NORTH CAROLINA CENTER FOR
PUBLIC POLICY RESEARCH INC.

NEWS RELEASE

For release on Tuesday, Jan. 13, 1998:
May be broadcast Tuesday a.m. and may appear in Tuesday newspapers.

For more information, call Mike McLaughlin at the N.C. Center at (919) 832-2839.

Rural Areas Still Biggest Challenge in State's Development , N.C. Center Says

North Carolina's biggest problem in economic development of the past two decades will be the biggest problem for the state in the next decade -- rural economic development. That's the message in a new study on economic development released today by the N.C. Center for Public Policy Research.

The Center says the state has reached a "golden age," with growth in the financial services and high tech industries like computer software and telecommunications pushing per capita incomes above the national average in regions such as Charlotte-Mecklenburg and the Research Triangle Park area. Yet the age is not so golden for some rural counties, creating the real threat of dual economies -- a boom economy in urban areas and a bust economy in some but not all rural counties.

The report, published in the Center's magazine, *North Carolina Insight*, found rural areas lagging on six key indicators: lower per capita income, slower population growth, slower job creation, lower education levels, higher poverty rates, and higher rates of substandard housing.

"Well beyond the glitter of Charlotte and techno-whir of the Triangle lie lands like rural Hyde, Warren and Swain counties that are struggling to make ends meet," says Mike McLaughlin, editor of *Insight*. "It's going to take a focused effort by state government to make sure these places don't get left behind."

Indicators of Problems in Rural Economic Development

The Center used the latest available statistics to determine where North Carolina's 65 nonmetropolitan or "rural" counties lagged their metropolitan or "urban" counterparts. Among the findings:

-- Per capita income: Residents of rural counties earned almost \$3,800 less per capita than residents in urban counties, with rural per capita earnings averaging \$17,031 compared to \$20,830 in metro areas.

P.O. BOX 430 RALEIGH, N.C. 27602 (919) 832-2839 FAX (919) 832-2847 http://www.nando.net/insider/nccppr

-- Population: Metropolitan areas added population at nearly twice the rate of nonmetropolitan areas from 1990 to 1996, with urban areas growing by 12 percent and rural areas registering only a 7.3 percent population increase. And all six counties projected to lose population for the entire decade of the 1990s -- Alleghany, Hertford, Hyde, Northampton, Tyrrell, and Washington -- are rural.

-- New jobs. Urban counties added jobs at nearly twice the pace of rural counties from 1990 to 1996, with metro counties registering a 10.9 percent increase in total employment compared to a 5.7 percent gain for nonmetro areas.

In addition, the Center noted three indicators from the 1990 U.S. Census that illustrate the plight of the rural economy: (1) rural areas have a less educated workforce, with fewer high school graduates and barely half the percentage of college graduates as urban areas; (2) rural counties registered much higher poverty rates than urban counties, with 16.5 percent of residents in poverty compared to 11.1 percent in more urbanized areas; and (3) a total of 4.4 percent of rural residents lived in substandard housing units compared to 3.0 percent of urban residents.

"These statistics paint a clear picture of an emerging dual economy," says McLaughlin. "Urban areas may have to worry about killing the economic goose that laid the golden egg, but at least they've got a goose."

Trends in the N.C. Economy

The Center identifies four long-term trends that contribute to the economic woes of rural North Carolina. These are: (1) the trend toward more capital-intensive industry that requires fewer workers; (2) the trend from a predominantly manufacturing-based economy toward one centered more on services and trade; (3) the trend toward larger but more mechanized farming operations; and (4) increased pressure on farms and factories from international competition.

"Rural areas rely more heavily on manufacturing and farming," says McLaughlin. "Many areas don't have the population base to support a service economy, so the stage is set for possible long-term decline in some counties. Workers migrate to where the jobs are, and increasingly, that's to urban North Carolina."

Indeed, the future looks bright for places like Charlotte-Mecklenburg, the Research Triangle, the Triad, and counties adjacent to these areas. Workers in metropolitan areas earned 94.5 percent of the national average of $22,044 per capita in 1994, up from 90.9 percent in 1990. Charlotte is now recognized as the nation's second largest banking center -- behind only New York. Three major league sports franchises now call the state home -- Charlotte's professional football and basketball teams and Raleigh's pro hockey team, with Triad baseball now a possibility too.

