2012 State Economic Development Incentives Survey Report

May 2013
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Key Findings

Economic development incentives remain prevalent and continue to be viewed by economic development practitioners as important tools in the quest for state and regional economic growth. These are among the findings from the Council for Community and Economic Research (C2ER) nationwide survey of state incentive program managers. C2ER is a non-profit, non-partisan membership organization that promotes excellence in community and economic research. In addition to conducting the survey, C2ER maintains a State Economic Development Incentives Database, which represents a continuous effort by the organization to track business incentive offerings in all 50 states.

The nearly 1,800 economic development incentive programs currently in use by states are meant to influence the location of business investment and to promote job opportunities. This number of programs represents an almost doubling of the combined tax and non-tax programs available to businesses since 1999, the year C2ER completed its first survey of incentive program managers and also began to track the number and types of state business incentives.

This dramatic increase in state business incentive programs has come despite continued controversy over their use, including criticism about whether public funds should be used to pick “winners”; whether these programs deliver intended results; and whether states can continue to afford them.

A look at the number of economic development programs by state, when normalized to the number of business establishments within a state, provides

<table>
<thead>
<tr>
<th>Program Category</th>
<th>Definition</th>
</tr>
</thead>
</table>
| Tax program      | State programs providing any of the following tax related incentives:  
  - Tax credits  
  - Tax deductions  
  - Tax abatements  
  - Tax exemptions  
  - Tax refunds  
  - Tax rebates |
| Non-tax program  | Direct or indirect financing programs providing dollars to a company with or without third-party involvement  
  - Grants  
  - Loans  
  - Loan guarantees  
  - Preferential interest rates  
  - Bonds  
  - Equity investments  
  - Insurance |
a measure of state business incentive “program intensity”. Based on this measure, the states with the highest incentive program intensity include Alaska, North Dakota, Kansas, Oklahoma, New Mexico, Mississippi, West Virginia, Delaware, Connecticut, Rhode Island, Vermont, and Maine.

Other key survey results found that programs surveyed for this report had a general goal of encouraging economic development and growth in their respective state through business assistance, however the services and tools provided by the different programs varied widely. Financial assistance is still the primary approach that most states adopt, with about half of the programs providing tax-related benefits to businesses. In addition, nearly 35 percent of the programs provided direct financing and lending to businesses.

Note that this measure of program intensity only reveals the number of programs available in a state. It does not show the total amount of money awarded by a state for business incentives nor is it a comparison of the number of projects funded by incentive programs between the states.
Besides financial assistance, economic development programs also provide various business assistance services. The most commonly offered is workforce training or development assistance (10 percent), followed by:

**Figure 5: Industry Targeting Programs**

<table>
<thead>
<tr>
<th>INDUSTRY CLUSTER</th>
<th># OF ACTIVE PROGRAMS</th>
<th># OF STATES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advanced Manufacturing</td>
<td>13</td>
<td>7</td>
</tr>
<tr>
<td>Business &amp; Financial Services</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Energy (Renewable)</td>
<td>86</td>
<td>35</td>
</tr>
<tr>
<td>Research &amp; development</td>
<td>153</td>
<td>44</td>
</tr>
<tr>
<td>Arts, Entertainment, Film, Recreation &amp; Visitor Industries</td>
<td>135</td>
<td>40</td>
</tr>
<tr>
<td>Transportation &amp; Logistics</td>
<td>92</td>
<td>37</td>
</tr>
<tr>
<td>Agribusiness, Food Processing &amp; Technology</td>
<td>84</td>
<td>31</td>
</tr>
<tr>
<td>Information Technology &amp; Telecommunications</td>
<td>37</td>
<td>19</td>
</tr>
<tr>
<td>Energy (Fossil)</td>
<td>85</td>
<td>32</td>
</tr>
<tr>
<td>Biomedical/Biotechnical (Life Sciences)</td>
<td>27</td>
<td>16</td>
</tr>
<tr>
<td>Defense &amp; Security</td>
<td>20</td>
<td>13</td>
</tr>
<tr>
<td>Forest &amp; Wood Products</td>
<td>16</td>
<td>11</td>
</tr>
<tr>
<td>Chemicals &amp; Chemical Based Products</td>
<td>14</td>
<td>11</td>
</tr>
</tbody>
</table>

Sources: State Economic Development Incentives Database and State Program Administrators Survey (CREC)
technology development and commercialization assistance (9 percent) and process innovation assistance (9 percent).

Approximately half of state business incentive programs emphasized specific target industries, prioritized by the agency or other economic development organizations. The specific industries most targeted by incentive programs were research and development, entertainment and visitor industries, transportation and logistics, agribusiness and food processing, and energy (renewable and fossil). Other industries frequently targeted by incentive programs include life sciences, information technology, defense and security and advanced manufacturing.

