

Georgia Agribusiness and Rural Jobs Act

Economic Analysis
December 2021



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DOAA

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December 1, 2021

The Honorable Shaw Blackman,
Chairman, House Committee on Ways and Means
The Honorable Chuck Hufstetler,
Chairman, Senate Committee on Finance

Gentlemen:

In accordance with the provisions of O.C.G.A. § 28-5-41.1 (Senate Bill 6), we have completed an economic analysis of the Georgia Agribusiness & Rural Jobs Act (GARJA) in partnership with the Fiscal Research Center at Georgia State University. This report provides estimates of fiscal and economic impacts, as well as public benefits resulting from GARJA. In addition, the report discusses compliance with investment and reporting requirements, use of other economic incentives, and similar programs in other states.

The information used in the report was obtained from a number of sources, including the Georgia Department of Community Affairs (DCA), Georgia Department of Revenue (DOR), and Office of the Insurance and Fire Safety Commissioner (OCI). As an economic analysis, generally accepted government audit standards are not applicable to this work.

We appreciate the cooperation and assistance provided by the Fiscal Research Center, DCA, DOR, and OCI in completing this analysis.

Respectfully,

Greg S. Griffin
State Auditor

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This section contains key terms relevant to the Georgia Agribusiness and Rural Jobs Act (GARJA) and this economic analysis. Terms are primarily sourced from O.C.G.A. §33-1-25, Department of Community Affairs (DCA) rules, and analysis provided by the Fiscal Research Center at Georgia State University (FRC).

- **Affiliate** – An entity that directly or indirectly controls or is controlled by another entity. Control is determined by holding, directly or indirectly, the majority voting or ownership interest or exerting control over the day-to-day operations by contract or law.
- **Capital Investment** – Any cash investment in a Rural Fund by a rural investor to be used for qualified investments in eligible businesses. Capital investments must be certified by DCA, and Rural Funds must invest 100% of capital investments in eligible businesses located in Georgia by the second anniversary of the initial credit allowance date.
- **Capital Investment Authority** – The amount of capital investments a Rural Fund can receive from rural investors to invest in eligible businesses. Capital Investment Authority is granted to Rural Funds by DCA.
- **Certification** – Approval by DCA of a Rural Fund’s application for capital investment authority.
- **Certification Date** – The date DCA approves a Rural Fund’s application for capital investment authority.
- **Closing Date** – The date DCA validates a Rural Fund’s receipt of capital investment from rural investors. Rural Funds must have received cash within 60 calendar days of receiving notice of certification and must provide evidence of cash receipt to DCA within 65 calendar days of receiving notice of certification.
- **Credit Allowance Date** – The date on which a capital investment is made by a rural investor and each of the five anniversary dates of such date thereafter.
- **Direct Effect** – IMPLAN (a widely used economic modeling system) defines direct effect as one or more production changes or expenditures made by producers or consumers as a result of an activity or policy. For purposes of this analysis, direct effects represent increased firm output (revenue) directly attributable to GARJA and the associated firm employment and labor income supported by this output.
- **Employment** – In FRC’s Economic Impact Analysis, estimated employment includes full-time, part-time, and temporary jobs. Job numbers do not represent full-time equivalents, so one individual may hold multiple jobs. Employment includes employees and the self-employed.
- **Indirect Effect** – Economic activity supported by business-to-business purchases in the regional supply chain attributable to qualified investments in eligible businesses. Indirect spending continues but progressively decreases due to “leakages,” which occur when firms spend money on imports (including imports from other states), taxes, and profits.
- **Induced Effect** – Economic activity that occurs from households spending labor income earned from the direct and indirect activities. This activity results from household purchases on items such as food, healthcare, and entertainment. The labor income spent to generate these effects does not include taxes, savings, or compensation of nonresidents (commuters) because these leave the local economy (leakage).
- **Jobs, Created** – New jobs directly attributable to an initial qualified investment in an eligible business by a Rural Fund. Jobs created may be counted from the time of the initial investment until the Rural Fund’s petition to exit the program. Part-time jobs may be aggregated to full-time equivalents (FTEs).
- **Jobs, Retained** – Jobs that existed prior to the investment but that would otherwise have been eliminated without the investment. Only jobs that would have been eliminated within 180 days of the qualified investment date can be counted as retained jobs. Part-time jobs may be aggregated to full-time equivalents (FTEs).

- **Labor Income** – The estimated total compensation—wages, benefits, and payroll taxes—for employees and self-employed individuals at eligible businesses attributable to qualified investments. Labor income is an input used to estimate tax revenue generated by qualified investments.
- **Output** – The value of production. This includes the value of all final goods and services, as well as all intermediate goods and services used to produce them. IMPLAN (a widely used economic modeling system) measures output as annual firm level revenues or sales, assuming firms hold no inventory.
- **Principal Business Operations** – The location where at least 60% of a business’s employees work or where employees who are paid at least 60% of the payroll work. Any business that has agreed to relocate employees and establish its principal business operations in a new location using an investment must complete the relocation no later than 180 days after receiving a qualified investment.
- **Qualified Investment** – Any loan to an eligible business or any investment in an eligible business. A Rural Fund must initially invest at least 10% of its capital investment authority in agribusinesses, and at least 10% of these investments must be equity investments.
- **Revenue Impact Assessment** – An assessment that analyzes a Rural Fund’s business plan and models the impact of a GARJA investment on Georgia’s economy over a 10-year period. The assessment is a required part of the Rural Fund application and must be conducted by a nationally recognized, third-party, independent economic forecasting firm using a dynamic input-output forecasting model. The assessment must demonstrate a positive economic impact on the state of Georgia.
- **Rural Area** – Any county, or county equivalent, that has a population of less than 50,000 according to the most recent United States census.
- **Rural Fund** – An entity certified by DCA to receive capital investments from rural investors and make qualified investments in eligible businesses. Rural Funds must be licensed rural or small business investment companies that have previously invested at least \$100 million nonpublic companies in rural areas.
- **Rural Investor** – An entity that makes a capital investment in a Rural Fund. Credit-earning rural investors include corporations, individuals, and insurance companies. Non credit-earning rural investors include lending institutions.

1. GARJA Overview

The Georgia Agribusiness and Rural Jobs Act (GARJA) was statutorily established during the 2017 legislative session. The program provides access to capital for Georgia businesses located in rural areas, and tax credits to certain entities that make eligible capital investments. As discussed below, the GARJA statute (O.C.G.A. §33-1-25) establishes criteria for rural or small business investment companies (Rural Funds) that make investments, rural investors that provide Rural Funds with capital, and businesses that receive investments. Statute also tasks the Department of Community Affairs (DCA) with various administrative and oversight responsibilities, including approval of up to \$100 million in qualified investments.

During the 2021 legislative session, HB587 was introduced to allow Rural Funds to make an additional \$100 million in credit-eligible investments in businesses. However, the bill did not pass.

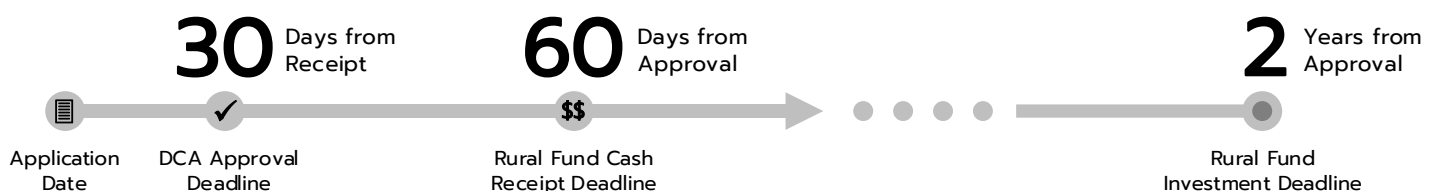
Rural Funds

Under the GARJA statute, Rural Funds must apply to DCA for capital investment authority, or the amount of capital investment Rural Funds can receive from investors. Applicants must submit certain information to DCA to participate in GARJA, which should include:

- The amount of capital investment authority being requested;
- Proof of licensure as a rural business investment company or small business investment company;
- Evidence of having previously invested at least \$100 million in nonpublic companies in rural areas (as of the application date);
- An estimate of the number of jobs to be created or retained in Georgia as a result of the applicant's qualified investments;
- A business plan and revenue impact assessment modeling the impact of the plan on state and local tax revenue over a 10-year period;
- An acknowledgement that only qualified investments made within eligible rural counties can receive investments under the program; and
- A non-refundable application fee of \$5,000.

As shown in **Exhibit 1**, DCA must approve or deny a Rural Fund's application within 30 days of receipt. For eligible Rural Funds, DCA certifies (approves) the capital investment authority and notifies Rural Funds of the approved amount, which statute limits to a total of \$100 million.¹ Rural Funds have 60 days after approval to receive cash from rural investors, which should not exceed the fund's approved amount of capital investment authority.² Rural Funds must then invest 100% of proceeds in eligible businesses within two years of DCA's approval. Denied applicants may resubmit additional information for reconsideration within 15 days of receiving a denial notice. After 15 days, the application remains denied, and applicants must resubmit a full application to be reconsidered.

Exhibit 1 – Rural Fund Application Approval and Investment Disbursement Timeline



Source: O.C.G.A. §33-1-25

During the application period that began in April 2018, five Rural Funds applied for and received capital investment authority from DCA. Out of the \$100 million total capital investment authority DCA certified, each Rural Fund was granted \$20 million and was required to invest the full amount in rural businesses by June 30, 2020. Rural Funds must keep 100% of the funds invested in eligible businesses through June 30, 2023. A Rural

¹ DCA certifies capital investment authority requests in the order in which applications are received.

² Applicants must provide documentation of receipt of cash investments to DCA within 65 days of approval.

Fund may exit the program on or after the 6th anniversary of the date DCA validates the receipt of funds from rural investors.

Investment Structure and Business Eligibility

As shown in **Exhibit 2**, GARJA uses a leverage-based model to provide business capital to businesses. Rural Funds receive up to 50% of their total investment funding from rural investors earning a tax credit, and the remainder is provided by rural investors not earning a tax credit (i.e., lending institutions).³ While credit-earning investors may contribute up to 50% of investments, they earn tax credits on the total amount contributed to Rural Funds (including the amount contributed by lending institutions).⁴ Lending institutions receive principal and interest payments for the amount of funding they provide to Rural Funds, and Rural Funds provide \$100 million in investments to businesses in the form of term loans, lines of credit, and equity investments.

