

**FY 2007 Annual Performance Plan****Economic Development Administration***Mission Statement*

To lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy.

The mission of the Economic Development Administration (EDA) is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the global economy. This mission directly supports the Department of Commerce goal of providing the tools to maximize U.S. competitiveness.

EDA's Performance Goal 1 includes program activities associated with the Public Works and Economic Development program, the Economic Adjustment Assistance program infrastructure and Revolving Loan Fund components, and when available, the Defense Economic Adjustment Assistance program. All of these program activities will be carried out under the Regional Development Account. The Public Works and Economic Development program empowers distressed communities to revitalize, expand, and upgrade their physical infrastructure to attract new industry, encourage business expansion, diversify local economies, and generate or retain long-term private sector jobs and investments. Among the types of projects funded are water, sewer, fiber optics, access roads, redeveloped "brownfields" sites, industrial and business parks, business incubator and skill training facilities, and port improvements. The Economic Adjustment Assistance program infrastructure components are designed to assist state and local entities in designing and implementing strategies to adjust or bring about change to an economy. The program focuses on areas that have experienced or are under threat of serious structural damage to the underlying economic base. The program also provides flexible investments to communities for making loans to local businesses to 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 mass layoffs resulting from plant closures, military base closures or realignments, defense laboratory or contractor downsizing, natural disasters, natural resource depletion, out-migration, underemployment, and localized negative impacts of foreign trade.

EDA performance targets for long-term program outcomes are based on nine-year projections for private dollars invested, and jobs created and retained. Performance data are obtained at three-year intervals to provide snapshots of current progress in achieving the full, nine-year performance projection. Since most investments are completed an average of three years after award, EDA monitors performance results at three, six, and nine years after investment award. FY 2000 was the first year for which data was available for long-term outcomes. According to the performance evaluation of EDA's Public Works and Economic Development program (Rutgers et. al. 1997), investment impacts "generally increase with time." The study found that "jobs resulting six years after completion [generally about nine years after investment award] were, on average, twice the number witnessed at project completion [generally about 3 years after award]".

EDA's Performance Goal 2 includes the following program activities: the Partnership Planning Program; Economic Adjustment Assistance Program strategy investments component; National Technical Assistance, Training, Research, and Evaluation; University Center Program; and Local Technical Assistance. This

performance goal also includes Trade Adjustment Assistance to firms as authorized by the Trade Act of 1974, as amended. All of these program activities, with the exception of Planning and Trade Adjustment Assistance, will be carried out under the Regional Development Account.

EDA's Partnership Planning Programs help support local organizations (Economic Development Districts, Indian Tribes, and other eligible areas) with their long-term planning efforts and their outreach to the economic development community on EDA's programs and policies.

The Economic Adjustment Assistance Program strategy investment component provides flexible investment support to develop economic adjustment strategies for communities facing sudden or severe economic distress. Under this program, states, cities, counties, and other eligible entities can receive investment assistance to assess the dislocation and develop an economic adjustment plan to generate private sector investments and create jobs.

EDA's Technical Assistance Program includes three major components. The University Center Program is a partnership of the federal government and academia that makes the vast resources of universities available to the economic development community. The National Technical Assistance Program supports world-class economic development practices and activities, including information dissemination efforts. The Local Technical Assistance Program helps fill the knowledge and information gaps that may prevent leaders in the public and nonprofit sectors in distressed areas from making optimal decisions on local economic development issues.

The Trade Adjustment Assistance Program was reauthorized under the Trade Act of 1974, as amended, in 2002. Through this program, EDA uses a national network of eleven Trade Adjustment Assistance Centers to help manufacturers and producers affected by increased imports (of similar or competitive goods) prepare and implement strategies for their economic recovery.

The programs associated with EDA's performance goals directly relate to the Department's Strategic Goal 1: Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers. The capacity building tools provided by EDA's assistance programs under Performance Goal 2 support the compilation of information needed by economic development practitioners and policy makers to make informed decisions and develop thoughtful and practical strategies for regional economic development. The implementation assistance programs included under Performance Goal 1 complement the Performance Goal 2 programs with the assistance required to implement the activities and initiatives identified through the capacity building process.

### **Priorities/Management Challenges**

Integration of mission, organization, budget, and performance drives success. To comply with the President's vision for management reform, EDA has proactively pursued and implemented several initiatives that include the following:

- **Budget and Performance Integration**

To further pursue the effective integration of the budgeting and performance evaluation processes, EDA analyzes Government Performance and Result Act of 1993 (GPRA) results on a quarterly basis and reports these analyses to both Regional Directors and the Executive Management Team. Efficiency measures associated with the performance measures for creating and retaining jobs and generating private investment are now in place, and performance results as well as Program Assessment Rating Tool (PART) analyses (discussed below under "PART Assessment") are used in the budget submissions to the Secretary, OMB, and Congress.

