



## Oklahoma Incentive Evaluation Commission 2024 Incentives for Evaluation

March 21, 2024

### Oklahoma Rural Jobs Program

Intent: A rural fund that seeks to have an equity investment certified as a capital investment eligible for credits authorized under the provisions of this act shall apply to the Department of Commerce.

Synopsis: The Oklahoma Rural Jobs Act promotes greater access to capital for qualifying small businesses located in rural areas of the state. Rural Funds, their affiliates or investors may earn a tax credit on the amount equity that they invest in a Rural Fund, which must then deploy as capital expenditures to provide financing for small businesses in rural Oklahoma. Starting in 2022, this program is for six years, and the tax credits are only offered at 15 percent in years 3-6 after the capital allocation date. At least 10 percent, or \$2.0 million, of the \$20.0 million certified capital investment eligible for tax credits, must be raised from sources including directors, members, employees, officers or affiliates of the approved rural fund.

#### 2024 Criteria for Evaluation:

- Program Use:
  - Number of businesses who receive investment from Rural Funds.
  - Total amount of investment in businesses from Rural Funds.
- State return on investment.
- Job creation in recipient businesses.
- Business revenue or profit increase after receipt of Rural Fund investment.
- Number of businesses who relocate employees due to receipt of investment from Rural Funds.

### Invest in Oklahoma Program

Intent: To provide entities in this state with funds for opportunities to invest in Oklahoma-based private equity funds, venture capital funds and growth funds.

Synopsis: The Invest in Oklahoma program is set up to allow a venture capital fund, growth fund or private equity fund, which is either Oklahoma Based, or which makes substantial investments in the State.

This program has not been evaluated in prior years.

#### 2024 Criteria for Evaluation:

- Program Usage:
  - Number of new applications from venture funds, growth funds, or private equity funds to participate in the program.
  - Amount of annual investment in participating funds by Public Entities.
  - Number of Public Entities who invest in participating funds.
- Amount of annual investment from participating funds in Oklahoma businesses.
- State return on investment.
- Number of renewal applications (or percent of applications that are renewals).



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### Seed Capital Fund

Intent: To provide seed investments to innovative Oklahoma businesses.

Synopsis: The Oklahoma Seed Capital Fund provides concept, seed and start-up equity investments to Oklahoma's innovative businesses. Investments are focused on industry sectors with technologies and proprietary products, processes, and/or know-how that provide high growth opportunities in addressable markets (e.g. advanced materials, aerospace, agri-sciences, biotechnology, communications technologies, energy, software/information technology, medical devices, nanotechnology, robotics, etc.). The Fund focuses on opportunities that show promise of rapid growth in terms of revenue, increased employment and increased private investment capital.

To be eligible for the Seed Fund, an entrepreneur must be a small business located in Oklahoma. The use of funds depends on each company's business plan. This may include such activities as developing intellectual property, completing market assessments, implementing business operations, recruiting key members of the management team and expanding into new products or markets. Investments typically range from \$100,000 to \$1,000,000 and require participating co-investors. Investment terms are typically convertible debt or preferred equity.

#### 2022 Criteria for Evaluation:

- Program use.
- Amount of capital investment.
- Comparison of capital investment in general to capital investment in eligible projects.
- Oklahoma jobs created by firms receiving incentive.
- Financial performance of the fund.
- Interaction or coordination with other programs or service offerings in the economic development or entrepreneurial support ecosystem.
- Case studies or other longitudinal tracking of program recipient growth outcomes.
- State return on investment.

#### 2024 Criteria for Evaluation:

- Program use.
- Amount of capital investment.
- Amount of private investment leveraged.
- Oklahoma jobs created by firms receiving incentive.
- Year-over-year revenue growth of invested businesses.
- Financial performance of the fund.
- Interaction or coordination with other programs or service offerings in the economic development or entrepreneurial support ecosystem.
- Case studies or other longitudinal tracking of program recipient growth outcomes.
- State return on investment.
- Urban vs. rural investment levels and outcomes.
- Market growth / gain of market share.
- Scale-up metrics, such as hiring growth, investment growth, etc.

