

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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2

HOUSE BILL 294
Committee Substitute Favorable 4/12/93

Short Title: GPAC/Economic Development.

(Public)

Sponsors:

Referred to:

February 25, 1993

1 A BILL TO BE ENTITLED
2 AN ACT TO IMPLEMENT THE RECOMMENDATIONS OF THE GOVERNMENT
3 PERFORMANCE AUDIT COMMITTEE REGARDING ECONOMIC
4 DEVELOPMENT.

5 The General Assembly of North Carolina enacts:

6 —ECONOMIC DEV. COUNCIL/PLAN.

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

- 8 (1) The Department of Commerce's Economic Development Board is a
9 26-member advisory board charged, in part, with advising the
10 Secretary of Commerce on formulating a program for the economic
11 development of the State.
- 12 (2) The Economic Development Board has published a strategic business
13 plan for quality growth, that sets out a series of strategies and
14 initiatives to be taken by the State in economic development.
- 15 (3) North Carolina has received wide recognition for its economic
16 development successes, although it has some development
17 weaknesses.
- 18 (4) The Economic Development Board of the Department of Commerce,
19 the Governor's Commission on Workforce Preparedness, the Rural
20 Economic Development Center, and other organizations and agencies
21 have developed strategic plans related to economic development.
- 22 (5) The economic development policy currently stated in G.S. 143B-428
23 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 ~~26-30 members. The Secretary of Commerce shall serve ex officio as a member and as~~
 26 ~~the secretary of the Economic Development Council. Two members of the House of~~
 27 ~~Representatives appointed by the General Assembly upon the recommendation of the~~
 28 ~~Speaker of the House of Representatives, two members of the Senate appointed by the~~
 29 ~~General Assembly upon the recommendation of the President of the Senate, the~~
 30 ~~Secretary of State, the President of The University of North Carolina and the President~~
 31 ~~of the North Carolina System of Community Colleges shall serve as members of the~~
 32 ~~Council. The Governor shall appoint the remaining 22 members of the Council,~~
 33 ~~provided that one of those appointees shall be a representative of a nonprofit~~
 34 ~~organization involved in economic development. The Governor shall designate a chair~~
 35 ~~and a vice-chair from among the members of the Council.~~

36 ~~The Secretary of Commerce, the President of the Senate or his appointee, and the~~
 37 ~~Speaker of the House of Representatives or his appointee, shall be members of the~~
 38 ~~Board. The Governor shall appoint 23 members of the Board. Of his appointees, the~~
 39 ~~Governor shall appoint at least one member residing in each congressional district of the~~
 40 ~~State.~~

41 ~~The initial appointments by the Governor shall be made on or after the date of~~
 42 ~~ratification, 11 terms to expire July 1, 1979, and 11 terms to expire on July 1, 1981.~~
 43 ~~Thereafter, at the expiration of each stipulated term of office all appointments made by~~
 44 ~~the Governor shall be for a term of four years. The initial term of the person appointed~~

1 to represent the 12th Congressional District shall commence January 3, 1993, and expire
2 June 30, 1995. Any vacancy occurring in the membership of the Economic
3 Development Board appointed by the Governor shall be filled by the Governor for the
4 unexpired term. The Governor shall have the authority to remove any member of the
5 Economic Development Board appointed by the Governor.

6 The Governor shall designate from among the members of the Economic
7 Development Board a chairman and a vice chairman. The Secretary of Commerce or his
8 designee shall serve as Secretary of the Economic Development Board. If a vacancy
9 occurs in the office of the Lieutenant Governor, the President pro tempore shall fill the
10 vacancy. If a vacancy occurs in the office of the Speaker of the House of
11 Representatives, the Speaker pro tempore shall fill the vacancy.

