ImagiNE Nebraska

DATA PREAUDIT

ANTHONY CIRCO
NEBRASKA LEGISLATIVE AUDIT OFFICE

WHY

HOW

RECOMMENDATIONS

RECEPTION

WHY

- ImagiNE Nebraska Act passed in 2020 – Replaced Nebraska Advantage Act
- Two data bills on previous incentive. Some new data included, but is it enough?
- Never enough data for what you want to do
- Opportunity to influence what data is collected early in a program’s life

HOW

- Simulate planning for our ideal evaluation
- Review all potential sources of metrics/questions to answer including:
  - Legislative Audit Act
  - LR 444 Report (Interim study 2015)
  - Goals Written Into the Act
  - Legislative History - Supporters' testable claims

Goal Category	Source	Metric	Participant Data Required
Local Fiscal Impact	Audit Act/LR444	Impact on budgets of local governments	Local Sales tax refunds, Property tax exemptions, Property valuations/levys, Tax District, project addresses/parcels
Local Fiscal Impact	Supporters' Claims	Growth to reduce property tax burden	New Jobs, Property tax payments, Tax District, project addresses/parcels
Local Fiscal Impact	Supporters' Claims	Increased property values reduce stress on city sales tax	Local sales tax refunds, Property valuations/levys, Tax District, project addresses/parcels
Local Fiscal Impact	Supporters' Claims	Capital investment helps with prop taxes	Investment amounts, property valuations/levys, tax district, project address/parcels
Local Fiscal Impact	Supporters' Claims	Gothenburg lowered their levy because of incentivized company	Investment amounts, property valuations/levys, tax district, project address/parcels

RECOMMENDATIONS

- “But-for”
- Investment
- Property Valuation
- Jobs (2 recommendations)
- Workforce Development

REC. – “But-for”

Companies Should Answer two questions related to location decisionmaking

1. Were sites outside of the state seriously considered for location or expansion?
2. Were incentives for this activity offered by other states or considered by the company?

REC. – Investment

COMPANY CREATED "CHART OF ACCOUNTS" ORGANIZED AS THEY SEE FIT, CAN REPORT ITEMS AS PART NUMBERS

Cat: 12230-000-000-10
Mitsubishi 299P335010

Computer Fan

Cat: 199400 1436
Mitsubishi LT-XL51R385

Tire Curing Press

Cat: 370-00010
Mitsubishi LE-7A

Stage 1 Rocket Engine

REC. – Investment

Companies should report investments by IRS asset class designations (IRS Pub. 946)

Item	IRS Cat.	Amt.
Mitsubishi 299P335010	00.11	$2,000
Mitsubishi LT-XL51R385	30.1	$20,000
Mitsubishi LE-7A	37.2	$300,000

REC. – Property Valuation

Companies should provide the most recent parcel valuations and levy rates when they apply

Jackson St. Books, Omaha

Douglas County, Nebraska Property Record - R1919880500	
Information is valid as of 2022-10-21	Print Report Treasurer's Tax Report Great Feature → → → Subdivision Sales Search

Taxpayer

MERTZ MERCER VERA

C/O MERCER MANAGEMENT CO
511 S 11 ST
OMAHA NE 68102-0000

Property Information

Key Number:	1988 0500 19
Account Type:	Commercial
Parcel Number:	1919880500
Parcel Address:	1101 JACKSON ST 101 OMAHA NE 68102-0000
Abbreviated Legal Description:	1101 JACKSON CONDO PROP REG 2 AMEND LOT 1 BLOCK 0 16.700%

Value Information

	Land	*Improvement*	*Total*
2022	$110,500	$2,699,700	$2,810,200
2021	$110,500	$2,699,700	$2,810,200
2020	$110,500	$959,600	$1,070,100
2019	$110,500	$959,600	$1,070,100
2018	$110,500	$959,600	$1,070,100
2017	$110,500	$959,600	$1,070,100

Show All Transactions

Susan's Books and Gifts, Aurora

10/25/2022 Hamilton County Assessor gWorks

Parcel Information	
Parcel ID:	410045063
Map Number	
State Geo Code	3445-00-0-10125-017-0590
Cadastral #	A-5
Images	Photo #1 Photo #2 Photo #3 Photo #4 Photo #5 Site Plan #1
Current Owner:	WILLIAMS, SUSAN K ETVIR 1124 13TH ST AURORA, NE 68818
Situs Address:	1124 13TH STREET AURORA
Tax District:	5
School District:	AURORA 4R SCH, 41-0504
Account Type:	Commercial
Legal Description:	4 10 6 LOTS 4 & 5 BLK 17 AURORA ORG TWN 2 LOTS (D/B/A SUSAN'S BOOKS, GIFTS, CANDY & TOYSHOP)
Lot Width:	44.00
Lot Depth:	120.00
Total Lot Size:	5280.00 sq ft

Assessed Values

Year	Total	Land	Outbuilding	Dwelling
2022	$88,500	$10,560	$77,940	$0
2021	$63,500	$8,980	$54,520	$0

Yearly Tax Information

Year	Amount	Levy

2021 Tax Levy

Description	Rate

REC. – JOBS (1)

Companies should report incentivized employee occupations using BLS Standard Occupational Classification Designations

REC. – JOBS (1)

STATE OF NEBRASKA
DEPARTMENT OF LABOR
UNEMPLOYMENT INSURANCE
P O BOX 94600
LINCOLN NEBRASKA 68509-4600
PHONE 402.471.9898 / FAX 402.471.9994

WAGE REPORT UI - 11W

File at dol.nebraska.gov/UIConnect

YR	QTR

Employer Tax Account No.

Federal I. D. No.

Page ______ of ______

Report gross quarterly wages paid to each worker.
INCLUDE 401K plan. DOES NOT include Section 125 Cafeteria plan. * Required (NAC. 221 Chapt. 2)

THIS DOCUMENT MUST BE FILED WITH THE COMBINED TAX REPORT - UI-11T

Reporting of the total number of hours paid (regular, vacation & sick rounded down to four whole numbers) and the primary job title for each worker is **OPTIONAL**.

* Social Security Number			* Worker Name	* Gross wages paid each covered worker in this quarter		Hours Paid in this quarter	Primary Job Title
000	00	0000	Last Name, 1st Initial, 2nd Initial	Dollars	Cents	0000	Ex: Office Support, Cashier, Manager
			Total of This Page				
			Total of All Pages			Total of all pages reported must equal Line 2 (Gross Wages) on the Combined Tax Report - UI-11T.	

* Print Preparer's Name	* Email Address	* Phone	* Date

Form UI11W Rev.04-16-2018

REC. – JOBS (2)

Companies should report where recruited employees were living when the credit eligible recruitment activities occurred

REC. – Workforce Dev.

