State of Oklahoma Incentive Evaluation Commission

Evaluation: Training for Industry Program

November 17, 2023

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

Contents

Key Findings and Recommendations

Overview

The Training for Industry Program (TIP) provides reimbursements for workforce trainings conducted by new or expanding companies in Oklahoma. The program is intended to serve companies exporting goods and services in the following ecosystems: Manufacturing: Aerospace and Defense: Energy; Transportation and Distribution; Agriculture and Biosciences; Information and Financial Service; and Health. The Oklahoma Department of Career and Technology Education (ODCTE) oversees administration of the program in conjunction with technology centers across the state, who directly interface with the companies benefitting from the program. Trainings can be fully reimbursed by the program. From FY 2018 through FY 2022, reimbursements averaged $41,216 per training and totaled $3.6 million.

Recommendation: Retain, with minor modifications

Key Findings

- **The majority of the training is related to the manufacturing industry.** Total TIP reimbursements from FY 2018 through FY 2022 was $3.6 million. Manufacturing accounted for over 70 percent of the reimbursements. The second largest industry was Professional, Scientific, and Technical Services (12.5 percent).

- **Training is conducted statewide.** During the FY 2018 – FY 2022 time period, there were 135 trainings conducted at 21 technology centers. The top three locations were the Tulsa Technology Center (29), the Francis Tuttle Technology Center in Oklahoma City (16), and the Central Technology Center in Drumright (11). These three centers account for about 40 percent of the total trainings.

- **The program receives an annual appropriation.** As a result, there are adequate protections in place to ensure the fiscal impact of the incentive does not increase substantially beyond the state's expectations in future years.

- **The average wage associated with jobs receiving training is $41,309.** From FY 2018 through FY 2022 reported average wage of new jobs as a percentage of the average county wage ranged from 31 percent to 149 percent. Of the locations of the most jobs that received training, Oklahoma's average wage was 87 percent of the county-wide average and Tulsa's was 62 percent.

- **The return on investment of the program is positive.** The annual state tax revenue directly and indirectly associated with the jobs supported by the Training for Industry Program is larger than the annual state reimbursement provided through the program.

- **ODCTE calculates its own return on investment when evaluating program applicants.** TIP administrators ensure that the sum of the wages offered to new employees that attend training is higher than the amount TIP invests over the course of two years.

- **Training provides qualitative as well as quantitative benefits.** Much of the training relates to worker safety, but in other instances it may be used to enhance worker 'soft skills' or training specific to an industry or position. These may not necessarily generate economic activity, but improved skills will tend to boost worker productivity, which benefits the state as a whole. Further, avoiding workplace injury provides unquantifiable social and financial benefits.

- **The program administration process is flexible to allow for efficient use of funds.** The requirement to hold the trainings within 60 days of allows ODCTE the opportunity to reallocate funds to serve as many individuals as possible.

- **Participants report overall satisfaction with the program.** Even if there is not a strong causal relationship between the training reimbursement and a company's decision to move to or remain in Oklahoma, participants cite increased safety and positive company culture development as positive outcomes of the program.

- **Training programs are common among the states.** All of the states surrounding Oklahoma have some form of training program, although they vary considerably. Some states offer training for existing employees or when training is done to avoid layoffs. Nearly all the comparable programs provide the option for using their own trainer rather than at state sponsored providers. About half impose wage requirements on jobs eligible for training, although some of those requirements are not particularly onerous. Colorado, for example, requires the positions to pay employees at least $2.00 above the state minimum wage and New Jersey just at the minimum wage.

- **Evaluations of job training tax incentives have shown varying results.** An Iowa study found little difference in the employment for firms that did or didn't use the program. However, a study of the California training program found that companies using the program had on average 22 percent more employees after two years compared to those who did not.

Recommendations

- **Track trainings for new positions, not necessarily new hires, to demonstrate company expansion.** Currently, when companies apply for subsequent trainings, they must demonstrate to ODCTE that they are training additional employees compared to the number they trained in the previous cycle. Companies could provide similar documentation to ODCTE to show whether the positions are the result of turnover or overall business expansion.

- **Retain ODCTE's flexibility in allocating funds.** ODCTE currently imposes a deadline for trainings to begin within 60 days of the issue of a purchase order. . It works with companies to negotiate the timing of their trainings to maximize the use of funds across all applicants. ODCTE representatives meet with applicants in person to review documentation of their application requirements and understand their needs. These practices allow ODCTE to make informed choices surrounding the timing of their use of funds to ensure they do not overcommit resources.

- **Consider expanding program outcome metrics to include retained employees as well as new jobs.** Business retention is as important as business attraction. Beyond the annual survey, ODCTE does not have a method to understand how long the trained employees remain at the company upon receiving the state's investment of training funds. However, it is important to note that tracking an additional metric will require additional administrative resources. Further, this metric demonstrates increased company productivity through the avoidance of additional resources being spent to recruit and train new employees, but it does not necessarily factor into the immediate two-year ROI calculation ODCTE uses to determine eligibility.

Introduction

Oklahoma 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.[1] 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

Based on the preceding framework, significant findings and recommendations from the 2019 evaluation of the Training for Industry Program (TIP) are summarized in Table 1:

Table 1: Summary of 2019 Evaluation Findings and Recommendations

Evaluation Category	Significant Finding(s)
Overall Findings	Subsidizing the development of jobs that offer below average wage does not advance the public good.
Fiscal and Economic Impact	Due to the low average reimbursement amount, it is unlikely that this program will influence significant business development.
Future Fiscal Impact Protections	The program needs to cause 7 percent of total job growth impacts statewide in order to break even.
Administrative Effectiveness	Users state the administrative process is cumbersome or is in need of streamlining, particularly the CareerTech Information Management System.
Retain, Reconfigure or Repeal	Retain but consider a minimum wage requirement or additional weighting criteria.
Other Recommendations	− Consider a minimum wage requirement or additional weighting criteria; − Collect data regarding wage increases and employee retention following training; − Consider requiring applicants to demonstrate the need for program funding; − Consider requiring applicants to demonstrate the potential for trainee retention and career progression.