12 The initial appointments to the Council shall be for terms beginning July 1, 1993.
13 Of the initial appointments made by the Governor, eight terms shall be designated to
14 expire July 1, 1995; the remaining terms shall expire July 1, 1997. Of the initial
15 appointments made by the General Assembly, one term made upon the recommendation
16 of the Speaker of the House of Representatives and one term made upon the
17 recommendation of the President of the Senate shall be designated to expire on July 1,
18 1995; the remaining terms shall expire July 1, 1997. Thereafter, all appointments shall
19 be for a term of four years.

20 The Governor shall make a replacement appointment to serve for the unexpired term
21 in the case of a vacancy, provided that a vacancy in a term appointed by the General
22 Assembly shall be filled in accordance with G.S. 120-122.

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

31 (c) Staff. – Clerical and professional staff support to the Economic Development
32 Council shall be provided by an Interagency Council composed of representatives of the
33 following State agencies:

- 34 (1) The Department of Administration.
- 35 (2) The Department of Agriculture.
- 36 (3) The Employment Security Commission.
- 37 (4) The Department of Labor.
- 38 (5) The Department of Transportation.

39 The Department of Commerce shall have the responsibility for coordinating the
40 activities and efforts of the Interagency Council.

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

43 ~~(c) It shall be the duty of the chairman of the Economic Development Board:~~

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

1 Legislative Commission on Governmental Operations. The statewide economic
2 development plan shall encompass all of the components set out in this section.

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

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

8 (2) Local economic development departments and regional economic
9 development organizations.

10 (3) The Board of Governors of The University of North Carolina.

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

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

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

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

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

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

33 (4) Economic and industrial changes in competitive states by region,
34 including new plant location information.

35 (5) Other information relating to economic development such as
36 regulatory or legal matters and social considerations.

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

1 should be assigned a dominant role in this key component of economic development
2 activity.

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

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

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

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

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

29 (h) This section becomes effective July 1, 1993. The terms of all current
30 members of the Economic Development Board shall expire July 1, 1993.

31 —DEVELOPMENT PERFORMANCE INDICATORS.

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

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

41 (2) State General Fund expenditures for the 1991-92 fiscal year for
42 economic development were approximately eighty-four million dollars
43 (\$84,000,000).

- 1 (3) This eighty-four million dollar (\$84,000,000) expenditure on economic
2 development was allocated among 40 different State and State-
3 associated programs and entities, which can be grouped into five broad
4 categories:
- 5 a. Nonprofit agencies.
 - 6 b. The Department of Community Colleges.
 - 7 c. The Department of Commerce.
 - 8 d. Other State departments, including the Department of
9 Agriculture, the Business Licensing Office of the Department of
10 the Secretary of State, the Department of Administration, and
11 the Department of Environment, Health, and Natural Resources.
 - 12 e. The University of North Carolina.
- 13 (4) The results of State economic development activities are not
14 effectively monitored and evaluated because, although the State
15 employs several conventional methods of ensuring accountability of
16 agencies involved in economic development (such as budgets,
17 department plans, and internal audits), these accountability measures
18 focus on inputs or on programs and budget levels, rather than on
19 outcomes—the results of their efforts.
- 20 (5) Most State agencies involved in economic development activities have
21 not yet designed and implemented meaningful measures to evaluate
22 and report on performance; as a result, the General Assembly has only
23 a limited ability to evaluate the outcome of its significant investments
24 in economic development.
- 25 (6) To implement a truly integrated approach to economic development,
26 each key agency must be accountable for its contribution to meeting
27 the overall economic development goals of the State; performance
28 indicators would provide an effective and appropriate means to assure
29 this accountability on a regular basis.
- 30 (7) The General Assembly should base its economic development budget
31 allocations on outcomes, as measured by performance indicators.
- 32 (b) Each State agency involved in economic development shall develop, in
33 conjunction with the Office of State Budget and Management, performance indicators
34 that are appropriate and measurable criteria, including criteria that each agency can
35 influence and criteria based on baseline data and reasonable recommendations. The
36 performance indicators should articulate specific, measurable results for each agency
37 and should be comprehensive, so that the General Assembly may base each agency's
38 continued economic development appropriation on its effectiveness as measured by the
39 performance indicators.
- 40 (c) This section becomes effective July 1, 1993.
- 41 —ECONOMIC RESPONSIBILITY.
- 42 Sec. 3. (a) The General Assembly finds that:
- 43 (1) The term "economic development" encompasses all activities
44 conducted for the express purpose of increasing and maintaining the

