Special Meeting Minutes
Incentive Evaluation Commission
Nov. 10, 2016
Oklahoma State Capitol
Rm. 419-C, 2:00 p.m.
Oklahoma City, Oklahoma

A meeting notice was filed with the Secretary of State and an agenda posted in accordance with the Open Meeting Act.

MEMBERS PRESENT:
Ron Brown, Layperson
Jim Denton, Auditor of Private Firm
Carlos Johnson, Certified Public Accountant
Dr. Cynthia Rogers, Economist
Lyle Roggow, President of the OK Professional Economic Development Council
Secretary Doerflinger, Ex Officio; Non-voting
Commissioner Cash, Ex Officio; Non-voting
Secretary Snodgrass, Ex Officio; Non-voting

MEMBERS ABSENT: None.

GUEST SPEAKERS:
Jeff Clark, [Tax Credit for Electricity Generated by Zero Emission Facilities]
Richard Mosier, [Tax Credit for Electricity Generated by Zero Emission Facilities]
Senator Mike Mazzei, [Tax Credit for Electricity Generated by Zero Emission Facilities]
Jonathan Small, [Tax Credit for Electricity Generated by Zero Emission Facilities]
Sandra Shelton, [Excise Tax Exemption on Aircraft Sales]
Michael Patterson, [Industrial Access Road Program]
Brien Thorstenberg, [Industrial Access Road Program]
Devon Sauzek, [Oklahoma Capital Investment Board]
Thomas Harlan, [Oklahoma Capital Investment Board]
Tava Maloy Sofsky, [Oklahoma Film Enhancement Rebate]
Lance Gill, [Oklahoma Film Enhancement Rebate]

STAFF/GUESTS:
Denise Northrup, OMES Chief Operating Officer
Michael Baker, OMES Public Information Officer
Beverly Hicks, OMES Recording Secretary
Randall Bauer, PFM
Jim Joseph, State Bond Advisor
Jordan Perdue, State Bond Advisors Office
Elizabeth Osburn, TRC
Nina Bennet, PFM
John Cape, PFM

Travis James, TXP
Mary Ann Roberts, OK Tax Commission
Sharon R. Sitzman, OK Tax Commission
Jeremy Stoner, OK Finance Authority
Shawn Ashley, eCapitol

1. **Call to order and establish a quorum. [Lyle Roggow, chairman]**

   The meeting was called to order by Chairman Roggow at 2:00 p.m. A roll call was taken and a quorum was established. He was advised that notice of the meeting was given and an agenda posted in accordance with the Open Meeting Act**.**

2. **Discussion and possible action on the 2016 11 Incentives:**

   A sign-in sheet was passed around for those who did not have the opportunity to request to speak in advance. Ms. Sandra Shelton with the Oklahoma Aeronautics Commission and Jonathan Small, President of the Oklahoma Council of Public Affairs, were the only two that signed up to speak the day of the meeting.

   Each speaker was reminded of their 3-minute time limit.

☐ **Discussion and possible action on Aerospace Incentives:**

   a) **Tax Credit for Tuition Reimbursement for Aerospace Employers**
   b) **Tax Credit for Aerospace Employees**
   c) **Tax Credit for Compensation paid by Aerospace Employers**

   Mr. Denton moved to table the three incentives to the next meeting. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

   Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

☐ **Discussion and possible action on Tax Credit for Electricity Generated by Zero Emission Facilities.**

   Guest Speaker:
   Mr. Clark, Executive Director of the Wind Coalition, spoke to the fact that the taxpayers of Oklahoma should get what they pay for and his assessment of the report by PFM (Public Financial Management, Inc.), is that they are getting about a third of what they pay for. There is a lot of information on cost and very little information about the benefit. There is not a lot of information on what other states are doing to be competitive with Oklahoma for wind.
   The report overlooked the impacts on the economy in terms of overall investment, for example job counts. Mr. Clark does not understand why this number was so low in the report, and determined it probably only reported jobs that were onsite in operational arms while excluding construction jobs and maintenance jobs that are often contracted through vendors who manufacture and sell wind turbines.

