



State of Oklahoma

Incentive Evaluation Commission

Quick Action Closing Fund Draft Evaluation

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Key Findings and Recommendations



Incentive Overview

The Quick Action Closing Fund (QACF or Fund) was established in 2011 to attract high-impact businesses when award funds are likely to be the deciding factor in a business's location decision. These expenditures typically support infrastructure or capital improvements necessary for relocation of a company, but they can be used for a variety of business needs.

Recommendation: Retain, with modifications

Key Findings

- **The Fund's unreserved fund balance has more than tripled since the program was last evaluated in 2018.** At the end of FY 2022, the unreserved fund balance available for new awards was \$18.6 million, up from \$4.3 million at the end of FY 2019. Legislative appropriations drove this increase, rather than the statutory five percent of all new Quality Jobs Program rebate payments the Fund started receiving in FY 2019.
- **A total of \$36.9 million in awards have been made through the Fund, and two-thirds of the total award amount was made between FY 2021 and FY 2022.** As more funding has been made available, more awards have been made.
- **A total of \$24.5 million was awarded between FY 2021 and FY 2022, but only \$7.3 million of those have been paid as these projects continue to work toward performance thresholds.** Fund award contracts are structured so payment is not issued until performance thresholds related to jobs, payroll and capital investment are met.
- **Projects receiving awards from the QACF were projected to create 6,752 new jobs at an average salary of about \$63,000.** Projects that have received award payments were projected to create 4,081 jobs, while another 2,681 projected jobs are associated with projects awarded in FY 2020 or later that are still working toward meeting performance thresholds. Projected jobs associated with paid projects have an average salary of about \$50,200, while projected jobs associated with ongoing awards have an average salary of about \$82,000.

A Department of Commerce analysis of companies that have been awarded funds found as of 2022, these companies have a total of 7,470 employees in the State with an average salary of \$83,818.

- **The average projected capital investment per project is \$151.4 million.** Projects associated with awards that have been paid average \$86.0 million while projects in progress (with award payments pending) average \$308.2 million.
- **Assuming projected job creation, payroll, and capital investment is achieved, for each \$1.00 spent through the program award payments from FY 2018 through FY 2022, \$2.55 of new state tax revenue is generated by the economic impacts of participating companies.** Projected economic activity associated with companies receiving a total of \$10.9 million in payments during this period would generate \$1,602.6 million in economic impacts creating \$27.9 million in state tax revenue from employment, payroll, and investment activity.
- **Nine of 12 companies that have completed QACF projects have also been awarded Quality Jobs Program contracts.** In these instances, the amount awarded by the Quick Action Closing Fund is adjusted downward by the Department of Commerce to account for the Quality Jobs Program benefit and ensure the combination of awards are still expected to be revenue neutral for the State.



- **Effective cost controls are in place.** As previously noted, the program is still mainly dependent on appropriations from the Legislature. These appropriations naturally limit the amount that can be spent by the fund. Furthermore, statute requires several program features that control costs. All awards are required to be revenue neutral as determined by a detailed analysis by the Department of Commerce, and claw back provisions are required to be included in award agreements to return funds to the State if performance thresholds aren't met. The Department of Commerce also structures its award agreements so that awards are not paid until performance goals are met, adding another layer of cost control to the program.

Recommendations

- **Require more robust reporting on awards.** Oklahoma publicly reports only the award amount, the company name, award date and a very brief description of how the award is to be used. Nearly all comparable programs have more detailed public reporting on projects that have received awards. Transparency in how the program is used and the performance of projects receiving awards is important for building public trust in the program and allowing for monitoring. The State should consider making the following additional information associated with each award public:
 - Expected Capital Investment associated with award activity¹
 - Expected Job Creation associated with award activity
 - Expected Average Wage/Payroll associated with award activity
 - Specific thresholds required for award payment
 - Progress toward such thresholds
 - Award Amount Paid
 - Actual Job Creation associated with award activity
 - Actual Capital Investment associated with award activity
 - Actual Average Wage/Payroll associated with award activity

In addition to reporting the above information, the Department of Commerce should include an explanation of why each awarded project was considered “high-impact.” Statute dictates the QACF may be used when the award would “likely be a determining factor in locating a high-impact business project or facility in Oklahoma.” However, no definition of “high-impact” is provided in statute. This leaves the Department of Commerce to interpret what is written and determine whether a program is “high-impact.” To date, it appears QACF has been used mostly for high-impact projects based on the high amount of capital investment. However, use of the program has varied significantly – from one project expected to create seven new jobs and \$2.5 million in capital investment, to one expected to create 1,500 new jobs and over \$1,000 million in capital investment. While the project team sees no immediate concern about the use of the QACF, this reporting would enhance transparency and help ensure the program is used as intended.

¹ “Award activity” refers to the project the award was granted for, as described in the award agreement, rather than activity occurring outside the scope of the award.



Introduction



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 the 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 draft evaluation 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. Evaluations also make, where appropriate, 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 reconfigure each incentive under review. It then submits a final report to the Governor and Legislature. This incentive was last evaluated in 2018.

Summary of 2018 Evaluation Findings and Recommendations

Evaluation Category	Significant Finding(s)
Overall Findings	The program was used sporadically from FY 2012 through FY 2018, and only five companies had received awards. The program was found to have strong administrative protections.
Fiscal and Economic Impact	The program was found to be a net benefit to the State.
Future Fiscal Impact Protections	The program features performance requirements and clawback provisions that help the State control costs.
Administrative Effectiveness	Program administration was found to be effective. The Department of Commerce thoroughly reviews potential project qualifications and benefits to the state before sending to the Governor for final approval.
Achievement of Goals	The program funded projects expected to create 1,445 jobs and capital investment of \$712 million.
Retain, Reconfigure or Repeal	Based on its analysis of available data, the project team recommended in 2018 that the program be retained.
Other Recommendations	Implement a wage threshold for job creation to ensure incentivized jobs are paid higher than average wages.

Based on PFM's analysis and consideration of other factors, the Commission voted 5-0 to approve PFM's recommendation to retain the incentive. Two significant statutory changes have been made to the program since it was last reviewed. First, five percent of quarterly payments made to Quality Jobs Program participants are now to be deposited in the Oklahoma Quick Action Closing Fund. Second, to qualify for Quick Action Closing Fund awards, an establishment must pay wages equal to or greater than the average wage of the county where it is located.



2022 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:

- History of use of the program
- Layering of the program with other incentives
- Total investment per project
- Actual vs. projected jobs, payroll, investment
- Comparison of job and payroll growth with/without use of this incentive
- State return on investment



Incentive Usage and Administration



Program Administration

The Department of Commerce (Department) is responsible for administering the Quick Action Closing Fund (QACF or Fund).

Application Process

A firm's participation in the QACF typically starts through discussions with the Department staff. In contrast to other incentives the State offers, the QACF is not marketed proactively to all firms. It is only discussed with firms once the Department has a substantial understanding of a potential project and its State impact to determine that use of the Fund may be warranted. During the early stage of the process, the Department learns as much as possible about the firm's potential project, its needs and challenges in locating in the State to make this determination.

