



State of Oklahoma

Incentive Evaluation Commission

Draft Small Employer Quality Jobs Program Evaluation

October 1, 2021

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Contents

Key Findings and Recommendations	3
Introduction	6
Incentive Usage and Administration	9
Economic and Fiscal Impact	16
Incentive Benchmarking	20
Appendices	23
Appendix A: Incentive Statute	24
Appendix B: Comparable State Programs	31
Appendix C: Small Employer Quality Jobs Eligible Industries	33
Appendix D: IMPLAN Economic Impact Methodology	35



Key Findings and Recommendations



Incentive Overview

Oklahoma’s Small Employer Quality Jobs program was created in 1997 under the Small Employer Quality Jobs Incentive Act. The program provides qualifying companies with 500 or fewer employees quarterly rebate payments of up to five percent of newly created payroll, for up to seven years. To qualify for payments, participants must meet requirements related to job creation and wages.

Recommendation: Retain the program, with modifications

Key Findings

- **While overall firm participation in the program has declined in recent years, reported covered jobs is increasing.** Participation reached its lowest point over the period in 2014 with just four companies claiming rebates that year. Since then, the number of companies claiming a rebate increased to eight in 2018. The number of jobs reported by participants also increased each year since 2014.¹

Table 1: Use of the Program, 2011 to 2018

Year	Companies Generating Rebates	Reported Jobs	Rebates Generated
2011	13	541	\$938,288
2012	10	323	\$544,757
2013	7	108	\$248,764
2014	4	72	\$178,074
2015	7	95	\$224,197
2016	7	130	\$255,210
2017	7	178	\$349,426
2018	8	222	\$445,949

Source: Oklahoma Department of Commerce

- **The median wage of reported jobs was about equal to or exceeded the statewide average wage each year from 2011 to 2018.** Participants are required to meet 110 percent of the average wage of county small employers.
- **Nearly all the rebates from 2011 to 2018 were generated by manufacturing firms.** Manufacturing firms accounted for 88.9 percent of total rebates, while Professional Services firms accounted for the remaining 11.1 percent.
- **Use of the program is dispersed across several counties and far less concentrated than the Quality Jobs program.** From 2011 to 2018, nine counties received at least five percent of the total amount of rebates generated.

¹The 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.



Table 2: Rebates Generated by County, 2011 through 2018

County	Rebates	Share of Total
Delaware	\$432,981	13.6%
Payne	\$352,698	11.1%
Ottawa	\$331,785	10.4%
Garvin	\$247,546	7.8%
Stephens	\$240,922	7.6%
Bryan	\$214,262	6.7%
Creek	\$202,723	6.4%
Washington	\$201,566	6.3%
Pushmataha	\$174,027	5.5%
Logan	\$156,900	4.9%
All Others	\$629,255	19.8%
Total	\$3,184,665	

Source: Oklahoma Department of Commerce

- **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 \$6.0 million in additional State tax revenue compared to the program’s cost of \$3.2 million over the same period.**
- **The break-even point (related to the ‘but for test’) for this program is 50 percent.** This means, that if half of the jobs would have occurred regardless of the program, leaving half attributable to the availability of the incentive (the “but for” test), the program would still break even, with a net neutral impact to state tax revenues.
- **Industries receiving rebates from 2011 to 2018 outperformed state growth in average annual and total wages, but mostly lagged state and national growth in employment.**

Recommendations

- **Require participants to file rebate claims within one year of a qualifying quarter.** Currently, companies have two years to submit a claim after their most recent submittal before potential dismissal from the program. This lag time between when a rebate is generated and claimed makes forecasting the costs of the program difficult. Controlling the timing of incentive payments is a key aspect of incentive design to manage budget impacts.² 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 (based on the time value of money) declines 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 Small Employer Quality Jobs program uses the same eligible industries list as the Quality Jobs program, excluding oil and gas industries. 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.

² Pew Charitable Trusts, “Reducing Budget Risks,” December 2015. Accessed electronically at: https://www.pewtrusts.org/~media/assets/2015/11/cost-predictability_artfinal.pdf



Introduction



Oklahoma Incentive Evaluation Commission Overview

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

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

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

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

Summary of 2017 Evaluation Findings and Recommendations

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

Table 3: Summary of 2017 Evaluation Findings and Recommendations

Evaluation Category	Significant Finding(s)
Overall Findings	- The program was a net benefit to the State, but rebate payments have mostly gone to establishments in industries that underperformed State averages.
Fiscal and Economic Impact	- The program was found to be 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	- Administration of the program was effective. The Department of Commerce thoroughly reviews applicant qualifications, and the Tax Commission verifies quarterly reports.
Achievement of Goals	- The program intends to support small employers creating quality jobs in industries with the “promise of significant development” of the State economy. While the program overall was found to be a net benefit, most payments reviewed for the period of 2012 to 2016 were made to establishments in industries growing slower than the State average, and participation in the program has declined.
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. Several changes were made to the program since it was last reviewed, including:

- Eligibility size of the applicants increased from 90 or less at the time of application to 500 or less
- Applicants must create a minimum number of new jobs based on either the size of the community (population) where the company is located (5, 10, or 15) or the percentage increase in the applicant's workforce (5, 7.5, or 10 percent).
- Out-of-state sales requirement was changed from 75 percent of revenue to 35 percent for the first two years and 60 percent in subsequent years.
- Five percent of quarterly payments are now deposited into the Oklahoma 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
- Change in capital investment associated with the cash rebates
- 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 Small Employer 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



