

BILL SUMMARY
1st Session of the 58th Legislature

Bill No.:	SB 936
Version:	ENGR
Request Number:	NA
Author:	Rep. Wallace
Date:	3/31/2021
Impact:	Quality Jobs incentive Act

Net Revenue Neutral

Research Analysis

SB 936 repeals the following:

- The Oklahoma Federal Facilities Development Act ([68 O.S. 2011, Sections 3501-3508](#) and [68 O.S. 2011, Section 3604.1](#));
- The Former Military Facility Development Act ([68 O.S. 2011, Sections 3801-3808](#));
- The Small Employer Quality Jobs Incentive Act ([68 O.S. 2011, Sections 3901-3903](#)); and
- The 21st Century Quality Jobs Incentive Act ([68 O.S. 2011, Sections 3911-3914](#)).

The measure then consolidates the provisions of the repealed Acts into the Quality Jobs Program and adds additional qualifying fields relating to:

- Health care;
- Information technology;
- Securities;
- Insurance;
- Funds and trusts;
- Financial and credit intermediation;
- Heavy and civil engineering construction;
- Electric utility;
- Professional, scientific and technical services;
- Real estate and brokerage services;
- Adjustment and collection services;
- Performing arts;
- Motion picture and video;
- Agricultural activities; and
- Equipment rental and leasing.

The measure also consolidates wage requirements and requires qualifying jobs to meet the *state threshold wage* of an annualized average wage of \$40,000. The wage shall be indexed and modified from time to time based on the latest Consumer Price Index year-to-date percent change release. Health care premiums paid by the applicant for individuals in new direct jobs shall not be included in the annualized wage.

Lastly, the measure modifies payroll requirements to be based on a tier system by county, which is structured as follows:

- Tier 1: Population of less than 10,000
- Tier 2: Population of 10,000-30,000

- Tier 3: Population of 30,000-60,000
- Tier 4: Population of 60,000-300,000
- Tier 5: Population of 300,000 or more

Prepared By: Emily McPherson

Fiscal Analysis

Review provided by the Tax Commission:

SB 936: Quality Jobs Simplification & Standardization

- Simplifies: Condenses the five incentive programs into one Quality Jobs Program.
 - Repeals: Small Employer QJ; 21st Century QJ; Former Military Facility Development; Federal Facilities Development Act
 - Amends: Quality Jobs Program to include components of each of the above.
- Standardizes: Industries, wages, years, and out-of-state sales requirements. All of these are different in each of the programs, which can be confusing.
 - Industry Standardization: QJ incentives require a company to compete in a qualifying industry, known as a “basic industry” and these industries have traditionally been those that have brought dollars to the state. These basic industries have been different between programs. SB 936 will standardize the industries, add a few industries that have similar workforce requirements, and allow industries to qualify in smaller rural economies. SB 936:
 - Brings 21 QJ industries into the QJ Program. These include Specialty Hospitals, Financial Investment and Financial Vehicles (Mutual Funds), Soundstages, Film Production, Performing Arts, Industrial Design, Advertising, and Public Relations.
 - Brings federal facilities where we attract from outside the state (from the Federal Facilities Development Act) and assists communities to build a facility for them.
 - Simplifies and Removes Duplication: Some industries showed up in multiple locations causing confusion – R&D services, datacenters, warehousing and distribution. Other industries had multiple threshold requirements that were simplified.
 - Includes industries that have similar characteristics to already qualifying industries. These include Credit Bureaus, Securities Dealers, Medical Management, Support Industries for Transportation, Professional Associations, and Instrument Repair.
 - Includes industries that further Oklahoma’s economic and workforce development goals including Greenhouses, Aquaculture, and Apprenticeship Training.
 - Wage Standardization: Wage thresholds were different across programs. SB 936 standardizes the required wage and allows the net benefit to be calculated based on wage.
 - Year Standardization: Small Employer and the Quality Jobs Program have different numbers of years allowed; SB 936 standardizes these to 10 years.
 - Out-of-state Sales Standardization: SQJ, QJ and 21QJ all have different requirements for the same industries. SB 936 standardizes these.

- Removes provisions in the Quality Jobs Program that can no longer be used or could not be implemented. For example, qualified federal contracts and proxy establishments.
- Eliminates references to incentives that have been repealed or cannot be used (QIA).
- Ensures the jobs created are quality jobs by maintaining health insurance requirements and increasing state threshold wage from \$25,000 indexed to inflation to \$40,000 indexed to inflation.
- Introduces tiers based on population only. Rural areas have a lack of participation in many of the programs, especially the 21st Century program, and these areas have the greatest development challenges retaining workforce, developing infrastructure, and maintaining a tax base. Tiers impact out-of-state sales thresholds, payroll thresholds, and the net benefit rate (the point at which rates higher than 5% are allowed). Additional industries will now qualify in the smaller counties (Tier 1, 2 and 3 counties)
 - Tier 1 counties: < 10,000 people
 - Tier 2 counties: 10-30,000 people
 - Tier 3 counties: 30-60,000 people
 - Tier 4 counties: 60-300,000 people
 - Tier 5 counties: >300,000 people
- Eliminates provisions that cause some projects to qualify with low wages, or receive a high benefit rate with lower wages. Under current law, 75 of the 77 counties automatically qualify for higher benefit rates. Removing these provisions ensures the program will be revenue neutral.

The overall revenue neutral features of the Quality Jobs Incentive Programs are not changed by this consolidation; therefore, there is no impact to revenue as a result of this measure.

Prepared By: Mark Tygret

Other Considerations

None.