

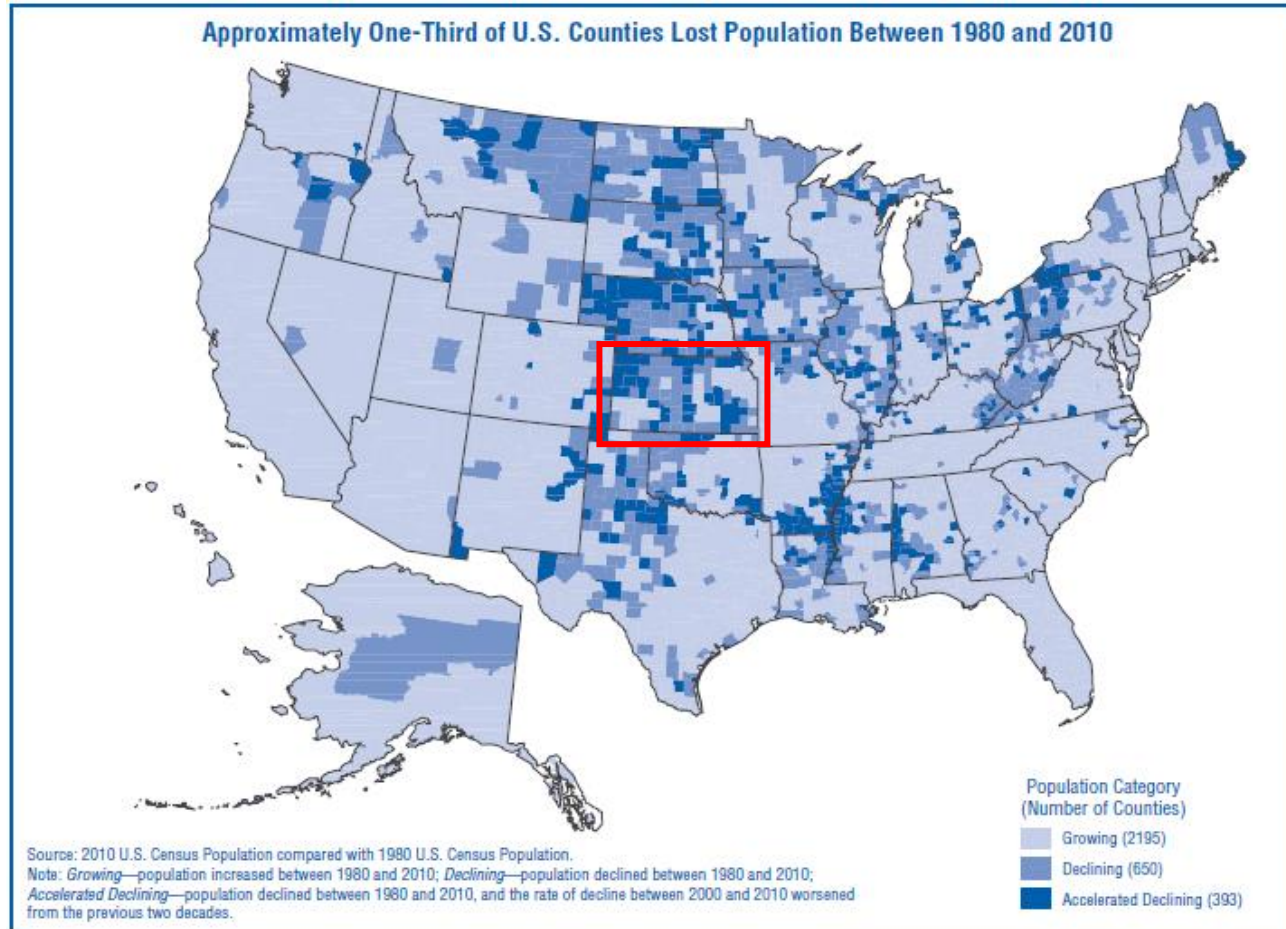


KANSAS LEGISLATIVE
DIVISION *of*
POST AUDIT

Kansas Rural
Opportunity Zones
Program: Who
Benefits?

- Josh Luthi, Audit Supervisor
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Rural Kansas Demographics



U.S. Rural Counties

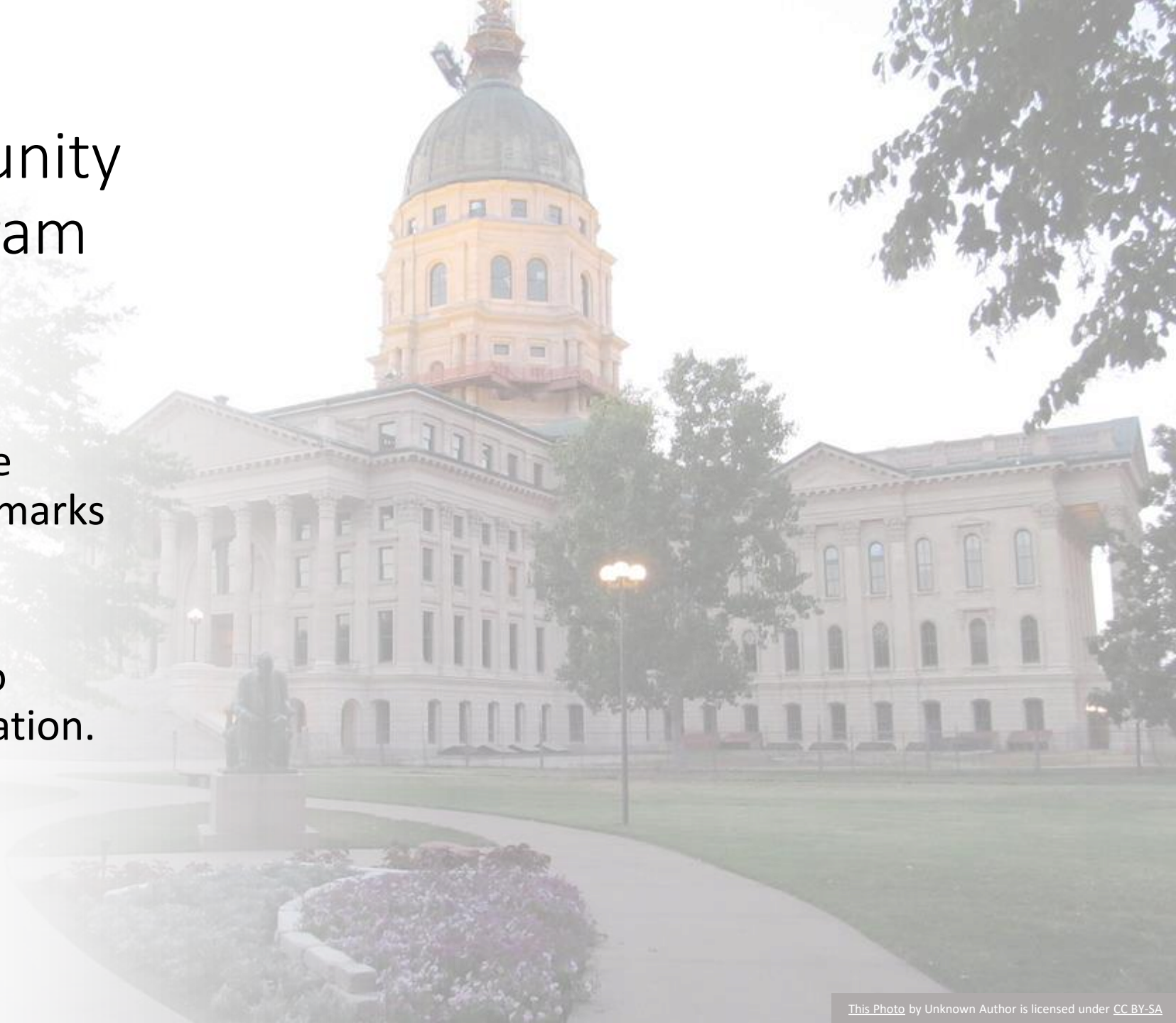
- Since 1980, over half of rural U.S. counties have lost population.
- Primarily in the central states, including-Kansas.