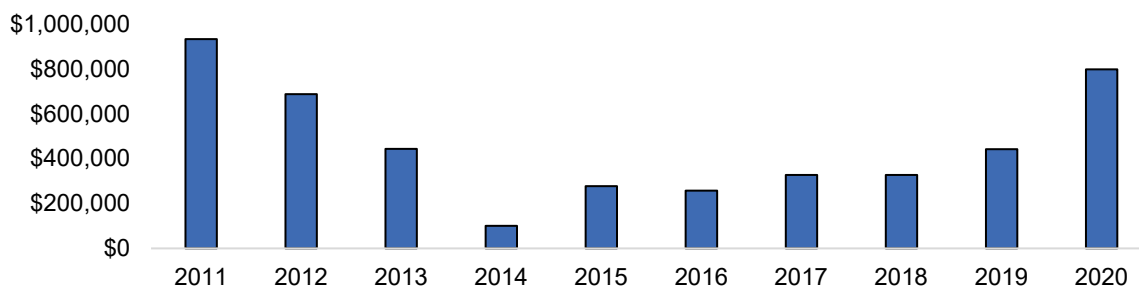
Incentive Characteristics

Oklahoma’s Small Employer Quality Jobs program was created in 1997 under the Small Employer Quality Jobs Incentive Act. The program provides qualifying companies with 500 or fewer employees quarterly rebate payments of up to five percent of newly created payroll, for up to seven years. To qualify for payments, participants must meet requirements related to job creation and wages.

Historic Use of the Credit

Annual rebate payments declined steeply from their peak of nearly \$1,000,000 in 2011 to just \$100,000 in 2014. After rebounding in 2015, payments remained generally flat until increasing significantly in 2019 and 2020.

Figure 1: Small Employer Quality Jobs Program Payments, CY 2011 through CY 2020

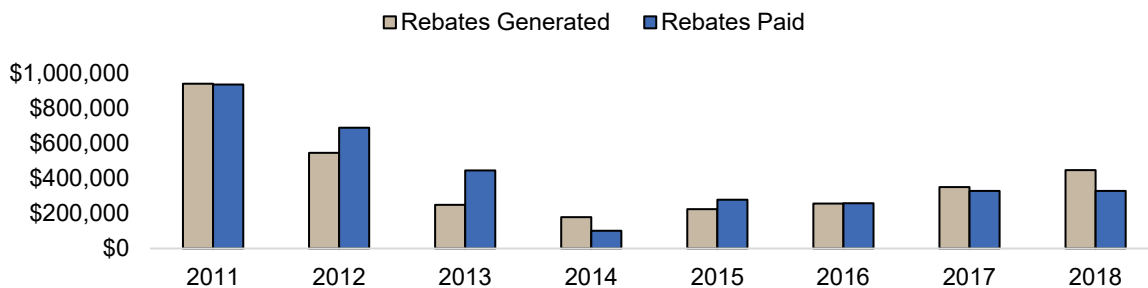


Calendar Year	Rebate Payments	Calendar Year	Rebate Payments
2011	\$933,530	2016	\$257,186
2012	\$687,892	2017	\$327,305
2013	\$443,955	2018	\$327,305
2014	\$100,553	2019	\$442,290
2015	\$277,629	2020	\$798,425

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 following chart.

Figure 2: Rebate Amounts, CY 2011 through CY 2018



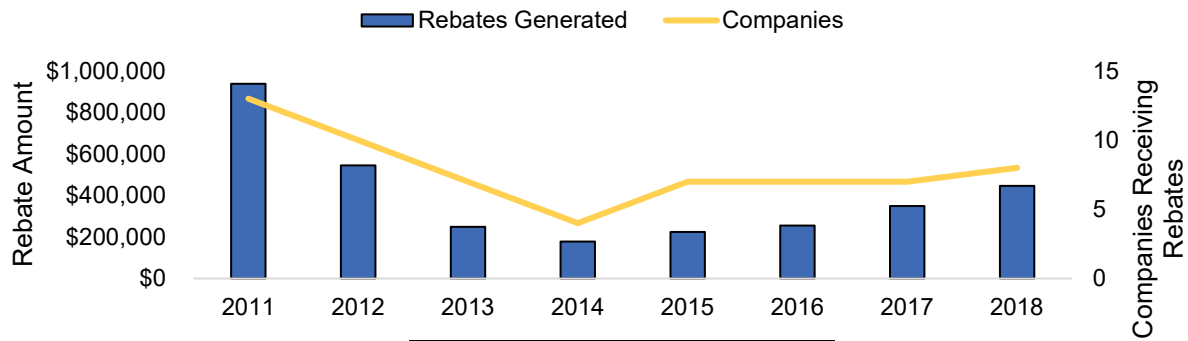
Source: Oklahoma Tax Commission and Department of Commerce

The analysis of program usage in this section focuses on data provided by the Department of Commerce (Department) 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.



The amount of rebates generated decreased each year from 2011 to 2014, before increasing in each subsequent year. The decline in rebates generated coincided with a decline in the number of companies receiving a rebate. Of the 13 companies that generated rebates in 2011, 12 were set to meet the end of their benefit period by 2014 or earlier. Five companies were added to the program in 2013, but none began generating rebate payments until 2015.

