STATE OF NEW HAMPSHIRE
DEPARTMENT OF RESOURCES
AND ECONOMIC DEVELOPMENT
DIVISION OF ECONOMIC DEVELOPMENT

PERFORMANCE AUDIT REPORT
JUNE 2014

JEFFRY A. PATTISON
Legislative Budget Assistant
(603) 271-3161

MICHAEL W. KANE, MPA
Deputy Legislative Budget Assistant
(603) 271-3161

State of New Hampshire
OFFICE OF LEGISLATIVE BUDGET ASSISTANT
State House, Room 102
Concord, New Hampshire 03301

RICHARD J. MAHONEY, CPA
Director, Audit Division
(603) 271-2785

To The Fiscal Committee Of The General Court:

We conducted a performance audit of the Division of Economic Development at the Department of Resources and Economic Development to address the recommendation made to you by the joint Legislative Performance Audit and Oversight Committee. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. The evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The purpose of the audit was to assess if economic development programs were effective in promoting the growth of new businesses, supporting the expansion of existing businesses, and attracting new businesses to the State during calendar years 2012 and 2013.

Office of Legislative Budget Assistant

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June 2014

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STATE OF NEW HAMPSHIRE
DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
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ABBREVIATIONS

CCJC	Coos County Job Creation
CRM	Customer Relationship Management
CROP	Community Reinvestment And Opportunity Program
Division	Division Of Economic Development
DRA	Department Of Revenue Administration
DRED	Department Of Resources And Economic Development
ERZ	Economic Revitalization Zone
FCC	Federal Communications Commission
IT	Information Technology
ITRC	International Trade Resource Center
JTF	Job Training Fund
JTG	Job Training Grant
Kbps	Kilobits Per Second
LBA	Legislative Budget Assistant
Mbps	Megabits Per Second
NHBMPP	New Hampshire Broadband Mapping And Planning Program
OWO	Office Of Workforce Opportunity
PTAP	Procurement And Technical Assistance Program
R&D	Research And Development
TAB	Telecommunications Planning And Development Advisory Committee

STATE OF NEW HAMPSHIRE
DEPARTMENT OF RESOURCES AND ECONOMIC DEVELOPMENT
DIVISION OF ECONOMIC DEVELOPMENT

EXECUTIVE SUMMARY

The Division of Economic Development (Division) does not have a system to evaluate the impact of its activities. While the Division is able to highlight individual success stories and provide aggregate data on the State's economic development financial incentive programs, it has not developed an overarching plan for economic development nor has it adequately measured the effects and impacts of current activities on the economy and job creation. Consequently, we were unable to determine if its programs were effective in promoting new business growth, supporting expansion of existing businesses, or attracting new businesses to the State, its primary mission. While the Division also performs activities to support employees, our report focuses primarily on programs aimed at businesses; therefore, activities conducted to support employees was not a primary focus of this report.

The Division experienced staffing cuts in the years prior to the audit period. For the 2012/2013 biennium, the Division experienced a reduction of ten positions including the business administrator and four positions in the International Trade Resource Center. Additionally, prior to the appointment of a new Director in January 2014, the Division had not had a formal Director since December 2008, working instead under the direction of an Interim Director.

During the audit period, the Division did not have a coordinated plan to support its mission. In 2000, the State created a development plan; however, this plan is outdated and can no longer guide the Division in managing its activities as it does not include programs currently used by the Division, reflect current staffing, or consider the current economic environment. As a result, the Division's various programs were not coordinated and worked separately from each other.

The lack of a plan to coordinate its various programs inhibits the Division's ability to establish a performance measurement system with goals, objectives, and measures. While measures existed for some Division activities, the majority only report on successes and were not tied to a particular goal. Tracking only successes does not allow objective analysis or comparison to performance targets. Without adequate measures, it is not possible for Division management to determine if its efforts are achieving its mission. We found data necessary for identifying and developing pertinent performance measures were inconsistently entered, incomplete, and unreliable, preventing comparison of actual performance to targets. Further, the Division's separate systems for capturing data did not allow it to adequately track business referrals between programs, nor allow management to track whether these referrals ended in a successful result for the business.

The State has limited financial assistance options and programs for businesses, relying instead on the Division's coordination of external resources for businesses and relationship-building. While the amount of monetary incentives available is small compared to some surrounding states (totaling less than $4 million annually), the Division lacked proper controls to ensure efficient and effective implementation. In many cases, tax incentives and training grants were awarded with limited documentation that businesses met the requirements of each program, and little follow-up to ensure businesses achieved the intended purposes of the programs. Despite statutory

requirements to evaluate the effects of these programs, the Division did not evaluate whether businesses receiving tax credits and grants maintained the jobs they created, created additional jobs, spurred economic growth in their area, or achieved other performance metrics.

As the economic development needs of the State evolve, the Division should continually assess the impact of its programs to ensure its activities support businesses it is intended to serve and contribute to the overall health of the economy. These issues are similar to those found in our 1997 performance audit of the Department of Resources and Economic Development's economic development programs and are still relevant today.

STATE OF NEW HAMPSHIRE
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DIVISION OF ECONOMIC DEVELOPMENT

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action Required?	Recommendation	Agency Response
1	11	No	Establish an economic development program plan which defines the roles of each program, is consistent with the State development plan, and incorporates the input of stakeholders and policy makers.	Concur
2	15	No	Establish: goals linked to the Division's mission; performance measures with corresponding benchmarks; and policies and procedures for regularly measuring performance and evaluating program effectiveness.	Concur
3	18	No	Reconsider one database system for tracking activities across all programs and develop policies and procedures for consistent, reliable, and complete data collection.	Concur
4	20	No	Assess areas of risk and develop a data management and information technology (IT) plan; strengthen IT controls; and develop and implement a plan to enter data gathered during the Customer Relationship Management system outage.	Concur In Part
5	25	Yes	Improve management over the Economic Revitalization Zone (ERZ) and the Coos County Job Creation (CCJC) tax credit programs by establishing Administrative Rules and developing policies and procedures ensuring adequate controls. The Legislature may wish to consider amending RSA 162-N to clearly define whether part-time jobs should be eligible to receive ERZ tax credits.	Concur

Observation Number	Page	Legislative Action Required?	Recommendation	Agency Response
6	29	Yes	Regularly evaluate the effectiveness of the ERZ, CCJC, and Research and Development tax credit programs to determine if they have the desired effect, whether improvements are needed to better support the State's economy, and to make recommendations to the Legislature. If the Division feels statutes are not clear, we recommend it seek amendment to RSAs 162-N, 162-P, and 162-Q to specifically require it to conduct evaluations to determine program effectiveness.	Concur
7	31	Yes	Develop and implement performance measures for the Job Training Grant (JTG) program; ensure the Review Committee adheres to laws and rules; clarify scoring criteria; and determine how to best market the JTG to all of the State's business community. The Legislature may wish to consider amending RSA 12-A:54, II (8) to update the composition of the Job Training Grant Review Committee and RSA 12-A:55, V to establish criteria for defining small business.	Concur In Part

BACKGROUND

The Division of Economic Development (Division) within the Department of Resources and Economic Development (DRED) is tasked with planning, developing, and maintaining programs to assist in the maintenance and expansion of existing businesses in the State. The Division is also responsible to promote the development of new industry and businesses.

Economic Development Functions

The Division is overseen by the Director of Economic Development; however, the position was vacant from December 2008 to January 2014 during which time the Division was operating under the direction of two different Interim Directors; one of whom was appointed, and the other acting within a classified position. In the 2012/2013 biennium, the Director position was defunded. Funding was restored in the 2014/2015 biennium and, in January 2014, a new Economic Development Director was appointed.

During the audit period, the Division had 28 full-time positions. Five of those positions (including the Director) were vacant during the audit period. Other management positions were vacant for some parts of the audit period. Similar to other State agencies, the Division experienced staffing cuts in the years prior to the audit period. The International Trade Resource Center (ITRC) experienced the most dramatic cut, with a 75 percent reduction in its staff. Additionally, the Division's finance administrator position had been abolished in the year previous to the audit period. At the end of March 2014, four positions were vacant (one position in each of the following units: Business Retention and Support, Procurement and Technical Assistance, ITRC, and the Office of Workforce Opportunity). The Division's program staff are primarily organized into six core functions with each area providing assistance to businesses in the State as described in the bullets below:

- *Business Recruiting (three staff)*: The State's two business recruiters and one program assistant aid out-of-State companies by providing information about the State's tax structure and workforce; identifying available office and industrial real estate; helping them navigate State permitting requirements; identifying financing options; and providing data comparing the business environment in New Hampshire with other states. The recruiters target industry sectors and markets, make cold calls and serve as facilitator for the businesses considering relocation to the State. Recruitment personnel also assist in-State businesses considering a move to another state by identifying New Hampshire advantages.

- *Business Retention and Support (seven staff)*: The Division's five Business Retention and Support staff, the Business Services Manager, and one administrative position work with businesses throughout the State to provide general support and expertise aimed at helping businesses grow. Retention team members are assigned to specific regions of the State and connect businesses with available resources; identify applicable tax credits; and help them navigate permitting requirements, government rules, and regulations. The retention team also works with government agencies as well as public and private economic development organizations to identify challenges facing the State's business community. They also serve as the regional points of contact for Rapid Response activities by coordinating support programs for employees facing layoffs. Additionally, in the event of significant weather events, the staff serves as a conduit to the commercial sector for emergency preparedness, response, and recovery.

- *Procurement And Technical Assistance Program (PTAP) (four staff):* PTAP staff provide support and technical assistance to companies doing business with federal, state, and local governments. Staff work directly with businesses to assess whether their operations are compliant with government contract requirements; provide training on the competitive bidding process; help businesses obtain any necessary certifications; and generally assist in navigating the complexities of government contracting.

- *International Trade Resource Center (ITRC) (three staff):* ITRC staff are charged with planning, developing, and administering programs to promote international trade and assisting companies in exporting products to foreign markets. ITRC staff focus on three types of businesses: those which have never exported before, those seeking to expand to additional export markets, and those seeking to broaden their market presence within a country or expand to new markets. They provide training targeted at export regulations; counsel and educate businesses in navigating international trade regulations, rules, and laws; connect businesses with federal agencies specializing in export regulation; help businesses identify international markets for their products; and help businesses identify financing options.

- *Office Of Workforce Opportunity (OWO) (six staff):* OWO staff are responsible for workforce development programs and administer the funds for the Job Training Program for Economic Growth (a.k.a., the New Hampshire Job Training Fund), which provides matching funds for businesses to train its workers, as well as a program to help unemployed workers upgrade their interpersonal skills.

- *Broadband Program (one staff):* The Broadband Director is responsible to coordinate efforts to increase the interoperability of communication systems and expand high-speed internet capabilities statewide. The position provides the Division and other agencies support with broadband issues, the high technology industry, and efforts to promote high technology jobs. The position is also a member of the State Telecommunications Planning and Development Advisory Committee.

The Division also employs a Marketing and Media Director who is responsible for messaging and branding the Division. The position serves as the point of contact for media inquiries and oversees the development and implementation of the marketing plan. The Director manages the social media accounts as well as the industry blog for the Division website (www.nheconomy.com), providing original content, videos and photographs of events of interest to followers. The Director is also the Division's photographer, videographer, occasional graphics designer, writer and proofreader.

Financial Incentive Programs

The DRED has a role in overseeing the State's tax credit and job training programs designed to attract and retain businesses. During the audit period, the Division administered three financial incentive programs for businesses and was responsible for reporting on a fourth which was administered through the Department of Revenue Administration (DRA).

Compared to two neighboring states, New Hampshire offers relatively small incentives in the form of monetary assistance. Tax credits and training grants overseen by the DRED and the DRA total less than $4 million annually. Comparatively, in fiscal year 2012, Massachusetts granted approximately $770 million in "special business tax breaks" as part of its state economic development strategy, while in 2011, Maine awarded $54 million in credits through five economic development programs. Table 1 summarizes the State's tax credit and grant programs.

Table 1

State Financial Incentives Available To Businesses

Name	Description	Annual Amount Available
Job Training Grants (JTG)	Matching grants for approved training between $750 and $100,000 per recipient.	Non-lapsing fund appropriated $1 million annually. Grants awarded on a first-come-first-served basis with grants awarded monthly.
Economic Revitalization Zone (ERZ) Tax Credit	Tax credit for job creation, building improvement, etc., in a designated economic revitalization zone with a maximum of $40,000 per year or $240,000 per recipient available over five tax periods.	$825,000, proportionally distributed based on the qualified amount of all eligible applicants. Tax credits are awarded annually.
Coos County Job Creation (CCJC) Tax Credit	Tax credit for creating full-time jobs that pay at least 1.5 times the State minimum wage, with a maximum of $1,000 credit per job created. Tax credit is renewable for up to four additional years as long as the position still exists.	No specified limit. Awarded annually with approximately $64,000 in credits awarded in 2012.
Research and Development (R&D) Tax Credit	Tax credit for "qualified manufacturing research and development expenditures." Tax credit is administered by the DRA.	$2 million proportionally distributed based on the qualified amount of all eligible applicants.

Source: LBA analysis of State economic development financial incentive programs.

During the audit period, the amount of tax credits and grant funds requested increased. Table 2 identifies the available, requested, and average awards by program. Both the ERZ and R&D tax credits have statutorily mandated funding caps and use a pro-rated formula based on the amount each applicant is eligible for and the amount of funding available. Requests for both the ERZ and R&D tax credit programs exceeded the annual cap each year during the audit period. The JTG had more funding available than requested by applicants, and there was no statutory limit for the CCJC tax credit.

