INCENTIVE EVALUATION COMMISSION
Regular Meeting
Minutes
April 9, 2026, 10:00 AM
Oklahoma State Capitol
Senate Conference Room 5s.3
Oklahoma City, OK 73105

MEMBERS PRESENT:
Carlos Johnson, CPA, Appointed by the Oklahoma Accountancy Board
Earl Sears, Appointed by the Speaker of the House of Representatives
Rita Armer, Auditor/CPA, Appointed by the Governor
Dr. Michael Scott, Economist, Appointed by the Senate President Pro Tempore
Jon Chiappe, Secretary of Commerce Designee, Ex officio, nonvoting
Zack Taylor, Chair, Oklahoma Tax Commission, Ex officio, nonvoting
Mark Wood, Executive Director, OMES, Ex officio, nonvoting

MEMBERS ABSENT:
Lyle Roggow, Chair Designee, Select Oklahoma and Economic Development Partnership, Inc.

STAFF AND GUESTS:
Beverly Hicks, OMES
Randall Bauer, PFM
Charlie Bell, PFM
Lorena Massey, OTC, Commission Counsel
Amanda Hall, The State Chamber
Pat McFerron, CMA Strategies
Michael Davis, OFA

♦*Office of Management and Enterprise Services (OMES)* ♦*Public Financial Management Group Consulting LLC (PFM)*
♦*OK Tax Commission (OTC)* ♦*Oklahoma Finance Authorities*

1. **Announcement of filing of meeting notice and posting of the agenda in accordance with the Open Meeting Act:**

   Vice-Chairman Carlos Johnson confirmed that a meeting notice was filed with the Secretary of State and that the agenda was posted in accordance with the Open Meeting Act.

2. **Call to order and establish a quorum:**

   Vice-Chairman Johnson called this regular meeting to order at 10:02 a.m. A roll call was taken, and a quorum was confirmed.

3. **Welcome/Introductions:**

   Vice-Chairman Johnson welcomed those in attendance and those participating via livestream and asked Commission members to introduce themselves and share their backgrounds.

4. **Approval of minutes from the January 29, 2026 commission meeting:**

   Earl Sears moved to approve the January meeting minutes. Dr. Michael Scott seconded the motion. The following votes were recorded, and the motion passed:

   Ms. Armer, yes; Mr. Johnson, yes; Dr. Scott, yes; Mr. Sears, abstain.

5. **Discussion and report from Criteria Subcommittee on 2026 evaluation criteria of the SIDE Act Incentive.**

   Commissioner Sears noted that the State Incentive for Development and Expansion (SIDE) Act Incentive is a new incentive being evaluated by the Commission in 2026. He provided an update on his discussion with PFM Consultant Randall Bauer regarding the 2026 evaluation criteria. Commissioner Sears stated he had no concerns and was satisfied with the criteria report prepared by PFM. He recommended moving forward. Commissioner Armer concurred and had no additional comments.

   Mr. Bauer provided additional information regarding PFM's discussions with the Oklahoma Department of Commerce and the proposed evaluation criteria. He noted that the SIDE Act Incentive primarily serves smaller, rural counties and supports infrastructure improvements, including improvements to regional and local railroads.

   No action was taken.

6. **Discussion and possible action on approving 2026 evaluation criteria of SIDE Act incentive.**

   Earl Sears moved to approve the 2026 evaluation criteria for the SIDE Act Incentive, developed by PFM. Rita Armer seconded the motion. The following votes were recorded, and the motion passed:

   Ms. Armer, yes; Mr. Johnson, yes; Dr. Scott, yes; Rep. Sears, yes.

7. **Discussion and possible action on update on the progress of incentives reviewed by PFM's Consultant Randall Bauer and PFM Incentive Evaluation Team.**
   The discussion will include benchmarking against 2026 evaluation criteria and timelines.

