

COVID-19 and North Carolina's Economic Development Organizations: Perspectives on Response, Recovery, and Shifting Priorities

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Introduction

The COVID-19 pandemic is an ongoing global public health crisis with consequences that continue to reverberate across local economies. Early on, the temporary closing of “non-essential” businesses and government-mandated stay-at-home orders caused a massive disruption in economic activity. The acute economic shock resulted in record levels of unemployment and joblessness, altered business supply chains, and significantly reconfigured the workforce. In some ways, the recovery has been as swift as the fallout—nationally, the recession induced by the pandemic lasted just two months and ended in April 2020.¹ Concurrently, many segments of the economy and labor market have seen an uneven recovery. At this point it is still unclear what the “new normal” will look like.

Economic development organizations (EDOs) have been instrumental in helping communities with their pandemic response and recovery efforts while continuing to advance development priorities. At the outset, many EDOs worked with manufacturers to produce surgical masks, medical gowns, and other types of personal protective equipment (PPE) for frontline healthcare providers. Others helped companies increase the production of essential items like toilet paper and hand sanitizer, which were in short supply for most of 2020. And, as the effects of the pandemic stretched from months to years, EDOs became deeply involved in a variety of long-term recovery efforts.

The future of economic and community development practice will be shaped by the experiences of EDOs in pandemic response and recovery efforts. To better understand the role of EDOs throughout the pandemic, this bulletin analyzes findings from a survey of North Carolina EDOs conducted in the fall of 2021. The results provide data about EDO pandemic strategies as well as insights on their development goals going forward.

About the Survey

The survey was designed to understand how EDOs have responded throughout both the pandemic’s immediate crisis period and the recovery process. The questions asked respondents how their service area had been impacted, and how (or if) those impacts have changed their longer-term development priorities and strategies. An invitation was sent via email to 290 staff members from 168 unique North Carolina local economic development organizations.² The respondent list combined information shared by the Economic Development Partnership of North Carolina (EDPNC) with contacts previously compiled by the UNC School of Government. Respondents were encouraged to forward the invitation to colleagues, if they believed they were not the best person to complete the questionnaire.

The survey opened on October 11 and closed on November 9, 2021. Respondents received an initial email invite, and those who did not respond received an additional three reminders. When the survey closed, any organization that had started but not completed the questionnaire was

1. NBER (National Bureau of Economic Research), “Determination of the April 2020 Trough in US Economic Activity,” Business Cycle Dating Committee Announcement, July 19, 2021, <https://www.nber.org/news/business-cycle-dating-committee-announcement-july-19-2021>.

2. The survey population included organizations with a primary goal of fostering economic development at a municipal, county, or regional level. This included North Carolina local governments, public-private development partnerships, chambers of commerce, and regional development authorities.

recorded as a partial response. There were 110 fully completed surveys and 19 partial responses, or 129 in total. Respondents self-identified as having a municipal (26.4%, n=34), county (56.6%, n=73), regional (8.5%, n=11), or other (6.2%, n=8) service area.³

The number of responses per question varies due to partially complete surveys and because “I Don't Know” or “Not Applicable” answer options are excluded from tabulations. Unless otherwise specified, items that display subtotals for municipal, county, and regional service areas include organizations classifying their service area as “other” in the overall total.

Perspectives on Pandemic Recovery

Though the pandemic by now is a seemingly omnipresent force, for the last couple of years it created ongoing uncertainty in the economic development process.⁴ When asked how much longer the negative effects of the pandemic were likely to impact their service area, a minority of respondents estimated conditions would improve in less than six months (15.3%, n=15). Most (73.5%, n=72) expected the pandemic's negative impacts to continue for six months to two years. The remainder (11.2%, n=11) anticipated that the economic damage would linger for more than two years.

Respondents were asked to project the level of economic activity in their community *at the time of the survey* compared to the area's economic activity *before the pandemic*. Interestingly, a third of respondents with municipal and county service areas indicated overall economic activity was *far above* its pre-COVID levels. An equally sizable number of respondents reported activity *below* pre-COVID levels, but almost no organization said activity was *far below* where it was before the pandemic. A comparison of these responses is illustrated in Figure 1.

Other data would seem to corroborate these views. The state's private-sector economic output by the end of 2021 was 2.8 percent higher than it was at the end of 2019.⁵ And, according to the Economic Development Partnership of North Carolina's database of project activity, the state saw record numbers of new jobs and capital investment announced in 2021. Figure 2 provides a comparison of job creation and investment statistics for the state for 2018 to 2021.⁶

3. Those selecting “other” included organizations like airport authorities, public-private partnerships, and economic development staff working at higher education institutions.

4. Scott R. Baker et al., “COVID-Induced Economic Uncertainty,” Working Paper Series (NBER, April 13, 2020), <https://doi.org/10.3386/w26983>.

5. Bureau of Economic Analysis, “Real Gross Domestic Product by State: Compound Annual Growth Rate (SQGDP9)” (U.S. Department of Commerce, March 31, 2022), <https://apps.bea.gov/itable/itable.cfm?ReqID=70&step=1&acrdn=1>.

6. Economic Development Partnership of North Carolina (EDPNC), “Community Investment Report” (2022), <https://cir.edpnc.com/>. EDPNC's Community Investment Report (CIR) database is comprehensive and is, indeed, the only way to make aggregate assessments of project activity in the state. But, like all such efforts, it has limitations. In this case, it is important to note the CIR's investment and job-creation numbers are based on initial public announcements only. They do not include revised data nor any investment or job figures that are confidential.

