



Governor's Quick Action Closing Fund Annual Report 2019

Published March 2020



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Background

Oklahoma competes with numerous states to attract and retain high quality companies to the state. While the state has had job creation and investment incentives for many years, Oklahoma did not have a closing fund prior to 2011.



Commercial Metals Co. (CMC) in Durant, Oklahoma

Oklahoma's Quick Action Closing Fund was created by HB 1953 in 2011 for the purpose of attracting, retaining or providing favorable conditions for the recruitment and growth of high-impact business projects. High-impact projects are those which are expected to provide employment opportunities for Oklahomans and an enhanced tax base to the state and local government entities through economic activity expected to be created from the incentivized projects. Importantly, these projects are intended to provide a net benefit to the state and generate more revenue to the state than the cost of the incentive.

The fund can be expended by the Governor for economic development and related infrastructure development to locate a high-impact business project or facility in Oklahoma or retain such a facility in the state in instances where such expenditure may be a determining factor in locating or retaining a high-impact business project or facility in Oklahoma.

History

Since 2011, Oklahoma's Quick Action was amended in 2012, 2018 and 2019. These changes included:

- HB 3079 in 2012 updated the reference from the Office of State Finance to the Office of Management and Enterprise Services when issuing claims on the Closing Fund;
- HB 3324 in 2018 permitted payments into the Closing Fund of new incentives from companies participating in the Small Employer Quality Jobs Program, the Quality Jobs Program and the 21st Century Quality Jobs Program;
- SB 840 in 2019 imposed a minimum average wage requirement for companies eligible to receive future payments from the Closing Fund equal to the average county wage in which the high-impact project would occur and established the sunset on the incentive to be July 1, 2024; and
- SB 200 in 2019 added high-impact film projects to the list of eligible entities to receive closing funds.

Requirements and Administration

Companies receiving payments from the Governor's Quick Action Closing Fund must:

1. Be a basic industry or business activity defined by the Quality Jobs or 21st Century Quality Jobs Programs, or be a high-impact film production defined in the Film Enhancement Rebate Program, and
2. After 2019, pay an average wage on new jobs created that exceeds the average county wage for the county in which the project is located.

The Executive Director of the Oklahoma Department of Commerce may only recommend to the Governor those projects, and associated Closing Fund expenditures, that are determined to result in a net economic benefit to the state, except for high-impact film productions. Additionally, the Governor may only approve payments from the Oklahoma Quick Action Closing Fund after the Oklahoma Department of Commerce has conducted an analysis of the project's potential impact on the state, except for high-impact film productions.

The economic impact analysis includes new jobs, retained jobs, average wages for new and retained jobs, capital expenditures expected to be made by the project, potential new business establishments locating in the state, and other factors that may be relevant to the project.

After consultation with the Speaker of the House and President Pro Tempore, the Governor may approve an expenditure on a project. If a project is approved by the Governor, the Oklahoma Department of Commerce enters into an agreement with the approved company.

The contract identifies the amount of the funds awarded, the performance conditions that must be met, methodology for validating performance, claw-back provisions, and a requirement that funds shall not be utilized for political contributions. The contract also contains a provision that requires repayment, plus any interest, of the funds to the state if the recipient has not utilized the funds for the intended purpose by a specified date in the contract.



GE Energy Research facility in Oklahoma City

Appropriation & Summary

While created in 2011, the first appropriation to the Quick Action Closing Fund occurred in 2012 when the Oklahoma Legislature transferred \$6,725,049 from the EDGE Fund. Additional appropriations totaled \$3,000,000 in 2013; \$1,600,000 in 2015 from the transfer of funds from the bioenergy revolving fund; \$4,000,000 in 2018; and \$19,000,000 in 2019. After HB 3324 became effective in late 2018, \$66,406 has been transferred into the Closing Fund from new Quality Jobs contracts.

Since 2011, the Oklahoma Department of Commerce has recommended, and the Governor approved, Closing Fund awards totaling \$14 million to seven companies associated with eight projects. Given that capital expenditure projects can take several years, and that some of the performance conditions in the contracts have yet to be met, actual payments from the fund total \$10.35 million as of December 10, 2019. The remaining performance conditions are expected to be met, and the remaining \$3.65 million is expected to be paid.

Oklahoma Quick Action Closing Fund Account 12/31/19

Item	Amount
Total Appropriation/Transfer (through 12/31/19)	\$27,404,421
Less: Total Closing Fund Paid (past Projects)	\$11,000,000
Less: Total Encumbrances (existing contracts yet to be paid)	\$1,000,000
Total Unencumbered (Available) Balance	\$15,404,421
Less: Closing Fund Offers (on table)	\$6,750,000
Total Available for Projects as of 12/31/19	\$8,654,421
Future Monthly Transfer from FY 2020 Appropriation	\$7,000,002
Projected Balance 6/30/20 ¹	\$15,654,423

¹ Subject to additional encumbrances

Closing Fund Awards

The first Closing Fund project was GE, when it was awarded \$3 million, in 2013. Since that time, an additional six companies representing seven projects were awarded Closing Funds totaling \$11 million. Details for these projects are below.

