



Oklahoma Incentive Evaluation Commission

Draft Incentive Evaluations' Findings and Recommendations

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Today's Agenda

- Discussion of activities since the last Commission meeting.
- September 30, 2026 draft evaluations' findings and recommendations.
- Next steps.



Introduction

The following are the 10 incentives evaluated in 2026:

- Computer Services & Data Processing Tax Exemption (Last evaluated: 2023)
- Construction Materials Tax Exemption (2023)
- Credit for Investments in Clean-Burning or Electric Vehicle Property (2021)
- Ethanol Fuel Retailer Tax Credit (2021)
- Strategic Industrial Development Enhancement (SIDE) Act (New)
- Oklahoma Affordable Housing Tax Credit (2022)
- Tax Deduction for Eligible Investors (New)
- Capital Gain Deduction (2022)
- Pooled Finance (Last evaluated in 2023)
 - Business Expansion Incentive Program (BEIP)
 - Oklahoma Innovation Expansion Program (OIEP)
 - Public Private Partnership (P3)
- Quick Action Closing Fund (2022)



Activities Since Providing Incentive Evaluation Working Drafts

- Non-public working drafts were provided to the Commission members on August 14th and 17th.
- Working drafts contain no findings or recommendations, and they do not include an economic impact analysis.
- Much of the work since mid-August has focused on conducting the economic impact analysis and developing the findings and recommendations.
- In addition, the new evaluation requirements from SSB 1990 were addressed, and an additional chapter was added to address goals, strategic, and competitiveness issues identified in SB 1990.
- The Commission members received red-lined copies that identify the changes from the working drafts.
- The 'clean' versions of the draft evaluations are now on the Commission's website.



Computer Services and Data Processing Tax Exemption

The Oklahoma Computer Services and Data Processing Tax Exemption exempts the purchase of machinery and equipment by persons and establishments primarily engaged in computer services and data processing from state sales and use taxes. These establishments include those defined under NAICS codes largely covering the computer and technology services industries, including data centers.

Recommendation: Retain with modifications.

Findings:

- **Use of the Computer Services and Data Processing Tax Exemption has been low but has grown modestly in recent years.** Between 2014 and 2025, annual exemptions issued ranged from zero to eight, with the highest utilization occurring in 2019. Following a decline during the COVID-19 pandemic, exemption counts have slowly recovered, reaching five in 2023 and six in 2025.
- **The number of data center establishments in Oklahoma increased by a compound annual growth rate (CAGR) of 13.5 percent between 2015 and 2025, outpacing the 12.1 percent national CAGR.**
- **Oklahoma's 6.2 cents per kilowatt hour industrial electricity rate is second lowest in the nation.** Trailing only New Mexico, Oklahoma is well below the national average of 8.7 cents. This is a meaningful comparative cost advantage for data center operators.
- **Oklahoma's exemption is less structured than most comparable states.** Of the 17 comparable state programs reviewed, the majority impose minimum investment requirements as a condition of qualification, ranging from \$25 million to \$250 million. Oklahoma imposes no minimum investment threshold, no job creation requirement, and no facility size requirement.



Computer Services and Data Processing Tax Exemption (continued)

Findings (continued):

- **The national landscape for data center tax incentives has shifted materially in 2026.** Multiple states have taken action to pause, cap, or repeal comparable exemptions amid concerns about grid stability, electricity costs for consumers, and foregone tax revenue. Arizona, Illinois, Maine, Massachusetts, Nebraska, New Jersey, New York, Ohio, Texas and Washington have all taken or announced actions to restrict data center incentives during the current year.

Additional Recommendations:

- **Require the OTC to collect information on the dollar value of exempt purchases from certificate holders.** This data would better allow for the fiscal impact of the program to be calculated and provide more information for lawmakers and evaluators on what items are being purchased that are exempt from sales and use tax. Additionally, understanding the fiscal impact will allow policymakers to decide if the cost of the program justifies its continued use.
- **Explore new standards to be required in order to receive the incentive.** Oklahoma should consider new requirements in order to take the incentive, including requirements being implemented in other states, such as limiting water consumption and data centers supplying their own electricity.



