

# Tax Brief

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## Comparing Tiers: Why North Carolina's Distressed Counties Need the Lion's Share of Economic Development Dollars.

### Overview

State policymakers are constantly discussing how best to allocate limited economic development resources. There is strong evidence that the lion's share of economic development dollars should go to the most economically distressed counties in the state. The results were obtained by comparing factors relating to personal income, poverty, unemployment, education, and social services to the 2003 county tier designations. Counties are ranked from Tier 1, which are the most distressed counties, to Tier 5, which are the most prosperous counties in the state. Demographically, Tier 1 counties are more rural (72 % rural) while Tier 5 counties are more urban (47 % rural).<sup>i</sup> Significant differences exist between the 20 Tier 1 counties and the 19 Tier 5 counties, which further begs the question of why there remains an abundant favoritism to Tier 5 counties in the awarding of economic development grants or tax breaks.

### The Disparity Among Counties is Vast

Economically, Tier 1 counties suffer from higher unemployment rates, lower wages, and a higher percentage of citizens living in poverty. From the percentage of citizens on food stamps to average SAT scores, statistics demonstrate that Tier 1 counties experience mammoth sized disparities on these measurements contrasted to Tier 5 counties. Comparing median household income alone, the results are startling. Tier 1 counties have over \$10,000 less median household income than North Carolina's median household income of \$39,184 and \$13,000 less than households in Tier 5 counties.<sup>ii</sup>

In examining the data, keep in mind that 9 of the 12 Jobs Development Investment Grant funds awarded to date support businesses in Tier 5 counties, with only one grant being awarded to a Tier 2 county. The remaining two grants were awarded to Tier 4 counties. Since 1996, only 8.9 percent of Lee Act credits have been claimed by businesses in Tier 1 counties, while 60.6 percent have been claimed by businesses in Tier 5 counties. While less blatant in its favoritism to businesses located in prosperous counties, the One North Carolina Fund has also granted the largest percentage across tiers, 31.1 percent, to Tier 5 counties, while Tier 1 counties have received 13.1 percent of funds.<sup>iii</sup>

- Unemployment Rate<sup>iv</sup> – Contrasting January 2000 and January 2004 data reveals three important trends. First, Tier 5 counties have yet to experience unemployment rates near the unemployment rate of Tier 1 counties, even during the economic heyday of early 2000. Second, average unemployment rate data for Tier 1 counties appears to support only a moderate increase in the rate. However, by examining the median rates across time, it is clear that Tier 1 counties have been greatly battered by a loss in jobs. Eight of the 20 Tier 1 counties suffered unemployment rates above 10 percent in January 2004, up from 3 counties in January 2000. All Tier 5 counties had unemployment rates below 10 percent in both time frames. Third, Tier 5 counties maintain an unemployment rate significantly lower than North Carolina's average unemployment rate.

	<u>Tier 1</u>	<u>North Carolina Counties</u>	<u>Tier 5</u>
<u>January 2000 – Average and (Median) Unemployment Rates</u>	8.15 % (6.5 %)	5.4 % (4.6 %)	2.63 % (2.5 %)
<u>January 2004 - Average and (Median) Unemployment Rates</u>	8.94 % (9.55 %)	7.2 % (7.0 %)	5.48 % (5.4 %)

- Percent of Citizens Living in Poverty<sup>v</sup> - Tier 1 counties have almost double the percentage of citizens living in poverty compared to Tier 5 counties. Another striking result is the percent difference between Tier 1 counties and North Carolina's average, which characterizes the disparity in poverty not only between North Carolina's most prosperous and distressed counties; but also between Tier 1 counties and the state as a whole.

	<u>Tier 1</u>	<u>North Carolina Average</u>	<u>Tier 5</u>
<u>Percent of the Population Living in Poverty, 2000</u>	19.97 %	12.3 %	10.47 %

- Percentage of Citizens on Food Stamps<sup>vi</sup> - Citizens living in Tier 1 counties are more than twice as likely to receive food stamps compared to citizens in Tier 5 counties. The difference is accentuated when comparing the ranges between Tier 1 and Tier 5 counties. The percentage of the population on food stamps in Tier 5 counties ranged from 3.64 percent to 8.07 percent. In contrast, 18 of the 20 Tier 1 counties had percentages higher than 8.07 percent (the top Tier 5 range), with the Tier 1 range topping at 20.13 percent in Halifax county.

	<u>Tier 1</u>	<u>North Carolina Average</u>	<u>Tier 5</u>
<u>Percentage of Average Monthly Food Stamp Recipients, 2003</u>	13.35 %	7.5 %	5.74 %

- Average SAT Scores<sup>vii</sup> - Significantly higher SAT scores are earned by students in more prosperous counties. However, this data does not present the extent of difference between tiers. In fact, sixteen of the 20 Tier 1 counties had scores lower than the worst Tier 5 county score. Tier 1 county scores ranged from 790 to 1032 while Tier 5 county scores ranged from 953 to 1069.

	<u>Tier 1</u>	<u>North Carolina Average</u>	<u>Tier 5</u>
<u>Average SAT Scores, 2003</u>	893	1001	1022

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<sup>i</sup> NC LINC.

<sup>ii</sup> NC LINC.

<sup>iii</sup> Cameron, Amna. "BTC Reports: Are Economic Development Incentives Aiding North Carolina's Most Distressed Counties?" North Carolina Budget and Tax Center, Vol. 10, No. 2, March 2004. The report can be accessed at: <http://www.ncjustice.org/btc/2004pubs/BTC03-17004EDev.pdf>.

<sup>iv</sup> North Carolina Employment Security Commission.

<sup>v</sup> NC LINC.

<sup>vi</sup> The data was tabulated using the number of monthly food stamp recipients in 2003 and county population data from 2000. NC LINC.

<sup>vii</sup> NC LINC.