DUNCAN AREA ECONOMIC DEVELOPMENT FOUNDATION

Economic Assessment of Economic Development Activities 1994-2022

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Duncan Area Economic Development Foundation

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DUNCAN AREA ECONOMIC DEVELOPMENT FOUNDATION

Economic Assessment of Economic Development Activities

1994-2022

I. Summary of Findings

The Duncan Area Economic Development Foundation (DAEDF) serves as the central source for economic development services on behalf of the City of Duncan and the area economy.

- Since 1994, DAEDF has engaged in a range of targeted economic development initiatives to increase employment and business activity in the Duncan region.
- Primary development programs include targeted job creation incentives, land and building development and acquisition, and access to leased facilities for operation.

DAEDF receives its primary funding through a dedicated economic development sales tax.

- Voters approved a one-half cent sales tax in 1994 that has been extended five times.
- Collections have averaged $990,570 annually since 2015 when the DAEDF distribution dropped to a quarter cent. Most recently, collections totaled $1.03 million in 2022. Over the life of the tax through 2022, cumulative dedicated tax collections totaled $37.67 million.
- Revenue to DAEDF from the tax was split equally with the City in 2014 to fund infrastructure improvements.
- Approximately $29.75 million (79%) was collected through 2014 when the DAEDF distribution was reduced to one quarter cent. Collections since 2015 totaled $7.9 million (21%).

DAEDF spending is primarily for economic development programs and the operating budget of the organization.

- Annual disbursements averaged $1.27 million annually since 1994, with larger disbursements occurring most recently in 2015 and 2022.
- Cumulative disbursements over the evaluation period reached $35.52 million in 2022.
- A cumulative total of $20.8 million was disbursed for economic development programs in the full 1994 to 2022 period.
- Cumulative operating expenses for the organization totaled $13.87 million, or approximately $495,000 annually.
- In 2022, operational expenses totaled approximately $628,400, slightly less than the $650,000 average across the past decade.
- Cash and fixed income securities valued at $2.08 million were held by the Duncan Economic Development Trust Authority (DEDTA) on behalf of DAEDF for future economic development programs.

Since 1994, DAEDF engaged in approximately 45 traditional incentive agreements with 35 individual private firms.

- Incentive payments totaled $5.91 million over the 1994 to 2022 period, or an average of $219,000 per year in the 27-year period.
- Incentives were offered steadily across the evaluation period but occurred in only about two-thirds of the years.
- Most of the incentives were offered in the early years of the evaluation period, with the largest incentives occurring in the 1995-99 period.
- The large incentives in 1998 and 1999 include agreements with both Family Dollar and Halliburton.
- The largest incentive ($2.0 million) in the evaluation period went to Family Dollar in 1998 for construction of a large warehousing and distribution center. The center has been in continuous operation in Duncan since opening.
- The second largest incentives ($1.315) went to Halliburton, the region's largest employer, for job creation ($1.05 million in 1999) and road construction ($265,300 in 2015).
- Smaller incentives were offered on a regular basis in the 2001 to 2010 period. Only 8 incentive agreements have been entered into since 2010.
- Only one additional firm received an incentive of more than $250,000 (Valco) and only two received more than $200,000 in incentives (Prepaid Legal and Universal Fidelity) in the 1994 to 2022 period.
- More than half (18) of the firms receiving incentives received $50,000 or less.

A high share of firms receiving incentives continue to operate in the local area.

- Nineteen of the 35 firms receiving incentives in the 27-year period are still operating in the region. Four were acquired by existing firms operating in the region.
- Approximately 89% of incentive dollars were received by firms that are still operating in the region.

In addition to the use of traditional incentives to expand local hiring and business activity, DAEDF uses access to buildings for lease as an incentive for firms to expand and increase hiring in the Duncan area.

- The use of real estate as an economic development incentive is a relatively new and unique approach to attracting firms to relocate or expand in a region. Instead of fully and quickly expending the resource as with traditional cash incentives, a large share of DAEDF incentive dollars have been invested in land and structures and offered as productive assets for lease.
- Ready access to a building is an attractive business incentive that allows firms to begin immediate operations in the area without significant upfront capital outlays for facilities.
- DAEDF has purchased or constructed 14 buildings since 1994 and currently owns 13 of them.
- Buildings currently owned by DAEDF have a total of 305,300 square feet and should generate $1.42 million in lease income in 2022 at current rental and occupancy rates.
- Lease income averaged $977,000 annually from 2010 to 2021 (last year available) and $1.1 million annually in the most recent five years.

- Firms first employed workers in the initial leased facility beginning in 1995. An average of 186 workers were employed annually across the full 1995 to 2022 period. Slightly more than 200 workers were employed at firms using leased facilities in 2022.
- Firms leasing facilities from DAEDF are diversified and represent a high-quality mix of jobs in the local economy.
- Of the $27.3 million spent by DAEDF on land and buildings for lease that are currently owned, $15.2 million (56%) of the cost was funded through the dedicated sales tax while $12.1 million (44%) was funded through internal income generated by DAEDF through leasing operations.
- The net cost to the public of this type of economic development strategy is far lower than simply providing cash incentives. The resources also remain in the community should an incentive recipient choose to relocate outside the region.

Firms receiving incentives comprise a large share of the employment base in the region.

- All firms receiving incentives employed an average of 3,660 workers annually in the full period.
- The number of workers peaked at just above 5,000 in both 2007 and 2008 at the height of the recent expansion in the state's energy sector and reached a low of about 2,200 in 2020 during the pandemic.
- Currently, approximately 3,000 jobs in Stephens County are at firms that received incentives in the period.
- Excluding Halliburton, the remainder of the firms employed an estimated 1,450 workers annually in the 1996 to 2022 period. Currently, 1,600 workers are employed at these firms.
- Removing the influence of both Halliburton and Family Dollar, the remaining firms hired an average of 1,020 workers in the 1996 to 2022 period. Currently, nearly 1,000 workers are employed at firms that received incentives in the evaluation period.
- Across the full period, 23% of county wage and salary workers were employed at all firms that received incentives. Excluding Halliburton, the share averaged 9.1%. Excluding both Halliburton and Family Dollar, the share averaged 6.4% since 1994.

Firms receiving incentives have paid significant amounts of compensation to employees in the region.

- Total compensation paid by all employers receiving incentives averaged $233.3 million annually in the 1996 to 2022 period.
- Most recently in 2022, all firms that received incentives paid employee compensation of $241.7 million, or 27.4% of compensation paid countywide.
- Excluding Halliburton, the remaining firms paid average total annual compensation of $67.9 million and accounted for 10.7% of countywide compensation across the 1996 to 2022 period.
- Excluding both Halliburton and Family Dollar, the remaining firms paid workers average total compensation of $49.3 million annually and accounted for 7.3% of compensation paid countywide.

The economic development activities of DAEDF from 1994 to 2022 resulted in significant construction activity taking place in the local economy.

- Seventeen construction projects totaling $71.6 million were completed in the Duncan area from 1994 to 2022.

- Some DAEDF incentives agreements required the recipient to complete the construction of new facilities for operation in the Duncan area.
- Expenditures averaged $2.4 million annually across the evaluation period.
- The largest expenditure is the construction of the Family Dollar distribution center for $50 million in 1998, which comprised almost 70% of total construction in the period.
- Approximately $17.6 million of the construction is tied to construction by DAEDF of new buildings or expansion of existing structures.
- After inflation adjustment, actual construction expenditures of $71.6 million across the evaluation period total $119.8 million in 2022 dollars.
- Inflation adjusted construction expenditures averaged $4.1 million annually across the full 1994 to 2022 evaluation period.

DAEDF engages in a range of additional economic development activities that generate economic activity in the area economy.

- DAEDF operates the Duncan Center for Business Development, a business incubator focused on start-up companies involved in technology transfer and commercialization of new products or services.
- DAEDF staff are actively involved in local education from a labor force development viewpoint. These include engineering competitions, a Manufacturing Lab, internships, student and teacher industry tours, soft-skill instruction, and others.
- DAEDF funded two major research projects focused on the Duncan economy in the evaluation period.
- DAEDF engaged in significant targeted grant and philanthropic giving in the evaluation period totaling $687,500.
- DAEDF was successful in attracting $2.45 million in grant funding to the region in the evaluation period.

The direct activity of firms receiving DAEDF incentives created measurable spillover activity to the broader Duncan (7-county) area economy.

- In 2022, all firms receiving incentives directly employed an estimated 2,953 workers and paid $241.7 million in employee compensation.
- Direct employment in 2022 supported an estimated 4,734 additional jobs in the 7-county region through spillover effects.
- In total, the operations of these firms directly and indirectly supported a total of nearly 7,700 jobs in the 7-county region in 2022, or 6.4% of total employment.
- If distributed consistently with the mix of all jobs based in Stephens County, 58% of the 7,700 total jobs will be held by Stephens County residents.
- Excluding Halliburton, 1,603 total direct jobs at firms receiving incentives supported an additional 1,629 jobs through estimated spillover effects in 2022. In total, all firms excluding Halliburton supported a total of more than 3,200 jobs in the 7-county region, or 2.7% of total 7-county employment.

- Further excluding Family Dollar, all other firms accounted for 953 direct jobs and 1,115 additional jobs through spillover effects in 2022. A total of 2,068 jobs through direct and spillover effects accounts for 1.7% of total 7-county employment.
- Measured by direct employee compensation paid by firms receiving incentives, a total of $241.7 million was paid to employees at all firms receiving incentives in 2022. The direct compensation supports an additional $292.9 million in compensation in the 7-county region through spillover effects.
- In total, the operations of all incentivized firms directly and indirectly supported approximately $535 million in compensation in the 7-county region in 2022, or 7.2% of total compensation paid in the region.
- Excluding Halliburton, $101.8 million in total direct compensation at firms receiving incentives supported an additional $91.5 million in compensation through estimated spillover effects in 2022. Further excluding Family Dollar, all other firms accounted for $64.5 million in direct compensation and $58.7 million in additional compensation through spillover effects in 2022.
- The ongoing economic contribution of DAEDF activities takes on more significant scale when accumulated across the full evaluation period.
- All firms receiving incentives paid a cumulative total of $8.57 billion in direct inflation adjusted employee compensation in the 1996 to 2022 period. Excluding Halliburton, the remaining firms paid a cumulative total of $2.47 billion in direct compensation after inflation adjustment. Excluding both Halliburton and Family Dollar, total direct compensation adjusted for inflation reached $1.82 billion across the evaluation period.
- For all firms, the $8.6 billion in total compensation paid supported an additional $11 billion in estimated compensation through spillover effects, or $19.6 million in total compensation in the period.
- Excluding Halliburton, the $2.5 billion in total direct compensation paid supported an additional $2.2 billion in estimated compensation through spillover effects, or $4.7 billion in total compensation in the period.
- Excluding both Halliburton and Family Dollar, the $1.8 billion in total compensation paid directly by these firms supported an additional $1.7 billion in estimated compensation through spillover effects, or $3.5 billion in total compensation in the period.

Construction expenditures related to DAEDF activities also have significant spillover effects, with the effects mostly concentrated in Stephens County.

- The $71.6 million of actual expenditures across the evaluation period totaled $119.8 million in 2022 dollars.
- Annual average construction spending was $2.47 million in actual dollars, or $4.13 million in 2022 dollars.
- DAEDF reports that nearly all the construction spending on buildings for lease was performed by Stephens County contractors.
- Direct construction spending supported an additional $103.3 million in economic output through indirect and induced effects in Stephens County in the period.
- Combined, direct and spillover construction impacts supported an estimated $223.1 million in economic activity across the full period.

Firms receiving job incentives and business assistance from DAEDF contributed additional economic impacts through ad valorem taxation city utility usage.

- For tax year 2022, seventeen firms are identified as paying at least $3.41 million in ad valorem taxes to the county on real and personal property.
- Halliburton is the largest payer, with $2.66 million in ad valorem tax payments in tax year 2022. Family Dollar paid $431,000 in tax year 2022, excluding payments made for retail properties occupied by Family Dollar stores in the county.
- Three firms receiving incentives paid a combined $2.01 million in electric power charges to the City of Duncan in 2022.
- The Family Dollar facility is the largest, paying more than $1 million annually for service to its distribution facility.

DAEDF activities produced a range of direct and spillover economic benefits that greatly exceed the direct public costs to fund the organization.

- Realized benefits attributed directly to the economic development efforts of DAEDF include significant job and compensation gains, construction activity, local tax revenue, utility revenue, grantmaking and receiving, and others.
- Direct job creation, employee compensation paid, and construction activity tied to firms receiving incentives also produced large spillover benefits to the area economy.
- Benefits produced by DAEDF activities in the evaluation period are sizeable even when considering only new firms brought to the region and accounting for income spillovers outside the region.
- Total direct public costs to generate all DAEDF benefits were $36.7 million, or $1.27 million annually, in the evaluation period.

II. Introduction

This report provides an overall economic assessment of the activities of the Duncan Area Economic Development Foundation (DAEDF) on the Duncan, Oklahoma area economy since 1994.

The City of Duncan is an incorporated municipality located in Stephens County in southwestern Oklahoma. Duncan's population is approximately 23,000 and comprises more than half the population of Stephens County (approximately 43,000).

The review of DAEDF activities begins in 1994 to coincide with the transition of the organization to its current form. The time frame also coincides with the approval by voters in 1994 of a dedicated sales tax for economic development purposes to support the activities of DAEDF. The coverage of the report extends through 2022 and captures the full period in which the organization has operated under its current structure.