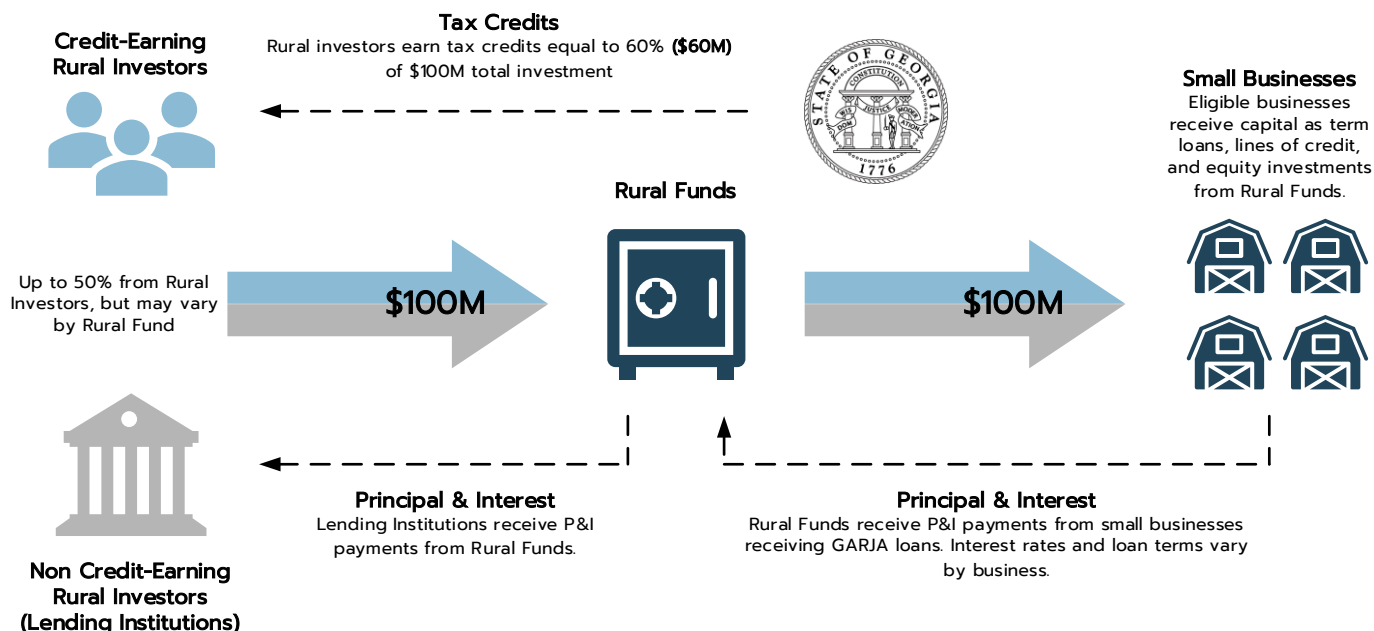
Statute specifies requirements businesses must meet to receive investments under GARJA. Eligible businesses must have the following:

- Less than 250 employees;
- Principal business operations in one or more rural areas in Georgia (where at least 60% of employees work or employees paid at least 60% of payroll work); and
- Business operations in certain industries, including agricultural production or agribusiness, manufacturing, healthcare, technology, transportation, or related services.

Per statute, Rural Funds may ask DCA to determine whether a business is eligible to receive an investment. According to DCA, all Rural Funds have taken this step prior to investing in businesses. Eligible businesses may receive multiple investments from one or more Rural Funds, but total investments to a single business (including any affiliates) cannot exceed 20% of the Rural Fund's capital investment authority or \$6.5 million (whichever is greater).

Rural Funds must submit to DCA an initial report on all investments made in businesses and an annual report thereafter to document investment eligibility and provide job creation and retention information.

Exhibit 2 – GARJA Investment and Credit Structure



Source: O.C.G.A. §33-1-25

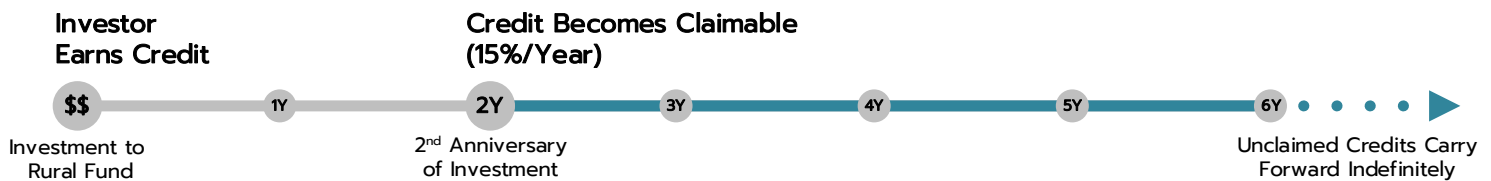
³ According to DCA, rural investors consist of individuals and businesses claiming tax credits (referred to as allocatees) and banks and lending institutions (referred to as non-allocatees).

⁴ If Rural Funds fail to invest 100% of their capital investment authority by the required deadline, DCA will recapture an amount of tax credits equivalent to the amount of funding that was not invested in eligible businesses. If this amount is 90% or more of a Rural Fund's total capital investment authority, 100% of tax credits allocated to that Rural Fund's investors will be recaptured.

Tax Credit Administration

As noted above, certain rural investors (e.g., insurance companies and other entities) receive a credit toward their state tax liability for investing in a Rural Fund. Investors earn tax credits on the date funds are transferred to Rural Funds, but credits cannot be claimed until two years after the initial investment. As shown in **Exhibit 3**, investors may claim up to 15% of the total amount invested each year over four years, amounting to a total of 60% of the total amount invested in Rural Funds.⁵ The amount of credit used in any tax year cannot exceed the investor's state tax liability, and the credit is non-refundable and non-transferable. However, any unused credits may be carried forward indefinitely. Though capital investments in Rural Funds are capped at \$100 million, the credit earned is 60% of total investments, so credits may not exceed \$60 million.

Exhibit 3 – GARJA Tax Credit Timeline



Source: O.C.G.A. §33-1-25

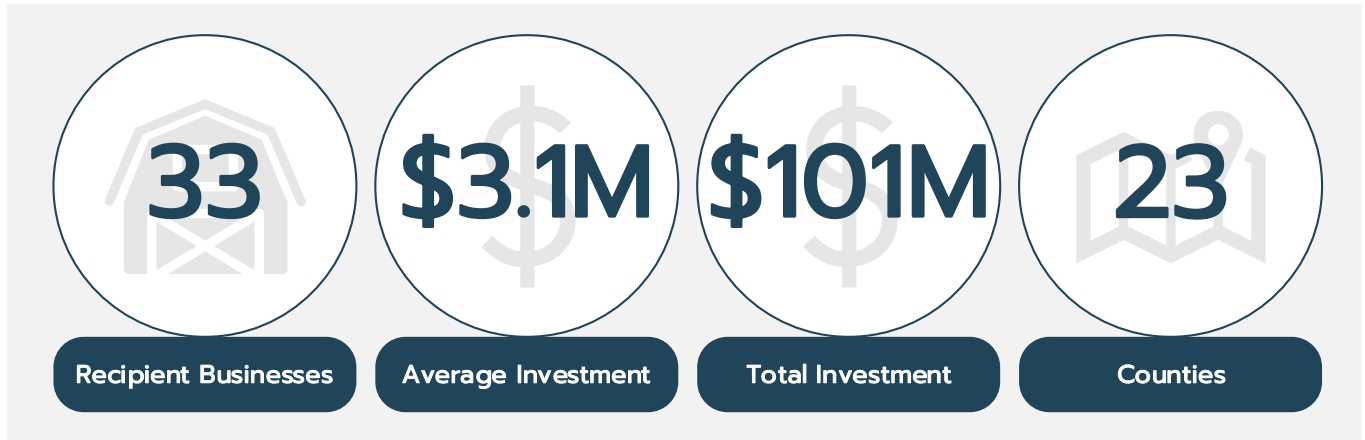
Agencies Involved in GARJA

DCA oversees eligibility for GARJA tax credits, while the Office of the Commissioner of Insurance (OCI) and Department of Revenue (DOR) manage the credit redemption process for certain taxpayers.⁶ Each Rural Fund reports to DCA how its credits are allocated among rural investors. DCA provides this allocation information to DOR and OCI, and each have their own processes for tracking credit usage to ensure credits claimed on tax returns do not exceed the credits earned under GARJA.

⁵ The total amount invested includes amounts invested by lending institutions. See Investment Structure section for description of the leverage-based model used by GARJA.

⁶ OCI monitors credit use by insurance companies claiming credits against state premium or retaliatory taxes. DOR monitors credit use by all other taxpayers.

2. GARJA Outputs



Rural businesses received \$101 million in business capital through GARJA.⁷

Between tax years 2018-2020, 33 separate businesses received 38 qualified investments from Rural Funds (four businesses received multiple investments).⁸ On average, businesses received approximately \$3.1 million in GARJA investments, though individual investments ranged from \$250,000 to \$6.5 million.

O.C.G.A. §33-1-25 requires businesses to have fewer than 250 employees to be eligible for GARJA investments. As shown in **Exhibit 4**, approximately 42% of businesses receiving funds had fewer than five employees. These businesses received nearly 40% of total funds. The two largest businesses (with 100 or more employees) received the maximum investment of \$6.5 million.

Exhibit 4 – Qualified Investments by Business Size

Business Employees ¹	Number of Businesses	Total Investment	Average Investment
0 – 4	14	\$38M	\$2.7M
5 – 9	3	\$9.6M	\$3.2M
10 – 19	6	\$20.1M	\$3.3M
20 – 49	4	\$11.2M	\$2.8M
50 – 99	4	\$9.3M	\$2.3M
100 – 249	2	\$13M	\$6.5M
Total	33	\$101.2M¹	\$3.1M

¹ Stratified based on Georgia Department of Labor business size classes.

Source: DCA data, DOL data

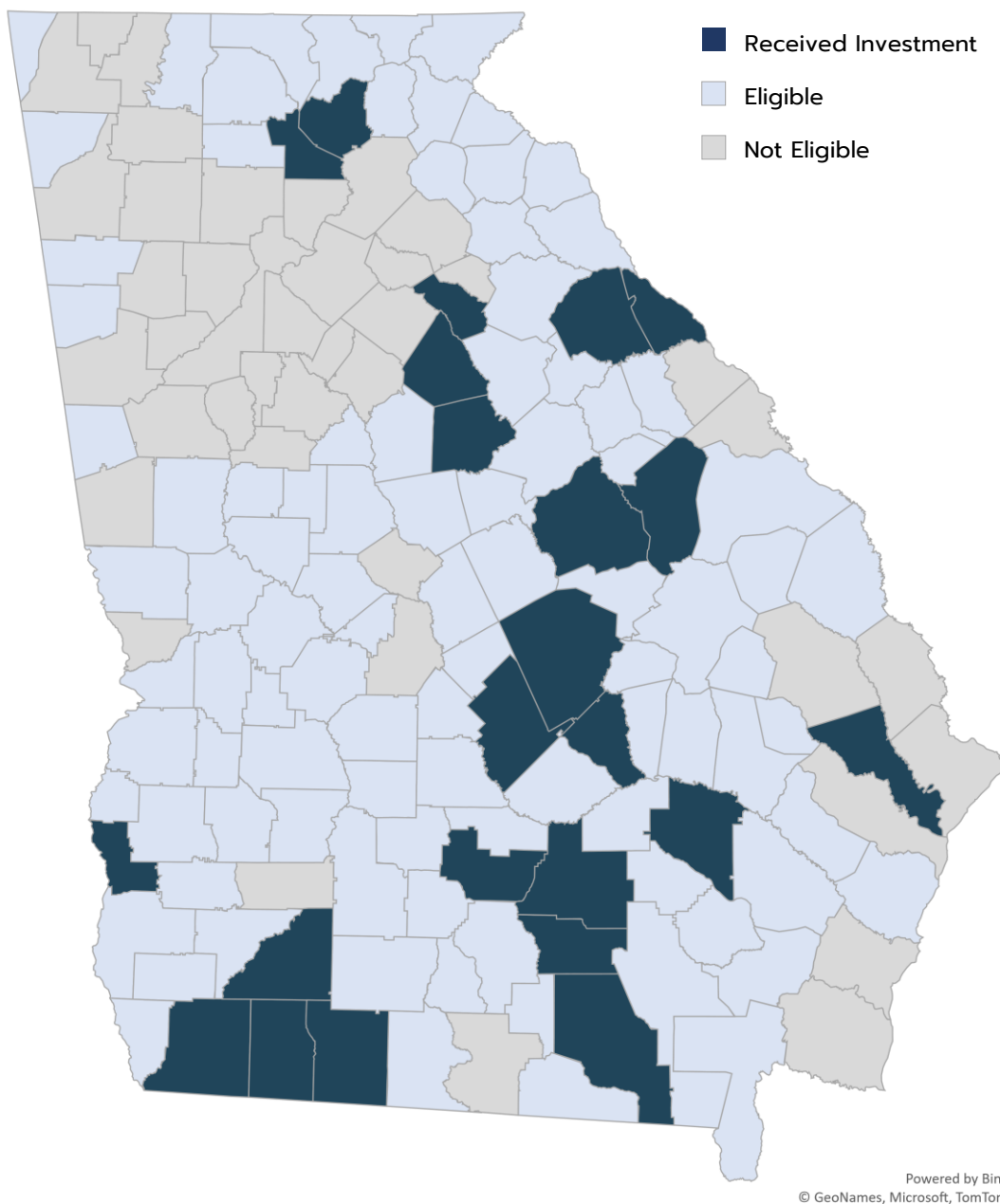
⁷ While the capital investment authority is limited to \$100 million, Rural Funds are not prohibited from providing additional capital to businesses. Rural Funds provided additional capital to businesses, bringing the total amount invested to \$101.2 million. Tax credits were not earned on this additional \$1.2 million in investment.

