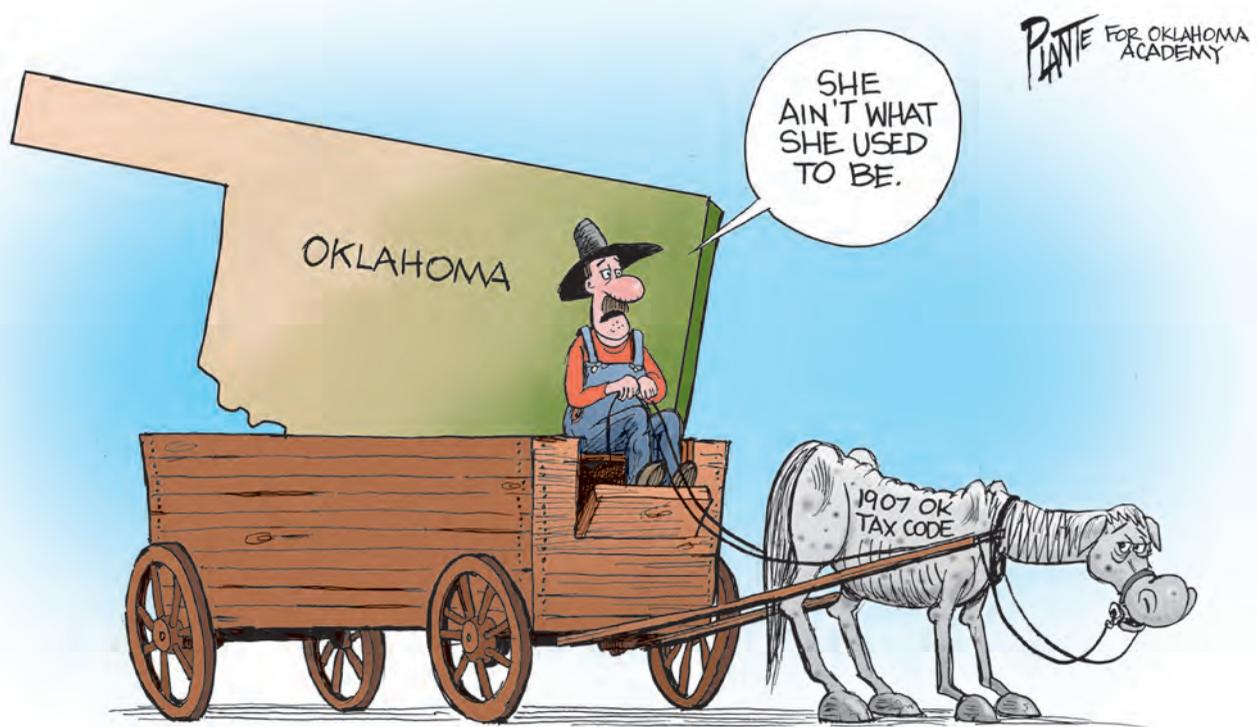




ISSUE BRIEF

Town Hall Consensus Recommendations and Findings Report



Aligning Oklahoma's Tax Code with Our 21st Century Economy

Equity, adequacy, simplicity, transparency, and administrative ease

The 2018 Oklahoma Academy Town Hall
November 11–14, River Spirit Conference Center, Tulsa

Take Action

Aligning Oklahoma's Tax Code with Our 21st Century Economy
2018 Oklahoma Academy Town Hall



Tips to Take Action Help the Oklahoma Academy Move Ideas Into Action

Be sure to check the Oklahoma Academy website for the complete Legislative Tool Kit for Town Hall Participants and Oklahoma Academy Members and our Library for information on all Town Hall Resource Documents, Issues Briefs and Full Reports! The link to the website, Library and Tool Kit is <http://www.okacademy.org/library.html>.

- In the Tool Kit, check out the following:
- Get to Know the Path of a New Bill – page 4
- Take Action with Calls, Letters, Emails to Your Legislators – pages 6 – 7
- Know How to Write a Letter to the Editor of Your Newspaper – page 8
- Learn More About Legislative Committees and Writing and Presenting Testimony – pages 9 – 10
- Tips for a Successful Legislative Meeting – pages 11 – 13
- Senate Contact Information – pages 15 – 16
- House of Representatives Contact Information – pages 17 – 19
- Recognize the Legislative Calendar and Committees – page 10
- Legislative Committee Members and Meeting Dates
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Introductions

Aligning Oklahoma’s Tax Code with Our 21st Century Economy 2018 Oklahoma Academy Town Hall



When the planning began for the 2018 Oklahoma Academy Town Hall, we knew that Aligning Oklahoma’s Tax Code with Our 21st Century Economy would be a very complex topic, and we were right. Our current tax code is an amalgamation of individual legislative actions over the past 111 years ... hardly strategic in nature and rarely, if ever, tied to a consensus, long-term vision of where our state is headed. Keeping this in mind, the 2018 Town Hall focused on modernizing Oklahoma’s current tax code, one that combines equity, adequacy, simplicity, transparency, and administrative ease.

The participants studied the 200-plus-page background resource document and committed three days to examine and discuss Oklahoma’s tax code. Twelve questions were asked of the panels including whether to raise, lower, broaden, eliminate, or keep the top ten revenue producing taxes, and the outcome was a true consensus of the five panels.

As the Co-Chairs, we were impressed with the honest and open discussion displayed by each panel when discussing the issues, determining the solutions, and collaborating to develop public policies for the state of Oklahoma. Balanced on this fine work we believe the result of the 2018 Town Hall will help navigate future tax policies.

As you read the Issues Brief, please keep in mind that these recommendations come from a broad cross section of Oklahomans that deserve to be heard.

Congratulations to all participants for a job well done.



Hon. Dan Boren
President, Corporate Development
Chickasaw Nation Department of Commerce
Oklahoma City



Darryl Schmidt
President and Chief Executive Officer
BancFirst
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About the Town Hall

The Oklahoma Academy defines leadership as the ability to get people moving in a single direction. One of the most effective ways of achieving that goal is utilizing a process like the Town Hall. The Town Hall incorporates all the elements of a successful consensus-driven process by emphasizing collaboration, cooperation, egalitarianism, inclusivity, and participation. Each must be in place to arrive at the destination improving the overall business climate and quality of life for Oklahoma. The Oklahoma Academy’s Town Hall process is successful in implementing recommendations unlike any other because strong group relationships have been developed through the process that results in greater trust amongst the attendees. By “leading” a diverse group of Oklahomans through the Town Hall process, the Oklahoma Academy provides a value-added service unlike any other.



Consensus Town Hall Recommendations

Recommendation= Proposal as to the best course of action

(Page numbers refer to where the recommendation is found within the full report.)

Priority 1

- The Town Hall endorses that State Question 640 should to be repealed or modified. The Town Hall recommends that if SQ640 is not repealed, then it should be amended to read that the threshold to both increase and lower taxes should be 60%. Town Hall participants favored lowering the threshold for raising new revenue from the current 75% to 60%, which would match the requirement threshold for local school bond proposals. It is recognized that the burdens imposed upon the Legislature to generate sufficient revenue with the current 75% threshold results in the adoption of taxes veiled as “fees” to circumvent the SQ640 restrictions. Often, these fees disproportionately fall upon low and middle-income Oklahomans.

There is wariness of using the legislative process to modify SQ640 from 75% to 60% due to the perceived past partisan and non-cooperative nature of the Legislature. Knowing that the opposition to lowering the 75% threshold would likely be strong, the Town Hall recommends an aggressive, positive PR campaign to support the effort by informing the voters. [Page 17](#)

(It is important to note, this is the fourth Town Hall to address SQ640 and the impact the 75% threshold has on Oklahoma. There has been a consensus among the participants in the 2013, 2015, 2017, and 2018 Town Hall of the asymmetry of SQ640 -- allowing the Legislature to reduce taxes with a simple majority but requiring a three-fourths vote to raise the same taxes.)