Figure 1. EDO Perceptions of Economic Activity

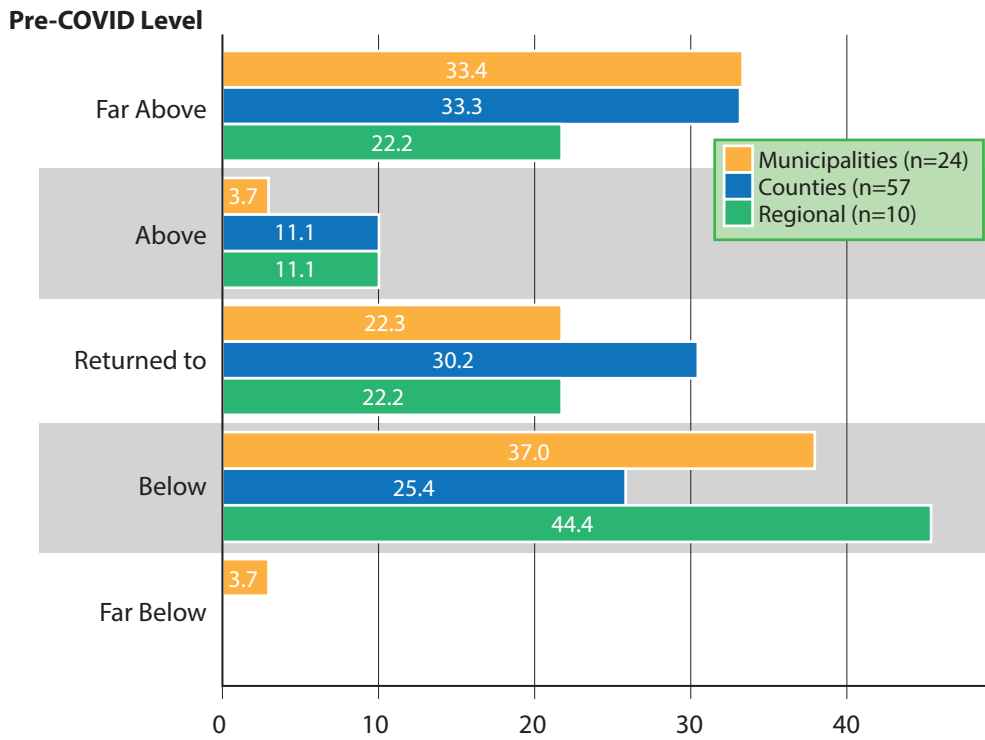


Figure 2. Aggregate Job Creation and Investment by Year

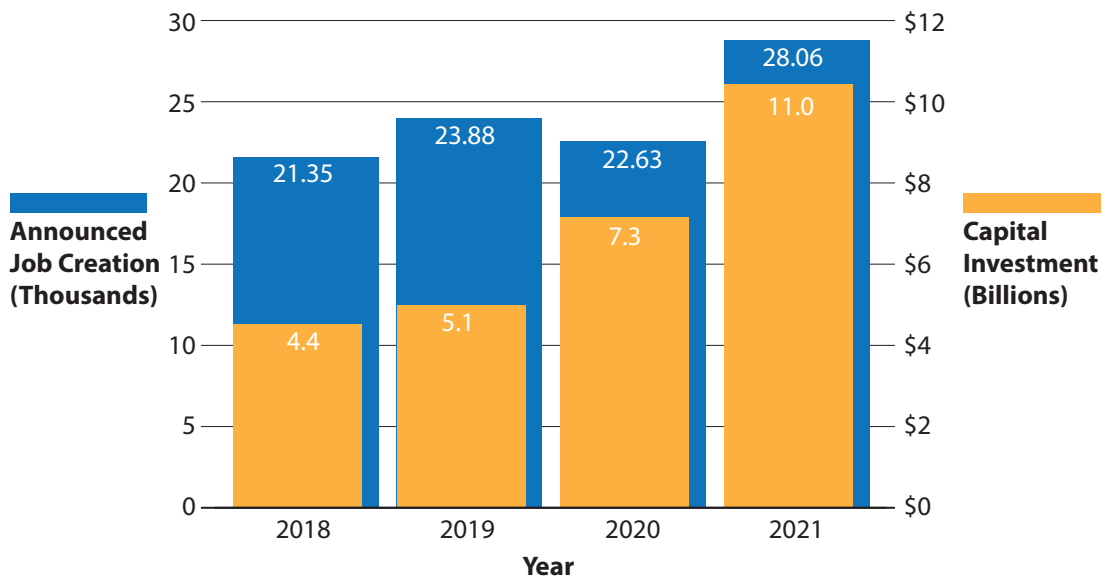


Table 1. Industries Most Adversely Impacted (Expressed as Percentages)^a

Industry 2-Digit NAICS	Municipalities (n=26)	Counties (n=68)	Regional (n=11)	Total (n=112)
Accommodation and Food	19.8	19.0	15.8	18.5
Retail Trade	17.8	15.8	18.4	17.0
Arts & Entertainment	20.8	11.1	5.3	12.9
Manufacturing	5.9	12.6	15.8	11.3
Health Care and Social Aid	11.9	11.1	7.9	11.0
All Other Sectors ^b	23.8	30.5	36.8	29.3

a. Respondents were asked to select one to five industry sectors that they believed were most adversely impacted in their service area. A total of 417 selections were made for the most impacted industries (101 for municipalities, 253 for counties, 38 for regional, and 25 for other types of organizations).

b. "Other" is the sum of all other two-digit NAICS codes selected by respondents. Four industry sectors were not selected by any respondent: (1) Finance and Insurance; (2) Information; (3) Management of Companies and Enterprises; and (4) Professional, Scientific, and Technical Services.

All industries have been negatively affected by the pandemic. But service sectors experienced the largest adverse impact by far, as they were most vulnerable to the effects of government-mandated lockdowns and forced business closings.⁷ Even after public health restrictions were eased, service-oriented businesses had to manage a multitude of safety precautions and occupancy restrictions. By one estimate, roughly 40 percent of the 22 million jobs lost across the U.S. from February to April 2020 were in the leisure and hospitality industries.⁸ Like most of the pandemic's fallout, the adverse effects observed in these sectors were uneven. For example, business ownership within U.S. service industries declined precipitously in the early months of 2020. But the largest losses accrued to owners who were racial minorities.⁹ Consistent with the national pattern, survey respondents indicated that negative impacts were concentrated in the food service, accommodation, retail, and entertainment industries (see Table 1). While these sectors were most frequently selected overall, there was notable variation.

7. Joseph Amankwah-Amoah, Zaheer Khan, and Geoffrey Wood, "COVID-19 and Business Failures: The Paradoxes of Experience, Scale, and Scope for Theory and Practice," *European Management Journal* 39, no. 2 (September 6, 2020): 179–84, <https://doi.org/10.1016/j.emj.2020.09.002>; Sharon Stang, "Impact of the Coronavirus Pandemic on Businesses and Employees by Industry," Spotlight on Statistics (U.S. Bureau of Labor Statistics, July 2021), <https://www.bls.gov/spotlight/2021/impact-of-the-coronavirus-pandemic-on-businesses-and-employees-by-industry/pdf/impact-of-the-coronavirus-pandemic-on-businesses-and-employees-by-industry.pdf>.

8. Mitchell Barnes, Lauren Bauer, and Wendy Edelberg, "11 Facts on the Economic Recovery from the COVID-19 Pandemic" (Brookings Institution, September 29, 2021), <https://www.brookings.edu/research/11-facts-on-the-economic-recovery-from-the-covid-19-pandemic/>.