Companies should report the type of training provided to employees when using tax credits to reimburse training expenses, as is required for the workforce training loan program

RECEPTION - LB 1150

- ~~"But-for"~~
- ~~Investment~~
- Property Valuation
- ~~Jobs (Occupations)~~
- Jobs (Recruited Location)
- Workforce Development

Pennsylvania Brewers' Tax Credit

November 3, 2022

IFO Independent Fiscal Office

PA Tax Credit Review Process

Required by statute: 4-5 tax credit reviews published each January

5-year rotating cycle, currently in year 5

Office makes 2 types of recommendations to improve effectiveness

- Only time we make recommendations
- Specific: credit levels, reporting requirements, administration
- General: what are you trying to accomplish? | is this the best approach?

Some success over past 4 years

- 2 credits eliminated: Jobs Creation and Mobile Telecom Broadband Investment
- 3 tax credits modified (e.g., annual cap increased)

Brewer's Tax Credit: How it Works

Goal: Encourage malt-brewed beverage manufacturing location/expansion

Credit equal to qualifying capital expenditures placed in service during year

- Used for manufacture or sale of malt and brewed beverages
- Dollar-for-dollar | limit is $200k per brewer | NO size or production limit

Annual credit cap = $5 million | applied to malt beverage tax liability

- Tax generates ~$23 million per annum
- Tax rate = $2.48 per barrel | 8 cents per gallon | 1 cent per pint
- Rate same since 1947 | inflation adjusted = $32.12 per barrel

Credits must be used within 4 years or they expire

- Significant constraint for small brewers | discourages participation
- Credits cannot be sold or transferred

Number of US Craft Beer Brewers Surges

	2010	2015	2019	2021
Regional Craft Brewers	81	178	240	223
Microbrewers	620	2,684	1,917	1,886
Tap Rooms	--	--	3,091	3,708
Brew Pubs	1,057	1,941	3,171	3,307
Total	**1,758**	**4,803**	**8,419**	**9,124**
Large/Non-Craft Brewer:	--	44	111	129

Source: Brewers Association for Small and Independent Craft Brewers.

Regional Brewer: annual production from 15k to 6 million barrels

Microbrewer: produce <15k barrels per year >75% sales is off-site

Taproom: sells >25% beer on site no significant food sales

Brew Pub: sells >25% beer on site has significant food sales

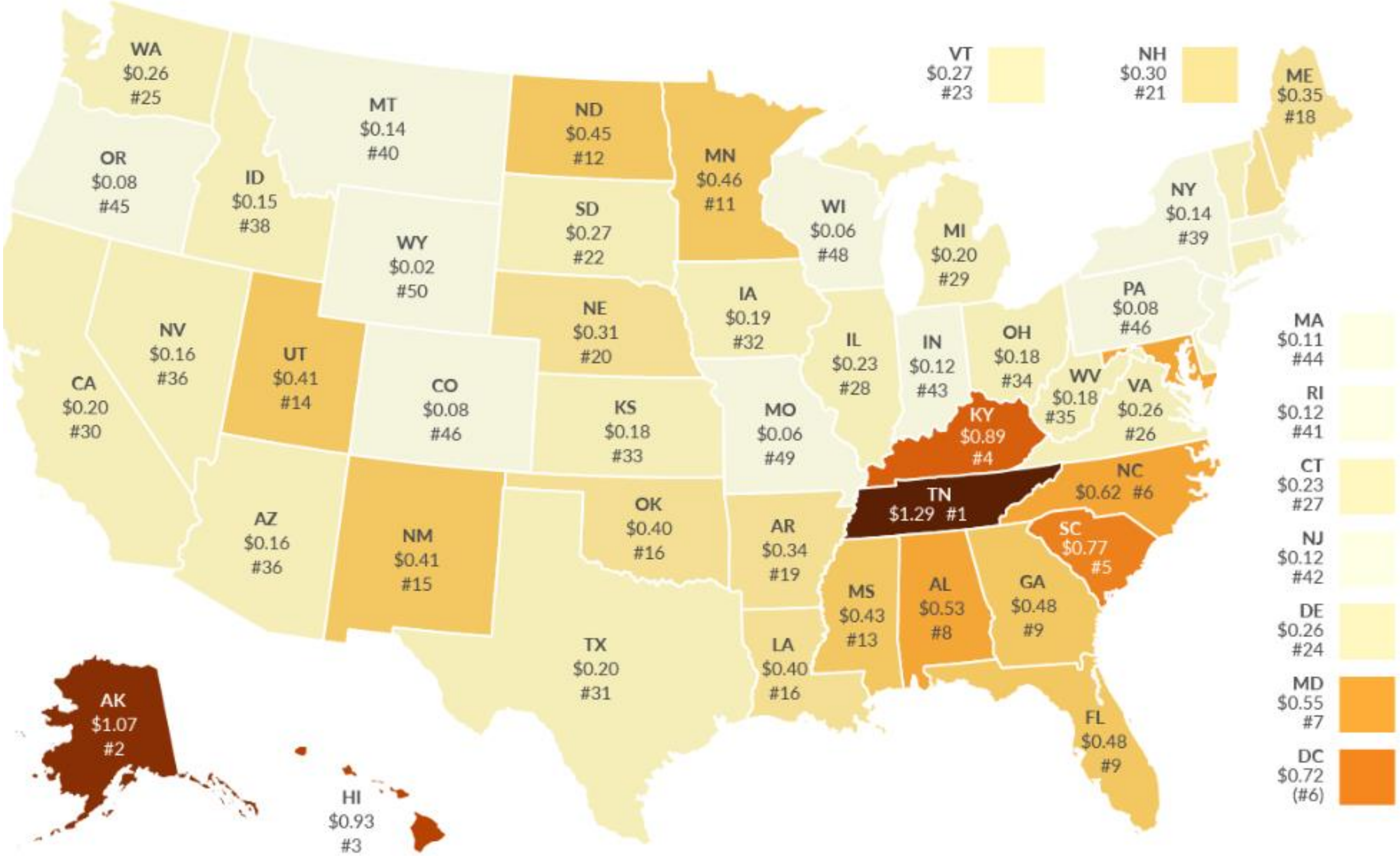
PA Craft Beer Production Dominates Regional Competition (2021)

	Pennsylvania		New York		New Jersey		Maryland		Ohio	
	#	Rank	#	Rank	#	Rank	#	Rank	#	Rank
Number Craft Brewers	486	2	485	3	141	21	125	24	365	9
per 100k adults	5.0	16	3.2	30	2.0	45	2.7	35	4.2	24
Barrels Produced (000s)	3,245	2	1,309	4	214	27	288	23	1,287	5
gallons per adult	10.3	4	2.7	23	1.0	46	2.0	31	4.6	13

Note: Annual impacts. Adults are age 21 or older.