Table 2

Available, Requested, And Average Financial Incentives Distributed To Businesses, Calendar Year 2012

Program	Number Of Applicants	Average Award Per Recipient	Annual Amount Available	Total Funds Requested
JTG	75	$17,001	$1,000,000	$1,275,075
ERZ	14	$58,929	$825,000	$1,273,967
CCJC	16	$4,106	No Defined Cap	$64,250
R&D	155	$12,903	$2,000,000	$5,682,716

Source: LBA analysis of Division-provided data and file reviews.

Report Focus

This report focuses on the Division's programs aimed at promoting new business growth, supporting the expansion of existing businesses, and attracting new businesses to the State. The support the Division provided to employees was not a primary focus of this report. The remainder of this report provides background information and recommendations to address the questions we were asked to consider, which can be found in Appendix A at the end of this report.

ECONOMIC DEVELOPMENT PLANNING AND PROGRAM OUTCOMES

Did the DRED promote new business growth, provide support for expanding existing businesses, and attract businesses to the State with a coordinated plan? Additionally, did DRED's processes allow it to adequately track and report program activities and outcomes?

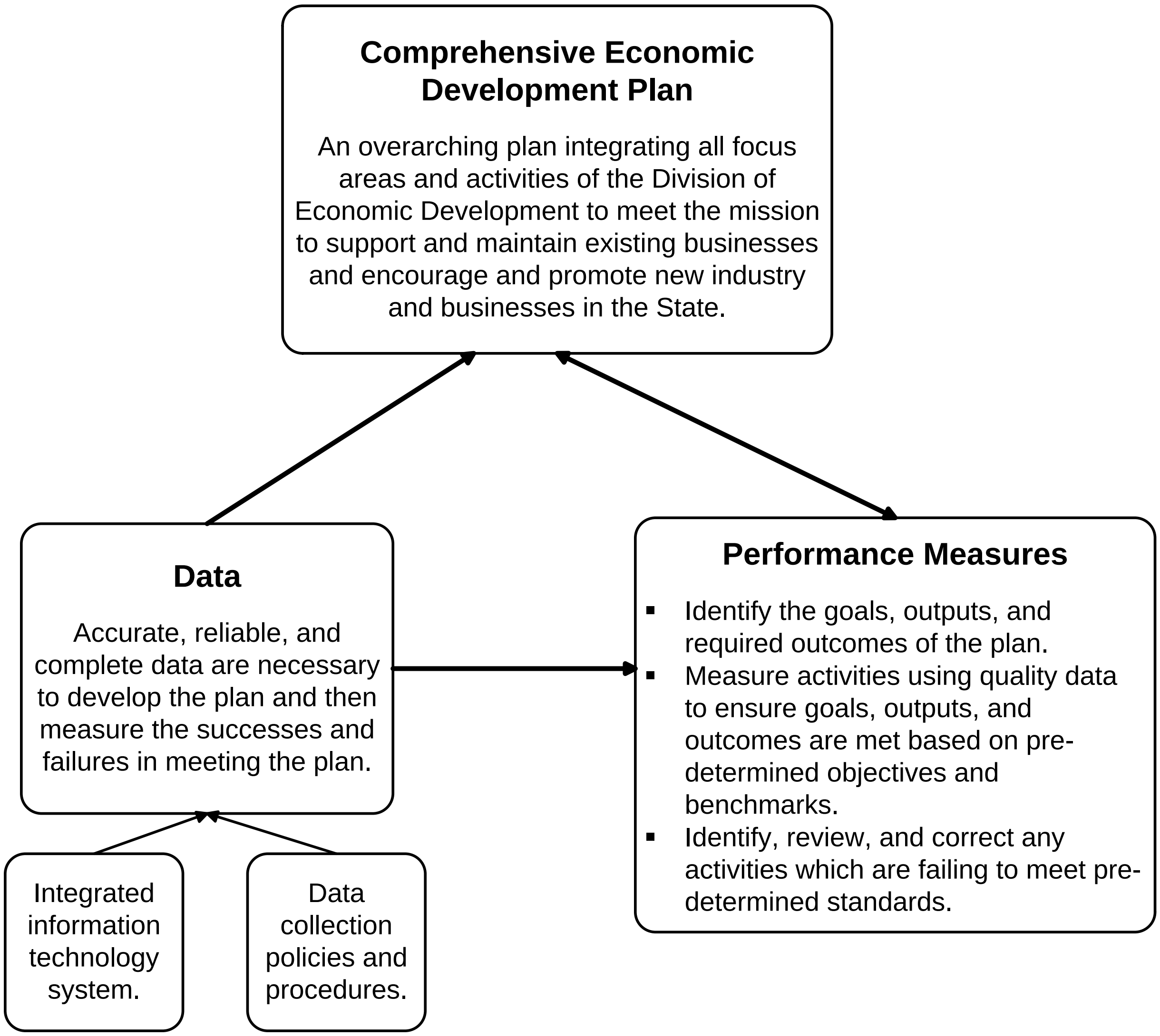
Statute required the Director of Economic Development, through a written economic development program plan, to integrate "the various development programs" and evaluate their effectiveness (RSA 12-A:22, VI, VII). However, the Department of Resources and Economic Development (DRED) has not established a strategic plan, and the Division of Economic Development (Division) did not have a Division-wide economic development program plan to retain and support existing businesses, or attract new businesses to the State. In the absence of an overarching program plan, individual program activities were not well coordinated, creating an environment where the Division could not adequately track, evaluate, or report on program outcomes or effectiveness.

The Division provided a number of resources for businesses including technical assistance; referral services (e.g., the Small Business Development Center, Service Corps of Retired Executives, and the Manufacturing Extension Partnership); training, education, and networking opportunities; Rapid Response activities; grants; and tax credits. Although it performed these services, the Division did not have a program plan coordinating the efforts of its core functions or clearly outlining performance goals. Each program within the Division identified working to meet the mission to "plan, develop and administer programs to assist in the maintenance and expansion of existing industry and business in the state and to encourage and promote the development of new industry and business in the state;" however, there was no written plan for how to accomplish this mission.

An overarching plan, reliable and complete data, and performance measures are all necessary to help ensure the activities of the Division support existing businesses and encourage new industry and businesses in the State. These three components are closely related as illustrated in Figure 1. Data are necessary to develop a plan, and a plan is necessary to develop goals, outputs, and required outcomes. The Division did not identify the relevant performance measures, measure effectiveness, or identify if operational goals were attained, largely as a result of the lack of an overarching plan.

Figure 1

Relationship Between Planning, Data, And Performance Measures



Source: LBA analysis of performance measurement literature.

Overlap of businesses served by the Division is expected; however, programs were not coordinated, leading to inefficiencies. Each program Business Recruitment, Business Retention and Support, Procurement and Technical Assistance Program (PTAP), International Trade Resource Center (ITRC), Office of Workforce Opportunity (OWO), and the Broadband Director may be working with the same company or within the same industry, but there was no follow-up ensuring referrals between programs were successful and no coordination ensuring efficient and effective business relationships. While Recruitment staff primarily work to attract businesses to the State, they also work with in-State businesses that are expanding operations or considering a move out of State. All other Division programs work with existing businesses by providing general assistance (Retention and Support), aiding with obtaining government contracts (PTAP), assisting with product export (ITRC), helping with workforce development through training grants (OWO), and assisting with high speed internet needs (Broadband).

While staff in each program document interactions with a company, information is not easily shared by Division staff in electronic format and there are no policies or procedures for what or how data should be collected. For example, a high technology company located in New Hampshire and looking to expand its operations may work with multiple programs within the Division. Recruitment personnel may work with the company to assist in finding appropriate commercial real estate or providing information on why expanding in New Hampshire is the best decision. The Broadband Director may have worked with this same company to identify carriers to meet its high speed internet needs. The Retention and Support staff would have been in contact with the company and may have referred it for a Job Training Grant (JTG), the three tax credit programs, or assistance with exporting and government contracting. All programs of the Division could potentially be working with this company with limited coordination or awareness.

Observation No. 1

Develop A Comprehensive Economic Development Program Plan

The Division did not have a cohesive economic development program plan for attracting new businesses to New Hampshire, or retaining and supporting existing businesses in the State. In the absence of an economic development program plan, each Division program autonomously planned and directed its own activities. Consequently, the Division could not demonstrate program activities were coordinated to support the overall agency mission of creating jobs, retaining existing businesses, and recruiting new businesses.

RSA 12-A:22, II and III charge the Division Director with planning, developing, and administering "programs to assist in the maintenance and expansion of existing industry and business," as well as encouraging and promoting "the development of new industry and business" in the State. Statute also requires the Director prepare a written economic development program plan to integrate the various programs and responsibilities assigned to the Division. To help the Division with its efforts to establish goals, measurements, and strategic planning efforts, the Legislature established a 26-member Economic Development Advisory Council in 2008. However, during the audit period, it did not have any members or meet as a result of pending legislation to reduce the number of members. In February 2014, after vetoing the legislation, the Governor appointed 26 members to the Council.

State law requires the Division Director's economic development program plan be consistent with the comprehensive State development plan established by the State Office of Energy and Planning. According to RSA 9-A:1, the comprehensive State development plan should establish State policy on development-related issues and propose new or expanded programs to implement such policies. The comprehensive State development plan must also include a section on economic development which proposes action and policies to address the State's economic goals and needs. It must also be based on the State's "current and projected economic strengths and weaknesses" and also requires the State establish policies related to economic growth and development.

The comprehensive State development plan was last updated in 2000 and the Division Director did not have an economic development program plan. The comprehensive State development plan was established prior to many of the Division's current efforts, including the Research and Development, Economic Revitalization Zone, and Coos County Job Creation tax credit programs. Further, New Hampshire's economic climate experienced significant changes in migration, workforce composition, and economic growth since the plan was created almost 15 years ago.

Division staff and the DRED Commissioner reported the Division would benefit from a cohesive plan, with the Commissioner stating the Division needed to establish a strategic approach to managing the Division, as well as establishing the strategic vision for developing the State economically.

The lack of cohesive Division-wide planning efforts reduced the ability of each program within the Division to function without a clear vision of how activities were linked to the Division's overall mission or goals. Three of the five Business Retention staff reported focusing their efforts on businesses with 25 employees or more and only working with businesses with fewer than 25 employees and start-ups if the business initiated contact, while one reported focusing on all businesses. It was unclear whether the Division's intent was to support all businesses, only businesses with 25 employees or more, or specific sectors of the economy. It was also unclear whether this focus was appropriate given the Division's broader responsibility of maintaining and expanding existing industry and business or encouraging and promoting the development of new industry and business, not just businesses with more than 25 employees or established businesses. Additionally, Business Retention staff were required to meet in-person with businesses each week; however, it is unclear how these visits, and the driving time associated with them, better support job creation and retention as opposed to a teleconference or videoconference. According to Division management, personal relationships with businesses are often best established face-to-face and such meetings demonstrate the State cares enough about constituents to leave their office, visit with businesses and communities, and stay in touch with regional concerns.

The Division had no permanent Director from 2008 until January 2014. According to Division staff, this negatively affected long-term planning efforts.

Recommendations:

We recommend the Division Director establish a cohesive economic development program plan which integrates the various development programs and responsibilities assigned to the Division. The plan should:

- **clearly define the roles of each of the Division's programs and specify how they will be integrated to support the agency's mission of creating jobs, attracting new businesses, and retaining businesses;**

- **be consistent with an updated State Office of Energy and Planning State development plan; and**
- **incorporate the input of stakeholders and policy makers to ensure the Division's activities are consistent with the economic interests of the State.**

Auditee Response:

We concur with the recommendation to create a written program plan. Now that the Director's position has been filled (vacant since 2008), program planning is already underway and will be a priority.

The report is critical of the fact that our business specialists work with businesses of varying sizes and asserts that the Division only works with "large or established businesses," which is arbitrarily defined by the auditors as businesses with 25 or more employees. Our business specialists are organized geographically. The average size of business that each specialist works with varies from region to region because the business mix in each region is quite different. The Division relies on the US Small Business Administration (SBA) definition of a small business. The vast majority of companies that the Division assists are defined as small businesses according to this standard definition, which considers industry, number of employees, and annual sales.

While it is clear that the Division will benefit from a strategic plan, the report fails to acknowledge the responsive customer service aspect of the Division's work. Assisting companies experiencing mass layoffs, financial crises, natural disasters, and problems with state bureaucracy are all unplanned activities that we respond to on a regular basis and which often take precedence over planned work. We take responsibility for the incomplete picture that this audit paints of the Division's work because the audit scope, which we agreed to, focused the auditors' examination on whether the Division met its mission "with a coordinated plan."

LBA Rejoinder:

With the advice of the Legislative Performance Audit and Oversight Committee, the scope of our audit focused on whether the Division's economic development programs were effective in promoting the growth of new businesses, supporting expansion of existing businesses, and attracting businesses to the State. Accordingly, we planned the audit to focus on the services the Division provided to businesses, rather than those it provided to employees who had been impacted by layoffs or facility closures.