Construction Materials Tax Exemption

The Construction Materials Tax Exemption offers a full exemption from sales tax on purchases of tangible personal property by a qualified manufacturer that is used in the expansion or construction of a new manufacturing facility meeting new jobs and investment requirements.

Recommendation: Retain, with minor modifications.

Findings:

- **From FY 2016 through FY 2025, only one manufacturer claimed the exemption, doing so in FY 2023.** This generated a total of \$580,725 in foregone state sales and use tax revenue. No activity was recorded in any other fiscal year.
- **State statute prohibits simultaneous use of the exemption and the Quality Jobs Program.** This is one explanation for the low-utilization, as at every qualifying construction cost threshold, the Quality Jobs Program combined with the Investment Tax Credit produces a substantially higher present-value benefit than the sales tax exemption alone.
- **Among the four peer states identified with comparable programs, Oklahoma's eligibility requirements are among the most restrictive.** Arkansas, Missouri, and Mississippi impose lower or no minimum investment thresholds and do not require a specific number of new jobs to qualify. South Carolina requires a \$100 million minimum investment but imposes no job creation requirement. Oklahoma's combination of high construction cost thresholds and mandatory new employment sustained for 36 months makes the incentive less appealing for manufacturers evaluating incentive packages in these other states.
- **There are significant administrative requirements associated with the incentive.** Claimants must compile and submit invoices indicating all state and local tax billed, individual vendor affidavits confirming that sales tax was collected and remitted to the OTC, and separate affidavits from each contractor or subcontractor making purchases on the manufacturer's behalf.



Construction Materials Tax Exemption (continued)

Findings (continued):

- **The program contains no fiscal impact protections.** There is no annual cap on foregone revenue, no sunset date, and no mechanism to notify state officials if program usage approaches a defined threshold. However, the risk of significant fiscal impacts to the state is low given the program's level of utilization and the likelihood that qualified projects would prefer the Quality Jobs and Investment Tax Credits.

Additional Recommendation:

- **Consider establishing a program sunset date.** The program has only been used once in the last two evaluation cycles, signaling this program may not be meeting its' intended use case. A sunset date would allow future legislators to establish a timeframe of discussions on the merits of continuing the program with more up-to-date data.



Credit for Investments in Clean Burning or Electric Vehicle Property

Oklahoma's Credit for Investments in Clean Burning Fuel or Electric Vehicle Property is a one-time, non-refundable tax credit for investments in qualified clean-burning fuel and electric vehicle property; the credit can be carried forward for five years. Eligible purchases include certain vehicles, commercial fueling property and residential fueling property.

Recommendation: Retain, with modifications.

Findings:

- **Tax credit activity has varied considerably in recent years.** Between 2015 and 2023, the number of taxpayers making claims decreased by a compound annual growth rate (CAGR) of 5.1 percent annually, while the cost to the State (in terms of foregone tax revenue) decreased by 5.0 percent annually. On average, there are more than 450 claims per year, resulting in an average of \$9.7 million annually in foregone revenue to the State. The total credit amount claimed has ranged from a low of \$1.3 million in 2021 to a high of \$58.9 million in 2019.
- **On a per-capita basis, Oklahoma ranks 36th among all states in EV registrations, with a per-capita EV registration count of 557 per 100,000 residents.** Oklahoma is not among the states with the most electric vehicles. California has the most EV registrations of any state (more than 1.2 million), accounting for 35 percent of all EV registrations nationwide. With just over 22,800 EV registrations, Oklahoma ranks 28th among states.
- **Oklahoma is an Electric Vehicle (EV) friendly state based on average electricity cost.** Oklahoma's average retail electricity price ranks 3rd lowest in the country at 9.09 cents per kilowatt hour (kWh).
- **Oklahoma accounts for an above-average share of the U.S.' compressed natural gas (CNG) but a below-average share of EV charging stations.** Oklahoma ranks 1st in the nation for CNG stations per capita and 48th in the nation for electric vehicle charging stations per-capita. Oklahoma accounts for more than 6 percent of the nation's CNG stations, 5.4 percent of its propane stations and 0.5 percent of its EV charging stations. Given that Oklahoma comprises 1.2 percent of the total population of the U.S., its share of CNG and propane stations is relatively high.