Source: Brewers Association for Small and Independent Craft Brewers.

State Beer Excise Tax - Dollars per Gallon



PA excise tax very low
Only MO, WI, WY lower
CO and OR same rate

PA use tax collected
on beverages sold
to consumers
tax base = 25% of
retail purchase price
6.0% * 25% = 1.5%

43 states also
levy general sales tax

Source: Tax Foundation

Brewer's Tax Credit - Applications and Awards

Table 2.1
Brewers' Tax Credit Program

	2017	2018	2019	2020
Approved Applicants	24	50	29	28
Authorized[1]	$2.7	$7.0	$3.1	$11.3
Awarded[2]	$1.9	$4.9	$2.6	$2.1
Average Award	$78,030	$98,520	$91,120	$76,000
Exclude Max Out	$53,630	$59,050	$62,720	$49,050

Note: Dollars in millions, except for Average Award. Exclude Max Out excludes firms claiming max credit.
1 Credit authorized by DOR based on validated expenditures.
2 Credit awarded by DOR after the application of the individual and program caps.
Source: Pennsylvania Department of Revenue.

surge in 2018 then drop off
small brewers cannot use credits

plenty of room
under $5m ceiling

best measure of avg tax credit
excludes large brewers where
tax credit is a windfall

equal to average
qualifying investment

Half of Tax Credit Likely a Windfall to Large Brewers

Table 2.2
Brewers' Tax Credit by Credit Award

	2019		2020	
	#	**Amount**	**#**	**Amount**
$200k	6	$1.20	5	$1.00
$100k to $199k	5	0.79	4	0.57
$50k to $99k	5	0.38	5	0.35
$10k to $49k	9	0.25	6	0.17
<$10k	4	0.02	8	0.04
Total	**29**	**2.64**	**28**	**2.13**

Note: Dollars in millions.
Source: Pennsylvania Department of Revenue.

same large brewers claim $200k every year

generally able to use within 4 year lifetime

most tax credits will never be used

More Than Half of Tax Credits Will Expire Unused

Table 2.4
Ability to Claim Tax Credit Awards

	2018	2019	2020
All Awards			
Number	50	29	28
Amount	$4.9	$2.6	$2.1
Able to Use Same Year			
Number	7	6	7
Amount	$1.1	$1.0	$0.8
Able to Use in 2-4 Years			
Number	8	6	6
Amount	$0.5	$0.4	$0.3
More Than 4 Years			
Number	35	17	15
Amount	$3.4	$1.3	$0.9

Note: Dollars in millions.
Source: Pennsylvania Department of Revenue.

underutilized
495 independent craft brewers
511 total brewers

large brewers investing far
more than $200k each year

very small start up brewers
cannot generate enough
malt beverage tax liability
to use within window

Recommendations

Limit tax credit to small and very small brewers using annual production

- Clear windfall to large brewers | does not impact location/expansion decisions
- Should it be tied to qualifying investment (which is "lumpy")?
- What is best method to improve cash flow for start-up firms?

Base tax credit on something other than malt beverage excise tax

- Insufficient tax liability to provide a meaningful subsidy
- 1,000 barrels @ $2.48 = $2,480 tax credit

Limit consecutive number of years that can be claimed

- Should not be an on-going subsidy
- Many small brewers continue to claim every year even though they cannot use it

Questions?

Presentation posted on the IFO website

http://www.ifo.state.pa.us

Follow the IFO on Twitter

@ind_fisc_office

Study on Effectiveness of Vermont Incentive Programs in Attracting New Workers

Presented by:
Deanna Kimball
PFM Group Consulting LLC

November 3, 2022

Vermont’s Worker-Focused Incentive Programs

New Remote Worker Grant Program	New Worker Relocation Incentive Program	New Relocating Employee Incentive Program
• **Established**: 2018	• **Established**: 2019	• **Established**: 2021
• **Focus**: Remote workers	• **Focus**: Relocating workers	• **Focus**: Remote and relocating workers
• **Budget**: $500,000	• **Budget**: $670,000	• **Budget**: $480,000 for relocation; $130,000 for remote
• **Awards**: Up to $10,000	• **Awards**: Base up to $5,000; enhanced up to $7,500	• **Awards**: Base up to $5,000; enhanced up to $7,500

