



State of Oklahoma

Incentive Evaluation Commission

Quality Events Incentive Act Draft Evaluation

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Key Findings and Recommendations



Overview

The Quality Events Incentive Act program was created in 2010 and launched in 2012, and it has been updated significantly twice since 2018. The amount of the incentive is determined by the Oklahoma Tax Commission (OTC) based on incremental sales tax revenues associated with a “quality” event. These events must be a new or existing event or meeting of a nationally recognized organization; national, international, or world championship; or managed or produced by an Oklahoma-based national or international organization.

The Incentive requires an ordinance of support prior to the event, and an economic impact study to demonstrate its impacts. Local incentives must be disclosed and are included in calculations of awards by the OTC. The program is capped at \$250,000 per event and \$3,000,000 per year.

Recommendation: Retain

Key Findings Related to Established Criteria for Evaluation

- **Oklahoma communities have been reimbursed about \$1.5 million for events hosted from FY 2018 through FY 2024, with five events still to be evaluated.** Pending the additional event awards, which include Cattleman’s Congress and a Korn Ferry Tour professional golf tournament, FY 2024 could be the largest single year of awards since the program’s inception.
- **The Quality Events program has reimbursed hosts for 25 events from FY 2018 through FY 2024, including three events that repeated three times each in the period.** Only one event in the period is not a sporting event (the Cattlemen’s Congress).
- **The Oklahoma Tax Commission (OTC) reimbursed about 7.3 percent of the statutory maximum from FY 2018 through FY 2024.**
- **The change in the requirement for an economic impact study has improved the quality of data and reporting.** However, there is no comprehensive data source for inputs related to the individual event analyses. Therefore, the evaluation does not include a full IMPLAN analysis.
- **The program has demonstrated a positive ROI in the study period, with a net gain of \$395,000 in state sales tax revenues.** This net gain is due to incremental sales tax revenues exceeding eligible expenses reported for certain events.
- **Additional data retained by the Department of Commerce (Department) would enable additional analysis and reporting.** As mentioned, the collection of input data related to event attendance, hotel room nights, etc. would allow for a comprehensive look at economic impacts, as opposed to isolated analyses using inconsistent methodologies.

Other Recommendations

- **Aggregate collected data to better help determine the program’s economic impact on the State.** The required economic impact reports are already collecting data such as the number of event attendees, the number of event participants (note: in some cases, attendees and participants can be lumped together), length of the event (days), ratio of local to non-overnight attendees, ratio of local to non-overnight participants, average daily spending (not including event registration fees), and total cost of the event. As an enhancement to the process, the Department should work to standardize and aggregate these data to provide reporting on total impacts. According to its 2023 Annual Report, the Department is working to update the application process through OTC to enable this level of reporting.



Introduction



Incentive Evaluation Commission Overview

In 2015, HB2182 established the Oklahoma Incentive Evaluation Commission (the Commission). It requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe. The law also provides that criteria specific to each incentive be used for the evaluation. The Commission has completed two cycles of qualified evaluations, from 2016-2019 and 2020 through 2023. This is now the first year of a new four-year cycle.

In 2023, the Legislature passed and Governor Stitt signed into law SB 745, which made a number of changes to the incentive evaluation process that were recommended by the Commission. Among them was the ability of the Commission to review qualified incentives within the four-year evaluation cycle. In prior cycles, incentives had to be reviewed at least once every four years, which effectively locked in place the order that incentives would be evaluated. As a result, some incentives in this cycle may be reviewed in less or more than four years.

One reason for the change in the evaluation cycle was to allow incentives with similar purposes or that are targeted to specific industries or parts of the state to be evaluated in the same year. This allows for continuity in the discussion and comparisons of effect and effectiveness. This grouping is considered an evaluation best practice.¹ For 2024, there are two broad categories of evaluated incentives:

- Financing/Venture Capital/Early Business related.
- Tourism/Film/Quality of Life related.

