

# Performance Measures Report

The Virginia Tobacco Indemnification and Community  
Revitalization Commission



**Volume 1**  
**November 2009**

*Not everything that can be counted counts  
and not everything that counts can be counted.*

*-Albert Einstein*

# Introduction

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## Background

The Virginia Tobacco Commission is a 31-member body created by the 1999 General Assembly. Its mission is the economic revitalization tobacco-dependent communities, using proceeds of the national tobacco settlement. To date, the Commission has awarded 1,190 grants totaling more than \$638 million across the tobacco region of the Commonwealth, and has made available \$267.7 million in indemnification payments to tobacco growers and quota holders.

Given the Commission's ten-year organizational anniversary, knowing the answer to strategic questions such as "What are we doing?" and "How well are we doing it?" became a greater focus and Commission staff was directed to analyze the impact of the Commission's funding programs. The importance of performance measures was additionally noted by the ad-hoc *Blue Ribbon Review Panel*, which was charged with examining the structure of the Commission and making suggestions as to potential improvements. The *Blue Ribbon Review Panel* presented its final recommendations on April 17, 2008 to the Commission and encouraged the Commission to adopt a process for gathering data to track measurable outcomes.

In taking steps to define measures of impact, it was recognized that the performance management system would need to be built upon a solid foundation of data pulled from working transactional systems. As such, performance measures would need to be tangible, specific and numerically measurable with support data derived from quality, reliable, and accessible sources.

The Commission's efforts to date in logically evaluating the impact of its funding programs within these parameters are addressed within this report.

## Defining and Measuring

In measuring progress towards its statutory mission of “revitalizing tobacco dependent communities,” the definition of “revitalization” was first outlined to provide a universal understanding of what is to be measured. With the assistance of Chmura Economics & Analytics, economic revitalization was defined for the tobacco-dependent communities in Virginia as **a more stable, diversified, and growing economy that leads to higher living standards.**

In further analyzing the components of this definition, metrics were required for assessing:

- ◆ **More Stable** - less fluctuations during recessions as well as expansions in the business cycle
- ◆ **More Diversified** - less dependence on volatile industries, or on one or two firms
- ◆ **Growing Economy** - increasing employment
- ◆ **Higher Living Standards** - increases in annual average wages that reduce the gap with the state and nation

Upon defining revitalization, specific metrics to track progress of the Commission toward its goal were compiled with consideration made for data integrity and collection. Outcomes that would be measured to gauge current conditions are noted below with supplementary detail on the methodology and source for each metric described in the report’s remainder:

- ◆ Job Creation
- ◆ Workforce Participation Rate
- ◆ Wealth
- ◆ Diversity
- ◆ Taxable Assets

Lastly, in assessing the work of the tobacco region, a control group labeled “non-tobacco region” was formed to help put progress into perspective. The non-tobacco region is defined as all of Virginia except the tobacco region and the Metropolitan Statistical Areas of Northern Virginia, Hampton Roads, Richmond, Roanoke and Charlottesville. The charts to follow will show data for both the tobacco region and the defined non-tobacco region.

# Job Creation

**Measure** The ratio of percentage change in employment since 1999 in tobacco-dependent communities to that in non-tobacco-dependent communities in Virginia.

**Measure Methodology** Total annual employment relative to the same in 1999 (base year) is used to calculate the life-to-date percent change in employment in the respective regions for a given year. The ratio is computed by dividing the percent change in the respective regions for the same year. Data is obtained from the Virginia Employment Commission.

## Measure Baseline

| <u>Value</u> | <u>Date</u> | <u>Description</u>                        |
|--------------|-------------|---|
| .23          | 12/31/1999  | The ratio when the Commission was formed. |

## Measure Target

| <u>Value</u> | <u>Date</u> | <u>Description</u>           |
|--------------|-------------|------------------------------|
| 1.00         | 7/31/2015   | Par with non-tobacco region. |

## Data Frequency

| <u>Frequency</u> | <u>Description</u>   |
|------------------|----------------------|
| Annually         | January Data Release |

## Explanatory Note

The ratio of percent change in job creation between regions reflects the extent to which the tobacco region economy is growing relative to non-tobacco regions.

### Notes for Figure 1 and Figure 2 (next page):

- ◆ Recession in 2001-2002 and in 2008.
- ◆ Tobacco region challenged by major plant closings and layoffs in early 2000's as evident by:
  - Tultex and Russell Stovers – 2001 (2700 jobs)
  - Dan River – 2003 & 2004
  - West Point Stevens – 2005 (450 jobs)
  - Numerous others including Burlington, Bassett Walker, Fieldcrest Cannon, Cross Creek, etc.
- ◆ Recent trend of stability and growth for tobacco region.

