# State of Oklahoma

# Incentive Evaluation Commission

## Evaluation: Rural Economic Action Plan (REAP)

**November 21, 2023**

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# Key Findings and Recommendations

## Overview

In 1996, the Oklahoma Legislature created a grant program with a goal to "remove impediments to economic development in rural areas to alleviate the sometimes negative effects of lower population density, population decreases and increased demand for governmental services and to maintain a desirable quality of life for residents and other legal entities in rural areas." The Rural Economic Development Action Plan (REAP) provides funding to infrastructure projects in rural areas to meet this goal.

**Recommendation: Retain**

## Key Findings

- **Program demand and usage has increased.** The total number of REAP-funded projects has increased by 40.7 percent between 2018 and 2022. Similarly, the amount of total awarded funding has increased by a compound annual growth rate (CAGR) of 14.6 percent between 2019 and 2022. During the same period, the amount of funding requested increased by a CAGR of 12.0 percent.

- **As a grant program via an appropriation by the Legislature, there are adequate protections in place related to future fiscal impact.** While the Legislature doubled its funding for the current fiscal year, they could decrease funding in the future if fiscal circumstances warrant that.

- **Grant recipients leverage the funds to complete larger projects, increasing overall capital investment.** In many cases, jurisdictions completed projects with a higher budget than what was awarded through REAP. While there is no matching requirement for fund usage, some localities used the funding to complete larger projects. The total project budget amounts increased by 42.1 percent between 2019 and 2022. There was not sufficient data available to evaluate the amount of capital investment of localities that did not receive REAP funds.

- **The return on investment, on a purely quantitative basis, for the REAP program is negative.** The amount of state revenue Oklahoma receives in association with the development projects supported by REAP is lower than the amount the state invests in the program. However, a traditional economic impact analysis does not adequately capture the benefits of improving infrastructure for the community. Given the smaller size of the average grant, measurable differences in economic output as a result of the investment, particularly those that require a longer time frame to fully realize the results of infrastructure improvement, may be harder to discern using traditional methods.

- **Short-term quality of life measures did not improve after project completion.** There is no noticeable difference in the poverty rate, median household income, and unemployment rate between jurisdictions that received REAP funding and those that did not. This applies both to outcomes in the years just prior to receiving REAP funding and the years after the locality received funding. However, infrastructure improvements enhance the community over the course of many years, and these criteria may not adequately convey the change in residents' desire to live in the community or, for example, general public health outcomes.

- **Site visits indicate that REAP funds are appreciated and generate excitement around infrastructure project work.** While the average grant size is less than $50,000, both site visits completed by the project team demonstrate that a project of this size generates excitement for near and long term potential created by the infrastructure improvement.

## Recommendations

- **Maintain the flexibility and ease of operation of the program.** Currently, each COG administers its own application and approval process. While the Department of Commerce provides statutory rules on which types of projects should be prioritized, the COGs are responsible for selecting projects and can use their local knowledge and contextual understanding to best evaluate need.

- **Consider adding a qualitative measure of success.** As the project grant funds are by design smaller in scope, their long-term economic impact may not be captured by traditional economic analyses. Each COG could potentially track and report the qualitative results of each project, such as through satisfaction surveys.

# 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, Rural Economic Action Plan (REAP) 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 | Retain with reconfiguration |
| Fiscal and Economic Impact | A traditional economic impact analysis does not capture the full benefits of improving infrastructure. REAP grants result in increased statewide economic activity, but the net impact is negative. |
| Future Fiscal Impact Protections | The COGs or the Department of Commerce could require more information from grant recipients to better evaluate the fiscal impact of the program. |
| Administrative Effectiveness | The State's REAP funds are competitively awarded and appear to be in demand. However, based on a high level analysis, they do not appear to impact quality of life measures. |
| Retain, Reconfigure or Repeal | Reconfigure to increase REAP funding or pair REAP funds with other rural economic development strategies. |
| Other Recommendations | Consider increasing REAP funding and/or pair REAP funds with other rural economic development strategies; consider eliminating split-sharing provisions; and require communities to provide additional information regarding the impact of REAP-funded projects. |

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

[1] The 2019 Tax Incentive Evaluation Report is available on the Commission's website at https://iec.ok.gov/sites/g/files/gmc216/f/IEC2019FinalReport.pdf

Based on PFM’s analysis and consideration of other factors, the Commission voted 4-0 to retain the program.

There were no legislative changes to the incentive since the previous 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 Rural Economic Action Plan, per Oklahoma statute, the intent is to “remove impediments to economic development in rural areas in order to alleviate the sometimes negative effects of lower population density, population decreases and increased demand for governmental services and in order to maintain a desirable quality of life for residents and other legal entities in rural areas.”

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;
- Changes in capital investment for local governments that participate, and comparisons to similar local governments that do not;
- Quality of life measures (e.g., changes in median income, poverty rate, employment with local governments that participate, and comparisons to similar local governments that do not);
- Contributions to community development; and
- State return on investment

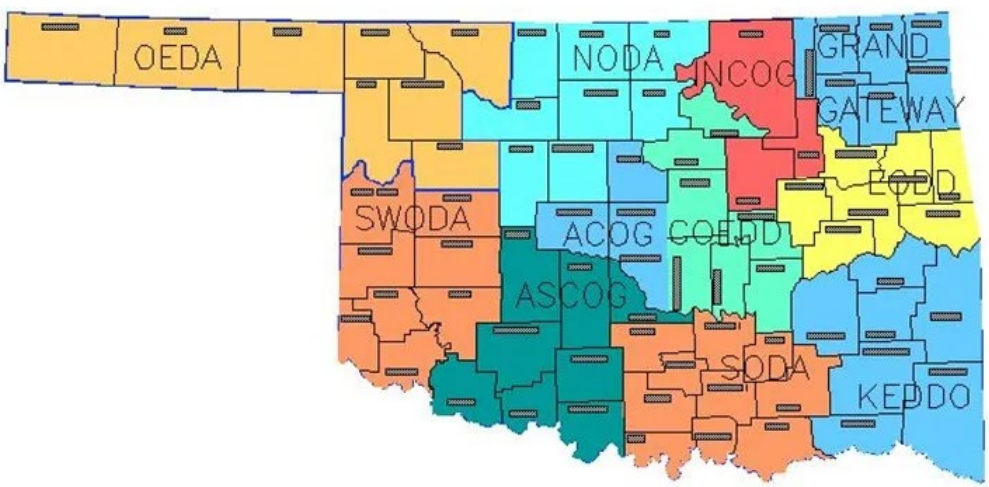
# Program Usage and Administration

## Incentive Administration and Characteristics

The Rural Economic Action Plan program provides grant funding to rural localities with the purpose of providing infrastructure investment in areas that may not have the same access to financial resources due to their size and location. To fulfill its mission of investing in rural communities, REAP funds are only awarded to localities with less than 7,000 people, with priority given to those with smaller populations.

By design, the usage of funds is specially intended to be flexible. Oklahoma's 11 regional councils of government (COGs) are tasked with administering the programs locally and allocating funds to the localities they serve. As voluntary associations of local governments formed under Oklahoma law, the COGs manage issues that cross the boundaries of individual local governments or that require regional attention and provide a regional approach to problem solving through cooperative action. The following map depicts the counties served by each of the COGs.

**Figure 1: Oklahoma's Regional Councils of Government (COGs)**




In addition to meeting local population requirements, certain projects or activities are not eligible for funding. These include personnel costs, consumable goods and office supplies, mowers or other lawn maintenance equipment, veteran memorials, fairgrounds, capital improvement plans, land use plans, housing projects, park maintenance, maintenance barns, and codification of ordinances.

Generally, the Department plays a small role, as the program is primarily administered by the COGs. Administration of the program is relatively straightforward and entails the Department's review of proposed projects and annual local government reporting to ensure program compliance.

- **Review of Proposed Projects.** As part of the application process, each COG must create a REAP Plan. This plan includes a detailed line-item budget for the project and attestations that the COG will follow this plan. COGs must also ensure they have submitted a prior audit as part of the application process.

  As the COGs are responsible for administering state allocated REAP funds, each COG develops and maintains a process for determining eligible projects and awarding funding. This includes a verification process and a method for scoring applications. COGs may award funds by a formula allocation for by a competitive review and rank process. For example, several of the COGs utilize a scoring sheet. This weights each proposal by different criteria such as population change, community investment, amount of funding requested, and whether the project meets critical needs or eliminates hazards.

- **Local Government Reporting.** By August 30th of each year, local government associations are required to submit to the Department a summary of each project where REAP funds were expended during the fiscal year.

  REAP funds may not be used to pay any administrative expenses[2] of the association, except for an initial planning expenditure payment of up to five percent of the total award. They also cannot be used for park projects, including maintenance, fairgrounds projects, or veterans memorials. The Department is responsible for monitoring expenditures to ensure compliance with this law. Entities are required to pay back any funds determined to have been misused, and those entities are not eligible to receive funding for one year.