   Mr. Bauer provided an overview and update on the progress of the various tax incentives scheduled for evaluation by PFM in 2026, including the year in which each incentive was last evaluated by PFM. He noted the involvement of Joe Buckshon, PFM Senior Managing Consultant, and Charlie Bell, PFM Lead Analyst, in the project. Mr. Bauer discussed PFM's work since the January meeting, including its review of the incentives under evaluation, the evaluation timeline, and the work to be completed prior to the Commission's August meeting.

   Mr. Bauer provided additional information regarding the State Incentive for Development and Expansion (SIDE) Act Incentive, noting that the program is a competitiveness program that primarily supports infrastructure improvements in smaller, rural counties, including improvements to regional and local railroads. He noted that the program provides a tax credit for qualified expenditures, with an annual program cap of $12 million and individual project caps of $3 million or $6 million, depending on the project. Mr. Bauer stated that PFM learned through its discussions with the Oklahoma Department of Commerce that the program had already reached its annual cap for 2026, noting the demand for the program.

Mr. Bauer also discussed PFM's review of the SIDE Act statute and administrative rules and the Department of Commerce's administration of the program. He noted that eligible recipients are generally 501(c)(3) organizations or public entities that transfer the tax credit to a taxable entity, which has five years to use the credit. Mr. Bauer raised a concern regarding the potential reduction in the value of the tax credit when transferred to another taxable entity, noting that the transfer may result in a discount from the credit's full value. He discussed the possibility of administering the program as a grant as an alternative to the tax credit structure, while noting that the Department of Commerce has its own considerations regarding the program.

Mr. Bauer and Mr. Buckshon presented the following incentives scheduled for evaluation by PFM for 2026:

- **Computer Services & Data Processing Tax Exemption** (*Last evaluated: 2023*)

Mr. Bauer noted that this is the third time PFM has evaluated the Computer Services & Data Processing Tax Exemption. He explained that the exemption applies to computer equipment and related peripherals used in data processing and noted that similar sales tax exemptions exist in approximately half of the states. He stated that Oklahoma's exemption uses a refund mechanism, requiring recipients to purchase the equipment and subsequently seek a refund, whereas many states provide a direct sales tax exemption at the time of purchase.

Mr. Bauer noted that data centers have become an increasingly important part of the national economy and that similar incentives are being reevaluated in several states due to their potentially significant fiscal impact. He stated that PFM will evaluate how the incentive is being used in Oklahoma and whether there is a continued need for the incentive, including consideration of the "but-for" test and whether the economic activity would occur without the incentive.

- **Oklahoma Affordable Housing Tax Credit** (*2022*)

Mr. Buckshon stated that PFM had previously evaluated the Oklahoma Affordable Housing Tax Credit Incentive. He explained that the program's intent is to expand the supply of new and affordable rental units and rehabilitate existing rental housing for qualifying households by stimulating private investment. The program began July 1, 2015, and provides up to $4 million per year in state Low-Income Housing Tax Credits (LIHTC) for qualified housing projects.

Mr. Buckshon explained that the program's intent is to expand the supply of new and affordable rental units and rehabilitate existing rental housing for qualifying households by stimulating private investment. The program began July 1, 2015, and provides up to $4 million per allocation year in state low-income housing tax credits for qualified housing projects. The state credit is tied to the federal Low-Income Housing Tax Credit and is administered through the Oklahoma Housing Finance Authority (OHFA).

Mr. Buckshon explained that OHFA receives the applications and manages the application, underwriting, and allocation process. He noted that the financial impact reported for 2024 was $532,000 based on seven returns, according to the 2024 Tax Expenditure Report. He explained that the difference between the program's $4 million annual allocation and the reported tax expenditure is attributable, in part, to the timing of when the credits are claimed. Mr. Buckshon further stated that, based on PFM's discussions with OHFA, demand for the tax credits consistently exceeds the available allocation, with demand generally estimated at approximately twice the amount of credits available.

