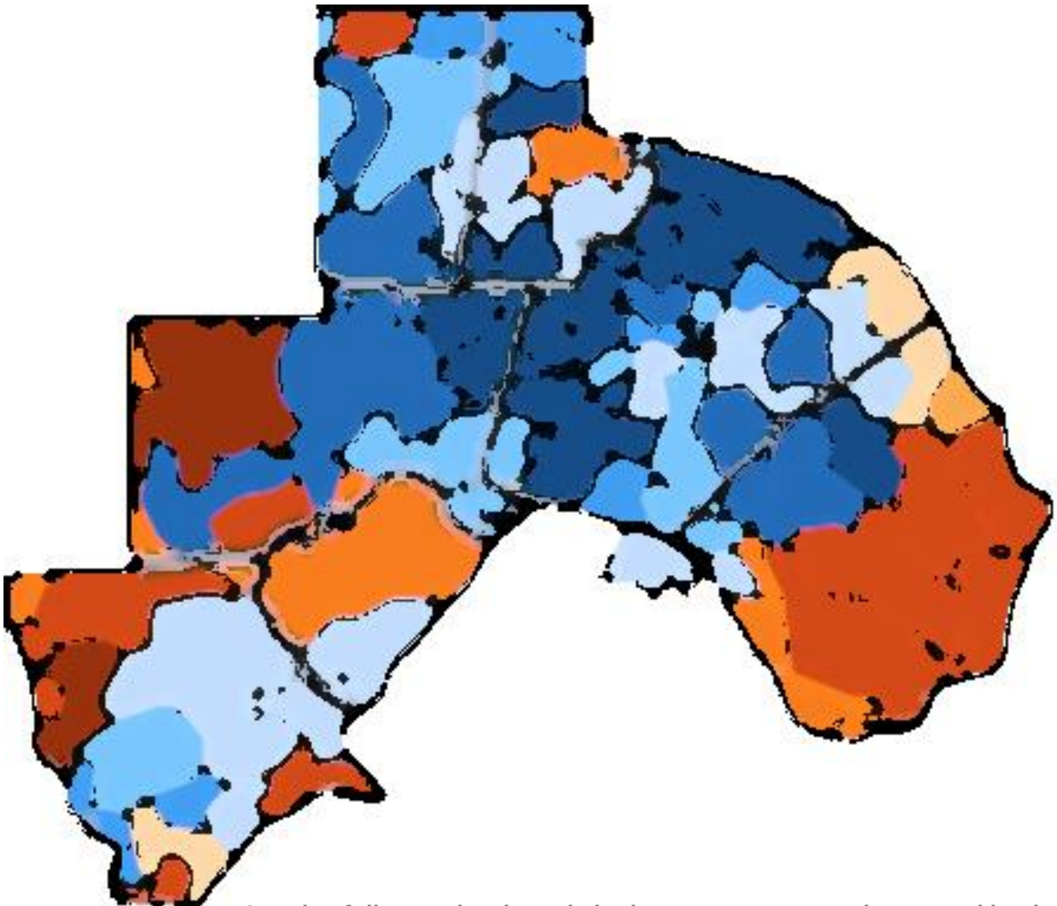

Levels of distress by zip code in the seven-county region served by the Triangle J Council of Governments ("2017 Distressed Communities Index")

Hidden Distress

An analysis of North Carolina county tier designations

OCTOBER 2018

Community & Economic Development @ TJCOG
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Table of Contents

Executive Summary

Since the late 1980s, North Carolina has utilized measures of county distress to incentivize investment in less prosperous counties in the state. In 1996 and in 2006, the North Carolina General Assembly passed legislation to create tax incentive programs dependent upon a tier system that grouped counties according to levels of economic distress (Nienow & Taylor 2015, 5). Despite the sunset of these tax incentive programs, county tier designations are still released annually and are now used by multiple state programs, including programs unrelated to economic development. Various concerns have been voiced regarding the tier system, and the General Assembly passed legislation in June 2018 to revise the system. Suggested changes to the system, however, remain focused on county-level analysis.

Multiple member governments of the Triangle J Council of Governments have expressed interest in revising the tier system to operate at a sub-county level. Additionally, the Board of Delegates, which is composed of elected officials from each member government, has designated economic development as a top priority. Given the April 2018 designation of Triangle J Council of Governments as the region's Economic Development District, the organization is poised to lead regionally coordinated efforts of economic development. The current tier system presents an obstacle to economic development for many member governments in the Triangle J region. Revising the structure and use of the state's tier system will assist efforts to coordinate a region diverse with rural and urban communities, small and large municipalities, and pockets of both wealth and poverty.

This white paper reviews how a county-level analysis hides municipalities that are experiencing economic distress within more prosperous counties by reviewing the region served by the Triangle J Council of Governments. After review of legislation and identification of the problem of hidden distress, a recommendation for a short-term solution is reviewed. Recommendations to comprehensively change the tier system are also offered. The recommendations are focused to include sub-county analysis when designating communities as economically distressed and are interim steps in a process of reevaluating how economic development is pursued in North Carolina.

Background: Legislative History of Tier System

The North Carolina development tier designation system originated in 1987, with prominent changes to the system occurring in 2006 (Nienow & Taylor 2015, 5). Guided by §143B-437.08 of the North Carolina General Statutes, the current system requires the designation of 40 counties as most distressed (Tier 1), 40 counties as distressed (Tier 2), and 20 counties as least distressed (Tier 3) according to four ranking factors and automatic qualifying adjustments (Labor & Economic Analysis Division (LEAD) 2017). Various presentations, reports, and legislation to reform the tier system have been proposed to the North Carolina General Assembly. In December 2015, the Program Evaluation Division presented a report titled “North Carolina Should Discontinue the Economic Development Tier System and Reexamine Strategies to Assist Communities with Chronic Economic Distress.” In January 2016, the North Carolina Department of Commerce presented “Redesigning NC’s Economic Development Tiers System” to legislators serving on the EDGE Committee. A year later, the EDGE workgroup presented a draft of redefined tiers according to measures of median household income, unemployment, and tax base per capita, eliminating population as a factor and also automatic adjustments (EDGE Workgroup 2017). Thirty-six counties shifted tier designations in this revised system. Recent presentations to the EDGE Committee have focused on changes to indicators of economic distress (Avrette, Turner, & Bizzell 2018; Bizzell 2018).

With Session Law 2018-5, the North Carolina General Assembly revised the tier system. The revision eliminates the adjustment factors for population and poverty. The elimination of the automatic qualifying adjustments is expected to result in 32 shifts and more accurately reflect county-level economic distress (Fiscal Research Division 2018). In addition to Session Law 2018-5, various bills were introduced to revise the tier system during the 2017-2018 legislative session. Examples include Senate Bill 563, Senate Bill 618, and House Bill 795. The third edition of Senate Bill 563 proposes separating county government distress factors and resident distress factors. The drafted legislation also addresses the use of distress factors by programs serving non-economic development purposes. Senate Bill 618 proposes the use of an index resulting from the comparison of county-level data to state-level data. The bill describes the designation of areas performing greater than benchmarks as “attainment areas.” House Bill 795 redefines the development factors used in the tier system. The bill also provides for the designation of “high growth areas,” which are counties performing greater than all statewide indicators. (See **Table 1** for comparison). Each proposal maintains the analysis of data at the county level.

Despite continued attention, the North Carolina development tier system has only experienced minor adjustments since the more substantial changes of 2006. As the system is widely used to award funding from state programs, the North Carolina General Assembly should consider how the current tier designation system contributes to inequality within and between municipal governments. Although the use of sub-county data has been avoided due to large margins of error, the current county system fails to recognize the distressed communities within more prosperous counties.

