

North Carolina Vision 2030 >

A Plan for Accelerating Job Growth and Securing North Carolina's Future

North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina’s Future

North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina’s Future, coordinated by the North Carolina Chamber Foundation, is a forward-thinking plan that provides focused economic development strategies to drive real economic recovery and growth, and create good jobs for North Carolinians.

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Executive Summary

Over the last three decades, North Carolina has positioned itself nationally and internationally as a leading place to live, work and do business. Our state has been lauded as a top place to do business by leading publications, including *Forbes*, *CNBC*, *Chief Executive*, *Bloomberg Businessweek* and many others.

One driving force behind North Carolina's success has been a progressive business community that has dedicated itself to prioritizing education and workforce development, strengthening our competitive business climate, and creating effective economic development strategies and tools that provide for economic vitality and good quality of life. Just because North Carolina is viewed as a leader does not mean we can be complacent. It is as important now as ever to evaluate our current position when it comes to attracting, creating and keeping good jobs; assess areas for improvement and establish a plan to accelerate job growth, provide a secure future for our state, and preserve the quality of life for all North Carolinians.

According to the U.S. Census Bureau, North Carolina's population is expected to grow by 3 million people by 2030. Yet two years after the Great Recession officially ended, the state's unemployment rate remains higher than the national average. Despite these alarming statistics, North Carolina has no long-term strategic plan to produce good jobs.

North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina's Future, coordinated by the North Carolina Chamber Foundation, is a forward-thinking, initiative-driven plan that provides focused economic development strategies to create good jobs for North Carolinians. It is the launch of a comprehensive effort to produce reasonable solutions for the state's most pressing economic challenges and transform North Carolina into a global jobs leader.

Background

North Carolina's jobs crisis did not begin in 2007 with the Great Recession. According to data from Ted Abernathy, executive director of the Southern Growth Policies Board, North Carolina's jobs decline actually began in 1999. Data from the North Carolina Division of Employment Security shows that employment growth in the state from 2000 to 2010 was only 3 percent compared to 19 percent during the prior decade. Additional data from DES shows that between 2000 and 2011, 18 North Carolina counties lost at least 20 percent of their jobs.

County	% Jobs Lost	2011 Jobs	2000 Jobs
■ Alleghany	(-26%)	3,209	4,348
■ Burke	(-25%)	28,180	37,550
■ Caldwell	(-31%)	24,222	35,099
■ Catawba	(-23%)	78,261	101,635
■ Cherokee	(-24%)	7,764	10,275
■ Davidson	(-23%)	39,067	50,448
■ Edgecombe	(-27%)	18,201	24,914
■ Mitchell	(-21%)	5,000	6,342

■ Montgomery	(-29%)	8,472	11,895
■ Person	(-24%)	9,746	12,884
■ Rockingham	(-21%)	26,426	33,534
■ Rutherford	(-29%)	17,715	24,883
■ Scotland	(-34%)	11,937	18,180
■ Surry	(-26%)	277,190	36,515
■ Transylvania	(-20%)	8,178	10,270
■ Vance	(-25%)	14,349	19,067
■ Wilkes	(-24%)	20,883	27,605
■ Yancey	(-25%)	3,667	4,887

Based on Employment Security Data www.ncesc.com, end of year data for 2000 & 2011 for Insured Jobs in the Employment and Wages Data Base

Combine the state's job crisis with projected population growth in the next two decades and it becomes abundantly clear that North Carolina has an urgent need for a future-focused plan to create good jobs – and plenty of them! It is the intent of the North Carolina Chamber Foundation to develop a vision and plan that will make North Carolina globally competitive for good jobs and among the best places in the world to live, work and do business well into the future.

Recommendations

The mission of *North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina's Future* is to drive real economic recovery and growth and create good jobs for North Carolinians. With eyes toward the future, the North Carolina Chamber Foundation proposes a clear and workable “Change Management System for Good Jobs” that includes:

- 1) Long-term focus where policy trumps politics
- 2) A single business agenda with strategic initiatives aimed squarely at job creation
- 3) Clear metrics, transparency and accountability

To be a winner in the global jobs war, North Carolina must strive for excellence in four key areas – “Pillars of a Secure Future.” Bolstering the four pillars is essential to creating good jobs. Within each pillar are several key drivers for robust economic growth along with recommendations for implementation. These four key economic pillars are:

- > Education and Talent Supply (page 15)
- > Competitive Business Climate (page 19)
- > Entrepreneurship and Innovation (page 27)
- > Infrastructure and Growth Leadership (page 30)

While each pillar is separate and unique, no single one should be considered in isolation of the others. Instead, the pillars should be considered together to achieve a strategic regional, national and global competitive advantage for North Carolina in the war for good jobs.

The North Carolina Chamber Foundation is a nonpartisan, business-led, solutions-oriented organization, working in partnership with state business leaders to shape North Carolina's future.

Overview: North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina’s Future

North Carolina is at a crucial juncture. The state needs a plan to win the “global war for good jobs” and it cannot wait (Clifton, 1). *North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina’s Future*, coordinated by the North Carolina Chamber Foundation, is a forward-thinking plan that provides focused economic development strategies to drive real economic recovery and growth, and create good jobs for North Carolinians. It is the launch of a comprehensive effort to produce reasonable solutions for the state’s most pressing economic challenges and make North Carolina a world jobs leader.

Currently, North Carolina has no long-term strategic plan to produce “good jobs” and a more secure future. “A *good* job is a job with a paycheck from an employer and steady work that averages 30+ hours per week,” according to Jim Clifton, chairman and CEO of Gallup, in his recent book *The Coming Jobs War* (2).

It is the intent of the North Carolina Chamber Foundation to develop a vision and plan that will make North Carolina globally competitive for good, quality jobs and among the best places in the world to live, work and do business. The North Carolina Chamber Foundation is a nonpartisan, business-led, solutions-oriented organization, working in partnership with state business leaders to shape North Carolina’s future.

Describing North Carolina’s Jobs Crisis

In the 1990s, it may have been difficult to predict what was to come for one of the fastest-growing states in the country. North Carolina had reshaped its economy during the preceding decades into one of the most dynamic in the nation – widely recognized as strong and growing. The “Dixie Dynamo” it was called. According to the N.C. Division of Employment Security, the state’s employment growth in the 1990s was 19 percent.

Fast forward a decade to the worst recession in a generation. The broad, prolonged economic downturn wreaked havoc on North Carolina’s economy and left the state with persistent unemployment higher than the national average. North Carolina lost more than 330,000 jobs by the time the recession bottomed out in February 2010. And two years after its official end, much of the state still has a jobless rate higher than 10.9 percent. When it comes to jobs growth, everything in North Carolina is growing at half the rate of the country except for construction, which is not growing at all and experienced a 4.5% decline from August 2011 to August 2012, according to data from the U.S. Bureau of Labor Statistics.

