass is part of the entire US-70 corridor. When the entire US 70 corridor is completed, the corridor will provide a "no stoplight" access to the interstates, will provide a safe evacuation route, will provide better access for increased tourism and will provide better connectivity for our military bases. The US 70 corridor is also the only east-west connector to the North Carolina Port at Morehead City.



SOURCE: NC Department of Transportation

The next highest priority project we recommend is a segment of U.S. Highway 17 that runs through Bertie County from south of Windsor to west of the Chowan River (TIP number R-2404). Highway 17 connects eastern North Carolina from border to border, north to south, and links this part of the east to Interstate 40 and U.S. Highway 70. It builds a bridge between our northern counties and the markets of Norfolk, Virginia and our southern counties and the markets of Myrtle Beach. It also links several of the east's major cities – Jacksonville, Wilmington, and New Bern – to each other, thereby connecting all of eastern

North Carolina to the port of Wilmington. With the completion of segment R-2404 and the pending completion of two highway segments close to the Virginia border (R-2512 and R-2515A), the northeastern citizens of the state will have four lane highway access all the way to Raleigh or the Virginia border.



SOURCE: NC Department of Transportation

The third highway segment given high priority by the Task Force is a segment of U.S. Highway 19E that will make a tremendous difference in linking together key parts of western North Carolina. Highway 19E will give Mitchell, Yancey, and Avery counties access to Tennessee markets. It will also link these three counties to Interstate Highway 26 and the southern part of both western North Carolina and South Carolina. Completion of all of Highway 19E will make an important difference in helping communities in the western part of the state overcome the isolation they often experience due to their challenging geography. It will open up a new level of economic development opportunities in the region, including spurring new growth in the tourism industry.

- ❖ *Cost and payfor:* If recommendation #4 is implemented, additional funding per year for six years needed to build each of these projects would be: Highway 70's Goldsboro Bypass: \$30.1 million per year; U.S. 17 in Bertie County: \$2.6 million per year; Highway 19E in Mitchell, Yancey and Avery counties

(TIP segment R-2520): \$7.6 million per year. If recommendation #4 is not adopted, DOT should seek to ensure completion in 6-10 years. We recommend exploring four funding sources:

- 1) Reallocation of existing highway funds;*
- 2) Constructing one rural toll road on a trial basis;*
- 3) Searching for additional federal funds;*
- 4) Looking to new revenue sources, including gas tax and vehicle registration surcharges.*

❖ *Timeline: All funding would be provided to ensure completion in 6-10 years*

❖ *Responsible: NCDOT.*

Recommendation # 4: Speed the completion of rural highway corridors by instituting a six-year building requirement.

Increased funding alone cannot increase the speed of construction. The NCDOT should require construction time of highways be accelerated to save money and help economic development corridors become a reality sooner. Currently, highway projects can take as long as eleven years to complete. The Task Force recommends a six-year building requirement.

❖ *Cost: Should be no net cost; possible savings due to increased speed of construction*

❖ *Timeline: Recommend NCDOT board continue discussions of this change and implement immediately*

❖ *Responsible: NCDOT.*

Recommendation # 5: Create a small task force to work with the Governor and U.S. Department of Transportation staff in Washington to secure new and additional funding for rural road priority projects.

Currently, North Carolina would benefit from having aggressive representation working in a consistent way in Washington to secure federal sources of highway funds. A small task force would work with members of the Governor's Office and USDOT staff to advocate specifically for securing new and additional funding for rural counties.

❖ *Cost: \$125,000 per year for three years.*

❖ *Timeline: Immediate.*

❖ *Responsible: N.C. Governor's Office and others.*

RAIL TRANSPORTATION

Recommendation #6: Maximize the assets of the state's railroads to enhance rural economic development through increased collaboration between the N.C. Department of Transportation, the N.C. Railroad and the state's railroads.

The North Carolina Railroad (NCRR) and the NCDOT should study and implement changes that will improve the speed and efficiency of service on the existing NCRR system. In addition, the NCRR and NCDOT should aggressively continue discussions with the

appropriate freight railroads to negotiate access for passenger rail improvements to eastern and western parts of the state. The infrastructure improvements required for passenger rail operations will also benefit freight operations and will provide new commercial and tourism economic development opportunities in rural North Carolina.

The NCDOT completed a feasibility study in 1993 that assessed the extension of passenger rail service from Salisbury to Asheville. The results of the study indicated that Asheville is the most requested destination for Amtrak passenger service in the United States not currently serviced by rail. The study concluded that implementation of service to Asheville, passing through seven western North Carolina counties en route, would be beneficial and would serve a population base of more than one million people.

The NCDOT has already purchased equipment for this service and has set aside funds for the upgrading of railroad stations en route to Asheville. The Task Force encourages the NCDOT to immediately begin negotiations with Norfolk Southern for the use of this line for passenger service as a means of boosting tourism and economic development.

The NCDOT Rail Industrial Access Program provides partial funding for constructing rail spurs for new industries or expansions of industries that require rail freight service. A modest \$1 million annual program has proven critical in expanding private investment in rural areas and to have produced a significant number of new jobs. The NCDOT should work with the economic development community to aggressively market this program, and if necessary, report to the General Assembly on additional funds required to expand this program.

- ❖ *Cost: None; NCDOT has already purchased equipment for this service and funds have been appropriated for improvements of this route; NCDOT's Rail Industrial Access Program is established and may have potential to be expanded.*
- ❖ *Timeline: Immediate.*
- ❖ *Responsible: NCDOT.*

CONCLUSIONS

Infrastructure investments don't make rural prosperity happen; they make it *possible* for rural prosperity to happen. We need to invest now to enable rural North Carolina communities to have the opportunities they deserve.

VI. BUILDING COMMUNITY CAPACITY SUMMARY

Many rural communities have good ideas about what need to be done to strengthen their communities, but struggle to launch and sustain projects that will produce real returns – financial, social, civic, educational and environmental – for all their citizens, whether they are black, white, Native American, Latino or Asian, young or old, wealthy or poor.

Goal: *Create an initiative designed to boost leadership in rural communities, improve their ability to design and carry out community development projects and find funding to help with implementation.*

Launch the Sustainable Communities Initiative targeted to distressed communities that will have three major components:

1. Create the Civic Enterprise Planning and Support Program (CEPSP), a one-stop center for communities working on multi-dimensional community development problems incubated in the Rural Economic Development Center. Communities could come to the center for advice and technical assistance from a variety of existing organizations in undertaking projects.
2. Create the Civic Ventures Fund (CVF) to provide a dedicated source of grant money available on a competitive basis to help implement community projects developed locally or regionally that address multiple, integrated issues, result in sustainable enterprises and communities, and can demonstrate a clear return on investment, including civic, economic, social, environmental and educational returns. Both the CEPSP and CVF would initially be in the Rural Economic Development Center, then could be relocated to the Rural Redevelopment Authority.
3. Boost leadership training through a Leadership Opportunities Fund, providing needs-based scholarships to existing and future rural civic leaders who wish to participate in a wide variety of leadership development programs to enhance their skills in implementing collaborative community development initiatives.

COMMUNITY CAPACITY BUILDING AND LEADERSHIP DEVELOPMENT

"Leadership emerges through people coming together in their communities to work toward a common purpose."

-- David Dodson, President, MDC, Inc., Task Force member

North Carolina's rural communities face a range of critical issues that demand urgent attention, defy easy solution, and have both direct and indirect effects on rural prosperity. These issues, including the need to improve education, adapt to rapid changes in the local and regional economy, prepare and retrain the workforce, continue sustainable economic development, preserve environmental quality, and adapt to increasing population diversity, will shape the lives of all citizens in the state. The specific solutions to these issues will be most effective when they are local and regional, developed from within, and tailored to each community. The ability of rural communities to address these issues successfully will determine whether they build on their considerable current strengths or lose ground in the future.

Bringing More People to the Table

In each regional meeting held by the Task Force, rural citizens spoke of the importance of building the capacity of their community and its leadership to do collaborative problem-solving and project implementation well. Others expressed the need to develop new, young leaders to ensure that their community institutions would remain vital in the future. Successful community development depends on a community's ability to marshal knowledge of best practices and mobilize broad-based leadership toward clear outcomes that benefit the whole population. Many rural communities struggle to launch and sustain community development ventures that produce real returns - financial, social, civic, educational, environmental - for all of their citizens.

A Variety of Obstacles

"Government initiatives will not be enough to close the urban/rural prosperity gap. Realization of that goal will require an invigorated commitment from the public/private/civic partnership that empowers our increasingly diverse community."

-- Parks Helms, Mecklenburg County Commission chair

North Carolina has a strong collection of organizations - governmental, academic, nonprofit, private - that in various ways can help build the capacity of rural communities. Over the past ten years, these organizations have worked hard to build these capacities for leadership and development with promising results. However, the investments have been too few and too small. In addition, communities wishing to undertake new initiatives need assistance in a variety of areas, including:

- Finding appropriate technical assistance and how to use it most effectively. This is especially true in cases where communities are undertaking projects that require several types of expertise, for example a youth job training program that focuses on environmental cleanup.