The report documents the various activities of the organization to enhance the business environment and employment opportunities in the region. Programs used in these efforts include industry recruitment, site development, employment incentives, leasing of properties, business incubator services, and other forms of business assistance.

The economic benefits resulting from DAEDF activities are multifaceted and include expanded local business activity, new job and household income creation, construction activity, and others.

The report concludes with an overall assessment of the benefits produced by DAEDF economic development efforts in the evaluation period and the costs required to produce them.

III. Information Sources

The analysis throughout the report is structured primarily from an economic perspective rather than a financial perspective. Much of the report is based on financial audits and other financial analyses of the organization, but with the objective of quantifying the influence of DAEDF activities on the local economy.

Financial information used throughout the report is derived from a range of sources. The most important of these are:

- DAEDF annual audit reports and financial statements in the 2000 to 2022 period
- Original DAEDF documents detailing incentive agreements
- Sales and use tax records of the Oklahoma Tax Commission
- City of Duncan audit reports
- Discussions with current and past DAEDF staff
- Stephens County property assessment records
- Physical tours of DAEDF owned properties
- Online news accounts (substantial historical context is obtained from the Duncan Banner but is not cited directly in the report)

Financial audits of DAEDF are available for more than two decades and provide full detail on the financial condition, transactions, holdings, and stability of DAEDF. There is generally far more access to detailed information on DAEDF activities taking place after 2000 due to limited access to electronic records prior to 2000.

Economic data used throughout the report is obtained through original sources where noted. Economic estimates used in the benefit-cost analysis are derived by RegionTrack using recognized approaches to economic impact modeling.

IV. DAEDF Structure and Role

DAEDF was initially incorporated as the Duncan Industrial Foundation in 1954 to promote industry development and job creation within the city and surrounding area. The name of the foundation was changed in 1993 to the Duncan Area Economic Development Foundation. As a non-profit, DAEDF is exempt from income tax under section 501(c)(3) of the Internal Revenue Code. However, certain activities are subject to income tax on unrelated business income received by the organization.

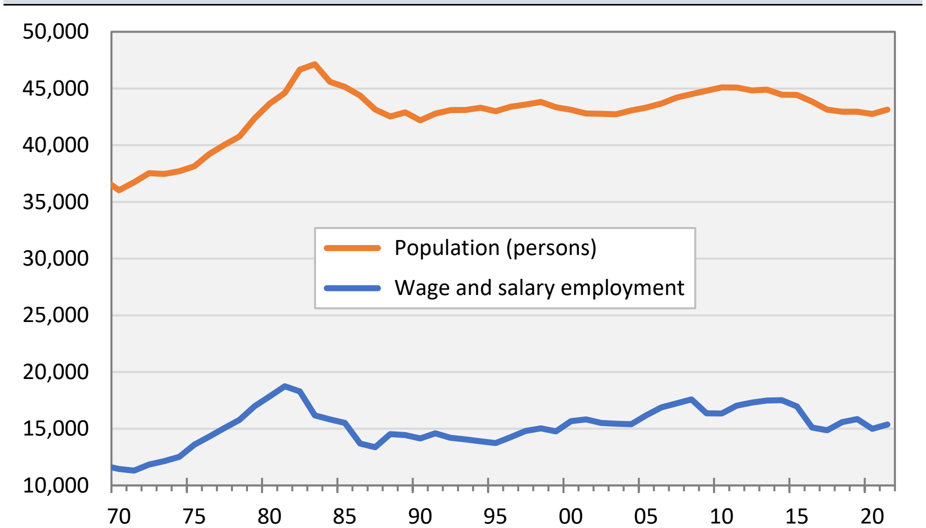
The Duncan Economic Development Trust Authority (DEDTA) contracted with DAEDF in 1994, to conduct economic development activities on behalf of the citizenry of the City of Duncan, Stephens County, and contiguous surrounding counties. The objective of the partnership between the city and DAEDF is to attract new industry and encourage development and expansion of existing industry.

DAEDF also worked in conjunction with the Duncan Industrial Authority (DIA) to aid manufacturing and other related businesses, primarily through land acquisition. DIA engaged in the management of the industrial park land owned by the Authority.

V. Local Economic Backdrop

The formation of DAEDF in its current state is closely tied to economic challenges faced in the Oil Bust of the 1980s. Like much of state, Stephens County experienced economic destabilization during the Oil Boom and Bust cycle of the 1970s and early 1980s (**Figure 1**). The county experienced a more than 50% gain in employment from 1971 to 1981 as the oil patch expanded rapidly. County population similarly surged by more than one-third, from 36,000 to more than 47,000, in the period. This type of transformative growth occurred across all areas of Oklahoma with a substantial oil and gas presence.

Figure 1. Employment and Population – Stephens County, OK



In the unwinding of this activity in the ensuing 1982-87 Oil Bust period, Stephens County gave back most of the job gains realized in the Boom. County population dropped by nearly 5,000 persons and hiring and personal income and wage growth stagnated across the county and most of Oklahoma. Stephens County entered a period of extended economic malaise along with much of the rest of the state. The county added less than 100 net new jobs from the bottom of the Bust in 1987 through 1995 when the first economic development incentives were offered by DAEDF.

The creation of DAEDF in its current state in 1993 occurred approximately a decade after the onset of the collapse of the domestic oil and gas industry in the early 1980s. The restructuring of DAEDF was an organized and active approach to mitigate the long-run effects of the oil and gas collapse on the local economy. DAEDF has since taken an active role in the development of the Duncan area economy.

VI. DAEDF Funding and Expenditures

The activities of DAEDF are funded in three ways:

1. a dedicated sales tax levied by the City of Duncan;
2. internal net funding generated by operations of the organization (primarily through real estate leasing operations); and
3. other minor funding sources including grants; gifts including transfers of real and personal property; and private support of the membership.

The dedicated sales tax is the primary source of revenue to the organization and is the focus throughout the report when examining the overall cost structure of the organization.

Dedicated Economic Development Sales Tax. DAEDF operations and industry incentive programs are funded primarily by a dedicated sales tax levy initially approved by the voters on June 14, 1994. Revenues available to DAEDF are limited geographically to those collected within the city of Duncan. The levy must be extended by voters every five years for an additional five years. Voters have renewed the tax five times since inception, with an average approval share of 75.6%. The dedicated sales tax funding and related contract for services between DAEDF and the city currently extends to 2024.

Revenues derived from the sales tax are passed through DEDTA, a component unit of city government. The dedicated sales tax rate is one half cent and has remained unchanged for more than two decades. The full half cent tax was dedicated to DAEDF activities in the two decades from 1994 to 2014. Beginning in 2014, the tax proceeds were split equally between DAEDF and the city, with each receiving one fourth cent. The City of Duncan uses the proceeds to fund infrastructure improvements which may include improvements to city streets, water conservation projects, and electric utility distribution.

Proceeds of the dedicated sales tax levy are held by DEDTA until requested by DAEDF as program needs arise. Any funds provided to DAEDF for economic development purposes that remain unused are returned to DEDTA. As of December 31, 2022, cash and fixed income securities valued at $2.08 million were held by DEDTA on behalf of DAEDF for future economic development programs.

Local Sales Tax Rate. The current (December 2022) combined sales tax rate for transactions subject to sales and use tax in the City of Duncan is 8.7%. The combined rate is comprised of the state tax rate of 4.5%, county tax rate of 0.7%, and city tax rate of 3.5%.

Duncan's current 3.5% city sales tax levy is roughly in the middle of the distribution of tax rates for the 519 cities in Oklahoma levying a sales tax in December 2022 (**Figure 2**). Duncan's rate is slightly above the overall average sales tax rate of 3.413% across all 519 cities.

This suggests that the overall tax rate in Duncan is not overburdened by the half cent dedicated tax and is unlikely to create competitive distortions in the local retail market.

Figure 2. City Sales Tax Rates - Oklahoma

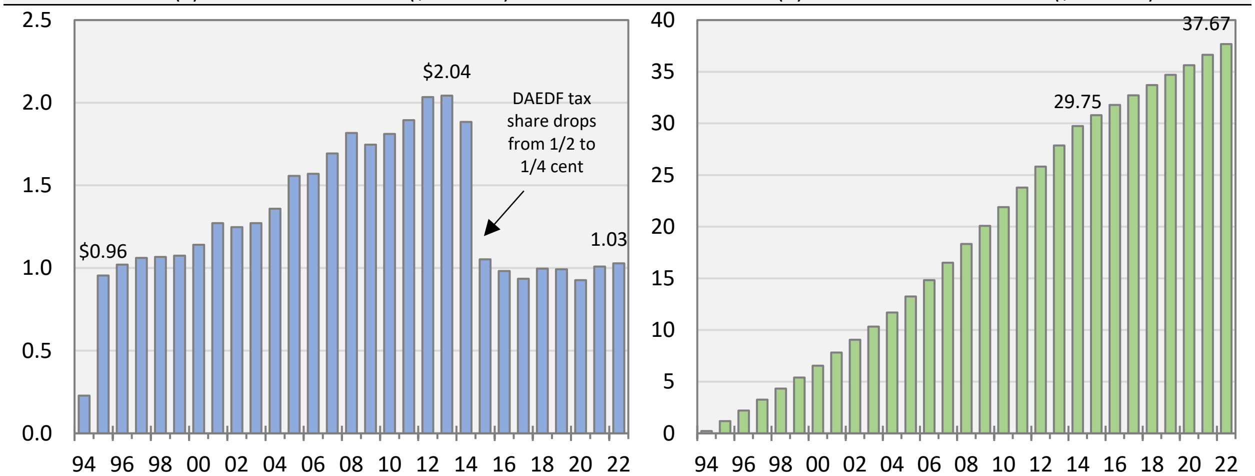
City Sales Tax Rate	Number of Cities	Share of Cities Levying a Tax
0.2500%	1	0.2%
0.5000%	1	0.2%
1.0000%	11	2.1%
1.5000%	3	0.6%
2.0000%	53	10.2%
2.5000%	5	1.0%
2.7500%	1	0.2%
3.0000%	154	29.7%
3.2500%	4	0.8%
3.3750%	1	0.2%
3.4000%	3	0.6%
3.5000%	39	7.5%
3.5500%	2	0.4%
3.6000%	1	0.2%
3.6500%	2	0.4%
3.7500%	8	1.5%
3.8330%	1	0.2%
3.8750%	2	0.4%
4.0000%	161	31.0%
4.0500%	3	0.6%
4.1250%	6	1.2%
4.2500%	5	1.0%
4.3000%	1	0.2%
4.3500%	1	0.2%
4.3750%	1	0.2%
4.5000%	21	4.0%
4.6000%	1	0.2%
4.6625%	1	0.2%
4.7500%	1	0.2%
5.0000%	23	4.4%
5.1000%	1	0.2%
5.5000%	1	0.2%
All Rates	519	100.0%

Tax rates are for December 2022 as reported by the Oklahoma Tax Commission. The average city sales tax rate across all 519 cities is 3.413% in December 2022.

Dedicated Sales Tax Collections. Annual sales tax collections dedicated to DAEDF activities since 1994 are summarized in **Figure 3**. Collections reached a peak of $2 million annually in 2013 under the half cent distribution to DAEDF. Collections have averaged $990,570 annually since 2015 when the DAEDF distribution dropped to a quarter cent. Most recently, collections totaled $1.03 million in 2022. Over the life of the tax through 2022, cumulative dedicated tax collections totaled $37.67 million. Approximately $29.75 million (79%) was collected through 2014 when the DAEDF distribution was reduced to one quarter cent. Collections since 2015 have totaled $7.9 million (21%).

Figure 3. Duncan Dedicated Sales Tax Collections

(a) Annual Collections ($millions) (b) Cumulative Collections ($millions)

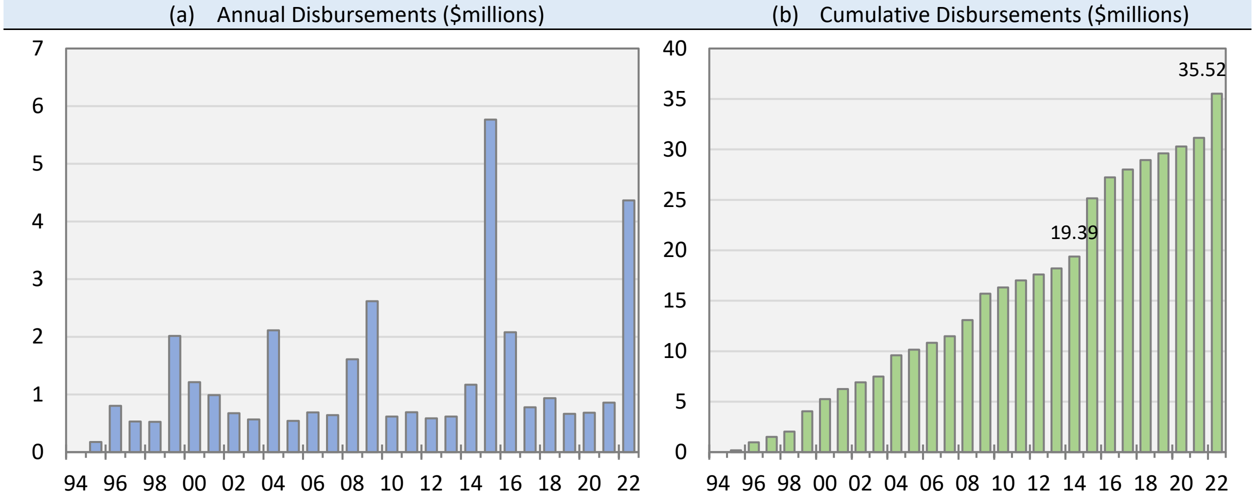


Note: The sales tax rate dedicated to DAEDF decreased from a half cent to a quarter cent in 2014.