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

[1] A copy of the statute is located in Appendix B.

Based on PFM's analysis and consideration of other factors, the Commission voted 4 – 0 to retain the program without a minimum wage requirement and to continue the use of CareerTech's weighting criteria.

The statute outlining the Training for Industry Program has not been modified since 2016. There have been no changes since the 2019 review.

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 Training for Industry Program, the State of Oklahoma aims to create new employment opportunities that have a significant impact on Oklahoma's economy. To achieve this, TIP works with a delivery agency to provide new job slot trainings for new or expanding businesses or industries in selected manufacturing, processing and national or reginal offices of business and industry.[2]

In addition to this goal and the general evaluation factors discussed in the preceding section, the Commission has adopted the following criteria to assist in a determination of program effectiveness:

- Program usage
- Program demand
- Business workforce impacts (e.g., employee retention, earnings or placements, skills development)
- State return on investment

To conduct its 2023 review of the Training for Industry Program (based on the criteria described in the preceding), the PFM project team conducted the following activities:

- Submitted a data request to CareerTech
- Reviewed and analyzed data received, including historical usage data and survey results
- Completed subject matter expert/internal stakeholder interviews with representatives from CareerTech
- Benchmarked Oklahoma to other states.

[2] Oklahoma Amin. Code § 780:25-5-1

Incentive Usage and Administration

Incentive Characteristics

The Training for Industry Program provides reimbursements for workforce trainings conducted by new or expanding companies in Oklahoma. The program serves companies exporting goods and services in the following sectors: Manufacturing, Aerospace and Defense, Energy, Transportation and Distribution, Agriculture and Biosciences, Information and Financial Service, and Health. The Oklahoma Department of Career and Technology Education (ODCTE) oversees administration of the program in conjunction with 21 technology centers across the state, who directly interface with the companies benefitting from the program. Trainings can be fully reimbursed by the program. From FY 2018 through FY 2022, reimbursements averaged $41,216 per training.

Incentive Administration

ODCTE begins each fiscal year with $1.5 million in appropriations from the State. It allocates $900,000 for trainings that occur on projects initiated by the Technology Center for new or expanding businesses in their district and and $600,000 on trainings for companies that are new to the state and generated and recruited through the Oklahoma Department of Commerce. Trainings can be off-the-shelf or custom designed.

To apply for a training reimbursement, applicants complete a proposal and submit it to ODCTE. Once the proposal is received, an ODCTE representative along with the local Tech Center Coordinator meets with the company and considers the applicant’s average wages paid to employees, benefits, and number of new hires needing training to develop a training plan to determine how much funding to allocate. ODCTE only considers new hires that are being trained in its evaluation criteria, although existing employees are allowed to attend the trainings. There is currently no requirement for a minimum wage to receive TIP training, but the applicants must offer health benefits.

Upon deciding who to fund, ODCTE calculates the return on investment (ROI) for each training by comparing the number of new hires that will be trained and their salaries after training to the amount TIP invests in the training. Trainings must produce a positive ROI within two years of the training completion to be considered eligible for the program.

Upon acceptance, ODCTE creates a formalized TIP agreement with the company and writes a purchase order. Companies must begin the training within 60 days of receiving the purchase order. If they do not, any funds they were allocated for training are reallocated to other unfunded eligible projects. Companies also do not receive the full amount of funding requested if they do not train the number of individuals they originally committed to training. Individuals may be counted as long as they are hired by the time of training, but they are not required to be hired at the time TIP approval or the issuance of the purchase order.

Trainings can cover a wide range of topics; the vast majority are for floor employees and cover general safety. This includes how to safely use equipment such as ladders and forklifts, how to abide by OSHA regulations, or how to avoid workplace accidents. TIP trainings can also include leadership training for employees. The goal with these trainings is not increase employees’ wages; further, avoiding workplace injuries has both quantifiable benefits in terms of a reduction in missed days of work and the unquantifiable social benefits of an individual avoiding injury. Further, leadership training can improve worker productivity by boosting team morale and providing “soft skills” that will benefit the company in the longer term.

ODCTE evaluates the effectiveness of its program by sending TIP participants a survey on an annual basis. This survey includes questions such as whether training participants remained at the company after the training was completed. The technology centers themselves can survey participants shortly after the training completion as well.

If TIP receives more applicants than it has funds to distribute, ODCTE will work with companies to stagger their trainings so that they are able to fund as many as possible. ODCTE also has the option to partially fund trainings.

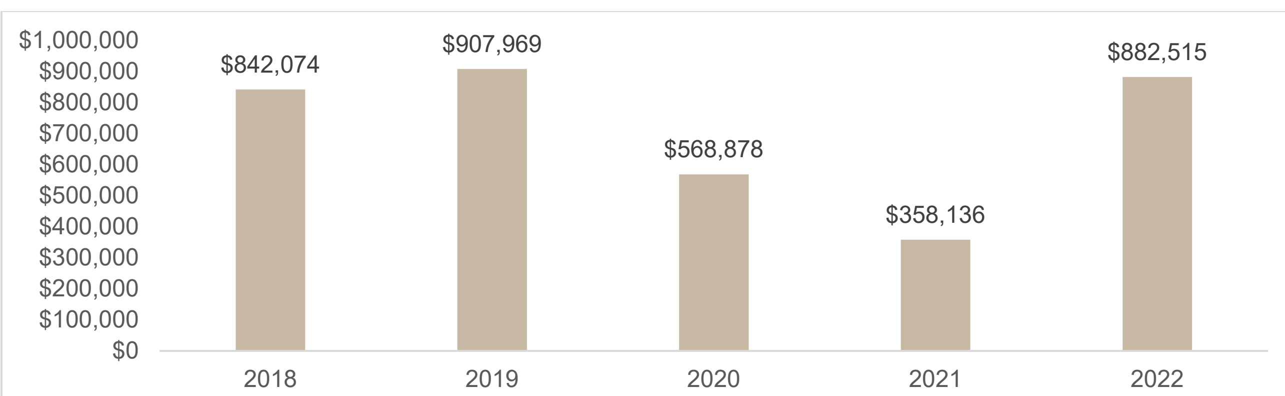
ODCTE leadership allocates TIP funding for six months at a time to ensure they do not overcommit their available funding. For example, as the state fiscal year begins on July 1, ODCTE will only commit funds through the end of the calendar year. Their Finance Division closes out the previous fiscal year by December, at which point ODCTE has concrete knowledge of how much funding has carried over from the previous fiscal year they can use for trainings during the remainder of the fiscal year.