In addition, EDA's Balanced Scorecard approach continues to emphasize "cause and effect" relationships. Integration of management, performance, and budget is critical to achieving timely financial improvements and enhancing performance. At the highest level, the Balanced Scorecard is a framework that helps translate strategy into operational objectives that drive both behavior and performance at the operational level. The Balanced Scorecard is a value-added management process that provides a critical tool for getting from vision to execution.

The Balanced Scorecard approach addresses five perspectives: stakeholder; financial; customer; internal; and learning and growth. Each perspective is enveloped in a high-level strategic architecture that focuses on translating the strategy into operational terms and creating the synergy necessary for successful integration.

▪ **Strategic Human Capital**

EDA worked with Department groups to share perspectives on best practices in the human capital arena. EDA's human capital program is measured in part by the outcomes in the Balanced Scorecard. The Balanced Scorecard "learning and growth expectations" strategy recognizes that human resource processes are essential for moving strategy from the top to the bottom. Human capital measures in the Balanced Scorecard track the technological proficiency, analytical and communication skills of employees, establish the performance culture of EDA, and attract top talent. This will allow the bureau to deploy a skilled, knowledgeable, and strategy-focused workforce.

In FY 2004, EDA completed a reorganization of its Headquarters operation to better align resources with our mission and eliminate redundancy. The Headquarters reorganization became effective in March 2004 and augmented EDA's capacity to link strategy and goals with performance measurement and budget.

▪ **Competitive Sourcing**

Focusing on the most efficient means to deliver a product, EDA, in compliance with the Federal Activities Inventory Reform Act (FAIR), continues to identify functions that can be analyzed as to whether they can be accomplished more effectively through the public or private sector. EDA met its FY 2003 and 2004 competition goals.

▪ **Improved Financial Performance**

Implementation of the Commerce Business System (formerly known as the Commerce Accounting Management System) and its updated policies and procedures provide improved accountability. Financial systems are integrated and procedures have been enhanced to ensure timely, consistent and reliable reporting. EDA continues to score well on all OMB measures of performance, and has not had any material weaknesses or reportable conditions in the annual financial audit.

▪ **Information Dissemination**

In FY 2004, EDA helped establish the Economic Development Information Coalition (EDIC) to expand its information dissemination efforts. During FY 2005 and with EDA's continued support, EDIC continues to produce a monthly E-newsletter, a quarterly magazine, and six satellite broadcasts. The magazine and E-newsletter are distributed to about 6,000 people. The satellite broadcasts are generally available for viewing in 80 to 100 locations and attract about 3,000 to 4,000 people. While there is no way to track the actual number of viewers, an agreement reached with DISH NETWORK makes these telecasts available to 9.85 million subscribers. In addition, the Association of Public Television Stations (APTS) promoted the Economic Development Today telecast to affiliate stations nation-wide. APTS represents 80 percent of the market of public television stations. Finally, the broadcasts are also shown as webcasts after the actual airing which attracts even more viewers.

EDA initiated satellite broadcasts in FY 2002 to bring discussion of timely, cutting-edge, and best practices to economic development policy makers and practitioners in areas of the country that would not normally have access to this level of expertise. The highly successful broadcast in FY 2002 was followed by

three telecasts in FY 2003, four during FY 2004, and six during FY 2005. EDA held a symposium in September 2005 to focus on leading economic development strategies.

▪ **E-Government**

EDA has focused its E-government efforts on collaborating with the NOAA Grants On-Line program office to study the feasibility of collapsing legacy DOC back office grants systems into a consolidated Commerce-wide on-line grants system. EDA participated in a requirements analysis project led by the NOAA Grants On-Line program office which resulted in a series of business use case documents intended for use in the design and development of the proposed consolidated Commerce solution. EDA fully participates in the “FIND” component of Grants.gov on the Web. EDA continues to work with the Grants.gov program office and NOAA’s Grants On-Line program office to explore options for interfacing with the “APPLY” component of Grants.gov.

**Unit Cost Measures for Targets for Job Creation and Private Investment**

To compute targets, EDA calculates the “raw” number of jobs by dividing the total appropriation for job-producing programs by the cost per job, adjusted for inflation, derived in the Rutgers study. The calculation is adjusted downward by 30 percent to account for the expected attribution of jobs to economic conditions and dollars invested other than EDA dollars. Private investment targets are similarly established using a ratio of private investment dollars generated per EDA dollar, which is also adjusted downward by 30 percent for the same reason as for jobs. The EDA programs that directly produce jobs and private investment and to which unit cost measures are applied include the Public Works and Economic Development program, the implementation component of the Economic Adjustment Assistance program, and, when available, the Defense Economic Adjustment Assistance program. Actual results for both jobs and private investment are discounted by 25 percent to account for the attribution of jobs to dollars and economic conditions other than EDA dollars. EDA has begun expressing both target and actual job creation and retention as a ratio of jobs per \$1 million of EDA investment and target and actual private investment as a ratio of private investment generated per dollar of EDA investment.

