

Is a "Nerve Center" at the Department of Commerce Enough?

Who Makes Economic Development Policy?

by Ann Sternlicht and Bill Finger

Scores of state agencies run programs related to economic development. Despite these many agencies, past governors have highlighted a single economic development policy: Kerr Scott (roads), Luther Hodges (industrial recruitment and the Research Triangle Park), Jim Hunt (microelectronics). What will Jim Martin's legacy be?

For the first time, this article compiles a comprehensive list of all state programs affecting economic development, with expenditure figures and agency responsibilities. Another table shows the executive-branch boards, commissions, and councils with economic development responsibilities. This broad-brush treatment is designed as an introduction to the articles that begin on page 42, which examine economic development strategies in detail.

Last year, the N.C. Department of Commerce spent \$13.2 million in state funds to promote economic development. Sounds like a lot of money, doesn't it? But the state spent another \$6.7 million through the Department of Community Colleges and \$13.0 million on the Microelectronics Center of North Carolina.

If you add federal funds administered by state agencies and count programs related to economic development, the list of agencies gets more involved. For example, the state Department of Natural Resources and Community Development (NRCD) administered \$62.4 million in federal job training funds, and the state Employment Security Commission used \$1.2 million in federal dollars for labor market information. At the same time, the Community College system spent \$177.2 million on technical and vocational education and another \$14.4 million on college transfer programs, while the University of North Carolina system spent \$1.2 billion for higher education. Also, consider the \$708.0 million spent on roads and airports

through the N.C. Department of Transportation. And the list goes on (see Table 1).

In this mass of dollars and myriad of agencies, does the state have an overall economic development policy? "We have not had any comprehensive, explicit statewide policy that everyone subscribes to," says E. Walton Jones, former vice-president of research and public services for the University of North Carolina. "There's good reason for this. Virtually every agency of state government has an impact on economic development. No one entity has set forth such a policy."

Leaders in the administration of Gov. James G. Martin say that agreements on policy directions do exist. "Everyone is pretty much for the same goals," says Ernest Carl, deputy secretary of NRCD. "Our missions are pretty well set out."

But Martin administration officials also recognize the importance of the many actors in

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this area. "A lot of people are interested in economic development, particularly in small business these days," says Kevin Kennelly, deputy secretary of Commerce. "It's inevitable to some extent, and that can be good or bad. For example, the community colleges are a tremendous economic resource, and we sell them very hard. On the other hand, it has the potential to get into a fractured system."

Whatever kind of overall policy does (or does not) exist, leadership must come from the governor, agree virtually all of the government officials, university researchers, industry and labor leaders, and others interviewed for this issue of *North Carolina Insight*. "The policy should emanate from the governor," says Jones.

"The governor is the leading economic development officer," says Alvah Ward, director of the Department of Commerce's business and industry development office.

Beyond this point, however, the details become fuzzy. "The Department of Commerce is the lead agency in state government efforts to promote economic development," says Kirsten Nyrop, former director of the N.C. Technologi-

"We are primarily a catalyst for economic development," says Haworth. "There are almost 400 individuals and institutions that we've identified who are involved in North Carolina economic development—banks, county developers, chambers of commerce, and many, many other professional institutions and individuals. The Commerce Department can be an important nerve center for coordination of these efforts."

State Government Programs Divide the Action

In North Carolina, state agencies working in economic development can be grouped in eight areas. In addition, 24 different boards and commissions have responsibilities for various aspects of the economy of the state (see Table 2).

Industrial Recruitment/Development. The Department of Commerce takes the lead role in recruiting industry for the state (see article on page 43). The central financial tool for such recruitment is the use of industrial revenue bonds. Commerce also leads the effort to expand international markets for North Carolina products (see article on page 62), to support the growing film industry in the state, to promote travel and tourism, and to manage the state ports. In addition, a substantial portion of the department's overall administrative costs go toward economic development.

Other departments and agencies working to recruit industry include the Department of Administration (long-term planning), the UNC International Trade Center, and the State Treasurer's office, which monitors industrial revenue bonds for financial soundness. While analysts agree that the Department of Commerce has the lead role for recruiting industry, in recent years more state funds for development have gone to the Microelectronics Center of North Carolina. (See article on page 74 for more on this center.)

From FY 80-85, the state spent \$51.6 million on a single venture, the Microelectronics Center (MCNC).¹ Such spending levels indicate more than the politics of a particular legislative session. "The state budget is not just an account ledger full of line items and nine digit numbers with dollar signs," explained Ran Coble, executive director of the N.C. Center for Public Policy Center, opening the N.C. Center's 1983 forum on the state budget. "The budget is a policy document that speaks louder than words about what we as North Carolinians care about."²

Speaking at this 1983 forum, the late S. Kenneth Howard characterized the spending for

*"Government in the U.S. today
is a senior partner in every business
in the country."*

—Norman Cousins

cal Development Authority. Martin administration officials agree. "We have small parts of the action. The lead is the Department of Commerce," says Carl of NRCD. Secretary of Commerce Howard Haworth follows Governor Martin as the leading economic development official, adds Ward.

