STATE CHAMBER RESEARCH FOUNDATION

COMPETING FOR MEGA PROJECTS

A Roadmap for Attracting Transformational Investments in Oklahoma

FEBRUARY 2022

From the Executive Director

Oklahoma is a great place in which to invest and grow a business. The state offers prime development sites, access to major transportation corridors, a highly productive workforce, and a business-friendly tax and regulatory environment. Oklahoma is successfully leveraging long-standing economic incentive programs to attract new jobs and investment. The last year (2021) alone saw major announcements by Woodside, Carvana, Canoo, and others.

Unlike many states, Oklahoma's performance-based economic incentive programs succeed at protecting the taxpayer while delivering strong return on investment. Investors must apply to participate, and if they don't meet performance requirements, they don't get the benefit. State agencies can "claw back" any funds already spent.

The latest report from Oklahoma's independent Incentive Evaluation Commission found that tax revenue generated by the Quality Jobs incentive (a payroll tax rebate program) exceeded program costs by more than $3.5 billion between 2011 and 2018. During the same period, 21st Century Quality Jobs investments generated wages that were close to 300 percent of the statewide average.

This is an incredible accomplishment. But according to the enclosed study prepared for the State Chamber Research Foundation by Thomas P. Miller & Associates (TPMA), Oklahoma is at risk of falling behind. Competing states are rapidly upgrading their incentive programs to attract so-called "Mega Project" investments by emerging technology companies that are locating production in the United States to better manage global supply chain challenges. Mega Projects typically create thousands of new jobs and draw suppliers to nearby locations.

States like Georgia, Illinois, Kentucky, Louisiana, Missouri, and Ohio already offer expanded incentives for Mega Projects. Last month (February 2022), Kansas lawmakers passed Mega Project legislation that provides dramatically more attractive incentives for large new investments than any programs Oklahoma has to offer. Without fast action, Oklahoma risks falling behind the curve and missing out on the most valuable new opportunities.

Designed correctly, enhanced incentives quickly pay dividends. After Kentucky passed Mega Project incentives legislation in September 2021, Ford and SK Innovation announced plans to invest $5.8 billion to build twin electric vehicle battery manufacturing plants in the state. GE Appliances said it would expand the company's Louisville facility and hire 1,000 new workers. Georgia and Ohio recently booked multi-billion-dollar semiconductor and electric vehicle investments.

Attracting Mega Projects like these to Oklahoma would further diversify and transform the state's economy. TPMA found that a hypothetical Mega Project would create more than 9,000 direct, indirect and induced jobs, helping to keep more of Oklahoma's best and brightest from leaving the state. The Project would generate annual wages in excess of $560 million and add more than $40 million a year in payroll taxes to state coffers.

To compete successfully with other states and to make Oklahoma a premier destination for today's job-creating investments while ensuring smaller rural counties share fully in the benefits, this study finds that Oklahoma lawmakers should consider making targeted improvements to the Quality Jobs program and the Investment/New Jobs Tax Credit. For Mega Projects that generate at least 1,000 jobs statewide (and fewer for projects in smaller counties), legislators should:

- Raise the Quality Jobs payroll tax rebate rate to 10 percent;
- Increase the Investment/New Jobs tax credit to at least 3 percent and make the credit fully refundable; and
- Allow the largest investors to benefit from both incentives.

Decisions about the economy of the future are being made today. Technology companies are making major investment and site selection decisions now. They are weighing many factors, but incentives that lower the cost and risk of constructing new factories and ramping up production are foremost among them. Acting now to improve Oklahoma's incentives will position the state to compete effectively for Mega Projects today and in the years to come.

BEN LEPAK
Executive Director

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THOMAS P. MILLER & ASSOCIATES

PREPARED BY: BRIAN NOTTINGHAM & BRETT WILER

Introduction

Oklahoma has much to offer businesses looking to expand in or relocate to the state. Turn-key industrial parks ready for occupants, competitively priced power, a favorable overall tax and regulatory regime, a well-funded vocational education system, a solid infrastructure network, and ready access to the transportation systems that link all of North America, are among the competitive advantages that position the state for significant economic development wins.

Oklahoma's challenge is to keep pace with competitors in a rapidly changing economic development environment. States are now racing to attract new large-scale economic development projects. Referred to as "mega projects" in economic development circles, such projects are big enough to catalyze generational improvements standards of living for the communities in which they locate. They bring massive capital investments, enormous numbers of jobs, sophisticated and robust supply chains, and countless other positive economic and social ripple effects.

States are tailoring economic development strategies to attract these game-changing mega projects. In 2021, several states made major changes and improvements to their incentive programs aimed at landing next-generation, tech-heavy, mega projects. The stakes are high—each large-scale investment has the potential to inject billions of dollars into a state's economy and create thousands of new jobs for its residents.

To better position for future wins, and to keep up with rival states upgrading their own incentive packages, Oklahoma should embrace new trends in economic and site development. Understanding the current competitive landscape—especially when it comes to the emergence of the mega project and its sophisticated network of suppliers—is vital to success. **This paper will aid Oklahoma policymakers as they design a first-rate economic competitiveness strategy designed to land future-altering investments in the state.**

Thomas P. Miller & Associates (TPMA), a national consulting firm that specializes in economic and workforce development policy and strategy research, is pleased to partner with the State Chamber Research Foundation (SCRF) on this report. In the pages that follow, this study will provide:

1. A review of the **Current Landscape of Economic Development**, highlighting recent national trends and new considerations.
2. An overview of the **Current Incentives** used in Oklahoma.
3. Examples of **Comparable States**, their **Incentives**, and their **Recent Successes**, spotlighting some of the largest projects of 2021.
4. **Recommendations for Oklahoma** policymakers considering an upgrade to the state's incentive offerings.

The study finds ample evidence of both efficacy and strong controls surrounding Oklahoma's current incentive programs. Elected officials, economic developers, and taxpayers can have confidence both the return-on-investment from existing programs and their effectiveness in creating quality jobs for residents. Moreover, with strong controls in place, citizens should feel confident in the Oklahoma's ability to successfully expand and refine its offerings, moving forward in a manner that ensures the best interests of the taxpayer.

But Oklahoma risks becoming uncompetitive as the economic development landscape evolves and states across the country continue to improve their incentive and business-attraction strategies. Changes in the broader economy are reflected in a shift in states' focus to **tech heavy** industry sectors, the emergence of **mega projects**, and the increasing importance of a reliable **supply chain**.

These economic development trends demonstrate just how much the ground has shifted since Oklahoma passed laws creating the state's first incentive programs in 1993. By reviewing examples from peer states, this study illustrates the "all-in" approach many states have taken to economic development and points the way forward for Oklahoma. Recommendations for how Oklahoma can substantially upgrade the suite of incentives it offers to sought-after enterprises follows this analysis.

In sum, by undertaking a targeted, but high-impact, upgrade of the state's incentives with special focus on **mega projects** and their **suppliers**, Oklahoma can join the ranks of states landing transformational business recruitment wins. Such a strategy should be complemented with braided, collaborative packages that feature **training support**, **local incentives** and **infrastructure investments**, all delivered in a **transparent** manner with appropriate **taxpayer protections**.

When combined with Oklahoma's existing competitive advantages, a high-impact incentives strategy aimed at mega projects will secure Oklahoma's place as *the* destination for large-scale capital investment.

RECOMMENDATIONS FOR OKLAHOMA

1. Raise the Quality Jobs payroll tax rebate rate to at least 10 percent for select large projects (at least 1,000 jobs statewide, with lower thresholds for smaller population rural counties) in order to be competitive with other states' mega project incentives.
2. Increase existing tax credits (Investment and New Jobs tax credits) to at least 3 percent to be more competitive with other states, including by making the credits fully refundable;
3. Allow companies heavily investing in Oklahoma to benefit from both Quality Jobs and Investment and New Jobs tax credit incentives; and
4. Work closely with local officials to coordinate and expand competitive site-specific incentive packages, with both the state and appropriate local government body exercising their respective authorities and latitudes over their full inventories of incentive options to maximize the total value of a complete package in innovative and new ways.