**PART Assessment**

In FY 2002, OMB conducted its first performance assessment of EDA. EDA continues to implement the FY 2002 PART recommendations to further improve its rating. EDA requested another PART assessment in FY 2004 to assess its progress and increased its score and maintained its rating of “Moderately Effective.” EDA significantly improved program design to increase its impact in communities suffering economic distress and established investment policy guidelines focused on results rather than process. Application of these guidelines encourages regionally oriented investments in America’s communities based on expected return on the taxpayer’s investment.

The PART cross-cut assessment resulted in a recommendation to request funding for a new economic development program that streamlines federal assistance and targets funding to economically distressed communities and regions in the President’s FY 2006 budget, the Strengthening America’s Communities Initiative (SACI). The 2007 Budget proposes a modified version of SACI that continues to implement these necessary reforms.

Specific steps taken to address recommendations identified through the initial PART assessment include:

- New authority in EDA’s reauthorization to reward outstanding performance by grant recipients who excel in carrying out projects that create jobs;
- Continued program performance that exceeds performance targets based on three, six, and nine year reviews of private sector investment and job creation;
- Continued program performance that meets or exceeds targets addressed to increasing community capacity to achieve and sustain economic growth.

**Target and Performance Summary**

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

<i>Measure</i>	<i>FY 2002 Target</i>	<i>FY 2002 Actual</i>	<i>FY 2003 Target</i>	<i>FY 2003 Actual</i>	<i>FY 2004 Target</i>	<i>FY 2004 Actual</i>	<i>FY 2005 Target</i>	<i>FY 2005 Actual</i>	<i>FY 2006 Target</i>	<i>FY 2007 Target</i>
Private sector dollars invested in distressed communities as a result of EDA investments	\$390M by FY 2005	\$640M from FY 1999 investments <sup>1</sup>	\$320M by FY 2006	\$1,251M from FY 2000 investments <sup>2</sup>	\$330M (1.4 to 1) by FY 2007	\$947M from FY 2001 investments <sup>4</sup>	\$270M (1.4 to 1) by FY 2008	\$1,791M from FY 2002 investments <sup>6</sup>	\$265M (1.4 to 1) by FY 2009	TBD
	\$970M by FY 2008		\$810M by FY 2009	\$2,475M from FY 1997 investments <sup>3</sup>	\$824M (3.5 to 1) by FY 2010	\$1,740M from FY 1998 investments <sup>5</sup>	\$675M (3.5 to 1) by FY 2011	\$1,787M from FY 1999 investments <sup>7</sup>	\$662M (3.5 to 1) by FY 2012	
	\$1,940M by FY 2011		\$1,620M by FY 2012		\$1,649M (7.0 to 1) by FY 2013		\$1,349M (7.0 to 1) by FY 2014		\$1,323M (7.0 to 1) by FY 2015	

<sup>1</sup> Actual private sector dollars - Three Year Performance exceeds the FY 1999 projected target of \$420 million by FY 2002. (snapshot of performance for first reporting interval for FY 1999 investments)

<sup>2</sup> Actual private sector dollars - Three Year Performance exceeds the FY 2000 projected target of \$400 million by FY 2003. (snapshot of performance for first reporting interval for FY 2000 investments)

<sup>3</sup> Actual private sector dollars - Six Year Performance exceeds the FY 1997 projected target of \$581 million by FY 2003. (snapshot of performance for second reporting interval for FY 1997 investments)

<sup>4</sup> Actual private sector dollars - Three Year Performance exceeds the FY 2001 projected target of \$480 million by FY 2004. (snapshot of performance for first reporting interval for FY 2001 investments)

<sup>5</sup> Actual private sector dollars - Six Year Performance exceeds the FY 1998 projected target of \$650 million by FY 2004. (snapshot of performance for second reporting interval for FY 1998 investments)

<sup>6</sup> Actual private sector dollars - Three Year Performance exceeds the FY 2002 projected target of \$420 million by FY 2005. (snapshot of performance for first reporting interval for FY 2002 investments)

<sup>7</sup> Actual private sector dollars - Six Year Performance exceeds the FY 1999 projected target of \$1,040 million by FY 2005. (snapshot of performance for second reporting interval for FY 1999 investments)