⁸ Businesses can receive multiple investments through the GARJA program as long as they or their affiliates do not exceed \$6.5 million in total investments. See Compliance with Investment Requirements for further discussion.

Rural Funds invested in businesses operating in 23 of 118 rural counties.

O.C.G.A. §33-1-25 requires eligible businesses to have their principal business operations located in one or more rural areas in Georgia. State law defines principal business operations as at least 60% of total jobs or at least 60% of total business payroll. Rural areas are statutorily defined as counties with a population of less than 50,000. During 2018-2020, nearly 75% (118) of Georgia's 159 counties qualified as rural areas. Businesses receiving GARJA investments are located in 23 (19%) of the 118 rural counties (see **Exhibit 5**). Within each of the 23 counties, between one and three businesses received an investment.

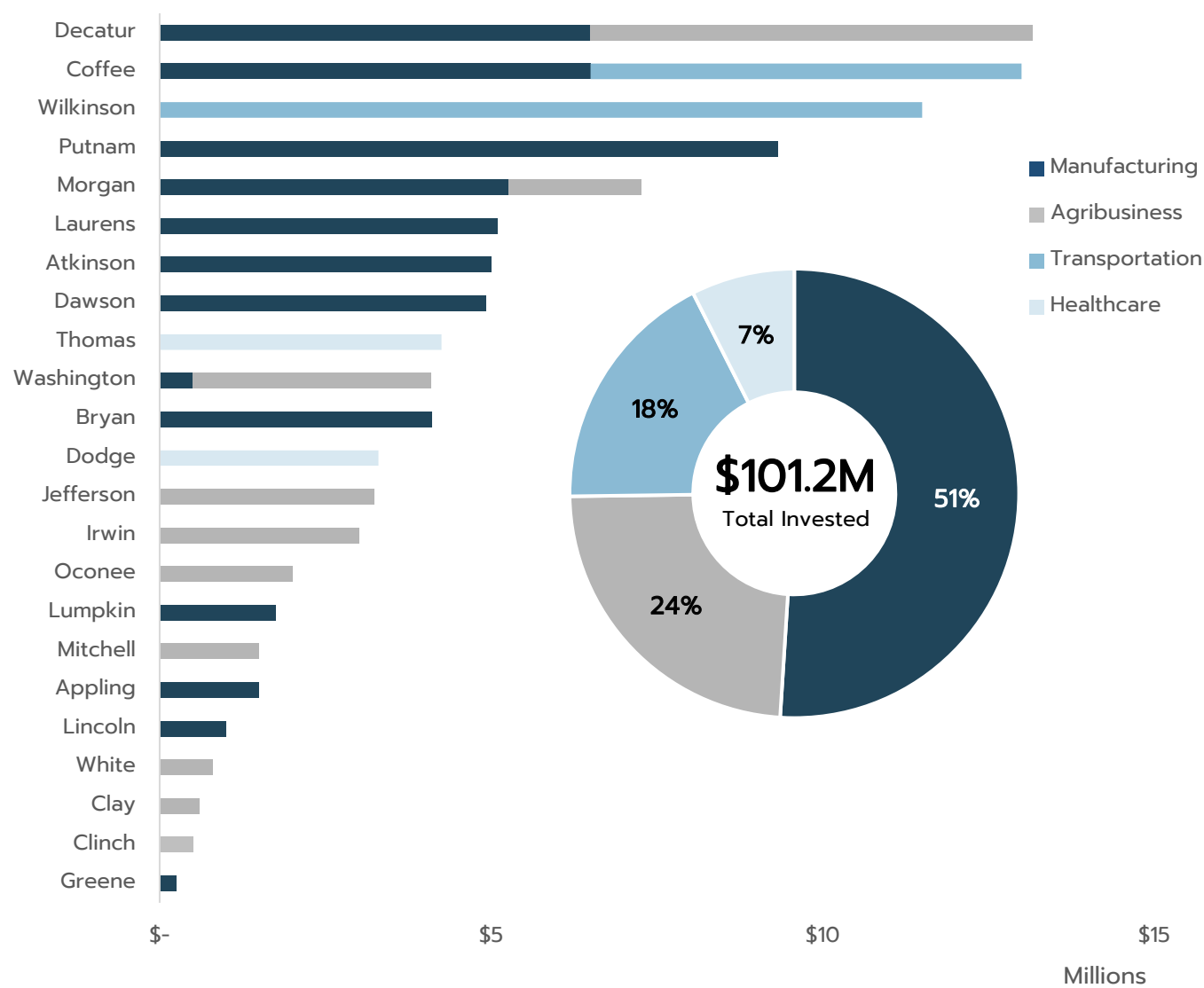
Exhibit 5 – Eligible Counties & Investment Location, 2018–2020



Source: DCA data

More than 50% of investments were made in small businesses in the manufacturing industry. The largest proportion of funds was directed toward manufacturing—Rural Funds invested \$51.7 million in these businesses, which operate in 13 counties (see **Exhibit 6**). Small agribusinesses in 10 counties received \$23.9 million in investments, or 24% of the total investment. Businesses in the transportation and healthcare sectors received approximately 18% and 7% of total investment, respectively (each are represented in two counties). Though statute lists the technology industry as an eligible sector, Rural Funds did not invest in these small businesses from 2018-2020.

Exhibit 6 – Investments by County and Industry, 2018-2020



Source: DCA data

3. Fiscal Impact – State Revenues & Expenditures

Overall Fiscal Impact

For the purposes of our analysis, fiscal impact is defined as the total net change in state revenues and expenditures generated by GARJA. Fiscal impact does not include most economic activity such as job growth and increased business revenues, which are included in the economic impact section of this analysis (see page 16) but does include estimated new tax revenues generated. Both fiscal and economic impact should be considered when evaluating tax incentives.

To estimate GARJA’s fiscal impact, we reviewed the following:

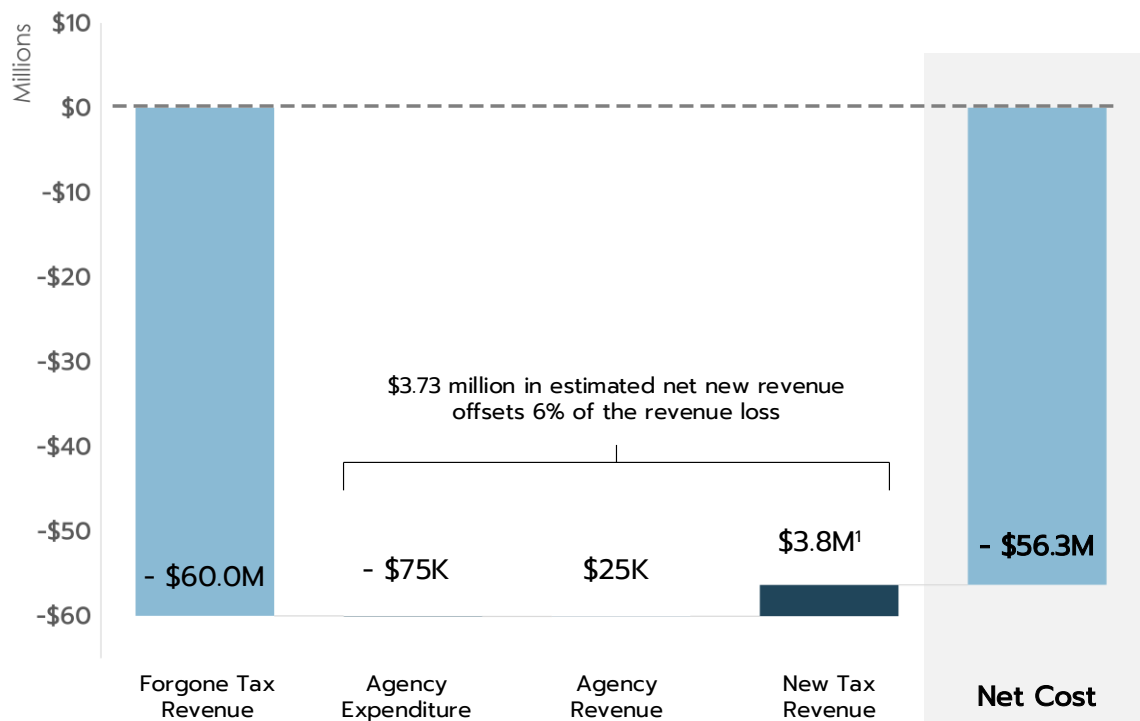
- Forgone tax revenue from tax credits claimed against income and premium tax liability;
- New state and local tax revenue generated by investments in eligible businesses;
- Agency revenue related to application fees, exit fees, and recaptured tax credits; and
- Agency expenditures related to the administration and management of GARJA.

For a more complete description of our methodology, see [Appendix A](#).

We estimate GARJA’s total net cost to the state will be between \$54.7 million and \$56.3 million.

Forgone tax revenue is the primary driver of GARJA’s fiscal impact. As shown in **Exhibit 7**, tax revenue and agency revenue generated by GARJA reduce, but do not offset, the cost of forgone tax revenue created by GARJA tax credits.

Exhibit 7 – Total Fiscal Impact, Tax Years 2018-2023



¹ Exhibit 7 incorporates the lower, more conservative estimate of new state and local tax revenue. State tax revenue alone represents \$2.3 million (61%) of the \$3.8 million total new tax revenue.

Source: DCA, DOR, OCI data, FRC new tax revenue estimate

Exhibit 8 shows GARJA’s estimated fiscal impact from tax years 2018-2023 based on a “low” and “high” estimate of new state and local tax revenue (see description below). This estimate assumed that new state and local tax revenue are not generated until tax year 2020. Additionally, this estimate assumes that all tax credits are claimed by 2023. However, it should be noted that any tax credits not claimed by 2023 can be carried forward indefinitely.

As such, the estimated net cost to the state (\$54.7 million to \$56.3 million) can be spread out over several years beyond 2023.

Exhibit 8 – Net Fiscal Impact, Tax Years 2018–2023

Low Estimate		High Estimate	
Fiscal Impact	Amount	Fiscal Impact	Amount
Forgone Tax Revenue ¹	-\$60,000,000	Forgone Tax Revenue ¹	-\$60,000,000
New Tax Revenue ²	\$3,780,000	New Tax Revenue ²	\$5,360,000
Agency Expenditure	-\$75,000	Agency Expenditure	-\$75,000
Agency Revenue	\$25,000	Agency Revenue	\$25,000
Net Impact	-\$56,270,000	Net Impact	-\$54,690,000

¹ Tax credits can be carried forward indefinitely and may be claimed beyond 2023.

² Assumes new state and local tax revenue is generated beginning in 2020 based on date of investments.

Source: DCA, DOR, OCI data, FRC new tax revenue estimate

Forgone Tax Revenue

Forgone tax revenue represents the amount of revenue that the state will no longer collect from taxpayers who earned a GARJA tax credit. GARJA tax credits can be claimed against state income tax liability (taxes imposed on a taxpayer's income) or against state premium tax liability (taxes imposed on insurance premiums received by insurance companies). Tax credits were earned by rural investors—taxpayers who invested in Rural Funds for investments in rural businesses.