**Figure 1. Job Creation Data Summary**  
*Percentage change in Employment since 1999*

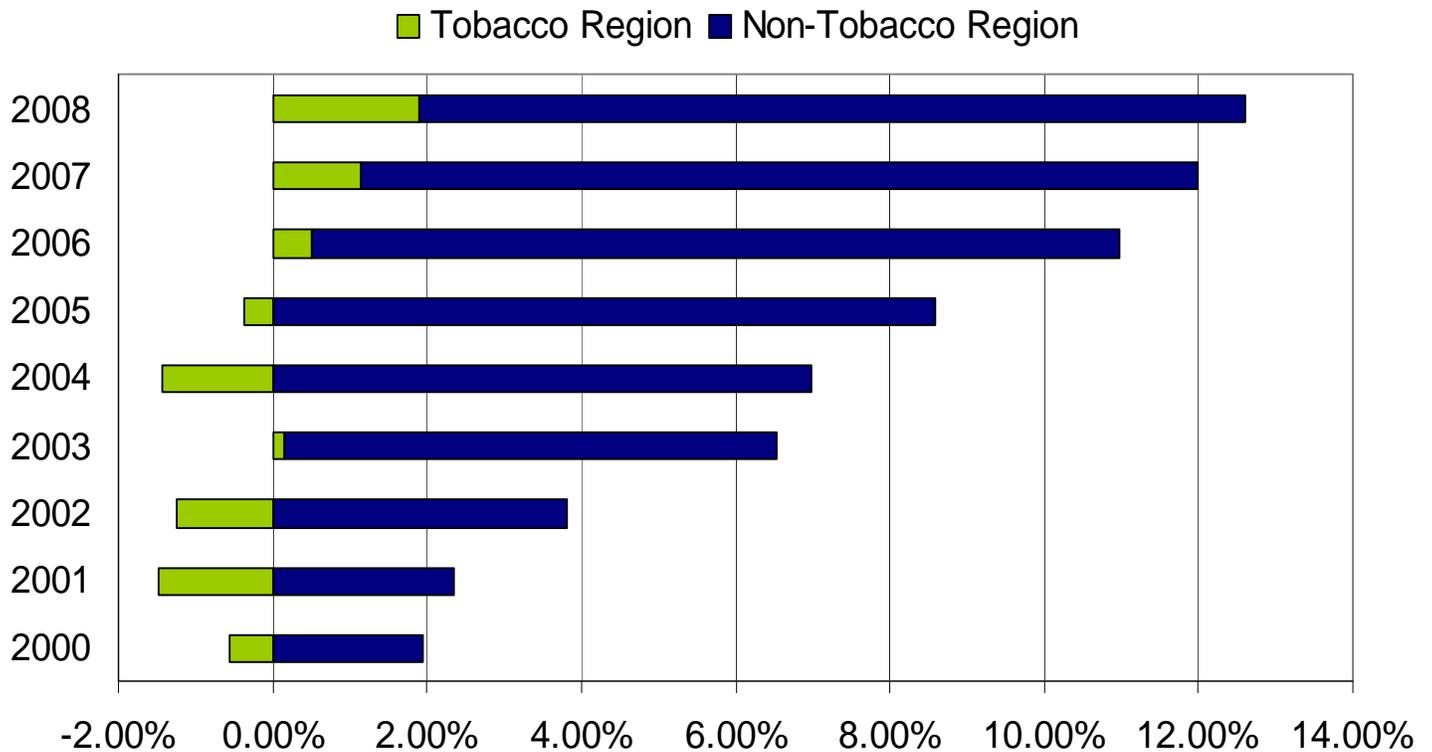
*Total Employment*

|                | 1998    | 1999    | 2000    | 2001    | 2002    | 2003    | 2004    | 2005    | 2006    | 2007    | 2008    |
|----------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Tobacco Region | 452,624 | 454,694 | 452,140 | 447,933 | 449,082 | 455,349 | 448,231 | 452,993 | 457,015 | 459,883 | 463,365 |
| Non-Tobacco    | 421,150 | 429,703 | 438,088 | 439,825 | 446,117 | 457,723 | 459,708 | 466,585 | 476,872 | 481,209 | 483,881 |

