

**INCENTIVE EVALUATION COMMISSION  
REGULAR MEETING MINUTES  
NOV. 17, 2022; 10 a.m.  
OKLAHOMA STATE CAPITOL  
SENATE CONFERENCE ROOM 4S.9  
OKLAHOMA CITY, OK 73105**

**MEMBERS PRESENT:**

Lyle Roggow, President, Designee of the OK Professional Economic Development Council  
Carlos Johnson, Certified Public Accountant  
Mandy Fuller, CPA, Auditor of Private Company  
Earl Sears, Bartlesville, OK  
Dr. Robert Dauffenbach, Economist  
Mark Wood, Chairman, Tax Commission, Ex-Officio; Non-Voting  
Brent Kisling, Director, Department of Commerce, Ex-Officio; Non-Voting

**MEMBERS ABSENT:**

Dana Webb, OMES designee, Ex-Officio; Non-Voting

**STAFF/GUESTS:**

Beverly Hicks, OMES	Andrea Frymire, Midwest Housing
Randall Bauer, PFM	Megan Holden, OTC
Amanda Hall, State Chamber	John Riesenber, Governor's Office
Lyle Walters, OCAST	
Shawn Ashley, Quorum Call	

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

Chairman Roggow called this regular meeting to order at 10:03 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.

**2. Approval of minutes from the October 27, 2022, Commission meeting:**

Rep. Earl Sears moved to approve the meeting minutes for October. Mandy Fuller seconded the motion. The following votes were recorded, and the motion passed:

Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

**3. Discussion and possible action on Year 7, 2022, Incentive Evaluations:**

**3.1. Affordable Housing Tax Credit – PFM Recommendation: Retain, with modifications.** [As in 2018, the project team recommends making the credit refundable rather than transferable so as not to dilute the resources dedicated to affordable housing.]

Carlos Johnson moved to approve PFM'S recommendation with the modification that the tax credit is refundable or transferrable. Mandy Fuller seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Rep. Sears, no, Dr. Dauffenbach, no.

*Commissioner Johnson entered the meeting at 10:05 a.m.*

*Commissioner Wood exited the meeting at 10:28 a.m.*

**3.2. Small Business Incubators – PFM Recommendation: Retain, with modifications.** [Establish Standards for tenant occupancy to qualify for tax exemption. The program statute does not require businesses to be tenants in an incubator for a designated amount of time or performance before becoming eligible for the exemption. A business could establish tenancy then immediately depart the incubator while becoming eligible for the ten-year exemption. Increase data collection and require participation in the annual survey as a condition of occupancy in State-certified incubators.]

Rep. Earl Sears moved to approve PFM'S recommendation. Mandy Fuller seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

**3.3. Applied Research Support (OARS) Program – PFM Recommendation: Retain, with modifications.** [Further, refine and improve data collection and reporting processes. While Oklahoma Center for the Advancement of Science and Technology (OCAST) has begun collecting additional data points from its OARS grantees in recent years, evaluating the program's effectiveness remains challenging due to data collection and reporting process issues. OCAST should collect additional information from grant recipients as part of its data collection and reporting processes, including jobs, payroll, economic activity, and success or failure rate. OCAST should conduct longitudinal case studies over a meaningful period of time for select companies. This would track the advance and development of the effects and benefits of applied research funded by the program, showing the synergy between grants, follow-on funding, and capital investment. OCAST should obtain data on when funds are spent and the purpose for fund expenditures for follow-on funding attained.]

