



North Carolina
Progress Board

North Carolina 20/20 Update Report

**Issued by the North Carolina Progress Board
January 31, 2006**



North Carolina Progress Board

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January 31, 2005

The Honorable Michael Easley
Governor
State Capitol
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Dear Governor Easley:

Consistent with its statutory obligation to publish a North Carolina 20/20 Update Report this year, the North Carolina Progress Board is proud to issue the attached report.

This report reflects the rapid changes North Carolina is undergoing in its population and economy, and highlights the State's comparative standing in scorecard format for the eight imperatives previously identified as critical to the future wellbeing of the State. We will continue to update it on a regular basis as new data pertaining to our adopted goals and targets becomes available.

Progress has been mixed since we issued the NC 2020 Report in 2001, but, given the economic and fiscal constraints that the State faced, that is not surprising. While in a number of instances the data indicates that North Carolina is not where it would want to be, in those areas the state has emphasized as policy priorities, significant progress has been made (e.g. educational achievement and violent crime reduction).

We would like to express special thanks to the many state agency staff, faculty advisors and other individuals for their positive contributions to this report. The Progress Board hopes that this report will help public officials and citizens alike identify those areas where public policy initiatives are most needed.

As the Progress Board moves into the 21st Century with its newly adopted business model, it stands ready to work with the public and private sectors to collaboratively find creative ways in which to make North Carolina more globally competitive in the 21st Century.

Sincerely,

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Introduction

Preface

The North Carolina Progress Board was created to help anticipate change ... and enhance our state's competitiveness in a rapidly changing world.

North Carolina is undergoing rapid change — in its population, economy and natural resources. Of all the predictions for the future, only one seems certain. More change will come, and it will come with ever-increasing speed. As North Carolinians, our challenge is to anticipate these changes and identify ways to ensure our competitiveness in a rapidly changing world. The North Carolina Progress Board was created to help answer this challenge.

As part of its mission to set strategic targets for the state, and track our progress in achieving those targets, the North Carolina Progress Board presents the *2005 North Carolina 20/20 Update Report*. This report is intended to discharge one of the Progress Board's statutory duties—to report biennially on key performance trends and strategic issues that may shape our state's future. This report provides an interim update of the same indicators reported to General Assembly in 2001 as well as a graphic illustration of our redesigned scorecard system. We believe that the contents of this report, which can be found in more detail (updated with the most current data available) on the North Carolina Progress Portal (www.ncprogress.org), will interest everyone who is committed to making North Carolina the best state in the Southeast and, ultimately, the nation.

Who We Are

The North Carolina Progress Board serves as a strategic compass for our state—identifying critical issues, setting milestones, checking progress and recommending course corrections...

The North Carolina Progress Board serves as an independent proponent for strategic action and accountability. Specifically, our mission is to keep leaders and citizens alike focused on the big picture: the long-term goals and needs of our state and its people. This means serving as a strategic compass—identifying critical issues, setting milestones, checking progress, reporting data, recommending course corrections, and offering imaginative solutions to jumpstart change.

The General Assembly established the North Carolina Progress Board as a permanent entity of state government in 1995. Its 24 members are appointed by the governor, the leadership of the N.C. House and Senate, and the board itself. Over the next six years, the Progress Board worked with citizens, public officials and many others to elaborate on the vision first drafted by the Commission for a Competitive North Carolina. This effort culminated in 2001 with the *North Carolina 20/20 Report*, a comprehensive report describing the challenges facing the state and presenting goals and targets for improvement in eight issue areas.

Throughout this process and even after the release of the *North Carolina 20/20 Report*, the Progress Board sought to involve citizens in debating the state's priorities for the future. We met with community groups and spoke with legislative groups, local leaders and advocacy organizations. Our work showed us the deep commitment North Carolinians have for our state and the perplexity many feel about the state budget. In answer, the Progress Board in 2003 released *Our State, Our Money—A Citizens' Guide to the North Carolina Budget*, a guide explaining how budget decisions are made, sources and uses of money and how citizens can affect the process.

This year, the Progress Board is building the North Carolina Progress Portal, a new website ... with the most current ... public policy data available ...

This year, in addition to publishing the *North Carolina 20/20 Update Report*, the Progress Board is building the North Carolina Progress Portal, a new website designed to link public officials and citizens with the most current and relevant public policy and performance data available, including continual updates of this report. With the creation of this new website, the Progress Board takes another step toward providing citizens and leaders alike with informative and useful tools for decision-making.

North Carolina's Strategic Scorecard

The North Carolina Strategic Scorecard—with 8 imperatives, 27 long-term goals and 84 strategic targets—is designed to track our progress ... and hold all of us accountable for results

For each target, we note the measure, target, actual performance, national rank, regional rank, definition and data source. In the future, we will assign a letter grade to summarize our state's overall performance ...

The North Carolina Strategic Scorecard, newly updated, shows in quantifiable terms the direction in which the state is headed for the selected targets. It is designed to illuminate goals, track the progress of existing initiatives, and hold all of us accountable for results.

Imperatives and Goals – The Scorecard framework is organized around our enabling statute's eight issues, which we call the imperatives due to their importance to North Carolina's future:

1. Healthy Children and Families
2. Safe and Vibrant Communities
3. Quality Education for All
4. A High-Performance Workforce
5. A Sustainable Environment
6. A Prosperous Economy
7. A Modern Infrastructure
8. Accountable Government

For each of the eight imperatives, we created a vision statement with broad goals for achieving each vision. There are 27 long-term goals (the goals are stated in the Overview sections of each imperative).

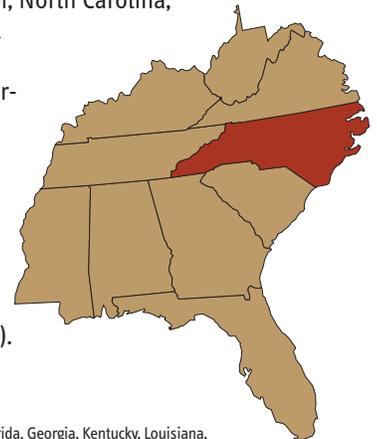
Strategic Targets – For each goal, we developed quantitative measures for tracking our progress toward reaching the goal. For each measure, we identified a strategic target for determining where North Carolina should be at the year 2020. We imposed tough criteria for selecting these targets, including credibility, data availability, historical trends and comparative state rankings. The North Carolina Strategic Scorecard now has 84 strategic performance targets for measuring the state's progress, but these targets will no doubt be refined as new data becomes available.

Scorecard Format – For each target, we employed a standard format for presenting data. In the left column, we stated the measure, target, actual performance, grade (to be assigned later), national (US) rank, regional (Southeast) rank, target definition and data source. The national rank compares North Carolina to all 50 states (where 1 is the best rank and 50 is the worst) and the regional rank compares our state to the other states of the Southeast Region (where 1 is the best rank and 10 is the worst). In the right column, we briefly described NC's historical performance and competitive ranking for the specific target, provided a chart illustrating the historical performance trend, and (below the chart) presented highlights of supplemental information related to the target. More information will be added in future report updates.

Grades – In the future, we will assign a letter grade (A, B, C, D or F) to summarize our state's overall performance for each target. Once we have completed an independent review of our new grading methodology, we will re-issue this report with grade assignments. In the months and years ahead, we will continue to solicit input on this methodology and refine it as needed to ensure its fairness and objectivity.

Southeast Region – We defined the Southeast Region as encompassing the following ten states: Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

Since there is no universally accepted scheme for determining which states should be in which regions, we defined the Southeast region using several criteria, including shared borders, proximity to North Carolina, geographic compactness and compatibility with existing federal regional structures (e.g., the Federal Reserve, Bureau of Economic Analysis, Department of Health and Human Services, Environmental Protection Agency, Transportation Department and FBI).



¹ We considered 14 states for the Southeast region: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia.

The Strategic Scorecard always will be a work in progress ... and, as we obtain new ... data, it will become a durable framework for assessing our state's competitiveness

Public Input – The most valuable strategic targets are those that best reflect the values and aspirations of all citizens. We did not develop the Strategic Scorecard on our own. Through the years, it has involved thousands of people: citizens across the state, civic leaders, policy makers, representatives of advocacy groups, and public policy specialists. They gave us their ideas, telling us what they thought was important and why. As we receive more input, we will continue to refine the Scorecard and shape it to the state's long-term needs.

Upcoming Enhancements – The Strategic Scorecard always will be a work in progress. We will need new goals to meet new challenges. We will refine targets and add new targets as we look further into the future and reassess what truly needs to be accomplished. We will modify those targets for which our public policies and investments produce desired outcomes. In the coming months, as resources permit, we will obtain, validate and analyze new, relevant data for our targets and update the Strategic Scorecard.

How We Are Doing

Taking the long view...North Carolina has come a long way [but] the race is just beginning....

The Strategic Scorecard is designed to provide long-range milestones for assessing our competitiveness as a state, not to assess the term of any one Governor or General Assembly. In fact, by their very nature, the targets are long-range. They usually defy quick fixes, calling instead for bold, thoughtful and bi-partisan policy initiatives that span multiple administrations and legislative sessions, and need local government, business and non-profit collaboration.

Taking the long view, it is beyond dispute that North Carolina has come a long way. In 1880, just as the US was overtaking Great Britain as the world's most efficient economy, North Carolina lagged way behind other states. A recent historical analysis of state economic productivity trends (Mitchener and McClean) concluded that, "Labor productivity in the least productive state (North Carolina)" was less than 25 percent of the most productive states (e.g., California and New York), similar to today's productivity gap between "developed and developing economies." In 1900, North Carolina had the highest illiteracy rate in the South and one of the highest in the nation. As C. Vann Woodward wrote in *Origins of the New South*, "Starting further behind than almost any other state, North Carolina began her [educational reforms] earlier" and emerged as the most prominent example of the South's "great educational awakening."

Since the Great Depression and World War II, our state has emerged from the economic and social backwater to become one of the fastest-growing states in the nation. And there are many reasons for our popularity as a place to live and work. Our economic potential, particularly in new, technology-fueled industry segments, is widely respected. Our public system of higher education remains the envy of the Southeast, and many other states throughout the country. Our public K-12 education system is making remarkable strides. Our state government has demonstrated an unshakeable commitment to improving our air and water quality. Our state and local governments enjoy a well-deserved reputation for sound fiscal stewardship.

Unforeseen events ... and an economic downturn ... made it difficult to achieve significant progress ...

Nevertheless, in this era of mounting global competition, breathtaking innovation and relentless economic upheaval, North Carolina cannot rest on its laurels. Too many other states are poised to overtake us, by making the requisite investments in health care, education, workforce development and infrastructure. And more and more countries want what we have, and are prepared to set ambitious goals and make enormous economic (and social) investments to achieve those goals. The race is not over, it is just beginning, and it will be won by those nations, states and communities that commit themselves to bold goals and strategies.

Where are we today? Since we issued the *North Carolina 20/20 Report*, North Carolina's progress toward its long-range targets has been mixed. Given the state's fiscal challenges the last four years, this is not surprising. After making some big investments and reducing many taxes during the 1990s, we were stunned by unforeseen events, including costly hurricanes and court

In the face of economic setbacks, we have maintained our competitive position for the race ahead...[but] we have a great deal of work to do to make our state a national—and global—leader...

North Carolina has made progress in some areas and lost ground in others.

rulings, and an economic downturn. Since 2001, state officials have scrambled to balance the annual budget, but fiscal constraints have significantly impaired their ability to make the kind of strategic investments that many leaders would like to make.

Since 2000, profound changes in our economic landscape, including plant closures, worker dislocations and the virtual disintegration of some of our most cherished industries, have made it much tougher to maintain the progress we made during the 1990s. All of our strategic goals and targets are inter-related, but the importance of a prosperous economy cannot be understated. We all want good health care, safe neighborhoods, quality schools, pristine air and water, modern infrastructure and effective government, but our ability (and willingness) to pay for them is often a function of economic prosperity. That is, we are less inclined to pay for investments in our future without good jobs and plentiful tax resources.

How have we fared so far in the 21st century? The good news is that, in the face of jarring economic setbacks, we have hung in there and, more importantly, maintained our competitive position for the race ahead. The bad news is that our competitive standing is still not where it needs to be for most of our strategic indicators. As summarized by the text box below, we have many achievements of which we can be proud, but we also have a great deal of work to do to make our state the national—and global— leader we all want it to be.

Highlights of North Carolina's Recent Strategic Progress

- 1. Healthy Children and Families** — Poverty continues to plague too many children. We are living longer in a state with strong medical resources, but a smaller portion of us have health insurance coverage and many health problems (e.g., smoking and obesity) persist.
- 2. Safe and Vibrant Communities** — Our violent and property crime rates have plummeted over the last ten years, but our crime rates--especially property crime rates--remain high compared to other states in the nation and Southeast. Our homeownership rate remains stable and average housing costs in NC are lower than in many other states.
- 3. Quality Education for All** — Our standardized reading, math and SAT scores continue to improve, but our public high school graduation and dropout rates remain unacceptable. Despite fiscal pressures, our higher education system still offers good access and quality.
- 4. A High-Performance Workforce** — Our aggregate high school and college attainment rates are improving, yet remain relatively low for the nation and mediocre for the Southeast. Our workplace safety record continues to lead the nation and region.
- 5. A Sustainable Environment** — Our air quality, as measured by the number of ozone exceedance days, is showing signs of improvement due in part to new air pollution controls and an expanded vehicle inspection program. Our drinking water quality, as measured by the public water system violation rate, merits serious attention.
- 6. Prosperous Economy** — Our state appears to have regained its short-term economic momentum and our business climate continues to earn high marks, but concerns about global outsourcing and other factors that could increase unemployment linger.
- 7. Modern Infrastructure** — Our transportation system continues to compare poorly to systems in other states in terms of such factors as average annual vehicle miles traveled per vehicle, average commute times and congestion. Our electricity and natural gas costs are surprisingly high compared to the rest of our region. However, we are making impressive strides in increasing private and public access to technology.
- 8. Accountable Government** — Our state and local tax revenue ratio (taxes as a percent of personal income) is the 20th lowest in the nation and 6th lowest in the Southeast. Our per capita state and local government debt, while rising, remains relatively low.

As discussed in more detail in this report, North Carolina has made progress in some areas and lost ground in others. As of 2005, we have already attained 12 of our strategic targets for 2020, including those for violent crime, math proficiency, classroom resources, short-term economic growth, economic climate and government stewardship. We are making progress toward

The winners of global competition will ... set a clear strategic course and make smart investments in the future, even during tough times.

attaining several other targets, including child health care, reading proficiency, teacher recruitment, air quality, and technology access. For other strategic targets (e.g., health insurance coverage, high school graduation, higher education access, drinking water quality, manufacturing vitality and transportation efficiency), we have actually lost ground or failed to make real progress toward our targets.

As we are reporting on only 48 of our 84 approved targets, this is only an interim progress report. In many areas, we have no new data or are in the process of obtaining new data from federal agencies and other reliable data sources. For many goals, we are working with state agencies and other entities to develop more relevant measures and targets. For these strategic targets, we have indicated in the progress summary charts introducing each imperative that our update work is still in process.

No individual measure truly stands alone. The state's performance in one measure is often a function of its performance on another. All of our goals, measures and targets are part of a larger inter-related framework. Income is in part a function of educational attainment and workforce training. Many economic sectors, not just tourism, benefit from well-preserved natural resources. Healthy lifestyles affect employee productivity and government costs. We encourage all citizens to view the individual indicators in the context of the entire strategic scorecard.

During the last five years, we have experienced strategic gains and setbacks. We have withstood hurricanes, profound economic shocks and acute budget shortages. We are still standing, but we all know that we cannot stand still. We should note our resilience, set our sights higher and renew our commitment to a more prosperous future. Make no mistake, the future will have winners and it will have losers. The winners of global competition will be those who set a clear strategic course and make smart investments in the future, even during tough times.

Imperative 1: Healthy Children and Families

Overview of Progress

Our Vision

Families and individuals of all ages will thrive in North Carolina. From early childhood well past retirement, our citizens will be mentally and physically fit, with no significant differences in health across racial, ethnic, or geographic lines. Our most vulnerable citizens will be supported by strong families.

Our Goals

1. Foster financial self-reliance
2. Encourage healthy lifestyles
3. Ensure access to good health care services
4. Sustain stable & nurturing families

As summarized in the table below, North Carolina has realized mixed progress toward its long-range targets for this imperative. Poverty continues to plague too many of our children. We are living longer and we offer our citizens an impressive array of medical resources in many parts of the state. However, a smaller share of us have health insurance coverage than before and too many of us remain plagued by health problems, such as smoking and obesity.

Summary of Strategic Progress—Healthy Children & Families

Goals	Measures	Target	US Rank	SE Rank
1. Foster financial self-reliance	1. Child poverty		34th	2nd
	2. Family income		40th	6th
	3. Elder poverty	(Update in process)		
2. Encourage healthy lifestyles	1. Longevity		37th	3rd
	2. Weight		33rd	3rd
	3. Smoking		34th	4th
	4. Substance abuse	(Update in process)		
3. Ensure access to good health care services	1. Health insurance		34th	7th
	2. Primary care access		12th	2nd
	3. Child health care		4th	1st
	4. Mental health care	(Update in process)		
4. Sustain stable & nurturing families	1. Family stability	(Update in process)		
	2. Child neglect	(Update in process)		
	3. Domestic abuse	(Update in process)		

Note: Measures for which we have met or exceeded the target are marked with a “check” under the Target column. Measures for which we are awaiting new data are marked “update in process” and will be updated as new data becomes available.

Over the years, our elected officials have adopted several policies that advance the long-term goals for this imperative, including the following:

- Offer broader Medicaid coverage for children, pregnant women and the elderly than is required by federal law, and one of most comprehensive programs in the region;
- Created the *NC Health Choice for Children* plan to help working families obtain free or reduced price comprehensive health care for their children;
- Created the Community Care program to coordinate all services required by Medicaid clients (e.g., social services and hospital care);
- Provide vaccines for all children through 18 years of age (a universal vaccine state);
- Support child development with more developmental screening, referrals (as needed) and well child care visits;
- Established the NC Senior Care program to help older adults offset prescription drug costs for certain illnesses (e.g., diabetes, heart ailments and chronic lung disease);
- Encourage businesses to expand health care insurance by offering tax incentives to companies with health insurance plans for employees; and
- Enacted the Mental Health Reform to modernize our mental health system and create the Mental Health Trust Fund.