"Within the administration, Secretary Haworth is definitely the point man," says Kennelly. "He has the biggest tool box to open and the most players to work with."

Others think the role of the Department of Commerce is more limited. "We are in essence a non-commissioned, commercial real estate agency," said Clint Abernethy before stepping down as assistant secretary of Commerce in 1985.

The role of the department goes far beyond that of a commercial real estate agency, says Secretary Haworth (see interview on page 36). But Haworth himself is quick to point out the complexity of steering a coherent course for economic development in North Carolina.

Table 1. N.C. State Government Programs Focusing on Economic Development

State Government Program	Department/Division	Activities
I. INDUSTRIAL RECRUITMENT/DEVELOPMENT		
Industrial Development	Commerce/Business & Industry Development	Handles inquiries and assists companies considering locating in North Carolina
Industrial Financing	Commerce ¹	Administers industrial revenue bonds for manufacturing firms
	Treasurer/State & Local Gov't. Finance	Approves industrial revenue bond issuances for financial soundness
Foreign Investments	Commerce/International Development	Recruits foreign firms, maintains overseas offices in Japan and Germany
Export Development	Commerce/International Development	Provides marketing assistance, publishes trade newsletter, and helps foreign trade delegations
Microelectronics Center of N.C. (Research Triangle Park)	Independent	Promotes research and high-tech industrial recruitment
N.C. Biotechnology Center (Research Triangle Park)	Independent	Promotes research and development of new biotechnology industries
International Trade Center (Raleigh)	Univ. of North Carolina System/NCSU Extension Service	Offers courses, training, and briefings on trade, finance, legal, tax, and other economic issues
Policy Development	Administration/Policy and Planning	Conducts long-range planning and studies on economic development
Film Office	Commerce/Film Office	Encourages and supports the growth of the film industry in N.C.
State Aircraft	Commerce	Provides air transportation for industrial development officials and prospects
II. SMALL BUSINESS DEVELOPMENT		
Small Business Development	Commerce ¹	Provides financial, marketing, and other assistance
Science and Technology Research Center (Research Triangle Park)	Commerce ¹	Assists with inquiries on small business innovation, publishes a technical bulletin, and otherwise markets new technology for small businesses
Technological Development Authority	Commerce ¹	Technical assistance to small businesses
Innovation Research Fund		Provides royalty financing for research and development of new products or processes
Incubator Facilities Program		Provides grants to localities for establishing "incubators" for new small businesses
Minority Business	Commerce/Office of Minority Business Enterprise	Provides technical, managerial assistance to minority-owned businesses
Small Business Assistance Centers	Community Colleges/Program Services	Assists current and prospective small business through seminars, counseling and referral, information resources, etc., currently through 20 centers.
Small Business & Technology Development Center	UNC System	Provides technical and management assistance to new small business enterprises

Expenditures in N.C. (FY 84-85, in thousands)

Local	State	Federal	Total
\$0	\$2,491	\$0	\$2,491
\$0	\$212	\$0	\$212
\$0	\$142	\$0	\$142
\$0	\$807	\$0	\$807
\$0	\$53	\$0	\$53
\$0	\$13,045	\$0	\$13,045
\$0	\$1,490	\$375	\$2,131 ²
\$0	\$59	\$0	\$74 ³
\$0	\$704	\$143	\$847
\$0	\$50	\$0	\$50
\$0	\$828	\$0	\$828
\$0	\$557 ⁴	\$0	\$557
\$0	\$1,074	\$0	\$1,074
\$0	\$100	\$175	\$275
\$0	\$375	\$0	\$375
\$0	\$705	\$0	\$705
\$0	\$100	\$35	\$135
\$0	\$600	\$0	\$600
\$0	\$289	\$48	\$337

(continued page 26)

the MCNC as "putting all your chips on the chips." Howard, who was State Budget Officer under Gov. James Holshouser (1973-77) and later executive director of the U.S. Advisory Commission on Intergovernmental Relations, said at the forum that such a spending level "kind of takes my breath away.... It may be the best bet. It may pay the richest dividends you've ever seen, but for a \$43 million economic development program, I would suggest there might have been some other options. It does strike me as an awful lot in one basket." (Howard's \$43 million figure was the cumulative appropriation for the MCNC at the time he spoke.)

Established with state funds, the MCNC operates as an independent, non-profit corporation. But, apparently, it will continue to rely on substantial state funds to operate. In 1985, the legislature appropriated \$11.2 (FY 85-86) and \$12.1 (FY 86-87) for operating funds for the MCNC, approximately two-thirds of its operating budget. In one central respect—money—microelectronics has become the *de facto* flagship economic development policy in North Carolina.

This hefty state spending for microelectronics came about primarily because former Gov. James B. Hunt Jr., beginning in 1980, made high-tech industries his number-one priority for economic development (see "Easy Angling in Legislative Waters," *N.C. Insight*, Vol. 4, No. 3, September 1981, pp. 18-22). After 15 months in office, Governor Martin has not made his top priority clear. At first, Martin called attention to the state's mainstream industries by appointing White Watkins, formerly of Blue Bell Inc., as assistant secretary of Commerce for Traditional Industries. At the same time, "recruiting high-tech is still a strategy of this administration," says Alvah Ward, industrial development director during the Hunt administration as well as under Martin. But Martin and Commerce Secretary Haworth have also emphasized the service sector and small business as important for economic development.