Priority 2

- The Town Hall recommends that the state should tax services, but that a judicious approach is required. The Town Hall believes a tax on services should be applied across the board, rather than to a list of specified industries. Stacking of taxes must be avoided and in areas where consumers may be paying taxes on services, special care will have to be applied so as to ensure those services would not become too expensive for the vast majority of Oklahomans. Doing so is necessary because of the ever-increasing trend towards becoming a service-based economy in order to capture a broader revenue source. Owing to the overall increase in services in our economy, it is specifically recommended that the tax rate on goods be reduced accordingly if the tax base is broadened to include services resulting in a collective increase in revenue. The impact upon municipalities and their available budgets must be considered prior to imposing sales tax expansions to services. [Page 15](#)

Priority 3

- The Town Hall, in agreement with the Oklahoma Municipal League's call for “municipally-minded tax reform” for Oklahoma, recommends authorizing a diverse tax base using ad valorem taxes, millages, implementation of Public Safety Districts, and the strategic use of taxes on services in a broad multi-prong approach to fund municipal governmental services. A wholesale tax overhaul should occur. We should not make structural changes on a line-by-line basis. To eliminate the existing system may seem radical, but is necessary to address the system's dysfunction as a whole to actually contribute to sustainable long-term planning for Oklahoma's prosperity.

These recommendations are made because Oklahoma is the only state in the nation where cities and towns are solely dependent upon sales tax for general operations. The recommendations enable giving local control to municipalities and counties, especially enabling services in rural areas. [Page 18](#)

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- The Town Hall recommends that the legislature redefine goods rather than redefining services. Before opting to expand sales tax to cover related services, intangible goods like downloads, digital services, etc., should be redefined rather than applying a sales tax to services. [Page 15](#)
- The Town Hall recommends that the State of Oklahoma provide a more equitable fee for renewables and electric vehicles to cover reductions in fuel tax collections associated with these vehicles. The Town Hall recognizes the importance of funding roads and bridges to increase tourism, attract and retain business, and preserve transportation safety and school buses, “pulling funds currently allocated elsewhere would create significant unintended consequences and allocations should not be examined in a silo.” [Page 17](#)
- The Town Hall agrees that the idea of developing a strategically designed master plan for awarding incentives rather than each application standing on its own merit, would be valuable and essential. Encouragement is given for the use of private public partnerships (PPP) and developing separate plans for specific, specialized industries. [Page 17](#)
- The Town Hall recommends a broadening of the tax base for municipalities in line with the OML recommendations. Learning from what other states are implementing to diversify funding for local government, municipalities should be awarded greater authority over raising and using ad valorem taxes to fund municipal services and operations, in cooperation with county governments to avoid unintentional repetitive taxation. [Page 19](#)
- Echoing the recommendations adopted at previous Oklahoma Academy Town Halls, The Town Hall recommends that the Legislature should implement a two-year budget cycle and more long-term planning practices to protect against the instability caused by term-limits. Essentially, as part of a more sustainable long-term approach to budgeting, our policymakers should refrain from increased appropriations or offering tax cuts during times of surplus so that we are prepared for emergencies, reduced tax collections, or moments of austerity. [Page 19](#)
- The Town Hall unanimously agrees that a consistent practice of setting aside surplus tax receipts during boom years for use during these emergency periods should be adopted by our policymakers. The Town Hall participants offered several recommendations for achieving this objective, including raising the cap in the existing Rainy Day Fund from the current fifteen percent of current revenue estimated from the previous year, or outright removing the cap, to afford more flexibility and advanced long-term planning. [Page 20](#)
- The Town Hall recommends modifying or broadening one or several of the existing revenue stabilization funds to set aside reserves derived from oil and gas tax proceeds with realistic restrictions on how the reserve is used. Utilizing existing reserve funds and modifying their principal terms could be an opportunity to avoid having to authorize a new fund by a vote of the people through a state question. Quite simply, the idea is to cap spending on oil and gas receipts and put the overage in boom years into a reserve fund and use the reserve during oil and gas bust years. It is recognized that there is a need for more public education and clarification pertaining to reserve funds, their uses, foundation, operation, and creation. [Page 20](#)
- The Town Hall recommends accepting sports betting as a covered game under compact 712. Sports betting should be implemented, as it is likely it will be adopted by competitive gaming jurisdictions (ie: Kansas, Louisiana, etc.) and it will grow both Oklahoma and tribal economies. [Page 21](#)



Consensus Town Hall Findings Highlighted from Final Report

Finding= Conclusion reached after examination and deliberative discussion

- There has been “no appreciable change from 1994” in attitudes toward taxes in Oklahoma. Taxes on utilities, corporations, and oil and gas should be avoided. Motor vehicle tax increases could be considered but only if earmarked for infrastructure improvements.
- Conservative populism dominates Oklahoma’s political landscape and has produced a dire commitment to a low tax structure without an appreciation for the resultant impact upon essential services. These practices simultaneously fail to generate the necessary revenue to fulfill these needs, making Oklahoma less competitive with other states, and less attractive to employers and citizens alike.
- The concept of **reliability** in taxation and revenue generation was deemed the most essential principle for a state tax code. With impacts upon every other category, reliability in terms of sources of origination and consistency in supply dictate the status of our budget annually. Continuously lowering, modifying, or eliminating revenue sources eliminates consistency and reliability, yet it is a hallmark of Oklahoma’s annual political practices. As such, there is a need to craft state tax policy with weighted consideration granted to reliability.
- The **equitable** nature of tax revenue should be the second highest consideration for tax policy in Oklahoma. Oklahoma consistently occupies the worst slots in national rankings in multiple categories pertaining to infrastructure, education, household income, public health, and criminal justice, while simultaneously having a larger populace dependent upon these services than many other states. Oklahoma voters, policymakers, advocates and academics struggle with discovering a healthy balance between equitable treatment of sources of revenue, the proportionate share of the load paid by individuals and entities.
- **Accountability**, both in terms of visibility and transparency, is the third most critical category to apply in contemplating tax and revenue policy. Demanding accountability when it comes to granting tax exemptions and incentives should be a priority in crafting tax policy. Simplifying the system so the benefits and burdens are more clearly discernible to the public should be a priority to ensure accountability.
- The **economic neutrality** of tax policy is the next principle afforded importance by the panels. Oklahoma should strive to realize economic neutrality, which is closely attached to equity and reliability. Tax policy should be developed with equal consideration of its impact upon the taxed individual or business and the benefit to the public in whole. Expanding the tax base for Oklahoma to achieve economic neutrality for individuals and industries.
- **Competitive responsiveness** of our tax policies is the least important and impactful principle for Oklahoma. An enhanced focus on providing better public services would be more effective in both recruiting and retaining a quality workforce, which in turn is more important in recruiting potential industries or companies. As considered above, the interconnected nature of all these principles, namely reliability, equity, and accountability, proves to offer a much more consistent and effective tax and revenue policy.
- Oklahoma is not as competitive as other states due to the substantially lower investment in infrastructure, essential services, and general quality of life concerns, resulting from continuous budgetary uncertainty and the near constant state of emergency surrounding our legislative process. Comprehensive tax reform is critical to addressing these issues rather than piecemeal modifications.