*Percent Change since 1999*

|                | Baseline<br>% Change | 2000<br>% Change | 2001<br>% Change | 2002<br>% Change | 2003<br>% Change | 2004<br>% Change | 2005<br>% Change | 2006<br>% Change | 2007<br>% Change | 2008<br>% Change |
|----------------|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Tobacco Region | 0.46%                | -0.56%           | -1.49%           | -1.23%           | 0.14%            | -1.42%           | -0.37%           | 0.51%            | 1.14%            | 1.91%            |
| Non-Tobacco    | 2.03%                | 1.95%            | 2.36%            | 3.82%            | 6.52%            | 6.98%            | 8.58%            | 10.98%           | 11.99%           | 12.61%           |
| RATIO          | 0.23                 | -0.29            | -0.63            | -0.32            | 0.02             | -0.20            | -0.04            | 0.05             | 0.10             | 0.15             |

**Figure 2. Percentage Change in Employment (since 1999)**



# Workforce Participation

**Measure** The ratio of workforce participation rates for tobacco-dependent communities to that in non-tobacco-dependent communities in Virginia.

**Measure Methodology** The workforce participation rate is the total number of working age adults (per Virginia Employment Commission) divided by the total population of working-age adults (per Weldon Cooper Center). The ratio is then computed by dividing the rate in the tobacco region by the rate in the non-tobacco region.

Working-age adults are defined as those 16 years of age and older who are employed and unemployed but actively seeking work. Population of working-age adults is defined as those 15 years of age and older. Weldon Cooper Population Estimates were not available from 2000-2004 and were used beginning in 2005. Census Population Estimates were obtained for years prior.

## Measure Baseline

| <u>Value</u> | <u>Date</u> | <u>Description</u>                      |
|--------------|-------------|---|
| 92.13        | 12/31/2000  | The ratio when data was first available |

## Measure Target

| <u>Value</u> | <u>Date</u> | <u>Description</u>           |
|--------------|-------------|------------------------------|
| 100          | 1/1/2015    | Par with non-tobacco region. |

## Data Frequency

| <u>Frequency</u> | <u>Description</u> |
|------------------|--------------------|
| Annually         | July Data Release  |

## Explanatory Note

The ratio of workforce participation rates between the regions reflects the extent to which the tobacco region economy is stable relative to the non-tobacco region. Workforce participation rates provide insight on the health of a region as indicated by willingness and ability of the region to work. Higher rates represent less dependence on social programs, such as unemployment and disability insurance.

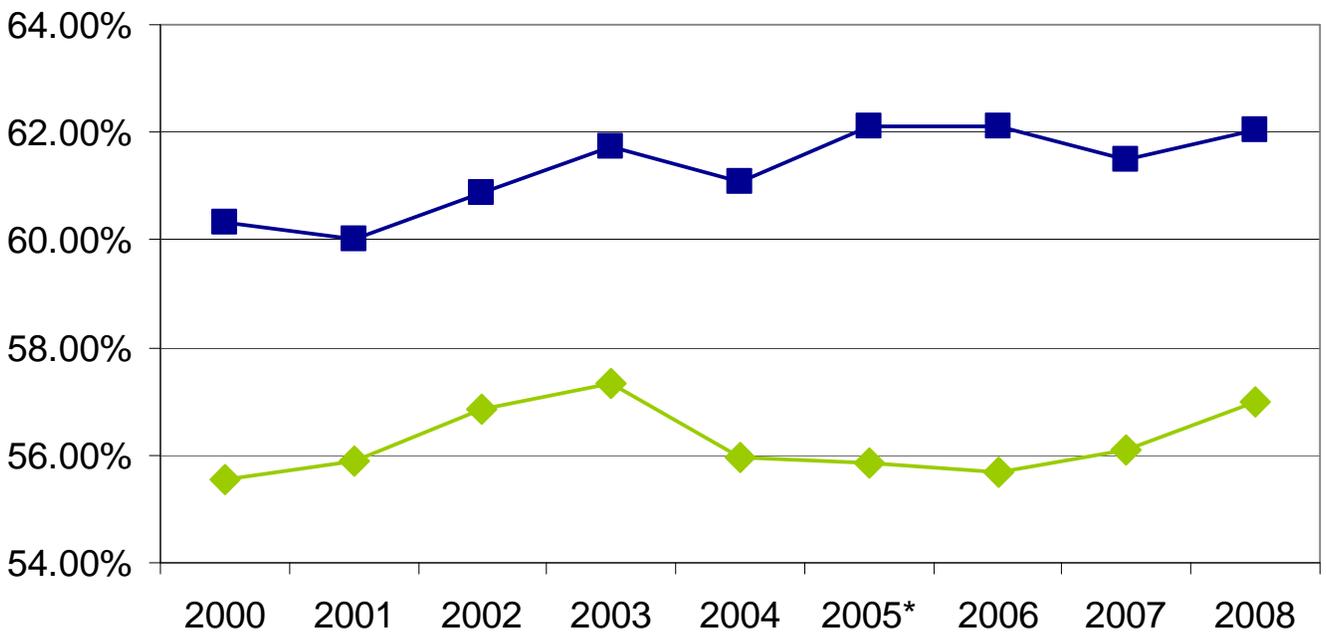
**Figure 3. Workforce Participation Rate Data**