This evaluation of the Quality Events Incentive Act (“the Act”) administered by the Oklahoma Department of Commerce (“the Department”) and the Oklahoma Tax Commission (OTC) is one of 12 evaluations being conducted by the Commission in 2024 and fits within the tourism/film/quality of life related incentives. Based on this evaluation and their collective judgment, the Commission will make recommendations to the Governor and the State Legislature related to this program.

2020 Evaluation Findings and Recommendations

Key findings from the 2020 evaluation of this program are displayed in the following table:

Table 1: Summary of Findings, 2020 Evaluation

Fiscal and Economic Impact	▪ Oklahoma communities have been reimbursed about \$1.3 million for 32 events hosted from FY 2015 through FY 2020.
Adequate Protections for Future Fiscal Impact?	▪ The program is capped at \$3 million per year and has a maximum of \$250,000 per award.
Effective Administration?	▪ The definition of “actual documentation” is not clearly defined and leads to confusion on what information should be submitted by stakeholders.
Achieving Its Goals?	▪ The economic impact of the Quality Events program cannot be computed due to insufficient data.

¹ “Best Practices for Planning Tax Incentive Evaluations: Lessons Learned from Indiana’s Evaluation Process,” Pew Charitable Trusts, August 2022, p.3. Accessed electronically at www.pewtrusts.org/-/media/assets/2022/08/best-practices_incentiveeval-planning_2022-3-24_final.pdf



Changes to Improve Future Evaluation	<ul style="list-style-type: none">▪ Replace “actual documentation” with a standardized economic impact study form that identifies all the information needed to determine economic impact.▪ Remove the statutory requirement that host communities submit the actual documentation 30 days after the event ends.▪ Collect data that will better help determine the program’s economic impact on the State.
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Criteria for 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. In the case of this incentive, the specific goal included in legislation is to “provide a method by which eligible municipalities and counties utilize a portion of the state sales tax revenues derived from taxable transactions occurring within a designated area to promote certain qualifying events.”

Additionally, to assist in a determination of program effectiveness, the Oklahoma Tax Commission has adopted the following criteria:

- 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.



Incentive Usage and Administration



Incentive Characteristics

The Quality Events Incentive Act was passed in 2010 and went into effect on July 1, 2012. Later, it was amended in 2018 and 2021.²

The Quality Events Incentive Program offers municipal and county governments reimbursements on eligible quality event expenses from additional state sales tax revenues generated by the event. A “Quality Event” is defined as:³

- A new event or meeting of a nationally recognized organization or its members;
- A new or existing event that is a national, international, or world championship;
- A new or existing event that is managed or produced by an Oklahoma-based national or international organization.

The Oklahoma Tax Commission (OTC) can offer reimbursements of up to \$3.0 million in a fiscal year; however, no one event can receive more than \$250,000. Reimbursements to the host communities also cannot exceed the state sales tax benefits derived from the event.

Originally set to expire in 2018, the Quality Events program is currently scheduled to sunset on June 30, 2026.

Historic Use of the Program

For the past several years the effects of the COVID-19 pandemic have limited the number of large, public events eligible for the incentive. Despite this significant disruption to the industry nationwide, there were 25 Quality Events approved as of May 2024, including five events that were still in some phase of review for FY 2024. Most of these events have occurred in Tulsa (14), with smaller events taking place in Grove (4) and Guthrie (2) in the pre-pandemic period. There were no awards made in FY 2019 or FY 2021 according to the data reviewed by the project team, which is understandable given the public health policies in place at the time.

During the period, the OTC awarded about \$1.5 million in reimbursements not including the five events still under review. The program maximum for each fiscal year is \$3 million, or \$21 million for the period reviewed. Based on that maximum, the program has awarded about 7.3 percent of its allotted funds, in line with what was measured in the previous evaluation in 2020. The following table breaks the program down by city and by year.

