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# DEVELOPING METHODOLOGIES

## for Evaluating the Impact of EDA Programs

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EVALUATION

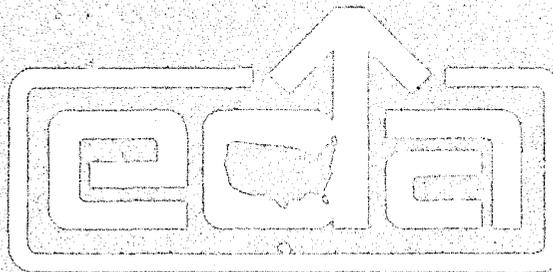


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I. INTRODUCTION

Economic development can be thought of as the extent to which a society can provide benefits, such as viable employment, good housing, increased life expectancy, and other amenities to its members. It is a multi-dimensional concept, depending on the level and interaction of five basic factors:

- . capital;
- . labor;
- . technology;
- . natural resources; and
- . social and cultural characteristics of the society.

Most federal programs have as their objective an increase in the level of one or more of these five factors. Thus, in a loose sense, these programs can be thought of as economic development programs because they either directly or indirectly promote development. However, in practice, the federal programs that are termed "economic development" programs are concerned mainly with increasing the level of infrastructure and private investment (capital) in a region rather than any of the other four factors.

For example, the Economic Development Administration and Appalachian Regional Commission are usually thought of as economic development programs. Most of their funds provide for public facilities ("capital") in depressed areas. On the other hand, many of the Department of Labor's programs are devoted to increasing the productivity of labor, one of the factors that directly affects economic development. These, however, are seldom referred to as economic development programs.

Most federal economic development programs are also characterized by their regionalism. They are concerned with depressed areas, usually counties or groups of counties, which experience either high unemployment rates, high out-migration, or low incomes. Other types of federal programs are national in scope; they do not emphasize specific geographic areas.

This report describes procedures for measuring the effectiveness of the economic development programs of one specific federal agency, the Economic Development Administration (EDA). The measures are applicable to the output of other programs with similar emphasis, but they are not necessarily appropriate

for measuring the effectiveness of all federal programs that impact on economic development.

Certainly such measurement is a necessary undertaking since 20 percent of the United States' gross national product (GNP) is due to expenditures in the federal sector. However, the burden of responsibility within the Executive Branch of the government for evaluating the impact of these expenditures does not fall upon the Economic Development Administration. Techniques for measuring the effectiveness of programs the size of EDA are not necessarily appropriate for assessing the impact of programs totaling billions of dollars.

This paper discusses three categories of economic development measures:

- . primary measures;
- . secondary measures; and
- . project-oriented measures.

The direct impact of federal economic development programs can most easily be traced at the project level. Such measures as the change in the number of jobs available in county A between time x and time y are attainable by looking at project impact. However, the effect of federal programs on primary measures, such as gross product or disposable personal income, is extremely difficult to estimate. Certainly, a good test of the impact of an economic development program is its impact on these primary measures. To date, however, no system has been developed for attributing changes in such measures to specific programs or activities. To a lesser degree, the same is true of secondary measures, such as manufacturing productivity, political participation, and degree of economic concentration.

EDA evaluates project impact at the local or regional level. Measures of economic development at these levels may differ from those at the national level. This is especially true in the case of project-oriented measures. For example, the location of jobs in a depressed region of the country may be of substantial benefit to that particular region, but for the nation as a whole there might have been a more efficient allocation of resources.

## II. PRIMARY MEASURES OF ECONOMIC DEVELOPMENT

### A. GROSS PRODUCT

Economic development at the national level is usually described in terms of gross national product (GNP) or per capita income. GNP is an aggregate measure which reflects the volume of economic development. Per capita income, on the other hand, reflects more closely the quality of economic growth, the "welfare" of the citizens.

One approach to assessing the effectiveness of regional economic development programs is to calculate these measures at the regional level. However, there are several problems involved in computing a regional gross product figure. Not only is it difficult to allocate the corporate profits of national firms to smaller geographic areas, but it is also hard to distinguish between where goods are produced and where income is received. For these reasons, the calculation of a regional gross product figure is usually not attempted.

### B. PER CAPITA INCOME

One component of the gross national product, total personal income, has been estimated by state and region from 1929 to the present. These estimates are available from the Office of Business Economics. Currently, they are the best estimates of overall economic activity at the regional level. Therefore, personal income serves as a surrogate for gross product at the regional level. However, a better measure of personal welfare is per capita personal income, which is also available. This measure takes into account changes in population, which do not necessarily correspond to changes in total personal income. <sup>1/</sup>

<sup>1/</sup> For a description of the history of per capita personal income by region since 1840, see pp. 145-149, Regional Economics, Hugh O. Nourse, McGraw-Hill, N.Y., 1968. The general conclusion is that the variation in personal income by region is converging to the national average over time.

The Advisory Commission on Intergovernmental Relations in its report, Urban and Rural America: Policies for Future Growth, April 1968, provides a discussion of the following six growth measures at the regional level over the time period 1950-1966:

- . percentage change in per capita income;
- . absolute change in per capita income;
- . percentage change in population;
- . absolute change in population;
- . percentage change in total income; and
- . absolute change in total income.

### III. SECONDARY MEASURES OF ECONOMIC DEVELOPMENT

#### C. MEDIAN FAMILY INCOME

Median family income is another measure that could serve as an indicator of personal welfare. This measure is less influenced by the extremes of income distribution than per capita income. However, median family income is not readily available at the regional level because it cannot simply be aggregated from county data.

Numerous characteristics of a region can contribute to increased levels of per capita income. For the purposes of this paper, these characteristics are called secondary measures of economic development. The exact relationships, if any exist, between the primary and secondary measures at the regional level have not been determined to date. Studies have examined the relationships between employment base and per capita income, and various theories of regional economic growth, such as export base and sector theory, have been proposed. However, no overall concept of regional economic growth has emerged to aid policy makers in making funding decisions.

In spite of this lack of understanding about the relationships between primary and secondary measures, there is a consensus that the enhancement of certain secondary indicators will lead to an increase in per capita income. These indicators, which are listed in Figure 1, fall into three general categories: economic, social and political. They will be discussed in the following sections.<sup>1/</sup>

FIGURE 1

SECONDARY INDICATORS OF ECONOMIC DEVELOPMENT

ECONOMIC INDICATORS	SOCIAL INDICATORS	POLITICAL INDICATORS
Change in Residential Employment Index of Growth Industries Degree of Economic Concentration Change in Labor Force Participation Rate Loan Potential of Financial Institutions Government Fiscal Effort Government Investment Effort	Regional Class Structure Educational Profile	Political Participation

<sup>1/</sup> See next page

#### A. CHANGE IN RESIDENTIARY EMPLOYMENT

Residentiary employment, usually referred to as non-basic employment, is the total of employment in the following sectors:

- . contract construction;
- . public utilities;
- . eating and drinking establishments;
- . finance, insurance, and real estate;
- . lodging places;
- . other retail trade;
- . business and repair services;
- . amusements;
- . private households;
- . educational, medical, and professional services; and
- . public administration.

Due to the relatively slow growth of manufacturing over the past decade, changes in residentiary employment should influence regional economic development.

Measure(s): The percent increase of employment in the residentiary sector over a 10-year time period.

#### B. INDEX OF GROWTH INDUSTRIES

The nation's industries are usually broken down into 32 primary sectors. Over the past decade, some of these have experienced significant growth; they are referred to as "growth industries."

Measure(s): An index of relative growth, derived by comparing the regional rates of growth in the 32 industrial sectors with national rates in the same sectors.

#### C. DEGREE OF ECONOMIC CONCENTRATION

A diversified industrial mix provides the opportunity for a region to more easily shift resources from industry to in-

1/ (cont. from previous page)

For a much more detailed description of these secondary indicators and their statistical relationship to the primary indicators for Office of Business Economics Regions, see the forthcoming thesis of James Sample, A Study of Economic Development Process; Elements and Stages, The American University, 1971.

dustry. This allows the region to react to fluctuations in demand, and avoid situations like that presently confronting residents of Seattle.

Measure(s): An index of employment concentration, based on the distribution of regional employment in the 32 industrial sectors.

#### D. MANUFACTURING PRODUCTIVITY

Regions with the highest growth rate in manufacturing productivity will be able to attract new firms, and thereby enhance economic growth.

Measure(s): The ratio of value added in manufacturing to man-hours worked in manufacturing.

#### E. MANUFACTURING INVESTMENT

Capital investment in manufacturing is considered one of the most basic contributors to economic development. Less developed regions are notable because of their low level of capital formation.

Measure(s): The ratio of new capital expenditures to value added in manufacturing.

#### F. CHANGE IN THE LABOR FORCE PARTICIPATION RATE

The labor force participation rate is the number of employed and unemployed persons compared to the adult population. Past studies have shown that variations in this indicator account for a significant portion of the per capita income differences among states (e.g., states with low labor force participation rates tend to have low per capita incomes).

Measure(s): Ratio of the number of people employed and unemployed to the total population.

#### G. LOAN POTENTIAL OF FINANCIAL INSTITUTIONS

The amount of loan money available in local banks indicates, to some degree, the ability of local groups and firms to obtain funds for development projects.

Measure(s): (1) Total demand, time, and savings deposits.  
(2) Changes in total demand, time, and savings deposits.

#### H. GOVERNMENT FISCAL EFFORT

Local governments must be able to raise revenue for the provision of public services if development is to occur. Historically, property taxes have been the main source of this revenue.

- Measure(s): (1) Total per capita government revenue.  
(2) Ratio of property taxes to total revenue.

#### I. GOVERNMENT INVESTMENT EFFORT

Since many local governments cannot finance all needed social investment through their tax base, they rely on their citizens to assume debt through such instruments as bonds. Willingness of local citizens to contract debt is an indication of a positive attitude toward development.

- Measure(s): The ratio of total local government debt to total local government revenue.

#### J. POLITICAL PARTICIPATION

The degree of local political involvement is an indication of community awareness and involvement. The hypothesis is that citizen participation in politics furthers economic development.

- Measure(s): (1) The percent of eligible voters voting in Presidential elections.  
(2) The change in voter turn-out over four year periods.

#### K. REGIONAL CLASS STRUCTURE

The distribution of income can affect the rate of economic development in many regions. For example, the defeat of local bond issues may be due to a feeling of powerlessness on the part of low-income citizens.

- Measure(s): (1) The ratio of families earning more than \$10,000 to families earning less than \$3,000  
(2) The percent of white collar employment.  
(3) The percent of non-white population.

#### L. EDUCATIONAL PROFILE

It is well documented that education and income are closely related. Median school years completed is a good measure for the level of educational achievement. However, it cannot be aggregated from county data to provide a measure for a whole region. Thus, the following measures are used:

- Measure(s): (1) The percent of persons 21 years of age and over who completed less than five years of school.  
(2) The percent of persons 21 years of age and over who have completed high school.

#### IV. PROJECT-ORIENTED MEASURES OF ECONOMIC DEVELOPMENT

The same lack of understanding of the precise relationships between primary and secondary measures of economic development exists between these measures and project-oriented measures. As an example, consider the case of an EDA business loan that attracts a company into a given depressed county. This may provide 100 new jobs. However, the long-term effects of this loan on the regional employment base may not be known. Despite this, there is a consensus that certain project-oriented measures indicate an "effective" or "ineffective" economic development project.

EDA has adopted a set of general project impact measures which can be applied, with varying emphasis, to all types of EDA projects - public works grants, business loans, planning grants and technical assistance grants. In addition, other measures are applied to projects with specialized objectives. Examples are training projects, such as grants to construct skill centers, and growth center projects, where the emphasis is to aid depressed area residents through funding projects in nearby, "growing" urban places.

Figure 3 illustrates the different types of evaluation criteria currently being applied by EDA to assess the impact of its projects.<sup>1/</sup> Discussion of these criteria appears in the following sections. Data sources and instruments that were used to obtain data on the project-oriented measures are explained in the Appendices.<sup>2/</sup>

As shown in Figure 2, EDA has developed special criteria for evaluating the Selected Indian Reservation Program. At present, the methodology for applying these criteria is in the pilot-test stage. However, if the methodology proves useful, EDA will consider employing it to evaluate all of its programs.

<sup>1/</sup> For a summary of past results from EDA evaluations, see Program Evaluation, Summary of Results, Selected Policy Questions, EDA, July 1970.

<sup>2/</sup> Appendix C provides examples of project evaluations; these illustrate applications of the project-oriented measures.

FIGURE 2

#### PROJECT EVALUATION CRITERIA

##### General Criteria

- . Job Location
- . Economic Structure
- . Private Investment
- . Development Process
- . Service

##### Special Criteria For

- . Economic Development Groups in Urban Areas
- . Skill Centers
- . Planning Grant Program
- . Growth Center Program
- . Selected Indian Reservation Program

#### A. GENERAL CRITERIA

##### 1. Job Location

The Public Works and Economic Development Act of 1965 states that the Agency is "to alleviate conditions of substantial and persistent unemployment and underemployment in economically distressed areas and regions". One way EDA has attempted to achieve this has been through encouraging private enterprise to expand or locate in depressed communities and thereby create jobs for the local residents. This is primarily accomplished through the Agency's public works and business loan programs. The number of local jobs created and the EDA dollars invested per job created are used to measure the Agency's effectiveness in these efforts. In each case, an attempt is made to clearly distinguish between the jobs created as a result of the EDA project, and those that would have been created even if the EDA project had not been funded. Only the jobs attributable to the EDA project are counted.

The job location criterion includes saved, new and discounted future jobs directly attributable to the EDA investment.

- . A saved job is a job which existed in an area but would have been eliminated in the absence of the EDA project.
- . A new job is a job which did not exist previously and was generated or made possible as a direct consequence of an EDA project.
- . A discounted future job is a job not yet existing but with reasonable certainty of being generated within one year or less. Because it is an expected job, it is discounted by an appropriate risk factor, varying from 0 to 100 percent.<sup>1/</sup>

Jobs created by other investments dependent upon the EDA investment are also counted. An example of this is the employment created because a firm establishes or expands operations to supply an EDA-assisted firm.

- <sup>1/</sup> . 100 percent of specific impact is credited if plant or expansion is completed and hiring has begun;
- . 75 percent of specified impact is credited if plant or expansion is completed but hiring has not begun;
  - . 50 percent of specified impact is credited if plant or expansion is under construction and completion expected within one year;
  - . 25 percent of specified impact is credited if plant or expansion is not under construction but completion is expected within a year;
  - . No impact is credited if none of the above apply.

When feasible, estimates of "indirect" jobs are also calculated using factors developed from the E.J. Ullman and M.F. Dacey paper "The Minimum Requirements Approach to the Urban Economic Base," published in the Proceedings of the 1960 IGU Symposium. The basic premise in using this multiplier is that the jobs created by the Agency lead to the generation of additional jobs in service industries as a result of increased spending within the local economy. The procedure used to calculate these indirect employment effects involves multiplying the number of direct jobs by a factor that varies according to the population of the community in which the project is located. Table 1 presents the factors that are used.<sup>1/</sup>

TABLE 1  
FACTORS USED TO CALCULATE INDIRECT EMPLOYMENT  
EFFECTS OF EDA PROJECTS

POPULATION	NUMBER OF INDIRECT JOBS PER ONE DIRECT JOB
Over 1,000,000	1.3
800,000 to 1,000,000	1.2
300,000 to 800,000	1.0
100,000 to 300,000	0.8
25,000 to 100,000	0.7
15,000 to 25,000	0.6
10,000 to 15,000	0.5
5,000 to 10,000	0.4
Under 5,000	0.3

<sup>1/</sup> A detailed explanation of how these factors were derived from the Ullman-Dacy paper is given in Appendix A, Estimation of Indirect Jobs.

Total job impact is the sum of the direct and indirect jobs. However, this measure does not compensate for differences in wage scale and length of the work week, nor take into account the effects of seasonal employment. When this is judged necessary, the income earned by the direct job holders is divided by \$6,500 (the average annual manufacturing wage in 1968) to obtain a measure called "direct job equivalents".

The indirect job multiplier is applied to direct job equivalents. Total job equivalents is the sum of direct and indirect job equivalents. A measure of effectiveness for a given EDA project is then calculated by dividing the EDA investment by the total number of job equivalents. This gives investment per job ratios that can be used to compare projects.

## 2. Economic Structure

A simple count of the absolute number of jobs created in a region provides an incomplete picture of a project's impact. The purpose of the economic structure criterion is to help alleviate this problem by analyzing the quality of the jobs created by the EDA project. This involves examining jobs to determine their contribution to the local economy's growth and stability. This includes a determination of the degree to which the jobs are held by area residents and by the low-income or unemployed workers of the area. Since this criterion is linked to the location of jobs, it is most relevant to the evaluation of the business loan and public works program.

For the evaluation of public works projects and business development loans, the eight factors enumerated below were selected as representative of the range of impact on the economic structure of communities. Each factor was assigned three quality levels. Then, weights from zero to twenty were determined for each factor and quality level. This was accomplished through the use of "Pairwise Comparison Forms," completed by Agency officials. These forms required each factor to be compared with every other factor to determine the relative importance attached to each. Examples of these forms are provided in Appendix B. Using the weights established on the basis of the responses contained on the forms, it is possible to compute a total score for each project by summing the scores for each of the eight factors. The factors used are described below.

### a. Stability of New Employment

This factor is used to evaluate the stability of the firms that locate as a result of EDA projects. The scoring is structured so that if the employing enterprise is a new company, not affiliated with a larger parent corporation, the lowest score is assigned. If the employing activity is a government agency, a quasi-public agency (such as a hospital or educational institution), or a top-rated company with a stable or growth history and a superior credit rating, the highest score is assigned. The intermediate score is awarded to projects resulting in the location of established firms that fail to meet the criteria for the highest score.

### b. Potential Growth of Employing Enterprise

In evaluating the potential growth of the employing enterprise, the lowest score is awarded if the firm has not increased its employment in accordance with the national employment growth or has declined in the past five years. However, if the growth is faster than the national growth, the highest score is used.

### c. Employment Diversification

This factor is used to evaluate the extent to which the EDA-generated jobs diversify the employment opportunities in the area and makes the area less vulnerable to severe employment loss because of cyclical changes in one industry. Here, the highest weight is assigned to projects where more than 50 percent of the new jobs created are in industrial classifications that had not previously existed in the area.

### d. Previous Employment Status of New Employees

This factor is used to evaluate the extent to which the new jobs go to individuals who previously experienced economic distress as a result of unemployment or underemployment. The highest score is assigned when more than 67 percent of the new employees were either previously unemployed, earned less than \$3,000 in the previous year, or came from a family within the OEO poverty guidelines.

e. Head of Household Employment

In this category, the highest weight is assigned if more than two-thirds of the jobs created by the project are filled by individuals who are the principal wage earners in their families.

f. Previous Residence of the Work Force

The highest score for this factor is assigned when more than 67 percent of the employees filling EDA-generated positions previously lived in the area or in an area eligible for EDA assistance at the time the project was approved.

g. Utilization of Under-Used Resources

In evaluating this factor, the highest score is awarded if the new jobs meet the first priority in the Overall Economic Development Plan (OEDP) for utilization of under-used local resources. These resources can be natural or human.

h. Contribution of New Jobs to the Economic Base

The highest score is used for this factor when the new employing enterprises export 71 to 100 percent of their goods or services outside the area in which the project is located.

3. Private Investment

As one means of evaluating the business loan and public works programs, the amount of private capital investment per Agency dollar obligated is computed. This is done whenever the data is available.

In the case of the business loan program, this private capital investment consists of the private capital that helps finance the original project, and the private capital invested in firms that locate in the area to service the EDA-assisted firm. In the case of the public works program, the private capital investment consists of the private investment in firms that locate in the area or increase operations as a direct result of Agency-financed projects.

4. Development Process

Certain human attitudes and activities at work in a community have an influence on the ability of that community to realize its full economic potential. This human force which can mobilize available resources in order to develop the local economy, can be thought of as constituting an economic development process. For the purpose of evaluation, the development process has been described by 10 factors, and an attempt is made to measure changes in these factors as a result of EDA projects.

Each factor was assigned five quality levels, and, as in the case of economic structure impact, weights were derived from comparisons of factors by Agency officials. See Appendix B for examples of the comparison forms that Agency officials used to produce the weights. The level of these factors are determined at two points in time: before application to the Agency; and at the time of the evaluation. This allows for determining changes in the economic development process. Attributing changes in the process to the Agency project is then accomplished by asking community representatives about the dependence of economic development in their community on the project.

The 10 factors used for the evaluation of the development process are described below.

a. Local Government's Attitude

A low score is given for this factor if the local government actually opposes development projects. A high score is given if the local government assumes leadership in this area.

b. Lending Institutions' Attitude

As is the case with the previous factor, the more positive the attitude of the lending institutions toward the development projects, the higher the score given in evaluating this factor.

c. Dominant Economic Group's Attitude

A high score is given for this factor if key members of the dominant economic group are assuming leadership in planning and carrying out broad development programs.

d. Cooperation of Community Organizations

If community institutions are participating in sponsoring projects and take the leadership on occasion, a high score is given for this factor.

e. Effectiveness of Community Planning Efforts

If there is no organized planning within an area, or if a plan simply exists on paper and is ignored, a low weight is assigned for this factor. However, if the planning activities are well-supported, cover a wide range of subjects, and are influential in guiding local development, a high score is used.

f. Effectiveness of Local Development Organizations

The highest score for this factor is assigned when a functioning local development corporation with a full-time executive exists, and there is considerable community support for the organization and widespread participation in its projects.

g. Borrowing and Financing Capacity

Maximum weight is assigned for this factor if the local people are above average, as compared to other jurisdictions in the state, in their willingness to finance local improvements through tax levies, revenues, and bond issues.

h. Cooperation with Neighboring Communities

If the area takes an active and effective leadership role in the district (multi-county) organization established by the Agency, a high weight is given for this factor.

i. Effectiveness in Using State and Federal Development Programs

If the area makes outstanding use of available state and federal programs, a high score is assigned for this factor.

j. Concern for Poor and Minority Groups

In evaluating this factor, the highest weight is assigned if most of the development programs are planned for the benefit of members of poor and minority groups.

5. Service

One possible impact of an EDA project is the provision of a service to poor persons in the local community. For example, a water system servicing a new industry may also provide running water to an area previously without it. In fact, some EDA projects have been approved solely on the basis of their anticipated service impact. The purpose of the service criterion, therefore, is to identify the extent to which the project is providing a new or improved service to poor households in the community.

A grade is derived by considering the number of poor households being served, the percentage of project output received by poor households, and the percentage of total number of poor households in the community that is being served. The highest score is given if the project serves over 750 poor households and represents 75 percent of the total project output, or 75 percent of poor households in the community. The lowest score is given if no service is provided for poor households.<sup>1/</sup>

B. CRITERIA FOR SPECIAL EVALUATIONS

1. Economic Development Groups in Urban Areas

Through its technical assistance program, EDA funds numerous minority economic development groups in urban areas. Examples are the National Business League, the Black Economic Union, and Zion Non-Profit Charitable Trust. The main emphasis of these corporations is to further the development of minority businessmen in urban areas.

The effectiveness of these groups is determined by measuring the degree to which they achieve their stated objectives. These objectives are developing new businesses and capital investment in the minority community. Following is a list of activities directed toward these objectives for one of these development groups.

<sup>1/</sup> For a more detailed discussion of service impact, see p.18, An Evaluation of EDA Public Works Projects, Volume I, Boise Cascade Center for Community Development, Sept. 1970.

- . Loan Packaging - This activity consists of all steps necessary to prepare an acceptable loan application. This often includes market analysis, auditing, and follow-up after the loan is obtained.
- . Franchises and Dealerships - This activity consists of obtaining franchises and dealerships for minority businessmen.
- . Contractor Bonding - This activity consists of obtaining bonding for minority contractors so that they can secure contracts for more than \$20,000.
- . Contract Procurement - This activity consists of maintaining contacts with various government agencies and private firms so that clients may be informed of potential contracts.
- . Business Problem-Solving - This activity consists of suggesting steps to improve the efficiency of minority owned businesses. It is the main tool used to prevent business failures.
- . Marketing and Site Location - This activity consists of conducting marketing and site location analysis for minority businessmen. These studies are often included in loan applications.
- . Business Training - This activity consists primarily of recruiting minority businessmen for management training courses conducted by local colleges.
- . Self-Sufficiency - This activity consists of continuous efforts to obtain additional sources of support for the corporation.
- . List of Black Businesses - This activity consists of compiling a list of black-owned enterprises in the area so that business can be channeled between and to these firms.

Currently, data on measures indicating the level of these activities are being collected. These measures include:

- . number of new and saved jobs;
- . number of new businesses created;
- . amount of new private capital investment;
- . number and amount of loan packages approved;

- . number and amount of contract procurements, and
- . number of technical assistance cases.

Five development groups have been compared on the basis of these measures. The analysis appears in Evaluation of The National Technical Assistance Program, EDA, September 1971.

## 2. Skill Centers

Through its public works program, EDA funds the construction of skill centers. These centers provide facilities for the training of underemployed and unemployed adults so that they will be qualified for productive employment. Criteria for assessing the impact of these types of projects fall into four categories:

- . impact on trainee;
- . adequacy of training program;
- . impact on community; and
- . impact on employers.

Questionnaires used to collect data on these four criteria are included in Appendix D.

### a. Impact on Trainee

Measures for this criterion are:

- . income before and after training;
- . source of income; and
- . present job compared to pre-training job.

### b. Adequacy of Training Program

Measures for this criterion are:

- . percent of trainees completing training;
- . percent of trainees placed in jobs;

- . opinion of trainees concerning training program;
- . convenience of training facility to target population; and
- . role in supportive services.

c. Impact on Community

Measures for this criterion are the effect of the training program on:

- . community economic development efforts;
- . local under-and unemployment;
- . poor and minority members; and
- . quality and quantity of available skills.

d. Impact on Employers

Measures for this criterion are:

- . role of businessmen in the design of the training program;
- . role of training program in attracting business or helping business expand;
- . employers' opinions concerning quality of graduates;
- . employers' willingness to hire additional graduates; and
- . record of graduates in their jobs, as measured by turnover rates, absenteeism, and productivity.

An example of an evaluation of a skill center is provided in Appendix C.

3. Planning Grant Program

EDA provides grants for economic development districts (groups of counties), designated depressed counties, and quali-

fied Indian Reservations to use for hiring planning staffs. Without this financial aid, many groups would be forced to rely on part-time volunteers whose effectiveness would be diminished by conflicting demands on their time. Criteria for measuring the effectiveness of this program are discussed below.

a. Planning Capabilities of Staff

EDA stipulates that planning should be given major emphasis by development district staffs, because it provides:

- . a necessary basis for sound project selection;
- . the foundations for effective, initial leadership, where the local leadership is not yet organized, involved, and ready to lead the development effort;
- . evidence to the local community, and especially to its power structure, that the district staff knows what it is doing.

Staff planning capabilities can be measured according to the degree to which three related objectives are accomplished:

- . identification of feasible development projects that might secure local, state, or Federal support;
- . molding these steps and projects into an overall framework that specifies their sequence of performance; and
- . explanation of plans and actions to the power structure for the purpose of obtaining their support.

b. Grantsmanship Capabilities of Staff

The ability of district staffs to obtain funding for priority projects is critical to local development. This ability can be measured by the number and quality of projects obtained through efforts of the staff.

c. Representation of Power Structure and Target Groups on District Boards

EDA policy statements indicate that obtaining representation of the power structure and target groups in the district organization should be an important function of district staffs. Measures for determining staff effectiveness in this area include the percentage membership of these groups on district organization boards and committees.

d. Counseling Capabilities of Staff

The ability of the district staff to furnish advice to persons and organizations interested in economic development activities is important. A quantified measure for this is the approximate amount of time the staff spends on this activity. A qualitative measure is the reaction of area residents to the staff's performance in this activity.

e. Communication Capabilities of Staff

Acquainting area residents with district staff and organizational activities, and obtaining and using feedback from these persons is a necessary staff function. Measures of this activity are:

- . quality of brochures;
- . staff time spent on the activity; and
- . opinion of area residents as to the staff's performance in this area.

f. Leadership Capabilities of Staff

District staffs should have the capability to stimulate area residents to actively plan and work toward achieving economic development. A measure of this is the degree to which area residents are involved in economic development activities, and the degree to which they attribute positive changes in their involvement to the leadership of the district staff.

4. Growth Center Program

EDA funds projects in so-called "growth centers" in the belief that these investments will substantially benefit residents of the surrounding distressed areas. Each designated development district contains a growth center. The three criteria for designation are:

- . the center must be identified and included in an approved district overall economic development program (OEDP) and recommended for such designation by the state or states affected;
- . each center is to be geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district; and
- . no center can have a population in excess of 250,000.

Two approaches for measuring the impact of EDA's growth center program have been adopted: in-depth case studies of specific centers and analysis of published data to estimate the potential of counties to serve redevelopment areas as growth centers.

a. In-Depth Case Studies

On-site examinations focusing on determining EDA project impact, the effectiveness of Positive Action Programs, and the roles played by district organizations in implementing the growth center strategy have been conducted. Each center's influence on district migration patterns is also assessed as is the local development process in each center.

Standard measures of project impact, as described in the previous parts of this section, are applied to EDA projects in each growth center. In addition, special criteria are employed to focus on the unique objectives of growth center projects. These are discussed below.

(1) Job Impact on Present and Former Redevelopment Area Residents

Growth center projects are intended to aid residents of surrounding distressed ("redevelopment") areas. For this reason, job location impact is broken down to identify the effects on these individuals. In determining the effectiveness of each project, the number and type of jobs taken by present and former redevelopment area (RA) residents is examined, as well as the income generated by these jobs. Another approach is to calculate the EDA investment per direct job created for present and former RA residents.

The methodology is structured to identify those present and former redevelopment area residents who were unemployed or underemployed prior to taking their current jobs. (Underemployed workers are persons who were previously part-time employees seeking full-time jobs and workers who were members of poor households. Former housewives working to supplement family incomes previously more than \$1,000 above the poverty level are not counted as previously unemployed or underemployed persons.) Figure 3 identifies the standard used to determine whether households are "poor."

Other information acquired for present and former RA residents includes average income change as a result of EDA-associated jobs; number of families raised above the poverty level; and amount, type, and effect of training received. The methodology employed allows evaluators to estimate the number of jobs that will go to these individuals upon realization of employers' present expansion plans.

FIGURE 3

SCALE FOR IDENTIFYING POOR HOUSEHOLDS<sup>1/</sup>

NUMBER IN HOUSEHOLD	NON-FARM INCOME UNDER	FARM INCOME UNDER
1	\$1,900	\$1,600
2	\$2,500	\$2,000
3	\$3,100	\$2,500
4	\$3,800	\$3,200
5	\$4,400	\$3,700
6	\$5,000	\$4,200
7	\$5,600	\$4,700
more	add \$600 per person	add \$500 for each additional person

<sup>1/</sup> OEO Income Poverty Guidelines; December 1, 1970.

(2) Effect on Out-Migration

The growth center strategy outlined by Congress and implemented by EDA assumes that accelerating and increasing the growth and prosperity of economic development centers will encourage residents of nearby depressed areas to commute or migrate to the center for work instead of remaining unemployed or migrating to more distant urban centers or other areas of the country. To test the validity of this assumption, the following measures are used:

- the percent of employees in EDA-assisted and associated firms who migrated to the growth center from a redevelopment area;
- the percent of employees who would have migrated from a redevelopment area to an urban center of over 500,000 if their present jobs had not been available; and

- . the percent of employees who would have migrated from the economic development district if their present jobs had not been available.

In addition, random surveys are made of former residents of the redevelopment areas associated with the various growth centers. Individuals who have migrated from such areas during the past two years are queried as to their reasons for moving. This provides another basis for evaluating the theory that providing jobs in a growth center will help to stem out-migration from the redevelopment areas and/or the district.

(3) Effectiveness of the Positive Action Programs (PAP)

An EDA policy statement issued in 1968 states that no growth center will receive project funding until it has outlined the steps it is willing to take to insure that the unemployed and underemployed from redevelopment areas benefit from the center's growth. This outline is referred to as a Positive Action Program (PAP), and is to be prepared in cooperation with the district organization. The following criteria are used to evaluate the effectiveness of the PAP.

- . Commitment to PAP Goals. Once the programs in the PAP are identified, the growth center's commitment to these programs is assessed. This involves determining the degree to which each center recognizes its responsibilities to nearby redevelopment areas, and the strength of the center's commitment.
- . Accomplishments Directly Attributable to the PAP. Another aspect of the PAP evaluation concerns the new effort exerted by the growth center as a result of its Positive Action Program. Activities directly attributable to the PAP are identified; these are programs that would not have been undertaken in the absence of the Positive Action Program.

Of greatest importance in terms of the growth center strategy are those programs providing benefits to redevelopment area residents, par-

ticularly the unemployed and underemployed. Programs that assisted unemployed and underemployed growth center residents are ranked next in value. Third, and least important from the standpoint of the growth center strategy, are those programs that primarily benefit middle- and high-income growth center residents.

- . Influence of PAP. To determine the effectiveness of Positive Action Programs comparisons are performed of projects funded before the PAP requirement existed with projects funded after centers had prepared such documents. Emphasis is placed on determining what differences, if any, existed with relation to project impact on present and former redevelopment area residents.

b. Analysis of Published Data

Published economic data is analyzed as the other approach for assessing the impact of EDA growth centers. The purpose is to identify counties with the potential to serve surrounding distressed counties as growth centers. Five criteria are used for this purpose:

- . a comparison of the county's changing employment structure with that of other counties in the same region;
- . the county's employment growth in key sectors between 1950 and 1960;
- . the county's employment structure;
- . the county's population change between 1960 and 1970; and
- . the location of the county with respect to redevelopment areas and Standard Metropolitan Statistical Areas.

