



Economic Development Administration

Mission Statement

Help our partners across the nation (states, regions, and communities) create wealth and minimize poverty by promoting a favorable business environment to attract private capital investment and higher-skill, higher-wage jobs through world-class capacity building, planning, infrastructure, research grants, and strategic initiatives.

The Economic Development Administration's (EDA) mission statement clearly articulates EDA's role "to create an environment where the role of the public sector is to leverage resources in which the private sector will risk capital investment."

Economic development supports two important public policy objectives: creating wealth and minimizing poverty. The creation of wealth enables people to become economically self-sufficient and provides the resources needed for building safe, healthy, convenient, and attractive communities in which people want to live, work, and raise their families. Minimizing poverty is important because poverty is not only dehumanizing, but it is also extremely costly in terms of underutilized human resources, welfare transfer payments, soaring public healthcare costs, high crime rates, and declining neighborhoods that lose their value. Thus, the public sector has a legitimate interest in supporting efforts and strategies that bring economic opportunity to all segments of society.

EDA's policy investment guidelines focus on results rather than processes. Application of these guidelines encourages investment in U.S. communities based on risk and the expected return on the taxpayer's investment. EDA's investments through these guidelines aim to attract private sector investment, have a high probability of success, and ultimately result in an environment where higher-skill, higher-wage jobs are created.

Strategic investments by EDA in public infrastructure and local capital markets provide lasting benefits for economically disadvantaged areas. Acting as catalysts to mobilize public and private investments, EDA's investments address problems of high unemployment, low per capita income, and other forms of severe economic distress in local communities. EDA also provides special economic adjustment assistance to help communities and businesses respond to major layoffs, plant shutdowns, trade impacts, natural disasters, military facility closures, and other severe economic dislocations. Through its investments, EDA will contribute to the Administration's goal of leaving no geographic area or demographic sector of the nation behind in achieving the American dream.

EDA will promote cluster-based and regional economic development by giving priority to those regions that seek to invest in their regional systems of education, research, physical infrastructure and quality of life while enhancing its focus on the nation's communities in distress. EDA's investment will attract private sector capital investment and growth in personnel, knowledge, and capital that will strengthen the region as a "platform for economic growth." In the next generation economy that regions are seeking to build, the hallmark of vitality will be the agility of institutions and their leaders to recognize and collaborate in the improvement of existing or creation of new sources of economic advantages. Whether it is in accessibility of technology, adaptability of human resources, the availability of financing, the adequacy of physical infrastructure, or capacity to achieve quality of life, EDA intends to capitalize on this solid, market-based strategy to help communities seize the economic opportunities of tomorrow.

Priorities/Management Challenges

Throughout FY 2002, EDA continued to deploy its three “pillars of reform” that have been the basis for transforming itself into a results-oriented bureau.

Pillar I — Organizational Management Initiatives

Alignment of Resources — Continued to work to maximize alignment of existing financial and human resources to accomplish EDA’s mission through restructuring and effective deployment of resources.

Management Process — Developed standard operating procedures at headquarters to reduce inefficiencies and duplication of efforts. Having identified best practices in our regional offices, EDA will implement standard operating procedures among the regions, articulate clear investment policy guidelines to ensure due diligence on the front end, and require thorough post-approval monitoring to ensure the maximum return on taxpayer investment. Implemented process improvements through the electronic investments component of the Economic Development Communications and Operations Management System.

Competency-based Human Resource System — Continued to work to build the foundation of a competency-based human resource system through rigorous personnel performance reviews, clear performance plans that set high standards, and recruitment and training strategies to provide necessary skills.

Pillar II — Performance Measures

Balanced Scorecard — The second pillar is based on performance measures. EDA’s development of the balanced scorecard management approach is critical in translating the Bureau’s strategic vision into action. The balanced scorecard is a value-added management process that provides the critical means for getting from the vision to execution. This continual process, which evolves with use and experience, tracks both financial and non-financial areas of organizational performance.

Outcome Funding — EDA focused on the performance outcomes of its investments, such as leveraging private sector and local dollars and attracting higher-skill, higher-wage jobs. All investments are reviewed rigorously and are based on EDA’s investment policy guidelines that target those projects with an expected high rate of return, community commitment, regional impact, and success.

Outcome-oriented Performance Measures — In FY 2002, EDA developed outcome performance measures for its capacity-building programs and discontinued some interim and process measures for FY 2003. To use the Government Performance and Results Act (GPRA) and its intent to enhance performance, EDA determined that certain interim and process measures focused on the process rather than program performance. The new outcome-oriented measures are better indicators of the taxpayer’s and EDA’s return on investment, and compliment EDA’s investment policy guidelines. All of EDA’s performance measures are clearly tied to EDA’s annual budget request and appropriation.

Pillar III — Congressional and Public Affairs

Congressional and Public Affairs — Communicating with key stakeholders and customers in a compelling, multi-faceted way, EDA enhanced and strengthened congressional, state, and local government affairs, and public and media relations. In support of the Administration’s goal to leave no geographic or demographic sector of the nation behind, EDA continued to broaden its reach to U.S. communities and create vital partnerships to strengthen those areas in distress.

Investment Strategies

The President is providing the leadership to spur economic growth and job creation stating, “The role of government is to create conditions in which jobs are created, in which people can find work.” EDA is an important tool in accomplishing this mandate. Sound research-based, market-driven economic development policy is the foundation for effective and efficient economic development program implementation. EDA embraces an economic development strategy based on enhancing regional competitiveness, fostering innovation, increasing productivity, and developing industry clusters.

Priority is given to investments that enhance regional competitiveness and support long-term development of the regional economy. In healthy regions competitiveness and innovation are concentrated in clusters or groups of inter-related firms and industries in which regions specialize. The nation’s ability to produce high-value added products and services that support high-wage jobs depends on the creation and strengthening of these regional hubs of competitiveness and innovation.

EDA established the following investment priorities for FY 2002 *that enhance regional competitiveness* and support long-term development of the regional economy:

- Upgrade core business infrastructure, including transportation, communications, and specialized training program infrastructure.
- Implement regional strategy that involves all stakeholders and supports regional benchmarking initiatives, encourages institutional collaboration, reflects strong leadership commitment, and encourages a formalized structure to maintain consensus.
- Cluster development establishing research and industrial parks that encourage innovation-based competition and recruitment efforts.
- Help communities plan and implement economic adjustment strategies in response to sudden and severe economic dislocations.
- Support technology-led economic development, and reflect the important role of linking universities and industry and technology transfers.
- Advance community and faith-based social entrepreneurship in redevelopment strategies for areas of chronic economic distress.

EDA has re-established its strategic context and focus by reaffirming the mission of the Bureau. The activities that EDA undertakes with public dollars will demonstrate a return on investment through measurable, quantifiable performance measures. To achieve such a return on investment, EDA is looking for partners willing to work hand in hand to ensure the success of their ventures. As a public investment capital firm, EDA must evolve with the times. Any less would shortchange the American people.

In an era where national and homeland security justifiably occupy the priority budget position, financial resources are constrained. EDA must invest in those economic development initiatives that are consistent with the best thinking and best practices of economic development in the twenty-first century. On the following page are seven investment policy guidelines on which potential investments will be analyzed to determine if the proposed investments.

- are market-based
- are proactive in nature and scope
- look beyond the immediate economic horizon, anticipate economic changes, and diversify the local regional economy
- maximize the attraction of private sector investment and would not otherwise come to fruition absent EDA's investment
- have a high probability of success
- result in an environment where higher-skill, higher-wage jobs are created
- maximize Return on Taxpayer Investment

EDA recognizes that the economy of the twenty-first century is based on high productivity, rapid technological change, deregulations and market liberalization, the global marketplace, and the mobility of capital and labor. Conditions at the start of the twenty-first century signal that such economic benefits cannot be taken for granted when the underlying grounds for competitive advantage shift.

