



Quick Action Closing Fund Summary for Fiscal Year 2023

The Governor's Quick Action Closing Fund ("QACF") is used to offer cash incentives to companies to relocate or expand in Oklahoma. **It is meant as a "seal the deal" incentive where there is an impact on the state.** It works best when Oklahoma is competing against another state or where the funds can be utilized to address an infrastructure or construction challenge in an Oklahoma location. During COVID, it has also been used by existing companies for small awards to innovate, diversify or shorten their supply chains with the goal of retaining employment, creating employment and encouraging capital investment.

9,663 jobs created or retained,
13% higher than projected.

\$65,545 average annual salary,
13% higher than projected.

\$31.8 million awarded
to 41 participating companies.

\$1.451 billion
in construction & renovation expenditures.

This incentive is **intended to generate more value for the state than the cost of the awards** themselves through higher payroll and capital expenditures by companies relocating to Oklahoma. To ensure that this program results in increased economic activity, the Oklahoma Department of Commerce is required to prepare a cost benefit analysis including an economic impact study before an offer can be made and any funds are disbursed. Companies submit their projected employment and payroll information, and there are performance conditions embedded in the agreement between the company and the Department of Commerce. These performance-based requirements ensure the company is performing before disbursements are made, and the agreements include claw-back provisions that ensure the incentive remains revenue positive to the state

As shown on the left, the program has had success. **Original projections anticipated creating 5,027 jobs and these companies employed 3,808 at the time of their Closing Fund application.** Actual results, as of Q2 2022, the last quarter employment and wage data were available, indicate that the companies having received a Closing Fund award employ a total of **9,663 people. This means that they actually created 5,855 jobs, or 669 more jobs (13% higher) than were projected.** In addition, **the average wage for these jobs was expected to be approximately \$57,787,** while payroll data indicates the companies pay an **actual average wage of \$65,545, which is 13% higher than the projected wage.**

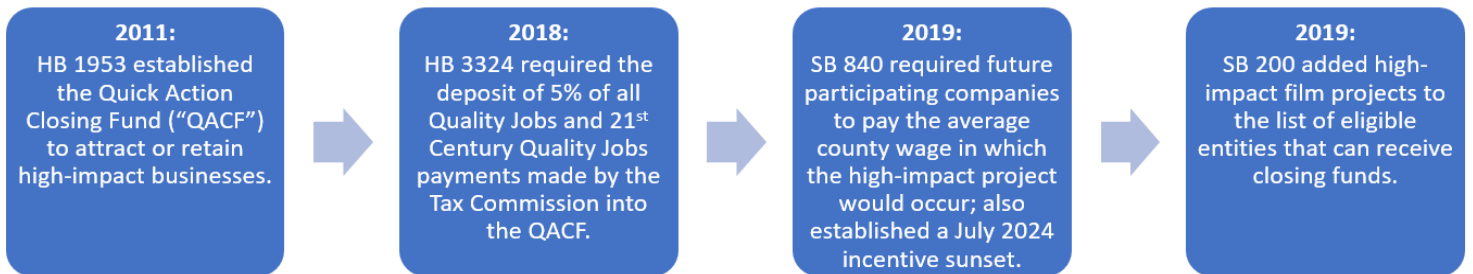
Forty-one companies from around the world have taken part in this program and have been awarded **\$31.8 million.**

In turn, they have spent, or will soon complete, \$1.451 billion in capital expenditures comprising new construction, renovation of real property, machinery and equipment.



Background and History

The QACF was created in 2011 for the purpose of attracting, retaining or providing favorable conditions for the recruitment and growth of high-impact business projects. High-impact projects are those which are expected to provide employment opportunities for Oklahomans and an enhanced tax base to the state and local government entities through economic activity expected to be created from the incentivized projects. Importantly, these projects are intended to provide a net benefit to the state and generate more revenue to the state than the cost of the incentive. The timeline below summarizes legislative amendments to the program since inception.



