



State of Oklahoma

Incentive Evaluation Commission

Rural Economic Action Plan Evaluation

November 11, 2019

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Contents

Key Findings and Recommendations 3

Introduction 6

Rural America and Oklahoma Background 8

Program Usage and Administration 11

Economic and Fiscal Impact 22

Incentive Benchmarking 25

Appendices 30



Key Findings and Recommendations



Overview

In 1996, the Oklahoma Legislature created two grant programs with a goal to “remove impediments to economic development in rural areas to alleviate the sometimes negative effects of lower population density, population decreases and increased demand for governmental services and to maintain a desirable quality of life for residents and other legal entities in rural areas.” The Rural Economic Development Action Plan (REAP) encompasses these two grant programs.

Recommendation: Based on its analysis of available data, the project team recommends reconfiguring the program.

Key Findings

- **The State has two REAP programs.** While largely administered at the local level by regional councils of government (COGs), the Department of Commerce (Department) provides oversight for REAP economic development project funds, while the Oklahoma Water Resources Board (OWRB) provides oversight for REAP water infrastructure project funds.
- **The State’s REAP funds are competitively awarded and appear to be in demand.** Local governments must apply for funds in support of specific infrastructure projects, and applications for funds surpass the funds available.
- **Based on a high level analysis, REAP funds do not appear to impact quality of life measures.** The project team did not observe changes in unemployment rate, median household income or poverty rate in local governments receiving funding or relative to local governments not receiving REAP funds.
- **Data related to certain evaluation criteria is not collected by program participants or the programs’ administrators.** The Commission’s criteria for evaluation include Oklahoma jobs creation and capital investment associated with funding in participating local governments, and comparisons to similar local governments not participating. This data is not collected or tracked by the local governments or the COGs responsible for administering the REAP funds.
- **REAP grants result in increased statewide economic activity, but the net impact is negative.** Between 2014 and 2018, the grants, through direct, indirect and induced economic effects, generated approximately \$2.3 million in State tax revenue. Over the same period, however, the State provided nearly \$52.0 million in grant funds across both funding programs, resulting in a net impact over the five year period of -\$49.6 million.
- **A traditional economic impact analysis does not capture the full benefits of improving infrastructure.** For example, improving transportation infrastructure can reduce travel time and costs. In addition, new capacity might attract a new firm to the region. However, the information currently collected by the State does not allow for this type of analysis.

Other Findings

- **While several states have grant programs structured much like Oklahoma’s, other state approaches focus on directly incenting businesses to locate in rural areas.** Many states, including Florida, Georgia, North Carolina, South Carolina and Utah, have programs that combine REAP-like benefits with other rural economic development initiatives.
- **The State is not at risk of significant increases in the costs associated with these programs.** One of the statutory requirements of the Incentive Evaluation Act is that each evaluation should



determine “whether adequate protections are in place to ensure the fiscal impact of the incentive does not increase substantially beyond the State’s expectations in future years.” Given that grant funds are appropriated by the legislature each year, the State is not at risk of unknowingly making significant increases in expenditures related to this incentive.

Recommended Program Modifications

- **Increase REAP funding and/or pair the REAP program with other rural economic development strategies.** Currently, REAP funds are spread thinly across the state. In FY2018, the average water project grant was \$84,000, and the average economic development project grant was \$34,000 – likely far below the total cost of the projects. Consider increasing program funding and/or directing funds toward the implementation of strategies employed in other states, such as the rural investment fund approach used in Georgia, Pennsylvania and Utah.
- **Eliminate the provision that requires INCOG and ACOG to split a share of available funds.** As currently constructed, the program provides that INCOG and ACOG receive half the share of REAP funding despite having REAP-eligible communities. For example, the FY2019 OWRB apportionment of nearly \$3 million was distributed so that INCOG and ACOG each received \$149,139, while all other COGs received \$298,279. Similarly, the Department’s appropriation of just over \$10 million was distributed so that INCOG and ACOG each received \$0.5 million, while all other COGs received slightly over \$1 million. As INCOG and ACOG contain communities eligible for REAP funds, this provision appears to be unnecessarily restrictive.
- **To measure program success, require communities to provide additional information regarding the impact of REAP-funded projects.** To understand the full economic impact of the grant programs and resulting improved local government infrastructure, data regarding whether the projects generated the desired effects would be required. For example, the State could develop, provide to the COGs and require use of a financial model that calculates each project’s return on investment.



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 first set of 11 evaluations were conducted in 2016, 12 were conducted in 2017 and an additional 11 were conducted in 2018.

The following evaluation of the Rural Economic Action Plan (REAP) grant programs administered by the Oklahoma Department of Commerce (Department) and OWRB is one of 10 evaluations being conducted by the Commission in 2019. Based on this evaluation and their collective judgment, the Commission will make recommendations to the Governor and the State Legislature related to these programs.

Incentive Background

Oklahoma's population is more than one-third rural, significantly more so than the U.S. as a whole (19.3 percent). Rural areas face unique challenges that may hinder economic development opportunities, including lower incomes and employment rates, heightened sensitivity to economic trends that affect their leading industries and reduced financial capacity to address infrastructure needs.

In 1996, the Oklahoma Legislature created two grant programs with a goal to “remove impediments to economic development in rural areas to alleviate the sometimes negative effects of lower population density, population decreases and increased demand for governmental services and to maintain a desirable quality of life for residents and other legal entities in rural areas.”

While these programs (which provide grant funds to local governments for water quality and economic development projects) might not be considered incentives in the traditional sense. For example, the incentive evaluation law, HB2182, defines an incentive for purposes of evaluation to include grants that are “intended to encourage businesses to locate, expand, invest or remain in Oklahoma, or to hire and retain employees in Oklahoma.” Given the REAP programs' intent to improve economic conditions to spur business investment, the Commission concluded that they are subject to review under the process.

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 credit, the specific goal included in legislation is to improve the quality of life in rural Oklahoma. Per Oklahoma statute, the intent is to “remove impediments to economic development in rural areas in order to alleviate the sometimes negative effects of lower population density, population decreases and increased demand for governmental services and in order to maintain a desirable quality of life for residents and other legal entities in rural areas.”

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

- Demand for and usage of the program;
- Oklahoma jobs created for participating local governments, and comparisons to similar local governments that do not;
- Changes in capital investment for participating local governments, and comparisons to similar local governments that do not;
- Quality of life measures – changes in median income, poverty rate, employment within local governments that participate, and comparisons to similar local governments that do not;
- State return on investment.



Rural America and Oklahoma Background



Rural America and Oklahoma

The U.S. Census Bureau defines “rural” as what is not urban – in other words, after defining individual urban areas, rural is what is left. The Bureau’s definition of urban is largely based on residential population density and a few other land-use characteristics to identify densely developed territory.

Over the past century, the U.S. has experienced substantial urban growth. The suburbs around large cities have expanded, and in many areas account for a large proportion of a metropolitan area’s population and land area. Midsize cities and small towns have now grown into larger urban agglomerations. As urban areas and their populations have increased, the rural population’s share of the total population has declined – from 54.4 percent in 1910 to 19.3 percent in 2010 – despite rural areas comprising 97 percent of the nation’s land.¹ Oklahoma has four metropolitan statistical areas (Enid, Lawton, Oklahoma City and Tulsa) and 15 micropolitan statistical areas (i.e. small city clusters). The state is more rural than the U.S. as a whole: as of 2010, it was 33.8 percent rural.

Rural areas face challenges different than those in urban areas, due in large part to their differing economies. For example, employment levels in rural areas are more sensitive to economic trends that affect their leading industries. Trends in agricultural prices have a disproportionate effect on farming-dependent counties, which accounted for nearly 20 percent of all rural counties and 6 percent of the rural population in 2017. A decline in manufacturing employment has predominantly impacted manufacturing-dependent counties, which accounted for about 18 percent of rural counties and 22 percent of the rural population in 2017.²

According to the Federal Reserve, since 1990, median family incomes in rural areas have been between 20 and 25 percent lower than in the nation as a whole. Recent U.S. Bureau of Economic Analysis data indicates that per capita income are higher in metropolitan areas (even when adjusting for the cost of living) in all but eight states.³ Additionally, Federal Reserve data has demonstrated lower employment rates in rural areas, especially among less-educated workers,⁴ and a St. Louis Fed survey of struggling communities found that job shortages and poor school quality negatively impact rural areas more than metropolitan ones.⁵

Aging infrastructure is also a significant issue, and addressing infrastructure needs in rural communities is often particularly challenging due to limited staff and a lack of available expertise. A 2018 report by the Farm Foundation and the U.S. Department of Agriculture’s Economic Research Service found that many rural local governments engage in minimal planning and risk analysis and are therefore reactively addressing their infrastructure needs. Additionally, the limited availability of funds can pose challenges for small, rural communities. Infrastructure projects are often financed by pooling a mix of local, state and federal funds; for smaller localities, local matching funds are often difficult to find in their smaller budgets.⁶

A 2015 U.S. Government Accountability Office (GAO) report found the following issues affect the ability of rural communities to fund water and wastewater infrastructure:⁷

¹ U.S. Census Bureau – Defining Rural at the U.S. Census Bureau: American Community Survey and Geography Brief (December 2016). Accessed electronically at <https://www.census.gov/content/dam/Census/library/publications/2016/acs/acsgeo-1.pdf>

² United States Department of Agriculture Economic Research Service – Rural Economy. Accessed electronically at <https://www.ers.usda.gov/data-products/ag-and-food-statistics-charting-the-essentials/rural-economy/>

