State of Oklahoma
Incentive Evaluation Commission
Invest in Oklahoma Act Draft Evaluation

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Key Findings & Recommendations

Overview

The Invest in Oklahoma Act is intended to increase investment in the state by providing opportunities for public pensions to invest in Oklahoma-based funds, which are selected based on a series of criteria related to their financial performance and history of investment in the state. It went into effect on November 1, 2021.

Recommendation: Retain with modifications and remove from future evaluation.

Key Findings

- **Public pension plans in the United States manage a combined $5.3 trillion in assets, providing the potential for targeted investments that can benefit industries and areas that are generally not considered by private equity or venture capital firms.** However, pension fund managers generally prioritize the financial success of their investments and are bound by confidentiality rules that limit the amount of data about investments that can be shared externally.

- **Currently, this program does not meet the technical definition of an incentive to be evaluated within the Oklahoma incentive evaluation statute.** Participation in this program is encouraged but not mandatory. Further, participating pension funds do not receive any compensation or other forms of incentives in exchange for investing in the approved funds.

- **The current statute does not provide guidance or rules on reporting performance.** While Oklahoma Statute Chapter 62 §2401 provides the factors used to select venture capital and growth funds to participate in the program, there are no statutory requirements for data reporting to understand the performance of the investment funds.

- **There are barriers to receiving performance reports.** The Department of Commerce (Department) reports that due to the proliferation of nondisclosure agreements in the financial sector, it is difficult to receive specific performance reports of how the pension funds' investments are performing, or whether they are specifically being invested in Oklahoma-based businesses.

- **There are specific criteria that the Department is to use to select the participating funds, allowing this program to be targeted towards specific outcomes, an incentive best practice.** These criteria include the funds' rate of return, sufficiency of capitalization, fee structure, and investment performance record. Through this process, the Department selected seven funds in which nine Oklahoma public pension funds can invest up to 5 percent of their assets.

- **As a result of these performance reporting barriers, it is not possible to complete an economic impact analysis of this program.** The Department does not receive enough data from each fund to align the amount invested with specific NAICS codes or other economic indicators that would allow for a targeted economic impact analysis.

- **Benchmark programs vary in terms of their prioritized outcomes.** Some states, such as California, New Mexico and Florida, prioritize generating economic activity within the state, whereas other states, such as New York and Wisconsin, prioritize a positive return on investment for participating funds.

- **New Mexico's program, the model for Oklahoma, has attracted $2 billion in investments to New Mexico from out-of-state investors as of 2017.** These funds have been invested in start-ups in the healthcare, aviation, software, cleantech, energy, and technology sectors. It should be noted that the New Mexico program invests state funds from a variety of non-pension funds, and this changes some of the nature of the concern for protecting the corpus of these funds.

- **The California Initiatives Program has resulted in a net job growth of 64 percent within participating companies between 2001 and 2017.** California targets investments made in companies that employ workers in economically disadvantaged areas. It prioritizes metrics such as job growth over the financial performance of the investments.

- **Although it is by design targeted towards Oklahoma-based funds, the Invest in Oklahoma Act does not align with some of the incentives best practices identified by the project team.[1]** Per these guidelines, incentives should be transparent and require accountability; however, the Invest in Oklahoma Act is not able to receive a report of the specific outcomes from the investments from public pension funds due the number of nondisclosure agreements in place in the financial sector.

Recommendations

- Retain the program with the addition of reporting guidelines to track the performance of investments made by participating pension funds and/or increased economic investment within the state, such as number of companies invested in within Oklahoma or each fund's annual return on investment.

- Additional reporting guidelines, particularly if they are codified within the statute, will allow the state to receive summary performance information despite the prevalence of nondisclosure agreements within the financial sector.

- The incentive evaluation statute defines an incentive as "a tax credit, tax exemption, tax deduction, tax expenditure, rebate, grant, or loan that is intended to encourage businesses to locate, expand, invest, or remain in Oklahoma, or to hire or retain employees in Oklahoma." This program does not provide a tax credit, tax exemption, tax deduction, tax expenditure, rebate, grant, or loan. As a result it does not fall within the statutory definition of a program eligible for review by the Incentive Evaluation Commission. It is recommended that it be removed from the list of incentives for future evaluations.

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[1] A complete list of these best practices is provided in Appendix A.

