



State of Oklahoma

Incentive Evaluation Commission

Evaluation: Oklahoma Local Development And Enterprise Zone Incentive Leverage Act

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Key Findings and Recommendations



Incentive Overview

The Oklahoma Local Development and Enterprise Zone Incentive Leverage Act provides funding for local units of government to match local tax revenue dedicated to support a project located in an enterprise zone. Eligible projects must be located entirely in an enterprise zone, in support of a major tourism destination, or in support of a military growth impact.

Recommendation: Retain, with modifications

Key Findings

- **This incentive has been used for four projects since 2019, three located in Oklahoma City.**
 - According to data from the Oklahoma Tax Commission, Oklahoma City is the primary user of this incentive.
 - Representatives from Oklahoma City indicated that this program is used for “transformational” projects.
- **From 2020-2022, the incentive has contributed to the creation of 8,510 jobs in the State.**
- **Total matching payments made by the Oklahoma Tax Commission (OTC) from September 2019 to December 2022 were \$8.94 million.**
- **Due to data limitations and non-disclosure requirements, data received from the Department and the OTC regarding employment and payroll for specific projects, could not be reconciled to illustrate a fully informed economic impact analysis.**
 - The project team could not confidently reconcile the aggregated employment and payroll data.
 - Based on limited employment data, the project team conducted an economic impact analysis that estimates the total economic output from FY 2020 to FY 2022 to be \$1.9 billion .
- **The program is intended to be fiscally neutral to the State.**
 - Applicants to the program must demonstrate that the project will produce a positive return on investment for local governments and the State.
 - Applications must include an estimate of the incremental revenues that are likely to be derived from the project.
- **The Department of Commerce calculates a net benefit rate for each project.**
 - This approach is a best practice used in many states to ensure a positive return on investment while also creating jobs and attracting private investment.
 - The Department uses an in-house methodology to determine the net benefit rate.
 - The net benefit rate is calculated by dividing direct net benefits to the State by the projected sales tax revenue that would be generated at an estimated occupancy rate.



- **It is possible that eligible projects utilize this incentive along with others.**
 - Eligible projects may also receive other benefits associated with being located within an Enterprise Zone.
 - Federal opportunity zone provisions and Oklahoma’s associated “Priority Enterprise Zones” add additional possible benefits such as the ability to defer and/or reduce capital gains tax liability.
- **There is some administrative difficulty for users of the incentive when submitting information to both the Department and the OTC .**
 - Recipients of the matching payments must work with the Department to calculate net state benefit, but this calculation is not always sufficient for the OTC.
- **This incentive is uncommon among other states.**
 - While enterprise zones are popular and used across the country, the state match associated with this program appears to be unique to Oklahoma.

Recommendations

- **Increase program appeal and usage throughout the State.**
 - The program’s primary user is Oklahoma City. The State should work with other cities to increase the awareness of this program and its benefits so that it can be more widely used.
- **Improve data collection and reporting.**
 - With limited data available, a comprehensive evaluation of the incentive is difficult. The State should collect, store, and report data related to individual project employment, capital investment, industry, and other impacts such as changes in assessed value within enterprise zones. It should also work to reconcile data differences so that comparisons of jobs and payroll for Leverage Act project impacts can be projected with a higher degree of confidence.



Introduction



Incentive Evaluation Commission Overview

The Oklahoma Incentive Evaluation Commission (Commission) was created by HB 2182 in 2015 to conduct objective evaluations of the State of Oklahoma’s wide array of business incentives. The Commission is made up of five appointed voting members along with ex officio 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 investment, and effectiveness of administration, as well as criteria specific to each incentive as determined by the Commission.

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 that 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 considers the independent evaluator’s findings and recommendations – as well as all public comments – before voting to retain, repeal, or modify the recommendations for each incentive under review. It then submits a final report to the Governor and the Legislature.

Summary of 2019 Evaluation Findings and Recommendations

In accordance with the four-year evaluation cycle described in the preceding, the Local Development and Enterprise Zone Incentive Leverage Act was first reviewed by the Commission in 2019.¹ Significant findings and recommendations from PFM’s evaluation of the program are summarized in the following table:

Table 1: Summary of 2019 Evaluation Findings and Recommendations

Evaluation Category	Significant Finding(s)
Overall Findings	<ul style="list-style-type: none"> – Oklahoma City is the primary and nearly sole beneficiary. – Very limited data is available regarding the program’s use and information related to most evaluation criteria is not available. – The program is intended to be fiscally neutral to the state, to ensure this, the Department of Commerce calculates a net benefit rate for each project. – Based on standard econometric multipliers, it is reasonable to estimate the State of Oklahoma captures an amount equal to or greater than the incentives offered under this program. – Developers typically receive other incentives in conjunction with this program.

¹ The 2019 Tax Incentive Evaluation Report is available on the Commission’s website at https://iec.ok.gov/sites/g/files/gmc216/f/Leverage%20Act_11112019_FINAL.pdf



Fiscal and Economic Impact	The Department of Commerce uses an in-house methodology to determine the net benefit rate to the state after deducting direct and indirect expenses incurred by the State. The project team reviewed the net benefit analyses produced by the Department for three development projects.
Future Fiscal Impact Protections	No future fiscal impact protections were noted.
Administrative Effectiveness	Both the Oklahoma Tax Commission and the Department of Commerce have responsibilities related to the program, which is comprised of three main components: Certification, payment, and reporting.
Retain, Reconfigure or Repeal	The project team recommended retaining the program with minor modifications.
Other Recommendations	- Increase program appeal and usage beyond Oklahoma City. - Improve data collection.

