State of Oklahoma
Incentive Evaluation Commission
Evaluation: Economic Development Pooled Finance

November 17, 2023

PFM Group Consulting LLC
BNY Mellon Center
1735 Market Street
42nd Floor
Philadelphia, PA 19103

Contents

Key Findings and Recommendations 3
Introduction 7
Incentive Usage and Administration.. 11
Economic and Fiscal Impact 20
Incentive Benchmarking... 23
Appendices 26

Key Findings and Recommendations

Incentive Overview

The Economic Development Pooled Finance Program was established in 2009 by the Oklahoma Community Economic Development Pooled Finance Act. The Legislature sought to support economic development and public infrastructure projects for the purpose of attracting private investment, creating jobs, and developing infrastructure essential to a safe and productive environment for state residents and visitors.

The program seeks to accomplish this through a $200 million pool of financing made available to for-profit entities for a local infrastructure or economic development project. Cash payment awards for approved projects are determined by the Department of Commerce (Department) and ultimately disbursed by the Oklahoma Development Finance Authority (ODFA), working in conjunction with the Oklahoma Tax Commission (OTC). The funding is repaid through payroll tax rebates generated by a for-profit entity receiving funding, or a new tax or tax increase levied by the local governments receiving funding.

There are three options within the Economic Development Pooled Finance Program: the Business Expansion Incentive Program (BEIP), the Oklahoma Innovation Expansion Program (OIEP), and the Public-Private Partnership Pooled Finance Program (P3). The program has been substantially revamped since the 2019 evaluation.

Recommendation: Retain

Key Findings

- **Since 2018, as a result of this program, over 9,300 new jobs have been created and over 53,000 jobs have been retained statewide.**
    - This program has facilitated the creation of 9,389 new jobs with an average wage of $42,370 and the retention of 53,560 jobs with an average wage of $58,405.
- **With over $140 million in funding awarded from 2018 – 2023, this program has catalyzed over $3.1 billion in capital investment.**
    - The funding awarded by ODFA, $141 million, represents 4.5 percent of the total private capital investment of $3.166 billion.
- **This program does not represent a direct state expenditure, as it is fully funded through ODFA, and there remains sufficient capacity for the program to continue to operate.** As a result, there are adequate protections in place to ensure the fiscal impact of the program does not increase substantially beyond the state's expectations in future years.
    - As of September 2023, $115 million is still available in capacity for program funding.
    - Within the program, as debt is repaid to ODFA, funds are then made available again in the $200 million pool, which makes it similar to a revolving loan program.
- **The introduction of the Bounceback program in 2020, later renamed the Oklahoma Innovation Expansion Program (OIEP), as a response to the COVID-19 pandemic, proved to be popular and successful.**

  - This program, available to small businesses for funding amounts less than $150,000 resulted in a significant increase in usage of the program and funding awarded.
  - The program alone represented $37.8 million in funding awarded, $225.7 million in capital investment, 25,682 retained jobs with an average wage of $53,210, and 2,864 new jobs with an average wage of $49,761.

- **For the OIEP, there is a specific application timeframe, for the program.**

  - In 2023, the open application period for OIEP was between April 3 and April 14.
  - This limited timeframe to submit an application to be considered for funding may limit qualifying businesses from having all application materials ready in a timely manner.
  - The BEIP application, however, is accepted on a rolling basis.

- **The most appropriate program within the incentive that a company should apply for is not always clear.**

  - Recipients are not always aware of which specific program they can qualify for, or which may be most beneficial to them, partially due to the name and program changes over the years.
  - This is somewhat combatted by efforts of the Department to go on site visits and meet with prospective recipients prior to the submittal period.

- **There are specific requirements and limitations for the program.**

  - To qualify for OIEP, a recipient must have a minimum capital expenditure of $50,000 and a minimum payroll at the facility of $625,000 per year.
  - To qualify for BEIP, a recipient must have a minimum capital investment of $2 million and total payroll of $2 million.
  - There are no jobs, payroll, or investment requirement in order to qualify for P3. Rather, the qualifications include critical infrastructure that is owned by a local government entity and an investment in it that would benefit at least one for-profit business. The infrastructure identified by the local government must contribute to the competitiveness of the region's economy. The project may also qualify as a workforce development training.
  - Participation in any program within this incentive precludes a company from utilizing other state incentives such as the Quality Jobs Act or the Investment Tax Credit.

- **The program design aligns with several business incentives best practices.**

  - The program has specific eligibility criteria and specific types of firms/industries (targeted)
  - The program has an application process (discretionary)
  - The program leverages significant private capital
  - The incentive has a limited duration and not provided until requirements are met
  - It provides customized assistance to small and medium sized existing businesses to help them grow or become more productive

Recommendation

- **Maintain program continuity and efforts to advertise the availability of funds for this program to potential recipients around the state.**

Discussions with some external stakeholders suggest that the changes in the program have created some confusion related to program requirements. The varying aspects of the program and their different eligibility requirements are not necessarily a problem, but they will require continued efforts to make eligible businesses aware of them. It will be important in the short-term to maintain existing program requirements so that businesses become familiar with them. The Department should continue the practice of doing site visits and road shows throughout the state to advertise the benefits and details of the various programs and funding available through this incentive.

Introduction

Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 in 2015 to conduct objective evaluations of the State of Oklahoma's wide array of business incentives. The Commission is made up of five appointed voting members along with ex officio representatives of the Department of Commerce, Office of Management and Enterprise Services, and Tax Commission.

Under the enabling legislation, each of the State's economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on investment, and effectiveness of administration, as well as criteria specific to each incentive as determined by the Commission.

Since the Commission's inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in that year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive's goals, including recommendations on whether the incentive should be retained, reconfigured, or repealed; as well as recommendations for any changes to State policy, rules, or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

The Commission considers the independent evaluator's findings and recommendations – as well as all public comments – before voting to retain, repeal, or modify the recommendations for each incentive under review. It then submits a final report to the Governor and the Legislature.

Summary of 2019 Evaluation Findings and Recommendations

In accordance with the four-year evaluation cycle described in the preceding, the Economic Development Pooled Finance Act was first reviewed by the Commission in 2019.[1] Significant findings and recommendations from PFM's evaluation of the program are summarized in the following table:

[1] The 2019 Tax Incentive Evaluation Report is available on the Commission's website at https://iec.ok.gov/sites/g/files/gmc216/f/ED%20Pooled%20Finance_11112019_FINAL.pdf

Table 1: Summary of 2019 Evaluation Findings and Recommendations

Evaluation Category	Significant Finding(s)
Overall Findings	- All projects that had received financing through the program expect to create 4,269 jobs and make capital investment of $1.5 billion. - Since FY 2011, $86.9 million in withholding tax revenue has been foregone by the State as part of the program. - The average wage of new jobs associated with Economic Development Pooled Finance projects is $33,447. - Over the previous five years, the average number of years required to recoup the incentives offered was three years. - No pool funds had ever been used for local government infrastructure projects.
Fiscal and Economic Impact	Assuming the firms that used the incentives were still in business after 3 years, the return on investment to the State is positive.
Future Fiscal Impact Protections	No future fiscal impact protections were noted.
Administrative Effectiveness	No broad impacts were noted by the administration of this program.
Retain, Reconfigure or Repeal	The project team recommended retaining the program with minor modifications.
Other Recommendations	- Establish regular reporting of awards and costs associated with the program.

Source: State of Oklahoma Incentive Evaluation Commission, Tax Incentive Evaluation Report 2019

Based on PFM's analysis and consideration of other factors, the Commission voted 6-0 to retain the program with minor modifications.

2023 Criteria and Evaluation Approach

A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation and as noted previously, the provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation.

In the case of the Economic Development Pooled Finance Program, the purpose or goal of the incentive is to encourage local government cooperation in the development of regional infrastructure and economic development projects. The Commission has adopted the following criteria to assist in a determination of program effectiveness:

- Job creation associated with financed projects;
- Capital investment (facilities, machinery and equipment) associated with financed projects;
- Comparison of job creation and capital investment to similar cities/counties not participating in the program;
- Contributions to community development;
- State return on investment.

To conduct its 2023 review of the Economic Development Pooled Finance Program, the PFM team undertook several project tasks, including (but not limited to) the following:

- Requested, reviewed, and analyzed data from the Department of Commerce.
- Conducted subject matter expert and internal stakeholder interviews.
- Participated in project site visits with the Department of Commerce and ODFA.
- Met with leadership from the State, Oklahoma City, and Tulsa Chambers of Commerce, and interested industry representatives.
- Performed an economic impact analysis of program costs.
- Benchmarked Oklahoma to other states.

Incentive Usage and Administration

Background and History

The program was established in 2009 by the Oklahoma Community Economic Development Pooled Finance Act. The Legislature sought to support economic development and public infrastructure projects for the purpose of attracting private investment, creating jobs, and developing infrastructure essential to a safe and productive environment for state residents and visitors.[2]

The program seeks to accomplish this through a $200 million pool of financing made available to for-profit entities for economic development purposes or two or more local governments for a local infrastructure project. While the program was originally created with two separate pools of funding, an Economic Development Pool, and an Infrastructure Pool, that is no longer the case. Cash payment awards are approved by the Department which issues a determination letter, after which the Oklahoma Development Finance Authority (ODFA) works with the Oklahoma Tax Commission (OTC) to disperse the funding. The pool is really a form of revolving fund, as the funding is returned to the ODFA through payroll tax rebates generated by a for-profit entity receiving funding, or a new tax or tax increase levied by the local governments receiving funding.

Incentive Characteristics

The program is administered by the Department and the ODFA. The Department is responsible for processing applications submitted by local governments and for-profit entities and determining whether infrastructure and economic development projects meet program requirements.

The following are the scoring criteria for economic development pool-funded projects (BEIP and OIEP):

1. Capital investment by a for-profit business entity or entities.
2. New direct jobs as the term is defined by 68 O.S. §3603, to be created by a for-profit business entity or entities.
3. Salary and wage payments to persons employed in new direct jobs.
4. The likelihood of additional business location decisions resulting from the activity of the for-profit business entity or entities that would benefit from the use of the economic development pool.
5. Capital investment by governmental and/or not for profit entities.
6. The amount and degree of net benefit to be had by the State from completion of the project.
7. Whether or not the local government entity or for-profit business entity is a participant in any other projects governed by the Oklahoma Economic Development Pooled Finance Act.
8. Any other factor(s) deemed relevant by the Department.