<i>Measure</i>	<i>FY 2002 Target</i>	<i>FY 2002 Actual</i>	<i>FY 2003 Target</i>	<i>FY 2003 Actual</i>	<i>FY 2004 Target</i>	<i>FY 2004 Actual</i>	<i>FY 2005 Target</i>	<i>FY 2005 Actual</i>	<i>FY 2006 Target</i>	<i>FY 2007 Target</i>
Jobs created or retained in distressed communities as a result of EDA investments	11,500 by FY 2005	29,912 from FY 1999 investments <sup>1</sup>	9,170 by FY 2006	39,841 from FY 2000 investments <sup>2</sup>	8,999 (38 to \$1M) by FY 2007	21,901 from FY 2001 investments <sup>4</sup> 64 to \$1M	7,277 (38 to \$1M) by FY 2008	19,672 from FY 2002 investments <sup>6</sup> # to \$1M	7,019 (37 to \$1M) by FY 2009	TBD
	28,900 by FY 2008		22,900 by FY 2009	47,607 from FY 1997 investment <sup>3</sup>	22,497 (96 to \$1M) by FY 2010	68,109 from FY 1998 investment <sup>5</sup> 343 to \$1M	18,193 (94 to \$1M) by FY 2011	47,374 from FY 1999 investment <sup>7</sup> # to \$1M	17,548 (93 to \$1M) by FY 2012	
	57,800 by FY 2011		45,800 by FY 2012		44,994 (191 to \$1M) by FY 2013		36,386 (188 to \$1M) by FY 2014		35,097 (185 to \$1M) by FY 2015	

<sup>1</sup> Actual jobs - Three Year Performance exceeds the FY 1999 target of 11,300 jobs by FY 2002. (snapshot of performance at first reporting interval for FY 1999 investments)

<sup>2</sup> Actual jobs - Three Year Performance exceeds the FY 2000 target of 11,300 jobs by FY 2003. (snapshot of performance at first reporting interval for FY 2000 investments)

<sup>3</sup> Actual jobs - Six Year Performance exceeds the FY 1997 target of 25,200 jobs by FY 2003. (snapshot of performance at second reporting interval for FY 1997 investments)

<sup>4</sup> Actual jobs - Three Year Performance exceeds the FY 2001 target of 14,400 jobs by FY 2004. (snapshot of performance at first reporting interval for FY 2001 investments)

<sup>5</sup> Actual jobs - Six Year Performance exceeds the FY 1998 target of 27,000 jobs by FY 2004. (snapshot of performance at second reporting interval for FY 1998 investments)

<sup>6</sup> Actual jobs - Three Year Performance exceeds the FY 2002 target of 11,500 jobs by FY 2005. (snapshot of performance at first reporting interval for FY 2002 investments)

<sup>7</sup> Actual jobs - Six Year Performance exceeds the FY 1999 target of 28,400 jobs by FY 2005. (snapshot of performance at second reporting interval for FY 1999 investments)

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

<i>Measure</i>	<i>FY 2002 Target</i>	<i>FY 2002 Actual</i>	<i>FY 2003 Target</i>	<i>FY 2003 Actual</i>	<i>FY 2004 Target</i>	<i>FY 2004 Actual</i>	<i>FY 2005 Target</i>	<i>FY 2005 Actual</i>	<i>FY 2006 Target</i>	<i>FY 2007 Target</i>
Percentage of economic development districts and Indian tribes implementing economic development projects from the comprehensive economic development strategy process that lead to private investment and jobs	TBD	NEW	95%	98.7%	95%	97.0%	95%	97.0%	95%	TBD
Percentage of sub-state jurisdiction members actively participating in the economic development district program	89-93%	95.3%	89-93%	96.7%	89-93%	90.1%	89-93%	91.0%	89-93%	TBD
Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center	NEW	NEW	75%	78.1%	75%	78.4%	75%	78.8%	75%	TBD
Percentage of those actions taken by University Center clients that achieved the expected results	NEW	NEW	80%	85.7%	80%	87.5%	80%	87.5%	80%	TBD
Percentage of Trade Adjustment Assistance Centers (TAACs) clients taking action as a result of the assistance facilitated by the TAACs	NEW	NEW	90%	92.4%	90%	90.0%	90%	95.0%	90%	TBD
Percentage of those actions taken by Trade Adjustment Assistance Center clients that achieved the expected results	NEW	NEW	95%	98.4%	95%	98.0%	95%	97.0%	95%	TBD