- Working collaboratively with a variety of local stakeholders, especially groups that may have been less involved in the past.
- Identifying and securing financial resources to engage such technical assistance and to get projects underway, even if there is a clear idea of their needs.
- Communities need help assessing the real costs and benefits of various approaches to solving current problems.
- Even very successful projects that could serve as models for other communities don't get replicated because of the lack of an effective mechanism to share what has been learned among communities and the broad array of organizations that work with them.
- Few finance mechanisms currently exist to support implementation of projects that target multiple issues, such as heritage tourism development that addresses cultural issues or agriculture-related small business development that addresses social needs.
- Existing and emerging community leaders need greater access to leadership training programs.

Goal: Create an initiative designed to boost leadership in rural communities, improve their ability to design and carry out community development projects and find funding to help with implementation.

To address these problems, we propose a Sustainable Communities Initiative targeted to distressed communities that will have three major components: the Civic Enterprise Planning and Support Program, the Civic Ventures Fund, and the Leadership Opportunities Fund. Each component is described below.

Recommendation #1: Create the Civic Enterprise Planning and Support Program (CEPSP) to enable communities to get help in carrying out community development projects.

"Community leaders will need access to different kinds of help at different times as they develop their problem-solving capacities."

-- Report from MDC to the Z. Smith Reynolds Foundation on "Democratic Community Problem Solving in North Carolina."

The Civic Enterprise Planning and Support Program

The Civic Enterprise Planning and Support Program will offer assistance to communities working on multi-dimensional community development problems. It will be a one-stop center to which communities come, get help diagnosing the community development help they need, and get matched up with a resource team of technical assistants from a variety of sources. The CEPSP will draw on the existing skills of a wide variety of organizations that work to build capacity for community development, creating a networked pool of technical resources for community development planning and projects. Its design is an outgrowth of the work undertaken by MDC over the past year with the support of the Z. Smith Reynolds Foundation.

The CEPSP will assist communities in a variety of critical ways:

- Access to North Carolina's capacity building and community economic development resources in an efficient manner, without having to wander from group to group. The CEPSP would function as a clearinghouse, linking communities directly with a wide array of technical assistance providers (private organizations, public agencies, universities, community colleges and others) offering services in a broad range of interests (leadership training, collaboration, civic engagement, community development, workforce training, youth development, agriculture, heritage/eco-/agri-tourism, historic preservation, environmental restoration, brownfield development, and alternative wastewater treatment, to name a few).
- Facilitating community development strategic planning, drawing on the functional expertise of a broad range of technical assistance providers. For example, if the community wished to focus on agricultural value-added production and workforce development, the CEPSP could put together a "resource team" composed of the Cooperative Extension Service, Rural Advancement Foundation International, and MDC. If the community wished to consider creating a community development corporation and developing entrepreneurial programs, the CEPSP might match them with a resource team composed of the CDC Association, the closest community college's Small Business Center, and REAL Enterprises.

Formalizing leadership development to ensure that future leadership and community capacity is built in the process of planning and problem-solving. The technical assistance offered would include focused help on how to work across lines of sector, race, and position; team building; and the development of effective decision-making structures and institutions for community development. Ongoing assistance to strengthen and broaden local and regional leadership would also be available through the CEPSP.

Below is an example of the process a community would undergo in accessing the resources of the CEPSP:

Step 1: A small town wants to develop a project to create good jobs while protecting the assets that will support the historic and natural resources that will support the expansion of its local heritage tourism industry. The challenge that leaders have identified crosses disciplines and sectors and is beyond the focus of any single technical assistance provider.

Step 2: The community approaches the CEPSP for assistance.

Step 3: The CEPSP helps the community develop an approach for how it can move forward to solve its challenge and identifies specific types of technical assistance it needs to identify and implement a solution.

Step 4: In collaboration with the community, the CEPSP pulls together a resource team to provide technical assistance. The CEPSP helps the community apply for funding and develop a contract for services with the technical assistance providers. The community receives better help than they could from a solo practitioner.

Step 5: The town develops a collaborative community enterprise plan with the assistance of the resource team.

Step 6: At the end of the planning period, the community has a workable plan and is now ready to submit a proposal to the Civic Venture Fund or to look elsewhere for startup funds.

Another function of the CEPSP will be to learn what works best in building community capacity and sharing that learning throughout North Carolina. To that end, the CEPSP may also launch “demonstration” initiatives and invite communities to engage in collaborative community development planning processes, with the goal of finding ways to reach different sorts of communities in different parts of the state. An ongoing approach to research, assessment and dissemination of ideas should be built into the functions of the CEPSP.

- ❖ *Cost and payfor: \$3 million per year recurring, to include: planning grants and technical assistance, costs to assemble the advisory board, work with the advisory board to develop program guidelines, and identify the team to lead the program; and staff costs to run and administer the final program. Apply for funding through the Golden L.E.A.F. Foundation and seek other program-related investments from other sources.*
- ❖ *Timeline: Within six months of funding.*
- ❖ *Responsible: N.C. Rural Economic Development Center.*

Recommendation #2: Create the Civic Ventures Fund (CVF) to ensure that rural groups have a dedicated source of grant money available for community development projects that will generate a positive return on investment.

“We need to be creative about investing in our most challenged communities. No matter how small, inexperienced, or difficult the circumstances, North Carolina’s rural folks have shown time and again that they can work together to solve complex problems. We need to provide communities access to the resources they need to move forward and help themselves.”

-- Mikki Sager, N.C. Representative of The Conservation Fund, Task Force member

The Civic Ventures Fund

The Civic Ventures Fund will provide a dedicated source of grant monies to implement community development projects that can demonstrate a clear positive return on investment, broadly defined as investments that have civic, economic, social, environmental, or educational returns. The CVF will have a set of guidelines for soliciting proposals and making grants that is consistent with its unique purpose of fostering inclusive planning processes and sustainable communities.

Upon submission of a locally developed plan, CVF funding will be made available through a grants process to projects that: a) are developed locally or regionally by a broad-based, diverse team of community members and/or groups; b) address multiple, integrated issues; and c) result in sustainable enterprises and/or communities. Examples might include funds to:

- Create a mini-loan fund for a youth farming enterprise program.
- Establish a farmers’ market that integrates downtown revitalization with entrepreneurial development and niche crop sales.
- Start a regional day care referral service.
- Start or expand a pilot bio-manufacturing worker training program.

- Clean-up environmental contamination in an abandoned mill and create a technology-based small business incubator and affordable senior housing.
- Preserve historic or unique buildings or lands to provide the infrastructure for heritage tourism development.
- Establish an e-commerce based crafts cooperative linked to an Individual Development Account (IDA) program.

Examples of allowable project activities include, but are not limited to: purchase or lease of real property; capital improvements; purchase of equipment or furnishings; consulting services; operating expenses; travel; workshops; and education.

- ❖ *Cost and payfor:* \$6.65 million per year recurring, to cover grants and all administrative costs; apply for funding through the Golden L.E.A.F. Foundation or other sources. This funding would be supplemented with grants, program-related investments, and low interest loans from foundations, corporations and other private and public sources.
- ❖ *Timeline:* Within six months of funding.
- ❖ *Responsible:* N.C. Rural Economic Development Center.

Recommendation #3: Create the Leadership Opportunities Fund (LOF) to ensure that rural citizens get the skills they need to implement community development initiatives.

"What we need is not just money. We need to find ways to work together better to do what we know we need to do."

-- David Williams, resident of Midway Park in Onslow County

The Leadership Opportunities Fund

The Leadership Opportunities Fund will provide need-based scholarships to existing and future civic leaders who wish to participate in a wide variety of leadership development programs. These leadership development programs will provide the skills these participants need to implement collaborative community development initiatives. The availability of scholarship funds will be widely marketed through public and private entities to ensure development of new and emerging leadership, as well as the strengthening of existing leadership (individuals, agencies, and organizations). A concerted outreach effort will be undertaken to encourage young people to apply for and benefit from these scholarships.

Initially, the North Carolina Rural Economic Development Center (REDC) will be the catalyst to launch the Sustainable Communities Initiative. In this regard, the first responsibility of the REDC will be to convene an advisory board that will then determine a process for the creation, implementation, and ongoing management of the Civic Entrepreneurship Planning and Support Program, the Civic Ventures Fund, and the Leadership Opportunities Fund.

Suggested members of such an advisory board include public and private providers of community development assistance and representatives of groups that are potential users of the CEPSP, the CVF, and the LOF. Current work being done by MDC for the Z. Smith Reynolds Foundation should be a guide for how the CEPSP will work. The advisory board will be responsible for follow-

up oversight of all three programs, including an annual review, evaluation and report on financial status, use of funds, program outcomes, returns-on-investment and other criteria to be determined. The oversight and management of the Leadership Opportunities Fund will remain with the REDC. Each of the three programs will be set up to be able to accept new sources of funds, such as those from private foundations, business, public agencies, individual investors, etc., and will be encouraged to do so.

If deemed desirable by the advisory board, both the CVF and CEPSP can be “spun off” from the Rural Economic Development Center and do not need to reside there permanently. In particular, the Task Force recommends that the advisory board consider whether the Rural Redevelopment Authority, once it is operating, might be an appropriate place to house either the Civic Ventures Fund or the Community Enterprise Planning and Support Program on a more permanent basis.

