



# *Applying an Economic Index to Measure Distress*

Jeff DeBellis

NC Department of Commerce

February 4, 2016



# *Commerce's Recommendations for Tier System*

- Eliminate the standard “tier” clustering system entirely
- Replace with a scoring system that appreciates difference among counties
- Utilize new metrics that consider causes of distress
- Index county performance to the state
- Allow flexibility in how index is applied

# *Benefits of Commerce's Recommendations*

- Based on research & quality data
- Clear & easy to understand & communicate
- Could be incorporated into economic development programs quickly
- Allows for performance measurement over time
- Gives policy makers or program managers flexibility to focus resources appropriately



# *Reposition the Focus of Measurement*

Move away from symptomatic factors or duplicative metrics

Such as current measures:

- population growth
- population size
- property values
- poverty

Move toward measures that highlight causes of distress



## *New Metrics to Index*

What creates economic distress that the state can influence?

- Joblessness
- Low Household Wealth
- Limited Opportunities for Good (Paying) Jobs
- Limited to Economic Mobility

What is the best data available to measure this?

- Unemployment Rate
- Household Median Income
- Average Annual Wage
- Population Without a High School Degree



## *Current, Reliable Metrics*

Measure	Frequency	Source
Annual Unemployment Rate (12-month average)	Monthly	LEAD / BLS
Average Annual Wage*	Quarterly	LEAD / BLS
Median Household Income*	Annual	Census
Low Educational Attainment (% Pop Without High School Degree)	5-Year Average	Census

*\* These factors have low but positive correlation, suggesting they are measuring different economic aspects.*



## *Scoring the Metrics Using an Index*

- County performance compared to NC average
- Each metric is equally weighted
- County ratios are averaged & compared to the State



## *Index Example*

	NC	Wilson County	Wilson's Index Score
Unemployment Rate	5.64%	9.03%	0.62
Ave Annual Wage	\$45,606	\$40,483	0.89
Median HH Income	\$45,946	\$40,772	0.89
Less than HS Degree	14.59%	20.86%	0.70
<b><i>Average</i></b>			<b><i>0.775</i></b>

### Result

- 29<sup>th</sup> most distressed in our Proposed Index
- *Currently Tier 2 according to 2016 Tier System*





# *Replacing Tiers with Index Scoring*

## Why?

- More accurate representation of distress
- Give programs or legislation flexibility in how index is administered

## How does the Index accomplish this?

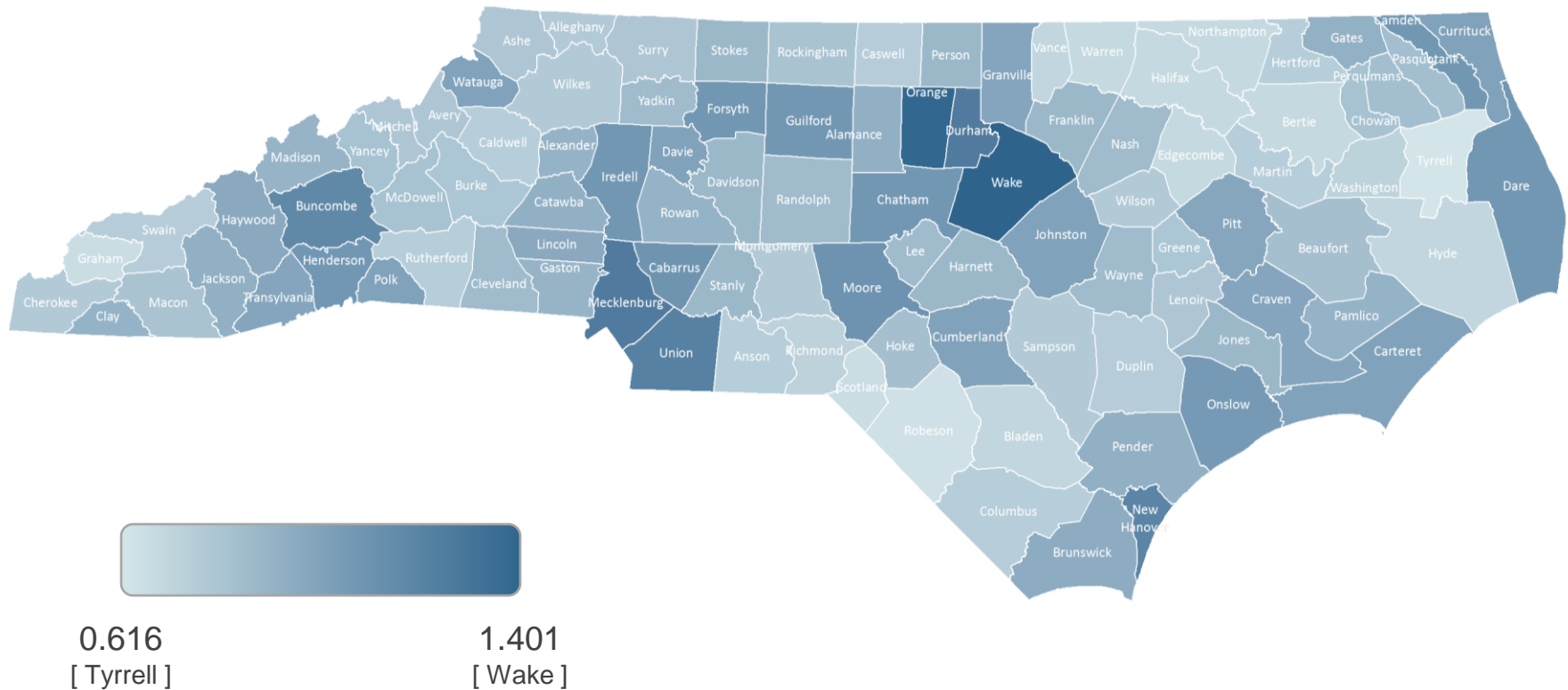
- Eliminates statutory adjustments & factors unrelated to economic distress
- Changes focus to performance average based on Index
- Accounts for level / degree of performance