Small Business Development. In recent years, the Department of Commerce has also begun to focus on small businesses through its Small Business Assistance office (recently reorganized as the Division of Small Business Development), as well as the Science and Technology Research Center and the Technological Development Authority. The Department of Community Colleges also provides important help through its 20 small business assistance centers, and the University of North Carolina system sponsors the Small Business and Technology Development Center. Compared to the investment in the microelectronics center or industrial

recruitment, state funds for small businesses are modest.

"Little attention is given to small businesses," says Kirsten Nyrop, who left the Technological Development Authority in 1985. "We need better coordination, so the individual

Economics: "The Dismal Science."

—Thomas Carlyle

entrepreneur knows where to go for help." In addition, Nyrop suggests that the state could do more imaginative things, such as providing extension services for small businesses similar to the agricultural extension service. (For more on small business, see article on page 53.)

Community Development. The federal Community Development Block Grant program is administered through NRCDC. Many of the guidelines for distributing the funds are determined at the state level (see "Small Cities Com-

munity Development Block Grants," *N.C. Insight*, Vol. 5, No. 2, August 1982, pp. 16-21).

"We have some choice [over whether] to put more money into community revitalization or into economic development, in assisting small businesses to get going," explains Carl of NRCDC, which administers this program. "The money spent on the latter is far better than the former. In the last administration, any money not used in economic development was spent on community development. Our philosophy is that our goal should be loans to businesses for jobs rather than grants for one-time community projects. So we are trying to get the total [portion of the CDBG funds] up to the 20 percent limit for economic development."

Data Collection. The Department of Commerce collects most of the economic development-related data in North Carolina and works closely with federal agencies. The Employment Security Commission (ESC) releases regular information on the labor market, a service done exclusively with federal funds. The ESC services for unemployed workers are not considered an economic development program for the purposes of this article, and hence funds for this service do not appear on Table 1.

Table 1. (Continued)

State Government Program	Department/Division	Activities
III. MISCELLANEOUS DEVELOPMENT		
Tourism Development	Commerce/Travel & Tourism	Promotes N.C. travel destinations to out-of-state visitors; operates welcome centers
Administration & Oversight	Commerce/Office of Secretary & Economic Development Board	Directs department economic development programs and coordinates policy
Seafood Industry	Commerce/Wanchese Seafood Industrial Park	Promotes development of seafood processing and related industries
IV. COMMUNITY DEVELOPMENT		
Community Development Block Grants (CDBG)	Natural Resources & Community Development (NRCDC)/Community Assistance	Distributes federal CDBG funds to local areas, designed <i>partially</i> for job development
Main Street Program	NRCDC/Community Assistance	Promotes downtown revitalization
V. DATA COLLECTION		
Employment Data	Commerce/Employment Security Commission (Research Bureau) ⁵	Gathers and reports data on employment in many categories and publications
Labor Resources	Commerce/Research	Provides data on labor resources, plant closings, layoffs, and economic conditions

The State Budget Office produces economic forecast data, which serves as the basis for some of the ESC reports. Before 1982, the ESC and the State Budget Office conducted two separate forecasts, using different methods, which in one memorable instance resulted in opposite projections for the textile industry. To avoid the confusion of contradictory predictions, the lead forecasting function was placed in the State Budget Office.

Even so, some concerns over forecast data still exist. "One significant gap in the state's economic development efforts is the need for timely, regular labor market projections on a regional basis," says Sandy Shugart, vice-president for program services in the Department of Community Colleges, which recently contracted with the Department of Economics at the University of North Carolina at Charlotte for a separate analysis. "The ESC has a strong interest in providing the information needed. We might get that done this year."

Greg Sampson, director of research for ESC, however, says that while there were some gaps in the past, the forecast data is sufficient. "ESC does occupational employment projections biennially now, plus special studies on skill

shortage occupations and other subjects."

Job Training. Two major but separate systems exist in North Carolina to deliver job training—the community college system and the NRCD system for distributing the federal Job Training Partnership Act (JTPA) funds. In addition, the state Department of Labor administers apprenticeship programs in the state (to train electricians, for example), with \$890,000 last year, mostly state funds. (For more on job training, see article on page 84.)

Last year, the state spent \$1.6 million through the Department of Community Colleges for two types of programs related to traditional industries, training centers at 19 community college campuses and the semi-autonomous N.C. Vocational Textile School in Belmont. In addition, \$4.5 million in state funds went to provide customized job training for new or expanding industries throughout the community college system.

While state funds were flowing through the community college system, \$62.4 million in federal JTPA funds came to North Carolina via NRCD. These training funds went for training and placing economically disadvantaged adults and youth, as well as special target groups, including older workers, welfare recipients, and workers who lost their jobs through plant closings. NRCD distributes the JTPA money through its Employment and Training Division to Private Industry Councils around the state, and through contracts to: private businesses for on-the-job training, the Department of Community Colleges for classroom and customized training, the Department of Labor for pre-apprenticeship training, the Employment Security Commission for placement services (including displaced workers), the Department of Public Instruction for youth programs, and various state and local service agencies.

