



Memorandum

To: Oklahoma Incentive Evaluation Commission
From: Randall Bauer, PFM Group Consulting
RE: 2020 Preliminary Incentives Criteria for Evaluation

Overview

As required by Oklahoma state statute, the Incentive Evaluation Commission (Commission) must establish specific criteria to be used in the evaluation of each incentive. The Commission is responsible for establishing these criteria.

As a starting point, PFM has pulled together the criteria used in 2016 for the evaluations that are again subject to review in 2020. While the Commission has the ability to add or subtract (or alter) these criteria, they may be a useful starting point for that discussion and decision making.

Five Year Ad Valorem Tax Exemption

- Change in jobs associated with the exemption;
- Change in payroll associated with the exemption;
- Change in capital investment associated with the exemption;
- But-for test – change in jobs/payroll/capital associated with the exemption versus state growth rates as a whole;
- Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole;
- Changes to state appropriations associated with Return on investment – economic activity versus financial net cost;
- Return on investment – economic activity versus net financial cost.

Tax Credit for Electricity Generated by Zero-Emission Facilities

- Renewable energy and wind's share of renewable energy generated by incented facilities – comparison to the period prior to the credit;
- Reduced carbon emissions related to energy generated by incented facilities – comparison to the period prior to the credit;
- Share of renewable energy kilowatt hours generated versus all kilowatt hours generated in the state – comparison to the period prior to the credit;
- Connection with other related business incentives;
- Return on investment (economic impact versus financial impact);
- Comparison number of facilities constructed before/after ending of the credit (additional suggested criteria).

Oklahoma Film Enhancement Rebate

- Total amount of rehabilitation expenditures and number of qualified projects;
- State tax credit as a percent of total rehabilitation improvement for qualified projects;
- Change in assessed value for rehabilitation projects approved for credit;
- Percent of qualified structures on the national registry of historic places that receive assistance;
- Economic impact related to tourism, sales tax generated, etc.;
- Connection with other related business incentives;
- Return on investment (economic impact versus financial impact).



Historic Rehabilitation Tax Credit

- Total amount of rehabilitation expenditures and number of qualified projects;
- State tax credit as a percent of total rehabilitation improvement for qualified projects;
- Change in assessed value for rehabilitation projects approved for credit;
- Percent of qualified structures on the national registry of historic places that receive assistance;
- Economic impact related to tourism, sales tax generated, etc.;
- Connection with other related business incentives;
- Return on investment (economic impact versus financial impact).

Tax Credit for Aerospace Employees

- Number and dollar value of approved credits by year of the program;
- Employment growth in state aerospace industry – comparison to period prior to the credit;
- Payroll growth in state aerospace industry – comparison to period prior to the credit;
- Change in measures of the ‘skills gap’ for engineering and technical skills in the aerospace industry;
- Connection with other related business incentives (issues here of ‘necessary and sufficient’ – do they supplement or over-saturate?);
- Return on investment (economic growth versus financial cost).

Tax Credit for Tuition Reimbursement for Aerospace Employees (separated from Tuition Reimbursement for Aerospace Employees)

- Number and dollar value of approved credits by year of program;
- Employment growth in state aerospace industry – comparison to the period prior to the credit;
- Payroll growth in state aerospace industry – comparison to the period prior to the credit;
- Growth of firms in Oklahoma aerospace industry with qualified credits paid versus firms without;
- Comparison of aerospace industry growth in Oklahoma to other states/national growth rates;
- Reduction in measures of the ‘skills gap’ for engineering and technical skills in the aerospace industry;
- Connection with other related business incentives (issues here of ‘necessary and sufficient’ – do they supplement or over-saturate?);
- Return on investment (economic growth versus financial cost).

Industrial Access Road Program

- Change in employment at the state level associated with the road access - comparison to the period prior to the credit;
- Change in wages at the state level associated with the road access - comparison to the period prior to the credit;
- Change in capital investment at the state level associated with the road access;
- Return on investment – economic impact versus incentive cost.

Excise Tax Exemption on Aircraft Sales

- Change in sales of exempted aircraft within the state – comparison to the period prior to the exemption;
- Change in employment in aircraft industry within the state – comparison to the period prior to the exemption;
- Return on investment related to economic impact from exemption versus its cost.

Quality Events Program

- Economic impact of qualifying events;
- Revenue impact of qualifying events;
- Existing versus new qualifying events since creation of the incentive;
- Additional quantifiable impacts for the State from qualifying events;
- Return on investment for qualifying events.



Oklahoma Capital Investment Board Programs (Venture Investment Program and Capital Access Program)

- Net change in jobs and payroll created in Oklahoma via the Board's investments;
- Loan repayments as a percentage of total loans made;
- Loan repayment rates compared to industry/other state metrics;
- Dollars invested in Oklahoma Businesses as a percent of principal guaranteed by the Board;
- Return on investment, measuring economic impact versus cost of the program.