After collecting project information, the Department may provide the firm with an application to start the award process. The application collects information that the Department needs to understand the project and determine if it is expected to be a net economic benefit to the State. This includes background information on company history, industry, and the location of the project, as well as project-specific information including the number of jobs the project will create or retain, the average salary of those jobs, total capital investment, and necessary infrastructure improvements. The Department also considers the likelihood of other businesses locating within the vicinity of the project, the impact on the area economy, and investment from local government.

Eligibility

Qualifying companies must be engaged in activities described by the North American Industry Classification System (NAICS) codes defined as "basic" industries eligible for the Quality Jobs or 21st Century Quality Jobs programs.² New jobs created by a qualifying project must pay an average wage at least equal to the average wage of the county where the project is located.

Only projects that the Department determines are a net economic benefit to the State are recommended to the Governor for awards from the Fund. Projects must be a net benefit to the State either through the creation of new jobs, maintenance of existing jobs at risk for termination, new capital investment, or additional tax revenue.³ To determine economic benefit, the Department conducts an analysis of each project considering the number of new jobs created or retained by the project, the average salary of those jobs, total capital investment, likelihood of other establishments locating within the vicinity as a result of the project, the impact on the local economy, and other factors.

Award Process

After consultation with the President Pro Tempore of the State Senate and Speaker of the State House of Representatives, the Governor may issue final approval for each award. Upon approval, the Department enters into an agreement establishing conditions for the payment of funds. The agreement includes:

- The total amount of funding
- Performance conditions required to obtain award funding, which may include net new employment in the state, average salary, and total capital investment
- Baseline measures of capability and subsequent enhancement of capability, if appropriate to the project
- Methodology for validating performance
- Schedule of payments from the fund
- Clawback provisions if performance conditions are not met

² See Appendix B for a list of these industries.

³ See 62 O.S. § 48.2. To date, no awards have been made for maintaining existing jobs.



- For capital improvements, a requirement that if the improvement is sold, the recipient of the award will repay it with interest and share any profit with the State.

To date, the Department has not had to enforce clawback provisions associated with awards. Instead, it structures awards to be paid once performance thresholds related to job creation, payroll, investment, construction, and other factors are met. This is a best practice that helps the State avoid having to obtain repayment of awards for performance failures.

Administration of the Fund

The QACF receives funding from two sources: appropriations made by the Legislature and, starting in 2019, five percent of all rebate payments made to Quality Jobs Program recipients. Prior to 2019, the QACF received sporadic funding from the Legislature. The dedicated share of Quality Jobs program payments provides a stable (but relatively small) source of funding for the QACF.

Each year, 20 percent of the QACF, up to \$500,000 is set aside for projects in cities, towns, or unincorporated rural communities with populations of 50,000 or less.⁴ Since the QACF's inception, a total of \$6.3 million in awards have been paid to five projects meeting these qualifications.

Starting in 2019, the QACF can also be used to make rebate payments for the Oklahoma Film Enhancement Rebate Program, if a rebate claim is made at a time when the Legislature is not in session. Only "high impact" productions, which statute defines as being a production with total expenditures of \$50 million or more, with at least one-third of those costs incurred in Oklahoma, qualify to receive payments from the QACF. To date, no payments to Film Enhancement Rebate Program participants have been made from the QACF. The Oklahoma Film Enhancement Rebate Program is set to expire on July 1, 2027.

Oklahoma Manufacturing Reboot Program

On April 10, 2020, the Oklahoma Manufacturing Reboot Program was launched, using \$5 million of funds from the Quick Action Closing Fund. The program was designed to provide funding for manufacturers to reboot or pivot following the onset of the COVID-19 pandemic. Many of the awards helped manufacturers shift to producing personal protective equipment in response to the pandemic. Eligibility for the program largely followed Quick Action Closing Fund requirements including being revenue-neutral for the State and meeting its wage threshold and healthcare requirements.

Between June 2020 and March 2021, 29 companies received \$3.1 million through the Manufacturing Reboot Program. Awards ranged from \$20,000 to \$150,000 and averaged about \$87,000. Although the program was initially funded through the Quick Action Closing Fund, these costs were ultimately almost fully reimbursed by Federal funding via the Coronavirus Aid, Relief and Economic Security (CARES) Act.⁵ CARES act reimbursements covered \$3,096,075 of the program's \$3,118,075 total awards. The program officially closed at the end of 2020.⁶

Administrative Issues

While statute outlines several key criteria the Department can use to evaluate potential projects, some aspects of the statute remain undefined. Notably, statute dictates the QACF may be used when an award would "likely be a determining factor in locating a high-impact business project or facility in Oklahoma." However, "determining factor" and "high-impact" are not defined in statute. This gives the Department latitude in administering the program and broadens its determination of appropriate projects. For example, there are no

⁴ Oklahoma Administrative Rules, Title 150, Chapter 140

⁵ CARES act reimbursements covered \$3,096,075 (99.3 percent) of the program's \$3,118,075 total awards. One \$22,000 award's performance threshold was achieved after the deadline for CARES act funding had passed.

⁶ This evaluation does not evaluate the effectiveness of the Manufacturing Reboot Program, because this was a temporary feature, outside the typical use of the QACF. Further, it is something of a moot point, as nearly all the QACF's financial commitment to the program has been reimbursed to the Fund by the federal CARES Act funding.



requirements relating to what would be sufficient evidence for the award to be a “determining factor” in a company’s location decision. The Department seeks to determine this as it collects information about the project in the early stages of the application process.

Without a definition of “high-impact,” there are no set guidelines outlining a minimum number of jobs, capital investment, or other metrics that may identify a project as such. As a result, use of the program has varied significantly – from one project expected to create seven new jobs and \$2.5 million in capital investment, to one expected to create 1,500 new jobs and over \$1,000 million in capital investment.

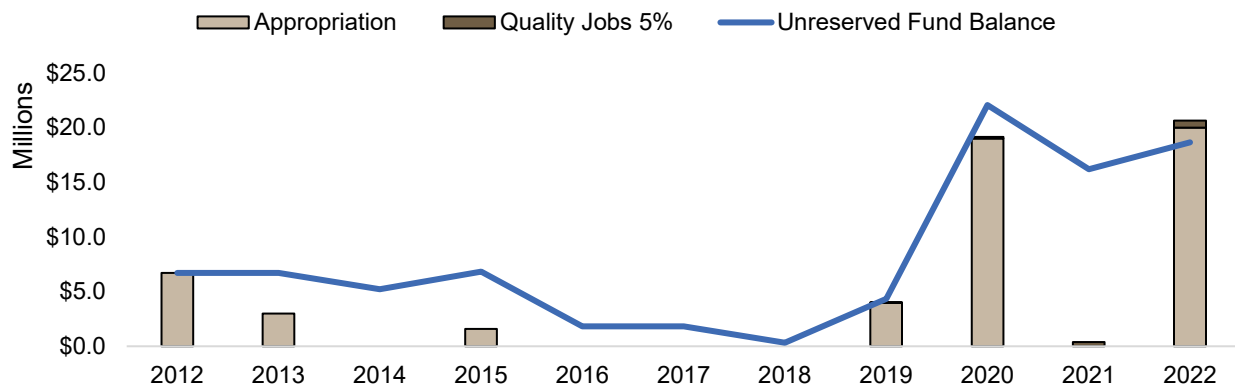
Use of the Program

Program Funding

Prior to FY 2019, the QACF was entirely dependent on appropriations made by the Legislature. Appropriations were sporadic during this period, with several years when the QACF received no appropriation. In FY 2019, the QACF was given a dedicated funding source equal to five percent of payments to new Quality Jobs Program participants. This source of funding is still developing as more companies enter the Quality Jobs Program following the effective date of the new funding policy. Appropriations accounted for 96.6 percent of total contributions to the fund from FY 2020 through FY 2022.