Introduction

Incentive Evaluation Commission Overview

In 2015, HB2182 established the Oklahoma Incentive Evaluation Commission (the Commission). It requires the Commission to conduct evaluations of all qualified state incentives over a four-year timeframe. The law also provides that criteria specific to each incentive be used for the evaluation. The Commission has completed two cycles of qualified evaluations, from 2016-2019 and 2020 through 2023. This is now the first year of a new four-year cycle.

In 2023, the Legislature passed and Governor Stitt signed into law SB 745, which made a number of changes to the incentive evaluation process that were recommended by the Commission. Among them was the ability of the Commission to review qualified incentives within the four-year evaluation cycle. In prior cycles, incentives had to be reviewed at least once every four years, which effectively locked in place the order that incentives would be evaluated. As a result, some incentives in this cycle may be reviewed in less or more than four years.

One reason for the change in the evaluation cycle was to allow incentives with similar purposes or that are targeted to specific industries or parts of the state to be evaluated in the same year. This allows for continuity in the discussion and comparisons of effect and effectiveness. This grouping is considered an evaluation best practice.[2] For 2024, there are two broad categories of evaluated incentives:

- Financing/Venture Capital/Early Business related.
- Tourism/Film/Quality of Life related.

This evaluation of the Invest in Oklahoma Act ("the Act") tax credit, which is administered by the Oklahoma Department of Commerce ("the Department") and the Oklahoma Tax Commission (OTC) is one of 12 evaluations being conducted by the Commission in 2024.

Incentive Background

The Invest in Oklahoma Act took effect on November 1, 2021 and is found in Oklahoma State Statute at §62-2400-3.[3] The Act is intended to provide entities in Oklahoma with funds for opportunities to invest in Oklahoma-based private equity funds, venture capital funds, and growth funds. Notably, there is no monetary benefit from the State for participants to be involved in the program. Instead, participants receive the opportunity to invest in these approved funds to generate a positive return on investment.

As a result of its recent enactment, this incentive is being evaluated for the first time.

Criteria for Evaluation

A key factor in evaluating the effectiveness of incentive programs is to determine whether they are meeting the stated goals as established in state statute or legislation. In the case of this incentive, the specific goal included in legislation is to allow more opportunities to invest in Oklahoma-based investment funds.

To assist in a determination of program effectiveness, the Commission has adopted the following criteria:

- Program use

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[2] "Best Practices for Planning Tax Incentive Evaluations: Lessons Learned from Indiana's Evaluation Process," Pew Charitable Trusts, August 2022, p.3. Accessed electronically at www.pewtrusts.org/-/media/assets/2022/08/best-practices_incentiveeval-planning_2022-3-24_final.pdf

[3] The complete statute is provided in Appendix C.

  - Number of new applicants 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
- State return on investment
- Amount of annual investment from participating funds in Oklahoma businesses
- Number of renewal applications (or percentage of applications that are renewable)

Invest in Oklahoma Act Background

Invest in Oklahoma Act Purpose and Origin

The Invest in Oklahoma Act is intended to increase investment in the state by providing opportunities for public pensions to invest in Oklahoma-based funds, which are selected based on a series of criteria related to their financial performance and history of investment in the state.

The Invest in Oklahoma Program is considered an “Economically Targeted Investment” (ETI); it encourages investments that generate social benefits as well as the traditional monetary return on investment. Pension funds in the United States have made ETIs since the 1960s, although they have evolved over time to adjust as the national political climate or changes in the economy. ETIs were most popular between 1994 and 2008.[4] The most popular ETI priority for pension funds has been community and economic development.[5]

Generally, pensions continue to emphasize the importance of financial success so that they can continue to provide positive financial returns to their participants. Further, due to the confidential nature of investment funds’ financial information, there is limited publicly available information to demonstrate whether ETI programs’ investments provide sufficient financial gains.[6]

Public pension fund managers are generally reluctant to discuss or consider ETIs or other investments that prioritize non-financial objectives, as they consider these efforts to potentially conflict with the fiduciary duties to plan beneficiaries. Instead, they prefer investments that are not influenced by any other non-monetary benefit.[7]