*Percent Working Age Adults in the Workforce*

|                           | 2000          | 2001          | 2002          | 2003          | 2004          | 2005*         | 2006          | 2007          | 2008          |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Tobacco Region</b>     |               |               |               |               |               |               |               |               |               |
| Workforce                 | 469,624       | 472,503       | 480,940       | 486,034       | 474,780       | 477,810       | 478,438       | 481,877       | 491,562       |
| Population (15+)          | 845,226       | 845,370       | 846,018       | 847,913       | 848,400       | 855,611       | 859,298       | 859,165       | 862,430       |
| <b>Rate</b>               | 55.56%        | 55.89%        | 56.85%        | 57.32%        | 55.96%        | 55.84%        | 55.68%        | 56.09%        | 57.00%        |
| <b>Non-Tobacco Region</b> |               |               |               |               |               |               |               |               |               |
| Workforce                 | 449,193       | 455,156       | 466,289       | 478,164       | 478,226       | 484,426       | 492,660       | 498,071       | 507,148       |
| Population (15+)          | 744,843       | 758,339       | 765,942       | 774,450       | 783,106       | 779,941       | 793,021       | 809,866       | 817,580       |
| <b>Rate</b>               | 60.31%        | 60.02%        | 60.88%        | 61.74%        | 61.07%        | 62.11%        | 62.12%        | 61.50%        | 62.03%        |
| <b>RATIO</b>              | <b>92.13%</b> | <b>93.12%</b> | <b>93.38%</b> | <b>92.84%</b> | <b>91.64%</b> | <b>89.91%</b> | <b>89.62%</b> | <b>91.20%</b> | <b>91.89%</b> |

**Figure 4. Percent of Working Age Adults in the Workforce**

◆ Tobacco Region ■ Non-Tobacco Region



# Wealth

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**Measure** The ratio of annual average wages per person in tobacco-dependent communities to that in non-tobacco-dependent communities in Virginia.

**Measure Methodology** The measure ratio is calculated by dividing the annual average wage as reported by the Virginia Employment Commission for tobacco region by the non-tobacco region.

## Measure Baseline

| <u>Value</u> | <u>Date</u> | <u>Description</u>                        |
|--------------|-------------|---|
| 117.8        | 1/1/1999    | The ratio when the Commission was formed. |

## Measure Target

| <u>Value</u> | <u>Date</u> | <u>Description</u>           |
|--------------|-------------|------------------------------|
| 100          | 1/1/2015    | Par with non-tobacco region. |

## Data Frequency

| <u>Frequency</u> | <u>Description</u>   |
|------------------|----------------------|
| Annually         | January Data Release |

## Explanatory Note

The ratio of annual wages between regions reflects the extent to which the tobacco region is leading to higher living standards relative to the non-tobacco region.