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Aligning Oklahoma's Tax Code with Our 21st Century Economy 2018 Oklahoma Academy Town Hall Consensus Findings



- Revenue raised from motor vehicle fees should be apportioned to roads and bridges maintenance programs, even though proceeds from these fees are appropriated to non-transportation related programs like education. However, the Town Hall acknowledges this policy shift will require the Legislature to identify other revenue sources to offset the substantial funding loss to public education or other areas. While all panels recognized the importance of funding roads and bridges to increase tourism, attract and retain business, and preserve transportation safety and school buses, “pulling funds currently allocated elsewhere would create significant unintended consequences. “Allocations should not be examined in a silo” captures the sentiment of most panels.
- Incentives are positive, effective, necessary, essential, and improve competitiveness and recruitment prospects. New jobs/salaries more than offset the foregone taxes not assessed because of incentives, but strong ROI (return on investment) methodologies needed to be in place and enforced and claw-back measures should also be in place for those industries that benefited from the tax breaks but failed to produce the investment/jobs. However, the importance of local quality of life investments is essential to all recruitment efforts. The Town Hall cautions against prioritizing attracting new industry at the expense of existing small businesses. This latter point should be a part of the overall evaluation process.
- The support for Tax Increment Financing (TIF) was universal. Areas where TIFs have been implemented, property development has increased, as well as, property values and sales taxes. Several panels extolled “local control” and “built-in accountability.” In the end, all panels opposed outright repeal or amending the statutes. Several panels mentioned the need to ensure that TIFs are located in truly blighted areas where economic development may otherwise not occur.
- Support exists for the continued implementation of the Zip+4 mechanism of nine-digit ZIP Code in an online sales tax remittance system to ensure online sales tax funding going into appropriate municipal jurisdictions. It was suggested that online sales tax needs to be distributed to the centers that generate those taxes.
- While the fluctuating nature of oil and gas tax collections plays a large role in the volatility of Oklahoma's tax collection forecasting, it must be recognized that comprehensive tax reform should be approached with a more diversified source of revenue encompassing all resources available in our diverse resource portfolio. In addition to identifying new sources of revenue and better integrating volatile tax receipts, our policymakers should continue to identify efficiencies in spending and focusing on core essential services.
- The increasingly important contributions made by tribal governments deserves prominence and all efforts to negotiate compacts or development agreements should be done in good faith and with an eye towards improved cultivation of these relationships to further achieve revenue stability and diversification.
- The panels applaud the Oklahoma Tax Commission's ongoing efforts to create better forecasting systems so state leaders have more accurate information on which to base their budgets and spending packages.
- None of the Town Hall Panels recommended that any of the top ten sources of revenue taxes be lowered.
- None of the Town Hall Panels recommended that any of the top ten sources of revenue taxes be eliminated.

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2018 Oklahoma Academy Town Hall



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Aligning Oklahoma's Tax Code with Our 21st Century Economy

2018 Oklahoma Academy Town Hall



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Aligning Oklahoma's Tax Code with Our 21st Century Economy

2018 Oklahoma Academy Town Hall



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Town Hall Final Report



Issue Brief

Aligning Oklahoma's Tax Code with Our 21st Century Economy

2018 Oklahoma Academy Town Hall Final Report

In deciding the topic for the 2018 Oklahoma Academy Town Hall, the Academy reached out to its membership, chambers and other organizations and groups to determine what issue the state of Oklahoma needs to focus on when looking toward the future. After many discussions and surveys, Aligning Oklahoma's Tax Code with Our 21st Century Economy were determined as not only very important but also very timely.

The topic of tax reform is both complex and controversial. Determining how and from whom to collect taxes involves questions of reliability, equity, accountability, and ease of administration at a minimum. Any successful tax reform must start with the guiding principles of the system that needs reform.

We may never agree on any individual tax reform package, but perhaps we can all agree on one thing: The basic goal of tax policy is to raise enough revenue to meet the government's spending requirement in the way that has the least impact on the economy ("What the Ideal Tax Code Looks Like," Mercatus Center).

This year's Town Hall sought to develop tax reform recommendations that would, in the short-run, smooth the volatility of frequent budget shortfalls and, in the longer run, better reflect the current and expected economic base of the state. The following is a thoughtful and honest attempt to address both. This document reflects a three-day evolution of the thinking of these five panels regarding these issues.

In the pages that follow, the dedicated Town Hall participants came up with ideas on how to modernize Oklahoma's tax code, one that combines equity, adequacy, simplicity, transparency, and administrative ease. Operating through five panels, each led by a panel facilitator and discussions captured by a panel reporter, all five panels followed the same discussion question outline. This finding and recommendations report includes the deliberative discussion of the Town Hall participants in answer to the discussion question outline.

Ultimately, the Town Hall supports legislation alongside the Oklahoma Municipal League to authorize a diverse tax base using ad valorem taxes, millages, and safety districts and the strategic use of taxes on services in a broad, multi-prong approach to fund municipal governmental services. The Town Hall recommends that wholesale tax overhaul should occur, not one conducted on a line-by-line basis. Getting rid of the existing system and starting over may be radical, but necessary to address the system's dysfunction as a whole to actually contribute to sustainable long-term planning for Oklahoma's prosperity. However, a realistic present-day approach would be to conduct the review as discussed below and in the addendum.

*(*The questions asked to the panels are printed in bold font in the following text.)*

Day 1, Question 1:

The background research document included an article entitled "Attitudes of Oklahomans Toward State and Local Tax Expenditures." While conducted in the early 1990s, the Town Hall wondered how much, if any, have Oklahoma attitudes changed toward the major sources of revenue. Using the same lead-in question used in the original study – **If the state needed additional money for a program the voters approved, would you favor or oppose increases in each of the revenue sources** – the 2018 Town Hall attendees responded as follows.

The rank ordering of 13 distinct taxes in the original survey had strong opposition to taxes on utilities, residential property, personal income tax, and motor vehicles. On the other end of the spectrum, Oklahomans were much more willing to raise taxes on games such as bingo, tobacco and liquor taxes, the sale of state assets, and fees to users of governmental services. The remaining five revenue sources – state sales tax rates, gasoline taxes, sales tax on services, oil and gas production taxes, and taxes on businesses and corporations – fell in the middle of the two spectrums.

Twenty-five years later, Oklahoma priorities have wavered very little. Several of the panels found that there has been "no appreciable change from 1994" in attitudes toward taxes. Where individual taxes listed above were mentioned, there was consensus that taxes on utilities, corporations, and oil and gas should be avoided. Motor vehicle taxes could be considered but only if earmarked for infrastructure improvements.

Many of the comments not related to the re-ranking of revenue sources dealt with the complexity of the tax code and several panels mentioned the need for improved civics education to improve both understanding and transparency of our tax code. Other

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comments of note: taxes and state policy disconnect, issues of regressivity with any tax increase, negative impacts of “off-the-top” earmarks, over-reliance on fees, inhibiting impacts of SQ 640 requiring state agencies to provide longer-range plans so that revenue estimates could be more accurate and informed, and that there is “great value in knowing what people are getting for every increased tax dollar required.”

Several panels noted that the conservative populism that has dominated Oklahoma's political landscape has produced a dire commitment to a low tax structure without an appreciation for the resultant impact upon essential services. These practices simultaneously fail to generate the necessary revenue to fulfill these needs, make Oklahoma less competitive with other states, and less attractive to employers and citizens alike. Evidence of possible changes in attitudes is shown by the support for the teacher walk-out, the tax increases in the last legislative session, and the results of the election to re-elect those who voted for the tax increases and defeat many who did not.

Perhaps a good summary of this first question is captured in the final paragraph of the article. “Although the survey results that the Oklahoma voter is not likely to favor significant increases in a state question 640 election, they also show that voter preferences for services are inconsistent with this rigidity. Perhaps Oklahoma voters have not yet reconciled the inherent conflict between tax rigidity and its implication for levels of state services.”

Day 1, Question 2

The NCSL provided a very detailed evaluation of major state revenue sources by seven principles. Several other articles in that section of the document did the same. It is safe to say that no state tax code incorporates all seven principles into its current revenue raising systems, including Oklahoma. Looking at each of the principles, vis-à-vis the major revenue sources, how would you prioritize the seven principles so that the state can consistently raise enough revenue to meet the government's spending requirements in the way that has the least impact on the economy?

In considering the importance and appropriateness of revenue stream development through taxation, the seven principles as applied by the National Conference on State Legislatures (reliability, equity, compliance & administration, responsiveness to interstate and international competition, economic neutrality, accountability), policymakers should construe these principles in a non-linear nature, diligently balancing these concepts to allow for overlap and the most responsible system for their constituents.

