

# Nebraska New Markets Job Growth Investment Act: Performance on Selected Metrics

Legislative Oversight Committee  
Nebraska Legislature

July 2026



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# **Table of Contents**

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- I. Audit Summary & Committee Recommendations**
- II. Legislative Audit Office Report**
- III. Fiscal Analyst's Opinion**



## **I. Audit Summary & Committee Recommendations**



# Audit Summary and Committee Recommendations

This section contains a brief summary of the use of the New Markets Job Growth Investment Act, the audit findings and results, and the recommendations of the Legislative Oversight Committee.

## NEBRASKA NEW MARKETS JOB GROWTH INVESTMENT ACT

The Nebraska New Markets Job Growth Investment Act (New Markets) was enacted in 2012 to encourage and support new investment in lower-income rural and urban areas of the state. Unlike most tax incentive programs, which directly provide benefits such as tax credits to businesses that meet specified goals (e.g., job creation), the structure of the New Markets program is more complex. For clarity, this report focuses on the three primary participants in the program: tax credit investors, community development entities, and local businesses.

Tax credit investors provide capital for investment, often combining their funds with financing from another type of investor known as a “leverage lender.” In return, tax credit investors become eligible to earn tax credits based on the total qualified investment. Community development entities receive these funds, identify eligible local businesses in low-income areas, and distribute financing to those businesses through loans or equity investments.

Between 2013 and 2024, 54 unique local businesses participating in the New Markets program received about \$382 million in total investment. During the same period, tax credit investors were issued more than \$142 million in tax credits.

<b>Year</b>	<b>Investment (in millions)</b>	<b>Credits Issued (in millions)</b>
2013	\$68.3	-
2014	\$89.2	\$8.7
2015	\$16.0	\$13.5
2016	\$4.5	\$14.9
2017	\$1.3	\$15
2018	\$106.1	\$15
2019	\$10.9	\$15
2020	\$1.5	\$12.3
2021	-	\$11.3
2022	\$53.0	\$11.3
2023	\$29.0	\$14.1
2024	\$2.4	\$6.8
<b>Total</b>	<b>\$382.2</b>	<b>\$142.5</b>

## AUDIT OUTCOMES

This report presents two types of analytical outcomes: findings and results. Findings are presented when established standards exist against which evidence can be evaluated. When no such standards exist, the Audit Office presents results. Because the statutes governing the New Markets program do not establish standards for evaluating program activity or determining whether program outcomes align with policymakers' expectations, the analyses in Section II are presented as results rather than findings.

### AUDIT FINDING

#### Federal Investment (pp. 9-10)

**Finding:** Federal New Markets Tax Credit investment in Nebraska increased significantly after the Nebraska New Markets program was created, from an average of \$6 million annually to an average of more than \$44 million annually.

**Recommendation:** None

### AUDIT RESULTS

#### Section I

##### Affordable Financing for Small Businesses (p. 9)

**Result:** Research suggests New Markets Tax Credits may provide businesses with more affordable financing. However, documentation is not available to broadly confirm this benefit for the Nebraska program or measure the benefits received by local businesses.

**Recommendation:** If the Legislature wants to know how much local businesses are saving through reduced interest rates, it could require that information to be collected.

**Recommendation:** If the Legislature wants to ensure that investments are directed to businesses lacking access to affordable financing, it could require evidence that attempts to secure affordable traditional financing were unsuccessful.

## Assisting Small Businesses (pp. 10-11)

**Result:** Using the 500-employee standard applied in other programs, 83% of local businesses receiving investment through the New Markets program were small businesses.

**Recommendation:** If the Legislature wants to ensure that New Markets investments only go to small businesses, it could amend the definition of a qualified active low-income business in the Act to limit the size of qualified companies.

## Section II

### Job Creation: How many actual jobs have been created by companies receiving investment? (pp. 17-19)

**Results:** The 52 companies that received investment through the New Markets Job Growth Investment Act from 2013 through 2024 collectively increased employment by 843 employees. One company, however, accounted for 597 of those employees (71%), while the remaining 51 businesses accounted for an increase of 249 employees (29%) since beginning participation in the program.

Almost half of the New Markets businesses (44%) had lower employment at the end of 2024 than when the businesses received their initial investment through the program.

### Wages: What are the wages associated with created jobs? (pp. 20-21)

**Results:** A majority of companies receiving investment through the New Markets program paid wages below their respective industry averages in Nebraska. However, most companies paid average wages above the 2024 Federal Poverty Level (FPL) for a family of four, which was \$31,200.

### New to Nebraska: How many companies receiving investment were new to the state? (pp. 22-25)

Type of Business	Number of Companies	Total Investment
Established or Unknown Companies	42	\$279.5 M
New to Nebraska Companies	12	\$102.7 M
<b>Total</b>	<b>54</b>	<b>\$382.2M</b>

**Results:** Out of 54 local businesses that received investment through the New Markets program, 41 were established businesses and 12 were businesses that were new to Nebraska. One company had insufficient data to make a determination.

Less than 30% of total investment in the New Markets program (\$102.7 million) were to companies that were new to Nebraska. Companies new to Nebraska increased employment by 286 employees, while established companies reported a net increase of 557 employees. However, a single established company accounted for 597 of those additional employees. Excluding this outlier, established companies collectively experienced a net decrease of 40 employees.

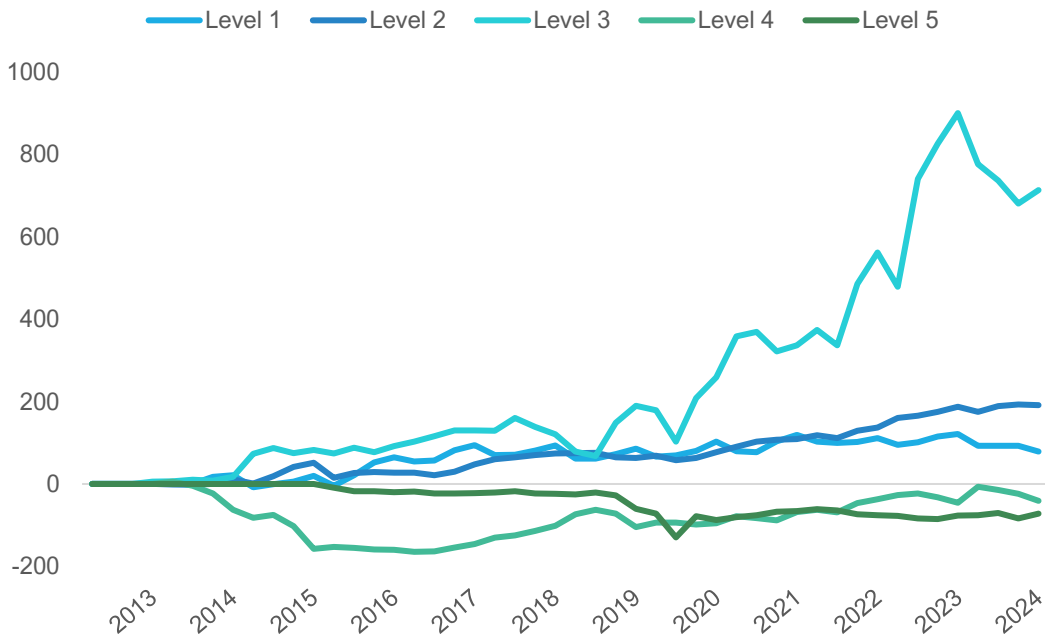
Urban and Rural Areas: To what extent is the Act revitalizing rural areas of the state? (pp. 26-28)

Type of Business	Number of Companies	Total Investment
Urban Companies	38	\$257.3 M
Rural or Unknown Companies	16	\$124.9 M
<b>Total</b>	<b>54</b>	<b>\$382.2 M</b>

**Results:** Out of 54 companies that received investment through the New Markets program, 38 were located in urban areas, 14 were in rural areas, and 2 had insufficient information to confirm their location.

Urban companies received almost \$125 million in investment and increased employment by 903 employees. Rural companies received about \$257 million but contributed an overall decrease to employment of 60 employees.

Distressed Areas: To what extent is the Act revitalizing distressed areas of the state? (pp. 29-32)



**Results:** The Audit Office analyzed and classified each of Nebraska’s 93 counties by level of economic distress, with level 1 representing the least distressed counties and level 5 representing the most distressed. Using this classification system, 70% of New Markets companies were located in level 3 counties and received 60% of all program investment.

Companies located in level 1, 2, and 3 counties collectively experienced employment growth totaling 983 employees. In contrast, companies located in Nebraska’s most distressed counties (level 4 or 5) experienced a net decrease in employment of 113 employees.

**High-Tech and Renewable Companies:** To what extent is the Act affecting high-tech and renewable companies? (pp. 33-34)

**Results:** Over the life of the New Markets program, three companies (5.6%) met the definition of a high-tech company. These companies received 5.2% of all program investment, totaling just over \$19.8 million. As of the end of the review period, New Markets high-tech companies had a net decrease of 40 employees.

No New Markets companies met the definition of a renewable energy company.

**But-For Determinations:** How much activity would have occurred regardless of the incentive? (pp. 35-38)

Caused by New Markets Program?	Number of Businesses	Total Investment	Number of Jobs
Potentially	47	\$322.8 M	803
Likely Not	7	\$59.5 M	40
<b>Total</b>	<b>54</b>	<b>\$382.2 M</b>	<b>843</b>

**Results:** Of the 54 businesses that received investment through the New Markets program, the activities associated with 47 companies could potentially have been influenced by the availability of program financing. In contrast, the remaining 7 businesses likely could have advanced their specific projects without assistance from the program.

The 47 companies whose activity is more likely to have been influenced by the program had about \$323 million in investment and an increase of 803 jobs. The 7 companies whose projects likely did not require New Markets tax credits collectively accounted for an increase of 40 jobs while receiving nearly \$60 million in program investment.

Impacts on Local Governments: How did the Act impact the budgets of local governments? (p. 39)

**Results:** Local governments are not directly affected by the New Markets program because program tax credits may only be applied against insurance premium taxes, corporate income taxes, or franchise taxes. These taxes are paid to the state rather than to local governments.

Administrative Costs: How much did it cost to administer the Act? (p. 40)

**Results:** The cost to administer the New Markets program is between \$7,500 and \$11,200 each year.

Fiscal Protections: Are adequate protections in place to ensure the fiscal impact of the Act does not increase substantially beyond the state's expectations in future years? (pp. 41-42)

**Results:** The New Markets Job Growth Investment Act meets seven of the nine applicable fiscal accountability recommendations identified by the The Pew Charitable Trusts for tax incentive programs. Additionally, because the program includes a statutory cap on the amount of tax credits that may be issued, the risk of program costs exceeding the level anticipated by the Legislature is limited.

Transparency: What program information is disclosed to the public? (pp. 43-47)

**Results:** The New Markets Job Growth Investment Act meets, at least in part, six of the eight transparency categories included in the Good Jobs First tax incentive transparency scorecard. Specifically, the program partially meets categories related to project information, recipient identity, subsidy information, job creation reporting, investment reporting, and data accessibility. However, the program does not meet the categories of advance notice and public participation or wage reporting.

### Section III

Economic modeling does not estimate permanent jobs or positions, nor does it distinguish between full-time and part-time employment. Instead, REMI economic modeling reports employment effects in job-years, which represent one job sustained for one year.

For example, 1 position lasting for 1 year equals 1 job-year, while 10 positions sustained for 1 year equal 10 job-years. Similarly, 1 position sustained for 10 years would also equal 10 job-years. As a result, employment estimates generated through REMI should be

interpreted as units of employment time rather than counts of permanent jobs created or retained.

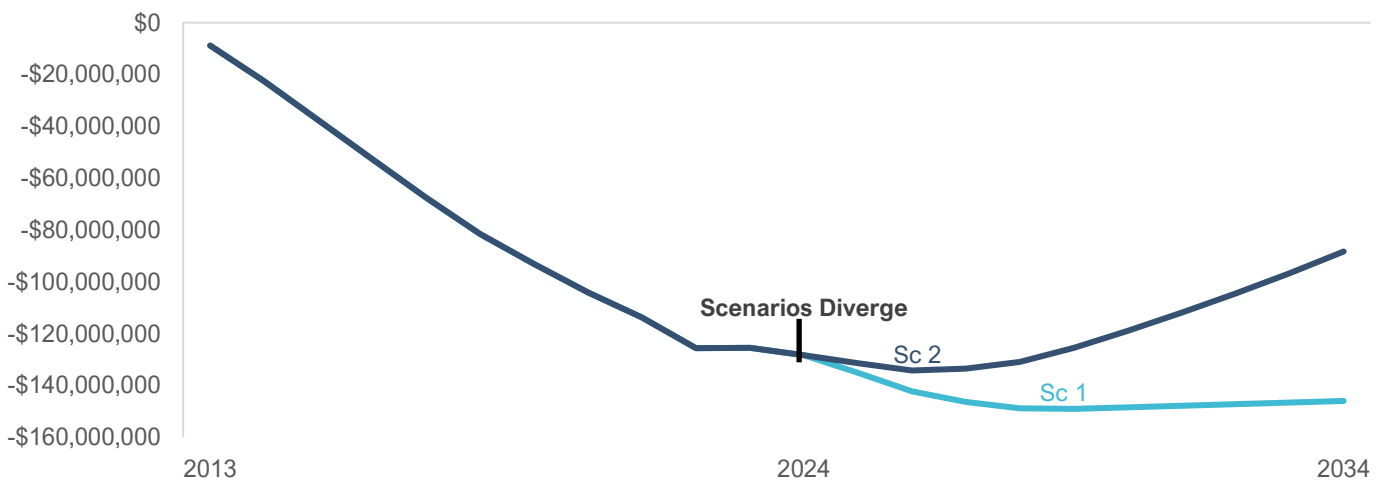
Economic Modeling: Job Creation: To what extent has the Act affected the broader economy of the state? (pp. 51-55)

**Results:** Depending on the methodology and assumptions used in the economic modeling process, the New Markets program was estimated to be responsible for between 4,967 and 21,708 job-years of activity. These estimates include direct, secondary, and induced employment effects.

Economic Modeling: Cost Per Job: What was the cost per actual job created? (pp. 56-57)

**Results:** Depending on the method used and assumptions made in the economic modeling process, the New Markets program had an estimated cost per job ranging from \$7,964 to \$197,749.

Economic Modeling: Fiscal Return on Investment: To what extent has the Act paid for itself? (pp. 58-61)



**Results:** Depending on the assumptions used in the economic modeling process, the New Markets program is estimated to generate between 13 and 47 cents in state revenue for every dollar of revenue forgone. Under both modeling scenarios, estimated revenue generation falls short of total forgone revenue, suggesting that the program does not fully pay for itself.

Based on the Audit Office's modeling assumptions, the program would have needed to generate an additional 7,854 to 13,596 job-years in order for estimated revenue gains to fully offset forgone state revenue by 2036.



## **II. Legislative Audit Office Report**



Legislative Audit Office Report

# **Nebraska New Markets Job Growth Investment Act: Performance on Selected Metrics**

**July 2026**

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Prepared by  
**Anthony Circo**  
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# REPORT TABLE OF CONTENTS

- INTRODUCTION ..... 1**
  
- SECTION I. New Markets Job Growth Investment Act Program Description and Participation..... 3**
  - New Markets Job Growth Investment Act..... 3**
  - How the New Markets Program Works ..... 4**
  - New Markets Program Participation, Investment, and Issued Credits ..... 6**
  - New Markets Act: Statutory Goals ..... 9**
  - Additional Goals..... 12**
  - Compliance Costs ..... 13**
  - COVID Analyses ..... 14**
  
- SECTION II. New Markets Job Growth Investment Act’s Effect on the State Economy: Selected Topics and Metrics ..... 15**
  - Job Creation..... 17**
  - Wages ..... 20**
  - New to Nebraska ..... 22**
  - Urban and Rural Areas ..... 26**
  - Distressed Areas..... 29**
  - High-Tech and Renewable Companies ..... 33**
  - But-For Determinations ..... 35**
  - Impacts on Budgets of Local Governments ..... 39**
  - Administrative Costs ..... 40**
  - Fiscal Protections ..... 41**
  - Transparency ..... 43**
  
- SECTION III. New Markets Job Growth Investment Act’s Effect on the State Economy: Economic Modeling ..... 49**
  - Economic Modeling: Job Creation..... 51**
  - Economic Modeling: Cost Per Job..... 56**
  - Economic Modeling: Fiscal Return on Investment..... 58**

**APPENDIX: Economic Modeling**



## INTRODUCTION

The Legislative Audit Office is required to review each business tax incentive program at least once every five years. In 2020, the Legislative Performance Audit Committee released the first audit report on the New Markets Job Growth Investment Act. This report contains the results of the Legislative Audit Office's second audit of the program.

## NEW MARKETS JOB GROWTH INVESTMENT ACT

The Nebraska New Markets Job Growth Investment Act was passed in 2012 and modeled after the federal New Markets Tax Credit program. The federal program seeks to expand access to financing for businesses located in low-income areas by providing tax credits to investors. Through this structure, the program aims to encourage private investment and economic development in underserved communities.

The Nebraska New Markets program, which is subject to an annual cap of \$15 million in tax credits, is administered by the Department of Revenue. The Department is responsible for approving applications, certifying participant eligibility, and authorizing the issuance of tax credits.

## AUDIT SCOPE

On October 13, 2025, the Legislative Oversight Committee approved a scope statement for an audit of the New Markets Job Growth Investment Act to answer the following questions:

1. To what extent is the Act meeting its goals as provided in statute?
2. Is the Act meeting the goal of strengthening the state's economy overall by attracting new business to the state, expanding existing businesses, and increasing employment?
3. Is the Act meeting the goal of revitalizing rural and other distressed areas of the state?
4. What are the Act's economic and fiscal impacts?
5. Are adequate protections in place to ensure the fiscal impact of the Act does not increase substantially beyond the state's expectations in future years?
6. What can be done to improve future audits?

## MEASURING EFFECTIVENESS

In previous reports, the Legislative Audit Office (Office) has noted that evaluating the effectiveness of Nebraska's tax incentive programs can be difficult because the statutes establishing those programs often lack clear goals and measurable performance standards. To address these challenges, the Performance Audit Committee introduced a legislative resolution (LR 444), which the Legislature adopted to authorize an interim study identifying metrics for tax incentive performance audits. In 2015, the Legislature enacted LB 538, requiring the Office to conduct ongoing audits of tax incentive programs and, when feasible, to incorporate the metrics recommended in the LR 444 report.

During the audit planning process, the Office determines which metrics to apply based on the program under review and the availability of relevant data. When applicable, the Office uses metrics derived from the statutes establishing the program, legislative history associated with legislation creating or amending the program, the Legislative Performance Audit Act, recommendations from the LR 444 Committee report, and those identified by the Office as particularly relevant to the evaluation.

Section I describes the New Markets program and its operation, provides information on program participation, and discusses the program's goals. Section II presents the Audit Office's analysis of the program using a variety of performance metrics. Section III describes the economic modeling simulations used to evaluate the program and presents the results of that analysis.

## ACKNOWLEDGEMENTS

The Legislative Audit Office extends special thanks to Tax Commissioner Jim Kamm and Commissioner of Labor Katie Thurber. We also appreciate the assistance of Shailana Dunn-Wall at the Department of Revenue and Scott Hunzeker at the Department of Labor.

## AUDITING STANDARDS COMPLIANCE STATEMENT

We conducted this performance audit in accordance with generally accepted government auditing standards, with two statutory exceptions regarding continuing education hours and peer review frequency. As required by auditing standards, we assessed the significance of noncompliance on the objectives for this audit and determined there was no impact.<sup>1</sup> The exceptions do not change the standards requiring that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. The methodologies used are described briefly in each section.

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<sup>1</sup> Neb. Rev. Stat. § 50-1205.01.

## **SECTION I. New Markets Job Growth Investment Act Program Description and Participation**

This section provides basic information about the New Markets Job Growth Investment Act (Act): how the program functions and data regarding overall participation and investment. It also discusses program goals, compliance costs for companies, and briefly touches on how businesses fared during the COVID pandemic.

### **NEW MARKETS JOB GROWTH INVESTMENT ACT**

In 2000, the federal government created the New Markets Tax Credit (NMTC) program. The primary goal of the federal NMTC program is to “help economically distressed communities attract private capital by providing investors with a federal tax credit” equal to 39% of their investment.<sup>2</sup> The program is intended to increase access to financing for businesses located in low-income areas by facilitating loans that may offer below-market interest rates or financing opportunities that otherwise might not be available. Tax credits received through the program are distributed over seven years, with investors receiving 5% annually during the first three years and 6% annually during the remaining four years.

The Nebraska New Markets Job Growth Investment Act (New Markets) was enacted in 2012 to establish a state program modeled after the federal NMTC. Senator Paul Schumacher introduced the bill “to encourage and support the development of new investments in lower-income rural and urban areas.”<sup>3</sup> During the bill’s hearing, Senator Schumacher stated that the program would bring federal funds to Nebraska. Other proponents testifying in support of the bill cited potential benefits including job creation and increased investment in rural and economically distressed areas of the state.

