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STATE OF IOWA
LEGISLATIVE FISCAL BUREAU

MEMORANDUM

TO: Legislative Fiscal Committee Members

FROM: Dwayne Ferguson

DATE: December 6, 2000

RE: Evaluation of Coordination of Economic Development Programs

The Legislative Fiscal Committee expressed an interest in obtaining an outside critique of the coordination of the State's economic development business incentive and training programs. It is assumed that an "outside critique" means that the evaluation is to be performed by an individual or organization not employed by the Legislative Branch or the Department of Economic Development. The Committee has several options, some of which include:

- A private, for-profit research firm could be hired to conduct the evaluation.
- A non-profit research organization, such as national association, could be hired.
- A contract with a university professor or university research/evaluation group could be arranged.

The first step in the process is to develop a Request for Proposal (RFP) and identify what will be accomplished with the information provided by the research or evaluation. Often, when an evaluation of the coordination of a set of programs is requested, there is an underlying assumption that improved coordination will lead to certain improvements, such as elimination of duplication and reduced costs, identification of gaps in services, better fit of program service to client need, or more efficient service delivery. One way to begin the RFP process is to have a meeting with those who perceive there is a problem and discuss what they have observed and what goals they have for the programs. If, as with economic development programs, the services are delivered by a number of different entities (i.e., State agencies, universities, community colleges, and local governmental and quasi-governmental agencies), it may be difficult to identify a specific problem. In that case, a research firm or consultant may be asked first to identify what services are offered, by whom, and to what target audience. Once the system is understood, the research questions can be refined and focused. Projects can

be designed so they have an exploratory phase, followed by a phase focused on solutions to problems identified in the first phase and recommendations.

The scope of the research question and the available budget will be the prime determinants of the study design research firms propose. The broader the scope of the research question, the more the project will cost. Usually, a research firm will want to know the budget for the project before developing their proposal. If the budget is limited, the firm may propose alternatives which may not fully answer the research questions but could provide information that can be useful. It becomes a circular process in negotiating how much information can be obtained at what cost. Sometimes research firms and consultants can offer acceptable and useful solutions that do not require extensive research.

Some of the options that have been identified include:

- **Full program evaluation:** Program evaluations involve the most data collection and analysis and are relatively costly. A private firm's costs can be \$200,000 or more for a study examining coordination of a fairly diverse set of programs and using multiple data collection and analysis techniques. Program evaluations can be customized to specific client needs or canned, off-the-shelf projects where research designs, questionnaires, and data collection techniques used with other clients are repeated. The latter may be somewhat cheaper, but they may not have the exact focus the client desires. Program evaluations can also be done by nonprofit, professional organizations that may charge less for the study.
- **Contract with a University-based research organization:** University professors and university research centers have the expertise and ability to perform these analyses and can offer an alternative to the research firms mentioned above. The projects will probably cost less than those of a for-profit research firm. A reasonably in-depth evaluation of one or two programs would cost in the \$25,000 to \$30,000 range. When the research ties specifically into the academic research interests, the professor may trade additional analysis for access to the data. Both the contracting agency and the professor benefit – the agency receives information that could not have been afforded within its budget, and the professor can extend his research and academic publications.
- **Specific consulting services:** Some consultants and professional organizations offer services that can address a perceived problem without performing a program evaluation. The Corporation for Enterprise Development, a private, non-profit organization, offers two such services.
 - **Unified Development Budget Analysis:** This is a technique for identifying for identifying costs that are both on- and off-budget, that is, the line-item appropriations and non-appropriated costs, such as tax incentives, interest subsidies, financing by quasi-public corporations and other activities. By consolidating the cost information, the whole system can be moved into the budgeting process. The firm charges \$5,000 to \$10,000 to assist in developing a unified development budget.

- **Performance-Based Budgeting:** This consulting service entails a review of the state's programs with recommendations on developing goals for each program, identifying the kinds of data to collect for evaluating the programs, techniques for analyzing the data, and monitoring program performance, and a process for using the results (periodic hearings, sunset reviews, etc.). This service costs in the \$20,000 to \$30,000 range.

The above are a few options. If there are other questions or issues that need to be addressed, please let me know (phone: 515-281-6561).