

**Special Meeting  
Amended Minutes  
Incentive Evaluation Commission  
Nov. 22, 2016  
Oklahoma State Capitol  
Rm. 511-A, 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, CPA, Certified Public Accountant  
Dr. Cynthia Rogers, Economist  
Lyle Roggow, President of the OK Professional Economic  
Development Council  
Secretary Doerflinger, Ex Officio; Non-voting (OMES)  
Commissioner Cash, Ex Officio; Non-voting (Tax Commission)  
Secretary Snodgrass, Ex Officio; Non-voting (Dept. of Commerce)

**MEMBERS ABSENT:** None.

**STAFF/GUESTS:** 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  
Mary Ann Roberts, OK Tax Commission  
Sharon R. Sitzman, OK Tax Commission  
Jim Dunlap, American Airlines  
Mark Thomas, OK Press Association  
Dick Dutton, Director of Tourism and Recreation  
Shawn Ashley, eCapitol

**ITEM #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.

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

**A. Discussion and possible action on Aerospace Incentives:**

Commissioner Cash and Dr. Rogers showed their appreciation for Mr. Bauer and PFM's outstanding work they have done.

### **1. Tax Credit for Tuition Reimbursement for Aerospace Employers**

The program is currently underutilized and needs to be looked at as to why it is not an effective tool. Dr. Rogers and Commissioner Brown discussed that a student get their degree and then go to work for the employer and the employer has four years to reimburse them from what they paid for the degree creating a cash crunch for the student.

The original motion to retain the incentive with revision was amended upon the advice of counsel to be in line with HB 2182.

Mr. Denton moved to accept the evaluation for the tax credit for Tuition Reimbursement for Aerospace Employers. 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.

### **2. Tax Credit for Aerospace Employees**

Dr. Rogers had conversations with some aerospace engineers and believes revisions should be made for new graduates. In order to make sure a critical shortage of employees does not occur in the industry, she feels the program needs to be revised to focus on new graduates because they are most likely to be influenced to stay in Oklahoma. Established engineers follow projects making the tax credit less important for their location decisions.

The lack of graduates entering into aerospace engineering is a concern expressed by employers.

Mr. Johnson moved to approve the tax credit as it is explained in the report. 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. Tax Credit for Compensation paid by Aerospace Employers**

Mr. Brown moved to accept as presented. Mr. Denton 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 entered the meeting at 1:05 p.m.*

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

Mr. Denton moved to accept the evaluation report. 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, abstain.

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

Mr. Denton moved to accept. 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.

**D. Discussion and possible action on Five year Ad Valorem on Property Tax Exemption.**

Commissioner Johnson stated that PFM's recommendations need to be made before a motion is to be stated.

Mr. Bauer recommended the incentive be retained. This incentive is different than some of the others because it is in the constitution which makes it difficult in terms of changes to it. As it exists in the constitution it requires full replacement of the cost of the exemption by the state for the local government. There are specific requirements as the legislature revisits them, as to what qualifies as a qualified manufacturing entity, there are significant programs in place in other states that have similar types of exemptions. He does not see a reason to make a recommendation for a modification.

Dr. Rogers reminded Mr. Bauer that his recommendation also included revising eligibility requirements. Mr. Bauer explained those recommendations are in line with the requirements of HB2182 and are part of PFM's evaluation. An aspect of the evaluations are to look at administrative requirements and make it more readily to better evaluate in the future.

Dr. Rogers stated as a professional economist that this is the worst kind of incentive you could have because it is not targeted. It is like an entitlement. She encourages the legislature to consider within the confines of the legislation what would make the incentive more effective.

Mr. Brown moved to accept. Mr. Denton 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.

**E. Discussion and possible action on Historic Rehabilitation Tax Credit. (HRTC)**

Mr. Bauer recommended the IEC retain the HRTC with reconfiguration. Also an annual cap he adopted to ensure a measure of future budget predictability, as required in HB 2182.

