

**GENERAL ASSEMBLY OF NORTH CAROLINA**

**SESSION 1993**

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**HOUSE BILL 294**

Short Title: GPAC-Economic Development.

(Public)

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Sponsors: (by request) Representatives Blue, Barnes, Diamont, Hackney, Hensley, H. Hunter, G. Miller, Nesbitt, and Robinson.

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Referred to: Business and Labor.

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February 25, 1993

A BILL TO BE ENTITLED

AN ACT TO IMPLEMENT THE RECOMMENDATIONS OF THE GOVERNMENT  
PERFORMANCE AUDIT COMMITTEE REGARDING ECONOMIC  
DEVELOPMENT.

The General Assembly of North Carolina enacts:

—ECONOMIC DEV. COUNCIL/PLAN.

Section 1. (a) The General Assembly finds that:

- (1) The Department of Commerce's Economic Development Board is a 25-member advisory board charged, in part, with advising the Secretary of Commerce on formulating a program for the economic development of the State.
- (2) The Economic Development Board has published a strategic business plan for quality growth, that sets out a series of strategies and initiatives to be taken by the State in economic development.
- (3) North Carolina has received wide recognition for its economic development successes, although it has some development weaknesses.
- (4) The Economic Development Board of the Department of Commerce, the Governor's Commission on Workforce Preparedness, the Rural Economic Development Center, and other organizations and agencies have developed strategic plans related to economic development.
- (5) The economic development policy currently stated in G.S. 143B-428 and the resulting plan developed by the Economic Development Board

- 1 are lacking key elements necessary for a truly comprehensive and  
2 effective economic development plan.
- 3 (6) North Carolina needs a statewide economic development plan that  
4 would do all of the following:
- 5 a. Identify the roles and responsibilities of the many diverse  
6 agencies and organizations involved in economic development.  
7 b. Provide measurable objectives or performance indicators to  
8 assess the State's economic development progress.  
9 c. Set out broad vision and mission statements and general goals  
10 and policies of the State with regard to economic development.  
11 d. Reflect the input of all parties involved in economic  
12 development as well as the input of the public.
- 13 (7) The lack of an integrated, comprehensive statewide economic  
14 development plan creates several inefficiencies as follows:
- 15 a. Agencies involved in economic development have little  
16 direction regarding the types of programs and priorities they  
17 should focus on.  
18 b. The General Assembly has limited guidance as to which  
19 economic development appropriations are the most effective.  
20 c. There are no explicit performance indicators against which  
21 agencies' effectiveness can be measured.  
22 d. Various agencies may be duplicating one another's programs or  
23 even serving at cross purposes.
- 24 (8) The Economic Development Board should be replaced by an  
25 Economic Development Council with additional responsibility for  
26 planning and authority to recommend economic development policy to  
27 the Secretary of Commerce, the Governor, and the General Assembly  
28 on a variety of issues. The Department of Commerce, through its  
29 Economic Development Council, should be the lead agency in  
30 coordinating all affected parties in developing and updating an  
31 integrated, comprehensive economic development plan.

32 (b) G.S. 143B-434 reads as rewritten:

33 "**§ 143B-434. Economic Development ~~Board~~Council – creation, duties,**  
34 **membership.**

35 (a) Creation and Duties. – There is created within the Department of  
36 Commerce an Economic Development Board. ~~The Board shall advise the Secretary of~~  
37 ~~Commerce on:~~ Council. The Council shall have the following duties:

- 38 (1) To provide economic and community development planning for the  
39 State.  
40 (2) To recommend economic development policy to the Secretary of  
41 Commerce, the General Assembly, and the Governor. The  
42 recommendations may cover the following issues as well as any other  
43 economic development policy issues:

- 1           a.     Use of tax abatements and other incentives to motivate  
2                 economic development.
- 3           b.     Definition of which specific activities and programs should be  
4                 considered economic development activities and programs for  
5                 the purpose of receiving State appropriations.
- 6           c.     The role of institutions of higher education in economic  
7                 development.
- 8           d.     The use of State funds to leverage private nonprofit economic  
9                 development initiatives.
- 10          (3)    To recommend annually to the Governor biennial and annual  
11                appropriations for economic development programs.
- 12          (4)    To develop and update annually a statewide economic development  
13                plan, as provided in G.S. 143B-434.1.
- 14          ~~(1)    The formulation of a program for the economic development of the~~  
15                ~~State of North Carolina; and~~
- 16          ~~(2)    The formulation of a budget and the hiring of the head of each division~~  
17                ~~of the Department of Commerce concerned with the expansion of the~~  
18                ~~travel and tourism industry.~~
- 19    ~~The Secretary shall prepare the budget of the Department and shall hire the heads of the~~  
20    ~~above mentioned divisions who shall serve at his pleasure. The Board~~ The Council ~~shall~~  
21    ~~meet at least quarterly at the call of its chairman~~ chair ~~or the Secretary. Each quarter the~~  
22    ~~Secretary shall report to the Board~~ Council ~~on the program and progress of this State's~~  
23    ~~economic development.~~
- 24          (b)    Membership. – The Economic Development Board Council ~~shall consist of~~  
25    ~~26-20 members. The Governor shall serve ex officio as a member and as the chair of the~~  
26    ~~Economic Development Council. The Secretary of Commerce shall serve ex officio as~~  
27    ~~a member and as the secretary of the Economic Development Council. The Governor~~  
28    ~~shall appoint the remaining members of the Council, as follows:~~
- 29               (1)    One economic development representative each from three of the  
30                        regional alliances that have been established around the State by local  
31                        governments and that involve the private sector in economic  
32                        development.
- 33               (2)    One representative from each of the following State agencies:
- 34                   a.     The Department of Administration.
- 35                   b.     The Department of Agriculture.
- 36                   c.     The Department of Community Colleges.
- 37                   d.     The Employment Security Commission.
- 38                   e.     The Department of Labor.
- 39                   f.     The Department of the Secretary of State.
- 40                   g.     The Department of Transportation.
- 41                   h.     The Board of Governors of The University of North Carolina.
- 42               (3)    One representative each from three of the private nonprofit  
43                        organizations that have received economic development appropriations  
44                        in the most recent fiscal biennium.

1           (4) Four members of the public.