Bill	Development Factors	Annual Ranking	Adjustment Factors	Last Action
Senate Bill 563, Third Edition	Government Distress: 1) Adjusted assessed property value per capita 2) Sales tax distributions Resident Distress: 1) Average annual earnings 2) Median household income 3) Percentage growth in number of jobs 4) Percentage of population 25 or older with some college-level educational attainment	Rank all counties from highest to lowest for government distress factors and resident distress factors	Eliminated	Re-referred to Committee on Rules and Operations of Senate on June 15, 2018
Senate Bill 618, First Edition	1) Average rate of unemployment 2) Median household income 3) Percentage growth in population 4) Adjusted assessed property value per capita	Rank all counties from highest to lowest according to an index with development factors compared to state values	Eliminated	Referred to Committee on Rules and Operations of Senate on April 5, 2017
House Bill 795, Second Edition	1) Ratio of employment to population for population aged 25-64 2) Average annual wage 3) Adjusted assessed property value per capita	Rank all counties from highest to lowest according to development factors	Eliminated	Re-referred to House Committee on Finance on June 15, 2017

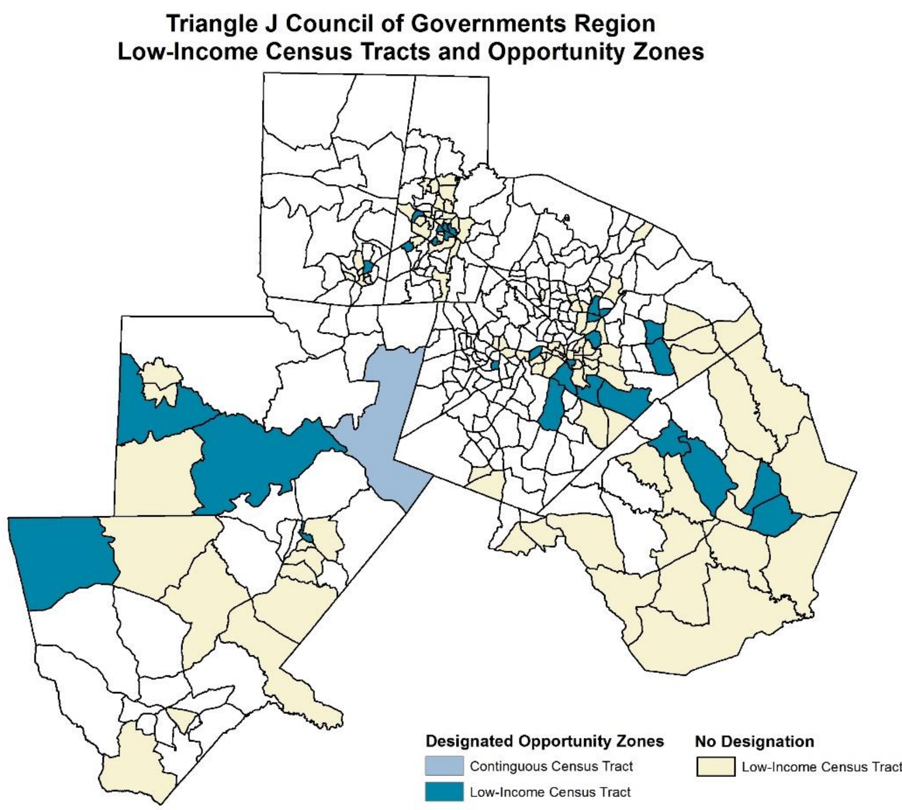
TABLE 1: Comparison of legislation proposed in the 2017-2018 Session

Problem Definition: Hidden Distress

With passage of the Tax Cuts and Jobs Act in December 2017, the federal government created Opportunity Zones as an effort to invest in local communities throughout the United States. Opportunity Zones are designated from census tracts that are classified as low-income or contiguous to low-income tracts (Economic Innovation Group 2018). Low-income census tracts are defined in the federal tax code as:

- "Tracts in which the poverty rate is at least 20 percent, or
- Tracts in which the median family income does not exceed 80 percent of the statewide median family income if located outside of a metropolitan area, or
- Tracts in which the median family income does not exceed 80 percent of the statewide median family income or the metropolitan area median family income, whichever is higher (Economic Innovation Group 2018)"

In the region served by the Triangle J Council of Governments, thirty census tracts have been designated as Opportunity Zones. Of these census tracts, twenty-nine are classified as low-income (See **Map 1**). The new federal program will provide tax benefits to investors for upwards of ten years for their investments in these thirty census tracts of the Triangle J region. Many economic development programs offered by the State of North Carolina, however, will not follow this pattern



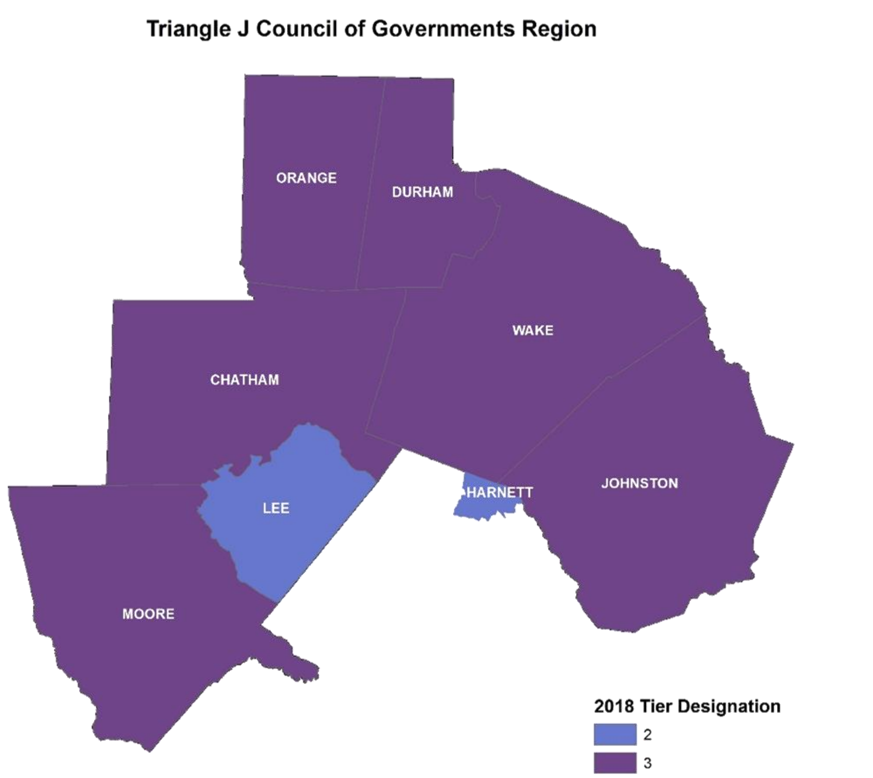
Map 1: Opportunity Zones and low-income census tracts in Triangle J region

of investment. The current development tier designations stand as an obstacle to certain state funding that may otherwise work alongside federal funding. For instance, a community in one of the designated opportunity zones in Tier 3 Johnston County will not be eligible for assistance from certain North Carolina infrastructure programs. Economic development strategies thus clash as the state decides funding at a county-level and the federal government encourages investment at the level of census tract.

Six of the counties in the Triangle J region are designated as Tier 3 counties. Lee County, and its respective municipalities, along with the Town of Angier in Harnett County are designated as Tier 2 (See **Map 2**). A Tier 3 designation indicates these counties are considered to be among the 20 least economically distressed counties in North Carolina, according to a four factor calculation. The four factors currently used to measure economic distress are:

- Average unemployment rate;
- Median household income;
- Percentage growth in population;
- Adjusted property tax base per capita (LEAD 2017).

The county as the unit of analysis for determining tier designations hides sub-county communities experiencing high levels of economic distress. For instance, estimates from the 2016 American Community Survey describe a median household income of $51,873 for Moore County. The estimated median household income for the Town of Robbins, however, is closer to $25,000.



Map 2: Tier designations for member governments of the Triangle J region

The majority of Robbins lies within a low-income census tract designated as an Opportunity Zone. A similar difference exists when comparing county and municipal poverty rates. The poverty rate for Johnston County is 14.6%. The poverty rate estimate for the Town of Selma is between 30% and 45%. Johnston County is divided into 25 census tracts. Nineteen, or 76%, of these census tracts are classified as low-income. Selma's jurisdiction is completely within low-income census tracts. Comparison of statistics for educational attainment also reveals disparities between county and municipal data. Approximately 87% of Chatham County residents over the age of 25 have graduated high school. In contrast, an estimated 63% of Siler City residents over the age of 25 have graduated high school. Similar to Robbins and Selma, Siler City's jurisdiction covers multiple low-income census tracts, with a small portion of the jurisdiction within a designated Opportunity Zone (See **Appendix A** for multiple maps and tables comparing county and municipal data).

The three examples show how sub-county data tell a story of economic distress that differs from the story presented by the current county tier designations. Across different indicators of economic distress, the Town of Robbins, the Town of Siler City, and the Town of Selma consistently rank as three of the most distressed communities in the Triangle J region. All three municipalities either share boundaries or are within federally designated Opportunity Zones. All three municipalities are also within Tier 3 counties. The Tier 3 designation limits the eligibility for these three municipalities, along with many others, to access the Industrial Development Fund Utility Account. Additionally the Tier 3 designation, requires the municipalities be located within a rural census tract in order to be eligible for the Building Reuse Program and the Economic Infrastructure Program. As most of Siler City is not located within a rural census tract, it is further constrained in the use of these state programs. Various other funding opportunities, such as the Additional Child Care Subsidy Market Rate Increases and the Job Development Investment Grant, are informed by the county tier designations. The range of programs utilizing the county tier designations further contributes to growing inequality between municipalities like Robbins, Siler City, and Selma and their neighboring jurisdictions (See **Table 2** for a list of state programs using the tier system).

