



State of Oklahoma

Incentive Evaluation Commission

Draft 21st Century Quality Jobs Program Evaluation

October 4, 2021

PFM Group Consulting LLC
BNY Mellon Center
1735 Market Street
43rd Floor
Philadelphia, PA 19103



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Key Findings and Recommendations



Incentive Overview

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

Recommendation: Retain, with modifications

Key Findings

- **Program use increased significantly from 2011 to 2018, with rebates increasing from about \$0.3 million to \$13.2 million.**¹ Growth in program usage was driven almost entirely by one company.

Table 1: Use of the Program, 2011 through 2018

Calendar Year	Companies Generating Rebates	Reported Jobs	Total Rebates Generated
2011	4	27	\$318,074
2012	4	136	\$1,880,148
2013	5	492	\$5,692,162
2014	4	618	\$8,003,444
2015	4	725	\$9,808,354
2016	4	874	\$11,301,907
2017	4	868	\$11,318,613
2018	4	939	\$13,170,693

Source: Oklahoma Department of Commerce

- **From 2011 to 2018, participants' median wages were significantly higher than the statewide average (as required by statute), and were often close to 300 percent of the statewide average.** Participants are required to meet the lesser of 300 percent of the statewide average or 300 percent of the state threshold wage calculated by the Department of Commerce. The state threshold wage is currently \$35,376.
- **Nearly all rebates from 2011 to 2018 were generated by firms in the manufacturing and professional services sectors.** Manufacturing accounted for 92.0 percent of total rebates, while professional services accounted for 7.8 percent.
- **Program use is even more concentrated than the Quality Jobs program, with 97.7 percent of rebates from 2011 through 2018 generated in Oklahoma County.** Another 2.2 percent was generated in Tulsa County.
- **The economic and fiscal impact analysis of the program from 2011 through 2018 found the program to be a net fiscal benefit to the State, generating \$64.1 million in additional State tax revenue compared to program costs of \$61.5 million over the same period.** This results in a net

¹ The analysis of program usage in this evaluation focuses on data provided by the Department of Commerce that includes information on participants' reported jobs, payroll, and wages in the quarters in which a rebate payment was generated. Due to the potential lag time in filing a claim for rebate payment, the analysis of the Department's data, which was provided for 2011 through 2020, was truncated to include data out to 2018, the last full year of claims in the dataset.



benefit to the State of \$2.6 million over the period, and a net positive return on Investment.

- **Economic impacts of the program from 2011 to 2018 reach \$6.3 billion in total economic activity.** This level of economic activity is very large and compares favorably with a modest net positive return on investment.
- **All sectors receiving rebates from 2011 to 2018 outperformed overall State growth in average annual pay and mostly outperformed total State payroll growth.** These sectors also mostly outperformed average annual pay growth nationally. However, most of these sectors lagged national growth in total wages, and State and national employment growth.²

Recommendations

- **Base the program's wage requirements on the average county wage, regardless of the statewide threshold wage.** Currently, establishments pay average wages equal to at least 300 percent of the lesser of the county average or a state threshold wage equal to \$35,376 as of 2021 – 15.1 percent lower than the statewide average wage of \$44,025, and 36.1 percent lower than the average wage in Oklahoma County. For an establishment in Oklahoma County, where most program activity is occurring, entering the program today would mean the minimum wage requirement is actually about 192 percent of the average county wage.

Eliminating the statewide threshold wage would ensure the program is encouraging the creation of jobs that actually pay 300 percent of the average county wage. Higher wages associated with reported jobs would also likely improve the program's performance in the economic and fiscal impact analysis. At this time, if the wage requirements are raised, it would not be the project team's recommendation that the rebate structure be revised.

- **Require participants to file rebate claims within one year of a qualifying quarter.** Currently, companies have two years to submit a claim after their most recent submittal before potential dismissal from the program. This lag time between when a rebate is generated and claimed makes forecasting the costs of the program difficult. Controlling the timing of incentive payments is a key aspect of incentive design to manage budget impacts.³ Furthermore, if a company waits two years to claim a rebate, it calls into question how important the rebate is in supporting the incented activity, as the relative value of the rebate declines (based on the time value of money) the later it is received. Shortening the lag time to a maximum one year would still provide participants time to handle the administrative burden of filing claims while protecting the State from paying up to eight quarters of claims at once if a participant waits two years to file a claim.
- **Regularly review eligible industries to ensure the list reflects the State's economic development goals.** The 21st Century Quality Jobs program uses the same eligible industries list as the Quality Jobs program, excluding oil and gas industries, and including additional industries specific to the program. The list has expanded several times. Over time, the State should consider whether these and other industries are still the correct targets for the program, based on economic development goals.
- **Consider providing an option for firms who fail to meet program requirements to continue receiving the Quality Jobs program benefits, if qualified.** Conversations with Department of Commerce staff suggest firms that may qualify for the 21st Century Quality Jobs program, but are unsure if they will be able to meet the wage and payroll requirements, are hesitant to apply to the