9. Robert Fairlie, "The Impact of COVID-19 on Small Business Owners: Evidence from the First Three Months after Widespread Social-Distancing Restrictions," *Journal of Economics & Management Strategy* 29, no. 4 (August 27, 2020): 727–40, <https://doi.org/10.1111/jems.12400>.

Table 2. Views on Small Business Resiliency (Expressed as Percentages)

Small businesses in my community... (n=111)	Strongly Disagree	Disagree	Agree	Strongly Agree
Successfully adapted their pandemic operations.	1.8	12.6	64.9	20.7
Are receiving increased local support/attention.	1.8	10.0	59.1	29.1
Will be more likely to fail without public support.	14.0	53.0	27.0	6.0

About 67.4 percent of retail establishments, 41.3 percent of food and accommodation establishments, and 70.7 percent of entertainment establishments in North Carolina are small businesses with fewer than 10 employees.¹⁰ It is perhaps not surprising then that the pandemic's adverse economic effects had wide reach within the state's small business ecosystem. Analysis by Carolina Small Business Development Fund estimated that 141,877 small and medium-sized businesses were in industries that were highly vulnerable to the pandemic.¹¹ When asked about the small businesses in their communities, most survey respondents perceived a high level of resiliency. The vast majority (85.6%) agreed or strongly agreed entrepreneurs were able to successfully adapt their business model and had received a large amount of local support (88.2%). Interestingly, two-thirds of respondents (67.0%) disagreed or strongly disagreed with the idea that small business survival depends on additional public support. Table 2 provides a breakdown of these responses.

A variety of macroeconomic and business climate factors can hamper recovery efforts. The pandemic ushered in remote work on a scale previously unseen and resulted in a substantial amount of worker dislocation. A record number of U.S. workers also *chose* to quit their jobs, a phenomenon coined the "Great Resignation."¹² Consistent with the labor-force shifts observed nationally, North Carolina EDOs were most likely to cite workforce-related challenges, including general labor shortages (94.9%) and a mismatch between worker skills and employer needs (70.9%) as top recovery challenges (see Table 3). Again though, there was notable variation, as nearly one in three respondents indicated top issues not in the below list. These other issues included supply chain shortages, rapidly increasing raw materials prices, and a lack of affordable housing. A much higher percentage of respondents from county service areas reported these other barriers compared to respondents representing municipalities.

10. U.S. Census Bureau, "County Business Patterns by Employment Size Class for the U.S., States, and Selected Geographies (Table CB1900CBP)" (2019), [https://data.census.gov/cedsci/table?t=Small Business&g=0400000US37&tid=CBP2019.CB1900CBP](https://data.census.gov/cedsci/table?t=Small+Business&g=0400000US37&tid=CBP2019.CB1900CBP).

11. Jamie McCall, "Assessing the Early Economic Impacts of COVID-19 on North Carolina's Small Business Community" (Carolina Small Business Development Fund, April 1, 2020), <https://doi.org/10.46712/covid19.economic.impacts>.

12. However, since the proportion of voluntary resignations versus job-to-job transitions varies greatly by industry, some research has argued this trend is more accurately characterized as the *Great Reallocation*. See Serdar Birinci and Aaron Amburgey, "The Great Resignation vs. The Great Reallocation: Industry-Level Evidence," *Economic Synopses* 4 (2022): 1–2, <https://doi.org/10.20955/es.2022.4>.

Table 3. Top Barriers to Pandemic Recovery (Expressed as Percentages)^a

Recovery Barrier Area	Municipalities (n=30)	Counties (n=69)	Regional (n=11)	Total (n=117)
Acute Labor Shortages	96.7	95.7	81.8	94.9
Workforce Skill Mismatch	76.7	73.9	45.5	70.9
Unemployment Levels	36.7	29.0	36.4	31.6
Other Barrier Not Listed	16.7	34.8	27.3	29.9
Small Business Failures	30.0	20.3	36.4	25.6
Business Startups/Relocations	20.0	14.5	36.4	17.9
Population Outmigration	3.3	26.1	9.1	17.1
Tax Revenue Declines	20.0	5.8	27.3	12.0

a. Respondents were asked to select at least three factors they believed were most likely to hamper pandemic recovery efforts. This table displays the percentage of times each factor was selected as a top three item.

How North Carolina's EDOs Have Responded

In some ways, the pandemic resembles a natural disaster—a scenario with which North Carolina's EDOs are unfortunately very familiar. But hurricanes, floods, earthquakes, and similar events harm the economy through localized physical destruction that occurs over days or weeks. Conversely, the public health mandates required to control the pandemic meant citizens staying at home and businesses shuttered (or operating at reduced capacity) for many months.¹³ The unusual nature of the COVID-19 disaster meant response efforts for both residents and businesses were broader than perhaps ever before.¹⁴ This is reflected in the sizable minority of respondents (43.5%) indicating use of emergency grant aid for businesses. One in three organizations (29.6%) also reported some sort of utility payment assistance program for residents, though this occurred more frequently for those in municipal (41.4%) service areas versus counties (26.1%).

Beyond providing direct cash aid, survey respondents prioritized connecting job seekers to employment (53.0%), buy-local campaigns (52.2%), helping businesses secure external funding (49.6%), and small business technical assistance (36.5%). EDOs representing county (60.9%) and regional (60.0%) service areas were much more likely than municipalities (27.6%) to be involved in connecting job seekers to employment (60.9% vs. 27.6%) and assisting businesses applying for external aid (58.0% and 60.0% vs. 27.6%, respectively). See Table 4 for more details about allocation of resources among various program areas.

13. Antoine Mandel and Vipin Veetil, "The Economic Cost of COVID Lockdowns: An Out-of-Equilibrium Analysis," *Economics of Disasters and Climate Change* 4, no. 3 (October 1, 2020): 431–51, <https://doi.org/10.1007/s41885-020-00066-z>.

14. The pandemic represents the first *widescale* use of cash aid as a means of disaster response. There are only a few documented cases of using grant assistance at any scale previously. Notably though, it did occur in the aftermath of both the September 11 terrorist attacks and Hurricane Katrina. See Kevin Fox Gotham, "From 9/11 to 8/29: Post-Disaster Recovery and Rebuilding in New York and New Orleans," *Social Forces* 87, no. 2 (December 1, 2008): 1039–62, <https://doi.org/10.1353/sof.0.0131>.