Kansas' Rural Population

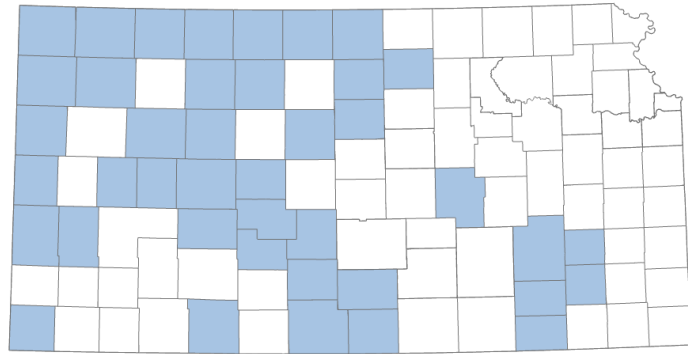
- 1980 to 2021: Kansas's rural population declined by about 9 percent, with some rural counties declining over 20 percent.

The Rural Opportunity Zones (ROZ) program

- Created in 2011
- Statute doesn't define the program's goals or benchmarks for measuring success.
- Testimony suggests the program's purpose was to counteract rural depopulation.

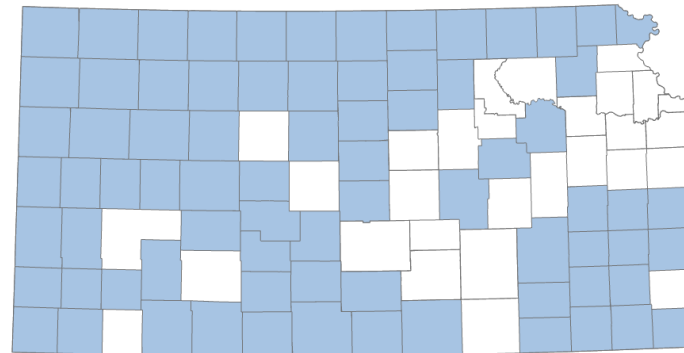


The Rural Opportunity Zones



2011: Targeted at 50 counties that had population loss of at least 10% between the 2000 and 2010 censuses.

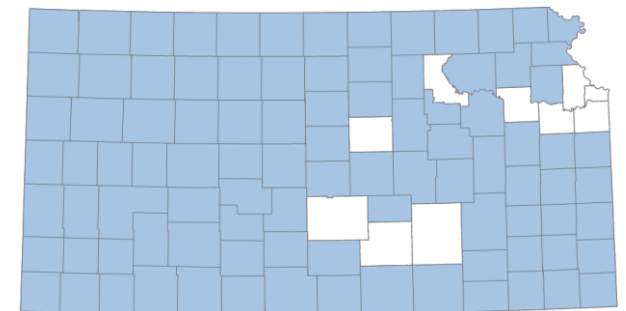
2013-2014:
Addition of 27
more counties.



2021:

Any county with
population less than
40K.

95/105 counties now
ROZ-eligible.



Incentives: Student Loan Repayment

- Up to \$3,000 per year in student loan assistance for five years.
 - Hold at least an associates degree
 - Move to a ROZ county
 - Student loan balance
 - Requires opt-in by counties
 - 50% sponsor, 50% state
 - A sponsor is required, job is not
- 1,670 student loan participants 2012-2022.
- \$13.3 million in repayment assistance



Incentives: Income Tax Waiver

- 100% of state income tax liability for up to five years
 - Must have tax liability, non-refundable
 - Move to ROZ county from **outside the state** (KS-source income restriction)
 - Requires no opt-in by counties or sponsors.
- 1,720 tax credit claimants
- \$13.8 million in foregone revenue



Data & Limitations

- Rural Kansas Population: U.S. Census Bureau Data.
- Participants: Commerce and Revenue Records
 - (-) No data crosswalk, Revenue data based on SSN, Commerce data based on agency code
 - Manual search for overlap between incentives; comparing names and counties of residence.
 - Multiple-participant households
- Commerce surveys of ROZ participants 2019 and 2021.
 - (-) Primarily student loan participants
 - (-) Limited demographic information(i.e. jobs, incomes)
 - (+) Family size and relocation motivations

Cannibalization and Retention

- Student loan program participants
 - 40% moved between ROZ Counties
 - 30% were disqualified before 5 years
 - Many because they moved.
 - Unknown how many moved to other ROZ areas.
- Tax Credit
 - 100% from outside the state
 - >60% leave ROZ counties
 - Random sample of 26. 18 moved to non-ROZ after participation.
 - Not-generalizable