Historic Use of the Program

The Training for Industry Program is allocated $1.5 million each year. As previously noted, if companies do not begin their trainings within 60 days of approval, funds are reappropriated for other trainings. In actuality, the training dates may change due to employees' falling ill, weather affecting the schedule, or other circumstances internal to the recipient company's process. Further, companies may state they will train a certain number of individuals, but ultimately not be able to hire the entire number to which they originally committed. As the graph below indicates, the COVID-19 pandemic in particular impacted demand. As a result, in the past five years ODCTE did not allocate their entire pool of funds, although this ultimately was caused by factors outside of their control. This emphasizes how critical it is that ODCTE requires trainings to be completed within a certain timeframe so that they can use funds in the most efficient manner possible.

Annual TIP reimbursements to companies increased by 4.8 percent between 2018 and 2022. Funding in 2020 and 2021 was approximately half the amounts reimbursed in 2019 and 2022 as a result of the COVID-19 pandemic.

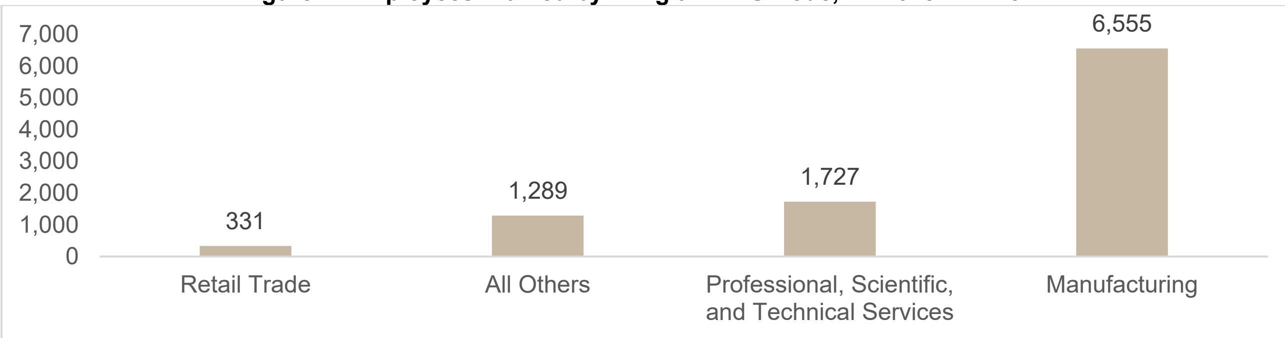
Figure 1: Annual TIP Reimbursements



Source: ODCTE

From FY 2018 through FY 2022, a total of 9,902 employees received TIP training. Manufacturing is the industry group with the highest number of employees trained, with 6,555, which represents 66.2 percent of the total.

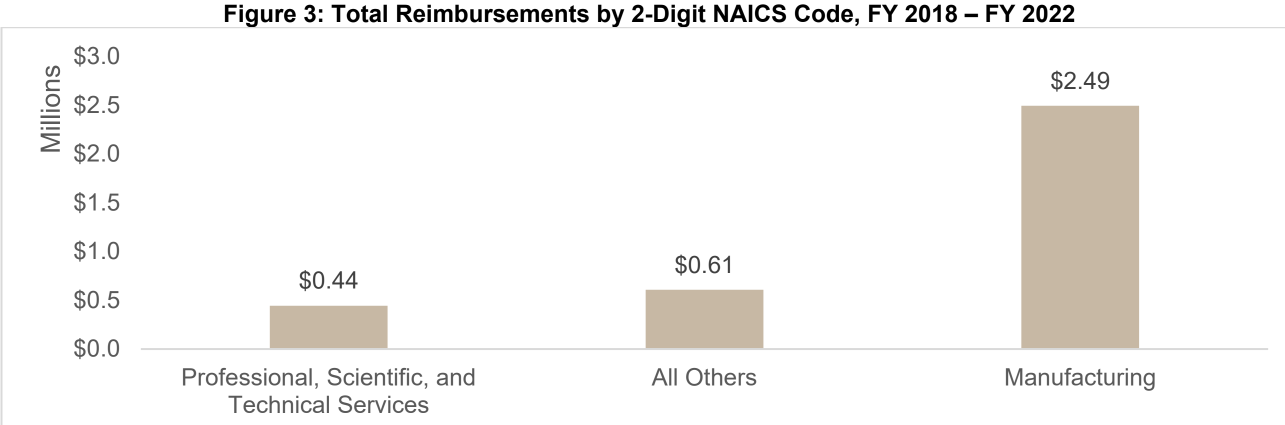
Figure 2: Employees Trained by 2-Digit NAICS Code, FY 2018 - FY 2022[3]



Source: ODCTE

The total reimbursements awarded by TIP from FY 2018 through FY 2022 were $3.6 million. Manufacturing (70.1 percent of total reimbursements) and Professional, Scientific, and Technical Services (12.5 percent) combine for 82.6 percent all TIP reimbursements.