² US Bureau of Labor Statistics, Quarterly Census of Employment and Wages

³ Pew Charitable Trusts, "Reducing Budget Risks," December 2015. Accessed electronically at: https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability_artfinal.pdf



program. Currently, if a firm fails to meet program requirements within three years of starting the program and is removed from the program, it would be ineligible to apply for Quality Jobs benefits for the same activity, even if qualified. Allowing firms to try to achieve 21st Century Quality Jobs requirements, while having some assurance that they would be able to still receive Quality Jobs benefits if qualified, may increase interest and participation in the program. This Quality Jobs benefit could be discounted by some percentage (perhaps 5 percent) to deter companies from applying to the 21st Century Quality Jobs program even when they had little likelihood of meeting its requirements.



Introduction



Oklahoma Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 of 2015 to produce objective evaluations of the State of Oklahoma’s wide array of economic incentives. The Commission is made up of five members appointed by the Governor, President Pro Tempore of the Senate and Speaker of the House of Representatives, along with representatives of the Department of Commerce, Office of Management and Enterprise Services and Tax Commission.

Under the enabling legislation, each of the State’s economic incentives must be evaluated once every four years according to a formal set of general criteria, including (but not limited to) economic output, fiscal impact, return on incentive and effectiveness of administration, as well as criteria specific to each incentive.

Since the Commission’s inception, it has contracted with PFM Group Consulting LLC (PFM) to serve as the independent evaluator of each incentive scheduled for review in a given year. PFM issues a final report on each incentive with recommendations as to how Oklahoma can most effectively achieve the incentive’s goals, including recommendations on whether the incentive should be retained, reconfigured or repealed; as well as recommendations for any changes to State policy, rules or statutes that would allow the incentive to be more easily or conclusively evaluated in the future.

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

Summary of 2017 Evaluation Findings and Recommendations

Based on the preceding framework, significant findings from the 2017 evaluation of the 21st Century Quality Jobs program are summarized in the following table.

Evaluation Category	Significant Finding(s)
Overall Findings	- The program was a net benefit to the State and has supported industries with strong growth in the State.
Fiscal and Economic Impact	- The program was a net benefit to the State.
Future Fiscal Impact Protections	- The program features cost controls related to quarterly requirements that have helped the State control costs.
Administrative Effectiveness	- Program administration was effective. The Department of Commerce thoroughly reviews applicant qualifications and the Tax Commission verifies quarterly reports.
Achievement of Goals	- The program intends to provide incentives to attract growth industries with a highly skilled and knowledge-based workforce. The incentive has largely been used by such industries, although most benefits have been paid to one company.
Retain, Reconfigure or Repeal	- Based on its analysis of available data, the project team recommended in 2017 that the program be retained.
Other Recommendations	<ul style="list-style-type: none"> - Require companies to file information for payment each quarter - Establish regular review of eligible industries to better target the program - Centralize data collection across the Department of Commerce and the Tax Commission for more robust analysis.



Based on PFM's analysis and consideration of other factors, the Commission voted 4-0 to approve PFM's recommendation to retain the incentive. Since it was last reviewed, the program's statute was modified to require that five percent of rebate payments be deposited to the State's Quick Action Closing Fund.

2021 Criteria for Evaluation

The provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation. A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation.

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

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

2021 Evaluation Approach

To conduct its 2021 review of the 21st Century Quality Jobs Program, the project team conducted the following activities:

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



Incentive Usage and Administration



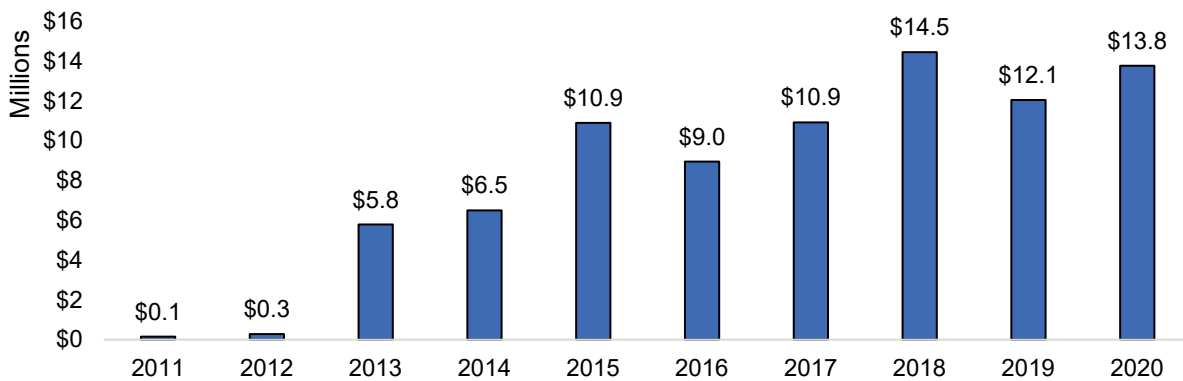
Incentive Characteristics

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

Historic Use of the Credit

Between 2011 and 2020, rebate payments increased significantly, from about \$100,000 in 2011 to \$13,800,000 in 2020. This is partly due to companies needing time to “ramp up” to required job thresholds, but also because many companies early in this period failed to ever meet those thresholds.

