

**Incentive Evaluation Commission  
Special Meeting Minutes  
Nov. 3, 2017  
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, CPA, Auditor of Private Firm  
Dr. Cynthia Rogers, Economist  
Lyle Roggow, President of the OK Professional Economic  
Development Council  
Commissioner Burrage, Ex Officio; Non-voting (Tax Commission)  
Secretary Snodgrass, Ex Officio; Non-voting (Dept. of Commerce)

**MEMBERS ABSENT:** Carlos Johnson, Certified Public Accountant  
Denise Northrup, Ex Officio; Non-voting (OMES)

**STAFF/GUESTS:** Beverly Hicks, OMES Recording Secretary  
Mary Ann Roberts, OK Tax Commission  
John Gilbert, OMES  
Denise White, OMES Public Affairs  
Kalen Taylor, Senate  
Randall Bauer, PFM  
Leslie Blair, ODOC  
Jamie J. Herrera, ODOC  
Jon Chiappe, ODOC  
Scott Minton, OnCue  
Justis Huddleston, Guest  
Lundy Kiger, AES Shady Point  
Russell Riecken, CNG Interstate  
Nathan Moles, PSCNG  
Jim Dunlap, Guest  
Dr. Russell Evans, OCU, Meinders School of Business  
Rod Cleveland, Cleveland County Commissioner  
Rae Rice, OGE  
Rocky Chavez, ONG  
Sherrie Merrow, NGV America  
Danny Smith, UPS, Vice President of Public Affairs  
Jeff Shockley, Mayor of the City of Poteau  
Michael Teague, Secretary of Energy and Environment  
Katie Lippoldt, Office of the Secretary of Energy and Environment  
Rep. Rick West, District 3  
Rep. Meloyde Blancett, District 78

**STAFF/GUESTS:** David Blatt, OK Policy Institute  
Craig Jackson, GCI Mining  
Ryan Kenny, Clean Energy Fuels  
Dave Bond, OCPA  
Dave Miller, ONG  
Norman Herrera, Sparq Natural Gas  
Richy Marson, PSCNG  
Matt Richardson, GCI  
Kurt Foreman, Greater OKC Chamber of Commerce  
Mike Jackson, OK State Chamber of Commerce  
Robert Cooper, Farrell-Cooper Mining  
Bud and Cynthia Kelley, Bob Cooper of Farrell Cooper Mining  
Shawn Ashley, ECapitol

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

Chairman Lyle Roggow called the meeting to order at 1:03 p.m. A roll call was taken and a quorum established. The Chair 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 Oct. 12, 2017 Commission meeting. [Lyle Roggow]**

Mr. Brown moved to approve meeting minutes of October. Mr. Denton seconded the motion; the motion passed and the following votes recorded:

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

**3. Discussion and possible action on the 2017 Twelve Incentives. [Lyle Roggow]**

**Quality Jobs:**

Speaker: Jon Chiappe, Oklahoma Department of Commerce.

Mr. Chiappe said in order to improve oversight and administration of the incentive, the Oklahoma Department of Commerce request the Commission consider the following:

- 1) Codifying in statute, current administrative practices that would increase stability and continuity, provide certainty to current and future participants and protect taxpayers, by ensuring program oversight includes other state agencies.
- Requiring all potential incentive projects are reviewed by the Incentive Approval Committee (IAC). The Incentive Approval Committee is defined in statute (68 O.S. § 3603). It consists of the Executive Director of the Department of Commerce, the Director of the Office of Management and Enterprise Services (OMES) and a member from the Oklahoma Tax Commission. However, the statute currently requires only companies with a limited number of NAICS or those with an out-of-state sales requirement to be reviewed by IAC. The agency's current practice requires every company be fully reviewed by IAC after an initial examination by the Commerce Review Team (CRT). This additional layer of review strengthens the integrity of program.