Table 2: Quality Events by City and Event Year⁴

	2018	2020	2022	2023	2024*	Total Events	Total Awarded
Tulsa	\$361,611.00	\$3,009.67	\$372,171.00	\$367,787.00	\$0.00	14	\$1,104,578.67
Grove	\$69,731.00	\$0.00	\$0.00	\$0.00	\$0.00	4	\$69,731.00
OKC	\$0.00	\$0.00	\$250,000.00	\$75,000.00	\$0.00	3	\$325,000.00
Guthrie	\$36,978.00	\$0.00	\$0.00	\$0.00	\$0.00	2	\$36,978.00
Norman	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	2	\$0.00
Grand Total	\$468,320.00	\$3,009.67	\$622,171.00	\$442,787.00	\$0.00	25	\$1,536,287.67

² SB1252, c. 201

³ 68 OS 4301 through 4311

⁴ Oklahoma Department of Commerce Data



*: For FY2024 events, 2 have been approved and another 3 are pending review

All but one event – the Cattleman’s Congress – have been national or international sporting events. This follows the same pattern from the 2020 evaluation, where just one event was in a non-sporting category. In this study period, multiple large golf tournaments have qualified, including the PGA Championship at Southern Hills Country Club in Tulsa. Other sports include BMX, soccer, wrestling, fishing, and auto racing. These also span a variety of participant types including professionals, collegiate athletes, and junior competitors.

Since FY 2018, there have been several repeat events that have received an award. The U.S. National Arabian and Half-Arabian Championship Show was held in Tulsa, OK from 2018-2022 as part of a five-year contract. The event received awards in 2018, 2020, and 2023 representing approximately one-third of awards in that period.⁵ The Cattleman’s Congress held in Oklahoma City, and the USA BMX Grand Nationals held in Tulsa, are the other two multiple-award events. These repeat events are also among the highest single-event reimbursements – Cattleman’s Congress (twice), the U.S. National Arabian and Half-Arabian Championship Show, and the PGA Championship (one-time event) all received the maximum \$250,000 award. A third Cattleman’s Congress award is pending OTC review.

Table 3: Total Disbursements by Event⁶

Event Name	Number of Awards	Sum of Amount Awarded
US National Arabian and Half-Arabian Championship Show	3	\$501,835
Cattlemen's Congress	2	\$325,000
PGA Tournament	1	\$250,000
USA BMX Grand Nationals	3	\$142,163
National Reining Breeder's Classic	1	\$117,787
Big 12 Wrestling Tournament	1	\$51,709
National Little Britches Rodeo Association Finals	1	\$26,301
Grand Lake Big Bass Bash	1	\$23,486
Bassmaster Elite Series	1	\$22,612
USA BMX Sooner Nationals	1	\$17,300
US Wrestling National Juniors Duals	1	\$17,133
FLW Costa Series, Southwestern Division	1	\$11,942
Bassmaster Open	1	\$11,691
Zoetis Versatility Ranch Horse AQHA World Championship & Ranching Heritage Challenge Finals	1	\$10,677
US Club Soccer National Cup XVII -South Central Region	1	\$6,651
Grand Total	15	\$1,536,287

Incentive Administration

⁵ As previously noted, 2024 events are still pending awards. If approved, this would both increase the total amount awarded as well as reduce the percentage of award made to the U.S. National Arabian and Half-Arabian Championship Show.

⁶ Data provided by the Department of Commerce



The Quality Events Incentive Program is administered by the OTC. In order to claim the incentive's benefit, the host organization, in partnership with the host community, must host an event that meets the definition of a Quality Event as outlined in statute.

A "Quality Event" is defined as:⁷

- A new event or meeting of a nationally recognized organization or its members;
- A new or existing event that is a national, international, or world championship;
- A new or existing event that is managed or produced by an Oklahoma-based national or international organization.

Pre-Qualification Process

Within 60 days prior to the event, the host community's legislative body must pass a resolution that authorizes the application for and provides relevant information about the quality event. The resolution must include the event's dates and location as well as the types of eligible expenses that will be incurred. Eligible expenses for reimbursement include those made for the purpose of attracting, promoting, advertising, organizing, conducting or otherwise supporting a quality event.

Within 60 days of receipt of the completed application, the OTC will approve or disapprove the submission, in whole or in part. The OTC may require additional documentation or explanation if the application submission does not clearly demonstrate a positive economic impact.