The following are the scoring criteria for the public-private partner development pool-funded projects (P3):

1. Capital investment by one or more for-profit business entities and/or federal government defense entities.
2. Additional capital investment by one or more local government entities.
3. New direct jobs as defined 68 O.S. §3603, to be created by a for-profit business entity or entities.
4. Salary and wage payments to persons employed in new direct jobs.
5. The likelihood of additional business location decisions resulting from the activity of the for-profit business entity or entities that would benefit from use of the Public-Private Partner Development Pool.

[2] O.S. 62-891.2

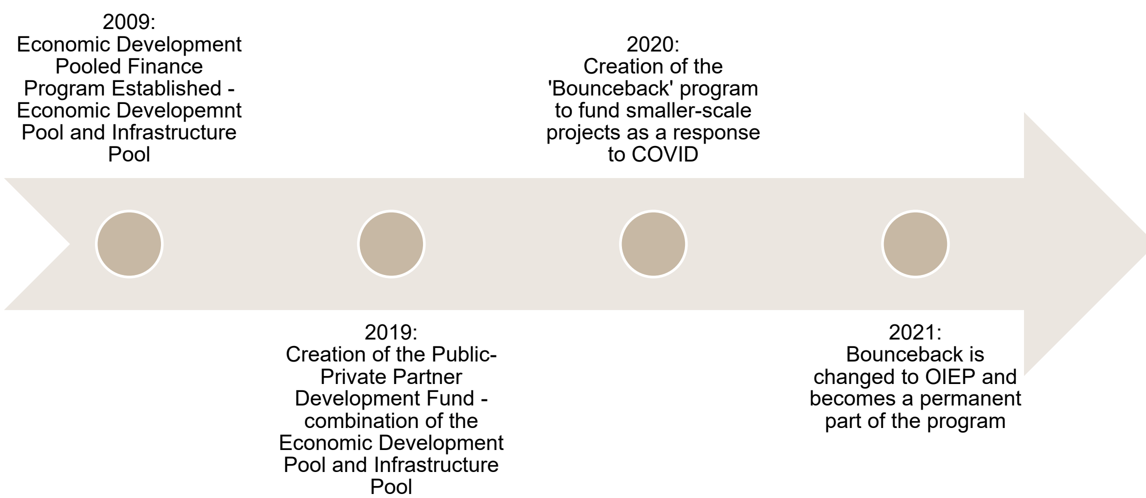
6. The amount and degree of net benefit to be had by the State from completion of the project.
7. Whether or not the local government entity or business entities is a participant in other projects governed by the Oklahoma Economic Development Pooled Finance Act.
8. Any other factor(s) deemed relevant by the Department.

In discussions with the Department, determining the net positive benefit of the project to the state is a threshold consideration, and prioritized projects for funding must meet this test. The ODFA then manages the process of awarding funding for approved projects. Of the total $200 million pool amount, 65 percent is reserved for use by projects in municipalities with a population of 300,000 or less; currently, the two Oklahoma cities with a population over 300,000 are Oklahoma City and Tulsa.

The ODFA is permitted by statute to issue debt as a financing mechanism for this program, but this has not been used to date, as the Authority has been able to fund recipient projects through their revenue generated by their other programs. If debt is issued, by statute it would be repaid using withholding taxes generated by new jobs created by the project or new and retained jobs as part of an expansion project.

The program intends to encourage investments in economic development projects and to improve public infrastructure for the purpose of creating jobs and attracting private investment. In recent years, multiple program options were introduced to provide different avenues through which recipient could receive funding specific to their needs. These program changes are summarized in Figure 1.

Figure 1: Timeline of Program Changes



The program now offers three distinct incentive options:

- The Business Expansion Incentive Program (BEIP)
- The Oklahoma Innovation Expansion Program (OIEP)
- The Public-Private Partnership Pooled Finance Program (P3)

The BEIP Program is the traditional funding mechanism and is used for larger projects that have awards greater than $150,000. The BEIP program is typically used by manufacturing companies. To qualify for the incentive, companies typically need to meet or exceed a $2 million or greater in capital investment, and a $2 million or greater in total annual existing payroll.[3]

OIEP, a relatively new program addition, started in 2020 (with the name 'Bounceback') as a response to pressures from the COVID-19 pandemic. At that time, there was a need to provide a mechanism for existing businesses to make capital investments to improve their productivity or operations, in some instances to respond to changing work conditions as a result of the pandemic. The program provides annual funding of $15 million for high-impact new capital investment across a broad range of industries.

The program proved popular with businesses, and the Department has continued it for smaller-scale projects, with awards typically between $25,000-$150,000, with $150,000 being the maximum possible award. There are specific eligibility requirements, which must all be met to be eligible for an award[4]:

For a business to be eligible for consideration into the program they must meet all of the following requirements:

- Must be a "for-profit" business entity.
- The Project facility must be located in Oklahoma and the project requires a minimum capital expenditure of at least $50,000.
- Must currently have a minimum payroll at the project facility of at least $625,000 per year.
- Funds cannot have been spent toward the new project prior to the Company having received an award letter recommending approval of the new project from the Department.
- The new project must either be an innovative project, a project that shortens or strengthens the supply chain for the product being manufactured, or it must be a project designed to target new markets.
- The business must not be participating in any of the Oklahoma Quality Jobs Act Programs and cannot take Investment Tax Credits while in the program.
- The Project must meet all other eligibility requirements for participation in the Oklahoma Economic Development Pooled Finance Act.
- Businesses selected for participation in the program must spend at least 10% of the estimated project costs within 90 days of executing a funding agreement with the Oklahoma Development Finance Authority.
- Only projects where the net benefit rate of the project is sufficient to sustain a $25,000 award or greater are eligible for participation in the program.
- Business must meet all eligibility requirements and follow all program rules as set forth in the Oklahoma Innovation Expansion Program Rules document and as set forth in the Oklahoma Economic Development Pooled Finance Act.

The P3 program facilitates local infrastructure development where there is also a benefit to for-profit companies. Infrastructure development can include any critical infrastructure identified by local government entities contributing to the competitiveness of the region's economy and essential for government functions. There is also a component of the P3 program available for education and workforce

---

[3] Oklahoma Department of Commerce, "Business Expansion Incentive Program," accessed electronically at https://www.okcommerce.gov/doing-business/business-relocation-expansion/incentives/business-expansion-incentive-program/
[4] Oklahoma Department of Commerce, "Oklahoma Innovation Expansion Program," accessed electronically at https://www.okcommerce.gov/oiep/

development. This option is available to colleges and universities under the jurisdiction of the Oklahoma State Regents for Higher Education or CareerTech districts under the jurisdiction of the State Board of Career and Technology. It provides industry-focused training that is developed collaboratively with employers in a common industry.[5]

Related Statutory Changes

In 2019, SB 749 made the following changes (effective November 1, 2019):

- Specified that the Oklahoma Development Finance Authority (ODFA) shall be authorized to act as a conduit issuer for the benefit of at least one eligible local government entity in conjunction with one or more for-profit business entities and/or federal government defense entities for an authorized infrastructure development project using the Public-Private Partner Development Fund.[6]
- Specifies that the Public-Private Partner Development Fund is the combination of the Infrastructure Pool and the Economic Development Pool
- Added language regarding the rules and scoring system to be established and used by the Department of Commerce to evaluate projects to be financed from the Public-Private Partner Development Pool.
- Added a provision that for-profit business entities that participate in the Public-Private Partner Development Pool will not be subject to corporate income tax associated with the segregation and payment of withholding taxes to local government entities when such payment is made for the purpose of infrastructure development.

In 2021, SB 587 expanded the definition of what qualifies as infrastructure as well as minor language changes (effective November 1, 2021).

Historic Use of the Incentive

Since the inception of the program, $199.1 million has been awarded to 578 projects. With the introduction of the Bounceback/OIEP program in 2020, the number of projects awarded funding dramatically increased from 2020 – 2023. With the emergence of OIEP to fund smaller projects, the average award amount also decreased, from $1.3 million in 2019 to $325,000 in 2022.

Table 2: Economic Development Pooled Finance Projects 2010 - 2023

Year of Award	Number of Projects	Total Funding ($M)	Average Award Amount ($K)
2010	2	$35.0	$17,500
2011	0	-	-
2012	3	$13.4	$4,467
2013	7	$25.3	$3,607

[5] Oklahoma Department of Commerce, "P3 Pooled Finance Program," accessed electronically at https://www.okcommerce.gov/community-development/local-governments-edos/community-incentives/p3-pooled-finance-program/
[6] There were also minor additions to the statute in this bill naming qualified military installations.

Year of Award	Number of Projects	Total Funding ($M)	Average Award Amount ($K)
2014	3	$8.5	$2,833
2015	3	$7.0	$2,333
2016	2	$3.5	$1,750
2017	0	-	-
2018	3	$5.1	$1,700
2019	3	$4.0	$1,333
2020	76	$11.9	$157
2021	113	$10.2	$91
2022	159	$51.6	$325
2023 YTD	204	$23.6	$116
Total	**578**	**$199.1**	**$345**

Source: Oklahoma Department of Commerce

Since 2010, the Economic Development Pooled Finance Program has funded projects that were expected to create a total of 31,974 new jobs and retain 50,716 jobs in the State of Oklahoma. The total payroll associated with the new jobs totals $427.8 million.