Table 4. Pandemic Response Program Areas (Expressed as Percentages)^a

Recovery Program Area	Municipalities (n=29)	Counties (n=69)	Regional (n=10)	Total (n=115)
Programs Benefiting Residents				
Connecting Job Seekers to Openings	27.6	60.9	60.0	53.0
Utility Payment Assistance	41.4	26.1	30.0	29.6
Eviction Suspensions	17.2	7.2	30.0	12.2
Housing Financial Assistance	17.2	10.1	10.0	11.3
Programs Benefiting Businesses				
Support Local Business Campaigns	55.2	49.3	50.0	52.2
Help Applying for Other Aid ^b	27.6	58.0	60.0	49.6
Emergency Grant Aid	31.0	50.7	20.0	43.5
Small-Business Technical Assistance	31.0	39.1	40.0	36.5
Business Disaster Loans	20.7	20.3	20.0	20.0
Other Programs Not Listed ^c	3.4	5.8	10.0	5.2
Temporary Business Permits	10.3	0.0	0.0	2.6
EDO Didn't Add or Expand Programs				
No New or Expanded Programs	27.6	7.2	10.0	12.2

a. This question measures pandemic response initiatives that the respondent organization created, expanded, and/or financially supported.

b. This option refers to technical assistance programs that helped businesses apply for pandemic-related aid from sources external to the respondent (e.g., the Paycheck Protection Program).

c. Respondents selecting "other" mostly described efforts to help businesses retain their workforce or attract new workers in critical shortage areas.

COVID-19 financial assistance initiatives had a large variety of eligibility criteria and restrictions. These requirements sought to balance the timely distribution of aid with concerns about potential fraud. But it is important to note that equitable access to aid—particularly for constituencies that have been historically marginalized—has been a problem throughout the pandemic.¹⁵ Though most respondents indicated a variety of response initiatives, they also indicated that these programs came with multiple eligibility qualifiers. The most frequently cited types of eligibility criteria were economic distress/financial need (47.5%), location restrictions (31.3%), job retention (28.8%), minimum firm age (21.3%), and employment payroll caps (20%) (see Table 5). Sometimes these restrictions were mandated by the funding source. For example, Community Development Block Grant (CDBG) funds by law must benefit low- or moderate-income individuals.

15. Rachel Atkins, Lisa Cook, and Robert Seamans, "Discrimination in Lending? Evidence from the Paycheck Protection Program," *Small Business Economics* 58, no. 2 (February 1, 2022): 843–65, <https://doi.org/10.1007/s11187-021-00533-1>; Sabrina T. Howell et al., "Automation and Racial Disparities in Small Business Lending: Evidence from the Paycheck Protection Program," Working Paper Series (NBER, October 2021), <https://doi.org/10.3386/w29364>.

Table 5. Pandemic Response Program Eligibility Restrictions (Expressed as Percentages)

Type of Restriction	Municipalities (n=16)	Counties (n=52)	Regional (n=7)	Total (n=80)
Economic Distress <i>Must demonstrate financial need</i>	31.3	53.9	57.1	47.5
Location Restrictions^a <i>Limited to certain geographic areas</i>	43.8	23.1	42.9	31.3
Employment Retention <i>Must retain a % of pre-COVID-19 jobs</i>	6.3	34.6	42.9	28.8
Minimum Firm Age <i>Must be in operation pre-COVID-19</i>	25.0	23.1	0.0	21.3
Employment Caps <i>Payroll in a certain range or threshold</i>	25.0	21.2	0.0	20.0
Industry Restrictions <i>Limited to a subset of industries</i>	12.5	21.2	28.6	18.8
Benefits Duplication^b <i>Not eligible if similar aid was received</i>	12.5	15.4	14.3	15.0
Low and Moderate Income <i>Based on individual income thresholds</i>	31.3	5.8	14.3	12.3
Revenue Caps <i>Gross revenues in a range or threshold</i>	12.5	9.6	14.3	12.3
No Restrictions <i>None of the above restrictions</i>	25.0	30.8	14.3	27.6

a. Limitations related to the entirety of the organization's direct service area—e.g., a county government with a small-business grant eligible to any small business in the county—are not counted as a restriction.

b. This also includes restrictions that required the beneficiary to repay aid if it received similar assistance from a different source in the future.

Funding Pandemic Response and Recovery Efforts

The bulk of respondents (67.8%) reported the Coronavirus Aid, Relief, and Economic Security Act (CARES) as a funding source for COVID-19 relief and recovery initiatives. Most (57.1%) indicated that they had utilized at least some funds from the American Rescue Plan (ARP). Lower reported utilization of ARP could be a function of timing, as the legislation was passed in March 2021 and funds are not required to be obligated until December 31, 2024.¹⁶ North Carolina EDOs also indicated that they had used local general fund revenue (52.4%), CDBG dollars (40.5%), and private funding sources (27.4%) in their recovery efforts (see Table 6).

Looking forward, organizations were also asked how they planned to use ARP funds. This includes both those who had already received funds and spent some of them as well as those who had not yet received ARP funds but expected they would. The top planned use of ARP funds was water/sewer infrastructure, which was cited by most survey respondents (57.8%). The next highest planned uses were for broadband infrastructure (36.7%) and affordable housing development (22.2%). See Figure 3 for a detailed list of plans for the use of ARP funds.

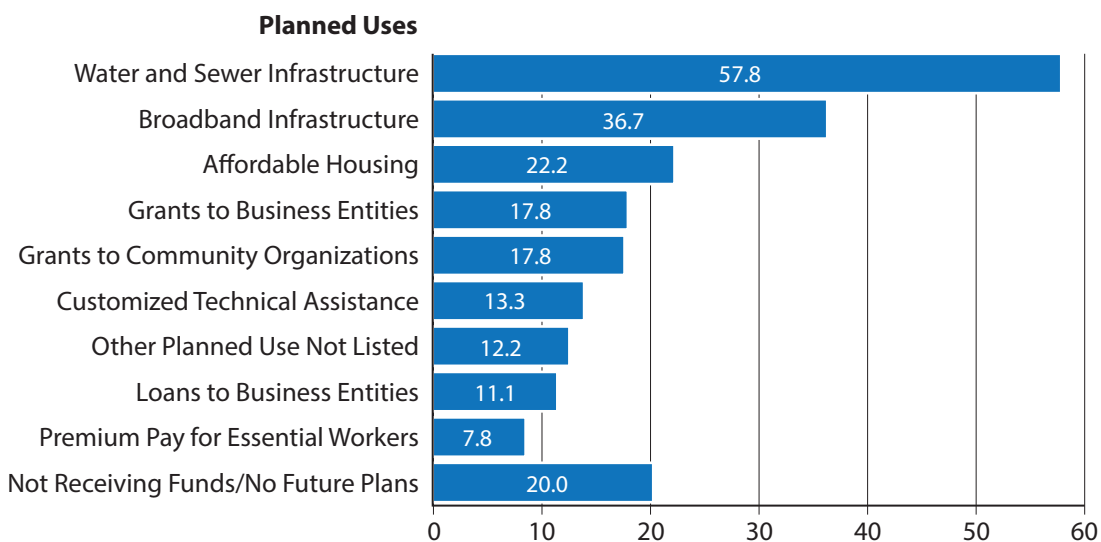
16. National Conference of State Legislatures, "ARPA State Fiscal Recovery Fund Allocations," Fiscal Policy Research Brief (National Conference of State Legislatures, March 30, 2022), <https://www.ncsl.org/research/fiscal-policy/arpa-state-fiscal-recovery-fund-allocations.aspx>.

