



OKLAHOMA
Commerce

Oklahoma Quality Events Incentive

2023 Annual Report

Submitted by:

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Quality Events Report

Introduction

SB 1284 created the Quality Events incentive and it became effective July 1, 2012. This incentive was designed to promote certain quality events that have a significant positive economic impact.

The Legislature authorized the use of a portion of state sales tax revenues to be captured and provided to eligible counties and municipalities as a reimbursement for expenses that would help them attract events to their communities. The incentive provides a method by which the state can compete in a national and global economy for national or international events. The incentive assists local governments, promoters, and organizers with promoting, planning and performing the event. The Quality Events Program has a sunset of June 30, 2026.

Quality Events Incentive Requirements

- **Quality Event:** A Quality event is (1) a new event or a meeting of a nationally recognized organization, (2) a new or existing event that is a national, international or world championship, or (3) a new or existing event that is managed or produced by an Oklahoma-based national or international organization.
- **Designation of Events:** The host community must submit an application packet pertaining to the event (the geographic area, length of time for revenue capture, expenses, event history, and economic impact) to the Oklahoma Tax Commission at least 30 days before the event start date.
- **Event Approval:** The Oklahoma Tax Commission will then approve or disapprove the impact study. The Oklahoma Department of Commerce shall provide such assistance and information as requested by the Tax Commission to approve or disapprove the economic impact study. ODOC must determine the reasonableness of the impact study after the provision of actual event data and with sufficient time for the Oklahoma Tax Commission to complete its determination of state benefit.
- **Disclosure by Local Community:** The host community must provide to the Oklahoma Tax Commission detailed information disclosing the total amount of eligible local support amounts for purposes of determining the amount of incremental state sales tax revenue that may be paid to a host community. At the conclusion of the event, the local community shall also provide attendance figures or other public information that the Tax Commission considers necessary to evaluate the actual economic impact of the event.
- **Verification:** The Tax Commission then verifies the amount of eligible local support amounts prior to making any payment to a host community. Within sixty (60) days after the application submission, the Tax Commission shall determine the amount of incremental state sales tax revenue remitted by vendors located within the designated quality event area.

2023 Projects

During the 2023 State Fiscal Year which ended June 30th, three events were held which qualified for the Quality Events Incentive. The first in October 2022 was the U.S. National Arabian and Half-Arabian Championship Show at the Expo Square in Tulsa. Then the Cattlemen's Congress was held at the Jim Norick Arena in Oklahoma City from December 2022-January 2023. Finally, the National Reining Breeder's Classic was held in April 2023 at the Build Ford Tough Livestock Complex in Tulsa. Only two projects, U.S. National Arabian and Half-Arabian Championship Show and Cattlemen's Congress, have been awarded yet with an award amount of \$325,000 against an additional or incremental sales tax of \$500,000. See the table below for individual project details, including for the two pending projects.

Table 1. FY2023 Projects

| Event | Date | Award Status | Award Amount | Increment | Venue |
|--|--|--------------|--------------|-----------|---|
| U.S. National Arabian and Half-Arabian Championship Show | October 21 st -29 th , 2022 | Awarded | \$250,000 | \$250,000 | Expo Square in Tulsa |
| Cattlemen's Congress | December 31 st , 2022-January 13 th , 2023 | Awarded | \$75,000 | \$250,000 | Jim Norick Arena in Oklahoma City |
| National Reining Breeder's Classic | April 16 th -April 23 rd , 2023 | Awarded | \$117,787 | \$117,787 | Build Ford Tough Livestock Complex in Tulsa |
| Compliance Solutions Korn Ferry Tour Golf Tournament | June 18 th -June 23 rd , 2023 | Pending | N/A | N/A | Jimmie Austin OU Golf Club in Norman |

Performance Analysis

Given that successful applications are funded through sales tax, the sales tax generated by the events will be measured as a barometer of programmatic success for the State. This is visualized in Table 2, both in terms of the total sales tax these events bring in as well as the ratio of what they bring in compared to what they cost.

Looking at the three most recent Fiscal Years that saw quality events approved and funded (2020, 2022, and 2023), there are a total of nine projects. These projects generated \$1,372,506 in incremental sales tax for the State of Oklahoma. This represents sales tax funds identified as plausibly stemming from the event which otherwise would not have been collected. Awards typically occur during the same or succeeding fiscal year of the event, and the window of time involved in this analysis is brief, so we can

treat each dollar gained or awarded as equivalent for these purposes. Moving to the return on investment (ROI), \$1,068,968 was awarded to these projects. This represents an ROI of 28.4 percent, a strongly positive result over this timeframe.

Table 2. Analysis of Recent Projects

| Number of Projects | Total Incremental Sales Tax | Total Amount Awarded | ROI |
|--------------------|-----------------------------|----------------------|-------|
| 9 | \$1,372,506 | \$1,068,968 | 28.4% |

Administration

Most of the work involved in carrying out this program falls on the community applying for the program. The Oklahoma Department of Commerce (ODOC) produces materials to explain and market the program, works to guide interested entities, and runs its own analysis to better assess the probable benefits of the event, but the community is ultimately responsible for providing the necessary information to the Oklahoma Tax Commission (OTC) to successfully advance its own project. The OTC is the entity responsible for formally evaluating events, sharing information with ODOC, and awarding or declining to award funds. As described under the incentive requirements section, there is a timeline for communities to submit their materials to the OTC.

Recommendations

1. The Oklahoma Department of Commerce is requested by the Oklahoma Tax Commission to review the reasonableness of economic impacts associated with events. The submissions on the impacts are varied and the information shared sometimes changes from one project to the next. To provide more timely responses, we recommend that consistent application materials including data associated with the economic impact be collected at the front-end. This information is necessary to make well-founded assessments of reasonableness of economic impact and the state benefit. ODOC is drafting an application process for consideration by the Oklahoma Tax Commission.
2. Applications to the Quality Events incentive are received primarily from larger cities. All four approved or pending projects from Fiscal Year 2023 were held in communities over 100,000 in population. These cities are large enough to attract events that meet the statutory definition of a Quality Event – namely events that are from a national organization or are national, international or world championships. If this is the intent of the legislature, then the incentive is working well. However, most cities with populations of less than 100,000 people will not be able to attract national, international or world championships or meetings of national organizations. If the incentive is to be utilized by more communities, then the statutory definition of a Quality Event is recommended to be reviewed.

Conclusion

As seen from the Projects and Performance Analysis sections, the Quality Events Incentive is being utilized and creates a positive return on investment for the State. The original intention of the incentive,

to help Oklahoma communities compete to host national and international events, has not become less significant either. Events are not immovable and can leave their current host community to the benefit or loss of Oklahoma. Administratively, there is a need for a more rigorous application process, but this is being addressed. Additionally, the preponderance of larger communities qualifying for the Quality Events incentive merits further review by the State Legislature to discern how the program could be made more widely available. The conclusion of this report then is that the Quality Events Incentive is having a positive impact on the State and fulfilling a valuable purpose in supporting tourism but will require additional fine-tuning to maximize its effectiveness.

Sources

The information found in this report or used to calculate what is found in this report came from three sources:

- Oklahoma Department of Commerce files
 - Previous incentive reports
 - Project files
- Oklahoma Tax Commission project files
- 2020 BFM Quality Events Program Draft