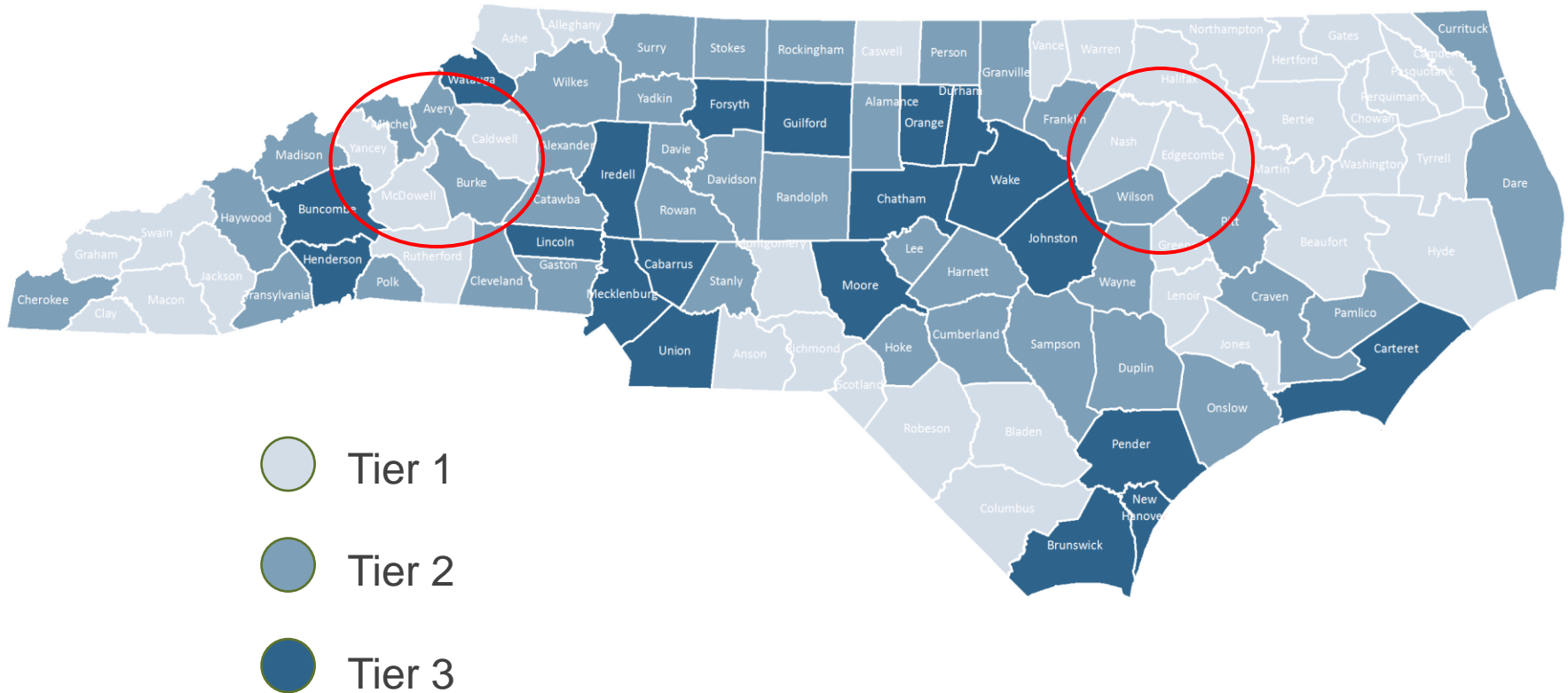
# *How the Map Would Change*

## *Proposed 2016 Index*



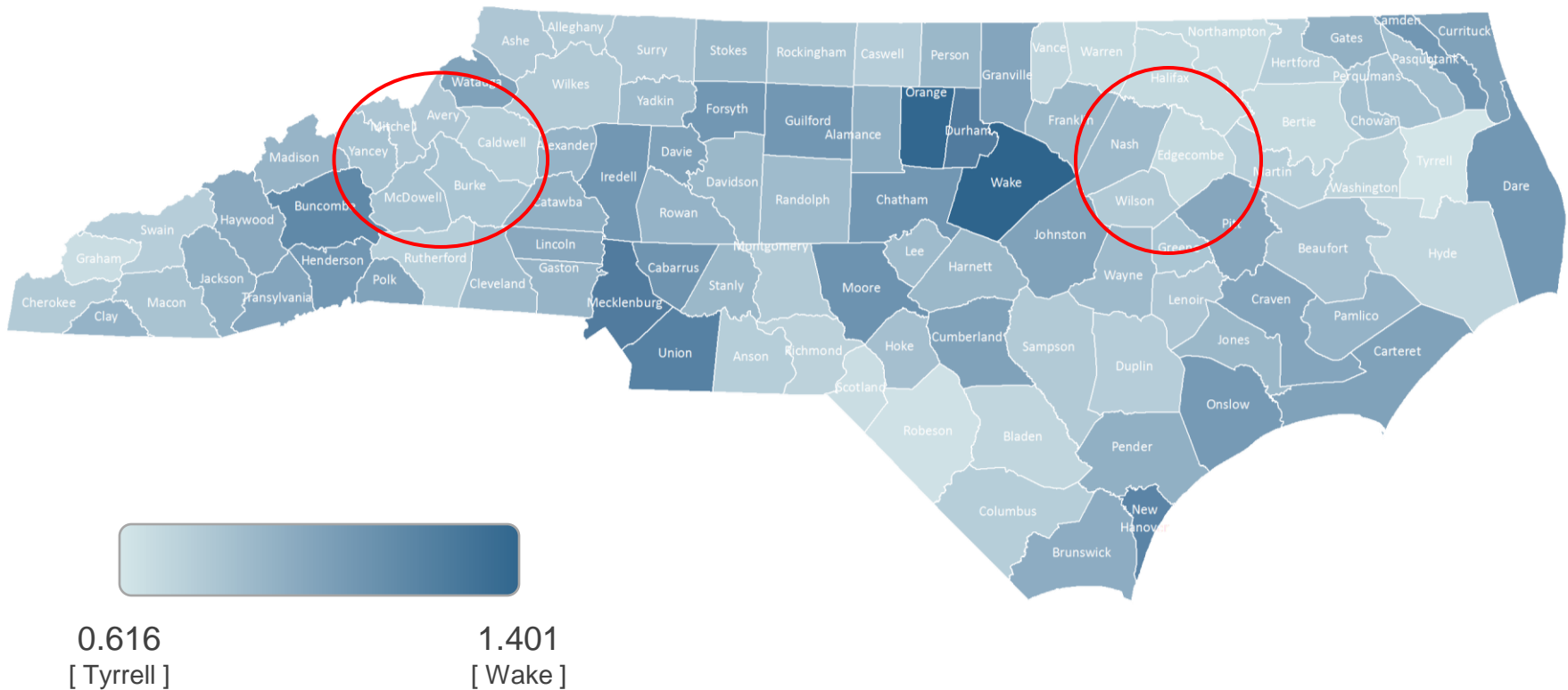
# *How Does It Work?*

## *Current 2016 Tier Designations*

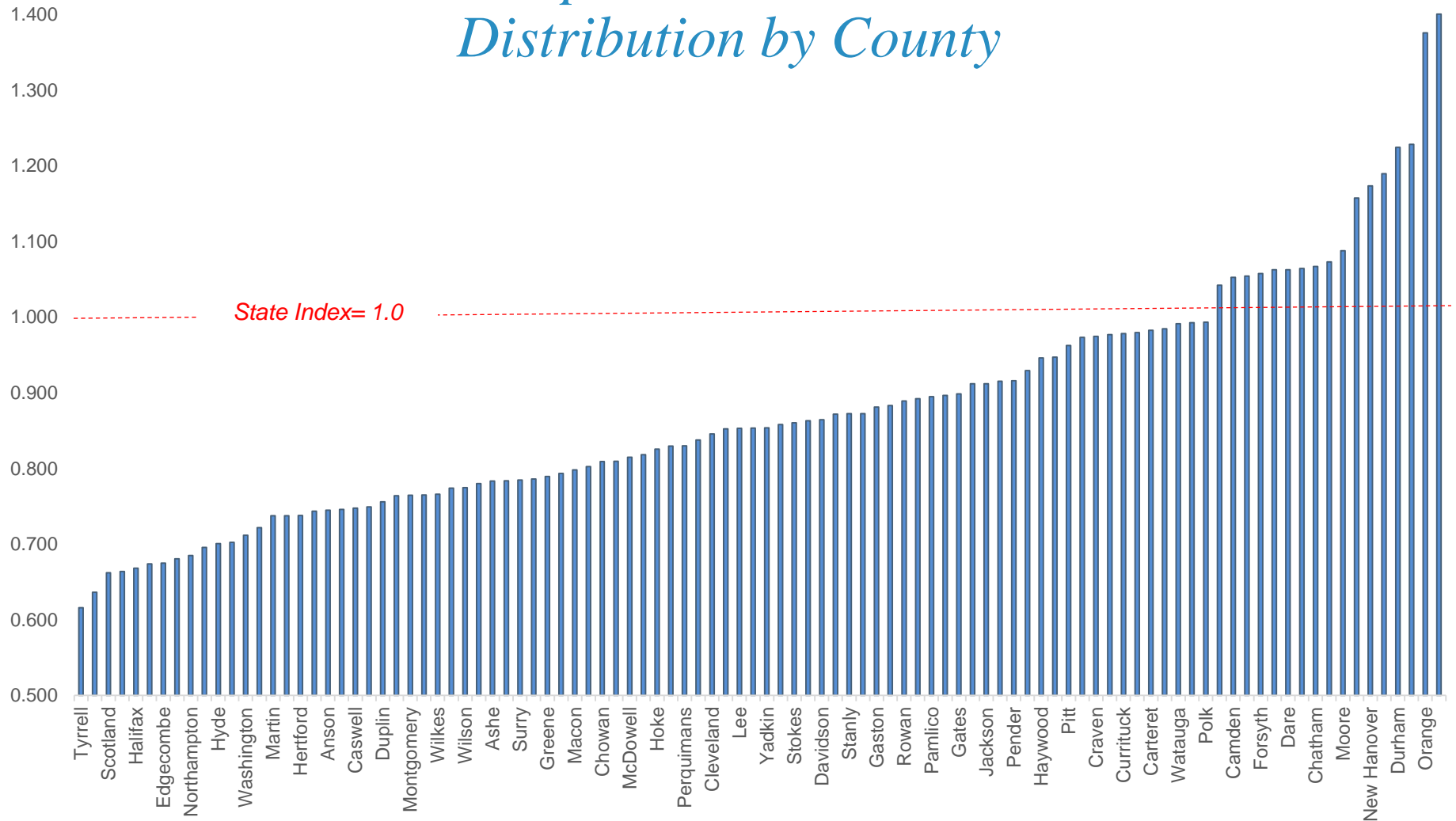


