

**Special Meeting Minutes  
Incentive Evaluation Commission  
Aug. 3, 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  
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:** Dr. Cynthia Rogers, Economist

**STAFF/GUESTS:** John Estus, OMES Public Information Officer  
Beverly Hicks, OMES Recording Secretary  
Randall Bauer, PFM  
Byron Schlomach, 1889 Institute  
Jon Chiappe, Commerce  
Leslie Blair, Commerce  
Zack Lee, FKG  
Ryan Kilpatrick, FKG  
G. Caldwell, Caldwell  
Jim Dunlap, Dunlap Consulting  
Mark Lash, Oklahoma Watch  
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. Approval of minutes from the July 14, 2016, Commission meeting. [Lyle Roggow]**

Mr. Johnson moved to approve the July meeting minutes with a modification of capitalizing Secretary of State at the top of the page. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

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

### **3. Subcommittee Reports. [Lyle Roggow]**

#### ***Vendor Subcommittee.* [Dr. Rogers, Mr. Brown]**

No updates.

#### ***Scheduling Subcommittee.* [Mr. Roggow, Mr. Johnson]**

No updates.

#### ***Criteria Subcommittee.* [Dr. Rogers, Mr. Denton]**

Mr. Denton spoke on behalf of Dr. Rogers in her absence, making known that she is satisfied with the reasonable and measurable criteria that their subcommittee created for each of the programs. Mr. Denton agreed and added after working closely with Mr. Bauer, Director of Public Financial Management, Inc. (PFM), the document is a good consensus of what this subcommittee deemed was necessary to establish an evaluation criteria for each Program.

Chairman Roggow shared during an earlier meeting a handout of a preliminary draft of the criteria at that time it was made available. The subcommittee continued to work through their process to refine the Criteria and worked with PFM to get to what was deemed as a verifiable measurable balance. A few additional changes were incorporated and the updated version was provided to the members of the audience at the meeting today.

### **4. Presentation by PFM Consultant, Randall Bauer. [Lyle Roggow]**

Mr. Bauer reiterated that the document provided at the meeting today has been through many iterations since the Commission last met. The work has primarily taken place with Dr. Rogers and Commissioner Denton, members of the evaluation criteria subcommittee. Commissioner Cash and her staff assisted in clarifying areas where there was need for clarification.

He explained the document is red- or blue-lined depending on where the changes occurred and by whom, giving everyone the ability to work through the document and not have to reevaluate all of what was worked through last time.

Mr. Bauer summarized all changes in a variety of the areas. Dr. Rogers was interested in having a before and after perspective on the incentives. Looking at the job industry and payroll growth during the time of the incentive and having a comparison to determine whether or not one could argue there is a 'but for' that exists on the use of the incentive. If no real changes are seen in trends and amounts in those areas, an argument can be made that an incentive hasn't fulfilled its purpose.

The first incentive was not titled correctly and should've read, "Tax Credit for Tuition Reimbursement for Aerospace Employers." In the primary changes throughout the document, the subcommittee did make a refinement of going through the financial impact and explaining if it was a five-year average (most are), one case is a three-year average and

in this case it's inclusively credit. Another of the credits the Commission is evaluating is compensation paid by aerospace employers, noting these comments are more of what will be contained in the final report, as opposed to the criteria used for evaluation.

HB 2182 requires evaluations for both financial and economic impact. Mr. Bauer discussed the terminology of financial impact. Most states are looking just at direct impact, as it relates to foregone tax revenue, appropriations that are made and credits that are reimbursed. They are not looking at the indirect impacts. However, Dr. Rogers is interested in the indirect impacts having a part in the process. The section that deals with economic impact, is primarily by PFM's, TXP (Economic Policy Firm) partners, where they determine what the economic impact is and how the Return on Investment (ROI) is going to weigh in on the two, and any other factors that may be important. In some instances there are qualitative factors that will have to be considered that can't necessarily be quantified.

The major changes are on recommended evaluation criteria. The Subcommittee revised the first criteria to be the dollar value amount of accrued credits by year program. Employment and payroll growth are generally two of the important areas to be considered. The comparison to the period criteria has been added and will appear throughout the document.

Another change Dr. Rogers suggested is, where it says, "Reduction in Measures of the Skills Gap," it is possible that while the subcommittee hopes it is generally a reduction, it could be an increase that would be considered.