Federal efforts to shift Medicaid costs to the states have forced many states to cut benefits, a course largely resisted in NC. Many of our health care issues demand national solutions. For instance, improving health care insurance coverage will require concerted federal and private action. In the absence of meaningful federal reforms, North Carolina and other large states may have to lead efforts to spur collaborative health care initiatives with the private sector.

The state’s progress on individual goals and measures for this imperative is discussed in more detail on the pages that follow.

Goal — Foster financial self-reliance

Measure: Child Poverty

Target:
At least 90% of children live above poverty line

Actual: 82%

US Rank (2003): 34th

Southeast Rank (2003): 2nd

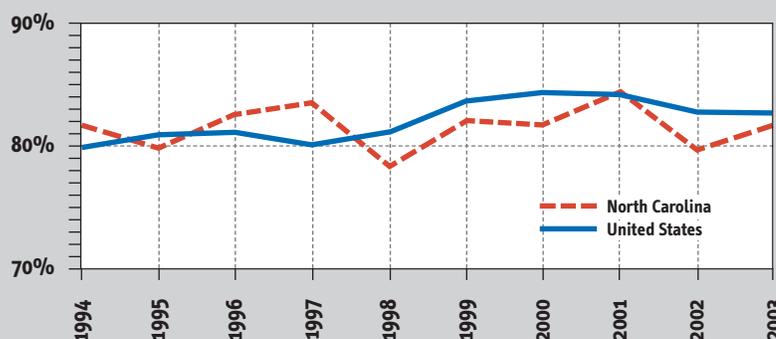
Definition: Percent of children aged 0–17 living in families below the federal poverty level which varies by family size (e.g., in 2003, it was \$12,015 for a two-person family and \$18,810 for a four-person family)

Source: US Census Bureau, American Community Survey, and Poverty Status by State

Notes: The federal poverty level does not account for geographic differences

Since 1994, the percent of children living above the poverty line in NC has not significantly changed. However, since 2000, NC's national ranking for this measure has improved to 34th and its regional rank, while fluctuating considerably, has improved from 7th to 2nd.

Percent of children living above the poverty line



Poverty indicators for the general population provide added context for the child poverty trends shown above. In 2004, NC's three-year average poverty rate for all citizens rose from 13.1% to 14.2%. In 2004, NC had relatively fewer welfare recipients per 10,000 population than most states—only the 41st most in the US and 7th most in the SE region. In 2003, 8.6% of NC households received food stamps. Since the mid-1990s, immigration, especially the influx of poor, unskilled and unauthorized immigrants, has contributed significantly to NC's poverty levels. According to the Pew Hispanic Center, in 2004, NC had the 8th highest share (and one of the fastest-growing populations) of undocumented immigrants in the US.

Measure: Family Income

Target:
At least 100% of US average median household income

Actual: 88%

US Rank (2003): 40th

Southeast Rank (2003): 6th

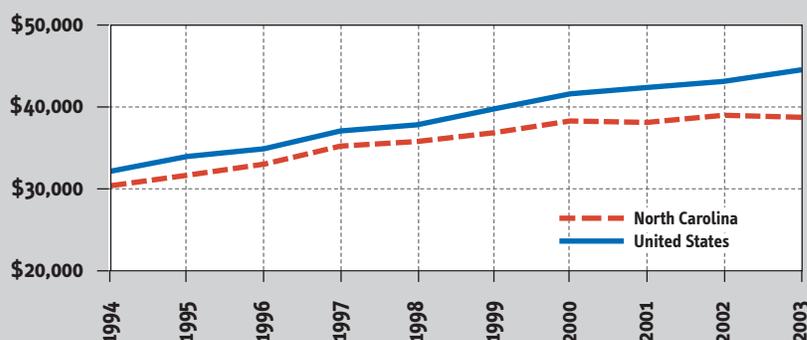
Definition: Three-year average of median household income where household income includes the income of the householder and all other persons 15 years old and over in the household.

Source: US Census Bureau, American Community Survey

Notes: Average or median household income is usually less than average or median family income because many households consist of only one person.

After rising gradually through the 1990s, NC's median household income has leveled off since 2000 and fallen as a percent of the national average. From 2000 to 2003, NC's competitive ranking fell from 32nd to 40th in the US and 3rd to 6th in the SE region.

Median household income



Nationally, in 2003, median family income rose at about the inflation rate, but income disparity between the rich and poor grew. Against this backdrop, NC fell in 2003 to 40th in the nation in median income. This decline was the result of several factors, including many beyond the state's direct control (and the reach of state public policies), such as immigration trends, global competition, federal trade policies and the collapse of our traditional manufacturing industries.

Goal — Encourage healthy lifestyles

Measure: Longevity

Target:
Less than 100% of US average age-adjusted death rate

Actual: 107%

US Rank (2003): 37th

Southeast Rank (2003): 3rd

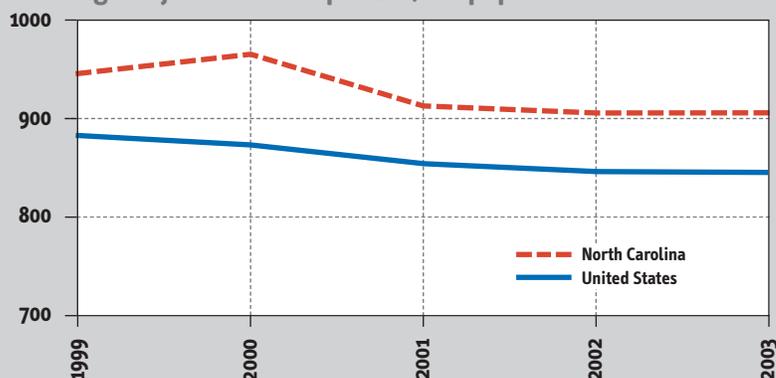
Definition: Deaths per 100,000 population adjusted for age differences and averaged over the three most recent years

Source: US DHHS, National Center for Health Statistics, National Vital Statistics Reports

Notes: The Bureau of Vital Statistics changed the age-adjustment formula in 1999

NC is experiencing a steady increase in overall lifespans. Since 1999, when the formula for calculating this indicator was revised, NC's age-adjusted death rate has declined by nearly 4.0% and the national death rate has fallen by just over 4.1%. NC has improved slightly in relation to the national rankings, from 39th in 2000 to 37th in 2003, while remaining 3rd in the SE region.

Age-adjusted deaths per 100,000 population



NC is only part of a larger regional problem. According to a 2004 United Health Foundation study, southern states accounted for the ten lowest states in overall health. Similarly, the US is beginning to suffer in comparison to other industrialized nations. In 2002, infant mortality rose in the US for the first time in 40 years, ranking the US 29th in the world in infant mortality rates. NC's infant mortality rates improved from 9.3 per 1,000 live births in 1998 to 8.2 in 2003, but the infant mortality rate for the non-white population is twice that of whites.

Measure: Weight

Target:
Less than 15% of adults are obese

Actual: 24%

US Rank (2003): 33rd (tie)

Southeast Rank (2003): 3rd

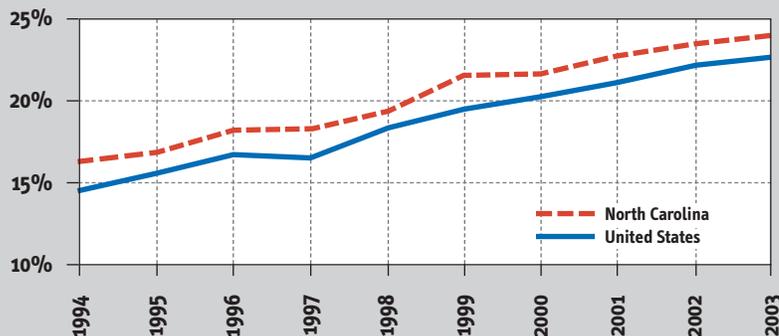
Definition: Percent of adults who are obese (a body mass index of over 30)

Source: US DHHS, Centers for Disease Control & Prevention, Behavioral Risk Factor Surveillance System

Notes: The CDC's BMI measure considers height and weight, but not frame size and muscle mass

NC, like the rest of the nation, is struggling with excess weight. Since 1994, the percent of adults who are classified as obese has been on the rise, both in NC and in the US. But, during that time, NC's adult obesity rate has fallen from 113% to 105% of the national average. Since 2000, NC's state obesity rankings have improved slightly from 40th to 37th in the nation and from 4th to 3rd in the region.

Percent of adults obese



From 1998 to 2003, the percent of low-income children aged 12-18 considered overweight increased from 23.5% to 26.5%. There is some good news. From 1998 to 2003, the percent of students in grades 9-12 who reported exercising regularly (i.e., at least 20 minutes per day, three days a week) increased from 55.3% to 61.2%. NC was one of only 11 states in the US and two states in the SE region awarded a B by the University of Baltimore for its overall efforts to combat obesity (no states earned an A).

Goal — Encourage healthy lifestyles

Measure: Adult Smoking

Target:
At least 90% of adults do not smoke

Actual: 75%

US Rank (2003): 34th (tie)

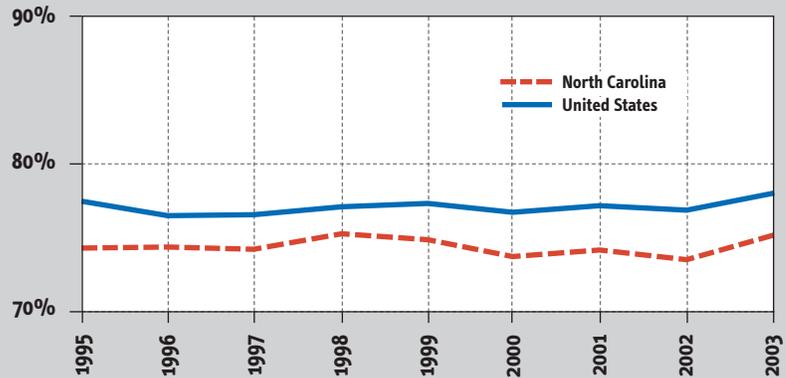
Southeast Rank (2003): 4th

Definition: Percent of persons 18 years and older who have not smoked at least 100 cigarettes and do not currently smoke

Source: US DHHS, Centers for Disease Control & Prevention, Behavioral Risk Factor Surveillance System

Since 1995, the percent of non-smoking adults has increased marginally from 74% to 75%. However, since 2000, as the rest of the nation has struggled with this issue, NC has improved its competitive position, rising from 44th to 34th in the US in the percent of non-smoking adults and from 8th to 4th in the SE region.

Percent of adults not smoking



From 1998 to 2003, the percent of students in grades 9-12 who reported smoking cigarettes in the last 30 days dropped from 35.8% to 25.0%. In 2004, NC had the 2nd lowest state cigarette tax in the US. However, in 2005, the General Assembly enacted a 25-cent increase.

Goal — Ensure access to good health care services

Measure: Health Insurance

Target:
At least 90% of citizens are covered by health insurance

Actual: 84%

US Rank (2003): 34th

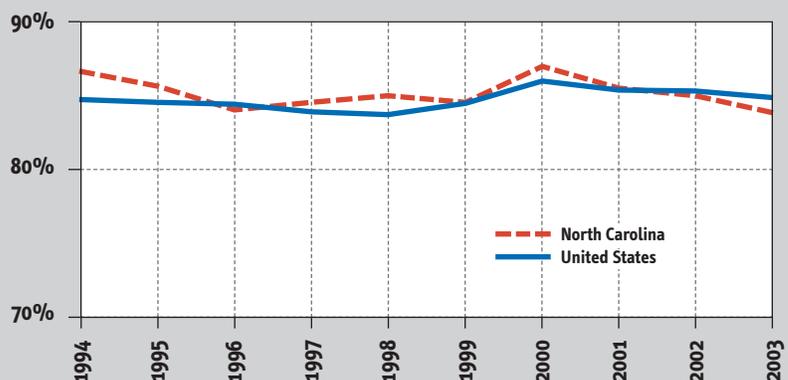
Southeast Rank (2003): 7th

Definition: Percent of population who are covered by public or private health insurance at some time during the year

Source: US Census Bureau, Current Population Survey, and Historical Health Insurance Tables

The percent of population covered by health insurance in NC has declined since 1994, while the nation's coverage percentage has only marginally improved. NC's comparative ranking in health insurance coverage has fallen somewhat since 2000, both nationally and regionally; NC has the 7th lowest health insurance coverage ratio in the SE region.

Percent of population covered by health insurance



Since 2000, NC's uninsured population has increased faster than in all but six states, but it could have been worse. According to the NC Child Advocacy Institute, the percent of NC's children lacking health insurance actually declined from 13.2% in 1998 to 11.9% in 2003. As state officials have resisted federal efforts to curtail public programs and their coverage, NC's Medicaid enrollment has increased by 30% and its Children's Health Insurance Program (CHIP) enrollment by over 100%. In lieu of NC's commitment to such public health insurance programs as Medicaid and Health Choice, the number of uninsured persons would have increased even more.

Goal — Ensure access to good health care services

Measure: Primary Care Access

Target:
At least 95% of citizens have access to primary health care

Actual: 92%

US Rank (2004): 12th

Southeast Rank (2004): 2nd

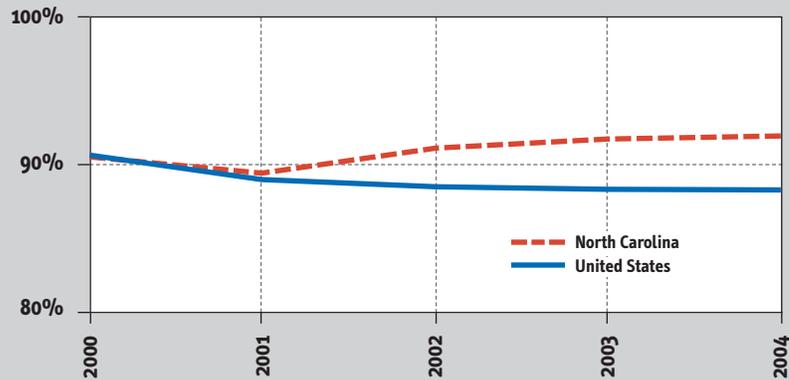
Definition: Percent of population with primary medical practitioners (e.g., family practice doctors, internists, OB/GYNs and pediatricians) within reasonable geographic bounds

Source: US DHHS, Division of Shortage Designation, Selected Statistics on Health Professional Shortage Areas

Notes: A plentiful supply of medical resources within reasonable geographic proximity does not ensure full access to needed health care services or resources

NC has been gradually climbing toward its primary health care access target since 2000, and, according to this indicator, has the 2nd best primary health care provider access in the region and the 12th best in the nation. In 2002, NC had the 6th highest per capita health and hospital spending rate in the US and the 3rd highest in the SE region.

Percent of population with access to primary health care



According to more specific indicators, some shortages persist. In 2003, NC was 38th in the US in the number of community hospital beds, 23rd in the US (4th in the SE) in the number of physicians and 27th in the US (6th in the SE) in the number of registered nurses per 100,000 population. While 13 counties have no acute care hospital beds, operating room, permanent-site MRI scanner or endoscopy room, the uneven distribution of care facilities across NC's 100 counties does not necessarily translate to access problems.

Measure: Child Health Care

Target:
At least 95% of infants are immunized

Actual: 89%

US Rank (2003): 4th

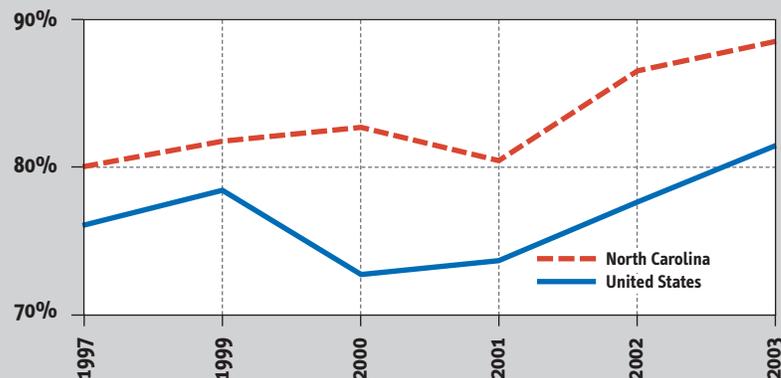
Southeast Rank (2003): 1st

Definition: Percent of children aged 19-35 months immunized using the 4:3:1:3 series (4 doses of DTP/DT/DTaP, 3 doses of OPV, 1 dose of MCV, and 3 doses of Hib)

Source: US DHHS, CDC, State Vaccination Coverage Levels, Morbidity and Mortality Weekly Report

NC's infant immunization rate continues to improve, as does the nation's. NC's infant immunization rate also remains well above that of most other states. Since 2002, NC's national rank slipped slightly from 1st to 4th, but its regional rank remained first.

Percent of infants immunized



Due to the General Assembly's decision to make vaccines available at little or no cost, and the statewide involvement of public and private primary care providers, NC has one of the best child immunization rates in the nation. In 2003, NC's estimated MMR vaccination coverage for K-1 pupils was 100% and its immunization rate for children at school entry was 99.6%. In 2003, 80% of pregnant mothers in NC received adequate pre-natal care, the 17th best rating in the US and 4th best in the SE region.

Imperative 2: Safe & Vibrant Communities

Overview of Progress

Our Vision

All citizens will live in safety and harmony. Communities in every region will achieve economic vitality and environmental sustainability, and offer their citizens a desirable quality of life.

Our Goals

1. Maintain safe neighborhoods
2. Promote adequate & affordable housing
3. Deliver responsive community-based care
4. Welcome racial & ethnic diversity

As summarized by the table below, we are meeting two strategic targets for Safe & Vibrant Communities, but our competitive rankings remain relatively low. While our violent and property-related crime rates have plummeted over the last ten years, we continue to experience relatively high crime rates compared to other states in the nation and Southeast, especially for property crimes. Our homeownership rate is stable and our housing prices remain relatively low. Our commitment to providing quality child day care has earned our state a leadership position in this area.