1 economic vitality of North Carolina, including industrial and business
2 recruiting, business retention, facilitating business creation, providing
3 small business assistance, job training and workforce preparedness
4 programs, and investing in infrastructure, both physical (roads,
5 utilities, etc.) and technological (fiber-optics networks and other
6 information system links).

7 (2) State General Fund expenditures for the 1991-92 fiscal year for
8 economic development were approximately eighty-four million dollars
9 (\$84,000,000).

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

14 a. Nonprofit agencies.

15 b. The Department of Community Colleges.

16 c. The Department of Commerce.

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

21 e. The University of North Carolina.

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

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

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

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

35 **§ 143B-437C. Allocation of economic development responsibilities.**

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

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

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

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

14 (c) This section is effective upon ratification.

15 —REVIEW FUTURE DEVELOPMENT NONPROFITS.

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

- 17 (1) The General Assembly has established, directly or indirectly, the
18 following four special purpose nonprofit agencies to conduct economic
19 development activities:
20 a. The North Carolina Biotechnology Center.
21 b. The MCNC (Microelectronics Center of North Carolina).
22 c. The Rural Economic Development Center, Inc.
23 d. The Technological Development Authority, Inc.
- 24 (2) The mission of each of these nonprofits is as follows:
25 a. The mission of the Biotechnology Center is to provide long-
26 term economic benefit to North Carolina through support of
27 biotechnology research, development, and commercialization
28 statewide.
29 b. The mission of the MCNC is to accelerate the use of emerging
30 electronics technologies through innovation and market-driven
31 applications that improve quality of life.
32 c. The mission of the Rural Economic Development Center is to
33 develop and advocate innovative strategies to help stimulate
34 economic growth and job creation throughout the State's rural
35 areas.
36 d. The mission of the Technological Development Authority is to
37 increase the rate at which new jobs are created in all regions of
38 the State, by stimulating the development of existing and new
39 small businesses.
- 40 (3) In the 1991-92 fiscal year, these four nonprofits expended almost thirty
41 million dollars (\$30,000,000) in General Fund revenues justified in the
42 budget process as economic development.
- 43 (4) The use of nonprofits as a mechanism for State-initiated economic
44 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 section 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 review the appropriations to these entities.

34 (c) This section is effective upon ratification.

35 —NONPROFITS PERFORMANCE CONTRACTS.

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

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

- 40 a. The North Carolina Biotechnology Center.
- 41 b. The MCNC (Microelectronics Center of North Carolina).
- 42 c. The Rural Economic Development Center, Inc.
- 43 d. The Technological Development Authority, Inc.