Commissioner Johnson stated in addition to Mr. Bauer's recommendation that there is no recommendation as to the amount of the cap. Mr. Bauer agreed and said from PFM's perspective was whether there was budget predictability. PFM does not believe there is and the credit should be capped.

Mr. Denton moved to accept the evaluation of the Historic Rehabilitation Tax Credit. 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.

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

Mr. Bauer recommended the program be retained with the existing sunset.

Mr. Bauer made known this incentive has been subject to legislative action in terms of a sunset.

Dr. Rogers commented this kind of program that it is nearly impossible to evaluate its effectiveness.

Mr. Bauer said PFM approached it from a burden of proof perspective, and since the legislature's determination has been to sunset it, it would require a higher burden of proof to recommend eliminating that sunset. PFM did not find that proof of burden had been met.

It is to be sunset on June 30, 2018.

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

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, no; Dr. Rogers, aye; Mr. Roggow, no.

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

Secretary Snodgrass requested that this body disqualify the program from consideration. She explained this body did not determine what constitutes an incentive. In this case the road program is based on an administrative rule by the Department of Transportation. It is not in statute, it is part of transportations budget. They have a board appointed by the Governor, and this purview over the budget of the agency is their domain and not the domain of this body because it is an internal rule for the agency.

She explained, the Commission's job is to make recommendations to the legislature. The legislature does not promulgate administrative rules. Therefore, it is outside the domain of this body to review it.

Technically you would have to make a recommendation to the board that governs that agency and it is not in the statute. Only the board over that agency has the authority to promulgate rules and not the Governor.

Mr. Bauer pointed out that ODOT does use a portion of their appropriated funds for that program. If the recommendation is an effective program, it may persuade the Governor and the department director, whoever is making the decision of how the budget is going to be allocated to decide to change the allocation.

Secretary Snodgrass reiterated that it is not defined in the statute for this body to make recommendation about anything outside of legislative purview. She also made known that it does not have an incentive in its title. It is a public safety program designed to ensure safe ingress and egress of vehicles only on public roads; companies do not apply for it, there are no private roads in the program, they are all public roads.

Mr. Denton moved to table the Industrial Access Road Program evaluation. 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.

*Secretary Doerflinger exited the meeting at 2:20 p.m.*

#### **H. Discussion and possible action on Oklahoma Film Enhancement Rebate.**

Mr. Bauer recommended the Oklahoma Film Enhancement tax rebate to sunset as scheduled in 2024.

Mr. Bauer made known this is an evaluation that is still under discussion. The evaluation is clear that PFM's belief is that the current rebate is not going to create a permanent industry. It is PFM's belief that there are more effective ways to accomplish the goal, as opposed to using a cash rebate.

Mr. Denton moved to approve the Oklahoma Film Enhancement Rebate evaluation. Mr. Brown seconded the motion; the motion passed and the following votes were recorded:

Mr. Brown, aye; Mr. Denton, aye; Mr. Johnson, no; Dr. Rogers, aye; Mr. Roggow, aye.

#### **I. Discussion and possible action on Quality Events Program.**

Mr. Bauer recommended the program be reconfigured with the specific recommendations as it relates to streamlining it in the application process and what information will be required and at what points in time in the qualifications process.

Mr. Bauer explained there are other states that have similar types of programs and believe there are good aspects of the rationale behind having this type of incentive program. The current administration has been established for the program. It limits its effectiveness.

Dr. Rogers said she would be against the grant form, and likes the way it is with the reimbursement, that way the local communities have more stake in the game and to not overestimate what they think is going to happen. It requires more accountability.

Mr. Denton moved to accept the recommendation to reconfigure the Quality Events Program. 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.

**J. Discussion on issuance of final report. [Lyle Roggow]**

The Commission discussed that the report needs to be very concise and has agreed to work off of a similar base letter that has the votes that were cast on certain dates along with their comments.

The letter is due December 15, 2016.

**K. 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 2:51 p.m.

IEC website: <http://iec.ok.gov/>