Credit for Investments in Clean Burning or Electric Vehicle Property (continued)

Findings (continued):

- **The administrative processes associated with the incentive do not capture sufficient data to fully analyze the incentives' impact on the State.** The State does not collect data at a level of detail sufficient to determine which fuel types or use cases are driving credit usage, since claims are reported only in two broad categories, vehicles and infrastructure.

Additional Recommendations:

- **Clarify statutory eligibility language for commercial fueling property, specifically the phrases "for a fee or charge" and "metered-for-fee, public access recharging system."** To avoid potential confusion, the State should clarify its definitions of "for a fee or charge" and "metered-for-fee, public access recharging system."
- **Require disaggregated data reporting by fuel type and investment category as a condition of program participation.** To better understand which fuel types are driving claims and whether infrastructure investments are for commercial delivery, EV charging, or residential use, the State should require claimants to submit specific information on the intended use of the credit.
- **Require "fuel-type" check box to be used on Form 567-A before credit is awarded.** The Oklahoma Tax Commission (OTC) informed the evaluation team that the check box on Form 567-A which indicates the fuel type is unreliable and not consistently used, limiting the data available to the evaluation team. OTC should require this check box to be used to better understand what fuel types are driving the usage.



Ethanol Fuel Retailer Tax Credit

Oklahoma retailers that sell fuel blends of gasoline containing up to 15 percent ethanol by volume (E15) are eligible for a motor fuel tax credit of \$0.016 per gallon of ethanol blended into gasoline and sold in Oklahoma, as long as the retailer provides a price reduction to the purchaser of the ethanol fuel in the same amount.

Recommendation: Repeal

Findings:

- **Use of the incentive by Oklahoma fuel retailers has remained relatively consistent over time.** The tax expenditures associated with the incentive have ranged between \$0.9 and \$1.6 million annually since 2013, averaging approximately \$1.2 million per year over the timeframe and decreasing by a compound annual growth rate (CAGR) of 3.3 percent. The total number of companies claiming the credit in a given year has fluctuated but generally remained flat in the aggregate over the same period – a CAGR of -0.9 percent.
- **Both Oklahoma and the U.S. have experienced slight declines in motor gasoline consumption, while Oklahoma had a slight increase in fuel ethanol consumption.** Since 2019, Oklahoma's consumption of fuel ethanol has increased by a CAGR of 0.09 percent, greater than its decreased consumption of motor gasoline (-0.02 percent). However, the State's increase in fuel ethanol consumption is surpassed by the U.S. as a whole, which declined by -0.42 percent.
- **While ethanol blended fuels are widely available in Oklahoma and nationwide, a common blend does not qualify for the incentive.** According to statute, retailers selling fuel blends of up to 15 percent ethanol are eligible. According to the Alternative Fuels Data Center, fuel blends of gasoline containing up to 10 percent ethanol by volume (E10) are available at nearly every fueling station, and E15 is sold at more than 3,000 stations in 31 states. There are more than 4,200 public stations in 43 states offering gasoline containing up to 83 percent ethanol by volume (E85), which does not qualify.



Ethanol Fuel Retailer Tax Credit (continued)

Findings (continued):

- **The program does not limit foregone revenue – but the State is not at risk of significant increases.** Currently there are no controls or caps built into the program to limit the fiscal impact of the incentive on the State. However, it is unlikely that the credits claimed will increase significantly. Given that the credit is passed along directly to the consumer, retailers do not currently have an added incentive to increase ethanol sales at their stores in order to receive refunds that exceed their investments.
- **Oklahoma's incentive structure is unique among state ethanol incentives.** Rather than directing benefits to fuel retailers, Oklahoma structures its program as a pass-through, meaning consumers ultimately receive the benefit. This consumer-facing approach is rare, and only Oregon has offered something comparable with a program that expired nearly 10 years ago.
- **The administrative processes associated with the incentive are not efficient.** Claim forms are not required to be submitted on any specific schedule, so the receipt of claims can be unpredictable for Oklahoma Tax Commission (OTC) staff. Further, a separate claim form must be completed for each retail location, which may be particularly cumbersome for larger retailers with multiple locations but also comes at a cost to the State.
- **The incentive does not further goals established by the 2025 Oklahoma Strategic Plan for Economic and Community Development.** The state has no ethanol production facilities, is not a major corn-producing state (which is the product most often converted into ethanol), and the credit does not create a meaningful competitive advantage for Oklahoma. In fact, ethanol directly competes with Energy (Oil and Gas), which is listed as the number one key industry for recruitment and retention.