2       ~~The Secretary of Commerce, the President of the Senate or his appointee, and the~~  
3 ~~Speaker of the House of Representatives or his appointee, shall be members of the~~  
4 ~~Board. The Governor shall appoint 23 members of the Board. Of his appointees, the~~  
5 ~~Governor shall appoint at least one member residing in each congressional district of the~~  
6 ~~State.~~

7       ~~The initial appointments by the Governor shall be made on or after the date of~~  
8 ~~ratification, 11 terms to expire July 1, 1979, and 11 terms to expire on July 1, 1981.~~  
9 ~~Thereafter, at the expiration of each stipulated term of office all appointments made by~~  
10 ~~the Governor shall be for a term of four years. The initial term of the person appointed~~  
11 ~~to represent the 12th Congressional District shall commence January 3, 1993, and expire~~  
12 ~~June 30, 1995. Any vacancy occurring in the membership of the Economic~~  
13 ~~Development Board appointed by the Governor shall be filled by the Governor for the~~  
14 ~~unexpired term. The Governor shall have the authority to remove any member of the~~  
15 ~~Economic Development Board appointed by the Governor.~~

16       ~~The Governor shall designate from among the members of the Economic~~  
17 ~~Development Board a chairman and a vice chairman. The Secretary of Commerce or his~~  
18 ~~designee shall serve as Secretary of the Economic Development Board. If a vacancy~~  
19 ~~occurs in the office of the Lieutenant Governor, the President pro tempore shall fill the~~  
20 ~~vacancy. If a vacancy occurs in the office of the Speaker of the House of~~  
21 ~~Representatives, the Speaker pro tempore shall fill the vacancy.~~

22       The initial appointments to the Council shall be for terms beginning July 1, 1993.  
23 The Governor shall designate eight terms to expire July 1, 1995; the remaining terms  
24 shall expire July 1, 1997. Thereafter, all appointments shall be for a term of four years.  
25 The Governor shall make a replacement appointment to serve for the unexpired term in  
26 the case of a vacancy.

27       ~~The members of the Economic Development Board appointed by the Governor Council~~  
28 ~~shall receive per diem and necessary travel and subsistence expenses payable to~~  
29 ~~members of State Boards and agencies generally pursuant to G.S. 138-5 and 138-6, as~~  
30 ~~the case may be; provided, however, that the chairman of the Economic Development Board~~  
31 ~~and the Lieutenant Governor shall not be entitled to receive per diem in addition to salary. The~~  
32 ~~members of the Economic Development Board who are members of the General Assembly~~  
33 ~~shall not receive per diem but shall receive necessary travel and subsistence expenses at rates~~  
34 ~~prescribed by G.S. 120-3.1. be.~~

35       (c) Staff – The Department of Commerce shall provide clerical and professional  
36 staff support to the Economic Development Council.

37       (b) ~~All clerical and other services required by the Economic Development Board~~  
38 ~~shall be supplied by the Secretary of Commerce.~~

39       (e) ~~It shall be the duty of the chairman of the Economic Development Board:~~

40           (1) ~~To organize the work of the Economic Development Board into~~  
41 ~~committees with respect to the divisions of the Department of~~  
42 ~~Commerce concerned with the expansion of existing industry, the~~  
43 ~~recruitment of new industry and the expansion of the travel and~~  
44 ~~tourism industries and~~

- 1           ~~(2) To assign responsibilities to each committee."~~  
2       (c) G.S. 143B-433(a) reads as rewritten:  
3       "(a)           (1) The North Carolina Alcoholic Beverage Control  
4                      Commission,  
5                      (2) The North Carolina Utilities Commission,  
6                      (3) The Employment Security Commission,  
7                      (4) The North Carolina Industrial Commission,  
8                      (5) State Banking Commission,  
9                      (6) Savings and Loan Association Division,  
10                     (7) The State Savings Institutions Commission,  
11                     (8) Credit Union Commission,  
12                     (9) The North Carolina Milk Commission,  
13                     (10) The North Carolina Mutual Burial Association Commission,  
14                     (11) North Carolina Cemetery Commission,  
15                     (12) The North Carolina Rural Electrification Authority,  
16                     (13) Repealed by Session Laws 1985, c. 757, s. 179(d),  
17                     (14) North Carolina Science and Technology Research Center,  
18                     (15) The North Carolina State Ports Authority,  
19                     (16) North Carolina National Park, Parkway and Forests Development  
20                     Council,  
21                     (17) Economic Development ~~Board~~, Council,  
22                     (18) Labor Force Development Council,  
23                     (19) Energy Policy Council,  
24                     (20) Energy Division,  
25                     (21) Navigation and Pilotage Commissions established by Chapter 76 of  
26                     the General ~~Statutes~~, Statutes.  
27                     ~~(22) The North Carolina Technological Development Authority."~~  
28       (d) G.S. 120-123 is amended by adding a new subdivision to read:  
29           "(6a) The Economic Development Council established by G.S. 143B-434."  
30       (e) Beginning July 1, 1993, the Department of Commerce shall reallocate to  
31 the Economic Development Council created in this section funds and resources  
32 previously allocated to the Economic Development Board.  
33       (f) Part 2 of Article 10 of Chapter 143B of the General Statutes is amended  
34 by adding a new section to read:  
35 **"§ 143B-434.1. Statewide economic development plan.**  
36       (a) Council to Prepare Plan. – The Economic Development Council shall prepare  
37 a statewide economic development plan by April 1, 1994. The Council shall review and  
38 update this plan by April 1 of each year. The original statewide economic development  
39 plan shall cover a period of several years and each annual update shall extend the time  
40 frame by one year so that a multiyear plan is always in effect. The Council shall  
41 provide copies of the plan and each annual update to the Governor and the Joint  
42 Legislative Commission on Governmental Operations. The statewide economic  
43 development plan shall encompass all of the components set out in this section.

1       **(b) Public and Private Input.** – At each stage as it develops and updates the plan,  
2 the Council shall solicit input from all parties involved in economic development in  
3 North Carolina, including:

4           **(1)** Each of the programs and organizations that, for State budget  
5 purposes, identify economic development as one of their global goals.

6           **(2)** Local economic development departments and regional economic  
7 development organizations.

8           **(3)** The Board of Governors of The University of North Carolina.