Mr. Buckshon stated that PFM would benchmark Oklahoma's program against other states with their own LIHTC programs. He noted that 22 states have their own LIHTC programs, including Arkansas, Missouri, Colorado, New Mexico, and Georgia. PFM will examine several of these programs as part of its evaluation, with particular attention to Colorado's administration and competitive allocation process.

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Commissioner Sears inquired about prior legislative proposals to increase the program's $4 million annual allocation, recalling proposals to increase the allocation to $8 million or $10 million. Mr. Buckshon stated that proposals had been made to increase the allocation to $8 million and $10 million. Commissioner Sears noted that the proposals did not advance and that the annual allocation remains $4 million.

Commissioner Sears also asked about the current amount of federal LIHTC allocated to Oklahoma, noting that the federal allocation had previously been approximately $12.8 million to $13 million. Mr. Buckshon stated that PFM did not have the current federal allocation available at the time of the meeting but would include the information in its report.

Commissioner Sears asked whether the program continues to target lower-income and rural communities. Mr. Buckshon stated that, based on PFM's discussions with OHFA, OHFA's strategy is to provide smaller tax credit awards to a greater number of projects. He explained that the application process includes market studies and detailed information regarding rents and rent savings, particularly as they relate to the local area. Commissioner Sears asked whether rural communities were receiving a portion of the available tax credits. Mr. Buckshon confirmed that they were.

 Construction Materials Tax Exemption (*2023*)

Mr. Buckshon stated that PFM had previously evaluated the Construction Materials Tax Exemption in 2023. He explained that the program provides a sales tax exemption for certain construction materials used in the construction of qualified manufacturing or distribution facilities.

Mr. Buckshon noted that PFM does not currently have financial information from the most recent reports regarding the incentive's fiscal impact. He stated that several other states have similar programs, including South Carolina, and that PFM will further examine comparable state programs as part of its evaluation. He noted that PFM will need to further examine methods for estimating the incentive's fiscal impact because the necessary data is not required to be reported or may not be readily available.

Mr. Bauer explained that, in similar situations, PFM has estimated foregone revenue by examining states that report estimates for comparable tax expenditures. PFM then compares factors such as the states' economic size and characteristics to develop a ratio that may provide a reasonable estimate of Oklahoma's potential fiscal impact. Mr. Bauer noted that such an estimate would have a degree of uncertainty but could provide a general estimate of the incentive's potential impact.

 Credit for Investments in Clean-Burning or Electric Vehicle Property (*2021*)

Mr. Buckshon presented PFM's evaluation of the Credit for Investments in Clean-Burning Fuel or Electric Vehicle Property. He stated that the program is scheduled to sunset on December 31, 2027, and that PFM last evaluated the incentive in 2021. He noted that PFM had recently discussed the program with representatives from the Oklahoma Energy and Environment Cabinet and that the program is relatively small. Mr. Buckshon stated that PFM would continue discussions with the Oklahoma Tax Commission and examine whether changes in federal credits and funding since the prior evaluation have affected participation in and the attractiveness of the state incentive. He noted that PFM would also examine the extent to which federal and state credits may be layered or used together.

Mr. Buckshon explained that the program provides one-time tax credits for investments in qualified clean-burning fuel property, including equipment used to convert a gasoline vehicle to operate on compressed natural gas (CNG), liquefied natural gas (LNG), or liquefied petroleum gas (LPG). He also noted that, for tax years 2023 through 2028, the program includes certain motor vehicles originally equipped to operate using a hydrogen fuel cell electric fueling system. The 2024 Tax Expenditure Report reported a financial impact of approximately $4.0 million based on 213 returns.