Rep. Earl Sears moved to approve PFM'S recommendation. Mandy Fuller seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

*Commissioner Kisling entered the meeting at 10:33 a.m.*

**3.4. Health Research Support Program – PFM Recommendation: Retain with modifications.** [Further, refine and improve data collection and reporting processes. While OCAST has begun

collecting additional data points from its health research grantees in recent years, evaluating the program's effectiveness remains challenging due to data collection and reporting process issues. OCAST should collect additional information from grant recipients as part of its data collection and reporting processes, including jobs, payroll, economic activity, success or failure rate, and industry sector formation. OCAST should conduct longitudinal case studies over a meaningful period of time for select grant recipients. This would track the advance and development of the effects and benefits of health research funded by the program, showing the synergy between grants, follow-on funding, and capital investment. OCAST should obtain data when funds are spent and the purpose for fund expenditures for follow-on funding attained.]

Mandy Fuller moved to approve PFM'S recommendation. Rep. Earl Sears seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

**3.5. Quick Action Closing Fund (QACF) – PFM Recommendation: Retain, with modifications.** [Require more robust reporting on awards. Oklahoma publicly reports only the award amount, the company name, award date, and a brief description of how the award will be used. Nearly all comparable programs have more detailed public reporting on projects that have received awards. An explanation of why each awarded project was considered “high-impact should be included.” The statute dictates that the QACF may be used when the award would “likely be a determining factor in locating a high-impact business project or facility in Oklahoma.” However, no definition of “high-impact” is provided in the statute.]

Rep. Earl Sears moved to approve PFM'S recommendation. Mandy Fuller seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

**3.6. Investment/New Jobs Tax Credit – PFM Recommendation: Reconfigure.** [Limit the carryforward period to seven years. The carryforward period for capital investment credits is indefinite, contributing to the continued growth in the State's unused tax credit liability. This is in line with the Commission's recommendation following the last evaluation of this credit. Require claims to be filed with the Tax Commission each year of the carry forward period, regardless of whether the credit is used to offset tax liability. Regular annual claims can require claimants to attest that the capital investment is still in use, and, in aggregate, these annual claims would provide the State a clearer picture of how much credit is still available to be used. Require an application and approval before allowing claims. The application would be submitted within 30 days of the capital investment being placed in service and would need to be approved before the taxpayer could claim the credit on a tax return. Applying in a timely manner would increase the likelihood that firms would have to plan on taking the credit when making a qualifying investment. Eliminate the new

jobs credit in favor of incenting manufacturing job creation through the Quality Jobs Program. The Investment-New Jobs Tax Credit needs significant updates to its job creation requirements. As noted in critical findings, the minimum annual pay required of \$7,000 is equal to 11.2 percent of the manufacturing's average annual pay in Oklahoma. There is also no requirement related to benefits provided to new jobs. Only one new job is required to receive a new job tax credit. Amend the statute to require data collection for incentive evaluation and usage tracking purposes. The Oklahoma Tax Commission (OTC) currently collects useful information for incentive evaluation purposes on its Form 506. However, this information is not stored in a way that is easily accessible for evaluators and legislators to understand who is claiming the credit and why. The statute should be amended to require the OTC to store this information for program evaluation purposes.]

Mandy Fuller moved to approve PFM'S recommendation with the modification that the application submittal date change from 30 to 60 days and to add a review process by the Incentive Approval Committee. Dr. Dauffenbach seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

**3.7. New Products Development Exemption – PFM Recommendation: Repeal.** [Improve data processing to collect and report the total cost of corporate tax exemptions. To improve future evaluations of this program and any other program associated with corporate tax exemptions, the OTC should improve its data processing to allow for the disaggregation of the total cost of each corporate tax exemption. Modify program requirements to require companies to provide key data annually to be eligible for tax exemption. Currently, those wishing to take the tax exemption must register with OCAST. Still, there is no requirement that the inventor or manufacturer provide additional information that would be useful in determining the effectiveness or efficiency of the program. The inventor or manufacturer should be required to provide information on annual revenues, annual payroll, and FTEs, both the total number and the number located in Oklahoma, to be eligible for the tax exemption.]