9       The Council shall also hold public hearings across the State to solicit public input on  
10 economic development before the initial statewide economic development plan is  
11 completed. The Council shall hold additional public hearings from time to time to  
12 solicit public input regarding economic development activities.

13       Each component of the plan shall be based on this broad input and, to the extent  
14 possible, upon a consensus among all affected parties. The Council shall coordinate its  
15 planning process with any State capital development planning efforts affecting State  
16 infrastructure such as roads and water and sewer facilities.

17       **(c) Needs Assessment.** – The first step in developing the statewide economic  
18 development plan shall be to develop a needs assessment based on the input from  
19 economic development parties and the public and on information about the economic  
20 environment in North Carolina. To prepare the assessment, the Council shall gather the  
21 following information. Thereafter, the information shall be updated periodically.

22           **(1)** Economic and demographic data on North Carolina by State, region,  
23 and county including population, population projections, employment  
24 and employment projections, income, poverty migration patterns, and  
25 other similar data.

26           **(2)** The cost of doing business in North Carolina and other competing  
27 states, as it may affect decisions by firms to locate in this State.

28           **(3)** Competitive assets within the State and by region and county,  
29 including infrastructure, tourist assets, natural resources, labor,  
30 educational and research resources, and transportation.

31           **(4)** Economic and industrial changes in competitive states by region,  
32 including new plant location information.

33           **(5)** Other information relating to economic development such as  
34 regulatory or legal matters and social considerations.

35       **(d) Vision and Mission Statements.** – The Council shall develop a vision  
36 statement for economic development that would describe the preferred future for North  
37 Carolina and what North Carolina would be like if all economic development efforts  
38 were successful. The Council shall then develop a mission statement that outlines the  
39 basic purpose of each of North Carolina's economic development programs. Because  
40 special purpose nonprofits are uniquely situated to conduct the entrepreneurial and high-  
41 risk activity of investing in and supporting new business creation in the State, they  
42 should be assigned a dominant role in this key component of economic development  
43 activity.

1       (e) Goals and Objectives. – The Council shall next identify the five to seven most  
2 important issues or problems that North Carolina must address regarding economic  
3 development. For each issue, the Council shall develop specific goals and strategies or  
4 approaches to achieving each goal. Goals shall be long-range and shall address both  
5 economically depressed areas and more prosperous areas.

6       So that the progress of North Carolina's economic development efforts can be  
7 monitored, the Council shall set objectives for each goal that allow measurement of  
8 progress toward the goal. Objectives should be quantifiable and time-specific in order  
9 to serve as performance indicators.

10       (f) Implementation Plan. – Based upon all of the foregoing steps, the Council  
11 shall establish an implementation plan assigning to the appropriate parties specific  
12 responsibilities for meeting measurable objectives. The implementation plan shall  
13 contain all necessary elements so that it may be used as a means to monitor  
14 performance, guide appropriations, and evaluate the outcomes of the parties involved in  
15 economic development in the State."

16       (g) The Department of Commerce shall establish a planning unit within its  
17 executive offices to support the Economic Development Council's ongoing role in  
18 economic and community development planning. The unit should consist of two  
19 professional staff plus necessary support staff. The planning unit shall assist the  
20 Council in coordinating the planning process, monitoring and updating the plan, and  
21 collecting and analyzing the data necessary for planning.

22       (h) There is appropriated from the General Fund to the Department of  
23 Commerce the sum of three hundred thousand dollars (\$300,000) for the 1993-94 fiscal  
24 year and the sum of three hundred thousand dollars (\$300,000) for the 1994-95 fiscal  
25 year for the Economic Development Council created in this section. It is the intent of  
26 the General Assembly that this will be a continuing appropriation.

27       (i) This section becomes effective July 1, 1993. The terms of all current  
28 members of the Economic Development Board shall expire July 1, 1993.

29 —DEVELOPMENT PERFORMANCE INDICATORS.

30       Sec. 2. (a) The General Assembly finds that:

31       (1) The term "economic development" encompasses all activities  
32 conducted for the express purpose of increasing and maintaining the  
33 economic vitality of North Carolina, including industrial and business  
34 recruiting, business retention, facilitating business creation, providing  
35 small business assistance, job training and work-force preparedness  
36 programs, and investing in infrastructure, both physical (roads,  
37 utilities, etc.), and technological (fiber optics networks and other  
38 information system links).

39       (2) State General Fund expenditures for the 1991-92 fiscal year for  
40 economic development were approximately eighty-four million dollars  
41 (\$84,000,000).

42       (3) This eighty-four million dollar (\$84,000,000) expenditure on economic  
43 development was allocated among 40 different State and State-

1 associated programs and entities, which can be grouped into five broad  
2 categories:

- 3 a. Nonprofit agencies.
- 4 b. The Department of Community Colleges.
- 5 c. The Department of Commerce.
- 6 d. Other State Departments, including the Department of  
7 Agriculture, the Business Licensing Office of the Department of  
8 Secretary of State, the Department of Administration, and the  
9 Department of Environment, Health, and Natural Resources.
- 10 e. The University of North Carolina.

11 (3) The results of State economic development activities are not  
12 effectively monitored and evaluated because, although the State  
13 employs several conventional methods of ensuring accountability of  
14 agencies involved in economic development (such as budgets,  
15 department plans, and internal audits), these accountability measures  
16 focus on inputs or on programs and budget levels, rather than on  
17 outcomes—the results of their efforts.

18 (4) Most State agencies involved in economic development activities have  
19 not yet designed and implemented meaningful measures to evaluate  
20 and report on performance; as a result, the General Assembly has only  
21 a limited ability to evaluate the outcome of its significant investments  
22 in economic development.

23 (5) To implement a truly integrated approach to economic development,  
24 each key agency must be accountable for its contribution to meeting  
25 the overall economic development goals of the State; performance  
26 indicators would provide an effective and appropriate means to assure  
27 this accountability on a regular basis.

28 (6) The General Assembly should base its economic development budget  
29 allocations on outcomes, as measured by performance indicators.