### Small Business Incubator Tenants

Intent: The goal of the Oklahoma Small Business Incubators Incentives Act is to produce successful firms that will leave the program financially viable and freestanding.



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Synopsis: For a period of up to 10 years from the date of tenant's occupancy in an incubator, income earned by the tenant as a result of activities conducted as an occupant in an incubator, including income distributed to partners, shareholders of a corporation for which a Subchapter S election is in effect and to the members of a limited liability company, shall be exempt from state income tax. The exemption provided by this section shall remain in effect for such activities by such tenant after the date the tenant is no longer an occupant in an incubator, but not to exceed a total duration of 10 years for any tenant.

### 2022 Criteria for Evaluation:

- Number and type of small businesses served as a result of the program.
- Graduation/success rate of small business served as a result of the program.
- Employment and payroll associated with small businesses served as a result of the program.
- Case studies or other longitudinal tracking of program recipient growth outcomes.
- Interaction or coordination with other programs or service offerings in the economic development or entrepreneurial support ecosystem.
- Economic activity associated with program funding.
- State return on investment.

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- Employment and payroll associated with small businesses served as a result of the program.
- Case studies or other longitudinal tracking of program recipient growth outcomes.
- Interaction or coordination with other programs or service offerings in the economic development or entrepreneurial support ecosystem.
- Economic activity associated with program funding.
- State return on investment.
- Urban vs. rural participation levels and outcomes.

### **Technology Business Financing Program (TBFP)**

Intent: To support the formation of new private sector startups and enhance their ability to advance to the next stage of investment.

Synopsis: Provides Oklahoma tech start-up companies with pre-seed financing and early-stage risk capital to stimulate investments from private sources. TBFP is administered through a contract with i2E Inc. with awards ranging up to \$100,000.

OCAST's guidelines require that the company is a small business (500 employees or less) with at least 50 percent of its employees and assets located in Oklahoma. Matching capital from private sources is required to be between 5 percent and 50 percent of state investment, depending on the project.

Funding provided must be repaid within 5 years, according to the following schedule:

- 1.25x if repaid within 1 year.
- 1.75x if repaid within 3 years.
- 2x if repaid beyond 3 years.



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Royalties are also shared as part of the program, according to the following schedule:

- 5 percent of gross revenue at the earlier of 1 year after funding, or when gross revenue exceeds \$25,000 per quarter.
- 7 percent of gross revenue at earlier of 2 years after funding or when gross revenue exceeds \$50,000 per quarter.
- 10 percent of gross revenue at earlier of 3 years after funding or when gross revenue exceeds \$100,000.

### 2022 Criteria for Evaluation:

- Jobs/payroll associated with the program.
- Use of the program over time.
- Comparison of participant success rates to tech start-ups, generally.
- Interaction or coordination with other programs or service offerings in the economic development or entrepreneurial support ecosystem.
- State return on investment.
- Case studies or other longitudinal tracking of program recipient growth outcomes.
- Return on investment from an equity standpoint.

### 2024 Criteria for Evaluation:

- Jobs/payroll associated with the program.
- Use of the program over time.
- Comparison of participant success rates to tech start-ups, generally.
- Interaction or coordination with other programs or service offerings in the economic development or entrepreneurial support ecosystem.
- Percentage of funding provided that is repaid within one, three, and five years, respectively, as well as the percentage that has been deemed uncollectable.
- State return on investment.
- Case studies or other longitudinal tracking of program recipient growth outcomes.
- Return on investment from an equity standpoint.
- Urban vs. rural participation levels and outcomes.

## **Historic Rehabilitation Tax Credit**

Intent: To encourage the rehabilitation and preservation of historic properties in Oklahoma.