Summary of Strategic Progress—Safe & Vibrant Communities

Goals	Measures	Target	US Rank	SE Rank
1. Maintain safe neighborhoods	1. Violent crime	✓	31st	7th
	2. Property crime		39th	7th
	3. Public safety	(Update in process)		
2. Promote adequate & affordable housing	1. Home ownership		36th	10th
	2. Housing availability		28th	7th
	3. Home affordability		23rd	5th
3. Deliver responsive community services	1. Child day care	✓	4th	1st
	2. Long-term care	(Update in process)		
	3. Recreation and culture			

Note: Measures for which we have met or exceeded the target are marked with a “check” under the Target column. Measures for which we are awaiting new data are marked “update in process” and will be updated as new data becomes available.

In North Carolina, our elected officials have carried out several initiatives to help attain the long-term goals for this imperative, including the following:

- Developed community-based programs to reduce juvenile crime and ensure constructive placement alternatives to state youth development centers;
- Created the Domestic Violence Commission to coordinate efforts for fighting domestic violence and increased funding for Domestic Violence services;
- Undertaken the NC Saves Campaign, an initiative to promote good savings habits;
- Created the Housing Trust Fund to spur the development of new, affordable housing for low-income families (but not yet fully funded); and
- Through the Smart Start and More at Four programs, won praise as one of the most innovative states in strengthening child day care and caregiver capabilities.

The state’s progress on individual goals and measures for this imperative is discussed in more detail on the pages that follow.

Goal — Maintain safe neighborhoods

Measure: Violent Crime

Target:
Less than 100% of US average violent crime rate



Actual: 96%

US Rank (2003): 31st

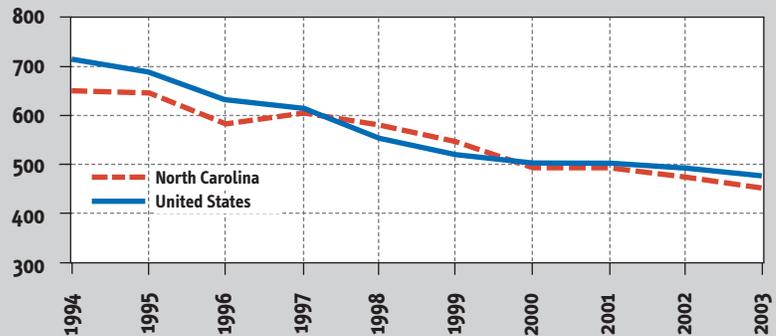
Southeast Rank (2003): 7th

Definition: Reported number of violent crimes (e.g., murders, rapes, robberies and aggravated assaults) committed per 100,000 population

Source: US Federal Bureau of Investigation, Crime in US, Annual Uniform Crime Reports

NC's violent crime rate has significantly declined over the last ten years, falling below the national average (and thereby attaining our target). Since 2000, NC's national ranking has improved from 33rd to 31st while its regional ranking has fallen from 6th to 7th.

Violent crime index rate per 100,000 population



In 2004, the state's violent crime rate declined another 1.7%, with robberies falling 5.8%. However, the rate of intentional killings did not change and the reported number of rapes soared 7.5%. In 2003, the rate of violent crime fell 5.3% statewide. More specifically, NC's murder rate decreased by 10.3%, the rape rate declined 6%, the robbery rate decreased by 3.3% and the aggravated assault rate fell 6.1%.

Measure: Property Crime

Target:
Less than 100% of US average property crime rate

Actual: 119%

US Rank (2003): 39th

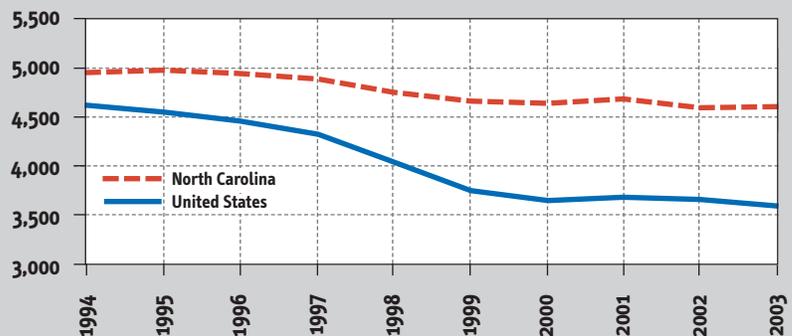
Southeast Rank (2003): 7th

Definition: Reported number of property crimes committed per 100,000 population

Source: US Federal Bureau of Investigation, Crime in US, Annual Uniform Crime Reports

NC's property crime rate has decreased considerably since 1994. Since 2000, our national rank for this indicator has improved from 43rd to 39th and our regional rank from 9th to 7th. Still, NC continues to exceed the national average property crime rate.

Property crime index rate per 100,000 population



In 2003, the rate of property crime decreased 2.1% across the state, with burglary decreasing 3.6%, larceny falling 2.2%, arson dropping 22.9% and motor vehicle theft increasing 4.8%. In 2004, the state's property crime rate declined another 3.1%, with the number of thefts dropping 4.3%. Despite these favorable trends, state officials have become increasingly concerned about some emerging crimes, such as illicit methamphetamine production, sales and distribution.

Goal — Promote adequate & affordable housing

Measure: Home Ownership

Target:
At least 75% of homes are owned by occupants

Actual: 70%

US Rank (2004): 36th

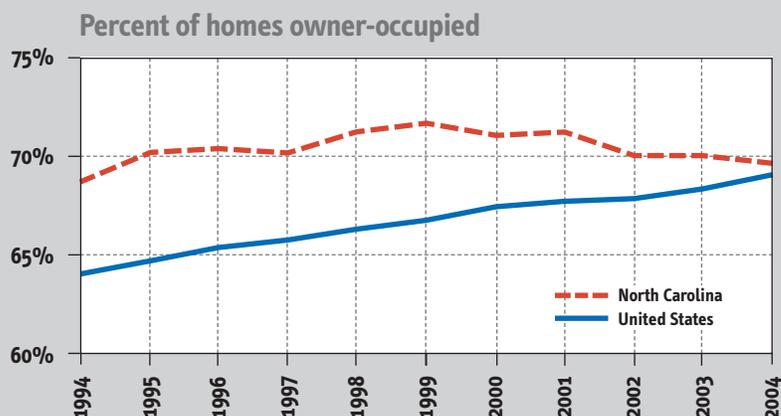
Southeast Rank (2004): 10th

Definition: Percent of total occupied housing units that are owner-occupied

Source: US Census Bureau, Current Population Survey

Note: Home ownership does not necessarily reflect relative prosperity or asset accumulation, especially in states where relative housing values are low (e.g., Alabama or Mississippi); conversely, some states with low home ownership rates may enjoy high wealth ranks (e.g., California and New York)

NC's home ownership rate has remained relatively stable over the last ten years, but the national average has steadily increased. In 2004, NC remains slightly above the national average, but its state rank has slipped to 36th in the US and last in the SE region. Home ownership does not necessarily or fully reflect relative asset accumulation or economic prosperity.



Homeownership rates vary widely among specific population groups, in NC and throughout the nation. In 2004, the national homeownership rate varied widely depending on race—76.2% for white households, 49.1% for black households and 48.9% for Hispanic households. In 2002, NC's homeownership rate for persons aged 65 or more was 83.4%, the 9th highest in the US.

Measure: Housing Availability

Target:
Less than 2.0% of homes have over-crowded conditions

Actual: 2.4%

US Rank (2000): 28th

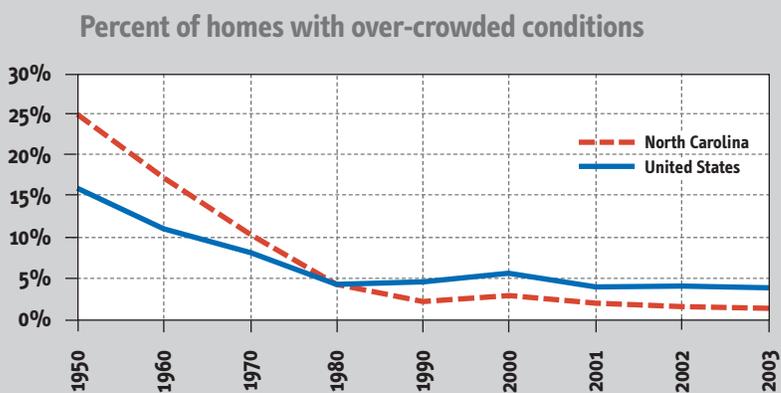
Southeast Rank (2000): 7th

Definition: Percent of occupied housing units with more than one person per room

Source: US Census Bureau

Notes: We are exploring alternative indicators for tracking housing availability

The incidence of over-crowded housing dramatically declined in NC from 1950 to 1990 and, after a slight reversal during the 1990s, appears to have continued to decline since 2000. While more recent state rankings are not yet available, in 2000, NC's national ranking for over-crowded housing conditions was 28th and its regional ranking was 7th. Since 2000, Census Bureau estimates indicate renewed progress, and NC remains well below the national averages.



In 2004, NC's rental vacancy rate was the 9th highest in the nation and 4th highest in the SE region. Available housing must also meet basic living standards. In 2003, only 0.35% of NC's occupied housing units lacked complete plumbing facilities and only 0.32% lacked complete kitchen facilities, a slight improvement since 2000. In 2002, NC was ranked 23rd in the US and 2nd in the SE region in per capita state and local government housing and community development expenditures.

Goal — Promote adequate & affordable housing

Measure: Home Affordability

Target:
Less than 25% of homeowners pay excessive housing costs

Actual: 28%

US Rank (2003): 23rd

Southeast Rank (2003): 5th

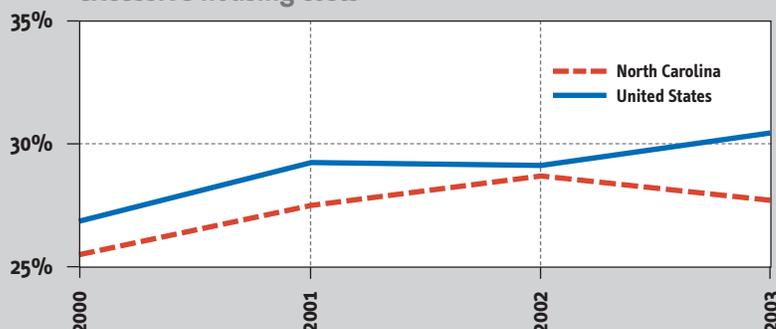
Definition: Percent of owner-occupied households with mortgages spending more than 30% of their income on housing (e.g., mortgage, real estate taxes, property insurance, utilities & fuels)

Source: US Census Bureau, American Community Survey

Notes: We are exploring alternative measures for tracking home affordability, such as the National Low-Income Housing Coalition's housing affordability index and rental affordability

NC housing is gradually becoming less and less affordable, relative to income. Since 2000, the percentage of NC homeowners with mortgages spending more than 30% of their income for housing has increased from 25.5% to 27.8%. However, during the same period, NC's competitive rankings have improved, from 28th to 23rd nationally and from 6th to 5th in the Southeast region.

Percent of homeowners with mortgages paying excessive housing costs



In recent years, the housing affordability gap has grown in NC, but NC continues to have more affordable housing than many other states. From 2000 to 2003, for example, the ratio of renters in NC paying at least 30% of their income on housing rose from 39% to 45%. Moreover, from 1998 to 2003, NC's foreclosure rates increased dramatically. In 2003, the median monthly housing cost for renter-occupied housing in NC was the 28th highest in the US and 4th highest in the region. In 2004, NC was ranked 21st in the US in housing affordability by the National Low Income Housing Coalition.

Goal — Deliver responsive community-based care

Measure: Child Day Care

Target: At least 120% of US average regulated child day care rate



Actual: 132%

US Rank (2003): 4th

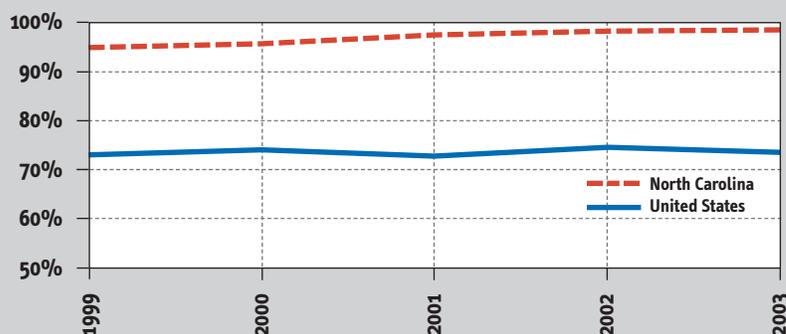
Southeast Rank (2003): 1st

Definition: Percent of children receiving day care in regulated settings through the federal Child Care and Development Fund (CCDF), the block grant program for low-income working families and families transitioning off welfare to work

Source: US DHHS, Administration for Children and Families, Child Care Bureau

NC has attained its long-range target. NC is one of the top states in the nation, and the leading state in the SE region, in the percent of children receiving day care in regulated settings, at least for services funded by the federal Child Care and Development Fund (CCDF). Since 1999, the percent of children receiving day care in regulated settings has improved from 95% to 98%.

Percent of children receiving day care in regulated settings



In 2004, NC had 4,999 licensed family child care homes and 4,248 licensed child care centers. In 2003, 85% of the children enrolled in CCDF-funded programs in NC received day care by licensed centers and 13% by licensed family homes. In 2003, NC had the 12th most children in the US enrolled in Head Start programs, and the 4th most in the Southeast. In 2002, NC was ranked 37th in the nation and 9th in the region in the percent of three- and four-year olds enrolled in state pre-kindergarten. In 2001, NC instituted an academic pre-kindergarten program for at-risk four year olds.

Imperative 3: Quality Education for All

Overview of Progress

Our Vision

North Carolina will make sufficient investments in its public schools and institutions of higher education to give every student an opportunity to succeed. Our education system will provide the tools to help citizens become solid contributors to the state's civic and cultural life, and prosper in the increasingly competitive workplace.

Our Goals

1. Offer a comprehensive public school (K–12) education
2. Make prudent investments in public education programs
3. Build a premier public higher education system

North Carolina is making substantial progress—with the notable exception of high school graduation rates—toward attaining the strategic targets for Quality Education for All. Our standardized reading and math scores continue to show dramatic improvement, our SAT scores and pupil-teacher ratios are approaching the national averages and our teacher pay is becoming more competitive. Despite recent fiscal pressures, our higher education system still offers relatively good access and our public investment in higher education is still competitive. In only one area have we failed to make progress—with our poor public high school graduation and dropout rates.

Summary of Strategic Progress – Quality Education for All

Goals	Measures	Target	US Rank	SE Rank
1. Offer a comprehensive public school (K-12) education	1. Reading proficiency		16th	2nd
	2. Math/science proficiency	✓	4th	1st
	3. College preparedness		14th (of 23)	2nd (of 5)
2. Make prudent investments in public education programs	1. Teacher recruitment		23rd	3rd
	2. Classroom resources	✓	30th	6th
	3. High school graduation		37th	4th
3. Build a premier public higher education system	1. Higher education access		18th	6th
	2. Community colleges	(Update in process)		
	3. University resources		20th	2nd
	4. University innovation	(Update in process)		

Note: Measures for which we have met or exceeded the target are marked with a “check” under the Target column. Measures for which we are awaiting new data are marked “update in process” and will be updated as new data becomes available.

Our Governor, General Assembly and other public leaders, have adopted several policies that advance the long-term goals for this imperative, including the following:

- Established a community-based, academic pre-kindergarten program to prepare disadvantaged four-year olds for success in school (the More at Four program);
- Reduced class sizes in the early elementary grades (kindergarten through third grade);
- Implemented a comprehensive program to improve educational practices and boost student performance (the ABCs Accountability Program);
- Established a National College Savings Program (the 529 college savings plan) to encourage families to save more for their children's higher education; and
- Won voter approval for the UNC Higher Education Bond Program in 2000 to expand facilities throughout the 16-campus UNC system.

The external pressures on state policy-makers to promote educational excellence will not likely dissipate. The courts have affirmed that the state has a constitutional duty to provide all school age children a sound basic education and, through the Leandro mandate, specified the educational resources that this duty entails. Mounting global competition will likely increase the need to make our public higher education system even better than it is today.

The state's progress on individual goals and measures for this imperative is discussed in more detail on the pages that follow.

Goal — Offer a first-class, comprehensive public K-12 education

Measure: Reading/Writing Proficiency

Target:
At least 120% of US average
in reading proficiency

Actual: 110%

US Rank (2003): 16th (tie)

Southeast Rank (2003): 2nd

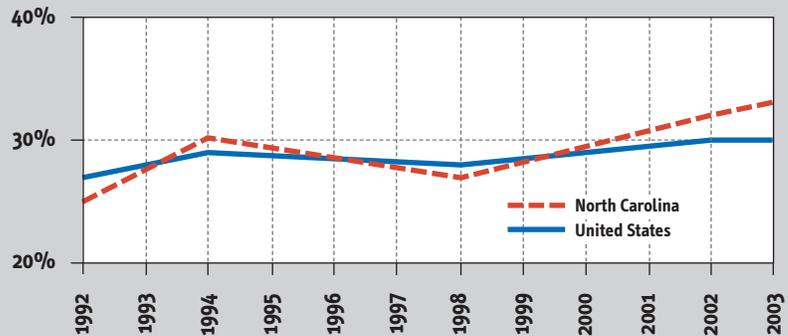
Definition: Percent of 4th graders rated proficient or better in reading per the National Assessment for Educational Progress (NAEP), where proficient represents a demonstrated academic mastery for specified grade level

Source: US Dept. of Education, National Center for Education Statistics (NCES), NAEP Reading Assessment

Notes: Since the differences among NAEP scores are small, future state rankings could change significantly (NCES cautions that NAEP reading score differences among many states are not statistically significant)

The reading proficiency rate of NC's 4th graders improved from 27% in 1998 to 33% in 2003. Moreover, since 1998, NC's 4th grade reading proficiency rate has risen above the national rate, giving NC the 16th best score in the nation and the 2nd best score in the region.