Source: State of Oklahoma Incentive Evaluation Commission, Tax Incentive Evaluation Report 2019

Based on PFM's analysis and consideration of other factors, the Commission voted 5-0, with one vote of abstention, to retain the program with minor modifications

2023 Criteria and Evaluation Approach

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 and as noted previously, the provisions of HB 2182 require that criteria specific to each incentive be used for the evaluation.

In the case of the Local Development and Enterprise Zone Incentive Leverage Act, the purpose or goal of the incentive is to encourage development within designated enterprise zones. The Commission has adopted the following criteria to assist in a determination of program effectiveness:

- Job creation associated with financed projects;
- Capital investment (facilities, machinery and equipment) associated with financed projects;
- Comparison of job creation and capital investment to similar cities/counties not participating in the program;
- Contributions to community development;
- State return on investment.

To conduct its 2023 review of the Local Development and Enterprise Zone Incentive Leverage Act, the PFM team undertook several project tasks, including (but not limited to) the following:

- Requested, reviewed, and analyzed data from the Department of Commerce and the Oklahoma Tax Commission.
- Conducted subject matter expert and internal stakeholder interviews.
- Met with leadership from the State, Oklahoma City, and Tulsa Chambers of Commerce, and interested industry representatives.
- Benchmarked Oklahoma to other states.



Background



Geographically Targeted Incentives

Geographically targeted incentives are a commonly used strategy to stimulate economic growth. They can be implemented at the federal, state, and local levels, and structured to bring investment to certain areas. The Local Development and Enterprise Zone Incentive Leverage Act is one example of this. Often used in conjunction with an existing TIF district, this program is designed to encourage local government cooperation in the development of regional infrastructure and economic development projects. A brief background on relevant geographically targeted incentives is summarized in this section.

Enterprise Zones

Enterprise Zones are meant to stimulate private sector investment in economically depressed areas by providing tax incentives and other financial assistance to induce companies to expand their operations or relocate to the most economically distressed areas of the state.

In Oklahoma, the Department of Commerce makes annual designations of enterprise zones, which it defines as:

- A county which (1) has experienced a decrease in population during the 10-year period preceding the date an establishment enters into a commitment to locate within an enterprise zone or expands activity within an existing enterprise zone; or (2) has been determined to rank in the lowest one-third of counties (lowest 25 counties) for per capita personal income for the calendar year preceding the beginning of the fiscal year for which an application is made.²
- An area within or contiguous to the corporate limits of any city or town which Commerce determines as an area of economic distress.³ The area must (1) have a population of at least 30 percent of its total for which the household income is equal to or less than the poverty level;⁴ or (2) have a per capita gross income of 15 percent or more below the state per capita income.
- An area designated as a federal enterprise community; or
- Any enterprise zone designated by Commerce prior to July 1, 2000.

The Oklahoma Enterprise Zone Act of 1983 provides several incentives to businesses located within enterprise zones, including:

- The Investment/New Jobs Tax Credit may be doubled.
- Low interest loans may be made available through enterprise district loan funds.
- Local communities may exempt local taxes for six years (rather than five) for qualifying businesses that are in Incentive Districts.
- Small Linked Deposit Loans may be for longer terms.
- The enterprise district management authorities created in some enterprise districts are empowered to establish venture capital loan programs and to solicit proposals from enterprises seeking to establish or expand facilities in Enterprise Zones.

² Per capita personal income as measured by the Bureau of Economic Analysis.

³ Must consist of one or more census tracts located within a city or town or contiguous to a city or town.

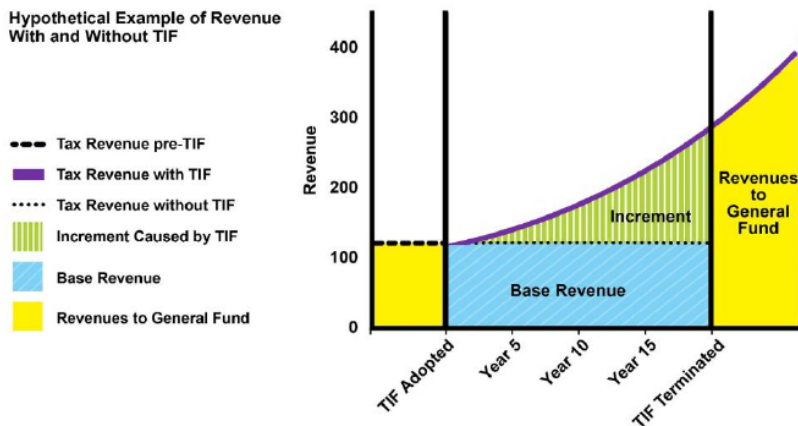
⁴ As measured by the U.S. Census Bureau for the Oklahoma region for the most recent year for which data is available



Tax Increment Finance (TIF) Districts

TIF districts are a common method of financing infrastructure and other public improvements within cities and counties in the U.S. Where state statute allows for its use, local governments will typically create a TIF district, and use increased property taxes in the district to fund infrastructure and/or other public improvements in the district. The basic premise of a TIF is to improve blighted or economically disadvantaged areas with the expectation that the new development will (once the improvements have been made and paid for) generate new property and/or other tax revenue that otherwise would not exist.