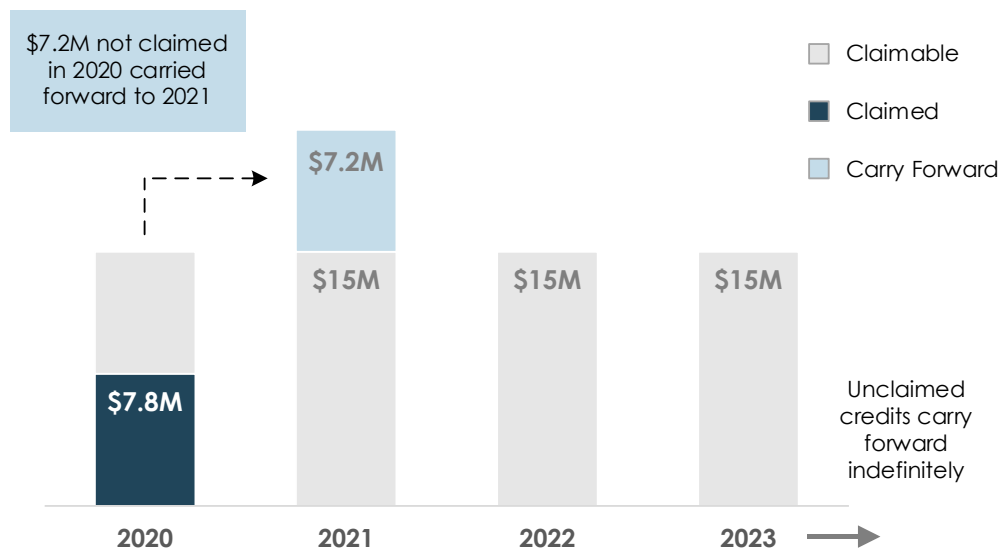
GARJA tax credits will decrease expected tax revenues by \$60 million overall.

Rural investors earned a total of \$60 million in tax credits through the GARJA program. Up to \$15 million of GARJA tax credits are available each year for tax years 2020-2023. Tax credits that are not utilized in a tax year can be carried forward to later tax years.

GARJA tax credits decreased tax revenue by \$7.8 million in tax year 2020.

While \$15 million in tax credits were available in tax year 2020, investors only utilized \$7.8 million in tax credits, with the remaining \$7.2 million to be carried forward to future tax years. As a result, investors may claim up to \$22.2 million in tax credits for tax year 2021 (see **Exhibit 9**). Any available credits not utilized against state tax liabilities in 2021 will carry forward to tax year 2022 and subsequent years until all \$60 million in credits have been utilized.

Exhibit 9 – Credits Available, Claimed, and Carried Forward by Tax Year

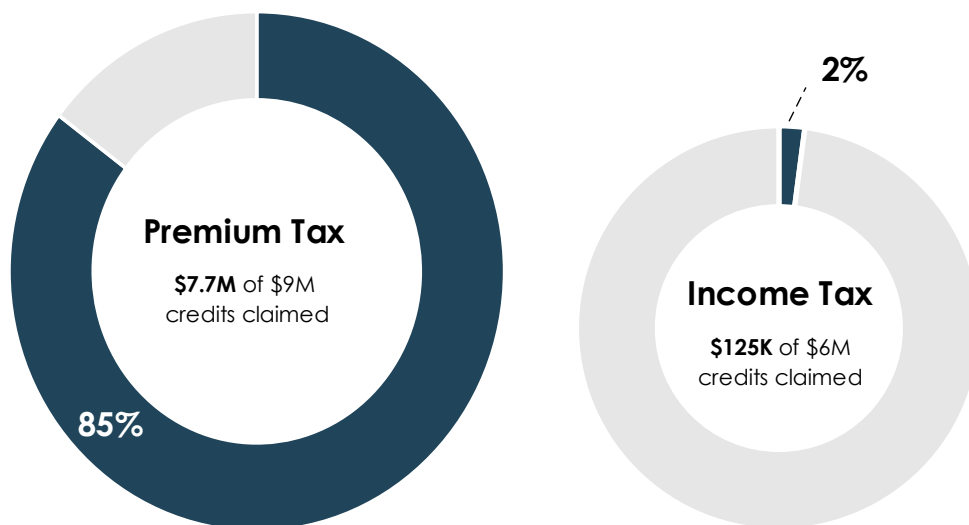


Source: DOR tax return data, O.C.G.A. §33-1-25

GARJA tax credits are claimable against state income tax and state premium tax liability.

Rural investors who received tax credits can claim \$9 million against state premium tax liability and \$6 million against state income tax liability for a total of \$15 million, excluding carryforward. These amounts are based on the total investments provided by each type of taxpayer. As shown in **Exhibit 10**, investors claimed \$7.7 million (85%) of \$9 million in premium tax credits but only claimed about \$125,000 (2%) of \$6 million in income tax credits in tax year 2020.

Exhibit 10 – Utilized Credits by Liability Type (Tax Year 2020)



Source: DOR tax data, OCI tax data

New Tax Revenue

We estimate that GARJA investments generate between \$945,000 and \$1.3 million in new state and local tax revenue each year.

As shown in **Exhibit 11**, we estimate that GARJA investments generate sales, income, and property tax revenues for the state and local governments. Income taxes are the primary source of new state tax revenues (approximately 75%), and property taxes represent the majority of new local tax revenues (approximately 65%). If businesses that received GARJA investments sustain their reported sales revenues, estimated new tax revenues will recur annually.⁹ Increases or decreases in business sales revenues will increase or decrease anticipated tax revenues.

Exhibit 11 – Estimated Annual New Tax Revenues

Low Estimate – \$945,000			High Estimate – \$1.3 Million		
Tax Type	State	Local	Tax Type	State	Local
Income	\$430,000	-	Income	\$620,000	-
Sales	\$150,000	\$125,000	Sales	\$210,000	\$175,000
Property	-	\$240,000	Property	-	\$335,000
Total	\$580,000	\$365,000	Total	\$830,000	\$510,000

All amounts are adjusted to 2020 dollars

All amounts are adjusted to 2020 dollars

Source: FRC new tax revenue estimates

Economists at Georgia State University's Fiscal Research Center (FRC) estimated the tax revenue generated by GARJA investments by applying sales, income, and property tax rates to the low and high estimates of economic

⁹ Business sales revenue represents the amount of net revenue attributed to sales.

impact discussed on pages 15-19. Due to limitations in the available data, an estimated range is presented rather than a single amount.¹⁰ Estimates are based on self-reported business revenues attributable to GARJA investments and tax return data provided by DOR. Amounts are adjusted to 2020 dollars to reflect the year the most recent GARJA investments occurred.

Agency Revenue & Expenditures

Agencies reported total revenues of \$25,000 related to GARJA.

Only one of the three agencies responsible for administering and managing the GARJA tax credit reported revenues associated with the program. Rural funds were required to submit a one-time \$5,000 application fee to DCA when applying to participate in the GARJA program, and all five Rural Funds submitted the \$5,000 application fee in 2018. DCA indicated no exit fees were generated and no tax credits were recaptured. DOR and OCI do not conduct revenue generating activities related to GARJA.

Agencies reported that administering and managing GARJA did not generate additional state expenditures.

DCA, DOR, and OCI indicated that the administration and management of GARJA is accomplished utilizing agency resources and staff that existed prior to the program's creation; as such, the program did not generate new state expenditures. Agencies were asked to provide a cost estimate of existing resources used to administer and manage the program.

- **Department of Community Affairs (Not Provided)** – DCA was unable to estimate the cost of administering GARJA. According to DCA, no employees are dedicated to GARJA; therefore, GARJA-related duties are distributed across five DCA staff to conduct in addition to their other duties. It should be noted that DCA estimated it would need \$175,000 to administer GARJA (covering two positions and associated administrative costs) prior to the passage of the initial GARJA legislation (HB 314) in 2017. However, DCA did not receive an appropriation.
- **Department of Revenue (\$75,000)** – DOR provided an estimated use of resources to establish, administer, and/or manage a new tax credit. This estimate included staff time related to IT implementation and testing, legal affairs and tax policy, and internal training and education. DOR indicated most of these costs were one-time costs occurring the first year and annual costs are negligible.
- **Office of the Commissioner of Insurance (\$0)** – OCI indicated that very few insurance companies were eligible to claim the GARJA tax credit, and as a result the estimated use of agency resources was negligible. GARJA credit administration, tracking, and auditing required less than a week of staff time.

¹⁰ Discussion of data limitations is included in the Economic Impact and Rural Fund Reporting sections of this analysis.

4. Economic Impact Analysis— Fiscal Research Center Analysis

The Fiscal Research Center (FRC) at Georgia State University estimated GARJA’s annual economic impact, which is assumed to be sustained over the next five years.¹¹ FRC developed these estimates using IMPLAN, a widely used economic modeling system, and data from DCA, Rural Funds, and DOR. IMPLAN estimates the impact, or ripple effect, of a change in industry spending or revenue as it works its way through a regional economy. FRC’s analysis uses IMPLAN model data for the year 2017, adjusted to 2020 dollars (the final year of fund disbursement).

FRC’s impact analysis measures changes to each of the following economic measures that GARJA is intended to stimulate. These areas are described below.

- **Output** is the value of production. This includes the value of all final goods and services, as well as all intermediate goods and services used to produce them. IMPLAN measures output as annual firm-level revenues or sales, assuming firms hold no inventory. Estimates of output changes resulting from GARJA are then used to estimate state and local sales tax revenue.¹²
- **Labor income** includes total compensation—wages, benefits, and payroll taxes—for both employees and self-employed individuals. Wage-gain estimates are used to estimate incremental state income tax revenue.
- **Employment** includes full-time, part-time, and temporary jobs, including the self-employed. Job numbers do not represent full-time equivalents, so one individual may hold multiple jobs.

Three changes (effects) comprise the total impact and can be calculated for each area reviewed (output, employment, and labor income).

- **Direct effects** are the changes that initiate the ripple effect. For purposes of this analysis, direct effects are increased firm output (revenue) directly attributable to GARJA and the associated firm employment and labor income supported by this output.
- **Indirect effects** are the economic activity supported by business-to-business purchases in the supply chain for GARJA firms. For example, a GARJA firm purchases raw materials and equipment needed in its manufacturing process. Each of the supplying businesses subsequently spends a portion of the money they receive on their own production inputs, which in turn prompts spending by the suppliers of these inputs. This spending continues but progressively decreases due to “leakages,” which occur when firms spend money on imports (including imports from other states), taxes, and profits.
- **Induced effects** are economic activity that occurs from households spending labor income earned from the direct and indirect activities. This activity results from household purchases on items such as food, healthcare, and entertainment. The labor income spent to generate these effects does not include taxes, savings, or compensation of nonresidents (commuters) because these leave the local economy (leakage).

Data Limitations

The data available to estimate firm revenue attributable to GARJA (direct effect) are limited, and almost all are self-reported. To assist in FRC’s analysis, we requested GARJA-related revenue from firms; however, some firms were not able to provide this information. In addition, tax forms submitted by firms were often missing key elements necessary for revenue estimation.¹³ As such, FRC can only provide a high and low estimate of GARJA’s impact (versus a more precise number), which is calculated using several assumptions about the missing firm revenue. These assumptions are detailed in the Objectives, Scope and Methodology in [Appendix A](#).

Estimated Impact

As shown in **Exhibit 12**, FRC estimates the new economic output attributable to GARJA ranges from \$42.6 million to \$60.4 million annually (summarized for the five industry sectors affected by the program). In both scenarios, this yields a multiplier of 1.81, meaning that for every dollar of new revenue generated by GARJA-supported firms

¹¹ Senate Bill 6 requires economic analyses of tax incentives to evaluate net change in economic activity on annual basis for a five-year period. FRC estimates may be sustained beyond the five-year period.

¹² Note output or firm revenue does not correspond to Georgia gross domestic product (GDP). IMPLAN measures GDP as value added. In order to avoid confusion, measures of output used in this report will be firm level revenue not value added.

¹³ Georgia Form 700—which LLCs and partnerships are required to file—includes “schedule six, line one,” on which the firm should list the annual gross receipts amount. In the DOR data we received, most firms participating in GARJA had not provided this information.