³ Federal Reserve Bank of St. Louis – The Challenges and Promises of Rural America (March 2019). Accessed electronically at <https://www.stlouisfed.org/on-the-economy/2019/march/addressing-economic-development-rural-america>

⁴ Board of Governors of the Federal Reserve System – Labor Market Outcomes in Metropolitan and Non-Metropolitan Areas: Signs of Growing Disparities (September 2017). Accessed electronically at <https://www.federalreserve.gov/econres/notes/feds-notes/labor-market-outcomes-in-metropolitan-and-non-metropolitan-areas-signs-of-growing-disparities-20170925.htm>

⁵ Federal Reserve Bank of St. Louis – 2017 Community Development Outlook Survey. Accessed electronically at <https://www.stlouisfed.org/community-development/publications/community-development-outlook-survey/2017-survey>

⁶ Farm Foundation – Economic Returns to Rural Infrastructure Investment: A Local Perspective on the Rank and Selection of Infrastructure Projects (September 2018). Accessed electronically at <http://www.farmfoundation.org/wp-content/uploads/2018/09/FP-TannerWolfe.pdf>

⁷ U.S. Government Accountability Office – Rural Water Infrastructure: Federal Agencies Provide Funding but Could Increase Coordination to Help Communities (reissued November 2015). Accessed electronically at <https://www.gao.gov/assets/670/668743.pdf>



- Communities typically paid for drinking water and wastewater infrastructure through the rates charged to users of the drinking water and wastewater systems. In some cases, however, these communities did not have the number of users needed to share the cost of major infrastructure projects while maintaining affordable user rates. As a result, they depended heavily on federal and state grants and subsidized loan programs.
- Some rural communities did not have technical expertise and had to hire consultants and engineers to help design water or wastewater projects and complete the technical documents necessary to apply for funding.
- Rural communities faced potentially duplicative application requirements when applying to multiple state or federal programs, making it more costly and time-consuming to complete the application process. For example, engineers GAO interviewed estimated that preparing additional preliminary engineering work could cost anywhere from \$5,000 to \$50,000 and that the cost of an additional environmental analysis could add between \$500 and \$15,000 to a community's costs.

Further, small governments that do not often issue debt in the municipal market tend to pay a premium on interest and borrowing costs because investors are not familiar with them. In 1986, bank-qualified bonds were created to encourage banks to invest with these smaller, less frequent issuers by giving the banks tax breaks related to buying and holding the bonds. They also saved those municipalities money on borrowing costs because it allowed them to bypass the traditional underwriting system and sell their tax exempt bonds directly to local banks. However, only small governments that issue \$10 million or less in bonds per calendar year can sell bank-qualified debt.

Given the focus of this evaluation, it is important to note that while there is often a tendency to think "infrastructure" refers only to roads and bridges, but the term also encompasses water and wastewater systems. Lack of access to sufficient water infrastructure is often more prevalent in rural America, as smaller communities can lack the financial resources to address capital-intensive needs.

Oklahoma's water and wastewater infrastructure is no exception. In 2013, the American Society of Civil Engineers (ASCE) conducted an independent review of the then-current state of Oklahoma's infrastructure needs, capability and funding.⁸ The analysis gave the state a 'D+' for its water and wastewater infrastructure, noting that while Oklahoma has an abundance of water, many citizens lack access to dependable water sources due to the distance of supplies, insufficient infrastructure or storage, water quality constraints and other limiting factors. The report cited a lack of access to adequate funding to meet infrastructure needs as the State's primary challenge, and in March 2019, the ASCE estimated that Oklahoma will have nearly \$6.9 billion in drinking water needs and \$2.4 billion in wastewater needs over the next 20 years.⁹

⁸ American Society of Civil Engineers – 2013 Report Card for Oklahoma's Infrastructure. Accessed electronically at <https://www.infrastructurereportcard.org/wp-content/uploads/2016/10/ASCE-OK-2013-Report-Card.pdf>

⁹ American Society of Civil Engineers – Key Facts About Oklahoma's Infrastructure (2019). Accessed electronically at <https://www.infrastructurereportcard.org/wp-content/uploads/2019/03/Oklahoma-2019.pdf>



Program Usage and Administration



Program Characteristics

The following table summarizes key principles of each of the REAP programs.

Table 1: Summary of REAP Grant Programs

	REAP Water Projects Grants	REAP Economic Development Grants
Agency	Oklahoma Water Resources Board	Oklahoma Department of Commerce
Fund	Rural Economic Action Plan Water Projects Fund	Rural Economic Action Plan Fund
Allocation to COGs	Annual appropriation distributed equally into 10 accounts. One of the 10 accounts contains 2 subaccounts for use by COGs with at least one municipality having a population larger than 350,000: ACOG (OKC area COG) and INCOG (Tulsa area COG)	<ul style="list-style-type: none"> - Annual appropriation less than \$15.5 million: distributed equally into 10 accounts; one of 10 accounts contains 2 subaccounts for use by ACOG and INCOG - Annual appropriation between \$15.5 and \$17.05 million: \$1.55 million distributed to each of 9 accounts; 2 accounts split the balance for use by ACOG and INCOG - Annual appropriation greater than \$17.05 million: distributed equally into 11 accounts
Funding Limits	\$150,000 per municipality per 12 months	None
Eligible Entities	Cities Towns Unincorporated areas Other qualified entities (e.g. rural water districts)	Cities Towns Unincorporated areas
Eligibility Population Cap	Not greater than 7,000 people*	Not greater than 7,000 people*
Funding Priorities	<ul style="list-style-type: none"> - Entities with fewer than 1,750 people - Entities with a relatively weaker fiscal capacity 	None



REAP Water Projects Grants		REAP Economic Development Grants
Eligible Projects	Water quality projects, including but not limited to: 1. Sewer line construction or repair and related storm or sanitary sewer projects 2. Water line construction or repair 3. Water treatment, acquisition, distribution or recovery and related projects	Rural economic development projects, including: 1. Rural water quality projects, including acquisition, treatment, distribution and recovery of water for consumption by humans or animals or both 2. Rural solid waste disposal, treatment or similar projects 3. Rural sanitary sewer construction or improvement projects 4. Rural road or street construction or improvement projects 5. Provision of rural fire protection services and public safety services 6. Expenditures designed to increase the employment level within the jurisdiction of the entity 7. Provision of health care services, including emergency medical care, in rural areas 8. Construction or improvement of telecommunication facilities or systems 9. Improvement of municipal energy distribution systems 10. Community buildings, courthouses, town halls, senior nutrition centers, meeting rooms or similar public facilities**

Source: 62 O.S. §2001 et al.

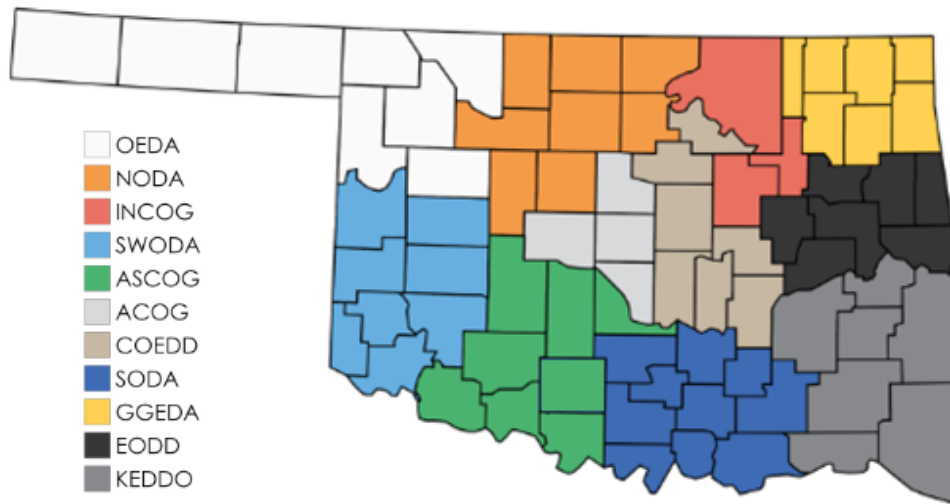
* SB553 of the 2019 regular session proposed to increase the population threshold for both programs from 7,000 to 15,000 people, increase from 1,750 to 7,000 people the threshold for water projects grant funding priority and establish a threshold of 7,000 people for economic development grant funding priority. The bill was engrossed on March 12, 2019 before the Senate adjourned sine die.

** Effective July 1, 2010, at least 80 percent of funds distributed to COGs must be used on projects in categories 1-6 above

While both offerings are state-level programs, Oklahoma’s 11 regional councils of government (COGs) are tasked with administering the programs locally and allocating funds to the localities they serve. As voluntary associations of local governments formed under Oklahoma law, the COGs manage issues that cross the boundaries of individual local governments or that require regional attention and provide a regional approach to problem solving through cooperative action. The following map depicts the counties served by each of the COGs.



Figure 1: Oklahoma Regional Councils of Government



Source: Oklahoma Association of Regional Councils

The specifics of each grant program are discussed in the following.