The following illustrates how this type of TIF works:



Source: Federal Highway Administration

In this instance, there had been little or no growth in property tax revenue within the TIF district. When the district is created, the base revenue continues to flow to the taxing entities (school district, city, county, etc.). However, property tax growth based on the new activity within the district (the increment) is captured and sent to the TIF district to pay for the improvements. At the end of the TIF district, that freed up property tax (or other tax) revenue goes to the school district, city, county, etc.

There are also TIF districts in which sales taxes or other taxes such as a hotel tax can be captured. That is the case in Oklahoma, where sales taxes generated within a TIF may be captured.

As noted, in Oklahoma, TIF districts are primarily administered at the local level. Authorized by the Oklahoma Local Development Act of 1992, the state's TIF districts are local incentives that may be used for the redevelopment and reinvestment of blighted areas.

TIF districts can be established in Oklahoma for up to 25 years. The revenues generated from a TIF district in Oklahoma can only be spent on publicly approved project costs including:

- Cost of public works, public improvements, land acquisition, clearance, and grading;
- Financing, professional services, administration, interest fees;
- Assistance in development financing for private projects.

TIF districts in Oklahoma can only be established in designated reinvestment areas, historic preservation areas, or within a state or federal enterprise zone.





Incentive Usage and Administration



Incentive Characteristics

Since July 1, 2000, Oklahoma has provided funding for local governments to match local tax revenue dedicated to support economic development projects. This program, authorized under the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act (62 O.S. § 840 et. al), uses a portion of State taxes levied and collected to pay local enterprise and local government incentive claims.⁵ It is intended to be fiscally neutral to the State and is administered jointly by the Department of Commerce (Department) and the Oklahoma Tax Commission (OTC).

Eligible projects must be located entirely in an enterprise zone, in support of a major tourism destination, or in support of a military growth impact. All projects within an enterprise zone project plan must generate a minimum of \$1 million in payroll (exclusive of payroll for construction) or \$5 million in investment. Gambling establishments are not eligible for local government matching payments. Developments where more than 50 percent of the net leasable space will be used for retail are not eligible for local government matching payments as well, with an exception for portions of a development that includes grocery or specialty food store enterprises (defined under NAICS Manual Industry Group No. 4451 or 4452) that provide healthy nutrition options including fresh fruits, vegetables, whole grains, seeds, nuts, and healthy protein and that improve access within one-half mile of any low income and low access geographies identified by the United States Department of Agriculture. Tourism projects are eligible only if the local government has determined that the destination is likely to significantly benefit contiguous or nearby enterprise census tracts. For projects resulting from military growth activities, the project area must anticipate experiencing a population growth of at least 1,000 people and increased payroll of at least \$10 million within five years.

Local Government Matching Payments

A local government that approves a project plan within an enterprise zone or in support of a major tourism destination project is eligible for State-provided local government matching payments. The aggregate limit for all local government matching payments made within a single county is equal to the net benefit rate multiplied by the taxable gross sales derived from the project over the period of apportionment of local sales taxes (as certified by the Secretary of Commerce). Local government matching payments cannot be used to supplant local revenue currently being expended within the TIF district boundaries.

To be eligible for local government matching payments for approving a project within an enterprise zone, a local government must provide to the Department:

- An estimate of the incremental revenues likely to be derived from the project; and
- Certification that all projects within the related project plan will generate a minimum of \$1 million in payroll (exclusive of payroll for construction) or \$5 million in investment.

To be eligible for local government matching payments in support of a major tourism destination, a local government must provide to the Department:

- An estimate of incremental revenues new to the State likely to be derived from the project;
- Certification that the major tourism destination meets applicable criteria; and
- An agreement to provide payment to the Department to defray the cost of a market and feasibility study required to determine if a project qualifies as a major tourism destination project. The study is commissioned by the Department and completed by an independent consultant.

Local Enterprise Matching Payments

⁵ Prior to January 1, 2014, the Act also provided for a tax credit equal to 100 percent of the amount of ad valorem taxes exempted, and, the credit could be carried forward for 10 years.



A business that locates or expands its facility within an enterprise zone and is in an incentive district may be eligible for State-provided local enterprise matching payments. The maximum amount of aggregate investment in all qualifying facilities located in any single county that can qualify for the local enterprise matching payment is computed as \$200 multiplied by the population of the county according to the most recent estimate provided by the U.S. Census Bureau. The maximum amount of local enterprise matching payments cannot exceed \$200,000.⁶ The aggregate investment limit for all facilities located within a county that may qualify for the local enterprise matching payments is \$20 million for counties with a population of less than 100,000 and \$40 million for all other counties.

Over the life of the program, local enterprise matching payments have never been used.

Other Related Statutory Changes

In 2020, SB 1362 (effective July 1, 2020) increased criteria for retail development from 10 percent to 50 percent of net leasable space and added an exception for NAICS-specified grocery.

In 2021, SB 71 (effective November 1, 2021) established reporting requirements.

