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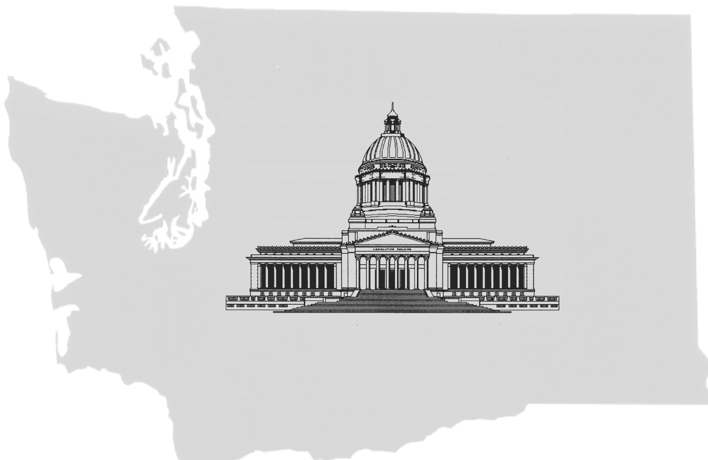

Rural Area Marketing Plan Evaluation

Briefing Report 99-10

November 10, 1999

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Established by Chapter 44.28 RCW, the Joint Legislative Audit and Review Committee (formerly the Legislative Budget Committee) provides oversight of state funded programs and activities. This joint, bipartisan legislative committee consists of eight senators and eight representatives equally divided between the two major political parties.

Under the direction of the Legislative Auditor, committee staff conduct performance audits, program evaluations, sunset reviews, and other policy and fiscal studies. Studies focus on the efficiency and effectiveness of agency operations, impact of state programs, and compliance with legislative intent. As appropriate, recommendations to correct identified problem areas are included. The Legislative Auditor also has responsibility for facilitating implementation of effective performance measurement throughout state government.

RURAL AREA MARKETING PLAN EVALUATION

BRIEFING REPORT 99-10

REPORT DIGEST

NOVEMBER 10, 1999

STATE OF WASHINGTON

JOINT LEGISLATIVE AUDIT AND REVIEW COMMITTEE

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EVALUATION OF 2SSB 5740: ASSISTANCE FOR RURAL DISTRESSED AREAS

This study responds to a legislative mandate to evaluate the effectiveness of the Assistance for Rural Distressed Areas Act (2SSB 5740, Chapter 366, Laws of 1997). This act and the programs created within it are commonly referred to as the Rural Area Marketing Plan (RAMP). Many parts of the Act passed by the legislature were vetoed by the Governor. This briefing paper reports on the three programs that were created or modified in the Act (indicated in ***bold italics***, below), and provides observations on lessons learned from recent JLARC evaluations of economic development and relief programs. These lessons learned can serve as guidelines for the evaluation of similar state programs.

MAJOR FINDINGS

- ***Rural Enterprise Zones*** were created to provide a variety of economic development services, regulatory relief, and infrastructure enhancement for eligible communities. The Department of Community, Trade and Economic Development (CTED) did not implement the Rural Enterprise Zone program because communities could receive similar benefits from other programs without completing a special application. There was also little interest in the program on the part of communities. CTED has assisted communities through other similar programs.

- Distressed rural counties have been eligible to participate in a ***.04 Percent Sales and Use Tax*** transfer program to finance public facilities. The .04 percent translates to 4 cents out of each $100 collected. This tax is actually a credit against the state's portion of the taxes rather than an additional tax at the local level. In 1999 the legislature increased this tax provision to .08 percent, changed the eligibility criteria to be based upon population density, and tightened the definition of what qualifies as a public facility. This tax can be levied for up to 25 years, regardless of whether the county maintains its distressed or rural status.

  When this program was first created in 1997, no state agency was made responsible for monitoring how the tax revenue was being administered, how it was being spent, or whether the program was making an impact on the local economies. However, CTED is in the process of providing technical assistance, collecting baseline data, and providing general oversight. This briefing report provides some information on administration and on how the money is being spent.