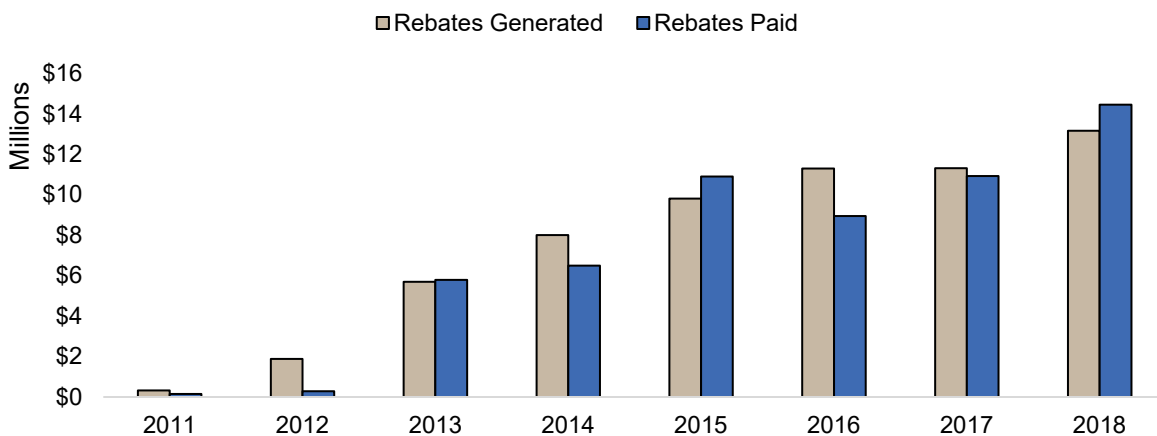
Figure 1: 21st Century Quality Jobs Program Payments, CY 2011 through CY 2020 (in millions)



Source: Oklahoma Tax Commission

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

Figure 2: Rebate Amounts, CY 2011 through CY 2018



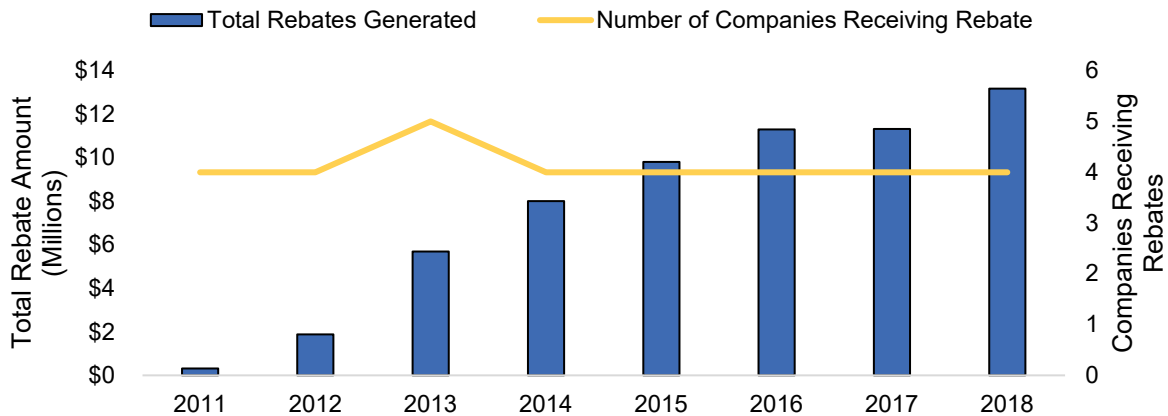
Source: Oklahoma Tax Commission and Department of Commerce



The analysis of program usage in this section focuses on data provided by the Department that includes information on participants' reported jobs, payroll, and wages in the quarters where a rebate payment was generated. Due to the potential lag time in filing a claim for rebate payment, the analysis of the Department's data, which was provided for 2011 through 2020, was truncated to include data out to 2018, the last full year of claims in the dataset.

The amount of rebates generated increased every year from 2011 to 2018, peaking at \$13.2 million. This growth was driven almost entirely by payments to one company, which generated 91.7 percent of total rebates over this period.

