

**INCENTIVE EVALUATION COMMISSION  
HYBRID SPECIAL MEETING MINUTES**

**Oct. 1, 2020**

**Oklahoma Department of Commerce  
900 N. Stiles Avenue  
Gallery Rm. 1-1, 10:00 a.m.  
Oklahoma City, Oklahoma 73104  
Virtual WebEx Platform**

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

**MEMBERS PRESENT:**

Lyle Roggow, President Designee of the OK Professional Economic Development Council – *In person*  
Carlos Johnson, Certified Public Accountant – *In person*  
Dr. Cynthia Rogers, Economist – *Videoconference*  
Earl Sears, Layperson – *In person*  
Comm. Charles Prater, Ex Officio; Non-voting (Tax Commission) – *In person*  
Brandy Manek, Ex Officio; Non-voting (OMES) – *Videoconference*  
Brent Kisling, Ex Officio; Non-voting (Dept. of Commerce) – *In person*

**MEMBERS ABSENT:**

Mandy Fuller, CPA, Auditor of Private Company

**STAFF/GUESTS:**

Beverly Hicks, OMES	Deena Kimball, PFM
Taylor Ferguson, OTC	Ian Parnell, PFM
Josh McGoldrick, ODOC	Stanley Geberer, PFM
Leslie Blair, ODOC	Frank V. Roesler III, ODOT
Nicole Boyles, ODOC	David Oakley, LegisOK
Randall Bauer, PFM	Shawn Ashley, ECapitol
Ellen Harpel, PFM	

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

Chairman Roggow called this hybrid special meeting to order at 10:03 a.m. A roll call was taken and a quorum established. A meeting notice was filed with the Secretary of State and agenda posted in accordance with the amendments to the Open Meeting Act made by enrolled Senate Bill 661 (2020).

**2. Approval of minutes from the August 27, 2020, Commission hybrid special meeting:**

Earl Sears moved to approve the special meeting minutes for August. Carlos Johnson seconded the motion. The following votes were recorded and the motion passed:

Mr. Johnson, aye; Dr. Rogers, aye; Mr. Roggow, aye; Mr. Sears, aye.

**3. Discussion and update on report of Year Five, 2020 incentives by PFM consultant, Randall Bauer:**

1. Five Year Ad Valorem Tax Exemption
2. Tax Credit for Electricity Generated by Zero Emissions Facilities
3. Aerospace Employer and Employee Tax Credits
4. Film Enhancement Rebate
5. Historic Rehabilitation Tax Credit
6. Industrial Access Road Program
7. Quality Events Incentive
8. Oklahoma Capital Investment Board
9. Excise Tax Exemption on Aircraft Sales

**Five Year Ad Valorem Tax Exemption** [*Retain but monitor, the current year disruption and the recent program expansion suggest a need for additional time and data.*] – *Key Findings:* The number of Oklahoma-based production companies and employees associated with the rebate is increasing significantly; While total qualified payroll associated with incentive productions increased between FY2013 and FY2019, the average below the line (BTL) employee wage growth declined; Anticipated FY2020 productions indicated a significant increase in production activity, but the actual amount of the activity is unclear; While there is positive economic activity, the return to the State in terms of tax revenue is negative; A key unanswered question is whether associated state businesses will develop and attain/maintain roots. The State agency responsible for the program has improved data collection and administration.

*Brent Kisling, non-voting member entered the meeting at 10:05 p.m.*

**Tax Credit for Electricity Generated by Zero Emissions Facilities** [*Retain the existing sunset.*] – *Key Findings:* From FY2012 to FY2019, total credits used increased from \$2 to \$88 million; Credits will continue to generate credits through 2026; Program sunset avoided a potential \$177 million in credit claims for 2018 facilities alone; There is little ongoing employment benefit associated with the facilities; The program met its stated purpose (energy diversification) but at a significant State cost; There are local benefits as well that are captured in the economic impact analysis but not in the financial impact analysis; Wind electricity capacity has continued to increase following the end of the credit.

**Aerospace Employer and Employee Tax Credits** [*Retain, the State should consider changes to the accreditation requirements; There are also reporting requirement changes that would enhance the information available for evaluation.*] – *Key Findings:* Data shows an increase in related degrees conferred within the State; There has been a significant increase in engineering employment since introduction of the tax credits; While the employer tax credit is being claimed by more employers, the cost to the State is declining; Use of the employee tax credit has increased – and the

cost to the State has grown commensurately; The incentive's accreditation requirement has led to confusion among some employees claiming the credit; The total economic activity associated with the tax credits substantially exceeds the cost to the State each year.