### Notes for Figure 5 and Figure 6 (next page):

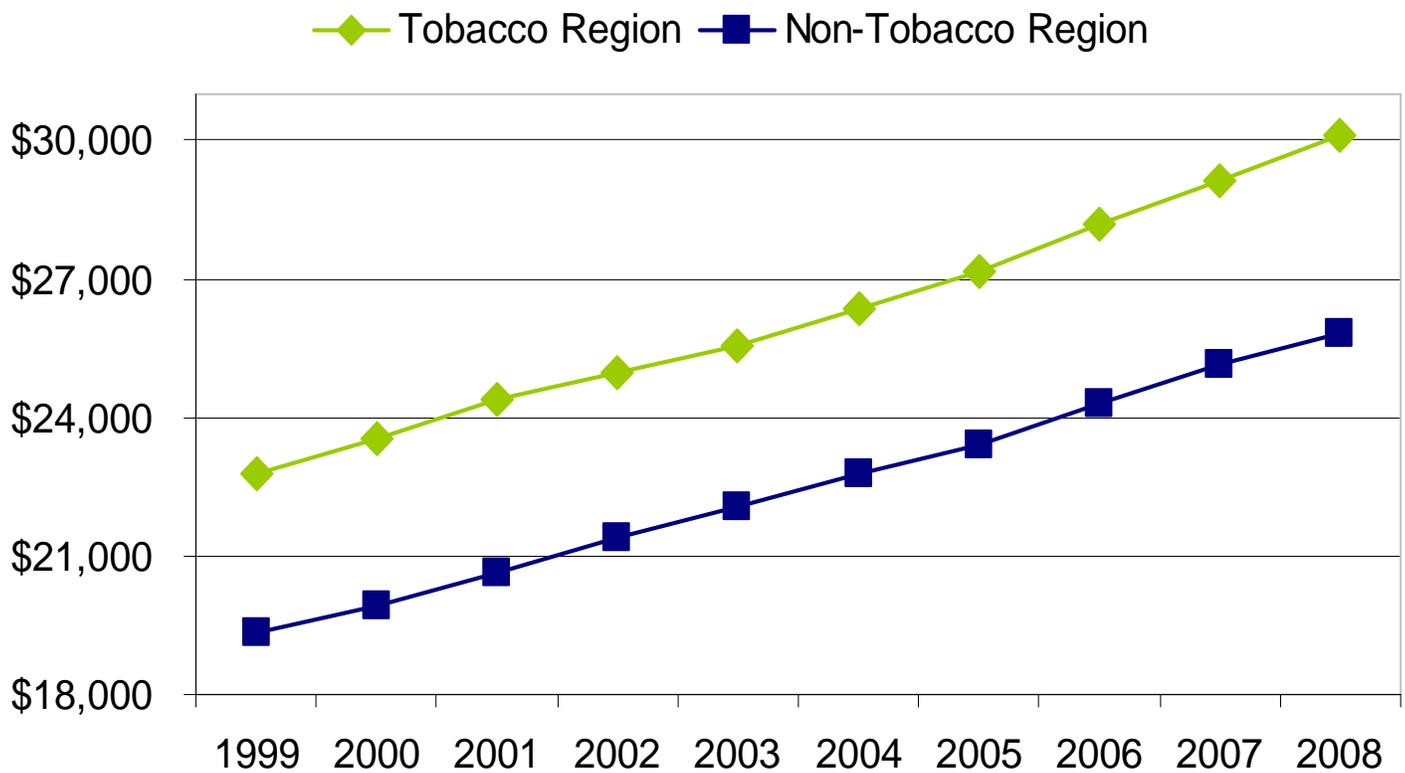
- ◆ Tobacco region has consistently maintained an edge over non-tobacco region.
- ◆ Despite recessions and job losses, the tobacco region has been able to sustain and grow its wages.
- ◆ Data suggests that job losses have been replaced with equally and higher paying jobs.

**Figure 5. Wealth Data Summary**

*Annual average wages per person relative to the control group average.*

|                    | 1999      | 2000      | 2001      | 2002      | 2003      | 2004      | 2005      | 2006      | 2007      | 2008      |
|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>TOTAL WAGES</b> |           |           |           |           |           |           |           |           |           |           |
| Tobacco Region     | \$ 22,786 | \$ 23,538 | \$ 24,368 | \$ 24,985 | \$ 25,543 | \$ 26,339 | \$ 27,180 | \$ 28,190 | \$ 29,110 | \$ 30,111 |
| Non-Tobacco Region | \$ 19,335 | \$ 19,932 | \$ 20,652 | \$ 21,397 | \$ 22,050 | \$ 22,787 | \$ 23,393 | \$ 24,321 | \$ 25,168 | \$ 25,803 |
| <b>RATIO</b>       | 117.8%    | 118.1%    | 118.0%    | 116.8%    | 115.8%    | 115.6%    | 116.2%    | 115.9%    | 115.7%    | 116.7%    |

**Figure 6. Annual Average Wages (per person)**



# Diversity

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**Measure** The ratio of employment percentage in the top 3 industries in tobacco-dependent communities to that in non-tobacco-dependent communities in Virginia.

**Measure Methodology** The total number of employees at the top three industries of each locality as reported by the Virginia Employment Commission divided by the total population of working age adults as reported by the Weldon Cooper Center. The ratio is calculated by dividing the percent of employment in the top 3 industries in the tobacco region by the percent in non-tobacco region.