Despite the severe blow to North Carolina from the Great Recession, the state’s jobs crisis did not begin in 2007. North Carolina’s jobs decline actually began in 1999. Based on data from the N.C. Division of Employment Security, employment growth in the state from 2000 to 2010 was only 3 percent as compared to 19 percent during the

prior decade. And, according to additional DES data, between 2000 and 2011, 18 North Carolina counties lost at least 20 percent of their jobs.

Yet people continued to pour into the state because of its positive reputation. The labor force increased while the state was losing jobs. This has exacerbated North Carolina's serious unemployment problem – and the people are still coming.

At a time when job creation and quality Gross Domestic Product growth may never have mattered more, North Carolina's GDP is trending downward – down 4.4 percent from 2007 to 2011, according to the U.S. Department of Commerce's Bureau of Economic Analysis. State leaders from all perspectives must unite to reverse this trend, get our economy growing again – really growing – and create good jobs for North Carolinians.

The state's elected leaders play a pivotal role in advancing a vision for North Carolina. Making our state the most competitive place for job growth and retention will require leadership and courage by our elected officials to take on the difficult issues. Setting the policy over the coming legislative sessions will provide North Carolina with the foundation necessary to meet the Vision 2030 objectives and produce the future leaders of our state. Working collaboratively with elected officials is essential to achieving this vision. The state is at a crossroads in the global jobs war and the time for action is now.

Planning from the Future

With a GDP that rivals countries such as Argentina, North Carolina's population is expected to increase by 15 percent by 2020, or another 3 million people by 2030.

Throughout the next 18 years, demand for teachers, clean water, affordable energy, safe roads and other reliable infrastructure will increase significantly, placing additional strains on already-stretched resources. North Carolina's 65+ population is expected to increase by nearly 1 million people during this time, which will drive up the cost and demands of entitlement programs and our rapidly growing health care system.

Couple North Carolina's current jobs crisis with projected population growth and demographic changes and the urgent need for a bold plan that matches the sizable challenges confronting the state becomes clear. To be a winner in the global war for good jobs, North Carolina must plan from the future, envisioning what the state is going to look like in 2030 – its population, talent pool, water and energy supply, roads, traffic load, etc. As business, government, academic and other thought leaders, we must ask ourselves:

- > *“What must happen for North Carolina to be among the most competitive states nationally and globally for good jobs?”*

Then we must do what it takes to succeed.

Change Management System Requires Metrics, Transparency, Accountability

Vision 2030 –A Plan for Accelerating Job Growth and Securing North Carolina’s Future is the plan to drive the jobs changes that North Carolina needs – both near- and long-term. With eyes toward the future, the North Carolina Chamber Foundation proposes a clear and workable “Change Management System for Good Jobs” that includes:

1. Long-term focus where policy trumps politics
2. A single agenda aimed squarely at job creation
3. Clear metrics, transparency and accountability

Key to an effective plan is developing a comprehensive set of metrics and data points that provide real-time indicators of progress – or how North Carolina and its local communities are doing in the global jobs war. Data should include such things as the unemployment rate; fourth-grade reading comprehension; high school and college completion rates; energy, water and other infrastructure demands, average wage rate, percent below the poverty threshold and others. The data should be housed online and powered by a credible strategic partner in data analytics. It should be accessible to citizens, politicians, associations, universities and anyone who has an Internet-enabled device.

In addition to a strategic partner in data analytics, the North Carolina Chamber Foundation will access knowledge from economists, higher-education institutions, think tanks and other thought leaders who provide reliable, knowledge-specific resources applicable to the plan’s mission: to drive real economic recovery and growth and increase the number of good jobs for North Carolinians.

Mission

The mission of *North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina’s Future* is to drive real economic recovery and growth and increase the number of good jobs for North Carolinians. During the next 18 years, the North Carolina Chamber will build upon past efforts and position the state as a leader in the global war for good jobs and investment.

North Carolina Vision 2030 – A Plan for Accelerating Job Growth and Securing North Carolina’s Future will be a comprehensive long-term plan offering data-driven insight on topics including the following:

- > Education
- > Taxes
- > Unemployment insurance
- > Workers’ compensation
- > Health care
- > Energy
- > Water
- > Broadband
- > Transportation
- > Incentives
- > Legal climate
- > Regulatory environment
- > Right-to-work status
- > Government efficiency and effectiveness
- > Venture capital, private equity and capital formation

These factors are essential to North Carolina’s competitiveness today and in the future. To be a world jobs leader, North Carolina must invest in human capital – in its people and their marketable skills, both hard and soft. The state must also develop and maintain a globally competitive business climate with simple, predictable, low tax rates and a flexible, responsive, common-sense regulatory framework that promotes job growth. Additionally, North Carolina must continue to build out sound infrastructure systems to meet the demands of growth and the market, including schools, transportation, water and advanced communications. At all times, the state must promote a culture of innovation, individual risk-taking and entrepreneurship.

North Carolina Vision 2030 Strategic Planning Committee

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Outline of Economic Pillars

To be a winner in the global jobs war, North Carolina must strive for excellence in four key areas – Pillars of a Secure Future. These pillars are nonpartisan and apolitical. The four key economic pillars are:

- > Education and Talent Supply
- > Competitive Business Climate
- > Entrepreneurship and Innovation
- > Infrastructure and Growth Leadership

Bolstering the four pillars is essential to creating good jobs. Within each pillar are several key drivers for robust economic growth. While each pillar is separate and unique, no single one should be considered in isolation of the others. Instead, the pillars of a Secure Future should be considered together to achieve a strategic regional, national and global competitive advantage for North Carolina in the war for good jobs.

Pillar 1: Education and Talent Supply

North Carolina must develop and maintain first-rate, leading education and workforce development systems that are effective, agile, accountable, flexible, and consistently produce a competitive, diverse, world-class workforce. This includes the state's Pre-K program, K-12 public schools, network of state community colleges, state university system and independent colleges and universities.

Pillar 2: Competitive Business Climate

While North Carolina appears near the top of several noteworthy business climate rankings, the state is not creating enough good jobs fast enough to balance the job losses of the last decade and the influx of new people. North Carolina must continually strive to position its business climate competitively to lure investment and keep, attract and grow good jobs for the future.

Pillar 3: Entrepreneurship and Innovation

North Carolina must consistently foster innovation and entrepreneurship that leads to capital formation, investment, employment and good jobs. Creating the culture of innovation and entrepreneurship necessary to be a world-class jobs leader will require a high degree of economic freedom with minimum government interference, regulation and taxes.

Pillar 4: Infrastructure and Growth Leadership

North Carolina must identify ways to invest in the development and maintenance of sound physical infrastructure, including schools, transportation, water and sewer, energy and broadband/advanced communications to meet the demands of growth and the market. While economic development incentives are certainly a less palatable tool for job growth than sufficient, sound infrastructure systems, failing to use them to create jobs when 49 other states are doing so would disadvantage North Carolina.