Historic Use of the Program

According to the Department, Oklahoma City used to be the only local government using the leverage incentive. In the past few years, the use of the program has been expanding as other local jurisdictions are becoming more familiar with the program. The following summarizes the active Oklahoma City TIF districts, as of 2019, that have utilized State leverage funds:

Table 2: Oklahoma City TIF Districts Utilizing Leverage Act Funds

TIF	Type	Purpose	Created/ Expires	Project Plan Budget (MM)	Revenues
Skirvin Sales Tax	Sales Tax	Renovation of the Skirvin Hotel	7-Jul-04/ 30-Jul-30	\$5.0	Based on Skirvin Hotel sales tax revenues. City has paid \$5 million since opening in 2007; State has matched \$4.6 million through September 2023.
Oklahoma Riverfront Sales Tax	Ad valorem/ Sales tax	Assist Dell Computers/ Redevelop Waterfront	29-Mar-05/ 30-Jun-31	\$34.2	Over \$1 billion billed in payroll generation since inception. City has paid \$4.1 million since opening in 2007; State has matched \$3.8 million.
Devon Development	Ad valorem/ sales tax	Infrastructure and Economic Development	16-Dec-08/ 30-Jun-13 (sales tax); 30-Jun-34 (ad valorem)	\$157.0	A total of \$11.3 million generated (based on min. tax covenant)

⁶ Previously, 62 O.S. § 842(D) provided that the combined maximum amount of state local enterprise matching payments and the amount of income tax credit authorized pursuant to 68 O.S. § 2357.81 for an enterprise per fiscal year shall not exceed \$200,000; the income tax credit referenced has been repealed.



TIF	Type	Purpose	Created/ Expires	Project Plan Budget (MM)	Revenues
Core to Shore South CBD/Central Park	Ad valorem/ sales tax	Support the development area south of the CBD	1-Jul-18/ 30-Jun-43	\$167.0	Omni Convention Center Hotel Project is expected to generate over \$48 million in sales, use, and hotel tax and was approved for up to \$29.9 million in state matching dollars. To date, the City has contributed \$3.5 million and the state has matched \$2.7 million.
American Indian Cultural Center	Sales tax	Leverage state and local investment in AICCM development	20-Nov-18/ 19-Nov-2043	\$150.0	The OKANA project is expected to generate over \$30 million in sales tax (during construction and operation) and has been approved for state matching dollars.

Source: Oklahoma City Economic Development Program, Tax Increment Financing Summary (as of September 2023)

* Matching payments may not be isolated to the provisions of this program

The table below summarizes data from the Department regarding the entities that have directly benefitted from development associated with the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act.

Table 3: Employment and Payroll associated with Leverage Act

Year	Employment	Annual Payroll
2020	2,650	\$430 million
2021	2,740	\$450 million
2022	3,120	\$600 million
Total	8,510	\$1.48 billion

Source: Oklahoma Department of Commerce

The OTC provided data on the amount of matching payments paid out from 2019 to 2022. These payments were disbursed for four different projects, three of which were located in Oklahoma City. Table 4 shows the detail of these payments.

Table 4: Matching Payments Detail

Year	Matching Amount
2019	\$885,672
2020	\$1,204,000
2021	\$4,359,000
2022	\$2,493,000
Total	\$8,941,000

Incentive Administration

Prior to the State's involvement in the process, a potential economic development project is identified, a local government and developer enter into an agreement, and funds for that project are secured. The OTC



and the Department both have responsibilities related to the program, which is comprised of three main components: certification, payment and reporting.

- **Certification⁷.**

For local government matching payments, local governments provide the OTC with a certification that the local government has created a tax increment district which qualifies for matching payments. This certification must include:

- The beginning and end date of the district;
- A description of the project costs authorized by the project plan for which the matching payments will be used and the estimated date for substantial completion of the project being assisted;
- A certification by the Department that the project plan is located in an enterprise zone or supports a qualifying major tourism destination project, and the investment and development has been or will be substantially completed by December 31, 2034;
- The amount of local sales taxes that has been apportioned during the previous six-month period by the local government for the payment of project costs; and
- The name of the public entity authorized to carry out activities pursuant to the project plan.

- **Payment.** As revenue associated with the project is generated, the local government transfers funds to the TIF district, which in turn remits those funds to the OTC. For local enterprise matching payments, the OTC makes a payment to the business equal to the amount of sales tax that is certified as exempt. The matching payment is made only for the sales tax foregone by local governments or rebated to the business by local governments for purchases made by the business and not on the basis of any sales tax collected by the business from consumers or users on taxable sales made by the business.

For local government matching payments, after the local government provides the certification, the OTC makes payment to the public entity in an amount equal to the lesser of (1) the certified amount of the local sales taxes apportioned during the previous 6 months; or (2) the estimated net direct state benefits.

- **Reporting.** The OTC is responsible for maintaining a record of state local enterprise and state local government matching payments. Local sales taxes apportioned under the applicable project plan are reported, collected, remitted and disbursed in the same manner as other local sales taxes. The Tax Commission is also responsible for preparing a report separately identifying the matching amounts and must submit a report prior to April 1 each year to the Governor, the Speaker of the House and the President Pro Tempore of the Senate.

⁷ For local enterprise matching payments, businesses must obtain a certification (provided by the governing body of the local government creating the incentive district) stating that the business qualifies for the sales tax exemption. The certification must include the beginning and ending date of the exemption, the total amount of projected investment to construct or expand the facility during the period; and the legal name and business entity classification of the entity to which the exemption is afforded or to which sales tax payment is made by the local government. The local government provides a copy of the certification to the OTC.



Economic and Fiscal Impact



Economic and Fiscal Impact

The methodology used to calculate the economic impact can be found in Appendix B.

The economic impact analysis is based on the jobs created from the eligible projects. The total output generated by the associated projects is \$1.899 billion. The total jobs created from 2020-2022, including the 8,510 reported to the Department, are 13,502 with an associated \$603 million in labor income. Total tax revenue (including Federal, State, and Local) from this program is \$211.7 million, \$62.0 million of which is generated at the state level. Table 5 details the economic impacts from the program.

