

Office of the Legislative Auditor
January 14, 2016

Evaluation Plan for Evaluation of a General Incentive

To the extent possible, evaluations of general economic development incentive programs, as authorized under *Minnesota Statutes* 2015, 3.9735, and consistent with *Minnesota Statutes* 2015, 3.971, subd. 7, shall include:

1. **A description of the incentive program.** The description should include answers to the following questions: What is the history of the program? Who are the beneficiaries of the program? What are the goals of the program?
2. **An assessment of the extent to which the program met its goals.** OLA's evaluation should identify the appropriate metrics to use when evaluating each general economic development incentive program. Depending on the goals of the program, different metrics (for example, jobs created, wage increases, capital investment) may be appropriate. The extent to which OLA is able to assess whether the program met its goals may be limited by available data.
3. **An assessment of the administration of the incentive program.** The assessment should examine the costs for administering the program, evaluate how efficiently the program is run, and evaluate the adequacy of program oversight provided by the responsible state agency.
4. **An assessment of the incentive program's economic and fiscal impact.** Within the context of the state's overall economy, OLA should attempt to evaluate:
 - a. The extent to which the incentive changed business behavior.
 - b. The fiscal impact of the program to the state, program recipients, and others.
 - c. The extent to which the program is a source of future financial risk.
 - d. Whether there are controls in place to limit the risk to the state budget.
5. **Recommendations.** Based on the findings, OLA should make recommendations for improvement to the state agencies that administer the program and to the Legislature.

Evaluation Plan for Evaluation of an Exclusive Incentive

Minnesota Statutes 2015, 3.9735, subd. 3, requires OLA to “complete an analysis of best practices for exclusive incentives” at least once every four years. This analysis shall include:

1. **A literature review on best practices for exclusive incentives.** The literature review should attempt to answer the following questions:
 - a. In what circumstances should exclusive incentives be offered?
 - b. What types of performance standards and protections should be built into exclusive economic incentive programs?
 - c. How can the performance of the projects that receive exclusive economic incentives be monitored effectively?
2. **Recommendations.** Based on the literature review, OLA should make recommendations regarding when and how Minnesota should use exclusive incentives.