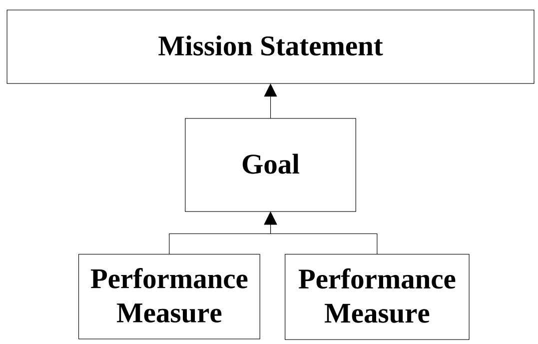
Performance Measurement

The Division's lack of a cohesive economic development program plan hindered its ability to establish goals and performance measures linked to an overarching agency mission. The Division developed some metrics; however, activities were not tied to a particular goal, nor was the impact of this activity measured. Additionally, during the audit period, the Division reported on its successes such as the amount of Job Training Grants awarded and number of businesses successfully recruited to the State. However, it did not report on the percent of grantees not completing the training, the number of businesses Recruitment staff worked with which did not move to the State, or the number of businesses that have worked with the agency leaving the State. In reporting only successes, in lieu of performance measures linked to goals, the Division could not identify areas for improvement or potential redirection of its efforts.

A performance measurement system allows efficient and effective management by assessing whether an agency is achieving its mission and producing desired results. Performance measurement ties activities to goals supporting the agency's mission, compares actual performance to pre-established targets, allows agencies to identify their strengths and weaknesses, and actively monitors performance over time. Figure 2 visually demonstrates how the three components of a performance measurement system function in practice:

Figure 2

Components Of A Performance Measurement System



Source: LBA analysis of performance measurement literature.

Performance measures can be used to measure different aspects of an agency's operations and activities including inputs, outputs, efficiency, and outcomes. An input is the resources, such as time or funds, needed. An output is the product produced or the service provided. Efficiency measures the time or monetary costs associated with a process, usually comparing inputs to outputs and an outcome measures the effect of an activity. After performance measures are established, clear performance targets should be set. Monitoring this information allows management to correct ineffective efforts, improve weaknesses, and enhance strengths. For example, if management introduces a new business process, it should be able to determine whether the activity is positively or negatively affecting the agency's goals and overall mission.

Figure 3 illustrates how performance measures can be used by considering the Division Retention team's current referral process. The referral process requires Retention staff identify relevant businesses, contact the business, set up an in-person meeting, refer the business to potential services available through the Division or its partners (such as government procurement assistance or tax credit programs), and then the business contacts the relevant program to receive services.

Figure 3

Examples Of Performance Measures

Input	Efficiency	Output	Outcome
1) The amount of staff time spent identifying and determining the businesses that will be contacted. **2) The amount of money spent on travel and staff time associated with contacting businesses.**	**1) The average number of hours it takes to drive to a business site, meet with the client, and complete follow-up work.** **2) The average monetary cost associated with driving to a business site, meeting with the client, and completing follow-up work.**	**1) The number of instances where a business is referred to PTAP.** **2) The number of instances where a business is referred to a tax credit program.**	**1) The percent of businesses referred to PTAP that successfully obtain a government contract.** **2) The percent of businesses referred to a tax credit program and successfully obtain a tax credit.**

Source: LBA analysis of performance measurement literature and the Business Retention and Support referral process.

Observation No. 2

Implement A Performance Measurement System To Evaluate Division Activities

During the audit period, the Division's mission was "to plan, develop and administer programs to assist in the maintenance and expansion of existing industry and business in the state and to encourage and promote the development of new industry and business." Best practice suggests the Division establish a performance measurement system to allow management to determine whether it was effectively and efficiently meeting its mission.

The Division did not establish a performance measurement system to allow it to demonstrate, or determine whether, it was meeting its mission. The Division and the DRED lacked a comprehensive economic development program plan and formal goals, making measurement problematic. Further, the Division had not established any performance measures and corresponding benchmarks for five out of the six programs we reviewed, with the exception of federal program requirements for the State Trade and Export Promotion grant program. The following describes the various levels of measurement that existed in the Division's six programs.

- Neither the ITRC nor the Business Retention and Support programs had documented performance measures or benchmarks useful for tracking activities and measuring performance over time.

- The Recruitment, Broadband, and OWO programs established measures exclusively focusing on success. These measures did not report other activities which could be used to demonstrate program effectiveness or efficiency. Further, there were no benchmarks associated with the success measures to hold the Division accountable for program performance.

- The PTAP was the only program with established performance measures and corresponding benchmarks. However, the PTAP was required to have measures and benchmarks to receive funding through its cooperative funding agreement with the federal government.

The Division did not have a performance measurement system to determine whether a majority of its programs were operating effectively and meeting the Division's mission. Instead, according to Division management, the Division relied on coordination among program managers, internal practices aimed at encouraging communication, and management reporting to determine whether its programs were meeting the Division's mission. Lack of a comprehensive performance measurement system, with goals and performance measures, prevented the Division from determining whether its activities contributed to its overall mission or whether resources could be better utilized elsewhere. Program reporting focused exclusively on success inhibited the Division's ability to determine whether staffing resources were being utilized in the most beneficial manner possible to help improve and support the State's economy.

Recommendations:

We recommend the Division establish:

- **goals linked to its mission;**
- **performance measures, with corresponding benchmarks, to track and determine whether it is achieving the desired level of performance; and**
- **policies and procedures for regularly measuring Division performance against benchmarks and evaluating the effectiveness of its programs.**

Auditee Response:

We concur with the recommendations, but we do not concur with some of the characterizations in this section.

The report asserts that the Division's programs cannot be evaluated for effectiveness. The Division currently has metrics in place that we, the Legislature, and the public have deemed to be important, and these measures are reported as required by statute and as required for the process of budget development.

We reject the simplistic performance measurement model suggested by the auditors. It does not translate to economic development. The Division's staff counsel and guide businesses, but there are always a host of factors outside of our control that influence the ultimate decision a business *makes about how much of a Job Training Grant they will use, if they will apply for tax credits or grants, if they will pursue a federal contract or export opportunity, if they will locate their business in NH, or if they will leave the state.*

We agree that more can be done to articulate the return on investment to the State of our work. We currently gather sufficient data to determine the economic impact to the State of the PTAP, ITRC, and Recruitment programs, and we are conducting economic impact analyses for those programs right now. This will enable policymakers to evaluate the effectiveness of much of our work.

During the audit period, with significant reductions in staff and resources and economic difficulty caused by the recession, we had to make hard choices. One of those choices was whether to focus resources on assisting businesses or on measuring our work. It is our hope going forward that the Division will have the resources necessary to undertake regular planning and meaningful performance evaluation.

LBA Rejoinder:

The Division had measures for some of its programs, but did not have performance measures or associated goals for five of its programs which could be used to assess Division performance over time or determine whether it is meeting its mission. The U.S. Government Accountability Office defines a performance measurement system as "ongoing monitoring and reporting of program accomplishments, particularly progress towards pre-established goals."

Data Systems

Incomplete and inconsistent data hampered management's ability to measure the effectiveness of Division activities. The Division used two separate customer relationship management databases; the Customer Relationship Management database (CRM) and Webcats. Recruitment, Retention and Support, and ITRC used the CRM; however, Retention and Support and ITRC could not see entries made by Recruitment, which was designed to maintain confidentiality. PTAP used Webcats to document business interactions and OWO documented their interactions and activities separately. Data entry methods were not consistent and different staff used the database at different proficiencies limiting the ability of users in one area to consistently identify the activities of those in another area. The system also experienced several months of downtime during the transition to a new server, leaving users without any way to enter current information until the database was brought back online. During this period, users were able to access historical data by requesting reports through the database administrator.

The Division's unconnected data systems did not allow it to efficiently track the outcome of referrals from one part of the Division to another. We found limited referrals in the CRM, Webcats, and OWO JTG tracking sheets, and there was no evident system in place for documenting a referral from one program to the next. Division staff also reported a lack of systematic or formal coordination with other programs. The CRM and Webcats databases were designed to identify past interactions businesses had with other Division programs; however, our review of the CRM database found the data were incomplete and inconsistent. Therefore, even if all programs were working with the same company, each individual area may not be aware of the others' activities. These data limitations, paired with the lack of a coordinated plan, inhibited the Division's ability to function as a cohesive unit.

Observation No. 3

Improve Data Collection To Facilitate Communication And A Division-Wide Measurement System

The Division lacked accurate, reliable, and complete data needed to effectively plan, manage, and measure its activities. Additionally, data for five of the Division's programs were maintained in three separate data systems which did not have the ability to communicate with each other, impeding the Division management's ability to fully track the effect of the Division's activities.

Lack Of Data Reliability In CRM

There were no policies and procedures on the type of data which must be entered or how the data should be entered into the Division's CRM database. Our review of the CRM database, used to track and monitor the business contacts and interactions of the Division's Business Recruiting, Business Retention and Support, and ITRC programs, found data lacked reliability and completeness. We found the following issues.

- The system contained multiple duplicate entries (at least 19 percent) and outdated contact information.
- When compared to staff Outlook calendars, approximately 55 percent of entries scheduled in retention staff calendars for meetings with existing businesses had no corresponding record in the CRM. Nor was there any indication whether these meetings occurred.
- When staff entered information into the intake form in the CRM, the data were not appended to the history or other note tabs in the database. The data were overwritten when new information was entered, deleting past data points. (In 2013, the Division modified the CRM to include an intake form; however, the form was not programmed to append this information to existing records in the CRM.)
- Reportedly, staff should have recorded activities in the CRM history or notes tab; however, this did not consistently occur.

We also found final evaluation data for the JTG program lacked consistency and completeness. Not all JTG recipient data, such as the amount of the award spent, the number of employees trained, and the number of jobs retained, were collected or stored electronically, limiting their use for systematic review of the JTG program. The OWO also maintained two separate spreadsheets on grant recipients, with one tracking funds used and contracts and the other listing grants obligated. The OWO also maintained letters to the Commissioner on recommended awards. These spreadsheets and letters, though similar, did not fully reconcile by company or grant amount. The OWO had no policies and procedures on data collection.

CRM data were reportedly used to create management reports on recruitment, retention, and ITRC activities, and the OWO is required to report annually on the JTG; however, these reports may not have provided accurate information. Reliable information is necessary to allow performance measurement to occur including identifying: 1) if an agency is meeting its goals, 2) where strengths and weaknesses exist, and 3) how operations could be improved.

Lack Of Comprehensive System For Tracking Activities

The Division used two databases to track activities: Microsoft CRM and Webcats, as well as Excel spreadsheets. These systems did not communicate with each other and the users in one program area did not have access or use systems in other program areas, limiting information sharing and communication. Recruitment, Retention and Support, and the ITRC used the CRM. However, Retention and Support and ITRC staff could not see entries in the CRM made by Recruitment staff as their CRM access permissions prevented them from accessing these data. Originally, Recruitment and Retention had different permissions to preserve confidentiality; however, it was unclear whether this separation was necessary nor was there a recent risk assessment completed justifying the separation.

The PTAP used Webcats to document business interactions and the OWO documented its interactions and activities in Excel spreadsheets. Consequently, even if a business was working with all program areas, staff in each program may not be aware of the other's activities.

Due to the disparate systems, the Division did not fully track businesses' interaction with different Division programs. For example, if retention staff referred a business to the PTAP for government procurement services and to the OWO for a job training grant, the data systems did not facilitate analysis of how many referred businesses actually utilized suggested services. Such information was necessary for an adequate performance measurement system. Five Division staff reported the systems could or should be combined to improve coordination or data sharing.

Recommendations:

We recommend the Division:

- **again consider one database system or an improved system of information sharing to facilitate tracking activities across all programs; and**
- **develop user policies and procedures for consistent, reliable, and complete data collection.**

Auditee Response:

We concur with the recommendation. We continue to request funding in the biennial budget for database related upgrades and support.

We recently hired an export specialist who has experience with CRM. To date, the specialist has made several changes to the system which will address many of the identified concerns. Of course, it should be noted that the CRM is not the primary responsibility of this position. It also *means that an administrator is also a user, which the audit criticized (see Observation 4). Dedicated resources and staffing would rectify this.*

We also concur with the need for updated policies. This is currently being done to coincide with the changes being made to the database.

Observation No. 4

Develop An Information Technology Plan And Improve Controls

The Division lacked an integrated information technology plan and system controls. Information technology (IT) planning and controls can assist in ensuring quality data are captured and safeguarded. Lack of planning for information systems hampered the Division's ability to collect and report on relevant data.

Integration Of Information

The Division's lack of an IT plan resulted in multiple independent databases to track activities, creating silos, and inhibiting information sharing and communication across the Division.

Without a strategic IT plan, the Division had not determined the most effective use of its information technology systems. During the audit period, the Division used a 2007 version of a CRM which was server-based and used only on-site. The Division had recently purchased iPads to allow staff quick access to information when coordinating Rapid Response activities; however, Division management was aware the product would not integrate with other Division systems. For example, the version of the CRM in use was not accessible via the web or smartphone, and was not compatible with Apple products. Therefore, the system was not accessible by users in the field. Four of five Business Retention and Support staff stated remote capability to the CRM was needed or would improve effectiveness.

System Controls

The CRM database lacked general IT controls and the Division lacked policies and procedures on change control, user access, confidentiality, and risk management. We found the following issues.

- Several modifications were made to the system since its inception; however, there were no change control policies and no formal documentation of all changes made.
- During the audit period, the database administrator was also a system user creating a situation where a system user had read, write, and edit access.
- There are no policies or procedures for adding or deleting users, or user access levels and former employees and users were only deleted during the November 2013 migration to a new server.
- Certain members of the Division staff had access to the CRM but reported not using the system.

- There had been no formal IT risk assessment regarding confidentiality or other areas of risk.