If the advisory board did decide to move the Civic Ventures Fund to the Rural Redevelopment Authority, the Task Force recommends that the CVF be a completely separate fund under the RRA and that the CVF possess its own advisory board and set of funding criteria. The Task Force also recommends on-going collaboration between the CEPSP and the CVF, to maximize coordination of benefits to rural communities. The oversight and management of the Leadership Opportunities Fund will remain with the REDC.

- ❖ *Cost and payfor:* \$350,000 per year recurring for scholarship funds and annual administrative costs; apply for funding through Golden L.E.A.F Foundation and seek other program-related investments.
- ❖ *Timeline:* Program design complete within six months of securing funding.
- ❖ *Responsible:* N.C. Rural Economic Development Center.

CONCLUSIONS

For rural North Carolina to achieve true economic prosperity, citizens must make a new commitment to work together collaboratively to create the new solutions needed. These tools can help, but the success of these efforts hinges on the amount of time, energy and creativity communities are willing to devote to shaping their future.

VII. SUPPORT FOR FLOOD-IMPACTED COUNTIES

"We just need so much help, it's hard for even me to comprehend. It just added misery to misery."

-- Kenneth Jones, Task Force member

"Before, we talked about improving highways or ports to enhance competitiveness. But this is no longer a matter of trying to identify sectors of the economy that can be strengthened. Now, we're talking about rebuilding communities from the bottom up."

-- Jim Johnson, Task Force member

The Task Force voted to endorse the report of the New East Working Group, chaired by Tom Lambeth, and to forward those recommendations to the Governor, President Pro-Tem and Speaker of the House for their consideration. We have done that. The report contains five guiding principles the Task Force believes the Governor and General Assembly should consider in their efforts to help with the long-term rebuilding of Eastern North Carolina:

- Communities should play an active role in development and implementation of solutions.
- Farmers, people seeking affordable housing, small business leaders and local governments need specific forms of short term help to enable them to prepare for long-term recovery.
- Efforts of outside private businesses, philanthropy, government and other groups should be coordinated on a statewide level to ensure maximum impact.
- Eastern communities will need a long-term funding source they can draw on for long-term economic development efforts.
- We must not be content with restoring the East to its former condition. In order for rural North Carolina to become all it needs to be, we must make substantial improvements.

VIII. OTHER STATEMENTS

In addition to the principal recommendations of the group, the Task Force endorsed two other statements:

1. Electric Power

“The NC Rural Prosperity Task Force recognizes the importance of an adequate, reliable and competitively-priced supply of electric power to rural North Carolina, and the impact it can have on our rural communities. We encourage all parties examining the issue of the future of the electric industry in our state to work quickly to make recommendations concerning this issue, keeping in mind the importance of the availability of an adequate, reliable and competitively-priced supply of electric power for our rural communities as these communities work toward increasing their economic development activities.”

2. Changes to William S. Lee Act

“Recognizing that our Task Force has received feedback from rural communities across the state urging changes to the William S. Lee Act, and that five of the seven Economic Development Partnerships have recommended changes to that act, we support the efforts of the North Carolina Department of Commerce to seek additional changes to that Act in the upcoming session of the General Assembly, as an important means of boosting rural economic development.”

OTHER FORMAL PROPOSALS CONSIDERED

INTRODUCTION

During the seven months the Task Force was in place, members traveled cross the state to Bryson City, Columbia, Dobson, Kenansville, Lumberton, Mars Hill, Polkton, Roxboro, and Williamston to solicit ideas on what should be done to help rural communities grow and prosper. We heard from many people, including farmers, school teachers, local officials, young people, small business owners, heads of community colleges, and hundreds of others who took the time to give us their ideas. Each and every one of these persons represents a valuable resource for rural communities and we want to express our appreciation for their concern and creativity.

At the close of this hearing process when we sifted through the many ideas that the public had presented to us, we found that we had collected a rich array of proposals that formed the basis for a rural prosperity agenda for the next decade. Each of these ideas represents an important piece of what needs to be done to improve the quality of life in rural communities. Implementing these proposals can help make the opportunities that are now available to only some of our citizens available to everyone.

In the previous sections of this report, we presented initiatives in six different areas that we believe are critical to give rural communities the resources they need to move forward. These initiatives form the cornerstone of the Task Force recommendations. However, they should be viewed as the initial steps in an ongoing effort to equip rural North Carolina with the tools it needs to prosper.

Following are other proposals submitted to the Task Force for consideration. We urge you to review these as well.

INFRASTRUCTURE

Transportation

The continued economic development of the state's rural areas will depend heavily on a reliable and efficient transportation system. When businesses decide where to locate or expand, the ability to move people and goods efficiently remains a fundamental requirement. North Carolina's transportation system must not only link communities through the intrastate highways, but also through a modernized rail, port, and air transport system.

An upgraded and expanded transportation system is not only necessary for commerce, it is also a vital link for those living in small communities. Better transportation makes it possible for rural residents to travel more easily, which in turn opens up expanded access to jobs, education, health care and child care services. Upgrading North Carolina's labor force will only be possible if workers can travel to new jobs and training opportunities easily.

While the need for transportation improvements is widespread, the specific needs of individual communities and regions vary. Transportation programs must be flexible enough to accommodate this diversity. They must also be designed in ways that encourage local communities to work cooperatively with other communities in their regions to find common solutions to transportation problems that hinder development.

Many rural communities do not have the resources to conduct a comprehensive planning process.

PROPOSAL: Establish and fund a rural transportation and economic development program to implement road, public transportation, rail, and aviation improvements that increase economic development opportunities.

Economic development issues are different for every community. A flexible program designed to address the full range of transportation barriers could provide a strong support for new economic development. Funds for this program should be distributed based on the North Carolina Department of Commerce designation for Economically Distressed Counties, giving priority to counties in Tiers I and II. Funding should also be exempt from the current equity formula used by the Highway Trust Fund, otherwise it will not represent a net new source of funds for rural communities.

❖ *Cost estimate: \$20-30 million per year on an ongoing basis.*

PROPOSAL: Establish and fund a federal/state/local partnership rail freight program to maintain and upgrade branch line track infrastructure in rural areas.

Reliable rail service is essential for retaining and recruiting many middle to large-sized firms. However, the national trend toward heavier, longer freight cars has put the state's branch lines at a disadvantage because their infrastructure cannot accommodate the heavier traffic. In the past, the federal Local Rail Freight Assistance Program has provided the basis for economic growth in small urban and rural areas of North Carolina. However, this program is no longer funded. A replacement program is needed to provide funding for rail improvements. This funding would be a combination of grants, loans, and tax incentives.

❖ *Cost estimate: \$5 to 15 million per year on an ongoing basis.*

PROPOSAL: Establish and fund a rural business aviation program to complete a statewide network of business class airports.

The availability of a modern general aviation airport can determine whether a new industry will locate or expand in area. Many industries will locate only where they can conveniently commute with corporate aircraft. While many of North Carolina's general aviation airports can accommodate corporate aircraft, many cannot due to inadequate runway lengths. A one-time appropriation to bring selected airports up to business jet standards would enhance business opportunities to parts of the state which are currently under-served.

❖ *Cost estimate: \$40 to 60 million one-time expenditure.*

Housing

PROPOSAL: *Expand the 75 percent State Housing Tax Credit to all 85 rural counties.*

In 1999, the North Carolina General Assembly created a state Housing Tax Credit patterned after the successful federal housing credit. The state tax credit adds between 8 and 25 percent more investor equity to the value of the federal credit. The purpose of this additional investor equity is to make it feasible to develop housing with rents that families can afford in rural counties.

Currently, the value of the state housing credit is 75 percent of the federal credit for counties designated as Tier 1 or Tier 2 but only 25 percent for all other counties. In those counties not designated as Tier 1 or Tier 2, the extra investor equity works out to be only about 8 percent, an amount that doesn't allow rents to be lowered enough to serve many rural markets. The state should expand the value of the state housing credit to 75 percent of the federal credit for all 85 rural counties. This will generate \$9.3 million in new private equity each year, will lower the rents on 525 new rural apartments, and will stimulate the construction of 130 new rural apartments each year.

❖ *Cost estimate: \$18.6 million over a five-year period.*

Health Care

Rural communities face a variety of healthcare problems that grow out of their relative poverty and isolation. Among these are limited access to dental care, limited funds for health care services for the indigent, a lack of available physicians and managerial expertise for maintaining small medical practices, and a need to rethink the role of rural hospitals in a changing service environment. Below, we address each of these four issues in turn.

Dental care for Medicaid children and the indigent:

The most pervasive and acute healthcare problem facing the state's rural communities is access to dental care. North Carolina ranks 47th in supply of dentists and the problem is greatly magnified for rural areas by a concentration of dentists in urban areas. Four rural counties have no dentist and 36 counties have no dentists offering services to Medicaid recipients. As a result, only 12.2 percent of North Carolina children ages 1 to 5 eligible for Medicaid use any dental services. Just under 27 percent of Medicaid children ages 6 to 14 are able to use their dental benefit. Although no dental health statistics for the indigent exist, it is assumed that their situation is at least as severe, if not worse. Although a high level of consensus exists among professionals regarding the magnitude and severity of access to dental care, the state has not developed a comprehensive plan to address this issue.

