

GENERAL ASSEMBLY OF NORTH CAROLINA

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SENATE BILL 188

Government Performance Audit Select Committee Substitute Adopted 4/5/93

Short Title: GPAC/Econ. Dev. Rec.

(Public)

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Sponsors:

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Referred to: Appropriations.

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February 17, 1993

A BILL TO BE ENTITLED

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

The General Assembly of North Carolina enacts:

--BIOTECH MICROELECTRONICS REC.

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

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

a. The North Carolina Biotechnology Center.

b. The MCNC (Microelectronics Center of North Carolina).

c. The Rural Economic Development Center, Inc.

d. The Technological Development Authority, Inc.

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

a. The mission of the Biotechnology Center is to provide long-term economic benefit to North Carolina through support of biotechnology research, development, and commercialization statewide.

b. The mission of the MCNC is to accelerate the use of emerging electronics technologies through innovation and market-driven applications that improve quality of life.

- 1 c. The mission of the Rural Economic Development Center is to  
2 develop and advocate innovative strategies to help stimulate  
3 economic growth and job creation throughout the State's rural  
4 areas.
- 5 d. The mission of the Technological Development Authority is to  
6 increase the rate at which new jobs are created in all regions of  
7 the State, by stimulating the development of existing and new  
8 small businesses.
- 9 (3) The Technological Development Authority was originally established  
10 as an independent State agency in 1983 but was reestablished as a  
11 nonprofit corporation in 1991.
- 12 (4) The underlying premise under which the Technological Development  
13 Authority was created was that it would become self-sufficient within  
14 10 years; such self-sufficiency would validate the assumption that  
15 investment in high-technology companies is viable in North Carolina's  
16 market.
- 17 (5) The Technological Development Authority has indeed become self-  
18 sufficient so that, beginning with the 1993-94 fiscal year, it will not  
19 request State funding.
- 20 (6) The State should establish a goal of self-sufficiency for those  
21 economic development entities for which self-sufficiency is viable.
- 22 (7) The Center for Microelectronics Systems Technologies of the MCNC,  
23 which focuses on microelectronics technologies and markets use of the  
24 MCNC facility to users, and the Economic Development Loan  
25 Program and the Institute for Biotechnology Information of the  
26 Biotechnology Center, which provide support to start-up  
27 biotechnology businesses, are especially well-situated to become self-  
28 sufficient.
- 29 (8) The following elements make self-sufficiency viable for these entities:  
30 a. A significant level of interest from private funding sources in  
31 the work they conduct.
- 32 b. The growth projections for their respective technological focus  
33 areas.
- 34 c. The advancements toward self-sufficiency they have already  
35 achieved.
- 36 (b) It is the intent of the General Assembly to maintain funding for (i) the Center  
37 for Microelectronics Systems Technologies of the MCNC and (ii) the Economic  
38 Development Loan Program and the Institute for Biotechnology Information of the  
39 Biotechnology Center at current levels for the next four years (the 1993-94 fiscal year  
40 through the 1996-97 fiscal year) and then begin phaseout of the direct appropriations to  
41 these entities based on a schedule to be determined consistent with the results of the  
42 performance-based contracts with the State; provided however, such phaseout shall be  
43 completed no later than the 1999-2000 fiscal year.
- 44 --REVIEW FUTURE DEVELOPMENT NONPROFITS.

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

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

5           a. The North Carolina Biotechnology Center.

6           b. The MCNC (Microelectronics Center of North Carolina).

7           c. The Rural Economic Development Center, Inc.

8           d. The Technological Development Authority, Inc.

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

10          a. The mission of the Biotechnology Center is to provide long-  
11          term economic benefit to North Carolina through support of  
12          biotechnology research, development, and commercialization  
13          statewide.

14          b. The mission of the MCNC is to accelerate the use of emerging  
15          electronics technologies through innovation and market-driven  
16          applications that improve quality of life.

17          c. The mission of the Rural Economic Development Center is to  
18          develop and advocate innovative strategies to help stimulate  
19          economic growth and job creation throughout the State's rural  
20          areas.