"I'm generally a person who thinks diversity is a great strength," says Shugart of the Community Colleges. "But I wonder about the JTPA program. We already have an infrastructure in place for delivering job training. Why create an additional structure?"

Mary Joan Pugh, NRCD assistant secretary for community development, answers that question like this. "JTPA is a true partnership in that its mission is to bring together the resources of private business, local training and employment agencies, educational and vocational agencies, and social agencies. One agency cannot do it alone because no one agency is involved in all aspects of training and employment or works with all the various target groups. Thus the role of NRCD is to conduct the orchestra of training and employment professionals so that target groups can be trained and placed on jobs."

Expenditures in N.C. (FY 84-85, in thousands)

Local	State	Federal	Total
\$0	\$5,151	\$0	\$5,151
\$0	\$616	\$0	\$616
\$0	\$83	\$0	\$83
\$0	\$24	\$9,070	\$9,094
\$0	\$133	\$6	\$139
\$0	\$0	\$1,233	\$1,233
\$0	\$165	\$0	\$165

(continued page 28)

The disagreements between Shugart and Pugh accentuate the patterns of many economic development-related programs. "No consensus exists as to what the overall economic development policy ought to be," says Sheron Morgan, senior policy analyst in the Department of Administration. "This lack of consensus surfaces with job training because you have so many institutional actors."

Education. Three types of state educational institutions have some direct relationship to the economic development of the state: technical and vocational education, higher education, and the N.C. School of Science and Mathematics (see

"And Yet Another Surprise," *N.C. Insight*, Vol. 1, No. 4, Fall 1978, pp. 8-11). One gap in the education system as it relates to the economy, says Shugart, is "the public understanding of the labor market. Schools don't teach people what jobs are going to be available, and that is not necessarily their function. We need to have an adequate supply of labor for specific jobs." To achieve this, says Shugart, "We need some kind of public information project—such as TV spots on labor market alerts—to tell people where jobs are and how to prepare for them."

Sampson of the ESC points out that "the information is available. It may be that it is not

Table 1. (Continued)

State Government Program	Department/Division	Activities
VI. JOB TRAINING		
Job Training Partnership Act (JTPA)	NRCD/Employment & Training	Administers federal JTPA funds and distributes these funds to metropolitan areas of the state
	NRCD/Rural Private Industry Council	Distributes federal JTPA funds to rural parts of the state
	Labor/Pre-apprenticeship Training	Subsidizes training for economically disadvantaged persons
	Community Colleges/Program Services	Provides training for JTPA programs
	Commerce/Employment Security Commission	Coordinates dislocated workers program
Apprenticeship Training	Labor/Apprenticeship	Consults with privately funded and privately run apprenticeship programs
Cooperative Skills Training	Community Colleges/Program Services	Provides customized training to traditional industries through 19 campuses
New and Expanding Industries	Community Colleges/Industry Services	Provides customized training to relocating or expanding firms to help with plant start-up
N.C. Vocational Textile School (Belmont)	Community Colleges	Provides skill training for textile, fiber, and apparel industries
VII. EDUCATION		
Technical and Vocational Education	Community Colleges/Program Services	Prepares students for technical and trade jobs
	Public Instruction/Vocational Education	Provides high school students with technical training curriculum
N.C. School of Science and Mathematics (Durham)	UNC System	Provides high school students with specialized scientific curriculum
Higher Education	UNC System	Provides undergraduate and graduate training for professions
	Community Colleges/Program Services	Prepares students to transfer into baccalaureate programs

used by educators and counselors." But Shugart contends that parents and friends largely influence students on career choices—not the school system. Moreover, Shugart points out, many career decisions are made by adults, after they have left school.

Infrastructure. Adequate transportation, communication, and water and sewer systems are critical to any type of company locating or expanding a facility. Of course, roads, sewer systems, and communications networks are important for many other reasons as well—for meeting the needs of the people already living and working in the state. These efforts, like higher educa-

tion and vocational education, are not the central state efforts for economic development, in the traditional sense of recruiting industry or releasing a labor forecast. Yet in the current transition economy, decisions to target available funds, for example, can make a big difference as to how certain parts of the state develop.

Shifting philosophies regarding governmental roles can also make a big difference. "The Republican attitude is 'Self-help is better than outside help,'" says Carl of NRCD, which supervises federal water and sewer funds. "We're looking at initiatives in sewer system financing, so that cities can use user fees to cover the costs. The grant system is very paralyzing. We have a small amount of money relative to the need. Towns put off doing it themselves until they get a grant. We're trying to use our money to help them do it themselves."

Evaluating the Martin Administration's Policy

In addition to the eight areas of activity described in Table 1, citizens work through 24 separate boards, commissions, or councils to influence state government policies in economic development. With so many avenues of input, how could enough coordination exist to make sure, for example, that job training efforts somehow dovetail with recruitment plans? How could any single state economic development policy override the diverse agendas of so many different agencies and citizen commissions?