30 (b) Each State agency involved in economic development shall develop, in  
31 conjunction with the Office of State Budget and Management, performance indicators  
32 that are appropriate and measurable criteria, including criteria that each agency can  
33 influence and criteria based on baseline data and reasonable recommendations. The  
34 performance indicators should articulate specific, measurable results for each agency  
35 and should be comprehensive, so that the General Assembly may base each agency's  
36 continued economic development appropriation on its effectiveness as measured by the  
37 performance indicators.

38 (c) This section becomes effective July 1, 1993.

39 —ECONOMIC RESPONSIBILITY.

40 Sec. 3. (a) The General Assembly finds that:

- 41 (1) The term "economic development" encompasses all activities  
42 conducted for the express purpose of increasing and maintaining the  
43 economic vitality of North Carolina, including industrial and business  
44 recruiting, business retention, facilitating business creation, providing



1 small business assistance, job training and work-force preparedness  
2 programs, and investing in infrastructure, both physical (roads,  
3 utilities, etc.) and technological (fiber optics networks and other  
4 information system links).

5 (2) State General Fund expenditures for the 1991-92 fiscal year for  
6 economic development were approximately eighty-four million dollars  
7 (\$84,000,000).

8 (3) This eighty-four million dollars (\$84,000,000) expenditure on  
9 economic development was allocated among 40 different State and  
10 State-associated programs and entities, which can be grouped into five  
11 broad categories:

12 a. Nonprofit agencies.

13 b. The Department of Community Colleges.

14 c. The Department of Commerce.

15 d. Other State departments, including the Department of  
16 Agriculture, the Business Licensing Office of the Department of  
17 the Secretary of State, the Department of Administration, and  
18 the Department of Environment, Health, and Natural Resources.

19 e. The University of North Carolina.

20 (4) Thus, State economic development activity is highly fragmented; this  
21 fragmentation and lack of integration results in the potential for  
22 inadvertent duplication as well as lost opportunities for synergy and  
23 collaboration.

24 (5) Each key economic development player identified above makes a  
25 unique and significant contribution to the State's overall economic  
26 development program.

27 (6) To maximize the return on North Carolina's investment in economic  
28 development, each of these key players must focus on its strengths,  
29 rather than diffusing its efforts across several economic development  
30 strategies.

31 (b) Part 2 of Article 10 of Chapter 143B of the General Statutes is amended by  
32 adding a new section to read:

33 **"§ 143B-437C. Allocation of economic development responsibilities.**

34 The Department of Commerce shall coordinate economic development efforts  
35 among the various agencies and entities that receive economic development  
36 appropriations and shall recommend to the Governor and to the General Assembly the  
37 assignment of key responsibilities for different aspects of economic development within  
38 the following framework:

39 (1) The Department of Commerce shall take primary responsibility for  
40 recruitment, retention, and expansion of industry and tourism.

41 (2) The Department of Agriculture shall take primary responsibility for  
42 recruitment, retention, and expansion of agribusiness industry, in  
43 support of the Department of Commerce.

- 1           (3) The Department of Community Colleges shall take primary  
2           responsibility for implementation of worker training programs.  
3           (4) The Department of Labor shall take primary responsibility for  
4           coordinating and planning worker training programs.  
5           (5) The special purpose nonprofit organizations funded by the General  
6           Assembly for economic development activities shall take primary  
7           responsibility for facilitating business creation through financing,  
8           education, or other support.

9           The Economic Development Council created in G.S. 143B-434 shall recommend  
10          resource allocation and planning designed to encourage each agency to focus on its area  
11          of primary responsibility and not diffuse its resources by conducting activities assigned  
12          to other agencies."

13          (c) This section is effective upon ratification.

14          —REVIEW FUTURE DEVELOPMENT NONPROFITS.

15          Sec. 4. (a) The General Assembly finds that:

- 16           (1) The General Assembly has established, directly or indirectly, the  
17           following four special purpose nonprofit agencies to conduct economic  
18           development activities:  
19           a. The North Carolina Biotechnology Center.  
20           b. The MCNC (Microelectronics Center of North Carolina).  
21           c. The Rural Economic Development Center, Inc.  
22           d. The Technological Development Authority, Inc.  
23           (2) The mission of each of these nonprofits is as follows:  
24           a. The mission of the Biotechnology Center is to provide long-  
25           term economic benefit to North Carolina through support of  
26           biotechnology research, development, and commercialization  
27           statewide.  
28           b. The mission of the MCNC is to accelerate the use of emerging  
29           electronics technologies through innovation and market-driven  
30           applications that improve quality of life.  
31           c. The mission of the Rural Economic Development Center is to  
32           develop and advocate innovative strategies to help stimulate  
33           economic growth and job creation throughout the State's rural  
34           areas.  
35           d. The mission of the Technological Development Authority is to  
36           increase the rate at which new jobs are created in all regions of  
37           the State, by stimulating the development of existing and new  
38           small businesses.  
39           (3) In the 1991-92 fiscal year, these four nonprofits expended almost thirty  
40           million dollars (\$30,000,000) in General Fund revenues justified in the  
41           budget process as economic development.  
42           (4) The use of nonprofits as a mechanism for State-initiated economic  
43           development is unusual but not unique among southeastern states.

- 1 (5) Each of these special purpose nonprofits has demonstrated success in  
2 its respective area of focus and, as a group, they have contributed  
3 significantly to North Carolina's reputation as a State committed to  
4 innovative, technology-based research and development.
- 5 (6) The nonprofit status of these entities allows them to use State dollars  
6 to leverage private investments, serve as an independent and objective  
7 liaison among public and private entities, and conduct objective,  
8 nonpartisan research.
- 9 (7) For these reasons, the State should continue to use nonprofits to  
10 deliver economic development services.
- 11 (8) However, legislation establishing nonprofits for economic  
12 development has not always specified the mission of the nonprofit or  
13 the outcomes it is supposed to attain; future legislation funding  
14 nonprofits should specify their mission and desired outcomes and  
15 should provide for a periodic, comprehensive review of the entity.
- 16 (b) It is the intent of the General Assembly that any future legislation establishing  
17 or funding a new nonprofit agency to conduct economic development activities will  
18 stipulate clearly the mission and purposes of the agency and will provide for periodic,  
19 comprehensive review of the agency.

20 (c) This act is effective upon ratification.