Figure 3: Rebates Generated, CY 2011 to CY 2018

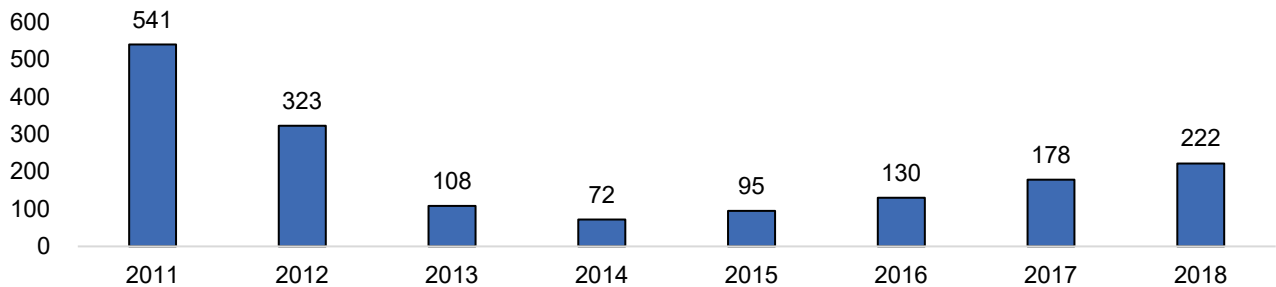


Year	Companies Generating Rebates	Rebates Generated
2011	13	\$938,288
2012	10	\$544,757
2013	7	\$248,764
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2016	7	\$255,210
2017	7	\$349,426
2018	8	\$445,949

Source: Oklahoma Department of Commerce

The number of jobs reported by participating companies has generally followed the same trajectory. Reported jobs were at their highest in 2011, before reaching a low in 2014 and increasing in each subsequent year.

Figure 4: Reported Jobs, 2011 to 2018

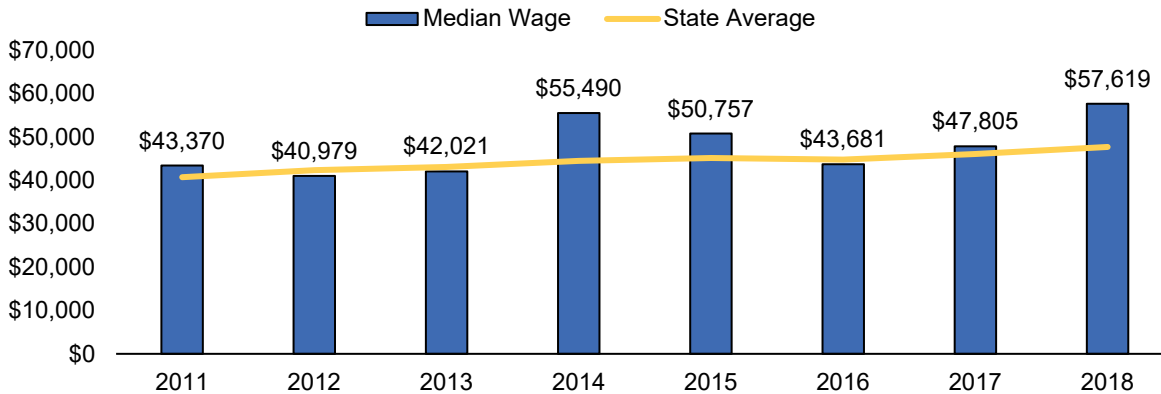


Source: Oklahoma Department of Commerce

Although the number of jobs reported by participants decreased, the median wage of those jobs increased. The median wage of reported jobs has been about equal to or greater than the state average wage from 2011 to 2018.



Figure 5: Median Wage of Qualified Jobs and State Average



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

Manufacturing firms generated most rebates over this period, accounting for 88.9 percent of total. In 2018, all rebates (\$445,949) were generated by manufacturing firms. All other rebates over this period were generated by professional services firms.

Table 4: Total Rebates Generated by Industry, 2011 through 2018

Industry	Rebates	Share of Total
Manufacturing	\$2,831,967	88.9%
Professional Services	\$352,698	11.1%
Total	\$3,184,665	

Source: Oklahoma Department of Commerce

Use of the Small Employer Quality Jobs program is spread across many counties. This is in contrast to the Quality Jobs and 21st Century Quality Jobs programs, where use is concentrated in Oklahoma and Tulsa counties. Delaware County, which received the highest dollar amount of rebates from 2011 to 2018, accounted for 13.6 percent of the total, and nine counties received at least five percent of total rebates over this period.

Table 5: Total Rebates Generated by County, 2011 through 2018

County	Rebates	Share of Total
Delaware	\$432,981	13.6%
Payne	\$352,698	11.1%
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Bryan	\$214,262	6.7%
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Washington	\$201,566	6.3%
Pushmataha	\$174,027	5.5%
Logan	\$156,900	4.9%
All Others	\$629,255	19.8%
Total	\$3,184,665	

Source: Oklahoma Department of Commerce



Incentive Administration

The Small Employer 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.³ The essential components of program administration are summarized below. The Department is most heavily involved in the process in the early stages of a company exploring and applying for the incentive. The OTC'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:

- **Size.** Applicants must have no more than 500 employees in the State at the time of application, or more than an average of 500 employees in the State during the preceding four calendar quarters.
- **Industry.** Applicants must operate in an eligible industry, as defined in statute.⁴ Qualifying industries include all those that are eligible for the regular Quality Jobs program, excluding oil and gas companies.
- **Job creation.** Applicants must add between five and 15 jobs within two years, depending on the population of the community in which an establishment is located. Eligible new jobs cannot have existed during the 6-month period prior to the application submission date. The job creation threshold is broken down by population size in the following table.

Table 6: Job Creation Requirements by Community Population

Population	New Job Threshold
Less than 3,500	5
3,500 to 7,000	10
Greater than 7,000	15

- **Average Wage.** Applicants must pay new jobs wages of at least 110 percent of the average wage of small employers in the county where the establishment is located. Employees must be paid this annualized wage on a quarter-by-quarter basis for the establishment to be eligible for benefits. Applicants in counties deemed to be economically challenged may qualify for program benefits at an average wage equal to the small employer county average.
- **Health Insurance.** Applicants must offer basic health insurance coverage to new employees, where employees 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.
- **Out of State Sales.** Applicants must have at least 35 percent of sales be out of state within the first two years of entering the program. Thereafter, establishments must maintain a 60 percent out-of-state sales margin for the contract period. Establishments may meet this requirement by selling to a buyer or buyers who ultimately resell the items to out-of-state buyers for ultimate use. Research and development companies and testing labs are excused from this requirement.