Additional Recommendation:

- **Repeal the Ethanol Fuel Retailer Tax Credit.** Consider re-allocating the program's financial resources to the State's Tax Credit for Investments in Qualified Clean-Burning Motor Vehicle Fuel Property incentive.



Strategic Industrial Development Enhancement (SIDE) Act

The Strategic Industrial Development Enhancement (SIDE) Act was created during the 2022 legislative session and was effective on January 1, 2023. It enhances the competitiveness of rural industrial parks by creating or enhancing connections between Class II or III railroads and industrial park or other economic development sites through corporate or individual income tax credits.

Recommendation: Retain, with modifications.

Findings:

- **The program is in its first three years of operation, so impact data is still limited.** According to the Department of Commerce (Department), for SIDE Act allocations of \$29.4 million in 2023 through 2025, anticipated program investments will exceed \$295.5 million, with 716 planned/projected new jobs at an average annual wage of \$51,487.
- **The program has both an infrastructure investment and an economic development project component, and funding has been roughly equally split between them.** Of the 20 projects awarded tax credits in 2023-2025, \$11.7 million was for infrastructure investment (13 projects), \$11.6 million was for economic development projects (5), and \$6.2 million was for a combination of infrastructure investment and economic development projects (2).
- **There can be attrition among entities that receive SIDE Act allocations.** Among entities receiving allocations, two withdrew from the program. Their withdrawals reduced the 2025 SIDE Act allocations by \$3.1 million and the anticipated expenditures by \$29.0 million.
- **The incentive generates significant economic impact.** The \$29.4 million in SIDE Act allocations from 2023-2025 generated direct, indirect and induced economic impact totaling \$881.6 million – 30 times the SIDE Act allocations. This translated into \$16.5 million in state tax revenue, \$0.56 for every \$1.00 in incentive.



Strategic Industrial Development Enhancement (SIDE) Act (continued)

Findings (continued):

- **The program is a complement to the state's Railroad Modernization Tax Credit.** As with this credit, it targets assistance for Class II and III railroads, which are the regional and local carriers. That credit is targeted at modernization or repair of existing railroad track, while this focuses on new railroad infrastructure as one of its two components. From the project team's analysis of this and other similar programs in other states, the two are complementary rather than redundant programs.
- **The program administration aligns with incentive best practices.** The online application requires submission of detailed information related to private investment, created jobs and average wages. The Department uses a scoring system that heavily depends on return on investment to the state, and tax credits may not be claimed until the project is completed and expenditures are verified by the Department, which can reduce awards to comply with statutory requirements for tax credit project limits.
- **The project aligns with Oklahoma's Strategic Plan for Economic and Community Development.** The Department's 2025 strategic plan identifies "Ready Sites" as one of the five pillars for driving economic growth. Further, many of the companies that benefit from the incentive are in manufacturing, which is one of the seven statewide key industries for recruitment and retention.

Additional Recommendations:

- **The Legislature should provide direction on the program's specific goal or goals.** The program has two components, and how to weigh them for competing projects would be assisted by greater legislative clarity. It would also assist with future program evaluations.



Strategic Industrial Development Enhancement (SIDE) Act (continued)

Additional Recommendations (continued):

- **Consider retaining some share of tax credit allocation for the second half of the year.** While the Department's stance that they will award credits to all worthy projects – even if that means there is only one application window – is understandable, it may mean that strong projects will not take place if they have to wait for up to a full year to determine if they will receive the state tax credits. In this case, with a second window, projects that did not receive tax credits in the first application period would still have an opportunity to have their application considered in the second round but other strong projects would have another chance to submit.
- **Provide an ongoing reporting requirement as part of the contract for receiving tax credits.** One of the challenges with incentive evaluations is the lack of ongoing data about the continued value of state investments. One approach is to require, as part of the contract for tax credit awards, that the party claiming new jobs and wages have to report on an annual basis for five years the new jobs and payroll associated with the project.