Mr. Buckshon stated that more than half of all states provide incentives related to investments in clean-burning fuel and/or electric vehicles, including Arkansas, Colorado, Kansas, Missouri, and Texas. He noted that PFM would examine comparable state programs as part of its evaluation.
Mr. Bauer explained that the incentive can be used for qualifying vehicles and, in certain circumstances, for retrofitting and related infrastructure, such as charging stations. He stated that, based on PFM's prior discussions with individuals in the Oklahoma industry, the vehicle component of the incentive may not be necessary to encourage individuals who are already interested in adopting

electric vehicles. He noted, however, that infrastructure may be important to the growth of the industry and that ensuring infrastructure is available throughout the state may be a more significant consideration. Mr. Bauer stated that PFM had identified this issue in its prior evaluation and recommended that it be considered.

Mr. Bauer also raised the question of whether the tax credit is actually influencing a taxpayer's decision to make a qualifying investment or whether taxpayers are learning about the credit through their tax preparers or tax software after the investment has already occurred. He noted that, during the prior evaluation, he had spoken with an Uber driver who operated an alternative-fuel vehicle and was unaware of the credit until filing his taxes.

Commissioner Sears discussed the historical significance of the incentive, noting that during his time in the Oklahoma House of Representatives, the program was a significant initiative intended to encourage the conversion of vehicles from gasoline to compressed natural gas (CNG). He stated that the incentive had been popular at the time but that participation had declined over the years. Commissioner Sears expressed support for maintaining the incentive as an option for individuals who wish to make the conversion, noting that the incentive currently has a relatively low fiscal impact on the state. He also noted that Oklahoma's natural gas resources were an important factor in the original rationale for the incentive.

Vice Chair Johnson noted that there had been considerable discussion in the *Wall Street Journal* regarding changes to federal tax credits and asked how those changes might affect the state incentive.

Mr. Bauer stated that PFM had considered the interaction between the state and federal incentives in its prior evaluation. He explained that an important consideration is whether the state incentive continues to affect taxpayer behavior when a federal incentive is also available. Mr. Bauer noted that the federal incentive discussed by Vice Chair Johnson primarily relates to electric vehicles, while the Oklahoma incentive continues to provide incentives for qualifying clean-burning fuel and alternative-fuel vehicles and therefore may continue to serve a different purpose.

- **Ethanol Fuel Retailer Tax Credit** (*2021*)

Mr. Buckshon presented PFM's evaluation of the Ethanol Fuel Retailer Tax Credit. He stated that the intent of the program is to increase the sale of ethanol-blended gasoline in Oklahoma. The program began January 1, 2006, and was last evaluated by PFM in 2021.

Mr. Buckshon explained that the program provides retailers with a motor fuel tax credit of $0.016 per gallon of ethanol blended into gasoline and sold in Oklahoma, provided that the retailer reduces the price to the purchaser by the same credit amount. He noted that financial impact information was not available in the preliminary materials. Mr. Buckshon stated that multiple states have incentives targeted to blended-fuel retailers, including Kansas, North Dakota, and Montana, while other states have incentives more specifically targeted to fuel infrastructure. He stated that PFM would examine comparable programs and consider which approaches may be applicable to Oklahoma.

Mr. Bauer stated that PFM had estimated the financial impact of the incentive in its 2021 evaluation and expected to develop an updated estimate for the current evaluation. He recalled that the prior estimate was approximately $1 million to $2 million. Mr. Bauer questioned the rationale for continuing the incentive in Oklahoma, noting that ethanol production is concentrated in the Midwest near corn-producing areas. He also noted that Oklahoma does not have a significant ethanol production industry and that ethanol may compete with the state's oil and gas industry. Mr. Bauer stated that PFM would continue to examine these issues as part of the current evaluation.

Commissioner Taylor noted that the Commission's 2021 recommendation was to repeal the incentive, following PFM's evaluation, but the Legislature has not acted on the recommendation. He stated that the incentive therefore remains in effect and expressed support for reconsidering its repeal.

Vice Chair Johnson asked Commissioner Taylor whether, in his capacity as Chair of the Oklahoma Tax Commission, he supported eliminating the incentive. Commissioner Taylor responded that he did.