A more detailed description of these criteria and how they were used is provided in Appendix E, Identification of Growth Center Counties.

5. Selected Indian Reservation Program

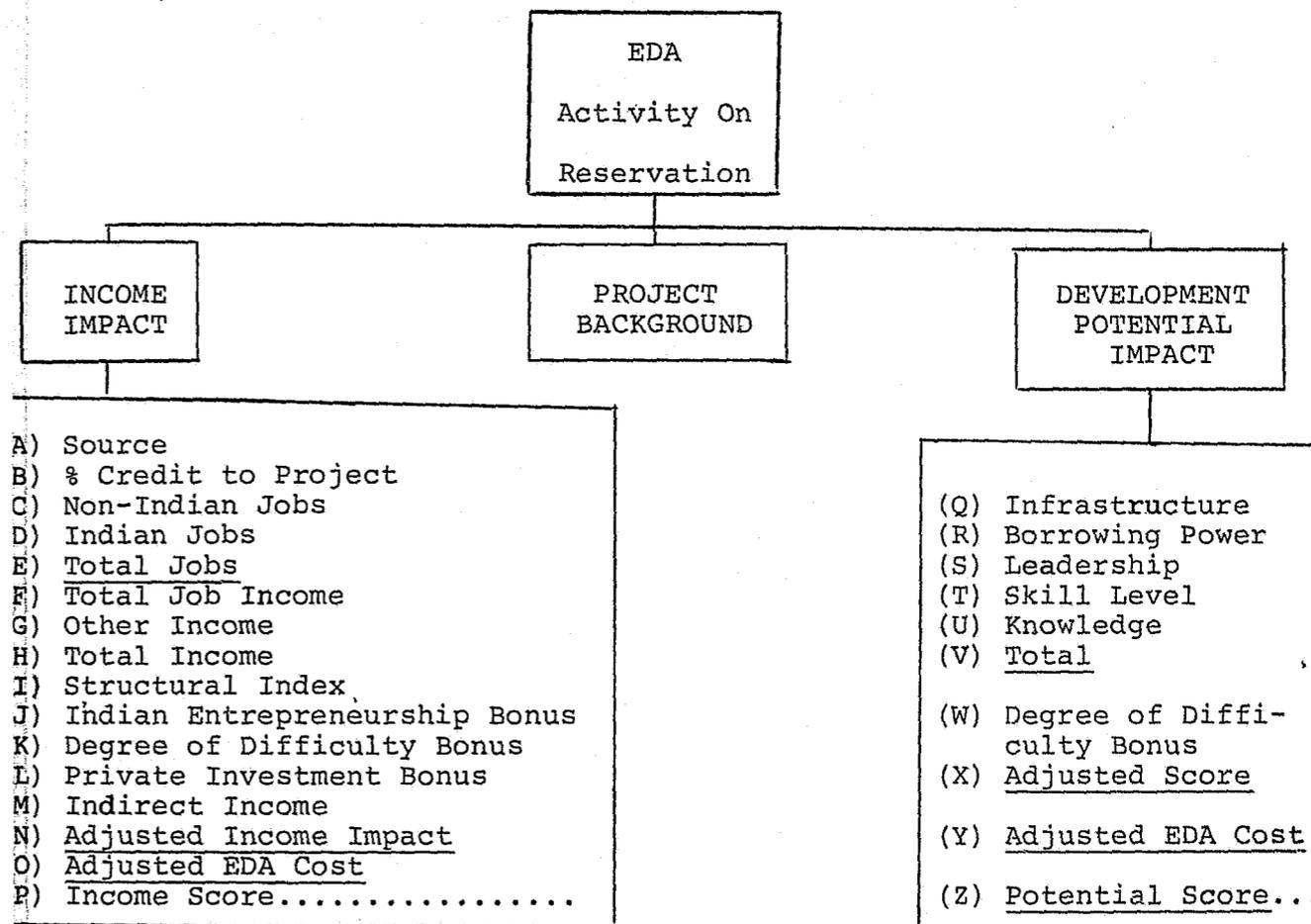
The Selected Indian Reservation Program was initiated by the Economic Development Administration in 1967 in order to establish and carry out a comprehensive development strategy on a selected list of Indian reservations. Since the available economic assistance was not sufficient to generate a significant impact if it were spread among all reservations, it was hoped that the selected program would enable concentrated development assistance to be applied to those reservations which appeared to have the best prospect of achieving self-sustaining economic development through the proper use of Federal assistance.

Figure 4 shows the hierarchy of criteria used to evaluate the Selected Indian Reservation Program. Many of the criteria already discussed are applied to the evaluation of this program. In addition, "development potential" impact and income impact qualifiers have been introduced. As mentioned earlier, the methodology for evaluation of the Selected Indian Reservation Program is in the testing stage. If it proves useful, EDA will consider employing the methodology to evaluate all of its programs.

A project rating system is used to assess the selected Indian Reservation Program. This system produces two scores: one reflecting income impact per dollar of EDA investment; and a second reflecting the development potential of the project per dollar invested as a function of its impact on local infrastructure, borrowing power, leadership, skill levels, and development knowledge.

The income score is derived directly from the realized job and income impact attributable to the project or set of related projects. Each source of income change attributable to the project is identified. The income derived from these sources is modified on the basis of the stability of the employing activity in question, the extent of Indian entrepreneurship, the degree of difficulty associated with economic development on the particular reservation, the level of private investment generated, and by the indirect income spun off as a result of the direct income impact. The bonus and discount system utilized to handle these modifications is explained below. The adjusted income impact is then related to the level of EDA investment in the project to produce a final income score.

FIGURE 4  
FRAMEWORK FOR EVALUATION OF EDA PROJECTS  
IN SELECTED INDIAN RESERVATION PROGRAM



The development potential score for a project expresses its traceable impact upon (1) the infrastructure of the reservation, (2) tribal borrowing power, (3) tribal leadership as related to economic development, (4) skill levels of tribal members, and (5) knowledge of development opportunities on the reservation. Based on the level of impact, a score ranging from 0 to 100 is obtained. This score is adjusted to account for the degree of difficulty associated with economic development on the particular reservation. A final potential score is then obtained by relating the adjusted score to the level of EDA investment.

a. Income Impact (Refer to Figure 4)

(A) is the source of the generated jobs and/or impact, that is, the income generating activity. Only sources that could not have realized this impact without the EDA project are included.

(B) is the percentage of that impact which is assigned to the project. For example, a business loan may be given 50 percent credit for the impact realized and a public works project may be given the other 50 percent credit. The assignment of percentage is based on the premise that EDA projects will be credited only if their contribution is considered to be necessary for subsequent income generated. In cases where more than one EDA project is deemed critical the 100 percent credit was divided in proportion to each project's contribution.

(C) is the actual number of jobs associated with the project going to non-Indians.

(D) is the actual number of jobs associated with the project going to Indians (not necessarily to tribal members).

(E) is the total number of jobs credited to the project, the sum of (C) and (D).

(F) is the job income associated with the jobs in (E).

(G) is other income accruing to the reservation from the project. This includes fees for mineral extraction and for resting, rents, increased sales, and similar items.

(H) is the total income, the sum of (F) and (G).

(I) is a structural index used to assess the stability of the firm or enterprise which was the source of the generated income. The most stable activities are given full credit for income generated, under the assumption that the identified income flow will continue for several years. The annual income flows for less stable activities are proportionately reduced to reflect their relative instability.

- . 100 percent of the income is credited to stable firms in growth industries;
- . 80 percent of the income is credited to stable firms in non-growth or cyclical industries;
- . 75 percent of the income is credited to new firms in growth industries; and
- . 50 percent of the income is credited to new firms in non-growth or cyclical industries.

(J) is a bonus for Indian entrepreneurship. It is applied as follows:

- . 25 percent bonus for a venture which is tribally owned or controlled; up to 25 percent for partial, but non-controlling tribal ownership; and
- . 10 percent bonus for a venture which is owned or controlled by an individual tribal member or group of members: up to 10 percent for partial, but not controlling ownership by a tribal member.

(K) is a degree of difficulty bonus which reflects the relative difficulty of achieving economic development successes on the various reservations. Among the factors which reflect the degree of difficulty are isolation from markets, climatic conditions, resource deficiencies, transportation deficiencies, manpower deficiencies, lack of community amenities, and relations with neighboring non-Indian communities. The reservations are grouped according to their degree of difficulty as reflected by these factors. Three groupings have been established, with the most difficult group receiving a 10 percent bonus, the middle group a 5 percent bonus, and the least difficult no bonus.

(L) is a bonus for private investment in economic development ventures. It is assigned based on the ratio of private (non-government or non-tribal) to EDA investment as follows:

- . 0 percent for a ratio of less than 0.5;
- . 5 percent for a ratio from 0.5 to 0.99;
- . 10 percent for a ratio from 1.0 to 1.49;
- . 15 percent for a ratio from 1.5 to 1.99; and
- . 20 percent for a ratio of 2.0 or over.

(M) accounts for the multiplier effect of the income generated. Some of the income derived from the various sources attributable to EDA will be respent on the reservation and help support additional individuals and families. Hence it should be included as part of the realized income impact. The service economy of each reservation is evaluated during field visits. As a result, indirect income multipliers are determined and applied to the direct income identified. These multipliers are:

- . 0 percent if the shopping opportunities on the reservation are insufficient to meet the daily needs of the residents;
- . 15 percent if the shopping opportunities on the reservation are sufficient to meet the daily needs of the reservation residents, but durable goods are generally unavailable; and
- . 30 percent if the shopping opportunities are more than sufficient to meet the daily needs of the reservation residents, and durable goods such as clothing and smaller appliances are available.

(N) is the adjusted income impact. It is the gain (or loss) from total income resulting from the above described discounts and bonuses.

(O) is the adjusted EDA cost of the project. This figure is equal to the full amount of EDA grants plus 25 percent of the total amount of EDA loans. (It has been determined that the actual cost to the Agency for loans approximates 25 percent of initial outlay after repayment and accounting for defaults and administrative and opportunity costs.)

(P) is the final income score. This is equal to the adjusted income impact (N) expressed as a percentage of the adjusted EDA cost (O).

#### b. Development Potential Impact

The impact of each project (or related projects) on the development potential of the reservation in question is gauged by assessing its effects on five factors. These factors are weighted to reflect their relative importance utilizing weights derived during a group working session involving key EDA operating personnel and evaluators. Projects are awarded points for each factor up to a maximum defined by the weight assignment. The sum of the five weight assignments totals 100, so a project with maximum impact on development potential can conceivably receive 100 points. The rationale for assigning points follows.

##### (Q) Infrastructure (25 points)

A full 25 points is accrued by a project which results in a major change in infrastructure such as to make the area more attractive to industry and/or other economic ventures. A minor change in infrastructure is assigned a value up to 10 points. A major change is defined as one which provides an infrastructure component essential to development, while a minor change is one which is contributory but not essential to development. These two benchmark values serve as guides in assessing infrastructure points.

##### (R) Borrowing Power (15 points)

Points for this factor are assigned with the following descriptions as guidelines:

- . 15 points if the project allows the tribe to secure funding for most development projects;
- . 10 points if the project allows the tribe to secure funding for some development projects, but financing is still a limitation; and
- . 5 points if the project results in a discernable improvement in the tribe's ability to secure development financing, but the inability to finance development is still a major drawback.

(S) Leadership (35 points)

Three areas in which an EDA project can contribute to reservation leadership have been isolated and are utilized to assess this factor. These are higher level of positive development-oriented action, greater continuity of leadership, and improved attitude toward the development process. For each project, the field evaluator, with the assistance of the study staff, determines as best as possible the contribution generated from the project in each of these areas with respect to tribal leadership. On the basis of the group consensus, a point value up to a possible 35 points is assigned.

(T) Skill Level (10 points)

Points for this factor are assigned with the following as benchmarks:

- . 10 points if the project has made a material and significant contribution to the quality of the labor force and/or the quality of managers, or has materially and significantly increased the capacity of the reservation to train effective workers and managers;
- . 7 points if the contribution of the project to the improvement in the present or prospective quality of the labor force, including management, is directly evident, but not significant; and
- . 3 points if the contribution of the project to the improvement of the present or prospective quality of the labor force, including management, is evident, but only indirectly through related experience rather than specific training.

(U) Knowledge (15 points)

The assessment of the project contribution to tribal knowledge is assessed with the following as a guide:

- . 15 points if the project results in a breakthrough in the potential utilization of previously unused or severely underutilized resources;

- . 10 points if the project materially increases the knowhow of the tribe on how to take full advantage of its resources; and
- . 5 points if the project defines an efficient, feasible manner in which the tribe can utilize its known resources.

After completing the assignments for any project, the points given are compared against all previously assessed projects. As needed, adjustments are made in the point assignments made to the current or previously assessed projects. In this way, a consistent set of point assignments emerges.

(V) is the total development potential points accumulated by the project. It is the sum of the previous five items.

(W) is the degree of difficulty bonus and is the same as (K) above.

(X) is the adjusted development potential score which is the total of the accumulated points plus the degree of difficulty bonus.

(Y) is the adjusted EDA cost and is the same as (O).

(Z) is the final potential score which is the number of adjusted development potential points per \$100,000 of adjusted EDA cost.

## V. EVALUATION PROCESS AND PROBLEMS

### A. INTRODUCTION

During the last two years, EDA has initiated on-going evaluations of its major program entities: Indian, Urban and District. These program evaluations have involved an analysis of approximately 600 individual projects. Within each program tool (public works, business loans, technical assistance, and planning grants) a significant number of projects have been evaluated. The remaining parts of this section will discuss both the process for evaluating these programs and many of the associated problems. Here, a few comments on the status of evaluation in the EDA will be discussed.

In evaluating any program, there are two crucial problems to be faced. One is designing a valid methodology, and the other is carrying out the process so that results appear in time to influence policy decisions. If too much time is allotted to developing methodologies, the results may not be timely. However, if pressures for timeliness create a hasty evaluation, then the results may not be valid. A delicate balance between these two factors is required. Credibility has to be established both with the "researchers" and the "policy-makers" if evaluations are to become an integral part of operations. In EDA, attempts are being made to achieve this balance by carrying on a continuous effort in the area of methodology development, while meeting the deadlines of policy-makers.

Overcoming two major technical problems is a major concern in the development of methodologies. One of these is finding techniques for attributing economic changes in an area to EDA projects. The other is quantifying concepts, such as the "economic development process."

EDA's strategy for overcoming the attribution problem has been to examine project impacts very closely and pay little attention to county data. Impacts from a project can be traced, but attributing changes in the county unemployment rate to an EDA project is tenuous. Discussion of these project-oriented impacts were presented in Section IV.

Attempts to quantify the concepts of an economic development process are currently underway. The technique of

factor analysis is being applied to published data on variables such as those discussed in Section III, to determine the important factors of economic growth.

Consulting firms and personnel at universities with expertise in economic development are employed by EDA to help develop evaluation methodologies. They are also used to carry out selected evaluations. Again, a balance between outside and in-house evaluations must be reached. If most of the evaluation work is performed by outside personnel, then the possibility of having the methods and results incorporated into agency procedures is reduced. However, if most of the evaluations are done in-house, lack of objectivity can be claimed. EDA has reached a balance between these two extremes by having a moderate sized in-house staff, and contracting out five to eight man years of evaluation work each year.

### B. DESCRIPTION OF THE PROCESS

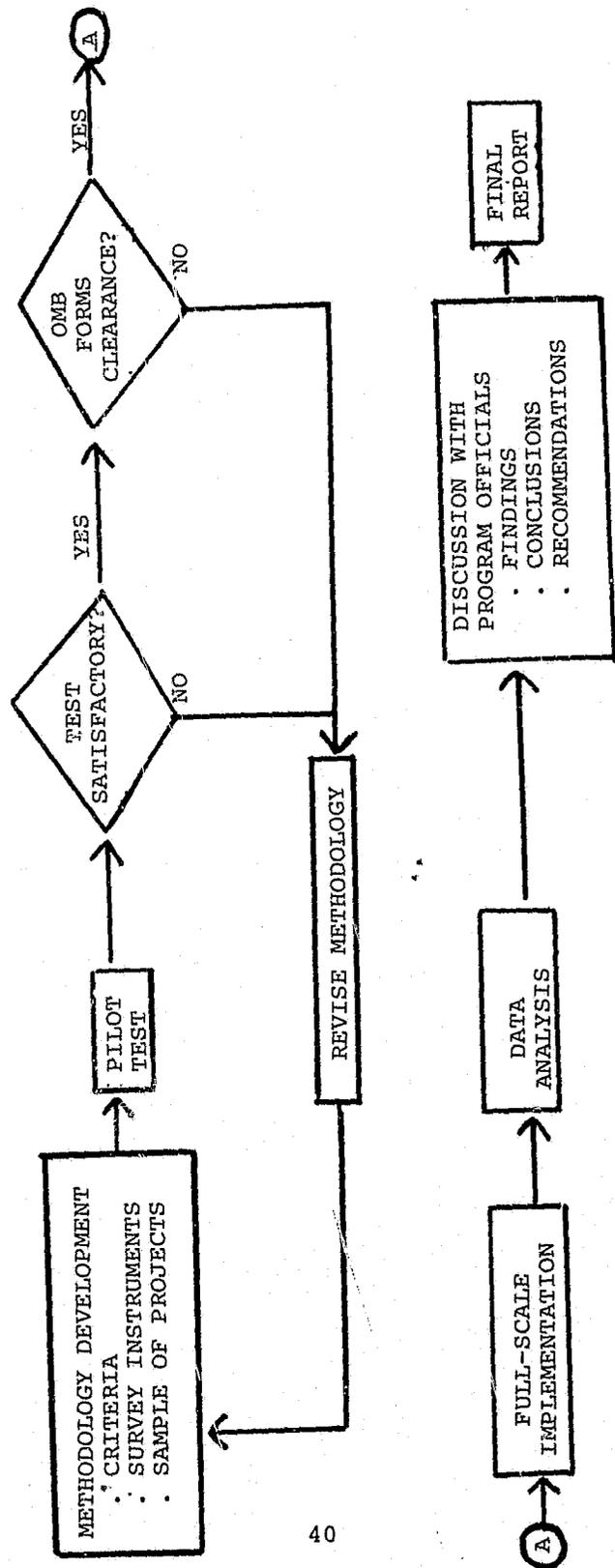
The evaluation process can be generally described by the flow chart shown in Figure 5. This section will describe the major parts of the process, and discuss some of the problems in performing each step.

The selection of criteria is a crucial step in the development of methodology. Ideally, criteria should be developed by studying the stated objectives of a program. However, in practice, objectives are usually stated so loosely that it is difficult to agree on evaluation criteria. Agreement on evaluation criteria is essential if the results of the analysis are to be used by operating officials to improve project impact. In some cases, total studies can be negated by the claim that the wrong evaluation criteria were used. One method that has been tried to obtain agreement on criteria is pair-wise comparison; this method was described in some detail in Section IV. Basically, this approach requires concerned agency officials and experts to weight the importance of different evaluation criteria. From the individual scores, a consensus weighting system is derived. This allows each person to have an influence on the criteria to be used for evaluation. Examples of the forms used to obtain these pair-wise comparisons are shown in Appendix B.

Selecting a representative sample of projects is another major area of concern. Again, evaluation studies can be negated if non-typical projects have been evaluated. Choosing a homogeneous sample is extremely difficult since there may be substantial variations in objectives and times since completion. Currently, EDA project evaluations are hampered

FIGURE 5

TYPICAL EVALUATION PROCESS



by the size of available homogeneous samples. Sometimes, this prevents developing general results, and reduces the evaluation to a series of case studies. However, this condition will improve as the number of approved projects increases. Additionally, policy changes over time, so that evaluations of past projects may not be pertinent to effecting the current funding emphasis.

Availability of data is another problem faced by evaluators. National, state, county and local population data are frequently limited or out of date. For example, it is frequently not known how many people are unemployed in a given area. The unemployment rates normally reported are not completely accurate because they do not count many persons who have become frustrated in trying to find a job, and do not appear in official figures. Underemployment is also difficult to define, and accurate statistics are unavailable.

Income data is also lacking in some situations. The incomes of American Indians are not known with much confidence, although analysis of EDA project impact on reservations requires some base line data.

Data on migration is also difficult to obtain. The Census can provide rough estimates, but only every ten years. The Social Security one percent sample, although timely, is restricted by disclosure and size problems.

Discussion of results with program officials is an important part of the evaluation process. The purpose of evaluation is to help achieve a better allocation of resources. This can be accomplished only if evaluation conclusions are communicated to program officials in a meaningful way. However, the concept of evaluation implies examining and judging the result of another person's work, with the possibility of finding imperfections. Because of this, there is an inherent tendency for the evaluator to be perceived as a threat. Instead of the program officer and evaluator working together within the framework of common goals the two frequently appear as antagonists. Unless a common ground can be established and maintained between the program officer and the evaluator, the evaluation will suffer, and the possibility of impact of the evaluation will be small. Conclusions and recommendations resulting from the analysis will be better received, and more likely to be implemented, if liaison has been maintained between the two functions.

C. DEVELOPMENT OF QUESTIONNAIRES

The development of questionnaires consists of four stages;

- . definition of the objectives of the evaluation;
- . translation of these objectives into broad questions to be answered;
- . translation of these broad questions into sub-questions; and
- . translation of the sub-questions into precise data requirements.

Figures 6, 7, and 8 provide examples of the stages in the development of questionnaires.

D. PILOT TEST

After the survey instruments have been developed, the next step is to conduct a pilot test of the evaluation methodology. Careful plans for the pilot test are usually completed well before survey instruments have been printed.

A first step in preparing for the pilot test is to conduct a thorough training session. At the training session, the objectives of the project are discussed and interviewing procedures are described. Questionnaires are distributed and described in detail. Members of the field teams become thoroughly familiar with the forms.

EDA has conducted a pilot test for each of the evaluation studies which have been completed in the past few years. These pilot test efforts have varied in complexity. In one case, a five-day training session was conducted using video tape scenarios showing various interviewing situations. Interviewers and interviewees were "played" by EDA personnel experienced in field interviewing techniques.

A major problem to be solved is the selection of the place or places to conduct the pilot test. Projects selected for a pilot test must be representative of the total group of projects to be evaluated. If the evaluation effort will be performed by several teams of individuals, at least one member of each of the teams should participate in the pilot test.

FIGURE 6

TRANSLATION OF EVALUATION OBJECTIVES INTO QUESTIONS

EVALUATION OBJECTIVES	TRANSLATED INTO QUESTIONS
1. ACCOMPLISHMENT OF PROJECT OBJECTIVES	1. IS EDA EFFECTIVE IN CREATING VIABLE INSTITUTIONS?
2. ASSESSMENT OF IMPACTS <ul style="list-style-type: none"> <li>. JOBS</li> <li>. EMPLOYMENT STRUCTURE</li> <li>. SERVICES</li> <li>. ECONOMIC DEVELOPMENT PROCESS</li> </ul>	2. WHAT HAS EDA LEARNED FROM THE PROJECT WHICH HAS BEEN APPLIED TO OTHERS?
3. RECOMMENDATIONS FOR FUTURE DIRECTION	3. WHAT DO OTHER POTENTIAL FUNDING SOURCES THINK ABOUT GRANTEE?
4. ESTIMATE OF BENEFITS IF GRANT IS RENEWED	4. HAVE PROJECTS OF THIS TYPE REALLY BEEN SUCCESSFUL IN HELPING IMPROVE EMPLOYMENT OPPORTUNITIES FOR TARGET GROUPS?
5. EFFECT ON GRANTEE OF NON-RENEWAL	. . . . . .

FIGURE 7

TRANSLATION OF QUESTIONS INTO SUB-QUESTIONS

QUESTIONS	TRANSLATED INTO SUB-QUESTIONS
<p>1. HAS EDA BEEN EFFECTIVE IN CREATING A VIABLE INSTITUTION?</p>	<p>1A. WHAT IS REPUTATION OF THE INSTITUTION?</p> <p>1B. IS THE INSTITUTION FINANCIALLY SOUND?</p> <p>.</p> <p>.</p> <p>.</p> <p>(EXAMPLE FOR VOCATIONAL TRAINING)</p>
<p>4. HAVE PROJECTS OF THIS TYPE BEEN SUCCESSFUL IN HELPING IMPROVE EMPLOYMENT OPPORTUNITIES FOR TARGET GROUPS?</p>	<p>4A. WHAT IS TOTAL DEMAND FOR TRAINING IN THE COMMUNITY?</p> <p>4B. WHAT FRACTION OF THIS DEMAND DOES GRANTEE MEET?</p> <p>4C. HOW DOES GRANTEE SELECT TRAINEES?</p> <p>4D. HOW IS FOCUS ON TARGET GROUPS MAINTAINED?</p> <p>4E. WHAT DO <u>TRAINEES</u> THINK ABOUT TRAINING THEY RECEIVED?</p> <p>4F. HOW DO <u>EMPLOYERS</u> ASSESS THE TRAINING?</p> <p>.</p> <p>.</p> <p>.</p>

FIGURE 8

TRANSLATION OF SUB-QUESTIONS INTO DATA ELEMENTS

SUB-QUESTIONS	TRANSLATED INTO DATA ELEMENTS
<p>1C. IS THE INSTITUTION FINANCIALLY SOUND?</p>	<p>1. ASSETS AND LIABILITIES</p> <p>2. HISTORICAL BUDGET PERFORMANCE</p> <p>3. INCOME AND EXPENSE PROJECTIONS</p> <p>4. FUNDING COMMITMENTS FROM OTHER GROUPS</p> <p>5. COMPLETENESS OF FINANCIAL REPORTS</p>
<p>4F. HOW DO EMPLOYERS ASSESS THE VOCATIONAL TRAINING?</p>	<p><u>ACTIONS</u></p> <p>1. NO. PREVIOUSLY UNEMPLOYED WHO OBTAINED EMPLOYMENT</p> <p>2. TYPES OF JOBS</p> <p>3. EARNINGS</p> <p>4. NO. WHO CHANGED JOB TITLE OR RECEIVED INCREASE IN EARNINGS</p> <p>5. TYPES OF JOBS (BEFORE/AFTER)</p> <p>6. AMOUNTS OF INCREASE</p> <p><u>OPINIONS</u></p> <p>7. QUALITATIVE STATEMENT OF WHY TRAINING MADE MAN ELIGIBLE FOR JOB OR PROMOTION</p>

The pilot test extends beyond the field work. The analysis of data should be performed and a report prepared, at least in detailed outline form, to insure that all possible problems in the evaluation effort have been identified.

As a result of the test, necessary revisions in forms and interviewing procedures are made. If these are major, a second pilot test is performed as a check on the changes which have been made.

#### E. FULL-SCALE IMPLEMENTATION

Upon completion of the pilot test, the evaluation methodology has been refined to the point where it is ready for implementation. The length of the typical interview and the approximate number of people and organizations to be seen have been established. To gain optimum use of time and available personnel, detailed schedules are developed for each project to be evaluated. This involves assigning personnel for specific days to evaluate each project.

During the implementation phase the problem of applying uniform standards for the collection of data on each project is encountered. This is crucial for insuring that the data collected is homogeneous and can be used for cross project comparisons. Numerous procedures for cross checking the data have been adopted. In evaluating a project, all segments of the community acquainted with the project are interviewed. An attempt is made to interview a balanced sample, representing both favorable and unfavorable views.

Collecting useful information from EDA project grantees is sometimes very difficult. One source of difficulty is the grantee who exaggerates the positive in an attempt to promote a future grant. Another is the grantee who is unhappy with the paucity of government funds available for economic development.

The primary evaluation techniques have been field work, mail-telephone surveys, or a combination of both. An examination of the six studies for which examples are included in Appendix C will serve to illustrate many of the problems encountered during evaluations.

The public works evaluation is typical of two studies conducted simultaneously, one by an outside contractor working in the field and the other by an in-house team using

mail-telephone techniques. The field interviewers found their most commonly encountered problems to be lack of local knowledge of the EDA project being evaluated, citizen availability for interview, and in the reluctance of the management of firms to cooperate, especially in the completion of employee questionnaires.

Lack of citizen awareness is a problem common in large urban sites where the project is relatively small in comparison to the magnitude of the development area. Conversely, in small and isolated rural villages, the dearth of designated local leaders often force the evaluator to turn to neighboring communities for information. Unfortunately, few of these local leaders are aware of the specific project being evaluated and are therefore not able to adequately assess the impact of the project on the economic development process.

A number of barriers are encountered in the process of attempting to obtain information from firms whose employment level was affected by the project. The most important is management's unavailability for interviewing, and their reluctance to reply to sensitive questions. Frequently, the evaluator is referred to higher authorities for a reply. Less frequently encountered is a reluctance to answer questions because of fear of labor union problems.

There are several problems with respect to the completion of employee forms. The principal problem is encountered with those firms whose work force is not on the premises because of the seasonal nature of the work or deployment in the field. In the case of concerns using assembly lines or automated operations, management views stopping the interviewing process as a costly hindrance. In some cases, the forms are left with management to be completed and returned to EDA by mail to the evaluator. This reduces the return rate.

The primary difficulties faced by the mail-telephone evaluators are caused largely by the natural limitations of the questionnaires. To encourage return of mail questionnaires they must be reasonably short, with the result that some desired description or answer may have to be sacrificed. This sometimes results in confusion as to whether questions are interpreted as they were intended.

Another difficulty in the mail-telephone procedure is encountered in the selection of local information sources. Since team members are not intimately familiar with the communities where the projects are located, reliance is placed on lists provided by EDA field personnel. In some cases,

the designated information sources are not current or are not completely familiar with the EDA project, so that the reliability or objectivity of their answers is questionable.

A problem which arose in conjunction with the business loan evaluation, conducted by an outside contractor, was the mistrust by some interviewees of any individual or group connected with the Federal Government. While the number of such people is relatively small, this attitude can be a detriment to the effective evaluation of a project.

The contractor conducting the technical assistance evaluation faced similar difficulties to those discussed above. People connected with the EDA project have sometimes left the area, and are unavailable for interview. In other instances interviewers felt that they were not receiving a complete picture of the impact of EDA technical assistance efforts, because of interviewee biases. If the applicant, who frequently supplied names for interviews, had a favorable attitude toward the project, most respondents would have the same attitude. If the applicant were negative, the other respondents would be negative.

In conducting field work for the planning grant evaluation the major source of information was local staff members of Economic Development Districts and Redevelopment Areas which had received such grants. In general, interviewers were received courteously by the district staff, who were usually very helpful. However, in a number of districts there was a refusal to answer some questions. Refusals to respond were usually on the grounds that the information was either none of EDA's business or unknown to the district staff.

Another problem often encountered was that, for the maintenance of good relationships with the cooperating units of government, the district wanted no public credit for particular projects. Usually, however, district directors were careful to point out that they really could not establish how much credit they were due for particular projects.

The economic development group evaluation described in Appendix C was conducted in the field by an in-house team. A major constraint, common to most of the field evaluations, is a lack of time to conduct all desired interviews. It is particularly difficult to synchronize the interviewers' schedules with those of the interviewees.

Another problem was that of selecting objective local information sources. When interviews were scheduled in advance of the field visit, it was sometimes felt that the interviewer was being given a prepared speech. Problems of

objectivity were compounded where the interviewer received conflicting viewpoints from seemingly reliable sources.

An issue common to all evaluations is the lack of understanding at the local level of the purpose of evaluations. In some cases, interviewees appeared to believe that they were being investigated in a negative sense, rather than being asked to help improve present policies.

The evaluation of EDA's training-related projects offers many examples of the serious problems evaluators encounter due to the poor files and record keeping at many projects. Skill Centers often have multiple funding sources and may be required to keep different types of records for the different grants. Most often this results in a total breakdown in their record system with no comprehensive listing of all trainees.

In the training evaluation, there was an attempt made to randomly sample past participants in the Skill Center program to determine the impact of training on earning ability and general socio-economic status. In order to select a random sample, it is necessary to have a complete record of all trainees. This was available in only one of the fifteen projects that comprised the evaluation. In the remaining fourteen projects, some combination of the school files, teacher class lists, placement records, etc., were necessary to reconstruct a complete list.

Another difficult problem was locating the people finally chosen as the sample. In practice about one out of every three people in the sample resulted in a completed interview. This attrition was caused by a combination of people moving from the area, not being able to be contacted, and inability to set up a mutually convenient interview appointment.

#### F. ANALYSIS

While analysis is conducted throughout the evaluation process, the bulk of the analytical work occurs after all data collection efforts have been completed. At this point:

- findings must be checked for accuracy and consistency;
- tentative conclusions must be thoroughly reviewed;

- recommendations must be developed for improving the program; and
- all of this must be summarized in a form which can be used by a wide variety of people.

Many sophisticated analytical techniques, such as linear programming and multiple regression, have limited value for evaluation of economic development programs. These techniques were developed for more scientific programs where the constraints are more precise and the environment more predictable.

Most of the analytical techniques used by EDA have been relatively simple ones, as discussed in Section IV, Project Oriented Measures of Economic Development.

To a large extent, EDA's analysis has consisted of:

- determining the types of benefits which are relevant for a given project type;
- quantifying those benefits which can be measured (typically jobs and income changes);
- assessing the quality and importance of benefits which cannot be measured precisely; and
- comparing all benefits with the costs of the activity.

Analysis of economic development programs poses a number of difficult problems. One is determining which benefits to include in the analysis. For example:

- If EDA projects help some people who already had good jobs, should these benefits be counted as heavily as jobs for the unemployed?
- If an unemployed person is hired for a job vacated by someone hired at an EDA-assisted project, should this "musical chairs" effect be considered?
- If a previously employed person resigns after a year and an unemployed person is hired in his place, should this be included in the analysis?

In practice, EDA has tried to determine the distribution of program benefits to different population groups as well as the level of benefits. Moreover, a study has been done of the "musical chairs" effects of the business loan program.