Section I
The Emergence of the Mega Project & the Changing Economic Development Landscape

The world has changed dramatically since Oklahoma created its first incentive programs nearly thirty years ago. Recent trends in economic development strategies reflect a new, tech-focused economy and rapidly changing competitive environment. In this section, we highlight three of the most important changes that are rapidly becoming the focus of new incentive packages and types: a focus on massive **mega projects**, an emphasis on **tech-heavy** emerging industries, and an explicit, intentional consideration of the **supply chain**.

Trend 1: Emphasis on The Mega Project
The latest – and arguably most important – trend in economic development is the mega project, and the public-private partnerships required to bring these large developments to fruition. While big industry/production projects with the power to improve the lives of people[1] and communities are hardly new,[2] the size and scope of such projects has grown significantly in recent years. Recognizing the opportunity mega projects hold for their citizens and economies, nations and states are now systematically and intentionally targeting these projects in an effort to diversify their economies and to transform the workforce landscape, industry concentration, and innovative direction of their economies.

Mega projects (or mega-sites) are loosely defined as *"large-scale, complex ventures that typically cost US $1 billion or more, take many years to develop and build, involve multiple public and private stakeholders, are transformational, and impact millions of people"*[3]. Projects of this scope have accounted for an increasing share of international economic activity, with economic futurist Thomas Frey projecting mega project activity will account for 24% of the world's GDP by 2026.[4]

Efforts in the Middle East highlight the potentially transformative power of mega-site development. As the region seeks to diversify away from traditional petrochemical production, 30+ mega-sites have either already launched or will launch with a goal of completion by 2030. These massive projects span industries and sectors, including entertainment and tourism, shipping and transportation, health care, and financial services. Taken together, the mega-sites will account for upwards of $1 trillion in investment once completed[5].

The United States, with its long history of government incentives for industry diversification, is not short of efforts to develop mega-sites. Indeed, the modern trend of deliberately incentivizing mega-sites has its historical origins in the United States. Southern states in the 19th century sought to encourage the development of industry in their almost exclusively agrarian economies through special loans, land grants, and site development assistance. The early 20th Century saw the founding of many of the first state economic bureaus, and by the end of World War II, states were in outright competition with each other to entice new industries or expansion projects.

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1 Flyvbierg, p. 2
2 Ibid.
3 Ibid.
4 Frey, T. "Megaprojects set to explode to 24% of global GDP within a decade". 2016. https://futuristspeaker.com/future-of-work/
5 "Mega projects in the Middle East" Accessed 25 January 2022. *Ares PRISM*. https://www.aresprism.com/blog/mega projects-middle-east/

By the late 1970s, state economic development bureaus were focused specifically on commercial and industrial site planning, setting the stage for the emergence of mega projects and their unique needs and benefits[6]. Examples of recent and pending mega projects are woven throughout this paper, but **Table III** (page 16) includes recent initiatives that are representative of the scope and focus of all modern mega project initiatives in the United States.

So what is it that makes these types of development projects so intriguing and alluring to corporations and governments alike? Soderlund, Sankaran, and Biesenthal (2017/2018) do a nice job of summarizing and describing some of the more abstract reasons communities and governments seek to secure mega projects, including: a sense of community pride, technological accomplishment and advancement of science, opportunity to collaborate and accomplish a goal only attainable through collective action, and the political capital that can be spent when such a project is brought to fruition.[7] In more concrete – and direct – terms, though, **mega projects are attractive for one simple reason: the potential for massive economic output, job creation and the expansion of the local tax base.**

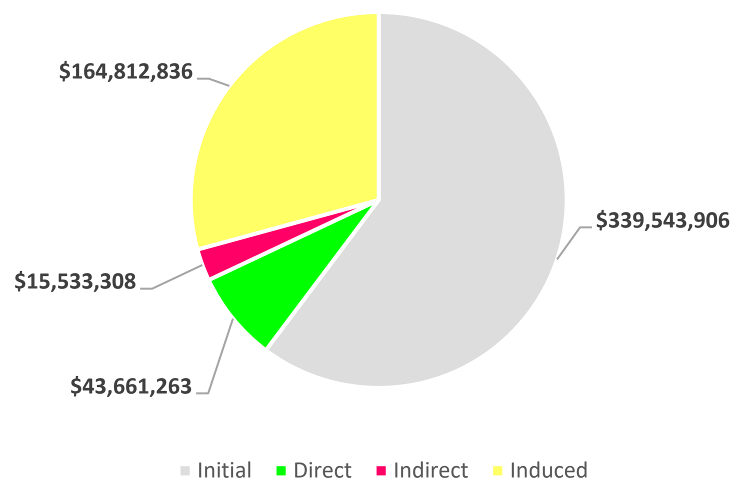
Consider **Table I** and **Figures I & II** below, which illustrate the hypothetical annual output of a new mega-site, located in an unspecified region of Oklahoma. Using the proprietary EMSI-type output model developed by EMSI/Burning Glass (https://www.economicmodeling.com/), which accounts for local wages, tax rates, and average industry output, employment, and pay data,[8] the annual wages generated for Oklahomans are estimated in excess of $560 Million and the annual taxes generated through the initiative at $43 Million. In addition, if we assume an initial workforce of 4,500 for the mega-site employer, the additional jobs (non-direct, that is, not employees of the mega-site itself) generated through supply chain and support activities in the community hosting the new site come in at just over 4,700. These numbers, it should be noted, estimate the impact of the new mega-site employer for the first year the site is up and running at 100% capacity.

Table I: Output Impact of New Oklahoma Mega-Site, NAICS 335911

	Annual Wages	Jobs Created		Annual Taxes Generated
Initial	$339,543,906	4,500	**Local**	$15.9 Million
Direct	$43,661,263	795	**State**	$15.1 Million
Indirect	$15,533,308	316	**Federal**	$12.0 Million
Induced	$164,812,836	3,644	**Total**	$43 Million

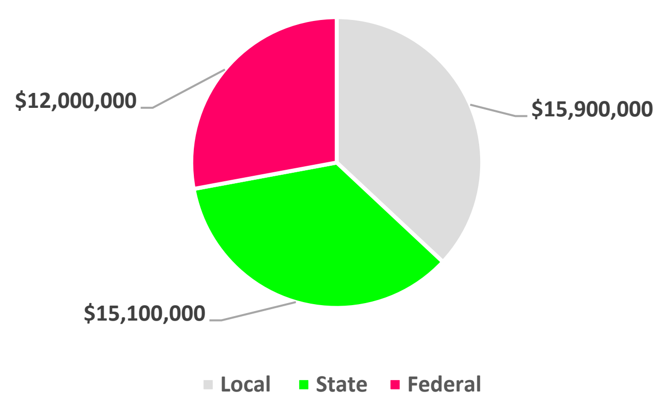
[6] Eisinger, P. K. *The Rise of the Entrepreneurial State*. 1998.
[7] Soderlund, Sankaran, and Biesenthal (2017/2018)
[8] For a full explanation of EMSI Input/Output modeling and methodology, please see: https://kb.emsidata.com/glossary/input-output-model/

Figure I: Annual Wages Generated, Hypothetical MegaSite, NAICS 335911



[9]

Figure II: Annual Tax Estimates Generated, Hypothetical MegaSite, NAICS 335911



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[9] *llustrative Example Important Definitions:* **Initial:** Earnings (**<u>Figure I</u>**) or Jobs (**<u>Table I</u>**) created by the primary mega-site employer. For modeling purposes, this number is pre-determined by the researcher, which we set at 4,500, in line with the typical size of recent initiatives (see **<u>Table V</u>** for examples) **Direct:** Earnings or Jobs created by supply chain employers, as a result of doing business with the new mega-site employer **Indirect:** Earnings or Jobs created by the "supply chain's, supply chain": these are businesses that do not support the mega-site occupant directly, but rather work with the primary suppliers themselves. **Induced:** Earnings or Jobs created by auxiliary businesses in support of the influx of new initial, direct, and indirect employees as they spend their earnings in the community. Also includes a number of new government jobs, expected to be created to handle the additional work affiliated with new earnings, reporting requirements, and code enforcement (as examples) brought on by the new mega-site and its suppliers.