21 ~~—BIOTECH MICROELECTRONICS REC.~~

22 Sec. 5. (a) The General Assembly finds that:

- 23 (1) The General Assembly has established, directly or indirectly, the  
24 following four special purpose nonprofit agencies to conduct economic  
25 development activities:
- 26 a. The North Carolina Biotechnology Center.
  - 27 b. The MCNC (Microelectronics Center of North Carolina).
  - 28 c. The Rural Economic Development Center, Inc.
  - 29 d. The Technological Development Authority, Inc.
- 30 (2) The mission of each of these nonprofits is as follows:
- 31 a. The mission of the Biotechnology Center is to provide long-  
32 term economic benefit to North Carolina through support of  
33 biotechnology research, development, and commercialization  
34 statewide.
  - 35 b. The mission of the MCNC is to accelerate the use of emerging  
36 electronics technologies through innovation and market-driven  
37 applications that improve quality of life.
  - 38 c. The mission of the Rural Economic Development Center is to  
39 develop and advocate innovative strategies to help stimulate  
40 economic growth and job creation throughout the State's rural  
41 areas.
  - 42 d. The mission of the Technological Development Authority is to  
43 increase the rate at which new jobs are created in all regions of

1 the State, by stimulating the development of existing and new  
2 small businesses.

3 (3) The Technological Development Authority was originally established  
4 as an independent State agency in 1983 but was reestablished as a  
5 nonprofit corporation in 1991.

6 (4) The underlying premise under which the Technological Development  
7 Authority was created was that it would become self-sufficient within  
8 10 years; such self-sufficiency would validate the assumption that  
9 investment in high-technology companies is viable in North Carolina's  
10 market.

11 (5) The Technological Development Authority has indeed become self-  
12 sufficient so that, beginning with the 1993-94 fiscal year, it will not  
13 request State funding.

14 (6) The State should establish a goal of self-sufficiency for those  
15 economic development entities for which self-sufficiency is viable.

16 (7) The Center for Microelectronics Systems Technologies of the MCNC,  
17 which focuses on microelectronics technologies and markets use of the  
18 MCNC facility to users, and the Economic Development Program and  
19 the Institute for Biotechnology Information of the Biotechnology  
20 Center, which provide support to start-up biotechnology businesses,  
21 are especially well-situated to become self-sufficient.

22 (8) The following elements make self-sufficiency viable for these entities:  
23 a. A significant level of interest from private funding sources in  
24 the work they conduct.  
25 b. The growth projections for their respective technological focus  
26 areas.  
27 c. The advancements toward self-sufficiency they have already  
28 achieved.

29 (b) It is the intent of the General Assembly to maintain funding for (i) the Center  
30 for Microelectronics Systems Technologies of the MCNC and (ii) the Economic  
31 Development Program and the Institute for Biotechnology Information of the  
32 Biotechnology Center at current levels for the next four years (the 1993-94 fiscal year  
33 through the 1996-97 fiscal year) and then phase out appropriations to these entities  
34 between the 1997-98 fiscal year and the 1999-2000 fiscal year.

35 (c) This intended phase-out of appropriations should result in savings of two  
36 million two hundred fifty thousand dollars (\$2,250,000) in the 1997-98 fiscal year, four  
37 million five hundred thousand dollars (\$4,500,000) in the 1998-99 fiscal year, and seven  
38 million dollars (\$7,000,000) each year thereafter. These savings will result from the  
39 following intended budget reductions:

40 (1) For the Center for Microelectronics Systems Technologies of the  
41 MCNC, a reduction of two million dollars (\$2,000,000) in the 1997-98  
42 fiscal year, a further reduction of two million dollars (\$2,000,000) in  
43 the 1998-99 fiscal year, and a further reduction of two million dollars  
44 (\$2,000,000) in the 1999-2000 fiscal year.

1 (2) For the the Economic Development Program and the Institute for  
2 Biotechnology Information of the Biotechnology Center, a reduction  
3 of two hundred fifty thousand dollars (\$250,000) in the 1997-98 fiscal  
4 year, a further reduction of two hundred fifty thousand dollars  
5 (\$250,000) in the 1998-99 fiscal year, and a further reduction of five  
6 hundred thousand dollars (\$500,000) in the 1999-2000 fiscal year.

7 (d) This section is effective upon ratification.

8 ---NONPROFITS PERFORMANCE CONTRACTS.

9 Sec. 6. (a) The General Assembly finds that:

10 (1) The General Assembly has established, directly or indirectly, the  
11 following four special purpose nonprofit agencies to conduct economic  
12 development activities:

- 13 a. The North Carolina Biotechnology Center.
- 14 b. The MCNC (Microelectronics Center of North Carolina).
- 15 c. The Rural Economic Development Center, Inc.
- 16 d. The Technological Development Authority, Inc.

17 (2) The mission of each of these nonprofits is as follows:

- 18 a. The mission of the Biotechnology Center is to provide long-  
19 term economic benefit to North Carolina through support of  
20 biotechnology research, development, and commercialization  
21 statewide.
- 22 b. The mission of the MCNC is to accelerate the use of emerging  
23 electronics technologies through innovation and market-driven  
24 applications that improve quality of life.
- 25 c. The mission of the Rural Economic Development Center is to  
26 develop and advocate innovative strategies to help stimulate  
27 economic growth and job creation throughout the State's rural  
28 areas.
- 29 d. The mission of the Technological Development Authority is to  
30 increase the rate at which new jobs are created in all regions of  
31 the State, by stimulating the development of existing and new  
32 small businesses.

33 (3) In the 1991-92 fiscal year, these four nonprofits expended almost thirty  
34 million dollars (\$30,000,000) in General Fund revenues justified in the  
35 budget process as economic development although, beginning in the  
36 1993-94 fiscal year, the Technological Development Authority will no  
37 longer receive State funding.

38 (4) Each of these special purpose nonprofits has demonstrated success in  
39 its respective area of focus and, as a group, they have contributed  
40 significantly to North Carolina's reputation as a State committed to  
41 innovative, technology-based research and development.

42 (5) However, few mechanisms currently exist to ensure the accountability  
43 of these special purpose nonprofits to the State.