Table 6. Funding Sources for Pandemic Response/Recovery Initiatives (Expressed as Percentages)^a

Pandemic Challenge Area	Municipalities (n=20)	Counties (n=50)	Regional (n=10)	Total (n=84)
CARES Funds	75.0	66.0	50.0	67.9
American Rescue Plan (ARP)	70.0	50.0	70.0	57.1
Local Revenues/General Fund	55.0	52.0	50.0	52.4
CDBG Program Funds	25.0	46.0	50.0	40.5
Private Funding Sources	15.0	26.0	50.0	27.4
FEMA Disaster Loan Programs	15.0	12.0	10.0	13.1
Other Funding Sources Not Listed ^b	0.0	6.0	20.0	6.0
NC Emergency Solutions Grants	10.0	2.0	0.0	3.6

a. Respondents were asked to select *all* funding sources utilized for pandemic relief programs.

b. Organizations selecting “other” described the use of funding from the U.S. Department of Agriculture and the Small Business Administration.

Figure 3. Planned Uses of American Rescue Plan (ARP) Funds (n=90) (Expressed as Percentages)^a

a. Respondents selecting “other planned use” indicated projects related to workforce development and bolstering recreation amenities.

Early estimates about the effect of the pandemic on local revenues were, at best, mixed. Initial projections were dire and forecasted steep and sustained shortfalls.¹⁷ Concurrently, a survey of North Carolina local governments in April 2020 found that most cities and counties expected sales tax reductions would rebound by the second quarter of fiscal year 2021.¹⁸ This optimism

17. Bruce D. McDonald, III, and Sarah E. Larson, “Implications of the Coronavirus on Sales Tax Revenue and Local Government Fiscal Health,” *Journal of Public and Nonprofit Affairs* 6, no. 3 (December 1, 2020): 377–400, <https://doi.org/10.20899/jpna.6.3.377-400>.

18. Whitney Afonso, “Budgeting Strategies Being Employed by County and Municipal Governments for Fiscal Year 2021 during the COVID-19 Pandemic” (UNC School of Government, June 10, 2020),

Table 7. Municipality Projected Change in Fiscal Year Revenues by Category (Expressed as Percentages)^a

Revenue Category	Changes in Revenues Previous FY to Current FY			Changes in Revenues Current FY to Next FY		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Sales Taxes	14.9	18.5	66.6	3.7	14.8	81.5
Property Taxes	7.7	30.8	61.5	7.2	25.0	67.8
State and Federal Aid	4.0	4.0	92.0	16.0	16.0	68.0
Services and Licenses	25.0	41.7	33.3	4.4	56.5	39.1

a. Number of responses from organizations with municipal service areas estimating from the previous to the current fiscal year (FY): sales taxes (n=27), property taxes (n=26), state and federal aid (n=25), services and licenses (n=24). Projecting from the current to the next FY: sales taxes (n=27), property taxes (n=28), state and federal aid (n=25), services and licenses (n=23).

about tax revenues is consistent with the results from our survey of North Carolina EDOs. Though the recovery from the COVID-19 recession has certainly been uneven, its short duration may have prevented protracted revenue declines.¹⁹

Respondents were asked to estimate changes in revenue for their jurisdiction in two ways. First, EDOs indicated expected changes from the *previous* fiscal year to the *current* fiscal year. Second, respondents were asked to compare expected revenue changes from the *current* fiscal year to the *next* fiscal year. EDOs responding to the survey in fall 2021 were overwhelmingly bullish about projected tax revenues. EDOs with municipal service areas were more likely to project an increase in sales tax revenues over the next fiscal year compared to counties (81.5% vs. 65.1%, respectively). Conversely, EDOs serving counties were more likely to anticipate an increase in sales tax revenues from their previous fiscal year to the current fiscal year (80.4% and 66.6%, respectively). Tables 7 and 8 break down the survey responses regarding these projections.

Partnerships for Response and Recovery

The unprecedented nature of the COVID-19 pandemic created an opportunity to build new partnerships and reinforce existing collaborations. When asked to indicate the top five most important partners in response and recovery efforts, the most frequently cited collaborator was state government (50.9%). But a close second was partnerships with higher education institutions (49.1%). This could reflect how the pandemic's realignment of the workforce has spotlighted the need for localities to build their human capital.²⁰ Notably, about one in three respondents

<https://www.sog.unc.edu/publications/bulletins/budgeting-strategies-being-employed-county-and-municipal-governments-fy-2021-during-covid-19>.

19. Pinka Chatterji and Yue Li, "Recovery from the COVID-19 Recession: Uneven Effects among Young Workers?," Working Paper Series (NBER, September 2021), <https://doi.org/10.3386/w29307>. While federal pandemic relief provided to cities and counties may have helped with revenue shortfalls, the long-term costs of the pandemic will likely be a challenge for localities. See Mariely López-Santana and Philip Rocco, "Fiscal Federalism and Economic Crises in the United States: Lessons from the COVID-19 Pandemic and Great Recession," *Publius: The Journal of Federalism* 51, no. 3 (July 1, 2021): 365–95, <https://doi.org/10.1093/publius/pjab015>.

20. Jeff Schwartz et al., "Workforce Strategies for Post COVID Recovery" (Deloitte, 2020), <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/about-deloitte/workforce-strategies-for-post-covid-19-recovery.pdf>.

