

# **State of Oklahoma**

# **Incentive Evaluation Commission**

## **21<sup>st</sup> Century Quality Jobs Program Evaluation**

**December 2, 2025**

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## Contents

Key Findings and Recommendations .....	3
Introduction .....	6
Incentive Usage and Administration.....	9
Economic and Fiscal Impact .....	17
Incentive Benchmarking.....	20
Appendices .....	24
<b>Appendix A: Incentive Statute</b> .....	25
<b>Appendix B: 21<sup>st</sup> Century Quality Jobs Eligible Industries</b> .....	32
<b>Appendix C: IMPLAN Economic Impact Methodology</b> .....	35



# **Key Findings and Recommendations**



## Incentive Overview

Oklahoma's 21st Century Quality Jobs program was created in 2009 under the 21st Century Quality Jobs Incentive Act. Its legislative intent is to "provide appropriate incentives to attract growth industries and sectors to Oklahoma in the twenty-first century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce". The program offers quarterly payments of up to 10 percent of newly created payroll for a period of 10 years. To receive quarterly payments, companies must meet certain requirements related to new jobs and payroll as well as wages.

## Recommendation: Retain, with modifications

### Key Findings

- **Program use increased significantly from 2011 to 2022, with rebates increasing from about \$0.3 million to \$9.2 million.**<sup>1</sup> Rebates peaked in 2019 at \$14.6 million. Growth in program usage was driven almost entirely by one company.
- **However, it should be noted that rebate submissions can lag the actual job creation.** In prior evaluations, as much as two years' worth of data was impacted by the delay in filing. Data in this report is complete as of July 2025, but is subject to change following additional filings.
- **From 2011 to 2022, participants' median wages were significantly higher than the statewide average (as required by statute), and were often close to 300 percent of the statewide average.** Participants are required to meet the lesser of 300 percent of the county average where the job is located or the state index wage calculated by the Department of Commerce. The state index wage was \$112,100 for 2023, the most recent year evaluated.
- **Nearly all rebates from 2011 to 2022 were generated by firms in the aerospace, defense, and professional services sectors.** Aerospace accounted for 94.5 percent of total rebates, while professional services accounted for 4.9 percent.
- **Program use is more concentrated than the Quality Jobs program, with 97.9 percent of rebates from 2011 through 2022 generated in Oklahoma County.** Another 1.8 percent was generated in Tulsa County.
- **The fiscal impact analysis of the program from 2019 through 2024 found it to have a net fiscal cost to the state of \$24.3 million.** This is based on rebates paid during the period less the estimated state taxes generated through IMPLAN's model.
- **Economic impacts of the program from 2019 to 2024 total more than \$3.1 billion in total output.** Included in the total is \$663.4 million of direct labor income paid to Oklahomans.
- **Oklahoma's program is relatively unique compared to peers.** Only South Carolina approaches OK's wage requirement (250 percent of state average).
- **Administration of the program is very well received by both internal and external stakeholders.** The program is simple to manage and is noted as user-friendly.

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<sup>1</sup> The analysis of program usage in this evaluation focuses on data provided by the Department of Commerce that includes information on participants' reported jobs, payroll, and wages in the quarters in which a rebate payment was generated. Due to the potential lag time in filing a claim for rebate payment, the analysis of the Department's data, which was provided for 2011 through 2022, should be considered incomplete to some degree given the potential lag time.



## Recommendations

- **Require participants to file rebate claims within one year of a qualifying quarter.** Currently, companies have two years to submit a claim after their most recent submittal before potential dismissal from the program. This lag time between when a rebate is generated and claimed makes forecasting the costs of the program difficult. Controlling the timing of incentive payments is a key aspect of incentive design to manage budget impacts.<sup>2</sup> Furthermore, if a company waits two years to claim a rebate, it calls into question how important the rebate is in supporting the incented activity, as the relative value of the rebate declines (based on the time value of money) the later it is received. Shortening the lag time to a maximum one year would still provide participants time to handle the administrative burden of filing claims while protecting the State from paying up to eight quarters of claims at once if a participant waits two years to file a claim.
- **Regularly review eligible industries to ensure the list reflects the State's economic development goals.** The 21<sup>st</sup> Century Quality Jobs program uses the same eligible industries list as the Quality Jobs program, excluding oil and gas industries, and including additional industries specific to the program. The list has expanded several times. Over time, the State should consider whether these and other industries are still the correct targets for the program, based on economic development goals.
- **Consider providing an option for firms who fail to meet program requirements to continue receiving the Quality Jobs program benefits, if qualified.** Conversations with Department of Commerce staff suggest firms that may qualify for the 21<sup>st</sup> Century Quality Jobs program, but are unsure if they will be able to meet the wage and payroll requirements, are hesitant to apply to the program. Currently, if a firm fails to meet program requirements within three years of starting the program and is removed from the program, it would be ineligible to apply for Quality Jobs benefits for the same activity, even if qualified. Allowing firms to try to achieve 21<sup>st</sup> Century Quality Jobs requirements, while having some assurance that they would be able to still receive Quality Jobs benefits if qualified, may increase interest and participation in the program. This Quality Jobs benefit could be discounted by some percentage (perhaps 5 percent) to deter companies from applying to the 21<sup>st</sup> Century Quality Jobs program even when they had little likelihood of meeting its requirements.

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<sup>2</sup> Pew Charitable Trusts, "Reducing Budget Risks," December 2015. Accessed electronically at: [https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability\\_artfinal.pdf](https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability_artfinal.pdf)



# Introduction



## Oklahoma Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma's wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with 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 incentive and effectiveness of administration, as well as criteria specific to each incentive.

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 a given 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 is charged with considering the independent evaluator's facts and findings – as well as all public comments – before voting to retain, repeal or modify each incentive under review. It then submits a final report to the Governor and Legislature.

## Summary of 2021 Evaluation Findings and Recommendations

Based on the preceding framework, significant findings from the 2021 evaluation of the 21<sup>st</sup> Century Quality Jobs program are summarized in the following table.

Evaluation Category	Significant Finding(s)
Overall Findings	- The program was a net benefit to the State and has supported industries with strong growth in the State.
Fiscal and Economic Impact	- The program was a net benefit to the State.
Future Fiscal Impact Protections	- The program features cost controls related to quarterly requirements that have helped the State control costs.
Administrative Effectiveness	- Program administration was effective. The Department of Commerce thoroughly reviews applicant qualifications, and the Tax Commission verifies quarterly reports.
Achievement of Goals	- The program intends to provide incentives to attract growth industries with a highly skilled and knowledge-based workforce. The incentive has largely been used by such industries, although most benefits have been paid to one company.
Retain, Reconfigure or Repeal	- Based on its analysis of available data, the project team recommended in 2021 that the program be retained, with modifications.
Other Recommendations	- Base the wage requirements on average county wage, regardless of statewide threshold - Require companies to file information for within one year of a qualifying quarter - Consider allowing firms that meet Quality Jobs criteria to receive those benefits even if they do not meet 21 <sup>st</sup> Century program standards



Following PFM's report on the incentive, the Commission voted 4-0 to accept PFM's recommendation to retain the incentive. Modifications were made to the Quality Jobs recommendations that were carried forward to the 21<sup>st</sup> Century program plus one additional recommendation to provide an option for participants in 21<sup>st</sup> Century who fall short of goals to instead receive the Quality Jobs program benefits (assuming all other criteria are met).

## **2025 Criteria for Evaluation**

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. 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.