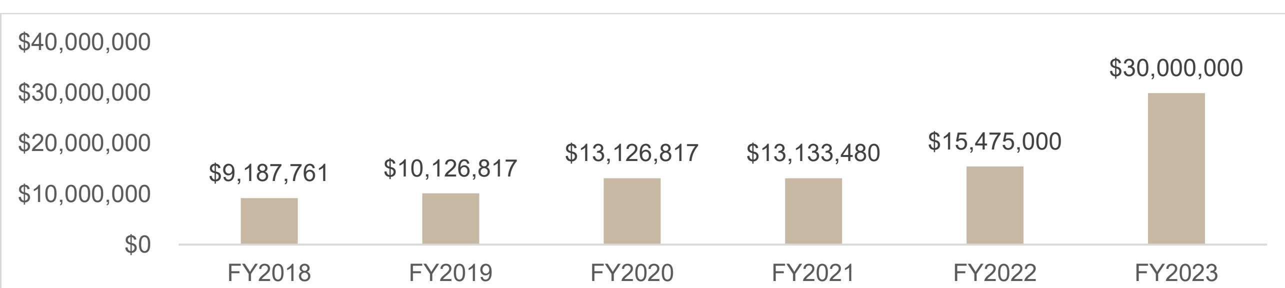
The Department of Commerce classifies project types into ten project categories. Eighty percent of REAP funds must be spent in projects that are assigned to project categories one through six:

1. Rural water quality projects
2. Rural solid waste disposal, treatment, or similar projects
3. Rural sanitary sewer construction or improvement projects
4. Rural road or street construction or improvement projects
5. Provision of rural fire protection services and public safety services
6. Expenditures designed to increase employment levels within the jurisdiction of the entity
7. Provision of healthcare services, including emergency medical care, in rural areas
8. Construction or improvement of telecommunication facilities or systems
9. Improvement of municipal energy distribution systems
10. Community buildings, courthouses, townhalls, senior nutrition centers, meeting rooms, or similar public facilities

**Program Funding**

The Department of Commerce (Department)'s economic development grants are funded solely by appropriation. REAP funds are awarded to each of the eleven COGs, which grant funds for individual projects based on the aforementioned locally administered application process. As shown in the following graph, the amount of funding the REAP program has been appropriated doubled in FY2023.

**Figure 2: REAP Historical Funding Appropriation FY2018 – FY2023**




*Source: Department of Commerce*

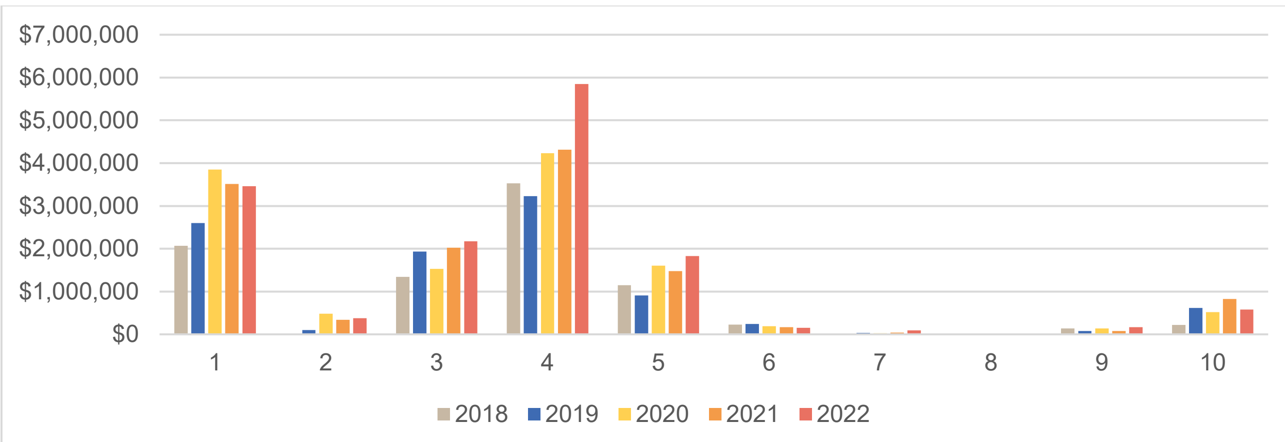
[2] These include personnel costs, office supplies, Capital Improvement Plans, Land Use Plans, consumable goods, maintenance equipment, and codification of ordinances.

The appropriated amount for the REAP program is higher each year than the amount awarded for projects in each COG. As much as five percent of a COG's annual allocation can be used for planning activities. Additionally, occasionally projects finish under budget, in which case excess funds are carried into the COG's following year budget and are used for separate, future projects.

**Historic Incentive Use**

The following graph identifies annual REAP funding per each project category. As indicated below, most funding each year was allocated to water quality (project category one) and road or street construction improvement (project category four) projects.[3]

**Table 2: Historical REAP Funding by Project Category, 2018 – 2022**




*Source: Department of Commerce*

Across all COGs, the aggregate number of projects funded per year has steadily increased, with more than 275 projects per year in FY 2020 through FY 2022. Although it has increased since this incentive's previous evaluation, the average funding provided per project is small, ranging between approximately $40,000 and $47,000. The following table summarizes the economic development projects funded by REAP grants for the past four fiscal years.

**Table 3: REAP Economic Development Grants Projects Funded by COG, FY2018-FY2022**

| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|
| ACOG | 6 | 10 | 15 | 9 | 6 |
| ASCOG | 18 | 22 | 27 | 26 | 33 |
| COEDD | 31 | 27 | 33 | 36 | 35 |
| EODD | 21 | 26 | 28 | 29 | 31 |
| GGEDA | 17 | 26 | 29 | 32 | 36 |
| INCOG | 11 | 10 | 19 | 15 | 16 |
| KEDDO | 33 | 31 | 42 | 27 | 39 |
| NODA | 17 | 18 | 26 | 21 | 21 |
| OEDA | 24 | 18 | 28 | 30 | 28 |

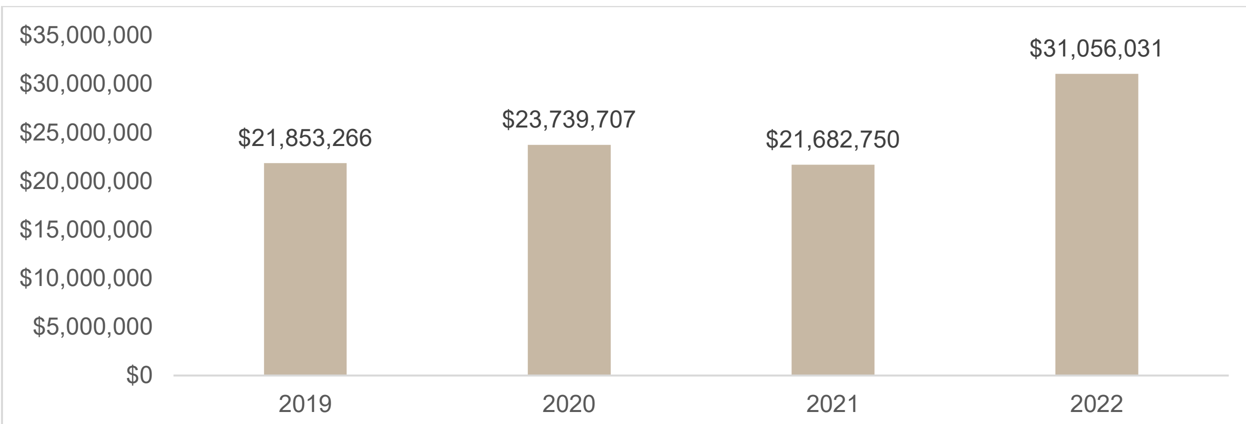
[3] In some instances, COGs reported project funding across two different project types. In these cases the project team split the funding evenly across the associated project categories.

| | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|
| SODA | 29 | 35 | 37 | 38 | 44 |
| SWODA | 14 | 18 | 23 | 20 | 22 |
| **Total Projects Funded** | **221** | **241** | **307** | **283** | **311** |
| **Avg. Funding/Project** | **$39,448** | **$40,768** | **$40,969** | **$45,390** | **$47,357** |

*Source: Department of Commerce*

Jurisdictions do not apply for REAP funds to cover the entire cost of the infrastructure project. When jurisdictions submit applications for program funding, they indicate the entire amount of the budgeted project and the amount of REAP funds they are requesting. The total budgeted amount of REAP projects has increased by 42.1 percent between 2019 and 2022,[4] indicating a significant increase in overall rural capital investment during the study period. In particular, the total project budgets remained steady through 2021, and increased by 43.2 percent between 2021 and 2022.

