

# Economic Impact of Okaloosa County's EDATE Program During the 2014-2024 Cycle

*Date: July 26, 2024*

## **Overview**

*In 2004, Okaloosa County voters approved an Economic Development Ad Valorem Tax Exemption (EDATE). The EDATE was to last a term of 10 years, and in 2014, voters elected to extend the EDATE another 10 years. This program allows new and expanding companies that meet certain average wage and job creation criteria in Okaloosa County the opportunity to be considered for a temporary exemption (10 year maximum) of County property taxes resulting from new construction, improvements to existing construction and/or the purchase of tangible personal property (equipment).*

*In preparation for an upcoming decision by the Okaloosa Board of County Commissioners to pursue renewal of the EDATE tool through local referendum, the leadership at One Okaloosa EDC engaged the University of West Florida Haas Center to estimate the economic impact of the EDATE in Okaloosa County. Through analysis of output, its components, and tax contributions, we have estimated the EDATE's effects in Okaloosa County for 2023. Furthermore, researchers are considering the EDATE a county investment. As such, the UWF Haas Center has also assessed the return on investment (ROI) on exempt tax dollars.*

## **Key Findings**

- 663% Return on Investment over 10 years.
- Over \$124 Million in total output
- An estimated 634 total jobs were added to the local economy

## **Methodology**

To assess the impact of Okaloosa County's EDATE impact in 2023, researchers ran the various economic events through an IMPLAN Input-Output (I-O) model. The methods used to produce IMPLAN's economic data set and economic impact estimates have been widely published, both in professional publications, as well as peer-reviewed academic journals. Many of these methods are considered standard best practices in a wide variety of applied economic fields today. Price changes are not built into the assessment. In using this model, researchers assume that consumer preferences,

government policy, technology, and prices all remain constant.

UWF Haas Center researchers used data provided by One Okaloosa EDC and the Okaloosa County Property Appraiser's Office to estimate the impact of the EDATE for firms in Okaloosa County. These include, but are not limited to, new jobs created, capital investments, and EDATE dollars.

The return on investment was calculated by comparing the tax dollars that went exempt from new investment, and the estimated additional tax dollars that EDATE firms contributed as a result of new business operations.

## Output

Output represents the total value of production across all firms in this analysis. As a result of Okaloosa County's EDATE, total output is **\$124.5M** in 2023. This number is broken up into three categories: direct output, indirect output, and induced output. *Direct output* is the total value of production that stems from both the employees and the capital investment of firms who received the EDATE. The direct output of these firms totaled **\$91.7M**.

*Indirect output* is the total value of production generated through business-to-business transactions. If Props Craft Brewery were to purchase a stainless-steel keg from a keg manufacturer, the sum of that value would be recorded as indirect output. This output could also represent the value of construction related to any projects these firms underwent. The total indirect output is **\$18.2M**.

*Induced output* represents the total value of production as a result of household spending from new positions created by EDATE supported firms. Suppose a software engineer employed at Beast Code purchases custom cabinetry from a carpenter in Fort Walton Beach; the household spending from Beast Code multiplies throughout the economy as induced output. The total induced output is **\$14.6M**.

### Return on Investment

Okaloosa County forwent **\$102K** in tax collection at the county and city level from 2015 to 2022 because of the EDATE. Considering the amount of capital investment and job creation that resulted from the EDATE, more than **\$780K** are estimated to have been paid at the local level. This local estimate includes city, special district, and county tax collections. The difference comes out to **\$678K** between exempt taxes and new taxes these firms generated. That comes out to a **663%** return on the EDATE investment. From 2015 to 2023, the annual return equals **82.9%**.

### Employment and Labor Income

Labor income represents the total value of all forms of employment income and encompasses employee compensation and proprietor income. The total impact was **\$38.1M** for Okaloosa County in 2023.

Estimates show that the EDATE helped spur the creation of **456** jobs, with an additional **90** jobs being supported through investments made by these firms. In total, **634** jobs stemmed from the operations of these firms, the indirect business to business transactions, and the induced activity of employee spending.

### Top 10 Industries by Estimated Growth

Total Employment Impact	
1	Industrial Mold Manufacturing
2	Surgical Appliance and Supplies Manufacturing
3	Breweries
4	Ice Cream and Frozen Dessert Manufacturing
5	Other Aircraft Parts and Auxiliary Equipment Manufacturing
6	Grain Farming
7	Machine Shops
8	Custom Computer Programming Services
9	Air Transportation
10	Fruit Farming

The estimated growth, broken up by industry, because of EDATE awards, mirrors both the added jobs and additional capital investment for the sectors that these firms belong to.

Okaloosa County Summary (In 2023 Dollars) (All Inputs)

	Employment	Labor Income	Value Added	Output	Taxes
<b>Direct</b>	459	\$27.7M	\$36.8M	\$91.7M	\$6.7M
<b>Indirect</b>	90	\$6.2M	\$9.1M	\$18.2M	\$1.9M
<b>Induced</b>	85	\$4.2M	\$9.0M	\$14.6M	\$1.9M
	<b>634</b>	<b>\$38.1M</b>	<b>\$54.9M</b>	<b>\$124.5M</b>	<b>\$10.5M</b>

Okaloosa County Summary (In 2023 Dollars) (Jobs Only)

	Employment	Labor Income	Value Added	Output	Taxes
<b>Direct</b>	229	\$13.9M	\$18.5M	\$46.1M	\$3.4M
<b>Indirect</b>	45	\$3.1M	\$4.6M	\$9.1M	\$956K
<b>Induced</b>	43	\$2.1M	\$4.5M	\$7.4M	\$968K
	<b>317</b>	<b>\$19.1M</b>	<b>\$27.6M</b>	<b>\$62.6M</b>	<b>\$5.3M</b>

The second table reports the estimated impacts of the newly created jobs in the Okaloosa economy and omits the impacts of capital investment. New jobs created are a critical component of the local economy as about half of labor income, output, and tax impacts stem from new employment.

## Value Added

Value added represents the difference between output and the cost of inputs, like conduit or electrical supplies, in the region. Value added is equivalent to an organization's contribution to the region's gross domestic product (GDP). Our model, however, does not account for the numerous **societal impacts** that the additional value added contributes to the Okaloosa economy. Knowledge increases, skills training, wealth generation are only a few of the unmeasurable yet real impacts these firms have on the local economy in some part because of the EDATE. The total value added to the region by these firms is **\$54.9M**.

## Taxes

The firms supported by Okaloosa County's EDATE are estimated to have contributed **\$10.5M** across federal, state, and local tax pools. Researchers estimate **\$8.2M** were contributed to the federal government, while **\$1.6M** went to state-level accounts. **\$780K** are estimated to go towards local governments, which supports local infrastructure, education, and other local programs.

## Acknowledgements

Inputs provided by One Okaloosa EDC. Inputs included tax exempt dollars, job creations and losses, capital investment, and wages. IMPLAN model was run by the Haas Center's Executive Director, **Nicole Gislason**. Additional writers and editors include **Mariah Kill, Alex Vargas, Angela Sanders, and Matthew Fredriksson**. Please direct questions and comments to [nicole@uwf.edu](mailto:nicole@uwf.edu).