To assist in a determination of program effectiveness, the Incentive Evaluation Commission has adopted the following criteria:

- Change in jobs associated with the cash rebates
- Change in payroll associated with the cash rebates
- Ability of program administrative processes to establish the factual basis for claims related to hours, wages, and benefits
- Change in capital investment associated with the cash rebates
- Number/amount of incentives by industry
- But-for-test – change in jobs/payroll/capital associated with the cash rebates versus state growth rates as a whole
- Change in jobs/payroll/capital in the qualifying industries versus state industries as a whole
- State return on investment

## **2025 Evaluation Approach**

To conduct its 2025 review of the 21<sup>st</sup> Century Quality Jobs Program, the project team conducted the following activities:

- Submitted a data request to the Oklahoma Department of Commerce and Oklahoma Tax Commission (OTC);
- Reviewed and analyzed provided data;
- Completed subject matter expert/internal stakeholder interviews with representatives from the Department of Commerce and OTC;
- Conducted external stakeholder interviews with industry representatives;
- Benchmarked Oklahoma to other states.





# **Incentive Usage and Administration**



## Incentive Characteristics

Created in 2009, Oklahoma's 21st Century Quality Jobs program is part of the 21st Century Quality Jobs Incentive Act. Its legislative intent is to "provide appropriate incentives to attract growth industries and sectors to Oklahoma in the twenty-first century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce." The program offers quarterly payments of up to 10 percent of newly created payroll for a period of 10 years. To receive quarterly payments, companies must meet certain new jobs and wages requirements.

## Historic Use of the Credit

Between 2011 and 2022, rebate payments increased significantly, from about \$0.3 million in 2011 to \$9.0 million in 2022. Generated rebates peaked in 2019 at \$14.6 million. The 1,176 jobs reported in 2020 were the program's highest.

In the early program period, many companies failed to meet the required thresholds, but recent performance has stabilized. In early FY2021, three new projects were enrolled with a maximum benefit potential of \$12,664,729. Six additional projects were enrolled in 2022 and 2023, but none were enrolled in 2024.

**Table 1: Use of the Program, 2011 through 2022**

Calendar Year	Companies Generating Rebates	Reported Jobs	Total Rebates Generated
2011	4	27	\$318,074
2012	4	136	\$1,880,148
2013	5	492	\$5,692,162
2014	4	618	\$8,003,444
2015	4	725	\$9,808,354
2016	4	874	\$11,301,907
2017	4	868	\$11,318,613
2018	4	939	\$13,170,693
2019	3	1,065	\$14,602,311
2020	2	1,176	\$14,178,459
2021	2	892	\$10,018,465
2022	2	763	\$9,069,140

Source: Oklahoma Department of Commerce

Between 2019 and 2024, ten new contracts were signed under the 21<sup>st</sup> Century Quality Jobs program. No contracts were agreed or signed in 2024.

**Table 2: Use of the Program, 2011 through 2022**

	2019	2020	2021	2022	2023	2024	TOTAL by Type
QJ	14	12	15	20	21	13	95
SEQJ	5	2	5	5	3	1	21
21 <sup>st</sup> Century	1	1	2	2	4	0	10
<b>TOTAL by Year</b>	<b>20</b>	<b>15</b>	<b>22</b>	<b>27</b>	<b>28</b>	<b>14</b>	<b>126</b>

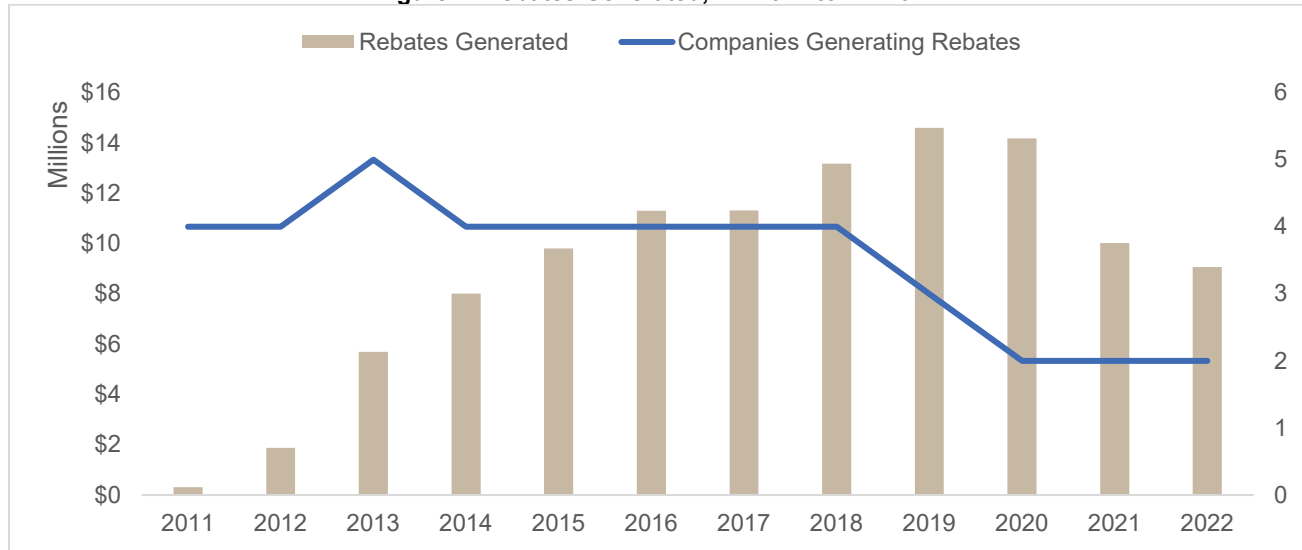
Source: Oklahoma Department of Commerce



To receive a rebate payment, companies must file quarterly claims with the Oklahoma Tax Commission (OTC). Due to the lag time between claims being filed and claims being paid, there are differences in the annual amount of rebates earned or generated and the amount of rebates actually paid.

This section's analysis of program usage uses data provided by the Department that includes information on participants' reported jobs, payroll, and wages in the quarters where a rebate payment was generated. The generated rebates increased every year from 2011 to 2019, peaking at \$14.6 million. This was driven almost entirely by payments to one company, which generated 94.5 percent of the period's rebates.

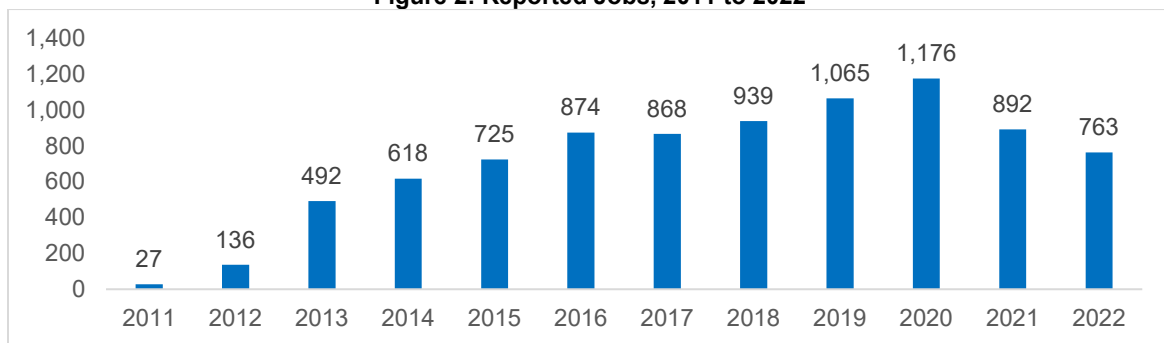
**Figure 1: Rebates Generated, CY 2011 to CY 2022**



Source: Oklahoma Department of Commerce

The jobs reported by program participants also increased rapidly from 2011 to 2019 and peaked in 2020, in step with the generated rebates growth.