# *How the Map Would Change*

## *Proposed 2016 Index*



# Proposed 2016 Index Distribution by County

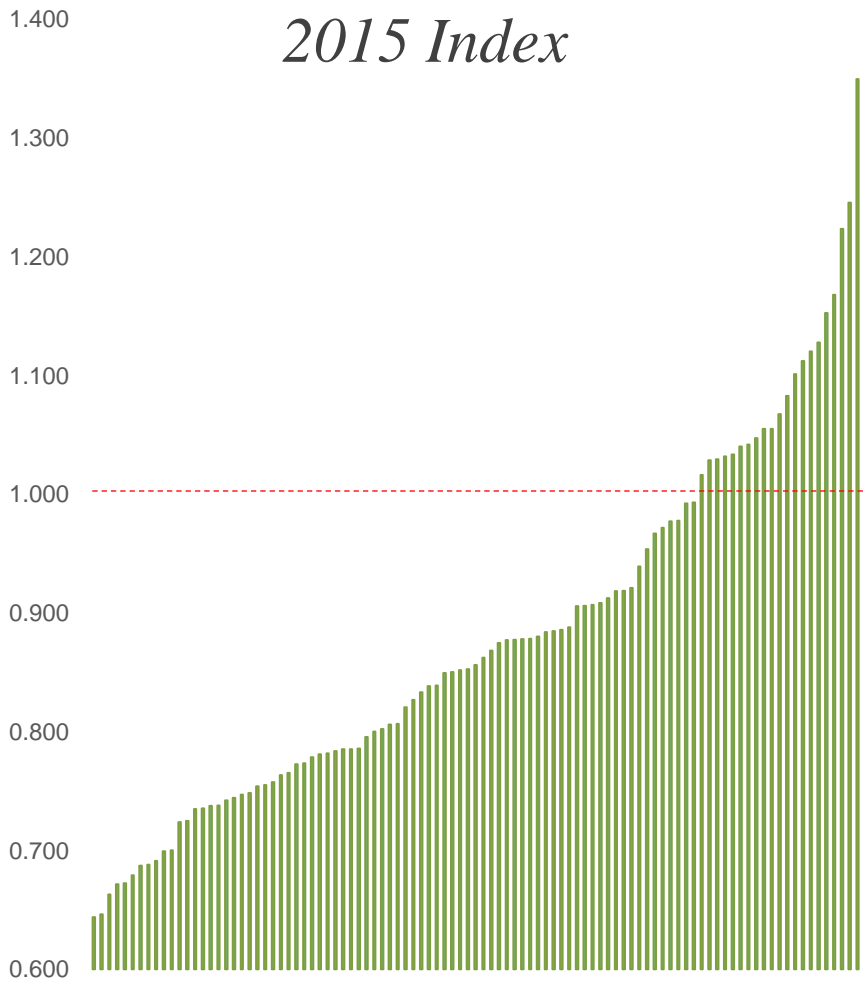


\*The graph shows bars for all 100 counties. However, only half are