Pillar 1: Education and Talent Supply

With a rapidly evolving global economy, the race for talent is increasingly competitive. In every industry, employers are asking the same question: How are we going to find, secure, train and retain the best workers? Today's employers are ever more aware of the need for effective education systems at all levels to ensure students are prepared for the 21st-century global marketplace. Education, talent development and talent retention are vital for a secure future, economic growth and good jobs.

North Carolina must develop and maintain strong education and workforce development systems that are effective, agile, accountable, and continually produce a competitive, diverse, world-class workforce. This includes:

- > Effective, innovative public schools (Pre-K, K-12) that graduate students prepared for secondary education and 21st-century jobs to help produce a globally competitive workforce.
- > A strong community college system that works with public schools, the higher education system and North Carolina employers to develop, train and retain a globally competitive workforce.
- > A world-class state university system (public and private) that is demand-driven, responsive to the needs of North Carolina businesses, foster innovation and facilitate entrepreneurship.

North Carolina has education assets that are the envy of many other states – from our nationally recognized community college system to our top-tier public and private research universities. Additionally, following years of gains, our high school graduation rates now top 80 percent and a greater proportion of students master academically rigorous courses leading to the option of further training and education. But this is not nearly enough. The overall pace of education improvement must accelerate in North Carolina to compete globally for good jobs and provide a secure future for North Carolinians.

For example, a recent study by the Annie E. Casey Foundation found that students who do not read at grade level by the end of third grade are four times more likely to not graduate from high school. North Carolina's current End of Grade Test of Reading Comprehension statistics reveal that 39.3 percent of third graders are reading below grade level.

Additionally, projections of labor market demand show that by 2020, 61 percent of all jobs in North Carolina will require some postsecondary education. Currently, only 38 percent of North Carolina's working population has an associate's degree or higher, highlighting a large gap between where we are now as a state and where we need to be in the next decade. We must bridge this gap in order to provide the pipeline of talent that will attract and grow good jobs.

Pre-K, K-12 Strategic Goals

- *North Carolina will lead the nation in children's preparedness in reading and mathematics upon arrival in kindergarten.*
- *All students will leave third grade able to perform at standard in reading and mathematics.*
- *North Carolina will implement an aligned data system to provide evidence for the effectiveness of schools in graduating students with the knowledge, skill and character traits required for success in careers and for a lifetime of learning. The aligned data system will ensure that public funds are used to their maximum benefit in North Carolina's school systems and that financial investments in programs and strategies are aligned with evidence of success.*
- *North Carolina classroom teachers will be the best prepared and most effective in international comparisons.*
- *North Carolina school administrators will be the best prepared and most effective as measured by international comparisons*
- *North Carolina will lead the nation in the use of digital devices to replace textbooks and provide anytime/anywhere access to learning for educators and students.*
- *North Carolina communities will lead in creating portfolios of school options for students, parents and teachers as part of an overall school choice program*
- *Local Boards of Education will align with the goals for performance and accountability set forth by the State Board of Education, the Governor and the North Carolina General Assembly.*
- *North Carolina will offer a world-class workforce development system as measured by: graduation rates; completion rates for industry valued credentials; college completion rates; improved remediation rates among college/university students, and evidence of alignment between education outcomes and labor market demands.*
- *In working to be the most competitive in the world, North Carolina must provide support and professional development for teachers as they implement the internationally benchmarked Common Core State Standards.*

North Carolina is home to one of the finest systems of public higher education in the country. With sixteen campuses and several affiliated institutions serving 220,000 students, the University of North Carolina provides excellent educational opportunities to our citizens. As such, the state allows higher education leaders significant autonomy in management flexibility. This approach works well if you can hire smart people, establish clear expectations and hold them accountable for the results. The state's \$2.5 billion annual investment in the University of North Carolina can be leveraged to accomplish even more for our citizens with an emphasis on preparing students for the workplace, containing costs and rewarding performance. The University of North Carolina can accomplish even more by emphasizing the following areas.

Our university system must better prepare students to succeed in the workplace and in life. The tight job market has sparked a national debate about the value of a college education. Underemployed graduates have questioned whether they are adequately

prepared for the real world as employers are demanding specific skill sets. Closing this gap between the abilities of prospective employees and the needs of their future employers is directly related to our state's economic recovery. We need more graduates versed in areas critical to the economy – such as math and science. A relevant, valuable curriculum will also include practical skills such as the ability to communicate effectively, understand basic finances and demonstrate computer/technological proficiency.

Cost containment should also be a priority for the public university system to protect affordability and access. Tuition and student loans have skyrocketed much faster than the rate of inflation. UNC should increase the use of information technology for online classes, improve space utilization in existing facilities (perhaps even sharing room with community colleges where overlap is possible, such as in the evenings), combine back office services among the campuses, refine procurement processes and curb administrative expenses. Additional revenues could be raised by strengthening private fundraising, commercializing intellectual property from research and offering more continuing education courses for non-traditional students. Some of these cost containment areas have multiple benefits, for example, online learning could allow some students to secure their degree more quickly.

North Carolina should also focus on performance by rewarding faculty members who excel in teaching students and attracting research dollars to the state. Public and private research funding on UNC campuses brings more than \$1 billion annually to North Carolina. Additionally, we should reward university campuses that improve graduation and retention rates by designing clear pathways for students, raising standards for admission and advancing students based on mastering competencies rather than seat time. Incentives could be considered for schools which achieve academic and operational measurements, such as accepting qualified community college transfers, earning clean financial audits and adapting to serve students of different ages and backgrounds.

Additionally, North Carolina has a breadth of outstanding independent colleges and universities. Many of them fulfill critical education needs in rural areas of our state and often target their curricula to specific interests or demographics. North Carolina's independent colleges and universities award nearly one third of the bachelor's degrees in the state, as well as 48 percent of the medical degrees, 62 percent of the law degrees, 37.5 percent of the physical therapy degrees and 56 percent of the pharmacy degrees. As one of the largest private employers in the state, independent colleges and universities are a key strategic partner to ensure that all North Carolinians have the opportunity to advance their education.

Higher Education Strategic Goals

- *Higher education institutions will be better aligned with the business community, producing qualified talent consistent with the career opportunities available.*
- *The UNC system will offer a multitude of online learning opportunities that increase cost effectiveness.*
- *The UNC system will have implemented a performance-based system to reward exceptional teaching, increase the research dollars brought to the state and strongly encourage clear pathways for students.*

North Carolina's world-class community college system plays an integral part in talent development for our state. In fall 2010, the State Board of Community Colleges, working in association with leaders from the North Carolina Association of Community College Presidents and the North Carolina Association of Community College Trustees, endorsed a significant planning initiative to foster guiding goals that will positively impact student success. The North Carolina Chamber supports these efforts and will align measurement of this plan with the SuccessNC initiatives.