**Figure 2: Reported Jobs, 2011 to 2022**

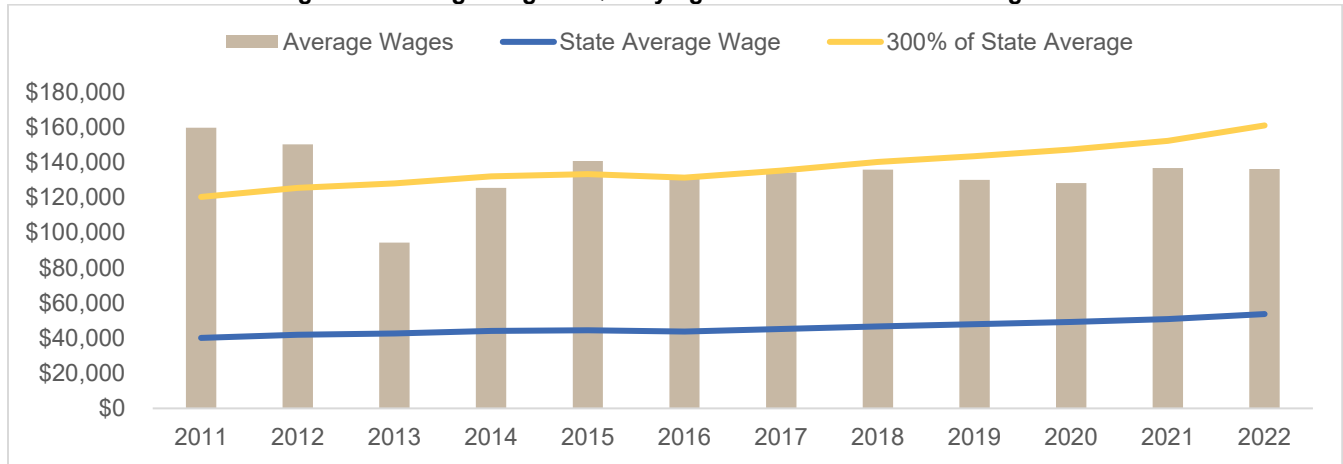


Source: Oklahoma Department of Commerce

As the number of jobs increased, the average wage of reported jobs decreased initially and has remained relatively stable. There has been an approximately 7 percent increase between 2020 and 2022, which coincided with a 6 percent increase in the statewide average. Average wages remain significantly higher than the statewide average, as required by statute, and have often been close to 300 percent of the statewide average.



**Figure 3: Average Wage of Qualifying Jobs and Statewide Average**



Source: Oklahoma Department of Commerce and US Bureau of Economic Analysis

Due to heavy program use by one aerospace and defense firm,<sup>3</sup> almost all rebates have been generated by aerospace and defense industries, with professional services being the second most-common industry generating rebates.

**Table 3: Total Rebates Generated by Industry, 2011 through 2024**

Industry	Rebate Generated	Percent of Total
Aerospace & Defense	\$107,490,118	94.5%
Professional Services	\$5,599,278	4.9%
Manufacturing	\$353,657	0.3%
Bioscience	\$145,843	0.1%
Wholesale Trade	\$138,916	0.1%
Film	\$45,372	0.0%
Educational Services	\$3,823	0.0%
<b>Total</b>	<b>\$113,777,007</b>	

Source: Oklahoma Department of Commerce

Since 2011, Oklahoma County has accounted for nearly 98 percent of rebates. About two percent have gone to participants in Tulsa County, and a de minimis amount has been generated in Canadian and Jackson counties.

**Table 4: Total Rebates Generated by County, 2011 through 2024**

County	Rebates Generated	Percent of Total
Oklahoma	\$112,780,369	97.9%
Tulsa	\$2,059,176	1.8%
Canadian	\$353,657	0.3%
Jackson	\$3,823	0.0%
<b>Total</b>	<b>\$115,197,024</b>	

Source: Oklahoma Department of Commerce

<sup>3</sup> Previously, some activity had been categorized as Manufacturing, but as data accumulates the Department of Commerce now presents the data as being Aerospace & Defense to differentiate from other Manufacturing participants.



From 2009 to 2024, seven companies were dismissed from the program due to failure to meet the job threshold, and one withdrew due to it closing. Ten firms have submitted 13 enrolled projects. Four contracts have been completed, and, as of 2024, another six are currently active.

Table 5: Total Contracts by Status, by Period			
2009-Present		2019-2024	
Status	Total Contracts	Status	Total Contracts
Complete	4	Complete	0
Active	12	Active	6
Dismissed	7	Dismissed	4
Withdrawn	1	Withdrawn	0
Not Filed	0	Not Filed	0
Inactive	0	Inactive	0
Total	24	Total	10

Source: Oklahoma Department of Commerce

## Incentive Administration

The program is jointly administered by the Department and the OTC. Eligibility guidelines and administrative responsibilities are established in State statute and administrative rules.<sup>4</sup> The Department is most heavily involved in the early stages of a company exploring and applying for the incentive. The OTC's role begins once a company has been approved to receive the incentive and make claims for quarterly rebate payments.

### Eligibility

Applications submitted to the Department must provide evidence of the establishment's ability to meet the following requirements:

- **Industry.** Applicants must operate in an eligible industry, as defined in statute. Qualifying industries include all those that are eligible for the regular Quality Jobs program, excluding oil and gas companies, plus additional industries unique to 21<sup>st</sup> Century Quality Jobs. Additional industries include certain hospitals, performing arts companies, financial vehicles, insurance carriers, certain engineering, motion picture and video, scientific and technical services, and sound recording. This industry list reflects the desire to target high-skill fields and help diversify the State's economy.<sup>5</sup>
- **Job Creation.** Applicants must create a minimum of 10 new jobs that did not exist during the 6-month period prior to the application submission date. Establishments have three years to meet the new employment threshold to qualify for the full 10-year benefit period. During this span, benefits may be claimed; however, if the threshold is not met after three years, the establishment is dismissed from the program.
- **Average Wage.** Applicants must pay newly created jobs wages at least equal to the lesser of 300 percent of the average wage of the county where the establishment is located, or the statewide threshold wage, as calculated by the Department of Commerce.<sup>6</sup>

<sup>4</sup> Administrative rules for the Department of Commerce are contained in Title 150, Chapter 65. Tax Commission administrative rules are contained in Title 710, Chapter 85

<sup>5</sup> For the full list of eligible industries, see Appendix C

<sup>6</sup> The state threshold annual wage for 21<sup>st</sup> Century Quality Jobs is currently \$112,100.



- **Health Insurance.** Applicants must offer basic health insurance coverage to new employees, who shall pay no more than 50 percent of the premium cost. If the establishment did not offer employees health benefits prior to submitting an application, they have 12 months to institute a qualified basic health insurance coverage policy and provide access to its employees.

### *Benefit Amounts*

Once applications are submitted to the Department, program eligibility is verified, and a cost/benefit analysis is prepared. The cost/benefit analysis determines two critical components of the 21<sup>st</sup> Century Quality Jobs program benefits package: **the net benefit rate and the maximum benefit amount**. These figures define the establishment's quarterly benefit payments and the maximum benefit they may receive over the contract term.

The **net benefit rate** is a percentage representing the benefit amount that the State expects to receive in revenue in excess of projected costs. It is calculated as the projected tax revenue to be received as a result of the new jobs less the projected costs to the State associated with those jobs, including the cost of education, public safety, and transportation. Quarterly benefit payments are calculated as the net benefit rate multiplied by the quarterly payroll of newly created jobs. The **maximum benefit amount** is the net benefit to the State as a dollar amount rather than a percentage. The sum of quarterly payments made to the establishment may not exceed this dollar amount.

The 21<sup>st</sup> Century Quality Jobs program benefits differ from other Quality Jobs program benefits in that the net benefit rate **may vary over the term of the contract**. Establishments have 3 years to reach the new employment threshold to be eligible to receive program benefits over the maximum 10-year period. During this initial three-year period, establishments that don't meet the threshold receive payments that are calculated using an initial net benefit rate, which is capped at 7 percent. Once establishments create 10 new jobs, while meeting all other program requirements, payments are calculated using the fulfillment net benefit rate, which is capped at 10 percent.