- Requiring a company representative be present at an Incentive Approval Committee (IAC) meeting prior to a contract award. To warrant the award of a taxpayer-funded state incentive, applicants should be willing to address a representative of Commerce, the Tax Commission and OMES in person and answer questions about their financial stability, business plans and commitment to the state. Commerce believes that both of these practices enhance transparency and accountability. To ensure they continue beyond the existing administration, they request they be set in statute.
- 2) To improve the fiscal performance of the Quality Jobs program and ensure the incentive is used to foster growth and job creation, they recommend eliminating the change-in-control provision, which allows existing companies at risk for leaving the state after a change in ownership, to qualify retained jobs for the QJ program without adding any new jobs in the state. Commerce believes this is problematic. Firstly, the state has imperfect information about whether the company actually intends to leave; secondly, some of the companies that have participated in the QJ program under this provision have been in a compromised financial situation; and/or thirdly, some of the companies qualified utilizing this provision are part of cyclical or declining industries. Commerce estimates that the state could have saved \$2.2 million over the last 5 fiscal years if this provision were not a part of the QJ Program. More importantly, the state has a superior tool for business retention. The Oklahoma Pooled Finance incentive permits the utilization of retained jobs for companies that are planning significant investments in the state.

**Small Employer Quality Jobs:**

Speaker: Jon Chiappe, Oklahoma Department of Commerce.

Mr. Chiappe stated the mission of the Oklahoma Department of Commerce is to deliver high-impact solutions that lead to prosperous lives and communities for all Oklahomans. In accordance with that mission, we endeavor to ensure that:

- The state has the tools to attract new jobs and investment in a competitive marketplace.
- The program is not a fiscal burden and remains revenue neutral or revenue positive to the state.

Commerce appreciates PFM's recommendation to retain the Small Employer Quality Jobs Program with modifications. They recommend utilizing a different employment threshold to increase participation. Specifically, they request the committee consider amending the statutory requirement that qualifying companies have no more than 90 jobs, stating, there are a number of mid-sized companies and projects for which Oklahoma could compete if the threshold was increased.

**21<sup>st</sup> Century Quality Jobs:** No speaker.

**High Impact Quality Jobs:**

Speaker: Jon Chiappe, Oklahoma Department of Commerce.

Mr. Chiappe made known the Oklahoma Department of Commerce appreciates the Incentive Evaluation Commission's review of incentives established by HB 2182, as well as PFM's time and effort devoted to the analyses and recommendations. The mission of the Oklahoma Department of Commerce is to deliver high-impact solutions that lead to

prosperous lives and communities for all Oklahomans. In accordance with that mission, we endeavor to ensure that:

- The state has the tools to attract new jobs and investment in a competitive marketplace.
- The program is not a fiscal burden and remains revenue neutral or revenue positive to the state.

Commerce appreciates PFM's recommendation to retain the High-Impact Quality Jobs Program with modifications and the confidence that the consultant has in the Quality Jobs family of programs. However, Commerce recommends repealing this incentive. The State does not need a variation of QJ for every eventuality; we would rather strengthen the regular QJ Program, the 21st Century QJ Program and the Small Employer QJ Program than leave an incentive on the books that is not being used.

### **Capital Gains Deduction:**

Speaker: David Blatt, Executive Director of the Oklahoma Policy Institute.

Mr. Blatt is in support of the recommendation to eliminate the capital gains tax exemption. As a public policy think-tank committed to the fair and adequate funding of public services, they are very concerned by the erosion of the state's revenue base as a result, and in part, of ineffective tax breaks and are strongly supportive of efforts to repeal those incentives that do not have a positive economic impact.

Speaker: Mike Jackson, OK State Chamber, Exec. VP of Government & Political Affairs. Mr. Jackson spoke on the importance of the capital gains tax policy and the lack of data cited in the report and spoke on the differences between voter-approved tax policy and incentives.

Speaker: Dave Bond, Oklahoma Policy Institute.

Mr. Bond expressed his support for keeping the deduction and why doing so would be beneficial for Oklahoma.