Further, the server for the CRM was located at DRED headquarters during the audit period[1] and, although policies existed, we found the server room was not physically secured on two separate occasions. Additionally, written protocols were not followed during our guided visit to the server room. Although usually locked, three IT staff, all Division staff, three DRED staff (including cleaning staff), and the property manager had keys allowing access to the room during the audit period. The server room could be accessed through two separate doors and had drop ceilings easily accessible from the hall.

Planning For System Down-Time

The CRM database has not been functional since November 1, 2013 due to complications associated with migrating the data from one server to another. While some users continued having access for viewing data in the CRM, most did not and no one could enter information in the system. Staff were not informed the system would be down for an extended period of time, no plan was initiated to consistently collect CRM data during the down-time, and, while staff were instructed to collect information, there was no plan for how data collected during the outage will be loaded when the database achieves functionality. As the Division's main source of information and performance tracking, the four-plus month outage impacted the efficiency and effectiveness of operations and data management.

Recommendations:

We recommend the Division:

- **assess areas of risk and develop a data management and information technology plan;**
- **strengthen general IT controls; and**
- **develop and implement a plan to enter data gathered during the outage into the CRM.**

Auditee Response:

We concur with the first two recommendations. We concur in part with the third recommendation. We do not concur with some of the characterizations in this section.

Department-wide IT policies are already in place to avoid duplicative and potentially contradicting policies at the division level. We agree that it is prudent to continually assess risks. We also agree that it is good to have a Division-generated information technology plan. We will seek guidance as to the methodology, staffing and costs to accomplish the task.

[1] The database is currently being transitioned to a statewide server located off-site; therefore, physical security issues identified here may no longer be relevant as they relate to CRM.

The report states that staff was not informed that the CRM would be down for an extended period of time and that there was no plan to collect data and load it into the CRM when it was back up. This is incorrect. As the problems with the migration unfolded, staff was kept updated via email and in staff meetings about what was going on and they were instructed to make sure their Outlook calendars were accurate and that they kept detailed notes. Outlook is integrated with CRM. Now that CRM is back up, when staff log in they see a list of every single appointment that was in their Outlook calendar from the day CRM went down. They are entering data from those appointments into CRM based on their notes and closing each appointment out in CRM. While we did not have a written plan in place, we did have a plan to deal with the situation and we are working through it now.

The report implies that the Division purchased iPads with no thought as to how they would be utilized by staff in the field. This is a mischaracterization. The iPads were purchased by OWO with federal funds specifically so that Retention staff would have quick access to information when conducting Rapid Response meetings. That was the only reason the iPads were purchased. They were not purchased with CRM connectivity in mind.

The Division requested funding in the '14-15 biennium for CRM upgrades and support but funding was not provided, therefore, we were unable to upgrade to a mobile version of CRM, which we agree would improve staff effectiveness.

LBA Rejoinder:

The problems encountered with the planned CRM conversion from November 1 to November 4, 2013 highlight the need for the Division to have contingency planning in the event of unanticipated extended downtime. During our January 2014 interviews, Division staff clearly stated they did not know either how long the CRM would be down, or how these collected data would be loaded once the system was functional.

EFFECTIVENESS OF ECONOMIC DEVELOPMENT PROGRAMS

Did DRED effectively and efficiently manage the tax credit and grant programs offered to businesses?

The Department of Resources and Economic Development (DRED) was responsible for administering the Economic Revitalization Zone (ERZ) and Coos County Job Creation (CCJC) tax credits, as well as the Job Training Grant (JTG). It was also responsible for reporting on the Research and Development (R&D) tax credit, administered solely by the Department of Revenue Administration (DRA). We found several weaknesses in the Division's management of the tax credit programs including lack of supervisory review prior to granting tax credits, leading to tax credit awards which may have not been appropriate. Additionally, we found deficiencies in the administration of the JTG including inadequate criteria for evaluating grant applications, failure to evaluate the effectiveness of the program as required by statute, as well as a need to better target small businesses.

Other States' Business Tax Credits

Across the country, states use a variety of methods and techniques to promote economic development within their borders. Some states have created environments with low tax burdens and easy-to-navigate licensing regulations to help support businesses. Others have created tax credit programs targeting specific industries, research and development, venture capitalism, new businesses, or to revitalize underdeveloped areas. Another approach has been for states to enter into multi-year contracts that award large subsidies and monetary incentives to businesses.

Division management reported New Hampshire primarily relies on the promotion of a healthy economic environment to support businesses and foster growth in the economy. The Division's website indicates the State offers businesses a low tax burden, available and skilled labor, access to transportation systems, limited government, and easy access to government decision makers. Additionally, the State tries to attract and retain businesses through the three tax credit programs and the JTG.

New Hampshire generally provides businesses with fewer tax credits and grants than other states, making less than $4 million available to businesses annually. In recent years, neighboring states of Massachusetts and Maine awarded approximately $770 and $54 million in tax credits to businesses, respectively. Other states, such as Rhode Island, Maine, and Connecticut, have made special multi-year deals worth millions of dollars with large businesses to remain in the state, expand, or relocate to the state. New York, offers to forgo billions of dollars of tax revenue annually to attract new businesses.

Tax credit programs can vary significantly in their target audiences and the contractual obligations. For example, Vermont's Employment Growth Incentive tax credit is designed to promote economic activity that would not have occurred without the credit. Vermont enters into contracts with businesses seeking to start or expand a business venture and establishes clear and measurable performance measures. Vermont awards the tax credits over a period of five installments and the amounts are tied directly to the business' performance. In contrast, New Hampshire's ERZ tax credit is provided to businesses that have already created new jobs and invested in a project. The credit may be claimed over five years and there are no contractual obligations requiring the business to retain jobs or prevent it from moving to a new location immediately after receiving the credit.

<u>New Hampshire's Business Tax Credits</u>

During the audit period there were three tax credit programs available for businesses designed to spur economic development and create new jobs.

Economic Revitalization Zone

The ERZ tax credit is available to businesses investing in capital improvements to expand the commercial or industrial base in a designated ERZ and create new jobs. To qualify an area as an ERZ, municipalities must submit an ERZ designation application to the DRED. Statute required the area must be an unused or underutilized industrial park; contain vacant industrial, commercial, or retail structures; or certification that an ERZ designation would likely result in decreased vacancy rates. Businesses were required to apply to the Division and might receive a maximum of $240,000 in tax credits. A business could apply up to $40,000 of tax credits to its State business tax return for the year it earned the tax credit and each of subsequent five tax years. The State annually allocated $825,000 to the ERZ tax credit program. If the amount businesses were determined eligible for exceeded the maximum amount available, statute required the DRED to provide all eligible applicants with a proportional share of the available funds.

Coos County Job Creation

The CCJC tax credit was available to businesses creating new, full-time, year-round jobs in Coos County. To qualify, a business must have hired a new employee and pay that employee more than one and a half times the minimum wage. Statute allowed businesses to include the cost of employer-paid dental and medical benefits when calculating wages for this tax credit. Businesses were required to submit applications to the DRED specifying the number of new jobs created, wages paid, and the number of hours each employee worked. The DRED Commissioner had to approve each application. Businesses were awarded tax credits of either $750 or $1,000 for each new employee depending on the employee's wages. Businesses could renew the tax credit for up to four consecutive tax periods for each employee and unused portions could be carried forward for five years. Statutes did not specify a limit on the amount which could be awarded annually for this tax credit.

Research And Development

The R&D tax credit was administered by the DRA. Businesses with "qualified manufacturing research and development expenditures" were required to apply to and receive awards from the DRA. Businesses received the lesser of 10 percent of qualifying expenses or $50,000. Unused portions of the tax credit could be carried over for five consecutive tax years. Since its creation in 2007, the amount available for the R&D tax credit was $1 million annually; however, during the 2013 Legislative session, the amount available was increased to $2 million. Statute required the DRED to annually file a report with the Governor and Legislative leadership detailing the implementation of the tax credit program and the results achieved.

Observation No. 5

Improve Management Over Tax Credit Programs

The Division's tax incentive programs were not administered effectively and efficiently. We found the Division did not administer its tax incentive programs in compliance with State laws and awarded many inaccurate tax credits. We also identified significant control weaknesses concerning administration of the programs.

Tax Credit Amounts Were Improperly Awarded

We reviewed all 29 ERZ and all 28 CCJC tax credit applications submitted for tax years 2011 and 2012. For ERZ tax credits, we found some businesses were awarded more credits than they qualified for, while others were awarded less. ERZ tax credits were awarded proportionately depending on the total amount requested by all applicants. By awarding a business more than it qualified for, the Division effectively prevented another business from receiving the proper amount of tax credits. For CCJC we found some businesses received more credits than allowed by statute. Table 3 details the results of our testing:

Table 3

ERZ And CCJC Tax Credit Award Amounts For 2011 And 2012

		ERZ[1]	CCJC	Total
Tax Credits businesses should not have been eligible for	Dollar Amount	$856,000	$19,750	$875,750
	Number of Businesses	19	7	26
Additional Tax Credits businesses should have been eligible for	Dollar Amount	$121,000	$0	$121,000
	Number of Businesses	4	0	4

Notes:
[1] The amount the business was eligible for prior to prorating pursuant to RSA 162-N:5.

Source: LBA analysis of ERZ and CCJC tax credit applications.

We found CCJC and ERZ tax credit applications received during the audit period were improperly awarded for the following reasons.

- One of 28 CCJC applications was awarded approximately $11,800 in tax credits for employees who were retained due to an acquisition. Statute did not allow a credit for an employee shifted to another position because of a merger or acquisition.
- Six of 28 CCJC applications were awarded $6,500 in tax credits for part-time employees. Statute only allowed a tax credit for full-time employees.
- Two of 28 CCJC applications were awarded $1,500 in tax credits for employees making below the State minimum hourly wage established in statute.
- Four of 29 ERZ applications were awarded $237,400 in tax credits even though the applicants were not located in approved ERZs.
- Four of 29 ERZ applications were awarded $81,000 in tax credits for employees that were not hired during the applicable tax year.
- Three of 29 ERZ applications were awarded $305,100 in tax credits when there was inadequate employee wage or expenditure documentation to determine the proper award amount.
- One of 29 ERZ application missed the application deadline but was awarded $188,200 in tax credits; however, the Division awarded the tax credits for the subsequent tax year, which did not appear to be permissible under law. The Division was unable to provide any supporting documentation showing that the Interim Division Director, the DRED Commissioner, or legal counsel was either consulted on, or approved of, the decision.
- Four of 29 ERZ applications were awarded $17,400 as a result of basic calculation or other errors.
- Three of 29 ERZ applications were incorrectly limited to a maximum award of $200,000 when statute allowed for $240,000.

Poor Controls Over Application Process Increases Risk Of Abuse

There was a lack of supervisory review and approval controls over both the ERZ and the CCJC tax credit programs. One employee was responsible to review, approve, and forward both ERZ and CCJC applications to the DRED Commissioner for his approval. The DRED Commissioner reported "signing off" on tax credits, but did not have a significant role in approving applications.

The Division did not establish sufficient controls over the application or award processes, exposing both tax credit programs to increased risk of abuse during the audit period. We found businesses applying for both the ERZ and CCJC tax credits were not required to submit supporting documentation showing new employee salaries met statutory requirements, or showing the business made capital improvements and hired new employees. The Division did not request supporting documentation for the number of employees hired, employee payroll information, or capital expenditures reported by businesses for either tax credit program.

Statute required the DRED to establish tax credit agreements with businesses specifying the terms for awarding the ERZ tax credits. Specifically, each agreement should have included the duration of the taxpayer's commitments with respect to the economic revitalization zone. National literature on administering tax credit programs recommends establishing contracts with "claw back" provisions providing for recovery of tax credits in the event a business fails to adhere to its contractual obligations. However, the Department did not establish contracts specifying taxpayer commitments. Consequently, the State appeared to have no contractual authority to recover tax credits if a business eliminated jobs or moved immediately after receiving the ERZ tax credit.

Further, the ERZ tax credit award letters sent to businesses included language indicating the award amount was "estimated" and "the calculation of the actual tax credit is the responsibility of the accounting staff…" of the business. Statute required the DRED to issue tax credit awards and to prorate award amounts over $825,000. Consequently, the DRED was required to issue definite tax credit amounts. Without a definitive award amount, the Division risked recipients claiming more on their tax returns than estimated.

Lack Of Administrative Rules, Policies, And Procedures

The DRED had no Administrative Rules for either the ERZ or CCJC tax credit programs. Statute required the DRED to adopt Administrative Rules for the ERZ; however, DRED staff partially relied on Administrative Rules for the Community Reinvestment and Opportunity Program (CROP), which was repealed in 2007, to administer the ERZ program. The DRED website and the application materials for the ERZ tax credit also referred to the expired CROP zone rules. Further, the DRED incorrectly assumed areas formerly designated as CROP zones could be considered ERZs and awarded tax credits to former CROP zone businesses. However, statute made no provisions for carrying CROP zones forward into the ERZ tax credit program.

While the statute governing the CCJC tax credit did not specifically require the DRED adopt Administrative Rules, the Administrative Procedure Act (RSA 541-A) required agencies establish rules for regulations, standards, or forms adopted by an agency to prescribe a policy, procedure, or practice binding on persons outside of the agency.