Commissioner Sears discussed the historical background of the incentive, noting that he was serving in the Oklahoma Legislature when the program was established and that there had been significant discussion about creating the credit so Oklahoma would have a presence in the ethanol market. He stated that Oklahoma had not ultimately pursued that direction and expressed support for eliminating the incentive. Commissioner Sears also asked why a current financial impact was not available.

Mr. Bauer explained that the incentive was not included in the Oklahoma Tax Expenditure Report used for the preliminary evaluation materials. He stated that PFM would further investigate the financial impact and include an estimate in its draft evaluation. Commissioner Sears commented that the financial impact could not be significant. Mr. Bauer stated that the prior estimate was between $1 million and $2 million.

- **Tax Deduction for Eligible Investors** (*New*)

Mr. Buckshon stated that this was the first time PFM had evaluated the Tax Deduction for Eligible Investors. He explained that the program began November 1, 2021, and is intended to encourage investments in qualified venture capital firms in Oklahoma.

Mr. Buckshon explained that Oklahoma offers accredited investors a state income tax deduction equal to their qualified equity investments, up to $25 million per year, in approved venture capital companies supporting high-impact businesses in Oklahoma. He noted that the deduction applies to tax years 2022 through 2026.

Mr. Buckshon stated that PFM would work with the Oklahoma Tax Commission to determine the number of qualifying investments made under the program and the amount of deductions claimed.

He noted that PFM did not have financial impact information available at the time of the meeting and would work to determine both the fiscal and economic impacts of the incentive.

Mr. Buckshon stated that PFM would benchmark Oklahoma's program against comparable programs in Kansas, New Mexico, and Louisiana. He also noted that the program is scheduled to sunset in October 2026, which was one reason PFM moved the evaluation forward.

Mr. Bauer stated that PFM has evaluated other incentives designed to encourage different levels of capital investment, including seed and venture capital. He noted that attracting venture capital is challenging for most states, with a significant share of venture capital concentrated in a relatively small number of states, including New York, Massachusetts, Texas, and California. Mr. Bauer stated that PFM would continue to examine how Oklahoma might establish a workable foothold for venture capital investment while maintaining parameters appropriate for the state. He noted that this was PFM's first evaluation of the incentive and that the evaluation would involve examining the program incrementally as additional information becomes available.

- **Capital Gains Deduction** (*2022*)

Mr. Buckshon stated that PFM last evaluated the Capital Gains Deduction in 2021. He explained that the program began January 1, 2006, and provides a deduction from taxable income for gains from the sale of qualified Oklahoma-based property, including real and tangible personal property and stock or ownership interests in a business entity with a primary headquarters in Oklahoma. He noted that the 2024 Tax Expenditure Report reported a financial impact of approximately $161.9 million based on 20,206 returns. He stated that the deduction applies to both individual and corporate filers and that PFM would examine the types of taxpayers utilizing the incentive. He also noted that many states have similar capital gains deduction programs and that PFM would benchmark Oklahoma against comparable programs.

Mr. Bauer stated that the Capital Gains Deduction has been controversial and has a significant financial impact. He noted that some states with similar programs target specific types of property, including agricultural property, and discussed Iowa as an example. He explained that PFM would consider whether the rationale for the incentive differs depending on the type of property involved, particularly agricultural property compared with investments that may be more mobile.

Commissioner Sears discussed the historical significance of the incentive and asked PFM to examine its impact on the agricultural and cattle industries. He also asked whether PFM could determine how the use of the deduction is divided among agricultural property and other types of qualifying property.
Mr. Bauer stated that PFM would work with the Oklahoma Tax Commission to determine what data could be made available and whether the information could be disaggregated into useful categories. He noted that PFM would need to ensure that taxpayer confidentiality is maintained.