**Figure 3: Historical Total Project Budget Amounts**

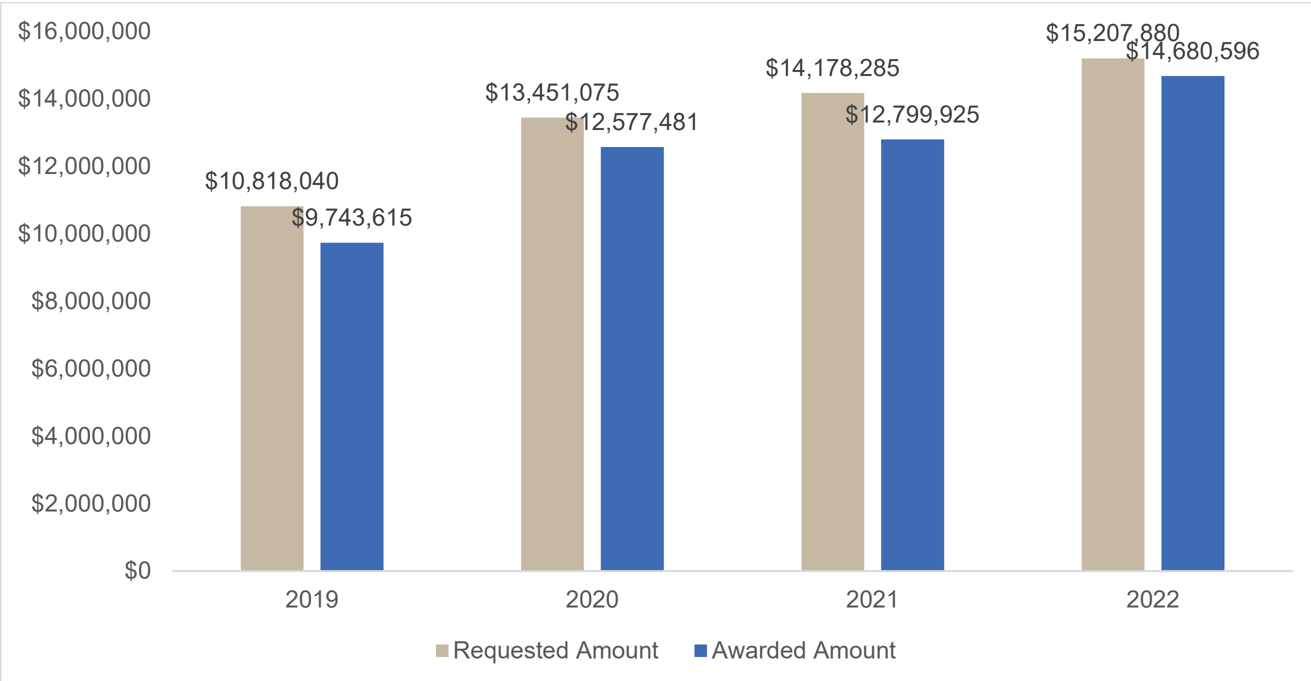



*Source: Dept. of Commerce*

Of the projects that received REAP awards, jurisdictions received approximately 90 percent of the funds they request. Between 2019 and 2022, the total amount of funding requested increased by a CAGR of 12.0 percent during this period. The amount awarded increased as well, growing by a CAGR of 14.6 percent.

[4] 2018 data was not included because not all COGs reported total budgets or total requested amounts for this year.

**Figure 4: Historical Requested and Awarded REAP Funds**




*Source: Dept. of Commerce*

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**REAP Impacts on Quality of Life**

To further explore how the REAP program impacts rural residents' quality of life, the project team used data from the American Community Survey to compare the unemployment rate, poverty rate, and median household income between jurisdictions which received funding in either 2018 or 2019 and those that did not. Appendix B provides this data from 2014 through 2021[5] and compares the compound annual growth rate (CAGR) between towns in three COGs[6] who received funding and towns that did not.

This analysis is designed to give an overall sense of whether there were any dramatic shifts in quality of life surrounding the timing of REAP grant awards. It is not a regression analysis and does not provide a statistically significant result to indicate causality. Further, the 2014 through 2021 range includes data that may reflect the impacts of the COVID-19 pandemic.

Overall, the average unemployment rate of COGs that received REAP funding decreased by a CAGR of -2.4 percent, while the overall unemployment rate of the sampled towns that did not receive funding decreased by a CAGR of -13.4 percent. The average median income of REAP-funded towns increased by a CAGR of 2.1 percent during the study period, while towns that did not receive funding increased by an average CAGR of 4.0 percent. The average poverty rate of the communities that received REAP funding increased by a lower CAGR than the average rate for the sample places that did not,14ncreaseing by -0.5 and 0.0 percent, respectively.

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[5] 2021 data was not available for the unemployment rate, so the project team used 2020 as the most recent year.
[6] ACOG, GGEDA, and INCOG..

**Table 4: Historical Average Quality of Life Statistics**

| | 2014 | 2021 | CAGR |
|---|---|---|---|
| **Poverty Rate** | | | |
| REAP Funded | 20.1% | 20.3% | -0.5% |
| Non-REAP Funded | 25.4% | 25.4% | 0.0% |
| **Median Household Income** | | | |
| REAP Funded | $39,219 | $45,478 | 2.1% |
| Non-REAP Funded | $33,928 | $44,592 | 4.0% |
| **Unemployment Rate** | | | |
| | **2014** | **2020** | **CAGR** |
| REAP Funded | 8.4% | 7.9% | -2.4% |
| Non-REAP Funded | 6.4% | 2.7% | -13.4% |

*Source: American Community Survey, 5 Year Estimates*

**Site Visits**

Quantitative financial data alone does not represent the full impact of REAP grants on the community. In July 2023, to better understand the scope and scale of REAP-funded infrastructure investments, the project team conducted two site visits of representative projects: construction of a water well in the Town of Goldsby and a sewer lift repair station in the City of Purcell.

**Figure 5: Goldsby Water Well**

*Source: PFM*

**Goldsby water well:** Goldsby is a growing community on the southern edge of the Oklahoma City metropolitan area. The purpose of this infrastructure project was to drill a new water well to increase water supply to the Town in order to attract and serve new businesses. The REAP program provided $45,000 of the $48,500 project budget.

**Purcell sewer lift station rebuild:** Lift stations play an integral role in moving sewage to wastewater treatment plants; and are an efficient, functional, and less costly alternative to sewer pipe excavation. REAP funds accounted for $45,000 of the approximately $545,000 project budget.

Leadership and stakeholders from both communities cited the vital important of REAP funds. From providing a clean and safe water supply to repairing roads – and many infrastructure investments in between – REAP funds make possible the projects that impact the everyday lives of Oklahoma's rural residents.

**COG Survey**

In order to better understand each COG's experience with and perception of the REAP programs, the project team administered an electronic survey of the COGs. The list of survey questions is provided in **Appendix A.** In total, 9 of 11 COGs responded. A summary of the key findings is provided in the following.

*Key Program Strengths*

The COGs had overall positive impressions of the REAP program. Several of the COGs indicated that they were able to quickly administer funds because of the flexibility and ease of operation of the program. In particular, the COGs have close relationships with the communities they represent and are therefore able to better identify the projects that are most beneficial to local residents and can develop evaluation criteria based on regional needs.

Further, the REAP program allows projects to be funded that might not otherwise receive grants from federal or other sources due to an area's low population density or inability to complete matching requirements. These projects can then be leveraged to attract further economic growth or additional project work. For example, some communities use REAP funds as their matching dollars for larger grants from other sources.

*Primary Challenges*

Although the COGs indicate they are able to effectively evaluate which projects to fund, demand for REAP funding is greater than what is available. However, given that allocated funding for the REAP program has doubled in the most recent year, the COGs may not consider this as big a concern going forward. Further, when projects are funded, compliance and reporting requirements can impact the program's efficiency and place additional burdens on small communities that may not have the capacity to provide those administrative duties. For instance, several COGs mentioned the requirement of maintaining inventory records after the community has satisfied purchasing requirements as duplicative and unnecessary. Even though these requirements are less than what communities would face in return for federal funding, several of the COG survey respondents state they can be "excessive" and "smother" the community.

*Impact Metrics*

Each COG is responsible for creating and following evaluation criteria when awarding funds. As a result, evaluation criteria are not standardized across the state; the COGs consider this a strength of the program as it allows them to tailor priorities to each of their respective regions.

Several COGs indicated they take into account the size of the community when awarding funds, especially as it pertains to the community's ability to maintain basic needs for its residents. Generally speaking, COGs prioritize smaller communities. They also consider the overall return on investment of a project, whether the project eliminates hazards or meets a critical need, or whether the project will increase the number of homes or businesses.

**REAP and Incentive Best Practices**

In assessing program design, administration and implementation, it is useful to consider it within the context of business incentive best practices.[7] While these best practices are often focused on efforts to directly attract and retaining business and jobs and/or incenting capital investment, in other instances they focus on communities themselves and making them attractive for businesses and workers. REAP falls into that category. As a result, some of what are considered best practices, such as targeting incentives for high impact projects may not apply.

At the same time, there is also a recognition that eliminating practical barriers to growth is a smart approach. There is also a recognition that taking into consideration local economic conditions is a best practice, and that is evident in the REAP program design. Finally, there are significant requirements in the application and reporting processes, which also align with best practices.

[7] A discussion of business incentive best practices is provided in Appendix G.

# Economic and Fiscal Impact

**Economic and Fiscal Impact**

To evaluate the economic impact of the REAP program, the project team examined the grants 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 the IMPLAN methodology is included in Appendix F. The project team selected the appropriate IMPLAN sector based on the type of infrastructure project (e.g. water or road). The following table indicates the direct, indirect, and induced effects the annual REAP grant awards, as well as the annual state tax revenue collected as a result. Over the past 5 years, approximately $58.5 million in grants were awarded, generating an estimated $2.2 million in State tax revenue. Economic impacts resulting from construction and development activity associated with these investments reach $116.2 million over this period, creating more than 600 jobs. Some of this employment represents temporary construction jobs and other portions may include permanent positions associated with community or medical facilities. The state has not provided permanent employment data associated with these projects, so, the employment figures shown are estimates only.