labeled on the axis due to space constraints.

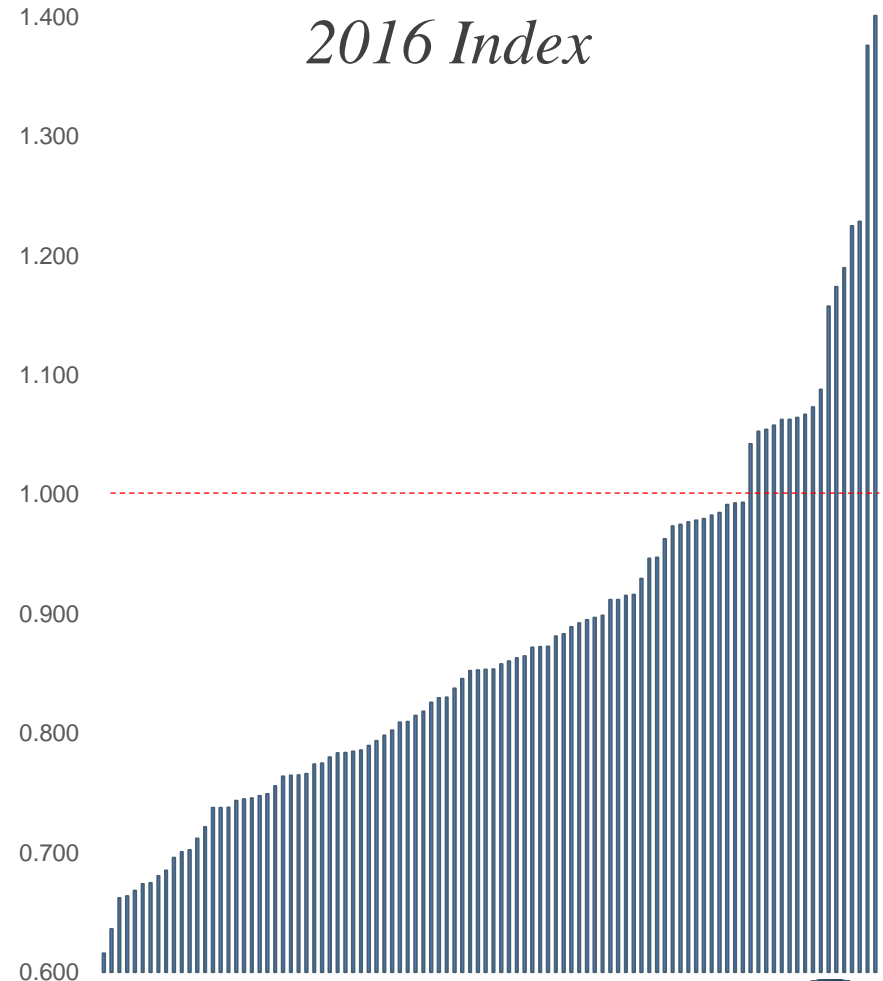


# *Year-to-Year Distribution Comparison*

*2015 Index*



*2016 Index*



## *Proposal for How Index Could Apply to Commerce Programs*

### Active Programs Using Tiers to Decide Projects to Fund

- Community Development Block Grant – Economic Dev. (CDBG-ED)
- Industrial Development Fund (IDF) Utility Account
- Economic Infrastructure Program
- Building Reuse Program