Under Nebraska’s New Markets program, tax credits equal to 39% of an investment may be claimed over a seven-year period, with credits claimed at 0% during the first two years, 7% in the third year, and 8% annually during the final four years. The program is subject to an annual cap of \$15 million in tax credits. Credits are nonrefundable, meaning investors must have tax liability to use them, and nontransferable, meaning they cannot be sold. Tax credit investors have up to five years from the date of issuance to claim awarded credits.

There are no job creation or wage level requirements for either the federal or state programs.

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<sup>2</sup> Commercial Development Financial Institutions Fund, “New Markets Tax Credit,” [www.cdfifund.gov/programs-training/programs/new-markets-tax-credit](http://www.cdfifund.gov/programs-training/programs/new-markets-tax-credit), accessed October 1, 2025.

<sup>3</sup> Nebraska Legislature, *LB 1128 (2012) Statement of Intent*, Senator Paul Schumacher.

## HOW THE NEW MARKETS PROGRAM WORKS

The structure of a New Markets tax credit agreement can be difficult to understand due to the number of entities involved and the complexity of the financing arrangement. The following provides a simplified overview of the primary participants in a New Markets tax credit agreement and their respective roles.

### LEVEL 1: TAX CREDIT INVESTOR

The entity, or entities, that ultimately receive tax credit from the program are the **tax credit investors**.<sup>4</sup> These investors may designate credits to offset corporate income tax, financial institutions tax, or insurance premium tax liabilities. Historically, most New Markets tax credits in Nebraska have been used to offset insurance premium taxes.<sup>5</sup>

Tax credit investors typically combine their own investment with financing from a “**leverage lender**,” usually a large financial institution such as a national bank. These combined funds are then provided to a **Community Development Entity (CDE)**. The total combined investment, referred to as a **Qualified Equity Investment (QEI)**, is used to calculate the tax credits ultimately awarded to the investor.

Tax credit investors may earn credits equal to up to 39% of the total QEI over a seven-year period. Under Nebraska’s program, no credits are earned during the first two years after the investment. Beginning in the third year, investors earn a credit equal to 7% of the QEI, followed by credits equal to 8% of the QEI in each of the next four years. For example, a qualified investment made in 2020 would earn a 7% credit in 2022 and 8% credits in 2023, 2024, 2025, and 2026.

#### Key Terms & Acronyms

**Community Development Entity (CDE)** - Makes investment in local businesses

**Leverage Lender** – Combines money with Tax Credit Investor to make a Qualified Equity Investment into a CDE

**Local Business** – The entity the New Markets program is intended to benefit, also referred to as a business or company in this report (the statutory term for this entity is Qualified Active Low-Income Community Business)

**Qualified Equity Investment (QEI)** – Investment into CDE from Tax Credit Investor and Leverage Lender, used to calculate tax credits

**Tax Credit Investor** – Receives tax credits, combines money with Leverage Lender to make QEI into a CDE

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<sup>4</sup> Often referred to as the equity investor. The Audit Office uses the term tax credit investor in this report for simplicity and ease of understanding.

<sup>5</sup> Nebraska Legislature, Performance Audit Committee, *New Markets Job Growth Investment Act: Performance on Selected Metrics*, March 2020.

## LEVEL 2: COMMUNITY DEVELOPMENT ENTITY

The **Community Development Entity (CDE)** is the primary entity responsible for interacting with the state and administering participation in the New Markets program. CDEs are responsible for submitting applications to the Department of Revenue and complying with statutory program requirements. To participate in Nebraska's New Markets program, a CDE must have an active allocation agreement with the federal Community Development Financial Institutions Fund (CDFI) that includes Nebraska within its approved investment area.<sup>6</sup> The CDE must also certify that the Nebraska Qualified Equity Investment (QEI) qualifies as a federal QEI.

In addition, the CDE is responsible for identifying eligible local businesses for investment and maintaining required investment levels over the course of the agreement.

## LEVEL 3: LOCAL BUSINESS

The **local business** is the entity the New Markets program is intended to benefit.<sup>7</sup> In order for tax credit investors to earn credits, 100% of the purchase price of the Qualified Equity Investment, which is used to calculate credits, must ultimately be invested in qualified local businesses. These investments are typically structured as loans but may also take the form of equity investments.

A local business is eligible for the program by meeting requirements set forth in federal law and Nebraska-specific limitations.<sup>8</sup> In general, businesses qualify based on conducting activities in low-income communities or, less commonly, serving designated populations.<sup>9</sup> No local business can receive more than \$10 million in qualifying investment.

Local businesses may use program investment for a wide range of purposes, including gap financing or operating capital, facility acquisition or improvements, refinancing existing debt, or reimbursing parent companies. Although local businesses do not directly receive tax credits, they may benefit from participation by gaining access to below-market-rate financing or obtaining capital that may otherwise be unavailable through conventional lending due to perceived risk.

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<sup>6</sup> The Community Development Financial Institutions Fund is the agency within the U.S. Department of the Treasury that administers the federal New Markets Tax Credit Program.

<sup>7</sup> In statute, the term used is "Qualified Active Low-Income Community Business." The Office uses the term local business in this report for simplicity and ease of understanding.

<sup>8</sup> Neb. Rev. Stat. § 77-1108 excludes businesses or projects that "derive fifteen percent or more of its annual revenue from the rental or sale of real estate."

<sup>9</sup> All of the local businesses in Nebraska that received investment through the state program qualified as a low-income business based on qualifying census tract characteristics. A census tract can qualify by meeting any of the following criteria: 1) Having a poverty rate of 20% or more; 2) Having an average of 80% or less of the statewide median family income; 3) Being in a metropolitan area, by having an average of 80% or less of the metropolitan area median family income; 4) Having a population of fewer than 2000, being located in an empowerment zone, and being contiguous to an otherwise qualifying area; or 5) Being located in a high migration rural county (10% population loss in the 20 years leading up to the most recent census) and having an average of 85% or less of the statewide median income.

## APPLICATION PROCESS

The New Markets program is administered by the Nebraska Department of Revenue (Revenue). Upon receiving a completed application and supporting documentation, Revenue is required to approve or deny the application within 30 days. Applications are reviewed and certified in the order they are received. As discussed previously, the program is capped at \$15 million annually. Once Revenue has certified applications totaling \$15 million in a given year, no additional applications may be approved.

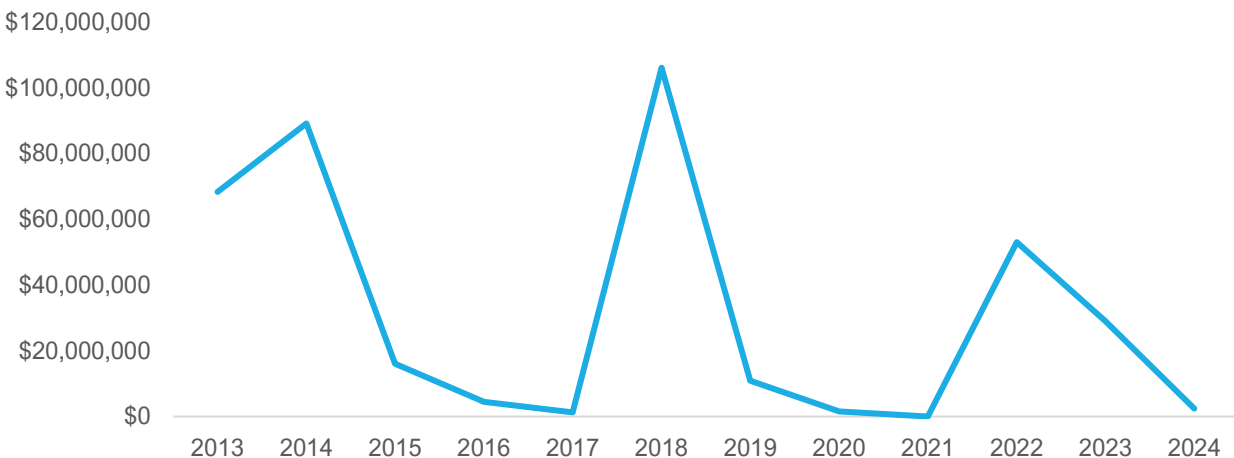
## NEW MARKETS PROGRAM PARTICIPATION, INVESTMENT, AND ISSUED CREDITS

### INVESTMENT OVER TIME

From 2013 through 2024, **54 unique local businesses** participated in the New Markets program and received approximately **\$382 million in total investment**. During this period, there were three clear spikes in investment activity: at the beginning of the program, in 2018, and in 2022 (Figure 1.1). These spikes generally correspond to the timing of prior investment and tax credit cycles. As previous allocations are exhausted, new allocations become available and are structured so that up to \$15 million in credits may be earned in any given year.

The first two investment spikes were larger than the third, which may indicate reduced interest in the program or a diminished ability for Community Development Entities (CDEs) to identify participating businesses following the 2021 allocation round.<sup>10</sup>

**Figure 1.1. New Markets investment in local businesses were highest in 2013 to 2014, 2018, and 2022.**



Source: Audit Office analysis of Department of Revenue data.

<sup>10</sup> When asked by the Audit Office about the decrease in program participation, Revenue staff indicated that there have not been any complaints, but some CDEs have asked Revenue if they know of any QALICBs looking for a CDE, and that there may be a problem in connection of the two types of entities.

## INVESTMENT BY INDUSTRY SECTOR

**Manufacturing** was the industry sector with both the highest number of participating companies and the greatest amount of investment, with **19 companies receiving nearly \$148 million** through the program (Figure 1.2). Health Care and Social Assistance had the second-highest number of participating companies as well as the second-largest amount of investment. Due to insufficient information, two companies could not be matched to Nebraska Department of Labor data and therefore could not be assigned industry classifications.

**Figure 1.2. Through the New Markets program, 19 manufacturing companies received \$148 million in investment.**

NAICS Code	Industry Description	Total Companies	Amount Invested
23	Construction		
49	Transportation and Warehousing	3	\$17.2 M
51	Information		
31-33	Manufacturing	19	\$148 M
42	Wholesale Trade	5	\$27.4 M
44-45	Retail Trade	3	\$15.4 M
54	Professional, Scientific, and Technical Services	3	\$19.8 M
55	Management of Companies and Enterprises		
56	Administrative and Support and Waste Management and Remediation Services	3	\$16.6 M
61	Educational Services		
62	Health Care and Social Assistance	11	\$94.1 M
71	Arts, Entertainment, and Recreation	3	\$21.5 M
72	Accommodation and Food Services		
81	Other Services (except Public Administration)	4	\$22.2 M
-	Unknown Industry		
<b>Total</b>		<b>54</b>	<b>\$382.2 M</b>

Source: Audit Office analysis of Department of Labor data.

Note: Some industries combined to maintain taxpayer confidentiality. Totals may not match due to rounding.

## ISSUED CREDITS

Since the beginning of the Nebraska New Markets program, tax credit investors have been issued **\$142.5 million in New Markets tax credits** (Figure 1.3). From 2016 through 2019, the state issued nearly the maximum credits allowed each year, approaching the program's annual cap of \$15 million. In contrast, the amount of tax credits issued declined substantially in 2024 and 2025 (Figure 1.4).<sup>11</sup>

<sup>11</sup> Change was made in statute to the allocation amount in 2021, amending the requirement that 85% of the QEI must be invested in local businesses to 100%. This could have affected the availability of CDE's investment amounts causing the drop in credits usage. National interest rates were also higher during this period of time which could have an effect on credit's usage. However, there is no support to show what caused New Markets credit issuance to significantly shrink in 2024 and 2025.

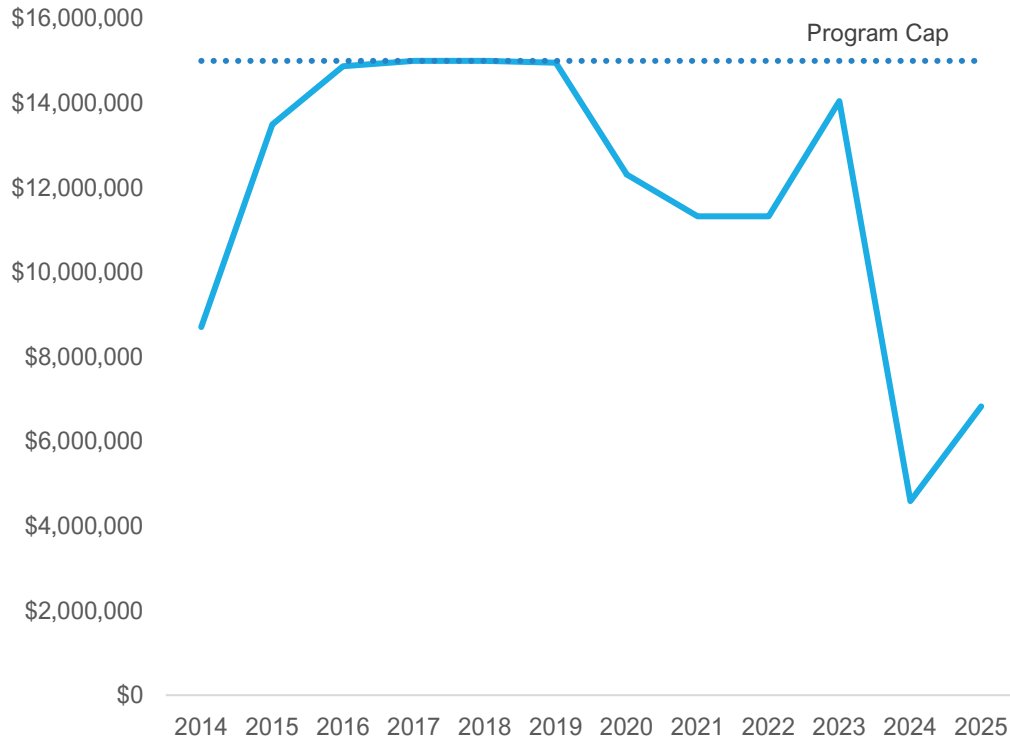
**Figure 1.3. Tax credit investors have been issued \$142.5 million in New Markets tax credits since the program's inception.**

Year	Credits Issued
2014	\$8.7 M
2015	\$13.5 M
2016	\$14.9 M
2017	\$15 M
2018	\$15 M
2019	\$15 M
2020	\$12.3 M
2021	\$11.3 M
2022	\$11.3 M
2023	\$14.1 M
2024	\$4.6 M
2025	\$6.8 M
<b>Total</b>	<b>\$142.5 M</b>

Source: Audit Office analysis of Department of Revenue data.

Note: Figure may not sum due to rounding.

**Figure 1.4. New Markets tax credits issued has been significantly less than earlier years of the program.**



Source: Audit Office analysis of Department of Revenue data.

## NEW MARKETS ACT: STATUTORY GOALS

The Nebraska New Markets Job Growth Investment Act has **three program goals** listed in statute, added in 2021:

1. Provide access to capital to small businesses that are not otherwise able to receive affordable financing
2. Attract investment dollars from the New Markets Tax Credit Program of the United States Department of the Treasury
3. Ensure Nebraska small businesses have access to capital to retain and add jobs

## AFFORDABLE FINANCING FOR SMALL BUSINESSES

Research suggests that local businesses receiving financing through the New Markets program are able to get loans with interest rates below standard market levels. The U.S. Office of the Comptroller of the Currency has provided representative scenarios showing **interest rate savings ranging from 1.57% to 5.6%** compared to conventional market-rate loans. Similarly, the Urban Institute has reported that local businesses participating in the program have received below-market interest rates. However, the Government Accountability Office has noted that the benefits of lower interest rates may be offset by higher transaction costs and program-related fees.

The Audit Office cannot definitively determine whether participating local businesses would have been unable to secure affordable financing through other means, as this information is not required to be collected under the program. Local businesses may qualify for and receive New Markets financing even if they are eligible for conventional market-rate loans. Program eligibility requirements are based on factors such as geographic location, business activity, and populations served, rather than a demonstrated inability to obtain affordable financing. No participating entity is required to assert or provide evidence that a local business could not otherwise secure financing at an affordable rate.

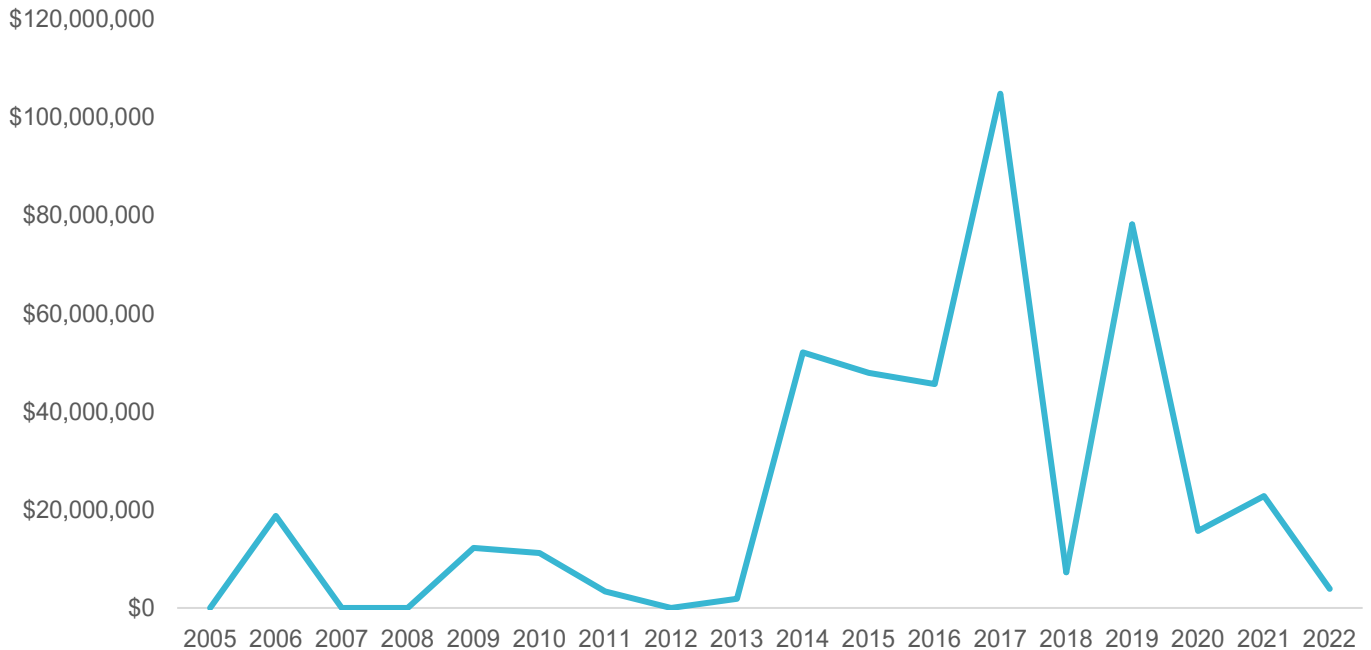
**Result:** Research suggests New Markets Tax Credits may provide businesses with more affordable financing. However, documentation is not available to broadly confirm this benefit for the Nebraska program or measure the benefits received by local businesses.

## FEDERAL INVESTMENT

Since the federal New Markets Tax Credit (NMTC) program was enacted in 2000, Nebraska has seen about \$493.6 million in federal NMTC investment through 2022, the most recent year for which federal data has been released. Federal investment activity in Nebraska increased following the enactment of the Nebraska New Markets Act in 2012 (Figure 1.5). During the eight years prior to the state program, Nebraska received an average of just over **\$6 million** annually in federal NMTC investment. In the ten years

following enactment, the annual average increased to more than **\$44 million**. Federal NMTC investment in Nebraska peaked in 2016.<sup>12</sup>

**Figure 1.5. Federal NMTC investment increased in Nebraska following creation of the Nebraska New Markets program.**



Source: Audit Office analysis of Community Development Financial Institutions Fund data.

**Finding:** Federal New Markets Tax Credit investment in Nebraska increased significantly after the Nebraska New Markets program was created, from an average of \$6 million annually to an average of more than \$44 million annually.

## ASSISTING SMALL BUSINESSES

Two of the three statutory goals reference assistance to small businesses. However, neither the legislative history of the program nor the Act itself defines what constitutes a “small business,” and the program does not impose eligibility restrictions based on company size.

To identify a reasonable definition, the Audit Office reviewed standards used in other state and federal programs. The federal and state Small Business Innovation Research/Small Business Technology Transfer programs, as well as the State Small Business Credit Initiative, define a small business as one with 500 or fewer employees. By contrast, the U.S. Small Business Administration (SBA) uses a more flexible definition

<sup>12</sup> From 2013 to 2021 the Nebraska New Markets program did not require state QEI to also be federal QEI. Federal data may include QEI that was also counted as state QEI.

based on either employee count or annual receipts, with thresholds varying by industry. For example, the SBA classifies a Sporting and Recreational Goods and Supplies Merchant Wholesaler as a small business if it has 100 or fewer employees, while the threshold for Farm Machinery and Equipment Manufacturing is 1,250 employees. Public perceptions of what constitutes a small business may also incorporate factors such as private ownership, number of locations, or a smaller employee base.