- ***The B&O Tax Credit*** program was created in 1986. It originally provided tax credits of $1000 towards the state's business and occupation tax for new jobs in manufacturing, research and development, and computer-related services in economically distressed counties. The credit now ranges from $2000 to $4000, depending on the wage and benefit level of the new job created.

  The Department of Revenue (DOR) evaluated the program as it existed until 1996, when the tax credit was still $1000. The DOR evaluation concluded that under the most positive possible assumptions, there was no payback to the state in terms of tax revenue from the jobs credit program alone. By the fifth year (for those businesses for which there was five years of employment data), almost all the jobs that were created had disappeared, making a payback impossible.

  This study has not been updated since 1996, but DOR has stated that it is reasonable to assume that the changes made to the program after 1996 are not likely to have changed the outcomes as described in that report.

LESSONS LEARNED

1. ***Mandates for new programs should, if possible, include criteria for determining success.***
2. ***The implementing agency should be directed to collect and report data concerning program outcomes and performance. The implementing agency should also be specified in the original mandate for a program.***
3. ***Independent evaluations of economic development and relief programs should be reserved for areas of significant fiscal or program impact.***
4. ***A sunset review may not be the best vehicle for providing an independent evaluation of a program.***
5. ***Evaluators should use caution in employing economic multipliers to estimate the impact of economic development programs.***
6. ***Discount rates used in the analysis of economic development programs should reflect the cost of capital to those who must ultimately pay for the programs.***

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OVERVIEW

The legislature passed 2SSB 5740, "Assistance for Rural Distressed Areas," during the 1997 Legislative Session. This act and the programs created within it are commonly referred to as the Rural Area Marketing Plan (RAMP). Although Governor Locke vetoed large portions of the bill, three initiatives remained, as did a mandate that the Joint Legislative Audit and Review Committee (JLARC) conduct a study. Specifically, JLARC was mandated to "undertake an evaluation of the Act's effectiveness by November 1, 1999."

This Briefing Report Examines Three Initiatives

Although there is little relationship between what JLARC was mandated to do in the original bill and what remained after the Governor's veto, this briefing paper addresses the Act's effectiveness by including an analysis and report on the three initiatives that were created:

1. Rural Enterprise Zones;
2. A .04 percent sales tax transfer from the state to distressed rural counties; and
3. Modifications to the B&O tax credit for new jobs.

This briefing paper also addresses how economic development and relief programs can be evaluated in the future by including a discussion of lessons learned from recent JLARC studies. These lessons draw not only upon our review of the initiatives included within 2SSB 5740, but also from recent sunset reviews of the Rural Natural Resource Impact Areas programs and the Linked Deposit Program.

RURAL ENTERPRISE ZONES

The Department of Community, Trade and Economic Development (CTED) did not implement the Rural Enterprise Zone program. As passed by the legislature, 2SSB 5740 authorized CTED to approve applications for Rural Enterprise Zones and directed the Department to provide a range of integrated and targeted services as benefits to those jurisdictions receiving the designation. Services were to include business development, industry recruitment, regulatory relief, and infrastructure development. CTED, in conjunction with the Department of Revenue (DOR), was to create an application process and receive applications for designation from local governments. Once designated, Rural Enterprise Zones could hire staff, seek federal and state funding, and otherwise work to promote business development within their boundaries.

However, after the Governor vetoed various supporting sections of the bill, CTED determined little benefit remained for communities to apply for Rural Enterprise Zone status. Communities already designated as "distressed" could receive similar benefits without completing a special application. Furthermore, only one Economic Development Council in a rural distressed county inquired about the program. For these reasons, CTED did not proceed with the program, but has been involved with assisting counties to use other resources originating from the legislation, as outlined in the section below on the Sales and Use Tax for Rural Counties.