Funding and use of the program have increased dramatically since FY 2017. From FY 2019 to FY 2020, the Legislature appropriated \$23.0 million to the QACF, increasing its available funds from \$1.8 million in FY 2017 to \$22.1 million by FY 2020. In FY 2021, the QACF awarded \$6.3 million to projects – its highest single year total. The following year, the Legislature replenished the QACF by appropriating \$20.0 million, its largest appropriation to date, and the QACF awarded \$18.2 million. At the end of FY 2022, \$18.6 million is available for future awards, and \$18.4 million is committed to current projects. The following chart and table summarize fund inflows and outflows since inception.

Figure 1: Quick Action Closing Fund Contributions and Unreserved Fund Balance, FY 2012 - FY 2022⁷



Source: Oklahoma Department of Commerce

⁷ Manufacturing Reboot Program awards and CARES Act reimbursements are excluded from this table. Awards Made excludes award agreements that were withdrawn for failure to meet performance criteria.



Table 1: Quick Action Closing Fund Contributions, Awards, and Fund Balance, Millions, FY 2012 - FY 2022⁸

FY	Fund Contributions			Fund Awards		Fund Balance		
	Appropriation	Quality Jobs 5%	Total	Made	Paid	Unreserved	Reserved	Total
2012	\$6.7	-	\$6.7	\$0.0	\$0.0	\$6.7	\$0.0	\$6.7
2013	\$3.0	-	\$3.0	\$3.0	\$0.0	\$6.7	\$3.0	\$9.7
2014	\$0.0	-	\$0.0	\$1.5	\$3.0	\$5.2	\$1.5	\$6.7
2015	\$1.6	-	\$1.6	\$0.0	\$0.0	\$6.8	\$1.5	\$8.3
2016	\$0.0	-	\$0.0	\$5.0	\$4.5	\$1.8	\$2.0	\$3.8
2017	\$0.0	-	\$0.0	\$0.0	\$0.0	\$1.8	\$2.0	\$3.8
2018	\$0.0	-	\$0.0	\$1.5	\$2.7	\$0.3	\$0.9	\$1.2
2019	\$4.0	-	\$4.0	\$0.0	\$0.9	\$4.3	\$0.0	\$4.3
2020	\$19.0	\$0.2	\$19.2	\$1.4	\$0.2	\$22.1	\$1.2	\$23.3
2021	\$0.0	\$0.4	\$0.4	\$6.3	\$1.9	\$16.2	\$5.6	\$21.8
2022	\$20.0	\$0.6	\$20.6	\$18.2	\$5.4	\$18.6	\$18.4	\$37.1
Total	\$54.3	\$1.2	\$55.5	\$36.9	\$18.5	-	-	-

Source: Oklahoma Department of Commerce

Program Use

QACF contracts are structured to provide payment to an awardee only once performance goals related to jobs, payroll, and capital investment are met. The following table summarizes, for the total amount of awards made in each fiscal year and projected capital investment, new jobs, and new payroll, associated with the projects. Through the program's history, awards totaling \$36.9 million have been made to 17 projects. As of the end of FY 2022, awards totaling \$18.5 million have been paid to 12 projects. Several awards made since FY 2020 have not been fully paid as performance goals have not yet been met.

In total, projects receiving awards from the QACF were projected to make \$2,573.7 million in capital investment and create 6,752 new jobs, paying an average wage of \$62,821. A total of \$18.4 million in awards have been made but not yet paid as performance thresholds associated with the awards have not been met. These awards account for \$1,500 million in projected capital investment and 2,681 projected new jobs included in the following table.

⁸ Manufacturing Reboot Program awards and CARES Act reimbursements are excluded from this table. Awards Made excludes award agreements that were withdrawn. Four awards were offered but withdrawn for various reasons. One company opted to receive Quality Jobs Program benefits instead of Quick Action Closing Funds, one changed plans shortly after receiving an award offer, one moved forward with its project without award funds and one award was withdrawn for poor performance



Table 2: Fund Use, FY 2013 - FY 2022
 (Dollar amounts for awards, capital investment, and new payroll in millions)

FY	Awards Made	Projected Capital Investment	Projected New Jobs	Projected New Payroll	Projected Average Wage
2013	\$3.0	\$3.0	125	\$11.8	\$94,296
2014	\$1.5	\$170.0	1,387	\$41.5	\$29,906
2015	\$0.0	\$0.0	0	\$0.0	-
2016	\$5.0	\$402.0	262	\$20.3	\$77,366
2017	\$0.0	\$0.0	0	\$0.0	-
2018	\$1.5	\$385.7	425	\$19.3	\$45,412
2019	\$0.0	\$0.0	0	\$0.0	-
2020	\$1.4	\$43.9	143	\$7.5	\$52,448
2021	\$6.3	\$261.5	792	\$43.7	\$55,156
2022	\$18.2	\$1,307.6	3,618	\$280.1	\$77,431
Total	\$36.9	\$2,573.7	6,752	\$424.2	\$62,821

Source: Oklahoma Department of Commerce

Of the total 17 QACF awards made, 13 were to manufacturing establishments. These account for about 63.0 percent of total awards made, and an even greater share of total projected capital investment, at about 87.4 percent. In contrast, manufacturing accounts for less than half of projected jobs at 45.7 percent of the total. Five other industries received QACF awards, but these are consolidated into the “All Other” row of the following table to preserve company anonymity.

Table 3: Fund Use by Industry, FY 2012 through FY 2022
 (Dollar amounts for awards and capital investment in millions)

	Awards	Projected Capital Investment	Projected New Jobs	Projected Average Wage
Manufacturing	\$23.2	\$2,249.3	3,085	\$68,627
All Other	\$13.7	\$324.4	3,667	\$57,936
Total	\$36.9	\$2,573.7	6,752	\$62,821

Source: Oklahoma Department of Commerce

Oklahoma City and Tulsa are the most common locations for projects funded by the QACF, but most funds (53.5 percent) have been awarded outside of those major cities. Each year, a portion of the fund is set aside for use in communities with populations of 50,000 or less. To date, just over half (50.2 percent) of the total amount awarded by the fund has gone to this category of communities.