Public pension plans in the United States manage a combined $5.3 trillion in assets,[8] which creates a large potential for targeted investments that can benefit industries and areas that are generally not considered by private equity or venture capital firms. If used cautiously, ETIs have the potential to both create new private investment in specific areas or for specific communities while continuing support pension plan beneficiaries. [9]

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[4] PCV Insight, A Catalog of Economically Targeted Investments by Pension Funds: Trends, Analysis, and Reflections.” Accessed electronically at: Catalog of Economically Targeted Investments by Pension Funds (pacificcommunityventures.org)
[5] PCV Insight, A Catalog of Economically Targeted Investments by Pension Funds: Trends, Analysis, and Reflections.” Accessed electronically at: Catalog of Economically Targeted Investments by Pension Funds (pacificcommunityventures.org)
[6] PCV Insight, A Catalog of Economically Targeted Investments by Pension Funds: Trends, Analysis, and Reflections.” Accessed electronically at: Catalog of Economically Targeted Investments by Pension Funds (pacificcommunityventures.org)
[7] PCV Insight, “The Pursuit of Financial Return and Societal Benefit: An Examination of Pension Fund Economically Targeted Investments.” June 2017. Accessed electronically at: Economically Targeted Investments (ETIs) by U.S. Pension Funds — Pacific Community Ventures
[8] Public Plans Data, “National Data.” Accessed electronically at: https://publicplansdata.org/quick-facts/national/#overview
[9] PCV Insight, A Catalog of Economically Targeted Investments by Pension Funds: Trends, Analysis, and Reflections.” Accessed electronically at: Catalog of Economically Targeted Investments by Pension Funds (pacificcommunityventures.org)

Program Usage & Administration

Program Characteristics

The Invest in Oklahoma program allows the nine public pensions listed in this section to invest up to 5 percent of their assets in funds that invest in Oklahoma-based venture capital, growth, and equity funds, thus allowing Oklahoma-based businesses to remain in the state and expand, and contributing to Oklahoma's economy. While there is currently no requirement for the pension funds to participate in this program, they are strongly encouraged to do so. However, as there is no financial incentive or mandate to participate, pension fund managers may still avoid investments that are higher risk, even if it may benefit the state's economy as a whole.

While not explicitly stated in statute, one underlying goal of this program is to increase awareness of investment opportunities in Oklahoma for venture capital firms, as these firms are often not as aware of potential investments beyond the traditional coastal markets, such as California and New York.

There are currently nine pension funds that are eligible for the Invest in Oklahoma program:

1. The Oklahoma Firefighters Pension and Retirement System
2. The Oklahoma Law Enforcement Retirement System
3. The Oklahoma Public Employees Retirement System
4. The Oklahoma Police Pension and Retirement System
5. The Teacher's Retirement System
6. The Commissioners of the land Office
7. The Board of Investors of the Tobacco Settlement Endowment Trust Fund
8. The State of Oklahoma Uniform Retirement for Justices and Judges
9. The Department of Wildlife Conservation Retirement Fund

There are numerous factors the Department considers when deciding which funds pension plans can invest in as part of the Invest in Oklahoma program. These factors include:

1. Rate of return
2. Years of operation
3. Sufficiency of capitalization
4. Investment performance track record
5. Differentiation and sustainability of investment strategy
6. Fee structure
7. Background of limited partners, which ensures there are no outstanding with Oklahoma agencies, such as the Department of Justice or Tax Commission
8. Ratio of capital invested

Program Administration

The administration of the Invest in Oklahoma Program moved from the Department to the Oklahoma Center for the Advancement of Science and Technology (OCAST) in July 2024. Until that point, the Department reviewed funds' applications to participate in the program and evaluates them based on the requirements previously listed. Since the beginning of the program in 2021 seven funds have been accepted into the program; none of the funds have withdrawn since their admittance. These seven funds are:

Fund Legal Name	Fund DBA Name	Type
Acorn Growth Companies, LLC	Acorn Growth Companies, LLC	Growth Fund
Argonaut Private Capital, LP	Argonaut Private Equity	Equity Fund
Boyd Street Ventures, LLC	Boyd Street Ventures	Venture Capital Fund
Cortado Ventures Management	Cortado Ventures	Growth Fund
Fortysix Venture Capital, LLC	46VC	Venture Capital Fund
Humphreys Capital, LLC	Humphreys Capital	Equity Fund
Praesidian Capital	Praesidian Capital	Equity Fund

Source: Oklahoma Department of Commerce

Historic Usage and Performance

There is a limit to the amount of information these funds can provide to the Department or OCAST about the performance of their investments within the Invest in Oklahoma Program, as there are numerous Nondisclosure Agreements involved in their operations. As a result, it is difficult for the program's administrators to track the success of these investments. However, these funds have reported to the Department that they have not seen a large return on investment from participating in the program.