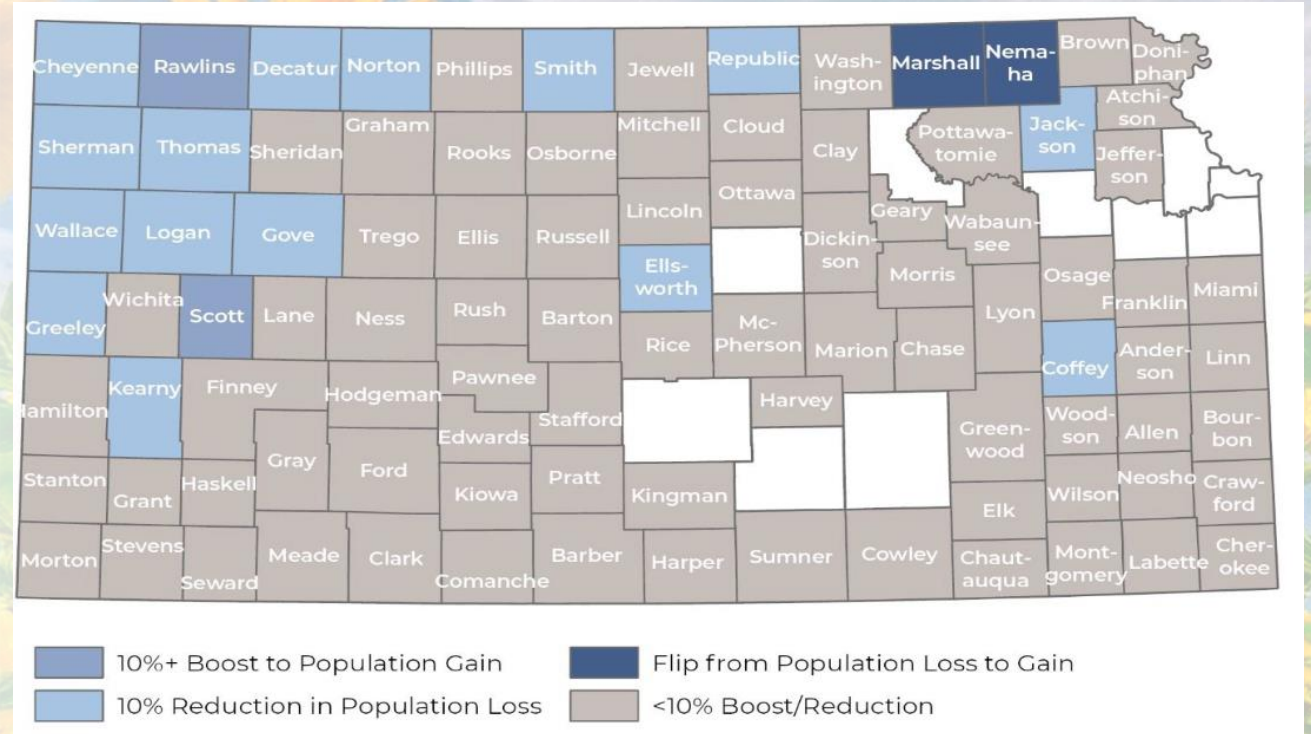
But For

A person in a light blue shirt is holding a pair of brass scales of justice. The scales are positioned over a desk with several papers. The person's hands are visible, one holding the top of the scales and the other holding the right pan. The background is slightly blurred, showing the person's torso and arms.

- Student Loan Participant Survey Result
 - Only 14% of Student Loan Participants said they would not have moved to ROZ but for the ROZ program.
 - About 27% of Student Loan and Tax credit participants(n=150) would not have moved but for the program.
- No direct measure for tax credit only participants.
 - Extrapolated from student loan participants.
 - Average tax credit value similar to student loan repayments (~\$3,000).
- Family and Employment Motivations
 - 96% of respondents cited family, employment, or both as primary reasons for moving to a ROZ county.
 - Consistent with literature on rural relocation trends.

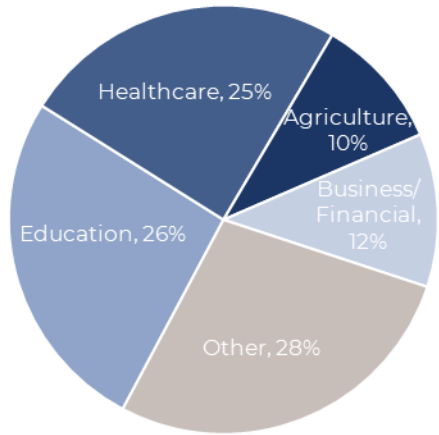
Who Benefits?

- ROZ has done little to slow depopulation in rural Kansas.
 - ROZ can only be credited with about 1,430 new ROZ county residents (participants and family).
 - ROZ counties lost about 30K residents.
 - ROZ only offset about 5% of losses.
 - Some counties benefited more than others.

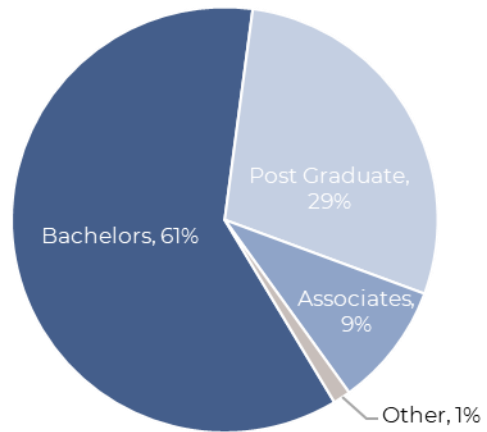


Who Benefits?

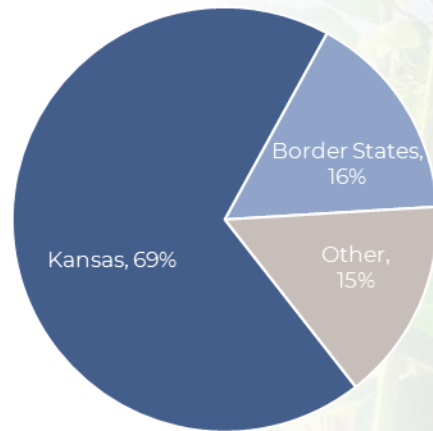
Employment Sector



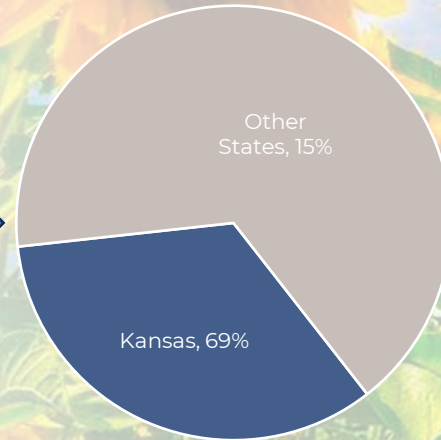
Education Level



Origin of Participants



Origin of Participants



Who Benefits?