OWRB Water Project Grants

Program Funding

The OWRB's REAP Water Projects Fund receives a portion of the revenue generated by the state gross production tax on oil. Several factors have changed the OWRB apportionment formula and/or total received over time:

- Prior to July 1, 2013, oil production was subject to a three-tiered tax rate structure based on the current price. For oil prices greater than \$17 per barrel, the tax rate was 7.0 percent; between \$14 and \$17, 4.0 percent; and below \$14, 1.0 percent.
- Beginning in FY2007, the 4.28 percent apportionment previously allocated to the OWRB was diverted and distributed equally into three new funds (each receiving one-third of the apportionment): the Tourism and Recreation Department's Capital Expenditure Revolving Fund, the Conservation Commission's Infrastructure Revolving Fund and the OWRB's Community Water Infrastructure Development Revolving Fund. The OWRB was to use their portion of funds to continue supporting water infrastructure needs to and administer the Oklahoma Comprehensive Water Plan.
- The sum of the total amounts deposited to the funds receiving apportionments from the 7.0 percent gross production tax on oil cannot exceed \$150 million per fiscal year. All amounts in excess of this total are deposited into the General Revenue Fund.

The OWRB apportionment is illustrated in the following table:



Table 2: OWRB Apportionment, FY2006-FY2018

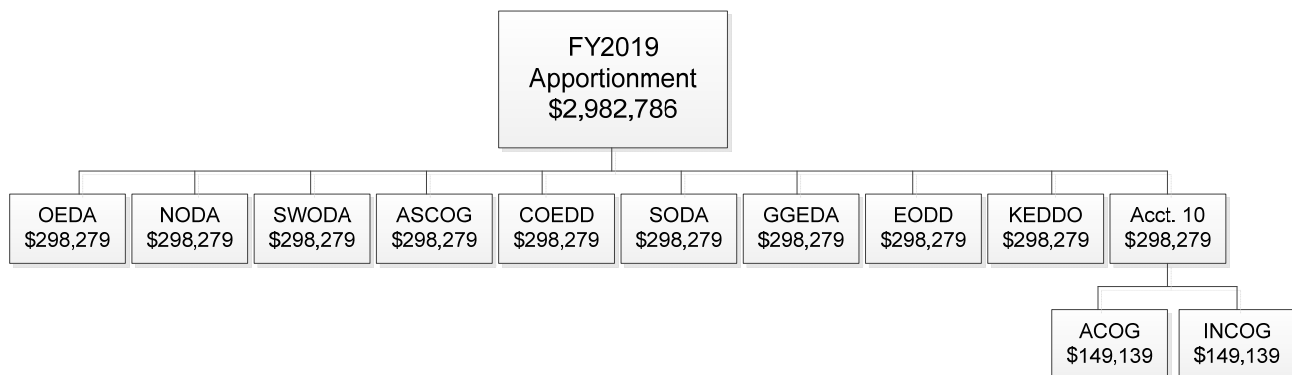
Fiscal Year	OWRB Apportionment	OWRB Apportionment Formula
FY2006	\$7,489,501	4.28% of revenue generated by oil taxed at 7%*
FY2007	\$2,496,500	4.28% diverted and distributed equally (1.43% each) into 3 funds, including OWRB Community Water Infrastructure Development Revolving Fund**
FY2008	\$2,627,700	
FY2009	\$2,627,700	
FY2010	\$2,627,700	
FY2011	\$2,627,700	
FY2012	\$2,627,700	
FY2013	\$2,627,700	1.43% of revenue generated by oil taxed at 7%; 1.25% of revenue generated by oil taxed at 4%
FY2014	\$2,627,700	
FY2015	\$2,627,700	
FY2016	\$1,879,915	1.25% of revenue generated by oil taxed at 4%
FY2017	\$2,130,264	
FY2018	\$2,628,136	1.43% of revenue generated by oil taxed at 7%; 1.67% of revenue generated by oil taxed at 5%
FY2019	\$2,982,786	

Source: Oklahoma Tax Commission Apportionment Charts

Note: FY2008-FY2015 totals are flat due to a \$150 million cap on gross production tax apportionment to applicable funds

Under the current COG allocation formula (as described in Table 1), the FY2019 OWRB apportionment of nearly \$3 million would be distributed to the COGs as follows:

Figure 2: FY2019 Allocation of Apportionment to COGs

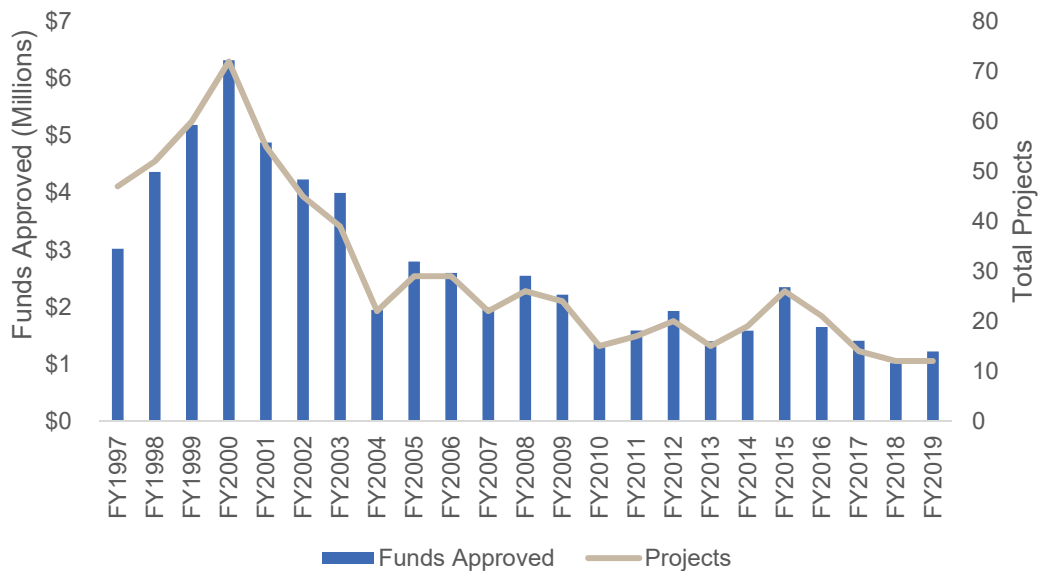


Historic Program Usage

The OWRB has supported 693 water quality projects since FY1997 through the issuance of \$61.6 million in grants. Funds have generally declined since peaking in FY2000, when more than \$6.3 million in project funds was approved.



Figure 3: Water Quality Projects Approved



Source: OWRB

Over the past four fiscal years, the COGs have each approved funding for up to four projects. The average number of projects per COG has decreased, declining from 2.4 in FY2015 to 1.1 in FY2018. The average funding per project has fluctuated over the time period, ranging from \$78,000 in FY2016 to just over \$100,000 the following fiscal year.

Table 3: REAP Water Projects Grants Approved, FY2015-FY2018

	FY2015	FY2016	FY2017	FY2018
ACOG	0	2	1	0
ASCOG	3	2	1	1
COEDD	4	2	1	2
EODD	2	2	1	1
GGEDA	3	2	1	2
INCOG	2	1	1	1
KEDDO	2	2	2	1
NODA	2	2	2	1
OEDA	4	2	1	1
SODA	2	3	1	1
SWODA	2	1	2	1
Total	26	21	14	12
Avg. Projects/COG	2.4	1.9	1.3	1.1
Avg. Funding/Project	\$90,186	\$78,451	\$100,393	\$84,393

Source: OWRB

Note: Fiscal year in which project approved may not necessarily be the fiscal year in which project funded.

Program Administration

Administration of the OWRB's water project grants is straightforward and primarily involves the application by local government associations and review of those applications by the OWRB:



- **Application.** The OWRB hosts a pre-application conference prior to the submission deadline each year. Completed applications must be received by the OWRB on the first business day of September for potential funding from the following fiscal year appropriations.

To prevent the same locality or area from receiving an undue advantage, a political subdivision and all its public trusts and similar subordinate entities together are treated as one and the same qualified entity.¹⁰

- **Application Review.** The OWRB uses a 115 point application process to distribute available REAP funds. Criteria used in evaluation include population (55 points), water and sewer rates (13 points), ability to finance the project (12 points), indebtedness per customer (10 points), median household income (10 points), construction start date (5 points), benefit of the project to other systems (5 points), total funds requested (-5 to 5 points) and receipt of previous grant assistance (-14 to -8 points).¹¹ Applications that receive 40 or more points are placed on a priority list.

Economic Development Grants

Program Funding

Commerce’s economic development grants are funded solely by appropriation. As shown in the following table, annual funding has effectively been flat in recent years, with a compound annual growth rate (CAGR) of -1.4 percent between FY2015 and FY2020.