To approve an application, the eligibility verification and the final cost/benefit analysis are presented to an internal review team that makes a recommendation for approval or denial. If the applicant passes the first internal review, then a representative from the establishment meets with the Incentive Approval Committee in an external hearing. The Incentive Approval Committee is made up of representatives from the OTC, the Office of Management and Enterprise Services, and the Department. This committee makes the final recommendation to the Executive Director of the Department on whether an application should be approved or denied.

Once an application is approved, a contract outlining the incentive offer is issued to the establishment to sign. The contract outlines the benefit rate and maximum benefit amount among other information that the Department and the establishment agree upon.

### *Payments*

After a signed contract is returned to the Department, it is forwarded to the OTC, who is responsible for issuing payments during the contract period. Establishments submit quarterly reports to the OTC that detail the number of new jobs created and the new payroll associated with those hires. Before issuing any benefit payments, the OTC verifies that establishments are meeting their contractual requirements and obligations based on information submitted on quarterly claims. Establishments that do not meet the criteria to receive benefit payments do not receive payment that quarter. Establishments meeting program criteria will receive quarterly benefit payments for up to 10 years.



### *Eligibility for Other Incentives*

By statute, companies participating in the 21<sup>st</sup> Century Quality Jobs Program are prohibited from receiving certain credits or exemptions related to the same activity. Companies are ineligible to claim 21<sup>st</sup> Century Quality Jobs rebates in conjunction with benefits from the following programs:

- Business Expansion Incentive Program
- Income Tax Credit for net increase in Computer and R&D Jobs
- Insurance Premium Tax Credits
- Investment in Clean Burning Fuel Motor Vehicle
- Investment in Qualified Venture Capital Companies
- Investment/New Jobs Tax Credit
- Purchase of Equipment for Computer/Data Processing
- Recycle, Reuse, Source Reduction Tax Credits
- Sale of Property to Qualified Manufacturer
- Sales of Electronics to Qualified Aircraft Maintenance Facilities
- Tax Credit for Commercial Space Operations
- Tax Credit for Employer Provided Health Plans
- Tax Credit for Recycling Facility

### **Program Design Compared to Best Practice**

The PFM Project Team has established a list of best practices that can apply broadly to incentive program designs.<sup>7</sup> These are based on decades of experience evaluating programs professionally as well as reviewing the associated academic literature and evaluations of programs by State agencies or departments. A program can then be judged to either fully adopt, partly adopt, or not adopt a given practice.

In the case of the Oklahoma 21<sup>st</sup> Century Quality Jobs Program, best practices are generally adopted and maintained.

- The program is very targeted, focusing on high-wage jobs in future-oriented industries.
- It is discretionary through an application and committee review process.
- It does leverage significant private investment; in this case the expansion of wages paid to workers in the state.
- The program helps overcome practical barriers to growth by enabling firms to pay competitive wages to more employees.
- It encourages accountability and transparency through the quarterly reporting process, the Commerce Department's Triennial Report (which plainly identifies the firms participating), as well as the IEC's regular evaluation process.
- Awards are capped on a percentage basis which makes expenditures more manageable.
- Feedback from participants is consistently positive in terms of the administration of this rebate, especially when compared to competing states.

Areas where the program falls short of the highest standard include the duration of the benefit. Ten years is a long duration for most incentive programs as private businesses generally plan on a shorter timeframe. The program considers local conditions in terms of wages, but based on prior evaluations and program performance, this does not appear to be a significant factor for participants. Lastly, the program does not have a sunset date, which can serve as a trigger to reconsider the need for an incentive program. This is mitigated

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<sup>7</sup> Details on the best practices and their establishment can be found in the Appendices.



significantly by the consistent reporting and evaluation that would elevate concerns or provide the basis for redesign or closing the program.

**Table 6: Incentive Best Practices Adopted**

<b>Best Practice</b>	<b>21<sup>st</sup> Century</b>
Targeted to specific companies or industries	●
Discretionary	●
Leverage significant private capital	●
Limited duration / front-load benefits to 1-3 years	○
State / Local conditions considered	●
Overcoming practical barriers to growth	●
Transparency	●
Accountability	●
Cap on value of awards	●
Simple and understandable	●
Sunset on program duration	○

*Legend: Dark circle = full adoption, Light circle = partial adoption, Empty circle = limited adoption*





# **Economic and Fiscal Impact**



## Economic and Fiscal Impact

Over the past five fiscal years, the 21<sup>st</sup> Century Quality Jobs program has supported hundreds of very high salary jobs in the State of Oklahoma. The PFM project team modeled the economic impacts of the program using the wages associated with employment by participating firms. It is important to note that this only reflects eligible positions – it is likely that some participants have additional employees that are not eligible for the program that are secured in State by the investment of this program. Also relevant is the noted delays in filing for program rebates. The dataset considered in this analysis includes 2023 and some 2024 data, but will not be judged to be “complete” due to these typical delays in filing.

The methodology for this analysis included adjustments to the default industry data related to wages and output per worker in IMPLAN. These adjustments reflect the high-paying and highly-productive jobs targeted by the program.

Based on actual rebate data from OTC, the program paid \$53.7 million in rebates between 2019 and 2024. IMPLAN estimates \$29.4 million worth of state tax impacts generated by this economic activity, which yields a net fiscal cost of about \$24.3 million. This would be considered a negative ROI on this simple fiscal basis. However, the program does demonstrate significant returns in terms of Labor Income to residents in Oklahoma. There is a net Direct Labor Income effect of \$491.9 million over the same period – an average of \$81.9 million per year. This represents significant economic activity even excluding the Indirect and Induced portions. Total output for the period was \$3.1 billion.

Table 7– IMPLAN Outputs by Year

Year	Impact	Labor Income	Value Added	Output	State Tax	Program Payments	Net Impact
2019	Direct	\$178,449,854	\$160,525,883	\$967,549,892	\$4,977,961		
	Indirect	\$25,932,667	\$41,895,237	\$94,860,287	\$1,735,730		
	Induced	\$22,587,815	\$50,280,227	\$84,842,934	\$2,853,849		
	Total	\$226,970,336	\$252,701,348	\$1,147,253,113	\$9,567,540	\$14,602,311	-\$5,034,772
2020	Direct	\$173,872,085	\$146,665,542	\$600,740,805	\$1,923,323		
	Indirect	\$15,679,752	\$24,407,878	\$53,189,302	\$700,292		
	Induced	\$20,624,607	\$43,939,450	\$73,199,805	\$2,674,514		
	Total	\$210,176,444	\$215,012,869	\$727,129,912	\$5,298,129	\$14,178,459	-\$8,880,330
2021	Direct	\$125,078,106	\$106,876,776	\$369,355,739	\$1,322,617		
	Indirect	\$8,425,025	\$13,452,988	\$30,898,955	\$621,473		
	Induced	\$14,206,743	\$30,070,349	\$51,865,497	\$1,910,497		
	Total	\$147,709,874	\$150,400,113	\$452,120,191	\$3,854,588	\$10,018,465	-\$6,163,877
2022	Direct	\$112,514,040	\$101,201,320	\$356,865,039	\$3,089,378		
	Indirect	\$7,657,846	\$12,651,438	\$29,416,653	\$624,602		
	Induced	\$12,743,574	\$27,163,963	\$47,501,149	\$1,744,562		
	Total	\$132,915,460	\$141,016,721	\$433,782,841	\$5,458,542	\$9,069,140	-\$3,610,598
2023	Direct	\$65,721,393	\$59,821,355	\$197,644,572	\$1,731,568		
	Indirect	\$8,194,096	\$13,766,908	\$28,915,426	\$613,725		



Year	Impact	Labor Income	Value Added	Output	State Tax	Program Payments	Net Impact
	Induced	\$15,462,209	\$29,958,517	\$52,080,855	\$1,704,763		
	Total	\$89,377,698	\$103,546,780	\$278,640,853	\$4,050,055	\$5,231,530	-\$1,181,475
2024	Direct	\$7,778,149	\$8,584,314	\$48,667,731	\$385,374		
	Indirect	\$5,835,028	\$9,866,549	\$20,197,854	\$476,291		
	Induced	\$2,855,833	\$5,533,235	\$9,619,237	\$314,862		
	Total	\$16,469,010	\$23,984,099	\$78,484,822	\$1,176,527	\$603,724	\$572,803

When measured by industry, the economic impacts are concentrated in the Aerospace industry, which receives the vast majority of the investment through this incentive. Over the study period, \$50.9 million worth of rebates were paid to the Aerospace industry, compared to \$22.5 million of State taxes generated. Similar to the annual analysis, the net Direct Labor Income effect is \$478.4 million over five years (averaging \$95.7 million per year). Professional Services has the next highest impacts, followed by Manufacturing.