Percent of public school 4th graders proficient or better in reading



In 2003, according to NCES (the Nation's Report Card), NC had the 30th best average reading score for 8th graders in the US (where 11 state scores were not significantly different). In 2002, NC had the 6th best average writing score for 8th graders in the US (where 11 state scores were not significantly different). NC's English standards have won recognition from the Fordham Foundation for "being clear, specific and measurable, showing increasing difficulty over the grades and addressing almost all areas of the English language arts and reading satisfactorily."

Measure: Math/Science Proficiency

Target: At least 120%
of US average
in math proficiency



Actual: 132%

US Rank (2003): 4th (tie)

Southeast Rank (2003): 1st

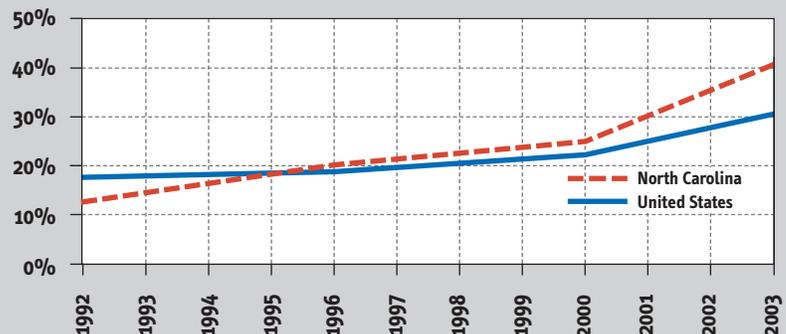
Definition: Percent of 4th graders rated proficient or better in math per the National Assessment for Educational Progress (NAEP), where proficient represents a demonstrated academic mastery for specified grade level

Source: US Dept. of Education, National Center for Education Statistics (NCES), NAEP Math Assessment

Notes: Since the differences among NAEP scores are small, future state rankings could change significantly (NCES cautions that NAEP math score differences among many states are not statistically significant)

The math proficiency rate of NC's 4th graders improved from 25% in 2000 to 41% in 2003. In addition, NC's 4th grade math proficiency rate is significantly higher than the national rate. In 2003, NC enjoyed the best math proficiency score for 4th graders in the region, and the 4th best in the nation.

Percent of public school 4th graders proficient or better in math



In 2003, according to NCES (the Nation's Report Card), NC tied for the 18th highest average math score for 8th graders in the US (where 20 state scores were not significantly different). NC's math standards have been cited by the Fordham Foundation as better than those of most states.

Goal — Offer a first-class, comprehensive public K-12 education

Measure: College Preparedness

Target:
At least 100% of US average SAT score

Actual: 98%

US Rank (2004): 14th (of 23)

Southeast Rank (2004): 2nd (of 5)

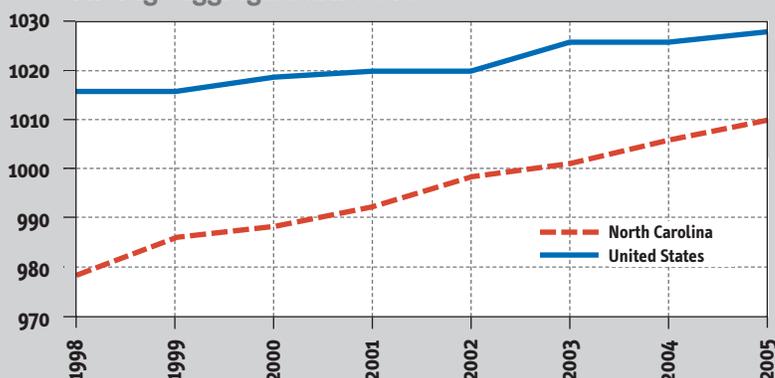
Definition: Average combined math and verbal score on Scholastic Aptitude Test (SAT)

Source: The College Board

Notes: SAT scores provide one proxy indicator of public school quality, especially for high SAT participation states like NC, but should be reviewed in the context of other data; the above state ranks are only for states with more than 50% SAT participation

In 2005, NC continued to improve its SAT scores, narrowing its gap with the US average and climbing in the state rankings. Since 1998, NC has reduced the national SAT score differential by 20 points. From 2000 to 2005, NC improved its national ranking from 48th to 42nd and its regional ranking from 8th to 7th. However, among states with SAT participation rates of 50% or more (states with high SAT participation rates tend to have lower aggregate SAT scores than states with lower participation rates), NC is ranked 14th (of 23) in the US and 2nd (of 5) in the SE region.

Average aggregate SAT score



NC's SAT rankings for math are higher than those for reading. In 2004, NC ranked 44th nationally and 8th regionally in verbal (508 score) and 41st nationally and 7th regionally in math (518 score). In 2003, NC ranked 46th nationally and 8th regionally in verbal (495 score) and 41st nationally and 7th regionally in math (506 score).

Goal — Make prudent investments in public education

Measure: Teacher Recruitment

Target:
At least 100% of US average teacher pay

Actual: 93%

US Rank (2004): 23rd

Southeast Rank (2004): 3rd

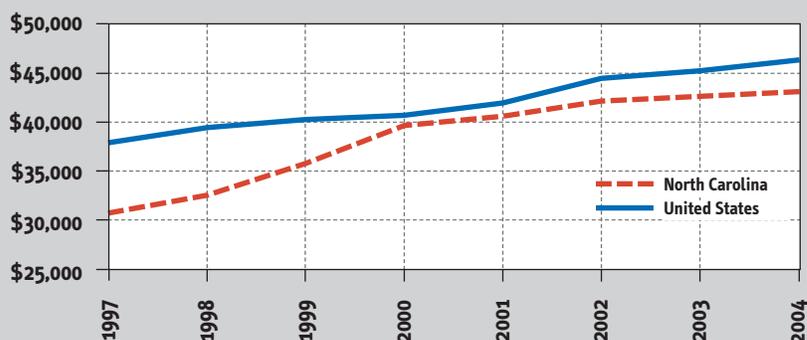
Definition: Average teacher pay, where pay is the average gross salary before any deductions for Social Security, retirement and health insurance

Source: National Education Association

Notes: ETS' nationally-recognized Praxis assessment series is used by many states for licensing purposes

Despite losing ground during the recent recession, NC has made great strides since 1997. Its average teacher pay has climbed from 81% of the US average in 1997 to 93% in 2004. During the same time period, NC's national rank has risen from 43rd to 23rd and its regional rank from 9th to 3rd.

Average teacher pay



Note: Reported year is year in which school year ends (e.g., 1997 is 1996–97 school year)

In a recent national assessment of teacher quality, NC was awarded a "B" and a national ranking of 7th in improving teacher quality. In 2002, NC's average teacher pay was nearly 142% of the state's average wage, giving NC the 13th highest rating in the nation (and the 2nd highest rating in the region). NC is also near national averages in licensure and competency ratings. In 2003, NC's average Praxis teaching skills score was 98% of the US average and its average Praxis knowledge score was 100% of the US average. In 2003, 84% of NC's teachers satisfied applicable state licensure requirements, down slightly from 2002.

Goal — Make prudent investments in public education

Measure: Classroom Resources

Target: Less than 100% of US average pupil-teacher ratio



Actual: 99%

US Rank (2004): 30th

Southeast Rank (2004): 6th

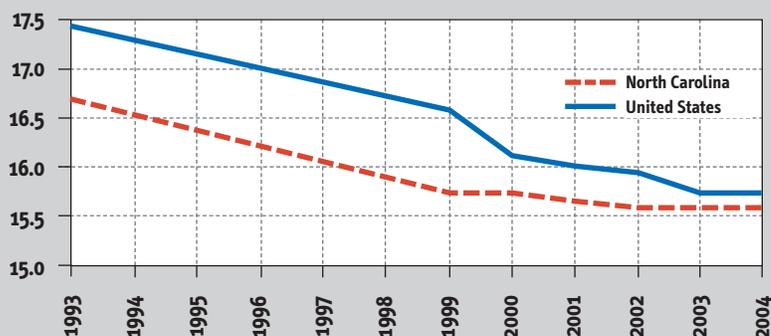
Definition: Total reported public school students divided by the total classroom teachers (FTEs) assigned to instruct pupils in self-contained classes or classroom situations

Source: National Education Association, Rankings & Estimates, & US Dept. of Education, National Center for Education Statistics

Notes: The pupil-teacher ratio provides a rough indicator of a state's commitment to providing adequate instructional resources, but it may be smaller than actual class size; we are exploring other indicators (e.g., average classroom size)

NC's aggregate pupil-teacher ratio remains below the national average, but the margin is narrowing. As of 2004, NC's pupil-teacher ratio was 99% of the US average. Since 2000, even while experiencing one of the largest enrollment increases in the nation, NC's competitive rankings have not changed significantly.

Aggregate pupil-teacher ratio



Note: 2004 data includes NEA estimates through August 2004

NC has developed its own comprehensive system for assessing the quality of its public schools (the ABC system). In 2003, the NC Department of Public Instruction found that 73% of public schools earned a "higher-than-expected improvement" grade on the ABC report card. In 2004, NC spent \$6,727 in federal, state and local monies per pupil for public K–12 programs, 21% lower than the national average, ranking it 40th in the US and 5th in the SE region.

Measure: High School Graduation

Target: At least 100% of US average public high school graduation rate

Actual: 94%

US Rank (2002): 37th (tie)

Southeast Rank (2002): 4th

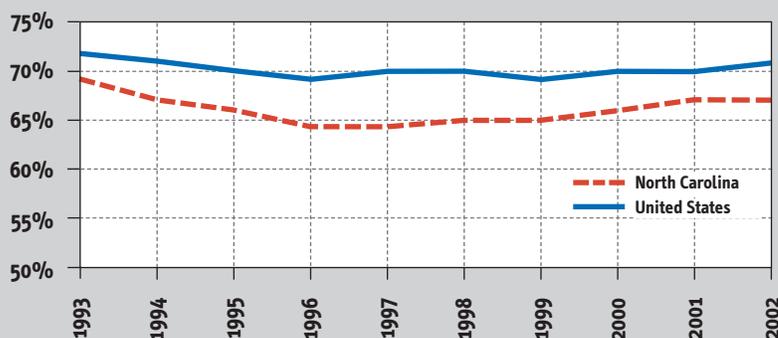
Definition: Estimated public high school graduates in current school year divided by 9th grade enrollment from four years earlier

Source: Manhattan Institute and US Dept. of Education, National Center for Education Statistics

Notes: There are numerous methods for calculating high school graduation rates, including four nationally-recognized methods: NCES, Manhattan Institute, Postsecondary Opportunity and Urban Institute; in 2005, a US Education Department task force recommended a standard formula for states (i.e., graduates with regular diplomas / 9th grade class adjusted for transfers)

Since 1993, NC (like most states) has made no real progress in improving high school graduation rates. NC's competitive rankings have changed little, leaving NC with the 37th lowest graduation rate in the US and 4th lowest rate in the SE region. According to the Manhattan Institute, the national graduation rate for public high school students fell from 72% in 1993 to 71% in 2002. During the same time period, the percent of students leaving high school with the requisite skills for college rose from 28% to 34%, an indication that higher state graduation standards can suppress graduation rates even as they produce more competent graduates.

Public high school graduation rate



In 2004, after four years of decline, NC's high school dropout rate rose (and only 39% of 2004 graduates passed all five standard end-of-course exams). In 2003, NC's dropout rate for pupils aged 16 to 19 was the 16th highest in the US (tie). Graduation rates vary widely among racial groups, but NC's rate variances are considerably lower than the national variances. In 2002, according to Morgan Quitno Press, the national graduation rate differential was 24.6 percentage points between white and African-American students and 20.9 percentage points between white and Hispanic students. In contrast, the NC graduation rate differential was 16.5 percentage points between white and African-American students and 9.2 percentage points between white and Hispanic students.

Goal — Build a premier public higher education system

Measure: Higher Education Access

Target:
Less than 80% of US average higher education costs

Actual: 85%

US Rank (2003): 18th

Southeast Rank (2003): 6th

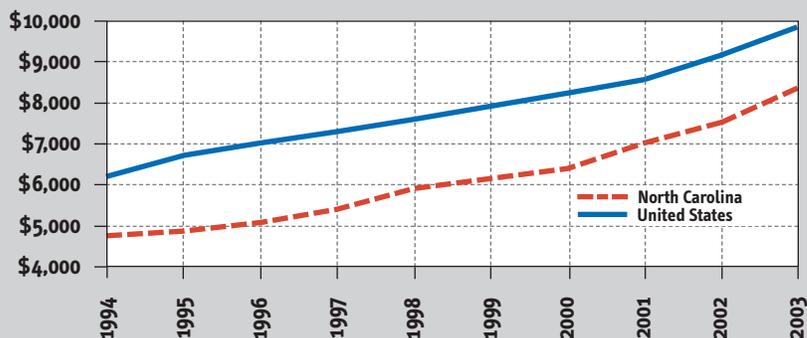
Definition: Average in-state tuition, room and board and fees for full-time students in public four-year institutions of higher education for one academic year

Source: US Dept. of Education, National Center for Education Statistics, Digest of Education Statistics

Notes: Average costs per student roughly reflect college affordability (without adjustments for tuition assistance), but we are exploring alternative affordability indicators (e.g., the National Center on Higher Education Policy rating which considers multiple access factors)

From 1994 to 2003, NC's rank for average public university tuition, room, board and fee costs fell from 2nd to 18th in the US and from 1st to 6th in the region. Still, NC continues to have some of the most affordable public universities (and best college bargains) in the nation. Its average student costs for public higher education are about 85% of the national average, and its average tuition and fees were only 21.5% of the median family income (for lowest quintile), compared to 29.9% for the US.

Average student costs for public higher education



From 2000 to 2004, the average tuition for NC's public four-year institutions rose 71%, but this increase was partially offset by financial assistance (e.g., in 2002, the UNC System awarded \$3,573 in grants and scholarships per undergraduate student). In 2004, per the National Center for Public Policy and Higher Education, NC's average tuition at public four-year institutions was \$3,251—the 11th lowest in the US and 3rd lowest in the SE—and NC offered the 16th (tie) most affordable public universities in the US and 3rd most affordable in the SE (considering family income, college costs and tuition assistance). With 126 institutions of higher education, NC has the 8th most in the US and the 2nd most in the region, but this does not necessarily translate to high enrollments. In 2003, 30% of NC's adults aged 18 to 24 were enrolled in a two- or four-year institution, tying it for 43rd in the nation.

Measure: University Resources

Target:
At least 120% of US average per capita higher education spending

Actual: 114%

US Rank (2002): 20th

Southeast Rank (2002): 2nd

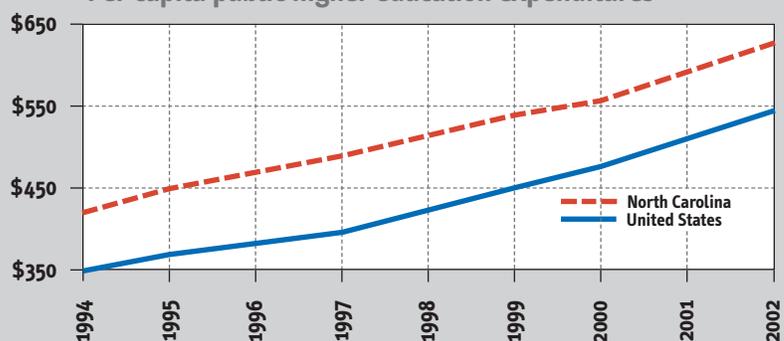
Definition: Per capita state and local government expenditures (operating and capital outlays) for higher education

Source: US Census Bureau, Governments Division, State and Local Government Finances

Notes: Per capita higher education expenditures provide only one indicator of a state's relative commitment to higher education, and should be considered in the context of how student costs may affect higher education access

NC's commitment to higher education, at least in terms of its per capita spending, remains relatively strong. In 2002, NC spent \$619 per capita on public higher education, more than the national average—20th highest in the US and 2nd in the region.

Per capita public higher education expenditures



Despite some signs of erosion, NC's public financing for higher education remains strong. For FY04, NC state government spent the 5th most in the US per pupil (and the 2nd most in the SE) on Title IV institutions of higher education. In 2002, NC spent the 11th most in the US on higher education as a percent of personal income and the 2nd most in the SE region. In 2002, NC had the 8th highest per capita tax appropriations for higher education in the country and the highest in the SE region. However, NC's average faculty salary is only the 33rd highest in the US and the 4th highest in the SE region.

Imperative 4: A High Performance Workforce

Overview of Progress

Our Vision

Our workers will possess the skills to adapt quickly to the changing demands of the global workplace, use technology, think analytically and participate in the emerging economy. Employers will provide the requisite compensation and work environments to ensure a competitive and productive workforce.

Our Goals

1. Produce workers with competitive skills
2. Offer innovative & accessible continuous learning
3. Support safe & rewarding work environment

North Carolina is making some progress toward attaining the targets for A High Performance Workforce for which we have recent data. Our aggregate high school and college attainment rates, while improving, remain relatively low for the nation and mediocre for the Southeast. Our wage levels are in the middle of the pack, both nationally and regionally. However, our workplace safety record continues to lead the nation and region.

Summary of Strategic Progress – A High Performance Workforce

Goals	Measures	Target	US Rank	SE Rank
1. Produce workers with competitive skills	1. Basic educational attainment		40th	5th
	2. Advanced educ. attainment		35th	4th
	3. Technical educ. attainment	(Update in process)		
2. Offer innovative & accessible continuous learning	1. Basic skills training	(Update in process)		
	2. Vocational training	(Update in process)		
	3. Technical training	(Update in process)		
3. Support safe & rewarding work environments	1. Competitive wages		28th	3rd
	2. Equitable pay	(Update in process)		
	3. Workplace safety	✓	3rd (of 41)	1st (of 9)

Note: Measures for which we have met or exceeded the target are marked with a “check” under the Target column. Measures for which we are awaiting new data are marked “update in process” and will be updated as new data becomes available.

In North Carolina, our leaders have adopted numerous strategies to further the long-term goals for this imperative, including the following:

- Established the NC Community College System’s New and Expanding Industry Training (NEIT) program, to provide job training to individuals and companies;
- Created the Incumbent Workforce Development Program under the Commerce Department to encourage established businesses to train current workers in portable skills; and
- Funded a project to upgrade the Industrial Commission’s computers to improve our ability to track workplace injuries and identify causal factors.