**Table 5: Local Development and Enterprise Zone Incentive Leverage Act
Economic Impact 2020-2022**

Impact Type	Employment	Labor Income (\$M)	Value Added (\$M)	Economic Output (\$M)	State Tax Revenue (\$M)
Direct	8,508	\$341	\$584	\$1,067	\$42.4
Indirect	2,824	\$155	\$229	\$470	\$9.0
Induced	2,169	\$106	\$195	\$362	\$10.6
Total	13,502	\$603	\$1,008	\$1,899	\$62.0

Because the project team was unable to reconcile data differences in aggregated employment and aggregated payroll received from the Department and the OTC, these economic impacts were estimated solely based on reported aggregate employment. Some reported payroll data suggests payroll value could be at least double the levels shown in Table 5, however timing and whether associated jobs are permanent or temporary could not be determined.

Over the period from September 2019 to December 2022 \$8.9 million was provided in matching payments. The amount of state tax generated was \$62 million and represents \$6.93 for every \$1.00 program dollar spent. With the investment made, while there is no direct tracking of jobs beyond this time, it is expected the permanent jobs associated with the projects will remain in place. Beyond 2022 these jobs will continue to generate positive economic and fiscal impacts on an annual basis, compounding and increasing economic impacts and State tax revenues over time.



Incentive Benchmarking



Benchmarking

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are ‘perfect peers’ – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis; likewise, it is exceedingly rare that any two state incentive programs will be exactly the same.⁸ 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. Due to this incentive’s unique matching provisions, the project team’s analysis focused on geographically targeted incentives provided directly to local governments or indirectly to businesses.

While enterprise zone programs are prevalent among states, no other state utilizes their Enterprise Zone designations for tourism development sites or military installations.

⁸ The primary instances of exactly alike state incentive programs occur when states choose to ‘piggyback’ onto federal programs.



Appendices



Appendix A: 62 O.S. § 840 et seq. – Oklahoma Local Development and Enterprise Zone Incentive Leverage Act

§62-840. Short title.

Sections 840 through 847 of this title and Section 2357.81 of Title 68 of the Oklahoma Statutes shall be known and may be cited as the “Oklahoma Local Development and Enterprise Zone Incentive Leverage Act”.

Added by Laws 2000, c. 339, § 9, eff. July 1, 2000. Amended by Laws 2008, c. 217, § 1, emerg. eff. May 20, 2008.

§62-841. Definitions.

As used in the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act:

1. “Enterprise” means any form of business organization including, but not limited to, any partnership, sole proprietorship, corporation, limited liability company or other legally constituted business entity;
2. “Enterprise zone” means an area as defined pursuant to paragraph 5 of Section 690.2 of this title;
3. “Estimated direct state benefits” means the total incremental state tax revenues new to the state estimated by the Oklahoma Department of Commerce to accrue to the state from new investments and new employment during the period of apportionment of local sales taxes as a result of the project and/or projects described in the related project plan. For purposes of projecting state benefits for a military growth impact project, the military growth impacts shall be used in lieu of the project and/or projects described in the related project plan. In projecting such benefits, the Oklahoma Department of Commerce shall consider, if practicable, whether or not the project plan involves an enterprise:
 - a. relocating from within the state,
 - b. subject to or in the process of recruitment by two or more governmental entities within the state, or
 - c. which will be in direct competition with an existing enterprise located in the state;
4. “Estimated direct state costs” means the costs projected by the Oklahoma Department of Commerce to be incurred by the state during the period of apportionment of local sales taxes, as a result of the project and/or projects described in the related project plan. For purposes of projecting state costs for a military growth impact project, the military growth impacts shall be used in lieu of the project and/or projects described in the related project plan;
5. “Estimated net direct state benefits” means the estimated direct state benefits less the estimated direct state costs;
6. “Facility” means the definition contained in paragraph 8 of Section 690.2 of this title;
7. “Governing body” means the governing board of a local governmental entity in the case of a single incentive district or increment district when the boundaries of the district are coextensive with or contained within the jurisdiction of any such single local governmental entity or the governing boards of a combination of counties, cities, or towns forming an incentive district or an increment district pursuant to the provisions of the Local Development Act;
8. “Incentive district” means an area created pursuant to the provisions of the Local Development Act, including Section 856 of this title;
9. “Increment district” means an area created pursuant to the provisions of the Local Development Act;
10. “Local governmental entity” means a county, city or town forming an incentive district or an increment district pursuant to the provisions of the Local Development Act;
11. “Local sales taxes” means amounts payable to or for the benefit of a local governmental entity calculated as a percentage, which, except on transient lodgings, shall not exceed four and one-



half percent (4.5%) of gross sales whether imposed by ordinance, resolution, covenant, or agreement;

12. "Major tourism destination project" means a project which:

a. meets the definition of a "tourism attraction" as set forth in subparagraph a of paragraph 10 of Section 2357.36 of Title 68 of the Oklahoma Statutes, subject only to the restrictions of divisions (1), (3) and (6) of subparagraph b of paragraph 10 of Section 2357.36 of Title 68 of the Oklahoma Statutes,

b. is projected to meet the following qualifications within three (3) years of the date of substantial completion of the project based upon the findings of the Oklahoma Department of Commerce:

(1) at least Fifty Million Dollars (\$50,000,000.00) in capital investment,
(2) at least Fifty Million Dollars (\$50,000,000.00) in projected annual gross sales revenues or at least Ten Million Dollars (\$10,000,000.00) in annual gross sales revenues to out-of-state visitors,