Commissioner Wood asked whether PFM would be able to determine how many taxpayers changed their behavior as a result of the deduction, as opposed to receiving the tax benefit for transactions they would have undertaken regardless of the incentive.

Mr. Bauer discussed the “but-for” test and stated that PFM would consider whether the incentive affects taxpayer behavior. He noted that PFM may be able to make a stronger case for behavioral effects in some types of business investments, but stated that he was less convinced that the deduction for gains from shares of stock in Oklahoma-based companies would affect investment decisions.

Mr. Buckshon stated that PFM's recommendations following the prior evaluation focused on potentially reconfiguring the program rather than eliminating it. He noted that prior recommendations included targeting the deduction more narrowly, establishing a cap to limit the cost to the state, and potentially requiring qualifying gains to be reinvested in Oklahoma. He stated that none of those recommendations were adopted. Mr. Bauer added that reinvestment requirements are included in similar programs in some other states.

Vice Chair Johnson asked whether Mr. Bauer believed the Capital Gains Deduction was a valuable incentive for Oklahoma. Mr. Bauer stated that he believed portions of the incentive may provide value to the state, while other portions may not demonstrate a strong return on investment. He stated that PFM would examine whether the program could be reconfigured.

Vice Chair Johnson commented on the number of taxpayers who may be unaware of the deduction and asked whether it is incorporated into commonly used tax preparation software. Commissioner Wood stated that he was not certain but believed it was included among the available tax provisions.

Commissioner Sears stated that the Capital Gains Deduction is extremely popular in Oklahoma and that he would not support eliminating it. He expressed interest in hearing PFM's recommendations regarding potential modifications that could preserve the incentive while addressing its cost to the state. He noted that the agricultural and cattle industries would likely have significant concerns about any changes to the deduction.

Mr. Bauer stated that PFM had previously received strong support for the incentive from the Oklahoma Farm Bureau and anticipated receiving stakeholder input again during the current evaluation.

Vice Chair Johnson asked whether the existence of the exemption causes individuals to move to Oklahoma, make investments in Oklahoma property, or establish residency in Oklahoma. Mr. Bauer stated that the incentive could potentially influence an individual considering starting a company in Oklahoma if the individual expected the company to appreciate significantly, but noted that there were also many instances in which the incentive may not result in a measurable economic impact.

Commissioner Sears asked whether an individual must reside in Oklahoma to qualify for the incentive. Mr. Bauer clarified that the discussion concerned the capital gains deduction. Commissioner Sears then asked about the required holding period for qualifying property. Mr. Buckshon stated that qualifying real or tangible personal property must be held for five years and that stock or ownership interests are subject to a three-year holding period.

 Public Private Partnership (P3) Pooled Finance (*2023*)

Mr. Bauer stated that the Public Private Partnership (P3) Pooled Finance program was established by statute and supports public infrastructure projects intended to attract private investment, create jobs, and develop essential infrastructure. He explained that the program makes $100 million in funding available for local infrastructure investments that also benefit private corporations through annual cash payments or cash proceeds generated from the sale of private bonds.

Mr. Bauer explained that the P3 Pooled Finance program, the Business Expansion Incentive Program (BEIP), and the Oklahoma Innovation Expansion Program (OIEP) are supported through financing mechanisms involving the Oklahoma Development Finance Authority and the Oklahoma Department of Commerce. He noted that the programs do not represent direct state expenditures, but utilize financing mechanisms established by the Finance Authority and are repaid through other Finance Authority revenue sources.

Mr. Bauer stated that PFM last evaluated the P3 Pooled Finance program in 2023 and that he participated in meetings with individuals utilizing the program. He stated that PFM found the program useful. He noted that infrastructure investments may have secondary economic effects by making communities or particular locations more attractive to businesses.