For ease of analysis and discussion, the Audit Office categorized participating companies by total employment into four size groups (Figure 1.6). Of the 54 unique companies that received investment through Nebraska’s New Markets program, **45, or 83%, were small businesses using the 500-employee standard** used by the other programs discussed above. Eight companies had more than 500 employees. One company’s size could not be determined because it could not be matched to Department of Labor data.

**Figure 1.6. The majority of local businesses receiving loans through the program had 500 or fewer total employees.**

	Number of Employees				
	<50	51-250	251-500	501+	Unknown
<b>Number of Companies</b>	21	19	5	8	1

Source: Audit Office analysis of Department of Labor data.

**Result:** Using the 500-employee standard applied in other programs, 83% of local businesses receiving investment through the New Markets program were small businesses.

## ADDITIONAL GOALS

Beyond the goals explicitly stated in the New Markets Act, senators and program proponents made several additional claims regarding the program’s intended outcomes. These included attracting federal New Markets tax credits to Nebraska, generating more state revenue than was forgone through the incentive, creating and retaining jobs, and improving access to capital for small businesses located in low-income and rural areas.

## FEDERAL CREDITS

Throughout the committee hearing and floor debate on the New Markets Act legislation, proponents expressed the belief that the program would attract federal NMTCs to Nebraska by incentivizing investors receiving federal credits to direct investment into the state.

However, based on the structure of the federal NMTC program, federal credits associated with investment in Nebraska do not necessarily remain in the state. When applying for a federal allocation, Community Development Entities (CDEs) designate the entities that will receive federal tax credits. The entity receiving Nebraska state tax credits does not have to be the same entity receiving the federal credits. Federal credits may be assigned

to any entity with federal tax liability, regardless of whether it is located or operates in Nebraska, even when the associated project is located in the state.

In practice, entities receiving federal credits are often large national financial institutions or insurance companies. Even when the same entity receives both state and federal credits tied to a Nebraska project, the state credits are applied only to Nebraska tax liabilities, while federal credits offset federal tax obligations generated across the company's nationwide operations. As a result, the financial benefit of federal NMTCs is distributed across a company's national footprint rather than concentrated in Nebraska.

## PAYING FOR ITSELF

A majority of proponents in the bill's committee hearing and during debate on the floor of the Legislature stated that the New Markets Act would "pay for itself," meaning that revenue generated from increased employment and investment activity would offset for the revenue forgone through tax credits issued under the Act. However, evaluations of New Markets tax credit programs conducted in other states raise questions about this claim.

The Audit Office used economic modeling to estimate revenue generation associated with Nebraska's program. Detailed modeling results, including return on investment estimates, are provided in Section III beginning on page 49.

## JOB CREATION

As suggested by the title of the New Markets Job Growth Investment Act, supporters of the legislation anticipated that the program would create jobs. Job creation was the most frequently cited goal among proponents, with one senator estimating that the Act would create between 3,000 and 5,000 jobs. However, the program does not directly incentivize job creation. Rather, it incentivizes loans and investments to businesses located in low-income areas.

These investments are not required to be used for activities that increase employment. As discussed previously, local businesses have broad discretion in how funds are used, including for operating capital, gap financing, facility construction or improvements, and equipment upgrades. Investments may also be used to refinance existing debt or purchase equipment and software that improve efficiency but potentially reduce employment. Job creation is neither required nor directly rewarded under the program; rather, it is an anticipated secondary effect.

A full discussion of job creation results and cost per job associated with participating local businesses can be found in Section II on page 17 and Section III on pages 51 and 56 respectively.

## ADDITIONAL CAPITAL/GAP FINANCING FOR BUSINESSES IN RURAL, URBAN, AND DISTRESSED AREAS

For detailed information on how the Act interacted with rural and distressed areas, see pages 26 and 29 in Section II of this report.

### COMPLIANCE COSTS

Although the New Markets Act provides tax benefits to tax credit investors, the Audit Office focused on participation costs incurred by local businesses, as they are the entities the program is ultimately intended to benefit. To assess these costs, the Office reviewed state and federal reports on New Markets tax credit programs and highlighted relevant findings.

Local businesses may incur costs during the preparation and lead-up to the initial New Markets investment. Maine’s program evaluation office describes the challenges in their 2017 report, noting that participating businesses reported the process could be “complex, time consuming, and costly.”<sup>13</sup> One business described participating in conference calls involving 17 people and signing approximately 150 documents.

The Florida Legislature and the U.S. Government Accountability Office (GAO) have also identified several types of costs that local businesses may encounter throughout the financing process. Florida’s Office of Economic and Demographic Research reported that businesses may face origination fees at the beginning of a loan, asset maintenance fees during the life of the loan, and closing fees at the end, in addition to interest costs.<sup>14</sup> Similarly, the GAO discussed how these fees interact with financing terms, noting that lower interest rates are often associated with higher fees, and vice versa. These trade-offs may reduce the overall financial benefit of program participation.<sup>15</sup>

Evaluations of the federal program have also identified concerns regarding the “significant administrative (especially legal and accounting) costs associated with NMTC financing.” Participating local businesses frequently reported uncertainty regarding the ultimate cost of required professional services.<sup>16</sup>

Time and resource limitations prevented the Audit Office from conducting a detailed analysis of participation costs for Nebraska local businesses. However, local businesses receiving financing tied to the federal New Markets program likely experience many of the same costs documented elsewhere. Additionally, 7 of the 10 projects reviewed in

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<sup>13</sup> Maine Legislature, Office of Program Evaluation & Government Accountability, *New Markets Capital Investment Program—Current Portfolio of Projects Produced Positive Outcomes; Cost-Effectiveness Could be Improved*, March 2017, p. 21.

<sup>14</sup> Florida Legislature, Office of Economic and Demographic Research, *Economic Evaluation for Select State Economic Development Incentive Programs*, January 2017, revised March 2017, pp. 54-55.

<sup>15</sup> United States Government Accountability Office, “New Markets Tax Credit: Better Controls and Data are Needed to Ensure Effectiveness,” July 2014, p. 16.

<sup>16</sup> Urban Institute, *New Markets Tax Credit (NMTC) Program Evaluation, Final Report*, April 2013, p. 86.

Maine's evaluation were managed by CDEs that also participated in Nebraska's program. Likewise, the 5 CDEs identified as having the highest number of projects in Florida's report also have projects in Nebraska.

## COVID ANALYSES

As in recent audits, the Audit Office conducted preliminary analyses to examine whether companies participating in the program were better able to navigate the economic effects of the COVID-19 pandemic than Nebraska businesses more broadly. Initial results showed patterns similar to those observed statewide, with employment declines occurring in early to mid-2020 followed by recovery beginning in late 2020 and continuing into 2021. However, the relatively small number of participating companies and the wide variation in industry representation prior to the pandemic limit the ability to draw meaningful conclusions about whether the program provided substantive employment advantages compared to other businesses during this period.

## **SECTION II. New Markets Job Growth Investment Act's Effect on the State Economy: Selected Topics and Metrics**

Before presenting the metrics used to evaluate the New Markets Job Growth Investment Act, the Legislative Audit Office (Audit Office) notes several concepts that will aid in understanding the audit's results and findings:

### **Causation**

A key challenge in evaluating tax incentive programs is that it is often difficult to determine whether a program *caused* specific outcomes. Participants' decisions may be influenced by many other factors that are not captured in this report. Accordingly, the Audit Office does not assert that the program alone caused the results presented.

### **Findings**

Findings involve evaluating program results against a defined benchmark or standard. For example, if a program's spending increased over time, the relevant benchmark might be the national rate of increase or decrease for that same type of spending. In that case, the finding would assess whether Nebraska's rate of change differed from the national trend.

### **Results**

Results describe the outcomes identified through our analysis for each metric. For example, if a metric examines whether program spending increased over time, the result would report whether spending did in fact increase. Results are descriptive in nature and do not include judgments about the program's overall effectiveness or success.

### **Taxpayer Confidentiality**

Federal and state laws restrict the disclosure of most taxpayer information, subject to certain specified exceptions. Generally, taxpayer confidentiality requirements permit the reporting of aggregated data only when it includes at least 3 companies for statewide results, and at least 10 companies for results covering a smaller geographic area within the state.

## Section II Topics and Metrics

This section addresses the following topics and questions about the New Markets Job Growth Investment Act (Act) using the specific metrics listed:

**Job Creation:** How many jobs have been created by companies receiving investment?

- Program Net Employment Change
- Individual Company Employment Level Changes
- Program Employment Change Over Time

**Wages:** What are the wages associated with created jobs?

- Wages Compared to Industry Averages
- Wages Compared to the Federal Poverty Level

**New to Nebraska:** How many companies receiving investment were new to the state?

- New vs. Established Company Investment
- New vs. Established Company Net Employment Change
- New vs. Established Company Employment Change Over Time

**Urban and Rural Areas:** To what extent is the Act revitalizing rural areas of the state?

- Urban vs. Rural Company Investment
- Urban vs. Rural Company Net Employment Change
- Urban vs. Rural Company Employment Change Over Time

**Distressed Areas:** To what extent is the Act revitalizing distressed areas of the state?

- Distressed Area Company Investment
- Distressed Area Company Net Employment Change
- Distressed Area Company Employment Change Over Time

**High-tech and Renewable Companies:** To what extent is the Act affecting high-tech and renewable companies?

- High-tech and Renewable Company Investment
- High-tech and Renewable Company Net Employment Change
- High-tech and Renewable Company Employment Change Over Time

**But-For Determinations:** How much activity would have occurred regardless of the incentive?

- But-For Investment
- But-For Net Employment Change

**Impacts on Budgets of Local Governments:** How did the Act impact the budgets of local governments?

**Fiscal Protections:** Are adequate protections in place to ensure the fiscal impact of the Act does not increase substantially beyond the state's expectations in future years?

**Transparency:** What program information is disclosed to the public?

# JOB CREATION

How many jobs have been created by companies receiving investment?

## Results

Of the 54 companies that received investment through the New Markets program from 2013 to 2024, 52 collectively increased employment by 843 employees. One company, however, accounted for 597 of those employees (71%), while the remaining 51 businesses accounted for an increase of 249 employees (29%) since beginning participation in the program.

Almost half of the New Markets businesses (44%) had lower employment at the end of 2024 than when the businesses received their initial investment through the program.

An examination of employment trends over time indicates that most employment growth occurred between 2021 and 2024, with the outlier company substantially influencing the overall trend.

Despite the program's name, the New Markets Job Growth Investment Tax Credit does not require businesses receiving investment to create jobs. The statutes establishing the program do not include specific performance requirements or restrictions on how investment may be used. As a result, program funds may support a wide range of activities, including general startup financing, facility acquisition or expansion, or investment in automation that could ultimately reduce employment.

## Discussion

The Legislative Audit Office (Office) identified 54 unique local businesses that received investment through the New Markets program. As a reminder, these companies—the low-income local businesses that are targeted for investment through the program—are not the entities that receive tax credits. Credits flow to investors in Community Development Entities (CDEs). The CDEs then make investment into local businesses. The Office was able to match 52 out of the 54 local businesses with Department of Labor Quarterly Census of Employment and Wages (QCEW) information.<sup>17</sup>

Companies with more than one location can report employment to Department of Labor at either the worksite level or as combined statewide figures, which would include all locations of that business throughout the state. In order to have the most precise localized employment figures possible, the Office used the employment change at the individual worksite where available.

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<sup>17</sup> Labor uses QCEW data for its official employment reporting. The Audit Office was unable to match two businesses to Labor information. One business did not have enough identifiable information to confidently match with QCEW data. For the other, the Audit Office was able to match to the unitary group, which was a large national corporation with many worksites in the state. However, the Office did not have worksite location information for the New Markets program investment. Further, the company changed how it reported its QCEW information to the Department of Labor during our examination period, switching from reporting data for every location to reporting only statewide combined figures.

## PROGRAM NET EMPLOYMENT CHANGE

The Legislative Performance Audit Act directs the Audit Office to analyze, if applicable, the increase in employment of full-time workers due to the Act. Additionally, the LR 444 Tax Incentive Evaluation Committee report suggested that the Office report “actual new positions that did not exist before the incentive.”<sup>18</sup>

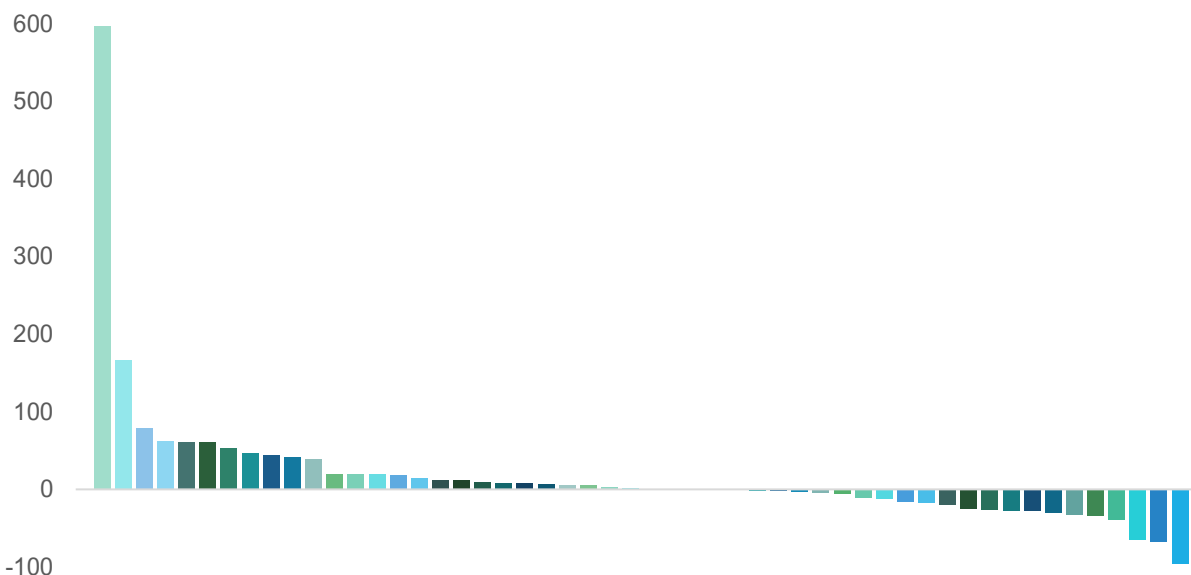
For this audit, the Office measured the increase, or decrease, in actual positions by using a point-in-time difference analysis. We compared each company’s employment levels in the quarter they first received their loan to their level of employment at the end of 2024.<sup>19</sup> This employment level difference is the closest we can get to measuring the difference in actual positions at companies that participated in the program.

The Audit Office found that there was an increase of 843 total employees for all companies combined between the quarter they received their initial investment and the end of 2024. However, there was one company that was responsible for 597 of those jobs. When the outlier was removed, the remaining 51 companies had a net increase of 249 total jobs.

## INDIVIDUAL COMPANY EMPLOYMENT LEVEL CHANGES

Twenty-seven New Markets companies had higher employment levels at the end of 2024, although most had job growth of fewer than 20 employees (Figure 2.1). Two businesses had no change in employment. The remaining 23 companies had fewer jobs at the end of the review period; the Office was unable to determine the reasons for these reductions in employment. Of those 23 companies, 5 went out of business or moved out of the state.

**Figure 2.1. Only 13 New Markets businesses had job growth of 20 or more employees.**



Source: Audit Office analysis of Department of Labor data.

<sup>18</sup> Nebraska Legislature, Tax Incentive Evaluation Committee, *LR 444 Report*, December 2014, p. 3.

<sup>19</sup> The end of 2024 was chosen because that was the last year for which complete program, employment, and wages information was available.

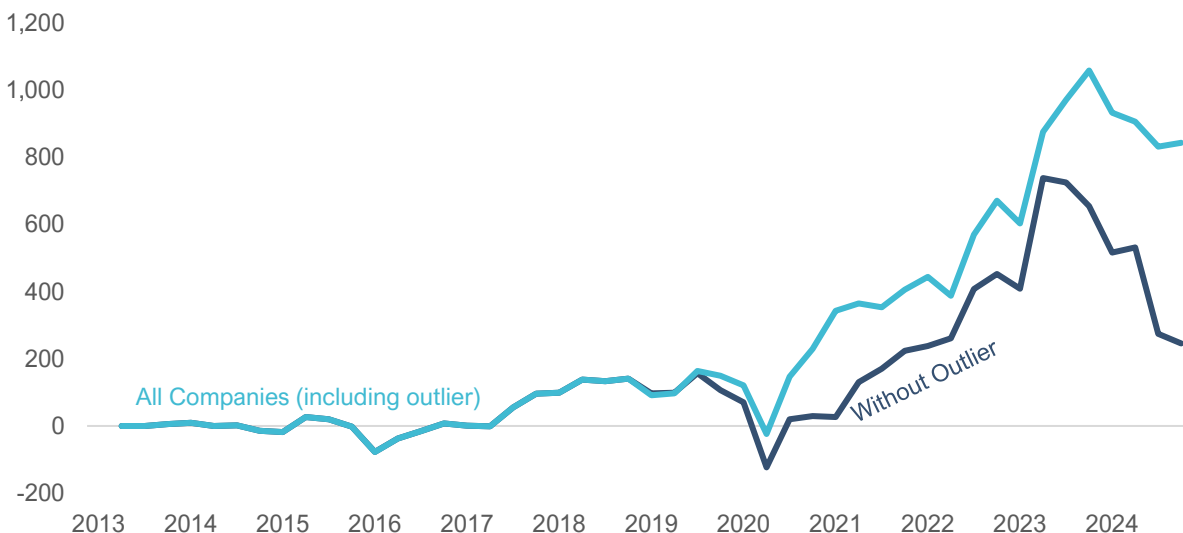
## EMPLOYMENT OVER TIME

Employment at individual companies, as well as across the program as a whole, does not necessarily increase or decrease at a steady rate. Employment levels may fluctuate multiple times between any two time periods. To account for these variations, the Audit Office analyzed cumulative employment changes by quarter, using each company’s initial investment date as a baseline to assess how participating local businesses performed over time. This analysis was done both with and without the outlier company to better show the extent to which that business’ employment growth influenced overall program-level employment trends.

The program produced moderate employment gains for local businesses overall, but also experienced two periods of net negative employment during its first seven years (Figure 2.2). Employment increased after 2020 before declining again beginning in 2023.

Comparing employment trends with and without the outlier company shows the substantial influence that company’s post-2019 employment growth had on overall program employment outcomes.

**Figure 2.2. Net employment growth among New Markets companies remained below 200 employees through 2020.**



Source: Audit Office analysis of Department of Labor data.

The Audit Office also examined employment changes over time at the individual business level. Fifteen local businesses did not experience employment declines below their baseline employment levels following their initial investment. In contrast, six businesses experienced employment declines after receiving their initial investment and did not return to pre-investment employment levels by the end of the review period.

# WAGES

## What are the wages associated with created jobs?

### Results

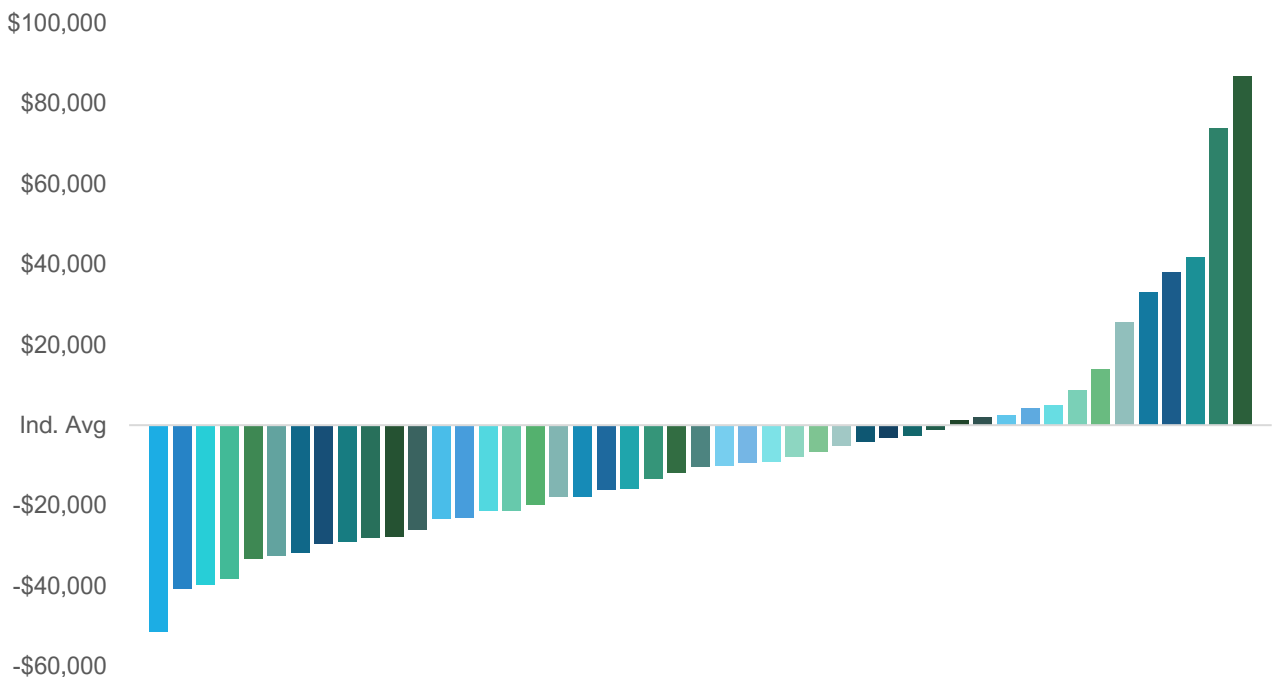
A majority of companies receiving investment through the New Markets program paid wages below their respective industry averages in Nebraska. However, most companies paid average wages above the 2024 Federal Poverty Level (FPL) for a family of four, which was \$31,200.