- **14 Stakeholder Surveys**

- **Community Building**

- “One of few tools in an empty toolbox”
 - “Get their feet in the door”
 - **School District Superintendent:** Entice current teachers to live in the communities where they teach.

- **Workforce Recruitment**

- At least 147 employers have sponsored employees; Doctors and Healthcare Workers, Educators, Law Enforcement...
 - **City Clerk:** ROZ was a part of its benefits package when recruiting a new police chief and a city administrator.
 - A need for professional training below an associate degree (like commercial driver’s license, trades, and healthcare certifications included).
 - **City clerk:** the program was of limited benefit because most of their city jobs don’t require college degree.



Questions?



Challenges and opportunities for pursuing equitable distribution of small business relief

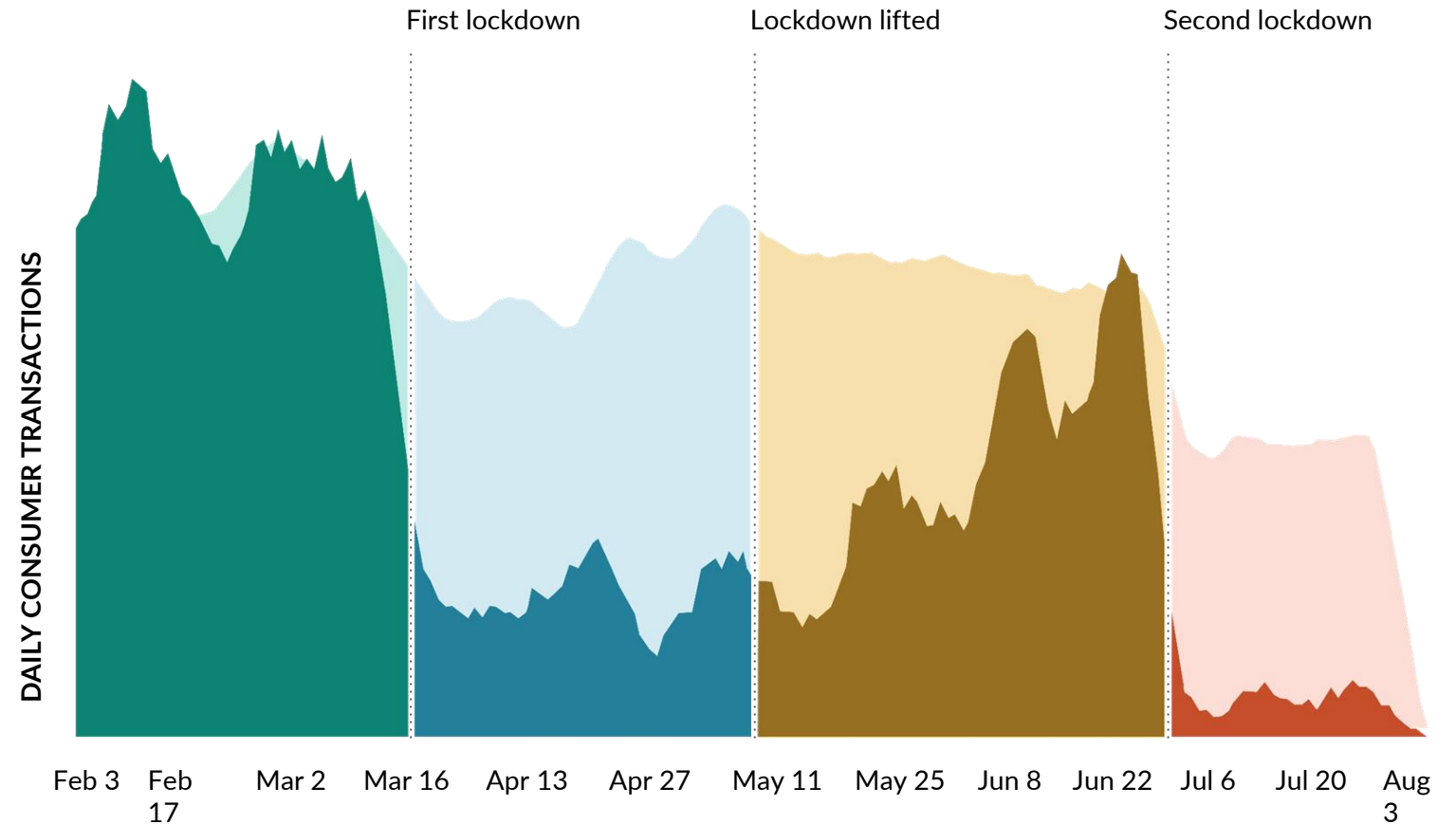
Office of Evaluation Sciences
October 24th, 2023

Rebecca Johnson
rebecca.johnson@gsa.gov



Motivation and Context

- Small businesses were hit hard by the pandemic
- Local governments rapidly distributed emergency grants and loans
- Key question from cities: how to design equitable programs?



Motivation and Context

- Local **grant programs** may have been especially important for **underserved businesses** that face greater difficulty securing loan-based assistance from either federal or local sources (Theodos, Gonzales, and Park (Urban Institute), 2021)
- Especially for **grants** rather than loans, **heavily oversubscribed**
 - **San Diego- 13% selection rate:** ~9000 applications for ~1200 grants/loans available
 - **Seattle - 3% selection rate:** ~7500 applications for ~250 grants available
 - Similar in other large cities

Motivation and Context

Business...



OES developed **three clusters of research:**

- 1 **Access:** How do documentation requirements affect who applies?
- 2 **Selection:** How do different selection methods change who is offered funds?
- 3 **Impact:** How does receiving funding impact business outcomes?

Evaluating impact of three types of selection methods:



1. First-come, First-served

SELECTION PROCESS

Selected on order of application.

PROCESSING TIME

✓ Faster

MODIFICATIONS
TO PRIORITIZE
UNDERSERVED GROUPS

Two queues: underserved and non-underserved. Underserved queue is assigned more slots and/or processed quicker.



2. Points

Selected based on total points.

− Slower

Additional points awarded for membership in underserved group.



3. Lottery

Selected by chance.

✓ Faster

Two lotteries: underserved and non-underserved. Underserved lottery has higher probability of selection.

What did we do?