Mr. Bauer stated that the 2022 financial impact was approximately $51.6 million for the three programs combined. He explained that PFM would disaggregate the financial impact among the P3 Pooled Finance, BEIP, and OIEP programs as part of the current evaluation. He also stated that PFM would benchmark Oklahoma's program against other states with similar pooled financing mechanisms, including Virginia's Pooled Financing Program, the Maine Municipal Bond Bank, and the New Hampshire Municipal Bond Bank.

Commissioner Chiappe asked for clarification regarding the source of funding for the pooled finance program. Mr. Bauer clarified that the financing mechanism applies to all three programs and that repayment of the investments occurs through revenues associated with the Finance Authority.

Mr. Bauer stated that, based on PFM's 2023 evaluation, more than $140 million in funding was awarded between 2018 and 2023 and was associated with more than $3.1 billion in capital investment. He noted that this represented significant leverage in terms of the capital investment generated relative to the funding provided.

 Business Expansion Incentive Program (BEIP) (*2023*)

Mr. Bauer stated that the Business Expansion Incentive Program (BEIP) supports economic development projects intended to attract private investment and create jobs. He explained that the program makes $85 million available for cash payment awards to companies that meet or exceed either $2 million in capital investment or $2 million in total annual payroll growth and noted that the program is targeted toward larger projects.

Mr. Bauer stated that BEIP is subject to a competitive scoring process through which the Oklahoma Department of Commerce determines whether a proposed project would provide a net positive benefit to the state. He explained that financing issued through the pooled finance program is repaid through withholding taxes and other revenues associated with the for-profit entity receiving the funding.

Mr. Bauer noted that other states have similar programs, which are typically administered through state finance authorities. He stated that PFM's 2023 evaluation determined that the program had a positive return on investment.

- **Oklahoma Innovation Expansion Program (OIEP)** (*2023*)

Mr. Bauer stated that the Oklahoma Innovation Expansion Program (OIEP) supports smaller projects involving private investment and job creation. He explained that the program requires a minimum capital investment of $50,000 and a minimum payroll of $625,000 at the investment site. He noted that eligible investments may support new product development, increased production capacity, existing jobs, or the creation of new jobs.

Mr. Bauer explained that, unlike the Business Expansion Incentive Program (BEIP), which targets larger capital investments, OIEP may be particularly useful for smaller businesses in smaller communities where the incentive can support investments that improve a business's ability to remain and grow in the community. He provided an example of a small manufacturing company using the program to upgrade its electrical systems.

Mr. Bauer stated that, as with the other two programs, OIEP financing is repaid through withholding taxes and other revenues associated with the business receiving the funding. He also stated that the program is subject to a competitive scoring process through which the Oklahoma Department of Commerce determines whether a project will provide a positive benefit to the state.

- **Quick Action Closing Fund** (*2022*)

Mr. Bauer stated that the Quick Action Closing Fund is a prominent economic development incentive used to help finalize business investment decisions. He explained that the fund serves as a flexible and rapidly deployable economic development tool and may be used to attract, retain, or support the recruitment and growth of high-impact business projects. He noted that the Governor may expend funds when the expenditure is likely to be a determining factor in locating or retaining a high-impact business project or facility in Oklahoma.

Mr. Bauer explained that the fund is often layered with other incentives as part of an overall investment package. He noted that the fund is supported in part by resources generated through the Quality Jobs Program, following a prior recommendation for a more regular funding source. He stated that approximately $26 million had been used from the fund as of FY2024 and that it had been used in high-profile instances to attract companies to Oklahoma or retain companies in the state.

Mr. Bauer explained that the fund is often layered with other incentives as part of an overall investment package. He noted that the fund is supported in part by resources generated through the Quality Jobs Program. He stated that approximately $26 million had been used from the fund as of FY2024 and that it had been used in high-profile instances to attract companies to Oklahoma or retain companies in the state.

Mr. Bauer noted that the fund has requirements governing how and for what purposes it may be used. He identified Texas, Arkansas, Florida, and Georgia as states with similar programs and noted that Oklahoma competes with these states for business investment. He stated that PFM previously recommended retaining the program.