The goal of SuccessNC is to facilitate the sharing of best practices, initiate statewide policies to foster student success while removing those that inhibit student success, and develop new performance-based student success measures by 2013, which marks the system's 50th anniversary. North Carolina Vision 2030 will focus on those same measurements through 2030.

Community College Strategic Goals

- *North Carolina will be a global leader in the number of students leaving its community college system with a job-ready credential that can lead to becoming a successful employee or employer in a global economy and provide for better skills, better jobs, better pay and continued educational attainment.*
- *North Carolina will be recognized for student access due to policies and practices that provide increased opportunities for students to enter into and proceed successfully through post-secondary education and training programs.*
- *North Carolina will be a national leader in community college program excellence due to efforts to examine and continually improve rigor, relevance and quality in all academic and training opportunities to ensure that successful completion equates to a competitive position in the workforce or in the attainment of higher educational goals.*
- *North Carolina will be able to reflect from 2010 to see a consistent increase in the percentage of students who transfer, complete credentials or remain continuously enrolled, which will have a tremendous impact on the number of credential completers.*

Pillar 2: Competitive Business Climate

North Carolina continues to appear at the top of several noteworthy business climate rankings, including those by *Forbes*, *CNBC*, *Site Selection* and *Bloomberg BusinessWeek*. While North Carolina's reputation is strong, we must work continuously to fill gaps resulting from the progress of other states and ensure that the facts do nothing but bolster the reputation for years to come.

Additionally, because federal issues and decisions by Congress impact our state's business climate, we must work to control North Carolina's competitiveness from the state level to the extent possible. Focusing on the following areas will give North Carolina businesses a greater competitive edge in both national and global markets.

Tax Policy and Competitiveness

Tax policy is de facto economic development policy and directly impacts North Carolina's ability to attract, retain and create good jobs for working families. Comprehensive reform of North Carolina's tax code has not occurred since the 1930's. As the state has evolved, the policies governing how the state collects taxes have become complicated and outdated. The addition of incentive programs to help attract jobs in the short term have further complicated the landscape and favored new companies over established companies that helped build North Carolina over the past 30 years. It is important to simplify the tax code to reflect the economic and competitive realities of today.

Tax Policy Strategic Goals

To increase its standing in terms of tax climate and be recognized nationally for its competitive, sustainable tax system that stimulates growth and job creation, and does not unduly burden employers, North Carolina must prioritize the following:

- *Tax Competitiveness: To ensure long-term economic growth, North Carolina business taxes should be competitive with the level of state and local business taxes in other states. Additionally, taxes must be competitive on mobile capital investments.*
- *Equity: Taxes should be in line with benefits received and the ability to pay principle should have equity between payers with equivalent rates and between those with different rates.*
- *Efficiency: There must be stability over the economic cycle that provides sufficient built-in, long-run revenue growth without the need for continuous rate changes. This effort must balance the use of income, consumption and property taxes. Economic neutrality that minimizes distortions in economic decisions made by businesses and households is ideal. Neutrality is improved by adopting low-rate, broad-based taxes and applying taxes uniformly to similarly situated taxpayers and transactions.*

- *Simplicity: The system must be understandable and transparent with low compliance costs for taxpayers and administrators to maximize voluntary compliance.*
- *Certainty: There must be predictable tax liabilities with stable tax laws.*

Health Care

North Carolina state government spends an extraordinary amount of time and effort attempting to control health care costs in Medicaid, Health Choice and the State Employees' Health Plan. In North Carolina, health care expenditures under the Medicaid program alone (\$12.9 billion) exceed revenues generated within the state from the agriculture industry (\$9.4 billion). The list of cost-containment efforts goes on and on but includes limiting services and utilization, reducing provider reimbursement rates, prior authorizing selected services for payment, redefining services and provider qualifications and attempting to manage care in other ways.

Each activity may appear to have some short-term impact, but many of these efforts simply shift costs from one area to another, or allow a provider to make up the revenue loss with some other allowable service, resulting in no actual net health care cost reduction. The cost of maintaining government-operated programs is merely a symptom of the larger issue of the high-cost health care delivery system. North Carolina is failing to control health care costs because the state lacks of a coordinated or comprehensive approach that drives value with the measurement of outcomes.

The issue is further complicated by the fact that, as citizens grow older, they utilize increasing amounts of health care services. North Carolina is among the fastest growing states in the nation and its population is aging rapidly. Over the next 20 years, the over-age-65 population is expected to double. The over-age-85 population is expected to increase by 50 percent. With a growing population, the number of disabled individuals who require an increased amount of health care services also grows. These services cost money. If the federal and state governments continue to reduce reimbursement and services to achieve budget reductions and the system does not transition into a more sustainable model, the costs will continue to shift to commercial and private pay if providers are to sustain their operations. The system is in need of an innovative solution to align incentives and coordinate care. A medical home model that serves to align the patients, providers and payers with the resources should be a part of comprehensive reform.

Aside from the burgeoning costs in North Carolina's health care system, the industry is an economic driver in the state. According to Kaiser State Health Facts, more than 10 percent of North Carolina's jobs are in health care. A report from the North Carolina Office of Rural Health and Community Care states that health care providers are among the top five employers in 62 of the state's 100 counties. The *EconPost* reports that health care is the fifth largest segment of the North Carolina economy.

The current health care system continues to grow and compete for revenue and business. It is a major job creator in North Carolina – even throughout the recession, but the truth of the matter is that supporting the health care industry is increasingly unaffordable and cannot be financially sustained by government and participating employers over the long term. Efforts in Washington to better manage the national budget and debt will undoubtedly further complicate the issue as reductions will likely increase the cost-shifting to other payers.

A comprehensive approach is required to achieve affordability and sustainability in health care. For example, simply reducing reimbursement rates might cause providers to opt out which would create access issues. The problem must be viewed holistically and each area addressed comprehensively.

The fundamental question is this:

- > *“How can the health care delivery system be transformed into a model that is affordable and sustainable in the long term, while avoiding change that will destabilize access and quality of care?”*

North Carolina possesses the knowledge, talent and desire to find the solution to this problem and set a new standard for the nation. All invested parties must work together to establish a vision and strategies to achieve this goal or the current system will ultimately be systematically depleted financially.

Health Care Strategic Goals

North Carolina will implement market-driven solutions to rising health care costs for North Carolina employers and employees to help them manage and lower costs. While certainly not limited to this list, an affordable and sustainable health care system for North Carolina must include:

- *A strategy for educating North Carolina residents on the importance of a healthy lifestyle and management of chronic conditions to improve their quality of life while reducing health care costs.*
- *A strategy for establishing greater investment and responsibility for North Carolinians to be more cognizant of the cost of health care.*
- *A strategy for shifting the reimbursement for health care from paying for quantity to paying for quality and outcomes that drive value for patients, payers and providers.*
- *A strategy for eliminating the duplication of costs and efforts in the system by shifting from a silo approach of care to a real system of care that focuses on the entire episode of care.*
- *Clearly identifying the core health care services and prioritizing what is critical to be protected in the system and what is helpful, but not necessarily critical, that may be modified or eliminated from healthcare programs.*

- *Reviewing and evaluating existing laws, rules, regulations and provider reimbursement processes to determine what needs to be changed to achieve an affordable, sustainable health care system.*
- *A strategy for how to manage an aging population and the increased demand for health care and long-term care services.*

The current approach to controlling costs is piecemeal with no real destination in mind. Organizing this effort in a non-political environment with individuals dedicated to establishing a vision and identifying solutions will be the first step in achieving the goal of an affordable and sustainable health care system for North Carolina.