## Measure Baseline

| <u>Value</u> | <u>Date</u> | <u>Description</u>                        |
|--------------|-------------|---|
| 91.34        | 1/1/1999    | The ratio when the Commission was formed. |

## Measure Target

| <u>Value</u> | <u>Date</u> | <u>Description</u>                    |
|--------------|-------------|---------------------------------------|
| 85           | 1/1/2015    | Recent historical levels of diversity |

## Data Frequency

| <u>Frequency</u> | <u>Description</u> |
|------------------|--------------------|
| Annually         |                    |

## Explanatory Note

The measure of percent of employment in the top 3 industries is associated with a more stable, diversified economy. Industry grouping is defined by the North American Industry Classification System.

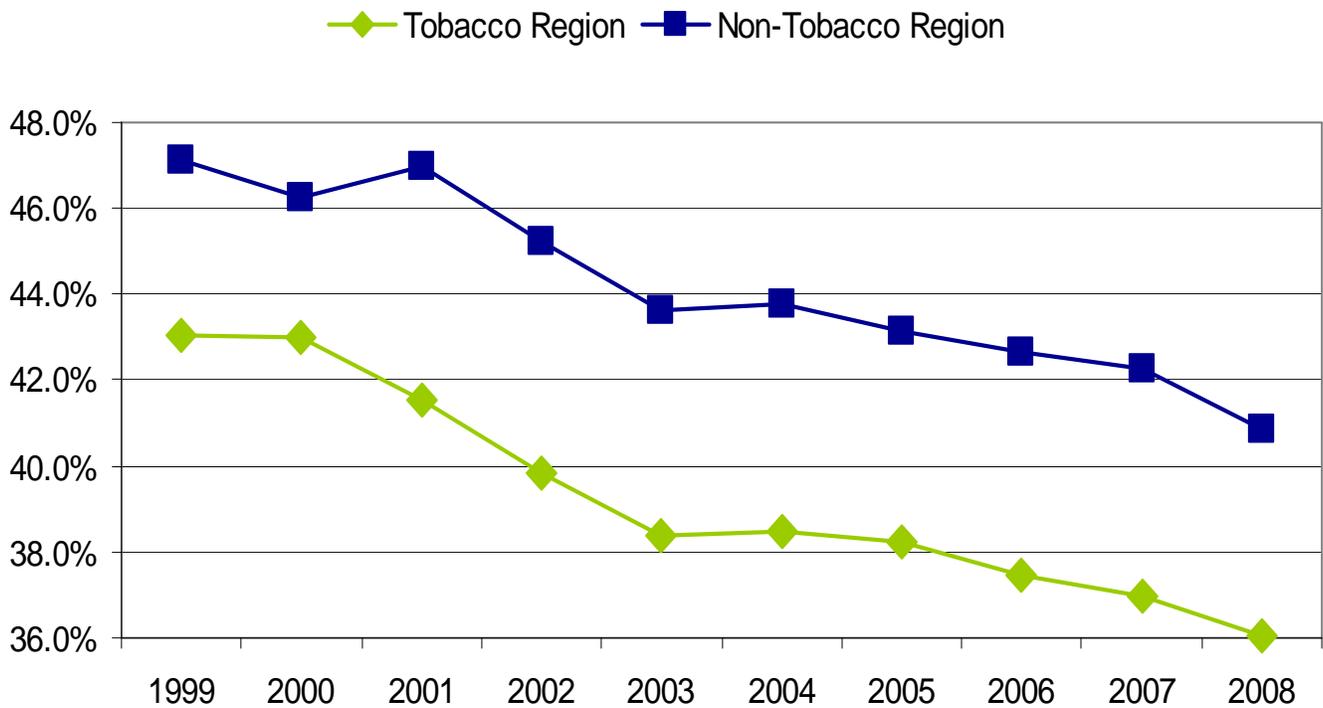
### Notes for Figure 7 and Figure 8 (next page):

- ◆ Tobacco region is diversifying at a faster rate than non-tobacco region.
- ◆ Top three industries for both regions remained constant throughout 10 year period and included:
  - Retail Trade
  - Manufacturing
  - Health Care
- ◆ Tobacco region experiencing growth in construction, public administration and educational services.