The fund was also utilized during the COVID-19 pandemic by supplying funds to manufacturers to retool production lines, be more efficient, or to cross-train employees. This program was known as the *Manufacturing Reboot*. Most Reboot agreements have been reimbursed from the CARES Act. The purpose of these projects was not to increase employment, per se, but to ensure that participating businesses would be able to retain jobs, diversify or innovate during a difficult economic period affected by COVID.

Requirements and Administration

There are four major stakeholders in the administration of the QACF program, each of which have different functions: the companies applying, the Governor, the Legislative branch, and the Department of Commerce.

Companies

Companies receiving payments from the QACF must:

1. be a basic industry or business activity defined by the Quality Jobs or 21st Century Quality Jobs Programs, or be a high-impact film production defined in the Film Enhancement Rebate Program, and
2. after 2019, pay an average wage on new jobs created that exceeds the average county wage for the county in which the project is located.

Governor

The Governor approves payments from the QACF after the Oklahoma Department of Commerce has conducted an analysis of the project’s potential impact on the state.

The Legislative Branch

The Legislative branch appropriates funds for the QACF. Most recently, in 2021, legislators appropriated \$20 million to the fund. From 2012 to report date, these appropriations have totaled \$54.3 million.

Commerce

Before funds are awarded:

Unless the project in question is a high impact film production, the Department of Commerce prepares an economic impact analysis that includes new jobs, retained jobs, average wages for new and retained jobs, capital expenditures expected to be made by the project, potential new business establishments locating in the state, and other factors that may be relevant to the project.

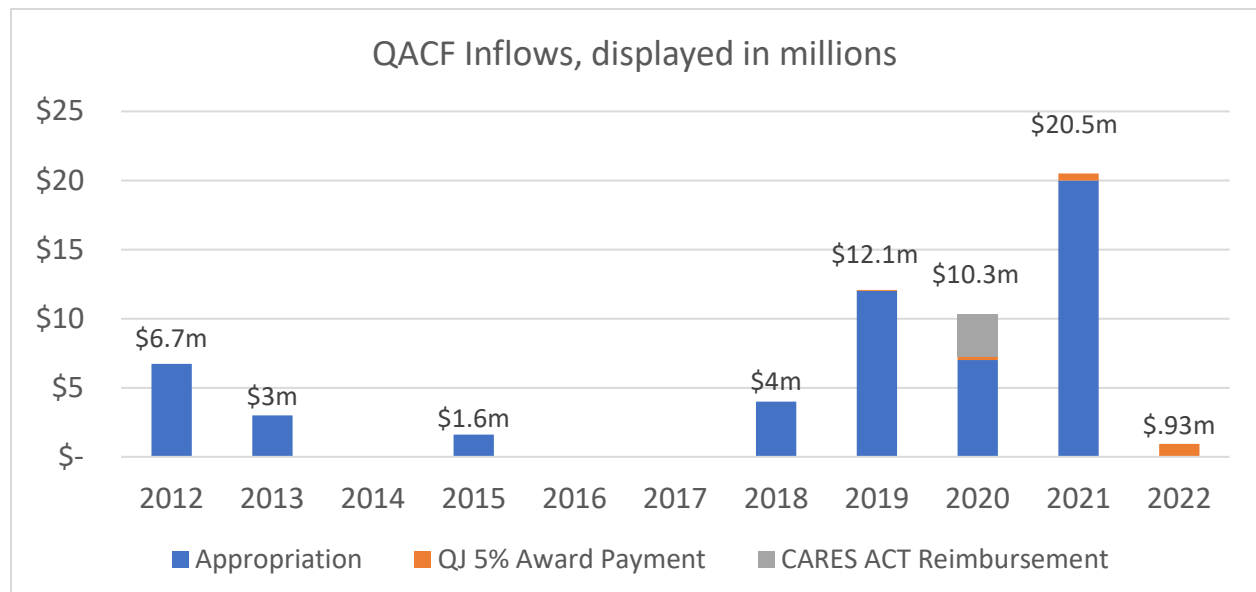
After funds are awarded:

If a project is approved by the Governor, the Oklahoma Department of Commerce enters into an agreement with the approved company. The contract contains the following:

- The amount of the funds awarded;
- The performance conditions that must be met before funds are distributed;
- Claw-back provisions if performance conditions are not met;
- A provision that requires repayment, plus any interest, of the funds to the state if the recipient has not utilized the funds for the intended purpose by a specified date in the contract;
- Methodology for validating performance; and
- A requirement that funds shall not be utilized for political contributions.