Commissioner Sears stated that he was familiar with the incentive and that it was popular. He asked whether there was a specific amount available to the Governor to use when negotiating an investment package, recalling that the fund may previously have been limited to a specific amount. Commissioner Chiappe explained that the amount available is based on the total amount in the fund available for encumbrance, including amounts replenished through the Quality Jobs Program and amounts appropriated by the Legislature.

- **Strategic Industrial Development Enhancement (SIDE) Act** (*New*)

Mr. Bauer stated that the Strategic Industrial Development Enhancement (SIDE) Act has a sunset date of December 31, 2027, making it important for PFM to complete its evaluation during the current year so that the Legislature and Governor can consider PFM's recommendations while the Legislature is still in session. He noted that the program provides tax credits for qualified economic development expenditures and qualified initial infrastructure expenditures associated with eligible projects.

Mr. Bauer explained that the credit is subject to project-level limitations of $6 million for qualified economic development expenditures and $3 million for qualified initial infrastructure expenditures. He also noted that the program has an annual allocation limit of $12 million.

Mr. Bauer stated that the Oklahoma Department of Commerce had allocated the full $12 million available for the year and that allocations are made quarterly. He explained that credits may be allocated but ultimately not used and noted that the Department of Commerce has modified aspects of the program to allow certain unused credits to be recaptured and reallocated. He stated that allocated credits may be carried forward for five years.

Mr. Bauer noted that other states have similar programs for targeted investments and that PFM would consider those programs as part of its evaluation.

Closing Comments:

Mr. Bauer explained that there are rarely perfect peer comparisons among states because of differences in demographics, economic conditions, and political factors. He stated that PFM considers these differences when benchmarking incentive programs and noted that Oklahoma's incentive programs are generally comparable to those in other states. He characterized Oklahoma's overall use of incentives as generally moderate and stated that he did not consider that a negative position.

Mr. Bauer noted that interest in state incentive evaluation continues to grow nationally and that PFM reviews evaluation practices in other states to identify approaches and techniques that may be useful in Oklahoma.

Mr. Bauer reviewed the timeline for the 2026 evaluation process. He stated that, beginning this year, PFM will provide its report on the status of prior evaluation recommendations in November rather than December. He explained that providing the report earlier will give legislators additional time to consider the recommendations and, if desired, file bill shells addressing the recommendations.

Mr. Bauer stated that PFM will provide a working draft of the current evaluations in mid-August, followed by final evaluation drafts by October 1. He noted that the Commission will hold a public hearing later in October and will consider PFM's recommendations at its November meeting. He explained that PFM will recommend that each incentive be retained, reconfigured, or repealed, while the Commission may take whatever action it deems appropriate regarding PFM's recommendations. He stated that the Commission will approve the final report at its December meeting, with the final report required to be submitted to the Legislature and Governor by December 15.

Mr. Bauer stated that PFM will issue formal information requests to the Oklahoma Department of Commerce, Oklahoma Tax Commission, and other administrative agencies and will work with those agencies to obtain the requested information. He noted that PFM had met with internal stakeholders and planned to conduct additional stakeholder meetings in June, including meetings with external stakeholders in coordination with the Oklahoma Chamber of Commerce.

Commissioner Sears thanked Mr. Bauer and the PFM team for their thorough report and expressed appreciation for their hard work and due diligence in preparing and presenting the information to the Commission.

Presentation only. No action taken.

8. Announcements:

At the request of Vice Chair Johnson, Beverly Hicks announced that the next meeting is scheduled for August 27, 2026, at 10:00 a.m. The meeting will be held in Senate Conference Room 4S.9.

9. New Business:

No new business was presented by Commission members.

10. Adjournment:

There being no further business, Earl Sears moved to adjourn. Rita Armer seconded the motion. There being no opposition, Vice Chairman Johnson adjourned the meeting at 11:13 a.m.