Figure 3: Total Reimbursements by 2-Digit NAICS Code, FY 2018 – FY 2022



Source: ODCTE

During this timeframe, 135 trainings have been conducted at 21 technology centers across the State. The top technology centers by number of trainings conducted over this period are the Tulsa Technology Center (29), the Francis Tuttle Technology Center in Oklahoma City (16), and the Central Technology Center (11). These locations account for almost one quarter of the total trainings over the period.

The average annual wage associated with jobs receiving training is $41,309. From FY 2018 through FY 2022, the reported average wage of new jobs as a percentage of the average county wage ranged from 31 percent to 149 percent. In Oklahoma and Tulsa counties (the locations of most jobs receiving training), the average wage of employees trained was 87 percent and 62 percent, respectively.

[3] "All Others" category includes Other Service (except Public Administration), Transportation and Warehousing, Wholesale Trade, Information, Accommodation and Food Services, Real Estate and Rental Leasing, Mining, Quarrying, and Oil and Gas Extraction, Finance and Insurance, Utilities, and Agriculture, Forestry, Fishing and Hunting

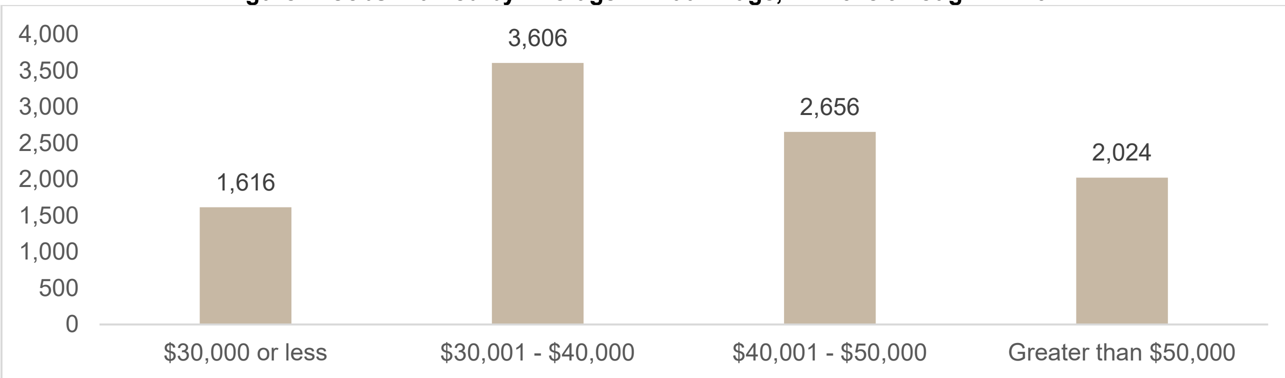
Table 2: Employees Trained and Average Wages by County, FY 2018 – FY 2022

County	Jobs	Reported Average Wage	County Average Wage (Avg 2017 – 2021)	Percent of Average County Wage
Seminole	79	$60,000	$40,190	149%
Cherokee	50	$60,000	$47,421	126%
Okmulgee	8	$55,775	$48,689	114%
Bryan	254	$45,936	$49,225	93%
Adair	342	$35,000	$37,940	92%
Murray	220	$48,191	$54,160	89%
Creek	135	$49,315	$56,384	87%
Oklahoma	2,646	$50,520	$58,239	86%
Comanche	115	$46,400	$54,483	85%
Cleveland	36	$56,000	$67,068	83%
Stephens	25	$44,133	$53,470	82%
Payne	4	$34,560	$43,686	79%
Dallas	134	$47,482	$65,011	73%
Muskogee	84	$31,680	$44,166	71%
Craig	76	$30,720	$45,094	68%
Lincoln	5	$36,480	$54,578	66%
Custer	389	$36,491	$55,074	66%
Carter	422	$33,651	$52,906	63%
Pottawatomie	125	$34,560	$54,896	63%
Tulsa	3,388	$37,552	$60,382	62.%
Canadian	218	$47,100	$76,973	61%
Rogers	361	$42,030	$69,322	60%
Caddo	12	$28,800	$47,566	60%
Garfield	291	$35,648	$60,732	58%
Nowata	180	$27,040	$46,786	57%
Grady	110	$33,474	$68,925	48%
Noble	52	$29,120	$62,910	46%
Douglas	141	$38,985	$127,443	30%

Source: ODCTE and 2021 ACS 5 Year Estimates

Most jobs that received training over this period paid average annual wages greater than $30,000. However, a total of 1,616 jobs had wages of $30,000 or less.

Figure 4: Jobs Trained by Average Annual Wage, FY 2018 through FY 2022



Source: ODCTE

Training Recipient Survey

CareerTech conducted surveys of funding recipients between 2019 and 2022.[4] Across these three years, the Department received 50 responses: 18 in 2019, 12 in 2021, and 20 in 2022.

In each year the survey was administered, three respondents indicated they gave their staff pay increases upon successful completion of the training.

The survey provided the most questions to respondents in 2019. In that year, 17 of 18 respondents reported they were satisfied with the training they received, and 16 of 18 reported their training had improved the quality of their workforce. 14 respondents indicated they would have conducted the training without TIP funding, although 11 of those said they would scale it back without TIP support. Only 2 respondents said the TIP program impacted their decision to expand or relocate to Oklahoma.

Overall, participants described positive effects on their workforce as a result of trainings. While the primary outcomes were not necessarily pay increases, survey participants described positive impacts on their company's culture and the overall personal growth of their employees. Several described using the incentives for safety trainings or for compliance purposes.

Incentive Best Practices

As part of the evaluation process, the project team considered the TIP program from a business incentives best practices perspective.[5] As it relates to TIP, the benefit is specific and provided up front, and there is an application/eligibility process. There may be some concern (which has been discussed that there is not a targeting of high impact jobs and wages, but training programs may not be the best example of application of that incentive best practice.