Based on the top five targeted industries, research and development targeting was concentrated in the Northeast, Upper Midwest, and Washington state. Programs targeting the arts, entertainment, recreation and visitor industries were most prevalent in states with significant tourism industries, such as Vermont, South Carolina, Florida and Hawaii. Programs targeting renewable energy industries, such as solar and wind power generation, were mainly clustered in Southwestern states such as Nevada, Arizona, Utah and California, as well as a strong concentration in the Mid-Atlantic region. Programs targeting the agribusiness industries were located throughout the nation, with a concentration in Midwestern and Northeastern states.

The survey also revealed that non-tax business incentive programs are more likely to be evaluated for performance as compared with tax incentives. Nearly 88 percent of those surveyed said their state collected

Figure 6: State Economic Development Programs Targeting Specific Industries (2012)
data to evaluate the performance of non-tax programs while just over half indicated the state collected data for the evaluation of tax incentives.

Among the key outcome measures used by states to evaluate business incentives, the number of jobs created, the amount of investment made by the company assisted, and the number of jobs retained were the most common. Unlike tax incentive evaluations, non-tax program evaluations do not rely as heavily on the wages paid by an assisted company. Average wages paid was the second most commonly used outcome/output measure collected for tax incentives whereas this measure ranked fourth for non-tax programs.

The section that follows provides question by question responses to the state incentive program managers’ survey.
Survey Results

Specifically, there were 576 tax incentive programs and 696 non-tax incentive programs included in this survey. The questionnaires were sent directly to the program managers for these 1,272 programs. The questionnaire was designed to examine several key aspects of state economic development incentives offering including: 1) program purpose; 2) program implementation; 3) evaluation data collection; and 4) evaluation data analysis and reporting.

This survey was completed with 378 valid responses (29.7 percent response rate) from state economic development program managers in all 50 states except Wyoming. In particular, there were 188 responses for tax programs, and 190 responses for non-tax programs. As a result, tax incentive programs had a response rate of 32.6 percent compared to 27.3 percent from the non-tax programs.

Figure 8: Survey Response Rates

<table>
<thead>
<tr>
<th>Incentive Category</th>
<th>No. of Respondents</th>
<th>Universe of programs surveyed</th>
<th>Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax</td>
<td>188</td>
<td>576</td>
<td>32.6%</td>
</tr>
<tr>
<td>Non-Tax</td>
<td>190</td>
<td>696</td>
<td>27.3%</td>
</tr>
<tr>
<td>All programs</td>
<td>378</td>
<td>1272</td>
<td>29.7%</td>
</tr>
</tbody>
</table>

Program Purpose

Q1 - Which of the following broad business sectors does this program support?

Figure 9: Business Sectors Incentive Programs Support

Note: Respondents may choose multiple answers
* - e.g., professional services, computing, engineering, etc.
State economic development incentives are often designed to serve different business needs based on the type of business growth that states are trying to encourage. Some incentive programs target broad business sectors, while others are tailored to specific industries. According to the 2012 survey results, 45 percent of programs did not target any specific business sectors. For the programs that targeted specific business sectors, the highest number targeted manufacturing businesses (30 percent) or agricultural and mining businesses (14 percent), followed by wholesale trade and distribution (7 percent), traded services (7 percent) and private sector research and development businesses (7 percent). Approximately half of all programs emphasized specific target industries, prioritized by the agency or other economic development organizations.

Q2 - Does this program emphasize specific target industries (e.g., aerospace, life sciences, computing, etc.) prioritized by your agency or other economic development organizations?

Figure 10: Survey Responses for Q2

<table>
<thead>
<tr>
<th># of Responses</th>
<th>% of Respondent Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>181</td>
</tr>
<tr>
<td>No</td>
<td>186</td>
</tr>
</tbody>
</table>

Q3 - Does this program support businesses of a specific size?

In addition to targeting business growth based on industry, some incentive programs target at businesses of a certain size or location. However, in 2012, the majority of programs (82 percent) did not target a specific business size. Of the programs that did target a specific business size, most (11 percent) targeted large businesses (over 500 employees).
small businesses (less than 100 employees). The remaining programs (9 percent) targeted small-and medium-enterprises (less than 500 employees) or other business sizes. Generally, programs designed to serve businesses of a specific size are aimed at small businesses. Small business establishments (less than 100 employees) make up over 97 percent of all business establishments nationally (County Business Patterns, 2010). The main reason why programs target small businesses is because small businesses account for the majority of job growth, help retain business revenue in the state, and help foster entrepreneurial growth.