The DRED had no policies and procedures for the CCJC or ERZ tax credit programs. In the absence of formal procedures, the DRED treated applicants differently. For example, statute did not define whether part-time employees should be included in the final ERZ tax credit award amount. However, the DRED provided ERZ tax credits to one applicant which hired an employee working eight hours per week and, in another instance, it did not provide ERZ tax credits to an applicant with an employee working 30 hours per week. Standardized policies and procedures are essential to ensure tax credit amounts are consistently awarded and all applicants are treated fairly.

<u>Recommendations:</u>

We recommend the DRED improve management over the ERZ and the CCJC business tax credit programs by:

- **developing Administrative Rules for regulations, standards, or forms relative to the ERZ and CCJC; and**

- **developing and implementing policies and procedures to ensure adequate controls over: calculating and awarding tax credits, consistently applying the same criteria to all businesses, supervisory reviews, and obtaining supporting documentation from businesses for information used to calculate tax credit awards.**

The Legislature may wish to consider amending RSA 162-N to clearly define whether part-time jobs should be eligible to receive ERZ tax credits.

Auditee Response:

We concur with the recommendations. To move the programs forward, resources are a critical part of the equation.

As the report mentions, the position of the finance administrator, who provided support for the tax incentive programs, was eliminated in the previous budget cycle. This had a significant impact on the management of the programs, particularly given the vacancies in two other upper level management positions, including the Director's position.

We have already made several positive changes to address the findings:

1) *A member of the Retention staff has been assigned to oversee the programs and this duty is a primary responsibility listed in his supplemental job description. This means that about one third of his time will be dedicated to tax credits administration at the expense of his ability to conduct business outreach and counseling.*
2) *With the hiring of the new Director, the Deputy Director is now available to assist and verify tax credit awards prior to the Commissioner's approval.*
3) *A program assistant with bookkeeping experience was hired in January to replace a vacancy and is also assisting with the programs.*
4) *We are reevaluating all the forms and instructions to make sure the information provided is in keeping with the statute.*
5) *We anticipate reviewing the legislation and providing recommended language to support verification and other ongoing issues.*
6) *Regarding rules for the ERZone program: the agency was ready to submit revised rules prior to the audit period, but the decision was made to place the submittal on hold pending audit recommendations. We were not aware that we had to create rules for the CCJC form itself. Rules for the CCJC form will be investigated and created if necessary. Regardless, the CCJC form and process is currently being revised to reflect the recommendations provided in this report.*

Observation No. 6

Evaluate The Effectiveness Of Tax Credit Programs On Job Creation And The Economy

The Division did not evaluate the CCJC or the ERZ tax credit programs to determine their impacts on the State's economy. Statutes requires the Division Director to "research and analyze information on matters related to the economic development of the state to support and evaluate the effectiveness of promotional and assistance programs." Statutes specific to each tax credit program require the DRED Commissioner to report on the implementation and effect of the R&D tax credit on the economy, the results of the ERZ tax credit and recommendations for further legislation, and the results achieved from the CCJC tax credit program.

The DRED conducted one survey of R&D tax credit recipients addressing the effect of the R&D tax credit. No similar surveys or other types of evaluations of the other tax credit programs were conducted. While the DRED reported on the CCJC and ERZ tax credit programs including the number and types of jobs created, number of businesses receiving tax credits, and the amount of tax credits awarded, the reports did not address whether the tax credits had an effect on the overall economy, long-term job creation, or job retention. Businesses applied for and received the tax credits; however, the State had no method to determine whether or not businesses would have created the jobs regardless of the tax credit, or whether the tax credit encouraged a business to locate in a specific area regardless of the tax credits available.

The amount of tax credits a business may qualify for was minimal compared to the costs associated with a new employee. A business creating a new job in Coos County could qualify for up to $1,000 in tax credits annually for each new full-time job. However, the annual costs of training, benefits, and employer taxes attributed to a new employee exceeded this tax credit. Our survey of CCJC tax credit recipients showed while 33 percent of CCJC survey respondents (three of nine) indicated the credit encouraged them to create new jobs they otherwise would not have created, four other respondents reported the credit did not and their hiring practices were determined by their business needs. Eight of nine CCJC recipients responding to our survey reported even if the Coos County tax credit were not available, their business would still be located there. Additionally, while nine survey respondents reported the ERZ tax credit encouraged them to create new jobs they would not have otherwise created, six of these respondents reported the lowest amount of tax credits that would incentivize them to create a new job ranged from $10,000 to $100,000. The ERZ tax credit allowed business to claim up to six percent of a new employee's wages in the year of hire.

The Division is the State's central economic development coordinating body and it is critical for it to regularly and thoroughly analyze the benefits of the tax credit programs. The State has many options available to create jobs within its borders. Therefore, the Department should determine whether the approximately $3 million the State allocates to the tax credit programs are affecting job creation or simply defraying the normal cost of doing business. If business behavior is not changed as a result of a tax credit program, a tax credit may not be achieving its intended purpose.

<u>Recommendations</u>:

We recommend the DRED regularly evaluate the effectiveness of the ERZ, CCJC, and R&D tax credit programs as required by statute to determine whether they have the intended effects on job creation and economic growth. We also recommend the DRED determine whether improvements are needed to these tax credit programs to better support the State's economy and create new jobs, and make recommendations to the Legislature accordingly.

If Division management believes the statutes are not appropriately clear, we recommend it seek an amendment to RSA 162-N:9; RSA 162-P:1; and RSA 162-Q:3 to specifically require evaluation of the effectiveness of each tax credit programs.

Auditee Response:

We concur. We agree that the programs need to be evaluated on a regular basis to determine their effectiveness. Once again, we stress that resources are a critical part of that discussion.

We assert that our reporting is in compliance with current statute, but we agree with the assertion that more needs to be done to add verification tools to the various programs. By next legislative session, we will recommend language to be placed within the tax credit statutes to clearly define the procedures necessary to evaluate their effectiveness. A fiscal note detailing the resources required to complete this task will need to be included with the proposed legislation.

Note: We have serious concerns about the quality of the six surveys conducted by the auditors which are, regrettably, included in the appendices to this report. Two of the surveys are referenced in this section; one in the Job Training Grant section; and one in the section covering the Broadband Program.

Unfortunately, the survey results are unreliable. The target population was ill-defined for the "New Hampshire Business Survey" and in all six surveys the questions were incautiously worded, leaving a lot of doubt as to the validity/meaning of the responses. Division staff should have been involved in defining the survey populations and in the development of the survey instruments. A collaborative approach would have made this a useful exercise with results that we could have used to improve our programs.

<u>LBA Rejoinder:</u>

We reject the Division's characterizations regarding the reliability of our surveys. We follow generally accepted practices for ensuring the validity and reasonableness of any survey we conduct, to include supervisory review and pre-testing of the instruments. Our report clearly disclaims the generalizability of the results of the New Hampshire Business Survey due to the low response rate. We also discuss the proportional over-representation of the respondents from the three northernmost counties in the Chambers of Commerce survey.

Job Training Grant

The Division provided businesses with a JTG, ranging from $750 to $100,000, through the Office of Workforce Opportunity (OWO). These grants required 100 percent matching funds, so applicants were required to commit an equal amount of their own funds towards the training and submit receipts for reimbursement when the training had been completed. Each business was required to complete an application, appear before the Job Training Fund Grant Review Committee (Committee), and have an average score of at least 15 points to be eligible. JTG funds were paid from the Job Training Fund (JTF), a non-lapsing, interest bearing fund receiving up to $2 million per year from the quarterly administrative contribution collected from employers for unemployment compensation. One million dollars of these funds were designated for the JTG while the other $1 million was designated for WorkReadyNH[2]. The combined balance in this fund, as of July 1, 2013, was approximately $3.8 million.

During the audit period, 147 grants were issued to 127 companies totaling $2.45 million. Eighteen companies received two grants and one company received three. According to grant applications, these grants were issued to train 6,721 employees across the State. Grant funding awarded to any single company ranged from $813 to $100,000. Although the Division awarded this funding, approximately 33 percent was never used by the grant recipients during calendar year 2012.

According to JTG recipients, the grant was meeting the purpose of the law to 1) train or retrain a workforce to implement new technology, 2) create new jobs, and 3) retain and upgrade current jobs. Just under half of survey respondents (32 of 65) stated the JTG allowed their company to implement new technologies, 58 percent (38 of 65) stated their company was able to either expand operations and/or add positions specifically due to the JTG, and 60 percent (39 of 65) stated their employees received career advancement, in the form of increased wages, directly due to the training received.

Observation No. 7

Improve Administration Of, And Controls Over, The Job Training Grant Program

Our review of all 152 JTG applications filed by businesses during the audit period, including 147 grant awards and five applicants who were not awarded grants, found several program deficiencies. Although it awarded $2.45 million in grants during the audit period, the OWO did not have a system to measure the effect of the program, did not have clear criteria for evaluating grant applications, and could better target small businesses.

Performance Measurement

[2] WorkReadyNH was offered through the community college system and "provides assessment, instruction and credentialing in key skill areas, identified by employers as essential to workplace success." The program is nationally recognized and helps in developing a skilled workforce to meet the New Hampshire business community's needs (http://www.ccsnh.edu/workforce-training/workready-nh).

Despite statutory requirements that the Department "evaluate the performance level for each training grant program provided to a business," the OWO did not evaluate the collected data to ensure each grant was effectively serving the intent of the program. Although grant recipients were required to submit a final evaluation within 45 days of completion of the training, these data were often in narrative form and were inconsistent, incomplete, or not filed by the grant recipients at all. As a result, we found required data such as the number of employees retained, as well as the number of jobs created and retained were unreliable.

We found 33 percent of obligated funds were not used by the award recipient. Our analysis of grant funding showed only $844,381 (67 percent) of the approximately $1.26 million obligated during calendar year 2012 was actually spent by the businesses. Four companies used less than $750, the minimum grant amount required by Administrative Rules.

There has been no analysis to determine the most effective funding split for the JTG and the WorkReadyNH program. The JTF funded both the JTG and WorkReadyNH programs with $1 million allocated to each program annually. There was no systematic approach to identify if one program had more positive impact than the other or should receive a larger percentage of the funding.

Performance measurement, including goals and metrics, are necessary to ensure the program is operating as intended and to identify any areas for improvement. Further, when two programs are competing for resources, performance measures are necessary to identify where those resources should be allocated in order to maximize return. Without these measures, the Division was unable to ensure the JTF was best serving the Division's mission. The JTF was in place for seven years with the JTG administered since 2007 and the WorkReadyNH program in place since October 2011. Division personnel stated the WorkReadyNH program was not in place long enough to have measurable outcomes.

Job Training Fund Grant Review Committee

Statutes required the DRED Commissioner to establish a ten-member grant review committee responsible for scoring each grant application. However, we identified several concerns related to the Committee.

- During the audit period, the Committee held four meetings without a quorum during which it made recommendations to the Commissioner for grant awards. For calendar year 2013, 27 percent ($326,000 of $1.2 million) of the JTG funding obligated was recommended during a meeting where there was no quorum present.

- The Committee chose not to recommend certain businesses for grant awards without apparent authority. According to Administrative Rule, an application ***shall*** receive a minimum average score of 15 points and the "grant review committee shall make a recommendation to the commissioner to approve the application." In two cases, businesses scored greater than 15 points, but the Committee did not recommend the applicant for a grant. In both of these cases there were other applicants who scored equally low or had lower scores at the same meeting but were recommended.

- While scoring criteria exist, variations in individual Committee member scoring imply there may be a lack of consistent application. For example, in 15 cases, at least one member scored the applicant below the minimum required 15 points, yet in all but two of those cases, another committee member scored the applicant with at least 20 points, which would require an “above average” rating.

- One reference in the statute was outdated, identifying one required Committee member as “[t]he president of the Workforce Opportunity Council, Inc.” There was no longer a Workforce Opportunity Council, Inc.; however the grant program did not change when the administration of the JTG became the responsibility of the OWO. The DRED interpreted this to mean the manager of the OWO was the required Committee member, replacing the Workforce Opportunity Council member. The OWO manager assigned a designee to the Committee, but the statute did not provide this authority.

Laws and Administrative Rules are in place to ensure equity in the administrative process. Noncompliance with, or inconsistent application of, those laws and rules may hinder the effectiveness of the program. Further, businesses are not required to provide documentation confirming information in the application or how each scoring criterion will be met; rather, the Committee could seek clarifying information during the applicant interview.

Targeting Applicants

The JTF was advertised on NH.gov, NHeconomy.com, other websites, other media platforms, and the Governor’s Office, as well as communicated to businesses through Division retention staff and other State entities. We found:

- The JTF was not using all of the funds available each year and had an available balance of $3.8 million as of July 31, 2013.

- Almost one-third of JTG recipients were repeat recipients as opposed to new recipients. Since the JTG’s inception in 2007, 262 unique businesses had been awarded grants, 75 of those companies (29 percent) received more than one grant. Further, 12 percent (32 of 262) of the businesses were awarded 51 percent ($3.4 of $6.6 million) of the grant dollars since the program’s inception.

- The JTF may not have effectively targeted small businesses which according to statute, should be given priority. While Division staff promoted the program, three of five Business Retention staff reported focusing on businesses with more than 25 employees and only working with businesses with fewer than 25 employees and start-ups if the business initiates contact. However, based on our file review, only 22 percent (32 of 147) of the businesses receiving training grants had fewer than 25 employees in the State.

<u>Recommendations</u>:

We recommend the Division:

- **develop and implement performance measures for the JTG program as required by statute;**
- **ensure the Job Training Grant Review Committee adheres to laws and rules;**
- **clarify JTG scoring criteria; and**
- **determine how to best target the JTG to the State's business community, particularly small businesses as the law intended.**

The Legislature may wish to consider amending RSA 12-A:54, II (8) to update the composition of the Job Training Grant Review Committee, including authority to approve designees to serve on the Committee.

