

Improving Regional Economic Development Through Structural Changes and Performance Measurement Incentives

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Program Evaluation Oversight Committee

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Regional Economic Development: Evaluation Scope

S.L. 2007-323, Section 13.7(f)

- Study the structure and funding of the seven regional economic development commissions.
- The Division shall consider the availability and utilization of non-State funding sources and shall make recommendations concerning the commissions' funding, including whether State funding should be recurring or nonrecurring.



Regional Economic Development: Overview

1. The regions' structure, governance, and statutory responsibilities are inconsistent.
2. Regional organizations contribute to economic development and need more involvement in statewide planning.
3. There are no standardized performance measures.



Regional Economic Development: Overview

Legislative Recommendations:

- Increase consistency among regions by requiring non-profit tax-exempt status, provide for region representation on the Economic Development Board, and require performance measurement and reporting**
- Recurring funding with 15% of appropriation dependent upon performance**



Background of Economic Development in North Carolina

- North Carolina has been ranked first in the US in business development by *Site Selection* magazine for 6 of the past 7 years
- Research supports sub-state regionalism – it provides relevant boundaries of interest
- Economic development relies on regional vision and industry cluster identification

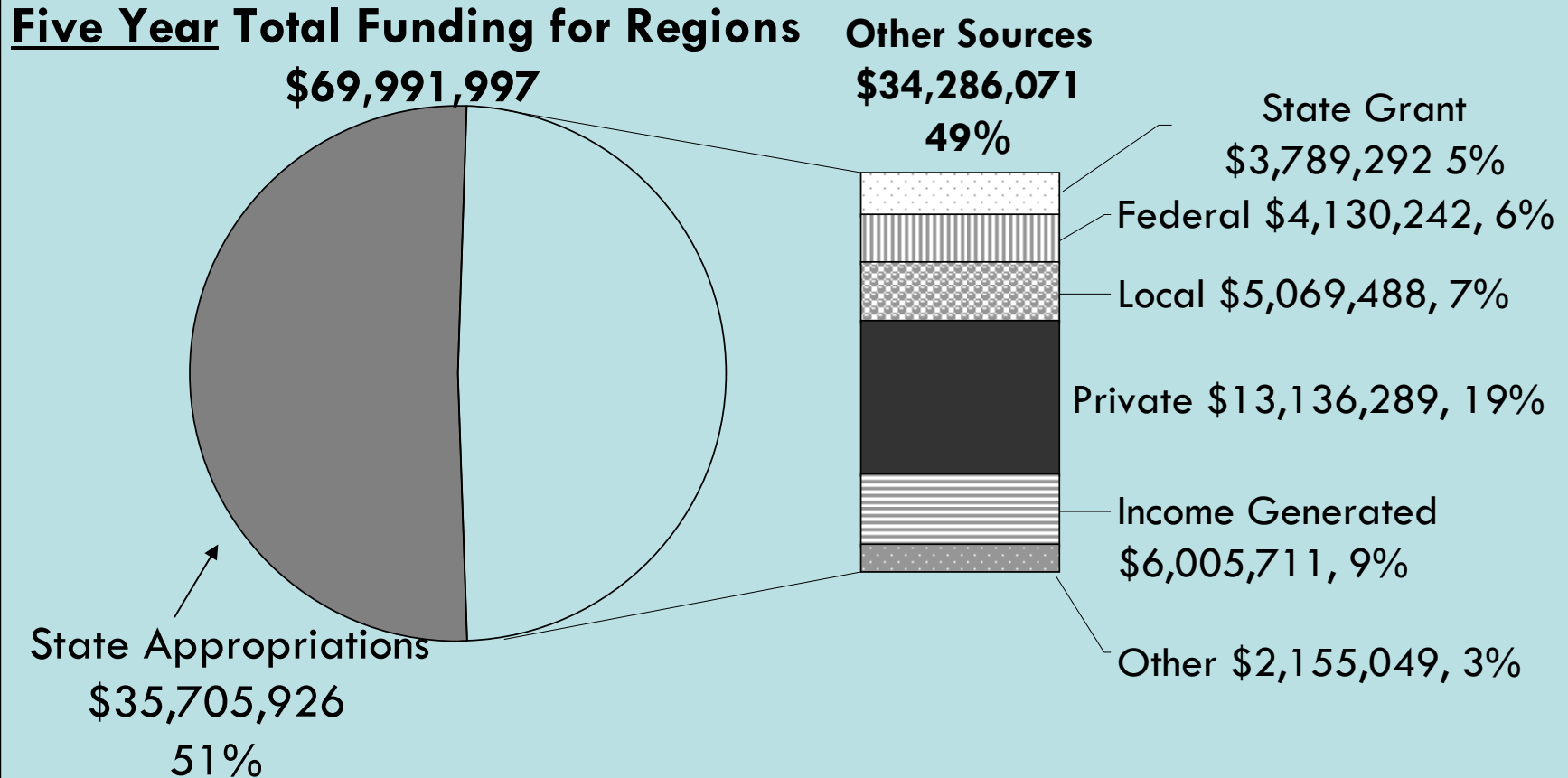


Creation of Regions for Economic Development



FY2002-03 through 2006-07

State and Leveraged Funds



