

**Special Meeting Amended Minutes  
Incentive Evaluation Commission  
June 29, 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 agenda posted in accordance with the Open Meeting Act.

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

**MEMBERS ABSENT:** Ron Brown, Layperson  
Secretary Doerflinger, Ex Officio; Non-voting

**STAFF/GUESTS:** John Estus, OMES Public Information Officer  
Beverly Hicks, OMES Recording Secretary  
David Blatt, Director, OK Policy Institute  
Warren Vieth, Oklahoma Watch  
Jamie J. Herrera, Commerce  
Leslie Blair, Commerce  
Alisha Davidson, CSMIC  
Lisa Haws, Tax Commission  
Andrew Messer, OK State Treasurer  
Jeremy Stoner, OK Finance Authority  
Michael Davis, OK Finance Authority  
Jordan Russell, Speaker's Office  
Jordan Perdue, State Bond Advisor's Office  
Roger Thompson, OK Senate  
Kalen Taylor, Senate Staff  
Denise Crosswhite Hader, representing OK Rep. Lewis Moore  
Matt Johnson, PFM  
Nina Bennett, PFM  
Randall Bauer, PFM  
John Cape, PFM  
John Hoday, TXP  
Travis James, TXP  
Sydney Hill, GAP Consulting  
Ryan Kilpatrick, FKG Consulting  
Shawn Ashley, ECapitol  
Phil Cross, Fox 25

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

The meeting was called to order by Chairman Roggow at 2:04 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 May 19, 2016, commission meeting. [Lyle Roggow]**

Mr. Johnson moved to approve the May meeting minutes. Dr. Rogers seconded the motion; the motion passed and the following votes were recorded:

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

**3. Sub-committee reports. [Lyle Roggow]**

***Vendor Committee.* [Dr. Rogers, Mr. Brown]**

Dr. Rogers informed members of the Committee had productive discussions with the vendors.

***Scheduling Committee.* [Mr. Roggow, Mr. Johnson]**

Mr. Johnson informed that he and Chairman Roggow met with the representatives from Public Financial Management Inc. (PFM). The representatives shared with them some of the interviews they were involved in and went over suggestions of moving year timeframes and spoke on the impact of various incentives.

Chairman Roggow added PFM met with the other impacted agencies to get everybody's true buy in. He shared his appreciation for them taking a week to meet with key partners that are impacted by or involved in it, and noted they're still working on meeting with those other agencies they haven't had the opportunity to meet with yet.

***Criteria Committee.* [Dr. Rogers, Mr. Denton]**

Dr. Rogers informed that the Committee had discussions how to move forward in determining what the criteria should be, based on HB 2182. She stated the particulars will depend on what's decided at today's meeting.

Reports only. No actions or votes taken.

**4. Introduction of consultant hired to perform incentive evaluations. [Lyle Roggow]**

Mr. Bauer, director with PFM, explained PFM is a national consulting entity that works almost entirely with state and local governments and has three primary lines of business. 1) Financial Advisory, which provides financial advice to state and local governments, as

the nation's top-ranked independent financial advisor for the last 18 years under the rankings of Thompson Reuters. 2) Investments, managing approximately 100 billion dollars on a daily basis for state and local governments. 3) Management Budget Consulting, where Mr. Bauer, John Cape and Nina Bennett are primarily focused on day-to-day operations of state and local governments as related to budget creation, implementation and reporting. Mr. Bauer and Mr. Cape both come from a state government background, so they have a significant amount of experience to co-lead PFM's state practice and have worked with half of the states over the last decade in the area of management and budget consulting.

Mr. Cape was with the New York State government for 35 years and finished as a budget director under former Governor George Pataki. Mr. Bauer was with the Iowa State government for 18 years and also finished as a budget director.

Mr. Bauer informed the Commission that PFM has partnered with a well-known economic policy firm, TXP Inc., represented today by President Jon Hockenyos and Vice President Travis James. He also made known TXP has worked with PFM on several past projects and they enjoy a good working relationship. As knowledge experts in their area, TXP has a number of states as clients. Additionally, they work with many large, local governments such as Austin, Texas, their corporate home. TXP has assisted Austin with economic development policies for over 20 years.

PFM has been actively involved in the project for several weeks, meeting with stakeholders from the legislative leadership in both chambers, and interest groups that might be considered internal stakeholders, selected Commission members. They have also worked with the key agencies within state government: Commissioner Cash with the Oklahoma Tax Commission, John Estus with the Office of Management and Enterprise Services, John and Cathy from the Oklahoma Department of Commerce, and Andrew Messer from the Oklahoma State Treasurer's Office. This working group has assisted PFM in refining and determining what could be an appropriate schedule for review of the incentives that has been previously identified.

Mr. Bauer spoke of the variety of competing factors to weigh in on to determine what will go to review and when to review it. As appropriate, HB 2182 is being used as a guide for what qualifies as an incentive and the language that provides that the commission may choose that some incentives do not merit review provided in the law. These have been the guiding principles along with considerations of Sunsets that may exist and the need to do reviews prior to schedule Sunsets. He also stated an interest in reviewing more impactful incentives in the early years of the process and, taking into consideration the shortened time frame for this year, one review beginning in July.