(direct effect) an additional \$0.81 in output is generated throughout the economy, as measured by the indirect and induced effects.¹⁴

Exhibit 12: GARJA Economic Impact Summary

Low Estimate				High Estimate			
Impact Type	Jobs	Labor Income	Output	Impact Type	Jobs ¹	Labor Income	Output
Direct Effect	169	\$7,210,000	\$23,520,000	Direct Effect	245	\$10,620,000	\$33,565,000
Indirect Effect	54	\$3,335,000	\$9,540,000	Indirect Effect	74	\$4,560,000	\$13,050,000
Induced Effect	67	\$3,030,000	\$9,540,000	Induced Effect	97	\$4,365,000	\$13,740,000
Total Effect	290	\$13,575,000	\$42,600,000	Total Effect	415	\$19,545,000	\$60,355,000

Source: IMPLAN model and data

¹Jobs may not total due to rounding

This new output supports a total of 290 jobs in the low estimate and 415 jobs in the high estimate.¹⁵ Many of these are direct jobs attributable to GARJA-supported firms (between 169 and 245). For both the low and high estimate, average labor income per job is approximately \$47,000 based on the employment numbers and labor income in **Exhibit 12**.¹⁶ This is a proxy for wages and suggests that on average the supported jobs are middle income. A detailed breakdown of the industry sector impacts that comprise these summary results is available in [Appendix B](#).

State and Local Tax Revenue

As shown in **Exhibit 13**, new state tax revenue attributable to GARJA ranges from approximately \$580,000 to \$830,000. Local tax revenue ranges from approximately \$365,000 to \$510,000. These calculations are based on three revenue sources, described below.

Exhibit 13: State and Local Tax Revenues

Low Estimate – \$945,000			High Estimate – \$1.3 Million		
Tax Type	State	Local	Tax Type	State	Local
Income	\$430,000	-	Income	\$620,000	-
Sales	\$150,000	\$125,000	Sales	\$210,000	\$175,000
Property	-	\$240,000	Property	-	\$335,000
Total	\$580,000	\$365,000	Total	\$830,000	\$510,000

Source: IMPLAN model and data

- **Income Tax** - New state income tax collections attributable to GARJA range from approximately \$430,000 to \$620,000. State income tax is estimated using average labor income generated by IMPLAN (\$47,000, as described above). Using Georgia DOR tax return data, FRC estimated an average effective tax rate of 3.17% based on adjusted gross income, the DOR income measure that most closely corresponds to IMPLAN average labor income.
- **Sales Tax** - While IMPLAN reports sales tax estimates, the data are not reliable because the model relies on levels of economic activity rather than sales tax rates and tax bases. Given this limitation, FRC estimates state and local sales tax using data from the retail sectors generated by IMPLAN.¹⁷ State sales tax is calculated using the state sales tax rate of 4%, and local sales tax is calculated using a weighted average local sales tax rate of 3.38%. For the low impact scenarios, FRC estimates new state sales tax revenue of \$150,000 and local revenue of \$125,000. For the high estimate scenario, FRC estimates new state sales tax revenue is \$210,000 and local revenue is \$175,000.

¹⁴ The multiplier is calculated by dividing total effect output by direct effect output.

¹⁵ Job estimates represent a one-time increase in direct, indirect, and induced jobs. This number is not expected to increase or decrease significantly over the five-year period and does not recur annually.

¹⁶ Based on a labor income of \$13.6 million for 290 employees (low estimate). This represents the average wages of those employed by the businesses that received GARJA funds (direct effect), as well as those employed by their suppliers (indirect and induced effects).

¹⁷ See the Objectives, Scope, and Methodology for a description of this analysis—including how FRC validated the results.

- **Local Property Tax** - IMPLAN also reports local property tax, but it is not possible to verify these estimates. Many of the firms that received GARJA loans are either agricultural or manufacturing firms and may receive preferential local property tax treatment, either through abatements or favorable assessment methods. To estimate local property tax, FRC adjusted the IMPLAN estimate by the ratio of our sales tax estimate to IMPLAN's estimate. This assumes the IMPLAN estimation errors for sales and property tax will be consistent across the different taxes; as such, the property tax estimate should be treated cautiously. Property tax revenue for the low estimate is \$240,000 and \$335,000 for the high estimate.¹⁸ Georgia does not have a state real property tax, so these estimates are only for local revenue.
- **Other Taxes** - Roughly 78% of Georgia state tax collections are from personal income and state sales taxes. Georgia does collect a host of other taxes that make up the remaining 22%, on average. However due to data limitations and the skewed nature of the personal income distribution represented by the GARJA firm employees, it is not possible provide reliable estimates of these other taxes at this time. For additional discussion, see the Objectives, Scope and Methodology in [Appendix A](#).

Value of Alternative Use

The GARJA tax credits reduce state revenue available to be spent in other ways. Alternatives could include other economic incentives or other policy areas across state government that could also result in direct, indirect, and induced effects, depending on how the uncollected revenue is spent. Such alternative uses should be accounted for in a complete economic impact analysis of the GARJA program. However, having no knowledge of how the General Assembly would otherwise choose to spend uncollected revenue and absent impact analyses on a range of other economic incentives, FRC estimated the impact of using the revenue to fund certain sectors within state government. The scenario presented is not necessarily the preferred alternative use of uncollected revenues but is meant to provide a comparison to the GARJA impact results.

As shown in **Exhibit 14**, if the state had received the forgone revenue associated with GARJA (\$15 million annually in years 3-6 after investment), it would have generated approximately \$29.6 million in output annually over a four-year period. This estimate assumes \$15 million in tax credits are claimed annually. FRC allocated this amount to industry sectors as direct effects based on the sector shares of spending in the state budget. The two largest categories of spending—education (53%) and healthcare (21%)—account for roughly 75% of the budget (see [Appendix C](#) for more detail). Based on FRC's results, for every dollar of state government investment in these budget areas, an additional \$0.97 is generated in the regional economy (a multiplier effect of 1.97).¹⁹

Exhibit 14: Value of Alternative Use Estimate for Government Services

Economic Impact				New Tax Revenue		
Impact Type	Jobs	Labor Income	Output	Tax Type	State	Local
Direct Effect	162	\$8,110,000	\$15,045,000	Sales	\$125,000	\$105,000
Indirect Effect	37	\$1,875,000	\$5,510,000	Income	\$410,000	-
Induced Effect	64	\$2,880,000	\$9,070,000			
Total Effect	263	\$12,865,000	\$29,625,000	Total	\$535,000	\$105,000

Source: IMPLAN model and data

All estimated outputs for the GARJA supported firms are greater than the estimated outputs for value of alternative use. However, due to the very limited firm revenue data available to estimate the GARJA model, this comparison should be made cautiously.

Return on Investment

It should be noted that due to the limitations of the revenue data, estimating return on investment (ROI) would have large margins of error, so FRC could not perform a more detailed analysis of ROI. However, FRC estimates the state tax revenue generated from GARJA is between \$580,000 and \$830,000 (sustained annually), suggesting

¹⁸ See [Appendix E](#) for original IMPLAN estimates.

¹⁹ The multiplier is calculated by dividing total effect output by direct effect output.

it would take at least 72 years for the state to see a positive payback on its \$60 million investment in terms of additional tax revenue.

5. Impact to Public Benefit

GARJA investments provided additional public benefit to rural economies.

In documentation submitted to DCA, Rural Funds provided examples of what they consider to be tangential benefits that can be attributed to the GARJA program. These include:

- **Creation of New Businesses** – Rural Funds reported that approximately one third of businesses had zero employees prior to receiving GARJA investment.
- **Larger Projects** – Several businesses incorporated GARJA investments into a broader capital raise, allowing them to pursue projects that exceeded GARJA’s \$6.5 million investment limit. Examples include expanding bioplastics manufacturing facilities, building assisted living and memory care facilities, and constructing a railcar servicing center.
- **Business Relocation** – At least one business relocated to Georgia from another state to participate in the GARJA program.
- **Job Diversity** – GARJA investments created jobs accessible to workers with varying levels of skill and education. Self-reported wages for created jobs ranged from \$12 per hour to as much as \$240,000 annually. Businesses indicated that many jobs do not require a college degree, and some businesses indicated they plan to employ interns from local schools, which further develops the labor pool.
- **Emergency Relief** – Multiple businesses reported that a portion of GARJA investments provided relief from property damage from hurricanes, halted activity from COVID-19, and loss of product from poor crop seasons.

6. Compliance with Investment Requirements

Generally, DCA appeared to have processes to obtain and review Rural Fund applications, determine business eligibility, and monitor Rural Funds for compliance with investment requirements. DCA indicated, however, that it does not independently verify information submitted by Rural Funds beyond what is required in statute.

- **Rural Fund Eligibility Requirements** – Rural Funds submitted applications and supplementary documentation to DCA, which was used to determine their eligibility. DCA granted each of the five Rural Funds deemed eligible \$20 million in capital investment authority.
- **Business Eligibility Requirements** – Rural funds submitted business information to DCA, which was used to determine business’ eligibility. DCA issued Determination of Eligibility Letters for each of the 33 eligible businesses, which confirmed employee count, business location, and NAICS code for each business.
- **Investment Requirements** – Rural Funds provided DCA with evidence of investment, primarily in the form of bank statements. According to DCA staff, four Rural Funds successfully invested 100% of their capital investment authority within two years, as required by law. One Rural Fund did not initially meet this requirement; however, DCA permitted the fund to enter a cure period, which allowed the fund to invest the full amount of its investment authority.²⁰ Investments in individual businesses complied with the \$6.5 million statutory limit on investments.

²⁰ DCA provides Rural Funds with a six-month cure period to correct identified noncompliance. If Rural Funds fail to invest 100% of their capital investment authority by the required deadline and cannot invest the remaining funds by the end of the cure period, DCA will recapture an amount of tax credits equivalent to the amount of funding that was not invested in eligible businesses. If this amount is 90% or more of a Rural Fund’s total capital investment authority, 100% of tax credits allocated to that Rural Fund’s investors will be recaptured.

7. Rural Fund Reporting

Rural Funds generally complied with reporting requirements, but additional required information is needed to support future evaluations.

O.C.G.A. §33-1-25 and DCA rules establish reporting requirements for Rural Funds that received capital investment authority through GARJA. Rural Funds must submit to DCA an initial report on all investments made in businesses and an annual report thereafter to document investment eligibility and provide job creation and retention information.

Rural Funds submitted initial and annual reports for all 33 business that received GARJA investments as required. Initial reports were generally submitted within the statutorily expected reporting period. Rural Funds submitted the first annual report for all businesses by the required deadline.

Reports included the documentation specified by law and DCA rules. Documentation included in the reports consisted of the following:

- The location of each eligible business that received an investment;
- Bank statements evidencing each investment;
- A copy of written documentation from DCA verifying business eligibility, if applicable;
- The number of jobs created and retained by each investment;
- The average and median annual salary of jobs created and retained by each investment;
- The salary range of jobs created and retained by each investment;
- Documentation of reasonable expenses related to operating a Rural Fund;
- Documentation of any new investments or reasonable expenses related to operating a Rural Fund (annual reports only); and
- Any additional information requested by DCA.

However, reporting requirements could be expanded to support future evaluations/impact analyses of GARJA. In coordination with FRC economists, we identified opportunities to expand and improve data collected on businesses receiving GARJA investments. As discussed below, we identified business revenues, the use of funds, and employment and wage information as areas where additional data would have allowed for a more precise estimate of economic and fiscal impact.

Business Revenues

State law and DCA rules do not require Rural Funds or businesses to report business revenues attributable to GARJA investments. As discussed in [Appendix A](#), business revenue is one of the main inputs for estimating economic impact. We requested business revenue data from Rural Funds, but variations in responses required us to estimate business revenues for a portion of businesses.²¹ DCA should consider including business revenue attributable to GARJA investments in annual reporting requirements, using its existing authority to expand reporting requirements.