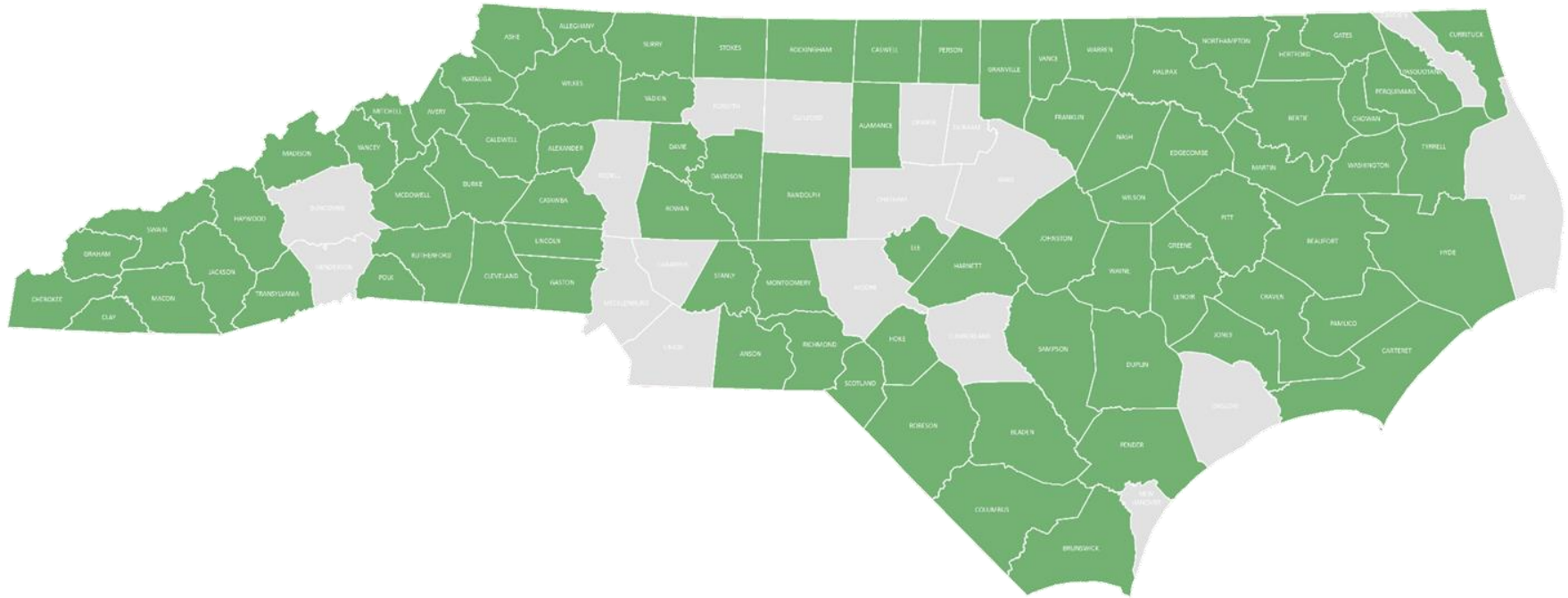
# *Proposal for How Commerce Could Apply the Index to Current Programs*

	Current Measure	Proposed Measure
Community Development Block Grant – Economic Development (CDBG-ED)	<ul style="list-style-type: none"> <li>• No Tier Limitation</li> <li>• No Local Match for 25 Most Distressed</li> </ul>	<ul style="list-style-type: none"> <li>• No Local Match Under 1.0 <i>(83 counties in 2016)</i></li> </ul>
Industrial Development Fund (IDF) Utility Account	<ul style="list-style-type: none"> <li>• 80 Most Distressed (Tiers 1 &amp; 2)</li> <li>• No Local Match for 25 Most Distressed</li> </ul>	<ul style="list-style-type: none"> <li>• Index Under 1.1 <i>(83 counties in 2016)</i></li> <li>• No Local Match Under 0.75 <i>(22 counties in 2016)</i></li> </ul>
Economic Infrastructure Program	<ul style="list-style-type: none"> <li>• No Tier Limitation</li> <li>• Priority to Tier 1 &amp; Tier 2 Counties</li> </ul>	<ul style="list-style-type: none"> <li>• No Limitation</li> <li>• Priority to Index Under 0.9 <i>(65 counties in 2016)</i></li> </ul>
Building Reuse Program	<ul style="list-style-type: none"> <li>• Tiers 1 &amp; 2 + Rural Census Tracts in Tier 3 Eligible</li> <li>• Priority to 80 Most Distressed Counties</li> </ul>	<ul style="list-style-type: none"> <li>• Index Under 1.1 <i>(93 counties in 2016)</i></li> </ul>