Rep. Earl Sears moved to approve PFM'S recommendation. Mandy Fuller seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

**3.8. Seed Capital Fund (OSCF)– PFM Recommendation: Retain, with modifications.** [A current focus in software and biotech firms could be shifted over time to align with other statewide programs and incentives. Given the maturation of the venture capital industry in Oklahoma, it could be valuable to reexamine Oklahoma Seed Capital Fund's (OSCF) role and mission in the market. Implementing of the new pre-seed capital program in FY23 solves a significant challenge for firms accessing the Technology Business Finance (TBFP; See 3.9). Additional research – in the form of

surveys, in-depth interviews, and/or focus groups – should be conducted to identify remaining gaps for entrepreneurs that can be supported through the OSCF and its associated programs. Improve data collection and reporting should also be improved. Annual data collection and reporting should be modified to collect data that better ties business performance to the initial investment made by the fund. This would improve future evaluations and more accurately describe the program’s benefits. The annual survey should collect growth in employment, wages, revenue, and profitability measures.]

Mandy Fuller moved to approve PFM’S recommendation. Rep. Earl Sears seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

**3.9. Technology Business Financing Program (TBFP) – PFM Recommendation: Retain, with modifications.** [Require program participants to respond to annual surveys. There is currently no requirement that companies receiving funding through the TBFP respond to i2E’s annual survey. Requiring companies to respond to the survey, at least for a certain period of time after receiving funding, would allow for an analysis of employment and payroll growth from year to year.]

Mandy Fuller moved to approve PFM’S recommendation. Carlos Johnson seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

**3.10. Technology Transfer Income Tax Exemption – PFM Recommendation: Reconfigure.** [Enhance data collection through changes to current corporate tax forms. The Oklahoma Tax Commission (OTC) staff expressed the opinion that the contemporary tax forms are viewed as burdensome for taxpayers, and the OTC seeks to streamline and reduce the required data rather than increase it. Their general perspective is that increased complexity leads to more significant taxpayer reporting errors. While this is an understandable perspective, there is also a public policy need for data and information associated with tax expenditures. Given that digital tax preparation software is widely used, and many impacted taxpayers probably retain tax preparation professionals, the OTC should consider targeted, high-value additions to these forms to improve data quality. Shift administration of the program to a contract-based agreement with the Department of Commerce. The authorizing statute could require that the Department approve those wishing to take the exemption of Commerce. The Department of Commerce could then make data reporting an annual requirement for program approval. Consider reconfiguring the program to incorporate best practices from benchmark programs. This might include converting the income tax exemption to a grant, as has been successful in the Arkansas example. Specifically, the program could be altered to reduce costs for entities generating technology that can be transferred, as opposed to the corpo-

rations that acquire the technology. Funding can also be diverted to support services such as technical assistance for small businesses applying for a Small Business Technology Transfer Program (STTR) awards or connecting small businesses and entities such as colleges and universities that frequently develop these desirable technologies to generate additional opportunities to commercialize these products and services.]

Mandy Fuller moved to approve PFM'S recommendation. Rep. Earl Sears seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

#### **4. Discussion and possible action on the acceptance of the final report provided by PFM.**

Rep. Earl Sears moved to accept the final report from PFM with modifications. Mandy Fuller seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

#### **5. Discussion and possible action to approve 2023 meeting dates, all Thursday at 10:00 a.m.**

<b>Jan. 26</b>	<b>Oct. 26</b>
<b>Mar. 23</b>	<b>Nov. 16</b>
<b>Aug. 24</b>	<b>Dec. 7</b>
<b>Oct. 12</b>	

Rep. Earl Sears moved to approve the meeting dates of 2023. Dr. Dauffenbach seconded the motion. The following votes were recorded, and the motion passed:

Mr. Johnson, aye, Ms. Fuller, aye; Mr. Roggow, aye; Mr. Sears, aye, Dr. Dauffenbach, aye.

#### **6. Adjournment**

There being no further business, Rep. Earl Sears made the motion to adjourn. Mandy Fuller seconded the motion. Seeing no opposition, the meeting adjourned at 11:20 a.m.