Oklahoma Affordable Housing Tax Credit

The Oklahoma Affordable Housing Act, signed into law in June 2014, allocates up to \$4.0 million per year in state low-income housing tax credits. State credits under the program are used to (1) raise private equity to finance affordable housing for families and seniors; and (2) provide affordable rent for low-to-moderate income Oklahomans (typically those earning 60 percent or less of the area median income²). Credits are claimed annually over a 10-year period (beginning when the building is placed in service), are nonrefundable, and can be carried forward for two years. The state tax credit program generally mirrors the federal low-income housing tax credit program.

Recommendation: Retain.

Key Findings:

- **The tax credit has consistently supported the development of affordable housing units, with the number of units built increasing each year.** Between 2021 and 2025, the State issued credits that totaled \$19.6 million. The credits helped fund 27 development projects which created more than 3,500 affordable housing units for Oklahomans.
- **The supply of affordable housing for extremely low-income (ELI) renters is decreasing.** In PFM's 2022 evaluation of this program, it was noted that Oklahoma's affordable housing shortage predominantly impacts those at the lowest income levels. At that time, 46 affordable rental homes were available for every 100 extremely low income (ELI) renter households. The number has declined in the years since across all income levels. As of 2024, 40 affordable rental homes are available for every 100 ELI renter households, a 13 percent decrease from 2022.
- **According to recent estimates, Oklahoma faces a shortage of 84,125 rental homes affordable and available for extremely low-income renters.** Between 2021 and 2025, the program has helped to fund 3,518 units of housing – equal to 4.1 percent of the need.



Oklahoma Affordable Housing Tax Credit (continued)

Findings (continued):

- **The administrative processes associated with the Oklahoma Affordable Housing Tax Credit are robust and capture sufficient data to evaluate the program's impact.** OHFA collects detailed project-level information through its competitive application process, including market studies, financial feasibility analyses, unit counts, income targeting levels, and geographic distribution, and monitors compliance throughout the 15-year compliance period. The primary data limitation is on the tax claim side: Oklahoma Tax Commission records show only aggregate credit amounts claimed and carried forward, with limited visibility into the transfer activity that occurs when credits are sold to insurance companies or other unrelated taxpayers, making it difficult to fully trace the credit's value from allocation through final use.
- **The Oklahoma Affordable Housing Tax Credit aligns well with the 2025 Oklahoma Strategic Plan for Economic and Community Development.** The program supports the "Relevant Incentives" pillar through its competitive, cap-constrained design and federal recapture mechanism, and advances the "Ready Workforce" pillar by expanding housing supply that communities need to attract and retain workers.

Additional Recommendation:

- **Consider making the tax credit refundable rather than transferable.** As was mentioned in the previous evaluation, the state should consider making the tax credits refundable instead of transferable. Critics of transferrable tax credits question whether it is sound public policy to allow tax incentives, in this case designed specifically to spur affordable housing development, to be sold off to companies in entirely unrelated industries. Furthermore, selling the credits typically erodes their value, as developers are often forced to sell them at 85 to 90 cents on the dollar.



Tax Deduction for Eligible Investors

The incentive provides a deduction from Oklahoma taxable income or adjusted gross income for qualified equity investments made by accredited investors in eligible Oklahoma venture capital companies. An accredited investor may deduct up to \$25 million per taxable year. The deduction may not reduce Oklahoma taxable income below zero, and no carryover is allowed. The venture capital company accumulates funds to invest in for-profit business entities, and the Oklahoma Center for the Advancement of Science and Technology (OCAST) determines whether a business qualifies as an eligible Oklahoma business venture for receipt of that investment. The Oklahoma Tax Commission (OTC) administers the deduction.

The deduction was authorized for tax years 2022 through 2026 and was extended through tax year 2031 by HB 4028 (2026), effective January 1, 2027.

Recommendation: Retain, with modifications

Key Findings:

- **The project team was unable to identify any use of the program over the evaluation period.** This is due to both data collection challenges and potentially small sample sizes of taxpayers taking the deduction. Changes to the administrative process will collect improved data in the future.
- **The combination of insufficient data and the relatively short history of the program lead to something of an “incomplete grade.”** Assuming there is sufficient participation to allow OTC data to be reported, future evaluations should be able to answer more questions about the fiscal and economic impacts.