Synopsis: The state offers a tax credit for rehabilitation expenditures incurred in connection with any certified historic structure. The credit is equal to the federal rehabilitation credit provided for in Section 47 of Title 26 of the United States Code.

### 2020 Criteria for Evaluation:

- Total amount of rehabilitation expenditures and number of qualified projects.
- State tax credit as a percent of total rehabilitation improvement for qualified projects.
- Change in assessed value for rehabilitation projects approved for credit.
- Percent of qualified structures on the national registry of historic places that receive assistance.
- Economic impact related to tourism, sales tax generated, etc.
- Use with other related business incentives.
- Return on investment (economic impact versus financial impact).



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- Use with other related business incentives.
- Return on investment (economic impact versus financial impact).
- Type of use for rehabilitated structures (i.e., housing, hotel, etc.).

### **Film Enhancement Rebate**

Intent: Not indicated in statute.

Synopsis: The state offers a rebate for expenses incurred in the production of films including, but not limited to: national advertising messages that are broadcast on a national affiliate or cable network, fixed on film or digital video, which can be viewed or reproduced and which is exhibited in theaters, licensed for exhibition by individual television stations, groups of stations, networks, cable television stations or other means or licensed for home viewing markets. The rebate is equal to 35 percent of qualified expenses.

### 2020 Criteria for Evaluation:

- Marginal wages and salaries paid to Oklahoma residents by films eligible for the rebate – comparison to period prior to the rebate.
- Film-related expenditures in Oklahoma by films eligible for the rebate – comparisons to period prior to the rebate.
- Additional identifiable business activity directly or indirectly produced by films eligible for the rebate.
- Additional identifiable benefits that accrue to the State by films eligible for the rebate.
- Return on investment (economic activity versus rebates paid).

### 2024 Criteria for Evaluation:

- Marginal wages and salaries paid to Oklahoma residents by films eligible for the rebate – comparison to period prior to the rebate.
- Film-related expenditures in Oklahoma by films eligible for the rebate – comparisons to period prior to the rebate.
- Growth in employment and wages in the industry in Oklahoma compared to nationally and benchmark states (shift share analysis).
- Additional identifiable business activity directly or indirectly produced by films eligible for the rebate.
- Additional identifiable benefits that accrue to the State by films eligible for the rebate.
- Return on investment (economic activity versus rebates paid).



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### Film and Television Production Companies Sales Tax Exemption

Intent: Not indicated in statute.

Synopsis: Provides a tax exemption on the sales of tangible personal property to a qualified motion picture or television production company to be used or consumed in connection with an eligible production.

This exemption has not been evaluated in prior years.

#### 2024 Criteria for Evaluation:

- Marginal wages and salaries paid to Oklahoma residents by films eligible for the rebate – comparison to period prior to the rebate.
- Film-related expenditures in Oklahoma by films eligible for the rebate – comparisons to period prior to the rebate.
- Growth in employment and wages in the industry in Oklahoma compared to nationally and benchmark states (shift share analysis).
- Additional identifiable business activity directly or indirectly produced by films eligible for the rebate.
- Additional identifiable benefits that accrue to the State by films eligible for the rebate.
- Return on investment (economic activity versus rebates paid).

### Enterprise Zone Incentive Leverage Act

Intent: Not Indicated in statute.

Synopsis: Provides funding for local units of government to match local tax revenue dedicated to support a project located in an enterprise zone, in support of a major tourism destination or in support of a military growth impact. Enterprise Zones can be designated in disadvantaged counties, cities or portions of cities.

#### 2023 Criteria for Evaluation:

- Program usage and amount of layering with other programs.
- Oklahoma employment associated with the program.
- Capital investment associated with program use.
- Results associated with enterprise zones (e.g., changes in assessed value of property within zones, case studies, survey results, comparison to similar non-zone area results).
- Contributions to community development, quality of life, or infrastructure.
- State return on investment.

#### 2024 Criteria for Evaluation:

- Program usage:
  - Number of new projects.
  - Annual amount of matching funds associated with the program.
  - Number of projects outside of Oklahoma City.
- Job creation associated with the program.
- State return on investment.
- Positive project net benefit rate.



