

State falls to No. 9 in CNBC business ranking

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North Carolina's business climate – whether hot or cool – tends to be gauged through the eye of the beholder.

The latest state economic ranking, released Thursday by CNBC, has North Carolina not only down from its normal national top-five perch, but in jeopardy of tumbling out of the top 10.

North Carolina ranked ninth, down from fifth, in CNBC's America's Top States for Business listing.

The state continues to rank high in some of the 10 economic categories, such as tied for first with California in access to capital and sixth in overall economic conditions.

What continues to pull down the overall ranking is the No. 30 ranking in education, up from No. 33 in 2014, and being tied for No. 33 in quality of life, down from No. 34 last year.

CNBC's brief comment about the North Carolina ranking focused on "it lags in education."

The typical response to business-climate rankings by politicians and advocates is to laud the ones who put North Carolina in the best light, and de-emphasize or ignore those that don't.

Besides CNBC, other prominent business-climate surveys are produced by Forbes, Site Selection magazine and the Tax Foundation.

North Carolina edged Louisiana and Texas in being ranked first in 2014 for economic competitiveness by Site Selection.

Gov. Pat McCrory has touted an economic "Carolina comeback" since mid-2013, based primarily on the sharp decline in the unemployment rate during his term.

In March, McCrory responded to the Charlotte and Greensboro-High Point metropolitan statistical areas being ranked high by Site Selection by saying "national rankings draw attention to North Carolina's outstanding business climate."

McCrory did not provide a statement about the CNBC ranking.

"As much as we like the CNBC survey, it is not the do-all and end-all," said John H. Boyd, a principal at The Boyd Co., a corporate site-selection firm based in Princeton, N.J. "Finishing anywhere in the top 10 is to the state's credit."

Although Site Selection officials touted North Carolina's performance, they also questioned its future competitiveness as the General Assembly has not replenished the state's top economic incentive pool, the Job Development Investment Grant.

Lawmakers, analysts and economists have said the lack of new JDIG funds likely played roles in North

Carolina not landing a Volvo manufacturing plant and Mercedes Benz' U.S. headquarters.

A key element of the House's economic development legislation, House Bill 117, is providing up to \$45 million annually to JDIG, and allotting up to \$20 million as an infrastructure enticement to help close major manufacturing projects, such as a long coveted automobile plant. To qualify, companies would have to commit to creating at least 2,000 jobs and making a capital investment of at least \$750 million.

By comparison, the Senate budget limits JDIG funding to \$15 million annually for two years, or \$30 million each year if there is a "high-yield project," such as a major manufacturing plant. The Senate adds \$5 million in one-time funding to JDIG.

The Senate would remove a trigger criteria requirement for reducing the state corporate tax rate, allowing it to go from 5 percent now to 4 percent in 2016 and 3 percent in 2017. Sen. Bob Rucho, R-Mecklenburg, and other Senate leaders have touted reductions in the state corporate income tax as enough to attract major employers.

By comparison, the individual tax rate would drop from 5.75 percent currently to 5.5 percent in 2016.

The Tax Foundation, a pro-business Washington think tank, ranked the state 16th in tax business climate for its 2015 index, up from 44th in 2014, after the General Assembly approved a series of tax cuts in 2013.

The group said that if the legislature approved the Senate's fiscal 2015-16 state budget, the state would climb to 14th. The budget proposal adds several new taxes, such as for veterinarian services and automobile repairs.

Boyd said the emphasis on the corporate income tax cut by Republican legislators "is misplaced in our view."

"It is important but not a key driver in the site-selection process.

"The availability of a robust incentive program is more pivotal, especially for those trophy projects that got away like Volvo, BMW, Toyota and Mercedes."

Scott Cohn, a special correspondent for CNBC, said Minnesota ranked first in its ranking in part because it "showed that there are multiple paths states can follow to be competitive.

"The state took a gamble by raising taxes in 2013, and at least so far it has paid off in improved state finances.

"Businesses were willing to stay put in order to take advantage of the state's excellent workforce, top-notch education system, and superb quality of life."

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