Evaluation Criteria

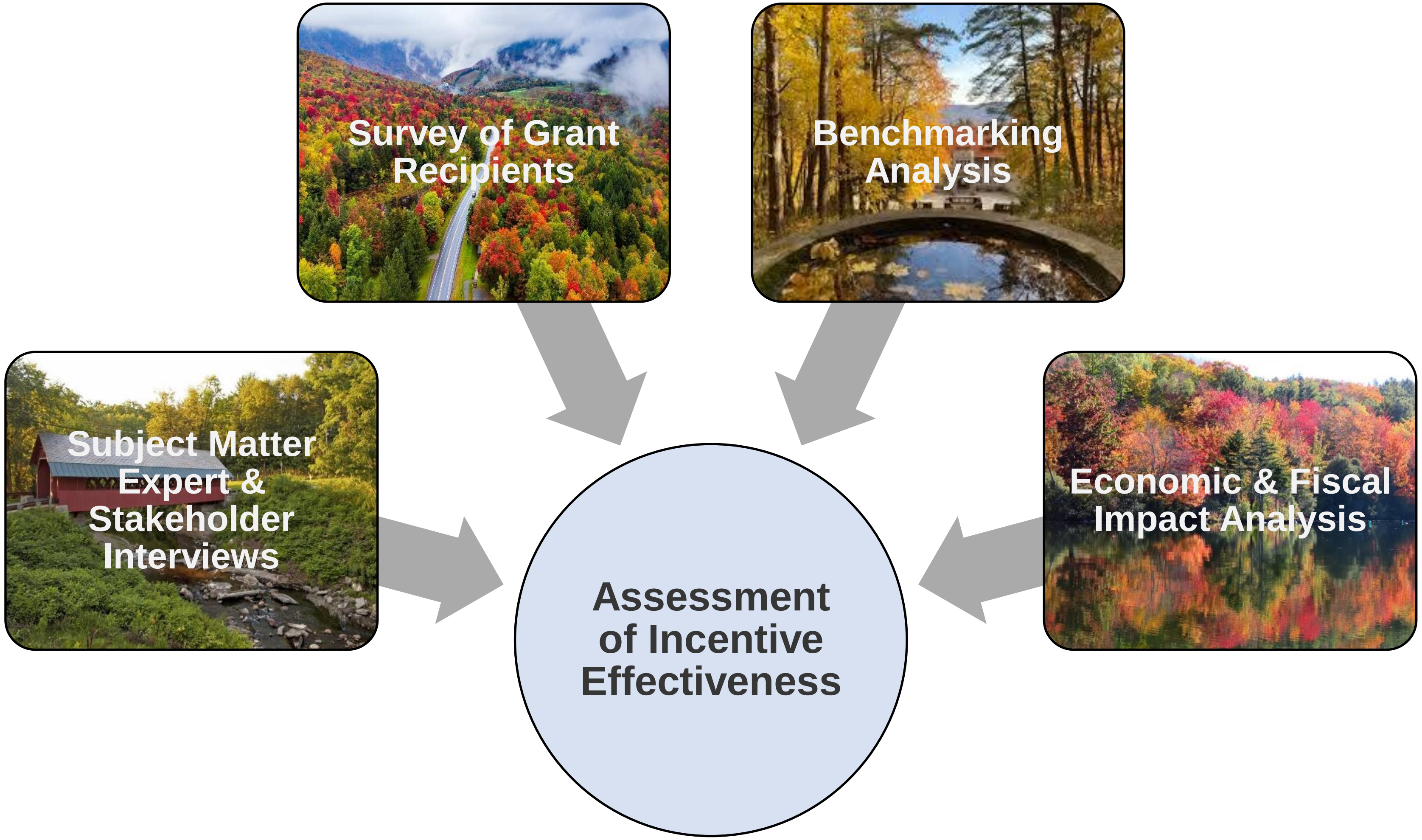
Structural Effectiveness

- Are particular incentive structures more likely to influence decisions to relocate? If so, which are most cost effective?
- Can programs be better structured to incentivize relocating individuals to move to economically disadvantaged parts of the state?
- Should certain compensable expenses be reimbursable to the state? Should grants be contingent upon a particular duration of residence?

Fiscal & Economic Impacts

- Were recipients' decisions to move to Vermont materially influenced or caused by the grant programs?
- Does credible evidence exist regarding benefits of similar programs in other jurisdictions?
- What is the scope of net gains to the Vermont economy?
- What is the ROI to the state, whether through direct tax payments or other indirect financial benefits?

Key Study Activities



Incentive Structure: Findings and Recommendations

Are particular incentive structures more likely to influence decisions to relocate? If so, which are most cost effective?

- Incentives are most effective when part of holistic economic development strategies that take multiple factors into account and work with other initiatives to address them.

Can programs be better structured to incentivize relocating individuals to move to economically disadvantaged parts of the state?

- An incentive may be more successful if structured to work in concert with other efforts to address challenges associated with living and working in economically disadvantaged areas.

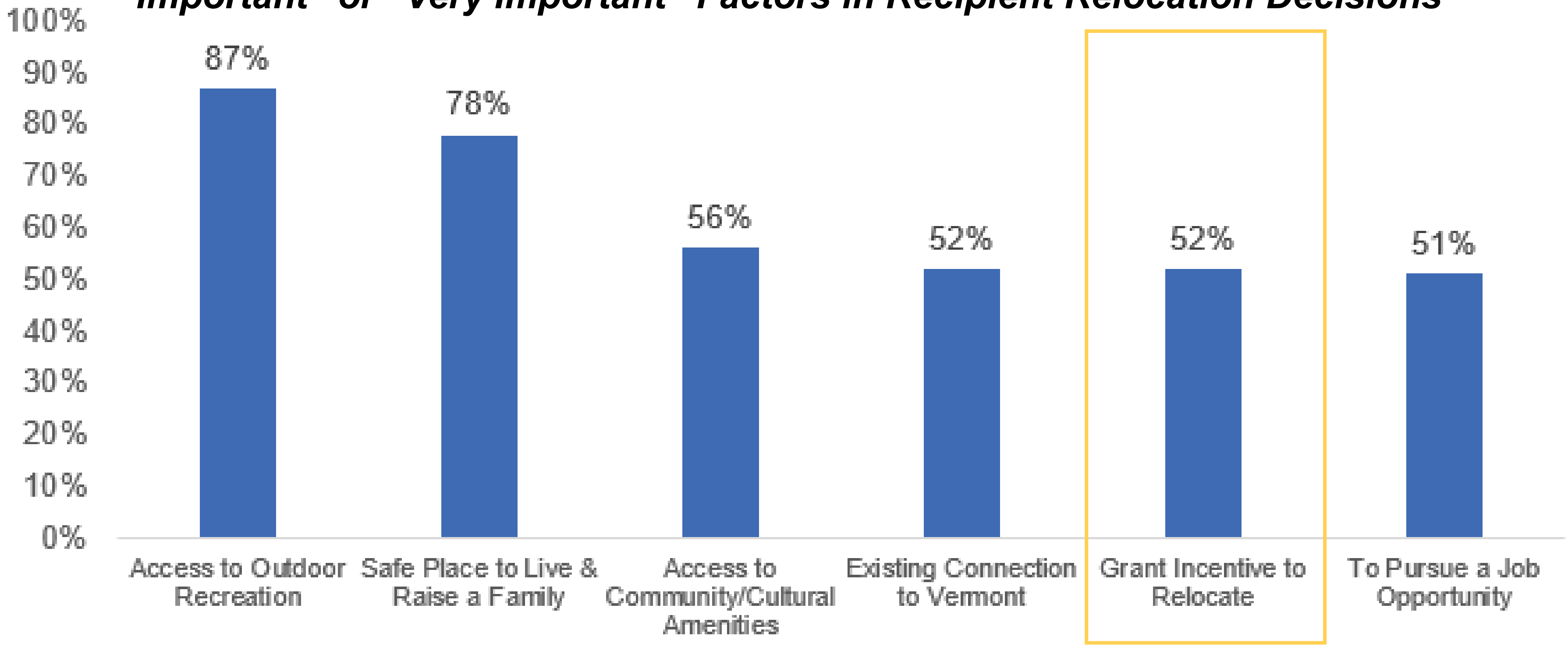
Should certain compensable expenses be reimbursable to the state? Should grants be contingent upon a particular duration of residence?

- The effort/resources required to enforce reimbursement of certain expenses would likely not be worthwhile, given the overall size of the programs.
- It is common to place contingencies upon duration of residence – but this, too, comes with administrative costs.

Estimating the "Material Influence" of Incentives

- Incentives are **<u>unlikely</u>** to be the **<u>sole</u>** factor in decisions to relocate.
- However, analysis suggests incentives were an **<u>important</u>** factor for a substantial share of grantees and may have been be the **<u>tipping point</u>** for some workers considering multiple locations.