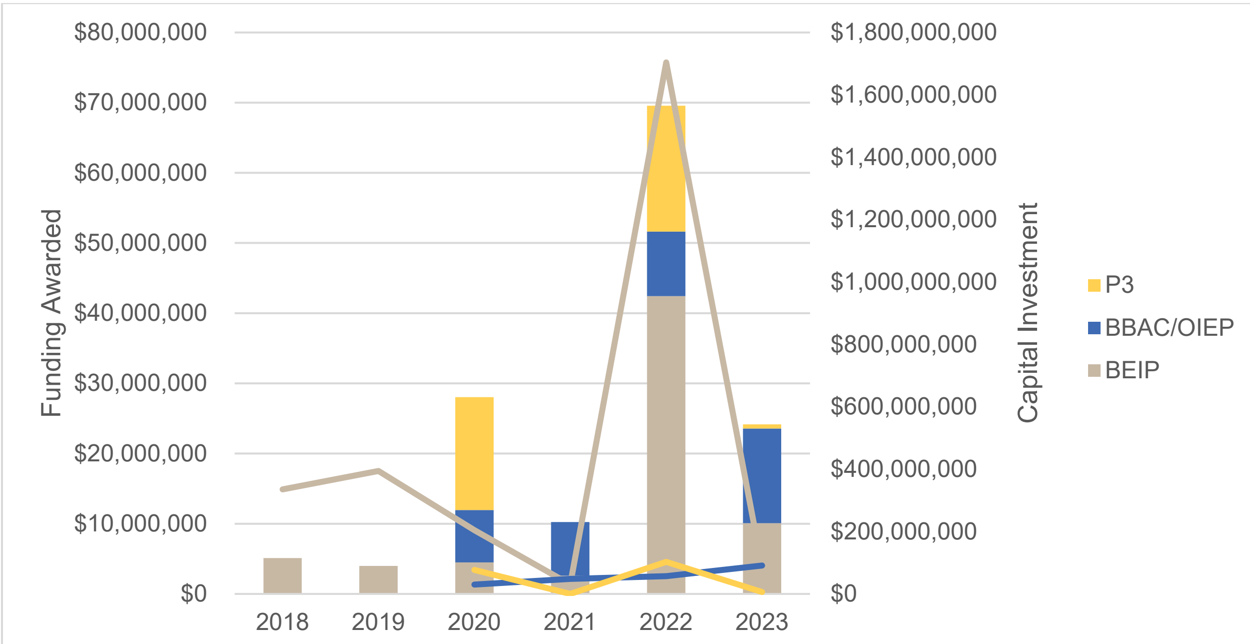
Table 3: Economic Development Pooled Finance Project Detail

Year of Award	Funding Awarded ($M)	Capital Investment ($M)	Percentage of Capital Investment	Retained Jobs	New Jobs	Average Wage of New Jobs	Total New Payroll ($M)
2010	$35.0	$167.0	21.0%	2,685	150	$47,000	$7.1
2011	$0	-	-	-	-	-	-
2012	$13.4	$209.2	6.4%	643	189	$50,124	$9.5
2013	$25.3	$190.0	13.3%	3,508	366	$58,095	$21.3
2014	$8.5	$54.1	15.7%	1,339	177	$36,576	$6.5
2015	$7.0	$132.5	5.3%	700	105	$63,681	$6.7
2016	$3.5	$83.4	4.2%	965	48	$63,582	$3.1
2017	$0	-	-	-	-	-	-
2018	$5.1	$335.0	1.5%	2,400	234	$43,286	$10.1
2019	$4.0	$394.0	1.0%	209	3,011	$26,380	$79.4
2020	$28.0	$311.4	9.0%	8,237	581	$47,597	$27.7
2021	$10.2	$78.5	13.1%	6,204	838	$42,084	$35.3
2022	$69.6	$1,863.6	3.7%	22,978	3,249	$48,434	$157.4
2023	$24.2	$183.7	13.2%	13,532	1,476	$59,604	$88.0
Total	**$233.8**	**$4,002.2**	**5.8%**	**63,400**	**10,424**	**$43,343.87**	**$451.8**

Source: Oklahoma Department of Commerce

As of September 2023, $115 million is available in funding.

Figure 2: Funding Awarded and Capital Investment by Program Option



Incentive Administration

For economic development projects, the Department uses a scoring system that considers capital investment by the for-profit entity, new direct jobs to be created by the entity, salary and wage payments associated with new direct jobs, and the likelihood of additional business location decisions resulting from the activity of the for-profit entity. In addition to assigning a score to the project, the Department evaluates each project to determine whether it is a net benefit to the State, typically over a period of 3 to 5 years. Only projects determined to be a net benefit for the state are permitted to receive program benefits.

The Department evaluates a project's benefit to the State as the total direct and indirect benefits, net of direct and indirect State costs. Statute defines the benefits and costs to be considered:

- Estimated Direct State Benefits – the tax revenues projected by the Department to accrue to the State as a result of new direct jobs;

- Estimated Indirect State Benefits – the indirect new tax revenues projected by the Department to accrue to the State, including, but not limited to, revenue generated from ancillary support jobs directly related to the primary business;

- Estimated Direct State Costs – the costs projected by the Department to accrue to the State as a result of new direct jobs. The costs include, but not be limited to, education, public health, public safety, transportation services, other state services provided to new state residents.

- Estimated Indirect State Costs - the costs projected by the Department to accrue to the State as a result of new indirect jobs. The costs include, but not be limited to, education, public health, public safety, transportation services, other state services provided to new state residents.

The for-profit entity applying for funding receives a letter of determination from the Department indicating whether the project is approved. If approved, the entity will be permitted to have its withholding taxes captured for the purposes of awarding cash payments from the Pool. The amount of net benefit provided by the project, as calculated by the Department, determines the amount of the award for a qualifying project.

In order to approve and prioritize infrastructure projects, the Department has developed a scoring system with criteria based on the federal government's criteria for administering the Community Development Block Grant. Upon approval by the Department, the ODFA may disperse funds for the infrastructure project.

Local governments participating in the program may levy a new tax or modify the purposes of an existing levy in order to repay debt, if issued by ODFA. A question of whether to impose a new tax or modify the purposes of an existing levy for this reason must be submitted to the voters of each county or municipality. The question must be clearly worded and specify the type of tax, the tax rate, and its purpose. The ballot must also clearly indicate the maximum maturity of the debt to be repaid. The participating local governments are required to be financially responsible for repaying all debt issued by the ODFA in order to finance a qualifying project.

Recipients of the Economic Development Pooled Finance Program benefits are prohibited from also receiving benefits from the Quality Jobs or Investment Tax Credit programs.

Incentive Best Practices

Many aspects of the program design, administration, and implementation align with what are commonly considered business incentives best practices.[7] While best practices will vary among different types of incentives, the project team identifies the following features as ones that are useful for this program and help ensure its value to the state:

- The program has specific eligibility criteria and specific types of firms/industries (targeted).
- The program has an application process (discretionary).
- The program leverages significant private capital.
- The incentive has a limited duration and not provided until requirements are met.
- It provides customized assistance to small and medium sized existing businesses to help them grow or become more productive.

Community Development Impact

As part of the evaluation, a member of the project team accompanied the Department on a series of meetings with businesses who have been program award recipients. These included multiple meetings over two days in the cities of Davis, Ardmore, Marietta, and Duncan. Discussions with these businesses underscored some of the advantages of the OIEP. Most of the businesses are smaller businesses, and, in smaller cities, these are often the backbone of the local economy. The following were observations from those visits and discussions with award recipients:

- The leverage for the program, in terms of private investment, is strong, as the $15 million in state awards resulted in seven times that amount in private investment.

[7] A discussion of business incentives best practices is included as Appendix C.

- The businesses indicated that the state incentive was necessary for their capital investment. Many (if not most) of the companies operate on a cash basis and do capital investments on a pay-go basis. As it relates to the ‘but for’ test, there is pretty strong evidence that the capital investments would not have been made without the state incentive.
- Some of the capital investments were necessary to allow the business to respond to changes in the economy based on the impacts of the COVID-19 pandemic. For example, as labor shortages developed, some of the investments allowed the company to substitute technology for labor.
- There is a legitimate concern that incentives for new businesses, particularly for those from out of state, create a competitive disadvantage for other companies. However, this program targets capital investments in existing businesses, and they are focused on improving overall productivity.
- The examples provided of capital investments identified tangible improvements in processes and productivity, which should be value-adds for the state economy. As an example, one award allowed a business to upgrade its electrical system, which allowed it to increase its ability to produce and deliver its product.

Economic and Fiscal Impact

Economic and Fiscal Impact

The methodology used to calculate the economic and fiscal impact can be found in Appendix A.

The economic and fiscal impact analysis is based on the total investment and new jobs created from the projects that qualified companies to receive this incentive since 2018, shown in Table 4. This total investment of $3,166,113,352 represents the private dollars that were spent for the qualifying projects.

Table 4: Economic Development Pooled Finance Project Detail 2018 - 2023

Year of Award	Funding Awarded ($M)	Capital Investment ($M)	Percentage of Capital Investment	Retained Jobs	New Jobs	Average Wage of New Jobs	Total New Payroll ($M)
2018	$5.1	$335.0	1.5%	2,400	234	$43,286	$10.1
2019	$4.0	$394.0	1.0%	209	3,011	$26,380	$79.4
2020	$28.0	$311.4	9.0%	8,237	581	$47,597	$27.7
2021	$10.2	$78.5	13.1%	6,204	838	$42,084	$35.3
2022	$69.6	$1,863.6	3.7%	22,978	3,249	$48,434	$157.4
2023	$24.2	$183.7	13.2%	13,532	1,476	$59,604	$88.0
Total	**$141.1**	**$3,166.1**	**4.5%**	**53,560**	**9,389**	**$42,370.61**	**$397.8**

Source: Oklahoma Department of Commerce

The total economic output generated by the associated projects is $8.315 billion. The total jobs created are 36,084 with an associated $1.977 billion in labor income. Total tax revenue (including Federal, State, and Local) from the projects associated with this incentive is $651.6 million, $172.1 million of which is generated at the state level. Table 4 details the economic and fiscal impacts from the program.

Table 5: Economic Development Pooled Finance Economic and Fiscal Impact 2018-2023

Impact Type	Employment	Labor Income ($M)	Value Added ($M)	Economic Output ($M)	State Tax Revenue ($M)
Direct	9,389	$656	$1,083	$2,745	$48.3
Indirect	5,869	$309	$518	$1,112	$19.8
Induced	4,204	$206	$378	$701	$20.6
Total	**19,462**	**$1,171**	**$1,978**	**$4,558**	**$88.7**

Using the most recent five years of data, since 2018, $141.1 million in program awards has been granted. The total economic output has been $2.754 billion. This is less than the $3.166 billion in capital investment due to the economic leakage associated with retail development. The amount of state tax generated due to new job creation is $88.7 million, resulting in $0.63 for every $1.00 program dollar spent. The retained jobs reported by the Department were not included in the economic impact analysis for two reasons, one there is little new economic impact generated because those jobs and wages already existed, and, secondly, it is difficult to attribute how many jobs were directly retained due to the program. However, these retained jobs do play a role in keeping the economy from contracting. Based on limited data provided by program participants to the Department, the average wage of a retained job was $58,405, compared to the average wage of a new job of $42,371. If even 15% of the retained jobs were due to a direct impact from this incentive, then the program would more than break even at the state level. With the investment made, it is expected the permanent jobs and long-term investments associated with the projects will remain in place beyond 2022 and continue to generate positive economic and fiscal impacts.