Economic & Fiscal Impact

Due to data reporting limitations and the fact that the Invest in Oklahoma program is not technically an incentive, it is not possible to complete an economic or fiscal impact analysis.

Incentive Benchmarking

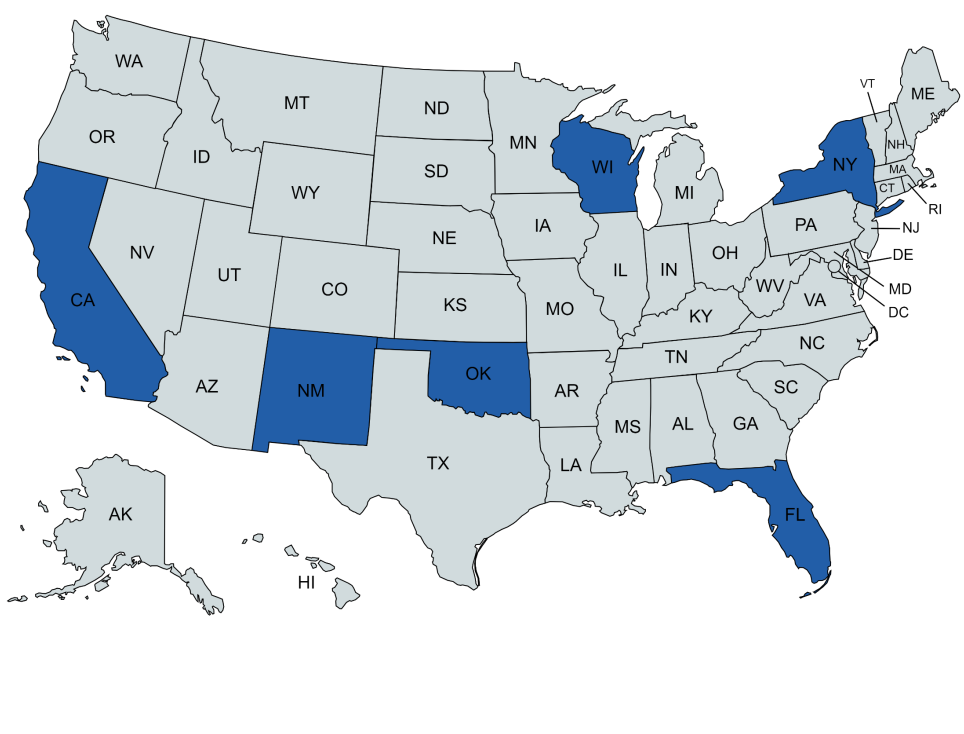
Benchmarking

For evaluation purposes, benchmarking provides information related to how peer states use and evaluate similar incentives. At the outset, it should be understood that no states are 'perfect peers' – there will be multiple differences in economic, demographic and political factors that will have to be considered in any analysis; likewise, it is exceedingly rare that any two state incentive programs will be exactly the same.[10] These benchmarking realities must be taken into consideration when making comparisons – and, for the sake of brevity, the report will not continually re-make this point throughout the discussion.

The process of creating a comparison group for incentives typically begins with bordering states. This is generally the starting point, because proximity often leads states to compete for the same regional businesses or business/industry investments. Second, neighboring states often (but not always) have similar economic, demographic or political structures that lend themselves to comparison.

In the case of the Invest in Oklahoma Program, however, the primary comparison group is those states that offer similar programs that encourage the investment of public pension funds in locally based investment funds. Inclusive of Oklahoma, a total of 6 states, highlighted in the following map, were found to have programs that support local communities via pension fund investment. A detailed description of comparable state programs can be found in **Appendix B.**

Figure 1: States with Comparable Local Investment Initiatives



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[10] The primary instances of exactly alike state incentive programs occur when states choose to 'piggyback' onto federal programs.