**Q4 - This program provides businesses with:**

Every program surveyed for this report had a general goal of encouraging economic development and growth in their respective state through business assistance, however the services and tools provided by the different programs varied widely. As Figure 12 shows, financial assistance was still the primary approach that most state agencies adopted. About half of the programs provided tax-related benefits to businesses. Nearly 35 percent of the programs provided direct financing and lending to businesses. Besides financial assistance, economic development programs also provided various business assistance services. The most commonly offered service was workforce training or development assistance (10 percent), followed by technology development and commercialization assistance (9 percent) and process innovation assistance (9 percent).

**Q5 - Is this program designed specifically to serve businesses within the state’s economically distressed regions?**

![Figure 12: Types of Business Assistance Provided by State Economic Development Programs](chart)

*Note: Respondents may choose multiple answers*
Incentive programs may also target businesses based on their location. These programs often offer an array of tax, infrastructure development and reduced regulation incentives within specified geographic areas in order to encourage economic development in communities that may benefit from state assistance. Economically distressed regions could include development or redevelopment zones, Brownfields, enterprise or technology zones, rural communities or urban downtowns. According to the survey results, in 2012 only 15 percent of programs were designed specifically to serve their state’s economically distressed regions.

**Figure 13: Survey Responses for Q5**

<table>
<thead>
<tr>
<th></th>
<th># of Responses</th>
<th>% of Respondent Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes.</td>
<td>58</td>
<td>16%</td>
</tr>
<tr>
<td>No.</td>
<td>308</td>
<td>84%</td>
</tr>
</tbody>
</table>
Program Implementation

Q6 - How many discrete project activities, would you estimate, received financial assistance through this program during the program year ending in 2011?

Figure 14: Number of Assisted Projects/Taxpayers in 2011

Across the nation there is a very wide variation in the scale of state economic development incentives. In general, most state programs were designed to assist a small number of projects, either by design or due to market conditions. However, this pattern differed slightly between tax and non-tax programs. According to 2012 survey results, the majority (61 percent) of non-tax programs served less than 25 projects in 2011. At the same time, the tax programs assisted less than 25 taxpayers only accounted for 44 percent of all state tax programs. On the other hand, a quarter of tax programs assisted 100 or more taxpayers, while only 16 percent of non-tax programs served more than 100 projects in 2011.

Comparing 1999 and 2012 survey results suggests that more and more tax programs in 2012 were designed to serve fewer taxpayers compared to 1999. As Figure 15 shows, the tax programs serving less than 25 taxpayers in a year increased significantly from 28 percent in 1999 to 44 percent in 2012. On the other hand, the tax programs serving more than 100 taxpayers decreased by 5 percent between 1999 and 2012. As a result, the tax programs serving less than 25 taxpayers a year, became the most commonly seen tax program type in 2012, surpassing those serving more than 100 taxpayers a year.
Q7 - Based on your best estimate, how much total financial assistance did this program obligate to all program recipients during the program year ending in 2011?

According to 2012 survey results, nearly 58 percent of state economic development incentives invested at least $1M in businesses in 2011. One fifth of all state economic development incentives spent more than $10M in financing and assisting businesses. A closer examination of the tax and non-tax programs reveals that tax programs
were more likely to finance super projects with greater than $5M investment than smaller projects spending less than $1M. As Figure 16 shows, the tax programs spending more than $5M in 2011 accounted for nearly 37 percent of all tax programs while that percentage for non-tax programs was barely 30 percent.

**Figure 17: The Value of Investment (1999 vs. 2012)**

The Value of Investment for Non-Tax Programs

<table>
<thead>
<tr>
<th>Category</th>
<th>1999</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than $1M</td>
<td>55.5%</td>
<td>56.2%</td>
</tr>
<tr>
<td>$500,000 - $1M</td>
<td>8.3%</td>
<td>13.0%</td>
</tr>
<tr>
<td>Less than $500,000</td>
<td>36.2%</td>
<td>30.8%</td>
</tr>
</tbody>
</table>

The Value of Investment for Tax Programs

<table>
<thead>
<tr>
<th>Category</th>
<th>1999</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greater than $1M</td>
<td>44.8%</td>
<td>59.1%</td>
</tr>
<tr>
<td>$500,000 - $1M</td>
<td>9.8%</td>
<td>5.2%</td>
</tr>
<tr>
<td>Less than $500,000</td>
<td>28.4%</td>
<td>35.7%</td>
</tr>
</tbody>
</table>
Comparing 1999 and 2012 survey results reveals that non-tax programs were a continuation of 1999 investment patterns in that they served a relatively small group of firms while investing more resources in each company. As Figure 17 indicates, the share of non-tax funding programs in the greater than $1M category and $500,000 to $1M category increased between 1999 and 2012, by 1 percent and 5 percent respectively. As a result, the non-tax programs providing small amount of financial assistances (less than $500,000) were represented less compared to 1999.

