
The Western North Carolina Economy: Overview and Challenges

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Western North Carolina's Economic Position

State and National Comparison

	<u>Income</u>	<u>Poverty</u>	<u>\$/Student</u>	<u>HS Rate</u>	<u>College</u>
WNC	31,556	13.2	7,779	70.8	16.1
NC	39,184	12.3	7,195	68.1	22.5
US	44,470	12.6	8,287	71.0	39.0

Urban and Rural Comparison

	<u>Income</u>	<u>Poverty</u>	<u>\$/Student</u>	<u>HS Rate</u>	<u>College</u>
WNC	31,556	13.2	7,779	70.8	16.1
Rural NC	28,545	14.1	7,217	65.6	15.1
Urban NC	38,222	10.3	7,174	71.1	30.3
Wake	54,988	7.8	6,967	82.6	43.9
Guilford	40,172	7.8	7,376	60.4	30.3

WNC County-level Median Household Income

<u>County</u>	<u>Income</u>	<u>County</u>	<u>Income</u>
United States	44,470	McDowell	32,396
Catawba	40,536	Macon	32,139
North Carolina	39,184	Clay	31,397
Alexander	38,684	Rutherford	31,122
Transylvania	38,587	Madison	30,985
Henderson	38,109	Avery	30,627
Buncombe	36,666	Mitchell	30,508
Polk	36,259	Yancey	29,674
Caldwell	35,739	Alleghany	29,244
Burke	35,629	Ashe	28,824
Wilkes	34,258	Swain	28,608
Haywood	33,922	Cherokee	27,992
Watauga	32,611	Graham	26,645
Jackson	32,552		

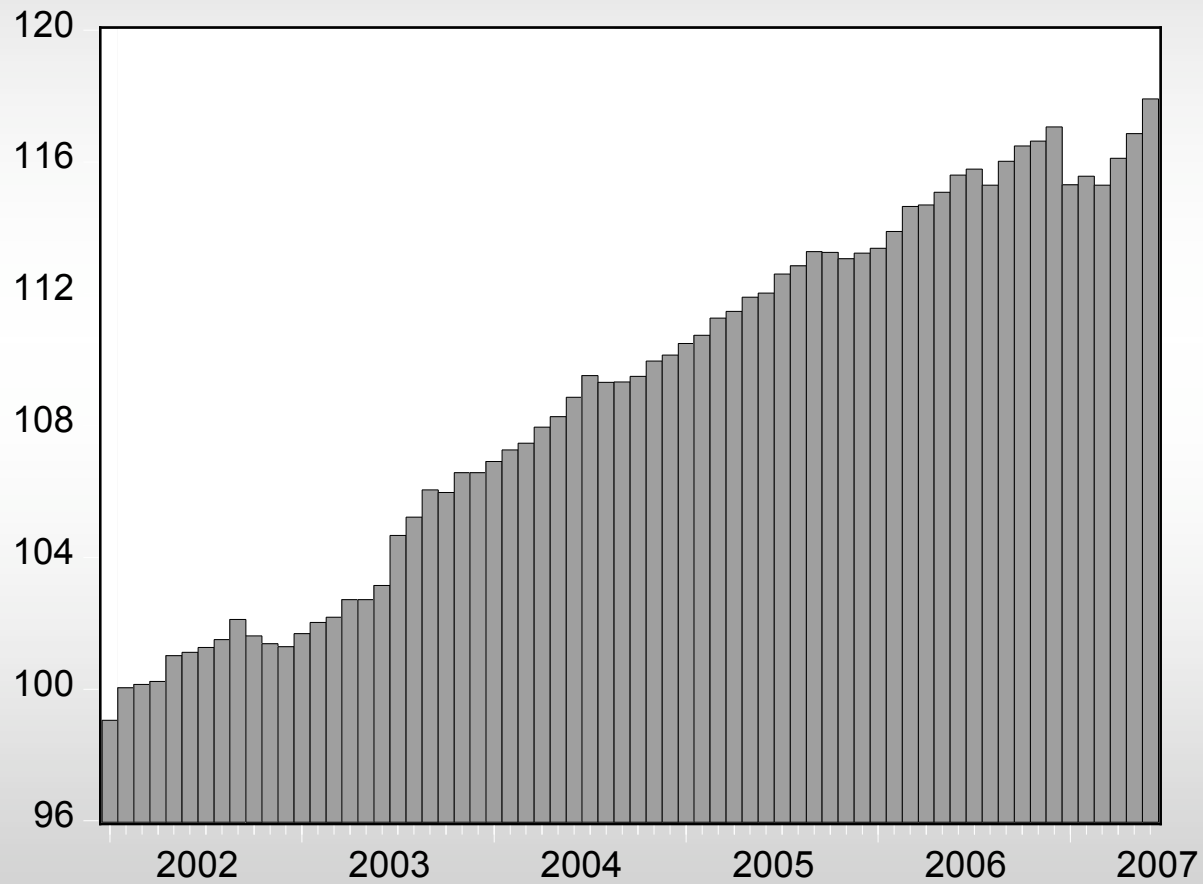
WNC County-level Poverty Rates

<u>County</u>	<u>Poverty Rate</u>	<u>County</u>	<u>Poverty Rate</u>
Alexander	8.5	Macon	12.6
Catawba	9.1	Ashe	13.5
Transylvania	9.5	Mitchell	13.8
Henderson	9.7	Rutherford	13.9
Polk	10.1	Jackson	15.1
Burke	10.7	Avery	15.3
Caldwell	10.7	Cherokee	15.3
Buncombe	11.4	Madison	15.4
Clay	11.4	Yancey	15.8
Haywood	11.5	Alleghany	17.2
McDowell	11.6	Watauga	17.9
Wilkes	11.9	Swain	18.3
North Carolina	12.3	Graham	19.5
United States	12.6		

