

N.C. drops to second in business climate ranking

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North Carolina's hold has loosened — at least for now — on having the nation's top business climate.

Site Selection magazine said Monday that Georgia moved in front of North Carolina in its 2013 rankings. The magazine has ranked North Carolina No. 1 for 10 of the last 13 years.

North Carolina was ranked third among business executives, trailing Texas and South Carolina. The state was second in that category in 2012.

North Carolina's business climate is something that has been gauged through the eye of the beholder for years.

Economic developers tend to highlight studies — such as Site Selection, Forbes and CNBC — that consistently cite the state's overall economic soundness in terms of quality of life, job training, work ethic, and education and logistics infrastructure.

Since taking office, the McCrory administration has cited low rankings in tax-climate surveys and the state's high jobless rate (8.7 percent in August) as reasons for overhauling how the state conducts economic development.

Commerce spokesman Josh Ellis said the state is pleased with continued high recognition by Site Selection.

“However, North Carolina can't afford to rest on our laurels because other states will continue to refine their economic development approach,” Ellis said. “The bar is always rising.”

Economic development “is in a good place right now” for North Carolina, said John H. Boyd, a principal in The Boyd Co. Inc., a site-location consulting company in New Jersey.

“The state ranking better than high-profile Texas under Gov. Rick Perry is telling, along with a higher ranking than those regional states that you most often go down to the wire with.”

Fifty percent of the Site Selection ranking is based on six criteria: three that require states to demonstrate a strong record of attracting capital investment; the Tax Foundation and KPMG's Location Matters analysis of state tax burdens on existing and new companies; and Conway Data's New Plant Database.

The other 50 percent is based on the survey of corporate site selectors who were asked, “Based upon your experience, what are the top 10 state business climates, taking into consideration such factors as lack of red tape, financial assistance and government officials' cooperation?”

The magazine cited Georgia's efforts since 2011 to listen to what corporations want in economic-development projects as a key factor in its top ranking, along with workforce training and logistics.

Gov. Pat McCrory and Commerce Secretary Sharon Decker are in the process of handing economic development off to the private nonprofit N.C. Economic Development Corp., with the state's regional partnerships playing supportive roles if they can raise their own private funding.

"Our ranking is explained in the methodology and does not reflect, nor is it meant to influence, activities and initiatives in individual states," said Mark Arend, editor in chief of Site Selection magazine.

The state's Partnership for Prosperity plan is part of McCrory's overarching theme that state government is broken and must be mended swiftly and decisively. Decker said the group will be able to present a unified state voice on economic projects compared with a current system that she described as being "too confusing" to the companies being recruited.

The General Assembly did not approve the nonprofit's creation during the 2013 session, but did provide \$1 million in startup money. Decker has been crisscrossing the state promoting the privatization effort.

"We remain confident that our efforts to move the sales and marketing functions to the public-private partnership, combined with recent tax reforms, will strengthen our position and help create new jobs," Ellis said.

Dan Lynch, president of the Greensboro Economic Development Alliance, said the fact "that North Carolina ranks high with business executives evaluating states across a broad spectrum of economic, work force and community criteria is certainly reassuring."

"But the top 10 list of location considerations they used does not rank, or take into account, the service providers – in our case the Commerce Department - or the value of the service provided."

A nonpartisan Washington research center, Good Jobs First, offered a warning Oct. 26 to North Carolina about the privatization strategy's viability, effectiveness and transparency challenges.

"We found very troubling patterns of abuse when states privatize what is already a corporate-dominated system," said Greg LeRoy, Good Jobs First's executive director. "Our findings are cautionary for states with and without privatized agencies."

Of the eight states criticized by Good Jobs First for a privatized economic development approach, three were ranked in both of Site Selection's top-10 lists – Texas, Ohio and Indiana.

Boyd said that the privatization effort "is serving heavy hitters in economic development like Florida, Arizona, Indiana and most recently Nevada very well. It should do likewise for North Carolina. I have no doubt.

When asked about the Good Jobs First criticism, Boyd said "it comes with the territory. The rewards associated with this approach far outweigh the risks."

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