In addition to the sheer scale of economic output in terms of earnings and taxes – to say nothing of raw GDP and product/service sales output/value – the mega project is often seen as tool to combat the exodus of new graduates or skilled workers from the target region. Referred to as the dreaded "brain drain" communities can sometimes struggle to provide enough high-skilled, high wage opportunities for residents completing some form of post-secondary education. In explicit support of the mega-site incentive package that was under consideration in the state, Kansas Board of Regents President and CEO, Blake Flanders, points to the outmigration of talented young Kansans as a disturbing trend that opportunities like mega-site development can help reverse.[10]

Mega projects, with their unique potential to dramatically increase the economic output of a region and provide citizens with high-paying, family sustaining employment, require equally unique levels of support and collaboration from host states. Some of the most important/common considerations include:

1. **Large Tracts of Land, Suitable Construction Sites:** the first concern of the mega project site search team is location. Mega projects, by definition, require massive amounts of square footage not only to support production itself but also to sustain the large workforce on-site. Parking garages, cafeterias (or in some cases even childcare facilities), and more and more often, green spaces, are part and parcel of mega-site development. Local economic development trusts and quasi-governmental organizations can provide pre-developed (or easily upgraded) tracts at low or no cost as part of incentive packages. Recent projects in North Carolina serve as examples of the importance of land conveyance as part of a mega-site incentive deal. Randolph County (NC) Commissioners offered both county-owned and public trust-held land (in this example, the Greensboro-Randolph Megasite Foundation) totaling nearly 630 acres worth a reported $21.8 million to an unnamed employer (later identified as Boom Supersonic) considering expansion in the region[11]. Other, more idiosyncratic geographical features of a location can sometimes come into play as well when a final decision on location is made. In this specific example, part of the incentive package that finally secured Boom Supersonic's decision to locate their new facility, projected to employ up to 2,400 people by 2032, in Greensboro was the site's relative ease of access/proximity to the ocean for testing aircraft over the open water.[12]

2. **Infrastructure Upgrades and Improvements:** The five projects highlighted in **Table IV** (page20)—recently launched in Georgia, Kentucky, Tennessee, Ohio and North Carolina—alone include upwards of an estimated $340 million in infrastructure improvement incentives. The transportation and distribution needs of a site that can employ more than 5000 people are daunting. Ready access to robust road, rail, air, and

[10] Flanders, Blake, PhD, President and CEO. "Testimony in Support of SB 347 to the Senate Committee on Commerce", 19 January 2022. http://www.kslegislature.org/li/b2021_22/committees/ctte_s_cmrce_1/misc_documents/download_testimony/ctte_s_cmrce_1_20220119_13_testimony.html
[11] Hammer, John. "Randolph Commissioners To Meet On Megasite Incentives", 26 November 2021, *Rhino Times*, https://www.rhinotimes.com/news/randolph-county-commissioners-holding-special-meeting-on-megasite-incentives/
[12] LeBeau, Phil. "Boom Supersonic picks North Carolina to build and test ultra-fast planes", 26 January 2022, CNBC online: https://www.cnbc.com/2022/01/26/boom-supersonic-picks-north-carolina-to-build-and-test-ultra-fast-planes.html

water connection points are all vital considerations when choosing a final construction site. A related concern is site construction—many states offer construction and/or material sales tax exemptions as well to lower the initial costs for an occupant either building a site from scratch or retrofitting an existing industrial park.

3. **Supply Chain Shortening:** The role of the supply chain- and the power to disrupt operations when not functioning as intended- have been on full display in the time of COVID. This has been such a vital concern for mega-site development that we devote an entire subsection to its discussion below.
4. **Tailored Training and Education Programs/Support**: Highlighted in the examples above, high-tech, mega project incentive packages now routinely include education and training center support. Employers, workforce development, and education professionals collaborate frequently on the development of new credentials, or employer-tailored training curriculum. Recent trends have formalized this relationship, with incentive packages including the co-location of a technical college, or on-site sponsored training for employees. With an emphasis on tech-centric industries and their need for highly skilled workers, supporting the ongoing training and education needs of mega-site occupants will continue to be an important consideration of any such project.

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OKLAHOMA . . . LACKS TARGETED LEGISLATION AIMED AT MEGA PROJECTS, BUT THE OTHER, HARDER-TO-DEVELOP INGREDIENTS ARE WELL-ESTABLISHED IN THE STATE. THIS MAKES THE TIME AND EFFORT NEEDED TO POSITION ITSELF FOR MEGA PROJECT WINS MUCH SHORTER IN OKLAHOMA THAN IN OTHER STATES, BUT NO LESS URGENT.

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It almost goes without saying, but strong coordination among economic developers, workforce developers, education providers, state and local officials, and private industry are critical to meet the unique needs of these sophisticated mega-sites.

Above all, to be competitive for transformational mega projects, states must be able to offer complementary local and state incentive packages that leverage all the resources available to a community. This begins with a strong state tax incentive that is specifically targeted to mega projects. A mega project incentive plan is necessary, but not sufficient for attracting game-changing mega projects. As noted elsewhere in this report, Oklahoma finds itself in an unusual, but advantageous position compared to other states: many states have enacted mega project incentive legislation, but lack a strong base of proven, successful existing incentive programs and an existing competitive business environment. Oklahoma is just the opposite: it lacks targeted legislation aimed at mega projects, but the other, harder-to-develop ingredients are well-established in the state. This makes the time and effort needed to position itself for mega project wins much shorter in Oklahoma than in other states, but no less urgent.

Trend 2: Focus on Technology-Heavy Industries and Sectors
2021 was a banner year for incentive packages for electric vehicle manufacturing and other tech-heavy manufacturing across the United States, highlighting the emerging primacy of newer, tech-heavy manufacturing sectors. Three major electric vehicle and battery manufacturing initiatives—Ford and SK collaborative initiatives in Kentucky and Tennessee and a Toyota initiative in North Carolina accounted for approximately $1.63 billion in state and local incentives[13]. Final details on a fourth project, with Rivian in Georgia, have not been released. But given the scope of the first three packages, it is reasonable this package will also include hundreds of millions of dollars in state and local incentives. While all four of these packages include traditional incentives like land conveyance and payroll tax forgiveness/credit, they also provide specific incentives to address the need for a skilled workforce, given the tech-heavy nature of the industry's production jobs. The projects in Tennessee, Kentucky, and Georgia all include provisions for the co-location of a technical college or learning center, on-site, to provide training to mega-site employees. Taken together, these three projects alone garnered a pledge of upwards of $80 million dollars to tackle the high-tech training needs of these new employers.

2022 is off to a roaring start in terms of mega-incentive packages for tech-heavy sectors as well. During the week of January 24th, officials from the state of Ohio announced an incentive deal with Intel that will bring the world's second biggest maker of computer chips to the Columbus region. Though full details are not yet available, information released by the Ohio Department of Development (ODD) suggest the full incentive package comes in at around $2 billion[14]. Touting the package and development deal as: a way to: 1) address supply shortages/supply chain disruptions, 2) bring sophisticated, tech-heavy manufacturing to the state and, 3) secure what is estimated to be an annual contribution of $2.8 billion to the state's economy via Intel (once production has begun in 2025), ODD Director Lydia Mihalik provided additional insight into what the package includes on January 31st[15].

This emergence of unique considerations for tech-heavy manufacturers is linked to a decline in the use of traditional, heavy manufacturing credits in these same states. For example, the most recent review of the state's business attraction incentives by the Tennessee Departments of Revenue and Economic and Community Development[16] highlights a nearly 37% drop in use of the state's industrial machinery tax credit program from 2016 to 2018. Other states, including South Carolina, Georgia, and California have added special incentives targeted at research and development machinery or initiatives to support and incentivize the next wave of tech-heavy manufacturing.

Given recent trends in wages and industry job growth, it is hardly surprising that legislators are more and more willing to specifically target tech-heavy manufacturing. The latest annual data from the Bureau of Labor Statistics, presented below, highlights the benefits of focusing on the tech-heavy subsector.