Post-event verification of economic impact

After the conclusion of an event, the host community is required to provide an economic impact analysis of the event. At present, the Department of Commerce also accepts attendance records, documented spending by visitors and the host organization, or hotel stay records to aid in verification. The OTC uses this documentation to determine the amount of incremental state sales tax revenue that may be paid to the host community.

In the evaluation process, the OTC compares the total amount of eligible expenses to the incremental state sales tax revenues. In addition, the OTC includes eligible local support amounts when calculating the incremental sales tax revenue that can be reimbursed. If the difference between these two is zero, no payment is made to the host community. If the incremental revenues are greater than the expenses, the host community is paid the difference. The host community must provide attendance figures or other public information that the OTC considers necessary to evaluate the actual economic impact of the event. Disbursements are made to host communities once all of their eligible expenses have been approved and the incremental sales tax revenue is determined.

Incentive Design Best Practices

The Quality Events program incorporates multiple best practices in its program design.⁸ The application process introduces a discretionary element. This means the State can evaluate the legitimacy of data, the need for incentive, and better report on utilization and impacts. The program also leverages private capital in the form of event funds. The organizers – whether non-profit or for-profit – will be spending dollars in the State, though the program is designed to measure sales tax, not those events directly. The annual report produced for the program provides a baseline level of transparency and accountability, which is supplemented by this evaluation process. Finally, the program is capped on an annual basis as well as at the

⁷ 68 OS 4301 through 4311

⁸ A full list and explanation of these best practices can be found in Appendix B



award level. This provides consistency and predictability in terms of budgeting for both the State as well as the eligible entities.

Program Challenges

Application Process Enhancements Needed

A major change made to the Quality Events Incentive Act in 2018 was the removal, in statute, of the economic impact study as a requirement in the application materials. During the review of the Quality Events program in 2016, it was recommended that the economic impact study be removed for several reasons. This was intended to simplify the process for host communities and increase access to the program for smaller communities that would find the cost prohibitive. In place of the economic impact study, Oklahoma's state legislature added the actual documentation provision to the 2018 amendment to the Quality Events Incentive Act. Section 4305 D states, "The Tax Commission shall compare the total amount of eligible local support amounts with the total amount of incremental state sales tax revenues remitted by vendors, such revenues to be established based on actual documentation."⁹ The statute did not define "actual documentation," and that created new challenges for both the host community and the OTC.

In 2021, the statute was amended to again require an economic impact study. This study must be submitted to the OTC within sixty days of the date on which the host community adopts the ordinance in support of the event. When provided before the event, the impact study should be based on current registration levels, historical attendance figures, and any history of spending levels for the event. While it is in some cases a prohibitive measure in terms of time and resources, the impact study is an industry standard tool for measuring this type of economic activity. It also generates the appropriate inputs for the Department of Commerce to complete due diligence on applications in support of the OTC.

Increasing Utilization of the Program

Based on stakeholder interviews with the State, as well as the Oklahoma City, and Tulsa Chambers of Commerce, there is a great deal of enthusiasm for the incentive. Many of the participants expressed hope that the program would be extended beyond the 2026 sunset date. However, even with this enthusiasm and interest level, the utilization overall is low compared to the program cap. It must be noted that the COVID-19 pandemic represented a significant barrier to hosting major events during part of the study period, and so utilization likely would have been higher. In addition, the lasting impact to the events industry overall is a reasonable justification for incentivizing activity until such time as the industry fully recovers. Since the program is associated with a positive return on investment, additional utilization of the program would be considered a net positive for the State.

⁹ 68 OS 4305 D



Economic and Fiscal Impact



Economic Impacts

Each Quality Event must now produce an economic impact analysis of its own as a means to estimate both the sales tax impacts as well as the total economic impact to the state. This ensures the Department of Commerce can ascertain the relative impacts of a Quality Event from an indirect and induced perspective. However, because each Event is receiving its own analysis, the Department is also reviewing these assumptions through its own due diligence process internally.