### Discussion

One recommendation from the LR 444 Tax Incentive Evaluation Committee report was to assess whether companies receiving incentives paid wages above or below their industry averages. The Audit Office identified 54 unique local businesses that received investment through the New Markets program and was able to match 52 of them with Quarterly Census of Employment and Wages (QCEW) data from the Department of Labor.

At the end of 2024, 13 companies paid wages above their industry averages, while 34 paid wages below their industry averages (Figure 2.3). Five companies were excluded from this analysis because they had no employment or wages at the end of 2024 due to moving out of state or going out of business.

**Figure 2.3. Most New Markets local businesses had average wages that were below their industry average.**



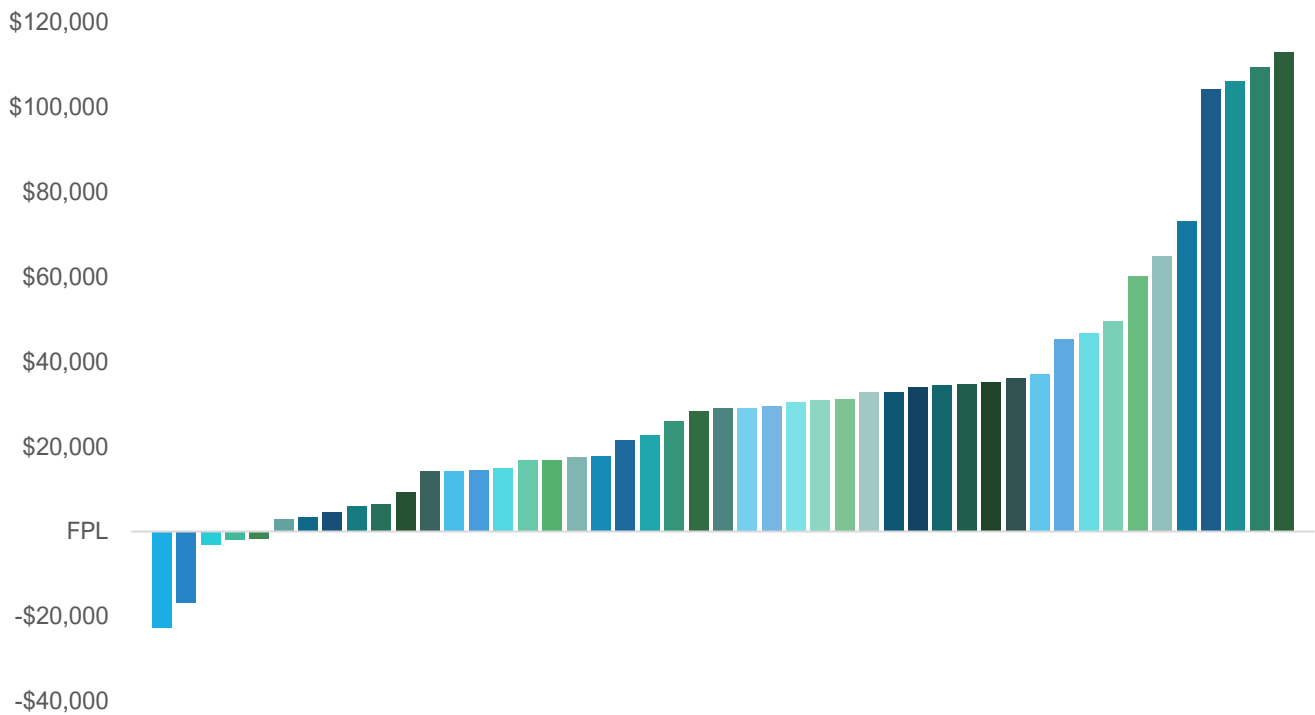
Source: Audit Office analysis of Department of Labor data.

Some companies had average wages that were substantially lower than their industry average. However, because available data does not differentiate between full-time and part-time employees, wage averages for businesses may be negatively affected by higher rates of part-time employment.

### FEDERAL POVERTY LEVEL

The Audit Office also compared wages paid by New Markets companies at the end of 2024 to the Federal Poverty Level (FPL) for a family of four to assess local business wages against a common benchmark. In 2024, the FPL for a family of four was \$31,200 (Figure 2.4).<sup>20</sup> Forty-two companies had average wages above the poverty level, while five had average wages below it. As with the previous analysis, an additional five companies were excluded because they reported no employment or wages at the end of 2024 due to relocating outside Nebraska or ceasing operations.

**Figure 2.4. For the last quarter of 2024, most New Markets companies paid total average wages that were above the Federal Poverty Level.**



Source: Audit Office analysis of Department of Labor data.

<sup>20</sup> United States Department of Health and Human Services, “Federal Poverty Level”, <https://www.healthcare.gov/glossary/federal-poverty-level-fpl>, accessed December 12, 2025.

## NEW TO NEBRASKA

How many companies receiving investment were new to the state?

### Results

Out of 54 local businesses that received investment through the New Markets program, 41 were established businesses and 12 were businesses that were new to Nebraska. One company had insufficient data to make a determination.

Less than 30% of total investment in the New Markets program (\$102.7 million) were to companies that were new to Nebraska. Companies new to Nebraska increased employment by 286 employees, while established companies reported a net increase of 557 employees. However, a single established company accounted for 597 of those additional employees. Excluding this outlier, established companies collectively experienced a net decrease of 40 employees.

### Discussion

For tax incentive audits, statute defines a new business as a person or unitary group participating in a tax incentive program that did not pay income taxes or wages in Nebraska more than two years prior to submitting an application for the program. For purposes of this audit, the Audit Office defined a “new to Nebraska” business as a company that did not pay income taxes or wages in the state more than two years prior to receiving its first investment through the New Markets program.

Using this definition, the Office found that, out of 54 New Markets companies, 41 were established businesses, 12 were new businesses, and the status of 1 business could not be determined.

### NEW VS. ESTABLISHED INVESTMENT

The Audit Office examined the amount of investment made through the New Markets program to companies new to Nebraska. Over the life of the program, these companies received \$102.7 million in investment (Figure 2.5).

**Figure 2.5. New to Nebraska companies received less than 30% of investment in the New Markets program from 2013 through 2024.**

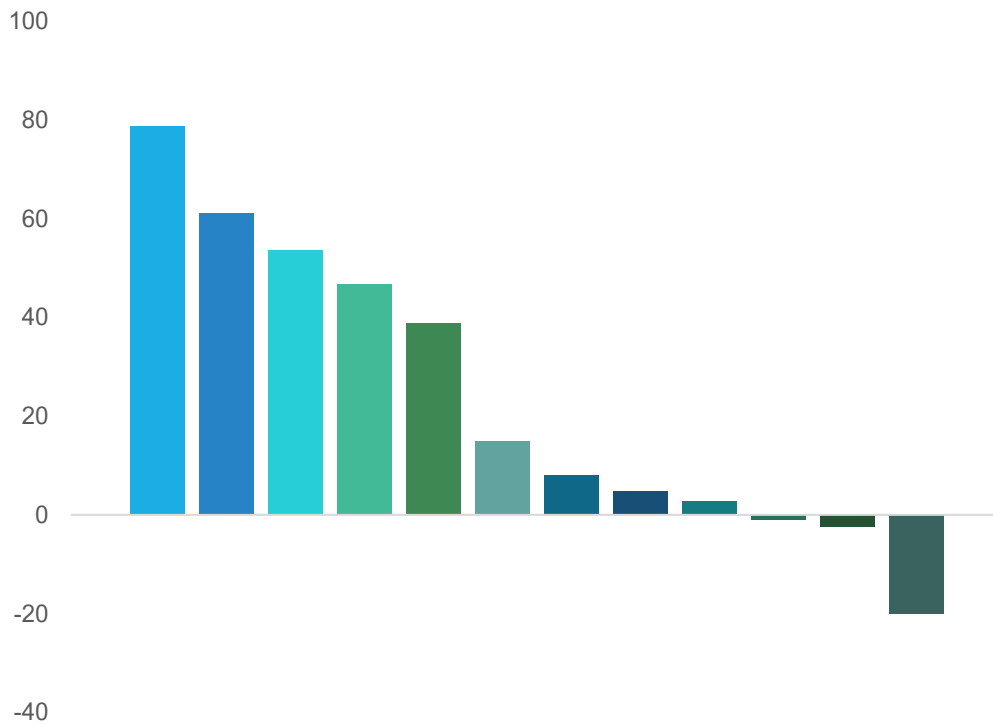
Type of Business	Number of Companies	Total Investment
Established or Unknown Companies	42	\$279.5 M
New to Nebraska Companies	12	\$102.7 M
<b>Total</b>	<b>54</b>	<b>\$382.2M</b>

Source: Audit Office analysis of Department of Revenue data.

## NEW VS. ESTABLISHED EMPLOYMENT

By the end of 2024, businesses new to Nebraska participating in the New Markets program experienced a net increase of 286 employees. Nine of the new to Nebraska companies (75%) increased employment from the time they received their initial program investment through the end of 2024, while three companies reported fewer employees over that same period (Figure 2.6).

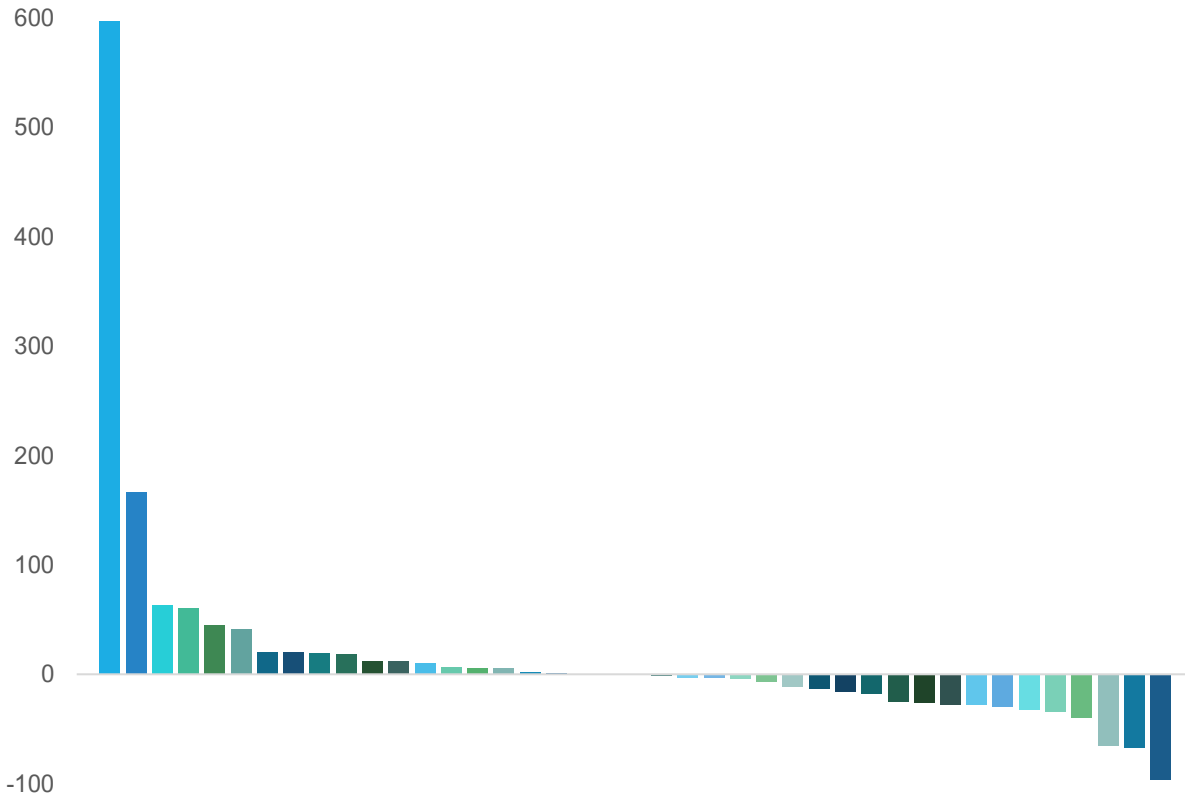
**Figure 2.6. Most companies that were new to the state increased employment by the end of 2024.**



Source: Audit Office analysis of Department of Labor data.

During the same period, established companies increased total employment by 557 employees. However, only 18 established companies experienced employment growth, while 23 companies either decreased employment or had no net change (Figure 2.7). Much of the overall increase was driven by a single outlier company that added 597 employees. Excluding this company, established companies collectively experienced a net decrease of 40 employees.

**Figure 2.7. Established companies that received investment through the New Markets program experienced an overall increase in employment, driven largely by one company.**

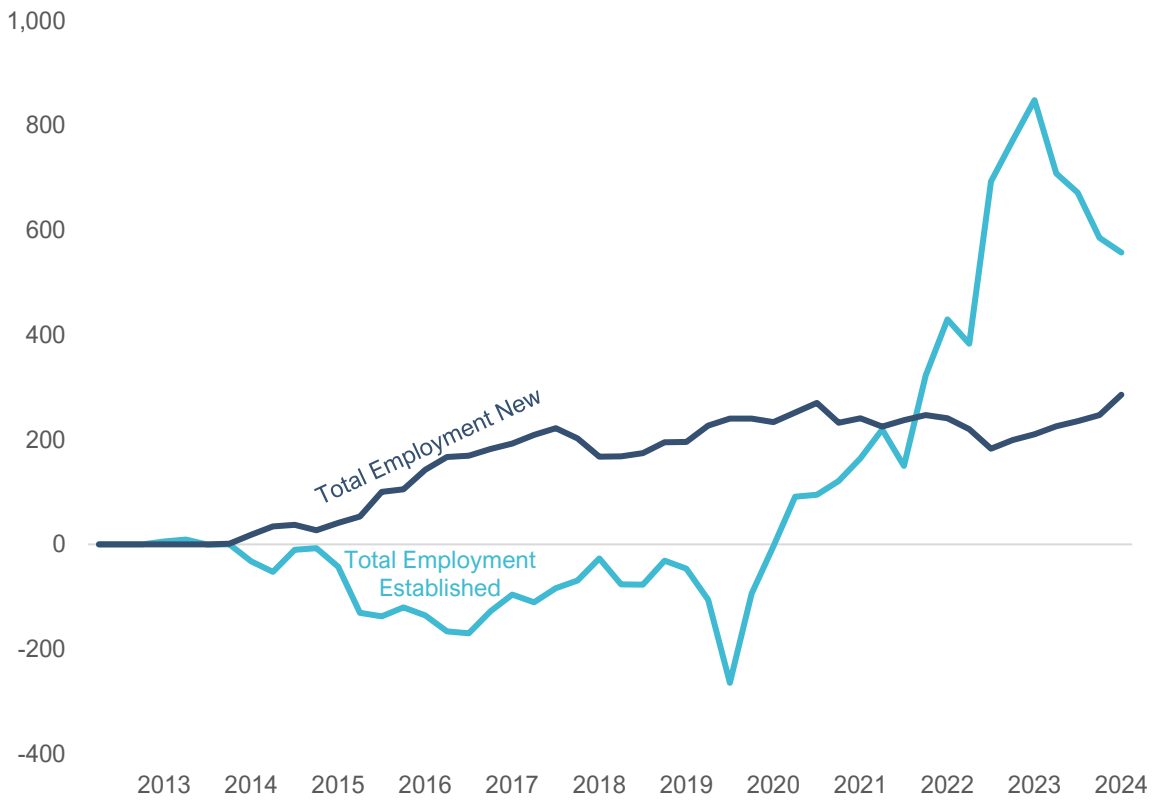


Source: Audit Office analysis of Department of Labor data.

### NEW VS. ESTABLISHED EMPLOYMENT OVER TIME

As of December 2024, employment growth had increased for both companies new to Nebraska and established companies; however, the two groups followed different trajectories to reach those gains. While companies new to Nebraska experienced a gradual increase in employment over the course of the New Markets program, established companies initially experienced an overall decline in employment (Figure 2.8). This decline included a sharp reduction at the onset of the pandemic, similar to broader employment trends in Nebraska. Established companies then experienced a rapid increase in employment during and after 2020, followed by another sharp decline from the end of 2023 to the end of 2024.

**Figure 2.8. New to Nebraska companies experienced gradual increases in employment while established companies initially decreased employment.**



Source: Audit Office analysis of Department of Labor data.

# URBAN AND RURAL AREAS

To what extent is the Act revitalizing rural areas of the state?

## Results

Out of 54 companies that received investment through the New Markets program, 38 were located in urban areas, 14 were in rural areas, and 2 had insufficient information to confirm their location.

Urban companies received almost \$125 million in investment and increased employment by 903 employees. Rural companies received about \$257 million but contributed an overall decrease to employment of 60 employees.

## Discussion

The Legislative Performance Audit Act directs the Audit Office to examine the extent to which the incentive has revitalized rural areas, which is defined as “any village or city of the second class in this state or any county in this state with fewer than 25,000 residents.”<sup>21</sup>

Applying the Audit Act’s definition of “rural,” the Office determined that 17 cities in Nebraska did not meet the statutory definition and were therefore classified as “urban” for purposes of this audit. All remaining Nebraska communities were classified as rural.<sup>22</sup> Using this methodology, of the 54 participating companies, 38 were located in urban areas (urban companies), 14 were located in rural areas (rural companies), and 2 lacked sufficient information to determine location.

## URBAN VS. RURAL INVESTMENT

Over the life of the New Markets program, the 38 urban companies received a total of \$257.3 million in investment, averaging \$6.8 million per company (Figure 2.9). By comparison, rural companies received a total of \$122.8 million in investment, averaging \$8.8 million per company. Although urban companies received a larger overall share of investment, rural companies received a higher average investment per project.

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<sup>21</sup> Neb. Rev. Stat. §§ 50-1209(3)(a) and 50-1209(4)(h).

<sup>22</sup> The urban cities are Omaha, Ralston, Lincoln, Bellevue, La Vista, Gretna, Papillion, Grand Island, Kearney, Fremont, Scottsbluff, Gering, Norfolk, North Platte, Columbus, Hastings, and Plattsmouth.

**Figure 2.9. Urban New Markets companies received twice as much investment as rural companies.**

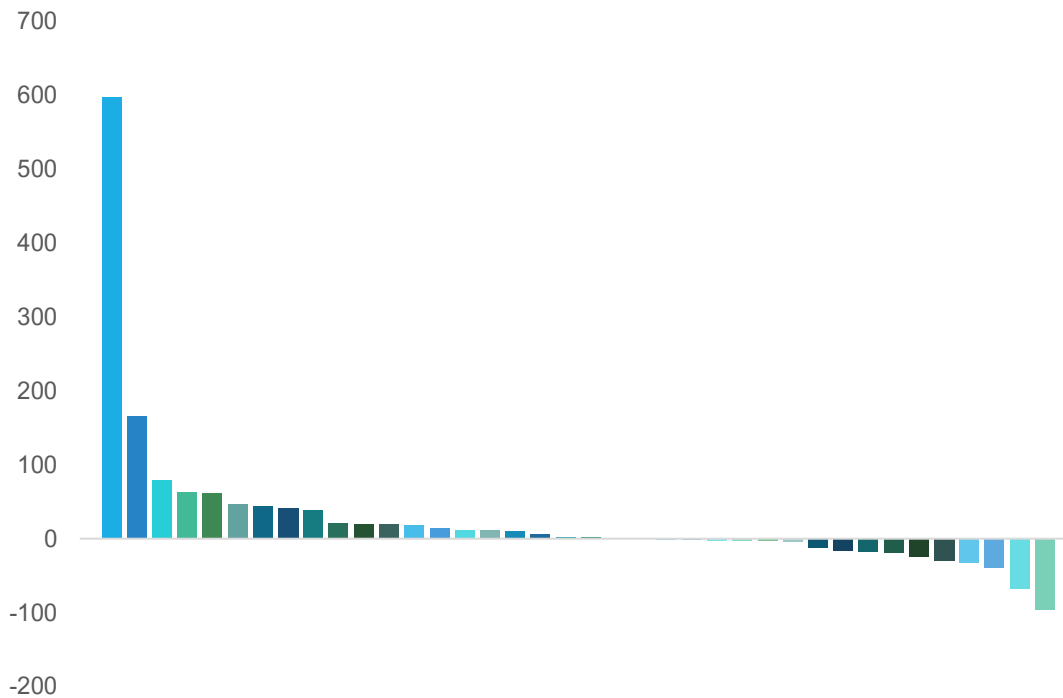
Type of Business	Number of Companies	Total Investment
Urban Companies	38	\$257.3 M
Rural or Unknown Companies	16	\$124.9 M
<b>Total</b>	<b>54</b>	<b>\$382.2 M</b>

Source: Audit Office analysis of Department of Revenue data.