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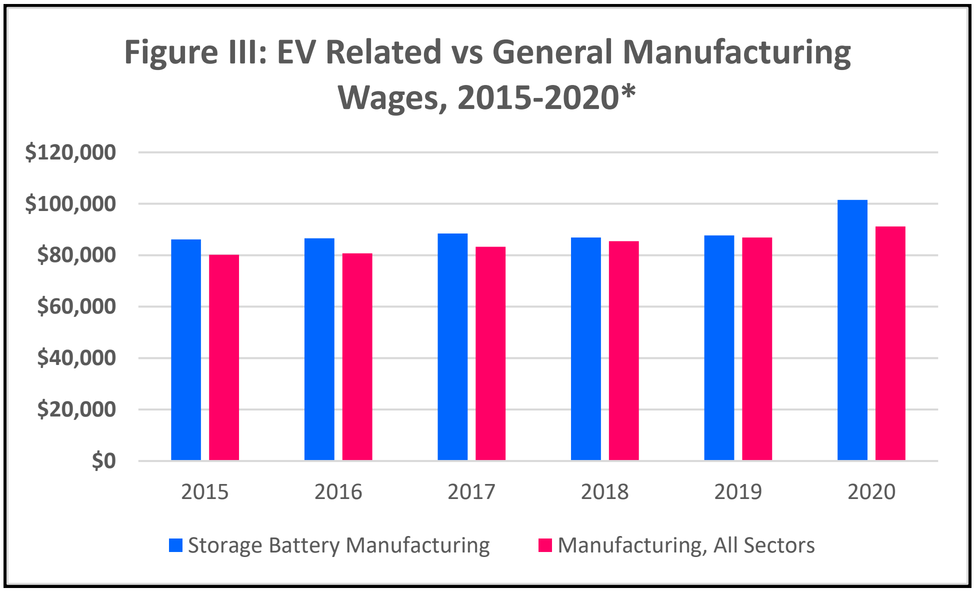
[13] Harpel, Ellen. "State incentive packages land EV projects". 3 January 2022, *Smart Incentives* (online report). https://smartincentives.org/state-incentive-packages-land-ev-projects/

[14] Welsh-Huggins, Andrew and John Seewer. "Ohio lured Intel's chip plant with $2B incentive package", 28 January 2022. *Associated Press* (online via ABC News). https://abcnews.go.com/Business/wireStory/ohio-lured-intels-chip-plant-2b-incentive-package-82541504

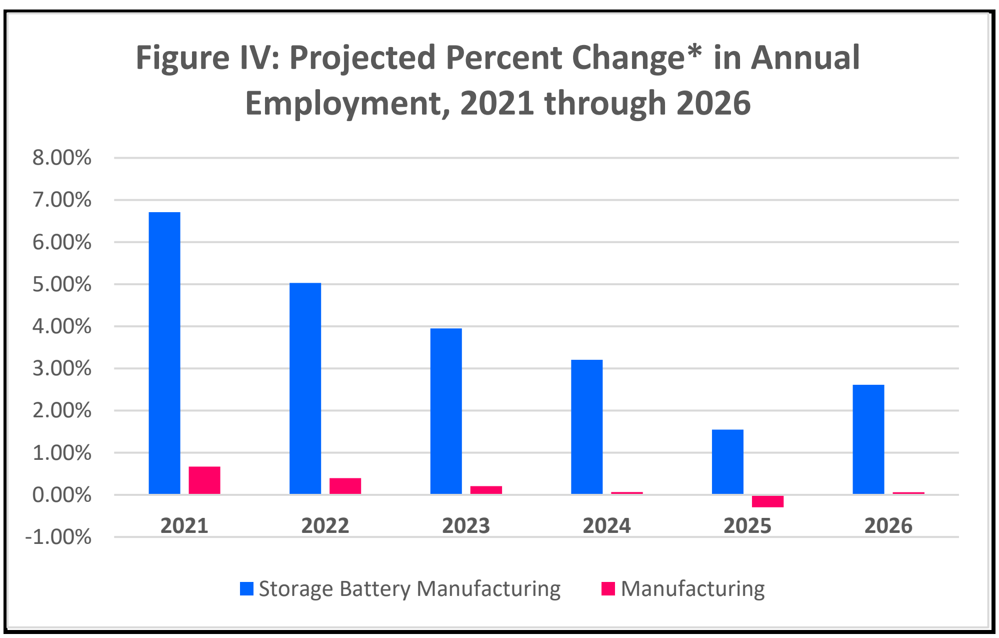
[15] Evans, Nick. "State officials outline additional, but not all, details about Intel incentives", 31 January 2022. *Ohio Capital Journal*, https://ohiocapitaljournal.com/2022/01/31/state-officials-outline-additional-but-not-all-details-about-intel-incentives/

[16] Avery, Sally (lead author) and Jeremy Stiles (lead author), "Evaluation of Tennessee's Business Tax Credits (2015-2018)", 14 January 2021, prepared by the *Center for Economic Research (CERT), TN Dept. of Economic and Community Development.* Downloadable PDF available at: https://tnecd.com/research-and-data/publications/

Figure III shows the average annual wages in the Storage Battery Manufacturing Sector (NAICS 335911) vs. the more general Manufacturing SuperSector (NAICS 33). **Figure IV** highlights the annual average increase in jobs in the same sectors. Not only do higher tech manufacturing positions pay, on average, more, but they are growing at a rate that far outpaces the manufacturing SuperSector as a whole.



**National Averages, data Extracted from EMSI (https://www.economicmodeling.com/), based on wage information from the US Bureau of Labor Statistics*



**Projections from EMSI, using a proprietary modeled based in part on historical employment data from the US Bureau of Labor Statistics. For perspective, between 2010 and 2020, employment in the Storage Battery Manufacturing Sector increased a staggering 34%, compared to a meager increase of 1% in the Manufacturing SuperSector as a whole.*

Trend 3: A New Focus on the Supply Chain

Further accelerating the trend toward mega-site development is an enhanced focus on efficient, reliable supply chains. The effects of the supply chain crunch of 2021[17] have continued into 2022 and innovations in technology, a focus on sustainability, and the lingering effects of the COVID-19 pandemic have aligned to reshape the distribution and logistics industry.[18] Oklahoma itself took almost immediate action to address supply chain challenges, launching major partnerships to alleviate the impact on the state. The first, Connex Oklahoma, was launched with the Oklahoma Manufacturing Alliance, to provide a free supply chain database tool for the industry. The second, with Sustainment Technologies Inc., allows Defense & Aerospace industries to connect with contractors and the Department of Defense more easily.[19]

In addition to these types of important initiatives launched independently by state agencies and through public-private partnerships, state legislatures themselves are leaning into supply chain challenges when crafting incentive packages for mega-sites. Kansas, for example, recently enacted legislation[20] with special provisions for suppliers of mega-sites. Certain "Qualified Suppliers"—those reaching $10 million in annual sales to a mega-site firm—are provided special benefits under the law. Other key suppliers may be designated by the mega-site firm, making them eligible for incentives that include:

1. Up to 15% Investment Tax Credit
2. Retention of up to 65% of payroll tax withholding for up to 10 years
3. Up to $5 million annually in the form of reimbursement for employee training costs
4. 100% sales tax exemption for construction materials
5. Optional 50% property tax reduction if qualified supplier is in a foreign trade zone, with local consent

[17] See, for example, Schwartz, Nelson. "Supply Chain Woes Prompt a New Push to Revive U.S. Factories", 6 January 2022, *The New York Times*. https://www.nytimes.com/2022/01/05/business/economy/supply-chain-reshoring-us-manufacturing.html

[18] Oi, Rebecca. "Hard saying goodbye to supply chain woes in 2022", 14 January 2022. TechHQ online, https://techhq.com/2022/01/hard-saying-goodbye-to-supply-chain-woes/#:~:text=The%20supply%20chain%20disruption%20in%20the%20US%20is,depleted%20inventory%20levels%2C%20and%20labor%20shortages%20at%20ports.

[19] Blackburn, Amy- Media Contact. "Oklahoma Department of Commerce Celebrates Historic 2021". 5 January 2022, Press Release, *Oklahoma Department of Commerce*. https://www.okcommerce.gov/oklahoma-department-of-commerce-celebrates-historic-2021/

[20] http://www.kslegislature.org/li/b2021_22/measures/sb347/

Section II
Oklahoma's Current Incentives – A Strong Record of Economic Growth and Taxpayer Protection

Oklahoma has valuable tax incentive programs targeted to job creation. The state's Quality Jobs family of tax incentives, consisting of the *Quality Jobs Program*[21] (created in 1993), the *21st Century Quality Jobs Program*[22] and the *Small Employer Quality Jobs Program*[23] have a strong track record of generating economic growth and investment in the Oklahoma while protecting taxpayers. Over decades, these existing programs have driven economic growth and have each produced a net financial benefit to the state, according to analysis by state's Incentive Evaluation Commission.[24] **That is, the jobs incentive programs offered in Oklahoma have, to date, more than paid for themselves.** Additional tax revenue generated for the state have significantly exceeded program costs. **Table II** on the following page details the key elements and successes of Oklahoma's Quality Jobs programs.