Table 8 – IMPLAN Outputs by Year

Industry	Impact	Labor Income	Value Added	Output	State Tax	Program Payments	Net Impact
Aerospace	Direct	\$645,160,373	\$558,218,389	\$2,459,747,417	\$12,738,338		
	Indirect	\$63,182,136	\$101,924,985	\$228,479,802	\$4,140,197		
	Induced	\$83,973,118	\$177,912,268	\$303,527,376	\$10,682,031		
	Total	\$792,315,627	\$838,055,642	\$2,991,754,595	\$27,560,566	\$50,921,302	\$23,360,736
Bioscience	Direct	\$1,852,735	\$2,418,585	\$5,712,651	\$87,171		
	Indirect	\$843,819	\$1,289,275	\$2,581,456	\$47,907		
	Induced	\$477,198	\$941,970	\$1,639,339	\$54,999		
	Total	\$3,173,751	\$4,649,830	\$9,933,446	\$190,078	\$145,843	\$44,235
Film	Direct	\$11,393,649	\$18,491,241	\$32,998,535	\$291,070		
	Indirect	\$2,706,303	\$4,261,022	\$8,647,181	\$150,927		
	Induced	\$1,942,335	\$4,043,356	\$6,905,130	\$235,478		
	Total	\$16,042,287	\$26,795,619	\$48,550,846	\$677,475	\$543,902	\$133,573
Services	Direct	\$4,440,048	\$3,340,617	\$38,521,278	\$199,210		
	Indirect	\$4,556,950	\$7,764,018	\$15,861,504	\$389,687		
	Induced	\$1,889,425	\$3,660,891	\$6,364,154	\$208,319		
	Total	\$10,886,423	\$14,765,526	\$60,746,936	\$797,217	\$2,033,252	-\$1,236,035
Manufacturing	Direct	\$566,821	\$1,206,359	\$3,843,898	\$114,432		
	Indirect	\$435,207	\$801,698	\$1,908,535	\$43,395		
	Induced	\$198,704	\$387,257	\$673,476	\$22,219		
	Total	\$1,200,732	\$2,395,314	\$6,425,909	\$180,045	\$45,372	\$134,673



# Incentive Benchmarking



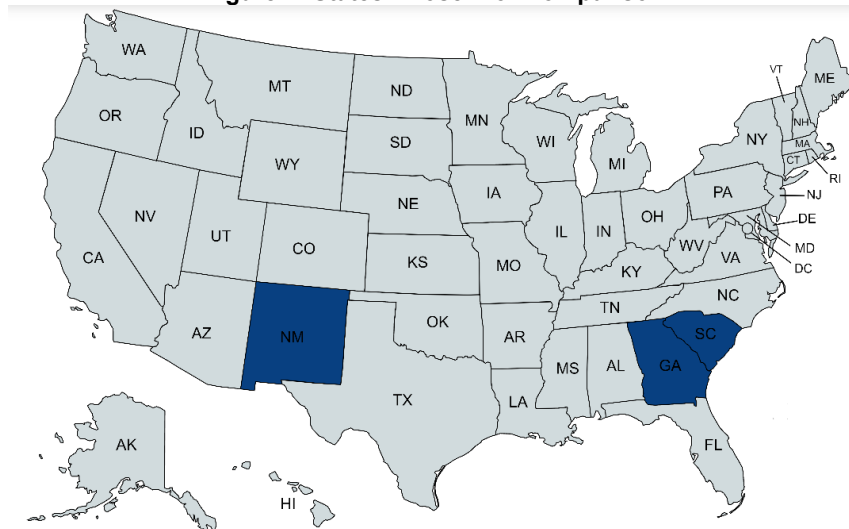
## Benchmarking

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.<sup>8</sup> 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.

While most states offer job creation programs, Oklahoma’s 21<sup>st</sup> Century Quality Jobs program is a relatively uncommon approach to incentivizing business investment. PFM’s process for establishing benchmarks begins with neighboring states where competition for facilities and workers is likely to be strongest. Next, the project team looks to regional competition. And lastly, the team considers any national peers or competitors in major industries, such as considering California and New York states when evaluating a Film or Television tax incentive.

For the purposes of this report, a comparison group of states was chosen that took account not only geographic proximity, but also states with programs that had a similar focus. The notable feature of Oklahoma’s program is its requirement that new jobs pay a wage equal to or greater than 300 percent of the average county wage. The comparison group of states chosen includes Georgia, New Mexico, and New Mexico; each have programs that strongly emphasize high-wage job creation.

**Figure 4: States Chosen for Comparison**



The comparison group can be distinguished by the qualification and eligibility requirements, benefit type, and benefit period. Oklahoma stands out for having the longest benefit period at double the length of the comparators. None of the programs have total caps on awards nor requirements for capital investments, both of which can be viewed as best practices for this type of payroll-based incentive. Georgia has the highest required number of jobs created (>50) and New Mexico had the lowest (>1).

<sup>8</sup> The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.



21st Century Quality Jobs Benchmarking				
	Oklahoma	Georgia	New Mexico	South Carolina
<b>Name</b>	21st Century Quality Jobs	Quality Jobs Tax Credit	High-wage Job Tax Credit	Job Tax Credits
<b>Job Creation Requirement</b>	10 new jobs	At least 50 within 24 months	At least 1 new job	25 new jobs
<b>Payroll Requirement</b>	N/A	None	None	None
<b>Wage Requirement</b>	300 percent of the average county wage, not including healthcare	110 to 120 percent of the average county wage for \$2,500 credit; 120 to 150 percent of the average county wage for \$3,000 credit; 150 to 175 percent of the average county wage for \$4,000 credit; 175 to 200 percent of the average county wage for \$4,500 credit; 200 percent or more for \$5,000 credit	\$40,000 or \$60,000 annual salary, depending on location	2.5 times the lesser of county and State average
<b>Health Insurance Requirement</b>	Companies must offer employees health insurance and pay at least 50 percent of premiums	None	None	None
<b>Capital Investment Requirement</b>	None	None	None	None
<b>Benefit Type</b>	Cash Rebate	Tax Credit	Tax Credit	Tax Credit
<b>Benefit Amount</b>	Up to 10 percent of qualifying new payroll	\$2,500 - \$5,000 per job	8.5 percent of qualifying new payroll or up to \$12,750 per new job	\$1,500, \$2,750, \$20,250, or \$25,000 per job depending on county development tier
<b>Benefit Period</b>	Up to 10 Years	5 Years	A job may qualify for the credit for 4 years	5 years
<b>Aggregate Program Cap</b>	None	None	None	None

## Evaluations of Benchmarked Incentives

### *Georgia Quality Jobs Tax Credit, Fiscal and Economic Impact (2023)*

Evaluators reviewed Quality Jobs data for years 2017-2021 to analyze the economic contribution and fiscal impacts by companies participating. Over those years, the program awarded \$97.3 million in annual credits,



or about \$4,675 per job. There were an average of 115 projects and 20,815 employees associated with the program – its scale is more similar to the Oklahoma Quality Jobs program, but due to its wage structure is benchmarked to 21<sup>st</sup> Century. The evaluators estimated a ten-year tax revenue forecast to compare the cost and benefit to the State. While the program was not found to have significant impact on aggregate jobs created, it was determined that if 8.6 percent of businesses in 2021 alone chose Georgia due to the QJTC, then the fiscal impact over 10 years would be positive. This level of analysis would be less relevant to the small sample size of 21<sup>st</sup> Century Quality Jobs, but does point to a potential positive link between the incentive and the state's economy.<sup>9</sup>