Table 4: REAP Economic Development Program Appropriation History

FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
\$10,884,894	\$10,403,777	\$9,658,172	\$9,126,817	\$10,126,817	\$10,126,817

Source: FY2020 Governor’s Executive Budget

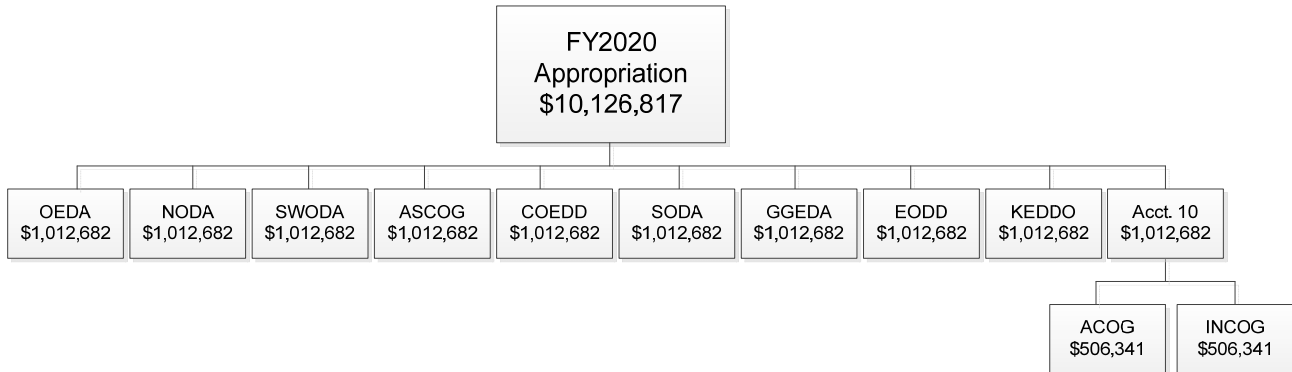
Under the current COG allocation formula (as described in Table 1), the FY2020 appropriation would be distributed to the COGs as follows:

¹⁰ A political subdivision is a separate legal entity of a State which usually has specific governmental functions. The term ordinarily includes a county, city, town, village, or school district, and, in many States, a sanitation, utility, reclamation, drainage, flood control, or similar district. Rural water or sewer districts are not considered subordinate entities of counties.

¹¹ Effective August 11, 2019, the OWRB adopted a new rule concerning the scoring process which, in addition to other criteria, adds “sustainability” as a factor. Between 3 and 10 points are awarded to applicants based on sustainability and long range planning.



Figure 4: FY2020 Appropriation Distribution to COGs



Historic Program Usage

The following table summarizes the economic development projects funded by REAP grants for the past four fiscal years. Across all COGs, the aggregate number of projects funded per year has remained relatively stable. The average funding provided per project is relatively low, ranging between approximately \$33,000 and \$37,000.

Table 5: REAP Economic Development Grants Projects Funded by COG, FY2015-FY2018

	FY2015	FY2016	FY2017	FY2018
ACOG	9	8	8	6
ASCOG	16	19	20	18
COEDD	26	30	23	31
EODD	49	45	39	36
GGEDA	36	32	29	39
INCOG	14	21	14	11
KEDDO	44	46	36	33
NODA	20	15	23	23
OEDA	29	28	33	24
SODA	36	39	32	31
SWODA	15	20	18	18
Total Projects Funded	294	303	275	270
Avg. Funding/Project	\$37,023	\$33,409	\$35,896	\$34,029

Source: Department of Commerce

Program Administration

The economic development grant program was initially developed by Commerce in partnership with the COGs to leverage the impact of funds. The U.S. Department of Housing and Urban Development (HUD)'s Community Development Block Grant (CDBG) program requires local governments to provide matching funds, and REAP funds often (but not always) serve this purpose, matching CDBG funds dollar for dollar on projects. While there are standalone CDBG projects unconnected to REAP, there are also several standalone REAP projects unconnected to CDBG.



Generally, Commerce plays a small role, as the program is primarily administered by the COGs. Administration of the program is relatively straightforward and entails Commerce's review of proposed projects and annual local government reporting.

- **Review of Proposed Projects.** In order to be eligible to receive REAP funds, local government associations must first file reports with the Department detailing the planned use of funds for the economic development of areas included within their respective jurisdictions. Each plan must be approved by an affirmative vote of two-thirds of the governing board of the association, and the vote must be memorialized in a document and subsequently filed with the Department.
- **Local Government Reporting.** By July 31st of each year, local government associations are required to submit to the Department a summary of each project where REAP funds were expended during the fiscal year.

REAP funds may not be used to pay any administrative expenses of the association, except for an initial planning expenditure payment of up to five percent of the total award. The Department is responsible for monitoring expenditures to ensure compliance with this law. Entities are required to pay back any funds determined to have been misused, and those entities are not eligible to receive funding for one year.

A 2014 performance audit by the Oklahoma State Auditor and Inspector (SAI) noted that the Department's controls related to the REAP Program were generally operating effectively, with the exception of inadequate monitoring of REAP-only expenditures. The SAI recommended management develop a monitoring plan that would provide sufficient assurance that state-appropriated REAP funds were ultimately being spent for their intended purpose. In its response, the Department created a guidance document for use in administering the program beginning in FY2015 and also implemented new monitoring documents/procedures within its program guidelines.¹²

REAP Impacts on Quality of Life

As described in statute, the Oklahoma Legislature created the REAP programs to "remove impediments to economic development in rural areas to alleviate the sometimes negative effects of lower population density, population decreases and increased demand for governmental services and to maintain a desirable quality of life for residents and other legal entities in rural areas."

To explore linkages between REAP funding and quality of life, the project team analyzed the change over time of key quality of life metrics – unemployment rate, median household income and poverty rate – of towns receiving REAP funds relative to towns locate in the same county that have not received funding. The project team focused on towns, as they are able to be isolated in the U.S. Census Bureau's American Community Survey dataset (other types of governments, such as rural water districts and public works authorities, are not). The project team used a representative sample of towns in seven counties located in seven COGs. It should be noted that several factors impact the economics and demographics of a given area, and the following is not intended to indicate that REAP funds are wholly responsible for any changes. Instead, this analysis is meant to serve as a proxy for understanding the programs' effects in a given area. Detailed data is provided in Appendix B.

Unemployment Rate

¹² Oklahoma State Auditor and Inspector – Performance Audit: Oklahoma Department of Commerce (for the period July 1, 2013 through December 31, 2014). Accessed electronically at <https://www.sai.ok.gov/Search%20Reports/database/Dept%20of%20Commerce%20Web%20Final.pdf>



According to the U.S. Census Bureau, the average unemployment rate in rural areas of Oklahoma was approximately 6 percent in 2015 (about 6 percent for completely rural areas, 7 percent for mostly rural areas and 6 percent for rural/urban areas).¹³

As shown in Appendix B1, there does not appear to be a correlation between receipt of REAP funds and a reduction in unemployment rate or a relatively lower unemployment rate when compared to other rural towns in the same county.

Median Household Income

Based on U.S. Census Bureau data, the median household income in Oklahoma's rural areas was \$47,443 in 2015 (~\$43,000 in completely rural areas, ~\$46,000 in mostly rural areas and ~\$49,000 in rural/urban areas).

As shown in Appendix B2, REAP funds do not appear to be linked to higher median household income or sharper growth in median household income when compared to other rural towns in the same county.

Poverty Rate

According to the U.S. Census Bureau, the average poverty rate in Oklahoma's rural areas exceeds 15 percent (~18 percent in completely rural areas, ~16 percent in mostly rural areas and ~15 percent in rural/urban areas).

As shown in Appendix B3, towns receiving REAP funds do not necessarily have lower poverty rates or have poverty rates declining at a sharper pace than other rural towns in the same county.

COG Survey

In order to better understand each COG's experience with and perception of the REAP programs, the project team administered an electronic survey of the COGs. The list of survey questions is provided in **Appendix A**. In total, 8 of 11 COGs responded. A summary of the key findings is provided in the following.

Key Program Strengths

Several COGs indicated that the application process is simple – an important benefit for resource-constrained communities that may not have professional staff devoted to grant writing – and that projects are funded relatively quickly once all requirements are in place. The COGs also cited their role as a strength – as they are closer to the communities than a state or federal agency, they are likely to better understand the unique challenges and needs prevalent in their communities. Communication is made easier due to the relationship, and communities know that COGs are “just a phone call away.” The COGs also identified the flexible use of REAP funds as a primary benefit.

Primary Challenges

According to responding COGs, the most significant challenge is limited available funding. Several COGs indicated that the demand for funds is much greater than the funds available. According to one COG, projects funded account for 40 percent of total funding requests over the past four years. A different COG stated that it generally awards 50-60 percent of funding requests. Another referenced that in FY2019, requests totaled more than \$2 million, while available funds were less than \$1 million. Several COGs also cited a lack of funding for administrative costs associated with the programs, particularly as reporting and other requirements have increased in recent years.

Impact Metrics

¹³ “Completely rural” areas are those in which 100 percent of the population lives in areas that have a population density of less than 1,000 people per square mile; “mostly rural” areas are those in which 50.1-99.9 percent of the population lives in areas with this low population density; “rural/urban” counties are those with populations less than 50,000 that have more than 50 percent of people living in areas with a population density of more than 1,000 people per square mile.



REAP applications are evaluated based on several factors, including population, poverty rate, project need, project impact and a cost/benefit analysis, formal metrics are not used uniformly by all COGs to evaluate the impact that REAP funds have made. One COG described a process in which it analyzes what the grant has enabled a community to do: Was it able to invest in equipment that gave it capabilities it did not previously have? Did the grant allow it to construct the necessary infrastructure improvements to address a consent order or other regulation violation? Did the purchase of new utility meters increase revenue due to more accurate meter readings?

In evaluating the success of funded projects, we look at what the REAP funds allowed a grantee to do - were they able to invest in equipment that gave them capabilities they did not previously have; did using funds for engineering allow them to secure funding to construct the necessary infrastructure improvements to address a Consent Order or other regulation violation; did the purchase of new utility meters allow a community to increase their revenues due to more accurate meter reading; was REAP funding able to be used to leverage other funding to allow a larger project to be completed.

Each of the responding COGs cited several (albeit perhaps less measurable) benefits of REAP funds, including that the program makes available to small communities capital that they may not otherwise be able to access, and that often, REAP funds provide leverage that can help small communities access additional grant funds.