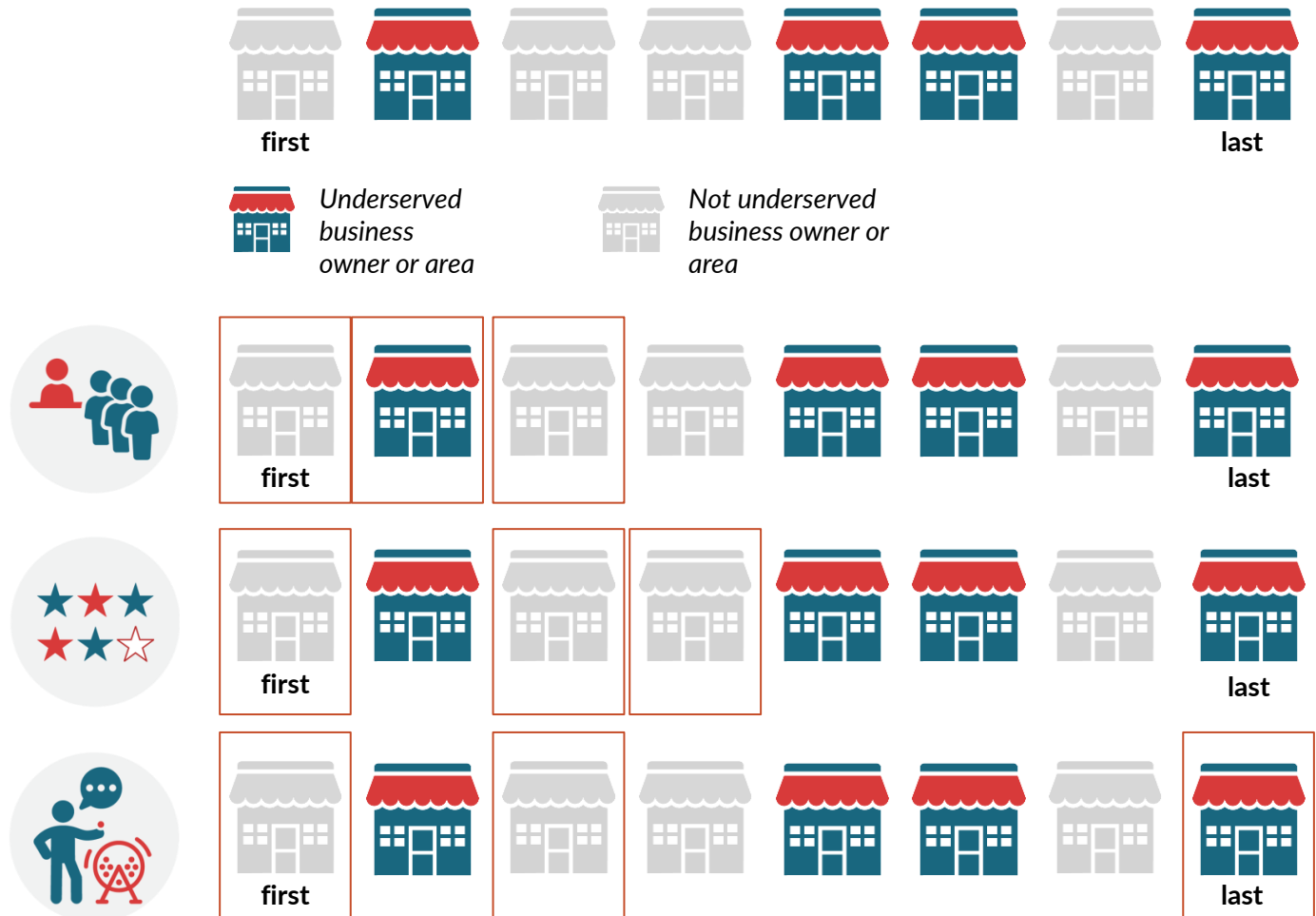
1. Start with a population of 16,000 applicant businesses:

- Flag businesses with underserved owners
- Examine: minority-owned; women-owned; or low-income owner

2. Simulate who would be awarded using the following methods:

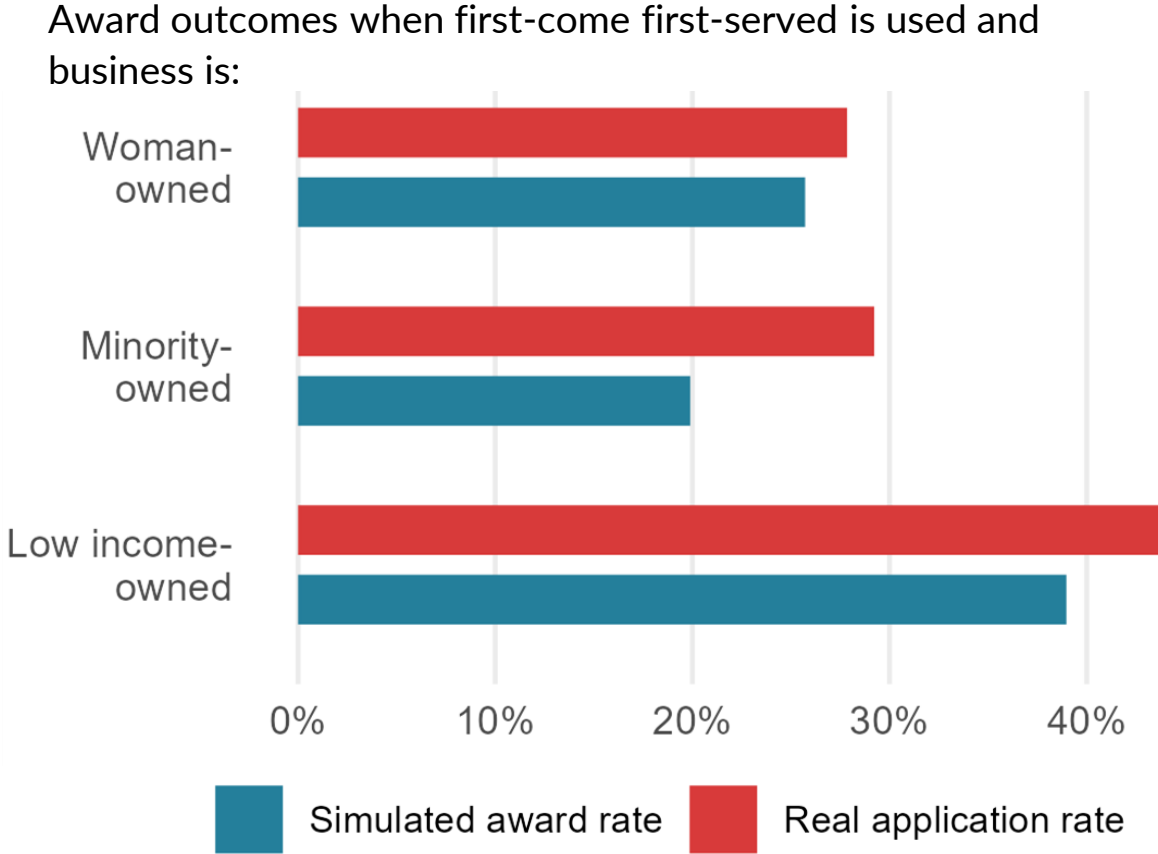
- First come, first served
- A points system
- A lottery

3. Measure gaps between share of applicants and simulated share of awards



What did we learn?

