

INCENTIVE EVALUATION COMMISSION**Regular Meeting Minutes****Oct. 24, 2024, 10:00 AM****Oklahoma State Capitol****Senate Conference Room 4s.9****Oklahoma City, OK 73105****MEMBERS PRESENT:**

Lyle Roggow, Chair designee of Select Oklahoma and Economic Development Partnership, Inc.

Carlos Johnson, CPA, appointed by the Oklahoma Accountancy Board

Earl Sears, appointed by the Speaker of the House of Representatives

Dr. Saleh Tabrizy, an Economist appointed by the President Pro Tempore of the Senate

Mark Wood, Chair of the Oklahoma Tax Commission, Ex-Officio; Non-Voting

Jon Chiappe, Secretary of Commerce designee, Ex-Officio; Non-Voting

MEMBERS ABSENT:

Mandy Fuller, Auditor/CPA appointed by the Governor

Ryan Bair, OMES Executive Director designee

STAFF/GUESTS:

Beverly Hicks, OMES

Lorena Massey, OTC

Randall Bauer, PFM

Tony Toups, Advantage Capital

Mandi Boehringer, OK Investment Fund

Ryan Kilpatrick, Amber Integrated

◆ *Office of Management and Enterprise Services (OMES)* ◆ *Public Financial Management Group Consulting LLC (PFM)*

◆ *OK Tax Commission (OTC)*

1. Announcement of filing of meeting notice and posting of the agenda in accordance with the Open Meeting Act. [Lyle Roggow, chairman]

Chairman Roggow confirmed that the meeting complied with the Open Meeting Act.

2. Call to order and establish a quorum. [Chair]

Chairman Roggow called this regular meeting to order at 10:04 a.m. A roll call was taken, and a quorum was established. A meeting notice was filed with the Secretary of State, and the agenda was posted in accordance with the Open Meeting Act.

3. Welcome/Introductions. [Chair]

Chairman Roggow welcomed commission members and guests to the meeting.

4. Approval of minutes from October 10, 2024, Commission meeting:

Rep. Earl Sears moved to approve the meeting minutes of October 10. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye; Mr. Sears, aye; Dr. Tabrizy, aye; Mr. Roggow, aye.

5. Discussion and public comment on PFM draft evaluation reports for Year 9, 2024 Incentive Evaluations. [Chair]

Oklahoma Rural Jobs Program (New)
Invest in Oklahoma Program (New)
The Oklahoma Leverage Act (2023)
Seed Capital Fund (2022)
Small Business Incubator Tenants Tax Exemption (2022)
Technology Business Financing Program (2022)

Five Year Ad Valorem Tax Exemption (2020)
Historic Rehabilitation Tax Credit (2020)
Film Enhancement Rebate (2020)
Film and Television Companies Sales Tax Exemption (New)
Tourism Development Act (2023)
Quality Events Act (2020)

Oklahoma Rural Jobs Program (New)—**Recommendation: Retain. Allow the program to sunset in 2032, with another review in 2028.** The Rural Jobs Act, effective November 1, 2022, is intended to provide support to the state’s rural communities by incentivizing rural development. The Department of Commerce has \$100 million in capital investment authority to be invested by approved rural funds over a six-year period. Five funds have received \$20 million each and have been approved to issue this capital investment to projects or businesses primarily located in rural areas in exchange for a capped tax credit.

Mr. Tony Toups, representing Advantage Capital, made a public comment in person. He noted that, given the timing of the performance reports, PFM’s evaluation is premature. The Commission and project team did not have access to certain information when the evaluation schedule was developed, and the program aligns with the parameters of the types of programs under review for 2024. He recommends deferring the program's review until after the December 2024 performance reports, when 60% of the capital will have been invested, or until after the December 2025 performance reports, when 100% of the capital has been invested, as the statutory performance reports have not yet been submitted and not all investment capital has been deployed.

Mrs. Mandi Wright, representing Sutherland Capital, made a public comment in person. She noted that while a review of the incentive programs is prudent, they believe a review of the Oklahoma Rural Jobs Act is premature. They welcome a thorough review at the appropriate time; however, in its early stages, the program has not yet had the opportunity to produce the results it is designed to deliver. They respectfully request that this program not be included in this year’s final review. She informed commission members of inaccuracies and misunderstandings in the report regarding the program, aiming to provide them with a clearer understanding of how the program works and its current status. She emphasized that a review of the Oklahoma Rural Jobs Act at this time is premature.

No action was taken. Public comment only.

Invest in Oklahoma Program (New) – **Recommendation: Retain with modifications and remove from future evaluation.** The Invest in Oklahoma Act seeks to increase investment in the state by providing opportunities for public pensions to invest in Oklahoma-based funds, which are selected based on a series of criteria related to their financial performance and history of investment in the state. It went into effect on November 1, 2021.

Chairman Roggow provided the opportunity for public comment on the Invest in Oklahoma Program. No public comments were received electronically or in person.

No action was taken. Public comment only.

The Oklahoma Leverage Act (2023) – **Recommendation: Retain with modifications.** The Oklahoma Leverage Act seeks to encourage economic development within designated enterprise zones. It provides funding for local units of government to match local tax revenue dedicated to support a project located in an enterprise zone, in support of a major tourism destination, or in support of a military growth impact.

Chairman Roggow provided the opportunity for public comment on the Oklahoma Leverage Act. No public comments were received electronically or in person.

No action was taken. Public comment only.

Seed Capital Fund (2022) – **Recommendation: Retain.** The Fund provides concept, seed, and start-up equity investments to innovative Oklahoma businesses. It is funded through legislative appropriations to the Oklahoma Center for the Advancement of Science and Technology (OCAST). Fund investments are focused on industry sectors with technologies and proprietary products, processes, and/or know-how that provide high growth opportunities in addressable markets (e.g., advanced materials, aerospace, agri-sciences, biotechnology, communications technologies, energy, software/information technology, medical devices, nanotechnology, robotics, etc.).