Table 4: Fund Use by Location

City	County	Number of Projects	Amount Awarded (Millions)
Oklahoma City	Oklahoma	4	\$7.8
Tulsa	Tulsa	3	\$4.4
Pryor*	Mayes	1	\$10.0
Tulsa/OKC**	Tulsa/Oklahoma	1	\$5.0
Durant*	Bryan	1	\$3.0
Inola*	Rogers	1	\$1.3
Madill*	Marshall	1	\$1.3
Stillwater	Payne	1	\$1.2
Ardmore*	Carter	1	\$1.0
Muskogee*	Muskogee	1	\$1.0
Watts*	Adair	1	\$0.5
Bristow*	Creek	1	\$0.4
		17	\$36.9

Source: Oklahoma Department of Commerce
 *Community with population of 50,000 or less
 **Funded project included locations in both cities



Economic and Fiscal Impact



Economic and Fiscal Impact

Economic impact analysis was undertaken for all awards paid in FY 2018 through FY 2022. The analysis assumes each awarded company met projected investment and jobs figures that were projected at the time the award offers were made in the year the award was paid.¹⁰ Once identified, economic impacts and the resulting state tax revenues are compared with the cost of program payments.

The state tax revenues generated by the assumed economic activity associated with the awards are compared with the amount of awards paid. Economic activity and state tax revenues are further discounted to identify the percentage level of economic impacts and revenues where the program will break even. This allows for recognition and acknowledgement the Quick Action Closing Fund alone has not fully caused all of the resulting economic activity. The break-even point can be used as a measuring guidepost. The lower the break-even the higher the associated productivity of the program. This also allows for the understanding that other incentive programs, most notably the Quality Jobs Program, are used in conjunction with Quick Action Closing Fund, and those incentives may also be causal and result in some portion of economic impact and state tax revenues identified with companies participating in the incentive program.

Economic Activity from Program Participants

The assumed activity includes investments made and new jobs and payroll created. The impacts of this activity is compared to the amount of awards paid. Table 5 details the basis for the economic impact analysis. The economic impact analysis includes the cumulative volume of activity taking place during the most recent 5-year period, from 2018-2022. Looking at a multi-year period allows for a more comprehensive view of the program, as awards, investments, and job creation can be highly variable from year to year.

Table 5: Fund Use, FY 2018 - FY 2022¹¹
(Dollar amounts for awards, capital investment, and new payroll in millions)

FY of Payment	Awards Paid	Investment	New Jobs	New Payroll	Average Wage
2018	\$2.65	\$260.0	127	\$10.1	\$79,800
2019	\$0.85	\$205.7	310	\$13.2	\$42,500
2020	\$0.20	\$1.4	10	\$0.4	\$40,000
2021	\$1.90	\$15.1	167	\$7.6	\$45,300
2022	\$5.35	\$55.4	1,705	\$103.9	\$61,000
Total	\$10.95	\$537.6	2,319	\$135.2	\$58,300

Source: Oklahoma Department of Commerce

For the purposes of the economic impact analysis, participant activity is considered in two separate categories: jobs and wages as permanent activity, and investment as one-time activity, which includes construction and machinery/equipment purchases (real estate investment – the purchase of land and buildings - is not included in the impact analysis because there is very limited economic impact associated with real estate transactions).

Economic Impact of New Jobs and Associated Payroll

The Department provided detailed information as to program participants in terms of projected jobs wages and the industries where these companies work. Using the detailed industry level data provided, the economic impacts associated with projected job formations and wages was estimated using the IMPLAN economic impact software. The methodology for using the IMPLAN model is explained in Appendix D. Table 6 illustrates the economic impacts of projected jobs and wages associated with the QACF incentive payments.

Table 6 Economic Impacts of Projected Jobs and Wages – 2018-2022

¹⁰ The Department of Commerce confirmed all companies receiving award payments over this period met their projected capital investment and most exceeded their projected job total. However, three recipients met capital investment thresholds, but have not yet met job creation projections.

¹¹ Manufacturing Reboot Program awards excluded..



Type	Employment	Labor Income	Value Added	Output	State Tax Revenue
Direct	2,319	\$148,172,477	\$199,433,386	\$591,785,531	\$6,793,453
Indirect	1,250	\$61,758,776	\$100,395,595	\$221,035,323	\$4,400,372
Induced	998	\$45,031,125	\$81,874,463	\$153,064,278	\$4,613,614
TOTAL	4,567	\$254,962,378	\$381,703,444	\$965,885,132	\$15,807,439

Source: PFM; Oklahoma Dept. of Commerce; IMPLAN

The ongoing economic activity associated with program participation reaches \$965.9 million over the five-year period. The 2,319 projected jobs support a multiplier effect that nearly doubles (1.97:1) the total number of jobs, reaching 4,567 total jobs over the study period.

During this time, the State paid \$10.9 million in awards and the projected activity associated with those payments generated \$15.8 million in new state taxes.

Economic Impact of One-Time Investment

In addition to the ongoing economic activity resulting from jobs and wages, there is very substantial one-time capital investment associated with the awards. Table 7 details the type and level of projected capital investment by year during the 2018-2022 period. More than \$500 million in one-time capital investments support the creation of the permanent new jobs.

Table 7 Capital Investments by Type

	Machinery	Construction	Land/Building	Total
2018	\$92.1	\$168.0	\$0.0	\$260.0
2019	\$104.7	\$101.0	\$0.0	\$205.7
2020	\$0.0	\$1.40	\$0.00	\$1.4
2021	\$5.0	\$5.00	\$5.10	\$15.1
2022	\$9.1	\$10.75	\$35.50	\$55.4
Total	\$210.9	\$286.05	\$40.60	\$537.6

Source: PFM; Oklahoma Dept. of Commerce

When considering the economic impacts of investments (such as the purchase of machinery and equipment or the construction and renovation of buildings), there is the expectation that portions of these investment dollars will be spent outside of the State of Oklahoma. For example, the purchase of specialty machines or specialty materials needed for construction, as well as specialty/high skill construction labor which may be brought in from out of state. As a result, portions of the one-time investment dollars do not impact or expand the size of the Oklahoma economy because these dollars are not spent within the state. Spending outside the state is termed “economic leakage.”

When conducting economic impact analyses of this type of investment spending, adjustments are made to the investment amounts to account for economic leakages. Machinery and equipment spending has been reduced by 40 percent, and construction spending has been reduced by 15 percent to reflect economic leakages. Future data collection by the program can be improved by asking program participants to estimate the portion of capital investment spent outside of the state for labor, equipment, and materials. Because of the high dollar volume of machinery equipment purchases, it is assumed that some specialty machines must be constructed in Oklahoma and are not “off the shelf” purchases. This results in significant economic impacts for equipment purchases. For the purposes of economic impact analysis, investment in the purchase of land and existing buildings has been excluded. This is because real estate transactions generate little new employment or economic impact. As well, there is no tracking or program requirement as to whether proceeds from real estate transactions remain in or are re-invested within the state.

Tables 8 and 9 detail the economic impacts of one-time construction spending and one-time purchase of machinery and equipment by program participants, which took place over the 2018-2022 time period.



