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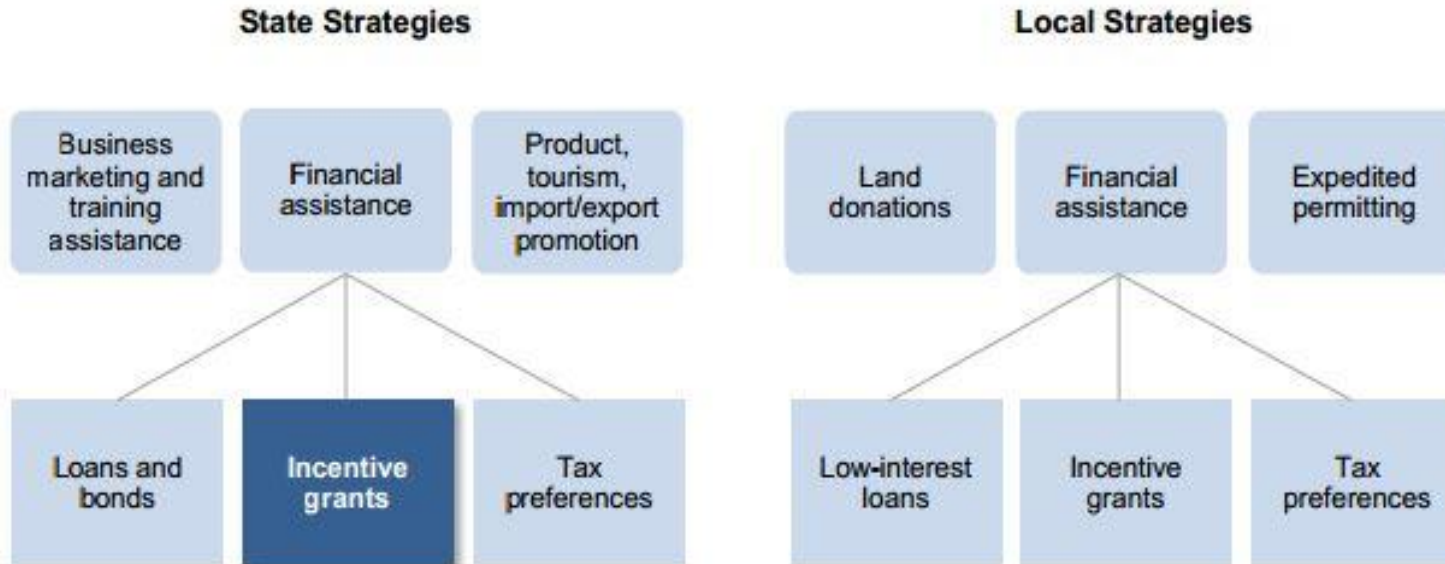
The Business Incentives Initiative: Improving Economic Development

Parry Carter and Jeff Chapman

January 29, 2015

State economic development strategies include...

Figure 1: State Incentive Grants Are One of Many Types of Economic Development Strategies Used in Virginia and Other States



Note: Does not include all economic development strategies in Virginia.

Source: JLARC staff analysis of the research literature.

Incentive policy is important because...

- Incentives are states' leading tool to create jobs and economic growth.
- They have a major fiscal impact.
- The details matter.

Economic development incentives differ based on...

- How they are targeted
- How they are administered
- How they affect the state budget