Chairman Roggow provided the opportunity for public comment on the State Capital Seed Fund. No public comments were received electronically or in person.

No action was taken. Public comment only.

Small Business Incubator Tenants Tax Exemption (2022)—**Recommendation: Retain, with minor modifications.** The State of Oklahoma provides a corporate income tax exemption for up to 10 years for tenants of small business incubators from the date of occupancy. Small business incubators must be certified by the Department of Commerce. The purpose of the incentive is to promote, encourage, and advance economic prosperity and employment through the state by creating a more favorable tax climate for the tenants, particularly as they graduate from the incubators.

Chairman Roggow provided the opportunity for public comment on the Small Incubator Tenants Tax Exemption. No public comments were received electronically or in person.

No action was taken. Public comment only.

Technology Business Financing Program (2022) – **Recommendation: Repeal.** The Oklahoma Center for the Advancement of Science and Technology (OCAST) was authorized to develop and implement a technology business financing program to provide funding and financing for and to assist qualified Oklahoma enterprises to commercialize a new product, service, technology, innovation, or process. Awards generally range from \$20,000 to \$50,000, and repayments are made through royalty payments. The program was terminated, effective July 1, 2024.

Chairman Roggow provided the opportunity for public comment on the Technology Business Financing Program. No public comments were received electronically or in person.

No action was taken. Public comment only.

Five Year Ad Valorem Tax Exemption (2020) – **Recommendation: Retain, with modifications.** The exemption was approved by voters through state question 588 in April 1985. The property tax exemption applies to all real and personal property necessary for the manufacturing of a product and facilities engaged in qualifying industries, and the Legislature has implemented it via state statute. The property tax exemption applies to new, acquired, or expanded manufacturing facilities in qualified industries. Facilities may qualify for the property exemption for up to five consecutive years if they continue to meet payroll and other requirements. The State reimburses local governments for the entirety of the property tax exemption.

Chairman Roggow provided the opportunity for public comment on the Five Year Ad Valorem Tax Exemption. No public comments were received electronically or in person.

No action was taken. Public comment only.

Historic Rehabilitation Tax Credit (2020) – **Recommendation: Retain.** In 1992, as part of the Local Development Act, the Oklahoma Legislature introduced a tax credit for the rehabilitation of certified historic hotels and newspaper plants located in a tax increment or incentive district. Effective January 1, 2006, with the passage of HB 3024, credit eligibility was broadened to include the rehabilitation of any income-producing certified historic structure; the bill also allowed projects that qualify for the 20 percent federal credit to automatically qualify for the state credit (also 20 percent) without additional paperwork. All requirements with respect to qualifying for the federal credit are applicable.

Chairman Roggow provided the opportunity for public comment on the Historic Rehabilitation Tax Credit. No public comments were received electronically or in person.

No action was taken. Public comment only.

Film Enhancement Rebate (2020) – **Recommendation: Retain, with modifications.** The State of Oklahoma Film Enhancement Rebate Program provides a base incentive for qualified productions of 20 percent of qualified spend and uplifts that can increase the rebate to a maximum of 30

percent. There are multiple uplifts as well as limits on eligible expenses subject to the rebate. The program was modified substantially since the last evaluation in 2020.

Chairman Roggow provided the opportunity for public comment on the Film Enhancement Rebate. No public comments were received electronically or in person.

No action was taken. Public comment only.

Film and Television Companies Sales Tax Exemption (New) – **Recommendation: Retain, with modifications.** Since July 1, 1996, the state of Oklahoma exempts sales of tangible personal property or services to a motion picture or television production company to be used or consumed in connection with an eligible production from the state and local sales and use tax. To qualify for the exemption, the motion picture or television production company must file the required documentation and information with the Oklahoma Tax Commission.

Chairman Roggow provided the opportunity for public comment on the Film and Television Companies Sales Tax Exemption. No public comments were received electronically or in person.

No action was taken. Public comment only.

Tourism Development Act (2023) – **Recommendation: Retain.** The Tourism Development Act is a sales tax credit intended to create new or expand existing tourism attractions in Oklahoma. It provides a tax credit of up to 10 percent of approved costs, capped at \$1 million, to companies who spend at least \$500,000 on tourism attractions, such as cultural or historic sites, recreational facilities, or destination hotels. These projects must attract at least 25 percent of visitors from outside the state and produce significant revenues. No credits will be awarded after January 1, 2026. This is the first evaluation of the Tourism Development Act.

Chairman Roggow provided the opportunity for public comment on the Tourism Development Act. No public comments were received electronically or in person.

No action was taken. Public comment only.

Quality Events Act (2020) – **Recommendation: Retain.** The Quality Events Incentive Act program was created in 2010 and launched in 2012, and it has been updated significantly twice since 2018. The amount of the incentive is determined by the Oklahoma Tax Commission (OTC) based on incremental sales tax revenues associated with a “quality” event. These events must be a new or existing event or meeting of a nationally recognized organization, national, international, or world championship, or managed or produced by an Oklahoma-based national or international organization.

Chairman Roggow provided the opportunity for public comment on the Quality Events Act. No public comments were received electronically or in person.

No action was taken. Public comment only.

6. New Business. [Chair]

There was no unforeseen new business reported.

7. Announcements: Next meeting date.

Chairman Roggow announced the next commission meeting date as November 14th at 10 a.m. in Senate Conference Room 230.

8. Adjournment

There being no further business, Rep. Earl Sears made the motion to adjourn. Dr. Saleh Tabrizy seconded the motion. Seeing no opposition, the Chair adjourned the meeting at 10:43 a.m.