

OKLAHOMA
DEPARTMENT OF COMMERCE

FY18 Budget Presentation

January 24, 2018





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The Oklahoma Department of Commerce is on sound financial footing.





Commerce is audited annually by an independent accounting firm

- A full financial audit is conducted annually.
- Copies of the audit are filed with the State Auditor and Inspector, Speaker of the House, Senate President Pro Tempore and the Legislative Service Bureau.
- Commerce is also monitored by federal agencies on a regular basis. In the past two years, the following monitoring visits were performed in addition to the external audit:

US Department of Energy – State Energy Program

US Department of Energy – Weatherization Program

US Department of Housing and Urban Development

Inspector General – Community Development

Block Grant Disaster Recovery

US Department of Housing and Urban Development -

Community Development Block Grant Disaster

Recovery

US Department of Housing and Urban Development –

Emergency Solutions Grant

Ms. Deby Snodgrass
Secretary of Commerce and Tourism
Executive Director
State of Oklahoma
Department of Commerce
October 30, 2017
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Other Required Communications

We as independent auditors are required to:

- Communicate significant deficiencies or material weaknesses in internal control to the audit committee or its equivalent.
- Report directly to the audit committee (or equivalent) any fraud that causes a material misstatement of the financial statements and any fraud involving senior management. Fraud perpetrated by lower-level employees is also to be reported if it resulted in an individually significant misstatement.
- Report illegal acts that come to our attention (except those that are clearly inconsequential).

We have nothing to report.

Restriction on Use

This information is intended solely for the use of Ms. Deby Snodgrass, Secretary of Commerce and Tourism, management of ODOC, and the State of Oklahoma and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Finley + Cook, PLLC



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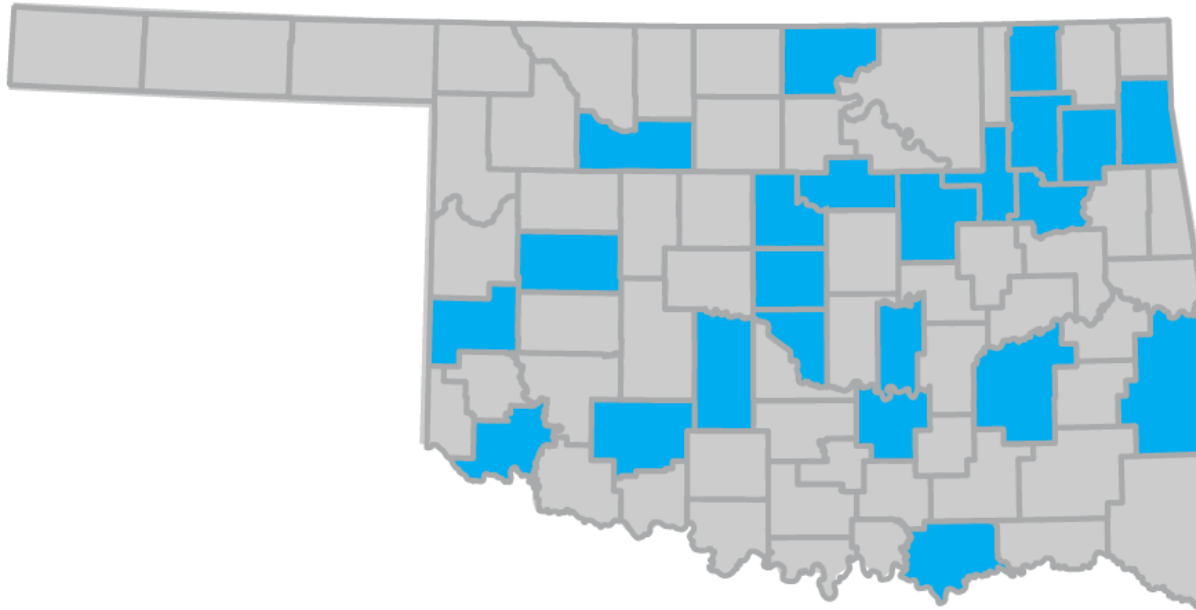
The Oklahoma Department of Commerce is doing more with less.





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Economic Development Success FY17



48 Wins

Business
Location/Expansion

\$2.38 Billion

Planned New Investment

5,083 Jobs

Projected New Direct Jobs



FY18 IS OFF TO AN EVEN STRONGER START

- In the first six months of FY18, Commerce closed 38 projects totaling \$403M in new investment. These projects will create 5,258 new direct jobs with a third year annual payroll of \$252M which, at midyear, exceeds the goals set for the entire year in FY16.
- These results were achieved despite 39% budget cuts to the agency since 2009; a substantial reduction in staff (143 in FY11, 94 today); a slowly recovering economy and a depleted closing fund.