Program	Purpose	Use of Tiers	G.S. Reference
Spay/Neuter Account	Reimbursement for procedures to dogs or cats owned by low-income persons	50% of funds are reserved for people in Tier 1 counties Remaining funds are split between Tier 2 and Tier 3	§19A-64
Animal Shelter Support Fund	Reimbursement for direct operational costs	Match levels determined by tier designation	§19A-68
N.C. Science Museums Grant Program	Administration of competitive grant program for museums in North Carolina	$75,000 grants for Tier 1 $60,000 grants for Tier 2 $50,000 grants for Tier 3	§143B-135.227
Industrial Development Fund Utility Account	Assist local governments in funding infrastructure improvements	Funds designated for Tier 1 and Tier 2 counties	§143B-437.01

Program	Purpose	Use of Tiers	G.S. Reference
Job Maintenance and Capital Development Fund	Encourage businesses to maintain high-paying jobs and make further capital investments	Eligibility criteria is linked to Tier 1 and Tier 2 counties	§143B-437.012
Job Development Investment Grant Program	Grants to foster job creation	Tier designations used to determine number of eligible positions and grant conditions	§143B-437.53 §143B-437.56
One North Carolina Fund	Funds to assist local governments in recruitment, expansion, and retention of business	Tier designations determine level of matching funds	§143B-437.72
Main Street Solutions Fund	Economic development planning assistance and coordinated grant support	Support is for designated micropolitans in Tier 2 and Tier 3 counties	§143B-472.35
Rural Economic Development Division	Administers Rural Infrastructure Authority's grant and loan programs	Provide matching grants or loans to local governments in Tier 1 and Tier 2 counties and in rural census tracts of Tier 3 counties	§143B-472.127
Rural Infrastructure Authority	Awards rural CDBG and Utility Account funds	All members of authority represent Tier 1 and Tier 2 counties	§143B-472.128
911 Board	Monthly distributions to Public Safety Answering Points (PSAPs)	The tier designation is included in the funding formula	§143B-1406

TABLE 2: List of state programs with the use of the tier system specified in North Carolina General Statutes

Table Notes: The table should not be considered exhaustive. It does not include state programs and non-state programs choosing to use the tier system nor does it include state programs under sunset (i.e. Article 3J Tax Credits).

As demonstrated by the federal Opportunity Zones, economic distress is not limited to rural communities. Of the 128 low-income census tracts in the Triangle J region, 82, or 65%, are located in the counties of Durham and Wake. This aligns with a 2014 report by the Center for Urban and Regional Studies at the University of North Carolina at Chapel Hill, which found that 65% of North Carolina's "severely distressed census tracts are located in urban areas" (High & Owen 2014, 5). Twenty of the Wake and Durham low-income census tracts have been designated as Opportunity Zones. Similar to their more rural counterparts, communities within these census tracts are limited by the county tier designations.

The concentrations of low-income census tracts in the counties of Durham and Wake occur around the central core of Durham and in the southern and eastern parts of Raleigh. The apparent wealth of the jurisdictions masks these areas of concentrated distress. For example, census tract 520.02 in Wake County, which has a population of more than 5,000, has an estimated poverty rate of 41.4% and an estimated median household income that is nearly half of Raleigh's median household income ("Census Reporter" 2018). Similar examples exist in Durham. More than half of the 2,500 people living in census tract 14, for instance, are estimated to live in poverty ("Census Reporter" 2018). A review of 2016 ACS estimates of poverty and median household income, in fact, reveals that the number of people living in poverty is concentrated in more urban counties. A quarter of the individuals living in poverty in North Carolina live in the two Tier 3 counties of Mecklenburg and Wake and the two Tier 2 counties of Forsyth, and Guilford (Hodges-Copple n.d.). As it currently measures county-level distress, the tier system is unequipped to assist these sub-municipal communities experiencing concentrations of poverty and, thus, high levels of economic distress.

The North Carolina Department of Commerce describes the tier system's incorporation into state programs as a method "to encourage economic activity in the less prosperous areas of the state" ("2018 County Tier Designations"). Unfortunately, the current tier designations falsely represent a number of urban and rural communities that rank among the least prosperous in the state as prosperous due to the use of county data. In order to more accurately portray the economic well-being of North Carolina's communities and to more effectively allocate funding, the North Carolina General Assembly should consider revising the tier system to consider a sub-county analysis.

Recommendations

This section reviews one short-term and three long-term changes to the tier system. First, an immediate exception for less prosperous communities in Tier 3 counties is reviewed. Fifteen municipalities in the Triangle J region are simultaneously located within low-income census tracts and Tier 3 counties. The creation of an exception for these communities allows for their consideration for the same funding options as Tier 1 and Tier 2 counties. The exception is needed while more comprehensive changes to the system are debated. Three long-term recommendations are also reviewed. The first long-term recommendation involves the adoption of new indicators of economic distress to better measure resident distress. The second long-term recommendation argues for the creation of an index that operates on a five-year basis and with a smaller geography. This recommendation seeks to propose a strategy for incorporating sub-county analysis. Finally, the third long-term recommendation presents reasoning for the release of multiple indices of economic distress. Multiple indices will allow state programs to use the correct geography for funding decisions.

In summary, the recommendations to be reviewed are:

- The creation of an exception rule for municipalities significantly located within low-income census tracts;
- The adoption of new indicators of economic distress;
- The redesign of the tier system to operate as a census tract-based index updated every five years;
- The release of multiple indices of economic distress.

Create exceptions for municipalities significantly located within low-income census tracts

In order to resist perpetuation of inequality between municipalities, exceptions for less prosperous communities in Tier 3 counties are required. Use of low-income census tracts to identify municipalities is an option that aligns with federal priorities. The exceptions are an immediate solution to the current use of county tier designations by state programs. More comprehensive changes to the tier system are also recommended in this section. For the Triangle J region this policy change would amount to fifteen municipalities receiving exceptions, with the majority located in Johnston County (See **Table 3**). An exception would allow these municipalities eligibility for the current funding consideration provided to municipalities located in Tier 1 and Tier 2 counties. The creation of such exceptions may mirror the process of designating urban progress and agrarian growth zones with the Article 3J tax credits (§143B-437.009-.010).

Certain state programs already include exceptions for communities located in Tier 3 counties. The Economic Infrastructure Program, for instance, grants funding priority to

Municipality	County
Goldston	Chatham
Siler City	Chatham
Benson	Johnston
Four Oaks	Johnston
Kenly	Johnston
Micro	Johnston
Pine Level	Johnston
Princeton	Johnston
Selma	Johnston
Smithfield	Johnston
Wilson’s Mills	Johnston
Cameron	Moore
Pinebluff	Moore
Robbins	Moore
Wendell	Wake

TABLE 3: Municipalities in the Triangle J region significantly located within low-income census tracts

“projects in a Tier 1 or Tier 2 county, or a rural census tract in a Tier 3 county” (“Rural Division, Economic Infrastructure Program” 2018). Funding from this program can be used for such purposes as the installation of broadband and the repair of public water lines. Other programs, however, do not allow exceptions. The Industrial Development Fund only provides grants and loans to governments within Tier 1 and Tier 2 counties. The program includes the Basic Industrial Development Fund and the Utility Account, with both assisting local governments with infrastructure costs for new or expanding industry (“Industrial Development Fund” 2018). Less prosperous communities in Tier 3 counties are excluded from such assistance. The presence of wealthier municipalities skews county data against these less prosperous areas.

The municipalities listed in Table 3 represent fifteen of the twenty municipalities recording the lowest median household income in the region. Notably, this method is unable to capture more distressed municipalities that are proximate to wealthier communities. For instance, Taylortown in Moore County is not included on the list due to its location within a census tract that also includes Pinehurst and Southern Pines. These instances demonstrate the need for this recommendation to be adopted as a short-term solution while more comprehensive changes are considered.

Data for this policy change already exist. During the nomination process for the federal Opportunity Zones, the North Carolina Department of Commerce mapped low-income census tracts in the state (“North Carolina Opportunity Zones Program 2018). This census tract data must be combined with municipal jurisdictions of the twenty counties currently designated as Tier 3. Rules regarding the amount of the jurisdiction within the low-income census tract(s) must also be determined. For the analysis of the Triangle J region, municipalities with at least 75% of their jurisdictions within low-income census tracts were selected. Amendments to legislation may be required for those state programs required to administer funding according to the tier system. Table 2 in this report along with the previously referenced report by the Program Evaluation Division provide a list of such programs (Nienow & Taylor 2015).

Adopt new indicators of economic distress

As previously mentioned, recent legislation to change the development tier system has focused on amending the economic indicators. The General Assembly should consider these recommendations and adopt new indicators focused on the economic well-being of an area’s residents. Based on a review of presentations and reports submitted to the General Assembly, this white paper’s suggested indicators include:

- Median household income
- Percentage of residents aged 25 and older with at least some college
- Poverty rate
- Average earnings from work

Use of these indicators produces a definition of economic distress that captures the short and long-term effects of economic distress. The definition recognizes that an economically distressed area has a greater percentage of less-educated residents, residents living in poverty and/or with lesser incomes, and the prevalence of lower-quality jobs. Additionally, these economic indicators are transferable to smaller-scale geographies.