44 (6) The current accountability mechanisms are:

- 1 a. Annual and special published reports.
- 2 b. Quarterly reporting to the Joint Legislative Commission on
- 3 Governmental Operations regarding the use of their funds.
- 4 c. Annual government financial audits.
- 5 (7) These conventional accountability measures focus on inputs, or
- 6 programs and budget levels, rather than outcomes—the results of the
- 7 nonprofits' efforts.
- 8 (8) Without outcome-based accountability measures, the extent to which
- 9 the nonprofits are fulfilling their intended purposes cannot be fully
- 10 assessed.
- 11 (9) The lack of meaningful measures to evaluate and report the nonprofits'
- 12 performance leaves the General Assembly with only a limited ability
- 13 to evaluate the outcome of its significant investments in economic
- 14 development activities of nonprofits.
- 15 (10) Performance-based contracts would provide an effective and
- 16 appropriate accountability mechanism to assess the performance of the
- 17 nonprofits on a regular basis.
- 18 (11) Examples of performance-based indicators by which nonprofits'
- 19 effectiveness could be measured include:
- 20 a. Achievement of an adequate ratio of private funding to State
- 21 funding.
- 22 b. Long-term financial viability, measured in quantitative terms, of
- 23 those start-up businesses which the nonprofits finance.
- 24 c. Number of patents received by applied researchers supported by
- 25 the nonprofits.
- 26 d. Number of jobs created in businesses that the nonprofits
- 27 finance.
- 28 (12) The General Assembly's economic development budget allocations to
- 29 nonprofits should be based on outcomes, as measured by performance
- 30 indicators designed by the nonprofits in conjunction with the
- 31 Department of Commerce and the Economic Development Council.
- 32 (b) The Department of Commerce, in conjunction with the Office of State Budget
- 33 and Management and each nonprofit agency involved in State-funded economic
- 34 development activities, shall recommend for each nonprofit agency performance
- 35 indicators that are appropriate and measurable criteria, including criteria that each
- 36 agency can influence and criteria based on baseline data and reasonable
- 37 recommendations. The performance indicators should articulate specific, measurable
- 38 results for each agency and should be comprehensive, so that the General Assembly
- 39 may base each agency's continued economic development appropriation on its
- 40 effectiveness as measured by the performance indicators.
- 41 (c) The Department of Commerce and the Office of State Budget and
- 42 Management, as appropriate, shall, when allocating economic development
- 43 appropriations to nonprofit agencies, execute a contract incorporating the performance
- 44 indicators and any conditions upon which the appropriation was based.

1 (d) This section is effective upon ratification.

2 ---UNC STUDY EXTENSION ECONOMIC DEVELOPMENT.

3 Sec. 7. (a) The General Assembly finds that:

4 (1) The University of North Carolina system's campuses administer many  
5 programs related to economic development, as follows:

6 a. At Elizabeth City State University, the Small Business  
7 Development Technology Center and North Carolina  
8 Tomorrow.

9 b. At East Carolina University, the Regional Development  
10 Institution.

11 c. At Pembroke State University, the Economic Development  
12 Center.

13 d. At Western Carolina University, Western North Carolina  
14 Tomorrow.

15 e. At UNC Chapel Hill, the Small Business Technology  
16 Development Center and the Kenan Center of North Carolina.

17 f. At North Carolina State University, the Industrial Extension  
18 Service, Industrial Telecommunications, the International Trade  
19 Center, the North Carolina Japan Center, and the Textiles  
20 Extension Service.

21 (2) In addition, The University of North Carolina system supports  
22 economic development through basic and applied research, centers,  
23 institutes, and laboratories.

24 (3) The University of North Carolina system has a unique contribution to  
25 make to economic development due to its access to ongoing research.

26 (4) The extension service of The University of North Carolina system  
27 currently serves a function that is only indirectly related to economic  
28 development, although, given its regional infrastructure, it could be  
29 used for even more direct economic development activity.

30 (b) The Board of Governors of The University of North Carolina shall, in  
31 consultation with the Boards of Trustees of all affected constituent institutions and in  
32 consultation with the Economic Development Council created in G.S. 143B-434, study  
33 its extension activities and determine the proper role of extension activities in economic  
34 development. The Board of Governors shall reassign its extension activities a more  
35 active role in economic development if it finds such a role to be appropriate. The Board  
36 of Governors shall report to the General Assembly and the Joint Education Oversight  
37 Commission by July 1, 1994, on its findings and any action taken with respect to  
38 extension activities.

39 (c) This section is effective upon ratification.

40 ---RESTRUCTURE DEPT. OF COMMERCE.

41 Sec. 8. (a) The General Assembly finds that:

42 (1) The Department of Commerce has excess levels of management,  
43 excessively narrow spans of control, and some unnecessary positions  
44 in some units.

- 1           (2)    The Agribusiness Division of the Department of Commerce has  
2           programs that are duplicated in the Department of Agriculture and the  
3           Department of Environment, Health, and Natural Resources.
- 4           (3)    If the Weatherization Assistance Program of the Energy Division,  
5           which weatherizes houses for the needy, were combined with the  
6           Community Assistance Division's program that renovates houses for  
7           low-income persons, four positions could be eliminated.
- 8           (4)    Twelve positions in the following units of the Department of  
9           Commerce are unnecessary because the units have a supervisor and an  
10          assistant supervisor who both have narrow spans on control:
- 11          a.     Personnel Office  
12          b.     Energy Division  
13          c.     Banking Commission  
14          d.     Credit Union Commission  
15          e.     Finance and Budget (ESC)  
16          f.     Labor Market Information (ESC)
- 17          (5)    Six positions in the following units of the Department of Commerce  
18          are unnecessary due to one-to-one reporting relationships:
- 19          a.     International Trade Division  
20          b.     Banking Commission  
21          c.     Credit Union Division  
22          d.     Community Assistance  
23          e.     Personnel (ESC)  
24          f.     Labor Market Information (ESC)
- 25          (6)    Sixteen positions in the following units of the Department of  
26          Commerce are unnecessary for various reasons:
- 27          a.     Mutual Burial Association Commission  
28          b.     Cemetery Commission  
29          c.     Community Assistance Division  
30          d.     Security Administration (ESC)  
31          e.     Public Information Office (ESC)  
32          f.     " Manpower" Programs (ESC)
- 33          (7)    The Utilities Commission has a secretarial position for each  
34          Commissioner, and some of its other secretarial positions are excessive  
35          in comparison to other divisions.
- 36          (b)    Five positions in the Agribusiness Division of the Department of Commerce  
37          are eliminated because they are associated with programs that are duplicated in the  
38          Department of Agriculture and the Department of Environment, Health, and Natural  
39          Resources.
- 40          (c)    Four positions from the Energy Division, the Community Assistance  
41          Division, or both are eliminated. In order to eliminate these positions, the Department  
42          of Commerce shall combine the Energy Division's Weatherization Assistance Program  
43          with a related program in the Community Assistance Division that renovates houses for  
44          low-income people.