Figure 3: Rebates Generated, CY 2011 to CY 2018

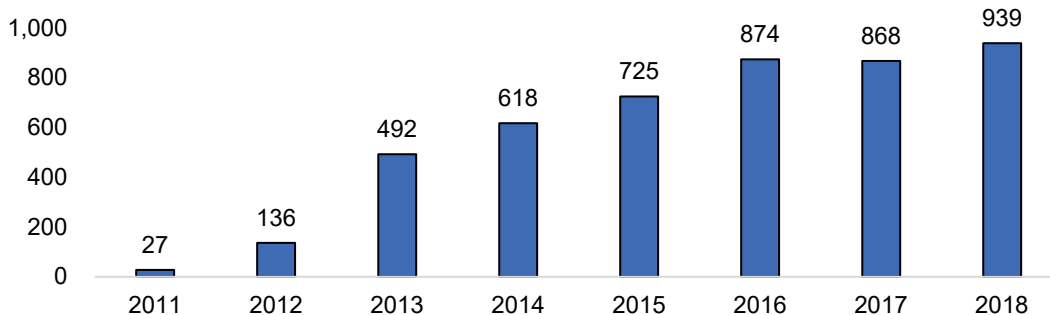


Calendar Year	Companies Generating Rebates	Total Rebates Generated
2011	4	\$318,074
2012	4	\$1,880,148
2013	5	\$5,692,162
2014	4	\$8,003,444
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2016	4	\$11,301,907
2017	4	\$11,318,613
2018	4	\$13,170,693

Source: Oklahoma Department of Commerce

The number of jobs reported by program participants also increased rapidly from 2011 to 2018, in step with the growth of rebates generated.

Figure 4: Reported Jobs, 2011 to 2018

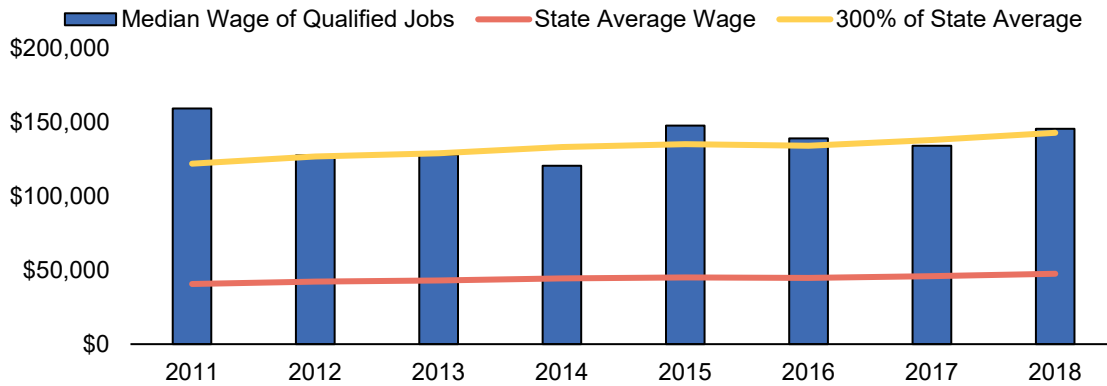


Source: Oklahoma Department of Commerce



As the number of jobs increased, the median wage of reported jobs decreased and increased by only 2.2 percent per year on average from 2012 to 2018. Median wages were significantly higher than the statewide average, as required by statute, and was often close to 300 percent of the statewide average.

Figure 5: Median Wage of Qualifying Jobs and Statewide Average



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

Due to heavy usage of the program by one manufacturing firm, almost all rebates have been generated by manufacturing industries, with professional services being the second most-common industry generating rebates.

Table 2: Total Rebates Generated by Industry, 2011 through 2018

Industry	Rebate	Share of Total
Manufacturing	\$56,568,816	92.0%
Professional Services	\$4,781,840	7.8%
Wholesale Trade	\$138,916	0.2%
Educational Services	\$3,823	0.0%
Total	\$61,493,395	

Source: Oklahoma Department of Commerce

Oklahoma and Tulsa counties account for essentially all rebates generated from 2011 through 2018.

Table 3: Total Rebates Generated by County, 2011 through 2018

County	Rebates	Share of Total
Oklahoma	\$60,082,743	97.71%
Tulsa	\$1,406,829	2.29%
Jackson	\$3,823	0.01%
Total	\$61,493,395	

Source: Oklahoma Department of Commerce

From 2011 to 2018, two companies were dismissed from the program due to failure to meet the job threshold, and one withdrew from the program due to it closing.

Incentive Administration

The 21st Century Quality Jobs program is jointly administered by the Department and the OTC. Eligibility guidelines and administrative responsibilities are established in State statute and administrative rules.⁴ The

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



Department is most heavily involved in the process in the early stages of a company exploring and applying for the incentive. The Tax Commission's role largely begins once a company has been approved to receive the incentive and make claims for quarterly rebate payments.