If the application required each Event to submit the input data used in the economic impact model, the Department could aggregate and share this data for a more complete economic impact measurement for the program overall. Event data needed to conduct the economic impact analysis includes:

- Operators total cost to host the event
- Number of attendees and event participants
- Share of local vs out of town attendees and participants
- Length of time of the event (needed for hotel room night estimates)
- Attendee and participant daily spending (derived from event surveys or local Visitors Bureau)

Fiscal Impacts

Because communities cannot receive reimbursements in excess of the quantity of sales tax revenues generated by the event, the sales tax reimbursement incentive is revenue neutral. In some cases, however, the OTC does not award the full amount of incremental sales tax collected. This occurred in 4 of the 20 awards (20 percent) approved in the period reviewed. Due to this difference in the award amount and the incremental sales tax measured, the program had a positive return on investment. The net sales tax gain to the state was approximately \$395,000 over the period, or about 20 percent of the incremental sales tax associated with the events.¹⁰

¹⁰ All data in this section provided by the Department of Commerce



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.¹¹ 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.

Nationally, Colorado, Oklahoma, Texas, and Missouri are the only states to offer an incentive to local governments and organizations who are considering hosting an event within each of their respective states. Colorado’s program was in place temporarily as a response to the COVID-19 pandemic. The programs are designed to make each state more competitive in attracting national and international events within the national and global economy at large. While Missouri takes an alternate approach compared to Oklahoma and Texas, each state leverages their tax revenues to attract greater notoriety to their state through the events themselves and generates an increased amount of tax revenues for their respective state.¹²

State	Program	Funding Mechanism	Maximum Award Per Event	Program Cap
Oklahoma	Quality Events Act	Incremental State Sales Tax revenue as measured by OTC	\$250,000	\$3 million
Colorado	Meetings and Events Incentive Cash Rebate Program	Allocated funds as part of larger COVID-19 stimulus funding	\$100,000	\$10 million
Texas	Events Trust Fund	Leverages state tax revenue to generate incremental tax revenues per event	\$200,000 per year, up to 10 events per community	None
Missouri	Amateur Sports Contribution Tax Credit	Offers tax credits based on donations made to support upcoming events	50 percent of the eligible donation	\$10 million

All four programs rely on an application process to determine eligibility. Both Oklahoma and Texas require prior notice of the event, while Colorado and Missouri only required post-event application. Funding mechanisms differ across the group as well. Oklahoma and Texas rely on incremental state sales tax revenues as the funding source, while Missouri and Colorado simply allocate revenues to these credit expenditures. Texas is the only program without a cap – both Colorado and Missouri allocate \$10 million per year to the program.

¹¹ The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.

¹² <https://oedit.colorado.gov/meeting-and-events-incentive-cash-rebate>



Appendices



Appendix A – Statute Citation

Quality Events Incentive Act

68 O.S. § 4301 (OSCN 2024)

A. It is the purpose of this act to implement the provisions of the constitutional amendment contained in Enrolled Senate Bill No. 755 of the 1st Session of the 50th Oklahoma Legislature.

B. It is the intent of the Legislature that:

1. The State of Oklahoma provide appropriate incentives to support retention of manufacturing establishments:

a. that yield higher long-term benefits for job retention and increase the wealth of the state,

b. that create competitive advantages for the State of Oklahoma in attracting and retaining industries and jobs, and

c. that hold the promise of significant modernization and retooling that will assure the stability of the industry in Oklahoma and, by doing so, help enlarge the tax base and stabilize the economy of the State of Oklahoma when there is a direct threat to the existing revenue base and wealth of the state because existing establishments are at risk of being lost to other states or nations;

2. The amount of incentives provided pursuant to this act in connection with a particular establishment be directly related to benefits caused by retention of jobs and investment and the placing of new investment, created as a result of the establishment modernizing and retooling in, and thereby remaining and growing in the State of Oklahoma as reflected by the economic impact, historical contributions trends and tax revenue projections analyses;

3. The Quality Investment Committee created by this act, the Oklahoma Department of Commerce, the Oklahoma Tax Commission, the Governor, the President Pro Tempore of the Senate and the Speaker of the House of Representatives 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

4. Nothing herein shall be construed to constitute a guarantee or assumption by the State of Oklahoma of any debt of any individual, company or corporation or association. Nor does this act authorize the credit of the State of Oklahoma to be given, pledged or loaned to any individual, company, corporation or association. Nothing herein shall be construed to constitute a gift by the State of Oklahoma to any individual, company, corporation or association.