WHY OFFER TAX INCENTIVES IN THE FIRST PLACE?

Every state government and countless local governments in the United States utilize financial incentive packages to attract a wide array of economic development projects, typically designated as start-up, expansion, or relocation-type projects. These projects promise substantial capital investment, typically $10 million or more, and bring with them the promise of significant job creation. Economic development incentives are designed to influence capital investment decision-makers as they make business location decisions. Incentives are typically offered through state economic development agencies, though state government structure dictates varying approaches across states.[1] Competition amongst states is keen, especially for large scale projects that can create thousands of jobs for local residents.

Incentives are designed to lower the cost of the capital-intensive activities required to build a new facility, relocate an existing facility, or expand operations. Business growth into a state involves expensive items like site acquisition, land development, infrastructure improvement, heavy construction, equipment purchases, and workforce training. Lowering the cost of these activities through incentives.[1]

Tax incentives are the most common feature of an economic development incentive package, with each of the fifty states offering tax incentives in varying forms. Common tax incentives include tax credits, tax deductions, tax abatements, tax exemptions, and tax rebates. These tax incentives are designed to reduce corporate tax liability, income tax liability, personal income tax liability, sales tax, and/or property tax liability. These incentives can be designed as one-time cash equivalent incentives or periodic performance-based incentives.[1]

For a fuller primer on the "tools of the trade" in economic development, see "Economic Incentives 101" at: https://www.okstatechamber.com/sites/www.okstatechamber.com/files/EconomicIncentives101FINAL.pdf

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[21] https://www.okcommerce.gov/doing-business/business-relocation-expansion/incentives/quality-jobs-incentive-program/
[22] https://www.okcommerce.gov/doing-business/business-relocation-expansion/incentives/21st-century-quality-jobs-incentive/
[23] https://www.okcommerce.gov/doing-business/business-relocation-expansion/incentives/small-employer-quality-jobs-program/
[24] See https://iec.ok.gov/sites/g/files/gmc216/f/2021IECReport.pdf

Table II: Oklahoma Jobs Incentive Programs[25]

Program	Eligibility	Incentive	Performance/Evaluation Notes
Quality Jobs Program (created in 1993)	1. Qualifying Basic Industry or Service Industry (with 75% out-of-state sales) 2. $2.5 million in new annualized payroll for full-time employees 3. Provision of health insurance for employees 4. Minimum average wage requirements, set at state or county average wage rates	Quarterly Cash Rebates, for up to 5% of newly created taxable payroll, for up to 10 years	1. To date, over 850 companies enrolled, over $1.2 billion in wage rebates 2. Estimates from 2011 to 2018 indicate a net fiscal benefit to the state, generating $4.03 billion in additional state tax revenue vs. $525 million in incentives issued 3. From 2011 to 2018, incentives concentrated in manufacturing and oil and gas industries (combining for 63.9%) 4. Participants concentrated in Tulsa and Oklahoma Counties (combined for approximately 80% of total incentives issued)
21st Century Quality Jobs Program (created in 2009)	1. Qualifying Basic Industry (from Quality Jobs program list, minus Oil and Gas, plus additions per legislation) 2. Create 10 new, direct quality jobs (30+ hours per week) within 3 years 3. Annualized average wage of all created jobs must equal or exceed 300% of County or State annual average wage 4. Provision of health insurance for employees	Quarterly Cash Rebates, for up to 10% of newly created taxable payroll, for up to 10 years	1. Estimates from 2011 to 2018 indicate a net fiscal benefit to the state, generating $64.1 million in additional state tax revenue vs. $61.5 million in incentives issued 2. From 2011 to 2018, incentives concentrated in the maufacturing sector (92%) 3. Participants were concentrated overwhlemingly in Oklahoma County (97.7%)
Small Employer Quality Jobs Program (created in 1997)	1. Qualifying Basic Industry (from Quality Jobs program list, minus Oil and Gas) 2. Have and maintain out-of-state sales threshold of 35% or more first 2 years, then 60% thereafter 3. No more than 500 employees 4. Create 5 to 15 new, direct jobs (or 5 to 10% of their prior employment) within 24 to 36 months 5. Annualized average wage of all created jobs must equal or exceed 100 to 125% of County or State annual average wage 6. Provision of health insurance for employees	Quarterly Cash Rebates, for up to 5% of newly created taxable payroll, for up to 7 years	1. To date, over 120 companies have received over $9.2 million in wage rebates 2. Estimates 2011 to 2018 indicate a net fiscal benefit to the state, generating $6 million in additional state tax revenue vs. $3.2 million in incentives issued 3. From 2011 to 2018, incentives concentrated in the maufacturing sector (88.9%) 4. Participants were geographically dispersed, with 9 counties totalling at least 5% of all rebates issued

[25] Information on this table was compiled from the Incentive Evaluation Commission's 2021 report and the Oklahoma Department of Commerce. Accessible at https://iec.ok.gov/sites/g/files/gmc216/f/2021lECReport.pdf and https://www.okcommerce.gov/

Taken together, Oklahoma's Quality Jobs incentives have served the state well because:

1. *The programs are open and accessible, with* ***broad availability***. The list of eligible industries is extensive, ensuring a wide variety of business sectors qualify. Moreover, programs are open to both new employers and those already operating in Oklahoma who are expanding. Likewise, the programs benefit all sizes of employers, so even the state's smallest enterprises can be eligible for incentivization.
2. *The programs are* ***performance-based****, with strong employment verification procedures and regular evaluations of overall economic impact/utilization.* Employer benefits are only paid quarterly after wages and employment counts have been verified independently by state officials and, prior to admission to the program, a cost/benefit analysis is conducted to ensure program participation will result in a net benefit to the state. Moreover, regular, macro-level reports estimate the overall impact of the programs, focusing on job creation and net gain in tax revenue for the state.
3. *The programs are* ***scalable and flexible****, with variable (but clear) thresholds/eligibility criteria and* ***claw-back protections****.* Benefits increase depending on the pay rate of each quality job created, with higher paying jobs incentivized at a higher rate. The creation of more jobs also results, of course, in a net increase in the size of the incentive, so larger impact projects can reap greater rewards. To protect taxpayers, strong, consistent claw back provisions are also included with the incentives, allowing Oklahoma to seek full repayment of all benefits if an employer fails to maintain a presence in the state within 3 years of signing the incentive contract.

The utility of Oklahoma's existing tax incentives was on full display during the Oklahoma Department of Commerce's active 2021, which saw the state land economic development projects that are expected to bring more than 7,500 new jobs and $1.8 billion in new private investment to the state. On December 30th, Australian-based firm Woodside announced plans to build a "green hydrogen"[26] manufacturing facility in Ardmore, projected to produce up to 90 liquid tons of fuel daily by 2025. Carvana, an e-commerce service that buys and sells used cars, announced plans for a new 200,000 square foot distribution and inspection/reconditioning facility in Oklahoma City.[27] Canoo, a manufacturer of breakthrough electric vehicles, intends to develop a 400-acre site at the MidAmerica Industrial Park in Pryor. When completed, the site will house a paint shop, body shop and general assembly plant.