## No Local Match Required for CDBG-ED\*

*Counties With Index Under 1.0 (state average)*

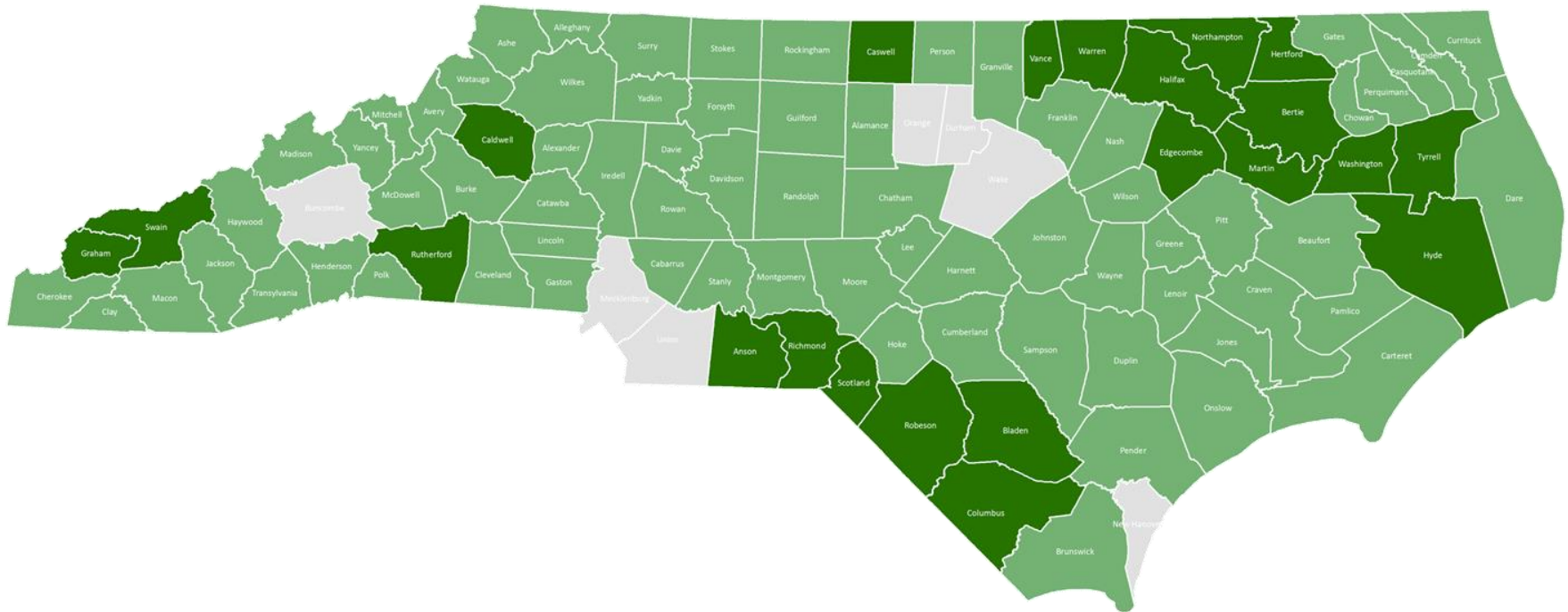


 No Match Required for CDBG-ED

\**non-entitlement communities.*

# *Eligibility & Match Requirements for IDF*

*Eligible With Index Under 1.1, No Match for Index Under 0.75*



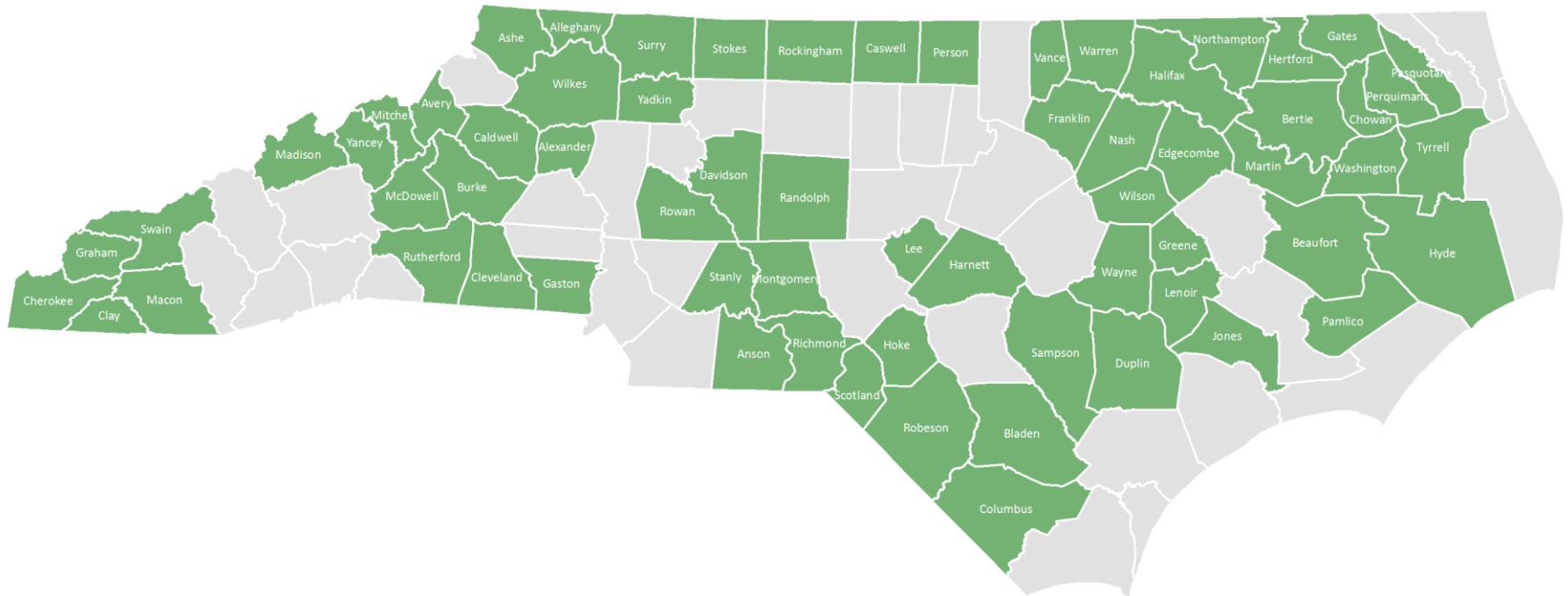
● Eligible for Industrial Development Funds