The third question has not yet been addressed, primarily because most EDA evaluations have focused on conditions at one point in time. However, longitudinal evaluations, which would trace program impact over a period of several years, are under consideration.

Many economic development activities produce benefits in addition to increased employment and income. And even increased employment and income may be produced in indirect, hard-to-trace ways. This is commonly the case with public works and technical assistance projects. How can the increased access provided by a road to an industrial park be evaluated? How many jobs should be attributed to the access road, as compared with water and sewer services, low-interest loans for businesses in the park, or training provided at a nearby skills center?

There may be many different sources of funds -- including EDA, other Federal agencies, local government, and private sources -- for all of these activities. Which source should be given primary credit for the benefits? This may be particularly hard to resolve if all the projects were essential for the individual success of any of them.

Another problem is the consideration of "intangible" benefits. For example, if a depressed community begins to grow, local residents who would otherwise have had to leave to obtain employment will be able to remain at home. Is this an important benefit? How important is it? Alternatively stated, how much is EDA willing to pay to acquire this benefit? How should these benefits be measured?

Another intangible benefit is increased cooperation among different local groups, who may be working together for the first time. How much consideration should be given to benefits of this type, as compared with employment and income? Some evaluations, such as that of the public works program, have included subjective ratings of improvements in the local economic development process.

Geographic considerations also present problems. Although EDA is trying to stimulate growth in lagging areas should it ignore the impact projects may have on other areas? What if a redevelopment area places a high priority on a project which would impose costs on a non-designated area? What if some employees at an EDA-assisted project had previously been unemployed but live in a non-designated area? How should benefits for them be weighted with those for employees who live in the area but had previously been employed?

Another problem is the assessment of the total impact of all EDA investments in a community. Simple analysis of changes in area statistics can be misleading. For example, if EDA successfully stimulates employment growth in a depressed area, in-migration to the area and "frictional" unemployment may increase. In this case, the area's unemployment rate might remain unchanged (or even increase), although the long-term structural unemployment problem may have been resolved. In the past EDA has not relied upon changes in an area's economic statistics as an evaluation measure. Instead, measures are more directly tied to EDA's investments.

Finally, there is no way to tell what might have happened in an area if it had not received EDA assistance. Even if the area's economy did not improve significantly, it might have become worse without EDA aid. There is no available "control group" of non-EDA-assisted areas which are otherwise identical to EDA-assisted areas. If there were, comparisons between the two groups might provide indications of Agency effectiveness.

Once the analysis has been finished and recommendations developed, considerable attention must be given to the manner of presentation. Operating officials may be understandably defensive about any criticism of programs they have worked long hours trying to implement. Since the evaluators must rely on operating officials to implement their recommendations, considerable attention should be given to resolving communications problems. A consensus of support must be built for the analysis at all stages, if the ultimate recommendations are to have any chance of adoption.

## APPENDIX A

### ESTIMATION OF INDIRECT JOBS

The economic base concept is central to the development of indirect job multipliers. This concept states that cities, towns, or other urban places are, to different degrees, viable economic areas which are capable of providing themselves with goods and services as well as providing some goods and services to other areas.<sup>1/</sup> Most economic base studies have used industrial employment data as a proxy for the goods and services produced within the area. Cities are also divided into population groups since economic theory has traditionally implied that the larger the city, the larger the number of specialities that can be supported and the more self-contained (viable) the city can be. In sum, the economic base concept is a static model which attempts to: (1) describe the employment structures of different size cities; and (2) by comparing cities, determine how viable they are.

To illustrate the economic base concept, assume that there are only three industries - food production (F), clothing production (C), and entertainment (E); also assume that there are only six cities - three cities (X, Y, and Z) with populations between 25,000 and 100,000, and three cities (R, S, and T) with populations between 300,000 and 800,000. The following procedure is used to describe the employment structures of these cities; first, compute employment ratios for each industry by dividing the number employed within the industry by the city's total employment; secondly, array these values by city size as in Table A.1.

<sup>1/</sup> Goods and services consumed within the city are called "internal" or non-basic"; those goods and services not consumed within the city are designated as "exports" or "basic." These terms are used by E.L. Ullman and M.F. Dacey in their article, The Minimum Requirements Approach to the Urban Economic Base, PPRSA, Vol. 6, 1960. For additional information, see I. Morrisett, The Economic Structure of American Cities, PPRSA, Vol. 4, 1958, and G. Alexandersson, The Industrial Structure of American Cities, A Geographic Study of Urban Economy in the U.S., London, 1956.

TABLE A.1  
EMPLOYMENT STRUCTURES FOR CITIES OF VARYING SIZES

City Group \ Industry	Industry		
	Food (F)	Clothing (C)	Entertainment (E)
Group I Cities			
City X	0.30	0.20	0.10
City Y	0.50	0.10	0.15
City Z	0.20	0.25	0.10
Group II Cities			
City R	0.50	0.05	0.45
City S	0.20	0.25	0.55
City T	0.10	0.30	0.35

Thirdly, determine the smallest value for each industry by city group and designate these values as minimum requirements for cities in their respective groups. These are arranged in Table A.2 and are assumed to be the internal (non-basic) component of a city's employment within each industry.

TABLE A.2  
MINIMUM PERCENT EMPLOYED IN CITIES OF VARYING SIZE CLASSES, THREE INDUSTRY CLASSIFICATION

INDUSTRY	F	C	E	TOTAL
Group I	0.20	0.10	0.10	.40
Group II	0.10	0.05	0.35	.50

Fourth, by summing each group's values in Table A.2, the gross internal (non-basic) component of a city's employment is derived. Thus the sum of values in Group I equals 0.40 and in Group II equals 0.50. By subtracting each value from one (1), the basic or export employment

for each group is derived. For Group I, the basic employment value is 0.60; for Group II, the basic value is 0.50.

Fifth, by forming ratios of the two values (external employment/internal employment) for the two groups, the indirect job multiplier is obtained. Thus:

- . Group I Cities  $(0.60/0.40) = .7$
- . Group II Cities  $(0.50/0.50) = 1$

The ratio .6/.4 for Group I means that for each export job located in the city, .7 indirect jobs must be also be created. A similar interpretation holds for Group II values; for every export job located in the city, one indirect job must be created.

The first four steps of the preceding process were performed by Ullman and Dacey in their paper. The fifth step was taken to produce the numbers given in Table 1, Section II of this paper.

APPENDIX B  
EXAMPLES OF  
PAIRWISE COMPARISON FORMS

PAIRWISE COMPARISONS: STRUCTURAL ANALYSIS STATEMENTS

Name of Evaluator \_\_\_\_\_

Date of Evaluation \_\_\_\_\_

The purpose of the structural analysis is to grade the direct jobs attributable to the EDA project in terms of their stability, quality, and ability to reach the underemployed, unemployed, or poverty groups. Pairs of descriptions referring to the EDA impacted establishments and their labor force are presented below. For each pair, check the one in Section A which in your opinion makes a more important contribution in most cases to the general long term well-being of the community. If both descriptions in your opinion are equally important, check the appropriate box. The same procedure will be followed in Section B, only you will be asked to select the condition which you believe is more unsatisfactory, in terms of the general long-term well-being of the community.

---

A. Which of the following is more important?

1. The new jobs resulting from the EDA project are likely to be sustained at present or higher levels because the employing activity is a government agency, a quasi-public agency (such as a hospital or educational institution), or a top-rated company with a stable or growth history and a superior credit rating. \_\_\_\_\_

The new jobs resulting from the EDA project are in an employment category which has grown in employment faster than the national employment growth in the past five years. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

- 
2. More than 50 percent of the new jobs created as a result of the EDA project are in indus-

PAIRWISE COMPARISONS: STRUCTURAL ANALYSIS STATEMENTS

trial or other classifications which have not previously existed in the area. \_\_\_\_\_

More than 2/3 of the new employees who have received jobs as a result of the EDA project were either previously unemployed, earned less than \$3,000 in the year preceding the start of current employment, or came from a family coming within the OEO poverty guidelines. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

- 
3. More than 2/3 of the new employees are the principal wage earners of their families. \_\_\_\_\_

More than 2/3 of the new employees who have received jobs as a result of the EDA project previously lived in the area or in an area which was eligible for EDA assistance at the time the project was approved. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

- 
4. New jobs created as a result of the EDA project meet first priority in OEDP for utilization of under-utilized local resources. \_\_\_\_\_

The new employing activities resulting from an EDA project export 70 to 100 percent of the output of the goods and services outside the area in which the project is located. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

- 
5. New jobs created as a result of the EDA project meet first priority in OEDP for utilization of under-utilized local resources. \_\_\_\_\_

PAIRWISE COMPARISONS: STRUCTURAL ANALYSIS STATEMENTS

More than 2/3 of the new employees who have received jobs as a result of the EDA project previously lived in the area or in an area which was eligible for EDA assistance at the time the project was approved. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

- 
6. The new jobs resulting from the EDA project are in an employment category which has grown in employment faster than the national employment growth in the past five years. \_\_\_\_\_

More than 2/3 of the new employees are the principal wage earners of their families. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

PAIRWISE COMPARISONS: STRUCTURAL ANALYSIS STATEMENTS

B. Which of the following is more unsatisfactory?

29. The new jobs resulting from the EDA project are located in a new company, not affiliated with a larger parent company. \_\_\_\_\_

The new jobs resulting from the EDA project are in an employment category which has grown in employment less than the national employment growth (or has declined) in the past five years. \_\_\_\_\_

Both of these are equally unsatisfactory. \_\_\_\_\_

30. More than 50 percent of the new jobs created as a result of the EDA project are in or are closely dependent upon the primary employment classification in the area. \_\_\_\_\_

Less than 1/3 of the new employees who have received jobs as a result of the EDA project were either previously unemployed, earned less than \$3,000 in the year preceding the start of current employment, or came from a family coming within the OEO poverty guidelines. \_\_\_\_\_

Both of these are equally unsatisfactory. \_\_\_\_\_

31. Less than 1/3 of the new employees are the principal wage earners of their families. \_\_\_\_\_

Less than 1/3 of the new employees who have received jobs as a result of the EDA project previously lived in the area or in an area which was eligible for EDA assistance at the time the project was approved. \_\_\_\_\_

Both of these are equally unsatisfactory. \_\_\_\_\_

B.4

PAIRWISE COMPARISONS: PROCESS EVALUATION STATEMENTS

Name of Evaluator \_\_\_\_\_

Name of Evaluation \_\_\_\_\_

Pairs of descriptions referring to EDA counties (or areas) which have been awarded public works or development grants and/or loans are presented below. For each pair in Section A, check the one which in your opinion will make the more important contribution in most instances to the economic development process of the area. If both descriptions in your opinion are equally important, check the appropriate box. The same procedure will be followed in Section B for selecting the more unsatisfactory condition in terms of the economic development process of the area.

A. Which of the following is more important?

1. The local government takes considerable leadership in pressing for implementation of a wide range of development projects. \_\_\_\_\_

Lending institutions take leadership in promoting and stimulating development projects and participate aggressively in their financing. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

2. The area takes an effective leadership role in the district organization. \_\_\_\_\_

Community institutions are enthusiastic about development; they participate in sponsoring many projects; and take leadership on occasion. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

B.5

PAIRWISE COMPARISONS: PROCESS EVALUATION STATEMENTS

3. There is a local development organization functioning; it has a full-time executive; and there is considerable community support for the organization and participation in its projects. \_\_\_\_\_

The local people are above average in their willingness to finance local improvements, and they show an unusual capacity to raise money in support of local development projects. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

- 
4. Planning activities are well-supported locally, cover a wide range of subjects; and plans are influential and effective in guiding local development. \_\_\_\_\_

Most of the development programs are planned for the benefit of members of poor and minority groups. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

- 
5. There is a local development organization functioning; it has a full-time executive; and there is considerable community support for the organization and participation in its projects. \_\_\_\_\_

Lending institutions take leadership in promoting and stimulating development projects and participate aggressively in their financing. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

PAIRWISE COMPARISONS: PROCESS EVALUATION STATEMENTS

6. The area is making outstanding use of available State and Federal programs. \_\_\_\_\_

The local people are above average in their willingness to finance local improvements, and they show an unusual capacity to raise money in support of local development projects. \_\_\_\_\_

Both of these are equally important. \_\_\_\_\_

PAIRWISE COMPARISONS: PROCESS EVALUATION STATEMENTS

B. Which of the following is more unsatisfactory?

1. The local government is actually opposed to any development projects. \_\_\_\_\_

There are virtually no other State and Federal programs operating locally, and there is no effort under way to start some. \_\_\_\_\_

Both are equally unsatisfactory. \_\_\_\_\_

---

2. There is no local development organization. \_\_\_\_\_

The dominant economic group sees development as a threat to its interests and opposed development projects. \_\_\_\_\_

Both are equally unsatisfactory. \_\_\_\_\_

---

3. The local community is generally unwilling to financially support community development efforts. \_\_\_\_\_

The area's leadership is actually hostile to programs which will benefit poor and minority groups. \_\_\_\_\_

Both are equally unsatisfactory. \_\_\_\_\_

---

4. The area does not participate in the district program. \_\_\_\_\_

Lending institutions are generally hostile to all forms of development financing. \_\_\_\_\_

Both are equally unsatisfactory. \_\_\_\_\_

---

APPENDIX C  
EXAMPLES OF PROJECT EVALUATIONS

PUBLIC WORKS EVALUATION

EXAMPLE

PROJECT SUMMARY

Project Type: <u>Industrial Park</u>	Project Financing:
Project No.: <u>1-1-00049</u>	Total Cost \$ <u>658,000</u>
Name of Applicant: <u>Torrington, City of</u>	EDA Cost \$ <u>329,000</u>
Location: <u>Torrington (Litchfield Co.), Connecticut</u>	Grant \$ <u>329,000</u>
Date Approved: <u>May, 1966</u>	Loan <u>None</u>
Date Completed: <u>April, 1969</u>	

A. Project Background

Torrington, Connecticut is located in Litchfield County, an area which has recently been experiencing some economic growth. The 1960 median family income for the county was \$6,515, although 10.9% of the county earned less than \$3,000 annually. The city of Torrington, however, has been faced with rising unemployment. The current unemployment rate is estimated at 7.5%.

The city itself has no industry. Most skilled workers commute to nearby Hartford and Waterbury and work in plants with government contracts. Recent cutbacks in government spending, especially in the defense field, have resulted in lay-offs and caused a serious rise in unemployment.

Torrington has been unable to attract industry because it could offer no prepared industrial land. The EDA project prepared 28 acres of marshland north of the city for an industrial park by filling in land, extending water and sewage facilities, and constructing a new sewage treatment plant. Two access roads, one 425 feet and the other 280 feet, were also built.

The General Time Corporation now is the sole occupant of the site. Additional vacant acreage adjacent to the site, presently privately owned, could potentially be served by the sewer and water facilities.

B. Economic Development Process Evaluation

Since the time of the EDA application, there have been many improvements in the local development process. The local government has taken an active role in initiating long-range planning efforts, notably by hiring a full-time city planner and strengthening the capabilities of the city engineering department. This new emphasis on the part of the elected officials has resulted in better cooperation with neighboring communities, and effective use of available State and Federal funds.

A consensus of community representatives felt that the EDA project had been a factor in the economic development of the area, and the project evaluator concurred.

Economic Development Process Grade B++

C. Service Impact

All the service provided by the EDA project is received by the industrial park. No residences benefit from these improved services.

Service Impact Grade None

D. Job Impact

All 28 acres of the industrial park are owned and occupied by General Time. Their Industrial Controls Division plant has been located in Torrington since the 1920's. Recently they wished to expand, and, knowing there was no industrial land in Torrington, they studied the possibilities of relocating to the Southeastern United States. Survey results indicated that they would not be able to recruit sufficient skilled labor in any of these southern towns, so they decided to retain their existing labor force of 500 by staying in the Torrington area. A city bond issue was passed to provide money to improve an industrial site, specifically as an inducement to General Time to expand their activities in the town of Torrington. EDA provided matching funds.

Since General Time had determined to remain in the area to utilize their trained work force, these 500 saved jobs cannot be credited to the EDA Project. However, the new industrial park provided for by the project enabled General Time to expand, creating 150 new job slots.

Total Direct Jobs

Number of jobs identified as saved or new	<u>150</u>
Number of expected future jobs	<u>0</u>
Total number of direct jobs	<u>150</u>
Number of direct job equivalents (\$6,500)	<u>151</u>
EDA investment per direct job equivalent	<u>\$2179</u>

Total Indirect Jobs

Number of indirect job equivalents 95

Total Job Impact

Total number of direct and indirect job equivalents	<u>246</u>
EDA investment per direct and indirect job equivalent	<u>\$1337</u>

Capital Investment Impact

Total private capital investment \$3,600,000

Employee Characteristics

Percent formerly employed by firm at different location	<u>0%</u>
Percent living in county where firm is located	<u>92%</u>
Percent heads of household	<u>33%</u>
Percent previously unemployed	<u>33%</u>
Percent moved out of poverty class	<u>0%</u>
Estimated total income change generated	<u>\$340,625</u>

E. Structural Analysis

General Time is a well-established corporation with a growth history and growth potential. They rely mostly on national and international consumer markets while most other employing activities in the area depend heavily upon government contracts. While their presence diversifies the local economy and strengthens the economic base, only about 40% of the new employees live in Torrington, and approximately the same percentage are heads of households. While roughly half of the new jobs provided by the expansion of General Time were secured by those who were previously unemployed or low-skilled, most of these are female. Therefore the top OEDP priority of providing job slots for unskilled or semi-skilled men was not fully achieved.

Structural Grade C

BUSINESS LOAN EVALUATION

EXAMPLE

MAINE RESEARCH CORPORATION  
Lisbon, Androscoggin County, Maine

I. PROJECT BACKGROUND

1. The project consisted of the construction and acquisition of a building and equipment for the manufacture of multi-layer miniaturized printed circuit boards to be used in computers.

EDA loaned \$1,582,750 to Maine Research at 4-5/8% for 20 years. This represented 65% of the total project cost of \$2,434,750. The total project capitalization is as follows:

<u>Source</u>	<u>Amount</u>	<u>Percent</u>
EDA Loan	\$1,582,750	65%
Bank Loan	487,000	20
Local Development Company	243,000	10
Equity	<u>122,000</u>	<u>5</u>
Total	<u>\$2,434,750</u>	<u>100%</u>

Date of Loan Approval: September 28, 1966

At the time of loan approval, 450 jobs were estimated would result from the project.

2. Description of the county before project.

. In 1960, the population of Lewiston-Auburn area was 70,295.

. The migration rate between 1950 and 1960 was -8.4%.

C.4

- . The number of families in Androscoggin County in 1960 was 21,971.
- . In 1960, there were 34,690 people employed.
- . The average education of Androscoggin County in 1960 was 9.4 years of school.
- . The median annual family income in 1960 was \$5,113.
- . The unemployment rate in the Lewiston-Auburn area in 1965 was 6.5%; in 1966, 4.7%; and in 1967, less than 6%.

I. JOB IMPACT--DIRECT

1. 161 permanent jobs with an annual average wage of \$6,840 have been directly created as a result of the Maine Research project.
2. No permanent jobs have been directly saved in management's opinion.
3. The types of jobs created are shown in the table below:

Types of Jobs Created and Saved

	<u>Directly Created</u>	<u>Saved*</u>	<u>Total</u>
Managers	6	0	6
Office employees	45	0	45
Laborers:			
Skilled	110	0	110
Unskilled	<u>0</u>	0	<u>0</u>
Total	<u>161</u>		<u>161</u>

\*Maine Research's estimate.

C.5

4. No seasonal jobs have been created as a result of the project.

5. Direct job equivalents are (computed by dividing the total wages of jobs created by \$6,500/year):

Equivalent Jobs Created: 169

6. The EDA dollar-loaned per job equivalent is as follows:

\$ Loaned/Equivalent Job Created = \$9,350

### III. JOB IMPACT--INDIRECT

1. 113 jobs are estimated to have been created in the county as an indirect result of the Maine Research project based on the Ullman-Dacey multiplier. The Ullman-Dacey multiplier for the county is 0.7. 95.5% of the firm's employees reside in the project county.

2. \$578,000 in wages result from these indirect jobs based on the median annual family income of the county.

3. The EDA dollar-loaned per direct and indirect job equivalent is \$5,680.

Exhibit I summarizes the direct and indirect job impact.

### IV. STRUCTURAL IMPACT

1. 14.4% of those employed as a result of the Maine Research project were previously un- or under-employed.

2. The average employee increased his earnings by 41.4% or by \$1,409/year; heads of households increased their earnings by 9.4% or by \$470/year.

3. 89.7% of the employees filling the created jobs were residents of the county of the project's location before joining the firm and none were residents of the neighboring EDA counties. 10.3% were residents of non-EDA counties before joining the firm.

4. Of those who resided in EDA counties before becoming employed by the firm, 12.8% were un- or under-employed.

Exhibits II through V detail these findings.

### V. ADDITIONAL ECONOMIC IMPACT\*

1. 20% of the firm's raw materials and supplies are purchased within 20 miles of the plant according to company management.

2. All of the firm's sales are made to customers farther than 20 miles away according to company management.

\*Cannot be directly attributable to the EDA project in all cases.

EXHIBIT I

Economic Development Administration  
Department of Commerce

Maine Research Corporation

DIRECT AND INDIRECT EMPLOYMENT  
IMPACT SUMMARY

	Number of Jobs	Average Annual Wage Per Job	Annual Total Wages
Full Time Jobs Directly Created	161	\$6,840	\$1,100,000
Full Time Jobs Directly Saved	0	0	0
Seasonal Jobs Created*	0	0	0
Total Jobs Directly Resulting	161	\$6,840	<del>\$1,100,000</del>
Indirect Jobs Created**	113	\$5,113 ***	\$578,000
Total Direct And Indirect Jobs	274	\$6,120	\$1,678,000

\*Measured in Job Equivalents

\*\*Based on Total Job Equivalents and Ullman-Dacey Multiplier

\*\*\*Median Family Income in County

EXHIBIT II

ECONOMIC DEVELOPMENT ADMINISTRATION  
DEPARTMENT OF COMMERCE

MAINE RESEARCH CORP.

NEW EMPLOYEES PRESENT AND PREVIOUS EMPLOYMENT STATUS

	PRESENT EMPLOYMENT STATUS			%
	FULL TIME	PART-TIME VOLUNTARILY	PART-TIME INVOLUNTARILY (UNDEREMPLOYED)	
PREVIOUS EMPLOYMENT STATUS				
FULL TIME	99			61.6
PART TIME VOLUNTARILY	6			3.5
PART TIME INVOLUNTARILY (UNDEREMPLOYED)	20			12.5
UNEMPLOYED AND SEEKING WORK	3			1.9
UNEMPLOYED AND NOT SEEKING WORK	33			20.5
TOTAL	161			100.0
FAILED TO ANSWER QUESTION	0			

NOTE: NUMERICAL DISCREPENCIES RESULT FROM COMPUTER ROUND-OFF ERROR

EXHIBIT III

ECONOMIC DEVELOPMENT ADMINISTRATION  
DEPARTMENT OF COMMERCE

MAINE RESEARCH CORP.

FAMILY STATUS VS. INCOME FROM THIS JOB

	NUMBER OF EMPLOYEES	CURRENT ANNUAL INCOME	CHANGE IN INCOME	% CHANGE FROM PREVIOUS INCOME
HEADS OF HOUSEHOLDS	64	\$5,464	\$470	9.4
OTHER - NON HEADS OF HOUSEHOLDS	97	\$4,387	\$2,029	86.1
AVERAGE - ALL EMPLOYEES	161	\$4,814	\$1,409	41.4
FAILED TO ANSWER QUESTION	1			

NOTE: NUMERICAL DISCREPENCIES RESULT FROM COMPUTER ROUND-OFF ERROR

C.10

EXHIBIT IV

ECONOMIC DEVELOPMENT ADMINISTRATION  
DEPARTMENT OF COMMERCE

MAINE RESEARCH CORP.

NEW EMPLOYEES PREVIOUS AND PRESENT COUNTY RESIDENCE STATUS

		PRESENT RESIDENCE			TOTALS	
		RESIDES IN EDA PROJECT COUNTY	RESIDES IN NEIGHBORING EDA COUNTY	RESIDES IN A NON-EDA COUNTY	NO.	%
P R E V I O U S L Y R E S I D E D	PREVIOUSLY RESIDED IN EDA PROJECT COUNTY	140			140	89.7
	PREVIOUSLY RESIDED IN NEIGHBORING EDA COUNTY					0.0
	PREVIOUSLY RESIDED IN A NON-EDA COUNTY	9		7	16	10.3
FAILED TO ANSWER QUESTION		3				100.0

NOTE: NUMERICAL DISCREPENCIES RESULT FROM COMPUTER ROUND-OFF ERROR

C.11

TECHNICAL ASSISTANCE EVALUATION

EXAMPLE

EXHIBIT V

ECONOMIC DEVELOPMENT ADMINISTRATION  
DEPARTMENT OF COMMERCE

MAINE RESEARCH CORP.

NEW EMPLOYEES PREVIOUS EMPLOYMENT STATUS VS. PREVIOUS RESIDENCE

		PREVIOUS EMPLOYMENT STATUS				
		PREVIOUSLY FULLY EMPLOYED	PREVIOUSLY PART TIME EMPLOYED- VOLUNTARILY	PREVIOUSLY PART TIME EMPLOYED- INVOLUNTARILY (UNDEREMPLOYED)	PREVIOUSLY UNEEMPLOYED AND SEEKING WORK	PREVIOUSLY IMPLYED AND NOT SEEKING WORK
P R E V I O U S I D E N C E	PREVIOUSLY RESIDED IN EDA PROJECT COUNTY	85	6	15	3	42
	PREVIOUSLY RESIDED IN NEIGHBORING EDA COUNTY					
	PREVIOUSLY RESIDED IN A NON-EDA COUNTY	10		5		
	FAILED TO ANSWER QUESTION	5				

NOTE: NUMERICAL DISCREPENCIES RESULT FROM COMPUTER ROUND-OFF ERROR

STERLING INSTITUTE  
BEHAVIORAL SCIENCE CENTER  
CAMBRIDGE, MASSACHUSETTS

I. Project Background

Data

Applicant Name:	Behavioral Science Center
Date Approved:	May 12, 1967
Cost of Project:	\$100,000
Federal Government's Share:	\$100,000
Region:	Northeastern <sup>1</sup>
Project Number:	01-6-09090

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Synopsis

Under EDA auspices, the Sterling Institute Behavioral Science Center (BSC) conducted a Business Leadership Training Project in two diverse and economically-depressed areas. The EDA sought to create community leadership and to organize groups of enterprising individuals to help solve local economic problems. The two target areas were a part of Washington, D. C., and McAlester, Oklahoma. In both communities, new jobs were created, new capital was invested, business planning was increased, and new approaches to community development were initiated.<sup>2</sup>

Purpose

The EDA had a dual purpose in funding the BSC Business Leadership Training Project in two economically-depressed communities.

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<sup>1</sup>Sterling Institute Behavioral Science Center is located in the northeastern EDA region.

<sup>2</sup>These conclusions are drawn from the Center's report, Business Leadership and Training Project, Boston, Massachusetts, October, 1968.

First, it was hoped that the training courses and follow-up visits would develop community leadership in business activities and would increase jobs in the communities. Second, the comparison of results in the two communities would give some insight into the effectiveness of the training-counselling approach in two very different contexts.

### Approach

The BSC conducted a series of business leadership training programs for managers and owners of small businesses and for men interested in starting new businesses in two target areas. They were the Shaw-Langdon area of Washington, D. C., an inner-city, predominantly black area, and McAlester, Oklahoma, a rural Ozark town. Both communities were troubled by persistently high unemployment, low per capita income, and large numbers of small businesses which were growing slowly or not at all. In each locale, a control group of untrained businessmen or potential entrepreneurs was also chosen to compare with those selected for training.

The Business Leadership Training Project included a short, intensive educational experience for businessmen in each community, reinforced by a six-month series of monthly follow-up meetings. In addition, BSC studied the business performance of the group participants and compared the results with a control group in each area.

The objective of the leadership course was to set challenging and practical goals for increased performance and to develop the capability to achieve these goals. Although the focus of the training was on the creation and expansion of small businesses, the underlying psychology of the training stressed profitable innovation and improved personal performance.

### Results

Many of the businessmen and potential businessmen participating in the program had increased their business activities at the end of six months. Capital was invested, jobs were created, and wages and profits were increased. According to BSC's cost-effectiveness analysis of the Business Leadership Training Project, tax revenues realized from new wages, new profits, and increased incomes at a rate projected from the first six months would return training costs

to the Federal government within seven months.<sup>1</sup>

Participants in the program improved their incomes significantly more than their untrained counterparts. In both communities, course participants were significantly more active in business planning and improvement than were the untrained. The participants created an estimated 281 new jobs. A comparable group of untrained businessmen created an estimated 119 jobs.

In further comparing the trained and untrained groups on several measures, however, some mixed results were observed. Capital investment by participants in Oklahoma was slightly greater and in Washington, D. C., was significantly greater than such investment by the untrained control group members. In Oklahoma, participants showed a significant sales increase over the untrained group; but, in Washington, D. C., participants experienced sales decreases, while the untrained group had sales increases.

In Oklahoma, the participants attained significantly larger average profit increases. Profits of the trained group in Washington, D. C. declined, while the mean profits of the untrained group increased. The trained group in Oklahoma opened six new businesses, while the untrained group started five. In Washington, D. C., course participants started eight new businesses, while the untrained started no new businesses.

## II. Project Impact

### Economic Development Process

The results of the training programs indicate accelerated economic development in areas which previously had not been active. The geographic separation of sites of the training programs, Oklahoma and Washington, D. C., prevented the CONSAD interviewers from conducting surveys to measure the impacts of the training programs on the economic development processes of the two communities. Only a representative of the BSC was interviewed.

<sup>1</sup>Behavioral Science Center, Sterling Institute, Business Leadership Training Project, 1967-1968, Boston, Massachusetts, October, 1968, pp. 10-12.

### Additional Impact

Participating businesses created an estimated 281 jobs, of which 211 were in McAlester. In Oklahoma, course participants started six new businesses. Of the six, two were initiated by men who were not previously in ownership positions. In Washington, D.C., course participants started eight new businesses. Three of them were started by men not previously in ownership positions.

### III. Conclusion

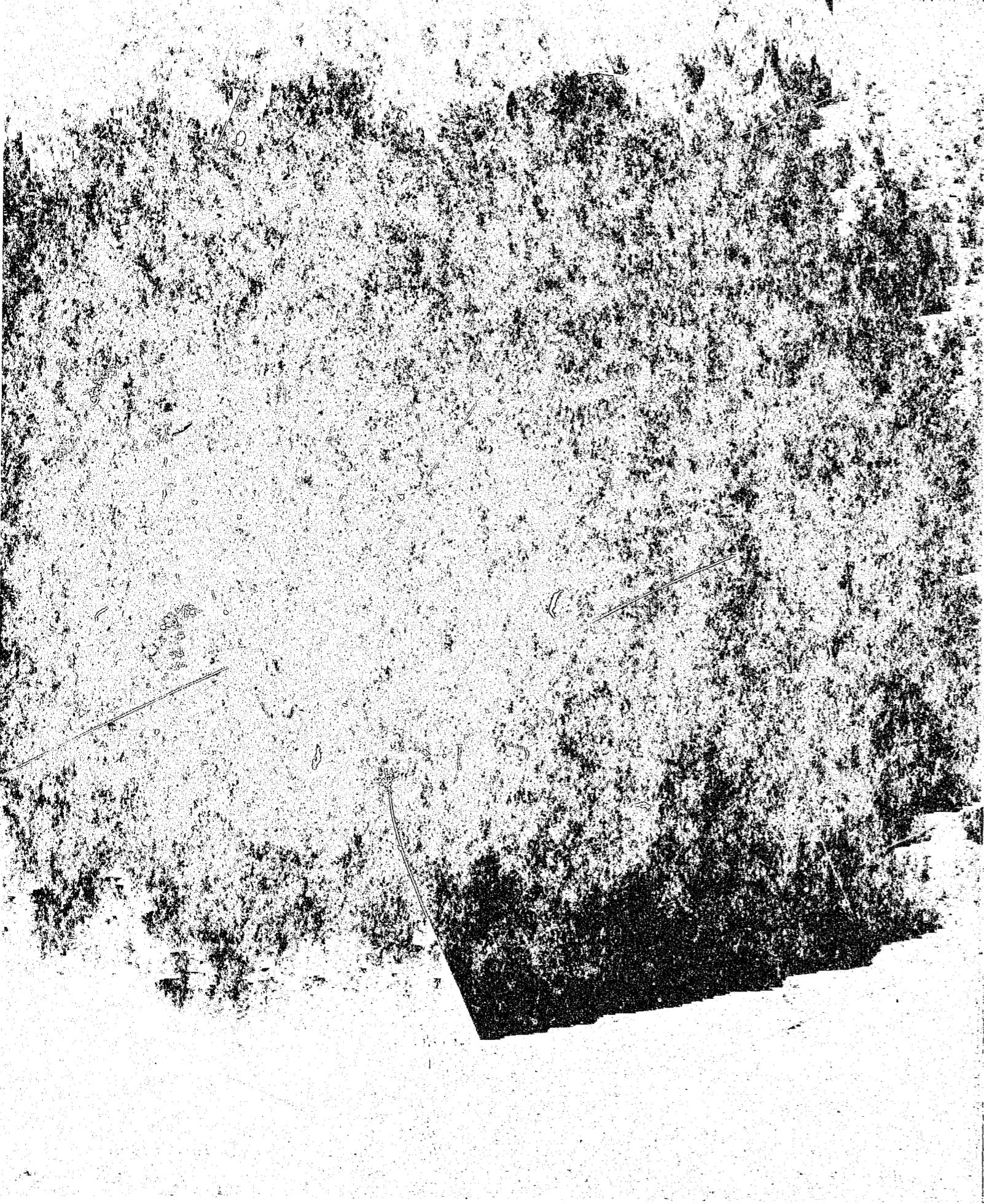
The EDA funded a successful, experimental Business Leadership Training Project in two economically-depressed areas. These courses created new businesses and accelerated business expansion in both the McAlester, Oklahoma, and Washington, D.C., communities.

