

**Special Meeting Minutes  
Incentive Evaluation Commission  
Nov. 4, 2016  
Oklahoma State Capitol  
Rm. 419-C, 1:00 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.

**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 1:00 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 Sept. 29, 2016, Commission meeting. [Lyle Roggow]**

Mr. Denton moved to approve the September 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]

No updates.

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

No updates.

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

No updates.

**4. Discussion and possible action to approve evaluation criteria for 2017 incentive evaluations. [Lyle Roggow]**

- |  |   |
|--|---|
| <b>1. Capital Gain Deduction</b>               | <b>8. Production Enhancement Rebate</b>                         |
| <b>2. Home Office Tax Credit</b>               | <b>9. Economically At-Risk Lease</b>                            |
| <b>3. Quality Jobs Program</b>                 | <b>10. Reestablished Production Rebate</b>                      |
| <b>4. 21<sup>st</sup> Century Quality Jobs</b> | <b>11. Coal Production</b>                                      |
| <b>5. Small Employer Quality Jobs Program</b>  | <b>12. Energy Efficient Residential Construction Tax Credit</b> |
| <b>6. High Impact Quality Jobs Program</b>     | <b>13. Ethanol Fuel Retailer Tax Credit</b>                     |
| <b>7. Clean Burning Fuel Vehicle Credit</b>    | <b>14. Alternative Fuel Vehicle Loans</b>                       |

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

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

**5. Discussion and possible action to approve 2017 meeting dates. [Lyle Roggow]**

- |                              |                              |
|------------------------------|------------------------------|
| <b>Jan. 26 at 2:00 p.m.</b>  | <b>Sept. 21 at 2:00 p.m.</b> |
| <b>April 27 at 1:00 p.m.</b> | <b>Nov. 3 at 9:30 a.m.</b>   |
| <b>Aug. 24 at 2:00 p.m.</b>  | <b>Nov. 17 at 9:30 am.</b>   |

The time on April 27 was amended to 2:00 p.m.

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

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

**6. Presentation by PFM, Randall Bauer of the 2016 draft evaluation reports on facts and findings. [Lyle Roggow]**

Mr. Bauer gave an overview of some of the obstacles encountered on the incentives.

Data issues/constraints – When many of the incentives were created, the statute lacked the type of information that made it easy to readily prepare a cost-benefit analysis. Mr. Bauer credits the working relationship with the Tax Commission and the Department of Commerce being helpful, but in some instances the structure to retain or capture data does not exist.

Goals related to incentives – One of the things recognized that the Legislature and governor had done with recent incentives was to identify a goal for the incentive. PFM worked with assistance and input from state subject matter experts to determine what is believed to be the proper criteria for the analysis. PFM would suggest and accept that the governor and the Legislature be willing to revisit any of the statutory underpinnings of any of the incentives to make sure that an incentive's goal is clearly articulated in the statute.

Data Management Plan – PFM recommends that specific data collection going forward would be a benefit to the state. The data should encompass the entirety of the incentives that are going to be reviewed over four years plus any to be added going forward, so that there exists a single source of truth, where any particular entity can be identified, whether it is a type of business or recipient of the incentives. The data collection should also cover layering that exists, where there are places that one or more incentive is being used for purposes of attracting or retaining a business. Such practices will make it less complex to do an analysis.

Cause and Effect Relationships – There is an understanding that it is very difficult to isolate and determine the cause and effect relationship. There are a lot of variables that are happening on a case-by-case basis that will impact that analysis of cause and effect. Mr. Bauer gave an example of the Aircraft Excise Tax Exemption where, over the years, the Legislature has created new carve outs of exceptions to that particular exemption. It is difficult from year-to-year to establish a baseline as to what that tax applies to and how the people in that system are reacting to whether they are taxed or not taxed. Such variation can make it difficult to determine how much of the tax is related to the incentive.

In viewing the economic cycles in incentives over a 20- or 30-year horizon, you are able to see the ebbs and flows, how cause and effect is used as it relates to the incentives and often aligns with the business cycle. Figuring out how to account or accommodate for those changes while figuring out what the incentive is doing in the economy is difficult. Moving forward, PFM will specifically work to identify some of the cause and effect

issues. One of the challenges for PFM in the preparation of the report is to keep the report concise enough that a layperson is able to gain sufficient knowledge of what is going on in the various incentives and at the same time have enough specificity to them that it allows the Commission to make a reasonable judgement as to how it works.

In terms of doing a cost-benefit analysis, PFM has relied on what they can be quantified, recognizing there are qualitative impacts from most of the incentives that are difficult to boil down to dollar values. PFM recognizes that throughout the process this will be a challenge for both the governor and Legislature.

Mr. Bauer introduced the senior PFM/TXP team, Nina Bennet and John Cape with PFM and Travis James with TXP, who are engaged in doing the economic impact analysis.

A presentation on the below incentives was given by John Cape, Nina Bennet and Randall Bauer.

- A. Aerospace Incentives: [John Cape]**
  - 6. a. Tax Credit for Tuition Reimbursement for Aerospace Employers**
  - 6. b. Tax Credit for Aerospace Employees**
  - 6. c. Tax Credit for Compensation paid by Aerospace Employers**
- B. Tax Credit for Electricity Generated by Zero Emission Facilities [Randall Bauer]**
- C. Excise Tax Exemption on Aircraft Sales [John Cape]**
- D. Five-Year Ad Valorem Property Tax Exemption [Randall Bauer]**
- E. Historic Rehabilitation Tax Credit [Nina Bennet]**
- F. Industrial Access Road Program [Nina Bennet]**
- G. Oklahoma Capital Investment Board [Randall Bauer]**
- H. Oklahoma Film Enhancement Rebate [Nina Bennet]**
- I. Quality Events Program [Nina Bennet]**

*Mr. Brown entered the meeting at 1:50 p.m.*

Presentation only. No action taken.

## **7. Discussion and possible action on the public comment process. [Lyle Roggow]**

The Commissioners discussed how to handle the process of public comment for the Nov. 10, 2016, meeting, giving individuals an opportunity to submit written information to the members in advance and to speak at the meeting on an incentive if they choose to do so.

A draft document was handed to each Commissioner, titled, "Guidelines for Public Comment." The Tax Commission's General Counsel, Mary Ann Roberts, asked the title be changed to, "Guidelines for Submitting Request to be placed on Commission Agenda." The process will be located on the IEC website, <http://iec.ok.gov/>. The instruction in the document is laid out to the public on how the information is to be submitted and received. As soon as the information is compiled it is sent to the Commissioners and PFM.

Mr. Denton moved to approve the minor clerical changes and accept the guidelines for submitting request be placed on the agenda. 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.

**8. Updates and Discussion. [Lyle Roggow]**

None.

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

There being no further business, Mr. Johnson made the motion to adjourn. Mr. Brown seconded the motion. Seeing no opposition, the meeting adjourned at 3:24 p.m.