³ 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

⁴ See Appendix C for full list of eligible industries



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 Small Employer 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.

In the Small Employer Quality Jobs program, establishments receive a net benefit rate of up to 5 percent of newly created taxable payroll. If establishments meet their qualification requirements within the first two years, they are eligible for an additional five-year benefit period.

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 amongst other various 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. Establishments that do not meet the criteria to receive benefit payments, will not receive benefit payments for that quarter. Establishments meeting program criteria will receive quarterly benefit payments for up to 7 years.

Eligibility for Other Incentives

By statute, companies participating in the Quality Jobs Program are prohibited from receiving certain credits or exemptions related to the same activity. Companies are ineligible to claim 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
- Sales of Electronics to Qualified Aircraft Maintenance Facilities
- Sales to Radio and TV Entities
- Tax Credit for Employer Provided Health Plans
- Tax Credit for Recycling Facility

Changes Over Time

Eligibility for the program has expanded over time as the list of industries eligible for the Quality Jobs Program has been expanded by the Legislature. However, as described earlier, use of the program has still been concentrated in manufacturing, which was the original target of the program. An important difference between the two programs is that while the Quality Jobs Program expanded to include oil and gas firms, those firms were excluded from the Small Employer Quality Jobs program.

One of the most significant recent changes to the program was made to the size requirement. In 2018, the size limit for establishments to be considered small employers increased from 90 to 500.



Economic and Fiscal Impact



Economic Impact and Fiscal Impact

There are currently 222 qualified jobs represented in the program. The number of jobs has ebbed and flowed since 2011, and there were less than half the jobs qualified in 2018 than there were in 2011. To date, the program has generated \$72.9 million in cumulative wages paid. Table 7 illustrates the employment by sector.

Table 7: Reported Jobs by Sector

Year	Manufacturing	Professional Services	Total Jobs
2011	541	0	541
2012	323	0	323
2013	95	13	108
2014	46	26	72
2015	68	27	95
2016	105	26	130
2017	156	23	178
2018	222	0	222

Source: Oklahoma Department of Commerce

Table 8: Reported Payroll by Sector

Year	Manufacturing	Professional Services	Total payroll
2011	\$21,698,004	\$0	\$21,698,004
2012	\$12,281,311	\$0	\$12,281,311
2013	\$4,345,940	\$749,300	\$5,095,240
2014	\$2,126,988	\$1,496,046	\$3,623,035
2015	\$3,180,542	\$1,690,726	\$4,871,268
2016	\$4,375,594	\$1,540,256	\$5,915,850
2017	\$6,778,871	\$1,577,635	\$8,356,506
2018	\$11,092,318	\$0	\$11,092,318
TOTAL	\$65,879,569	\$7,053,963	\$72,933,532

Source: Oklahoma Department of Commerce

Table 9 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 tax generation data, along with employment and wages, are industry specific and calibrated to the State of Oklahoma.



Table 9: Economic and Fiscal Impacts

		Employment	Labor Income	Value Added	Output	State Tax	Program Payments
2011	Direct	541	\$21,776,286	\$26,399,316	\$126,904,617	\$656,516	
	Indirect	103	\$6,516,190	\$9,946,896	\$21,794,960	\$439,521	
	Induced	135	\$6,011,923	\$10,929,023	\$20,432,456	\$616,764	
	Total	779	\$34,304,399	\$47,275,234	\$169,132,033	\$1,712,802	\$938,288
2012	Direct	323	\$12,322,528	\$15,242,775	\$69,960,280	\$370,615	
	Indirect	62	\$3,887,897	\$5,947,537	\$12,944,566	\$265,807	
	Induced	77	\$3,446,537	\$6,265,417	\$11,713,569	\$353,579	
	Total	463	\$19,656,962	\$27,455,729	\$94,618,414	\$990,001	\$544,757
2013	Direct	108	\$5,275,399	\$6,486,936	\$26,114,003	\$161,317	
	Indirect	29	\$1,708,265	\$2,584,428	\$5,530,932	\$114,373	
	Induced	33	\$1,485,624	\$2,700,496	\$5,048,757	\$152,389	
	Total	170	\$8,469,288	\$11,771,860	\$36,693,692	\$428,079	\$248,764
2014	Direct	72	\$3,960,833	\$4,814,757	\$14,873,031	\$124,445	
	Indirect	24	\$1,332,187	\$1,980,116	\$4,124,077	\$86,168	
	Induced	25	\$1,126,931	\$2,048,234	\$3,829,332	\$115,570	
	Total	121	\$6,419,950	\$8,843,106	\$22,826,440	\$326,184	\$178,074
2015	Direct	95	\$5,255,979	\$6,371,529	\$21,443,866	\$164,190	
	Indirect	31	\$1,728,954	\$2,578,194	\$5,410,928	\$112,274	
	Induced	33	\$1,486,640	\$2,702,093	\$5,051,766	\$152,468	
	Total	159	\$8,471,574	\$11,651,816	\$31,906,561	\$428,932	\$224,197
2016	Direct	131	\$6,272,582	\$7,512,879	\$28,740,137	\$194,595	
	Indirect	34	\$1,959,189	\$2,931,273	\$6,231,907	\$127,123	
	Induced	39	\$1,750,785	\$3,182,325	\$5,949,583	\$179,571	
	Total	204	\$9,982,555	\$13,626,476	\$40,921,626	\$501,288	\$255,210
2017	Direct	179	\$8,730,919	\$10,418,361	\$43,318,205	\$269,054	
	Indirect	45	\$2,648,975	\$3,979,752	\$8,545,440	\$172,677	
	Induced	54	\$2,419,309	\$4,397,622	\$8,221,654	\$248,154	
	Total	278	\$13,799,203	\$18,795,735	\$60,085,299	\$689,885	\$349,426
2018	Direct	222	\$11,131,559	\$13,571,355	\$64,404,714	\$335,373	
	Indirect	54	\$3,381,443	\$5,164,936	\$11,295,079	\$228,978	
	Induced	69	\$3,084,387	\$5,607,078	\$10,482,764	\$316,427	
	Total	345	\$17,597,389	\$24,343,369	\$86,182,558	\$880,779	\$445,949