Table 8 Economic Impacts of One-Time Investment in Building Construction or Renovation

Type	Employment	Labor Income	Value Added	Output	State Tax Revenue
Direct	2,238	\$128,706,937	\$126,399,796	\$257,792,398	\$3,040,372
Indirect	450	\$30,523,294	\$46,440,528	\$101,467,930	\$2,545,656
Induced	750	\$33,840,362	\$61,489,483	\$114,957,101	\$3,463,135
TOTAL	3,438	\$193,070,593	\$234,329,807	\$474,217,429	\$9,049,164

Source: PFM; Oklahoma Dept. of Commerce; IMPLAN

Table 9 Economic Impacts of One-Time Investment in Machinery and Equipment

Type	Employment	Labor Income	Value Added	Output	State Tax Revenue
Direct	471	\$34,739,428	\$37,903,520	\$127,311,527	\$1,004,676
Indirect	241	\$15,173,755	\$22,149,385	\$45,046,564	\$967,607
Induced	244	\$10,994,033	\$19,991,575	\$37,374,046	\$1,126,641
TOTAL	956	\$60,907,216	\$80,044,480	\$209,732,137	\$3,098,925

Source: PFM; Oklahoma Dept. of Commerce; IMPLAN

In addition to the projected new job and payroll activity, there was an additional \$497.0 million in projected investment activity with an estimated \$385.1 million that remained in the state to generate economic impacts. The multiplier effect of these investments create a total of \$683.9 million in one-time investment related economic impacts, and would employ nearly 4,400 persons in construction and machinery and related jobs during the 2018-2022 period. This investment activity would generate \$9.0 million in construction related tax revenues plus \$3.1 million in investment-related machinery purchase tax revenues; this results in \$12.1 million in total investment-related additional state tax revenue.

Economic Impact Breakeven

The Quick Action Closing fund program paid \$10.9 million in awards from 2018-2022. Projected economic activity associated with companies participating in the program would generate \$1,602.6 million in economic impacts creating \$15.8 million in state tax revenue from employment and payroll related activity plus another \$12.1 million in state tax revenue from investment activity. A total of \$27.9 million in new state tax revenues would be generated by companies if all projections were met. Under these assumptions, for each \$1.00 spent through the program awards, \$2.55 is generated.

The breakeven point for this program is 39%. If only 39% of the projected economic activity in jobs and investment during 2018-2022 among companies receiving award payments is directly attributable to the support provided by the Quick Action Closing Fund, the program fully pays for itself.



Incentive Benchmarking



Benchmarking

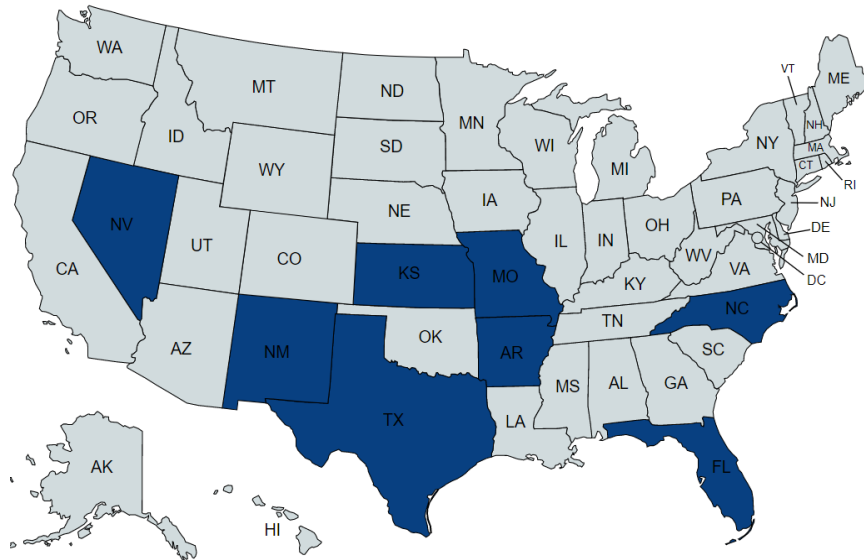
A detailed description of comparable state programs can be found in **Appendix B**.

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.¹² 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.

For this incentive program, the selected comparison group includes five neighboring states (Arkansas, Kansas, Missouri, New Mexico, and Texas) and three additional states: Florida, Nevada, and North Carolina). These programs are differentiated by four characteristics: job creation requirements, public reporting of award information, local support requirements, and program funding.

Figure 2: Selected Comparison Group



Job Creation, Wage, and Benefits Requirements

Specific job creation thresholds are rare among the comparison group. Only two states, Missouri and Texas, require a specific number of jobs to be created. Missouri requires 10 new jobs, and Texas requires 25 or 75, depending on the location of the project. Rather than set specific thresholds for job creation, most states maintain flexibility in their ability to award funds by emphasizing significant economic impact, including job creation, in program guidelines.

However, Oklahoma and five of the eight states in the comparison group require new jobs to be paid a certain level of wages to qualify for funds. The most common requirement is that wages are at least equal to the county average. Some states have more specific requirements. For example, Florida requires wages to be at least 125

¹² The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.



percent of the area or statewide private sector average wage, and Nevada stipulates wages must be significantly higher than the average for relevant occupations in the county.

Four states, Oklahoma, Florida, Missouri and North Carolina, require new jobs be offered health insurance where the employer pays at least half the premium.

Reporting

Reporting and transparency are a concern for all incentives, but they are especially important for deal-closing funds, which are often perceived as granting Governors a significant amount of discretion over funding decisions. In Nebraska, for example, a recent proposal to create a closing fund was turned down by the Legislature for this reason.¹³ Unlike many other state closing funds, Oklahoma’s QACF has several design features that limit the Governor’s latitude, including a thorough economic impact analysis performed by the Department of Commerce to validate economic impact and revenue neutrality, and a requirement that the Governor consult with leaders of the State Senate and House of Representatives prior to award approval.

Despite its thorough award approval process, compared to the comparison group of states, Oklahoma is more restrictive as to what it considers public information. Statute requires the Department to make available a “complete disclosure” of all payments made by the fund including a description of the company expenditures made with award funds but no proprietary information of the business establishment. In practice, this results in very little information being disclosed publicly. The following is an example of the reporting available on the Department’s website for the QACF’s latest award:

Table 5: Department of Commerce Award Reporting Example¹⁴

Date	Company	Description	Amount
2/16/2022	LIMCO	Renovation of Oklahoma facility and purchase of additional real property for the Oklahoma project	\$500,000

Source: Oklahoma Department of Commerce

Seven of the eight other states in the comparison group report more detailed information regarding closing fund awards. The following table summarizes information that is publicly reported for each program in the comparison group. Only Arkansas publicly reports a similar level of information to Oklahoma. Every other comparable program reports at least capital investment and expected job creation for each award, in addition to the award amount.

Table 6: Publicly Reported Information for Comparable Programs

	Award Amount	Capital Investment	Expected Job Creation	Award Amount Paid	Actual Job Creation	Average Wage/Payroll	Total
Florida	✓	✓	✓	✓	✓	✓	6
North Carolina	✓	✓	✓	✓	✓	✓	6
Kansas	✓	✓	✓	✓	✓		5
Nevada	✓	✓	✓			✓	4
Texas	✓	✓	✓	✓			4
Missouri	✓	✓	✓				3
New Mexico	✓	✓	✓				3
Arkansas	✓						1
Oklahoma	✓						1
Total	9 of 9	7 of 9	7 of 9	4 of 9	3 of 9	3 of 9	

¹³ Nebraska Examiner, “Lindstrom pulls bill on ‘quick action closing fund’ from agenda,” April 11, 2022. Accessed electronically at <https://nebraskaexaminer.com/briefs/lindstrom-pulls-bill-on-quick-action-closing-fund-from-agenda/>

¹⁴ Oklahoma Department of Commerce, “Reporting and Compliance,” accessed electronically at <https://www.okcommerce.gov/reporting-compliance/>



Local Support

Six of eight comparison group states require local community support for a project to qualify for funding, while Oklahoma does not. Community support varies in these states. Three states require support in the form of additional local incentives. North Carolina requires local governments to match state funds at various levels, depending on the location of the project. In Missouri and Texas, the amount of local incentives offered is considered as part of the criteria for awarding funds. Other states require non-financial community support. Nevada's application process begins with companies first applying to local governments with the support of Regional Development Authorities. New Mexico requires written support from the local government where a project is locating.