### **Home Office Tax Credit:**

Speaker: Kurt Foreman, Greater OKC Chamber, Executive VP of Economic Development. Mr. Foreman spoke on the Chamber's support of the incentive. The Chamber is a premiere economic development organization for the Regional Home Office and Insurance Premium Tax Credit. Focusing on the program's importance to economic diversification in their region and the priority of major employers. The Chamber utilizes a number of the state's incentive programs, but only lists six on their agenda to protect. This program is one of the six on their list, because of its importance to economic development.

Speaker: Mike Jackson, OK State Chamber, Executive VP of Govt. & Political Affairs. Mr. Jackson spoke on the importance of the incentive and the role it plays in growing industry and jobs.

Speaker: Dr. Evans, Ph.D., Associate Professor of Economics, Executive Director, Economics Research & Policy Institute.

Dr. Evans reported that the tax credit is not intended as a short run economic development incentive tied to the annual change in employment, or job creation, rather, as a permanent long-run tax differential commitment to firms who maintain a sizeable employment base

in the state with the commitment defined by the level of employment. Viewed from its proper perspective the success of the program is clear. The tax credit provides a modest differential tax burden between those firms that write policies in the state but elect not to locate a significant employment presence here and those that commit to the state with home office employment of at least 200. The credit is successful in maintaining and deepening these relationships and in securing a base of high compensation jobs in the state.

**Clean-Burning Fuel Vehicle Credit:**

Speaker: Scott Minton, OnCue Express, Director of Business Development.

Mr. Minton provided feedback from a station developer's viewpoint regarding the recommendation to keep the infrastructure incentive and sunset the vehicle incentive. In his opinion, the State of Oklahoma has enough stations to support the market in most areas of the state (there are still some areas which need improvement), but without a large increase in the number of vehicles on the road, there will be no need for the current number of stations in operation, let alone more stations. He would like see the focus of the incentive strengthen to improve the number of vehicles buying fuel, especially in saturated areas.

Speaker: Secretary Teague, Secretary of Energy and Environment.

Secretary Teague believes there are additional opportunities available for alternative fuel vehicles in the future. He is convinced it is an incentive not ready to close, with even greater opportunities beyond what natural gas has already accomplished, looking forward, toward electric vehicles. He agrees on the infrastructure recommendation to retain the credit, but would modify to allow for public use. Five years ago, electric vehicles were removed from the vehicle tax credit, due to the misuse of the program on transportation that was not intended for, such as golf carts. In looking towards the future of electric vehicles for the state and around the country, popularity is rising and the cost is lowering. The Secretary believes electric vehicles should be included in the incentive, but be caveated to exclude low or medium speed vehicles, which would be golf carts and utility vehicles. The next generation of electric vehicles are coming and the state should be on the front-end of the development, and use the incentive to spur development and be seen as an opportunity. Secretary Teague provide a letter to the Commission on the Volkswagen settlement. Earlier in the week, Governor Fallin signed a Beneficiary Agreement and an executive order for the Volkswagen Trust. The State of Oklahoma will receive an allocation from a national settlement reached between Volkswagen and the United States Environmental Protection Agency. The State will receive approximately \$21 million from the settlement, and is to be administered by the Department of Environmental Quality with oversight from his office. In closing, Secretary Teague said if that amount were planned towards reducing the NOx emissions from the transportation sector, coupled with the Clean Burning Fuel Infrastructure and Vehicle Tax Credit, it would make a huge impact across the state on things that would get done.

Speaker: Sherrie Merrow, Director of State Government Advocacy for NGV America.

Ms. Merrow stated that Oklahoma's leaders had a vision when they decided to promote the expanded use of natural gas in transportation and the promise of that vision has already achieved clear benefits to the state. That is why NGV America and its members of the Oklahoma NGV Coalition are calling for the continuation of natural gas vehicle, fuel and station incentives in Oklahoma. The incentives for natural gas vehicles and stations are working and Oklahoma is a leader for clean and sustainable transportation, but there is

much still to be done. It is a true success story that Oklahoma should be proud to tell and she encourages the State of Oklahoma to not turn back now.

Speaker: Norman Herrera, Chief Exec. Officer of Sparq Natural Gas.