Table 8. County Projected Change in Fiscal Year (FY) Revenues by Category (Expressed as Percentages)^a

Revenue Category	Changes in Revenues Previous FY to Current FY			Changes in Revenues Current FY to Next FY		
	Decrease	No Change	Increase	Decrease	No Change	Increase
Sales Taxes	4.8	14.8	80.4	7.9	27.0	65.1
Property Taxes	3.2	35.5	61.3	1.7	34.4	63.9
State and Federal Aid	3.3	11.5	85.2	18.1	16.4	65.5
Services and Licenses	11.3	36.4	52.3	5.6	49.1	45.3

a. Number of responses from organizations with county service areas estimating from the previous to the current FY: sales taxes (n=61), property taxes (n=62), state and federal aid (n=61), services and licenses (n=44). Projecting from the current to the next FY: sales taxes (n=63), property taxes (n=62), state and federal aid (n=61), services and licenses (n=53).

indicated a local nonprofit (15.1%) or faith-based entity (17.0%) as a top partner. This is consistent with the growing trend of utilizing cross-sector partnerships to administer COVID-19 aid.²¹ There were some large differences between EDOs with municipal versus county service areas. For example, half of the respondents from county service areas (50.0%) cited workforce-development agencies as being an important partner organization, a large proportion compared to city-based EDOs (8.7%). Partner organizations listed in survey responses are set out in Table 9.

The pandemic created some new collaborations and reinforced many existing ones—but not all partnerships are created equal.²² Some partnerships are merely symbolic and superficial, while others create substantive value and impact. For each organization indicated as a top five partner, respondents were asked to rate the effectiveness of the partnership along a scale of very effective (=3), somewhat effective (=2), slightly effective (=1), and not effective (=0). Defining “effective” is admittedly difficult. In general, this refers to collaborations that result in a net increase of organizational, political, programmatic, and/or adaptive capacity²³ for each partner institution.²⁴ Partnerships can raise capacity in a variety of ways,²⁵ but the most documented

21. Mohamed Hassan Awad, “COVID-19 Will Bring Us Together: The Dynamics of Place and the Structure of Cross-Sector Partnership,” *Academy of Management Proceedings* 2021, no. 1 (August 1, 2021): 13399, <https://doi.org/10.5465/AMBPP.2021.203>; Patricia Farrell Donahue, “Partnering Small Enterprises and Local Nonprofits to Help Sustain Local Economies and Reduce the Spread of COVID-19,” *World Medical & Health Policy* 12, no. 4 (December 1, 2020): 374–79, <https://doi.org/10.1002/wmh3.360>.

22. Teshanee Williams et al., “Beyond Bridging and Bonding: The Role of Social Capital in Organizations,” *Community Development Journal* (August 11, 2021): 1–24, <https://doi.org/10.1093/cdj/bsab025>.

23. Joe Wallis and Brian Dollery, “Social Capital and Local Government Capacity,” *Australian Journal of Public Administration* 61, no. 3 (September 2002): 76–85, <https://doi.org/10.1111/1467-8500.00286>.

24. Teshanee Williams et al., “Community Development Organizations’ Capacity to Respond to COVID-19: The Strategic Use of Social Capital” (nIMPACT Initiative, UNC School of Government, May 28, 2021), <https://www.sog.unc.edu/publications/bulletins/community-development-organizations%E2%80%99-capacity-respond-covid-19-theoretical-approach-strategic-use>.

25. Lynn A. Mandarano, “Social Network Analysis of Social Capital in Collaborative Planning,” *Society & Natural Resources* 22, no. 3 (February 10, 2009): 245–60, <https://doi.org/10.1080/08941920801922182>.

Table 9. Most Important Partner Organizations (Expressed as Percent Selecting as a Top Five Partner)^a

Partner Organization	Municipalities (n=23)	Counties (n=66)	Regional (n=10)	Total (n=106)
State Government	60.9	50.0	60.0	50.9
Higher Education Institutions	17.4	56.1	60.0	49.1
Chambers of Commerce	47.8	39.4	40.0	43.4
Workforce Development Agency	8.7	50.0	50.0	41.5
Regional COGs	34.8	40.9	20.0	34.9
Federal Government	39.1	33.3	20.0	34.0
Small Business Organizations	34.8	33.3	30.0	32.1
Local Governments	30.4	25.8	40.0	32.1
Churches/Faith Communities	26.1	16.7	10.0	17.0
Local Emergency Management	13.0	18.2	10.0	16.0
Community Nonprofits	17.4	16.7	10.0	15.1
Banks/Financial Institutions	17.4	12.1	10.0	12.3
Other Partner Not Listed	8.7	7.6	10.0	8.5

a. Respondents were asked to select one to five partner organizations that were key in their organization’s response to the pandemic. This table lists the number of respondents selecting each partner as one of their top five choices.

mechanism of action is through the development of organizational bridging social capital.²⁶ Table 10 displays the mean perceived effectiveness rating, with higher numbers indicating better partners.²⁷

Though some types of organizations were not frequently listed as a top collaborator, those who did collaborate with them tended to perceive a high level of effectiveness. For example, few respondents selected local emergency management services (16.0%) and community-development nonprofits (15.1%) as top partners. But those engaging with these organizations tended to rate the partnerships as being very effective (with perceived effectiveness scores of 2.65 and 2.56, respectively). And though “other partner not listed” was selected by only nine respondents, it received a unanimous “very effective” rating of 3.00. These respondents described partnerships with healthcare agencies, the UNC School of Government, and the North Carolina League of Municipalities.

26. There is also research that highlights how social capital plays a key role in disaster resiliency. See Daniel P. Aldrich and Michelle A. Meyer, “Social Capital and Community Resilience,” *American Behavioral Scientist* 59, no. 2 (February 1, 2015): 254–69, <https://doi.org/10.1177/0002764214550299>.

27. It is important to acknowledge that this kind of survey scale can be skewed by social desirability bias—which is when the respondent answers in a way that represents what they believe *should be true* (and not what *is true*). In this case, that might mean indicating all partnerships are very effective. This is a limitation of the survey instrument, but we still think the question has some utility as almost all answer categories have a high standard deviation. See Ivar Krumpal, “Determinants of Social Desirability Bias in Sensitive Surveys: A Literature Review,” *Quality & Quantity* 47, no. 4 (June 1, 2013): 2025–47, <https://doi.org/10.1007/s11135-011-9640-9>.

