How States Are Improving Tax Incentives for Jobs and Growth
A national assessment of evaluation practices

Oklahoma

Key points:

- Oklahoma is leading other states because it has a well-designed plan to regularly evaluate tax incentives, experience in producing quality evaluations that rigorously measure economic impact, and a process for informing policy choices.
- By creating the Incentive Evaluation Commission, Oklahoma has ensured that a range of perspectives are represented in the review process.
- The first round of evaluations, published in 2016, included thoughtful analysis of 11 incentives that collectively cost $110 million.

Year enacted: 2015.

Who evaluates: Private consultants.

Length of review cycle: Four years.

For years, Oklahoma lawmakers have disagreed sharply on incentive policy. Some view incentives as an essential tool for attracting businesses while others regard the programs as wasteful government overreach. In 2015, though, supporters and skeptics of incentives were able to agree on a key principle: The state needed better information. The result was legislation that requires evaluation of economic development incentives on a four-year rotating cycle.

The law created the Incentive Evaluation Commission to oversee the process. The commission determines which incentives will be evaluated each year and identifies their goals and what criteria to use to determine their success. Then, the commission can contract with academic institutions or private consultants to analyze each incentive. Finally, the commission makes policy recommendations to lawmakers.

A strength of the commission is the range of perspectives that are represented. The voting members are private citizens who are appointed by the governor, legislative leaders, and nongovernmental organizations such as the Oklahoma Economic Development Council. Three executive branch officials, including two who are responsible for administering incentives and one with general budget and policymaking responsibility, serve as nonvoting members.

In the first year of evaluations, 2016, the commission selected 11 incentives for review that collectively cost
$110 million. To study the programs, it hired a consulting firm using a request for proposal process. This approach resulted in detailed evaluations with thoughtful discussions of each incentive. One strength of the evaluations was their assessments of whether each incentive has adequate protections to ensure that its costs do not increase quickly and unexpectedly—a particularly relevant consideration for Oklahoma, which has faced budget challenges in recent years because of certain incentives.

The evaluations also presented clear, well-supported policy options. In some cases they proposed wholesale overhauls of incentives, while in others they suggested more subtle changes, such as collecting better data. Even if those recommendations do not end all disagreements over incentives, they should provide a common starting point for discussions of how Oklahoma can strengthen its economy most effectively.

References


For further information, please visit: pewtrusts.org/taxincentives