On the other hand, tax programs investing more than $1M increased significantly from 45 percent in 1999 to 59 percent in 2012. The percent of tax programs spending less than $500,000 also grew but at smaller rate during this time period. However, mid-level tax programs spending between $500,000 and $1M became less common in 2012, representing only 5 percent of all tax programs compared to 10 percent in 1999.

Q8: How assistance is distributed through program

According to survey results, about half of programs in 2012 distributed financial assistance directly to businesses. The recipients, in return promised to undertake future action that would have an economic development impact. The next highest share of programs (40 percent) distributed assistance directly to businesses by reimbursing them after they had satisfactorily achieved a program target or requirement. The remaining programs distributed assistance to businesses through an intermediary (for-profit enterprise, non-profit enterprise, etc.).
Q9 - Which of the following most closely describes how this program attracts applicants?

State incentive programs varied widely in how they attracted applicants to the program. In 2012, except for a basic web presence and/or printed collateral materials, approximately 37 percent of programs were not actively marketed. For programs that were actively marketed by their managing agencies, the majority of managing agencies proactively marketed the program but waited for businesses to contact them or had clients referred to them by other public agencies or economic development organizations. Almost half (47 percent) of tax programs were not actively marketed by their managing agency, as compared to only 30 percent of non-tax programs. Non-tax programs are more likely to have a dedicated web presence, with a webpage located within the state agency’s website. This site generally contains information about program benefits, eligibility requirements, and application materials. Tax programs may have no web presence other than what is available in the published tax code and forms. This is especially true of tax deduction, exemption and abatement programs.

Figure 19: Program Marketing Activities

- We proactively communicate about our program, but businesses must contact us
  - Non-Tax Programs: 31.2%
  - Tax Programs: 47.1%

- Other public agencies or economic development organizations refer clients
  - Non-Tax Programs: 28.3%
  - Tax Programs: 33.3%

- We actively identify and help businesses to apply for program benefits
  - Non-Tax Programs: 27.5%
  - Tax Programs: 29.4%

- We essentially do not market our program actively, except for a basic web presence and/or printed collateral materials
  - Non-Tax Programs: 51.4%
  - Tax Programs: 51.4%
Q10 - During the program year ending in 2011, did your agency receive referrals for this program from any of the following economic development partners?

In 2012, the large majority (87 percent) of partners who made applicant referrals to program managing agencies were economic development organizations. The next highest share of referrals came from small business development center networks (42 percent), followed by state manufacturing extension partnership centers (28 percent), colleges and universities (25 percent), workforce investment boards (12 percent), and other partners (7 percent). About a third of managing agencies actually actively identified and helped businesses to apply for program benefits.

Q11 - Which of the following statements best describes your agency's latitude in defining the program's eligibility criteria?

<table>
<thead>
<tr>
<th>Responses</th>
<th>No. of Non-Tax</th>
<th>No. of Tax</th>
<th>% of Non-Tax</th>
<th>% of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broad discretion in defining the program's eligibility criteria</td>
<td>40</td>
<td>9</td>
<td>21.1%</td>
<td>4.8%</td>
</tr>
<tr>
<td>Some latitude in defining the program's eligibility criteria</td>
<td>74</td>
<td>43</td>
<td>38.9%</td>
<td>22.9%</td>
</tr>
<tr>
<td>Very little or no legislative or regulatory latitude in defining eligibility</td>
<td>66</td>
<td>92</td>
<td>34.7%</td>
<td>48.9%</td>
</tr>
</tbody>
</table>
For the most part, state agencies had little discretion in defining the eligibility criteria for incentive programs. Overall, the majority of programs (42 percent) agencies had very little or no legislative or regulatory latitude in defining eligibility criteria. A smaller share (30 percent) had some latitude in defining the program’s eligibility criteria, while only 13 percent had broad discretion in defining the program’s eligibility criteria. In general, agencies managing tax programs had much less legislative or regulatory latitude in defining eligibility criteria than agencies managing non-tax programs. As Figure 21 shows, state agencies had “some” or “broad” discretion in defining eligibility criteria for about 60 percent of non-tax programs in 2012. This percentage was only 28 percent for tax programs. This is most likely because tax programs were often written into the tax code, rather than designed by state economic development agencies.

Q12 - Which of the following best describes your agency’s influence over whether an applicant receives assistance through this program?