**Figure 7. Diversity Data Summary**  
*Percent Employment in Top Three Industries*

|                           | 1999          | 2000          | 2001          | 2002          | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          |
|---------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Tobacco Region</b>     |               |               |               |               |               |               |               |               |               |               |
| Employment in Top         | 195,786       | 194,416       | 186,045       | 178,970       | 174,682       | 172,516       | 171,376       | 171,225       | 170,048       | 166,973       |
| Total Employed            | 454,694       | 452,140       | 447,933       | 449,082       | 455,349       | 448,231       | 448,231       | 457,015       | 459,883       | 463,365       |
| <b>Percent Employed</b>   | 43.1%         | 43.0%         | 41.5%         | 39.9%         | 38.4%         | 38.5%         | 38.2%         | 37.5%         | 37.0%         | 36.0%         |
| <b>Non-Tobacco Region</b> |               |               |               |               |               |               |               |               |               |               |
| Employment in Top         | 202,565       | 202,599       | 206,688       | 201,818       | 199,598       | 201,153       | 201,302       | 203,449       | 203,358       | 197,749       |
| Total Employed            | 429,703       | 438,088       | 439,825       | 446,117       | 457,723       | 459,708       | 466,585       | 476,872       | 481,209       | 483,881       |
| <b>Percent Employed</b>   | 47.1%         | 46.2%         | 47.0%         | 45.2%         | 43.6%         | 43.8%         | 43.1%         | 42.7%         | 42.3%         | 40.9%         |
| <b>RATIO</b>              | <b>91.34%</b> | <b>92.98%</b> | <b>88.38%</b> | <b>88.09%</b> | <b>87.97%</b> | <b>87.96%</b> | <b>88.62%</b> | <b>87.82%</b> | <b>87.50%</b> | <b>88.18%</b> |

**Figure 8. Employment Percentage in Top Three Industries**



# Capital Investment

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**Measure** The ratio of total capital investment per person in tobacco-dependent communities to that in non-tobacco-dependent communities in Virginia.

**Measure Methodology** Comparison of assessed value of Tangible Personal Property, Machinery and Tools, and Merchants' Capital data from the Department of Taxation per capita obtained from the Weldon Cooper Center. Aggregated capital investment is equal to the total assessed values for Tangible Personal Property, Machinery and Tools, and Merchants' Capital for each region divided by the respective total population for each region. The ratio is then computed by dividing tobacco-dependent capital investment per person by non-tobacco control group capital per person.

Weldon Cooper Population Estimates were not available from 2000-2004 and were used beginning in 2005. Census Population Estimates were obtained for years prior.

## Measure Baseline

| <u>Value</u> | <u>Date</u> | <u>Description</u>                        |
|--------------|-------------|---|
| 114.7        | 12/31/1999  | The ratio when the Commission was formed. |

## Measure Target

| <u>Value</u> | <u>Date</u> | <u>Description</u>           |
|--------------|-------------|------------------------------|
| 100          | 1/1/2015    | Par with non-tobacco region. |

## Data Frequency

| <u>Frequency</u> | <u>Description</u>   |
|------------------|----------------------|
| Annually         | January Data Release |

## Explanatory Note

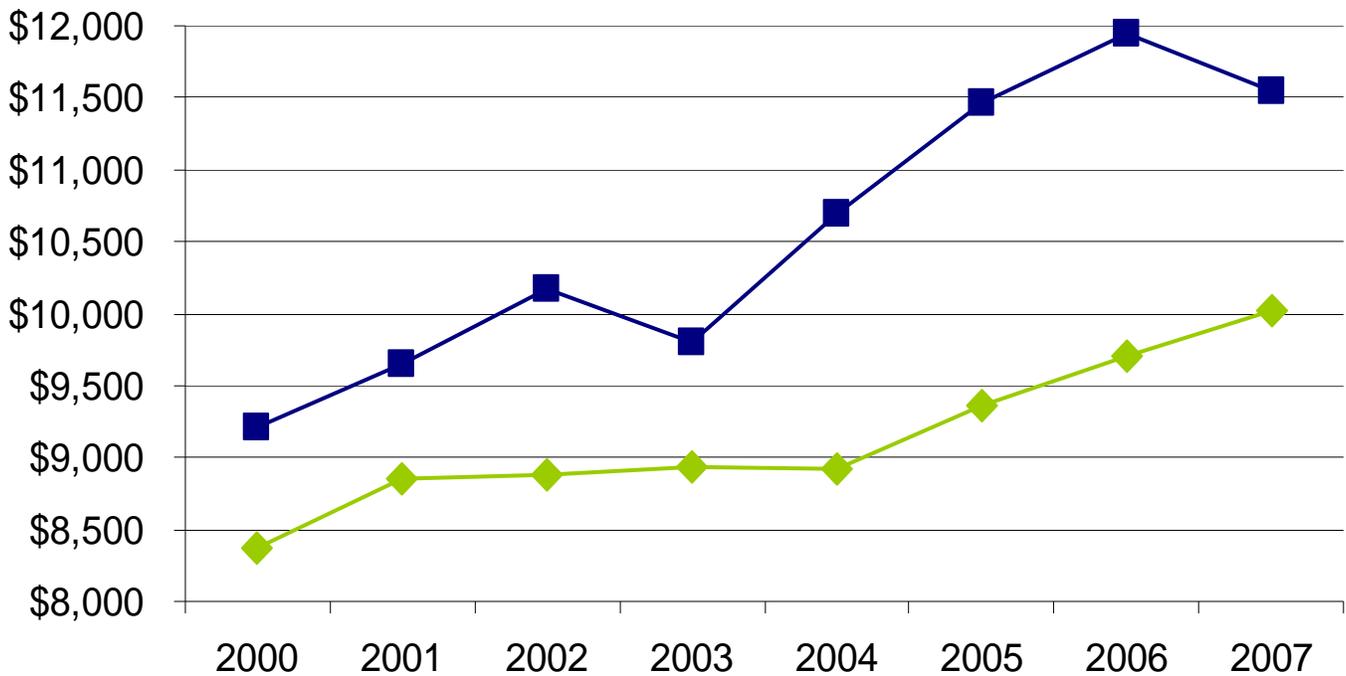
The measure of taxable assets per capita is associated with the extent to which the tobacco region's economy is growing and generating higher living standards relative to the non-tobacco region.