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

- 1 a. The mission of the Biotechnology Center is to provide long-
2 term economic benefit to North Carolina through support of
3 biotechnology research, development, and commercialization
4 statewide.
- 5 b. The mission of the MCNC is to accelerate the use of emerging
6 electronics technologies through innovation and market-driven
7 applications that improve quality of life.
- 8 c. The mission of the Rural Economic Development Center is to
9 develop and advocate innovative strategies to help stimulate
10 economic growth and job creation throughout the State's rural
11 areas.
- 12 d. The mission of the Technological Development Authority is to
13 increase the rate at which new jobs are created in all regions of
14 the State, by stimulating the development of existing and new
15 small businesses.
- 16 (3) In the 1991-92 fiscal year, these four nonprofits expended almost thirty
17 million dollars (\$30,000,000) in General Fund revenues justified in the
18 budget process as economic development although, beginning in the
19 1993-94 fiscal year, the Technological Development Authority will no
20 longer receive State funding.
- 21 (4) Each of these special purpose nonprofits has demonstrated success in
22 its respective area of focus and, as a group, they have contributed
23 significantly to North Carolina's reputation as a State committed to
24 innovative, technology-based research and development.
- 25 (5) However, few mechanisms currently exist to ensure the accountability
26 of these special purpose nonprofits to the State.
- 27 (6) The current accountability mechanisms are:
 - 28 a. Annual and special published reports.
 - 29 b. Quarterly reporting to the Joint Legislative Commission on
30 Governmental Operations regarding the use of their funds.
 - 31 c. Annual government financial audits.
- 32 (7) These conventional accountability measures focus on inputs, or
33 programs and budget levels, rather than outcomes—the results of the
34 nonprofits' efforts.
- 35 (8) Without outcome-based accountability measures, the extent to which
36 the nonprofits are fulfilling their intended purposes cannot be fully
37 assessed.
- 38 (9) The lack of meaningful measures to evaluate and report the nonprofits'
39 performance leaves the General Assembly with only a limited ability
40 to evaluate the outcome of its significant investments in economic
41 development activities of nonprofits.
- 42 (10) Performance-based contracts would provide an effective and
43 appropriate accountability mechanism to assess the performance of the
44 nonprofits on a regular basis.

- 1 (11) Examples of performance-based indicators by which nonprofits'
2 effectiveness could be measured include:
3 a. Achievement of an adequate ratio of private funding to State
4 funding.
5 b. Long-term financial viability, measured in quantitative terms, of
6 those start-up businesses which the nonprofits finance.
7 c. Number of patents received by applied researchers supported by
8 the nonprofits.
9 d. Number of jobs created in businesses that the nonprofits
10 finance.

- 11 (12) The General Assembly's economic development budget allocations to
12 nonprofits should be based on outcomes, as measured by performance
13 indicators designed by the nonprofits in conjunction with the
14 Department of Commerce and the Economic Development Council.

15 (b) The Department of Commerce, in conjunction with the Office of State Budget
16 and Management and each nonprofit agency involved in State-funded economic
17 development activities, shall recommend for each nonprofit agency performance
18 indicators that are appropriate and measurable criteria, including criteria that each
19 agency can influence and criteria based on baseline data and reasonable
20 recommendations. The performance indicators should articulate specific, measurable
21 results for each agency and should be comprehensive, so that the General Assembly
22 may base each agency's continued economic development appropriation on its
23 effectiveness as measured by the performance indicators.

24 (c) The Department of Commerce and the Office of State Budget and
25 Management, as appropriate, shall, when allocating economic development
26 appropriations to nonprofit agencies, execute a contract incorporating the performance
27 indicators and any conditions upon which the appropriation was based.

28 (d) This section is effective upon ratification.

29 —UNC STUDY EXTENSION ECONOMIC DEVELOPMENT.

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

- 31 (1) The University of North Carolina System's campuses administer many
32 programs related to economic development, as follows:
33 a. At Elizabeth City State University, the Small Business
34 Development Technology Center and North Carolina
35 Tomorrow.
36 b. At East Carolina University, the Regional Development
37 Institution.
38 c. At Pembroke State University, the Economic Development
39 Center.
40 d. At Western Carolina University, Western North Carolina
41 Tomorrow.
42 e. At the University of North Carolina at Chapel Hill, the Small
43 Business Technology Development Center and the Kenan
44 Center of North Carolina.

1 f. At North Carolina State University, the Industrial Extension
2 Service, Industrial Telecommunications, the International Trade
3 Center, the North Carolina Japan Center, and the Textiles
4 Extension Service.

5 (2) In addition, The University of North Carolina System supports
6 economic development through basic and applied research, centers,
7 institutes, and laboratories.

8 (3) The University of North Carolina System has a unique contribution to
9 make to economic development due to its access to ongoing research.