It overlooked the local economic impacts; it did not talk much about the landowner payments that flow in the communities to landowners; their projects are built on private land.
It talked very little of over a billion dollars of waste in public education over the life of the projects, but mentioned other credits. All incentives should be held to the same criteria.
The assessment looked at the short-term impacts and not the long-term benefits on projects of thirty years or longer.
It glossed over the more than two million dollars in savings to ratepayers. The figures provided from OG+E, PSO and GRDA say they are saving by using wind power.
There was no mention of companies that are moving to Oklahoma that have taken advantage of wind power, like Google, who opened a data center in Pryor, OK.
It did not show the inner play between natural gas and wind. He believes the state is sitting on a gold mine and that too much of the power is imported from other places. The report misses that the State of Oklahoma can power itself with the wind and gas it has.
It focuses too heavily on the clean line transmission project. They have worked through the years and continue to work with the Legislature to phase out their incentives. That project stands to bring $7 billion worth of investment to Oklahoma. They will continue to work with this body but do not feel the report is a healthy start to a constructive dial.
The total dollars of property tax that will be paid is $1.2 billion over the life of projects. In his written comments he included a report by an economist from OSU through the State Chamber.
He would argue that when money flows to school districts for education, you are guaranteed that the money goes to education, whereas if you throw it into the general revenue of the state you do not know where it will end up. They are happy with the contributions that they have made and giving up the ad valorem exemption, and are in the process of phasing out all of the wind incentives in Oklahoma which is healthy to do. As previously stated, every other incentive for everyone in the room ought to be called to the same criteria.

Guest Speaker:
Mr. Mosier, with Wind Waste Inc., made known his support of the report of the PFM (Public Financial Management, Inc.) group regarding this specific tax credit. Historically, the tax credit was passed in 2001. At the time the state budget impact was estimated to be $2 million a year, as indicated by the PFM report. The 2014 tax year, $113 million in zero emissions tax credit, claimed or collected. At the end of 2014, there were 3,134 megawatts of capacity in Oklahoma. Today, at the end of the third quarter of 2016, there are 5,453 megawatts of capacity that are currently generating in the state. An additional 1,194 megawatts are currently under construction. A 112 percent increase from the amount of production capacity that created a $113 million in impact on the state budget. Southwest Power Pull has over 12,000 megawatts of applications for interconnect agreements for wind farms to be placed in the state. The tax credit was established to reach the renewable energy goals in the state, was intended to generate additional economic activity and create tax revenue in excess of the amount of the incentive that was created. The report showed that it is not doing the latter and surpassed the former goals several years ago and now almost 20 percent of the electricity generated in the state is generated from wind. The savings that the wind industry requests that you consider are based on calculations using the estimated price of natural gas 30 years from now (which they do not know). It is clear

that wind energy is displacing natural gas as a producer of electricity, not working in concert with it.

The tax credit has lost its usefulness to the state, due to the lion's share of new production coming on line being sold out of state to electrical providers to be used by out-of-state consumers.

Guest Speaker:

Senator Mazzei stated he was appreciative of the hard work from Governor Fallin and Secretary Doerflinger for the steps of legislation that established the Incentive Evaluation Commission and the important work of analyzing the numerous special interest tax incentives that are now in the statutes. As chairman of the Senate Finance Committee, for the past 10 years he has grown increasingly concerned and troubled by the ballooning cost of this tax credit. The concern is shared by many elected officials and citizens throughout the state. He applauds the Commission for selecting the tax credit program as one of the first incentive programs to be evaluated. He became increasingly alarmed by the growing cost of the tax incentive during his senate tenure and found it difficult to formulate an appropriate cost benefit analysis for lack of adequate information. His dilemma was solved by the Commission's decision to choose PFM as the consulting firm providing analysis work of the tax incentive programs.