.04 PERCENT SALES AND USE TAX FOR RURAL COUNTIES

Program Description

2SSB 5740 allowed "distressed counties" to receive a transfer of sales and use taxes to finance public facilities in rural counties[1] (*end notes are on page nine*). Local legislative authorities were authorized to pass an ordinance that in effect allows them to receive .04 percent of the ***state's portion*** of the sales and use tax collected in the county. This represents 4 cents out of every $100 in taxes collected. It is not an additional tax at the local level.[2] ***The tax can be levied for up to 25 years, regardless of whether the county maintains its "distressed" status.***

While the annual dollar amount in any given year varies by county and can be quite small (less than $10,000 in one case), it can be used to support a long-term bond issuance that will produce a larger sum that can finance municipal capital projects.

Once DOR receives a copy of the ordinance from an eligible county, it determines the amount due to the county based on actual sales and use tax receipts. DOR forwards the amount due to the county to the State Treasury, which disburses the funds. There is generally a 2-3 month lag between the time the tax is incurred and when it returns to the county.

DOR maintains records that show the monthly amounts due to each county, but is not involved past the point when it transfers the amounts due to the Treasury. ***There is no entity that monitors this program to find out how the money is being administered, how it is spent, and whether the program is making an impact on the local economies.***

Program Changes in 1999

In 1999 the legislature passed ESHB 2260 and modified the program in three ways:

1. Increased the tax rate from .04 to .08 percent (that is from 4 cents to 8 cents per $100 of sales and use taxes collected in the county);
2. Included a definition of what qualified as a "public facility;" and
3. Changed the eligibility criteria to be based on population density rather than unemployment levels.

These changes responded to issues around criteria for the original program and to a change in philosophy about how a "rural/distressed" county should be defined. Such changes became operational in August 1999.

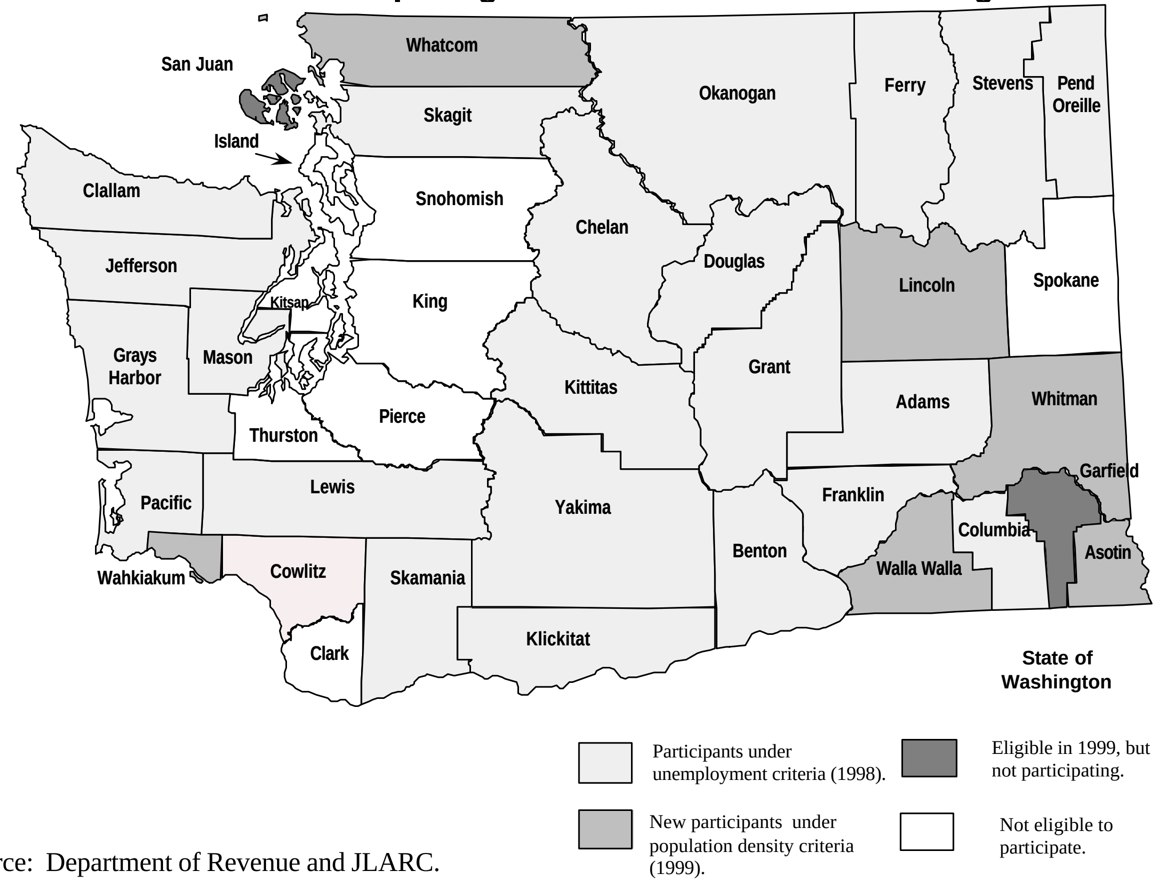
Exhibit 1 on the next page shows the participation status of each county in the state.