The area where the incentive may be strengthened as it relates to best practices it would be in transparency and accountability relating to metrics. That is reflected in the evaluation recommendations.

[4] Surveys were not conducted in 2020 due to the effects of the pandemic.
[5] A discussion of business incentives best practices is included as Appendix

Economic and Fiscal Impact

Economic and Fiscal Impact

To evaluate the economic impact of the incentive program, the project team examined the training reimbursements offered each year between 2018 and 2022. The economic and tax impact calculations were made using this information. The IMPLAN model was used to calculate the impact of this spending by year. A description of IMPLAN is included in Appendix C.

The project team selected the appropriate IMPLAN sector based on the NAICS code associated with each training reimbursement. It calculated outputs based on the number of jobs trained provided and their associated payroll increases. IMPLAN's inputs for worker compensation is defined as fully loaded payroll, whereas the TIP reimbursement data provided salaries and wages only. The project team used a multiplier calculated from the IMPLAN Oklahoma Industry Occupation data to inflate employee's wages to become fully loaded payroll so that it could be accurately used as an IMPLAN input. This multiplier was calculated by determining the ratio of Oklahoma's total supplements added wages and salaries to total employee compensation in the state. This ranged between 19.2 and 19.6 percent across the five year period.

The following tables highlight the economic and tax impact by year. The impacts of the COVID-19 pandemic can be seen this data as well; state tax revenue associated with the program is lower in 2020 and 2021 than it is in the other study years, a reflection of lower TIP reimbursements in those two years. As the program consistently receives $1.5 million in allocations each year, the total economic impact of the program is limited by the funding it receives from the state. However, this limit allows the state to predict the program's budget year over year.

Over the five-year period, the economic impact of the 9,202 employees trained exceeds $3.1 billion. Increasing the human capital and income earning potential of employees earning modest wages is key to elevating the competitiveness of the overall workforce as well as increasing the opportunity to raise the standard of living for participating workers.

Figure 5: Impact of TIP Reimbursements

		Output	Value Added	Labor Income	Employment	Estimated Oklahoma Tax Revenue
2018	Direct Effect	$282,566,396	$138,958,222	$113,899,047	1,297	
	Indirect Effect	$75,365,518	$37,447,244	$25,355,131	494	
	Induced Effect	$99,001,247	$53,254,363	$29,543,147	695	
	Total Effect	**$456,933,161**	**$229,659,829**	**$168,797,325**	**2,486**	**$8,098,899**
2019	Direct Effect	$514,502,933	$202,702,512	$174,358,562	2,527	
	Indirect Effect	$163,735,652	$79,795,030	$54,230,290	1,040	
	Induced Effect	$167,041,101	$89,334,129	$49,190,021	1,136	
	Total Effect	**$845,279,685**	**$371,831,672**	**$277,778,872**	**4,703**	**$14,438,044**
2020	Direct Effect	$460,021,034	$138,527,262	$126,337,207	1,989	
	Indirect Effect	$149,324,938	$70,696,316	$49,760,844	901	
	Induced Effect	$115,360,646	$62,565,416	$35,282,709	784	
	Total Effect	**$724,706,619**	**$271,788,994**	**$211,380,761**	**3,674**	**$7,193,215**
2021	Direct Effect	$189,408,770	$70,850,864	$53,173,836	1,318	
	Indirect Effect	$64,475,871	$28,561,693	$19,571,904	346	
	Induced Effect	$52,827,301	$28,530,445	$15,578,220	320	
	Total Effect	**$306,711,943**	**$127,943,001**	**$88,323,960**	**1,984**	**$5,815,814**
2022	Direct Effect	$490,152,316	$171,300,691	$130,037,832	2,771	
	Indirect Effect	$163,711,263	$73,496,848	$49,900,633	874	
	Induced Effect	$130,814,635	$70,598,224	$38,545,907	788	
	Total Effect	**$784,678,214**	**$315,395,762**	**$218,484,372**	**4,434**	**$9,862,782**

Source: IMPLAN and ODCTE

The following table shows that the return on investment associated with the training investment was positive each year of the analysis period. From 2018-2023 approximately $3 million in reimbursements were awarded. The state tax revenue associated with the jobs affected by these reimbursements totaled $45.4 million. Over the five-year period, $11.76 in net tax revenues was generated for each $1 in grant funding costs.

Figure 6: Annual State Tax Revenue Generated

	Total Grant Funding	Estimated Oklahoma Tax Revenue	Net Impact
2018	$842,074	$8,098,899	$7,256,825
2019	$907,969	$14,438,044	$13,530,075
2020	$568,878	$7,193,215	$6,624,337
2021	$358,136	$5,815,814	$5,457,678
2022	$882,515	$9,862,782	$8,980,267

Source: IMPLAN and ODCTE

Incentive Benchmarking

Benchmarking

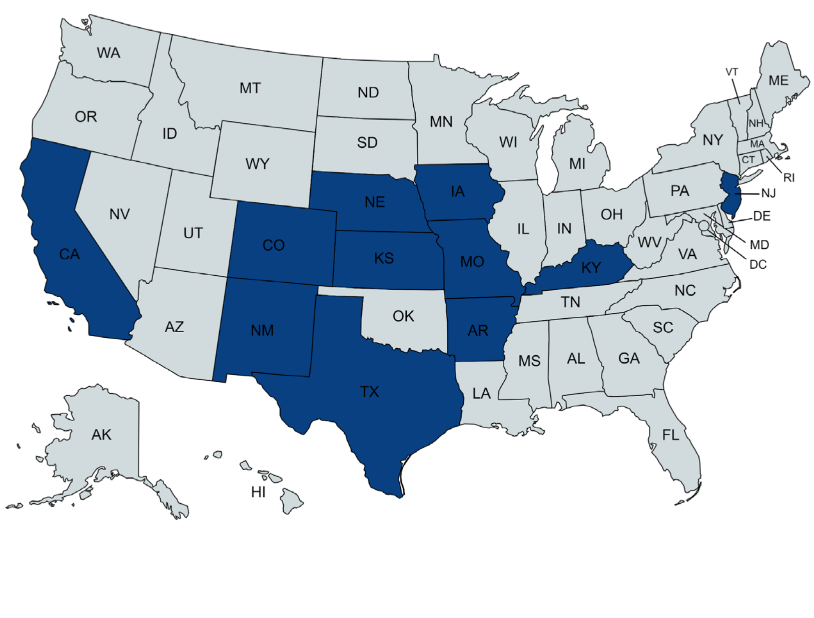
A detailed description of comparable state programs can be found in **Appendix A.**

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.[6] 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.