In each of the sections, a list of characteristics have been added to determine the characteristics are for each program; whether it is a credit, refundable, transferable, can be carry-forward or capped. The capped characteristic can occur in appropriations and when that happens, an (x) will be put into the box with an explanation.

The comparison language was re-added to the criteria for evaluation. Mr. Bauer explained when he initially had it removed, it was not thought through as related to income. In fact, there is income generated by rents for the zero emissions turbines that are in farm fuels.

The Subcommittee determined to eliminate the "Tax Credit for Manufacturers of Advanced Small Wind Turbines." You would spend more than what it is worth in terms of performing analysis.

The "Excise Exemption Tax on Aircraft Sales" still has a significant financial impact for an analysis.

It was also determined in discussions that, benchmarking comparable excise tax rates in other states may be useful for the analysis and has been added to the benchmarking. The criteria comparison with prior period has been added, otherwise they are the same.

The largest incentive that will be given its requisite attention is the "Five-Year Ad Valorem Property Tax Exemption." The five-year average is clarified in terms of its financial impact. In looking at jobs, payroll and capital, one of these areas is focusing on those

particular industries that are targeted under this particular exemption. This falls in line with the jobs, payroll and capital as areas of interest.

The “Historic Rehabilitation Tax Credit” (HRTC) has carry-forward language; the five-year average has been added. This is a credit that many states have which are very similar credits, so a lot of research has been done on the HRTC. In terms of the analysis, PFM is confident in it. One of the issues dealt with are changes in assessed value at the local level accomplished by the HRTC, which means that one cannot rely on just the state’s data. Anytime you have to start relying on going to counties or other local governments to obtain data, there are concerns of whether or not you are able to do the task in a timely manner. In order to accomplish the evaluation in a timely fashion, a percentage of qualified structures on the National Registry of Historic Places that received assistance was added to provide an estimate of the fiscal impact and how much added value these properties are creating in HRTC credits.

The “Industrial Access Road Program’s” financial impact is a five-year average of state appropriations. Mr. Bauer stated, this Program will probably run the full gambit of the primary issues that Dr. Rogers had flagged for revision.

The “Oklahoma Capital Investment Board.” The Subcommittee is considering net change in jobs and payroll, and doing some comparison of it to other states.

The “Oklahoma Film Enhancement Rebate” is a capped program. The five-year average is the capped in the amount of \$5,000,000. The Subcommittee is examining comparisons to prior periods and looking at business activity directly or indirectly produced by films eligible for the rebate. PFM’s TXP partners performed similar analysis like this before. There is a fairly standard process that is used for identifying indirect business activity. There are other benefits that will be taken into consideration that may not be as quantifiable. There is a lot of discussion about the film credits that the filming industry receives based on films or a series of films that are filmed in the state.

The “Quality Events Program (QEP)” is a capped program at \$3,000,000 per year. QEP is assistance to communities that have qualifying events. The Subcommittee is considering the economic and revenue impact required by legislation and ultimately its return on investment.

The information concludes the refinement of the changes that have been made thus far.

Mr. Johnson, vice chairman, added for the record that all parties need to understand that the documents are working documents and are subject to change by the Commission. It may be, that the Commission has not identified all the incentives that exist. Others will be added as each becomes known to the Commission. No incentives were specifically excluded and all agendas, minutes, documents etc. are a matter of public record. If an incentive exists that the Commission should examine or if the Commission is relying on a statute it should not be relying, such information should be brought to the attention of the Commission and appropriate adjustments will be made.

**5. Discussion and possible action regarding evaluation criteria for 2016 incentive evaluations. [Lyle Roggow]**

Mr. Denton moved to approve the list of criteria with the exception of adding back the two on the tax credit for electricity generated by zero emissions facilities, the income generated and jobs generated by eligible projects. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

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

**6. New Business. [Lyle Roggow]**

Mr. Bauer gave an update on the progress he is making, adding that internally they have assigned one of their senior people to each of these incentives. PFM is developing a template for the evaluations of what each will contain and will make it available to the Commission for its consideration. There will be an executive summary on each of them that will identify the criteria and make some kind of judgement in 1-4 pages on each of the evaluations.

Mr. Estus made known that the website is now live. [IEC.ok.gov](http://IEC.ok.gov)

**7. Adjourn. [Lyle Roggow]**

There being no further business, Mr. Brown made the motion to adjourn. Mr. Denton seconded the motion. Seeing no opposition, the meeting adjourned at 2:44 p.m.