Current Economic Trends in Western North Carolina

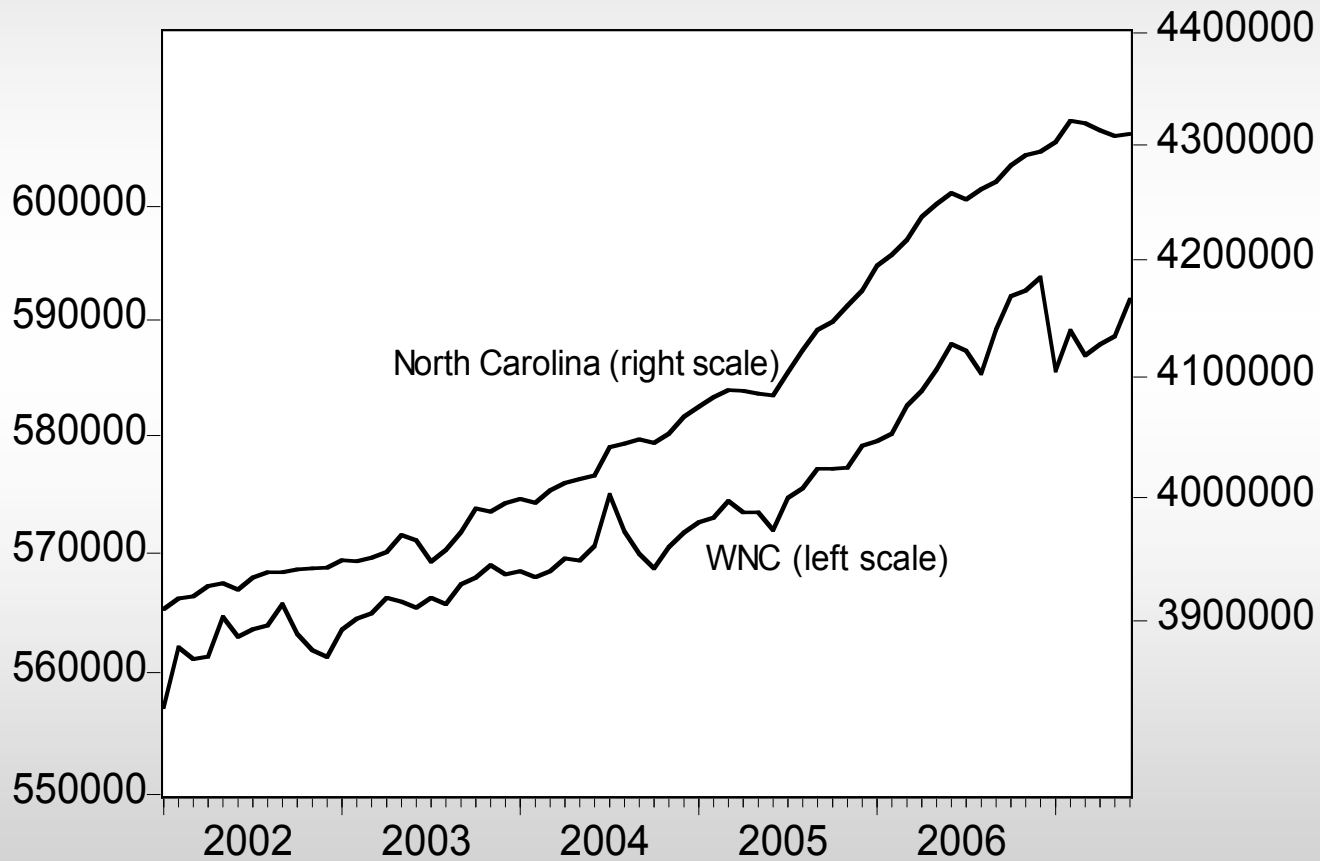
Regional Economic Activity

WNC Economic Index
(2000=100)