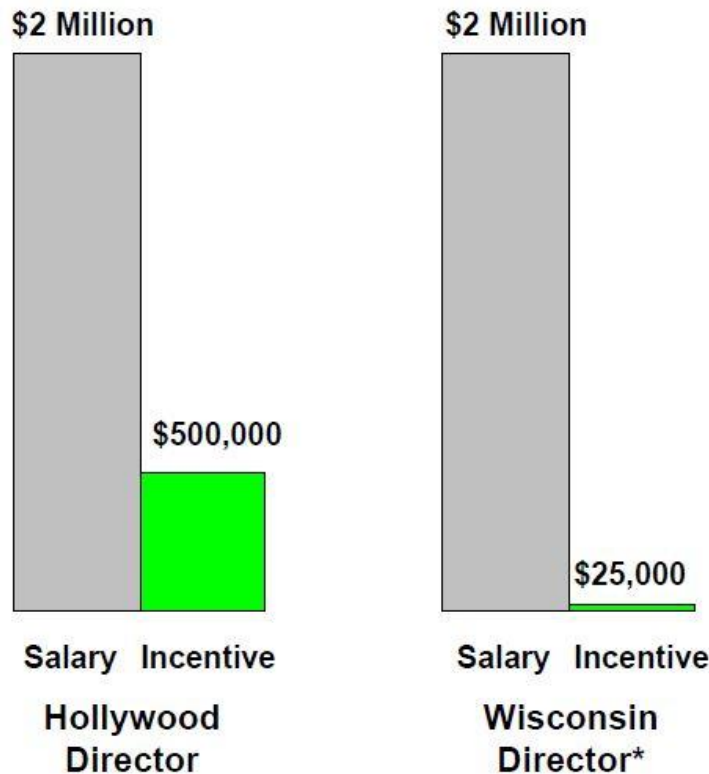
The details matter...



From a Wisconsin Department of Commerce report:

Flaw #2: The Program Is Biased Toward Out-of-State Labor

MAXIMUM INCENTIVE EARNED ON A \$2 MILLION SALARY



A film can get
20 times more
by importing a
Hollywood
Director instead
of hiring a
Wisconsin
resident

Policymakers need...



- Data on the economic and fiscal results of incentives
- Insights on how incentives can be administered more efficiently
- Recommendations for improving the effectiveness of incentives

Business Incentives Initiative



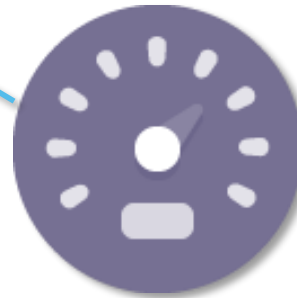
Six Participating States:

- Indiana
- Maryland
- Michigan
- Tennessee
- Oklahoma
- Virginia

Three themes



1. Data collection
and management



2. Analyzing data
for decision-making



3. Accountability
& transparency



Initiative timeline



**May to Aug.
2014**

Identify strengths and opportunities

**Sept. to Dec.
2014**

Develop policy solutions

**Jan. to June
2015**

Implement reforms

**June to Dec.
2015**

Publish best practices manual

Stakeholders

- Legislators
- Governor's Office
- Statewide Elected Officials
- Agency Personnel
- Chambers of Commerce
- Business Leaders
- Think Tanks

Oklahoma opportunities

- Comprehensive evaluations
- Define incentive goals
- Gather more data on incentive outcomes
- Improve revenue forecasting

Key questions for designing an evaluation plan



- What programs should be reviewed?
- What schedule should be used?
- Who will be responsible for collecting data and conducting the analysis?

What programs?

- All economic development tax incentives
- All economic development incentives (cash and tax)
- All tax credits, exemptions, and deductions

Evaluation schedules can be designed to...

- Ensure all incentives are reviewed regularly
- Focus on a limited group of incentives each year
- Review incentives with similar goals at the same time

Who should evaluate?

RECOMMENDATIONS

The Nebraska Department of Revenue has no recommendations.

To evaluate tax incentives well, you need...