North Carolina has been named the top state in the country for industrial location and attracted more industrial expansion than any other state in 1996. In the most recent Index of State Economic Momentum, the state ranks fifth. North Carolina also ranks fifth in a survey of business executives asked where they would choose to relocate their businesses.

Indeed, the economic progress has been such that North Carolina has effectively shed its image as the Rip Van Winkle State, or as the "vale of humility between two mountains of conceit." As political scientist Daniel Elazar puts it, "North Carolina may not have a golden age to look back to, but it does not have to, for its golden age is now."

Some Rural Bright Spots

Despite the gap in economic performance, rural areas have shown progress. North Carolina's nonmetropolitan counties generally have outperformed their peer counties nationwide, and certain rural counties represent true bright spots. In 1994, the state's rural workers earned 79 percent of the national average per capita wage, up from 73.4 percent in 1990. Rural counties nationwide earned 77 percent of the nation's average for all workers in 1994.

Some of the rural counties most likely to prosper are those that have significant geographic features such as beaches or mountains that attract tourists and retirees. Dare County on the coast and Polk County in the west are good examples. Both have bustling tourism trades and are taking advantage of new trends such as heritage tourism and eco- or environmental tourism. Among the players in this field are HandMade in America -- which links several mountain counties on a scenic driving tour of native craft studios -- and the Partnership for the Sounds, which promotes environmental tourism along the coast.

Also thriving are those rural counties adjacent to growing urban areas and those such as Iredell County in the Piedmont and Duplin County in the east with more diversified economies that are large enough to be self-sustaining. "Interstate 40 has finally connected us to the rest of the world," says Woody Brinson, executive director of the Duplin County Economic Development Commission.

The Dilemma for Counties Like Hyde, Warren, and Swain

Yet for every Iredell, Dare, Duplin, or Polk, there is an isolated county like Hyde or Warren in the east or Swain in the west that is performing poorly on almost every economic development measure. Such counties often suffer from lack of infrastructure to support growth -- such as four-lane highways, natural gas lines, and adequate water and sewer facilities. Indeed, some of these counties are going backward. Hyde ranked last in the state in population growth from 1990-95, losing 3.5 percent of its population in that five-year period alone. In 1996, the county unemployment rate averaged 9.6 percent, and according to the latest Census, its poverty rate stands at 24 percent, compared to statewide averages of 4.3 percent and 13.0 percent, respectively.

Hyde County officials are pushing for job-creating economic development. In their view, the county's latest economic development coup was the siting of a state prison that opened in 1997, creating 227 new jobs. Yet the county faces significant obstacles to further growth. For example, most industrial prospects want a four-lane highway; Hyde doesn't have one. Industry also wants natural gas; the lines stop in neighboring Beaufort County. Relocating executives want services and cultural amenities; the closest Hyde has to a symphony is the bird song on Lake Mattamuskeet.

Yet far from throwing in the towel, the county is focusing on its strengths. A 200-acre site at the county air strip is targeted for light industry such as produce-processing plants that prepare fresh fruits and vegetables for market through quick-chill technology. And the county is promoting its isolation as an asset in efforts to attract tourists who want to get away from it all. A further advantage is that as the state's 11th most economically distressed county, Hyde can offer a number of state tax credits for new and expanding industry, including up to $12,500 in credits for each new job created by qualifying firms. To qualify, counties are ranked according to unemployment levels, per capita income, and population growth. The counties then are divided into five tiers, and those counties ranked in the most economically disadvantaged tier -- such as Hyde -- receive the highest tax credits.

Center Recommendations

The Center for Public Policy Research concludes the best solution to the economic woes of rural North Carolina is a broad-based approach. The Center offers five primary strategies for rural areas that want to build a stronger, more diversified economy:

(1) Develop the local work force through whatever means possible. Whether it means strengthening the local community college curriculum, pairing industry with high schools to develop apprenticeship programs, or arranging for on-site customized training, rural counties need to develop better-educated workers.

(2) Build on the strengths that are readily available, including state resources and those within the community. For some counties, this will mean working harder to keep existing industry prosperous and expanding, rather than chasing unlikely industrial prospects. For others, it means selling the positive aspects of a community in hopes of gaining a new industry. Still others may want to focus on existing resources such as the native craft industry promoted by HandMade in America and cultural or environmental treasures that can form the basis for new kinds of tourism.