One of the more noticeable differences between the investment programs executed in the benchmark states is the degree to which they prioritize yielding a strong return on investment over increasing business activity within their state. For example, New York and Wisconsin specifically prioritize generating a positive return on investment, while Florida and, especially, California prioritize generating economic activity within the state over the specific returns for the participating investment funds. New Mexico, which has so far been Oklahoma's preferred model if any changes are made to the program, also explicitly states economic benefits to the state as a requirement to the program and focuses less on the outcome of individual funds and investments.

Wisconsin

The **Wisconsin Private Debt Program** has been part of Wisconsin's investment strategy since the 1960s. The program takes funds from the Wisconsin retirement system and invests them in the form of loans in business activities that provide market-rate returns. These business activities must be small- and medium-sized businesses that are headquartered in Wisconsin, operate in Wisconsin, and intend to invest proceeds in Wisconsin. The loans provided are long-term, senior fixed-rate loans and subordinated loans given to businesses that can demonstrate they are able to repay their debts: recipients must pass the same credit tests are used to evaluate out-of-state companies. Companies can qualify for senior loans in amounts up to $5 million and subordinated loans in amounts up to $3 million.[11]

California

The California pension system, CalPERS, created the **California Initiative** in 2001 with an initial $475 million. Its assets are invested in private companies in underserved markets in California. These include companies that employ workers in economically disadvantaged areas, provide employment opportunities to women and minority entrepreneurs and managers, and have traditionally limited access to institutional equity capital. While this program primarily serves companies in California, it does not exclusively invest in in-state businesses, unlike Oklahoma. However, one of its ancillary focuses is to develop economic opportunity and create jobs within California for markets that have traditionally been underserved. Since its inception it has invested $1 billion in 569 private companies statewide.

To qualify for the California Initiative, companies must:

1. Create jobs and provide economic opportunity
2. Have historically had limited access to institutional equity capital
3. Employ workers who reside in economically disadvantaged areas
4. Provide employment opportunities to women and minority entrepreneurs and managers

The California Initiative was implemented in stages using three different fund managers; only one of these managers, utilized in the first phase, is the state pension system, CalPERS:

[11] State of Wisconsin Investment Board, "Wisconsin Private Debt," accessed electronically at: https://www.swib.state.wi.us/single-post/2015/11/03/wisconsin-private-debt

Table 1: California Initiative Phases

California Initiative Capital Allocations	Year Created	Fund Manager	Private Equity Vehicles	Capital Committed	Companies Receiving Investment
Phase I	2001	CalPERS	9 Funds	$375 million	122
Phase I: California Community Venture Fund	2002	HarborVest Horizon	15 Funds	$100 million	207
Golden State Investment Fund	2006	Hamilton Lane	16 Funds and 17 Direct Co-Invests	$560 million	240
Total				**$1.035 billion**	**569**

Source: CalPERS

Employment increased at companies participating in the California Initiative Program: 16 percent of net new jobs created statewide since the beginning of Phase 1 of the California Initiative are offered by companies in the Phase 1 portfolio. The total percent increase in jobs at the California Initiative participating companies was 64 percent between the beginning of the program and 2017.[12]

Table 2: Net Employment in California Initiative Portfolio Companies

Phase	# of CA Employees at Investment	# of CA Employees on June 30, 2017	Net New Job Growth	% Growth of Jobs
Phase 1	5,510	8,164	2,654	48%
Golden State Initiative Fund	20,752	34,879	34,879	68%
Total California Initiative	**26,262**	**43,043**	**43,043**	**64%**

Source: CalPERS

While this program tracks and evaluates employment outcomes among participants, the California Initiative does not measure success as the increase in monetary value of the CalPERS portfolio.

New York

The New York State Common Retirement Fund created the **In-State Private Equity Investment Program** in 1999 to target investments in New York State from the country's third largest pension fund. It has over $1 billion in capital and works with 18 private equity firms to identify statewide opportunities. One of its stated goals is to generate a positive return on investment, in addition to strengthening New York's local economies by investing in emerging and established New York businesses. In 2016, its internal rate of return was 11 percent.