## URBAN VS. RURAL EMPLOYMENT

As of December 2024, the 38 urban companies collectively increased employment by 903 employees (Figure 2.10). However, one outlier company accounted for 597 of those additional employees. Excluding that company, urban companies would have increased employment by 306 employees. Overall, 47% of urban companies experienced employment growth, while the remaining 53% either decreased employment or experienced no net change as of December 2024.

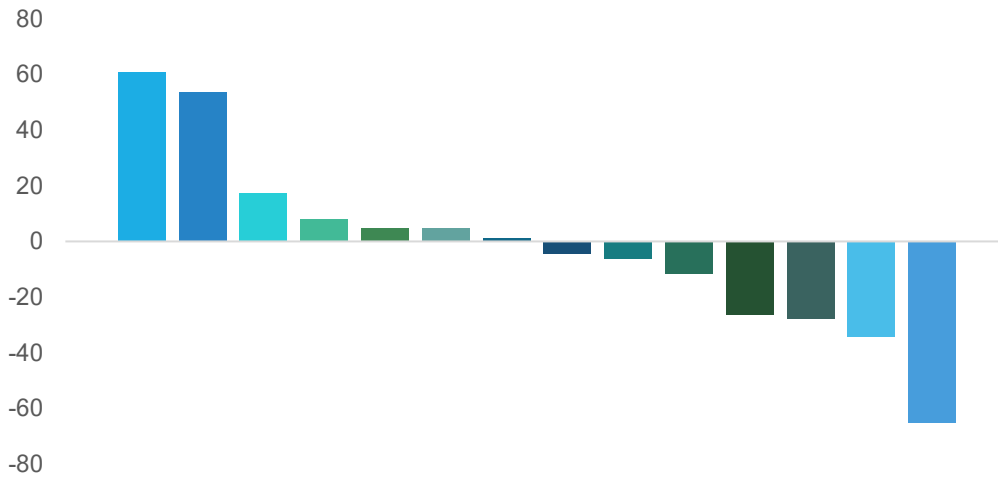
**Figure 2.10. For urban New Markets businesses, more companies increased employment than decreased employment during program participation.**



Source: Audit Office analysis of Department of Labor data.

As of December 2024, the 14 rural companies experienced a net decrease in employment of 60 employees (Figure 2.11). Similar to urban companies, rural company employment outcomes were evenly split, with half of the companies showing a net increase in employment and the other half experiencing a net decrease.

**Figure 2.11. Although half of rural companies in the New Markets program had a net increase in employees, rural companies experienced a net decrease of 60 employees.**

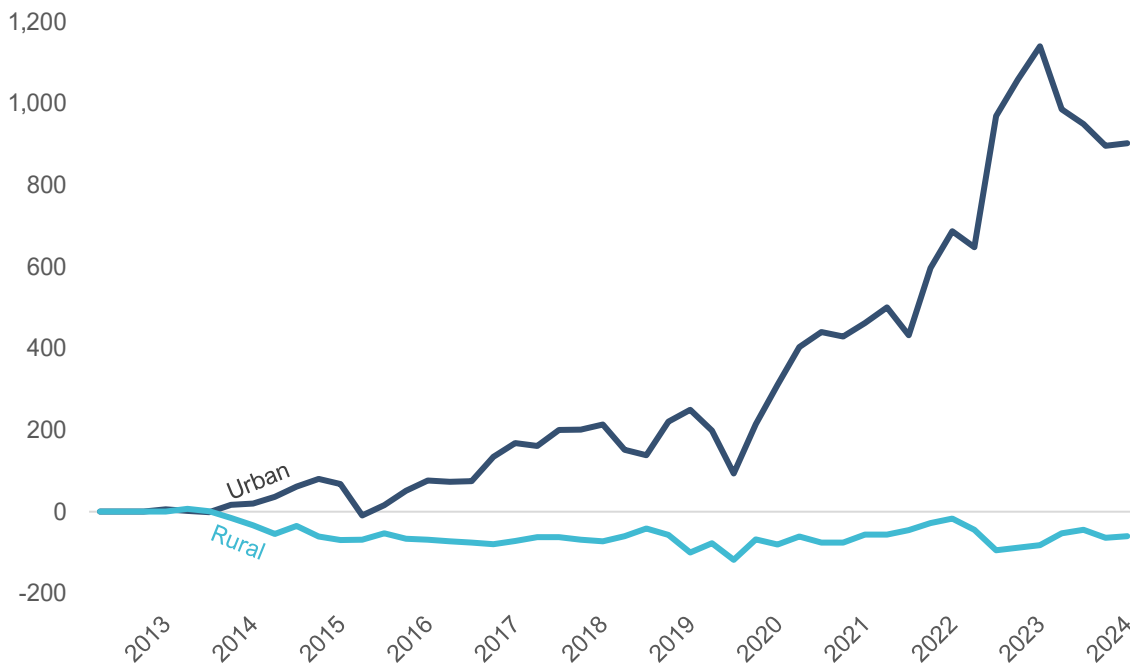


Source: Audit Office analysis of Department of Labor data.

#### URBAN VS. RURAL EMPLOYMENT OVER TIME

The Audit Office also examined net employment trends over time for urban and rural companies (Figure 2.12). Urban businesses showed a clearer pattern of employment growth over the duration of the program. In contrast, rural businesses did not experience meaningful or sustained increases in employment over that time.

**Figure 2.12. Net employment for rural New Markets companies was consistently below zero after 2014.**



Source: Audit Office analysis of Department of Labor data.

## DISTRESSED AREAS

To what extent is the Act revitalizing distressed areas of the state?

### Results

The Audit Office analyzed and classified each of Nebraska's 93 counties by level of economic distress, with level 1 representing the least distressed counties and level 5 representing the most distressed. Using this classification system, 70% of New Markets companies were located in level 3 counties and received 60% of all program investment.

Companies located in level 1, 2, and 3 counties collectively experienced employment growth totaling 983 employees. In contrast, companies located in Nebraska's most distressed counties (level 4 or 5) experienced a net decrease in employment of 113 employees.<sup>23</sup>

### Discussion

The Legislative Performance Audit Act directs the Audit Office to examine how the program has performed in distressed areas of the state. Both the federal and state New Markets programs are targeted to distressed areas as defined by federal statute; accordingly, all program investment occurs within distressed areas. For purposes of this analysis, however, the Audit Office applied a separate methodology to assess levels of economic distress across Nebraska.<sup>24</sup>

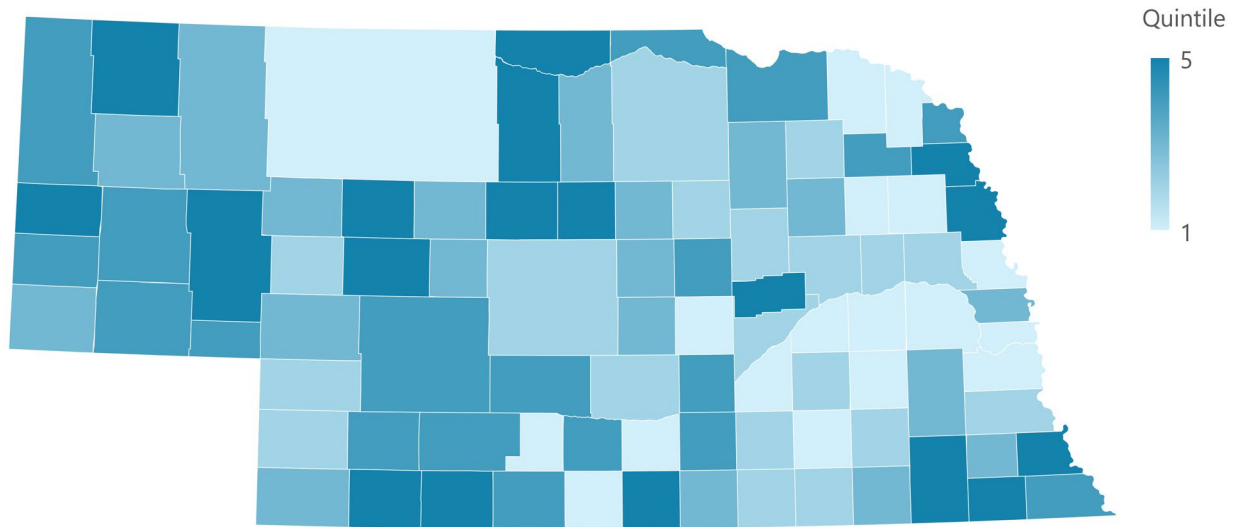
The Office used the most recent data available from the U.S. Census Bureau and the Nebraska Department of Labor to rank Nebraska counties based on unemployment rates, median household income, and poverty rates. Counties were then classified into quintiles and assigned distress levels ranging from 1 through 5, with level 5 representing the most economically distressed counties (Figure 2.13).

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<sup>23</sup> There were 3 companies that had locations that were unable to be verified that contributed a total decrease in employment of 28 employees.

<sup>24</sup> The program's definition of distressed area uses unemployment or income in census tracts as absolute markers of distress. Our methodology is meant to be a broader reflection of distressed areas. While illustrative, individual census tracts may not reflect communities as a whole. Additionally, census tract residents are not necessarily employed at companies in the same tract.

**Figure 2.13. Counties in Western Nebraska have higher levels of distress than counties in Eastern Nebraska.**

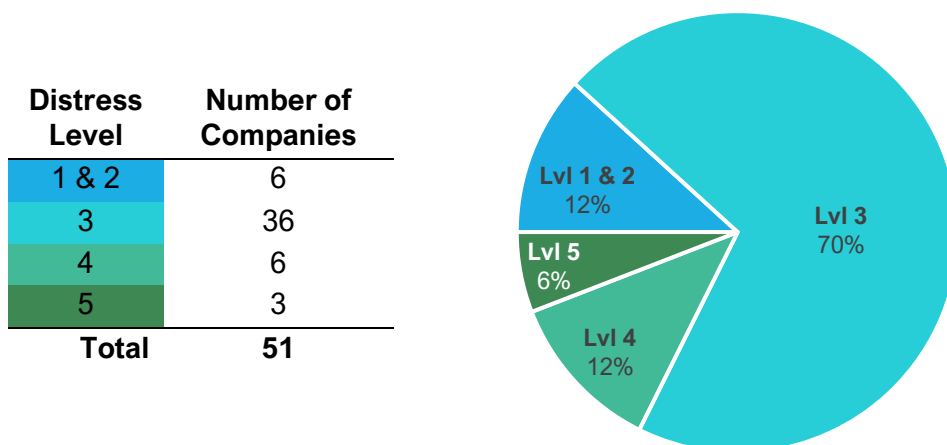


Source: Audit Office analysis of U.S. Census Bureau and Nebraska Department of Labor data.

Of the 54 participating companies, 51 had sufficient information available to determine their location within a specific county. Two companies lacked adequate information to assign a county location. One additional company operated in multiple counties and was excluded from this analysis.

Seventy percent of all companies were located in level 3 counties; half were in Douglas or Lancaster alone (Figure 2.14). Only three companies were located in the most economically distressed areas of the state.

**Figure 2.14. Companies located in level 3 counties were 70% of all companies in the New Markets program.**

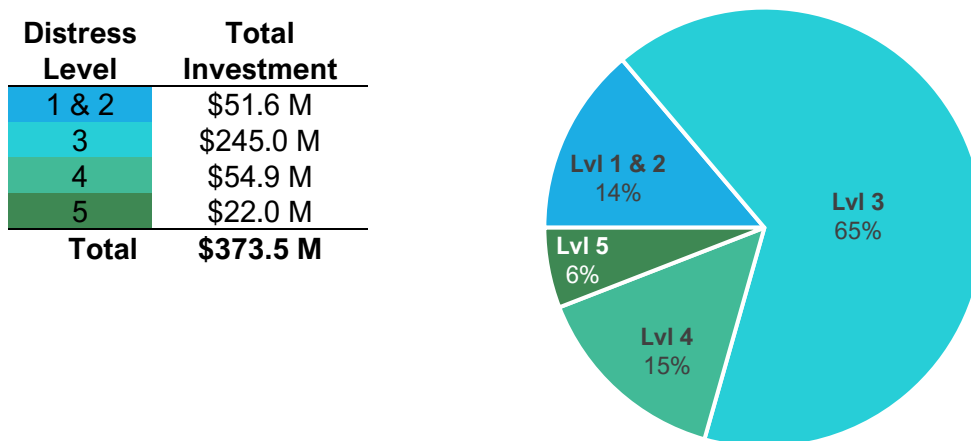


Source: Audit Office analysis of Department of Revenue data.

## DISTRESSED AREA COMPANY INVESTMENT

Because half of the companies receiving investment through the New Markets program were located in either Douglas or Lancaster County—both classified as level 3 counties—a substantial share of program investment occurred in level 3 counties. Through 2024, the 27 companies located in the Douglas and Lancaster Counties received 46% of all New Markets investment, totaling \$173 million. The remaining 15 level 3 counties received 19% of New Markets investment (Figure 2.15).

**Figure 2.15. Companies located in level 3 counties received about 65% of all investment in the New Markets program.**



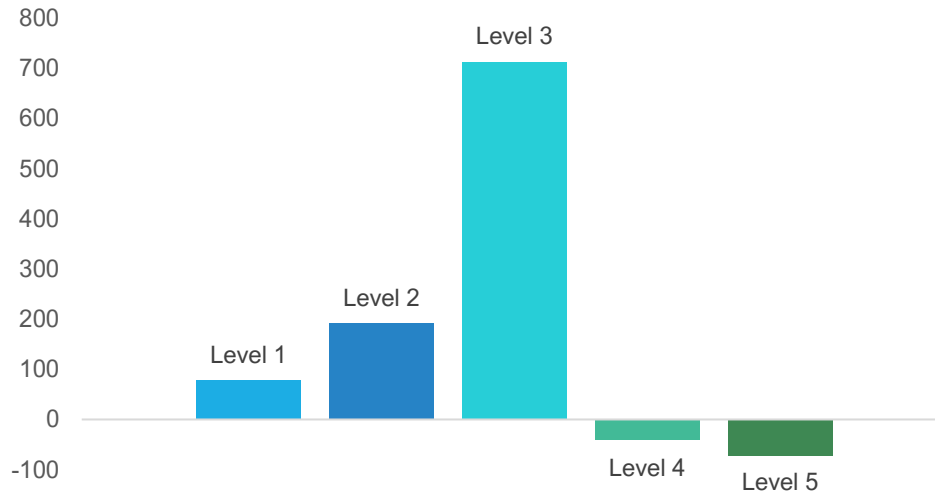
Source: Audit Office analysis of Department of Revenue data.

## DISTRESSED AREA COMPANY NET EMPLOYMENT CHANGE

Companies located in level 1, 2, and 3 counties collectively contributed to an increase in employment of 983 employees. In contrast, the nine companies located in level 4 and 5 counties experienced a net decline in employment of 113 employees (Figure 2.16).<sup>25</sup>

<sup>25</sup> Totals do not add up to 843 due to rounding and because the 3 companies that were unknown due to being unable to verify the location contributed to a decrease in employment by 28 employees.

**Figure 2.16. Companies in level 3 distressed areas increased employment more than any other area.**

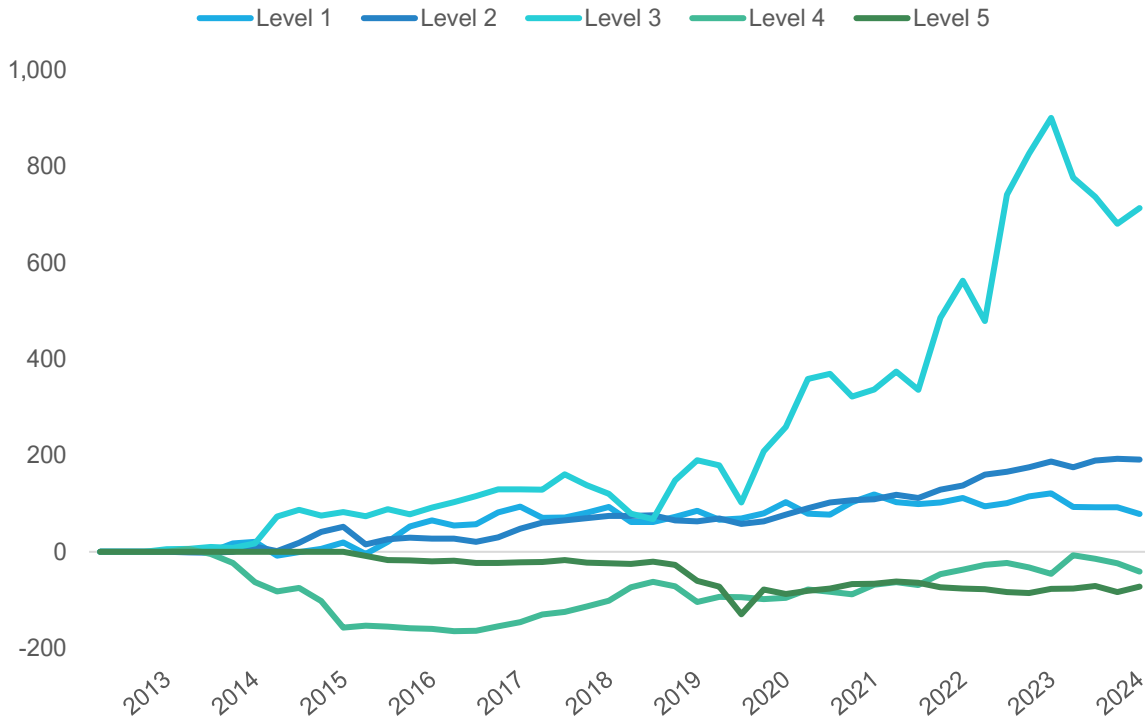


Source: Audit Office analysis of Department of Labor data.

### DISTRESSED AREAS EMPLOYMENT OVER TIME

Over the course of the New Markets program, companies in levels 1, 2, and 3 all experienced employment increases and had a net increase in employees every year (Figure 2.17). By contrast, companies in levels 4 and 5 saw net decreases in employment.

**Figure 2.17. Companies located in areas of the least distress experienced more employment growth than companies in the most distressed areas.**



Source: Audit Office analysis of Department of Labor data.

## HIGH-TECH AND RENEWABLE COMPANIES

To what extent is the Act affecting high-tech and renewable companies?

### Results

Over the life of the New Markets program, three companies (5.6%) met the definition of a high-tech company. These companies received 5.2% of all program investment, totaling just over \$19.8 million. As of the end of the review period, New Markets high-tech companies had a net decrease of 40 employees.

No New Markets companies met the definition of a renewable energy company.

### Discussion

Statute directs the Audit Office to consider the impact of the program on high-tech and renewable energy companies. The New Markets program does not have a definition for either “high-tech” or “renewable energy” company in the state or federal statutes. However, the Legislative Performance Audit Act provides a definition for both terms, using company code designations under the North American Industry Classification System (NAICS).<sup>26</sup>

Using NAICS codes provided by Department of Labor, the Audit Office found that none of the companies that received investment through the New Markets program from 2013 to 2024 qualified as renewable energy businesses.

The Office identified three companies that met the definition of a high-tech business.<sup>27</sup> Between 2013 and 2024, these companies collectively received \$19.8 million in investment, accounting for 5.2% of all New Markets program investment (Figure 2.18). This share is comparable to their representation among participating businesses, as high-tech companies comprised 5.6% of the 54 unique companies in the program. One high-tech company received multiple investments through the program.

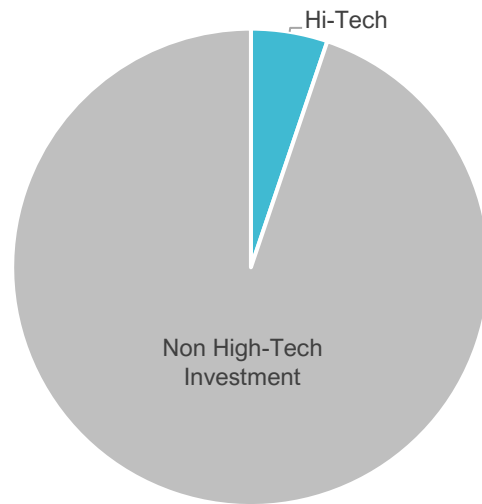
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<sup>26</sup> Neb. Rev. Stat. § 50-1209(4).

<sup>27</sup> Specific company NAICS codes cannot be disclosed due to taxpayer confidentiality.