Much work remains to be done to enhance the competitiveness of our workforce. One such initiative under consideration by our elected officials is to examine the state’s vast array of worker training programs and identify ways to improve overall effectiveness and reduce administrative costs.

The state’s progress on individual goals and measures for this imperative is discussed in more detail on the pages that follow.

Goal — Produce workers with competitive skills

Measure: Basic Educational Attainment

Target:
At least 100% of US average high school attainment rate

Actual: 96%

US Rank (2003): 40th

Southeast Rank (2003): 5th

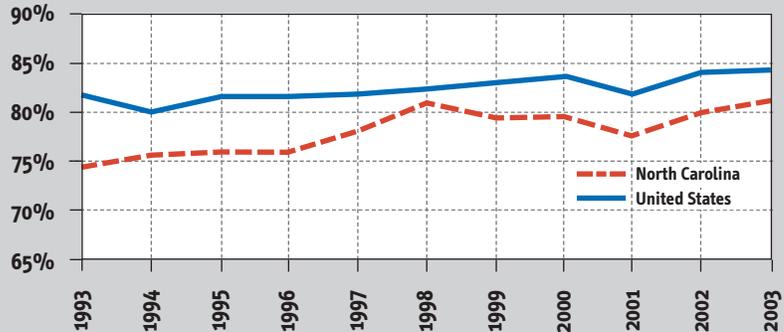
Definition: Percent of population aged 25 years or older who have graduated from high school or earned a General Equivalency Degree (GED)

Source: US Census Bureau, Educational Attainment in the US

Notes: We may limit this target to young adults (e.g., 25–35 years old) to better track our progress; it is very difficult to affect educational attainment levels among older adults

NC's high school attainment rate has steadily increased from 74.8% in 1993 to 81.4% in 2003, but remains below the national average and slightly below target. Since 2000, NC has improved its national ranking from 46th to 40th and its regional rank from 7th to 5th.

Percent of population completing high school



High school attainment, in and of itself, does not ensure competitive skills. For instance, in the most recent available survey of literacy rates, 52% of NC adults scored in the two lowest levels of literary proficiency. Fortunately, more North Carolinians are pursuing education beyond high school. From 2000 to 2003, the percent of NC adults attaining associate degrees increased from 6.9% to 7.7%.

Measure: Advanced Educational Attainment

Target:
At least 100% of US average college attainment rate

Actual: 88%

US Rank (2003): 35th

Southeast Rank (2003): 4th

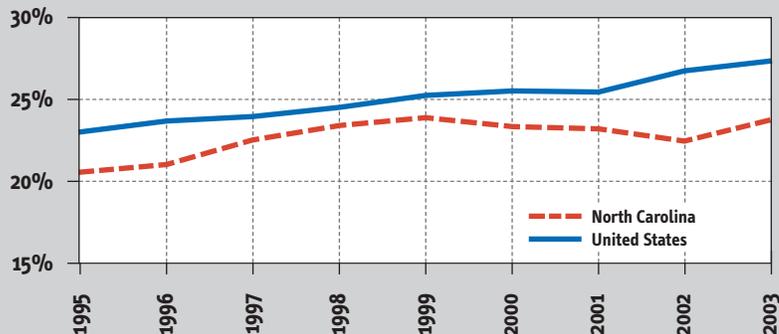
Definition: Percent of population aged 25 years or older who hold college bachelor degrees

Source: US Census Bureau, Educational Attainment in the US

Notes: We may limit this target to young adults (e.g., 25–35 years old) to better track our progress; it is very difficult to affect educational attainment levels among older adults

From 1995 to 2003, NC's college attainment rate for all adults aged 25 years old or older improved from 20.6% to 23.8%, but never reached the national average. NC's national college attainment rank for adults 25 years old or older rose from 33rd in 1995 to as high as 23rd in 1998, before slipping to as low as 41st in 2002, and rebounding to 35th in 2003. During the same time period, NC's regional rank for adults aged 25 years or older fluctuated from as high as 2nd to as low as 6th. Among younger adults (aged 18–24), NC's college attainment rankings appear somewhat higher—in 2000, NC was ranked 30th in the US and 4th in the SE region. More notably, from 1990 to 2000, NC experienced the 14th best improvement in college attainment among young adults in the US and the 4th best improvement in the SE region.

Percent of adults with college degrees



From 2000 to 2003, the graduate degree attainment ratio in NC increased from 6.7% to 7.8%. In 2002, 29.6% of NC's total workforce held college degrees, giving NC a national rank of 45th. The US Census Bureau has estimated that, on average, a college graduate will make at least \$1 million more than a high school graduate over a lifetime.

Goal — Support safe & rewarding work environments

Measure: Competitive Wages

Target:
At least 100% of US average pay

Actual: 89%

US Rank (2004): 28th

Southeast Rank (2004): 3rd

Definition: Total annual wages, bonuses and other payments for employees covered by unemployment insurance divided by average monthly number of employees

Source: Bureau of Labor Statistics, Quarterly Census of Employment and Wages: Annual Data Tables

NC has made some progress over the last decade in its effort to pay competitive wages. Since 1994, NC's wages have risen from 87% to over 91% of the average national wage, its national rank has improved from 31st to 28th and its regional rank has jumped from 6th to 3rd. In 2004, NC ranked 28th in the nation and 3rd in the Southeast in this measure.



The ability of the state economy to generate full-time jobs can significantly affect average wages. From 2000 to 2003, the percent of part-time workers wanting full-time jobs grew from 11.0% to 17.2%. In 2003, the percent of NC's labor force deemed under-employed was 11.1%—higher than the rate for both the nation (10.1%) and South Atlantic states (9.0%). NC is one of 36 states with its minimum wage rate fixed at the national rate of \$5.15; only one state in the SE region has a higher minimum wage (Florida with a rate of \$6.15).

Measure: Workplace Safety

Target: Less than 90% of US average workplace incidence rate



Actual: 80%

US Rank (2003): 3rd (tie) (of 41)

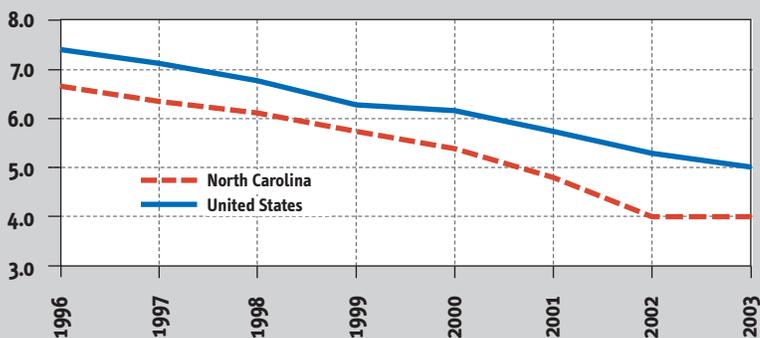
Southeast Rank (2003): 1st (tie)

Definition: Number of nonfatal workplace injuries and illnesses reported by OSHA per 100 full-time workers

Source: Bureau of Labor Statistics, Survey of Occupational Injuries and Illnesses

NC achieved its worker safety target for the last two years. Its workplace injury and illness incidence rate fell from 6.2 per 100 workers in 1997 to 4.0 in 2002. Since 2002, NC has enjoyed the best worker safety rating in the SE region, and one of the best in the nation.

Workplace injury & illness incidence rate per 100 full-time workers



Note: Only 41 or 42 states are included due to insignificant sample sizes in smaller states.

In 2003, NC experienced a slight increase in workplace fatalities, the first such increase since 2000. Since 2000, NC's average worker compensation payments per covered worker have risen to about 2/3 of the national average, and its national and regional rankings for this indicator have slipped (such payments are made by law to a worker for job-related injury or illness).

Imperative 5: A Sustainable Environment

Overview of Progress

Our Vision

As stewards of the environment, North Carolinians will work together to preserve our state's vast natural resources, and make the requisite investments in environmental technology and monitoring capabilities to control pollutants. All of us will make it our calling to maintain and enhance the quality of the air, water and land we share.

Our Goals

1. Ensure clean air & water resources
2. Preserve precious & productive natural resources
3. Employ vigorous & cost-effective environmental strategies

North Carolina, despite many laudatory policy changes to address environmental quality issues in recent years, has yet to make significant progress toward attaining the strategic environmental targets for which we have current data. North Carolina's air quality, at least as it is measured by the ozone exceedance rate, is ranked among the worst in the nation and Southeast region. Similarly, our drinking water quality, as indicated by the public water system violation rate, merits serious attention.

Summary of Strategic Progress – A Sustainable Environment

Goals	Measures	Target	US Rank	SE Rank
1. Ensure clean air & water resources	1. Clean air		37th	8th
	2. Clean lakes and streams	(Update in process)		
	3. Safe drinking water		38th	9th
2. Preserve precious & productive natural resources	1. Coastal resource protection	(Update in process)		
	2. Natural lands preservation	(Update in process)		
	3. Efficient development	(Update in process)		
	4. Energy conservation	(Update in process)		
3. Employ vigorous & cost-effective environmental strategies	1. Pollution control	(Update in process)		
	2. Safe sewage disposal	(Update in process)		
	3. Solid waste management	(Update in process)		
	4. Hazardous waste control	(Update in process)		

Note: Measures for which we have met or exceeded the target are marked with a "check" under the Target column. Measures for which we are awaiting new data are marked "update in process" and will be updated as new data becomes available.

The Governor, Attorney General, General Assembly and other state officials have taken numerous measures to ensure a more sustainable environment, including the following:

- Enacted the Clean Air Bill of 1999 which required the expansion of our vehicle inspection and maintenance program from 9 to 48 counties;
- Enacted the Clean Smokestacks Act of 2002 to further reduce air pollution and help NC attain the federal 8-hour ozone and PM_{2.5} standards;
- Developed the 8th largest air quality monitoring program in the US and the 2nd largest in the SE region;
- Initiated legal action to invoke federal regulations to curb air pollution from out-of-state power plants;
- Established the Clean Water Management Trust Fund;
- Adopted rules requiring builders in 33 urban counties to install systems for controlling stormwater pollution; and
- Adopted the Coastal Habitat Protection Plan to guide the development of regulations for coastal waters, fisheries and wetlands.

Some of NC's metropolitan regions have promising collaborative initiatives with state and local government and business to improve air quality, including the Sustainable Environment for Quality of Life (SEQL) project in the Charlotte region, Triangle Tomorrow efforts in the Triangle Region and Air Quality Early Action Compact (EAC) programs in the Triad, Unifour, Fayetteville and Mountain areas. Such local initiatives, when coordinated with state and federal efforts, offer great potential for helping address NC's serious air quality issues.

We do not control all of the pollutants that adversely affect our natural resources. Without effective federal policy and inter-state cooperation, we cannot fully attain the targets for this imperative. Nevertheless, there is much that we can do make lasting progress.

The state's progress on individual goals and measures for this imperative is discussed in more detail on the next page.

Goal — Ensure clean air & water resources

Measure: Clean Air

Target:
Less than 100% of US average unhealthy smog day rate

Actual: 127%

US Rank (2003): 37th

Southeast Rank (2003): 8th

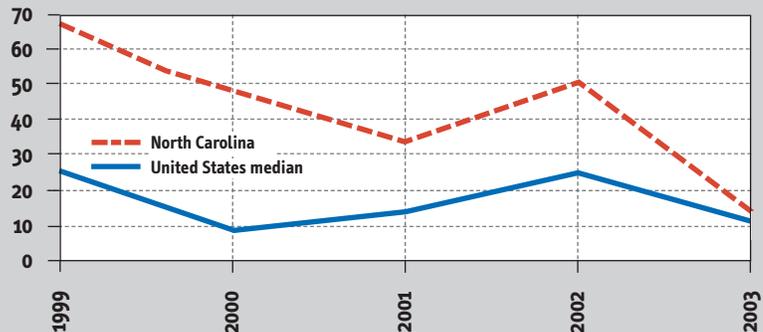
Definition: Number of days with state exceedances of USEPA ozone or unhealthy smog standard (0.085 smog parts per million over an eight-hour period)

Source: US Environmental Protection Agency

Notes: The EPA ozone standard exceedance day rate is an indicator of poor air quality, but state reporting systems vary widely and air quality rankings can be monitor-driven (i.e., states with the most rigorous monitoring systems may report the worst air quality)

Despite emissions from adjoining states, NC's air quality has steadily improved since 1998 (except for 2002 when a hot summer increased ozone levels). NC's ozone exceedance day rate is the 3rd highest in the SE and 15th highest in the US. States with large populations and monitoring programs often report the highest ozone rates. NC has the 3rd largest population in the SE and the 11th largest in the US.

Ozone exceedance days



From 2001 to 2004, NC counties (with monitors) violating the 8-hour ozone standard fell from 21 to 12, and NC counties violating the fine particle (PM_{2.5}) standard fell from 14 to 2. Still, our air quality remains a serious problem. In 2004, 26 NC counties, including our most urbanized counties (except New Hanover), had poor ozone grades and the Charlotte and Raleigh-Durham regions had the 14th and 23rd worst ozone scores in the US. That same year, the US EPA cited 3 NC counties (Davidson, Guilford and Catawba) for flunking air quality health standards for soot.

Measure: Safe Drinking Water

Target: Less than 100% of US average public water system violation rate

Actual: 146%

US Rank (2004): 38th

Southeast Rank (2004): 9th

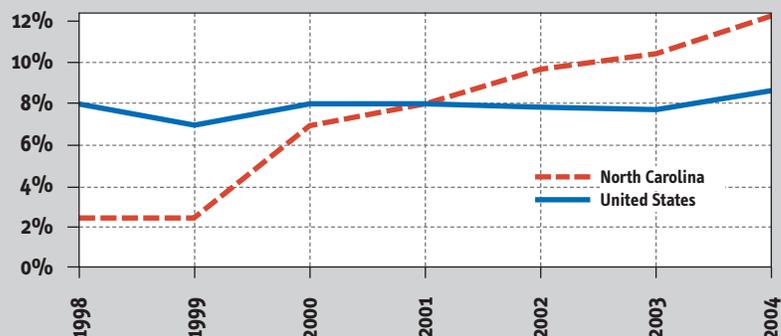
Definition: Percent of community water systems reporting health-based violations of state or federal safe drinking water regulations to the EPA Safe Drinking Water Information System

Source: US Environmental Protection Agency

Notes: Some states may under-report community water system violations; state reporting systems vary widely and water quality rankings can be monitor-driven (i.e., states with the most rigorous monitoring systems may report the worst water quality)

From 1998 to 2004, the percent of NC's community water systems with health-based water safety violations rose from 2.6% to 12.1%, and NC's national drinking water quality ranking fell from 3rd to 38th and its regional ranking from 1st to 9th. This trend reflects several factors, including broader standards, more rigorous monitoring practices and fewer public systems.

Percent public water systems with violations



In 2004, NC had 2,174 community water systems, the 5th highest number in the US (behind Texas, California, New York and Washington). From January, 2002 through June, 2003, NC had the 3rd highest percent of major facilities in the US (and highest in the SE region) exceeding their Clean Water Act permit limits at least once.

Imperative 6: A Prosperous Economy

Overview of Progress

Our Vision

North Carolina's growing, diversified economy will be competitive in the global marketplace. High-quality jobs will be plentiful across all economic, geographic and demographic sectors. Sound investments in people and infrastructure will accelerate our transition from traditional to knowledge-based economies. Through our willingness to think boldly, we will build a prosperous "New Economy" on the foundation of our traditional economic strengths.

Our Goals

1. Promote dynamic & sustainable economic growth
2. Attract & nurture emerging economy sectors
3. Revitalize traditional economic sectors

As shown in the table below, North Carolina is meeting four of its Prosperous Economy targets, but other targets remain elusive. Our five-year per capita gross state product growth rate is improving. Our state's short-term economic momentum appears to have improved, but concerns about unemployment persist. Our overall business climate continues to earn high marks for both the nation and region and, despite setbacks in traditional industries, we continue to lead certain indicators of manufacturing and agricultural vitality.

Summary of Strategic Progress – A Prosperous Economy

Goals	Measures	Target	US Rank	SE Rank
1. Promote dynamic & sustainable economic growth	1. Long-term growth		24th	2nd
	2. Short-term growth	✓	18th	4th
	3. Employment		32nd	6th
	4. Personal income		36th	5th
2. Attract & nurture emerging economy sectors	1. Economic climate	✓	1st	1st
	2. Innovation capacity	(Update in process)		
	3. New economy jobs	(Update in process)		
	4. Foreign capital	(Update in process)		
3. Revitalize traditional economic sectors	1. Industrial transition	(Update in process)		
	2. Manufacturing vitality	✓	8th	2nd
	3. Agricultural vitality	✓	7th	4th
	4. Global competitiveness	(Update in process)		

Note: Measures for which we have met or exceeded the target are marked with a "check" under the Target column. Measures for which we are awaiting new data are marked "update in process" and will be updated as new data becomes available.

The Governor and General Assembly have implemented numerous measures to revitalize our economy and achieve other goals of this imperative, including the following:

- Enacted the William S. Lee Quality Jobs and Expansion Act (the Lee Act) in 1996 to provide tax credits to companies that relocate, expand or upgrade facilities in North Carolina's economically distressed communities (over \$66 million in tax credits were taken in 2004);
- Expanded the One North Carolina Fund in 2001 to empower the Governor to lure vital businesses on the verge of locating or expanding in North Carolina (nearly \$11 million was awarded to businesses in 2004); and
- Enacted the Job Development Investment Grant (JDIG) Program in 2002 to provide financial assistance to new and expanding businesses up to 75 percent of the personal income taxes generated by the jobs they create (over \$74 million in grants were awarded to businesses in 2004).

The Governor and General Assembly will likely continue to assess the costs and benefits of these economic incentive programs. The JDIG Program and Lee Act were slated to expire at the end of 2005 without legislative action, but both were extended. Some local governments offer supplemental incentives to businesses as well. The constitutionality of such state and local incentives may be tested in the courts. Such incentives apparently played a minor role in NC's most significant initiative of 2005, the announced plans to convert a textile mill in Kannapolis into the new North Carolina Research Center.

The private sector plays a critical role in promoting economic growth. For example, the Golden LEAF Foundation recently announced plans to invest over \$70 million of national tobacco settlement funds in expanding the biotechnology industry.