(3) a number of out-of-state visitors of at least:

(a) twenty percent (20%) of the number of total visitors, or

(b) twenty thousand (20,000) visitors per year, and

(4) a number of visitors traveling at least one hundred (100) miles of at least:

(a) thirty percent (30%) of the number of total visitors, or

(b) twenty-five thousand (25,000) visitors per year, or

c. is a lake resort project, containing a hotel, a conference center, and an eighteen-hole golf course, located within twenty-five (25) linear miles of the state boundary on a lake containing at least forty-five thousand (45,000) surface acres of water, that is estimated to generate at least Fifty Million Dollars (\$50,000,000.00) in capital investment;

13. "Military growth impacts" means the increases in investment, employment, and residents resulting from military growth activities;

14. "Military growth impact community" means a city, town, or county experiencing and reasonably projected to experience a population growth of at least one thousand (1,000) persons and increased payrolls of at least Ten Million Dollars (\$10,000,000.00) within a five-year period directly resulting from federal military base activities;

15. "Military growth impact project" means a project pursuant to the Local Development Act which the governing body determines to be in support of the needs and quality of life issues resulting from the military growth impacts;

16. "Net benefit rate" means the estimated net direct state benefits computed as a percentage of gross taxable sales derived from the project during the period of apportionment of local sales taxes by the local governmental entity;

17. "Public entity" means those entities described in the Local Development Act;

18. "Retail purposes" means the objectives of selling tangible personal property, other than art, on the physical premises of an establishment. Retail purposes shall not mean a hotel, motel, entertainment facility, museum, cultural facility, art gallery, restaurant supporting another establishment excluded herein, military growth impact project located within a military growth impact community, or a major tourism destination project;

19. "State local enterprise matching payment" means the payment authorized by subsection A of Section 844 of this title; and

20. "State local government matching payment" means the payment authorized by subsection D of Section 844 of this title.

Added by Laws 2000, c. 339, § 10, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 1, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 2, emerg. eff. May 20, 2008; Laws 2010, c. 279, § 1, emerg. eff. May 26, 2010.

§62-842. Eligibility for incentive payments.



A. An enterprise which locates its facility within an enterprise zone or which expands its existing facility after the designation of an enterprise zone as authorized by law and which is located in an incentive district as authorized pursuant to the provisions of the Local Development Act shall be eligible for the state local enterprise matching payment authorized pursuant to subsection A of Section 844 of this title.

B. 1. A local governmental entity which approves a project plan pursuant to the provisions of the Local Development Act within an enterprise zone or in support of a major tourism destination project which the local governmental entity determines is likely to significantly benefit contiguous or nearby enterprise zone census tracts shall be eligible for the state local government matching payment authorized pursuant to subsection D of Section 844 of this title; provided, no state local government matching payment shall be made for project costs in relation to:

- a. any gambling establishment, or
- b. any development within a project plan that provides for more than fifty percent (50%) of the net leasable space of such development to be used for retail purposes except for such portions of a development which includes grocery or specialty food store enterprises defined under NAICS Manual Industry Group No. 4451 or 4452 that provide healthy nutrition options including fresh fruits, vegetables, whole grains, seeds, nuts and healthy protein and that improve access within one-half (1/2) mile of any low income and low access geographies identified by the United States Department of Agriculture.

State local government matching payments shall not be used to supplant local revenue currently being expended within the increment district boundaries.

2. In order to be eligible for state local government matching payments for approving a project within an enterprise zone, a local governmental entity shall provide to the Oklahoma Department of Commerce as part of the application provided for in subsection J of this section:

- a. an estimate of incremental revenues likely to be derived from the project, and b. certification that all projects described within the related project plan will generate, in the aggregate, a minimum of either One Million Dollars (\$1,000,000.00) in payroll, exclusive of payroll for construction, or Five Million Dollars (\$5,000,000.00) in investment.

3. In order to be eligible for state local government matching payments in support of a major tourism destination project, a local governmental entity shall provide to the Oklahoma Department of Commerce as part of the application provided for in subsection J of this section:

- a. an estimate of incremental revenues new to the state likely to be derived from the project,
- b. certification that the major tourism destination meets the applicable criteria described in paragraph 12 of Section 841 of this title, and
- c. an agreement to provide payment to the Oklahoma Department of Commerce to defray the costs of the study required by paragraph 4 of this subsection.

4. To determine if a project qualifies as a major tourism destination project pursuant to subparagraph b of paragraph 12 of Section 841 of this title and to assist in other required determinations, the Oklahoma Department of Commerce shall cause a market and feasibility study to be conducted by an independent consultant with experience in the conduct of such studies. Upon review of the feasibility report, the Oklahoma Department of Commerce shall make its finding as to the reasonable probability that the proposed project is a major tourism destination project as provided in subparagraph b of paragraph 12 of Section 841 of this title.

C. For purposes of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act, an enterprise engaged in a retail activity, where otherwise prohibited by the Oklahoma



Enterprise Zone Act for purposes of the benefits and incentives extended pursuant to the Oklahoma Enterprise Zone Act, shall be considered an eligible enterprise for purposes of the state local enterprise matching payment authorized by the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act.

D. The maximum amount of state local enterprise matching payments for an enterprise per fiscal year shall not exceed Two Hundred Thousand Dollars (\$200,000.00).

E. Except as provided in subsection H of this section, for purposes of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act, the maximum amount of aggregate investment in all qualifying facilities located in any single county which can qualify for a state local enterprise matching payment pursuant to subsection A of Section 844 of this title shall be computed for each county of the state by multiplying Two Hundred Dollars (\$200.00) times the population of the county according to the most recent estimate provided by the United States Bureau of the Census prior to the date an application is made.