According to the survey results, the majority of programs (63 percent) provided assistance to all eligible applicants, or to all eligible applicants on a first-come, first-served basis subject to budgetary constraints. A smaller share of programs offered assistance to applicants submitting proposals under a competitive request for application process, or responded to selected eligible applicants at the agency’s discretion. Despite not being as actively marketed, tax programs may still have served a large number of businesses because tax programs were much more likely than non-tax programs to provide assistance to all eligible applicants (45 percent of tax programs vs. 25 percent of non-tax programs).
Q13 - What is the typical or average amount of financial assistance that individual recipients might receive through this program?

As Figure 23 shows, the percentage of businesses receiving more than $50,000 through non-tax programs significantly exceeded that percentage for tax programs. For instance, nearly 18 percent of businesses received more than $1M financial assistance through non-tax programs while that percentage for tax programs was only 9 percent. Interestingly, state agencies were less likely to release or track information on amount of financial assistance individual recipients received through tax programs. Survey results showed one third of tax programs had no information about average amount of financial assistance that individual taxpayers received.
Data Collection

Q14 - Does your agency collect quantified program impact or performance data for reporting purposes on this program?

Figure 24: Survey Responses for Q14

<table>
<thead>
<tr>
<th>Responses</th>
<th>No. of Non-Tax</th>
<th>No. of Tax</th>
<th>% of Non-Tax</th>
<th>% of Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>22</td>
<td>85</td>
<td>12.4%</td>
<td>47.2%</td>
</tr>
<tr>
<td>Occasionally, on an as needed basis</td>
<td>40</td>
<td>13</td>
<td>22.6%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Yes, on a regular basis</td>
<td>115</td>
<td>82</td>
<td>65.0%</td>
<td>45.6%</td>
</tr>
</tbody>
</table>

For policy makers and economic developers, program evaluation is one of the most vital steps in the economic development process. The survey results show that state agencies collected quantified program impact or performance data on the majority (70 percent) of programs for reporting purposes on either a regular basis or occasionally. About one thirds of the economic development programs did not have any data for evaluation purposes, according to 2012 survey results. Overall, agencies were much more likely to conduct program evaluations of non-tax programs than tax programs. About 47 percent of tax programs did not collect evaluation data at all while only 12 percent of non-tax programs did not have any data to evaluate.

The debate over economic development program evaluation caused state agencies to enforce evaluation data collection on more programs they managed. This change is reflected in comparing 1999 and 2012 survey results about the percent of surveyed programs that collected data for evaluation. As Figure 25 shows, the percent of

Figure 25: Percent of Programs Collected Data for Evaluation (1999 vs. 2012)
both tax and non-tax programs that collected data for evaluation increased significantly, each by nearly 9 percent, during the past 13 years. As a result, about four out of five surveyed non-tax program and half of surveyed tax programs collected data for evaluation in 2012.

Q15 - What type of quantified data do you collect to assess the performance of this incentive program?

For program evaluation, agencies collected a wide variety of quantified data for measuring internal activity. The most commonly collected internal activity measures were: number of active projects, number of completed projects, and total program budget. The following diagram shows the percent of respondent programs that use these measures:

Figure 26: Type of Quantified Data Collected

Internal Activity Measures Used by State Agencies

- Number of active projects: 63.2%
- Number of completed projects: 61.6%
- Total program budget: 58.9%
- Number of clients: 50.0%
- Number of inquiries and/or prospects: 34.7%
- Administrative costs specific to program: 21.1%
- Number of staff (or staff hours) available for program: 15.8%
- Number of actions related to outreach (e.g., brochures distributed, clients met etc.): 15.3%
- Value of tax revenue foregone: 14.4%
- Non-tax programs: 4.8%
- Tax programs: 3.3%

Note: Respondent may choose multiple answers

Output/Outcomes Measures Used by State Agencies

- Number of jobs created: 61.1%
- Number of jobs retained: 54.7%
- Investment made by company assisted: 52.6%
- Average wages paid: 29.5%
- Increased or new sales: 19.5%
- Tax revenues generated: 14.4%
- Value of cost savings for business: 10.1%

Note: Respondent may choose multiple answers
projects, and number of clients. Not surprisingly, most state agencies keep track of the expenditures of the incentive programs. For instance, 34 percent of tax programs collect data on the value of tax revenue foregone while 59 percent of non-tax programs keep track of total program budget according to 2012 survey results.

Not surprisingly, traditional measure such as number of jobs created was still the most commonly collected output and outcome measures in both tax program and non-tax program evaluations. As Figure 26 shows, “Number of jobs created” was collected by 61 percent of non-tax programs and 32 percent of tax programs in 2012. The other key output/outcome measures used included “Number of jobs retained”, “Investment made by company assisted”, and “Average wages paid”. However, the usage of these measures differed between tax programs and non-tax programs.