The state's progress on individual goals and measures for this imperative is discussed in more detail on the pages that follow.

Goal — Promote dynamic & sustainable economic growth

Measure: Long-Term Economic Growth

Target:
At least 110% of US average long-term growth rate

Actual: 98%

US Rank (2002): 24th

Southeast Rank (2002): 2nd

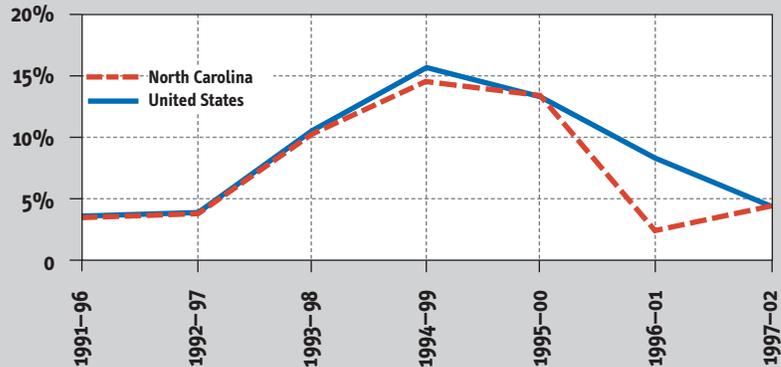
Definition: Average growth rate in per capita Gross State Product (GSP), the market value of all goods and services produced by labor and property located in state over last five years

Source: US Dept. of Commerce, Bureau of Economic Analysis, Gross State Product Data

Notes: As the state counterpart to the national Gross Domestic Product, the GSP is an important indicator of statewide economic strength

After two years of economic setbacks, NC showed signs of rebounding in 2002. Its economic growth rate bounced back to nearly the national average, and its competitive rankings climbed to 24th in the US and 2nd in the SE region. The impact of foreign trade policy continues to be particularly severe in NC.

Percent change in per capita GSP



After leading the region in the early 1990s, and maintaining respectable growth in the late 1990s, NC experienced a dramatic economic setback in 2001. NC's per capita GSP fell from 99% of the US rate in 2000 to 94.6% in 2001. Nevertheless, despite some temporary reversals in our economic fortunes, our per capita GSP climbed to nearly 100% of the US rate in 2003 and our regional rank in per capita GSP has remained in the top three for over a decade. From 2000 to 2004, according to the Federal Reserve Bank of Cleveland, NC was 4th in the US (and 1st in the SE region) in average annual labor productivity growth, a measure of output per unit of work, and 17th in the US (and 4th in the SE region) in annual GSP growth.

Measure: Short-Term Economic Growth

Target: At least 120% of US average new employer firm rate



Actual: 125%

US Rank (2003): 18th

Southeast Rank (2003): 4th

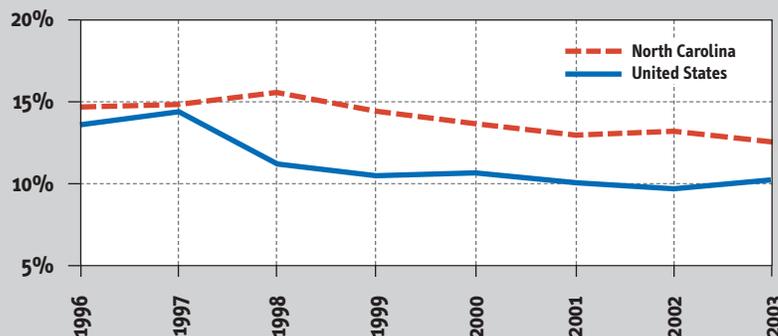
Definition: Ratio of new employer firms started each year to existing firms at the beginning of each year, where multi-state firms are counted for more than one state

Source: US Small Business Administration, Small Business Indicators

Notes: We are exploring alternative indicators such as the State Economic Momentum Index

NC is well above the national average for new employer firms and is ranked 18th in the nation and 4th in the SE region in new employer firms. NC's new employer firm rate has declined slightly since 2000, but its national and regional rankings climbed one notch each in 2003.

Rate of new employer firms



In 2005 (spring quarter), NC was ranked 23rd in the US and 3rd in the SE in the State Economic Momentum Index, rebounding from a national rank of 24th and regional rank of 5th in 2001. In 2004, NC had the 18th lowest personal bankruptcy rate in the nation and the 2nd lowest in the region.

Goal — Promote dynamic & sustainable economic growth

Measure: Employment

Target:
Less than 90% of US average unemployment rate

Actual: 96%

US Rank (2004): 32nd

Southeast Rank (2004): 6th

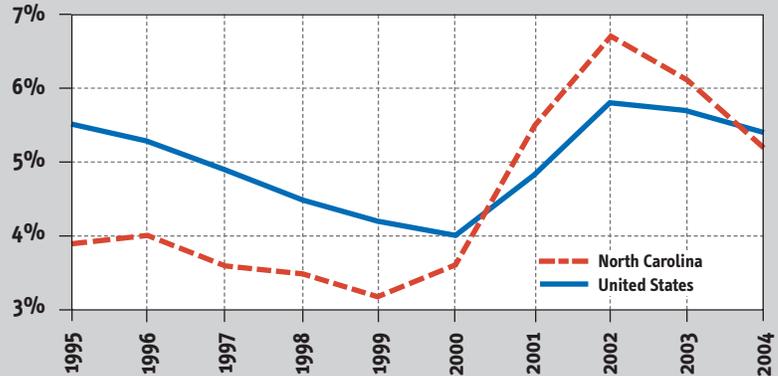
Definition: Aggregate state unemployment rate per the US Labor Department

Source: US Bureau of Labor Statistics, Regional and State Employment and Unemployment

Notes: The unemployment rate tracks adults looking for work, but not necessarily those who are out of work and no longer looking; we are exploring alternative indicators (e.g., the labor force participation rate)

After three years ranked among the 10 worst states in unemployment, NC improved in 2004 to the 32nd lowest rate and, for the first time since 2000, fell below the national average unemployment rate. In 2004, NC's monthly unemployment rate (seasonally adjusted) fell from 5.9% in January to 5.3% in December.

Unemployment rate



NC's aggregate adult employment rate has declined slightly in the last three years, even as the unemployment rate has improved; as of 2005, NC's employment rate remains below the national average, and our competitive rankings are 34th in the US and 3rd in the SE region. From 1993 to 2003, NC was 16th in the US and 4th in the SE region in non-agricultural employment growth.

Measure: Personal Income

Target:
At least 100% of US average per capita personal income

Actual: 90%

US Rank (2003): 36th

Southeast Rank (2003): 5th

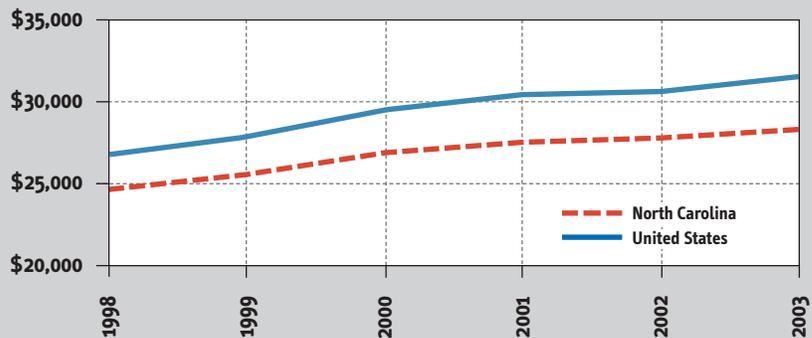
Definition: Total income (i.e., wages, proprietor income, dividends, interest, rent and government payments) divided by total population

Source: US Bureau of Economic Analysis, Annual State Personal Income

Notes: Aggregate per capita income may obscure disparities among demographic, economic and geographic lines

After impressive per capita personal income increases during the 1990s, NC's national ranking for this indicator began to fall in 2000. Since 2000, NC's per capita personal income has continued to rise in actual dollars, but its competitive position has fallen from 31st to 36th nationally and from 4th to 5th regionally. NC's per capita personal income also fell slightly as a percent of the US average. Preliminary 2004 estimates indicate a continuation of this trend.

Per capita personal income



In 2003, NC was ranked 37th in the US and 5th in the region in per capita disposable personal income. In 2004, NC enjoyed a favorable competitive position in terms of personal bankruptcies—the 18th best rank in the US and the 2nd best rank in the SE.

Goal — Attract & nurture emerging economy sectors

Measure: Economic Climate

Target:
Rank among top 10 states
in overall business climate



Actual: **1st**

US Rank (2005): **1st**

Southeast Rank (2005): **1st**

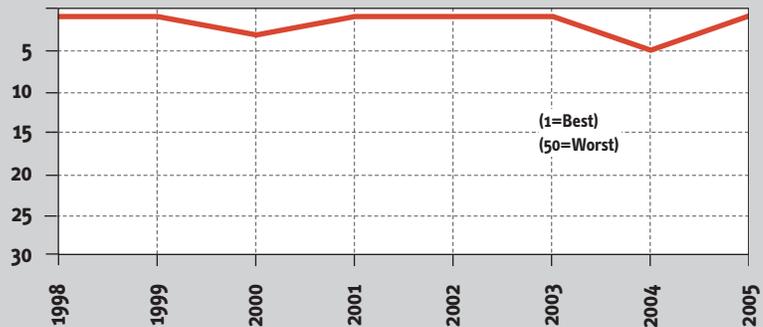
Definition: Subjective ranking of desirability as place to do business based upon recent business plant expansion activity and a survey of corporate real estate executives regarding ease of doing business, overall business costs, state fiscal health and related factors

Source: Site Selection Magazine

Notes: The Site Selection ranking is more relevant for new and expanding businesses than traditional or declining industries

In 2005, NC was ranked 1st in the US and Southeast in overall state business climate according to Site Selection Magazine. NC ranked among the national and regional leaders in state business climate for new and expanding business most of the last eight years, and earned the top national position in 2001, 2002, 2003 and 2005.

North Carolina's national state business climate rank



From 2001-03, NC had the 8th most corporate expansions and new facilities in the US and the most in the SE region. In 2002-03, Site Selection Magazine applauded several NC initiatives (e.g., the State Ports Credit, Qualified Business Venture Credit extension, and Economic Stimulus and Job Creation Act). In 2004, the Beacon Hill Institute (Suffolk University) ranked NC 26th in the nation and 3rd in the SE region in its ability to attract business and generate income. In 2004, the Tax Foundation ranked NC 30th in the US and 8th in the SE region in business tax climate, a business tax structure measure. In contrast, a Council on State Taxation/Ernst & Young study concluded that, as of 2004, NC (along with Delaware) had the lowest effective state and local business tax rate as a percent of private sector GSP.

Goal — Revitalize traditional economic sectors

Measure: Manufacturing Vitality

Target: At least 120%
of US average
manufacturing job ratio



Actual: **136%**

US Rank (2004): **8th**

Southeast Rank (2004): **2nd**

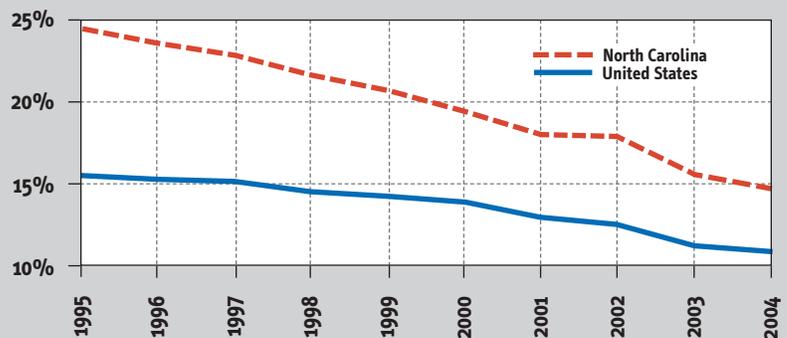
Definition: Manufacturing jobs as a percent of total non-farm jobs

Source: Bureau of Labor Statistics, Regional and State Employment and Unemployment

Notes: The manufacturing job ratio reflects the relative importance of a state's manufacturing jobs, but does not reflect net income or other indicators of industrial vitality; we are exploring other indicators

NC's preeminent position in manufacturing has been weakening over the last ten years, due in part to its long-standing concentration of textiles and other manufacturing industries vulnerable to global competition. From 1995 to 2004, the percent of manufacturing employees in NC fell from 24.6% to 14.8%. In 2004, NC was ranked 7th in the US in the percent of non-farm jobs in manufacturing, down from 6th in 2000 and 1st in 1995.

Manufacturing employees/total non-farm employees



Other indicators of industrial vitality help provide a more complete picture of NC's competitive position. For instance, in 2001, NC was ranked 14th in the US and 2nd in the SE region in manufacturing output per hour, a rough productivity measure for the manufacturing sector. More telling, NC ranked 37th in the US and 7th in the SE in average investment per manufacturing employee.

Goal — Revitalize traditional economic sectors

Measure: Agricultural Vitality

Target: At least 200% of US average net farm income per acre



Actual: 284%

US Rank (2003): 7th

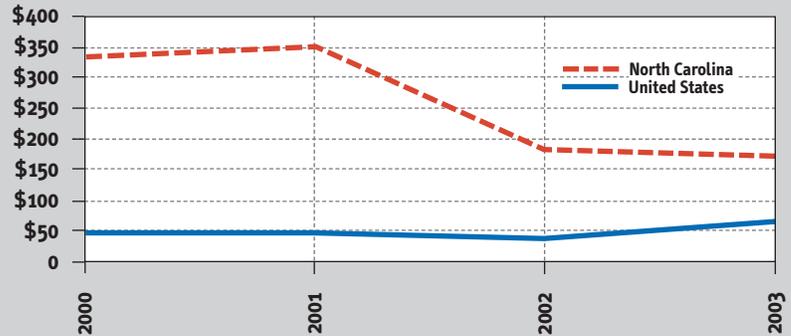
Southeast Rank (2003): 4th

Definition: Net farm income (gross farm income less total production expenses) per acre, where a farm is any establishment from which at least \$1,000 of agricultural products were sold during the year

Source: USDA, Economic Research Service, Net Farm Income for States

NC's net farm income per acre has been steadily declining. Since 2000, the net farm income generated per acre in NC has fallen from \$338 to \$179, and NC's competitive rankings for this measure have fallen from 2nd to 7th in the US and from 1st to 4th in the SE region.

Net farm income per acre



NC continues to be one of the nation's leading agricultural states. In 2004, NC was 9th in the nation and 1st in the SE region in average farm value per acre, 19th in the nation and 2nd in the SE region (behind Kentucky) in total acres planted, and 2nd in the nation (behind Iowa) in hog and pig production. In 2003, NC ranked 10th in the nation and 3rd in the region in total net farm income (not adjusted for acreage).

Imperative 7: A Modern Infrastructure

Overview of Progress

Our Vision

North Carolina—long recognized as the good roads state—will win renewed acclaim for a globally competitive public infrastructure. Its hard infrastructure will effectively integrate efficient transportation modalities, reliable and affordable energy generation and distribution networks, and extensive water, sewer, storm water and solid waste management systems. Its soft infrastructure of low-cost, high-speed information and telecommunication networks will energize the state to compete in a dynamic, knowledge-based global environment.

Our Goals

1. Maintain a safe, efficient & balanced transportation system
2. Ensure abundant & affordable energy sources
3. Build ample & efficient public utility capacity
4. Stimulate thriving technology network

Despite many positive strides, North Carolina has yet to meet the strategic infrastructure targets for which we have current data. The competitiveness of our transportation system is being threatened by increases in mileage driven, commute times and congestion. Our electricity and natural gas costs are high compared to the rest of our region. Finally, our technology network, as measured by our access to internet technology, does not compare favorably to other states.

Summary of Strategic Progress – A Modern Infrastructure

Goals	Measures	Target	US Rank	SE Rank
1. Maintain a safe, efficient & balanced transportation system	1. Transportation efficiency		44th	9th
	2. Highway quality		30th	3rd
	3. Port & rail capacity	(Update in process)		
2. Ensure abundant & affordable energy sources	1. Energy efficiency	(Update in process)		
	2. Power access		30th	9th
	3. Natural gas access		39th	6th
3. Build ample & efficient public utility capacity	1. Infrastructure investment	(Update in process)		
	2. Water capacity	(Update in process)		
	3. Sewer capacity	(Update in process)		
4. Stimulate thriving technology network	1. Private technology access		37th	4th
	2. Public technology access		36th	7th

Note: Measures for which we have met or exceeded the target are marked with a “check” under the Target column. Measures for which we are awaiting new data are marked “update in process” and will be updated as new data becomes available.

The Governor and General Assembly have taken several important actions to improve our transportation system and achieve other goals establish for this imperative, including the following:

- Created the Highway Trust Fund to build and maintain highways within ten miles of most residents and reallocated \$630 million in cash balances to accelerate road re-surfacing and repair projects (the NC Moving Ahead initiative);
- Open the state’s first high-occupancy vehicle traffic lanes on Interstate 77 near Charlotte;
- Promoted several safety initiatives through the Governor’s Highway Safety Program, such as the “Click It or Ticket” campaign for increasing safety belt and child seat use;
- Instituted regulations to encourage communities that rely on underground aquifers to control water usage and reduce over-pumping; and
- Supported the development of a liquefied natural gas terminal in Morehead City.

NC is reviewing the statutory formula for allocating highway funds. Transportation funds are distributed to 14 regions based on 3 major factors: 1) 1/2 based on each region’s population, 2) 1/4 based on each region’s uncompleted mileage and 3) 1/4 in 14 equal shares. Any changes in this formula could have profound effects on state and regional development plans. NCDOT’s Long Range Transportation Plan anticipates a \$29 billion funding shortfall over the next 25 years to upgrade system conditions and links, upgrade roadway safety and expand key routes.

The state government is but one actor in the infrastructure arena. NC’s local governments (often with federal and state funding) are tackling traffic and other infrastructure issues. For instance, in Charlotte, voters approved a \$3 billion transit system expansion (including a ten-mile light rail line to open in 2006), and officials are promoting car pooling, bus usage and telecommuting. In the Raleigh-Durham area, the Regional Transportation Alliance is promoting toll roads, car pool lanes and express buses and the Triangle Transit Authority is seeking federal funds to build a \$700 million commuter rail line. Several communities are pursuing ways to manage water and sewer infrastructure more effectively, including water recycling programs and regional water and sewer authorities.