The various measures of economic development indicated some divergence of results in the two different communities. At a general level, the urban atmosphere of Washington led to a large number of new businesses and a large investment of capital. This same atmosphere, however, held down the number of jobs created and the profits of the new businesses. The urban-renewal difference does not explain the fact that the untrained control group in Washington had profit increases while the trained group showed profit decreases over the six month period.

Because it tested innovations in development techniques and analytical methods, this project is one of the most significant of all those analyzed by CONSAD. It dealt systematically and directly with the development process. It raised some serious questions about the amount of emphasis to be placed on entrepreneurial support, and suggested some intriguing lines of investigation which should be followed. Simultaneously, the project produced tangible results which could be measured by techniques designed as integral parts of the project. At least one half of all EDA technical assistance projects could usefully be designed in this way.

**CONTINUED**

**1 OF 2**



PLANNING GRANT EVALUATION  
EXAMPLE

CENTRAL ARKANSAS ECONOMIC DEVELOPMENT DISTRICT  
NORTHWEST ARKANSAS ECONOMIC DEVELOPMENT DISTRICT  
SOUTHEASTERN ARKANSAS ECONOMIC DEVELOPMENT DISTRICT

Background

Arkansas is unique among the states in the extent of EDA activities throughout the state, the general underdevelopment of the state's economy and the extent to which the state has taken leadership in economic development programming and in direct industrial development activities. Most of the state lies within the boundaries of the Ozarks Regional Commission. The Ozark area is generally characterized by a population in which "hill country" small farmer stock predominates. This population is generally widely scattered through small towns in the valleys of the Ozark Mountains. The age distribution of the population reflects outmigration of many younger persons and thus a concentration of older persons living on various government programs, past savings, and small farming operations, such as cattle grazing, that would be insufficient by themselves to maintain a family.

This Ozark pattern, which is adequately described in considerable detail in such sources as OEDP's and Ozark Regional Commission materials, fails to characterize the Little Rock area today. Little Rock has become a thriving metropolitan area. It is the largest city in the state, has relatively high (and rising) incomes and reflects many of the standard problems of medium sized American metropolitan areas. This Ozark pattern also fails to characterize the Delta counties in Eastern Arkansas that border the Mississippi River. These counties are dependent upon a cotton economy that has broadened over the years to encompass rice and soybeans in addition to cotton. These Delta counties have a large black population which has always been impoverished.

Since World War II, Arkansas has been the site of considerable industrial development. This development has, it is fair to say, been enticed largely by a combination of labor supply factors and state and local action rather than through any natural economic advantages such as a raw materials base or proximity to markets. The key labor supply variable has been the availability of a large pool of unemployed or underemployed labor willing to work for low wages in an industrial climate that has discouraged unionization. Because substantial segments of this labor force, particularly the Ozark Mountain residents, have retained a devotion to hard work and appreciation of the opportunity to work, many employers have found Arkansas a good place to locate. To a significant degree the economic development of Arkansas has been predicated upon a large number of smaller firms and smaller operations of larger firms in such activities as furniture manufacture, garment trades, and the like.

The state has used just about every tool available to encourage economic development, including an aggressive state industrial development group (the Arkansas Industrial Development Commission), special revenue

bond arrangements, local industrial development corporations and in many cases aggressive actions by local governments and Chambers of Commerce to encourage industrial development. The state is also experiencing a substantial increase in the recreational market, including both transitory recreation on the many Corps of Engineer water projects and the use of the Northwest portion of the state as a retirement area for persons from throughout the United States.

This report focuses upon three economic development districts in Arkansas. The first is the Southeastern Economic Development District which covers Delta country that is economically similar to the North Central Mississippi and North Delta Louisiana Districts covered by separate field reports. The major growth center of the District (and the District Headquarters) is Pine Bluff, an Arkansas River community that is a transportation center, a center of some light manufacturing, and the service center for the surrounding areas. The Western Delta counties reflect the greatest population of the District, but some of the Eastern counties of the District have a different economy, based primarily upon forest products, particularly paper production.

The Central Economic Development District consists of the Little Rock Standard Metropolitan Statistical Area and counties between that area and the Mississippi River. These Delta-type counties are centers of such agricultural based activities as rice and soybean production and have experienced very little industrial development.

The Northwest Arkansas Economic Development District is composed of Ozark Mountain counties in the Northwestern portions of the state. It consists of two separately identifiable areas and was, in original state planning in Arkansas, divided into those two separate areas. The first area is in the extreme Northwest where the Arkansas River development, expanding recreation, increasing light industry and the influence of the University of Arkansas have caused substantial economic development and considerably higher incomes than in areas further East. The Eastern counties of the District are truly Ozark Mountain communities, where one of the major economic activities is Dogpatch USA, a family recreational area capitalizing upon Al Capp's famous cartoons of mountain life. The growth center for these counties is Harrison, Arkansas (the headquarters of the District) a community of about 7,000 people that has been enjoying considerable economic development primarily through relatively light labor-intensive industry.

#### District Formation

The notion of Economic Development Districts coincided with an emphasis upon regionalization that was taking place within the state government. The state's existing district designations had to be altered to fit the EDA criteria for districts and at the same time manage to get all Arkansas counties into a district. Despite problems resulting from this redirection, the district program has enjoyed the support of the State of Arkansas. Perhaps the best evidence of this support is the existence of

legislation that, in substance, provides state money to each district (with a ceiling of \$30,000 per district) equal to what the district can raise from local sources. The State used the districts for a time as state law enforcement planning agencies and is still using the districts for comprehensive health planning and, in some cases, HUD nonmetropolitan planning functions. The state's leadership and the fact that all Arkansas counties are located within districts has probably facilitated the coordination of HUD and district activities.

The districts in Arkansas were organized with a combination of some local leadership, state leadership, and the work of professional EDA personnel who were involved quite closely at the inception of the district program, including consulting on such matters as the selection of executive directors for the districts. The organization of the Southwest District seems to have proceeded without major problems, by comparison to districts elsewhere, reflecting both the skill of the local executive director, who was involved even before his formal selection, and the obvious economic advantages to the potential growth center of cooperating in the district program. The organizational problem was more significant for the Northwestern District because of competition among the Western (Fayetteville) and Eastern (Harrison) areas for the designation of their area as district headquarters and over the potential staffing of the district.

While other Arkansas districts have been operating for several years, the Central District is completing its first planning grant year. Several unsuccessful attempts were made to organize the District, but ran afoul of the distrust of the dominant center (Little Rock) by the rural counties that were being asked to participate. One county (Saline) still does not participate in the district. Ultimately the formation of the District was facilitated by a political arrangement that gives effective control of the District to the rural counties by several fortunate, but chance, circumstances.\*

#### District Staffing

With the possible exception of the Central District because of its location in the Little Rock labor market, staffing of the districts has been

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\* Of the six counties in the Central District, two were redevelopment areas and thus motivated to participate by the bonus provisions of the Public Works and Economic Development Act. Two counties (Pulaski-Little Rock and Foukner-Conway) had potential growth centers and Paulkner's major city mayor was a cousin of one individual to be placed on the District staff. Prairie County participation was facilitated by a perceived personal obligation running from a major county leader to the potential executive director of the District.

facilitated in Arkansas by the fact that the district jobs are some of the most economically attractive employment opportunities in their areas. District Director salaries in excess of \$15,000, while not high in relation to Washington, D.C., or major city salaries, represent a major drawing card in Arkansas, sufficient to outweigh some of the negative factors (e.g., insecurity and lack of a retirement program) associated with working for a district. The districts have been able to compete successfully with the state industrial development operation, local Chambers of Commerce, and even private employment, and thus have had a good selection of local persons available. For a variety of reasons, most of the District Directors and staff have been recruited in local, rather than national, labor markets.

The Southeastern District recruited its Director by taking one of the key industrial development and political leaders in Pine Bluff and paying him to do full-time, and for pay, what he had previously been doing part-time along with various enterprises such as real estate and a nursery. The Director, Paul Bates, is well-known in his district (he is a former state legislator) and at ease in working with the leadership of his communities and his state; including the Arkansas Congressional delegation. Mr. Bates was careful to recruit a balanced staff which has been with the District since the beginning. His Assistant Director came from the state industrial development organization and still works closely with it. The two other staff members (excluding those involved in health planning functions) are an economic planner with a recent degree from the University of Arkansas and another planner with Job Corps experience who graduated from a local Negro college.

The Northwest District chose as its Executive Director a (nearly) lifelong resident of Harrison, Arkansas, who became head of urban renewal in Harrison after his retail business activities were wiped out by a major flood. The Executive Director is extremely familiar with his district and its leadership, particularly in the Eastern counties of the district and, as a result of his urban renewal experience, has a good working knowledge of the labyrinthine federal programs available to the district. The district has experienced somewhat more turnover in other staff positions for a variety of reasons so that the Director bears a much greater part of the workload than in the Southeast. The health planning staff in the District is closely integrated with the economic development staff so that the health planner is knowledgeable on economic development functions and the Director of the district seems to follow the health planning activities quite closely.

In both Southeast and Northwest Arkansas, the Economic Development District staff members have a social standing and competence that compares favorably with the community and economic leaders with whom they deal. Because the educational levels and general competence of government officials in these areas is not very great the district staff personnel could, no doubt, exercise considerable leadership in their districts by the sheer force of their personalities and backgrounds.

A much different situation exists in the Central District, where there is a substantial community leadership in the growth center--organized as "Fifty for the Future"--complete with a professional staff. In addition,

the major municipalities, particularly Little Rock and North Little Rock, have fairly large staffs skilled and experienced in dealing with the Federal Government and in manipulating Federal programs. In the Little Rock SMSA a metropolitan planning activity has been in existence for some time and appears to be well staffed. The Executive Director of the Central District was an educator from outside of the Little Rock area who did not have the advantage of enhancing the District's reputation by his own personal reputation in the way that the Directors in Northwest and Southeast could do.

The Executive Director of the Central District assumed his position after the death of the originally appointed Executive Director. The former Assistant Director of the District, who had experience in the Arkansas Planning Commission, left after a brief period to assume a position with a local bank. The District has thus spent a great deal of time in selecting and replacing personnel, a process finally completed in March of 1970 with the acquisition of a planner (funded by the HUD nonmetropolitan planning program), a human resource specialist and an Assistant Director. None of the staff members being funded with EDA's planning grant bring to the District any familiarity with federal programs, nor working industrial development experience, nor (with the exception of the Director) major civil leadership experience in the community.

In reviewing proposed district staffing patterns, EDA has sought to encourage the employment of persons with college degrees and has, sometimes with reluctance, accepted relevant experience as a substitute for such a degree. Two of the Executive Directors (Bates in Southeast and Raney in Northwest) and one key staff member (Adams in Southeast) do not have college degrees. The success of these individuals (see below) confirms the wisdom of not adhering to a college degree requirement in many circumstances. In many of the economically less developed areas of the South in the 1930's when both men were making their college-no college decisions, it was financially impossible for all but the richest to obtain a college education. Perhaps more important, getting that much education was not on the success pattern for local leadership at that time in those areas. For these reasons, failure to waive the college degree requirements would have made it much more difficult for these districts to have obtained competent leadership.

#### Nonprofessional Leadership

In all the Arkansas districts, the district boards and communities have been established to reflect the local leadership structures rather than in an attempt to modify or circumvent those structures or their policies. For reasons to be explored in detail in Battelle's final report, this approach by the districts is inherent in the economic and political setting in which the district leadership finds itself in all Southern communities.

The Northwest Arkansas Board consists of the County Judge (highest county elected official) from each member county, a mayor from each county elected by the mayors of that county and an additional member from each county picked by the county judges. The Executive Committee of the Board

is chaired by a retired Texaco executive who is quite active in the affairs of the District and has as members three county judges, a banker, and a mayor. The Committee meets monthly while the Board meets each quarter.

The Central District has four board members from each of its five member counties consisting of the county judge, a city mayor selected by the mayors of the county and two representatives--one expected to represent minorities--appointed (in substance) by the county judge from each of the counties. The District's chairman is the mayor of Conway, Arkansas.

The Southwestern District also follows the pattern of the county judge from each county, plus a mayor selected by the mayors in each county, plus two other representatives from the county. The directors include strong representation of the actual political leadership in the district as well as its economic leadership (frequently indistinguishable from the political leadership). Representation of the areas' substantial (roughly 40 percent) Negro population is through established minority group leaders (e.g., the president of the local Negro college) who have generally pursued a course of working for social progress through the existing leadership structures of the counties constituting the district.

All of the districts have developed various committee structures to comply with the guidance provided by EDA. These include functional committees of various types and county committees. These organizations are, with very limited exceptions (primarily related to dictates of other programs such as health planning and law enforcement planning), "paper" organizations which do not really have a significant role in the districts' decision making processes.\*

#### The Overall Economic Development Plan

One individual interviewed in Arkansas, who was in a position to observe the planning process in districts from the perspective of an informed outsider, called the OEDP's "a rehash of the 1960 census combined with some very general language about projects that might be good for the communities in the district". In general, the preparation of the OEDP was seen as a necessary prerequisite for the triggering of EDA assistance to the growth centers involved. The detailed prescription of the formats and contents of the OEDP and the rather detailed (but largely format oriented) review of

\* This situation is by no means unique to Arkansas. The political dynamics of Economic Development Districts are in certain respects inconsistent with EDA's attempts to encourage minority representation and large numbers of committees. This dicotomy will be explored in Battelle's final report.

the OEDP by EDA have encouraged the districts to consider the OEDP as comparable to a long-grant application rather than part of a process to plan district economic development. Some district staff members considered OEDP preparation to have been a useful exercise for staff orientation and education.

There is little indication that the OEDP's have been reviewed in any detail by any of the district's leadership except the professional staff itself. Community decision making processes were involved in the designation of growth centers and in the exact specification of district boundaries. However, the mechanism for this process appears to have been a relatively simple one in all cases. All pressures in the districts lead to the strategy of designating as many and as large a number of growth centers as EDA will permit, so that the ultimate designations of growth centers reflect the line between what the districts want (as much grant eligibility as possible) and what EDA would permit.

The sheer bulk of the OEDP's and the proliferation of tables suggest that the OEDP format is simply not consistent with the normal decision making processes of community leadership in Arkansas. That leadership is of generally low educational levels in the areas served and is likely to make really key decisions in face-to-face oral communications perhaps formalized by very short and simple written communications.

#### Specific Issues and Political Dynamics

While the superficial organizational aspects of the Arkansas districts (e.g., committee structures, minority representation and the OEDP's) are not exactly what EDA might desire to see, at least two of the three districts studied have done a good job of functioning in probably the only way possible given the circumstances in which their leadership finds itself.

These circumstances are inherent in the district concept. Thus, we would expect to find (and are finding) districts throughout the United States responding to these forces, even where doing so may not be entirely consistent with EDA's conception of what the districts are doing.

#### County Cooperation and Local Sharing

The conditions for EDA planning grants to pay for the costs of district staffing involve the raising of a local share to match the federal funds involved. This single fact dictates much of the strategy that must be pursued by district leadership in Arkansas as in other states. To organize a district one needs to obtain these local participations and to continue to operate a district the local interest in making such contributions must be sustained. It should not surprise anyone that the Arkansas districts have given priority to the activities necessary for the survival of the District itself and the continued employment of its staff.

The primary motivation for membership in a district is inherent in the Public Works and Economic Development Act which gives a bonus grant to the redevelopment counties that are a part of a district organization. This factor makes it advantageous for a county that is, or is expected to be, designated, to contribute to the district up to the expected value of any bonus grants. The expectation of one good sized grant, say \$700,000, in a county thus suggests that participation in the district at a level of a thousand or two a year can readily be justified to the redevelopment counties so long as the prospects for a grant appear reasonable. This justification, it is worth noting, exists regardless of the effectiveness of the district if the potential grantee is sufficiently staffed to be able to take leadership in the grant application process.

The potential growth centers can only become eligible for EDA assistance if a district organization is developed. For that reason the potential growth centers are readily available sources of support for district organization and normally willing to foot a large share of the bill for the local share of the district's costs. Thus, for example, the organization of business leaders in Little Rock (Fifty for the Future) was willing to put up the entire local share for the Central District, although this offer was not accepted in large part because of fear of urban domination on the part of the leaders of the rural counties that would comprise the district.

One major project obtained for a growth center can make the investment in the administrative costs of the district seem small in relation to returns. As is the case in the redevelopment counties, the investment is worthwhile from the standpoint of the growth center, whether or not the district staff ever does anything besides "signing off" on the growth center's application. Of course, the district is of more value to both redevelopment areas and growth centers to the extent that it can actually assist (or perform) the application process.

The major political problem for district leadership is continuing to hold the support of the counties that do not contain growth centers and are not redevelopment areas. There is no way that the district can obtain EDA assistance for such districts. There are basically three factors at work in Arkansas in encouraging the continuing attention of the nondesignated counties. These are: (1) the potential of the district staff to bring about non-EDA projects for these counties, (2) the potential of the district to aid economic development in the nondesignated counties by "spill-out" of economic development in the redevelopment counties and the growth center, and (3) informal quid pro quo's whereby the support of nondesignated counties is obtained by political leadership pressure on the county leadership by the growth center leadership, the redevelopment county leadership, and, in Arkansas, by state leadership. All of these mechanisms are more work for the district staff than those associated with the bonus provisions and growth center designations. For that reason it is not surprising to find general agreement in Arkansas economic development circles that all counties within organized districts should be eligible for EDA programs.

### The Quest for Creditability

One of the most frequently discussed concepts in Arkansas economic development circles is that of "creditability" of Economic Development Districts. Although the concept is rarely given a precise meaning, it is usually used in a context that suggests that the most significant job of the districts is to establish their creditability with local leaders. This creditability seems to translate in terms of "bringing home the bacon" by obtaining federal grants in a variety of fields. Although the various districts vary in their emphasis on creditability and their strategy for bringing it about, it would seem that the creditability problem differs in its nature depending upon the staff capabilities available to the growth center and the redevelopment counties. In Arkansas redevelopment counties creditability is a function of both EDA grant-giving performance and the performance of the district staff, which in probability will have to prepare and prosecute the application. On the other hand, in some growth centers (particularly Little Rock) sufficient competence exists so that the district need only legitimize the application and the districts creditability then depends in part upon the willingness of EDA to approve projects in the growth center. In areas within the district that are not eligible for EDA funds, creditability involves non-EDA programs exclusively.

The ultimate in this approach to creditability is to do a cost benefit analysis of the development district where the local share is considered as the cost and the total of federal grants in any way related to the district is considered as benefits. In fact such calculations are made by some of the Arkansas districts as typified by Appendix C of the final report which shows some of the publicity material used by one of the best led districts in Arkansas.

### Project Oriented Activities of the Districts

Economic Development Districts in Arkansas have been active in seeking projects for communities in their districts as well as in seeking additional sources of support for the district organizations themselves. In the later category the districts served for a time as the law enforcement planning units for the state, but that status has now been terminated for reasons that do not appear to be related to the efficiency of the districts in performing the law enforcement functions.\* The Arkansas districts visited are comprehensive health planning agencies and are (or are about to become) recipients of HUD non-metropolitan planning assistance. With the exception of the SMSA's within them, the districts perform the A-95 clearinghouse function.

\*The state official controlling the law enforcement money has greater effective control over it if he can avoid the districts with their own strong political foundations and ties to other agencies of state government.

The Southeast District has been extremely active on behalf of the communities in the District in obtaining assistance from both state and federal agencies. Like Northwest, Southeast has been active in working with the State Highway Department to encourage highway development in the District. On the national level the District has been the driving force in applications successfully filed with such diverse agencies as OEO and the Bureau of Outdoor Recreation as well as HUD. In one case (the Port of Pine Bluff), the Executive Director of the District was a major leader in the development of the project, even before he assumed his position as Executive Director. An indication of the broad interests of the districts in projects can be seen in Appendix C of the Summary Report, where data extracted from the Semiannual Report of the District for the period ending October 31, 1969, is shown.

The Northwest Arkansas District has also been extremely active in obtaining projects for the District. In fact, there have been so many EDA projects in the area that the primary constraint upon further EDA projects is the availability of local matching money rather than any limitations inherent in the EDA budget. The district has been quite imaginative in developing projects beyond the traditional industrial park and water and sewer approaches. For example, the District has obtained assistance for hospital improvement and a vocational school.

In Northwest, a careful attempt was made to determine the impact of the District upon projects. In practically all cases it seems reasonable to conclude that the project applications would not have been filed but for the district. Many of the projects are in communities so small and inadequately staffed (e.g., by one city clerk unlikely to have completed high school) that it is difficult to imagine their completing the application process without assistance by either EDA or district officials. In Northwest this assistance, since the District was formed, has come from district officials. In other cases (e.g., the Fayetteville industrial park application) the local officials are clearly competent to prepare an application, but chose to have the district assume leadership. In that case, and others, the Executive Director of the District has in substance recognized a need, developed a project and sold it to local officials and submitted an application in their name.

In the Central District, by contrast, little project activity has taken place or is likely to in the near future. Where projects are being developed, as in the case of the Little Rock water and sewer project, the leadership in the definition of the need for the project and its characteristics does not seem to come from the District. For example, the District was considering a modification of the project being proposed to permit residential service to certain neighborhoods. This modification was, in effect, being processed by the District as an intermediary between the applicant and EDA--more a clerical and routine processing function than

anything else.\* By contrast, in Northwest Arkansas, although the engineering work was done by engineering firms in all cases, the District seems to have been intimately involved in detailed project design questions such as how large to make a particular project and where its various facets should be located.

#### Direct Industrial Development

The three Arkansas districts are involved in quite different ways in the "industrial prospecting" activities of their areas.

The Southeast District staff is extremely active in the direct quest for industry in the District as well as in helping existing industry to survive and expand. Some examples of the activities involved are shown below as reported in the districts "Highlights of SEAEDD Activities, April 30, 1969 through February, 1970":

Electronics Assembly Plant: An effort is being made to help a local engineer establish an assembly and shipping operation for an electric product. Work areas include locating an existing building, establishing a source for financing, and product testing.

Worker Training Program: An unsuccessful effort was made to find a source of State or Federal assistance in training workers for the Hamburg Shirt Company.

Recently the state industrial development agency (Arkansas Industrial Development Commission) changed leaders, from an individual who did not wish to work with the districts in industrial development to an individual more favorably disposed toward the district program. As a result steps are beginning to be taken to utilize the district as, in effect, moves in this direction are an experiment being undertaken in the Southeast District where the district staff members are updating the inventory of industrial site and community facilities information. The results will be used by both the District and the state agency.

A good indication of the leadership role played by the district is a letter received by the president of the district recently from the industrial

The difference between district leadership in the development of a project and district "processing" of projects emerging from within the district is fairly readily indicated by two factors: the use of first person singular in describing the project by the Executive Director (e.g., I decided to recommend that we put the sewage plant over here) and the director's personal familiarity with capacity-cost trade-offs in the project (e.g., water system capacity and thus main size).

development manager of the natural gas company serving the area.\* This letter comments:

...Your Economic Development District is doing a fine job for the people of your area. It is a pleasure to watch these organizations grow and provide to our depressed areas a method of obtaining things so needed in community development and industrial growth.

I want to assure you that if there is any way in which my company or I can help in your planning activities or in assisting you with industry, you only have to call upon us. (Emphasis added.)

The offer of assistance in this letter suggests general recognition of a district function beyond that of merely providing information to members of economic development teams from utilities and Chambers of Commerce.

A partial contrast to the approach in the Southeast District is provided by the Northwest District where the staff has adopted a strategy of industrial development that tends to keep the District in a supporting role to Chambers of Commerce and utilities in direct industrial development attempts. The district staff see their role as extending to development of background information and facilitation of necessary public investments (e.g., industrial parks) to attract industry. The staff is thus carefully defining a role that does not threaten the position of local private industrial development leadership. This arrangement seems to work to the satisfaction of all concerned.

To date, the Central District has not been involved in direct industry hunting activities. Because Little Rock is extremely well staffed for industrial development, it seems unlikely that a direct industrial development role will evolve for the Central District except (conceivably) in a few of the smaller communities. Even this development is unlikely as the staff is inexperienced in industrial development work and does not accord a high priority to such activities.

#### Technical Services to Local Government

The leadership of all the districts stressed the limited capabilities of leadership in the smaller towns and rural counties of Arkansas. All of the districts' professional staff see a role (beyond that inherent in their past law enforcement and present health planning activities) for themselves in

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\* Readers unfamiliar with industrial development should understand that the usual economic development team consists of the Chamber of Commerce professional staff, a state industrial development agency, and the local utilities (gas, electric, and sometimes telephone).

providing technical assistance to local governments. The funding used for this purpose consists both of the existing EDA funds and the HUD funds available for nonmetropolitan planning. The reasoning behind these activities does not necessarily relate directly to "jobs and income" but rather to the felt need for improved government and more use of available federal programs simply on the grounds that it is needed--whether industrial development takes place or not.

One district director made the case for these activities in terms of a decision rule of maximizing real income in the community.\* He saw the problem of less developed counties as being a gap between those counties and others in terms of real income--the combination of dollar income and the flow of public sector services including schools, roads, and other community amenities. He suggested that even if through industrial development he succeeded in raising dollar income, he would have failed to complete his economic development job--a job extending beyond the dollar incomes that are measured by traditional economic statistics.

The Northwest District is the most active of the three in providing technical assistance to local governments. These activities are primarily concentrated in the areas outside of the Fayetteville-Springdale area as that area has larger municipalities that are better staffed and is served by a Metropolitan Planning Commission. Assistance provided by the District has included consultations on water and sewer rate determinations, the development of workable programs for HUD, the processing of housing projects and the initiation of city planning functions in some of the small municipalities. Part of the District's success (and interest) in these activities undoubtedly stems from the executive director's former employment as a city urban renewal director.

The Southeast is involved in similar activities, though to a lesser degree and with varying program emphasis (e.g., more toward BOR and less toward HUD). The Central District has announced intentions of proceeding with these kinds of activities, although the staff member who seems likely to carry out these activities is being supported by HUD rather than by EDA.

#### Conclusions

Two of the three Economic Development Districts studied have clearly had a significant and favorable impact upon the districts that they serve. These districts have, through staff work, caused a number of federal grants to have been made that otherwise would not have been made; improved community

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\* That this highly sophisticated approach was made by a director without formal education in economics fortifies the earlier conclusion that EDA should not insist upon college degrees for executive directors. The director's expression of this argument was, of course, in less technical terms than the paragraph above.

planning and services; and encouraged the location of new industries in their districts. These two Districts (Northwest and Southeast) are competently lead and have a solid base of local support.

A third District (Central) is at a much earlier stage of development. The District recently completed its OEDP and in March, 1970, had for the first time in its history a complete staff. The traditional distrust of Little Rock leadership by some of the leaders of the outlying counties and the existence of competent staff for planning and project development in Little Rock will retard evolution of the District as a major force in the community. The district staff members whose salaries are paid by the EDA planning grant are, without exception, inexperienced in dealing with either federal programs or industrial development. The District will clearly encounter a number of problems in the next several years. It clearly will have considerable difficulty staying in existence unless it can demonstrate its "creditability" by landing several EDA projects. Assuming that such projects develop, the incentives involved in the prospect of additional projects should keep the District intact, but it is unlikely to evolve in the near future into the same community leadership role occupied by the other two Districts studied.

## ECONOMIC DEVELOPMENT GROUP EVALUATION

### EXAMPLE

EVALUATION OF THE  
NATIONAL BUSINESS LEAGUE (NBL)  
(PROJECT OUTREACH)

HIGHLIGHTS AND RECOMMENDATIONS

INTRODUCTION

In June 1967, EDA and the Office of Economic Opportunity (OEO) began supporting Project Outreach, an activity of the National Business League (NBL). Since that time, the task of financing the program has shifted primarily to EDA with assistance from the Small Business Administration (SBA). Total EDA support has been \$1,129,000. This report describes the status and impacts of activities of three of the present ten chapter cities, and of the national headquarters in Washington, D.C. It also contains recommendations for further assistance to this grantee.

STATUS

The three chapter cities evaluated were Atlanta, Ga., Columbus, Ohio, and Jackson, Miss. The general program of each chapter is established by the national headquarters, but the relative emphasis placed on the activities varies to meet the local conditions. The program includes contract procurement, bonding of contractors, loan advocacy, business problem-solving, marketing and site location, and business training.

The three chapter cities are conducting most of the activities listed above. In these cities, loan advocacy, business problem-solving, and management assistance have been given high priority. The emphasis placed on the remaining activities listed above has varied. In addition, each chapter office has emphasized unique activities, such as the establishment and management of a cabinet factory in Jackson.

IMPACTS

The NBL believes that in order to help establish successful minority business enterprises, a total package of service must be offered. This package generally includes management training, loan packaging and business problem-solving after the business has been established or expanded. Additional services include feasibility studies on various site locations, referral of potential clients to government agencies, and information on potential contracts that the business is capable of obtaining.

The major impact in the three cities visited has been in improving minority business management. In addition, in 1970, at least 200 direct jobs resulted from the loan packaging program, about 300 direct jobs resulted from the business problem-solving activity, and at least 40 direct jobs resulted from the franchises obtained. Other jobs have been obtained through contractor bonding and contract procurement. In 1970, 219 businesses received business problem-solving assistance from the three chapters, and 74 loans were approved by banks and the SBA.

#### RECOMMENDATIONS

##### EDA should refund existing chapters.

NBL has submitted a proposal to EDA to refund the existing 10 chapters. It is recommended that the three chapters evaluated during this study be refunded.

The Atlanta and Columbus chapters will receive additional support in the near future, but the staff members in these cities assume that these funds will augment the EDA grant rather than substitute for it.

##### Support to the chapters should be increased relative to support to the national office.

The national office has performed its task as national representative body of the NBL but has not achieved significant progress in many of its activities. Funds are needed more in the chapter cities. EDA would achieve greater impact from its grant to NBL if the funding of the chapter cities were increased relative to that of the national office.

##### If necessary to decrease total support to one of the three chapters visited, funding to Columbus should be decreased.

Support to the Columbus chapter should be decreased before support to the Atlanta or the Jackson chapters. Both the Atlanta and Columbus chapters are approaching the stage when they will be self-sufficient. The Jackson chapter will not be self-sustaining in the near future and it is important that funding of this chapter be continued. Six other minority economic development efforts in Jackson have failed, leaving only the Jackson Business League (JBL).

Atlanta is scheduled to be an Office of Minority Business Enterprises (OMBE) city and therefore that chapter must be supported. The delay in the OMBE funding of Atlanta has caused embarrassment and political pressure on the U. S. Department of Commerce Regional Office in Atlanta. The curtailment of EDA funds to the Atlanta chapter would cause additional problems at this time.

The Columbus chapter has founded a profit-making corporation and is presently operating on a budget twice the amount of EDA funding. The Columbus chapter, therefore, is approaching self-sufficiency.

##### Salary disparities between the national office staff and the local office staffs should be corrected.

The average salary of the national office professional staff, excluding the President but including the research assistant and the editor, is approximately \$15,000. The average salaries in Atlanta and Columbus are \$12,500. The salary of the project director in Jackson is \$10,000 and that of the assistant director is \$6,000. The capabilities of the chapter personnel are very high and the salary disparities cannot be justified on this basis. National staff salaries are believed to be equitable.

##### EDA should increase travel funds in the grant.

The travel line item in the 1970 grant was originally \$6,000. This was substantially increased by amendment because travel funds were exhausted for the NBL training session. Increasing the travel funds would enable more cooperation between the national headquarters and the chapter cities, which has been a critical point in the past. It would also help chapter staffs to coordinate efforts with clients in nearby areas.

##### EDA should consider a two-year funding commitment, with review six months before termination.

A two-year period is required for a chapter to demonstrate tangible results. Furthermore, a two-year commitment would facilitate hiring of capable professional personnel by providing assurance of greater employment stability. For these reasons EDA should consider a two-year grant period.

In addition, a proposal for refunding should be evaluated six months before the grant terminates. The activities of the

NBL, and most other technical assistance grantees, are continuous activities that are artificially broken into program years. Termination of funding without sufficient notice may necessitate cutting activities before fruition. Prior notice would permit the scaling of activities or the securing of alternative funding to maintain operation. Conversely, some time is required before efforts on an activity can be accelerated if funding is increased.

## I. INTRODUCTION

### SCOPE OF GRANTS

The initial EDA grant to the National Business League of \$93,859 was approved in June 1967 to supplement an OEO grant of \$300,000. In August 1967, a supplementary grant of \$35,000 was approved by EDA. Since that time, the financing of NBL has shifted primarily to EDA, as shown in Exhibit 1.

### EXHIBIT I. OUTREACH FUNDING

YEAR	PROGRAM	NO. OF CHAPTERS	EDA FUNDS	OEO FUNDS	SBA FUNDS	TOTAL
1967-68	Outreach I	13	\$128,859	\$300,000	0	\$428,859
1969	Outreach II	9	\$550,000	0	0	\$550,000
1970	Outreach III	10	\$450,000	0	\$100,000	\$550,000
1967-70		--	\$1,128,859	\$300,000	\$100,000	\$1,528,859

The number of chapter cities funded by EDA has fluctuated. The original 13 cities were reduced to 9 when Los Angeles, New York, Chicago and Detroit were dropped. Los Angeles and New York were terminated as Outreach Cities because of their size. Chicago was dropped because the Chicago Economic Development Corporation was recognized as the principle minority economic development organization in the city. Detroit was terminated as an Outreach city because of racial problems. In 1970, Detroit was again opened as an NBL chapter city.