**Figure 2.18. High-tech companies received investment totaling over \$19.8 million between 2013 and 2024.**

High-Tech?	Number of Companies	Total Investment
Yes	3	\$19.8 M
No/Unknown	51	\$362.3 M
<b>Total</b>	<b>54</b>	<b>\$382.2 M</b>

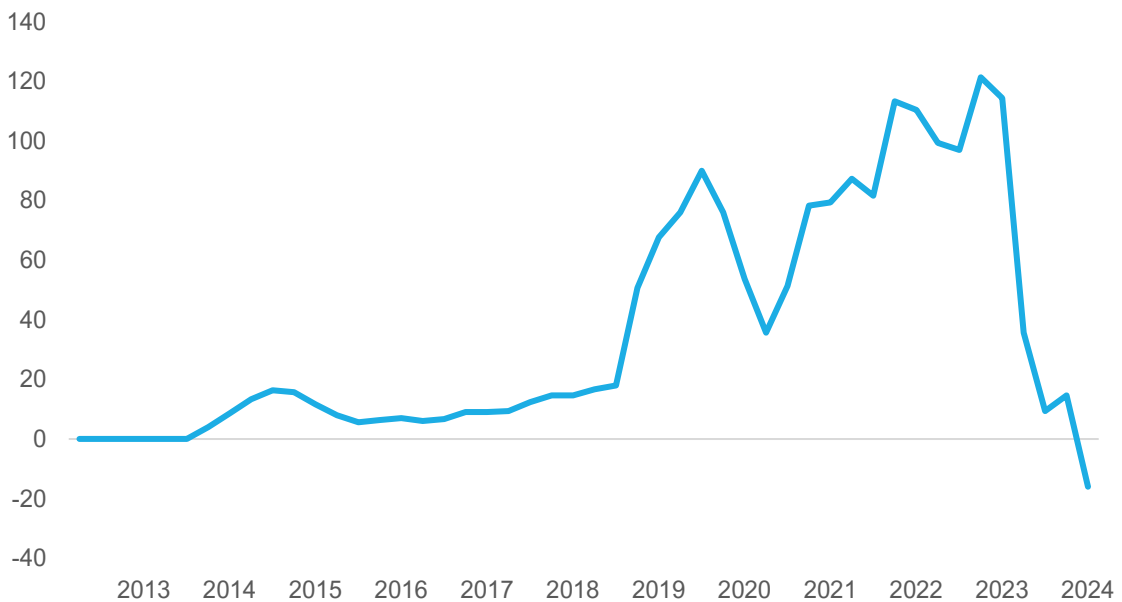


Source: Audit Office analysis of Department of Revenue data

Note: The Audit Office was unable to match two companies to Department of Labor data. Their information was combined with the “no” companies.

Over time, the three high-tech companies experienced a noticeable increase in employment. However, employment declined among these companies in 2023 and 2024, resulting in an overall net decrease in employment by the end of the review period (Figure 2.19).

**Figure 2.19. New Markets high-tech companies had a net decrease in employment by the end of 2024.**



Source: Audit Office analysis of Department of Labor data.

# BUT-FOR DETERMINATIONS

How much activity would have occurred regardless of the incentive?

## Results

Of the 54 businesses that received investment through the New Markets program, the activities associated with 47 companies could potentially have been influenced by the availability of program financing. In contrast, the remaining 7 businesses likely could have advanced their specific projects without assistance from the program.

The 47 companies whose activity is more likely to have been influenced by the program had about \$323 million in investment and an increase of 803 jobs. The 7 companies whose projects likely did not require New Markets tax credits collectively accounted for an increase of 40 jobs while receiving nearly \$60 million in program investment.

## Discussion

### THE “BUT-FOR” QUESTION

A common question in evaluating tax incentive programs is whether the incentive caused a business activity to occur or whether the activity would have happened without it. This is often referred to as the “but-for” question: would the activity have occurred but for the incentive? The extent to which an incentive changes business behavior or outcomes is a central consideration in evaluating its effectiveness. Despite its importance, many tax incentive evaluations do not directly address this question.

Academics who study tax incentives, as well as professionals within the Nebraska Department of Revenue, generally agree that tax incentives should not be assumed to have caused all economic activity associated with them. The relevant question is not whether some activity would have occurred without the incentive, but rather how much would have occurred anyway. Recent research by economist Tim Bartik of the W.E. Upjohn Institute for Employment Research suggests that a reasonable range of assumptions would attribute approximately 12% to 25% of increased economic activity to tax incentives. Put differently, this research suggests that roughly 75% or more of business activity associated with incentives may have occurred even in the absence of the incentive.

### THE AUDIT OFFICE’S APPROACH TO BUT-FOR IN THE NEW MARKETS PROGRAM

In a typical business tax incentive program, such as the Nebraska Advantage Act or its successor, the ImagiNE Act, companies earn tax credits by engaging in specified activities, such as increasing employment or making capital investment. In these programs, the company the state intends to assist directly receives the tax benefit.

The New Markets program, however, operates differently from a traditional tax incentive. As described earlier, New Markets tax credits are not earned by the local businesses the program is intended to support. Instead, the incentivized activity is the provision of

financing by a Community Development Entity (CDE) to eligible local businesses. Taxpayers who invest in a CDE may earn New Markets tax credits when the CDE subsequently provides loans or investments to targeted businesses located in low-income areas. These local businesses are the intended beneficiaries of the program, but they do not directly receive tax credits. The underlying policy rationale is that these businesses may not otherwise have access to sufficient or affordable financing for planned activities. Because of the program's more complex structure and the indirect nature of the incentivized activity, traditional methodologies for evaluating the "but-for" question may be insufficient.

In prior tax incentive performance audits, the Audit Office used the percentages provided by Bartik (discussed earlier in this subsection) to estimate a range of economic activity likely attributable to an incentive program. In other audits, the Office instead evaluated individual projects associated with a program and made case-by-case determinations based on available evidence.

For this audit, the Audit Office adopted an individual project review approach to assess the extent to which economic activity would have proceeded without the Nebraska New Markets program. This approach was feasible because of the relatively small number of participating local businesses and the availability of relevant information from program records and public sources.

This analysis is complicated by the absence of program requirements governing how loans or investments may be used. In many cases, funds are used for working capital, bridge financing, or refinancing existing debt. Additionally, insufficient information is available regarding companies' financial conditions, alternative financing options, and the decision-making processes behind investments and loans to determine conclusively whether program financing was necessary for a local business to obtain funding. As a result, it is often difficult to assess whether these types of activities would have occurred in the absence of a single financing tool made possible by the New Markets program.

For the New Markets program, it is easier to identify circumstances in which the incentive was likely *not* necessary. In certain cases, the Audit Office was able to make a reasonable determination that a New Markets investment or loan was not required for a local business to proceed with a specific, identifiable project.

This analysis involved two steps, beginning with the identification of projects associated with New Markets investment. To conclude that an investment was tied to a discernible project, auditors required that two criteria be met:

1. **A discernible project with an identifiable budget was linked to the program.** Examples included new construction, business relocations, or clearly defined expansion projects. The Audit Office reviewed public documentation—including Tax Increment Financing applications, state reports, newspaper articles, company websites, and press releases issued by companies, investors, and Community Development Entities—to determine whether a discernible project existed, the scale of the project, and whether Nebraska New Markets tax credits were involved.

- 2. Documentation of a corresponding investment amount was identified in New Markets program records.** Auditors verified that program information reflected an investment amount consistent with the identified project.

The second step involved reviewing available evidence to determine whether the project associated with the investment likely would have proceeded without the New Markets tax credit.

### **But-For Determinations**

Of the projects identified using the analysis described above, evidence indicated that the New Markets program was likely not necessary for at least seven projects to move forward. The Audit Office identified four circumstances in which it could reasonably conclude that Nebraska New Markets financing was likely not required:

- **The project had already begun before receiving financing through the New Markets program.** In three cases, companies had already initiated work on the project prior to receiving New Markets investment, including one instance in which the project began before the Nebraska New Markets program existed.
- **The project would likely have proceeded without the program.** In two cases, either the local business or the Community Development Entity (CDE) indicated that the specific project likely would have moved forward without New Markets financing.
- **Alternative funding had already fulfilled the project's financing needs.** In one case, the project's funding goal had been met through other sources prior to the receipt of New Markets investment.
- **The New Markets investment represented only a minor portion of a substantially larger project.** In one case, the scale of the project suggested it likely would have moved forward without the relatively small New Markets contribution.

Based on this analysis, the Audit Office concluded that investment associated with the remaining 47 companies were potentially influenced by participation in the program. It is possible that some business activities, general investments, or discrete projects among these companies could have occurred without financing tied to New Markets tax credits. However, the Audit Office made but-for determinations only in cases where sufficient evidence was available.

Using this conservative approach, the Audit Office estimates that approximately \$323 million in investment between 2013 and 2024 was potentially influenced by the program (Figure 2.20). By contrast, approximately \$60 million in investment likely would have occurred without the program. Adjusting for employment changes among businesses whose projects likely did not require New Markets financing reduces the number of jobs potentially attributable to the program by 40, resulting in a total estimated employment increase of 803 jobs.

**Figure 2.20. Nearly \$60 million in investment was likely not dependent on the New Markets program**

<b>Caused by New Markets Program?</b>	<b>Number of Businesses</b>	<b>Total Investment</b>	<b>Number of Jobs</b>
Potentially	47	\$322.8 M	803
Likely Not	7	\$59.5 M	40
<b>Total</b>	<b>54</b>	<b>\$382.2 M</b>	<b>843</b>

Source: Audit Office analysis of Department of Revenue, Department of Labor, and public information.

Note: Figure may not sum due to rounding.

# IMPACTS ON BUDGETS OF LOCAL GOVERNMENTS

How did the Act impact the budgets of local governments?

## Results

Local governments are not directly affected by the New Markets program because program tax credits may only be applied against insurance premium taxes, corporate income taxes, or franchise taxes. These taxes are paid to the state rather than to local governments.

## Discussion

The Legislative Performance Audit Act requires all tax incentive performance audits to include an assessment of the fiscal impact of the incentive on local government budgets. Under the New Markets program, tax credits are generated through investment made by private investors in Community Development Entities (CDEs), which then provide financing to local businesses in designated low-income areas of the state. Credits earned through the program may be applied against corporate income taxes, insurance premium taxes, and franchise taxes. Because these taxes are paid to the state rather than to local governments, the use of New Markets tax credits does not have a direct fiscal impact on local government revenues.

# ADMINISTRATIVE COSTS

How much did it cost to administer the Act?

## Results

The cost to administer the New Markets program is between \$7,500 and \$11,200 each year.

## Discussion

The New Markets program is administered by a single employee within the Department of Revenue who spends an average of approximately four hours per week, or 208 hours annually, on program-related responsibilities. According to the Department, this employee holds an Attorney III position with annual compensation ranging from approximately \$75,000 to \$112,000. Based on an estimated 10% allocation of work time to the New Markets program, annual administrative costs are estimated to range from \$7,500 to \$11,200.

Additional employees within the Department of Revenue and the Department of Insurance review tax returns that include New Markets tax credit claims. However, because these employees would review tax returns regardless of whether New Markets credits were claimed, their time was not included in the calculation of program administrative costs.

## FISCAL PROTECTIONS

Are adequate protections in place to ensure the fiscal impact of the Act does not increase substantially beyond the state's expectations in future years?

### RESULTS

The New Markets Job Growth Investment Act meets seven of the nine applicable fiscal accountability recommendations identified by the The Pew Charitable Trusts for tax incentive programs. Additionally, because the program includes a statutory cap on the amount of tax credits that may be issued, the risk of program costs exceeding the level anticipated by the Legislature is limited.

### DISCUSSION

A 2015 report by The Pew Charitable Trusts highlighted the challenges state policymakers face when unexpected declines in revenue occur and noted that tax incentive programs can contribute to fiscal instability when adequate controls are not in place.<sup>28</sup> The report identified nine recommendations intended to help ensure tax incentive programs do not create fiscal challenges. The New Markets program meets seven of the nine recommendations (Figure 2.21).

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<sup>28</sup> Pew Charitable Trusts, *Reducing Budget Risks: Using data and design to make state tax incentives more predictable*, December, 2015.

**Figure 2.21. The New Markets program meets seven of nine Pew report recommendations.**

Pew Report Recommendations	New Markets	Audit Office Remarks
<b>Gather and share high-quality data on the costs of incentives by:</b>		
Regularly forecast the cost	No	The Department is required to submit an annual report to the Legislature which includes the program's total current allocation and jobs summary. Costs are not directly stated, but can be estimated with the metrics provided. However, these are only reporting past performance and not forecasting the future.
Monitor costs and commitments of large and high-risk programs	Yes	CDE annual reports are submitted to the Tax Commissioner. Commitments are reported in the Department's annual report to the Legislature. Total program costs are eventually reported out in the Certified Annual Report.
Share timely information on incentives across relevant agencies	Yes	Total costs are reported by Fiscal Year in Certified Annual Financial Reports. Credit allocation recipients are reported on the Department of Revenue's website.
<b>Design incentives in ways that reduce fiscal risk:</b>		
Capping how much programs can cost each year	Yes	The Act caps the program at \$15 million in tax credits per year
Controlling the timing of incentive redemptions	Yes	Entities earn credits annually on a 7-year timetable. 0% for the first 2 years, 7% in year 3, and 8% for years 4 through 7
Requiring lawmakers to pay for incentives through budget appropriations	No	The program is not paid for through the appropriations process, but is instead funded through the tax code
Restricting ability of companies to redeem more in credits than owed in taxes	Yes	New Markets credits are not refundable or transferable
Linking incentives to company performance	Yes	Entities must continuously have 85%, or 100% after the 2021 allocation, of QEIs invested in local businesses to earn credit
Requiring businesses to provide notice of program participation	Yes	Entities must apply to Tax Commissioner & be approved in order to participate in program

Source: Audit Office analysis of Pew Charitable Trusts, *Reducing Budget Risks: Using Data and Design to Make State Tax Incentives More Predictable*, December 2015.

# TRANSPARENCY

## What program information is disclosed to the public?

### Results

The New Markets Job Growth Investment Act meets, at least in part, six of eight transparency categories. Specifically, the program partially meets categories related to project information, recipient identity, subsidy information, job creation reporting, investment reporting, and data accessibility. However, the program does not meet the categories of advance notice and public participation or wage reporting.

### Discussion

Good Jobs First (GJF) is an economic development research organization focused on corporate and government accountability.<sup>29</sup> In 2022, GJF published a report on economic development transparency that included scoring criteria used to evaluate and quantify the transparency of states' tax incentive programs. Although the New Markets program was not included in the study, the Audit Office adapted GJF's methodology to evaluate the transparency of Nebraska's New Markets program.

### PROJECT INFORMATION

The Good Jobs First scoring system states that agencies should disclose project-level information such as: the street address or GPS coordinates of the applicant project; either the project duration or the month and year of the project's start and end dates, or project; and a description of the type or nature of the project (Figure 2.22). For the New Markets program, the Department of Revenue's annual report provides the street address for each participating local business. However, information regarding project duration, project start and end dates, and descriptions of the nature of each project is not reported.

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<sup>29</sup> Good Jobs First, "About", <https://goodjobsfirst.org/about/>, accessed May 15, 2026.

**Figure 2.22. The Department of Revenue annual report provides limited information on New Markets program projects.**

Good Jobs First Recommendation	Reported Prior to Approval?	Revenue Reports After Approval?	LAO Reports After Approval?
Project street address or GPS coordinates	No	Location by city and street address	Aggregated with additional analysis
Project timing	No	No	Aggregated with additional analysis
Project type	No	No	Aggregated with additional analysis

Source: Audit Office analysis of transparency categories from Good Jobs First, “Financial Exposure: Rating the States on Economic Development Transparency,” April 2022.

#### ADVANCE NOTICE AND PUBLIC PARTICIPATION

The Good Jobs First report recommends that agencies should provide copies of full application materials, cost-benefit analyses, public meeting schedules with detailed agendas regarding proposed agreements, and draft agreements before final approval. These materials should be provided whenever there is public participation during the approval process. However, the New Markets program does not include a public participation component in its application or approval process (Figure 2.23). Applications are reviewed and approved by the Tax Commissioner within the Department of Revenue, and application materials are not released to the public.

**Figure 2.23. The state of Nebraska has no public participation in how New Markets tax credits are applied.**

Good Jobs First Recommendation	Reported Prior to Approval?	Revenue Reports After Approval?	LAO Reports After Approval?
Full application documents	No	No	No
Cost-benefit analyses	No	No	Yes
Draft agreements	No	No	No

Source: Audit Office analysis of transparency categories from Good Jobs First, “Financial Exposure: Rating the States on Economic Development Transparency,” April 2022.

#### RECIPIENT IDENTITY

To ensure transparency regarding the ultimate recipients of tax incentives, the Good Jobs First report recommends that agencies make publicly available the federal employer identification number (FEIN), all applicable North American Industry Classification System (NAICS) codes, and the names of any parent companies receiving incentives.

Under the New Markets program, all applications for tax credits are reviewed and approved by the Tax Commissioner at the Department of Revenue. Because applications are submitted through the Department of Revenue and taxpayer information is confidential unless disclosure is specifically authorized by statute, application materials are not publicly released and remain confidential within the Department (Figure 2.24). The Department’s annual report identifies the names of the Community Development

Entities (CDEs) involved in program investment, but this disclosure is limited to entity names only. However, CDEs are not the ultimate recipients of the tax credits. Rather, investors that provide capital to CDEs designate the taxpayers who receive the credits, and information regarding those taxpayers is maintained as confidential by the Department of Revenue.

**Figure 2.24. The Department of Revenue keeps federal employee identification number and tax credit recipient information confidential for New Markets program participants.**

Good Jobs First Recommendation	Reported Prior to Approval?	Revenue Reports After Approval?	LAO Reports After Approval?
Federal Employment Identification Number	No	No	No
NAICS codes	No	No	Aggregated with additional analysis
Parent Company Names	No	Local businesses and CDEs reported, however, credit users are not	No

Source: Audit Office analysis of transparency categories from Good Jobs First, “Financial Exposure: Rating the States on Economic Development Transparency,” April 2022.

#### SUBSIDY INFORMATION

The GJF report recommends that agencies disclose the total amount of a subsidy approved or awarded, the total amount disbursed or claimed, and the current status of the associated project. For the New Markets program, the Tax Commissioner’s annual report provides the amount of investment associated with individual Community Development Entities (CDEs), as well as an estimate of total annual tax credits generated through the program (Figure 2.25). Additionally, the statewide Annual Comprehensive Financial Report issued by the State Auditor includes a summary of the actual New Markets tax credits claimed.

**Figure 2.25. The Department of Revenue does not provide information regarding individual projects.**

Good Jobs First Recommendation	Reported Prior to Approval?	Revenue Reports After Approval?	LAO Reports After Approval?
Amount approved or awarded	N/A	Estimated amount	Aggregated with additional analysis
Amount disbursed or claimed	N/A	No	No
Project Status	N/A	No	No

Source: Audit Office analysis of transparency categories from Good Jobs First, “Financial Exposure: Rating the States on Economic Development Transparency,” April 2022.

## JOBS CREATION REPORTING

The Good Jobs First report recommends that agencies disclose the projected number of jobs expected to result from an awarded subsidy. When job projections are not available, the report recommends disclosure of the actual number of jobs created based on project performance. For the New Markets program, the Tax Commissioner’s annual report identifies local businesses receiving investment and reports the number of jobs that CDEs state were created or retained as a result of the associated project investment (Figure 2.26). However, these figures are reported early in the process (prior to the completion of investment terms), so they are projections or estimates rather than actual jobs.

**Figure 2.26. The Department of Revenue report provides a total number of jobs created as reported by CDEs.**

Good Jobs First Recommendation	Reported Prior to Approval?	Revenue Reports After Approval?	LAO Reports After Approval?
Projected Jobs	No	Yes	No
Actual Jobs	N/A	No	Aggregated with additional analysis

Source: Audit Office analysis of transparency categories from Good Jobs First, “Financial Exposure: Rating the States on Economic Development Transparency,” April 2022.

## WAGES/PAYROLL REPORTING

The GJF report recommends that agencies disclose projected, expected, or promised wages associated with subsidized jobs, as well as the actual wages paid for jobs created through a project. The Tax Commissioner’s annual report for the New Markets program does not include information regarding projected, expected, or promised wages for jobs associated with program investment (Figure 2.27).

**Figure 2.27. The report provided by the Tax Commissioner has no disclosures regarding wages.**

Good Jobs First Recommendation	Reported Prior to Approval?	Revenue Reports After Approval?	LAO Reports After Approval?
Projected Wages	No	No	No
Actual Wages	N/A	No	Aggregated Average with additional analysis

Source: Audit Office analysis of transparency categories from Good Jobs First, “Financial Exposure: Rating the States on Economic Development Transparency,” April 2022.

## INVESTMENT REPORTING

The Good Jobs First report recommends that agencies disclose both promised and actual in-state capital investments, expenditures, or project costs associated with tax incentives. For the New Markets program, the Tax Commissioner’s annual report provides a list of total investment made by CDEs. However, the report does not include a project-level breakdown identifying which specific investments were associated with individual projects (Figure 2.28).

**Figure 2.28. Actual Investment dollars by CDE are provided by the Tax Commissioner’s report to the Legislature.**

<b>Good Jobs First Recommendation</b>	<b>Reported Prior to Approval?</b>	<b>Revenue Reports After Approval?</b>	<b>LAO Reports After Approval?</b>
Projected Investment	No	No	No
Actual Investment	N/A	Yes	Yes

Source: Audit Office analysis of transparency categories from Good Jobs First, “Financial Exposure: Rating the States on Economic Development Transparency,” April 2022.