The state’s progress on individual goals and measures for this imperative is discussed in more detail on the pages that follow.

Goal — Maintain a safe, efficient & balanced transportation system

Measure: Transportation Efficiency

Target:
Less than 100% of US average vehicle miles traveled per vehicle

Actual: 123%

US Rank (2003): 44th

Southeast Rank (2003): 9th

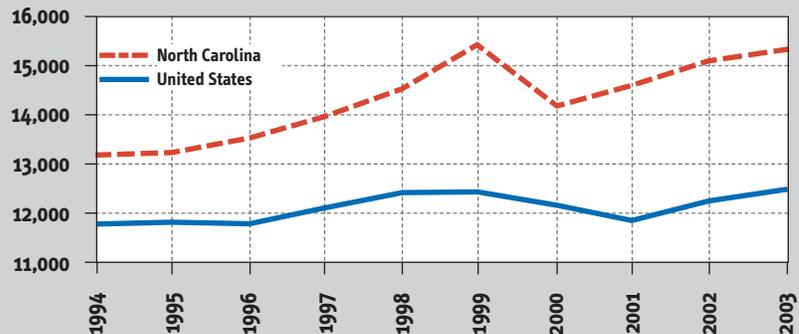
Definition: Average annual vehicle miles traveled (VMT) per vehicle (i.e., autos, trucks, buses and motorcycles)

Source: US DOT, Federal Highway Administration, Highway Statistics

Notes: The vehicle miles traveled (VMT) per vehicle rate provides one potential indicator of the efficiency of a state's transportation system, but it is affected by many factors, including geographic diversity, historic developmental patterns and high population growth.

From 1994 to 2003, NC experienced a steady increase in average vehicle miles traveled (VMT) per vehicle, after similar increases during the 1980s and early 90s. Not surprisingly, NC has failed to make progress toward its target, and its competitive rankings for this indicator have fallen to 44th in the US and 9th in the SE region.

Average annual vehicle miles traveled (VMT) per vehicle



In 2003, NC had the 30th shortest average commute time in the US and the 5th shortest in the SE. In 2002, Charlotte had the 20th worst highway congestion among the country's 50 largest urban areas. In 2002, NC had the 25th highest urban transit (i.e., bus, rail and other) ridership in the US and the 4th highest in the SE region.

Measure: Highway Quality

Target:
Less than 90% of US average highway fatality rate

Actual: 110%

US Rank (2003): 30th

Southeast Rank (2003): 3rd

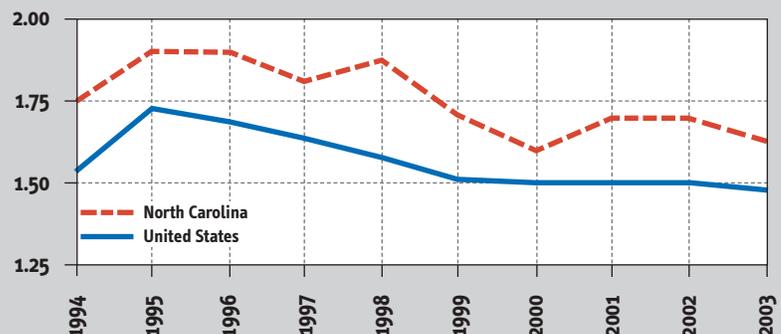
Definition: Number of fatalities per 100 million vehicle miles of travel on highways

Source: US DOT, Federal Highway Administration, Highway Statistics

Notes: We plan to replace the highway fatality rate with a nationally-recognized highway quality rating as soon as sufficient data for an acceptable indicator becomes available for a multi-year period

NC's highway fatality rate, an approximate reflection of highway quality and conditions, has gradually improved over the last ten years. Since 1994, NC's national highway safety rank has improved from 35th to 30th, but its regional rank has remained unchanged at 3rd. NC's highway fatality rate remains above the national average.

Highway fatality rate (fatalities/100 million VMT)



About 1/3 of NC's major roads need repair and 45% are congested during peak travel times. In 2003, according to the Federal Highway Administration, NC was 17th in the US and 7th in the SE region in highway condition ratings. In 2004, NC was ranked 35th in the US and 8th in the region in the percent of bridges meeting national standards. In 2002, NC spent 1.3% of personal income on highways, only the 32nd highest percent in the nation and 7th highest in the SE region. In 2003, NC had the 21st highest gas tax in the US and the 3rd highest in the SE (behind Florida and West Virginia). Over 78% of NC's roads are state-controlled, the 2nd highest state control ratio in the nation.

Goal — Ensure abundant & affordable energy sources

Measure: Power Access

Target:
Less than 90% of US average electricity costs

Actual: 93%

US Rank (2003): 30th

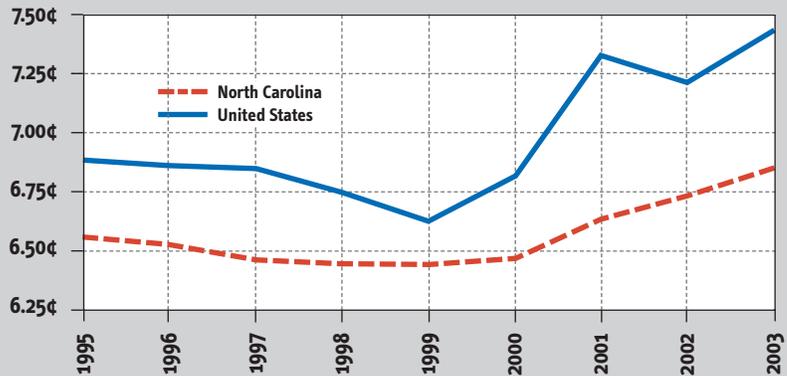
Southeast Rank (2003): 9th

Definition: Average aggregate electricity price for residential, commercial, industrial and other service in cents per 1,000 kilowatt hours

Source: US Dept. of Energy, Energy Information Administration, Annual Electric Utility Reports and Electric Power Monthly

Since 1995, NC's average electricity prices for all customers have increased slightly, yet remained below the national average. However, NC's electricity prices continue to be among the most expensive in the SE region, perhaps due to several factors, including the state's stranded costs attributable to prior nuclear energy investments.

Average total electricity price per kilowatt hour



NC's electricity costs for residential customers remain high compared to other states. In 2003, NC had the 43rd lowest average monthly bill for residential customers in the US and the 6th lowest average monthly bill in the SE. NC's electricity costs for industrial customers are more competitive. In 2003, NC had the 33rd lowest electricity prices in the US and 3rd lowest prices in the SE for industrial customers.

Measure: Natural Gas Access

Target:
Less than 100% of US average residential natural gas costs

Actual: 118%

US Rank (2003): 39th

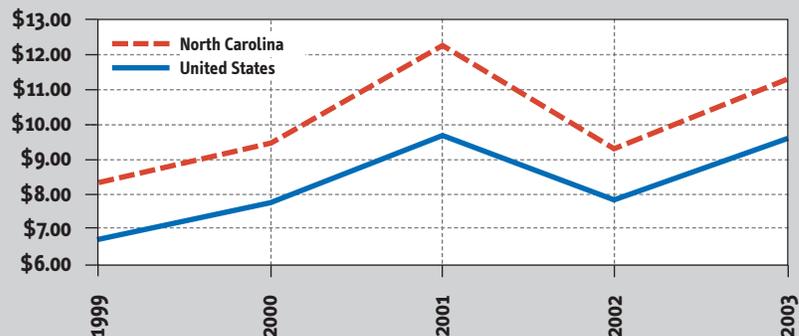
Southeast Rank (2003): 6th

Definition: Average price of natural gas delivered to residential customers per 1,000 cubic feet

Source: US Energy Department, Energy Information Administration, State Energy Data

NC has relatively expensive natural gas service for residential customers. In 2003, NC's average residential natural gas costs were nearly 20% higher than the national average, making it the 12th most costly state in the US and the 5th most costly state in the region. In recent years, however, NC's residential natural gas prices have risen at a slower pace than the US average.

Average residential natural gas costs



NC is burdened by some of the highest natural gas prices in the nation and Southeast. In 2001, NC had the highest overall and industrial natural gas prices in the SE region, and the 8th highest aggregate prices and 14th highest industrial prices in the nation. NC uses less natural gas than most other states of comparable size. In 2001, NC was ranked 20th in total natural gas industry sales.

Goal — Stimulate thriving technology network

Measure: Private Technology Access

Target:
At least 100% of US average household internet access rate

Actual: 94%

US Rank (2003): 37th

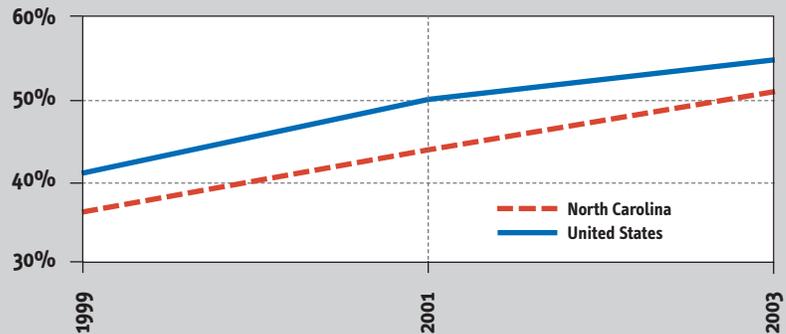
Southeast Rank (2003): 4th

Definition: Percent of households with internet access

Source: US Commerce Dept., National Telecommunications & Information Administration (NTIA) and US Census Bureau, Current Population Survey, Internet and Computer Use Supplement

NC's household internet access rate is rapidly improving. In 2003, NC's private internet access rate rose to nearly 94% of the US average, ranking it 37th in the nation and 4th in the SE region. In 2004, NC continued to close the gap and, by some reports, may have surged ahead of the national average. A recent study by the e-NC Authority concluded that, by the end of 2004, NC's internet access rate had surpassed the US average.

Percent of households with Internet access



In 2003, NC's high-speed access rate was the 17th highest in the US, and all of NC's counties had high-speed Internet service, but service availability varied widely by county. In 2003, 66.1% of the Raleigh/Durham population had internet access, ranking it 16th among metro areas and 18.1% had high-speed connections, ranking it 28th among metro areas. In 2003, 75% of NC's zip codes had at least one high-speed Internet subscriber, the 8th highest rate in the US and the 2nd highest in the SE region.

Measure: Public Technology Access

Target:
Less than 100% of US average public school pupil-computer rate

Actual: 107%

US Rank (2003): 36th

Southeast Rank (2003): 7th (tie)

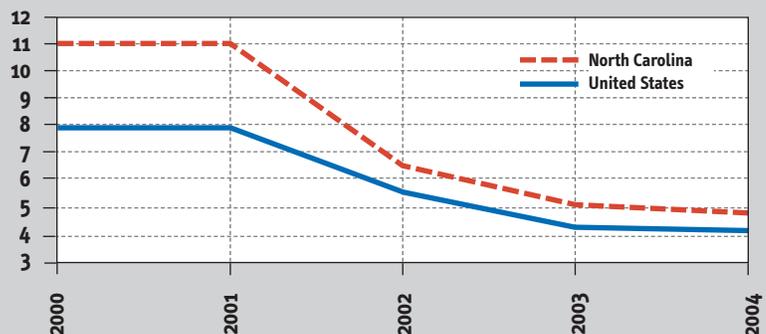
Definition: Ratio of students per Internet-connected computer in public schools

Source: Education Week, Education Counts

Notes: A decline in this ratio signifies greater Internet access

Since 2000, NC has dramatically increased the availability of internet-connected computers for students, from 11.0 students per internet-connected computer to 4.4, and steadily closed its gap with the national average. From 2000 to 2004, NC's competitive ranking in this indicator improved, from 46th in the US to 36th, and from 8th in the SE region to a tie for 7th.

Students per internet-connected computer ratio



In 2004, the Center for Digital Government ranked NC 10th in the nation, and 3rd in the SE region (behind Virginia and Tennessee), in the use of digital technologies to streamline operations and serve citizens. In 2004, NC was ranked 36th in the nation in the ratio of instructional computers to students. In 2004, NC's state government website was rated the 31st best in the US (down from 11th in 2001) in terms of such factors as on-line services, credit card acceptance, privacy and security.

Imperative 8: Accountable Government

Overview of Progress

Our Vision

Knowledgeable citizens will actively participate in their communities and hold their state and local governments accountable for the revenues they receive and the services they provide. Our state and local governments will address the changing needs of their citizens in an efficient, effective, responsive and equitable manner.

Our Goals

1. Enhance citizen involvement in civic affairs
2. Promote effective & efficient government
3. Provide responsible & open government

North Carolina has attained 3 of the 7 strategic targets for Accountable Government. While we continue to lag other states in voter participation and civic engagement, our state and local governments incur lower per capita costs and debt than most governments in other parts of the country. Our state and local taxes (as a percent of personal income) are the 20th lowest in the nation and the 6th lowest in the Southeast. Our per capita state and local government debt, while rising, remains quite low compared to most other states.

Summary of Strategic Progress – Accountable Government

Goals	Measures	Target	US Rank	SE Rank
1. Enhance citizen involvement in civic affairs	1. Voter participation		35th	5th
	2. Community service		39th	8th
2. Promote effective & efficient government	1. Government efficiency		20th	6th
	2. State government performance	✓	16th	5th
	3. Local government performance		26th	9th
3. Provide responsible & open government	1. State government stewardship	✓	11th	4th
	2. Local government stewardship	✓	23rd	3rd

Note: Measures for which we have met or exceeded the target are marked with a “check” under the Target column. Measures for which we are awaiting new data are marked “update in process” and will be updated as new data becomes available.

North Carolina was the 2nd state in the US to enact legislation allowing eligible adults to register to vote upon renewing a driver’s license (motor voter registration was required nationally by the National Voter Registration Act in 1995). This year, the General Assembly is considering several legislative reforms to enhance civic engagement, including bills to create an independent redistricting commission, tighten lobbying controls, improve voting systems and enhance procedures for correcting election errors.

The Governor has initiated several efforts designed to streamline state government, including a state government efficiency commission, a state government financing commission, a proposal to curb state borrowing and a proposal to revamp the state personnel system, but these efforts have not yet been fully implemented. Recent fiscal crises have forced state and local government officials throughout North Carolina to take short-term (and often painful) measures to cut costs, raise revenues and balance budgets. Nevertheless, North Carolina’s state and local government structure has not been materially changed in many decades, and comprehensive strategies for revamping the way in which our governmental entities finance or manage their operations are not yet under serious consideration.

The state’s progress on individual goals and measures for this imperative is discussed in more detail on the pages that follow.

Goal — Enhance citizen involvement in civic affairs

Measure: Voter Participation

Target:
At least 110% of US average voter turnout rate

Actual: 97%

US Rank (2004): 35th

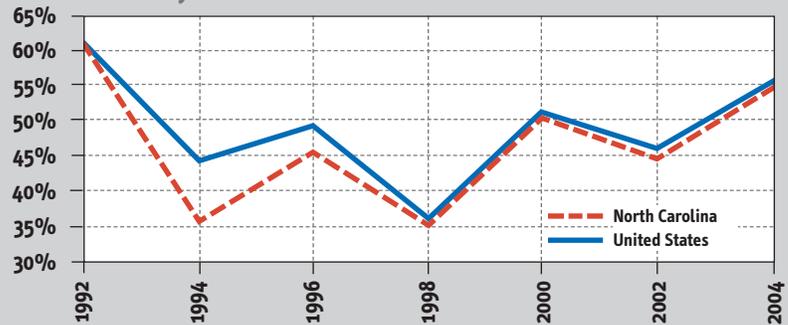
Southeast Rank (2004): 5th

Definition: Percent of voting age population (but not necessarily eligible) voting in even-year elections

Source: Federal Election Commission, Voter Registration and Turnout

NC's voting participation continues to crest in 4-year cycles due to presidential elections, but remains below the US average. In 2004, NC's voter turnout increased dramatically and about 55% of NC's voting-aged citizens participated in the general election, the 35th highest turnout rate in the nation and the 5th highest rate in the SE region. The State Board of Elections reports that the turnout of NC's registered voters increased from 59% in 2000 to 64% in 2004.

Percent of voting age population voting in even-year elections



After peaking at 88% in 2000, NC's voter registration rate fell in 2002, due in large part to the National Voter Registration Act which allowed states more latitude to update voter rolls. In 2004, NC experienced election problems, including lost votes in Carteret County and two disputed statewide races. The State Board of Elections promotes standard training and procedures, but NC counties use multiple voting practices and technologies, including direct record electronic equipment, optical scan machines, punch cards, lever machines and paper ballots.

Measure: Community Service

Target:
At least 100% of US average volunteerism rate

Actual: 90%

US Rank (2003): 39th

Southeast Rank (2003): 8th

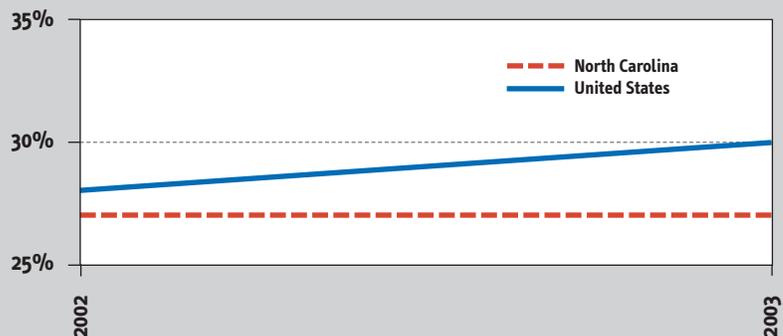
Definition: Percent of adults aged 25 or older who volunteer at least 50 hours of free time per year to civic, community, charitable or other nonprofit activities

Source: US Census Bureau, American Community Survey

Notes: Estimated rate based on relatively small survey sample

The percent of NC adults who volunteer (i.e., the adult volunteerism rate), as tracked by the Census Bureau's American Community Survey, is well below the national average rate. In 2003, NC was tied for 39th in the US and 8th in the SE region in this indicator of civic engagement.