## Resource Requirements Summary

<b>Performance Goal 1: Increase Private Enterprise and Job Creation in Economically Distressed Communities</b>	<b>2002 Actual</b>	<b>2003 Actual</b>	<b>2004 Actual</b>	<b>2005 Actual</b>	<b>2006 Estimate</b>	<b>2007 Base</b>	<b>2007 Request</b>	<b>Increase/ Decrease</b>
	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>	<b>Amount</b>
<b>Salaries and Expenses</b>	19.8	19.6	19.5	19.6	19.3	19.6	19.6	0
<b>Economic Development Assistance Programs</b>								
Regional Development Account							257.6	257.6
Public Works and Development Facilities	249.9	208.8	203.5	161.5	158.3	158.3	0	(158.3)
Economic Adjustment Assistance	26.9	29.9	31.8	31.4	30.9	30.9	0	(30.9)
Defense Economic Adjustment <sup>2</sup>			[1.5]					
<b>Total Funding Performance Goal 1</b>	296.6	258.3	254.8	212.5	208.5	208.8	277.2	(68.4)
IT Funding <sup>2</sup>	[1.8]	[0.8]	[0.8]	[0.8]	[0.8]	[0.8]	[0.8]	[0.8]
FTE	155	149	137	139	132	132	132	0
<b>Performance Goal 2: Improve Community Capacity to Achieve and Sustain Growth</b>								
<b>Salaries and Expenses</b>	10.6	10.5	10.5	10.5	10.4	10.1	10.1	0.0
<b>Economic Development Assistance Programs</b>								
Planning	24	23.9	23.7	27	26.6	26.6	27	0.4
Technical Assistance	9.5	9.2	8.1	8.3	8.2	8.2	0	(8.2)
Research and Evaluation	0.4	0.5	0.3	0.5	0.5	0.5	0	(0.5)
Trade Adjustment Assistance	10.5	10.4	11.8	11.8	12.8	12.8	12.8	0.0
Economic Adjustment Assistance	13.8	12.8	13.6	13.4	13.3	13.3	0	(13.3)
Defense Economic Adjustment <sup>2</sup>			[.7]					
<b>Total Funding Performance Goal 2</b>	68.8	67.3	68	71.5	71.8	71.5	49.9	(21.6)
IT Funding <sup>2</sup>	[0.9]	[0.5]	[0.4]	[0.4]	[0.4]	[0.4]	[0.4]	0.0
FTE	84	80	74	73	68	68	68	0.0
<b>Appropriation Total</b>								
<b>Salaries and Expenses</b>	30.4	30.1	30	30.1	29.7	29.7	29.7	0.0
<b>Economic Development Assistance Program</b>	335	295.5	292.8	254.0	250.6	250.6	297.4	46.8
<b>TOTAL, EDA*</b>	<b>365.4</b>	<b>325.6</b>	<b>322.8</b>	<b>284.1</b>	<b>280.3</b>	<b>280.3</b>	<b>327.1</b>	<b>46.8</b>

\*Totals reflect direct obligations for EDAP programs and S&E; totals do not include one-time, disaster investments or reimbursable funding

2 - Not included in S&E or EDAP totals

## 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.

## PERFORMANCE GOALS

### **EDA Performance Goal 1: *Increase Private Enterprise and Job Creation in Economically Distressed Communities***

#### **Corresponding DOC Strategic Goal:**

**Strategic Goal 1:** Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.

**General Goal/Objective 1.1:** *Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations.*

#### **Rationale for Performance Goal 1**

EDA fosters a favorable environment for the private sector to risk capital investment to produce goods and services and increase productivity. While successful economic development projects attract private sector capital investment and create value-added jobs, they also benefit 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 decreases while tax revenues increase.

EDA's investment guidelines set standards to achieve its performance goals of promoting private sector investment and job creation in distressed communities. Potential investments must be market-based and results-driven; have strong organizational leadership; advance productivity, innovation, and entrepreneurship; and look beyond the immediate economic horizon, anticipate economic changes, and diversify the local and regional economy. Potential investments must also demonstrate a high degree of commitment by exhibiting high levels of local government or non-profit matching funds and private sector leverage; clear and unified leadership and support by local elected officials; and strong cooperation among the business sector, relevant regional partners, and local, state, and federal governments.

#### **Measure 1a: Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments**

Explanation of Measure: The actual FY 2005 outcomes reported are the three-year performance results of FY 2002 Public Works and Economic Development and Economic Adjustment Assistance infrastructure and Revolving Loan Fund investments and the six-year performance results of the FY 1999 Public Works and Economic Development and Economic Adjustment Assistance investments. 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 10 percent of the nine-year projection would be realized after three years, and 50 percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that 20 percent of the projected private investment was realized within the first three years. Based on that review, EDA adjusted the three-year target to 20 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 25 percent discount to account for the attribution of jobs to dollars and economic conditions other than EDA dollars.

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

Explanation of Measure: The actual FY 2005 outcomes reported are the results of the FY 2002 Public Works and Economic Development and Economic Adjustment Assistance infrastructure and Revolving Loan Fund investments and the six-year performance results of the 1999 Public Works and Economic Development and Economic Adjustment Assistance investments. The formula-driven calculation projects investment data at three-, six-, and nine-year intervals from investment award. The formula is based on a study 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 10 percent of the nine-year projection would be realized after three years, and 50 percent after six years.

A review of the actual results for FY 1997 and FY 1998 performance measures shows that 20 percent of the projected jobs were realized within the first three years. Based on that review, EDA adjusted the three-year target to 20 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 25 percent discount to account for the attribution of jobs to dollars and economic conditions other than EDA dollars.

### ***Performance Goal 2: Improve Community Capacity to Achieve and Sustain Economic Growth***

#### **Corresponding DOC Strategic Goal:**

**Strategic Goal 1:** Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers.

**General Goal/Objective 1.1:** *Enhance economic growth for all Americans by developing partnerships with private sector and nongovernmental organizations.*

#### **Rationale for Performance Goal 2**

EDA is proud of its active partnership with 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 U.S. communities. EDA, therefore, continues 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. Additionally, EDA will forge strategic working partnerships with private capital markets and look for innovative ways to spur development.