(3) Press aggressively for infrastructure improvements. Rural communities face an infrastructure deficit that in some cases keeps them from competing effectively for new firms and development. Rural infrastructure needs include broader natural gas availability, stronger telecommunications capability, and water and sewer facilities. The statewide need for water and sewer facilities has been pegged at more than $11 billion by the N.C. Rural Economic Development Center. Legislation calling for a $1 billion statewide bond referendum for water and sewer improvements almost passed the 1997 session of the General Assembly. Supporters hope to revive the issue in the 1998 short session.

(4) Don't be afraid to try something new. For Hyde County, economic development was a new state prison and more aggressive pursuit of tourism and light industry. A new state prison isn't the best strategy for every county, but the point is that sometimes you have to break the mold.

(5) Think regionally. Buying into regionalism may require giving up old county line stubbornness, but the potential payoff is great for rural areas. Rural areas may have to pool their resources to sell the virtues of their particular corner of the state -- whether it be to attract industry, promote an area for tourism, or even solve a practical problem like how to dispose of solid waste. There is strength in numbers, and often rural counties standing alone don't have enough strength.

The Center's research on economic development in North Carolina will be featured in a joint production of "Solutions," a half-hour public affairs program to be broadcast by WTVD-11 Television in Durham. The Center and WTVD are in the second year of a partnership to produce new public affairs programming based on the Center's research. The show will air on Sunday, Jan. 18 at 10 a.m.

The N.C. Center for Public Policy Research is an independent, nonpartisan, nonprofit corporation created to study public issues facing North Carolina and to evaluate state government programs. The Center is supported in part by a grant from the Z. Smith Reynolds Foundation in Winston-Salem, with additional funding coming from 18 private foundations, 190 corporate contributors, and almost 1,000 individual and organizational members. In addition to publishing *North Carolina Insight,* the Center issues book-length research reports and publishes a citizens' guide to the legislature and biennial rankings of legislators' effectiveness. Recent studies by the N.C. Center have examined year-round schools in North Carolina, trends in funding for the arts, and how the state's public universities evaluate and reward excellent teaching.

Copies of the issue of *North Carolina Insight* containing the Center's research on economic development are available for $20, which includes tax, postage, and handling. To order, write the Center at P.O. Box 430, Raleigh, N.C 27602, call (919) 832-2839, fax (919) 832-2847, or order through the Center's Website at http://www.nando.net/insider/nccppr.

*****

For more information on economic development policy issues in North Carolina, contact Mike McLaughlin, editor of *North Carolina Insight*, at (919) 832-2839.

Table 1. Selected Social and Economic Indicators, 1990–96 Comparison of Metro and Nonmetro Counties

	Metro Counties	Nonmetro Counties
Population		
1990	4,379,639	2,252,809
1996	4,904,245	2,418,072
Change 1990–96	+524,606	+165,263
Percent Change 1990–96	+12.0 percent	+7.3 percent
Employment		
1990	2,269,610	1,054,390
1996	2,516,440	1,114,860
Change 1990–96	+246,830	+60,470
Percent Change 1990–96	10.9 percent	5.7 percent
Per Capita Income (PCI)		
1990	$17,407	$14,060
1994*	$20,830	$17,031
PCI Gap (metro PCI 1990:	$ 3,347/person	
minus nonmetro PCI) 1994:*	$ 3,799/person	
Rate of Unemployment, 1996	3.6 percent	6.1 percent

* Latest figures available.

Source: Statistics for North Carolina's 35 metro and 65 nonmetro counties were figured by the N.C. Rural Economic Development Center using county-level data supplied by the Labor Market Information Section, Employment Security Commission of North Carolina.

Table 2. Selected Social Indictors from the 1990 U.S. Census Comparisons of Metro and Nonmetro Counties

	Metro Counties	Nonmetro Counties
Education Attainment (Adult Population)		
Less than nine years of school	10.6 percent	16.6 percent
High school graduates	73.5 percent	63.1 percent
College graduates	20.4 percent	11.6 percent
Persons in Poverty	11.1 percent	16.5 percent
Substandard Housing Units	3.0 percent	4.4 percent

Source: Statistics for North Carolina's 35 metro and 65 nonmetro counties were figured by the N.C. Rural Economic Development Center using 1990 U.S. Census data provided by the Labor Market Information Section, Employment Security Commission of North Carolina.