Peer State Incentives: Key Findings

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 the Training for Industry Program, **every state bordering Oklahoma was found to have a comparable program**. Five other states were included in the comparison group.

Figure 7: States with Comparable Training Programs



Important differences among the comparable programs emerged among the programs in terms of the eligibility companies and jobs eligible for training benefits.

Company Eligibility

Of 11 comparable states, 8 offer program benefits to companies training existing employees or for companies performing training as a way to avoid layoffs, including Arkansas, Colorado, Florida, Kansas, Kentucky,

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

Nebraska, California, and Texas. The remaining comparable states and Oklahoma offer their program benefits only to companies creating new jobs.

Wage Requirements

Of the comparable states, **5 of 11 impose wage requirements on jobs eligible for training**, where Oklahoma does not. Texas and California require wage minimums that are related to the local cost of living or local market wages for the industry. Colorado requires employees be paid at least $2 per hour above minimum wage. Kentucky sets a minimum of $12.51 per hour while New Jersey requires at least minimum wage.

Training Provider Requirements

Similar to Oklahoma, most comparable programs offer companies the option of using their own trainers in place of state-sponsored training providers. Texas has the only program in the comparison group that requires companies to use state-sponsored training providers.

Benchmarking Program Evaluations

Evaluations of the effectiveness of job training tax incentives have shown varying results. The Iowa Department of Revenue evaluated the state's New Jobs Tax Credit in December 2020. It provides an additional incentive for businesses that both provide additional training to employees and expand their workforce by at least 10 percent. The study found that employment was slightly higher at employers who claimed the tax credit compared to those who did not, but these results were not statistically significant. Only 8 percent of the sampled eligible businesses used the tax credit between 2013 and 2019. The estimated total state tax incentive per position was $6,864.[7] Conversely, Economic Studies at Brookings evaluated California's Employment Training Panel (ETP) in July 2020. It found that on average companies that utilized ETP funds had 22 percent more employees after two years than those who did not. ETP had the strongest impact on companies that were more than 10 years old with between 19 and 100 employees.[8]

[7] Zhong, Jin. Iowa Department of Revenue. December 2020. "The Iowa New Jobs Tax Credit: Tax Credits Program Evaluation Study." Accessed at https://tax.iowa.gov/sites/default/files/2021-01/New%20Jobs%20Tax%20Credit%20Evaluation%20Study%202020.pdf
[8] Negoita, Marian and Annelies Goger. Economic Studies at Brookings. July 2020. "State-level Policies to Incentivize Workplace Learning: Impacts of California's Incumbent Worker Training Program." Accessed at https://etp.ca.gov/wp-content/uploads/sites/70/2020/08/Neigoita_Goger_Brookings_July2020.pdf?emrc=3fbbbb

Appendices

Appendix A: Comparable State Programs

State	Program Name	Program Description	Benefit	Job Requirements	Use of State-Sponsored Training Provider
Oklahoma	Training for Industry Program	Provides employee training to new or expanding businesses and industries, targeted to selected manufacturing, processing and national or regional offices of business and industry that are creating new employment opportunities or others that have significant impact on Oklahoma's economy	No cost to businesses	Must be a new job created from a business expanding in or relocating to Oklahoma. Employers must provide a benefits package covering at least 50% of premiums	Optional
Arkansas	Division of Workforce Training Trust Fund Program	Provide innovative training support for businesses. Training can be for new and existing employees to help fill gaps in skills development.	Employers are reimbursed for training and given resources to recruit and retain new employees.	Employer must specify target group of individuals and type of training conducted with clear goals.	Optional
California	Employment Training Panel	Performance based program that provides funds for trainees who complete training and are retained by an employer for at least 90 days.	Funding for project depends on case by case basis. Total funding caps for 2022 - 2023 are: -Single employer contractor $500,000 -Critical Proposals $600,000 -Multiple Employer Contract $600,000 -Apprenticeship Proposals $500,000	Training must be completed within 21 months. Trainees must be employed for least 35 hours per week for 90 consecutive days and meet the county's minimum wage requirements. The minimum wages range from $18.54 per hour to $20.60 per hour in the San Francisco Bay Area	Optional

State	Program Name	Program Description	Benefit	Job Requirements	Use of State-Sponsored Training Provider
Colorado	Skill Advance Colorado Job Training Grant	Includes the Colorado First Grant and Existing Industry Grant. These provide customized training to new and incumbent workers, respectively.	$1,600 per learner max for EI and $1,800 per learner max for CF	Must employ 1 full time employee (32+hrs) or 2 part time employees. EI program requires evidence of creation of net new jobs. Must pay $2 per hour above minimum wage	Optional
Iowa	New Jobs Training (260E) Program Tax Credit	Iowa offers a one-time, corporate or individual income tax credit to incentivize businesses to provide additional training and expand their workforce.	Maximum credit is $2,166 per new employee.	Businesses must commit to expanding Iowa employment base by 10% and enter into a New Jobs Training (260E) agreement.	Optional
Georgia	Quick Start Program	Provides free customized training to qualified businesses in Georgia.	Trainings are provided at no cost to the company.	Recipient companies must invest in or create jobs in Georgia.	Utilizes the Technical College System of Georgia.
Kansas	Industrial Training Program & Industrial Retraining Program	Assists businesses with training new and existing employees.	Funding ranges between $1,500 and $2,000 per trainee.	Must create at least one new net job (KIT) or retain at least one job (KIR)	Not required
Kentucky	Skills Training Investment Credit	Offers state income tax credits for approved training programs for existing employees of companies engaged in manufacturing, agribusiness, non-retail service, or technology	Tax credit can be claimed against Kentucky income tax. Maximum amount is the lesser of $75,000, $2,000 per eligible trainee, or 50% of approved eligible training costs	Employees must be employed at least 35 hours per week, a Kentucky resident, and compensated a minimum of $12.51 per hour	