Adult volunteerism rate



In 2003, NC's volunteer rate for youth aged 16-19 years was about 23%, ranking it 45th in the US and 9th in the Southeast region. NC is highly ranked in charitable giving, another indicator of civic engagement. In 2002, NC was tied for 7th in the US, and ranked 4th in the Southeast, in charitable giving (as measured by itemized contributions as a percent of adjusted gross income).

Goal — Promote effective & efficient government

Measure: Government Efficiency

Target:
Less than 95% of US average tax revenue ratio

Actual: 97%

US Rank (2004): 20th

Southeast Rank (2004): 6th

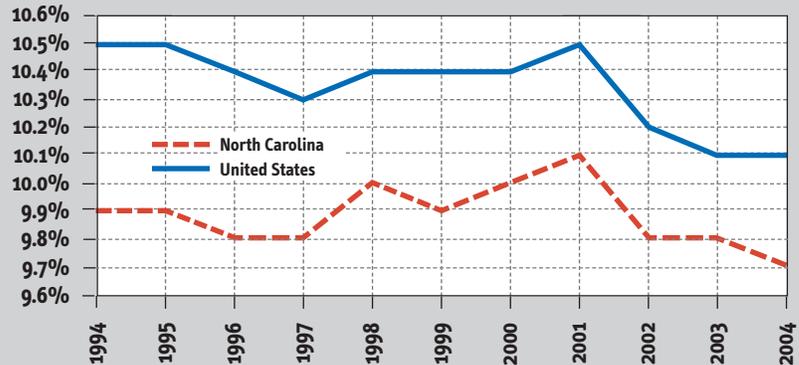
Definition: Total state and local tax revenues as a percent of total personal income

Source: US Census Bureau, Bureau of Economic Analysis, Annual State Personal Income, and US Census Bureau, State and Local Government Finances

Notes: The ratio of state and local tax revenues to total personal income reflects the relative size of government, but may only approximate government efficiency (i.e., a lower ratio may suggest greater efficiency); we are continuing to explore alternative indicators

Over the past decade, NC's governmental tax revenues have declined marginally as a percent of personal income. Our state and local tax revenue ratio remains relatively low from a national perspective (we have the 20th lowest tax revenue ratio), but is relatively higher within the Southeast (we have the 6th lowest tax revenue ratio in the region).

State and local tax revenue/personal income



In 2004, NC's total aggregate taxes (including federal taxes) were 26.4% of personal income, giving it the 19th lowest aggregate tax ratio in the US and the 7th lowest ratio in the Southeast region. In 2003, NC's per capita tax revenues and expenditures were the 7th lowest in the nation and the 4th lowest in the Southeast region.

Measure: State Government Performance

Target: Less than 95% of US average per capita state government costs



Actual: 87%

US Rank (2003): 16th

Southeast Rank (2003): 5th

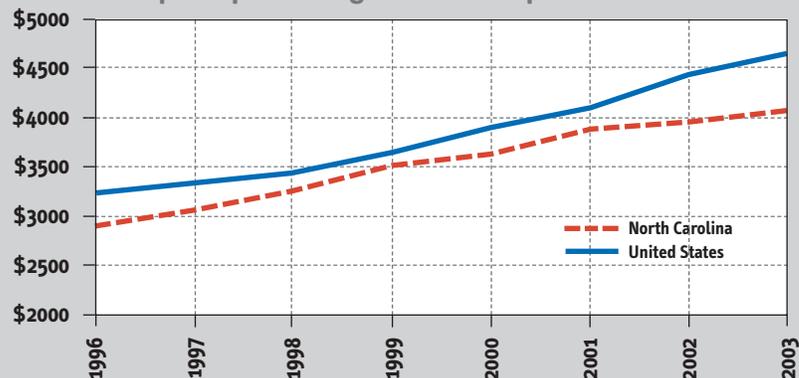
Definition: Total state government expenditures, including all outlays except debt service, divided by total population

Source: US Census Bureau, Governments Division, State Government Finances

Notes: Per capita state government costs reflect the relative size of state government, but do not necessarily reflect government efficiency or effectiveness; this is merely a macro indicator of state government costs and should be viewed in the context of the state government's array of other performance indicators

Since 1996, NC's per capita state government expenditures have steadily increased, but remain less than 90% of the national average. Since 2000, NC's per capita spending rate has improved from the 21st to the 16th lowest in the nation and its regional rank has improved from the 6th to the 5th lowest. In 2003, NC's state government tax revenue was 6.7% of personal income, the 34th lowest percent in the US and 7th lowest in the Southeast.

Total per capita state government expenditures



In 2005, *Governing Magazine's* Government Performance Project (GPP) assigned NC a grade of C+ for state government management (only 5 states nationally earned a lower grade, but 15 states received the same grade). NC received praise for its fiscal projection capabilities, e-procurement platform and asset management controls, but was chastised for information technology, employee recruitment, construction project reporting and strategic planning deficiencies. According to GPP, NC state government has a "very good long-term budgeting perspective," but its performance budgeting requirements have been eliminated and its use of performance data to make decisions varies.

Goal — Promote effective & efficient government

Measure: Local Government Performance

Target:
Less than 95% of US average local government employee ratio

Actual: 101%

US Rank (2003): 26th

Southeast Rank (2003): 9th

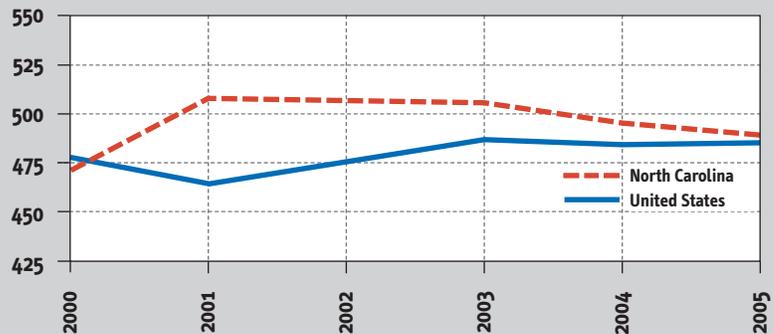
Definition: Total local government employees per 10,000 population

Source: US Bureau of Labor Statistics

Notes: The per capita number of local government employees roughly reflects the relative size of local government, but does not necessarily account for relative effectiveness and efficiency; large cities are defined as having a population of at least 25,000 and large counties are defined as those with at least 100,000 residents

In 2004, NC had 486 local government employees per 10,000 population, slightly more than the national average. Since 2001, the number of local government employees per 10,000 residents has declined in NC, giving NC the 26th fewest local government employees per capita in the US. However, NC still has the 9th fewest local government employees per capita in the Southeast.

Local government employees per 10,000 residents



NC's local government expenditures are relatively low. From 1995 to 2002, NC's per capita local government expenditures ranged from 10% to 15% below the US average. In 2003, NC had the 26th highest average salary for local government employees in the US and the 3rd highest in the SE region. NC's local governments also have demonstrated a commitment to good management practices. For instance, in 2004, 100% of NC's large cities and counties used the manager form of government. In 2004, 37% of NC's large counties and 50% of NC's large cities earned the Government Finance Officers Association's Distinguished Budget Award.

Goal — Ensure fiscally prudent government

Measure: State Government Stewardship

Target: Less than 90% of US average per capita state government debt



Actual: 60%

US Rank (2003): 11th

Southeast Rank (2003): 4th

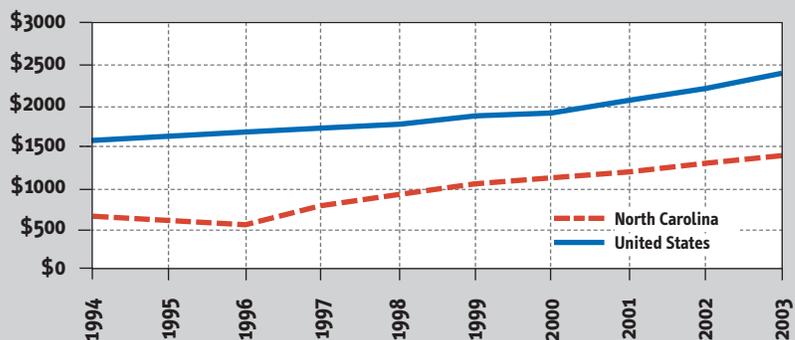
Definition: Total state government debt, including short-term, long-term, full faith and credit, non-guaranteed and public debt for private purposes, divided by total population

Source: US Census Bureau, State and Local Government Finances

Notes: Per capita state government debt, coupled with nationally-recognized credit ratings, provides an important gauge of state financial condition; the US Census Bureau debt definition is more inclusive than that of the NC Treasurer's Office and rating agencies, including all credit obligations incurred in the name of the government and its dependent agencies, even if non-guaranteed or issued for the direct benefit of the private sector

NC's per capita state government debt has increased significantly since 1996 due to numerous factors, including natural disasters, economic setbacks and major public investments (e.g., the higher education bonds). Still, NC's per capita state government debt is only 60% of the national average, giving NC the 11th lowest debt in the US and the 4th lowest in the region.

Per capita state government debt



NC state government continues to earn high debt ratings from the major rating agencies. In 2004, NC earned an AAA bond rating from Standard and Poor's and Fitch, their highest rating, but dropped to an AA-1 rating (with a positive outlook) with Moody's, that agency's second highest rating. Since 2000, the state's debt service increased from \$255 million to \$483 million (from 1.9% to 3.0% of total spending) and has been projected to reach \$656 million by 2006. In 2003, State Policy Research, Inc. concluded that NC state government had the 5th strongest fiscal condition (per its Solvency Index) in the US and the strongest in the SE region.

Goal — Ensure fiscally prudent government

Measure: Local Government Stewardship

Target: Less than 90% of US average per capita local government debt



Actual: 74%

US Rank (2002): 23rd

Southeast Rank (2002): 3rd

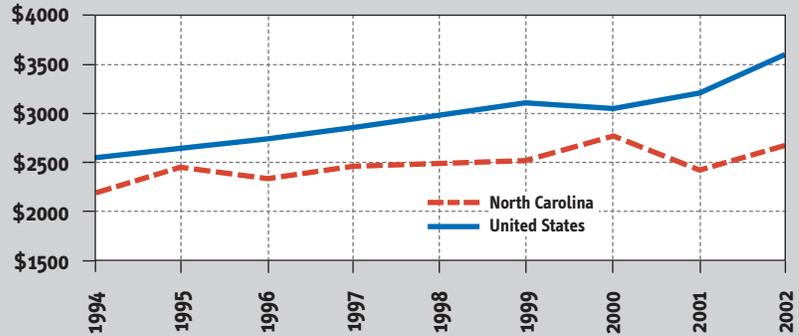
Definition: Total local government debt, including short-term, long-term, full faith and credit, non-guaranteed and public debt for private purposes, divided by total population

Source: US Census Bureau, State and Local Government Finances

Notes: Per capita local government debt, along with nationally-recognized credit ratings, provides a good overview of local government financial condition; large cities are defined as having a population of at least 25,000 and large counties are defined as those with at least 100,000 residents

NC's aggregate per capita local government debt has remained relatively stable over the past decade, but it has dropped relative to the national average. As of 2002, NC had the 23rd lowest per capita local government debt in the nation and the 3rd lowest in the Southeast.

Per capita local government debt



NC's largest local governments continue to earn favorable debt ratings from the major rating agencies. Many of the state's largest cities (i.e., Charlotte, Raleigh, Durham and Winston-Salem) and counties (i.e., Wake County) enjoy the highest bond ratings with all three rating agencies. The City of Greensboro, like the state government, earned an AAA rating from Standard & Poors and Fitch and an AA-1 with positive outlook from Moody's. NC's local governments also enjoy a good reputation for financial reporting. In 2004, for example, 87% of NC's large counties and 88% of NC's large cities earned the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

Why Scorecards Matter

The US GAO assessed 29 strategic indicator systems, including North Carolina's 20/20 project, ... and found that they offer great promise for improving accountability, decision-making and collaborative problem-solving

Governing Magazine's 2005 report card on state management concluded, "North Carolina has systematically dismantled much of its strategic planning apparatus. The Progress Board still looks at future needs, but the...entire [budget office's] planning unit... was eliminated."

Since our nation's founding, the success of our democracy has depended in large part on our ability to obtain reliable and timely information about our governance processes. As the Comptroller General of the United States recently wrote, "there has been a long history—checked by both success and failure—of attempts to create ever more advanced ways to inform our public dialogues and generate a context for civic choices..."

As the United States Government Accountability Office (GAO) found in its 2004 study, "Informing Our Nation: Improving How to Assess the USA's Position and Progress," strategic scorecards and other indicator systems are vital tools for informing citizens and their elected representatives. The GAO assessed 29 strategic indicator systems (i.e., systems that gauge the economic, social and environmental trends of states, regions and localities), including North Carolina's 20/20 project. In summary, the GAO concluded that strategic indicator systems offer great promise for improving public accountability, strategic decision-making and collaborative problem-solving.

That there is a growing interest in strategic indicator systems, especially those that offer comparative rankings and grades, there is little doubt. North Carolina and its communities are being measured, but not necessarily against benchmarks of our own choosing. We have listed below several national organizations that grade states on their strategic performance.

- The Morgan Quitno Press publishes annual rankings of the "most livable," "healthiest" and "smartest" states in the US using a broad array of factors for each index;
- The United Health Foundation publishes an annual report, "America's Health, State Health Rankings," rating the "healthiest" states in the US using such factors as mortality, obesity, smoking, health insurance, child poverty and violent crime rates;
- The Annie E. Casey Foundation's "Kids Count Data Book" ranks individual states in overall child well-being based on ten factors (e.g., infant mortality, low birthweight, high school dropout and parental employment rates);
- Education Week, in its annual 50-state report card on education, "Quality Counts", grades states in such areas as improving teacher quality, standards and accountability, school climate, resource adequacy and resource equity;
- The National Center for Public Policy and Higher Education, in its biennial report card, "Measuring Up," grades all 50 states in six higher education performance categories;
- The Beacon Hill Institute at Suffolk University, in its annual "Metro Area and State Competitiveness Report," grades states on their ability to attract business and generate income;
- The Corporation for Enterprise Development (CFED)'s "Asset and Opportunities Scorecard" grades states on asset accumulation and distribution, based on a broad range of criteria, including financial security, business development, homeownership and education;
- Governing Magazine publishes an annual state management report card grading state governments on overall management, fiscal management, personnel management, infrastructure management and information management.

Some strategic scorecards may be more agenda-driven than others. That is one more reason why we need our own scorecard system—one that best reflects our state's long-term priorities.

As more outsiders grade our state, and the pressures for strategic competitiveness mount, our ability to plan and track outcomes will be critical. Will we be up to this challenge?

Governing Magazine's 2005 report card on North Carolina's management practices concluded, "North Carolina has systematically dismantled much of its strategic planning apparatus in the past three years. The Progress Board still looks at future needs, but about 25 percent of the analytic capacity of the budget office was eliminated, including the entire planning unit. At the same time, the legislature also abolished existing requirements for performance budgeting." State officials contend that the planning unit's core functions (e.g., demographic analysis) have been retained, and that they are exploring better ways to link planning and budgeting. We contend that our ability to compete will depend in part on the effectiveness of our state's strategic planning and performance management processes.

What's Next?

We have enjoyed some of our greatest strategic successes—in child health care and education—where we have used strategic targets and actions...

This year, we are undertaking several initiatives to [make] the Strategic Scorecard ... a durable framework for assessing our state's competitiveness ...

Statement of Need – North Carolina faces daunting challenges, including escalating global economic competition, mounting investment needs and fiscally strained state and local governments. As we have learned from such bold, visionary decisions as university system consolidation, banking reform and the Research Triangle Park, thinking and acting strategically can give us a critical competitive edge.

Thinking strategically—taking the long view—requires us to face the future with a cohesive vision, measurable targets and sound strategies. In fact, it is where we have used strategic targets and actions that we have enjoyed some of our greatest successes. In health care, for instance, our state leaders raised our child immunization ranking from the bottom tier to the 4th best program in the nation and the best in the Southeast region. In education, we have increased our average teacher pay rank from 43rd to 23rd and earned some of the highest average reading/math proficiency scores in the Southeast region.

North Carolina has a proud history of rising to new challenges. Just as previous generations made tough choices that benefit us, we can now act on behalf of future generations. By asking hard questions about public policies, defining our expectations and ensuring accountability, we can give our children—and their children—a better state in which to live.

New Direction – In the hope of strengthening North Carolina's strategic capabilities and thereby promoting our competitiveness as a state, the North Carolina Progress Board has adopted the following four-point plan:

- Build a permanent, fact-based campaign for North Carolina's future around the new strategic scorecard and other useful value-added data products;
- Develop real-time data delivery and other enhanced communications capabilities for keeping leaders and citizens current on breaking developments and trends;
- Engage communities in enhancing their strategic capabilities and bridging the gap between Raleigh-centric policies and community interests; and
- Adopt a new entrepreneurial, sustainable business model to increase private sector involvement and make better use of fragmented or under-utilized public policy resources.

The North Carolina Progress Board will use the newly-designed strategic scorecard system as the foundation for a series of new dynamic, efficient and inter-related data products. The strategic scorecard system will serve as the primary tool for tracking our progress as well as the focal point for framing strategic issues. As a natural part of our ongoing work to update the strategic scorecard system, we will offer several new products in useful and visually compelling formats, such as the 2020 Update Report, public policy website profiles (Progress Links), research paper abstracts (Progress Digests), non-partisan issue summaries (Issue Scans) and practical menus of promising solutions (Progress Points). We will make the above products available to the public through our new website (the Progress Portal).

FY06 Plan – This year, we are undertaking several initiatives to improve the effectiveness of the Strategic Scorecard. We are designing a methodology for assigning grades. We are working to develop strategic targets for the key economic regions of our state. We are exploring ways to tap our state's vast academic resources in the public policy arena. We are migrating from a reliance on biennial printed reports to real-time website delivery. With our new electronic portal, we will be able to update our progress continuously, as new data are released. With such efforts, we hope that the Strategic Scorecard will become a durable framework for assessing our state's competitiveness on a continual basis.

To carry out our plan for this year, we will seek greater resources from the private sector and assistance from our state's academic institutions. If you would like to learn more about our strategic scorecard system, our new data products or ways in which you can help shape our state's future, visit our website at www.ncprogress.org or call us at 919-513-3900.

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