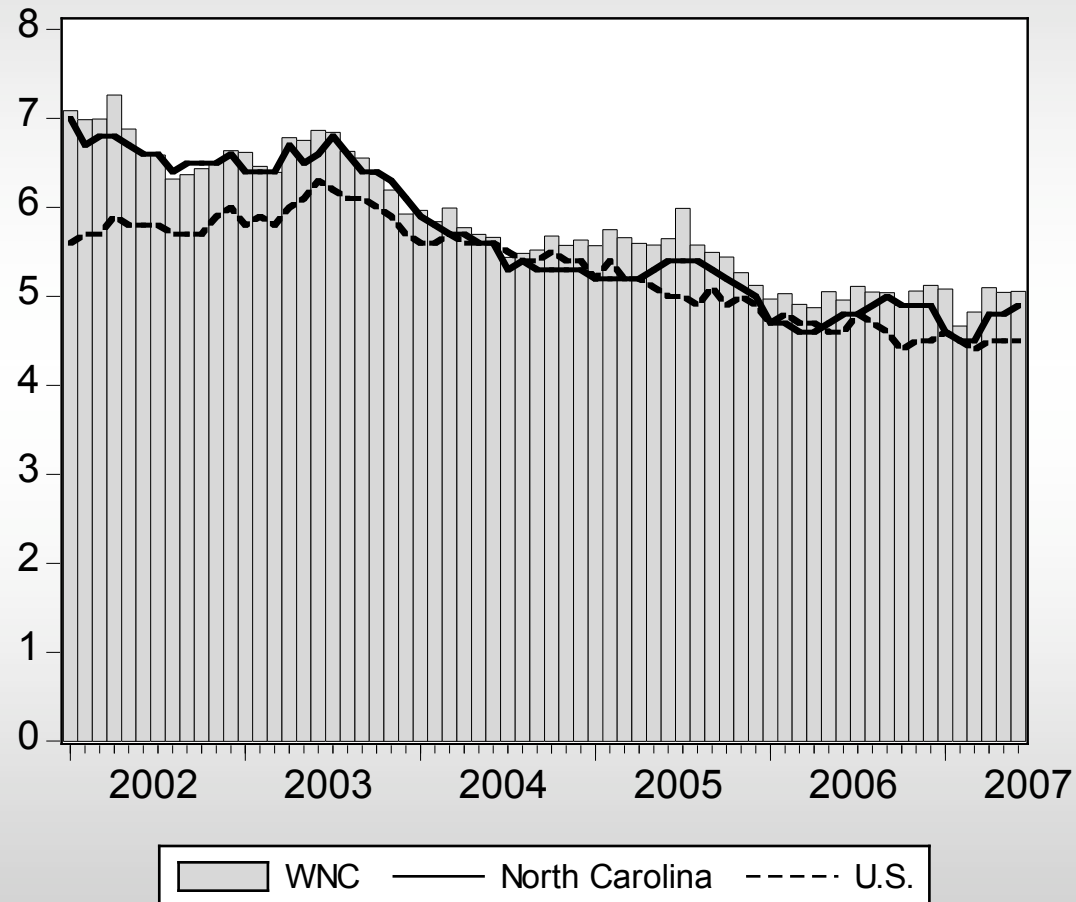
State and Regional Employment

Total Employment
(seasonally adjusted, log scale)



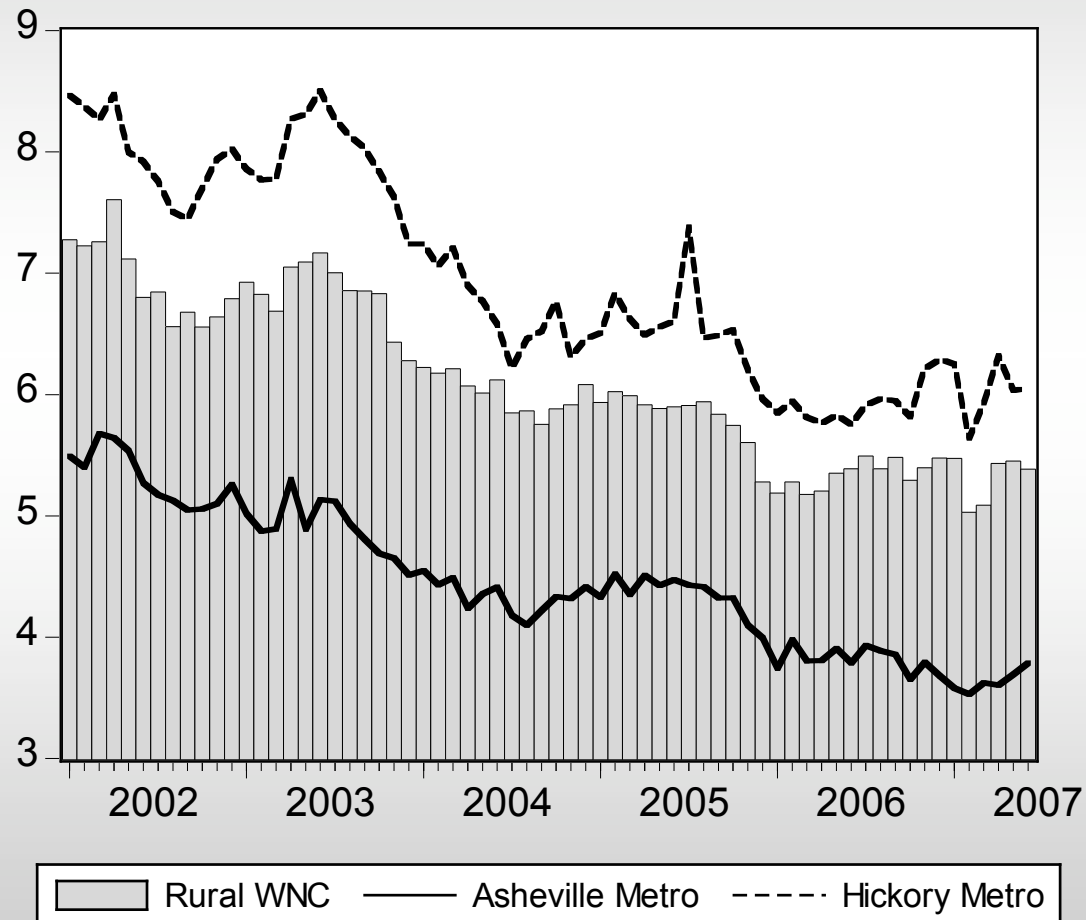
WNC Unemployment Comparisons

Unemployment Rate
(seasonally adjusted)