**DATA ACCESSIBILITY**

Lastly, the GJF report recommends that subsidy project data be readily accessible to the public. According to the report, disclosures should be easy to locate and not buried within agency websites, preferably requiring no more than two clicks to access. The report also recommends that project data be easy to understand, downloadable, and presented in a structured format containing at least five years of information.

For the New Markets program, the Tax Commissioner’s report is not included with the Department of Revenue’s annual tax credit reports on the Department’s website (Figure 2.29). Instead, the report is submitted to the Legislature and made available through the Legislature’s website under agency reports. Locating the report requires filtering by both agency and year and knowledge of the statutory citation for the New Markets Act, as the report is titled “Annual Report to the Legislature under Neb. Rev. Stat. § 77-1120” rather than by the program name. As a result, locating the report generally requires four to five clicks. However, the report includes five years of information (2021–2025), is downloadable in PDF format, and is relatively easy to understand.

**Figure 2.29. The Department of Revenue’s report is housed on the Nebraska Legislature’s website and, while easy to download and understand, it is difficult to find.**

<b>Good Jobs First Recommendation</b>	<b>Department of Revenue Reports</b>	<b>Performance Audit Reports</b>
Easy to find	Five clicks from Nebraska Legislature main site	Five clicks from Nebraska Legislature main site
Easy to understand	Yes	Yes
Downloadable	Yes	Yes
Five years of data	Yes	Yes

Source: Audit Office analysis of transparency categories from Good Jobs First, “Financial Exposure: Rating the States on Economic Development Transparency,” April 2022.



## **SECTION III. New Markets Job Growth Investment Act's Effect on the State Economy: Economic Modeling**

This section presents the results of questions examined through economic modeling of the New Markets Job Growth Investment Act (New Markets). Because economic models produce estimates that are highly dependent on underlying assumptions and methodological choices, this section also provides an overview of key economic modeling concepts and explains the two scenarios developed by the Audit Office to estimate a range of possible outcomes.

**Job Creation:** To what extent has the Act affected the broader economy of the state?

- Job-years, Scenario 1
- Job-years, Scenario 2

**Cost Per Job:** What was the cost per actual job created?

- Cost Per Job: Direct Net Employment Change
- Cost Per Job: Direct Job-years, Scenario 1
- Cost Per Job: Direct Job-years, Scenario 2
- Cost Per Job: Direct, Secondary, and Induced Job-years, Scenario 1
- Cost Per Job: Direct, Secondary, and Induced Job-years, Scenario 2

**Fiscal Return on Investment:** To what extent has the Act paid for itself?

- Fiscal Return on Investment, Scenario 1
- Fiscal Return on Investment, Scenario 2
- Fiscal Break-even Analysis, Scenario 1
- Fiscal Break-even Analysis, Scenario 2



## ECONOMIC MODELING: JOB CREATION

To what extent has the Act affected the broader economy of the state?

### Results

Depending on the methodology and assumptions used in the economic modeling process, the New Markets program was estimated to be responsible for between **4,967 and 21,708 job-years of activity**. These estimates include direct, secondary, and induced employment effects.

### Discussion

When the New Markets Job Growth Investment Act was introduced, senators and proponents made several claims about what the program was expected to achieve. Some of these claims overlap with areas of evaluation identified in the Legislative Performance Audit Act and the final report of the LR 444 Tax Incentive Evaluation Committee.

To examine these questions, the Audit Office used REMI economic modeling, program data, and Department of Labor data to evaluate the impact of the New Markets Tax Credit program using multiple analytical approaches.

### ECONOMIC MODELING

Economic modeling software provides a way of estimating job creation and revenue generation. The Audit Office used the Regional Economic Models, Inc (REMI) Tax-PI 3.2 economic modeling software to estimate how much employment and revenue may have been generated in Nebraska because of the program. The model treats the state of Nebraska as a single region and divides the economy into 70 industry sectors. The Audit Office consulted with REMI staff to customize the Tax-PI model, select economic variables, and determine appropriate assumptions for our use.

Economic modeling simulations can estimate the additional economic activity that occurs as a result of an initial increase in business activity. For example, a user may model the effects of a manufacturing company adding 100 jobs. These jobs represent a **direct effect**, as they result directly from the company's expansion.

This direct effect is expected to generate additional economic activity elsewhere in the economy. An expanding company will likely purchase more goods and services from suppliers, increasing activity among those businesses. Supplier companies may in turn hire additional employees and purchase more materials to meet increased demand. These are referred to as indirect or **secondary effects**.

Finally, employees hired by both the manufacturer and its suppliers will spend their earnings within the local economy, creating further economic activity. These impacts, generated through increased household spending, are known as **induced effects**. In addition to estimating employment and economic activity, REMI Tax-PI can also estimate

the effects of direct, secondary, and induced activity on state and local revenue generation.

In general terms, the REMI software allows a user to increase or decrease the amounts of specific economic variables and estimate the effects those changes will have on the economy. The variable inputs used for our simulation were:

- The number of actual jobs created by local businesses
- The difference between average wages at local businesses and average wages in their industries
- The estimated interest savings local businesses saw for participating in the program
- Credits provided to credit investors
- The reduction of state spending due to revenue foregone because of the program
- Our but-for determinations

Additional details on modeling assumptions and inputs can be found in the Appendix.

Using annual program information from 2013 and 2024, the Audit Office used REMI Tax- PI to estimate the number of job-years (discussed in more detail on page 55) that would have existed if the New Markets program had not been enacted and the forgone tax revenue instead remained available in the state budget. The simulations also assume that the program ends after 2024.

To capture the longer-term effects of economic activity, the Audit Office observed simulated outcomes for an additional 10 years beyond 2024, allowing secondary and induced effects to continue reverberating through the economy. The year 2024 was selected as the endpoint because it was the most recent year for which complete program, employment, and wage data were available.

Although the model generates estimates for a variety of economic indicators, this analysis focuses primarily on employment and revenue generation.<sup>30</sup>

At this stage of the analysis, assumptions become necessary. Because confirmed employment data are not available beyond 2024, the Audit Office was required to make assumptions about the number of job-years local businesses may have supported in future years in order to model how the economy may have evolved during and after the program period (2013-2024).

To address this uncertainty, the Audit Office developed two scenarios designed to provide a reasonable range of possible outcomes. These scenarios serve as lower- and upper-bound estimates of the program's potential economic effects.

#### **Job-Year**

REMI economic modeling reports employment effects in **job-years**, which represent one job sustained for one year. This measure does not estimate permanent jobs, nor does it distinguish between full-time and part-time employment.

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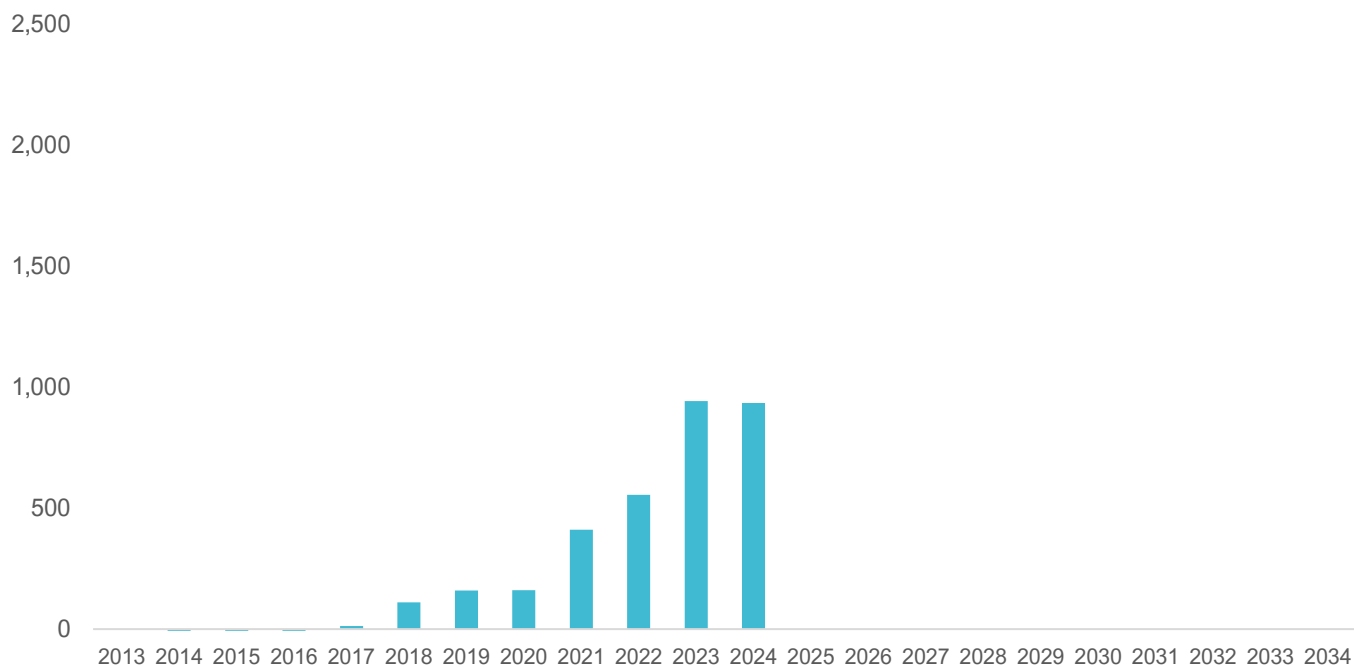
<sup>30</sup> The Audit Office focused on employment and revenues to satisfy statutory and LR 444 Committee recommendations for economic development performance audits.

## OUR MODELING SCENARIOS

The first scenario represents the lower bound of employment assumptions beyond 2024. Under **Scenario 1**, the Audit Office includes actual employment results through 2024 but does not attribute any additional direct employment to the program after that year. However, secondary and induced effects generated by program activity through 2024 are still allowed to reverberate through the economy in subsequent years, and REMI continues to estimate those effects (Figure 3.1).

Although it is unlikely that participating businesses would immediately return to baseline employment levels after 2024, this scenario is used as a conservative lower-bound estimate of program performance because it relies only on confirmed employment associated with participating companies through 2024. As a result, Scenario 1 provides an estimate of the minimum potential economic effects attributable to program activity.

**Figure 3.1. Scenario 1 uses confirmed job-year employment levels through 2024 in REMI simulations.**



Source: Audit Office analysis of Department of Labor data.

Under **Scenario 2**, the Audit Office ran simulations assuming that 2024 employment levels at participating businesses remain constant for 10 years beyond 2024. While this approach provides a useful estimate of potential long-term effects, it is also unlikely to fully reflect real-world outcomes for several reasons.

One challenge involves determining which direct employment figures should be attributed to the program. The Office accounted for some excess activity in its but-for analysis and adjusted REMI inputs accordingly. However, the degree to which the remaining employment changes were directly caused by the New Markets program cannot be determined with certainty. It is unlikely that all employment growth or decline

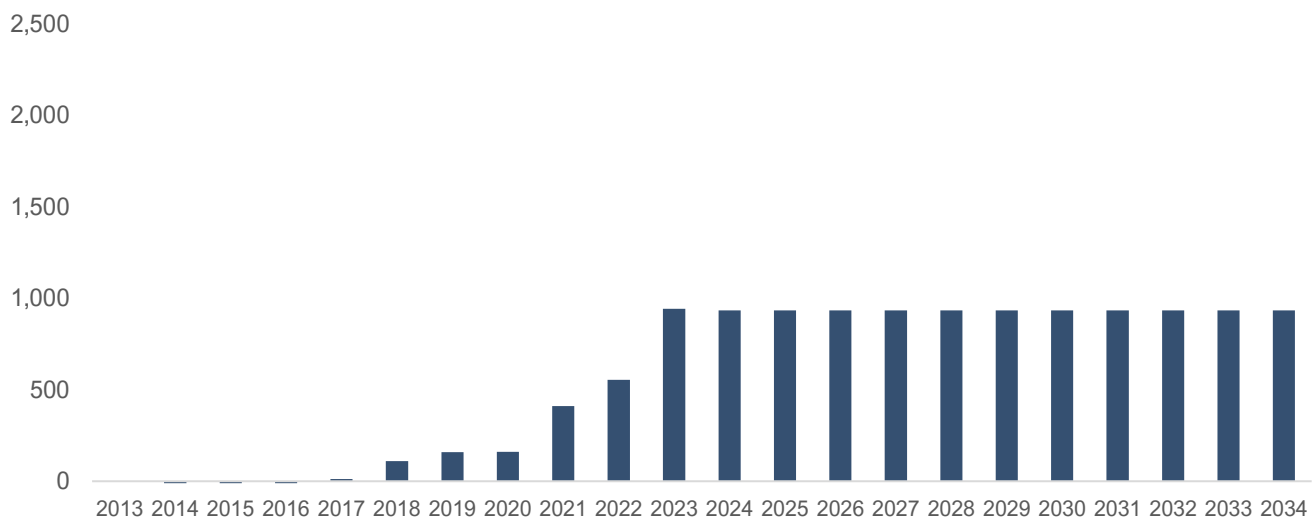
at participating companies can be fully attributed to program participation. In general, the potential influence of an incentive may be expected to vary based on the size of the benefit the incentive creates, in this case investment, and some loans may have had limited practical effects on employment outcomes.<sup>31</sup>

In addition, New Markets financing may be used for a wide variety of purposes and is not required to support business expansion or job creation. In some cases, investment may have funded equipment or technology upgrades that reduced rather than increased employment.

The timing of participation also presents limitations. Companies receiving program financing have as many as 11 years of employment changes included in the analysis. As a result, the program may receive credit for employment changes that would have occurred independently over time, particularly because the effects attributable to incentives often diminish as time passes.<sup>32</sup>

For companies outside of our but-for analysis, Scenario 2 attributes 100% of observed employment differences to the program and assumes those effects persist for an additional decade. Because this assumption likely overstates the program’s long-term influence, the Audit Office considers Scenario 2 to represent an upper-bound estimate of program performance and the maximum potential economic effects associated with program activity (Figure 3.2).

**Figure 3.2. Scenario 2 uses confirmed job-year employment levels through 2024 and assumed levels from 2025 to 2034.**



Source: Audit Office analysis of Department of Labor data.

<sup>31</sup> Timothy J. Bartik, *Making Sense of Incentives: Taming Business Incentives to Promote Prosperity*, Upjohn Institute for Employment Research, 2019, pp. 5, 10-13.

<sup>32</sup> Timothy J. Bartik, *Making Sense of Incentives: Taming Business Incentives to Promote Prosperity*, Upjohn Institute for Employment Research, 2019 pp. 98-99. Theoretically, incentives benefit states and economies by causing businesses to make decisions they would otherwise not make. Bartik explains that businesses tend to discount the value of incentive benefits at a rate of about 12% per year, meaning their value to businesses, and their ability to influence decisions, diminishes over the life of the incentive.

## JOB-YEARS

Before discussing employment estimates, it is important to explain the term “**job-year.**” Economic modeling does not estimate permanent jobs or positions, nor does it distinguish between full-time and part-time employment. Instead, REMI economic modeling reports employment effects in **job-years**, which represent one job sustained for one year.

For example, one position lasting for one year equals one job-year, while 10 positions sustained for one year equal 10 job-years. Similarly, one position sustained for 10 years would also equal 10 job-years. As a result, employment estimates generated through REMI should be interpreted as units of employment time rather than counts of permanent jobs created or retained.

## EMPLOYMENT ESTIMATES

Using **Scenario 1** assumptions, the REMI simulation estimates that the New Markets program was potentially responsible for **4,967 job-years** between 2013 and 2036. This estimate includes direct employment associated with participating companies through 2024, as well as secondary and induced employment effects that continue throughout the modeled period.

Under **Scenario 2**, which assumes that 2024 employment levels at participating businesses remain constant for an additional decade, REMI estimates that the program was potentially responsible for **21,708 job-years** over the same period. Because Scenario 2 assumes continued employment at 2024 levels and attributes all remaining employment differences to the program, the Audit Office considers this estimate an upper-bound measure of potential program effects.

# ECONOMIC MODELING: COST PER JOB

What was the cost per actual job created?

## Results

Depending on the method used and assumptions made in the economic modeling process, the New Markets program had an **estimated cost per job ranging from \$7,964 to \$197,749.**

## Discussion

A cost-per-job analysis is recommended by both the Legislative Performance Audit Act and the final report of the LR 444 Tax Incentive Evaluation Committee. However, cost-per-job calculations can produce substantially different results depending on the methodology used. The primary considerations are what costs are included and how jobs are defined and measured.

For this analysis, the Audit Office uses a straightforward measure of program cost: total forgone state revenue attributable to the program. If the New Markets program had ended in 2024, total forgone revenue would have been **\$166.7 million.**<sup>33</sup>

One approach to calculating cost per job uses the point-in-time employment changes discussed in the Job Creation metric (page 17). Under this approach, the analysis begins with the **843 net additional employees** at participating companies as of the end of 2024 compared to employment levels when companies first received investment through the program. This measure most closely approximates new positions, consistent with recommendations from the LR 444 Tax Incentive Evaluation Committee. Using total forgone revenue through 2024, this approach results in an estimated **direct cost per job of \$197,749.**

A second approach uses **direct job-years** rather than a point-in-time employment measure. Using Nebraska Department of Labor Quarterly Census of Employment and Wages (QCEW) data, the Audit Office calculated annual employment changes at participating local businesses using employment levels in the year of initial investment as a baseline. For example, if a business had 50 employees when it received a New Markets investment and employed 60 workers the following year, the Office would input **10 direct job-years** into the model in the second year. Based on this methodology, participating businesses generated **3,185 direct job-years** under **Scenario 1**, resulting in an estimated **direct cost of \$52,347 per job-year.**

Under **Scenario 2**, which assumes participating businesses maintain 2024 employment levels through 2034, the program would be associated with **12,526 direct job-years.**

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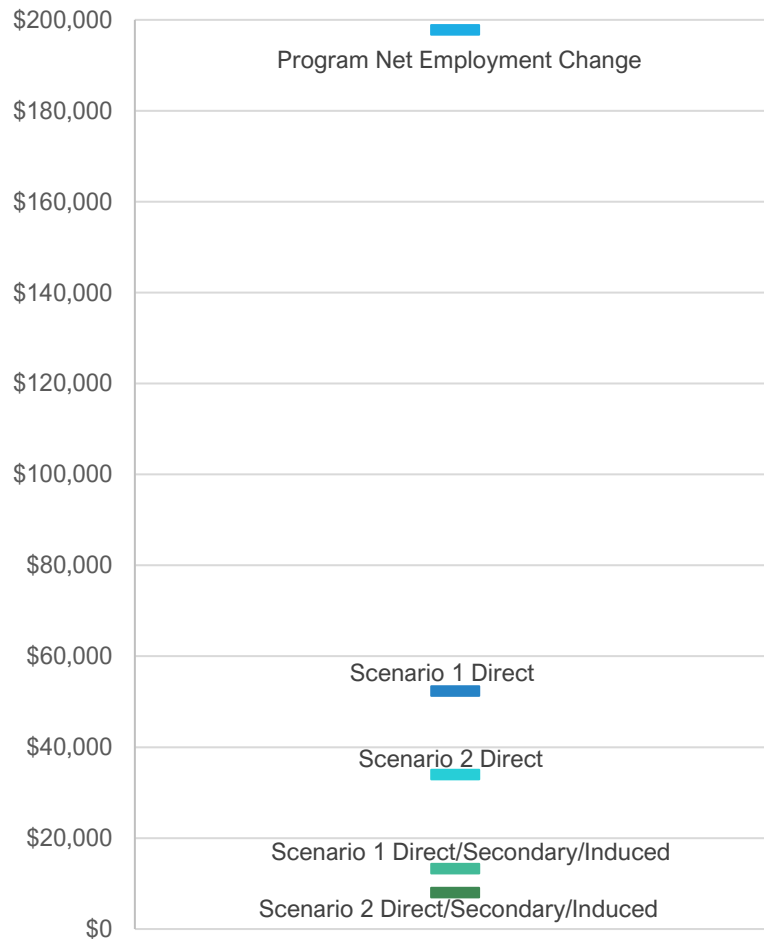
<sup>33</sup> As the Act is designed to provide credits that are spread out over 7 years, this figure includes allocations to CDEs before the end of 2024 that will continue payments through 2030.

Using total forgone revenue through 2024, this results in an estimated **direct cost per job-year of \$13,309**.

A final approach to estimating cost per job incorporates not only direct job-years, but also estimated **secondary and induced job-years** generated through interconnected economic activity. Under **Scenario 1**, which includes only confirmed employment through 2024, REMI estimated that direct, secondary, and induced effects combined would result in **4,904 total job-years** through 2036. This produces an estimated **cost per job-year of \$33,992**. Under **Scenario 2**, which assumes employment levels remain constant beyond 2024, the combined total of direct, secondary, and induced employment reaches **20,931 job-years** through 2036. This results in an estimated **cost per job-year of \$7,964**.