Economic impacts shown in table 5 are estimated based on the total capital investment associated with projects as well as new permanent jobs created. Retained jobs are equally important. Though, retained jobs do not expand the overall size of the economy by adding new wages and spending, they maintain the overall size and health of the local economy.

In addition to the new jobs created, the capital investment activity exceeds $3.166 billion. A significant portion of this investment represents construction activity. This activity also generates construction jobs and has very substantial economic impact for the duration of the construction period. Construction related impacts while temporary are additive on a one-time basis to the permanent impacts and increase the overall value of the program.

Incentive Benchmarking

Benchmarking

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are ‘perfect peers’ – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis; likewise, it is exceedingly rare that any two state incentive programs will be exactly the same.[8] These benchmarking realities must be taken into consideration when making comparisons – and, for the sake of brevity, the report will not continually re-make this point throughout the discussion.

The process of creating a comparison group for incentives typically begins with bordering states. This is generally the starting point, because proximity often leads states to compete for the same regional businesses or business/industry investments. Second, neighboring states often (but not always) have similar economic, demographic or political structures that lend themselves to comparison.

Many states, including Oklahoma, offer private activity bonds or other methods of financing to economic development projects. Similarly, many states, including Oklahoma with its Quality Jobs program, encourage investment and job creation by offering tax credits or cash refunds connected to withholding taxes generated by new activity. Oklahoma offers multiple opportunities for businesses and local governments depending on the size of the project to be able to utilize this program. Other states have similar programs that might capture just a part of what the Economic Development Pooled Finance Program entails.

Peer State Incentives: Key Findings

The State of Vermont has a similar program to BEIP and OIEP, the Vermont Employment Growth Incentive (VEGI). This program can provide a cash payment to businesses that have been authorized to earn the incentive and who also meet performance requirements. Similar to the Economic Development Pooled Finance program, the VEGI program also disburses cash payments from withholding taxes collected from qualifying activities. In Vermont, the withholding taxes can come payroll, sales & use, rooms & meals, transportation & fees, health care, unemployment insurance, corporate & individual, and property taxes.

There are no specific restrictions on the type or size of the applicant, neither is there a minimum number of jobs to be created. The following qualifications must be met to earn the incentive:

- The total estimated incremental tax revenues from all sources generated to the State by the proposed economic activity exceeds the revenue costs of the activity to the State, including the cost of the incentive;
- The host municipality welcomes the new business and the proposed economic activity conforms to applicable town and regional plans;
- The business is in compliance with State regulations and laws;
- If the business proposes to expand within a limited local market, an incentive would not give the business an unfair competitive advantage over other Vermont businesses in the same or similar line of business and in the same limited local market;
- But for the inventive, the proposed economic activity:
    - A. Would not occur; or

[8] The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.

B. Would occur in a significantly different manner that is significantly less desirable to the State.

Similar to Oklahoma, once a company is authorized to receive funding, they must maintain their base payroll, meet payroll performance requirement, and meet either their new qualifying job or their capital investment performance requirement.

The VEGI program pays out incentive payments once a year over a period of five years. If a company fails to meet performance requirements set in place at the time of approval, no incentive is earned. However, because of the payment timeline and length of the program, recapture can occur if a company falls below 10 percent of the full-time employment level at the time of application or if all capital investments are not made by the end of the authorization period.

From 2007 to 2021, a total of $35,367,813 was paid out in incentives. 9,376 new jobs have been created with an associated payroll of $553,238,556 and an average wage of $59,006. New qualifying capital investments total $1,077,494,028.

Comparison to Other Oklahoma Incentives

For additional context to help better understand the benefits offered by the program, it is also helpful to compare it to Oklahoma's other major incentives for capital investment and job creation: The Quality Jobs Program and the Investment Tax Credit.

Requirement Comparison

The Economic Development Pooled Finance program is similar to Quality Jobs in that each requires qualifying projects to be a net benefit to the state as calculated by the Department of Commerce. However, the Quality Jobs Program has more specific targets for wages and benefits of the jobs created by qualifying projects. It requires newly created jobs to operate in an eligible industry as defined in the statute, companies to pay wages based on the average county wage, for a company to provide healthcare benefits that are at least 50 percent paid by the company and provide a plan for the company to create a total of $2.5 million in new payroll within three years. There is currently no industry, minimum wage, healthcare, or payroll requirement for the Pooled Finance program.

The Investment Tax Credit has fewer requirements. It does require companies to create net new jobs and has a minimum investment amount of $50,000 but has no meaningful wage requirement. It also does not require a net benefit analysis to be performed by the Department.

Benefit Comparison

The Economic Development Pooled Finance program can provide a more generous benefit to companies compared to the Quality Jobs Program, despite the lower standards for job creation and the quality of created jobs. In particular, because of the multiple programs offered, different companies with varying project types or sizes can work with the Department to determine which would be best for them to utilize or if they should be looking at a completely different program.

Appendices

Appendix A: 62 O.S. § 891.1 et seq. – Oklahoma Community Economic Development Pooled Finance Act

§62-891.1. Short title.
This act shall be known and may be cited as the “Oklahoma Community Economic Development Pooled Finance Act”.

Added by Laws 2009, c. 309, § 1, eff. July 1, 2009.

§62-891.2. Purpose of act.
The Legislature finds investments for the purpose of economic development of the State of Oklahoma, including but not limited to authorized economic development projects for the purpose of attracting private investment and job creation, public infrastructure to aid development such as roads, bridges, water treatment, water storage and water delivery facilities, surface water management assets, sanitary sewer facilities and related assets, and other assets owned or maintained by the counties, cities and towns of the state are essential to a safe and productive environment for the residents of the state and visitors to the state. The Legislature further finds that existing fiscal resources at the local government level are not always sufficient to maintain the highest possible standards of safety or quality and that it is an essential function of state government to ensure that critical infrastructure is constructed, maintained and repaired in conformity with such highest possible standards. The Legislature finds that encouraging local governments to cooperate to develop regional infrastructure and economic development projects will most economically and efficiently serve the needs of the state’s citizens. The Legislature finds that the methods of public finance provided for in the Oklahoma Community Economic Development Pooled Finance Act are in furtherance of an essential public and state governmental function.

Added by Laws 2009, c. 309, § 2, eff. July 1, 2009.

§62-891.3. Definitions.

1. "Authority" means the Oklahoma Development Finance Authority;
2. "Bonds" means any form of obligation issued by the Oklahoma Development Finance Authority pursuant to the Oklahoma Community Economic Development Pooled Finance Act;
3. "Business entity" means a corporation, limited liability company, general partnership, limited partnership or such other entity conducting a lawful activity which is organized pursuant to the laws of the state or which is authorized to do business in the state if organized under the law of another jurisdiction;
4. "Community Economic Development Pooled Finance Revolving Fund" means the fund created pursuant to Section 891.15 of this title;
5. "Conduit issuer" means the Oklahoma Development Finance Authority acting for the benefit of either a combination of local government entities or a local government entity or entities in conjunction with a for-profit business entity pursuant to the provisions of the Oklahoma Community Economic Development Pooled Finance Act;
6. "Credit Enhancement Reserve Fund" means that fund created pursuant to Section 5063.3 of Title 74 of the Oklahoma Statutes;
7. "Debt" means bonds, notes or other evidence of indebtedness issued by the Oklahoma Development Finance Authority;
8. "Department" means the Oklahoma Department of Commerce;
9. "Economic Development Pool" means proceeds of obligations sold by the Authority to provide resources for eligible local government entities or a local government entity in conjunction with a for-profit business entity to finance an eligible economic development project or other purposes authorized by the Oklahoma Community Economic Development Pooled Finance Act;
10. "Eligible local government entity" means:
    a. a city,
    b. a town,
    c. a county,

d. any combination of cities, towns or counties,

e. a public trust with a beneficiary or beneficiary which is a city, town, county or some combination of such entities as authorized by Section 176 of Title 60 of the Oklahoma Statutes, or

f. an entity subject to the jurisdiction of the State Board of Career and Technology Education or the Oklahoma State Regents for Higher Education;

11. "Federal government defense entities" means U.S. Department of Defense installations in the State of Oklahoma including Fort Sill, Tinker Air Force Base, Altus Air Force Base, Vance Air Force Base and McAlester Army Ammunition Plant;

12. "For-profit business" means any lawful activity conducted by a business entity with the goal or expectation of selling goods, services or other property at a price greater than the actual costs incurred by the business;

13. "Infrastructure" means:

a. county roads,

b. county bridges,

c. municipal streets,

d. municipal bridges,

e. any railway or utility system owned by an eligible local government entity,

f. water treatment facilities,

g. solid waste management facilities,

h. water treatment and distribution systems,

i. any asset or project identified by the eligible local government entities necessary for essential government functions if the asset is owned by a local government entity or entities, or

j. any asset or project that is owned or operated by an eligible local government entity that provides a specific industry focused training program that:

(1) is collaboratively developed with major industry employers in this state to meet the occupational and skill demands in its workforce, and

(2) the delivery of instruction may be a collaboration between or among entities under the jurisdiction of the State Department of Education, the State Board of Career and Technology Education and the Oklahoma State Regents for Higher Education;

14. "Infrastructure Pool" means proceeds of obligations sold by the Authority to provide resources for eligible local government entities to provide financing for infrastructure or other purposes authorized by the Oklahoma Community Economic Development Pooled Finance Act;

15. "Pooled financing" means an agreement, pursuant to the provisions of the Oklahoma Community Economic Development Pooled Finance Act or pursuant to the Interlocal Cooperation Act, among two or more eligible local governmental entities or involving a local government entity or entities in conjunction with a for-profit business entity to use proceeds from a tax levy or other authorized source of revenue to make payments of principal, interest and other related costs in connection with an obligation issued by the Oklahoma Development Finance Authority for the benefit of the entities entering into such agreement according to the terms of the agreement and according to the requirements of any ballot submitted to the voters of the respective eligible local governmental entities. Pooled financing does not mean or include the use of any ad valorem tax revenues derived from a levy imposed pursuant to Section 26 of Article X of the Oklahoma Constitution;

16. "Private activity bonds" means those obligations the interest income from which may be exempt from federal income tax pursuant to the provisions of the Internal Revenue Code of 1986, as amended; and

17. “Public-Private Partner Development Pool” means proceeds of obligations sold by the Oklahoma Development Finance Authority to provide resources for eligible local government entities to provide financing for infrastructure in conjunction with for-profit business entities and federal government defense entities or any other purpose authorized by the Oklahoma Community Economic Development Pooled Finance Act.