"Important" or "Very Important" Factors in Recipient Relocation Decisions



"Material Influence" and Estimated Impact on Outcomes

- IMPLAN was used to estimate the magnitude and distribution of economic impacts and to measure direct, indirect and induced effects.
- Because grants are targeted toward and paid directly to households, only the creation of new household income – and the impacts from spending this income – were considered in the economic impact analysis.
- It is not possible to **definitively** determine how influential programs are on individual relocation decisions – and survey findings were limited to being able to draw some inferences about the relative influence of the incentive and the impact on desired policy outcomes.
- Findings from the survey and stakeholder interviews related to level of incentive influence were used to **adjust downward** the economic and fiscal impact calculation estimates.
- **Instead of assuming that all outcomes can or should be connected to the incentives, outcomes were adjusted to reflect the fact that incentives are not fully responsible for relocation decisions and therefore are not fully responsible for associated outcomes.**

Estimating Fiscal and Economic Impacts

- Based on a **representative scenario** for estimating likely impacts, cumulative New Remote Worker Grant Program revenues exceed grant costs in Year 1, and cumulative New Worker Relocation Incentive Program revenues exceed grant costs by Year 2.

New Remote Worker Grant Program	New Worker Relocation Incentive Program
• **Budget:** $0.5 million • **Permanent Employment Impact**: 65 jobs • **Annual Economic Output**: $9.5 million • **Annual State Tax Revenue**: $0.5 million	• **Budget:** $0.7 million • **Permanent Employment Impact**: 49 jobs • **Annual Economic Output**: $7.4 million • **Annual State Tax Revenue**: $0.4 million

Key Takeaways for State and Local Governments

- The new "work from home environment" is here to stay – and the prevalence of worker-focused incentives is likely to continue growing.
- Analysis indicates that worker-focused incentive programs provide a strong return on investment for communities choosing to implement them.
- When considering worker-focused incentives:

Embrace what makes your community **unique**… but also strive to address the factors that may make relocation **difficult**	Market incentive as **one tool** among many in your economic development toolkit – and prioritize **collaboration** to maximize impact	To allow for meaningful evaluation later, **clearly define the goals** of your program from the start	Strive for **consistency** and **simplicity** in program design

Thank You!

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New York City Independent Budget Office's Evaluation:

NYC Industrial Program

Elizabeth Brown

NCSL & Pew Charitable Trust's
Roundtable on Evaluating Economic Development Tax Incentives
November 3, 2022

IBO

New York City
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George Sweeting, Acting Director

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14th Floor
New York, New York 10038

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(212) 442-0632

Local Law Requires IBO:

- Describe the tax expenditure and its goals.
- Evaluate: Is it effective? Is it meeting its goals?
- Is it still relevant? Align with current policy goals?
- Recommendations for future evaluation, including whether alternative methods of data collection would allow for better analysis.

Industrial Program Overview

- Tax incentives to lower the cost of constructing, renovating and owning industrial facilities.
- To preserve and promote the industrial sector in order to create living wage jobs
  - Diversify the city economy and support advanced manufactures
- Cost $31.5 million in fiscal year 2019.
- 200 projects benefitting in fiscal year 2019.

How it Works

- Discretionary
  - Eligibility criteria
  - Board considers: Inducement + capital investment + job goal + cost-benefit analysis

- Program Benefits…
  - Sales tax exemption on construction materials (1-2 years)
  - Waiver of mortgage recording tax (largely one-time)
  - Property tax savings through discounted payments in lieu of tax (25 years)

- …With strings
  - Recapture – first 10 years of benefit
  - Compliance and reporting

DATA AND METHODOLOGY

Data & Methodology

- Sources: IDA, Quarterly Census of Employment and Wages (2000-2018), NYC Finance Department

- Is the program advancing job opportunities\creating living wage jobs? In what sectors?
  - Match recipients with QCEW
  - Track employment and wages in project firms before and after receiving benefit.
    - Compare with stated employment goals at application

    - Compare with program beneficiaries industry trends
      - Rejected applications does not work
      - Propensity score matching – not enough data + application process
      - Comparison to similar firms – no longitudinal QCEW database

- At what cost to the city?

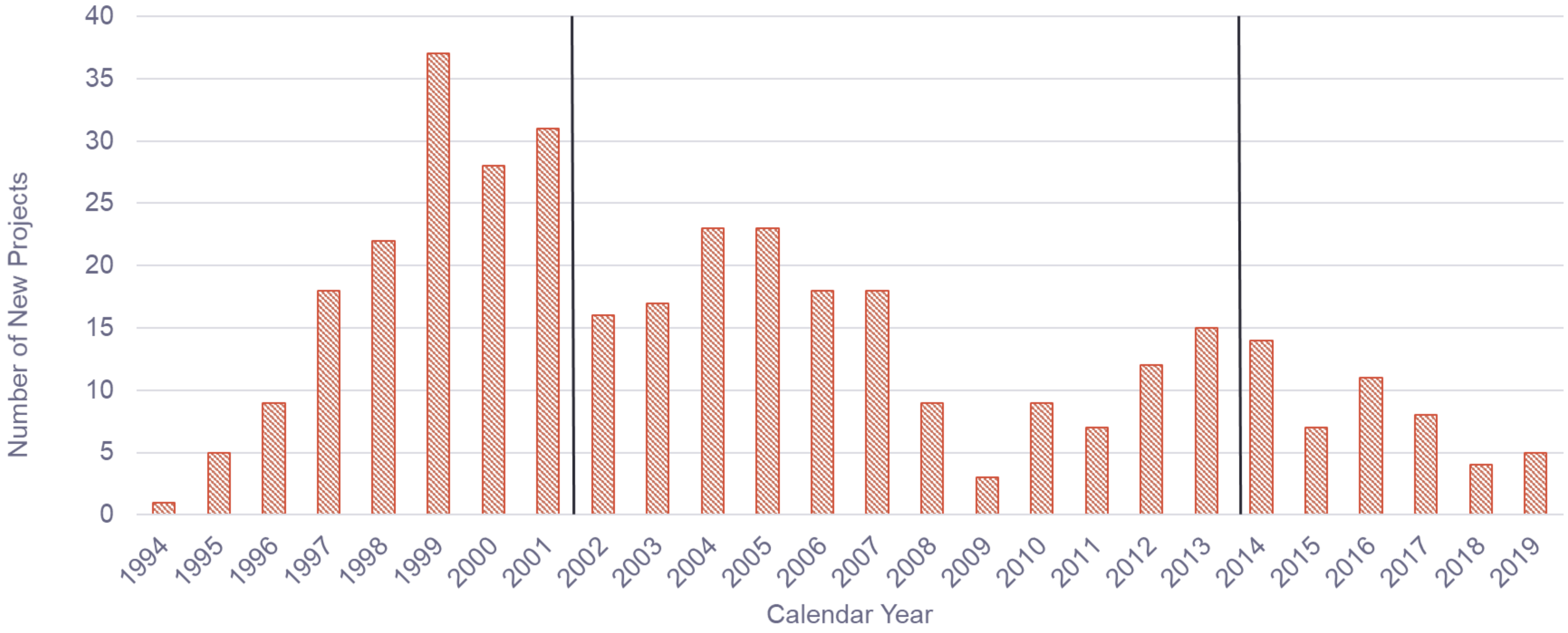
Methodology for Matching Project with Employment Data

- Matched project firms with QCEW by FEIN
  - This includes 81 projects for which IBO found alternative/additional FEINs
- Matched by BBL for developer firms to identify tenant employment.