WNC Unemployment by Area

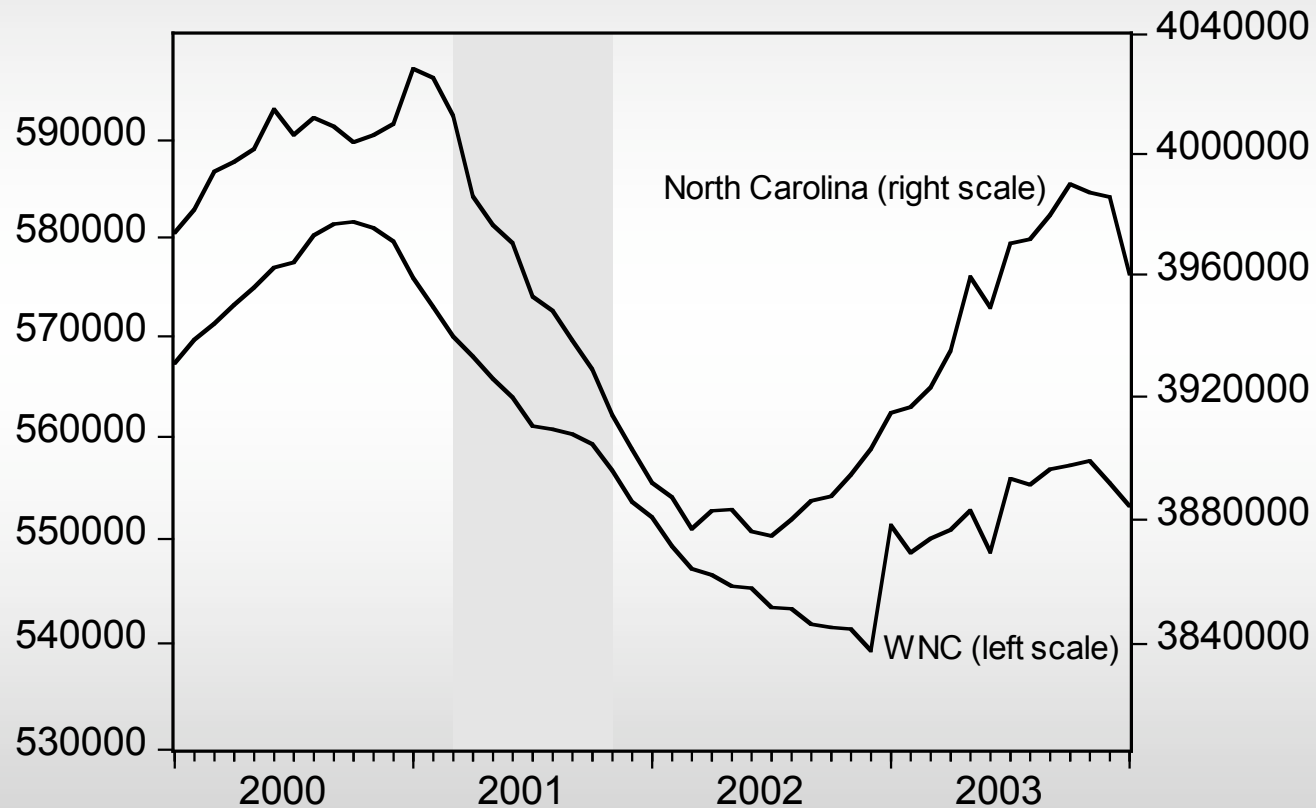
Unemployment Rates by Area
(seasonally adjusted)



**A Little Perspective:
The 2001 Recession**

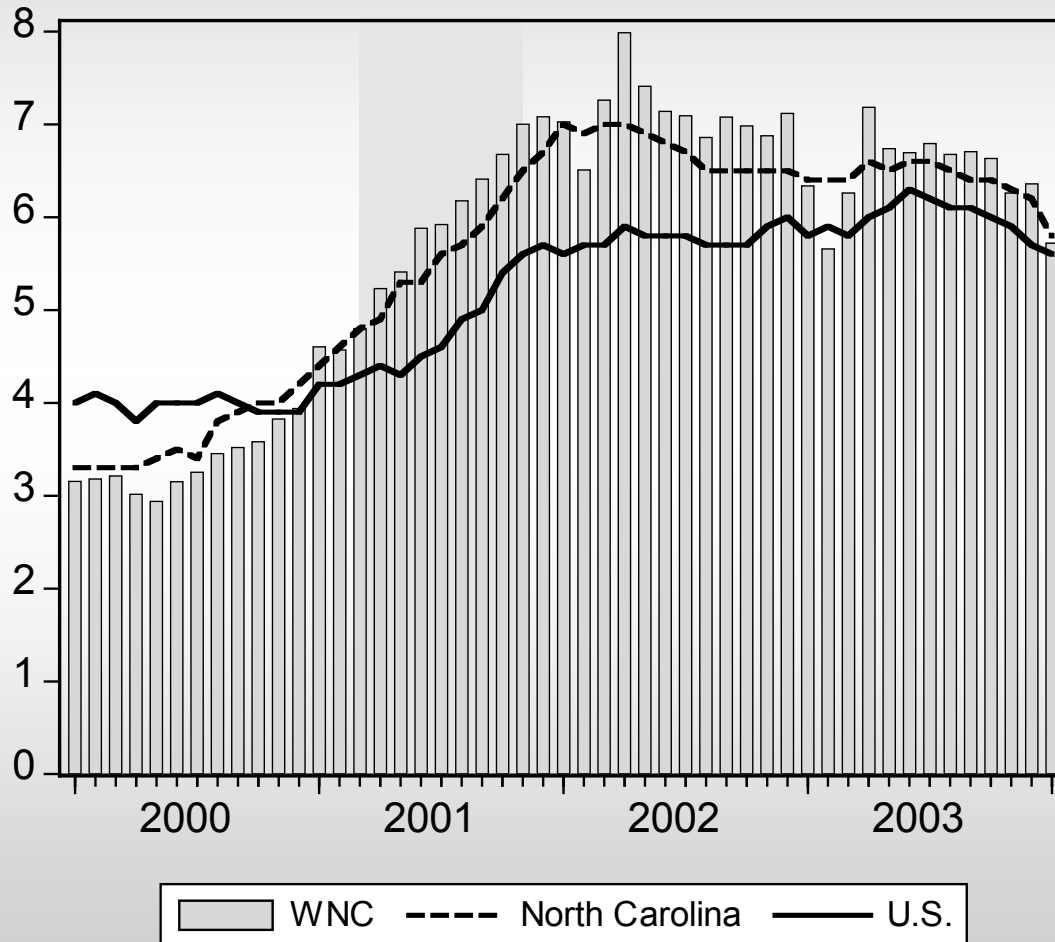
Employment: Recession Period

Total Employment
(seasonally adjusted, log scale, national recession shaded)