**Figure 6: Impact of REAP Grants**

| | | Output | Value Added | Labor Income | Employment | Estimated Oklahoma Tax Revenue |
|---|---|---|---|---|---|---|
| 2018 | Direct Effect | $8,718,004 | $3,229,589 | $3,438,961 | 70 | |
| | Indirect Effect | $5,466,928 | $2,594,425 | $1,891,227 | 31 | |
| | Induced Effect | $3,785,554 | $2,036,327 | $1,129,427 | 27 | |
| | **Total Effect** | **$17,970,486** | **$7,860,341** | **$6,459,615** | **127** | **$389,520** |
| | | | | | | |
| 2019 | Direct Effect | $9,743,615 | $3,545,941 | $2,531,145 | 48 | |
| | Indirect Effect | $6,261,423 | $2,956,574 | $2,008,934 | 35 | |
| | Induced Effect | $3,320,054 | $1,775,560 | $977,790 | 23 | |
| | **Total Effect** | **$19,325,092** | **$8,278,075** | **$5,517,869** | **105** | **$420,272** |
| | | | | | | |
| 2020 | Direct Effect | $12,577,481 | $4,390,170 | $3,101,952 | 62 | |
| | Indirect Effect | $7,968,126 | $4,019,767 | $2,734,563 | 48 | |
| | Induced Effect | $3,824,559 | $2,074,313 | $1,169,739 | 26 | |
| | **Total Effect** | **$24,370,166** | **$10,484,250** | **$7,006,255** | **135** | **$427,280** |
| | | | | | | |
| 2021 | Direct Effect | $12,799,926 | $4,566,334 | $3,058,938 | 53 | |
| | Indirect Effect | $8,425,363 | $4,033,471 | $2,561,346 | 43 | |
| | Induced Effect | $4,082,715 | $2,205,075 | $1,203,866 | 25 | |
| | **Total Effect** | **$25,308,004** | **$10,804,880** | **$6,824,150** | **120** | **$434,635** |
| | | | | | | |
| 2022 | Direct Effect | $14,712,678 | $5,264,733 | $3,570,882 | 62 | |
| | Indirect Effect | $9,801,371 | $4,680,623 | $2,954,591 | 49 | |
| | Induced Effect | $4,746,864 | $2,561,900 | $1,398,638 | 29 | |
| | **Total Effect** | **$29,260,912** | **$12,507,257** | **$7,924,111** | **139** | **$493,594** |

*Source: IMPLAN Analysis, Dept. of Commerce*

The total appropriation the State invests in the REAP program each year is more than the resulting state tax revenue collected as a result of this investment. While this technically constitutes a negative return on investment, it should be noted that infrastructure development projects does not lend itself well to a typical economic impact analysis and these results do not fully capture the benefits of these projects. For example, improving roads may increase the speed that goods can be transported or the general safety of the region, but these effects are not accounted for in this impact model. Further, this type of analysis cannot depict the general satisfaction of the individuals and businesses who use these improved facilities, and may decide to relocate to or remain in the region as a result. Last, public infrastructure projects such as potable water, sanitary sewer and medical facilities may improve general public health of the community. Benefits of these types of projects may have significant positive impacts on the community beyond the initial project cost.

**Figure 7: Annual Tax Revenue Generated**

| | Total Appropriation | Estimated Oklahoma Tax Revenue | Net Impact |
|---|---|---|---|
| 2018 | $9,187,761 | $389,520 | ($8,798,241) |
| 2019 | $10,126,817 | $420,272 | ($9,706,545) |
| 2020 | $13,126,817 | $427,280 | ($12,699,537) |
| 2021 | $13,133,480 | $434,635 | ($12,698,845) |
| 2022 | $15,475,000 | $493,594 | ($14,981,406) |
| **Total:** | **$61,049,875** | **$2,165,301** | **($58,884,574)** |

*Source: IMPLAN Analysis, Dept. of Commerce*

# Incentive Benchmarking

## Benchmarking Introduction

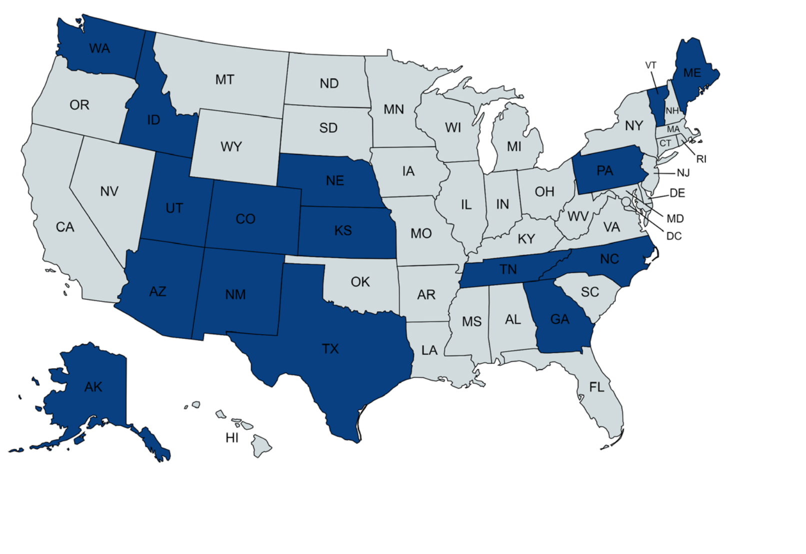
A detailed description of comparable state programs is provided in **Appendix C.**

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.

In the case of the REAP programs, however, the primary comparison group is those states that have developed programs to encourage economic development in their rural areas. A total of 17 states, inclusive of Oklahoma, were found to have rural economic development programs.

**Figure 8: States with Comparable Rural Economic Development Initiatives**




## Peer State Evaluations: Key Findings

In addition to an approach in which the state provides direct assistance to local governments to undertake projects that may draw businesses to their respective areas, some states provide programs which directly incent businesses to locate in rural areas. States employing this approach include:

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

- **Florida.** The State offers a Rural Job Tax Credit Program to businesses that create new jobs within one of 36 designated qualified rural areas. Credits range from $1,000 to $1,500 per qualified employee and can be taken against either the Florida Corporate Income Tax or the Florida Sales and Use Tax. Credits are capped at $5 million per calendar year.[9]

- **Georgia.** In 2017, Georgia created the Georgia Agribusiness and Rural Jobs Act, which is designed to spur $100 million in capital investments in rural businesses in the state. The program establishes rural funds that are available to Georgia small businesses, as defined as those with less than 250 employees, that are provided in exchange for receipt of tax credits.[10]

- **Kansas.** The State's Rural Opportunity Zones are designed to spur economic development and expand job growth in 95 key counties via 100 percent state income tax exemptions and a student loan forgiveness program, which provides up to $15,000 in student loan repayment over five years.[11]

- **Nebraska.** The Nebraska Advantage Rural Development Act provides qualified businesses with refundable tax incentives for projects that create two new jobs and invest $125,000 in counties with less than 15,000 residents or that create five new jobs and invest $250,000 in counties with 15,000-25,000 residents.[12]

- **North Carolina.** The new Rural Investments Strengthening Economies (RISE) Program allocates $15 million between FY 2019-20 and FY 2020-21 to revitalize communities through job creation, infrastructure improvement, and building rehabilitation in the state's 80 rural counties.[13]

- **Pennsylvania**. The Commonwealth provides a Rural Jobs and Investment Tax Credit Program to offer rural business owners access to capital for business development in rural areas. The capital is sourced to Rural Growth Funds, designated to receive up to $50 million in capital contributions from investors. Businesses that make a credit-eligible capital contribution are eligible to receive a tax credit equal to the credit-eligible capital contribution.[14]

- **South Carolina.** The Coordinating Council for Economic Development operates three discretionary grant funds to support infrastructure projects that promote economic development. Of the three, the Rural Infrastructure Fund specifically targets rural areas; it provides financial assistance for infrastructure or other projects that promote economic growth.[15]

- **Utah.** Unlike the REDI programs mentioned in the preceding section, Utah provides REDI grants to businesses that create new, full-time positions filled by rural employees who are employed for at least 12 consecutive months and work at least 30 hours per week. Annual gross wages must be at least 110 percent of the county average wage. REDI grants are tiered based on the wages of the jobs

[9] Florida Department of Economic Opportunity – Rural and Urban Job Tax Credit Programs. Accessed electronically at http://www.floridajobs.org/business-growth-and-partnerships/for-businesses-and-entrepreneurs/business-resource/rural-and-urban-job-tax-credit-programs
[10] Georgia Department of Community Affairs – Georgia Agribusiness and Rural Jobs Act. Accessed electronically at https://www.dca.ga.gov/community-economic-development/incentive-programs/georgia-agribusiness-rural-jobs-act
[11] Kansas Department of Commerce – Rural Opportunity Zones. Accessed electronically at https://www.kansascommerce.gov/program/taxes-and-financing/rural-opportunity-zones-roz/
[12] Nebraska Revised Statute 77-27, 188. Accessed electronically at https://www.nebraskalegislature.gov/laws/statutes.php?statute=s7727188000
[13] Rural Investments Strengthening Economies Fact Sheet, Accessed electronically at https://files.nc.gov/governor/documents/files/RISE_Fact_Sheet.pdf#:~:text=To%20revitalize%20rural%20communities%20and%20encourage%20companies%20to,2020-21%20in%20competitive%20RISE%20grants.%20What%20is%20RISE%3F
[14] Pennsylvania Department of Community and Economic Development – Rural Jobs and Investment Tax Credit Program. Accessed electronically at https://dced.pa.gov/programs/rural-jobs-and-investment-tax-credit-program-rjtc/
[15] South Carolina Department of Commerce, State Discretionary Incentives. Accessed electronically at https://www.sccommerce.com/why-sc/incentives/state-discretionary-incentives

created and range from $4,000 to $6,000 per position.[16] Additionally, the Utah Rural Jobs Act authorizes up to $24.4 million in tax credits if up to $42 million is invested in small businesses. The State assesses a $50,000 annual fee that is split between all the certified growth fund entities.[17]

- **Washington.** The Department of Commerce's Growing Rural Economies program focuses on building local economies organically by serving the needs of community-based startups and entrepreneurs. The goal is for rural areas to place an emphasis on "create, not relocate" and increase the number of services available to those wanting to start or grow their business**.** The program includes five main services: access to capital, networking, technical assistance, and training.[18]

Rural economic development incentive (REDI) programs are also a common approach, offered by the United States Department of Agriculture (USDA) as well as several states, including Colorado, Florida, North Carolina, and Vermont. The USDA created the REDI initiative to support recommendations identified in a report by the Task Force on Agriculture and Rural Prosperity; the recommendations outlined steps to develop rural economies nationally and support quality of life. The program provides free technical assistance for up to two years to help rural towns and regions create and implement economic development plans. The state programs function similarly, helping rural communities develop plans and undertake projects that help grow and create resiliency and diversity in the local economy.