Workers' Compensation

The North Carolina workers' compensation system should return to its original intent, which is to meet the health care needs of injured workers, provide those workers with reasonable compensation for lost wages while injured and return them to work as soon as possible. Worker's compensation insurance is a state-mandated program under which employers are required to purchase policies.

Data from the North Carolina Department of Labor shows North Carolina has the fourth lowest injury rate in the nation and has seen a 45.6 percent decrease since 1999. The significant steps businesses have made to improve worker safety, along with the data to back it up, underscore the necessity of reforms made to North Carolina's outdated workers' compensation system in 2011. House Bill 709 provided the first meaningful reform to the state's worker's compensation system since 1994. Looking ahead, we must continue to strive for the best possible balance between helping injured employees and lowering transactional costs for employers.

Workers' Compensation Strategic Goals

- *North Carolina will be seen as a leader for achieving a fair and balanced way to help injured employees while lowering transaction costs of workers' compensation.*

Tort Reform and Legal Climate

It is hard to separate the legal climate from the business climate, as North Carolina's legal environment greatly impacts the state's competitiveness for jobs, business investment and growth. North Carolina's legal system must be fair and balanced for all parties and ensure the just, speedy and inexpensive determination of every action and proceeding. North Carolina's legal system should not encourage unnecessary litigation that adds costs and prevents employers from creating jobs. North Carolina businesses face growing competition against international competitors that have much lower litigation costs. This is a disadvantage for our businesses in a fiercely competitive

global economy.

For North Carolina businesses to invest and create jobs, North Carolina's civil justice system must be rational, fair and predictable. Employers must be free to innovate and pursue market opportunities without fear of unreasonable exposure to costly lawsuits, while truly injured parties must have full recourse to appropriate measures of justice.

Despite reforms made in 2011, North Carolina is still falling behind compared to other states. A state's legal climate can be a major inducement or deterrent to business investment, growth and job creation. It is an important factor, among several, that businesses consider when making decisions about where to expand existing operations or locate new facilities. North Carolina must continue to improve its legal environment for business and maintain a high-quality judiciary and an adequately funded court system. In its 2012 State Liability Systems Survey, the U.S. Chamber ranked 23rd for Judges' Impartiality and 22nd for Judges' Competence. This data supports the case for careful legal and judicial reforms to enhance the predictability and stability of the business climate.

In the same survey, North Carolina achieved an overall ranking of 20th for the fairness of its litigation environment. Additional factors measured in this survey include:

- > Overall treatment of tort and contract litigation
- > Having and enforcing meaningful venue requirements
- > Treatment of class action suits and mass consolidation suits
- > Damages
- > Timeliness of summary judgment or dismissal

Tort Reform and Legal Climate Strategic Goals

- o *There must be measurable improvements that make North Carolina's legal system faster, fairer and more predictable.*
- o *A focus on improvement in all of these areas will be important as we work to drive our state's ranking from the middle, to the top of the list.*

Regulatory Environment

North Carolina has been inundated with new regulations in the last 10 years. This is specifically in reference to the regulations applied by agencies of state government on business and exclusive of areas of business that are by nature regulated, such as the utility industry.

While business owners want to ensure employees' safety and protect the environment, they find the current regulatory system to be increasingly complex, unwieldy and costly, which hampers compliance and creates time-consuming and expensive barriers to job creation and growth.

A study by Navigant Consulting, LLC, demonstrates that the costs of excessive regulations are considerable. States with the heaviest regulatory burdens are sacrificing opportunities to reduce their unemployment rate and generate new business startups.

The North Carolina business community values the environment and the state's natural resources. A regulatory environment that encourages growth and development is not mutually exclusive of sound environmental protections.

Regulatory Environment Strategic Goals

- *North Carolina will further increase regulatory efficiency that balances job creation and environmental protection by creating a more streamlined and transparent rulemaking process.*

Unemployment Insurance

North Carolina's unemployment insurance system is running an annual deficit of approximately \$470 million. This deficit caused North Carolina to incur more than \$2 billion of debt to the federal government to cover its unemployment insurance benefits. Our state's unemployment insurance debt is the third highest in the country, behind California and New York. Per capita, or per employer, North Carolina's debt is the second highest in the country. Only Nevada's per capita debt is higher.

North Carolina's crushing Unemployment Insurance debt and insolvency hampers economic growth and contributes to the state's high unemployment rate. Ironically, while the UI system was originally designed to get people back to work and keep unemployment low, arguably, it's doing the opposite. People are staying unemployed longer and the jobless rate remains stubbornly above the national average. North Carolina's UI system does a disservice to the unemployed as well as employers. The system desperately needs reform – and a return to its original purpose as a *Reemployment System*.

North Carolina would significantly improve its solvency position by repayment of the debt quickly to avoid future Federal Unemployment Tax Act (FUTA) tax increases on employers and additional interest payments. The lack of action to retire the debt thus far has already resulted in a series of increases in the rates paid by employers under the FUTA. Additionally, the FUTA tax increases triggered under federal law will increase as long as the state continues to have outstanding debt, ultimately reaching \$420 per employee instead of the \$42 per employee due under the base FUTA rates.

North Carolina's benefit system is higher than surrounding states in several areas – average wage replacement rate, maximum number of weeks of benefits, maximum weekly benefit amount and average weekly benefit amount. This puts North Carolina at a significant competitive disadvantage regionally and nationally. The empirical evidence

of the impact unemployment insurance has on the duration of unemployment is extensive, as is evidence that providing incentives for employees to seek new employment can be effective. This underlines the critical need for a robust worker retraining and education system.

Unemployment Insurance Strategic Goals

- *The debt to the federal government must be repaid as quickly as possible and the system restored to a position of solvency, affordability and integrity.*
- *North Carolina should implement a forward-thinking, comprehensive solution to our state's UI crisis that can serve as a national model for other states facing similar problems.*

Right-to-Work Status

A key component of North Carolina's attractive business climate is its longstanding status as a right-to-work (RTW) state. North Carolina has the lowest rate of private-sector union membership in the nation at just 1.5 percent. Its RTW law declares that the right to live includes the right-to-work, which shall not be denied or abridged on account of membership or non-membership in a union.

The case for RTW's economic benefits is overwhelming. Numerous studies show that it can stimulate growth in jobs, wages and per capita personal income while having beneficial consequences for state tax revenues.