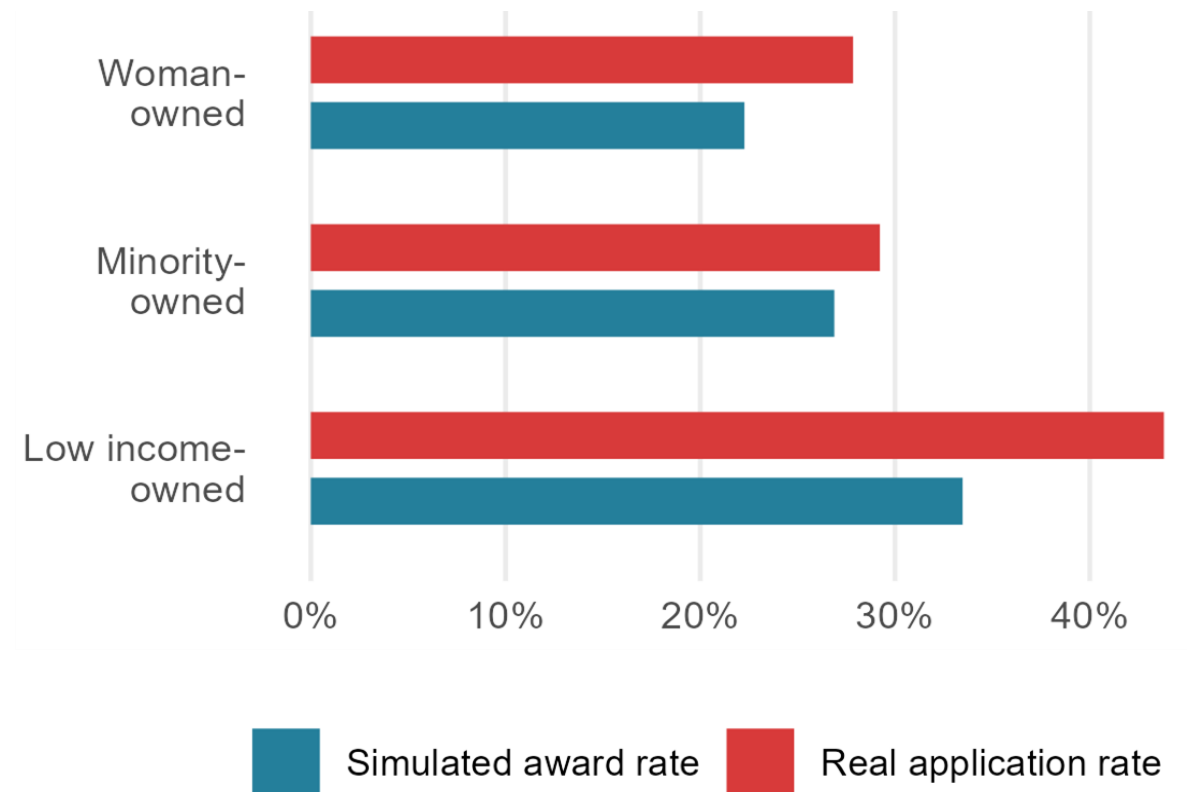
Simple first-come, first-served methods can disadvantage some applicants from historically underserved groups, because their applications typically come in later



What did we learn?

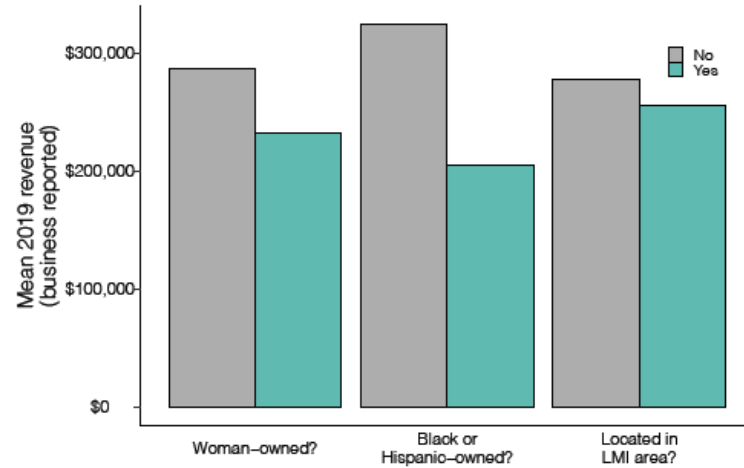
Points systems that do not explicitly prioritize businesses from historically underserved groups can inadvertently disadvantage those businesses, because they tend to score lower on common metrics (FTE, past revenue, etc.)

Award outcomes when points system that does not account for underserved status is used and business is:

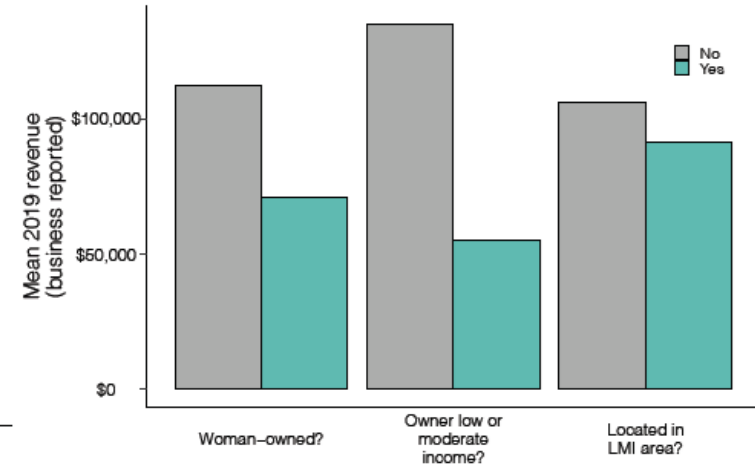


Example mechanism: points systems that prioritize based on pre-COVID revenue can disadvantage underserved owners