C. In fiscal years when the provisions of subparagraph a of paragraph 6 of Section 23 of Article X of the Oklahoma Constitution are not applicable and the balance at the beginning of such fiscal year in the Constitutional Reserve Fund is equal to or greater than Eighty Million Dollars (\$80,000,000.00), up to Ten Million Dollars (\$10,000,000.00) may be expended for the purpose of providing incentives to support retention of at-risk manufacturing establishments in this state in order to retain employment for residents of this state. Such incentives shall be paid by the Oklahoma Tax Commission upon a unanimous finding by the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate that:

1. Such incentives have been recommended by the Quality Investment Committee created by this act pursuant to criteria set out by law;



2. The incentive will result in a substantial benefit to this state; and
3. Payment of the incentive would be in accordance with law.

For purposes of the Oklahoma Quality Investment Act:

1. "At-risk establishments" are those manufacturing establishments, presently existing in Oklahoma which the Quality Investment Committee, as described in paragraph 6 of this section, finds would be lost within the state based on changes in global economies, establishment structure, consolidation of establishments, and which are structurally noncompetitive but which could regain a competitive position with new investment if incentives are offered;
2. "Capital costs" means costs for land, building, improvements to buildings, fixtures and for machinery and equipment as those terms are described in Section 2902 of Title 68 of the Oklahoma Statutes;
3. "Economic impact" means economic impact as described in analyses that identify the value in terms of sales tax and income tax revenues to the state and to the local community of the establishment that the retention and expansion or modernization of the manufacturing site provides. The Oklahoma Department of Commerce may contract for the performance of an economic impact analysis to aid it in determining whether to recommend entering into a Quality Investment Contract with a particular establishment;
4. "Historical contributions trends" means historical contributions of an establishment as described in analyses of direct and indirect historical contributions to the state and local economies that an establishment has had on jobs and tax base growth, and on payroll and tax revenue inputs and growth. Analyses shall include consideration of positive trends attributable to suppliers of the establishment. The Oklahoma Department of Commerce may contract for the performance of an historical contributions analysis to aid the Quality Investment Committee in determining whether to recommend entering into a Quality Investment Contract with a particular establishment;
5. "Local community" means the town or city and the county of the location of the establishment; provided, a city or town and a county may jointly constitute the "local community";
6. "Quality Investment Committee" means the independent committee referenced in paragraph 6 of Section 23 of Article X of the Oklahoma Constitution that consists of the following members:
 - a. the Director of the Oklahoma Department of Commerce,
 - b. the Dean of Engineering of Oklahoma State University,
 - c. the Director of the Oklahoma Alliance for Manufacturing Excellence,
 - d. the Dean of the Price Business College of the University of Oklahoma,
 - e. the Executive Director for the Oklahoma Center for the Advancement of Science and Technology,
 - f. one small business representative from the Oklahoma Science and Technology Research and Development Board, and
 - g. the State Director of Career Technology Education;
7. "Tax revenues projections" means a projection of anticipated tax revenues based upon an analysis of historic taxes collected from the establishment in the local community and in the state overall over the previous ten (10) years in order to determine:



- a. the average of the growth percentages to determine the projected growth in such revenues to the community and the state over the following ten (10) years if no retooling occurs but retention is assumed to be a constant and remains stagnant,
- b. the modernization or retooling project's estimated impact on tax revenues and growth rates over the following ten (10) years, and
- c. the projections of loss in tax revenues should the plant location close and operations, in whole or in part, are removed from the state.