The program's investments cover a wide range of financing options, including venture capital for new businesses, growth equity for established companies seeking to expand their business, and buyout funding for companies looking to change ownership.[13]

[12] CalPERS, "CalPERS California Initiative 2017: Creating Opportunities in California's Underserved Markets." Accessed electronically at: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.calpers.ca.gov/docs/forms-publications/ca-initiative-2017.pdf

[13] Office of the New York State Comptroller Thomas P. DiNapoli, "Investing in New York." Accessed electronically at: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.osc.ny.gov/files/common-retirement-fund/investing-in-new-york/pdf/investing-in-nys.pdf

Florida

The **Florida Growth Fund**, created in 2008 through the passaged of the Florida Technology and Growth Act, uses state pension funds to finance technology and high-growth businesses with a significant presence in Florida, defined as a business domiciled in Florida or a business whose principal address is in Florida. It can use up to 1.5 percent of the Florida Retirement System Pension Fund assets. No more than 10 percent of any fund can be invested in alternative investments (such as private equity or venture capital) or in securities or investments that are not publicly traded. It can also offer opportunities to small, state-based investment management firms to facilitate their development and growth.[14]

In FY 2021-22, it made more than $168 million in investments and had invested $902.8 million in 75 technology and growth companies and 68 private equity funds with a Florida presence. As of June 30, 2022, the Florida Growth Fund Program investments made up 0.29 percent of the unaudited value of the Florida Pension Fund's assets. These investments are required to create direct and indirect economic benefits to the state.

Technology and growth businesses can include aerospace and aviation engineering, computer technology, medical and life sciences, space technology, and renewable energy. However, 53.6 percent of investments were in four industries: offices of other health practitioners (15.9 percent), cement and concrete product manufacturing (14.5 percent), services to buildings and dwellings (11.6 percent), and soap, cleaning compound, and toilet preparations manufacturing (11.6 percent).

The majority of the Growth Fund's investments are located in five counties in central and south Florida. Most of the direct investments are in companies that are headquartered in Florida and/or have a substantial portion of employees or business functions in Florida. However, not all investments have a Florida presence as there is no legal threshold for the percent of Florida Growth Fund assets that are invested in Florida.[15]

New Mexico

New Mexico's State Investment Council invests assets from its permanent funds and government clients through various investment pools defined by particular investment strategies. These funds include:

1. The Land Grant Permanent Fund
2. The Severance Tax Permanent Fund
3. The Tobacco Settlement Permanent Fund
4. The Water Trust Fund
5. The Tax Stabilization Reserve
6. The Rural Libraries Endowment Fund
7. The Early Childhood Education and Care Fund

It should be noted that one difference between this and the Oklahoma program is that these are not pension funds where employees have made contributions to the fund. As a result, the fiduciary duty is somewhat different.

[14] Florida State Board of Administration, "Florida Growth Fund," accessed electronically at: https://www.sbafla.com/funds/florida-growth-fund/
[15] Office of Program Policy Analysis and Government Accountability, "Florida Growth Fund Program Investments Provided More Than $168 Million in FRS Distributions in Fiscal Year 2021-22." January 2023. Accessed electronically at: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://oppaga.fl.gov/Documents/Reports/23-01.pdf

The State Investment Council has been investing in private equity funds since 1989, with a long-term allocation target of 13 percent. It currently has over $3.1 billion in assets. Due diligence research of potential investments is conducted by an independent consulting firm; commitment decisions are also vetted during public meetings of the Council Investment Committee and are ultimately decided by a vote of the full Council. As a result, the Council currently works with dozens of managers through more than 100 limited partnerships to have exposure to hundreds of private companies. There is no explicit goal within the Council to deliver economic development benefits to the State of New Mexico; however the Council recognizes that this is often a welcome, secondary effect.[16]

In 1993, New Mexico created the **New Mexico Private Equity Investment Program (NMPEIP)**, which is allowed to invest up to 11 percent of New Mexico's Severance Tax Permanent Fund in New Mexico Companies. These investments are allowed to yield "below market returns" as they are intended to create new jobs and expand and attract industries within the state. As of 2017, NMPEIP has invested in 73 New Mexico companies through 19 investment funds since its inception. As a result, it has attracted $1.99 billion in investments from outside investors into the state. NMPEIP has invested in startups in the healthcare, software, aviation, cleantech, technology, and energy sectors.[17]

[16] New Mexico State Investment Council, "Private Equity Investments." Accessed electronically at: https://www.sic.state.nm.us/investments/alternative-investments/private-equity-investments/