Economic and Fiscal Impact



Economic Impact Methodology

Economists use a number of statistics to describe regional economic activity. Four common measures are **Output**, which describes total economic activity and is generally equivalent to a firm’s gross sales; **Value Added**, which equals gross output of an industry or a sector less its intermediate inputs; **Labor Income**, which corresponds to wages and benefits; and **Employment**, which refers to jobs that have been created in the local economy.

In an input-output analysis of new economic activity, it is useful to distinguish three types of effects: **direct**, **indirect**, and **induced**.

Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator or the taxi fare paid for transportation while in town are examples of direct effects.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services. The taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic output of other local merchants.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor’s stay, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which increased income is spent in the local economy.

A multiplier reflects the interaction between different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, all other sectors produce an additional \$400 in output. The larger the multiplier, the greater the impact will be in the regional economy.

Figure 5: The Flow of Economic Impacts



Fiscal Impact

To evaluate the economic impact of the incentive programs, the project team examined the grants offered each year between 2014 and 2018. The economic and tax impact calculations were made using this information. The IMPLAN model was used to calculate the impact of this spending by year. The project team selected the appropriate IMPLAN sector based on the type of infrastructure project (e.g. water or road).

Table 6: Impact of REAP Grants

		Output	Value Added	Labor Income	Employment	Estimated Oklahoma Tax Revenue
2014	Direct Effect	\$2,627,700	\$1,177,660	\$1,004,666	18	
	Indirect Effect	\$1,147,126	\$604,261	\$381,351	7	
	Induced Effect	\$1,014,311	\$557,998	\$312,871	7	
	Total Effect	\$4,789,138	\$2,339,919	\$1,698,889	32	\$116,996



		Output	Value Added	Labor Income	Employment	Estimated Oklahoma Tax Revenue
2015	Direct Effect	\$13,512,594	\$5,868,812	\$5,015,932	88	
	Indirect Effect	\$6,437,140	\$3,336,995	\$2,164,238	37	
	Induced Effect	\$5,253,219	\$2,889,871	\$1,620,378	38	
	Total Effect	\$25,202,953	\$12,095,678	\$8,800,548	163	\$653,167
2016	Direct Effect	\$12,283,692	\$5,326,325	\$4,552,726	80	
	Indirect Effect	\$5,876,872	\$3,044,248	\$1,976,909	33	
	Induced Effect	\$4,777,207	\$2,628,007	\$1,473,549	35	
	Total Effect	\$22,937,771	\$10,998,580	\$8,003,185	148	\$538,930
2017	Direct Effect	\$11,788,436	\$5,117,185	\$4,373,676	77	
	Indirect Effect	\$5,623,801	\$2,914,628	\$1,891,116	32	
	Induced Effect	\$4,583,482	\$2,521,438	\$1,413,794	33	
	Total Effect	\$21,995,720	\$10,553,251	\$7,678,587	142	\$485,450
2018	Direct Effect	\$11,754,953	\$5,111,315	\$4,368,218	77	
	Indirect Effect	\$5,582,912	\$2,895,717	\$1,876,338	32	
	Induced Effect	\$4,568,739	\$2,513,330	\$1,409,247	33	
	Total Effect	\$21,906,604	\$10,520,362	\$7,653,803	142	\$515,498

Source: TXP, Inc. IMPLAN analysis output, July 2019

Table 7: Annual Tax Revenue Generated

	Total Grant Funding	Estimated Oklahoma Tax Revenue	Net Impact
2014	\$2,627,700	\$116,996	(\$2,510,704)
2015	\$13,512,594	\$653,167	(\$12,859,427)
2016	\$12,283,692	\$538,930	(\$11,744,762)
2017	\$11,788,436	\$485,450	(\$11,302,986)
2018	\$11,754,953	\$515,498	(\$11,239,455)
Total	\$51,967,375	\$2,310,040	(\$49,657,335)

Source: TXP, Inc. IMPLAN analysis output, July 2019

The preceding tables highlight the economic and tax impact by year. Over the past 5 years, approximately \$52.0 million in grants were awarded, generating an estimated \$2.3 million in State tax revenue. Since the economic impact of constructing new infrastructure is finite (versus a business that is assumed to operate for the foreseeable future), the tax impact of this program is negative. It should be noted, however, that a traditional economic impact analysis does not capture the full benefits of improving infrastructure. For example, improving transportation infrastructure can reduce travel time and costs. In addition, new capacity might attract a new firm to the region. However, the information currently collected by the State does not allow for this type of analysis. To understand the full economic impact of the grant programs and resulting improved local government infrastructure, data regarding whether the projects generated the desired effects would be required.



Incentive Benchmarking



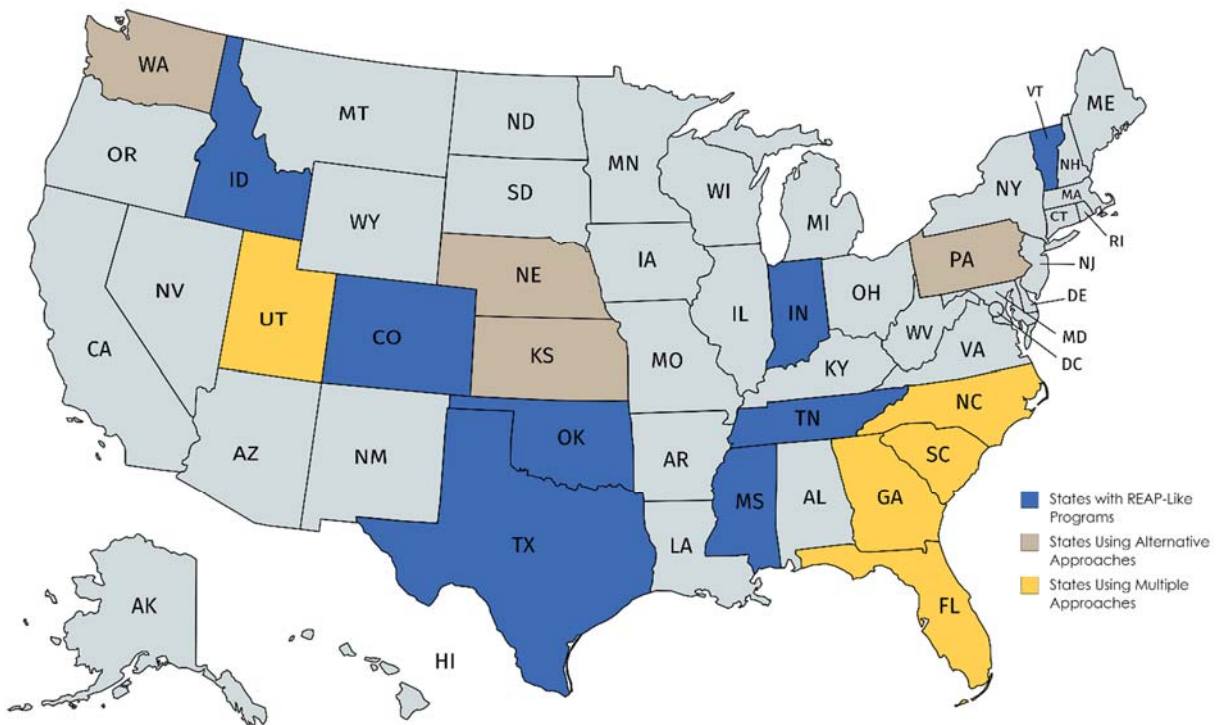
Benchmarking

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.¹⁴ 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.

In the case of the REAP programs, however, the primary comparison group is those states that have developed programs to encourage economic development in their rural areas. Inclusive of Oklahoma, a total of 13 states, highlighted in the following map, were found to have programs that support rural communities via direct investment. A detailed description of comparable state programs can be found in **Appendix C**.

Figure 6: States with Comparable Rural Economic Development Initiatives



Among these state programs, Oklahoma’s REAP grants are generally competitive. At \$150,000, Oklahoma’s maximum award size is comparable to Idaho, Mississippi and North Carolina, and higher than Tennessee and Utah. With a total appropriation in excess of \$10 million, the size of Oklahoma’s program is smaller than Georgia’s (\$52 million) and South Carolina’s (\$25 million) but comparable to North Carolina’s (\$12 million) and much larger than other state programs, including Utah (\$0.6 million) and Idaho (\$0.7 million). Most states

¹⁴ The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.



impose matching requirements or prioritize projects with matching funds; only Oklahoma and Georgia have no such provision. Additionally, several state programs (Idaho, Mississippi, South Carolina and Texas) have job creation requirements or prioritize projects in which jobs are projected to be created.

Rural economic development incentive (REDI) programs are also a common approach, offered by the United States Department of Agriculture (USDA) as well as several states, including Colorado, Florida, North Carolina and Vermont. The USDA created the REDI initiative to support recommendations identified in a report by the Task Force on Agriculture and Rural Prosperity; the recommendations outlined steps to develop rural economies nationally and support quality of life. The program provides free technical assistance for up to two years to help rural towns and regions create and implement economic development plans. The state programs function similarly, helping rural communities develop plans and undertake projects that help grow and create resiliency and diversity in the local economy.