Added by Laws 2009, c. 309, § 3, eff. July 1, 2009. Amended by Laws 2010, c. 373, § 1, emerg. eff. June 7, 2010; Laws 2013, c. 179, § 1, eff. Nov. 1, 2013; Laws 2019, c. 260, § 1, eff. Nov. 1, 2019; Laws 2021, c. 363, § 1, eff. Nov. 1, 2021.

§62-891.4. Applicability of Oklahoma Development Finance Authority Act.
Unless otherwise provided by the terms, definitions or other provisions of the Oklahoma Community Economic Development Pooled Finance Act, the powers, rights, duties and limitations applicable to the Oklahoma Development Finance Authority pursuant to the provisions of the Oklahoma Development Finance Authority Act shall be applicable to the Authority and transactions conducted pursuant to the Oklahoma Community Economic Development Pooled Finance Act.

Added by Laws 2009, c. 309, § 4, eff. July 1, 2009.

§62-891.5. Applicability of Credit Enhancement Reserve Fund Act - Participation in Community Economic Development Pooled Finance Revolving Fund.

A. To the extent that the provisions of the Credit Enhancement Reserve Fund Act are consistent with the provisions of the Oklahoma Community Economic Development Pooled Finance Act, the provisions of the Credit Enhancement Reserve Fund Act shall be applicable to a pooled financing.

B. The Credit Enhancement Reserve Fund shall not be utilized in support of any pooled financing obligations issued pursuant to this act prior to the full use of any revenues committed to the repayment of any such obligations pursuant to an agreement or agreements among the participating local government entities or for-profit business entity for the repayment of principal, interest and other costs of the pooled financing.

C. Agreements entered into pursuant to this act may provide for one or more of the participating local government entities to make deposits in the Community Economic Development Pooled Finance Revolving Fund in excess of the amount originally provided for in any agreement authorized by this act in order to compensate for the payments otherwise required to be made by any other participating local government entity which is a party to the same agreement.

D. If any participating local government entity does not make deposits in the Community Economic Development Pooled Finance Revolving Fund as originally required by an agreement authorized by this act, such local government entity shall be required to compensate the other participating local government entity or entities pursuant to the terms of the agreement for the amounts paid on its behalf, including interest.

E. Any local government entity that does not make deposits in the Community Economic Development Pooled Finance Revolving Fund according to the terms of an agreement authorized by this act shall be prohibited from participation in any other pooled financing otherwise authorized by this act for a period of five (5) years from the date of the first date upon which a required deposit to the Community Economic Development Pooled Finance Revolving Fund is not made or for a period of five (5) years from the first date upon which a payment is made on a timely basis, but for less than the amount required pursuant to the terms of an agreement authorized pursuant to this act.

Added by Laws 2009, c. 309, § 5, eff. July 1, 2009.

§62-891.6. Bonds and other obligations.

A. No bonds or other obligations issued by the Authority pursuant to the provisions of the Oklahoma Community Economic Development Pooled Finance Act shall be considered or deemed to be general obligations of the State of Oklahoma. Such bonds or other obligations shall be special and limited obligations the repayment of which shall be derived exclusively from the revenues accruing to the credit of the Community Economic Development Pooled Finance Revolving Fund created pursuant to Section 15 of this act.

B. The obligations issued by the Authority pursuant to this act shall have a maximum maturity of twenty-five (25) years.
C. The average coupon rate for any obligations issued by the Authority pursuant to this act shall not exceed fourteen percent (14%) per annum.

Added by Laws 2009, c. 309, § 6, eff. July 1, 2009.

§62-891.7. Infrastructure Pool.

A. The Authority shall be authorized to act as a conduit issuer for the benefit of two or more eligible local government entities for an authorized infrastructure project using the Infrastructure Pool.
B. The Authority shall be authorized to issue its obligations in order to provide net proceeds on a pooled basis not to exceed One Hundred Million Dollars ($100,000,000.00) for the Infrastructure Pool. The Authority shall be authorized to issue obligations within the limit prescribed by this subsection based upon the defeasance of previously issued obligations.
C. Except as otherwise provided by subsection F of this section, proceeds from the Infrastructure Pool shall be for the purpose of providing financing for two or more eligible local government entities for an authorized infrastructure project located in this state involving a pooled financing.
D. Sixty-five percent (65%) of the net proceeds from the Infrastructure Pool shall be used by the Authority for the benefit of eligible local government entities the population of which, according to the most recent Federal Decennial Census, does not exceed three hundred thousand (300,000) persons for any participating municipality.
E. Thirty-five percent (35%) of the net proceeds from the Infrastructure Pool may be used by the Authority for the benefit of any and all eligible local government entities regardless of population.
F. The proceeds from the Infrastructure Pool may also be used for the purposes authorized by Section 891.8 of this title.

Added by Laws 2009, c. 309, § 7, eff. July 1, 2009. Amended by Laws 2010, c. 285, § 1; Laws 2013, c. 179, § 2, eff. Nov. 1, 2013.

§62-891.8. Economic Development Pool.

A. The Authority shall be authorized to act as a conduit issuer for the benefit of one or more eligible local government entities or for the benefit of one or more local government entities in conjunction with a for-profit business entity for an authorized economic development project using the Economic Development Pool.
B. The Authority shall be authorized to issue its obligations in order to provide net proceeds on a pooled basis not to exceed One Hundred Million Dollars ($100,000,000.00) for the Economic Development Pool. The Authority shall be authorized to issue obligations within the limit prescribed by this subsection based upon the defeasance of previously issued obligations.
C. Except as otherwise provided by subsection G of this section, proceeds from the Economic Development Pool shall be for the purpose of providing financing for an eligible local government entity or entities or for the benefit of a business entity for an authorized economic development project located in this state.
D. Sixty-five percent (65%) of the net proceeds from the Economic Development Pool shall be used by the Authority for the benefit of eligible local government entities the population of which, according to the most recent Federal Decennial Census, does not exceed three hundred thousand (300,000) persons for any participating municipality.
E. Thirty-five percent (35%) of the net proceeds from the Economic Development Pool may be used by the Authority for the benefit of any and all eligible local government entities regardless of population.
F. Obligations issued pursuant to the provisions of this section may be issued on a tax-exempt basis if the applicable provisions of federal law governing private activity bonds allow such issuance. Otherwise, the obligations issued pursuant to the provisions of this section shall be issued on a taxable basis.

G. The proceeds from the Economic Development Pool may also be used for the purposes authorized by Section 891.7 of this title.

Added by Laws 2009, c. 309, § 8, eff. July 1, 2009. Amended by Laws 2010, c. 285, § 2; Laws 2013, c. 179, § 3, eff. Nov. 1, 2013.

§62-891.9. Local governments liable for debt issued — Payments.

A. With respect to an eligible project financed through the Infrastructure Pool, local government entities shall be required to be financially responsible for the repayment of the debt issued by the Oklahoma Development Finance Authority.

B. With respect to obligations incurred by the Authority for an authorized infrastructure project, local government entities shall make payments to the Oklahoma Development Finance Authority for principal, interest, required reserve amounts, and any other amount required in order to make the obligations issued by the Authority marketable.

C. Repayment by local government entities pursuant to the provisions of this section shall consist of authorized revenue sources including, but not limited to, taxes levied by the local government entities or which are available for use by such entities pursuant to the provisions of Section 1370 of Title 68 of the Oklahoma Statutes, Section 2701 et seq. of Title 68 of the Oklahoma Statutes and the provisions of Sections 13 and 14 of this act.

D. The Authority shall use the monies in the Community Economic Development Pooled Finance Revolving Fund created by Section 15 of this act in order to make payments of principal, interest and other costs.

Added by Laws 2009, c. 309, § 9, eff. July 1, 2009.

§62-891.10. Oklahoma Department of Commerce rules and forms - Prioritized list - Authority for the Infrastructure Pool.

A. The Oklahoma Department of Commerce shall promulgate rules for purposes of establishing criteria for the funding of authorized infrastructure projects from the proceeds of obligations issued by the Authority for the Infrastructure Pool.

B. The criteria shall be similar to the criteria used by the federal government in administering the Community Development Block Grant program.

C. A combination of eligible local government entities shall apply to the Department for approval of a pooled financing for an infrastructure project on such forms as the Department may prescribe for such purpose.

D. The Department shall compile and maintain a prioritized list of infrastructure projects eligible for pooled financing through the Oklahoma Development Finance Authority.

E. The Oklahoma Development Finance Authority shall use the prioritized list provided by the Department in order to provide financing to the eligible local government entities.

F. The Authority shall, within the limit on available bond proceeds in the Infrastructure Pool, provide proceeds in accordance with the scoring system used by the Department.

Added by Laws 2009, c. 309, § 10, eff. July 1, 2009.

§62-891.11. Economic development project scoring system - Authority for the Economic Development Pool - For-profit business participation.

A. The Oklahoma Department of Commerce shall establish a scoring system in order to evaluate economic development projects to be financed from the proceeds of obligations issued by the Authority for the Economic Development Pool.

B. The scoring system shall include, but shall not be limited to, analysis of:

1. Capital investment by a for-profit business entity;
2. New direct jobs, as such term is defined by Section 3603 of Title 68 of the Oklahoma Statutes, to be created by a for-profit business entity or entities;

3. Salary and wage payments to persons employed in new direct jobs; and
4. Likelihood of additional business location decisions resulting from the activity of the for-profit business entity or entities that would benefit from use of the Economic Development Pool.