Senator Mazzei has an extensive background in financial planning and financial analysis. He owns a financial planning company in Tulsa, Ok, consisting of 21 employees, is a certified financial planner and holds a Master's of Science degree in financial planning. With that in mind, he can state that the PFM group has provided excellent work on each of the evaluation reports. He has advocated the importance of judging each tax incentive by comparing the cost to the benefit. In the end, taxpayers should only be investing in programs that create significant benefits in terms of jobs, economic growth and tax revenue. The cost benefit calculation provided by PFM has been very helpful. The analysis points out the fact that the cost of the Zero Emissions Facilities program in 2014 was $113 million and exceeded the benefits accruing to the state in terms of economic impact and tax revenue. Some positive benefits result from the state's wind farm facilities. The PFM project correctly states in the executive summary positive benefits do not come close to the foregone revenue from the state's production tax credit. The direct economic benefit from the wind power facilities in 2014 was estimated to be $84 million with only $18.6 million in tax revenue, which must be compared with the cost of almost $113 million. From his perspective, these numbers reflect a very poor return on investment that the state can no longer afford. He respectfully asked the members of the Commission vote to approve the analysis report by PFM and further encourage each member of the 27th legislature to read the report and support legislation regarding the wind power tax credit in 2017.

Guest Speaker:

Mr. Small is president of the Oklahoma Council of Public Affairs, known as the state's free market think tank, a non-profit that is funded by donations from Oklahomans. He addressed the Commission letting them know he was disappointed in the report because it did not go far enough. However, he believes it is a great start and would agree with the recommendations in the report.

He made known the importance of what taxpayers want lawmakers to know, and finds it insulting that a report of property tax revenues includes what Oklahomans reimburse in the ad valorem reimbursement fund in its calculation. Lawmakers take credit for the actual taxes that are paid back by Oklahomans. Taxes should be fair. In looking at the revenues that were paid out for the Zero Emissions Tax Credit, it appears the wealth from some Oklahomans is being redistributed to others. The report shows the benefit is not exceeding the cost. The current credit as it exists is endangering the state budget. It is requiring state lawmakers to look at taxing average Oklahomans more every day.

He stated that the results on Tuesday, Nov. 8, are sending a very clear message to policy makers across the country. The voters are tired of crony capitalism, their wealth being redistributed to a few special interest who can afford lobbyist that can roam the halls of the Capitol while they are at their jobs during the day and try to figure out how to make sure teachers are paid more. $113 million represents a $5,000 pay raise for half of the k – 12 public school teachers in the state. Yet Oklahomans were faced with having to raise their sales taxes 22 percent, the highest in the country. U.S. corporate giveaways, like those given to the wind industry and others that benefit from the Zero Emissions Tax Credit, continue.

Mr. Small recommended to cap today's credits at no more than $15 million a year (just as has been done with the marginal wells project) and prevent them from accumulating beyond it in the future, and to require reporting so that the numbers can be projected by the legislature.

The issue is about fairness, and the boldness of the Commission is appreciated in addressing the issue. The report did not take into account the economic secondary effects of taking from one taxpayer and their benefits to the economy and giving it to another. In closing, Mr. Small recommended his approval of the PFM report.

Dr. Rogers stated that her personal take on the incentives is that there are some benefits that she pushed for in the beginning for the environmental impact of using renewable energy versus fossil fuels that were left out. Although the decision was made not to include them because the Commission does not have a firm handle on it, she would like for Commissioners to stress that they did not really evaluate the non-wind renewable energy credits; the analysis was not there and she would be hesitant to eliminate the opportunity to leverage expansion into those, in terms of recommendations that PFM made. She would like to make sure that they are very specific about what they are doing with the wind part of this and what they are allowing to continue for the rest.

Mr. Bauer said that the discussion and recommendation suggests that non-wind, which is primarily solar and geothermal, could continue up to the existing legislative sunset. Those industries are in their infancy and currently make about 12 percent of the generation.

Dr. Rogers asked if they would be looked at again before the sunset. Mr. Bauer said no. She suggested that they should revisit those programs and modify the recommendation on terms of that part.