The Woodside hydrogen project, in particular, is illustrative of the proactive approach officials in Oklahoma have taken to business attraction. The announcement from Woodside came on the heels of a series of reports[28] produced on behalf of the *Hydrogen Production, Transportation, and Infrastructure Task Force*, highlighting opportunities and developing recommendations for the state to grow the industry. The task force itself was created and given its mandate by the legislature as part of *SB 1021*, with the intent of providing research and recommendations that could lead to "Oklahoma becoming a Top Ten State in the production and/or marketing of Hydrogen as a fuel source."[29]

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[26] Dubbed "green hydrogen" this term refers to its production from water using only renewable energy sources. Woodside officials indicate this will be "net-zero project"

[27] https://www.einnews.com/pr_news/559931445/oklahoma-department-of-commerce-celebrates-historic-2021

[28] See, for examples, https://ee.ok.gov/resources/

[29] Angier, Terri and Cody Boyd. "Oklahoma Transportation Cabinet report to the Hydrogen Production, Transportation and Infrastructure Task Force", November 2021, https://oklahoma.gov/odot/about/boards-and-task-forces0/hydrogen-task-force.html

Recognizing the potential impact of a new or emerging industry sector, researching the potential upsides and risks to the state, and intentionally targeting economic development projects that fit within the broader strategic plan are all hallmarks of a high-performing state incentive program. Woodside is a powerful example of “business attraction done right.”

Protecting Taxpayers

As noted, Oklahoma’s Quality Jobs family of tax incentives have produced net revenue gains for the state, not revenue loss. The well-designed structure of the incentives has helped to achieve this positive result. Strong taxpayer protection features include:

> “OKLAHOMA’S EXISTING SUCCESSFUL QUALITY JOBS INCENTIVES SERVE AS AN **IDEAL BASE** UPON WHICH **TO EXPAND** AS THE STATE MAKES ITSELF MORE **ATTRACTIVE FOR MEGA PROJECTS**.”

- ***Transparent Reporting** on Program Performance* - with a regular meeting cadence, reporting schedule, and open/publicly accessible analyses of program utilization, the State of Oklahoma Incentive Evaluation Commission (https://iec.ok.gov/) contracts with independent, 3rd party evaluators to ensure program outcomes are consistent with Legislative intent.

- *Opportunities for Public Feedback and **Independent Program Review*** - with multiple channels for public feedback and inclusion of comments from constituents-at-large in meeting minutes, open discussion on suggested changes, and independent reviews culminating in formal recommendations for changes and updates, the IEC ensures that all opinions can be heard and considered when it comes to the state’s incentive programs.

- *Regular **Consideration of Updates*** - Oklahoma has mechanisms in place to not only regularly consider updates and revisions to existing incentives, but to act on these recommendations legislatively.

With such a robust oversight, review, and performance monitoring system in place, it is unsurprising that these tax incentives have been overwhelmingly successful through the years. Likewise, Oklahoma’s existing successful Quality Jobs incentives serve as an ideal base upon which to expand as the state makes itself more attractive for mega projects.

Section III
The Competition: What Comparable States are Doing to Attract Mega projects

This section highlights some of the biggest "wins", in both magnitude of investment and jobs created, from 2021. Other states are further ahead in their incentive upgrades than Oklahoma and have been leveraging these stronger incentives to land mega projects with new, high-paying jobs that have the potential to permanently better the development of regions and the lives of citizens. **Table III**[30] below identifies some of the biggest wins from last year, with a specific focus on tech-heavy manufacturing sectors.

[30] Ibid.

Table III: Comparison of Recent Tech-Heavy Initiatives

Project	Tennessee with Ford and SK Innovation	Kentucky with Ford and SK Innovation	Georgia with Rivian	North Carolina with Toyota	Ohio with Intel
Corporate Investment (approximate)	**$5.6 Billion**	**$5.8 Billion**	**$5 Billion**	**$1.3 Billion**	**$20 Billion**
Direct* Jobs Created (projected)	5,800	5,000	7,500 to 10,000	1,750	3,000
State Incentive Total (approximate)	$880 Million	$310 Million	Not Specified	$271.4 Million	$2 Billion
Local Incentive Total (approximate)	Not Available	Not Available	Not Available	$167.3 Million	City offers 30 years of 100% property tax forgiveness on new site
Incentive Highlights	1. $500 Million State Grant 2. $200 Million In New Road Projects 3. $138 Million In Site Infrastructure 4. $40 Million For An On-Site Technical College 5. Discounted Utility Rate (Reportedly)	1. $250 Million Forgivable Loan 2. 1,551 Property Conveyance For A Site (Including $10.6 Million In State Funds To Pay A Loan To A Local Ed Authority) 3. $36 Million For Job Training, On-Site Technical College Campus 4. $33 Million Transportation Improvements	1. Infrastructure Improvements 2. On-Site Workforce Training Center 3. Georgia Power And Georgia Ports Authority Listed As Additional Partners (Potential Additional Incentives From Indicated)	1. $79 Million Job Investment Grant 2. $135 Million In Site Prep Work 3. $10 To $15 Million In Training/ Transportation 4. No Cost Conveyance Of Property At Megasite 5. 20 Year Property Tax Reduction 6. $31.8 Million Water/ Sewage Install From City Of Greensboro	1. $700 Million For Roadwork And Water Infrastructure Upgrades 2. $650 Million In Tax Break Incentives, Over 30 Years 3. $600 Million In Construction Rebates 4. $150 Million In Workforce And Economic Development Grants

Direct Jobs defined as those created by the principal corporation/enterprise.
Count does not include an estimate of supply chain jobs that the project may create

Why are projects landing in these states? While every project has it's own idiosyncrasies, the driving factor in landing these projects, often, is the strength of the state tax incentive package. We devote the rest of this section to a quick review of four key states that are leading the charge in the application of new, flexible incentive packages: Tennessee, Kentucky, Georgia, and Kansas. All have strong, flexible incentives in place, and exist in a state of constant evaluation to ensure they remain responsive and competitive in a rapidly changing economic development environment.

> **THE DRIVING FACTOR IN LANDING [MEGA] PROJECTS, OFTEN, IS THE STRENGTH OF THE STATE TAX INCENTIVE PACKAGE.**

Kansas

Overview: In the latest update to state incentive packages, the Kansas legislature passed, and the Governor signed into law on February 10, 2022, Kansas SB 347, the "Attracting Powerful Economic Expansion (APEX) Act". The new law is a telling example of the speed at which the current incentive environment can shift. Introduced on January 18th and signed into law less than a month later, the APEX Act was designed with the explicit intent of ensuring Kansas was competitive with other states when attracting mega projects.

Incentive Program Types: Jobs Tax Credits, Mega-Site Incentives, Utility use, Machinery, Equipment, Alternative Fuel, and Corporate Tax Credit programs

Recent High-Profile Projects: Proponents of SB 347 were quick to point out that the state was 0 for 11 in landing recent mega project sites. The primary driver behind the push for the bill was to better position the state to win large scale projects and reverse the recent trend of "nothing to report". Although full details have not been made publicly available, presumably to protect the confidentiality of the potential mega-site occupant, an analysis by Wichita State University, cited in multiple news reports, indicates that the high-profile target of SB 347 will create 4,000 new, full-time, permanent direct jobs in the state, with an annual contribution to the state's GDP of nearly $2.5 billion.

Kentucky

Overview: Kentucky passed a new incentives bill in September 2021 that included significant incentives for large projects. According to reports and testimony over the bill, the state is currently pursuing at least five mega projects.[31] Introduced during a special session of the legislature to address COVID-19 related priorities, the bill quickly passed with bi-partisan support and was signed into law by the Governor. The law allows for up to $350 million in forgivable state loans and $50 million worth of worker training for each approved project.[32]

Incentive Program Types: Unemployment Jobs Tax Credits, Mega-Site Incentives, Industrial Machinery and Headquarters Tax Incentive Programs

Recent High-Profile Projects: 2021 was a record year for Kentucky Economic Development, with $10.3 billion in announced corporate investments, creating approximately 15,500 new jobs for the state[33]. The state enjoyed a nice mix of new and expansion investments, with a focus on advanced manufacturing and information technology. Leading the way were:

- Ford Motor Company/SK Innovation- announced in September 2021 plans to invest $5.8 billion to build twin electric vehicle battery manufacturing plants in Glendale, KY. The facilities will offer full-time employment for up to 5,500 Kentuckians and begin operations in 2025 and 2026, respectively.[34]
- GE Appliances- announced in October plans to invest $450 million to boost capacity, expand facilities, and create approximately 1,000 new jobs at its Louisville facility by 2023. The investment marks the continued resurgence of the region's "Appliance Park." Established in the 1950s with employment levels of nearly 20,000, employment fell to under 4,000 in the 1970s. When the new positions come online, total employment in the Park will approach 10,000.[35]