**Film Enhancement Rebate** [*Retain but monitor, the current year disruption and the recent program expansion suggest a need for additional time and data.*] – *Key Findings:* The number of Oklahoma-based production companies and employees associated with the rebate is increasing significantly; While total qualified payroll associated with incentive productions increased between FY2013 and FY2019, the average below the line (BTL) employee wage growth declined; Anticipated FY2020 productions indicated a significant increase in production activity, but the actual amount of the activity is unclear; While there is positive economic activity, the return to the State in terms of tax revenue is negative; A key unanswered question is whether associated state businesses will develop and attain/maintain roots. The State agency responsible for the program has improved data collection and administration.

**Historic Rehabilitation Tax Credit** [*Retain*] – *Key Findings:* Between 2014 and 2018, claims activity decreased - returns filed declined by 15 percent, and the total amount claimed declined by 20 percent; Changes to federal tax law may be impacting the use of the credit, as timing for taking the credit has changed from one to five years; The credit is increasingly combined with the State's affordable housing tax credit, which is also allowable under for the federal-level incentive; While there is positive economic activity, the return to the State in terms of tax revenue is negative – which doesn't account for local revenue or other positive impacts; While there are no program caps in place, recent experience suggests this is not a significant concern; Because of the federal 'piggyback,' the program is effectively administered.

**Industrial Access Road Program** [*Retain, with modifications, incorporate assistance from the Department of Commerce to evaluate the economic impact of projects that are applying for funding; Create a standard form for application and collect data on jobs, payroll and capital investment associated with the incentive.*] – *Key Findings:* This is a limited program – it provided \$5.8 million in funding to 9 qualified road projects across 6 counties from FY 2015 through FY 2019; Program funds are appropriated to ODOT, limiting concerns about its financial impact; Appropriated \$2.5 million annually but has not awarded its full appropriation in any year from FY 2015 through FY 2019. Average funding awarded per year was \$1.2 million; Costs relative to capital investment and job creation vary widely, from 0.3 percent to 21.0 percent of capital investment and \$500 to \$59,500 per job; The Oklahoma Department of Transportation does not collect information related to average wages or total payroll.

**Quality Events Incentive** [*Retain, with modifications, Replace "actual documentation" with a standardized form that identifies all the information needed to determine economic impact; Remove the statutory requirement that host communities submit the actual documentation 30 days after the event ends; Collect additional data – number of event attendees, number of event participants, length of the event, ratio of local to non-overnight attendees, ratio of local to non-overnight participants, average daily spending.*] – *Key Findings:* Communities have been reimbursed

\$1.3 million for 32 events from FY2015 through FY 2020. This amounts to 7.2 percent of the statutory maximum during this time period (10 cases that are pending reimbursement); The length of time for disbursement runs from 1 to 27 months; The retained events data is limited, and the economic impact cannot be determined.

**Oklahoma Capital Investment Board [Recommendation: Retain the existing program sunset, the goals of OCIB are currently advanced by State programs that are better aligned with the principles of well-designed state venture capital programs.] – Key Findings:** OCIB’s Venture Investment Program has made funding commitments to 19 venture capital funds, totaling \$69.5 million; As of FY 2018, OCIB-supported funds invested a total of more than \$171.0 million into 38 Oklahoma-based companies. With total OCIB support of \$65.9 million, \$2.59 was invested in Oklahoma-based companies for every dollar funded by OCIB, exceeding its statutory requirement of \$2.00; Four venture funds totaling \$21.1 million did not invest in any Oklahoma-based firms; Total cost to the State as of FY 2019 was \$39.2 million with potential additional costs estimated at \$6.2 million; All tax credits sold by OCIB were sold as part of agreements entered into prior to 1996, meaning state statute does not place a limit on their carryforward period.

**Excise Tax Exemption on Aircraft Sales [Recommendation: Reconfigure with a specific policy goal] – Key Findings:** Annual state aircraft sales and associated total sales prices have decreased in recent years. The number of aircraft sold in Oklahoma decreased from 369 in FY2015 to 205 in FY2019; Aircraft sales exempt from the excise tax have also decreased. The number decreased from 54 in FY2015 to 14 in FY2019; Growth in employment in the aerospace and parts manufacturing industry is increasing. Between 2009 and 2019, it grew by 10.7 percent – significantly higher than in neighboring states; There is insufficient information to assess the economic impacts of the excise tax exemption on aircraft sales; Similar exemptions are common among comparable states.

Update only. No action taken.

#### 4. Announcements:

Chairman Roggow gave an overview of the hearing process and announced that the public hearing would be held at the next meeting, on Thursday, October 22, 2020 at 10 a.m.

#### 5. Adjourn

There being no further business, Mr. Sears made the motion to adjourn. Mr. Johnson seconded the motion. Seeing no opposition, the meeting adjourned at 12:02 p.m.