Dedicated Sales Tax Disbursements. Annual transfers of tax revenue to DAEDF are detailed in the 1994 to 2022 period in **Figure 4**. Annual disbursements are larger in years that DAEDF engaged in more sizeable economic development projects such as building construction. Annual disbursements have averaged $1.27 million annually since 1994, with large disbursements occurring most recently in 2015 and 2022. Cumulative disbursements over the evaluation period reached $35.52 million in 2022.

Figure 4. Duncan Dedicated Sales Tax Disbursements

(a) Annual Disbursements ($millions) (b) Cumulative Disbursements ($millions)

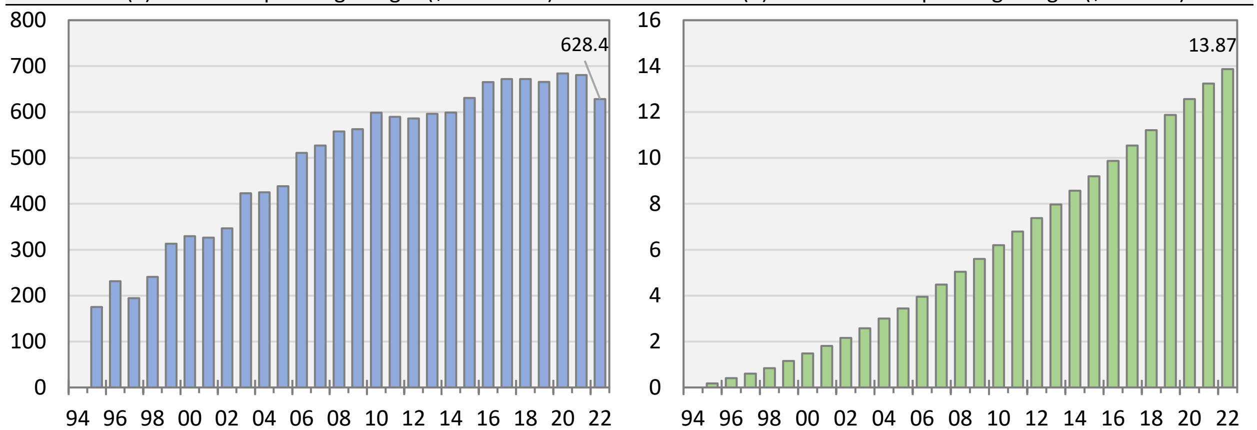


DAEDF Operating Expense Disbursements. The operations of DAEDF are funded from annual disbursements from the dedicated sales tax. Disbursements for operating expenses are summarized in **Figure 5** and include staff salary, benefits, and expenses; office space and utilities; incubator costs; and other expenses of the organization.

In 2022, operational expenses totaled approximately $628,400, slightly less than the $650,000 average across the past decade. Operating expenses have increased slowly over time along with inflation but have remained mostly flat since 2015. Cumulative operating expenses beginning in 1995, the point at which DAEDF operating expenses were first covered by the sales tax, totaled $13.87 million, or approximately $495,000 annually.

Figure 5. DAEDF Operating Budget Disbursements

(a) Annual Operating Budget ($thousands) (b) Cumulative Operating Budget ($millions)



DAEDF Economic Development Expense Disbursements. Disbursements of tax revenue to DAEDF for economic development programs are similarly requested annually (**Figure 6)**. A cumulative total of $20.8 million was disbursed for economic development efforts in the full 1994 to 2022 period. These funds were used for traditional business incentives, developing buildings for lease, and other activities of the organization. Large projects were undertaken most recently in 2014, 2015, 2016, and 2022. No economic development disbursements were made in the early years of 1994 or 1995. However, tax funds were used extensively in the 1996 to 2004 period to fund traditional job creation incentives.

Figure 6. DAEDF Economic Development-Related Disbursements

(a) Annual Economic Dev. Expenditures ($millions) (b) Cumulative Economic Dev. Expenditures ($millions)

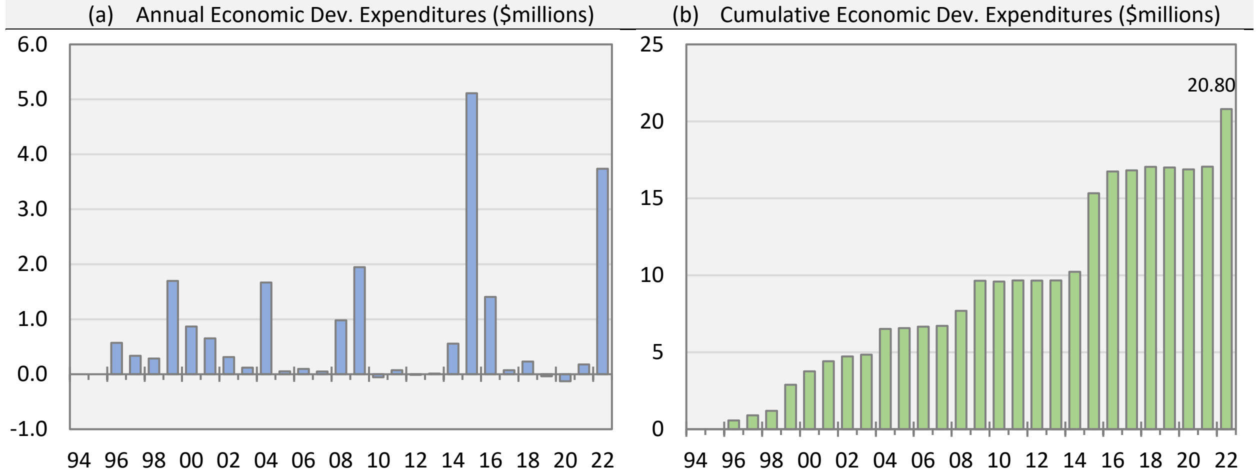


Figure 7. DAEDF Incentive Assistance for Hiring and Business Expansion

Year	Avg. Jobs While Operating	Firm	Industry/ Product/ Service	Incentive Description	Incentive Cost	Still in Region	Funding Source Tax/DAEDF
1995	170	Elliott Homes (now Solitaire)	Manufactured home manufacturing	Cash incentive toward construction of building	99,000	Y	Sales Tax
1995	170	Elliott Homes (now Solitaire)	Manufactured home manufacturing	Cash incentive toward site preparation	100,000	Y	Sales Tax
1995		CMI EZ Bend	Oil field services	Forgivable loan on purchase of land	20,000	N	Sales Tax
1995	18	4D Corporation	Wholesale scrap rubber and tire recycling	Forgivable loan for the retention of jobs	50,000	Y	Sales Tax
1995	73	Basco Leathergoods	Leather goods manufacturing	Parking lot construction and improvements to Haggar building	39,900	N	Sales Tax
1996	85	Valco	Aviation parts	Forgivable loan for the creation of 50 jobs	50,000	Y	Sales Tax
1996	75	Richard's Manufacturing	CNC shop	Forgivable loan for the creation of ?? jobs	50,000	Y (acquired)	Sales Tax
1996	14	SW Plating	Bumper plating	Forgivable loan for the creation of 12 jobs	50,000	Y	Sales Tax
1996	19	Wilson Machine	Machine shop	Incentive for purchase of building	50,000	N	Sales Tax
1996	19	Wilson Machine	Machine shop	Forgivable loan for the creation of jobs	35,000	N	Sales Tax
1996		Professional and Technical Services	Oil field cleanup and recovery services	Forgivable loan for the creation of jobs	22,000	N	Sales Tax
1996	7	Esses Co.	Oil field chemical services	Forgivable loan for the creation of 3 jobs	25,000	?	Sales Tax
1996	40	Stim-Lab (CORE Labs)	Lab testing of core samples	Forgivable loan for the creation of 30 jobs	50,000	N (2022)	Sales Tax
1997		Health Plan Services	Financial services	Cash incentive for the creation of 200 jobs	10,000	N	Sales Tax
1997	77	Universal Fidelity	Insurance call center	Cash incentive for the creation of 400 jobs	12,000	Y	Sales Tax
1997	390	Sooner Trailer	Custom trailer manufacturing	Ten acres of land for the retention of 350 jobs	50,000	N	Sales Tax
1998		Health Plan Services	Financial services		83,000	N	Sales Tax
1998	85	Valco	Aviation parts	Repayment of building construction loan	300,000	Y	Sales Tax
1998	2	Two Guys & Press	Printing press	Forgivable loan for equipment purchase	15,800	N	Sales Tax
1998	475	Family Dollar	Warehousing and distribution	Cash incentive for the creation of 500 jobs	500,000	Y	Sales Tax
1998	475	Family Dollar	Warehousing and distribution	Payment of construction tax obligation	1,258,375	Y	Sales Tax
1998	475	Family Dollar	Warehousing and distribution	Rebate of five years ad valorem taxes	243,850	Y	Sales Tax
1999	2,215	Halliburton	Manufacturing oil and gas equipment	Cash incentive for the creation of 700 jobs	1,050,000	Y	Sales Tax

Continued

Figure 7. (*Cont.*) DAEDF Assistance for Expansion of Hiring and Business Activity

Year	Avg. Jobs While Operating	Firm	Industry/Product/Service	Incentive Description	Incentive Cost	Still in Region	Funding Source Tax/DAEDF
1999		Pendley Group	Rubber product manufacturing	Cash incentive toward $425,000 of construction costs and 3.42 acres of land from DIA	30,000	N	Sales Tax
1999	75	Richard's Manufacturing	CNC shop	Forgivable loan for the creation of ?? jobs	50,000	Y (acquired)	Sales Tax
2001	7	Esses Co.	Oil field chemicals	Forgivable loan for the creation of 7 jobs	50,000	Y (acquired)	Sales Tax
2001	55	Plainsman/CESI	Oil field chemical services	Forgivable loan for the creation of ?? jobs	50,000	Y	Sales Tax
2001	42	RS Services	Electricians	1.98 acres of land in the North Duncan Ind Park for the creation of 13 jobs	13,000	Y	Sales Tax
2001	10	Outback	Machine shop	Forgivable loan for the creation of jobs	50,000	N	Sales Tax
2002	77	Universal Fidelity	Insurance call center	Cash incentive for the creation of 400 jobs	196,700	Y	Sales Tax
2002	12	United Lab Intl.	Laboratory equipment	Forgivable loan for the creation of 12 jobs	30,000	N	Sales Tax
2004		Universal Trailer	Trailer manufacturing	Forgivable loan for the creation of 150 jobs	78,750	N (2007)	Sales Tax
2005	95	Prepaid Legal	Legal services call center	Cash incentive for the creation of 160 jobs	238,000	Y	Sales Tax
2005	37	KellPro	Accounting software	Cash incentive for the creation of 160 jobs	90,000	Y	Sales Tax
2006	37	KellPro	Accounting software	Cash incentive for the creation of 160 jobs	40,301	Y	Sales Tax
2006	17	CryoGas	Oil field services	Rebate??	27,000	N (2019)	Sales Tax
2008	18	Sentry Intl	Oil field equipment	Cash incentive for the creation of 400 jobs	63,760	N	Sales Tax
2009		Benchmark	Oil field chemicals	Incentive for land for job creation	5,000	N	Sales Tax
2010	186	Wilco (NOV)	Machine shop and fabrication	Cash incentive for the creation of 30 jobs	90,000	Y (acquired)	Sales Tax
2014	40	Duncan Machine Products	Contract manufacturing and machining	Cash incentive for the creation of 20 jobs	38,620	Y	Sales Tax
2014	40	DR2	Platinum metal recovery	Cash incentive for the creation of 60 jobs	101,777	Y (acquired)	Sales Tax
2015	2,215	Halliburton	Oil and gas services	Construction cost of turn lane to main facility	265,301	Y	Sales Tax
2015	2	SPL	Oil and gas services	Cash incentive for the creation of ?? jobs	9,974	N	Sales Tax
2015	110	Elk Crossing	Nursing and rehabilitation	Cash incentive for the creation of 27 jobs	60,100	Y	Sales Tax
2019	9	Kochendorfer Brewing	Custom brewing	??? acres of land in industrial park for $25,000 for creation of 10 jobs	25,000	Y	DAEDF
2021	52	BlueArc Innovations	Oil and gas services	Cash incentive for the creation of 120 jobs	145,252	Y	DAEDF
		All Firms			$5,912,460		

VII. Job and Business Activity Incentives

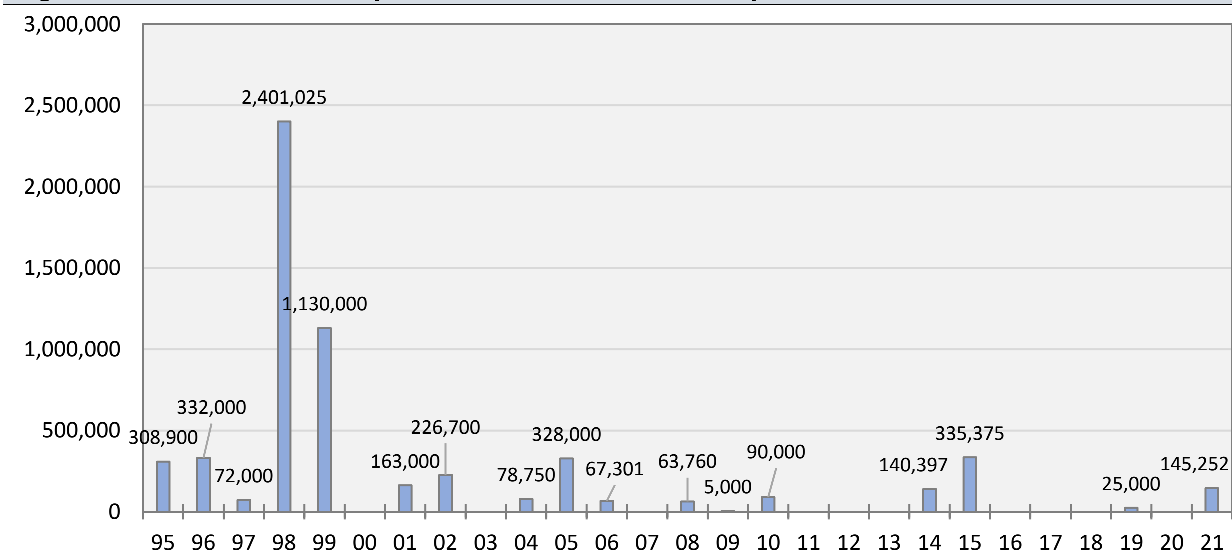
Beginning in 1994, DAEDF actively engaged in a range of economic development activities to spur local business activity. These efforts acted as inducements for new and existing firms to engage in business expansion and increase hiring.