Secretary of Commerce Haworth and Robert W. Scott, president of the Department of Community Colleges (and former governor) have a regularly scheduled quarterly luncheon. When the Council of State meets, Secretary of Labor John Brooks, State Treasurer Harlan Boyles, and Martin have a chance to discuss the economy. Occasional groups are established by statute which require coordination. For example, the 1985 legislature passed the State Employment and Training Act, which requires representatives from the departments of Commerce, NRCD, Community Colleges, Labor, and Public Instruction to discuss how job training should be integrated with overall economic development efforts.³

Overall, however, coordination among these various actors and programs occurs through ad hoc committees and task forces. "I must be on scores of task forces and standing committees," says Shugart. "Staff-to-staff kinds of things are the way we coordinate. It's not formalized."

No matter how smoothly committees or staff-to-staff telephone calls work, however, the ultimate direction of the state's economic devel-

Expenditures in N.C. (FY 84-85, in thousands)

Local	State	Federal	Total
\$0	\$0	\$62,431	\$62,431 ⁶
\$0	\$746	\$144	\$890
\$0	\$1,125	\$0	\$1,125
\$0	\$4,503	\$0	\$4,503
NA	\$510	NA	\$510 ⁷
\$933	\$172,871	\$3,388	\$177,192
\$33,029	\$85,806	\$14,019	\$132,854
\$0	\$3,836	\$535 ⁸	\$4,371
\$0	\$662,984	\$583,824 ⁸	\$1,246,808 ⁹
\$122	\$14,303	NA	\$14,425

(continued page 30)

opment efforts rests on the shoulders of one man. As Ernie Carl puts it, "The final answer is, of course, with the governor."

In developing an agenda for economic development, a governor must contend with political demands from all segments of the economy. Consequently, few governors develop a clear sense of priorities for economic development. Governor Hunt, who set into motion the high-spending levels for the Microelectronics Center, made high-

tech recruitment his top priority from 1980 until the end of his second term in 1985. This priority appealed primarily to urban areas, where most of the high-tech related jobs would concentrate.

During his first term, however, Hunt advocated a so-called "balanced growth" approach, which in theory would recruit industry to all parts of the state, especially to rural, less prosperous areas. Hunt pushed his Balanced Growth Act through the legislature in 1979. "The rhetoric of

Table 1. (continued)

State Government Program	Department/Division	Activities
VIII. INFRASTRUCTURE		
Airports	Transportation/ Aviation	Administers state-funded program for airport improvements
State Ports	Commerce/State Ports Authority	Operates and develops business for Wilmington, Morehead City, and Charlotte (inland staging) ports
Roads and Bridges	Transportation/ Highways	Responsible for state highway construction and maintenance
Primary Highways		
Urban Highways		
Secondary Roads		
Totals		
Water and Sewer	NRCD/Environmental Management (Con- struction Grants Section)	Administers grant process and monitors water and sewer construction and maintenance
Water and Sewer	State Budget Office	Administers funds to local governments for construction, expansion, and renovation of water and sewer facilities
Water and Sewer	Treasurer/State & Local Government Finance	Reviews expansion plan and authorizes bond issue, sells bonds, monitors debt service and financial operations of system
Miscellaneous	Administration/Policy and Planning	Oversees various infrastructure activities with Appalachian Regional Commission funds

FOOTNOTES

¹For the divisions noted by this footnote, the Department of Commerce is being reorganized.

²The Biotechnology Center also received \$266,000 from the private sector, which results in the total shown.

³The International Trade Center received \$15,000 in "other" funds, which results in the total shown.

⁴The small business development program began in August 1985. The budget figures shown are for FY 1985-86.

⁵The ESC bases its labor forecasts on aggregate data prepared by the State Budget Office.

⁶These funds flow through NRCD to a variety of agencies. For more, see chart on page 94.

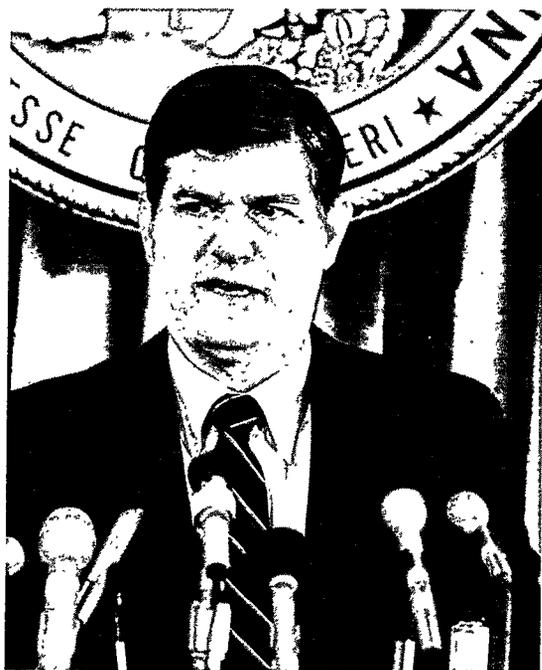
⁷Figures for local and federal funds going to the N.C. Vocational Textile School are not available.