Revenues to Counties

In order to provide at least some information about how the money has been spent, JLARC staff surveyed the counties currently involved in the program.

In FY 1999 (the first year of the program), total revenue to the 23 distressed counties was $4.4 million, with the annual amount per county ranging from under $10,000 in Columbia County to almost $750,000 in Yakima County. Since August 1999, six additional counties have issued ordinances and will begin collecting from the program. Two other counties are eligible, but have not participated; eight counties are not eligible. Exhibit 2 on the next page provides financial details for 23 participating counties in FY 1999.

Exhibit 1
Counties Participating in the Sales and Use Tax Program



Source: Department of Revenue and JLARC.

Exhibit 2
Revenue to 23 Participating Counties, FY 1999

County	Amount transferred	County	Amount transferred
Adams	$38,501	Kittitas	$127,342
Benton	$540,405	Klickitat	$50,934
Chelan	$321,187	Lewis	$292,562
Clallam	$217,790	Mason	$104,310
Columbia	$8,770	Okanogan	$106,219
Cowlitz	$361,661	Pacific	$55,928
Douglas	$79,461	Pend Oreille	$20,613
Ferry	$10,611	Skagit	$515,250
Franklin	$200,354	Skamania	$17,588
Grant	$260,726	Stevens	$45,493
Grays Harbor	$241,772	Yakima	$731,028
Jefferson	$87,020		
TOTAL			**$4,435,525**

Source: Department of Revenue

Because of the increase from .04 to .08 percent, which became effective in August 1999, participating counties can expect to receive approximately two-thirds more revenue in the current fiscal year.[3]

Projects Completed or Identified for Funding

The 1997 legislation required that the funds from this source be used for "public facilities," but no definition was provided for what that might include. Consequently, agency staff and county officials alike were unsure of what projects qualified. In the 1999 bill, the legislature added a definition for "public facilities," which generally describes infrastructure enhancement or expansion (which may include bridges, roads, water facilities, storm sewer facilities, telecommunications infrastructure, port facilities, and other projects). As indicated below, counties have identified various projects to use this funding, and the projects are all in different stages of development.[4] Two counties reported that their project selection process is tied to the county economic development plan, which is now a requirement under the 1999 changes.

Current projects

- Repairs to municipal swimming pools
- Design and construction of a rail spur
- Building a wastewater treatment plant
- Feasibility study of a car ferry across Grays Harbor
- Airport water/sewer construction project

Future projects

- Constructing a municipal park
- Building public restrooms
- Designing and building a bridge for a local port
- Remodeling a building at the county fairgrounds
- Constructing a port industrial building
- Installing road, water, and sewer for new industrial sites
- Enhancing county jail structures

Counties' Management of the Funds

According to the counties we surveyed, the financing structure each county has set up is unique and is generally dependent on the projects identified and the amount of funds received. Examples of strategies for expending the funds include the following:

- Holding the funds in a distinct account and allowing them to accrue to a given level before any expenditure takes place;
- Using the money on an "out-of-pocket" basis to fund small projects;
- Issuing General Obligation bonds to finance a project and dedicating these funds as the repayment source;
- Using these funds to repay loans already issued (previous General Obligation bonds or, in one case, CERB loans);
- Leveraging this fund to attract matching funds for other economic development loan or grant programs (state and federal); and
- Folding the funds into the current capital revenue stream used to finance public facility projects.