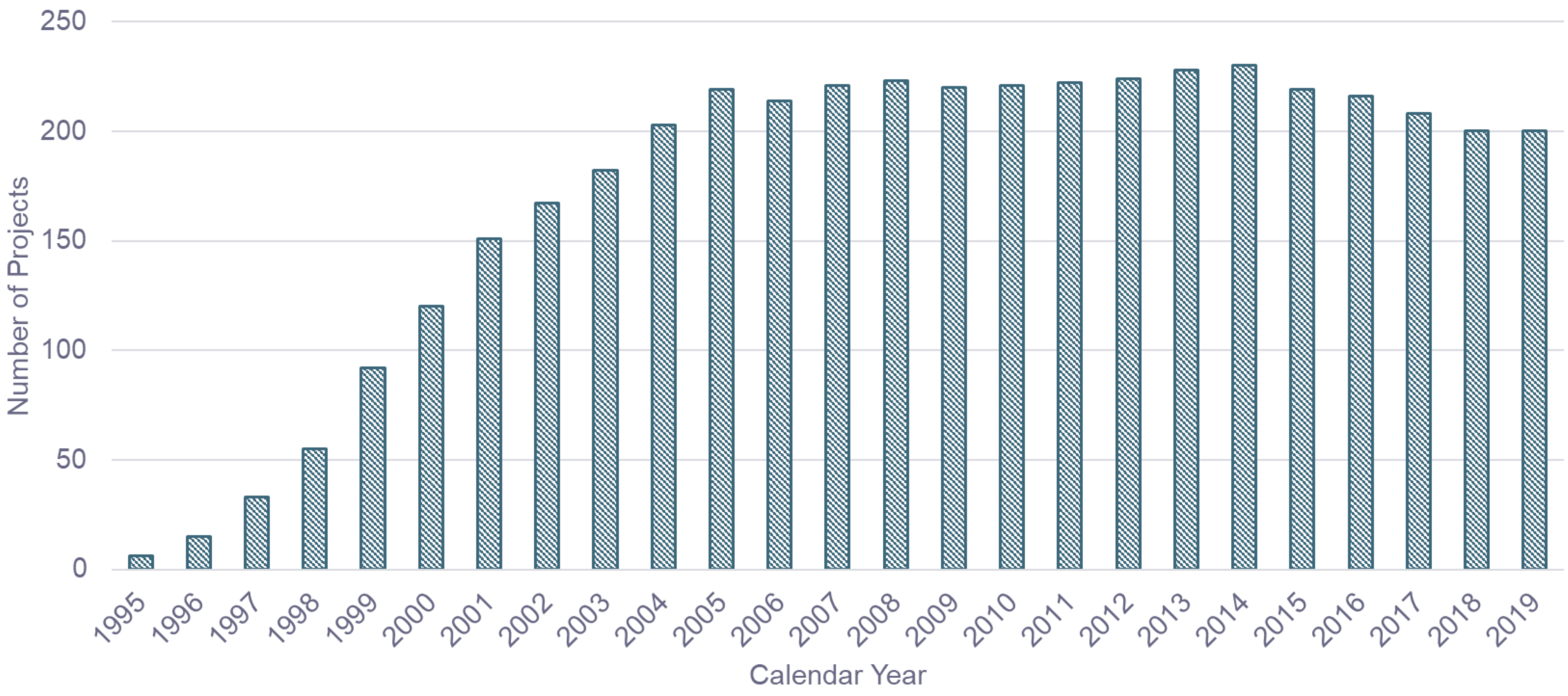
- Of the 345 projects supplied by the IDA:
  - 320 (including firms with multiple projects) could be matched by FEIN with the QCEW data.
    - This means at least some employment data was found between 2000-2018
  - 25 projects could not be matched in any year in the QCEW data.
    - 11 were development deals. OK because will match by location.
    - Of the remaining 14, two were closed in 2018 and 2019 may not have employment data yet and one project likely never had any employment.

Program Participation

Fewer Projects Entering Program in Recent Years



200 Projects Receiving Benefits in 2019



Evaluation Findings

Most Firms Small, Already Doing Business in NYC

Size at Project Start	Average # Employees	Median # Employees
All Projects	**154**	**34**

Firm Size at Project Start	Number of Projects	Share of Total
Fewer than 20 Employees	51	22.1%
20 to 99 Employees	131	56.7%
100 to 499 Employees	35	15.1%
500 or More Employees	14	6.1%
Total	**231**	**100%**

Most Firms Expanding Before Benefit

Average Annual Employment Change 3 Years Before Assistance	Number of Projects	Share of Total
Expanding (>3% growth)	89	61.4%
Stable (-3% loss to 3% growth)	32	16.5%
Contracting (<-3% loss or more)	24	22.1%
TOTAL	**145**	**100%**