NBL has submitted a proposal to fund the next effort, Outreach IV, for \$759,000. This application proposes supporting the present ten chapters<sup>1</sup> at the current level of funding,

<sup>1</sup> Atlanta, Memphis, Richmond, Detroit, Jackson, Durham, Columbus, Norfolk, Seattle and Chicago.

with the exception that the four OMBE cities<sup>2</sup> will receive an additional \$50,000 within the scope of this grant.

#### SCOPE OF EVALUATION

At the direction of the Assistant Secretary for Economic Development, the Program Analysis Division of EDA initiated a series of analyses of national technical assistance projects. The evaluation of NBL is the second in this series. Field work was performed in the period December 9-18, 1970. In this period, teams visited:

- Washington, D.C. national headquarters, and
- chapter offices in Atlanta, Columbus and Jackson.

Visits to the four cities were conducted after extensive review of file materials in Washington and discussions with Agency personnel familiar with the grants. The chapter cities were selected in consultation with the Office of Technical Assistance and on the basis of NBL progress reports. Cities with different degrees of success in each activity were selected. During the field visits, interviews were conducted with approximately 60 individuals, including employees of the grantee, community members, and beneficiaries of the grantee's activities. Members of organizations other than EDA which fund the grantee were also interviewed.

<sup>2</sup>

Atlanta, Memphis, Richmond, and Detroit.

## II. SUMMARY OF ACTIVITY STATUS

#### NATIONAL HEADQUARTERS

EDA supports seven professional personnel and four supporting personnel in the principal NBL office in Washington. The activities of this office are primarily research, planning, and coordination of chapter efforts. These national activities are described below.

- Long-Range Planning - The national office is presently gathering data and working on a three-year plan with the following goals: (1) increase membership from 12,000 to 100,000; (2) develop a profit-making corporation that will sell shares through the membership; (3) develop a \$10 million capital reserve to fund NBL after the EDA grants terminate; and (4) develop a large Minority Entrepreneur Small Businessman Industrial Corporation (MESBIC).
- Contacts with National Corporations - NBL works to establish a favorable working relationship with national corporations. The primary objective is to get large national corporations involved in solving the problems of minority business through technical and financial assistance.
- Training Seminars - NBL holds bi-annual seminars in Capahosic, Va. for national and chapter staffs. They deal with the history of NBL and black businesses, with examples of successful business efforts.
- Assistance to Chapters - The national headquarters acts as a clearing house for potential sources of business for the clients of the chapters. It also reviews loan proposals and studies conducted by the chapters when requested to do so by the chapter staffs.
- Solicitation of Funds - The national office maintains continuous contacts with Federal and state governments in order to obtain funding. It also keeps the chapters informed of potential sources of state and local funds.

Exhibit II summarizes the status of the national staff activities.

EXHIBIT II. SUMMARY OF ACTIVITY STATUS  
FOR NATIONAL HEADQUARTERS

ACTIVITY	STATUS
Long-Range Planning	Active
Contacts with National Corporations	Active, but limited
Training Seminars	Bi-annual
Assistance to Chapters	Active, but limited
Solicitation of Funds	Active, but limited

CHAPTERS

The major activities of each chapter are formulated by the national headquarters. However, the degree of emphasis placed on each activity by a chapter varies according to the local situation. The principal services provided by the local chapters are:

- financial assistance, including loan packaging, analysis of franchises and dealership possibilities and franchises and dealership procurement;
- management assistance, including contractor bonding and procurement, business problem-solving, and marketing and site location; and
- unique chapter activities.

Chapter activities are described below:

- Loan Packaging - This activity consists of all steps necessary in constructing an acceptable loan application. This often includes market analysis, auditing and follow-up after the loan is obtained.
- Franchises and Dealerships - This activity consists of obtaining franchises and dealerships for minority businessmen when favorable terms can be arranged.
- Contractor Bonding - This activity consists of obtaining bonding for minority contractors so that they can secure contracts for more than \$20,000.
- Contract Procurement - This activity consists of maintaining contacts with various government agencies and private firms so that the clients of NBL may be informed of potential contracts.
- Business Problem-Solving - This activity consists of steps to improve the efficiency of minority-owned businesses. It is the main tool used to prevent business failures.
- Marketing and Site Location - This activity consists of conducting marketing and site location analysis for minority businessmen. These studies are often included in loan applications.
- Business Training - This activity consists primarily of recruiting minority businessmen for management training courses conducted by local colleges. The NBL chapters also help organize these classes.
- Chapter Activities for Self-Sufficiency - This activity consists of continuous efforts by the chapters to obtain additional sources of support.
- List of Black Businesses - This activity consists of compiling a list of black-owned enterprises in the area so that NBL can channel business between and to these firms.
- Unique Activities - These consist of activities unique to each chapter, such as the establishment of a cabinet assembly plant in Jackson.

Exhibit III summarizes the status of each of these activities.

EXHIBIT III. SUMMARY OF ACTIVITY STATUS IN CHAPTER CITIES

ACTIVITY	ATLANTA	COLUMBUS	JACKSON
Loan Packaging	Active	Active	Active
Franchises & Dealerships	Active, but limited	None	Active, but very limited
Contractor Bonding	Now handled by Minority Contractor Assoc.	None	None
Contract Procurement	Now handled by Minority Contractor Assoc.	Active	Active
Business Problem-Solving	Active	Active	Active
Marketing and Site Location	Active	Active	Active
Business Training	Several classes completed; others about to start	Several classes completed; others about to start	Several classes completed; others about to start
Chapter Activities for Self-Sufficiency	Started tax consulting firm	Started development corporation	Pending
List of Black Businesses	Published	Completed; to be published in March 1971	Published
Unique Activities	Active	Active	Active

III. SUMMARY OF IMPACTS

NATIONAL HEADQUARTERS

Impacts of national headquarters activities are summarized below.

- Long-Range Planning - No impact has been achieved to date, but assuming realization of the plan, the impact will be the self-sufficiency of NBL.
- Contacts with National Corporations - There has been little visible impact of this activity.
- Training Seminars - The impact of this activity has been high. These week-long sessions permit useful interchange of ideas between NBL personnel.
- Assistance to Chapters - The Columbus and Jackson chapters receive very little support from the national office, whereas the director of the Atlanta chapter claims that he receives a great deal of help and advice.
- Solicitation of Funds<sup>3</sup> - Very little impact has been achieved. Because the only two Federal agencies funding NBL are EDA and SBA, it appears that NBL has not been successful in obtaining other funding. Additional funds received by the chapters have been a result of local initiative rather than of efforts by the national office.

CHAPTERS

Exhibit IV summarizes economic development process impact, job impact, outside investment and potential for the three chapter cities visited. Exhibit V presents data on the impacts.

<sup>3</sup>

Atlanta will receive OMBE funds in 1971.

EXHIBIT IV. SUMMARY OF IMPACTS

ACTIVITIES	ECONOMIC DEVELOPMENT PROCESS	JOBS <sup>4</sup>	INVESTMENT <sup>5</sup>	POTENTIAL
Loan Packaging	High Visibility	180	\$4,007,800	Very High
Franchises & Dealerships	Some Visibility	39	Working Capital	Low
Contractor Bonding	High Visibility in Atlanta; Low Visibility in Columbus & Jackson	High in Atlanta; Low in Columbus & Jackson		High in Atlanta; Low in Columbus & Jackson
Contract Procurement	High Visibility	High		High
Business Problem-Solving	Improved quality of minority businesses	318		Very High
Marketing and Site Location	High Visibility	High	In-Kind Services	High
Business Training	Improved basic business capabilities			High
Chapter Activities for Self-Sufficiency			Received \$184,650 Committed \$467,000	High in Atlanta & Columbus; Low in Jackson

Footnotes 4 and 5 on next page.

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EXHIBIT IV. SUMMARY OF IMPACTS (CONT.)

ACTIVITIES	ECONOMIC DEVELOPMENT PROCESS	JOBS <sup>4</sup>	INVESTMENT <sup>5</sup>	POTENTIAL
List of Black Businesses	Client information base		In-Kind Services	
Unique Activities	High Visibility	16	In-Kind Services	High

<sup>4</sup>The job impact is estimated on the basis of three jobs per new business. This procedure is used by staff members in the chapters and has been confirmed by EDA field team visits to a significant number of businesses in each of the three cities.

When "high" or "low" is used in this column, it implies relative job impacts, because no accurate estimate could be made.

<sup>5</sup>This includes private investment, as well as grants and loans from government sources;

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EXHIBIT V. DATA ON IMPACTS

ACTIVITY	ATLANTA	COLUMBUS	JACKSON
<u>Loans Approved</u>			
Number	14	28	32
Amount	\$1,794,000	\$457,000	\$1,756,800
New Firms	8	22	30
Franchises Received by Clients	12	0	1
Contractors Bonded	7	0	0
<u>Contracts Procured for Clients</u>			
Number	24	3	1
Amount	\$141,468	\$2,464,000	\$8,000
<u>Business Problem-Solving</u>			
Total Firms	98	61	60
New Firms	49	42	15
Marketing and Site Location Studies	52	99	27
<u>Funds Received by Chapters</u>			
Total	\$260,950	\$370,700	\$10,000
Grants Received and Committed	\$60,950	\$55,700	\$10,000
Allocations to Revolving Funds	\$200,000	\$250,000	0
Stock Sold	0	\$65,000	0
Number of Black Businesses Identified	1,300	550	300

Activities of the three chapters have had a favorable impact upon the economic development process.

- New businesses have been started and others have been expanded as a result of the loan advocacy, marketing and site location studies, franchise development (Atlanta and Jackson), and contract bonding and procurement.
- Business efficiency has been improved through the business problem-solving activity.
- The V.I.P. cabinet factory in Jackson may demonstrate that black business can succeed in this area.
- The Minority Contractors Association was established primarily by the Atlanta Business League.
- The business leagues in Atlanta and Columbus have been instrumental in setting up a referral system for minority businessmen to obtain assistance from the government agency best able to provide the particular type of assistance needed.

The business leagues in the three cities have made a large contribution to saving jobs and creating new jobs for minority employees. However, because of the lack of follow-up personnel, accurate accounting of these jobs is difficult.

Each of the chapter cities has been able to generate Federal and local government funds to supplement their activities. Private capital has also been mobilized.

The potential of the NBL in Atlanta and Columbus is very high. The potential of the NBL in Jackson is uncertain at this time.

IMPACT OF UNIQUE ACTIVITIES

Each chapter has engaged in unique activities. In some cases, particularly in Jackson, they have assumed very high priority. These activities are summarized below.

The Atlanta chapter has:

- . formed a Minority Contractors Association to assume the contractor bonding and contract procurement activities,
- . established a local development corporation,
- . helped to establish an effective referral system for clients between the Atlanta Business League (ABL), the Atlanta Chamber of Commerce, SBA, National Urban League, Economic Opportunity Atlanta, and the Model Cities Programs, and
- . has formed a tax consulting firm that will act as a fund-raising unit after EDA support has been terminated.

The Columbus chapter has:

- . established the Community Resources for the Encouragement of Economic Development (CREED) to be the permanent economic development successor to the Columbus Outreach chapter, and
- . has helped to establish and obtain contracts for a manufacturing company that has received a \$230,000 Department of Labor grant for on-the-job and classroom training for 91 employees who were "hard core unemployed."

The Jackson chapter has:

- . established and is now managing the V.I.P. Cabinet factory which is the only major black business in the Jackson area, and
- . completed plans for the Mid-South Industry, Training and Education Foundation (MITE) which, if funded, would provide business training for minority businesses in twelve areas of Mississippi.

#### IV. ISSUES

Seven issues are significant in determining whether the EDA grants to the NBL have been effective. These issues are addressed in this section of the report.

Issue 1.      Has EDA been effective in creating a national institution?

Response      With EDA support, a national institution is now functioning, as indicated by the observations below.

- . NBL has established a national reputation.
- . NBL now has chapters in 70 cities.

Issue 2.      Has EDA been effective in creating local institutions?

Response      Strong local institutions have been created in Atlanta and Columbus. The Jackson chapter has the potential of becoming a strong local institution.

- . Prior to EDA assistance, the chapter offices did not exist.
- . The EDA-funded chapters are very active.
- . The chapters are currently recognized as the prime local organizations working on minority entrepreneurial development in the cities evaluated.

Issue 3.      Has the headquarters office of the NBL effectively supported the chapters?

Response      It appears that the headquarters office has not provided strong support.

- . The chapters rely on their own business acumen and expertise.
- . Most of the chapters' work is with local groups or branch offices of national organizations such as SBA.

- . NBL headquarters provides some contact with national organizations and distributes EDA funds.

Issue 4.

Has NBL been successful in helping to improve minority employment opportunities?

Response

Significant minority employment has resulted from the success of the minority entrepreneurial programs in the cities visited.

- . At least 200 jobs can be attributed to the loan packaging program.
- . About 300 jobs can be attributed to business problem-solving activities.
- . At least 40 jobs can be attributed to the franchises obtained.
- . Additional jobs have been obtained through contractor bonding and contract procurement.

Issue 5.

Has NBL been successful in obtaining funds from other organizations?

Response

The local chapters have been more successful than the national headquarters in obtaining additional support. The main sources are listed below.

- . OEO made the initial grant to NBL.
- . SBA currently funds part of the headquarters staff, six chapters, and also contributes \$100,000 to the EDA-funded chapters.
- . The chapters have received funds from a variety of sources; including Model Cities, the Presbyterian Church, the Episcopal Church, the Methodist Church, local banks and businessmen, and the Atlanta Chamber of Commerce.
- . The chapters receive a large amount of free consulting services.

Issue 6.

Are there any plans for self-sufficiency?

Response

Most plans are in the formative stages.

- . The national office has developed plans.
- . Atlanta is implementing plans.
- . Columbus is implementing plans.
- . Jackson has no such plans.

## V. BENEFITS AND COSTS

The benefits of the EDA grant to NBL have been very high.

- Effective local economic development institutions have been created.
- These institutions have helped increase the number of minority business owners and employers.
- These institutions have been effective in improving the stability of many existing businesses and jobs.
- The impact of these institutions should continue to increase in the future.

The cost per job, estimated only on the basis of loans obtained, franchises obtained and business problem-solving, has been approximately \$324 per direct job. This figure does not include saved jobs, jobs obtained through contractor bonding and contract procurement, or jobs obtained as a result of the business activities of the chapters. This cost includes total EDA and SBA support of the chapters in Atlanta, Columbus and Jackson and 30 percent of the support of the headquarters office.

## VI. ACTIVITIES OF CHAPTERS

### INTRODUCTION

The NBL, under the direction of Berkely Burrell, began operation in January 1968 in the present ten EDA chapter cities. Mr. Burrell, at that time, attempted to enlist a project director in each city who knew the problems of the city and was relatively well known by the local business and political communities. The importance of this cannot be overestimated. The activities of the chapter cities are a direct result of the initiative displayed by the project directors, rather than a result of national office assistance. The NBL headquarters in Washington has established general goals and a number of activities which are used to accomplish the goals. The implementation is left principally to the project director. The project directors are very competent and, most importantly, dedicated to the economic development of minority business. In all cases, the staff members of the chapters have worked to their fullest potential. In summation, the successes that have been achieved must be attributed directly to the project directors and their staffs.

Each of the activities in each chapter is discussed in detail in the following pages.

### LOAN PACKAGING

Loan packaging is the focal activity in all chapters. This activity encompasses all of the other types of assistance in the process of preparing an acceptable loan package. The NBL emphasizes the "packaging" of business loans because the potential businessman must be prepared to manage the business as well as obtain the needed capital. Therefore, the first aspect of the loan packaging activity is a complete analysis of business condition, needs and potential. This often involves an audit, and concludes with feasibility and site location studies. The guidelines for this procedure are set by the NBL headquarters in the form of a business proposal to be completed by all prospective clients with the aid of the chapter staff. The result of this procedure is that the clients are screened by the chapter staffs before the bank or SBA offices are approached. According to the SBA offices in all three cities, this procedure has been responsible for the fact that 80 percent of the loan applications sponsored by each chapter have been accepted. This

compares with an acceptance rate of 20 percent when the minority businessmen have not used NBL in the application stage.

To further reduce business failures and to protect NBL's reputation, extensive loan follow-up in the form of business problem-solving is given to each client. This follow-up involves all the aspects listed under the business problem-solving category and was consistently stressed as the area of greatest need by the chapter staffs.

The achievements of the three chapters evaluated are presented in Exhibit VI.

EXHIBIT VI. CHAPTER LOAN PACKAGING ACTIVITIES

LOANS	ATLANTA JAN.-NOV. 1970	COLUMBUS JAN.-NOV. 1970	JACKSON JAN.-DEC. 1970
<u>Approved</u>			
Number	14	28	32
Value	\$1,794,800	\$457,000	\$1,756,800
<u>Pending</u>			
Number	4	21	5
Value	\$3,214,000	\$320,200	\$84,000
<u>Declined</u>			
Number	6	6	0
Value	\$1,274,850	\$80,000	0

FRANCHISES AND DEALERSHIPS

Although there were several franchisors at NBL's 70th convention this year, the chapters have shown great reticence in the area of franchising and dealerships. This is primarily because of the high charges and the loss of control which such agreements often involve.

The Atlanta chapter developed a model contract to be used as a guideline in franchise negotiations. The emphasis has been to neutralize the leverage exercised by the franchisors. Approximately 20 franchises have been evaluated by ABL and 12 of these have been obtained. The one franchise visited has proven to be a successful minority business. Dealerships have been pursued as a favorable alternative, but these have been difficult to obtain.

The Columbus Business League (CBL) has not actively sought franchises. The expressed feeling is that such operations require much more capital and less autonomy than other businesses. With one or two exceptions, the franchises available in the black community were not desirable. No franchises have been established in Columbus.

In Jackson, black businessmen have not been interested in franchising. Some background work has been done in determining good site locations, but the primary use for these will be in the future. One good franchise has been obtained, although its is quite far from Jackson.

CONTRACT BONDING AND PROCUREMENT

The primary purpose of this activity is to develop within the minority community the expertise and capability to perform construction work other than small sub-contracting.

In Atlanta, firms desiring bonding have come to the Atlanta Business League (ABL) both directly and through the recommendation of other local groups, primarily SBA. Attempts are usually made to involve a local bank in the bonding procedure. Seven companies have secured bonding through ABL. All of them are established firms. The ABL has also established an autonomous contractors association which is likely to receive Ford Foundation and Model Cities monies for staffing and venture capital. The association presently acts as a clearinghouse for all information on potential contracts. It is expected that the ABL's contractor bonding and procurement activities can be transferred to the association. ABL has identified 135 potential contractor members, of which more than 40 have joined the association. Assistance has also been provided to contractors in the preparation and presentation of proposals and bids.

In Columbus, there is very little construction work being done. Because of this, contractor bonding has not been emphasized. Additionally, two other local groups were engaged in this activity and there was no need for effort by NBL. However, the Columbus

chapter did engage in contract procurement, by assisting in obtaining a \$2.3 million contract from the Department of Defense for the manufacture of concertina wire, a contract of \$14,000 for a dry cleaning establishment, and a contract for \$150,000 to manufacture trash cans.

Jackson's bonding and procurement activities have been limited. Although the Hines County Contractors Association was established, it has not been active. In total, one contract has been obtained (\$8,000) and two are in the negotiation stages (\$15,000 and \$50,000). Most contractors in Jackson are small and perform less than \$40,000 per year of work. This limits the need for any formal bonding program because bonds are not needed unless the contract is for more than \$20,000.

The exhibit below summarizes NBL bonding and procurement activities.

EXHIBIT VII. SUMMARY OF CONTRACTOR BONDING AND CONTRACT PROCUREMENT ACTIVITIES

ACTIVITY	ATLANTA	COLUMBUS	JACKSON
Contractors Bonded	7	0	0
Contract Procurement Number	24	3	1
Amount	\$141,468	\$2,464,000	\$8,000

BUSINESS PROBLEM-SOLVING

Business problem-solving includes such activities as accounting, inventory control, distribution methods, personnel

development and legal assistance. The staff of each chapter emphasized that this activity encompasses the major thrust of their program. It involves helping many minority businesses in all phases of their daily operations in an effort to make them viable enterprises. When an enterprise receives assistance under other programs, such as loan packaging, it also receives business problem-solving assistance.

In each of the chapters, volunteer consulting help was utilized as a supplement to staff work in this area. The chapters in Atlanta and Columbus emphasized that their greatest present need is additional staff to follow-up businesses assisted. These chapters believe that establishing a business through loan packaging or site location is only a first step. The business problem-solving activity becomes important in the planning and operational stages of the business, and functions as the major tool to prevent business failures.

Exhibit VIII summarizes NBL business problem-solving activities.

EXHIBIT VIII. SUMMARY OF BUSINESS PROBLEM-SOLVING ACTIVITIES

CHAPTER	TOTAL	NEW BUSINESSES ASSISTED	ESTABLISHED BUSINESSES ASSISTED	ESTIMATED NEW JOBS*
Atlanta	98	49	49	147
Columbus	61	42	19	126
Jackson	60	15	45	45

Because of the wide range of expertise needed for various business problems, the chapters rely heavily on volunteer consultants. The Atlanta chapter uses between 500 and 600 consultants who have agreed to volunteer their time. The Columbus chapter used 90 consultants in 1970, and estimates that at least

\* Estimated on the basis of three new jobs in each new business.

2000 man-hours have been contributed by these consultants. The Jackson chapter has estimated that 10 consultants have contributed a total of 1500 man-hours.

#### MARKETING AND SITE LOCATION

In conjunction with the other types of management assistance, the Project Outreach offices have developed an expertise in market and product development, feasibility studies, and site location.

The Atlanta chapter completed, with the assistance of volunteer consultants, 52 feasibility studies dealing with marketing and site location. The ABL does not separate marketing from site location studies. The clients of ABL expressed confidence in the decisions made by the ABL and indicated that they would continue to use the chapter for future problems. The capabilities of the ABL were particularly good in the area of site location.

In 1969 and 1970, the Columbus chapter assisted 59 and 99 clients, respectively, in marketing and site location. Among other ventures were cleaners, jewelry stores, a restaurant, a car wash, and a child day care center.

The JBL completed 27 feasibility studies for marketing and site location during 1970. Twenty-five of these were for new businesses. The JBL attributed more than 100 jobs to this activity. The JBL relied strongly on the Mississippi Research and Development Center (MRDC) for help in this area. This center was also funded by EDA.

#### BUSINESS TRAINING

Since Outreach I, (1968), the responsibility for the business training activity has been transferred from NBL chapters to local colleges. This activity, during Outreach III, was jointly sponsored in the three cities visited by the chapter and one of the local colleges. The business league's responsibility was primarily recruiting, leaving the responsibility for organization and implementation to the college. The attitudes expressed by the students who have attended these classes in the three cities were that they were very useful. There were many instances in which the experiences gained in the classes were implemented by the students in their businesses. This was most evident in the accounting, tax and marketing areas.

The transfer of this activity to the colleges should not be interpreted to mean that the NBL has de-emphasized its importance. Training remains within the NBL package as one of the most important elements. It has been recognized that the successful implementation of business training requires a full-time commitment. Therefore, by achieving the cooperation of local colleges, the quality and efficiency of these courses have been improved.

The training program in Atlanta is sponsored by Atlanta University. It has been successful in the past. The accomplishments have been attributed to one professor who was able to establish good rapport with the black students. Future funds for this program are uncertain at the present time, but the ABL plans to continue the program if the Atlanta University terminates its co-sponsorship.

In Columbus, the 1970 training activity was sponsored in cooperation with Ohio State University. This endeavor was terminated when campus unrest started on the proposed date of inception. The University was subsequently closed. The program is expected to begin again in 1971. In previous classes, instructors included local businessmen, members of the banking community, and members of the College of Administrative Science at Ohio State. All of the teachers contributed their time and efforts. The classes had a minimal fee of \$25 because the University received Federal funds through Title I of the Higher Education Act of 1965. The trainees were recruited through the local chapter's efforts, both personally and through local communications media.

The training program in Jackson has been conducted by Jackson State College, a predominantly black college within the city limits. It was stressed by the JBL staff that the single most important need in that area was for business training. A major obstacle to successful minority enterprises has been the lack of motivation and self-confidence within the black community of Jackson. The attitude taken by the JBL is that business training must be placed highest in priority to overcome this obstacle. In addition to continuing the program with Jackson State College, the JBL has drafted a proposal which would establish the MITE Foundation to conduct a business training in Mississippi. The proposal calls for a two-year budget of approximately \$1 million. In its present form, the chances for funding are doubtful.

CHAPTER ACTIVITIES FOR SELF-SUFFICIENCY

The chapters frequently need operating funds in excess of those provided by EDA and SBA for additional staff and ancillary expenses related to increased levels of activity. Other funding sources include government agencies, local businessmen, and national church organizations. Columbus and Atlanta are initiating procedures to become financially self-supporting. These procedures will entail service fees for the assistance on either a fixed-fee basis or relative to the amount of service. Columbus is in the process of developing a lending company to continue its present services and to provide seed capital for minority enterprises. Atlanta is establishing a tax consulting company as a profit-making venture.

Until profit-making ventures are firmly established, the chapters must rely on their alternative income sources for additional working capital. The sources now providing additional support are listed in Exhibits IX, X and XI.

EXHIBIT IX. ADDITIONAL SOURCES FUNDING THE ABL

SOURCES	AMOUNT	STATUS	PURPOSE
Local Banks and Savings & Loan Institutions	\$3,950	Received	Operating Funds
Model Cities	\$200,000	Committed	Venture capital & 1 staff
Model Cities	\$32,000	Committed	2 professional positions
Atlanta Chamber of Commerce	\$25,000	Committed	1 professional & 1 secretary

EXHIBIT X. ADDITIONAL SOURCES FUNDING THE CBL

SOURCES	AMOUNT	STATUS	PURPOSE
Local Businessmen	\$700	Received	Operating Funds
Methodist Church	\$20,000	Received	Operating Funds
Model Cities	\$25,000	Received	Operating Funds
Model Cities	\$10,000	Received	Program Development
Episcopal Church	\$50,000	Received; 7 year note at 5%; 30 month moratorium on principal repayment	Revolving Fund
Model Cities	\$100,000	Committed	Revolving Fund
Episcopal Church	\$50,000	Committed - negotiating	Revolving Fund
Presbyterian Church	\$50,000	Negotiating	Revolving Fund
CREED Stock	\$65,000	Sold	Operating Funds: CREED

EXHIBIT XI. ADDITIONAL SOURCES FUNDING THE JBL

SOURCES	AMOUNT	STATUS	PURPOSE
N.Y. Community Trust Fund	\$10,000	Received	Management Training
Jackson State College	80% of the salaries of 5 students who work for JBL 20 hrs. per week	One of the 5 students is now working	Operating Support

LIST OF BLACK BUSINESSES

To facilitate the implementation of the NBL program, each chapter has compiled a list of black-owned and operated businesses. These lists are helpful in channeling business between and to minority firms.

The Atlanta chapter completed a list of 1,300 black businesses and the Columbus chapter completed a list of 550. These lists include a business profile and capabilities description. The list in Jackson was completed in preparation for the National Association for the Advancement of Colored People (NAACP) convention held there in 1969. This list is currently being up-dated by Jackson State College and presently includes approximately 300 black businesses.

UNIQUE ACTIVITIES OF THE CHAPTERS

Atlanta

The ABL recently formed the Minority Contractors Association (MCA) to assume the contractor bonding and contract procurement activities. This association now has 48 members and expects to

increase its membership to 75 by February 1971. It was formed with the cooperation of the ABL, SBA, the National Urban League, and a local bank. The SBA representatives, however, gave primary credit to the ABL for creating this association. The association is optimistic about receiving funds under the Minority Contractors Bonding Program of the Ford Foundation.

A major function of MCA will be to establish a capital pool which will provide members with a line of credit for bonding. Also, MCA will enlist major white and black contractors to help train minority contractors and to provide on-the-job training for minority persons.

ABL has established a local development corporation which has obtained funds to start four businesses.

ABL was instrumental in the establishment of a referral system for clients between the ABL, the Atlanta Chamber of Commerce, the SBA, the National Urban League, Economic Opportunity, and the Model Cities Programs. Representatives from all of these groups expressed pride in the effectiveness of this referral system. It has enabled minority businessmen to obtain help from the agency best equipped to meet individual needs.

In addition, ABL has established a tax consulting business to help support all of its activities when the EDA grant has been terminated. This firm is a subsidiary of JBL and is currently operating from the JBL office.

Columbus

CBL recently established the Community Resources for the Encouragement of Economic Development (CREED). This self-supporting corporation will be the economic development successor to CBL's Outreach Program. CREED will provide most of the services now provided by CBL and will charge fees for these services.

In addition, CBL helped to establish and obtain contracts for the Futon Corporation, a company that manufactures concertina wire. This company has received a \$230,000 grant from the Department of Labor for training 91 employees who were "hard core unemployed." On-the-job and classroom instruction has been provided.

Jackson

The JBL established and is now managing the V.I.P. Cabinet factory. The project director of the JBL is the president of

this corporation and is now working full-time on its activities. NBL headquarters considers him to be on a special assignment and therefore is continuing to pay his salary. The factory employs 16 people. It is considered to be the only major black business in the Jackson area. The JBL believes that the failure of the factory would mean the failure of the business league in Jackson because of its value as a key demonstration project. This attitude was confirmed by leaders of the political and business communities of Jackson. The concern of the Mayor of Jackson for this project was demonstrated when he helped obtain the land for the factory at one-half of the established price.

The Jackson chapter has completed plans to establish the Mid-South Industry, Training and Education Foundation (MITE). A proposal for funding will be submitted to the Ford Foundation. The proposed two-year budget is approximately \$900,000. If funded, this foundation will provide management training for minority businessmen throughout Mississippi. The concept is sound, but the proposal is weak in form. Two-thirds of the two-year budget is aggregated into three general categories of \$200,000 each. These categories are library materials and films, television production and promotion, and other printed material.

## SKILL CENTER EVALUATION

### EXAMPLE

THE SANTA CLARA COUNTY  
OPPORTUNITIES INDUSTRIALIZATION CENTER

Introduction

DA began its four-day study of the OIC of Santa Clara County on April 28, 1971, and completed the collection and compilation of basic data on May 1, 1971.

Two trainees and a random sampling of 32 former students (28 alumni and 4 dropouts) were interviewed. A total of 16 employees of the OIC were interviewed, as well as a cross section of local community and business leaders. The following groups were interviewed in San Jose:

OIC Alumni	28
OIC Student Dropouts	4
OIC Trainees	2
Employers of OIC Alumni	8
Other Business Leaders (all levels and service agencies)	16

Community Background

The population of Santa Clara County, with San Jose being the largest metropolitan area, as of July 1970, was 1,073,700 according to the SMSA. From 1960 to 1970, the county population grew by 65.8%. The city of San Jose during the same period grew by 118.3%. The minority group population, and particularly among Negroes, grew much more rapidly than the total population.

In March 1971, the total employment figures for all industries was 422,200. Unemployment totaled 34,300 or 7.5% of the civilian labor force. Seasonally adjusted, employment in San Jose for March 1971 stood at 6.7%, up 2% from 12 months earlier. The Department of Labor classification according to adequacy of labor supply is "D", designating the area as having substantial unemployment. The large jump in unemployment from March, 1970 (22,200) is directly attributed to layoffs in industries producing durable goods, particularly in aerospace and related fields.

Until the last couple of years, the San Jose area was able to handle, more or less adequately, such a large influx of population. Jobs were available in industry, which was developing in the area at a rapid pace.

The general decline in the space-oriented industries especially damaged San Jose's economy which has been heavily dependent on these types of industries.

According to the OIC, its training facility in San Jose is located in the center of the heaviest concentration of the minority, disadvantaged population, and one of the areas hardest hit by unemployment.

### The OIC Program

The San Jose OIC is totally committed to serving the disadvantaged minority population of Santa Clara County. Its special approach to training, job development, and job follow-up takes into account this commitment.

Briefly, OIC's training methodology is as follows. The approach, as pointed out to the DA field team, is to focus on the total individual in the training process. Accordingly, skills training is only one aspect in making a trainee job-ready. Initially, the trainee, through individual counseling and classroom discussion during two weeks of orientation, goes through what can be called ego-strength development, building up his self-confidence in being able to get and hold a job. If the trainee and the OIC staff involved deem it necessary, the trainee will undertake an open-ended study segment of training as well. This program is designed to upgrade his general ability in communications and in the academic aspects of the skills area he has chosen.

Once the trainee has mastered the classes in the basic study segment, he enters the skills area he has chosen, for practical training, which is also open-ended in terms of time. Throughout the training process, the student receives individual counseling from his instructors and OIC counselors, which is designed to build up and reinforce his job readiness, and help him through the transition from student to employee.

The Santa Clara OIC does not consider a trainee graduated from its program until he is actually placed on the job. To this end, the OIC has established its own placement service, with its personnel wearing two hats - that of job developer and job placement specialist.

The OIC's contact with the former trainee does not end at job placement. Follow-up counseling is carried out on an as-needed basis, with the counselors working closely with employers in this matter.

The center also provides former trainees who have been laid off, or are seeking different employment, with job opportunities and employer contacts.

### Trainee Impact

Using random sampling techniques, the Development Associates' field team interviewed 34 enrollees of the OIC from among the 1239 students enrolled since the program's inception on November 1, 1967. DA data collected on the students compares relatively closely with that compiled by the OIC:

<u>DA Sample of 32 Enrollees</u>		<u>OIC Data on Total Enrollees Compiled</u> (11/1/67-3/31/71)
Average Age	32	28
Average Education	11.3	10
Average Family Size	3.5	3-4
% of Students Receiving Welfare	50%	56%
% of Students who are		
Mexican-American	50%	76%
Black	15%	4%
Anglo-American	25%	19%
Other	10%	1%
Average Income:		
Before Training	\$2,793	\$2,465
After Training	5,908	5,892

Statistics compiled by the DA study team verified these figures, but they tell only part of the story. DA, from its trainee interviews, also learned that over 89% of the trainees felt they had been adequately trained by the OIC and 100% said that they had received job placement help.

