

# Vision

20 20



**Investment in  
Growth  
Jobs  
People**



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# Vision

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North Carolina faces complex and daunting challenges. Over the next two decades unprecedented population growth will strain our resources. We continue to struggle through a decades-old transition away from the manufacturing-based economy on which many people built their lives, to a service and knowledge-based economy for which many of our people are not prepared. Now we also face the twin burdens of economic slowdown and higher cost of living, particularly in the energy and health care sectors.

How has our state government responded to these challenges over the past decade or more? The politicians in Raleigh have increased spending by 42% since 2001 and saddled North Carolina with its highest tax burden in history, all while aggressively pursuing a “jobs development” strategy that has given tax breaks to selected companies (at least \$4 billion since 2002). Unknown billions more are due in the future. This election is a choice about

## Jobs for the Future

our future and the fundamental question is this: do you believe this economic development strategy is the right course to a vibrant economy and prosperous future for North Carolina or should we instead be investing in our small businesses and entrepreneurs?

I don't believe targeted incentives are the right answer, and I have made my opposition to them an important issue in my campaign for governor. Our business-as-usual economic development practices will cost us approximately 15-20 billion dollars over the next decade which represents a significant pay-off to the few companies that get incentives and a minimal investment in our businesses and our people. Therefore I propose Vision 20/20, a 20 billion dollar investment by the year 2020 in growth, jobs, and people.

**Do you believe this economic development strategy is the right course to a vibrant economy and prosperous future for North Carolina or should we instead be investing in our small businesses and entrepreneurs?**

## Targeted Incentives: Simply the Wrong Answer

Targeted incentives are patently unfair. Government officials decide who wins and who loses in backroom deals that shift tax dollars to the selected few who choose to play the game. Make no mistake; the 99.6% of our companies that do not get a pay-off and individual taxpayers end up footing the bill.

Beyond basic fairness however, are the practical problems with targeted incentives. They are unnecessary and they divert our scarce resources from the core state functions that allow businesses to thrive over the long run. Companies that are considering making a significant investment in North Carolina, either by relocating or expanding operations here, are following a set of market rules that have existed for centuries. Business is about long term sustainable profits and we don't have enough money in the state treasury to make North Carolina a good deal if the economic fundamentals aren't sound. So some companies play the incentives game because they know we will pay, and they are thus rewarded for doing what is in their best interest anyway.

What about the thousands of companies, both ones that were started here and ones that have moved here, that do business in North Carolina everyday and never get the same tax breaks? Why do they do it? They do it because historically North Carolina has been a great place to do business and has traditionally offered:

- a stable business environment with low taxes and fees and minimal regulations;

### Inside the numbers: are targeted incentives really a good idea?

- 2006-07: NC state government spent \$1.291 billion on economic development
- 90% of that spending was on targeted tax breaks
- 779 companies received incentives (out of 235,866 total NC companies)
- \$203 million in future grants are projected to create 12,281 jobs. Cost per job: \$16,585.

### Is there a better way?

- 2006: NC Small Business Technology Development Center spent \$2.1 million helping small NC companies create 1,700 jobs. Cost per job: \$1,254.
- 1997-2007: Maryland Venture Fund spent approx \$9 million to manage a \$47 million fund that had a 30% return and created 1200 in-state jobs. Cost per job: \$7,500.

### The tale of two companies

- Tessera Technologies: CA company expands in Charlotte adding 185 jobs for \$2.64 million in state incentives (city and county incentives numbers have not been released.) Cost per job: \$14,270
- Rapiscan Systems: CA company opens Apex facility creating 50 jobs in the next 18 months. Cost per job: \$0

- a highly educated, skilled, and plentiful work force;
- a sound transportation, communications, and utilities infrastructure;
- a solid healthcare system with high quality care and abundant access to care;
- an exceptional quality of life.

So here's the bottom line of economic development: growing the high quality jobs that will secure prosper-

**...we need a new economic development strategy, one that focuses our energy and resources on investing in small business and entrepreneurs, and making a substantial investment in healthcare education, and worker development.**

ity for most North Carolinians depends on the environment that state government creates. Given our state's problems with education, transportation, healthcare, etc., you have to ask yourself, should state and local governments take over a billion dollars a year to give to companies that in most instances would make the same business decisions without any incentives? I am the only candidate

to consistently oppose targeted incentives as bad public policy and a poor use of our limited economic development dollars. None of my opponents will join me in a pledge to take your tax dollars out of this insane incentives game. "Elect me," they say, "and I'll get you a better deal." That's fine. But I say it's time for a better way; it's time to stop using your money to pad the profits of a few companies; it's time to ask how do we invest in the future for all of our businesses and all North Carolinians?

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More than ever in our state's history, future prosperity depends upon completing the transition of our economy and preparing our people to compete in the 21st century marketplace. To do that, we need a new economic development strategy, one that focuses our energy and resources on investing in small businesses and entrepreneurs, making a substantial investment in healthcare education, and worker development.