PROPOSAL: *Establish a fund for expanding dental services in rural areas.*

Many rural communities are interested in addressing the problem of limited access to dental care services but need technical assistance to organize their efforts. North Carolina-based foundations are willing to assist these communities but need to trust the viability of proposed projects. A state fund could provide support for technical assistance to rural

dental health projects, matching funds for the creation and expansion of dental health facilities, and funds for repayment of educational loans incurred by dentists agreeing to locate in rural areas and serve needy populations.

- ❖ *Cost estimate: \$1 million for three years through the Office of Rural Health. After that, self-sustaining from fees.*

PROPOSAL: *Expand the number of public health dental hygienists in rural areas.*

Many rural counties have an inadequate number of public health hygienists available to serve the Medicaid and indigent populations. Expanding the number of public health hygienists by thirty over the next three years would significantly improve preventative care for children. The additional hygienists will make it possible for thousands of needy children to receive preventative care in school-based settings, day care centers, Smart Start programs, and Head Start centers.

- ❖ *Cost estimate: \$ 2,100,000 per year for three years, with significant offsets from Medicaid reimbursements.*

Health Care Services for the Indigent

Indigent families are those that lack medical insurance and have incomes less than 200 percent of the poverty level. Compared with urban counties, most rural counties have a higher proportion of indigent and/or frail, elderly citizens at the same time that they have fewer financial resources to provide for their care. Already inadequate service systems are under growing stress as financially strapped rural hospitals and health departments are threatened with severe downsizing in the near future. In addition, the aging of the rural population results in an increasing need for long-term care that further drains rural counties of financial resources. Lacking the financial resources and staff needed to address these problems, rural counties characteristically provide inefficient, less comprehensive care. The result is a sicker population and higher per capita health care costs than in urban counties. New and innovative models for rural indigent care are urgently needed.

PROPOSAL: *Establish several pilot projects in rural counties to increase access to health care services for the indigent.*

Project Access in Buncombe County represents a model for increasing health care services to the indigent. It is a physician-led, highly effective, indigent care model that could be modified to operate in rural areas. Technical and financial support for planning and implementation would come from state and local government.

- ❖ *Cost estimate: \$125,000 per system per year to operate.*

PROPOSAL: *Provide financial incentives for groups of counties to establish multi-county health delivery systems.*

North Carolina has several rural areas that require additional attention. These areas consist of groups of counties that are characterized by low income, isolation, large minority

populations, and a significant lack of resources. Regional, multi-county health delivery facilities for these areas, for example large regional health departments, affiliated hospital systems, and satellite outpatient clinics or large community health centers, should be strongly encouraged by providing financial incentives to assist in the transition. For these poorer counties, regionalization would result in an organized system of indigent health care providing continuity of care, reduced duplication, timely and effective primary care and access to specialists.

❖ *Cost estimate: \$1,320,000 one-time expenditure.*

Recruitment, retention, and training of physicians for rural practices.

Initiatives are needed to expand the number of physicians practicing in rural areas and supplement their training in order to increase the likelihood of their establishing successful practices. While some rural counties have seen the shortage of physicians ease, others continue to struggle with provider recruitment and retention. In addition, rural communities often lack the critical component of good community physician leadership. The Task Force proposes the following two initiatives:

PROPOSAL: Establish rural tracks in North Carolina teaching hospital residency programs for family practice physicians.

Young physicians who intend to practice in rural settings should spend a significant portion of their training with carefully selected mentors in rural communities. In addition, rural track programs should include introductory training in the structure and functions of county government, public health, social services, and population-based medicine to better prepare these physicians for community leadership. The additional cost of such a track should include supplemental income for the participating physicians and some living expenses for the rural track medical residents.

❖ *Cost estimate: \$600,000 per year (based on 25 participating physicians at \$12,000 per year in income supplements and 25 medical residents at \$12,000 per year in living expenses).*

PROPOSAL: Develop new and expand existing community college programs that provide managerial training to small medical practices and clinics.

Many rural clinics have difficulty hiring adequately trained business and managerial personnel and suffer financially as a result. Efficiently run clinics and medical practices provide jobs and can expand their array of services, in addition to providing good medical care. Some of the state's larger community colleges already offer good programs in medical administration and business practices that can be adapted for rural practices with a minimum of change and expense. In other areas that lack this training, new programs are needed. The benefits derived from more efficiently run and stable health providers far outweigh the relatively small costs of such initiatives.

❖ *Cost estimate: \$300,000.*

Rethinking the role of rural hospitals.

Outside competition and changes in Medicare reimbursement threaten the financial future of many rural hospitals. In many cases, the local hospital is the largest employer in the county and is often the sole source of managerial-level leadership in the health care community. While communities view their hospitals in their present form as essential, they must face the challenge that these hospitals will have to change their structure in order to survive. For some, affiliating with a large hospital system can be the key to survival. For others, becoming a Critical Access Hospital will provide the answer since it will allow them to be eligible for cost-based reimbursement at a higher Medicare rate. For these Critical Access Hospitals, the state should change its system of Medicaid payments so that Medicare and Medicaid are operating on the same cost-based reimbursement system.

PROPOSAL: Provide technical assistance and grants for modernization to rural hospitals that are interested in becoming a Critical Access Hospital or affiliating with a larger hospital. Advocate for changes in the Medicaid reimbursement system to make it consistent with that for Medicare.

❖ *Cost estimate: Grants program: \$5 million per year for five years. Medicaid costs: \$500,000 per year, recurring.*

Environment

The health of the environment and the ability of the local economy to create, expand, and attract industry are inextricably tied together. Across the state, natural resources-dependent industries employ close to 700,000 workers. Without a strong economy and the tax base it provides, rural communities may not have the financial resources to support the expansion of the economy while protecting the environment. Without a healthy environment, the economic development potential of a rural community is impaired and may decline. Growth opportunities are impeded by environmental problems such as mountain haze or pollution of waterways. The growth potential of rural communities is highest when economic expansion and environmental protection reinforce each other.

PROPOSAL: Create a North Carolina Sustainable Rural Communities Initiative grant fund.

The grant fund would be used to promote innovative local and regional projects that integrate economic development with environmental concerns. Examples of such projects would include eco-tourism, sustainable agriculture, craft industries that utilize indigenous renewable resources, and recycling and reclamation projects.

❖ *Cost estimate: \$3 million per year for five years.*

PROPOSAL: Create tax and other incentives for companies that clean up brownfields, employ environmental management systems, or recycle.

Tax and other incentives to encourage environmentally responsible business practices will improve the health of the environment. Since the public benefits from a healthier

environment, public funds should underwrite the added costs of implementing such practices.

❖ *Cost estimate: \$3 million per year, ongoing.*

PROPOSAL: *Increase the state's investment in farmland and other conservation lands as a natural trust for future generations; expand the Clean Water Management Trust Fund, the Parks and Recreation Trust Fund, and the Natural Heritage Trust Fund.*

To sustain existing environmental infrastructure and the economic base for environmentally-compatible growth in rural communities, some existing natural resources should be conserved for recreation, hunting, ecosystem health, and cultural resources protection. Farmland and natural protected areas – both public and private – are valuable assets that, along with good education, can attract higher-waged businesses that demand these quality-of-life amenities in a community.

❖ *Cost estimate: \$100 million per year.*

Child Care

Employment in rural North Carolina must be supported through a comprehensive system of early childhood programs. Parents will not be able to enter the workforce and be successful without reliable child care. Comprehensive programs for young children are particularly critical in low-income areas and in communities where schools have not been well supported. In the rural parts of our state, the quality of child care is not as high as in urban areas nor are there as many options open for parents to choose from. Because of the economic situation in many of our rural counties, private child care operators are less likely to pursue business in these counties. This makes the public role more critical in these communities when it comes to creating child care opportunities.

PROPOSAL: *Facilitate the development of new child care programs either through Head Start or Schools of the 21st Century.*

In North Carolina today there are two models for quality comprehensive child care that would be effective in our rural counties – Head Start and the Schools of the 21st Century. The rural communities in our state already use Head Start at a higher rate than the urban counties. Nearly 20% of the children served in rural counties are served by Head Start, while only 12% of the children served in urban counties are served by Head Start. Public sector involvement is necessary to get this essential workforce infrastructure in place in rural areas.

Federal funding is available for both of these programs. Services can be expanded or expedited if some additional state or private dollars are available. Both of these models are quality initiatives and will address both the needs of the parents to support their employment and the needs of the children to make them better prepared for school. Employed parents create tax dollars and school-ready children save tax dollars for rural communities.

Staff time would be required to facilitate this effort. A more complete survey of needs and community planning coordination would be required to make application for these federal

funds. In some counties, the local Smart Start partnership could be a partner in this effort – providing staff support for the planning stages. However, rural Smart Start partnerships are not well funded and it is not realistic to assume they could fully fund the planning stages but the Smart Start partnership must be an active partner in the process. Local education agencies must also be partners in this effort to get funding and support from the local community.

❖ *Cost estimate: \$5 million/year, recurring.*

EDUCATION AND TRAINING

The Task Force proposes initiatives in three areas: Workforce Education and Training; Improving Rural Schools; and University Resources.