**Figure 9. Taxable Assets Data Summary**  
*Assessed Values by Locality - Tax Year*

|                           | 2000           | 2001           | 2002            | 2003           | 2004            | 2005            | 2006            | 2007            |
|---------------------------|----------------|----------------|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Tobacco Region</b>     |                |                |                 |                |                 |                 |                 |                 |
| Taxable Assets            | 8,656,449,174  | 9,137,427,209  | 9,153,856,147   | 9,199,181,612  | 9,218,563,403   | 9,657,858,868   | 10,098,588,326  | 10,414,759,702  |
| Population                | 1,034,353      | 1,031,700      | 1,031,200       | 1,029,700      | 1,032,600       | 1,031,554       | 1,041,214       | 1,038,705       |
| <b>Assets per Person</b>  | <b>\$8,369</b> | <b>\$8,857</b> | <b>\$8,877</b>  | <b>\$8,934</b> | <b>\$8,928</b>  | <b>\$9,362</b>  | <b>\$9,699</b>  | <b>\$10,027</b> |
| <b>Non-Tobacco Region</b> |                |                |                 |                |                 |                 |                 |                 |
| Taxable Assets            | 8,612,176,436  | 8,908,437,634  | 9,452,699,993   | 9,170,048,135  | 10,151,805,547  | 11,061,588,811  | 11,723,752,834  | 12,056,145,907  |
| Population                | 934,783        | 922,600        | 929,400         | 935,500        | 949,300         | 964,529         | 981,997         | 1,044,321       |
| <b>Assets per Person</b>  | <b>\$9,213</b> | <b>\$9,656</b> | <b>\$10,171</b> | <b>\$9,802</b> | <b>\$10,694</b> | <b>\$11,468</b> | <b>\$11,939</b> | <b>\$11,544</b> |
| <b>RATIO</b>              | <b>90.8%</b>   | <b>91.7%</b>   | <b>87.3%</b>    | <b>91.1%</b>   | <b>83.5%</b>    | <b>81.6%</b>    | <b>81.2%</b>    | <b>86.9%</b>    |

**Figure 10. Taxable Assets (per person)**

—◆— Tobacco Region —■— Non-Tobacco Region



# *Conclusion*

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While the Commission has provided funding to support revitalization efforts in the tobacco region for nearly a decade, it is important to recognize that the long-term economic impact of its investments will take years to reflect in the metrics outlined in this report. The Commission has awarded 976 grants through its competitive grant programs, excluding the Tobacco Region Opportunity Fund (TROF); however, only 51 projects have been completed for more than five years. Additionally, 39 projects were completed over four years ago, 108 projects completed over three years ago, 186 projects completed over two years ago, 124 projects completed over one year ago and 175 projects completed within the last year. While the short-term economic impact of projects completed over 1-3 years are likely observed in the reported data the long-term impact found in projects closed 5 years and beyond is still to be seen.

The Commission recognizes that it takes time to reshape an economy. With defined measures of revitalization relating to job creation, wealth, diversity and taxable assets now in place, the Commission is poised with the ability to analyze progress towards its statutory mission and to regularly monitor and measure performance.