Program Costs

Oklahoma's recent appropriations to the QACF put it on par with recent spending figures for Arkansas, Missouri, North Carolina, and Texas. North Carolina's program receives regular funding each year with a budget cap of \$28.0 million annually. Missouri sets aside 21.5 percent of its total funding for the Missouri Works Program for use by its Deal Closing Fund, equal to \$24.9 million in each year since FY 2020.

Although Florida and Nevada still have closing funds, they have not funded their programs in several years. Florida's last appropriation was \$23.5 million in FY 2016, and Nevada's was \$7.0 million in FY 2016.

Other Evaluations

An evaluation of Florida's Quick Action Closing fund in 2020 found the program to return \$0.84 for every dollar spent by the state.¹⁵ The evaluation noted the program's practice of allocating funds to projects, but paying them as project performance milestones are met, (similar to Oklahoma's QACF) negatively impacts the state's return on investment. This is because as funds are allocated, the state loses the ability to spend that money for other purposes, as it waits for the expected benefits from the project to be verified.

Other evaluations of comparable programs have brought attention to a lack of transparency and consistency in program administration. A 2019 study of the Texas Enterprise Fund found that many companies receiving awards renegotiated their contracts shortly before performance deadlines, without any public disclosure of the new contracts.¹⁶ These renegotiated contracts often allowed firms to include employees not originally part of the agreement, or extended the deadline for meeting performance goals. Other reporting on the Texas Enterprise Fund has also found recipients have cut jobs shortly after meeting contract thresholds and the State has had difficulty "clawing back" funds from recipients that failed to meet program requirements.¹⁷ A 2019 audit of Kansas' Job Creation Fund found many of its awards were granted without a completed application. It also found a lack of clarity in the program's statute regarding award criteria led to it being used inconsistently.

¹⁵ Florida Office of Economic and Demographic Research, "Economic Evaluation for Select State Economic Development Incentive Programs," January 2020. Accessed electronically at <https://edr.state.fl.us/Content/returnoninvestment/ROISELECTPROGRAMS2020final.pdf>

¹⁶ "Who's Afraid of Sunlight?" Washington Center for Equitable Growth, February 2019. Accessed electronically at <https://equitablegrowth.org/working-papers/whos-afraid-of-sunlight-explaining-opposition-to-transparency-in-economic-development/>

¹⁷ "What have Texans gotten for the millions spent by the enterprise fund? Nobody's counting," The Texas Monitor, March 15, 2019. Accessed electronically at <https://texasmonitor.org/what-have-texans-gotten-for-the-millions-spent-by-the-enterprise-fund-nobodys-counting/>



Appendices



Appendix A: Incentive Statute

62 O.S. § 48.2

Version 1 (as amended by Laws 2019, SB 840, c. 262, § 1, emerg. eff. July 1, 2019)

A. There is hereby created in the State Treasury a revolving fund for the Oklahoma Department of Commerce to be designated the Oklahoma Quick Action Closing Fund. The fund shall be a continuing fund, not subject to fiscal year limitations and shall consist of:

1. All monies apportioned or allocated to the fund pursuant to law;
2. Any amounts appropriated by the Legislature to the fund;
3. Interest earned on the investment of money in the fund;
4. Gifts, grants, and other donations received for the fund; and
5. Five percent (5%) of all funds paid by the Tax Commission to establishments that execute contracts for payment of incentives pursuant to the Oklahoma Quality Jobs Program Act and the 21st Century Quality Jobs Incentive Act if the contract is executed on or after August 2, 2018.

B. All monies accruing to the credit of the fund are hereby appropriated and may be budgeted and expended by the Governor for the purposes of economic development and related infrastructure development in instances in which expenditure of such funds would likely be a determining factor in locating a high-impact business project or facility in Oklahoma or in retaining such project or facility within the state. Expenditures from the fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of the Office of Management and Enterprise Services for approval and payment.

C. In order to qualify for any funds from the Oklahoma Quick Action Closing Fund, the establishment making application shall:

1. Be engaged in a business activity described by a North American Industry Classification System (NAICS) Code used to define eligibility for incentive payments from the Oklahoma Quality Jobs Program Act as defined in Section 3603 of Title 68 of the Oklahoma Statutes or a business activity described by Section 3603 of Title 68 of the Oklahoma Statutes or be engaged in a "basic industry" used to define eligibility for incentive payments from the 21st Century Quality Jobs Incentive Act as prescribed by Section 3913 of Title 68 of the Oklahoma Statutes; and
2. Be required to pay new jobs for which an application is being made an average annualized wage which exceeds the average county wage as that percentage is determined by the Department of Commerce based upon the most recent U.S. Department of Commerce data for the county in which the new jobs are located. For purposes of this paragraph, health care premiums paid by the applicant for individuals in new jobs shall not be included in the annualized wage.

D. The Governor shall not approve payments from the Oklahoma Quick Action Closing Fund unless the Department of Commerce has conducted a complete analysis of the potential impact of the applicant's business activity which shall include, but not be limited to:

1. The number of jobs to be created by a new business establishment;
2. The number of jobs to be retained by an existing business establishment;
3. The average salary of jobs to be created by a new establishment;
4. The average salary of jobs to be retained by an existing business establishment;
5. The total capital investment to be made by the business establishment;
6. The likelihood of other business establishments locating within the same vicinity or within the state as a result of the business activity to be conducted by the entity to receive payments from the Oklahoma Quick Action Closing Fund;



7. The impact on the economy of the area or community in which the business activity of the applicant is or will be conducted; and

8. Such other factors as the Governor and the Department of Commerce determine to be relevant.

E. The Oklahoma Department of Commerce shall administer the Oklahoma Quick Action Closing Fund, and expenditures from the fund shall be recommended by the Director of the Oklahoma Department of Commerce to the Governor after a thorough evaluation of selected projects or facilities. The Director of the Oklahoma Department of Commerce shall only recommend expenditures that the Director determines are expected to result in a net economic benefit to the state through the following:

1. The creation of new jobs which offer a basic health benefit plan, as defined in the Oklahoma Quality Jobs Program Act;

2. The maintenance of existing jobs which are at a risk for termination;

3. Investment in new real property, plant or equipment or in the improvement or retooling of existing plant or equipment; or

4. Additional revenues in either ad valorem, income or sales and use taxes.

F. The Oklahoma Department of Commerce shall develop rules for the process of reviewing proposed expenditures from the Oklahoma Quick Action Closing Fund and for the determination of whether or not proposed expenditures meet the criteria identified in subsection E of this section. Criteria shall include requirements for economic impact, local participation in the project, capital investment and average wage thresholds.