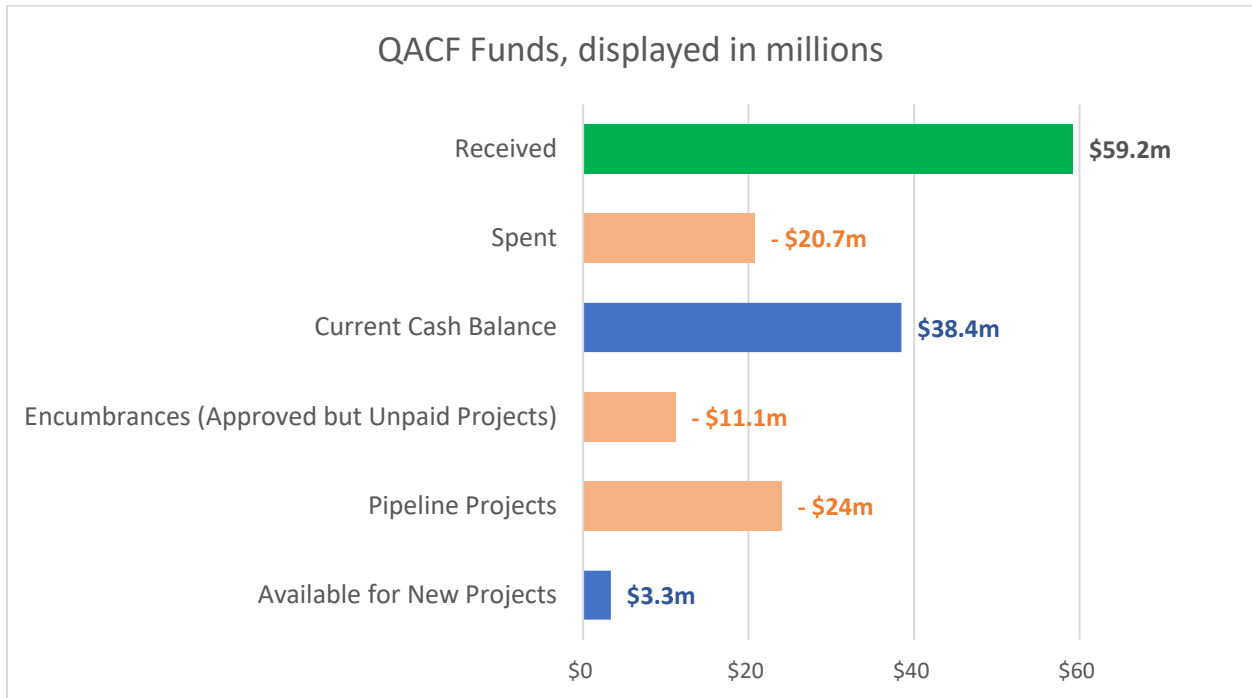
Appropriations and Expenditures

To date, the QACF has received approximately \$59.2 million. As mentioned previously, \$54.3 million has been appropriated over seven of the last eleven years, \$3.1 million was reimbursed with CARES Act dollars for the Manufacturing Reboot program, and about \$1.8 million was added from Quality Jobs transfers since HB 3324 was passed in 2018. The graph below shows receipts by year.





To date, the QACF has paid out \$20.7 million for approved projects to companies across the state, leaving a cash balance of \$38.4 million. There are approximately \$11.1 million worth of encumbrances, or projects that have been approved but not paid out yet, with another \$24 million in pipeline projects, or projects that have not been paid out or approved but are currently under evaluation by the Department of Commerce.