In near unanimity, the concept of *reliability in taxation and revenue generation was deemed the most essential principle*. With impacts upon every other category, reliability in terms of sources of origination and consistency in supply dictate the status of our budget annually. Historically, in Oklahoma, our reliance upon tax revenue both directly and indirectly tied to industries with fluctuating markets and development trends has resulted in a less than reliable revenue package with inconsistent forecasting, budget predictability, and increasingly often budget emergencies. While economic trends influence both income and property taxes, these two mainstream staples for tax revenue offer a more stable and predictable baseline upon which to base long-term budgeting and revenue forecasts. Tying revenue to commodities ranging from hydrocarbons to electric megawatts has created a roller coaster effect for our policymakers as they respond to the most recent fluctuations, all with an eye towards maintaining political viability.

One panel would distinguish between renewable and non-renewable sources of revenue in applying any reliability analysis. Another panel analyzed the unintended impact upon reliability of some tax policies, specifically citing tobacco and sin tax policies. Intended to curb use of alcohol, tobacco and other activities, the purpose of the proposals inherently contradicts reliability because if the policy is effective in discouraging use or behavior, less revenue will be generated from that specific category, thus making it an unreliable source.

The core functions of government tied to infrastructure, community planning, and public services are most effective when based upon long-term plans, consistent, reliable budget principles. The money has to be available on a yearly basis, which is never supported by removing diverse sources of revenue without considering the impact its absence will have upon the whole. Like a giant Jenga game, if you remove one piece of revenue, the structural integrity of the budgetary foundation becomes unstable. Continuously lowering, modifying, or eliminating revenue sources eliminates consistency and reliability, yet it is a hallmark of our annual political practices. As such, there is a need to craft state tax policy with weighted consideration granted to reliability.

The *equitable nature of tax revenue should be the second highest consideration* for tax policy in Oklahoma. Oklahoma consistently occupies the worst slots in national rankings in multiple categories pertaining to infrastructure, education, household

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income, public health, and criminal justice, while simultaneously having a larger populace dependent upon these services than many other states. Oklahoma voters, policymakers, advocates and academics struggle with discovering a healthy balance between equitable treatment of sources of revenue, the proportionate share of the load paid by individuals and entities. Policymakers must be cognizant of how specific tax policies impact communities across the state with an awareness of the burden placed upon low and moderate-income families and communities of need.

Accountability, both in terms of visibility and transparency, is the third most critical category to apply in contemplating tax and revenue policy. Transparency means that taxpayers and leaders can easily find information about the tax system and how tax money is used. With a transparent tax system, we know who is being taxed, how much they are paying, and what is being done with the money. We also can find out who (in broad terms) pays the tax and who benefits from tax exemptions, deductions, and credits.

While accountability is more relevant in the spending and allocation of tax revenue, prioritizing accountability (who we tax, how we tax, and what we tax) would result in eliminating unnecessary earmarks and exemptions, which would broaden the tax base. The panels agreed that demanding accountability when it comes to granting tax exemptions and incentives should be a priority in crafting tax policy. Did the policy have its intended consequence in a reliable, equitable manner? Also, simplifying the system so the benefits and burdens are more clearly discernible to the public should be a priority to ensure accountability.

The *economic neutrality of tax policy is the next principle afforded importance* by the panels. Often more of an idealistic principle, Oklahoma should strive to realize economic neutrality, which is closely attached to equity and reliability. Tax policy should be developed with equal consideration of its impact upon the taxed individual or business and the benefit to the public in whole. Expanding the tax base for Oklahoma to achieve economic neutrality for individuals and industries.

The panels nearly unanimously agreed that the *competitive responsiveness of our tax policies is the least important* and impactful for Oklahoma. Several panels indicated that even in areas where Oklahoma offers highly competitive tax incentives, commercial recruitment and retention is not realized consistently, often to the detriment of revenue and budgetary stability. An enhanced focus on providing better public services would be more effective in both recruiting and retaining a quality workforce, which in turn is more important in recruiting potential industries or companies. As considered above, the interconnected nature of all these principles, namely reliability, equity, and accountability, proves to offer a much more consistent and effective tax and revenue policy.

Administration and compliance was less emphasized by most panels as a factor in gauging the efficacy or appropriateness of tax and revenue policy. As with the interconnectivity of most of the aforementioned principles, administration and compliance is perhaps more appropriately considered in the context of accountability, rather than as a freestanding principle.

Day 1, Question 3:

Looking at the changes in the Oklahoma economy, the Town Hall asked participants to address the disconnect between tax revenue growth in Oklahoma and the actual rate of economic growth in Oklahoma since FY2001. In essence, the rate of growth in tax revenue (1.4% annually) has not kept pace with the economic growth (4.5%). The questions posed are: should the state attempt to match revenue growth to the growth rate of the broader economy; if so why and how; if not, why and what would you recommend?

The responses were mixed with three panels suggesting there should be attempts to tie economic growth to revenue, while two panels disagreed with the premise. Interestingly, the three panels who agreed in general had issues with either the term “match” or relying upon a single metric, specifically GDP. One panel suggested using either “reflect” or “track” in lieu of “match.”

Of the two panels disagreeing with the premise, one suggested indexing individual state funds to a growth metric, but did not specify the metric. The other panel had a consensus recommendation to require intentional, recurring reviews, based upon an accepted period of time or a different trigger, so that if the two measures (revenue vs. growth) are moving in opposite directions, that those changes can be detected earlier.

One panel supporting the premise had a follow up question: Why haven't the two measures aligned themselves better? They suggest the reasons might include: (1) our economy is more service-providing than goods-producing (and we're not capturing the growth in the former); (2) the state's inability to keep up with technology and modernization (not capturing e-sales); and (3) the growth in tax cuts, exemptions, deductions, and credits. Their answers would suggest responsive policy. Several panels agreed with the last two explanations.

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Finally, one panel suggested, as had been previously mentioned, that the state needs to adopt a more “long-term” strategy . . . adopt a “vision-plan-invest” strategy and that it should apply to all agencies. One panel suggested a repeal or revision of SQ 640, using the rationale, it takes 76 votes to raise taxes, but only 51 to lower them. The Town Hall endorses that if SQ640 is not repealed, then it should be amended to read that the threshold to both raise and lower taxes should be 60%. The Town Hall recommends that if SQ640 is not repealed, then it should be amended to read that the threshold to both raise and lower taxes should be 60%.

(It is important to note, this is the fourth Town Hall to address SQ640 and the impact the 75% threshold has on Oklahoma. There has been a consensus among the participants in the 2013, 2015, 2017, and 2018 Town Hall of the asymmetry of SQ640 – allowing the Legislature to reduce taxes with a simple majority but requiring a three-fourths vote to raise the same taxes.)

Day 1, Question 4

Since Mississippi enacted the first general sales tax in the US in 1932, sales taxes have become a staple of state and local finance. Sales of tangible goods dominate most states' sales tax bases. Only a few states impose their sales taxes to a broad array of services.

In an effort to reduce future budgetary shortfalls while achieving principles of equity, stability, and ease of administration, should the state of Oklahoma broaden its sales tax base to include business and personal services? If so, should those services be enumerated specifically, or should Oklahoma apply the sales tax to all services, utilizing the “with the exception of the following” as is its policy? If not, what are the primary arguments against applying the sales tax to services?

The panels agreed that we should tax services, but that it requires a judicious approach. The impact upon municipalities and their available budgets must be considered prior to imposing sales tax expansions to services. A majority of panels felt that a tax on services should be applied across the board, rather than to a list of specified industries. However, some agreed that stacking of taxes must be avoided and that areas where consumers may be paying taxes on goods and services, special care will have to be applied so as to ensure those services would not become too expensive for the vast majority of Oklahomans.

A strategy for imposing a sales tax upon services may include areas in which tangible, taxable goods are available as part of the transaction, where the vendor already has a permit to charge a sales tax. Specifically, the services should be applied to those services categorized as business, personal, professional, maintenance and repairs. Doing so is necessary because of the ever-increasing trend towards becoming a service-based economy in order to capture a broader tax base. Owing to the overall increase in services in our economy, it is specifically recommended that the tax rate on goods be reduced accordingly if the tax base is broadened to include services resulting in a collective increase in revenue.