Workforce Education and Training

PROPOSAL: *Create a Workforce Development Scholarship Pool for small firms in Tier 1 and 2 counties.*

This program would:

Use unemployment insurance funds to create a scholarship program for employees of small firms;

Use scholarship funds to pay for Level 1 and Level 2 skills certification for approximately 10,000 employees; and

Use Workforce Investment Act, North Carolina Employment and Training Grant, and Work First funding to support training participation costs for unemployed, underemployed, dislocated workers and welfare recipients.

❖ *Cost estimate: \$3 million per year, recurring.*

PROPOSAL: *Expand entrepreneurship training programs for beginning and larger firms.*

This program will establish a comprehensive range of technical assistance services for all entrepreneurs, from beginners to larger and existing firms needing advanced market, technology, and product development. It will build on the existing array of small business training and technical assistance programs. It aims to provide support to two programs that successfully train rural entrepreneurs: North Carolina REAL and NxLevel.

❖ *Cost estimate: \$2 million per year, recurring.*

PROPOSAL: *Boost the ability of REAL enterprises to create rural entrepreneurship training in high schools and community colleges.*

N.C. REAL (Rural Entrepreneurship through Action Learning) Enterprises is a non-profit organization that partners with community colleges and high schools in North Carolina to implement experiential, hands-on courses in entrepreneurship education. REAL Entrepreneurship, a course currently offered in sixty-one high school and community colleges, guides students through the process of creating businesses of their own design.

Investment in NC REAL Enterprises will result in a number of positive outcomes for rural North Carolina. Youth and adults will become job creators, not just job applicants, and rural communities will become places of greater economic opportunity.

❖ *Cost estimate: \$500,000 per year, recurring.*

Improving Rural Schools

PROPOSAL: *Assist rural schools and community colleges in attracting and retaining high-quality faculty by providing state funding for financial incentives.*

Rural school systems must compete for teachers not only within the state, but also with school districts outside North Carolina. Competition for teachers is so fierce that many school systems feel they must offer salary bonuses to attract qualified applicants. A state fund for teacher recruitment and retention targeted to low-wealth counties would allow rural school systems the means to provide financial incentives, such as salary bonuses and housing subsidies.

❖ *Cost estimate: \$1 to 3 million, based on incentives for 1000 positions of between \$1,000 and \$3,000.*

PROPOSAL: *Support pilot projects to encourage rural counties to adopt the Seamless Educational Highway approach being developed cooperatively by rural public schools, community colleges, and regional universities.*

Leaders from Cumberland/Robeson County Schools, Fayetteville Technical Community College, Robeson Community College, Fayetteville State University, and the University of North Carolina at Pembroke are developing programs to monitor student progress along the Seamless Educational Highway. Continuous learning of knowledge and skills and the acquisition of abilities based upon knowledge and skill learnings is the central thrust of the Seamless Educational Highway Initiative. It makes feasible a seamless path from early childhood education through the university for students.

This initiative would support the two public schools, two community colleges, and two universities previously specified in further developing and implementing the Seamless Educational Highway. Support would include stipends for teams working together to develop materials in four different academic areas, undertake field testing, and provide training for implementation.

❖ *Cost: \$500,000 per year for a three year period.*

University Resources

North Carolina is blessed with a world-class university system that is pledged to undertake outreach that benefits rural communities. In the words of University of North Carolina President Molly Broad, "Applying University resources to address North Carolina's problems is an integral component of UNC's historic three-part mission of teaching, research, and public service to the state. UNC's role in providing educational and public service has grown increasingly important as our citizens adapt to a changing economy, challenging social issues, and the explosion of information and technology that is affecting every element of our society."

PROPOSAL: *Expand the University-School Teacher Education Partnerships program.*

Institutions at the University of North Carolina and partner schools are working in tandem to bring about simultaneous improvement in the schools and teacher education. The goal of the program is to provide ongoing mentoring and flexibly designed and scheduled professional-development programs. It also fosters and expands collaborative efforts involving schools of education, colleges of arts and sciences, and experienced public school teachers to identify, implement, and share "best practices" for improving teacher education.

❖ *Cost: \$5 million per year, ongoing.*

PROPOSAL: *Support the digital conversion of University of North Carolina TV in order to open up new opportunities for delivering educational programs.*

UNC-TV is a technological resource that holds enormous potential for greater service to rural North Carolina. In some parts of the state, UNC-TV is the only North Carolina television station accessible to local viewers. Some forty percent of UNC-TV's programming schedule is now devoted to educational programming and each year thousands of North Carolinians earn college credit through telecourses broadcast over its air.

Currently, planning includes efforts to link the University's advanced internet development with the digital channels of UNC-TV, dramatically expanding both the possibilities for collaboration between UNC-TV and University campuses and the ability to target customized programming into specific regions of the state. The benefits will be enjoyed by generations of North Carolinians.

❖ *Cost: \$66 million one-time investment.*

PROPOSAL: *Encourage the University of North Carolina to create a "one-stop portal" to provide a coordinated point of access to the resources of the UNC system.*

A University-based center could offer web-based portals and other means of access to system-wide resources for economic and community development, technology and communication solutions, infrastructure and transportation analysis and planning, as well as other areas where the University is uniquely equipped such as in medicine, agriculture, environment, and education. While fostering cooperation among UNC campuses, the

center would also promote linkages with the North Carolina Rural Economic Development Center and various state agencies and the state's system of community colleges.

❖ *Cost: Within the scope of current University resources.*

PROPOSAL: *Accelerate technology transfer from the University system to industry and improve the effectiveness of research and development programs.*

Hundreds of millions of dollars of research and development work is undertaken each year in North Carolina's universities and private research organizations. Yet, the level of commercialization activities remains modest and interaction between the centers of research and industry – particularly in rural areas – is limited. The Task Force recommends efforts to accomplish the following:

Through such actions as granting exemptions from the Umstead Act, allow the UNC system greater flexibility in forging partnerships with the public and private sectors to promote economic development such as new regional, knowledge-based industry.

Designate and fund one existing organization to coordinate Technology Development Transfer and Commercialization (TDTC) efforts:

Provide state support for SBIR/STTR grant proposal preparation and matching fund assistance;

Provide state matching funds for university-industry modernization programs;

Establish additional industry-focused matching assistance programs;

Establish a university focused TDTC partnership group and develop programs to increase levels and speed of technology transfer to North Carolina industry;

Provide universities with merit-based, ongoing technology development and commercialization funds;

Encourage licensing technologies to North Carolina companies.

❖ *Cost estimate: \$4 to 6 million per year, recurring.*

❖ *Responsible: N.C. Department of Commerce, UNC System, Board of Science and Technology, N.C. Biotechnology Center, and other technology resources.*

ECONOMIC RESOURCES

Business Development

The promotion of a dynamic and diversified small business and real estate development sector is a crucial component of a rural development strategy. Small firms make rural economies more resilient to change, promote job growth and create wealth. However, rural communities have low population density and are often reliant upon a few dominant industries, making it more difficult for entrepreneurship to flourish in many parts of rural North Carolina.

The ideal environment for fostering innovative small businesses has several key elements: a pool of successful entrepreneurs and technical support professionals; accessible information

on market and technology; community-wide support for small business innovation; and financial and real estate resources to support entrepreneurs.

Rural areas often lack many of these key components. These recommendations are aimed at strengthening the major weaknesses in our rural entrepreneurial environments. Rural areas must take a regional approach to offset the disadvantages of having thin local markets and small business concentrations.

PROPOSAL: Make available a range of equity-like products for rural businesses through several statewide or regional financial institutions.

Capital demand in rural areas is diverse and decentralized, making urban-style venture capital which capitalizes on higher-volume, industry-specific expertise inappropriate. In this proposal, the N.C. Department of Commerce would invest funds in new or existing financial intermediaries that target their investments to rural small businesses. The funds would revolve as investments are repaid to these financial intermediaries. These financial institutions can offer the range of products that rural businesses need, including high-risk debt, mezzanine financing and venture capital.

- ❖ *Cost estimate: \$50 million phased in over 5 years.*
- ❖ *Responsible: N.C. Department of Commerce.*

PROPOSAL: Pursue market/sectoral niche strategies to expand rural economies.

Some sectors of the rural economy and markets are growing or have growth potential given adequate financing and local entrepreneurial talent. Market niches with both ownership and employment rooted in rural areas have good potential for creating a large number of jobs and diversifying rural economies. Such market niches include community facilities (childcare, health care, and supported housing are examples), conservation-based businesses, and franchise development targeted to increasing minority and women-owned firms.

- ❖ *Cost estimate: \$4 million one-time investment.*

PROPOSAL: Modernize rural manufacturing through a comprehensive range of programs and services.

Programs will include:

Industry cluster needs assessments in metals, boat building, textiles, biotech, pulp and paper;
 Firm by firm strategic needs assessments;
 Manufacturing modernization/technology adaptation;
 Market assessments;
 Financial planning assistance;
 E commerce – business to business exchange network.
 Firm-specific education and training assessments and implementation;
 Consultation on leveraging support from business schools, engineering schools, and other public sector resources; and

Executive education and training.