Since 1994, DAEDF engaged in approximately 45 traditional incentive agreements with 35 individual private firms with total expenditures of $5.91 million. **Figure 7** provides a summary of each transaction and the type and amount of assistance provided in each agreement. DAEDF provided incentives to a mix of both existing and new firms in the region.

Figure 8 highlights the amount of annual incentive payments made by DAEDF over the full 27-year evaluation period. The most common incentive offered in the early years was a forgivable loan tied to the creation of net new jobs. Funds were typically provided upfront, and the loan was forgiven if hiring (or other) requirements were met as specified in the agreement. If not, the loan was repayable in full or in part. Currently, job incentive funding is provided after completion of an incentive agreement.

Other incentives offered included land transfers; site preparation; construction and building improvements; tax offsets and payments; and cash toward the purchase of real property.

Figure 8. Annual Incentive Payments for Job and Business Expansion



Industry Sector of Firms Receiving Incentives

Figure 9 summarizes the types of firms receiving DAEDF incentives in the evaluation period. Incentives were offered to a diverse range of firms in both the goods-producing and service-providing sectors.

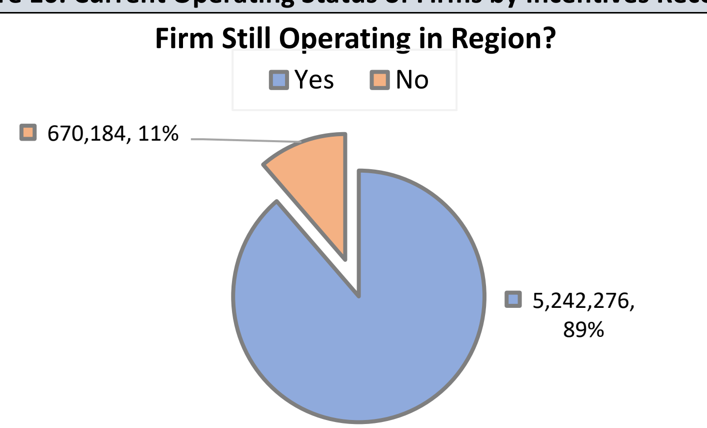
Several manufacturing firms received incentives, including those in aviation parts, auto parts, brewing, leather goods, oil and gas equipment, trailer manufacturing, manufactured homes, printing, rubber products, and recycling. Service-providing firms that received incentives include accounting software, call centers, lab testing, electricians, and nursing and rehabilitation.

Several firms are in oil and gas-related activities, consistent with the concentration of the energy sector in the region. However, on balance, the group has offered increased diversification in the local economy.

Figure 9. Product/Service of Firms Receiving Incentives

Product/Service	Incentive Amount
Accounting software	$130,301
Aviation parts	350,000
Bumper plating	50,000
CNC shop	100,000
Contract manufacturing and machining	38,620
Custom brewing	25,000
Custom trailer manufacturing	50,000
Electricians	13,000
Financial services	93,000
Insurance call center	208,700
Lab testing of core samples	50,000
Laboratory equipment	30,000
Leather goods manufacturing	39,900
Legal services call center	238,000
Machine shop and fabrication	225,000
Manufactured home manufacturing	199,000
Manufacturing oil and gas equipment	1,050,000
Nursing and rehabilitation	60,100
Oil and gas services	420,527
Oil field chemicals, equipment, & Services	262,760
Platinum metal recovery	101,777
Printing press	15,800
Rubber product manufacturing	30,000
Trailer manufacturing	78,750
Warehousing and distribution	2,002,225
Wholesale scrap rubber and tire recycling	50,000
Total	**$5,912,460**

Figure 10. Current Operating Status of Firms by Incentives Received



Retention of Firms in Local Area

Firms that received traditional job creation and business expansion incentives were highly likely to remain in the region over the evaluation period (**Figure 10**). Of the 35 firms receiving incentives, 19 are still operating in the region.

Firms receiving the highest share of incentive dollars are also the most likely to remain in the region. Firms receiving 89% of the total amount of incentive dollars are still operating in the region. This includes the two largest incentive packages offered to Family Dollar and Halliburton.

VIII. Building Construction and Leasing

In addition to the use of traditional incentives to expand local hiring and business activity, DAEDF uses access to buildings for lease as an incentive for firms to expand and increase hiring in the Duncan area. Ready access to a building is an attractive business incentive that allows firms to begin immediate operations in the area without significant upfront capital outlays for facilities.

Expanded Approach to Economic Development

The use of real estate as an economic development incentive is a relatively new and unique approach to attracting firms to relocate or expand in a region. DAEDF has expanded its efforts in this area in response to increased numbers of firms seeking the availability of an appropriate building for lease as a primary factor in their plans to relocate to or expand in Duncan. DAEDF is also able to offer tenants some flexibility in the length of lease entered.

The use of real estate for lease as a business incentive is far different than the traditional approach of using public funds to provide cash payments to private firms. Instead of fully and quickly expending the resource as with traditional cash incentives, a large share of DAEDF incentive dollars have been invested in land and structures and then offered as productive assets for lease. Tangible assets are developed over time that retain their value and remain highly valuable to current and future tenants. The resources also remain in the community should an incentive recipient choose to relocate outside the region. The primary result is that the net cost to the public of this type of economic development strategy is far lower than simply providing cash incentives.

DAEDF Buildings for Lease. **Figure 11** provides a summary of buildings owned and operated by DAEDF in the 1994 to 2022 evaluation period. DAEDF has purchased or constructed 14 buildings since 1994 and currently owns 13 of them.

Only two buildings were acquired prior to 2008. The initial facility purchased in 1994 was the former Haggar manufacturing site with 33,000 square feet of space. Shell Building #1 was built initially in 1999. Two buildings were acquired in 2008, with one of them sold in 2013. The remaining buildings were built or acquired more recently in 2015 or later. Three facilities are currently under construction.

Of the $27.3 million spent by DAEDF on land and buildings for lease that are currently owned, $15.2 million (56%) of the cost was funded through the dedicated sales tax while $12.1 million (44%) was funded through internal income generated by DAEDF through leasing operations.

Figure 11. DAEDF-Owned Buildings for Lease

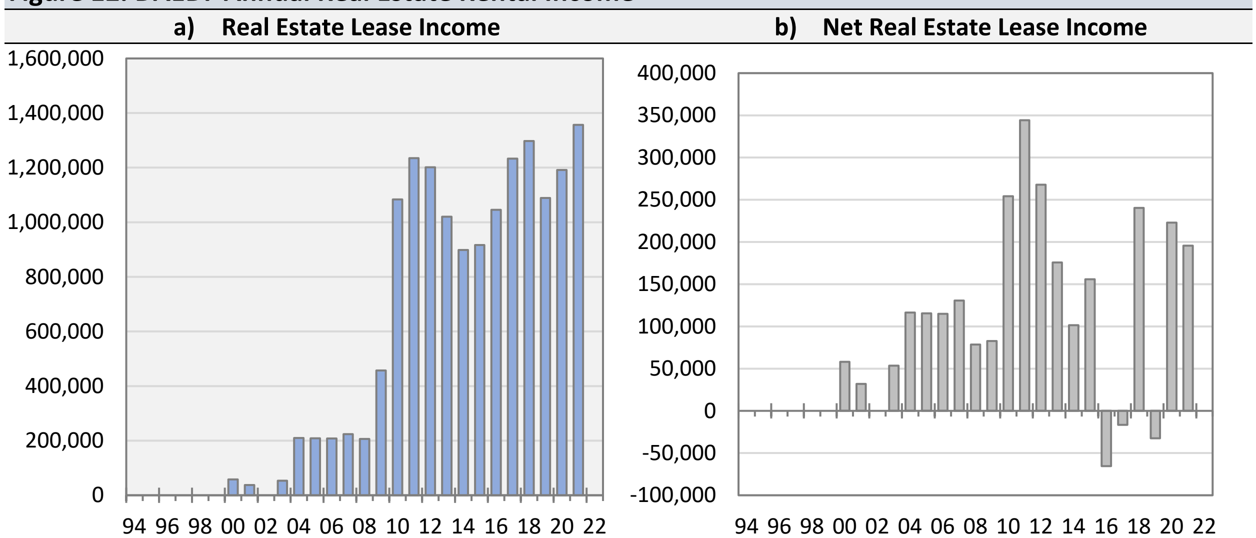
Facility Name	Status	Year Acquired	Total Cost	Funding Source: Sales Tax	Funding Source: DAEDF Funds	Rent: Monthly	Rent: Annual	Building Size (sf)	Insurance Valuation
1 Hagger Facility	O	1994	538,364	321,785	216,579	3,000	36,000	33,000	500,000
2 Cameron (Shell #1)	O	1999	8,638,498	3,239,064	5,399,434	50,000	600,000	84,400	8,500,000
3 Sooner	S	2008	1,792,218	1,500,000	292,218	24,000	288,000	120,000	
4 Baker Building	O	2008	881,759	500,000	381,759	4,000	48,000	17,700	885,000
5 DR2	O	2014	4,561,899	4,488,490	73,409	24,000	288,000	25,000	4,500,000
6 Lab A	O	2015	640,420	604,715	35,705	4,200	50,400	6,400	650,000
7 Lab B	O	2015	753,948	679,715	74,233	4,700	56,400	6,400	750,000
8 Lab C	O	2015	707,334	679,715	27,619	4,800	57,600	6,400	750,000
9 Rockwater	O	2021	1,148,383	0	1,148,383	9,000	108,000	30,000	1,150,000
10 Schlumberger	V	2021	539,259	0	539,259	0	0	16,000	540,000
11 Lefco	O	2021	1,610,026	0	1,610,026	15,000	180,000	30,000	1,600,000
12 PGM Processing	C	2021	4,411,347	2,500,000	1,911,347	0	0	30,000	4,500,000
13 Lab E	C	2022	1,412,767	1,098,310	314,457	0	0	10,000	1,415,000
14 Lab W	C	2022	1,412,767	1,098,310	314,457	0	0	10,000	1,415,000
Total			**$29,048,989**	**$16,710,104**	**$12,338,885**	**$142,700**	**$1,712,400**	**425,300**	**27,155,000**
Currently Owned			**$27,256,771**	**$15,210,104**	**$12,046,667**	**$118,700**	**$1,424,400**	**305,300**	**27,155,000**

Notes: Status: O=occupied, V=vacant, C=under construction, and S=sold. The Sooner facility was sold in 2013.

DAEDF Lease Income. Buildings currently owned by DAEDF have a total of 305,300 square feet and should generate $1.42 million in lease income in 2022 at current rental and occupancy rates.

Lease income from DAEDF properties increased substantially across the past decade (**Figure 12a**). Lease income averaged $977,000 annually from 2010 to 2021 (last year available) and $1.1 million annually in the most recent five years.

Figure 12. DAEDF Annual Real Estate Rental Income



The stream of lease income fully funds all financing, operating, maintenance, and improvement costs. Net lease income after maintenance, upkeep, and other property expenses has averaged more than

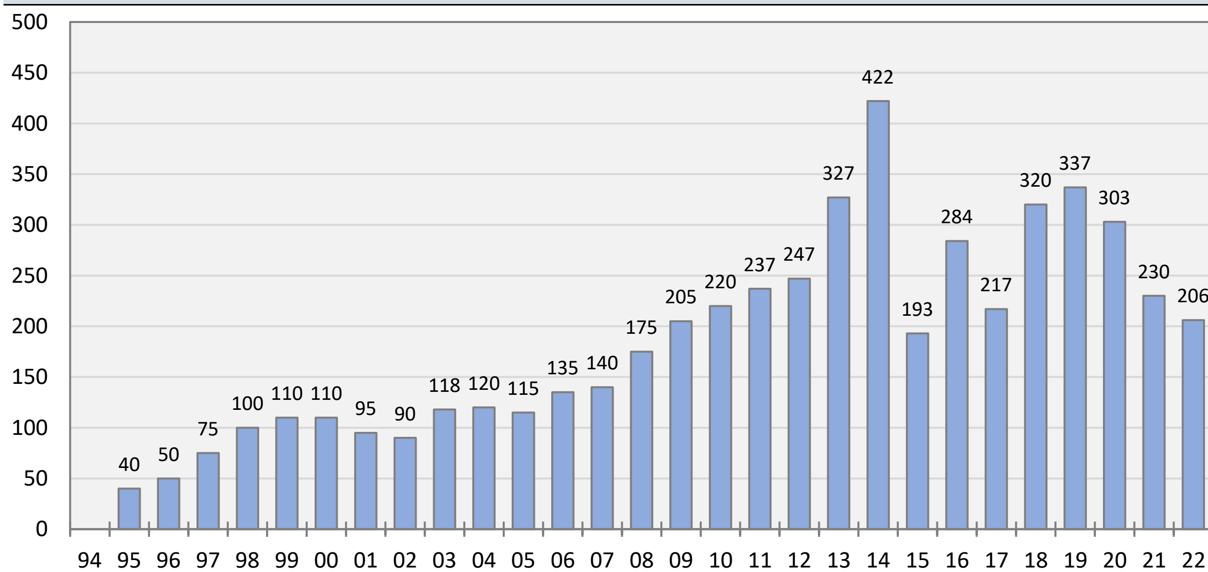
$153,000 annually since 2010 (**Figure 12b**). Expenses are highly volatile year-to-year as property improvements are made, with small amounts of negative net lease income in years of high expense. Although net lease income was highly volatile in the most recent 6-year period, it averaged $91,000 annually in the period.