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<sup>9</sup> <https://documents.ncsl.org/wwwncsl/Fiscal/evaluationDB/QualityJobsTaxCreditEconomicandFiscalImpact.pdf>



# Appendices





## Appendix A: Incentive Statute

### 68 O.S. § 3912 – Legislative Intent

It is the intent of the Legislature that:

1. The State of Oklahoma provide appropriate incentives to attract growth industries and sectors to Oklahoma in the twenty-first century through a policy of rewarding businesses with a highly skilled, knowledge-based workforce;
2. The Oklahoma Department of Commerce and the Oklahoma Tax Commission implement the provisions of this act and exercise all powers as authorized in this act. The exercise of powers conferred by this act shall be deemed and held to be the performance of essential public purposes; and
3. Nothing herein shall be construed to constitute a guarantee or assumption by the State of Oklahoma of any debt of any individual, company, corporation or association nor to authorize the credit of the State of Oklahoma to be given, pledged or loaned to any individual, company, corporation or association.

*Laws 2009, SB 938, c. 285, § 2, eff. November 1, 2009.*

### 68 O.S. § 3913 – Definitions

As used in the 21st Century Quality Jobs Incentive Act:

1. "Basic industry" means:

a. a basic industry as defined under the Oklahoma Quality Jobs Program Act in divisions (1) through (9) of subparagraph a of paragraph 1 of subsection A of Section 3603 of Title 68 of the Oklahoma Statutes, excluding those activities described in division (10) of subparagraph a of paragraph 1 of subsection A of Section 3603 of Title 68 of the Oklahoma Statutes. For the purposes of this act, if a determination is required by subdivision (b) of division (7) or by division (9) of subparagraph a of paragraph 1 of subsection A of Section 3603 of Title 68 of the Oklahoma Statutes, such determination shall be:

(1) made by the Oklahoma Department of Commerce and not by the Incentive Approval Committee, and

(2) based on a requirement that those industries that are required to have at least seventy-five percent (75%) of total sales to out-of-state customers or buyers for purposes of the Quality Jobs Program Act shall only be required to have fifty percent (50%) of total sales, as determined by the Department of Commerce, to out-of-state customers or buyers, to in-state customers or buyers if the product or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government, for the purposes of this act,

b. (1) those specialty hospitals (except psychiatric and substance abuse hospitals) defined or classified in the NAICS Manual under U.S. Industry Group No. 62231, and

(2) those performing arts companies defined or classified in the NAICS Manual under U.S. Industry Group No. 7111, and

c. an establishment classified in this subparagraph which has or will have within one (1) year sales of at least fifty percent (50%) of its total sales, as determined by the Department of Commerce, to out-of-state customers or buyers, to in-state customers or buyers if the product



or service is resold by the purchaser to an out-of-state customer or buyer for ultimate use, or to the federal government:

(1) those electric utility activities defined or classified in the NAICS Manual under U.S. Industry Group No. 2211 which meet the requirements of subdivisions a, b and d of division 2 of subparagraph a of paragraph 1 of Section 3603 of Title 68 of the Oklahoma Statutes,

(2) those heavy and civil engineering construction activities defined or classified in the NAICS Manual under U.S. Industry Group No. 237,

(3) those motion picture and video industries defined or classified in the NAICS Manual under U.S. Industry Group No. 5121,

(4) those sound recording industries defined or classified in the NAICS Manual under U.S. Industry Group No. 5122,

(5) those securities, commodity contracts and other financial investment activities defined or classified in the NAICS Manual under U.S. Industry Group No. 523,

(6) those insurance carriers and related activities defined or classified in the NAICS Manual under U.S. Industry Group No. 524,

(7) those funds, trusts and other financial vehicles defined or classified in the NAICS Manual under U.S. Industry Group No. 525,

(8) those professional, scientific and technical services defined or classified in the NAICS Manual under U.S. Industry Group Nos. 5411, 5412, 5413, 5414, 5418 and 5419, and

(9) those electronic and precision equipment repair and maintenance activities defined or classified in the NAICS Manual under U.S. Industry Group No. 8112;

2. "Establishment" means any business, no matter what legal form, including, but not limited to, a sole proprietorship, partnership, corporation, or limited liability corporation;

3. "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;

4. "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 establishment;

5. "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;



6. "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 5 of this subsection;

7. "Estimated net direct state benefits" means the estimated direct state benefits less the estimated direct state costs;

8. "Estimated net direct and indirect state benefits" means the estimated direct and indirect state benefits less the estimated direct and indirect state costs;

9. "Full-time employment" means employment of persons residing in this state and working for thirty (30) hours per week or more in this state, which has a minimum six-month duration during any twelve-month period;

10. "Gross taxable payroll" means wages, as defined in Section 2385.1 of Title 68 of the Oklahoma Statutes, for new direct jobs;

11. "Initial net benefit rate" means the estimated net direct state benefits computed as a percentage of gross payroll; provided:

- a. the initial net benefit rate may be variable and shall not exceed seven percent (7%), and
- b. in no event shall incentive payments, cumulatively, exceed the estimated net direct state benefits; and

12. "Fulfillment net benefit rate" means the estimated net direct and indirect state benefits computed as a percentage of gross payroll after the completion of the first twelve (12) quarters or until the establishment reaches ten new direct jobs, whichever occurs first, provided:

- a. the fulfillment net benefit rate may be variable and shall not exceed ten percent (10%), and
- b. in no event shall incentive payments, cumulatively, exceed the estimated net direct and indirect state benefits; and

13. "New direct job" means full-time employment which did not exist in this state prior to the date of approval, by the Oklahoma Department of Commerce, of an application made pursuant to this act. A job shall be deemed to exist in this state prior to approval of an application if the activities and functions for which the particular job exists have been ongoing at anytime within six (6) months prior to such approval.

*Laws 2009, SB 938, c. 285, § 3, eff. November 1, 2009.*

#### 68 O.S. § 3914 – Quarterly Incentive payments

A. Except for the payment amount required by subsection E of this section, an establishment which meets the qualifications specified in the 21st Century Quality Jobs Incentive Act may receive quarterly incentive payments for a ten-year period from the Oklahoma Tax Commission pursuant to the provisions of this act, as verified by the Tax Commission, in an amount equal to:

- 1. The gross payroll multiplied by the initial net benefit rate until such time as the establishment creates ten new direct jobs; or
- 2. The gross payroll multiplied by the fulfillment net benefit rate after such time as the establishment created and maintains ten new direct jobs.



B. In order to receive incentive payments, an establishment shall apply to the Oklahoma Department of Commerce. The application shall be on a form prescribed by the Department and shall contain such information as may be required by the Department to determine if the applicant is qualified. The establishment may apply for an effective date for a project, which shall not be more than twelve (12) months from the date the application is submitted to the Department.

C. Before approving an application for incentive payments, the Department must first determine that the applicant meets the following requirements:

1. Be engaged in a basic industry as defined in the 21st Century Quality Jobs Incentive Act;
2. Will hire at least ten full-time employees in this state within twelve (12) quarters of the date of application;
3. Will pay the individuals it employs in new direct jobs an average annualized wage which equals or exceeds three hundred percent (300%) of the average county wage for the county in which the applicant is located as that percentage is determined by the Department of Commerce based on the most recent U.S. Department of Commerce data. For purposes of this paragraph, health care premiums paid by the applicant for individuals in new direct jobs shall not be included in the annualized wage. Provided, no average wage requirement shall exceed Ninety-four Thousand Dollars (\$94,000.00) in any county. This maximum wage threshold shall be indexed and modified from time to time based on the latest Consumer Price Index year-to-date percent change release as of the date of the annual average county wage data release from the Bureau of Economic Analysis of the U.S. Department of Commerce;
4. Has a basic health benefit plan which, as determined by the Department, meets the elements established under divisions (1) through (7) of subparagraph b of paragraph 1 of subsection A of Section 3603 of this title and which will be offered to individuals within twelve (12) months of employment in a new direct job;
5. Has not received incentive payments under the Small Employer Quality Jobs Program Act, the Saving Quality Jobs Act or the Former Military Facility Development Act; and
6. Is not qualified for approval of an application for incentive payments under the Small Employer Quality Jobs Program Act, the Saving Quality Jobs Act or the Former Military Facility Development Act.