Eligibility

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

- **Industry.** Applicants must operate in an eligible industry, as defined in statute. Qualifying industries include all those that are eligible for the regular Quality Jobs program, excluding oil and gas companies, plus additional industries unique to 21st Century Quality Jobs. Additional industries include certain hospitals, performing arts companies, financial vehicles, insurance carriers, certain engineering, motion picture and video, scientific and technical services, and sound recording. This industry list reflects the desire to target high-skill fields and help diversify the State's economy.⁵
- **Job Creation.** Applicants must create a minimum of 10 new jobs that did not exist during the 6-month period prior to the application submission date. Establishments have three years to meet the new employment threshold to qualify for the full 10-year benefit period. During this span, benefits may be claimed; however, if the threshold is not met after three years, the establishment is dismissed from the program.
- **Average Wage.** Applicants must pay newly created jobs wages at least equal to the lesser of 300 percent of the average wage of the county where the establishment is located, or the statewide threshold wage, as calculated by the Department of Commerce.⁶
- **Health Insurance.** Applicants must offer basic health insurance coverage to new employees, who shall pay no more than 50 percent of the premium cost. If the establishment did not offer employees health benefits prior to submitting an application, they have 12 months to institute a qualified basic health insurance coverage policy and provide access to its employees.

Benefit Amounts

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

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

The 21st Century Quality Jobs program benefits differ from other Quality Jobs program benefits in that the net benefit rate **may vary over the term of the contract**. Establishments have 3 years to reach the new employment threshold to be eligible to receive program benefits over the maximum 10-year period. During this

⁵ For the full list of eligible industries, see Appendix C

⁶ The state threshold annual wage for 21st Century Quality Jobs is currently \$104,954.



initial three-year period, establishments that don't meet the threshold receive payments that are calculated using an initial net benefit rate, which is capped at 7 percent. Once establishments create 10 new jobs while meeting all other program requirements, payments are calculated using the fulfillment net benefit rate, which is capped at 10 percent.

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

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

Payments

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

Eligibility for Other Incentives

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

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



Economic and Fiscal Impact



Economic and Fiscal Impact

There are currently 939 qualified jobs represented in the program. The number of jobs has increased nearly every year since 2011. To date, this has generated \$616.6 million in cumulative wages paid. Table 3 illustrates the employment by sector and table 4 shows the reported payroll by sector.

Table 4: Reported Employment by Sector

Year	Educational Services	Professional Services	Manufacturing	Wholesale Trade	Total Jobs
2011	0	5	16	7	27
2012	0	18	112	7	136
2013	1	23	465	3	492
2014	0	43	575	0	618
2015	0	54	671	0	725
2016	0	57	818	0	874
2017	0	59	809	0	868
2018	0	51	888	0	939

Table 5: Reported Payroll by Sector

Year	Educational Services	Professional Services	Manufacturing	Wholesale Trade	Total Payroll
2011	\$0	\$704,948	\$2,558,605	\$932,140	\$4,195,693
2012	\$0	\$1,909,621	\$17,239,489	\$684,298	\$19,833,407
2013	\$144,406	\$2,497,529	\$51,853,478	\$368,081	\$54,863,493
2014	\$0	\$6,217,047	\$74,246,301	\$0	\$80,463,348
2015	\$0	\$9,922,155	\$88,579,946	\$0	\$98,502,101
2016	\$0	\$10,692,807	\$102,694,670	\$0	\$113,387,477
2017	\$0	\$10,072,688	\$103,257,861	\$0	\$113,330,549
2018	\$0	\$8,516,524	\$123,553,427	\$0	\$132,069,951
Total	\$144,406	\$50,533,318	\$563,983,777	\$1,984,519	\$616,646,020

Table 5 illustrates the economic and fiscal impacts of the jobs and wages created in comparison with the program payments made on an annual basis. State tax data is generated by IMPLAN through its detailed Tax Impacts module. The data, along with employment and wages, are industry specific and calibrated to the State of Oklahoma. Labor income in IMPLAN includes employee compensation which incorporates reported wage and salary payroll for the program plus all wage and salary cost to the employer such as, health and retirement benefits, both sides of payroll taxes and unemployment insurance. The employee compensation portion of labor income is also characterized as “fully loaded” wage rates for the purposes of IMPLAN analysis. Adjustments to the OTC payroll only wage data were conducted to reflect the fully loaded wage rates required in the IMPLAN employee compensation inputs. These wage adjustments were prepared using conversion guidance provided by IMPLAN. Further, associated output per worker was adjusted to acknowledge in a high wage program, it is likely higher value output is created and necessary cover the costs of the high value labor.