Use of Funds

Understanding how businesses use investments to promote growth and job creation improves the accuracy of those investments' estimated impact. For example, unspent firm investment at the time of impact estimation could eventually be used to improve production capacity and increase revenue of the firms. If the unspent amounts are not reported, they cannot be accounted for in the impact models and the results are less precise. Knowing the amount of unspent investment and intended use would provide a greater understanding of the uncertainty surrounding the impact estimates and allows for compensating adjustments. Additionally, detailed use of funds provides a reasonableness check on other reported firm information. Again, DCA should consider including a

²¹ See Objectives, Scope, and Methodology for further information regarding estimating business revenues.

detailed use of funds in initial and annual reporting requirements. Additional reporting becomes particularly important if the General Assembly approves additional GARJA investments.

Employment and Wage Information

Like business revenue, employment and wage information can be used as a primary input to estimate economic impact. While DCA collects information such as the number of jobs created and the average salary of those jobs, DCA acknowledges that it does not independently verify this information. As a result, this information was considered self-reported and less reliable. DCA should consider requiring documentation verifying reported employment and wage information in annual reporting requirements.

8. Use of Other Incentives and Comparison of Other State Programs

The following review of other incentives and the comparison of other state programs were provided by the Fiscal Research Center (FRC) at Georgia State University.

Eligible businesses may qualify for other federal and state tax credit programs and incentives.

As described below, businesses receiving GARJA investments may qualify for other federal and state tax credit programs and incentives. As such, it is difficult to attribute job creation or other economic impacts exclusively to GARJA because such incentives—if also obtained—would also influence the results.

Overlapping federal incentives include the following:

- **New Markets Tax Credit (NMTC)** – Like GARJA and similar programs implemented in other states²², this program offers tax credits to investors who provide capital to community development entities that then invest in qualifying businesses. Between 2003 and 2020, approximately \$26 billion has been allocated to more than 5,300 projects in all 50 states.

Firms eligible to receive NMTC investments are known as “qualified active low-income community businesses,” which operate in low-income communities (represented by approximately 40% of the U.S. census tracts). NMTC proceeds may be used for equipment, operations, or real estate purchase or rehabilitation.

- **Opportunity Zones** – Under the Tax Cut and Jobs Act of 2017, investors can defer or reduce their taxable capital gains (or permanently exclude them from taxation) by reinvesting in Opportunity Funds. The Opportunity Funds then finance existing or start-up businesses in Opportunity Zones, which are areas with lower incomes, higher poverty rates, and higher unemployment rates than non-designated areas. Georgia has 260 Opportunity Zones, of which 106 are in 54 of the 118 counties that are also eligible for GARJA investments (located in Central and South Georgia).

Overlapping state incentives include the following investment and job credit programs, for which GARJA-eligible businesses may qualify.

- **Rural Zone Tax Credit (RZTC)** – The RZTC is designed to promote revitalization of vacant rural Georgia downtowns with credits related to the purchase of qualified properties or rehabilitation expenses. It also has a job credit provision for businesses creating jobs in Rural Zones. These zones are designated based on low population (less than 15,000 residents), economic distress (as evidenced by the poverty rate, downtown vacancies), and concentration of historic commercial structures. However, they do not have to be in rural parts of the state. Georgia has 35 zones, with 25 in GARJA eligible counties.
- **Manufacturer’s Investment Tax Credit (MITC) and Optional Investment Tax Credit (OITC)** – The MITC and OITC offer credits for investment by businesses operating existing manufacturing and telecommunications facilities in the state for three years or more, with the credit rate depending on the tier

²² As described below, other states implemented certified capital company investment programs (CAPCO).

rating of the county where the investment is made. Tier 1 consists of the 71 least-developed counties while the 18 most-developed counties comprise Tier 4. The MITC program requires qualifying investments of at least \$100,000 while the OITC program requires greater investment amounts, from \$5 million in Tier 1 to \$20 million in Tiers 3 and 4, to qualify for credit rates as high as 10 percent of the investment. Of the 118 GARJA-eligible counties, 64 (about 54 percent) are designated Tier 1 for 2021, 26 are Tier 2, 20 are Tier 3, and 8 are Tier 4.

- **Georgia Job Tax Credit (GJTC) and Quality Jobs Tax Credit (QJTC)** – GARJA businesses can qualify for either program (but not both). The GJTC uses the same tier structure described above to target businesses in less developed areas of the state as well as military zones. Credits are specified dollar amounts depending on the tier of the county where the jobs are created and can be earned for up to five years for each new job. The QJTC targets the creation of higher-paying jobs (those that pay at least 110% of the county’s average wage).

Other states have implemented but decided to discontinue programs similar to GARJA.

Eight other states and Washington, D.C., have implemented investment incentive programs similar to GARJA. These programs—known as certified capital company (CAPCO) investment programs—provide tax credits, generally against insurance companies’ premium taxes, for investments in selected investment funds that in turn make loans to, or equity investments in, businesses in the state. In most programs, credits equal 100% of the certified capital invested, which may be taken against tax liability over a period of years, most often beginning two years after the year of the investment. See [Appendix D](#) for a description of each state’s program.

The CAPCO programs varied with regard to the businesses served—targeting, for example, rural areas and/or manufacturing or high-technology industries. Additionally, the CAPCO programs typically limited their funds to start-up or smaller businesses. CAPCO programs also varied in whether limitations were placed on how funds can use the investment proceeds (e.g., on management fees or other expenses), while GARJA required 100% of proceeds to be invested in the eligible businesses. Finally, programs varied on the amount and use of equity investments in the businesses.

Reviews of other states’ programs describe varying levels of success, with some reviews noting that a material portion of funds had not been invested in qualifying businesses. In Florida, for example, only half of the \$150 million invested had gone to the businesses, while the remaining could be used for other purposes such as management fees and professional services. Other reviews noted that a significant number of businesses that had received funds had gone out of business by the time of the review.

None of the CAPCO programs identified—which typically began between 1996 and 2003—are still in operation (i.e., authorized to allocate new credits or certify new funds).²³ Three states authorized new rounds of investment after the first allocation, but later discontinued the program, while two states cancelled second allocation rounds that had been authorized by the original enabling legislation.

²³ Louisiana’s program began in 1983.

Appendix A – Objectives, Scope, and Methodology

Objectives

This report provides an economic analysis of the Georgia Agribusiness and Rural Jobs Act (GARJA) required by O.C.G.A. § 28-5-41.1 (Senate Bill 6). The report provides estimates of fiscal and economic impacts, as well as public benefits resulting from GARJA. In addition, the report discusses compliance with investment and reporting requirements, use of other economic incentives, and similar programs in other states.

This review was conducted in partnership with the Fiscal Research Center (FRC) at Georgia State University.

Scope

The report generally covered GARJA-related activity during tax years 2018-2023, with consideration of earlier or later periods when relevant. Information contained in this analysis was obtained by reviewing relevant laws, rules, and regulations; interviewing agency officials and staff from the Department of Community Affairs (DCA), the Department of Revenue (DOR), and the Office of the Commissioner of Insurance (OCI); analyzing data and reports provided by DCA, DOR, and OCI; reviewing information and evaluations on other states' rural or small business investment programs; and reviewing previous audits and economic analyses conducted by the Department of Audit and Accounts.

We obtained DCA data on all investments made by Rural Funds through GARJA. This included data on Rural Fund and business eligibility, proof of investment, allocation of tax credits, required reporting, and any supplementary information Rural Funds provided to DCA. DCA data on Rural Funds, investments, and recipient businesses spanned tax years 2018-2021. Our assessment of DCA data determined that information related to job creation, job retention, and employee wages was generally self-reported and not verified by DCA.

DCA facilitated our request for additional information to Rural Funds. This included data regarding businesses' use of GARJA funds, amount of funds utilized, new business revenues associated with GARJA investments, and new production/service capacity associated with GARJA investments. This information was also generally self-reported and not verified by DCA.

We obtained DOR tax return data on taxpayers claiming GARJA tax credits against state income tax liability. Tax return data for taxpayers claiming GARJA tax credits was limited to tax year 2020, the first year GARJA tax credits were claimable. At the time of this review, tax year 2020 data was the most recently available data. It should be noted that tax year 2020 data is not considered final because taxpayers who filed for an extension may not be captured. Additionally, taxpayers can submit amended returns for up to three years after the due date. Our assessment of this data determined that it was sufficiently reliable for our analyses.

We obtained DOR tax return data on businesses that received GARJA investments. Tax return data for recipient businesses spanned tax years 2010-2020; however, the majority of business did not have tax return data prior to tax year 2019. It should be noted that GARJA recipient business tax data is not considered final because businesses can submit amended returns for up to three years after the due date. We assessed recipient business tax return data and determined that available tax returns often did not contain information related to business revenues and gross receipts from sales. Given this limitation, FRC relied on self-reported business revenues or estimated business revenues when no data was available.

We obtained OCI annual tax return data on taxpayers claiming GARJA tax credits against state premium tax liability. Tax return data for taxpayers claiming GARJA tax credits was limited to tax year 2020, the first year GARJA tax credits were claimable. At the time of this analysis, tax year 2020 data is the most recently available data. Tax year 2020 data is not considered final because taxpayers can submit amended tax returns after the due date. We assessed GARJA claimed credit data and determined it was sufficiently reliable for our analyses.

Methodology

To estimate fiscal impact, we analyzed net changes in state revenue and expenditures resulting from GARJA.

To estimate the change in state revenue, we reviewed state law, DCA rules, and DCA allocation of tax credit forms to identify the total amount of tax credits earned by taxpayers. We also used this information to identify the period over which credits could be claimed. DOR and OCI tax data were used to identify the amount of tax credits claimed in 2020, as well as the amount carried forward to future tax years.

We reviewed state law, DCA rules, and interviewed staff at DCA, DOR, and OCI to identify potential agency revenue sources. We reviewed DCA financial documents to identify the amount of agency revenue generated by GARJA. DOR and OCI did not have revenue generating activities related to GARJA.

As discussed below, the Fiscal Research Center (FRC) at Georgia State University analyzed changes in economic activity attributable to GARJA. This impact analysis generated an estimate of new tax revenue, which was incorporated into our analysis of net change in state revenue.

To evaluate the change in state expenditures, we interviewed staff at DCA, DOR, and OCI to identify agency expenditures associated with administering GARJA and asked each agency to provide an estimated cost.

To estimate the net change in economic activity, the Fiscal Research Center (FRC) at Georgia State University conducted the economic impact analysis. We provided FRC with DOR tax data for businesses that received a tax credit, as well as all information provided by Rural Funds regarding use of GARJA funds by eligible businesses, amount of funds utilized, new business revenues associated with GARJA investments, and new production/service capacity associated with GARJA investments. FRC used this information and IMPLAN, a widely used economic modeling system, to conduct the economic impact analysis.

Please see the subsequent section for FRC's full methodology and explanation of assumptions.

To identify any net change in public benefit, we reviewed the annual report published on DCA's website and all documentation provided to DCA by Rural Funds. This documentation included data on Rural Fund and business eligibility, proof of investment, allocation of tax credits, required reporting, and any supplementary information Rural Funds provided to DCA (e.g., cover letters, presentations, loan agreements, and other correspondence). Additionally, the information we requested regarding the use of GARJA funds and new production/service capacity provided some documentation of public benefit.

To examine compliance with state laws and agency policies, we reviewed state law and DCA rules to identify requirements related to Rural Fund and business eligibility, investment dates and quantities, initial and annual reporting, and agency approval deadlines. We interviewed DCA staff and reviewed correspondence between DCA and Rural Funds to document DCA's processes for ensuring compliance. We also reviewed DCA's eligibility determination forms, application packages, business information forms, and other supplementary documentation to understand DCA's process for determining Rural Fund and business eligibility. We reviewed the annual report published to DCA's website, loan agreements, and documentation of funds transfers to determine if investments dates and quantities adhered to statutory requirements. We also reviewed all initial and annual reports submitted to DCA for completeness and timeliness. We also examined the documentation to ensure DCA met agency approval deadlines.