Forty-three percent of the interviewees reported improvements in their housing and transportation; 57% said they were now saving money, and 39% indicated their outlays for groceries had gone up since training.

The greatest increase was in participants' income. The average increase was 55%, with pre-training income averaging \$2,465.00 per annum, and post-training income at \$5,892.00 per annum, as noted above.

The DA team was greatly impressed with the trainees who had graduated from the OIC. Their poise and self-confidence was quite evident. Most of the interviewees attributed their success and change in outlook to the training received at OIC.

#### Business Impact

The intake, training, placement and counseling system of the OIC has made a favorable impression among the business leaders and employers contacted by the DA field team. Again interviewing a random sample of employers who had hired OIC trained workers, the team found that:

1. Among OIC employees, the turnover rate was lower, or compared favorably with the company average in all cases.
2. The quality and quantity of productivity of OIC graduates was the same as other employees, at entry level jobs as well as jobs into which OIC graduates had been promoted based on their ability and performance.
3. OIC graduates received the same entry-level wages as other employees hired, and received all employee benefits.
4. Graduates of the OIC have the same chances for promotion based on ability and seniority as non-OIC trained employees.
5. In general, employers were satisfied with employees hired from the OIC training program and would continue to hire graduates when openings existed for which they would qualify.
6. In all cases, the employers favorably compared the OIC training program with other manpower training programs in the area.

The impact of the OIC training program on businesses in the area, in terms of productivity, quality of work, and supply of skilled and semi-skilled labor is not great with regard to scale. The demand for labor is much lower than the supply at this time, for reasons

pointed out earlier. On a small scale, the center has had some impact on the employment of its graduates. As a direct result of its operating methodology, the OIC has built up a solid list of "client" companies who, if there are entry-level job openings, are more than willing to take OIC graduates.

In talking with both business and community leaders, there was a consensus among them that the OIC had become an accepted community institution.

Three basic factors, all interrelated, affect the degree of impact which the OIC has on business in the area. First, the number of OIC graduates is very small relative to the general unemployment situation in Santa Clara County. As of March 31, 1971, the total number of OIC graduates placed since its inception 3½ years ago was 656. This figure is all but insignificant in view of the total number of civilian labor force unemployed in March 1971 - 34,300.

Secondly, the businesses interviewed were well established in the area long before EDA provided funds to the training facility. In the case of all companies interviewed, the OIC training facility does not affect in any applicable way the company's hiring or employment patterns. As a result of increased business awareness, and due in part also to pressures from local educators involved in manpower training programs, many employers are revising their criteria and qualifications for entry-level positions. As a case in point, some companies no longer require high school or G.E.D.'s as employment prerequisites.

The third factor is the level of funding presently received by the OIC. Although it is one of the larger manpower training programs in the area, its financial position does not permit expansion of facilities and staff capable of training larger numbers of students.

#### Community Impact

After 3½ years of operation, the community and business leaders with whom the DA study team spoke all recognized the OIC as an established community institution, enjoying community confidence in it as a training institution. One measure of its legitimacy is the regard held for it by the business and community organizations. Private

contributions to the OIC from these sectors is substantial. From October 15, 1969, to September 15, 1970, contributions from the community and business sectors totalled \$153,000. From September 15, 1970, to September 14, 1971, the OIC expects to receive approximately \$250,000 in contributions.

Another visible impact which measures the degree of interest and community involvement in the OIC is its advisory board. Its industrial advisory board is more than an "in-name-only" group. The businesses and community organizations they represent contribute personnel as instructors and advisors; time, in the form of personnel excused from business hours to fund-raise for the OIC; and curriculum advice to train for the future employment trends and needs in the area.

Unanimously, the community leaders with whom the DA field team spoke were favorably inclined to the OIC, its goals and effectiveness in reaching the target population. The DA trainee survey verified the latter fact, as indicated earlier.

The OIC's widespread reputation and impact in the community then, could perhaps be attributed to three factors:

1. Quality of output;
2. Effective recruitment of target population; and
3. Business and community involvement - actively encouraged by the OIC staff in the training facility.

For the first six months of its operation, the OIC did not have the benefit of EDA funding. Total expenditures for October 1967 to May 1968 were \$64,060. During that period, 162 trainees enrolled in the training program, with 65 placed in jobs. Cost per placement was \$985.00.

From May 1, 1968, to October 14, 1969, EDA disbursed \$218,951 in funds to the OIC. This figure represented nearly 50% of the OIC budget. The total number of enrollees increased to 333 during the 18 month funding period, of which 193 were placed in jobs. Cost per enrollee was \$1,487.00 and cost per job placement was \$2,566.00. EDA's cost per placement was \$1,134.00. For a complete analysis of the program's cost from October's 1967 to March 31, 1971, see Table 1 on the next page.

Were it not for EDA's inputs, the San Jose OIC operations during the past three years would have been greatly curtailed: the number of skills areas taught would have been reduced; the OIC staff remained small; and the facility's output, or graduates, would not have increased. Two other situations would have most likely occurred:

1. The quality of training would have probably suffered, as a result of cutbacks in expenditures for instructors and training equipment.
2. Job placements would have been fewer, not only because of a reduced number of enrollees in the program, but also because the number - and perhaps quality - of job counselors and developers would have been reduced.
3. Employment turnover of the OIC graduates may have been affected as well, as a result of inadequate training, and a reduced on-the-job follow-up counselling program.

Present EDA funding to the San Jose OIC ends September 15, 1971. The OIC director and his staff are exploring other avenues of funds to maintain the present level of operation, and expand into new skills training areas that they have determined as needed in the San Jose area. Present funding sources of the OIC are listed below:

September 15, 1970 to September 15, 1971

EDA	\$ 150,000
Private Donations	250,000
Model Cities	185,000
WIN Program	125,000
<b>Total</b>	<b>\$ 710,000</b>

Table 1

San Jose OIC Program Expenditures

	Total Program Expen- ditures	Total # of Enrol- lees	Total Cost/ Enrol- lee	Total # of Place- ments	Total Cost/ Place- ment	EDA Program Expen- ditures	EDA Cost/ Enrol- lee	EDA Cost/ Place- ment
Oct. 67-May 68	\$ 64,060	162	\$395	65	\$985	-0-	-0-	-0-
May 68-Oct. 69	\$445,376	333	\$1,487	193	\$2,566	\$218,951	\$657	\$1,134
Oct. 69-Sept. 70	\$342,617	447	\$766	211	\$1,623	\$220,236	\$492	\$1,043
Sept. 70-March 71	\$197,269	297	\$664	187	\$1,054	94,278	\$317	\$ 504
<b>Totals</b>	<b>\$1,099,322</b>	<b>1239</b>	<b>\$887</b>	<b>656</b>	<b>\$1,675</b>	<b>\$533,465</b>	<b>\$430</b>	<b>\$ 813</b>

Recently the San Jose OIC was officially designated by MDTA and the Bureau of Indian Affairs as qualified for funding from those two sources. the OIC National Institute in Pittsburgh as well will be providing funds in the future. Other state and federal sources are being approached to contribute to the OIC.

Through its machine tool shop, automotive repair, and electronics assembly shop, the OIC has the potential for earned income, doing small contracts with local industry. A conservative estimate by the OIC staff of the earning potential in the machine shop is \$10,000 per month, net income. There is a division of opinion within the OIC as to whether it should actively promote small contract activity with local business. The division of opinion centers on the OIC program's goals as a training facility to adequately train and place the target population. A number of the staff expressed concern that contract activities might co-op this principal goal of the OIC.

One fact was certain to the DA field team studying the San Jose OIC; its staff and particularly its top administrators, were actively investigating and promoting all potential funding sources. The stewardship and effective use of EDA's grants to the San Jose OIC are demonstrated in the low cost incurred in training and placing target group enrollees. As indicated in Table I, the total average cost per enrollee in the program is \$887.00. EDA's cost in this category is \$430.00. In terms of average cost per graduate the cost was \$1,675.00; EDA's portion of this figure was \$813.00. These costs compare very favorably to those of other manpower training programs.

The real benefit to the OIC resulting from EDA funding is more difficult to actually substantiate with hard data. Development Associates believes that the EDA funding had its largest impact on the OIC and the target groups by acting as a catalyst, in the sense of helping the OIC initially open its doors to trainees. EDA's funding, then, was the "seed money" that gave the OIC an opportunity to get the program off the ground, demonstrate its capability to the community and business sectors, and begin the process of making itself a legitimate community institution.

APPENDIX D  
EXAMPLES OF  
QUESTIONNAIRES FOR EVALUATION OF  
EDA PROJECTS

CC/V  
14

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_ Age \_\_\_\_\_

1. How did you first find out that \_\_\_\_\_ (grantee) had a vocational training program?

- a.  Heard about it from a friend
- b.  Read about it in a newspaper or magazine
- c.  Heard about it on television or radio
- d.  Was contacted by agency
- e.  Other; please describe \_\_\_\_\_

2. (a) When you enrolled in the above vocational training program were you

Single  
 Married

(b) How many people did you support with your salary including yourself? \_\_\_\_\_

3. (a) Were you working on a job at the time you decided to enroll in the above vocational training program?

Yes  
 No

(b) If yes, what type of job was it? \_\_\_\_\_

(c) Did the job have any possibilities for promotion?

Yes  
 No

(d) Were you able to support yourself and your family just on the salary from this job?

Yes  
 No

4. (a) How many jobs have you had since completing the vocational training? \_\_\_\_\_

(b) Please list each job you have had since completing the vocational training and the number of months you worked on each one.

Type of job	Number of months you worked on the job

(c) Do you think you would have gotten any of these jobs without the vocational training you received?

- Yes
- No

5. (a) Has your salary gone up any since you received the vocational training?

- Yes
- No

(b) If yes, please check the box that tells us how much your salary has gone up each week.

- |  |  |
|--|--|
| <input type="checkbox"/> \$1.00 - 5.00 | <input type="checkbox"/> \$30.01 - 50.00 |
| <input type="checkbox"/> 5.01 - 10.00  | <input type="checkbox"/> 50.01 - 70.00   |
| <input type="checkbox"/> 10.01 - 20.00 | <input type="checkbox"/> 70.01 - 100.00  |
| <input type="checkbox"/> 20.01 - 30.00 | <input type="checkbox"/> Over \$100.00   |

6. In your opinion is the vocational training program run by the agency important in helping people like yourself get better and higher paying jobs?

- Yes
- No
- Not sure

7. (a) Have you ever applied to some other organization for vocational training?

- Yes
- No

(b) If yes, please list which ones.

Name of organization	Address	Date

8. (a) Did you ever receive vocational training from any of the organizations you listed in question 7(b) above?

- Yes
- No

(b) If yes, please list which organizations you received vocational training from.


9. Would you please check the box that tells us the last grade you completed at school.

- a.  Attended grammar school, did not graduate
- b.  Graduated grammar school
- c.  Attended high school, did not graduate
- d.  Graduated high school
- e.  Never attended school

10. Please check one of the following

- a.  White
- b.  Black
- c.  Indian
- d.  Spanish American
- e.  Oriental

Name of firm \_\_\_\_\_

Address \_\_\_\_\_

1. How did you first find out that the Economic Development Administration provided business loans?

- a.  Was advised by a local government agency
- b.  Was advised by our Representative or Senator to the U.S. Congress
- c.  Heard about it from a fellow businessman
- d.  Read about it in a periodical
- e.  Other; please describe \_\_\_\_\_

2.a) Did you own another business immediately before starting this one?

yes

no

b) If yes, please describe what type of business it was \_\_\_\_\_

\_\_\_\_\_

c) If no, what type of a job did you have \_\_\_\_\_

\_\_\_\_\_

3. What were the main reasons for your locating your present business in this county? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

New Business

4. Would you have been able to start this business without the EDA business loan?

a.  yes

b.  no

c.  possibly

5. How many full-time employees do you currently have? \_\_\_\_\_

6. What is your weekly payroll for full-time employees? \_\_\_\_\_

7. How many of your full-time employees earn annual salaries ...

a.  less than \$6,000

b.  greater than \$6,000

8. Of your full-time employees earning annual salaries less than \$6,000, how many are ...

a.  white

b.  non-white

9. Of your full-time employees earning annual salaries greater than \$6,000, how many are ...

a.  white

b.  non-white

10. How many of your full-time employees would you describe as ...

a.  skilled

b.  semi-skilled

c.  unskilled

11.a) How many seasonal employees do you have? \_\_\_\_\_

b) What is your annual payroll for seasonal employees? \_\_\_\_\_

12. How many additional employees do you plan to hire in the upcoming year? \_\_\_\_\_

New Business

13. What percentage of your full-time employees get to work by ...
- a.  private cars or car pools
  - b.  public transportation
- 14.a) What were your total sales for the last calendar year?  
\_\_\_\_\_
- b) What percentage of your annual sales are made within a 50 mile radius of this county? \_\_\_\_\_
  - c) What percentage of your annual purchases are made from establishments within a 50 mile radius of this county?  
\_\_\_\_\_
- 15.a) Do you provide any on the job training to your employees?
- yes
  - no
- b) If yes, how many employees have received this type of training? \_\_\_\_\_
- 16.a) Have you ever engaged a outside contractor to train any of your employees?
- yes
  - no
- b) If yes, which organization did you hire? \_\_\_\_\_  
\_\_\_\_\_
- 17.a) Do you have any arrangements with any private or governmental organization to refer potential employees for your consideration?
- yes
  - no
- b) If yes, please list which ones:
- | Name of Organization | Address |
|----------------------|---------|
| _____                | _____   |
| _____                | _____   |
| _____                | _____   |

New Business

- 18.a) Have you ever applied to any other governmental agency for a business loan?
- yes
  - no
- b) If yes, please list which ones you applied to and the results.
- | Organization | Results |
|--------------|---------|
| _____        | _____   |
| _____        | _____   |
| _____        | _____   |
| _____        | _____   |
| _____        | _____   |
| _____        | _____   |
| _____        | _____   |
19. Any additional comments you might like to make would be appreciated.
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

Please enclose a list of your employees including their names, addresses and phone numbers.

Name \_\_\_\_\_

Address \_\_\_\_\_

Phone \_\_\_\_\_

1. Which of the following best describes how you found your current job?

- a.  Answered a newspaper advertisement
- b.  Heard about it from a friend
- c.  Applied directly at company
- d.  Was sent to it by an employment agency
- e.  Other; please describe \_\_\_\_\_

2. Please check whether you are male or female.

male  
 female

3. How old are you? \_\_\_\_\_

4.a) Are you single or married?

single  
 married

b) How many relatives do you support with your salary?

<input type="checkbox"/> just myself	<input type="checkbox"/> 5 people
<input type="checkbox"/> 2 people	<input type="checkbox"/> 6 people
<input type="checkbox"/> 3 people	<input type="checkbox"/> 7 people
<input type="checkbox"/> 4 people	<input type="checkbox"/> more than 7

5. Would you kindly describe the type of work you do on your job. \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. What is your average take home pay each week before deductions? \$ \_\_\_\_\_

7. How many hours a week do you usually work? \_\_\_\_\_

8.a) How do you usually get to work?

- drive your car
- get a ride with someone else
- take the train or bus
- walk

b) About how many miles is it from your home to where you work? \_\_\_\_\_ miles

c) How long does the trip to work take? \_\_\_\_\_

9.a) Do you have another job besides this one?

yes  
 no

b) If yes, how many hours each week do you work at your second job? \_\_\_\_\_

c) What is your average weekly take home pay from your second job? \$ \_\_\_\_\_ (before deductions)

10.a) Were you employed immediately before you took your current job?

yes  
 no

b) If yes, how much did you earn each week before deductions?  
\$ \_\_\_\_\_

Employment

11. If you were not employed before taking your current job, how long were you out of work? \_\_\_\_\_ months

12.a) Have you ever received any job training from any organization?

\_\_\_ yes

\_\_\_ no

b) If yes, please list the organization and the date you attended the training program.

Name of Organization	Date Attended

c) Do you think the job training has helped you to increase your salary?

\_\_\_ yes

\_\_\_ no

13. What was the last grade you completed at school? \_\_\_\_\_

14. Are you

\_\_\_ White

\_\_\_ Oriental

\_\_\_ Black

\_\_\_ Spanish Speaking

\_\_\_ American Indian

COMMUNITY LEADER QUESTIONNAIRE (Representative of the Local Development Corporation)

NAME: \_\_\_\_\_ ADDRESS: \_\_\_\_\_

1. To your knowledge, in what way is the EDA project currently being used ?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. To what degree has the EDA project influenced the economic development of the area ?

- a. The EDA project has not influenced the economic development.
- b. The EDA project has had little influence on the economic development.
- c. The EDA project has been a factor in the economic development.
- d. The EDA project has been a significant factor in the econ. development.
- e. The EDA project has been the major reason for economic development.

3. In what ways has the EDA project benefited the residents of the area ?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

4. Between the application date of the EDA project and the present, the local government's attitude toward the community's economic development has ...

- a. Become less favorable
- b. Remained the same
- c. Become somewhat more favorable
- d. Become much more favorable
- e. Do not know

5. Between the application date of the EDA project and the present, local planning for the physical development of the area has ...

- a. Become less extensive
- b. Remained the same
- c. Become somewhat more extensive
- d. Become much more extensive
- e. Did not and does not exist
- f. Do not know

6. Between the application date of the EDA project and the present, the lending institutions have ...

- a. Become less active in development financing
- b. Remained the same
- c. Become somewhat more active in development financing
- d. Become much more active in development financing
- e. Do not know

7. Between the application date of the EDA project and the present, the OEDP group (the group which is responsible for preparing and carrying out the Overall Economic Development Program of the area) has ...

- a. Decreased its activity
- b. Remained the same
- c. Become somewhat more active
- d. Become much more active
- e. Did not and does not exist
- f. Do not know

8. Between the application date of the EDA project and the present, the local development organization for economic and/or industrial development has ...

- a. Decreased its activity
- b. Remained the same
- c. Become somewhat more active
- d. Become much more active
- e. Do not know

9. Between the application date of the EDA project and the present, the number of other State and Federal programs in the community (Community Action, Housing, Urban Renewal, etc.) has ...

- a. Decreased
- b. Remained the same
- c. Increased somewhat
- d. Increased greatly
- e. Do not know

10. Between the application date of the EDA project and the present, the area's participation in the district program (Council of Government, Economic Development District, a rural development district, etc.) has ...

- a. Decreased
- b. Remained the same
- c. Increased somewhat
- d. Increased greatly
- e. Did not and does not exist
- f. Do not know

APPLICANT QUESTIONNAIRE (Industrial/Commercial)

NAME: \_\_\_\_\_ ADDRESS: \_\_\_\_\_

1. A description of the EDA project from the original application appears in the introductory letter. Briefly describe the functions that the project is currently fulfilling in the community today.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. How large is the industrial area? \_\_\_\_\_ acres

3. a. List the major firms which are located in the industrial area. How many acres does each firm occupy?

<u>Name</u>	<u>Number of Acres Occupied</u>

b. List any other firms which directly benefit from the facilities of the industrial area. In what ways has each firm benefited? Quantify if possible (i.e. gallons/day). The firm's use of each facility is what percentage of the total EDA service?

<u>Name of Firm</u>	<u>Type of Benefit</u>	<u>Quantity</u>	<u>Percent of Total</u>

c. In what ways of the following groups of local residents benefited from the project. Quantify if possible (i.e. gallons/day). Their use of each facility is what percentage of the total EDA service?

Group	Type of Benefit	Quantity	Percent of Total
Under \$3,500/year			
Over \$3,500/year			

4. Please list the names and addresses of any firms in which jobs were retained, increased, or may be increased as a result of the EDA project.

Name	Address

5. Please include any other information which you think is relevant to the evaluation of the project.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

ED-400-B

U. S. DEPARTMENT OF COMMERCE  
ECONOMIC DEVELOPMENT ADMINISTRATION

EMPLOYER QUESTIONNAIRE

NAME: \_\_\_\_\_ ADDRESS: \_\_\_\_\_

1. Was the EDA project responsible for your firm moving to, remaining or expanding in this area?  
 a. No  
 b. Yes .....In what way? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

2. What other factors were responsible for your company moving to, remaining or expanding in this area? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. What is the total capital investment (land, building, machines, etc.) of your firm at this location? \$ \_\_\_\_\_

4. If your firm has expanded as a result of the EDA project, what was the increase in capital investment? \$ \_\_\_\_\_

5. Do you know of any other firms (i.e. major suppliers) who plan to move here or expand their employment because of the location or expansion of your firm?  
 a. No  
 b. Yes .....What are their names and addresses?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

6. What percent of your final output is exported outside of a 15-mile radius?  
 a. 0-39%  
 b. 40-69%  
 c. 70-100%

7. What specific goods does your firm produce at this location?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

8. EMPLOYEE INFORMATION

a. How many individuals are now employed by your firm at this location? \_\_\_\_\_

b. If the EDA project enabled you to save any jobs, please fill in the following information:

No. of jobs saved: \_\_\_\_\_ % graduated from high school: \_\_\_\_\_

Average weekly wage/salary: \_\_\_\_\_ % living in county where firm is located: \_\_\_\_\_

Length of working year: \_\_\_\_\_ % heads of household: \_\_\_\_\_

% male employees: \_\_\_\_\_

% full-time employees: \_\_\_\_\_

c. If the EDA project enabled you to create any jobs, please fill in the following information:

No. of jobs created: \_\_\_\_\_ % living in county where firm is located: \_\_\_\_\_

Average weekly wage/salary: \_\_\_\_\_ % heads of household: \_\_\_\_\_

Length of working year: \_\_\_\_\_ Previous average weekly income: \_\_\_\_\_

% male employees: \_\_\_\_\_ % previously unemployed: \_\_\_\_\_

% full-time employees: \_\_\_\_\_

% graduated from high school: \_\_\_\_\_

d. Within the next two years, how many new jobs will be created at this location? \_\_\_\_\_

APPENDIX E

IDENTIFICATION OF GROWTH CENTER COUNTIES

This appendix presents a detailed description of the methodology used to analyze presently designated economic development centers and redevelopment centers, and to identify potential growth centers for economic development districts. The methodology is divided into two parts:

- . Part One - Description of Data and Geographical Areas; and
- . Part Two - Determination of Potential Growth Centers.

PART ONE - DESCRIPTION OF DATA AND  
GEOGRAPHICAL AREAS

I. INTRODUCTION

Part One of this appendix describes the basis of the evaluation approach. It contains:

- the rationale for using county data in the analysis; and
- descriptions of the geographic areas studied.

The development of modified economic development districts is also discussed.

II. USE OF COUNTY DATA

A. RELATIONSHIP BETWEEN GROWTH CENTER AND COUNTY

Growth centers are designated and funded by EDA under the assumption that government investment in these centers will stimulate their economic growth and thus have a positive impact on neighboring redevelopment areas. The "best" centers are those urban areas that have a strong natural potential for growth. It is assumed that by funding projects in these places, EDA achieves greater returns for its investments.

Growing urban centers draw from and contribute to the surrounding area. The immediate surrounding area is the county in which the growth center is located. This is the area that will be most strongly affected by the economic activity of the center. If the influence of the growth center is not felt in its own county, it is unlikely that the center will affect other counties.

In terms of population, economic activity, and industrial structure, a viable growth center dominates most of the county in which it is located. Thus, although the growth centers are politically bounded, their economies encompass the entire county. Therefore, to assess the influence of the growth center, county data should be used.

B. USE OF CITY OR OBE ECONOMIC AREA DATA

Other geographical units were considered and rejected. Other possibilities were city or SMSA data, and data on the Office of Business Economics (OBE) Economic Areas. City data were rejected because city political boundaries do not reflect the range of a center's economic activity. Moreover, during the period covered by this study (1950-1970), many cities annexed adjacent territory, making consistent comparisons extremely difficult. In addition, EDA's designation criteria make use of city data inappropriate. These criteria allow the designation of growth corridors between cities, and city statistics do not include such areas. (In cases where EDA had designated a corridor which encompassed more than one county, aggregated data for the combined counties were used in the analysis.)

Data on OBE Economic Areas were not considered appropriate because these areas are too large to reflect the influence of individual growth centers.

C. CENTER DESIGNATION

Although data on counties were used to identify potential growth centers, only the major city or town within each selected county is recommended for designation. Usually, this place dominates the economic activity of the county, and contains the major portion of the existing infrastructure. Thus, EDA will achieve the greatest economies by investing here, because projects can be designed to take advantage of the existing infrastructure.

III. DISTRICTS AND REGIONS

A. ECONOMIC DEVELOPMENT DISTRICTS

Economic Development Districts (EDD's) were selected as the basic unit of analysis because they are relatively homogeneous and because a major objective was to identify growth centers within existing district boundaries.

Most districts are multi-county distressed areas where family incomes have remained below the national median, and unemployment has exceeded the national average. Of the 1,094 counties that comprised the 140 districts recognized by EDA as of December 31, 1970, 96 percent had family incomes below the national median and 64 percent had unemployment rates that exceeded the national average.<sup>1/</sup>

<sup>1/</sup> Table B.1 and B.2 contain regional income and employment data.

In addition to having similar income and employment statistics, the districts are homogeneous with respect to the socio-economic variables used by the Bureau of the Census in delineating State Economic Areas (SEA's), which are defined as:

"...groups of counties within a state which have similar economic and social characteristics. The boundaries of these areas have been drawn in such a way that each State is subdivided into a few parts, with each part having certain significant characteristics which distinguish it from other areas which it adjoins."<sup>1/</sup>

In most cases, an economic development district is comprised of several SEA's. Most districts include less than 10 counties and, therefore, cover a relatively small geographic area. Therefore, socioeconomic characteristics tend to be uniform throughout a district, even if district boundaries do not coincide exactly with those of an SEA. However, approximately two-thirds of the 140 EDD's have boundaries which conform to those of the SEA's.

#### B. MODIFIED ECONOMIC DEVELOPMENT DISTRICTS

Modified districts were developed by enlarging existing district boundaries to include those peripheral counties with commuting and trade patterns related to those of the district. In cases where such counties were members of other EDD's, no modifications were made.

The Economic Areas defined by the Office of Business Economics were used as a first approximation for delineating the modified district boundaries. The 173 Economic Areas are structured to minimize commuting across boundaries.<sup>2/</sup>

<sup>1/</sup> Donald J. Bogue, and Calvin L. Beale, Economic Areas of the United States, (New York, April 1961), p. XLIV.

<sup>2/</sup> For a more detailed discussion, see U.S. Dept. of Commerce, Office of Business Economics, Regional Economics Division, OBE Economic Areas of the United States (Washington, D.C., September 1967).

To develop modified district boundaries, EDD boundaries were extended to include all counties associated with their respective OBE economic areas. Then, the enlarged districts were further modified to exclude counties at the periphery of the OBE economic areas that did not show significant trade relationships with the district. Rand-McNally Trade Areas were used for this step in refining modified district boundaries.<sup>1/</sup> The results of these modifications were modified districts that corresponded closely to the "closed trade areas" of central place theory.<sup>2/</sup>

The established commuting and trade patterns that exist within the modified districts as developed above make them cohesive planning units. Furthermore, if a growth center is identified in a modified district, it will have strong economic ties throughout the district.

#### C. REGIONS

##### 1. Definition of Regions

All districts and modified districts were grouped into 13 regions for analysis. Each region was constructed to contain districts that were reasonably homogeneous with respect to geographic characteristics and economic activities. Two steps were taken to delineate regions.

<sup>1/</sup>The 50 Major Trading Areas and their components, Basic Trading Areas, which were used for further modifying district boundaries, were delineated by the staff of Rand McNally. The boundaries of these areas were established on the basis of criteria covering physiographic characteristics, population, economic activity, newspaper circulation, highway facilities, railroad service, suburban transport, and field sales reports. Additional information is in 1970 Commercial Atlas and Marketing Guide, 101st Ed., Rand McNally and Company, Ossining, New York.

<sup>2/</sup> Basically, a closed trade area is an area surrounding a city or urban place where goods and services are purchased locally. The boundaries of the trade area are "closed" when retail sales and service patterns can no longer be associated with a specific city.

First, modified districts were grouped into larger areas approximating the "economic regions" defined by Bogue and Beale. Each of the economic regions is a combination of smaller geographical units that are comparatively homogeneous in terms of topography, climate, and economic interrelationships. Second, each of the modified district groupings was altered to conform to the major topographical characteristics (e.g. mountain ranges, plateaus, valleys, and plains) of the area. When feasible, boundary problems between contiguous regions were settled by using the boundaries established by EDA's Title V Regional Commissions or the Appalachian Regional Commission.

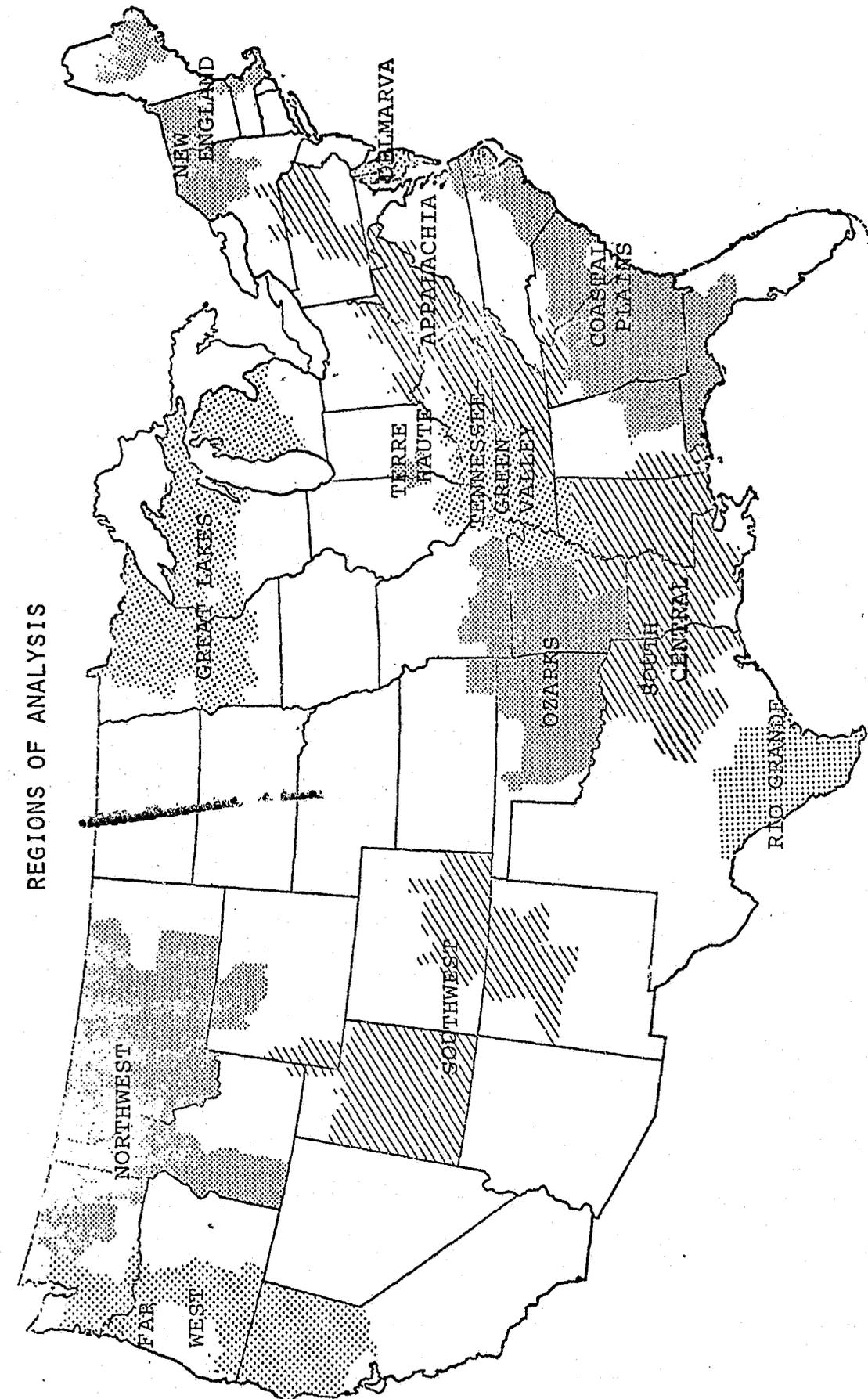
These procedures resulted in the delineation of 13 relatively homogeneous regions. These regions are depicted in Figure B-1.

## 2. Southwest, Great Lakes, and New England Regions

The Southwest, Great Lakes, and New England Regions are not composed of entirely contiguous districts or modified districts. The Southwest Region is divided into two parts, both of which lie within the Rocky Mountain and Intermountain Economic Region as defined by Bogue and Beale. For this study, both sections were treated as a single contiguous geographical unit.

The Great Lakes Region also has two geographically separate parts that were combined and treated as a single unit. One of the sections falls within Bogue and Beale's Northern Woods Economic Subregion, while the other is included in the area they identify as the Upper Great Lakes Economic Region. The New England Region is composed of three parts. The two larger sections are located in Bogue and Beale's Eastern Great Lakes and Northeastern Upland Economic Region, and in the northern extension of the Appalachian Plateau. The remaining section consists of one modified district, which lies within New England but does not have the same physical characteristics as the other two parts.