## Investing Where the Jobs Are: Capital and Entrepreneurs

Small businesses (companies with less than 500 employees) are the engine of growth. In 2003-2004, small companies added 56,559 new jobs in North Carolina. How did the large companies that state economic developers like to court do? They lost 35,341 jobs. Small companies currently employ half of our workforce and are creating 70-80% of all new jobs. Unfortunately North Carolina small businesses lag our neighbors with job growth behind that of Florida, Georgia, South Carolina, and Virginia from 1999-2004. So where should our economic development investment and focus be?



Starting and growing a business takes skill, knowledge, money, determination, and nerve. To date, the people who step up to the plate to build a business in North Carolina have been mostly ignored in the state's economic development plans.

### **Knowledge and Skills:**

- Using the NC Small Business Technology Development Center (SBTDC) as a model and base structure, in collaboration with the NC Rural Economic Development Center, expand our small business support and information resources;

- Create partnerships with proven private organizations, such as the Council for Entrepreneurial Development, to proliferate best practices around the state.

- Ensure regional coverage by expanding existing programs such as the Center for Entrepreneurship and Innovation at Western

Carolina University and in Community College Programs around the state;

- Create new programs at campuses that don't currently have them. This could be done quickly and efficiently by expanding the SBTCDC structure and collocating new offices on Community College campuses. We have the expertise and resources to give North Carolinians the tools to transform our economy by having the knowledge and skills to not only get a job, but to create jobs.



### **Start-up and Expansion Loans:**

- Expand NC small business loan programs available through the NC Rural Economic Development Center (Microenterprise and Small Business Loans);
- Provide adequate capital (up to \$50

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to small

businesses that might otherwise have trouble getting loans;

- For the price of one large incentive deal we could provide much more badly needed expansion or start-up funds to hundreds of businesses. A study of companies that have received US SBA loans demonstrated that these companies grew sales on average 33% per year over 3 years, added on average 23% more employees per year, and had increased survival rates.

### **Seed Capital for the Companies of the Future:**

- Increase the annual appropriation to the NC Biotechnology Center to \$50 million per year. The Center provides matching funds to Federal in-

vestment programs and has invested \$174 million since 1984 (\$86 million less than the incentives package for Google). That investment attracted \$1.2 billion in funding from other sources;

- Expand the Center's Development Grant program for university technology spin-offs. Technology spin-offs from our research universities should be the rule and not the exception;

- The state must become a catalyst for significant capital flows to a much wider range of companies such as technology, high-tech manufacturing, next generation energy, healthcare and health research, to name a few. We will do this by providing up to \$100 million to existing venture programs managed by the SBDC and Rural Economic Development Center, and;

- Establish the NC Capital Fund and provide an additional \$200 million per year

for investment in North Carolina companies by approved private venture capital management companies;

- Given the experience of the NC Biotechnology Center and the Maryland Enterprise Investment Fund, we can expect that a \$300 million state investment will attract an additional \$2-4 billion in private investment in our companies and create hundreds of new quality jobs each year.

### **Regional strategy:**

- Employ and expand the existing structures of the Small Business Technology Development Center, NC Biotechnology Center, and NC Rural Development Center to use their regional offices to provide knowledge and



capital for small business growth across the state;

- Grow entrepreneurial resources based on the local experience and proven practices of developed university programs (like WCU's Center for Entrepreneurship and Innovation);
- Use community colleges with area-specific expertise to provide greater access for growing businesses in rural areas and improve our

prospects for success;

- Direct investment efforts to region and emerging industry clusters: ECU and the Brody School of Medicine, Research Triangle Park and the surrounding universities, North Carolina Research Campus, and the North Carolina Arboretum.

## **Robust Healthcare and Economic Vitality**

We can succeed in many areas of economic development and still not achieve the job growth and future prosperity that our citizens expect if our healthcare is substandard. As the leaders of East Carolina University's Brody School made clear to me, "economic vitality depends on a robust healthcare system and you can't have a robust healthcare system without economic vitality." We pay a lot of attention to the remarkable advances in healthcare technology but healthcare is still a people-based service. The providers who deliver healthcare are the heart of the system and we are facing severe provider shortages. If we do not act aggressively, today's severe shortages will be tomorrow's crisis:

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### **Physicians:**

- Fund and implement the UNC and ECU School of Medicine physician expansion plan announced in February, following the satellite campus concept (Charlotte and Asheville and one or two campuses in the east—ECU with an additional campus). Expected cost is \$279 million in year 1 with \$40 million recurring for approximately 97 additional students;
- Determine residency training costs (not included in the above estimates) and develop new strategies for funding residency programs. If we don't keep our North Carolina educated MDs in North Carolina for residency, the chances are good that they won't come back here to practice medicine;
- Develop an incentive structure to ensure we are training the right specialties and providing physician coverage for rural

areas and public health positions. MD expansion must have a mental health component to address shortages in psychiatrists;

- Implement a retention plan to ensure we keep our doctors in practice and in North Carolina. East Carolina University has had great success with the process they have developed for dentists.