1 (d) Twelve unnecessary supervisory positions from the following divisions or  
2 units of the Department of Commerce are eliminated:

- 3 a. Personnel Office
- 4 b. Energy Division
- 5 c. Banking Commission
- 6 d. Credit Union Commission
- 7 e. Finance and Budget (ESC)
- 8 f. Labor Market Information (ESC)

9 In each case where there is an excessive layer of management or a  
10 management position with a narrow span of control, the management positions are to be  
11 eliminated.

12 (e) Six positions that involve one-to-one reporting relationships in the  
13 following divisions of the Department of Commerce are eliminated:

- 14 a. International Trade Division
- 15 b. Banking Commission
- 16 c. Credit Union Division
- 17 d. Community Assistance
- 18 e. Personnel (ESC)
- 19 f. Labor Market Information (ESC)

20 (f) Sixteen positions in which the functions are unnecessary in the following  
21 units of the Department of Commerce are eliminated:

- 22 a. Mutual Burial Association Commission
- 23 b. Cemetery Commission
- 24 c. Community Assistance Division
- 25 d. Security Administration (ESC)
- 26 e. Public Information Office (ESC)
- 27 f. "Manpower" Programs (ESC)

28 (g) The Secretary of Commerce shall study the best way to merge the North  
29 Carolina Mutual Burial Association Commission and the North Carolina Cemetery  
30 Commission, including their memberships, powers, duties, functions, property,  
31 personnel, and funds. The Secretary shall report to the General Assembly by May 15,  
32 1993, the results of its study including proposed legislation providing for the statutory  
33 merger of the two commissions.

34 (h) Seven secretarial positions in the Utilities Commission are eliminated.  
35 The Utilities Commission shall pool its support services.

36 (i) The base budget of the Department of Commerce is reduced by one  
37 million two hundred thousand dollars (\$1,200,000) for the 1993-94 fiscal year and one  
38 million seven hundred thousand dollars (\$1,700,000) for the 1994-95 fiscal year due to  
39 the decrease in personnel positions mandated by this section.

40 (j) Subsection (g) of this section is effective upon ratification; the remainder  
41 of this section becomes effective July 1, 1993.

42 —COMMERCE RECS.

43 Sec. 9. (a) The General Assembly makes the following findings:

- 1 (1) The Department of Commerce's Business and Industry Development  
2 Division (B&I) operates nine regional offices with a staff of 27  
3 individuals and annual expenditures of about one million three  
4 hundred fifty thousand dollars (\$1,350,000); the Department's Division  
5 of Community Assistance (DCA) operates seven regional offices with  
6 a staff of 29 individuals and annual expenditures of about one million  
7 six hundred thousand dollars (\$1,600,000).
- 8 (2) The assignment of counties to regions is not consistent within B&I and  
9 DCA of the Department of Commerce, and the two divisions do not  
10 effectively coordinate their work.
- 11 (3) The current mission of the B&I offices is broad in scope and results in  
12 wide variations in workloads, priorities, and strategies across regional  
13 offices.
- 14 (4) B&I regional office staff are pursuing projects that would be more  
15 effectively handled by central office staff.
- 16 (5) Development of resources and community needs, and the emphasis on  
17 and quality of strategic planning, vary widely among regions and  
18 counties.
- 19 (6) Some regional and community personnel perceive central office staff  
20 as keeping new industry prospects to themselves and favoring certain  
21 areas for location.
- 22 (7) Dynamic multicounty alliances are neither congruent with regional  
23 office boundaries nor consistently addressed by B&I's strategy.
- 24 (8) The flow of information within B&I lacks strategic focus and does not  
25 effectively utilize computerized data processing techniques.
- 26 (9) A significant aspect of the regional office operations is obtaining  
27 information and services for existing and prospective industrial clients.  
28 Currently each office maintains its own file of contact information and  
29 deals with each request for information and service from other  
30 agencies as an individual case. Many of these requests are repetitive  
31 and could be handled by data system links or telephone access  
32 messages. Others require personal contact that could be facilitated by  
33 designation and publication of the individuals to be contacted.
- 34 (10) A single-source approach to answering questions about permits  
35 required for construction and expansion, training resources, potential  
36 financing, statutes, workplace regulations, and other subjects would  
37 greatly facilitate the ombudsman function. Also, structured  
38 interdepartmental techniques for following up and expediting requests  
39 for action could both save staff time and improve services to the  
40 citizenry.

41 (b) The Department of Commerce shall consolidate the nine regional offices of  
42 the Business and Industry Division and the seven regional offices of the Division of  
43 Community Assistance into a smaller number of larger regional offices. The  
44 Department shall determine the appropriate number of offices and shall define a single

1 set of regional boundaries to carry out the responsibilities. The mission of the newly  
2 consolidated regional offices shall be long range community-oriented economic  
3 development, and the top priority of the offices shall be services to rural areas.  
4 Activities of the Department and the regional offices shall include:

5 (1) Implementation of strategies for providing leadership to multicounty  
6 economic alliances; such strategies might include exchange of  
7 information, joint planning within transportation corridors and  
8 aquifers, marketing initiatives, and coordination of services to existing  
9 industries.

10 (2) Development of an integrated, fully automated data system to support  
11 regional office functions, and design and implementation of  
12 interdepartmental techniques to follow up on and expedite requests for  
13 information and services.

14 (3) Consideration of the need for environmental engineering and other  
15 technical services; services might include utilizing the staff of  
16 regulatory agencies to provide technical assistance, budgeting funds  
17 for consultation fees, and technical training of regional staff.