DAEDF Building Valuation. The total purchase or construction cost (including improvements) for DAEDF-owned buildings is $27.26 million. Market-based appraisals are not available for the facilities, but the total market value is expected to be substantially higher than the acquisition cost of the buildings. The current insured valuation for the buildings is $27.16 million. Small amounts of mortgage debt were used in the acquisition of some of the buildings but was fully retired using lease income. No outstanding debt obligations remain on the buildings or land.

Employment at DAEDF Leased Buildings. Employees at firms leasing facilities from DAEDF comprise a significant share of the total incentivized jobs in the local area. Estimates of the number of jobs annually associated with firms operating within these facilities are shown in **Figure 13**.

Firms first employed workers in the initial leased facility beginning in 1995. An average of 186 workers were employed annually across the full 1995 to 2022 period. The number of employees reached a high of 422 during a surge in employment by a manufacturing firm. The number of employees at leased facilities has averaged 211 annually since 2000 and 275 annually since 2010. Slightly more than 200 workers were employed at firms using leased facilities in 2022.

Figure 13. Employment at Firms Leasing DAEDF Facilities



Current Tenants. Firms leasing facilities from DAEDF represent a high-quality mix of jobs in the local economy. Current tenants and their various business lines are described in **Figure 14**. The group includes firms in manufacturing, recycling, environmental services, oil field equipment and services, and prosthetics. DAEDF views these firms as highly representative of the types of organizations that are compatible with the local economy and bring enhanced wages to workers in the region. Many of the jobs at these firms require extensive training, with specialized workers receiving well above county average wages. All current tenants report that the availability of quality space for lease was a key factor in their decision to relocate to or expand in Duncan.

Figure 14. Current DAEDF Leased Property Tenants

Facility Name	Current Tenant	Product/Service
Hagger Facility	PGM Processing	Warehousing of products
Shell #1 (Cameron)	Sensia	Flow meter manufacturing
Baker Building	BK Equipment	Oil field equipment rental
DR2/PGM Processing	PGM Processing	Platinum recycling
Lab A	Amerapex	Environmental services
Lab B	Dream Team	Custom prosthetics
Lab C	Completion Science	Oil field lab services
Rockwater	PGM Processing	Platinum recycling
Lefco	CESI	Platinum recycling
PGM Processing	PGM Processing	Platinum recycling

IX. Hiring and Wages at Firms Receiving Incentive Assistance

Firms that received various forms of business assistance since 1994 continue to play a large role in the employment base of Stephens County.

While not all jobs at all firms are traced directly to an incentive received, the objective in this section is to track the full activity of firms aided by DAEDF. Firms that relocated or entered a startup phase in the local area did so for a variety of reasons, one of which is DAEDF-provided incentives and assistance. In some cases, incentives were the primary reason for expanding in Duncan.

This qualification is most important for existing firms that were already located in the county prior to the receipt of incentives. For example, Halliburton's presence in the region predates the reorganization and expansion of DAEDF in 1993. However, in the case of existing firms, many of the jobs reflect retention of existing employment in the region.

Employment at Firms Receiving Incentives

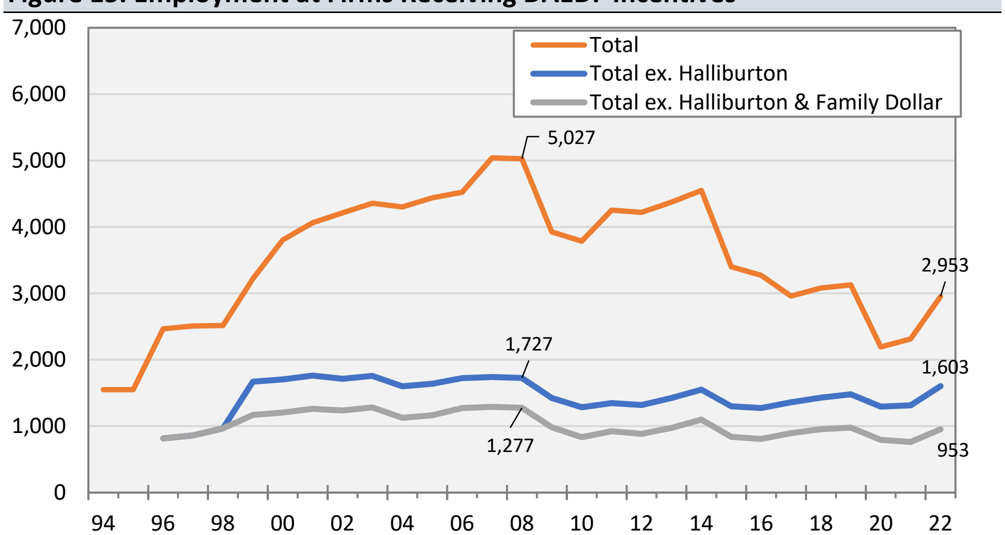
Figure 15 summarizes annual estimates of total employment at firms receiving incentives. The job counts begin in 1996, the first year in which firms receiving incentives were up to full hiring counts.

The hiring estimates are compiled primarily from DAEDF internal records, annual DAEDF audits, review of federal job and wage databases, and incentive agreements. Some estimates are based on discussions with firms operating within the region; discussions with past DAEDF employees and board members familiar with the agreements; news accounts; and other local sources. The precision of the job estimates is believed to be far higher for estimates after 2000 than for estimates in the 1990s due to improved access to electronic records.

Hiring and wage estimates are discussed for three cases:

1. all firms receiving incentives,
2. all firms except Halliburton, and
3. all firms except Halliburton and Family Dollar

Figure 15. Employment at Firms Receiving DAEDF Incentives



Halliburton is removed in the second case given both its outsized role as the largest single employer and the high average wages paid at the facility. More importantly, Halliburton already had many employees in the market prior to receiving incentives. Halliburton employed an estimated 2,200 workers annually across the full evaluation period. Dropping Halliburton from the data removes its tremendous volatility over time as it expands and contracts along with the oil and gas industry. It further allows for greater focus on the remainder of the firms which have far more stable hiring patterns over time.

The additional removal of Family Dollar in the third case provides a better view of the remaining smaller firms that received incentives. Family Dollar employed an average of 475 workers annually between 1999 and 2022. Unlike Halliburton, the opening of the Family Dollar distribution facility in Duncan is believed to be traced directly to incentive offerings.

All firms receiving incentives employed an average of 3,660 workers annually in the full period. The number of workers peaked at just above 5,000 in both 2007 and 2008 at the height of the recent expansion in the state's energy sector and reached a low of about 2,200 in 2020 during the pandemic. Currently, about 3,000 jobs in Stephens County are at firms that received incentives in the period.

Much of the variation in hiring at firms receiving incentives is traced to expansions and contractions at Halliburton. Removing Halliburton, the remainder of the firms employed an estimated 1,450 workers annually in the 1996 to 2022 period. Currently, 1,600 workers are employed at these firms. The employment count without Halliburton ranged from a low of about 1,000 workers before Family Dollar's arrival to a peak of nearly 1,800 workers between 2000 and 2008.

Removing the influence of both Halliburton and Family Dollar, the remaining firms hired an average of 1,020 workers in the 1996 to 2022 period. Currently, nearly 1,000 workers are employed at firms that received incentives in the evaluation period.

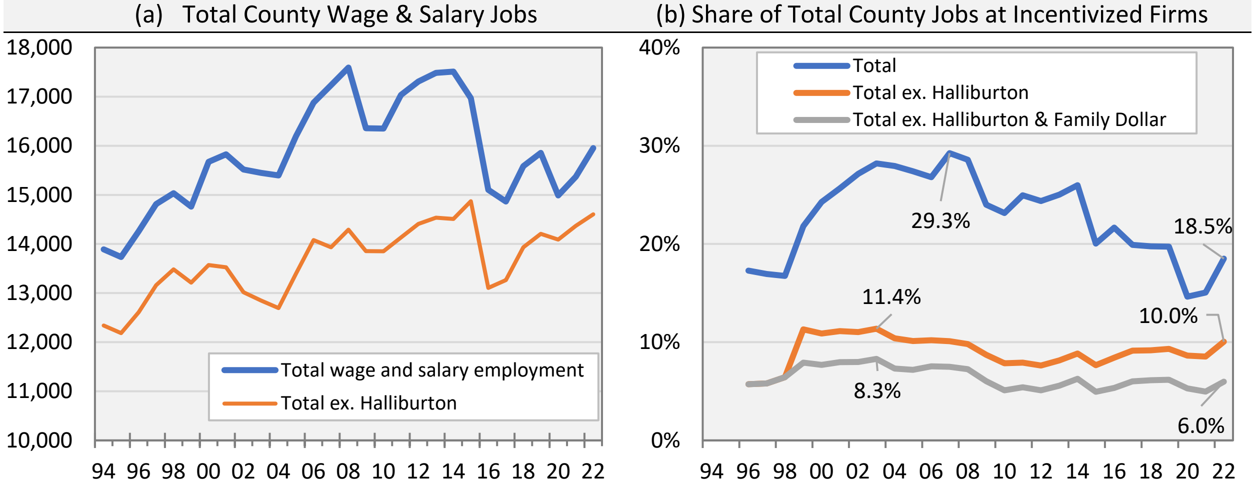
Share of County Employment

Jobs at firms receiving incentives represent a significant share of total employment in the county across the 1996 to 2022 period (**Figure 16**). Across the full period, 23% of county wage and salary workers were employed at all firms that received incentives. This share is, again, highly sensitive to hiring fluctuations at Halliburton and is currently 18.5% of total county employment in 2022.

Figure 16. Employment at Firms Receiving Incentives - Stephens County

(a) Total County Wage & Salary Jobs

(b) Share of Total County Jobs at Incentivized Firms



Excluding Halliburton, the share of county jobs at firms receiving incentives is 9.1% across the full evaluation period. The share fluctuated closely around 10% across the period and is currently 10.0% in 2022. Excluding both Halliburton and Family Dollar, the share of total county employment at firms receiving incentives has averaged 6.4% since 1994. The share has remained in a range between 5% and 8% and is currently 6.0% in 2022.

Estimating Employee Compensation Paid at Incentivized Firms

Earnings amounts for workers at incentivized firms are not available across much of the evaluation period. However, highly useful estimates of wages paid to employees at these firms can be formed using federal job and wage datasets and average employee compensation per worker at the county level. The average county wage provides an initial proxy which is then adjusted for differences in wages at the industry level.

Based on wage rates that are known by DAEDF for many incentivized firms, the overall county average wage understates average wages paid across all these firms. This is especially true for jobs at Halliburton given the historically high wages paid at the facility. Average employee compensation in Stephens County in NAICS sector 21 (Mining) is 76% higher than the overall average employee compensation per worker in the 1994 to 2022 period. Halliburton is the dominant employer in the mining sector in the county and sways the overall wage rate in the sector.

The overall county average wage is believed to be a close approximation for Family Dollar and NAICS sector 48-49 (Transportation and Warehousing); however, the county average will likely slightly overstate wages at the firm. Average compensation per employee in NAICS 48-49 is 97.4% of the overall average wage in the county since Family Dollar's arrival in 1998. Family Dollar is the dominant employer in the sector and the ratio has remained constant at 97.4% of the county average across the past five years.

The remaining firms are believed to provide an average wage that exceeds the overall county average given the large number of manufacturing-related firms receiving incentives. Wages in NAICS sector 31-33 (Manufacturing) are 25% higher than overall county average wages in the 1996 to 2022 period. The ratio has increased steadily over the past decade, with the wage gap rising to 40% above county average wages in the past five years.

In short, using the county average wage would sharply understate wages earned by workers at Halliburton, slightly overstate the wages at Family Dollar, and moderately understate average wages paid at the remainder of the firms.

Adjustments to County Average Wages. Adjustments are made to average county wages to form estimates of total employee compensation earned each year at firms receiving incentives in the 1996 to 2022 period. Employee compensation includes wage and salary income and employee benefits. The underlying county-level wage estimates by industry are derived from the Quarterly Census of Employment and Wages (QCEW) database maintained by the Bureau of Labor Statistics.

Average annual compensation per employee at the county level each year is adjusted upward by 76% for employees at Halliburton, downward by 2.5% for employees at Family Dollar, and upward by 15% for employees at all other firms. The 15% adjustment for all other firms reflects the high average wages earned at local manufacturers but accounts for the presence of some service occupations that do not generally carry the same wage premium.