10 (4) The extension service of The University of North Carolina System
11 currently serves a function that is only indirectly related to economic
12 development, although, given its regional infrastructure, it could be
13 used for even more direct economic development activity.

14 (b) The Board of Governors of The University of North Carolina shall, in
15 consultation with the Boards of Trustees of all affected constituent institutions and in
16 consultation with the Economic Development Council created in G.S. 143B-434, study
17 its extension activities and determine the proper role of extension activities in economic
18 development. The Board of Governors shall reassign its extension activities a more
19 active role in economic development if it finds such a role to be appropriate. The Board
20 of Governors shall report to the General Assembly and the Joint Legislative Education
21 Oversight Committee by July 1, 1994, on its findings and any action taken with respect
22 to extension activities.

23 (c) This section is effective upon ratification.

24 —RESTRUCTURE DEPT. OF COMMERCE.

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

26 (1) The Department of Commerce has excess levels of management,
27 excessively narrow spans of control, and some unnecessary positions
28 in some units.

29 (2) The Agribusiness Division of the Department of Commerce has
30 programs that are duplicated in the Department of Agriculture and the
31 Department of Environment, Health, and Natural Resources.

32 (3) If the Weatherization Assistance Program of the Energy Division,
33 which weatherizes houses for the needy, were combined with the
34 Community Assistance Division's program that renovates houses for
35 low-income persons, four positions could be eliminated.

36 (4) Twelve positions in the following units of the Department of
37 Commerce are unnecessary because the units have a supervisor and an
38 assistant supervisor who both have narrow spans of control:

39 a. Personnel Office.

40 b. Energy Division.

41 c. Banking Commission.

42 d. Credit Union Commission.

43 e. Finance and Budget (ESC).

44 f. Labor Market Information (ESC).

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

- 1 d. Community Assistance.
2 e. Personnel (ESC).
3 f. Labor Market Information (ESC).

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

- 6 a. Mutual Burial Association Commission.
7 b. Cemetery Commission.
8 c. Community Assistance Division.
9 d. Security Administration (ESC).
10 e. Public Information Office (ESC).
11 f. " Manpower" Programs (ESC).

12 (g) The Secretary of Commerce shall study the best way to merge the North
13 Carolina Mutual Burial Association Commission and the North Carolina Cemetery
14 Commission, including their memberships, powers, duties, functions, property,
15 personnel, and funds. The Secretary shall report to the General Assembly by May 15,
16 1993, the results of its study including proposed legislation providing for the statutory
17 merger of the two commissions.

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

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

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

26 ~~---~~COMMERCE RECS.

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

- 28 (1) The Department of Commerce's Business and Industry Development
29 Division (B&I) operates nine regional offices with a staff of 27
30 individuals and annual expenditures of about one million three
31 hundred fifty thousand dollars (\$1,350,000); the Department's Division
32 of Community Assistance (DCA) operates seven regional offices with
33 a staff of 29 individuals and annual expenditures of about one million
34 six hundred thousand dollars (\$1,600,000).
35 (2) The assignment of counties to regions is not consistent within B&I and
36 DCA of the Department of Commerce, and the two divisions do not
37 effectively coordinate their work.
38 (3) The current mission of the B&I offices is broad in scope and results in
39 wide variations in workloads, priorities, and strategies across regional
40 offices.
41 (4) B&I regional office staff are pursuing projects that would be more
42 effectively handled by central office staff.