18 (c) The base budget of the Department of Commerce, regional offices for  
19 business and industry and for community assistance, is reduced by not less than four  
20 hundred fifty-six thousand dollars (\$456,000) for the 1993-94 fiscal year and reduced  
21 by not less than four hundred fifty-six thousand dollars (\$456,000) for the 1994-95  
22 fiscal year. These reductions include the elimination of between three and six support  
23 positions, between six and seven relocation positions, between two and three retention  
24 and expansion positions, and reductions of other regional office expenses.

25 (d) The Department of Commerce in conjunction with its newly consolidated  
26 regional offices of the Business and Industry Division and Division of Community  
27 Assistance shall develop and implement a single source approach to provide the basic  
28 information most often requested by businesses, industries, and other entities or  
29 economic development projects that may consider locating or relocating in the different  
30 areas of the State. In developing this single source approach, the Department and its  
31 regional offices shall consider what information is appropriately handled by data system  
32 links or telephone access to recorded messages; what information is more appropriately  
33 conveyed by personal contact, and whether that information could be facilitated by the  
34 designation and publication of the individuals to be contacted; and what information  
35 regarding permits, training resources, potential financing, State laws, workplace  
36 regulations, and any other relevant subjects can feasibly and effectively be conveyed  
37 through a single-source approach.

38 (e) This section becomes effective July 1, 1993.

39 ---TRANSFER SCIENCE & TECH. BOARD.

40 Sec. 10. (a) The General Assembly finds that:

41 (1) The Department of Administration is not a key player in economic  
42 development, yet it has the North Carolina Board of Science and  
43 Technology.

1 (2) The North Carolina Board of Science and Technology and its attendant  
2 funding should be transferred to the Department of Commerce, whose  
3 major role is economic development.

4 (b) The statutory authority, powers, duties, and functions, records, personnel,  
5 property, and unexpended balances of appropriations, allocations, or other funds of the  
6 North Carolina Board of Science and Technology are transferred from the Department  
7 of Administration to the Department of Commerce.

8 The transfer directed by this subsection shall include eight certified positions  
9 under General Fund program code 14100-1871 in the Department of Administration as  
10 well as all positions certified for the Board under Special Fund program code 24100-  
11 2873 in the Department of Administration. The Office of State Budget and  
12 Management shall ensure that the transfer directed by this section is carried out.

13 (c) Part 27 of Article 9 of Chapter 143B of the General Statutes, which consists  
14 of G.S. 143B-426.1, is recodified as Part 6A of Article 10 of Chapter 143B of the  
15 General Statutes, to consist of G.S. 143B-445.1.

16 (d) G.S. 143B-445.1, as redesignated by subsection (b) of this section, reads as  
17 rewritten:

18 "**§ 143B-445.1. North Carolina Board of Science and Technology; ~~membership;~~**  
19 **~~organization; compensation; staff services.~~ Technology.**

20 (a) The North Carolina Board of Science and Technology consists of the  
21 Governor, the Science Advisor to the Governor, and 17 members appointed as follows:  
22 the Governor shall appoint one member from the University of North Carolina at  
23 Chapel Hill, one member from North Carolina State University at Raleigh, and two  
24 members from other components of the University of North Carolina, all nominated by  
25 the President of the University of North Carolina; one member from Duke University,  
26 nominated by the President of Duke University; one member from a private college or  
27 university, other than Duke University, in North Carolina, nominated by the President  
28 of the Association of Private Colleges and Universities; one member from the Research  
29 Triangle Institute, nominated by the executive committee of the board of that institute;  
30 one member from the ~~Microelectronics~~-MCNC (Microelectronics Center of North  
31 ~~Carolina, Carolina)~~, nominated by the executive committee of the board of that center;  
32 one member from the North Carolina Biotechnology Center, nominated by the  
33 executive committee of the board of that center; four members from private industry in  
34 North Carolina, at least one of whom shall be a professional engineer registered  
35 pursuant to Chapter 89C of the General Statutes or a person who holds at least a  
36 bachelors degree in engineering from an accredited college or university; and two  
37 members from public agencies in North Carolina. Two members shall be appointed by  
38 the General Assembly, one shall be appointed upon the recommendation of the  
39 President of the Senate, and one shall be appointed upon the recommendation of the  
40 Speaker of the House of Representatives in accordance with G.S. 120-121. The  
41 nominating authority for any vacancy on the Board among members appointed by the  
42 Governor shall submit to the Governor two nominations for each position to be filled,  
43 and the persons so nominated shall represent different disciplines.

1 (b) Members appointed to the Board by the General Assembly shall serve for  
2 two-year terms beginning 1 July of odd-numbered years. Vacancies in appointments  
3 made by the General Assembly shall be filled in accordance with G.S. 120-122. The  
4 two members from public agencies shall serve for terms expiring at the end of the term  
5 of the Governor appointing them. The other 13 members appointed to the Board by the  
6 Governor shall serve for four-year terms, and until their successors are appointed and  
7 qualified. Of those 13 members, six shall serve for terms that expire on 30 June of  
8 years that follow by one year those years that are evenly divisible by four, and seven  
9 shall serve for terms that expire on 30 June of years that follow by three years those  
10 years that are evenly divisible by four. Any appointment to fill a vacancy on the Board  
11 created by the resignation, dismissal, death, or disability of a member shall be for the  
12 balance of the unexpired term.

13 (c) The Governor shall serve as ~~chairman of the Board.~~ ~~The vice chairman of the~~  
14 ~~Board shall be designated by the Governor~~ chair of the Board and shall designate the vice  
15 chair from among the members of the Board. The Science Advisor to the Governor  
16 shall serve as executive director of the Board. The Secretary of ~~Administration or his~~  
17 ~~designee~~ Commerce or the Secretary's designee shall serve as secretary to the Board.

18 (d) The Governor may remove any member of the Board from office in  
19 accordance with the provisions of G.S. 143B-16.

20 (e) Members of the Board who are employees of State agencies or institutions  
21 shall receive subsistence and travel allowances authorized by G.S. 138-6. Legislative  
22 members of the Board shall receive subsistence and travel allowances authorized by  
23 G.S. 120-3.1.

24 (f) A majority of the Board constitutes a quorum for the transaction of business.

25 (g) The Secretary of ~~Administration~~ Commerce shall provide all clerical and other  
26 services required by the Board."

27 (e) This section is effective upon ratification.