Right-to-Work Strategic Goal

- *In order to be as competitive as possible in the site selection process and to enhance the economic prospects of all North Carolinians, we must protect our right-to-work statute.*

Government Efficiency

The recent recession has ushered in a new era of education challenges for North Carolina in the form of plummeting tax collections and huge state budget shortfalls. According to the Pew Center for the States, 37 state budgets are spending at or below 2008 levels and in 2012 the states' collective budget deficits totaled \$95 billion.

Collectively, we face the daunting and urgent problem:

> *"How do we continue to make meaningful strategic investments in education and infrastructure during a time when state revenue has plunged and demand for the most expensive and essential government services has increased?"*

We should conduct the necessary research to identify and eliminate inefficiencies in the state budget that may be draining vital resources away from education and infrastructure in our state.

In other words, in which areas is state spending increasing faster than the overall state budget or economy? Are these areas where the state budget is leaking tax dollars that could be funneled toward improving our public schools, community colleges and universities during the toughest economic times in a generation?

Government Efficiency Strategic Goal

- *In tough economic times state government must do what every North Carolina family and business person has to do – establish spending priorities and then identify and eliminate the leaks that drain scarce dollars away from those priorities.*

Working toward 2030, North Carolina must see continued growth and improvement in all areas related to the cost of doing business to develop and sustain a globally competitive business climate. Each of these issues cannot be resolved just one time, but instead require continuous review, research and oversight.

Pillar 3: Entrepreneurship and Innovation

North Carolina's workforce has experienced immense change over the past generation. Largely, the labor force has been able to adapt in order to compete. Our state has evolved from an economy based on the "Big Three," tobacco, textiles and furniture, to become a leader in technology, pharmaceuticals, finance, food processing and manufacturing.

Today North Carolina is the third leading state in the nation for biotech. It is an excellent example of an area that is well-established and continuously growing in North Carolina, including many small biotech companies that are growing out of our universities' incubator programs. As we move toward 2030, we must continue to provide attention and thought to maintaining North Carolina's position as a top place for biotech while also attracting and becoming a leading place for other industries. The biotech industry should be a model for what is possible when our state gets the right resources aligned and we must apply that approach to other industry segments.

Research on economic growth at the state level suggests that new business formation is an important determinant of growth in both output and employment – perhaps the most important. The U.S. Chamber of Commerce's *Enterprising States Policies that Produce* report states, "Innovation is the key to driving growth and prosperity. Economists estimate that up to 50 percent of annual U.S. GDP growth can be attributed to increases in innovation." The report goes on to explain, "States play a pivotal role in creating the platform for entrepreneurship and innovation through investments in postsecondary education; providing resources, capital and expertise to entrepreneurs; and fostering and coordinating partnerships between business, universities and government."

Policies that Produce identifies six measures to determine top entrepreneurship and innovation states. This plan will utilize those in evaluating progress. They include:

- > Science, technology, engineering and mathematics (STEM) occupation concentration
- > STEM-related job growth
- > Technology-driven businesses as a share of all businesses
- > Academic research and development activity designed to foster technology and innovation transfer to the private sector
- > Birth rate of business establishments
- > Kauffman Foundation Index of Entrepreneurial Activity

In 2012, based on these criteria, North Carolina ranks No. 9 for entrepreneurship and innovation. The reports states: "Known for its Research Triangle Region, North Carolina ranks fifth overall in academic research activity. A strong performer overall, the Tar Heel State lands no worse than 26th in any Innovation and Entrepreneurship measure. The fastest-growing STEM job categories in the state are life scientists (43 percent), social scientists (37 percent) and mathematical scientists (21 percent)." With a positive overall ranking, as we work toward 2030, we can focus our attention on

working to improve the rankings that comprise the overall score thus driving that up as well.

The Small Business and Entrepreneurship Council's 2012 Business Tax Index ranked North Carolina as one of the worst states at No. 38 for entrepreneurship and small businesses. Some of the statistics cited in the report include:

- Personal Income Tax: 7.75%
- Corporate Income Tax: 6.9%
- Corporate Capital Gains: 6.9%
- Sales Tax: 2.97%*

**This number is quoted directly from the report; however, factors from many different areas play into this number, including local sales tax rates.*

Being ranked as one of the worst states for entrepreneurship and small businesses when it comes to tax policy is an obstacle that must be overcome if we want to be seen as a place that is open for new business.

Improving the state's entrepreneurship and small business climate will not occur rapidly without sufficient capital for growing enterprises. Entrenched market forces preserve venture capital and private equity flow into the northeast and specific regions in California across a broad range of sectors and stages. In contrast, North Carolina's venture capital and private equity investment has been limited in both geographic and sector distribution. Both tax and thoughtful incentive policies must be examined to encourage the formation and the flow of capital.

Incentives for capital formation focused on North Carolina entrepreneurs that stop short of dictating the flow of the capital can lead to the formation of capital without intervening in the market. North Carolina must look to other best practices in this area, but not accept any practice whole cloth without considering the unique market dynamics and history of our state economy. Deficit spending should never be employed for capital formation and when incentives are used, they must lever private capital.

Entrepreneurship and Innovation Strategic Goals

- *North Carolina will elevate its entrepreneurship and innovation rankings to be in the top ten rankings in all areas measured by Policies that Produce for Entrepreneurship and Innovation.*
- *North Carolina will have an improved legal climate and rank consistently in the top five states in each of the areas identified by business organizations as key measures for a leading lawsuit climate.*
- *North Carolina will emerge as one of the top states for entrepreneurship and small businesses when it comes to tax policies.*
- *North Carolina will be a top-five state for venture capital, private equity and capital formation. This foundation will be based on improvements in the treatment of this type of investment and policies to promote capital formation*

that do not overly impede upon the free market. This will bolster the opportunity for startups to thrive in North Carolina.

Pillar 4: Infrastructure and Growth Leadership

There are currently more than nine million people living in North Carolina. By 2030, the population is expected to grow to 12 million, making North Carolina the seventh most populated state in the nation. This growth brings many opportunities, but it begs the question: *Are we ready?*

Sufficient physical infrastructure, including transportation, water and sewer, energy and broadband, to meet future demand is required for good jobs and a secure future. Infrastructure investment is a core governmental responsibility. Economic growth, safety and quality of life improvements are interconnected and dependent on investments in infrastructure.

Comprehensive studies have been done to understand the risks, benefits, strengths and weaknesses of public/private partnerships and the state should seriously consider this option as it works through infrastructure opportunities. The private sector can be a solution to those communities that have challenges with maintaining their infrastructure and struggle with environmental compliance and financial challenges. For the private sector, any investment for growth is supported by that growth. They bring their own money to the table and do not depend on tax revenues to support their investments, which is a benefit the customer as cost of capital is recoverable in rates. The private sector is best poised to support economic development projects such as precertification of industrial sites that will attract future employers to North Carolina.