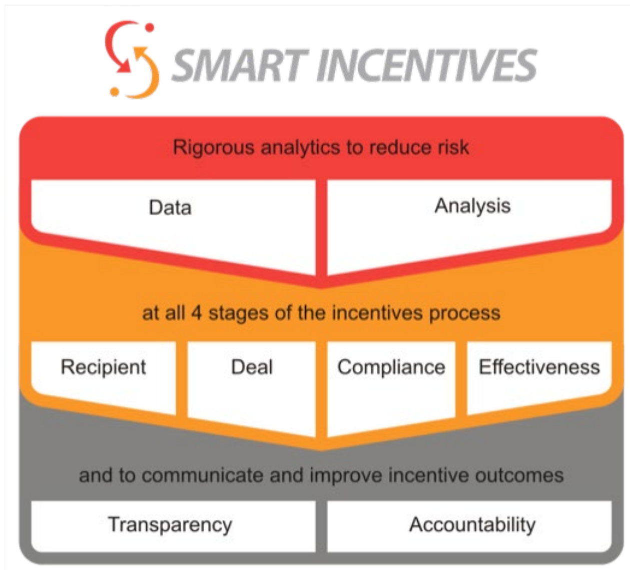
[17] New Mexico State Investment Council, "SIC Investments and Portfolio Exposure to New Mexico Companies and Assets: Overview for Council," 25 April 2017. Accessed electronically at: chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.sic.state.nm.us/wp-content/uploads/2021/04/May-2017-New-Mexico-portfolio-exposure-overview.pdf

Appendices

Appendix A: Business Incentives Best Practices

There has been extensive writing around what constitute business incentives best practices. From the project team's review of many sources,[18] it has identified 10 important best practices and sought to incorporate them into the analysis and discussion of this incentive.

As a starting point, business incentives should be viewed as a process, not an event. The award of an incentive and the incentive features are part of that process, and many of the identified best practices reflect that. The process itself should take into consideration each of these factors, which PFM's subcontractor, Smart Incentives, demonstrates in the following illustration:



While the project team believes this is a strong set of best practices, there may well be others that are as (or more applicable) in specific situations. It is also likely that some of the best practices will come into conflict in some situations. For example, application and reporting requirements may reduce the simplicity of business compliance. As a result, these will always be subject to analysis on a case-by-case basis.

The 10 best practices are:

1. **For maximum impact, incentives should be targeted.** Examples of useful targeting include companies or industries that export their goods or services out-of-state; high economic impact companies or industries – such as those with higher wages and benefits, significant job creation, or significant capital investment.

[18] Three resources in particular were relied upon on putting together the list of best practices. They are "What Factors Influence the Effectiveness of Business Incentives?" The Pew Charitable Trusts, April 4, 2019, accessed electronically at https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2019/04/what-factors-influence-the-effectiveness-of-business-incentives; "Improving Economic Development Incentives," Timothy J. Bartik, W.E. Upjohn Institute for Employment Research, 2018, accessed electronically at https://research.upjohn.org/cgi/viewcontent.cgi?article=1000&context=up_policybriefs; "Best Practices for the Design and Evaluation of State Tax Incentives Programs for Economic Development," Matthew N. Murray and Donald J. Bruce, January 2017, included within another evaluation at https://media.al.com/news_mobile_impact/other/AL%20ENTERTAIN%20NEWMKTS%203%209%2017.pdf

2. **Incentives should be discretionary.** In most instances, an application process enables the state government to require company disclosure of information related to eligibility criteria and enables the state to reject applications that do not meet its standards.

3. **Incentives should leverage significant private capital.** Ideally, the incentive should leverage private investment that is at least several multiples of the state investment.

4. **Incentives should provide most of the benefit within 1-3 years and have a limited duration.** Company discount rates are much higher than for the state, and businesses will significantly devalue incentive payments in later years.

5. **Incentives should take into consideration state and/or local as well as industry economic conditions.** Incentives that are provided in high performing areas or for stable and profitable businesses or industries will likely fail the 'but for test' – meaning the activity would likely occur without the state incentive.

6. **'Smart' incentives help businesses overcome practical barriers to growth.** In particular, customized assistance for locally owned, small and medium-sized businesses can have significant impact.