Three current indicators are no longer included with this recommendation. Although average unemployment rate does measure economic distress, it fails to capture certain individuals, such as those experiencing long-term unemployment, and the types of jobs available in an area, such as the dominance of low-wage or high-wage employers. Similarly, population growth rates can indicate economic (in)activity, but they are better understood over a longer period of time (Boardman, Bizzell, & Turner 2017). Finally, adjusted assessed property value per capita measures the economic capacity of a local government and not the economic well-being of area residents (Avrette, Turner, & Bizzell 2018, 27). Capacity may prove important for certain purposes, such as determining funding match levels. However, local government capacity is not a cause of economic distress (Avrette, Turner, & Bizzell 2018). The newly identified indicators are better aligned to measure a place’s economic distress according to resident factors.

Redesign the tier system to operate as a census tract-based index updated every five years

An analysis of tier rankings for the period 2007-2018 reveals changes between tiers are limited. Over the eleven-year period, only 87 tier shifts occurred. Counties that recorded the most changes simply fluctuated between two tiers. Haywood County, for example, recorded the most changes at six. Five of the changes occurred consecutively as Haywood became a Tier 3 county in 2013, a Tier 2 county in 2014, a Tier 3 county in 2015, and continued such a pattern through 2017. Such changes appear to be arbitrary and unrelated to actual improvement in economic distress levels (See **Appendix B** for a table of changes). Additionally, the lack of tier shifts demonstrates the slow progress of economic development and the otherwise chronic nature of distress. An annual assessment of county profiles, therefore, may be unnecessary.

Adjusting North Carolina's tier system to operate as an index updated every five years recognizes the long-term investment required for economic development, thereby making the process of evaluating economic distress more efficient. The five-year period aligns with data collection for the U.S. Census and the American Community Survey (ACS). The five-year estimates for the ACS are more reliable than one-year estimates, as the five-year estimates include a larger sample size and collect data for all areas ("When to Use 1-year, 3-year, or 5-year Estimates" 2018). Additionally, an index updated every five years allows for an alternating pattern between use of U.S. Census data and ACS estimates.

The five-year period also increases the practicality of data synthesis at a smaller scale. An index measuring economic distress within census tracts will better inform economic development decisions to address the well-being of both people and places. Communities with concentrated poverty that are located in Tier 3 counties are obscured by the current county tier designations. Revising the tier system to consider economic distress at the level of census tracts will create a system that recognizes prosperity and poverty are not jurisdictionally bounded. Additionally, such a change will better align the state system with such programs as the federal Opportunity Zones and the Distressed Communities Index. The Distressed Communities Index is produced by the Economic Innovation Group and ranks communities according to seven component metrics. The metrics and a map of North Carolina and the Triangle J region at the county and the zip-code levels are provided in **Appendix C**.

The Distressed Communities Index also provides an example of how an index can measure economic distress. Various General Assembly staff and North Carolina legislators have advocated for an index to replace the current system of designating a set number of counties to each development tier (Nienow & Taylor 2015, 19; DeBellis 2016, slide 12; Senate Bill 618 2017). The current practice attempts to categorize economic distress and groups a range of economic situations into a singular designation. An index allows for more accurate comparison of communities and may also improve how programs decide funding.

Release multiple indices of economic distress

Discussion of the tier system is not without discussion of numerous state programs utilizing the annual tier designations for funding decisions. Programs range from the Spay & Neuter Account to the Job Maintenance and Capital Development Fund (§19A-64; §143B-437.012). Recognizing the wide use of the tier system, the North Carolina General Assembly should request the release of multiple indices. The county may not always act as the best unit of analysis for funding decisions. Legislation to require indices of economic distress at multiple jurisdictional scales allows programs to use an index most suitable to their respective goals.

The previously referenced Distressed Communities Index serves as an example for how multiple indices can be released. The Economic Innovation Group releases interactive maps for all states at the levels of county, zip code, and congressional district. At each level, the community receives a distressed score and is ranked against its counterparts. Orange County, for example, received a distress score of 8.2 and ranks fourth against all 100 counties. By contrast, the zip code of 27231, which represents the unincorporated Cedar Grove community north of Hillsborough, received a distressed score of 84.2 and ranked 537 out of 723 zip codes ("2017 Distressed Communities Index" 2018). By providing both geographies, the Distressed Communities Index reveals that portions of a more prosperous county experience distress similar to communities in less prosperous counties. Availability of this type of information will allow state programs to improve the allocation of funds to less prosperous communities.

Conclusion

North Carolina legislators have been presented with various concerns and recommendations regarding the tier system. Those concerns include: the use of the tier system for purposes beyond economic development; the system's encouragement of county-level analysis; the concentration of benefits to Tier 2 counties as opposed to the most distressed areas of the state; and, the arbitrary categorization of distress (Nienow & Taylor 2015). The expressed concerns revolve around a desire to reevaluate how the State of North Carolina defines and assists its most economically distressed communities.

Although identified as an issue, sub-county analysis has been avoided as a recommended change to the current system. Data limitations are frequently cited as a reason to avoid sub-county analysis as margins of error tend to be larger due to smaller sample sizes for less populous communities. Focus on this concern, however, ignores a serious limitation of the existing data. County-level data does not accurately portray levels of economic distress in municipalities and other communities. The failure of the current tier system to recognize the hidden distress of less prosperous communities within more prosperous counties perpetuates geographic inequality and enables continued economic distress.

As an immediate solution to the hidden distress of communities in Tier 3 counties, this white paper recommends creating an exception for municipalities significantly located within low-income census tracts, as defined by the federal tax code. This exception will allow municipalities that are more comparable to Tier 1 and Tier 2 counties to be considered for certain projects and funding. Additionally, this white paper offers recommendations for more comprehensive changes to the tier system. Specifically, it is recommended that the General Assembly:

- Adopt new indicators of economic distress that consider the well-being of residents and are transferable to smaller geographies;
- Consider data at the level of census tract or zip code, with a focus on data available from 5-year estimates of the American Community Survey and the United States Census;
- Replace the three-tiered system with an index similar to the Distressed Communities Index published by the Economic Innovation Group;
- Release multiple indices at least every five years.

The use of the tier system by state programs is expected "to encourage economic activity in the less prosperous areas of the state" ("2018 County Tier Designations"). The above recommendations will help the State of North Carolina achieve such a purpose by unveiling and addressing the current distress hidden by county tier designations.

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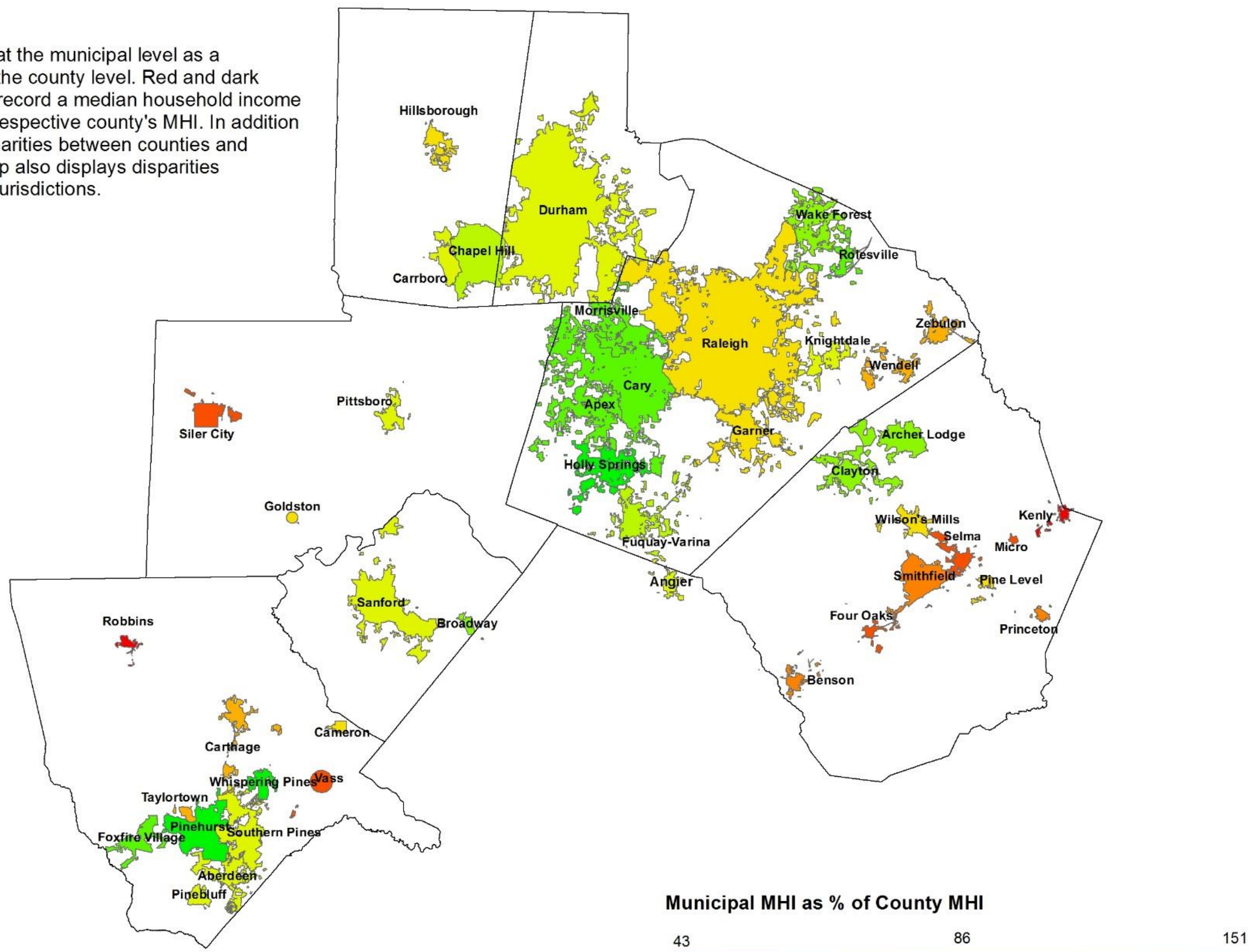
Appendix A:

Municipal and County Comparisons

Data Source: 2016 ACS Estimates

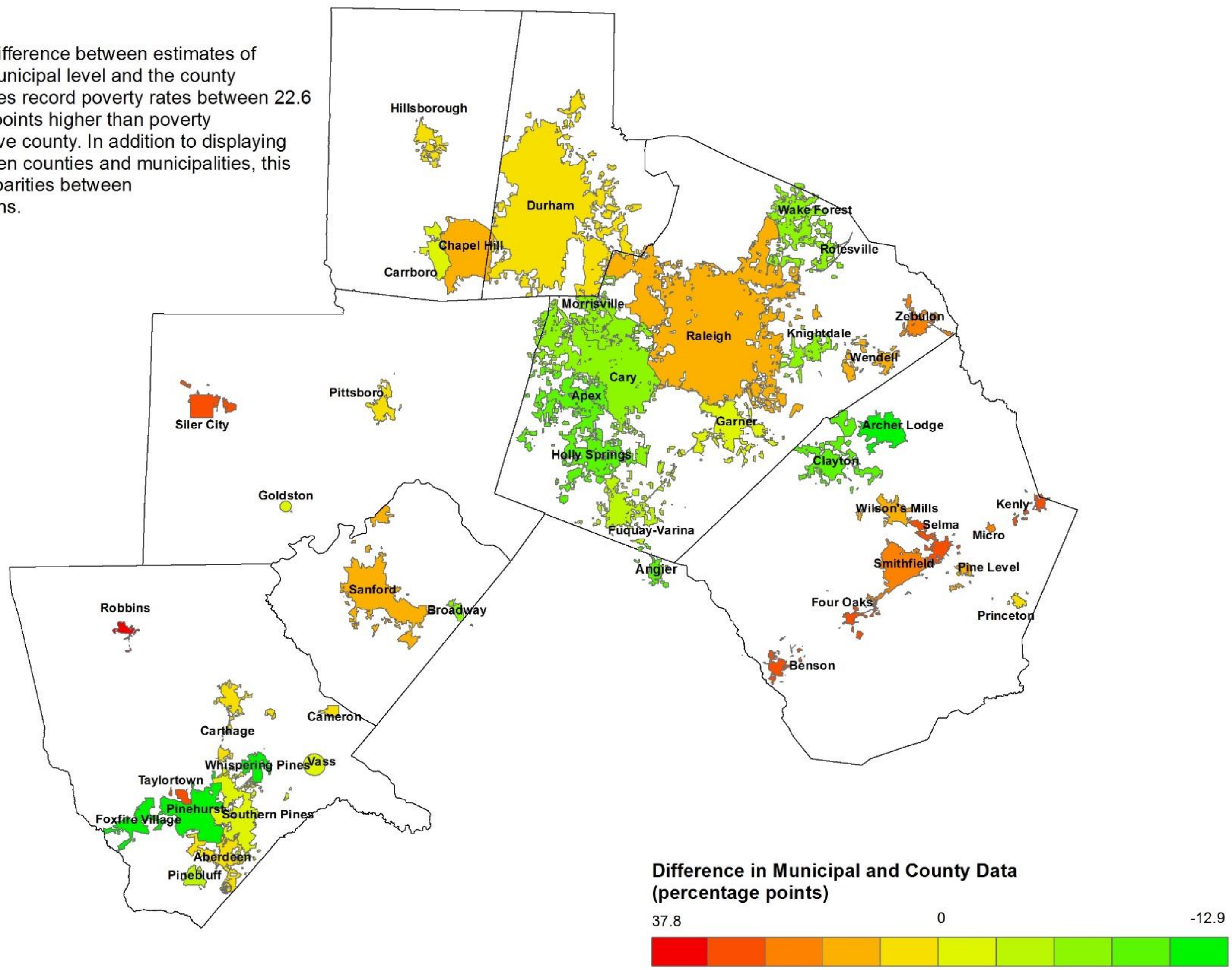
Municipal & County Comparison - Median Household Income (MHI)

This map shows MHI at the municipal level as a percentage of MHI at the county level. Red and dark orange municipalities record a median household income that is 43-56% of the respective county's MHI. In addition to displaying data disparities between counties and municipalities, this map also displays disparities between neighboring jurisdictions.



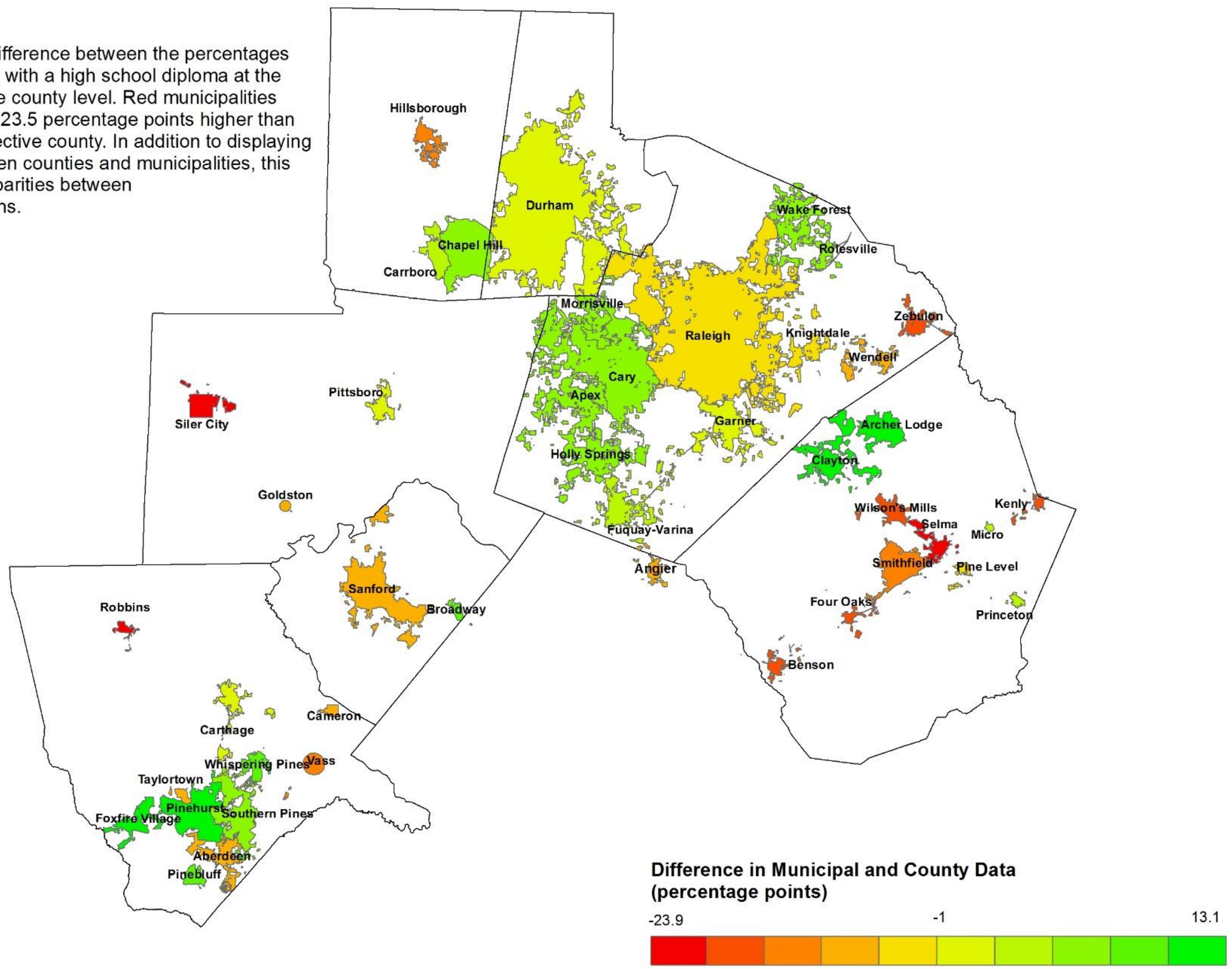
Municipal & County Comparison - Poverty Rates

This map shows the difference between estimates of poverty rates at the municipal level and the county level. Red municipalities record poverty rates between 22.6 and 37.8 percentage points higher than poverty rates for their respective county. In addition to displaying data disparities between counties and municipalities, this map also displays disparities between neighboring jurisdictions.