Potential taxable services recommended by some of the panelists include Recreational Vehicle parking, digital file services and agreements, and similar services. Services that should not be taxed, at least initially, would include those with higher likelihood of non-compliance as it could easily result in the creation of “hidden economies.”

If our 21st century economy is service-based then the tax code needs to be adjusted to respond accordingly. Concerns surrounding the taxation of services, specifically when applied to medical services and those with a disproportionate share of elderly and low-to-moderate income consumers, exist regarding the disproportionate impact upon these populations. Unfortunately, it is acknowledged that regardless of what action is taken there will be winners and losers.

As discussed previously in the document, the impact upon competitive responsiveness affiliated with expanding the sales tax to services could potentially discourage professionals and entities from remaining or coming to Oklahoma. However, as with much of the other discussions, the real reasons Oklahoma isn't as competitive as other states is due to the substantially lower investment in infrastructure, essential services, and general quality of life concerns, resulting from continuous budgetary uncertainty and the near constant state of emergency surrounding our legislative process.

To simplify the process, the legislature could start by redefining goods rather than redefining services. Before opting to expand sales tax to cover related services, intangible goods like downloads, digital services, etc., should be redefined rather than applying a sales tax to services. One panel recommended that the Oklahoma Academy endorse the collection of a “Technology Tax” that would be applied to software applications and electronic items purchased online just as would be for a similar item sold in a tangible form in a store.

Ultimately, there is a sentiment that comprehensive tax reform is critical to addressing these issues rather than piecemeal modifications.

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Day 1, Question 5

In the resource document prepared for the Town Hall, the Association of County Commissioners of Oklahoma (ACCO) lays out its case for why the legislature, by capping motor vehicle fees (tag, title, and driver license fees) and the County Improvements for Roads and Bridges (CIRB) program assessed by the Oklahoma Department of Transportation in 2015, has hindered counties from adequately maintaining and funding new construction. The development of the CIRB Construction Work Plan begins with the identification of potential projects by the County Commissioners and is guided by their knowledge of the transportation needs and priorities in their respective districts. They and their staff work to maintain an understanding of the condition of the roads and bridges in their areas of responsibility and typically consider the following general project selection characteristics, including bridge condition, geometrics, average annual daily traffic, percentage of truck traffic, accident history, capacity, and local, regional and sometimes national traffic patterns.

Should the caps be removed to allow revenue to match inflationary trends? If so, at what growth index and if not, what rationale would you provide?

Several panels were more supportive of the concept that all revenue raised from motor vehicle fees should be apportioned to roads and bridges maintenance programs, even though proceeds from these fees are appropriated to non-transportation related programs like education. However, the Town Hall acknowledges this policy shift will require the Legislature to identify other revenue sources to offset the substantial funding loss to public education or other areas. Removing the cap would keep more money dedicated to funding county road plans, but also potentially result in unintended consequences for other programs and budgetary planning (even though this violates the exact concepts of accountability, reliability, and compliance & administration principles discussed previously). If the state commits to a 5-year plan for the County Highway System, roads and bridges, it should commit the funding.

One panel recommended that revenue shortages for roads and bridges can and should be addressed through additional automobile transport fees, including a specific fee on tires. If the motor vehicle fees would not be sufficient on their own to cover the cost of maintaining our roads and bridges, a progressively increasing fee based upon the size of tire would be equitable and appropriate to ensure that larger vehicles with a greater impact upon our transportation infrastructure could contribute a larger portion to their maintenance.

The panels did not support any use of growth indexing because transportation infrastructure projects are best serviced by dedicated streams of revenue and minimized delays. Indexing would require pulling funds from already allocated programs, although this is an inherent potential byproduct of most of these proposals.

Day 1, Question 6

The Town Hall was then asked to address a follow up question related to fully funding county services. The ACCO argues that there has been revenue diversion of road user fees (fuel taxes, motor vehicle taxes, and registration taxes) and further reductions due to rising fuel efficiency and alternative fuel vehicles. Their assertion is that road user fees should be dedicated strictly to roads and bridges, which they are in charge to do under Article 17 of the state's Constitution. Specifically, does the Town Hall agree with that assertion? If so, are there additional reasons to support the recommendation? If not, what are the primary impediments to supporting such a recommendation?

It is important to note, as stated in the county commissioners' article, that county government "is an arm of state government." County governments execute state laws and their rates and fees are set by the state legislature and enshrined in our Constitution. Even with access to sales tax (capped at 2% and subject to a vote of the people), their need to interact and have effective communications with state agencies, like the OTC, and the state legislature is critically important.

The Town Hall's response to the ACCO assertion was tepid. Only one panel expressed support for the ACCO request but followed that support with the statement that they had "some concerns regarding this money being off-the-top, further reducing the amount of money legislators have to appropriate." This sentiment was expressed by several other panels, with one member stating that "stipulations reduce options and specifications can hinder flexibility." There were several panels that expressed accountability concerns: would the funds go to the appropriate place or would the dedication of fees result in a shutdown of other important programs?

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While all panels recognized the importance of funding roads and bridges to increase tourism, attract and retain business, and preserve transportation safety and school buses, “pulling funds currently allocated elsewhere would create significant unintended consequences and allocations should not be examined in a silo” captures the sentiment of most panels. Finally, at least three panels suggested that we need to provide a more equitable fee for renewables and electric vehicles to cover reductions in fuel tax collections associated with these vehicles.

Day 2, Question 1

Following a presentation from Lyle Roggow, Chairman of the Oklahoma Incentive Evaluation Commission, Tuesday morning, Town Hall attendees were asked a series of questions regarding the efficacy and effectiveness of economic development incentives.

The first question participants were asked dealt with whether tax incentives have a positive effect on decision-makers when the state Department of Commerce is recruiting potential industrial prospects.

The answer to that question was a unanimous YES. Incentives are, in the opinion of all panels, either positive, effective, necessary, essential, and improve competitiveness and recruitment prospects. While the support was unanimous, one panel noted some caution: “they can’t be unlimited and must be judiciously offered.” Others said that they needed to be strategic and several mentioned that they should be broadened to include workforce, infrastructure, and quality of life measures (e.g., neighborhood stability, healthcare availability, etc.). Terms like performance-based, measurable, time specific, and regular/rigorous evaluation were mentioned across all panels. In summary, one panel noted: “You don’t always win with incentives, but you could lose without them.”

The next question asked participants whether the trade-off between new jobs and higher salaries is offset by the taxes not assessed because of incentives.

Nearly all panels answered that the new jobs/salaries more than offset the foregone taxes, but most panels also felt that strong ROI (return on investment) methodologies needed to be in place and enforced and two mentioned that claw-back measures should also be in place for those industries that benefited from the tax breaks but failed to produce the investment/jobs.

Several panels also mentioned the importance of local quality of life investments as essential to all recruitment efforts and several cautioned against prioritizing attracting new industry at the expense of existing small businesses. This latter point should be a part of the overall evaluation process.

Finally, participants were asked if the state should have a master plan for awarding incentives rather than each application standing on its own merit.

Four of the five panels agreed to the concept of a master plan, that it would be “valuable” and “essential.” Several of those favoring the master plan also encouraged the use of private public partnerships (PPP) and perhaps to develop separate plans for specific, specialized industries. The panel not in favor of a master plan concept did state the need for an “overarching strategy,” but focused much of their discussion around focusing “local efforts based upon local strengths” and the potential peril incentives might have on existing businesses.

Day 2, Question 2

Given the presence of SQ 640, participants were next asked how the Oklahoma Legislature could successfully navigate the current three-fourths threshold to raise sufficient funds to cover core government services.