The economic impacts are substantial, averaging \$48.4 million per year, over the past five years. The 222 current qualified jobs give rise to an additional 123 indirect and induced jobs, totaling 529 jobs during 2018. This is 5.5 additional jobs created for each 10 qualified jobs.

The cumulative rebates paid since 2011 reach \$3.2 million. Offsetting these payments are additional taxes generated to the state by the program employment and associated economic activity. The offsetting state tax revenues reached \$6.0 million over the period 2011-2018. The new state taxes generated by the program fully offset the foregone revenue spent through the program rebates. Further, the program has generated a net surplus of \$2.8 million in state tax revenues over and above rebate costs, during the 2011-2018 period.

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 this instance because the program generates significant surpluses a near break-even analysis might be used as an example of which highlights the benefit of the revenue surplus. Thus, in this example, if half of the jobs would have occurred regardless of the program, leaving half attributable to the availability of the incentive (the “but for” test), the program would still break even, with a net neutral impact to state tax revenues. This represents a robust revenue outcome with a comparatively high “but for” test threshold.

During the same period, cumulative economic impacts have reached \$542.4 million, with \$118.7 million in labor income - including direct, indirect and induced wages. The Small Employer Quality Jobs program has generated very positive and substantial economic impacts while fully offsetting the foregone revenue costs.



Incentive Benchmarking



Benchmarking

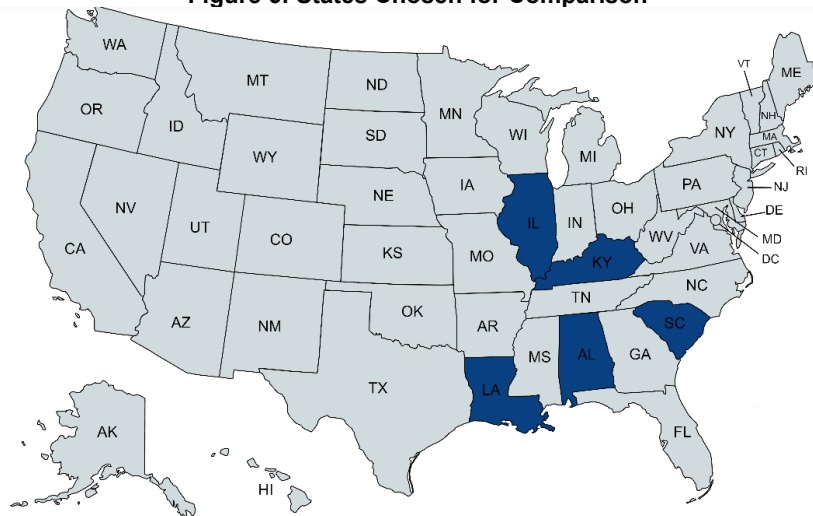
A detailed description of comparable state programs can be found in **Appendix B**.

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.⁵ 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, no bordering states were found to have programs that focus on incentivizing small businesses.

For the purposes of this report, a comparison group of states was chosen that did not account for geographic proximity, but rather had a similar focus to the Small Business Employer Quality Jobs program. Five states were chosen for the comparison group: Alabama, Illinois, Kentucky, Louisiana, and South Carolina. While these programs share a focus on incentivizing small businesses with Oklahoma, there are important differences in each that relate to business size requirements and benefit amounts.

Figure 6: States Chosen for Comparison



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

Size Requirements

Oklahoma requires businesses that receive benefits to have 500 or fewer full-time employees located in the State. South Carolina requires businesses to have less than 99 employees; however, this maximum applies to employees worldwide as opposed to Oklahoma, which solely considers employees within the State. This distinction is important, as both large and small employers with a small number of employees in Oklahoma

⁵ The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.



qualify for the incentive. While the other four states in the comparison group require businesses to have no more than 50 employees, Illinois is the only state in addition to South Carolina whose size requirement applies to employees worldwide.

Job Creation/Payroll Requirements

Oklahoma requires businesses to create between 5 and 15 new jobs, depending on the location of the business, in order to receive program benefits. Any net increase in employment is accepted by Alabama, Illinois, and Kentucky. South Carolina requires employers meet a monthly average of two new jobs per month during the tax year to receive benefits. Louisiana is the only state in the comparison group to have a payroll requirement. It requires five new jobs and payroll greater than or equal to \$225,000.

Wage Requirements

South Carolina is the only state in the comparison group that has a wage requirement, similar to Oklahoma, that is based on the location of the business within the state. Louisiana, Illinois, and Alabama all have a minimum flat hourly wage requirement. Kentucky requires wages to be at least 150 percent of the federal minimum wage.

Health Care Requirements

Louisiana is the sole state in the comparison group that has a health care requirement. Louisiana requires employers to offer health insurance to all new full-time employees and have at least 50 percent of them accept the coverage.