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[16] Utah Governor's Office of Economic Development – REDI Application. Accessed electronically at https://business.utah.gov/wp-content/uploads/redi-application-info-and-instructions-2022.pdf
[17] Utah State Legislature. S.B. 267 Utah Rural Jobs Act. Accessed electronically at https://le.utah.gov/~2017/bills/static/sb0267.html
[18] Start Up Washington – Growing Rural Economies. Accessed electronically at https://www.commerce.wa.gov/growing-the-economy/business-services/growing-rural-economies/

# Appendices

## Appendix A: PFM Survey of Oklahoma Councils of Governments

In 2015, HB2182 established the Oklahoma Incentive Evaluation Commission (the Commission). The law requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe.[19] PFM Group Consulting LLC (PFM) has been engaged to assist the Commission in its evaluations based on criteria specific to each incentive.

The Rural Economic Action Plan (REAP) program administered by the Oklahoma Department of Commerce is scheduled for review by the Commission in 2023. Based on PFM's evaluation and their collective judgment, the Commission will make recommendations to the Governor and the State Legislature related to these programs.

As a representative of one of Oklahoma's 11 Councils of Government, PFM is asking for your participation in the following survey, which was designed to help the project team gain a greater understanding of the impact of the REAP program. All feedback will be kept in confidence and aggregated anonymously, and as such, your candid responses are appreciated. The deadline for participation is **Friday, July 28, 2023**.

Thank you in advance for taking the time to complete the survey!

1. Please indicate your COG:

2. As described in statute, the Oklahoma Legislature created the REAP program to "remove impediments to economic development in rural areas to alleviate the sometimes negative effects of lower population density, population decreases and increased demand for governmental services and to maintain a desirable quality of life for residents and other legal entities in rural areas."

   Do you use metrics (e.g. median income, poverty rate, unemployment rate) to evaluate the impact of REAP funds on the quality of life in communities receiving REAP funds? If so, what metrics are used? How else do you measure the impact that these funds have on your communities?

3. How do you measure demand for REAP funds and/or the sufficiency of available funds in addressing the needs of your communities?

4. When allocating funding, do you take into consideration a jurisdiction's ability to obtain funding from other sources, such as bond financing?

5. What are the key strengths in the overall administration of the REAP program?

6. What challenges exist in the overall administration of the REAP program?

7. What recommendations do you have to improve the administration and/or impact of the REAP program?

8. Is there any additional information you wish to provide regarding the REAP program?

[19] As defined in HB2182, "incentive" means a tax credit, tax exemption, tax deduction, tax expenditure, rebate, grant or loan that is intended to encourage businesses to locate, expand, invest or remain in Oklahoma, or to hire or retain employees in Oklahoma.

## Appendix B: Detailed Data, Quality of Life Indicators

**B1. Indicator: Unemployment Rate**

| Town | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | CAGR |
|---|---|---|---|---|---|---|---|---|
| **ACOG** | | | | | | | | |
| City of Crescent | 4.40% | 4.40% | 6.30% | 5.90% | 5.50% | 2.90% | 2.10% | -11.6% |
| City of Harrah | 2.60% | 0.80% | 4.60% | 5.90% | 5.40% | 6.00% | 5.00% | 11.5% |
| City of Nicoma Park | 6.00% | 6.70% | 5.60% | 5.40% | 5.00% | 5.50% | 3.10% | -10.4% |
| City of Spencer | 10.00% | 8.50% | 6.30% | 10.20% | 9.40% | 8.50% | 9.50% | -0.9% |
| Town of Langston | 16.30% | 19.60% | 8.90% | 19.00% | 23.20% | 22.80% | 27.80% | 9.3% |
| Town of Meridian | 13.60% | 13.30% | 0.00% | 5.30% | 6.30% | 20.00% | 25.00% | 10.7% |
| Town of Mulhall | 2.00% | 1.70% | 2.50% | 3.50% | 3.10% | 1.90% | 6.30% | 21.1% |
| Town of Union City | 5.10% | 5.00% | 3.50% | 1.60% | 2.60% | 2.60% | 2.80% | -9.5% |
| Cashion | 3.40% | 1.90% | 2.90% | 3.20% | 4.30% | 3.80% | 3.80% | 1.9% |
| City of Yale | 13.1% | 12.7% | 14.4% | 15.4% | 15.8% | 2.3% | 3.8% | -18.6% |
| Town of Coyle | 12.8% | 14.1% | 2.2% | 2.0% | 6.7% | 5.9% | 11.1% | -2.3% |
| Town of Etowah | 5.0% | 5.1% | 4.9% | 8.3% | 3.1% | 3.4% | 2.1% | -13.5% |
| **GGEDA** | | | | | | | | |
| City of Commerce | 17.70% | 16.30% | 9.10% | 8.70% | 7.70% | 7.50% | 6.70% | -14.9% |
| City of Vinita | 8.80% | 9.80% | 6.70% | 7.00% | 7.60% | 6.20% | 5.00% | -9.0% |
| Town of Chelsea | 11.70% | 10.80% | 11.30% | 11.60% | 8.50% | 10.60% | 11.30% | -0.6% |
| Town of New Alluwe | 7.10% | 9.10% | 5.30% | 9.50% | 8.30% | 8.00% | 16.00% | 14.5% |
| Town of Pensacola | 17.90% | 17.90% | 10.90% | 8.90% | 16.30% | 14.80% | 14.80% | -3.1% |
| Chouteau | 7.40% | 4.90% | 2.80% | 1.30% | 1.30% | 1.00% | 0.40% | -38.5% |
| Disney | 1.30% | 2.20% | 3.60% | 3.90% | 4.30% | 4.30% | 6.20% | 29.7% |
| Langley | 8.40% | 6.80% | 2.80% | 1.60% | 3.20% | 2.10% | 2.00% | -21.3% |
| Salina | 5.30% | 5.00% | 5.10% | 4.00% | 3.90% | 4.20% | 3.80% | -5.4% |
| Spavinaw | 7.10% | 3.90% | 3.90% | 3.80% | 5.20% | 4.60% | 4.10% | -8.7% |
| Sprotsmen Acres | 6.50% | 7.90% | 7.40% | 6.50% | 6.30% | 4.30% | 2.30% | -15.9% |
| **INCOG** | | | | | | | | |
| City of Barnsdall | 2.50% | 2.30% | 5.50% | 4.10% | 4.00% | 5.50% | 6.30% | 16.7% |
| City of Drumright | 11.20% | 6.50% | 4.90% | 4.80% | 5.20% | 5.40% | 6.40% | -8.9% |
| City of Oilton | 17.90% | 8.50% | 1.80% | 3.40% | 3.70% | 2.40% | 3.90% | -22.4% |
| City of Shidler | 5.80% | 6.30% | 2.30% | 4.60% | 5.30% | 3.60% | 2.30% | -14.3% |
| Town of Avant | 8.60% | 9.00% | 6.80% | 5.50% | 4.40% | 3.20% | 2.70% | -17.6% |
| Town of Fairfax | 8.20% | 12.90% | 14.30% | 10.30% | 11.90% | 12.00% | 12.40% | 7.1% |
| Town of Haskell | 11.10% | 8.90% | 6.80% | 6.30% | 4.30% | 6.70% | 7.10% | -7.2% |
| Town of Hominy | 14.50% | 12.10% | 9.50% | 7.70% | 7.80% | 5.70% | 5.60% | -14.7% |
| Town of Kellyville | 6.30% | 4.90% | 2.10% | 1.70% | 1.60% | 1.80% | 1.10% | -25.2% |
| Town of Mounds | 3.90% | 3.80% | 4.70% | 6.00% | 4.20% | 2.50% | 2.40% | -7.8% |
| Town of Wynona | 5.90% | 7.70% | 6.40% | 8.70% | 8.80% | 10.30% | 5.00% | -2.7% |
| Kiefer | 4.00% | 3.90% | 1.90% | 1.00% | 1.10% | 1.20% | 1.80% | -12.5% |
| Sapulpa | 4.60% | 3.10% | 2.40% | 1.80% | 1.20% | 1.60% | 1.30% | -19.0% |
| Town of Wainwright | 14.0% | 11.1% | 2.1% | 6.2% | 7.5% | 7.5% | 13.7% | -0.4% |
| Town of Verdigis | 2.2% | 3.3% | 3.6% | 4.0% | 3.6% | 3.7% | 3.5% | 8.0% |
| Town of Fort Gibson | 6.0% | 6.3% | 6.4% | 2.6% | 2.8% | 2.5% | 2.5% | -13.6% |