Municipal & County Comparison - Educational Attainment

This map shows the difference between the percentages of the adult population with a high school diploma at the municipal level and the county level. Red municipalities record rates less than 23.5 percentage points higher than the rates of their respective county. In addition to displaying data disparities between counties and municipalities, this map also displays disparities between neighboring jurisdictions.



Comparison Data Table: The difference between municipal and county data

Municipality	Primary County	Median Household Income (Ratio -- municipal to county)	Poverty Rate (Municipal % - County %)	Educational Attainment (Municipal % - County %)
Aberdeen	Moore	95%	1.0%	-2.2%
Angier	Harnett	90%	-7.1%	-2.8%
Apex	Wake	135%	-6.2%	2.8%
Archer Lodge	Johnston	122%	-12.3%	13.1%
Benson	Johnston	59%	20.1%	-13.2%
Broadway	Lee	112%	-4.4%	5.2%
Cameron	Moore	78%	0.5%	-2.2%
Carrboro	Orange	88%	-0.3%	0.6%
Carthage	Moore	71%	3.0%	-0.3%
Cary	Wake	134%	-4.9%	3.2%
Chapel Hill	Orange	107%	5.6%	3.5%
Clayton	Johnston	117%	-6.5%	7.7%
Durham	Durham	96%	1.1%	-0.4%
Four Oaks	Johnston	56%	15.9%	-12.1%
Foxfire	Moore	126%	-11.9%	8.2%
Fuquay-Varina	Wake	99%	-1.8%	0.8%
Garner	Wake	85%	0.0%	-0.5%
Goldston	Chatham	82%	-1.0%	-2.4%
Hillsborough	Orange	82%	1.8%	-5.5%
Holly Springs	Wake	139%	-6.9%	3.4%
Kenly	Johnston	48%	16.6%	-12.3%
Knightdale	Wake	95%	-3.7%	-1.5%
Micro	Johnston	53%	8.1%	1.2%
Morrisville	Wake	131%	-4.5%	2.3%
Pine Level	Johnston	81%	4.5%	-1.3%
Pinebluff	Moore	95%	-2.3%	5.2%
Pinehurst	Moore	151%	-12.9%	8.3%
Pittsboro	Chatham	88%	0.7%	-0.4%
Princeton	Johnston	61%	1.9%	0.5%
Raleigh	Wake	83%	4.1%	-1.0%
Robbins	Moore	43%	37.8%	-23.7%
Rolesville	Wake	129%	-4.0%	2.8%
Sanford	Lee	91%	4.3%	-2.2%
Selma	Johnston	54%	22.6%	-23.5%
Siler City	Chatham	51%	14.7%	-23.9%
Smithfield	Johnston	64%	9.3%	-7.1%
Southern Pines	Moore	91%	-0.1%	2.6%
Taylortown	Moore	67%	19.9%	-2.0%
Vass	Moore	52%	-1.1%	-8.3%
Wake Forest	Wake	115%	-4.3%	3.1%
Wendell	Wake	67%	6.3%	-3.9%
Whispering Pines	Moore	138%	-10.3%	5.7%
Wilson's Mills	Johnston	83%	4.8%	-10.0%
Zebulon	Wake	72%	8.1%	-11.3%

Municipality	Primary County	Median Household Income	Poverty Rate (all people)	Educational Attainment (HS or >)
Aberdeen	Moore	$ 49,104	15.6%	87.4%
Angier	Harnett	$ 43,354	11.2%	83.0%
Apex	Wake	$ 95,283	4.6%	95.1%
Archer Lodge	Johnston	$ 63,308	2.3%	98.1%
Benson	Johnston	$ 30,918	34.7%	71.8%
Broadway	Lee	$ 52,083	13.9%	86.2%
Cameron	Moore	$ 40,625	15.1%	87.4%
Carrboro	Orange	$ 53,513	14.2%	93.0%
Carthage	Moore	$ 36,842	17.6%	89.3%
Cary	Wake	$ 94,617	5.9%	95.5%
Chapel Hill	Orange	$ 65,373	20.1%	95.9%
Clayton	Johnston	$ 60,989	8.1%	92.7%
Durham	Durham	$ 52,115	18.5%	87.0%
Four Oaks	Johnston	$ 28,902	30.5%	72.9%
Foxfire	Moore	$ 65,104	2.7%	97.8%
Fuquay-Varina	Wake	$ 70,226	9.0%	93.1%
Garner	Wake	$ 59,812	10.8%	91.8%
Goldston	Chatham	$ 48,281	12.6%	84.5%
Hillsborough	Orange	$ 50,240	16.3%	86.9%
Holly Springs	Wake	$ 98,041	3.9%	95.7%
Kenly	Johnston	$ 25,200	31.2%	72.7%
Knightdale	Wake	$ 67,167	7.1%	90.8%
Micro	Johnston	$ 27,500	22.7%	86.2%
Morrisville	Wake	$ 92,769	6.3%	94.6%
Pine Level	Johnston	$ 41,951	19.1%	83.7%
Pinebluff	Moore	$ 49,038	12.3%	94.8%
Pinehurst	Moore	$ 78,338	1.7%	97.9%
Pittsboro	Chatham	$ 51,563	14.3%	86.5%
Princeton	Johnston	$ 31,927	16.5%	85.5%
Raleigh	Wake	$ 58,641	14.9%	91.3%
Robbins	Moore	$ 22,366	52.4%	65.9%
Rolesville	Wake	$ 91,000	6.8%	95.1%
Sanford	Lee	$ 42,070	22.6%	78.8%
Selma	Johnston	$ 27,982	37.2%	61.5%
Siler City	Chatham	$ 29,718	28.3%	63.0%
Smithfield	Johnston	$ 33,415	23.9%	77.9%
Southern Pines	Moore	$ 47,235	14.5%	92.2%
Taylortown	Moore	$ 35,000	34.5%	87.6%
Vass	Moore	$ 26,719	13.5%	81.3%
Wake Forest	Wake	$ 81,200	6.5%	95.4%
Wendell	Wake	$ 47,295	17.1%	88.4%
Whispering Pines	Moore	$ 71,731	4.3%	95.3%
Wilson's Mills	Johnston	$ 43,346	19.4%	75.0%
Zebulon	Wake	$ 51,108	18.9%	81.0%

County Data Table

County	Median Household Income	Poverty Rate (all people)	Educational Attainment (HS or >)
Chatham	$ 58,555	13.6%	86.9%
Durham	$ 54,093	17.4%	87.4%
Harnett*	$ 47,930	18.3%	85.8%
Johnston	$ 51,980	14.6%	85.0%
Lee	$ 46,402	18.3%	81.0%
Moore	$ 51,873	14.6%	89.6%
Orange	$ 61,130	14.5%	92.4%
Wake	$ 70,620	10.8%	92.3%

*Angier is the only member government located in Harnett County.

Appendix B:

2007-2018 County Tier Designations

2007-2018 County Tier Designations

Yellow highlight denotes a change in tier designation.