The 1999 and 2012 survey results suggest there was no dramatic change in the key internal activity measures state agencies use in economic development program evaluation. In both 1999 and 2012, “Value of tax revenue foregone”, “Number of active projects”, “Number of completed projects”, and “Number of clients” were rated as most commonly used internal activity measures for tax program evaluation by survey respondents. Interestingly, these key internal activity measures tended to be more equally used in tax program evaluation in 2012 compared to 1999. For instance, each of these four measures accounted for approximately one third of the responses in 2012 survey. In 1999, tax program evaluation relied more heavily on “Value of tax revenue foregone” alone, which accounted for one third of the responses while the other three measures were each used in approximately one out of every four respondent tax programs. This implies the state agencies might start to adopt more diversified measurements when conducting tax program evaluation. For non-tax program evaluation, “Number of active projects”, “Number of completed projects”, “Total program budget”, and “Number of clients” remained the most commonly used internal activity measures in 2012. No significant change was observed in the use of these measures between 1999 and 2012.

Several noticeable changes were observed in the outcome/output measures used in both tax program and non-tax program evaluation during the past 13 years. First, on the tax program side, fiscal output measures became much more used in program evaluation in 2012. The percent of respondents chose “Average wages paid”, “Investment made by company assisted”, and “Tax revenue generated” each increased significantly (at least 7 percent) from 1999 to 2012. On the other hand, the non fiscal measures such as “Number of jobs created” and “Number of jobs retained” were less used in 2012 but still remained the most important outcome/output measures for tax program evaluation. Quite differently, the two most commonly used outcome/output measures for non-tax program evaluation currently turned out to be “Number of jobs created” and “Number of jobs retained”. Particularly, the use of “Number of jobs retained” increased dramatically during the past 13 years, from 20 percent of respondent programs in 1999 survey to 55 percent of respondent programs in 2012 survey. On the other hand, “Average wages paid”, the second most important outcome measure used by 60 percent of respondent non-tax programs in 1999, became significantly less used for non-tax program evaluation, chosen by only 29 percent of respondent non-tax programs in 2012 survey. Similarly, “Value of cost savings for
Figure 27: Internal Activity Measures Used for Program Evaluation (1999 vs. 2012)
Figure 28: Outcome/Output Measures Used for Program Evaluation (1999 vs. 2012)

“business” was much less likely to be tracked for non-tax program evaluation in 2012 than it was in 1999. This change reflects the recent business transform from pursuing pure cost savings to stimulating innovations that
improve businesses’ comprehensive competitiveness. Not surprisingly, the traditional outcome measure “Number of jobs created” remained the top one outcome/output measure for both tax and non-tax program evaluations.

Q16 - When do you collect output/outcome-related data?

The survey results also showed that most of the state agencies act promptly when collecting outcome/output data. For instance, 83 percent of the economic development programs collected outcome/output data at project completion or within one year of project completion. In fact, many state agencies conducted multiple data collections after project completion to evaluate the sustainability of the project effect.
Analysis and reporting

Q17 - Does your agency analyze the performance of:

After collecting data, agencies used various methods for analyzing the data. The majority (65 percent) of agencies analyzed the performance of programs by analyzing the overall program as a portfolio of projects. The next highest share of agencies (42 percent) analyzed all projects as individual investments.

Q18 - Which of the following methods do you (or some other entity) use to analyze the impacts of this overall program?

To analyze the impact of the overall program, the large majority of agencies (60 percent) analyzed the economic impact (e.g., total benefits of income, employment, or other measures) of the program. Tax and non-tax program differed slightly in the second most widely used methods. Tax program evaluation relied more on net fiscal impact analysis and non-tax program evaluation focused more on the analysis of return on investment.
One of the most positive changes observed from comparing 1999 and 2012 survey results is that more tax programs were evaluated through some kind of quantitative analysis in 2012. According to 1999 survey results, nearly 15 percent of the respondent tax programs only reported data collected but did no further analysis. In 2012, that percentage decreased to only 8 percent. This means it is likely that policy makers had more fact based findings to make investment decisions on tax incentives programs. Not surprisingly, Economic Impact Analysis remained the most commonly used analytic methods for tax program evaluation. However, what is interesting is that the percent of tax programs used Economic Impact Analysis increased so significantly between 1999 (19 percent of the respondent tax programs) and 2012 (used by one third of respondent tax programs) that it became a dominantly used analytic methods by state agencies as a result. In comparison, the other analytic methods (Net Fiscal Impacts Analysis, Return on Investment Analysis, Ratio of “Public Benefit” Analysis) were used by less than 10 percent of reported tax programs in 2012. In 1999, the state agencies almost equally relied on both Economic Impact Analysis and Net Fiscal Impact Analysis for tax program evaluation.