**B2. Indicator: Median Household Income**

| Town | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | CAGR |
|---|---|---|---|---|---|---|---|---|---|
| **ACOG** | | | | | | | | | |
| City of Crescent | $32,500 | $32,656 | $34,185 | $36,938 | $37,083 | $41,976 | $42,500 | $46,612 | 5.3% |
| City of Harrah | $51,019 | $57,845 | $56,995 | $59,872 | $61,743 | $59,605 | $62,722 | $65,833 | 3.7% |
| City of Nicoma Park | $41,285 | $51,286 | $49,300 | $52,875 | $51,729 | $56,094 | $56,250 | $61,635 | 5.9% |
| City of Spencer | $36,667 | $37,681 | $32,407 | $38,158 | $35,074 | $40,000 | $36,714 | $48,575 | 4.1% |
| Town of Langston | $42,188 | $38,173 | $26,667 | $48,333 | - | $25,938 | $25,341 | $26,719 | -6.3% |
| Town of Mulhall | $55,833 | $57,083 | $53,438 | $51,250 | $57,500 | $48,750 | $52,321 | $63,125 | 1.8% |
| Town of Union City | $63,250 | $65,385 | $67,614 | $71,250 | $71,389 | $71,250 | $81,875 | $65,781 | 0.6% |
| Cashion | $51,607 | $54,167 | $56,458 | $61,429 | $66,250 | $66,458 | $87,500 | $89,394 | 8.2% |
| Orlando | $45,833 | $31,250 | $38,750 | $28,750 | $27,250 | $29,000 | $42,500 | $39,688 | -2.0% |
| City of Yale | 31,719 | 33,516 | 32,708 | 34,083 | 31,315 | 27,448 | 28,571 | 30,577 | -0.5% |
| Town of Coyle | 22,000 | 28,750 | 38,750 | 35,750 | 33,125 | 34,412 | 67,764 | 70,609 | 18.1% |
| Town of Etowah | 42,857 | 43,250 | 43,438 | 49,583 | 68,333 | 68,750 | 56,563 | 58,750 | 4.6% |
| **GGEDA** | | | | | | | | | |
| City of Commerce | $25,484 | $26,594 | $30,101 | $30,608 | $32,432 | $32,857 | $33,393 | $33,313 | 3.9% |
| City of Vinita | $31,387 | $32,292 | $32,917 | $33,774 | $35,986 | $37,953 | $38,194 | $38,066 | 2.8% |
| Town of Chelsea | $30,719 | $32,244 | $33,490 | $33,875 | $35,729 | $36,375 | $37,034 | $36,616 | 2.5% |
| Town of Pensacola | $76,563 | $61,250 | $40,000 | $43,750 | $46,250 | $45,500 | $38,750 | $35,625 | -10.4% |
| Chouteau | $41,795 | $42,875 | $47,500 | $52,865 | $53,125 | $53,036 | $43,424 | $50,086 | 2.6% |
| Disney | $28,472 | $28,194 | $25,714 | $26,250 | $33,750 | $37,500 | $35,938 | $35,000 | 3.0% |
| Langley | $29,531 | $31,683 | $32,039 | $34,167 | $34,250 | $31,250 | $42,083 | $45,500 | 6.4% |
| Salina | $29,286 | $33,417 | $36,821 | $38,850 | $38,636 | $36,970 | $46,895 | $39,938 | 4.5% |
| Spavinaw | $25,000 | $25,893 | $23,750 | $24,821 | $26,071 | $30,179 | $24,250 | $26,563 | 0.9% |
| Sprotsmen Acres | $47,232 | $41,500 | $38,958 | $45,139 | $46,042 | $46,458 | $46,250 | $47,857 | 0.2% |
| Strang | $14,583 | $21,875 | $22,188 | $21,250 | $23,750 | $26,250 | $25,625 | $28,750 | 10.2% |
| **INCOG** | | | | | | | | | |
| City of Barnsdall | $38,804 | $39,653 | $41,103 | $34,375 | $41,484 | $44,659 | $49,583 | $52,625 | 4.4% |
| City of Drumright | $32,813 | $35,964 | $35,571 | $34,977 | $33,967 | $35,042 | $35,794 | $39,390 | 2.6% |
| City of Oilton | $33,375 | $31,923 | $35,662 | $34,773 | $33,438 | $31,563 | $31,923 | $30,625 | -1.2% |
| City of Shidler | $35,313 | $41,500 | $37,222 | $37,813 | $42,500 | $39,688 | $58,688 | $60,208 | 7.9% |
| Town of Avant | $31,389 | $35,000 | $37,250 | $38,000 | $37,344 | $40,625 | $39,750 | $39,444 | 3.3% |
| Town of Fairfax | $33,913 | $31,406 | $32,879 | $33,333 | $35,278 | $31,944 | $37,059 | $39,464 | 2.2% |
| Town of Haskell | $32,727 | $32,244 | $32,566 | $40,577 | $43,088 | $46,131 | $31,081 | $33,563 | 0.4% |
| Town of Hominy | $31,862 | $31,226 | $33,629 | $36,071 | $36,792 | $35,333 | $33,456 | $32,844 | 0.4% |
| Town of Kellyville | $34,954 | $36,375 | $38,750 | $38,571 | $36,000 | $40,000 | $41,250 | $41,818 | 2.6% |
| Town of Mounds | $38,929 | $35,625 | $32,727 | $33,472 | $36,750 | $35,714 | $36,750 | $38,846 | 0.0% |
| Town of Wynona | $42,361 | $42,188 | $34,844 | $32,917 | $35,357 | $32,321 | $34,167 | $34,250 | -3.0% |
| Kiefer | $51,723 | $51,250 | $53,500 | $61,635 | $66,058 | $65,703 | $66,250 | $73,214 | 5.1% |
| Sapulpa | $39,969 | $39,880 | $43,961 | $46,282 | $49,598 | $51,655 | $54,530 | $57,169 | 5.2% |
| Town of Wainwright | 28,125 | 21,458 | 28,750 | 39,375 | 37,500 | 29,375 | 34,500 | 39,375 | 4.9% |
| Town of Verdigis | 67,014 | 60,625 | 56,366 | 57,292 | 61,250 | 69,650 | 63,913 | 69,291 | 0.5% |
| Town of Fort Gibson | 47,279 | 57,148 | 54,141 | 52,829 | 52,614 | 54,044 | 44,451 | 44,451 | -0.9% |

### B3. Indicator: Poverty Rate

| Town | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | CAGR |
|---|---|---|---|---|---|---|---|---|---|
| **ACOG** | | | | | | | | | |
| City of Crescent | 16.40% | 15.00% | 19.10% | 16.80% | 17.40% | 16.50% | 15.50% | 13.90% | -2.3% |
| City of Harrah | 15.90% | 9.50% | 8.80% | 8.30% | 6.40% | 9.10% | 10.80% | 13.70% | -2.1% |
| City of Nicoma Park | 18.70% | 13.10% | 12.30% | 9.70% | 8.40% | 10.80% | 12.30% | 13.00% | -5.1% |
| City of Spencer | 18.10% | 17.90% | 19.50% | 16.70% | 15.00% | 14.80% | 14.10% | 15.70% | -2.0% |
| Town of Langston | 25.70% | 33.10% | 30.50% | 27.20% | 25.30% | 40.50% | 44.30% | 52.90% | 10.9% |
| Town of Meridian | 24.40% | 25.00% | 22.20% | 22.60% | 21.20% | 42.10% | 38.50% | 7.70% | -15.2% |
| Town of Mulhall | 11.80% | 28.60% | 29.60% | 25.00% | 26.20% | 30.80% | 18.30% | 14.20% | 2.7% |
| Town of Union City | 7.80% | 5.50% | 7.10% | 5.60% | 6.30% | 6.80% | 6.60% | 8.80% | 1.7% |
| Cashion | 11.10% | 10.30% | 11.40% | 6.70% | 9.10% | 7.50% | 3.90% | 3.20% | -16.3% |
| Orlando | 10.50% | 17.60% | 16.30% | 19.10% | 20.50% | 17.90% | 6.00% | 16.40% | 6.6% |
| City of Yale | 36.70% | 27.3% | 22.7% | 20.8% | N/A | 36.2% | 38.2% | 44.60% | 2.8% |
| Town of Coyle | 27.10% | 20.9% | 19.2% | 26.2% | 29.1% | 23.7% | 25.7% | 21.70% | -3.1% |
| Town of Etowah | 14.60% | 15.3% | 13.8% | 9.9% | 6.6% | 3.2% | 0.8% | 3.40% | -18.8% |
| **GGEDA** | | | | | | | | | |
| City of Commerce | 32.60% | 34.80% | 30.90% | 31.30% | 30.30% | 29.20% | 33.20% | 34.10% | 0.6% |
| City of Vinita | 22.30% | 25.00% | 24.30% | 23.70% | 23.70% | 25.10% | 23.30% | 24.90% | 1.6% |
| Town of Chelsea | 28.30% | 24.60% | 24.90% | 26.40% | 25.70% | 29.60% | 27.30% | 28.70% | 0.2% |
| Town of New Alluwe | 17.10% | 19.80% | 19.70% | 28.60% | 11.90% | 30.80% | 33.90% | 48.30% | 16.0% |
| Town of Pensacola | 11.70% | 18.70% | 34.10% | 28.40% | 20.80% | 26.50% | 25.90% | 25.50% | 11.8% |
| Chouteau | 17.40% | 17.70% | 17.80% | 14.20% | 13.50% | 13.70% | 13.50% | 12.40% | -4.7% |
| Disney | 25.60% | 30.10% | 32.10% | 30.80% | 20.90% | 17.20% | 25.50% | 25.30% | -0.2% |
| Langley | 29.90% | 29.00% | 24.70% | 26.00% | 27.00% | 30.90% | 27.60% | 26.40% | -1.8% |
| Salina | 25.90% | 24.10% | 21.30% | 19.10% | 19.90% | 21.60% | 22.40% | 29.00% | 1.6% |
| Spavinaw | 29.60% | 34.50% | 35.80% | 36.70% | 37.50% | 27.60% | 36.00% | 33.40% | 1.7% |
| Grand Lake Towne | 14.60% | 10.20% | 11.80% | 14.30% | 17.30% | 6.50% | 30.50% | 47.30% | 18.3% |
| Sprotsmen Acres | 21.50% | 29.10% | 28.30% | 27.00% | 28.40% | 24.90% | 14.60% | 14.50% | -5.5% |
| Strang | 65.50% | 53.80% | 40.60% | 64.00% | 50.60% | 48.70% | 49.40% | 52.70% | -3.1% |
| **INCOG** | | | | | | | | | |
| City of Barnsdall | 19.70% | 19.50% | 23.30% | 23.10% | 21.70% | 17.50% | 13.90% | 9.40% | -10.0% |
| City of Drumright | 22.00% | 15.80% | 17.80% | 18.10% | 20.10% | 19.70% | 21.50% | 22.30% | 0.2% |
| City of Oilton | 24.00% | 26.60% | 18.10% | 14.70% | 16.20% | 18.80% | 22.30% | 27.60% | 2.0% |
| City of Shidler | 21.90% | 17.90% | 15.20% | 16.90% | 12.10% | 15.00% | 12.10% | 11.70% | -8.6% |
| Town of Avant | 32.00% | 31.20% | 20.20% | 17.50% | 19.30% | 14.90% | 13.10% | 22.10% | -5.2% |
| Town of Fairfax | 22.20% | 25.90% | 19.70% | 20.10% | 19.90% | 21.00% | 20.00% | 21.50% | -0.5% |
| Town of Haskell | 26.20% | 28.30% | 24.00% | 20.30% | 17.20% | 20.60% | 16.40% | 15.40% | -7.3% |
| Town of Hominy | 28.00% | 21.60% | 23.70% | 22.90% | 26.90% | 27.60% | 26.90% | 22.70% | -3.0% |
| Town of Kellyville | 26.90% | 25.30% | 20.70% | 21.30% | 21.90% | 18.80% | 18.70% | 15.20% | -7.8% |
| Town of Mounds | 15.10% | 18.90% | 26.80% | 26.20% | 22.80% | 22.60% | 20.20% | 14.20% | -0.9% |