(It is important to note, this is the fourth Town Hall to address SQ640 and the impact the 75% threshold has on Oklahoma. There has been a consensus among the participants in the 2013, 2015, 2017, and 2018 Town Hall of the asymmetry of SQ640 -- allowing the Legislature to reduce taxes with a simple majority but requiring a three-fourths vote to raise the same taxes.)

Town Hall participants favored lowering the threshold for raising new revenue from the current 75% to 60%, which would

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match the requirements for local school bond issues. In fact, the majority agreed that the thresholds for lowering and raising ought to be the same.

Several expressed wariness of using the legislative process to achieve this reduction due to the partisan and the past non-cooperative nature of the Legislature. Additionally, the panels recognize the burdens imposed upon the Legislature to generate sufficient revenue, resulting in the adoption of taxes veiled as “fees” to circumvent the SQ640 restrictions. Often, these fees disproportionately fall upon low and middle-income Oklahomans. In essence, if the reduction is to be achieved, it will likely happen using the Initiative Petition process. One panel recommended that “the Oklahoma Academy request a piece of legislation to create a state question that would lower the vote threshold to 60%” for raising new revenue. This same panel asks for clarification as to what “constitutes a revenue raising measure.” Another panel suggested that STEP UP and the Academy support an initiative petition process to lower the threshold. Most panels that supported the threshold change provided rationale as to why the change was needed.

Several panels also stated that until or even if such an action can be voted upon, much could be done on either pursuing new revenue sources WHILE reducing inefficiencies and costs in state government. Several panels also suggested an aggressive, positive PR campaign to support the effort, as opposition to the lowering would likely be strong. Along those lines, one panel suggested touting past legislative and agency successes as a way of building a stronger case for lowering the threshold.

The people of Oklahoma should vote to repeal State Question 640 and replace it with a provision requiring a 60% majority vote to raise or lower taxes.

Day 2, Question 3

The Background Resource Document had several articles dedicated to the topic of Tax Increment Financing (TIF), a tool popular among local economic development professionals. The articles included opinions on both sides of the issue, as did the lead-in to the question posed. Town Hall attendees were asked their opinion on the use of TIFs and whether they felt the TIF statutes should be amended or repealed.

The support for TIFs in the panels was universal, with one minor concern expressed by one panel. Words/phrases captured throughout the panel discussions describing TIFs included: “positive mechanism for municipalities,” “critically important,” “extremely beneficial,” and “important to both urban and rural development.” Several panels mentioned that where TIFs have been implemented, property development has increased, as well as, property values and sales taxes. Several other panels extolled “local control” and “built-in accountability.” In the end, all panels opposed outright repeal or amending the statutes.

Several panels mentioned however, the need to ensure that TIFs are located in truly blighted areas where economic development may otherwise not occur.

Day 2, Question 4

The Oklahoma Municipal League calls for “municipally-minded tax reform” for Oklahoma. Their claim is that Oklahoma is the only state in the nation where cities and towns are entirely dependent upon sales tax for general operations. Their specific requests call for online sales tax reform, the implementation of Public Safety Districts, and “methodically rolling out sales taxes on services.” The panelists were asked if they supported the rationale behind the OML requests and how they might be implemented. Or, in the alternative, if they opposed the rationale for not favoring the recommendations.

In considering the Oklahoma Municipal League’s reform recommendations, the panels agree that the recommendations are necessary to diversify municipal funding. Municipalities cannot sustain balancing the one-legged stool of sales tax funding which is economically infeasible to increase and often competes with surrounding and border communities. The OML’s recommendations provide a way to collect fees to reinvest in public safety. The panels agree that these recommendations enable giving local control to municipalities and are important to sustaining both municipalities and counties, especially enabling services in rural areas.

Unanimous support exists for the continued implementation of the Zip+4 mechanism in an online sales tax remittance system

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to ensure online sales tax funding going into appropriate municipal jurisdictions. One panel suggested that online sales tax needs to be distributed to the centers that generate those taxes.

The panels agree that public safety districts are both positive and necessary for increasing local control, but that recognition of broad community impacts must be given. Establishing these districts must be inclusive of all stakeholders, including tribal communities to strengthen the relationship and foundation of communities as a whole. So long as these public safety districts are in addition to existing sources of funding and programs, the panels are in favor of expanding the options available to our communities, although it is more likely this would benefit urban/suburban communities more than rural ones.

The panels are in favor of broadening the tax base for municipalities in line with the OML recommendations. Learning from what other states are implementing to diversify funding for local government, municipalities should be awarded greater authority over raising and using ad valorem taxes to fund municipal services and operations, in cooperation with county governments to avoid unintentional repetitive taxation. One specific recommendation is to allocate a set portion of the ad valorem formula by millage per desired municipal project, cognizant of any limitations on the allowable millage set per county. Any concerns that municipal implementation of ad valorem taxes will be overly burdensome on their constituents should be balanced by the protections of any such tax requiring an affirmative approval by the constituents at the voting booth. Ad valorem taxes are not as narrowly applied as may be perceived, they are already in place regarding Title 19 volunteer fire departments, rural ambulance services (Section 522 Emergency Management Districts), and solid waste districts.

In considering the expansion of sales tax to services, one panel specifically recommended that the current list of sales tax exemptions remain in place. Also, one panel specifically noted that the collection and administration of said sales tax remittances should be conducted at the state level because of the complexity and cost affiliated with managing these collections.

Ultimately, the panels recommend the Oklahoma Academy support legislation alongside the Oklahoma Municipal League to authorize a diverse tax base using ad valorem taxes, millages, and safety districts and the strategic use of taxes on services in a broad, multi-prong approach to fund municipal government services.

Day 2 Question 5

Oklahoma's state tax system has an unusually high degree of volatility. Year-to-year changes in total state tax revenue rank among the most volatile in the nation. This volatility is closely tied to the state's status as a major oil and gas producer. How can Oklahoma better integrate volatile tax receipts tied to oil and gas activity into the state budget?

While the fluctuating nature of oil and gas tax collections plays a large role in the volatility of Oklahoma's tax collection forecasting, it must be recognized that comprehensive tax reform should be approached with a more diversified source of revenue encompassing all resources available in our diverse resource portfolio. In addition to identifying new sources of revenue and better integrating volatile tax receipts, our policymakers should continue to identify efficiencies in spending and focusing on core essential services.

One panel recommended using some of the revenue derived from volatile industries to offer funding for sectors that could provide a more consistent form of revenue. The most direct way to insulate our budget from volatile collections of oil and gas tax revenue is to diversify our economy and sources of revenue. Aerospace, manufacturing, and industrial, medical, and recreational/adult use marijuana are all industries noted that could help offset this volatility and stimulate growth. Economic diversification paired with broadening the tax base to include taxes on services and property could further stabilize Oklahoma's long-term budgetary planning. Furthermore, the increasingly important contributions made by our tribal governments deserves prominence and all efforts to negotiate compacts or development agreements should be done in good faith and with an eye towards improved cultivation of these relationships to further achieve revenue stability and diversification.

Essentially, as part of a more sustainable long-term approach to budgeting, our policymakers should refrain from increased appropriations or offering tax cuts during times of surplus so that we are prepared for emergencies, reduced tax collections, or moments of austerity. Echoing the recommendations adopted at previous Oklahoma Academy Town Halls, the panels recommend that the Legislature should implement a two-year budget cycle and more long-term planning practices to protect against the instability caused by term-limits.

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That being said, the immense role-played by the gross production tax (GPT) and additional taxes arising from the oil and gas industry in Oklahoma needs to be addressed to better plan for inconsistent receipts and forecasting. The panels applaud the Oklahoma Tax Commission's ongoing efforts to create better forecasting systems so state leaders have more accurate information on which to base their budgets and spending packages. One panel recommended placing more emphasis on investigating historical data for estimating GPT receipts in our forecasting methodology.

The panels unanimously agreed that a consistent practice of setting aside surplus tax receipts during boom years for use during these emergency periods should be adopted by our policymakers. The panels offered several recommendations for achieving this objective, including raising the cap in the existing Rainy Day Fund from the current fifteen percent of current revenue estimated from the previous year, or outright removing the cap, to afford more flexibility and advanced long-term planning.