Mr. Denton moved to table. Mr. Johnson seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

☐ **Discussion and possible action on Excise Tax Exemption on Aircraft Sales.**

Guest Speaker:
Ms. Shelton, representing the Oklahoma Aeronautics Commission, made those present aware of ‘charter abuse.’ The needs for the Oklahoma airport system, including the three primary commercial service airports, for the next 20 years total $1.8 billion. The anticipated revenue based upon the average for the last seven years from all sources, state, federal and local, for the next 20 years is a staggering $1 billion. Though a difficult issue and not without controversy, Oklahoma City feels that they have a responsibility to recommend some course of action to the Legislature. To do nothing when confronted with such a challenge is like the person who does not plan to fail, just fails to plan. There is no evidence from their agency’s history, some very recent, that they could rely upon general appropriations to meet the needs. The three sources of revenue from aircraft owners and pilots that use their system will have to be relied upon for the purpose of increasing the state’s investment in the airport system, as it should be. The needs of the system are funded by the users of the system. If you are not flying, you are not paying. According to the Oklahoma Tax Commission, the total amount of excise tax avoided in five years in which 100 aircraft were sold, was $4.7 million in tax exemption. In 2015, 41 aircraft were sold and $1.5 million in credits was extended. She recognizes that there are many charter companies in Oklahoma that are upstanding, yet acknowledges there is fraud and abuse in the system.
Ms. Shelton thanked the Commissioners on behalf of the Oklahoma Aeronautics Commission (OAC) for their investigation, and looks forward to any positive and clarifying statutory action by the Legislature regarding this matter.

Dr. Rogers asked that Ms. Shelton send her some information about her agency. Ms. Shelton made known to Dr. Rogers that her agency is not appropriated and that 93 percent of their income comes from the aircraft excise tax.

Ms. Shelton gave an example for clarification, stating if she was a wealthy business owner who buys a $10 million dollar aircraft, she could avoid $600,000 dollars in taxes by listing the aircraft under a charter, and then when someone goes to the company to charter her aircraft, she could claim that it is currently booked.

The recommendation by their commission, which is 50% active use by the owner, will be submitted to the Incentive Evaluation Commission (IEC) in writing.

Mr. Denton moved to table. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

☐ **Discussion and possible action on Five Year Ad Valorem Property Tax Exemption.**

Mr. Denton moved to table. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

☐ **Discussion and possible action on Historic Rehabilitation Tax Credit.**

Ms. Catherine Montgomery was not present to speak. Chairman Roggow made known that Ms. Montgomery did provide a letter to all Commission members.

Mr. Denton moved to table. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

☐ **Discussion and possible action on Industrial Access Road Program.**

Guest Speaker:
Mr. Patterson, Executive Director of the Department of Transportation (ODOT), explained, as with most states in the country, Oklahoma is very similar, in that, the investment into the transportation system is the largest single asset that the state owns and is also the single driver of economic development. Over the past several years the department has had the opportunity to partner with local governments, all counties and cities through the Industrial Access Road Program (IARP) to enhance transportation facilities that are making an emphasis on public transportation facilities that everyone uses; primarily county roads and city streets, in an opportunity to provide better access to new or expanded businesses.
The IARP was started many years ago. Although not able to find the origin of the process, Mr. Patterson noted that it was not found in the statute, but is part of the ODOT commission rules. It appears in their annual appropriations bill, with a limit of $2.5 million dollars. The forty years he has been with the agency and before then, the IARP has always been there. It provides opportunity where they can work with the Department of Commerce (DOC) or local economic development authorities to bring improvements to roads or bring deteriorated roads back to original condition.
Dr. Rogers questioned if the incentive were not available to use, could ODOT fund and do the projects without it. Mr. Patterson said they could and likely they would.
Chairman Roggow made known that coming from an economic developer stand point, this incentive is always listed as an item that is part of the incentive package.
Commission member, Secretary Snodgrass, ask the voting members to consider this is not an incentive in its true meaning. It is for public use that is part of the ODOT budget and appropriation, and the board/Commission that governs ODOT has authority over these funds. The legislative intent was to segregate, that to insure that the monies were available and could not be spent for something else. She feels it really is not an incentive at all.
Commissioner Johnson pointed out that the program does not take money away from the Tax Commission. Mr. Johnson said to let it be stated he had no conversations with anyone about this.
Mr. Bauer believes that Secretary Snodgrass makes a logical point. He read the definition of the word incentive as defined in HB 2182, where it states it is a tax credit, tax exemption, tax deduction, tax expenditure, rebate, grant, or loan. He questioned, would it qualify as a form of a grant, for the work that is done? The language does not specify it has to go directly to business; it can flow through a community as a conduit. It is intended to

encourage businesses to locate, expand, invest or remain in Oklahoma, or to hire or retain employees in Oklahoma. ODOT may use it as a way of incenting businesses, but he, along with the Secretary could make the case that it may not legally fit the definition and is ultimately up to the members of the Commission to make that decision.

