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# Improving States' Fiscal Health

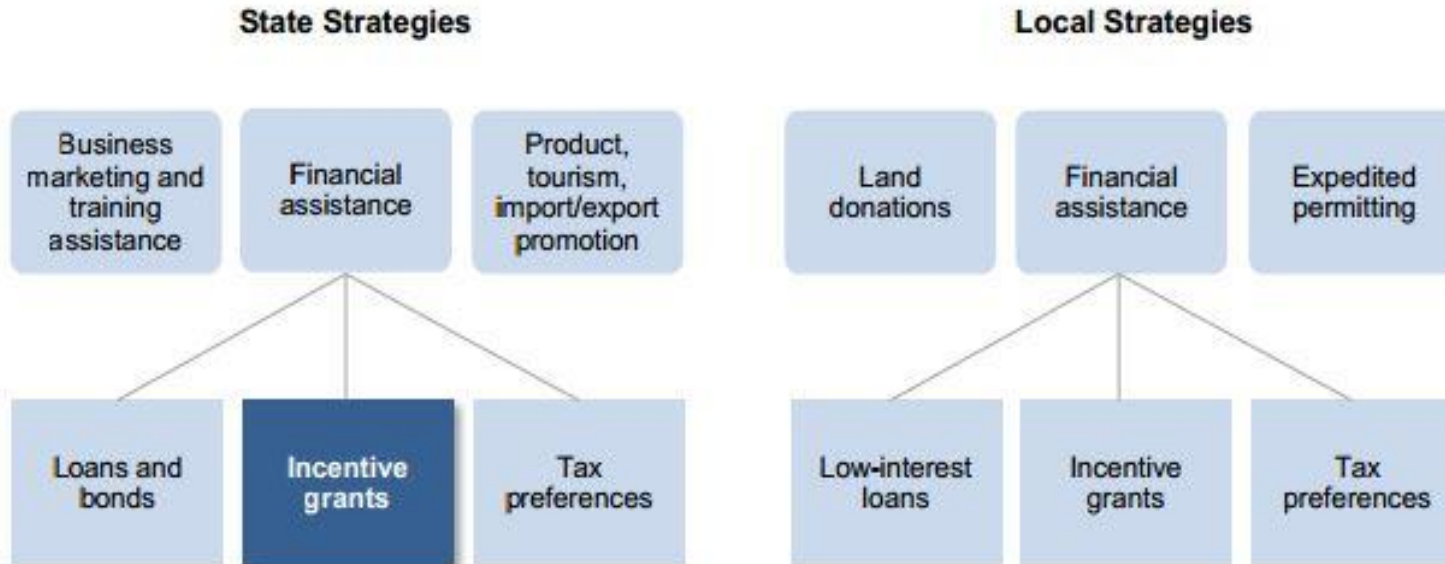
## Evaluating Business Incentives

**Parry Carter**

September 14, 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
- Administration matters

# Economic development incentives differ based on...



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

# 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

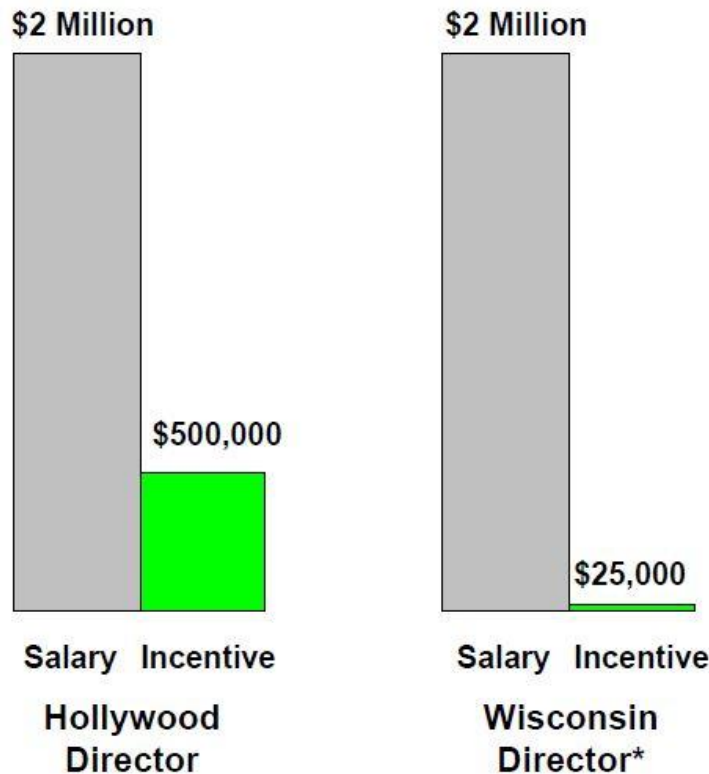
# The details matter...