Tax Deduction for Eligible Investors (continued)

Findings (continued):

- **Whether the deduction changes investor behavior, the "but for" question, cannot be determined from available data, and the incentive's design offers limited assurance that it does.** The deduction is broad relative to comparable incentives and lacks the performance guardrails common to both peer-state programs and Oklahoma's own performance-based incentives. Most comparable state programs deliver a percentage credit tied to a certified investment, often with per-investor and annual caps and, in several states, clawbacks.
- **The deduction aligns with Oklahoma's strategic goal of encouraging new private investment but is not targeted to any of the state's priority industries.**
- **The deduction's macroeconomic footprint cannot be quantified.**

Additional Recommendations:

- **Align the program with the priority industries identified in the Commerce Department or OCAST strategic plans.**
- **Define the goal of this program in relation to similarly situated venture capital and seed capital programs.**
- **Continue to enhance data collection.**
- **Require investors to register with OCAST to build a database.**



Capital Gain Deduction

The incentive provides a 100 percent deduction from taxable income for gains from the sale of qualified Oklahoma-based property. Qualified gains include the sale of real and tangible personal property based in Oklahoma and stock or ownership interest in a business entity with a primary headquarters in Oklahoma.

Recommendation: Reconfigure.

Findings:

- **Since 2018, deduction claims and the amount deducted have been volatile and without a clear trend.** Individual income tax returns claiming the deduction ranged from 15,209 to 19,935 annually between 2019 and 2024, generating an estimated \$801.6 million in foregone state revenue over that six-year period, compared with \$716.3 million over 2014-2018.
- **The benefit remains concentrated among high-income claimants. From 2019 through 2024, claimants with Adjusted Gross Income (AGI) above \$1.0 million accounted for 4.8 percent of returns but 62.5 percent of the total amount deducted.** Claimants with AGI above \$25.0 million, fewer than 0.1 percent of claimants, accounted for 14.0 percent of the total amount deducted.
- **The actual amount of foregone revenue is greater than the reported amounts deducted.** The Oklahoma Tax Commission (OTC) cannot isolate corporate use of the deduction. Corporate claims remain embedded in Form 512 calculations rather than separately reported, so all usage data in this evaluation reflect individual income tax claims only.
- **Oklahoma's rate reductions have modestly lowered the deduction's fiscal cost.** The drop from a 5.0 percent top rate to 4.75 percent (2022-2025) and 4.5 percent (2026 forward) reduced foregone revenue by an estimated \$21.0 million over 2019-2024 versus the prior 5 percent rate.



Capital Gain Deduction (continued)

Findings (continued):

- **While it cannot be established definitively, available evidence does not support the deduction as a widespread driver of investment decisions.** A 2025 Congressional Research Service analysis found the long-run behavioral response of capital gains realizations to tax changes has an elasticity of 0.29 to 0.45, meaning investors' decisions to sell assets are only modestly sensitive to the resulting tax treatment.
- **The return on investment for the capital gains deduction is negative.** Over the 2019-2024 period, the total economic impact of the capital gains deduction is \$306.7 million, compared with \$801.6 million in foregone revenue to the State. Economic impacts of the deduction are far less (38.3 percent) than the deduction itself, a wider gap than found in the 2021 evaluation, when economic impacts equaled 56.3 percent of foregone revenue
- **The deduction is the largest state tax incentive.** In tax year 2023, the Capital Gains Deduction generated \$123.3 million in foregone revenue, compared with \$23.5 million used to reduce tax liability under the Investment/New Jobs Credit, the state's largest capital-investment incentive, which ties its benefit to documented job creation and payroll thresholds.
- **The deduction has been narrowed or eliminated in other states.** No additional states have adopted a comparable deduction since the 2021 evaluation, and several have narrowed theirs:
- **The deduction does not map to any of the 5 pillars or 10 measurable goals in the Oklahoma Department of Commerce's 2025 Strategic Plan for Economic & Community Development.**
- **The deduction is too small relative to Oklahoma's economy to constitute a macro-level competitive advantage.**
- **No cost controls are in place.**



Capital Gain Deduction (continued)

Additional Recommendations:

- Reconfigure the program with legislative intent tied to a specific strategic goal or one of Commerce's seven priority industries.
- Narrow the eligible capital gains allowed to be deducted under the program; for example, keeping agriculture sector transactions but limiting other types of investments that are less likely to be influenced by the program.
- Consider capping the value of an individual or corporate deduction to limit fiscal exposure, informed by benchmarking (Colorado: \$100,000; Vermont: \$350,000).
- Improve OTC data collection on corporate claims, property type, and industry to support the but-for and strategic-alignment assessments required in future evaluation cycles.