In FY17,
Commerce
DOUBLED
the goal for
new
investment
with just under

**\$2.4
BILLION**





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**In the first six months of FY18
Wins (38 vs 24)
&
New Jobs (5,258 vs 2,712)
are significantly higher than last fiscal
year.**





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The Oklahoma Department of Commerce currently has 137 open projects which, if closed, would generate: more than 29,000 new jobs (up 7,000 from last month), more than \$1.8 billion in new payroll (nearly double last month), more than \$14.3 billion in new investment (up \$11B from last month).

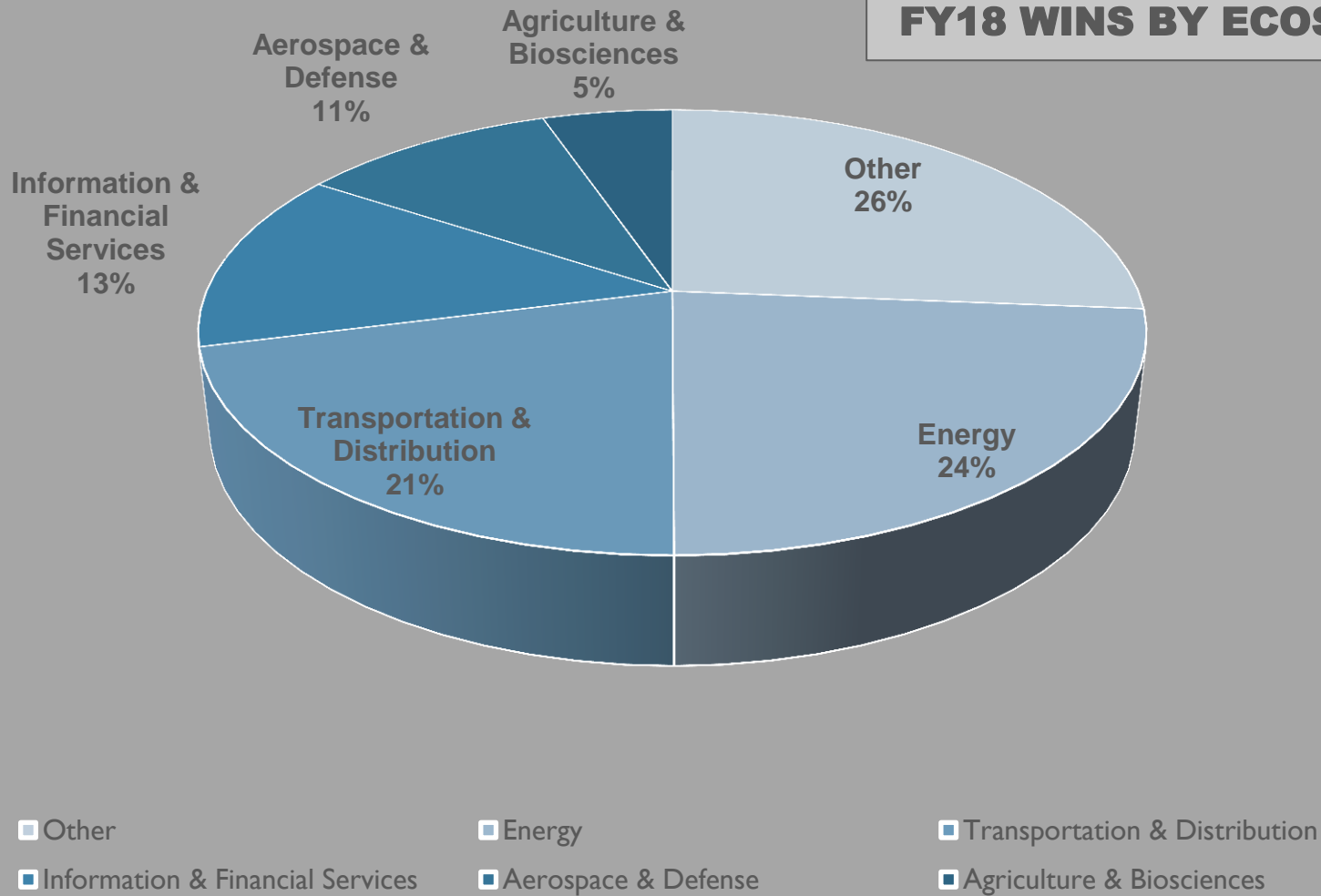




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FY18 WINS BY ECOSYSTEM





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This indicates continued economic diversification, as energy and agriculture together only account for 30% of wins during the first six months of FY18.