Table 6: Economic and Fiscal Impacts

		Employment	Labor Income	Value Added	Output	State Tax	Program Payments
2011	Direct	28	\$5,634,480	\$9,884,410	\$36,063,502	\$275,500	
	Indirect	48	\$2,698,301	\$4,100,778	\$8,425,537	\$158,020	
	Induced	39	\$1,744,711	\$3,150,683	\$5,854,915	\$164,103	
	Total	115	\$10,077,493	\$17,135,871	\$50,343,953	\$597,623	\$318,074
2012	Direct	137	\$26,483,314	\$44,947,811	\$194,835,010	\$990,624	
	Indirect	144	\$8,906,913	\$13,918,315	\$29,599,260	\$518,524	
	Induced	166	\$7,364,494	\$13,300,362	\$24,716,065	\$692,772	
	Total	447	\$42,754,721	\$72,166,488	\$249,150,335	\$2,201,920	\$1,880,148
2013	Direct	492	\$73,164,821	\$124,833,372	\$564,276,132	\$2,603,375	
	Indirect	341	\$22,087,455	\$35,006,357	\$75,656,689	\$1,283,347	
	Induced	447	\$19,794,634	\$35,750,322	\$66,434,831	\$1,862,137	
	Total	1,280	\$115,046,910	\$195,590,050	\$706,367,652	\$5,748,858	\$5,692,162
2014	Direct	618	\$107,503,793	\$181,156,908	\$815,954,454	\$3,780,414	
	Indirect	488	\$31,526,767	\$49,664,652	\$107,426,074	\$1,805,574	
	Induced	651	\$28,878,264	\$52,155,675	\$96,920,900	\$2,716,642	
	Total	1,758	\$167,908,823	\$282,977,234	\$1,020,301,427	\$8,302,630	\$8,003,444
2015	Direct	725	\$131,714,821	\$220,549,300	\$983,978,747	\$4,644,495	
	Indirect	612	\$39,081,556	\$61,287,486	\$132,156,113	\$2,230,482	
	Induced	800	\$35,478,750	\$64,076,055	\$119,072,544	\$3,337,533	
	Total	2,137	\$206,275,127	\$345,912,841	\$1,235,207,403	\$10,212,510	\$9,808,354
2016	Direct	875	\$151,584,473	\$254,262,928	\$1,137,373,329	\$5,341,136	
	Indirect	700	\$44,833,929	\$70,394,997	\$151,923,315	\$2,561,202	
	Induced	920	\$40,800,356	\$73,687,230	\$136,932,993	\$3,838,153	
	Total	2,495	\$237,218,758	\$398,345,155	\$1,426,229,638	\$11,740,491	\$11,301,907
2017	Direct	868	\$151,479,062	\$254,459,876	\$1,140,765,610	\$5,334,048	
	Indirect	696	\$44,681,909	\$70,229,669	\$151,675,057	\$2,554,563	
	Induced	919	\$40,746,256	\$73,589,643	\$136,751,647	\$3,833,072	
	Total	2,483	\$236,907,227	\$398,279,188	\$1,429,192,314	\$11,721,684	\$11,318,613
2018	Direct	939	\$176,372,798	\$298,236,395	\$1,350,163,575	\$6,192,952	
	Indirect	791	\$51,391,421	\$81,161,058	\$175,853,482	\$2,948,915	
	Induced	1,067	\$47,307,555	\$85,440,279	\$158,773,688	\$4,450,350	
	Total	2,797	\$275,071,774	\$464,837,732	\$1,684,790,745	\$13,592,217	\$13,170,693



The economic impacts are very substantial, averaging \$975.2 million per year, over the life of the program; a cumulative benefit of \$7.8 billion in total economic activity. The current 939 qualified jobs give rise to an additional 1,858 indirect and induced jobs, totaling 2,797 jobs during 2018. This is 2.0 additional jobs created for each qualified job.

The cumulative rebates paid 2011-2018 reach \$61.5 million. Offsetting these payments are additional taxes generated to the state from the economic activity of the program employment and associated economic activity. The offsetting taxes reach \$64.1 million over the comparable period. The new taxes offset 104% of the cost of the program to the state, resulting in a net positive return on investment (ROI) associated with this incentive. These new taxes fully offset the cost to the state resulting in a net revenue surplus of \$2.6 million for the period from 2011-2018.

In examining whether the program revenues offset the costs, we look at the degree to which incentives cause the job formations. The question of whether jobs might have occurred without the incentive helps reveal the degree of incentive success and is known as the “but for” test; to determine if “but for” the incentive whether job formation would occur. This question may be answered through survey data or additional questions asked in the credit qualification application. Without these data, the determination of causality “but for” the incentive is not fully known. In this regard a range of possible alternatives can be considered to bracket what may be a reasonable view as to the degree of causality and help highlight and better understand the economic impacts of the program. In case of the 21st Century Quality Jobs, the program does break-even when comparing costs with new tax revenues generated. As noted, new taxes fully offset the program costs, with a modest surplus. The break-even point would require 96% of jobs be formed as a direct cause of the program. If comparatively small portions of the jobs formed were not created “but for” the incentive and not directly attributable, this could affect the surplus program ROI.