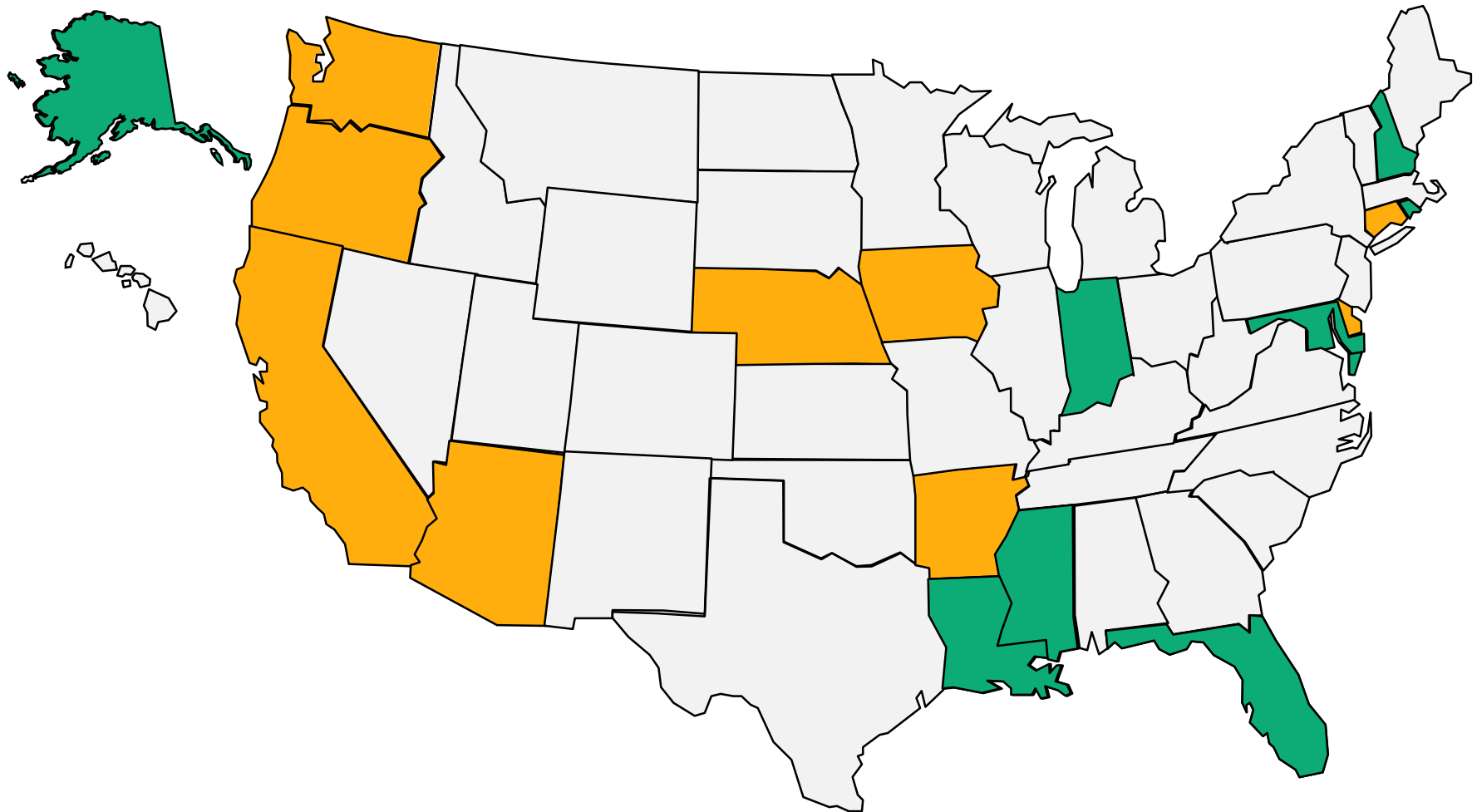
- An impartial, non-partisan perspective
- Experience at economic analysis or program evaluation
- A willingness to draw policy conclusions
- Collaboration across government

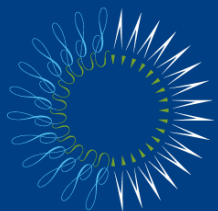
Evaluations can...



- Provide independent evidence that incentives are working well
- Point to ways incentives can work better for businesses
- Help lawmakers improve the effectiveness of programs

States regularly evaluating incentives:





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