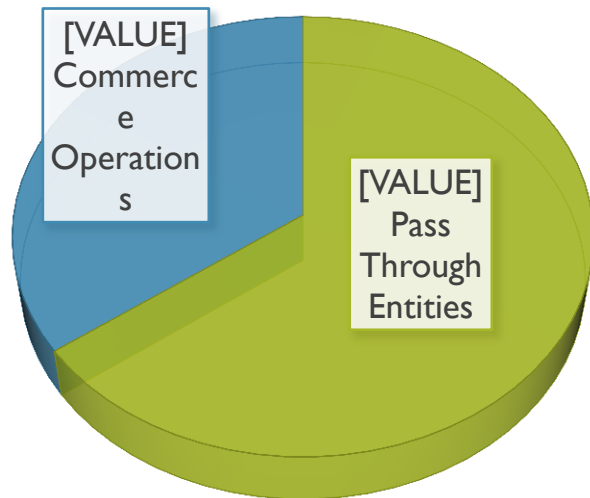


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FY18 Budget by Distribution

**FY18 APPROPRIATION
FOR AGENCY
OPERATIONS:
\$8,385,090**



Pass Through Entities

- Council Of Governments
- Community Action Agencies
- Head Start
- Community Expansion Of Nutrition Assistance
- Rx For Oklahoma
- Rural Enterprises Inc.
- Seminole State Rural Business & Resource Center
- Southeastern Business Development
- OK Strategic Military Planning

Rural Economic Area Partnership (REAP)
Under State Statute, No Costs Can Be Charged By Commerce For Administration Of The REAP Program.



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The Case for Closing Funds





HISTORY OF OKLAHOMA'S QUICK ACTION CLOSING FUND

The Oklahoma Quick Action Closing Fund was established in the 1st Session of the 53rd Oklahoma Legislature in House Bill 1953 and was executed by Governor Mary Fallin on May 24, 2011.

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.

The Oklahoma Department of Commerce is responsible for the administration of the Oklahoma Quick Action Closing Fund.

Since 2014, Oklahoma's Governor's Closing Fund has made four awards to companies, totaling \$8.5 million. Those four companies have added a combined 1,445 jobs to the state and made more than \$700,000,000 in investment.

USE OF OKLAHOMA'S QUICK ACTION CLOSING FUND

Project	Total Award	Jobs Projected	Projected Salary per Job (Avg.)	Private Capital Investment from Incentivized Projects
A	\$1M	575	\$146,000	\$80M
B	\$1.5M	420	\$33,000	\$170M
C	\$3M	230	\$119,300	\$120M
D	\$3M	220	\$60,000	\$342M





CLOSING FUND COMPARISON BY STATE

State	Name of Fund	Appropriation (FY 16)	Projects Awarded	Total \$ Awarded	Jobs Projected	Private Capital Investment from Incentivized Projects
Arkansas	Quick Action Closing Fund	\$32M	10	\$11M	6,000	\$1.3B
Colorado	Strategic Cash Fund	\$5M	4	\$4M	1,160	\$1B
North Carolina	One North Carolina Fund	\$7M	31	\$10M	3,442	\$700M
Oklahoma	Quick Action Closing Fund	--	3	\$5.5M	1,215	\$592M
South Carolina	Governor's Closing Fund	\$14.5M	9	\$15.5M	2,106	\$1.5B
Texas	Texas Enterprise Fund	\$90M	10	\$24M	3,431	\$454M

\$ For FY18 Arkansas has appropriated \$50 million to its Quick Action Closing Fund.





CLOSING THE GAP – HOW CLOSING FUNDS CAN MAKE THE DIFFERENCE

As regulations increase and the cost of doing business continues to rise, companies are looking for better options in operation locations. That leads to business-friendly states growing more competitive in their attempts to recruit these companies.

As of 2016, 17 states, including Oklahoma, offered “closing funds” (or a similar incentive program) with awards larger than \$1 million. These programs vary greatly in funding with smaller funds receiving approximately \$2 million per year and the largest (Texas) receiving approximately \$90 million per year. Generally, states’ closing funds operate with \$10-50 million annually.

WHY USE A CLOSING FUND?

For some states the closing fund is a small incentive just to get proposals past the finish lines. For others, like Texas, it’s often the main attractor.

Many incentive programs offered by states (i.e. Oklahoma’s Quality Jobs Program) are only a benefit once the company is up and running. In some cases, that could be more than a year. An incentive that can offset an upfront capital expenditure or act as a one-time influx of cash at the beginning of the transition is sometimes seen as more valuable or motivating.



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