21          d. The mission of the Technological Development Authority is to  
22          increase the rate at which new jobs are created in all regions of  
23          the State, by stimulating the development of existing and new  
24          small businesses.

25          (3) In the 1991-92 fiscal year, these four nonprofits expended almost thirty  
26          million dollars (\$30,000,000) in General Fund revenues justified in the  
27          budget process as economic development.

28          (4) The use of nonprofits as a mechanism for State-initiated economic  
29          development is unusual but not unique among southeastern states.

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

34          (6) The nonprofit status of these entities allows them to use State dollars  
35          to leverage private investments, serve as an independent and objective  
36          liaison among public and private entities, and conduct objective,  
37          nonpartisan research.

38          (7) For these reasons, the State should continue to use nonprofits to  
39          deliver economic development services.

40          (8) However, legislation establishing nonprofits for economic  
41          development has not always specified the mission of the nonprofit or  
42          the outcomes it is supposed to attain; future legislation funding  
43          nonprofits should specify their mission and desired outcomes and  
44          should provide for a periodic, comprehensive review of the entity.

1 (b) It is the intent of the General Assembly that any future legislation  
2 establishing or funding a new nonprofit agency to conduct economic development  
3 activities will stipulate clearly the mission and purposes of the agency and will provide  
4 for periodic, comprehensive review of the agency.

5 --DEVELOPMENT PERFORMANCE INDICATORS.

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

- 7 (1) The term "economic development" encompasses all activities  
8 conducted for the express purpose of increasing and maintaining the  
9 economic vitality of North Carolina, including industrial and business  
10 recruiting, business retention, facilitating business creation, providing  
11 small business assistance, job training and work force preparedness  
12 programs, and investing in infrastructure, both physical (roads,  
13 utilities, etc.), and technological (fiber-optics networks and other  
14 information system links).
- 15 (2) State General Fund expenditures for the 1991-92 fiscal year for  
16 economic development were approximately eighty-four million dollars  
17 (\$84,000,000).
- 18 (3) This eighty-four million dollar (\$84,000,000) expenditure on economic  
19 development was allocated among 40 different State and State-  
20 associated programs and entities, which can be grouped into five broad  
21 categories:
  - 22 a. Nonprofit agencies.
  - 23 b. The Department of Community Colleges.
  - 24 c. The Department of Commerce.
  - 25 d. Other State Departments, including the Department of  
26 Agriculture, the Business Licensing Office of the Department of  
27 the Secretary of State, the Department of Administration, and  
28 the Department of Environment, Health, and Natural Resources.
  - 29 e. The University of North Carolina.
- 30 (4) The results of State economic development activities are not  
31 effectively monitored and evaluated because, although the State  
32 employs several conventional methods of ensuring accountability of  
33 agencies involved in economic development (such as budgets,  
34 department plans, and internal audits), these accountability measures  
35 focus on inputs or on programs and budget levels, rather than on  
36 outcomes—the results of their efforts.
- 37 (5) Most State agencies involved in economic development activities have  
38 not yet designed and implemented meaningful measures to evaluate  
39 and report on performance; as a result, the General Assembly has only  
40 a limited ability to evaluate the outcome of its significant investments  
41 in economic development.
- 42 (6) To implement a truly integrated approach to economic development,  
43 each key agency must be accountable for its contribution to meeting  
44 the overall economic development goals of the State; performance

1 indicators would provide an effective and appropriate means to assure  
2 this accountability on a regular basis.

3 (7) The General Assembly should base its economic development budget  
4 allocations on outcomes, as measured by performance indicators.

5 (b) Each State agency involved in economic development shall develop, in  
6 conjunction with the Office of State Budget and Management, performance indicators  
7 that are appropriate and measurable criteria, including criteria that each agency can  
8 influence and criteria based on baseline data and reasonable recommendations. The  
9 performance indicators should articulate specific, measurable results for each agency  
10 and should be comprehensive, so that the General Assembly may base each agency's  
11 continued economic development appropriation on its effectiveness as measured by the  
12 performance indicators.

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

14 Sec. 4. Sections 1 and 2 of this act are effective upon ratification.