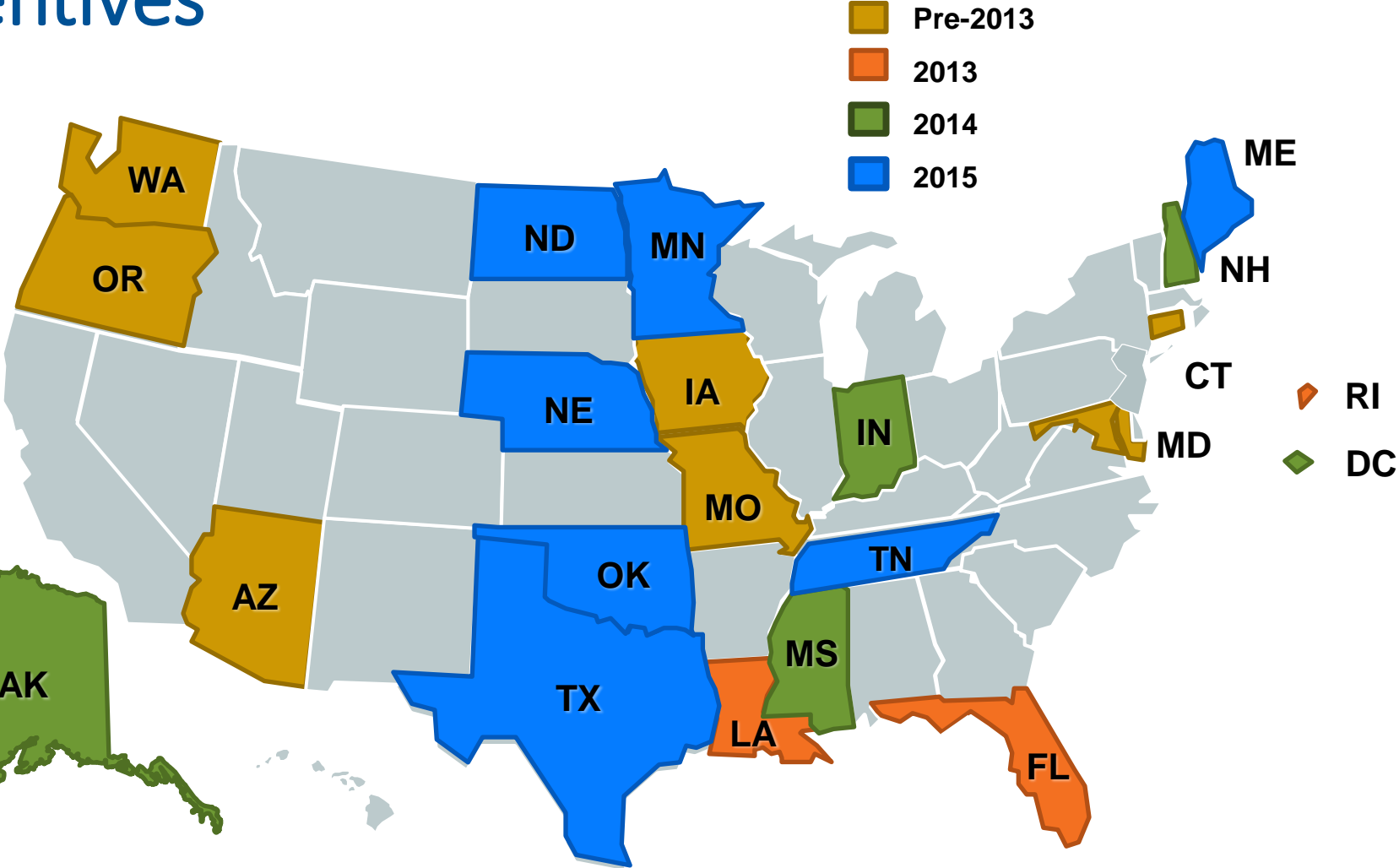


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Evaluating economic development incentives