To meet this challenge, EDA investments will focus on:

- regional economies in transition (EDA's market niche)
- opportunities that are economic drivers (locomotives, not cabooses)
- trade and resource-based industries or clusters, which compete beyond local markets and across regional boundaries
- including value-added processes
- rational, comprehensive strategies developed by key economic stakeholders.

Successful economic development projects attract private sector capital investment, create value-added jobs, and support local communities and government at all levels. By investing in successful undertakings, creating jobs, and expanding the economy, the demand for government expenditures for social services decrease while tax revenues increase.

Investment Eligibility

EDA's investment eligibility requirements were established by the Public Works and Economic Development Act of 1965, as amended. This legislation specifically defines eligible recipients. EDA identifies eligible recipients as "distressed communities" that are rural and urban communities experiencing severe economic distress in the form of high unemployment, low per capita income, and other conditions of economic distress, including sudden economic dislocations due to industrial restructuring and relocations or natural disasters.

EDA uses statistics from the Bureau of Economic Analysis (BEA) for per capita income data and the Bureau of Labor Statistics (BLS) for 24-month unemployment data to determine distress conditions nationwide. BEA provides annual updates of per capita income at the county and state levels. BLS provides quarterly updates on unemployment statistics at the city, county, and metropolitan statistical area (MSA) levels. EDA also provides assistance in “pockets of distress,” which are small areas defined without regard to geographical or political boundaries (for example, city, county, and Indian reservation) that are experiencing economic distress even though it may be part of a larger community. The project area must be of appropriate size to the proposed project, and the applicant must justify the proposed boundaries in relation to the project’s benefits to the area. Each applicant’s distress eligibility is verified at the time the proposal is received.

Accessible databases on labor economic statistics, federal or otherwise, are sorely limited, making the actual number of distressed communities difficult to ascertain. EDA’s existing management information system tracks data on the city, county, and state levels. Accessible databases track economic or labor statistics on the county, MSA, and state levels. Many of the rural areas that EDA serves suffer from extreme economic distress, but do not show up on labor economic databases due to their relatively small size. A community may qualify for EDA assistance using other distress data from sources such as the Bureau of Indian Affairs, state, or specific census tracts, all of which are verified by EDA prior to investment.

Based on current per capita income or unemployment data, approximately 2,110 counties are eligible for EDA assistance. In FY 2002, EDA invested its Public Works, Economic Adjustment Assistance, and local Technical Assistance funds in 199 distressed counties nationwide. EDA made 200 Public Works investments and 100 Economic Adjustment Assistance investments. In addition, EDA made 361 investments under its Partnership Planning program to Economic Development Districts and Indian Tribes; 118 investments under its Technical Assistance program, a portion of which went to 66 University Centers; 48 investments under its Short-term Planning program; and 12 investments for Trade Adjustment Assistance Centers. These capacity-building programs serve multi-county areas where significant portions of the service area are distressed. Because distress data are not available for multi-county areas, small rural areas, or Puerto Rico, they do not correlate with EDA’s existing management information system.

To determine a community’s eligibility for investment per EDA’s legislation, the agency relies upon two primary measures of distress. One measure is per capita income; to qualify as a distressed community, the community’s average per capita income must register as 80 percent or less of the national per capita income average. The other primary measure is the 24-month unemployment rate, which must be at least one point higher than the national average. Communities or areas may also qualify based on special needs arising from actual or threatened severe unemployment or economic adjustment problems, for example:

- Closure or restructuring of industrial firms essential to area economies
- Military base closures or realignments, defense contractor reductions-in-force, Department of Energy defense-related funding reductions
- Natural or other major disasters or emergencies, that is, Presidential Disaster Declarations, federally declared disasters, and federal declarations of major disasters or emergencies
- Extraordinary depletion of natural resources, that is, fisheries, coal, and timber
- Substantial outmigration or population loss
- Underemployment
- Destructive impacts of foreign trade

- Other special needs in areas experiencing extraordinary economic adjustment assistance needs as determined by the Assistant Secretary, such as authorizing an entire district as eligible for assistance to develop a regional disaster mitigation plan instead of only those counties that had been affected by the disaster, or providing assistance in a small town where a fire had devastated its entire downtown business district.

The Trade Act of 2002, signed on August 6, reauthorized the Trade Adjustment Assistance Program for Firms and Industries through September 30, 2007. The TAAC program is a national network of twelve Trade Adjustment Assistance Centers (TAACs) funded by EDA to assist trade-injured U.S. manufacturing firms. TAACs provide three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA); analysis of the firm's strengths and weaknesses and development of an adjustment strategy; and in-depth assistance for implementation of the strategy. Assistance in preparing certification petitions is free, but the balance of assistance is cost-shared between the TAA Program and the benefiting firm with the firm paying at least twenty-five percent of the cost.

FY 2002 Performance

In FY 2002, the Economic Development Administration (EDA) had two goals and seven measures. Of those seven measures, EDA met or exceeded all of them. This reflects an improvement from FY 2001 when EDA met ten of its twelve measures.

For many distressed communities, realizing the promise of the twenty-first century will depend on the investments that EDA makes today. Through its public investments, EDA plays an important role in the economic development and growth of distressed communities. EDA's investments in the economic growth of distressed communities lay the foundation for job creation and fuel economic growth, raising living standards and improving the quality of life.

EDA's optimal use of public funds relies on the economic leverage achieved from its strategic and focused investments in distressed communities. To create a high quality balanced portfolio of investments, EDA developed and implemented crucial investment policy guidelines that focused on and prioritized investments based on their quality and strength. In FY 2002, EDA strictly adhered to an overall investment strategy that utilized the investment policy guidelines and targeted regional competitiveness, innovation, productivity, industry clusters, and long-term development of the regional economy.

EDA's performance system includes two mutually supportive sets of performance goals and measures — Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities, and Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth. Since the results of economic development investments are often realized years later as they are transformed into jobs, private sector investments, and social benefits that improve lives, measuring performance is a challenge. Each year, EDA uses the GPRA review process as an opportunity to improve and refine its measures. For FY 2002, EDA re-examined its measures, resulting in new and revised measures. As EDA was able to review FY 1997 and FY 1998 investment performance results for job creation and private investment at the three-year interval, EDA took an extraordinary step and significantly raised its targets on several measures.

As part of strengthening performance through the President's Management Agenda, EDA addressed each of the government-wide initiatives. Under the human capital initiative, EDA proposed to reorganize its headquarters structure to provide for the efficient and effective deployment of human resources to support an organization that is citizen-centered, results-oriented, and market-based. Through this restructuring, EDA plans to reduce headquarters staff and move those resources to fund greatly needed staff in the regions to better serve the needs of local communities. Headquarters will be streamlined, have fewer supervisors, and be staffed by employees with the requisite skills to support regional operations. This reorganization plan recognizes that the primary function of headquarters is to provide support for the core mission and operations of the Bureau. This reorganization plan was approved by the Department and by the Office of Management and Budget (OMB), and has been submitted to Congress. In addition, a rigorous review of the performance management system was undertaken that aligned personnel performance to the goals of the Bureau.

A meticulous look at outsourcing through the FAIR Act inventory during FY 2002 resulted in the identification of 102 possible “commercial” positions. During FY 2002, EDA outsourced one function, the excess capacity review function, and identified another function for cost comparison. EDA currently contracts for eight positions in the Information Systems Division and Compliance Review Division.

As part of EDA’s strategy mechanism to implement its mission and goals, and accomplish the President’s Management Agenda, EDA developed a Balanced Scorecard for both Headquarters and the regional offices. EDA’s Balanced Scorecard examines and identifies EDA’s critical, strategic priorities in five perspectives: Stakeholders, Customer, Financial, Internal Processes, and Learning and Growth. A summary of EDA’s strategic priorities is noted below.