The Legislature may also wish to consider amending RSA 12-A:55, V to establish criteria for defining "small business."

Auditee Response:

We concur with the first, second, and third recommendations. We do not concur with the fourth recommendation. We also do not agree with the recommendation that the Legislature consider amending the JTG statute to define "small business."

The report asserts that the Division is not targeting the JTG to small businesses "as the law intended." We disagree with this interpretation. RSA 12-A:51 and 52 establish the scope of the JTG program. Nowhere in those two sections does the statute say that the JTG is intended for small businesses. In 12-A:55 the Eligibility Criteria are spelled out, and here the law states in sub-part V "Priority shall be given for grants to small businesses for the implementation of technological innovations."

We interpret this to mean that if grant requests exceed funding available in a given grant round (monthly), then we must prioritize small businesses that are implementing new technology in making the grant award decisions. We have not yet had to prioritize in this way because grant requests have never exceeded available funding. We recognize that there may come a time when requests do exceed available funding. In that instance, we would have all the information necessary to prioritize the smallest businesses applying in that particular round who are implementing new technology because the application form provides the total number of employees and requires the applicant to describe the type of training they seek to undertake.

The Division's promotional activities and partners have provided a steady flow of suitable applicants for the JTG.

Additionally, 25 employees or less is not the cutoff for defining small business. We utilize the US Small Business Administration's definition. The vast majority of businesses that have received job training grants are defined as small businesses under this standard definition.

OTHER ISSUES AND CONCERNS

In this section, we present issues we consider noteworthy but not developed into formal observations. The Department of Resources and Economic Development (DRED) and the Legislature may wish to consider whether these issues and concerns deserve further study or action.

Evaluate Unspent Economic Development Funds

The DRED had a total of approximately $242,000 available to fund economic development projects which it did not distribute during the audit period. Statute allows the DRED Commissioner, with the advice and approval of the Fund Review Committee and the Governor and Council, to use the New Hampshire Economic Development Fund to support grants, loans, or other economic development initiatives to benefit the State's overall economy. There was approximately $222,000 available in this fund, but the DRED has not utilized it since fiscal year 2011.

Statute also allows the Commissioner, in cooperation with the Program Screening Committee, to use the Economic Development Matching Grants Program to assist municipalities and counties in promoting themselves to prospective businesses. The funds are meant for programs "designed to promote the location of new businesses in the state of New Hampshire or to encourage workforce recruitment efforts." During the audit period, approximately $20,000 was available for this program. However, the terms of the Screening Committee members and the Administrative Rules governing the program had both expired.

We suggest the DRED continually evaluate whether funding made available by the Legislature can be used to benefit the State's economy. If the DRED does not utilize available funding to help improve and strengthen the State's economy, then it should consider working with the Legislature to identify an appropriate use for unspent funds.

Work With The NHBMPP To Clearly Report And Assess Broadband Implementation

The State has identified 6 Megabits per second (Mbps) as a functional internet speed for the State; however, statistics used to report broadband availability is based on a slower speed of 768 Kilobits per second (kbps). The New Hampshire Broadband Mapping and Planning Program (NHBMPP), a program managed by the University of New Hampshire, reported over 96 percent of the State had access to broadband internet. However, the definition used to report this statistic was based on an outdated standard of 768 kbps download and 200 kbps upload speed; a standard which is not adequate for most business operations. Additionally, according to the NHBMPP website, the data were aggregated based on census block and an area was considered to have service if it was delivered to *any* part of the block. In practice, even if the majority of a census block lacked access, the area was still considered "served" with broadband access. Further, by geographical area, a much smaller percentage of the State was actually served. This reporting format was a federal grant requirement for the program.

There is no single or standardized broadband definition. RSA 12-A:46, III (a) defines broadband as transmission at rates equal to or greater than the Federal Communications Commission's (FCC) definition, which is 4 Mbps. The standard of 768 kbps was established by the Department of Commerce's National Telecommunications and Information Administration. However, the FCC, in its *2010 Sixth Broadband Progress Report*, recommended increasing the speed benchmark to 4 Mbps download and 1 Mbps upload because "network capabilities, consumer applications and expectations…have evolved in ways that demand increasing amounts of bandwidth." According to the Broadband Director, the Telecommunications Planning and Development Advisory Committee (TAB) identified a standard of 6 Mbps as a functional internet speed for the State which is eight times faster than the 768 kbps standard and above the FCC requirement. Based on census blocks, the NHBMPP reported approximately 83 percent of the State had access to these speeds based on the providers' *advertised* speeds for that location, (i.e., a best case scenario). However, according to the Broadband Director, actual internet speeds vary depending on the distance of the customer from the provider's hubs and several other factors.

Although the Broadband Director position was in the Division of Economic Development (Division) which was tasked with supporting new and existing business, the TAB's and Director's focus was not just broadband access for the business community, rather, access in general. Additionally, there had been no process to specifically identify the business community's needs or the impact of inadequate broadband speed and availability on the economy and the business community. Businesses, chambers of commerce, and economic development professionals we surveyed reported lack of broadband access was a problem for them or the businesses in their communities. Businesses reported the biggest impact was reduced efficiency in their daily operations.

We suggest the Division work with the NHBMPP to report broadband access at the identified standard of 6 Mbps throughout the State, and identify future needs and expectations of the business community including current limitations and the impact those limitations have on New Hampshire's economy.

Review Informal Policy Regarding Featuring Private Businesses On The State's Website

The Division's website, NHeconomy.com, featured banners and the Internet links of three, for profit, private companies; however, the Division did not have contracts, memoranda of agreement, or other formal documentation establishing these relationships. According to the Division, the companies featured on its website provided sponsorship for business recruitment activities and were offered visibility on the website as a show of appreciation. However, the event sponsored by one company featured on the website never occurred because it was cancelled. Further, there was no outreach or open process to allow other companies the opportunity to sponsor Division efforts in exchange for being featured on the State's website. These sponsorships were also not approved by the Governor and Executive Council.

The DRED's statute allowed acceptance of gifts, grants, and donations of money for the Economic Development Fund and other purposes with the approval of the Review Committee and the Governor and Council. However, the statute did not address the use of sponsorships in exchange for a service that could amount to advertising on the State's website.

We suggest the Division determine if sponsorships in exchange for a service are permitted by its statute. If so, the Division should formalize the process in Administrative Rule. Any relationships established as part of this process should be outlined in a contract or memorandum of agreement and approved by the Governor and Council as necessary. The Division should also ensure all businesses have the opportunity to participate.

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APPENDIX A
OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives And Scope

On March 8, 2013, the Fiscal Committee approved a joint Legislative Performance Audit and Oversight Committee recommendation to conduct a performance audit of the Department of Resources and Economic Development's (DRED) Division of Economic Development (Division). We held an entrance conference with the DRED in November 2013. Our audit was designed to answer the following question:

Were DRED economic development programs effective in promoting the growth of new businesses, supporting expansion of existing businesses, and attracting businesses to the State during calendar years 2012 and 2013? Specifically, we assessed whether:

1. *DRED promoted new business growth, provided support for expanding existing businesses, and attracted businesses to the State with a coordinated plan.*
2. *DRED's processes allowed it to adequately track and report program activities and outcomes.*
3. *DRED effectively and efficiently managed the tax credit and grant programs offered to businesses.*

Methodology

To gain an understanding of economic development programs we:

- reviewed State laws and Administrative Rules; Division policies, procedures, and practices related to delivery of economic development services; DRED and Division website information, newspaper articles, organizational charts, financial information, and employee job descriptions; reports on tax credit programs and training grants; and prior LBA, federal, and other states' audits of economic development programs;
- interviewed DRED and Division employees and management regarding delivery and administration of economic development programs and program objectives; and Department of Information Technology and Division personnel regarding the Customer Relationship Management (CRM) database;
- conducted research on other states' economic development programs and New Hampshire's tax credit and grant programs;
- reviewed and analyzed CRM and Webcats databases regarding Division activities; and
- assessed and reviewed potential risks of fraud in Division operations.

To determine whether the Division's economic development programs were effective in promoting new business growth, supporting existing businesses, and attracting businesses to the State, we:

- interviewed all Division Recruitment, Retention and Support, International Trade Resource Center, and Procurement and Technical Assistance staff; Office of Workforce Opportunity (OWO) staff responsible for Job Training Grant administration; and the Broadband Director, Division Interim Director, Division Director, and DRED Commissioner;
- reviewed economic development planning documents, Broadband implementation plans, and formal and informal policies and procedures to determine whether the Division had a comprehensive plan for attracting, supporting, and retaining businesses;
- reviewed records from the CRM, Webcats, and OWO tracking spreadsheets to determine staff activity level, completeness and reliability of the data systems used to track program activity, and to determine whether the systems allow management to adequately track program activities;
- compared CRM and Webcats entries to Outlook calendars for October 2012 and April 2013 to determine completeness of data systems;
- reviewed performance measures used by reviewing documents describing measures and interviewing Division personnel; and
- conducted a review of all 29 Economic Revitalization Zone (ERZ) tax credit, 28 Coos County Job Creation (CCJC) tax credit, and 152 Job Training Grant applications to determine adequacy of the process for awarding tax credits and grants and management oversight over the award process.

We also surveyed several stakeholders and entities that interacted with the Division during the audit period including the following.

- A survey of 1,340 New Hampshire businesses to determine their opinions of Division services, identify challenges facing New Hampshire businesses, and determine whether the Division has helped them address these challenges. The businesses were selected from the Division's CRM database using the following criteria: domiciled in New Hampshire, the CRM entry contained an email address, and having an entry modified during the audit period. We received responses from 324 businesses for a response rate of 24 percent. The survey respondents were representative of the New Hampshire business community as 75 percent had 50 or fewer employees and the majority resided in Rockingham and Hillsborough counties. Due to the low response rate, the survey results cannot be extrapolated to the general population.
- A survey of 51 New Hampshire Chambers of Commerce to determine their level of interaction with Division personnel, whether the Division has met the needs of the businesses in their community, areas where the Division could provide better services to the businesses in their community. The survey recipients were identified by combining a contact list provided by Division personnel with a list compiled through an LBA internet search of New Hampshire Chambers of Commerce. We

received responses from 26 for a response rate of 51 percent. Although half of all Chambers surveyed responded to our survey, the geographic distribution of the respondents did not correspond with the areas with the highest business concentration. While the majority of New Hampshire businesses are located in southern counties including Rockingham, Merrimack, and Hillsborough; Rockingham and Merrimack are not well represented by the survey respondents. Alternatively, the three northernmost counties; Carroll, Grafton, and Coos, represent 38 percent (10 of 26) of respondents.

- A survey of 66 economic development professionals (including municipal and regional economic development directors) throughout the State to determine their level of interaction with Division personnel, whether the Division has met the needs of the businesses in their community, areas where the Division could provide better services to the businesses in their community. The survey recipients were identified by combining a contact list provided by Division personnel with a list of economic development entities generated through a report from the CRM, and did not include Division personnel. We received responses from 27 for a response rate of 41 percent.
- A survey of all 27 ERZ tax credit recipients during the audit period to determine whether the tax credit encouraged them to create jobs, whether they would have moved into the area even if the credit did not exist, and to solicit improvements to the program. We received responses from 13 for a response rate of 48 percent.
- A survey of 11 of the 14 CCJC tax credit recipients during the audit period to determine whether the tax credit encouraged them to create jobs, whether they would have moved into Coos County even if the credit did not exist, and to solicit improvements to the program. Fourteen unique businesses received the CCJC tax credit; however, two businesses did not have email addresses recorded in the Division's customer relationship management database and did not respond to a phone call requesting an email address and one additional business had previously opted out of our survey tool. We received responses from 9 for a response rate of 82 percent.
- A survey of all 135 Job Training Grant applicants during the audit period to determine whether the grant helped them to implement new technology, expand operations, or add new positions. We received responses from 65 applicants for a response rate of 48 percent.

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APPENDIX B
NEW HAMPSHIRE BUSINESS SURVEY RESULTS

We conducted an email survey of 1,340 New Hampshire businesses, receiving responses from 324 businesses for a response rate of 24 percent. The 1,340 businesses selected were chosen from the Division of Economic Development's customer relationship management database using criteria including a New Hampshire address, an email address, and an entry modified during the audit period. The survey respondents were reasonably aligned with the profile of the New Hampshire business community as 75 percent had 50 or fewer employees and the majority resided in Rockingham and Hillsborough counties. Due to the low response rate, the survey results cannot be extrapolated to the general population. The survey questions and responses are presented below. Some totals may not add to up 100 percent due to rounding.