Julie Srey
January 13, 2016

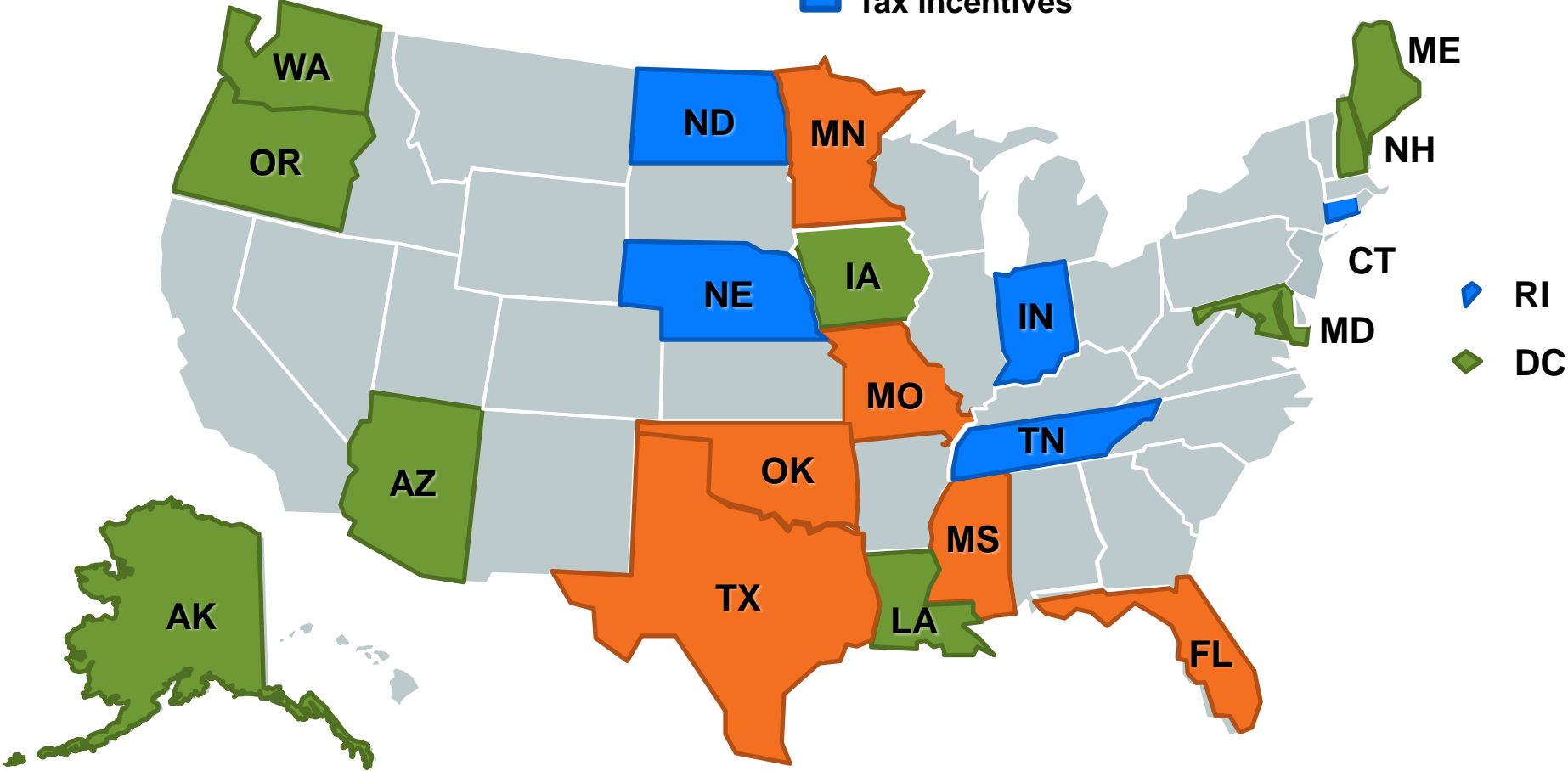
States regularly evaluate major incentives



Scope of evaluations



- Orange square: Tax and cash incentives
- Green square: Tax expenditures
- Blue square: Tax incentives



With evaluations, states can...