Just Over Half of Projects Expanded Post-Assistance

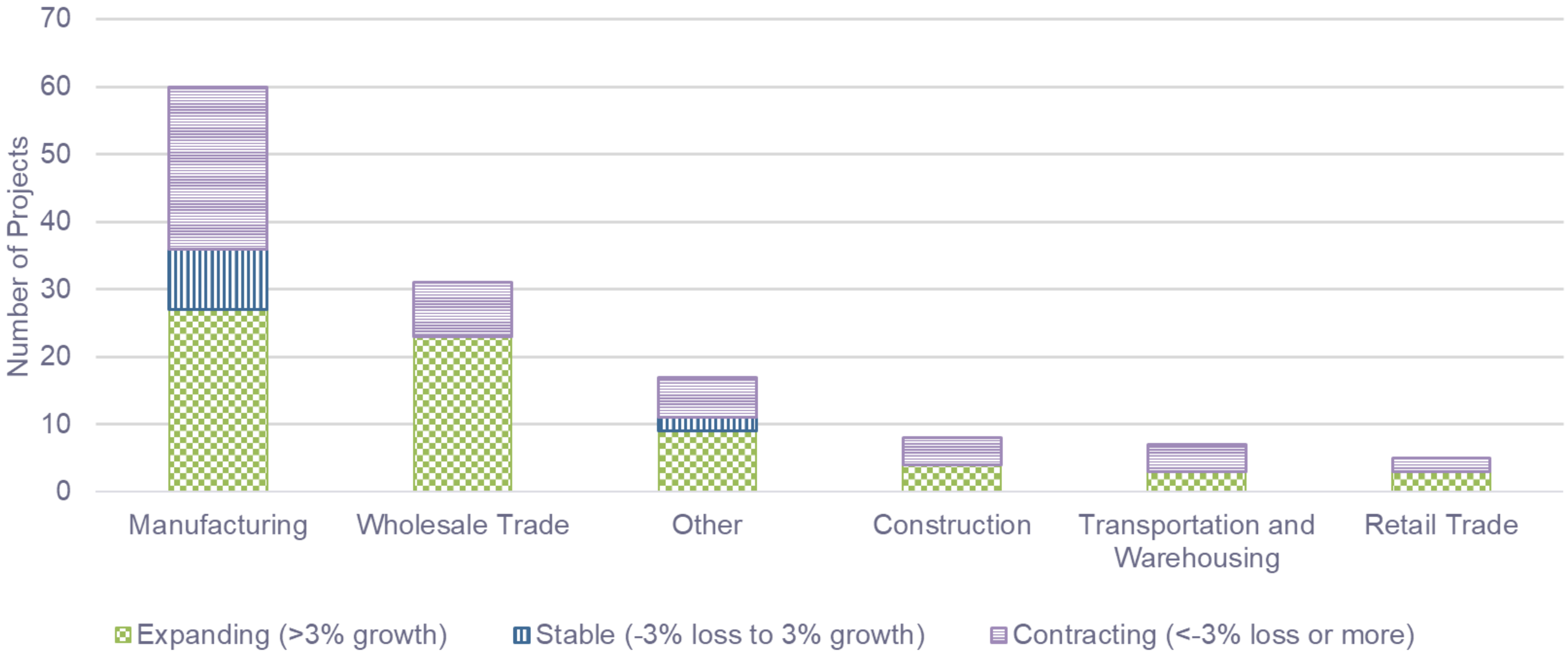
Employment Change Project Start to 3 Years After Completion	# Projects	% Projects	Average Jobs +/-	Median Jobs +/-
Expanded (>3% growth)	69	53.9%	32	9
Stable (-3% loss to 3% growth)	11	8.6%	0	0
Contracted (<-3% loss or more)	48	37.5%	-34	-11
Total	**128**	**100%**		

About 1/3 Met Goal After Three Years Complete

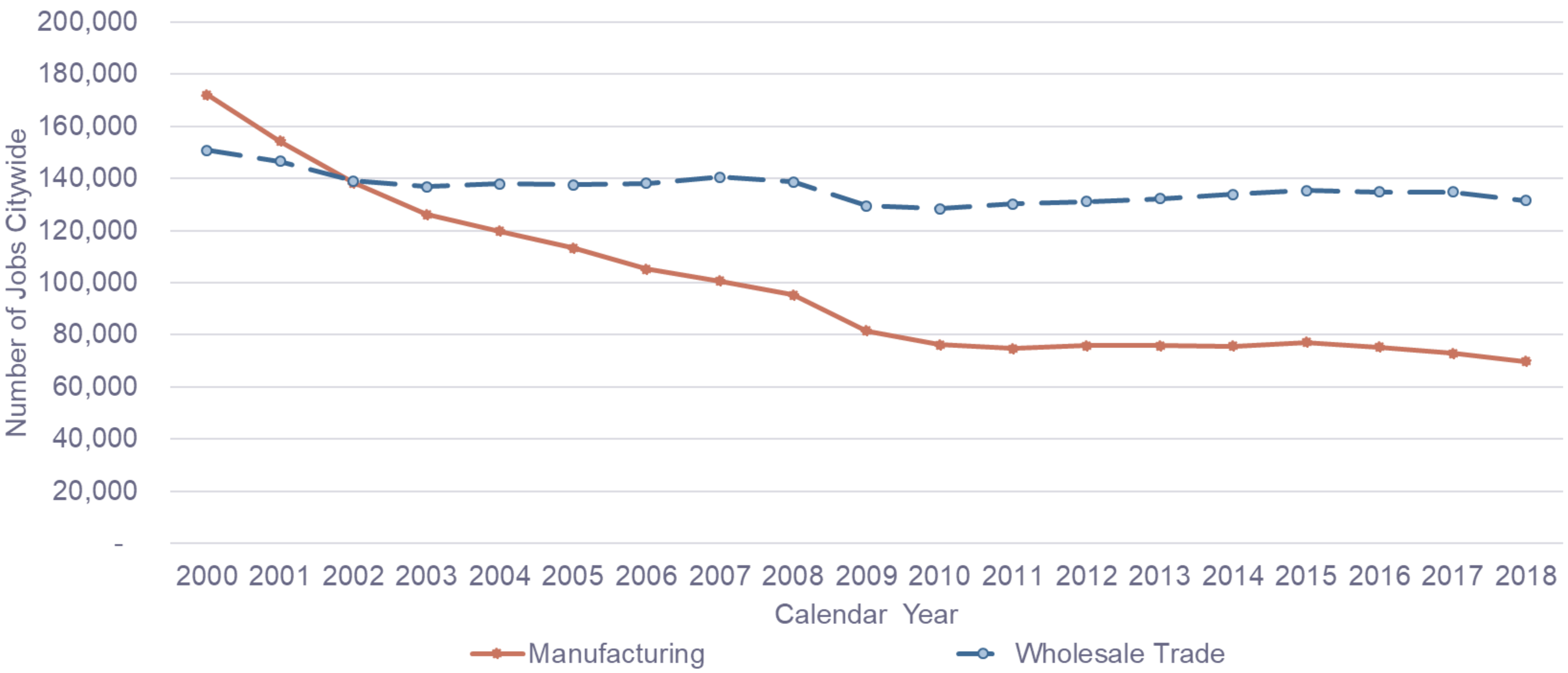
- Average 3-year job creation goal at application is 22 jobs.