| Town | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | CAGR |
|---|---|---|---|---|---|---|---|---|---|
| Town of Wynona | 22.50% | 19.50% | 18.70% | 15.60% | 16.30% | 10.70% | 7.90% | 8.60% | -12.8% |
| Kiefer | 11.70% | 15.60% | 11.80% | 12.30% | 13.10% | 14.20% | 11.20% | 12.40% | 0.8% |
| Lawrence Creek | 15.20% | 18.30% | 19.80% | 16.40% | 22.60% | 24.20% | 16.10% | 29.40% | 9.9% |
| Sapulpa | 17.20% | 17.50% | 17.40% | 17.50% | 16.90% | 16.00% | 12.50% | 13.00% | -3.9% |
| Town of Wainwright | 51.50% | 52.6% | 48.3% | 38.8% | 44.3% | N/A | 30.6% | 27.50% | -8.6% |
| Town of Verdigis | 6.70% | 8.2% | 6.4% | 7.4% | 6.6% | 7.7% | 6.8% | 6.70% | 0.0% |
| Town of Fort Gibson | 18.60% | 18.8% | 20.3% | 19.3% | 18.1% | 19.9% | 19.8% | 14.60% | -3.4% |
| Town of Lawrence Creek | 15.20% | 18.3% | 19.8% | 16.4% | 22.6% | 24.2% | N/A | 29.40% | 9.9% |

**Appendix C: Oklahoma Statute §62-2001**

§62-2001. Legislative findings.
The Legislature finds that general economic conditions in rural areas of the State of Oklahoma reflect reduced individual earning power, relatively lower returns on business investment and the corresponding effects upon fiscal capacity of political subdivisions the geographical area of which consists primarily of unincorporated areas or relatively small municipalities. In order to remove impediments to economic development in rural areas, in order to alleviate the sometimes negative effects of lower population density, population decreases, and increased demand for governmental services and in order to maintain a desirable quality of life for residents and other legal entities in rural areas, the Legislature hereby establishes a procedure pursuant to which public funds may be used in a flexible manner for the general improvement of living and working conditions in predominantly rural areas of the State of Oklahoma for which an identifiable need has been determined.
Added by Laws 1996, c. 193, § 2, eff. July 1, 1996.

§62-2003. Administration of Rural Economic Action Plan grant program – Distribution of monies - Limitations.
A. Monies appropriated by law to the Oklahoma Water Resources Board for the purpose of funding the Rural Economic Action Plan grant program and the Rural Economic Action Plan Water Projects Fund shall be administered by the Oklahoma Water Resources Board as provided by this section.
B. The monies referred to in subsection A of this section shall be distributed to eligible cities and towns, unincorporated areas or other qualified entities located within the areas represented by the following organizations:
1. Association of Central Oklahoma Governments (ACOG);
2. Association of South Central Oklahoma Governments (ASCOG);
3. Central Oklahoma Economic Development District (COEDD);
4. Eastern Oklahoma Economic Development District (EOEDD);
5. Grand Gateway Economic Development Association (GGEDA);
6. Indian Nations Council of Governments (INCOG);
7. Kiamichi Economic Development District (KEDDO);
8. Northern Oklahoma Development Association (NODA);
9. Oklahoma Economic Development Association (OEDA);
10. Southern Oklahoma Development Association (SODA); and
11. South Western Oklahoma Development Authority (SWODA).

C. The monies referred to in subsection A of this section shall not be expended for the benefit of cities or towns with a population in excess of seven thousand (7,000) persons according to the latest Federal Decennial Census. Funds may also be expended for any city or town with a population below seven thousand (7,000) persons based upon the current population estimate according to the U.S. Census Bureau. Funds may be expended for such cities and towns until the next following Federal Decennial Census. Any municipality may enter into an agreement with an entity described in subsection B of this section to apply for available funds described by this section if the municipality is located within the area served by the entity. Upon approval of the application, funds shall be paid to the municipality requesting the funds.

D. An entity described in subsection B of this section may apply for a grant to be used for the benefit of an unincorporated area within a county served by that entity if the area benefited does not contain a population in excess of seven thousand (7,000) persons. Any county may enter into an agreement with an entity described in subsection B of this section if the county is located within the area served by the entity. Upon approval of the application, funds shall be paid to the county requesting the funds.
E. The monies referred to in subsection A of this section may be expended for water quality projects, including but not limited to sewer line construction or repair and related storm or sanitary sewer projects, water line construction or repair, water treatment, water acquisition, distribution or recovery and related projects.

F. Any city or town with a population less than one thousand seven hundred fifty (1,750) persons according to the latest Federal Decennial Census shall have a higher priority for funds allocated by the Oklahoma Water Resources Board from the amount referred to in subsection A of this section than jurisdictions of greater size. Among such cities or towns, those municipalities having relatively weaker fiscal capacity shall have a priority for project funding in preference to other municipalities.

§62-2004. Deposit of monies in Rural Economic Action Plan Fund accounts - Expenditures.
A. The monies appropriated to the Rural Economic Action Plan Fund shall be subject to all of the requirements of Sections 2006 through 2013 of this title.

B. In a fiscal year for which the amount appropriated to the Rural Economic Action Plan Fund is less than or equal to the sum of Fifteen Million Five Hundred Thousand Dollars ($15,500,000.00), there shall be deposited into each of the accounts provided by Section 2006 of this title the sum of one-tenth (1/10) of the amount appropriated to the Rural Economic Action Plan Fund with the exception of one account which shall be divided equally into two subaccounts. One of the two subaccounts shall be available to one and only one of the entities described by subsection B of Section 2007 of this title for distribution to cities or towns within the respective jurisdiction of the entity if the population of such city or town does not exceed seven thousand (7,000) persons according to the latest Federal Decennial Census or for the benefit of an unincorporated area. Funds may also be expended for any city or town with a population below seven thousand (7,000) persons based upon the current population estimate according to the U.S. Census Bureau. Funds may be expended for such cities and towns until the next following Federal Decennial Census. Provided, for any fiscal year following the first fiscal year that the provisions of subsection D of this section have taken effect, funds appropriated to the Rural Economic Action Plan Fund shall be deposited as provided in subsection D of this section and the provisions of this subsection shall not be in effect.

C. In a fiscal year for which the amount appropriated to the Rural Economic Action Plan Fund is greater than Fifteen Million Five Hundred Thousand Dollars ($15,500,000.00), but less than Seventeen Million Fifty Thousand Dollars ($17,050,000.00), there shall be deposited into each of nine separate accounts for the entities described by subsection A of Section 2007 of this title the sum of One Million Five Hundred Fifty Thousand Dollars ($1,550,000.00). There shall be divided equally between two additional accounts for the use and benefit of the entities described by subsection B of Section 2007 of this title the balance of any such appropriation in excess of Thirteen Million Nine Hundred Fifty Thousand Dollars ($13,950,000.00), but less than Seventeen Million Fifty Thousand Dollars ($17,050,000.00).