Stakeholder Perspective

- Maximize EDA Impact on Distressed Communities
- Advance Administration’s Domestic Agenda
- Make Investments that are Engines of Growth

Customer Perspective

- Maximize Higher Skill, Higher-Wage Jobs

Financial Perspective

- Maximize Administrative Efficiency and Effectiveness

Internal Process Perspective

- Align Resources with Strategic Priorities
- Enhance Post-Approval Monitoring
- Technology-Enable Key Business Processes With Technology Upgrades

Learning & Growth Perspective

- Improve Analytical Skills
- Establish Performance Culture

EDA actively engaged in specific Information Technology (IT) security improvements during FY 2002, and continues to implement new components of the IT security program as they are established by the Department. EDA met all of the Department’s OMB Information Technology Security deadlines and requirements, including completion of IT Security Awareness Training for all EDA staff and contractors, and comprehensive security plans and system security assessments for all major information systems. All corrective actions resulting from the Government Information Security Reform Act (GISRA), General Accounting Office (GAO), and FY 2001 Financial Systems reviews were completed by September 30, 2002. The Commerce Administrative Management System (CAMS) operational environment for EDA was fully certified and accredited in September 2002.

EDA completed acquisition tasks necessary to begin the development and implementation of the Economic Development Communications and Operations Management System (EDCOMS) during FY 2002. EDCOMS will provide the necessary tools and secure infrastructure to deliver a dynamic, interactive Web portal, and support specific components of EDA's grants management cycle. The final contract was awarded in September 2002. Work on developing specific components of EDCOMS will commence during the first quarter of FY 2003. EDA successfully completed its network replacement and e-mail migration by February 2002, and conducted a comprehensive analysis of performance and response time on its major information systems.

Infrastructure Investment Data for FY 2002

| | | |
|---------------------------------------------------------------------------------------------------------------------|-------|----------|
| Total infrastructure investments | 300 | \$298M |
| Percent of EDA infrastructure investments in distressed counties ¹ | 70.3% | \$189M |
| Percent of EDA infrastructure investments in distressed communities located in non-distressed counties ² | 29.6% | \$108.6M |

County Investment Data for FY 2002

| | |
|-----------------------------------------------------------------------------------------------|-------|
| Total counties in nation | 3,181 |
| Total distressed counties according to 24-month unemployment and per capita income statistics | 2,110 |
| Percent of distressed counties receiving EDA investments ² | 9.4% |

¹ A distressed county is determined by EDA's eligibility definition using the most recent per capita income figures or the most recent unemployment rate for the county. EDA's eligibility definition is based on per capita income of 80 percent or less of the national average; an unemployment rate that is, for the most recent 24-month period, at least one percent greater than the national average unemployment rate; or special need arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short-term or long-term changes in economic conditions."

² A distressed community in a non-distressed county is also determined by EDA's eligibility definition. Cities, towns, Indian tribes, census tracts, subdivisions, can qualify for assistance if they meet the eligibility definition although the entire county does not qualify.

Targets and Performance Summary

See individual Performance Goal section for further description of each measure.

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities

| Measure | FY 1999 Actual | FY2000 Target | FY 2000 Actual | FY 2001 Actual | FY 2002 Target | FY 2002 Actual | FY 2002 Met | FY 2002 Not Met |
|--------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|----------------------------------------------|----------------------------------------------|---------------------------------------------------------------|----------------------------------------------|-------------|-----------------|
| Private sector dollars invested in distressed communities | \$420M by FY 2002 \$1,040M by FY 2005 \$2,080M by FY 2008 | \$400M by FY 2003 \$1,020M by FY 2006 \$2,040M by FY 2009 | \$199M from FY 1997 investments ¹ | \$971M from FY 1998 investments ³ | \$390M by FY 2005 \$970M by FY 2008 \$1,940M by FY 2011 | \$640M from FY 1999 investments ⁵ | X | |
| Number of jobs created or retained in distressed communities | 11,300 by FY 2002 28,400 by FY 2005 56,900 by FY 2008 | 11,300 by FY 2003 28,200 by FY 2006 56,500 by FY 2009 | 12,056 from FY 1997 investments ² | 12,898 from FY 1998 investments ⁴ | 11,500 by FY 2005 28,900 by FY 2008 57,800 by FY 2011 | 29,912 from FY 1999 investments ⁶ | X | |

| | FY 1999 Actual | FY 2000 Actual | FY 2001 Actual | FY 2002 Target | FY 2002 Actual | FY 2002 Met | FY 2002 Not Met |
|---------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|-------------|-----------------|
| State and local dollars committed/EDA dollar | \$1-\$1.2 | \$1-\$1.2 | \$1-\$1 | \$1-\$1 | \$1-\$1.1 | X | |
| Percentage of grants to areas of highest distress | 36% | 45% | 43% | 40% | 40.1% | X | |
| Percentage of EDA dollars invested in technology-related projects in distressed areas | New | New | N/A | 10% | 11.8% | X | |

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

| Program Outcome Measures | FY 1999 Actual | FY 2000 Actual | FY 2001 Actual | FY 2002 Target | FY 2002 Actual | FY 2002 Met | FY 2002 Not Met |
|------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|-------------|-----------------|
| Percentage of sub-state jurisdiction members actively participating in the Economic Development District Program | New | 95% | 92% | 93% | 95% | X | |
| Percentage of local technical assistance and economic adjustment strategy - investments awarded in areas of highest distress | 31% | 35% | 32% | 30% | 30% | X | |

- ¹ Actual private sector dollars amount — Performance exceeds the FY 1997 projected target of \$116 million by FY 2000. (snapshot of performance for first reporting interval for FY 1997 investments)
- ² Actual jobs — Performance exceeds the FY 1997 projected target of 5,040 jobs by FY 2000. (snapshot of performance at first reporting interval for FY 1997 investments)
- ³ Actual amount — Performance exceeds the FY 1998 projected target of \$130 million by FY 2001. (snapshot of performance for first reporting interval for FY 1998 investments)
- ⁴ Actual jobs — Performance exceeds the FY 1998 target of 5,400 jobs by FY 2001. (snapshot of performance at first reporting interval for FY 1998 investments)
- ⁵ Actual amount — Performance exceeds the FY 1999 projected target of \$420 million by FY 2002. (snapshot of performance for first reporting interval for FY 1999 investments)
- ⁶ Actual jobs — Performance exceeds the FY 1999 target of 11,300 jobs by FY 2002. (snapshot of performance at first reporting interval for FY 1999 investments)

Goal 1 includes program activities authorized by the Public Works and Economic Development Act of 1965, as amended, the Public Works and Development Facilities program, and the Economic Adjustment infrastructure and revolving loan fund program. The Public Works program promotes long-range economic development in distressed areas by providing investments for vital public infrastructure and development facilities. These critical investments enable communities to attract new, or support existing, businesses that will generate new jobs and income for unemployed and underemployed residents. Among the types of projects funded are water; sewer; fiber optics; access roads; and facilities such as industrial and business parks, business incubator and skill training facilities, and port improvements.

The Economic Adjustment Assistance program provides flexible investments for communities facing sudden or severe economic distress including revolving loan fund grants that capitalize a locally administered fund and are used for making loans to local businesses, which in turn, create jobs and leverage other private investment while helping a community to diversify and stabilize its economy. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural disasters, natural resource depletion, outmigration, underemployment, and destructive impacts of foreign trade.

Through the Defense Economic Adjustment program, EDA, working with the Department of Defense Office of Economic Adjustment, assists communities that have been impacted by military base closures or reduction in defense contracting to rebuild and diversify their local economies. The development of new markets for defense-related technologies, products, and services helps the community move toward sustainable growth and greater prosperity through strategic planning and investments. After 2001, EDA’s funding for defense investments was eliminated, however, regular economic adjustment funds continue to be used to provide assistance to those communities.

EDA performance targets for long-term program outcomes are based on nine-year projections for private dollars invested and jobs created. Performance data are obtained at three-year intervals to provide snapshots of current progress in achieving the full, nine-year performance projection. FY 2000 was the first year for which data are available on long-term outcomes.