See report pp 4-5, Exhibits 1 & 2



Regional Activities

- **Marketing agency for economic development in their region.**
- **Most serve as regional catalyst for a variety of regional issues such as collaborating with:**
 - **Workforce development professionals**
 - **Researchers**
 - **Private industry**
 - **Farmers and Entrepreneurs**
 - **Infrastructure and Environmental entities**
 - **Local county and city economic developers**

See report p.7, Exhibit 3



Finding 1

a. Inconsistent Structure

Structure

- **3 original partnerships are non-profit**
- **Statutorily created regions**
 - **2 commissions (state agency)**
 - **1 operating as a non-profit**
 - **1 municipality**

See report p.8



Finding 1

b. Inconsistent Governance and Statutory Responsibilities

- **15 to 88 members on the Boards**
 - Statutorily created commissions have state-level appointments and Eastern has county representatives
 - The original partnerships have county and city representatives, private investors, economic developers, and only Charlotte has state-level appointments

See report p.9, Exhibit 4



Finding 2

a. Regions Have Limited Inclusion in Statewide Planning

- Economic Development Board Strategic Plan updated in 2004, 2006 and 2007
- One regional president is a member, but no formal representation for the organizations
- There would be a benefit in their involvement to assure clarity in roles and alignment with economic development efforts

See report p.10



Finding 2

b. Regions Play an Important Role in Economic Development

Program Evaluation Economic Development Client Survey Found Regions:

- Identified and connected clients with key players
- Identified properties to meet their needs
- Provided research and information
- Participated in client visit