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- Results associated with enterprise zones (such as increases in property values or enhanced infrastructure within the zone).
- Project summary / descriptions.
- Local impacts (ad valorem taxes, hotel/motel, etc.).

### **Tourism Development Act**

Intent: Not indicated in statute.

Synopsis: Oklahoma's Tourism Development Act promotes investment in new or expanded tourism sites such as entertainment districts, destination hotels, arenas, museums, theme parks, cultural centers and others. Eligible developments enrich quality of life and attract at least 25 percent of their visitors from out-of-state. For projects that meet requirements, the eligible companies may receive sales tax credits or a sales tax incentive payment annually for up to 10 years up to the amount that is revenue-neutral to the state or 25 percent of the approved development costs, whichever is lower.

#### 2023 Criteria for Evaluation:

- Changes to industry measures – size sector GDP, employment compared to other sectors.
- Comparisons of changes in sector versus states with/without similar exemptions.
- Changes in Oklahoma industry employment.
- Changes in Oklahoma industry capital investment.
- State return on investment.

#### 2024 Criteria for Evaluation:

- Program usage:
  - Number of visitors to participating sites that originate from out-of-state.
  - Number of new participating sites on an annual basis.
  - Amount of capital investment in participating sites.
- Improved quality of life measures in surrounding area:
  - Changes in employment, including salaries and wages.
  - Changes in capital investment.
- State return on investment.

### **Quality Events Act**

Intent: To assist with the promotion of quality events in Oklahoma and to assist the promoters and organizers of the events with planning and performance.

Synopsis: The State of Oklahoma has a legitimate interest in economic development related to the occurrence of quality events, and the Legislature finds that the use of state sales tax revenues authorized by this act provides a method by which the state can compete successfully in a national and global economy against other jurisdictions offering similar incentives for such events. Local governments may apply for reimbursement of certain expenses related to hosting a "Quality Event". The reimbursements are paid using incremental state sales tax revenue attributable to the event. Host communities may capture incremental state sales taxes up to the lesser of \$250,000 as supported by the economic impact or the eligible local support from the community.



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### 2020 Criteria for Evaluation:

- Economic impact of qualifying events.
- Revenue impact of qualifying events.
- Existing versus new qualifying events.
- Additional quantifiable impacts for the State from qualifying events.
- Return on investment for qualifying events.

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- Revenue impact of qualifying events.
- Existing versus new qualifying events.
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- Return on investment for qualifying events.

## **Five Year Ad Valorem Tax Exemption**

### Intent:

Synopsis: The five-year ad valorem tax exemption exempts all real and personal property that is necessary for the manufacturing of a product and facilities engaged in research and development which meet the requirements set for the by the Oklahoma Constitution and Statutes. New or expanding electric wind generation facilities (until Jan. 1, 2017), data processing facilities, manufacturing facilities and distribution facilities may qualify for the exemption. Facilities must meet payroll requirements in order to receive the exemption for all five years.

### 2020 Criteria for Evaluation:

- Change in number of jobs associated with the exemption.
- Change in total payroll associated with the exemption.
- Change in capital investment associated with the exemption.
- But-for test – change in jobs/payroll/capital associated with the exemption versus state growth rates as a whole.
- Use with other related business incentives.
- Change in other government revenues and expenditures associated with facilities receiving an exemption.
- Return on investment - economic activity versus financial net cost.

### 2024 Criteria for Evaluation:

- Change in number of jobs associated with the exemption.
- Change in total payroll associated with the exemption.
- Change in capital investment associated with the exemption.
- But-for test – change in jobs/payroll/capital associated with the exemption versus state growth rates as a whole.
- Use with other related business incentives.
- Change in other government revenues and expenditures associated with facilities receiving an exemption.
- Impacts of recent changes to the incentive.
- Return on investment - economic activity versus financial net cost.