Alternative Approaches to Rural Development

In addition to an approach in which the state provides direct assistance to local governments to undertake projects that may draw businesses to their respective areas, some states provide programs which directly incent businesses to locate in rural areas. States employing this approach include:

- **Florida.** The State offers a Rural Job Tax Credit Program to businesses that create new jobs within one of 36 designated qualified rural areas. Credits range from \$1,000 to \$1,500 per qualified employee. Credits are capped at \$5 million per calendar year.¹⁵
- **Georgia.** In 2017, Georgia created the Georgia Agribusiness and Rural Jobs Act, which is designed to spur \$100 million in capital investments in rural businesses in the state. Investors may redeem up to \$15 million in tax credits annually for four years (for a total of \$60 million tax credits) against their corporate income tax and premium tax liabilities.¹⁶
- **Kansas.** The State's Rural Opportunity Zones are designed to spur economic development and expand job growth in 77 key counties via income tax exemptions and student loan forgiveness programs.¹⁷
- **Nebraska.** The Nebraska Advantage Rural Development Act provides qualified businesses with refundable tax incentives for projects that create two new jobs and invest \$125,000 in counties with less than 15,000 residents or that create five new jobs and invest \$250,000 in counties with 15,000-25,000 residents.¹⁸
- **North Carolina.** A core piece of Governor Roy Cooper's recommended FY2019-FY2021 budget is centered on investment in rural areas of the state. In total, the proposal would allocate \$145 million for rural economic development, including a new Rural Investments Strengthening Economies (RISE) Program, which would set aside \$15 million over two years for new and expanding businesses in the

¹⁵ Florida Department of Economic Opportunity – Rural and Urban Job Tax Credit Programs. Accessed electronically at <http://www.floridajobs.org/business-growth-and-partnerships/for-businesses-and-entrepreneurs/business-resource/rural-and-urban-job-tax-credit-programs>

¹⁶ Georgia Department of Community Affairs – Georgia Agribusiness and Rural Jobs Act. Accessed electronically at <https://www.dca.ga.gov/community-economic-development/incentive-programs/georgia-agribusiness-rural-jobs-act>

¹⁷ Kansas Department of Commerce – Rural Opportunity Zones. Accessed electronically at <https://www.kansascommerce.gov/1163/Rural-Opportunity-Zones>

¹⁸ Nebraska Department of Revenue – Nebraska Advantage Rural Development Act. Accessed electronically at <http://www.revenue.nebraska.gov/incentiv/rural/608expand.html>



state's 80 rural counties. Additionally, the proposal allocates \$13 million for infrastructure support and another \$55 million for locally-identified economic development projects.¹⁹

- **Pennsylvania.** The Commonwealth provides a Rural Jobs and Investment Tax Credit Program to offer rural business owners access to capital for business development in rural areas. The capital is sourced to Rural Growth Funds, designated to receive up to \$100 million in capital contributions from investors. Businesses that make a credit-eligible capital contribution are eligible to receive a tax credit equal to 90 percent of the credit-eligible capital contribution.²⁰
- **South Carolina.** In its FY2020 budget, South Carolina allocated \$65 million from excess debt service to the state's Commerce Department to create a Rural School District and Economic Development Closing Fund. It will be used to fund economic development projects, water and sewer infrastructure and school building infrastructure improvements for projects that create at least 50 jobs in the poorest 28 school districts.²¹
- **Utah.** Unlike the REDI programs mentioned in the preceding, Utah provides REDI grants to businesses that create new, full-time positions filled by rural employees working at least 30 hours per week for at least 12 consecutive months. Annual gross wages must be at least 125 percent of the county average wage. REDI grants are tiered based on the wages of the jobs created and range from \$4,000 to \$6,000 per position.²² Additionally, the Utah Rural Jobs Act authorizes up to \$42 million in tax credits and caps the total contributions one entity may make under the program at \$24.4 million. The State assesses a \$50,000 annual fee that is split between all the certified growth fund entities.²³
- **Washington.** The Department of Commerce's Growing Rural Economies program focuses on building local economies organically by serving the needs of community-based startups and entrepreneurs. The goal is for rural areas to place an emphasis on "create, not relocate" and increase the number of services available to those wanting to start or grow their business.²⁴

In addition to these approaches, several state legislatures have aimed to address rural economic concerns through the creation of initiatives, committees, councils, task forces and agencies. The National Conference of State Legislatures (NCSL) has identified nine states with efforts geared toward advancing rural economic policy: California, Georgia, New Hampshire, New Mexico, New York, Pennsylvania, Vermont, West Virginia and Wisconsin.²⁵

Benchmarking Program Evaluations

In 2017, Nebraska's Legislative Performance Audit Committee conducted a performance audit of the Nebraska Advantage Rural Development Act, reviewing 70 program participants who earned \$5.6 million in tax credits between 2004 and 2015. The evaluation found that statutorily required wages for project FTEs were lower than the state and county averages in all instances. The Committee recommended that the Act be amended to

¹⁹ North Carolina Governor – Governor Cooper Proposed Budget to Invest in Education, Good Jobs and Healthier Communities (March 6, 2019). Accessed electronically at <https://governor.nc.gov/news/governor-cooper-proposes-budget-invest-education-good-jobs-and-healthier-communities>

²⁰ Pennsylvania Department of Community and Economic Development – Rural Jobs and Investment Tax Credit Program. Accessed electronically at <https://dced.pa.gov/programs/rural-jobs-and-investment-tax-credit-program-rjtc/>

²¹ South Carolina House of Representatives – FY2020 Budget Briefing. Accessed electronically at [https://www.scstatehouse.gov/CommitteeInfo/Ways&MeansBudgetDocuments/FY2019-20/FY%202019-20%20Budget%20Briefing%20\(Conference%20Version\)%20-%20Update.pdf](https://www.scstatehouse.gov/CommitteeInfo/Ways&MeansBudgetDocuments/FY2019-20/FY%202019-20%20Budget%20Briefing%20(Conference%20Version)%20-%20Update.pdf)

²² Utah Governor's Office of Economic Development – REDI Application. Accessed electronically at <https://business.utah.gov/wp-content/uploads/2018/06/REDI-Application-Information-and-Instructions.pdf>

²³ Utah Governor's Office of Economic Development – Rural Development. Accessed electronically at

²⁴ Start Up Washington – Growing Rural Economies. Accessed electronically at <https://business.utah.gov/rural/>

²⁵ National Conference of State Legislatures – State Legislative Rural Development Councils (January 22, 2019). Accessed electronically at <http://www.ncsl.org/research/agriculture-and-rural-development/state-legislative-rural-development-efforts.aspx>



require that investment and employment credits be tracked separately so that information on the actual number of jobs subsidized by the program is available.²⁶

In 2018, the Mississippi State Auditor reviewed the 40 projects that received Rural Impact Fund (RIF) grant funds between 2010 and 2017. The Mississippi Development Authority expended a total of \$7.8 million on projects under RIF, and these projects committed to creating 1,302 new jobs and investing \$128 million. While no projects funded under RIF failed during this time, one project received \$7,500 before subsequently being canceled.²⁷

²⁶ Nebraska Legislature Performance Audit Committee – Nebraska Advantage Rural Development Act Performance on Selected Metrics (November 2017). Accessed electronically at http://www.ncsl.org/Portals/1/Documents/fiscal/evaluation_database/2017_Nebraska_Advantage_Rural_Development_Act_Performance_on_Selected_Metrics.pdf

²⁷ Mississippi State Auditor – Failed Projects of Economic Development Incentive Programs (April 5, 2018). Accessed electronically at <http://www.osa.ms.gov/documents/performance/Mississippi%20Economic%20Incentives%20Failed%20Projects%20Report.pdf>



Appendices



Appendix A: PFM Survey of Oklahoma Councils of Governments

In 2015, HB2182 established the Oklahoma Incentive Evaluation Commission (the Commission). The law requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe.²⁸ PFM Group Consulting LLC (PFM) has been engaged to assist the Commission in its evaluations based on criteria specific to each incentive.

The Rural Economic Action Plan (REAP) program administered by the Oklahoma Water Resources Board and the REAP program administered by the Oklahoma Department of Commerce are each scheduled for review by the Commission in 2019. Based on PFM's evaluation and their collective judgment, the Commission will make recommendations to the Governor and the State Legislature related to these programs.

As a representative of one of Oklahoma's 11 Councils of Government, PFM is asking for your participation in the following survey, which was designed to help the project team gain a greater understanding of the impact of the two REAP programs. All feedback will be kept in confidence and aggregated anonymously, and as such, your candid responses are appreciated. The deadline for participation is Friday, July 19, 2019.

Thank you in advance for taking the time to complete the survey!

1. As described in statute, the Oklahoma Legislature created the REAP program to “remove impediments to economic development in rural areas to alleviate the sometimes negative effects of lower population density, population decreases and increased demand for governmental services and to maintain a desirable quality of life for residents and other legal entities in rural areas.”

Do you use metrics (e.g. median income, poverty rate, unemployment rate) to evaluate the impact of REAP funds on the quality of life in communities receiving REAP funds? If so, what metrics are used? How else do you measure the impact that these funds have on your communities?

2. How do you measure demand for REAP funds and/or the sufficiency of available funds in addressing the needs of your communities?
3. What are the key strengths in the overall administration of the REAP programs?
4. What challenges exist in the overall administration of the REAP programs?
5. What recommendations do you have to improve the administration and/or impact of the REAP programs?
6. Is there any additional information you wish to provide regarding the REAP programs?

²⁸ As defined in HB2182, “incentive” means a tax credit, tax exemption, tax deduction, tax expenditure, rebate, grant or loan that is intended to encourage businesses to locate, expand, invest or remain in Oklahoma, or to hire or retain employees in Oklahoma.