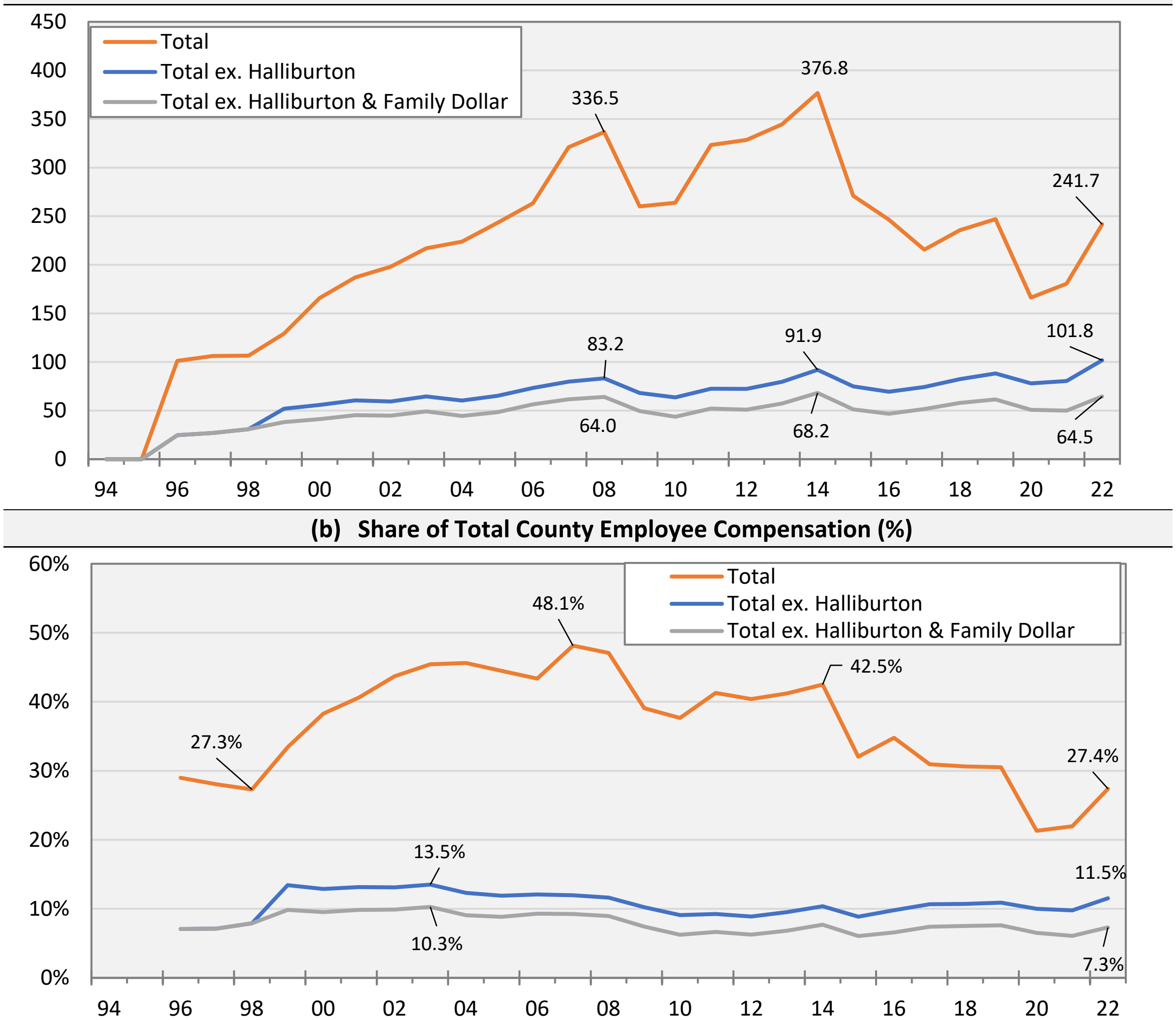
Overall, we believe these adjustments provide a representative and conservative estimate of wages earned by workers at incentivized firms across the evaluation period. The estimates begin in 1996 to match the point at which the initial firms receiving incentives were fully staffed.

Total Employee Compensation. Estimates of total employee compensation paid each year are calculated by multiplying the average wage rate for each group by employment for the group. The estimates suggest that total compensation paid by all employers receiving incentives averaged $233.3 million annually in the 1996 to 2022 period (**Figure 17a**). Most recently in 2022, all firms that received incentives paid employee compensation of $241.7 million, or 27.4% of compensation paid countywide. Annual compensation reached a peak of $377 million in 2014 at the height of the recent oil and gas cycle and fell as low as $166 million in 2020 during the pandemic. Cumulative total wages paid across the full period reached $6.3 billion in 2022.

Figure 17. Employee Compensation Paid at Firms Receiving Incentives

(a) Total Employee Compensation ($millions)

(b) Share of Total County Employee Compensation (%)



Compensation paid at all firms receiving incentives accounted for an average of 36.5% of all compensation paid countywide across the 1996 to 2022 period (**Figure 17b**). The share reached a high of 48% of countywide wages in 2007 and a low of 22% in 2021.

Removing the effects of the volatility at Halliburton, the remaining firms paid average total annual compensation of $67.9 million in the 1996 to 2022 period. Cumulative total compensation paid across the full period reached $1.83 billion. Most recently in 2022, incentivized firms excluding Halliburton paid employee compensation of $101.8 million in the period, or 11.5% of compensation paid countywide. Total compensation across the period is far smoother when excluding Halliburton, with a high of $91 million in 2014 and more than $50 million in all years after 1998. Firms excluding Halliburton accounted for 10.7% of countywide compensation across the full 1996 to 2022 period, with the share ranging from 8.9% to 13.5%.

Excluding both Halliburton and Family Dollar, the remaining firms paid workers average total compensation of $49.3 million annually in the 1996 to 2022 period. Most recently in 2022, incentivized firms other than Halliburton and Family Dollar paid employee compensation of $64.5 million in the period, or 7.3% of compensation paid countywide. The share ranged from 6.1% to 10.3% in the period. Cumulative total compensation paid to these firms across the full period reached $1.33 billion.

X. Local Construction Activity

The economic development activities of DAEDF from 1994 to 2022 resulted in significant construction activity taking place in the local economy. The activity is traced to both incentive recipients and DAEDF activity.

Figure 18 provides an estimate of all local construction activity traced to DAEDF economic development efforts. Seventeen construction projects totaling $71.6 million were completed in the Duncan area from 1994 to 2022. Expenditures averaged $2.4 million annually across the evaluation period. The largest expenditure is the construction of the Family Dollar distribution center for $50 million in 1998, which comprised almost 70% of total construction in the period.

DAEDF Construction Spending. DAEDF engaged in significant construction of buildings for lease to firms planning to relocate to or expand existing operations in Duncan. Approximately $17.6 million of the construction is tied to construction of new buildings or expansion of existing structures.

Some DAEDF incentives agreements required the recipient to complete the construction of new facilities for operation in the Duncan area. The largest example of this incentive contingency is the construction of the $50 million Family Dollar warehouse facility in Duncan. Smaller examples include construction by the Pendley Group and Elliott Homes.

Inflation Adjusted Construction Spending. To allow comparison across years, inflation adjustments are made annually to construction expenditures using the Consumer Price Index for All Urban Consumers (CPI-U) from the Bureau of Labor Statistics. A base year of 2022 is used, so no adjustment is needed for 2022 compensation estimates.

After the inflation adjustment, actual construction expenditures of $71.6 million across the evaluation period total $119.8 million in 2022 dollars. Inflation adjusted expenditures averaged $4.1 million annually across the full 1994 to 2022 evaluation period.

Figure 18. DAEDF Economic Development-Related Construction Expenditures

Year	Firm	Industry/ Product/ Service	Construction Activity	Construction Spending	Purpose	Funding Source Tax/DAEDF
1994	DAEDF	Haggar Facility	Building and site improvements	538,364	Improvements	Sales Tax $321,785 DAEDF $216,579
1995	Elliott Homes	Manufactured home manufacturing	Construction of building	2,170,000	Operations	Private
1995	Elliott Homes	Manufactured home manufacturing	Site preparation	100,000	Operations	Sales Tax
1998	Family Dollar	Warehousing and distribution	Construction of 967,000 sf warehouse	50,000,000	Operations	Private
1999	DAEDF	South Industrial Park	Infrastructure	480,000	Improvements	Sales Tax
1999	Family Dollar	Warehousing and distribution	Water tower construction	400,000	Water delivery for fire suppression	Sales Tax
1999	Pendley Group	Rubber product manufacturing from waste products	Construction of building	425,000	Operations	Private
1999	DAEDF	Shell Building #1 in North Industrial Park	Construct 30,000 sf building	391,300	For lease	Sales Tax
2003	DAEDF	Shell Building #1 in North Industrial Park	Construct 10,000 sf building expansion	1,531,100	Expansion	Sales Tax
2009	DAEDF	Shell Building #1 in North Industrial Park	44,000 net new sf	5,816,600	Expansion	Sales Tax $1,316,610 DAEDF $4,500,000
2014	DAEDF	Shell Building #2 in North Industrial Park	Construction of 22,500 sf building	526,183	For lease	Sales Tax
2014	DAEDF	3 Lab buildings in North Industrial Park	Construct 3 lab buildings 64,000 sf each	1,964,150	For lease	Sales Tax
2015	DAEDF	Shell Building #2	Custom for tenant	3,962,300	For lease	Sales Tax
2015	Halliburton	Manufacturing oil and gas equipment	Construction of turn lane	265,300	Road access	Sales Tax
2019	Kochendorfer Brewing	Custom brewing	Construction of brewery and public spaces	675,000	Operations	Private $675,000 DAEDF $25,000
2021	DAEDF	Rockwater Building	Building improvements	146,000		DAEDF
2022	DAEDF	2 Lab Buildings in North Industrial Park	Construction of new buildings 10,000 sf each	2,196,620	For lease	Sales Tax $1,415,350 DAEDF $584,650
All Years				$71,587,917		

XI. Other Economic Development Activities

Along with efforts to expand local hiring and business activity, DAEDF is engaged in a range of other economic development activities. These efforts include:

1. Incubator development – DAEDF operates the Duncan Center for Business Development, a business incubator focused on start-up companies involved in technology transfer and commercialization of new products or services. The mission of the incubator is to provide a high tech/high touch entrepreneurial support system for start-up companies. The expectation is that the initiative increases high-quality employment by providing business development assistance during the early, vulnerable stages of the entrepreneurial process. DAEDF staff provide start-up operators with coaching and assistance, office space, communications and IT services, and a range of business services.
2. Education – DAEDF staff are actively involved in local education from a labor force development viewpoint. Over the past 16 years, DAEDF has sponsored a CO2 Youth Engineering Car Race in which 2,700 students have participated. It is accessed through school STEM and science programs and is also open to home school students. DAEDF hosts a Manufacturing Lab for middle school students. The creation and partnership with Duncan Public Schools allowed 350 students to intern in over 145 businesses in Duncan. DAEDF was the applicant on behalf of the community that obtained "Center for Workforce Excellence" certification. DAEDF also organizes local industry tours for STEM students. DAEDF staff recently presented to 800 Duncan Middle School students about the importance of 'Soft Skills' when entering the workforce. DAEDF staff also conduct teacher tours of the various business sectors within the Duncan community that allows students greater access to information about local career opportunities.
3. Research studies – DAEDF funded two major research projects focused on the Duncan economy in the evaluation period. A 1997 study ($24,000 in sales tax funds) examined target industries most suitable for active recruitment to Duncan. A 2015 study ($263,000 in sales tax funds) examined options for the city to respond to severe drought conditions in the region.
4. Grant funding provided and philanthropic activities – DAEDF engaged in significant targeted grant and philanthropic giving in the evaluation period. During the Covid-19 pandemic in 2020, the organization provided more than 130 area small businesses experiencing hardship with grants totaling $472,500 (internal DAEDF funds) and food donations to local relief providers totaling $125,000 (internal DAEDF funds). Also in 2022, DAEDF donated an 18-acre plot of land to the Duncan High School FFA ($90,000 market value).
5. Grants funding received – DAEDF was successful in 2022 in gaining $2.35 million in American Rescue Plan Act ("ARPA") Pandemic Relief Primary Source Revolving Fund and Progressing Rural Economic Prosperity Fund ("PREP") grants for infrastructure development. The Eastland Industrial Park, Northland Industrial Park, and South Industrial Park were allocated ARPA funds in the amount of $1,372,000 and PREP funds in the amount of $980,000. In 2020, DAEDF obtained a $99,400 RBEG grant from the USDA for Blackfoot Services to add new products as a diversified business opportunity.

XII. Economic Impact of DAEDF Economic Development Activities

DAEDF activities produced several types of direct economic impacts in the Duncan region in the evaluation period. The largest impacts are job and wage creation and retention. Other impacts include construction activity, local tax payments, and purchases from city utilities. The range of direct economic impacts of DAEDF activities are used in this section to form estimates of economic spillover, or multiplier, effects on the broader regional economy.