Energy

As the state's demographics continue to evolve, energy will have an increasingly important role in our economy and the daily activities of those living and working in North Carolina. The growing population amplifies our energy needs and necessitates a comprehensive, all-inclusive energy supply strategy.

Developing a comprehensive, all-of-the-above, energy strategy, involving every possible source – renewable energy, solar, wind, geothermal, biomass, natural gas, oil, coal and nuclear – dominates the agenda of many elected leaders in both parties and at each level of government.

North Carolina has the natural resources, skilled workforce and public support to build the best energy sector east of the Mississippi River and an all-of-the-above energy policy has broad-based support among North Carolina businesses. Natural gas research and exploration on and offshore offer North Carolina an opportunity to create lots of good jobs, secure revenue for infrastructure development and help address our nation's dependency on foreign energy sources.

Additionally, according to polling data released by the American Petroleum Institute, 75 percent of North Carolina voters favor more development of U.S. oil and natural gas

resources, and 90 percent believe further development of those domestic resources would provide major benefits including jobs.

An increase in the responsible development of offshore oil and gas resources spurs enormous positive economic impacts across a wide range of industries stretching from coast to coast, including North Carolina. North Carolina has 60 million acres of federal offshore waters – the largest along the Atlantic and the fourth largest in the United States.

According to the North Carolina Sustainable Energy Association, renewable energy sources (including hydropower) only account for 3 percent of the state's total electric power. There is room to expand that percentage between now and 2030.

Energy Strategic Goals

- *Land and offshore permits for energy exploration and hydraulic fracturing should be made available.*
- *North Carolina will be a leader in research on the safe and environmentally conscious methods for the exploration of energy resources.*

Water

One of the most important and challenging issues facing North Carolina in the 21st century is the adequacy of water resources to support expected growth and economic development. Water security affects every sector of society – business and industry, agriculture, local governments and the general public. Among other things, water supply shortages could possibly limit the potential for new and expanded manufacturing and power generation facilities, and engender protracted, expensive and bitter conflicts. Additionally, the current water supply planning does not take into account the significant water demands that agriculture puts on our state's resources. The only way of getting a full picture of the current and future needs is to look at all aspects of water supply planning. It is therefore imperative that the state and affected stakeholders take a proactive approach to ensuring that the state's long-term water supply needs are met. This will involve a combination of regulatory/legal and non-regulatory strategies.

North Carolina's statewide water supply planning efforts revolve around local water supply plans that are updated every five years. This bottom-up approach to planning provides data to prepare a statewide water supply plan that can be adapted to changing socioeconomic and water resource conditions. It is crucial that we assess our water according to the following factors:

Water Strategic Goals

- > Water Supply Planning and Development

- *Implement new techniques to become a leader for storing water, such as aquifer storage and recovery, including mechanisms to develop off-stream reservoirs, such as abandoned quarries.*
 - *Establish a program to preserve potential water storage sites, capturing and reusing storm water for lawn and landscape irrigation and other non-potable purposes.*
 - *Create a program to expand and facilitate the re-use of highly treated wastewater as “reclaimed water.”*
 - *Develop strategies that use the state-of-the-art financial modeling and processes to plan for rainwater treatment, water distribution and waste water treatment that are prepared for the increased demands of growth.*
- > Conservation and Efficiency
- *The cheapest source of “new” water is improved efficiency in water use. Given the expected shortfalls in water supply in the next 50 years, as well as the potential for more near-term disruptions due to drought, North Carolina commits to conservation and efficiency of water use and will seek to be among the national leaders in this regard.*

Broadband

According to the Federal Communications Commission, “The ability to share large amounts of information at ever-greater speeds increases productivity, facilitates commerce and drives innovation. Broadband is changing how we communicate with each other, how and where we work, how we educate our children, and how we entertain ourselves.”

As our state continues to experience significant population growth, it remains imperative that we have the best technology possible to connect with the world. According to the Digital Policy Institute, improved broadband would positively impact North Carolinians in many ways, including:

- > Financial savings
- > Entertainment savings
- > Increased productivity
- > Educational benefits
- > Voice communication
- > Societal participation
- > Informed electorate
- > Healthcare access
- > Public and emergency services
- > Environmental protection

North Carolina was at the forefront of an effort to deregulate the broadband industry. Moving toward this 21st century regulatory and public policy climate has opened the door for incredible innovation in the broadband industry. By allowing for increased

competition, there was significant broadband investment which provides businesses and households in North Carolina with the optimal broadband services at the best possible price. To continue to see growth and innovation in broadband, we must remain committed to providing the most modern regulatory and public policy climate possible.

Due to a statewide effort, the North Carolina Research and Education Network (NCREN) provides high-performance broadband IP connectivity between K-12 schools, community colleges, private and public universities, research and health care institutions, and state and local governments across North Carolina. With the NCREN infrastructure in place, our state no longer faces bandwidth restraints on conducting public service, education, health care and economic development in North Carolina. Additionally, there is the potential to provide affordable broadband to the underserved citizens and businesses in our state. We must continue to recognize and capitalize on these opportunities to maintain a leadership position in this space.

Broadband Strategic Goals

- *North Carolina will be a world leader in connectivity through the use of public-private partnerships to leverage the NCREN to reach the state's underserved citizens and businesses.*

Transportation

North Carolina must find not only comprehensive, long-term solutions to meet the transportation and infrastructure needs that will increase with the projected business and population growth, but also ways to deal with current challenges. Our state has many unfunded and underfunded transportation challenges. Failure to address these will have a detrimental and long-lasting impact on the state's economy, as well as its ability to retain current investments and attract new jobs, new investment and expansions.

In preparing for significant growth, our state's transportation system plays a vital role in economic development, daily commerce and quality of life. Vehicle miles traveled in North Carolina now top 100 billion per year and are projected to increase by 45 percent by 2030, adding immense pressure to the already strained system. Additionally, the state's airports, railways and ports need to be able to facilitate North Carolina's growing transportation and economic development needs.

The North Carolina business community widely recognizes the inextricable link between transportation and business. Transportation has vast financial impacts on our state's companies, small and large – from their ability to manage inventory and cash flow, to business and location modeling, to supply chain performance. Additionally, employees, employers, schools systems, emergency responders and others rely on a transportation system that flows well and allows them to reach their destinations quickly and safely.

Investing in the transportation system is crucial and will yield a significant return on investment as it provides a resource for years to come. If North Carolina fails to address both the short-term and long-term needs, gains made in other business areas will be undermined by the competitive disadvantage we face in transportation.

Numerous studies have been done and execution of key items is necessary, including:

- > Improved Highway Connectivity
 - Protection, expansion and maintenance of the key highway corridors are necessary in order to effectively move goods and commerce in and out of the state.

- > Integrating Freight Needs into Statewide Planning
 - North Carolina should immediately move to establish a State Freight Plan and Freight Advisory Committee in order to increase its competitiveness and freight mobility, as well as take advantage of the National Freight Network set up in MAP-21, the 2012 federal transportation bill. This will help in reducing transportation bottlenecks to improve the reliability and efficiency of freight movement, leading to less congestion, lower infrastructure repairs and lower emissions.