C. One eligible local government entity, in conjunction with a for-profit business entity, or a combination of eligible local government entities, in conjunction with a for-profit business entity, may apply to the Department for approval of a pooled financing for an economic development project on such forms as the Department may prescribe for such purpose.

D. The Department shall compile and maintain a prioritized list of projects eligible for pooled financing through the Oklahoma Development Finance Authority from the Economic Development Pool.

E. The Oklahoma Development Finance Authority shall use the prioritized list provided by the Department in order to provide financing to the eligible local government entity or entities or to a for-profit business entity in conjunction with a local government entity or entities.

F. The Authority shall, within the limit on available bond proceeds in the Economic Development Pool, provide proceeds in accordance with the scoring system used by the Department.

Added by Laws 2009, c. 309, § 11, eff. July 1, 2009.

§62-891.12. For-profit businesses determination letter and agreements - Withholding taxes.

A. As used in this section:

1. "Estimated direct state benefits" means the tax revenues projected by the Oklahoma Department of Commerce to accrue to the state as a result of new direct jobs;
2. "Estimated indirect state benefits" means the indirect new tax revenues projected by the Oklahoma Department of Commerce to accrue to the state, including, but not limited to, revenue generated from ancillary support jobs directly related to the primary business;
3. "Estimated direct state costs" means the costs projected by the Department to accrue to the state as a result of new direct jobs. Such costs shall include, but not be limited to:
   a. the costs of education of new state resident children,
   b. the costs of public health, public safety and transportation services to be provided to new state residents,
   c. the costs of other state services to be provided to new state residents, and
   d. the costs of other state services; and
4. "Estimated indirect state costs" means the costs projected by the Department to accrue to the state as a result of new indirect jobs. Such costs shall include, but not be limited to, costs enumerated in subparagraphs a, b, c and d of paragraph 3 of this subsection.

B. A for-profit business entity that would otherwise qualify to receive or benefit from proceeds from the issuance of obligations by the Authority from the Economic Development Pool shall be required to obtain a determination letter from the Oklahoma Department of Commerce that the business activity of the entity will result in a positive net benefit rate, to be computed by the Department of Commerce using a methodology which provides for the analysis of estimated direct state benefits, estimated indirect state benefits, estimated direct state costs and estimated indirect state costs. The Oklahoma Department of Commerce shall use such information as it determines to be relevant for the analysis required by this subsection including, but not limited to, the type of business activity in which the entity is engaged or will be engaged, amount of capital investment, type of assets acquired or utilized by the business entity, economic effect of the business activity within the relevant geographic region and such other factors as the Department determines to be relevant. The Oklahoma Department of Commerce may use information regarding the business entity alone or in conjunction with relevant information regarding other business activity in a geographically relevant area surrounding the principal business location of the primary business entity in order to perform the computation of the net benefit rate. If the result of the analysis is a positive net benefit rate, the business entity shall be allowed to capture withholding taxes associated with new jobs or with existing jobs as otherwise provided by this act. The Oklahoma

Department of Commerce shall transmit a determination letter to the authorized representative of the business entity and shall also transmit a copy of the determination letter to the Oklahoma Tax Commission and to the Oklahoma Development Finance Authority, regardless of whether the result is a positive or negative net benefit rate. The Oklahoma Development Finance Authority shall not allow a business entity to use captured withholding tax revenues for purposes of any pooled financing otherwise authorized by this act unless the Oklahoma Department of Commerce has previously transmitted a determination letter that reveals a positive net benefit rate for the business entity.

C. Any for-profit business entity that receives proceeds from the issuance of any obligations by the Authority from the Economic Development Pool may be required by the applicable local government entity to enter into such agreements as may be required between the entity, the local government entity, the Authority and the Oklahoma Tax Commission to provide for the segregation of withholding taxes attributable to new direct jobs created or existing payroll retained by the for-profit business entity in connection with the asset or assets acquired, constructed or improved with such proceeds.

D. The amount of withholding taxes subject to the provisions of this section shall, together with other revenue sources or commitments and undertakings by the for-profit business entity or third parties, be sufficient to make payment of any required principal, interest, adequate reserves or other authorized costs for the borrowing by the Authority.

E. The Authority shall have such power of approval regarding the amount and duration of withholding tax segregation pursuant to the provisions of this section in order to ensure payment of its obligations and to promote the marketability of such obligations.

F. The Authority shall obtain information from the for-profit business entity as may be required in order to determine the necessary amount of segregated withholding taxes attributable to new direct jobs or existing payroll.

G. The Oklahoma Tax Commission shall determine with respect to the withholding taxes attributable to the income of employees engaged in new direct jobs or existing jobs for a for-profit business entity participating in a pooled financing pursuant to the Oklahoma Community Economic Development Pooled Finance Act the amount of such withholding taxes required to be deposited to the credit of the Community Economic Development Pooled Finance Revolving Fund.

H. The Oklahoma Tax Commission shall make a deposit in the Community Economic Development Pooled Finance Revolving Fund in accordance with any applicable agreement entered into by a forprofit business entity participating in a pooled financing pursuant to the Oklahoma Community Economic Development Pooled Finance Act.

I. No for-profit business entity that benefits from proceeds of obligations issued by the Authority from the Economic Development Pool may receive or continue to receive incentive payments pursuant to the Oklahoma Quality Jobs Program Act or claim any investment tax credits otherwise authorized pursuant to Section 2357.4 of Title 68 of the Oklahoma Statutes during the period of time that any withholding taxes attributable to the payroll of such entity are being paid to the Community Economic Development Pooled Finance Revolving Fund or in any manner used for the payment of principal, interest or other costs associated with any obligations issued by the Authority pursuant to the provisions of this act.

Added by Laws 2009, c. 309, § 12, eff. July 1, 2009.

§62-891.13. Submitting tax questions to municipal voters.

A. As used in this section:

1. “Authority” means the Oklahoma Development Finance Authority;
2. “Eligible local government entity” means:
    a. a city,
    b. a town,
    c. a county,
    d. any combination of cities, towns, or counties, or

e. a public trust with a beneficiary or beneficiary which is a city, town, county or some combination of such entities as authorized by Section 176 of Title 60 of the Oklahoma Statutes;

3. “Existing levy” means a tax or other revenue-raising mechanism approved by the voters of a county, city or town prior to the effective date of this act;

4. “Municipality” means an incorporated city or town; and

5. “Pooled financing” means the use of municipal revenues, derived from a levy imposed pursuant to the authority of Section 2701 of Title 68 of the Oklahoma Statutes, available to one or more municipalities or county revenues, derived from a levy imposed pursuant to the authority of Section 1370 of Title 68 of the Oklahoma Statutes, based upon the local government entity participating in a pooled financing.

B. Subject to the requirements of Section 2701 of Title 68 of the Oklahoma Statutes, one or more municipalities may submit to the respective voters of each such municipality the question of whether to impose a tax not previously imposed, authorized by Section 2701 of Title 68 of the Oklahoma Statutes, in order to provide revenues to repay indebtedness incurred by the Authority for the purposes authorized by the Oklahoma Community Economic Development Pooled Finance Act. The provisions of this subsection shall be applicable to any one or more municipalities participating in a pooled financing, regardless of whether any other municipality, subject to voter approval, will be imposing a tax levy to be used for the purposes of this act for the first time or whether any one or more of such municipalities, subject to voter approval, will be modifying the purposes of an existing tax levy to allow revenues to be used for the purposes of this act.

C. Subject to the requirements of Section 2701 of Title 68 of the Oklahoma Statutes, one or more municipalities may submit to the respective voters of each such municipality the question of whether to modify an existing tax levy, previously approved by the voters of such municipality, in order to allow the use of some part or all of the proceeds from the existing tax levy in order to provide revenues to repay indebtedness incurred by the Authority for the purposes authorized by this act. The provisions of this subsection shall be applicable to any one or more municipalities participating in a pooled financing, regardless of whether any other municipality, subject to voter approval, will be imposing a tax levy to be used for the purposes of this act for the first time or whether any one or more of such municipalities, subject to voter approval, will be modifying the purposes of an existing tax levy to allow revenues to be used for the purposes of this act.

D. Municipalities may submit questions authorized by this section regardless of whether the municipalities are contiguous or adjacent to one another.

E. A municipality that submits a question for the imposition of a dedicated tax levy pursuant to the provisions of this section shall specify the type of tax levy and the rate of the levy in the question submitted which shall be clearly identified by the wording of the ballot.

F. A municipality may impose a different tax levy or the same type of tax levy at a different rate than any other municipality or municipalities or a different tax levy or at a different tax rate than any other county or counties submitting a pooled financing question for voter approval.

G. The duration of the tax levy shall be identical in all questions submitted for voter approval and shall not exceed twentyfive (25) years.

H. The ballot for a pooled financing pursuant to the provisions of this act shall clearly indicate:

1. That the revenues from the tax levy are to be used for the payment of principal, interest and other costs of borrowing authorized by the provisions of this act;

2. The maximum maturity of the obligations to be repaid; and

3. The projects or assets to be acquired, constructed, improved, maintained or otherwise used by the municipality as a result of the imposition of the levy.

I. Revenues derived from a tax levy imposed pursuant to the provisions of this section shall be paid by the municipality or municipalities to the Community Economic Development Pooled Finance Revolving Fund created pursuant to Section 15 of this act.

J. No tax levy imposed pursuant to the provisions of this section shall be repealed until such time as the obligations issued by the Authority are fully paid. In no event shall the duration of the levy be extended beyond the duration approved by the voters of the municipality or municipalities.

Added by Laws 2009, c. 309, § 13, eff. July 1, 2009.

§62-891.14. Submitting tax questions to county voters.