The Oklahoma Department of Commerce may contract with the Oklahoma Tax Commission for performance of tax revenues projections analyses to aid it in determining whether to enter into an agreement upon recommendation of the Quality Investment Committee;

8. "Establishment" means a manufacturer that is a partnership, limited partnership, corporation, limited liability company, limited liability partnership, or sole proprietorship. The establishment may enter into a Quality Investment Contract pertaining to only one manufacturing site as that term is defined in Section 1352 of Title 68 of the Oklahoma Statutes. No combination of other locations of the establishment, or any related entities of the establishment is contemplated. An establishment may have multiple contracts due to multiple sites or multiple expansions due to retooling and modernization at one site;

9. "NAICS" Manual means any manual book or other publication containing the North American Industry Classification System, United States, 1997, or as updated or amended from time to time, promulgated by the Office of Management and Budget of the United States of America; and

10. "Start date" means the date on which an establishment may begin accruing benefits for investment of new capital costs in a manufacturing site that is assigned in the agreement with the Oklahoma Department of Commerce.

A. Not later than thirty (30) days prior to the initial date of a quality event, a host community may designate:

1. The dates during which a quality event will be hosted; and
2. The type of expenses eligible for distribution of captured revenues to the host community including, but not limited to, advertising, facility rental, promotional materials and security.

B. Any designation made by a host community for purposes of the Oklahoma Quality Events Incentive Act shall be made pursuant to an ordinance or resolution duly adopted by the governing body of the host community.

C. A host community may only designate one quality event during the time frame in which a designated quality event will occur.

D. Within sixty (60) days of the date on which the host community adopts an ordinance or resolution pursuant to subsection A of this section, such host community shall submit to the Oklahoma Tax Commission, on such forms as the Tax Commission may prescribe, a copy of such ordinance or resolution, an economic impact study and the event history. The Oklahoma Tax Commission shall designate a single employee or division responsible for processing information, making determinations and any other duties related to the Oklahoma Quality Events Incentive Act.



E. Within sixty (60) days from the date of receipt of the information from the host community as required by subsection D of this section, the Tax Commission shall approve or disapprove, in whole or in part, the submission and analysis of the required information. The Oklahoma Department of Commerce and the Oklahoma Tourism and Recreation Department shall provide such assistance and information as requested by the Tax Commission.

A. The host community shall provide to the Oklahoma Tax Commission detailed information disclosing the total amount of eligible local support amounts for purposes of determining the amount of incremental state sales tax revenue that may be paid to a host community in which a quality event occurs.

B. The Tax Commission shall verify the amount of eligible local support amounts prior to making any payment to a host community.

C. After the conclusion of an event, the host community shall provide information related to the event, such as attendance figures, financial information or other public information held by the host community that the Tax Commission considers necessary to evaluate the actual economic impact of the event.

D. The Tax Commission shall compare the total amount of eligible local support amounts with the total amount of incremental state sales tax revenues remitted by vendors, such revenues to be established through the economic impact study.

E. If the Tax Commission determines through an analysis of the economic impact study that the total amount of incremental state sales tax revenues is zero, no payment shall be made to a host community.

F. If the Tax Commission determines through an analysis of the economic impact study that the total amount of incremental state sales tax revenues is greater than zero, but less than the total amount of eligible local support amounts, the Tax Commission shall make payment, subject to the limitations of subsection I of this section, to the host community of the quality event in an amount equal to the incremental state sales tax revenues.

G. If the Tax Commission determines through an analysis of the economic impact study that the total amount of incremental state sales tax revenues is at least equal to the amount of eligible local support amounts, the Tax Commission shall make payment, subject to the limitations of subsection I of this section, to the host community in which the quality event occurs in an amount equal to, but not greater than, the eligible local support amounts.

H. No payment shall be made to any host community from a source other than the incremental state sales tax revenues, if any, derived from state sales tax remittances of vendors as a result of the quality event, as determined by an economic impact study verified by the Oklahoma Tax Commission.

I. No payment shall be made to any host community in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) for a single quality event regardless of the amount of eligible local support paid by the host community.