As these results illustrate, cost-per-job estimates vary substantially depending on how employment is defined and measured. Across the three methodologies and two modeling scenarios, estimated forgone revenue per job associated with the program ranges from **\$7,964 to \$197,749** (Figure 3.3).

**Figure 3.3. There is a large range of cost-per-job estimates depending on the methodology used.**



Source: Audit Office results from analysis of Department of Revenue data, Department of Labor data, and REMI Tax-PI simulations.

# ECONOMIC MODELING: FISCAL RETURN ON INVESTMENT

To what extent has the Act paid for itself?

## Results

Depending on the assumptions used in the economic modeling process, the New Markets program is estimated to generate between **13 and 47 cents in state revenue for every dollar of revenue forgone**. Under both modeling scenarios, estimated revenue generation falls short of total forgone revenue, suggesting that the program does not fully pay for itself.

Based on the Audit Office's modeling assumptions, the program would have needed to generate an additional **7,854 to 13,596 job-years** in order for estimated revenue gains to fully offset forgone state revenue by 2036.

## Discussion

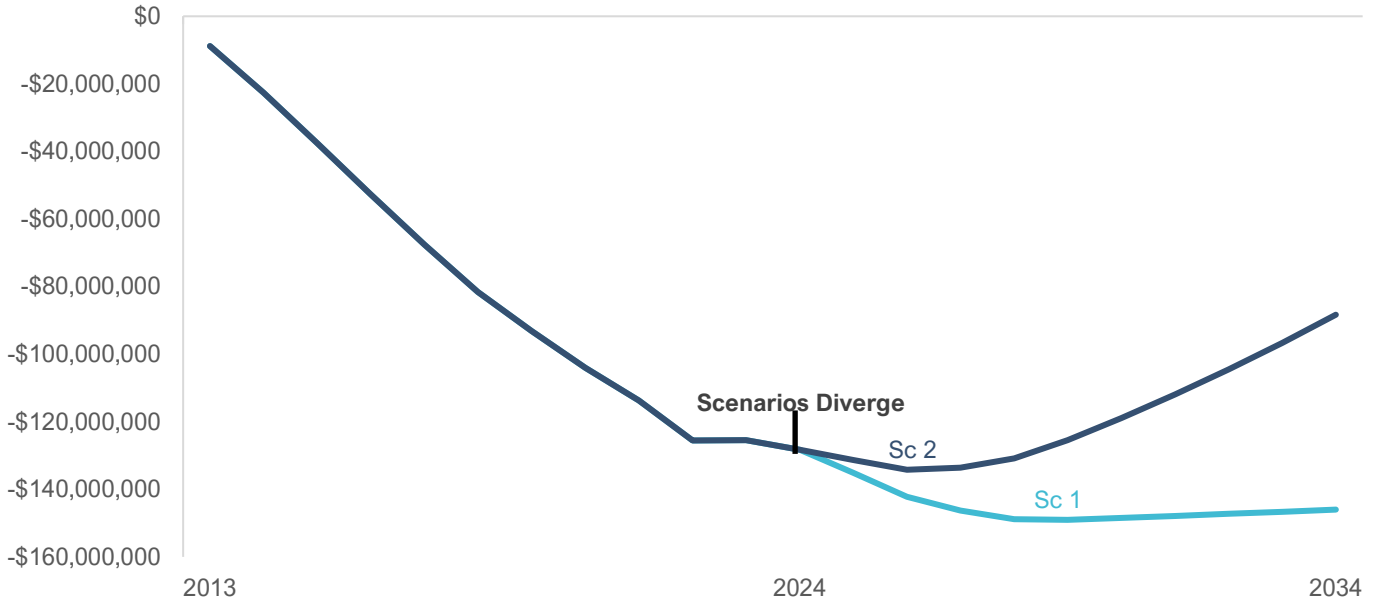
### FISCAL RETURN ON INVESTMENT

At least two senators claimed during legislative debate on the New Markets Act that the state would not lose money through the program. In addition, the final report of the LR 444 Tax Incentive Evaluation Committee recommends that tax incentive evaluations include a fiscal **Return on Investment (ROI)** analysis comparing revenue generated to revenue forgone. As with the cost-per-job analysis, the Audit Office used two scenarios to provide lower- and upper-bound estimates of fiscal outcomes.

REMI Tax-PI is capable of estimating the revenue effects associated with economic activity, which the Audit Office used to calculate a fiscal ROI for the New Markets program. Under **Scenario 1**, which includes confirmed employment and wages through 2024 and projects remaining economic effects through 2034, REMI estimates that the program would generate approximately **\$21.0 million in General Fund revenue**. Compared to **\$166.7 million in forgone revenue**, this results in a **gross fiscal ROI of 0.13**, meaning the program is estimated to return approximately **13 cents in revenue for every dollar of forgone revenue**.

Under **Scenario 2**, which assumes that 2024 employment levels remain constant for an additional 10 years, REMI estimates that the program would generate approximately **\$78.8 million in revenue** through the modeled period. This results in a **gross fiscal ROI of 0.47**, meaning that under this more optimistic scenario, the state would recover approximately **47 cents in revenue for every dollar of forgone revenue** (Figure 3.4).

**Figure 3.4. Estimated cumulative revenue loss is higher than revenue gained through 2034 in both of our scenarios.**



Source: Audit Office results from REMI Tax-PI simulations.

Based on these two analyses, the New Markets Job Growth Investment Act does not appear to have met the goal of paying for itself through increased state revenue. Under both modeling scenarios, estimated revenue generation falls short of total forgone revenue.

These findings are also generally consistent with evaluations of New Markets Tax Credit (NMTC) programs in other states. For example, the Florida Office of Economic and Demographic Research found that Florida’s NMTC program had a **gross fiscal ROI of -0.98**, concluding that the program did “not recover any portion of the state’s investment, and state revenues are less than they would have been in absence of the program.”<sup>34</sup> Similarly, an evaluation of Nevada’s NMTC program estimated a **gross fiscal ROI of 0.27**.<sup>35</sup> These comparisons suggest that Nebraska’s estimated ROI results are broadly in line with findings from other state-level evaluations of similar programs.

#### FISCAL BREAK-EVEN ANALYSIS

In order for the New Markets program to pay for itself, it would need to generate a **gross fiscal ROI of 1.0 or greater**, meaning that revenue generated by the program would fully offset forgone state revenue. To estimate what level of employment activity would be necessary to achieve this outcome, the Audit Office conducted two break-even analyses to

<sup>34</sup> Florida Office of Economic & Demographic Research, *Economic Evaluation for Select State Economic Development Incentive Programs*, February 2023, p. 34.

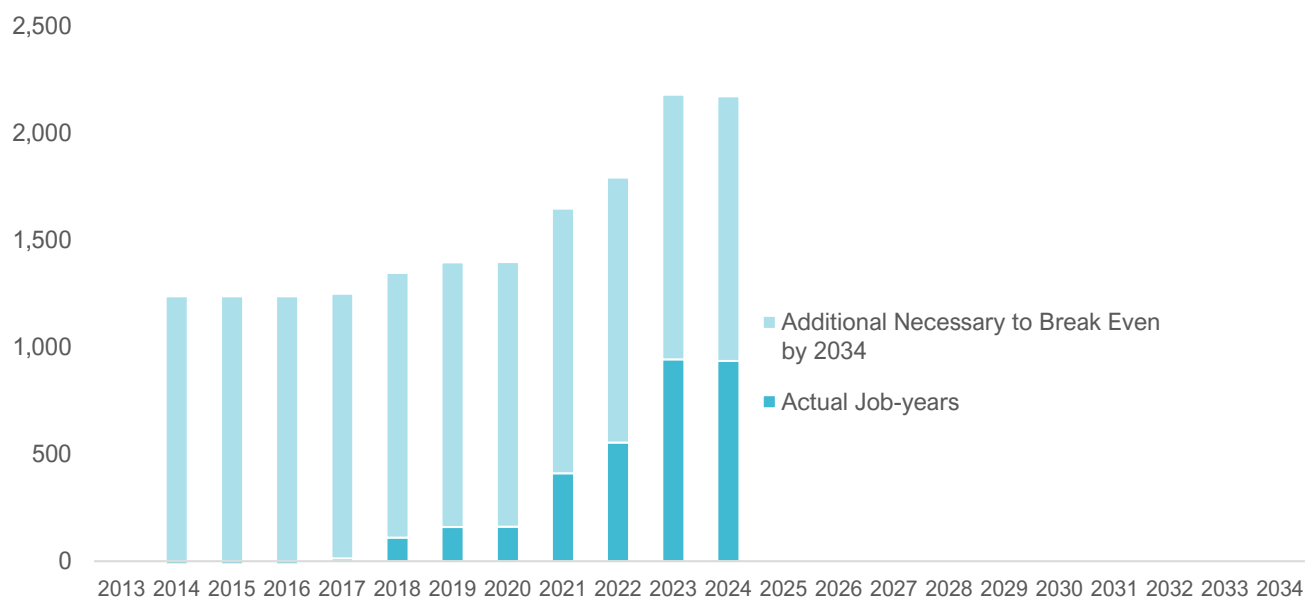
<sup>35</sup> State of Nevada Department of Business and Industry, *Biennial Report on Nevada New Markets Jobs Act*, May, 2022, p. 11.

determine how many additional jobs the program would have needed to generate in order to offset its costs.

These analyses include actual program activity and associated secondary and induced effects through 2024 and an additional 10 years. The additional employment simulated in the model consists of average Nebraska manufacturing jobs.

In the first break-even analysis, the Audit Office estimated how many additional average manufacturing job-years would have needed to be induced by the program between 2013 and 2024 in order for cumulative revenues to equal committed expenditures by 2034. Using **Scenario 1** assumptions, the model estimates that the program would have needed to generate an additional **13,596 job-years** to break even fiscally (Figure 3.5). Put differently, the program would have needed to support approximately **1,236 additional job-years per year from 2014 through 2024** in order to fully offset forgone revenue by 2034.<sup>36</sup>

**Figure 3.5. Scenario 1 assumptions would require more than 13,000 additional job-years of activity to have been caused by the program in order to recuperate foregone revenue by 2034.**

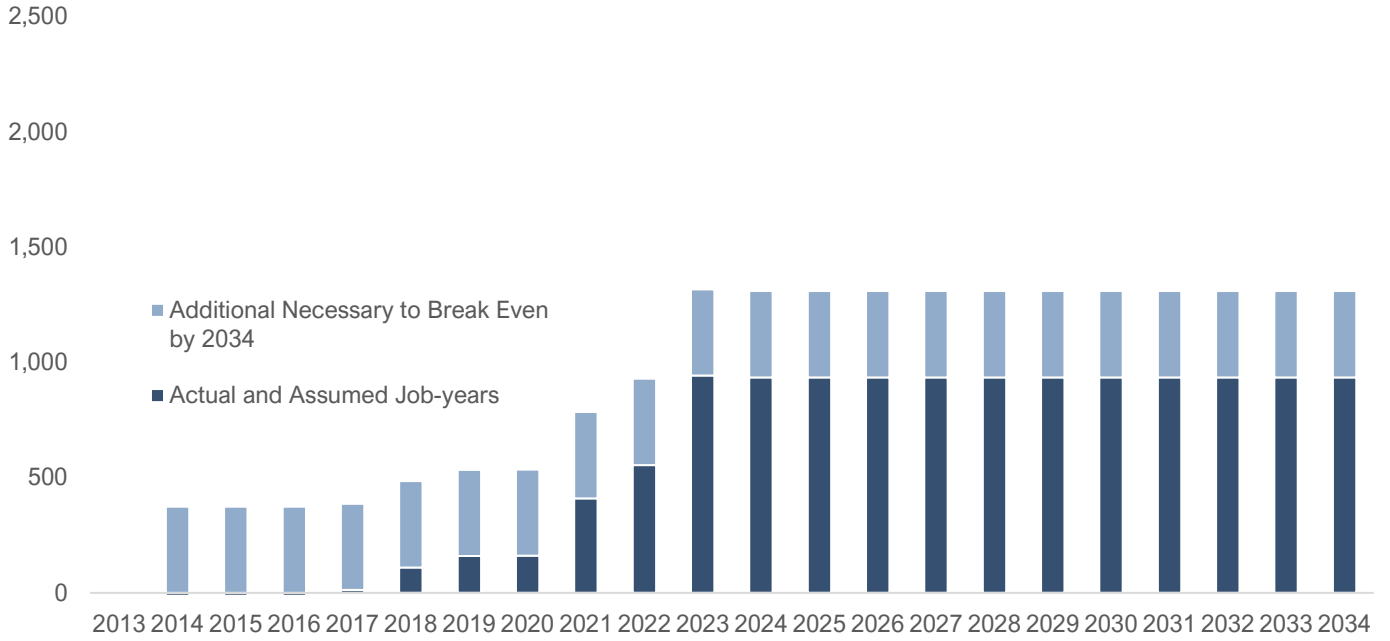


Source: Audit Office results from REMI Tax-PI simulations.

The second break-even analysis uses **Scenario 2** as its starting point. Under this scenario, employment levels observed in 2024 are assumed to remain constant for an additional 10 years. Based on these assumptions, the model estimates that the program would have needed to generate an additional **7,854 job-years** between 2014 and 2034 in order for revenues to fully offset forgone state revenue (Figure 3.6). Put another way, this would be equivalent to supporting approximately **374 additional job-years each year for 21 years**.

<sup>36</sup> The timing of the additional job-years required to break even does not make much difference in the results for total job-years necessary to break even by 2034. For ease of analysis and discussion, we found the amount necessary to evenly spread them out in the program years.

**Figure 3.6. Using Scenario 2 assumptions, the program would need to have created more than 8,000 additional direct job-years to pay for itself by 2034.**



Source: Audit Office results from REMI Tax-PI simulations.



# APPENDIX: Economic Modeling

## MODEL UPDATES

REMI Models are designed to simulate potential future outcomes; however, this analysis attempts to simulate an alternative economic history. Doing so required customized adjustments to certain background data used by the model so its predictive capabilities could be applied to assess alternative economic histories. With the assistance of REMI support staff, the Audit Office made the following updates for our simulation:

- **Population update:** This adjustment brought demographic information from the past and placed it in the model's future.
- **Employment update:** This adjustment brought employment information from the past and placed it in the model's future.
- **Budget Adjustment (state-specific taxation):** This adjustment tweaks the model's assumptions of what is and isn't taxed to make it more like the state of Nebraska's tax structure. Historic General Fund revenue receipts categorized by Sales and Use Tax, Individual Income Tax, Corporate Income Tax, and Miscellaneous Receipts were used to create the modeling budget.

## POLICY VARIABLES

Once the model is configured to reflect the economy being examined, the next step is to determine which policy variables to change. This is the core of economic modeling: identifying which economic inputs to adjust, when to adjust them, and by how much. The simulation is then run to estimate how the model predicts the economy would respond to those inputs.

The REMI economic forecasting model allows a user to increase or decrease the amounts of specific economic variables and estimate the effects those changes will have in the economy. The inputs used for this simulation were:

- Job changes found in the Department of Labor QCEW Database
- The difference between average wages at local businesses and their industry averages
- Local business savings
- Credits issued
- The estimated interest savings local businesses saw for participating in the program
- Credits provided to tax credit investors
- The reduction of state spending due to revenue foregone due to the program
- The Audit Office's but-for determinations
- Break-even jobs

## JOB CHANGES

Job changes were found using Department of Labor Quarterly Census of Employment and Wages (QCEW) information. Direct jobs are verified QCEW annual averages of actual employment rather than estimates or promises. These numbers differ from the net employment change figures discussed previously because they need to function as inputs for the REMI model. Here they are changes in average annual employment using the year they received their initial loan as a baseline.

Employment changes are simulated in the model by adjusting the Industry Employment (Exogenous Production) variable.

## WAGE ADJUSTMENT

Induced economic effects can vary depending on the wages paid to employees in the jobs we are using in our simulation. Higher wages will have more positive effects; lower wages will have less. REMI Tax-PI uses average industry sector wages in its calculations, but because we have actual employment records, we can more accurately model induced effects by finding the variance between actual wages paid, and the average wages in companies' industry sector.

Several steps were required to create the input necessary for the wage adjustment. In the end, the Audit Office needed the actual total wages paid to employees above or below their industry average, and what those total wages would be if they were average jobs for the sector. The difference between the two was input into REMI to make the wage adjustment for this analysis.

Wage adjustments are entered into the model under the Wage Bill variable.

## LOCAL BUSINESS SAVINGS

The detailed information necessary to know exact loan terms and savings for local Businesses was not available to auditors, so we had to estimate. Using research by the Office of the Comptroller of the Currency as a guide, we estimated that local businesses receiving loans saved 4% on interest rates. Loans through the program can last up to 7 years, so we extrapolated that to 28% of the value of the loan. Not all loans last for the entire 7-year period, so this is a maximum value assumption, and may overrepresent savings to a certain amount. On advice from REMI staff, the total savings was spread out over 7 years, to better represent how companies actually saw their savings.

Savings benefits are simulated in the model by increasing the Cost of Production by the equivalent amount.

## CREDITS

This program is designed differently from a typical tax incentive. Instead of providing credits to the company being targeted by the Legislature for assistance, it provides credits to an investor whose money eventually gets lent to a targeted business at a below market rate. The investors receiving credits are most often large national insurance companies.

The data necessary to create the input for this variable is simply the credit amount committed by the program. The Office found the credit allocations committed by the program through 2024. Since credits continue to be paid out for several years, some credits for commitments through 2024 will be paid out for some years after.

Under the assumption that taxes are seen as a business expense, credit use is simulated as an increase in Production Cost to insurance companies.

## STATE BUDGET APPROPRIATION VARIABLES

These simulations do not inject or remove money from the economy. Instead, they attempt to see what would have happened if the program didn't exist and the foregone revenue was instead used in the state budget. To simulate what may have happened without the program, the total amount of foregone revenue is input in the model as an increase in state spending. The logic is that without the incentive, the state would have instead spent the money in the budget.

Where possible, state spending was simulated as increased sales in representative industries. Those variables include construction, K-12 spending, higher education spending, health care, and social assistance spending. These variables were chosen with assistance from REMI staff. When an appropriate private sector analogue was not found, the generalized state government spending variable was used.

To determine the amount of increased sales or government spending to put into each variable, Biennial Budget Reports from 2004 to 2025 were analyzed. Each budget document provides the appropriations provided for each major spending item such as Medicaid, State aid to Schools, and the University. The percentage of the budget that each item represented was found. For example, in the 2016 budget, 21.6% of the fiscal year 2016-17 budget was allocated to State aid to schools (TEEOSA). The total revenue foregone by the state due to the New Markets Tax Credit in 2016 was \$14,875,621. So for this item, 21.6% of the foregone revenue that would have been available for the state budget in 2016 (\$3,213,134) if the program had not existed.

Estimated expenditure amounts were entered into the model as increases in Detailed Industry Sales.

## BUT-FOR DETERMINATIONS

The Office determined that seven local businesses very likely could have moved forward with their projects without the Nebraska New Markets Tax Credit. To adjust for this, the employment changes and average wage differences for these companies were removed from the model using the Employment and Wage Bill Variables.

## BREAK EVEN JOBS

To run this analysis, The Office created an additional Employment policy variable in the model for manufacturing jobs at the industry sector level (NAICS 31-33). This means the input will be for average manufacturing jobs in Nebraska. For Scenario 1, a random number of job-years was chosen and entered into the model every year for the program years (2014-2024). 2014 was chosen as the start because that is the first year that average employment could have changed due to the program. The Office reran the simulation with adjusted numbers until the cumulative revenue through 2036 broke even. The lowest number of job-years per year that generated a positive revenue differential by 2036 was then used. For Scenario 2, a similar process was used. The one difference was that the added job-years were spread from 2014-2036, to better reflect that scenario's baseline assumptions.

### **III. Fiscal Analyst's Opinion**



# State of Nebraska

## LEGISLATIVE COUNCIL

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June 2, 2026

Stephanie Meese, Director of Legislative Oversight  
Legislative Audit Office  
1225 L St. Ste 502  
P.O. Box 94604  
Lincoln, NE 68509

Dear Stephanie,

You have asked the Legislative Fiscal Office to review the draft report, "New Markets Job Growth Investment Act: Performance on Selected Metrics" as to whether the recommendations can be implemented by the Department of Revenue within current appropriations.

The report includes a recommendation that if the Legislature wants to know how much local businesses are saving through reduced interest rates via the New Markets program, it could require that information to be collected. This recommendation is likely to have minimal fiscal impact.

The report includes a recommendation that if the Legislature wants to ensure that investments in the New Markets program are directed to businesses lacking access to affordable financing, it could require evidence that attempts to secure affordable traditional financing were unsuccessful. This recommendation is likely to have minimal fiscal impact.

Finally, the report includes a recommendation that if the Legislature wants to ensure that New Markets investments only go to small businesses, it could amend the definition of a qualified active low-income business in the New Markets Job Growth Investment Act to limit the size of qualified companies. This recommendation is likely to have minimal fiscal impact.

Sincerely,

A handwritten signature in blue ink, appearing to read "Keisha Patent".

Keisha Patent  
Legislative Fiscal Analyst