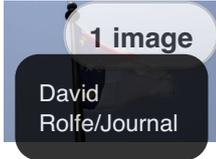




# HB2 likely reduced state's position in national ranking



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By Richard Craver Winston-Salem Journal | Posted 22 hours ago

The latest national economic ranking for North Carolina represents yet another mixed bag for the state and more eye-of-the-beholder perceptions.

That's the case particularly when it comes to another national look at how House Bill 2 is influencing North Carolina's reputation.

The bill, signed into law by Gov. Pat McCrory in March, is known foremost for restricting transgender individuals' access to public restrooms.

The Republican-controlled General Assembly declined to address Democrat-sponsored bills that could have peeled back some, if not all, of the law's restroom restrictions.

CNBC issued Tuesday its 10th annual business climate rankings in which North Carolina rose from ninth to fifth for 2016. Utah was listed first by the cable business network.

CNBC did not shy away from discussing the effect of HB2 on North Carolina, although the bill was not mentioned in a state Commerce Department news release touting the higher ranking.

"North Carolina ranks 30th for quality of life, its worst category, largely because of the non-inclusiveness that is enshrined in state law," CNBC said in its main rankings article.

"More to the point: Were it not for the law, North Carolina almost certainly would have edged out Texas for second place this year and might well be knocking on Utah's door."

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

CNBC ranks the states in 10 categories, listed here in order of importance: workforce; cost of doing business; infrastructure; state of economy; quality of life; technology and innovation; educational system; business friendliness; cost of living; and access to capital.

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CNBC didn't take a tunnel vision approach to HB2; it ranked N.C. 30th for its infrastructure and 28th for educational system.

Commerce Secretary John Skvarla III considered the overall higher ranking as another sign that "business leaders consistently recognize that North Carolina is an outstanding place to do business."

"The CNBC ranking is just the latest example of our strength, highlighting the many competitive factors North Carolina offers companies so they can be successful."

CNBC acknowledged having North Carolina ranked fifth "may raise some controversy, which is something (the state) is growing accustomed to these days."

The main current shadow is the possibility that the NBA pulls the 2017 all-star festivities from Charlotte.

"If the NBA decides to move the game, that will be a big blow to the state and accelerate the HB2 debate," said Michael Walden, an economics professor at N.C. State University.

Skvarla touted that "North Carolina offers companies everything they need to achieve greatness." "We have a superior tax and regulatory environment, a highly skilled workforce, and a transportation infrastructure that enables a company to gain quick access to their customers from our central East Coast location."

Tax reforms passed in 2013 included: reducing the individual income tax from a top rate of 7.75 percent to a flat rate of 5.75 percent in 2015; a higher standard deduction for all taxpayers; a reduction in the corporate tax rate from 6.9 percent to 5 percent in 2015; and the repeal of the estate tax.

CNBC said its No. 5 ranking "clearly illustrates the cost-benefit analysis the Tar Heel State is facing ... with its deeply divisive public accommodation law (having) drawn widespread criticism from businesses."

The network cited canceled business expansion, calls for economic boycotts and corporate leaders urging McCrory and the legislature to repeal the law.

"It all tends to drown out the state's obvious business advantages, including a solid workforce and a heritage of innovation. And that effect shows up in our numbers," the network said.

Mark Vitner, a senior economist with Wells Fargo Securities, said the four states ranked ahead of N.C. (Utah, Texas, Colorado, Minnesota) "are doing an incredible job at recruiting and maintaining business."

"Utah is certainly at the top of many people's list right now, and Salt Lake City is seeing a huge influx of tech jobs fleeing higher-cost West Coast locations."

Vitner said CNBC "does a good job" of putting the HB2 issue into context.

"Even when the state receives good news, it is diminished somewhat by references to policies relating to inclusiveness," Vitner said.

"I think there is little doubt that the controversy has hurt the North Carolina brand, but the top-five finish is also a real testament to the state's business community, higher education institutions and economic developers."

Walden said the state deserves credit for its real gross domestic product growth in the past year even when factoring in the national economic recovery, and the positive impact of the corporate tax rate cuts.

However, having the most overall favorable corporate tax rate climate among six Southeast states didn't help North Carolina win several recent major projects, including the relocating corporate headquarters of Mercedes-Benz USA (going from New Jersey to north Atlanta) and a \$500 million Volvo Car Group manufacturing plant near Charleston, S.C.

John H. Boyd, a site-selection expert based in New Jersey, said that on one hand, the CNBC ranking "is a valuable marketing arrow in the quiver of North Carolina's economic development foot soldiers."

"This list is widely followed and gets huge exposure on the strength of the network promotion."

Yet, Boyd said, "the big gorilla in the room" remains HB2 and "how long will its effect play out for North Carolina."

"Site selection is largely a process of elimination, and most site searches take place without the guidance of a site selection firm, such as ours, to sort things out and get into the weeds on certain factors," Boyd said.

"HB2 has given a number of companies (Deutsche Bank, PayPal and others) a convenient reason to eliminate North Carolina from consideration for new investments and jobs," Boyd said.

"General Electric's IT headquarters going to Atlanta the other day, and not even considering the Research Triangle area, could very well be another example of the lingering effects of HB2."

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