Mr. Herrera stated Sparq supports PFM's recommendation to retain the CNG tax credit and improve tax credit reporting with the Oklahoma Tax Commission. Retaining the Clean Burning Motor Fuel Property tax credit allows Sparq to continue its forward business planning into 2018 and 2019, as they desire legislative certainty for their future businesses decisions. Vehicles, and not infrastructure, are the means to continue Oklahoma's national leadership in the CNG market. Government subdivisions need public/private partnerships, and infrastructure developers such as Sparq, that make private investments to support their full fleet deployment particular in areas of refuse and sanitation collection, landfills, and the state's Department of Transportation. Sparq estimates the current incentive to be a net positive for the State of Oklahoma when you factor in fuel cost savings, Department of Labor fees, state fuel excise taxes, and sales taxes.

Speaker: Rod Cleveland, Cleveland County Commissioner.

Commissioner Cleveland discussed his counties development of natural gas vehicles. He expressed his support for the Commission's work with the CNG industry and the conclusion to retain the incentive. He supports the continuation of the tax credit in its current form until expiration in December 2019, allowing for CNG fueling station development and increased infrastructure for Oklahoma's county governments to access. Cleveland County relies on natural gas stations by private sector for natural gas fueling. In closing, he would like to express his support for improved reporting that allows better analysis of the impact of the tax credit.

Speaker: Danny Smith, UPS VP of Public Affairs.

Mr. Smith spoke in favor of the Commission's recommendation to retain the credit, citing UPS's alternative fuel vehicle/infrastructure presence in Oklahoma.

Speaker: Ryan Kenny, Clean Energy, Senior Public Policy & Regulatory Affairs Advisor. Mr. Kenny discussed the value of the fuel, fueling stations and the supporting tax credits.

Speaker: Russell Riecken, Managing Partner of CNG Interstate of Oklahoma.

Mr. Riecken spoke on the need to continue, and improve, the alternative fuels incentive program. Due to current economics of gasoline vs. alternative fuels, the incentive program needs to be strengthen, or the alternative fuels industry will disappear in Oklahoma. They have had two conversion business close recently, and will see the investment made in fueling stations go to waste as older vehicles are taken out of service, if nothing is done to encourage the use of these cleaner, greener fuel sources.

Speaker: Rae Rice, OGE

Mr. Rice spoke on behalf of their customers who drive electric vehicles; OGE would support adding electric vehicles back into the incentive in the Oklahoma first energy plan in its entirety. They are in support of both infrastructure and vehicles of the incentive, but, if posed with sacrificing one, they would adopt the recommendations made in today's meeting to be in support of the vehicles. In reference made to the public/private partnership, they would support allowing municipalities, government entities to take advantage of the incentive.

**Ethanol Fuel Retailer Tax Credit:** No speaker.

**Economically At-Risk Lease Tax Credit:** No speaker.

**Production Enhancement Rebate:** No speaker.

**Re-Established Production Rebate:** No speaker.

**Coal Tax Credit Program:**

Speakers: Craig Jackson, GCI Mining - Bob Cooper, Farrell Cooper Mining - Lundy Kiger, AES Shady Point.

These men came in support of one another and spoke on behalf of the coal producers that make up the two largest coal-mining companies in the state. Mr. Kiger represented the coal consumers for AES Shady Point, as the state's largest purchaser of Oklahoma Coal. Mr. Cooper and Mr. Jackson spoke on behalf of the coal producers that make up the two largest coal-mining companies in the state. Mr. Kiger provided the Commission with several supportive documents for both coal consumers and producers outlining their comments; and many supportive letters from the community, companies, and elected officials on behalf of both credits. Seven other speakers were present that voiced their support of the Program.

Speaker: Mike Jackson, OK State Chamber, Exec. VP of Government & Political Affairs. Mr. Jackson spoke on the importance of the coal industry in Oklahoma and the inaccuracies of some of the data provided in the report generated in the PFM Group report.

**4. Adjourn. [Lyle Roggow]**

There being no further business, Mr. Brown made the motion to adjourn. Mr. Roggow seconded the motion. Seeing no opposition, the meeting adjourned at 2:55 p.m.