Significantly, Economic Impact Analysis was also heavily adopted by state agencies when evaluating non-tax programs, used by more than 40 percent of respondent non-tax programs in both 1999 and 2012 survey. However, the use of Economic Impact Analysis for non-tax program evaluation declined slightly during the past 13 years, from 49 percent of respondent non-tax programs in 1999 to 42 percent in 2012. It is worth pointing out that less non-tax programs were evaluated by their public effect in 2012 compared to 1999. As Figure 32 shows, Ratio of “public benefit” resulting from program investment was second most used analytic methods for non-tax program evaluation in 1999, used by 16 percent of respondent non-tax programs. By 2012, this percentage declined to 11 percent. As a result, Ratio of “public benefit” resulting from program investment was

![Figure 31: Methods Used to Analyze Program Impacts](image.png)

Figure 31: Methods Used to Analyze Program Impacts

- Economic impact: 60.6%
- None of the above, we report the data we collect but do no further analysis: 17.8%
- Return on investment: 16.2%
- Ratio of ‘public benefit’ resulting from each dollar of program investment: 11.6%
- Net fiscal impacts: 10.4%
- We use another method: 4.1%

Note: Respondents may choose multiple answers.
surpassed by Return on Investment and became only the third most widely used analytic methods for non-program evaluation in 2012.

Figure 32: Analytic Methods Used for Program Evaluation (1999 vs. 2012)

Analytic Methods Used by Tax Programs

- Economic impact: 18.9% (2012), 33.0% (1999)
- Net fiscal impacts: 13.7% (2012), 8.5% (1999)
- Return on investment: 4.8% (2012), 2.3% (1999)
- Ratio of 'public benefit' resulting from each dollar of program investment: 3.7% (2012), 4.6% (1999)
- We report the data we collect but do no further analysis: 14.9% (2012), 8.0% (1999)

Analytic Methods Used by Non-Tax Programs

- Economic impact: 49.1% (2012), 44.2% (1999)
- Return on investment: 15.0% (2012), 15.8% (1999)
- Ratio of 'public benefit' resulting from each dollar of program investment: 16.0% (2012), 11.1% (1999)
- Net fiscal impacts: 6.7% (2012), 4.7% (1999)
- We report the data we collect but do no further analysis: 10.7% (2012), 14.7% (1999)
Q19 - Do you assess satisfaction among businesses that use this program?

**Figure 33: Survey Responses for Q19**

<table>
<thead>
<tr>
<th>Responses</th>
<th>% of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes.</td>
<td>113</td>
</tr>
<tr>
<td>No.</td>
<td>128</td>
</tr>
</tbody>
</table>

Q20 - In general, after you collect (and analyze, if applicable) the data, who typically receives copies of the findings?

**Figure 34: Program Evaluation Reporting**

- **Legislature (including staff)**: 79.4%
- **Governor (including staff)**: 66.7%
- **Public (e.g., taxpayers/press)**: 57.2%
- **Other executive agency**: 30.0%
- **Federal or other partner organizations**: 20.2%
- **Internal use only**: 14.4%
- **Other**: 9.5%

Note: Respondent may choose multiple answers

After collecting (and analyzing, if applicable) the data, agencies typically sent copies of the findings to their state governor (including staff), state legislature (including staff) and the public. Less frequently, agencies sent copies to federal partners or other partner organizations, or to other executive agencies. More rarely, some agencies kept findings for internal use only.
Summary of Findings

The survey results reveal the following key findings about state economic development incentives offering:

About program purposes:

- Approximately half of all programs emphasized specific target industries, prioritized by the agency or other economic development organizations.
- Manufacturing was the states’ most targeted industry sector, supported by one third of state economic development incentive programs in 2012.
- Most state economic development incentives did not target a specific business size.
- Most state incentive programs provided workforce training besides financial assistance.
- State economic development incentives did not focus on economically distressed regions.

About program implementation:

- Non-tax programs were more likely to serve small group of projects than tax programs in both 1999 and 2012; tax programs assisted fewer taxpayers in 2012 compared to 1999.
- Tax programs tended to spend more than non-tax programs. Compared to 1999, states increased investment on both tax and non-tax programs.
- Individual recipients were more likely to receive large amount of financial assistance through non-tax programs.
- Most economic development programs distributed assistance directly to businesses.
- Tax programs were less likely to be actively marketed than non-tax programs.
- State agencies had more discretion for non-tax programs than tax programs in defining eligibility criteria.
- Tax programs were more likely to serve all eligible applicants while non-tax programs were primarily first-come, first-served.