Pooled Finance

The Economic Development Pooled Finance Program was established in 2009 by the Oklahoma Community Economic Development Pooled Finance Act. The Program supports economic development and public infrastructure projects to attract private investment, create and sustain jobs, and develop essential infrastructure.

The program operates via a \$250 million pool of financing made available to for-profit entities for local infrastructure or economic development projects.¹ Cash payment awards for approved projects are determined by the Oklahoma Department of Commerce (Commerce) and disbursed by the Oklahoma Development Finance Authority (ODFA). The Program operates as a revolving fund, and funding is replenished through payroll tax rebates generated by the for-profit entities receiving funding, or through a new tax or tax increase levied by local government funding recipients.

The program contains three distinct financing tools, each targeting a different segment of economic development activity:

- **The Business Expansion Incentive Program (BEIP)** provides loans to for-profit businesses undertaking local infrastructure or economic development projects. Repayment is made by diverting payroll taxes generated by the qualifying company's workforce. Eligible businesses must meet or exceed \$2 million in both capital investment and total annual payroll.
- **The Oklahoma Innovation Expansion Program (OIEP)** is similarly structured but focuses on smaller, high-impact capital investments that will lead to either new product development or increased capacity at a company. The maximum award amount is \$150,000.
- **The Public-Private Partnership Pooled Finance Program (P3)** provides financing for infrastructure and economic development projects where there is a benefit to both a local government and for-profit entity. Repayment is provided through locally levied taxes or other dedicated revenue.



Pooled Finance (continued)

Recommendation: Retain, with minor modifications.

Findings:

- **Between 2020 and 2025, more than 11,300 new jobs were created through BEIP and OIEP, and nearly 90,000 existing jobs were retained statewide.** The average wage associated with newly created jobs was \$53,300 over this period and increased annually.
- **Between 2020 and 2025, \$397.1 million in funding was provided to support more than \$2,543.7 million in capital investment.** The funding awarded by ODFA represents 15.6 percent of the total private capital investment. The three programs vary in terms of percentage of total capital investment represented by award dollars, from 13.1 percent under BEIP to 21.9 percent under P3.
- **OIEP has increased in popularity, particularly among manufacturing firms looking to make smaller-scale investments that fall below the capital investment thresholds established by other state programs.** The programs has grown from \$7.4 million in awarded funds leveraging \$29.9 million in capital investment in 2020 to \$61.7 million in award funds leveraging more than \$300 million in capital investment in 2025. The number of applications increased by 24 percent from 2025 to 2026.
- **Each program has participation requirements and limitations on the use of funds, varying from capital investment and job creation to demonstrated enhanced regional competitiveness.** Participation in any of the Pooled Finance programs also precludes a company from simultaneously also participating in the Quality Jobs or Investment Tax Credit programs.
- **Pooled Finance program funding is based on an annual allocation of \$200 million, effectively limiting future costs by providing a cap on available funds.** Funding for the program comes from ODFA, and the program is structured as a revolving fund, eliminating direct cost to the State General Fund.



Pooled Finance (continued)

Findings (continued):

- **Oklahoma's Pooled Finance programs are unique.** While elements of the program are found in other states' incentives, the pooled revolving fund structure and financial assistance for private companies is rare.
- **The Pooled Finance programs are well-aligned with Oklahoma's 2025 Strategic Plan.** The programs advance several of the Plan's identified pillars, particularly in advancing Oklahoma's business competitiveness and through encouraging businesses to invest and expand within the state.
- **Additional Recommendations:**
 - **Continue process improvement, particularly for the OIEP program, which has a short application period and award-contract turnaround timeline.** Further enhancements may help reduce the administrative burden or reviewing applications and structuring contracts.
 - **Create a centralized application database to ensure applicants can move between programs where applicable.** While Commerce supports firms in selecting a program appropriate for their intended investment or activity, a centralized database would enable Commerce to move applicants between programs. This would mitigate the administrative cost of data collection and help streamline applicants across Commerce-administered incentives.