Results

Employment and wage data are confidential where individual companies may be identified. The information presented here aggregates that information so that no one company may be identified. Below, find a table presenting the performance of the QACF, from inception to reporting date.

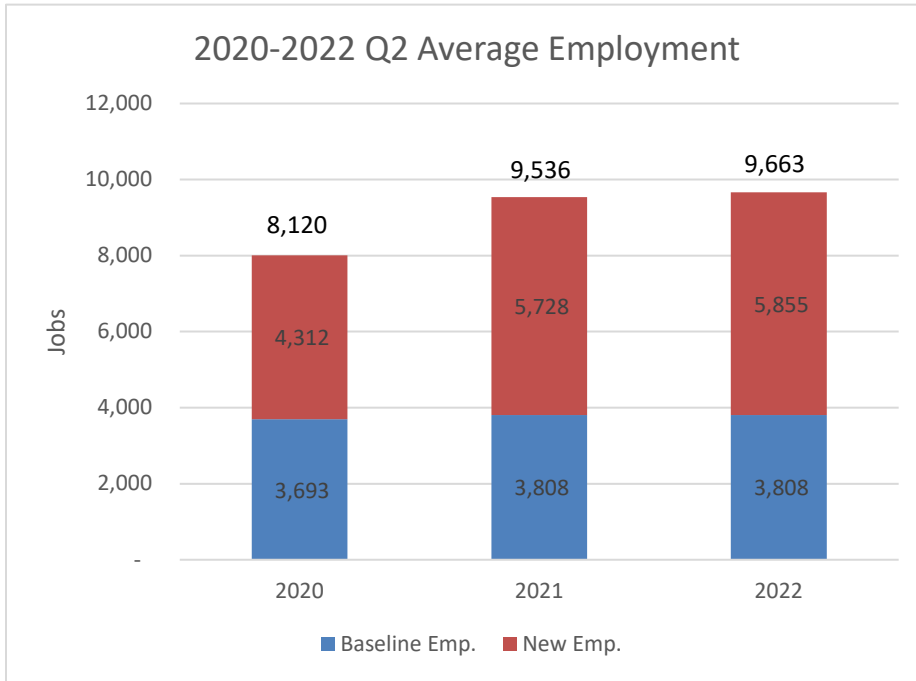
	Expected	Actual	% Difference
<i>Jobs Created</i>	5,186	5,855	113%
<i>Average Wages</i>	\$57,787	\$65,545	113%
<i>Annual Payroll</i>	\$299,683,382	\$383,765,975	128%

As a part of their projections, the companies applying for the closing fund planned to create 5,186 jobs as a part of their projects with an annual payroll of approximately \$300 million. By the end of Q2 2022, which is the most recent information we have access to, these companies created 5,855 jobs on top of the 3,819 jobs that they employed when applying for QACF for total job count of 9,663 jobs. Total annual payroll for the companies participating in the QACF totaled \$384 million. This does not include construction-related jobs and payroll associated with capital expenditures in excess of \$1.451 billion.

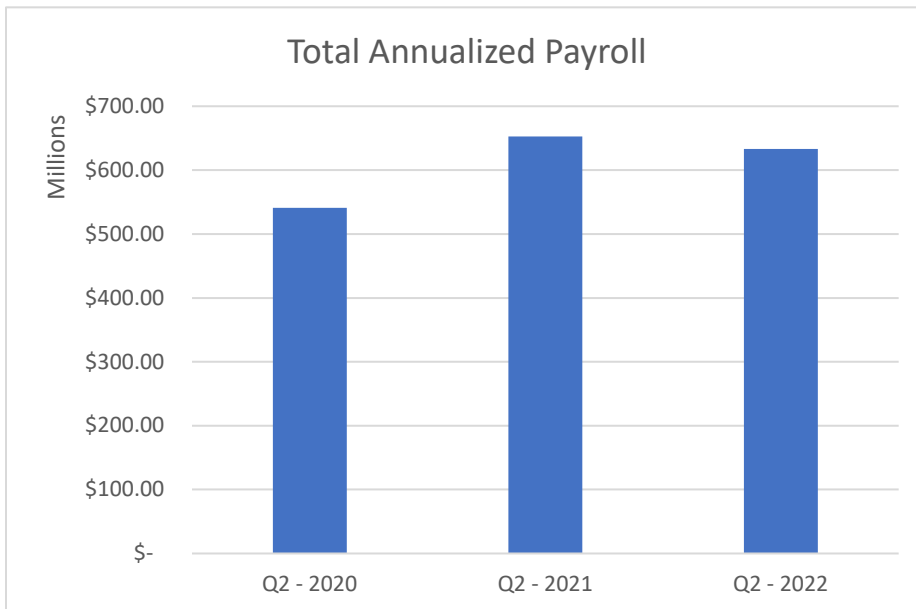
The two following charts show how employment and annualized payroll have changed over the preceding three years. This analysis does not incorporate full ramp up of employment and payroll for