Appendix B: Detailed Data, Quality of Life Indicators

B1. Indicator: Unemployment Rate

Town	REAP Funding Fiscal Year(s)	Total REAP Funds Approved	2011	2013	2015	2017	CAGR
Cotton County (ASCOG)							
Devol	1999	\$83,311	7.4%	24.6%	10.6%	9.3%	3.9%
Randlett	2003	\$150,000	6.8%	10.9%	5.0%	8.0%	2.7%
Temple	2000, 2006, 2011	\$237,138	3.6%	15.4%	7.0%	10.5%	19.5%
Walters	N/A	N/A	2.1%	5.0%	5.1%	8.5%	26.2%
Creek County (INCOG)							
Depew	1998	\$59,000	0.6%	2.7%	1.3%	0.8%	4.9%
Mounds	1998	\$55,200	2.8%	5.7%	2.0%	6.0%	13.5%
Oilton	2012	\$78,400	8.5%	20.0%	4.3%	3.4%	-14.2%
Kellyville	N/A	N/A	6.6%	8.5%	2.6%	1.7%	-20.2%
Kiefer	N/A	N/A	4.4%	6.7%	3.9%	1.5%	-16.4%
Lawrence Creek	N/A	N/A	9.4%	8.6%	2.9%	0.0%	-100.0%
Sapulpa	N/A	N/A	6.6%	10.0%	3.1%	3.1%	-11.8%
Grant County (NODA)							
Nash	1998, 2001, 2007, 2009, 2013, 2015	\$567,130	3.2%	8.2%	2.2%	3.7%	2.4%
Deer Creek	N/A	N/A	6.3%	11.3%	6.1%	0.0%	-100.0%
Jefferson	N/A	N/A	0.0%	0.0%	0.0%	0.0%	N/A
Lamont	N/A	N/A	14.8%	7.7%	1.8%	0.0%	-100.0%
Manchester	N/A	N/A	0.0%	5.6%	2.3%	0.0%	N/A
Renfrow	N/A	N/A	15.4%	0.0%	0.0%	0.0%	-100.0%
Wakita	N/A	N/A	5.4%	13.0%	2.9%	4.2%	-4.1%
Greer County (SWODA)							
Willow	2002, 2016	\$235,000	0.0%	0.0%	0.0%	1.4%	N/A
Granite	N/A	N/A	0.5%	0.0%	1.6%	10.8%	66.9%
Logan County (ACOG)							
Cimarron City	1999, 2002	\$124,539	0.0%	0.0%	0.0%	0.0%	N/A
Coyle	2011	\$99,928	6.8%	9.8%	8.9%	2.0%	-18.5%
Marshall	2001, 2006, 2009	\$226,964	9.4%	3.3%	1.6%	0.9%	-32.4%
Meridian	2000	\$46,000	19.1%	9.1%	8.2%	5.3%	-19.2%
Cashion	N/A	N/A	5.7%	4.8%	1.9%	4.9%	-2.5%
Langston	N/A	N/A	14.1%	18.5%	11.1%	19.0%	5.1%
Mulhall	N/A	N/A	0.0%	1.2%	0.9%	3.5%	N/A
Orlando	N/A	N/A	3.2%	3.8%	4.5%	7.1%	14.2%



Town	REAP Funding Fiscal Year(s)	Total REAP Funds Approved	2011	2013	2015	2017	CAGR
Mayes County (GGEDA)							
Adair	2002, 2014	\$249,000	1.5%	2.9%	1.4%	1.8%	3.1%
Locust Grove	1998	\$37,071	1.8%	3.5%	3.8%	8.2%	28.8%
Chouteau	N/A	N/A	6.5%	11.0%	4.9%	2.2%	-16.5%
Disney	N/A	N/A	2.9%	4.1%	2.2%	11.3%	25.4%
Grand Lake Towne	N/A	N/A	4.1%	9.6%	0.0%	0.0%	-100.0%
Langley	N/A	N/A	9.5%	16.4%	6.8%	3.4%	-15.7%
Pensacola	N/A	N/A	4.4%	22.4%	10.5%	8.9%	12.5%
Salina	N/A	N/A	5.7%	10.2%	5.0%	8.3%	6.5%
Spavinaw	N/A	N/A	18.4%	28.5%	3.9%	10.4%	-9.1%
Sportsmen Acres	N/A	N/A	10.1%	10.9%	7.9%	11.0%	1.4%
Strang	N/A	N/A	8.2%	28.0%	5.3%	0.0%	-100.0%
Payne County (COEDD)							
Glencoe	2016	\$69,999	11.0%	12.9%	2.7%	2.0%	-24.7%
Ripley	N/A	N/A	4.2%	7.3%	5.3%	10.8%	17.0%

B2. Indicator: Median Household Income

Town	REAP Funding Fiscal Year(s)	Total REAP Funds Approved	2011	2013	2015	2017	CAGR
Cotton County (ASCOG)							
Devol	1999	\$83,311	\$26,071	\$46,667	\$52,679	\$55,956	13.6%
Randlett	2003	\$150,000	\$33,250	\$32,500	\$37,500	\$51,094	7.4%
Temple	2000, 2006, 2011	\$237,138	\$27,171	\$28,553	\$32,679	\$40,833	7.0%
Walters	N/A	N/A	\$47,759	\$41,786	\$36,734	\$48,456	0.2%
Creek County (INCOG)							
Depew	1998	\$59,000	\$30,074	\$33,750	\$30,000	\$30,417	0.2%
Mounds	1998	\$55,200	\$41,343	\$38,333	\$35,625	\$33,472	-3.5%
Oilton	2012	\$78,400	\$30,313	\$32,500	\$31,923	\$34,773	2.3%
Kellyville	N/A	N/A	\$32,102	\$34,868	\$36,375	\$38,571	3.1%
Kiefer	N/A	N/A	\$52,292	\$48,306	\$51,250	\$61,635	2.8%
Lawrence Creek	N/A	N/A	\$65,313	\$71,875	\$70,875	\$59,375	-1.6%
Sapulpa	N/A	N/A	\$39,542	\$39,388	\$39,880	\$46,282	2.7%
Grant County (NODA)							
Nash	1998, 2001, 2007, 2009, 2013, 2015	\$567,130	\$26,250	\$40,000	\$75,417	\$81,750	20.8%
Deer Creek	N/A	N/A	\$51,500	\$40,500	\$53,036	\$40,833	-3.8%
Jefferson	N/A	N/A	\$67,500	\$45,625	\$29,583	\$38,750	-8.8%



Town	REAP Funding Fiscal Year(s)	Total REAP Funds Approved	2011	2013	2015	2017	CAGR
Lamont	N/A	N/A	\$37,125	\$41,667	\$50,893	\$56,538	7.3%
Manchester	N/A	N/A	\$34,375	\$35,625	\$58,750	-	N/A
Renfrow	N/A	N/A	\$16,042	\$85,833	-	-	N/A
Wakita	N/A	N/A	\$40,357	\$42,292	\$43,125	\$40,357	0.0%
Greer County (SWODA)							
Willow	2002, 2016	\$235,000	\$28,125	\$31,364	\$33,750	\$44,375	7.9%
Granite	N/A	N/A	\$40,714	\$41,157	\$40,250	\$40,213	-0.2%
Logan County (ACOG)							
Cimarron City	1999, 2002	\$124,539	\$63,036	\$64,643	\$63,542	\$96,667	7.4%
Coyle	2011	\$99,928	\$34,886	\$37,125	\$28,750	\$35,750	0.4%
Marshall	2001, 2006, 2009	\$226,964	\$31,250	\$38,125	\$37,500	\$55,750	10.1%
Meridian	2000	\$46,000	\$23,333	\$15,833	\$23,750	\$28,750	3.5%
Cashion	N/A	N/A	\$55,625	\$52,500	\$54,167	\$61,429	1.7%
Langston	N/A	N/A	\$31,833	\$43,750	\$38,173	\$48,333	7.2%
Mulhall	N/A	N/A	\$37,083	\$48,750	\$57,083	\$51,250	5.5%
Orlando	N/A	N/A	\$30,250	\$33,125	\$31,250	\$28,750	-0.8%
Mayes County (GGEDA)							
Adair	2002, 2014	\$249,000	\$41,250	\$40,000	\$42,083	\$46,979	2.2%
Locust Grove	1998	\$37,071	\$32,143	\$26,838	\$25,234	\$27,768	-2.4%
Chouteau	N/A	N/A	\$43,750	\$43,641	\$42,875	\$52,865	3.2%
Disney	N/A	N/A	\$29,545	\$28,750	\$28,194	\$26,250	-2.0%
Grand Lake Towne	N/A	N/A	\$98,667	\$82,188	\$91,250	\$52,500	-10.0%
Langley	N/A	N/A	\$24,194	\$28,750	\$31,683	\$34,167	5.9%
Pensacola	N/A	N/A	\$76,250	\$77,500	\$61,250	\$43,750	-8.8%
Salina	N/A	N/A	\$32,115	\$27,083	\$33,417	\$38,850	3.2%
Spavinaw	N/A	N/A	\$25,441	\$24,297	\$25,893	\$24,821	-0.4%
Sportsmen Acres	N/A	N/A	\$43,839	\$46,818	\$41,500	\$45,139	0.5%
Strang	N/A	N/A	\$8,750	\$21,667	\$21,875	\$21,250	15.9%
Payne County (COEDD)							
Glencoe	2016	\$69,999	\$37,679	\$46,563	\$35,156	\$34,250	-1.6%
Ripley	N/A	N/A	\$47,083	\$41,250	\$31,875	\$43,750	-1.2%