Monitoring Effectiveness

No state agency has responsibility to monitor effectiveness. Although the Department of Revenue administers this program, it was not directed to track what happens with the funds once they are disbursed to the counties. Given the core function of the Department of Revenue—tax collection—it may not be appropriate for the Department to monitor how local governments use this revenue.

Similarly, the State Auditor's Office has a limited role in tracking these dollars. Although the "local government audit division" has not yet audited this particular funding source, it will likely do so in the future. However, the Auditor's role will be primarily limited to reviewing financial compliance and fund management.

The Department of Community, Trade, and Economic Development (CTED) may be the most appropriate state agency to coordinate this program. CTED staff see a need for direction and oversight of this program, and are in the process of developing a plan to provide technical assistance to counties and to collect information on how the funds are being used.

Future Evaluation

Due to the limited time this tax provision has been in effect, JLARC cannot evaluate its effectiveness. Many counties have not yet used the funding for a specific project and, among those that have, the projects are not yet complete. However, determining the effect this funding has on the local economy will be difficult even when projects are completed; the effect of such a relatively small project in the local economies may be impossible to isolate.

B&O TAX CREDIT FOR NEW JOBS

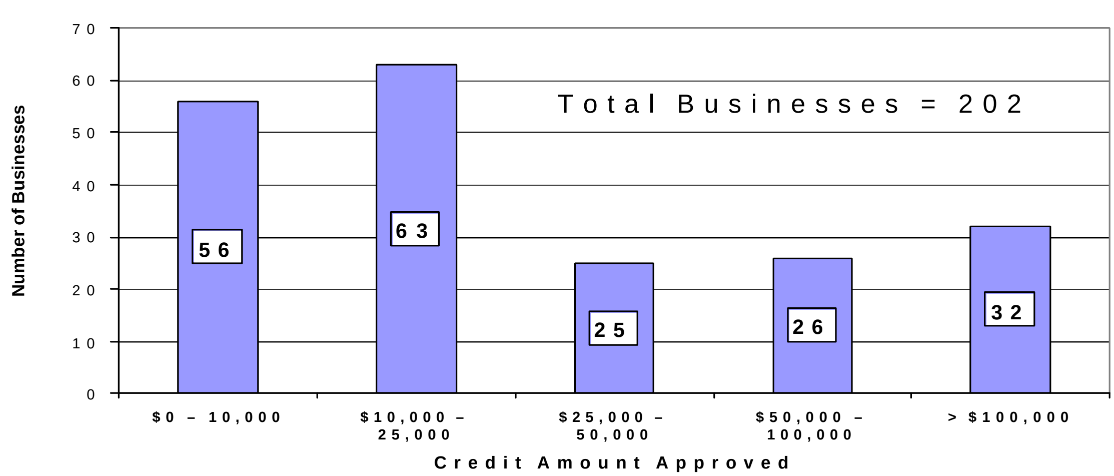
Background

The Business and Occupation Tax Credit program was created in 1986 as an incentive for manufacturing, research and development, and computer-related service businesses to create employment opportunities in economically distressed communities.

To participate, businesses must increase their work force by at least 15 percent, and new positions must be maintained for 12 consecutive months.

Prior to 1996, businesses received $1,000 in credit on their B&O tax for each new full-time position. Beginning in 1996, the amount was doubled to $2,000. An amendment in 1997 increased the job credit to $4,000 for jobs with wages and benefits over $40,000 per year. No more than $15 million in total credits against the state B&O tax can be approved per biennium. Since 1997, there has been no cap on the amount of credit a business could receive. During 1997-1999, participating businesses received credits in the amounts indicated in Exhibit 3.

Exhibit 3
Number of Businesses Receiving Varying Credit Amounts



Source: Department of Revenue, Research Division.