According to the performance evaluation of EDA's Public Works program (Rutgers et al. 1997), the investments "produce jobs, usually in increasing amounts, after project completion." The study found that "direct jobs six years after completion (nine years after investment award) are, on average, twice those found at completion." Because most investments are completed an average of three years after award, EDA monitors performance results at three, six, and nine years after investment award.

Goal 2 includes the following program activities authorized by Public Works and Economic Development Act: the Planning program for investments to Economic Development Districts, Indian tribes, and other planning organizations; Economic Adjustment program strategy investments; and the Technical Assistance program for University Centers, local and national technical assistance; and the Research and Evaluation program. Performance measures for trade adjustment assistance to firms authorized by the Trade Act of 1974, as amended, are included under this goal.

The Partnership Planning program is the cornerstone to effective economic and sustainable development. EDA supports local planning and long-term partnerships with state and regional organizations that assist distressed communities with strategic planning and investments. The program helps communities set priorities, determine the viability of projects, leverage resources to improve the local economy, and sustain long-term growth. Evaluations of EDA's Public Works and defense adjustment programs show that EDA planning and technical assistance programs play a significant role in the successful completion and outcomes of its infrastructure and revolving loan fund projects.

The Economic Adjustment Assistance program provides flexible investments to develop economic adjustment strategies for communities facing sudden or severe economic distress. Factors that seriously threaten the economic survival of local communities include essential plant closures, military base closures or realignments, defense laboratory or contractor downsizings, natural disasters, natural resource depletion, outmigration, underemployment, and destructive effects of foreign trade.

EDA's Technical Assistance program has three major components. The Local Technical Assistance program supports community leaders by providing technical expertise to assess local development issues and market-based solutions, feasibility studies, specialized engineering and environmental services, and other special services. The University Center program is a partnership that draws on the expertise of colleges and universities to strengthen distressed communities by providing access to current economic data, technical knowledge, analytical skills, and manpower. The National Technical Assistance program disseminates timely economic development resources, tools, and information critical for economic development professionals responding to economic changes in communities.

The Research and Evaluation program recognizes that knowledge-based programs are central to EDA's ability to respond effectively to the changing circumstances of economic development. Assessing new opportunities and initiatives, Research and Evaluation provides the vital economic information for national and local economic development practitioner and provides data critical to EDA's ability to evaluate program implementation, adapt to changing needs and priorities, and measure performance.

The Trade Adjustment Assistance program, authorized under the Trade Act of 1974, helps U.S. manufacturing firms and industries injured as a result of increased import competition. The program has received increased attention with each new round of trade agreements that lower trade barriers and increase foreign competition for U.S. manufacturers.

Resource Requirements Summary

(Dollars in Millions. Funding amounts reflect total obligations.)

Information Technology (IT)

Full Time Equivalent (FTE)

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities

| | FY 1999 Actual | FY 2000 Actual | FY 2001 Actual | FY 2002 Actual |
|------------------------------------------|----------------|----------------|----------------|----------------|
| Salaries and Expenses | 15.5 | 17.2 | 18.7 | 19.8 |
| Economic Development Assistance Programs | | | | |
| Public Works | 205.7 | 204.5 | 285.3 | 249.9 |
| Economic Adjustment | 91.8 | 90.3 | 58.3 | 26.9 |
| Total Funding ¹ | 313.0 | 312.0 | 362.3 | 296.6 |
| IT Funding ² | 1.7 | 1.2 | 0.9 | 1.8 |
| FTE | 170 | 174 | 165 | 155 |

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

| | FY 1999 Actual | FY 2000 Actual | FY 2001 Actual | FY 2002 Actual |
|------------------------------------------|----------------|----------------|----------------|----------------|
| Salaries and Expenses | 8.3 | 9.3 | 10.0 | 10.6 |
| Economic Development Assistance Programs | | | | |
| Planning | 23.9 | 23.9 | 24.0 | 24.0 |
| Technical Assistance | 9.6 | 9.2 | 9.2 | 9.5 |
| Research and Evaluation | 0.5 | 0.5 | 0.5 | 0.4 |
| Trade Adjustment Assistance | 9.5 | 10.5 | 10.5 | 10.5 |
| Economic Adjustment | 26.2 | 20.6 | 22.5 | 13.8 |
| Total Funding ¹ | 78.0 | 74.0 | 76.7 | 68.8 |
| IT Funding ² | 1.0 | 0.7 | 0.5 | 0.9 |
| FTE | 92 | 94 | 89 | 84 |

| Grand Total | FY 1999 Actual | FY 2000 Actual | FY 2001 Actual | FY 2002 Actual |
|------------------------------------------|----------------|----------------|----------------|----------------|
| Salaries and Expenses | 23.8 | 26.5 | 28.7 | 30.4 |
| Economic Development Assistance Programs | 267.2 | 359.5 | 410.3 | 335.0 |
| Total Funding ¹ | 391.0 | 386.0 | 439.0 | 365.4 |
| Direct | 391.0 | 386.0 | 439.0 | 365.4 |
| IT Funding ² | 2.7 | 1.9 | 1.4 | 2.7 |
| FTE | 262 | 268 | 254 | 239 |
| Emergency Supplemental ³ | 18.0 | 20.5 | 64.9 | 6.7 |
| Reimbursables ⁴ | 19.5 | 20.6 | 24.4 | 7.9 |
| Total Funds Accounted For | 428.5 | 427.1 | 528.3 | 380.0 |

¹ Total funding includes program dollars, salaries, and expenses. It also reflects direct obligations. It does not include one-time, disaster investments.

² IT funding included in total funding.

³ EDA receives emergency supplemental funding on an irregular basis to respond to disasters or emergencies.

⁴ EDA receives reimbursable funding that is variable in nature from year-to-year. Therefore, reimbursable resources are not factored into the performance goals.

Skill Summary:

EDA possesses the following institutional skills: economic development policy and planning; community outreach and project development; program and investment management; civil rights, environmental, and legal compliance; engineering; financial management; research and evaluation; program and management analysis; and general administration.

Information Technology (IT) Requirements:

The need for proficient IT infrastructure support is critical in order to maintain the security and stability of EDA's IT enterprise. As a result, contractor resource requirements to support and secure the new operations environment have been modified to reflect the new network, mail and office automation application standards being implemented. Increased software and hardware licensing and maintenance costs are also being incurred to fully implement the new environment. The implementation of technology upgrades during FY 2002 and FY 2003, and future technologies delivered via the EDCOMS project, will require continued restructuring of EDA's current contractor support resources to effectively manage and secure the expanded enterprise environment.

EDA staff must continue to be proficient and productive in the use of the new technology tools and system in order for the external delivery of services to be successful. EDA's network and end-user contractor resources need to be augmented in order to respond proactively to the daily operational needs of EDA staff using the new enterprise technology and tools. The anticipated IT staffing requirements are for six direct hire staff and six support contractor staff. The projected increase in operational and maintenance costs of \$258,000 in its overall operations costs is a direct result of new technologies implemented during FY 2002, as well as those being delivered in the first phase of EDCOMS at the end of FY 2003. EDCOMS Phase II components and costs are anticipated to be \$950,000 for the implementation of the internal business/administrative process and workflow automation, and participation in the Department of Commerce and government-wide electronic grants initiatives.

FY 2002 Performance Goals

Performance Goal 1: Promote Private Enterprise and Job Creation in Economically Distressed Communities

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably

Rationale for Performance Goal

The Economic Development Administration (EDA) fosters a favorable environment for the private sector to risk capital investment to produce goods and services and increase productivity, thereby providing the higher-skill, higher-wage jobs that offer opportunity for all Americans. Whatever activities EDA undertakes with public dollars must demonstrate return on investment through measurable, quantifiable performance outcomes.