Dr. Rogers added, that it is a public road, does not mean that it does not have a direct or strong benefit to a local company. Anyone that is going to be transporting stuff, good access and better connections to the interstate is a very important location factor. Locating good access is important for any firm that will be transporting any stuff. It could save a lot of money.

Guest Speaker:

Brien Thorstenberg, Senior Vice President of Economic Development of Tulsa Regional Chamber, shared his appreciation for Secretary Ridley and Executive Director Patterson, for all the support on various projects they have given. He made known that the $500 thousand dollar Industrial Access Road Program (IARP) incentive/grant that was provided by the Oklahoma Department of Transportation (ODOT) was one of the key state incentives to help them land the Macy's Oracle Fulfillment Center (MOFC). Without those funds MOFC would not be in the Tulsa Region today. The project was led by the Oklahoma Department of Commerce (DOC) and Tulsa Regional Chamber (TRC), was the largest economic development project when announced in 2013 over the last decade.

Mr. Thorstenberg read a letter to the members from Frank Julian, who is the Vice President of Government, Public and Legal affairs of Macy's, made known the funds from the IARP were used partially to pay for the cost of roadway improvements, severence claims and traffic signalization improvements near the sight of MOFC, in Tulsa, County. The roadway improvements were essential to ensure the successful operation. On a year-round-basis, Macy's employs nearly one thousand people at its Tulsa County facility and during the peak holiday season, it employees nearly four thousand people. The funding were critical to the improvements and were a very important factor in Macy's decision to locate the center in Tulsa County.

The construction on the facility created more than five hundred construction jobs. The facility's two million square feet of interior space make it the largest fulfillment center of Macy's in the world.

Macy's spent more than $108 million in capital investment. Of that, $86.5 million dollars was on construction, $73.5 million dollars was in land acquisition, equipment and other project cost. The fulfillment center is estimated to add more than $800 million of economic impact to the Tulsa region over a decade period. The IARP is key to completing the necessary road improvements needed by Macy's in the short time available for the project to be completed.

Mr. Thorstenberg made known the incentive is considered a public asset and serves the community as a whole, providing value to the project and region. Since the investment is considered public, related entities are required to match funds, doubling the impact of ODOT. In the case of this project, there was an additional $1.475 million invested in cash. In addition, Tulsa County put some materials towards the roadway making the impact even greater. This incentive is important in two other large projects that will combine $2 billion dollars in capital investment and over fifty-five hundred jobs potential that might have consideration for it.

He told the Commission members the $2 million dollars it took to build the access road was not negotiable. Macy's told them if the road was not improved they would not land there.

Mr. Denton moved to table. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

☐ **Discussion and possible action on Oklahoma Capital Investment Board.**

Guest Speaker:
Devon Sauzek, President of the Oklahoma Capital Investment Board (OCIB), relayed to Commission members, in May of 2016, key members of the legislature sent letters to the Incentive Evaluation Commission (IEC), asking it to review the impact that OCIB's programs have had on Oklahoma's economy to make certain the state is not eliminating a valuable program. They commented that OCIB was created during an economic downturn to help diversify the state's economy beyond oil and gas and that data seems to show that OCIB had had a tremendous impact and if so, shutting the program might be ill advised as the state is seeing once again an economic downturn.
OCIB is confident that it has exceeded its legislative goals and has impact studies and outside audit confirmations verifying these accomplishments. The IEC report does not specifically address whether OCIB has accomplished these goals but does provide that OCIB runs an efficient program that has stayed on task.
The report's recommendation that OCIB not be retained seems to be based upon the reviewer's determination that new job creation is not measurable or significant and that some of the impact OCIB claims is questionable because it can't be proven that OCIB's participation caused the impact.
OCIB believes that with any incentive cause effect is difficult to prove. However, OCIB has venture fund managers like Tommy Harlan, who is at the meeting today, bankers like Kim Wheeler of Stroud National, and City managers like Jim Couch that can speak to situations where OCIB has played a vital role. OCIB believes there is a clear cause effect relationship with regards to OCIB's programs and their impact.
Most of OCIB's efforts are focused on making capital available to early stage, high risk companies through its venture programs or loans to Oklahoma companies through Oklahoma Capital Access Program (OCAP), capital is often used for product or technology development and job retention. New jobs do occur but often years after OCIB's investment.
OCIB participated in many projects with meaningful, verifiable impact results. The venture program has invested in excess of $170 million in 36 Oklahoma companies. The OCAP has over one thousand five hundred loans representing nearly $50 million in capital made available to Oklahoma businesses, a large majority of which are rural.
A project that was not mentioned in the report was OCIB's key role in bringing the NBA Hornets to Oklahoma. OCIB has letters from the Governor, legislature leadership, the City Manager of Oklahoma City and business man Clayton Bennett, all of which express appreciation to OCIB for its participation in the project. The City of Oklahoma City also provided project impact reports that show the two year project resulted in a total economic impact to Oklahoma of $137 million and likely generated $8.9 million in state and local