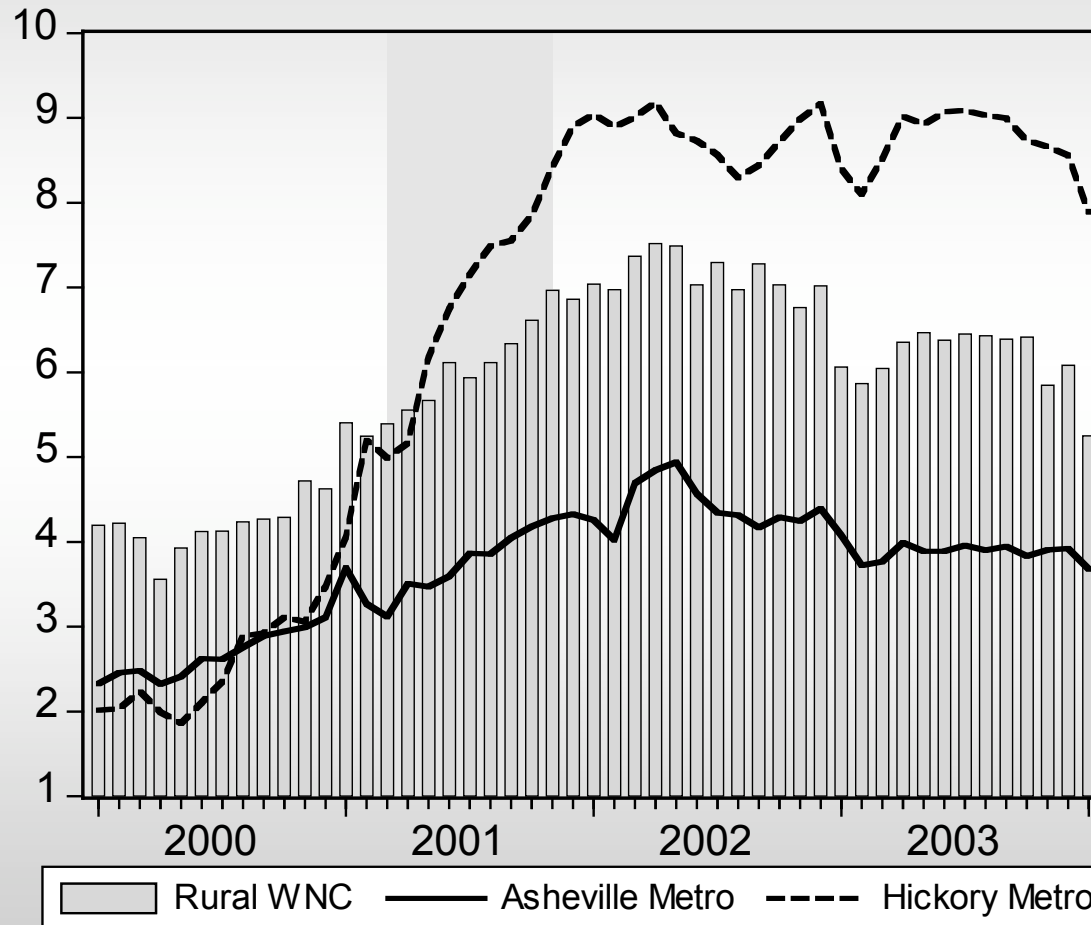
Unemployment: Recession Period

Unemployment Rate
(seasonally adjusted, national recession shaded)



Unemployment: Recession Period

Unemployment Rates by Area
(seasonally adjusted, national recession shaded)