several of the companies and utilizes the quarter before an award was made to establish baseline employment and payroll for companies that had operated in Oklahoma before an award was made.



Total employment from companies that have participated in QACF has increased from 8,120 jobs in 2020 to 9,663 jobs in 2022. Since QACF has been utilized for new as well as existing companies, the employment includes jobs at existing companies in addition to new companies over the time frame. This represents a 19% employment growth between 2020 and 2022.



Total annualized payroll grew from \$541 million in 2020 to \$652 million in 2021 before dipping slightly to \$633 million in 2022. Several companies that were approved for the QACF in 2020 and after have additional growth planned that has not occurred as yet.



The table below provides various performance metrics associated with the QACF including cost of the QACF per job, payroll, capital expenditures and a Return on Investment estimate. Since the QACF is only paid once, every year that a business operates after achieving its payment triggers increases the ROI for the state.

QACF Spent and Encumbered	Actual Job Creation	QACF per Job	QACF Cost per job when accounting for jobs lasting more than one year
\$31,843,075	5,855	\$5,439	\$1000-\$1200 per job
QACF Spent and Encumbered	Actual Payroll	Payroll Per QACF \$	Total Payroll Since QACF Inception
\$31,843,075	\$383,765,975	\$11.1	\$2.4-\$3 Billion
QACF Spent and Encumbered	Projected New Construction	Projected Total Capital Investment	Total CAPEX per QACF \$
\$31,843,075	\$423,550,000	\$1,450,885,027	\$44.6
QACF Spent and Encumbered	Estimated Consumption and Income Taxes based on Payroll & Construction	Fiscal ROI	Fiscal ROI since QACF Inception
\$31,843,075	\$39,439,937	23.9%	350%-450%

Conclusion

The QACF has protections to ensure that funds are only paid when qualifying performance has occurred, and there are claw-backs that ensure that there is a positive benefit to the state. Importantly, the QACF has been impactful in the jobs, wages and capital expenditures that have been facilitated by the fund. The companies that have receive closing fund awards employ 10,518 Oklahomans and have payroll in excess of \$844 million. The jobs, wages, and payroll all exceed the projections that the companies had before receiving a closing fund award, and this excess job and payroll creation provides an additional benefit to the state.



Methodology

Wage and employment data was recorded using database queries and not by hand to reduce the likelihood of error. The results were then manually reviewed against the database to ensure accuracy.

The author consistently used the last month of the second quarter for 2020 – 2022 jobs and payroll data, not only for consistency, but to ensure that the newest information, in the case of 2022, was used and presented.

Some participants in the QACF program operated in Oklahoma before receiving funds. To establish an appropriate baseline of employment and payroll information, the author reviewed when the companies were awarded funds, and then searched employment records for the immediately preceding quarter. If a company had an employment presence in the state prior to receiving a QACF distribution, and if less than five years had elapsed between Q1, 2020, and the award date, the author subtracted the jobs that existed before the award was made from 2020, 2021, and 2022 employment figures. In other words, *marginal jobs* were used to calculate employment figures, where necessary. Payroll was calculated the same way.