G. Upon receipt of an evaluation that recommends an expenditure from the Oklahoma Quick Action Closing Fund from the Director of the Oklahoma Department of Commerce, the Governor shall provide the evaluation and recommendation to the President Pro Tempore of the State Senate and the Speaker of the Oklahoma House of Representatives before giving final approval for the expenditure on the project. The Executive Office of the Governor shall recommend final approval of an expenditure on a project pursuant to consultation with the President Pro Tempore of the State Senate and the Speaker of the Oklahoma House of Representatives.

H. Upon approval by the Governor, the Oklahoma Department of Commerce shall enter into an agreement that sets forth the conditions for payment of monies from the Oklahoma Quick Action Closing Fund. The agreement must include:

1. The total amount of funds awarded;

2. The performance conditions that must be met to obtain the award, including, but not limited to, net new employment in the state, average salary, and total capital investment;

3. If appropriate, a baseline of current service and measure of enhanced capability;

4. The methodology of validating performance;

5. The schedule of payments from the fund, and claw-back provisions for failure to meet performance conditions; and

6. A requirement that no monies paid from the Oklahoma Quick Action Closing Fund shall be used by a recipient or any other person or entity for purposes of any political contribution to or on behalf of any candidate or for the support of or opposition to any measure including but not limited to an initiative petition or referendum.

I. The Department of Commerce shall make available on its website or other website dedicated for this purpose a complete disclosure of all payments made from the Oklahoma Quick Action Closing Fund. The disclosure shall include a description of the expenditures made by the business establishment with the payments made from the fund. No proprietary information of the business establishment shall be subject to the requirements of this subsection.

J. If any or all of the amount to be awarded is used to build a capital improvement:



1. The funds used for the capital improvement shall be deemed to be held in trust for the benefit of the state and shall be considered as a priority claim for purposes of federal bankruptcy law; and

2. If the capital improvement is sold, the recipient of the award shall:

a. repay the state the money awarded to pay for the capital improvement, with interest at the rate and according to the other terms provided by the agreement, and

b. share with the state a proportionate amount of any profit realized from the sale.

K. If, as of the date certain provided in the agreement, the award recipient has not used monies awarded for the intended purposes, the recipient shall repay that amount and any related interest to the state at the agreed rate and on the agreed terms and any such amounts shall be deemed to be held in trust for the benefit of the state and shall be considered as a priority claim for purposes of federal bankruptcy law.

L. The provisions of this act shall cease to have the force and effect of law on July 1, 2024.

Version 2 (as amended by Laws 2019, SB 200, c. 313, § 1, emerg. eff. July 1, 2019)

A. There is hereby created in the State Treasury a revolving fund for the Oklahoma Department of Commerce to be designated the Oklahoma Quick Action Closing Fund. The fund shall be a continuing fund, not subject to fiscal year limitations and shall consist of:

1. All monies apportioned or allocated to the fund pursuant to law;

2. Any amounts appropriated by the Legislature to the fund;

3. Interest earned on the investment of money in the fund;

4. Gifts, grants, and other donations received for the fund; and

5. Five percent (5%) of all funds paid by the Tax Commission to establishments that execute contracts for payment of incentives pursuant to the Oklahoma Quality Jobs Program Act and the 21st Century Quality Jobs Incentive Act if the contract is executed on or after the August 2, 2018.

B. All monies accruing to the credit of the fund are hereby appropriated and may be budgeted and expended by the Governor for the purposes of economic development and related infrastructure development in instances in which expenditure of such funds would likely be a determining factor in locating a high-impact business project or facility in Oklahoma, in retaining such project or facility within the state or for payment of rebates to a high impact production pursuant to the Oklahoma Film Enhancement Rebate Program. Expenditures from the fund shall be made upon warrants issued by the State Treasurer against claims filed as prescribed by law with the Director of the Office of Management and Enterprise Services for approval and payment.

C. In order to qualify for any funds from the Oklahoma Quick Action Closing Fund, the establishment making application shall be engaged in a business activity described by a North American Industry Classification System (NAICS) Code used to define eligibility for incentive payments from the Oklahoma Quality Jobs Program Act as defined in Section 3603 of Title 68 of the Oklahoma Statutes or a business activity described by Section 3603 of Title 68 of the Oklahoma Statutes or be engaged in a "basic industry" used to define eligibility for incentive payments from the 21st Century Quality Jobs Incentive Act as prescribed by Section 3913 of Title 68 of the Oklahoma Statutes or a high impact production company which has been approved for a rebate pursuant to the provisions of Section 3624 of Title 68 of the Oklahoma Statutes.

D. Except in the case of a high impact production company which has been approved for a rebate pursuant to the provisions of Section 3624 of Title 68 of the Oklahoma Statutes, the Governor shall not approve payments from the Oklahoma Quick Action Closing Fund unless the Department of Commerce has conducted a complete analysis of the potential impact of the applicant's business activity which shall include, but not be limited to:

1. The number of jobs to be created by a new business establishment;

2. The number of jobs to be retained by an existing business establishment;



3. The average salary of jobs to be created by a new establishment;
4. The average salary of jobs to be retained by an existing business establishment;
5. The total capital investment to be made by the business establishment;
6. The likelihood of other business establishments locating within the same vicinity or within the state as a result of the business activity to be conducted by the entity to receive payments from the Oklahoma Quick Action Closing Fund;
7. The impact on the economy of the area or community in which the business activity of the applicant is or will be conducted; and
8. Such other factors as the Governor and the Department of Commerce determine to be relevant.

E. The Oklahoma Department of Commerce shall administer the Oklahoma Quick Action Closing Fund, and expenditures from the fund shall be recommended by the Director of the Oklahoma Department of Commerce to the Governor after a thorough evaluation of selected projects or facilities or after a rebate is approved for payment to a high impact production company pursuant to the provisions of Section 3624 of Title 68 of the Oklahoma Statutes. Except for rebates approved pursuant to the provisions of Section 3624 of Title 68 of the Oklahoma Statutes, the Director of the Oklahoma Department of Commerce shall only recommend expenditures that the Director determines are expected to result in a net economic benefit to the state through the following:

1. The creation of new jobs which offer a basic health benefit plan, as defined in the Oklahoma Quality Jobs Program Act;
2. The maintenance of existing jobs which are at a risk for termination;
3. Investment in new real property, plant or equipment or in the improvement or retooling of existing plant or equipment; or
4. Additional revenues in either ad valorem, income or sales and use taxes.

F. The Oklahoma Department of Commerce shall develop rules for the process of reviewing proposed expenditures from the Oklahoma Quick Action Closing Fund and for the determination of whether or not proposed expenditures meet the criteria identified in subsection E of this section. Criteria shall include, but not be limited to, requirements for economic impact, local participation in the project, capital investment and average wage thresholds.

G. Upon receipt of an evaluation that recommends an expenditure from the Oklahoma Quick Action Closing Fund from the Director of the Oklahoma Department of Commerce, the Governor shall provide the evaluation and recommendation to the President Pro Tempore of the State Senate and the Speaker of the Oklahoma House of Representatives before giving final approval for the expenditure on the project. The Executive Office of the Governor shall recommend final approval of an expenditure on a project pursuant to consultation with the President Pro Tempore of the State Senate and the Speaker of the Oklahoma House of Representatives.