F. The computation required by subsection E of this section shall be the maximum amount of aggregated investment qualifying for the purposes of all enterprises for the duration of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act.

G. The aggregate investment limit for all facilities located within a county which may qualify for the state local enterprise matching payments pursuant to subsection A of Section 844 of this title shall:

1. Not be less than Twenty Million Dollars (\$20,000,000.00) for counties with a population of less than one hundred thousand (100,000) persons; and
2. Not be greater than Forty Million Dollars (\$40,000,000.00) for all other counties of the state.

H. The aggregate limit for all state local government matching payments made to any public entity on behalf of any local governmental entity within a single county pursuant to subsection D of Section 844 of this title for the duration of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act shall be an amount equal to the net benefit rate multiplied by the taxable gross sales derived from the project over the period of apportionment of local sales taxes, as certified by the Secretary of Commerce.

I. The payments authorized by Section 844 of this title shall be available for business and governmental entities qualifying pursuant to the Local Development Act for investments made within an incentive district or for improvements made within an increment district prior to December 31, 2007, or for which an incentive district or an increment district has been created prior to December 31, 2028, if the investments or improvements are begun not later than December 31, 2029.

J. The Oklahoma Department of Commerce shall promulgate rules for administration of the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act. Such rules shall:

1. Include a procedure for an enterprise or local governmental entity to make application for state local enterprise and state local government matching payments pursuant to this section;
2. Reflect the intent that the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act be fiscally neutral to the state; and
3. Establish reporting requirements for successful applicants which allow data collection and analysis by the Department on employment, capital investment, changes in assessed value of a project and other impacts resulting from payments and reporting of such data by the Department to the Oklahoma Tax Commission for the purposes of subsection B of Section 847 of this title.

Added by Laws 2000, c. 339, § 11, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 2, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 3, emerg. eff. May 20, 2008; Laws 2019, c. 215, § 1, emerg. eff. April 29, 2019; Laws 2020, c. 69, § 1, eff. July 1, 2020; Laws 2021, c. 126, § 1, eff. Nov. 1, 2021.

§62-843. Certification - Payment.



A. In order to receive the state local enterprise matching payment pursuant to the provisions of subsection A of Section 844 of this title, the enterprise shall obtain a certification, provided by the governing body of the local governmental entity creating the incentive district, acknowledged by the chief elected official of the local governing body that the enterprise has qualified pursuant to the Local Development Act for sales tax exemption. The certification document shall include:

1. The beginning date of the exemption;
2. The ending date of the exemption;
3. The total amount of projected investment to construct or expand the facility during the period for which the incentives available pursuant to the Local Development Act will be in force and effect together with a certification by the Oklahoma Department of Commerce that the facility is located in an enterprise zone; and
4. The legal name and business entity classification of the entity to which exemption is afforded or to which sales tax payment is made by the local governmental entity or entities pursuant to the provisions of the Local Development Act.

B. The local governing body shall provide a copy of the certification document to the Oklahoma Tax Commission.

C. After the enterprise provides a certification from the local governing body, the Tax Commission shall make payment to the enterprise identified in the certification document equal to the amount of the sales tax from which the enterprise is certified as exempt as identified in the certification in the manner prescribed by subsection A of Section 844 of this title.

D. The state local enterprise matching payment shall be made only for sales tax foregone by local governmental entities or rebated to the business enterprise by local entities for purchases made by the business enterprise and not on the basis of any sales tax collected by the business enterprise from consumers or users on taxable sales made by the enterprise.

E. In order to receive the state local governmental matching payment pursuant to the provisions of subsection D of Section 844 of this title, the local governmental entity shall provide to the Tax Commission a certification, acknowledged by its mayor or chairperson, that such local governmental entity has created an increment district pursuant to the Local Development Act which qualifies for a state local government matching payment. The certification document shall include:

1. The beginning date of the increment district;
2. The ending date of the increment district;
3. A description of the project costs authorized by the project plan for which the state local government matching payments will be used and the estimated date for substantial completion of the project being assisted as described in the application;
4. A certification by the Oklahoma Department of Commerce that the project plan is located in an enterprise zone or supports a qualifying major tourism destination project, and that the qualifying investment and development has been or will be substantially completed no later than December 31, 2034;
5. The amount of the local sales taxes which have been apportioned during the previous six-month period by the local governmental entity for the payment of project costs pursuant to the provisions of the Local Development Act; and
6. The name of the public entity identified in the project plan pursuant to Section 858 of this title as the entity authorized to carry out activities pursuant to the project plan.

After the local governmental entity provides such certification, the Tax Commission shall make payment to the designated public entity in an amount equal to the lesser of the certified amount of the local sales taxes apportioned during the previous six (6) months or the estimated net direct state benefits as prescribed by subsection D of Section 844 of this title.

Added by Laws 2000, c. 339, § 12, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 3, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 4, emerg. eff. May 20, 2008; Laws 2019, c. 215, § 2, emerg. eff. April 29, 2019.



§62-844. State local enterprise matching payments - Eligibility and amount.

A. If an enterprise is located within an incentive district pursuant to the provisions of Section 856 of this title, and the enterprise either constructs or expands a facility that is located within an enterprise zone designated pursuant to the provisions of Section 690.2 of this title, the enterprise shall be eligible for a state local enterprise matching payment equal to the amount of sales tax exemption afforded to the enterprise pursuant to Section 860 of this title.