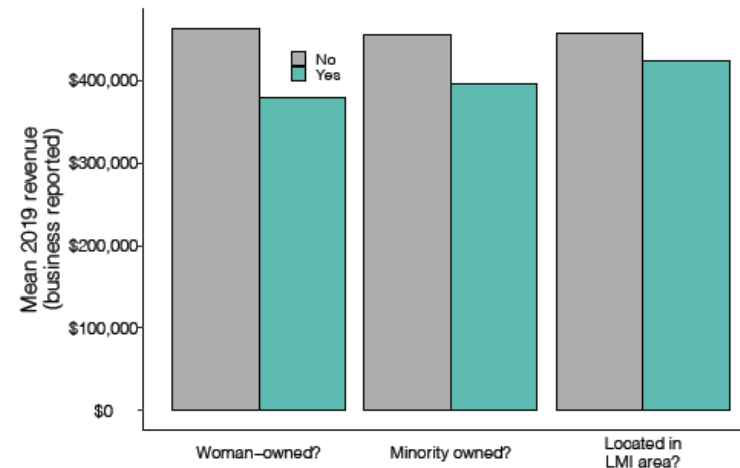
City A:



City B:



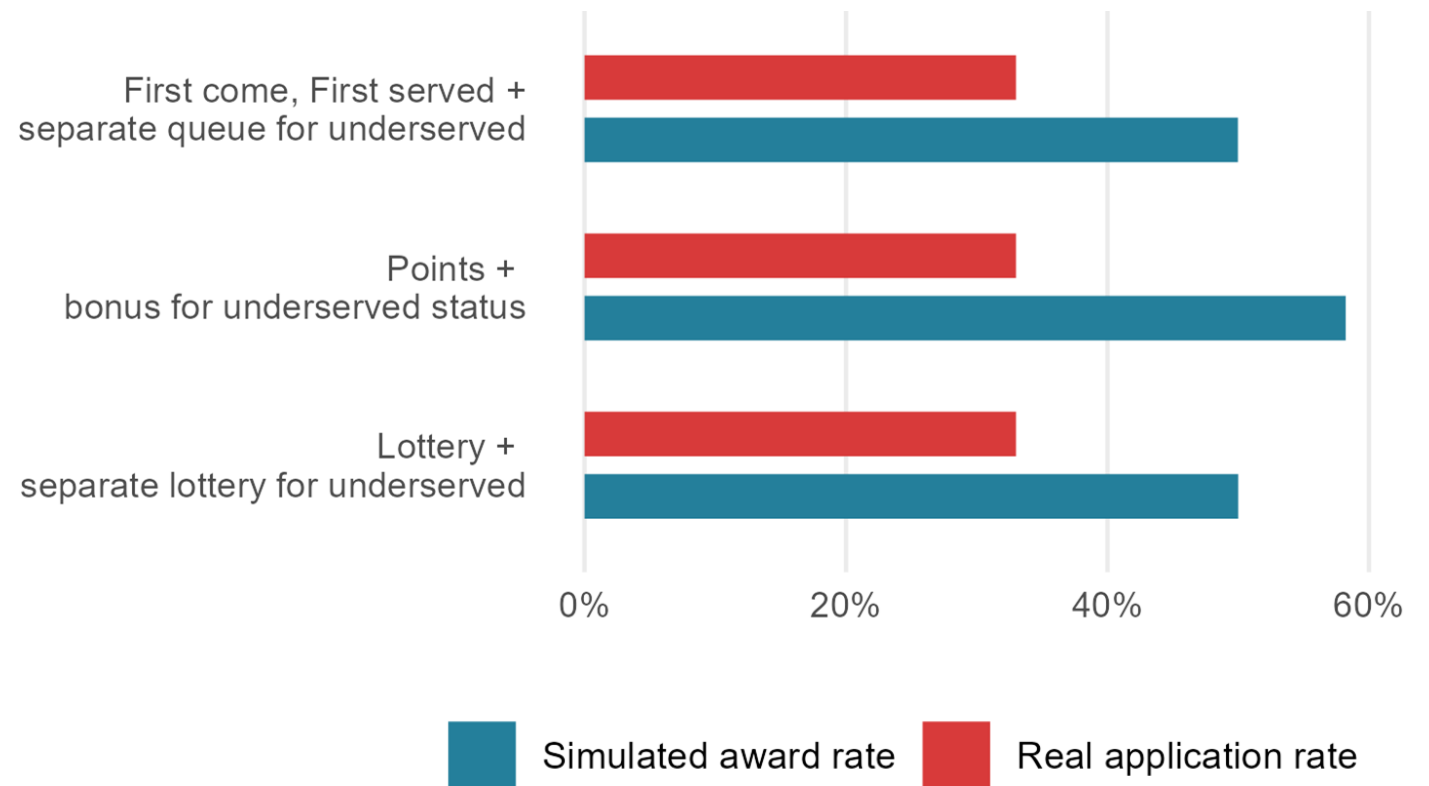
City C: Program 2



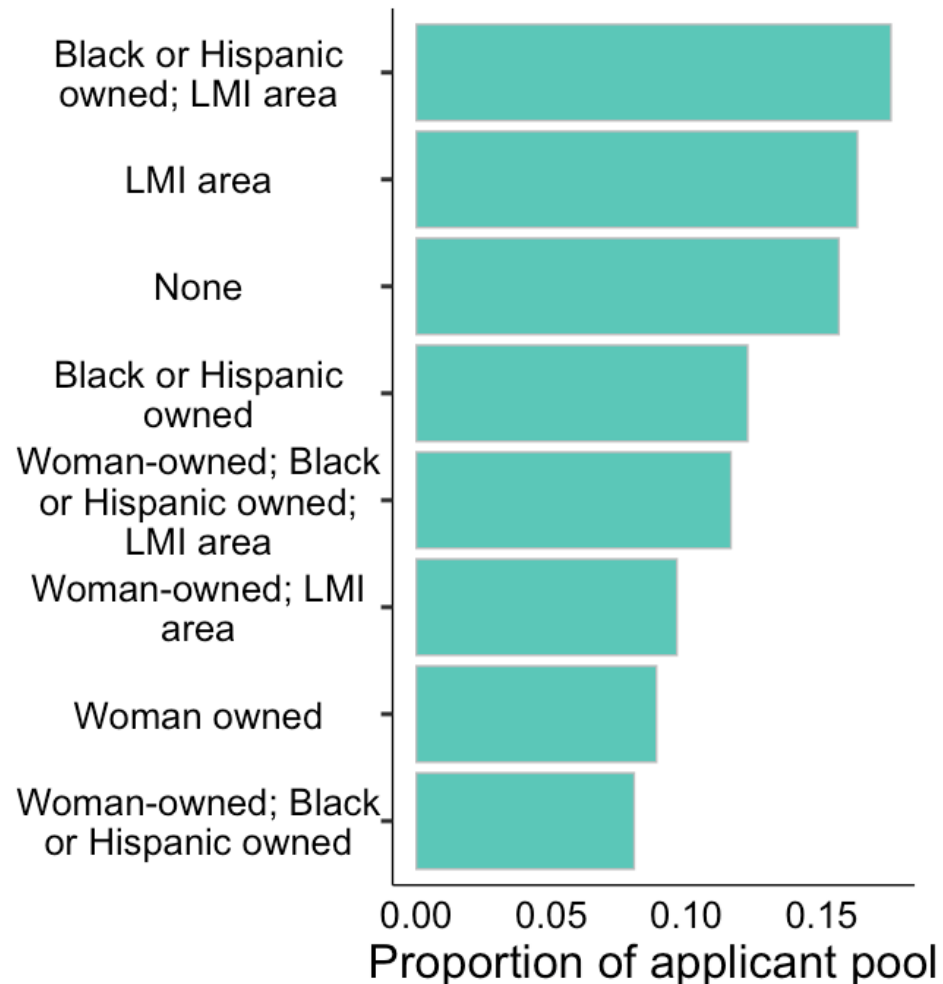
What did we learn?

Weighted lotteries, point systems that take account of underserved status, and first-come, first-served methods with reserved separate queues for underserved groups are promising practices to facilitate more equitable outcomes

Award outcomes for underserved businesses when promising practices are used:



These analyses focus on targeting based on owner-level demographics. Is area-level disadvantage a good proxy?



- Focusing on one of our sample cities, a business being located in an LMI area captures 42% of applicant businesses
- But 28% of businesses have Black, Hispanic, or female owners but are not located in LMI areas
- Results similar across the other two cities

What about other programs beyond COVID-19 small business relief?

These results should generalize to other contexts

- Any time underserved populations applying for a program tend to score lower on the items used in a point system or tend to get applications in later, point systems or first-come-first-served systems that do not take disadvantage into account will reflect and maybe even amplify those patterns of disadvantage
- This is especially true for oversubscribed programs (e.g., Emergency Rental Assistance) and competitive processes (e.g., Notice of Funding Opportunities, Requests for Proposals, Grants)

Next Steps

OES would like your help to ensure these findings are used and applied.

- Please reach out if you have suggestions on next steps and where these findings can be specifically applied to inform programs and policies (e.g., upcoming policy guidance, new program models, interested agencies).
- We are happy to share these findings in other forums in the coming months.
- Other suggestions and ideas are welcome.

More details on methodology and findings: <https://oes.gsa.gov/collaborations/sb-counterfactual-equity/>

Feel free to reach out to OES Director + portfolio lead for questions or collaborations:
Kelly.Bidwell@gsa.gov and Jasper.Cooper@gsa.gov

Questions?

For further information on working with us to improve federal programs and policies: oes@gsa.gov

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Who Benefits from Incentives? The Effects of State Policies

Tim Bartik
W.E. Upjohn Institute for Employment Research

Presentation to 2023 Roundtable on Evaluating Economic Development Tax
Incentives
October 24, 2023

Bartik model of incentive impact on income distribution: depends upon jobs that go to non-employed vs. higher property values, and how paid for

- Lower income groups: Gain more from more jobs going to non-employed, don't gain much from higher property values, lose from costs of incentives, particularly if paid for by lower school spending. What is state policy doing to affect these outcomes?