### ***Nurses and Allied Health Providers***

- Implement a complementary expansion plan for nurses and allied health professionals;
- Expand the development of nursing educators (MSNs, and Nursing PhD) to ensure our nursing education infrastructure can deliver long term growth;
- Coordinate the nursing education expansion with the Department of Public Instruction to significantly increase our school nurse staffing and lower the nurse-student ratio in our public schools;
- Ensure close collaboration between UNC and NCCCS to achieve the right regional distribution of students, division of labor, and most efficient utilization of scarce resources (clinical sites, clinical instructors, and funds);
- Use the established Area Health Education Center structure to implement the regional coverage, assist in collaboration and use of scarce clinical



site resources, [www.Orr2008.com](http://www.Orr2008.com) and provide supplemental ongoing training and education.

### ***Health Education Infrastructure and Facilities***

Expanding our healthcare provider resources across all treatment areas will require close coordination among UNC, NCCCS, and AHEC leadership to determine capital needs for facilities construction and educational technology needs:

- Expand the use of simulation technology to get the most realistic classroom experience for the maximum amount of students and save time in clinical rotations. There are only so many sites for clinical instruction (i.e. area hospitals) and they are shared by all health education programs. Adding students will strain this finite resource. We should anticipate an additional \$25-50 million in up front costs for education technology;
- Nursing and allied health education expansion will employ a satellite campus concept identical to the MD expansion plan with an additional western campus in the Hickory area and an additional eastern campus in the Wilmington area, with both campuses to leverage the Community Colleges and healthcare resources of the surrounding counties.

## Owning the Pipeline: Investing in Our People

One of the most consistent messages from business leaders in our state is that people are the most important asset in their businesses. People drive value by creating the products, delivering the services, taking care of the customers, and making our businesses run. As I have consistently said, state government's primary responsibility in economic development is to provide a workforce development infrastructure that meets the diverse needs of our businesses and government. I am convinced that if we help our people reach their potential, businesses will come to North Carolina. A senior Community College leader described this infrastructure to me as our "education pipeline," and the critical task in front of us is to connect the pieces of the pipeline (pre-K, K-12, community college, and university) so that our people can go beyond the basic literacy that was the objective of last century's education system and engage in a lifetime of learning and development.

- Our Community College System is the critical link. It reaches down into our high schools, is our most effective college preparatory resource (48% of

college students started in community college), and connects directly to our local business and industry. We must immediately fund the \$131 million budget

increase requested by NCCCS leaders;

- Review and expand UNC and NCCCS-industry relationships, such as Wachovia Partnership East, that promote and sponsor education and technical training to offer more education opportunities across the state. Creating more partnerships should be a specific objective of our business recruitment efforts;

- Expand the Public School-NCCCS collaboration begun with the Learn and Earn Program. Learn and Earn facilities on Community Colleges are working but they are limited. We must move the Learn and Earn concept into every high school—physically and not just virtually—that can accommodate it;

- Vocational-Technical educational programs across the Community College system are expensive to operate and often under-subscribed. We must implement an aggressive marketing and recruiting effort down to the middle school level. Teachers and guidance counselors are overwhelmed as it is, so we will increase NCCCS marketing resources and get counselors and recruiters into all public school systems to bring more young people into these programs.



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## What are the Costs and How Will We Pay?

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The disappointing reality of a political campaign is that we have become so used to empty promises that we don't even challenge them anymore. During campaign season, there's hardly a day that goes by that we don't hear or read about a candidate proposing this new program or that tax cut. Unfortunately we rarely, if ever, hear any details about what the program or tax cut will cost or how we will pay for it. I won't play that game because I think the people of North Carolina deserve straight answers and all the facts to make the vitally important decision about who is best equipped to lead North Carolina.

I estimate that the combination of job creation and investment proposals presented here will cost our state 1.5-2 billion dollars per year, and that we will need to commit to this plan for the

next decade or so to realize the full return on our investment.

I am not proposing spending 15-20 billion of your tax dollars lightly and without careful consideration—no politician should. If we continued with our business as usual incentives-based policies, we would spend 15-20 billion dollars in state and local funds over the next 10-20 years, and that is where we will find the money for Vision 20/20.

It simply comes down to a choice for policy makers and government leaders. Either we stay on the current course of economic development and spend 15-20 billion dollars on target incentives for companies that don't really need them or we change direction and begin investing in North Carolina small businesses and entrepreneurs as we've proposed. The time for choosing the direction we go begins on May 6th.



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