

POLITICS

Oklahoma earmarked \$698M in incentives for Panasonic deal. What's next for that money?



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Republican legislative leaders appear to have no plans to repurpose \$698 million that was set aside to entice Panasonic to build a multibillion electric vehicle battery factory in Oklahoma.

In the wake of Panasonic choosing Kansas for its new battery plant, one top Republican said the money earmarked by the Oklahoma Legislature this year will remain dedicated to economic development projects.

But some legislative Democrats, who are in the minority party, want to use that money to bolster funding for core state services or cut taxes while inflation is high.

Gov. Kevin Stitt and many legislative Republicans have expressed support for cutting taxes, especially while high inflation appears relentless. House GOP lawmakers already approved a plan to offset possible tax cuts without tapping into dedicated economic development funds.

This spring, the Legislature passed with bipartisan support the Large-scale Economic Activity and Development Act to create a new economic development incentive intended for major manufacturers that employ more than 4,000 people. Lawmakers then put \$698 million in the newly created fund that could be used to offer performance-based incentives to Panasonic under the code name "Project Ocean."

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Senate Pro Tem Greg Treat, R-Oklahoma City, said the state is still in the running for several economic development projects in which the LEAD Act funding could be key.

“The LEAD Act was passed to put us in the best position to land major economic investments in the state while ensuring no money would be spent without specific benchmarks being met by investors,” he said in a statement. “Oklahoma is still in contention for numerous major investments that we are hopeful will come to fruition. These deals are being negotiated by the governor and his team while staying within the framework we put forth in the legislation.”

Treat previously said cutting taxes this year became implausible after the governor requested the incentive package for Project Ocean.

Some state leaders have expressed optimism that Panasonic's announcement in Kansas on Wednesday is not the end of discussions about the electronics company building a battery plant at the MidAmerica Industrial Park in Pryor.

Nondoc, a local online news outlet, reported Panasonic is still considering building a battery plant in Oklahoma, in addition to a new facility in Kansas.

The state Department of Commerce is urging lawmakers not to redirect the \$698 million.

“The Department of Commerce recommends that the dollars stay in the LEAD Act fund as we continue to work with Project Ocean and other eligible companies,” said agency spokeswoman Amy Blackburn.

House Minority Leader Emily Virgin, D-Norman, dismissed talk of Panasonic building a second battery plant as “rumors.” If that is the case, the Department of Commerce needs to let legislators know about that development, she said.

Some Department of Commerce officials and state lawmakers have signed nondisclosure agreements they say prevent them from discussing the details of Project Ocean.

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In a Thursday news conference, Virgin said lawmakers should sweep the entire LEAD Act fund to offset revenue losses from either cutting the state portion of the grocery sales tax or suspending the gas tax. The money also could be used to boost common education funding, she said.

"We absolutely should be using that money, that \$700 million, to provide relief to Oklahoma families during a time of record inflation," she said. "It's a hard sell to say we should keep that \$700 million just sitting there waiting for a company to maybe take advantage of it."

If Panasonic does decide to locate a second factory in Oklahoma or if another company is looking at investing in the state, lawmakers can discuss incentives for those projects at a later point, but that shouldn't stop the Legislature from sweeping the fund now, Virgin said.

Some Republican lawmakers have said attracting new businesses and companies to Oklahoma is key to building the tax base and improving state revenues.

The Legislature could reallocate the \$698 million in a special session called by legislative leaders. Much of the special legislative session will focus on doling out federal stimulus funds earmarked for pandemic relief, but lawmakers also left the door open to addressing economic development and LEAD Act funding.

"We are confident Project Ocean will choose Oklahoma, but should it not, this mechanism allows for the legislative action necessary for the allocated funds to be quickly recaptured," House Speaker Pro Tem Kyle Hilbert, R-Bristow, said in a May news release announcing the special session.

The LEAD Act sunsets in 2032. Any unspent money in the fund at that time will revert to the state's General Revenue Fund.