FIGURE B.1  
REGIONS OF ANALYSIS



### 3. Terre Haute, Delmarva, and Rio Grande Regions

The Terre Haute and Delmarva Regions each consist of one district. The Terre Haute Region is a modified district composed of an SMSA and a few neighboring counties. The Delmarva Region encompasses the entire Delaware-Maryland-Virginia Peninsula. The economic and physical characteristics of these areas precluded them from being combined with the modified districts of other regions. The Rio Grande Region covers four districts and lies wholly within the Gulf Coast and Atlantic Flatwoods Economic Region and the Rio Grande Plain.

### 4. Northwest and Far West Regions

The Cascade Mountains and Columbia Plateau were used to delineate the boundary between the Northwest and Far West Regions. The Northwest Region extends from the Scablands to the Snake River Valley, while the Far West Region covers the area between the Puget Trough of Washington and Napa Valley of California.

### 5. Coastal Plains, Appalachian, and Tennessee-Green Valley Regions

The Appalachian Regional Commission Boundary and the physical characteristics of the Appalachian and Piedmont Plateaus were used to demarcate the Coastal Plains and Appalachian regional boundaries. The area between the Appalachian and Ozark Plateaus was identified as the Tennessee-Green Valley Region. This area includes the western end of the Ohio Valley, the Kentucky Blue Grass area, and the Wabash Valley. Overall, the economic and geographical characteristics of the area differ considerably from those of the Ozarks and Appalachian Regions on which it borders.

### 6. Ozarks and South Central Region

The Ozarks Regional Commission boundaries were used in delineating the Ozarks Region, which includes most of the Ozarks Plateau and the northernmost part of the Mississippi Basin. Only the western portion of Bogue and Beale's Central and Eastern Upland Region was included in the Ozarks Region.

The final region identified was the South Central Region, which borders the Ozarks, Tennessee-Green Valley, and Coastal Plains Regions. This area covers most of the Mississippi Basin, portions of the Gulf Coast and the westernmost part of the Coastal Plain. Most of the region lies in the area identified by Bogue and Beale as the South Center and Southwest Plains Region.

### D. INCOME AND ECONOMIC CHARACTERISTICS OF REGIONS

Table B.1 shows the family income characteristics for each of the regions. All counties in the Coastal Plains, Tennessee-Green Valley, Rio Grande, and Terre Haute Regions had median family incomes below the national value in 1960. In that year, more than 99 percent of the counties in the Ozarks, Appalachian, and South Central Regions had median family incomes below the national median. Only the Far West Region, where 30 percent of all counties had median family incomes below the national median, appeared to differ considerably from the others.

Table B.2 shows the unemployment rate characteristics of each of the regions. Again, the regions appear to be uniformly distressed. Only the Coastal Plain Region had more counties below the national unemployment rate than above. All other regions had at least 56 percent of their counties with unemployment rates exceeding the national rate.

TABLE B.1

## CHARACTERISTICS OF MEDIAN FAMILY INCOME IN DISTRICT COUNTIES (1960)

REGION	NUMBER OF DISTRICT COUNTIES IN REGION	NUMBER OF DISTRICT COUNTIES WITH MEDIAN INCOME BELOW NATIONAL MEDIAN	PERCENT OF DISTRICT COUNTIES WITH MEDIAN INCOME BELOW NATIONAL MEDIAN
Coastal Plains	191	191	100%
Rio Grande	36	36	100%
Tennessee-Green Valley	106	106	100%
Terre Haute	5	5	100%
Appalachia	199	197	99%
Ozarks	129	128	99%
South Central	181	180	99%
New England	32	30	94%
Delmarva	14	13	93%
Great Lakes	87	79	91%
Southwest	43	39	88%
Northwest	41	34	83%
Far West	30	9	30%
TOTAL	1,094	1,047	96%

TABLE B.2

## CHARACTERISTICS OF UNEMPLOYMENT RATE IN DISTRICT COUNTIES (1960)

REGION	NUMBER OF DISTRICT COUNTIES IN REGION	NUMBER OF DISTRICT COUNTIES WITH UNEMPLOYMENT RATE ABOVE NATIONAL AVERAGE	PERCENT OF DISTRICT COUNTIES WITH UNEMPLOYMENT RATE ABOVE NATIONAL AVERAGE
Far West	30	29	97%
Great Lakes	87	76	87%
Appalachia	199	161	81%
Northwest	41	33	81%
New England	32	25	78%
Delmarva	14	10	71%
Southwest	43	26	61%
Terre Haute	5	3	60%
Ozarks	129	75	58%
Tennessee-Green Valley	106	59	56%
Rio Grande	36	20	56%
South Central	181	102	56%
Coastal Plains	191	84	44%
TOTAL	1,094	703	64%

PART TWO - DETERMINATION OF POTENTIAL  
GROWTH CENTERS

I. INTRODUCTION

The first step in identifying potential growth centers involved using a modified shift-share analysis to isolate those counties in the 13 identified regions that have dissimilar employment structures or dissimilar changes in those structures. Counties selected by this procedure were then analyzed with respect to:

- . employment growth in seven major sectors;
- . employment structure;
- . population change;
- . location with respect to Standard Metropolitan Statistical Areas; and
- . commuting distance from redevelopment areas.

The largest place in each county passing this final group of tests was identified as a potential growth center.

II. MODIFIED SHIFT-SHARE ANALYSIS

A. SCOPE OF ANALYSIS

A modified shift-share analysis was used to isolate counties for further study. <sup>1/</sup> The underlying assumption was that most counties in a distressed region have similar em-

---

<sup>1/</sup> This technique was developed by John A. Kuehn and Lloyd D. Bender in "An Empirical Identification of Growth Centers." Land Economics (November 1970). Their method is based upon analysis of employment structure and changes in the pattern of employment structure and has the "objective of isolating growth poles within distressed areas."

ployment characteristics and thus offer limited potential for further growth. Counties with dissimilar characteristics are more likely to contain a potential growth center.

The modified shift-share analysis consisted of:

- . a shift-share analysis to determine changes in each county's employment structure; and
- . a correlation analysis to identify the counties with the most dissimilar changes.

B. SHIFT-SHARE ANALYSIS

Use of shift-share analysis to analyze an area's economic potential is based on the assumption that two facts need to be known about its growth. These facts are (1) whether the area has many rapid-growth industries and (2) whether it has an increasing share of particular industry sectors.

While increases in employment are not the same as economic growth, employment data provides a clear and uniform measure of economic activity. In addition, EDA's growth concept is based on the creation of jobs. As previously indicated, the county was selected as the geographic area best suited for an analysis of growth centers. Therefore, the basic data used in this study were figures on county employment in the 32 industry sectors for 1950 and 1960. <sup>1/</sup> These sectors are identified in Table B.3.

This analysis separated county employment growth into three components.

- (1) The share (S) is that part of a county's employment growth that can be attributed to regional trends.

---

<sup>1/</sup> 1970 data will be incorporated as soon as it is available.

TABLE B.3

INDUSTRY SECTORS

(Employment by Place of Residence)

NO.	INDUSTRY SECTORS
1	Agriculture
2	Forestry and Fisheries
3	Mining
4	Contract Construction
5	Manufacturing: Food and Kindred Products
6	Manufacturing: Textile Mill Products
7	Manufacturing: Apparel and other Textiles
8	Manufacturing: Printing and Publishers
9	Manufacturing: Chemicals and Allied Products
10	Manufacturing: Lumber and Furniture
11	Manufacturing: Machinery, excluding Electrical
12	Manufacturing: Electrical Equipment and Supplies
13	Manufacturing: Transportation Equipment
14	Manufacturing: Paper and Allied Products
15	Manufacturing: Petroleum Refining
16	Manufacturing: Primary Metals Industry
17	Manufacturing: Fabricated Metals and Ordinance
18	Manufacturing: Miscellaneous Manufacturing
19	Transportation
20	Communications
21	Utilities
22	Wholesale Trade
23	Eating and Drinking Places
24	Other Retail Trades
25	Finance, Insurance and Real Estate
26	Lodging Places and Personal Services
27	Business and Repair Services
28	Amusement and Recreation Services
29	Private Households
30	Educational, Medical, and Professional Services
31	Public Administration
32	Armed Forces

- (2) The composition shift (M) is that part of a county's employment growth that can be attributed to its industrial mix (employment in rapid- or slow-growth industries).
- (3) The competitive shift (C) is that part of a county's employment growth that can be attributed to industries growing at a different rate in the county than in the region.

Total employment growth in a county is the sum of the three components.

The two shift components, M and C, are concerned with that portion of a county's growth that is above or below the regional average growth rate of all industries. That is, the sum of the shift components is equal to the difference between the actual employment change in the county and the change that would have occurred had the county's employment grown at the regional rate. The share component, S, represents the base from which the actual growth of a county is measured.

The composition shift, M, measures the effect of some industries growing faster on a regional basis than others. The competitive shift, C, measures the difference between the growth rate of a given industry in a county and the growth rate of that industry regionally. Areas that have locational advantages for particular industries should have net upward competitive shifts. Such internal competitive shifts in industrial composition, which often reflect transition from an agricultural to an industrial economy, indicate growth potential.

The three components of the shift-share analysis can be defined mathematically as follows:

Share (S)

$$S_{ij} = E^0_{ij} \left[ \frac{E^t_n}{E^0_n} - 1 \right]$$

Composition Shift (M)

$$M_{ij} = E^0_{ij} \left[ \frac{E^t_{in}}{E^0_{in}} - \frac{E^t_n}{E^0_n} \right]$$

### Competitive Shift (C)

$$C_{ij} = E^0_{ij} \left[ \frac{E^t_{ij}}{E^0_{ij}} - \frac{E^t_{in}}{E^0_{in}} \right]$$

### Total Employment Change

$$E^t_{ij} - E^0_{ij} = S_{ij} + M_{ij} + C_{ij}$$

where:

S = Share

M = Composition shift

C = Differential or competitive shift

$E_{ij}$  = Employment in industry i in county j

$E_{in}$  = Employment in industry i in the region

$E_n$  = Employment in all industries in the region

Subscript j = 1, 2, ..., n where n is number of counties

Subscript i = 1, 2, ..., 32 industry sectors

Subscript t = Final time period

Subscript 0 = Initial time period

Each of the shift components was summed across the 32 industry sectors to give the total composition shift and the total competitive shift of a county:

### Total Composition Shift

$$\sum_{i=1}^{32} M_{ij}$$

### Total Competitive Shift

$$\sum_{i=1}^{32} C_{ij}$$

The 32  $C_{ij}$ 's indicated whether county j's share of industry i was growing faster or slower than the same industry regionally. Each of the 32  $M_{ij}$ 's indicated whether county j had some share of industry i that was growing faster or slower than the average of all industries regionally. Summation of the two components provided two more observations for each county, making a total of 66 observations per county.

### C. CORRELATION ANALYSIS

The 66 observations for a particular county were correlated with the same 66 observations for each of the other counties in the region.

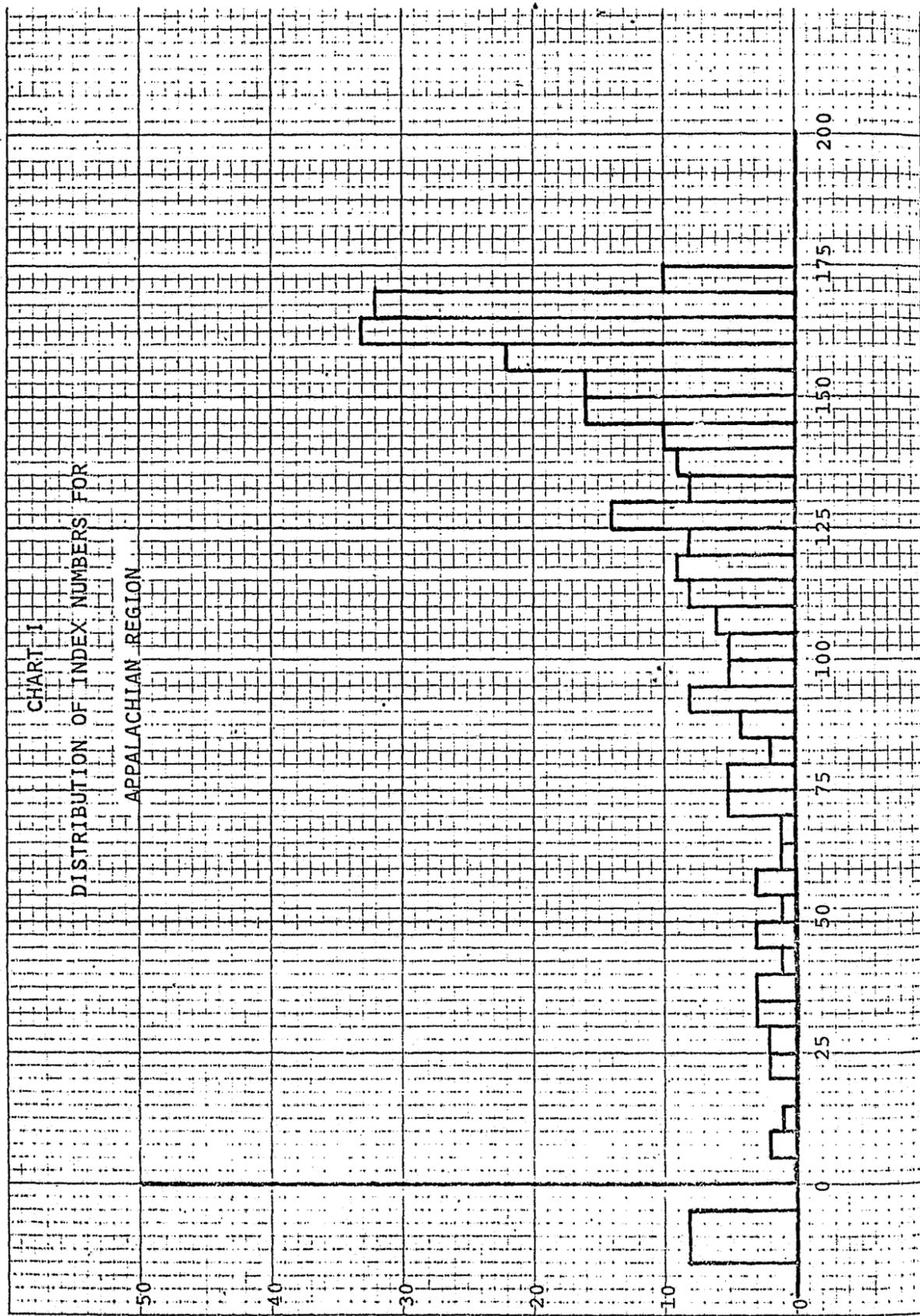
The (n-1) correlation coefficients for a particular county were then summed to give an index of the similarity of the county with the rest of the region. The smaller the sum of the correlation coefficients, the more dissimilar the county. The counties in each region were then ranked according to the sum of their coefficients.

### D. HISTOGRAMS OF THE INDICES OF SIMILARITY

Histograms of the indices of similarity were constructed for each of the 13 regions. This was done to determine an appropriate cut-off point for separating dissimilar places from all others within their respective regions. The histograms show that the distribution of the index values are highly skewed to the right, as would be expected since similar places have larger index values and are more numerous than dissimilar places. Histograms for the 10 regions are provided in Charts I through X. <sup>1/</sup>

Cut-off points were established for each region in the following manner. A cut-off point was selected on the histogram at approximately the point of inflection on the curve. This cut-off point was then tested as follows.

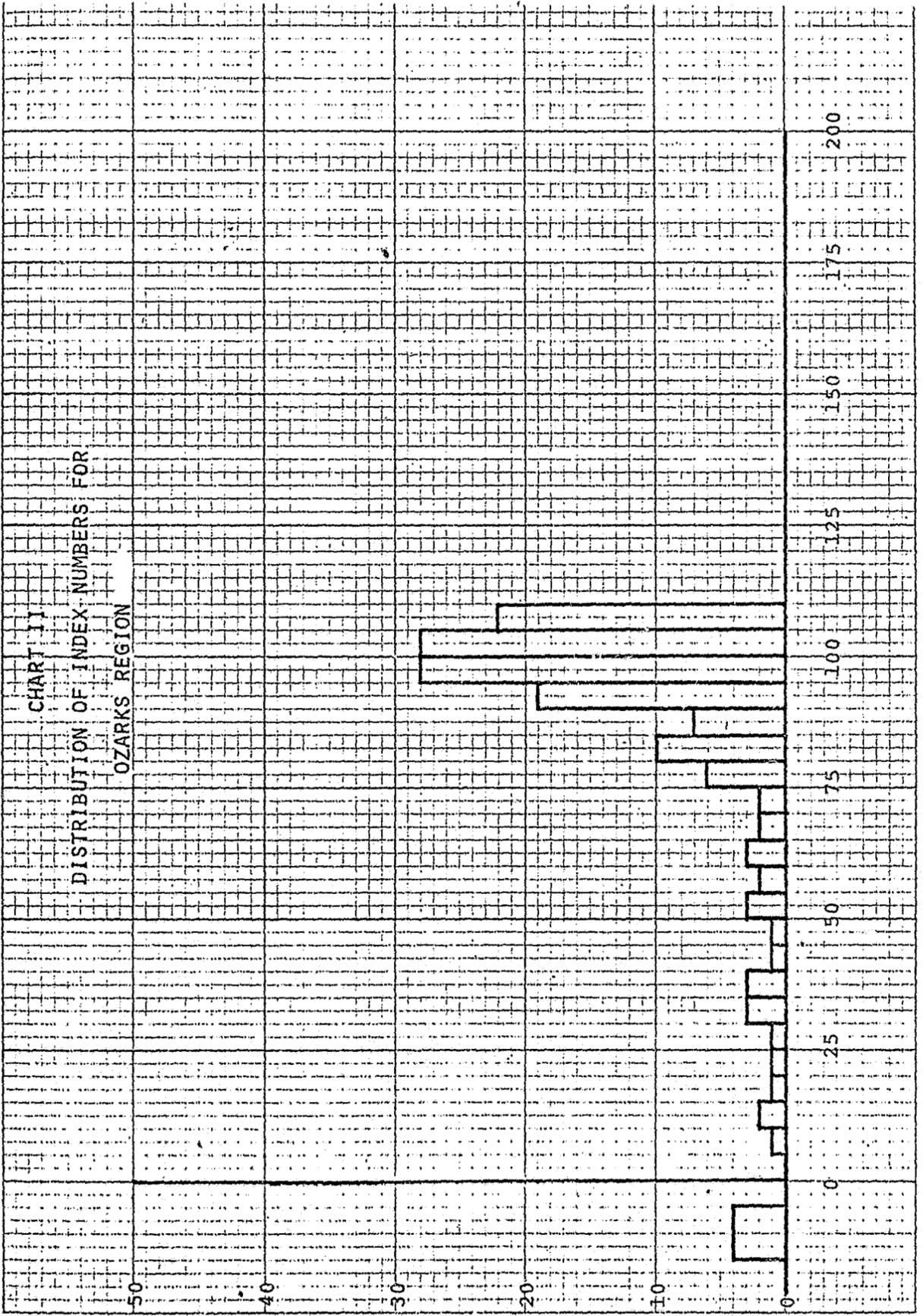
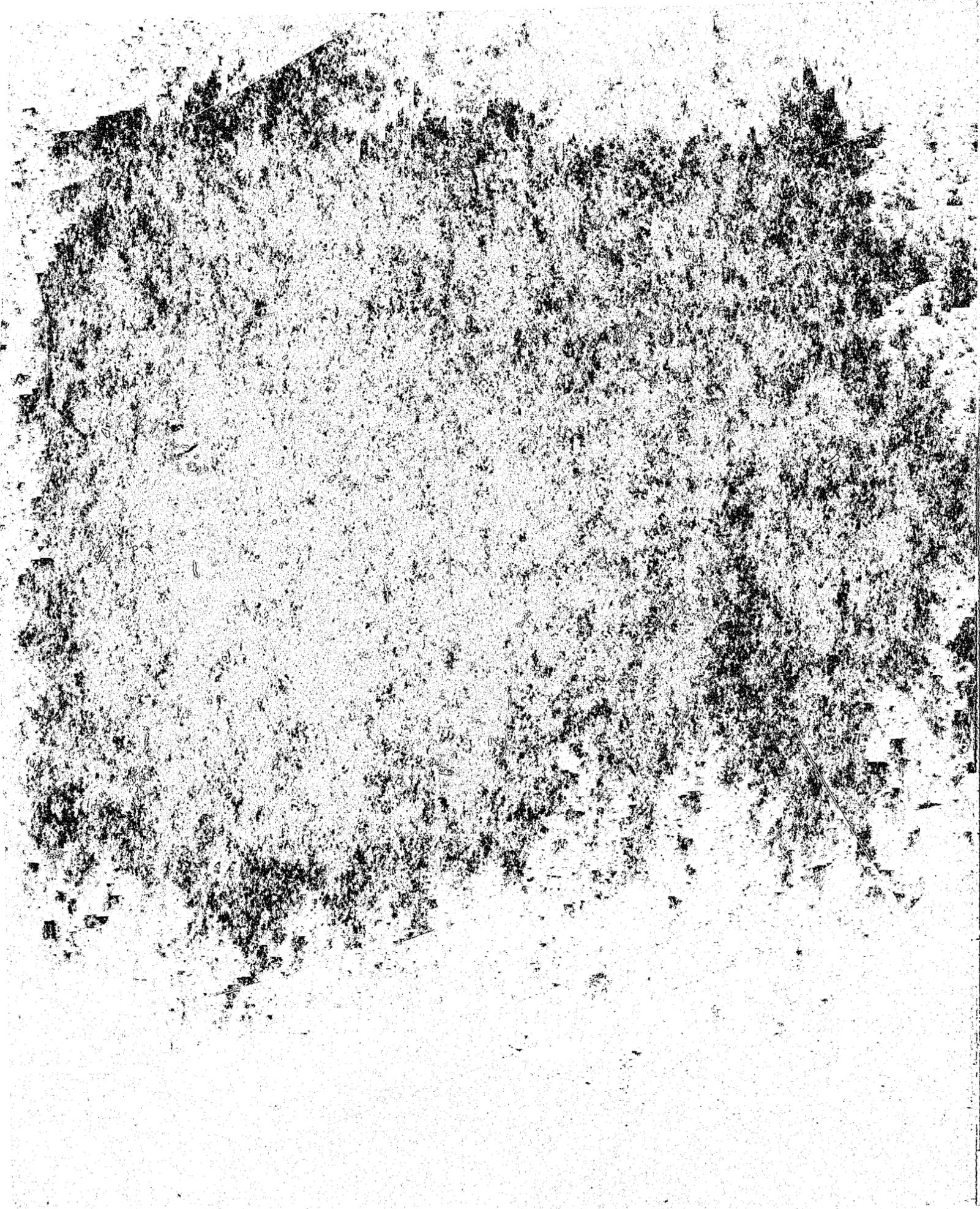
<sup>1/</sup> Histograms for three regions have been omitted. An explanation is provided in the section on Statistical Limitations.

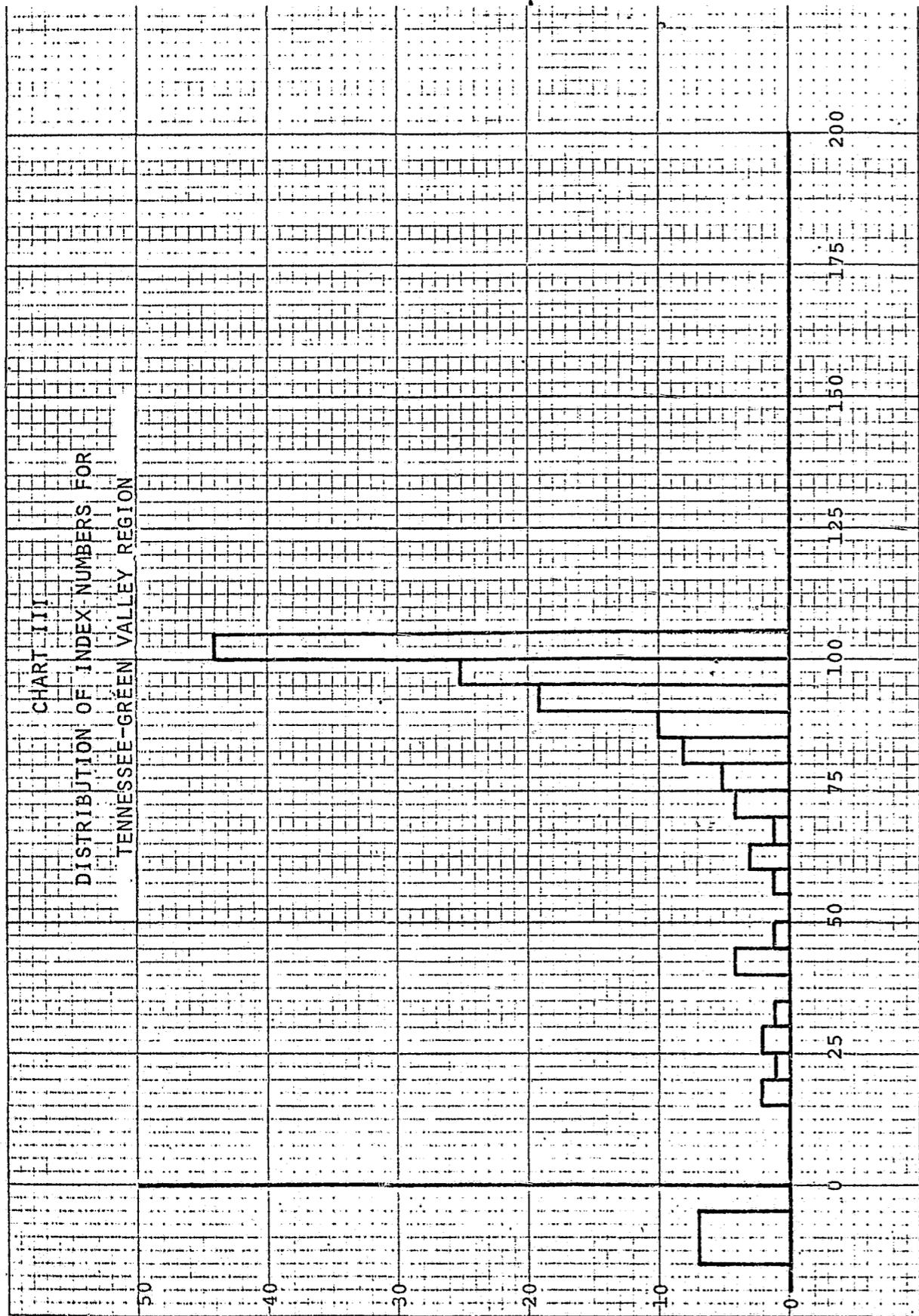


E.18

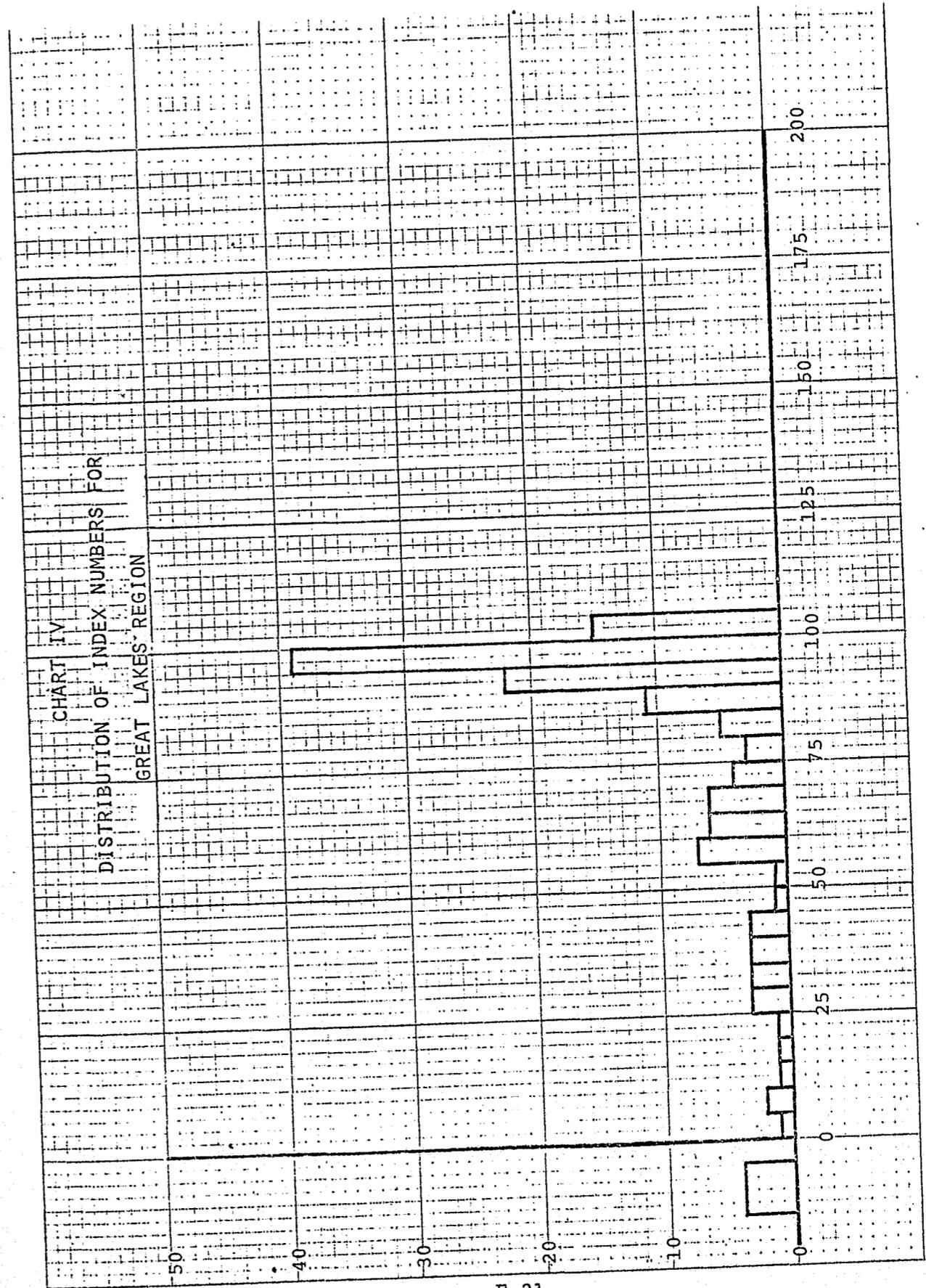
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**2 OF 2**