To summarize, during the 2011-2018 period, cumulative economic impacts have reached \$7.8 billion. The 21st Century Quality Jobs program has generated very positive and substantial economic impacts. Simultaneously, new program taxes generated by the program fully offset its direct costs. This results in a net positive ROI for this incentive with a modest tax revenue surplus of \$2.6 million to the state since 2011.



Incentive Benchmarking



Benchmarking

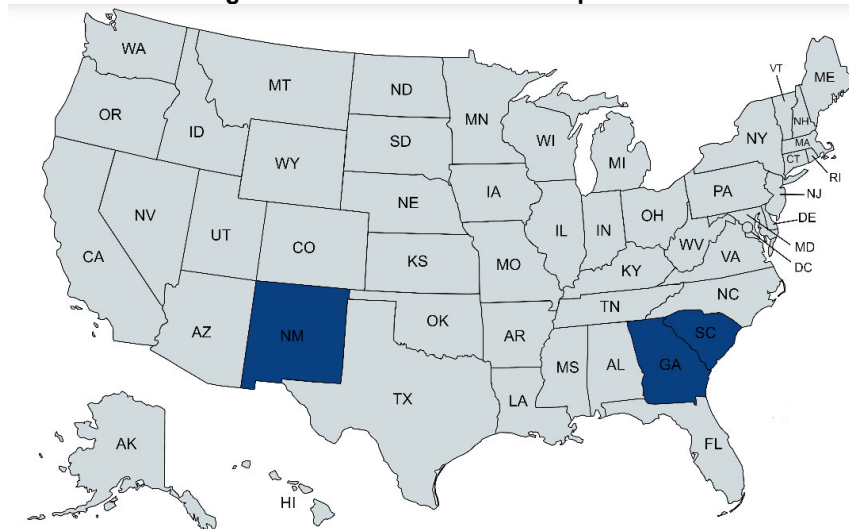
A detailed description of comparable state programs can be found in **Appendix B**.

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.⁷ 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. While most states offer job creation programs, Oklahoma’s 21st Century Quality Jobs program is a relatively uncommon approach to incentivizing business investment.

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

Figure 6: States Chosen for Comparison



The comparison group can be distinguished by the qualification and eligibility requirements, benefit type, and benefit period.

⁷ The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.



Job Creation

Job creation requirements vary among the comparison group. Two states require a higher number of jobs than Oklahoma. South Carolina requires 25 new jobs, and Georgia requires 50 new jobs. be created, while New Mexico requires at least one new job.

Wage Requirements

All states in the comparison group, as well as Oklahoma, have wage requirements based on location within the state. Oklahoma's requirement of 300 percent of the average county wage is higher than each state in the comparison group. The closest to Oklahoma's requirement is South Carolina, which requires employers to pay new employees 250 percent of the lesser of the county or State average wage. Georgia requires new employees to be paid at least 200 percent of the average county wage to receive its program's highest benefit of \$5,000 per new job. New Mexico requires annual wages of \$40,000 in rural areas and \$60,000 in urban areas.

Benefit Type

Each state in the comparison group provides income tax credits to participating businesses. Georgia provides between \$2,500 and \$5,000 per new job added, while South Carolina provides between \$1,500 and \$25,000 per new job, depending on the location of the business.⁸ New Mexico provides a benefit equal to 8.5 percent of qualifying new payroll with a maximum of \$12,750 per new job. Considering its high wage requirement, Oklahoma's rebate amount of up to 10 percent of qualifying payroll is the most generous among the group.

Benefit Period

Oklahoma businesses can receive benefits for up to a ten-year period, which is double all states in the comparison group. Georgia and South Carolina both have a five-year benefit period. In New Mexico, there is no limit to the number of years a company can claim the credit, but credits may only be claimed for the same job for four years.

⁸ South Carolina places its counties into tiers based on unemployment rates and per capita income. Tier 1 counties receive \$1,500; Tier 2 receives \$2,750; Tier 3 receives \$20,000; and Tier 4 receives \$25,000 per new job.