D. In the first fiscal year for which the amount appropriated to the Rural Economic Action Plan Fund equals or exceeds the sum of Seventeen Million Fifty Thousand Dollars ($17,050,000.00), and in every subsequent fiscal year, there shall be deposited an equal amount to each of eleven accounts created for the use and benefit of the entities described by subsections A and B of Section 2007 of this title.
E. Regardless of the number of accounts created based upon the appropriation amount to the Rural Economic Action Plan Fund, all expenditures from all accounts shall be governed by the limitations imposed pursuant to Sections 2002 through 2013 of this title, including the limitations applicable to expenditures for the benefit of cities or towns based upon population limits or expenditures for the benefit of unincorporated areas.
Added by Laws 1996, c. 193, § 4, eff. July 1, 1996. Amended by Laws 1997, c. 382, § 2, eff. July 1, 1997; Laws 1998, c. 373, § 4, eff. July 1, 1998; Laws 1999, c. 369, § 2, eff. July 1, 1999; Laws 2002, c. 219, § 2, eff. July 1, 2002; Laws 2007, c. 194, § 1, eff. July 1, 2007.

**Appendix D: Comparable State Rural Economic Development Programs**

| State | Program Name | Eligible Projects | Max. Award Size | Eligible Local Governments | Job Creation Req. | Matching Requirement |
|---|---|---|---|---|---|---|
| Oklahoma | Rural Economic Action Plan | Primarily infrastructure and economic development projects | $150,000 per locality per 12-month period | Localities with fewer than 7,000 people | None | None |
| Alaska | Rural Development Initiative Fund | Working capital, equipment, construction or other commercial purposes. Must result in creation of new jobs or retention | 150,000 per person or 300,000 to 2 or more people for a maximum rate of 25 years and a rate of 1% below prime | Population of 5,000 or less cannot be connected by road or rail to Anchorage of Fairbanks or 2,000 or less connected by road or rail | Must retain or create jobs | Grant requires 20% match from local utility |
| Arizona | Quality Jobs Tax Credit Program | Encourage business investment and the creation of high-quality jobs by providing tax credit to employers | $3,000 per net new qualified employment position (3 year max) Capped at 10,000 new jobs each year | City or town with population less than 50,000 or county with less than 800,000 | Must retain or create jobs exact number depends (look at source) | Requisite minimum investment and creates a minimum number of qualifying jobs |
| Colorado | Rural Economic Initiative (REDI) | Job creation and retention through direct and indirect means. This includes Infrastructure improvements, projects that attract new industries, or economic development plans. | 150,000 | Counties less than 50,000 and communities with less than 25,000 | Both indirect and direct means of job creation/retention (doesn't specify) | DOLA's Regional Managers will work with communities to determine the appropriate level of match based on financial data, typically resulting in 20% to 50% match |
| Georgia | Georgia Agribusiness and Rural Jobs Act | Provides investment capital to rural areas by making tax credits available to private sector investors | $100 million | Counties with population of 50,000 or less. Eligible businesses must have less than 250 employees and be located in one or more rural areas in the state. | None | None |
| Idaho | Rural Community | Infrastructure development (water/sewer lines, streets, utilities to a site for new | $500,000 | Cities with a population of less than 25,000 people | Number of quality jobs created is | Matching fund requirement equal to amount of grant. |

| State | Program Name | Eligible Projects | Max. Award Size | Eligible Local Governments | Job Creation Req. | Matching Requirement |
|---|---|---|---|---|---|---|
| | Investment Fund | business/industrial park), provision of telecommunications, power, gas, and rail upgrades for business expansion. | | | considered in evaluation | |
| Kansas | Rural Opportunity Zones | Student loan repayment assistance and/or 100% State Income Tax credit. Eligible individuals can move to ROZs for program. | $15,000 in student loan repayment assistance over a 5 year period and/or a 100% state tax income credit | Counties with a certified population under 40,000 are considered ROZ's. There are 95 counties in Kansas. | None | Counties provide 50% of student loan payment through Sponsor dollars, State of Kanas provides the other 50%. |
| Maine | Intermediary (Re) Lending Program | 1% low interest loans to intermediaries or local venders that re-lend to businesses in rural communities. Available to nonprofits, indigenous tribes, public agencies, etc. | $1 million maximum loan amount to a recipient must be less than 400,000 or 50% of the loan to an intermediary lender. | City or town with fewer than 50,000 residents - urbanized areas adjacent to city or town of 50,000 or more residents are not eligible | None | None |
| Nebraska | Nebraska Advantage Rural Development Act | Provides tax credits for increased job creation to qualified businesses | $500,000 for livestock projects doesn't say total for other projects - depends on how many employed | Level 1: county population <15,000 Level 2: county population <25,000 | Investment and Employment requirements Level 1: $125,000 + 2FTE Level 2: $250,000 + 5FTE | None |
| New Mexico | Local Economic Development Act | Allows public support of economic development creating public private partnerships. Support infrastructure improvement, economic development, and retail | $100,000 based on Full Time Equivalent Employees (FTE ) | must be a manufacturing business with over 50% of revenue outside of NM or a retail business in community <15,000 people | None | None |
| North Carolina | Rural Investments Strengthening Economies Program | Encourage development of traditional downtown areas, improve public infrastructure, enhance regional economic growth/job creation, historical preservation | $950,000 (rural engagement and investment program) | Local units of government, economic development organizations, and downtown organizations | Creates a minimum of 5 full time jobs | None |

| State | Program Name | Eligible Projects | Max. Award Size | Eligible Local Governments | Job Creation Req. | Matching Requirement |
|---|---|---|---|---|---|---|
| | | | | in the 80 most distressed counties | | |
| Pennsylvania | Rural Jobs and Investment Tax Credit Program | Encourage business development in rural areas | $50,000 | Licensed rural business investment company under small business investment act ir the consolidated farm and rural development act. Having invested $100,000 in nonpublic companies located in rural areas of PA or other states, registered business. Have at least one principal | None | None |
| Tennessee | Public Transportation Grant Programs: Rural Transit Assistance Program (RTAP) | Provides technical assistance, training materials, and public transit resources for officials. Public transportation providers in areas less than 50,000 | 1.5 million | 50,000 or less | None | Capital - 80% Federal, 10% State, 10% Local ADA Capital – 85% Federal, 7.5% State, 7.5% Local Operating – 50% Federal, 25% State, 25% Local Project Administration – 80% Federal, 10% State, 10% Local Planning – 80% Federal, 10% State, 10% Local State Overmatch (if available in the state annual budget) – All activities listed at 0% Federal, 75% State, 25% Local |
| Texas | Texas Rural Business Fund | Can be used to fund public infrastructure for business that commits to job creation/retention. Real estate improvements must be owned | 1,000,000 | Non entitlement counties with less than 200,000 and cities with less than 50,000 people | Focus on job creation/retention primarily for low and moderate income people. | Award of $750,000 or less - Cost sharing/matching of 100% Award of $750,100 to $1,000,000 |

| State | Program Name | Eligible Projects | Max. Award Size | Eligible Local Governments | Job Creation Req. | Matching Requirement |
|---|---|---|---|---|---|---|
| | | by community and leased out to encourage business development/expansion | | | | - Cost sharing/matching of 200% Award of $1,000,100 to $1,500,000 - Cost sharing/matching of 300% |
| Utah | Rural Employment Development Incentive Grant | Available to businesses creating new employment positions in rural counties that are high paying | $250,000 per year; business can receive 4-6k for each new high paying job created | Cities/towns with population of 10,000 or less | Quality employment opportunities required | None |
| Vermont | Vermont Council on Rural Development (Rural Business Development Grants) | Provide technical assistance and training for small rural businesses with less than 50 new workers and $1 million in gross revenue. Includes towns, state agencies, authorities, non profits, higher education, etc. | No official limit but $250,000 max for portions of Vermont and $30,000 for other portions of Vermont | Population must be less than 50,000 | job creation desired in application | 20% match from local utility (USDA) |
| Washington | Growing Rural Economics Program | Provides funding for rural projects through local utility organizations with 0 interest loans to help local businesses. Rural Utilities services, electric or telecommunication borrowers | Maximum grant is $300,000 maximum loan amount is $2,000,0000 | Cities with populations less than 25,000. Counties may apply for countywide projects if there's a rural benefit. Tribes with less than 25,000 or if the project has measurable rural benefit can also apply. | None | N/A |

## Appendix F: 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

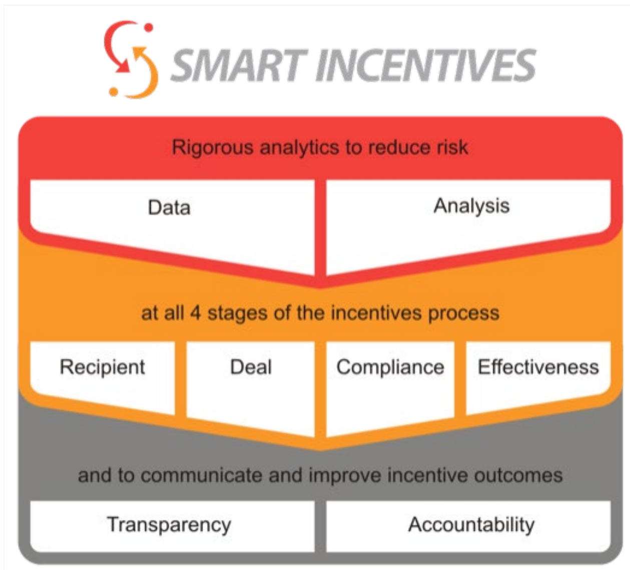
The IMPLAN tax report captures all tax revenue in the study area, across all levels of government that exist in that study area, for the specific industries and institutions affected by an event or group of events. Tax Impact results are based on the collected and reported taxes within the region for 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 G: 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,[20] 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.

[20] 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.