1. Are you familiar with the State's Division of Economic Development?		
Answer Options	**Response Percent**	**Response Count**
Yes	69%	216
No	20%	63
Unsure	11%	34
	answered question	**313**
	skipped question	**11**

2. Has your company worked with the State's Division of Economic Development?		
Answer Options	**Response Percent**	**Response Count**
Yes	56%	121
No	36%	78
Unsure	8%	17
	answered question	**216**
	skipped question	**108**

3. How recently has your company worked with the Division of Economic Development?		
Answer Options	**Response Percent**	**Response Count**
Within the year	42%	56
Between 1 and 2 years ago	24%	32
Between 2 and 5 years ago	15%	20
Over five years ago	19%	25
	answered question	**133**
	skipped question	**191**

4. How has your company worked with the State's Division of Economic Development? (Check all that apply)		
Answer Options	**Response Percent**	**Response Count**
To expand operations	42%	47
To implement new technology	5%	6
To relocate within the State	15%	17
To train employees through a Job Training Grant	30%	34
To provide assistance to our employees during a layoff, closure, or business shrinkage	8%	9
To secure a government contract	9%	10
To apply for tax credits (such as the Economic Revitalization Zone, Research and Development or Coos County credits)	13%	14
To address other workforce issues including access to an additional workforce or skilled labor	14%	16
To obtain referrals or contacts to needed resources	48%	54
To identify potential funding or financing opportunities	33%	37
Other (please specify)		32
	answered question	**112**
	skipped question	**212**

4 - Continued. Response To "Other"		
Answer Options	**Response Percent**	**Response Count**
International Trade Resource Center	31%	10
Recruitment Team	13%	4
Financial Assistance	13%	4
Procurement Technical Assistance Program	9%	3
Energy Audit	6%	2
Marketing Effort	3%	1
Broadband	3%	1
Business Startup	3%	1
Other	22%	7
	responses	**33**
	respondents	**32**

5. Please rate the level of interaction with each of the following entities						
Answer Options	**Interact Regularly**	**Interact Occasionally**	**Interact Rarely**	**Do Not Interact**	**Unsure**	**Response Count**
State Division of Economic Development	19 (10%)	58 (29%)	54 (27%)	56 (28%)	10 (5%)	197
City/Town Economic Development Office	8 (4%)	27 (14%)	42 (22%)	108 (57%)	6 (3%)	191
Regional Economic Development Office	9 (5%)	26 (13%)	43 (22%)	112 (57%)	6 (3%)	196
Local Chamber of Commerce	31 (16%)	41 (21%)	37 (19%)	85 (43%)	2 (1%)	196
					answered question	**199**
					skipped question	**125**

6. Please rate the value of the following entities to your business.						
Answer Options	**Very Valuable**	**Somewhat Valuable**	**Limited Value**	**No Value**	**No Opinion**	**Response Count**
State Division of Economic Development	53 (27%)	52 (26%)	40 (20%)	24 (12%)	28 (14%)	197
City/Town Economic Development Office	19 (10%)	27 (14%)	38 (20%)	53 (27%)	56 (29%)	193
Regional Economic Development Office	22 (11%)	31 (16%)	36 (18%)	48 (24%)	59 (30%)	196
Local Chamber of Commerce	27 (14%)	38 (19%)	48 (25%)	47 (24%)	35 (18%)	195
					answered question	**199**
					skipped question	**125**

7. What are the biggest challenges your company faces when doing business in New Hampshire?		
Answer Options	**Response Percent**	**Response Count**
Insufficient workforce to support operations	35%	77
Limited infrastructure (roads, public transportation, airports, etc)	7%	16
Lack of broadband internet access	11%	25
High cost of energy	47%	103
High taxes	44%	96
Don't know/Unsure	16%	35
Other (please specify)		94
	answered question	**219**
	skipped question	**105**

7 - Continued. Response to “Other”		
Answer Options	**Response Percent**	**Response Count**
Health Insurance Costs	14%	13
Cash Flow/Financing	12%	11
Regulations and Poor Government Coordination (local)	11%	10
Taxes	10%	9
No Challenges	7%	7
Benefit Costs	6%	6
Lack of Skilled Workforce	5%	5
Energy Issues	5%	5
Lack of Support for Small Business	4%	4
Broadband Options	2%	2
Expanding	2%	2
Shipping Costs/Distribution Issues	2%	2
Need Personalized Support	2%	2
Other	30%	28
	responses	**106**
	respondents	**94**

8. Based on your response to the question above, has the Division of Economic Development helped you address these challenges? (Please check "Not Applicable" for any challenge you did not select in the question above)					
Answer Options	**Yes**	**No**	**Unsure**	**Not Applicable**	**Response Count**
Insufficient workforce to support operations	23 (21%)	57 (52%)	30 (27%)	141	110
Limited infrastructure (roads, public transportation, airports, etc.)	2 (4%)	37 (66%)	17 (30%)	176	56
Lack of broadband internet access	5 (8%)	35 (56%)	22 (35%)	172	62
High cost of energy	12 (10%)	80 (64%)	33 (26%)	116	125
High taxes	11 (9%)	88 (73%)	22 (18%)	124	121
Other (as identified in the question above)	14 (18%)	49 (63%)	15 (19%)	128	78
				answered question	**273**
				skipped question	**51**

9. If lack of adequate broadband internet access is a challenge, how does it impact your business?		
Answer Options	**Response Percent**	**Response Count**
Restricts the ability to expand operations	6%	13
Restricts the ability to adequately communicate with other business partners	11%	26
Restricts the ability to increase the services provided to our customers	8%	19
Reduces efficiency in daily operations	15%	33
Increases operations costs	9%	20
Reduces competitiveness	11%	25
Not applicable	78%	176
Other (please specify)		5
	answered question	**227**
	skipped question	**97**

9 - Continued. Response to “Other”		
Answer Options	**Response Percent**	**Response Count**
Fluctuation/slow speed throughout the day affects productivity	40%	2
Other comments not pertinent to question	60%	3

10. Would a tax credit encourage your business to create new full-time jobs you would not have created otherwise?		
Answer Options	**Response Percent**	**Response Count**
Yes	44%	120
No	30%	83
Unsure	26%	71
	answered question	**274**
	skipped question	**50**

11. What is the lowest level of tax credit that would incentivize you to create new full-time jobs as a result?		
Answer Options	**Response Percent**	**Response Count**
Less than $1,000 per full-time job	5%	6
Between $1,001 and $5,000 per full-time job	39%	45
Between $5,001 and $10,000 per full-time job	56%	64
Other (please specify)		5
	answered question	**115**
	skipped question	**209**

11 - Continued. Response to “Other”		
Answer Options	**Response Percent**	**Response Count**
At least $5,000	40%	2
A “significant” amount would be helpful	20%	1
Unsure	40%	2

12. What could the State's Division of Economic Development do to better meet the needs of your business and businesses in New Hampshire?		
Answer Options	**Response Percent**	**Response Count**
More Communication - Listen to Companies	17%	29
Small Business Support (training, financing, support relevant regulations, etc.)	13%	22
Lower Tax Rates/Less Complex Tax Codes	8%	14
Job Training/Education	7%	12
Financing	7%	11
Tax Credits/Grants/Incentives	6%	10
Reduce Energy Costs/Encourage Energy Efficiency	5%	9
Reduce Health Care Costs	5%	9
Relocate Business to NH/Help Expand Businesses	5%	8
More ITRC Support	4%	6
Reduce Regulations (Particularly at Local Level)	2%	3
Support Buy Local Or NH Products	2%	3
Lobby For Business Friendly Legislation	1%	2
No Suggestion	1%	2
Unsure	12%	20
Other	18%	30
	responses	**190**
	respondents	**167**
	skipped question	**157**

13. How many people does your company employ in the State?		
Answer Options	**Response Percent**	**Response Count**
Less than 10	39%	108
11-25	23%	63
26-50	12%	34
51-100	11%	31
More than 100	10%	28
No current employees	4%	10
	answered question	**274**
	skipped question	**50**

14. In what county is your business located?		
Answer Options	**Response Percent**	**Response Count**
Rockingham	33%	91
Hillsborough	19%	53
Merrimack	12%	32
Strafford	15%	41
Grafton	5%	15
Sullivan	6%	16
Belknap	5%	14
Carroll	2%	6
Cheshire	12%	33
Coos	1%	4
	answered question	**273**
	skipped question	**51**

APPENDIX C
NEW HAMPSHIRE CHAMBERS OF COMMERCE SURVEY RESULTS

We surveyed 51 Chambers of Commerce throughout the State, receiving responses from 26 for a response rate of 51 percent. Although half of the Chambers surveyed responded, the geographic distribution of the Chambers responding does not correspond with the geographic location of highest business concentration. While the majority of New Hampshire businesses are located in southern counties including Rockingham, Merrimack, and Hillsborough, Rockingham and Merrimack are not well represented by the survey respondents. Conversely, the three northernmost counties of Carroll, Grafton, and Coos, represent 38 percent (10 of 26) of respondents. The survey questions and responses are presented below. Some totals may not add to up 100 percent due to rounding.

1. Are you familiar with the State's Division of Economic Development located within the Department of Resources and Economic Development?		
Answer Options	**Response Percent**	**Response Count**
Yes	85%	22
No	15%	4
	answered question	**26**
	skipped question	**0**

2. Do you find the Division of Economic Development to be a valuable resource for the businesses in your community?		
Answer Options	**Response Percent**	**Response Count**
Yes	64%	14
No	9%	2
Unsure	27%	6
	answered question	**22**
	skipped question	**4**

3. Do you work with the Division of Economic Development to meet the needs of the businesses in your community?		
Answer Options	**Response Percent**	**Response Count**
Yes, regularly	14%	3
Yes, occasionally	27%	6
I have in the past, but not currently	36%	8
No	23%	5
	answered question	**22**
	skipped question	**4**

4. Have businesses in your community used the Division of Economic Development to access training grants, tax credits, or other assistance?		
Answer Options	**Response Percent**	**Response Count**
Yes	55%	12
No	9%	2
Unsure	36%	8
	answered question	**22**
	skipped question	**4**

5. The Division of Economic Development's mission is "to plan, develop and administer programs to assist in the maintenance and expansion of existing industry and business in the state and to encourage and promote the development of new industry and business in the state." To your knowledge, is the Division of Economic Development meeting its mission?		
Answer Options	**Response Percent**	**Response Count**
Yes	68%	15
No	14%	3
Unsure	18%	4
	answered question	**22**
	skipped question	**4**

6. Adhering to the mission statement "to plan, develop and administer programs to assist in the maintenance and expansion of existing industry and business in the state and to encourage and promote the development of new industry and business in the state," what could the Division of Economic Development do to better serve new and existing business and industry in the state?		
Answer Options	**Response Percent**	**Response Count**
Be more visible and involved with key strategic partners across the State including better advertising and communicating opportunities	58%	11
More economic development including transportation (rail line) or cell phone access	11%	2
Focus on smaller businesses	16%	3
Increase options available for businesses	11%	2
Advocacy for business-friendly legislation	11%	2
Focus on relocating businesses to NH	16%	3
Other	21%	4
	responses	**27**
	respondents	**19**
	skipped question	**7**

7. Is lack of broadband internet access a problem for your business community?		
Answer Options	**Response Percent**	**Response Count**
Yes	24%	6
No	60%	15
Unsure	16%	4
	answered question	**25**
	skipped question	**1**

8. Do you survey businesses in your community to assess needed services and supports?		
Answer Options	**Response Percent**	**Response Count**
Yes	63%	15
No	38%	9
	answered question	**24**
	skipped question	**2**

9. May we contact you regarding these survey results?		
Answer Options	**Response Percent**	**Response Count**
Yes	81%	13
No	19%	3
Contact Information		10
	answered question	**16**
	skipped question	**10**

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APPENDIX D
ECONOMIC DEVELOPMENT PROFESSIONALS SURVEY RESULTS

We surveyed 66 Economic Development professionals throughout the State, receiving responses from 27 for a response rate of 41 percent. Surveys were sent to personnel at municipal and regional county economic development entities only, and did not include Department of Resources and Economic Development or Division of Economic Development personnel. The survey questions and responses are presented below. Some totals may not add to up 100 percent due to rounding.