Appendices



Appendix A: Incentive Statute

68 O.S. § 3912 – Legislative Intent

It is the intent of the Legislature that:

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

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

68 O.S. § 3913 – Definitions

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

1. "Basic industry" means:

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

3. "Estimated direct state benefits" means the tax revenues projected by the Oklahoma Department of Commerce to accrue to the state as a result of new direct jobs;

4. "Estimated indirect state benefits" means the indirect new tax revenues projected by the Oklahoma Department of Commerce to accrue to the state, including, but not limited to, revenue generated from ancillary support jobs directly related to the establishment;

5. "Estimated direct state costs" means the costs projected by the Department to accrue to the state as a result of new direct jobs. Such costs shall include, but not be limited to:

a. the costs of education of new state resident children,

b. the costs of public health, public safety and transportation services to be provided to new state residents,

c. the costs of other state services to be provided to new state residents, and

d. the costs of other state services;



6. "Estimated indirect state costs" means the costs projected by the Department to accrue to the state as a result of new indirect jobs. Such costs shall include, but not be limited to, costs enumerated in subparagraphs a, b, c and d of paragraph 5 of this subsection;

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

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

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

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

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

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

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

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

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

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

68 O.S. § 3914 – Quarterly Incentive payments

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

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



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

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

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

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

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

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



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

68 O.S. § 3915 – Quarterly Reports

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

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

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

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

b. after the establishment created ten new direct jobs:

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

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

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

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

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

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

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



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

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

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

68 O.S. § 3916 – 21st Century Quality Jobs Incentive Payment Fund

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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



**Appendix B: Comparable State Programs
21st Century Quality Jobs Benchmarking**

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



Appendix C: 21st Century Quality Jobs Eligible Industries

Basic Industries:

Manufacturing

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

Research and Development and Testing Laboratories

See NAICS Manual Nos. 541711, 541712 and 541380.

Central Administrative Offices, Corporate Offices and Technical Services

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

Certain Warehouse/Distribution Operations

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

Transportation by Air

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

Flight Training Services

See NAICS No. 611512.

Other Support Activities for Air Transportation

See NAICS Manual No. 488190.

Wind Power Electric Generation Equipment Repair & Maintenance

See NAICS Manual No. 811310.

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

Rail Transportation

See NAICS Nos. 482

Motor Freight Transportation and Warehousing

See NAICS Nos. 493, 484, 4884-4889

Arrangement of Passenger Transportation

See NAICS Nos. 561510, 561599

Transportation of Freight or Cargo

See NAICS No. 541614

Certain Communications Services

See NAICS Nos. 5117110, 51741 and 51791

Certain Refuse Systems that Distribute Methane Gas

See NAICS No. 5622



Grocery Wholesale Distributing

See NAICS Nos. 4244 and 4245

Securities, Commodities, Investments

See NAICS No. 523

Insurance Carriers

See NAICS No. 5241

Insurance Claims Processors Only

See NAICS Nos. 524210 and 524292

Adjustment and Collection Services

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

Miscellaneous Equipment Rental

See NAICS Nos. 5324

Computer Programming, Data Processing and Other:

Computer-Related Services

See NAICS Nos. 5112, 5182, 5191, 5415

Miscellaneous Business Services

See NAICS Nos. 561410, 56142, and 519110

Medical and Diagnostic Laboratories

See NAICS No. 6215

Engineering, Management and Related Services

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

Agricultural Production

See NAICS Nos. 112120

Professional Organizations

See NAICS No. 813920

Alternative Energy Structure Construction

See NAICS No. 237130

Alternative Energy Equipment Installation

See NAICS Nos. 238160, 238220

Electric Services Companies

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



Industries added for 21st Century Quality Jobs Program only:

Specialty Hospitals

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

Performing Arts Companies

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

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

Heavy and Civil Engineering Construction

See NAICS No. 237

Motion Picture and Video Industries

See NAICS No. 5121

Sound Recording Industries

See NAICS No. 5122

Insurance Carriers and Related Activities

See NAICS No. 524

Funds, Trusts, and other Financial Vehicles

See NAICS No. 525 1

Professional, Scientific, and Technical Services

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



Appendix D: IMPLAN Economic Impact Methodology

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

IMPLAN's Social Accounting Matrices (SAMs) capture the actual dollar amounts of all business transactions taking place in a regional economy as reported each year by businesses and governmental agencies. SAM accounts are a better measure of economic flow than traditional input-output accounts because they include "non-market" transactions. Examples of these transactions would be taxes and unemployment benefits.

Multipliers

SAMs can be constructed to show the effects of a given change on the economy of interest. These are called Multiplier Models. Multiplier Models study the impacts of a user-specified change in the chosen economy for 440 different industries. Because the Multiplier Models are built directly from the region-specific SAMs, they will reflect the region's unique structure and trade situation.

Multiplier Models are the framework for building impact analysis questions. Derived mathematically, these models estimate the magnitude and distribution of economic impacts, and measure three types of effects which are displayed in the final report. These are the direct, indirect, and induced changes within the economy. Direct effects are determined by the Event as defined by the user (i.e. a \$10 million order is a \$10 million direct effect). The indirect effects are determined by the amount of the direct effect spent within the study region on supplies, services, labor, and taxes. Finally, the induced effect measures the money that is re-spent in the study area as a result of spending from the indirect effect. Each of these steps recognizes an important leakage from the economic study region spent on purchases outside of the defined area. Eventually, these leakages will stop the cycle.