State	Program Name	Program Description	Benefit	Job Requirements	Use of State-Sponsored Training Provider
Missouri	Missouri One Start	Provides training assistance to eligible companies	Training awards average between $1,000 - $3,000 per employee	Recipient companies must be a manufacturer or engaged in interstate commerce for more than 51% of its business. The company must employ individuals for at least 35 hours per week and provide health insurance	Optional
Nebraska	Nebraska Worker Training Program	Provides grant funds to support to employers or labor organizations to provide training opportunities that expand the pool of highly skilled workers in Nebraska, recruit workers, training new workers, or retrain or upgrade skills.	No set maximum	Jobs must be "high quality" and "long term"	Not provided
New Jersey	Employee Partnership Program (Workforce Development Partnership WDP)	OJT (on the job training) is a subsidized opportunity to help NJ job seekers. Participants go through training with a potential employer and then retained if work is satisfactory. EPP helps employers fund training programs and employer receives reimbursement for part of the participant's salary.	WDP provides matching grants to employers to upgrade and upskill employees. Also assists in job openings and filling.	Contract between 4-26 weeks. Must be paid minimum wage. Must be full time at least 32 hours a week. Must be unemployed or facing unemployment and receiving benefits.	Optional

State	Program Name	Program Description	Benefit	Job Requirements	Use of State-Sponsored Training Provider
New Mexico	Job Training Incentive Program	Funds classroom and on the job training for newly created jobs in expanding or relocating businesses for up to 6 months.	Reimburses 50-90% of employee wages.	Jobs must be: • Minimum 32 hours per week • Year-round • Directly related to the creation of a product or delivery of service	Optional - Custom training at New Mexico public educational institutions may be reimbursed.
Texas	Skills Development Fund	Grants provide customized training for Texas businesses and creates cooperation with local community colleges and technical schools.	$500,000 limit for a single business. Contracts are typically 12 months.	Employees must receive compensation equal to or exceed the prevailing wages for the occupation in local market.	Must be provided be public community, technical college, or the Texas A&M Engineering Extension Service (TEEX). Training must be selected from current active courses.

Appendix B: Statute: Oklahoma Administrative Code § 780:25-5-1

Current through Register Vol. 40, No. 9, January 17, 2023

Section 780:25-5-1 - New or expanding industries

(a)Programs and services. Training for Industry Programs (TIP) has the responsibility of working with the appropriate delivery agency to provide new job slot training for new or expanding business and industry. This training is provided to targeted business and industry in selected manufacturing, processing, and national or regional offices of business and industry that are creating new employment opportunities or others that have significant economic impact on Oklahoma's economy. These companies are traditionally considered exporters of goods and/or services and importers of capital.

(b)Development of training agreements.(1)Statement of Understanding. A "Statement of Understanding" shall define the specific responsibilities of each party involved in a training program, including the company, the community, the technology center, and the appropriate Department staff.**(2)Training agreements.** Training agreements will be developed jointly, using a training needs analysis, by company representatives, local technology center personnel, and Department staff.**(3)Changes.** Any changes in training agreements will be subject to approval by Department staff.

(c)Availability of funds. State support for TIP training is based upon the availability of funds and administered by Department staff in accordance with TIP guidelines and procedures.

(d)Equipment. Equipment used for training shall be furnished by the local technology center or the Department (either from the Equipment Pool inventory or transferred from another technology center). In the case of highly specialized equipment, the company will be requested to loan or lease this equipment to Training for Industry Programs for the purposes of training. The local education authority (LEA) is responsible for routine and preventative maintenance on all state owned equipment, used in training. The LEA will be responsible for replacing equipment that is salvaged due to lack of maintenance, abuse of equipment, or natural disaster. The LEA is responsible for replacing equipment that is lost or stolen.

(e)Utilities. In programs operated in a technology center, costs of the utilities will be borne by the technology center. Costs of utilities for a program operated in a company's facilities will be borne by the company. If a training program is operated out of a temporary facility, utility (water, gas, electricity, local phone service-allowable long distance) expenses will be a coordinated effort of the community and Department staff.

(f)Training materials and expendable supplies.(1)Purchaser. Training materials and expendable supplies will be provided at the expense of Training for Industry Programs. Materials used by trainees in the process of their training will be retained and disposed of by the Department.**(2)Resulting products.** Products produced during the training program will be the property of the Department and will be picked up by or returned to the Equipment Pool or Department staff via accepted Department inventory practices.

(g)Training aids. Training aids, such as technical manuals, DVD's and power point presentations will be developed for training programs when determined by the needs analysis, and only when the lead time schedule allows for the completion in time to be used during the training defined by the Statement of Understanding. Training aids will be developed at the expense of Training for Industry Programs in cooperation with the company.

(h)Instructors. Instructors shall be secured locally, whenever possible.

(i)Consultants. When deemed necessary by Training for Industry Programs, consultants may be used to assist in the development and delivery of training programs per staff recommendation/ approval.

(j)Reimbursements. All reimbursements for the delivery/performance of training, as specified in a Statement of Understanding, will be made to the local technology center. All reimbursements shall be submitted in accordance with established TIP guidelines and procedures.