- To illustrate: consider hypothetical Michigan project: 10,000 jobs, \$5,000/job incentive for years 2 to 16, project located in place in Michigan with typical share of jobs going to non-employed & typical housing price response. Paid for 50% by higher taxes, 50% by spending cuts, with 20% of cuts from K-12. Calculate present value of gains/losses in various types of income, both overall, and by income quintile. For this presentation: just report overall and lowest income quintile, which receives 5% of income at baseline.



If State policy gets more jobs to non-employed, this raises overall benefits and helps lowest-income

	Baseline (average Michigan area)		Project if local area has 5 pp lower employment rate	
	Total	Lowest income quintile	Total	Lowest income quintile
Quintile income share (in percent)	100	5.1	100	5.1
Labor market benefits	738	86	1,067	125
Property value benefits	165	5	162	5
Incentive costs & other effects	-475	-40	-429	-36
Education cutbacks	-228	-54	-200	-47
Total net benefits	200	-3	599	47
Notes: All figures in millions of present value dollars except for quintile share. Gross incentive costs have PV of \$511M.				



If job creation not accommodated by housing supply, higher prices erode labor market benefits and reduce real income for persons on fixed income

	Baseline (Michigan housing price effect)		California housing price effect	
	Total	Lowest income quintile	Total	Lowest income quintile
Quintile income share (in percent)	100	5.1	100	5.1
Labor market benefits	738	86	540	63
Property value benefits	165	5	245	8
Incentive costs & other effects	-475	-40	-593	-48
Education cutbacks	-228	-54	-247	-59
Total net benefits	200	-3	-55	-36
Notes: All figures in millions of present value dollars except for quintile share. Gross incentive costs have PV of \$511M.				



If incentive policies financed by cuts in education spending, this reduces both overall benefits and particularly harms lower-income groups.

	Baseline (50% public spending cuts, 50% tax increases)		100% paid for by public spending cuts	
	Total	Lowest income quintile	Total	Lowest income quintile
Quintile income share (in percent)	100	5.1	100	5.1
Labor market benefits	738	86	692	81
Property value benefits	165	5	156	5
Incentive costs & other effects	-475	-40	-561	-65
Education cutbacks	-228	-54	-502	-119
Total net benefits	200	-3	-215	-98

Notes: All figures in millions of present value dollars except for quintile share. Gross incentive costs have PV of \$511M.

Summary: income distribution questions to ask about business tax incentives

- Does state policy either target distressed places (with more non-employed) or encourage/facilitate jobs to be filled by non-employed?.
- Does state policy complement job creation with policies that allow housing supply to accommodate job creation?
- Where does funding for incentives come from, politically or in policy design? Is there any reason to think that incentives could undermine funding for productive and progressive public services such as education?