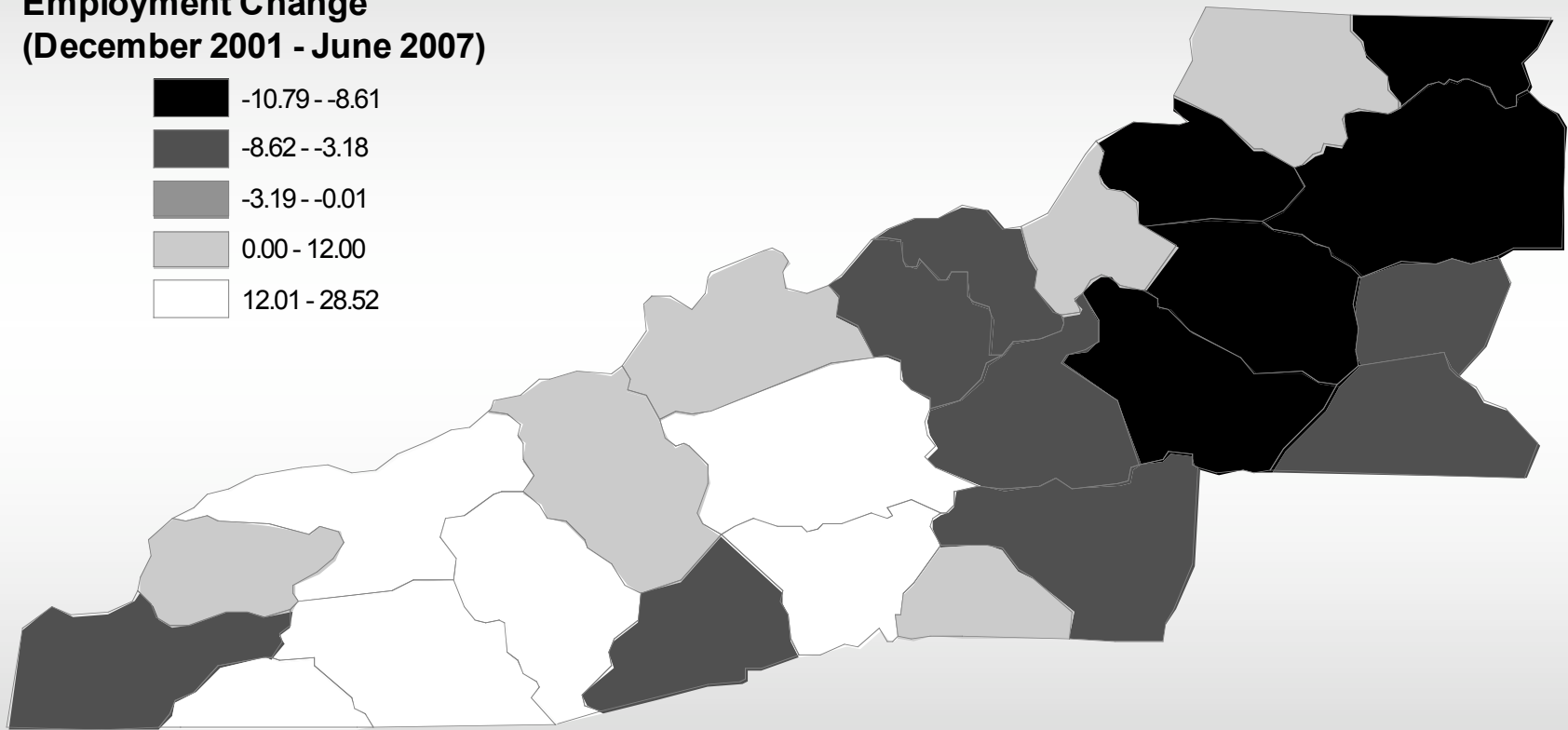


Employment Impacts from 2001 Recession

	<i>Pre-Recession (Dec. 2000)</i>	<i>Post-Recession (Dec. 2001)</i>	<i>% Change (pre vs. post)</i>	<i>June 2007</i>	<i>% Change (post vs. 2007)</i>
Western North Carolina	583,635	564,057	-3.4	591,815	+4.9
Asheville Metro Area	178,009	181,354	+1.9	199,996	+10.3
Hickory Metro Area	182,609	170,010	-6.9	168,427	-0.9
WNC Rural Counties	223,692	213,216	-4.7	223,267	+4.7
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North Carolina	3,955,149	3,906,335	-1.2	4,309,833	+10.4
United States	137,614,000	136,047,000	-1.1	146,140,000	+7.4

Effects from 2001 Recession

**Employment Change
(December 2001 - June 2007)**



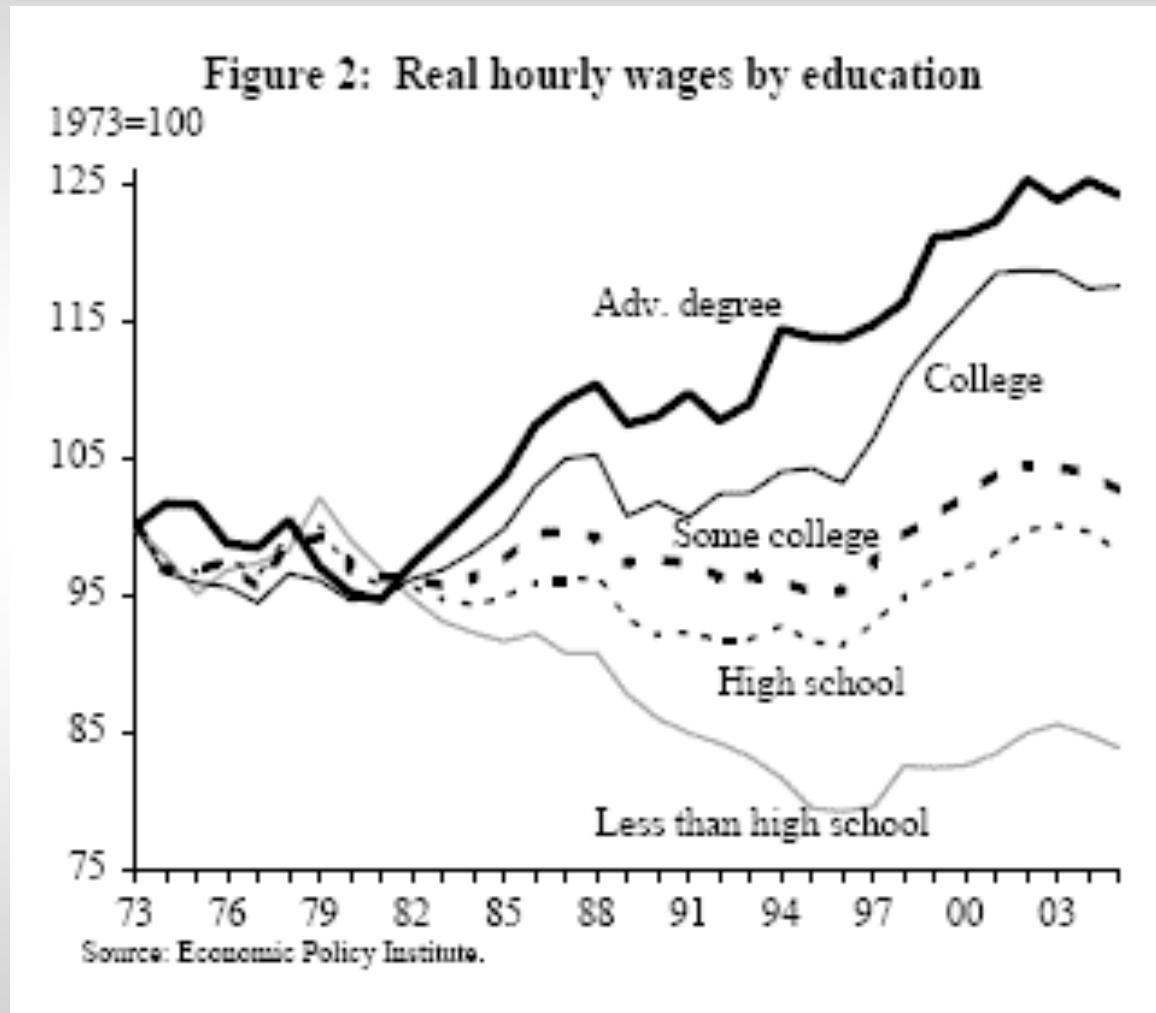
Three Challenges for WNC

1. Education

2. Public Finances

3. Growth & Development

Education: Returns to Schooling



Education: HS Graduation Rates

<u>County</u>	<u>HS Rate</u>	<u>County</u>	<u>HS Rate</u>
Alleghany	82.2	Avery	70.2
Cherokee	80.9	Haywood	68.4
Watauga	78.5	Ashe	68.1
Catawba	77.6	North Carolina	68.1
Transylvania	77.1	Macon	66.5
Graham	75.5	Swain	66.4
Yancey	74.6	Rutherford	66.2
Henderson	74.5	Polk	65.9
Madison	73.7	Caldwell	65.7
Clay	73.2	Jackson	64.6
Wilkes	72.1	McDowell	64.1
United States	71.0	Mitchell	61.9
Alexander	70.7	Burke	60.6
Buncombe	70.4		