Capital Investment Requirements

Like Oklahoma, four of five comparison states do not have a capital investment requirement. Only Kentucky has a capital investment requirement that companies invest \$5,000 or more in qualifying equipment or technology to qualify for benefits.

Benefit Types

Louisiana is the only state in the comparison group that offers a cash rebate benefit like Oklahoma. Furthermore, it is the only state in the group whose benefit is a percentage of payroll like Oklahoma. Louisiana's rebate is equal to 4 or 6 percent of new payroll if the minimum hourly wage is at least \$18 or \$21.66, respectively. All other states in the comparison group offer an income tax credit per new employee as the program benefit. South Carolina provides businesses between \$1,500 and \$25,000 per new job depending on the location of the business.⁶ Businesses that pay less than 120 percent of the county average wage have a reduced benefit that ranges between \$1,750 and \$12,500, depending on the location of the business. Kentucky provides businesses with a benefit of \$3,500 per new job created with a maximum benefit of \$25,000 per year. Illinois provides a maximum benefit of \$5,000 per new job created and Alabama provides \$1,000 per new job.

Benefit Period

Oklahoma businesses can receive benefits for a seven-year period, which is longer than all states in the comparison group. South Carolina and Louisiana both have a five-year benefit period. Illinois, Kentucky, and Alabama each have programs with a one-year benefit period where small businesses are encouraged to re-apply for benefits annually, if at least one new eligible full-time position is added.

⁶ 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. § 3902 – Intent of Legislature

It is the intent of the Legislature that:

1. The State of Oklahoma provide appropriate incentives to support the creation of quality jobs, particularly by small businesses, in basic industries in this state;
2. The incentives provided be directly related to quality jobs created as a result of a business locating or expanding in this state;
3. 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
4. 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 1997, SB 574, c. 419, § 2, eff. January 1, 1998.

68 O.S. § 3903 – Definitions

As used in the Small Employer Quality Jobs Incentive Act:

1. "Basic industry" means 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 this title, excluding those activities described in division (10) of subparagraph a of paragraph 1 of subsection A of Section 3603 of this title. Provided, for the purposes of the Small Employer Quality Jobs Incentive Act, the determination required by subdivision (b) of division (7) or division (8) of subparagraph a of paragraph 1 of subsection A of Section 3603 of this title shall be made by the Oklahoma Department of Commerce and not the Incentive Approval Committee;
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 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;



5. "Estimated net direct state benefits" means the estimated direct state benefits less the estimated direct state costs;
6. "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;
7. "Gross taxable payroll" means wages, as defined in Section 2385.1 of this title, for new direct jobs;
8. "Net benefit rate" means the estimated net direct state benefits computed as a percentage of gross payroll; provided:
 - a. the net benefit rate may be variable and shall not exceed five percent (5%), and
 - b. in no event shall incentive payments, cumulatively, exceed the estimated net direct state benefits; and
9. "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 the Small Employer Quality Jobs Incentive 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 any time within six (6) months prior to such approval.

Laws 1997, SB 574, c. 419, § 3, eff. January 1, 1998; Amended by Laws 2002, SB 828, c. 308, § 2, emerg. eff. July 1, 2002; Amended by Laws 2003, HB 1605, c. 377, § 3, emerg. eff. June 4, 2003; Amended by Laws 2005, SB 407, c. 352, § 2, emerg. eff. July 1, 2005; Amended by Laws 2006, SB 1577, c. 281, § 34, emerg. eff. July 1, 2006; Amended by Laws 2013, HB 1455, c. 227, § 27, eff. November 1, 2013; Amended by Laws 2014, HB 2956, c. 128, § 1, emerg. eff. July 1, 2014.

68 O.S. § 3904 –Incentive Payments

- A. An establishment which meets the qualifications specified in the Small Employer Quality Jobs Incentive Act may receive quarterly incentive payments for a seven-year period from the Oklahoma Tax Commission pursuant to the provisions of the Small Employer Quality Jobs Incentive Act in an amount equal to the net benefit rate multiplied by the actual gross taxable payroll of new direct jobs as verified by the Tax Commission.
- 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;
 2. Has no more than five hundred full-time employees in this state on the date of application nor an average of more than five hundred full-time employees in this state during the four calendar quarters immediately preceding the date of application;
 3. Has a projected minimum employment, as determined by the Department, of new direct jobs within twelve (12) months of the date of application, or after July 1, 2011, within twenty-four (24) months of the date of application, as follows:



a. if the establishment is located in a municipality with a population less than three thousand five hundred (3,500) persons, as determined by the Department of Commerce based on the most recent U.S. Department of Commerce data, or if the establishment is located in an unincorporated area and the largest municipality within twenty (20) miles of the establishment is such a municipality, new direct jobs equal to the greater of five (5) jobs or five percent (5%) of the company's full-time employment at the date of application,

b. if the establishment is located in a municipality with a population of three thousand five hundred (3,500) persons or more but less than seven thousand (7,000) persons, as determined by the Department of Commerce based on the most recent U.S. Department of Commerce data, or if the establishment is located in an unincorporated area and the largest municipality within twenty (20) miles of the establishment is such a municipality, new direct jobs equal to the greater of ten (10) jobs or seven and one-half percent (7.5%) of the company's full-time employment at the date of the application, and

c. if the establishment is located in a municipality with a population of seven thousand (7,000) persons or more, as determined by the Department of Commerce based on the most recent U.S. Department of Commerce data, or if the establishment is located in an unincorporated area and the largest municipality within twenty (20) miles of the establishment is such a municipality, new direct jobs equal to the greater of fifteen (15) jobs or ten percent (10%) of the company's full-time employment at the date of application.