The credits awarded in this program do not expire, and businesses can carry them over year-to-year until they are depleted. ***This means that once a credit is awarded,[5] the business can carry that credit into subsequent tax years, regardless of whether the job(s) still exist or whether the business still remains in the area.*** In the period 1997-1999, 202 businesses have been approved for credits totaling $13 million. To date, only $1.6 million of those credits have been taken, and just over $11 million remains as carryover.

The size of business and type of industry receiving this credit varies as shown below in Exhibits 4 and 5. Note that, although there are some large businesses (over $10 million in gross revenue) receiving the credits, most are smaller businesses with under $5 million in gross revenues. Also, note that the businesses receiving credits are primarily from the manufacturing and wholesale industries.

Department of Revenue Study

The only evaluation of this program to date was a study conducted by the Department of Revenue (DOR) published in 1996,[6] when the job credit was still $1,000.

DOR attempted to identify the impact of the tax credit on the local and state economy by analyzing whether the program resulted in a long-term net increase in tax revenues that would be associated with new job creation.

Rather than focus simply on job increases estimated by businesses or on jobs for which a credit was granted, DOR used the innovative approach of estimating how many new jobs were created, and then retained, over and above what would have been expected in the absence of the program. This was done by comparing job growth for participating businesses whose records could be matched with Employment Security data for non-participating firms within the same industry within the state.

Limitations of the DOR Study

DOR appropriately listed several caveats concerning study results. One of the major caveats was that the data sampled covered only successful businesses for which there were at least three years of employment data. ***The study emphasized that the results of the analysis should be considered the most positive possible***, and that its best value would be in making comparisons of programs.

Exhibits 4 and 5

Participating Businesses by Size and Industry

Calendar Year 1998 Gross Income	Businesses Awarded Credits
< $0	26
$0 - 500,000	31
$500,000 - 1,000,000	25
$1,000,000 - 5,000,000	53
$5,000,000 - 10,000,000	13
$10,000,000 - 25,000,000	26
$25,000,000 - 50,000,000	6
$50,000,000 - 100,000,000	16
> $100,000,000	6
TOTAL	**202**

Type of Industry	Number of Businesses Receiving Credit
Agriculture, Forestry, Fisheries	28
Construction	5
Manufacturing	84
Transportation, Utilities, Communication	7
Wholesale	45
Retail	13
Services	20
TOTAL	**202**

Source: Department of Revenue, Research Division.

To the caveats listed by DOR, we would add one more. The study approximately doubled the estimate of future tax revenues from new jobs by using an income multiplier of 198 percent (which assumes that each $1.00 in income from a new job created generates another $.98 in income in the economy). Since the effect of the program may be to reallocate spending within the regional economy rather than increase spending, there actually may be no net benefit at all in terms of tax revenue related to job growth. This is because there is an offsetting loss of benefit from the taxpayers who, in effect, subsidize the businesses that receive the tax credits.[7]

We did not conduct a test of the data used in DOR's study, nor did we validate all of the calculations.

Study Results

Under the most positive possible assumptions, the DOR study concluded that for those successful businesses that participated in the jobs credit program alone, there was no payback in terms of tax revenue. If employment growth by the third year had continued thereafter indefinitely, there would have been a payback period of 10 years. But by the fifth year (for those businesses for which there was five years of employment data), almost all the jobs that were created had disappeared, making a payback impossible.

The results were better for businesses that also participated in sales tax deferral/ exemption programs, but the better results appear to be attributable to those programs rather than to the B&O Tax Jobs Credit.

The DOR study has not been updated to measure the more recent experience of the program. However, DOR has stated that it is reasonable to assume that the changes made to the program after 1996 are not likely to have changed the outcomes as described in the 1996 report.

LESSONS LEARNED FROM THE EVALUATION OF ECONOMIC DEVELOPMENT AND RELIEF PROGRAMS

One objective of this briefing report is to provide information that will assist the legislature in evaluating economic development and relief programs. As required under 2SSB 5740 (1997), JLARC is to "design an evaluation mechanism for economically distressed counties . . ." To do this we have drawn upon our analyses of the two tax incentive programs discussed above and also from our recently completed sunset reviews of the Rural Natural Resources Impact Areas programs and the Linked Deposit Program.