D. The Oklahoma Department of Commerce shall determine if an applicant is qualified to receive the incentive payment. Upon qualifying the applicant, the Department shall notify the Tax Commission and shall provide it with a copy of the contract and approval which shall provide the number of persons employed by the applicant upon the date of approval and the maximum total incentives which may be paid to the applicant during the ten-year period. The Tax Commission may require the qualified establishment to submit additional information as may be necessary to administer the provisions of this act. The approved establishment shall report to the Tax Commission quarterly to show its continued eligibility for incentive payments, as provided in Section 3905 of this title. Establishments may be audited by the Tax Commission to verify such eligibility. Once the establishment is approved, an agreement shall be deemed to exist between the establishment and the State of Oklahoma, requiring incentive payments to be made for a ten-year period as long as the establishment retains its eligibility and within the limitations of this act as it existed at the time of such approval.

E. For any contract executed by an establishment on or after the effective date of this act, five percent (5%) of the quarterly incentive payment amount shall be transferred by the Oklahoma Tax Commission to the Oklahoma Quick Action Closing Fund

*Laws 2009, SB 938, c. 285, § 4, eff. November 1, 2009; Amended by Laws 2013, HB 1455, c. 227, § 29, eff. November 1, 2013 (repealed by Laws 2014, SB 2122, c. 4, § 25, emerg. eff. April 2, 2014); Amended by Laws*



2013, SB 613, c. 378, § 4, eff. November 1, 2013; Amended by Laws 2014, SB 2122, c. 4, § 24, emerg. eff. April 2, 2014; Amended by Laws 2018, HB 3324, c. 144, § 4.

68 O.S. § 3915 – Quarterly Reports

- A. 1. Beginning with the first complete calendar quarter after the application of the establishment is approved by the Oklahoma Department of Commerce, the establishment shall begin filing quarterly reports with the Oklahoma Tax Commission that specify the actual number and individual gross taxable payroll of new direct jobs for the establishment and such other information as required by the Tax Commission. In no event shall the first claim for incentive payments be filed later than three (3) years from the start date designated by the Department. The Tax Commission shall verify the actual individual gross taxable payroll for new direct jobs. If the Tax Commission is not able to provide such verification utilizing all available resources, the Tax Commission may request additional information from the establishment as may be necessary or may request the establishment to revise its reports.

The establishment shall continue filing such reports during the ten-year incentive period or until it is no longer qualified to receive incentive payments. Such reports shall constitute a claim for quarterly incentive payments by the establishment.

2. Upon receipt of a report for the initial calendar quarter of the incentive period and for each subsequent calendar quarter thereafter, the Tax Commission shall determine if the establishment has met the following requirements:

a. during the initial twelve (12) quarters of the contract or until the establishment creates ten new direct jobs, paid the individuals it employed in new direct jobs an average annualized wage that exceeded the requirements of paragraph 3 of subsection C of Section 3914 of this title, or

b. after the establishment created ten new direct jobs:

(1) paid the individuals it employed in new direct jobs an average annualized wage which equaled or exceeded the requirements of paragraph 3 of subsection C of Section 3914 of this title, and

(2) created and/or maintained the minimum number of new direct jobs as specified in the 21st Century Quality Jobs Incentive Act.

3. Upon determining that an establishment has met the requirements of paragraph 2 of this subsection for the initial calendar quarter of the incentive period, the Tax Commission shall issue a warrant to the establishment in an amount which shall be equal to either:

a. the initial net benefit rate multiplied by the amount of gross taxable payroll of new direct jobs actually paid by the establishment during the initial twelve (12) quarters of the contract or until the establishment reaches ten new direct jobs, whichever comes first, or

b. the fulfillment net benefit rate multiplied by the amount of gross taxable payroll of new direct jobs actually paid by the establishment after it creates or maintains ten new direct jobs.

- B. Except as provided in subsection C of this section, the quarterly incentive payment provided for in subsection A of this section shall be allowed in each of the thirty-nine (39) subsequent calendar quarters.

- C. 1. An establishment which does not meet the requirements of paragraph 2 of subsection A of this section within twelve (12) quarters of the date of its application shall be ineligible to receive any incentive payments pursuant to its application and approval.



2. An establishment which at any time during the thirty-nine (39) subsequent calendar quarters does not meet the requirements of paragraph 2 of subsection A of this section shall be ineligible to receive an incentive payment during the calendar quarter in which such requirements are not met.

3. An establishment which has met the requirements of paragraph 2 of subsection A of this section within twelve (12) quarters of the date of its application, but which at any time during the subsequent twenty-eight (28) quarters fails to meet the requirements of paragraph 2 of subsection A of this section in four (4) consecutive quarters, shall be ineligible to receive any further incentive payments pursuant to its application and approval.

*Laws 2009, SB 938, c. 285, § 5, eff. November 1, 2009; Amended by Laws 2011, SB 154, c. 341, § 1, eff. November 1, 2011.*

#### 68 O.S. § 3916 – 21<sup>st</sup> Century Quality Jobs Incentive Payment Fund

There is hereby created within the State Treasury a special fund for the Oklahoma Tax Commission to be designated the "21st Century Quality Jobs Incentive Payment Fund". The Tax Commission is hereby authorized and directed to withhold a portion of the taxes levied and collected pursuant to Section 2355 of Title 68 of the Oklahoma Statutes for deposit into the fund. The amount deposited shall equal the sum estimated by the Tax Commission to be sufficient to pay incentive payments claimed pursuant to the provisions of Section 4 of this act. All of the amounts deposited in such fund shall be used and expended by the Tax Commission solely for the purposes and in the amounts authorized by the 21st Century Quality Jobs Incentive Act. The liability of the State of Oklahoma to make incentive payments under the 21st Century Quality Jobs Incentive Act shall be limited to the balance contained in the fund created by this section.

*Laws 2009, SB 938, c. 285, § 6, eff. November 1, 2009.*

#### 68 O.S. § 3917 – Authority to Promulgate Rules

The Oklahoma Department of Commerce and the Oklahoma Tax Commission shall promulgate rules necessary to implement their respective duties and responsibilities under the provisions of the 21st Century Quality Jobs Incentive Act.

*Laws 2009, SB 938, c. 285, § 7, eff. November 1, 2009.*

#### 68 O.S. § 3918 – False or Fraudulent Application, Claim, Report, Statement, etc. – Penalty

Any person making an application, claim for payment or any report, return, statement, invoice, or other instrument or providing any other information pursuant to the provisions of this act who willfully makes a false or fraudulent application, claim, report, return, statement, invoice, or other instrument, or who willfully provides any false or fraudulent information, or any person who willfully aids or abets another in making such false or fraudulent application, claim, report, return, statement, invoice, or other instrument, or who willfully aids or abets another in providing any false or fraudulent information, upon conviction, shall be guilty of a misdemeanor. The fine for a violation of this provision shall not be less than One Thousand Dollars (\$1,000.00) nor more than Fifty Thousand Dollars (\$50,000.00). Any person convicted of a violation of this section shall be liable for the repayment of all incentive payments which were paid to the establishment. Interest shall be due on such payments at the rate of ten percent (10%) per annum.