- ❖ *Cost estimate: \$4 to 6 million annually.*
- ❖ *Responsible: N.C. Department of Commerce, SBTDC, IES/MEP.*

Sustain the Growth Potential of Rural High Growth Firms

There are approximately 3,531 high growth firms (including non-manufacturers) in rural North Carolina. These firms now account for most of the net job growth in rural areas of the state. Often, these rapidly growing firms outstrip their human and capital resources and the management /production processes necessary to sustaining growth. As a consequence, they are at risk of failure.

PROPOSAL: *Establish a targeted, comprehensive “building North Carolina’s growth firms” effort.*

Programs will include:

Industry cluster needs assessments in metals, boat building, textiles, biotech, pulp and paper;
 Firm by firm strategic needs assessments;
 Manufacturing modernization/ technology adaptation;
 Market assessments;
 Financial planning assistance;
 E commerce – business to business exchange network.
 Firm-specific education and training assessments and implementation;
 Consultation on leveraging support from business schools, engineering schools, and other public sector resources; and
 Executive education and training.

- ❖ *Cost estimate: \$3 to 5 million annually for three years, then reevaluate need.*
- ❖ *Responsible: N.C. Department of Commerce, SBTDC, IES/ME*

Regional Development

PROPOSAL: *Provide financial resources for the Economic Development Partnerships to undertake a variety of economic development initiatives.*

- ❖ *Cost estimate: \$70 million per year recurring, with \$10 million going to each regional Partnership.*
- ❖ *Responsible: N.C. Department of Commerce and seven Economic Development Partnerships.*

PROPOSAL: *Establish regional small business entrepreneurship councils.*

Entrepreneurship is best learned by example. Promoting successful entrepreneurs and helping emerging small businesses gain access to skills and markets is crucial to fostering rural economic development. This initiative would create two to three regional entrepreneurship councils. The councils will promote successful small business in the media and in civic affairs and create formal networks of small business professionals to encourage more rapid transfer of information and expertise.

- ❖ *Cost estimate: \$750,000 per year, recurring.*

PROPOSAL: *Establish a process of community asset and gap analysis to lay the groundwork for economic development.*

Each rural community is at a different point in the development process and possesses a unique set of assets. This initiative will establish a process of needs assessment using the resources of the Rural Center, the Department of Commerce regional offices, and the regional Economic Development Partnerships. The assessment will include an analysis of existing and potential community leadership, public and private infrastructure services, and the existence and effectiveness of local strategic plans.

- ❖ *Cost estimate: \$550,000 per year, recurring.*
- ❖ *Responsible: N.C. Department of Commerce.*

Incentives

PROPOSAL: *Undertake a comprehensive study of the effectiveness of tax policies and incentives for technology-based economic development.*

Ongoing research is needed to support the development of tax policies and incentives and other tools to support effective rural development and to speed technology development and transfer. Rural prosperity related initiatives must also be evaluated for their impact and effectiveness. Through this initiative, the North Carolina will produce an annual report that will outline findings over the previous year.

- ❖ *Cost estimate: \$250,000 recurring.*
- ❖ *Responsible: N.C. Department of Commerce.*

Tourism

Tourism is a viable economic development strategy for rural communities. Over the last few years, North Carolina's tourism industry has grown rapidly and continues to grow. Expenditures in this sector in 1998 directly supported 187,000 jobs and \$3.4 billion dollars in wages and salaries, representing 5 percent of the total non-agriculture employment in the state.

Developing and expanding tourism in rural communities presents challenges. The travel industry is very competitive and communities must vie for visitors in both neighboring communities and in a national and international arena. Currently, rural communities face a number of obstacles in their desire to develop effective tourism strategies: a limited number of technical experts; limited financial resources; competition between communities; balancing environmental protection with development; lack of strategic planning; and a lack of access to information and data to feed into the planning process.

Despite these challenges, the travel and tourism industry can be an exciting and effective rural economic development tool. To address the need for improved rural tourism development in North Carolina, the Task Force recommends the following three proposals:

PROPOSAL: *Establish a Tourism Technical Assistance Program to assist communities with developing a tourism plan.*

The program will place tourism development specialists in the regional economic development partnership offices. Tourism specialists would work with local, regional, and state agencies to coordinate the efforts of the given region toward creating a regional destination, thus encouraging cooperation between neighboring communities.

- ❖ *Cost estimate: \$1 million, recurring.*
- ❖ *Responsible: N.C. Department of Commerce Division of Community Assistance and Division of Tourism, Film, and Sports Development, along with regional partnerships.*

PROPOSAL: *Provide financial assistance for tourism development in the form of grants, loans, and tax credits.*

Incentives offered will be similar to those currently being used for the recruitment and retention of other industries. Eligible uses for tax credits include infrastructure improvements, investment in a tourism business, historic rehabilitation, cultural property preservation, and job creation. Cash grants and loans will be offered directly to the private investors or the local government sponsoring the project from either the state tourism office or through a joint effort between the state tourism office and the primary economic development organization.

- ❖ *Cost estimate: \$1 million, recurring.*
- ❖ *Responsible: N.C. Department of Commerce.*

PROPOSAL: *Establish a Rural Tourism Marketing Assistance Program.*

This program would provide technical marketing assistance and cooperative marketing dollars to assist rural communities in effectively promoting their tourism product. The fund would be used to market regional destinations and strategically target audiences through appropriate media outlets. Marketing dollars will be tied to completion of a tourism development plan.

- ❖ *Cost estimate: \$2 million, recurring.*
- ❖ *Responsible: N.C. Department of Commerce Division of Tourism, Film, and Sports Development.*

Revisions to the William S. Lee Act

Tax incentives generally work to make a good deal better. Once the fundamental components of a project are addressed—infrastructure, skilled workforce, suitable site, etc.—then tax incentives can become the deciding factor in a company choosing one location over another. Thus, using tax policy to induce economic development in rural communities is an important part of an overall economic development strategy.

Building upon the William S. Lee Tax Credit program, the following tax policy recommendations are offered with respect to making rural North Carolina more competitive for business investment:

Make customer service/call centers eligible for Lee tax credits in Tier 3 counties.

❖ *Cost estimate: \$1.2 million year 2, \$2.4 million year 3, \$3.6 million year 4, \$4.8 million year 5.*

Expand the industries eligible for Lee Tax credits in Tiers 1-2 to include: back-office operations of financial services (insurance, banking, mutual funds); and medical lab testing facilities.

❖ *Cost estimate: \$1.2 million year 2, \$2.4 million year 3, \$3.6 million year 4, \$4.8 million year 5.*

Extend the "carry-forward" period for tax credits based on tier level, with more time allowed for projects in lower tiers based on the amount of investment. i.e. Tiers 1 and 2 over \$25 Million of new investment 10 years, over \$50 Million 15 years, over \$75 Million 20 years; Tier 3 over \$50 Million 10 years etc.

❖ *Cost estimate: \$0.*

Create "Economic Development Districts", to facilitate increased multi-county collaboration on economic development infrastructure needs in rural areas. Some arrangement could be made to permit tax revenue sharing for economic development purposes. The districts would include multiple counties and higher tier counties in the district regardless of their Tier level would be eligible for increased tax credit amounts.

❖ *Cost estimate: \$0.*

Sales Tax - at the state level no sales tax would be collected on projects that exceed set investment levels. For example, Tier One projects over \$50 million would pay no state sales tax on purchases of new Machinery and Equipment or building materials related directly to the expansion. This could be incorporated into the District concept as well. The local counties would be granted authority to waive their sales tax if they choose to do so.

❖ *Cost estimate: \$4.5 million/year, recurring.*

Property Tax - grant local governments the authority to waive property taxes for projects that exceed prescribed thresholds while under construction.

❖ *Cost estimate: \$0.*

Regional Joint Industrial Parks - Allow multiple counties to come together to create a "super industrial park" to serve an "Economic Development District" and permit the sharing of property tax revenues based on some formula to be defined. The idea of regional parks makes more sense than every rural county creating their own park and competing with each other and the world for clients. This could be built around the 7 Regional Partnerships and utilize them to market the "super parks". From a cost standpoint it would be near

impossible to put in place the infrastructure and roads necessary to develop individual parks for each county.

❖ *Cost estimate: \$0.*

Establish “Job Development Fees” in Tier 1-2 counties. These fees generate funding that can be used for economic development purposes by allowing a portion of state individual income taxes withheld to be targeted for certain uses. Used in South Carolina, the incentive allows qualifying companies to utilize a portion of their employees’ personal income tax withholding for eligible project expenses. Funds could be used for training or infrastructure improvements.

❖ *Cost estimate: \$1.8 million, recurring.*

❖ *Benefit: Responsible refinements to our tax policy keep the state competitive in interstate development competition, supports our policy of encouraging rural investment and induces investment by the type of high value industries sought by North Carolina.*

❖ *Responsible: N.C. Department of Commerce*

Regional Revenue Sharing

Economically distressed rural counties often cannot afford to pay for the excess infrastructure capacity that is necessary to recruit new businesses. By working together, however, two or more counties or municipalities could jointly develop infrastructure for an industrial park or other facility to serve a multi-county work force.