About program evaluation data collection:

- State agencies were less likely to collect data on the performance of tax programs for evaluation purpose. However, compared to 1999, data collection was conducted on larger share of surveyed programs.
- Number of jobs created was used as primary output/outcome measure in both tax and non-tax program evaluations.
- Compared to 1999, key internal activity measures collected remained same but were more equally used in tax program evaluation in 2012.
- For non-tax program evaluation, average wage level was significantly less critical compared to 1999.
- Most state agencies evaluated program outcomes as soon as project completes.
About program evaluation analysis and reporting:

- State agencies used economic impact analysis as primary analytic methods for program evaluation
- Compared to 1999, more tax programs were evaluated through in-depth analysis in 2012
- After collecting (and analyzing, if applicable) the data, agencies typically sent copies of the findings to their state governor (including staff), state legislature (including staff) and the public.
Appendix: Incentives Database Glossary

**Contact State:** The state in which the program is located.

**Program Provider:** The organization administering the program, e.g., the state’s Department of Economic Development or Department of Taxation and Revenue.

**Program Code:** Unique code given by C2ER².

**Year Program Started:** The year the program began.

**Program Status:** An indicator of whether the program is currently in use (active), not in use (inactive) or has been ended (terminated). Some programs exist but have no current funding available or allocated, thus they are temporarily inactive, but not necessarily permanently terminated.

**Program Category:** There are three main program categories – tax, direct financing or indirect financing. Tax programs include a variety of abatements, credits, refunds, and deferrals. Direct financing programs provide dollars to a company without third-party involvement. Indirect financing programs provide funding to a third-party provider (or intermediary) who in turn provides services to the firm. Direct service provision by an agency (without an intermediary) is NOT included in this database.

**Program Type:** A further refinement of C2ER’s classification scheme, there are several program types that are subsidiaries of the program category. Among tax programs, program types can include tax abatements, credits, deductions, deferrals, exemptions, refunds or rebates. Among direct financing programs, program types can include bonds, equity investments, grants, or loans. Among indirect financing programs, program types may include equity investments, insurance, loans, loan guarantees, or preferential interest rates.

**Geographic Focus:** A number of state incentives programs are targeted to specific communities. For those that are available statewide, the focus is indicated as “no targeting within the state – statewide program.” Targets identified include development/redevelopment zones, enterprise zones, rural communities, technology zones, trade zones, urban areas, and in some cases the program is targeted to a specific community or local region.

² The Council for Community and Economic Research is formerly known as American Chamber of Commerce Research Association (ACCRA).
**Business Need:** To aid in describing the PURPOSE, of the incentive, C2ER has categorized incentives based on the business need or issue that the incentive appears to address. These include:

- **Business management** – incentives that help firms to improve the quality of their internal company leadership, including succession and business planning.
- **Capital access or formation** – incentives that help firms gain access to dollars that are used to increase investment; many tax incentives are allocated to this category as that is believed to be the default rationale for providing incentives that are not targeted to encouraging a certain type of business investment.
- **Facility/site location** – incentives designed to encourage firms to invest in a site or equipment in the state or a specific community; these incentives may also be geared toward encouraging a company to select a certain site or facility over others being offered elsewhere.
- **Infrastructure** – incentives that provide improved access or viability of a specific site, including investments in transportation, utilities, or similar physical aspects of a site or group of sites not directly related to building or equipment.
- **Marketing & sales assistance** – incentives aimed at helping firms improve their access to markets or to develop new market opportunities, including international, government, or import substitution initiatives.
- **Product & process improvement** – incentives designed to encourage firms to investment in improving their current production process activities deployment of technologies to improve current processes.
- **Technology & product development** – research and development needs.

**Program Description:** A brief description of how the program works and what it does. This description is designed to provide a one or two sentence summary of key aspects of the program.

**Program Objective:** A brief statement about the purpose for the program and how its success is measured (if available).

**Program Specifics:** A more detailed description of how the program operates. This tends to be a detailed version of the “program description.”

**Eligibility Requirements:** If available, a listing of eligibility requirements and limitations. This section describes both who may be awarded the incentive as well as what types of projects will be considered. Scoring criteria for competitive incentive awards, if applicable and available, are also included in this section.

**Application Information:** If available, this provides information about how and where to apply, whether or not the program is competitive, as well as the frequency of project awards.

**Marketing Name:** The name of the person responsible for marketing the incentive.
**Agency:** The name of the Agency for the MARKETING and PRIMARY contact persons. This will generally (but not always) be the same agency as the “program provider” listed earlier.

**Office:** The office or department for the PRIMARY point of contact (to be used only by C2ER for purposes of updating the website).