7. **Incentives should be transparent.** The incentive purpose should be clearly articulated, as are eligibility requirements, and regular, detailed reporting should be required from all program recipients.

8. **Incentives should require accountability.** When upfront financial incentives are offered in return for job creation, retention, or capital investment, there should be contract language in place that allows the state to 'claw back' state resources should the company not meet performance requirements.

9. **Incentives should have caps.** To ensure the state's financial health, program dollar caps or limits should be in place. Incentive programs should also have a limited duration, with sunsets in place to require regular review of incentive performance.

10. **Incentives should be simple and understandable.** The state should be able to easily and effectively administer the incentive, and users should be able to readily comply with its requirements.

Appendix B: Invest In Oklahoma Benchmarking Table

Name	Eligibility for Investment from an Investment Fund	Amount of Capital Committed
Invest in Oklahoma Program	Funds are able to select their own projects	Up to 5 percent of the funds' assets
Wisconsin Private Debt Program	Small- and medium-sized businesses that are: -Headquartered in Wisconsin, -Operate in Wisconsin, and -Intend to invest proceeds in Wisconsin	Loans are made up to $15 million
California Initiative	-Companies must create jobs and provide economic opportunity, -Have historically limited access to institutional equity capital, -Employ workers who reside in economically disadvantaged areas, -Provide employment opportunities to women and minority entrepreneurs and managers	$1 billion
New York In-State Private Equity Investment Program	Must be New York-based established business or technology-based startup seeking expansion capital	$1 billion
Florida Growth Fund	Must be a technology or high-growth business with a significant presence in Florida	$902.8 million; up to 1.5 percent of Florida pension fund assets
New Mexico Private Equity Investment Program	Up to the fund to decide but must stimulate the New Mexico economy	$1.99 billion; up to 11 percent of New Mexico's Severance Tax Permanent Fund

Appendix C: Invest in Oklahoma Statute

62 OK Stat § 2400

This act shall be known and may be cited as the "Invest In Oklahoma Act".

Added by Laws 2021, c. 309, § 1, eff. Nov. 1, 2021.

62 OK Stat § 2401

A. The Oklahoma Department of Commerce shall create an "Invest In Oklahoma" program to provide entities in this state with funds for opportunities to invest in Oklahoma-based private equity funds, venture capital funds and growth funds. Opportunities for investment shall also include private equity funds, venture capital funds and growth funds that make substantial investments in this state.

B. The Department shall select venture capital and growth funds to qualify for investments within the Invest In Oklahoma Program based on factors including but not limited to:

1. Rate of return;

2. Years of operation;

3. Sufficiency of capitalization;

4. Investment performance track record;

5. Differentiation and sustainability of investment strategy;

6. Fee structure;

7. Background of limited partners; and

8. Ratio of capital invested in this state.

C. The Department shall exercise judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, for investment, considering the probable safety of their capital as well as the probable income to be derived when determining qualifying venture capital and growth funds to ensure the funds are being appropriately managed and invested.

D. The Department shall develop a request for proposal that includes the factors provided in subsection B of this section. The Department shall maintain a list of available venture capital and growth funds which are participating in the Invest in Oklahoma Program in which public entities are encouraged to invest.

Added by Laws 2021, c. 309, § 2, eff. Nov. 1, 2021.

62 OK Stat § 2402

The following public entities are encouraged to and may invest up to five percent (5%) of their rolling three (3) year assets under management with the Invest In Oklahoma Program approved venture capital and growth funds as provided in Section 2 of this act:

1. The Board of Investors of the Tobacco Settlement Endowment Trust Fund;

2. The Commissioners of the Land Office;

3. The Teachers' Retirement System;

4. The Oklahoma Public Employees Retirement System;

5. The Oklahoma Firefighters Pension and Retirement System;

6. The Oklahoma Police Pension and Retirement System;

7. The Oklahoma Law Enforcement Retirement System;

8. The State of Oklahoma Uniform Retirement System for Justices and Judges; and

9. The Department of Wildlife Conservation Retirement Fund.

Added by Laws 2021, c. 309, § 3, eff. Nov. 1, 2021.

62 OK Stat § 2403

The Oklahoma Department of Commerce shall promulgate rules to enforce the provisions of the Invest In Oklahoma Act.

Added by Laws 2021, c. 309, § 4, eff. Nov. 1, 2021.