Defining the Duncan Region

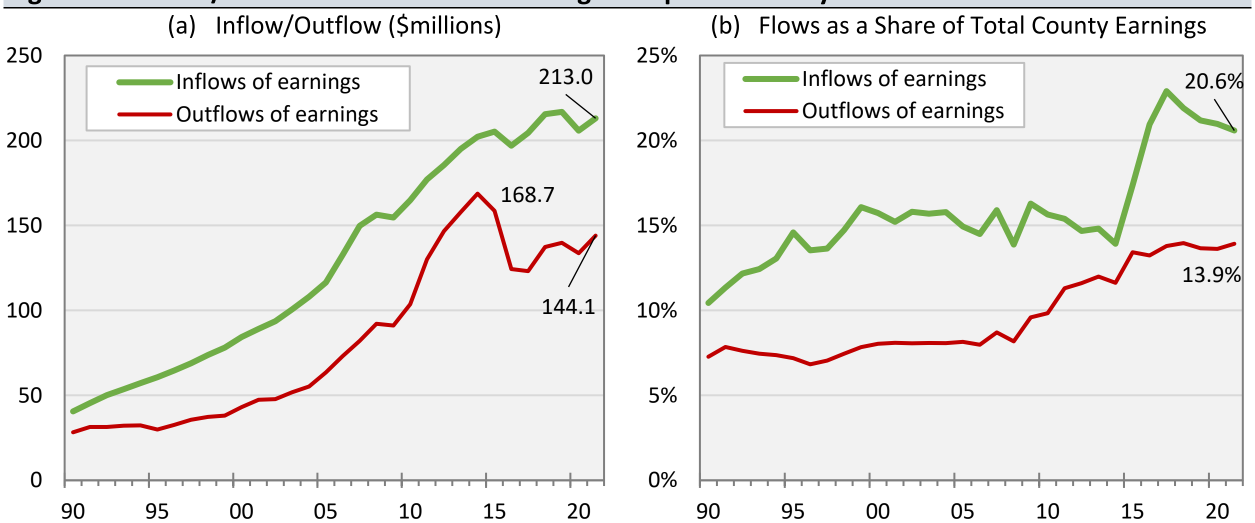
Modeling the economic spillover effects from jobs located in Duncan and Stephens County requires careful selection of the region definition used.

Generally, all local economies, including Duncan and Stephens County have interrelationships with surrounding cities and counties. For the labor market, jobs in Duncan are held by residents living both inside and outside Stephens County. Workers with local jobs but who live outside the county represent a leakage of income to other regions. This does not reduce the total economic impact of local jobs, but it does reduce the share of the impact realized in Stephens County itself. Not adjusting for income leakages will often overstate the impact realized in the local community.

Most counties also benefit in the opposite direction, in the sense that many Stephens County residents work outside the county and bring wages back into the county. These flows tend to be modest in both directions in most counties outside metropolitan areas and often closely offset each other.

Stephens County Income Flows. Unlike most counties, data on income flows in **Figure 19** indicate that Stephens County has a very high share of income flow in both directions – a high share of local workers living outside the county and a high share of county residents working in other counties. This creates large regular commuting flows both into and out of the county for work.

Figure 19. Inflow/Outflow of Household Earnings - Stephens County



In 2021, inflows of income into Stephens County from other counties totaled $213.0 million while outflows totaled $144.1 million (**Figure 19a**). Relative to total earnings of $1.035 billion for residents in the county in 2021, the inflows equate to 20.6% of earnings and the outflows 13.9% of earnings (**Figure**

19b). Again, these are high shares relative to the earnings flows realized in most nonmetro counties. Inflows into Stephens County have leveled off in recent years near current levels and are falling as a share of total earnings. However, outflows have dropped by 15% since peaking in 2014 at $169 million. The share of outflows has remained steady at about 14% of total county earnings in the past five years.

Defining the Duncan Region. The case of high outflows, or the presence of a high share of local workers who live outside the county, must be accounted for when modeling the net economic impact of DAEDF-related jobs on Stephens County. Otherwise, estimated local economic impacts realized in the county will tend to be overstated.

The most common approach to adjusting for the earnings flows is to aggregate surrounding regions where local workers live into a single region when modeling the impacts. This enables regional input-output models used in estimating economic impacts to better account for earnings flows between interrelated counties. Because of strong earnings outflows from Stephens County to surrounding regions, we model the economic impacts using the seven-county region comprising Stephens plus Carter, Comanche, Cotton, Grady, Garvin, and Jefferson counties.

These six additional counties are selected for two reasons: 1) their adjacency to Stephens County and (2) reported high worker flows into Stephens County. Census data indicate that only 58.1% of jobs in Stephens County are filled by workers who are county residents.[1] The remaining 41.9% of workers with jobs in Stephens County reside outside the county. Of the six adjoining counties, 5.3% of Stephens County workers live in Comanche, 3.5% live in Grady, 1.9% live in Carter, 1.7% live in Jefferson, 1.1% in Garvin, and 0.8% in Cotton. Combined, 14.3% of Stephens County workers reportedly reside in these six adjoining counties. Oklahoma County (5.2%) and Cleveland County (2.4%) are the only other counties with a significant worker pipeline to Stephens County but are far more distant. These two counties, and other distant counties, are excluded when modeling economic impacts because the six counties that are included capture far more of the underlying economic interrelationships beyond labor flows. Firms located in Stephens County are far more likely to have strong purchase relationships with other firms in the six nearby counties, with overall inter-county relationships generally diminishing along with distance.

Seven-County Duncan Region. In 2022, the seven-county region encompassing Duncan had a population of 305,713 persons, 120,019 wage and salary jobs, and $7.45 billion in employee compensation paid to wage and salary workers. Duncan represents 14.1% of population, 12.8% of wage and salary workers, and 11.9% of employee compensation paid in the 7-county region.

Modeling Regional Linkages

The direct activity of firms receiving DAEDF incentives creates measurable spillover activity that can be measured in the form of employment and employee compensation created as spillover effects in other sectors of the economy. Like all business activity, the incentivized firms have a strong degree of economic interdependence with other components of the local economy.

Estimates of economic spillover effects from firms receiving incentives are formed using RIMS II input-output multipliers for the 7-county region produced by the U.S. Bureau of Economic Analysis (BEA).[2] RIMS II multipliers provide model-based estimates of the impact that a local final demand shock has on employment and total compensation paid within a region.[3] The multipliers can also be used to estimate a firm's total (or gross) contribution to the regional economy.

The approach uses the direct activity of firms receiving incentives along with a model of the flow of expenditures between businesses, households, and the government sector in the 7-county area.[4] The spillover activity occurs as these firms purchase goods and services from firms in other sectors of the 7-county economy. In other words, the multipliers provide a convenient method for estimating the spillover effects that a change in *employment* or *compensation* at firms receiving incentives may have on broader local economic activity in the 7-county region.

To accommodate the various activities taking place within these firms, employment and compensation data for each firm is matched by business segment to the RIMS II industry structure. The individual effects of each industry sector are estimated and then aggregated to determine the overall effect.[5]

Job and Wage Expansion Due to Incentives

The primary target of DAEDF economic development efforts is the creation and retention of jobs in the local community. The role played by incentives in creating new economic activity is generally clear in those cases where firms enter into jobs-based incentive agreements that require them to create net new jobs in the community. Many of the early activities of DAEDF in the 1990s were jobs-based incentives aimed at both attracting new employers to the region and retaining existing ones.

Family Dollar is a major local employer that was attracted to Duncan in 1999 using financial incentives. The company has maintained a consistent and important presence in Duncan for nearly 25 years. Hence, the employment at Family Dollar is considered directly tied to incentives in the analysis.

The link is not so clear when incentives are offered to existing firms in the region to expand their existing employment base or when the focus of the incentives is job retention. In these cases, not all employment at existing firms receiving incentives is tied directly to the efforts of DAEDF. Particularly in those cases where an existing employer received only modest incentives over the period or is large relative to the amount of the incentives. For example, at Halliburton, the largest employer in the region and a firm located in the city for decades, a limited share of the local employment at the firm is considered directly tied to incentives. The incentives provided to Halliburton were intended to provide temporary assistance to retain jobs at the largest employer in the region during an oil and gas industry downturn. Hence, scenarios that exclude Halliburton from the totals are provided for most economic impact estimates in the report.

Employment Impacts

The direct activity taking place at firms receiving incentives produces a substantial economic contribution to the Stephens County economy. In 2022, all firms receiving incentives directly employed an estimated 2,953 workers and paid $241.7 million in employee compensation.

In assessing the total job contribution of DAEDF, the estimated level of employment or compensation at firms receiving incentives is used as the direct impact. The direct impact is evaluated for the same three cases discussed in earlier sections of the report. Direct impacts are also shown individually for Halliburton, Family Dollar, and all other firms (excluding Halliburton and Family Dollar) combined.

Impacts for the various cases are shown for 2022 (the most recent year) and for average annual employment in the 1996 to 2022 period.

Figure 20. DAEDF Employment Impacts at Firms Receiving Incentives

	Direct Effect		Indirect/Induced Effects		Total Effect	
Firms Receiving Incentives	2022	Annual average 1996-2022	2022	Annual average 1996-2022	2022	Annual average 1996-2022
Total	2,953	3,662	4,734	6,627	7,687	10,289
Total ex. Halliburton	1,603	1,447	1,629	1,532	3,232	2,980
Total ex. Halliburton & Family Dollar	953	1,023	1,115	1,197	2,068	2,220
Halliburton	1,350	2,215	3,105	5,095	4,455	7,310
Family Dollar	650	425	514	335	1,164	760
All other firms	953	1,023	1,115	1,197	2,068	2,220

Job Spillover Effects in 2022. Again, measured by direct employment in 2022, 2,953 employees worked at all firms receiving incentives **(Figure 20)**. This employment supported an estimated 4,734 additional jobs in the 7-county region through estimated indirect and induced effects. The *indirect* effect is the employment generated across the region as a result of spending by incentivized firms on goods and services. The *induced* effect reflects the employment generated in other sectors of the 7-county regional economy resulting from new household spending in the region out of household earnings received as part of the direct and indirect effects.

In total, the operations of these firms directly and indirectly supported a total of nearly 7,700 jobs in the 7-county region in 2022. The estimated 7,700 workers supported directly or indirectly by DAEDF business assistance represent 6.4% of total employment in the 7-county region.

County vs. Regional Impact. The total job impact estimates are based on data derived by 'place of work' and not 'place of residence. Many of the indirect and induced jobs supported by jobs at firms receiving incentives are located within Stephens County but are filled by workers living outside the county. If distributed consistently with the mix of all jobs based in Stephens County, 58% of the 7,700 total jobs will be held by Stephens County residents.

Impact by Category. The large total job contribution from all firms receiving incentives is heavily influenced by direct and spillover employment effects from Halliburton. This underscores the importance of retaining such highly valued jobs in the local economy, and the size of the potential losses if they are eliminated.

Excluding Halliburton, 1,603 total direct jobs at firms receiving incentives supported an additional 1,629 jobs through estimated spillover effects in 2022. In total, all firms excluding Halliburton supported a total of more than 3,200 jobs in the 7-county region, or 2.7% of total 7-county employment. Again, if distributed consistently with the mix of all jobs based in Stephens County, 58% of the more than 3,200 total jobs will be held by Stephens County residents.

Further excluding Family Dollar, all other firms accounted for 953 direct jobs and 1,115 additional jobs through spillover effects in 2022. A total of 2,068 jobs through direct and spillover effects accounts for 1.7% of total 7-county employment.

Job Spillover Effects in the 1996 to 2022 Period. Estimates using the average employment impact in the 1996 to 2022 period are also shown in **Figure 20**. Estimates for the average effect across all firms are slightly higher than the most recent impact in 2022. An average of 3,662 employees per year were employed at all firms receiving incentives. The activity supported an average of 6,627 jobs through spillover effects, or 10,289 total jobs annually. These jobs represent 8.5% of average employment in the 7-county region in the period. Slightly more than 5,800 jobs annually would be held by Stephens County residents if the same job distribution holds.

Employee Compensation Impacts

In assessing the wage contribution of DAEDF activities, the estimated level of employee compensation across firms receiving incentives in the 1994 to 2022 period is used as the direct impact. The direct impact is shown for the same three cases discussed in the job impact section above. Direct compensation impacts are also shown individually for Halliburton, Family Dollar, and all other firms combined (excluding Halliburton and Family Dollar).

Impact estimates are also shown for three measures of compensation - compensation paid in 2022, average annual compensation paid in the 1996 to 2022 period, and cumulative total compensation paid over the 1996 to 2022 period.

Inflation Adjusted Wages. Employee compensation is evaluated both in current year dollars and with an inflation adjustment. Inflation adjustments offset potential distortions that arise when comparing dollar amounts across the 1996 to 2022 period. It simply accounts for the fact that a $1 million transaction 25 years ago is much more significant in real terms than a $1 million transaction today.

Inflation adjustments are made annually using the Consumer Price Index and a base year of 2022. Our discussion of the results in the remainder of the section will focus on inflation adjusted compensation estimates when examining the average or total compensation paid over the full evaluation period.

Compensation Spillover Effects in 2022. Measured by direct employee compensation paid by firms receiving incentives, a total of $241.7 million was paid to employees at all firms receiving incentives in 2022 **(Figure 21)**. This represents 27.4% of all employee compensation paid countywide and 3.2% of compensation paid in the 7-county region in 2022. The direct compensation supports an additional $292.9 million in compensation in the 7-county region through estimated indirect and induced effects. The *indirect* effect is the compensation generated across the 7-county region as a result of spending by incentivized firms on goods and services. The *induced* effect reflects the compensation generated in other sectors of the 7-county region resulting from new household spending in the region out of household earnings received as part of the direct and indirect effects.

In total, the operations of all incentivized firms directly and indirectly supported approximately $535 million in compensation in the 7-county region in 2022. The estimated compensation traced directly or indirectly to DAEDF business assistance represents 7.2% of total compensation paid in the 7-county region in 2022. If distribution of the earnings is consistent with the mix of jobs based in Stephens County, 58% of the more than $535 million will be earned by Stephens County residents. Again, the size of the total contribution reflects the influence of high average wages at Halliburton.