The lessons learned from these studies all focus on the need to ensure that relevant, timely information will be available to decision-makers when they deliberate on program continuation, modification, or termination. These lessons learned can serve as guidelines for the evaluation of similar state programs.

Our observations from lessons learned are as follows:

1. ***Mandates for new programs should, if possible, include criteria for determining success.***

Without guidance about specific and measurable outcomes that should be achieved, auditors and evaluators may not be able determine performance. This is particularly difficult in situations when programs have been mandated based on policymakers' determinations of relative need. Since relative need is a subjective concept, auditors and evaluators are not well situated to comment on need unless criteria for success are determined in advance.

For example, the Timber Retraining Benefits (TRB) program[8] provides extended unemployment benefits to displaced workers who enroll in approved training courses. The economic conditions that exist today, especially in terms of the general unemployment rate, are an improvement over the conditions that existed in the early 1990s when the TRB program began. Nevertheless, there are still areas of relatively high unemployment in the state, and there are still workers who might benefit from retraining. The determination of how much need would warrant program continuation is essentially a policy decision.

2. ***The implementing agency should be directed to collect and report data concerning program outcomes and performance. The implementing agency should also be specified in the original mandate for the program.***

If an evaluation component is not built into the initial mandate for a program, there is no guarantee that information that will be needed by the independent evaluators will be available or can be collected.

The Sales and Use Tax program discussed in this report briefing is an example of a program that had neither an evaluation component built in nor an agency mandated to monitor performance. No entity or person at the state level was aware of how or whether the money was being spent, let alone determining how successful the program has been in fostering economic development.

3. ***Independent evaluations of economic development and relief programs should be reserved for areas of significant fiscal or program impact.***

Some programs that are targeted to economically distressed areas involve relatively small amounts of money and are intended to provide emergency assistance rather than specifically promote economic development. In any event, the impact of relatively small programs on the larger economy may be impossible to measure.

The Flexible Mitigation Fund is one example. It was established in 1991 to provide grants for a variety of needs faced by eligible dislocated workers and families in rural natural resource impact areas. The fund's annual budget is $500,000.

A program of this magnitude may only require that the *implementing* agency report how the money is being spent, who the recipients are, and any information available about the continuing need for the program.

4. ***A sunset review may not be the best vehicle for providing an independent evaluation of a program.***

Current state law specifies a process, timelines, and criteria for sunset reviews. Such reviews may sometimes occur too early (not enough time has elapsed to measure outcomes) or too late (major decisions have already been made). Also, the sunset criteria are subjective. For instance, a sunset report is asked to address whether there is a continuing need for a program and at the same time address whether termination of a program would adversely affect the public health, safety or welfare.

A performance audit, impact evaluation, or special study can achieve the desired outcome of providing the legislature with an independent evaluation of a program without being obliged to fit within timeframes that may not be helpful, or to address questions for which there may not be objective answers.

5. ***Evaluators should use caution in employing economic multipliers to estimate the impact of economic development programs.***

An unwarranted use of a multiplier can distort the estimate of the impact of a program and lead to erroneous conclusions. For example, when the financing of a program involves a transfer of money from one group of employers to another within the same regional economy, there may be no net gain and no multiplier effect within that economy. If the context clearly calls for the use of a multiplier, the particular multiplier that is used should be cited, and justification should be given for its particular use.

6. ***Discount rates used in economic analyses should reflect the cost of capital to those who must ultimately pay for the program.***

A discount rate is used to translate future dollars into a present value. From the point of view of economists, the discount rate should be the opportunity cost, or the rate of return available on investments of similar risk, but this may be difficult to ascertain. The most common rate, therefore, is the cost of capital. Use of the interest rate on local or state bond issues may not be acceptable because the tax-free status of such bonds is an indirect type of social subsidy to the issuers, and the yields are not truly reflective of the social cost. Some analyses have used real discount rates in the range of 3 percent over inflation, which is close to the state's rate of borrowing. A real discount rate of 4.5 to 5.5 percent over inflation, as a minimum, would be a more appropriate approximation of the cost of capital.[9]

ACKNOWLEDGEMENTS

JLARC staff would like to express thanks to the staff at the Department of Revenue. They were responsive in providing requested information in a short time frame. We also appreciate the detailed and timely information provided by those county officials who responded to our request for information on the sales and use tax.