⁸These figures, which include federal funds, are classified by the University of North Carolina as "other" funds.

Table prepared by Bill Finger based on budget figures supplied by the various state agencies.

balanced growth was symbolically institutionalized," says Shugart, "but it never had any concrete policy built around it, such as providing venture capital to regional groups." Just a year later, Hunt changed directions and began pursuing high-tech industries.

If Hunt can be criticized for changing courses, he must be commended for making his priorities clear. Perhaps his two terms gave Hunt the time to establish clear priorities—and time to appeal to



Governor James G. Martin at weekly press conference.

Expenditures in N.C. (FY 84-85, in thousands)			
Local	State	Federal	Total
\$2,823	\$3,543	\$6,306	\$12,672 ¹⁰
\$0	\$0	\$0	\$12,597 ¹¹
nominal	\$111,452	\$200,341	\$311,793
nominal	\$53,924	\$90,000	\$143,924
nominal	\$215,255	\$24,313	\$239,568
	\$380,631	\$314,654	\$695,285
\$0	\$0	\$43,500	\$43,500
\$0	\$60,000	\$0	\$60,000 ¹²
\$0	\$108	\$0	\$108
\$0	\$0	\$3,200	\$3,200

⁹This figure does not include N.C. Memorial Hospital funds.

¹⁰Local and federal funds do not flow through the Aviation Division, so the activities column refers to state-funded programs.

¹¹The State Ports Authority receives no state appropriation. The 1984-85 expenditures were met through the collection of port fees and other port revenues.

¹²These funds are for FY 85-86; the State Budget Office will administer another \$60 million for FY 86-87.

varying political constituencies. During his eight years, Hunt appealed first to rural supporters in his balanced growth priority and then to his urban constituency with his high-tech policy. Regardless of whether you agreed with Hunt's priorities, he did make his economic development direction clear—through the Balanced Growth Act and through spending for the MCNC. The verdict is still out on the wisdom of committing such a large percentage of state economic development resources to the MCNC, but at least Hunt fought hard for a clear priority.

Gov. Martin has yet to identify his economic development priorities to the public. On Jan. 25, 1986, Martin did announce in his televised "Report to the People" that the Department of Commerce is working on a "blueprint for economic development," but the specifics of that blueprint will not be available until at least May. During his first year, Martin indicated some of his concerns—such as focusing on the needs of the state's traditional industries. But no clear plan developed. He seemed to be trying to touch *all* the bases, *reacting* to external circumstances rather than beginning to forge a clear course for his administration.

Last fall, for example, Martin went to Japan and to New York on industry-recruiting trips, and in April he will go to Europe on a similar mission.

But how these trips fit into any overall strategy remains unclear. Meanwhile, Martin tried to help mediate among North Carolina's tobacco advocates during the pre-Christmas 1985 debates over the federal tobacco support program. And in January 1986, he called for a modified freeze on state government jobs, in anticipation of federal funding cutbacks. Both of these actions were important, but he could spend his entire four years responding to emergencies based in Washington or abroad—rather than articulating and pursuing a clear economic development policy here in North Carolina. The Governor, for example, should certainly be concerned about imports and the textile industry, but decisions affecting that issue will ultimately be made in Washington, not in North Carolina.

"If Karl, instead of writing a lot about Capital, had made a lot of Capital, it would have been much better."

—Karl Marx's mother,
quoted in Alan
Valentine's *"Fathers to
Sons"*

The Department of Commerce is developing Martin's "blueprint" through a contract with the Research Triangle Institute—which in turn subcontracted with the national consulting firm, Fantus Inc. The Commerce Department asked the Fantus researchers to study four areas, says Deputy Secretary Kennelly: 1) rural development, 2) small business, 3) targeting of economic sectors such as defense and services, and 4) the activities of "our competitors."

The department refers to the contract as its "private sector study," since only funds from private industry are being used for the study, which Kennelly expects to cost \$75,000 to \$100,000. "We could've taken two different approaches with the study—a laundry list or a rifle-shot approach," says Kennelly. "We decided on the rifle approach, to focus on those four areas, so we could determine the most important things to pursue." The report is scheduled to be completed as early as May 1986.

Perhaps the Fantus study will help the Martin administration establish its economic development priorities. Without some sense of priorities, how can the scores of agencies involved in improv-

ing the state's economy coordinate their efforts? How can the state Department of Transportation, for example, know what road patterns will best bolster the Governor's economic development strategy?

Martin must contend with a legislature controlled by Democrats, which was hostile to many of his proposals in 1985. In addition, federal budget cuts may be severe during his administration. What would happen, for example, if federal funds for labor forecast data were cut sharply? Would Martin view such employment data as a priority and go to bat for state funds for this purpose?

Unless the Martin administration articulates its economic development priorities clearly—and then attempts to put them into place—the administration could leave behind a legacy of responding to national and international forces. Such a track record in itself could be significant, depending upon the type of responses. But the Martin administration could go much further—if it can forge an economic development policy that addresses the complex transitions sweeping through the North Carolina economy.