Table 10. Perceived Effectiveness of Partner Organizations

Partner Organization	% Listing as a Top 5 Partner	Perceived Effectiveness
Other Partner Not Listed	8.5	3.00
Chambers of Commerce	43.4	2.67
Local Emergency Management	16.0	2.65
Banks/Financial Institutions	12.3	2.62
Community Nonprofits	15.1	2.56
Small-Business Organizations	32.1	2.53
Higher-Education Institutions	49.1	2.52
Regional COGs	34.9	2.51
Churches/Faith Communities	17.0	2.50
Local Governments	32.1	2.38
Workforce-Development Agency	41.5	2.30
Federal Government	34.0	2.29
State Government	50.9	2.11

Priorities and Strategies Going Forward

In thinking about the future, a sizable majority of respondents (71.3%, n=67) indicated that their organizations would return to the same top priorities they had before the pandemic. The remainder indicated that a shift in priorities would likely be temporary and last less than one year. The top priorities for the state’s economic-development organizations before the pandemic are perhaps unsurprising—most indicated a focus on business recruitment (78.4%) and retention (76.6%).²⁸ Developing workforce talent was also a top priority for county EDOs (67.7%), though not for municipalities (11.1%). Instead, prior to the pandemic’s onset, EDOs in municipal service areas were much more apt to prioritize revitalizing their downtown areas (70.4%).

A small number of EDOs indicated their priorities *would* likely change after the pandemic. These respondents (n=23) were shown the list of pre-COVID-19 priority areas that appears in Table 11. Each respondent was asked to select at least three priority areas from the list and indicate if each item was:

- a **current priority** and expected to remain a priority after the pandemic,
- a **new priority** expected to emerge after the pandemic that was not a current priority, or
- **not a priority** at present and not expected to become a priority in the future.

Though the number of respondents who saw this question is small, the data hint at what might be described as a bifurcation in priority alignment. Some respondents anticipated a shift toward more traditional development priorities. For example, many expected a new focus on business

28. Jonathan Q. Morgan, Michele M. Hoyman, and Jamie R. McCall, “Everything but the Kitchen Sink? Factors Associated with Local Economic Development Strategy Use,” *Economic Development Quarterly* 33, no. 4 (November 2019): 267–78, <https://doi.org/10.1177/0891242419857152>.

Table 11. Economic Development Priorities before COVID-19 (Expressed as Percent Selecting as a Top Five Priority)^a

Priority	Municipalities (n=27)	Counties (n=68)	Regional (n=10)	Total (n=111)
Business Recruitment	63.0	83.8	90.0	78.4
Business Retention and Expansion	48.2	85.3	90.0	76.6
Tax Base Expansion	66.7	52.9	50.0	55.9
Job Creation	29.6	64.7	60.0	55.0
Develop Workforce Talent	11.1	67.7	70.0	54.1
Improve Infrastructure ^b	44.4	50.0	60.0	47.8
Small-Business Development	55.6	35.3	10.0	38.7
Revitalize Downtown/Main Street	70.4	20.6	10.0	33.3
Quality of Life and Amenities	51.9	22.1	40.0	30.6
Diversify Industry Base	14.8	29.4	40.0	27.0
Social and Economic Equity	22.2	13.2	20.0	15.3
Wealth Creation (Asset Building)	11.1	10.3	0.0	9.0
Environmental Sustainability	7.4	4.4	0.0	4.5
Other	7.4	4.4	0.0	6.3

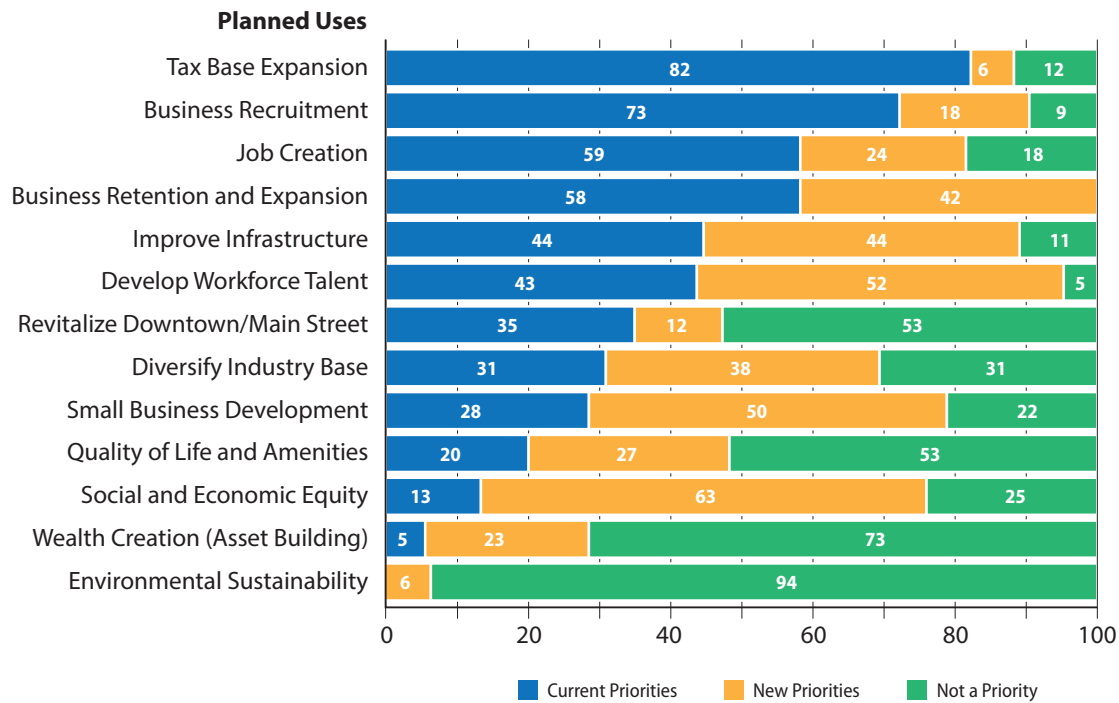
a. Respondents had to select one, but could select up to five, economic development priority areas.
 b. Including, but not limited to, water/sewer, roads, and broadband development.

retention (42.1%) and a majority (52.4%) were planning to prioritize workforce development. Concurrently, a notable number (62.5%) indicated a realignment toward concerns like social and economic equity. See Figure 4 for a summary of responses regarding anticipated changes in post-pandemic economic development priorities.

Conclusions

North Carolina’s EDOs generally perceive that the negative impacts of the pandemic will endure for some time. Concurrently, the data show that outlooks are improving, especially with respect to revenue generation. The general sentiment thus seems best characterized as “guarded optimism.” Yet both in the state and across the nation, there are many variables that could serve to elongate the path toward full economic recovery. And in our globalized and interconnected economy, these challenges are injecting a great deal of uncertainty:

- **Workforce Issues:** Survey respondents overwhelmingly cited labor shortages and skills mismatch as the top barriers to recovery. If labor market projections are any indicator, these concerns are well-founded. The pandemic’s early months generated a great deal of

Figure 4. Anticipated Changes in Priorities after COVID-19 (Expressed as Percentages)

permanent job destruction. For every ten jobs lost through July 2020, economists predict two to four will never return.²⁹ When combined with the effects of the “Great Reallocation” or “Great Resignation,” workforce issues are likely to remain a major challenge.