All of the panels recommended either establishing or modifying one or several of the existing funds to set aside reserves derived from oil and gas tax proceeds with realistic restrictions on how the reserve is used. Utilizing existing reserve funds and modifying their principal terms could be an opportunity to avoid having to authorize a new fund by vote of the people through a state question. Quite simply, the idea is to cap spending on oil and gas receipts and put the overage in boom years into a reserve fund and use the reserve during oil and gas bust years.

One recommendation is to bracket oil and gas severance taxes by lowering the rate when prices are high and raise the rate when prices are low to increase stability, as well as, the need to examine how and when the severance tax is applied. Another recommendation is to evaluate the impact of and potentially increase severance taxes on other natural resources like water and aggregate.

One panel recommended imposing a tax on the storage of hydrocarbons as a means of increasing revenue, recognizing that most, if not all, neighboring states implement hydrocarbon storage taxes. The same panel also recommended that some form of Gross Production Tax be applied to other forms of energy production beyond oil and gas, specifically one assigned to end-users of the energy source outside of the state, such as utilities purchasing electricity generated within Oklahoma, including that derived from wind, solar, coal, and natural gas. The state should create a Natural Resources Endowment Fund with a dedicated revenue stream.

The panels recognized the need for more public education and clarification pertaining to reserve funds, their uses, foundation, operation, and creation.

Finally, one panel recommended exploring the use of funds available in the Oklahoma Tobacco Settlement Endowment Trust to offset the volatility resulting from over-reliance upon taxes derived from oil and gas.

Day 2 Question 6

Given the dramatic changes in the Oklahoma economy over the past century and the state's propensity to suffer budget shortfalls, the Oklahoma Academy seeks to develop a series of recommendations that will stabilize the current revenue volatility while providing longer-term reassurance for a more predictable level of revenue collections to cover Oklahoma's core government services.

Recently, we have seen budget shortfalls, and last legislative session, an effort to deal with the then shortfall and desire for a teacher pay raise by increasing some existing taxes (tobacco, gasoline, and gross production taxes, primarily). While these tax increases did allow for some increases, most state agencies were held flat at their significantly reduced level from a few years ago.

Without addressing any perceived need for more revenue, and without considering changes in or elimination of tax exemptions, design the tax system that would better serve our future (i.e., one that could be tweaked to raise revenue or reduce them as needed while preserving the principles you determine to be important).

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Aligning Oklahoma's Tax Code with Our 21st Century Economy

2018 Oklahoma Academy Town Hall Final Report

In doing this, using the NCSL's principles for evaluating state tax sources, the most recent Oklahoma Tax Commission published sources of tax collections, and The Tax Foundation's assessment of Oklahoma's competitiveness/rankings, and make recommendations on the top ten sources of revenue as to whether their current rates should be raised, lowered, remain the same, broadened, or eliminated. The top ten sources of revenue include individual income tax, sales tax, motor license agent remittances, severance tax, corporate income tax, gasoline tax, use tax, cigarette tax, diesel fuel tax, and state/tribal compact stamps. These top ten sources of revenue represent 94.1% of total collections for 2017.

One recommendation is that wholesale tax overhaul should occur, not one conducted on a line-by-line basis. Getting rid of the existing system and starting over may be radical, but necessary to address the system's dysfunction as a whole to actually contribute to sustainable long-term planning for Oklahoma's prosperity. However, a realistic present-day approach would be to conduct the review as discussed below and in the addendum.

Raised:

A majority of panels recommended raising the cigarette tax and individual income tax. A minority of panels recommended raising the diesel fuel tax and the severance tax.

The Town Hall favors increasing the individual income tax as follows:

1. Increase the standard deduction to the federal levels.
2. Significantly raise the income threshold at which the 5% rate (the current top rate) is imposed.
3. Add one or two brackets of higher rated for higher incomes with the intent to increase the next income taxes coming from the wealthiest Oklahomans.

Lowered:

None of the panels recommended that any of the taxes be lowered.

Remain the Same:

Every panel recommended that the gasoline tax remain the same. A majority of the panels recommended that the motor license agent remittances, use tax, and diesel fuel tax remain the same. A minority of panels recommended that sales tax, severance tax, and corporate income tax remain the same.

Broaden:

Every panel recommended that we broaden our sales tax base. A majority of panels recommended that we broaden the individual income tax, severance tax, corporate income tax, use tax, and cigarette tax. A minority of panels recommended that we broaden the motor license agent remittances.

Because sports betting is likely to be adopted by competitive gaming jurisdictions (ie: Kansas, Louisiana, etc.) and it will grow both Oklahoma and tribal economies, the Town Hall recommends accepting sports betting as a covered game under compact 712.

Three or more panels recommend access to revenue from property tax should be broadened to include flexibility in millage and municipal access to ad valorem/property tax.

Eliminate:

None of the panels recommended that any of the taxes be eliminated.

The reasoning and background discussions for each panel's recommendation are in the following tables.

***NOTE: One panel discussed that a state property tax be implemented, but there was no consensus among that panel's members.**

INCOME TAX- INDIVIDUAL

Town Hall Panel	Recommendation	Rationale
Arbuckle	Broadening/Raising	Have a higher rate for higher income individuals and families and a lower rate for lower income individuals and families. This will increase revenue and be more stable, reliable, and equitable. They also suggest Oklahoma matching the federal tax brackets, which have 7 rates, starting at 10% and going up to 37%.
Black Mesa	Broadening/Raising	Tax brackets should be expanded to be more progressive/equitable, including raising the HH Income threshold for top rates to be more competitive with surrounding states.
Kiamichi	Broadening/Raising	Tax rates on the wealthy need to rise and be lowered for the poor, making this revenue source more progressive.
Quartz	Remain the same	Current rates are reasonable, competitive, and reliable. All Exemptions, credits, and loopholes need to be examined for economic efficacy.
Wichita	Remain the same/Broadening	Increasing the rates for the wealthy, lowering the rates for the poor, with a goal of being revenue neutral.
CONSENSUS:	Broadening/Raising	Overall, the Town Hall felt individual income taxes generated sufficient revenue but could be more equitable by adjusting rates upward on those with higher incomes and lowering the rates on those with lower incomes.

SALES TAX

Town Hall Panel	Recommendation	Rationale
Arbuckle	Remain the Same/Broaden	Keep the rate the same but broaden to include services; ultimately we may need to overhaul the entire system.
Black Mesa	Broaden/Remain the same	Broaden to cover services and to re-examine exemptions. Rate should remain the same.
Kiamichi	Broaden	Broaden to include services; municipalities be given the right to raise their own taxes and develop new revenue streams to provide greater flexibility.
Quartz	Broaden/Remain the same	Include services; capture intangible goods and online sales; don't raise state rate as it is as high as it should go.
Wichita	Lower/Broaden	Reduce tax rate on goods but broaden the base to include services. This would improve the stability of the sales tax; In favor of distinguishing between core and discretionary goods and services.
CONSENSUS:	Broaden/Remain the same	Overall, the Town Hall felt that the Sales Tax should be broadened as described above.

MOTOR LICENSE AGENT REMITTANCES

Town Hall Panel	Recommendation	Rationale
Arbuckle	Remain the Same/Broaden	Broaden to include road use fees for all vehicles to capture alternative fuel vehicles; this will help pay for wear and tear on roads equally shared by all drivers.
Black Mesa	Remain the same	It's progressive providing significant levels of funding and has no major problems.
Kiamichi	Remain the same	Currently the rate is equitable as is.
Quartz	Remain the same/Broaden	Broaden to include trailers, scooters, bikes, ATVs, boats, golf carts; don't raise because recently increased.
Wichita	Remain the same/Broaden	Panel recommends that a tire tax be imposed.
CONSENSUS:	Remain the same/Broaden	Overall, the Town Hall felt motor license agent remittance tax rates should remain the same, however be broadened to include items listed above.