Economic development is a local process, although the federal government plays an important role by helping distressed communities build capacity to identify and overcome barriers that inhibit economic growth. EDA supports 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 Partnership Planning funds support the preparation of Comprehensive Economic Development Strategies (CEDs) that guide EDA Public Works and Economic Development and Economic Adjustment Assistance implementation investments, including Revolving Loan Fund investments. 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 Economic Development and Defense Economic Adjustment Assistance programs show that EDA capacity-building programs play a significant role in the successful outcomes of its infrastructure and Revolving Loan Fund projects.

## **EDA Performance Measures**

### **Measure 2a: Percentage of Economic Development Districts and Indian Tribes Implementing Economic Development Projects from the CEDs Process that Lead to Private Investment and Jobs**

Explanation of Measure: This measure provides an indication of whether the CEDs process is market-based and whether EDA is helping to create an environment conducive to the creation and retention of higher-skill, higher-wage jobs. Research conducted on FY 2002 data established a baseline measure for subsequent years.

### **Measure 2b: Percentage of Sub-State Jurisdiction Members Actively Participating in Economic Development Districts**

Explanation of Measure: Economic Development Districts (EDDs) generally consist of three or more counties that are considered member jurisdictions. Sub-state jurisdiction participation indicates the District's responsiveness to the area it serves and shows that the services it provides are of value. Active participation was defined as either attendance at meetings or financial support of the Economic Development District during the reporting period. 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.

### **Measure 2c: Percentage of University Center Clients Taking Action as a Result of the Assistance Facilitated by the University Center**

Explanation of Measure: This measure determines the perceived value-added by the University Centers to their clients. EDA funds 58 University Centers that provide technical assistance and specialized services (for example, feasibility studies, marketing research, economic analysis, environmental services, and technology transfer) to local officials and communities. This assistance improves the community's capacity to plan and manage successful development projects. University Centers develop client profiles and report findings to EDA, which evaluates the performance of each center once every three years and verifies the data.

"Taking action as a result of the assistance facilitated" means to implement an aspect of the technical assistance provided by the University Center in one or several areas: economic development initiatives and training session development; linkages to crucial resources; economic development planning; project management; community investment package development; geographic information system services; strategic partnering to public- or private-sector entities; increased organizational capacity; feasibility plans; marketing studies; technology transfer; new company, product, or patent developed; and other services.

### **Measure 2d: Percentage of Those Actions Taken by University Center Clients that Achieved the Expected Results**

Explanation of Measure: This measure is a follow-up to the measure, “Percentage of University Center clients taking action as a result of the assistance facilitated by the University Center.” This measure determines if the assistance provided by the University Center is market-based and results in desired outcomes. University Centers develop client profiles and report to EDA, which will evaluate and verify the performance of each University Center once every three years.

### **Measure 2e: Percentage of Trade Adjustment Assistance Center (TAAC) Clients Taking Action as a Result of the Assistance Facilitated by the TAAC**

Explanation of Measure: This measure determines the value-added of the assisted TAAC to its clients. Eleven EDA-funded TAACs work with U.S. firms and industries that have been adversely impacted as a result of increased imports of similar or competitive goods to identify specific actions to improve each firm’s competitive position in world markets.

“Taking action as a result of the assistance facilitated” means to implement an aspect of the Trade Adjustment Assistance provided by the TAAC. The TAACs provide three main types of assistance to firms: help in preparing petitions for certification (which must be approved by EDA in order for the firm to receive technical assistance), analysis of the firm’s strengths and weaknesses and development of an adjustment proposal, and in-depth assistance for implementation of the recovery strategy as set forth in the adjustment proposal.

### **Measure 2f: Percentage of Those Actions Taken by TAAC Clients that Achieved the Expected Results**

Explanation of Measure: This is a follow-up to the measure, “Percentage of TAAC clients taking action as a result of the assistance facilitated by the TAAC.” This measure will determine if the assistance facilitated by the TAACs is market-based and results in desired outcomes. The centers conduct client surveys and report findings to EDA.

### **Program Evaluations:**

According to the performance evaluation of EDA’s Public Works and Economic Development program (Rutgers et al. 1997), EDA investments produce jobs, usually in increasing amounts, after project completion. The study found that investment impacts “jobs resulting six years after completion [generally about nine years after investment award] were, on average, twice the number witnessed at project completion [generally about 3 years after award]”. Since most investments are completed an average of three years after award, EDA monitors performance results at three, six, and nine years after investment award. In FY 2005, EDA initiated a new evaluation of EDA program effectiveness in addressing regions of economic distress particularly with respect to the generation of private investment and in helping to create an environment for the creation and retention of higher-skill, higher-wage jobs. Another evaluation completed during FY 2005 concluded that the Economic Adjustment Assistance program was valuable and useful.