Provided, for an establishment engaged in software publishing as defined or classified in the NAICS Manual under Industry Group No. 5112, data processing, hosting and related services as defined or classified in the NAICS Manual under Industry Group No. 5182, computer systems design and related services as defined or classified in the NAICS Manual under Industry Group No. 5415, scientific research and development services as defined or classified in the NAICS Manual under Industry Group No. 5417, medical and diagnostic laboratories as defined or classified in the NAICS Manual under Industry Group No. 6215 or testing laboratories as defined or classified in the NAICS Manual under U.S. Industry No. 541380, the projected minimum employment requirements of this paragraph must be achieved within thirty-six (36) months of the date of application;

4. Has or will have within twelve (12) months of the date of application, or after July 1, 2011, within twenty-four (24) months of the date of application, as determined by the Department, sales of at least thirty-five percent (35%) for the first two (2) years and subsequently sixty percent (60%) of its total sales 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, except that:

a. those establishments in the NAICS Manual under the U.S. Industry No. 541710 or 541380 are excused from the out-of-state sales requirement,

b. warehouses that serve as distribution centers for retail or wholesale businesses shall be required to distribute forty percent (40%) of inventory to out-of-state locations, and

c. adjustment and collection services activities defined or classified in the NAICS Manual under U.S. Industry No. 561440 shall be required to have seventy-five percent (75%) of loans to be serviced made by out-of-state debtors;

5. Will pay the individuals it employs in new direct jobs an average annualized wage which equals or exceeds:

a. one hundred twenty-five percent (125%) of the average county wage of small employers located in that county as that percentage is determined by the Department of Commerce based on the most recent wage and employment data from the Oklahoma Employment



Security Commission for the county in which the new direct jobs are located. For purposes of this subparagraph, health care premiums paid by the applicant for individuals in new direct jobs shall be included in the annualized wage, or

b. one hundred ten percent (110%) of the average county wage of small employers located in that county as that percentage is determined by the Department of Commerce based upon the most recent wage and employment data from the Oklahoma Employment Security Commission for the county in which the new direct jobs are located. For purposes of this subparagraph, health care premiums paid by the applicant for individuals in new direct jobs shall not be included in the annualized wage, or

c. one hundred percent (100%) of the average county wage, excluding health care premiums paid by the applicant for individuals in new direct jobs if the county in which the new jobs are located has:

(1) according to the most recent annual determination by the Oklahoma Employment Security Commission, a county unemployment rate more than ten percent (10%) higher than the state unemployment rate, and

(2) according to the most recent United States Census Bureau Data, a county personal poverty rate above fifteen percent (15%);

6. 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;

7. Has not received incentive payments under the Oklahoma Quality Jobs Program Act, the Saving Quality Jobs Act, or the Former Military Facility Development Act; and

8. Is not qualified for approval of an application for incentive payments under the Oklahoma 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 application, 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 seven-year period. The Tax Commission may require the qualified establishment to submit additional information as may be necessary to administer the provisions of the Small Employer Quality Jobs Incentive 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 seven-year period as long as the establishment retains its eligibility and within the limitations of the Small Employer Quality Jobs Incentive Act which existed at the time of such approval. Any establishment which has been approved for incentive payments prior to July 1, 2002, shall continue to receive such payments pursuant to the laws as they existed prior to July 1, 2002, for any period of time of the original five-year period for such payments remaining after July 1, 2002.

E. For any contract executed by an establishment on or after August 2, 2018, 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 1997, SB 574, c. 419, § 4, eff. January 1, 1998; Amended by Laws 1998, SB 782, c. 379, § 4, emerg. eff. July 1, 1998; Amended by Laws 1999, SB 315, c. 67, § 1, emerg. eff. April 7, 1999; Amended by Laws 2002, SB 828, c. 308, § 3, emerg. eff. July 1, 2002; Amended by Laws 2003, HB 1605, c. 377, § 4, emerg. eff.



June 4, 2003; Amended by Laws 2004, SB 1527, c. 457, § 4, emerg. eff. July 1, 2004; Amended by Laws 2005, SB 407, c. 352, § 3, emerg. eff. July 1, 2005; Amended by Laws 2006, SB 1577, c. 281, § 35, emerg. eff. July 1, 2006 (repealed by Laws 2007, HB 2195, c. 1, § 68, emerg. eff. February 22, 2007); Amended by Laws 2006, HB 2628, c. 256, § 1, emerg. eff. July 1, 2006; Amended by Laws 2007, HB 2195, c. 1, § 67, emerg. eff. February 22, 2007; Amended by Laws 2007, SB 871, c. 357, § 3, emerg. eff. July 1, 2007; Amended by Laws 2010, SB 1966, c. 254, § 1, eff. January 1, 2011; Amended by Laws 2013, HB 1455, c. 227, § 28, eff. November 1, 2013; Amended by Laws 2018, HB 3324, c. 144, § 3; Amended by Laws 2018, SB 923, c. 191, § 1, eff. November 1, 2018; Amendment by Laws 2018, HB 3324, c. 144, § 3, repealed by Laws 2019, SB 1041, c. 25, § 43, emerg. eff. April 4, 2019; Amendment Laws 2018, SB 923, c. 191, § 1, eff. November 1, 2018, amended by Laws 2019, SB 1041, c. 25, § 42, emerg. eff. April 4, 2019; Amended by Laws 2019, HB 2536, c. 197, § 1, emerg. eff. July 1, 2019.