Tennessee

Overview: By nearly all accounts,[36] Tennessee has adapted well to a constantly changing economic development environment. Kickstarted by participation in an independent, seven-state assessment of business incentives and policy in 2014 by the PEW Charitable Trusts and the Center for Regional Economic Competitiveness (CREC), the Tennessee legislature enacted a

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[31] https://www.usnews.com/news/best-states/kentucky/articles/2021-09-09/kentucky-senate-passes-incentive-bill-aimed-at-mega projects

[32] Schreiner, Bruce. "Kentucky lawmakers OK incentives bill aimed at mega projects", 10 September 2021, *The Richmond Register*, https://www.richmondregister.com/kentucky/kentucky-lawmakers-ok-incentives-bill-aimed-at-mega projects/article_18007f88-1276-11ec-9fa4-b3832a401207.html

[33] Sonka, Joe, "Here are Kentucky's Top 10 economic development projects announced in 2021", 25 November 2021, *Louisville Courier Journal*, https://www.msn.com/en-us/money/companies/here-are-kentuckys-top-10-economic-development-projects-announced-in-2021/ar-AAQZvFw

[34] Watkins, Morgan, "What to know about Ford's $5.8B, 5,000-job battery park in Hardin County, Kentucky", 28 September 2021, *Louisville Courier Journal*, https://www.courier-journal.com/story/news/2021/09/28/what-to-know-about-fords-new-battery-park-kentucky/5890741001/

[35] Schreiner, Bruce. "GE Appliances to create 1,000 new jobs in Kentucky with $450 million investment", 28 October 2021, *Associated Press*, posted at: https://www.courier-journal.com/story/money/companies/2021/10/28/ge-appliances-add-1-000-new-jobs-kentucky-450-m-investment/6177799001/

series of key improvements, dropping tax credits that had outlived their usefulness and adding new provisions targeted toward the Research and Development (R&D) and back-office needs of the next wave of tech-heavy mega-sites. As part of the legislature's actions, a regular 4-year cadence was established for independent review of incentives on the books and consideration of potential changes, updates, and new opportunities. A full review of the state's incentive performance was developed jointly by the TN Department of Economic and Community Development and the Tennessee Department of Revenue. The full report, "EVALUATION OF TENNESSEE'S BUSINESS TAX CREDITS (2015-2018)", is available publicly for download at: https://tnecd.com/research-and-data/publications/.

Incentive Program Types: Jobs Tax Credits, Mega-Site Incentives, Industrial Machinery and Headquarters Tax Incentive Programs, Rural Investment Fund

Recent High-Profile Projects: 2021 was a solid year for economic development in Tennessee, with the state landing several high-profile projects, such as:

- Ford Motor Company/SK Innovation- announced in September, 2021, plans to create "Blue Oval City" near Memphis, relocating all production of next generation electric F-series to the site by 2025. The company will invest $5.6 billion in a 3,600 acre mega-campus, creating an estimated 5,800 jobs when the site is operating at full capacity. Tennessee Department of Economic Development officials estimate that the mega-site will contribute upwards of $3.5 billion annually to the state's GDP.[37]
- Oracle America, Inc.- announced in August 2021 plans to construct a 60 acre office hub in Nashville, investing $1.2 billion and bringing 8,500 new jobs to the area. One of the world's leading database management companies, Oracle also plans to invest in greenways and parks, as well as a foot bridge that will connect Oracle's plaza to Germantown.

Georgia

Overview: Georgia, long a leading state for economic development in the South, boasts one of the nation's lowest (and simplest) corporate tax rates. Its flagship incentives- the Jobs Tax Credit and Quality Jobs Tax Credit, have been in place for 25 and 15 years, respectively, and allow flexible application, with extra incentives for development in special zones within the state. The state has also shown the willingness to collaborate with utility providers and strategically target infrastructure development to promote industrial diversification, longer-term.[38]

Incentive Program Types: Jobs Tax Credits, Mega-Site Incentives, Capital Investment, Manufacturing Machinery, Clean room, Material Moving, and Energy Use tax credits

Recent High-Profile Projects: 2021 was another strong year for economic development in Georgia. The state continued to strengthen diversification efforts through the film industry as well, which had a $2.9 billion impact on Georgia's economy in 2021. In terms of a flagship initiative for the year, Georgia celebrated its selection by electric vehicle manufacturer Rivian as

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[37] McEarchen, Jennifer. "MEMPHIS REGIONAL MEGASITE LANDS $5.6 BILLION INVESTMENT FROM FORD MOTOR COMPANY AND SK INNOVATION", 27 September 2021. https://tnecd.com/news/memphis-regional-megasite-lands-5-6-billion-investment-from-ford-motor-company-and-sk-innovation/

[38] See, for example,

the location for its new mega project – the largest (in private investment dollars) economic development initiative in the state's history. The project, announced in December of 2021 with construction slated to begin in Summer 2022, will generate 7,500 new jobs and, once the site is operating at full capacity in 2024, will produce up to 400,000 electric vehicles per year.[39]

Table IV below offers a general overview of the incentive types offered by these four sample states, and a comparison to the current initiatives in Oklahoma.

Table IV: Summary Incentive Types for Select States

	Oklahoma	Tennessee	Kentucky	Georgia	Kansas
Basic Jobs Tax Incentives	Quality Jobs Program, 21st Century Quality Jobs Program, Small Employer Quality Jobs Program	Standard Job Tax Credit, with escalators for: enhancement counties, hiring individuals with disabilities, industries providing adventure tourism, small employers	Unemployment Job Tax Credit (hiring unemployed individuals)	Job Tax Credit (limited to select industries), Military Zone Job Tax Credit, Opportunity Zone Job Tax Credit, and Quality Jobs Tax Credit	Promoting Employment Across Kansas (PEAK) Program, High Performance Incentive Program (high paying jobs), Kansas Industrial Training & Retraining Programs
Mega-site Incentives	None, as of 2/15/22	"Super Credit", provides an additional annual incentive in addition to the Standard Job Tax Credit	Mega projects Incentive ($2 billion in capital investment)	Mega project Tax Credit (1,800+ employees or investment of $450 million or more)	Attracting Powerful Ecomic Expansion Act (APEX), passed and signed into law in February 2022
Capital Gain/Investment and all Other Incentives	Capital Gain Deduction Program, Home Office Tax Credit, Clean Burning Fuel Tax Credit	Industrial Machinery Tax Credit, Headquarters Sales Tax Incentive, Community Investment Tax Credit, and Rural Opportunity Fund Credit	Reinvestment Act (Credits for manufacturers who invest at least $2.5 million in new equipment AND maintain employment levels), Business Investment Program (headquarters tax credit)	Capital Investment Tax Credit, Manufacturing Machinery, Clean Room Equipment, and Primary Material Handling Tax Credits, Energy used in Manufacturing Sales Tax Credit	Utility Incentive Programs (discounted energy for manufacturing), Alternative Fuel Tax Credit, Corporate Income Tax Credit, Machinery and Equipment Expensing Deduction

[39] https://www.ajc.com/news/rivian-confirms-ev-factory-thousands-of-jobs-coming-to-georgia/CUH7ZNS5URGODNQG7CEUU2FCVY/