- GE awarded \$3 million for the construction of a Global Research facility in March 2013. Capital investment by the company totaled \$125 million in their research center in Oklahoma City, and payment to GE occurred in June 2014.
- Macy's was awarded \$1.5 million in March 2014 to underwrite training needs for Macy's employees that receive certificates. Macy's invested \$160 million in their omni-channel distribution center in Owasso and received their full payment in January 2016.
- Commercial Metals Co. (CMC), a micro-mill, was awarded \$3 million in July 2015. Capital investment totaled \$322 million in Durant, and CMC received its full payment in February 2016.
- The Boeing Company was awarded \$2 million in July 2015. Capital investment totaled \$80 million near Tinker AFB, and Boeing received its full payment in August 2020.
- Sofidel America Corp., a tissue paper manufacturing company based in Italy, was awarded \$1.3 million in October 2017. Capital investment is expected to total \$360 million in Inola. Half of the Closing Fund payment was made in June 2018, and the remainder of the payment will be made when the performance requirements are met.
- Greenheck Fan Co., a commercial and industrial fan manufacturer, was awarded \$200,000 in January 2018. Capital investment totaled \$25.68 million, and Greenheck received its full payment in August 2018.
- The Boeing Company was awarded \$1 million in December 2018. Capital investment totaling \$20 million is ongoing near Tinker AFB, and full payment is expected to be made to Boeing when the company fulfills its performance requirements, which is separate from its first award in 2015.
- Cerilon GTL, Inc., was awarded \$2 million to construct a gas-to-liquids facility in El Reno. Half of the closing fund award will be made when Cerilon completes one-half of their \$2.35 billion facility, and the remaining half will be made when the facility is operational.



Macy's Fulfillment Center in Owasso

Total Closing Fund awards of \$14 million have been committed to companies that have or will invest \$3.443 billion in Oklahoma. Of the projects that have fulfilled their obligations, \$9.7 million in Closing Funds were paid to companies that invested \$712 million in Oklahoma.

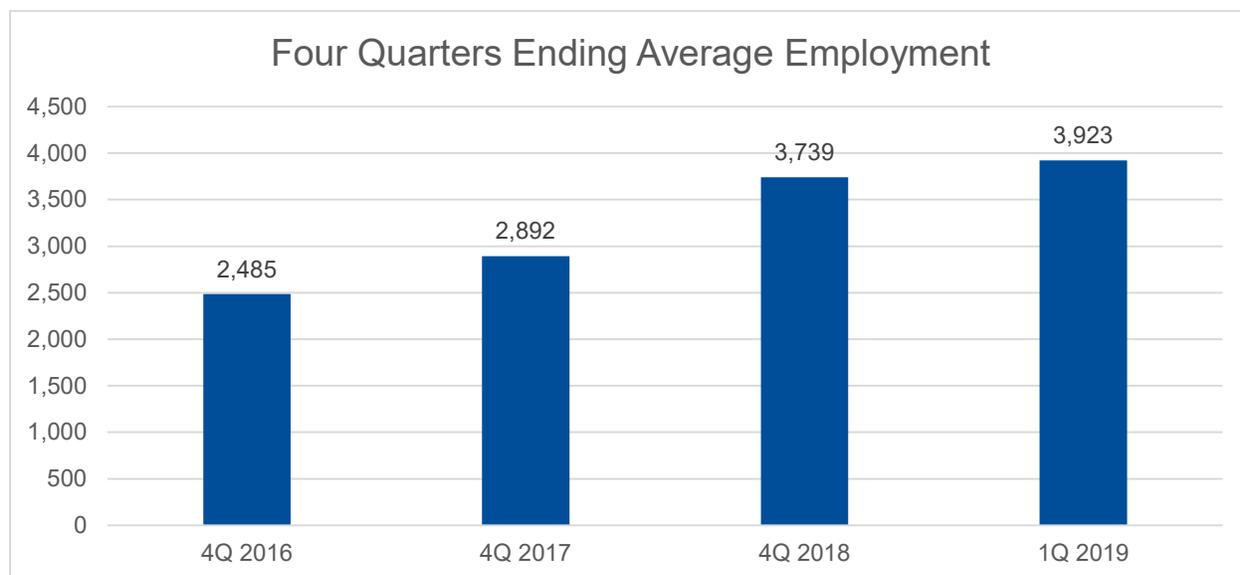
Combined Jobs and Payroll

Employment and wage data are confidential where individual companies may be identified. The information presented here aggregates that information so that no one company may be identified.

As a part of their projections, the companies applying for the closing fund planned to create 3,472 jobs as a part of their projects with total payroll of \$190 million. By the end of March 2019, which is the most recent information we have access to, these companies actually created 3,923 jobs with payroll of \$188 million.

Since inception, total new payroll created in Oklahoma has totaled \$511.5 million from the jobs created by companies benefitting directly from the Closing Fund. This does not include construction-related jobs and payroll associated with capital expenditures in excess of \$700 million.

This performance does not incorporate full ramp up of employment and payroll for several of the companies and utilizes the quarter before an award was made to establish baseline employment and payroll for companies that had operated in Oklahoma before an award was made.



Quarter 4 2016	Quarter 4 2017	Quarter 4 2018	Quarter 4 2019
2,485	2,892	3,739	3,923