68 O.S. § 3905 – Filing Quarterly Reports with Oklahoma Tax Commission

- 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 seven-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. created and or maintained the minimum number of new direct jobs as specified in paragraph 3 of subsection C of Section 3904 of this title, and

b. paid the individuals it employed in new direct jobs an annualized wage which equaled or exceeded the applicable percentage of the average county wage as that percentage was determined by the Oklahoma Department of Commerce upon approval of the application.

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 the net benefit rate multiplied by the amount of gross taxable payroll of new direct jobs actually paid by the establishment.

- 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 twenty-seven 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) months of the date of its application, or after July 1, 2011, within twenty-four (24) months 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 twenty-seven 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.



Laws 1997, SB 574, c. 419, § 5, eff. January 1, 1998; Amended by Laws 1999, SB 315, c. 67, § 2, emerg. eff. April 7, 1999; Amended by Laws 2002, SB 828, c. 308, § 4, emerg. eff. July 1, 2002; Amended by Laws 2006, SB 1577, c. 281, § 36, emerg. eff. July 1, 2006; Amended by Laws 2010, SB 1966, c. 254, § 2, eff. January 1, 2011.

68 O.S. § 3906 – Creation of Small Employer 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 "Small Employer 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 5 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 Small Employer Quality Jobs Incentive Act. The liability of the State of Oklahoma to make incentive payments under this act shall be limited to the balance contained in the fund created by this section.

Laws 1997, SB 574, c. 419, § 6, eff. January 1, 1998.

68 O.S. § 3907 – Promulgation of 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 this act.

Laws 1997, SB 574, c. 419, §7, eff. January 1, 1998.

68 O.S. § 3908 – Penalties for Violations

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 felony. 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 1997, SB 574, c. 419, §8, eff. January 1, 1998.

68 O.S. § 3909 – Eligibility to Receive Credits or Exemptions

Notwithstanding any other provision of law, if a qualified establishment receives an incentive payment pursuant to the provisions of this 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 this title;
2. Paragraph 8 of Section 1359 of this title;
3. Section 2357.4 of this title;
4. Section 2357.7 of this title;



5. Section 2-11-303 of Title 27A of the Oklahoma Statutes;
6. Section 2357.22 of this title;
7. Section 2357.31 of this title;
8. Section 54003 of this title;
9. Section 54006 of this title;
10. Section 625.1 of Title 36 of the Oklahoma Statutes; or
11. Subsections C and D of Section 2357.59 of this title.

68 O.S. § 3909 – Triennial Report

The Oklahoma Department of Commerce shall prepare triennially a report which shall include, but not be limited to, documentation of the new direct jobs created under the Small Employer Quality Jobs Incentive 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, 2001, and every three (3) years thereafter. The report may be used for the purpose of determining whether to continue or sunset the Small Employer Quality Jobs Incentive Act.

Laws 1997, SB 574, c. 419, §10, eff. January 1, 1998.



Appendix B: Comparable State Programs

Small Employer Quality Jobs Benchmarking						
	Oklahoma	Alabama	Illinois	Kentucky	Louisiana	South Carolina
Name	Small Employer Quality Jobs	Full Employment Act of 2011	Small Business Job Creation Tax Credit	Small Business Tax Credit	Quality Jobs	Annual Small Business Job Tax Credit
Size Requirement	90 or fewer full-time employees in Oklahoma	No more than 50 employees	No more than 50 full-time employees worldwide	No more than 50 employees	No more than 50 employees	99 or fewer employees worldwide
Job Creation Requirement	5 to 15 new jobs, depending on location	Any net increase from previous tax year qualifies	At least one new job	At least one new job	5 new jobs	Monthly average of two new jobs per month of operation during the tax year
Payroll Requirement	N/A	None	None	None	Greater than or equal to \$225,000	None
Wage Requirement	100, 110, or 125 percent of the average county wage of small employers, depending on the location of the company	More than \$10 per hour	\$10 per hour	150% of the federal minimum wage	\$18 per hour for 4 percent rebate \$21.66 per hour for 6 percent rebate	Greater than or equal to 120 percent of per capita income for lesser of state and county If job pays less than 120 percent but still greater than the applicable per capita income, company qualifies for 50 percent of credit amount for that job



Small Employer Quality Jobs Benchmarking (continued)

	Oklahoma	Alabama	Illinois	Kentucky	Louisiana	South Carolina
Health Insurance Requirement	Employees must pay no more than 50% of the premium cost	None	None	None	<p>\$1.25 per hour in health care benefits for full-time employees</p> <p>Must offer coverage for dependents of full-time employees</p> <p>At least 50 percent of employees in new jobs must accept coverage</p>	None
Capital Investment Requirement	None	None	None	\$5,000	None	None
Benefit Type	Cash Rebate	Tax Credit	Tax Credit	Tax Credit	Cash Rebate	Tax Credit
Benefit Amount	5 percent of new job payroll	\$1,000 per employee	Maximum of \$5,000 per employee	\$3,500 to \$25,000	4 or 6 percent of payroll	\$1,500 to \$8,000 per job
Benefit Period	7 Years	None	1 Year	Can re-apply annually	5 Years	5 Years



Appendix C: Small Employer 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 35% out of state sales for the first two years and 60% thereafter:

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. 517110, 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

Included in NAICS Nos. 524210 and 524292

Adjustment and Collection Services

See NAICS No. 561440 (75% of loans 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, 519130, and 5415

Miscellaneous Business Services

See NAICS Nos. 561410, 56142, and 51911

Offices of Real Estate Agents & Brokers

See NAICS No. 53120 (and 75% of transactions are out of state)

Medical and Diagnostic Laboratories

See NAICS No. 6215

Engineering, Management and Related Services

See NAICS Nos. 5412, 5414-5417, 54131, 54133, 54136, 54137, and 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 Service Companies

The program also applies to electric services 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.



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.