Quick Action Closing Fund

The Quick Action Closing Fund was established in 2011 to attract high-impact businesses to Oklahoma when award funds are likely to be the deciding factor in a business' location decision. Administered by the Department of Commerce and subject to final approval by the Governor, the Fund operates on a fully discretionary, case-by-case basis, with no fixed statutory minimum for job creation or capital investment. The Department of Commerce evaluates each project's anticipated job creation and retention, wages, capital investment, and likelihood of generating related business activity before an award is recommended.

Recommendation: Retain, with modifications.

Findings:

- **The Quick Action Closing Fund's unreserved balance has increased to \$32.3 million since the previous program evaluation in 2022.** At the end of FY 2022, the unreserved fund balance was \$18.6 million. Legislative appropriations remain the largest driver of the fund balance.
- **As of June 2026, a total of \$37.4 million in funding has been paid to award recipients and an addition \$14.0 million in funding is encumbered.** Encumbered funds are due to five program recipients over the next several years as they meet their performance thresholds.
- **Since 2021, QACF award recipients have retained more than 1,000 jobs and created roughly 1,150 new jobs.** The average wage associated with newly created and retained jobs under QACF was \$79,990 in 2025, significantly higher than the average wage statewide.
- **Since 2021, award recipients have made roughly \$1,451.4 million in capital investments and received \$22.9 million in award funds.** The average capital investment and award amount are \$103.7 million and \$1.4 million respectively, however award amounts range from \$225,000 to \$2.8 million, highlighting the program's ability to tailor awards to the scale of recipient investments.



Quick Action Closing Fund (continued)

Findings (continued):

- **For every \$1.00 in award funding provided, the State receives \$2.45 in tax revenue as a result of job creation and capital investment.** This implies a breakeven point of 40.8 percent. If only 40.8 percent of program activity occurred as a direct result of the Fund's availability, the program pays for itself.
- **The program is subject to cost control measures, as it remains dependent on legislative appropriations for the majority of funding.** These appropriations limit the amount that can be spent by the Fund. Additionally, all award recipients must have a detailed analysis performed by the Department of Commerce prior to entering under a fund contract. The analysis must demonstrate that awards are, at minimum, revenue neutral or generate a net benefit to the State. Additionally, the majority of award funding is provided once recipients achieve agreed upon performance thresholds, adding another layer of cost control to the program.
- **Of the peer state identified that operate closing funds, Oklahoma publishes the least data on award recipients.** Out of nine performance and award-related metrics identified, Oklahoma only publishes data on one, award amount.
- **Oklahoma's Quick Action Closing Fund is competitively funded relative to peer programs.** Its \$20 million appropriation matches New Mexico's closing fund and exceeds those of Arkansas and North Carolina. Only Texas' Enterprise Fund is larger, and that figure reflects a two-year biennial appropriation.



Quick Action Closing Fund (continued)

Additional Recommendations:

- **Require additional reporting on awards.** Currently, Oklahoma provides information on award recipient, amount, year of award, and a brief description of how the award is used. As this program is discretionary, transparency in how the program is used and the projects it supports is essential for building and maintaining public trust. Based on the information provided by peer state, Oklahoma should consider providing the following metrics for each award:
 - Expected Capital Investment
 - Expected Job Creation
 - Expected Average Wage
 - Award Amount Paid
 - Actual Capital Investment
 - Actual Job Creation
 - Actual Average Wage
- **Enhance data collection process so that more data is available for incentive evaluation.** In addition to the identified metrics Oklahoma should provide publicly, the State should provide a more detailed breakdown on capital investment, including spending on machinery, construction, and land, and a breakdown of average wage for both jobs retained and jobs created. This additional data will enable a more robust and detailed analysis and discussion of funding recipient performance.



Next Steps

- As in past years, PFM will be present at the public hearing (scheduled for October 22).
- PFM will then provide final evaluations to the Commission.
- PFM will be available to answer questions/make comments at the Commission's decision-making meeting on November 12th.
- PFM will also prepare the draft report on changes to incentives resulting from Commission recommendations, also for November 12th.



Questions and Discussion