To determine how the GARJA program compares to other rural or small business investment programs, the Fiscal Research Center reviewed existing state and federal tax code to identify other tax incentives and programs for which GARJA-eligible businesses may qualify. FRC also reviewed previous economic analyses and audits conducted of similar programs in other states to compare investment limits, tax credit rates and claim periods, and general outcomes of these programs.

Fiscal Research Center (FRC) Economic Impact Analysis Methodology²⁴

To generate the impact estimates, FRC had to identify the GARJA firm industries and determine the amount of new revenue each firm generated due to the program. The firm level data provided by DCA included a six-digit North American Industry Classification System (NAICS) code for each firm. This code is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data. IMPLAN Group, LLC provides a crosswalk of NAICS codes to corresponding IMPLAN sectors, which FRC used to map the NAICS industries to an appropriate sector. FRC's 2017 IMPLAN data has 536 sector codes. The relevant sector matches used are detailed in [Appendix F](#).

Firm Revenue Estimation

FRC used data provided by DCA, Rural Funds, and DOR to determine new revenue due to the GARJA program. This included data regarding businesses' use of GARJA funds, amount of funds utilized, new business revenues associated with GARJA investments, and limited tax returns. Overall, there was limited usable information in the provided data and what could be used was primarily self-reported by the firms. The Department of Audits and Accounts requested GARJA-related revenue from firms; however, some firms were not able to provide this information. In addition, tax forms submitted by firms were often missing key elements necessary for revenue estimation.²⁵ To proceed with impact estimation, FRC had to estimate the firm revenue amounts attributable to GARJA when none were reported. This process is detailed by major industry sector in the following sections. The estimated revenue for firms with no usable information is generated from a small sample of firms with data. Since these small samples could be biased, FRC created an alternative higher revenue estimate for these same firms. The two estimates resulted in two impact scenarios, one using the low estimates as inputs and one using the high estimates as inputs.

There were 11 unique firms that received GARJA loans in the agricultural sector (NAICS code 11). Some of these firms received multiple loans. Of these 11, three provided self-reported revenue estimates to DCA. Four additional firms provided enough information on various forms and applications that FRC could estimate their revenue. The remaining four firms provided no usable data. To estimate revenue for the four firms with no data, FRC calculated the share of revenue to loan amount for the seven firms with revenue data. This share was 30 percent. FRC applied this 30 percent to the loan amounts for the four firms with no data to estimate a low revenue amount for each. FRC estimated a high revenue amount for these same four firms using a revenue to loan share of 50 percent. For the seven firms that self-reported some revenue data, only that revenue amount was used in both low and high impact scenarios.

There were 14 unique firms that received GARJA loans in the manufacturing sectors (NAICS codes 31-33). Again, some firms received multiple loans. Of these 14, two provided self-reported revenue estimates on the requested DCA form. Two firms provided enough information on various forms and applications that FRC could estimate their revenue. Four additional firms provided a minimal amount of data that could be used to estimate revenue. The remaining six firms provided no usable data. To estimate revenue for these six firms, FRC calculated the share of revenue to loan amount for the four firms with the best self-reported revenue data. This share was 55 percent. This includes one firm that moved to Georgia from another state and had all its revenue attributed to GARJA. When this firm is dropped from the calculation, the revenue to loan share becomes 22 percent. The 22 percent share was applied to the loan amounts for the six firms with no usable data to estimate their revenue. FRC also applied the 55 percent share to loan amounts of the same six firms as a high revenue estimate. For the eight firms that self-reported some revenue data, only that revenue amount was used in both low and high impact scenarios.

FRC found five manufacturing firms in the DOR data with gross receipts for years 2019-2020. Two of the five firms also provided a revenue estimate on DCA forms. These estimates were 25 percent and 21 percent of the firm loan values, which is close to the revenue to loan share of 22 percent that FRC used to generate the low estimate.

²⁴ For the purpose of their economic analysis, FRC combined two affiliated firms that DCA considered separate firms. As a result, the count of firms discussed in their methodology and associated appendix is a total of 32.

²⁵ Georgia Form 700—which LLCs and partnerships are required to file—includes "schedule six, line one," on which the firm should list the annual gross receipts amount. In the DOR data we received, most firms participating in GARJA had not provided this information.

For the other three firms, estimated revenue ranged from 12 to 20 percent of loan value for the low revenue estimate and 44 to 50 percent for the high estimate. These results provide some suggestive evidence that the lower revenue estimate is likely to be more appropriate for the manufacturing firms than the high estimate.

There were three unique firms that received GARJA loans in the transportation and warehousing sectors (NAICS codes 48-49). Some firms received multiple loans. All three firms provided self-reported revenue estimates on the requested DCA form, which FRC used in both low and high impact scenarios.

There were two unique firms that received GARJA loans in the healthcare sector (NAICS code 62). Some of these firms received multiple loans. One firm reported it had no revenue in 2020, but it did report anticipated future revenues which FRC used as a high revenue estimate. Another firm used its funds to purchase existing healthcare providers, which FRC assumed generated no new revenue as the low estimate. FRC assumed that there was some growth and efficiencies due to the acquisitions and the high revenue estimate for this firm reflects those.

There were two unique firms that received GARJA loans in the hospitality sector (NAICS code 71). One of these firms was reported as a beer manufacturer but a review of the associated documents showed it is attached to a brew pub with the same ownership, and this second firm supplies the brew pub with beer. For this reason, FRC changed the firm NAICS classification to hospitality. Both firms provided data that allowed for estimates of revenue. These revenue figures were used in both the low and high impact scenarios.

As part of the evaluation process, firms were asked to provide detailed information on how the GARJA loans were used. Eighty-four percent of firms, representing 79 percent of the total amount of the GARJA loans responded to the inquiry. Most funds were used for capital investments such as the purchase of land, buildings, or equipment. Twelve percent was used to pay down debt and 34 percent was used for other purposes such as purchasing supplies and hiring employees. Debt service payments were excluded from the factors used to estimate annual new firm revenue attributable to GARJA.

Low and high impact scenario results by industry group can be viewed in [Appendix B](#) along with a summary table of high and low revenue used as inputs. When aggregated, these impact results provide the summary results for the low and high impact scenarios presented in this report.

Tax Revenue Estimation

State income tax is estimated using average labor income generated by IMPLAN. For both the low and high impact scenarios, this was roughly \$47,000. Using Georgia DOR tax return data, FRC estimated an average effective tax rate of 3.17 percent using adjusted gross income, the DOR income measure most closely corresponding to IMPLAN average labor income.

IMPLAN reports sales tax estimates, but these are not reliable. The model relies on levels of economic activity to generate them rather than sales tax rates and tax bases. FRC estimated state and local sales tax using data from the retail sectors generated by IMPLAN. IMPLAN only reports the net retail margin, so FRC adjusted the revenue estimates by the retail margin for each sector to generate a complete taxable revenue amount. This adjustment is necessary, as sales tax is charged on the full price of the goods sold, which is both the price paid to the supplier and the retail margin. State sales tax is calculated using the state sales tax rate of 4 percent and local sales tax is calculated using a weighted average local sales tax rate of 3.38 percent.

To provide a check on the estimates of state income and sales tax, FRC examined total state collections for FY 2018, which roughly corresponds to the 2017 calendar year of their IMPLAN data. IMPLAN provides an estimate of total state firm revenue, which FRC used to calculate a share of income and sales taxes to revenue. For instance, IMPLAN estimates that Georgia firms generated roughly \$1 trillion in revenue, corresponding to \$566.12 billion in Georgia gross domestic product in CY 2017. Georgia collected roughly \$6 billion in sales tax and \$11.6 billion in income tax in FY 2018. This generates sales and income tax shares of total business revenue of 0.59 percent and 1.16 percent respectively. FRC compared these shares to those estimated based on the revenue generated from the new economic activity attributable to GARJA. The GARJA sales and income tax shares of revenue are 0.35 percent and

1.01 percent respectively. FRC concluded that this comparison is suggestive evidence that their estimates are reasonable.

Local property tax is also reported by IMPLAN, but it was not possible for FRC to verify these estimates with any confidence. Many of the businesses that received GARJA loans are either agricultural or manufacturing firms and may receive preferential local property tax treatment, either through abatements or favorable assessment methods. To provide some ballpark estimate of local property tax, FRC adjusted the IMPLAN estimate by the ratio of their estimate of sales tax to the IMPLAN estimate of sales tax. The idea is that the IMPLAN estimates of sales and property tax errors will be consistent across the different taxes. Given this assumption the estimate for property tax should be treated cautiously.

On average Georgia collects roughly 22% of its total tax revenue from other taxes. Two taxes in particular make up about half of the 22%, corporate income tax and Title Ad Valorem Tax (TAVT). For the corporate income tax, based on the DOR data reviewed, the GARJA firms generally showed losses. Thus, we would expect very little new revenue to be generated. For the TAVT, the income distribution for the new employees of GARJA firms skewed to middle income jobs so TAVT collections would likely also skew lower, as high-end vehicles contribute considerably to this revenue source. Thus, it would seem that other tax collections would likely be considerably lower than the Georgia average based on the full state income distribution. Additional estimates on the income ranges of the new GARJA employees would be needed to better narrow these estimates.

Result Validation: Analysis of Self-Reported Data

To validate the IMPLAN employment results, FRC's initial approach was to rely on data from the Georgia Department of Labor (GDOL) Quarterly Census of Employment and Wages (QCEW). This approach proved to be limited as several of the firms receiving loans had multiple establishments or related enterprises. Thus, it was not clear from the GDOL data if reported employment changes were attributable to a GARJA loan or some other activity by the firm. For this reason, FRC used the self-reported figures provided by the firms in response to inquiries from DCA.

Thirteen GARJA firms report an increase in employment, while 4 report no change in employment. Fifteen firms provide no information on the change in employment. Of those firms reporting an increase, the average increase per firm equaled 10 employees. The smallest increase equaled one new employee and the largest increase equaled 22 employees. The median change in employment among the 13 firms was 7. Overall, 124 jobs were reported as created due to the GARJA loans.

The number of self-reported jobs created are of similar magnitudes as those estimated using the IMPLAN model. For instance, the average number of direct jobs created per firm in the IMPLAN estimation is roughly 6-8 in the manufacturing and agriculture sectors (see [Appendix B](#)). If it is assumed that the 15 firms that did not report employment gains in fact had similar gains to those that reported, it is possible that roughly 225-250 jobs were created as a high estimate. These self-reported figures are similar to the range of 169-245 direct jobs created from the low and high IMPLAN impact scenarios.

Based on the data reported to DCA on Business Investment Certification forms, the estimated increase in employment averaged 10, ranging between 0 and 80. Overall, the total employment equaled 696 for firms that reported new employment as well as their employment levels prior to GARJA.

Using the salary information reported by the firms for the created jobs, FRC compared the GARJA average annual employment income to that of firms across all GARJA-eligible rural counties in Georgia in 2019 (**Exhibit 15**). FRC found that GARJA firms operating in the agriculture sector self-reported paying higher than average wages compared to the average rural agricultural firm. This was also true across all industries on average but was not the case for the manufacturing firms. Manufacturing firms receiving GARJA investments reported paying average annual wages that were less than the average across all rural GARJA eligible counties.

Exhibit 15: Average Annual Salary

	GARJA Firms	All Rural Counties
Agriculture	\$46,820	\$41,358
Manufacturing	\$34,809	\$45,514
All Industries	\$41,366	\$38,611

Source: GDOL, 2019 Quarterly Census of Employment and Wages (QCEW)

The IMPLAN estimates for labor income per direct job are more in line with the averages for all rural counties. For instance, average income per direct job in the agriculture sector is roughly \$36,000 and \$46,500 in manufacturing (see [Appendix B](#)). This is to be expected as IMPLAN calibrates its models on aggregate state and national wage and employment data. Again, the self-reported wage estimates are of similar magnitudes to those estimated by IMPLAN.