Table 3. 1997 Rankings of North Carolina Counties by Economic Distress Level (with tiers that determine job creation tax credit eligibility and wage standards that must be met to qualify for the tax credit)

County	Distress Rank	Lowest Eligible Wage**
Tier 1		
Swain	1	$14,474
Richmond	2	$17,601
Graham	3	$14,974
Northampton	4	$17,861
Halifax	5 (tie)	$17,660
Warren	5 (tie)	$14,808
Edgecombe	7	$19,146
Alleghany	8	$15,741
Anson	9 (tie)	$18,696
Hertford	9 (tie)	$16,580
Hyde	11	$11,538
Bertie	12	$15,349
Tyrrell	13	$12,002
Mitchell	14 (tie)	$17,960
Tier 2		
Washington	14 (tie)	$18,605
Robeson	16	$17,222
Montgomery	17	$17,837
Ashe	18	$16,629
Beaufort	19	$19,347
Vance	20	$18,468
Scotland	21	$19,003
Martin	22	$19,257
Onslow	23	$14,443
Bladen	24	$17,525
Yancey	25	$17,107
Columbus	26	$19,450
McDowell	27	$18,354
Cherokee	28	$15,800
Perquimans	29	$12,158
Tier 3		
Rutherford	30	$19,395
Clay	31	$14,699
Madison	32	$17,497
Pamlico	33 (tie)	$13,377
Stanly	33 (tie)	$19,639
Caswell	35 (tie)	$18,199
Wilson	35 (tie)	$21,414
Avery	37 (tie)	$16,068
Jackson	37 (tie)	$15,975
Chowan	39	$18,293
Lenoir	40 (tie)	$20,166
Wayne	40 (tie)	$18,299
Cleveland	42	$20,325
Hoke	43	$14,040
Pasquotank	44	$16,681
Brunswick	45	$18,248
Wilkes	46	$19,455
Gaston	47	$21,786
Rockingham	48	$20,916
Camden	49	$14,790
Haywood	50	$19,961
Person	51	$20,518
Jones	52	$15,548
Craven	53 (tie)	$19,821
Gates	53 (tie)	$15,332

Tier 4		
Granville	55	$18,769
Caldwell	56 (tie)	$19,330
Surry	56 (tie)	$18,267
Cumberland	58 (tie)	$19,740
Pender	58 (tie)	$14,826
Duplin	60 (tie)	$18,190
Sampson	60 (tie)	$18,289
Harnett	62	$17,766
Burke	63	$20,013
Greene	64	$15,243
Carteret	65	$14,556
Franklin	66	$18,155
Watauga	67	$16,706
Nash	68	$21,902
Macon	69	$17,192
Lincoln	70	$20,513
Transylvania	71	$21,194
Dare	72 (tie)	$15,120
Rowan	72 (tie)	$20,708
Pitt	74	$20,313
Alexander	75	$19,001
Catawba	76 (tie)	$22,484
Davie	76 (tie)	$19,932
Yadkin	78	$19,960
Alamance	79	$21,028
Tier 5		
Davidson	80	$20,946
Lee	81 (tie)	$21,469
Stokes	81 (tie)	$19,079
Currituck	83	$14,729
Randolph	84	$19,494
Forsyth	85	$23,118
Buncombe	86 (tie)	$21,506
Durham	86 (tie)	$23,118
New Hanover	88	$21,507
Guilford	89	$23,118
Iredell	90	$21,939
Moore	91	$19,874
Cabarrus	92 (tie)	$22,118
Henderson	92 (tie)	$22,267
Union	94	$21,112
Johnston	95 (tie)	$17,979
Polk	95 (tie)	$16,899
Chatham	97	$20,569
Mecklenburg	98	$23,118
Orange	99	$20,573
Wake	100	$23,118

* Counties are grouped into tiers based on their level of economic distress as determined by rank in unemployment and per capita income over the preceding three years as well as percent growth in population. Tier 1 counties are eligible for a job creation tax credit of $12,500 per job; Tier 2, $4,000; Tier 3, $3,000; Tier 4, $1,000; and Tier 5, $500. Credits may be taken on the corporate income tax bill or franchise tax bill and can be no more than 50 percent of the total tax levy.

** Firms claiming the tax credit must meet certain wage standards to claim the tax credit. These vary by county, based on a formula that takes into account the average wage paid in the county. In most cases, firms cannot claim a tax credit unless they meet or beat 110 percent of the county's average wage. In certain higher-paying urban counties, the statewide average wage is the standard.