Roundtable on Evaluating Economic Development Tax Incentives

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Outline

• Disclaimer: The start of our evaluation of the economic development programs is scheduled for summer 2020, so much of this is hypothetical.

• But we have a plan 😊

• We also have examples from the previous audits of how some things might work.
Our Plan

• Legislators will define the schedule of what programs are evaluated.
• LPA has a lot of flexibility of the methods for evaluating the program.
• We plan to combine data analysis and traditional performance auditing.
• If there is no data – make recommendations on what needs to be collected and still do some type of performance auditing.
• If data is there – great, but even with data-based analysis it makes sense to do performance audit part.
Data analysis

If we have enough data:
(In addition to things like calculating the return on investment)
• Look at opportunity costs
• Difference in difference
Difference in difference

Before policy

After policy

2013 2014 2015 2016 2017 2018

Control  Treatment
Or...

- Treatment and control
- Before - after
- Trends controlling for other factors
No data analysis

• Example 1 – **EDIF audit**:
Legislators requested to evaluate:
1. Are the programs that receive EDIF funding consistent with the intended use of the fund?
2. Does the state’s process to distribute EDIF funding follow best practices?

• Example 2– **JCDF audit**:
Legislators requested to evaluate:
1. Is the Department of Commerce’s Process to Administer and Distribute Job Creation Program Funds Transparent and Effective?
No data analysis

- Best practices and current process
  - Both EDIF and JCDF processes didn’t follow best practices
- Review of state law
  - Statute didn’t define a number of things for EDIF
- Compare to other similar programs
  - EDIF practices compared to Children Initiative Fund
- Compare to other states