In summary, this analysis provides additional support for the economic impact analysis done with IMPLAN. In IMPLAN, job creation flows from the initial estimates of new firm revenue. Thus, the similarities between the self-reported jobs created and the IMPLAN estimated jobs created are supportive evidence that the revenue assumptions that drive the IMPLAN results were reasonable and are of the correct order of magnitude. The IMPLAN estimates of additional indirect and induced employment and output and the state and local tax estimates all are derived from the initial revenue estimates and thus should be found reasonable as well.

Appendix B – Economic Output Industry Tables²⁶

Low Estimates

Agriculture

Impact Type	Jobs	Labor Income	Output
Direct	60	\$2,170,000	\$4,330,000
Indirect	7	\$325,000	\$885,000
Induced	16	\$710,000	\$2,235,000
Total	83	\$3,205,000	\$7,450,000

Manufacturing

Impact Type	Jobs	Labor Income	Output
Direct	88	\$4,075,000	\$16,545,000
Indirect	38	\$2,505,000	\$7,340,000
Induced	42	\$1,900,000	\$5,970,000
Total	167	\$8,480,000	\$29,855,000

Transportation & Warehousing

Impact Type	Jobs	Labor Income	Output
Direct	14	\$740,000	\$1,900,000
Indirect	7	\$405,000	\$1,005,000
Induced	7	\$330,000	\$1,035,000
Total	29	\$1,475,000	\$3,940,000

Hospitality & Related

Impact Type	Jobs	Labor Income	Output
Direct	7	\$230,000	\$750,000
Indirect	2	\$100,000	\$315,000
Induced	2	\$95,000	\$295,000
Total	11	\$425,000	\$1,360,000

Healthcare

Impact Type	Jobs	Labor Income	Output
Direct	0	-	-
Indirect	0	-	-
Induced	0	-	-
Total	0	-	-

High Estimates

Agriculture

Impact Type	Jobs	Labor Income	Output
Direct	86	\$3,120,000	\$5,460,000
Indirect	7	\$355,000	\$980,000
Induced	22	\$990,000	\$3,115,000
Total	115	\$4,465,000	\$9,555,000

Manufacturing

Impact Type	Jobs	Labor Income	Output
Direct	115	\$5,570,000	\$23,480,000
Indirect	53	\$3,475,000	\$10,065,000
Induced	58	\$2,610,000	\$8,215,000
Total	226	\$11,655,000	\$41,760,000

Transportation & Warehousing

Impact Type	Jobs	Labor Income	Output
Direct	14	\$740,000	\$1,900,000
Indirect	7	\$405,000	\$1,005,000
Induced	7	\$330,000	\$1,035,000
Total	29	\$1,475,000	\$3,940,000

Hospitality & Related

Impact Type	Jobs	Labor Income	Output
Direct	7	\$230,000	\$750,000
Indirect	2	\$100,000	\$315,000
Induced	2	\$95,000	\$295,000
Total	11	\$425,000	\$1,360,000

Healthcare

Impact Type	Jobs	Labor Income	Output
Direct	23	\$960,000	\$1,975,000
Indirect	4	\$225,000	\$690,000
Induced	8	\$345,000	\$1,080,000
Total	35	\$1,530,000	\$3,745,000

Sector Revenue and Loan Estimates

Sector	NAICS Code	Low Revenue Estimate	High Revenue Estimate	Investment Amount	Number of Unique Firms
Agriculture	11	\$4,330,000	\$5,460,000	\$23,905,000	11
Manufacturing	31-33	\$16,545,000	\$23,480,000	\$50,450,000	14
Transportation and Warehousing	48-49	\$1,900,000	\$1,900,000	\$18,000,000	3
Healthcare	62	-	\$1,975,000	\$7,550,000	2
Hospitality & Related	71	\$750,000	\$750,000	\$1,250,000	2
Total		\$23,525,000	\$33,565,000	\$101,155,000	

²⁶ Estimates have been rounded for comparability purposes

Appendix C – Value of Alternative Use & Distribution of State Expenditures

Approximate Distribution of State Expenditures

Category	Percentage	IMPLAN Codes	IMPLAN Sector Descriptions
Education	53%	472 & 473	Elementary and secondary schools; Junior colleges, colleges, universities, and professional schools
Healthcare	21%	478	Outpatient care centers
Public Safety	8%	463 & 467	Correctional facility operation on a contract or fee basis; Investigation and security services
Transportation	7%	449	Architectural, engineering, and related services
Economic Development	4%	436	Other financial investment activities
State Governance, Administration, and All Other	7%	439	Funds, trusts, and other financial vehicles

Source: FRC's review of the Office of Planning and Budget's Budget-in-Brief for fiscal year 2019

Appendix D – Other State Programs Table

Overview of FRC's Review of Other State Programs

State	Enacted	Authorized	Credit Rate	Terms ¹ Years	Subsequent Developments
Alabama	2003	\$200M	100%	3 – 10	2 nd \$100 million program enacted in 2007
Colorado ²	2001	\$100M	100%	3 – 12	Initially authorized in 2 tranches of \$100 million each, 2 nd tranche to be allocated in 2004 cancelled by governor
Florida	1998	\$75M	100%	3 – 12	Initially authorized in 2 tranches of \$75 million each; 2 nd tranche cancelled by governor in 2003; law repealed effective Dec. 31, 2010
Georgia	2018	\$100M	60%	3 – 6	
Louisiana ³					
Income Tax	1983	\$630M	35%	1	Program expired; no capital certified after December 31, 2003
Premium Tax			110%	1 – 12	
Missouri ⁴	1996	\$140M	100%	1 – 10	Authorized in 2 tranches of \$50 million, the 2 nd for 1998, and a 3 rd tranche of \$40 million for 2000
New York	1997	\$400M	100%	1 – 10	Initial program authorized for \$100 million; 4 subsequent programs in 1999-2005 authorized a total of \$300 million more
Texas	2003	\$400M	100%	3 – 6	Initial program authorized for \$200 million, 2 nd \$200 million program enacted in 2007
Wisconsin	1998	\$50M	100%	1 – 10	
Washington, D.C.	2003	\$50M	100%	4 – 7	

¹ Credit terms are most recent applicable. Rate is the total credit as a percent of the investment; years indicates the period from allocation or certification over which credits may be initially claimed, e.g., 12.5% per year in years 3-10 for Alabama.

² Colorado's program allocated \$100 million of credits in April 2002, but this resulted in only \$40.5 million available for investment in qualified businesses. \$44.3 million was set aside to secure loans to funds from insurers, \$11.3 million was used for CAPCO start-up costs, and \$3.9 million went to CAPCO management fees and expenses.

³ Louisiana enacted a CAPCO income tax credit in 1983 and added a premium tax credit in 1984, but CAPCOs did not raise certified capital until 1988. Investment total is through 2000, the latest figure available. Income tax credit rate is up from 25% in 1983 law. 1984 law set premium tax credit rate at 200%, allowed immediately; 1989 law reduced rate to 120%; current rate set in 1998.

⁴ Missouri's program was authorized for \$140 million of investment in (loans to) CAPCO funds and associated credits, but only \$89 million was invested in portfolio businesses. \$56 million was invested in zero-coupon US Treasury securities as collateral for the loans and the \$35 million balance would go to CAPCO management fees over ten years.

Appendix E – IMPLAN Original Tax Estimate

IMPLAN Original Tax Estimate

Tax Type	Low Estimate	High Estimate
Personal Income Tax	\$275,000	\$395,000
Sales Tax	\$450,000	\$665,000
Property Tax	\$395,000	\$580,000
IMPLAN Total	\$1,120,000	\$1,640,000

FRC Adjusted Estimate²⁷

FRC State and Local	\$945,000	\$1,340,000
Percent of IMPLAN Total	84%	82%

²⁷ There is substantial variation in tax bases, tax rates, and other tax policy across state and local governments. IMPLAN does not account for this variation when providing estimates, so FRC implemented an alternate estimation strategy to develop their estimate. The original IMPLAN results are included in the table above for transparency purposes.

Appendix F – IMPLAN Sector and NAICS Crosswalk Table

Company	2 Digit NAICS	6 Digit NAICS	NAICS Sector	IMPLAN Code	IMPLAN Description
1	11	111332	Grape Vineyards	4	Fruit Farming
2	11	111411	Food Crops Grown Under Cover	6	Greenhouse, Nursery, and Floriculture Production
3	11	111421	Nursery and Tree Production	6	Greenhouse, Nursery, and Floriculture Production
4	11	112110	Beef Cattle Ranching and Farming	11	Beef Cattle Ranching and Farming, Including Feedlots and Dual-Purpose Ranching and Farming
5	11	112111	Beef Cattle Ranching and Farming	11	Beef Cattle Ranching and Farming, Including Feedlots and Dual-Purpose Ranching and Farming
6	11	112111	Beef Cattle Ranching and Farming	11	Beef Cattle Ranching and Farming, Including Feedlots and Dual-Purpose Ranching and Farming
7	11	112111	Beef Cattle Ranching and Farming	11	Beef Cattle Ranching and Farming, Including Feedlots and Dual-Purpose Ranching and Farming
8	11	113310	Logging	16	Commercial Logging
9	11	115114	Postharvest Crop Activities	19	Support Activities for Agriculture and Forestry
10	11	115114	Postharvest Crop Activities	19	Support Activities for Agriculture and Forestry
11	11	115115	Farm Services Management	19	Support Activities for Agriculture and Forestry
12	11	115116	Farm Services Management	19	Support Activities for Agriculture and Forestry
13	31	312120	Breweries	108	Breweries
14	32	321992	Prefabricated Wood Building Material	144	Prefabricated Wood Building Manufacturing
15	32	326199	All Other Plastics Product Manufacturing	195	Other Plastics Product Manufacturing
16	32	327320	Ready-Mix Concrete Manufacturing	206	Ready-Mix Concrete Manufacturing
17	33	331318	Other Aluminum Rolling, Drawing, Extruding	224	Other Aluminum Rolling, Drawing and Extruding
18	33	332311	Prefabricated Metal Building and Component Manufacturing	237	Prefabricated Metal Buildings and Components Manufacturing
19	33	332320	Ornamental and Architectural Metal Products Manufacturing	237	Plate Work Manufacturing
20	33	333120	Construction Machinery Manufacturing	264	Construction Machinery Manufacturing
21	33	336214	Travel Trailer and Camper Manufacturing	349	Travel Trailer and Camper Manufacturing
22	33	336320	Motor Vehicle Electrical and Electronic Equipment Manufacturing	351	Motor Vehicle Electrical and Electronic Equipment Manufacturing
23	33	337110	Wood Kitchen Cabinet and Countertop Manufacturing	368	Wood Kitchen Cabinet and Countertop Manufacturing
24	33	337110	Wood Kitchen Cabinet and Countertop Manufacturing	368	Wood Kitchen Cabinet and Countertop Manufacturing
25	33	337122	Nonupholstered Wood Household Furniture Manufacturing	367	Nonupholstered Wood Household Furniture Manufacturing
26	33	339999	All Other Misc Manufacturing	394	All Other Miscellaneous Manufacturing
27	33	339999	All Other Misc Manufacturing	394	All Other Miscellaneous Manufacturing
28	48	488210	Support Activities for Rail Transportation	414	Scenic and Sightseeing Transportation and Support Activities for Transportation
29	48	488210	Support Activities for Rail Transportation	414	Scenic and Sightseeing Transportation and Support Activities for Transportation
30	49	493110	General Warehousing and Storage	416	Warehousing and Storage
31	62	621210	Offices of Dentists	476	Offices of Dentists
32	62	623312	Assisted Living Facilities for the Elderly	483	Nursing and Community Care Facilities
33	71	713930	Marinas	496	Other Amusement and Recreation Industries