Education: Population w/ College

<u>County</u>	<u>College</u>	<u>County</u>	<u>College</u>
Watauga	33.2	Swain	13.9
United States	28.0	Yancey	13.1
Polk	25.7	Burke	12.8
Jackson	25.5	Rutherford	12.5
Buncombe	25.3	Mitchell	12.2
Henderson	24.1	Ashe	12.1
Transylvania	23.7	Alleghany	11.7
North Carolina	22.5	Wilkes	11.3
Catawba	17.0	Graham	11.2
Macon	16.2	Cherokee	11.0
Madison	16.1	Caldwell	10.4
Haywood	16.0	Alexander	9.3
Clay	15.4	McDowell	9.0
Avery	14.5		

Education: Options

Improving Educational Outcomes is Difficult

Policy has little direct control over many of the primary determinants of educational outcomes

Effectiveness Requires Focus and Simplicity

Focus the support and incentives on those who are on the margin of attending college

Simplify the support and incentives so families can understand and pursue them

Examples: Merit vs. Need based scholarships
Tax credits
Awareness Programs

Public Finance

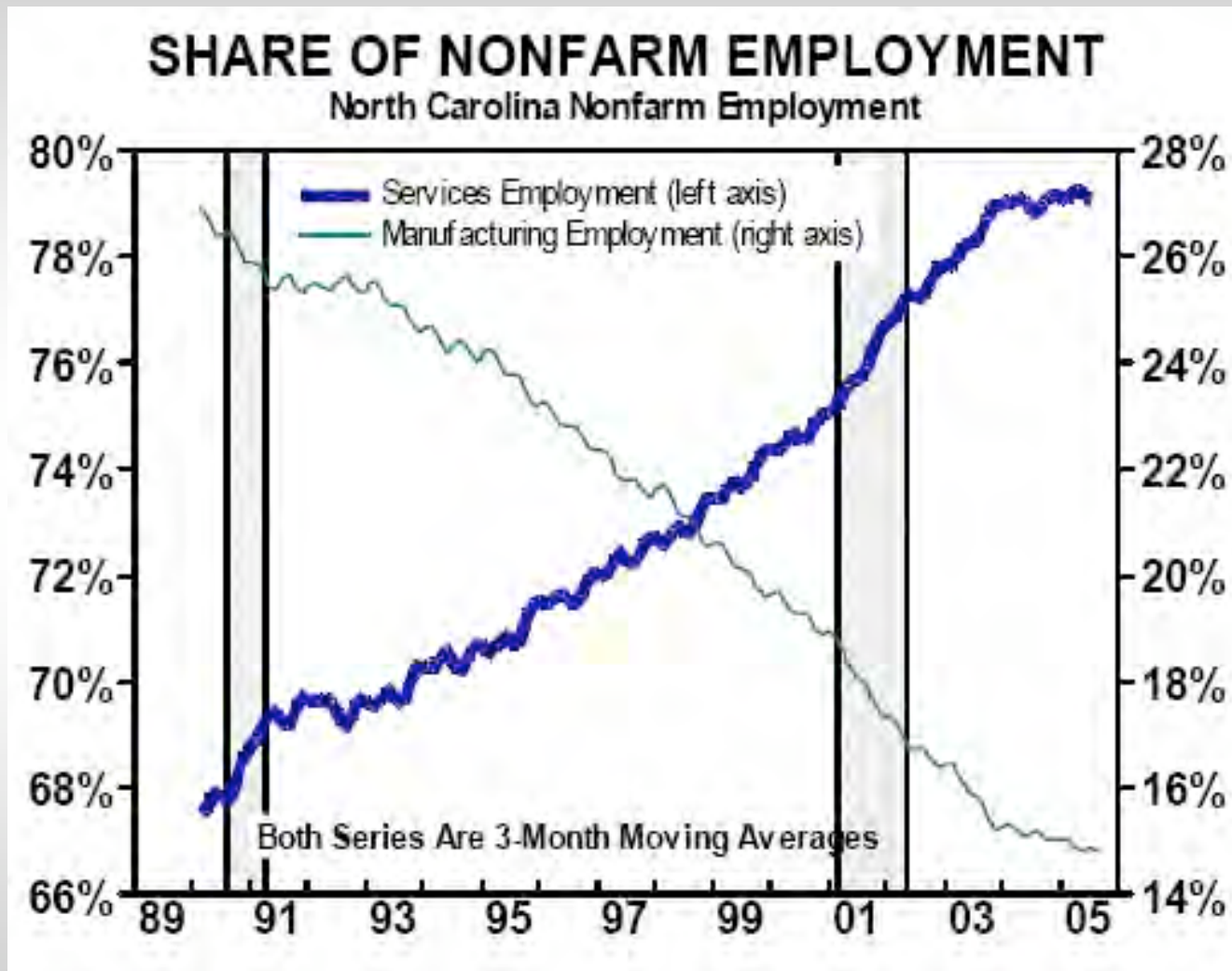
Structural Insufficiency

Revenues are not keeping up with expenditures

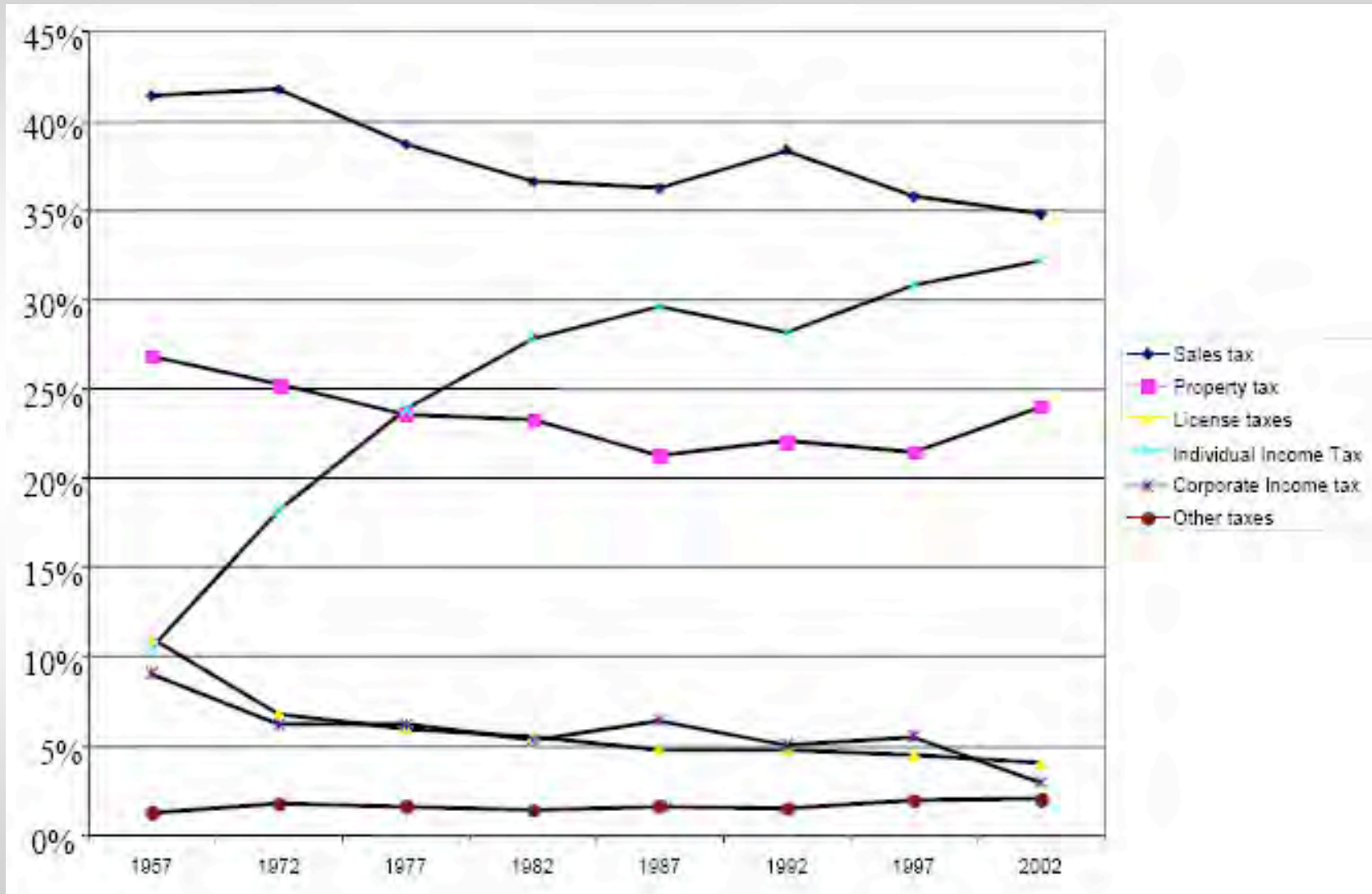
Local education and Medicaid expenses are growing much faster than property and sales tax revenues.

Projections indicate a \$2.0 to \$2.5 billion shortfall over the next 5 years; up to \$3.5 billion if increased public safety expenses are included.

Narrowing Sales Tax Base



Trends in Revenue Sources



Comparison of State Tax Rates

<i>State</i>	<i>Income Tax*</i>	<i>Corporate Tax</i>
<i>North Carolina</i>	8.25%	6.90%
<i>Virginia</i>	5.75%	6.00%