### **Cross-cutting Activities:**

#### **Intra-Department of Commerce:**

EDA collaborates with the following Department of Commerce bureaus on cross-cutting initiatives:

- National Oceanic and Atmospheric Administration (NOAA) -- Strategies to promote Port Improvement and Economic Revitalization (PIER), sustainable development, disaster reduction, protection of natural resources, and the development of eco-industrial parks.
- National Institute of Standards and Technology (NIST) -- Technology deployment and assistance to small manufacturers in economically distressed areas.
- National Telecommunications and Information Administration (NTIA) -- Strategies to upgrade telecommunications infrastructure in distressed rural and urban communities.
- Minority Business Development Agency (MBDA) -- Increased support for minority business development and entrepreneurship and for minority-serving institutions.
- Advisory Council on Historic Preservation (ACHP) – Efforts to support the Preserve America Initiative.

### **Other Government Agencies:**

EDA builds effective partnerships with federal, state, and local entities on program delivery and information dissemination. At the federal level, major partners include:

- Federal Emergency Management Agency (FEMA) -- Early response, coordination, mitigation, and economic recovery efforts following major disasters.
- Environmental Protection Agency (EPA) -- Strategies to redevelop brownfields and improve air quality in ways that benefit economically distressed communities.
- Department of Defense Office of Economic Adjustment (OEA) -- Economic adjustment strategies and investments for base reuse and communities affected by Base Realignment and Closure Commission (BRAC) decisions.
- Department of Energy (DOE) -- Economic adjustment assistance to communities affected by closures of federal energy labs and facilities.
- Appalachian Regional Commission (ARC) -- Community and economic development assistance for economically distressed areas in the thirteen-state Appalachian region.
- Department of Labor (DOL) -- Dislocated Worker Program and National Apprenticeship Program.
- Department of Agriculture (USDA), Rural Development/Rural Utilities (RD/RU) -- Infrastructure and business financing for enterprise development in rural areas.
- Department of Transportation (DOT) -- Improvements to highway, port, rail, and airport facilities to support private investment in distressed communities.
- Department of Housing and Urban Development (HUD) -- Coordination of Community Development Block Grants (CDBG) funds for economic development at the state and local levels; support for Empowerment Zones, Enterprise Communities, and Renewal Communities.
- Delta Regional Authority (DRA) -- A federal-state partnership serving a 240-county/parish area in an eight-state region to help economically distressed communities to leverage other federal and state programs which are focused on basic infrastructure development and transportation improvements, business development, and job training services.
- Council on Environmental Quality (CEQ) – American Heritage Rivers.
- Treasury Department – CFDI Fund Board and CAIP Board.
- Advisory Council on Historic Preservation (ACHP) – Preserve America Initiative.

### **Government/Private Sector:**

EDA reviewed interagency agreements and supported GAO's review of cross-cutting federal programs for state and local economic development projects. EDA will provide leadership to improve federal assistance for economic development programs in distressed communities.

## **External Factors and Mitigation Strategies:**

GAO has recognized that measuring the performance of economic development programs is difficult because of the many external factors that can influence local economies. To ensure strong program performance, EDA targets assistance to projects that can provide direct and lasting benefits to economically distressed communities. EDA programs are not intended to work alone, but to increase the availability of outside capital (both public and private) for sustainable development strategies to create and retain private enterprise and jobs in economically distressed areas. In doing so, EDA recognizes that many factors can influence the level of distress, the rate of investment and job creation or retention, and the availability of other public funding and private entities. For example:

- National or regional economic trends, such as slowdowns in the national economy, can cause firms to delay or postpone investments in new products, markets, plants, equipment, and workforce development. Such trends can affect the rate at which jobs are created or retained.
- Changes in business climate and financial markets can impact the level of private capital and degree of risk associated with investment decisions, particularly for firms considering establishing or expanding operations in highly distressed areas.
- Downturns in the national or regional economy can increase the demand for EDA assistance and reduce the availability of state and local funding. EDA regulations provide for waivers or reductions of the non-federal share, allowing EDA to cover a higher share of total project costs depending on the level of distress demonstrated by the local community.
- Natural disasters and other major events can dramatically impact local economies and create an unanticipated demand for EDA assistance. This can affect performance in several ways, increasing the number of areas that are eligible for assistance and the number of areas in highest distress. Such emergencies can alter funding priorities under regular EDA programs and at times result in emergency supplemental funding.

## **Mitigation Strategies Include:**

- Strengthening local, state, and sub-state partnerships to assess and respond to long-term economic trends, sudden and severe dislocations, emergencies, and other unanticipated impacts on local economic conditions.
- Establishing flexible program and funding authorities that respond to local priorities.
- Developing effective partnerships with other federal agencies to improve assistance for distressed communities.
- Working directly with distressed communities, through experienced field staff and with state and local officials to achieve long-term development objectives and address sudden and severe economic dislocations.