- **Supply-Chain Problems:** Chronic shortages in raw materials across multiple industries have increased the price of inputs and contributed to rising inflationary pressures. These continued and ongoing disruptions are having a notable effect on manufacturers,³⁰ especially producers of durable goods and technology items.³¹
- **Financial Capital:** Capital markets for businesses were frozen during some parts of the pandemic. This will have enduring impacts on firm operations and slow expansion plans, especially as financing options subsidized by pandemic relief aid are dwindling.³² And,

29. Till Von Wachter, “Long-Term Employment Effects from Job Losses during the COVID-19 Crisis? A Comparison to the Great Recession and Its Slow Recovery,” *American Economic Association Papers and Proceedings* 111 (May 2021): 481–85, <https://doi.org/10.1257/pandp.20211091>.

30. Amy Holloway, “Site Selection for the Technology Sector in a COVID-19 Environment” (Ernst & Young, June 9, 2021), https://www.ey.com/en_us/government-public-sector/site-selection-in-a-covid-19-environment.

31. Fernando Leibovici and Jason Dunn, “Supply Chain Bottlenecks and Inflation: The Role of Semiconductors,” *Economic Synopses*, no. 28 (2021): 1–2, <https://doi.org/10.20955/es.2021.28>.

32. Tatiana Didier et al., “Financing Firms in Hibernation during the COVID-19 Pandemic,” *Journal of Financial Stability* 53 (April 1, 2021), <https://doi.org/10.1016/j.jfs.2020.100837>.

as the Federal Reserve continues to raise interest rates as part of its efforts to combat increasing levels of inflation, capital terms will become less affordable for businesses of all sizes.³³

- **Small Business Resiliency:** Despite the perceived optimism among survey respondents about the ability of small businesses to bounce back, there were -2.9 percent fewer small businesses generating financial transaction activity in North Carolina in January 2022 compared to January 2020.³⁴ Comparatively, that is better than Virginia (-6.7%), but worse than Tennessee (+11.8%), Georgia (+3.4%), and South Carolina (+1.0%). Many North Carolina small businesses continue to struggle from the long-term financial effects of the pandemic.³⁵
- **COVID-19 Persists:** COVID-19 continues to exert a negative influence, especially within historically marginalized communities, and will likely do so for some time. Since January 2021, labor markets have enjoyed robust, if uneven, gains. But such trends can quickly reverse. As the rise of the Omicron variant showed in early 2022, the pandemic can still cause strong shocks across the economy.³⁶
- **Macroeconomic Forces:** Compounding all the above are the prospects of a recession, as reflected by the nation's gross domestic product (GDP) shrinking by 1.6 percent in the first quarter of 2022.³⁷ A recession is traditionally defined as two quarters of negative GDP growth. But as the COVID-19 recession from February to April of 2020 shows, economic slowdowns do not always abide by definitional frameworks.

With such a complex and sundry array of forces at play, it is important to consider how EDOs can leverage their pandemic-related experiences to further the state's economic recovery. The survey responses reported here offer a few insights. One key takeaway is the value of meaningful, as opposed to symbolic, development partnerships.³⁸ For example, when EDOs partnered with nonprofit entities on pandemic response efforts, the results were perceived as highly effective. Such sentiment reflects a growing body of evidence that partnerships between economic and community development entities enabled the swift distribution of pandemic aid to the

33. Vasco Cúrdia, "Average Inflation Targeting in the Financial Crisis Recovery," *FRBSF Economic Letter* 2022, no. 01 (Federal Reserve Bank of San Francisco, January 10, 2022): 1–5.

34. Raj Chetty et al., "Percent Change in Number of Small Businesses Open since January 2020" (Opportunity Insights Economic Tracker, March 16, 2022), <https://github.com/OpportunityInsights/EconomicTracker>.

35. Rosa Caiazza et al., "An Absorptive Capacity-Based Systems View of Covid-19 in the Small Business Economy," *International Entrepreneurship and Management Journal* 17, no. 3 (September 1, 2021): 1419–39, <https://doi.org/10.1007/s11365-021-00753-7>.

36. John O'Trakoun, "Omicron Ominous Overseas," Federal Reserve Bank of Richmond, *Macro Minute* (blog), December 28, 2021, https://www.richmondfed.org/research/national_economy/macro_minute/2021/mm_12_28_21.

37. Alicia Wallace, "The US Economy Shrank 1.6% in the First Quarter, Adding to Recession Fears," CNN, June 29, 2022, <https://www.cnn.com/2022/06/29/economy/gdp-first-quarter-final/index.html>.

38. B. Guy Peters, "'With a Little Help from Our Friends': Public-Private Partnerships as Institutions and Instruments," in *Partnerships in Urban Governance: European and American Experiences*, ed. Jon Pierre (London: Palgrave Macmillan, 1998), 11–33, https://doi.org/10.1007/978-1-349-14408-2_2; Tamyko Ysa, "Governance Forms in Urban Public-Private Partnerships," *International Public Management Journal* 10, no. 1 (February 21, 2007): 35–57, <https://doi.org/10.1080/10967490601185724>.

constituencies and places that needed it most.³⁹ But like any set of organizational ties, the social capital and goodwill generated by these efforts will fade without constant use. The leverage of community partners beyond the confines of the pandemic's immediate emergency can help EDOs be more agile and responsive across their areas of programmatic focus.⁴⁰

39. Pearl A. McElfish et al., "Leveraging Community Engagement Capacity to Address COVID-19 Disparities among Pacific Islander and Latinx Communities in Arkansas," *Journal of Clinical and Translational Science* 5, no. 1 (2021): 1–4, <https://doi.org/10.1017/cts.2020.562>; Hee Soun Jang et al., "Responding to the Needs of the Homeless in the COVID-19 Pandemic: A Review of Initiatives in 20 Major U.S. Cities," *International Journal of Public Administration* 44, nos. 11–12 (September 10, 2021): 1006–17, <https://doi.org/10.1080/01900692.2021.1925693>.

40. Xiaoyun Wang and Yuan (Daniel) Cheng, "Cross the River by Feeling the Stones: How Did Nonlocal Grassroots Nonprofits Overcome Administrative Barriers to Provide Quick Responses to COVID-19?," *Public Administration and Development* 41, no. 2 (May 2021): 91–98, <https://doi.org/10.1002/pad.1908>.