A. As used in this section:

1. “Authority” means the Oklahoma Development Finance Authority;
2. “Eligible local government entity” means:
    a. a city,
    b. a town,
    c. a county,
    d. any combination of cities, towns, or counties, or
    e. a public trust with a beneficiary or beneficiary which is a city, town, county or some combination of such entities as authorized by Section 176 of Title 60 of the Oklahoma Statutes;
3. “Existing levy” means a tax or other revenue raising mechanism approved by the voters of a county, city or town prior to the effective date of this act;
4. “Municipality” means an incorporated city or town; and
5. “Pooled financing” means the use of municipal revenues, derived from a levy imposed pursuant to the authority of Section 2701 of Title 68 of the Oklahoma Statutes, available to one or more municipalities or county revenues, derived from a levy imposed pursuant to the authority of Section 1370 of Title 68 of the Oklahoma Statutes, based upon the local government entity participating in a pooled financing.

B. Subject to the requirements of Section 1370 of Title 68 of the Oklahoma Statutes, one or more counties may submit to the respective voters of each such county the question of whether to impose a tax not previously imposed, authorized by Section 1370 of Title 68 of the Oklahoma Statutes, in order to provide revenues to repay indebtedness incurred by the Authority for the purposes authorized by the Oklahoma Community Economic Development Pooled Finance Act. The provisions of this subsection shall be applicable to any one or more counties participating in a pooled financing, regardless of whether any other county, subject to voter approval, will be imposing a tax levy to be used for the purposes of this act for the first time or whether any one or more of such counties, subject to voter approval, will be modifying the purposes of an existing tax levy to allow revenues to be used for the purposes of this act.

C. Subject to the requirements of Section 1370 of Title 68 of the Oklahoma Statutes, one or more counties may submit to the respective voters of each such county the question of whether to modify an existing tax levy, previously approved by the voters of such county, in order to allow the use of some part or all of the proceeds from the existing tax levy in order to provide revenues to repay indebtedness incurred by the Authority for the purposes authorized by this act. The provisions of this subsection shall be applicable to any one or more counties participating in a pooled financing, regardless of whether any other county, subject to voter approval, will be imposing a tax levy to be used for the purposes of this act for the first time or whether any one or more of such counties, subject to voter approval, will be modifying the purposes of an existing tax levy to allow revenues to be used for the purposes of this act.

D. Counties may submit questions authorized by this section regardless of whether the counties are contiguous or adjacent to one another.

E. A county that submits a question for the imposition of a dedicated tax levy or the modification of an existing tax levy pursuant to the provisions of this section shall specify the type of tax levy and the rate of the levy in the question submitted which shall be clearly identified by the wording of the ballot.

F. A county may impose a different tax levy or the same type of levy at a different rate than the other counties or a different levy or at a different rate than a participating municipality or municipalities submitting a pooled financing question to the respective voters of the participating jurisdictions.

G. The duration of the levy shall be identical in all questions submitted for voter approval and shall not exceed twenty-five (25) years.

H. The ballot for a pooled financing pursuant to the provisions of this act shall clearly indicate:

1. That the revenues from the tax levy are to be used for the payment of principal, interest and other costs of borrowing authorized by the provisions of this act;
2. The duration of the obligations to be repaid; and
3. The projects or assets to be acquired, constructed, improved, maintained or otherwise used by the county as a result of the imposition of the levy.

I. Revenues derived from a tax levy imposed pursuant to the provisions of this section shall be paid by the county to the Community Economic Development Pooled Finance Revolving Fund created pursuant to Section 15 of this act.

J. No tax levy imposed pursuant to the provisions of this section shall be repealed until such time as the indebtedness is fully repaid. In no event shall the duration of the levy be extended beyond the duration approved by the voters of the county.

Added by Laws 2009, c. 309, § 14, eff. July 1, 2009.

§62-891.15. Community Economic Development Pooled Finance Revolving Fund.
There is hereby created in the State Treasury a revolving fund for the Oklahoma Development Finance Authority to be designated the "Community Economic Development Pooled Finance Revolving Fund". The fund shall be a continuing fund, not subject to fiscal year limitations, and shall consist of all monies received by the Oklahoma Development Finance Authority from revenues derived from levies imposed by counties, cities, towns or combinations of such local governmental entities as provided by this act in addition to any withholding tax revenues as provided by Section 891.12 of this title or Section 5 of this act. All monies accruing to the credit of said fund are hereby appropriated and may be budgeted and expended by the Oklahoma Development Finance Authority for the purpose of paying principal, interest and other costs of borrowing by the Authority as authorized by this act. Expenditures from said fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of the Office of Management and Enterprise Services for approval and payment.

Added by Laws 2009, c. 309, § 15, eff. July 1, 2009. Amended by Laws 2012, c. 304, § 468; Laws 2019, c. 260, § 2, eff. Nov. 1, 2019.

§62-891.16. Authority as conduit issuer - Public-Private Partner Development Pool – Issuance of obligations – Purpose of proceeds.

A. The Oklahoma Development Finance Authority shall be authorized to act as a conduit issuer for the benefit of at least one eligible local government entity in conjunction with one or more for-profit business entities and/or federal government defense entities for an authorized infrastructure development project using the Public-Private Partner Development Pool.

B. The Authority shall be authorized to issue obligations in order to provide net proceeds on a pooled basis not to exceed the combined Economic Development Pool and Infrastructure Development Pool amount authorized by Sections 891.7 and 891.8 of this title. The Authority shall be authorized to issue obligations within the limit prescribed by this subsection based upon the defeasance of previously issued obligations.

C. The proceeds from the Public-Private Partner Development Pool shall be for the purpose of providing financing for an eligible local government entity for an authorized infrastructure project located in this state that will benefit one or more business entities located in this state.

D. Sixty-five percent (65%) of the net proceeds from the Public-Private Partner Development Pool shall be used by the Authority for the benefit of eligible local government entities the population of which, according to the most recent Federal Decennial Census, does not exceed three hundred thousand (300,000) persons for any participating municipality.

E. Thirty-five percent (35%) of the net proceeds from the Public-Private Partner Development Pool may be used by the Authority for the benefit of any and all eligible local government entities regardless of population.
F. Obligations issued pursuant to the provisions of this section may be issued on a tax-exempt basis if the applicable provisions of federal law governing private activity bonds allow such issuance. In the event federal law does not allow issuance of obligations on a tax-exempt basis, such obligations shall be issued on a taxable basis.

Added by Laws 2019, c. 260, § 3, eff. Nov. 1, 2019.

§62-891.17. Promulgation of rules establishing funding criteria - Scoring system to evaluate projects.

A. The Oklahoma Department of Commerce shall promulgate rules for purposes of establishing criteria for the funding of authorized infrastructure projects from the proceeds of obligations issued by the Oklahoma Development Finance Authority for the Public-Private Partner Development Pool.
B. The Department shall establish a scoring system to evaluate projects to be financed from the proceeds of obligations issued by the Authority for the Public-Private Partner Development Pool.
C. The scoring system shall include, but shall not be limited to, analysis of:

1. Capital investment by one or more for-profit business entities and/or federal government defense entities;
2. Additional capital investment by one or more local government entities;
3. New direct jobs as defined by Section 3603 of Title 68 of the Oklahoma Statutes, to be created by a for-profit business entity or entities;
4. Salary and wage payments to persons employed in new direct jobs; and
5. The likelihood of additional business location decisions resulting from the activity of the for-profit business entity or entities that would benefit from use of the Public-Private Partner Development Pool.

D. One or more eligible local government entities shall apply to the Department for approval of a pooled financing for an infrastructure project on such forms as the Department may prescribe.
E. The Department shall compile and maintain a prioritized list of infrastructure projects eligible for pooled financing through the Authority.
F. The Authority shall use the prioritized list provided by the Department in order to provide financing to the eligible local government entities in conjunction with one or more for-profit business entity or entities for infrastructure development.
G. The Authority shall, within the limit on available bond proceeds in the Development Infrastructure Pool, provide proceeds in accordance with the scoring system established by the Department pursuant to this section.

Added by Laws 2019, c. 260, § 4, eff. Nov. 1, 2019.

§62-891.18. Local government entity to obtain a determination letter – Positive net benefit rate – Withholding taxes.

A. As used in this section:

1. "Estimated direct state benefits" means the tax revenues projected by the Oklahoma Department of Commerce to accrue to the state as a result of new direct jobs and capital spending associated with one or more for-profit business entities, federal government defense entities and infrastructure development by one or more local government entities;
2. "Estimated indirect state benefits" means the indirect new tax revenues projected by the Department to accrue to the state including, but not limit to, revenue generated from ancillary support jobs directly related to the new direct jobs, capital spending and infrastructure spending;
3. "Estimated direct state costs" means the costs projected by the Department to accrue to the state as a result of new direct jobs. The costs shall include, but not be limited to:

a. the costs of education for new state resident children,
b. the costs of public health, public safety and transportation services to be provided to new state residents,
c. the costs of other state services to be provided to new state residents, and d. the costs of other state services; and

4. "Estimated indirect state costs" means the costs projected by the Department to accrue to the state as a result on new indirect jobs. The costs shall include, but not be limited to, costs enumerated in subparagraphs a, b, c and d of paragraph 3 of this subsection.

B. An eligible local government entity in partnership with one or more for-profit business entities and/or federal government defense entities that would otherwise qualify to receive or benefit from proceeds from the issuance of obligations by the Authority from the Public-Private Partner Development Pool shall be required to obtain a determination letter from the Department that the infrastructure development will result in a positive net benefit rate, to be computed by the Department using a methodology which provides for the analysis of estimated direct state benefits, estimated indirect state benefits, estimated direct state costs and estimated indirect state costs. The Department shall use such information as it determines to be relevant for the analysis required by this subsection including, but not limited to, the type of infrastructure development, the business activities in which the participating for-profit business entities are engaged or will be engaged, the amount of capital investment, type of assets acquired or utilized by the participating business entities, economic effect of the business activity within the relevant geographic region and any other factors as the Department deems relevant. The Department may use information regarding the infrastructure development alone or in conjunction with relevant information regarding other business activity in a geographically relevant area surrounding the infrastructure development or the location of the participating forprofit business entities in order to perform the computation of the net benefit rate. If the result of the analysis is a positive net benefit rate, the applying local government entity shall be allowed to capture withholding taxes associated with new jobs or with existing jobs associated with the participating for-profit business entities as otherwise provided by this act. The Department shall transmit a determination letter to the authorized representative of the local government entity and shall also transmit a copy of the determination letter to the Oklahoma Tax Commission and to the Oklahoma Development Finance Authority notwithstanding the positive or negative result of the net benefit rate. The Authority shall not allow a local government entity to use captured withholding tax revenues for purposes of any pooled financing otherwise authorized by this act unless the Department has previously transmitted a determination letter that reveals a positive net benefit rate for the Public-Private Partner Development Pool project.