<i>South Carolina</i>	7.00%	5.00%
<i>Georgia</i>	6.00%	6.00%

*highest bracket

Public Finance: Options

Broaden the sales tax base

→ include services and lower rate

Alternative *revenue neutral* scenarios:

Include *Entertainment*; lower rate to 5.5%

Include *Health Services*; lower rate to 5%

Include *Constuction/Rental*; lower rate to 3.25%

Include *all sales*; lower rate to 2%

Include *all sales* (exempt bus-to-bus); lower rate to 3%

Public Finance: Options

Increase revenue options at local level

→ needs vary, but revenue sources do not

Examples:

- High Growth Areas: Impact Fee
Real Estate Transfer Tax
- Tourism Areas: Occupancy Tax
Prepared Food Tax
- Low property value areas typically have high Medicaid costs

Growth & Development

What is your situation?

Too Little Development

or

Too Much Development

Growth & Development: Policy

Three legs of the stool:

1. Recruiting activity from outside
2. Supporting existing activity within
3. Promoting the creation of new activity within

Best Options: #2 & #3 (particularly for WNC)

- provide necessary and supportive services
 - support entrepreneurial endeavors
 - use institutions of higher education
 - located in 80 of 100 NC counties
 - 20 in WNC; located in 15 of 25 counties
-

Growth & Development: Classic Tradeoff

Development vs. Conservation

More Development → less open space, nature, etc.

More Conservation → fewer options, higher cost of living

More (less) of either is not always best!

What, Why and Where

Planning, Analysis and Evaluation of the Tradeoffs