While successful economic development projects attract private sector capital investment and create value-added jobs, they are also beneficial for local communities and all levels of government. By investing in successful undertakings, creating jobs, and expanding the economy, the demand for government expenditures for social services decrease while tax revenues increase.

EDA's investment guidelines set standards to achieve its performance goals of promoting private investment and job creation in distressed communities. Potential investments must be market-based and proactive; maximize private capital investment; create higher-skill, higher-wage jobs; and offer a positive return on the taxpayer's investment.

Within the framework of this goal, EDA focuses on two of its programs, the Public Works and Development Facilities, and the Economic Adjustment program. EDA investments in public works serve as catalysts for other public and private investments for the establishment or expansion of commercial and industrial facilities in distressed communities. EDA also provides economic adjustment investments for infrastructure improvements and revolving loan funds to help communities and businesses respond to severe economic dislocations caused by major layoffs, plant shutdowns, trade impacts, natural disasters, and the closure of military bases and energy labs, and similar actions that adversely affect local economies.

EDA's Ongoing Performance Measurement System

EDA established an ongoing reporting system, beginning with FY 1997 grant awards, to track long-term program outcomes for private investments and job creation in distressed communities. EDA collects data (snapshots of actual performance) at three-year intervals for up to nine years following the award of the grant. This system will enable EDA to develop a database with multi-year trend data on private investments and job creation by EDA investments. FY 2000 was the first year in which data became available under the system, representing the initial reporting interval for FY 1997 Public Works investments.

Adjustments to FY 1997 and FY 1998 Performance Targets

Early projections for FY 1997 and FY 1998 performance included both direct and indirect jobs for EDA Public Works projects. In response to General Accounting Office (GAO) report RCED-99-11R, job targets were adjusted to exclude indirect jobs. This downward adjustment was largely offset when EDA began setting job targets for economic adjustment construction and revolving loan fund projects. Projections are now based on direct jobs only, resulting in conservative targets and reporting standards (beginning with FY 1999 awards). EDA continues to review and refine performance measures and targets in consultation with Congress, GAO, the Office of Management and Budget, and other bureau stakeholders and will adjust targets as appropriate when adequate trend data becomes available.

Data on Past Performance

To provide complete information on long-term outcomes (private investment and job creation), EDA includes data on past performance for two sets of construction projects that have reached the final reporting interval. Data are also provided for two sets of revolving loan fund investments. Both the two sets of construction projects and the two sets of revolving loan fund data involve projects that were approved prior to FY 1997, and provide the only long-term final outcome data available at this time. As EDA continues to collect actual outcome results, it will report trend data derived from that information.

- Baseline projects — The *Public Works Program: Performance Evaluation* (May 1997) reported on 205 Public Works projects that were completed in FY 1990. The *Defense Adjustment Program Performance Evaluation* (Nov. 1997) provided similar data for EDA defense projects ranging from two to five years in age.
- Pilot projects — EDA conducted pilot reviews during FY 1999 to obtain actual data on a second set of projects. *EDA GPRA Pilot I: Construction Projects* (Rutgers 1999) shows results for fifty-eight construction projects, six years after project completion (FY 1993). *EDA GPRA Pilot II: Revolving Loan Fund Projects* (Rutgers 1999) shows results for forty-four revolving loan fund projects, six years after approval (FY 1993).

The following tables compare actual results from the pilot projects with the results from baseline projects as presented by Rutgers et al. (Note: 1997 dollars have not been converted to 1999 dollars.)

| EDA Construction Projects | | |
|-------------------------------------|------------------------------------|---------------------------------------|
| | GPRA Pilot I Results (1999) | Public Works Evaluation (1997) |
| Creation of permanent jobs | 100% | 96% |
| Leveraged private sector investment | 98% | 84% |
| EDA job cost ratios | \$3,445/Job | \$3,058/Job |
| Private sector investment | \$5.62M/M of EDA funding | \$10.08M/M of EDA funding |

| EDA Revolving Loan Fund Projects | | |
|-----------------------------------------|-------------------------------------|---------------------------------------------|
| | GPRA Pilot II Results (1999) | Defense Adjustment evaluation (1997) |
| Creation of permanent jobs ¹ | 95% | 96% |
| Leveraged private sector investment | 95% | N/A |
| EDA job cost ratios | \$4,107/Job | \$3,747/Job |
| Private sector investment | \$6.25M/M of EDA funding | \$2.67M/M of EDA funding |

¹ Permanent jobs are those jobs not designated as temporary positions.

Interim and Process Measures

In response to GAO recommendations, EDA developed a set of interim and process measures that can be used by EDA managers on a regular basis to set targets and track performance in critical program areas. These measures were introduced in FY 1999 and FY 2000. Policies and procedures are in place to obtain data on key performance indicators identified by program managers. Preliminary data are available for FY 2000 interim and process measures under Goal 1 and 2. EDA will report final results when data review and verification are complete. For FY 2002, EDA developed a new interim measure on technology-related projects to support the Department of Commerce strategic plan. EDA established a baseline and set a target for this measure in FY 2002.

EDA has discontinued reporting on certain interim and process measures in FY 2002. These measures, developed in response to GAO’s 1999 recommendations, provide reportable performance data pending the receipt of the long-term results on private investment and job creation of EDA grant awards. EDA is now reporting on those long-term results. As part of the balanced scorecard and to ensure the Bureau’s commitment to quality customer service, EDA will continue to track some of these measures.

FY 2002 Performance

In FY 2002, EDA achieved five of the five performance measures for performance goal 1. After an intense review during FY 2002 of the measures under performance goal 1, four were retained and a baseline was established for an outcome-oriented technology-related measure. EDA developed the technology-related measure in FY 2000, and was awaiting data to establish a target. The results of the five measures will be discussed in more detail in each measure-specific section. The discontinued measure will be assessed for management purposes.

EDA’s role is that of a catalyst, funding the most viable projects and ensuring the progress of economic growth in distressed communities. EDA looks for investments that will generate significant returns for many years. An exceptional example of such investments is a FY 1999 project with the City of Elizabeth, New Jersey. The need for infrastructure improvements reached a critical point and threatened to close a primary artery connecting internal and regional roadways to a major commercial and industrial center in Elizabeth. EDA’s investment in this area, a designated Urban Enterprise Zone (UEZ), ensured the success of the City’s economic revitalization efforts. This UEZ is the largest designated zone in the State of New Jersey. By providing improved and expanded sewer service to the area, Elizabeth’s prime commercial and industrial area became the site of New Jersey Gardens Mall, the eighth largest in the nation, home to over 200 stores and several hotels. The results of this highly successful project are reflected below in private investment for the community of \$250 million and the creation of 14,500 jobs.

| Measure 1a: Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments | | | | | | |
|-------------------------------------------------------------------------------------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
| Target | \$116M by FY 2000 | \$130M by FY 2001 | \$420M by FY 2002 | \$400M by FY 2003 | \$480M by FY 2004 | \$390M by FY 2005 |
| | \$581M by FY 2003 | \$650M by FY 2004 | \$1,040M by FY 2005 | \$1,020M by FY 2006 | \$1,200M by FY 2007 | \$970M by FY 2008 |
| | \$1,162M by FY 2006 | \$1,300M by FY 2007 | \$2,080M by FY 2008 | \$2,040M by FY 2009 | \$2,410M by FY 2010 | \$1,940M by FY 2011 |
| Actual | | | | \$199M ¹ | \$971M ² | \$640M ³ |
| Met/Not Met | | | | Met | Met | Met |

¹ See FY 1997 target of \$116M by FY 2000.
² See FY 1998 target of \$130M by FY 2001.
³ See FY 1999 target of \$420M by FY 2002.

