



June 25, 2020

Memorandum

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

As you may recall, the criteria for evaluation of each of the incentives to be evaluated in 2020 were discussed by the Commission at its meeting on January 23, 2020. At that time, there was general agreement on the criteria, which were mostly the same as were used for the same set of incentives in 2016. The expectation was that the Commission would take a final vote on the criteria at its April 30, 2020 meeting.

Of course, it would have been impossible to know that events in March and April related to the COVID-19 pandemic would require the cancellation of the April meeting. As a result, there has not yet been a formal motion made/approved for the 2020 evaluation criteria.

The following are the criteria that were discussed in January and that the project team has been using as we have been going forward with our evaluations. It is our recommendation that the Commission approve them (with one requested removal in strike-through) for the 2020 evaluations. The following are those criteria:

Tax Credit for Tuition Reimbursed to a Qualified Aerospace Employee (note that, as discussed at the January meeting, we would recommend the Commission exempt this incentive from evaluation based on lack of use)

- Number and dollar value of approved credits by year of program;
- Employment growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Payroll growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Change in measures of the ‘skills gap’ for engineering and technical skills in the aerospace industry;
- Use with other related State business incentives;
- Return on Investment.

Tax Credit for Compensation Paid to a Qualified Aerospace Employee

- Number and dollar value of approved credits by year of program;
- Employment growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Payroll growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Change in measures of the ‘skills gap’ for engineering and technical skills in the aerospace industry;
- Use with other related State business incentives;
- Return on Investment.



Tax Credit for Employees in the Aerospace Sector

- Number and dollar value of approved credits by year of program;
- Employment growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Payroll growth in state aerospace industry – comparison to period prior to the credit and comparable states;
- Change in measures of the ‘skills gap’ for engineering and technical skills in the aerospace industry;
- Use with other related State business incentives;
- Return on Investment.

Tax Credit for Electricity Generated by Zero Emission Facilities

- Comparison to the period prior, during and after the credit of renewable energy and wind's share of renewable energy;
- Comparison to the period prior, during and after the credit of renewable energy kilowatt hours generated vs all kilowatt hours generated in the state;
- Facilities put into operation before, during and after the end date of initiating the credit;
- Income generated within the State by eligible projects;
- Jobs generated within the state by eligible projects;
- Use with other related business incentives;
- State return on investment;
- Lease revenue generated by zero-emission facilities;
- Change in average price of electricity before, during and after the tax credit.

Excise Tax Exemption on Aircraft Sales

- Growth in sales of exempted aircraft within the state – comparison to the period prior to the credit and with other comparable states;
- Growth in employment in aircraft industry within the state – comparison to the period prior to the credit and with other comparable states;
- Return on investment related to economic impact from exemption versus its cost;
- Use with other related State business incentives.

Five Year Ad Valorem Property Tax Exemption

- Change in number of jobs associated with the exemption;
- Change in total 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;
- Use with other related business incentives;
- Change in other government revenues and expenditures associated with facilities receiving an exemption;
- Return on investment - economic activity versus financial net cost.

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.;
- Use with other related business incentives;
- Return on investment (economic impact versus financial impact).

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;
- Impact on local government cost burden;
- Use with other related business incentives;
- Alignment with local government’s identified economic development and community goals.

Oklahoma Capital Investment Board

- 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.

Oklahoma Film Enhancement Rebate

- Marginal wages and salaries paid to Oklahoma residents by films eligible for the rebate – comparison to period prior to the rebate;
- Film-related expenditures in Oklahoma by films eligible for the rebate – comparisons to period prior to the rebate;
- Additional identifiable business activity directly or indirectly produced by films eligible for the rebate;
- Additional identifiable benefits that accrue to the State by films eligible for the rebate;
- Return on investment (economic activity versus rebates paid).

Quality Events Program

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