H. Upon approval by the Governor, the Oklahoma Department of Commerce shall enter into an agreement that sets forth the conditions for payment of monies from the Oklahoma Quick Action Closing Fund. The agreement must include:

1. The total amount of funds awarded;
2. Except in the case of a rebate approved for payment to a high impact production company pursuant to the provisions of Section 3624 of Title 68 of the Oklahoma Statutes, the performance conditions that must be met to obtain the award including, but not limited to, net new employment in the state, average salary, and total capital investment;
3. If appropriate, a baseline of current service and measure of enhanced capability;
4. The methodology of validating performance;



5. The schedule of payments from the fund, and claw-back provisions for failure to meet performance conditions; and

6. A requirement that no monies paid from the Oklahoma Quick Action Closing Fund shall be used by a recipient or any other person or entity for purposes of any political contribution to or on behalf of any candidate or for the support of or opposition to any measure including but not limited to an initiative petition or referendum.

I. The Department of Commerce shall make available on its website or other website dedicated for this purpose a complete disclosure of all payments made from the Oklahoma Quick Action Closing Fund. The disclosure shall include a description of the expenditures made by the business establishment with the payments made from the fund. No proprietary information of the business establishment shall be subject to the requirements of this subsection.

J. If any or all of the amount to be awarded is used to build a capital improvement, except in the case of an amount approved for payment to a high impact production company pursuant to the provisions of Section 3624 of Title 68 of the Oklahoma Statutes:

1. The funds used for the capital improvement shall be deemed to be held in trust for the benefit of the state and shall be considered as a priority claim for purposes of federal bankruptcy law; and

2. If the capital improvement is sold, the recipient of the award shall:

a. repay the state the money awarded to pay for the capital improvement, with interest at the rate and according to the other terms provided by the agreement, and

b. share with the state a proportionate amount of any profit realized from the sale.

K. If, as of the date certain provided in the agreement, the award recipient has not used monies awarded for the intended purposes, the recipient shall repay that amount and any related interest to the state at the agreed rate and on the agreed terms and any such amounts shall be deemed to be held in trust for the benefit of the state and shall be considered as a priority claim for purposes of federal bankruptcy law.



Appendix B: 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 jobs related to the mining of oil and gas

See NAICS No. 2111, 213111 and 213112; 486

Certain Warehouse/Distribution Operations

See NAICS manual 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

Federal Civilian Workforce of the Federal Aviation Administration

Where jobs are migrating to Oklahoma from other Federal sites, or expansion here

Other Support Activities for Air Transportation

See NAICS Manual No. 488190

Wind Power Electric Generation Equipment Repair & Maintenance

See NAICS Manual No. 811310

Support Activities for Rail and Water Transport

See NAICS Manual Nos. 4882, 4883

Sports Teams & Clubs

See NAICS Manual No. 711211

Service industries requiring 75% of sales to be 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. 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.

Industries added for 21st Century Quality Jobs Program:

Specialty Hospitals

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

Performing Arts Companies

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

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

Heavy and Civil Engineering Construction

See NAICS No. 237

Motion Picture and Video Industries

See NAICS No. 5121

Sound Recording Industries

See NAICS No. 5122

Insurance Carriers and Related Activities

See NAICS No. 524

Funds, Trusts, and other Financial Vehicles

See NAICS No. 525 1

Professional, Scientific, and Technical Services

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



Appendix C: Comparable State Programs

State	Program Name	Industry Requirement	Job Creation Requirements	Wage Requirements	Local Support Requirement	Approval Process	Annual Program Cost
Oklahoma	Quick Action Closing Fund	See Appendix B for qualified industries.	No standard requirements	At least equal to the county's average wage	None	The Department of Commerce conducts a full economic impact analysis of the project, and may present the project for approval from the Governor. The Governor issues final approval after consultation with the President Pro Tempore of the Oklahoma Senate and the Speaker of the Oklahoma House	\$20.0 million appropriated in FY 2022
Arkansas	Quick Action Closing Fund	No industry restrictions	No standard requirements	No standard requirements	None	At full discretion of the Governor	\$20.6 million in FY 2021
Florida	Quick Action Closing Fund	Industry must be: 1. Projected to grow 2. Stable, non-cyclical 3. High-paying 4. Market and resource independent 5. Adding to State industry diversity 6. Expected to have a positive economic impact 20 percent of funds dedicated to aerospace-related industries	No standard requirements	Average Annual Wage of at least 125 percent of the areawide of statewide private sector average wage	Statute requires a project to be supported by the local community	Department of Economic Opportunity reviews and recommends projects to Governor for final approval. The Governor must consult with the Legislature before approving awards greater than \$2.0 million. Awards exceeding \$5 million must also be approved by the Legislative Budget Commission.	Not funded since FY 2016 (\$23.5 million)
Kansas	Job Creation Fund	No industry restrictions	No standard requirements	No standard requirements	None	Department of Commerce has broad discretion and the Secretary of Commerce has final approval	\$8.8 million awarded in FY 2020



State	Program Name	Industry Requirement	Job Creation Requirements	Wage Requirements	Local Support Requirement	Approval Process	Annual Program Cost
Missouri	Missouri Works	Excludes certain industries such as gambling establishments, restaurants, public utilities, religious organizations, biodiesel production, and healthcare	At least 10 new jobs	At least equal to the county's average wage	Local incentives provided to the project are considered as part of award criteria	Administered by Department of Economic Development. Projects must meet job creation and wage thresholds to qualify, and the Department must find the project to be at least revenue-neutral for the State.	\$25.0 million available per year
Nevada	Catalyst Fund	Must operate in a state target sector	No standard requirements	Wages must be "significantly" above the average wage for the relevant occupations in the county	Application process starts with local support through Regional Development Authorities and the local government	Businesses first apply to a local government, with assistance from a Regional Development Authority and, if approved, the authority then applies to the Governor's Office of Economic Development for final approval.	Not funded since FY 2016 (\$7.0 million)
New Mexico	Local Economic Development Act (LEDA)	Manufacturing, storage, warehousing, and distribution, certain restaurant or lodging establishments, telecommunications, farmers markets, retail businesses in certain areas of the State	No standard requirements	No standard requirements	Requires local community written request for funds.	Administered by Economic Development Department with all funding decisions finalized by the Governor.	\$47.3 million awarded in FY 2021



State	Program Name	Industry Requirement	Job Creation Requirements	Wage Requirements	Local Support Requirement	Approval Process	Annual Program Cost
North Carolina	One North Carolina Fund	No industry restrictions	No standard requirements	At least equal to the county's average wage	Local match of award is required.	Administered by Department of Commerce with all funding decisions finalized by the Governor.	\$28.0 million budget cap for FY 2020 - FY 2021 biennium
Texas	Texas Enterprise Fund	Must operate in an advanced industry which affords it other feasible location options nationally and/or internationally	Urban areas: more than 75 jobs Rural areas: more than 25 jobs	At least equal to the county's average wage	City, county, and/or school district where the project is located must support the project in the form of local economic incentive offers.	Governor, Lieutenant Governor, and Speaker of the Texas House must unanimously approve the project.	\$27.9 million awarded in FY 2020 - FY 2021 biennium



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.