*Laws 2009, SB 938, c. 285, § 8, eff. November 1, 2009.*

#### 68 O.S. § 3919 – Ineligible to Receive Certain Other Credits or Exemptions

Notwithstanding any other provision of law, if a qualified establishment receives an incentive payment pursuant to the provisions of the 21st Century Quality Jobs Incentive Act, neither the qualified establishment nor its contractors or subcontractors shall be eligible to receive the credits or exemptions provided for in the following provisions of law in connection with the activity for which the incentive payment was received:



1. Paragraphs 16 and 17 of Section 1357 of Title 68 of the Oklahoma Statutes;
2. Paragraph 8 of Section 1359 of Title 68 of the Oklahoma Statutes;
3. Section 2357.4 of Title 68 of the Oklahoma Statutes;
4. Section 2357.7 of Title 68 of the Oklahoma Statutes;
5. Section 2-11-303 of Title 27A of the Oklahoma Statutes;
6. Section 2357.22 of Title 68 of the Oklahoma Statutes;
7. Section 2357.31 of Title 68 of the Oklahoma Statutes;
8. Section 54003 of Title 68 of the Oklahoma Statutes;
9. Section 54006 of Title 68 of the Oklahoma Statutes;
10. Section 625.1 of Title 36 of the Oklahoma Statutes; or
11. Subsections C and D of Section 2357.59 of Title 68 of the Oklahoma Statutes.

*Laws 2009, SB 938, c. 285, § 9, eff. November 1, 2009.*

68 O.S. § 3920 – Department of Commerce Report

The Oklahoma Department of Commerce shall prepare a report which shall include, but not be limited to, documentation of the new direct jobs created under this act and a fiscal analysis of the costs and benefits of the act to the state. The report shall be submitted to the President Pro Tempore of the Senate, the Speaker of the House of Representatives and the Governor no later than March 1, 2011, and every three (3) years thereafter. The report may be used for the purpose of determining whether to continue or sunset the 21st Century Quality Jobs Incentive Act.

*Laws 2009, SB 938, c. 285, § 10, eff. November 1, 2009.*



## **Appendix B: 21<sup>st</sup> Century Quality Jobs Eligible Industries**

### **Basic Industries:**

#### **Manufacturing**

Industries classified under NAICS Manual Nos. 31, 32, 33, 5111 or 11331.

#### **Research and Development and Testing Laboratories**

See NAICS Manual Nos. 541711, 541712 and 541380.

#### **Central Administrative Offices, Corporate Offices and Technical Services**

See NAICS Manual Nos. 5611, 5612, 51821, 519130, 52232, 56142, 524291, 551114.

#### **Certain Warehouse/Distribution Operations**

See NAICS manual No. 42-Where 40% of inventory is shipped out of state.

#### **Transportation by Air**

See NAICS Manual No. 4811 if corporate headquarters and some reservation activities are within the state or 75% of air transport sales are to out-of-state consumers.

#### **Flight Training Services**

See NAICS No. 611512.

#### **Other Support Activities for Air Transportation**

See NAICS Manual No. 488190.

#### **Wind Power Electric Generation Equipment Repair & Maintenance**

See NAICS Manual No. 811310.

### **Service industries requiring 50% of sales to out-of-state customers:**

#### **Rail Transportation**

See NAICS Nos. 482

#### **Motor Freight Transportation and Warehousing**

See NAICS Nos. 493, 484, 4884-4889

#### **Arrangement of Passenger Transportation**

See NAICS Nos. 561510, 561599

#### **Transportation of Freight or Cargo**

See NAICS No. 541614

#### **Certain Communications Services**

See NAICS Nos. 5117110, 51741 and 51791

#### **Certain Refuse Systems that Distribute Methane Gas**

See NAICS No. 5622





**Grocery Wholesale Distributing**

See NAICS Nos. 4244 and 4245

**Securities, Commodities, Investments**

See NAICS No. 523

**Insurance Carriers**

See NAICS No. 5241

**Insurance Claims Processors Only**

See NAICS Nos. 524210 and 524292

**Adjustment and Collection Services**

See NAICS No. 561440 (75% of loans are made to out of state debtors)

**Miscellaneous Equipment Rental**

See NAICS Nos. 5324

**Computer Programming, Data Processing and Other:**

**Computer-Related Services**

See NAICS Nos. 5112, 5182, 5191, 5415

**Miscellaneous Business Services**

See NAICS Nos. 561410, 56142, and 519110

**Medical and Diagnostic Laboratories**

See NAICS No. 6215

**Engineering, Management and Related Services**

See NAICS Nos. 5412, 5414, 5415, 5416, 5417, 54131, 54133, 54136-54137, 541990

**Agricultural Production**

See NAICS Nos. 112120

**Professional Organizations**

See NAICS No. 813920

**Alternative Energy Structure Construction**

See NAICS No. 237130

**Alternative Energy Equipment Installation**

See NAICS Nos. 238160, 238220

**Electric Services Companies**



The program also applies to electric service companies within NAICS Nos. 221111-221122  
- Exempt Electric Wholesale Generators if 90% of energy input is consumed from in-state sources and 90% of sales are out-of-state.

**Industries added for 21st Century Quality Jobs Program only:**

**Specialty Hospitals**

See NAICS No. 62231 (no out-of-state sales requirements)

**Performing Arts Companies**

See NAICS No. 7111 (no out-of-state sales requirements)

**Additional industries requiring 50% of sales to out-of-state customers:**

**Heavy and Civil Engineering Construction**

See NAICS No. 237

**Motion Picture and Video Industries**

See NAICS No. 5121

**Sound Recording Industries**

See NAICS No. 5122

**Insurance Carriers and Related Activities**

See NAICS No. 524

**Funds, Trusts, and other Financial Vehicles**

See NAICS No. 525 1

**Professional, Scientific, and Technical Services**

See NAICS No. 5411, 5412, 5413, 5414, 5418, 5419



## Appendix C: IMPLAN Economic Impact Methodology

The economic impact methodology utilized to determine the multiplier effects is IMPLAN, a proprietary model; PFM has obtained a license for use of the IMPLAN model for these evaluations.

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental 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 would be taxes and unemployment benefits.

### Multipliers

SAMs can be constructed to show the effects of a given change on the economy of interest. 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 which are displayed in the final report. These are the direct, indirect, and induced changes within the economy.

- **Direct** effects are determined by the Event as defined by the user (i.e., a \$10 million order is a \$10 million direct effect).
- The **indirect** effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor, and taxes.
- Finally, the **induced** effect measures the money that is re-spent in the study area as a result of spending from the indirect effect.

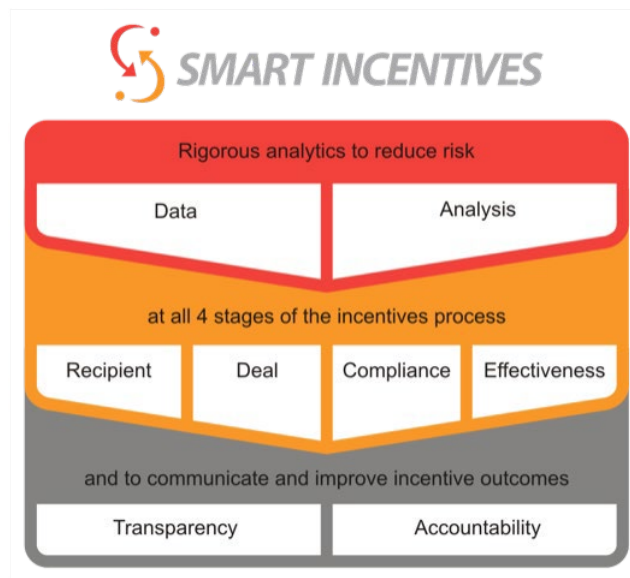
Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually, these leakages will stop the cycle.



## Appendix D: 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,<sup>10</sup> 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,

<sup>10</sup> Three resources in particular were relied upon 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](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](https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf)



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.
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.

**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.