B3. Indicator: Poverty Rate

Town	REAP Funding Fiscal Year(s)	Total REAP Funds Approved	2011	2013	2015	2017	CAGR
Cotton County (ASCOG)							
Devol	1999	\$83,311	20.9%	15.6%	9.9%	0.0%	-100.0%



Town	REAP Funding Fiscal Year(s)	Total REAP Funds Approved	2011	2013	2015	2017	CAGR
Randlett	2003	\$150,000	12.1%	7.8%	9.7%	10.2%	-2.8%
Temple	2000, 2006, 2011	\$237,138	34.4%	28.6%	24.8%	18.0%	-10.2%
Walters	N/A	N/A	9.3%	18.1%	23.3%	16.4%	9.9%
Creek County (INCOG)							
Depew	1998	\$59,000	20.6%	14.4%	24.3%	24.4%	2.9%
Mounds	1998	\$55,200	13.9%	15.6%	18.9%	26.2%	11.1%
Oilton	2012	\$78,400	29.3%	28.7%	26.6%	14.7%	-10.9%
Kellyville	N/A	N/A	37.0%	28.1%	25.3%	21.3%	-8.8%
Kiefer	N/A	N/A	11.2%	11.7%	15.6%	12.3%	1.6%
Lawrence Creek	N/A	N/A	17.1%	17.3%	18.3%	16.4%	-0.7%
Sapulpa	N/A	N/A	16.6%	17.5%	17.5%	17.5%	0.9%
Grant County (NODA)							
Nash	1998, 2001, 2007, 2009, 2013, 2015	\$567,130	27.9%	14.9%	3.2%	3.9%	-28.0%
Deer Creek	N/A	N/A	5.8%	7.9%	14.0%	27.0%	29.2%
Jefferson	N/A	N/A	0.0%	0.0%	0.0%	0.0%	N/A
Lamont	N/A	N/A	29.2%	11.3%	15.4%	17.0%	-8.6%
Manchester	N/A	N/A	6.0%	19.7%	16.7%	8.8%	6.6%
Renfrow	N/A	N/A	38.5%	0.0%	0.0%	11.8%	-17.9%
Wakita	N/A	N/A	21.0%	9.7%	4.3%	3.1%	-27.3%
Greer County (SWODA)							
Willow	2002, 2016	\$235,000	17.5%	18.3%	9.4%	10.8%	-7.7%
Granite	N/A	N/A	21.6%	12.4%	21.2%	19.8%	-1.4%
Logan County (ACOG)							
Cimarron City	1999, 2002	\$124,539	4.3%	0.0%	4.6%	8.1%	11.1%
Coyle	2011	\$99,928	17.4%	14.3%	20.9%	26.2%	7.1%
Marshall	2001, 2006, 2009	\$226,964	24.0%	24.2%	24.6%	17.6%	-5.0%
Meridian	2000	\$46,000	32.1%	36.5%	25.0%	22.6%	-5.7%
Cashion	N/A	N/A	3.9%	9.6%	10.3%	6.7%	9.4%
Langston	N/A	N/A	28.4%	23.9%	33.1%	27.2%	-0.7%
Mulhall	N/A	N/A	10.6%	15.2%	28.6%	25.0%	15.4%
Orlando	N/A	N/A	14.3%	10.8%	17.6%	19.1%	4.9%
Mayes County (GGEDA)							
Adair	2002, 2014	\$249,000	13.4%	24.1%	26.4%	16.0%	3.0%
Locust Grove	1998	\$37,071	21.0%	27.4%	31.9%	32.4%	7.5%
Chouteau	N/A	N/A	20.8%	22.7%	17.7%	14.2%	-6.2%
Disney	N/A	N/A	24.9%	20.3%	30.1%	30.8%	3.6%
Grand Lake Towne	N/A	N/A	4.1%	6.1%	10.2%	14.3%	23.1%



Town	REAP Funding Fiscal Year(s)	Total REAP Funds Approved	2011	2013	2015	2017	CAGR
Langley	N/A	N/A	33.7%	30.8%	29.0%	26.0%	-4.2%
Pensacola	N/A	N/A	10.1%	14.3%	18.7%	28.4%	18.8%
Salina	N/A	N/A	25.9%	30.9%	24.1%	19.1%	-4.9%
Spavinaw	N/A	N/A	36.0%	43.3%	34.5%	36.7%	0.3%
Sportsmen Acres	N/A	N/A	12.4%	22.9%	29.1%	27.0%	13.8%
Strang	N/A	N/A	39.2%	54.2%	53.8%	64.0%	8.5%
Payne County (COEDD)							
Glencoe	2016	\$69,999	10.2%	13.1%	11.7%	15.3%	7.0%
Ripley	N/A	N/A	15.2%	28.4%	17.1%	16.9%	1.8%



Appendix C: Comparable State Rural Economic Development Programs*

State	Program Name	Eligible Projects	Maximum Award Size	Annual Cost	Eligible Local Governments	Job Creation Req.	Matching Req.
Oklahoma	Rural Economic Action Plan Program	Primarily water quality projects, economic development projects	\$150,000 per locality per 12-month period	\$10.1 million (FY2019 appropriation)	Localities with fewer than 7,000 people; priority given to localities with fewer than 1,750 people, rural water districts with fewer than 525 non-pasture customers and cities or towns with weak fiscal capacity	None	None
Georgia	One Georgia Equity Fund	Water and sewer infrastructure; road, rail and airport improvements; industrial parks; workforce; technology; and tourism.	One county: \$200,000; two counties: \$300,000; three or more counties: \$500,000	\$52 million (estimated FY2012 award total)	Counties located outside the boundaries of a metropolitan area with a population of 50,000 or less and with a poverty rate of 10% or greater**	None	None
Idaho	Rural Community Block Grants	Construction of public infrastructure or publicly regulated utilities	\$50,000 to \$500,000	\$0.7 million (FY2015 Budget)	Cities with a population of 25,000 or less	Number and quality of jobs considered in evaluation criteria	Required, but there is no set amount
Indiana	Rural Community Development Block Grant Programs	Wastewater, drinking water and storm water system improvements, public facilities, main street revitalization	\$500,000-\$700,000 depending on project cost and user rates; funds granted based on \$5,000 cost per project beneficiary	N/A	Counties, cities or incorporated towns not located within an entitlement community	None	10% for storm water improvements and public facilities; 20% for waste/drinking water and main street revitalization



State	Program Name	Eligible Projects	Maximum Award Size	Annual Cost	Eligible Local Governments	Job Creation Req.	Matching Req.
Mississippi	Rural Impact Grant Funds	Construction, enlargement or improvement of community facilities for health care, public safety and public service	\$150,000	Funding is not currently available	Localities with no more than 20,000 residents; must have a "not employed rate" greater than 19.5 percent and MHI must be below 90% of state non-metro MHI	Projects must have a direct connection in creating jobs for low to moderate income individuals	Minimum of 25% based on need and funding availability
North Carolina	Rural Grant Program	Building reuse projects, economic infrastructure projects, building demolition projects	Building demolition: 100,000 sq. ft. or less - \$75,000; > 100,000 sq. ft. - \$150,000; max. of \$12,500 per projected job to be created on the rehabilitated site	\$12.0 million (FY2019 appropriation)	Units of local government located in Tier 1 and Tier 2 counties, and rural census tracts in Tier 3 counties	None	Building reuse: 1:1 match; economic infrastructure: min. 5% cash match; building demolition: 25%
South Carolina	Rural Infrastructure Grant Program	New, upgrades, improvements or extensions of publicly-owned water, wastewater or storm water drainage facilities	\$500,000	\$25.0 million (FY2019 funds available; \$17.0 million for basic infrastructure and \$8.0 million for economic infrastructure)	Local governments, special purpose and public service districts, or public works commissions.	Job creation commitments to be achieved within five years	100% of non-construction costs
Tennessee	Infrastructure Planning Grants	Planning to aid communities/water systems in understanding needs and plans for future work and funding	\$45,000	N/A	Utility systems that serve distressed counties and rural communities on a financially distressed utility system referral list	None	5% match



State	Program Name	Eligible Projects	Maximum Award Size	Annual Cost	Eligible Local Governments	Job Creation Req.	Matching Req.
Texas	Texas Capital Fund for Infrastructure Development	Water and sewer line projects; road construction and renovation, natural gas lines; electric power lines and transformers; harbor/ channel dredging; railroad improvements; drainage channels and ponds	\$1,000,000 per award; applicants may not receive more than 2 awards per program year	N/A	Non-entitlement cities under 50,000 in population and non-entitlement counties that have a non-metropolitan population under 200,000 and are not eligible for direct CDBG funding from HUD	Must commit to creating and/or retaining jobs where at least 51% of the jobs benefit low and moderate income individuals	100% match for award amounts \$750,000 or less 200% match for award amounts \$750,000-\$1,000,000
Utah	Business Expansion and Retention (BEAR) Program	Area sector business analyses, economic development planning and implementation of planning outcomes	\$10,000-\$30,000	\$0.6 million (FY2018 Budget)	Public, nonprofit and private economic development organizations; all 4 th , 5 th and 6 th class counties and their cities and townships; cities in 3 rd class counties with 20,000 or less and MHI of \$70,000 or less***	None	Bonus points given to projects that include matching funds

* Does not include federal or state REDI programs

** In Georgia, cities, government authorities and multi-county or multi-jurisdictional development authorities are also eligible

** Utah 3rd class counties: 18,000-125,000; 4th class: 10,000-18,000; 5th class: 3,500-10,000; 6th class: <3,500