## Evaluation of Wisconsin's Film Tax Credit:

### 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

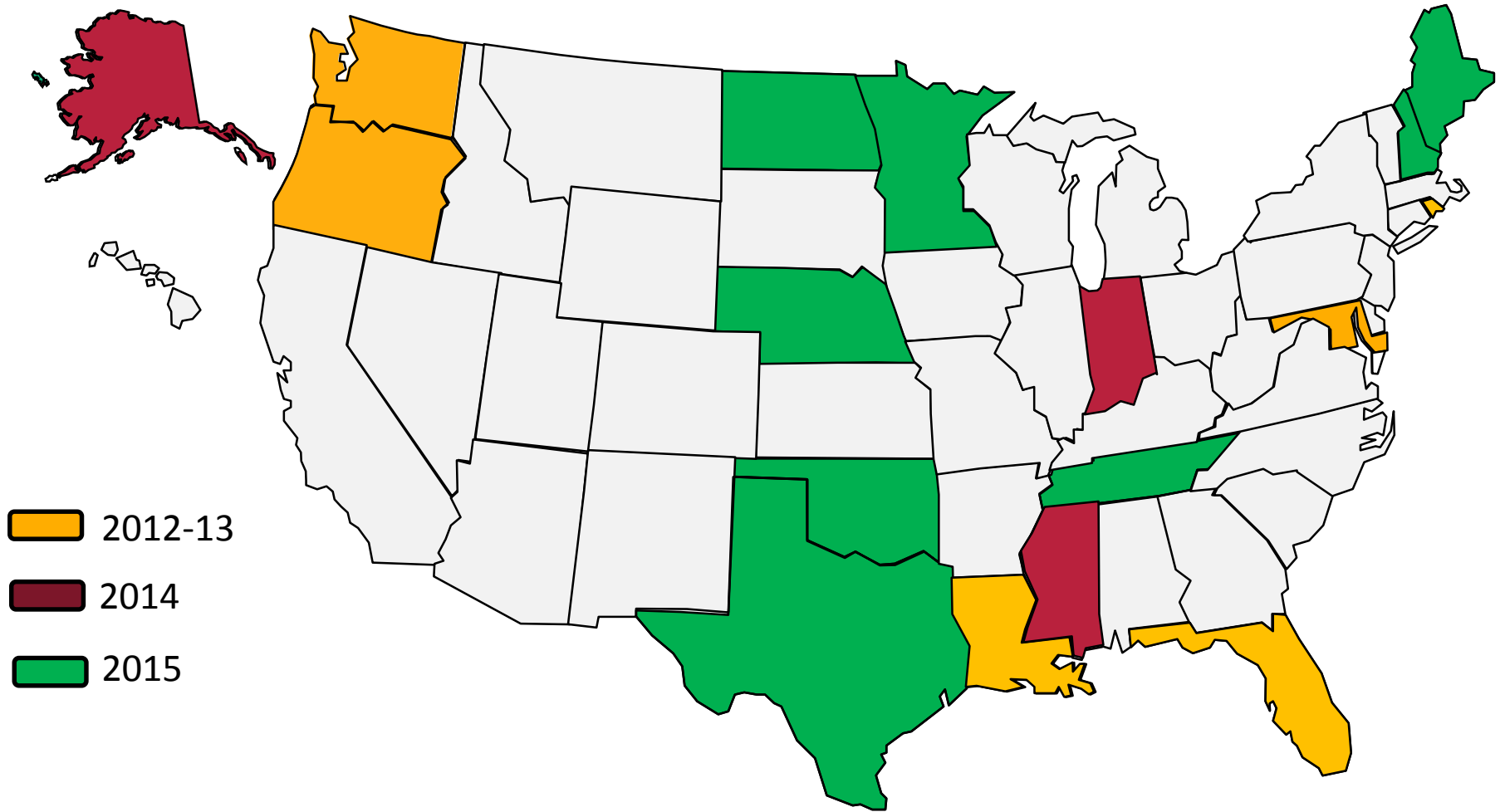
Source: WI Dept. of Commerce

# 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

# Recent incentive evaluation momentum

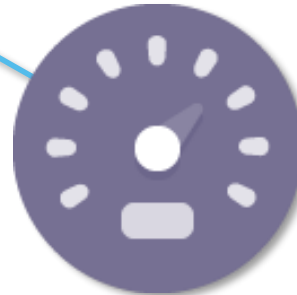




# Business Incentives Initiative



1. Data collection  
and management



2. Analyzing data  
for decision-making

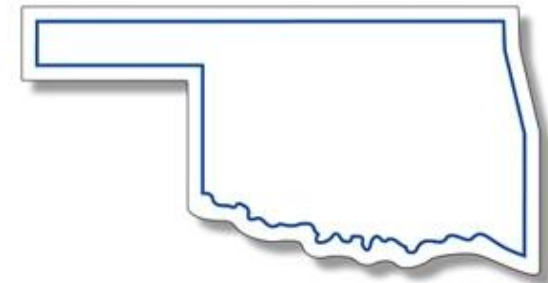


3. Accountability  
& transparency

# Building consensus in Oklahoma



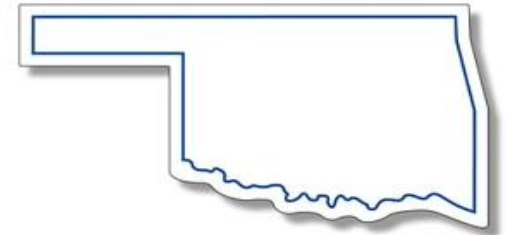
- Legislators
- Governor's Office
- Statewide Elected Officials
- Agency Personnel
- Chambers of Commerce
- Business Leaders
- Think Tanks



# Oklahoma's new evaluation law



- Creates a state commission
- Studies programs every four years
- Attaches goals to existing and new incentives
- Connects the process to policy makers



# To evaluate tax incentives well, you need...



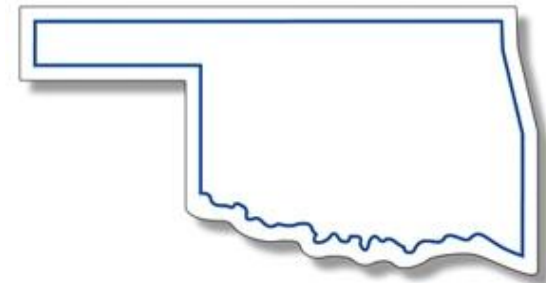
- An impartial, non-partisan perspective
- Experience with economic analysis or program evaluation
- A willingness to draw policy conclusions
- Collaboration across government

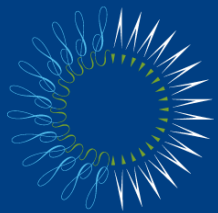
# Oklahoma's Experience



● Speaker Jeffrey Hickman, Oklahoma House Of Representatives

● Secretary Preston Doerflinger, Secretary and Director of Finance, Administration and Information Technology





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