County	2007 Tier	2008 Tier	2009 Tier	2010 Tier	2011 Tier	2012 Tier	2013 Tier	2014 Tier	2015 Tier	2016 Tier	2017 Tier	2018 Tier	# of Changes	Type of Change
Alamance	2	2	2	2	2	2	2	2	2	2	2	2	0	
Alexander	2	2	2	1	1	2	2	2	2	2	2	2	2	-1/+1
Alleghany	1	1	1	1	1	1	1	1	1	1	1	1	0	
Anson	1	1	1	1	1	1	1	1	1	1	1	1	0	
Ashe	2	2	2	2	2	2	2	2	1	1	1	1	1	-1
Avery	2	2	2	2	2	2	2	2	2	2	2	2	0	
Beaufort	1	1	1	1	1	1	2	1	1	1	1	2	3	-1/+1
Bertie	1	1	1	1	1	1	1	1	1	1	1	1	0	
Bladen	1	1	1	1	1	1	1	1	1	1	1	1	0	
Brunswick	3	3	3	3	3	3	3	3	3	3	3	3	0	
Buncombe	3	3	3	3	3	3	3	3	3	3	3	3	0	
Burke	1	1	1	1	1	1	1	1	2	2	2	2	1	+1
Cabarrus	3	3	3	3	3	3	3	3	3	3	3	3	0	
Caldwell	1	1	1	1	1	1	1	1	2	1	1	2	3	+1/-1/+1
Camden	1	1	1	1	1	1	1	1	1	1	1	1	0	
Carteret	3	3	3	3	3	3	3	3	3	3	3	3	0	
Caswell	1	1	1	1	1	1	1	1	1	1	1	1	0	
Catawba	2	2	2	2	2	2	2	2	2	2	2	2	0	
Chatham	3	3	3	3	3	3	3	3	3	3	3	3	0	
Cherokee	2	2	2	2	1	1	1	2	2	2	1	1	3	-1/+1/-1
Chowan	2	2	1	1	2	1	1	1	1	1	1	1	3	-1/+1/-1
Clay	1	1	1	1	1	1	1	1	1	1	1	1	0	
Cleveland	1	1	1	1	1	1	2	2	2	2	2	2	1	+1
Columbus	1	1	1	1	1	1	1	1	1	1	1	1	0	
Craven	2	2	3	2	3	2	2	2	2	2	2	2	4	+1/-1/+1/-1
Cumberland	1	1	1	2	2	2	2	2	2	2	2	2	1	+1
Currituck	2	2	2	2	2	2	2	2	2	2	2	2	0	
Dare	2	2	2	2	2	2	2	2	2	2	2	2	0	
Davidson	2	2	2	2	2	2	2	2	2	2	2	2	0	
Davie	2	2	2	2	2	2	2	2	2	2	2	2	0	
Duplin	1	1	2	2	2	2	2	2	2	2	2	2	1	+1
Durham	3	3	3	3	3	3	3	3	3	3	3	3	0	
Edgecombe	1	1	1	1	1	1	1	1	1	1	1	1	0	
Forsyth	3	3	3	3	3	3	3	3	3	3	3	2	1	-1
Franklin	3	3	2	2	2	2	3	2	2	2	2	2	3	-1/+1/-1
Gaston	2	2	2	2	2	2	2	2	2	2	2	2	0	
Gates	1	1	1	1	1	2	1	1	1	1	1	1	2	+1/-1
Graham	1	1	1	1	1	1	1	1	1	1	1	1	0	
Granville	2	2	2	2	2	2	2	2	2	2	2	3	1	+1
Greene	1	1	1	1	1	1	2	1	1	1	1	1	2	+1/-1
Guilford	3	3	3	3	3	3	2	3	2	3	2	2	5	-1/+1/-1/+1/-1
Halifax	1	1	1	1	1	1	1	1	1	1	1	1	0	
Harnett	2	2	2	2	2	2	2	2	2	2	2	2	0	
Haywood	3	3	3	2	2	2	3	2	3	2	3	3	6	-1/+1/-1/+1/-1/+1
Henderson	3	3	3	3	3	3	3	3	3	3	3	3	0	
Hertford	1	1	1	1	1	1	1	1	1	1	1	1	0	
Hoke	2	2	2	2	2	2	1	1	2	2	2	2	2	-1/+1
Hyde	1	1	1	1	1	1	1	1	1	1	1	1	0	
Iredell	3	3	3	3	3	3	3	3	3	3	3	3	0	
Jackson	2	2	2	2	2	2	1	1	1	1	1	1	1	-1
Johnston	3	3	3	3	3	3	3	3	3	3	3	3	0	
Jones	1	1	1	1	1	1	1	1	1	1	1	1	0	
Lee	2	2	2	2	2	2	2	2	2	2	2	2	0	
Lenoir	1	1	1	1	1	1	1	1	1	1	2	1	2	+1/-1
Lincoln	3	3	3	2	2	3	2	3	3	3	3	3	4	-1/+1/-1/+1
Macon	2	2	2	2	2	2	2	2	1	1	1	1	1	-1
Madison	2	2	2	2	2	2	2	2	2	2	2	2	0	

2007-2018 County Tier Designations

Yellow highlight denotes a change in tier designation.

County	2007 Tier	2008 Tier	2009 Tier	2010 Tier	2011 Tier	2012 Tier	2013 Tier	2014 Tier	2015 Tier	2016 Tier	2017 Tier	2018 Tier	# of Changes	Type of Change
Martin	1	1	1	1	1	1	1	1	1	1	1	1	0	
McDowell	1	1	2	1	1	1	1	2	2	1	1	1	4	+1/-1/+1/-1
Mecklenburg	3	3	3	3	3	3	3	3	3	3	3	3	0	
Mitchell	1	1	1	1	1	1	1	1	2	2	1	1	2	+1/-1
Montgomery	1	1	1	1	1	1	1	1	1	1	1	1	0	
Moore	3	3	3	3	3	3	3	3	3	3	3	3	0	
Nash	2	2	2	2	2	2	2	2	1	1	2	2	2	-1/+1
New Hanover	3	3	3	3	3	3	3	3	3	3	3	3	0	
Northampton	1	1	1	1	1	1	1	1	1	1	1	1	0	
Onslow	2	2	2	3	3	2	2	2	2	2	2	2	2	+1/-1
Orange	3	3	3	3	3	3	3	3	3	3	3	3	0	
Pamlico	2	2	2	2	2	2	2	2	2	2	2	2	0	
Pasquotank	2	2	2	2	2	2	2	1	1	1	1	1	1	-1
Pender	2	2	2	3	3	3	3	3	3	3	3	3	1	+1
Perquimans	2	2	2	2	2	2	2	1	1	1	2	1	3	-1/+1/-1
Person	2	2	2	2	2	2	2	2	2	2	1	1	1	-1
Pitt	2	2	2	2	2	2	2	2	2	2	2	2	0	
Polk	2	2	2	2	2	2	2	2	2	2	2	2	0	
Randolph	2	2	2	2	2	2	2	2	2	2	2	2	0	
Richmond	1	1	1	1	1	1	1	1	1	1	1	1	0	
Robeson	1	1	1	1	1	1	1	1	1	1	1	1	0	
Rockingham	1	1	1	1	1	1	1	1	1	2	2	2	1	+1
Rowan	2	2	2	2	2	2	2	2	2	2	2	2	0	
Rutherford	1	1	1	1	1	1	1	1	1	1	2	2	1	+1
Sampson	2	2	2	2	2	2	2	2	2	2	2	2	0	
Scotland	1	1	1	1	1	1	1	1	1	1	1	1	0	
Stanly	2	2	2	2	2	2	2	2	2	2	2	2	0	
Stokes	2	2	2	2	2	2	2	2	2	2	2	2	0	
Surry	1	1	1	1	1	1	2	1	1	2	2	2	3	+1/-1/+1
Swain	2	2	2	2	1	1	1	1	1	1	1	1	1	-1
Transylvania	2	2	2	2	2	2	2	2	2	2	2	2	0	
Tyrrell	1	1	1	1	1	1	1	1	1	1	1	1	0	
Union	3	3	3	3	3	3	3	3	3	3	3	3	0	
Vance	1	1	1	1	1	1	1	1	1	1	1	1	0	
Wake	3	3	3	3	3	3	3	3	3	3	3	3	0	
Warren	1	1	1	1	1	1	1	1	1	1	1	1	0	
Washington	1	1	1	1	1	1	1	1	1	1	1	1	0	
Watauga	2	2	2	2	2	3	3	3	3	3	3	3	1	+1
Wayne	1	1	1	1	2	2	2	2	2	2	2	2	1	+1
Wilkes	2	2	1	1	1	1	1	2	2	2	2	2	2	-1/+1
Wilson	1	1	1	2	2	2	1	1	1	2	2	2	3	+1/-1/+1
Yadkin	2	2	2	2	2	2	2	2	2	2	1	1	1	-1
Yancey	1	1	2	2	2	1	1	2	2	1	1	1	4	+1/-1/+1/-1
TOTAL	**0**	**0**	**7**	**9**	**5**	**8**	**12**	**13**	**9**	**8**	**10**	**6**	**87**	

Appendix C:

2017 Distressed Communities Index by EIG

DCI Methodology

The following is directly excerpted from: https://eig.org/2017-dci-methodology

"The Distressed Communities Index (DCI) combines seven complementary metrics into a single holistic measure of community economic well-being. It can be calculated at multiple different scales: in this report at the zip code, city, county, and congressional district levels. In all, it captures 99 percent of the U.S. population and covers more than 26,000 zip codes and more than 3,000 counties (those with over 500 people) as well as nearly 800 cities (those with at least 50,000 people). The DCI is constructed using data from the U.S. Census Bureau's American Community Survey 5-Year Estimates for 2011-2015 and Business Patterns data from the years 2011 and 2015.