## **Data Validation and Verification**

The EDA GPRA pilot evaluation studies provided trend data on past performance. This information informs EDA's validation and verification methods, ensuring appropriate measurement of long-term investment outcomes and EDA's performance. EDA achieved a 98 percent response rate for the FY 1999 pilots and conducted site visits to more than 25 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 validates annual performance results of private sector investment and job creation upon receipt of the data. For FY 1999 investment results reported in FY 2002, the Regional Offices verified 89 percent of the private sector investment and 58 percent of the jobs created. The Regional Offices directly contacted those 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. During FY 2005, EDA conducted validation site visits on six investments. The sample included one investment in each region. The site visits were evenly split between investments made during FY 1999 and FY 2002. At the time of the visits, the investments were reviewed utilizing the data report outline below. In all cases, the private investments and jobs created were verified. The verified data generally exceeded the values originally reported.

EDA processing procedures specify that staff verify proposed private investments and jobs. Proposals for EDA investments are reviewed by Regional Investment Review Committees (IRC) and then forwarded to the Headquarters' Budget and Performance Evaluation Division for quality assurance review. The quality assurance process was implemented to determine whether the IRC-endorsed investments satisfy the regulatory requirements and Investment Policy Guidelines, as amended. Once an applicant has been invited to submit a formal application for an investment, the application includes a signed "Assurances of Compliance with Civil Rights and Other Legal Requirements" (Exhibit V.B.1.b).

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

- The fiscal year data being verified are from an investment that was closed within the appropriate three-, six-, or nine-year reporting time-frame.
- 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 Development and Economic Adjustment Assistance (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 are 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. (if available)
- 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. (if available)
- The average annual wage after the EDA investment.
- 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, if available).
- 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, news-related articles (if available) are also included.

As EDA collects and analyzes the data, EDA will use it to adjust performance targets as appropriate.

**Economic Development Administration  
Data Validation and Verification Chart**

<i>Performance Measure</i>	<i>Data Source</i>	<i>Frequency</i>	<i>Data Storage</i>	<i>Verification</i>	<i>Data Limitations</i>	<i>Actions to be Taken</i>
Measure 1a: Private Sector Dollars Invested in Distressed Communities as a Result of EDA Investments  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 award)	EDA Management Information System	To validate data, EDA regions contacted recipients, or confirmed with engineers or project officers who had been on site. EDA will perform regional validation on-site visit with some recipients.	Universe - Regular Appropriation for Public Works and Economic Development and Economic Adjustment Assistance implementation and Revolving Loan Fund investments. Private investment may vary along with economic cycles.	EDA will continue to monitor investment and job creation data.
Measure 2a: Percentage of Economic Development Districts and Indian Tribes Implementing Economic Development Projects from the CEDS Process that Lead to Private Investment and Jobs	Investment Recipient Performance Evaluations and Comprehensive Economic Development Strategy	Annually	EDA Management Information System	EDA will conduct periodic performance reviews and site visits	Universe - EDA Partnership Planning investments only. This measure may vary with economic cycles due to limited local resources during downturns for project investments.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.
Measure 2b: Percentage of Sub-state Jurisdiction Members Actively Participating in the Economic Development District Program	Investment Recipient Performance Evaluations	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-added 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 2c: Percentage of University Center Clients Taking Action as a Result of the Assistance Facilitated by the University Center	University Center client profiles	Annually	EDA Management Information System	Performance data will be verified by the University Centers. EDA headquarters will annually review profile data.	Universe - EDA Local Technical Assistance investments. This measures the value of the University Centers; however, while the assistance may be valued, clients may choose not to act for other reasons.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.
Measure 2d: Percentage of Those Actions Taken by University Center Clients that Achieved the Expected Results	University Center client profiles	Annually	EDA Management Information System	Performance data will be verified by the University Centers. EDA headquarters will annually review data.	Universe - EDA Local Technical Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.

<i>Performance Measure</i>	<i>Data Source</i>	<i>Frequency</i>	<i>Data Storage</i>	<i>Verification</i>	<i>Data Limitations</i>	<i>Actions to be Taken</i>
Measure 2e: Percentage of Trade Adjustment Assistance Center Clients Taking Action as a Result of the Assistance Facilitated by the TAAC	Trade Adjustment Assistance Center client profiles	Annually	EDA Management Information System	Performance data will be verified for the Trade Adjustment Assistance Centers. EDA headquarters will annually review data.	Universe - EDA Trade Adjustment Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.
Measure 2f: Percentage of Those Actions Taken by Trade Adjustment Assistance Center Clients that Achieved the Expected Results	Trade Adjustment Assistance Center client reports	Annually	EDA Management Information System	Performance data will be verified by the Trade Adjustment Assistance Centers. EDA headquarters will annually review data.	Universe - EDA Trade Adjustment Assistance investments only. Outside mitigating factors such as the local economy may affect the measure.	Baseline established from FY 2002 data. EDA will continue to monitor and develop trend data.