tax revenues. Direct or induced job calculation was created to be 229 year one and 289 for year two. This two year project paved the way to bring the Thunder to Oklahoma from which the state continues to benefit. The new job creation and economic impact from this project when added to other program efforts seems to clearly support the retention of OCIB. Mr. Sauzek provided supportive documents to the members.

Mr. Bauer clarified that PFM's recommendation was not to repeal it, it was to retain it under the current parameters.

Guest Speaker:
Thomas Harlan, Founder and CEO of Emergent Technologies, in Austin, TX., told that his company is the manager of Core funds, created commercialized technologies, emanating from research institutions such as the University of Oklahoma Health Science Center. He came to speak about the impact OCIB has had on their CIPET fund, Emergent Technologies, Inc. (ET). When starting the funds they were looking for opportunities to create a presence in Oklahoma by tapping into the exceptional talent and research coming out of the University of Oklahoma Health Science Center. The goal was to commercialize the OU Health Science Center technologies that would make a positive impact on people's health and well-being resulting in an integrative long line and create a positive economic impact in the local Oklahoma economy. It created a great return on investment for the stakeholders of the fund, including the University of Oklahoma. After nine months of attempting to raise money for ET, mostly in the Oklahoma City area, and on the verge of giving up they had the opportunity to meet OCIB's, Robert Heard. After carefully vetting in their business loan the objectives of our fund resonated with the OCIB Committee and resulted in a very critical anchor for this fund. Once OCIB became the lead investor, other investors then followed. They nearly completed their fundraiser within the next twelve months. What is difficult is quantifying at the end of OCIB's significant investment of $1.4 million as a part of the $4.5 million raised. He can say with confidence to date, there has been an economic impact greater than $27 million to the state resulting from the Emergent Oklahoma Fund. The funding was instrumental in the further development of technologies that had tremendous commercial impact ranging from new and improved method of drug delivery, to nominal ways to combat and cure cancer. With the commercial partnerships that have been established over the past ten years their stakeholders, including OCIB now stands to benefit from the economic impact of these deals as their companies and technologies mature with immense potential to help patients who suffer from the world's leading diseases.

Mr. Denton moved to table. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

☐ **Discussion and possible action on Oklahoma Film Enhancement Rebate.**

Chairman Roggow made known we had 30 letters and two speakers on this subject.

Guest Speaker:

Tava Maloy Sofsky, Director of the Oklahoma Film and Music Office, from Ada, Oklahoma, shared that her office administers the Film Enhancement Rebate program for the state which is a cash rebate and not a tax credit. The program was renewed in 2014 for ten years. She presented five changes in the report for PFM to consider. 1) That they correct the inconsistencies made in the report and to change the at-a-glance page to align with the actual report recommendation to keep the program in place and allow sunset as scheduled in 2024.
2) To reconsider their findings that the program was not achieving its goals, as there is evidence that the program is successfully achieving its goals. Their first goal was to attract film and television productions to the state. They attracted an upwards of thirty projects since the program reset. Many of those were television projects, which is part of their ten year goal renewal. Their second goal is to generate jobs for Oklahoma residents. Over seven thousand jobs have been created since FY11 and nearly five thousand jobs have been added since the program's ten year renewal. This is an increase of 445%. The stability in jobs comes with the stability in this program.
3) To enhance the state's image nationwide. Oklahoma locations are being seen on more screens than ever before, which elevates the public's perception that Oklahoma is a state of creativity, success and overall can offer quality of life. To acknowledge that the decline in production activity in FY14 and FY15 was due to legislation and the program scheduled to sunset in 2014. It was a key factor that was not taken into consideration in the evaluation report.
4) To utilize the criteria as adopted by the Commission to measure the return on investment (ROI) based on economic activity rather than on state tax revenue.
5) To consider tremendous growth that the program has clearly demonstrated in FY16 and FY17, and to allow for a realistic ramp up time for the new program.
The analysis ends at FY15 and does not reflect the increase in activity experienced during FY16 and FY17. In fact, the program is experiencing such momentum that since July 13th, their production has increased more than 30%. $16.4 million have been generated in wages and more than $30 million has been spent in Oklahoma in FY16 alone.
Without the certainty and longevity of this incentive research, others will pass over Oklahoma forcing the industry members and support services to move out of state where jobs are located.
She ask the Commission to follow the recommendation to either sunset the program as scheduled in 2024, or to delay the consideration of the report and direct PFM to reanalyze the data based on the information given. She thanked the Commission for allowing the program to continue. It clearly demonstrates a great economic impact in the state which also contributes to Oklahoma becoming a more dynamic and desirable place to live, to work and visit.

Commissioner Brown requested that Ms. Sofsky provide the Commission with a list of projects that are currently being done in the state and projects that have been completed over the past two years.
Ms. Sofsky informed that PFM was provided that data in July and since then they have had additional projects enter the que and film, consisting of 10 in total.

Mr. Denton moved to table. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

Secretary Doerflinger exited the meeting at 3:20 p.m.

Guest Speaker:
Lance Gill, from Tulsa, Oklahoma graduated with a Bachelors from Oklahoma City University with Film Production in Business. He has worked on over forty films with everyone one from Jessica Alba, William H. Macy and is currently working on a film in Enid, with Jake Gyllenhaal. Currently, he works on set but desires to own his business. He has twenty large storage units full of gear. He would like to consolidate into a single building and have a prop house for building television, where production can come in as a one-stop-shop and receive the props needed for movies. He would like to accomplish this and purchase a building but feels he cannot unless he knows there will be movies here or else he will have to go somewhere else. He knows others that are interested in buying properties here, but hesitates to purchase if there is nothing here.
Mr. Gill explained Hollywood does not make movies anymore because of the way technology has developed. They can pack everything into a couple of trucks and send it off and make a movie anywhere. The problem is when they come here and bring, their stuff from elsewhere, it is not available here. It never will be unless it is known there is going to be certainty for jobs. In working towards being known as a film state, Mr. Gill said it is a matter of figuring out the incentives and how they work with the others. He is an advocate of working with Tourism. He stayed at a hotel in Albuquerque, NM, where the show 'Breaking Bad' was filmed five years ago. He spoke to others there telling him that business is still booming since filmed there.
His first film was in 2007 called, 'The Killer inside Me', filmed in Enid, OK. Even though it has been ten years ago, he still hears people talking about his movie that was made there. He was working there last night, shooting at a grocery store and they had people coming by all day asking where Jake Gyllenhaal is and says there is something to be said about it.

Commissioner Brown asked Mr. Gill, from his point of view, doing what he does, if it was not for the incentive, what he thought would attract people to Oklahoma. Mr. Gill informed him of the geographic of the state and the conditions that would draw the industry here from the Salt Plains, mountains, forest, desserts and lakes. If filmmakers can come here and have everything they need (props and equipment) instead of having to bring it with them. It will draw more people to the state so they can support local businesses.

Mr. Denton moved to table. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

☐ **Discussion and possible action on Quality Events Program.**

Chairman Roggow informed even though there was no speaker today, individuals did respond that were in support of Quality Events Program.

Mr. Denton moved to table. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye.

3. Adjourn. [Lyle Roggow]

There being no further business, Mr. Brown made the motion to adjourn. Dr. Rogers seconded the motion. Seeing no opposition, the meeting adjourned at 4:12 p.m.

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