SEVERANCE TAX

Town Hall Panel	Recommendation	Rationale
Arbuckle	Remain the same/Broaden	Broadening to include aggregate industries such as sand, rock and gravel; this would broaden the base and put more money back into the counties.
Black Mesa	Remain the same	It is progressive, providing significant levels of funding and has no major problems.
Kiamichi	Raise	Rate should be raised to 7% but that all new revenue generated be deposited in an investment fund that will protect agencies when there is market volatility.
Quartz	Remain the same/Broaden	Broaden to include aggregate sales for counties due to the massive mining of frac sand.
Wichita	Raise/Broaden	Rate should be raised to 7% and the tax should apply to other nonrenewables such as wind and solar.
CONSENSUS:	Remain the same/Broaden	Overall, the Town Hall felt the Severance Tax should remain the same but be broadened to include aggregate industries.

INCOME TAX- CORPORATE

Town Hall Panel	Recommendation	Rationale
Arbuckle	Remain the same	Wishes to remain business friendly and not wanting to negatively impact small businesses.
Black Mesa	Remain the same/Broaden	No corporation should be paying no tax; to that end we should look at eliminating loop holes, exemptions and deductions.
Kiamichi	Broaden	Broaden and restructure to include franchise tax; reduce compliance costs and reduce equity.
Quartz	Remain the same	It is a volatile tax; unreliable because 65% don't owe it. Is currently at a business-friendly rate and look at all exemptions to address the 65% issue.
Wichita	Remain the same/Broaden	In favor of re-evaluating all deductions available to corporations; broadening should be focused on charging more taxes to out-of-state corporations (eliminating box 2 on the franchise tax)
CONSENSUS:	Remain the same/Broaden	Overall, the Town Hall felt that the Corporate Income Tax should remain the same but should eliminate loop holes, and charging more tax to out-of-state corporations.

GASOLINE TAX

Town Hall Panel	Recommendation	Rationale
Arbuckle	Remain the same	Recently raised to a higher rate. Would agree to an increase if included in a longterm plan.
Black Mesa	Remain the same	Recently raised and is a valuable source of revenue.
Kiamichi	Remain the same/Broaden	Rate should remain the same but include alternate fuel and electric cars.
Quartz	Remain the same	It was just raised; volatile and regressive; need to insure earmarking for roads and bridges only, and include alternative modes of transportation (electric, hybrid vehicles).
Wichita	Remain the same	Panel gave little discussion
CONSENSUS:	Remain the same	Overall, the Town Hall felt the Gasoline Tax should remain the same.

USE TAX

Town Hall Panel	Recommendation	Rationale
Arbuckle	Remain the same/Broaden	Similar to the sales tax, the rate should remain the same but broaden to include services and tangibles, e.g. digital downloads, movies, etc.
Black Mesa	Remain the same	Panel had no significant discussion
Kiamichi	Broaden	Broaden to give municipalities the capability to raise their own taxes and new revenue streams.
Quartz	Broaden	Broaden to extend to online sales which should help with under-reporting and enforcement.
Wichita	Remain the same	Would like to see more stringent enforcement/compliance.
CONSENSUS:	Broaden/Remain the same	Overall, the Town Hall felt that the Use Tax rate should remain the same, and broadened to include services, tangibles, and the ability for municipalities to raise their own taxes.

CIGARETTE TAX

Town Hall Panel	Recommendation	Rationale
Arbuckle	Raise/Broaden	Include all tobacco products, and include vaping to taxed at the same level as cigarettes; health of the citizens should be the focus.
Black Mesa	Raise	Raise to act as a deterrent to smoking; Panel recommends renegotiating the Tribal Compacts to dissuade people purchasing cheaper tobacco products.
Kiamichi	Remain the same/Broaden	Broaden to include all vaping, all tobacco forms, and little cigars.
Quartz	Raise/Broaden	Extend to all tobacco products, including vaping.
Wichita	Remain the same/Broaden	Broaden to include vaping products.
CONSENSUS:	Raise/Broaden	Overall the Town Hall felt it is important to raise and broaden the cigarette tax to include all tobacco products as well as including vaping.

DIESEL TAX

Town Hall Panel	Recommendation	Rationale
Arbuckle	Remain the same	Same rationale used under gasoline tax.
Black Mesa	Raise	We have a comparatively low rate and we are geographically located in the center of the nation with significant amounts of traffic all of which contribute excessive damage of state roads.
Kiamichi	Remain the same	Recently raised and close to the regional average.
Quartz	Raise	Despite the recent increase, still historically low. This should generate revenue from out-of-state to cover road damage.
Wichita	Remain the same	Panel had very little discussion.
CONSENSUS:	Remain the same	Overall the Town Hall recommends the Diesel Fuel Tax remain the same.



Building Awareness, Developing Policies, Inspiring Oklahomans to Move Ideas Into Action!

TOWN HALL CONFERENCES

Topics covered at the Town Hall Conference from 2001 - 2018

2001- Competing in an Innovative World

Town Hall Chair: Cliff Hudson, SONIC, America's Drive-In

2002- Oklahoma's Health

Town Hall Chair: Cliff Hudson, SONIC, America's Drive-In

2003- Oklahoma Resources: Energy & Water

Town Hall Co-Chairs: John Feaver, University of Science and Arts of Oklahoma; Howard Barnett, TSF Capital LLC; and Larry Nichols, Devon Energy Corp.

2004- Oklahoma's Environment: Pursuing A Responsible Balance

Town Hall Chair: William R. McKamey, AEP Public Service Company of Oklahoma

2005- Drugs: Legal, Illegal... Otherwise

Town Hall Chair: Howard Barnett, TSF Capital LLC

2006- Strategies for Oklahoma's Future

Town Hall Co-Chairs: John Feaver, University of Science and Arts of Oklahoma; and Larry Rice, Tulsa University

2007- Building Alliances: Tribal Governments, State & Local Governments And Private Sectors

Town Hall Chair: Douglas Branch, Phillips McFall

2008- Oklahoma's Criminal Justice System: Can We Be Just As Tough But Twice As Smart?

Town Hall Chair: Steve Turnbo, Schnake Turnbo Frank PR

2009- Getting Ready For Work: Education Systems And Future Workforce

Town Hall Chair: Howard Barnett, OSU- Tulsa

2010 May- Oklahoma Water- A Special Town Hall on Oklahoma's 50 Year Water Plan

Town Hall Chair: John Feaver, University of Science and Arts of Oklahoma

2010 Nov.- MUNI.OK.GOV- Addressing Municipal Governance

Town Hall Chair: Tom McKeon, Tulsa Community College

2011- Developing the Oklahoma Economy

Town Hall Chair: Susan Winchester, The Winchester Group

2012- It's 2032- Where in the World is Oklahoma?

Town Hall Chair: Steve Kreidler, University of Central Oklahoma

2013- Moving Oklahoma: Improving Our Transportation Infrastructure

Town Hall Chair: Darryl Schmidt, BancFirst

2014- We Can Do Better: Improving the Health of the Oklahoma People

Town Hall Co-Chairs: Kay Goebel, PhD, Psychologist; Gerry Clancy, MD, OU-Tulsa; and Steve Prescott, MD, Oklahoma Medical Research Foundation

2015- Oklahoma Priorities: The Government & Taxes We Want

Town Hall Co-Chairs: Howard Barnett, OSU- Tulsa; and Dan Boren, Chickasaw Nation Department of Commerce

2017- Oklahoma Votes: Improving the Election Process, Voter Access & Informed Voter Engagement

Town Hall Co-Chairs: Dan Boren, Chickasaw Nation Department of Commerce; and John Harper, AEP Public Service Company of Oklahoma

2018- Aligning Oklahoma's Tax Code to Our 21st Century Economy

Town Hall Co-Chairs: Darryl Schmidt, BancFirst; and Dan Boren, Chickasaw Nation Department of Commerce

A complete Library of Town Hall Resource Documents, Findings & Recommendation Reports can be found at www.okacademy.org



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