Oklahoma Incentive Evaluation Commission

Year Nine Project Kick-off

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Today's Agenda

- 2024 project activities to date.

- Suggested schedule for evaluations, 2024-2027.

- Project proposed timeline.

- Next steps

Project Activities to Date

- The PFM project team has one returning member – Senior Managing Consultant Joe Buckshon replaces Senior Managing Consultant Deanna Kimball. Both Ellen Ramage (since promoted to Senior Managing Consultant) and Senior Analyst Trae Jordan are still on the project.

- The other members of the team continue to be PFM Director Randy Bauer and subcontractor Dr. Ellen Harpel.

- Because of the change in how the incentives may be grouped by year, Chairman Roggow, Commission member Chiappe, and PFM worked to draft a tentative schedule for the next four years.

- This seeks to group incentives into thematic categories to allow more consistent analysis and discussion during the evaluations.

Thematic Categories for Grouping Evaluations

- Financing/Venture Capital/Early Business Related

- Tourism/Film/Quality of Life Related

- Jobs/Payroll Related

- Capital Investment Related (includes investment in materials that have special sales or excise tax exemptions)

- Construction-Related

- Energy Related

- Transportation/Infrastructure Related

- Research Related

Thematic Categories Discussion

- There will be overlap between categories, as several incentives can impact on more than one.

    - For example, the Quick Action Closing Fund may provide benefits within multiple categories.

    - Pooled finance has both a capital investment and a public infrastructure component.

- In grouping thematic categories by year, the categories may not have much (or anything) in common, but that is the challenge when seeking to balance work loads.

- We also had to be mindful that the statute still suggests the financial impact of incentives be considered when developing the schedule.

- There is also the concern about not evaluating new incentives before there is data and not waiting too long to review prior incentives. However, not all of these concerns can be readily accommodated.

Suggested Incentives to Evaluate by Year: 2024 (12)

Financing/Venture Capital/Early Business Related

- Oklahoma Rural Jobs Program (NEW)
- Invest in Oklahoma Program (NEW)
- Seed Capital Fund (2022)
- Small Business Incubator (2022)
- Technology Business Financing (2022)

Tourism/Film/Quality of Life Related

- Historic Rehabilitation Tax Credit (2020)
- Film Enhancement Rebate (2020)
- Film and Television Production Companies Sales Tax Exemption (previously exempt but could be evaluated along with the Film Enhancement Rebate)
- Enterprise Zone Incentive Leverage Act (2023)
- Tourism Development Act (Not previously evaluated)
- Quality Events Act (2020)

- Five Year Ad Valorem Tax Exemption (2020) (given its financial impact, suggest doing it in 2024 rather than waiting until 2025 for capital investment-related incentives)

Suggested Incentives to Evaluate by Year: 2025 (11)

Jobs/Payroll Related

- Quality Jobs (2021)
- Small Employer Quality Jobs (2021)
- 21st Century Quality Jobs Program (2021)
- Aerospace Employer & Employee Tax Credit (2020)
- Automotive Employer & Employee Tax Credit (NEW)
- Cybersecurity Employee Tax Credit (NEW)
- Home Office Tax Credit (2021)
- Training for Industry (TIP) (2023)
- Investment/New Jobs Tax Credit **(2022)**

Suggested Incentives to Evaluate by Year: 2026 (11)

Capital Investment Related

- Quick Action Closing Fund (2022)
- Capital Gain Deduction (2021)
- Computer Services & Data Processing Tax Exemption (2023)
- Aircraft Facilities Tax Exemption (2023)
- BEIP/OIEP Pooled Finance (2023)
- Excise Tax Exemption on Aircraft Sales (2020)
- Tax Deduction for Eligible Investors (NEW)

Construction Related

- Oklahoma Affordable Housing Tax Credit (2022)
- Construction Materials Tax Refund (2023)

Energy Related

- Clean Burning Fuel Tax Credit (2021)
- Ethanol Fuel Tax Credit (2021)

Suggested Incentives to Evaluate by Year: 2027 (11)

Transportation/Infrastructure Related

- Industrial Road Access Program (2020)
- SIDE Act (two components in this one related to rail and one related to capex) (NEW)
- Railroad Reconstruction or Replacement Expenditures (2023)
- P3 Pooled Finance (2023)
- REAP (2023)

Research Related

- New Products Development Exemption (2022)
- Applied Research (OARS) Program (2022)
- Health Research Support Program (2022)
- Technology Transfer Income Tax Exemption (2022)
- Plant Science Research 74 O.S. 5060.53 and O.S. 5060.54 (NEW)
- Marketing and Utilization Loan 2 O.S. §5-3.1 (NEW)

Project Timeline

- Unlike past years, when the four-year schedule was set in December, it now falls into January

- Once the incentive schedule is set, the next necessary step is to set the specific criteria for evaluation for each incentive.

  - The project team will work with the criteria subcommittee to present for approval at the March meeting.

  - For that meeting, the PFM team will also prepare the backgrounder on each incentive, with key characteristics, legislative history, and peer benchmarking

- In June/July internal and external stakeholder interviews, site visits and (where appropriate) surveys will be conducted.

- In mid-August, the Commission will receive working drafts.

- By October 1, the Commission will receive draft reports.

- After the public hearing, the Commission will receive updated draft reports.

Next Steps

- If/when the Commission settles on the schedule, PFM will update the spreadsheet sent to Commission members yesterday.

- That schedule will be on the IEC website and provided to legislative leaders.

- As already noted, PFM will work with the Commission to establish the criteria for evaluation, do background research and benchmarking, and present that information at the March meeting.

Questions and Discussion

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