Such an approach gives PFM a few months for reviews this year, whereas in years two, three and four will contain a full twelve months. PFM will provide a list for the Commission use to determine the order of incentive reviews.

Chairman Roggow expressed appreciation for the work that PFM has put into this project.

**5. Discussion and possible action to set fiscal impact threshold for incentive evaluations. [Lyle Roggow]**

Mr. Estus made known this is a requirement in the legislation that the Commission set the fiscal impact threshold.

Mr. Denton moved to set a one million dollar threshold on incentives that will be reviewed, unless otherwise requested. Dr. Rogers seconded the motion; the motion passed and the following votes were recorded:

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

*Secretary Snodgrass entered the meeting at 2:19 p.m.*

**6. Discussion and possible action to set incentive evaluation schedule. [Lyle Roggow]**

Mr. Bauer explained as a starting point PFM worked from a document that had been previously created by certain agencies to get a better understanding of the statutory basis for the incentives. PFM looked for ways to group incentives into categories, for example similarity in terms of the industries, or what they seek to obtain for the state in terms of benefit. They grouped them as they could in relation to impact and to data. Some very useful commentary was provided by Commissioner Cash regarding what data is available currently as it relates to the evaluation process for incentives.

One key consideration is some of the incentives that were moved into later years of the process were not moved because there is question as to whether or not the data that currently exists is sufficient to do a credible job of detailing the analysis of said evaluation. Some items are moved to later years of the process in order to give the state the time to better develop and refine the necessary data.

Other key considerations identified in HB 2182: an interest in having the more impactful incentives reviewed earlier in the process rather than later. PFM reminded all the review, is a four-year process. To ensure there's enough time for analysis in each of those four years, PFM had to defer the review of certain incentives to allow the consultants time for analysis and the Commission sufficient time to consider recommendations developed by PFM.

The schedule identifies 11 incentives for review that will start July 1, 2016. Review analysis will be completed in November for the Commission to make decisions and forward its recommendations to the Governor and Legislature by mid-December. This year PFM will work on the 11 incentives identified in year one of the column listed as 'review year.'

Mr. Bauer made known that in the first two years PFM will have reviewed the vast majority of the programs in terms of valor impact. In the third and fourth years PFM will review the programs that are split for scheduling purposes, primarily some in the third year and those programs where there's a need to gather data to ensure it is sufficient for analysis. Many

of those are sales tax programs and are moved back into the fourth year of this process. In most instances those incentives do not have a dollar value assigned to them, but from: PFM's experience and discussions with stakeholders, such incentives have a significant impact that is not able to be quantified at this point in time. PFM will be working with the Tax Commission and other departments in order to provide a more clear financial assessment in the coming years.

Mr. Denton made a motion to adopt a proposed schedule for evaluation. Dr. Rogers seconded the motion; the motion passed and the following votes were recorded:

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

#### **7. Discussion of next steps. [Lyle Roggow]**

Mr. Bauer informed PFM has a detailed project plan developed in concert with the state, as it relates to the various points in time where PFM will be determining deliverables and developing the criteria for evaluation of the incentives. The first year incentives are the next deliverables to be developed. At the same time PFM will be working with benchmarking data from other states which are geographically approximate to Oklahoma. Another set of data being developed over time is incentives that are in relationship to states that have similar industries to Oklahoma, such as North Dakota for oil and gas, and Minnesota or Iowa for wind.

In the future PFM will have a prototype of a report to share with the Commission members for their commentary and input. Updates will be provided for the remaining commission meetings regarding project schedules and deliverables in progress during the particular timeframes. Commission members will be provided a draft of the evaluations for the first set of incentives.

Mr. Bauer informed that TXP will do an economic impact analysis, using standard input and output models (IMPLAN and RIMS) that will be developed for the regions they're interested in, in terms of impact. The statewide impact is a different model than regional impacts. PFM will use standard types of models in concert with the state departments that have economists who are trained in use of those models.

A report will be made at the July meeting with an understanding of the activities to which PFM has been engaged. Additionally, PFM and TXP will work with Dr. Rogers and Mr. Denton regarding the evaluation criteria.

#### **8. New Business. [Lyle Roggow]**

Chairman Roggow polled the members for dates for an August meeting. He believes moving forward the Commission should be on a monthly schedule.

Mr. Estus informed the website for the Commission will be active in July and will be transparent to what happens in meetings. Benefits of the website:

- Commission members
- Schedule of meetings
- Contact information
- Agenda and meeting minutes
- Criteria for incentives
- Evaluation for incentives
- Process for rulemaking
- Disclaimer to the process

\*The law prohibits industry representatives from directly contacting PFM. The intent is to prevent lobbyists and others from providing undue influence in the process. The contractor can't reach out to industry representatives. There's a provision of the law that contractors are not to reach out directly to the evaluator. A firewall has been set up so that recipients of an incentive can't have direct contact with PFM. Communication has to be contractor to industry and not industry to the contractor. This was very important to the legislature. A press release of the website will be provided in the near future.

**9. Adjourn. [Lyle Roggow]**

There being no further business, Mr. Johnson made the motion to adjourn. Mr. Denton seconded the motion. Seeing no opposition, the meeting adjourned at 2:58 p.m.