(k)Reporting procedures. Program and enrollment information shall be submitted to the Information Management Division of the Oklahoma Department of Career and Technology Education as outlined in 780:10-7-2.
Okla. Admin. Code § 780:25-5-1

Amended at 10 Ok Reg 1881, eff 5-13-93; Amended at 11 Ok Reg 2901, eff 6-13-94; Amended at 14 Ok Reg 2038, eff 5-27-97; Amended at 15 Ok Reg 3496, eff 7-13-98; Amended at 16 Ok Reg 3223, eff 7-12-99; Amended at 18 Ok Reg 3302, eff 7-26-01; Amended at 21 Ok Reg 2919, eff 7-11-04; Amended at 28 Ok Reg 2145, eff 7-11-11Amended by Oklahoma Register, Volume 33, Issue 24, September 1, 2016, eff. 9/11/2016

Appendix C: IMPLAN Economic Impact Methodology

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

Social Accounting Matrices

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 include taxes and unemployment benefits.

Multiplier Models

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 within the economy: direct, indirect, and induced.

- **Direct effects** are defined by the user (i.e., a $10 million order is a $10 million direct effect).
- **Indirect effects** are determined by the amount of the direct effect spent within the study region on supplies, services, labor, and taxes.
- **Induced effects** measure 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.

Fiscal Impacts

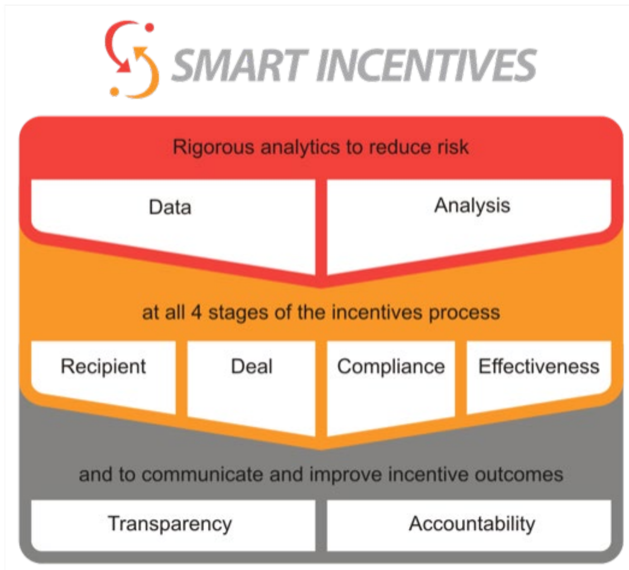
The IMPLAN tax report captures all tax revenue in the study area, across all levels of government that exist in that study area, for the specific industries and institutions affected by an event or group of events. Tax Impact results are based on the collected and reported taxes within the region for 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 picture of that region's economy. But, 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.

Appendix D: Business Incentives Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,[9] it has identified 10 important best practices and sought to incorporate them into the analysis and discussion of this incentive.

As a starting point, business incentives should be viewed as a process, not an event. The award of an incentive and the incentive features are part of that process, and many of the identified best practices reflect that. The process itself should take into consideration each of these factors, which PFM's subcontractor, Smart Incentives, demonstrates in the following illustration:



While the project team believes this is a strong set of best practices, there may well be others that are as (or more applicable) in specific situations. It is also likely that some of the best practices will come into conflict in some situations. For example, application and reporting requirements may reduce the simplicity of business compliance. As a result, these will always be subject to analysis on a case-by-case basis.

The 10 best practices are:

1. **For maximum impact, incentives should be targeted.** Examples of useful targeting include companies or industries that export their goods or services out-of-state; high economic impact companies or industries – such as those with higher wages and benefits, significant job creation, or significant capital investment.

---

[9] Three resources in particular were relied upon on putting together the list of best practices. They are "What Factors Influence the Effectiveness of Business Incentives?" The Pew Charitable Trusts, April 4, 2019, accessed electronically at https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/what-factors-influence-the-effectiveness-of-business-incentives; "Improving Economic Development Incentives," Timothy J. Bartik, W.E. Upjohn Institute for Employment Research, 2018, accessed electronically at https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up_policybriefs; "Best Practices for the Design and Evaluation of State Tax Incentives Programs for Economic Development," Matthew N. Murray and Donald J. Bruce, January 2017, included within another evaluation at https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf

2. **Incentives should be discretionary.** In most instances, an application process enables the state government to require company disclosure of information related to eligibility criteria and enables the state to reject applications that do not meet its standards.

3. **Incentives should leverage significant private capital.** Ideally, the incentive should leverage private investment that is at least several multiples of the state investment.

4. **Incentives should provide most of the benefit within 1-3 years and have a limited duration.** Company discount rates are much higher than for the state, and businesses will significantly devalue incentive payments in later years.

5. **Incentives should take into consideration state and/or local as well as industry economic conditions.** Incentives that are provided in high performing areas or for stable and profitable businesses or industries will likely fail the 'but for test' – meaning the activity would likely occur without the state incentive.

6. **'Smart' incentives help businesses overcome practical barriers to growth.** In particular, customized assistance for locally owned, small and medium-sized businesses can have significant impact.

7. **Incentives should be transparent.** The incentive purpose should be clearly articulated, as are eligibility requirements, and regular, detailed reporting should be required from all program recipients.

8. **Incentives should require accountability.** When upfront financial incentives are offered in return for job creation, retention, or capital investment, there should be contract language in place that allows the state to 'claw back' state resources should the company not meet performance requirements.

9. **Incentives should have caps.** To ensure the state's financial health, program dollar caps or limits should be in place. Incentive programs should also have a limited duration, with sunsets in place to require regular review of incentive performance.

10. **Incentives should be simple and understandable.** The state should be able to easily and effectively administer the incentive, and users should be able to readily comply with its requirements.