- Make subtle changes to incentives to greatly increase their return on investment
- Identify programs that are working well, so that the state can invest in them with confidence
- Repeal or replace ineffective or obsolete incentives
- Have a more constructive conversation about incentives

Ideally, evaluations...



● Examine the design and administration of incentives.

● Measure economic and fiscal impact.

● Draw conclusions on how to improve policy.

Key incentive review questions



- Is the program effectively targeted to achieve its intended goal?
- Is the program being administered efficiently?
- To what extent did the incentive change business behavior?
- What are the net results for the state economy?
- How does the incentive compare to alternative policies for achieving the same goals?
- Is the incentive a source of fiscal risk?

Is the program effectively targeted to achieve its intended goal?



● Are the eligibility requirements clear and appropriate?

● Are the actual beneficiaries the same as the intended beneficiaries?

Is the program being administered efficiently?



Does the program use an appropriate amount of government time and staff?

How much time and effort do recipients spend on administrative requirements?

To what extent did the incentive change business behavior?



Quantitative approaches (e.g., estimating the business response to a cost reduction)

Qualitative approaches (e.g., surveys, sensitivity analysis)

What are the net results for the state economy?



Do other industries or businesses indirectly benefit from the incentive?

Does the incentive indirectly harm other businesses?

How does the incentive compare to alternative policies for achieving the same goals?



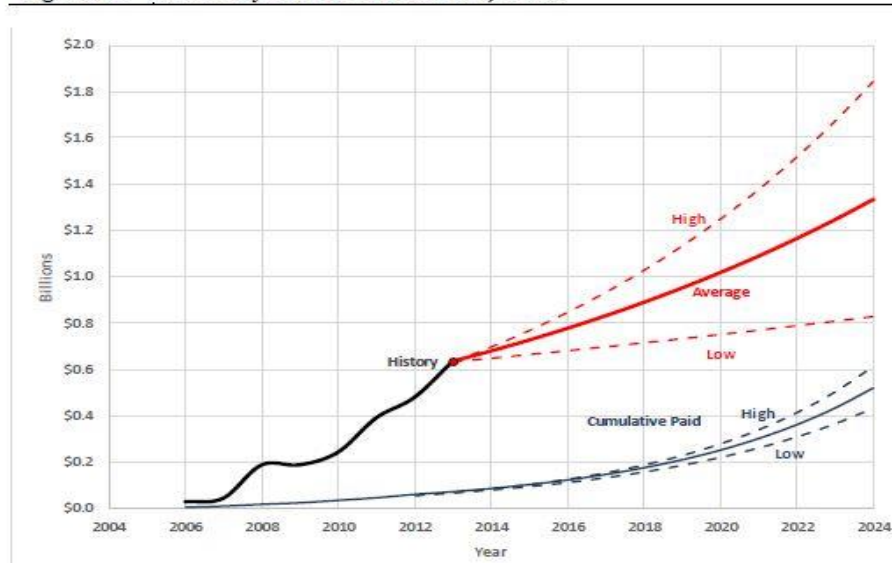
- Broad tax cut for all business
- Increased funding for education
- Other policy options debated by the legislature

Is the incentive a source of fiscal risk?



- Can the state anticipate costs using available data?
- Can the program be designed in a way that reduces fiscal risk?

Figure 9.1 Summary of 10-Year EDTIF Projection.



Source: Utah Office of the State Auditor

Considerations moving forward



Are the programmatic goals clear?

What metrics will be used to assess progress toward those goals?

Does good data exist, and is it accessible?