● Eligible & No Match Required for Industrial Development Funds



# *Funding Priority for Economic Infrastructure Program*

## *Counties With Index Under 0.9*

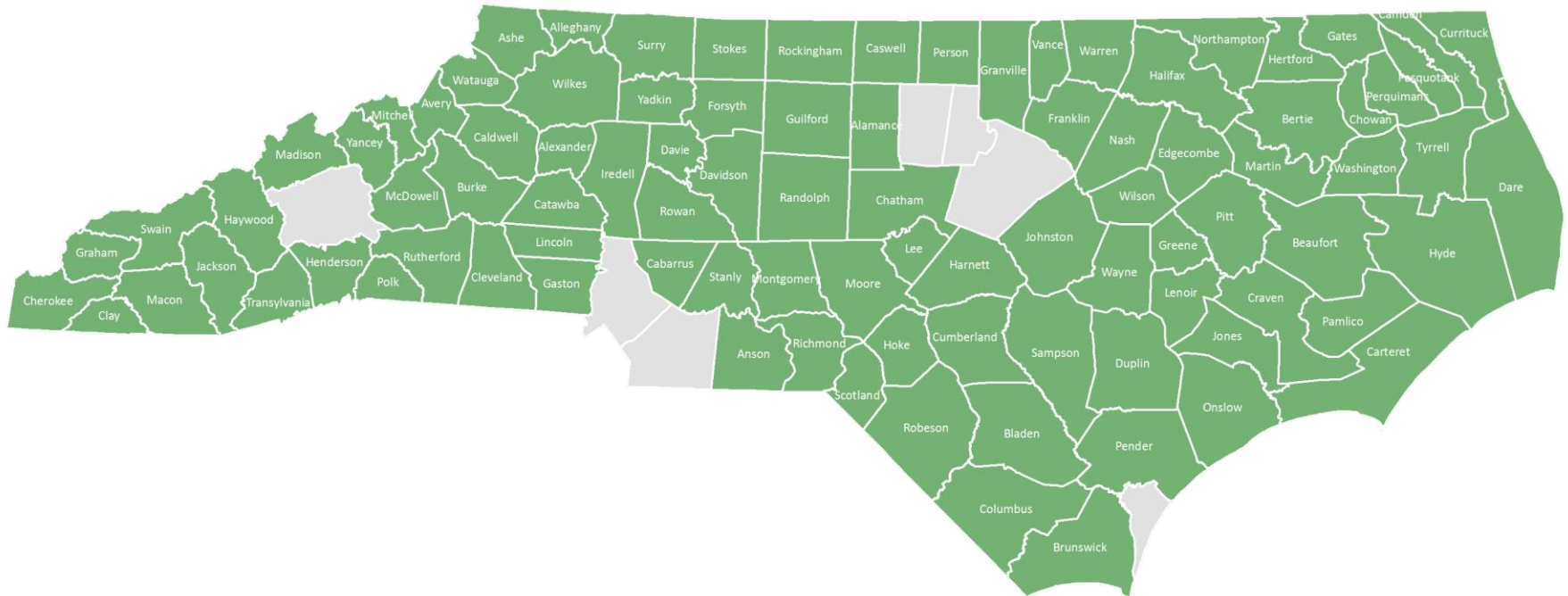


 Funding Priority for Economic Infrastructure Program



# *Eligibility Building Reuse Program*

## *Counties With Index Under 1.1*



● Eligible for Building Reuse Program



## *Next Steps*

- I. Confirm Methodology  
*(index scoring replacing current tiers)*
- II. Confirm Metrics  
*(unemployment, wages, income, education)*
- III. Confirm Statutory Cut-Offs for Commerce Programs







# Jeff DeBellis

Director of Economic & Policy Analysis  
NC Department of Commerce, LEAD