Thomas M. Sykes
Legislative Auditor

On November 10, 1999, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Senator Georgia Gardner
Chair

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[1] For this initiative, "distressed counties" meant having an unemployment rate 20 percent above the state average for the past three years.

[2] That is, the state is foregoing .04 percent of its revenue from the local sales and use tax and returning it to the county in which it was generated.

[3] Although the percent doubled, the revenue will be less than double because of when the increase was implemented and the lag in collection time.

[4] These are examples of the responses JLARC received to a survey of all counties participating. It is not inclusive or representative, but is meant to provide an idea of how the funds are being used.

[5] In DOR's terms, a tax credit is "perfected" once a position has existed for 12 months. Until that time, all credits are "approved" and cannot be taken until the position reaches one year tenure.

[6] Washington State Department of Revenue, *Tax Incentive Programs: An Evaluation of Selected Tax Deferrals, Exemptions and Credits for Manufacturers*, September 1996. This study was mandated by the legislature and included an evaluation of the Distressed Areas Sales Tax Deferral/Exemptions and New Manufacturer Sales Tax Deferral as well as the B&O Tax Jobs Credit.

[7] In the course of this study we consulted two economists who have specific expertise with the kind of input/output analysis and models from which multipliers are derived. Both of these experts cautioned against the use of a multiplier in the type of study described here. Based on interviews with Dr. David Holland of Washington State University and Dr. Richard S. Conway Jr. who is a member of the Governor's Council of Economic Advisors.

[8] JLARC recently reviewed the Timber Retraining Benefits (TRB) program as part of its sunset review of Rural Natural Resources Impact Areas programs. For more information see *Rural Natural Resource Impact Areas Programs Sunset Review*, Report number 99-8, September 15, 1999.

[9] For additional discussion of JLARC's treatment of discount rates see *Capital Planning and Budgeting: Study of Leasing versus Ownership Costs*, Report 95-16, December 14, 1995. See also United States General Accounting Office, Office of the Chief Economist, *Discount Rate Policy*, May 1991.

APPENDIX 1 - SCOPE AND OBJECTIVES

THE RURAL AREA MARKETING PLAN

2SSB 5740 ("Assistance for Rural Distressed Areas")

As required under 2SSB 5740 (1997), JLARC is to "design an evaluation mechanism for economically distressed counties . . . and undertake an evaluation" of the initiatives created in the Act. This Act:

- Created the .04 percent sales tax credit for rural distressed counties; and
- Made modifications to the business and occupation (B&O) tax credit for new jobs created in eligible areas.

These two initiatives are the focus of JLARC's review. Note, however, that both programs have been amended since the 1997 legislation. In 1999, the legislature increased the sales tax credit to .08 percent and tightened the definition of what it can be used for; and it expanded the eligibility for the B&O tax credit. These changes will be addressed in our report.

A third section of the act created the Rural Enterprise Zones. According to our information from the Department of Community, Trade and Economic Development (CTED), this program was never initiated. Nonetheless, rural enterprise zones will be referenced in this report.

SCOPE

This evaluation will include an overview of each initiative, plus information on past, current, and proposed future expenditures. It will also identify potential indicators for evaluating project performance and the extent to which the data are already or can be made available. Because it has been only two years since this legislation was adopted, and because the scope of assistance to rural distressed areas was changed in legislation enacted from the 1999 Legislative Session, this JLARC review will necessarily be limited.

OBJECTIVES

1. Assess whether the initiatives under review have been implemented and operated consistent with legislative intent.
2. Evaluate the potential impact these initiatives have had on local economic development in rural areas in Washington.
3. Identify existing or attainable data to assist in evaluating future project performance.