No proceeds from the levy of any sales tax imposed by a county or a municipality shall be affected by the provisions of this act and the proceeds from any such levy shall be collected and remitted as required by the Oklahoma Sales Tax Code. The distribution of the revenues shall be made in accordance with all applicable requirements of law with respect to such sales tax levies.

Notwithstanding any other provision of this act, total payments resulting from the provisions of the Oklahoma Quality Events Incentive Act to all host communities shall not exceed:

1. Two Million Dollars (\$2,000,000.00) for the fiscal year ending June 30, 2013;



2. Two Million Five Hundred Thousand Dollars (\$2,500,000.00) for the fiscal year ending June 30, 2014; and

3. Three Million Dollars (\$3,000,000.00) for each of the fiscal years ending June 30, 2015, through June 30, 2018.

After the conclusion of a quality event for which the Oklahoma Tax Commission has given approval pursuant to subsection E of Section 4 of this act, and within the time limit prescribed by Section 5 of this act, the Tax Commission shall utilize the amount of incremental sales tax revenues derived from the levy of the state sales tax imposed pursuant to Section 1354 of Title 68 of the Oklahoma Statutes necessary to make payment to a host community based upon eligible local support payments according to the requirements of Section 5 of this act.

The Oklahoma Tax Commission may promulgate such rules as may be necessary to implement the provisions of the Oklahoma Quality Events Incentive Act.

The Executive Director of the Oklahoma Department of Commerce shall make a report to the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate not later than December 1, 2013, and each December 1 thereafter if this act is in force and effect, regarding the effect and impact of the Oklahoma Quality Events Incentive Act.

A. A county, city or town that enters into any contract, memorandum of understanding or other agreement with a person or lawfully recognized business entity while the Oklahoma Quality Events Incentive Act is in force and effect and in reliance upon the provisions of the Oklahoma Quality Events Incentive Act shall receive the payments provided by this act even if the Oklahoma Quality Events Incentive Act ceases to have the force and effect of law at any time subsequent to the execution of such contract, memorandum of understanding or agreement, including any amendments to such documents if the amendments are incorporated and adopted while the Oklahoma Quality Events Incentive Act is in force and effect.

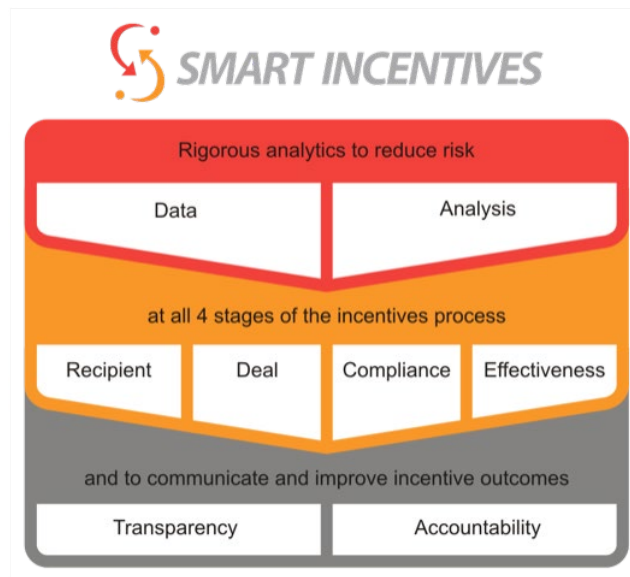
B. Any person or lawfully recognized business entity that enters into a contract, memorandum of understanding or other agreement with another person or lawfully recognized business entity while the Oklahoma Quality Events Incentive Act is in force and effect and in reliance upon the provisions of the Oklahoma Quality Events Incentive Act shall have the right to enforce the terms of such contract, memorandum of understanding or agreement with respect to any amount payable pursuant to the terms of the Oklahoma Quality Events Incentive Act as of the date upon which such contract, memorandum of understanding or agreement is executed, including any amendments to such documents if the amendments are incorporated and adopted while the Oklahoma Quality Events Incentive Act is in force and effect.



Appendix B: 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,¹³ 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.

¹³ 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.