Explanation of Measure

This target is based on the anticipated results of the Public Works and Development facilities and economic adjustment implementation and revolving loan fund investments three years after investment award. The formula-driven calculation projects investment data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University that compiled and analyzed the performance of EDA Public Works projects after nine years. Based on this formula, EDA initially estimated that ten percent of the nine-year projection would be realized after three years, and fifty percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that twenty percent of the projected private investment was realized within the first three years. Analyses of FY 1997 and FY 1998 revealed several anomalies of unusually large private investment amounts. Based on that review, EDA adjusted the three-year target to twenty percent. EDA will continue to analyze actual private investment results to collect smooth trend data prior to modifying the target further. Actual results reported here reflect a twenty-five percent discount to provide a margin of attrition for the possible change in economic conditions over the nine-year period, pending final review and analysis of performance data reported by EDA grantees.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. At the end of FY 2002, three years after these investments were awarded in FY 1999, over \$640 million in private sector investments had been leveraged. The target for these FY 1999 investments was to generate \$420 million in private sector dollars by the end of FY 2002.

Measure 1b: Jobs Created or Retained in Distressed Communities as a Result of EDA Investments

| | FY 1997 | FY 1998 | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|-------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Target | 5,040 by FY 2000 | 5,400 by FY 2001 | 11,300 by FY 2002 | 11,300 by FY 2003 | 14,400 by FY 2004 | 11,500 by FY 2005 |
| | 25,200 by FY 2003 | 27,000 by FY 2004 | 28,400 by FY 2005 | 28,200 by FY 2006 | 36,000 by FY 2007 | 28,900 by FY 2008 |
| | 50,400 by FY 2006 | 54,000 by FY 2007 | 56,900 by FY 2008 | 56,500 by FY 2009 | 72,000 by FY 2010 | 57,800 by FY 2011 |
| Actual | | | | 12,056 ¹ | 12,898 ² | 29,912 ³ |
| Met/Not Met | | | | Met | Met | Met |

¹ See FY 1997 target of 5,040 jobs by FY 2000.

² See FY 1998 target of 5,400 jobs by FY 2001.

³ See FY 1999 target of 11,300 jobs by FY 2002.

Explanation of Measure:

This target is based on the anticipated results of the FY 1999 Public Works investments three years after investment award. As in the previous explanation of measure 1a, the formula-driven calculation projects investment data at three-, six-, and nine-year intervals from the investment award. The formula is based on a study done by Rutgers University, which compiled and analyzed the performance of EDA Public Works projects after nine years. Based on this formula, EDA initially estimated that ten percent of the nine-year projection would be realized after three years, and fifty percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that twenty percent of the projected jobs were realized within the first three years. As in the previous explanation of measure, analyses of FY 1997 and FY 1998 revealed several anomalies of unusually large private investment amounts. Based on that review, EDA adjusted the three-year target to twenty percent. EDA will continue to analyze actual job creation results to collect smooth trend data prior to modifying the target further. Actual results reported here reflect a twenty-five percent discount to provide a margin of attrition for the possible change in economic conditions over the nine-year period, pending final review and analysis of performance data reported by EDA grantees.

FY 1997 and 1998 target data included both direct and indirect jobs for EDA Public Works projects. In response to comments from GAO, job targets were adjusted to exclude indirect jobs. This downward adjustment was offset when EDA set job targets to include economic adjustment construction and revolving loan fund projects beginning in FY 1999. Because the requested budgets for Public Works and economic adjustment programs remained the same in FY 2002, 2003 and 2004, the impact of the current economic contraction remains unknown, and with GAO’s recommendation to include direct jobs only, the targets will remain the same.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. At the end of FY 2002, three years after these investments were awarded in FY 1999, the number of jobs reported as created and retained was 29,912. The target for these FY 1999 investments was to create or retain 11,300 jobs by the end of FY 2002. As noted in the FY 2002 Performance section of Performance Goal 1, EDA’s role as an economic catalyst is to fund projects that have the potential of tremendous impact. One exceptional investment, made in FY 1999, was in a major commercial and industrial center with the City of Elizabeth, New Jersey. EDA’s investment in this prime area became the site of New Jersey Gardens Mall, the eighth largest in the nation and home to over 200 stores and several hotels. The results of this highly successful project were the creation of 14,500 jobs. Another very successful investment was made to the Greer Commission of Public Works in Greenville County, South Carolina. EDA’s investment in a water distribution system assisted the area to be selected as the location for a BMW manufacturing facility, the first outside Germany. The reported number of jobs created and retained from this specific investment was 4,384. The actual trend analyzed and reported for jobs created and retained in FY 2000, FY 2001, and FY 2002 remain consistently close to the FY 2002 target excluding these two extraordinary investments.

| Measure 1c: State and Local Dollars Committed per EDA Dollar | | | | | |
|---------------------------------------------------------------------|------------------------------------|----------------|----------------|----------------|----------------|
| | | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
| Target | State and Local Dollars/EDA Dollar | \$1 – \$0.7 | \$1 – \$0.7 | \$1 – \$1 | \$1 – \$1 |
| Actual ¹ | State and Local Dollars/EDA Dollar | \$1 – \$1.2 | \$1 – \$1.2 | \$1 – \$1 | \$1 – \$1.1 |
| Met/Not Met | Met | Met | Met | Met | |

¹ Due to limitations in EDA’s operational planning and control system, actuals may include some projects funded under emergency supplemental appropriations.

Explanation of Measure

Original targets for this measure were based on program evaluations (Rutgers et al. 1997), which found that construction projects funded under the section 201 Public Works Program had an EDA share of 53.6 percent and that projects funded under the section 209 Economic Adjustment Program had a median EDA share of seventy-five percent (reflecting different grant rate requirements for these programs under prior legislation). After reviewing the findings from both studies during FY 1998, EDA determined that an EDA share of sixty percent was a reasonable estimate for the combined program activities. With the

enactment of the Economic Development Administration Reform Act of 1998, EDA issued new regulations during FY 1999, increasing requirements for nonfederal funding to fifty percent of total project costs, except for areas of high distress, which qualify for higher EDA grant rates.

Targets for the ratio of state and local dollars to federal dollars remain constant after FY 2002 for two reasons. First, statutory requirements regarding the community’s matching funds changed for economic adjustment implementation investments from seventy-five percent to fifty-eighty percent to match the Public Works program in FY 1999. Second, external factors such as economic downturns increase the number of areas eligible for higher grant rates and decrease the availability of state and local dollars in distressed communities. Areas of severe economic distress can qualify for higher grant rates, which can lower the average. EDA will continue to collect multi-year data on this measure to analyze any trends to determine adjustments to the target as sufficient data become available.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. For each EDA dollar invested in FY 2002, state and local entities committed \$1.13 to the project to reflect the community’s dedication to the success of project.

| Measure 1d: Percentage of Investments to Areas of Highest Distress | | | | |
|---------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
| | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
| Target | 20% | 30% | 40% | 40% |
| Actual ¹ | 36% | 45% | 43% | 40.1% |
| Met/Not Met | Met | Met | Met | Met |

¹ Due to limitations in EDA’s operational planning and control system, actuals include some projects funded under supplemental appropriations.

Explanation of Measure

EDA actively encourages proposals from areas of highest distress, and directs program and staff resources to assist these communities in developing viable proposals and plans for successful investments. *Highest* distress areas are defined as those areas where the 24-month unemployment rate is at least 180% of the national average, or where the per capita income is not more than sixty percent of the national average. EDA investments in areas of *highest* distress have surpassed the performance target for two consecutive years following implementation of the Economic Development Reform Act of 1998. To qualify for the minimum EDA assistance, distressed communities must show that per capita income is not more than eighty percent of the national average, or that the 24-month unemployment rate is at least one percent greater than the national average, as opposed to those with *highest* distress that must meet the criteria discussed above.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. While all EDA’s investments were made in distressed areas eligible under its legislative requirements, EDA awarded 40 percent of its infrastructure investments in areas of distress “higher” than its legislative requirements. Both definitions are outlined above.