1. Are you familiar with the State's Division of Economic Development located within the Department of Resource and Economic Development?		
Answer Options	**Response Percent**	**Response Count**
Yes	100%	27
No	0%	0
answered question		**27**
skipped question		**0**

2. Is the Division of Economic Development a valuable resource for economic development in your area?		
Answer Options	**Response Percent**	**Response Count**
Yes	81%	22
No	11%	3
Unsure	7%	2
answered question		**27**
skipped question		**0**

3. Why or why not?		
Answer Options	**Response Percent**	**Response Count**
Programs are good/helpful	33%	7
Good source for knowledge/insight	14%	3
Good for relocation/expansion	24%	5
Other	29%	6
responses		**21**
respondents		**21**

4. Do you work with the Division of Economic Development to meet the needs of the businesses in your area?		
Answer Options	**Response Percent**	**Response Count**
Yes	81%	22
No	19%	5
Unsure	0%	0
	answered question	**27**
	skipped question	**0**

5. Why or why not?		
Answer Options	**Response Percent**	**Response Count**
Limited Opportunities/Expertise	21%	3
Collaboration	21%	3
Good Resource	36%	5
Other	21%	3
	responses	**14**
	respondents	**14**

6. Are the Division of Economic Development's training grants, tax credits, or other assistance helpful in spurring economic development and job creation in your area?								
Answer Options	**Very Helpful**	**Somewhat Helpful**	**Not Very Helpful**	**Not Helpful**	**Unfamiliar With This Service**	**Unsure**	**Not Applicable**	**Response Count**
Training Grants	8 (36%)	6 (27%)	3 (14%)	0 (0%)	2 (9%)	3 (14%)	2	22
Coos County Job Creation Tax Credit	1 (14%)	0 (0%)	0 (0%)	4 (57%)	0 (0%)	2 (29%)	17	7
Economic Revitaliza-tion Zone Tax Credit	6 (26%)	12 (52%)	1 (4%)	1 (4%)	1 (4%)	2 (9%)	2	23
Research and Developm ent Tax Credit	7 (28%)	10 (40%)	1 (4%)	1 (4%)	3 (12%)	3 (12%)	0	25
Relocation Services	8 (35%)	5 (22%)	2 (9%)	1 (4%)	5 (22%)	2 (9%)	1	23
Govern-ment Procure-ment Services	5 (24%)	6 (29%)	0 (0%)	2 (10%)	4 (19%)	4 (19%)	4	21
Export Services	6 (30%)	6 (30%)	2 (10%)	2 (10%)	2 (10%)	2 (10%)	5	20
General Business Support Services	7 (29%)	10 (42%)	1 (4%)	2 (8%)	2 (8%)	2 (8%)	0	24
							answered question	**25**
							skipped question	**2**

7. Why or why not?		
Answer Options	**Response Percent**	**Response Count**
Hard to qualify for tax credits/Not much available for tax credits.	43%	3
Services are not applicable to the community.	29%	2
DED efforts are concentrated in Concord or North Country only.	14%	1
Other	14%	1
	respondents	**7**

8. Is lack of broadband internet access a problem for businesses in your area?		
Answer Options	**Response Percent**	**Response Count**
Yes	31%	8
No	69%	18
Unsure	0%	0
	answered question	**26**
	skipped question	**1**

9. How does lack of adequate broadband internet access impact businesses? (Check all that apply)		
Answer Options	**Response Percent**	**Response Count**
Restricts the ability to expand operations	75%	6
Restricts the ability to adequately communicate with other business partners	75%	6
Restricts the ability to increase the services provided to our customers	88%	7
Reduces efficiency in daily operations	75%	6
Increases operations costs	50%	4
Reduces competitiveness	75%	6
Other (please specify):		1
	answered question	**8**
	skipped question	**19**

10. How could the Division of Economic Development assist with this issue?		
Answer Options	**Response Percent**	**Response Count**
Support Continued Expansion	80%	4
Other	20%	1

11. What are the biggest challenges companies in your area face? (Check all that apply)		
Answer Options	**Response Percent**	**Response Count**
Insufficient workforce to support operations	61%	14
Limited infrastructure (roads, public transportation, airports, etc)	43%	10
High cost of energy	61%	14
High taxes	30%	7
Don't know/Unsure	4%	1
Other (please specify)		7
	answered question	**23**
	skipped question	**4**

11. Other (Please Specify)	
Answer Options	**Response Count**
Lack of infrastructure.	2
Lack of capital.	2
High cost of living.	1
Lack of skilled workers.	1
High cost of employee benefits.	1
Competition from big box stores.	1

12. Based on your response to the question above, has the Division of Economic Development helped you address these challenges? (Please check not applicable for any challenge you did not select in the question above)					
Answer Options	**Yes**	**No**	**Unsure**	**Not Applicable**	**Response Count**
Insufficient workforce to support operations	9 (56%)	5 (31%)	2 (13%)	6	16
Limited infrastructure (roads, public transportation, airports, etc)	0 (0%)	10 (77%)	3 (23%)	9	13
High cost of energy	2 (13%)	9 (56%)	5 (31%)	6	16
High taxes	0 (0%)	8 (73%)	3 (27%)	7	11
Other (as identified in the question above)	1 (17%)	4 (67%)	1 (17%)	9	6
				answered question	**25**
				skipped question	**2**

13. What could the Division of Economic Development do to better serve new and existing business and industry in your area?		
Answer Options	**Response Percent**	**Response Count**
More Outreach/Coordination	30%	6
Add incentives for new businesses	10%	2
Other	65%	13
	responses	**21**
	respondents	**20**

APPENDIX E
ECONOMIC REVITALIZATION ZONE TAX CREDIT SURVEY RESULTS

We surveyed 27 Economic Revitalization Zone Tax Credit recipients, receiving responses from 13 for a response rate of 48 percent. The 27 recipients represent all recipients of the ERZ tax credit during the audit period. The survey questions and responses are presented below. Some totals may not add to up 100 percent due to rounding.

1. Did the ERZ tax credit encourage you to create new jobs that you would not otherwise have created if you did not receive a tax credit?		
Answer Options	**Response Percent**	**Response Count**
Yes	69%	9
No	15%	2
Unsure	15%	2
	answered question	**13**
	skipped question	**1**

2. If no, why not?	
Answer Options	**Response Count**
Need for workers was the determining factor, not tax credit.	2
answered question	**2**
skipped question	**12**

3. Would your business have moved into an ERZ even if the ERZ tax credit was not available?		
Answer Options	**Response Percent**	**Response Count**
Yes	42%	5
No	17%	2
Unsure	42%	5
	answered question	**12**
	skipped question	**2**

4. If no, why not?	
Answer Options	**Response Count**
Payroll tax is high without it.	1
It helped to seal the deal.	1
answered question	**2**
skipped question	**12**

5. What is the lowest amount of tax credits that would incentivize you to create a new job that you otherwise would not have considered creating?	
Answer Options	**Response Count**
Minimum Response	$10,000
Maximum Response	$100,000
Average Response	$49,600
Respondents Stating Unsure	3
answered question	**9**
skipped question	**5**

6. What changes could be made to improve the effectiveness of the ERZ tax credit?		
Answer Options	**Response Percent**	**Response Count**
No Suggestion	44%	4
Increased Awareness	33%	3
Other	22%	2
	answered question	**9**
	skipped question	**5**

APPENDIX F
COOS COUNTY JOB CREATION TAX CREDIT SURVEY RESULTS

We surveyed 11 Coos County Job Tax Credit (CCJTC) recipients, receiving responses from 9 for a response rate of 82 percent. There were 14 unique businesses receiving the CCJTC during the audit period; however, two businesses did not have email addresses recorded in the Division's Customer Relationship Management database and did not respond to a phone call requesting an email address. One additional business had previously opted out of our survey tool, leaving 11 total recipients. The survey questions and responses are presented below. Some totals may not add to up 100 percent due to rounding.

1. Did the Coos County Job Creation tax credit encourage your business to create new jobs that it otherwise would not have created if you did not receive a tax credit?		
Answer Options	**Response Percent**	**Response Count**
Yes	33%	3
No	44%	4
Unsure	22%	2
	answered question	**9**
	skipped question	**0**

2. If no, why not?		
Answer Options	**Response Percent**	**Response Count**
Jobs created based on business needs	100%	4
	answered question	**4**
	skipped question	**5**

3. Would your business be located in a county, other than Coos County, if the Coos County Job Creation tax credit was not available?		
Answer Options	**Response Percent**	**Response Count**
Yes	0%	0
No	89%	8
Unsure	11%	1
	answered question	**9**
	skipped question	**0**

4. If no, why not?		
Answer Options	**Response Percent**	**Response Count**
Always been located in Coos	86%	6
Other	14%	1
	answered question	**7**
	skipped question	**2**

5. Based on the amount of tax credits currently available, how likely are you to create another job in Coos County?		
Answer Options	**Response Percent**	**Response Count**
Not likely	11%	1
Somewhat likely	11%	1
Unsure	44%	4
Likely	33%	3
Very Likely	0%	0
	answered question	**9**
	skipped question	**0**

6. What is the lowest amount of tax credits that would incentivize you to create a new job that you otherwise would not have considered creating?	
Answer Options	**Response Count**
Minimum Response	$750
Maximum Response	$2,500
Average Response	$1,375
answered question	**8**
skipped question	**1**

7. What changes could be made to improve the effectiveness of the Coos County Job Creation Tax Credit?	
Answer Options	**Response Count**
None/Unsure	4
Extended availability of tax credit to additional years.	1
It is a nice bonus, but it does not influence hiring practices.	1
answered question	**6**
skipped question	**3**

APPENDIX G
JOB TRAINING GRANT APPLICANT SURVEY RESULTS

We surveyed 135 Job Training Grant applicants, receiving responses from 65 for a response rate of 48 percent. The survey questions and responses are presented below. Some totals may not add to up 100 percent due to rounding.

1. Did the grant your company received fund training which allowed your company to implement new technologies?		
Answer Options	**Response Percent**	**Response Count**
Yes	49%	32
No	43%	28
Unsure	8%	5
	answered question	**65**
	skipped question	**0**

2. Was your company able to expand operations or add new positions specifically due to the grant received?		
Answer Options	**Response Percent**	**Response Count**
Yes, expanded operations	22%	14
Yes, added positions	19%	12
Yes, expanded operations and added positions	19%	12
No	29%	19
Unsure	12%	8
	answered question	**65**
	skipped question	**0**

3. Did any employees receive job or career advancement, in the form of increased wages, due directly to the training received?		
Answer Options	**Response Percent**	**Response Count**
Yes	60%	39
No	15%	10
Unsure	25%	16
	answered question	**65**
	skipped question	**0**

4. If your company had not received the grant, would employees have been laid off?		
Answer Options	**Response Percent**	**Response Count**
Yes	3%	2
No	83%	54
Unsure	14%	9
If yes, please explain		2
	answered question	**65**
	skipped question	**0**

4 - Continued. If yes, please explain.	
Answer Options	**Response Count**
We needed to increase sales and profit.	1
We would not have hired certain employees.	1

5. Was the training provided by a Community College or other trainer?		
Answer Options	**Response Percent**	**Response Count**
Community College	15%	10
Other	57%	37
Both	28%	18
Unsure	0%	0
	answered question	**65**
	skipped question	**0**

6. Please rate the training provided by the Community College:		
Answer Options	**Response Percent**	**Response Count**
Excellent	36%	10
Good	43%	12
Adequate	11%	3
Less than Adequate	7%	2
Poor	0%	0
Unsure	4%	1
	answered question	**28**
	skipped question	**37**

7. Please rate the training provided by a trainer other than the Community College:		
Answer Options	**Response Percent**	**Response Count**
Excellent	52%	33
Good	22%	14
Adequate	6%	4
Less than Adequate	0%	0
Poor	0%	0
Unsure	2%	1
Not Applicable	18%	11
Please identify the provider		23
	answered question	**63**
	skipped question	**2**

8. Please rate the following aspects of the grant process:							
Answer Options	**Excellent**	**Good**	**Adequate**	**Less than Adequate**	**Poor**	**Don't know**	**Response Count**
Timeliness of the application process	32 (50%)	27 (42%)	5 (8%)	0 (0%)	0 (0%)	0 (0%)	64
Clarity of the application process	26 (41%)	25 (39%)	11 (17%)	1 (2%)	1 (2%)	0 (0%)	64
Timeliness of Fund reimbursement	28 (44%)	21 (33%)	4 (6%)	1 (2%)	0 (0%)	10 (16%)	64
						answered question	**64**
						skipped question	**1**

9. Please rate your interactions with Division of Economic Development staff regarding:							
Answer Options	**Excellent**	**Good**	**Adequate**	**Less than Adequate**	**Poor**	**Don't know**	**Response Count**
Responsive-ness	50 (81%)	9 (15%)	2 (3%)	0 (0%)	1 (2%)	0 (0%)	62
Helpfulness	52 (84%)	7 (11%)	2 (3%)	0 (0%)	1 (2%)	0 (0%)	62
Knowledge	51 (82%)	7 (11%)	3 (5%)	0 (0%)	1 (2%)	0 (0%)	62
						answered question	**62**
						skipped question	**3**

10. Please provide any additional comments about the Job Training Grant, the training received, or the grant process:		
Answer Options	**Response Percent**	**Response Count**
Positive experience	53%	18
Negative experience	6%	2
Met changing needs	12%	4
Employee benefits	24%	8
Negative Community College experience	6%	2
Training not yet implemented	9%	3
Other	21%	7
	respondents	**34**
	responses	**44**
	skipped question	**31**

APPENDIX H
STATUS OF PRIOR AUDIT FINDINGS

The following is a summary of the status of observations found in our prior LBA report issued in October 1997, entitled *Department of Resources and Economic Development, Economic Development Programs*. A copy of the prior report can be accessed on-line at our website http://www.gencourt.state.nh.us/LBA/default.aspx.

Status Key

Fully Resolved	● ● ●	0
Substantially Resolved	● ● ○	0
Partially Resolved	● ○ ○	2
Unresolved	○ ○ ○	5
No Longer Applicable	NA	1

No.	Title	Status
1.	Office of Business and Industrial Development Program Evaluation Should Be Improved[1]	○ ○ ○
2.	New Hampshire Business Information System Needs Improvement[2]	○ ○ ○
3.	Data Reliability Should Be Improved	○ ○ ○
4.	No Written Disaster Recovery Plan For Electronic Data Systems	● ○ ○
5.	Computer Training Needs Improvement	● ○ ○
6.	Controls Over International Trade Resource Library Should Be Improved[3]	NA
7.	Office Of International Commerce Program Evaluation Should Be Improved[4]	○ ○ ○
8.	Evaluation Of The Economic Development Fund Should Be Improved[5]	○ ○ ○

Notes:

1. The Division's NH Business Resource Center and Business Recruiting replaced the Office of Business and Industrial Development and absorbed its duties and functions.
2. The Customer Relationship Management database superseded the New Hampshire Business Information System.
3. The International Trade Resource Library no longer exists.
4. The International Trade Resource Center is responsible for the duties and functions of the former Office of International Commerce.
5. The 1997 performance audit report identified the need to evaluate the Economic Development Fund as required by RSA 12-A:22, VII which required the Director to evaluate the "effectiveness of promotional and assistance programs." The promotional and assistance programs administered by the Division are the Economic Revitalization Zone and Coos County Job Creation tax credit programs, and the Job Training Grant.

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