Many past governors have been remembered by a particular policy that addressed the needs of their eras and remain as a vital ingredient of the state's economic development. Kerr Scott was known for farm-to-market roads. Luther Hodges is remembered for beginning the Research Triangle Park. And Jim Hunt concentrated on microelectronics. What will James Martin's legacy be? "A people-to-jobs program would seem to be our mission," says C.C. Cameron, Martin's State Budget Director. ☐

FOOTNOTES

¹According to the Fiscal Research Division of the N.C. General Assembly, state funding to the Microelectronics Center of North Carolina has been: \$1.0 million (Governor's Contingency and Emergency Fund, 1980), \$24.5 million (FY 81-83), \$20.3 million (FY 83-85), and \$5.8 million (transferred from the University of North Carolina system's budget to MCNC, November 1984), for a total of \$51.6 million.

²*The 1983-85 North Carolina Budget: Finding the Missing Pieces in the Fiscal Jigsaw Puzzle*, edited by Ran Coble, N.C. Center for Public Policy Research, February 1984, page 23. For the quotation by S. Kenneth Howard in the paragraph that follows, see p. 49.

³NCGS 143B-344, Chapter 543 (HB 1333) of the 1985 Session Laws.

Table 2. Executive Branch Boards, Commissions, and Councils Affecting Economic Development

Board, Commission, or Council	Established By	Purpose	Members Appointed By	N.C. Department Where Group Housed
INDUSTRIAL RECRUITMENT/DEVELOPMENT				
1. Economic Development Board	GS 143B-434	To advise the Sec. of Commerce on the formulation of a program for 1) economic development and 2) expanding the travel and tourism industry.	22 - Gov. <u>3 - ex-officio¹</u> 25 total	Commerce
2. N.C. Board of Science and Technology	GS 143B-440	To identify and support research needs in N.C., allocate funds to support research, purchase equipment, construct facilities, employ consultants, and make recommendations to promote effective use of scientific and technological resources.	11 - Gov. 2 - Gen. Assembly <u>2 - ex-officio²</u> 15 total	Administration
3. N.C. Technological Development Authority Board	GS 143B-471.1	(1) To increase the rate at which new jobs are created by stimulating the development of existing and new small businesses; (2) to administer the Incubator Facilities Program; and (3) to administer the N.C. Innovation Research Fund.	8 - Gov. <u>4 - Gen. Assembly³</u> 12 total	Commerce
4. Microelectronics Center of N.C. (MCNC) Board of Directors	Articles of Incorporation, 1980	To manage MCNC as it develops, constructs, and operates microelectronics facilities in order to support research in participating institutions, and to help develop a good relationship between state government and the industry so as to promote high technology in N.C.	7 - Gov. 1 - RTI Board of directors <u>6 - ex-officio⁴</u> 14 total	Independent
5. North Carolina Biotechnology Center Board of Directors	N.C. Board of Science and Technology, 1981; Articles of Incorporation, 1984	To promote scientific research and education to encourage the development of the biotechnology industry; to work with companies diversifying into biotechnology and recruit firms from out of state.	5 - Gov. 5 - Lt.-Gov. 5 - Speaker of the House <u>8 - ex-officio⁵</u> 23 total	Independent
6. N.C. Council on Management and Development, Inc.	Agreement Between Gov. and Businessmen, 1978	To advise the Governor on matters regarding economic development and growth	20 - Gov.	Governor's Office
7. Industry Advisory Board	Voluntary agreement among private industries	To provide private industry with advice on safety matters.	14 - Board	Labor
8. State Advisory Council on Occupational Safety and Health	GS 95-134	To advise, consult with and recommend to the Commissioner of Labor on efforts to reduce the number of occupational safety and health hazards at the workplace and provide safe and healthful working conditions.	11 - Com. of Labor ⁶	Labor
9. N.C. Ports Authority	GS 143B-452	To promote, develop, construct, equip, maintain and operate harbors and seaports, to aid freight shipment, and increase movement of waterborne commerce.	7 - Gov. 2 - Lt. Gov. 2 - Speaker of the House <u>11 total</u>	Commerce
SMALL BUSINESS				
10. Small Business Advocacy Council	Executive Order #10, 6/28/85	To recommend to the Governor and General Assembly legislation assisting small business growth and development and help determine small business needs in education, training, marketing, funding resources, technological assistance, and related areas.	20+ - Gov.	Commerce

Table 2. (Continued)