Joint financing arrangements for public facilities are authorized through North Carolina’s interlocal cooperation law [G.S. 160A-461]. But according to most legal experts, sharing the tax base increases from such a joint financing arrangement is not permissible under North Carolina’s constitution. Without this authority, there is little incentive for local governments to help finance a facility that is located in another taxing jurisdiction.

A recommendation to permit some form of tax base sharing to promote regional economic development was endorsed by the state Economic Development Board in January 1997; however, this recommendation has not been acted upon to date.

PROPOSAL: Place a constitutional amendment permitting voluntary tax base sharing between two or more local governments for economic development purposes before the voters in November 2000, and enact legislation enabling revenue sharing for economic development purposes if the constitutional amendment is approved by the voters.

We recommend that a detailed study of this issue be prepared as a basis for legislation. This study could also be used to educate voters about potential economic development benefits to the state if such a constitutional amendment is approved. The study should include 1) case studies of other states having tax base sharing programs for economic development, focusing especially on Ohio – a key competitor with North Carolina for development projects, 2) hypothetical scenarios for tax base sharing projects in North Carolina, and 3) recommended legislation for North Carolina.

- ❖ *Cost estimate: The study would cost no more than \$50,000.*
- ❖ *Responsible: The Department of Commerce should take the lead in designing the research proposal, selecting a contractor, and monitoring the study process. Stakeholders including the Association of County Commissioners, League of Municipalities, Economic Developers Association, Regional Partnerships, and others, should be consulted before and during the study process.*

The Department of Commerce should continue to take the lead role until legislation is introduced, after which lobbying efforts would be shared among various stakeholder organizations.

Individual Development Account Program

Individual Development Accounts (IDAs) are a new community development tool designed to help families achieve self-sufficiency via wealth building. IDAs are restricted savings accounts, similar in structure to Individual Retirement Accounts, that can only be used for high return investments, such as purchasing a first home, financing education or job training expenses, or capitalizing a small business. For lower-income account holders, savings are matched on a sliding scale using both public and private funds. IDA demonstrations are typically organized at the local level by community organizations, which provide account holders with basic “economic literacy” education. Accounts are held by local financial institutions.

PROPOSAL: Expand North Carolina’s Individual Development Account (IDA) Program to the 54 rural counties whose residents do not have access to an IDA program.

With leadership from the North Carolina Individual Development Account and Asset-Building Collaborative and active support from state government, North Carolina has taken the lead among the many states that are beginning to invest in IDAs. At present, a total of 17 local IDA demonstration projects covering 30 counties in North Carolina are now in operation. These projects will ultimately provide as many as 500 low-income families with the skills and support necessary to achieve a financially secure future.

Of the 30 counties covered by the state’s existing IDA programs, 21 are rural — based on the North Carolina Rural Economic Development Center’s classification system. Additional funding for homeownership-only IDAs as part of the Governor’s *Next Steps Initiative* should enable 400 families in another 10 rural counties to have access to an IDA program. However, this still means that working poor families in 54 rural North Carolina counties will not have the opportunity to save in an IDA program. By enabling accountholders to invest not only in first homes, but also in post-secondary education or small business start-up, IDAs can be an important economic development tool in poor rural areas which lack economic opportunity. This proposal will fill the gap and enable working poor families in all 85 rural North Carolina counties to participate in an IDA savings program.

- ❖ *Cost estimate: \$2.7 million one-time investment.*

(Full funding of this proposal will require a one-time investment by the state of North Carolina of \$2.7 million. This figure assumes a total of \$50,000 be made available as seed capital to start IDA programs in each of the 54 rural counties not covered by the existing IDA programs. Of the total investment of \$2.7 million, \$2.16 million would be used as the actual savings match for qualified IDA

accountholders and another \$540,000 would be used to provide core operating support to IDA programs. Assuming a match ceiling of \$2000 per account, the \$2.16 million in account matching funds would fund a minimum of 1,080 new IDA accountholders in rural communities).

- ❖ *Responsible: The N.C. Department of Labor and the Department of Commerce's Division of Community Assistance are currently administering pilot IDA programs in North Carolina. Both of these state agencies has the expertise to manage an expansion of its current program, including choosing local organizations (via a competitive process) to operate local programs and supporting these programs with training and technical assistance.*

AGRICULTURE

Agriculture is North Carolina's largest industry. Agriculture, embracing food, fiber and forestry, contributes more than \$46 billion annually to the state's economy. It accounts for nearly one quarter of the state's income and employs 22 percent of the work force.

While the general economic conditions in the state are strong and agriculture overall appears viable, financial stress is mounting in rural areas. Depressed commodity prices, coupled with the devastation of Hurricane Floyd, have left many farmers in debt and questioning their future.

Farmers need immediate assistance in assessing their financial situations in the current agricultural crisis. Trained specialist are needed to work one-on-one advising families of their financial outlook, determining their projected cash-flow, and helping them to make wise management decisions for their future. Choices regarding one's economic viability should be carefully analyzed, and tough decisions made if necessary. Prices are cyclical and will improve, but it may be 18-24 months before large commodity inventories will allow much improvement. Prudent applications of management skills will help farmers maneuver through the current farm crisis.

In a competitive world market, free trade and fair access to markets must be supported both locally and abroad. Trade-distorting practices must be eliminated to allow our farmers equal access. At home, farmers should be provided some relief from excessive taxation through a variety of farmland preservation programs.

As agriculture is such a vital component of our economy, we must continue to support its growth and sustainability. The following proposals will provide detailed actions that, if enacted, will result in a stronger agricultural economy and will enhance prosperity in rural communities.

Transitional Assistance to farmers

PROPOSAL: Provide transitional assistance for farm families

Farm income from tobacco in North Carolina has declined from almost \$1.2 billion in 1997 to under \$800 million in 1999. Tobacco farmers are experiencing near historically low prices

for other commodities in addition to the loss of income due to declining tobacco quotas. Many farmers in eastern North Carolina have experienced huge losses due to flooding. Many farm families in North Carolina will enter 2000 under severe financial distress and face difficult decisions concerning their future in farming. These decisions must consider how to finance current farming operations if they continue to farm, how to evaluate the profitability and financing of new farm enterprises, or even whether to continue farming or consider other business opportunities.

Given the rapid and dramatic change that North Carolina farm families are undergoing and the difficult business decisions they face, additional educational resources and individual assistance are needed in farm financial and business management. This process has already begun with in-service training of county staff. However, even with training, existing county extension staff lack the time, the depth of knowledge and the skills to work effectively with individual farm families. The hiring of six additional farm management specialists by North Carolina State University would provide farm families with essential individual financial analysis and business consultation, as well as additional educational programming in business analysis and planning. Given the prevailing job market, these specialists should be hired on a 3-year contract. The need for continuation of the program would be evaluated at the end of 3 years.

- ❖ *Cost estimate: \$500,000 per year for 3 years for salaries, operating budgets, and educational materials and resources for six additional farm management specialists.*
- ❖ *Benefit: Educational resources in financial analysis and business planning will help North Carolina farm families minimize financial losses and maximize utilization of business resources and opportunities during a very difficult transitional period.*
- ❖ *Timeline: 3 years beginning in 2000. Evaluate need for continuation in 2002.*
- ❖ *Responsible: Department of Agricultural and Resource Economics, North Carolina Cooperative Extension at North Carolina State University.*

Alternative Agricultural Enterprises

PROPOSAL: *Develop alternative agricultural enterprises for farmers.*

The development of profitable alternative agricultural enterprises will allow small farmers to remain in agriculture and provide new jobs for small towns and rural areas. Success of these related initiatives that will produce a new agriculture will require collaboration in planning and implementation by the UNC University System including N.C. State University, the N.C. Biotechnology Center, the Community College System and several state and non-profit agencies.

Several related initiatives should be pursued. Each initiative requires research and development, the establishment of manufacturing and post-harvest handling facilities and/or biomanufacturing facilities and the identification and development of both niche and general markets. These initiatives and timelines are:

Value-Added Agricultural Enterprise Incubator

To design an incubator for agricultural enterprise development a task force of non-profit organization, business and government practitioners should be assembled. This would include representatives from the Departments of Commerce and Agriculture, agricultural entrepreneurs, NCA&TSU and NCSU staff with expertise in marketing and business

development and non-profit organizations such as RAFI-USA, Land Loss Prevention Project, the Center for Community Self-Help and the Institute for Minority Business Development.

The task force would be charged with designing an incubator program which could identify and recruit a stable of resource people who could serve as mentors, integrate services and information for agricultural entrepreneurial development, link to associated services within and outside the state, provide a training and support program for entrepreneurs and recommend a management system for the program.

❖ *Cost estimate for early design phase: \$250,000.*

Value Added Crops and Processing

Transgenic Trees - Knowledge of the genetics of trees, particularly loblolly pine, should make it possible to develop faster-growing trees that produce higher-quality wood.

❖ *Cost estimate: \$2 million annually*

❖ *Timeline: 15+ years*

❖ *Responsible: N.C. Biotechnology Center; N.C. State University*

Farmland Policy

Much of the best farmland in North Carolina is being converted to other uses, e.g., commercial and residential development, and transportation infrastructure. The rate of conversion is enhanced by the current economic depression in agriculture. To maintain a strong agriculture, the agricultural land and economic base need to be protected. Economic and tax incentives along with regulatory cost relief are needed to enable skilled and efficient farmers to continue farming. These incentives include farmland protection programs such as: purchase and leasing of development rights and/or conservation easements, favorable property tax considerations, and significant cost assistance for regulatory compliance.