Measure 1e: Percentage of EDA Dollars Invested in Technology-related Projects in Distressed Areas

| | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|-------------|---------|---------|---------|---------|
| Target | New | New | New | 10% |
| Actual | | | | 11.8% |
| Met/Not Met | | | | Met |

Explanation of Measure

EDA programs provide support for the efforts of the nation's distressed communities to become competitive in the new global economy. By supporting technology-based economic development, EDA offers those parts of the U.S. that have lagged behind in the opportunity to become leaders in the new economy. The new measure supports increased investment in technology-led economic development to provide better jobs and opportunities for growth in distressed communities. EDA already supports local and state initiatives to upgrade infrastructure, telecommunications, and technology-transfer facilities to support existing firms and new enterprise development. EDA also encourages greater participation by universities, community colleges, and business organizations to ensure that local firms and communities benefit from new information technologies, manufacturing processes, and applied research and development in environmental and life sciences. A task force researched EDA investments and other federal assistance available to support technology-led economic development in distressed areas.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. EDA awarded 11.8 percent of its investment funding for technology investments that were primarily related to constructing or acquiring technology infrastructure or equipment.

Program Evaluation

EDA uses program evaluations to develop valid performance measures and provide a more complete understanding of overall program performance. Systematic program evaluations also allow EDA to verify results and continue to improve program performance. EDA's goal is to evaluate major program activities on a regular basis as resources permit. A research team led by Rutgers University—and including the New Jersey Institute of Technology, Columbia University, Princeton University, the National Association of Regional Councils, and the University of Cincinnati—undertook evaluations of the EDA Public Works investments, economic adjustment construction, and revolving loan fund (RLF) projects as identified below:

Evaluations completed in FY 2002:

EDA RLFs: Planning, Local Structural Change, and Overall Performance;

EDA RLFs-Performance Evaluation;

The Impact of EDA RLF Loans on Economic Restructuring;

The Impact of Planning on EDA RLF Performance (Rutgers University, 2002)

These four volumes summarize the findings of a major evaluation of EDA's Revolving Loan Fund Program. The evaluation is based on an examination of 422 EDA RLF grantees that have issued nearly 11,600 loans, examines the ways in which EDA RLF loans contribute to economic structural change in communities in which they are made, and the importance of planning in economic restructuring and RLF outcomes.

Evaluations underway:

Economic Adjustment Program Evaluation (Wayne State University et al.)

The evaluation is scheduled for completion in 2003.

Performance Goal 2: Build Community Capacity to Achieve and Sustain Economic Growth

Corresponding Strategic Goal

Strategic Goal 1: Provide the information and the framework to enable the economy to operate efficiently and equitably

Rationale for Performance Goal

Powerful economic forces are at work today and will grow stronger in the years to come. Organizations will be pushed to reduce costs, improve quality of products and services, and increase productivity. Although adjustment to changing conditions is a challenge, the Economic Development Administration (EDA) is nonetheless committed to it. EDA is creating a new, stronger organization that will provide practitioners with a one-stop source for information and professional development.

EDA is proud of its active partnership with its economic development partners at the state, regional, and local levels. The partnership approach to economic development is key to effectively and efficiently addressing the economic development challenges facing our nation's communities.

EDA must continue to build upon its partnerships with local development officials; Economic Development Districts; University Centers; faith-based and community-based organizations; and local, state, and federal agencies. But more importantly, EDA will forge strategic working partnerships with private capital markets, and look for innovative ways to spur development.

Economic development is a local process; however, the federal government plays an important role by helping distressed communities build capacity to identify and overcome barriers that inhibit economic growth. EDA's approach is to support local planning and long-term partnerships with state and regional organizations that can assist distressed communities with strategic planning and investment activities. This process helps communities set priorities, determine the viability of projects, leverage outside resources to improve the local economy, and sustain long-term economic growth.

EDA planning funds support the preparation of Comprehensive Economic Development Strategies that guide EDA Public Works and economic adjustment implementation investments, including revolving loan funds. Sound local planning also attracts other federal, state, and local funds plus private sector investments to implement long-term development strategies. Evaluations of EDA's Public Works and defense adjustment programs show that EDA capacity-building programs play a significant role in the successful outcomes of its infrastructure and revolving loan fund projects.

FY 2002 Performance

EDA was successful in meeting the targets established for the measures under this goal. After a critical review of the previous seven measures for performance goal 2, two were retained and five new, outcome-oriented measures were developed. The five new measures are being tracked this year and next year in order to develop a baseline and set targets. Of the two retained measures, EDA achieved both. The results of the two measures will be discussed in more detail in each measure-specific section. Some of the discontinued measures will be assessed for management purposes as indicated.

Measure 2a: Percentage of Sub-state Jurisdiction Members Actively Participating in the Economic Development District (EDD) Program

| | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|-------------|----------------------------------------------------------------------------------|---------|---------|---------|
| Target | EDA developed the plan for evaluating economic development district performance. | 75% | 85% | 93% |
| Actual | | 95% | 92% | 95.3% |
| Met/Not Met | | Met | Met | Met |

Explanation of Measure

Under EDA's amended legislation, participation of sub-state jurisdictions in Economic Development Districts was reduced from seventy-five percent to more than fifty percent for district designation purposes. Economic Development Districts generally consist of three or more counties that are considered member jurisdictions. Sub-state jurisdiction participation is an indicator of the District's responsiveness to the area it serves and shows that the services they provide are of value. Active participation was defined as either attendance at meetings or financial support of the Economic Development District during the reporting period. In FY 2001, EDA revised the definition of sub-state jurisdiction members as follows:

“Sub-state jurisdiction members are independent units of government (cities, towns, villages, counties, etc.) and eligible entities substantially associated with economic development, as set forth by the district's by-laws or alternate enabling document.”

EDA will continue to analyze trend data for further refinement.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. Of the 12,054 sub-state jurisdictions recognized as eligible for participation in economic development districts, 11,487 or 95.3 percent, are participating in the districts.

Measure 2b: Percentage of Local Technical Assistance and Economic Adjustment Strategy Investments Awarded in Areas of Highest Distress

| | FY 1999 | FY 2000 | FY 2001 | FY 2002 |
|-------------|---------|---------|---------|---------|
| Target | 20% | 25% | 30% | 30% |
| Actual | 31% | 35% | 32% | 30% |
| Met/Not Met | Met | Met | Met | Met |

Explanation of Measure

Local technical assistance investments provide specialized technical or professional services to help local officials evaluate investment opportunities and solve complex development issues. Strategy investments help local communities adjust to sudden and severe economic dislocations and long-term declines that affect key sectors of the local economy. Areas of *highest* distress for this measure include areas where the 24-month unemployment rate is at least 180 percent of the national average and where

per capita income is not more than sixty percent of the national average, as well as Indian Tribes and areas suffering from natural disasters. To qualify for the minimum EDA assistance, distressed communities must show that per capita income is not more than eighty percent of the national average, or that the 24-month unemployment rate is at least one percent greater than the national average, as opposed to those with *highest* distress that must meet the criteria discussed above.

FY 2002 Performance

EDA was successful in meeting the target established for this measure. While all EDA's investments were made in distressed areas eligible under its legislative requirements, EDA awarded 30 percent of its capacity-building investments in areas of distress "higher" than its legislative requirements. Both definitions are outlined above.

Program Evaluation

EDA uses program evaluations to develop valid performance measures and provide a more complete understanding of overall program performance. Systematic program evaluations also allow EDA to verify results and continue to improve program performance. EDA's goal is to evaluate major program activities on a regular basis as resources permit. Evaluations involving EDA planning, technical assistance, and trade adjustment programs are identified below:

Evaluations completed in FY 2002:

Evaluation of University Center Program (Mt. Auburn Associates, 2002)

EDA's University Center Program provides annual funding to higher-education institutions throughout the country for the support of local and regional economic development. Currently, sixty-nine university centers are located in forty-five states and Puerto Rico. The primary purpose of the program is to improve the economies and economic development capacity of center service areas, with emphasis on economically distressed communities.