Table V: Nationwide Mega-Site Incentives

State	Program	Incentives	Eligibility Requirements
Arkansas	Super Project Incentives	State may issue bonds to fund a project's infrastructure, limited to 5% of the net general revenues during the most recent fiscal year.	500 new jobs and $500 million in capital investments
Colorado	Transferable Tax Credit	State income tax credit up to 50% of the FICA tax paid by the business per net new job for each calendar year, renewable for up to 8 years.	$100 million in capital investment over ten consecutive income tax years
Georgia	Mega Project Tax Credit	Tax credit of up to $5,250 per job, per year, for up to 5 years	Hire at least 1,800 full-time employees; invest $450 million or have a minimum annual payroll of $150 million; and pay an average wage above specified minimums or show high growth potential
Idaho	Large Business Property Tax Cap	Property tax exemption on all property in excess of $400 million in value per year	$1 billion in capital investments
Idaho	Large Employer Property Tax Cap	Property tax exemption on all property in excess of $800 million in value per year	Employ at least 1,500 employee and make a yearly capital investment of $25 million
Illinois	High Impact Business Incentives	Incentives include: investment tax credits, a state sales tax exemption on building materials, an exemption from sales tax on utilities, and a state sales tax exemption on purchases of personal property used or consumed in a manufacturing process or in the operation of a pollution control facility	$12 million in capital investments and 500 full-time jobs; or $30 million in capital investments with retention of 1,500 jobs
Illinois	Reimagining Electric Vehicles Act	Provides financial incentives and tax credits to eligible manufacturers of electric vehicles, electric vehicle component parts, and electric vehicle power supply equipment. Amends the Illinois Income Tax Act, the Telecommunications Excise Tax Act, the Electricity Excise Tax Law, and the Public Utilities Act to make conforming changes. Amends the Property Tax Code to allow for property tax abatements for certain REV Illinois Project facilities.	$1.5 billion in capital investments and create at least 500 jobs
Kentucky	Mega Projects Incentives	Provides up to $350 million in forgivable state loans and $50 million for worker training for qualifying projects	$2 billion in capital investment
Louisiana	Louisiana Mega Project Development Fund	Provides funding for all or a portion of economic develop "mega projects" to secure creation and retention of jobs	$500 million capital investment or create 500 jobs

Table V: Nationwide Mega-Site Incentives (continued)

State	Program	Incentives	Eligibility Requirements
Maine	Major Business Headquarters Expansion Program	Provides a refundable credit against the tax due for the taxable year in an amount equal to 2% of the certificated applicant's qualified investment, for up to 20 years	$35 million in capital investments; employ at least 5,000 employees worldwide, of which at least 25% are located in Maine
Michigan	Good Jobs for Michigan	Discretionary incentive program which allows for business to retain up to 100% of new employee withholding taxes for a period of up to 10 years. Incentives are tiered based on the number of jobs created.	Create a minimum of 3,000 jobs, and pay at least 100% of the average regional wage
Missouri	Mega Projects Tax Incentives	Provides an income tax credit to a qualifying mega project equal to the "percentage of actual new annual payroll of the taxpayer attributable to employees directly related to the manufacturing and assembly process and administration." The tax credits are issued annually for a period not to exceed 8 years from the commencement of commercial operations of the mega project and the maximum percentage of the annual payroll of the taxpayer for new mega project jobs that can be issued shall not be greater than the following amounts: 80 percent for the first 3 years of tax credits being issued; 60 percent for the next 2 years; 50 percent for the next 2 years; and 30 percent for the last year.	$300 million in capital investments; create 1,000 jobs over an eight-year period; average wage of jobs should exceed county average; and offer health insurance and pay at least 80% of insurance premiums
New Jersey	Aspire Program - Transformative Project	Eligible to received awards up to $250 million or 30% of project costs, up to a total program cap of $2.5 billion	$100 million capital investment, and include renovation or construction of 500,000 square feet of office or industrial space
North Carolina	Job Development Investment Grant	High Yield Project: Annual grant payments of up to 90% of a personal income tax withholding of eligible employees for up to 20 years	High Yield Project: Create at least 1,750 jobs and invest $500 million
		Transformative Project: Annual grant payments of up to 90% of personal income tax withholding of eligible employees for up to 30 years	Transformative Project: Create at least 3,000 jobs and invest at least $1 billion

Table V: Nationwide Mega-Site Incentives (continued)

State	Program	Incentives	Eligibility Requirements
Ohio	Megaproject Incentives	Provides a job creation tax credit with a term up to 30 years; extends the maximum term of local community reinvestment area or enterprise zone property tax exemptions from 15 to 30 years for "mega-sites"; and provides a commercial activity tax exclusion for gross receipts of a "megaproject supplier" from sales to a "megaproject operator"	$1 billion in fixed-asset investments, or the Megaproject Operator creates and maintains at least $75 million in Ohio employee payroll; project must provide unique sites, extremely robust utility service, and a technically skilled workforce; and project employees must be compensated at an average hourly wage of at least 300% of the federal minimum wage
Oregon	Strategic Investment Program Property Tax Abatement	Provides for 15-year abatement on real property taxes levied on the portion of the investment above the threshold amounts	Capital investment of $25 million in a rural area or $100 million elsewhere
Tennessee	Super Job Tax Credit	Provides a $5,000 per job tax credit	$100 million capital investment or create 100 new jobs and pay employees at least 100% of TN's average occupational wage
Texas	Texas Enterprise Zone Program	Establishes a state sale and use tax refund program designed to encourage private investment and job creation in economically distressed areas of Texas	
		Enterprise Project: $1,250,000	Enterprise Project: $5 - $149 million in capital investments, create 500 jobs
		Double Jumbo: $2,500,000	Double Jumbo Project: $150 -$249 million in capital investments; create 500 jobs
		Triple Jumbo: $3,750,000	Triple Jumbo Project: $250 million or more in capital investments; and create 500 Jobs
Virginia	Major Eligible Employers Grant	Program offers cash grants up to $25 million to qualified applicants. Grants are paid in five to seven equal annual installments beginning in the third year after the capital investment and job creation or retention are achieved. There are no restrictions on the expenditure of grant proceeds.	$100 million in capital investments and create 1,000 jobs

Table V highlights the current state of mega-site incentives, nationwide, illustrating the need for an additional layer to be added to Oklahoma's Quality Jobs family of incentives specifically aimed at mega projects. Oklahoma's existing incentives do not approach the magnitude of benefits offered to mega-site employers by other states, but do provide a high-quality structure that can be expanded upon.

Recommendations for Oklahoma

A few years ago, Oklahoma was in a fine position. The state has a time-tested, well-managed, financially viable economic development tool in the Quality Jobs family of tax incentives on which it can build as it seeks out the tech-heavy mega projects of the new economy. Unlike some other states, Oklahoma has done the hard work over years of developing robust performance and accountability mechanisms.

But the marketplace for the most valuable investments is evolving quickly. Fast action is needed to ensure Oklahoma maintains a strong competitive position and does not fall behind as other states improve their incentives programs to attract the largest job-creating investment projects.

Oklahoma lawmakers should consider supplementing successful existing Quality Jobs and tax credit programs with an additional layer of incentives capable of attracting the truly transformational mega projects described in this paper. Specifically, we recommend the state consider the following targeted steps:

1. Raise the Quality Jobs payroll tax rebate rate to at least 10 percent for select large projects (at least 1,000 jobs statewide, with lower thresholds for smaller population rural counties) in order to be competitive with other states' mega project incentives.
2. Increase existing tax credits (Investment and New Jobs tax credits) to at least 3 percent to be more competitive with other states, including by making the credits fully refundable;
3. Allow companies heavily investing in Oklahoma to benefit from both Quality Jobs and Investment and New Jobs tax credit incentives; and
4. Work closely with local officials to coordinate and expand competitive site-specific incentive packages, with both the state and appropriate local government body exercising their respective authorities and latitudes over their full inventories of incentive options to maximize the total value of a complete package in innovative and new ways.

More broadly, Oklahoma can learn from the best practices[40] of states that have recently secured mega project investments. These examples provide important takeaways with regard to successful economic development programs:

- Success is achieved through **intentional strategic planning** efforts. Well-designed financial incentive programs have **clear goals** and objectives, are **measurable**, and include **accountability** measures.
- State governments that are **flexible** and can meet the specific needs of a business are more competitive than states with less freedom to be creative.
- "Best Practice" economic development incentive programs focus on **industry-specific targets**. Successful governments understand current assets and strengths, understand **emerging industries**, and focus their efforts on businesses that are **net exporters** or **high growth**.
- Successful state incentive programs are **easy to navigate, administer and comply with**. State governments and economic development organizations that take a "customer service approach" will win more in the competitive economic development game.

[40] Best Practices for the Design and Evaluation of State Tax Incentive Programs for Economic Development, Matthew N. Murray, Ph.D. Donald J. Bruce, Ph.D., January 2017

In summary, these proposals will help ensure Oklahoma's competitive position in mega project economic development. By engaging in these conversations and legislative reviews on a regular basis, the state can remain nimble and ensure it remains competitive, regardless the future changes in the economic development incentive environment.

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