Excluding Halliburton, $101.8 million in total direct compensation at firms receiving incentives supported an additional $91.5 million in compensation through estimated spillover effects in 2022. In total, all firms excluding Halliburton supported a total of $193.3 million in employee compensation, or 2.6% of total 7-county region compensation in 2022.

Figure 21. DAEDF Employee Compensation Impact at Firms Receiving Incentives

(a) Actual Unadjusted Compensation

	Direct Effect			Indirect/Induced Effects			Total Effect		
Firms Receiving Incentives	2022	Annual average 1996-2022	Cumulative 1996-2022	2022	Annual average 1996-2022	Cumulative 1996-2022	2022	Annual average 1996-2022	Cumulative 1996-2022
Total	$241,671,760	$233,346,421	$6,300,353,356	$292,926,545	$299,451,298	$7,879,249,786	$534,598,305	$532,797,718	$14,179,603,142
Total ex. Halliburton	101,814,464	67,942,373	1,834,444,075	91,532,039	61,269,469	1,448,340,421	193,346,502	129,211,843	3,282,784,497
Total ex. Halliburton & Family Dollar	64,510,355	49,339,369	1,332,162,968	58,704,423	44,898,826	1,212,268,301	123,214,778	94,238,195	2,544,431,270
Halliburton	$139,857,296	$165,404,047	$4,465,909,281	$201,394,507	$238,181,828	$6,430,909,364	$341,251,803	$403,585,876	$10,896,818,645
Family Dollar	37,304,108	18,603,004	502,281,107	32,827,615	16,370,643	236,072,120	70,131,724	34,973,647	738,353,227
All other firms	64,510,355	49,339,369	1,332,162,968	58,704,423	44,898,826	1,212,268,301	123,214,778	94,238,195	2,544,431,270

(b) Inflation Adjusted Compensation (2022 base year)

	Direct Effect			Indirect/Induced Effects			Total Effect		
	2022	Annual average 1996-2022	Cumulative 1996-2022	2022	Annual average 1996-2022	Cumulative 1996-2022	2022	Annual average 1996-2022	Cumulative 1996-2022
Total	$241,671,760	$317,405,313	$8,569,943,460	$292,926,545	$407,775,882	$11,009,948,816	$534,598,305	$725,181,195	$19,579,892,276
Total ex. Halliburton	101,814,464	91,622,771	2,473,814,807	91,532,039	82,649,021	2,231,523,556	193,346,502	174,271,791	4,705,338,363
Total ex. Halliburton & Family Dollar	64,510,355	67,366,081	1,818,884,200	58,704,423	61,303,134	1,655,184,622	123,214,778	128,669,216	3,474,068,821
Halliburton	$139,857,296	$225,782,543	$6,096,128,653	$201,394,507	$325,126,861	$8,778,425,260	$341,251,803	$550,909,404	$14,874,553,913
Family Dollar	37,304,108	24,256,689	654,930,607	32,827,615	21,345,886	576,338,934	70,131,724	45,602,576	1,231,269,541
All other firms	64,510,355	67,366,081	1,818,884,200	58,704,423	61,303,134	1,655,184,622	123,214,778	128,669,216	3,474,068,821

Further excluding Family Dollar, all other firms accounted for $64.5 million in direct compensation and $58.7 million in additional compensation through spillover effects in 2022. The total of $123.2 million produced through direct and spillover effects accounts for 1.7% of total county compensation.

Compensation Spillover Effects in the 1996 to 2022 Period. Estimates of the compensation spillover impact in the 1996 to 2022 period are also shown in **Figure 21**. The estimates include both the annual average over the full period and the cumulative total paid over the period. Estimates over the full sample period are adjusted for inflation. The spillover estimates are again formed using the 7-county region.

Across the full period, firms receiving incentives paid average annual direct compensation totaling $317.4 million to employees. This multi-year average is about one-third higher than the most recent estimate for 2022. The activity at all firms supported an average of $407.8 million in additional compensation through spillover effects, or a total of $725.2 million in compensation annually in the 7-county region. Excluding Halliburton, direct compensation paid of $91.6 million supported an average of $82.6 million in additional compensation through spillover effects, or $174.3 million in total compensation annually. Direct activity excluding Halliburton and Family Dollar of $67.4 million supported an average of $61.3 million in additional compensation through spillover effects, or $128.7 million in total compensation annually.

Cumulative Compensation Paid in the 1996 to 2022 Period. The ongoing economic contribution of DAEDF activities takes on more significant scale when accumulated across the full evaluation period. All firms receiving incentives paid a cumulative total of $8.57 billion in direct inflation adjusted employee compensation in the 1996 to 2022 period. Excluding Halliburton, the remaining firms paid a cumulative total of $2.47 billion in direct compensation after inflation adjustment. Excluding both Halliburton and Family Dollar, total direct compensation adjusted for inflation reached $1.82 billion across the evaluation period.

These cumulative direct compensation payments across 27 years in the evaluation period produced large spillover effects in Stephens County and the 7-county region. For all firms, the $8.6 billion in total compensation paid supported an additional $11 billion in estimated compensation through spillover effects, or $19.6 million in total compensation in the period. Excluding Halliburton, the $2.5 billion in total direct compensation paid supported an additional $2.2 billion in estimated compensation through spillover effects, or $4.7 billion in total compensation in the period. Excluding both Halliburton and Family Dollar, the $1.8 billion in total compensation paid directly by these firms supported an additional $1.7 billion in estimated compensation through spillover effects, or $3.5 billion in total compensation in the period.

Construction Impacts

Construction expenditures related to DAEDF activities also have significant spillover effects, with the effects mostly concentrated in Stephens County. Spillover effects are estimated by inflation adjusting actual spending to 2022 dollars and using construction multipliers for Stephens County from RIMS II.

The $71.6 million of actual expenditures (**Figure 18**) across the evaluation period totaled $119.8 million in 2022 dollars. Annual average construction spending was $2.47 million in actual dollars, or $4.13 million in 2022 dollars. DAEDF reports that nearly all the construction spending on buildings for lease was performed by Stephens County contractors.

For modeling purposes, construction expenditures are treated as direct economic output. The current RIMS Type II multiplier for construction is 1.86 and is multiplied by inflation adjusted spending in 2022 dollars.

Spillover estimates in **Figure 22** suggest that construction expenditures of $119.8 million in 2022 dollars across the evaluation period supported an additional $103.3 million in economic output through indirect and induced effects in Stephens County in the period. Combined, direct and spillover construction impacts supported an estimated $223.1 million in economic activity across the full period.

On an annual basis, $4.13 million in direct inflation adjusted spending supported an additional $3.56 million in indirect and induced economic activity each year in Stephens County. Combined, direct and spillover construction impacts supported an estimated $7.7 million annually in total economic output in Stephens County across the full period.

Figure 22. Construction Impacts Associated with DAEDF Activities – Stephens Co.

	Direct Effect		Indirect/Induced Effects		Total Effect	
	1994-2022		1994-2022		1994-2022	
Construction Measure (output)	**Total**	**Annual average**	**Total**	**Annual average**	**Total**	**Annual average**
Actual Spending	$71,587,917	$2,468,549	$61,780,372	$2,130,358	$133,368,289	$4,598,907
Inflation Adjusted Spending (2022 base year)	$119,750,300	$4,129,321	$103,344,509	$3,563,604	$223,094,809	$7,692,924

Ad Valorem Tax Revenue

Firms receiving incentives also pay significant ad valorem tax revenue on both real and personal property located in Stephens County. Using data provided by the Stephens County Assessor's office, an estimate is compiled of current annual ad valorem tax payments made by firms currently located in the county that have received incentives in the past.

For tax year 2022, seventeen firms are identified as paying a combined $3.41 million in ad valorem taxes to the county on real and personal property. The total is undoubtedly higher than $3.41 million, but more precise estimates are not readily available. Not all tax payments by firms receiving incentives can be identified due to uncertainty over ownership of property, subsidiary relationships, and other factors.

Halliburton is the largest payer, with $2.66 million in ad valorem tax payments in tax year 2022. Family Dollar paid $431,000 in tax year 2022, excluding payments made for retail properties occupied by Family Dollar stores in the county. Jointly, Halliburton and Family Dollar accounted for 90% of the identified ad valorem tax paid in tax year 2022 by firms receiving incentives.

City Utility Consumption

Several firms receiving incentives also pay significant ongoing utility revenue. The largest source of revenue is payments to the city for electric power service. The Duncan Public Utilities Authority (DPUA) is one of 42 municipal electric utilities who are member-owners of the Oklahoma Municipal Power Authority (OMPA), a wholesale power company based in Edmond, Oklahoma. The City of Duncan is a reseller of power to city residents and businesses and earns gross margin from power sales which contribute to City funding.

Three firms receiving incentives contribute substantial amounts of revenue to DPUA. The Family Dollar facility is the largest, paying more than $1 million annually for service to its distribution facility. More recently, PGM Processing, a DAEDF tenant, has paid an average of more than $660,000 annually in electricity charges in the past two years since ramping up operations of its industrial smelter. In addition, 4D Corporation has paid an average of $135,000 per year the past five years for electric power to support its rubber recycling operation.

Combined, these three firms receiving DAEDF incentives paid $2.01 million in electric power charges to the City of Duncan in 2022. Other firms receiving incentives are city power customers as well but use far less electric power than these three firms. Halliburton is not a power customer of DPUA.

XIII. Cost-Benefit Analysis

Firms receiving business incentives from DAEDF in the 1996 to 2022 period have provided a substantial range of benefits to the Duncan area economy. Realized benefits attributed directly and indirectly to the economic development efforts of DAEDF include significant job and compensation gains, construction expenditures, tax revenue, utility revenue, grant funding and giving, and others.

Public costs to fund DAEDF activities totaled $36.7 million in the 1994 to 2022 period.

Total Realized Benefits

Job Creation and Payroll (1996 to 2022, dollar amounts inflation adjusted to 2022 base year)

Direct jobs: (annual average)	All firms receiving incentives	3,662 jobs
	All firms ex. Halliburton	1,447 jobs
	All firms ex. Halliburton & Family Dollar	1,023 jobs
Total jobs: (annual average)	All firms receiving incentives	10,289 jobs
	All firms ex. Halliburton	2,980 jobs
	All firms ex. Halliburton & Family Dollar	2,220 jobs
Direct Compensation: ($millions/year)	All firms receiving incentives	$317.4 mil.
	All firms ex. Halliburton	$91.6 mil.
	All firms ex. Halliburton & Family Dollar	$67.4 mil.
Total Compensation: ($millions/year)	All firms receiving incentives	$725.2 mil.
	All firms ex. Halliburton	$174.3 mil.
	All firms ex. Halliburton & Family Dollar	$128.7 mil.

Construction Activity (1996 to 2022 period, dollar amounts inflation adjusted to 2022 base year)

Direct construction expenditures: $119.8 million (1996 to 2022) / $4.1 million annually

Total construction impact: $223.1 million (1996 to 2022) / $7.7 million annually

Ad Valorem tax revenue $3.4 million+ in 2022 (annual recurring)

Utility revenue $2.0 million+ in 2022 (annual recurring)

Grant giving and philanthropy $687,500 (1996 to 2022)

Grant funding received $2.45 million (1996 to 2022)

Total Realized Costs

Total dedicated sales tax collections: $37.7 million (1994 to 2022)

Total public costs incurred to date with dedicated sales tax revenue:

Operating costs	$13.9 million (1994 to 2022) / $480,000 annually
Economic development programs	$20.8 million (1994 to 2022) / $717,000 annually
Other costs	$2.0 million (1994 to 2022) / $ 73,000 annually
Total public costs	$36.7 million (1994 to 2022) / $1.27 million annually

XIV. Endnotes

[1] Data is derived from the On-the-Map application maintained by the U.S. Census Bureau. See: https://onthemap.ces.census.gov/

[2] RIMS (Regional Input-Output Modeling System) II multipliers are discussed in detail at: https://apps.bea.gov/regional/rims/rimsii/. Multipliers used in the report are based on the 2020 regional update of the 2012 U.S. input-output model underlying the RIMS II estimates.

[3] Caution must always be used when using input-output multipliers to assess the total 'contribution' or total economic activity 'supported' by an existing industry or firm. Input-output multipliers are intended to predict the change in economic activity that results from an incremental change in the current state of a regional economy. More specifically, the estimates provided for firms receiving incentives reflect predictions from the RIMS II input-output model of the incremental impact that would result if activity at these firms expanded incrementally. The actual realized impact is determined by the unique adjustment process that would take place in the 7-county as activity changed.

[4] While the input-output approach provides a useful way to measure the extent of the economic interlinkages within a regional economy, the approach is not without shortcomings. The primary criticisms of the approach are misapplication of the models and the failure of the largely static approach to account for changes in other areas of the economy such as prices, wages, and traded activity. Despite these criticisms, careful application of the models can provide useful estimates of the total gross economic activity attributable to an individual industry, firm, or institution within a region. Input-output analysis is most appropriate when the policy change or stimulus does not alter production patterns, product prices, input prices, wage rates, or cost of capital. It is generally most useful when there are no capital or labor constraints.

[5] The three-step process of matching firms receiving incentives to RIMS sectors, modeling the individual effects, and then aggregating the individual contributions of the components is often termed analysis-by-parts. It is technically equivalent to modeling the activity as a single entity, but the process can produce more appropriate impact estimates when the activities being modeled do not fit precisely within a single RIMS II industry sector, as in this case.