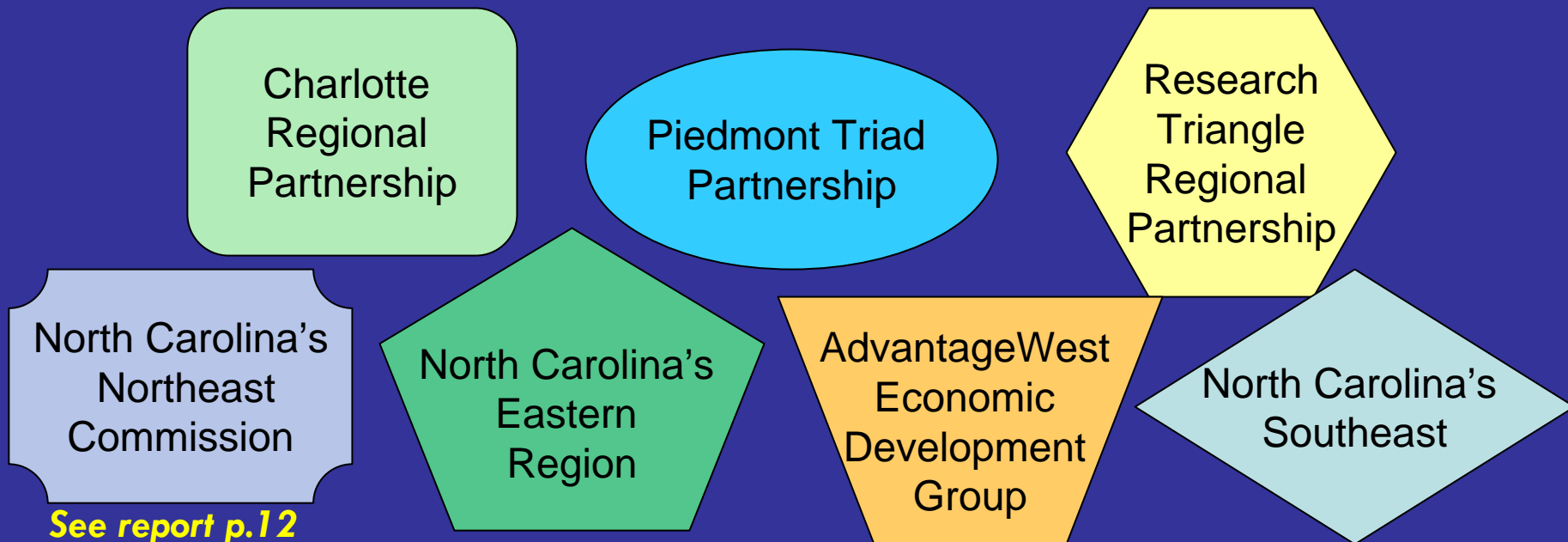
See report p.11



Finding 3

a. No Standardized Performance Measures

Each region has a plan, but they were created through different processes with no consistent measurement of performance



Finding 3

b. No Way to Determine Return on Investment

- Need outputs (activities such as meetings held, trade shows, and client contacts made)
- Need outcomes (results or consequences such as client satisfaction survey, projects created, sustainable jobs, and personal income growth)

See report p.12



Finding 3

b. Client Satisfaction Survey

- **78% worked with a local agency and/or Department of Commerce along with the region**
- **Clients reported high levels of satisfaction with all agencies**
- **Clients reported regions performed more work on their behalf, followed by local agencies and then Department of Commerce**

See report pp12-13, Exhibit 5



Finding 3

c. No Entity to Consider the Collective Efforts of the Regions

- The Economic Development Board is statutorily charged to provide a comprehensive, statewide economic development plan
- There is no specific guidance for the partnerships and commissions

See report p.13



Recommendation 1

a. Provide Uniform Non-Profit Status for Commissions and Involve Them in Statewide Strategic Planning

- **Require non-profit tax-exempt status for:**
 - AdvantageWest
 - North Carolina's Northeast
 - North Carolina's Southeast

Note: The 3 original partnerships are already non-profits and Eastern is a municipality.
- **Include regional representation on Economic Development Board**

See report pp 14-15



Recommendation 1

b. Performance Reporting

- **Require a comprehensive and consistent performance measurement and reporting system as developed by the Economic Development Board**
- **Board should use existing resources and web-based off-the-shelf technology for measurement and reporting**
- **Regions should set their own performance targets**

See report pp 15-16



Recommendation 1

c. Performance Measures Should be Standardized and Comprehensive

- Performance measurements must measure
 - outputs (e.g. number of client services);
 - immediate outcomes (e.g. client satisfaction survey);
 - intermediate outcomes (e.g. new jobs), and
 - long-term outcomes (e.g. sustained jobs for 1 and 3 years)

See report p.16



Recommendation 2

a. Provide Recurring Funds

- State appropriations are necessary for leveraging funds from other sources
- Provide basis of region operational budget

See report p.17



Recommendation 2

b. Set Aside 15% of Funding Contingent Upon Performance Measurement

- **Regions eligible for 15% incentive funding in the same proportion as share of the overall appropriation for regional partnerships and commissions**

2008-09 – Receipt contingent upon certification of intent to participate in the Economic Development Board’s performance measurement system

2009-10 – Receipt upon complete and accurate performance reporting

2010-11 and forward – Economic Development Board approval of annual reports from the regions

See report pp 17-18, Exhibit 6



Summary

- **Recommend more consistent structure of the commissions, assure representation on the Economic Development Board, and develop reporting system for standardized performance measures.**
- **Recommend recurring funding with 15% of existing appropriation directed toward performance monitoring.**