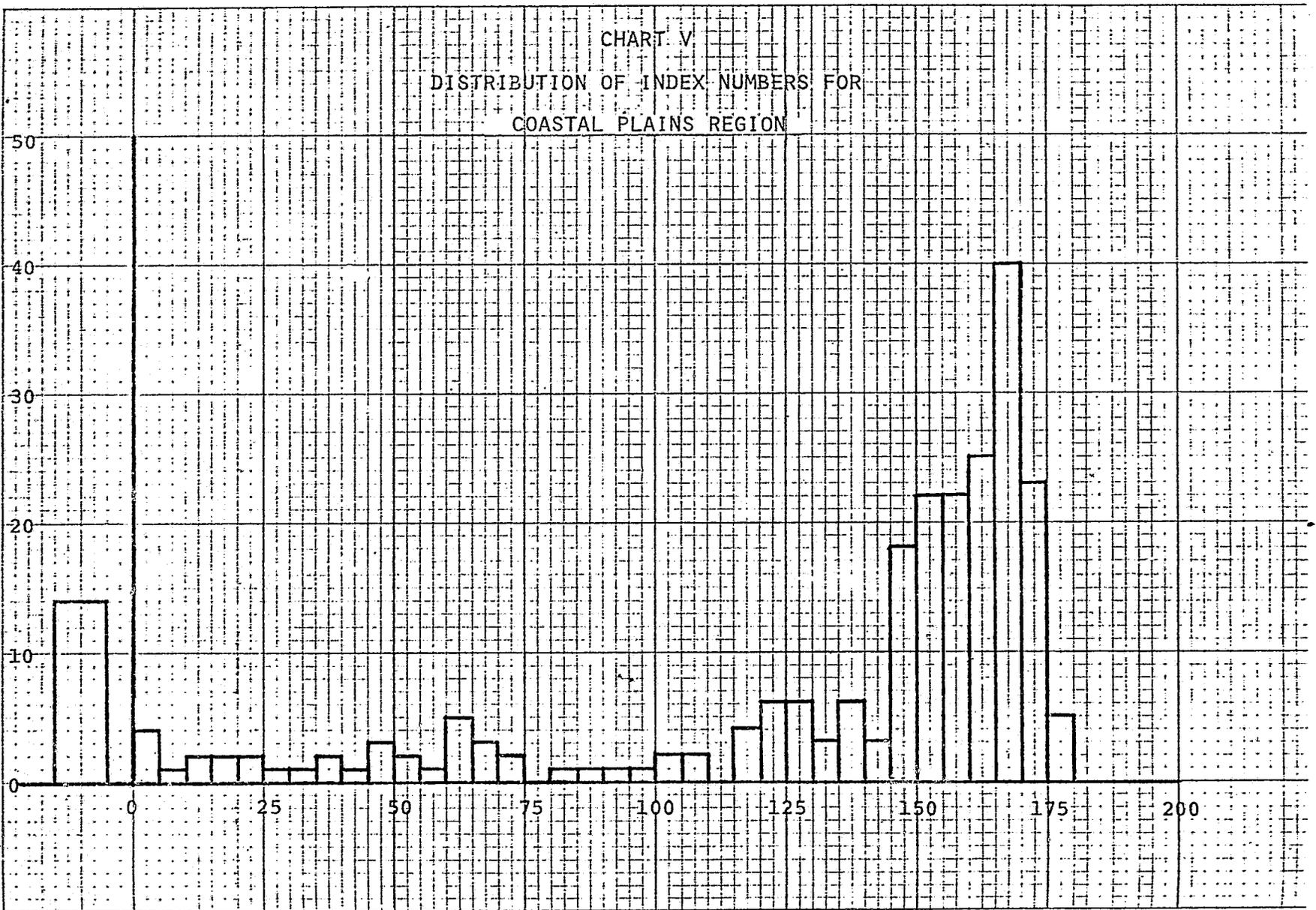
E.20



E.21

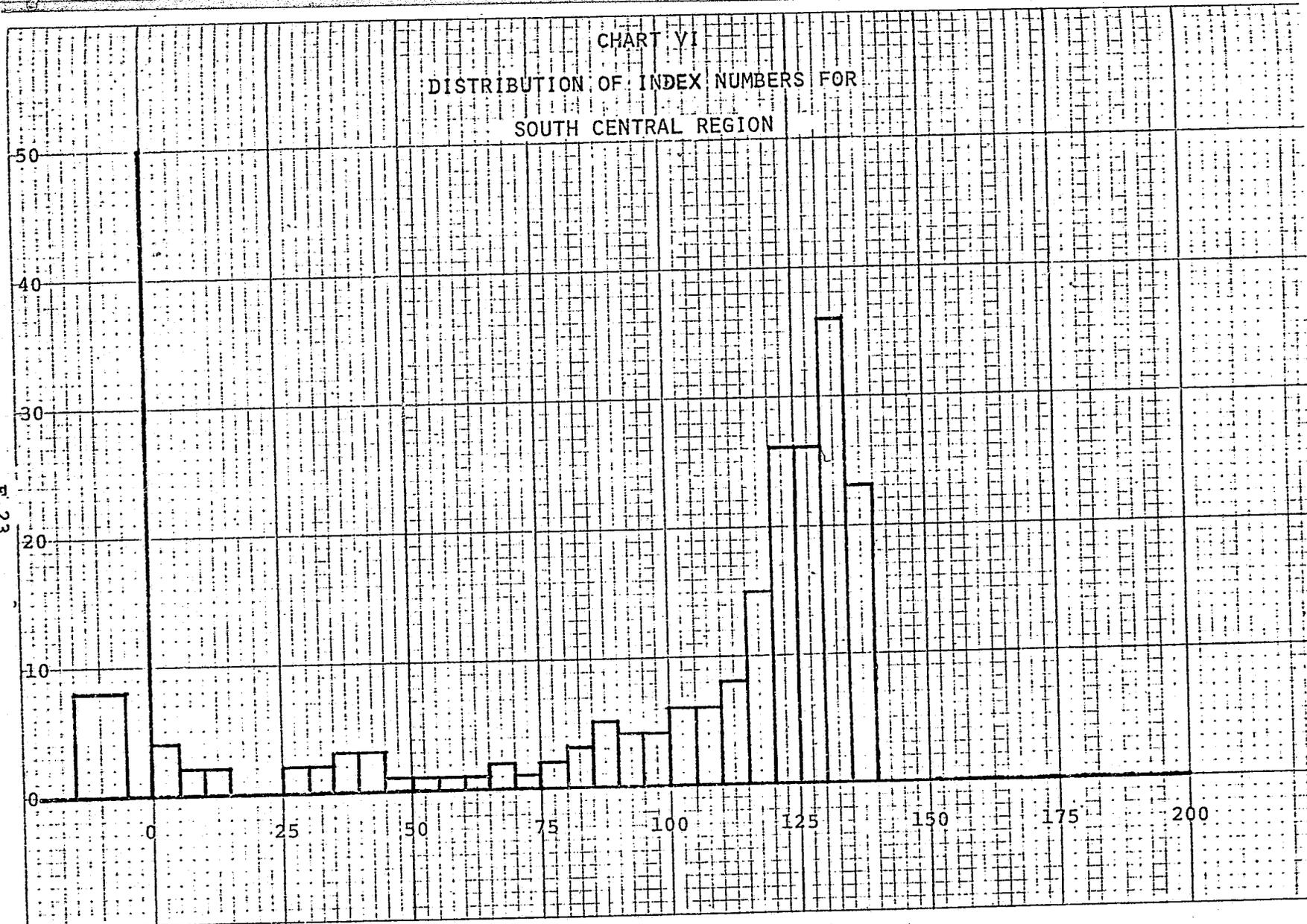
E.22

CHART V  
DISTRIBUTION OF INDEX NUMBERS FOR  
COASTAL PLAINS REGION



E.23

CHART VI  
DISTRIBUTION OF INDEX NUMBERS FOR  
SOUTH CENTRAL REGION



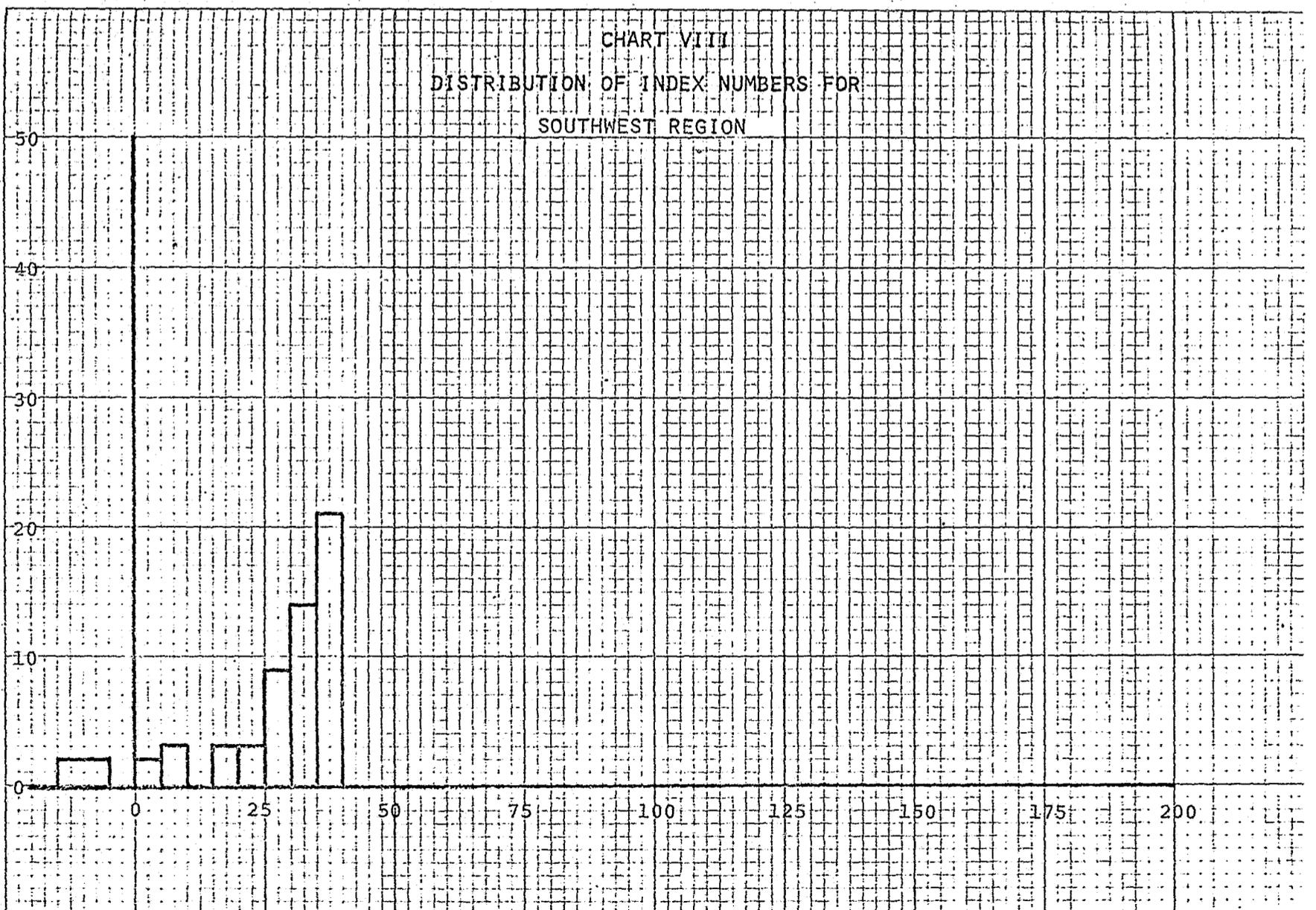
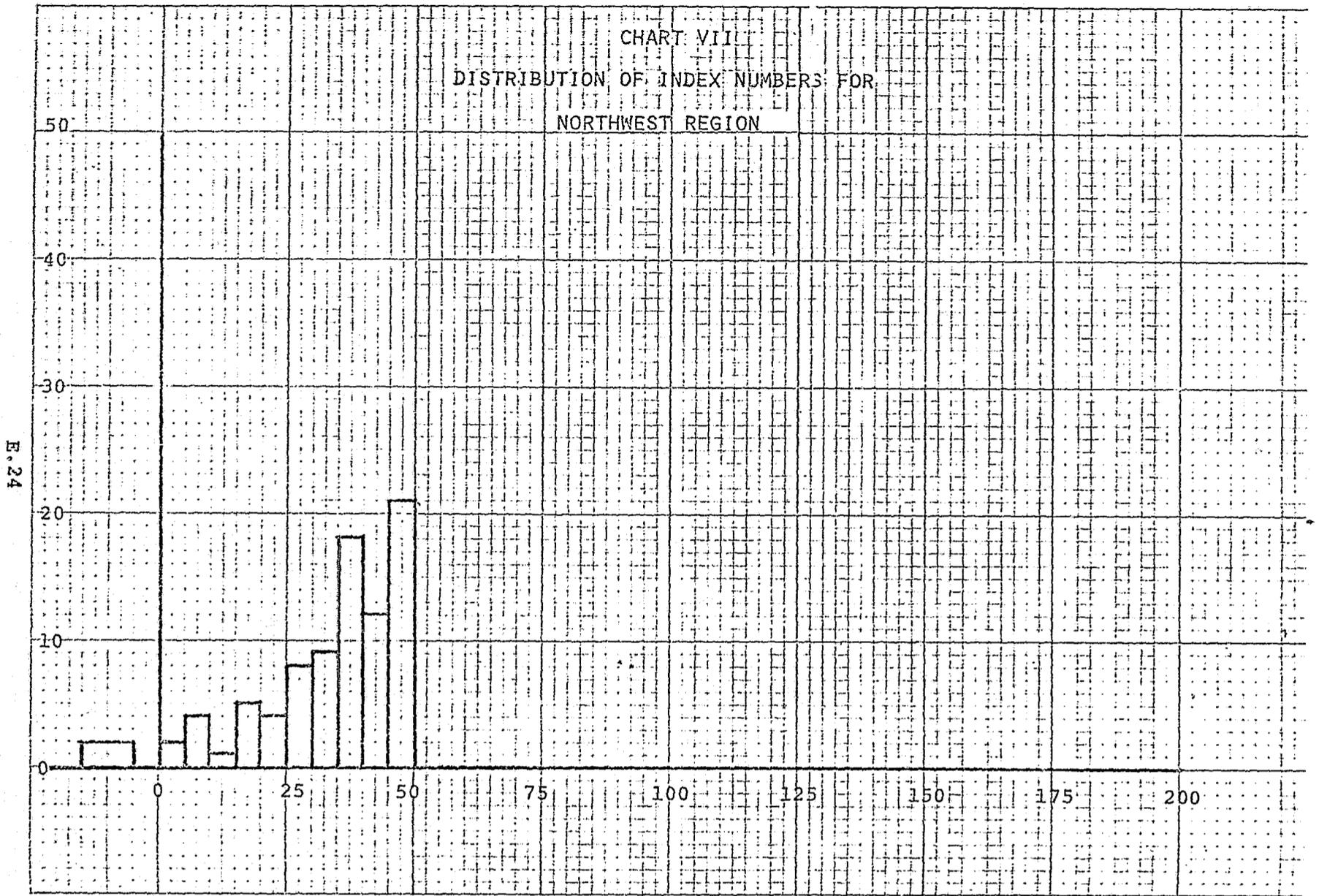


CHART IX  
DISTRIBUTION OF INDEX NUMBERS FOR  
RIO GRANDE REGION

E. 26

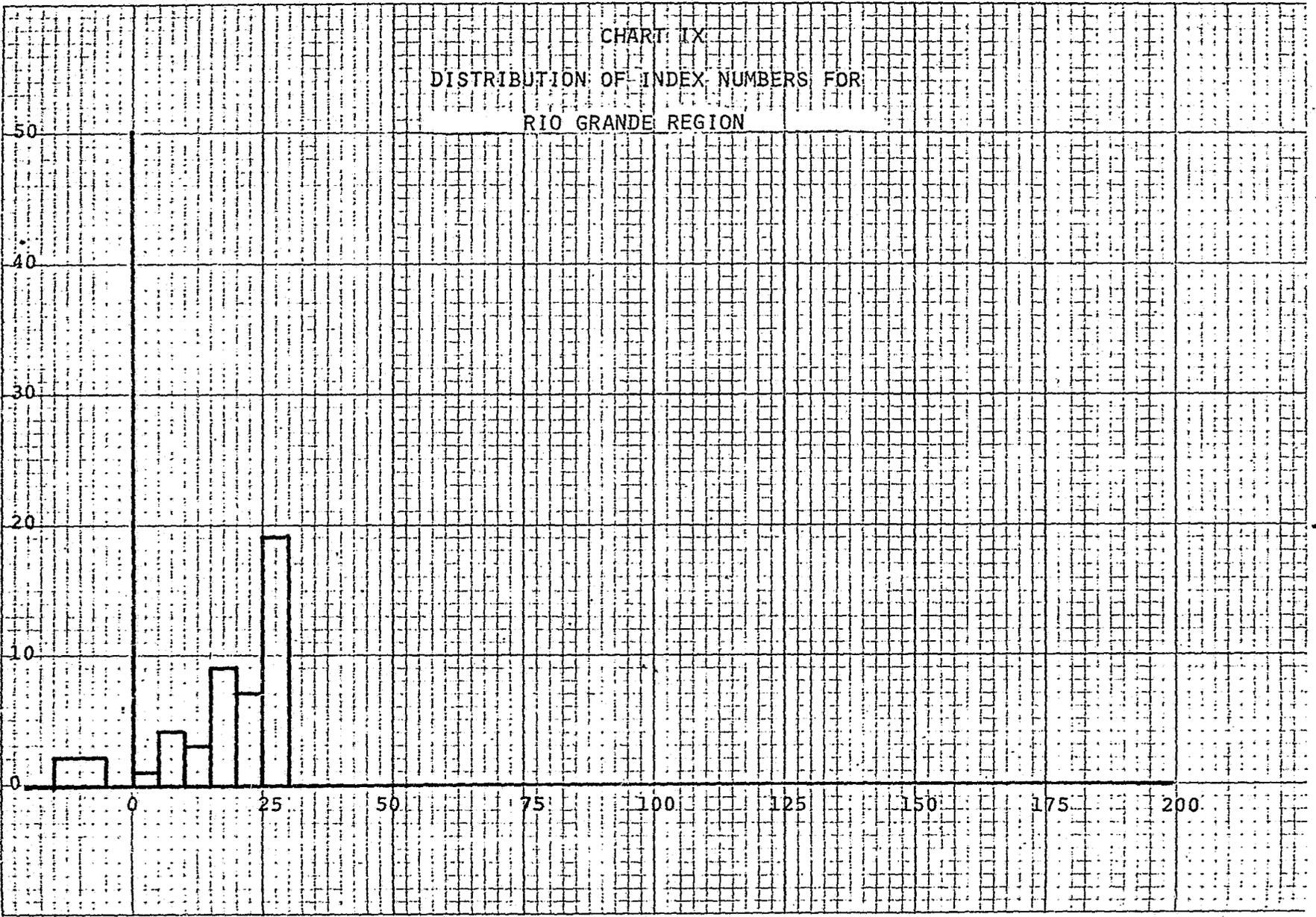
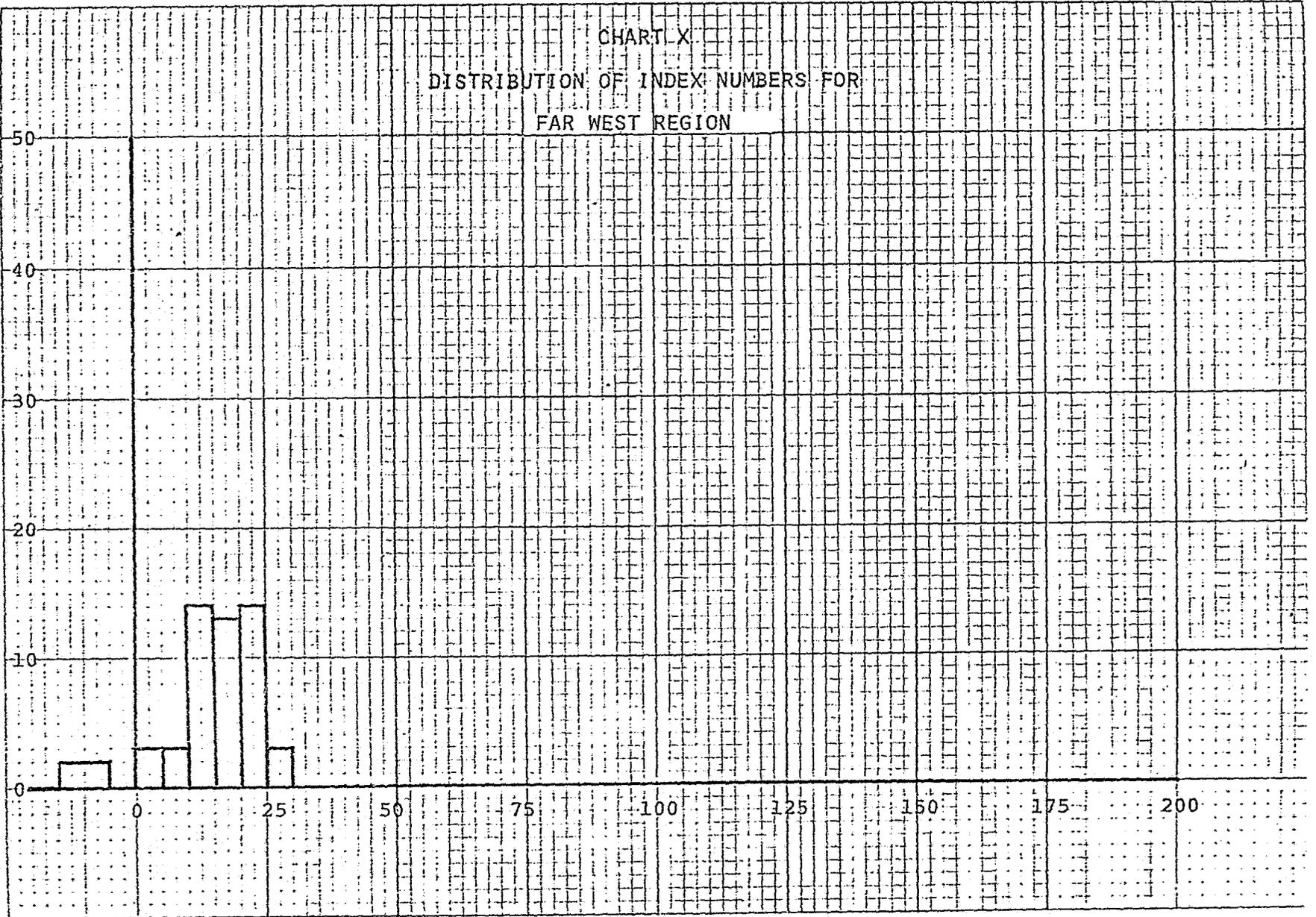


CHART X  
DISTRIBUTION OF INDEX NUMBERS FOR  
FAR WEST REGION

E. 27



The 10 counties immediately to the right of the cut-off point and counties selected through a random sample of all counties to the right of the cut-off point were tested under the county selection criteria explained in detail in Section IV. If any of these counties qualified as a Type I or Type II center, the cut-off point was adjusted to include that county. Then, the procedure was repeated to determine if any of the 10 counties immediately to the right of the new cut-off point or any of the counties picked through a random sample of all counties to the right of the new cut-off point met the criteria for Type I or Type II centers. This procedure was repeated until none of the counties - either those 10 immediately to the right of the cut-off point or those included in the sample of all counties to the right of the cut-off point - satisfied the selection criteria. When that occurred, it was judged that a satisfactory cut-off point had been reached.

For the most part, the results of these tests showed that the places to the right of the original cut-off point could not meet the county selection criteria. The exceptions, observed in three regions, are discussed in the following section on Statistical Limitations.

It should be emphasized that the shift-share analysis was used only to reduce the number of counties to be examined under the criteria for county selection. The purpose of the analysis was to eliminate those counties that were similar with respect to distressed economic conditions and would not be potential growth centers. The shift-share analysis was not part of the selection procedure.

#### E. LIMITATIONS OF THE STATISTICAL TECHNIQUE

It was found that the statistical technique failed to identify dissimilar places when the number of observations (counties) within a region was extremely small. Three regions were affected: Delmarva, New England, and Terre Haute. The criteria for county selection, discussed below, were applied to all counties within the three smallest regions. All other regions had a sufficient number of counties so that the statistical technique did differentiate between the similar and dissimilar counties.

### III. BASIS OF CRITERIA FOR COUNTY SELECTION

#### A. INTRODUCTION

Counties selected by the modified shift-share analysis were analyzed in detail with respect to employment and population. Four criteria were employed. These criteria are:

- . percent change in employment in seven major sectors;
- . ratio of manufacturing employment to total employment;
- . ratio of non-basic employment to total employment; and
- . percent change in population between 1960 and 1970.

The criteria are discussed in Section IV. This section discusses the background for their selection.

#### B. COUNTIES IDENTIFIED BY SHIFT-SHARE ANALYSIS

Counties identified by the modified shift-share analysis were:

- . counties that are more distressed than others within their regions;
- . counties with extremely specialized economies such as recreation, mining, and retirement; and
- . counties that reflect potential for further growth concurrent with employment growth impact in surrounding areas.

A minimum requirements approach was used to identify counties of the last type.

#### C. MINIMUM REQUIREMENTS BASE ANALYSIS

The minimum requirements approach determines the minimum percentage of a labor force required in various sectors of an area's economy to maintain the viability of the area.<sup>1/</sup> Three

<sup>1/</sup> For some general contributions to the literature on economic base theory, see Irving Morrisett, "The Economic Structure of American Cities," presented at the Regional Science Association meeting and published in Papers and Proceedings, 1958; Edward L. Ullman and Michael F. Dacey, "The Minimum Requirements Approach to the Urban Economic Base," PPRSA, Vol. 6, 1960; Charles L. Leven, "The Economic Base and Regional Growth," in Research and Education for Regional and Area Development (Iowa State University Center for Agricultural and Economic Development, Iowa State University Press: Ames, Iowa, 1967).

modifications were introduced. First, the distinction between basic production (for export) and non-basic production (for local consumption) for each industrial sector was dropped in preference to aggregating manufacturing employment as the area's basic export sector. Second, employment in the various trade and service industries was aggregated to represent the area's non-basic employment structure. Last, rather than comparing the employment characteristics of areas with each other, the benchmark for comparison was the average regional distribution of employment by major industrial sectors.<sup>1/</sup>

Two employment base measures were developed. The first was the ratio of manufacturing employment to total employment. The relative size of an area's manufacturing base is related to national and regional market forces. The greater the demand for an area's manufactured goods, the larger the relative size of the area's manufacturing base. It was determined that the relative size of an area's manufacturing base was of strategic importance for an area's overall future employment growth. According to Perloff,

Manufacturing is one of the largest and most dynamic sectors of total employment. In explaining shifts in total employment, its role is especially important because it is the basic link between resource sectors and consuming sectors of the economy. Because internal and external economies of scale are so often important, a significant segment of manufacturing activity is characterized by a large intra-industry absorption of inputs and outputs and a locational orientation towards "intermediate" inputs and outputs.<sup>2/</sup>

<sup>1/</sup> Fundamentals of export base theory are brought into the analysis by the first and second modifications. The distinction between export industries and tertiary or service industries and activities is straightforward. In theory, economic activities directly related to the export of goods and services are said to create a flow of funds into the exporting area which induces further growth and sets the overall level of activity in the local service and trade sectors. See Douglass C. North, "Location Theory and Regional Economic Growth," Journal of Political Economy, Vol. 63 (June 1955) pp. 243-58, and Harvey H. Perloff, et al., Regions, Resources and Economic Growth (University of Nebraska Press: Lincoln, 1960), particularly Chapter 4, "Theories of Regional Economic Growth," pp. 55-62.

<sup>2/</sup> Perloff, p. 462. In addition to Perloff's view, Ullman and Dacey, op. cit., have empirically determined that manufacturing employment is generally the largest export component of most cities (p. 189).

The second employment base measure was a ratio of the sum of all employment in the trade and service industries to total employment. This is considered the non-basic component of an area's industrial structure. It must be large enough to service the area's local market and surrounding counties. Although most economic base studies assume that the non-basic sector is primarily "adaptive" to changes in the export sector, it was assumed that the relative size of both sectors - basic and non-basic - is significant in the development process of distressed areas.<sup>1/</sup> Thus, the employment structure of an area is considered to offer greater potential for future growth and impact on the surrounding area when the percent employed in the basic and non-basic sectors is greater than or equal to that of its region.<sup>2/</sup> A listing of the industries in both the basic and non-basic sectors appears later in this Appendix.

#### D. EMPLOYMENT AND POPULATION

The third part of the methodology follows logically from the base analysis of the preceding section. If an area's economic base is at least as viable as that of the represen-

<sup>1/</sup> For a discussion of the roles of the basic and non-basic sectors in the development process, see Charles M. Tiebout, "The Community Economic Base Study," Supplementary Paper No. 16, Committee for Economic Development. For a discussion of policy implications and the role of the non-basic sector in the development process, see Charles M. Tiebout and Theodore Lane, "The Local Service Sector in Relation to Economic Growth," in Research and Education for Regional and Area Development, cited above.

<sup>2/</sup> See Harvey S. Perloff, et al, Regions, Resources and Economic Growth (Baltimore, Maryland: Johns Hopkins Press, 1960); Victor R. Fuchs, Changes in Location of Manufacturing in the United States since 1929 (New Haven, Connecticut: Yale University Press, 1962); George H. Borts and Jerome L. Stein, Economic Growth in a Free Market (New York, New York: Columbia University Press, 1964); and Edgar S. Dunn, Jr., "A Statistical and Analytical Technique for Regional Analysis," Papers and Proceedings of the Regional Science Association, Vol. VI, 1960. For criticisms, see David B. Houston, "The Shift and Share Analysis of Regional Growth: A Critique," The Southern Economic Journal, April 1967, pp. 577-81, and rejoinder by Lowell D. Ashby, "The Shift and Share Analysis: A Reply," The Southern Economic Journal, January 1968, pp. 423-25.

tative base for the region, overall employment and population growth should be increasing. Two variables were developed to measure the aggregative growth process.<sup>1/</sup> The first measures the percent change in employment during the decade preceding the computation of the basic and non-basic components of an area's employment structure.<sup>2/</sup>

Since comparable employment data was not available for the 1960-70 decade, the second variable - the percent change in an area's population - was used as a proxy for estimating continued employment growth.<sup>3/</sup> Together, both variables describe a 20-year growth path for each of the areas included in this study.

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<sup>1/</sup>The measurement of economic growth is discussed in some detail in Urban and Rural America, Policies for Future Growth, Advisory Commission on Intergovernmental Relations, Washington, D. C., (A-32), pp. 30-53, April 1968. See also Harvey S. Perloff, "Problems of Assessing Regional Economic Progress," Regional Income, National Bureau of Economic Research, Studies in Income and Wealth, Vol. 21 (Princeton: Princeton University Press, 1957) pp. 35-62.

<sup>2/</sup>The employment variable discussed above excludes employment in the military sector as well as employment in major industrial sectors which are declining nationally.

<sup>3/</sup>The use of population growth as a proxy for employment growth received support from an experiment performed concurrently with this study. Basically, the percent change in employment for 1,435 counties for the period 1950 to 1960 was correlated with population change for the same period. The resulting correlation coefficient was 0.98. When the counties were divided into two groups - growing counties and non-growing counties as measured by overall population changes - the correlation coefficient for the growing counties (population and employment both increasing) was 0.98. For non-growing counties, the correlation coefficient was 0.93. These results were sufficiently significant to warrant using population change as a proxy variable for employment growth.

#### IV. APPLICATION OF CRITERIA FOR COUNTY SELECTION

##### A. INTRODUCTION

Three classification categories - Type I, Type II, and Type III counties - were developed by this analysis. The four variables discussed in the previous section were used to determine a county's classification. Table C.4 in Appendix C contains the regional averages which were used as the minimum requirements for each variable.

##### B. EMPLOYMENT GROWTH IN KEY SECTORS

The first variable used in the analysis was the percent change in employment in the following seven major employment sectors:

- (1) contract construction;
- (2) manufacturing;
- (3) trade;
- (4) finance, insurance and real estate;
- (5) communications and utilities;
- (6) services; and
- (7) public administration.

These seven employment sectors have nationally experienced growth during the past two decades. Employment in the primary, mining, and railway transportation services sectors has declined during the same period. Employment growth cannot occur unless the other sectors are able to absorb the employment decreases in the latter three declining sectors.

Military employment is also omitted from this decision variable, although it is not a declining sector. The presence of a military base often stimulates the local service sector, particularly entertainment. If a county has been able to grow by supporting the military, this fact will be reflected in the service sector. As stated in the previous section, the county's employment growth, as defined above, must have exceeded the corresponding regional employment growth rate.

C. MANUFACTURING AND NON-BASIC EMPLOYMENT

The second decision criterion used two variables. The first was the ratio of manufacturing employment to total employment. The second was the ratio of non-basic employment to total employment. Non-basic employment is defined as the sum of employment in:

- (1) contract construction;
- (2) trade;
- (3) finance, insurance and real estate;
- (4) communications and utilities;
- (5) services; and
- (6) public administration.

The logic behind the use of these ratios was discussed in Section III.

In each case, the ratio for the growth center county had to be equal to or greater than that of the corresponding region. Counties could meet this decision criterion only by having both manufacturing and non-basic employment ratios greater than or equal to the regional average. This insured that counties selected as Type I growth centers had a sufficient manufacturing and service base to support continued economic expansion.

D. POPULATION GROWTH

The third decision variable was the percent change in population between 1960 and 1970. To be selected as a Type I growth center, the county's population increase had to exceed that for the entire region.

E. SUMMARY OF DECISION CRITERIA

The relationship between the decision criteria and the Type I, Type II, and Type III ratings is summarized in the chart below. In the chart, a "+" indicates that the criterion must be met; "-" indicates it need not be met.

To contain a Type I growth center, it was necessary for the county to meet both the 1960 base requirements and

TABLE B.4  
GROWTH CENTER DECISION CHART

DESIGNATION OF COUNTY	PERCENT CHANGE IN EMPLOYMENT 1950 - 1960	MANUFACTURING AND NON-BASIC EMPLOYMENT RATIO 1960	PERCENT CHANGE IN POPULATION 1960 - 1970
Type I	+	+	+
Type I	-	+	+
Type II	+	-	+
Type II	+	+	-
Type II	-	-	+
Type III	-	+	-
Type III	+	-	-
Type III	-	-	-

the requirement for population increase for 1960-1970. A county could still be characterized as a Type I growth center if the 1950-1960 employment growth rate was below the regional average. The 1950-1960 period was viewed as a readjustment or transition period during which a viable economic base might be established to support growth during the follow decade.

To contain a Type II growth center, a county had to meet one of three conditions:

- Satisfy both the percent change in employment criterion and the percent change in population criterion. If the county had also passed the manufacturing and non-basic employment test, it would have been a Type I candidate. If it did not pass the manufacturing and non-basic employment test, it was felt that a population change exceeding the regional rate indicated potential for growth. Thus, the county was designated as a Type II candidate.
- Satisfy both the percent change in employment criterion and the manufacturing and non-basic employment criterion. In this case, growth for the period 1960 to 1970 was not demonstrated, although the county's employment structure appeared to have potential. Therefore, the designation is Type II.
- Satisfy the percent change in population criterion only. In this case, the county demonstrated population growth in the period 1960 to 1970, in spite of the fact that employment growth did not previously occur.

Areas that did not meet the conditions outlined for selection as Type I or Type II growth centers were classified as Type III.

#### F. THE INFLUENCE OF SMSA'S

The location of the counties selected by the above procedure with respect to Standard Metropolitan Statistical Areas (SMSA's) was considered. When selected counties were

contiguous to SMSA's, the central city<sup>1/</sup> of the SMSA was designated as the growth center, unless the RA county or counties were contiguous to the selected county and not contiguous to the SMSA. This was done because of the dominance of the SMSA in the area's labor market.

In most cases, counties contiguous to SMSA's are primary bedroom communities and therefore provide less returns for EDA investment than the SMSA. However, when the RA county or counties were contiguous only to the selected county and not to the SMSA, the selected county was chosen as possibly containing a growth center. In this case, nearness to the RA county or counties was considered more important than the dominance of the SMSA.

#### G. COMMUTING DISTANCE FROM RA COUNTIES

EDA's legislation states that a growth center must be "geographically and economically so related to the district that its economic growth may reasonably be expected to contribute significantly to the alleviation of distress in the redevelopment areas of the district." On the basis of this requirement, a county was classified as Type III unless:

- it bordered on at least one redevelopment area; and
- the county line of one or more of the contiguous redevelopment areas was no more than 30 minutes commuting time from the largest place within the selected county.

Commuting surveys have shown that 95 percent of all workers commute less than one hour to their place of work from their place of residence. The 30-minute time restriction to the county line insures that the majority of persons in the contiguous RA county or counties are within one-hour commuting distance of the center.

#### V. DESIGNATION OF GROWTH CENTERS

The largest place within each selected county was designated as the growth center.

<sup>1/</sup> If under 250,000 population.

**END**