The seven component metrics of the DCI are:

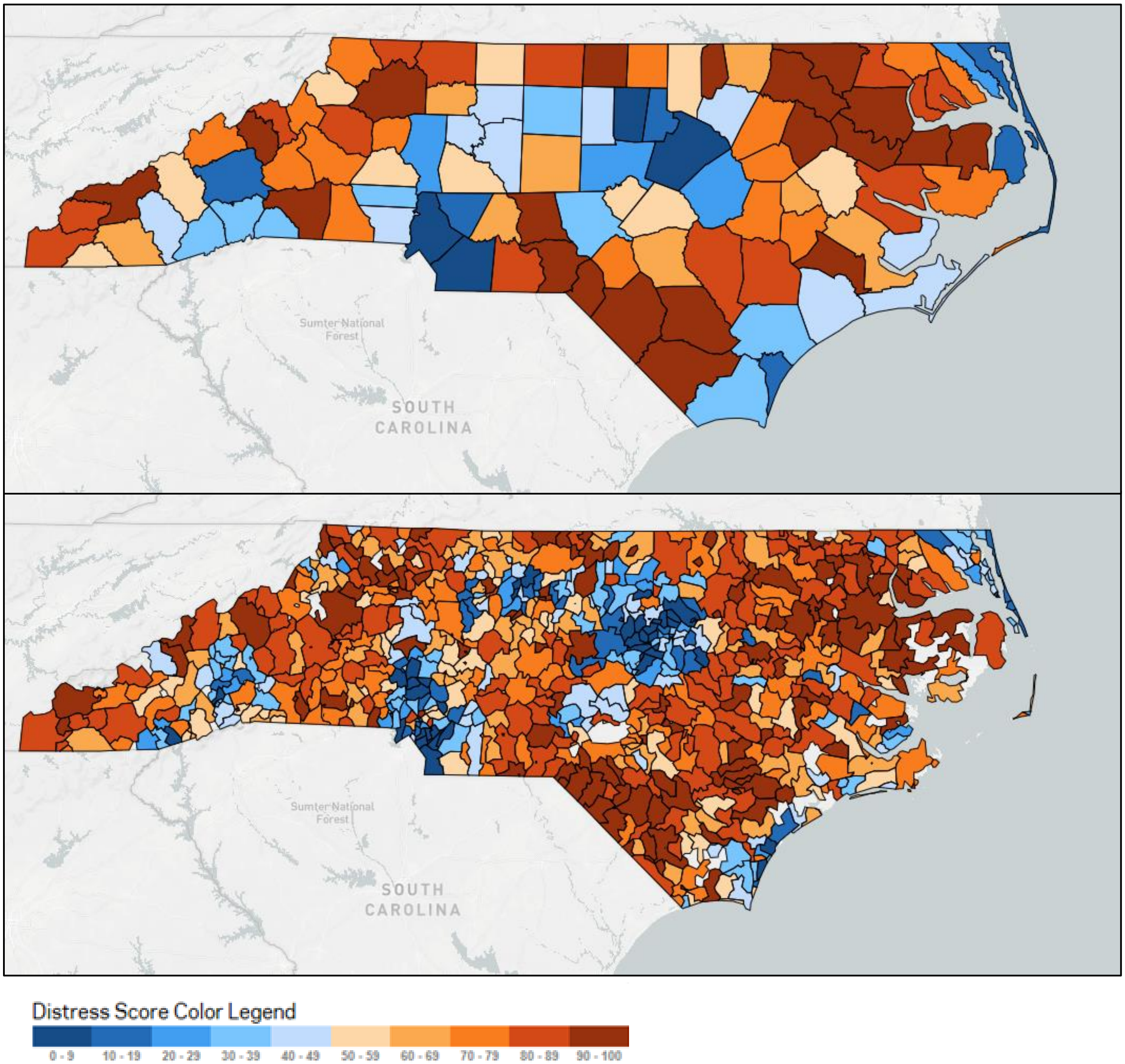
1. **No high school diploma:** Percent of the population 25 years and older without a high school diploma or equivalent
2. **Housing vacancy rate:** Percent of habitable housing that is unoccupied, excluding properties that are for seasonal, recreational, or occasional use
3. **Adults not working:** Percent of the prime-age population (ages 25-64) not currently in work
4. **Poverty rate:** Percent of the population living under the poverty line
5. **Median income ratio:** A geography's median income expressed as a percentage of its state's median income
6. **Change in employment:** Percent change in the number of jobs from 2011 to 2015
7. **Change in business establishments:** Percent change in the number of business establishments from 2011 to 2015

Each component is intended to capture a distinct aspect of well-being. The first five indicators are relatively static and descriptive, while the latter two are more dynamic and directional. All are weighted equally in the index to reflect the multifaceted nature of prosperity, distress, and the states in between. Together, they provide a more complete picture of the economic state of a community than any single indicator could on its own.

Distress scores are calculated at each scale by ranking geographic units on each of the seven metrics, taking the average of those ranks, and then normalizing the average to be equivalent to a percentile. The result is a range of distress scores from 0 to 100, such that the zip code with the average rank of 13,000 out of 26,000 will register a distress score of 50.0. Given that the methodology requires ranking each geography among its peers (e.g. zip codes among zip codes and cities among cities), distress scores are not comparable across different tiers of geography. In other words, the underlying performance of a zip code and a city at the same percentile across the seven component metrics of the DCI may differ."

DCI Maps

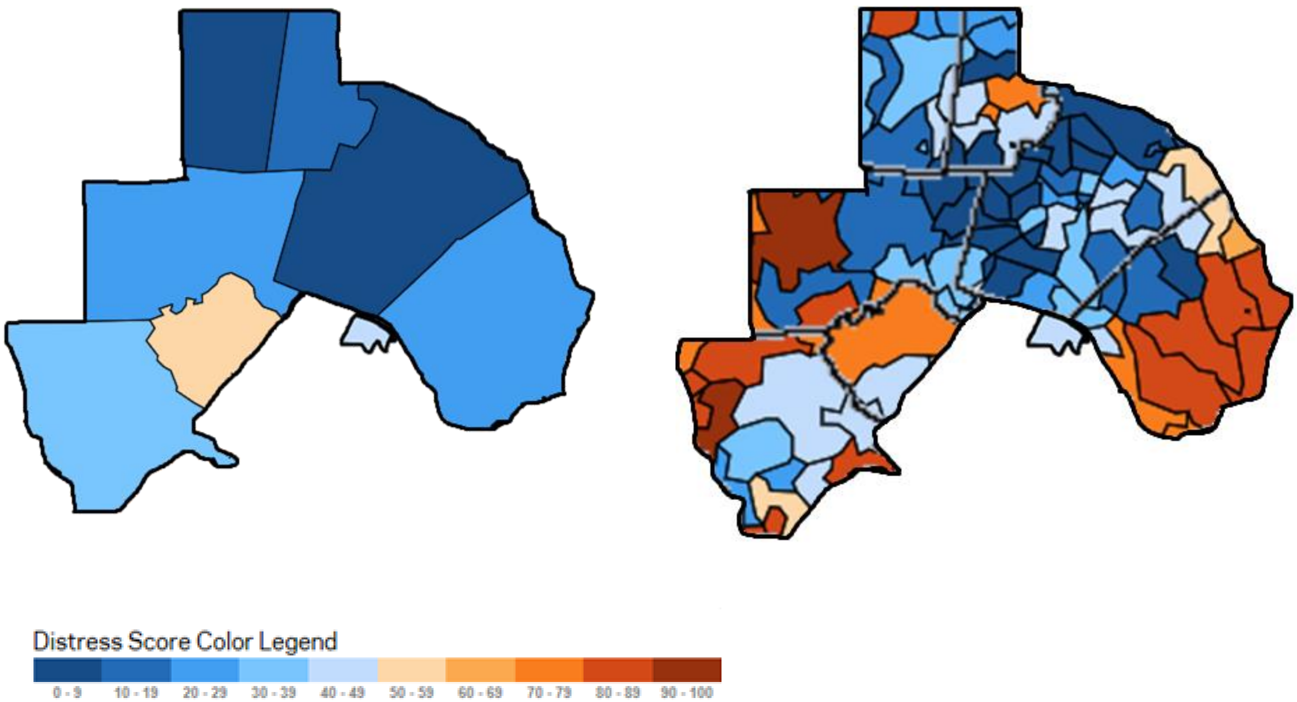
The 2017 Distressed Communities Index by North Carolina county (top map) and zip code (bottom map).



Accessed on July 6, 2018 at: https://eig.org/2017-dci-map-u-s-zip-codes-state-map; https://eig.org/2017-dci-map-u-s-counties-state-map

DCI Maps

The 2017 Distressed Communities Index maps for the region served by the Triangle J Council of Governments. The comparison of the county and zip code map reveals the importance of scale when measuring economic distress. The distressed communities within the Triangle J region are obscured by use of county data.



Accessed on July 6, 2018 at: https://eig.org/2017-dci-map-u-s-zip-codes-state-map; https://eig.org/2017-dci-map-u-s-counties-state-map