- 1 (5) Development of resources and community needs, and the emphasis on
2 and quality of strategic planning, vary widely among regions and
3 counties.
- 4 (6) Some regional and community personnel perceive central office staff
5 as keeping new industry prospects to themselves and favoring certain
6 areas for location.
- 7 (7) Dynamic multicounty alliances are neither congruent with regional
8 office boundaries nor consistently addressed by B&I's strategy.
- 9 (8) The flow of information within B&I lacks strategic focus and does not
10 effectively utilize computerized data processing techniques.
- 11 (9) A significant aspect of the regional office operations is obtaining
12 information and services for existing and prospective industrial clients.
13 Currently each office maintains its own file of contact information and
14 deals with each request for information and service from other
15 agencies as an individual case. Many of these requests are repetitive
16 and could be handled by data system links or telephone access
17 messages. Others require personal contact that could be facilitated by
18 designation and publication of the individuals to be contacted.
- 19 (10) A single-source approach to answering questions about permits
20 required for construction and expansion, training resources, potential
21 financing, statutes, workplace regulations, and other subjects would
22 greatly facilitate the ombudsman function. Also, structured
23 interdepartmental techniques for following up and expediting requests
24 for action could both save staff time and improve services to the
25 citizenry.
- 26 (b) The Department of Commerce shall consolidate the nine regional offices of
27 the Business and Industry Division and the seven regional offices of the Division of
28 Community Assistance into a smaller number of larger regional offices. The
29 Department shall determine the appropriate number of offices and shall define a single
30 set of regional boundaries to carry out the responsibilities. The mission of the newly
31 consolidated regional offices shall be long-range community-oriented economic
32 development, and the top priority of the offices shall be services to rural areas.
33 Activities of the Department and the regional offices shall include:
- 34 (1) Implementation of strategies for providing leadership to multicounty
35 economic alliances; such strategies might include exchange of
36 information, joint planning within transportation corridors and
37 aquifers, marketing initiatives, and coordination of services to existing
38 industries.
- 39 (2) Development of an integrated, fully automated data system to support
40 regional office functions, and design and implementation of
41 interdepartmental techniques to follow up on and expedite requests for
42 information and services.
- 43 (3) Consideration of the need for environmental engineering and other
44 technical services; services might include utilizing the staff of

1 regulatory agencies to provide technical assistance, budgeting funds
2 for consultation fees, and technical training of regional staff.

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

10 (d) The Department of Commerce in conjunction with its newly consolidated
11 regional offices of the Business and Industry Division and Division of Community
12 Assistance shall develop and implement a single-source approach to provide the basic
13 information most often requested by businesses, industries, and other entities or
14 economic development projects that may consider locating or relocating in the different
15 areas of the State. In developing this single-source approach, the Department and its
16 regional offices shall consider what information is appropriately handled by data system
17 links or telephone access to recorded messages; what information is more appropriately
18 conveyed by personal contact, and whether that information could be facilitated by the
19 designation and publication of the individuals to be contacted; and what information
20 regarding permits, training resources, potential financing, State laws, workplace
21 regulations, and any other relevant subjects can feasibly and effectively be conveyed
22 through a single-source approach.

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

24 —TRANSFER SCIENCE & TECH. BOARD.

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

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

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

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

36 The transfer directed by this subsection shall include eight certified positions
37 under General Fund program code 14100-1871 in the Department of Administration as
38 well as all positions certified for the Board under Special Fund program code 24100-
39 2873 in the Department of Administration. The Office of State Budget and
40 Management shall ensure that the transfer directed by this section is carried out.

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

1 (d) G.S. 143B-445.1, as redesignated by subsection (c) of this section, reads as
2 rewritten:

3 "**§ 143B-445.1. North Carolina Board of Science and Technology; ~~membership;~~**
4 **~~organization; compensation; staff services.~~ Technology.**

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

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

41 (c) The Governor shall serve as ~~chairman of the Board.~~ ~~The vice chairman of the~~
42 ~~Board shall be designated by the Governor~~ chair of the Board and shall designate the vice-
43 chair from among the members of the Board. The Science Advisor to the Governor

1 shall serve as executive director of the Board. The Secretary of ~~Administration or his~~
2 ~~designee~~ Commerce or the Secretary's designee shall serve as secretary to the Board.

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

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

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

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

12 (e) This section is effective upon ratification.