Benefit: Enable farmers, especially family farms, to continue doing what they know and do best--farming. The family farm is important to the economy, society, integrity and function of the rural community.

Farmland Preservation

N.C. Farmland Preservation Program

Threatened agricultural lands will be identified. Where transfer of property is being contemplated by the owner(s), alternative strategies will be presented to the farm families to enable them to continue to live on the land and use it for agricultural purposes.

❖ *Cost estimate: \$1 million annually*

Voluntary Farmland Preservation Districts Program

The North Carolina General Statutes authorizes local governments to establish voluntary farmland preservation districts by ordinance. Local governments need to be informed about this statutory authority and encouraged to implement these programs on the local level.

- ❖ *Cost estimate: \$1 million annually*
- ❖ *Timeline: Ongoing*
- ❖ *Responsible: N.C. Department of Agriculture; N.C. State University; N.C. A&T State University; Farm organizations; local governments.*

Farmland Preservation Trust Fund

The North Carolina General Assembly established the Farmland Preservation Trust Fund to provide financial assistance for the purchase of agricultural conservation easements. The general public and local governments need to be informed of the availability of this fund to assist in promoting and preserving agricultural production and conservation of land resources. Additional funding of this program will enhance the preservation of farmland and conservation of land resources by providing participating farmers with fair compensation for the granting of conservation easements to local governments.

- ❖ *Cost estimate: A minimum of \$1 million annually.*
- ❖ *Timeline: Ongoing*
- ❖ *Responsible: N.C. Department of Agriculture; N.C. State University; N.C. A&T State University; Farm organizations; local governments.*

Education

The general public needs to be informed about the importance of agriculture to the state. The strength of agriculture in North Carolina is dependent upon the availability and maintenance of good agricultural land and water resources and favorable public policy. Alternatives for protecting agricultural land will be presented and explained. The role of citizens in fostering agricultural land protection will be described.

- ❖ *Cost estimate: None*
- ❖ *Timeline: Ongoing*
- ❖ *Responsible: N.C. Department of Agriculture; N.C. State University; N.C. A&T State University; local governments; Public media; Farm organizations*

Property Tax Incentive

The current land use valuation program for farmland property tax purposes is essential to preserve the agricultural community. This policy needs to be preserved, strengthened and given greater emphasis on at the state and local level. Elimination of this incentive, which is being considered by individual local governments, would be disastrous to many farmers and increase the rate of farmland conversion.

- ❖ *Cost estimate: None*
- ❖ *Timeline: Ongoing*
- ❖ *Responsible: N.C. Department of Revenue; N.C. Department of Agriculture; N.C. State University; N.C. A&T State University; Farm organizations; local governments*

Regulatory Compliance Cost Incentive: Agriculture Cost Share Program

The Agriculture Cost Share Program was established by the General Assembly to provide financial incentives to farmers to implement conservation best management practices and construct conservation structures on their farms. This program began as a pilot program and has been expanded to a statewide program. Although funding of the program has been increased in recent years by the General Assembly, even greater funding will be necessary in

upcoming years to assist farmers with regulatory compliance, environmental stewardship, and efficient farm management. Farmers and the general public need to be greater informed about the benefits of greater funding and participation in this program

- ❖ *Cost estimate: \$1 million minimum increase over existing funding in the state*
- ❖ *Timeline: Ongoing*
- ❖ *Responsible: N.C. Department of Environment and Natural Resources; N.C. Department of Agriculture; N.C. State University; N.C. A&T State University; Farm organizations*

BUILDING LOCAL CAPACITY TO RESPOND TO CHANGE

Many small communities face a variety of issues with which they have little experience. These issues include increasingly complex environmental regulations, the loss of the local economic base, a growing population of dislocated workers, increasing population diversity, and the need for expanded education and economic development opportunities. Communities confronted by a variety of challenges can often address them most effectively at the local level. However, as local issues become more complex, local leaders and organizations must know how to access regional, state, and even national resources to get the technical expertise and funding they need to develop and implement local initiatives.

PROPOSAL: Spread the Small Towns Leadership Initiative.

Currently, the Small Towns Leadership Development Initiative, housed at the Institute of Government at the University of North Carolina at Chapel and working in partnership with Handmade in America, serves a unique niche of working with very small towns. These small towns have populations of under 5000 residents and typically have no paid staff to carry out government functions. Through the Initiative, groups of citizens representing local government, business, and non-profits learn to plan, create, and manage model development efforts. The program has shown promising results where it has been used in western North Carolina. Other regions of the state could benefit from its approach.

An expansion of the program would result in more small towns being equipped with staff to launch local development projects that, in turn, will create stronger local economies. Local leaders, including elected officials, will learn essential leadership skills for planning and managing change.

- ❖ *Cost estimate: \$370,000/year, recurring. Funds would support initial work with six small towns, with four more towns added in each subsequent year.*

PROPOSAL: Challenge existing leadership programs to incorporate an economic development focus, through a mini-grant program.

This initiative would build the capacity of existing leadership training programs to develop a strong, development-focused curriculum. Effective training models that incorporate economic development skill-building would be shared across the state. Not only would effective programs assist the efforts of others, they would also inspire other programs to expand the economic development content of their training. As a result, hundreds of rural citizens, including elected officials, business people, and grassroots leaders, will have a deeper understanding of how economic development works.

- ❖ *Cost estimate: \$150,000 per year for five years. Would provide grants of \$5-10,000 for up to 10 programs per year.*

PROPOSAL: *Establish a targeted training program for elected and appointed officials and local government staff to teach them the skills and knowledge required to influence development.*

Elected officials and their staff would benefit greatly from a program that can equip them with the knowledge required to influence the direction and pace of economic development in their communities. Such a program would help elected officials understand the growth dynamics of their local and regional economies and the most effective approaches to undertaking comprehensive economic development. The program would also build on these leaders' collaboration and partnership-building skills in order to increase their ability to work across town and county lines and with both the private and nonprofit sectors. The program would train up to 300 persons per year.

- ❖ *Cost estimate: \$330,000, recurring, for faculty and administrative support for training and technical assistance.*

PROPOSAL: *Invest in building the capacity of nonprofit institutions that work to connect communities typically left out of mainstream economic development.*

North Carolina has a strong and growing network of development-focused nonprofit organizations that must receive operational support, loans for development projects, and sophisticated technical assistance. These development organizations currently benefit from a thoughtful progression of investment and technical assistance: new and emerging Community Development Corporations (CDCs) receive grants and technical assistance from the Rural Center, while those achieving a higher level of capacity are eligible for assistance from the Community Development Initiative. This stair-step approach to building organizational capacity works well. However, increased funding to these intermediate technical assistance organizations that is systematic and ongoing is needed. The result of this initiative will be a stronger network of local nonprofits that are able to connect rural communities traditionally left out of the economic mainstream to community and economic development projects. These projects will create new jobs and increase the wealth of low-income communities through business and home ownership.

- ❖ *Cost estimate: \$3million/year, recurring.*

PROPOSAL: Undertake a state-sponsored initiative to provide funding and expertise for rural community planning efforts.

This initiative would consist of four parts:

To enhance community planning for growth and development, the state would expand its technical assistance to Tier 1 and Tier 2 counties and municipalities for land use, infrastructure, and economic development planning. Incentive grants would be available to Tier 1 and 2 counties and municipalities not covered by the Coastal Area Management Act (CAMA). These incentive grants could be used to hire in-house professional staff to prepare land use, infrastructure/capital improvement plans, and economic development plans and strategies.

- ❖ *Cost estimate: \$310,000 recurring for five additional planners and support costs for the Division of Community Assistance, and \$483,000 per year for four years (nonrecurring) for local government capacity building matching grants. Federal agencies, especially ARC, HUD, USDA, and EDA are potential funding partners for the capacity building grants.*

The state would provide regional planning grants of \$100,000 for coalitions of three or more counties, one of which must be a Tier 1 or 2 county. Priority for these competitive grants would be given to develop regional water/sewer plans, transportation plans, and large-scale business/industrial site studies and plans. Plans would have to demonstrate environmental sensitivity. Plans would be aligned to the extent possible with those of Regional Partnerships and Councils of Governments.

- ❖ *Cost estimate: \$300,000 per year for four years (nonrecurring) to provide for up to twelve regional plans (three per year) depending on the number of counties within each planning coalition. Again, the federal agencies identified in (1) are potential funding partners.*

Once strategic plans are in place, an additional set of grant funds would be available for rural communities to resolve local issues identified through the planning process.

- ❖ *Cost estimate: \$3 million per year.*

The state would establish a "Small Towns Downtown Revitalization" program and enhance the North Carolina Main Street program to provide architect design assistance services to Main street communities and small towns.

- ❖ *Cost estimate: \$280,000 (recurring) for three community planners, one consulting architect, and operating funds for training, workshops, and publications.*

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-- Leslie Boney

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