B. The state local enterprise matching payment shall be made for the twelve-month period preceding March 1 of each calendar year. The state local government matching payment shall be made for the six-month periods preceding March 1 and September 1 of each calendar year.

C. The state local enterprise matching payment shall be made in an amount equal to the amount of sales tax for which the enterprise has received payment during the period prescribed by subsection B of this section pursuant to Section 860 of this title.

D. Beginning July 1, 2005, the state local government matching payment shall be made in an amount equal to the lesser of the amount of local sales taxes which have been apportioned under the applicable project plan during the period prescribed by subsection B of this section pursuant to Section 861 of this title or the net benefit rate multiplied by the actual gross sales derived from the project, pursuant to the limits provided in Section 842 of this title.

Added by Laws 2000, c. 339, § 13, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 4, emerg. eff. June 4, 2004.

§62-845. Agency special account.

There is hereby created within the State Treasury an agency special account for the Oklahoma Tax Commission. The Oklahoma 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 account in order to pay claims as they become due. All of the amounts deposited in the account shall be used and expended by the Tax Commission solely for the purposes and in the amounts authorized by the Oklahoma Local Development and Enterprise Zone Incentive Leverage Act.

Added by Laws 2000, c. 339, § 14, eff. July 1, 2000. Amended by Laws 2021, c. 364, § 1, eff. Nov. 1, 2021.

§62-846. Issuance of payment warrants.

A. As soon as practicable after verification of the amount of the state local enterprise matching payments authorized by Section 844 of this title, the Oklahoma Tax Commission shall issue a warrant to the qualifying establishment in the amount of the sales tax exempted or apportioned pursuant to the applicable provisions of the Local Development Act, subject to the limitations imposed by Section 842 of this title.

B. As soon as is practicable after verification of the amount of state local government matching payments authorized by Section 844 of this title, the Tax Commission shall issue a warrant to the qualifying public entity in the amount provided for in subsection D of Section 844 of this title, subject to the limitations imposed by Section 842 of this title.

Added by Laws 2000, c. 339, § 15, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 5, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 5, emerg. eff. May 20, 2008.

§62-847. Annual reporting by Tax Commission.

A. The Oklahoma Tax Commission shall maintain a record of state local enterprise matching payments and state local government matching payments made pursuant to Section 844 of this title. Local sales taxes apportioned under the applicable project plan shall be reported, collected,



remitted, and disbursed in the same manner as other local sales taxes under Title 68 of the Oklahoma Statutes.

B. The Tax Commission shall prepare a report separately identifying the amounts described in subsection A of this section and data collection and analysis prepared by the Oklahoma Department of Commerce pursuant to subsection J of Section 842 of this title. The Commission shall submit the report prior to April 1 each year to the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate.

Added by Laws 2000, c. 339, § 16, eff. July 1, 2000. Amended by Laws 2004, c. 448, § 6, emerg. eff. June 4, 2004; Laws 2008, c. 217, § 6, emerg. eff. May 20, 2008; Laws 2021, c. 126, § 2, eff. Nov. 1, 2021.

§68-2357.81.

Repealed by Laws 2013, c. 363, § 15, eff. Jan. 1, 2014.



Appendix B: IMPLAN Economic Impact Methodology

The economic impact software used to determine the multiplier effects is IMPLAN (**IM**ppact Analysis for **PLAN**ning), a proprietary model; PFM has obtained a license for use of the IMPLAN model for these evaluations.

Overview

IMPLAN uses Social Accounting Matrices (SAMs) to capture the actual dollar amounts of all business transactions taking place in a regional economy, as reported each year by businesses and government 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 include taxes and unemployment benefits.

Multiplier Models

SAMs can be constructed to show the effects of a given change on the economy. 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 within the economy: direct, indirect, and induced.

- **Direct effects** are one or more production changes or expenditures made by producers/consumers as a result of an activity or policy.
- **Indirect effects** are the business to business purchases in the supply chain taking place in the region that stem from the initial industry input purchases. Typically, they are additional purchases to produce additional output..

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. The induced effects are generated by the spending of the employees within the business’ supply chain.

Figure 1: The Flow of Economic Impacts



Each of these steps takes into consideration leakage from the economic study region spent on purchases outside of the defined area. Eventually, these leakages will stop the cycle.

Fiscal Impacts

The IMPLAN tax impact report identifies all tax revenue in the study area, across all levels of government that exist in that study area, for the specific industries and institutions affected by an event or group of



events. Tax Impact results are based on the collected and reported taxes within the region for the given data year. IMPLAN taxes shown (and collected) are industry and geographically specific.

The IMPLAN tax impact report splits the tax impacts into the various tax categories based on the region's economy. There is no industry-specific profile for taxes paid by tax category, so the distribution across tax categories is an all-industry average. While this is a limitation of the IMPLAN fiscal reporting, the IMPLAN tax report serves as an appropriate measure of jurisdictional tax results in the aggregate. Tax results cannot be added to any summary or detailed results, as they are already included as a portion of Output. State taxes do not include taxes or district assessments levied by federal, county, sub-county, city or township governments.

Taxes paid include payments from businesses and households. Personal income and employment taxes paid by the employer are included in the tax results and allocated according to the taxing jurisdiction. In detailed IMPLAN analyses, all payroll taxes typically paid at the place of employment are shown as household payments. Property tax and personal property tax reflects a combination of property and personal property taxes paid by both businesses and households.