C. Any for-profit business entity that participates in the Public-Private Partner Development Pool may be required by the applicable local government entity to enter into such agreements as may be required between the entity, the local government entity, the Authority and the Oklahoma Tax Commission to provide for the segregation of withholding taxes.

D. The amount of withholding taxes subject to the provisions of this section shall, together with other revenue sources or commitments and undertakings by the for-profit business entity or third parties, be sufficient to make payment of any required principal, interest, adequate reserves or other authorized costs for borrowing by the Authority.

E. The Authority shall have the power of approval regarding the amount and duration of withholding tax segregation pursuant to the provisions of this section in order to ensure payment of its obligations and to promote the marketability of such obligations.

F. The Authority shall obtain information from the participating for-profit business entities as may be required in order to determine the necessary amount of segregated withholding taxes attributable to new direct jobs or existing payroll.

G. The Oklahoma Tax Commission shall determine with respect to the withholding taxes attributable to the income of employees engaged in new direct jobs or existing jobs for one or more for profit business entities participating in a pooled financing pursuant to the Oklahoma Community Economic Development Pooled Finance Act the amount of such withholding taxes required to be deposited to the credit of the Community Economic Development Pooled Finance Revolving Fund.

H. The Oklahoma Tax Commission shall make a deposit in the Community Economic Development Pooled Finance Revolving Fund in accordance with any applicable agreement entered into with one or more eligible local government entities in conjunction with participating for-profit business entities participating in a pooled financing pursuant to the Oklahoma Community Economic Development Pooled Finance Act.

I. No for-profit business entity that participates from proceeds of obligations issued by the Authority from the Public-Private Partner Development Pool may receive or continue to receive incentive payments pursuant to the Economic Development Pool, the Oklahoma Quality Jobs Program Act or claim any investment tax credits otherwise authorized pursuant to Section 2357.4 of Title 68 of the Oklahoma Statutes during the period of time that any withholding taxes attributable to the payroll of such entity are being paid to the Community Economic Development Pooled Finance Revolving Fund or in any manner used for the payment of principal, interest or other costs associated with any obligations issued by the Authority pursuant to the provisions of the act.

Added by Laws 2019, c. 260, § 5, eff. Nov. 1, 2019.

§62-891.19. Corporate income tax exclusion for for-profit business entities.
For-profit business entities that participate in the Public-Private Partner Development Pool will not be subject to corporate income tax associated with the segregation and payment of withholding taxes to local government entities when such payment is made for the purpose of infrastructure development in the Public-Private Partner Development Pool.

Added by Laws 2019, c. 260, § 6, eff. Nov. 1, 2019.

Appendix B: IMPLAN Economic Impact Methodology

The economic impact software used to determine the multiplier effects is IMPLAN (**IM**pact Analysis for **PLAN**ning), a proprietary model; PFM has obtained a license for use of the IMPLAN model for these evaluations.

Overview

IMPLAN uses Social Accounting Matrices (SAMs) to capture the actual dollar amounts of all business transactions taking place in a regional economy, as reported each year by businesses and government agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts, because they include “non-market” transactions. Examples of these transactions include taxes and unemployment benefits.

Multiplier Models

SAMs can be constructed to show the effects of a given change on the economy. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region-specific SAMs, they will reflect the region’s unique structure and trade situation.

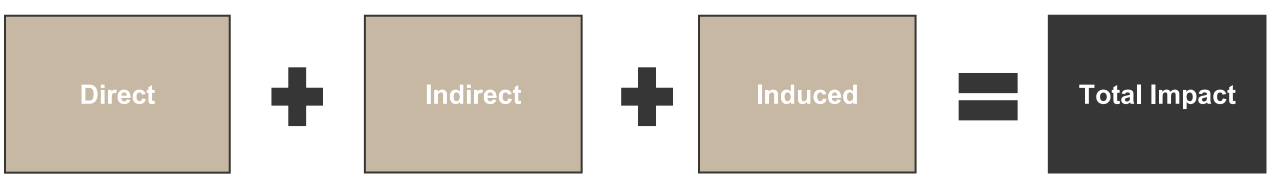
Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects within the economy: direct, indirect, and induced.

- **Direct effects** are one or more production changes or expenditures made by producers/consumers as a result of an activity or policy.

- **Indirect effects** are the business to business purchases in the supply chain taking place in the region that stem from the initial industry input purchases. Typically, they are additional purchases to produce additional output..

  Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. The induced effects are generated by the spending of the employees within the business’ supply chain.

Table 6: The Flow of Economic Impacts



Each of these steps takes into consideration leakage from the economic study region spent on purchases outside of the defined area. Eventually, these leakages will stop the cycle.

Fiscal Impacts

The IMPLAN tax impact report identifies all tax revenue in the study area, across all levels of government that exist in that study area, for the specific industries and institutions affected by an event or group of events. Tax Impact results are based on the collected and reported taxes within the region for the given data year. IMPLAN taxes shown (and collected) are industry and geographically specific.

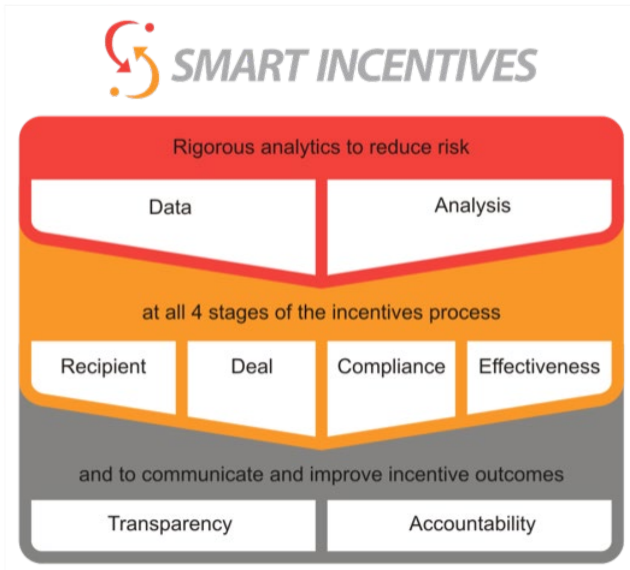
The IMPLAN tax impact report splits the tax impacts into the various tax categories based on the region's economy. There is no industry-specific profile for taxes paid by tax category, so the distribution across tax categories is an all-industry average. While this is a limitation of the IMPLAN fiscal reporting, the IMPLAN tax report serves as an appropriate measure of jurisdictional tax results in the aggregate. Tax results cannot be added to any summary or detailed results, as they are already included as a portion of Output. State taxes do not include taxes or district assessments levied by federal, county, sub-county, city or township governments.

Taxes paid include payments from businesses and households. Personal income and employment taxes paid by the employer are included in the tax results and allocated according to the taxing jurisdiction. In detailed IMPLAN analyses, all payroll taxes typically paid at the place of employment are shown as household payments. Property tax and personal property tax reflects a combination of property and personal property taxes paid by both businesses and households.

Appendix C: Business Incentives Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,[9] it has identified 10 important best practices and sought to incorporate them into the analysis and discussion of this incentive.

As a starting point, business incentives should be viewed as a process, not an event. The award of an incentive and the incentive features are part of that process, and many of the identified best practices reflect that. The process itself should take into consideration each of these factors, which PFM's subcontractor, Smart Incentives, demonstrates in the following illustration:



While the project team believes this is a strong set of best practices, there may well be others that are as (or more applicable) in specific situations. It is also likely that some of the best practices will come into conflict in some situations. For example, application and reporting requirements may reduce the simplicity of business compliance. As a result, these will always be subject to analysis on a case-by-case basis.

The 10 best practices are:

1. **For maximum impact, incentives should be targeted.** Examples of useful targeting include companies or industries that export their goods or services out-of-state; high economic impact companies or industries – such as those with higher wages and benefits, significant job creation, or significant capital investment.

---

[9] Three resources in particular were relied upon on putting together the list of best practices. They are "What Factors Influence the Effectiveness of Business Incentives?" The Pew Charitable Trusts, April 4, 2019, accessed electronically at https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/what-factors-influence-the-effectiveness-of-business-incentives; "Improving Economic Development Incentives," Timothy J. Bartik, W.E. Upjohn Institute for Employment Research, 2018, accessed electronically at https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up_policybriefs; "Best Practices for the Design and Evaluation of State Tax Incentives Programs for Economic Development," Matthew N. Murray and Donald J. Bruce, January 2017, included within another evaluation at https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf

2. **Incentives should be discretionary.** In most instances, an application process enables the state government to require company disclosure of information related to eligibility criteria and enables the state to reject applications that do not meet its standards.

3. **Incentives should leverage significant private capital.** Ideally, the incentive should leverage private investment that is at least several multiples of the state investment.

4. **Incentives should provide most of the benefit within 1-3 years and have a limited duration.** Company discount rates are much higher than for the state, and businesses will significantly devalue incentive payments in later years.

5. **Incentives should take into consideration state and/or local as well as industry economic conditions.** Incentives that are provided in high performing areas or for stable and profitable businesses or industries will likely fail the 'but for test' – meaning the activity would likely occur without the state incentive.

6. **'Smart' incentives help businesses overcome practical barriers to growth.** In particular, customized assistance for locally owned, small and medium-sized businesses can have significant impact.

7. **Incentives should be transparent.** The incentive purpose should be clearly articulated, as are eligibility requirements, and regular, detailed reporting should be required from all program recipients.

8. **Incentives should require accountability.** When upfront financial incentives are offered in return for job creation, retention, or capital investment, there should be contract language in place that allows the state to 'claw back' state resources should the company not meet performance requirements.

9. **Incentives should have caps.** To ensure the state's financial health, program dollar caps or limits should be in place. Incentive programs should also have a limited duration, with sunsets in place to require regular review of incentive performance.

10. **Incentives should be simple and understandable.** The state should be able to easily and effectively administer the incentive, and users should be able to readily comply with its requirements.