Evaluation of Planning Program (Wayne State University, 2002)

This report is an evaluation of the EDA's Planning Program that supports 323 Economic Development Districts (EDDs) to facilitate strategies for economic development in their communities. Some of the report's observations include 1) the Comprehensive Economic Development Strategy (CEDDS) process provides the critical backbone for economic development planning at the regional level, 2) EDDs very effectively use the EDA funding they receive, and 3) there is a strong emphasis on capacity building.

Evaluations Underway:

Local Technical Assistance Program Evaluation (Bowling Green State University)

The evaluation is scheduled for completion in FY 2003.

EDA Data Validation and Verification

The EDA GPRA pilots provided trend data on past performance, as presented earlier. They also provided critical outreach and training for EDA grantees and staff on valid reporting methods and verification of performance data on long-term outcomes. EDA achieved a ninety-eight percent response rate on the FY 1999 pilots and conducted site visits to more than twenty-five percent of the projects to validate and verify data reported. The data was provided to Rutgers University for review and comparison with the original evaluations.

EDA validated some of the FY 1999 performance results on private sector investment and job creation upon receipt of the data. Regional offices verified eighty-nine percent of the total Public Works and economic adjustment private sector investment and fifty-eight percent of the total Public Works and economic adjustment jobs reported for FY 2002 by directly contacting investment recipients to request supporting information. Reports were completed that identified how the data was verified and the person or business contacted to verify the data. In FY 2002, EDA conducted six validation site visits on six FY 1998 investments, one in each region that had been closed out by the end of FY 2001. At the time of the visit, the investments were reviewed utilizing the data report outline below. In all cases, the private investment and jobs created were verified, and the results were even higher at the time of the visit than at the time the data was reported, which ranged from one to two years earlier.

EDA processing procedures specify that staff verify proposed private investment and jobs. Proposals for EDA investments are reviewed by regional Investment Review Committees (IRC) then forwarded to the Senior Advisor for Performance Evaluation at Headquarters. This quality assurance process was implemented to determine whether the IRC endorsed investment satisfies the regulations and the Investment Policy Guidelines, as amended. Once a project has been invited for investment, the application includes a form, Assurances of Compliance, Exhibit V.B.1.b., that requires the entity to identify the estimated number of jobs and sign the form.

EDA utilizes the following criteria for site selection to verify the private investment, job creation, and retention data reported for its performance measures.

- The fiscal year data being verified is from an investment that was closed within the appropriate three-, six-, or nine-year reporting timeframe.
- EDA investment is equal to or greater than \$500,000.
- Private investment dollars and jobs created or retained is present.
- At least one verification site visit per region will be conducted.
- A varied selection of Public Works and economic adjustment (regular, defense, or revolving loan fund) investments will be reviewed.

The GPRA site validation visit report includes background of the EDA investment and a project description. The following data is requested from the investment recipient with accompanying documentation for each item to verify the information.

- The tax assessment of the property or the building, before and after the construction or renovation.
- The number of jobs retained at the time of project close-out and at the time of the site visit. Sources must be identified with documentation.
- The number of jobs created at the time of project close-out and at the time of the site visit. Sources must be identified with documentation.
- The average salary of building's previous tenants, if applicable, or average annual wage before EDA investment.
- The average salary of the building's present tenants, if applicable, or average annual wage after EDA investment.
- Are the present jobs considered 'higher skilled' than the previous jobs and why?
- The amount of private investment at the time of project closeout and at the time of the site visit. Sources must be identified with documentation.
- The increase in Local Real or Business Property Tax Base (in dollars).
- The percentage of population growth (or decline) since investment award.

Direct project-related results, direct non-project-related results, and indirect results (if any) are identified in the report, as well as an overall assessment of the EDA investment. Photos, brochures, and news-related articles (if available) are also included.

As EDA collects and analyzes the data, EDA will use it to adjust performance targets as needed. The EDA Data Validation and Verification table can be found on the following page.

EDA Data Validation and Verification

| Performance Measure | Data Source | Frequency | Data Storage | Verification | Data Limitations | Actions to be Taken |
|--------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Measure 1a: Private sector dollars invested in distressed communities as a result of EDA investments | Investment recipient performance reports. | At three-year intervals (typically three, six, and nine years after investment). | EDA Management Information System | To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA performs regional validation on site visits with some recipients. | Universe - FY 1999 Regular Appropriations for Public Works and Development Facilities and Economic Adjustment Implementation and revolving loan fund investments. Private investment may vary along with economic cycles. | EDA will continue to monitor investment data. |
| Measure 1b: Jobs created or retained in distressed communities as a result of EDA investments | Investment recipient performance reports. | At three-year intervals (typically three, six, and nine years after investment). | EDA Management Information System | To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA performs regional validation on site visits with some recipients. | Universe - FY 1999 Regular Appropriation for Public Works and Development Facilities investments and Economic Adjustment Implementation and revolving loan fund investments. It may be more expensive to create or retain jobs during economic downturns because of fewer private sector investments; therefore, fewer jobs would be created or retained. | EDA will continue to monitor job creation data. |
| Measure 1c: State and local dollars committed per EDA dollar | Investment recipient applications and progress reports. | At the time of award of investment. | EDA Management Information System | EDA verifies nonfederal funds committed to projects prior to disbursement of investment funds. | Universe - FY 2002 Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Implementation investments; the match rate may decrease in cases of severe distress while eligible areas increase during economic downturns. | EDA will continue to monitor state and local investment data. |
| Measure 1d: Percentage of investments to areas of highest distress | Investment recipient applications, the Bureau of Labor Statistics current 24-month unemployment data, and the most current Bureau of Economic Analysis per capita income data. | Ongoing | EDA Management Information System | EDA regional offices verify the eligibility of potential projects upon receipt. EDA also samples projects periodically to ensure accurate project location codes. Statistical data is based on the Bureau of Labor Statistics' current 24 month unemployment data and the most current Bureau of Economic Analysis per capita income data. | Universe - FY 2002 Regular Appropriations for Public Works and Development Facilities, Economic Adjustment Implementation investments; the number of highest distressed areas will increase during economic downturns and decrease during economic expansions. | EDA will determine the appropriate investment portfolio mix for its limited resources and continue to monitor results. |
| Measure 1e: Percentage of EDA dollars invested in technology-related projects in distressed areas | Investments that are specifically identified and coded in EDA's Management Information System. | Ongoing | EDA Management Information System | EDA regional offices verify and code potential projects upon invitation. EDA also samples projects periodically to ensure accurate codes. | Universe - FY 2002 Investments from EDA funding sources that are direct investments in technology-related construction or acquisition, or investments related to expanding the technology potential of companies, communities, or areas; EDA investments are dependent on the type of opportunities communities present. | EDA will continue to monitor and develop trend data. |
| Measure 2a: Percentage of substate jurisdiction members actively participating in the Economic Development District (EDD) program | Investment recipients | Annually | EDA Management Information System | EDA conducts performance reviews and site visits on approximately one-third of the District and Indian Tribe investments per year. | Universe - EDA Partnership Planning investments only. This measure shows the value-add of the Economic Development Districts in which EDA invests. While an Economic Development District may be effective, members still may not participate for other reasons. | EDA will continue to monitor compliance with the new definition of sub-state member jurisdictions. |
| Measure 2b: Percentage of local technical assistance and economic adjustment strategy investments awarded in areas of highest distress | Investment recipient applications, the Bureau of Labor Statistics current 24 month unemployment data, and the most current Bureau of Economic Analysis per capita income data. | Ongoing | EDA Management Information System | EDA verifies data prior to investment approval. | Universe - EDA Local Technical Assistance and Economic Adjustment Strategy investments. The number of highly distressed areas will increase during economic downturns and decrease during economic expansions affecting EDA investments in these communities. | EDA will determine the appropriate investment portfolio mix for its limited resources and continue to monitor results. |