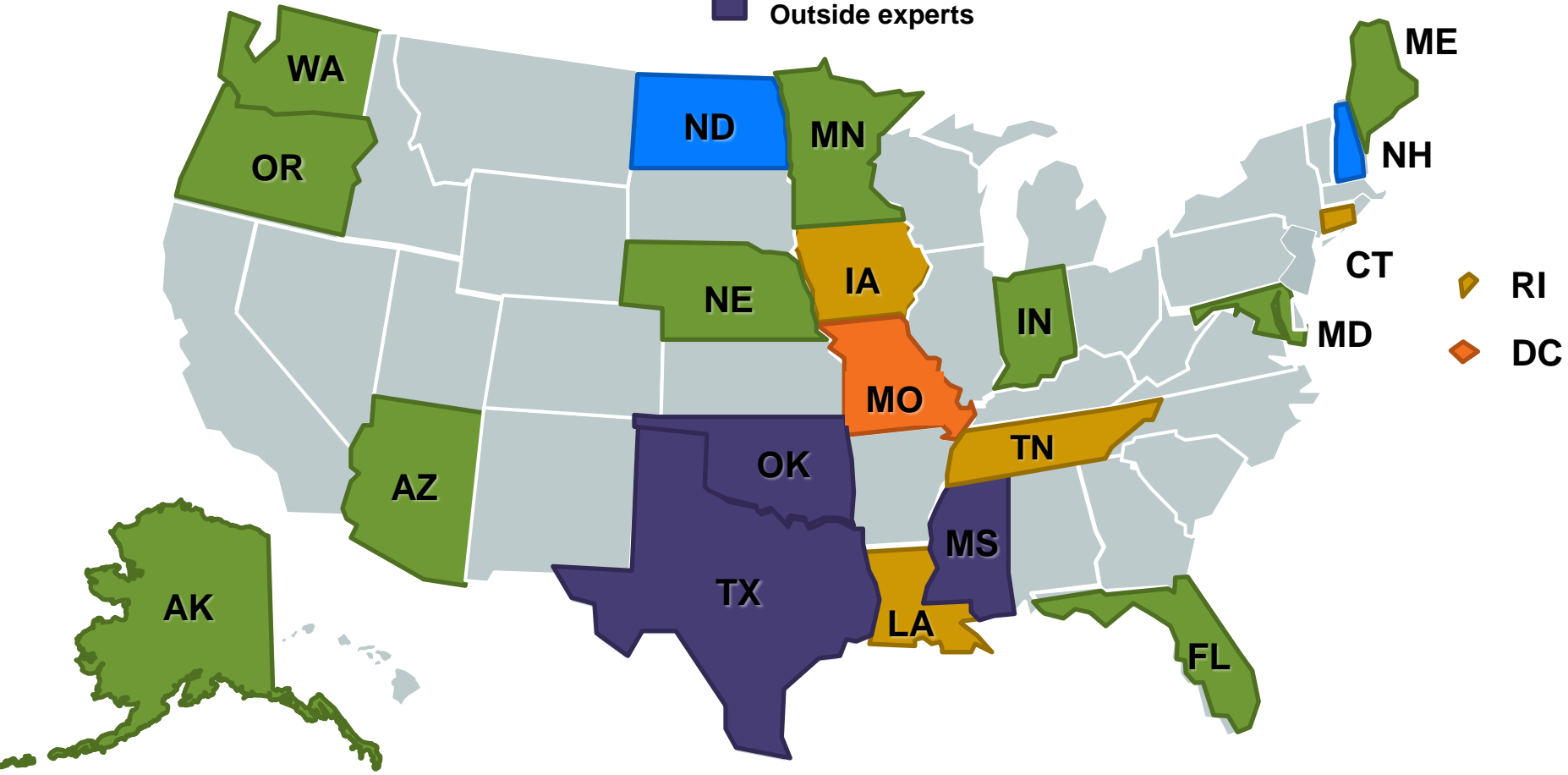
Which office will evaluate these programs?

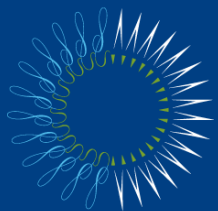
Allow for a dynamic process

Who evaluates



- Executive branch agency
- Independent agency
- Legislative staff
- Legislators themselves
- Outside experts





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Questions?

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