- > Maritime Improvements and Clarification of Needs:
 - First port of call for inbound shipments is critical. Transit times are a critical piece to the supply chain and the Port of Wilmington is too far down the chain compared to other East Coast ports.
 - North Carolina should coordinate with the Department of Homeland Security to improve port operating hours, which would improve service levels, allow for greater competition, and permit increased freight travel at night to improve safety and avoid peak congestion periods.
 - The current maritime tax credit is difficult for companies to earn. Not tying the tax credit to volume increases every year and implementing a simple credit for using the ports system should be considered.
 - Third party coordination should be developed to allow small businesses and companies with similar logistical needs to collaborate in order to target new exports. Businesses will benefit from new marketplaces and the ports can achieve greater efficiencies.

- > Rail Efficiencies
 - North Carolina should work in partnership with the freight rail industry to maximize opportunities to improve efficiencies.

The crux of the transportation discussion is to figure out what it is going to take financially to make North Carolina's infrastructure growth-ready. The 21st Century Transportation Committee, chaired by Blue Cross Blue Shield NC CEO Brad Wilson in 2007, reported that North Carolina needs more than \$65 billion in additional resources

in order to meet current needs and to prepare all aspects of its transportation systems for 2030.

The current maintenance and construction revenue model is a fair and clear form of a user fee. However, with increases in efficiencies in vehicles, use of alternative fuels, political pressures and strain on global oil demand, it is quickly turning into an unreliable and unsustainable revenue stream to meet the ongoing maintenance and construction demands of the largest state-maintained roads system in the nation. North Carolina should consider alternative ways to finance its transportation improvements that benefit the users of the system, including:

- > Public/Private Partnerships
- > Bonds
- > Local/Regional Options
- > Transportation Improvement Use Fee Study

For North Carolina to continue to grow, the state should move forward with transportation funding reform included in any tax modernization discussion. The importance of the transportation network to the economy and growth is undeniable. Therefore, bold and innovative reforms should be considered to maintain and increase our state's competitiveness in this vital area.

Finally, there must be an intergovernmental transportation strategy that increases options for connectivity of major freight and commerce-related movement. An all-inclusive plan must encompass highway connectivity, integrated freight needs, maritime improvements and rail efficiencies into statewide planning. Examples include:

- > Coordination of Foreign Trade Zones (FTZ) and Transportation Planning: FTZs provide manufacturers with relief from inverted tariffs, where an imported input component product carries a higher duty rate than a finished product. This will ensure that businesses that are within, or would like to be within, a FTZ receive the maximum economic benefit.
- > Project Delivery: North Carolina must decrease the time between planning, funding, purchasing and letting of contracts. Initiatives should be launched by the legislature to review how pilot programs, best practices and other measures are working with adjustments recommended if necessary. For example, the NCDOT Merger Process is designed to create greater understanding and mitigate project issues on the front end, to avoid conflicts on the back end.
- > Streamlined Regulations: The state should consider elimination of regulations it controls that are duplicative of federal regulations, antiquated and/or unnecessary for the completion of a project. The goal should be to decrease review times and/or have tools in place to reduce the amount of time a project is being studied. Regulations add cost, time and requirements which will slow down project delivery and increase final cost to the taxpayers. This can be done so that environmental stewardship and economic growth are balanced.

- > Outsourcing to the Private Sector: The legislature should consider reviewing the Department of Transportation to determine where opportunities exist for the private sector to perform at a lower cost and quicker turnaround time.
- > Economic Development Regions: The legislature should review the benefits and risks of aligning transportation funding divisions to economic development regions.
- > Economic Development Incentives: The legislature should review economic incentive contracts to determine projects which included state responsibility and obligations to upgrade a certain road or bridge. Consideration should be given to finalize those projects that are yet to be completed and are needed for support and growth.
- > Expansion of the North Carolina Mobility Fund: Recognizing that some projects are of statewide significance and cannot be paid for by any one NCDOT district's funding allocation, capital should be provided to expand the Mobility Fund for quicker action to address projects of statewide significance and avoid lost opportunity cost.
- > Transparency: Continuing to prioritize projects through a data-driven process allows for the most needed projects to be accomplished in a timely manner. With insufficient transportation dollars to meet current and future needs, this will ensure maximum results.

Transportation Strategic Goals

- *North Carolina will be nationally recognized as a top state for highway connectivity.*
- *North Carolina will have a well-established State Freight Plan and Freight Advisory Committee in order to increase its competitiveness and freight mobility.*
- *North Carolina will have one of the top ports on the East Coast.*
- *North Carolina will have implemented a sustainable funding strategy for transportation.*
- *North Carolina will have an effective intergovernmental transportation strategy that increases options for connectivity of major freight and commerce-related movement.*

Incentives

Globalization has made companies more cost conscious, and the increasing mobility of capital has made it easier for companies to relocate their operations to the locations that treat capital best. These developments have increased interstate and international tax competitiveness. States are responding to these developments with tax changes designed to attract new investment, increase competitiveness and encourage economic growth. Additionally, it is important to create an environment that incentivizes entrepreneurs and the expansion of existing businesses in our state. Examples of these changes include replacing corporate income taxes, lowering business tax rates,

changing state income tax apportionment rules, and expanding targeted employment and investment incentives.

Incentives Strategic Goals

- *North Carolina will have equipped its economic developers with the tools necessary to attract jobs without compromising its existing business community.*

In short, every state is working to create the most competitive business climate possible. With that in mind, it is unrealistic to think that economic incentives to attract new investment and jobs will cease to exist. While economic development incentives are certainly a less palatable tool for jobs growth than sufficient, sound infrastructure systems, failing to use them to create jobs when 49 other states are doing so would disadvantage North Carolina at a time the state and North Carolinians can least afford it.

Shaping North Carolina's Future

As one of the fastest growing states in America, North Carolina is in serious need of a long-term plan to deal with the many challenges and opportunities that come with growth. Through the North Carolina Chamber Foundation, we plan to research, study and propose solutions to many of the challenges our state will face in years to come. The solutions proposed by our foundation will be apolitical, common-sense and emerge as the voice of reason. Put simply, the solutions we put forward will be supported by data and facts, with the goal of being embraced by our elected leaders regardless of which party controls the legislature or the governor's office.

Furthermore, business leaders want and need certainty in order to grow their businesses. Collectively, the North Carolina Chamber is committed to a plan to make North Carolina a world leader in job retention, job creation, business climate and quality of life. The future is too important to leave to chance. North Carolinians deserve a clear path to sustained prosperity.

As the state's largest broad-based business organization, the North Carolina Chamber and its foundation are well-positioned to lead this initiative and plan to work positively, cooperatively, proactively and progressively with the state's elected leaders to achieve this vision.

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