	Three Years After Completion
Share Met or Exceeded Goal	32.0%

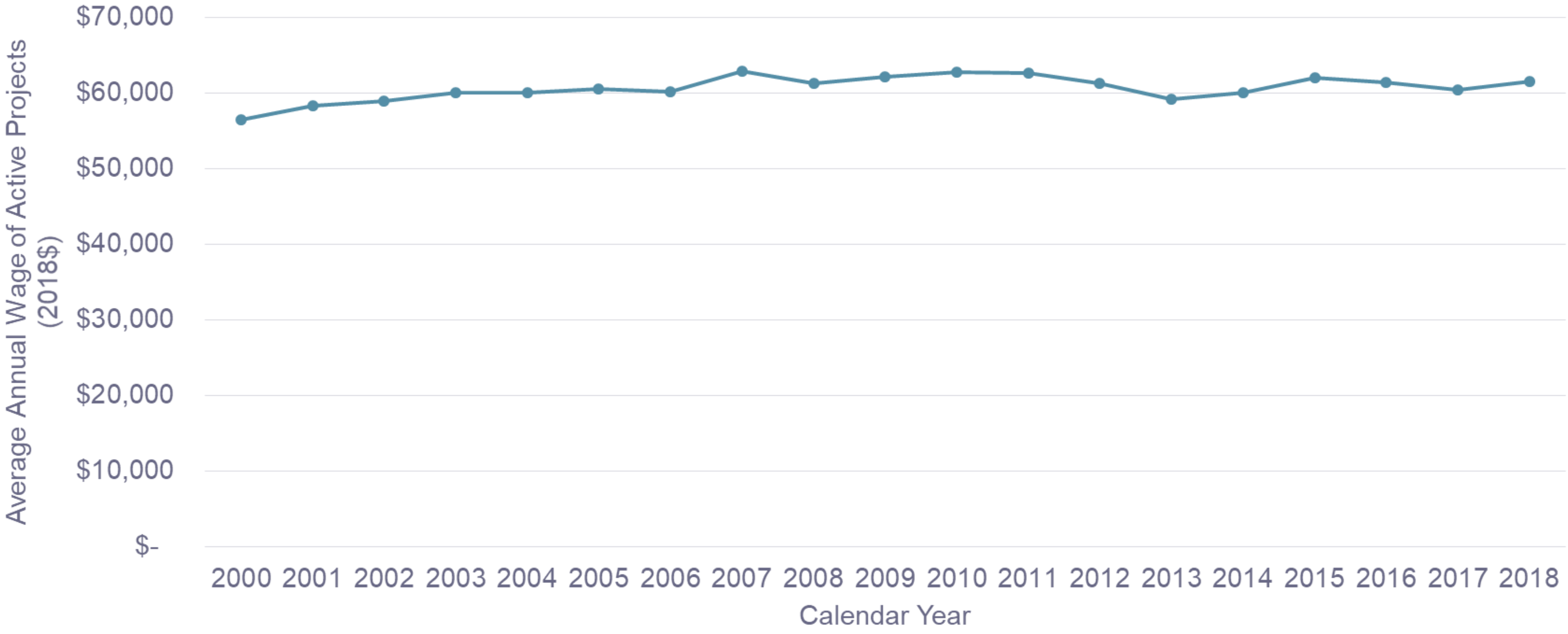
Wholesale Trade Firms, Greatest Share Expanding



Citywide Manufacturing and Wholesale Trade Employment Contract During Study Period



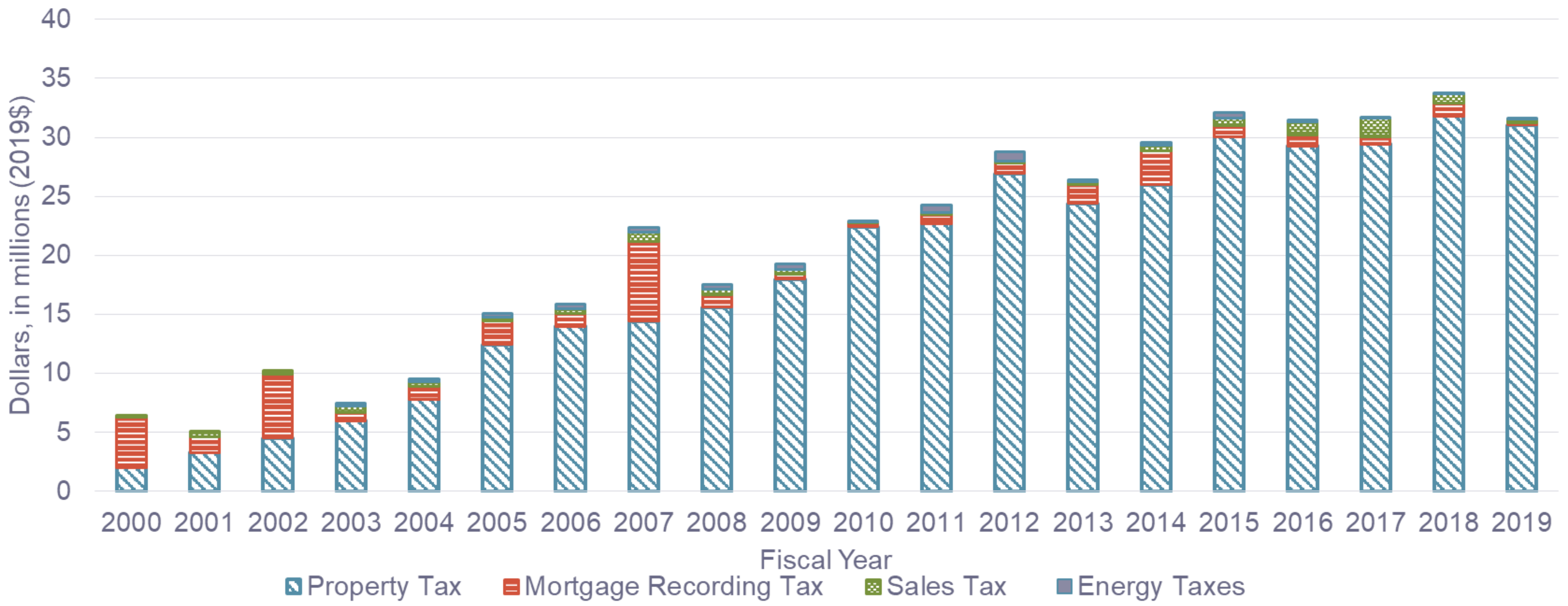
Average Wage for Project Firms After Assistance



Within Sectors, Average Project Wage Often Lower than Sector Average

Program Cost

Property Tax Greatest Share of Expenditure



NOTES: DOF records were missing about 20 percent of the PILOT amount data each year for 2000 to 2005. Therefore, property tax savings in those years are understated. Totals are net estimated ICIP benefit if applicable.

Conclusions

Summary of Evaluation Findings

- Is program meeting its goal to create living wage jobs in New York City?
  - 54 percent of firms expanded three years after completion compared to project start. Another 9 percent stable.
  - Main sectors served by program contracting during the study period.
  - Most participants expanding *before* assistance.
  - Average wage of project firms can be lower than sector average, but still a living/”good” wage.
- Is it helping to diversify the city economy and preserve industrial space?
  - Fewer firms participating in more recent years.