Board, Commission, or Council	Established By	Purpose	Members Appointed By	N.C. Department Where Group Housed
COMMUNITY DEVELOPMENT				
11. Community Development Council	GS 143B-305	To advise the Sec. of NRCD concerning 1) the orderly development of N.C.'s counties and communities, and 2) the type and effectiveness of planning and management services to local governments.	9-Gov. <u>2-ex-officio</u> ⁷ 11 total	Natural Resources and Community Development
JOB TRAINING				
12. N.C. Advisory Council on Vocational Education	PL 98-524, Sec. 112 (a); Executive Order #3, 3/27/85	To advise the State Board of Education, the State Board of Community Colleges, the governor, the business community, and the public on vocational education matters.	13-Gov.	Independent/ Treasurer*
13. State Board of Community Colleges	GS 115D-2.1	To adopt and administer all policies, regulations, and standards concerning the establishment, administration, and operation of the 58 colleges and institutions in N.C. in order to ensure quality of educational programs, systematic meeting of NC's educational needs, and equitable distribution of state and federal funds.	10 - Gov. 2 - ex-officio Lt. Gov. State Treasurer <u>8 - Gen. Assembly</u> 20 total	Community Colleges
14. N.C. State Job Training Coordinating Council	PL 97-300, Sec. 122 (Job Training Partnership Act 10/13/83)	To advise the Governor on goals, objectives, and policies regarding employment and training; review plans and programs of agencies or service delivery areas operating federally funded programs or providing employment-related services and make recommendations to the governor and agencies.	17 - Gov.	Natural Resources and Community Development
15. N.C. Apprenticeship Council	GS 94-2	To aid the Commissioner of Labor in formulating policies for apprenticeship programs and to recommend standards for apprenticeship agreements.	11 - Comm. of Labor ⁹	Labor
INFRASTRUCTURE				
16. Board of Transportation	GS 143B-350	To assist Secretary in program development and needs assessment; to approve highway construction and maintenance plans, schedules, projects and grants; to advise the Secretary as needed; to promulgate rules concerning all transportation functions assigned to the department to authorize property acquisition by eminent domain; and to delegate authority to the Secretary.	21 - Gov. 1 - Lt. Gov. 1 - Speaker of the House 1 - ex-officio (Sec. of Trans.) 24 total	Transportation
17. N.C. Aeronautics Council	GS 143B-356	To advise Secretary in the issuance of loans and grants to the cities, counties, and public airport authorities for the purpose of planning, acquiring, constructing, or improving airport facilities.	13 - Gov	Transportation
MISCELLANEOUS				
18. Employment Security Commission of North Carolina	GS 96-3	To plan and implement programs which reduce and prevent unemployment, assist in vocational training, provide reserves for public works in high-unemployment periods, and publish results of research.	7 - Gov.	Commerce
19. State Goals and Policy Board	GS 143B-371	To identify goals and priorities of N.C. citizens and to determine alternative course of government action.	15 - Gov. 1 - ex-officio (Gov.) <u>16 total</u>	Administration

Table 2. (Continued)

Board, Commission, or Council	Established By	Purpose	Members Appointed By	N.C. Department Where Group Housed
20. North Carolina Commission on Jobs and Economic Growth	Chapter 757, 1985 Session Laws (SB 182, Section 52)	To work with private and public institutions to identify the major economic challenges facing N.C. and present proposals to the executive branch and 1987 legislature.	30 - Lt. Gov.	Lieutenant Governor
21. Southern Growth Policies Board	GS 143-492	To study and analyze state-level policies requiring economic growth, to help prevent interstate conflicts and promote regional cooperation, and to help coordinate state and local interests on a regional basis.	2 - Gov. 1 - Lt. Gov. (state senator) 1 - Speaker of House (state representative) 1 - ex-officio (Gov.) <hr/> 5 total (from each of 12 states and Puerto Rico)	Independent
22. State Occupational Information Coordinating Committee	PL 98-524 Sec. 422(b)	To improve coordination, communication, and cooperation in development of occupational and training groups and to use labor market information for counseling and training.	6 - per federal law ¹⁰	Commerce
23. Governor's Advisory Committee on Travel and Tourism	Executive Order #46, 3/19/80	To convey the travel industry's concerns and perceptions to the Governor and work with the Travel and Tourism Committee of the N.C. Economic Development Board.	29 - Gov.	Commerce
24. Women's Economic Development Advisory Council	Executive Order #7, 6/28/1985	To explore and evaluate opportunities for women in the economy and advise the secretaries of Administration and Commerce on actions to integrate women into all aspects of the economy.	12 - Gov.	Administration

FOOTNOTES

¹Secretary of Commerce, Lt. Gov., and Speaker of the House.

²Governor and science advisor to the Governor.

³Two members recommended for appointment by Lt. Gov. and two by Speaker of the House.

⁴President of MCNC, and the chancellors of Duke, A&T State, NCSU, UNC-Chapel Hill, and UNC-Charlotte.

⁵President of UNC, chancellors of UNC-CH, NCSU, ECU, Duke University, dean of Bowman Gray Medical School (Wake Forest Univ.), president of the Research Triangle Institute, and president of the N.C. Biotechnology Center.

⁶Three appointees must represent both management and labor.

⁷Executive secretaries of N.C. League of Municipalities and N.C. Association of County Commissioners.

⁸This group is formally under the State Treasurer because it gets federal funds, but it functions independently.

⁹Four appointees must represent both management and labor. In addition to the 11 voting members, there are two non-voting ex-officio members, a designee of the Department of Public Instruction and the Department of Community Colleges.

¹⁰The law specifies representatives of *five* agencies: the Employment Security Commission, the Division of Vocational Rehabilitation (DHR), the state job training coordinating council (NRCD), economic development (Commerce), and the state education board (interpreted in North Carolina to mean *both* the Department of Public Instruction and the Department of Community Colleges). Hence, there are *six* board members.